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Bank of Japan

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

January 2003

(English translation prepared by the Bank staff based on the Japanese original  
released on January 23, 2003)

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

January 2003

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

Japan's economy has stabilized as a whole, but there is still substantial uncertainty about the prospects for a 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. There are still no signs of recovery in domestic demand, and exports continue to be virtually level.

Industrial production is basically level in response to these developments in final demand. As for the employment situation, overtime hours worked and new job offers are on a gradual rising trend. In addition, the number of employees, which covers various types of employees including non-regular employees such as temporary workers, appears to have gradually stopped declining. However, firms are still maintaining their stance on reducing personnel expenses, and household income continues to decrease significantly 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 view of the prospect for overseas economies in 2003 is that they will follow a gradual recovery path. However, their recovery is likely to be anemic, at least for the time being, given that economic indicators for the United States and for some other regions are soft on the whole. In this situation, 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 January 21 and 22, 2003.

<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 January 21 and 22, 2003, as the basis for monetary policy decisions.

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

Overall, assuming that overseas economies will recover in 2003, albeit at a moderate pace, the increase in exports and production will resume sooner or later, which in turn will gradually make the foundations of Japan's economic recovery 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 downward pressures such as excessive labor input and debt persist. Furthermore, the downside risk to the economic outlook for the United States and other overseas economies continues to require attention, given that there are some uncertain factors including geopolitical developments and their economic implications. On the domestic side, stock prices are weak. Hence, careful monitoring is required of progress in the resolution of the nonperforming-loan problem and its effects on stock prices, corporate finance, and the economy.

On the price front, import prices continue to rise reflecting the firmness in oil prices and depreciation of the yen from summer to autumn 2002. The decline in domestic corporate goods prices has become slower due to the rise in import prices and the improved supply-demand balance in materials industries, despite the continued fall of machinery prices. Consumer prices remain on a gradual downtrend and corporate services prices continue to decline.

Looking at the conditions influencing price developments, import prices are likely to be level because the effect of the rise in oil prices will be offset by that of the recent appreciation of the yen. Although the low levels of inventories will support prices to some degree, the overall condition of supply and demand is expected to continue exerting downward pressure on prices for a while amid persistently weak domestic demand. Moreover, factors such as the ongoing technological innovations in machinery, deregulation, and the streamlining of distribution channels will continue to

exert downward pressure on prices. Under these circumstances, domestic corporate goods prices are expected to be weak for a while. Consumer prices are expected to stay on a declining trend for the time being at the current gradual pace. The increase in imports of consumer goods has come to a halt and this is expected to alleviate the downward pressure on prices to some extent, but the faster pace of decline in wages may reinforce the ongoing decline in prices, especially that in services prices.

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

Yields on long-term government bonds declined further and are recently moving in the range of 0.8-0.9 percent, as the demand of banks and other institutional investors for the bonds has become even stronger. Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds remain virtually unchanged.

Stock prices continue to be weak, reflecting the uncertainty about the domestic economic outlook. The Nikkei 225 Stock Average is recently moving at around 8,500 yen.

In the foreign exchange market, the yen has been strengthening somewhat, reflecting the weakening of the U.S. dollar on the whole mainly caused by the strained situation in the Middle East. The yen is currently traded in the range of 117-119 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, particularly small ones, continue to be severe. In the corporate bond and CP markets, the issuing environment for firms with high credit ratings is accommodative, but the environment for firms with low credit ratings is severe.

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

Amid these developments, private banks' lending continues to decline by about 2-3 percent on a year-on-year basis. The amount outstanding of corporate bonds and CP issued is moving at around the previous year's level.

Meanwhile, according to business surveys, 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 dropped to around 2.0-2.5 percent in December.

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 continue to be extremely easy. Long-term interest rates are declining. The money stock and the monetary base maintain high growth rates relative to that of 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 is severe and the lending attitudes of private banks are becoming more cautious. Hence, including the effects arising from government measures to accelerate the disposal of non-performing loans and to revitalize industries and firms, developments in the financial and capital markets, the behavior of financial institutions, and the situation of corporate finance continue to require close monitoring.

## The Background

### 1. Japan's Economy

Public investment has been declining (Chart 3). The value of public works contracted—a metric that reflects public orders—remains sluggish owing to the decrease in the FY 2002 budget. Moreover, the turnover in public construction, reflecting the actual progress of public works, continues to be at low levels. Public investment is projected to follow a declining trend hereafter.<sup>3</sup>

Real exports continue to be virtually level (Chart 4[1]). In November alone, exports surged mainly in automobiles and consumer goods but this was in reaction to the temporary fall in exports to the United States in October caused by the country's west coast port disruptions.<sup>4</sup> On balance, exports seemed to remain more or less unchanged. By goods (Charts 5[2], 6[1], and 7), IT-related exports increased only slightly in October-November, as the pace continued to edge down after the very rapid growth in the second quarter of 2002.<sup>5</sup> In addition, intermediate goods (iron and steel, chemicals, etc.) were flat in the third quarter and declined in October-November in reaction to an upsurge during the first half of last year and China's safeguard to protect its steel industry.<sup>6</sup> Exports of automobile-related goods also increased at a slower pace in the second half of last year than in the first half. Meanwhile, exports of consumer

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<sup>3</sup> The "Program to Accelerate Reforms" was decided at the Ministerial Meeting on Economic Measures on December 12, 2002. This program included the creation of safety nets such as employment measures and measures for small and medium-sized enterprises, and the encouragement of public investment promoting structural reform (national expenditure: 1.5 trillion yen; project scale: 2.6 trillion yen). These measures will underpin public investment. However, future investment is projected to follow a declining trend with some fluctuations, since the budget for the next fiscal year is likely to be restrained.

<sup>4</sup> In addition to this, the United States has strengthened customs examination on some cargoes entering U.S. ports from December, as a part of counterterrorism measures. Anecdotal information from Japanese firms showed that firms apparently front-loaded their exports to November from December, after this increased scrutiny had been announced at the end of October.

<sup>5</sup> According to the *WSTS' (World Semiconductor Trade Statistics) Semiconductor Forecasts* (Chart 6[2]), global shipments of semiconductors in October-November decreased slightly; 0.7 percent compared to the third quarter, after the pace of increase slowed mainly in Asia (9.5 percent in the second quarter and 3.8 percent in the third quarter on a quarter-to-quarter basis).

<sup>6</sup> China's definitive safeguard measures on imports of steel took effect on November 20, 2002 after provisional measures were taken in May.

goods exhibited high growth in October-November, especially to the United States.<sup>7</sup> Exports of capital goods-parts continued to increase steadily mainly to Asia, although they have slowed compared to the first half of last year.

Real imports were level in October-November after increasing in the second and third quarters of 2002 (Chart 4[1]). By goods (Chart 8[2]), imports of materials (such as crude oil) and intermediate goods (chemical and metal products, etc.), both of which increased substantially in the third quarter, were virtually level in October-November. Imports of foodstuffs declined in October-November, since imports from the United States were delayed due to the west coast shipping disruption. Meanwhile, IT-related imports maintained a noticeable increase, due to a rise in imports of office equipment as some of its production has been shifted abroad (Chart 6[3]).

Net exports (real exports minus real imports), in terms of the real trade balance (Chart 4[2]),<sup>8</sup> have been flat on average since the third quarter after an upsurge during the first half of last year. The surplus of the nominal balance on goods and services was also virtually level, reflecting the developments in net exports.

Regarding the outlook for overseas economies, a widely shared prospect is that the economy will follow a gradual recovery path throughout this year. However, as for the current developments in the U.S. economy, which become the main focus when looking at overseas economies (Charts 9-2[1], [2], and [3]), there are some economic indicators showing that the economy is firm. On the other hand, the employment situation and consumer confidence seem to have dampened. Under these circumstances, holiday sales increased only modestly and business fixed investment has yet to show clear signs of recovery. 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 indicates that many firms are cautious regarding the outlook

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<sup>7</sup> This increase is likely to be affected by the front-loading explained in footnote 3.

<sup>8</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.)

for future exports. In addition, there is substantial uncertainty about geopolitical tensions and their effects on overseas economies.

Assuming that overseas economies will recover moderately throughout 2003, exports are projected to increase again at some stage. For the time being, however, they are likely to remain virtually unchanged, and the likelihood and timing of a recovery remain uncertain. Moreover, imports are expected to be level for some time, since domestic production will stay 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 stopped declining against the background of the improvement in corporate profits. Based on national accounts (Chart 2[2]), nonresidential investment in the second and third quarters was virtually unchanged. Shipments and aggregates supply of capital goods (excluding transport equipment), a coincident indicator of machinery investment, stopped declining and were more or less level in October-November<sup>9</sup> (Chart 10-1[1]).

As for leading indicators, machinery orders (private demand, excluding shipbuilding and electric power equipment; Chart 10-2[1]), fell slightly again in the third quarter and in October-November after the rise in the second quarter. This indicates a small likelihood of an early recovery in business fixed investment. Construction starts (private, nondwelling use; Chart 10-2[2]), another leading indicator, increased in October-November due to large redevelopment projects in the Tokyo metropolitan area, but have basically been level on the whole.

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

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<sup>9</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*.



Private consumption remains weak amid the severe employment and income situations of households. Overall, there is no distinct change in the underlying trend of private consumption, although various indicators show monthly fluctuations and movements in opposite directions.

In detail (Charts 11-1 and 11-2), the number of new passenger-car registrations finally stalled and dropped substantially in December, after it had been steady since August, supported by the introduction of new models, especially of compact cars, and by the sales promotions of some manufacturers. Sales of household electrical appliances (NEBA statistics; real basis) continued to follow a gradual uptrend on average. Sales at department stores and supermarkets had been fluctuating largely. After the slump in October, November sales recovered due to the early onset of cold weather and the front-loading of year-end sales. On balance, however, there seem to be no significant changes in the underlying trend. Sales at convenience stores continued to follow their trend to date. As for the services-related industries, sales in the food services industry and outlays for travel were more or less unchanged. The indices of aggregated sales (Chart 11-3)<sup>10</sup>—which are comprised of many sales indicators, including those mentioned above—clearly turned positive in October-November in comparison to the previous year's level. But this upturn mainly resulted from the sharp fall in 2001 due to the terrorist attacks in the United States and to the BSE. Similarly, the level of aggregate supply of consumer goods (Chart 11-4) has returned to nearly zero, up from a negative level on a year-on-year basis. This is also because of the slump in 2001, in addition to the recovery in passenger car sales.

Consumer sentiment has recently been see-sawing (Chart 12).

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

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<sup>10</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.

Housing investment remains sluggish (Chart 13). 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.

Industrial production (Chart 14[1]) is basically level in response to these developments in final demand. Production in November dropped by 1.6 percent from the previous month. However, based on the production forecast index which predicts an increase in production for December and January. On balance, production seems to be virtually level.

Inventories (Charts 14 and 16) were at extremely low levels. In November, they declined substantially by 2.4 percent mainly because of the decrease in inventories of automobiles. These inventories had been piled up in port awaiting to be shipped to the United States due to the west coast port disruptions. Even after taking this into consideration, the decline in inventories has still not come to a clear halt, while shipments have been increasing from spring last year. This is because firms have been maintaining their extremely cautious stance on production due to the uncertainty regarding the outlook.

As for the outlook for industrial production, although the low inventory level is working as an underpinning factor, exports are likely to remain more or less level for the time being. Hence, production is also expected to be virtually unchanged for some time. Anecdotal information obtained from Japanese firms showed that firms, taking a cautious stance lacking confidence for the recovery in exports, project production for the first quarter to be basically level.

As for the employment and income situation, the number of new job offers and overtime hours worked are on a gradual rising trend (Charts 18-1[2] and 18-2[3]). Moreover, the number of employees in the *Labour Force Survey*, which covers various types of employees including non-regular employees such as temporary workers, appears to have gradually stopped declining (Chart 18-2[1]). However, firms are maintaining their stances on reducing personnel expenses, and 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]). Moreover, wages continued to

fall, and therefore household income was notably on the decline (Chart 17). In sum, the employment and income situations of households remain severe.

Looking at nominal wages per employee on a year-on-year basis (Chart 17[2]), overtime payments increased but the contribution to overall wages was small. On the other hand, regular payments continued to decline, due both to a rise in the ratio of part-time workers and to a restraint on the base-pay hike. As for winter bonuses, although the improvement in corporate profits during the first half of fiscal 2002 is expected to be an underpinning factor to some extent, the bonuses apparently turned out to be severe amid substantial uncertainty regarding the business environment for the second half of the fiscal year onward. Household income is expected to continue decreasing markedly for the time being.

Meanwhile, the unemployment rate (Chart 18-1[1]) inched down to 5.3 percent in November after reaching a historical high of 5.5 percent in October. On average, however, it remained flat at a high level. In particular, the number of those involuntarily unemployed remained high.

## 2. Prices

Import prices on a yen basis continue to rise compared to levels three months ago due to the firmness in oil prices and depreciation of the yen from summer to autumn 2002 (Chart 20).

As for domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates),<sup>11, 12</sup> the decline, compared to levels three months

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<sup>11</sup> This time, in line with the revision of the base year, the name of the Wholesale Price Index has been changed to the “Corporate Goods Price Index (CGPI)” so that this name better represents the character of the index, which is “integration of the prices of goods traded among corporations.” The index has been revised significantly in the following five aspects. It is expected to: (1) revise the items of commodities (e.g., introduction of newly selected commodities, mainly IT-related commodities); (2) update the base year of both the index and the weight calculation from 1995 to 2000; (3) comprehensively revise the items applied for the sampling method (increase the number of sample prices and introduce averaged prices); (4) expand the application of the quality adjustment econometric method (hedonic regression method); (5) introduce the chain-weighted index formula as a reference index. For details, see materials “Revision of the Wholesale Price Index (Switchover to the 2000 Base Corporate Goods Price Index <CGPI>)” and “*kigyō bukka shisu-2000nen kijūn shisu no tokuchōuten* (Corporate Goods Price Index—characteristics of the 2000 base year index);

ago, has become slower (Chart 21).<sup>13</sup> In detail, although machinery prices continued to fall, prices of petroleum products rose reflecting the increase in the 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.

Corporate services prices (domestic supply-demand factors; same hereafter) continue to decline (Chart 22). Compared to those three months ago, prices for advertising services (TV/radio advertising) turned up due to the steady sales for advertising of automobiles and digital audiovisual-related equipment. However, prices for both general services (building maintenance) and real estate services (real estate rents) dropped because of firms' intentions to reduce business costs. Moreover, prices of leasing and rentals dropped due to the decline in equipment prices. On a year-on-year basis, the decrease in corporate services prices has been about one percent.

Consumer prices (excluding fresh food; same hereafter) continue to decline mildly (Chart 23). The overall year-on-year rate of change continued at slightly less than one percent (the year-on-year change was -0.9 percent in September, -0.9 percent in October, and -0.8 percent in November). In detail, the rate of decline in goods contracted slightly compared to around the start of last year. On the other hand, general services remained almost level, and public utility charges had been declining, 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 rather noticeably on a year-on-year basis. This may be closely related to the decline in the prevalence of business strategies for lower pricing,

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available in Japanese only) released on December 9 by the Research and Statistics Department, Bank of Japan.

<sup>12</sup> The figures are adjusted to exclude a large seasonal fluctuation in electric power charges in order to observe the underlying changes in domestic corporate goods prices. Industrial and commercial electric power consumption charges are set relatively high during July-September, when consumption increases substantially.

<sup>13</sup> With the changes in the base year of the index from 1995 to 2000 and the increase in the weight of IT-related goods (electrical machinery) whose prices have been on a declining trend, domestic corporate goods prices have recently been marking a faster pace of decline than domestic wholesale prices by 0.2-0.4 percent compared to levels three months ago (Chart 21[2]). Also, the pace of decline on a year-on-year basis was faster by 0.9-1.0 percent (Charts 21[1] and 19[2]).

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 likely to be level because the effect of the rise in oil prices will be offset by that of the recent appreciation of the yen. Although the low levels of inventories will support prices to some degree, the overall condition of supply and demand is expected to continue exerting downward pressure on prices for a while amid persistently weak domestic demand. Moreover, factors such as the ongoing technological innovations in machinery, deregulation, and the streamlining of distribution channels will continue to exert downward pressure on prices. Under these circumstances, domestic corporate goods prices are expected to be weak for a while. Consumer prices are expected to stay on a declining trend for the time being at the current gradual pace. The increase in imports of consumer goods has come to a halt and this is expected to alleviate the downward pressure on prices to some extent, but the faster pace of decline in wages may reinforce the ongoing decline in prices, especially that in services prices.

### **3. Financial Developments**

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

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

As for interest rate developments in the short-term money markets, the overnight call rate (uncollateralized; Chart 25[1]) continues to hover at very close to zero percent. Moreover, developments in longer-term interest rates, such as TB and FB rates (Chart 26), continue to be at low levels as a whole.

In the bond market, yields on ten-year government bonds (newly issued 10-year JGB; Chart 25[2]) declined further and are recently moving in the range of 0.8-0.9 percent, as demand of banks and other institutional investors for the bonds has become even stronger.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 29 and 30) remain virtually unchanged. However, yield spreads between government bonds and bonds with low credit ratings remain wide as the market is still cautious about the credit risk involved.

Stock prices (Chart 31) continue to be weak reflecting the uncertainty about the domestic economic outlook. The Nikkei 225 Stock Average is recently moving at around 8,500 yen.

In the foreign exchange market (Chart 32), the yen has been strengthening somewhat, reflecting the weakening of the U.S. dollar on the whole mainly caused by the strained situation in the Middle East. The yen is currently traded in the range of 117-119 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. (The year-on-year change was 19.8 percent in October, 21.8 percent in November, and 19.5 percent in December; Chart 33.)

The year-on-year growth rate of the money stock ( $M_2 + \text{CDs}$ ) dropped to around 2.0-2.5 percent mainly because the effect of substantial inflow from investment trust and others in the previous year diminished. (The year-on-year change was 3.3 percent in October, 3.2 percent in November, and 2.2 percent in December; Chart 34.)  $M_1$  continued high growth reflecting the strong preference for liquid assets, but the growth rate is slowing. (The year-on-year change was 28.9 percent in October, 28.7 percent in November, and 25.2 percent in December.) As for the first quarter, the year-on-year growth rate is projected to be around 2 percent as the effect of substantial inflow from investment trust and others in the previous year has diminished, and credit demand of private firms remains sluggish.

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

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

Amid these developments, lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors<sup>14</sup>), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, continues to decline by about 2-3 percent on a year-on-year basis. (The year-on-year change -2.7 percent in October, -2.3 percent in November, and -2.3 percent in December; Chart 35.) The amount outstanding of corporate bonds and CP issued is moving at around the previous year's level (Chart 37).

Funding costs for firms continue to be at extremely low levels on the whole. The average contracted interest rates on new loans and discounts, with the monthly fluctuations averaged, are more or less unchanged (Chart 39). In the capital market, both corporate bond and CP issuance rates are at low levels for firms with high credit ratings. The spread between high and low credit ratings continues to be 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 7.2 percent from the previous year's level in December (Chart 40).

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<sup>14</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.

Against the above background, the financial developments are summarized as follows. Money market conditions as a whole continue to be extremely easy. Long-term interest rates are declining. The money stock and the monetary base maintain high growth rates relative to that of 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 is severe and the lending attitudes of private banks are becoming more cautious. Hence, including the effects arising from government measures to accelerate the disposal of non-performing loans and to revitalize industries and firms, developments in the financial and capital markets, the behavior of financial institutions, and the situation of corporate finance continue to require close monitoring.



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## Main Economic Indicators (1)

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

	2002/Q2	Q3	Q4	2002/Sep.	Oct.	Nov.	Dec.
Index of living expenditure level (all households)	-0.9	1.3	n.a.	5.3	-2.3	-2.5	n.a.
Sales at department stores	-0.8	-0.6	n.a.	0.0	-3.3	2.7	n.a.
Sales at supermarkets	2.1	-1.3	n.a.	-0.8	-2.8	3.4	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 314>	< 319>	< 329>	< 331>	< 337>	< 342>	< 307>
Sales of household electrical appliances (real, NEBA)	2.9	2.2	n.a.	-2.1	-1.3	0.5	n.a.
Outlays for travel (50 major travel agencies)	0.7	0.1	n.a.	0.5	1.4	-2.3	n.a.
Housing starts <s.a., ann. 10,000 units>	< 117>	< 113>	<n.a.>	< 111>	< 119>	< 112>	<n.a.>
Machinery orders (from private sector <sup>4</sup> )	7.1	-1.7	n.a.	12.7	-4.1	-0.2	n.a.
Manufacturing	4.6	-0.6	n.a.	11.4	10.5	-12.6	n.a.
Nonmanufacturing <sup>4</sup>	7.1	0.1	n.a.	5.3	-12.3	8.5	n.a.
Construction Starts (private, nonresidential use)	6.6	-6.7	n.a.	13.0	9.3	-6.5	n.a.
Mining & manufacturing	10.5	-15.4	n.a.	41.0	-12.1	4.2	n.a.
Nonmanufacturing <sup>5</sup>	5.6	-4.2	n.a.	8.4	14.0	-9.6	n.a.
Value of public works contracted	-0.6	-5.8	0.8	3.3	3.4	-3.8	3.2
Real exports	7.8	0.7	n.a.	-1.1	1.3	5.8	n.a.
Real imports	2.6	3.4	n.a.	1.4	-3.1	7.9	n.a.
Industrial production	3.8	2.2	n.a.	-0.1	-0.2	-1.6	n.a.
Shipments	4.3	1.8	n.a.	-1.8	0.9	-0.8	n.a.
Inventories	-3.0	0.2	n.a.	0.5	0.6	-2.4	n.a.
Inventory Ratio <s.a., CY 1995=100>	<101.4>	<100.9>	<n.a.>	<100.9>	<98.0>	<98.9>	<n.a.>
Real GDP	0.9	0.8	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.2	0.6	n.a.	-0.2	-0.3	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2002/Q2	Q3	Q4	2002/Sep.	Oct.	Nov.	Dec.
Ratio of job offers to applicants <s.a., times>	<0.53>	<0.55>	<n.a.>	<0.55>	<0.56>	<0.57>	<n.a.>
Unemployment rate <s.a., %>	<5.3>	<5.4>	<n.a.>	<5.4>	<5.5>	<5.3>	<n.a.>
Overtime working hours <sup>6</sup>	-2.2	2.7	n.a.	4.9	4.7	6.5	n.a.
Number of employees	-1.2	-0.1	n.a.	-0.0	-0.5	-0.4	n.a.
Number of regular employees <sup>6</sup>	-0.5	-0.7	n.a.	-0.7	-0.8	-0.8	n.a.
Nominal wages per person <sup>6</sup>	-2.6	-3.5	n.a.	-1.2	-0.5	-0.8	n.a.
Domestic corporate goods price index <sup>7,8</sup> <q/q % chg.> (3-month growth rate)	-2.2	-1.9	p -1.2	-1.8	-1.4	-1.2	p -1.2
Consumer price index <sup>9</sup> <s.a., q/q % chg.> (3-month growth rate)	-0.9	-0.9	n.a.	-0.9	-0.9	-0.8	n.a.
Corporate service price index <sup>10</sup> <s.a., q/q % chg.> (3-month growth rate)	-1.2	-1.2	n.a.	-1.1	-1.1	-1.0	n.a.
Monetary aggregates (M2+CDs) <average outstanding, y/y % chg.>	3.5	3.3	2.9	3.2	3.3	3.2	2.2
Number of suspension of transactions with banks	-9.4	-7.7	-17.9	-16.0	-19.5	-24.2	-8.8

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

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

2. Figure with "p" indicates preliminary one.

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

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

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

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

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

8. The 1995 base Wholesale Price Index (WPI) has been revised into the 2000 base Corporate Goods Price Index (CGPI).

9. Excludes fresh food.

10. Domestic supply-demand factors.

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

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

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

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

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

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

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

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

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

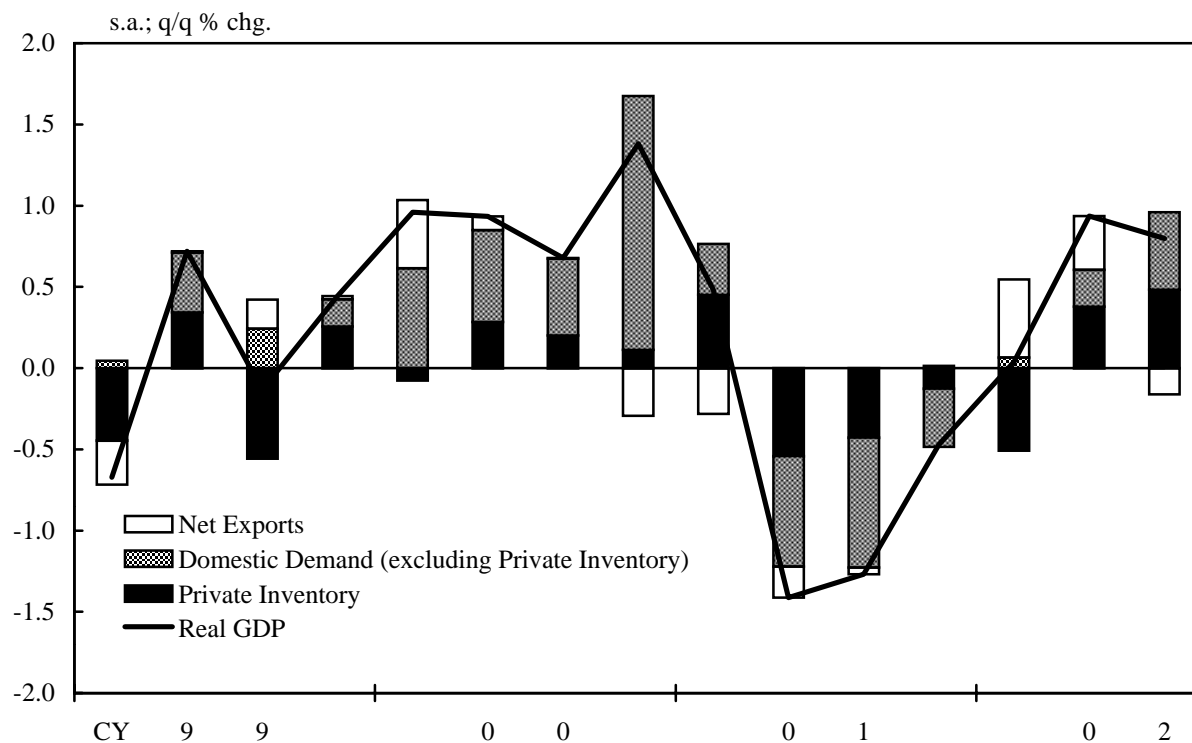
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes," "Corporate Service Price Index,"

"Financial and Economic Statistics Monthly"; Japanese Bankers Associations, "Suspension of Transaction with Banks."

## Real GDP

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



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

## (2) Components

s.a.; q/q % chg.

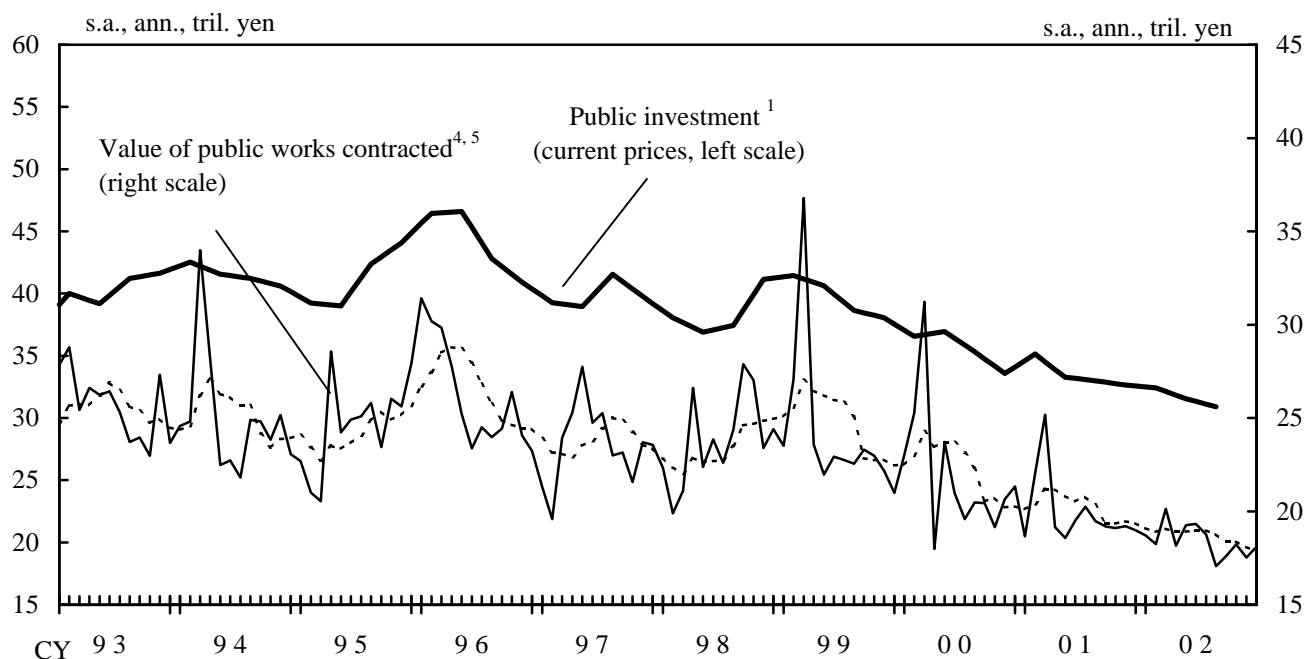
	2001		2002		
	Q3	Q4	Q1	Q2	Q3
Real GDP	-1.3	-0.5	0.0	0.9	0.8
Domestic Demand	-1.3	-0.5	-0.4	0.6	1.0
Private Consumption	-0.4	0.3	0.5	0.5	1.0
Non-Resi. Investment	-3.9	-3.6	-1.7	0.3	-0.5
Residential Investment	-0.5	0.4	-2.7	-0.4	0.0
Private Inventory	(-0.4)	(-0.1)	(-0.5)	( 0.4)	( 0.5)
Public Demand	0.4	0.1	0.6	-0.5	0.1
Public Investment	-0.3	-1.2	-0.0	-2.1	-1.5
Net Exports of goods and services	(-0.0)	( 0.0)	( 0.5)	( 0.3)	(-0.2)
Exports	-3.1	-1.6	4.8	5.9	0.6
Imports	-3.3	-2.1	0.1	3.5	2.6

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

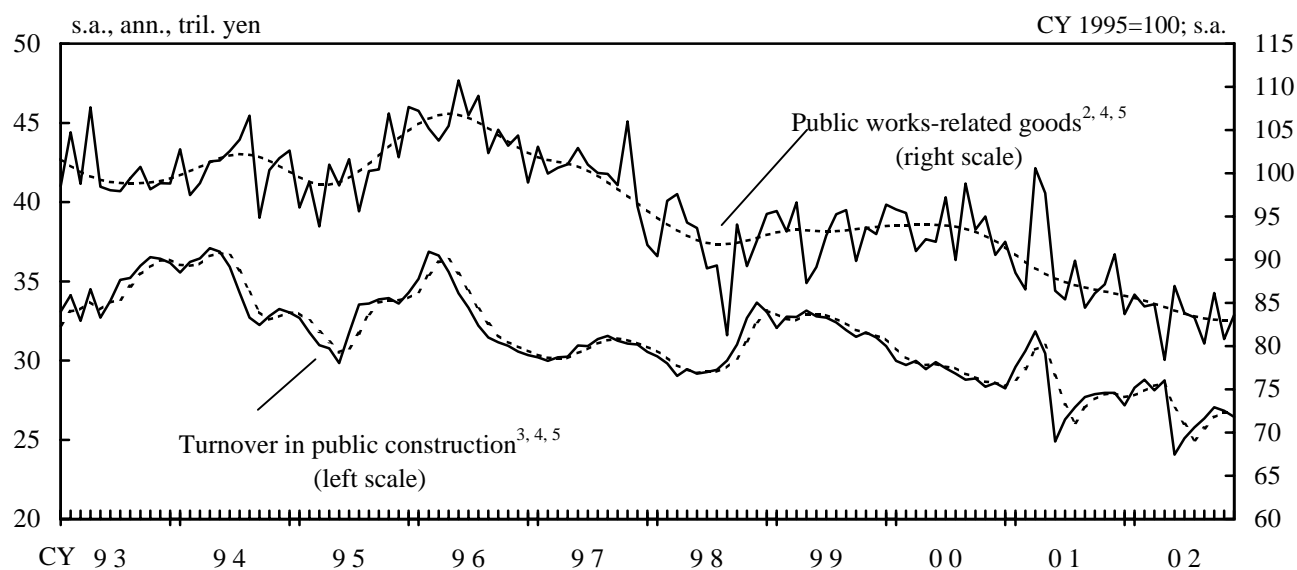
Source: Cabinet Office, "National Accounts."

## Public Investment

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



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



- Notes: 1. Quarterly basis public investment is plotted at the middle month of each quarter. The figures include "reference series" for 1994/Q1-1999/Q4.
2. Public works-related goods are weighted average of asphalt, concrete products for roads, bridges, and cement, where weights are based on 1995-basis IIP (shipment). Shipments of these goods also include those to the private sector.
3. Turnover in public construction is based on the public sector table in the "Integrated Statistics on Construction Works."
4. Value of public works contracted, public works-related goods and turnover in public construction are seasonally adjusted by X-12-ARIMA. As the figures of public works-related goods are seasonally adjusted on a monthly basis, the data are retroactively revised each month.
5. Among the dotted lines, the line for value of public works contracted is the 6 months moving average, the line for public works-related goods is the trend cycle factor, and the line for turnover in public construction is the 3 months moving average.

Sources: Cabinet Office, "National Accounts";

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

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

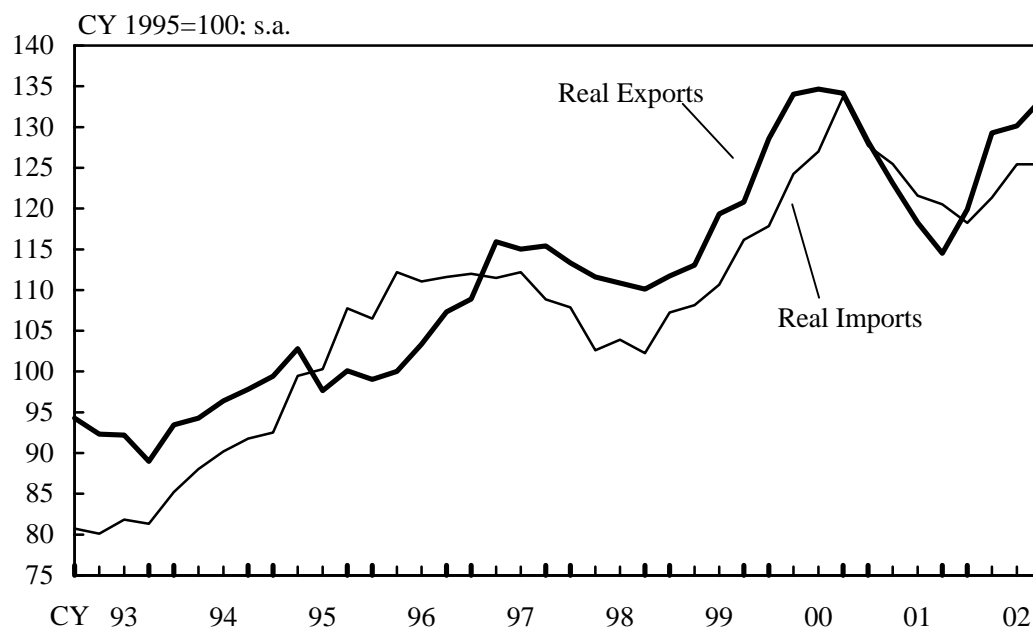
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

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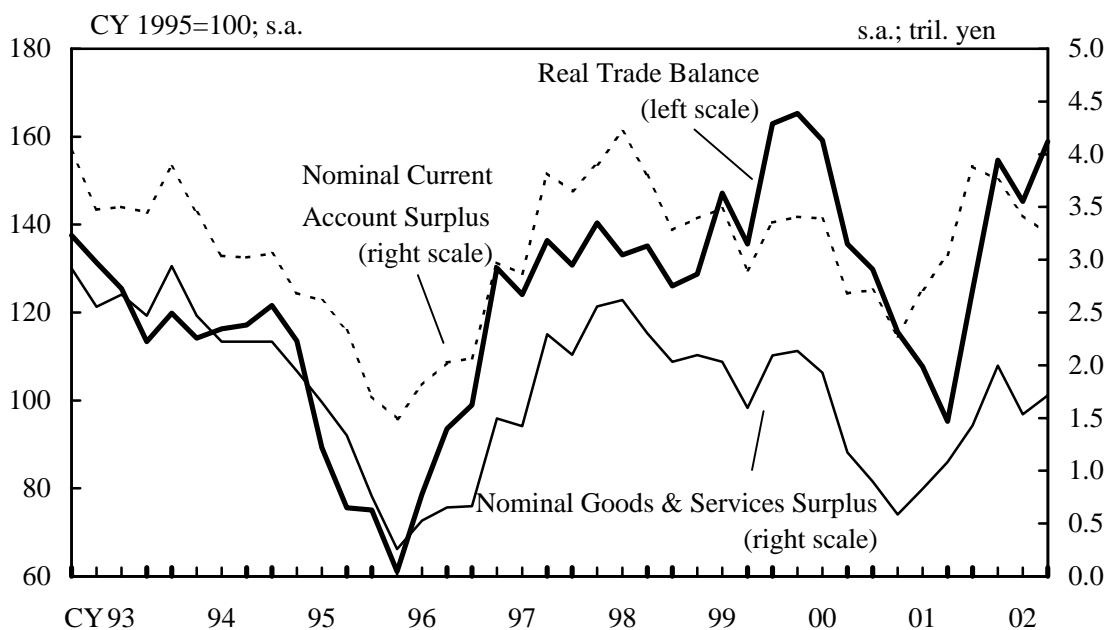
 External Balance
 

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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. 2002/Q4 figures are Oct.-Nov. averages converted into quarterly amount.
3. Balance of payments data up to 1995/Q4 are old basis. 2002/Q4 figures are Oct.-Nov. averages converted into quarterly amount.

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

Real Exports <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2000	2001	2001 Q4	2002 Q1	Q2	Q3	Q4	2002 Sep.	Oct.	Nov.
United States	<30.0>	11.7	-8.5	-3.7	4.4	1.5	-0.6	2.9	6.8	-6.6	16.7
EU	<15.9>	6.4	-10.9	-0.8	-6.2	9.8	6.1	1.1	-0.7	-0.3	5.4
East Asia	<38.7>	25.7	-9.7	-1.1	7.5	12.1	4.3	2.2	-2.5	3.2	0.5
China	<7.7>	27.8	11.6	-0.5	17.8	13.3	11.0	3.4	-8.5	7.9	0.2
NIEs	<21.7>	25.8	-15.8	-1.8	5.8	12.1	2.9	2.6	2.5	0.0	3.1
Korea	<6.3>	30.4	-9.1	-1.5	2.8	13.8	6.0	4.8	4.1	-0.7	4.6
Taiwan	<6.0>	22.5	-25.7	4.3	6.7	12.4	2.2	-0.9	-2.9	2.0	4.0
ASEAN4 <sup>3</sup>	<9.3>	24.0	-8.1	-0.1	3.3	10.8	1.4	0.3	-7.5	6.2	-5.1
Thailand	<2.9>	19.0	-4.0	-0.3	-1.5	16.2	10.1	3.7	-6.2	3.6	1.6
Real exports		14.1	-9.1	-3.2	4.7	7.8	0.7	2.5	-1.1	1.3	5.8

## (2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2000	2001	2001 Q4	2002 Q1	Q2	Q3	Q4	2002 Sep.	Oct.	Nov.
Intermediate goods	<14.7>	5.3	-3.5	2.1	5.6	3.7	0.1	-3.2	-2.6	-3.3	6.7
Motor vehicles and their related goods	<22.1>	9.2	0.0	1.1	5.8	4.2	-0.5	2.5	5.6	-4.6	13.3
Consumer goods <sup>4</sup>	<7.3>	13.0	-6.3	-5.8	4.5	8.6	2.2	11.4	-5.6	9.6	15.3
IT-related goods <sup>5</sup>	<17.3>	25.2	-12.0	-7.3	-5.9	17.0	8.6	1.9	-3.5	2.0	1.6
Capital goods and parts <sup>6</sup>	<27.5>	21.1	-14.9	-5.0	6.2	9.2	2.4	3.2	2.5	1.8	0.6
Real exports		14.1	-9.1	-3.2	4.7	7.8	0.7	2.5	-1.1	1.3	5.8

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2002/Q4 figures are Oct.-Nov. averages converted into quarterly amount.

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

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

4. Excludes motor vehicles.

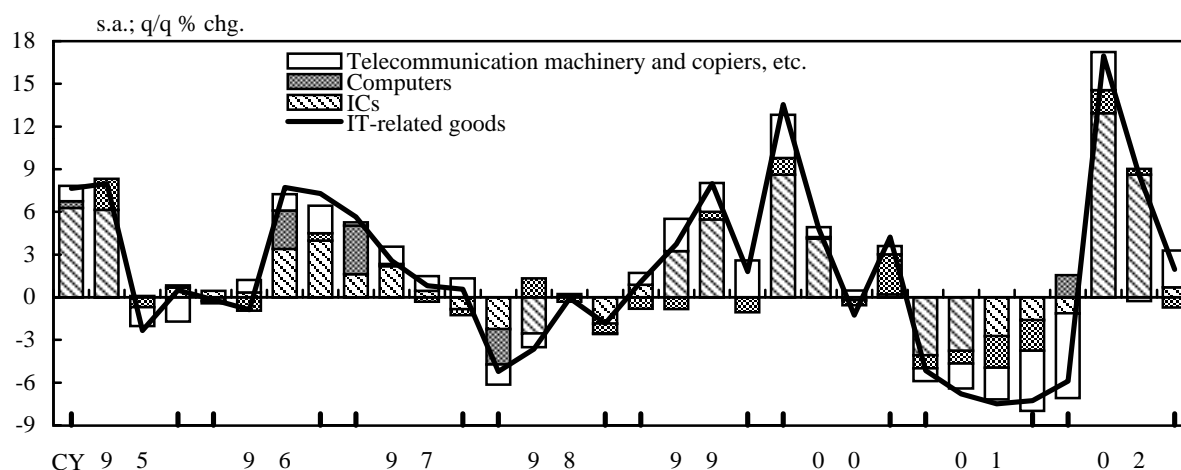
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs and medical and optical instruments.

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

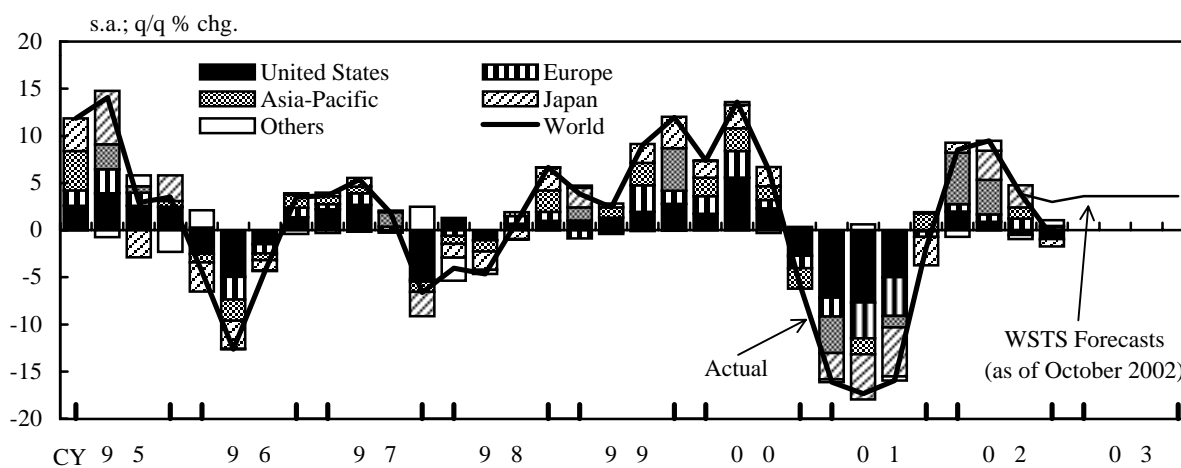
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes."

## Exports and Imports of IT-related goods

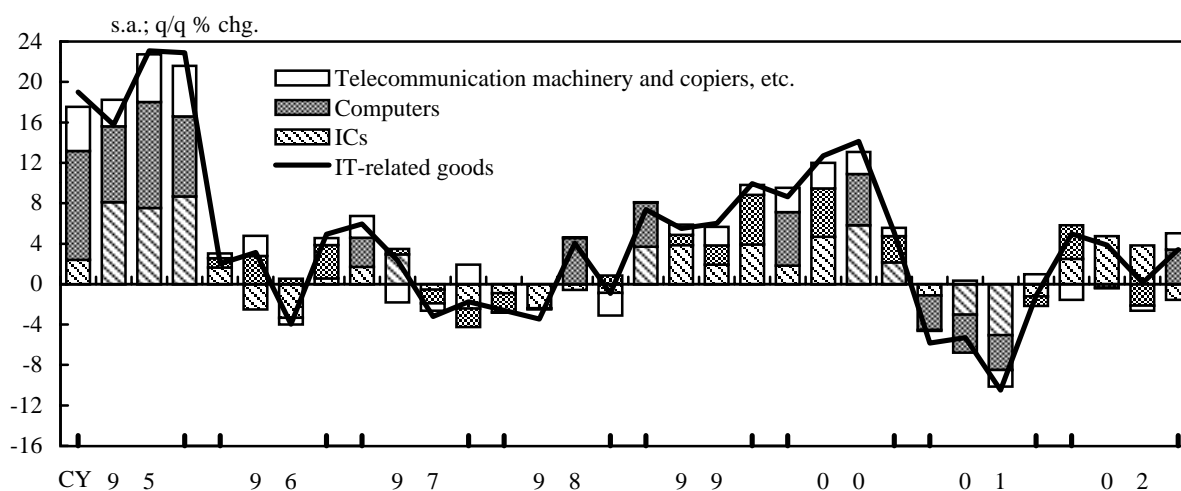
(1) Exports of IT-related goods (real, breakdown by goods)



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



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



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

2. 2002/Q4 figures are Oct.-Nov. averages converted into quarterly amount.

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

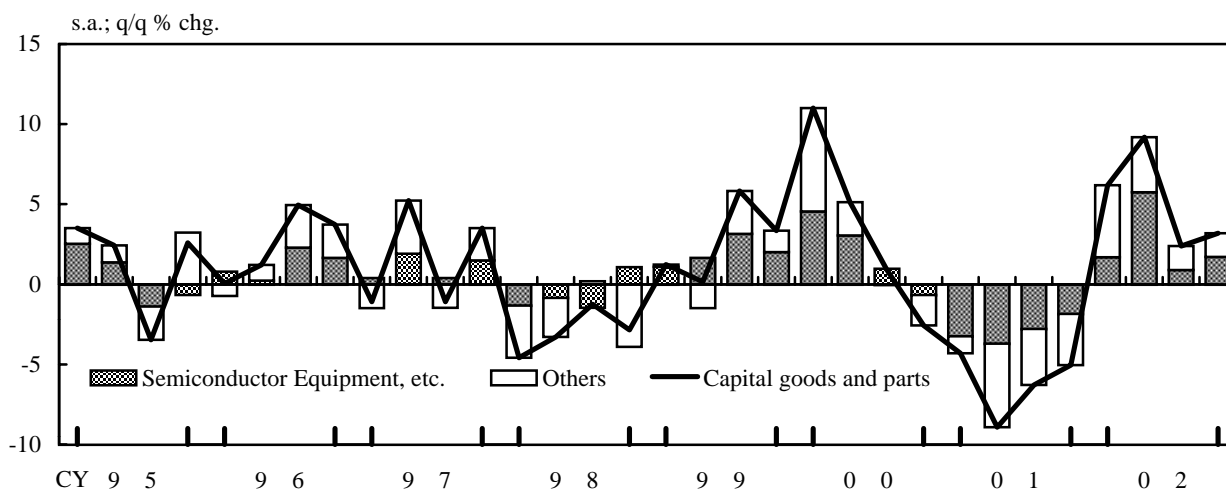
Bank of Japan, "Wholesale Price Indexes";

WSTS (World Semiconductor Trade Statistics), "Semiconductor Forecasts."

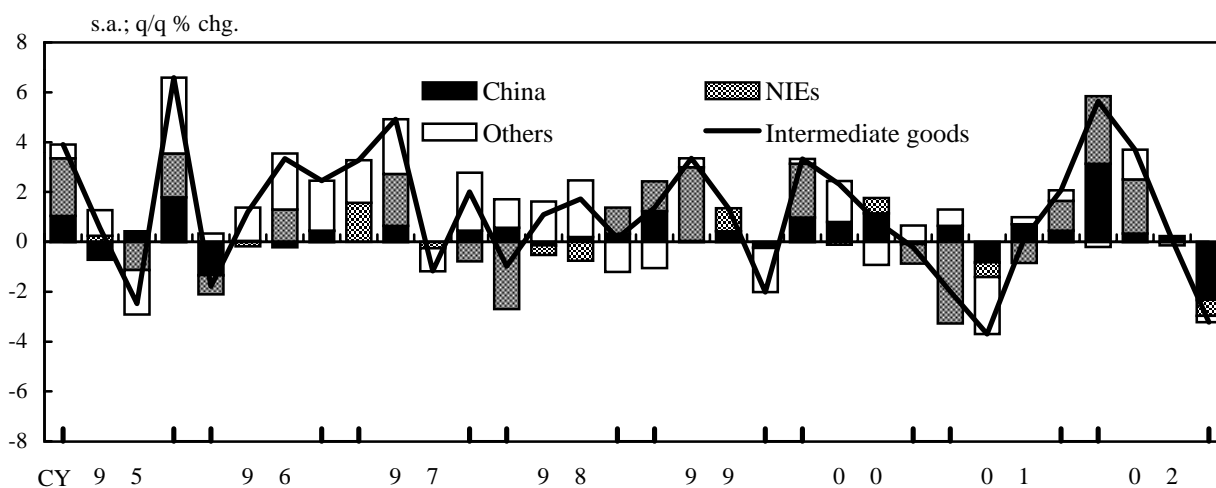


## Real Exports breakdown by goods

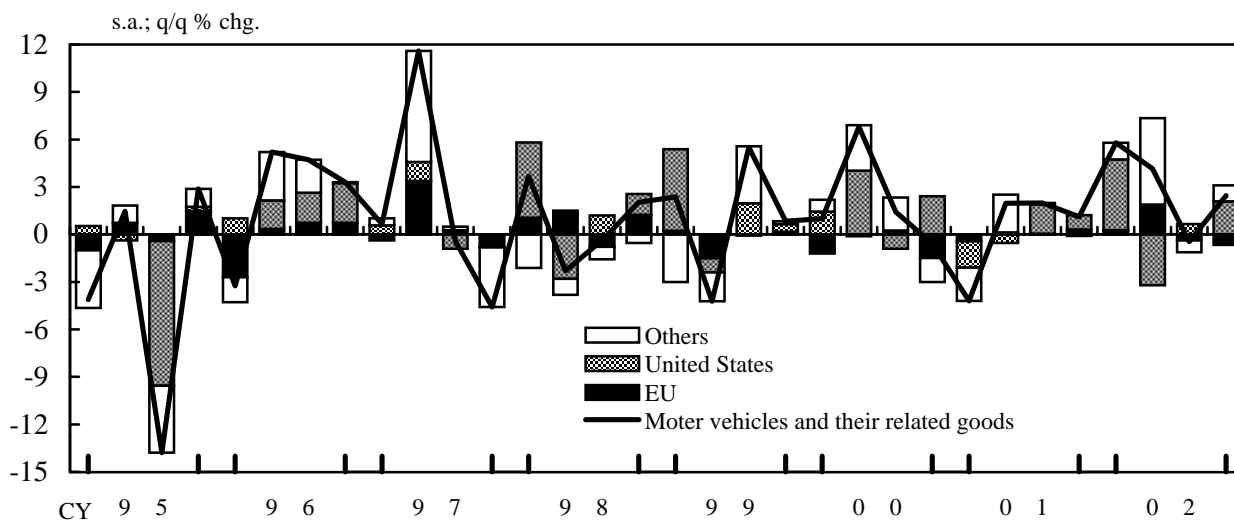
## (1) Capital goods and parts



## (2) Intermediate goods



## (3) Motor vehicles and their related goods



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

2. 2002/Q4 figures are Oct.-Nov. averages converted into quarterly amount.

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 Q4	2002 Q1	Q2	Q3	Q4	2002 Sep.	Oct.	Nov.
United States	<18.1>	7.9	-4.4	-3.0	-1.5	3.4	0.9	-7.4	-1.0	-14.0	19.5
EU	<12.8>	8.5	3.5	2.6	-6.4	2.8	6.2	-0.1	2.4	-0.6	3.9
East Asia	<40.3>	25.5	1.6	-1.0	1.5	3.7	2.7	4.8	1.5	2.3	4.5
China	<16.6>	28.1	13.3	4.2	1.7	3.5	1.9	8.4	1.5	4.2	10.2
NIEs	<10.9>	28.4	-9.6	-7.1	3.5	8.2	1.5	0.4	-3.0	2.9	0.2
Korea	<4.9>	22.5	-7.8	-7.0	-1.6	10.8	3.2	0.5	-3.4	4.5	-1.0
Taiwan	<4.1>	43.6	-13.0	-3.9	6.0	9.3	0.6	-1.6	-0.1	-1.4	0.1
ASEAN4 <sup>3</sup>	<12.7>	20.2	0.0	-2.1	-0.3	0.2	4.9	4.0	5.5	-0.8	0.8
Thailand	<3.0>	19.3	6.0	-0.4	-0.3	4.7	3.2	2.8	3.8	-1.3	5.2
Real imports		13.3	-1.1	-0.9	-1.9	2.6	3.4	0.0	1.4	-3.1	7.9

## (2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2000	2001	2001 Q4	2002 Q1	Q2	Q3	Q4	2002 Sep.	Oct.	Nov.
Raw materials <sup>4</sup>	<26.2>	1.7	-5.1	-2.6	-3.1	-2.2	9.2	0.1	2.4	-3.1	6.4
Intermediate goods	<12.9>	8.2	-0.2	-0.5	-0.5	0.9	5.6	-1.6	-4.5	-1.9	7.6
Foodstuffs	<12.4>	5.3	-1.5	5.3	-4.6	0.2	0.5	-4.3	4.1	-11.8	16.9
Consumer goods	<11.2>	21.4	5.8	-0.2	-7.3	4.9	0.2	2.3	3.8	-0.3	5.7
IT-related goods <sup>5</sup>	<14.8>	43.9	-2.4	-1.1	5.0	3.8	0.1	3.4	1.8	-1.3	6.8
Capital goods and parts <sup>6</sup>	<11.9>	12.4	3.2	-3.4	0.5	13.2	5.6	-2.2	4.0	-3.4	2.5
excluding aircraft	<11.4>	21.5	6.0	-1.1	-2.5	10.6	2.7	3.8	-0.6	-0.5	12.4
Real imports		13.3	-1.1	-0.9	-1.9	2.6	3.4	0.0	1.4	-3.1	7.9

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2002/Q4 figures are Oct.-Nov. averages converted into quarterly amount.

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

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

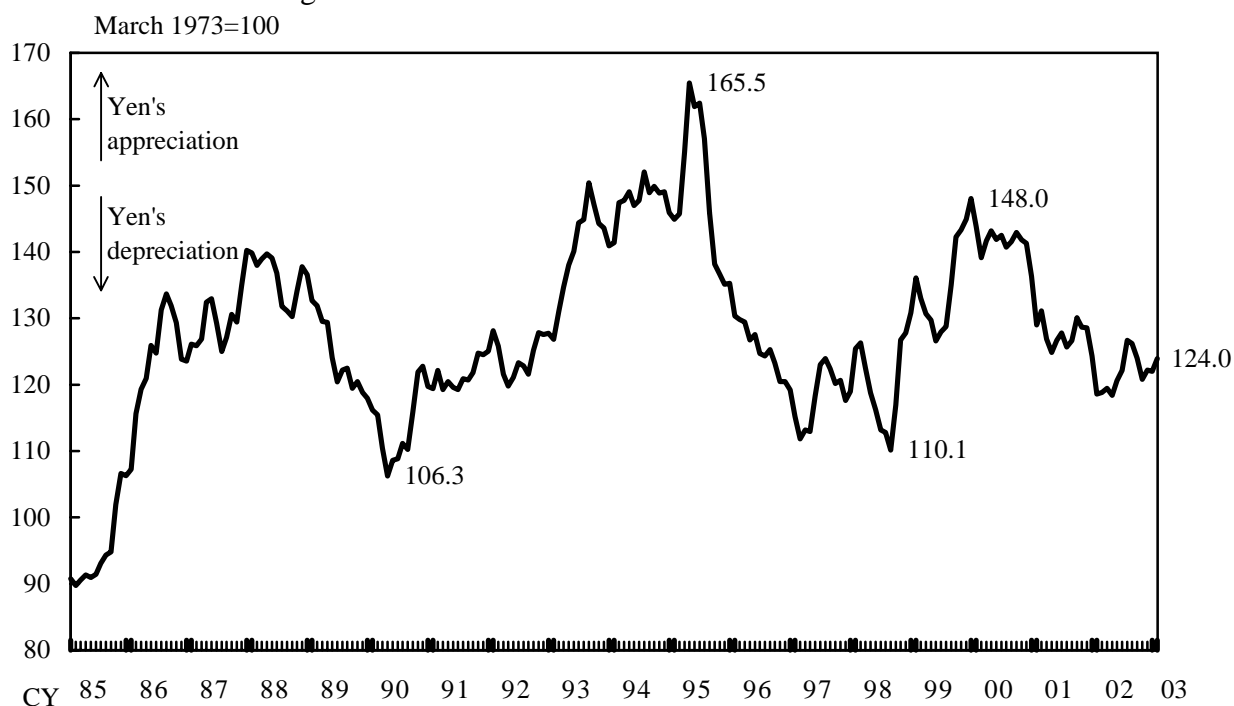
4. Raw materials are mainly composed of woods, ores and mineral fuel.

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

6. Excludes IT-related goods.

## Exporting Conditions (1)

## (1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for January 2003 is the average up to January 21.  
 Figures are the index of weighted average of the yen's real exchange rates versus 15 major currencies (26 countries) which are calculated from nominal exchange rates and price indexes of the respective countries.

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

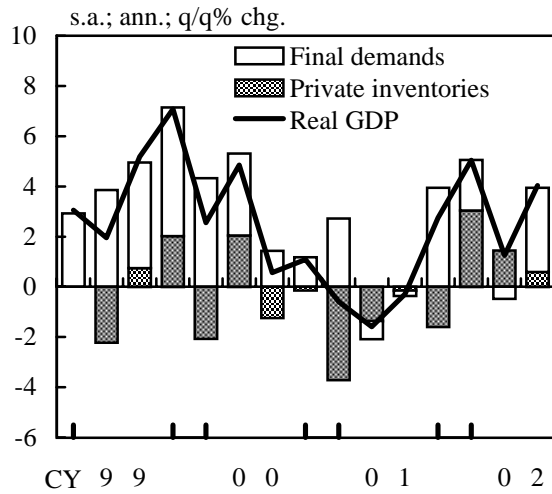
		CY2000	2001	2002	2002 Q1	Q2	Q3	Q4	
United States <sup>1</sup>		3.8	0.3	n.a.	5.0	1.3	4.0	n.a.	
European Union <sup>1</sup>		3.4	1.5	n.a.	1.6	1.7	1.6	n.a.	
	Germany	2.9	0.6	0.2	1.1	0.6	1.1	n.a.	
	France	4.2	1.8	n.a.	2.4	1.6	0.9	n.a.	
	United Kingdom	3.1	2.0	n.a.	1.0	2.6	3.8	n.a.	
East Asia <sup>2</sup>	China	8.0	7.3	n.a.	7.6	8.0	8.1	n.a.	
	NIEs	Korea	9.3	3.0	n.a.	5.8	6.4	5.8	n.a.
		Taiwan	5.9	-2.2	n.a.	1.2	4.0	4.8	n.a.
		Hong Kong	10.2	0.6	n.a.	-0.5	0.8	3.3	n.a.
		Singapore	10.3	-2.0	2.2	-1.5	3.8	3.9	2.6
	ASEAN4	Thailand	4.6	1.9	n.a.	3.9	5.1	5.8	n.a.
		Indonesia	4.9	3.3	n.a.	2.4	3.8	3.9	n.a.
Malaysia		8.3	0.4	n.a.	1.1	3.9	5.6	n.a.	
Philippines		4.4	3.2	n.a.	3.7	4.8	3.8	n.a.	

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

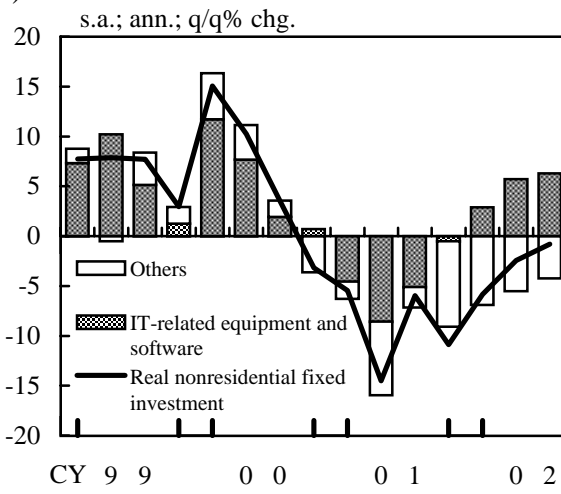
2. Quarterly data of East Asia are percent changes from a year earlier.

Exporting Conditions (2)

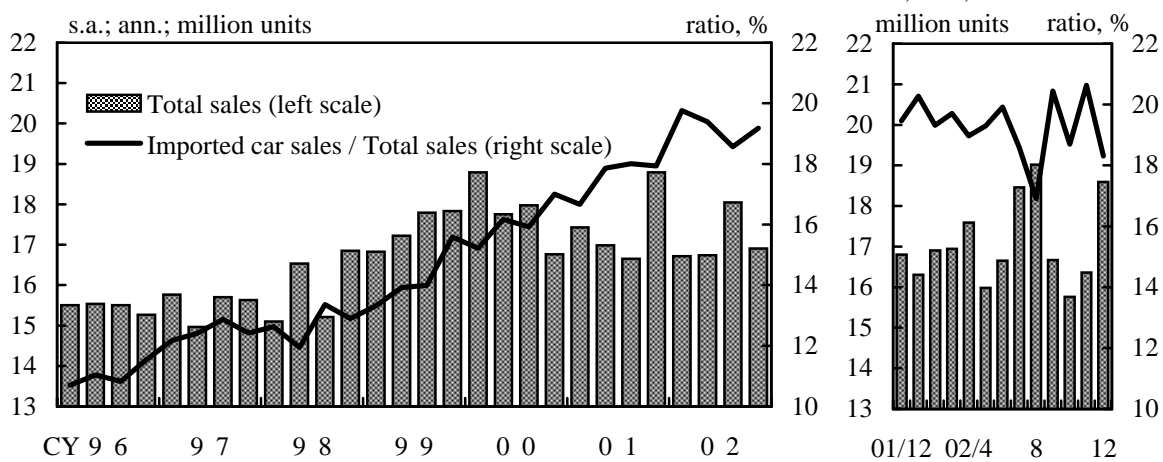
(1) U.S. Real GDP (breakdown by final demands and inventories)



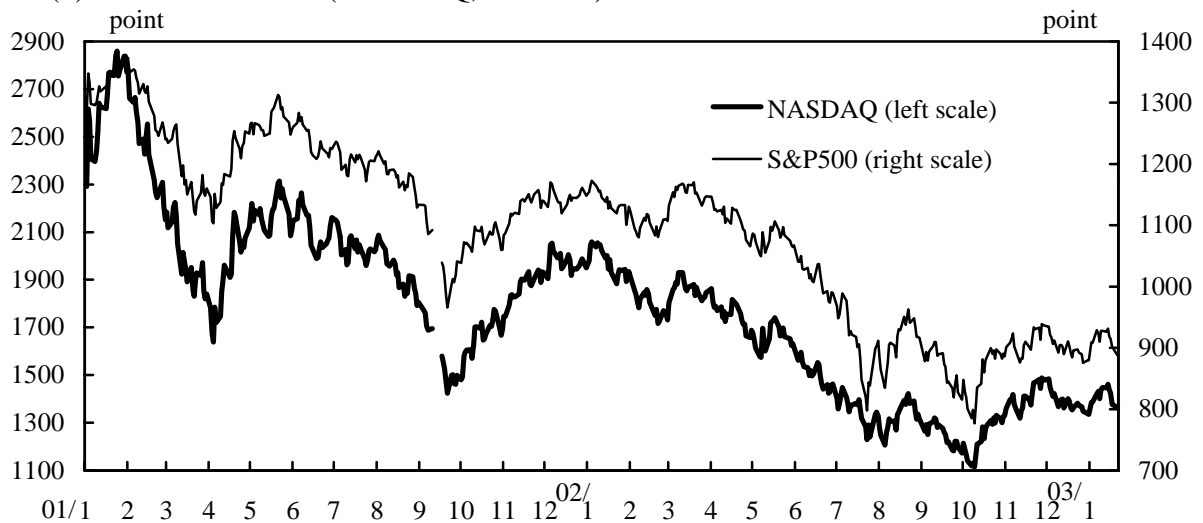
(2) U.S. Real Nonresidential Fixed Investment



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



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

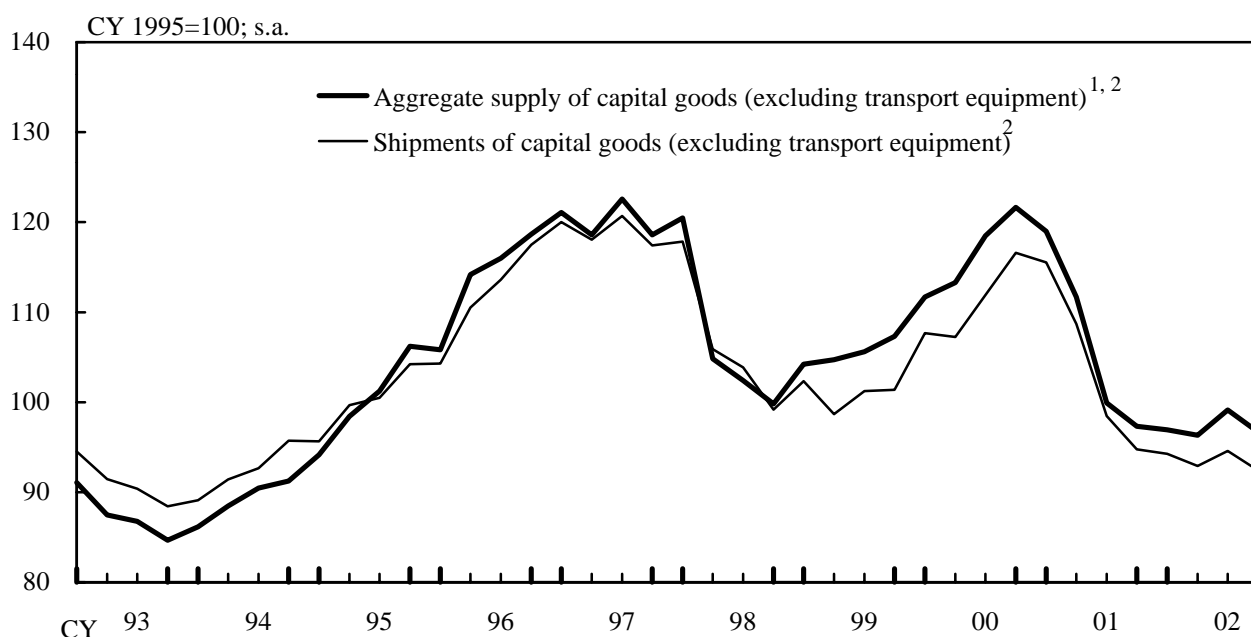


Note: Figures of U.S. stock prices in (4) are up to January 21.

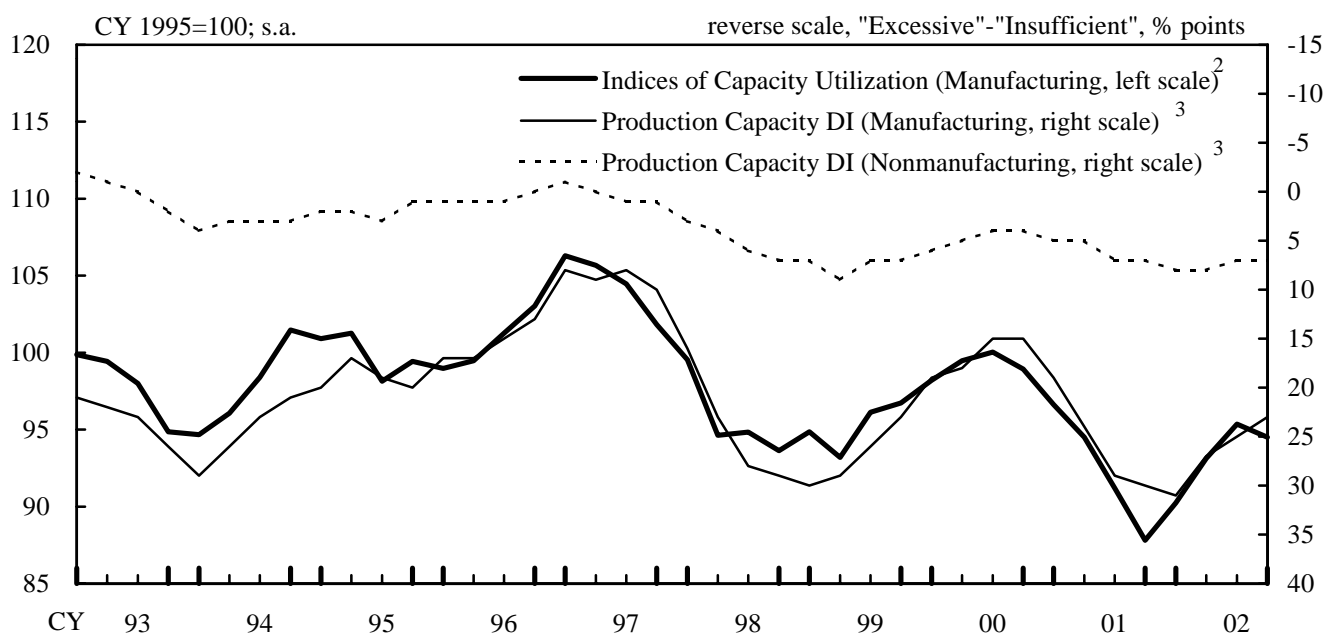
Sources: U.S. Department of Commerce, "National Income and Product Accounts", "Sales, production, imports, exports, and inventories, in units"; Bloomberg.

## Indicators for Business Fixed Investment (1)

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



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

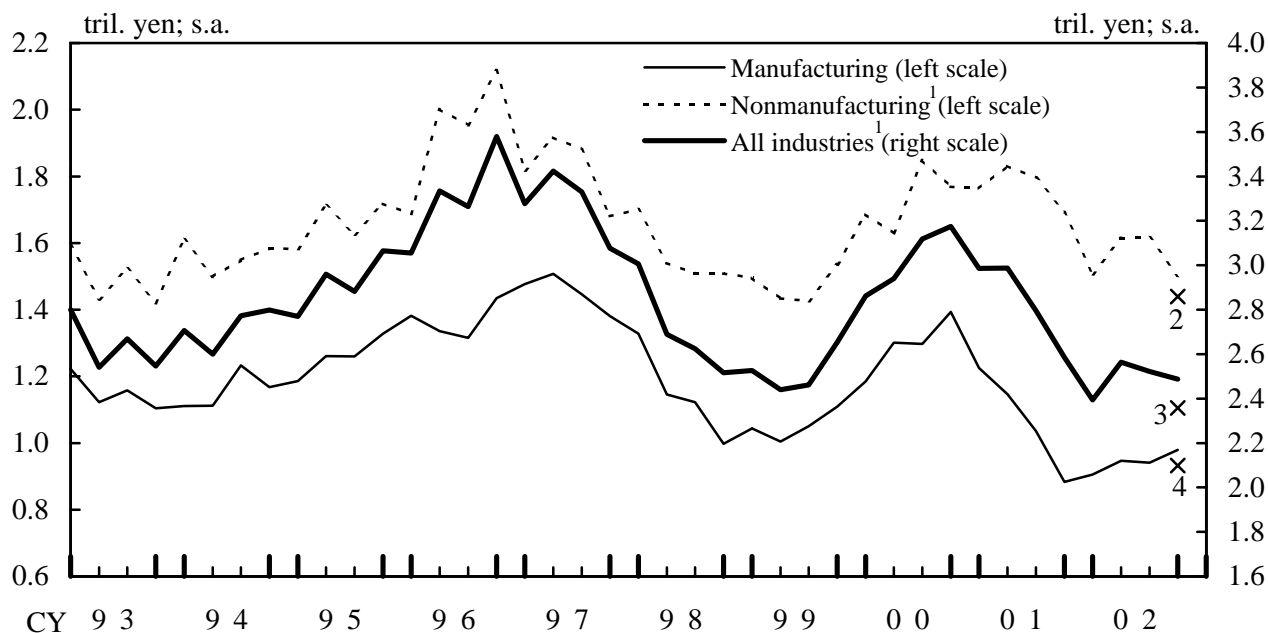


- Notes: 1. Aggregate supply of capital goods (excluding transport equipment) is obtained from *Indices of Industrial Domestic Shipments and Imports* released on a quarterly basis. The figure for 2002/Q4 is calculated by the Bank of Japan using shipments of capital goods in *Indices of Industrial Production* 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. Figures for 2002/Q4 are averages of October and November.
3. All enterprises.

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

## Indicators for Business Fixed Investment (2)

## (1) Machinery Orders



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

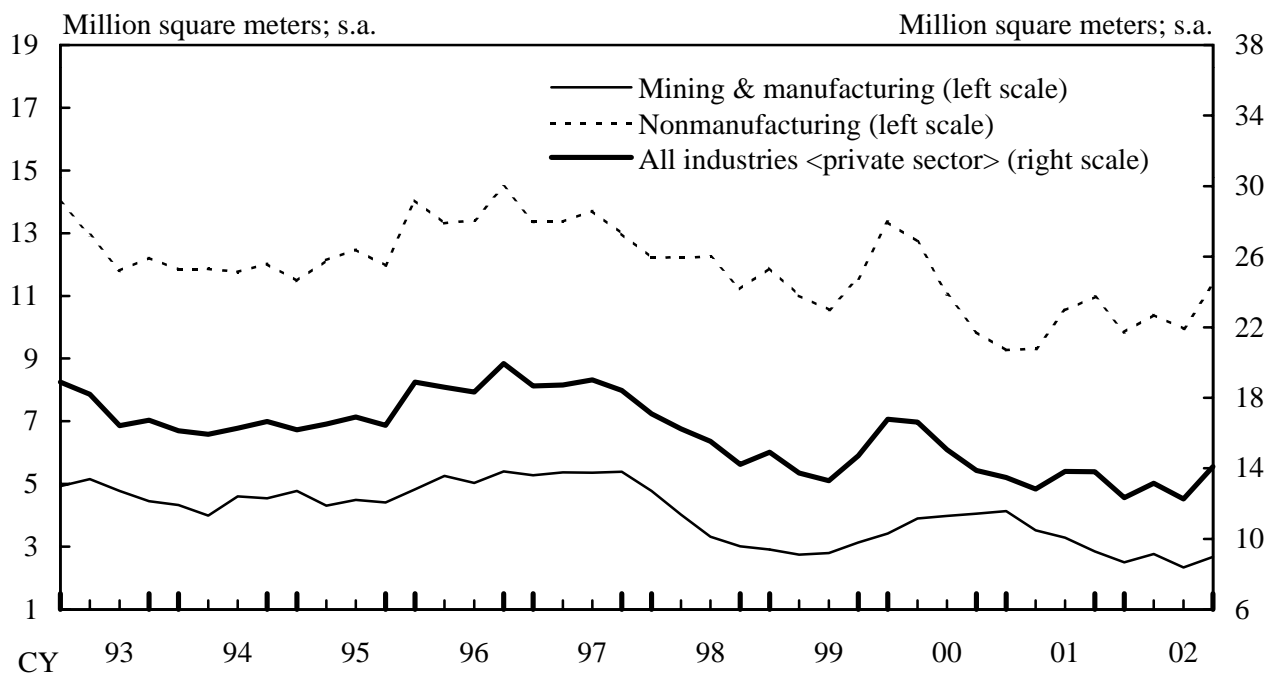
2. Forecast of nonmanufacturing industries for 2002/Q4.

3. Forecast of all industries for 2002/Q4.

4. Forecast of manufacturing industries for 2002/Q4.

5. Figures for 2002/Q4 are averages of October and November in terms of quarterly amount.

## (2) Construction Starts (Nonresidential)



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

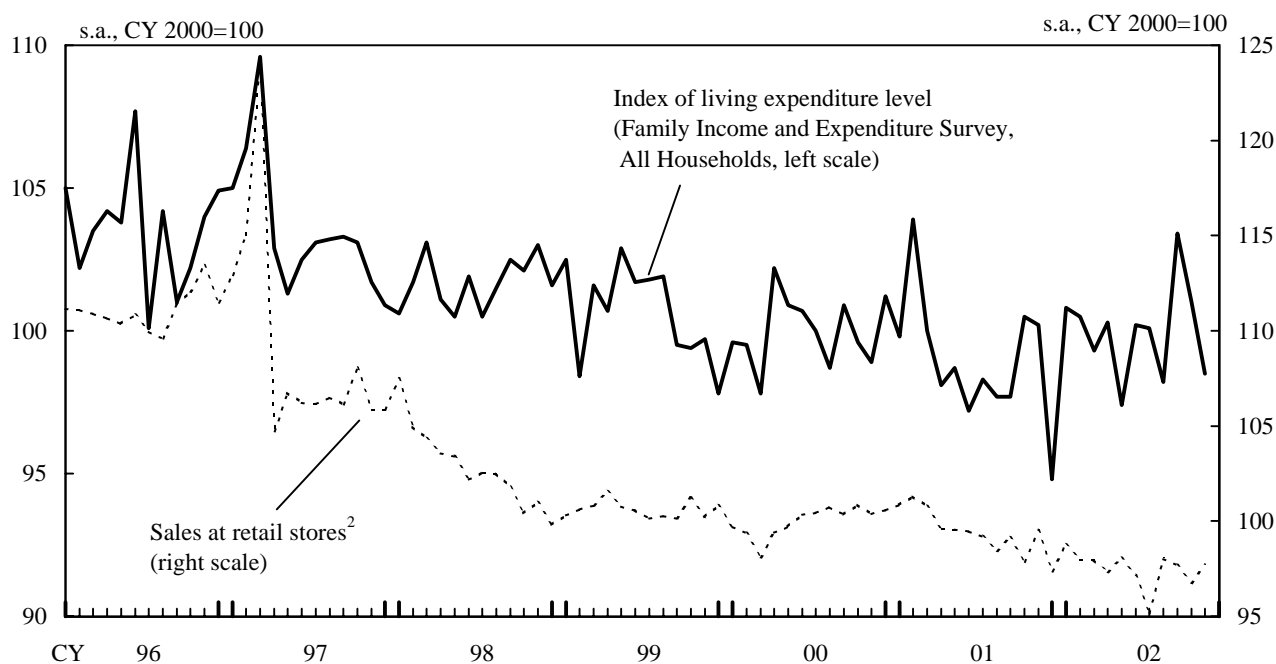
2. Figures for 2002/Q4 are averages of October and November in terms of quarterly amount.

Sources: Cabinet Office, "Machinery Orders Statistics";

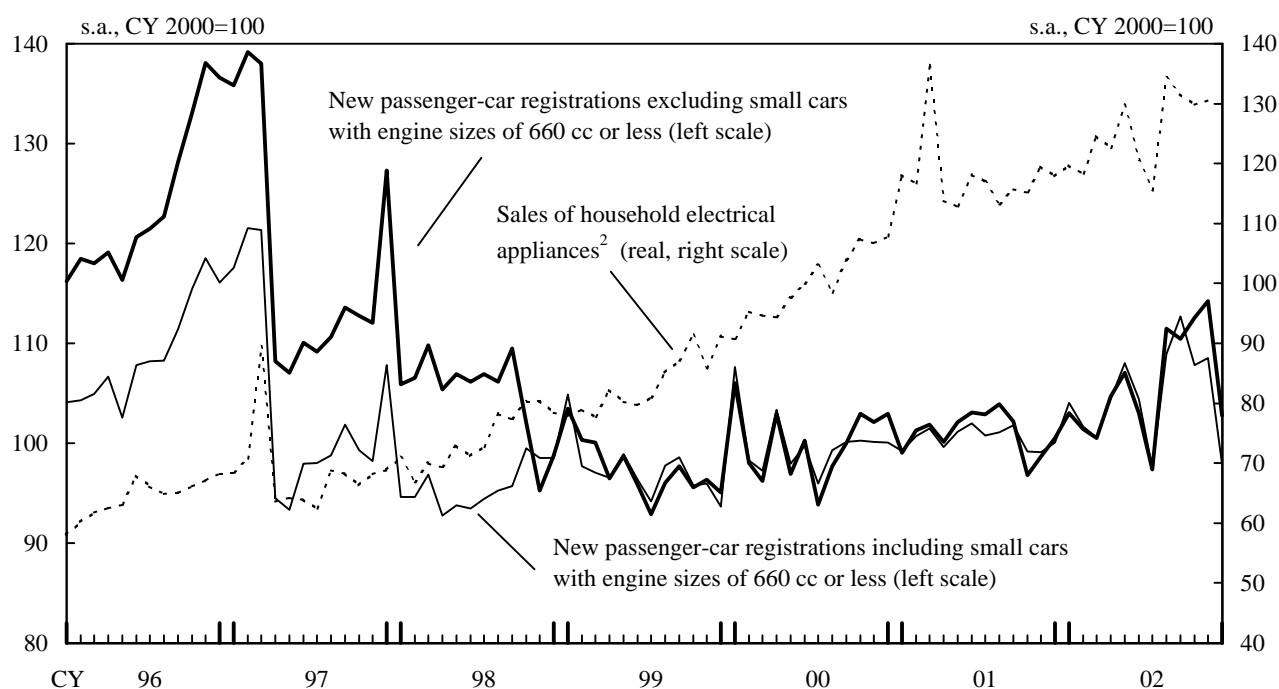
Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

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

## (1) Household Spending (real)



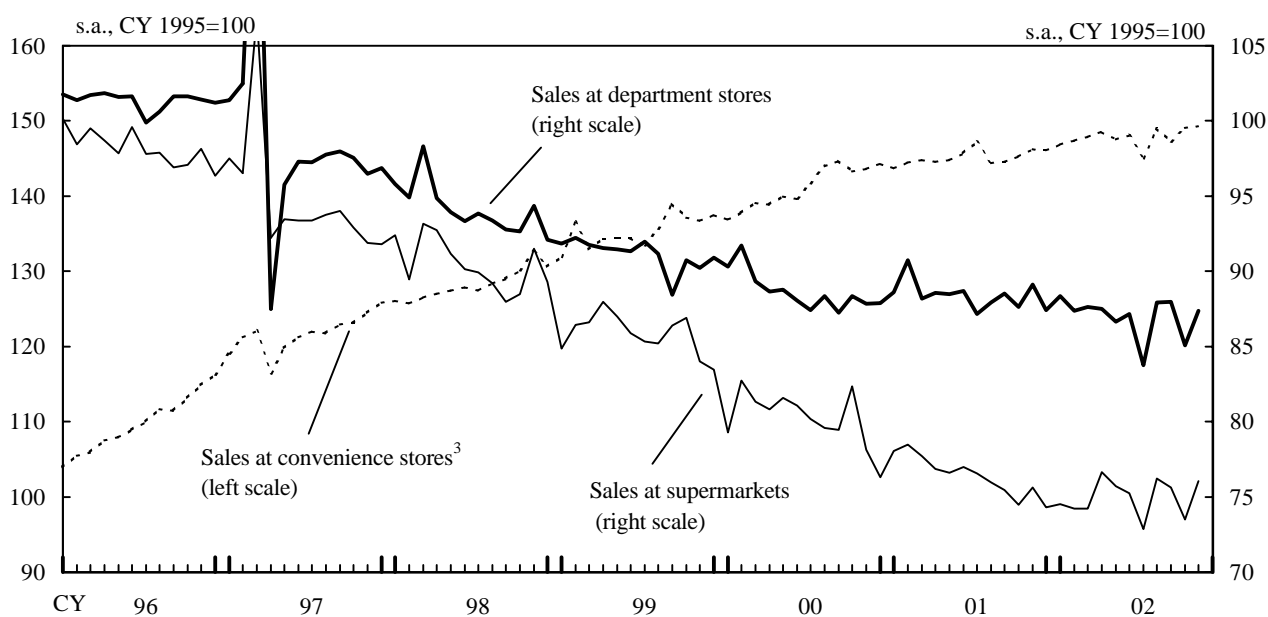
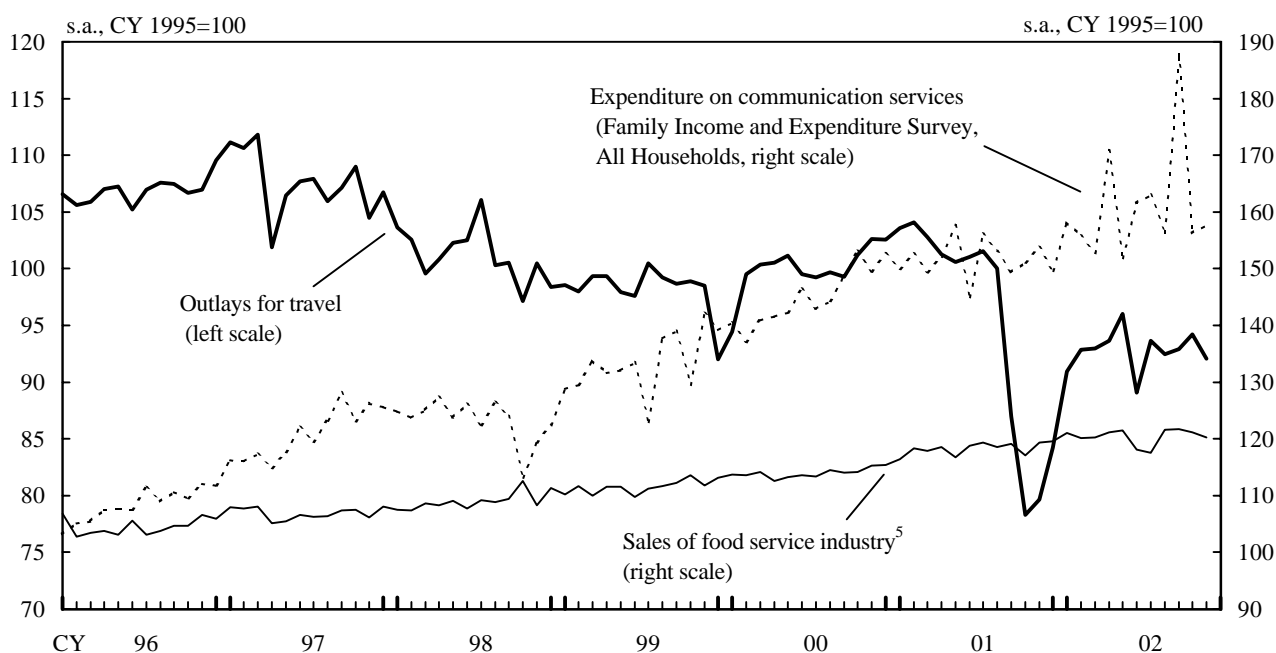
## (2) Sales of Durable Goods



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.

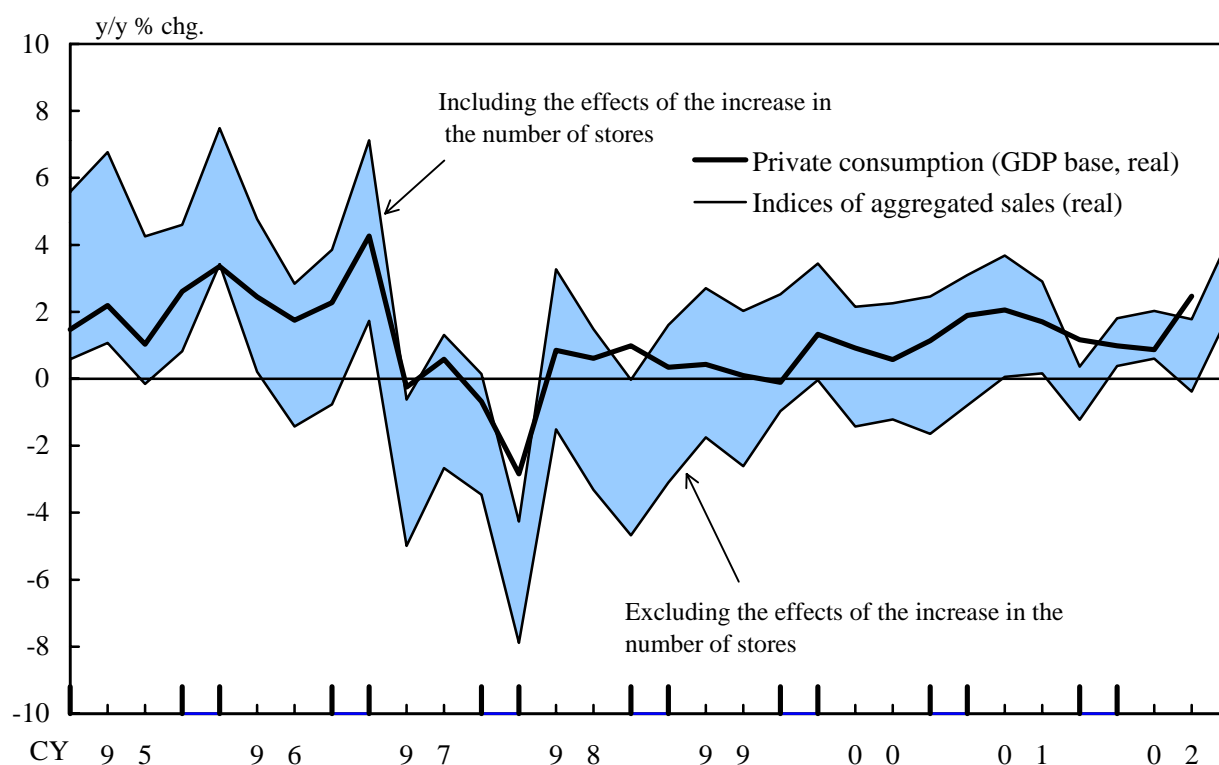
4. Outlays for travel and Sales of food service industry are adjusted to exclude the effect of the rise in the consumption tax rate.

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 include "reference series" for 1995/Q1-1999/Q4.
4. 2002/Q4 figures are those of Oct.-Nov. converted to a quarterly basis.

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";

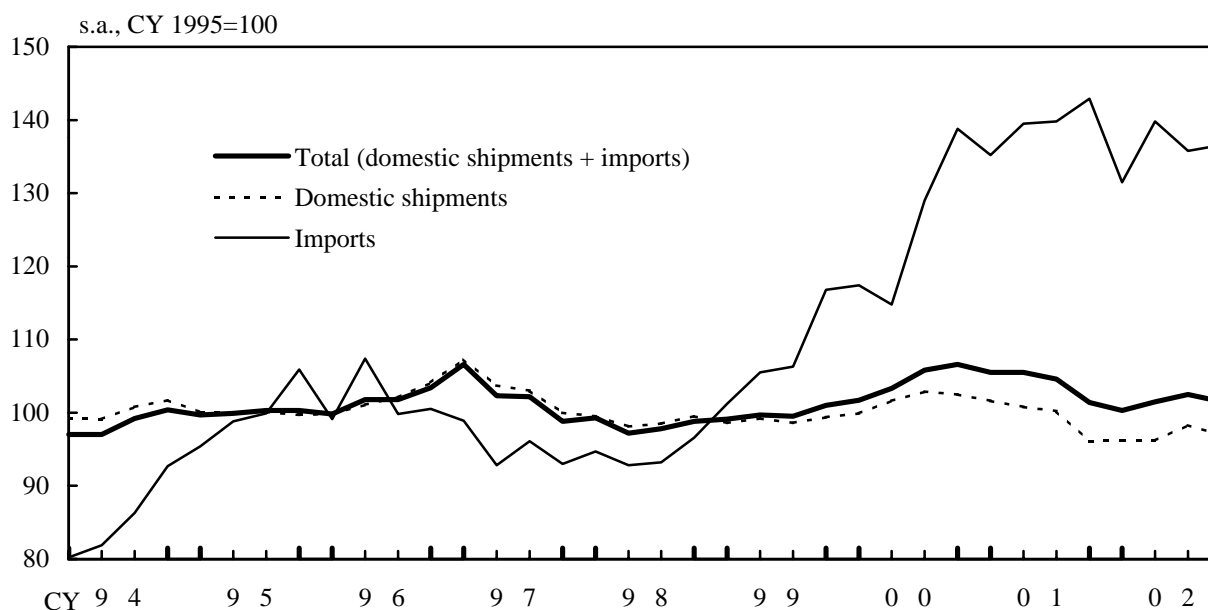
Nippon Electric Big-Stores Association (NEBA), "Sales of Electrical Appliances";

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)";

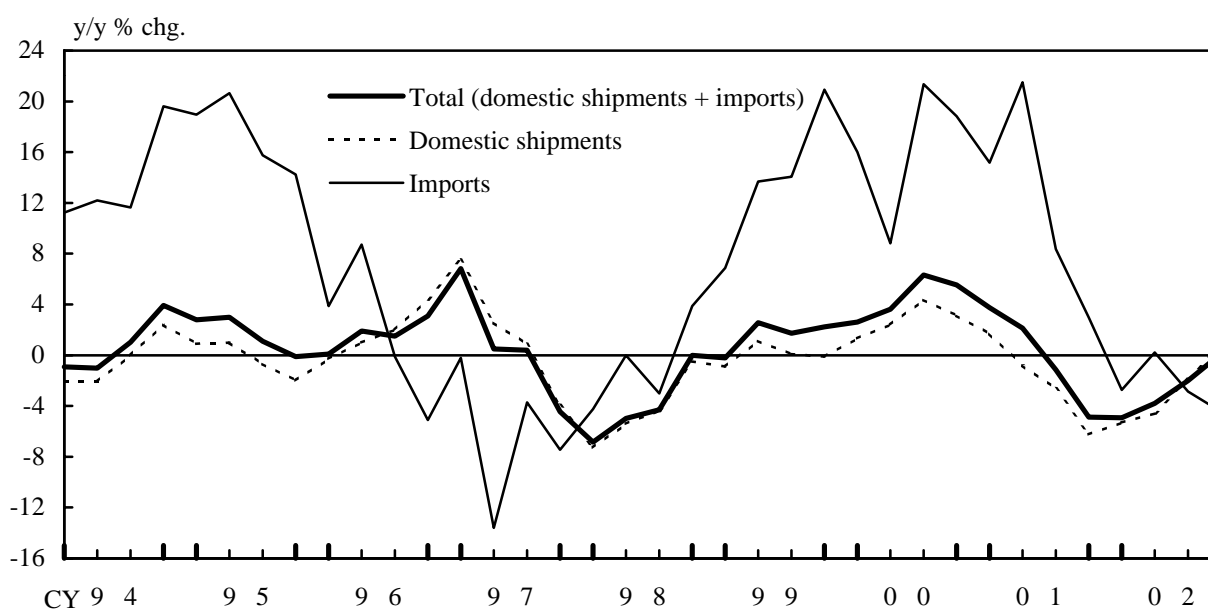
Ministry of Land, Infrastructure and Transport, "Major Travel Agents' Revenue."

## 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/Q4 of "Domestic shipments" are calculated from quarterly changes of *Indices of Industrial Production* (excluding the effects of exports).

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

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

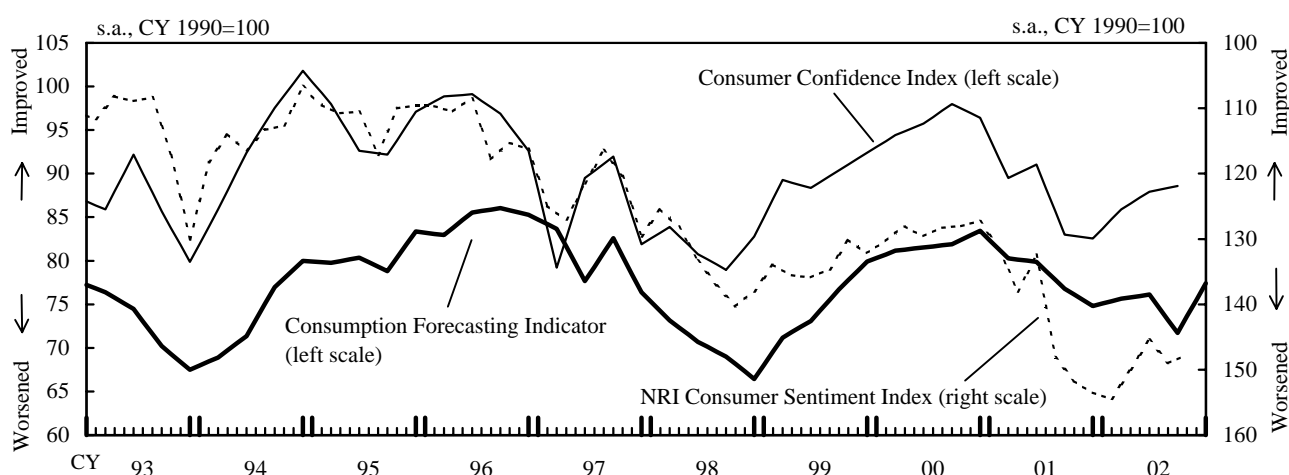
5. Year-on-year changes are calculated from seasonal adjusted series.

6. 2002/Q4 figures are those of Oct.-Nov. averages in terms of quarterly amount.

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

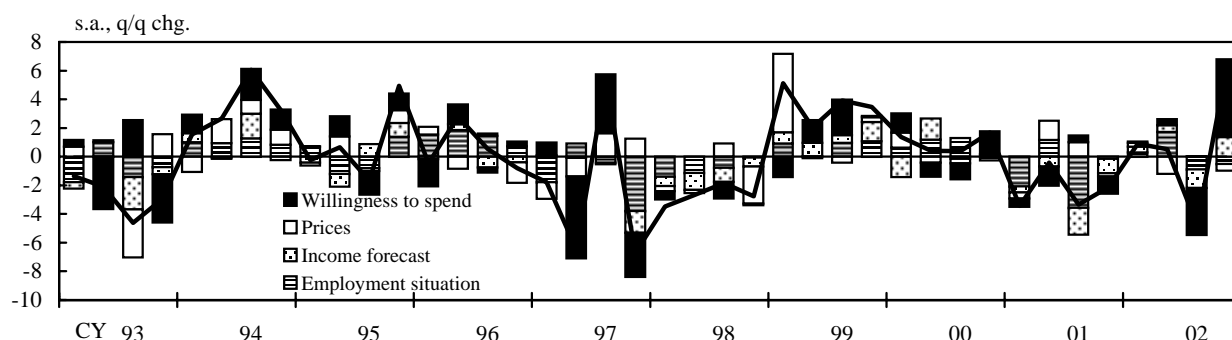
# Consumer Confidence

## (1) Surveys on Consumer Confidence



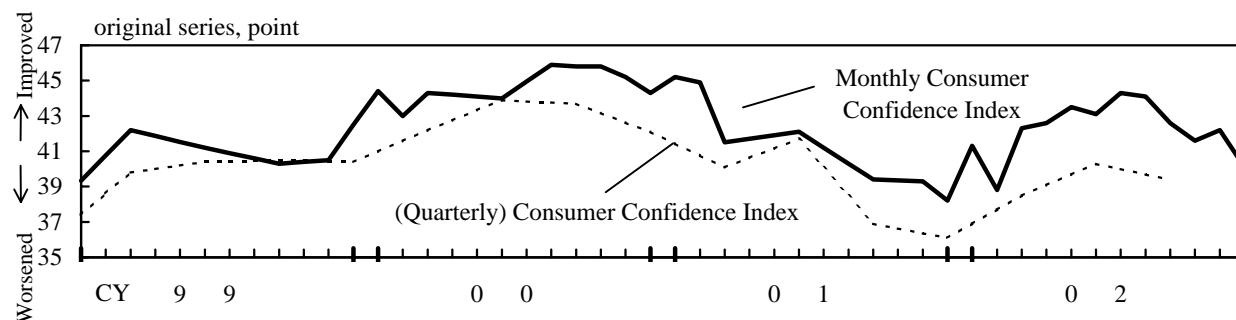
- Notes: 1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office.  
 2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 1,500 samples in metropolitan area), and NRI Consumer Sentiment Index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



- Note: The items are rearranged as below :
- Employment situation : "Easy to find jobs"
  - Prices : "Latest prices"
  - Income forecast : "Profit forecast of current company" + "Increase in income"
  - Willingness to spend : "Willingness to spend for durable goods, leisure, travel, and education"

## (Reference) Monthly Consumer Confidence Survey (Tokyo)

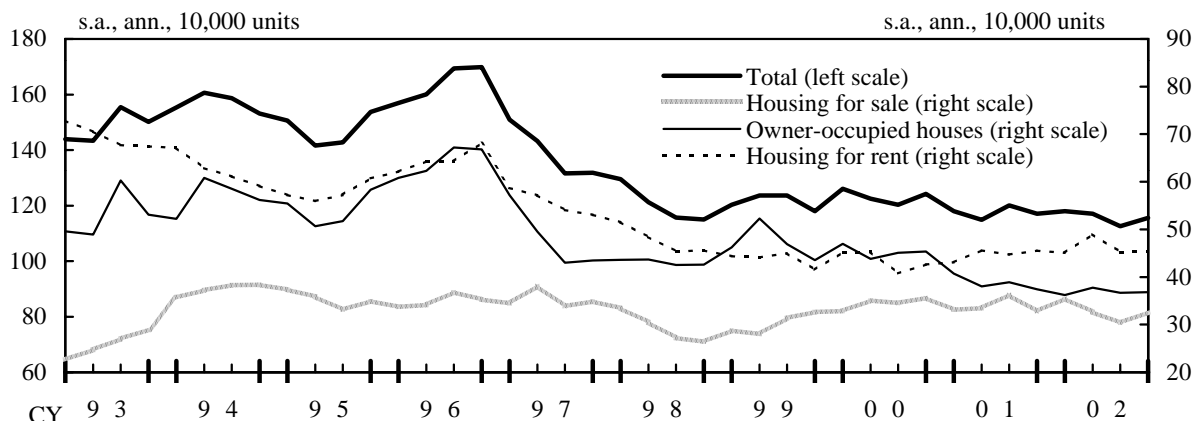


Note: *Monthly Consumer Confidence Survey* is conducted on a monthly basis for limited samples of the Tokyo district (435 households surveyed) in the quarterly Consumer Confidence Survey. The items in the monthly survey are parts of the quarterly survey. Prior to 2001, figures for the months when the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

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

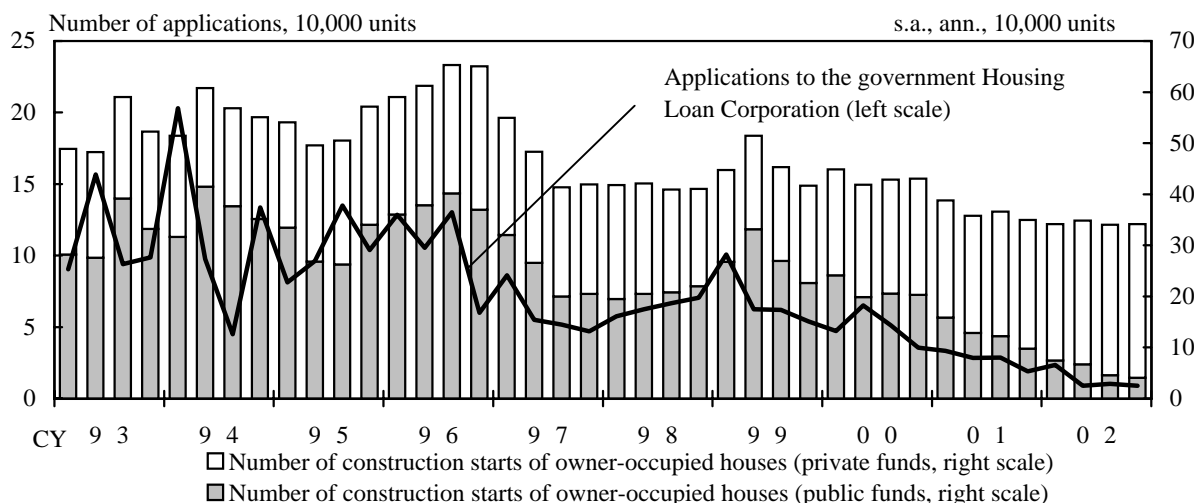
Indicators for Housing Investment

(1) Housing Starts



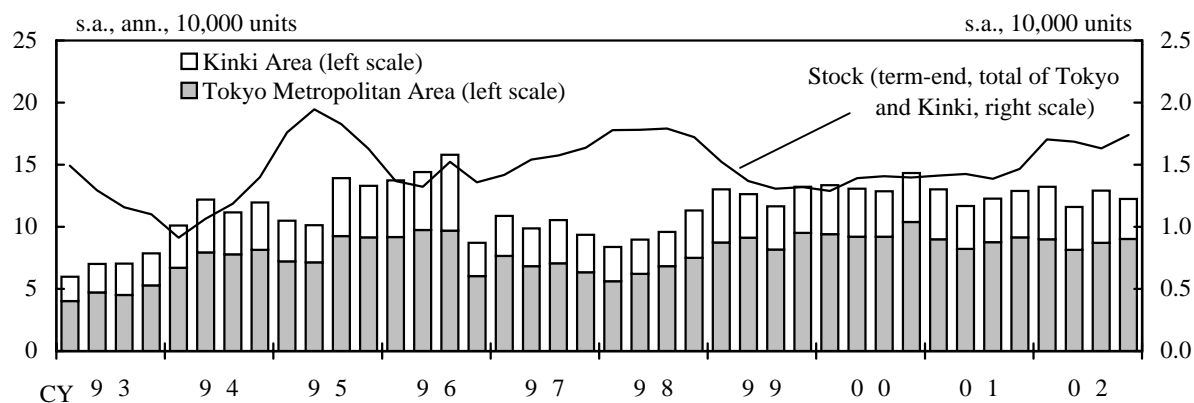
Note: Figures of 2002/Q4 are those of October-November averages.

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



Notes: 1. The number of loan applications for the construction of private houses is allotted according to the number of days in the offering period of each quarter.  
 2. Figures for the number of construction starts of owner-occupied houses (private funds and public funds) for 2002/Q4 are those of October-November averages.

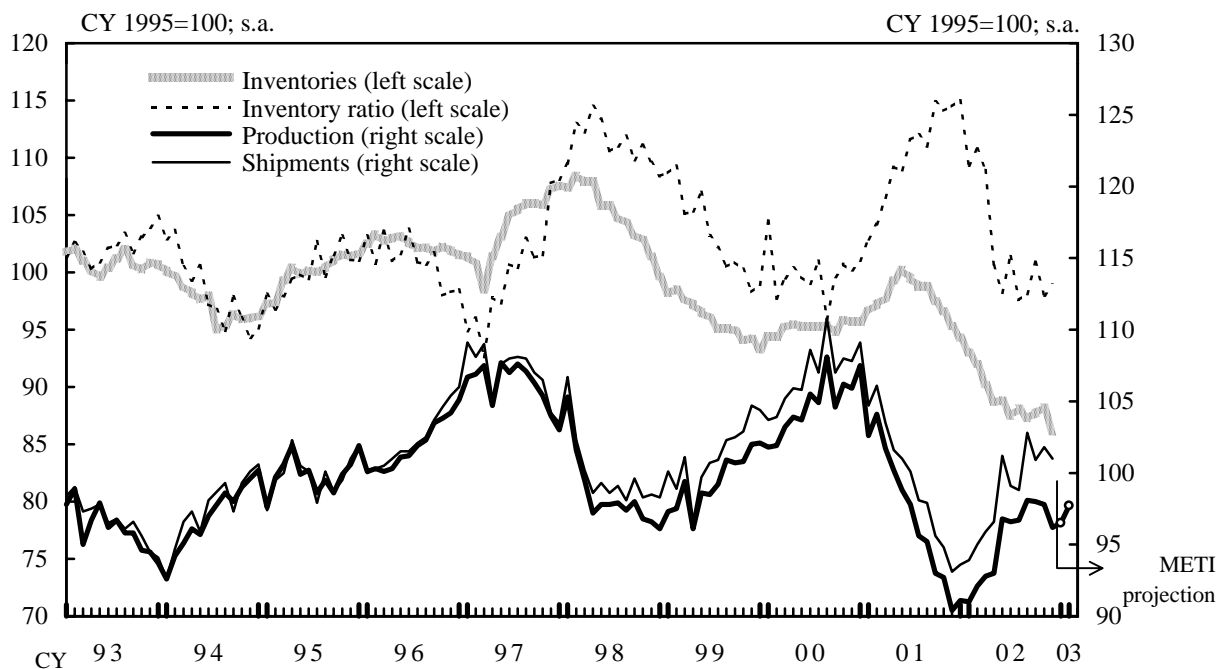
(3) Sales of Condominiums



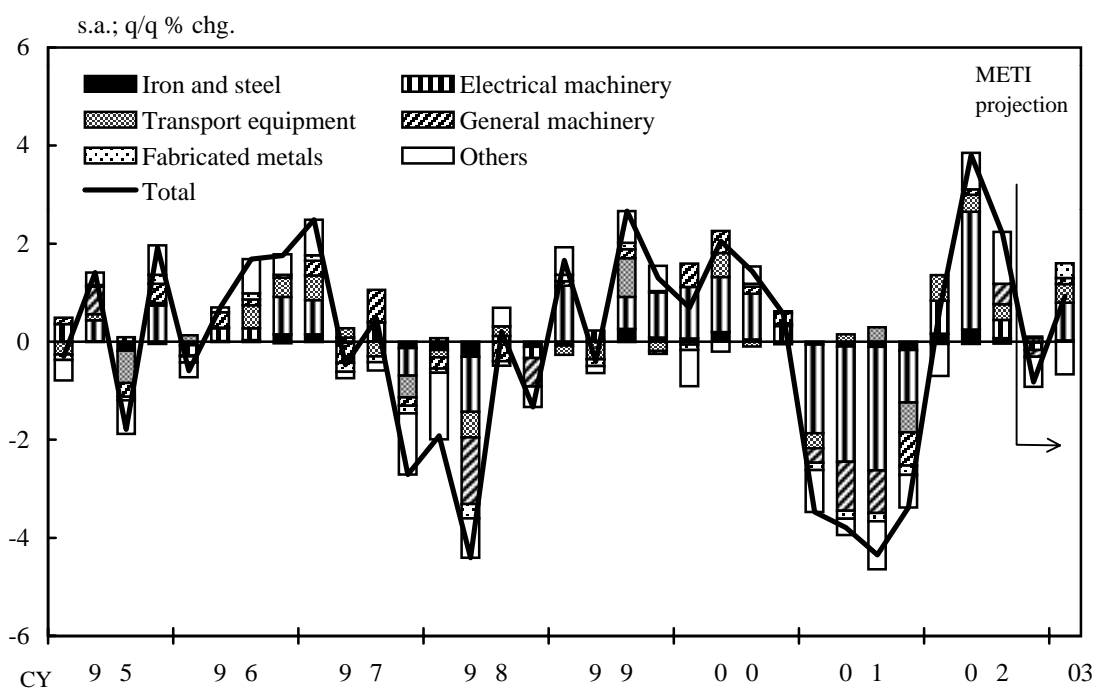
Note: Seasonally adjusted by X-12-ARIMA.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries



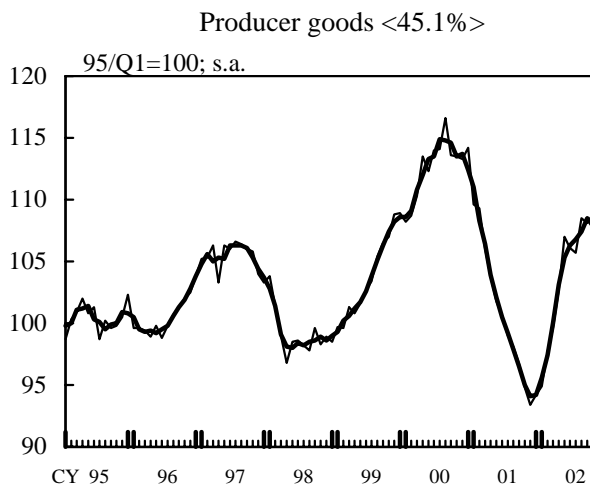
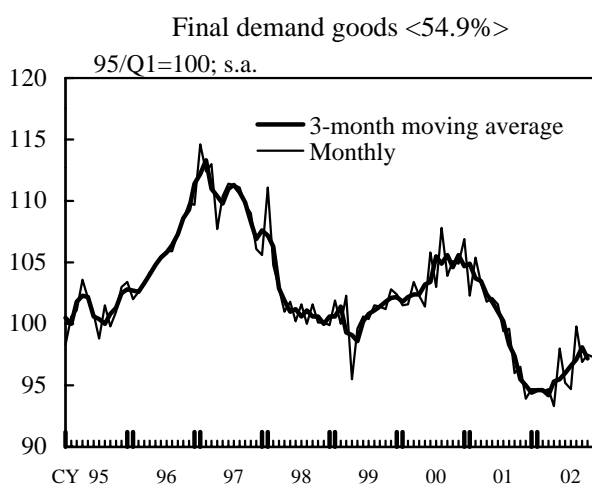
Notes:1. Transport equipment excludes ships and rolling stock.

2. 2003/Q1 for METI projection is based on the assumption that production level in Feb. and March is the same as that of Jan.

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

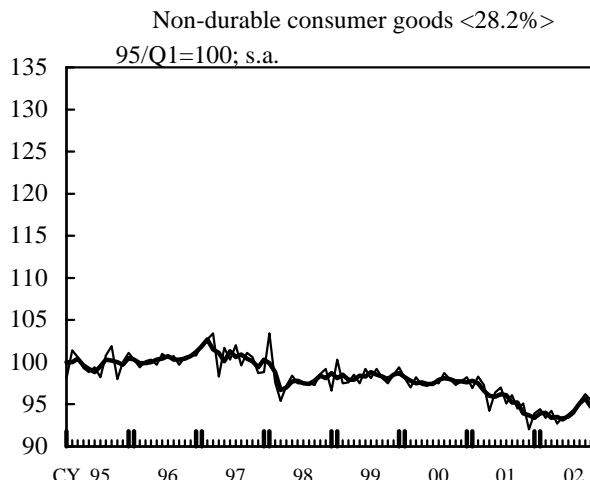
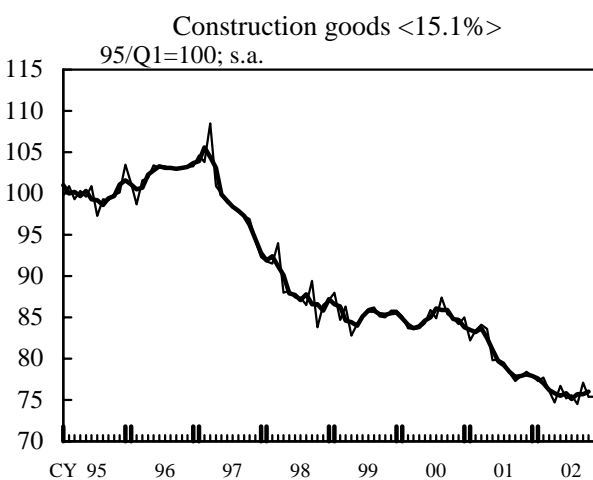
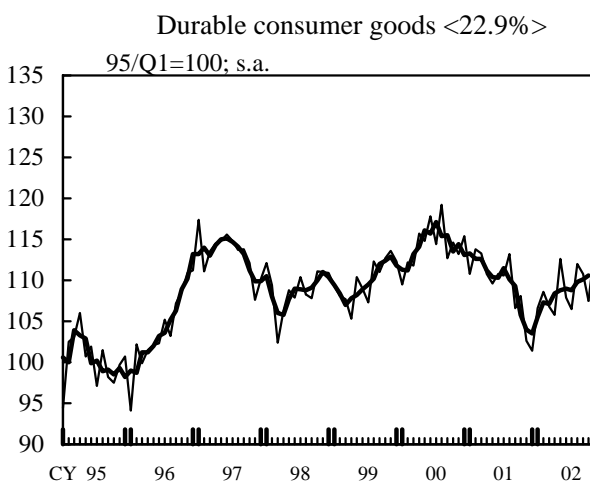
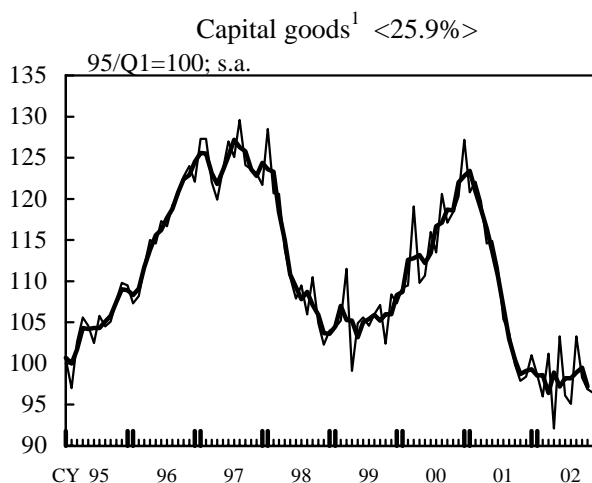
Shipments breakdown by type of goods

(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

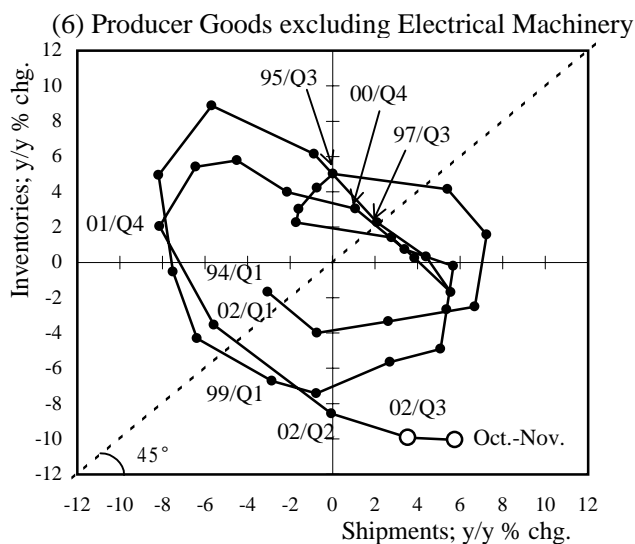
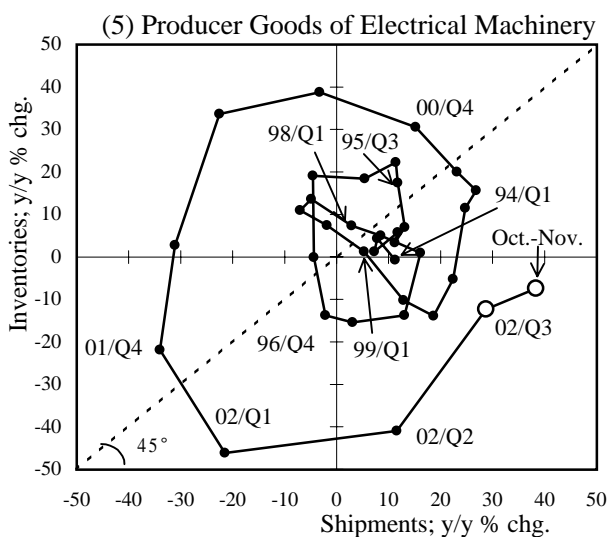
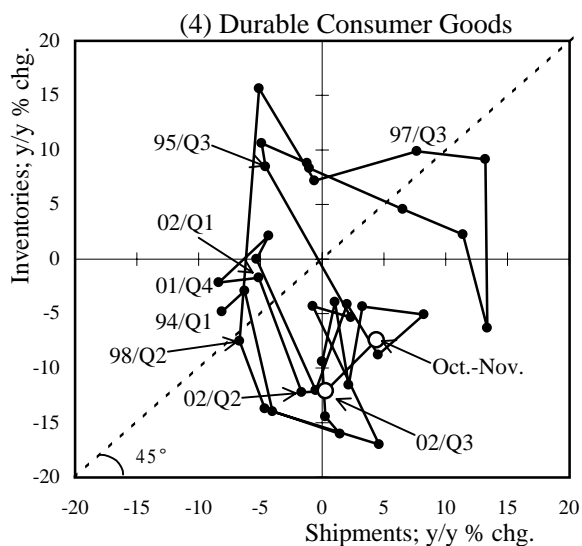
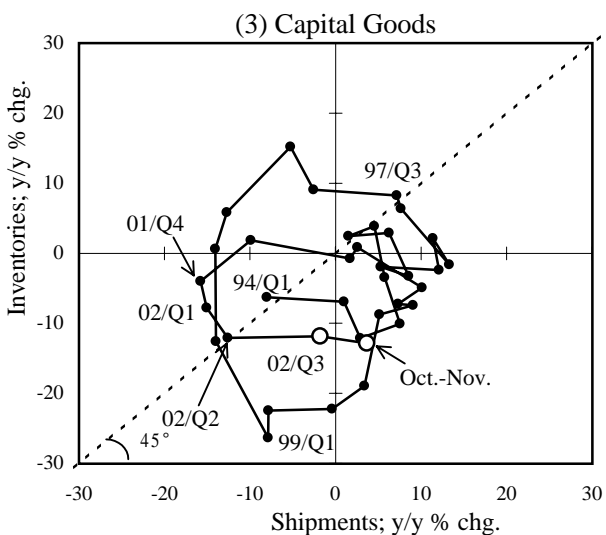
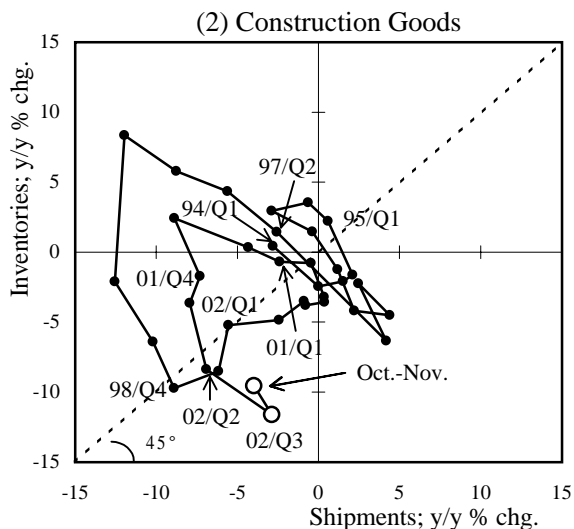
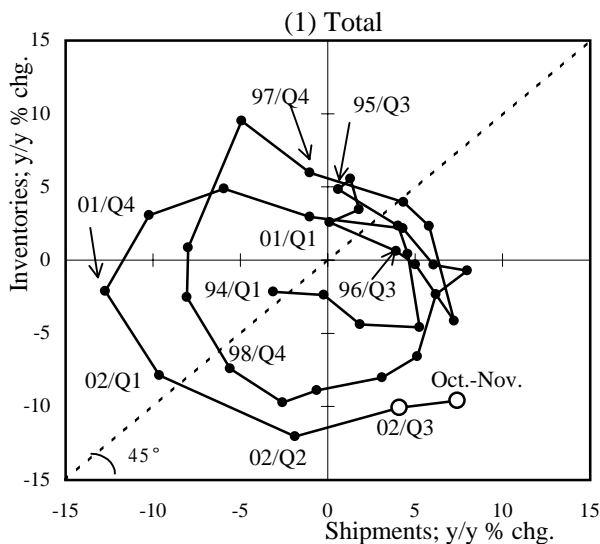


Notes: 1.Excluding transportation equipment.

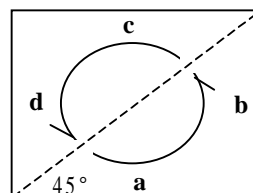
2.Shares of shipments of final demand goods are shown in angle brackets.

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

# Inventory Cycle

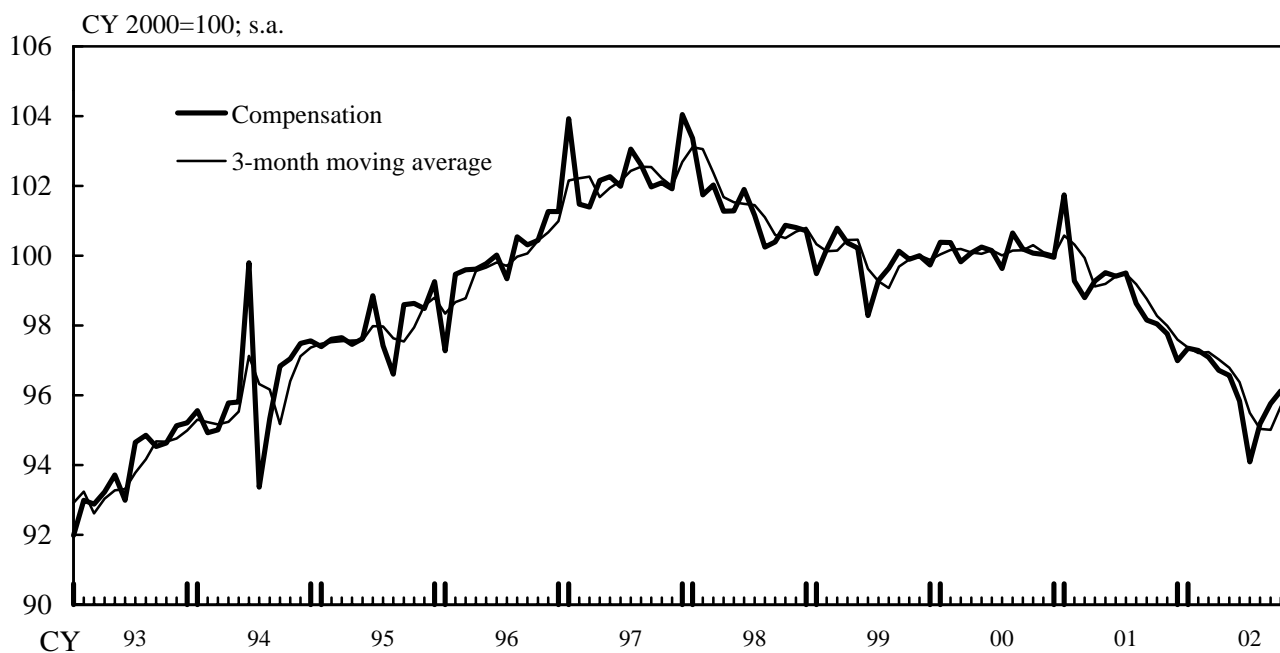


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



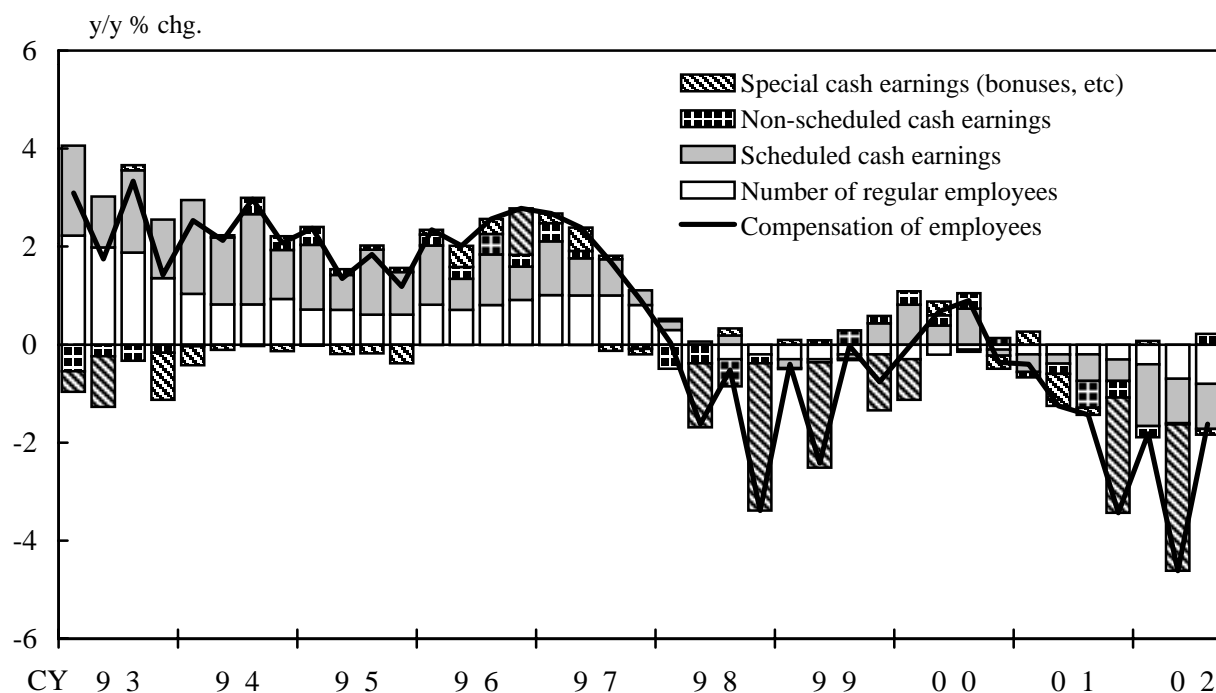
## Compensation of Employees

### (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

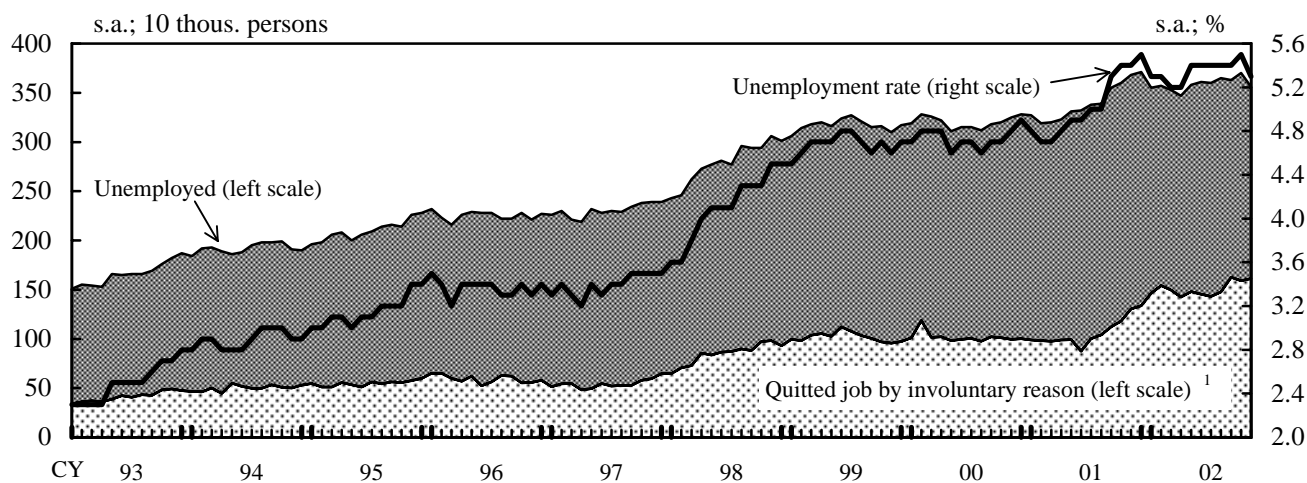


- Notes: 1. Data for establishments with at least 5 employees.  
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.

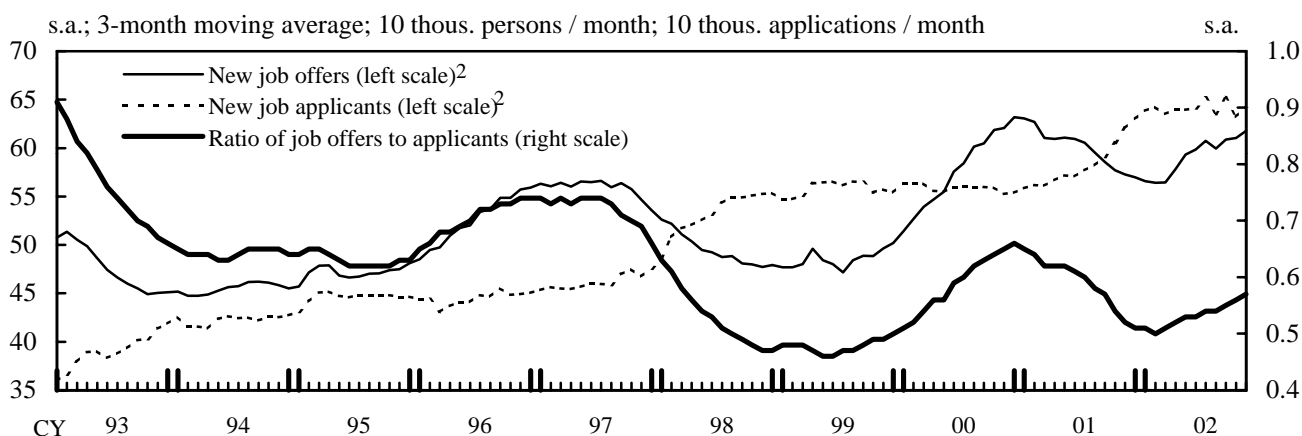
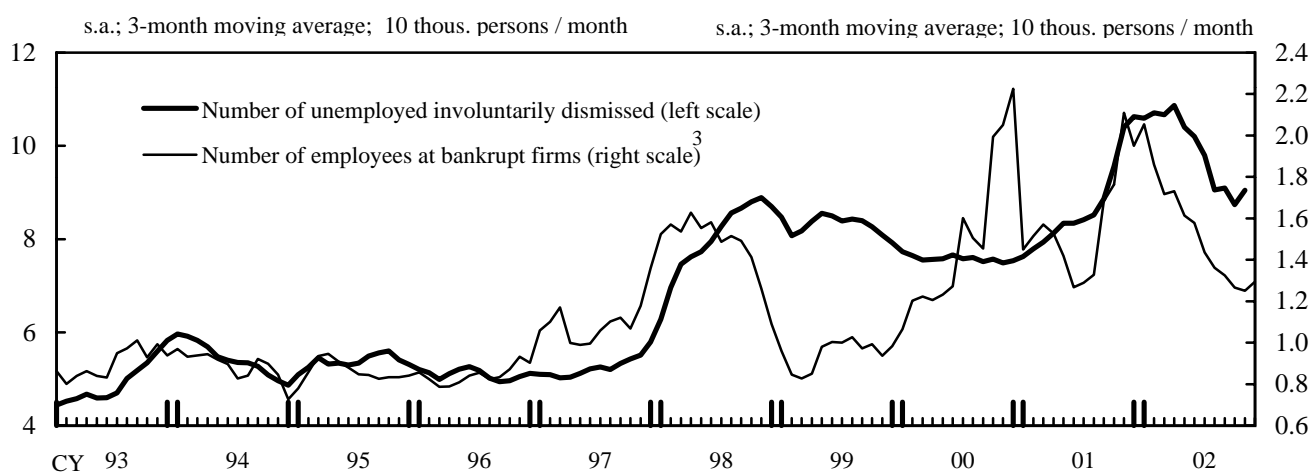


## Labor Market (1)

## (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.

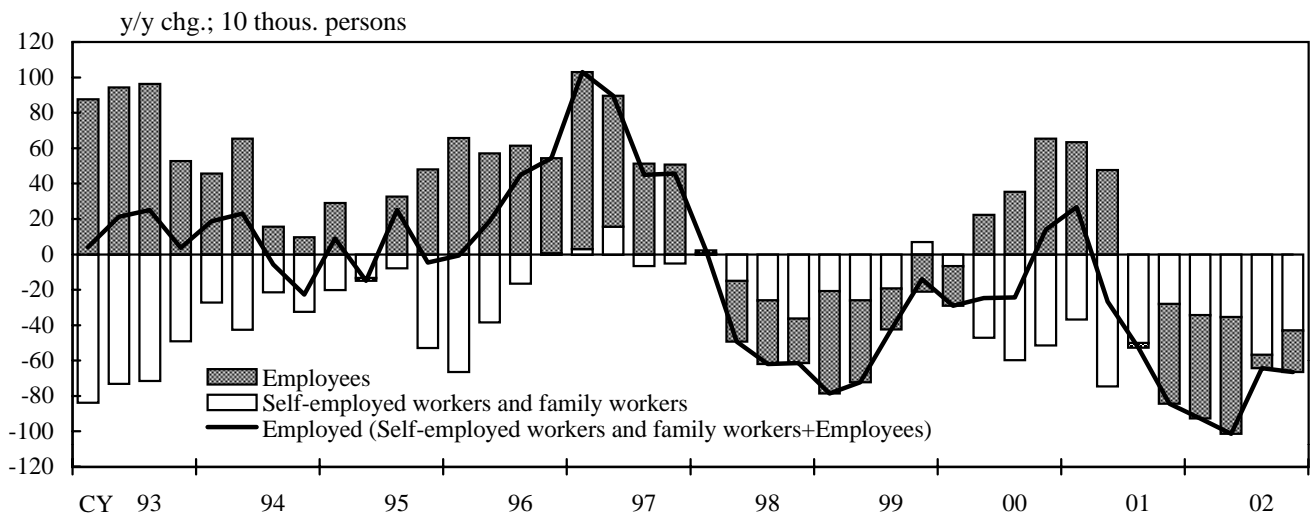
2. Not include jobs offered to new graduates, but to part-time workers.

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.

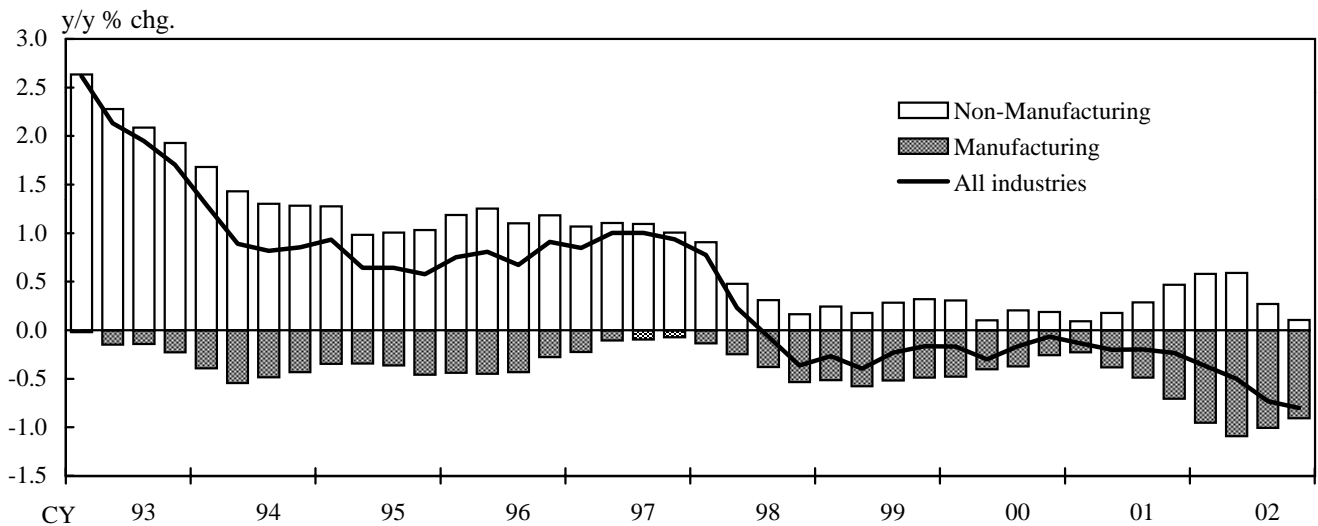
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service," "Report on Employment Insurance Service"; Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey"; Teikoku Databank Ltd., "Japan's Business Failure."

Labor Market (2)<sup>1</sup>

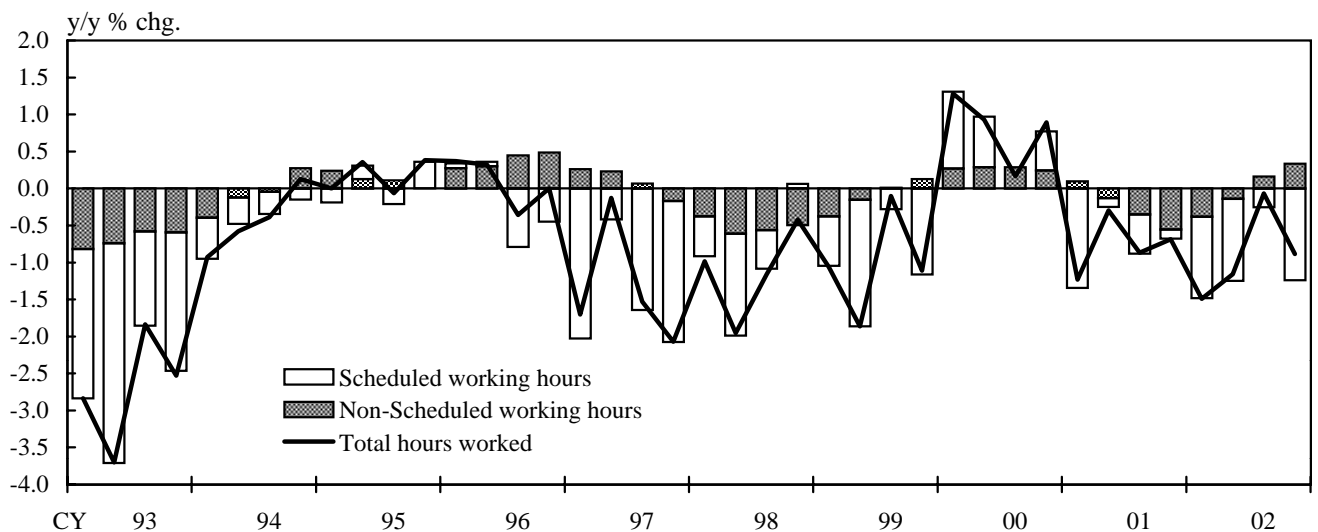
(1) The Employed (Labour Force Survey)



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



(3) Actual Hours Worked<sup>2</sup> (Monthly Labour Survey)



Notes: 1. Figures for 2002/Q4 are those of the Oct.-Nov. averages.

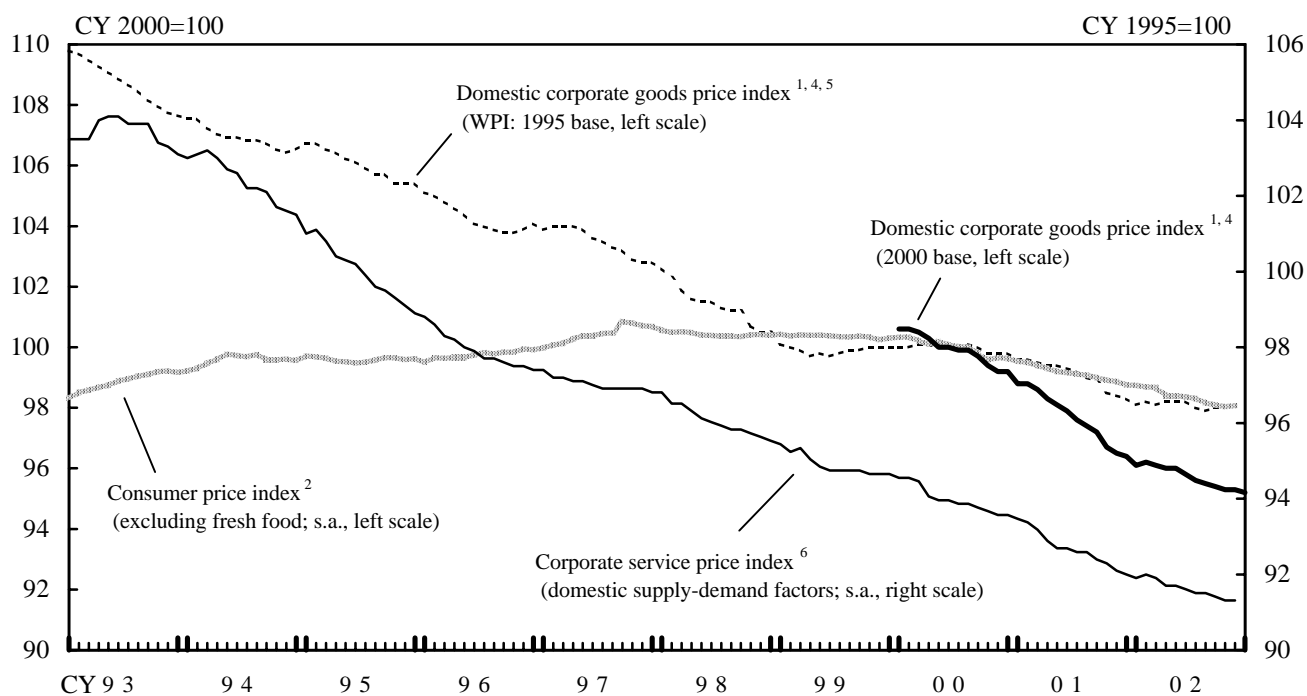
2. Data are for establishments with at least 5 employees.

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

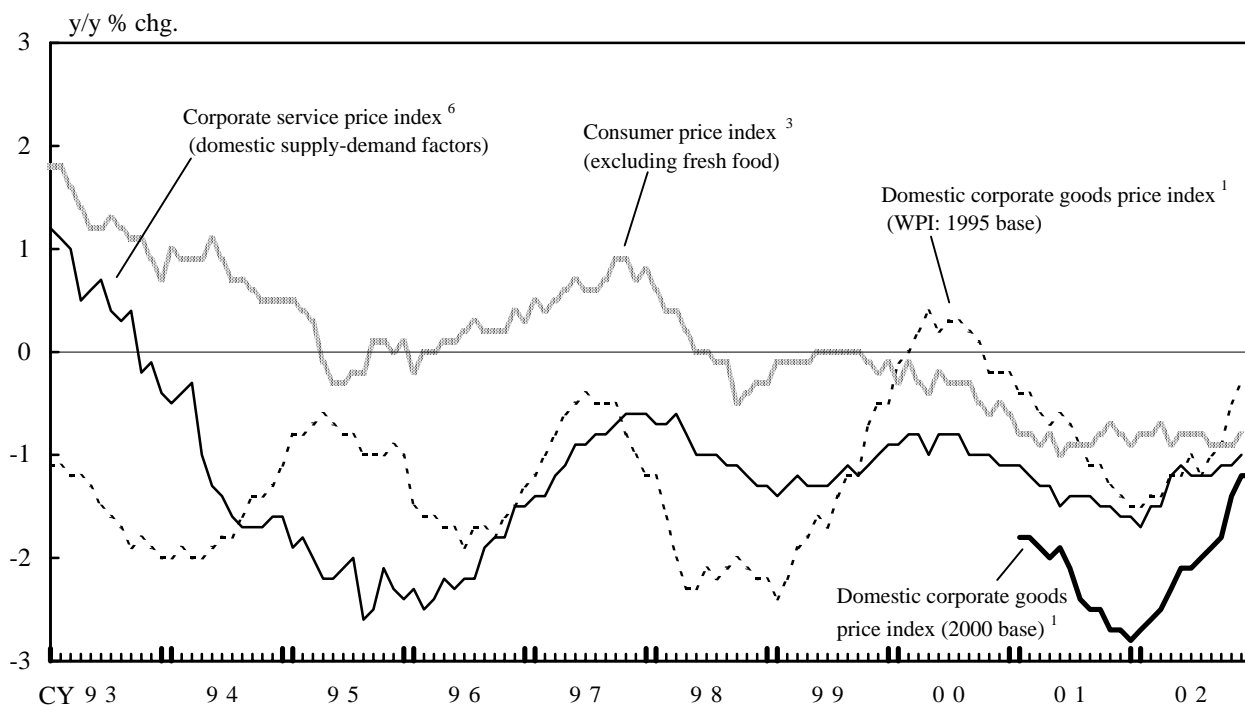
Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Prices<sup>7</sup>

## (1) Level



## (2) Changes from a year earlier



- Notes: 1. The 1995 base Wholesale Price Index (WPI) has been revised into the 2000 base Corporate Goods Price Index (CGPI).  
 2. 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.  
 3. Data before Dec. 2000 are on the 1995 base CPI.  
 4. Adjusted to exclude a hike of electric power charges in summer season.  
 5. The 1995 base WPI shown in the level graph has been adjusted so that its 2000 average may equal 100.  
 6. See footnote 1 in Chart 22, for definition of the Corporate Service Price Index (domestic supply-demand factors).  
 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.

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

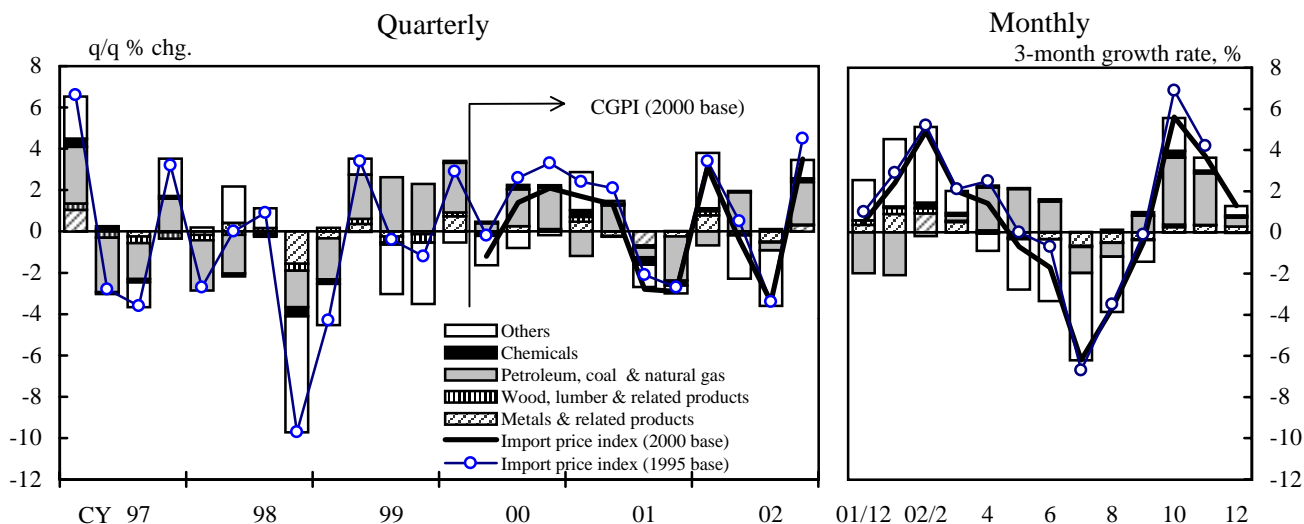
## Import Prices and International Commodity Prices

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



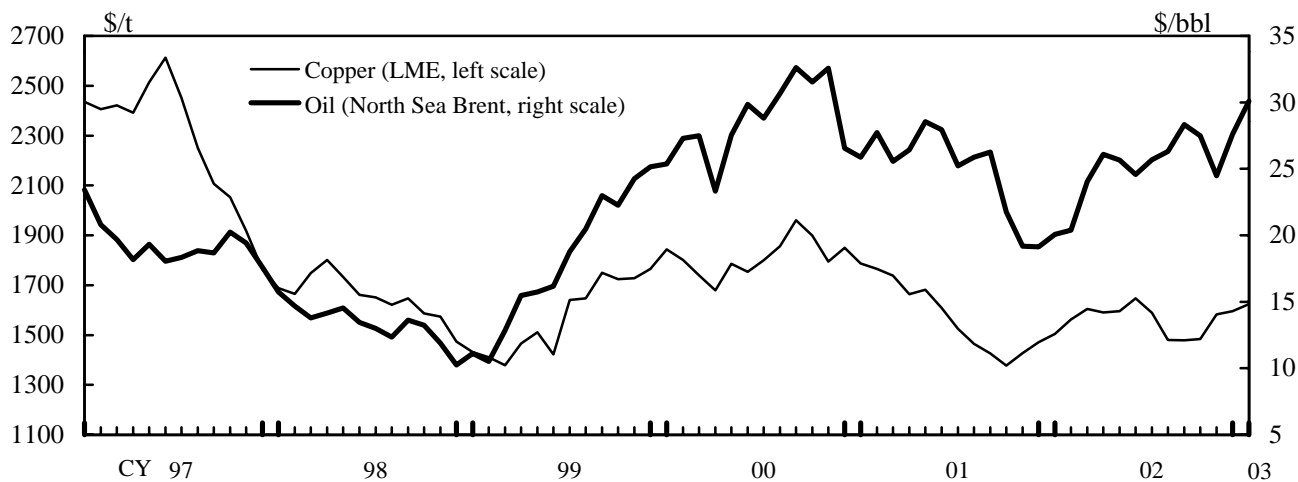
Note: Overseas Commodity Index, which is calculated by Bank of Japan, is a monthly average.  
Figure for January 2003 is the average up to January 20.

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



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

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

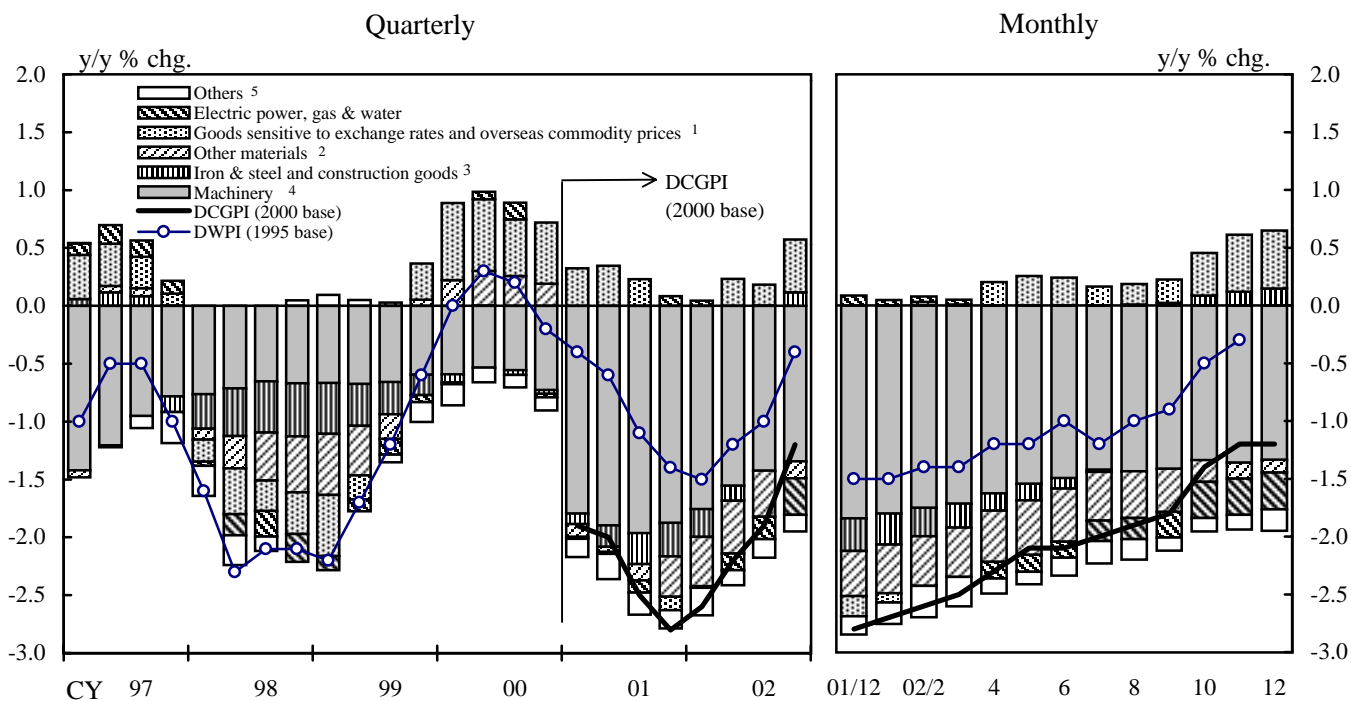


Note: Monthly averages. Figures for January 2003 are the averages up to January 20.

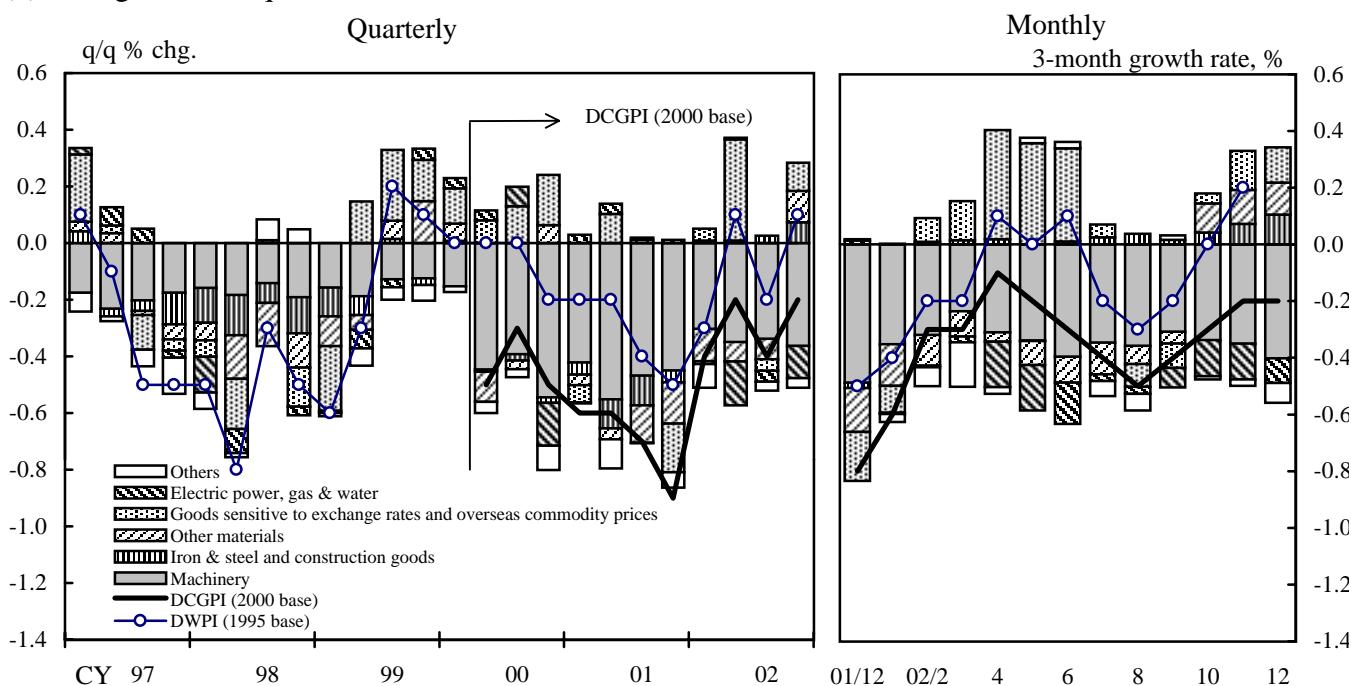
Sources: Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes," "Financial and Economic Statistics Monthly," etc.

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

## (1) Changes from a year earlier



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

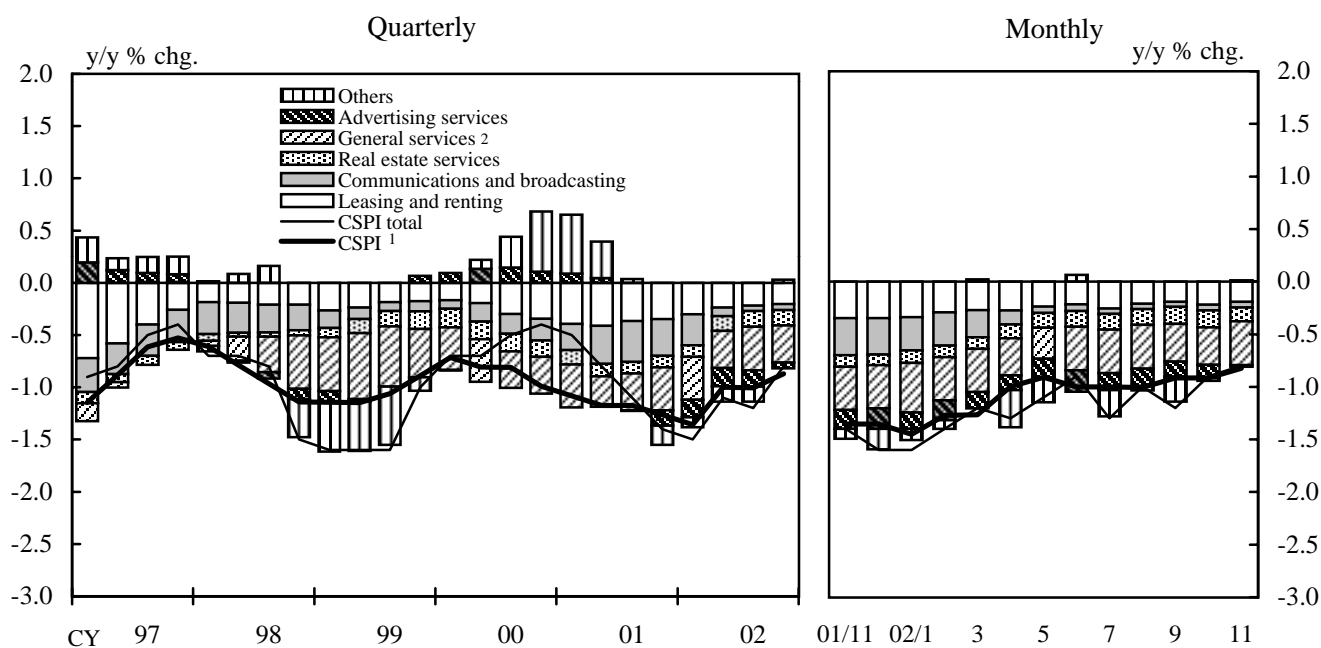
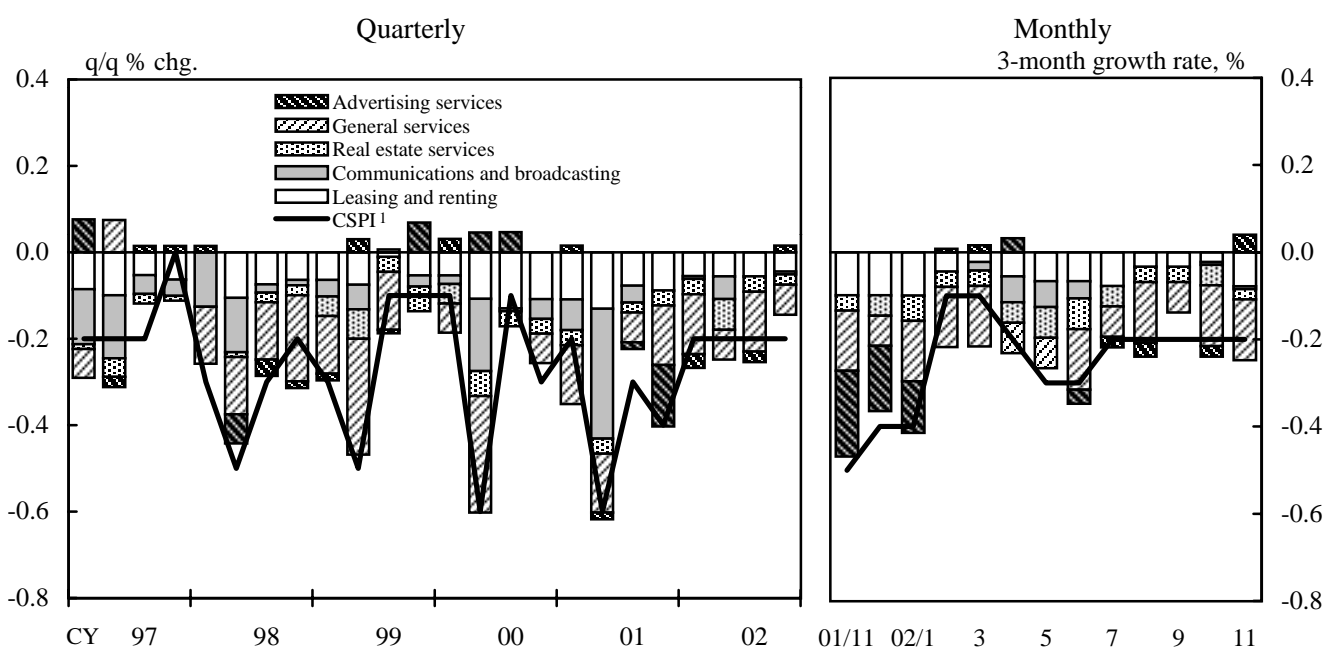


- Notes: 1. Goods sensitive to exchange rates and overseas commodity prices; petroleum & coal products, nonferrous metals.  
 2. Other materials; chemicals, plastic products, textile products, pulp, paper & related products.  
 3. Iron & steel and construction goods; iron & steel, metal products, ceramics, stone & clay products, lumber & wood products, scrap & waste.  
 4. Machinery; electrical machinery, general machinery, transportation equipment, precision instruments.  
 5. Others; processed foodstuffs, other manufacturing industry products, agricultural, forestry & fishery products, mining products.  
 6. Adjusted to exclude a hike of electric power charges in summer season from July to September. This effect makes the Domestic Corporate Goods Price Index rise by about 0.2%.  
 7. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.  
 8. 1995 base figures for 2002/Q4 are those of Oct.-Nov. averages.

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

Corporate Service Price Index<sup>4</sup>

## (1) Changes from a year earlier

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

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

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

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

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

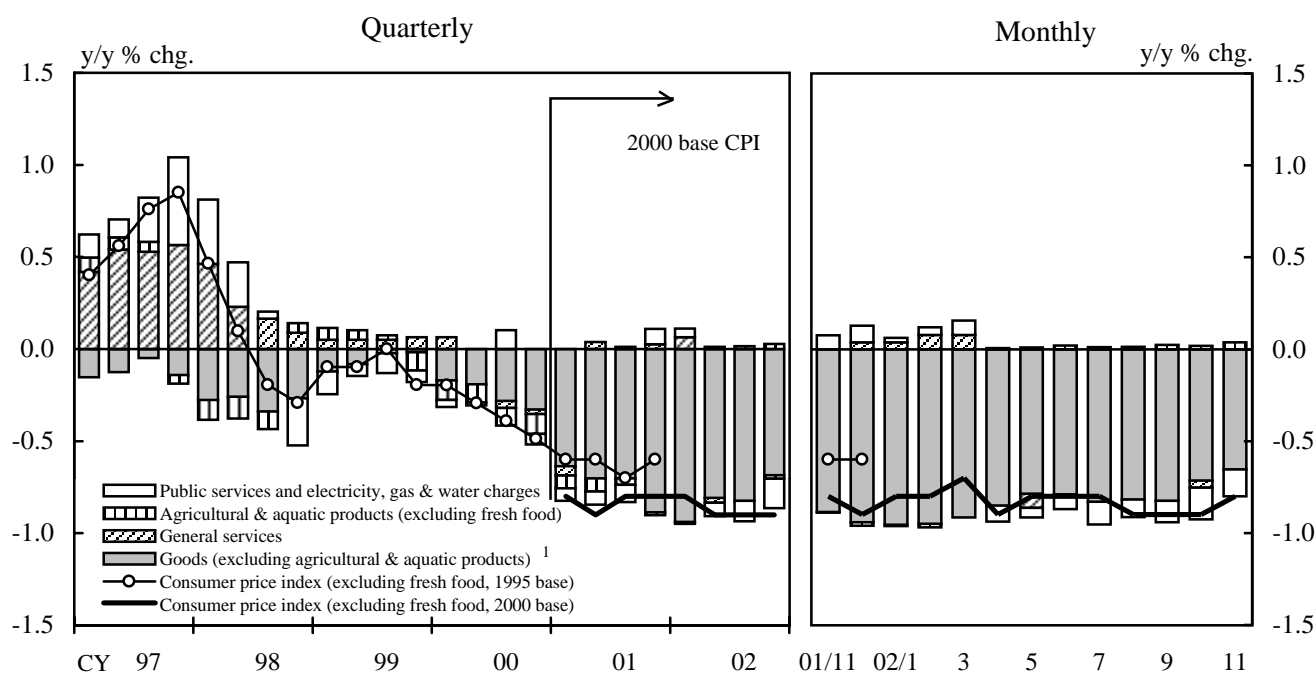
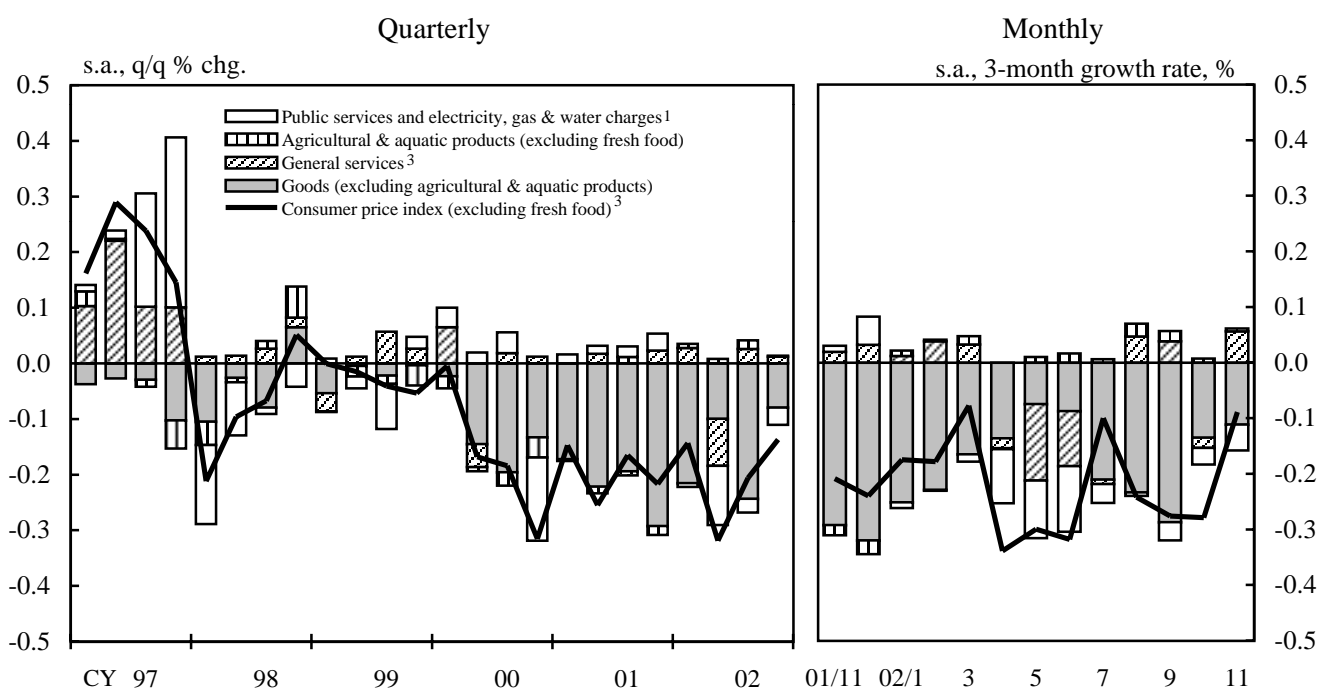
4. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

5. Figures for 2002/Q4 are those of Oct.-Nov. averages.

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

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

## (1) Changes from a year earlier

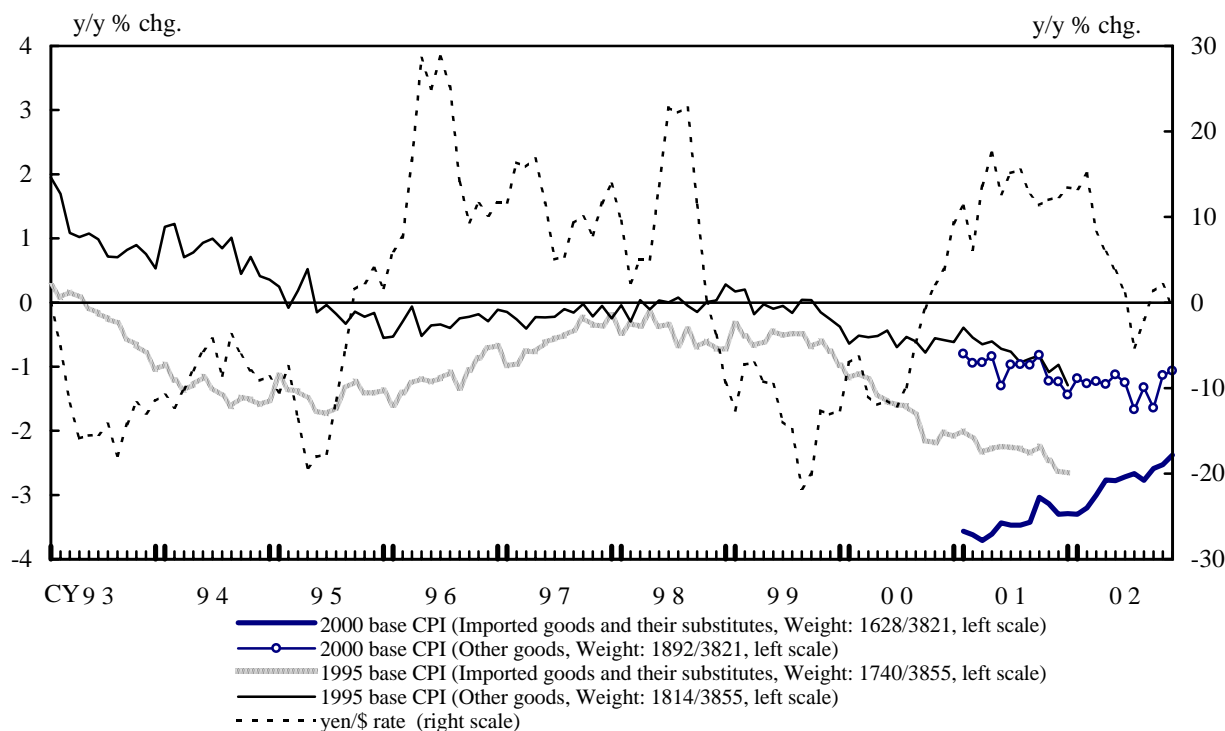
(2) Changes from a quarter earlier and 3 months earlier (2000 base CPI)<sup>2</sup>

- Notes: 1. The Items are basically the same as the definition published by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, however electricity, gas & water charges is excluded from goods.
2. Seasonally adjusted by X-12-ARIMA. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.
3. Excluding "package tours to overseas" newly adopted from the 2000 base. This is because sample size of this item is insufficient for seasonal adjustment, though it has large seasonal fluctuations.
4. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
5. Figures for 2002/Q4 are those of Oct.-Nov. averages.

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

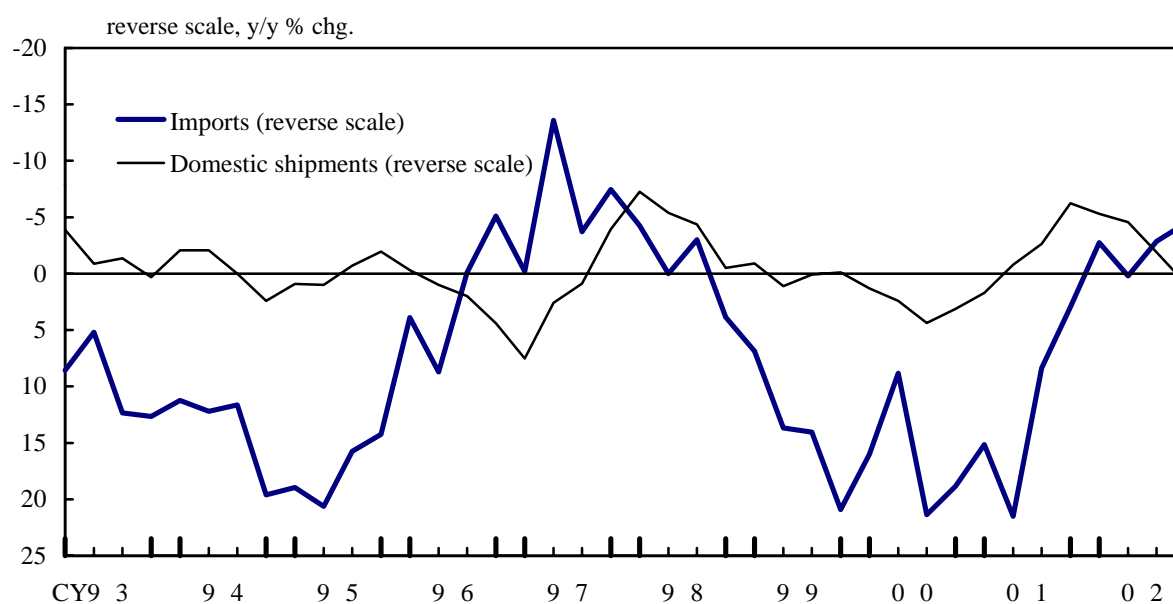
## Consumer Price Index of imported goods and their substitutes

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



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

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



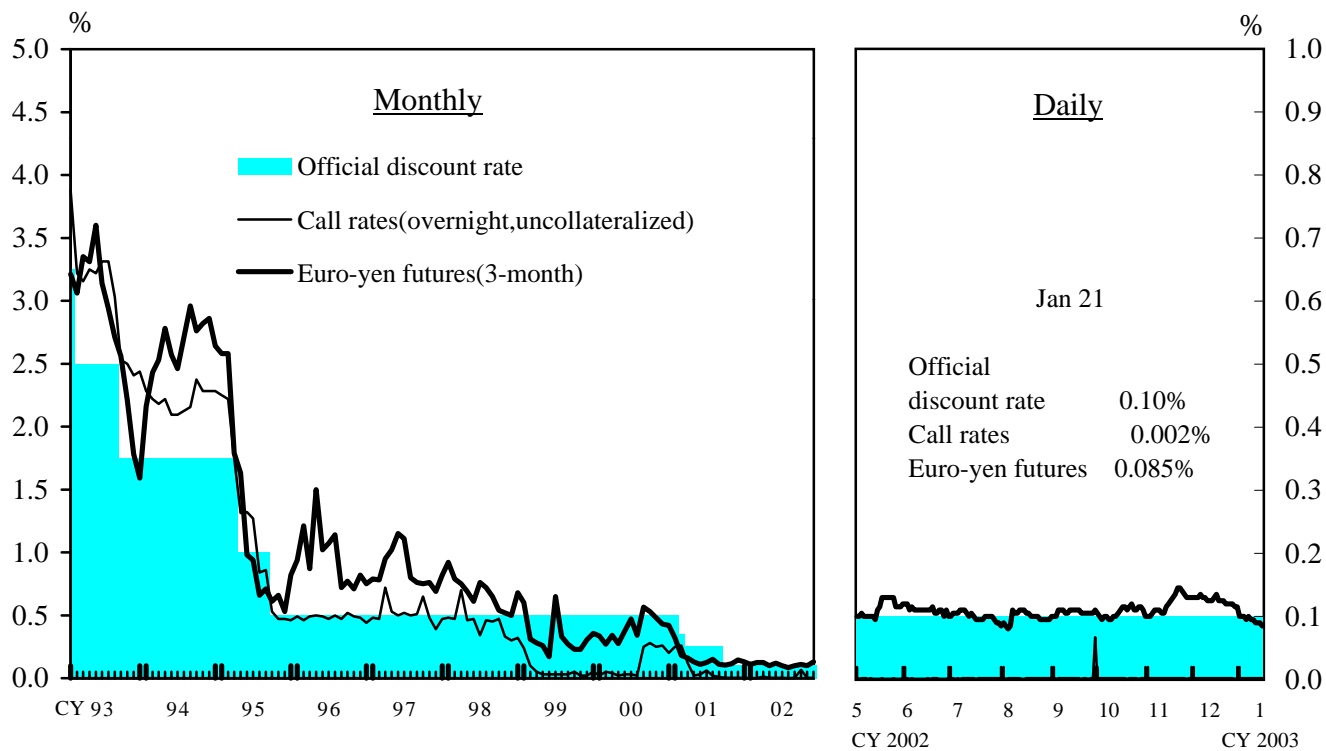
Note: See footnote Chart 11-4, for definition of the consumer goods supply.

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."

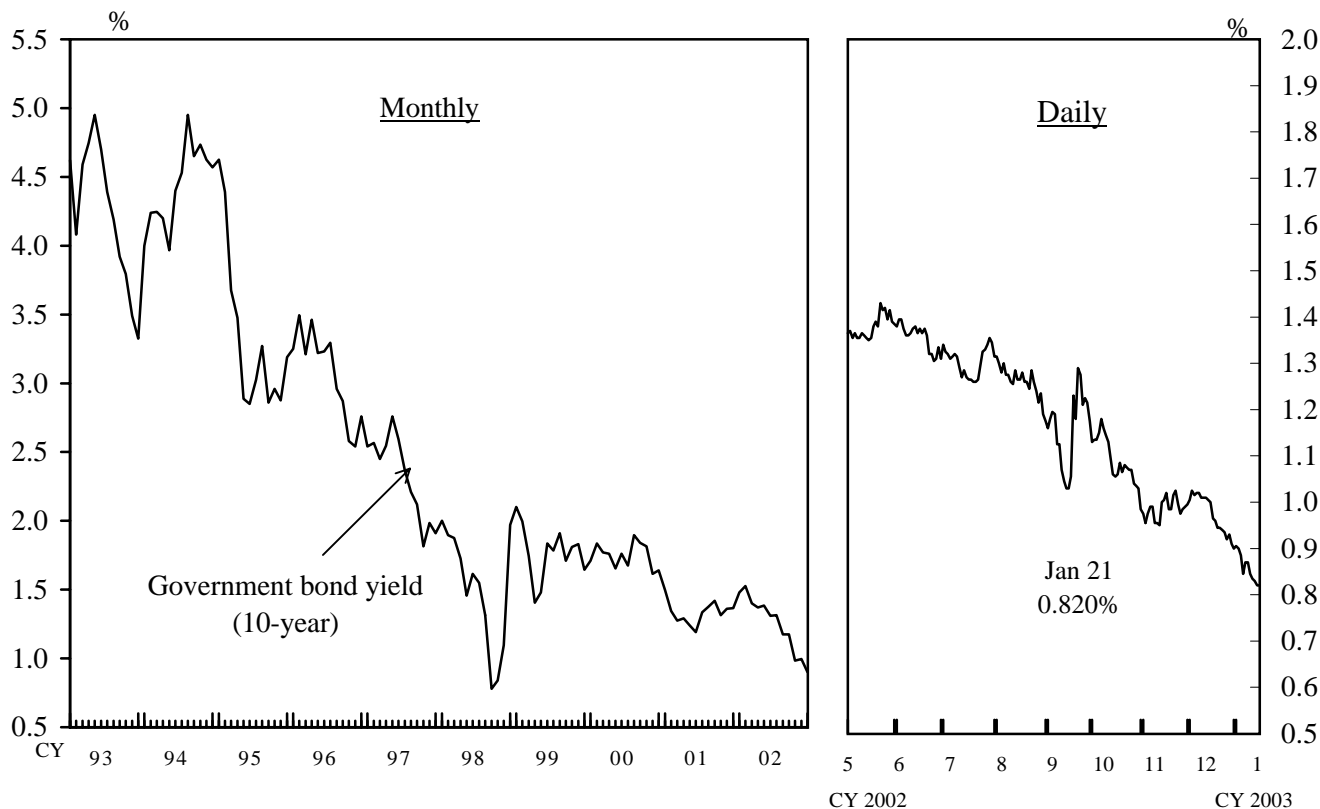


Interest Rates

(1) Short-Term



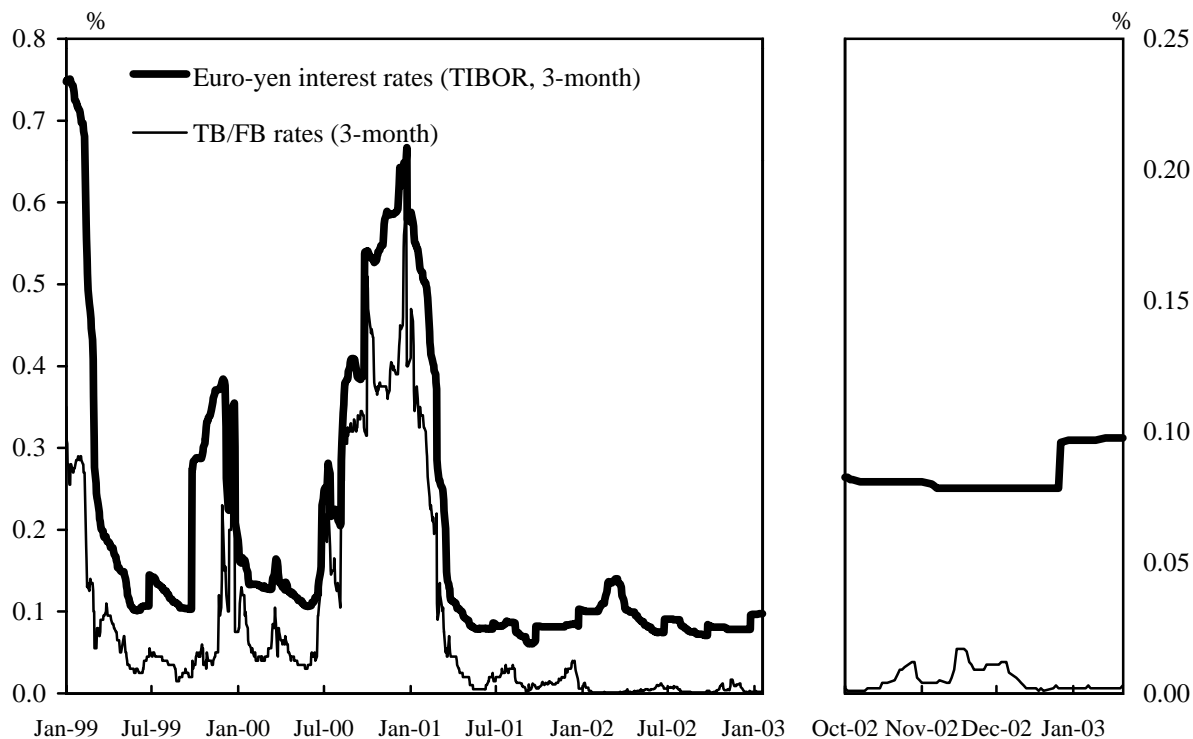
(2) Long-Term



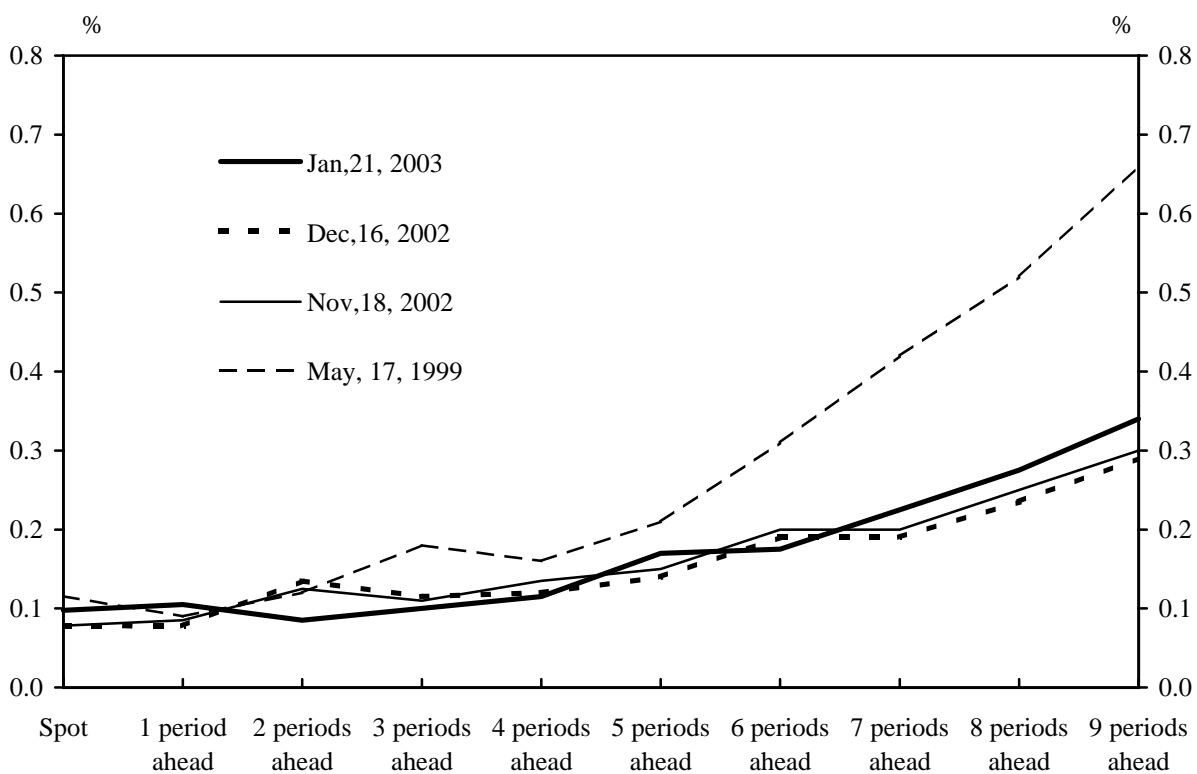
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;  
Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

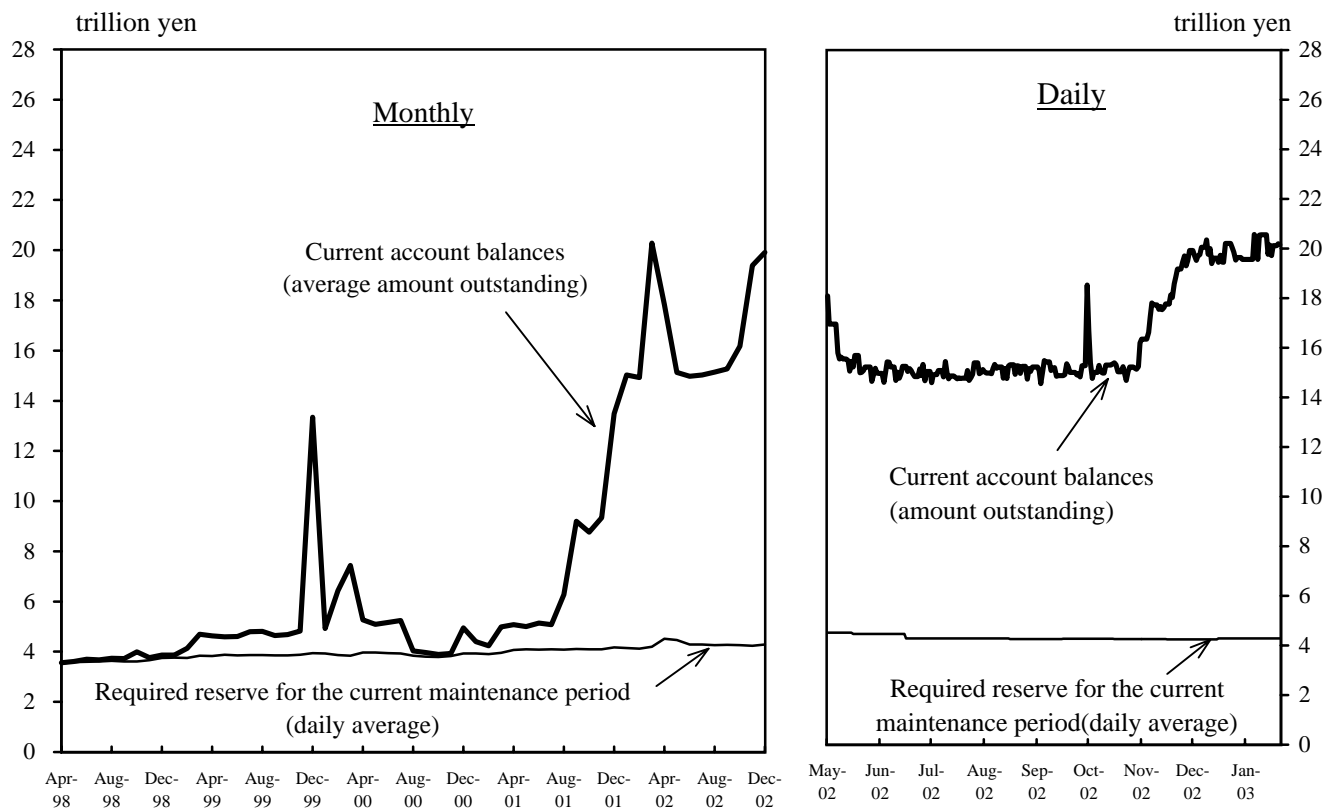


(2) Euro-Yen Interest Rates Futures (3-Month)



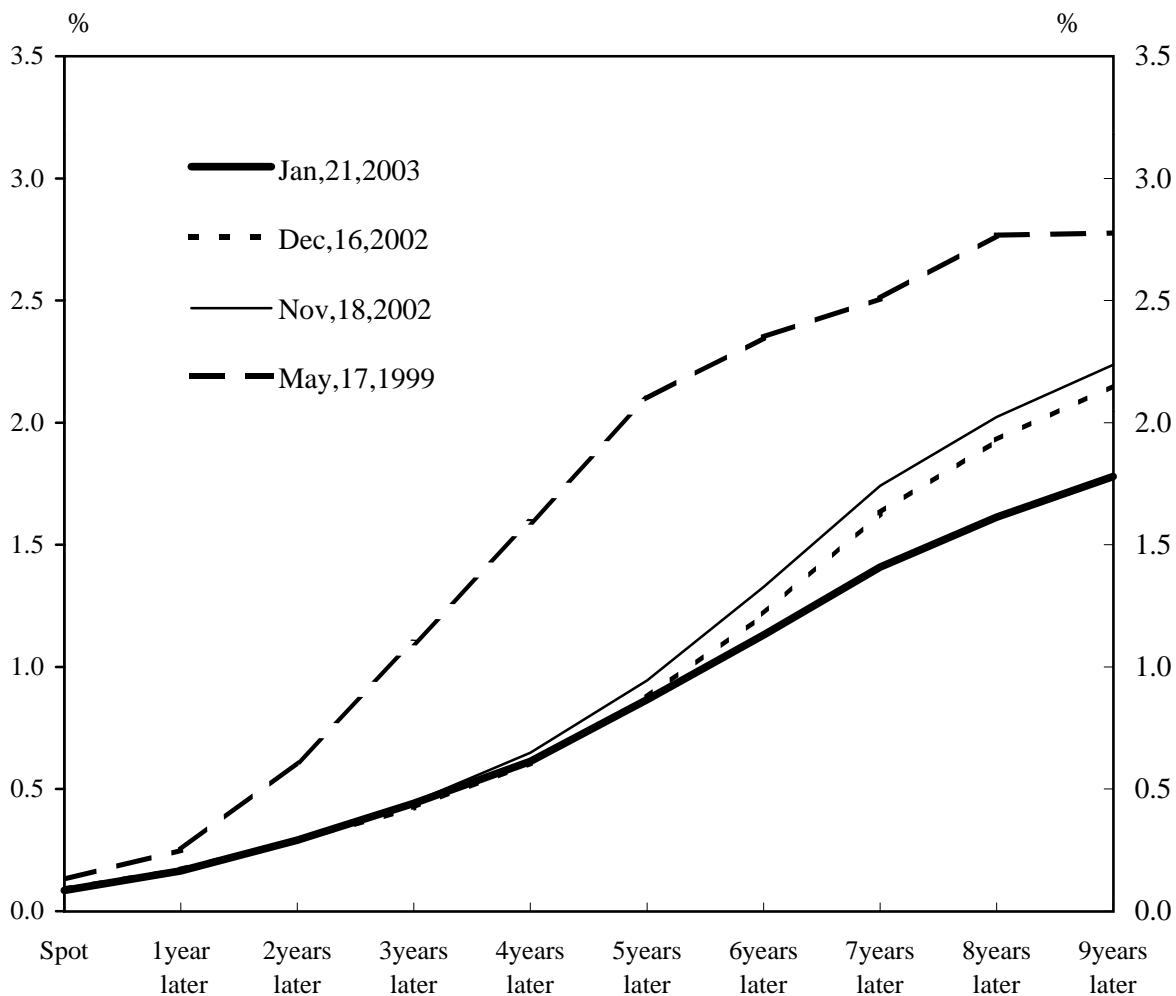
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.;  
Tokyo International Financial Futures Exchange.

Current Account Balances at the Bank of Japan



Source: Bank of Japan.

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

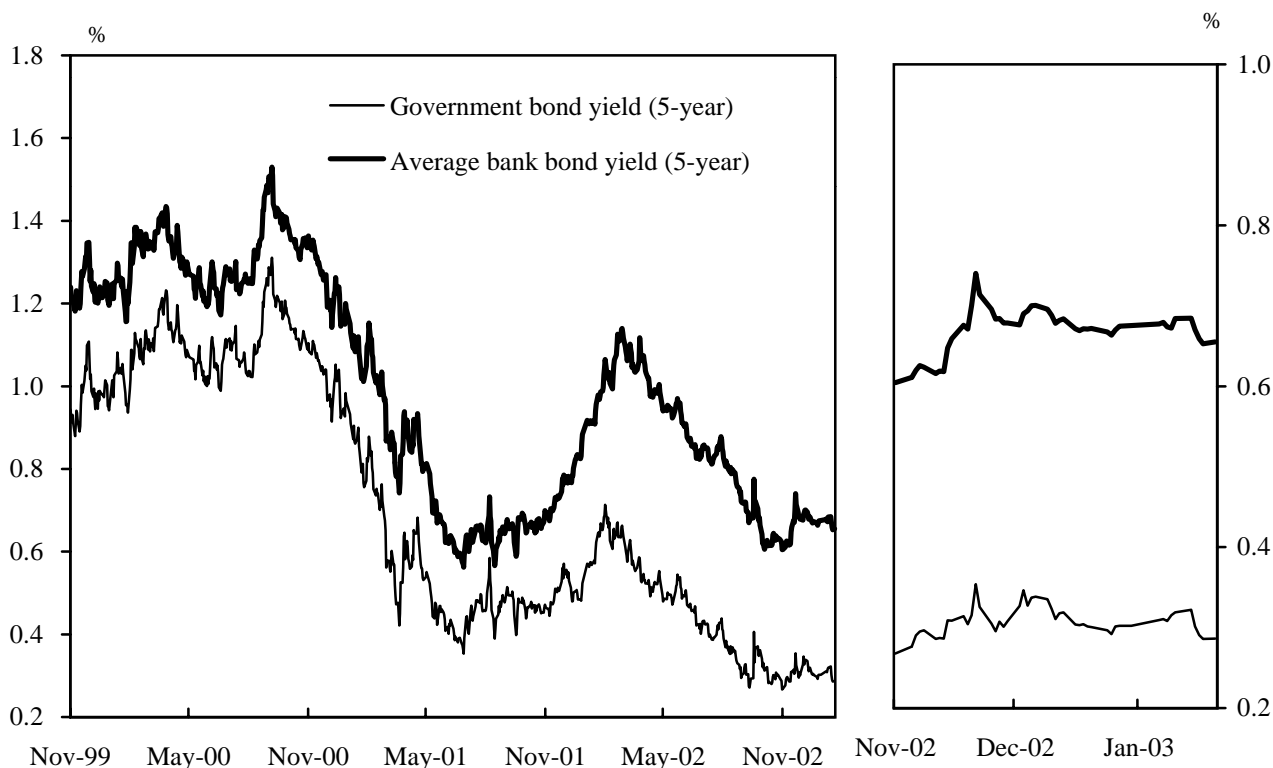


Note: 1. Calculated from yen-yen swap rates.

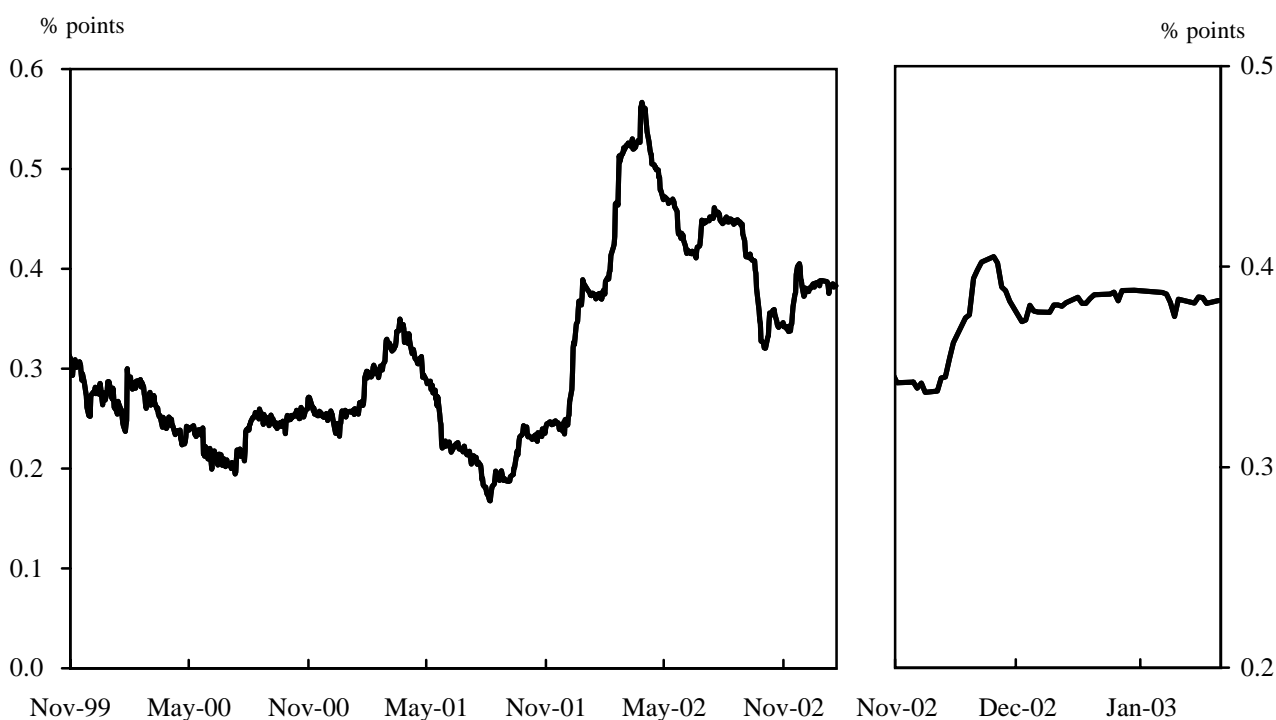
Source: Kyodo News.

Yields of Bank Bonds

(1) Bond Yields



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



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

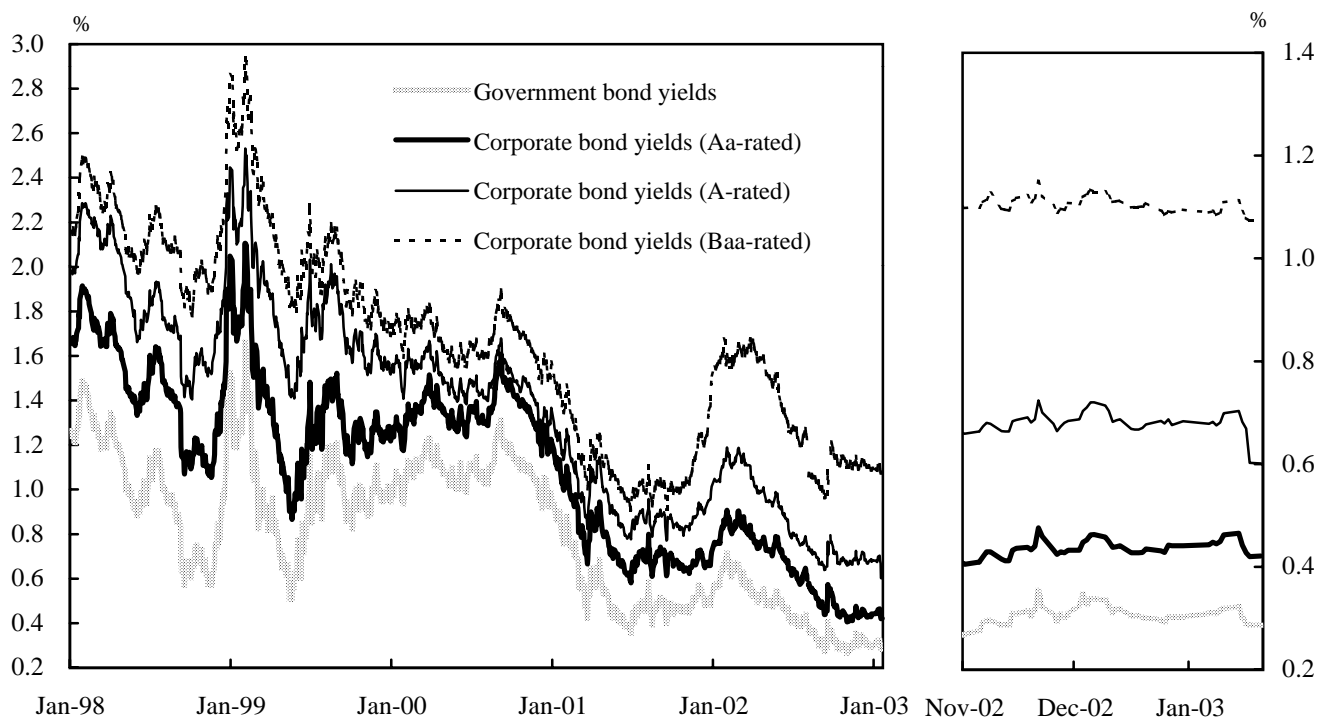
2. Average bank bond yield is the average of four bank bonds.

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

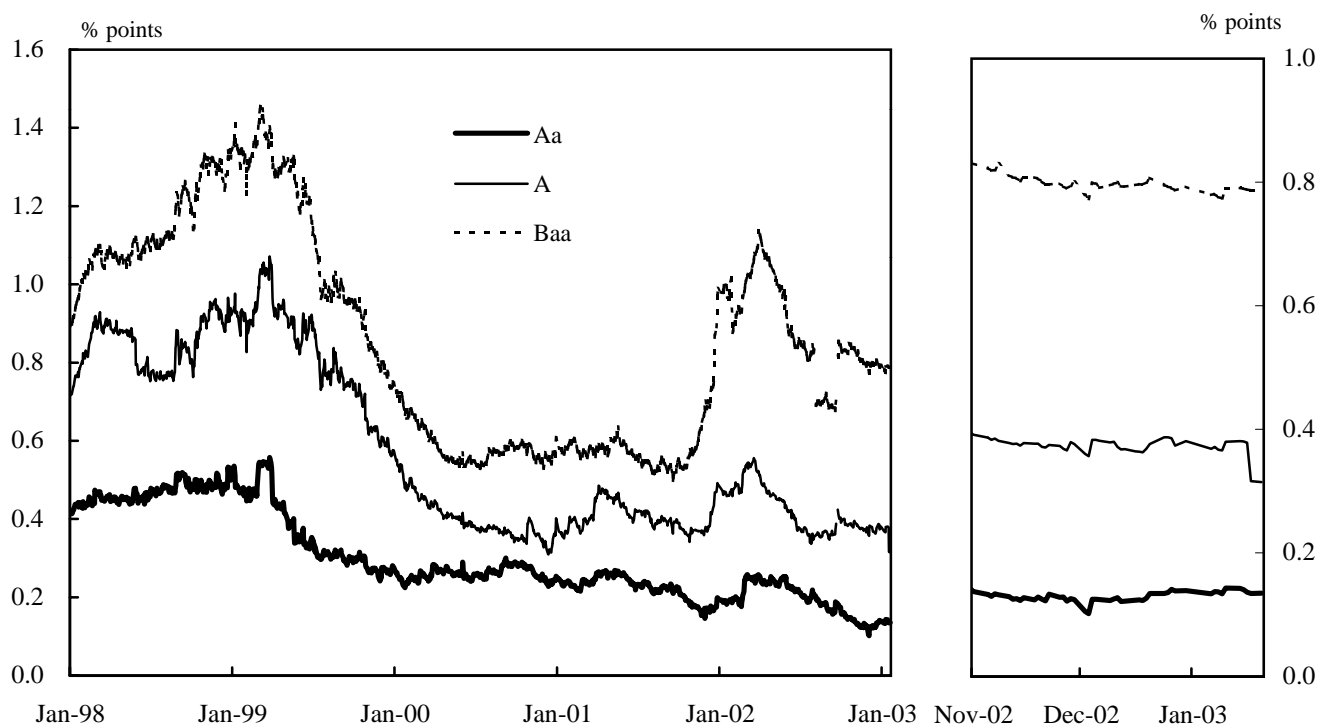
"Reference Price(Yields) Table for OTC Bond Transactions."

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

(1) Bond Yields



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



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

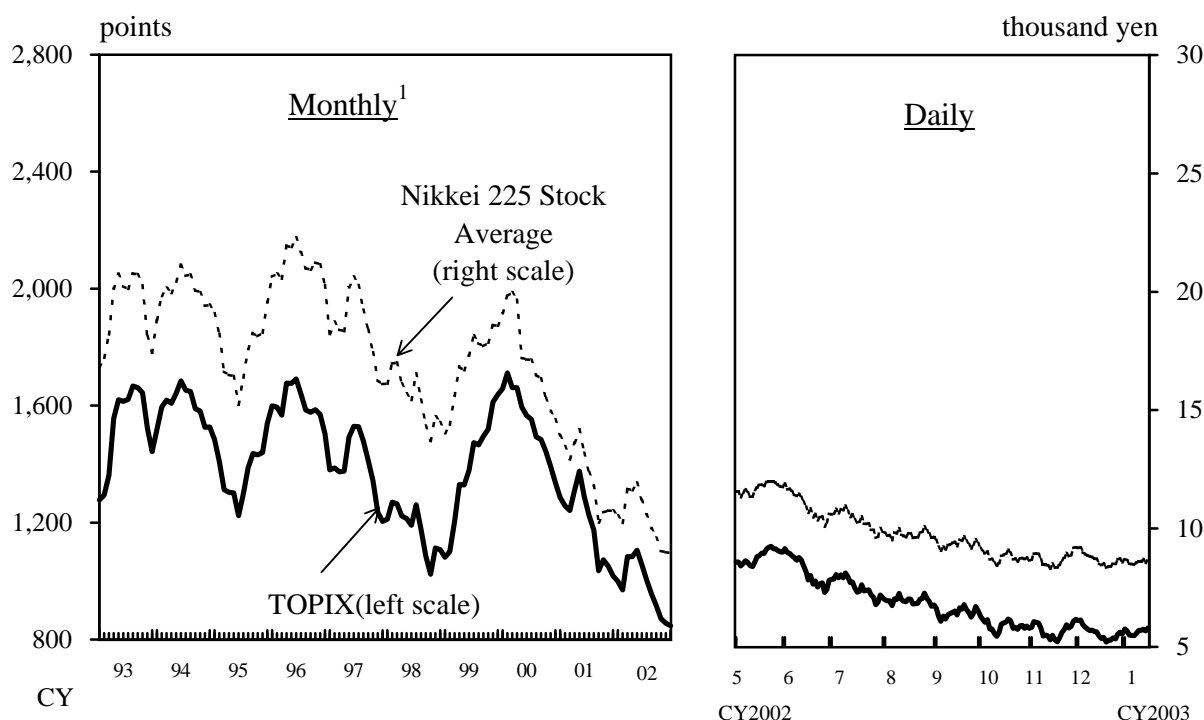
The indicated ratings are of Moody's.

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

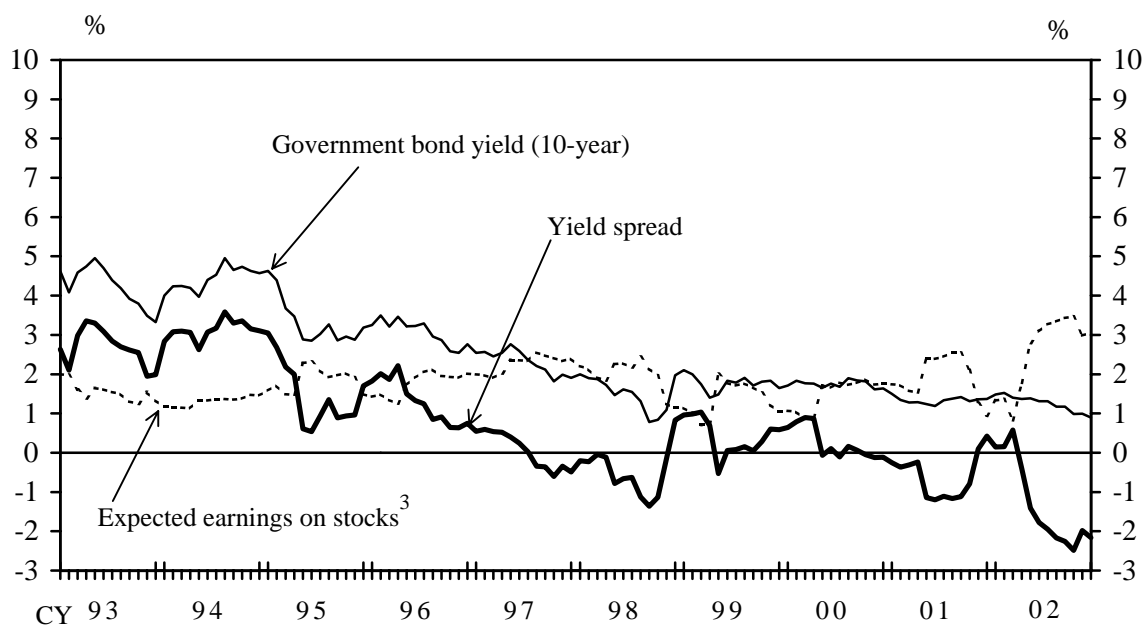
"Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



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



Notes: 1. Data are monthly averages.

2. Data are at end of period.

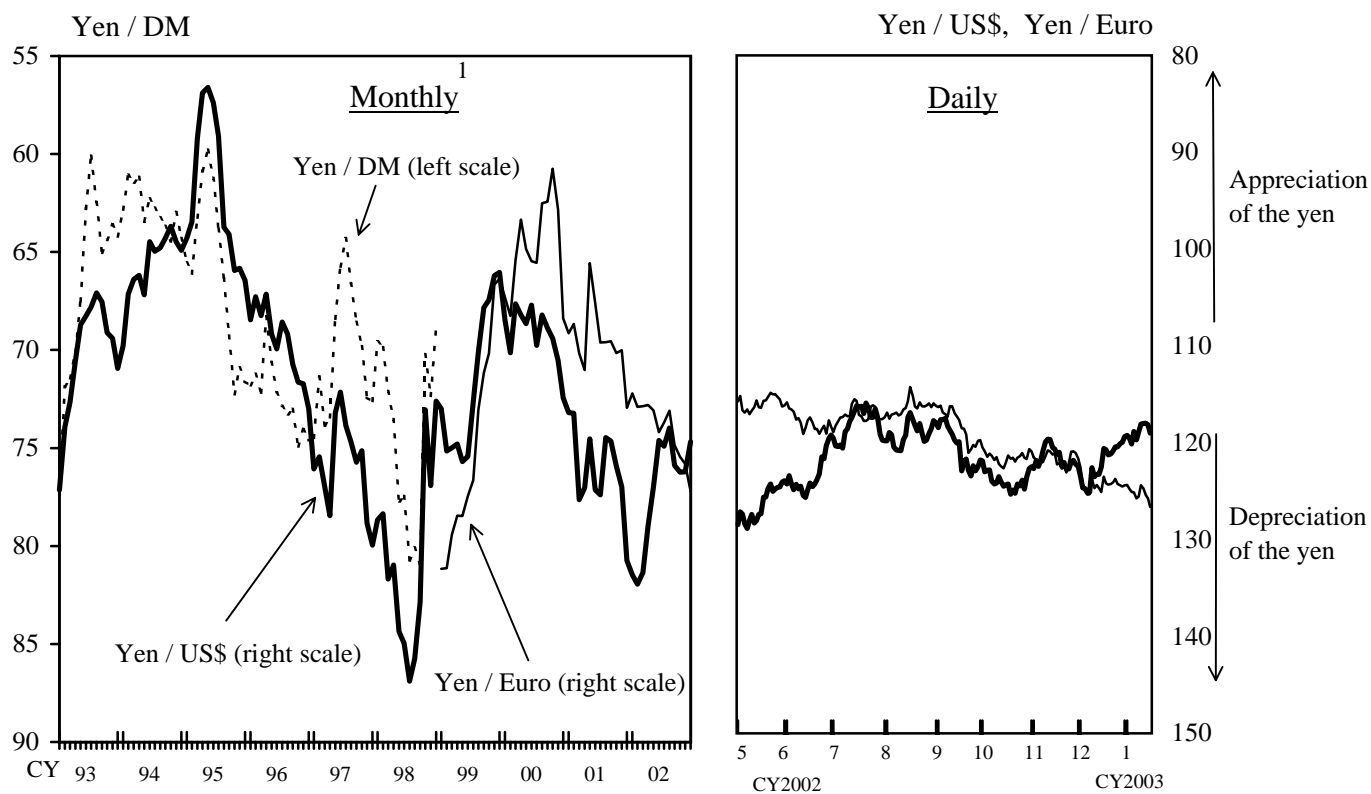
Yield spread = government bond yields - expected earnings on stocks, where expected earnings on stocks = 1/expected price earnings ratio.

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.

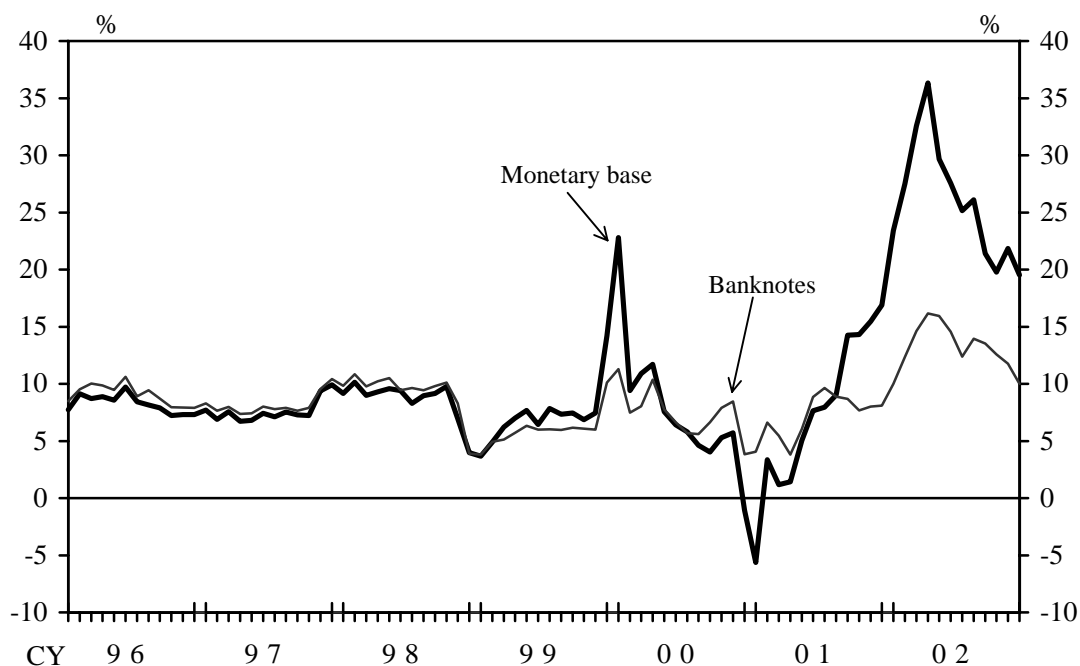


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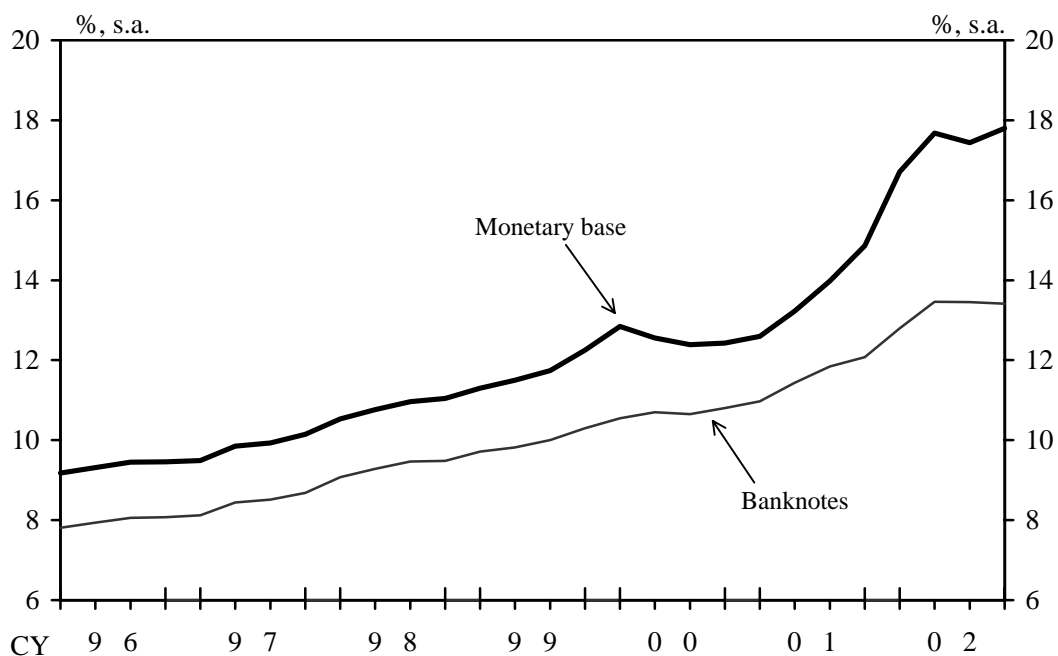
 Monetary Base
 

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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.

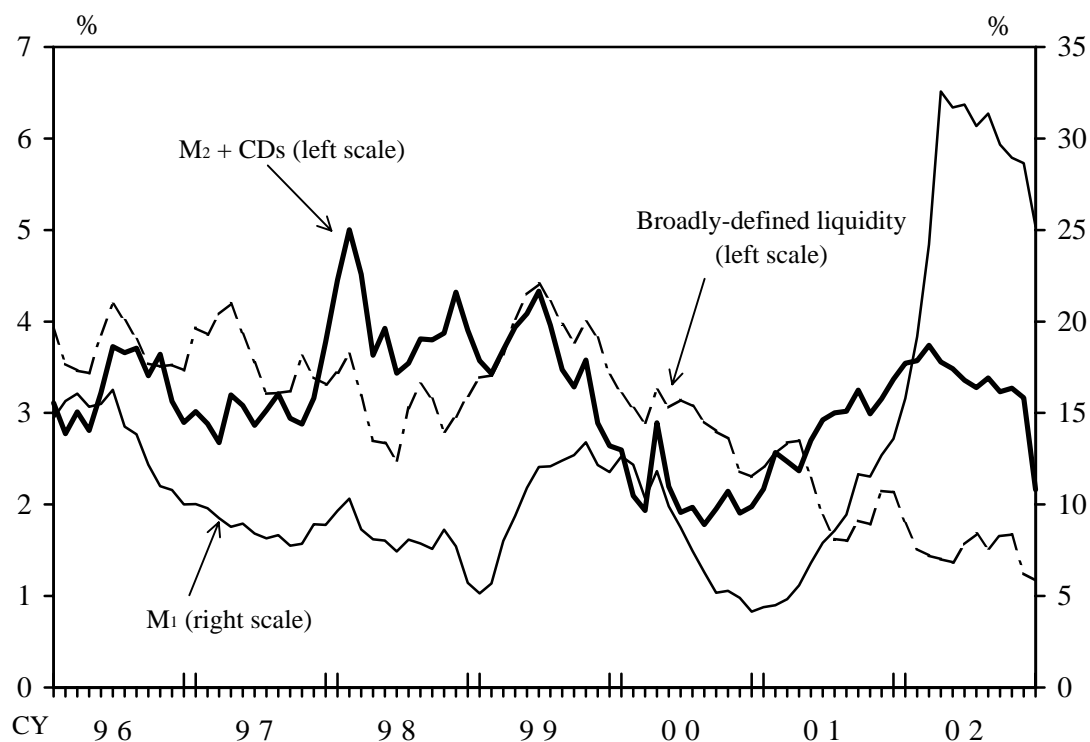
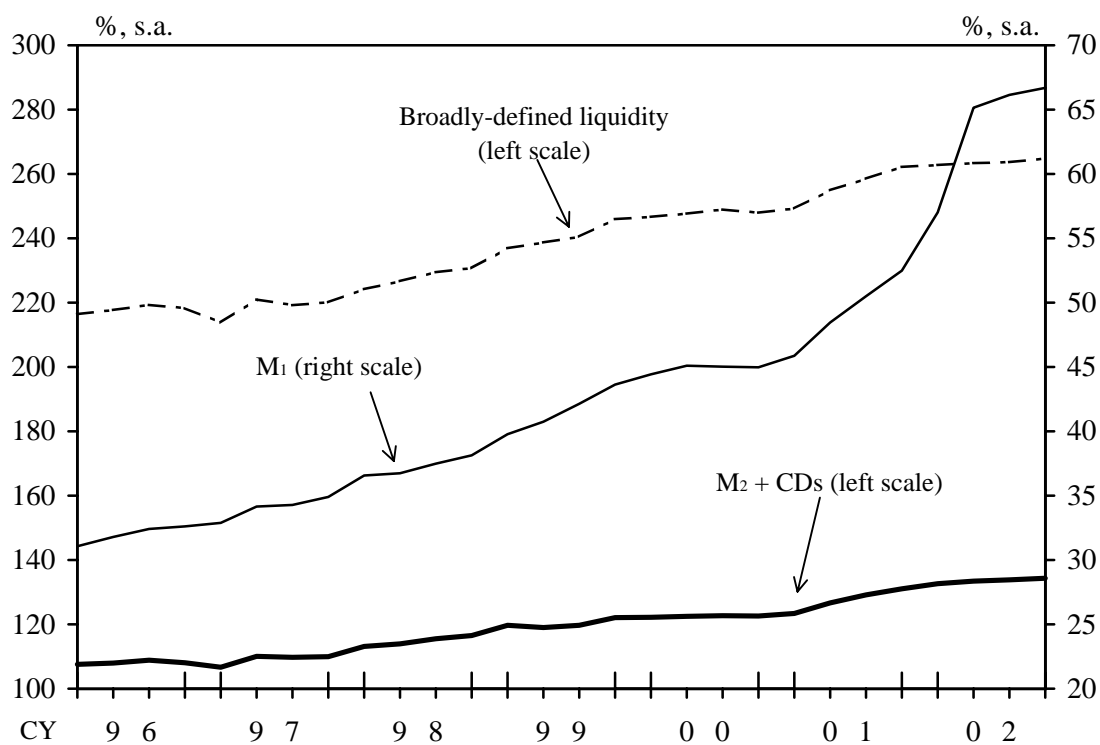
2. Figure for the nominal GDP in 2002/Q4 is assumed to be unchanged from the previous quarter.

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: Figure for 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).

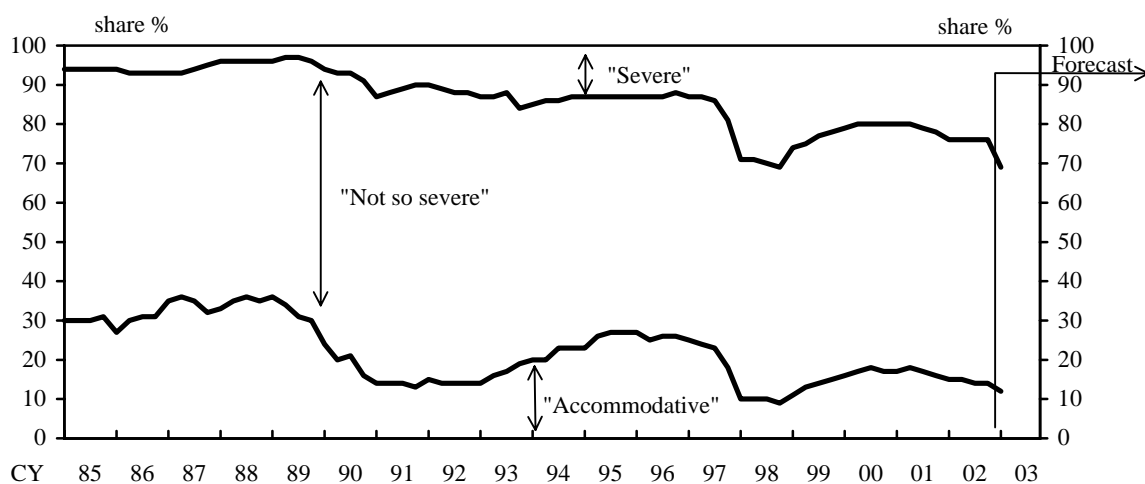
3. Adjusted to exclude

- (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.

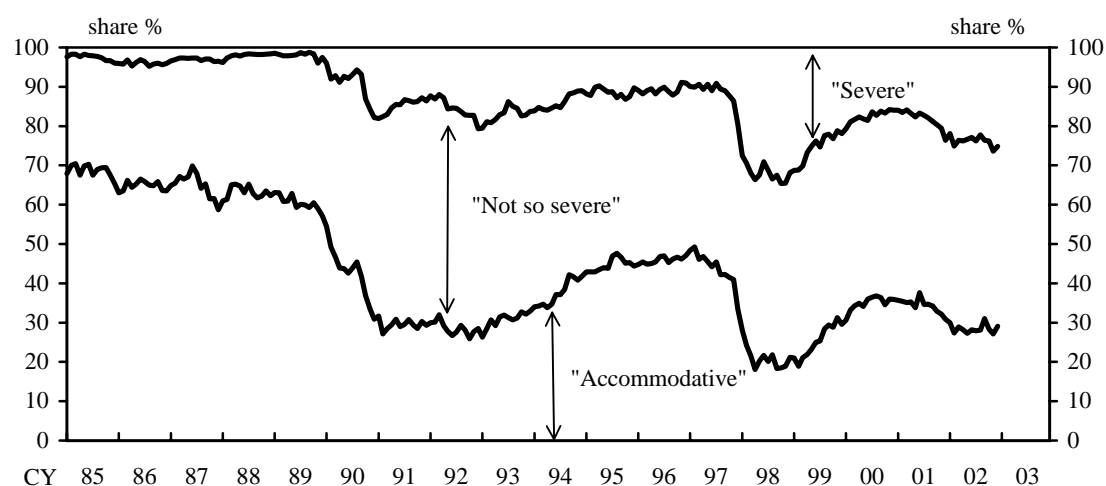
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

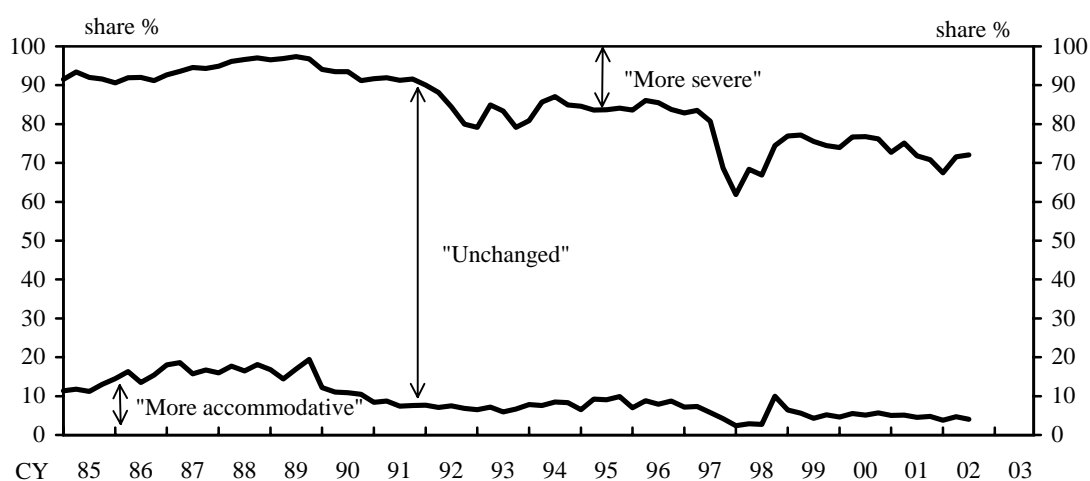
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (December, 2002)



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

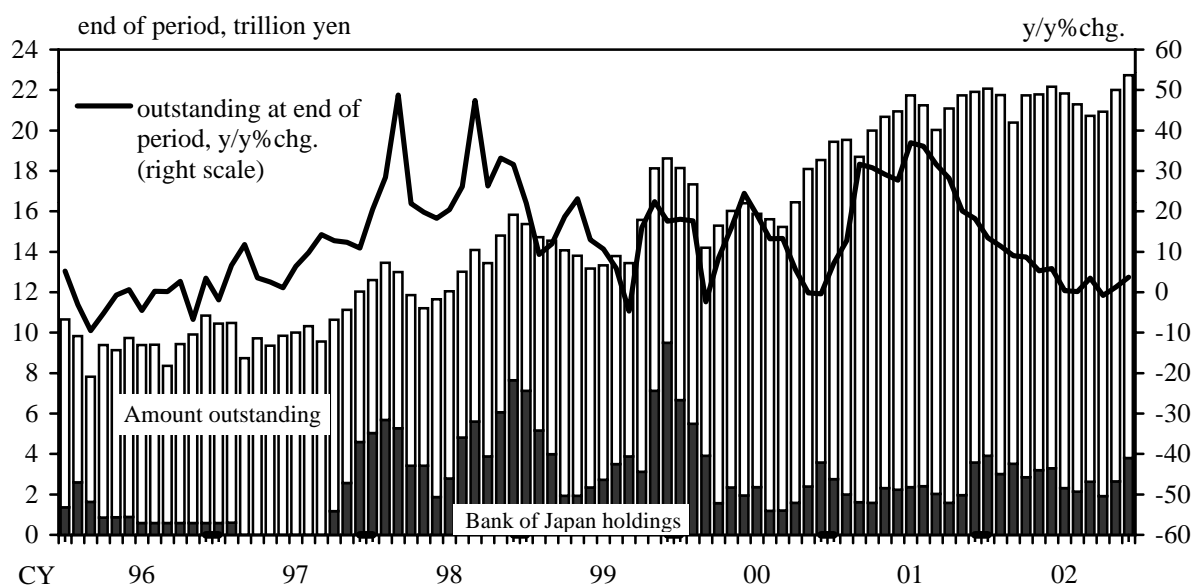


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-September, 2002)



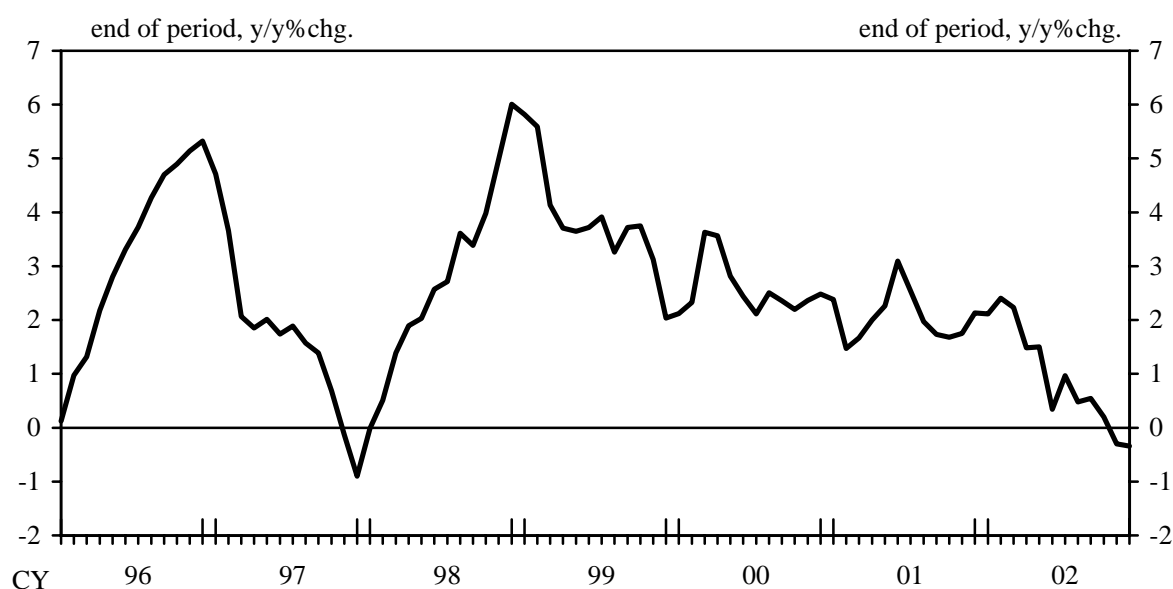
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ;  
 Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses";  
 National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

## 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/Q2	Q3	Q4	2002/Oct.	Nov.	Dec.
Volume	27,604	28,502	28,508	6,032	7,804	14,671
(previous year)	(35,223)	(23,780)	(31,808)	(5,838)	(11,756)	(14,214)

(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.

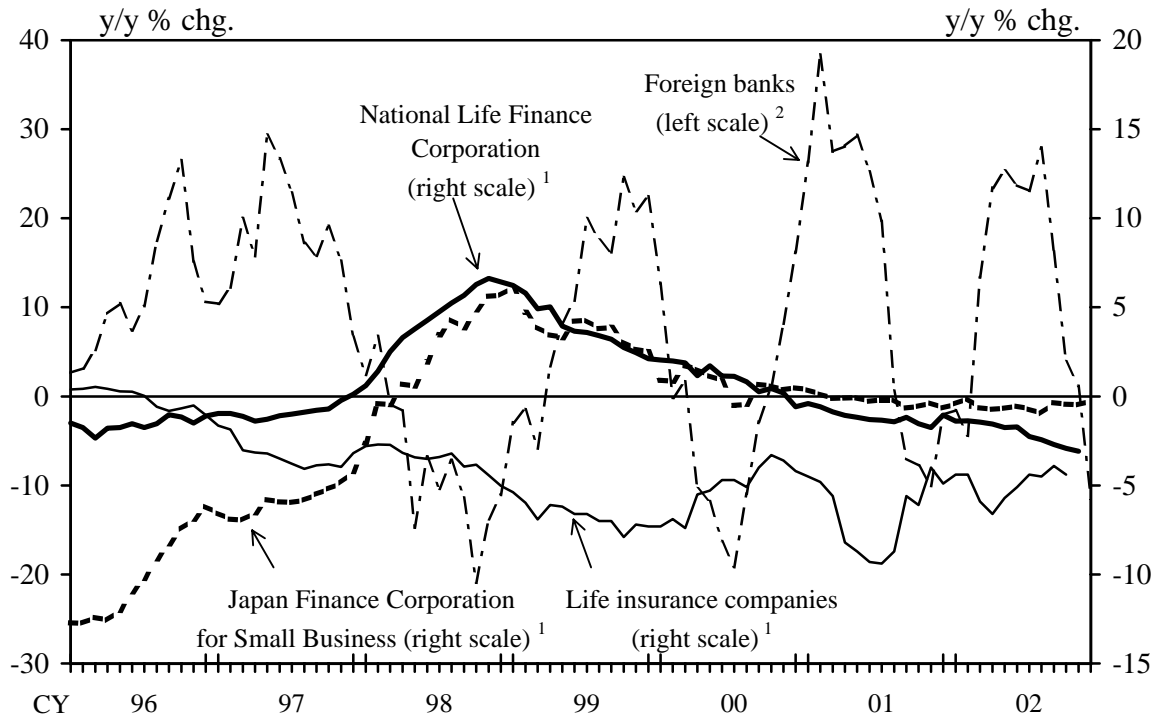
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

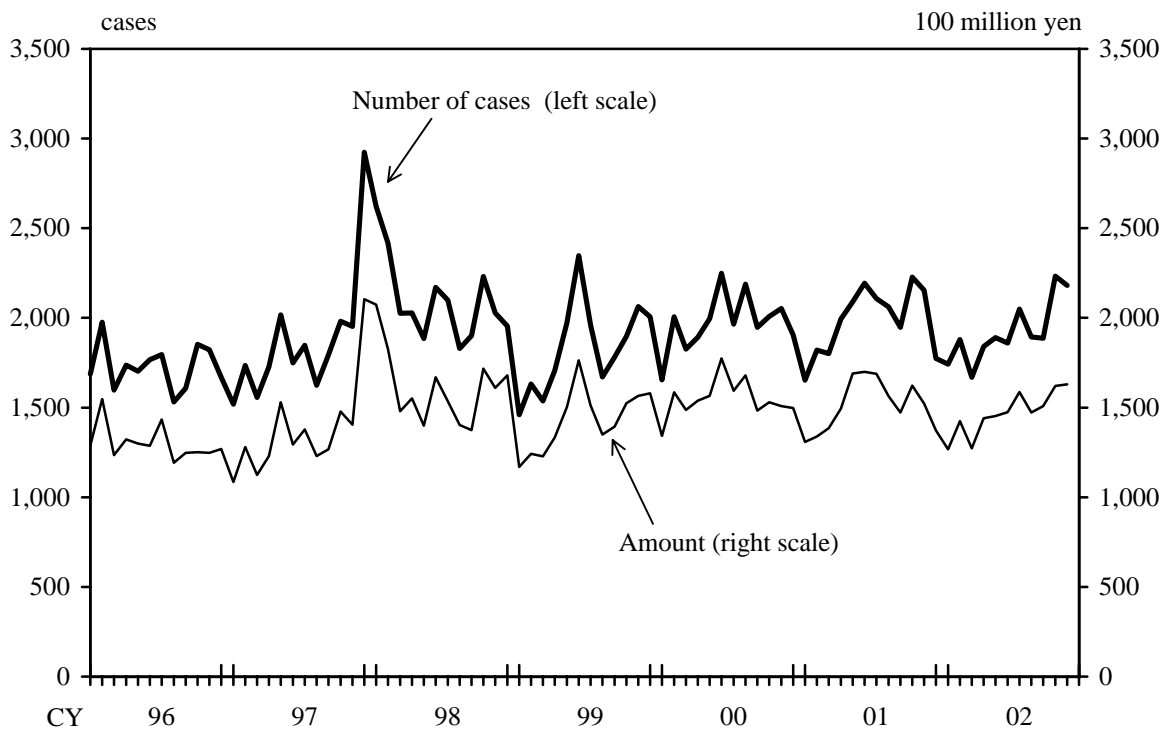
Lending by Other Financial Institutions

(1) Lending Outstanding



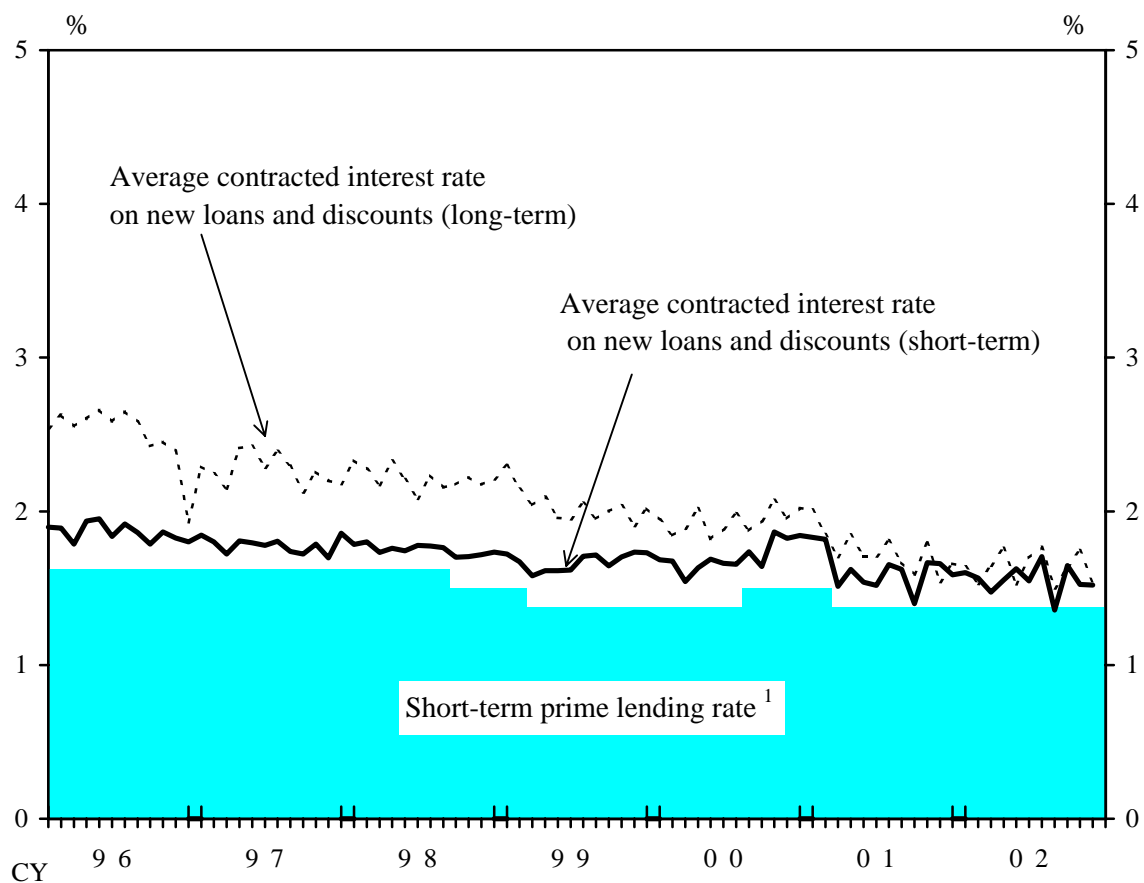
Notes: 1. Data are based on amounts outstanding at end of period.  
 2. Data are based on average amounts outstanding.

(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

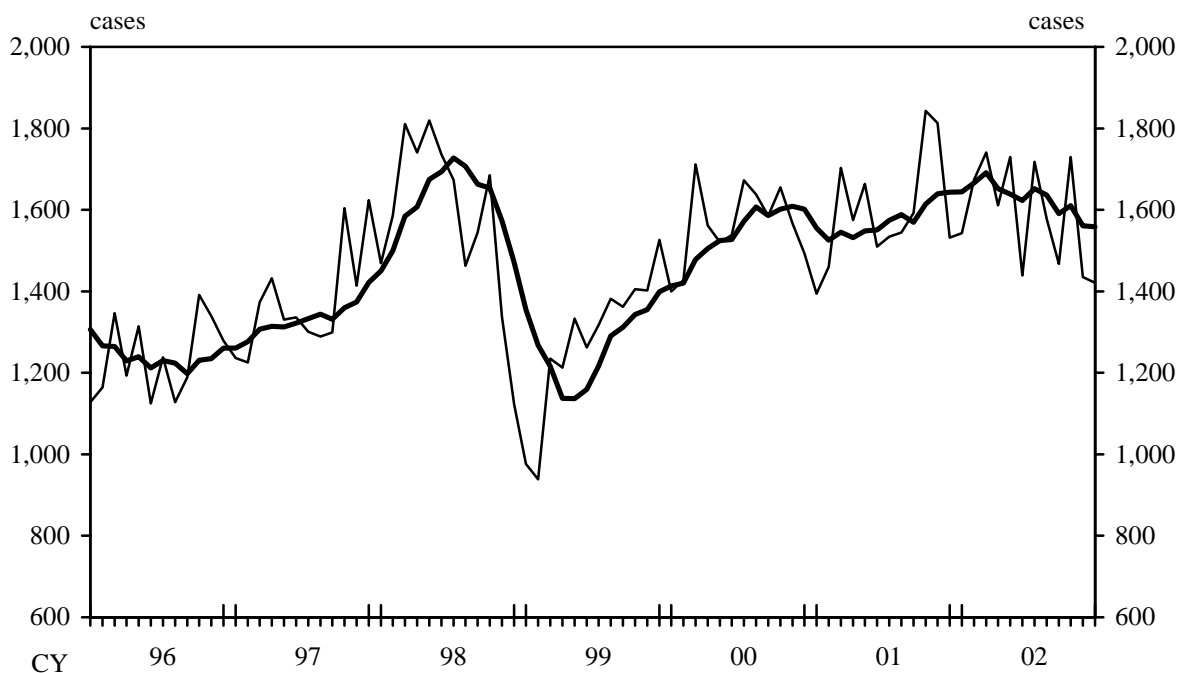


Note: 1. Data are at end of period.

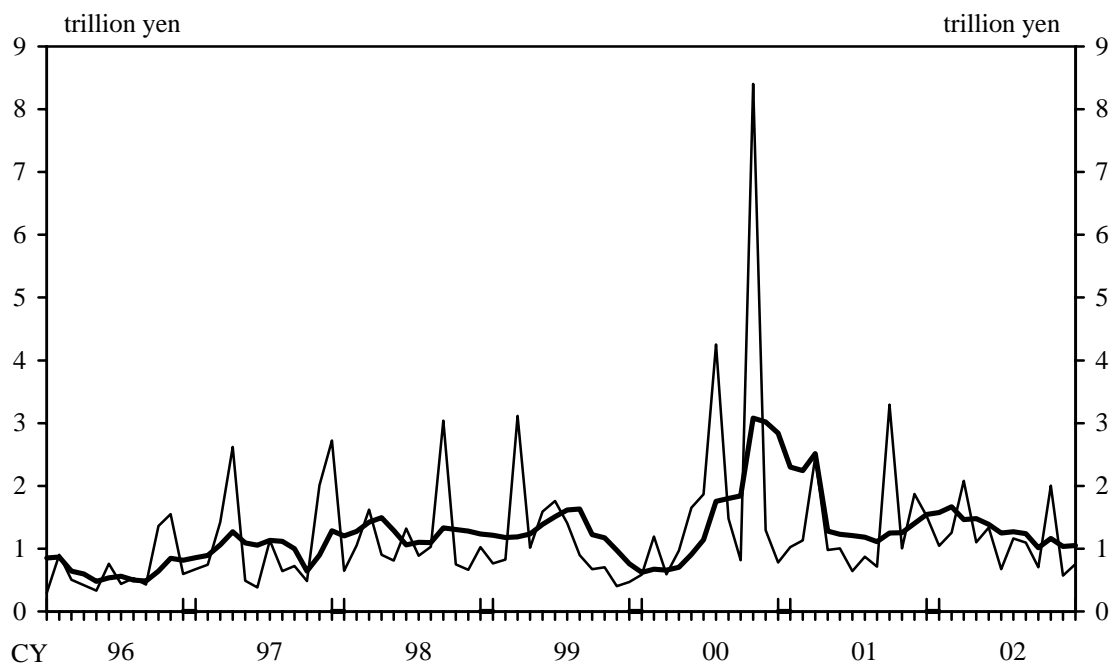
Source: Bank of Japan.

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)."

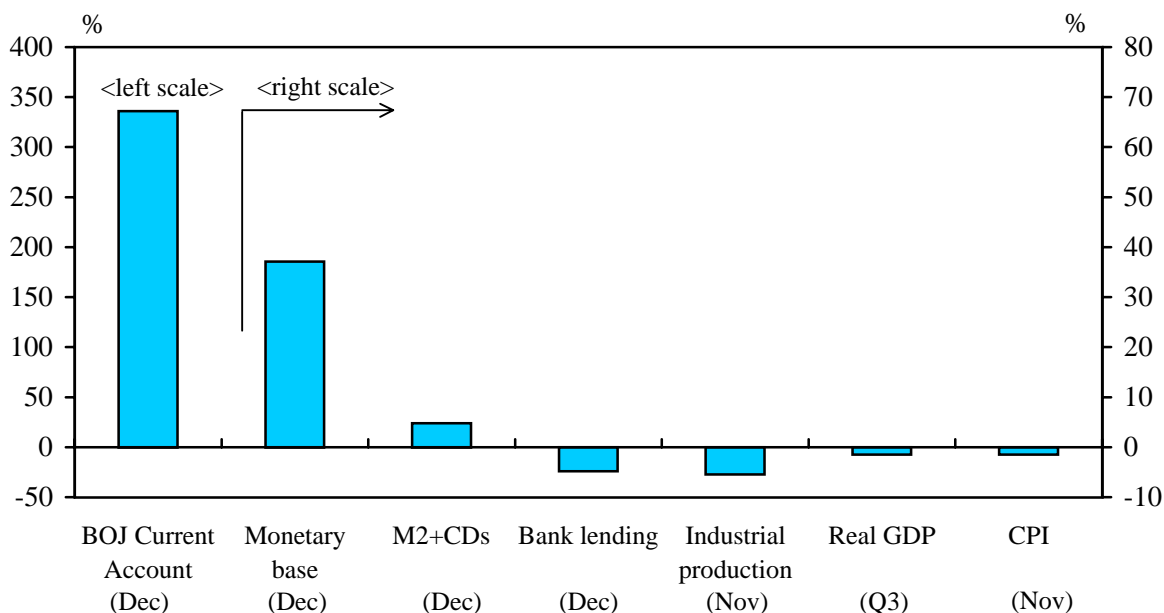


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 Monetary Indicators, Economic Activity and Price Development
 

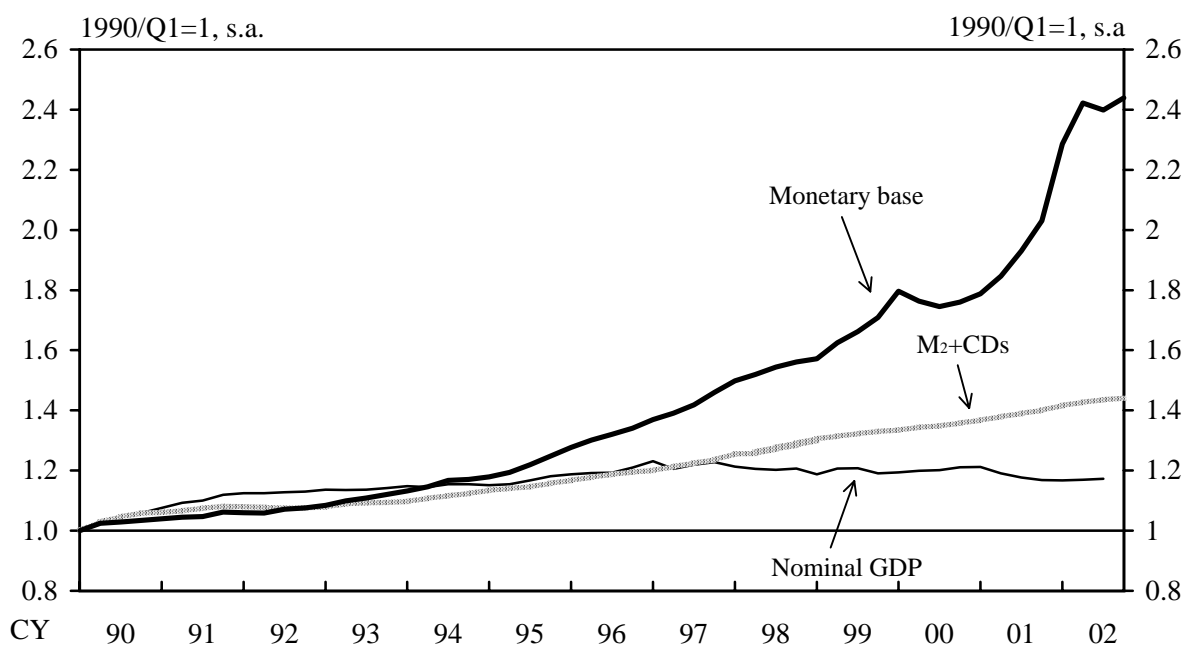
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## (1) Changes from March 2001



- 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: Figures for monetary base are adjusted for changes in reserve requirement rates.

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.