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Bank of Japan

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

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

November 2002

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

Japan's economy has stabilized as a whole, but there is greater uncertainty toward recovery.

With regard to final demand, while the decline in business fixed investment has almost come to a halt, private consumption continues to be weak. Moreover, housing investment remains sluggish and public investment is declining. While signs of recovery are still not observed in domestic demand, exports are losing their momentum.

The completion of the cutbacks in inventory stocks still underpins the increase in industrial production, but the pace of increase has become slower as exports are not rising anymore. As for the employment situation, the overtime hours worked continue to increase and the number of employees, which widely covers various non-regular employees such as temporary workers, appears to have stopped declining. However, as firms are still maintaining their stance on reducing personnel expenses, household income continues to decrease noticeably due to, among other factors, an ongoing decline in wages. Thus, the employment and income situation of households overall remains severe.

Turning to the economic outlook, a widely shared prospect for overseas economies throughout next year is that they will follow a gradual recovery path. However, an increasing number of economic indicators are softening in some countries, particularly in the United States. Based on this development, the recovery in overseas economies is likely to be anemic at least for the time being. Therefore, exports and industrial production are expected to be more or less unchanged for the immediate future.

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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 November 18 and 19, 2002.

<sup>2</sup> The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on November 18 and 19 as the basis for monetary policy decisions.

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

Overall, assuming that overseas economies will recover next year even at a moderate pace, the increase in exports and production will resume, making the foundations of Japan's economic recovery gradually firmer. However, the economy is unlikely to show clear signs of recovery for some time, since exports and production are expected to be virtually unchanged for the time being while restraining forces such as excessive labor input and debt persist. Furthermore, the uncertainty regarding the outlook for the U.S. and other overseas economies, including geopolitical factors and their effects on the economies, is becoming greater. On the domestic side, stock prices have fallen to a considerably low level. Hence, the progress in the disposal of non-performing loans of financial institutions and its effects on stock prices, corporate finance, and the economy, should be carefully monitored.

On the price front, import prices are starting to turn up reflecting the rise in oil prices during the summer and into the fall, and the depreciation of the yen. Domestic wholesale prices are virtually level since the rise in import prices and the improvement in the balance of supply and demand in the materials industries have almost been offset by the decline in machinery prices and electricity charges. However, consumer prices remain on a gradual downtrend and corporate services prices continue to decline.

Looking at the conditions influencing price developments, import prices are projected to continue firming up for the time being as the effects from the rise in oil prices will remain. However, the overall supply-demand condition is expected to keep exerting downward pressure on prices for a while amid persistently weak domestic demand, although the completion of inventory adjustment and the rise in capacity utilization rates will support prices to some degree. Moreover, factors such as the ongoing technological innovations in machinery, deregulation, and the streamlining of distribution channels will continue to restrain prices. Under these circumstances,

domestic wholesale prices are expected to remain virtually level for a while. Consumer prices are expected to stay on a declining trend for the time being at the current gradual pace. While the slower growth in imports of consumer goods is expected to alleviate the downward pressure on prices to some extent, the faster pace of decline in wages may possibly reinforce the ongoing decline in prices, especially for services prices.

As for the financial market, the outstanding balance of the current accounts at the Bank of Japan is recently moving at around 17-18 trillion yen, as the Bank provides further ample liquidity following the guideline for money market operations decided at the Monetary Policy Meeting held on October 30. Under these circumstances, in the short-term money markets, the overnight call rate continues to move at very close to zero percent. Meanwhile, TB and FB rates, which declined temporarily after the Monetary Policy Meeting held on October 30, have inched up since mid-November as banks have held off buying TB and FB in response to a drop in bank stock prices.

Yields on long-term government bonds declined below 1.0 percent for the first time since November 1998 as banks and institutional investors increased investment in bonds, and are moving around 1.0 percent recently. Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds remain virtually unchanged.

Meanwhile, stock prices declined and are recently moving around 8,000-8,500 yen due to rising uncertainty about the economic outlook.

In the foreign exchange market, the U.S. dollar is weakening again on the whole reflecting the strained situation in the Middle East and the deterioration in the U.S. economic indicators. The yen is currently being traded in the range of 119-122 yen to the U.S. dollar.

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 becoming slightly more severe. In the corporate bonds and

CP markets, the issuing environment for firms with high credit ratings is accommodative, but the environment for firms with low credit ratings is severe.

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

Amid these developments, private banks' lending continues to decline by about 2-3 percent on a year-on-year basis. Growth rates of the amount outstanding of corporate bonds and CP issued are on a declining trend and the amount outstanding dropped slightly below the previous year's level in October.

Meanwhile, according to business surveys, the financial position of firms, particularly that of small firms, remains severe.

The monetary base exhibits a high year-on-year growth rate of around 20 percent. The year-on-year growth rate of the money stock is around 3.0-3.5 percent.

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

Against the above background, the financial developments are summarized as follows. Money market conditions as a whole continues to be extremely easy partly due to the additional monetary easing by the Bank. Long-term interest rates are low. The money stock and the monetary base maintain high growth rates relative to that of the economic activity as a whole. However, stock prices remain unstable. In corporate finance, the fund-raising environment of firms with low credit risks is accommodative on the whole, but with regard to firms with high credit risks, the stance of investors remains severe and the lending attitudes of private banks are becoming more cautious. Under these circumstances, the government released the "Comprehensive Measures to Accelerate Reforms" which includes policies to accelerate the disposal of non-performing loans. Including the effects arising from these measures, developments in the financial and capital markets including stock prices, the behavior of financial institutions, and the situation of corporate finance require closer monitoring.

## The Background

### 1. Japan's Economy

Public investment has been declining (Chart 3). The value of public works contracted—a metric that reflects public orders—remains sluggish owing to the decrease in the FY 2002 budget. Moreover, the turnover in public construction, reflecting the actual progress of public works, continued to be at low levels following the plunge in spring. Public investment is projected to continue declining due to the large cutbacks in public investment expenditures in the budgets of both the central and local governments for FY2002.

Real exports are losing their momentum (Chart 4[1]). Following the upturn in the first quarter, they rose substantially in the second quarter when the impact from global restocking, mainly in IT-related goods, had been significant. But real exports increased only slightly in the third quarter. By goods (Charts 5[2], 6[1], and 7), IT-related exports still continued their high growth even into the third quarter, but the pace has obviously dropped from the very rapid growth in the second quarter induced by the effects of restocking.<sup>3</sup> In addition, the growth in exports of capital goods and parts was somewhat weak in the third quarter due mainly to the slower increase in semiconductor fabrication machines and equipment. Intermediate goods (iron and steel, chemicals, etc.) were virtually unchanged in the third quarter since an upsurge was observed in the first half of this year and since steel makers refrained from exporting, taking China's move toward safeguarding its steel industry into consideration. Exports of automobile-related goods to each region were sluggish in the third quarter.

Real imports rose at a higher pace than real exports in the third quarter, following the increase in the second quarter, for the first time since the fourth quarter of 2000 on a quarter-to-quarter basis (Chart 4[1]). However, the upsurge in materials (such as crude oil) and intermediate goods (chemical and metal products, etc.) is likely to be exceptional and thus temporary, given the actual developments in domestic

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<sup>3</sup> According to the *WSTS' (World Semiconductor Trade Statistics) Semiconductor Forecasts*, current shipments show (Chart 6[2]) that the increase in global shipments of semiconductors is slowing, mainly in Asia (9.5 percent in the second quarter and 3.8 percent in the third quarter on a quarter-to-quarter basis). In addition, the pace of increase is projected to decelerate further in the fourth quarter.

production (Chart 8[2]). Among other goods, capital goods and parts (excluding aircraft) also exhibited relatively high growth in the third quarter, but the growth declined in the second quarter from the rapid increase assisted by a rise in parts related to semiconductor fabrication machines and equipment. Moreover, IT-related imports, which showed a steady rise throughout the first half of this year, leveled off in the third quarter (Chart 6[3]).

Net exports (real exports minus real imports), in terms of the real trade balance (Chart 4[2]),<sup>4</sup> had been soaring since around the start of this year, but inched down in the third quarter as exports lost their momentum and imports rose substantially. The surplus of the nominal balance on goods and services also dropped slightly in the third quarter, reflecting the developments in net exports.

Regarding the outlook for overseas economies, a widely shared prospect is that the economies will follow a gradual recovery path throughout next year. However, as for the current developments in the U.S. economy, which becomes the main focus when looking at overseas economies (Charts 9-2[1], [2], and [3]), business fixed investment has yet to recover clearly. Moreover, the weakness in household-related indicators, such as in automobile sales and consumer confidence, has recently become somewhat notable. The European economy appeared to be decelerating, and in some East Asian economies the growth in exports and production mainly in the IT-related sector seemed to be slowing. Anecdotal information obtained from Japanese firms also indicated that more firms have become cautious regarding the outlook for future exports. In addition, there is greater uncertainty about geopolitical tensions and their effects on overseas economies. In sum, uncertainty regarding exports is rising.

Assuming that overseas economies will recover moderately next year, exports are projected to resume an increase at some stage. For the time being, however, they are likely to remain virtually unchanged; even more, the risk of a downturn exists. On the other hand, imports are expected to be virtually level since domestic production will

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

be more or less unchanged. These prospects for exports and imports suggest that net exports will basically be level for the time being.

Business fixed investment has almost come to a halt against the background of the improvement in corporate profits. Based on national accounts, nonresidential investment in the second and third quarters was virtually unchanged from the first quarter (Chart 2[2]). Shipments and aggregate supply of capital goods (excluding transport equipment), a coincident indicator of machinery investment, have stopped decreasing (Chart 10-1[1]).<sup>5</sup>

As for leading indicators, machinery orders (private demand, excluding shipbuilding and electric power equipment; Chart 10-2[1]), fell only slightly in the third quarter after the upturn in the second quarter. However, forecasts for machinery orders in the fourth quarter indicated a considerable decline, mainly among nonmanufacturing, which tends to fluctuate significantly. This implies that investment is unlikely to recover in the near future. Construction starts (private, nondwelling use; Chart 10-2[2]), another leading indicator, have advanced and retreated with an increase in the second quarter but a decrease in the third quarter.

In sum, as for the outlook for business fixed investment, the investment stance of firms is unlikely to become positive in the near future, mainly due to projections that exports and production will be more or less unchanged for some time, while excess capacities will persist among firms (Chart 10-1[2]).

Private consumption remains weak amid the severe employment and income situation of households. Most sales records in July dropped, mainly owing to the effects from typhoons, but they all improved significantly in August and remained virtually level in September. In sum, the underlying trend of private consumption is more or less unchanged.

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



In detail (Charts 11-1 and 11-2), department store sales and supermarket sales picked up in August, mainly in apparel, due to the heat wave. They continued to be stable in September, assisted by the commemorative sales of the professional baseball championships. However, sales at convenience stores dropped in September. Sales of household electrical appliances were lackluster in June-July, but inched up in August-September since PC sales recovered somewhat after the prices were lowered again and also sales of white goods such as air conditioners picked up due to the heat wave and the lingering summer heat. The number of passenger cars sold remained steady from August to October, supported by sales promotions of some manufacturers after the slump in June-July. Also, sales of food services industries almost returned to their upward trend, and outlays for travel were more or less unchanged of late. The indices of aggregated sales (Chart 11-3)<sup>6</sup>—which are comprised of many sales indicators, including those mentioned above—remained close to zero percent on a year-on-year basis. Meanwhile, the level of aggregate supply of consumer goods also remained below the previous year’s level (Chart 11-4).

Consumer sentiment had been picking up since early spring, but there are an increasing number of indicators recently showing that sentiment had edged down, mainly due to concern over the employment situation (Chart 12).

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

Housing investment remains sluggish (Chart 13). In detail, the investment levels of owner-occupied houses, built-for-sale, and housing for rent were all low; built-for-sale in particular has edged down, since sales of condominiums were less firm. Housing investment is projected to remain stagnant since no supporting factors in particular can be seen under the severe employment and income situation of households.

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<sup>6</sup> The indices of aggregated sales are compiled by the weighted average of various sales indicators (including a few indicators for services consumption). Since each sales indicator shows different movements, the indices of aggregated sales are used to evaluate the whole trend of these sales indicators. For the detailed calculation method, see the notes in Chart 11-3.

As for industrial production (Chart 14[1]), the completion of the cutbacks in inventory stocks still underpins the increase in production, but the pace of increase has become slower as exports are no longer rising. As for the developments in the third quarter by industry (Chart 14[2]), production continued to increase for a wide range of industries such as electrical machinery, general machinery, transportation equipment (automobiles), and iron and steel. However, the production of electrical machinery slowed down significantly in the third quarter compared to the second quarter, when the effects from overseas restocking, mainly of IT-related goods, has led to a large increase.

As for inventories, inventory adjustment has been completed (Chart 16). By goods, the completion of inventory adjustment was most notable for goods having maintained steady growth in exports, i.e., producer goods for electrical machinery (electronic parts such as semiconductors) and of other producer goods (mainly materials). As for producer goods for electrical machinery, the sector is about to enter the inventory accumulation phase. However, the impetus to production coming from an improvement in the balance between shipments and inventories appears to be becoming gradually weaker.

As for the outlook for industrial production, exports are expected to remain more or less level for the time being and the effects from the introduction of new automobile models are projected to decrease slightly. In addition, the increase in production due to the completion of the cutbacks in inventory stocks, which had a large impact during the third quarter, is expected to edge down. Against this background, industrial production is projected to remain virtually unchanged for some time.<sup>7</sup>

As for the employment and income situation, the overtime hours worked continue to increase (Chart 18-2[3]), and also the number of employees in the *Labour Force Survey*, which widely covers various non-regular employees such as temporary workers, appears to have stopped declining, reflecting the stabilization of overall

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<sup>7</sup> An estimation on production in the fourth quarter revealed a projected figure of 0.7 percent on a quarter-to-quarter basis. The figure is based on both the production forecast indices of October (1.2 percent on a month-to-month basis) and November (-1.4 percent) and the assumption that the production level in December is the same as that of November. According to anecdotal information from Japanese firms, they seem to be cautious overall about production in the first quarter of 2003, as they currently have little confidence that exports will start recovering.

economic activity. However, since firms are maintaining their stance on reducing personnel expenses, the number of regular employees published in the *Monthly Labour Survey*, in which the weight of regular employees is higher, kept declining (Chart 18-2[2]); wages also continued to fall. Therefore, household income continued to decline noticeably (Chart 17). Moreover, the number of new job offers, which increased in the first half of this year, appears to have leveled off, reflecting the slowdown in recent production growth (Chart 18-1[2]). In sum, the employment and income situations of households remain severe.

Looking at nominal wages per employee in detail (Chart 17[2]), overtime payments are increasing but the contribution to overall wages is small. On the other hand, regular payments continued to decline both due to a rise in the ratio of part-time workers and to a restraint on the base-pay hike. As for bonuses, which plunged this summer, the situation for this winter is projected to remain severe, with great uncertainty regarding the business environment from the second half of this fiscal year, although the improvement in corporate profits during the first half will support winter bonuses to some extent. These developments in employment and wages suggest that household income is expected to continue decreasing markedly for the time being.

Meanwhile, the unemployment rate remained high (Chart 18-1[1]). Among the unemployed, the number of those involuntarily unemployed in particular remained at a high level after the substantial increase in the latter half of last year.

## **2. Prices**

Import prices on a yen basis are starting to turn up compared to levels three months ago due to the rise in oil prices during the summer and into the fall, and to the depreciation of the yen (Chart 20).

Domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates)<sup>8</sup> are virtually unchanged compared to levels three months ago (Chart

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<sup>8</sup> The figures are adjusted to exclude a large seasonal fluctuation in electric power charges in order to observe the underlying changes in domestic wholesale prices. Industrial and commercial electric

21). In detail, prices of petroleum products are rising, reflecting the increase in import prices. Moreover, prices of materials such as iron and steel, chemicals, and paper-pulp rose due to the improvement in the supply and demand balance. Meanwhile, machinery prices continued to decline and electricity charges were also reduced.

Corporate services prices (domestic supply-demand factors; same hereafter) continue to decline (Chart 22). Compared to those three months ago, prices for general services (temporary worker services) dropped because of firms' intentions to reduce business costs. Prices for advertising, real estate services, and leasing and rentals also continued a downtrend. On a year-on-year basis, the decrease in corporate services prices has been slightly more than one percent.

Consumer prices (excluding fresh food; same hereafter) continue to decline mildly (Chart 23). The overall year-on-year rate of change continued to stay at slightly less than one percent (the year-on-year change was -0.8 percent in July, -0.9 percent in August, and -0.9 percent in September). In detail, the rate of decline in goods was around -2.0 percent, general services was close to zero, and public utility charges inched down, mainly due to the reduction in electricity charges.

As for imported products and their substitutes (Chart 24[1]), the rate of decline in these prices tended to contract on a year-on-year basis. This may be closely related to the decline in the prevalence of business strategies for lower pricing, compared to 2000-2001. In fact, the increase in imports of consumer goods, which had been supporting these strategies, has recently come to a halt (Chart 24[2]).

Looking at the conditions influencing price developments, import prices are projected to continue firming up for the time being as the effects from the rise in oil prices will remain. However, the overall supply-demand condition is expected to keep exerting downward pressure on prices for a while amid persistently weak domestic demand, although the completion of inventory adjustment and the rise in capacity utilization rates will support prices to some degree. Moreover, factors such as the

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power consumption charges are set relatively high during July-September, when consumption increases substantially.

ongoing technological innovations in machinery, deregulation, and the streamlining of distribution channels will continue to restrain prices. Under these circumstances, domestic wholesale prices are expected to remain virtually level for a while. Consumer prices are expected to stay on a declining trend for the time being at the current gradual pace. While the slower growth in imports of consumer goods is expected to alleviate the downward pressure on prices to some extent, the faster pace of decline in wages may possibly reinforce the ongoing decline in prices, especially for services prices.

### **3. Financial Developments**

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

The outstanding balance of the current accounts at the Bank of Japan is recently moving around 17-18 trillion yen, as the Bank provides further ample liquidity following the guideline for money market operations decided at the Monetary Policy Meeting held on October 30 (Chart 27).

As for interest rate developments in the short-term money markets, the overnight call rate (uncollateralized; Chart 25[1]) continues to hover at very close to zero percent. As for the developments in longer-term interest rates (Chart 26), three-month Euro-yen rates (TIBOR) continue to be at low levels. TB and FB rates, which declined temporarily after the Monetary Policy Meeting held on October 30, have inched up since mid-November as banks have held off buying TB and FB in response to a drop in bank stock prices.

In the bond market, yields on ten-year government bonds (newly issued 10-year JGB; Chart 25[2]) declined below 1.0 percent for the first time since November 1998, as banks and institutional investors increased investment in bonds. They are moving at around 1.0 percent recently.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 31 and 32) remain virtually unchanged.

Stock prices (Chart 33) continue to be weak with the rising uncertainty regarding the economic outlook, while investors are carefully watching how the

measures in the Program for Financial Revival by the government will be implemented. The Nikkei 225 Stock Average declined and is recently moving at around 8,000-8,500 yen.

In the foreign exchange market (Chart 34), the U.S. dollar is weakening again on the whole, reflecting the strained situation in the Middle East and the deterioration in the U.S. economic indicators. The yen is currently being traded in the range of 119-122 yen to the U.S. dollar.

## **(2) Monetary Aggregates and Corporate Finance**

The monetary base (currency in circulation + current account balances at the Bank of Japan) exhibited a high year-on-year growth rate of around 20 percent in October, although the rate slowed slightly. (The year-on-year change was 26.1 percent in August, 21.4 percent in September, and 19.8 percent in October; Chart 35.)

The year-on-year growth rate of the money stock ( $M_2$  + CDs) was around 3.0-3.5 percent. (The year-on-year change was 3.4 percent in August, 3.2 percent in September, and 3.3 percent in October; Chart 36.)  $M_1$  continued to increase substantially, by around 30 percent from the previous year's level, reflecting the strong preference for liquid assets. (The year-on-year change was 31.4 percent in August, 29.7 percent in September, and 29.0 percent in October.)

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

Meanwhile, with regard to corporate finance, private banks are becoming more cautious in extending loans to firms with high credit risks and are charging a higher interest margin, while they continue to be more active in extending loans to blue-chip companies. The lending attitudes of financial institutions as perceived by firms are becoming slightly more severe. In the corporate bonds and CP markets, the issuing environment for firms with high credit ratings is accommodative, but the environment for firms with low credit ratings is severe.

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

Amid these developments, lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors<sup>9</sup>), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, continued to decline by about 2-3 percent on a year-on-year basis. (The year-on-year change was -2.4 percent in August, -2.6 percent in September, and -2.6 percent in October; Chart 37.) Growth rates of the amount outstanding of corporate bonds and CP are on a declining trend and the amount outstanding dropped slightly below the previous year's level in October (Chart 39).

Funding costs for firms continue to be at extremely low levels on the whole. The average contracted interest rates on new loans and discounts, with the monthly fluctuations averaged, continue to be more or less unchanged (Chart 41). In the capital market, both corporate bond and CP issuance rates are at low levels for firms with high credit ratings. The spread between high and low credit ratings continues to be at high levels.

Meanwhile, according to business surveys, the financial position of firms, particularly that of small firms, remains severe.

The number of corporate bankruptcies decreased by 6.1 percent from the previous year's level in October (Chart 42).

Against the above background, the financial developments are summarized as follows. Money market conditions as a whole continues to be extremely easy partly due to the additional monetary easing by the Bank. Long-term interest rates are low. The money stock and the monetary base maintain high growth rates relative to that of the economic activity as a whole. However, stock prices remain unstable. In corporate

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<sup>9</sup> 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.

finance, the fund-raising environment of firms with low credit risks is accommodative on the whole, but with regard to firms with high credit risks, the stance of investors remains severe and the lending attitudes of private banks are becoming more cautious. Under these circumstances, the government released the “Comprehensive Measures to Accelerate Reforms” which includes policies to accelerate the disposal of non-performing loans. Including the effects arising from these measures, developments in the financial and capital markets including stock prices, the behavior of financial institutions, and the situation of corporate finance require closer monitoring.



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## Main Economic Indicators (1)

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

	2002/Q1	Q2	Q3	2002/Jul.	Aug.	Sep.	Oct.
Index of living expenditure level (all households)	1.7	-0.9	1.3	-0.1	-1.9	5.3	n.a.
Sales at department stores	-0.3	-0.8	-0.6	-3.9	5.0	0.0	n.a.
Sales at supermarkets	-0.6	2.1	-1.3	-3.1	4.6	-0.8	n.a.
New passenger-car registrations <sup>2</sup> <s.a., ann. 10,000 units>	< 304>	< 314>	< 319>	< 291>	< 334>	< 331>	< 337>
Sales of household electrical appliances (real, NEBA)	2.8	2.9	2.2	-4.3	16.3	-2.1	n.a.
Outlays for travel (50 major travel agencies)	13.5	0.7	0.1	5.1	-1.3	0.5	n.a.
Housing starts <s.a., ann. 10,000 units>	< 118>	< 117>	< 113>	< 114>	< 113>	< 111>	<n.a.>
Machinery orders (from private sector <sup>3</sup> )	-7.4	7.1	-1.7	1.9	-13.6	12.7	n.a.
Manufacturing	2.6	4.6	-0.6	8.3	-17.2	11.4	n.a.
Nonmanufacturing <sup>3</sup>	-11.0	7.1	0.1	-1.9	-5.1	5.3	n.a.
Construction Starts (private, nonresidential use)	-10.6	6.6	-6.7	-7.6	1.1	13.0	n.a.
Mining & manufacturing	-12.2	10.5	-15.4	-19.0	9.3	41.0	n.a.
Nonmanufacturing <sup>4</sup>	-10.2	5.6	-4.2	-5.7	-1.0	8.4	n.a.
Value of public works contracted	-0.4	-0.6	-5.8	-3.0	-9.0	3.3	3.4
Real exports	4.7	7.8	0.7	0.6	-2.9	-1.1	n.a.
Real imports	-1.9	2.6	3.4	4.9	-5.0	1.4	n.a.
Industrial production	0.7	3.8	2.2	0.1	1.4	-0.1	n.a.
Shipments	1.2	4.3	1.8	-0.3	4.0	-1.8	n.a.
Inventories	-4.3	-3.0	0.2	0.7	-0.9	0.5	n.a.
Inventories/shipments <s.a., CY 1995=100>	<108.9>	<101.4>	<100.9>	<97.6>	<98.1>	<100.9>	<n.a.>
Real GDP	0.2	1.0	0.7	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.6	0.2	n.a.	0.2	0.5	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2002/Q1	Q2	Q3	2002/Jul.	Aug.	Sep.	Oct.
Ratio of job offers to applicants <s.a., times>	<0.51>	<0.53>	<0.55>	<0.54>	<0.54>	<0.55>	<n.a.>
Unemployment rate <s.a., %>	<5.3>	<5.3>	<5.4>	<5.4>	<5.4>	<5.4>	<n.a.>
Overtime working hours <sup>5</sup>	-5.7	-2.2	2.7	0.5	2.6	4.9	n.a.
Number of employees	-1.1	-1.2	-0.1	-0.2	-0.2	-0.0	n.a.
Number of regular employees <sup>5</sup>	-0.4	-0.5	-0.7	-0.7	-0.8	-0.7	n.a.
Nominal wages per person <sup>5</sup>	-1.9	-2.6	-3.5	-5.4	-3.0	-1.2	n.a.
Domestic wholesale price index <sup>6</sup> <q/q % chg.> (3-month growth rate)	-1.5 <-0.3>	-1.2 <0.1>	-1.0 <-0.2>	-1.2 <-0.2>	-1.0 <-0.3>	-0.9 <-0.2>	-0.5 <0.0>
Consumer price index <sup>7</sup> <s.a., q/q % chg.> (3-month growth rate)	-0.8 <-0.1>	-0.9 <-0.3>	-0.9 <-0.2>	-0.8 <-0.1>	-0.9 <-0.2>	-0.9 <-0.3>	n.a. <n.a.>
Corporate service price index <sup>8</sup> <s.a., q/q % chg.> (3-month growth rate)	-1.6 <-0.3>	-1.2 <-0.2>	-1.2 <-0.2>	-1.2 <-0.2>	-1.2 <-0.2>	-1.1 <-0.2>	n.a. <n.a.>
Monetary aggregates (M2+CDs) <average outstanding, y/y % chg.>	3.6	3.5	3.3	3.3	3.4	3.2	3.3
Number of suspension of transactions with banks	3.5	-9.4	-7.7	2.0	-8.9	-16.0	-19.5

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

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

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

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

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

7. Excludes fresh food.

8. Domestic supply-demand factors.

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

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

Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production,"

"Indices of Tertiary Industry Activity";

Japan Automobile Dealers Association, "Domestic Sales of Automobiles";

Nippon Electric Big-Stores Association (NEBA), "Sales of Electrical Appliances";

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

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

Cabinet Office, "Machinery Orders Statistics," "National Accounts";

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

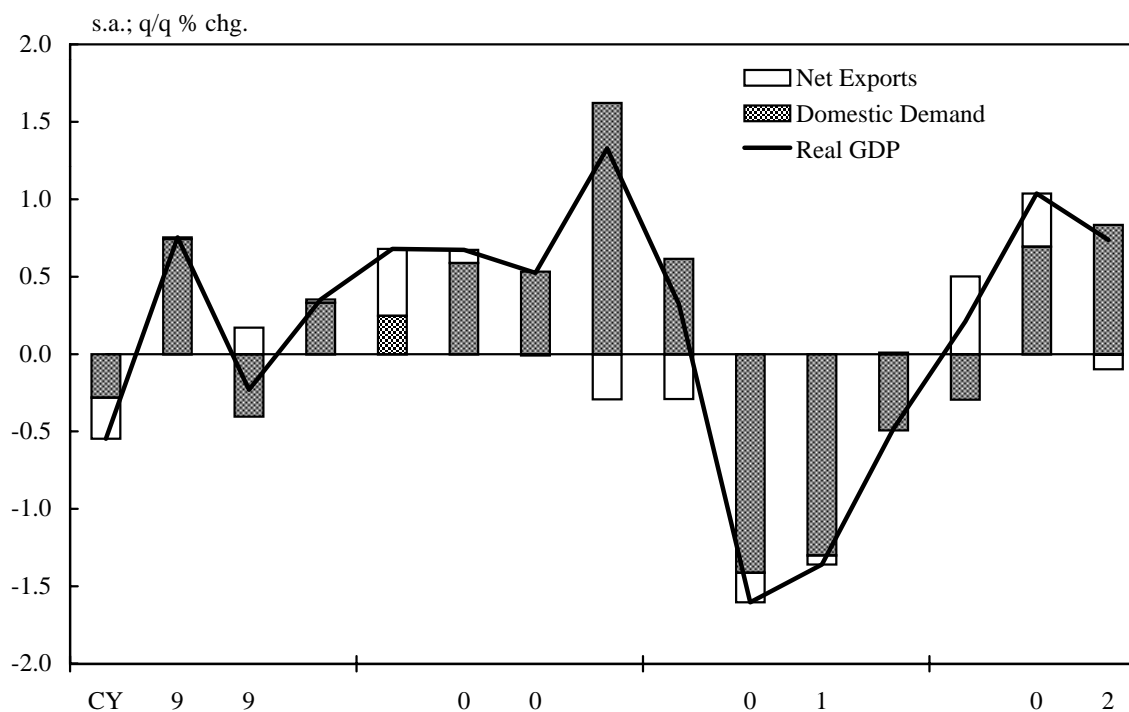
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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

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

## Real GDP

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



Note: The figures are composed of preliminary figures for 2001/Q2 onward, and "reference series" for 1994/Q1-2001/Q1.

## (2) Components

s.a.; q/q % chg.

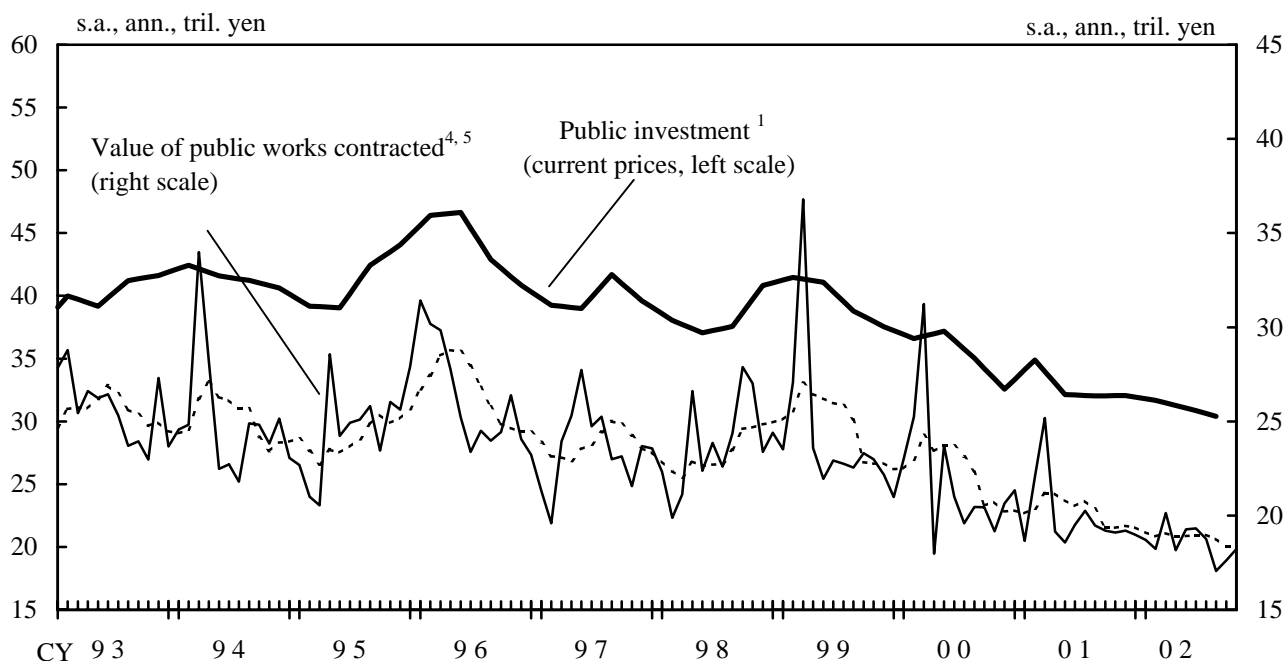
	2001		2002		
	Q3	Q4	Q1	Q2	Q3
Real GDP	-1.4	-0.5	0.2	1.0	0.7
Domestic Demand	-1.3	-0.5	-0.3	0.7	0.9
Private Consumption	-0.6	0.3	0.5	0.5	0.8
Non-Resi. Investment	-3.6	-3.7	-1.5	0.2	-0.9
Residential Investment	-0.2	0.8	-2.0	-0.9	-0.2
Private Inventory	(-0.4)	(-0.2)	(-0.3)	( 0.4)	( 0.5)
Public Demand	0.2	0.6	0.2	0.0	0.3
Public Investment	0.2	0.1	-0.6	-1.5	-1.6
Net Exports of goods and services	(-0.1)	( 0.0)	( 0.5)	( 0.3)	(-0.1)
Exports	-3.1	-1.7	4.8	5.9	0.5
Imports	-3.1	-2.2	-0.1	3.4	1.8

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

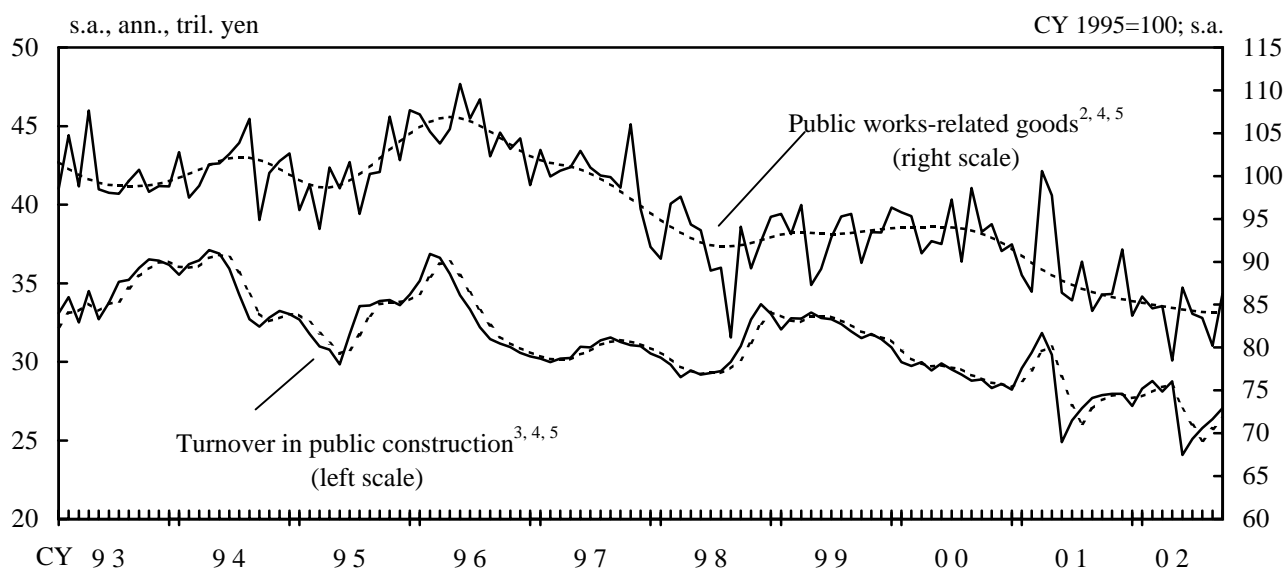
Source: Cabinet Office, "National Accounts."

## Public Investment

## (1) Value of Public Works Contracted and Public Investment



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



Notes: 1. Quarterly basis public investment is plotted at the middle month of each quarter. The figures are composed of preliminary figures for 2001/Q2 onward, "reference series" for 1994/Q1-2001/Q1, and revised figures prior to 1993/Q4.

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

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

4. Value of public works contracted, public works-related goods and turnover in public construction are seasonally adjusted by X-12-ARIMA.

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

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

Sources: Cabinet Office, "National Accounts";

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

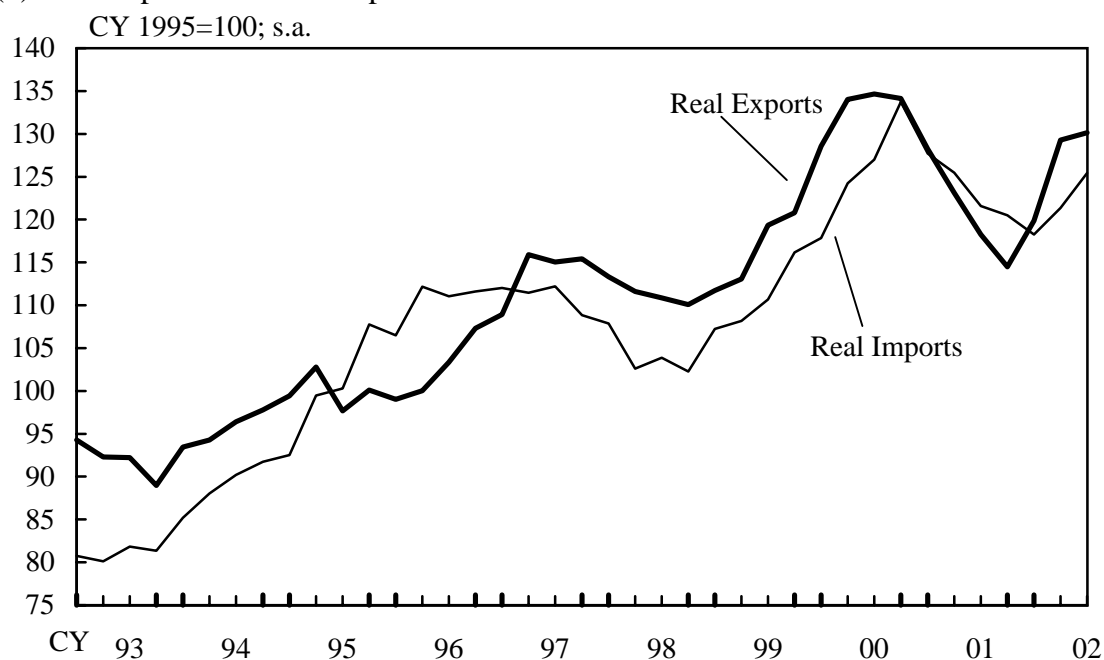
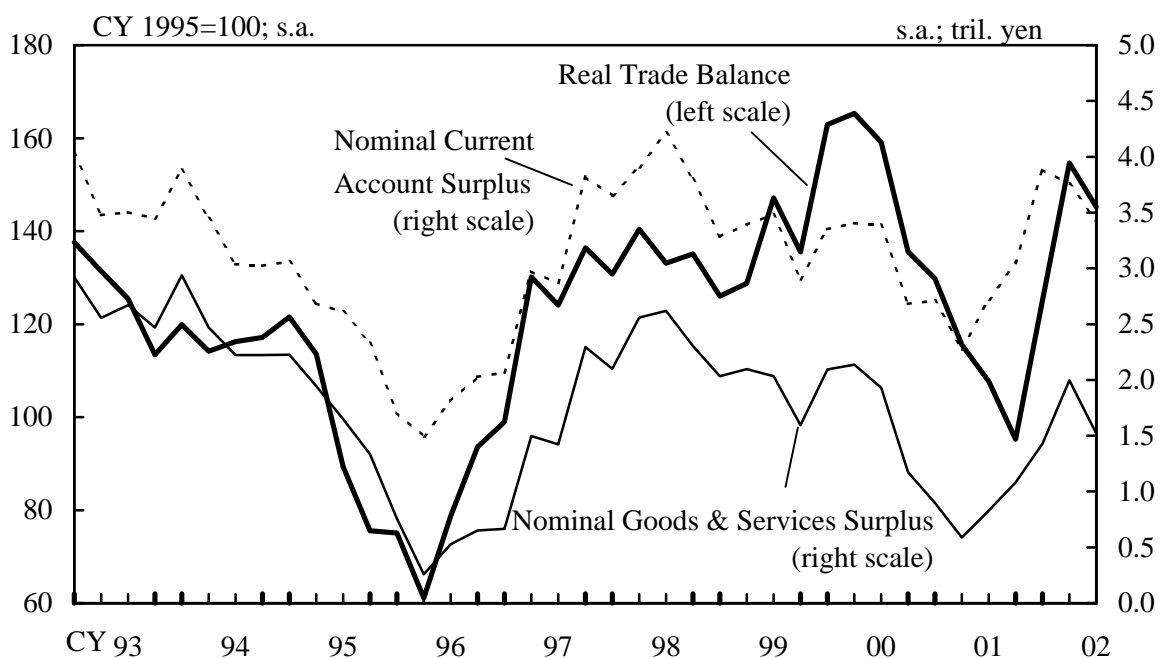
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works";

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

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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 which are indexed with base year of 1995. Real exports/imports are "The Value of Exports and Imports in Trade Statistics" deflated by "Export and Import Price Index."  
 2. Real exports/imports and the real trade balance are seasonally adjusted by X-12-ARIMA.  
 3. Balance of payments data up to 1995/Q4 are old basis.

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

Real Exports <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2000	2001	2001 Q3	2002 Q4	2002 Q1	Q2	Q3	2002 Jul.	Aug.	Sep.
United States	<30.0>	11.7	-8.5	-3.8	-3.7	4.4	1.5	-0.6	1.4	-7.5	6.8
EU	<15.9>	6.4	-10.9	-6.4	-0.8	-6.2	9.8	6.1	2.1	-2.2	-0.7
East Asia	<38.7>	25.7	-9.7	-3.7	-1.1	7.5	12.1	4.3	0.8	1.7	-2.5
China	<7.7>	27.8	11.6	-3.5	-0.5	17.8	13.3	11.0	6.8	5.1	-8.5
NIEs	<21.7>	25.8	-15.8	-3.4	-1.8	5.8	12.1	2.9	0.4	-1.9	2.5
Korea	<6.3>	30.4	-9.1	4.9	-1.5	2.8	13.8	6.0	-3.7	1.2	4.1
Taiwan	<6.0>	22.5	-25.7	-11.1	4.3	6.7	12.4	2.2	3.0	-8.0	-2.9
ASEAN4 <sup>3</sup>	<9.3>	24.0	-8.1	-4.6	-0.1	3.3	10.8	1.4	-3.9	6.9	-7.5
Thailand	<2.9>	19.0	-4.0	-0.8	-0.3	-1.5	16.2	10.1	-0.9	11.9	-6.2
Real exports		14.1	-9.1	-3.9	-3.2	4.7	7.8	0.7	0.6	-2.9	-1.1

## (2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2000	2001	2001 Q3	2002 Q4	2002 Q1	Q2	Q3	2002 Jul.	Aug.	Sep.
Intermediate goods	<14.7>	5.3	-3.5	0.1	2.1	5.6	3.7	0.1	1.9	-4.1	-2.6
Motor vehicles and their related goods	<22.1>	9.2	0.0	2.0	1.1	5.8	4.2	-0.5	5.6	-8.4	5.6
Consumer goods <sup>4</sup>	<7.3>	13.0	-6.3	-1.6	-5.8	4.5	8.6	2.2	3.3	-5.3	-5.6
IT-related goods <sup>5</sup>	<17.3>	25.2	-12.0	-7.5	-7.3	-5.9	17.0	8.6	1.2	4.9	-3.5
Capital goods and parts <sup>6</sup>	<27.5>	21.1	-14.9	-6.3	-5.0	6.2	9.2	2.4	-2.0	-1.9	2.5
Real exports		14.1	-9.1	-3.9	-3.2	4.7	7.8	0.7	0.6	-2.9	-1.1

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

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

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

4. Excludes motor vehicles.

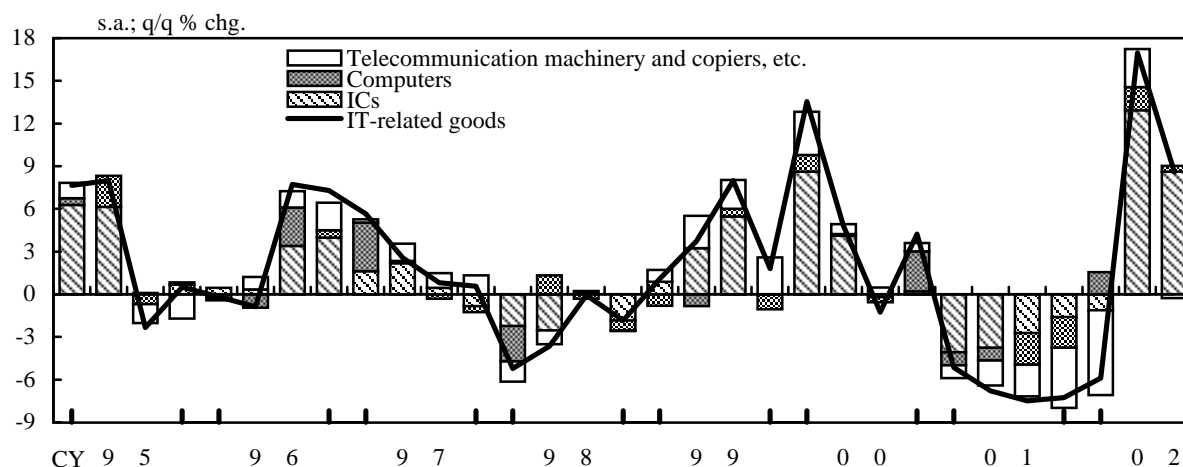
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs and medical and optical instruments.

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

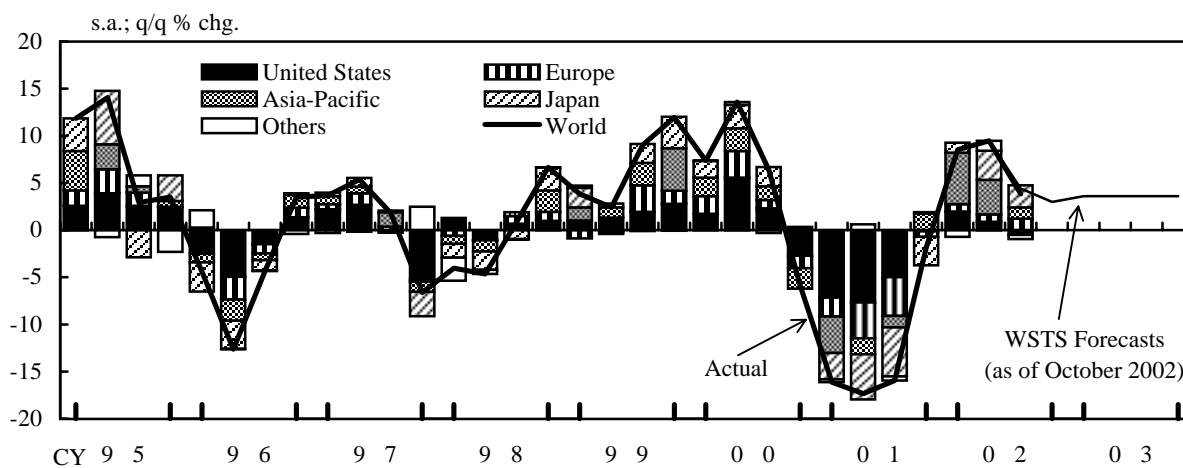
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes."

Exports and Imports of IT-related goods

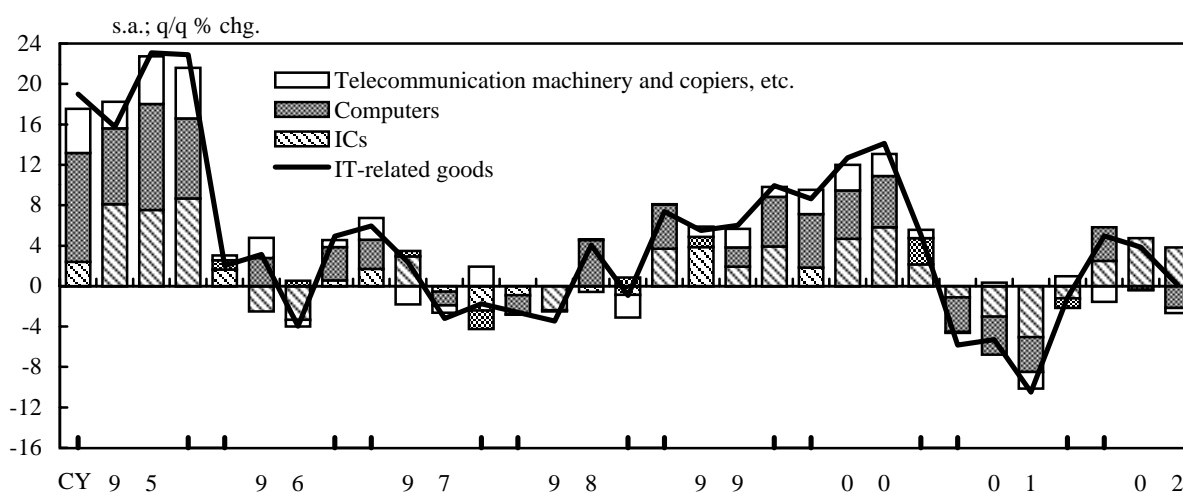
(1) Exports of IT-related goods (real, breakdown by goods)



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



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



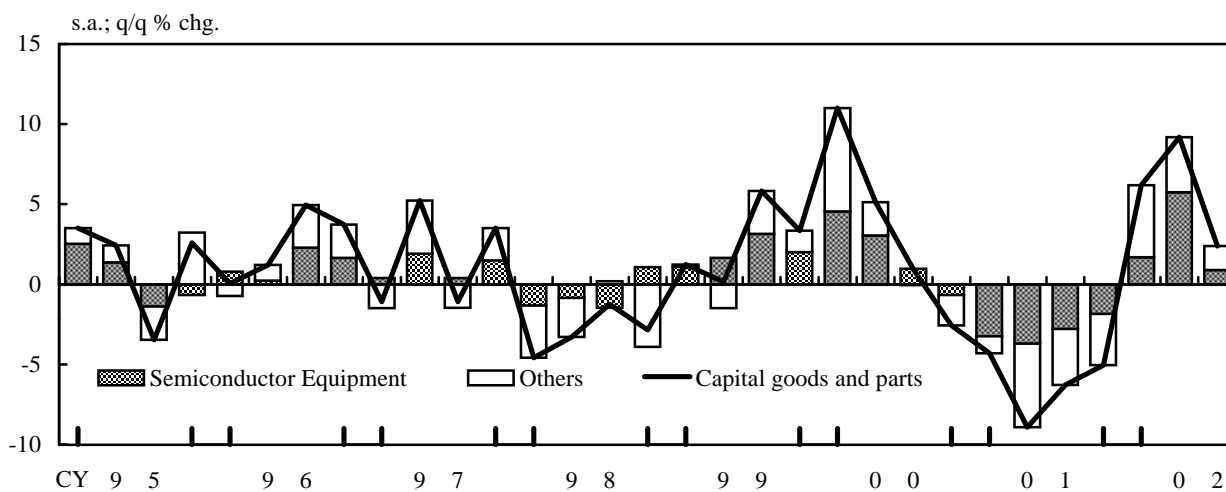
Note: Seasonally adjusted by X-12-ARIMA.

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

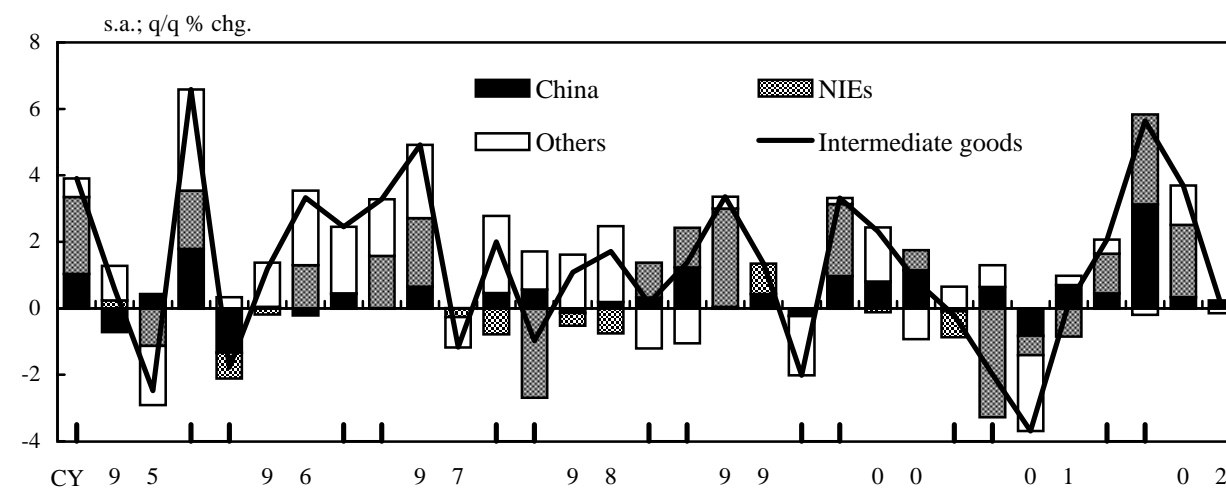


## Real Exports breakdown by goods

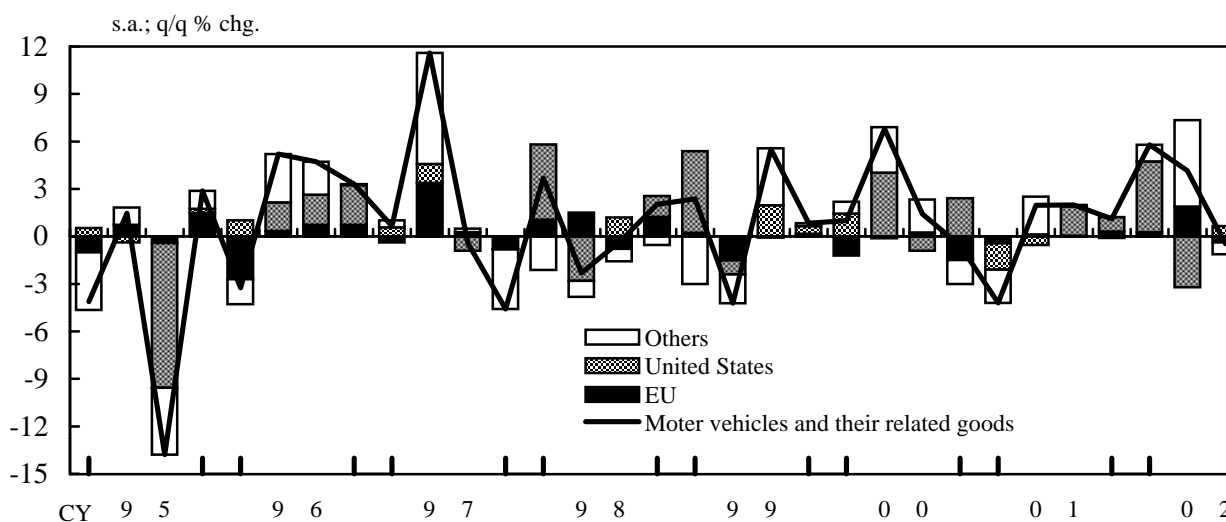
## (1) Capital goods and parts



## (2) Intermediate goods



## (3) Motor vehicles and their related goods



Note: Seasonally adjusted by X-12-ARIMA.

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

Real Imports <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2000	2001	2001 Q3	2002 Q4	2002 Q1	2002 Q2	2002 Q3	2002 Jul.	2002 Aug.	2002 Sep.
United States	<18.1>	7.9	-4.4	-6.5	-3.0	-1.5	3.4	0.9	0.7	-3.8	-1.0
EU	<12.8>	8.5	3.5	-0.6	2.6	-6.4	2.8	6.2	11.7	-8.1	2.3
East Asia	<40.3>	25.5	1.6	-3.9	-1.0	1.5	3.7	2.7	0.6	-2.2	1.5
China	<16.6>	28.1	13.3	-0.7	4.2	1.7	3.5	1.9	2.2	-5.7	1.5
NIEs	<10.9>	28.4	-9.6	-7.6	-7.1	3.5	8.2	1.5	-0.1	-1.6	-3.0
Korea	<4.9>	22.5	-7.8	-7.7	-7.0	-1.6	10.8	3.2	2.0	-3.3	-3.4
Taiwan	<4.1>	43.6	-13.0	-10.6	-3.9	6.0	9.3	0.6	-2.7	-0.3	-0.1
ASEAN4 <sup>3</sup>	<12.7>	20.2	0.0	-4.3	-2.1	-0.3	0.2	4.9	-1.1	2.3	5.4
Thailand	<3.0>	19.3	6.0	-2.9	-0.4	-0.3	4.7	3.2	1.8	-2.7	3.8
Real imports		13.3	-1.1	-3.1	-0.9	-1.9	2.6	3.4	4.9	-5.0	1.4

## (2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2000	2001	2001 Q3	2002 Q4	2002 Q1	2002 Q2	2002 Q3	2002 Jul.	2002 Aug.	2002 Sep.
Raw materials <sup>4</sup>	<26.2>	1.7	-5.1	-2.1	-2.6	-3.1	-2.2	9.2	13.0	-4.1	2.3
Intermediate goods	<12.9>	8.2	-0.2	-3.0	-0.5	-0.5	0.9	5.6	5.1	-1.0	-4.5
Foodstuffs	<12.4>	5.3	-1.5	-1.8	5.3	-4.6	0.2	0.5	5.0	-7.1	4.1
Consumer goods	<11.2>	21.4	5.8	-1.4	-0.2	-7.3	4.9	0.2	2.9	-7.8	3.8
IT-related goods <sup>5</sup>	<14.8>	43.9	-2.4	-10.5	-1.1	5.0	3.8	0.1	-3.1	0.3	1.8
Capital goods and parts <sup>6</sup>	<11.9>	12.4	3.2	-3.6	-3.4	0.5	13.2	5.6	4.9	-7.6	4.0
excluding aircraft	<11.4>	21.5	6.0	-6.1	-1.1	-2.5	10.6	2.7	3.4	-4.1	-0.6
Real imports		13.3	-1.1	-3.1	-0.9	-1.9	2.6	3.4	4.9	-5.0	1.4

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

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

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

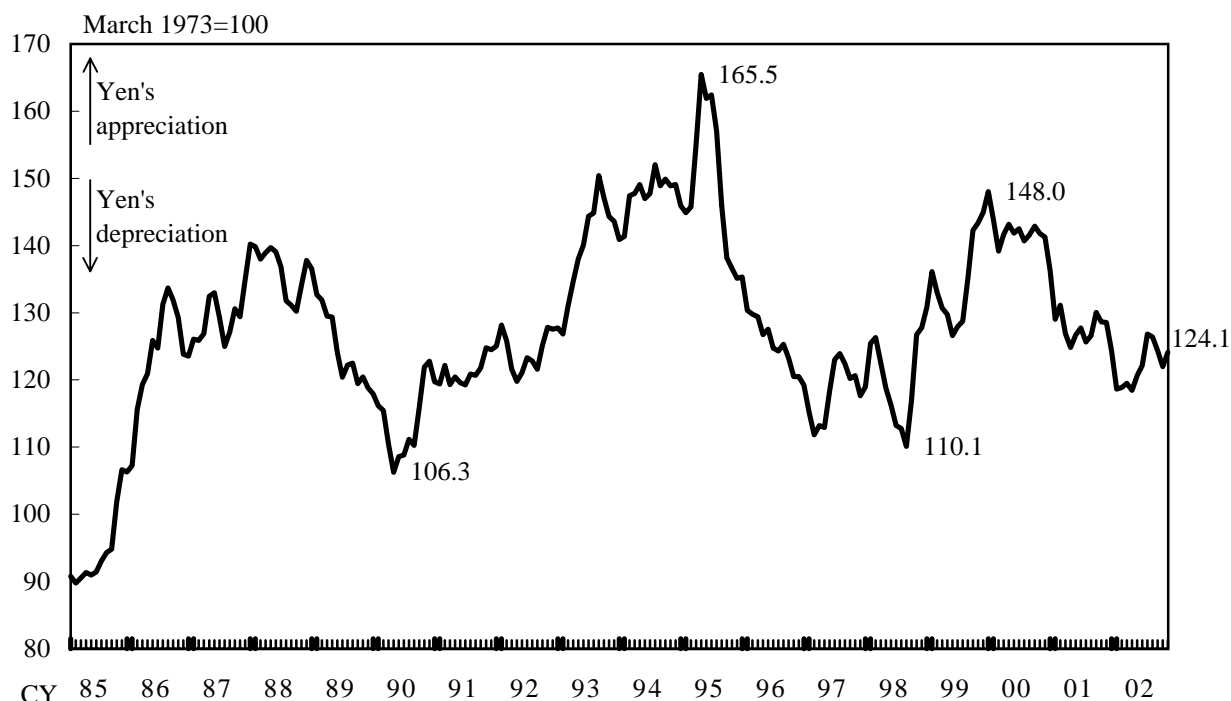
4. Raw materials are mainly composed of woods, ores and mineral fuel.

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

6. Excludes IT-related goods.

## Exporting Conditions (1)

## (1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for November 2002 is the average up to November 18. Figures are the index of weighted average of the yen's real exchange rates versus 15 major currencies (26 countries) which are calculated from nominal exchange rates and price indexes of the respective countries.

## (2) Real GDP Growth Rates in Overseas Economies

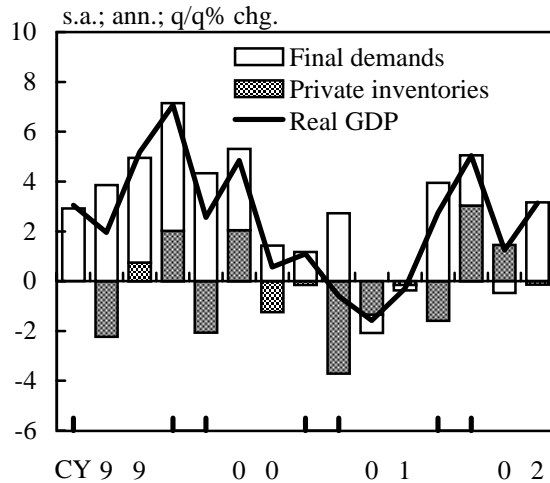
		CY99	2000	2001	2001 Q4	2002 Q1	Q2	Q3	
United States <sup>1</sup>		4.1	3.8	0.3	2.7	5.0	1.3	3.1	
European Union <sup>1</sup>		2.8	3.4	1.5	-0.7	1.4	1.8	n.a.	
	Germany	2.0	2.9	0.6	-1.2	1.1	1.1	n.a.	
	France	3.2	4.2	1.8	-2.0	2.4	1.6	n.a.	
	United Kingdom	2.4	3.1	2.0	0.9	0.5	2.5	2.7	
East Asia <sup>2</sup>	China	7.1	8.0	7.3	6.6	7.6	8.0	8.1	
	NIEs	Korea	10.9	9.3	3.0	3.7	5.8	6.3	n.a.
		Taiwan	5.4	5.9	-2.2	-1.6	1.2	4.0	4.8
		Hong Kong	3.4	10.2	0.6	-0.9	-0.5	0.5	n.a.
		Singapore	6.9	10.3	-2.0	-6.6	-1.5	3.8	3.9
	ASEAN4	Thailand	4.4	4.6	1.8	2.1	3.9	5.1	n.a.
		Indonesia	0.8	4.9	3.3	1.6	2.4	3.8	3.9
Malaysia		6.1	8.3	0.4	-0.5	1.1	3.8	n.a.	
Philippines		3.4	4.4	3.2	3.9	3.7	4.5	n.a.	

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

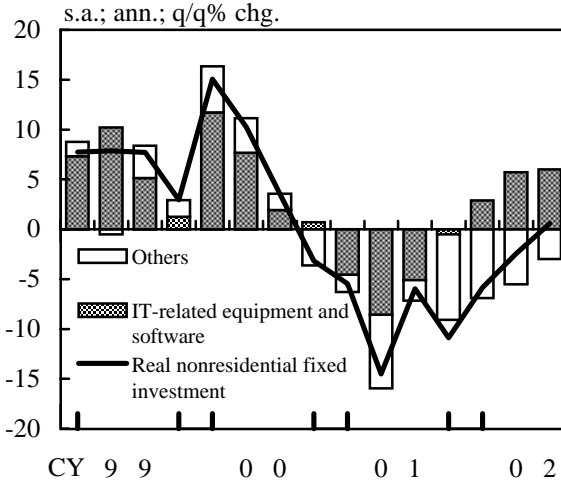
2. Quarterly data of East Asia are percent changes from a year earlier.

Exporting Conditions (2)

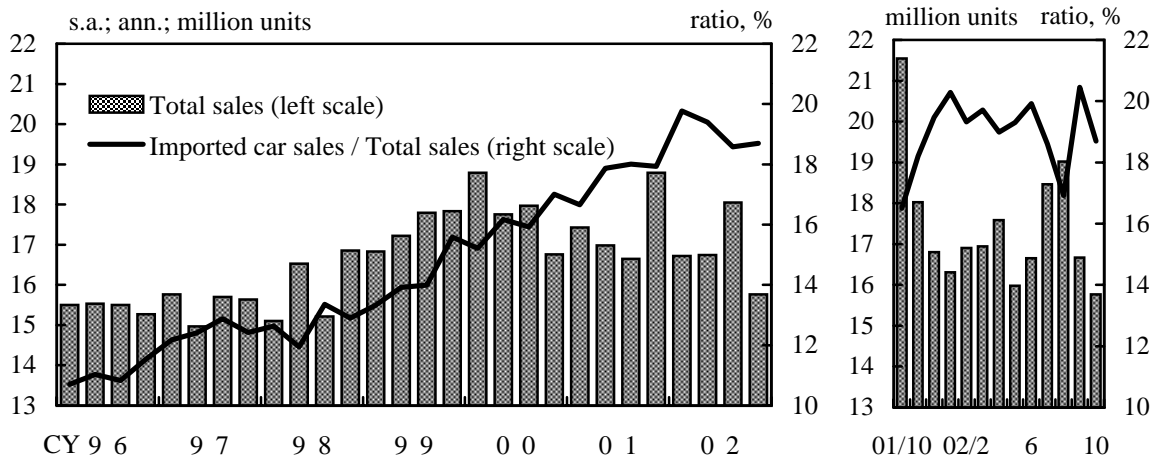
(1) U.S. Real GDP (breakdown by final demands and inventories)



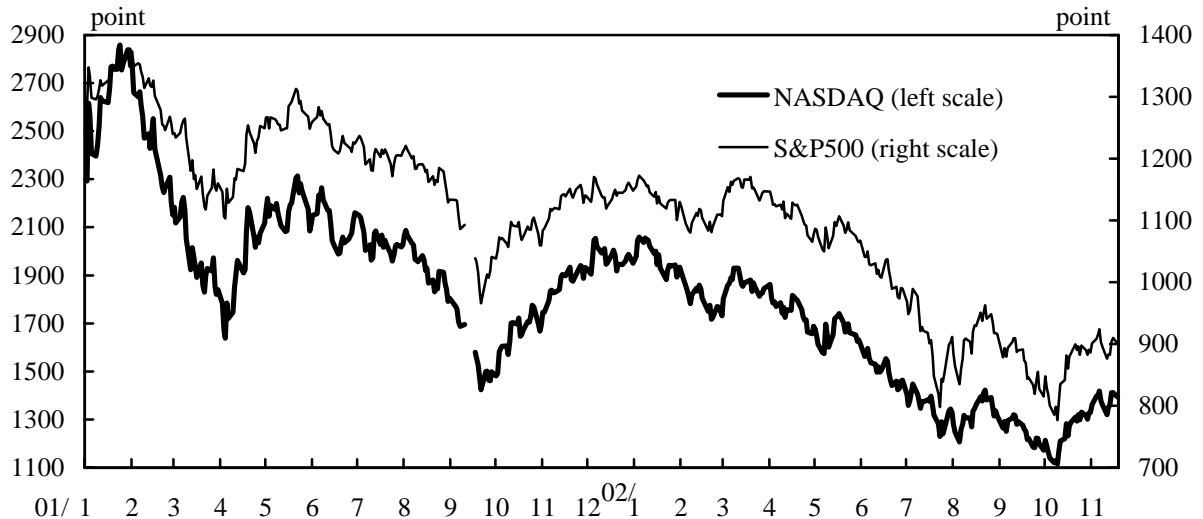
(2) U.S. Real Nonresidential Fixed Investment



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



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



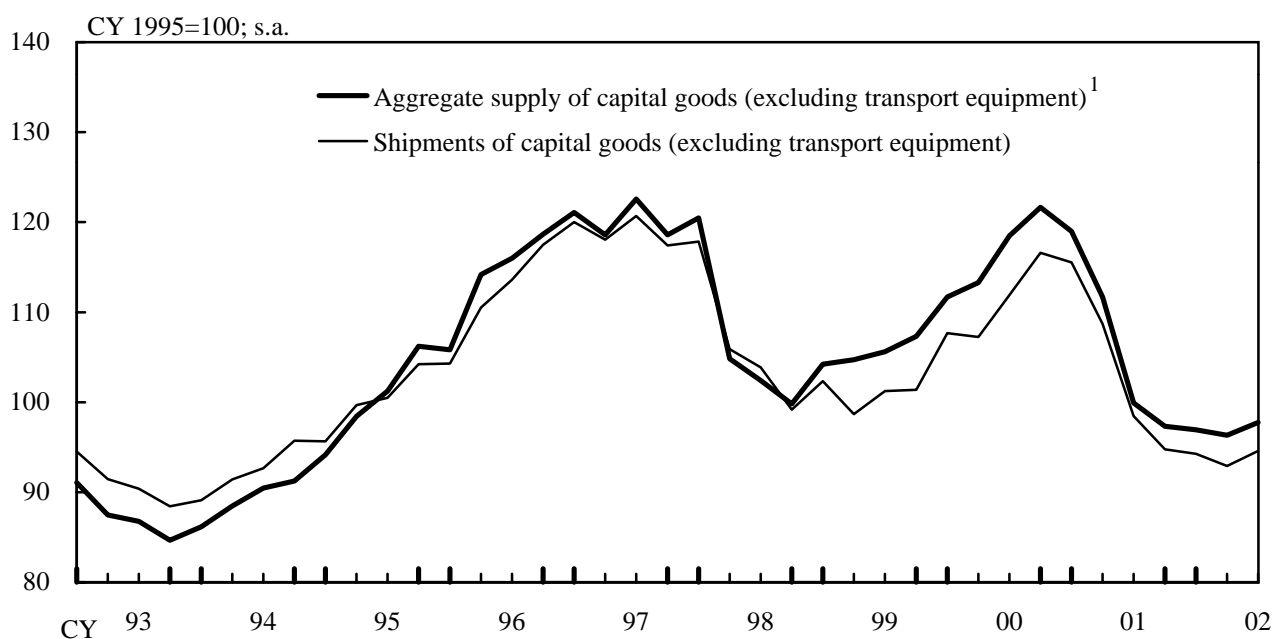
Notes: 1. Total sales of automobile in 2002/Q4 is based on one month sales in October.

2. Figures of U.S. stock prices in (4) are up to November 18.

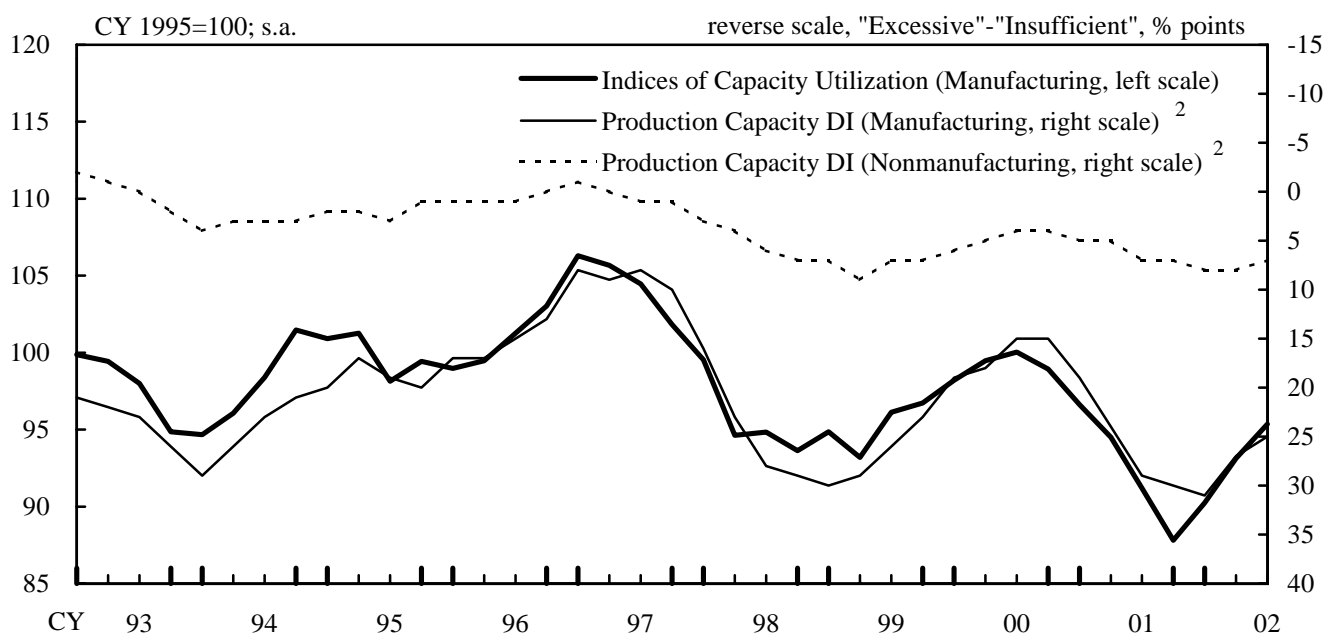
Sources: U.S. Department of Commerce, "National Income and Product Accounts", "Sales, production, imports, exports, and inventories, in units"; Bloomberg.

## Indicators for Business Fixed Investment (1)

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



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

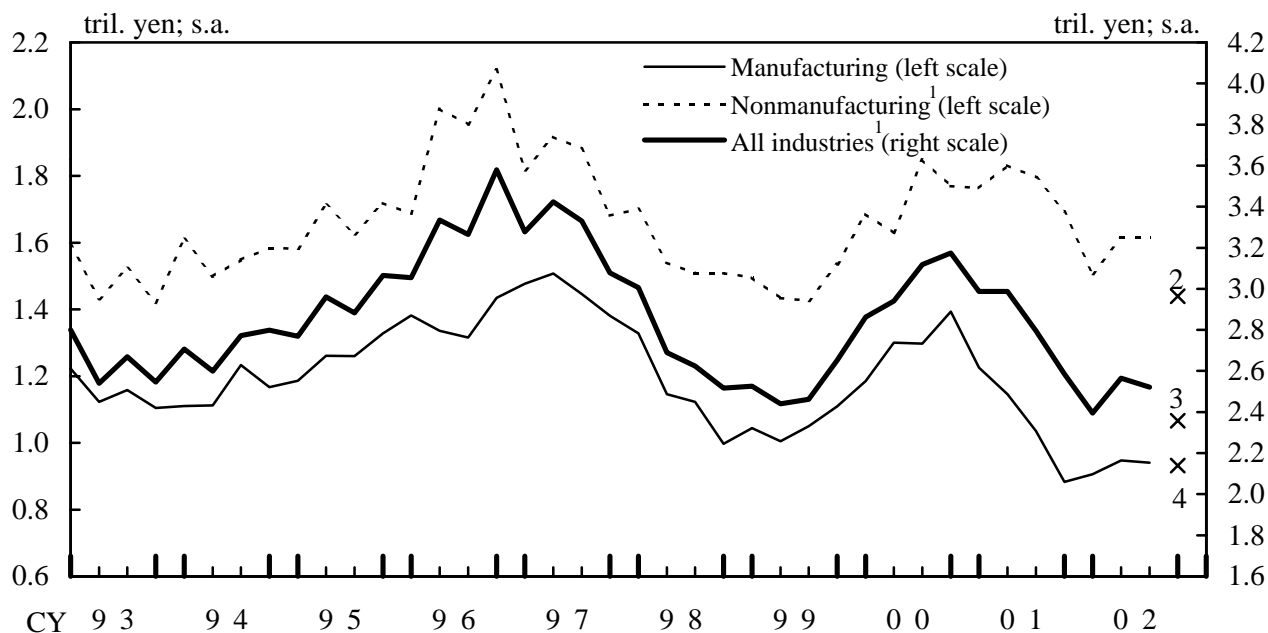


- Notes: 1. Aggregate supply of capital goods (excluding transport equipment) is obtained from *Indices of Industrial Domestic Shipments and Imports* released on a quarterly basis. The figure for 2002/Q3 is calculated by the Bank of Japan using shipments of capital goods in *Indices of Industrial Production* and real exports and imports of capital goods and parts (shipments of capital goods - real exports + real imports). The weights used for calculation are those of *Indices of Industrial Domestic Shipments and Imports*.
2. All enterprises.

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

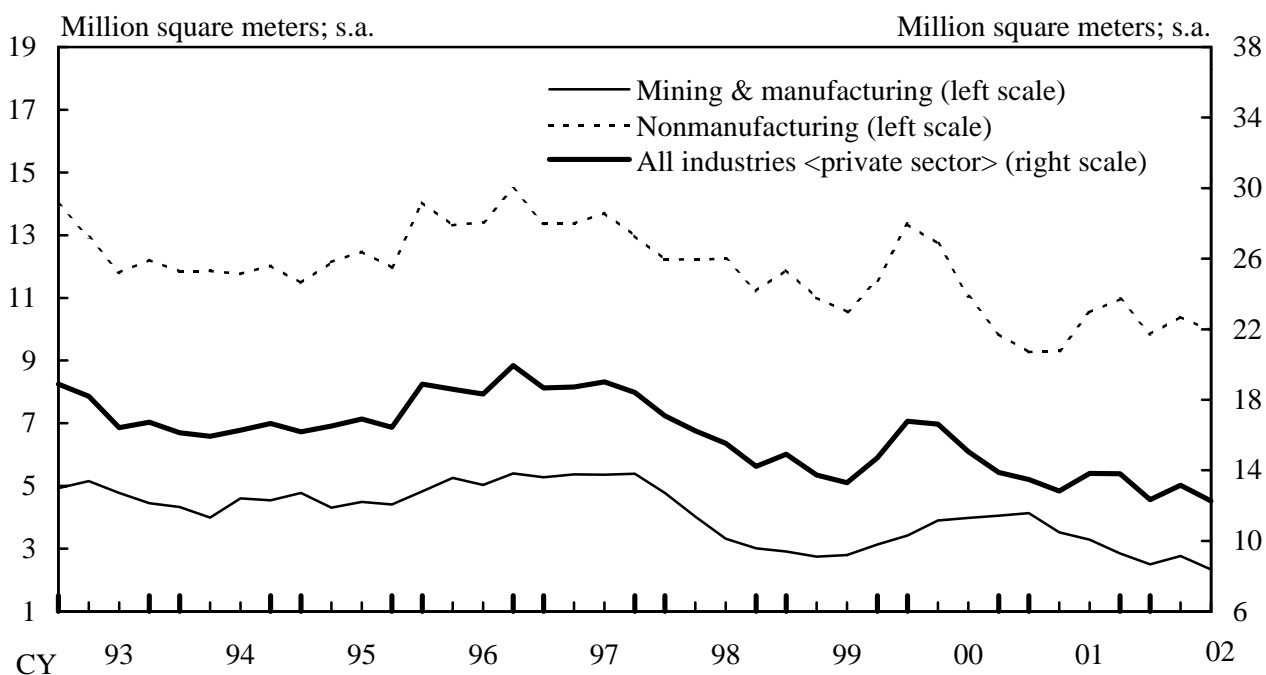
## Indicators for Business Fixed Investment (2)

## (1) Machinery Orders



- Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.  
 2. Forecast of nonmanufacturing industries for 2002/Q4.  
 3. Forecast of all industries for 2002/Q4.  
 4. Forecast of manufacturing industries for 2002/Q4.

## (2) Construction Starts (Nonresidential)

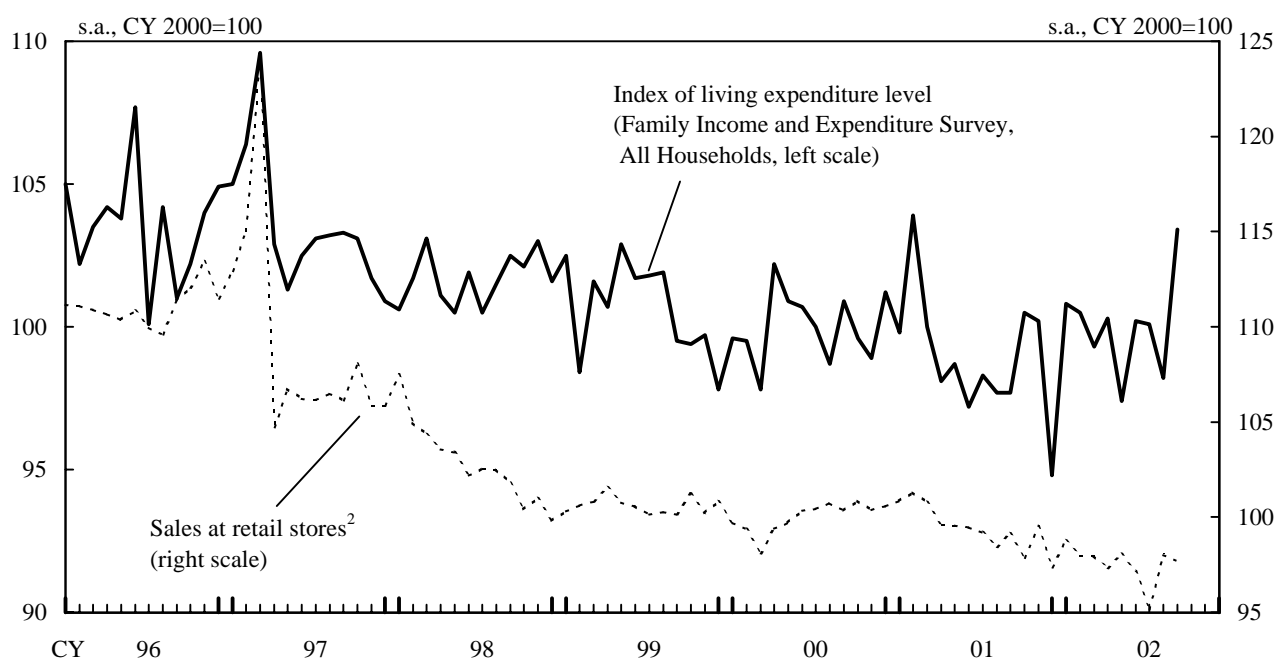


Note: Seasonally adjusted by X-12-ARIMA.

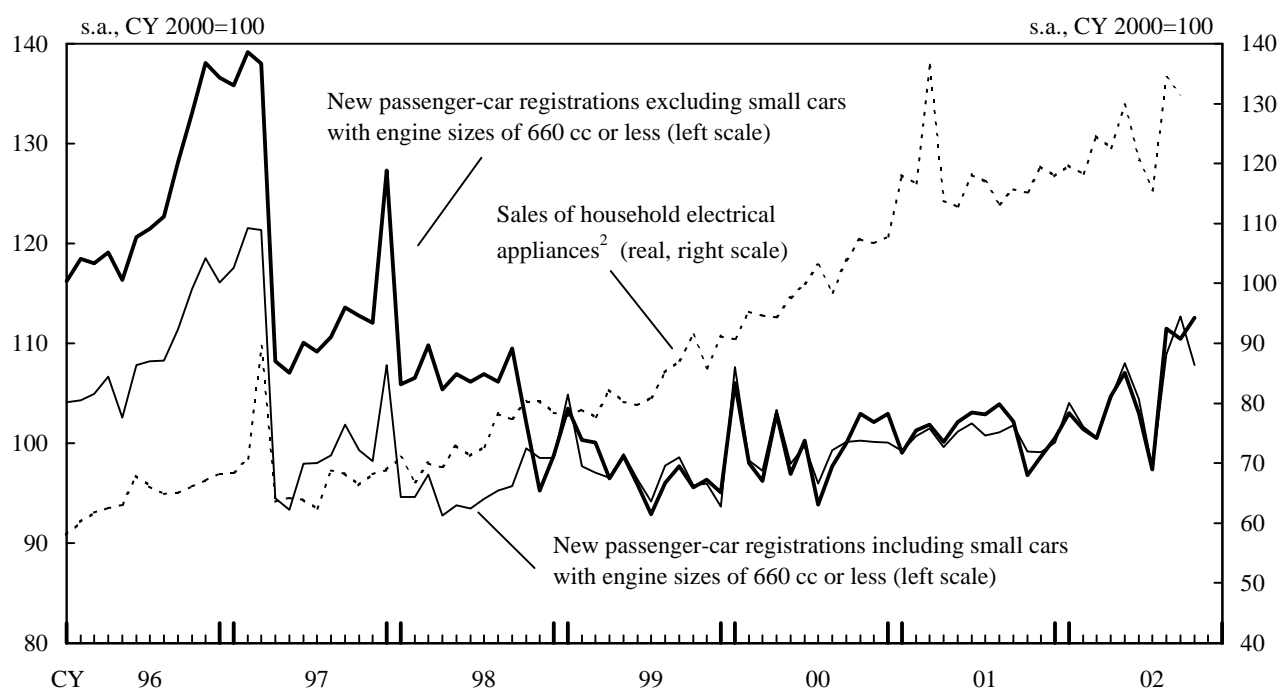
Sources: Cabinet Office, "Machinery Orders Statistics";  
 Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

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

## (1) Household Spending (real)



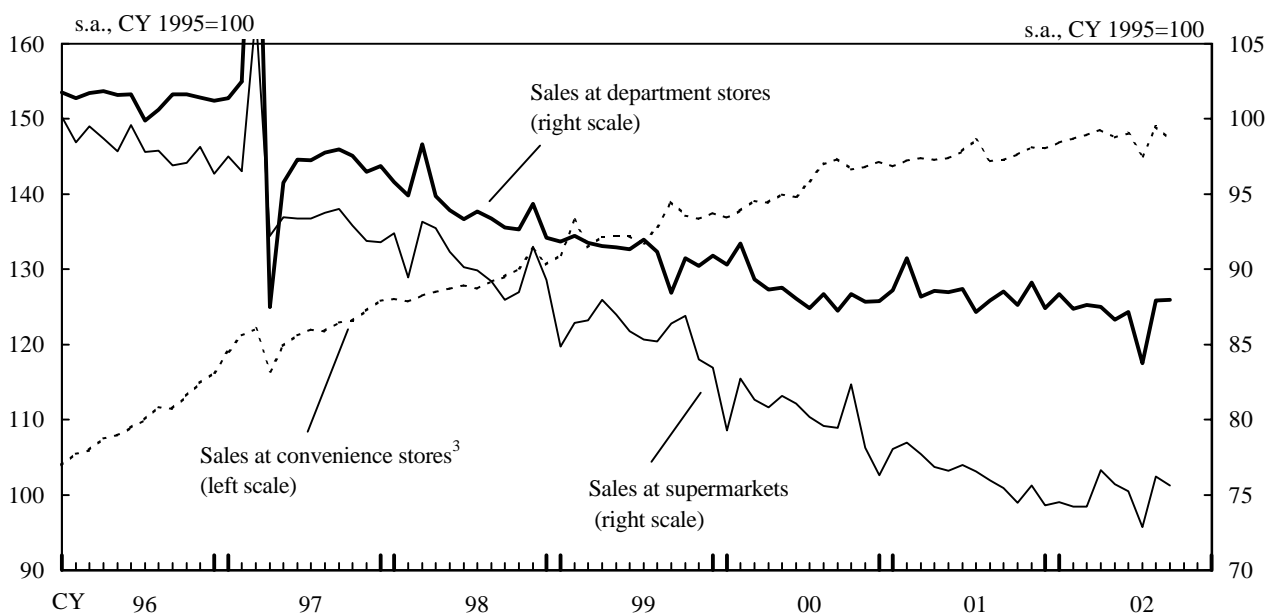
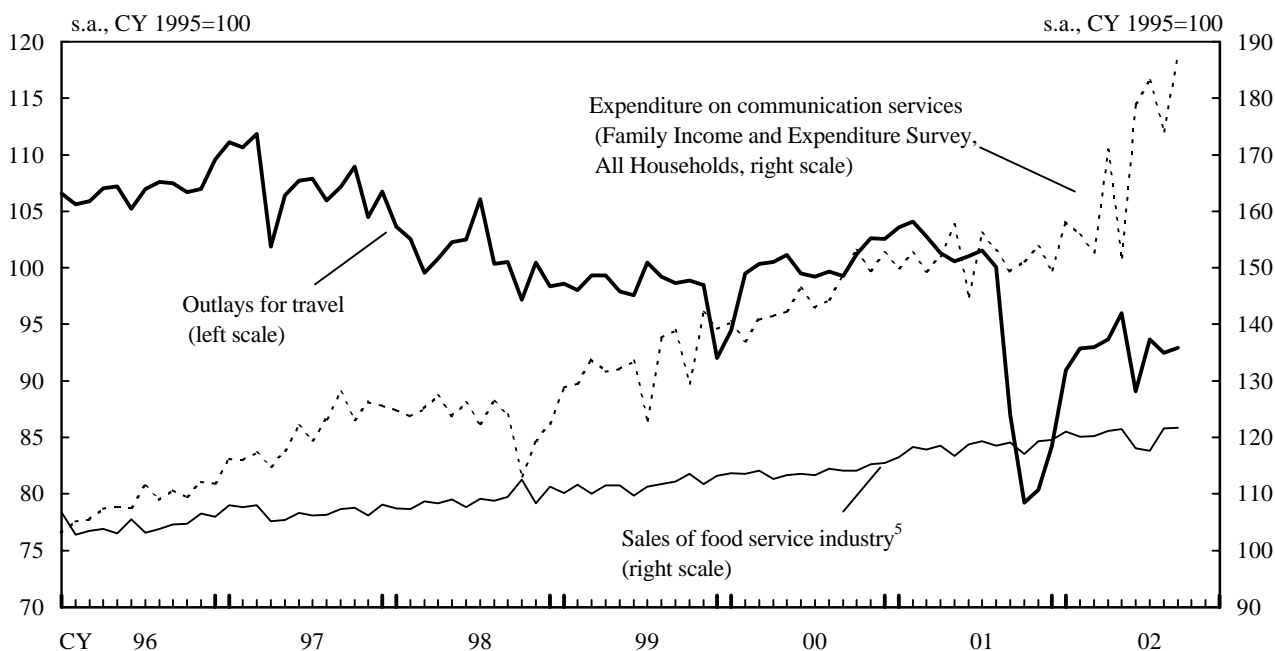
## (2) Sales of Durable Goods



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 of Retail Stores<sup>2</sup>(4) Consumption of Services<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.

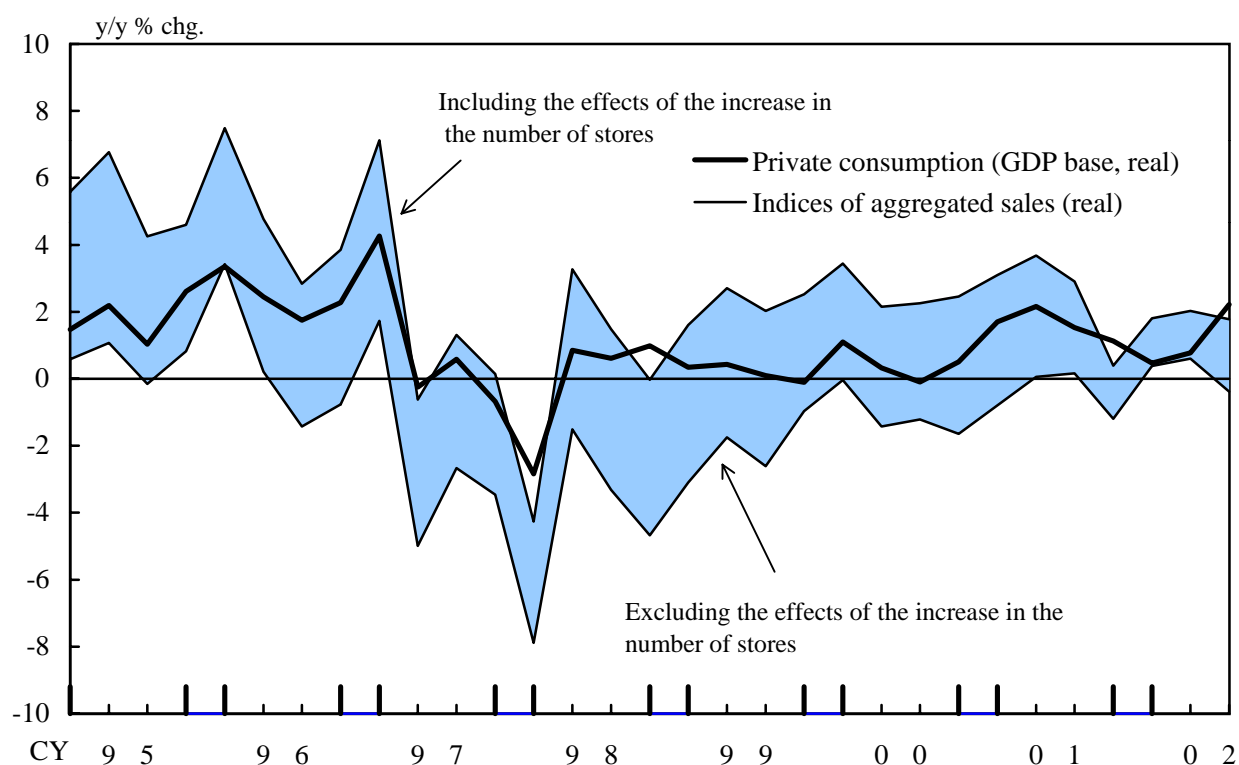
4. Outlays for travel and Sales of food service industry are adjusted to exclude the effect of the rise in the consumption tax rate.

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

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



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

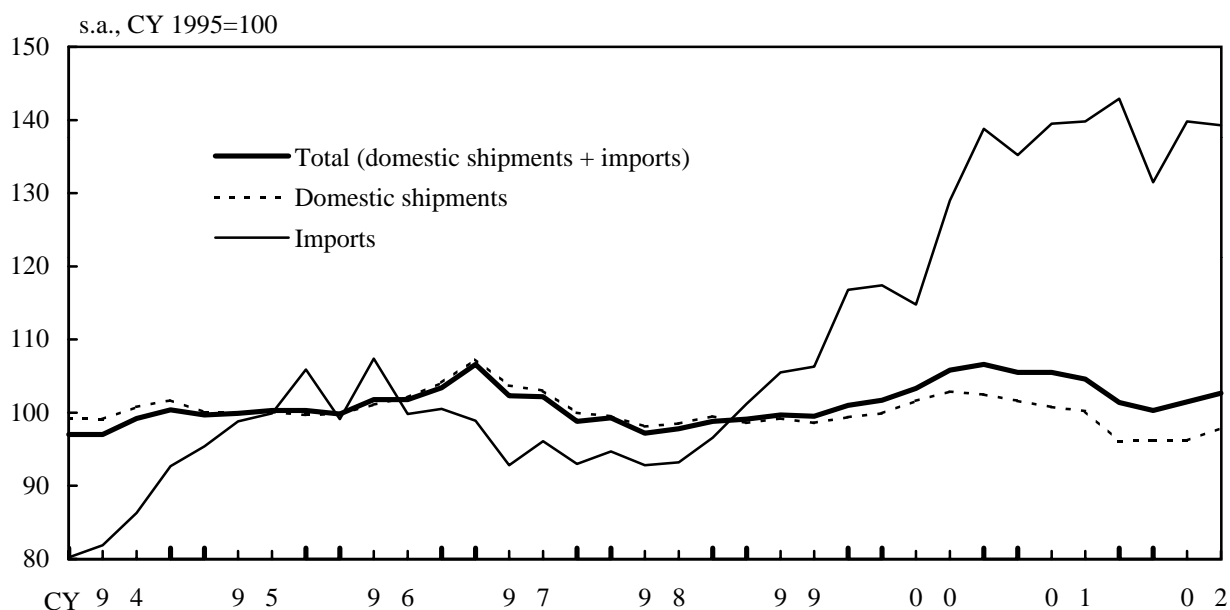


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in the *Family Income and Expenditure Survey*. These indices of aggregated sales consist of the series including and excluding the effects of the increase in the number of stores. Indices "including the effects of the increase in the number of stores" reflect the fluctuations in sales due to changes in the number of stores caused by the opening and closing down of businesses. (Indices "including the effects of the increase in the number of stores" include sales at convenience stores.) On the other hand, those "excluding the effects of the increase in the number of stores" aim to capture consumption trends only from stores of which sales data can be obtained continuously.
2. Sales indicators in nominal terms are deflated by the corresponding items of the consumer price index or the wholesale price index.
3. Private consumption in GDP base is composed of preliminary figures for 2001/Q2 onward, reference series for 1994/Q1-2001/Q1.

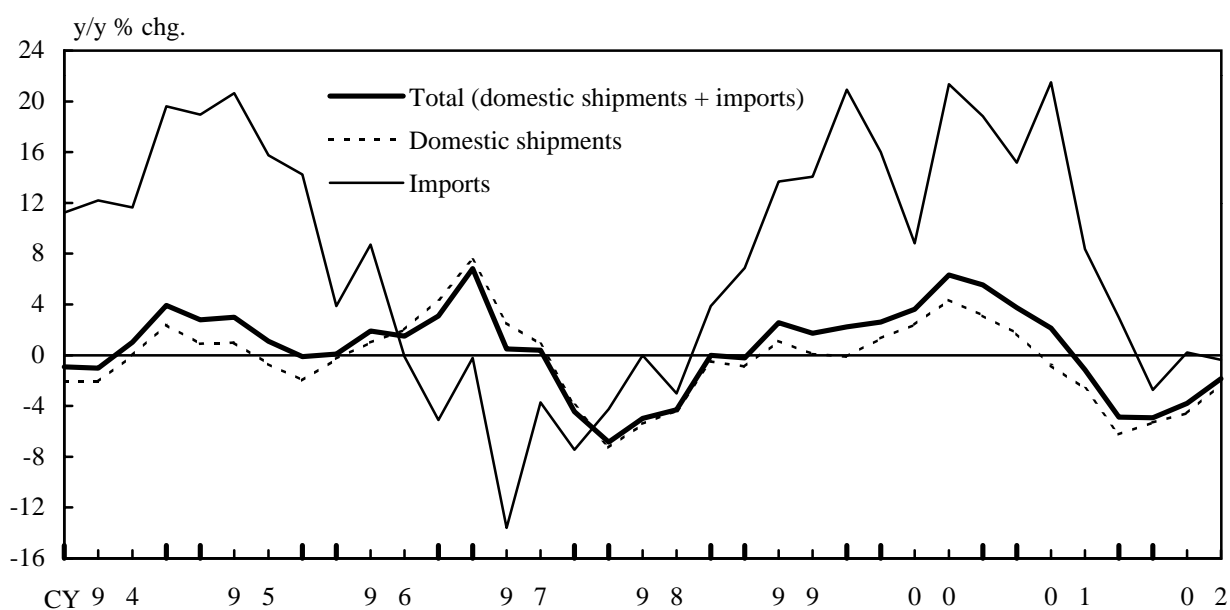
Sources: Cabinet Office, "National Accounts";  
 Ministry of Economy, Trade and Industry, "Current Survey of Commerce";  
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey";  
 Bank of Japan,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

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

### (1) Level



### (2) Changes from a year earlier

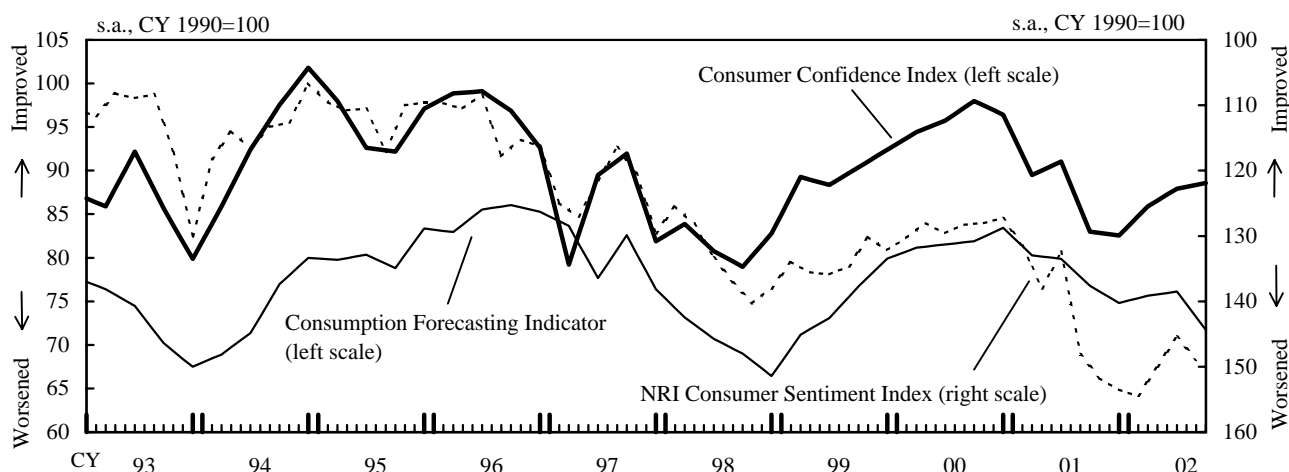


- Notes: 1. "Domestic shipments" and "Imports" are components of "consumer goods" in the *Indices of Industrial Domestic Shipments and Imports* (the definition for "consumer goods" is the same as that in the *Indices of Industrial Production*).
2. Figures for 2002/Q3 of "Domestic shipments" are calculated from quarterly changes of *Indices of Industrial Production* (excluding the effects of exports).
3. Figures for 2002/Q3 of "Imports" are calculated from quarterly changes of real imports for consumption. Real imports (consumer goods) are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles.
4. Figures for 2002/Q3 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."

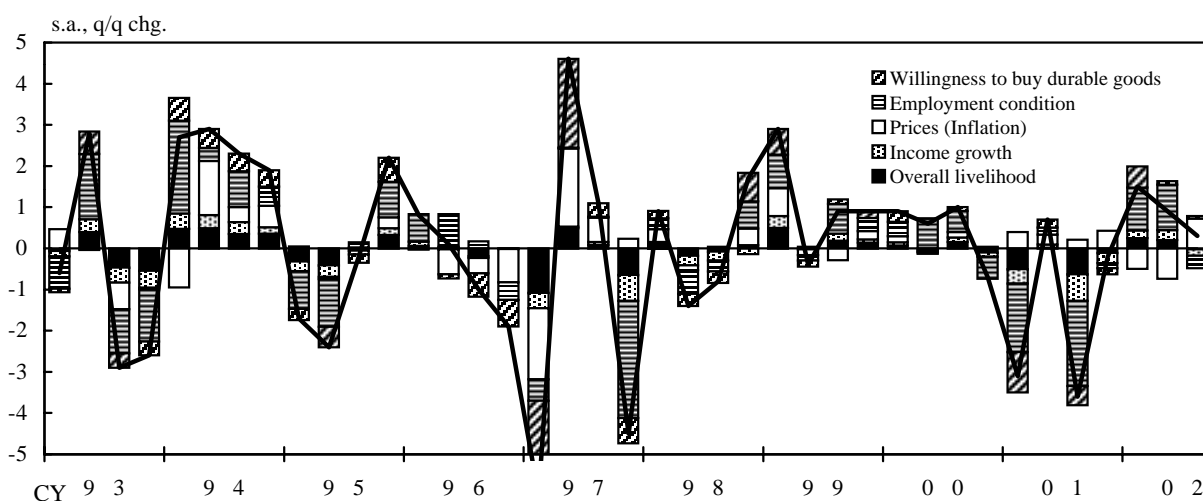
# Consumer Confidence

## (1) Surveys on Consumer Confidence

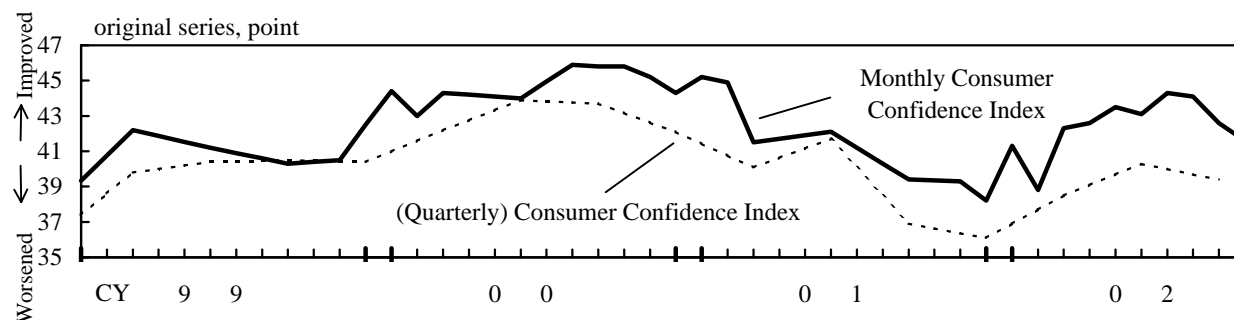


- Notes:
1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office.
  2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 1,500 samples in metropolitan area), and NRI Consumer Sentiment Index (with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

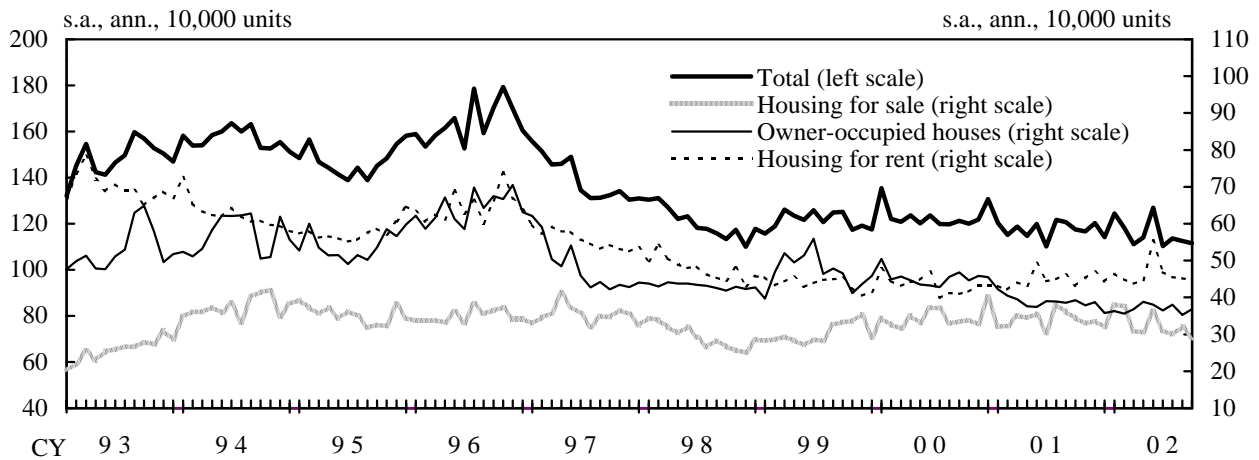


Note: *Monthly Consumer Confidence Survey* is conducted on a monthly basis for limited samples of the Tokyo district (435 households surveyed) in the quarterly Consumer Confidence Survey. The items in the monthly survey are parts of the quarterly survey. Prior to 2001, figures for the months when the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

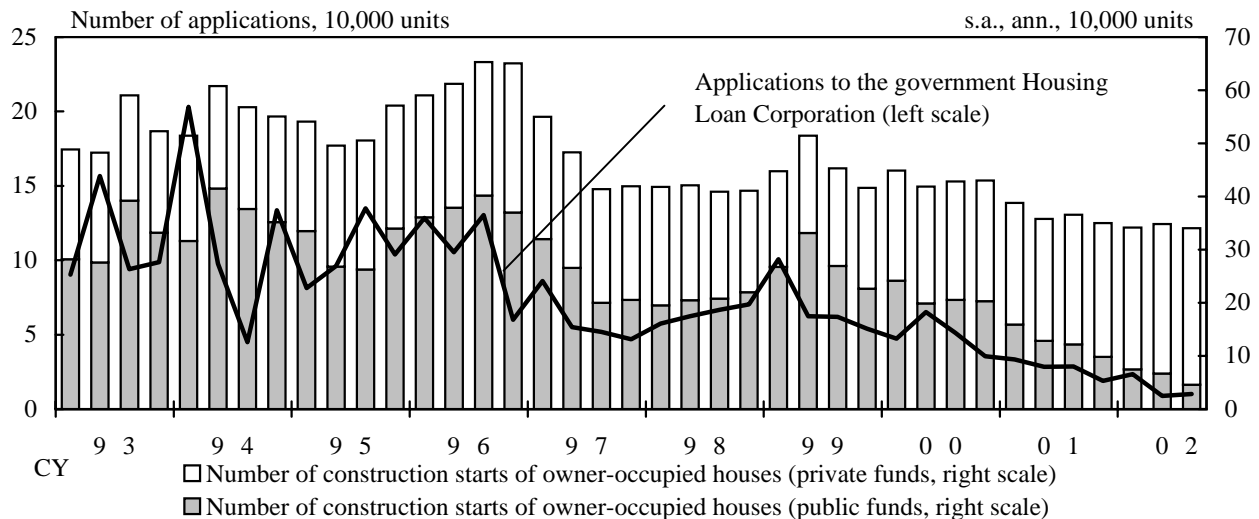
Sources: Cabinet Office, "Consumer Confidence Survey," "Monthly Consumer Confidence Survey"; Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators for Housing Investment

(1) Housing Starts

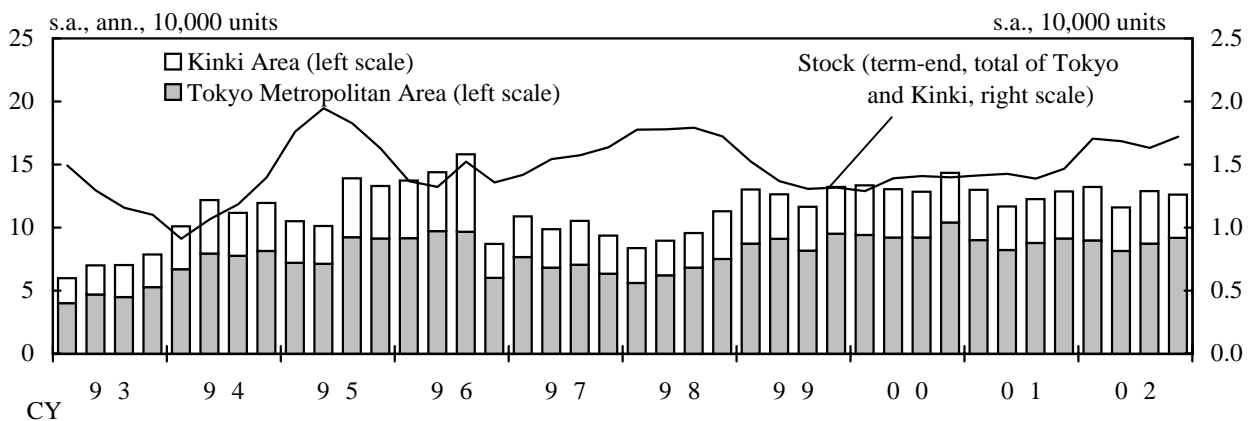


(2) Applications to the Government Housing Loan Corporation for new owner-occupied houses and Construction Starts of owner-occupied houses



Note: The number of loan applications for the construction of private houses is allotted according to the number of days in the offering period of each quarter.

(3) Sales of Condominiums

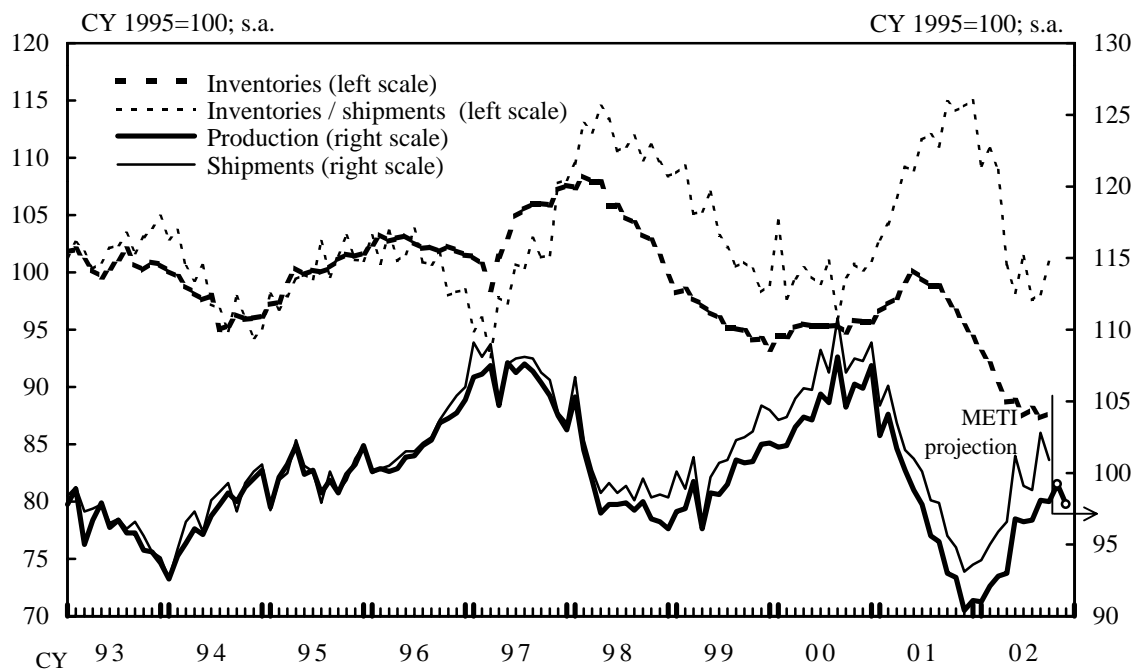


Notes: 1. Seasonally adjusted by X-12-ARIMA.  
2. Figures of 2002/Q4 are those of October.

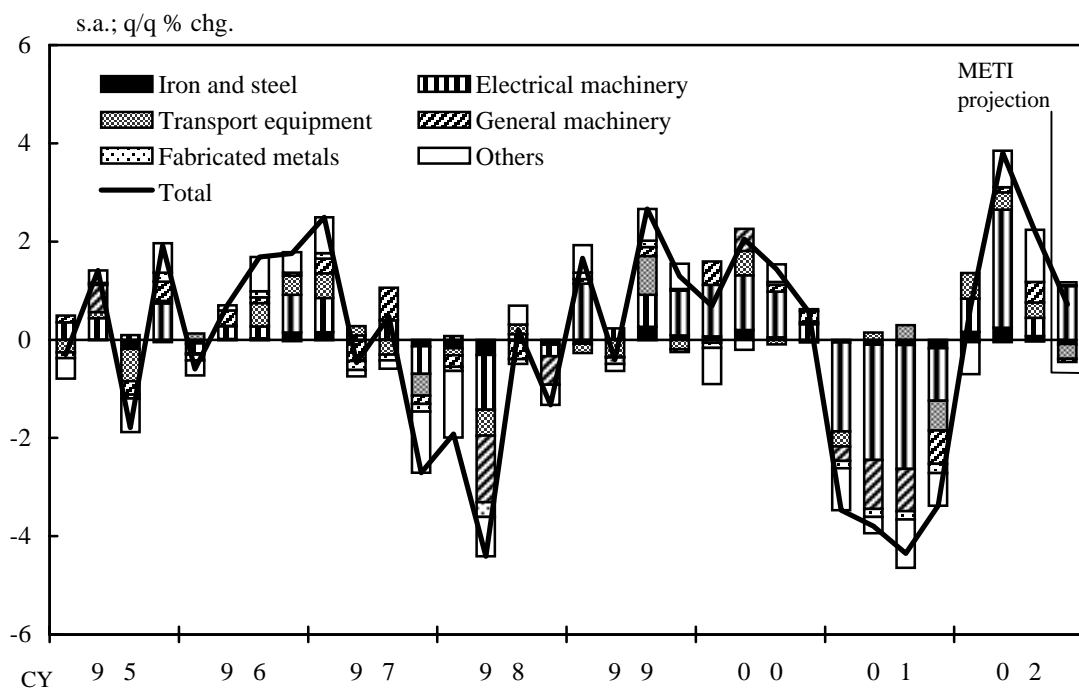
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries



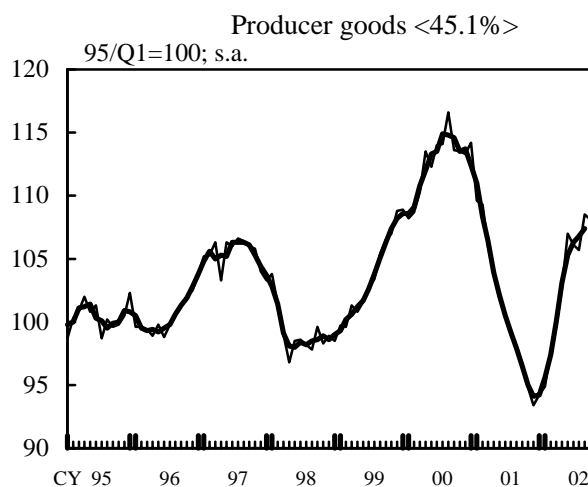
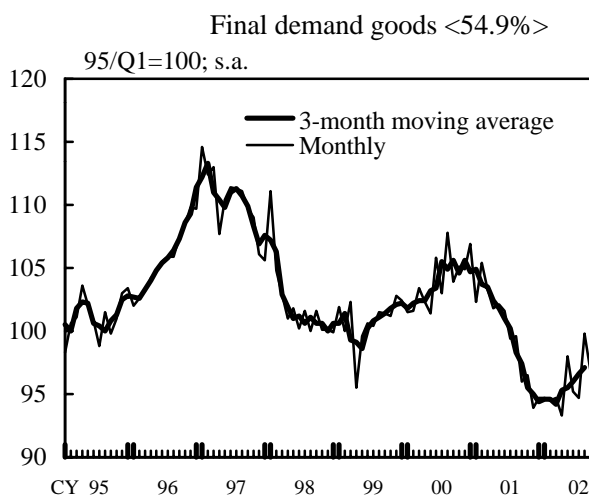
Notes: 1. Transport equipment excludes ships and rolling stock.

2. 2002/Q4 for METI projection is based on the assumption that production level in Dec. is the same as that of Nov.

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

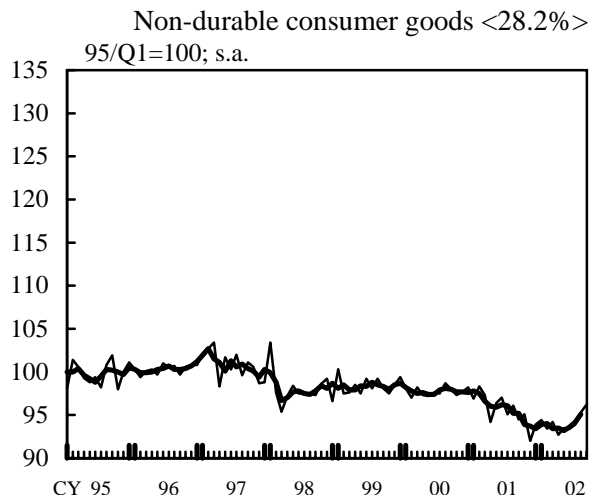
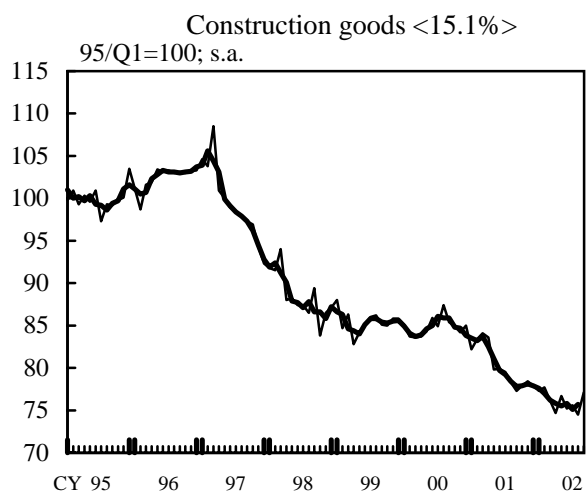
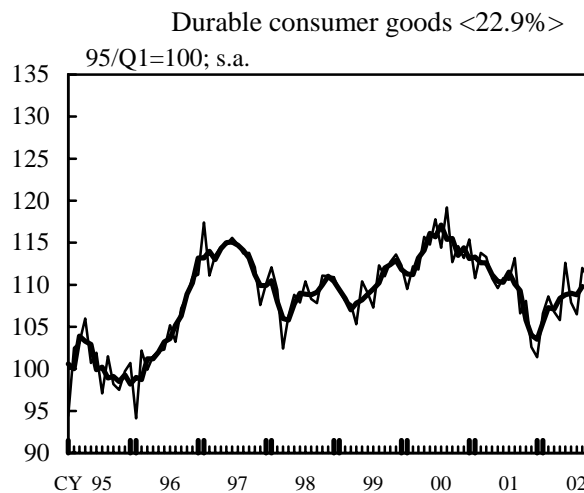
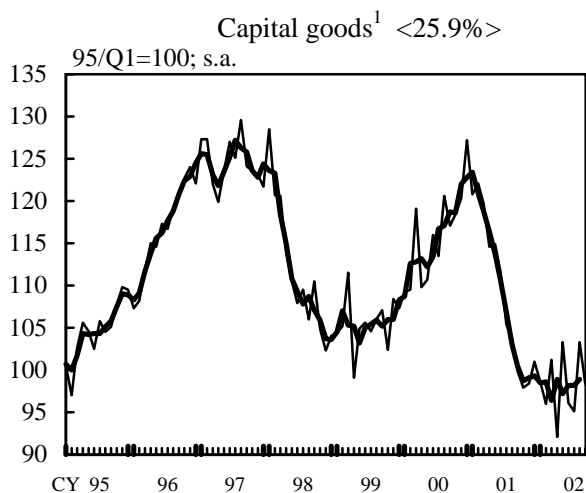
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

(2) Breakdown of final demand goods

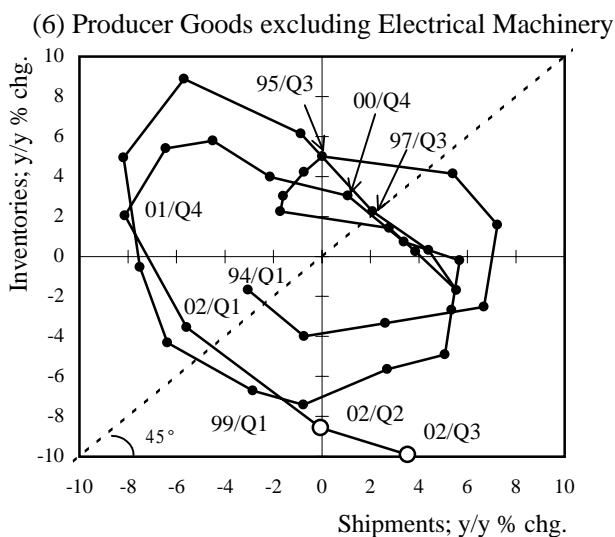
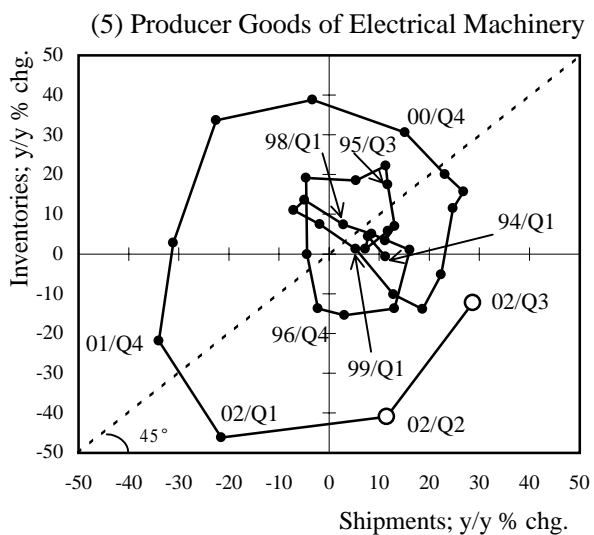
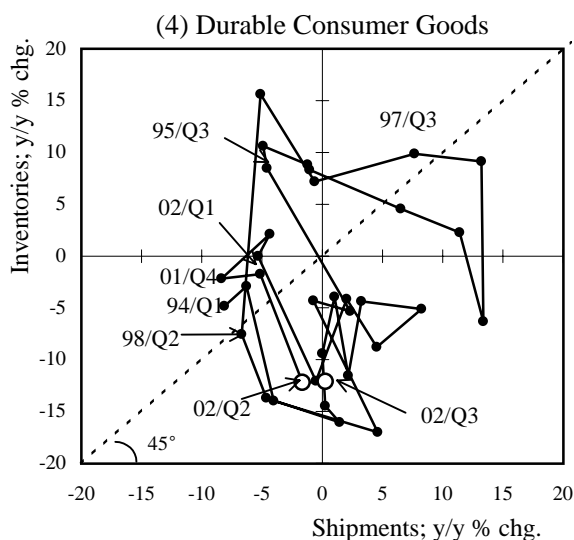
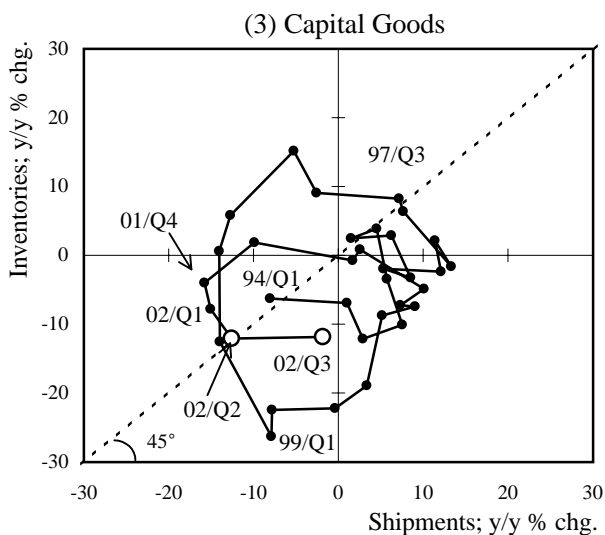
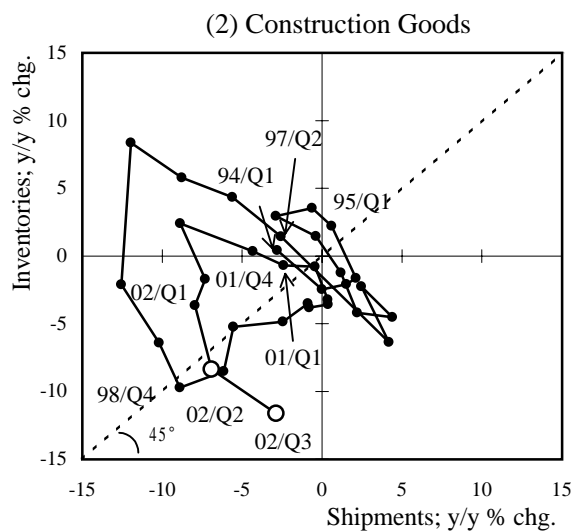
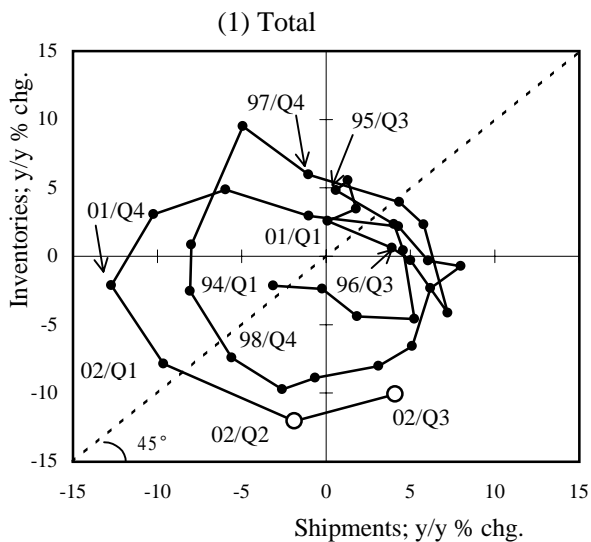


Notes: 1.Excluding transportation equipment.

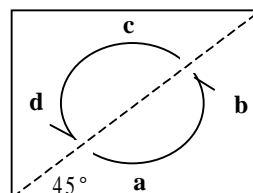
2.Shares of shipments of final demand goods are shown in angle brackets.

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

# Inventory Cycle

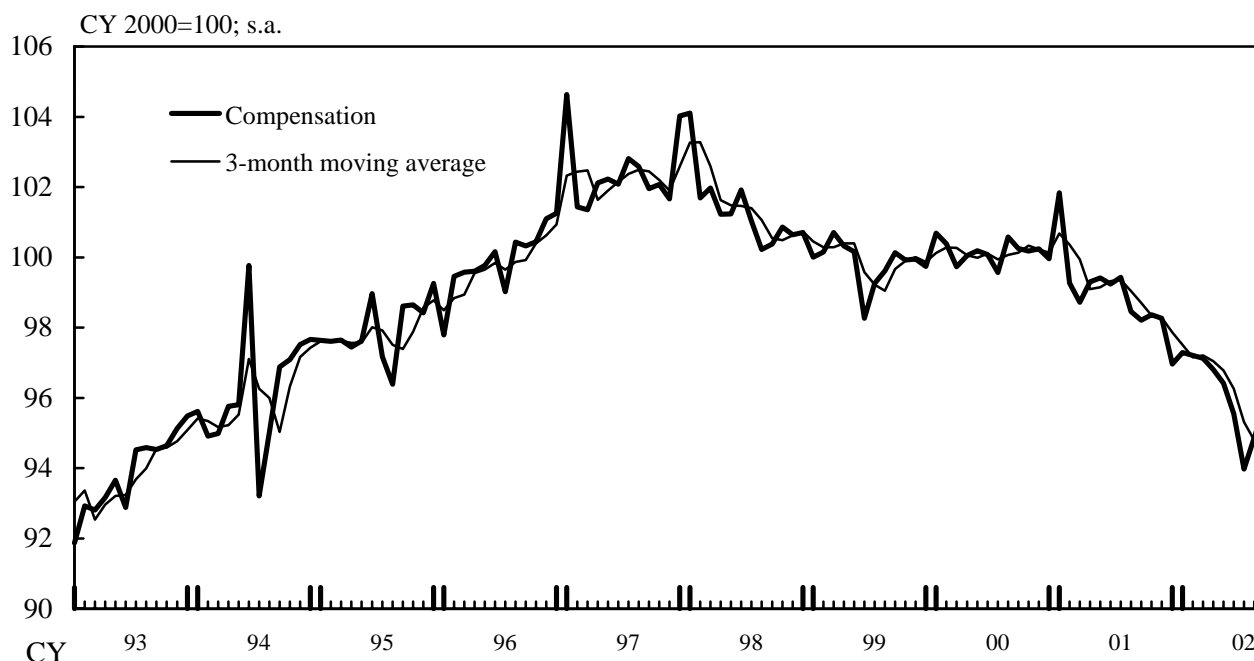


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



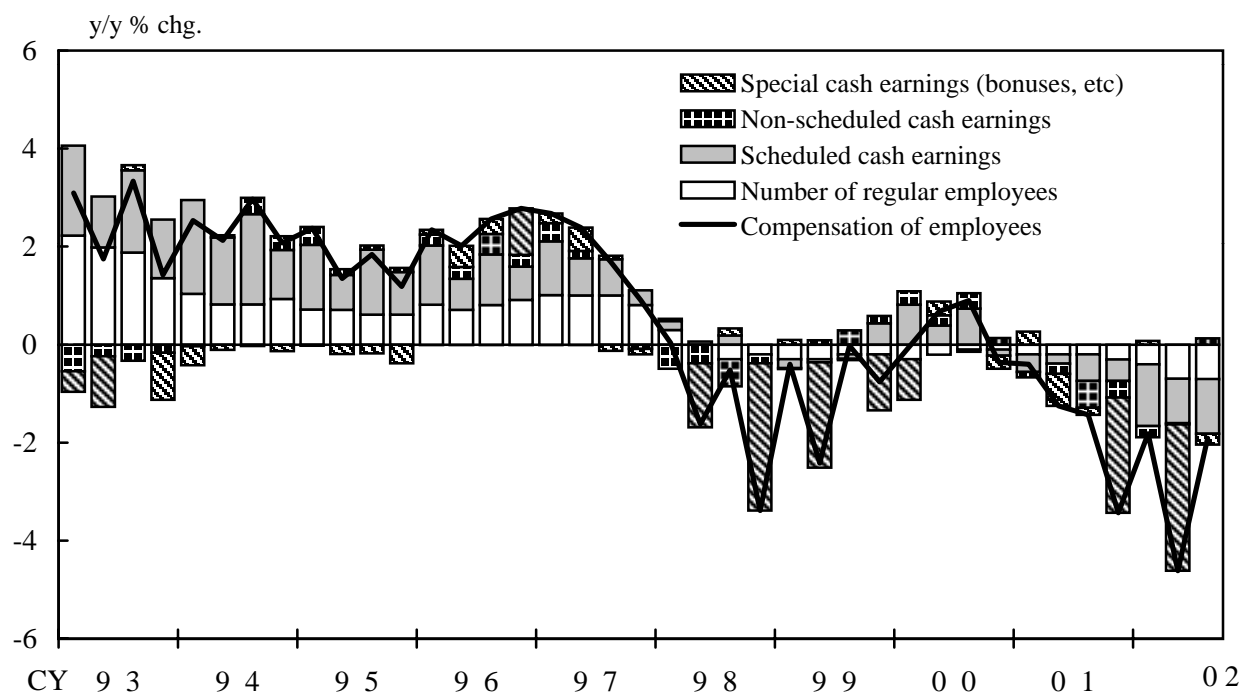
## Compensation of Employees

### (1) Compensation



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

### (2) Breakdown of Compensation



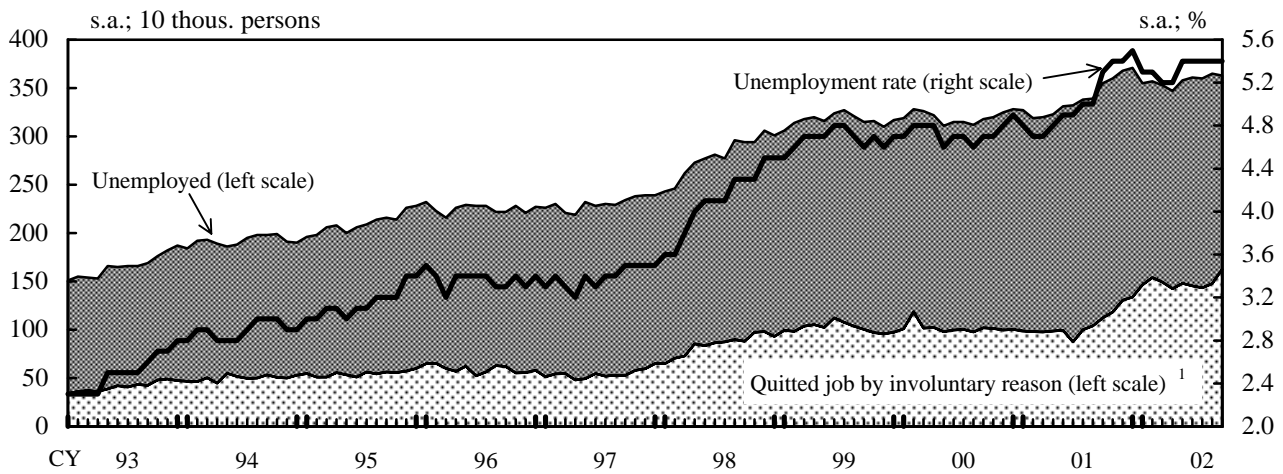
- Notes: 1. Data for establishments with at least 5 employees.  
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.  
 3. Figures for 2002/Q3 are those of September 2002.

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

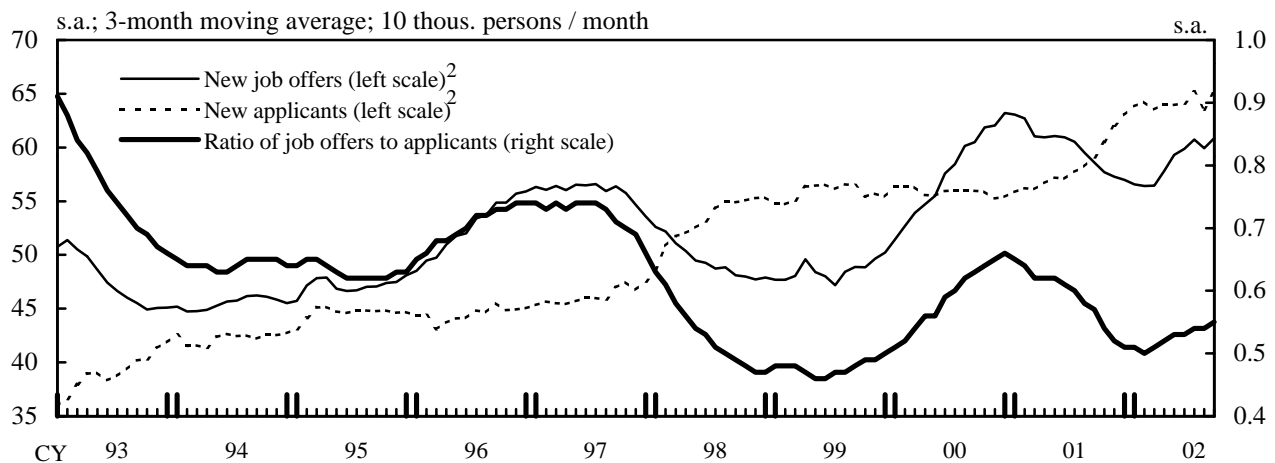


Labor Market (1)

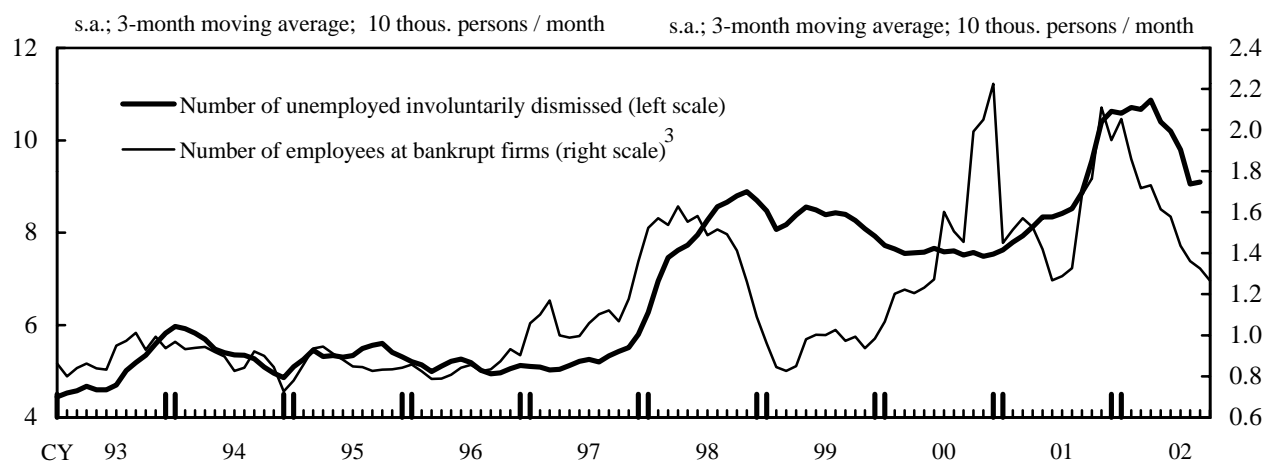
(1) The Unemployed and Unemployment Rate



(2) Ratio of Job Offers to Applicants



(3) Number of Unemployed Involuntarily Dismissed and Employees at Bankrupt Firms<sup>1</sup>



Notes: 1. Seasonally adjusted by X-11.

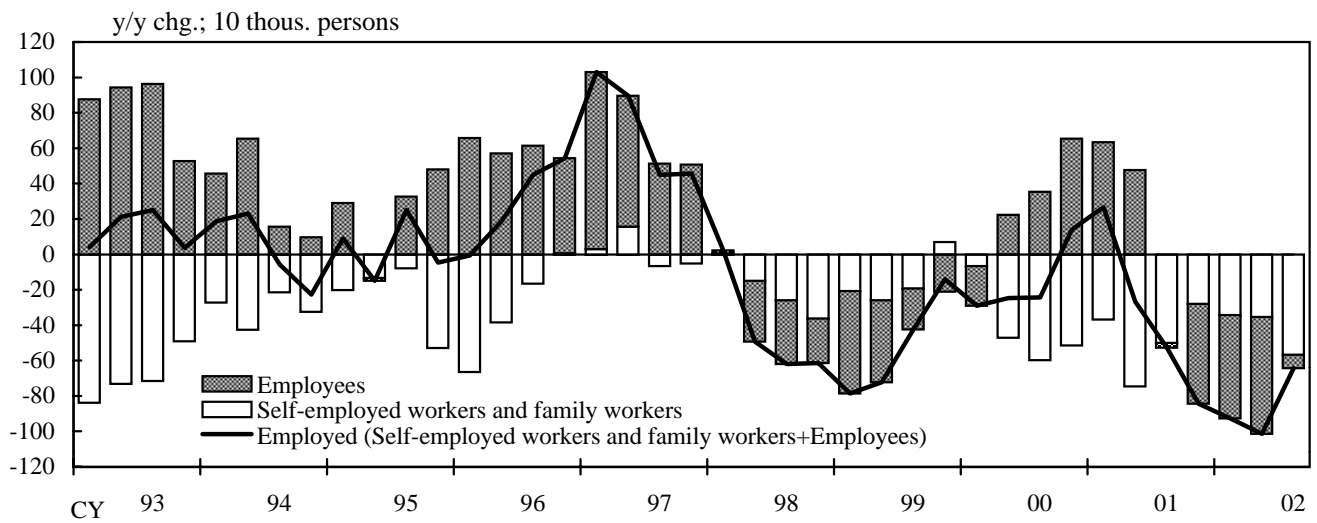
2. Not include jobs offered to new graduates, but to part-time workers.

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

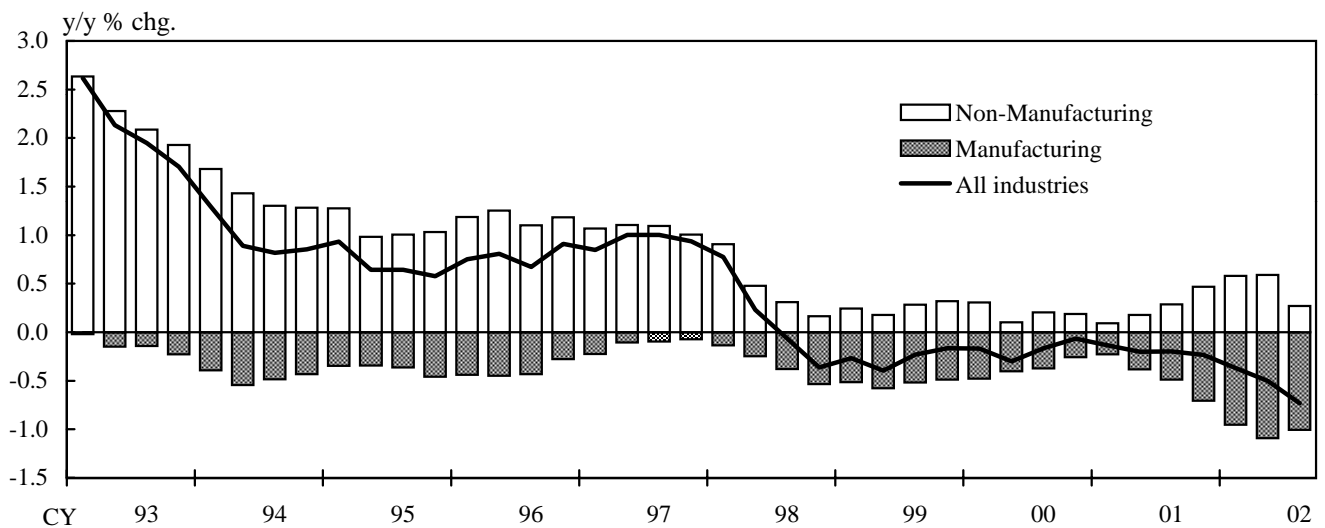
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service," "Report on Employment Insurance Service"; Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey"; Teikoku Databank Ltd., "Japan's Business Failure."

Labor Market (2)

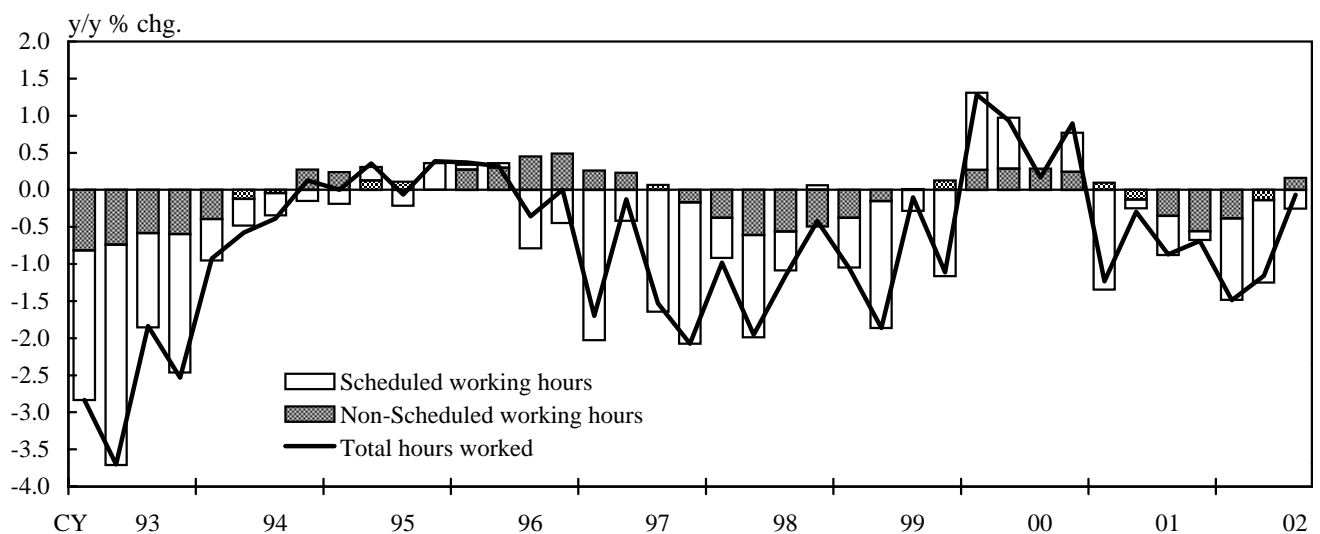
(1) The Employed (Labour Force Survey)



(2) Number of Regular Employees<sup>1</sup> (Monthly Labour Survey)



(3) Actual Hours Worked<sup>1</sup> (Monthly Labour Survey)

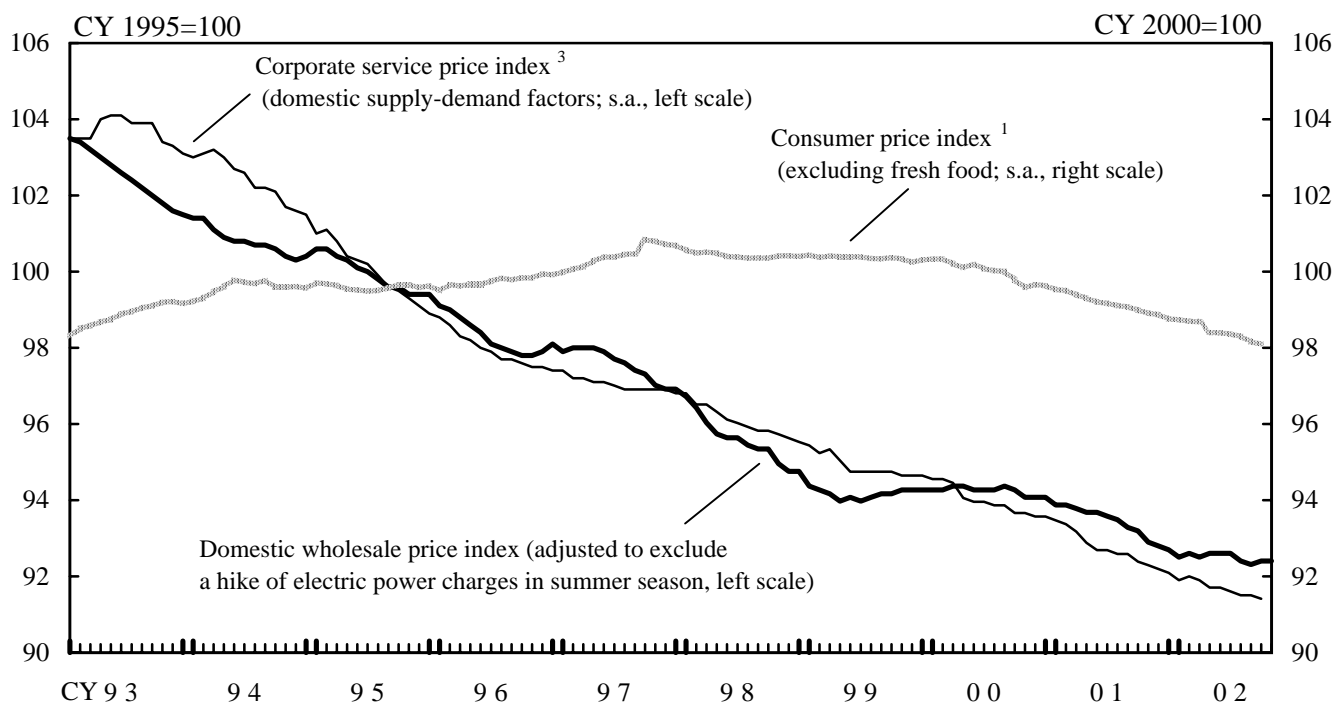


Note: 1. Data are for establishments with at least 5 employees.

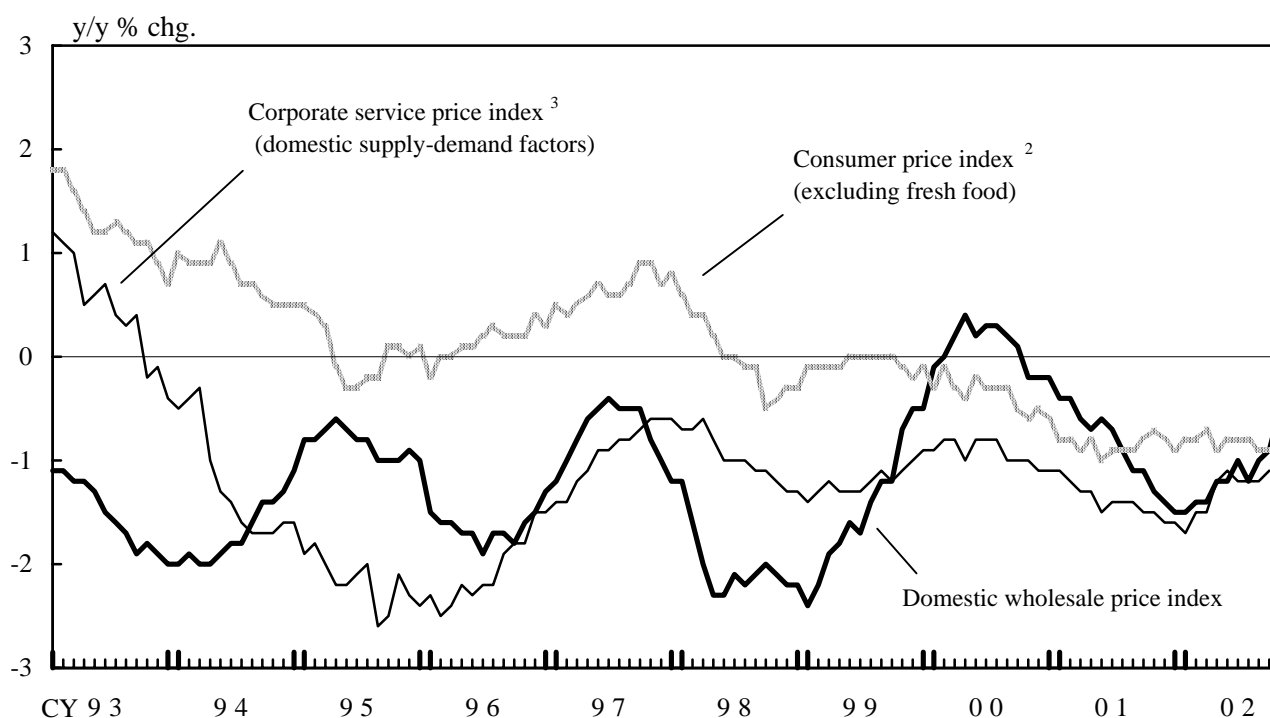
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey" ;  
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Prices<sup>4</sup>

## (1) Level



## (2) Changes from a year earlier

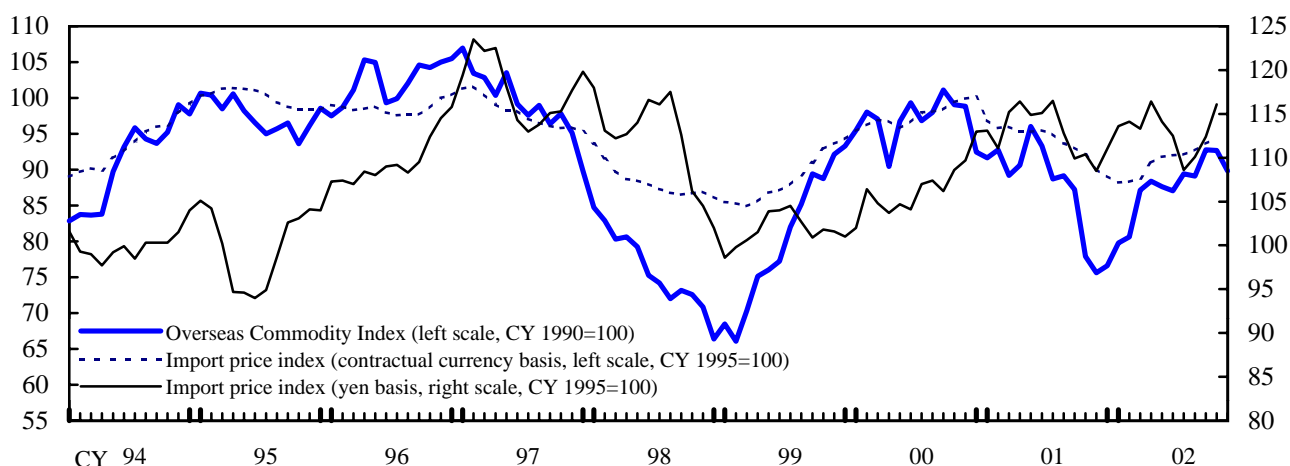


- Notes: 1. Seasonally adjusted by X-12-ARIMA, based on the original series excluding "package tours to overseas" newly adopted from the 2000 base. This is because sample size of this item is insufficient for seasonal adjustment, though it has large seasonal fluctuations.
2. Data before Dec. 2000 are on the 1995 base CPI.
3. See footnote 1 in Chart 22, for definition of the Corporate Service Price Index (domestic supply-demand factors).
4. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

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

## Import Prices and International Commodity Prices

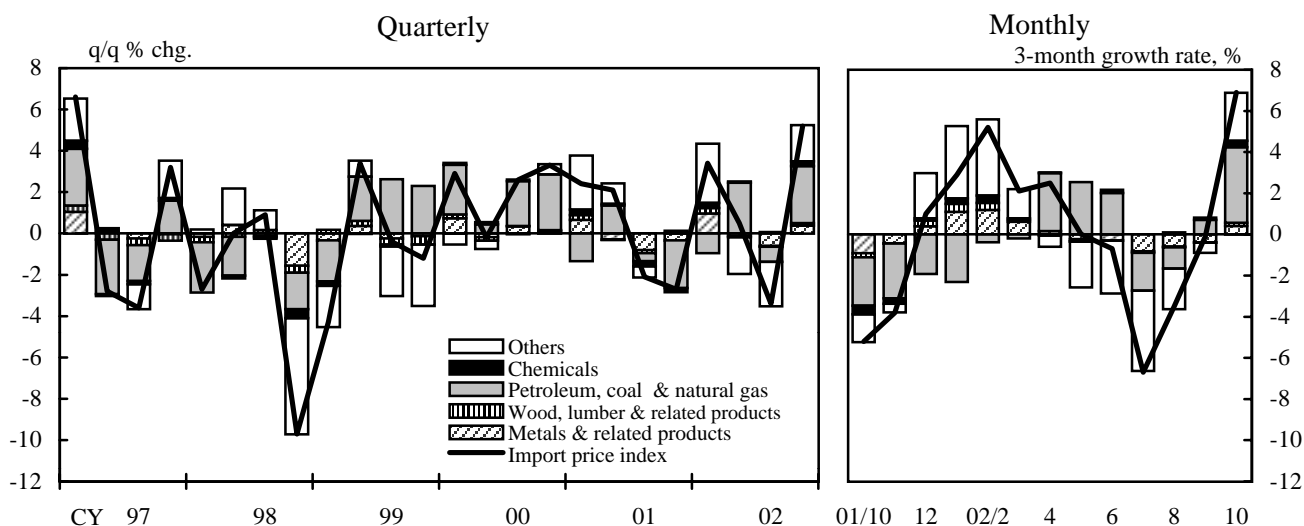
### (1) Import Price Index and Overseas Commodity Index



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

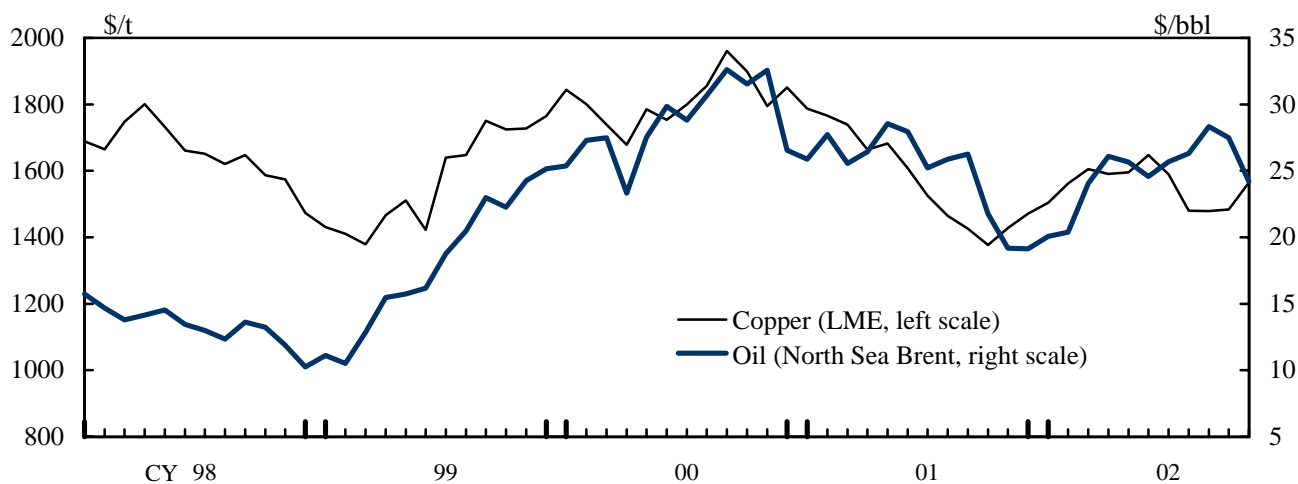
Figure for November 2002 is the average up to November 15.

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



Note: Figures for 2002/Q4 are those of October.

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

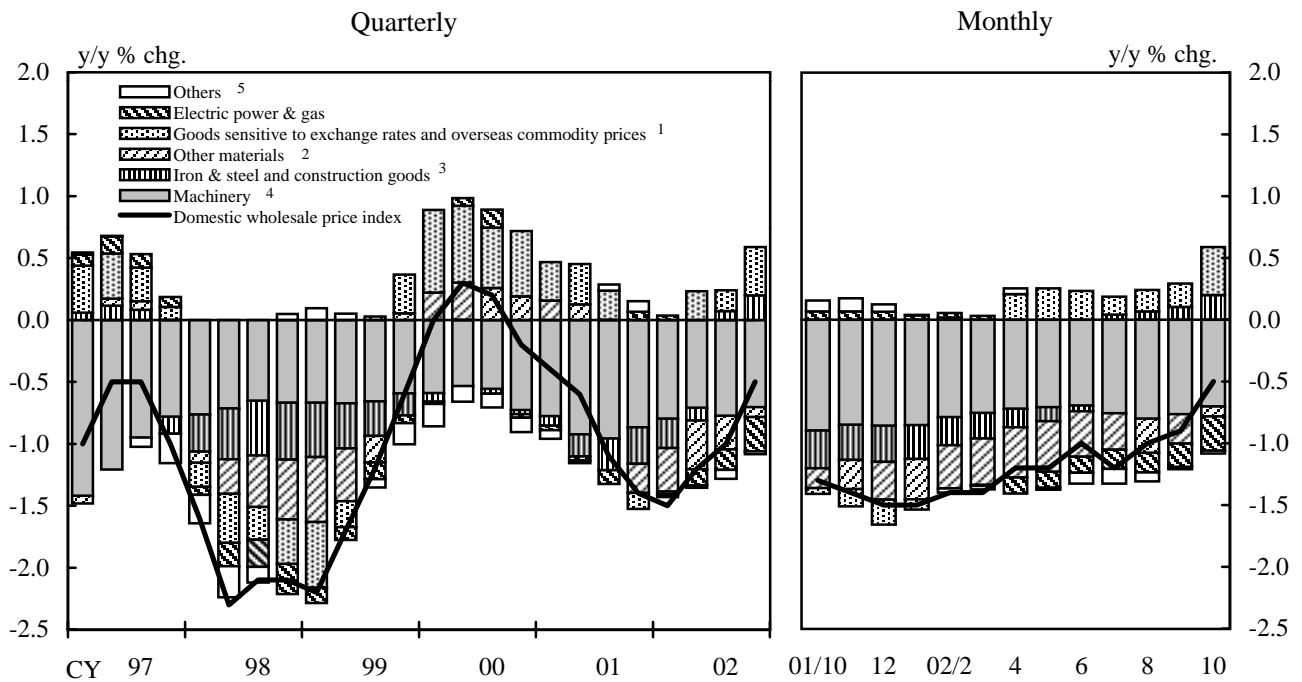
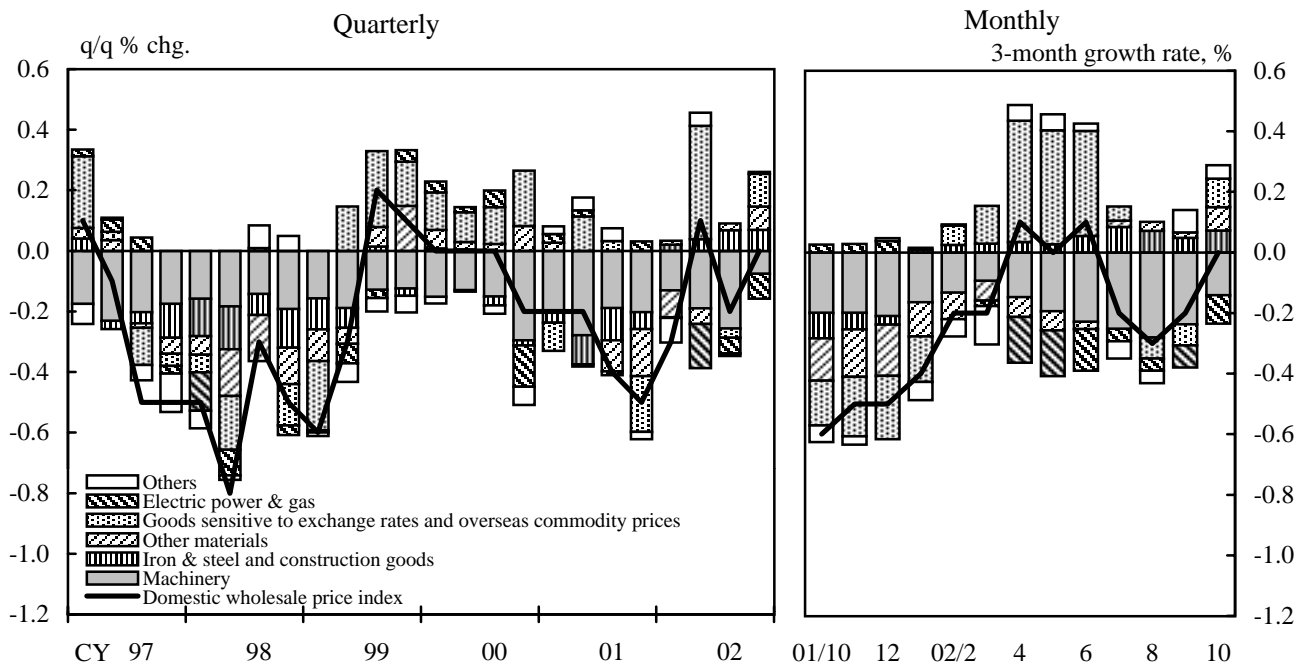


Note: Monthly averages. Figures for November 2002 are the averages up to November 15.

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

Domestic Wholesale 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, edible agricultural, livestock & aquatic products, inedible agricultural & forestry products, mining products, water.

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

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

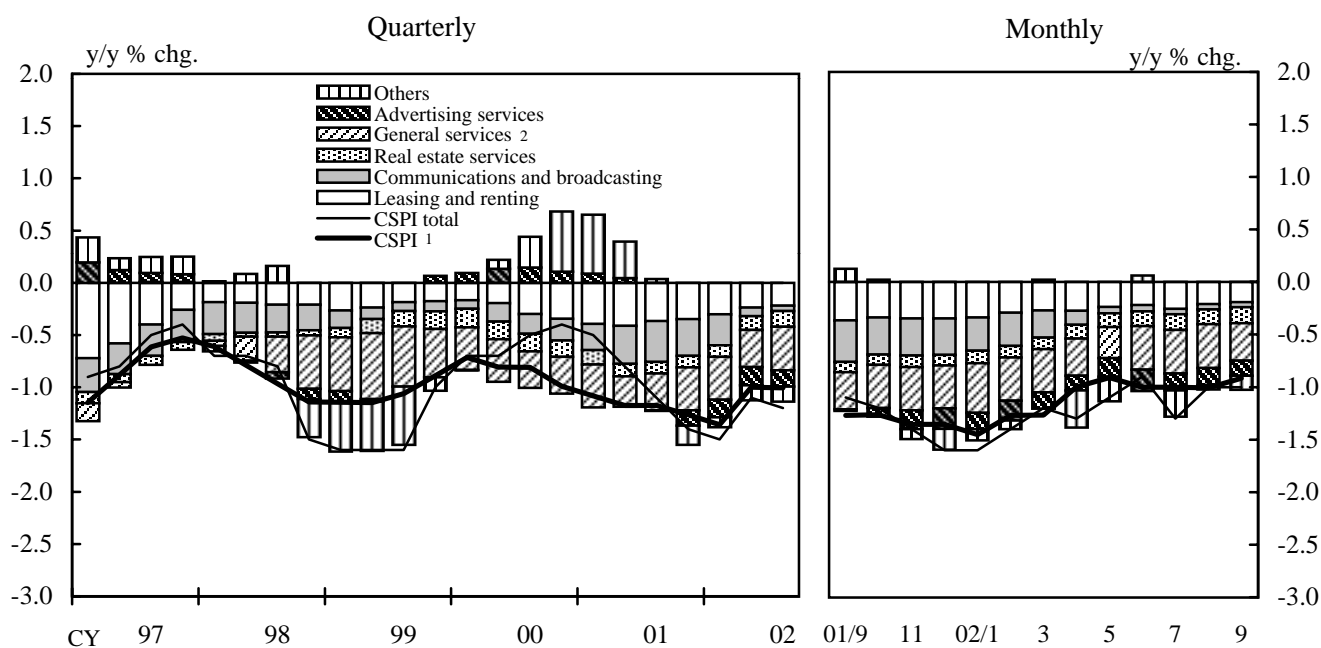
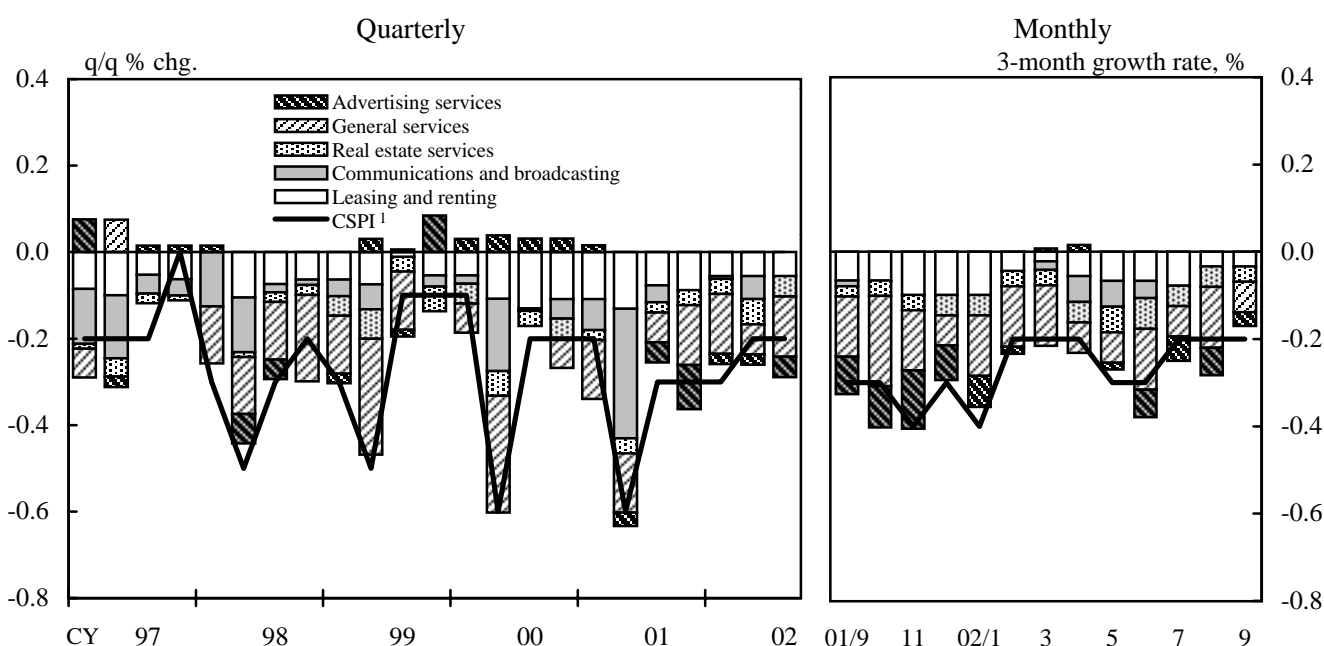
7. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

8. Figures for 2002/Q4 are those of October.

Source: Bank of Japan, "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.

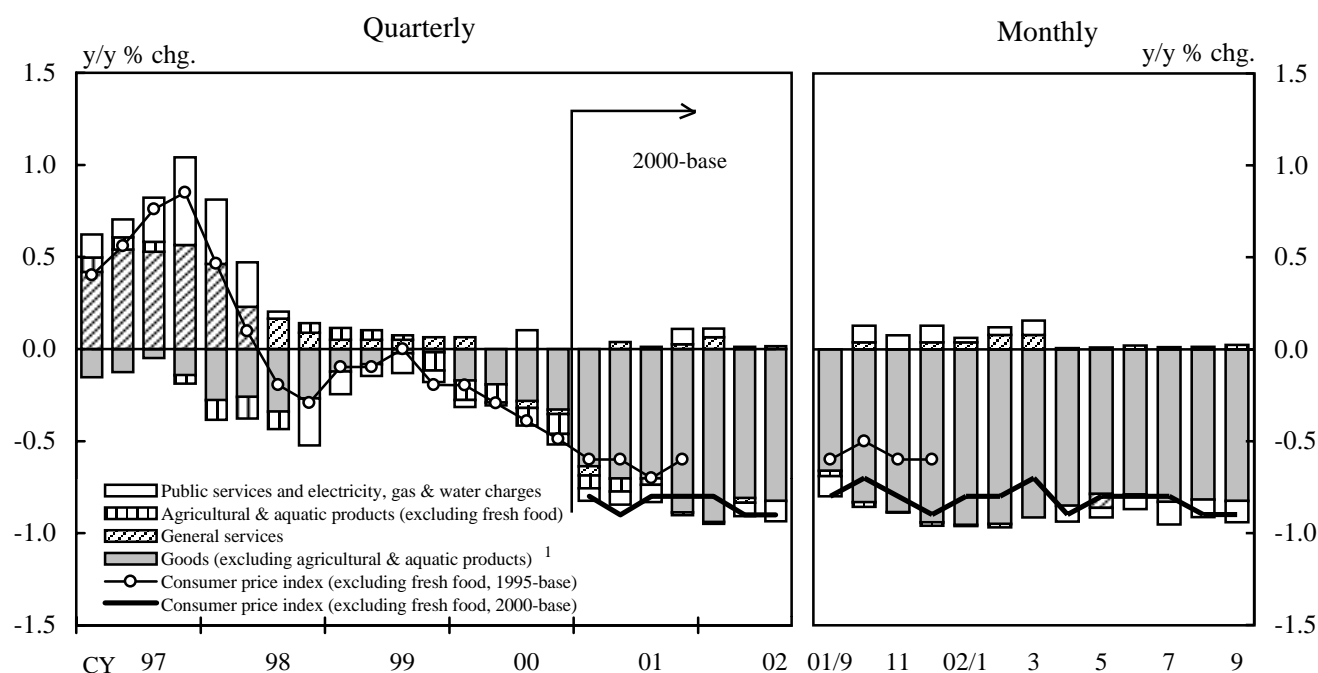
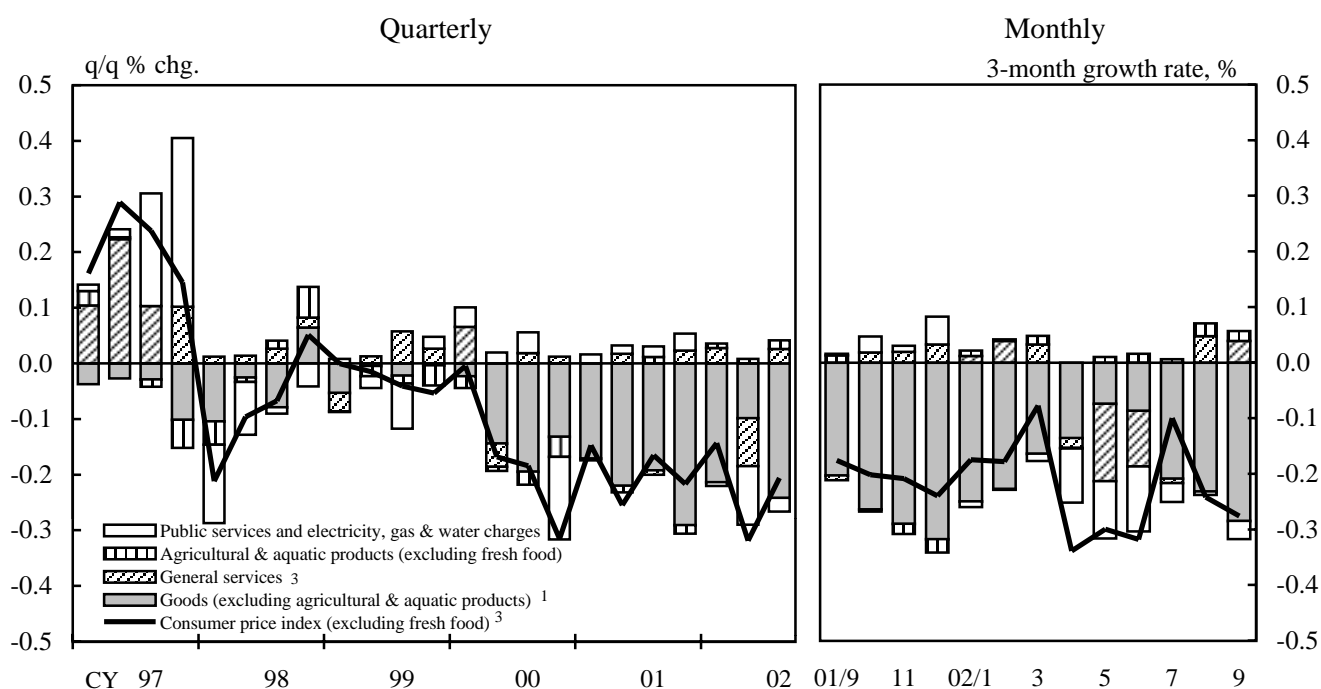
2. General services include all services in Domestic supply-demand factors except Leasing and rental, Communications and broadcasting, Real estate services, and Advertising services.

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.

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

## (1) Changes from a year earlier

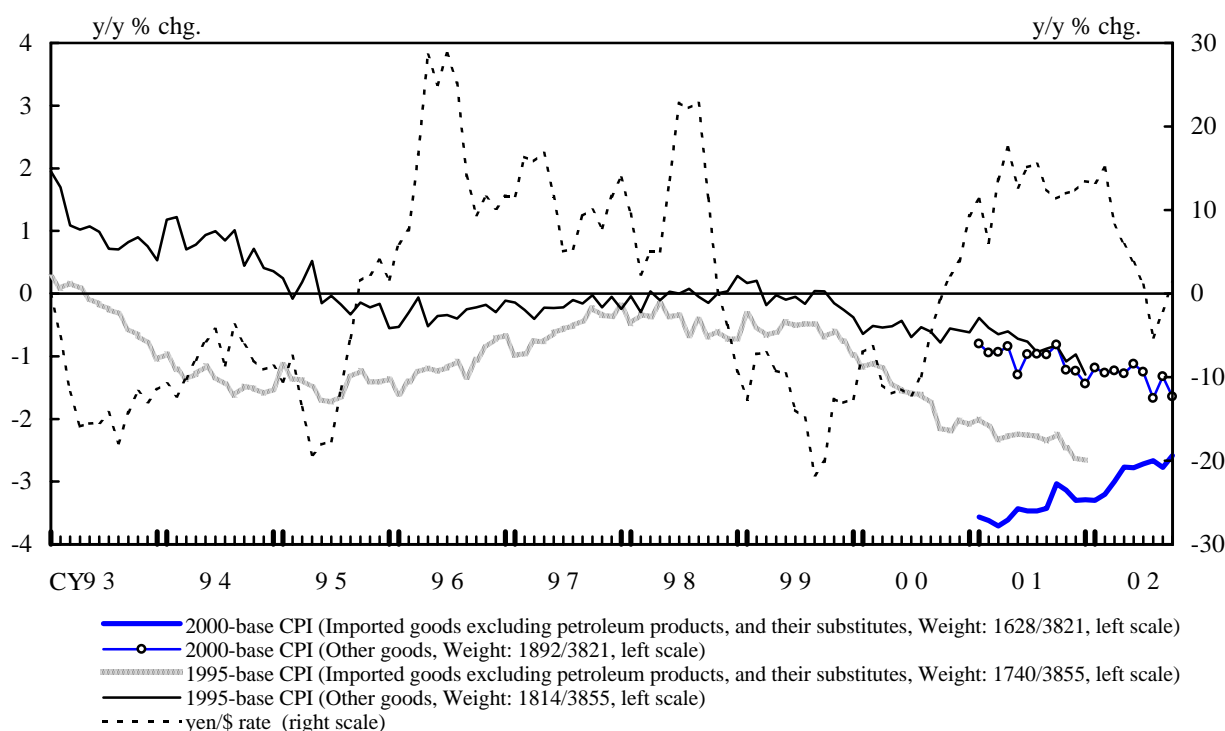
(2) Changes from a quarter earlier and 3 months earlier (2000-base CPI)<sup>2</sup>

- 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.

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

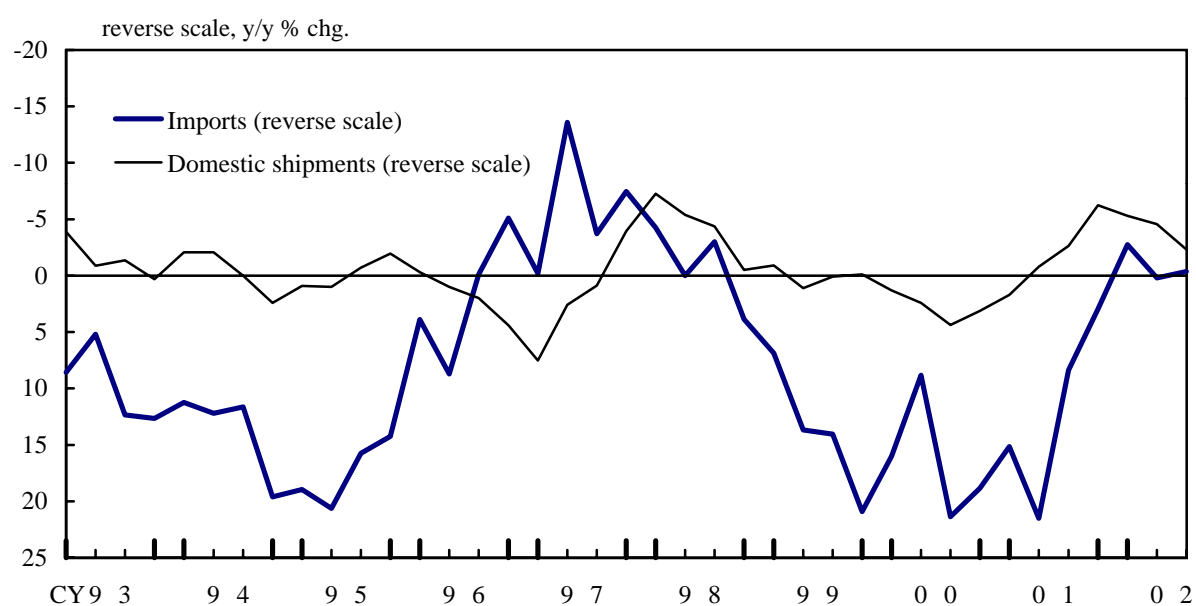
## Consumer Price Index of imported goods and their substitutes

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



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

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



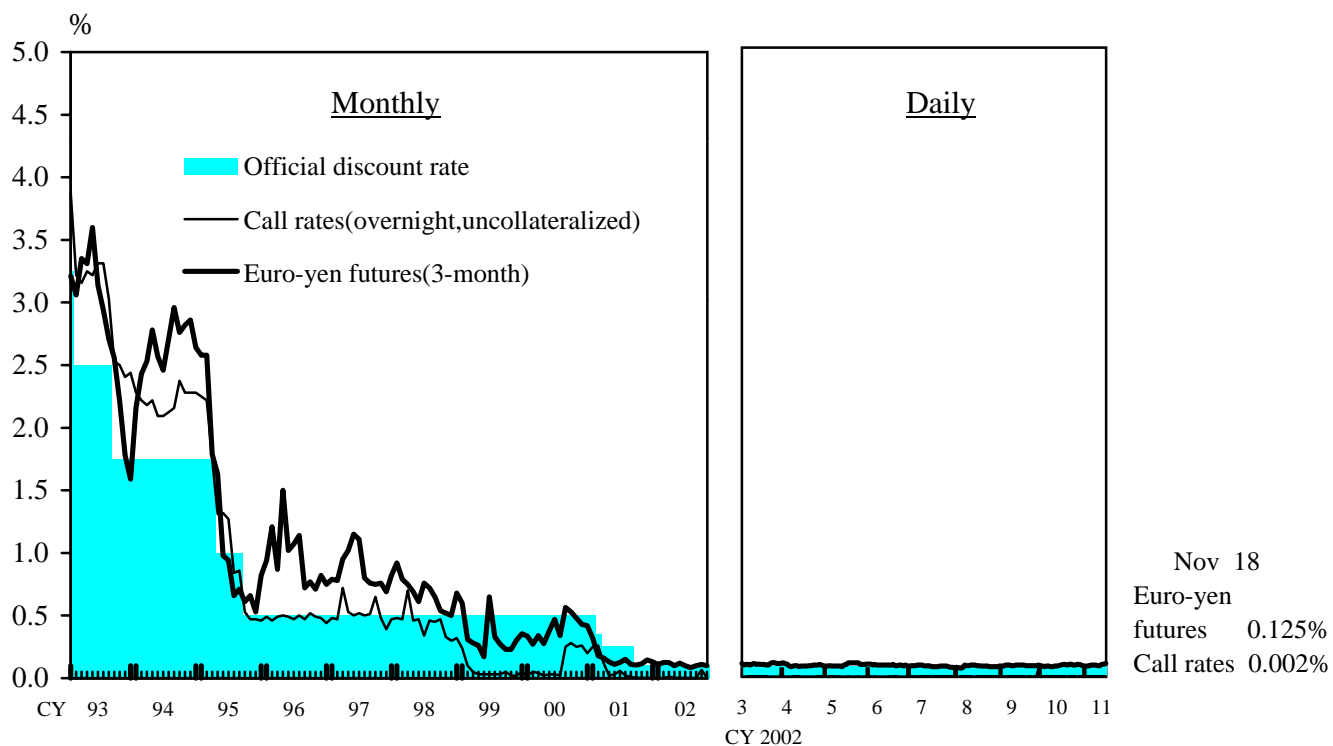
Note: See footnote Chart 11-4, for definition of the consumer goods supply.

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."

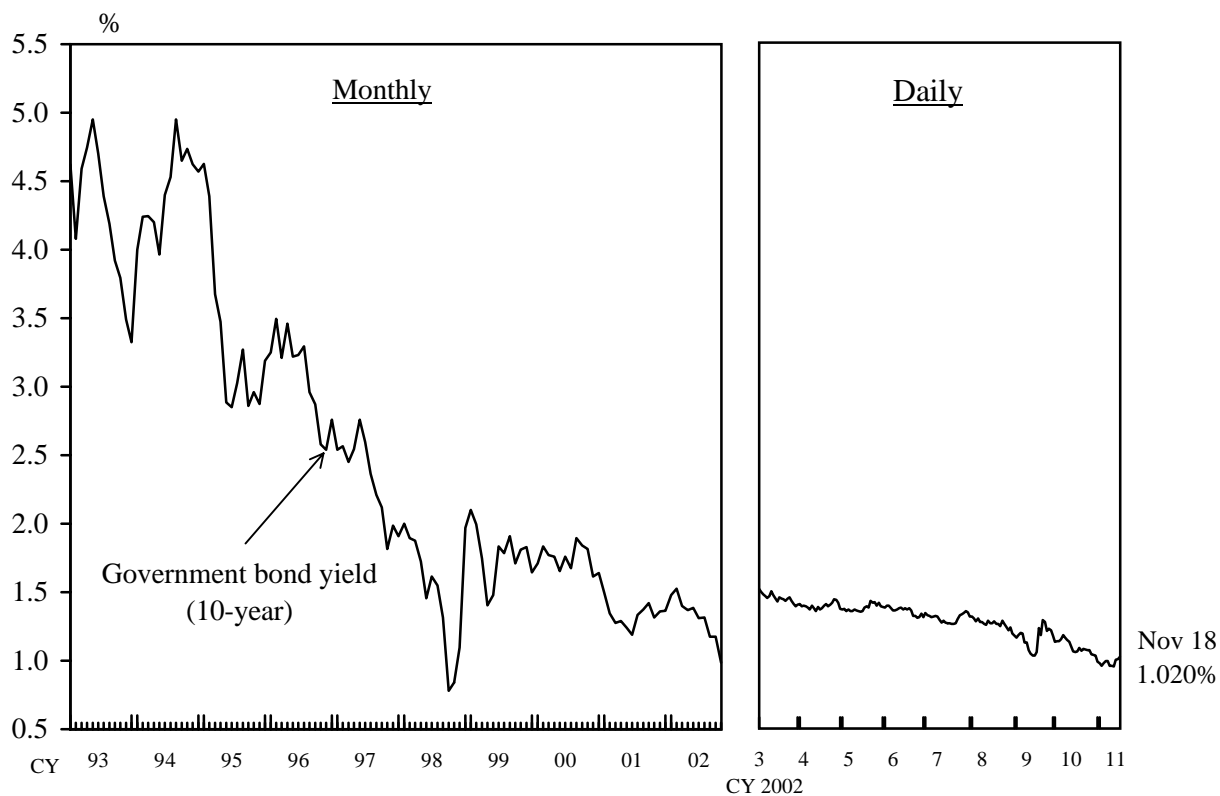


Interest Rates

(1) Short-Term



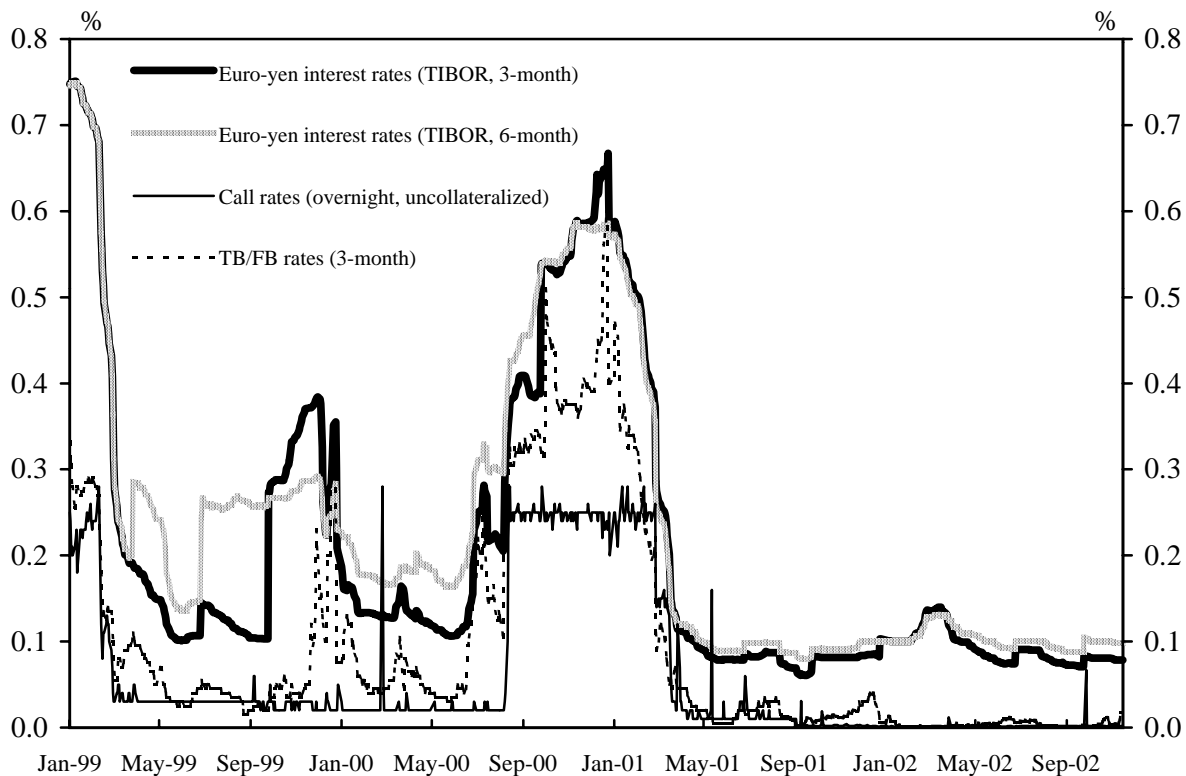
(2) Long-Term



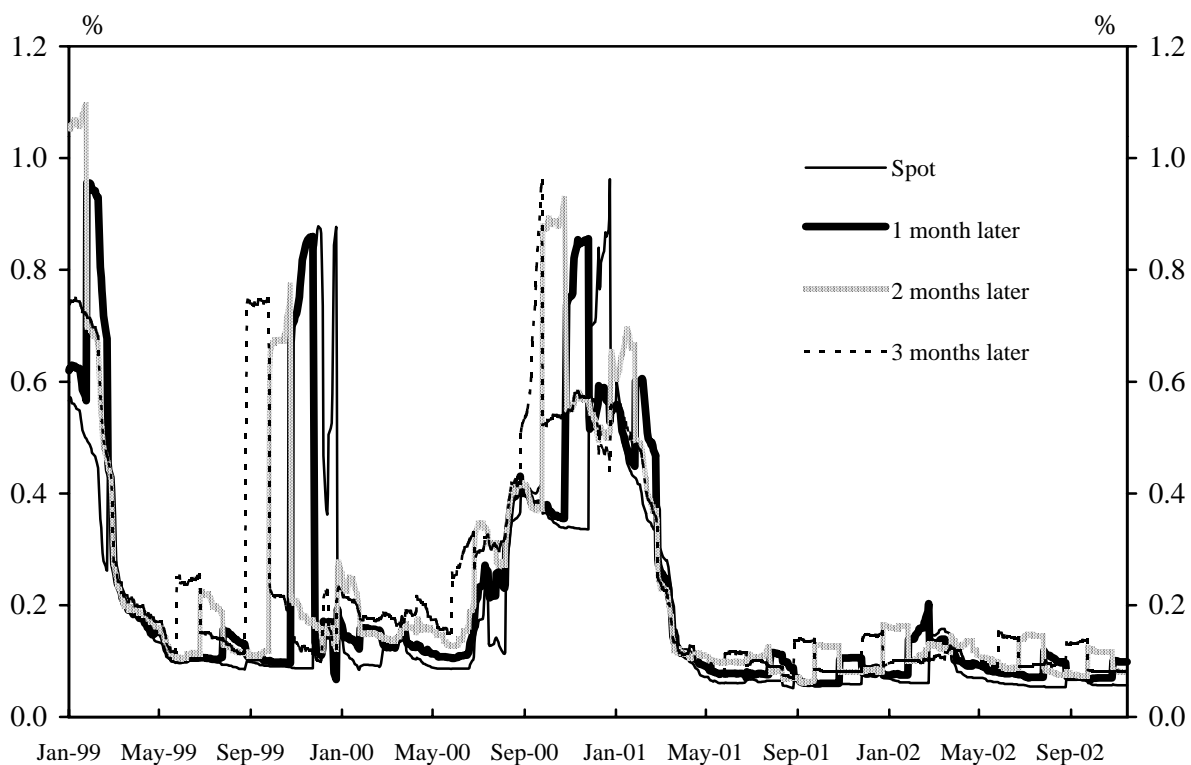
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

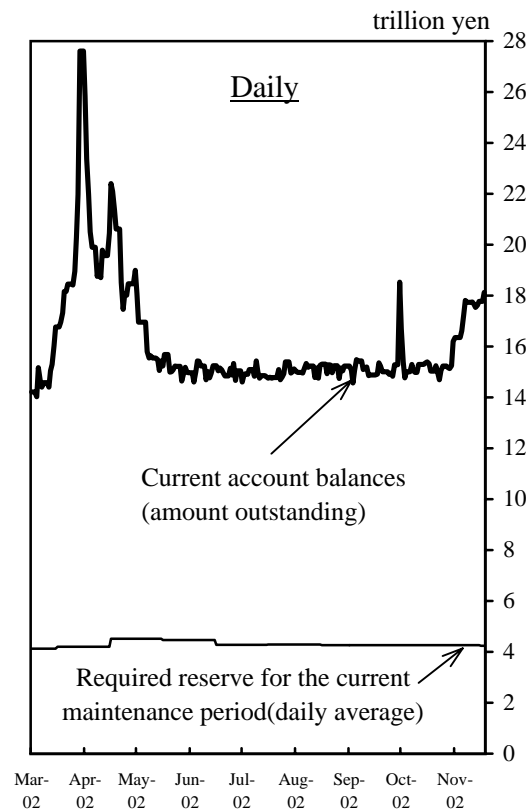
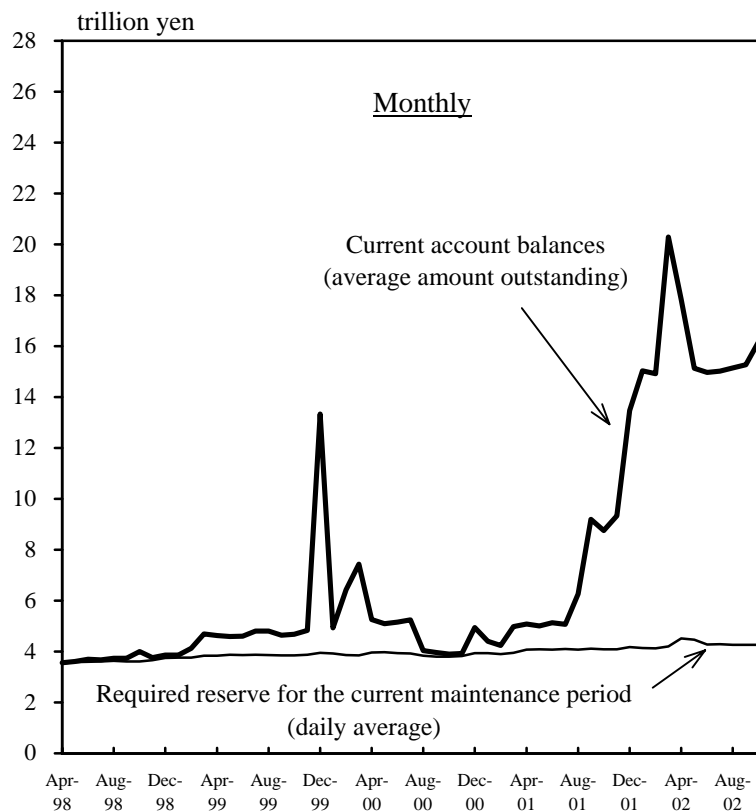


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

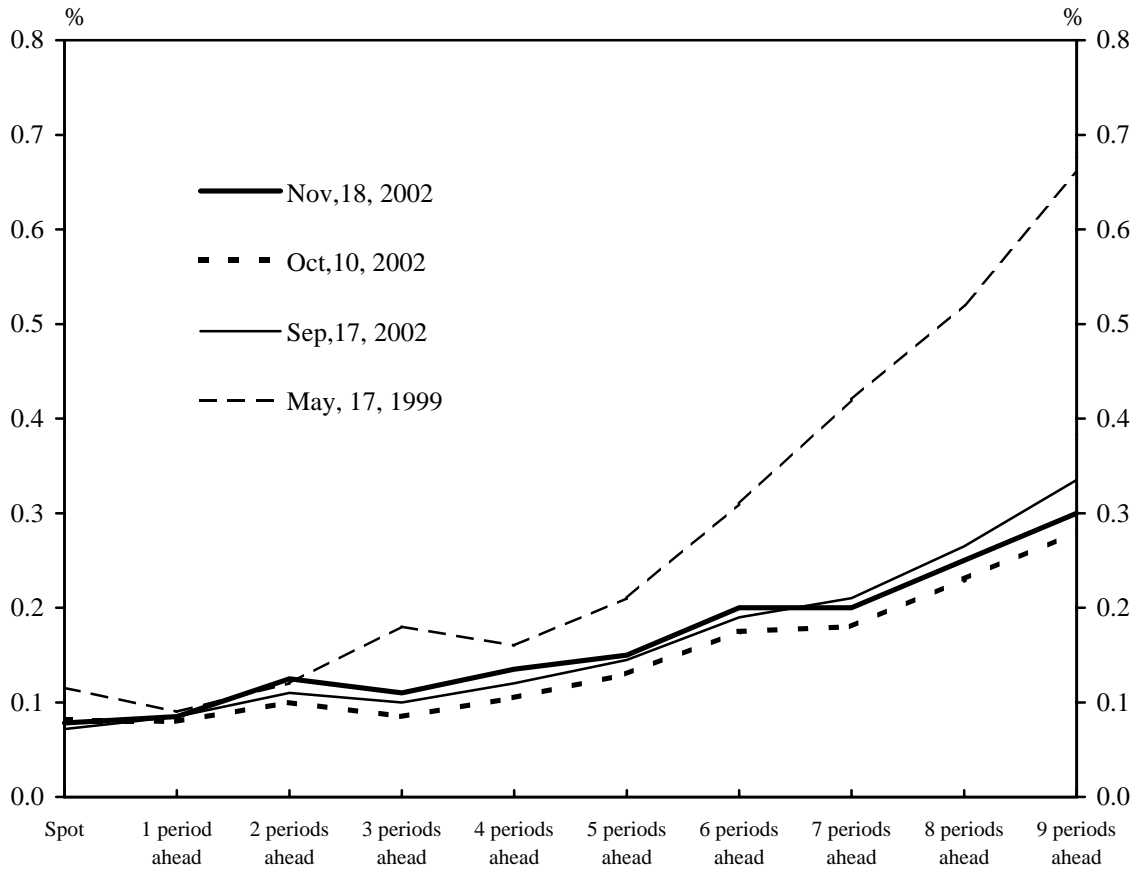


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Current Account Balances at the Bank of Japan

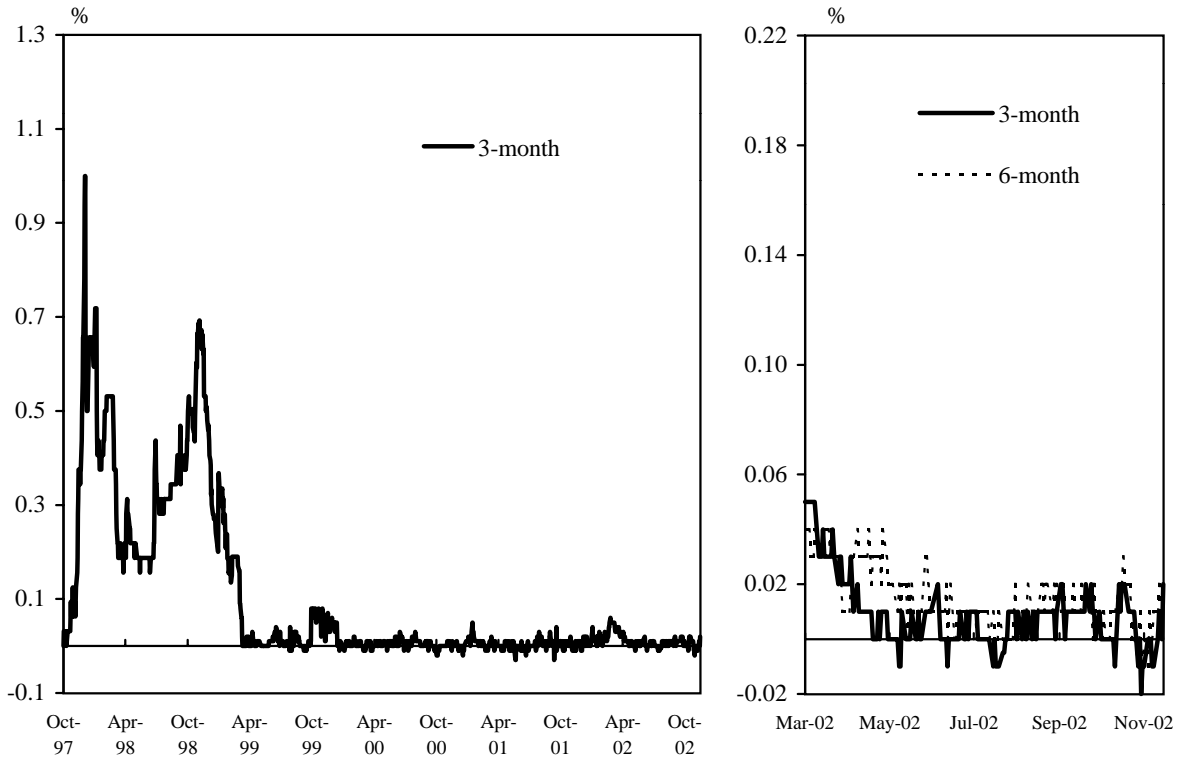


Euro-Yen Interest Rates Futures (3-Month)



Source: Tokyo International Financial Futures Exchange.

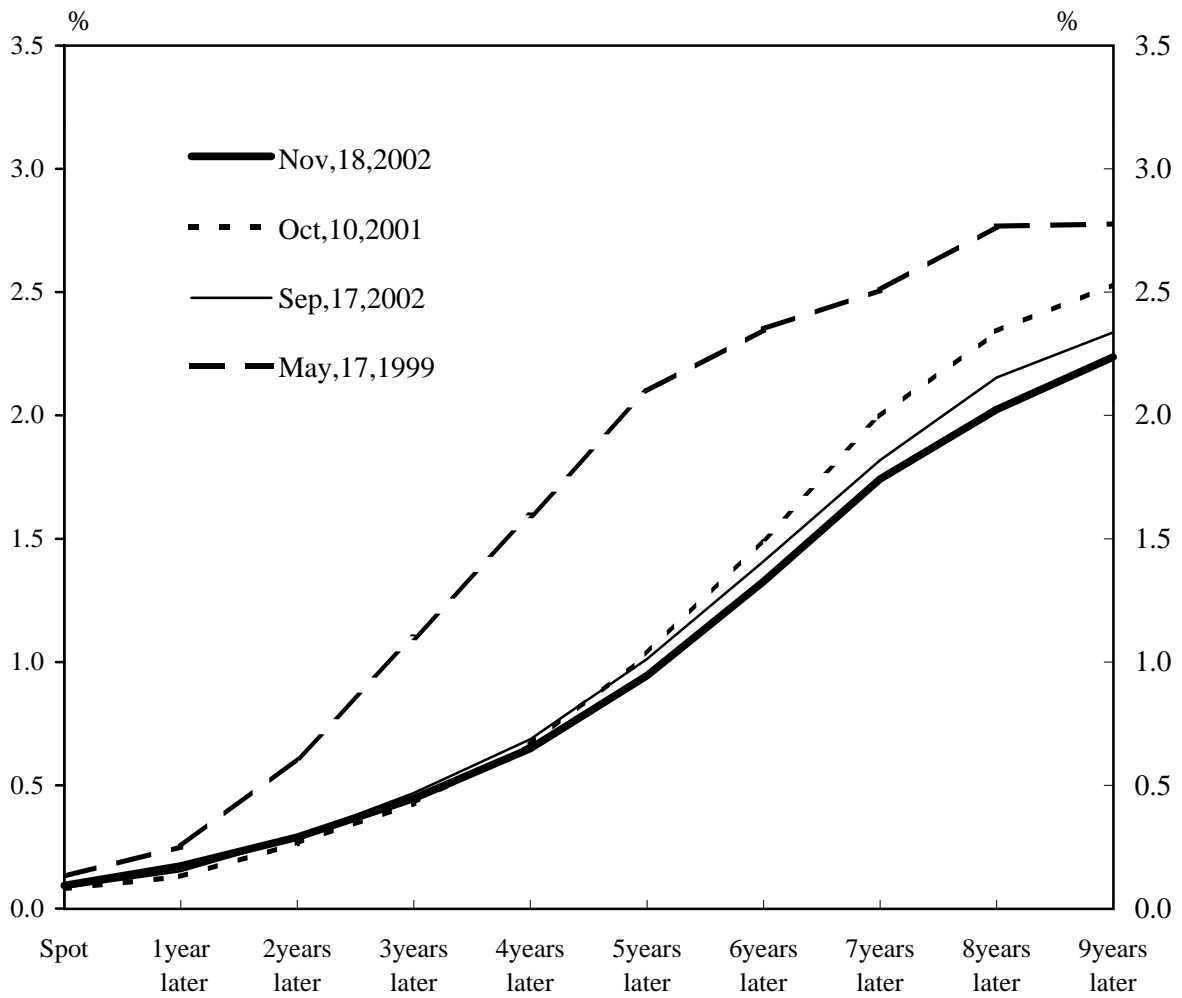
Japan Premium in the Eurodollar Market <sup>1</sup>



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)<sup>1</sup>

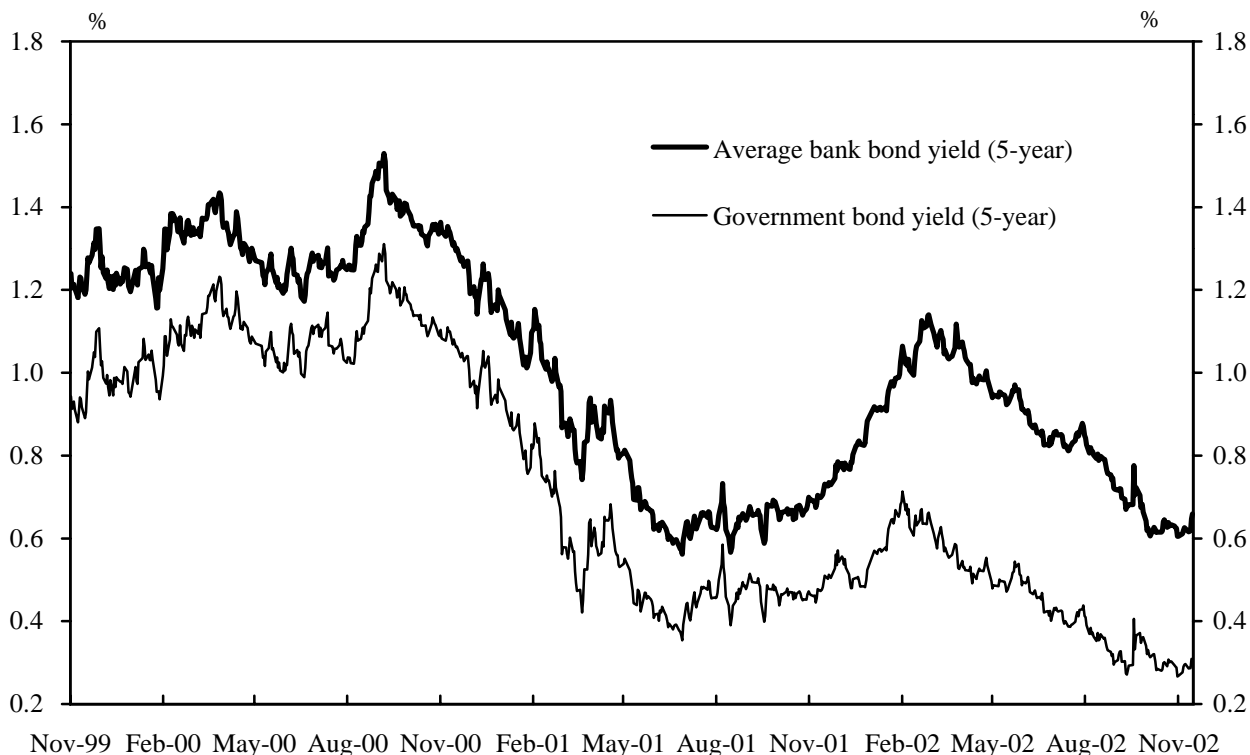


Note :Calculated from yen-yen swap rates.

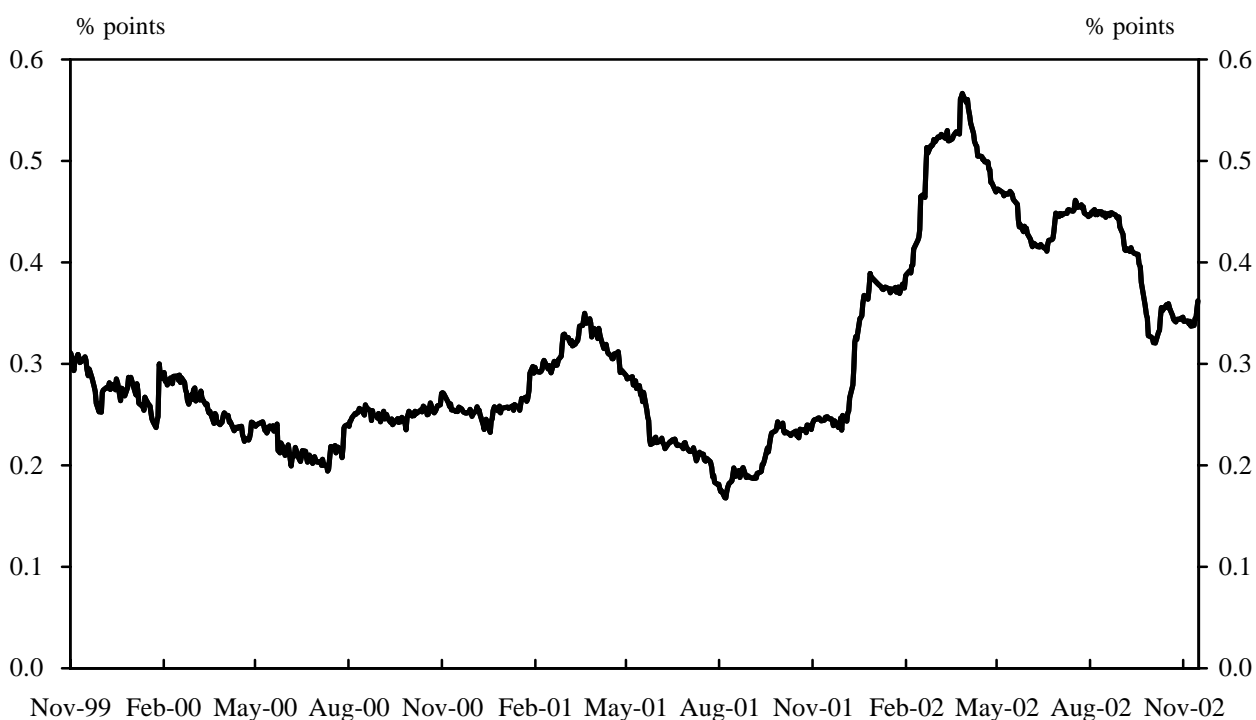
Source: Kyodo News.

Yields of Bank Bonds

(1) Bond Yields



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



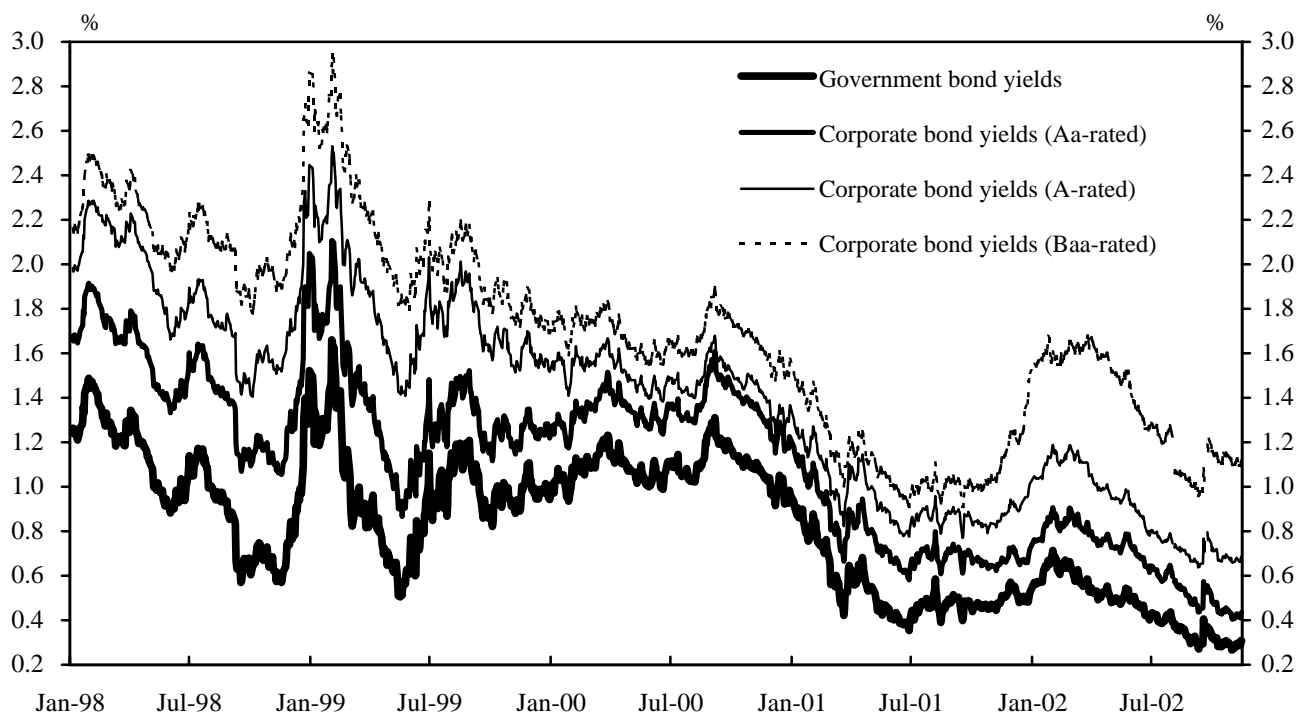
Note: 1. Yields on bonds with 5-year maturity.

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

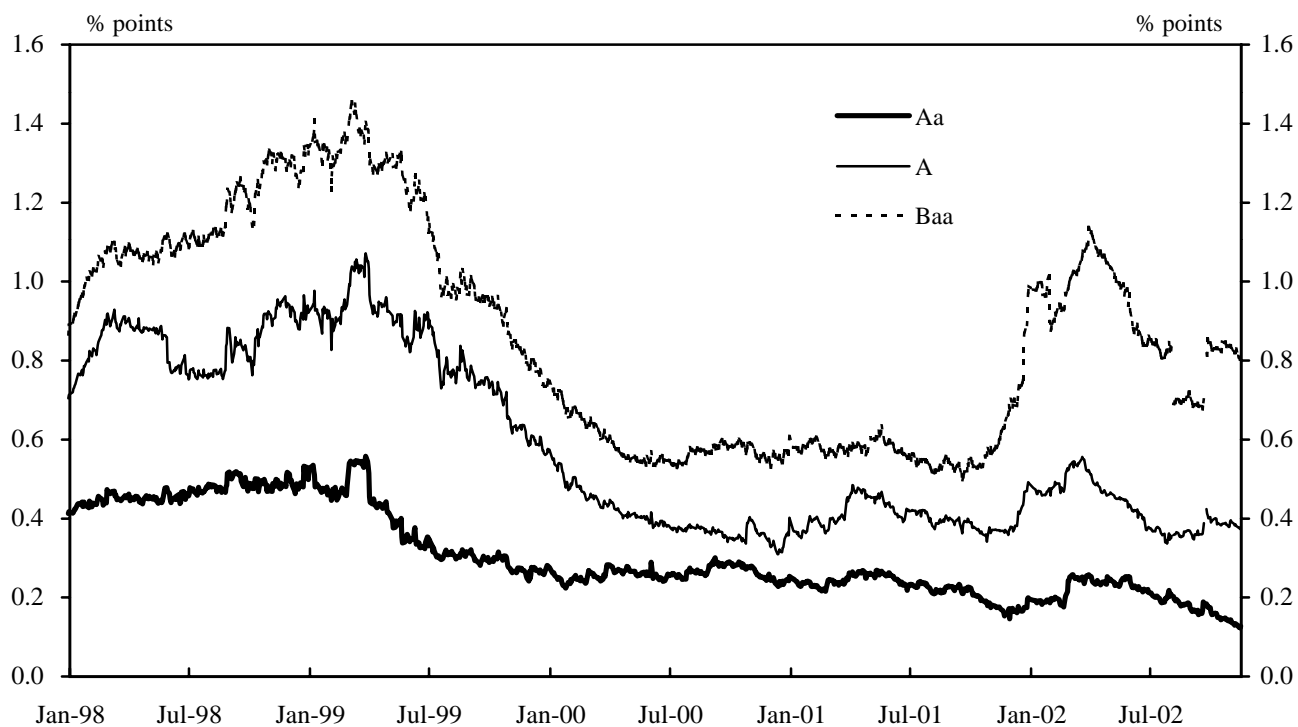
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations." "Reference Price(Yields) Table for OTC Bond Transactions."

Corporate Bond Yields <sup>1</sup>

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



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

The indicated ratings are of Moody's.

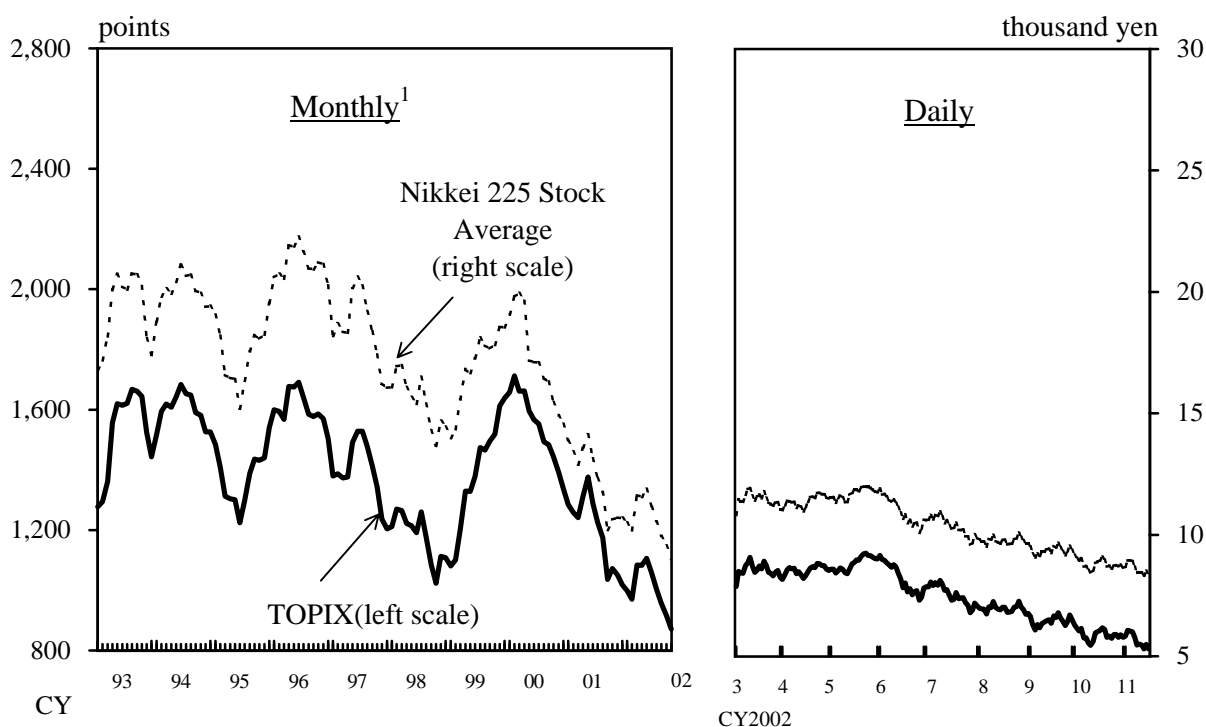
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

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

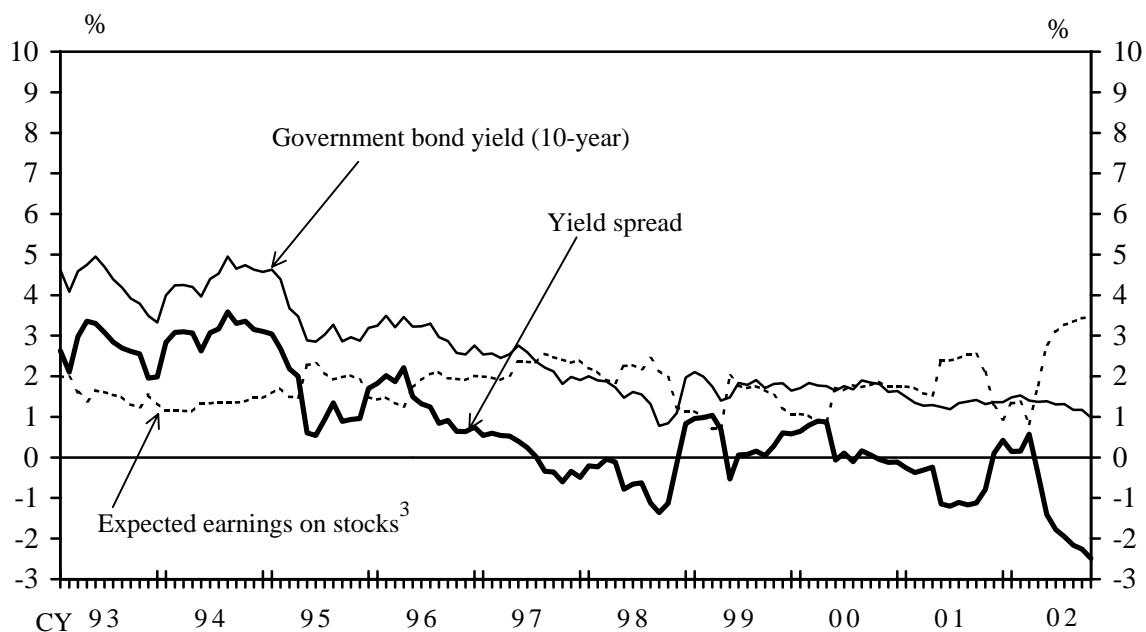


Stock Prices

(1) Stock Prices



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



Notes: 1. Data are monthly averages.

2. Data are at end of period.

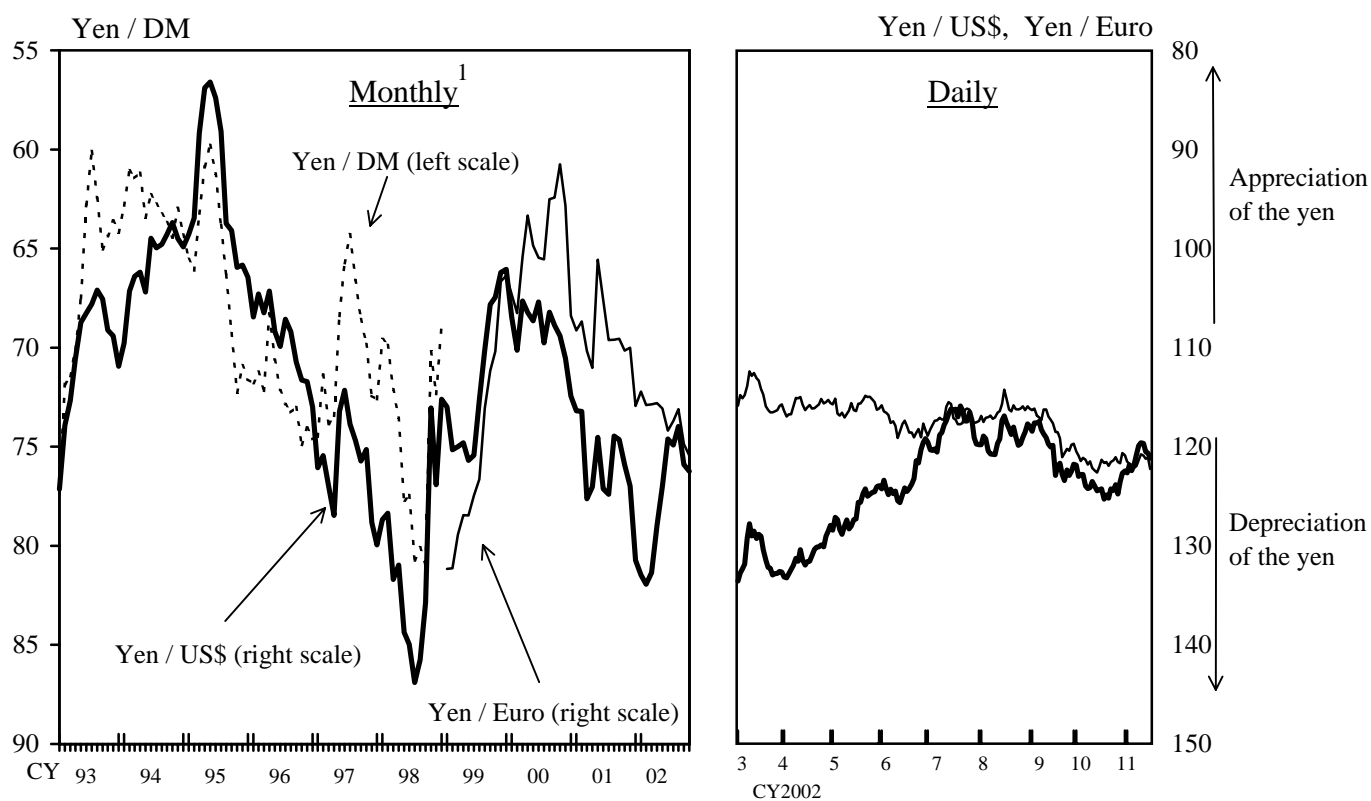
Yield spread = government bond yields - expected earnings on stocks,  
 where expected earnings on stocks = 1/expected price earnings ratio.

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

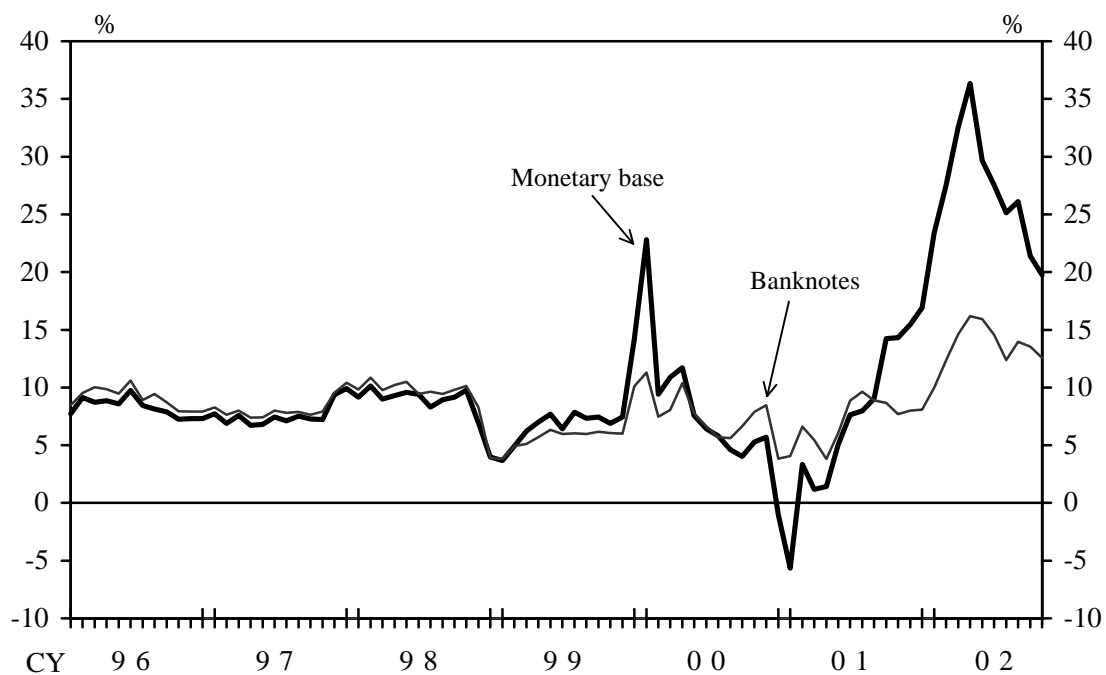
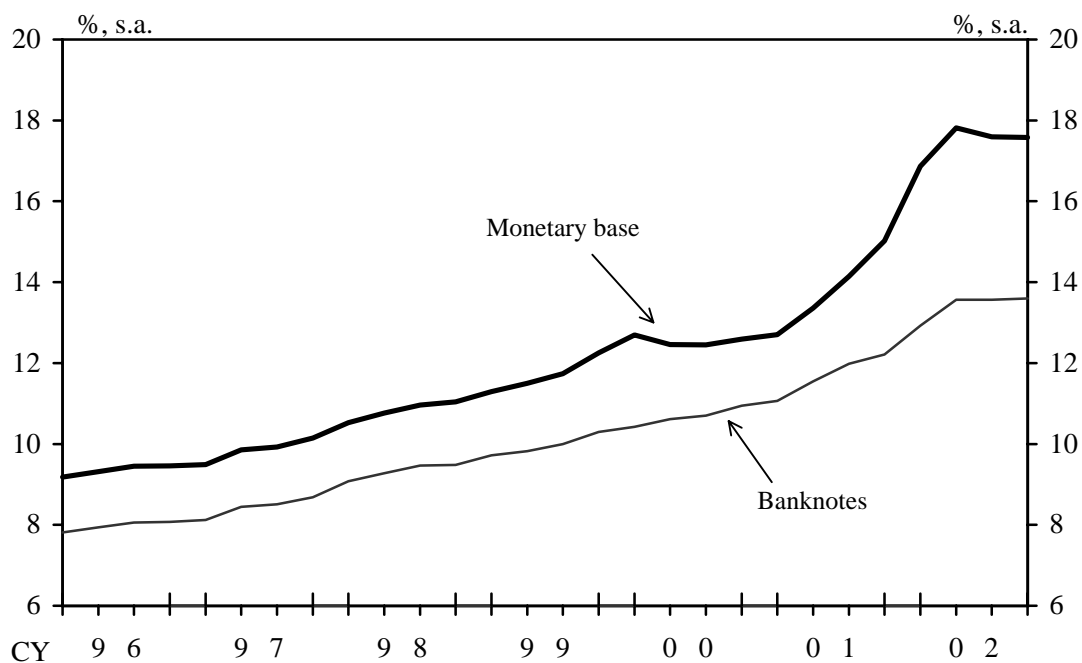


Note: 1. End of month.  
 Source: Bank of Japan.

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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.

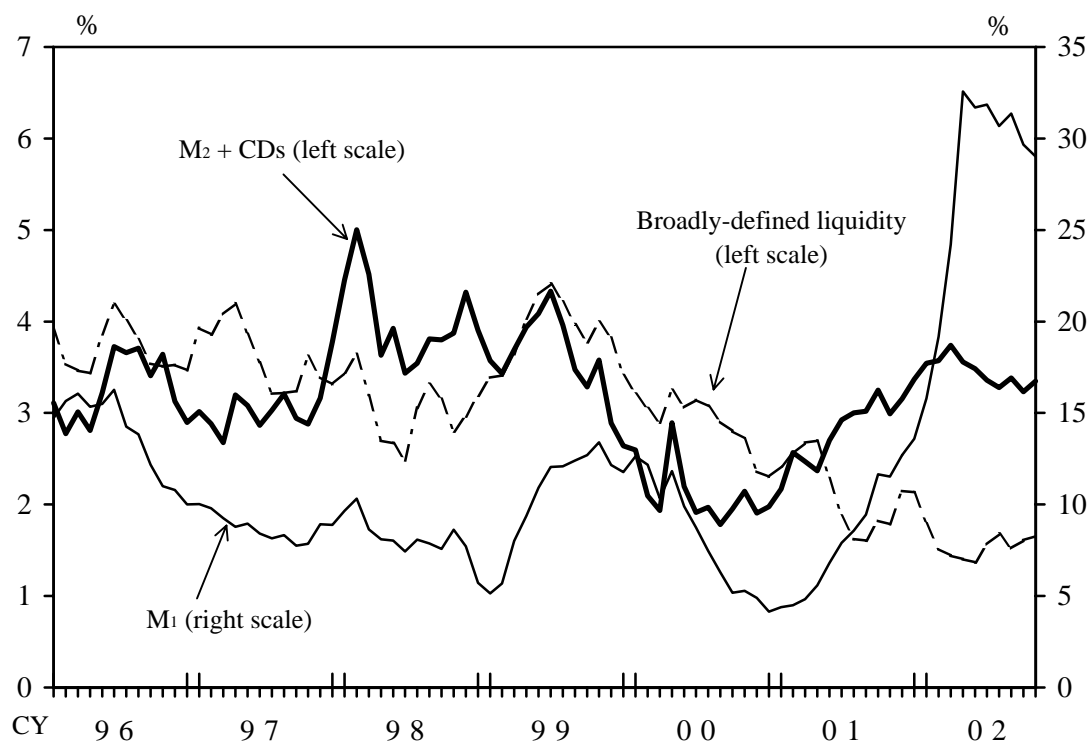
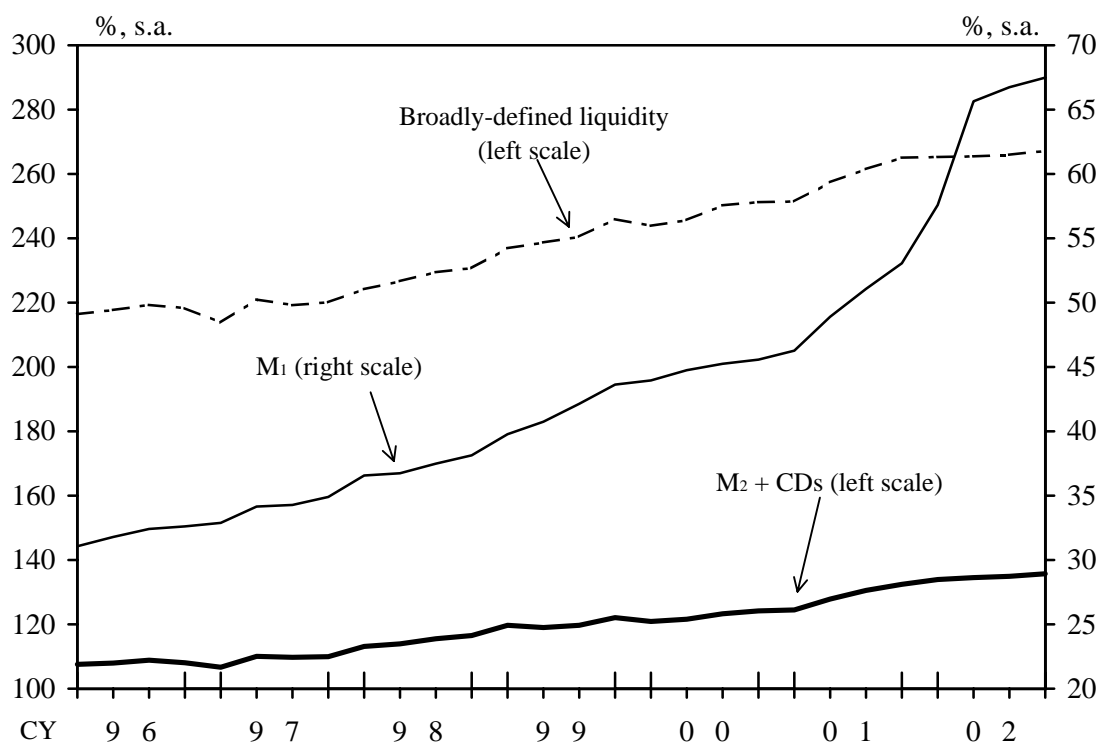
2. The figures for the monetary base and banknotes in 2002/Q4 are those of October, and the nominal GDP in 2002/Q4 is assumed to be unchanged from the previous quarter.

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

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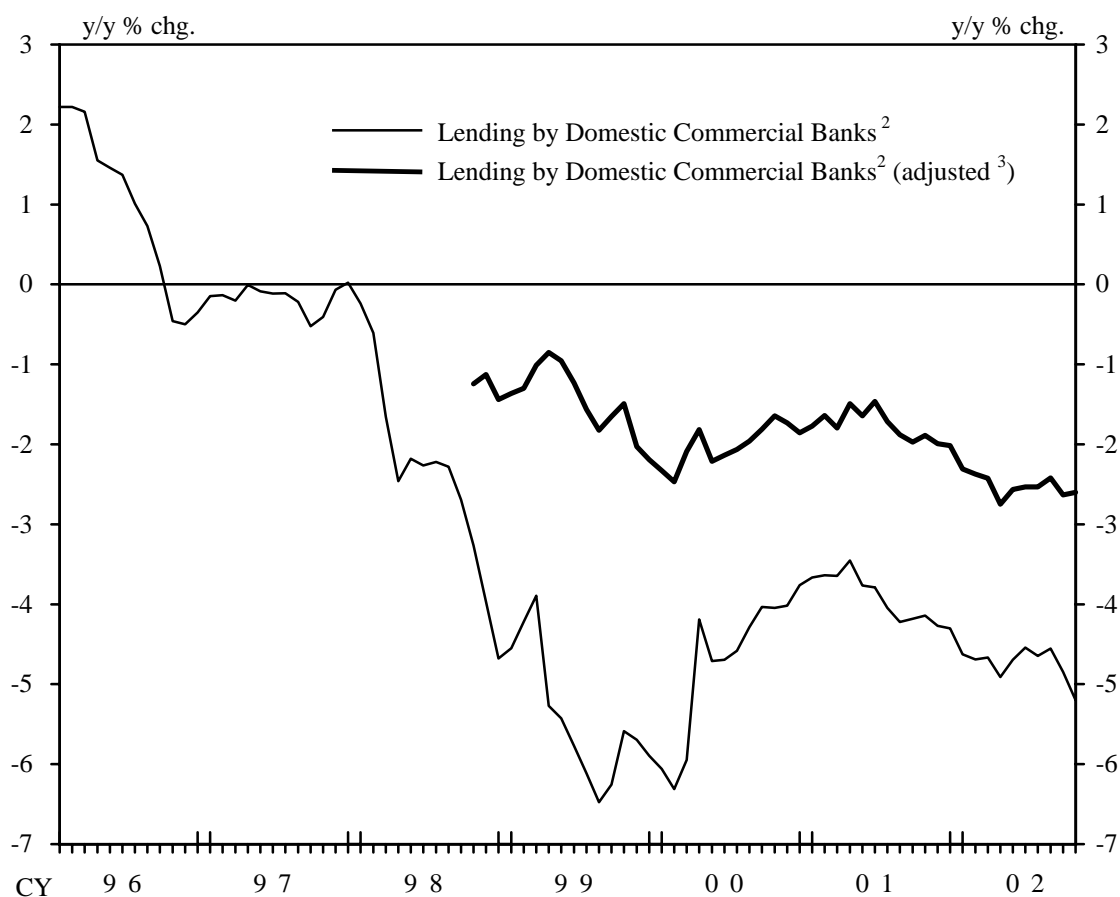
**Money Stock (M<sub>1</sub>, M<sub>2</sub>+CDs, Broadly-Defined Liquidity)**


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**(1) Changes from a Year Earlier****(2) Ratio of Money Stock to Nominal GDP**

Note: Figures for money stock in 2002/Q4 are those of October and the nominal GDP in 2002/Q4 is assumed to be unchanged from the previous quarter.

Sources: Cabinet Office, "National Accounts"; 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).

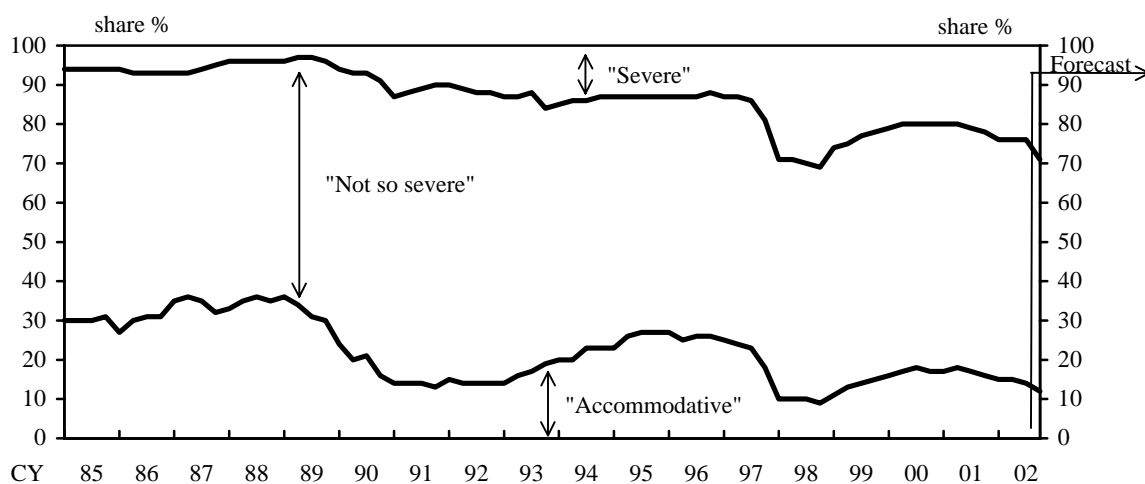
3. Adjusted to exclude

- (1) fluctuations 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.

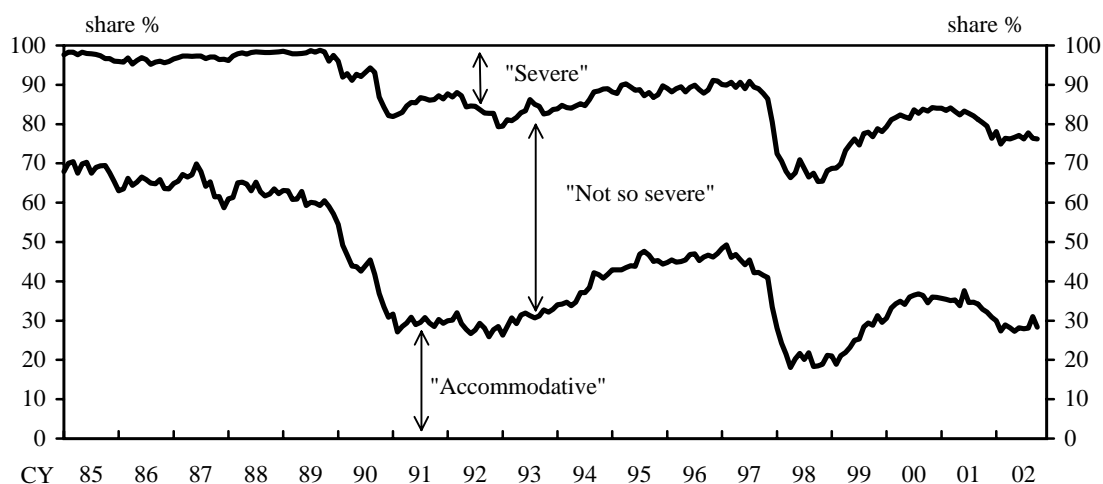
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

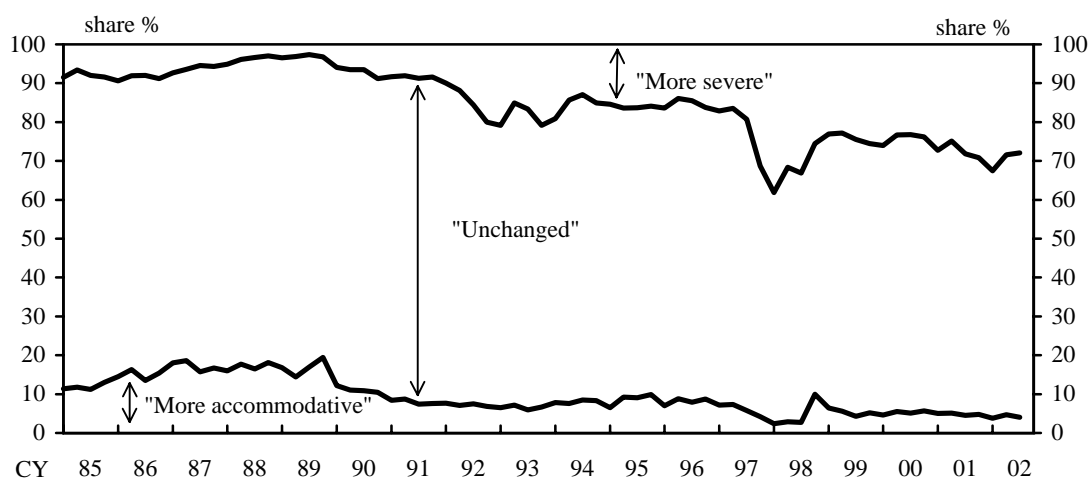
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (September, 2002)



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

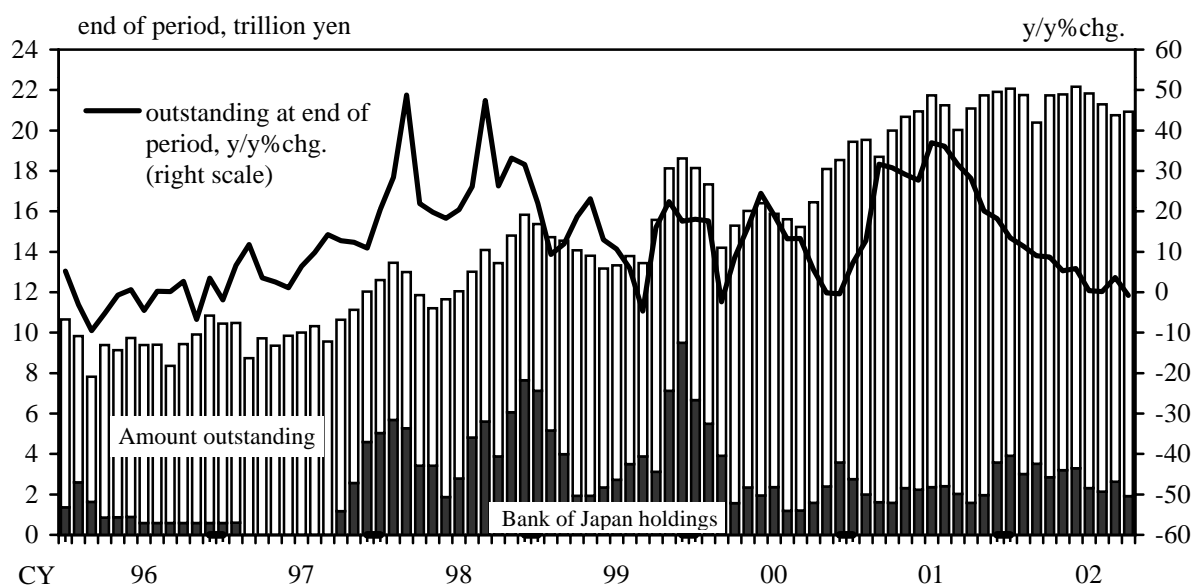


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-September, 2002)



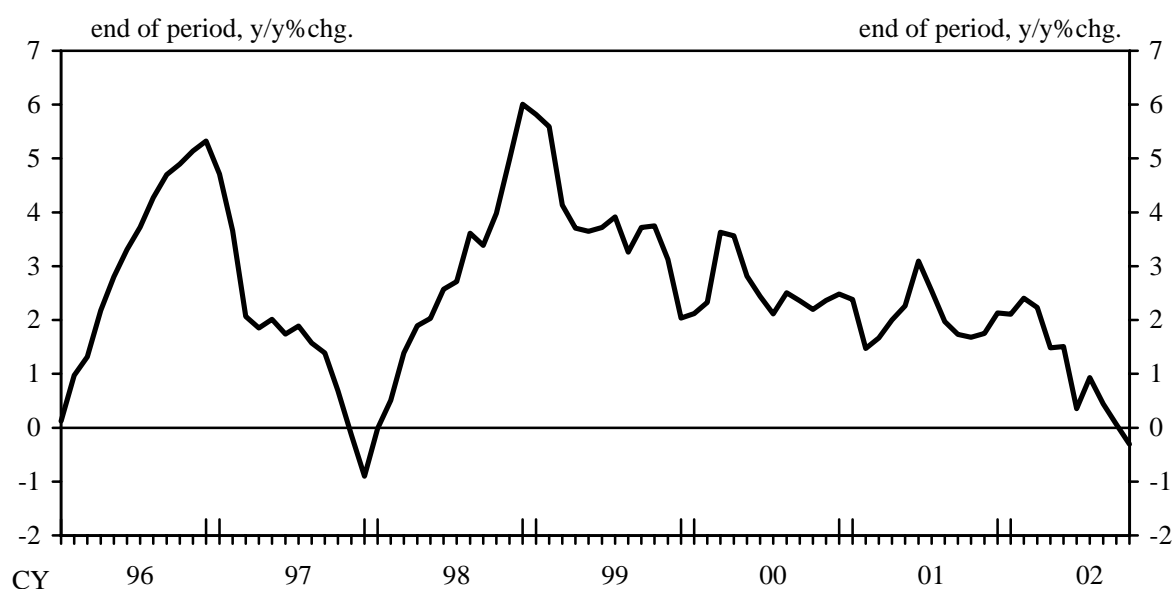
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ;  
 Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses";  
 National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

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

(1) Amount Outstanding of Commercial Paper <sup>1</sup>(2) Issue Volume of Corporate Bonds <sup>2</sup>

(100 million yen)

	2002/Q1	Q2	Q3	2002/Aug.	Sep.	Oct.
Volume	27,157	27,602	26,187	4,487	12,553	5,665
(previous year)	(21,715)	(35,223)	(23,780)	(7,066)	(12,538)	(5,838)

(3) Amount Outstanding of Corporate Bonds (Changes from a Year Earlier) <sup>2,3</sup>

Notes: 1. Figures are those of the client financial institutions of the Bank of Japan.

Excludes those issued by banks.

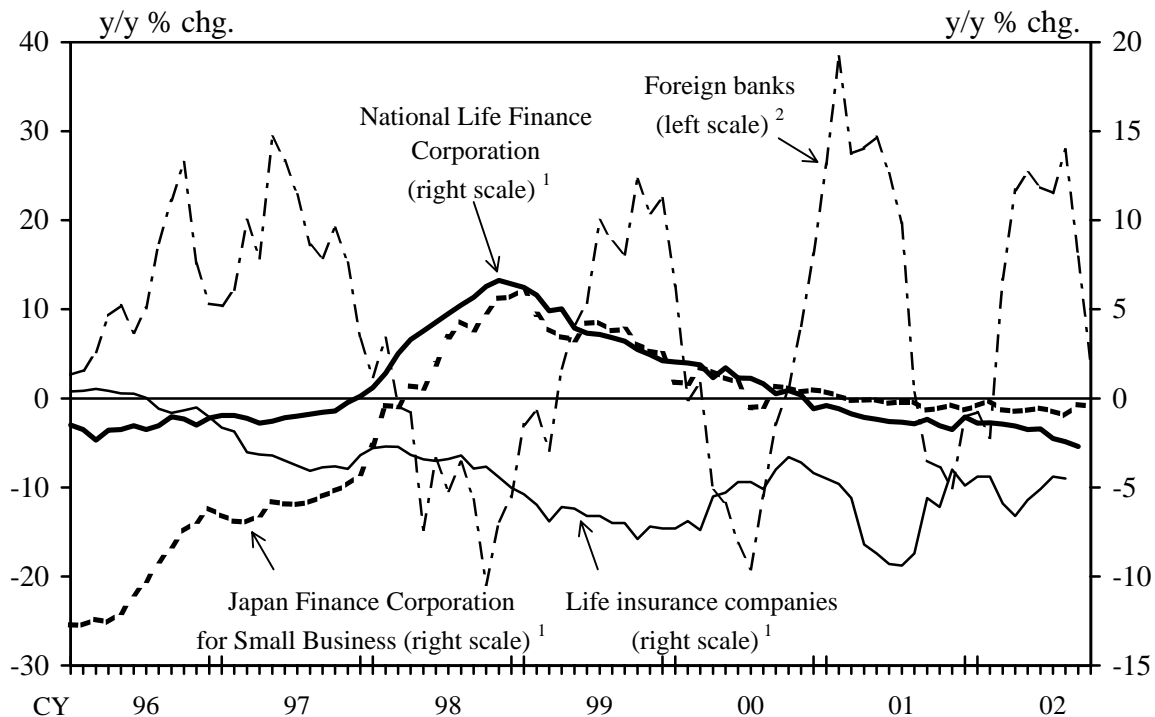
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

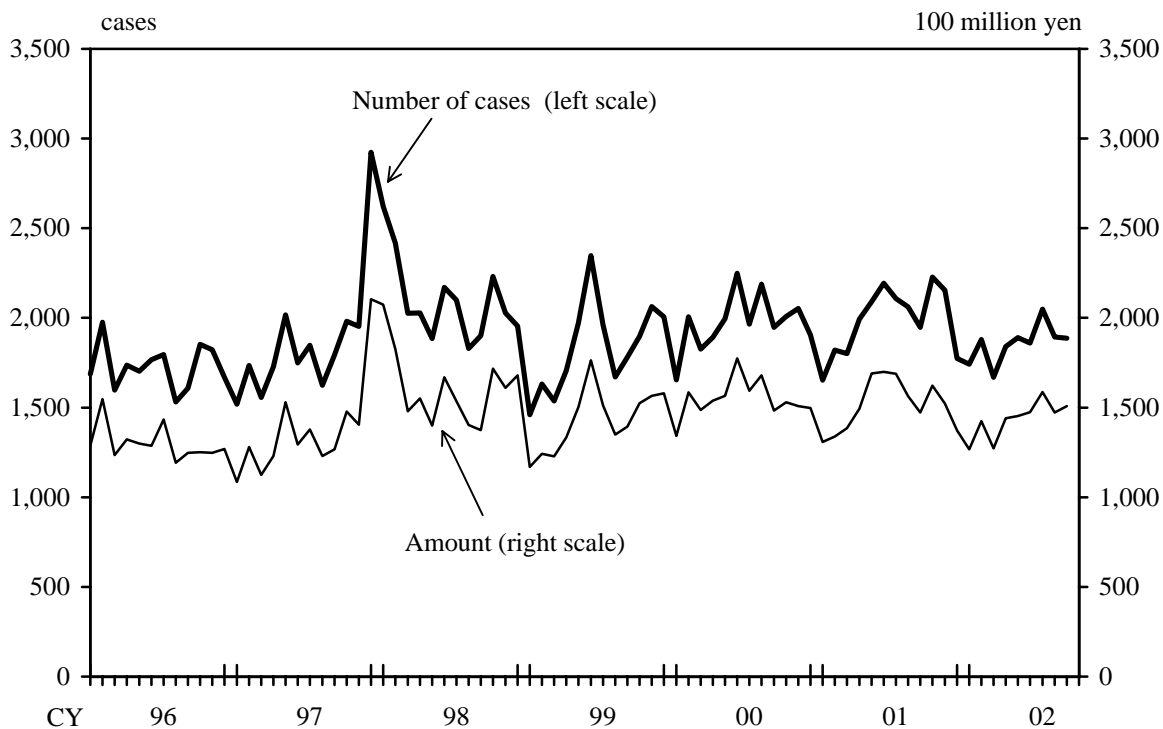
Lending by Other Financial Institutions

(1) Lending Outstanding



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

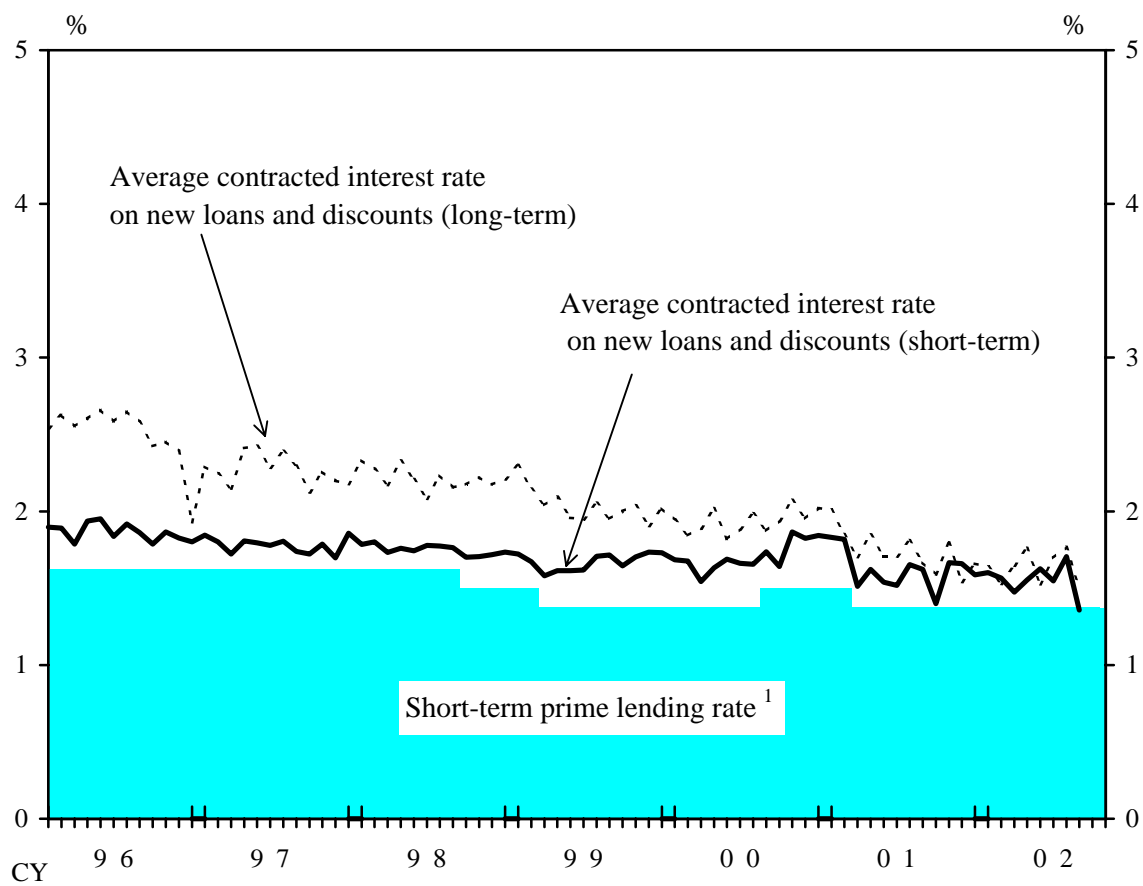
(2) Application for a Loan from Japan Finance Corporation for Small Business



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



## Lending Rates

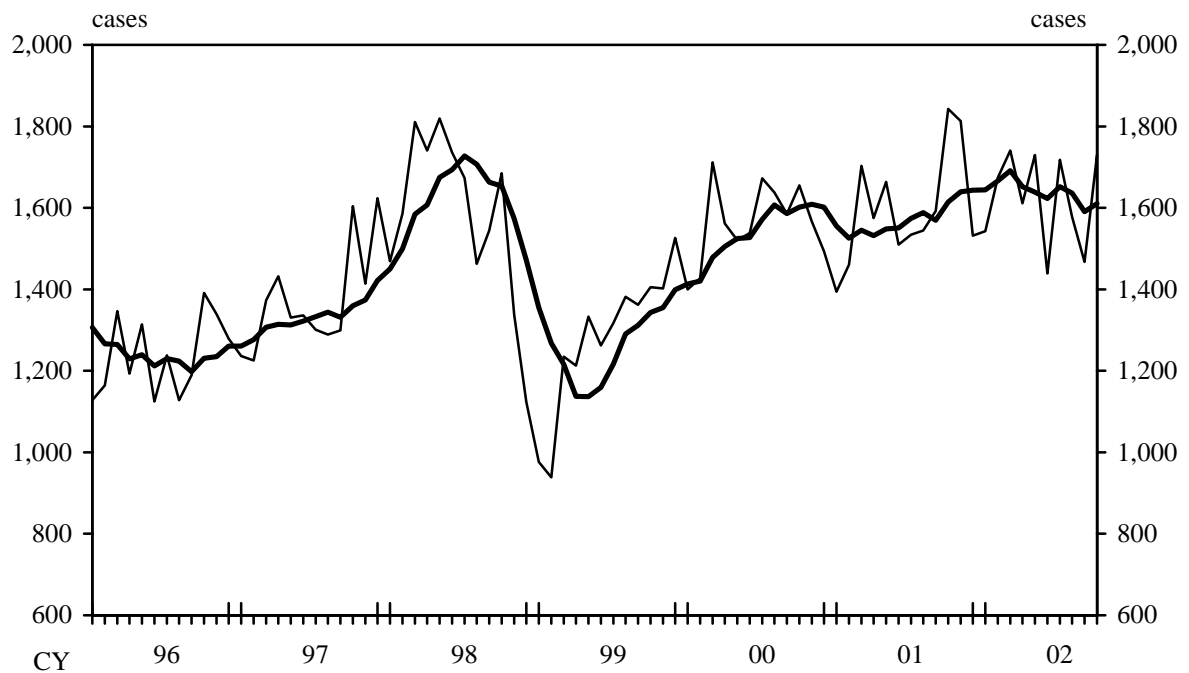


Note: 1. Data are at end of period.

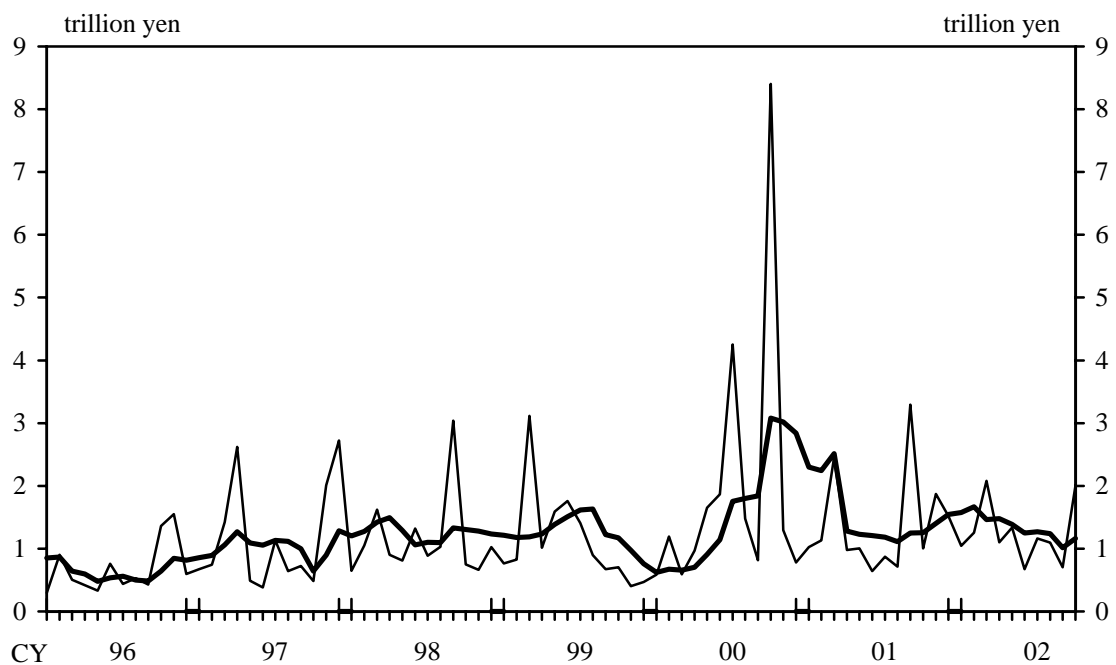
Source: Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

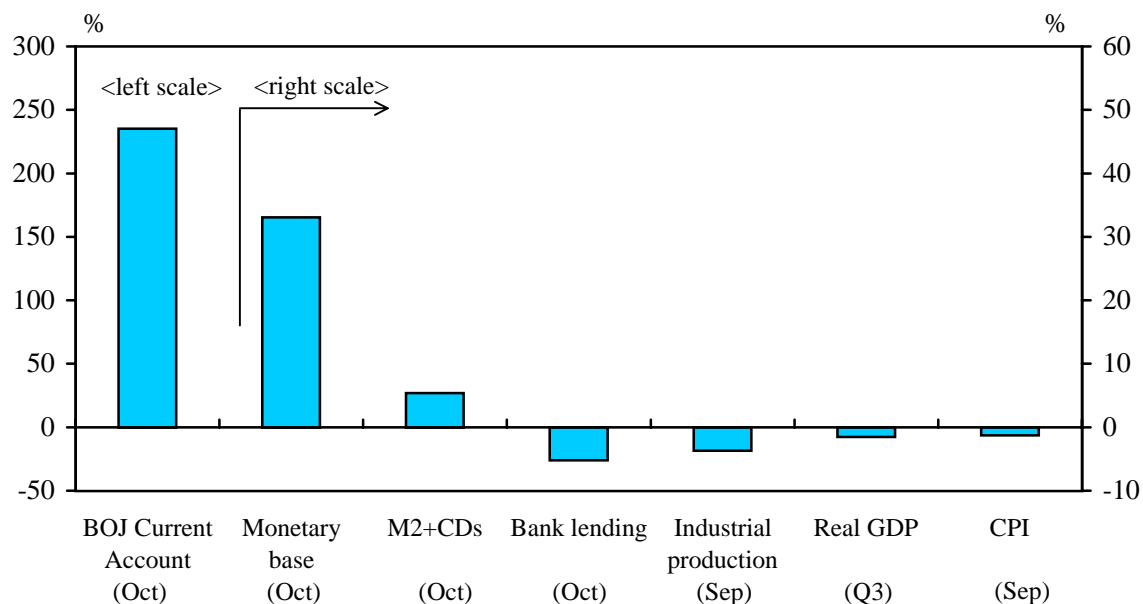
Source: Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly Review of Corporate Bankruptcies)."

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 Monetary Indicators, Economic Activity and Price Development
 

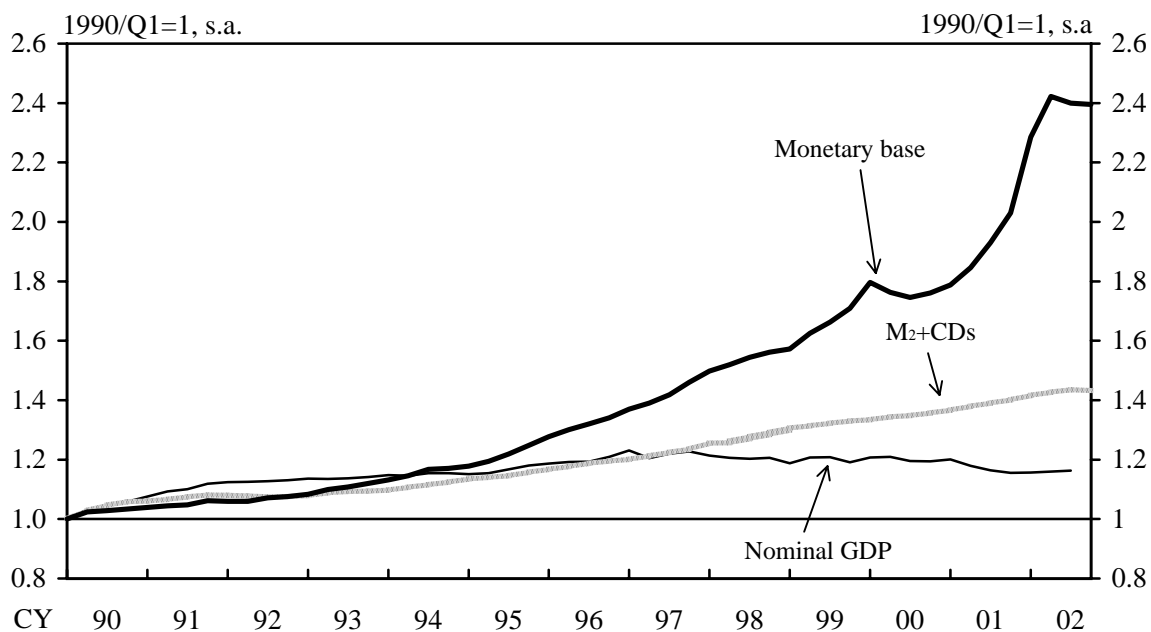
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## (1) Changes from March 2001



- 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 monetary base and M2+CDs are those of October.

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.