

April 10, 2003
Bank of Japan

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

(English translation prepared by the Bank staff based on the Japanese original
released on April 9, 2003)

Monthly Report of Recent Economic and Financial Developments¹

April 2003

The Bank's View²

Economic activity remains flat as a whole, despite some signs of improvement, with greater uncertainty about the economic outlook partly due to Iraq-related developments.

With regard to final demand, although business fixed investment is starting to recover, private consumption continues to be weak. Moreover, housing investment remains sluggish and public investment is declining. While domestic demand has not shown clear signs of recovery, both exports and imports are increasing at a very modest pace with net exports remaining virtually level.

Industrial production continues to be basically level in response to these developments in final demand. Corporate profits continue to recover, but the improvement in business sentiment as a whole has come to a halt due mainly to substantial uncertainty regarding the economic outlook. As for the employment situation, new job offers are on a gradual rising trend. In addition, the number of employees, which covers various types of employees including non-regular employees such as temporary workers, appears to be declining at a slower pace. However, firms are still maintaining their stance on reducing personnel expenses, and household income continues to decrease with an ongoing decline in wages. The employment and income situation of households overall remains severe.

Turning to the economic outlook, a widely shared view of the prospect for overseas economies in 2003 is that, partly due to the continued firmness in Asian economies, they will follow a gradual recovery path. However, their recovery is likely to be anemic, at least for the time being, given the recent weakness shown in economic

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on April 7 and 8, 2003.

² The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on April 7 and 8, 2003 as the basis for monetary policy decisions.

indicators of the U.S. and European economies amid greater uncertainty regarding Iraq-related developments. In this situation, the increase in Japan's exports is expected to remain very modest, and industrial production is likely to be more or less unchanged for the immediate future.

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 likely to follow a clear uptrend if exports and production increase clearly again, but for the time being, the increase in business investment is expected to remain very modest.

Overall, assuming that overseas economies will recover in 2003, albeit only at a moderate pace, the increase in exports will accelerate and the uptrend in production will resume sooner or later, which in turn will initiate the momentum for a recovery. However, a self-sustaining recovery in domestic demand is unlikely to gain momentum for some time, since production is expected to be virtually unchanged for the time being while downward pressures such as excessive labor input and debt persist. Furthermore, the outlook for overseas economies warrants careful monitoring with more uncertain factors arising such as Iraq-related developments and economic implications of the severe acute respiratory syndrome (SARS). On the domestic side, careful monitoring is required of developments in stock prices and how they affect the financial system, corporate finance, and the economy.

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

Looking at the conditions influencing price developments, the outlook for import prices is unclear at present because it largely depends on developments in crude oil prices. On the domestic side, the supply-demand balance in the macroeconomy, ongoing technological innovations in machinery, and the streamlining of distribution

channels will continue to exert downward pressure on prices. In contrast, upward pressure is also at work, such as the effects of high crude oil prices to date and the improvement in the supply-demand balance in materials industries. Of these two opposite pressures, the latter will be slightly stronger at the corporate transaction stage for the immediate future, and therefore, domestic corporate goods prices are projected to inch up. As for the outlook, consumer prices are expected to continue decreasing but the pace of year-on-year decline is expected to become somewhat slower, as medical costs are projected to rise from April due to public insurance reforms.

As for the financial environment, the Bank of Japan provided further ample liquidity to secure financial market stability, following the commencement of military action against Iraq by the United States and other nations (March 20, Japan Standard Time). As a result, the outstanding balance of current accounts at the Bank rose to 30.9 trillion yen at the end of March. Under these circumstances, the overnight call rate continues to hover at very close to zero percent, although it rose temporarily on March 31. Longer-term interest rates such as TB and FB rates also rose temporarily toward the fiscal year-end, but they are becoming steady again at low levels.

Yields on long-term government bonds declined and were temporarily moving below the 0.7 percent level in early April, reflecting uncertainty over the domestic economic outlook. Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds are contracting.

In the stock market, market participants continue to be nervous largely due to uncertainty over the developments in military action against Iraq. The Nikkei 225 Stock Average is recently moving at the 8,000-8,500 yen level.

In the foreign exchange market, the yen appreciated in early March as the U.S. dollar weakened on the whole. Since mid-March, however, the yen has been volatile reflecting the developments in military action against Iraq. The yen is currently traded in the range of 119-121 yen to the U.S. dollar.

With regard to corporate finance, private banks remain cautious in extending loans to firms with high credit risks while they continue to be more active in extending

loans to blue-chip companies. The lending attitudes of financial institutions as perceived by firms, particularly small ones, are severe. In the corporate bond and CP markets, the issuing environment for firms with high credit ratings is accommodative, but the overall environment for firms with low credit ratings remains severe although there seem to be slight improvements.

Credit demand in the private sector continues to follow a downtrend mainly because business fixed investment is at low levels and firms are continuously reducing their debts.

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

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

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

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

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

The Background

1. Japan's Economy

Public investment has been declining (Chart 3). The value of public works contracted—a metric that reflects public orders—follows a downtrend owing to the decrease in the FY2002 budget. Moreover, the turnover in public construction, which reflects the actual progress of public works, is also trending downward. Public investment is projected to follow a declining trend with cutbacks in public works expenditures for FY 2003, even though the execution of the supplementary budget for fiscal 2002 is expected to provide some support for the time being.

Real exports continue a very modest uptrend (Charts 4[1] and 5). They increased by 1.0 percent in January-February from the fourth quarter of 2002, after marking a quarterly growth of 0.7 percent in the third quarter and 2.4 percent in the fourth quarter. In January-February, by region (Chart 5[1]), exports to East Asia continued their high growth, especially to China.³ This was because domestic demand in this region was firm and because the international division of labor with Japan continued to progress. On the other hand, exports to the United States declined in reaction to the effects of the restocking of automobiles in the fourth quarter, and due to the delay of recovery in IT-related investment. Meanwhile, exports to the EU increased due mainly to shipments of vessels, even though the region's economy is decelerating.

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

³ Exports to China at the start of the year seem to exhibit high growth, a pattern observable since 2002. This is because China is in the process of step-by-step tariff reductions after its accession to the WTO at the end of 2001, and each stage of reduction occurs at the beginning of the year.

⁴ According to the *WSTS'* (World Semiconductor Trade Statistics) *Semiconductor Forecasts* (Chart 6[2]), global shipments of semiconductors recorded a high growth of 9.2 percent in the second quarter of 2002 on a quarter-on-quarter basis, but decelerated thereafter to a +4.4 percent growth in the third quarter and has become more or less flat marking -0.1 percent in the fourth quarter and +0.8 percent in January-February compared to the fourth quarter.

Real imports increased by 1.7 percent in the fourth quarter, but inched down by 0.8 percent in January-February on a quarter-on-quarter basis (Charts 4[1] and 8). However, the decline in January-February was mainly in reaction to the upsurge in imports of consumer goods, and capital goods and parts excluding aircraft in the fourth quarter (Chart 8[2]). Excluding these fluctuations, imports seem to continue their very modest uptrend.

Net exports (real exports minus real imports), in terms of the real trade balance (Chart 4[2]),⁵ have been flat on average since the third quarter of 2002, as both real exports and imports are increasing at a very modest pace. Meanwhile, the surplus of the nominal balance on goods and services contracted marginally mainly owing to the increase in the value of imports caused by the rise in crude oil prices.

Regarding the outlook for overseas economies, there continues to be a widely shared prospect that the economy will follow a gradual recovery path throughout this year. However, as for the current developments (Charts 9-1[2] and 9-2), although Asian economies continue to be firm, economic indicators of the U.S. and European economies appear to be weak as a whole. In addition, there is greater uncertainty about Iraq-related developments and those effects on the global economy. Anecdotal information obtained from Japanese firms indicates that many firms are uncertain about the outlook for future exports. Moreover, the severe acute respiratory syndrome (SARS), currently widespread mainly in East Asia, should also be carefully monitored as a risk factor.

Assuming that military action against Iraq will end in a relatively short period of time and that overseas economies will recover moderately, exports are projected to increase again at some stage. However, the path to recovery is unclear at this stage, and exports are expected to increase at the current slow pace for the time being. As for imports, since final demand and production are expected to stay more or less unchanged, they are projected to increase very slowly for the time being, even taking

⁵ Strictly speaking, the real trade balance presented in Chart 4(2) differs from net exports on a GDP basis, but the changes in the real trade balance are broadly in line with those of net exports. (The real trade balance is on a customs-clearance basis and does not include trade in services, while net exports in GDP statistics are on an ownership-transfer basis and include trade in services.)

into account the structural factor of an increase in imports from China. Consequently, net exports are expected to be virtually unchanged for the time being, but there is greater uncertainty about the likelihood and timing of a recovery in exports, since they largely depend on Iraq-related developments.

As for business fixed investment, developments in corporate profits in the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 10-1[2]) suggest that corporate profits continued to improve up to the fourth quarter. Furthermore, seasonal adjustment to current profits of both the first and second half of FY 2002 figures in the Bank of Japan's *Tankan*—Short-term Economic Survey of Enterprises—of March 2003 showed that the improvement is projected to continue into FY 2003, with some fluctuations (Chart 11).

Nevertheless, the improvement in the business sentiment on the current conditions is slower, mainly owing to substantial uncertainty about the outlook for overseas economies, including Iraq-related developments (Chart 12).

With regard to corporate finance (Chart 13), the D.I.s of the financial position of firms and the lending attitudes of financial institutions perceived by firms were both more or less unchanged, and they continued to be comparatively severe for small firms.

Against this background, business fixed investment has started to recover, reflecting the improvement in corporate profits. Based on national accounts, business fixed investment has been increasing for three consecutive quarters, since the second quarter of 2002, and was up 2.6 percent in the fourth quarter on a quarter-on-quarter basis (Chart 2). More detailed developments in business fixed investment are available on a nominal basis in the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Charts 10-1[1] and 10-2), which indicated that investment increased noticeably for small manufacturing and large nonmanufacturing firms in the fourth quarter. As for the latter, the increase was partly due to temporary factors such as redevelopment projects in the Tokyo metropolitan area. Taking this into account, the increase in overall business fixed investment in the fourth quarter may not be as large as indicated. Meanwhile, shipments and aggregate supply of capital goods (excluding

transport equipment; Chart 10-3[1]),⁶ a coincident indicator of machinery investment, rose somewhat notably in January-February. Although this was affected by temporal factors such as intensive shipments of large computers, they seem to have been on a gradual uptrend since mid-2002.

Leading indicators of business fixed investment, on average, seem to be level or on a very moderate uptrend. As for machinery orders (private demand, excluding shipbuilding and electric power equipment; Chart 10-4[1]), those of manufacturing have been increasing very moderately but steadily from the bottom at the start of 2002, and they seem to be becoming firm. Meanwhile, those of nonmanufacturing surged in January, but its underlying trend is still unclear due to substantial quarterly fluctuations. Construction starts (private, nondwelling use; Chart 10-4[2]), another leading indicator, have been level on the whole.

In sum, as for the outlook for business fixed investment, given the certain degree of recovery in corporate profits to date, the uptrend is expected to become more distinct if the increase in exports and production becomes clear again. Business fixed investment plans for FY 2003 in the March *Tankan* turned out to be relatively positive compared to the initial plans in FY 2002, with large manufacturing firms projecting an increase (Chart 14). However, the investment stances of firms are unlikely to become positive in the near future due to excess capacities persisting among firms and substantial uncertainty regarding exports (Chart 10-3[2]). The pace of increase in business fixed investment is likely to remain very modest for the time being.

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

In detail (Charts 15-1 and 15-2), the number of new passenger-car registrations has been steady again since January, supported by the introduction of new models, after

⁶ Aggregate supply of capital goods indicates the domestic supply of capital goods by adding shipments of capital goods based on the *Indices of Industrial Production* and the import volume of the goods based on *Foreign Trade Statistics*.

the temporary drop in December.⁷ Sales at department stores and supermarkets decreased in December due mainly to the effects from bad weather and in reaction to the front-loading of year-end gift-giving sales in November, but recovered in January-February, reflecting favorable results of clearance sales of winter apparel. Sales at convenience stores surged in February, although this was due to a rush of demand before sales of high-denomination prepaid expressway cards were discontinued at the end of February. The growth in sales of household electrical appliances (NEBA statistics; real basis) was high as sales of digital cameras were favorable in January-February and the introduction of spring PC models was front-loaded. As for services consumption, sales in the food services industry have been peaking out, a trend evident since mid-2002. Outlays for travel rose temporarily in December, as the consecutive holidays during the end and start of the year spurred travel demand, but dropped to pre-December levels in January. They also seem to be depressed recently, reflecting the effects from Iraq-related developments and the severe acute respiratory syndrome (SARS). The underlying trend of indices of aggregated sales (Chart 15-3)⁸—which are comprised of many sales indicators, including those mentioned above—seemed to be basically unchanged. Similarly, for aggregate supply of consumer goods (Chart 15-4), the underlying trend was also unchanged.

As for consumer sentiment, the number of somewhat weak indicators is increasing (Chart 16).

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

⁷ However, the number of new passenger-car registrations in March seemed to be pushed slightly upward, due to a rush of demand. This is because automobile related tax relief measures targeted at low greenhouse gas emissions and fuel-efficient vehicles will be scaled down substantially from April onward.

⁸ 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 15-3.

Housing investment remains sluggish (Chart 17) and is likely to remain stagnant, since no supporting factors in particular can be seen under the severe employment and income situations of households.

Industrial production (Chart 18[1]) increased in January-February by 0.3 percent compared to the fourth quarter of 2002 (+0.9 percent in the first quarter based on the production forecast index of March) after it inched down by 1.0 percent in the fourth quarter on a quarter-on-quarter basis. Therefore, production is judged to remain virtually level.⁹

Inventories (Charts 18 and 20) were still on a gradual declining trend with some fluctuations, after they underwent rapid cutbacks through the first half of 2002. This reflects the cautious stance of firms on production. At the same time, this also indicates that the adjustment pressure on inventories has not been accumulated, and that the risks of a vicious spiral in the business cycle are small unless final demand falls into a slump.

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

As for the employment and income situation, the number of new job offers is on a gradual rising trend (Chart 22-1[2]). Moreover, the number of employees in the *Labour Force Survey*, which covers various types of employees including non-regular employees such as temporary workers, appears to be declining at a slower pace (Chart

⁹ As for indices of industrial production, the base year is scheduled to change from 1995 to 2000 on April 18. In line with this switchover, figures of the statistics will also be revised retroactively.

22-2[1]). However, since firms are maintaining their stances on reducing personnel expenses, the number of regular employees published in the *Monthly Labour Survey*, in which regular employees have more share compared to the *Labour Force Survey*, kept declining, and the pace has not yet clearly slowed (Chart 22-2[2]). The March *Tankan* showed that the excessiveness of employment perceived both by large and small firms remained elevated, although to a lesser degree (Chart 23). In these circumstances, wages still continue to decrease, although the improvement in corporate profits is gradually taking positive effects on wages, as seen in the contract of decline in bonuses. In sum, even though the rate of decline in household income is becoming somewhat slower, the employment and income situations of households remain severe overall (Chart 21[1]).

Looking at nominal wages per employee on a year-on-year basis (Chart 21[2]), regular payments continued to decline due to a restraint on the base-pay hike, but the year-on-year rate of decline has recently been contracting, as the increase in the ratio of part-time workers has decreased.¹⁰ Moreover, overtime payments continued a year-on-year increase. As for winter bonuses, special payments from November-January marked a substantial decline of 4.7 percent on a year-on-year basis, although the decline was not as significant as that of summer bonuses last year (-9.6 percent on a year-on-year basis for special payments from June to August).

Meanwhile, the unemployment rate (Chart 22-1[1]) remained high, with some fluctuations. In particular, the number of those involuntarily unemployed remained high.

As to the outlook, if production resumes its uptrend and corporate profits continue to improve, the employment and income situations will gradually improve. Nevertheless, the loose supply and demand condition in the overall labor market, as seen in the current unemployment rate, still enables firms to restrain personnel expenses, including the rise in the ratio of part-time workers. Thus, household income

¹⁰ In January 2002, the triennial sample change of the *Monthly Labour Survey* (establishments with 30 or more employees) caused the ratio of part-time workers to surge discontinuously. As the influence from this sample change disappeared, the increase in the ratio of part-time workers has become small on a year-on-year basis from January 2003.

is expected to continue declining for some time, although the pace is decelerating somewhat.

2. Prices

Import prices on a yen basis are rising compared to levels three months ago, reflecting the developments in prices of overseas commodities such as crude oil (Chart 25).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates; same hereafter)¹¹ have stopped declining compared to levels three months ago (Chart 26). In detail, although machinery prices continued to fall, the rise in import prices, mainly in crude oil, and the improvement in the supply and demand balance in materials such as iron and steel, chemicals, and paper-pulp had been exerting upward pressure on prices.

Corporate services prices (domestic supply-demand factors; same hereafter) continue to decline slowly compared to three months ago (Chart 27). In detail, prices for advertising services (TV/radio advertising) have recently been rising, due to steady sales of TV commercials reflecting the improvement in corporate profits. Meanwhile, prices of general services (security and building maintenance) continued to decline because of firms' strong intentions to reduce business costs, and prices of leasing and rentals also dropped due to the decline in equipment prices. On a year-on-year basis, the rate of decrease in corporate services prices has recently dipped slightly below 1 percent.

Consumer prices (excluding fresh food; same hereafter) continue to decline slowly (Chart 28). With respect to developments on a year-on-year basis, the rate of decline is almost unchanged, that is, the year-on-year changes of CPI from November to February were -0.8 percent, -0.7 percent, -0.8 percent, and -0.7 percent in order of

¹¹ The figures are adjusted to exclude a large seasonal fluctuation in electric power charges 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.

time. However, the developments in goods prices showed that the year-on-year rate of decline has been contracting, albeit very slowly. This was mainly because of the recent rise in the prices of petroleum products. Furthermore, as to the trend last year, this was also because the rate of decline in the prices of imported products and their substitutes contracted (Chart 29[1]). In conjunction with the fact that imports of consumer goods seemed to have peaked, these movements may indicate that business strategies for lower pricing are becoming somewhat less notable compared to 2000-2001 (Chart 29[2]).

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

As for the domestic supply-demand conditions in terms of the March *Tankan* (Chart 30), firms perceived that the supply and demand conditions for products and services continued to improve moderately, mainly in materials related industries, supported by the low levels of inventories and the upturn in the overseas supply-demand balance such as in Asia. The operating level in the domestic economy, measured by the weighted average of both D.I.s of production capacity and employment excessiveness among firms, continued an uptrend, but the level is still low. Looking at the D.I. for the change in output prices in manufacturing under this supply and demand condition, the degree of “decline” continued to contract in the D.I. for materials industries such as iron and steel, in addition to petroleum and coal that has been affected by the rise in crude oil prices. In some industries above, the D.I. turned to “rise.” In nonmanufacturing, the degree of “decline” is currently diminishing marginally.

With respect to the developments in land prices in the officially published land prices as of January present (Chart 31), both commercial and residential land prices continue to decline. By region, the rate of decline in commercial land in the Tokyo metropolitan area has diminished, while in the local areas, the decline in both commercial and residential land is expanding.

Looking at the conditions influencing price developments, the outlook for import prices largely depends on developments in crude oil prices. A reactionary fall was observed in crude oil prices just prior to the commencement of military action against Iraq. But since then, the price movements show some fluctuations reflecting developments in Iraq and they are expected to remain unstable for the time being. Thus, the outlook for import prices is unclear. On the domestic side, the supply-demand balance in the macroeconomy, ongoing technological innovations in machinery, and the streamlining of distribution channels will continue to exert downward pressure on prices. In contrast, upward pressure is also at work, such as the effects of high crude oil prices to date and the improvement in the supply-demand balance in materials industries mainly reflecting favorable demand in Asia. Of these two opposite pressures, the latter will be slightly stronger at the corporate transaction stage for the immediate future and, therefore, domestic corporate goods prices are projected to inch up. As for the outlook, consumer prices are expected to continue decreasing, but the pace of year-on-year decline is expected to become somewhat slower, as medical costs are projected to rise from April due to public insurance reforms.

3. Financial Developments

(1) Financial Markets

The Bank of Japan provided further ample liquidity to secure financial market stability, following the commencement of military action against Iraq by the United States and other nations (March 20, Japan Standard Time). As a result, the outstanding balance of current accounts at the Bank of Japan rose to 30.9 trillion yen at the end of March (Chart 34).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 32[1]) continues to hover at very close to zero percent, although it rose temporarily on March 31. Longer-term interest rates (Chart 33) such as TB and FB rates, and repo rates rose temporarily toward the fiscal year-end, but they are becoming steady again at low levels.

In the government bond market, yields on 10-year government bonds (newly issued 10-year JGB; Chart 32[2]) declined and were temporarily moving below the 0.7 percent level in early April, as banks and institutional investors have increased investment in long-term government bonds, reflecting uncertainty over the domestic economic outlook and widespread perceptions of excess liquidity in the financial market.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 36 and 37) are contracting, as institutional investors have further increased investment in corporate bonds, which have still higher yields than government bonds with the same maturity.

In the stock market (Chart 38), market participants continue to be nervous largely due to uncertainty over the developments in military action against Iraq. The Nikkei 225 Stock Average is recently moving at the 8,000-8,500 yen level.

In the foreign exchange market (Chart 39), the yen appreciated in early March as the U.S. dollar weakened on the whole. Since mid-March, however, the yen has been volatile reflecting the developments in military action against Iraq. The yen is currently traded in the range of 119-121 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The year-on-year growth of the monetary base (currency in circulation + current account balances at the Bank of Japan) is about 10 percent. (The year-on-year change was 13.4 percent in January, 12.6 percent in February, and 10.9 percent in March; Chart 40.)

The year-on-year growth rate of the money stock (M_2 + CDs) is around 2.0 percent. (The year-on-year change was 2.1 percent in December, 1.9 percent in January, and 2.0 percent in February; Chart 41.) M_1 continued its high growth reflecting the strong preference for liquid assets, but the growth rate is slowing somewhat. (The year-on-year change was 25.2 percent in December, 23.6 percent in January, and 21.3 percent in February.) As for the second quarter, the year-on-year growth rate of the money stock is projected to be around 2 percent, as there seem to be no substantial changes in credit demand of private firms.

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

Meanwhile, with regard to corporate finance, private banks remain cautious in extending loans to firms with high credit risks and are inclined to charge a high interest margin, while they continue to be more active in extending loans to blue-chip companies. The lending attitudes of financial institutions as perceived by firms, particularly small ones, are severe. In the corporate bond and CP markets, the issuing environment for firms with high credit ratings is accommodative, but the overall environment for firms with low credit ratings remains severe although there seem to be slight improvements.

Credit demand in the private sector continues to follow a downtrend mainly because business fixed investment is at low levels and firms are continuously reducing their debts.

Amid these developments, lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors¹²), 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 was -2.5 percent in December, -2.4 percent in January, and -2.5 percent in February; Chart 42.) The amount outstanding of corporate bonds and CP issued is moving at around the previous year's level (Chart 44).

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 46). 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 remains high.

¹² 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.

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

The number of corporate bankruptcies has been declining by around 10 percent from the previous year's level (Chart 47).

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 slightly. The money stock and the monetary base maintain high growth rates relative to that of economic activity as a whole. However, stock prices continue to be weak. In corporate finance, the fund-raising environment of firms with low credit risks is accommodative on the whole, but with regard to firms with high credit risks, the stance of investors is severe and the lending attitudes of private banks continue to be cautious. Developments in the financial and capital markets, the behavior of financial institutions, and the situation of corporate finance continue to require close monitoring.

Charts

Chart 1	Main Economic Indicators
Chart 2	Real GDP
Chart 3	Public Investment
Chart 4	External Balance
Chart 5	Real Exports
Chart 6	Exports and Imports of IT-related goods
Chart 7	Real Exports breakdown by goods
Chart 8	Real Imports
Chart 9	Exporting Conditions
Chart 10	Indicators for Business Fixed Investment
Chart 11	Current Profits
Chart 12	Business Conditions
Chart 13	Corporate Finance-Related Indicators
Chart 14	Business Fixed Investment Plans as Surveyed
Chart 15	Indicators for Private Consumption
Chart 16	Consumer Confidence
Chart 17	Indicators for Housing Investment
Chart 18	Production, Shipments, and Inventories
Chart 19	Shipments breakdown by type of goods
Chart 20	Inventory Cycle
Chart 21	Compensation of Employees
Chart 22	Labor Market
Chart 23	Employment Conditions
Chart 24	Prices
Chart 25	Import Prices and International Commodity Prices
Chart 26	Domestic Corporate Goods Price Index
Chart 27	Corporate Service Price Index
Chart 28	Consumer Price Index (excluding fresh food)
Chart 29	Consumer Price Index of imported goods and their substitutes
Chart 30	Factors Contributing to the Change in Prices
Chart 31	Land Prices
Chart 32	Interest Rates
Chart 33	Short-Term Money Market Rates
Chart 34	Current Account Balances at the Bank of Japan
Chart 35	Implied Forward Rates (1-year)
Chart 36	Yields of Bank Bonds
Chart 37	Yields of Corporate Bonds
Chart 38	Stock Prices
Chart 39	Exchange Rates
Chart 40	Monetary Base
Chart 41	Money Stock (M ₁ , M ₂ +CDs, Broadly-Defined Liquidity)
Chart 42	Lending by Domestic Commercial Banks
Chart 43	Lending Attitude of Financial Institutions as Perceived by Small Enterprises
Chart 44	Private-Sector Fund-Raising in the Capital Markets
Chart 45	Lending by Other Financial Institutions
Chart 46	Lending Rates
Chart 47	Corporate Bankruptcies
Chart 48	Monetary Indicators, Economic Activity and Price Development

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2002/Q3	Q4	2003/Q1	2002/Dec.	2003/Jan.	Feb.	Mar.
Index of living expenditure level (all households)	1.1	-1.9	n.a.	-2.4	2.3	-0.7	n.a.
Sales at department stores	-0.6	-1.2	n.a.	-3.8	2.9	1.2	n.a.
Sales at supermarkets	-1.3	-1.5	n.a.	-5.5	1.0	2.4	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 319>	< 329>	< 331>	< 307>	< 320>	< 331>	< 342>
Sales of household electrical appliances (real, NEBA)	2.2	1.6	n.a.	-2.6	6.1	0.4	n.a.
Outlays for travel (50 major travel agencies)	0.1	2.4	n.a.	7.9	-4.2	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 112>	< 114>	<n.a.>	< 112>	< 120>	< 115>	<n.a.>
Machinery orders (from private sector ⁴)	-1.7	0.3	n.a.	5.2	7.0	n.a.	n.a.
Manufacturing	-0.6	3.9	n.a.	6.5	11.4	n.a.	n.a.
Nonmanufacturing ⁴	0.1	-4.3	n.a.	4.7	5.2	n.a.	n.a.
Construction Starts (private, nonresidential use)	-6.7	8.4	n.a.	-14.3	13.8	-6.9	n.a.
Mining & manufacturing	-15.4	18.7	n.a.	9.6	-13.4	0.3	n.a.
Nonmanufacturing ⁵	-4.2	5.3	n.a.	-19.0	24.7	-10.5	n.a.
Value of public works contracted	-5.8	0.8	n.a.	3.2	-1.8	-9.2	n.a.
Real exports	0.7	2.4	n.a.	-2.9	0.7	0.6	n.a.
Real imports	3.4	1.7	n.a.	1.1	-2.6	-2.6	n.a.
Industrial production	2.2	-1.0	n.a.	-0.4	2.0	p -1.7	n.a.
Shipments	1.8	-0.3	n.a.	-2.2	3.4	p -0.8	n.a.
Inventories	0.2	-0.7	n.a.	1.2	0.8	p -2.3	n.a.
Inventory Ratio <s.a., CY 1995=100>	<100.9>	<101.3>	<n.a.>	<101.3>	<97.6>	<p 98.4>	<n.a.>
Real GDP	0.8	0.5	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.6	-1.0	n.a.	-0.6	1.7	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2002/Q2	Q3	Q4	2002/Nov.	Dec.	2003/Jan.	Feb.
Ratio of job offers to applicants <s.a., times>	<0.52>	<0.54>	<0.57>	<0.57>	<0.59>	<0.60>	<0.61>
Unemployment rate <s.a., %>	<5.4>	<5.4>	<5.4>	<5.3>	<5.3>	<5.5>	<5.2>
Overtime working hours ⁶	-2.2	2.7	5.9	6.5	6.4	6.8	p 6.5
Number of employees	-1.2	-0.1	-0.4	-0.4	-0.2	-0.3	-0.2
Number of regular employees ⁶	-0.5	-0.7	-0.8	-0.8	-0.7	-0.6	p -0.8
Nominal wages per person ⁶	-2.6	-3.5	-1.7	-0.8	-2.7	-1.0	p 0.1
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	-2.2 <-0.2>	-1.9 <-0.4>	-1.2 <-0.2>	-1.2 <-0.2>	-1.2 <-0.2>	-1.0 <-0.2>	p -0.9 <p 0.0>
Consumer price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-0.9 <-0.3>	-0.9 <-0.2>	-0.8 <-0.1>	-0.8 <-0.1>	-0.7 <-0.0>	-0.8 <-0.1>	-0.7 <-0.1>
Corporate service price index ⁹ <s.a., q/q % chg.> (3-month growth rate)	-1.2 <-0.2>	-1.2 <-0.2>	-1.0 <-0.2>	-1.0 <-0.2>	-0.7 <-0.1>	-0.8 <-0.1>	-0.9 <-0.1>
Monetary aggregates (M2+CDs) <average outstanding, y/y % chg.>	3.5	3.3	2.9	3.2	2.1	1.9	2.0
Number of suspension of transactions with banks	-9.4	-7.7	-17.9	-24.2	-8.8	-24.8	-23.2

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

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

2. Figure with "p" indicates preliminary one.

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

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

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

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

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

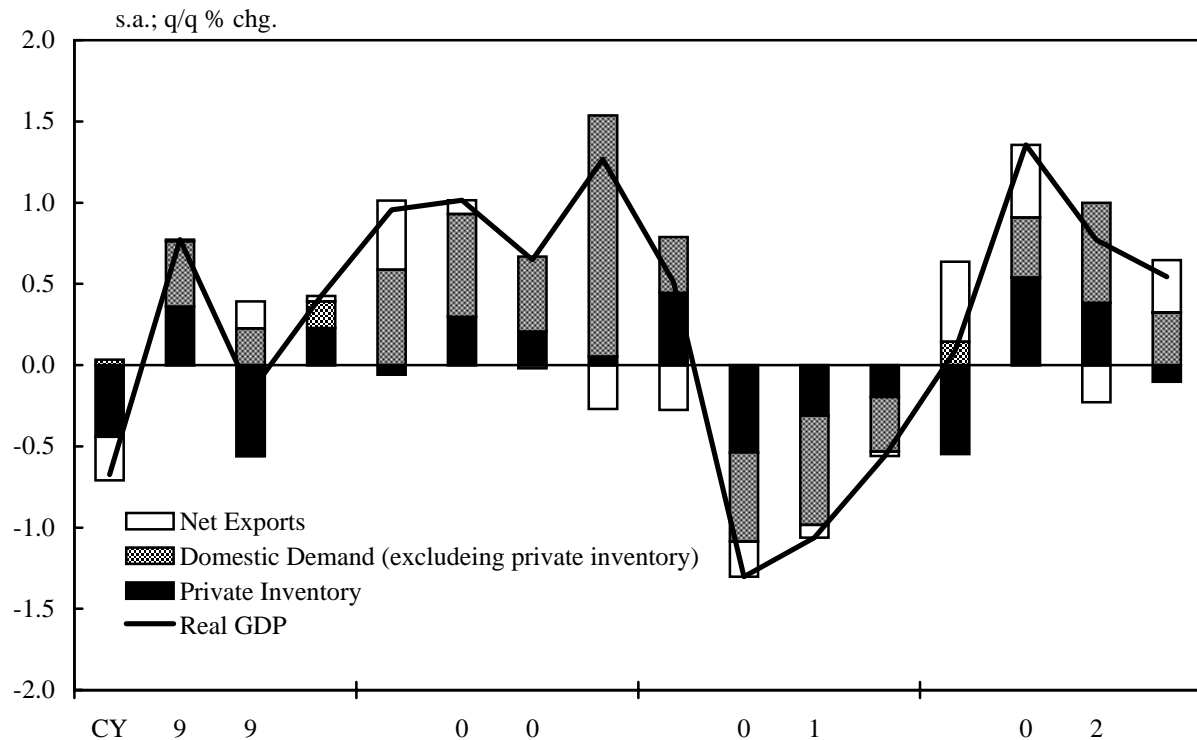
8. Excludes fresh food.

9. Domestic supply-demand factors.

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

Real GDP

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



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

(2) Components

s.a.; q/q % chg.

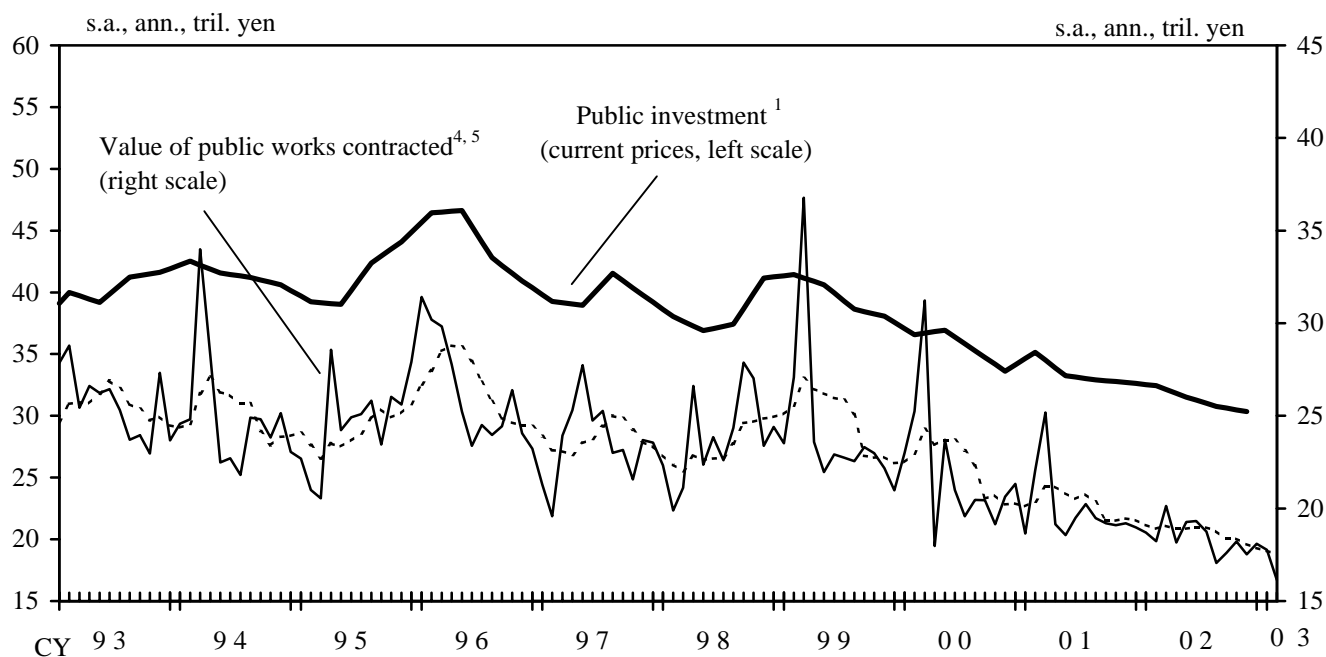
	2001	2002			
	Q4	Q1	Q2	Q3	Q4
Real GDP	-0.6	0.1	1.4	0.8	0.5
Domestic Demand	-0.5	-0.4	0.9	1.0	0.2
Private Consumption	0.6	0.4	0.4	0.8	0.1
Non-Resi. Investment	-5.6	-0.6	1.6	1.3	2.6
Residential Investment	0.2	-2.8	-0.3	0.3	-0.8
Private Inventory	(-0.2)	(-0.5)	(0.5)	(0.4)	(-0.1)
Public Demand	1.0	0.4	-0.5	-0.1	-0.4
Public Investment	-0.4	-0.1	-2.2	-1.9	-1.2
Net Exports of goods and services	(-0.0)	(0.5)	(0.4)	(-0.2)	(0.3)
Exports	-1.6	5.4	6.9	0.1	4.1
Imports	-1.6	0.7	3.5	2.8	1.6

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

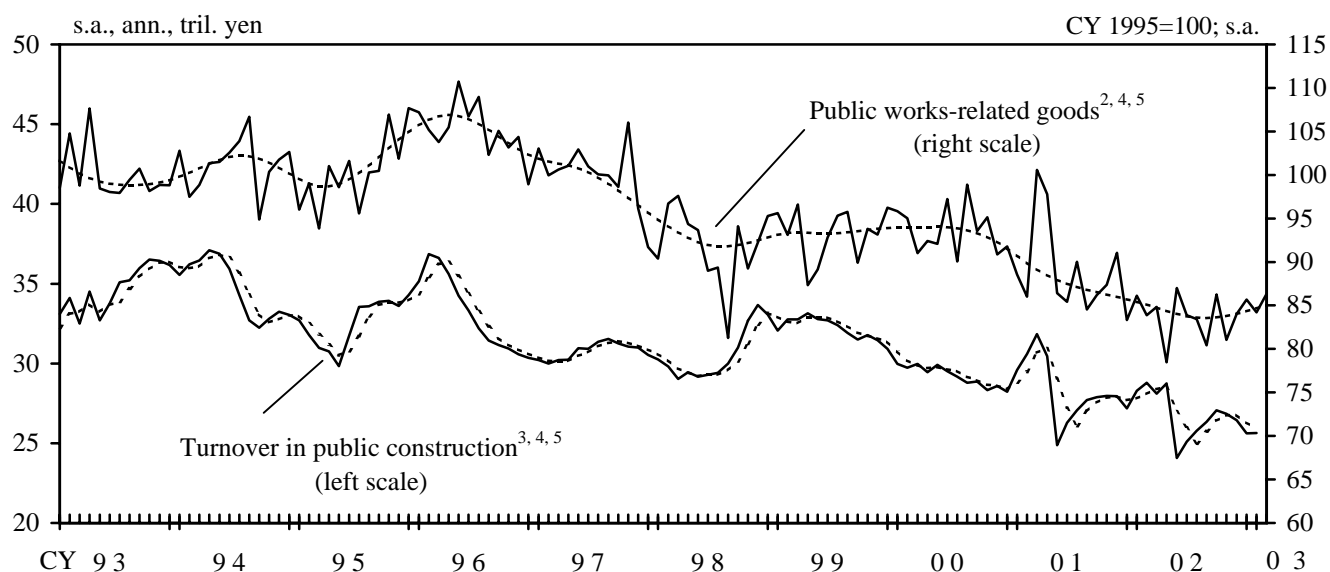
Source: Cabinet Office, "National Accounts."

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";

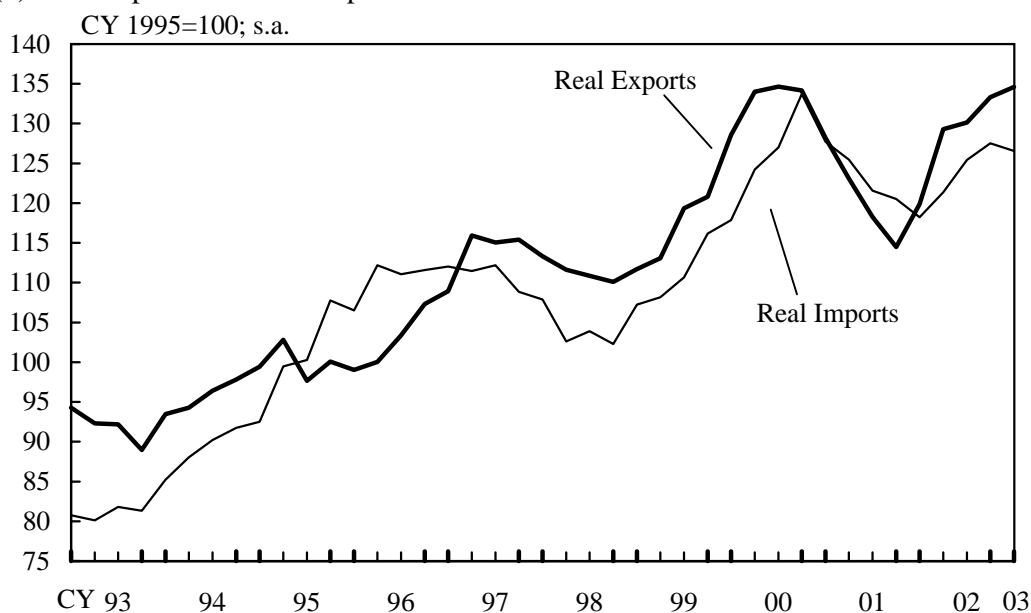
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";

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

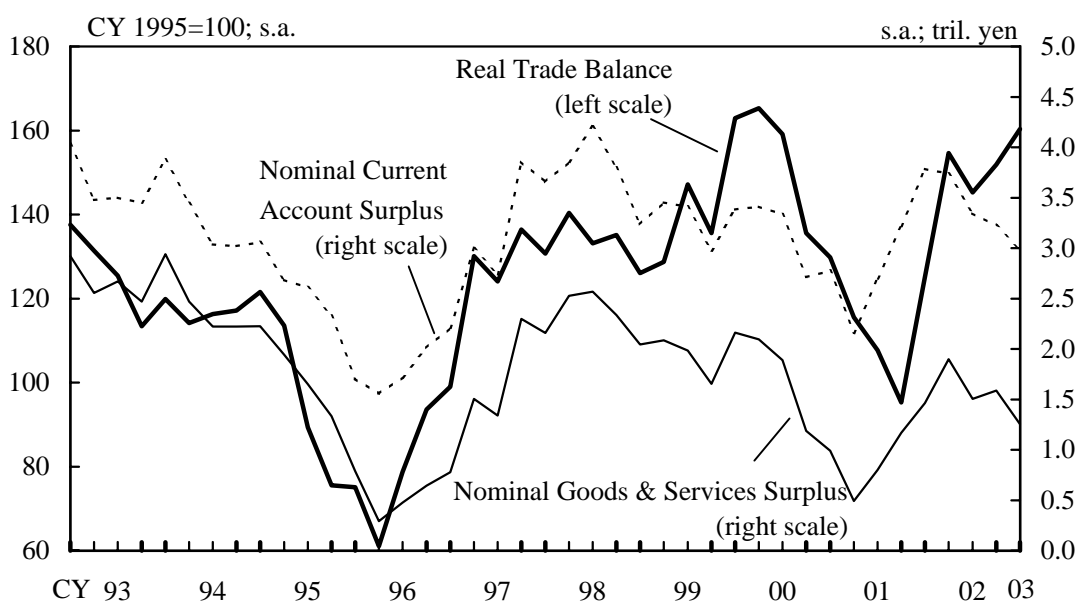
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

 External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



Notes:1. Real trade balance is defined as real exports minus real imports, indexed with base year of 1995.

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

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

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

Real Exports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2001	2002	2002 Q1	Q2	Q3	Q4	2003 Q1	2002 Dec.	2003 Jan.	Feb.
United States	<28.5>	-8.5	-0.5	4.4	1.5	-0.6	2.5	-8.5	-8.2	-5.3	-5.4
EU	<14.7>	-10.9	-2.5	-6.2	9.8	6.1	0.1	5.7	-5.6	10.5	-4.7
East Asia	<41.5>	-9.7	16.3	7.5	12.1	4.3	2.3	9.0	-0.0	8.1	1.4
China	<9.6>	11.6	35.4	17.8	13.3	11.0	1.8	24.8	-4.8	24.3	7.4
NIEs	<22.7>	-15.8	13.3	5.8	12.1	2.9	3.5	5.5	1.1	2.6	2.0
Korea	<6.9>	-9.1	18.3	2.8	13.8	6.0	5.7	10.2	0.5	7.6	1.0
Taiwan	<6.3>	-25.7	13.9	6.7	12.4	2.2	0.5	4.2	2.5	1.1	0.2
ASEAN4 ³	<9.3>	-8.1	8.6	3.3	10.8	1.4	0.1	1.7	2.0	5.7	-6.8
Thailand	<3.2>	-4.0	15.8	-1.5	16.2	10.1	3.7	-1.7	-1.0	4.2	-11.0
Real exports		-9.1	6.1	4.7	7.8	0.7	2.4	1.0	-2.9	0.7	0.6

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2001	2002	2002 Q1	Q2	Q3	Q4	2003 Q1	2002 Dec.	2003 Jan.	Feb.
Intermediate goods	<15.3>	-3.5	8.5	5.6	3.7	0.1	-3.2	7.0	-3.0	7.0	-0.3
Motor vehicles and their related goods	<24.3>	-0.0	12.7	5.8	4.2	-0.5	4.6	0.0	-0.0	-1.4	-5.1
Consumer goods ⁴	<7.1>	-6.3	8.9	4.5	8.6	2.2	7.5	-2.4	-16.4	5.4	-0.6
IT-related goods ⁵	<14.8>	-12.0	-0.8	-5.9	17.0	8.6	0.9	-6.0	-3.9	-5.8	3.9
Capital goods and parts ⁶	<27.3>	-14.9	5.6	6.2	9.2	2.4	4.0	3.2	1.9	-0.4	4.2
Real exports		-9.1	6.1	4.7	7.8	0.7	2.4	1.0	-2.9	0.7	0.6

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

2. Shares of each region and goods in 2002 are shown in angle brackets.

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

4. Excludes motor vehicles.

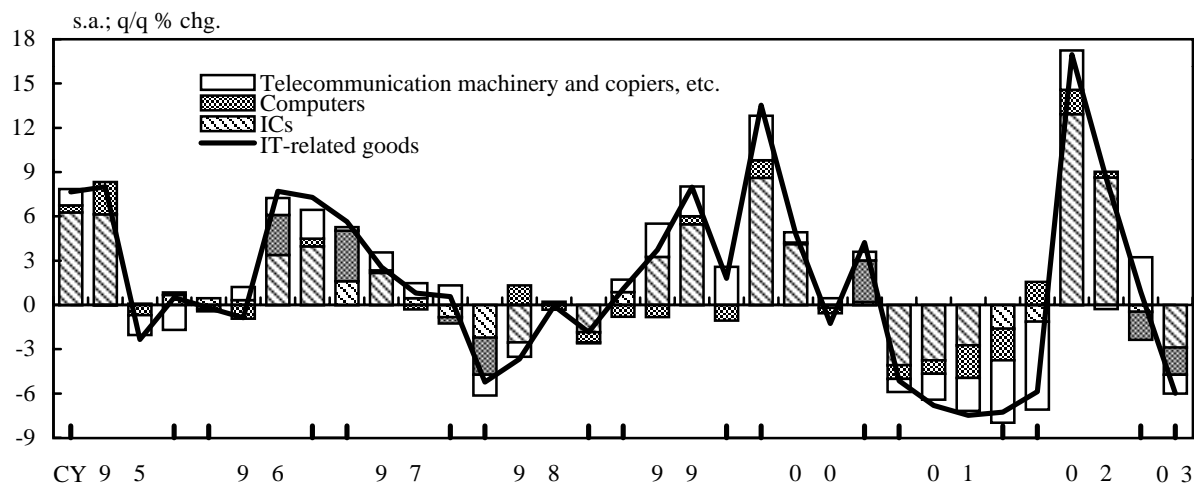
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs and medical and optical instruments.

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

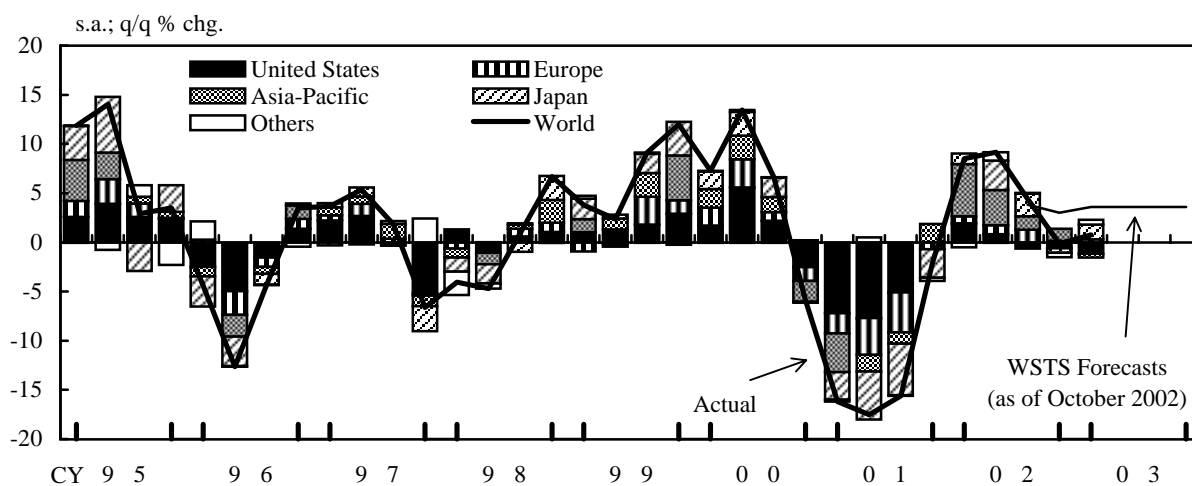
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes," "Corporate Goods Price Index."

Exports and Imports of IT-related goods

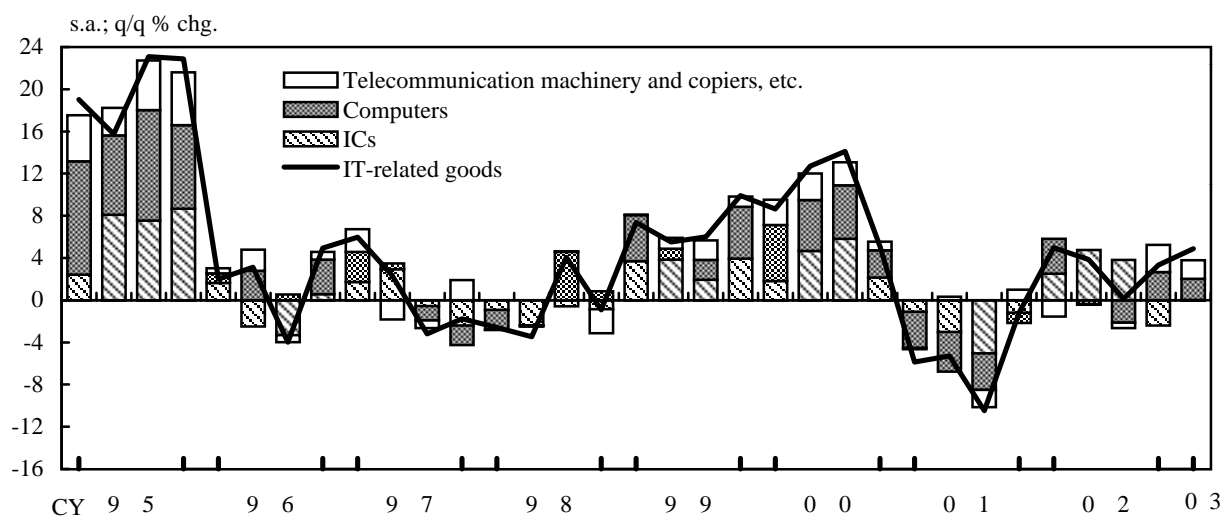
(1) Exports of IT-related goods (real, breakdown by goods)



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



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



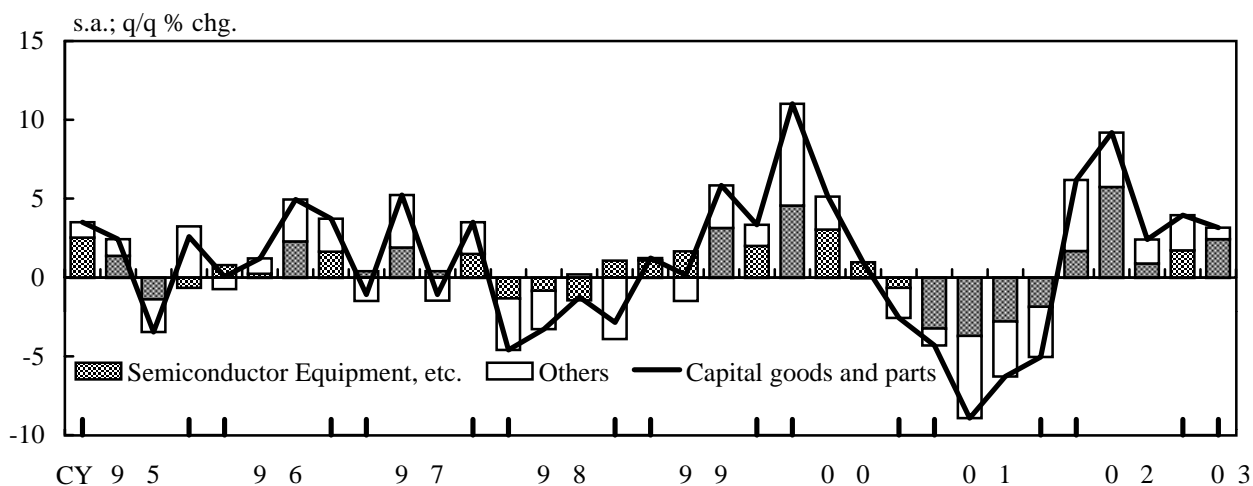
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. 2003/Q1 figures are Jan.-Feb. figures converted into quarterly amount.

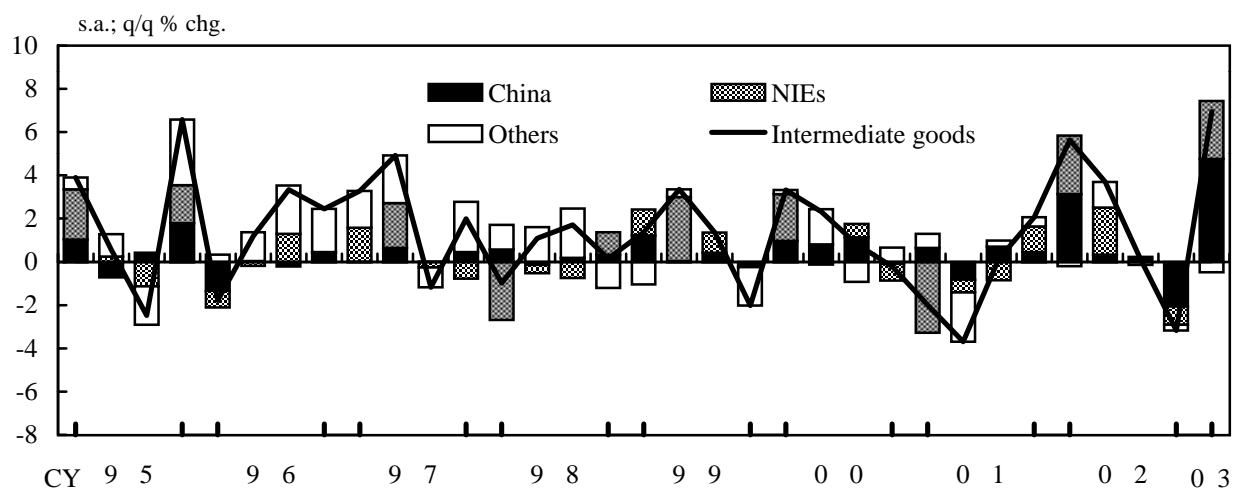
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
 Bank of Japan, "Wholesale Price Indexes," "Corporate Price Index";
 WSTS (World Semiconductor Trade Statistics), "Semiconductor Forecasts."

Real Exports breakdown by goods

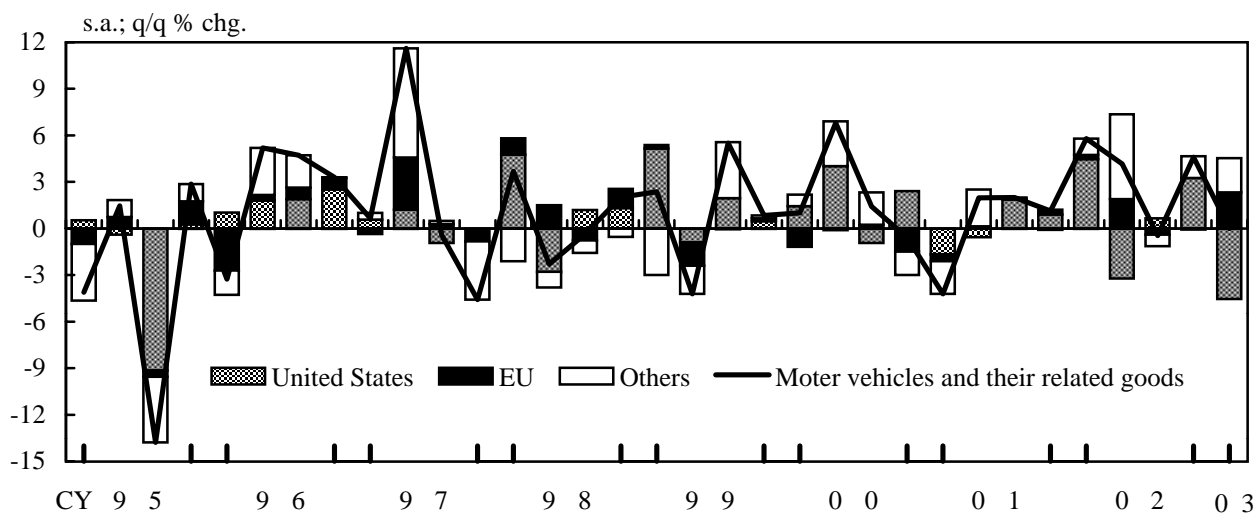
(1) Capital goods and parts



(2) Intermediate goods



(3) Motor vehicles and their related goods



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

2. 2003/Q1 figures are Jan.-Feb. figures converted into quarterly amount.

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

Real Imports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2001	2002	2002 Q1	Q2	Q3	Q4	2003 Q1	2002 Dec.	2003 Jan.	Feb.
United States	<17.1>	-4.4	-6.4	-1.5	3.4	0.9	-5.5	1.9	-2.3	3.4	-10.8
EU	<13.0>	3.5	-0.1	-6.4	2.8	6.2	2.4	-4.7	5.3	-10.0	2.2
East Asia	<41.4>	1.6	3.3	1.5	3.7	2.7	5.6	0.2	0.0	0.7	-3.9
China	<18.3>	13.3	11.1	1.7	3.5	1.9	10.2	0.4	0.1	-2.3	-1.0
NIEs	<10.5>	-9.6	-2.4	3.5	8.2	1.5	-0.0	-0.0	-1.4	7.0	-11.4
Korea	<4.6>	-7.8	-3.5	-1.6	10.8	3.2	1.4	2.2	3.4	7.0	-12.7
Taiwan	<4.0>	-13.0	-0.6	6.0	9.3	0.6	-2.8	0.7	-3.9	8.5	-9.4
ASEAN4 ³	<12.6>	0.0	-1.0	-0.3	0.2	4.9	4.5	0.1	1.1	-0.2	-1.2
Thailand	<3.1>	6.0	4.8	-0.3	4.7	3.2	5.2	-0.6	5.1	-6.4	2.4
Real imports		-1.1	-0.7	-1.9	2.6	3.4	1.7	-0.8	1.1	-2.6	-2.6

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2001	2002	2002 Q1	Q2	Q3	Q4	2003 Q1	2002 Dec.	2003 Jan.	Feb.
Raw materials ⁴	<25.3>	-5.1	-3.2	-3.1	-2.2	9.2	3.1	3.8	5.6	-5.0	6.6
Intermediate goods	<13.0>	-0.2	0.0	-0.5	0.9	5.6	-0.5	-0.6	-0.4	0.6	-6.4
Foodstuffs	<12.5>	-1.5	-2.1	-4.6	0.2	0.5	-2.3	-1.4	-1.6	-3.4	-3.6
Consumer goods	<11.0>	5.8	-2.5	-7.3	4.9	0.2	5.8	-5.0	7.3	-10.7	-0.5
IT-related goods ⁵	<14.4>	-2.4	0.4	5.0	3.8	0.1	3.3	4.9	-3.4	8.0	-5.5
Capital goods and parts ⁶	<12.9>	3.2	7.4	0.5	13.2	5.6	-0.5	-2.5	4.2	-4.0	-3.8
excluding aircraft	<11.8>	6.0	3.5	-2.5	10.6	2.7	4.7	-2.2	-3.0	-1.5	-4.7
Real imports		-1.1	-0.7	-1.9	2.6	3.4	1.7	-0.8	1.1	-2.6	-2.6

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

2. Shares of each region and goods in 2002 are shown in angle brackets.

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

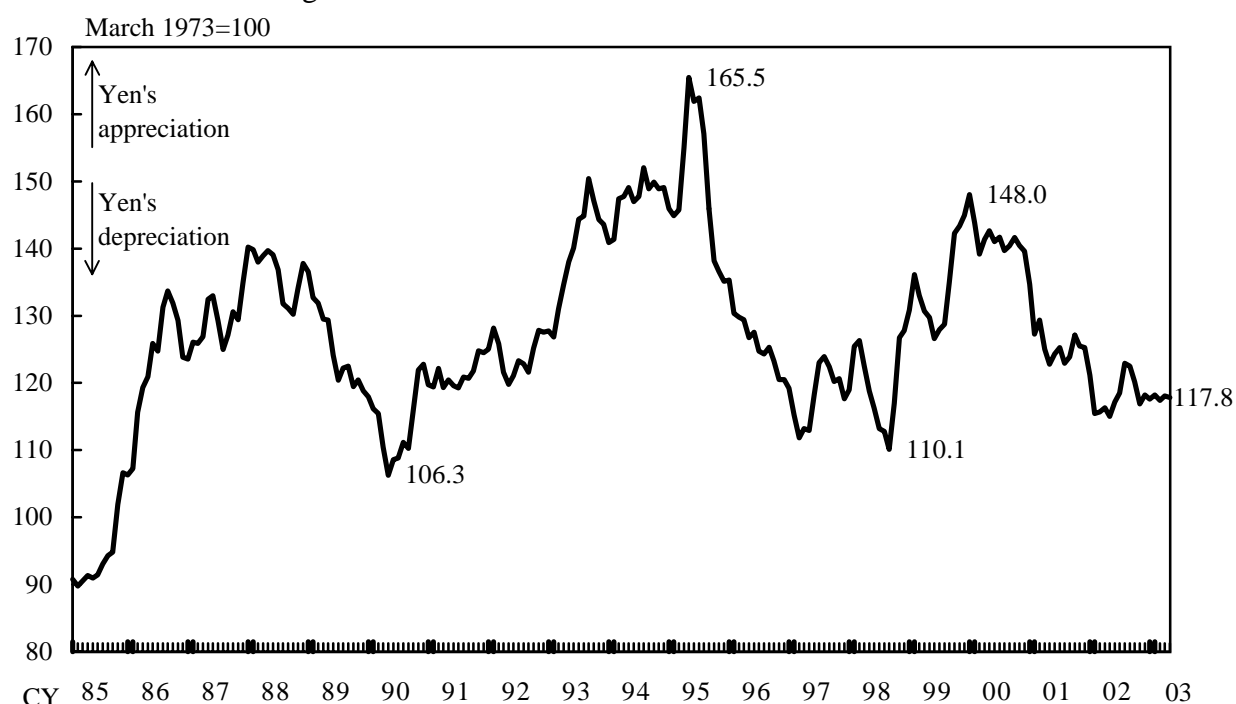
4. Raw materials are mainly composed of woods, ores and mineral fuel.

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 April 2003 is the average up to April 7.

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

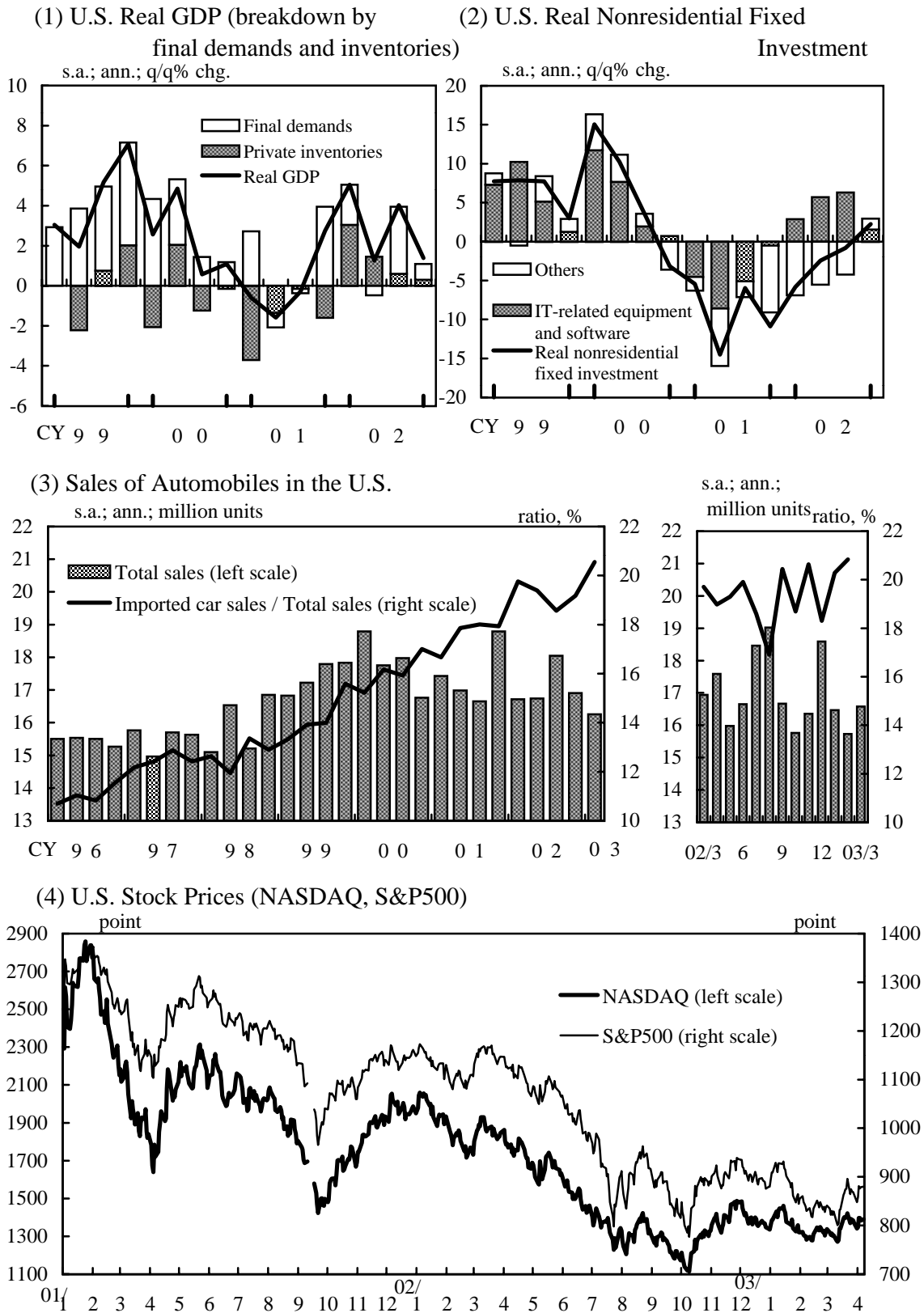
(2) Real GDP Growth Rates in Overseas Economies

		CY2000	2001	2002	2002 Q1	Q2	Q3	Q4	
United States ¹		3.8	0.3	2.4	5.0	1.3	4.0	1.4	
European Union ¹		3.5	1.5	0.9	1.4	1.6	1.8	0.8	
East Asia ²	Germany	2.9	0.6	0.2	1.2	0.6	1.2	-0.1	
	France	4.2	1.8	1.2	2.8	1.8	1.2	0.9	
	United Kingdom	3.1	2.1	1.8	0.5	2.4	4.3	1.5	
	China	8.0	7.3	8.0	7.6	8.0	8.1	8.1	
	NIEs	Korea	9.3	3.1	6.3	6.2	6.6	5.8	6.8
		Taiwan	5.9	-2.2	3.5	1.2	4.0	4.8	4.2
		Hong Kong	10.2	0.6	2.3	-0.5	0.8	3.3	5.0
		Singapore	9.4	-2.4	2.2	-1.5	3.8	3.8	3.0
	ASEAN4	Thailand	4.6	1.9	5.2	3.9	5.1	5.8	6.1
		Indonesia	4.9	3.4	3.7	2.7	3.9	4.3	3.8
Malaysia		8.3	0.4	4.2	1.3	4.1	5.8	5.6	
Philippines		4.4	3.2	4.6	3.7	4.8	3.7	5.8	

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

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

Exporting Conditions (2)



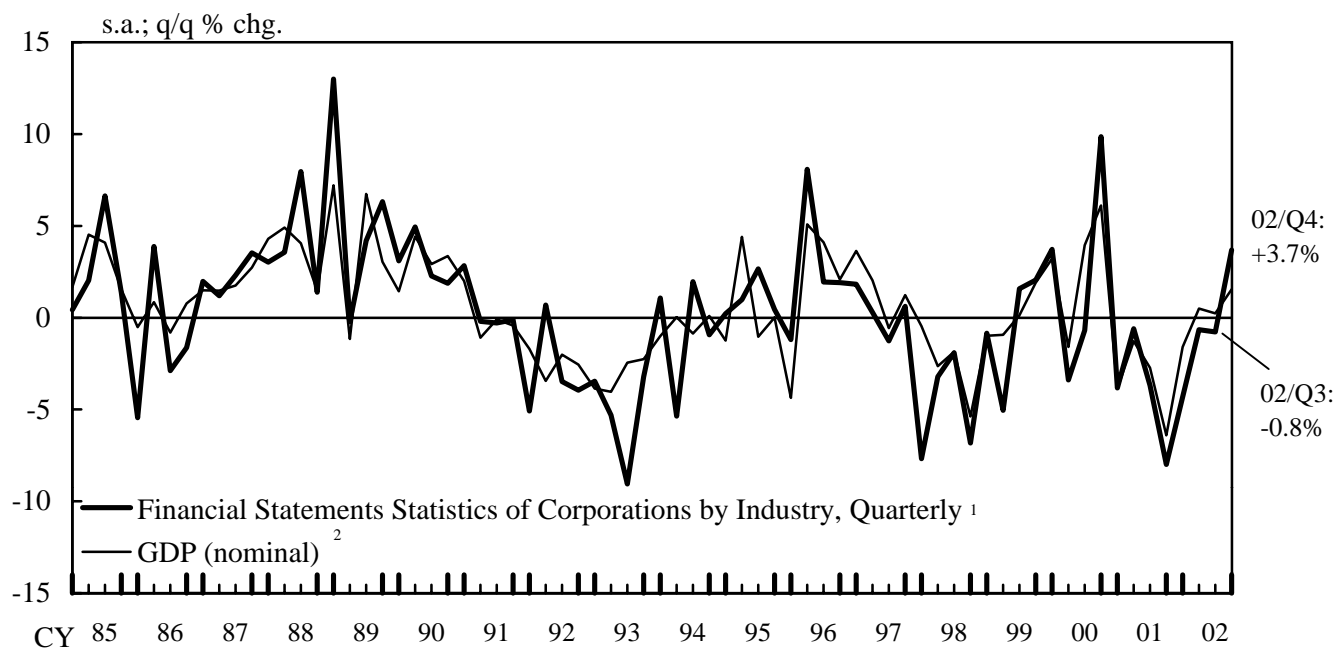
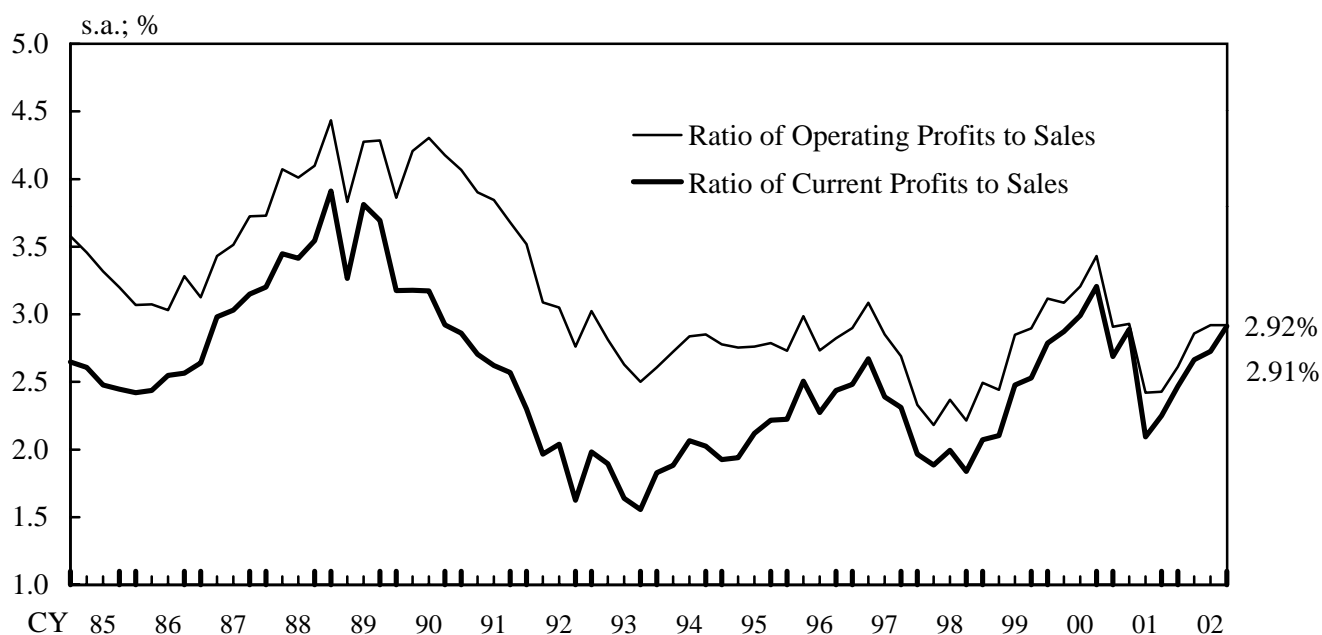
Notes: 1. "Imported car sales/ Total sales" in 2003/Q1 is based on Jan.-Feb. average in (3). March figures of Automobile Sales are calculated by adding average of heavy trucks in CY 2002 (0.4mil.) to preliminary figure released by an industry association (s.a., ann., 16.18 mil.) which does not include heavy trucks.

2. Figures of U.S. stock prices in (4) are up to April 7.

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

Indicators for Business Fixed Investment (1)

(1) Fixed Investment

(2) Corporate Profits (Ratio of Profits to Sales)^{1,3}

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

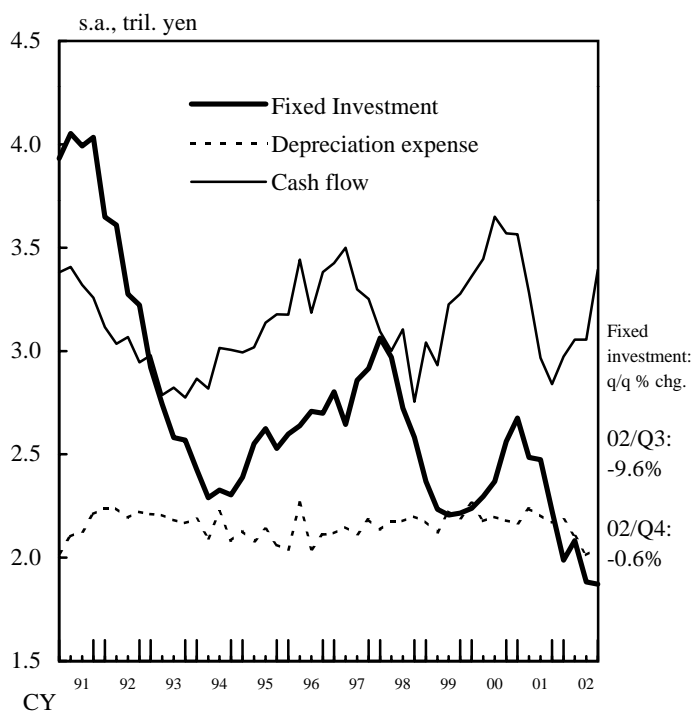
2. The Figures include "reference series" for 1994/Q2-1999/Q4.

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

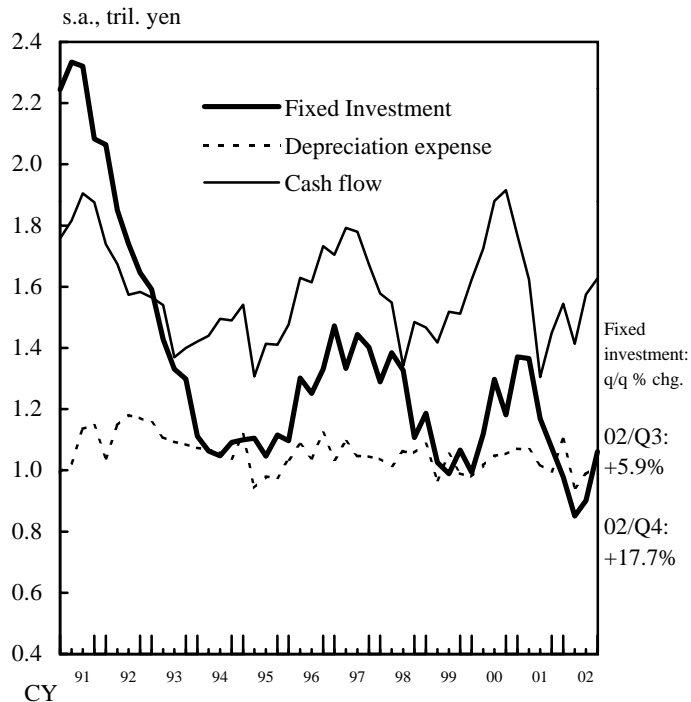
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Indicators for Business Fixed Investment (2)

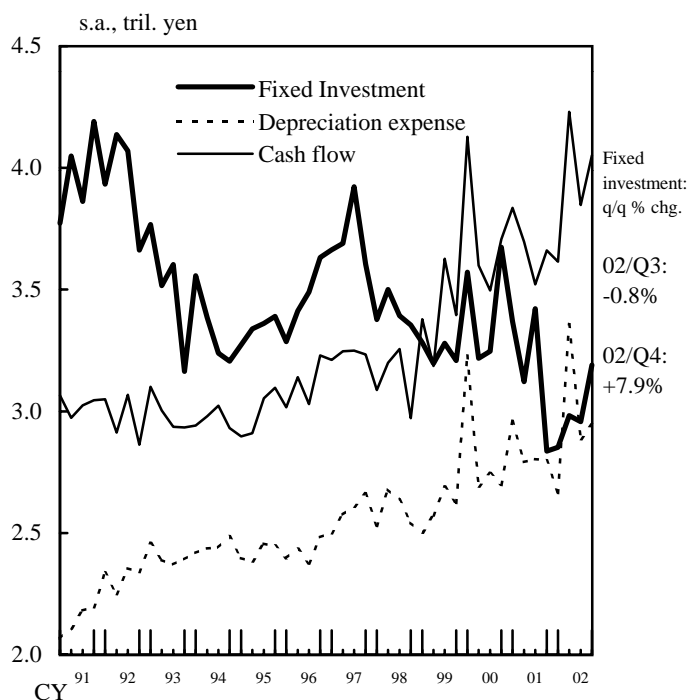
(1) Manufacturing large firms



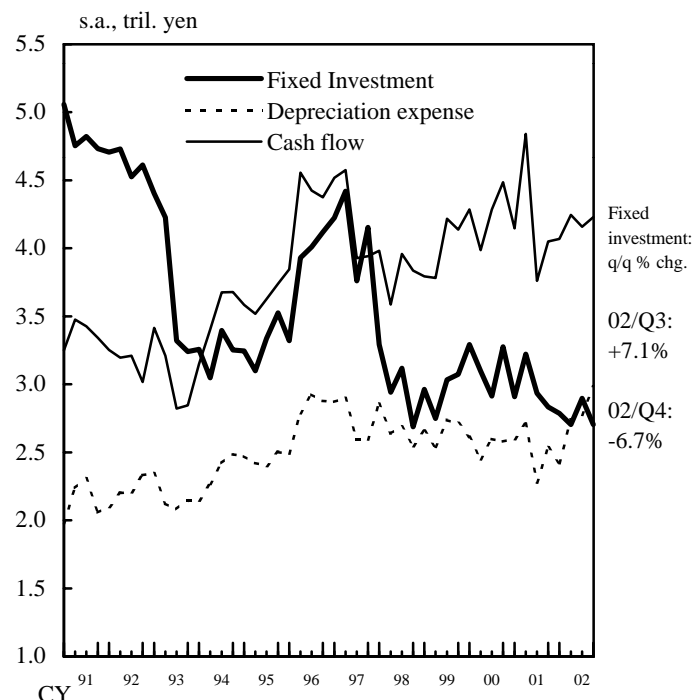
(2) Manufacturing medium and small firms



(3) Nonmanufacturing large firms



(4) Nonmanufacturing medium and small firms



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

2. Sample change adjusted (see note in chart 10-1(1)).

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

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

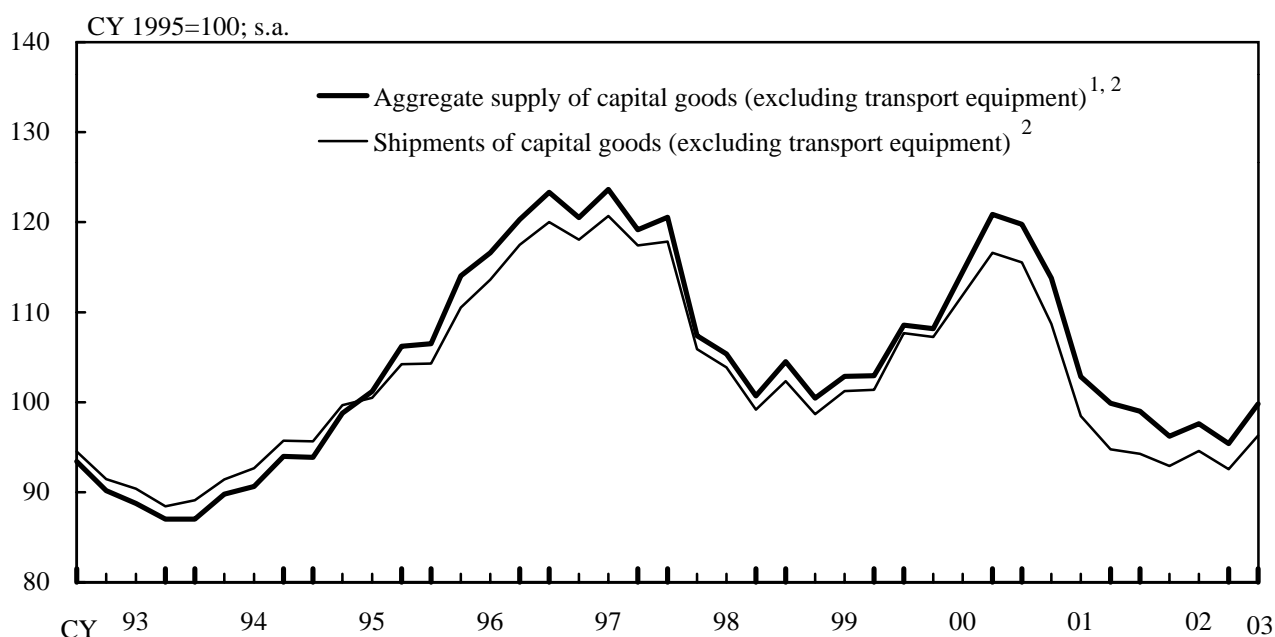
5. Cash Flow = Current profits ÷ 2 + Depreciation expense

6. Seasonally adjusted by X-11.

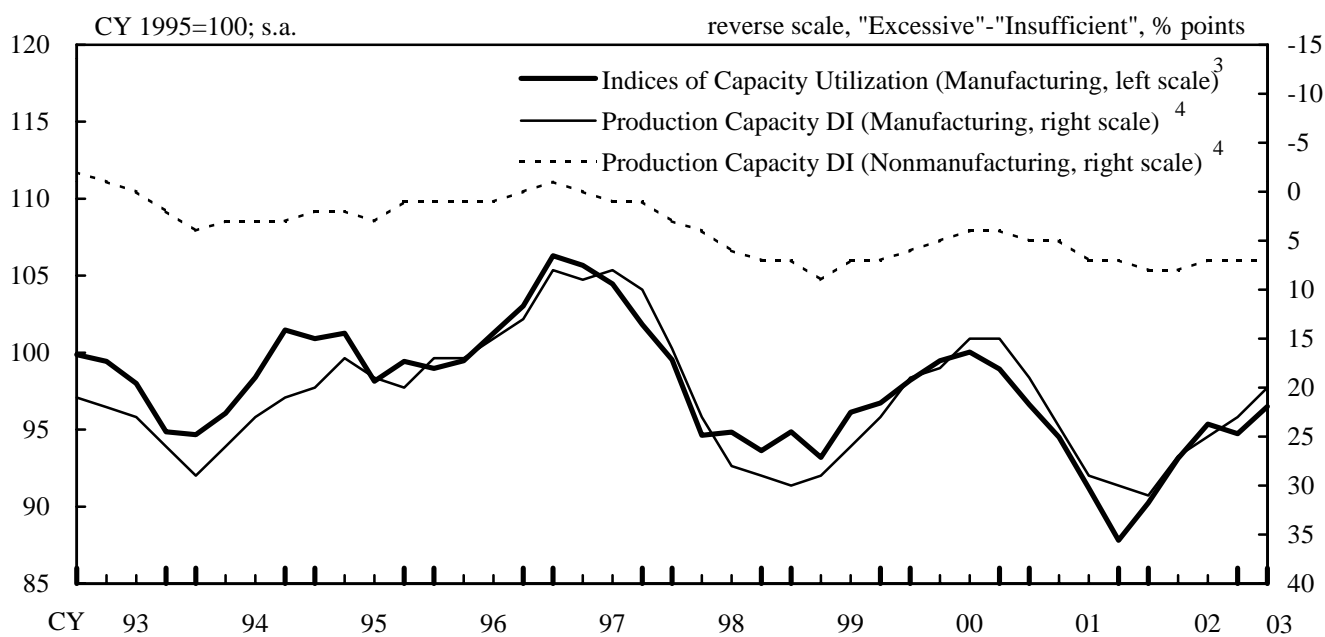
Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Indicators for Business Fixed Investment (3)

(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 calculated by the Bank of Japan using shipments of capital goods in *Indices of Industrial Production* and real exports and imports of capital goods and parts (shipments of capital goods - real exports + real imports).

The weights used for calculation are those of *Indices of Industrial Domestic Shipments and Imports*.

2. Figures for 2003/Q1 are averages of January and February.

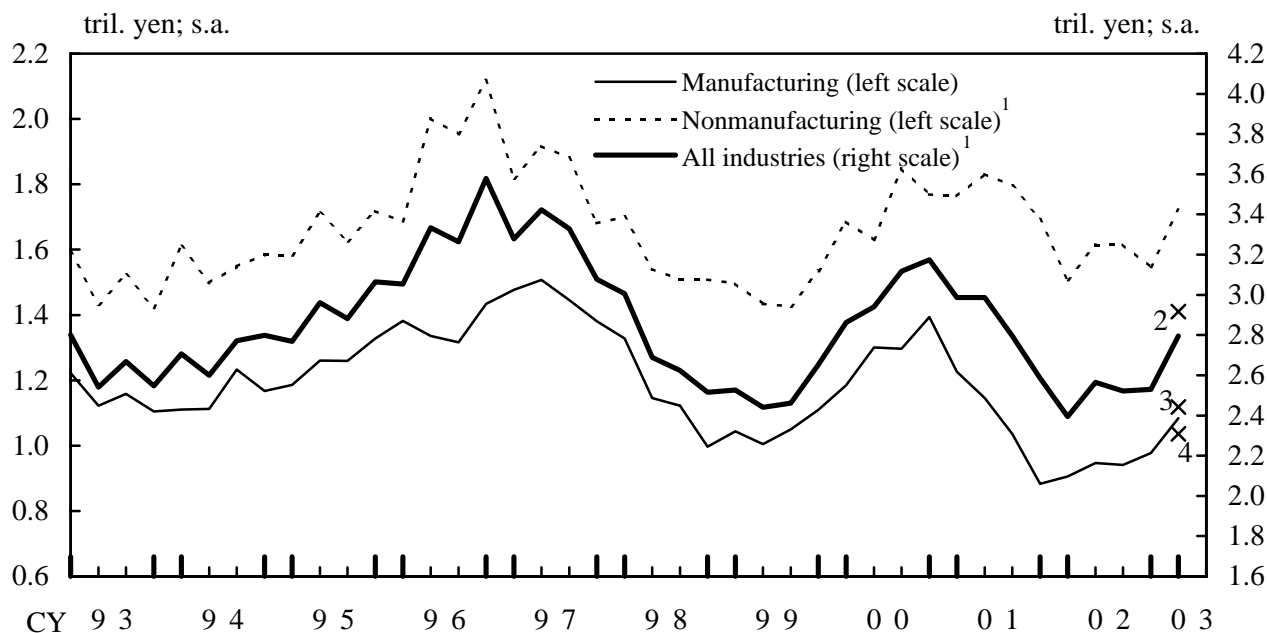
3. The figure for 2003/Q1 is that of January.

4. All enterprises.

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

Indicators for Business Fixed Investment (4)

(1) Machinery Orders



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

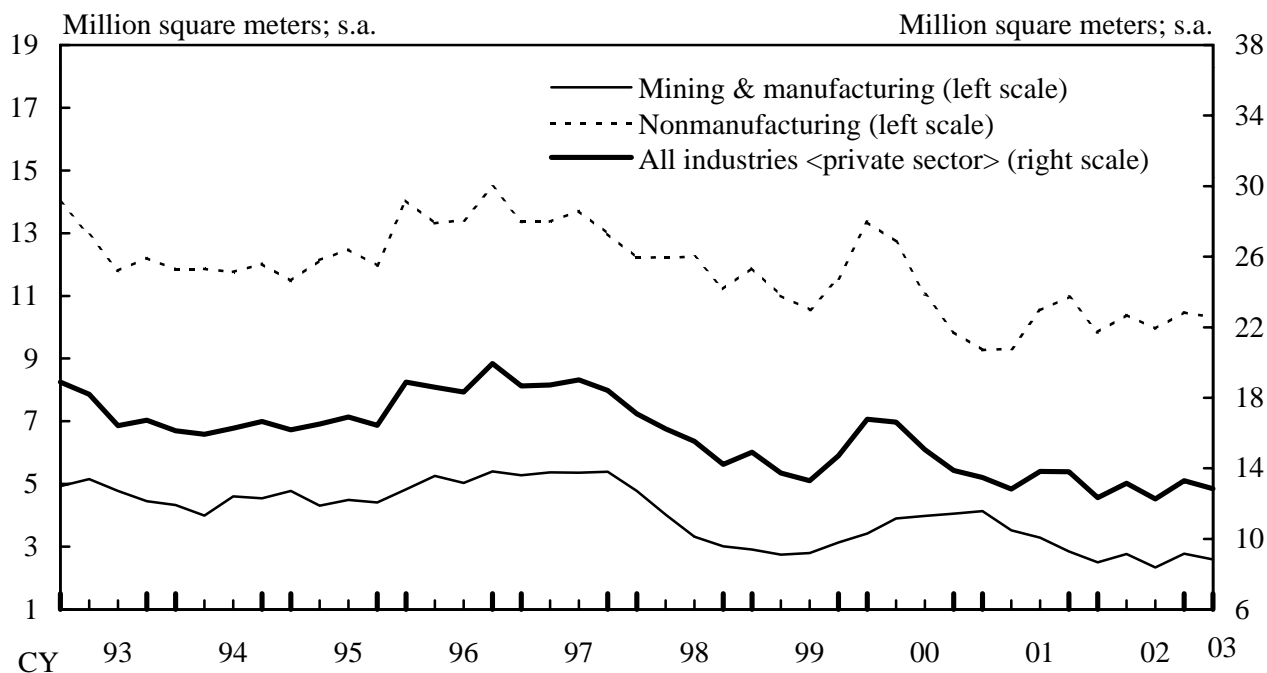
2. Forecast of nonmanufacturing industries for 2003/Q1.

3. Forecast of all industries for 2003/Q1.

4. Forecast of manufacturing industries for 2003/Q1.

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

(2) Construction Starts (Nonresidential)



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

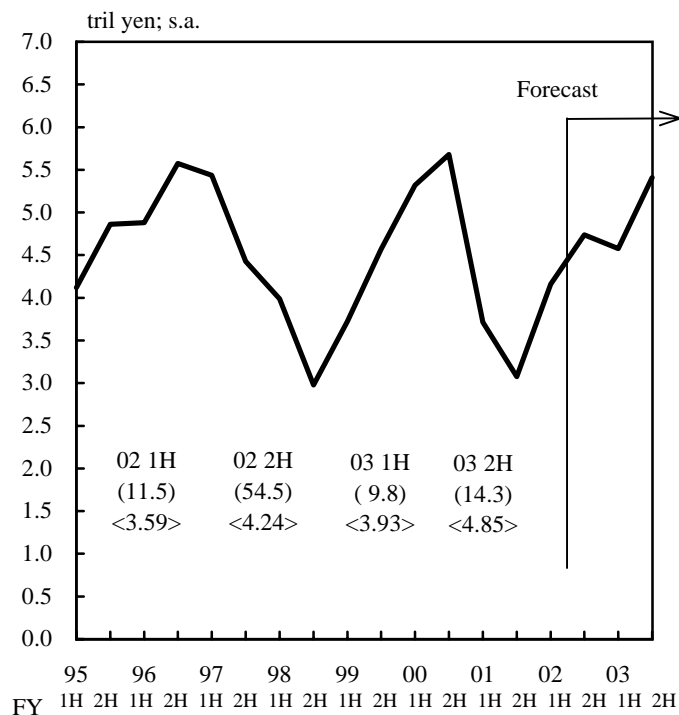
2. Figures for 2003/Q1 are averages of January and February in terms of quarterly amount.

Sources: Cabinet Office, "Machinery Orders Statistics";

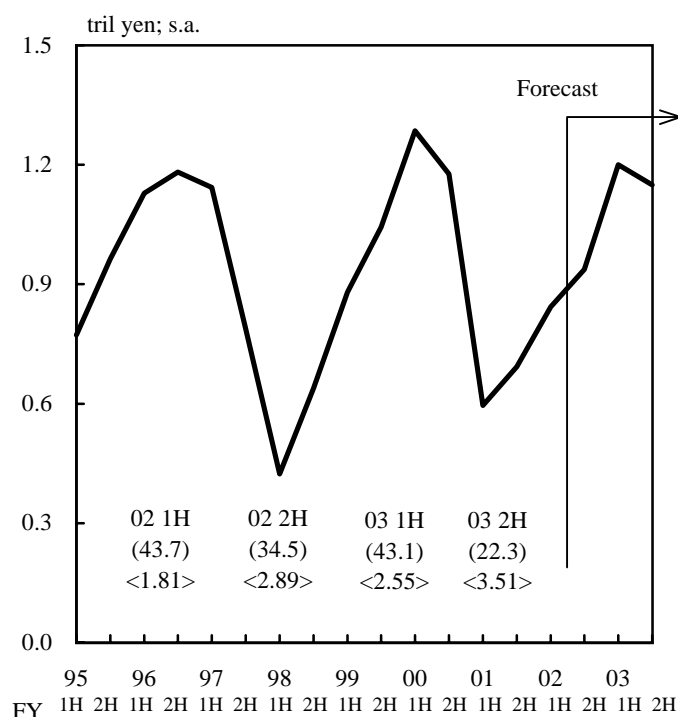
Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

Current Profits

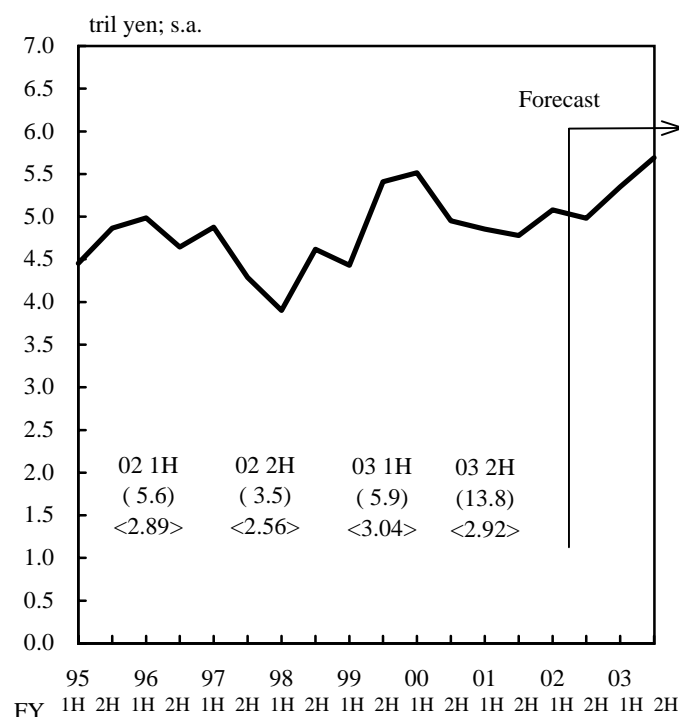
(1) Manufacturing / Large Enterprises



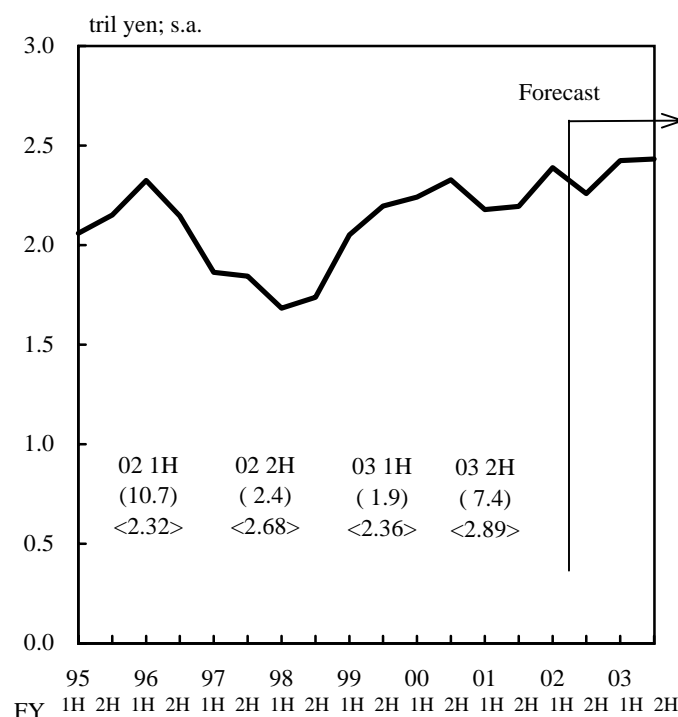
(2) Manufacturing / Small Enterprises



(3) Nonmanufacturing / Large Enterprises



(4) Nonmanufacturing / Small Enterprises



Notes: 1. Large enterprises: 1,000 employees or more

Small enterprises: 50-299 employees (for Manufacturing), 20-99 employees (for Wholesaling),
20-49 employees (for Retailing, services, and leasing),
50-299 employees (for Other industries)

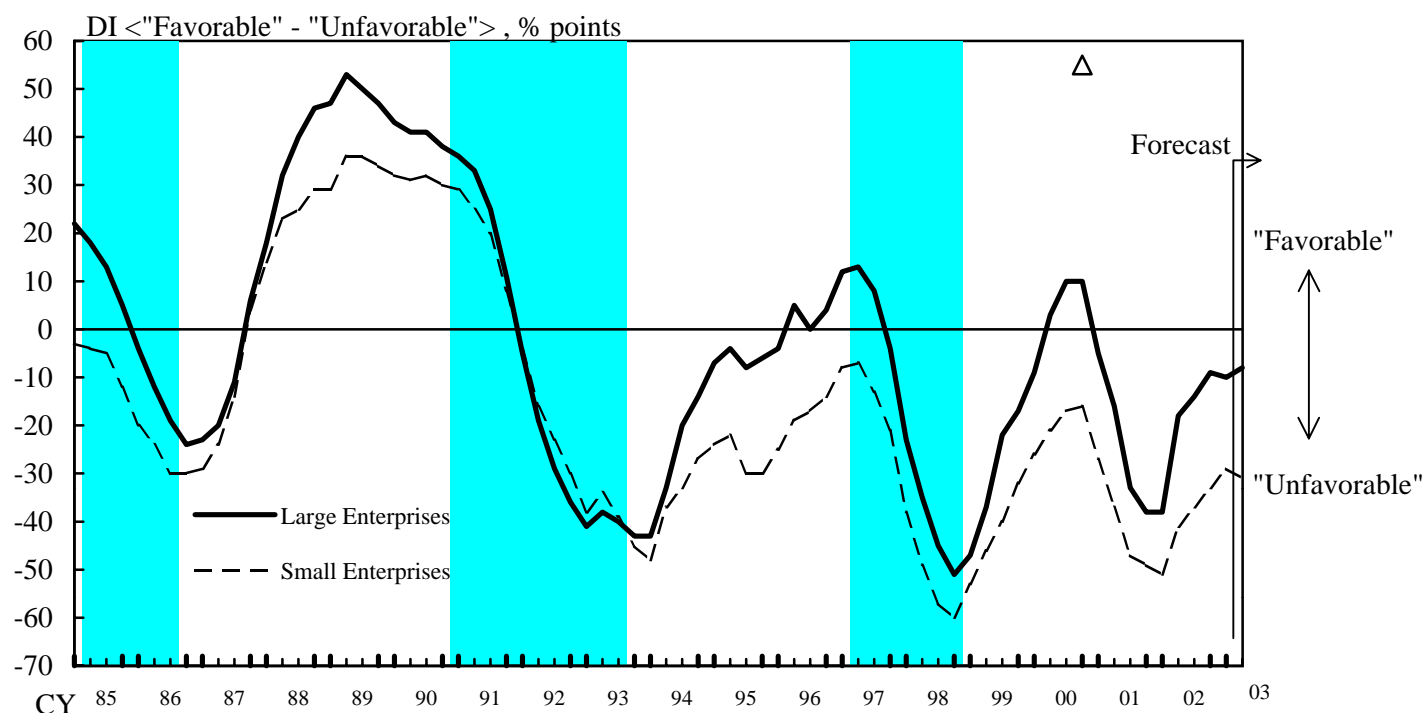
2. (): Current Profits (y/y% chg.), < >: Ratio of current profit to sales (%).

3. Seasonally adjusted by X-11.

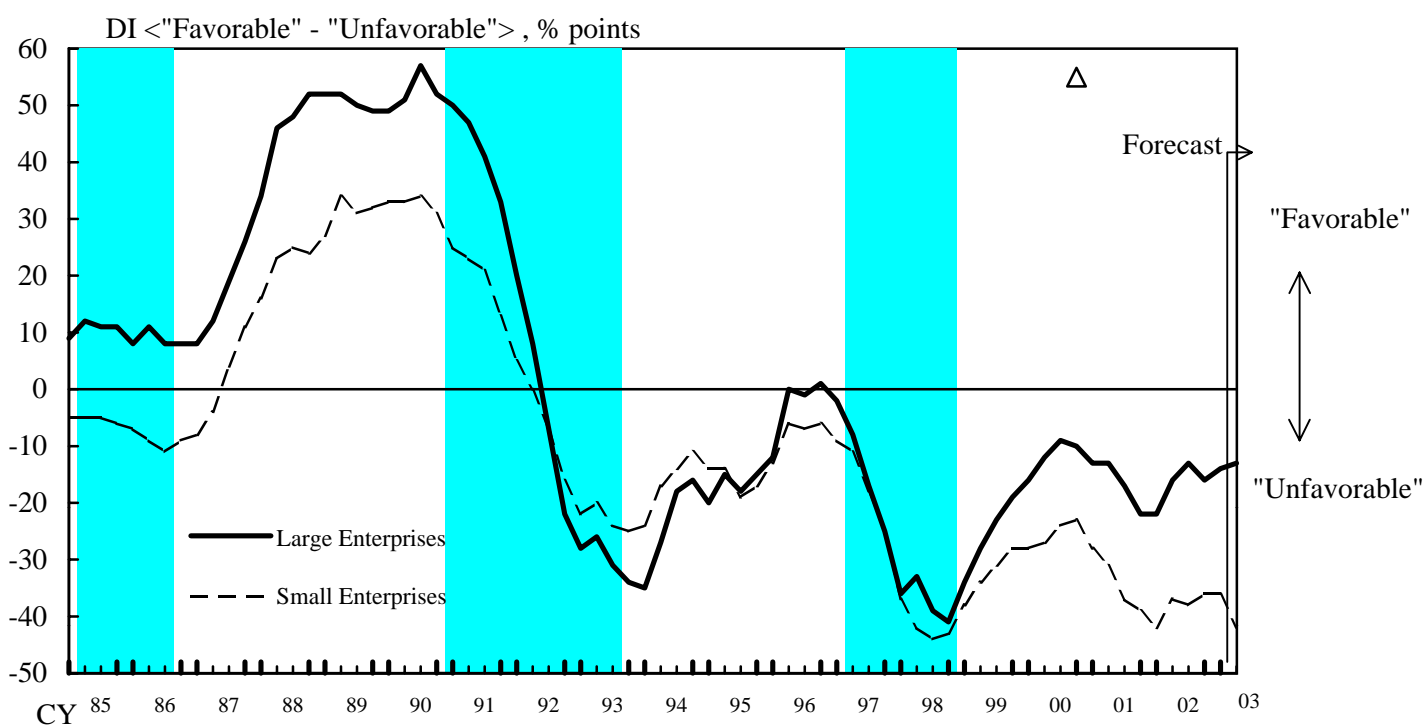
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan, March 2003."

Business Conditions

(1) Manufacturing



(2) Nonmanufacturing



Notes: 1. Large enterprises: 1,000 employees or more

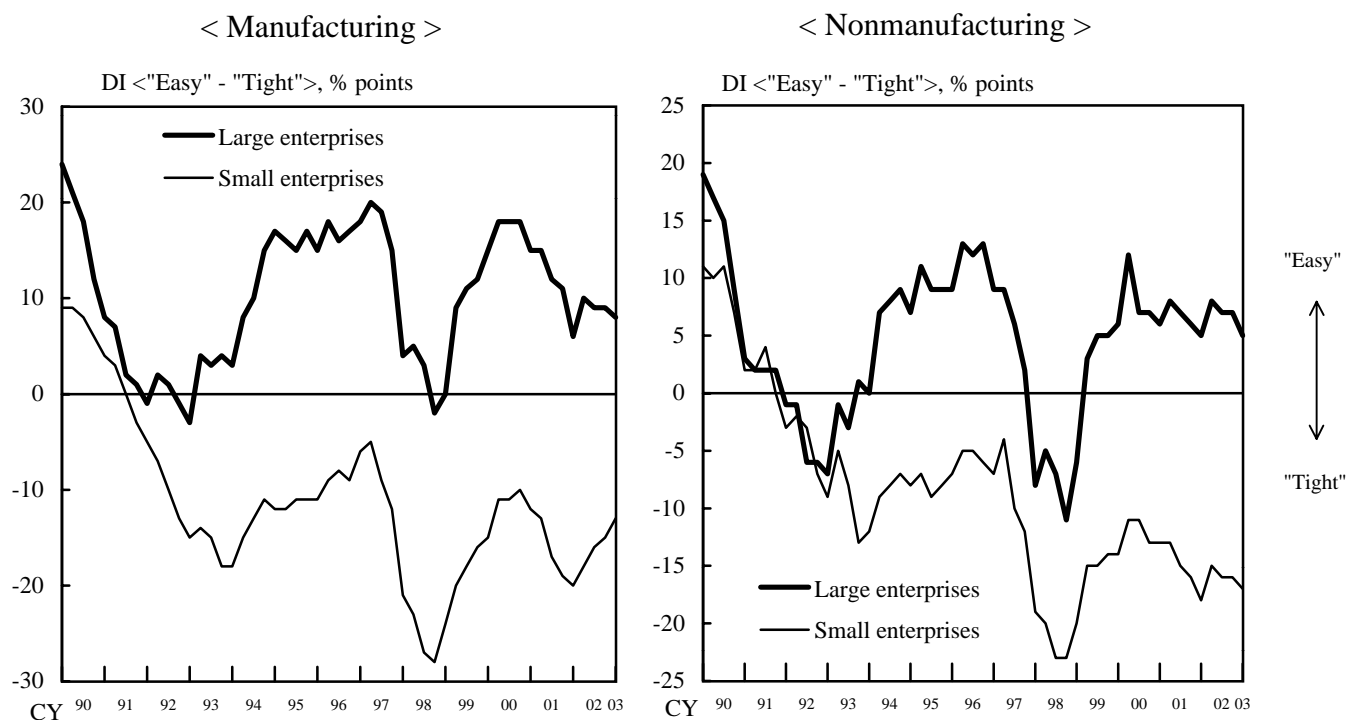
Small enterprises: 50-299 employees (for Manufacturing), 20-99 employees (for Wholesaling),
20-49 employees (for Retailing, services, and leasing),
50-299 employees (for Other industries)

2. Shaded areas indicate recession periods. Triangle shows the last peak.

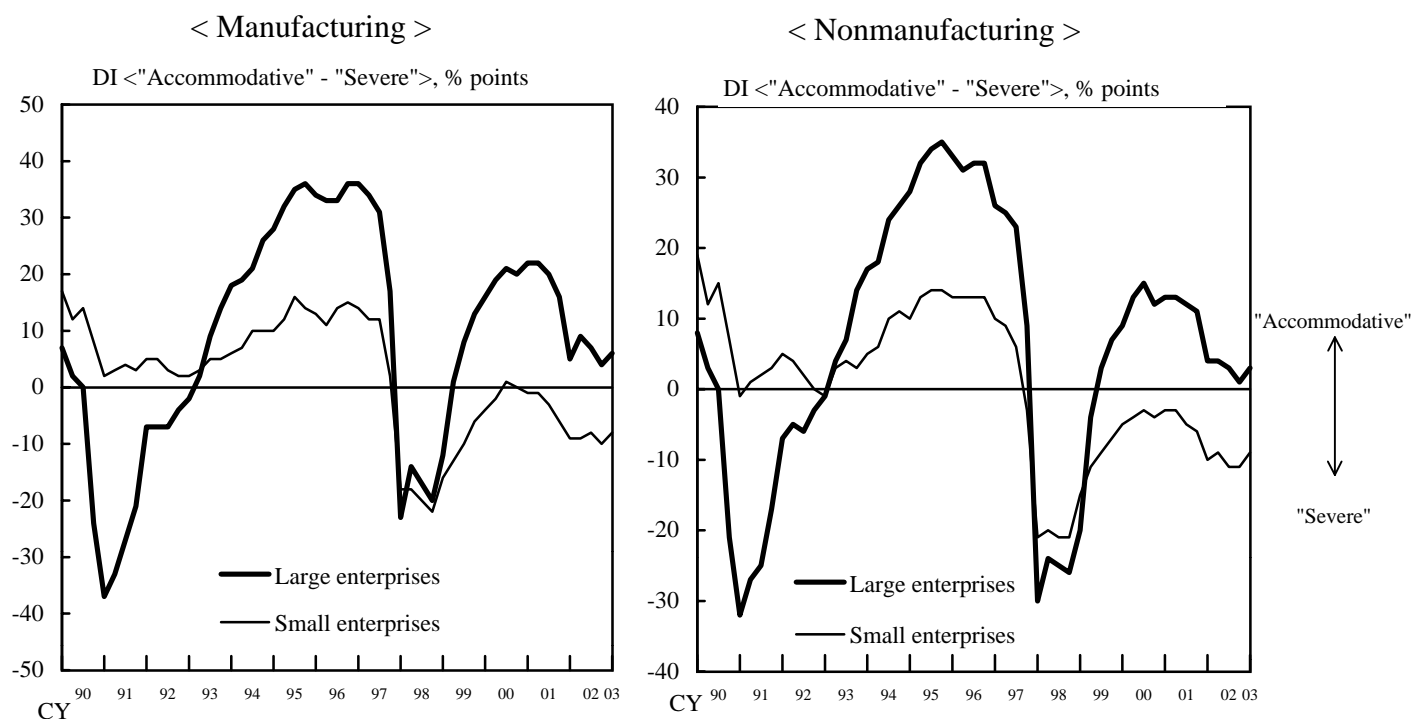
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

Corporate Finance-Related Indicators

(1) Financial Position



(2) Lending Attitude of Financial Institutions



Note: Large enterprises: 1,000 employees or more

Small enterprises: 50-299 employees (for Manufacturing), 20-99 employees (for Wholesaling),

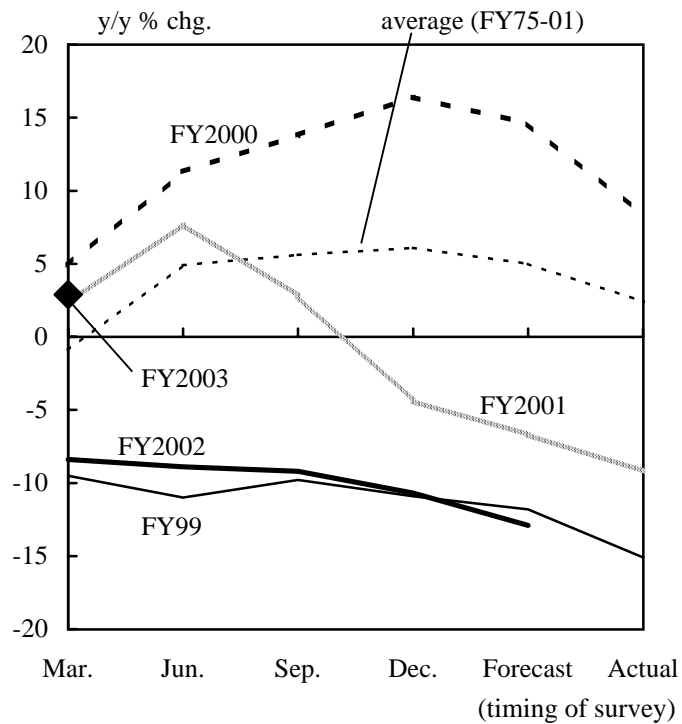
20-49 employees (for Retailing, services, and leasing),

50-299 employees (for Other industries)

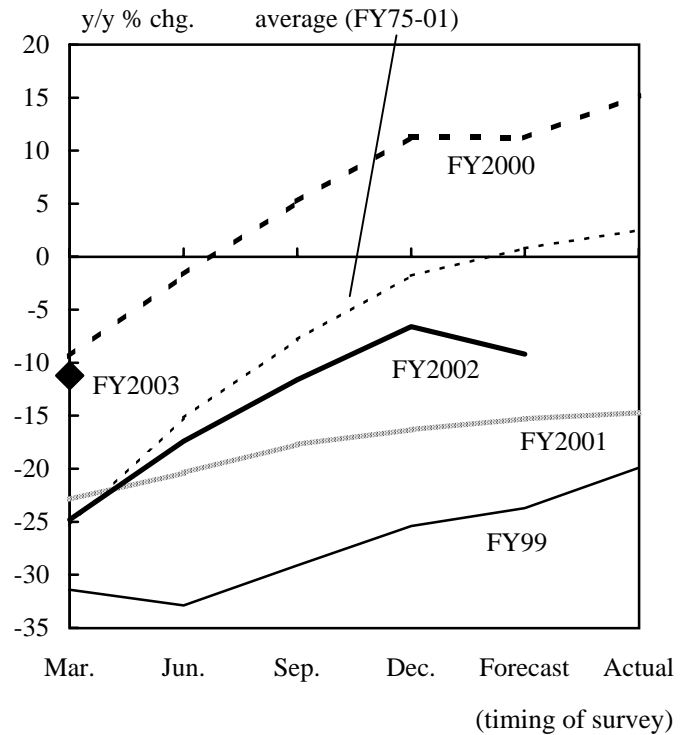
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

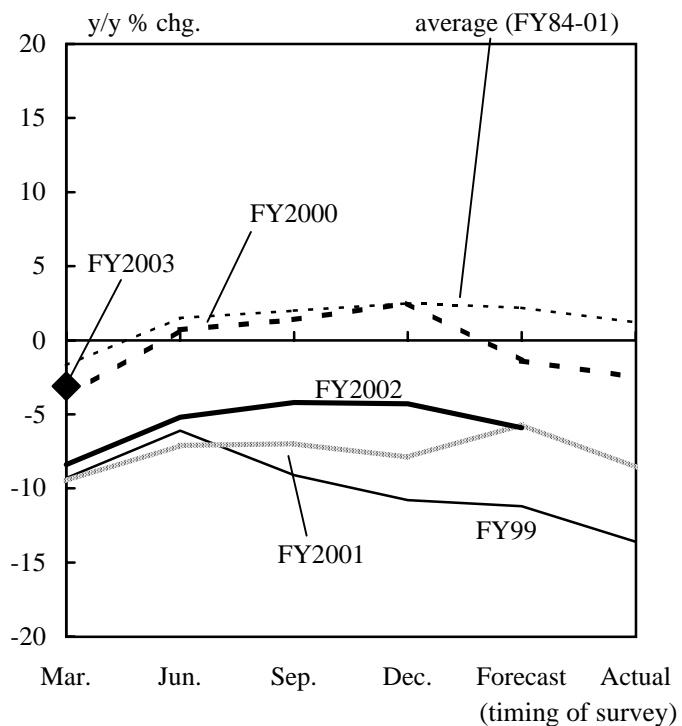
(1) Manufacturing / Large Enterprises



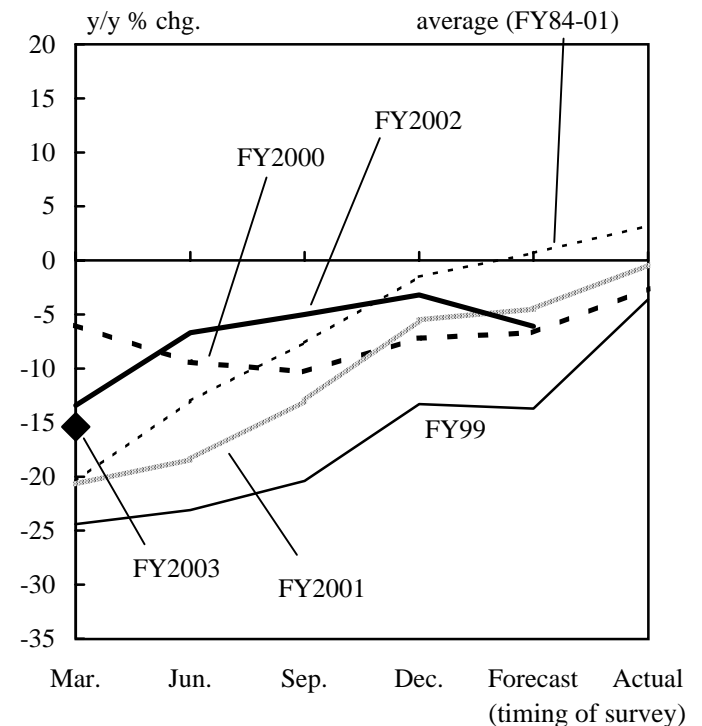
(2) Manufacturing / Small Enterprises



(3) Nonmanufacturing / Large Enterprises



(4) Nonmanufacturing / Small Enterprises



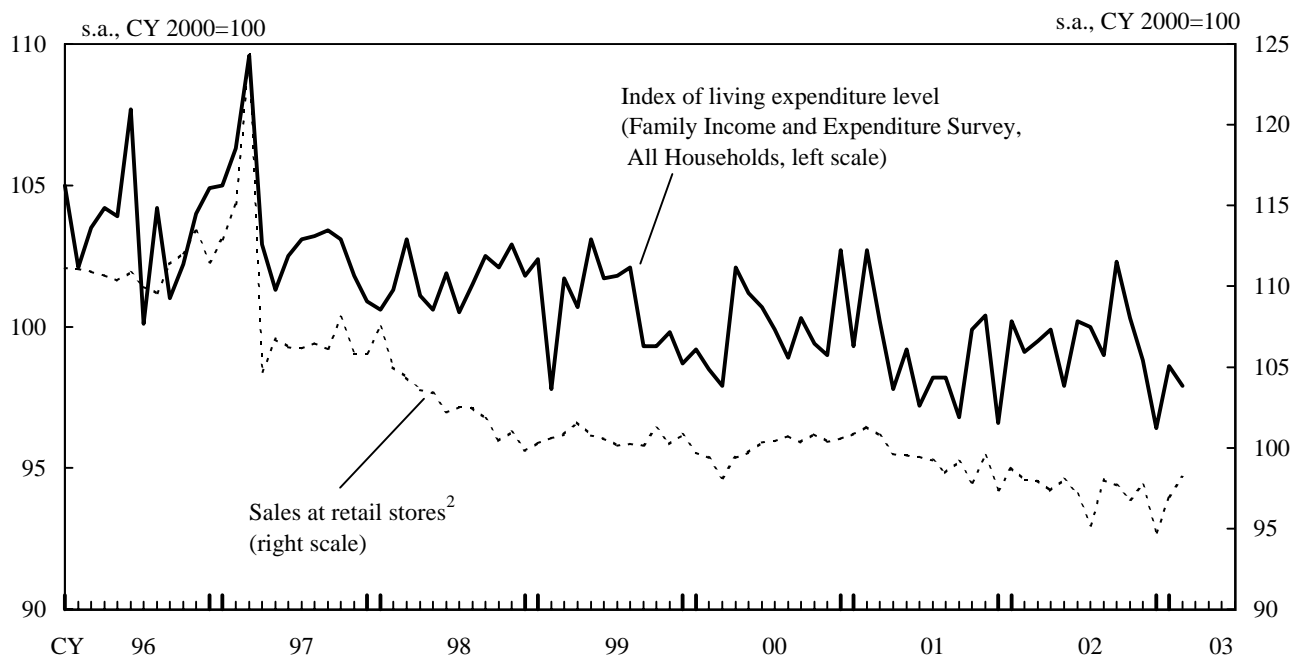
Note: Large enterprises: 1,000 employees or more

Small enterprises: 50-299 employees (for Manufacturing), 20-99 employees (for Wholesaling),
20-49 employees (for Retailing, services, and leasing),
50-299 employees (for Other industries)

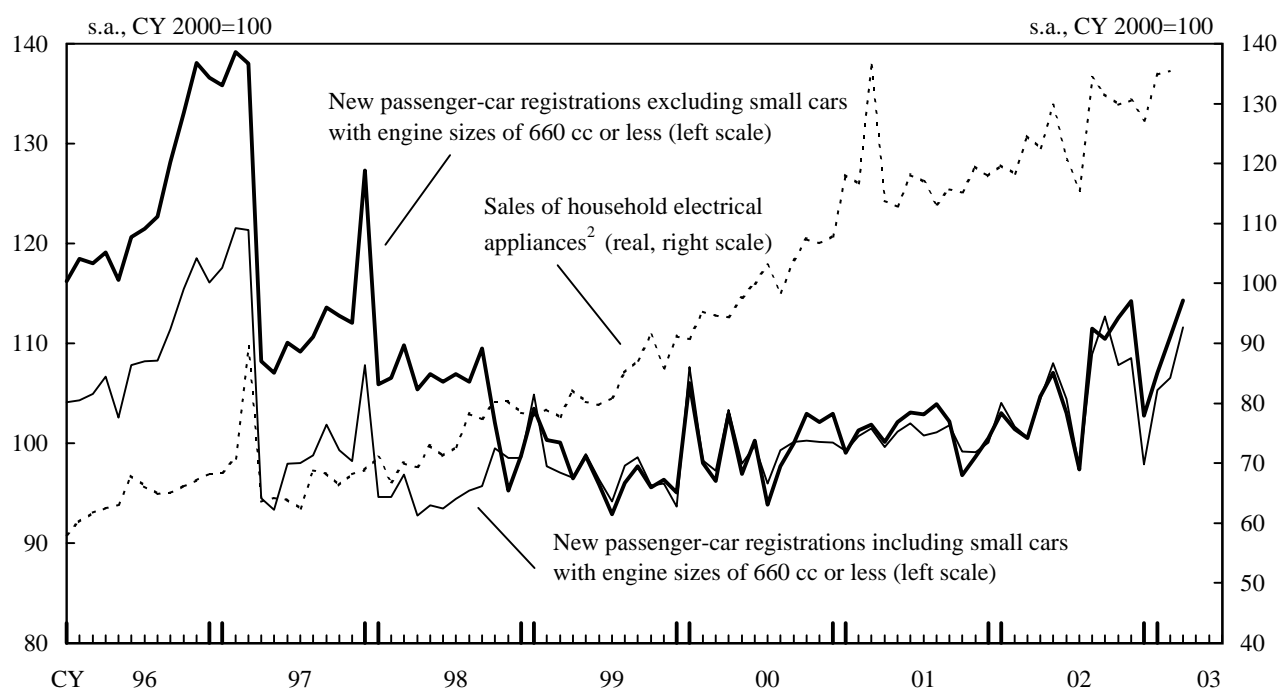
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



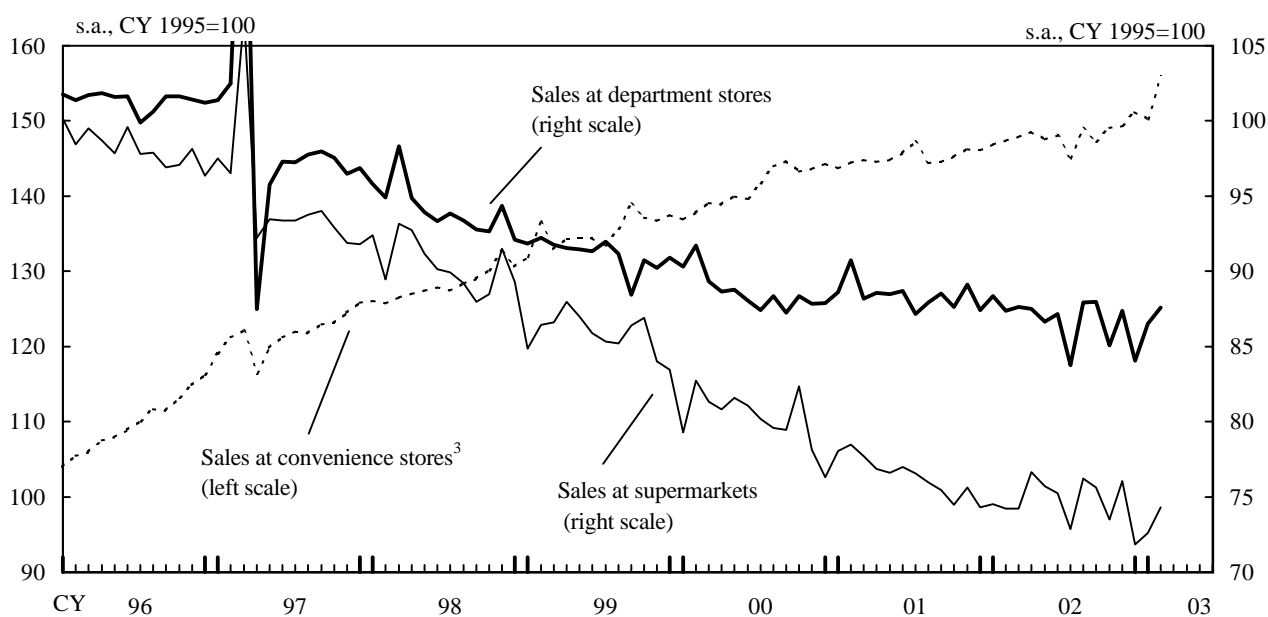
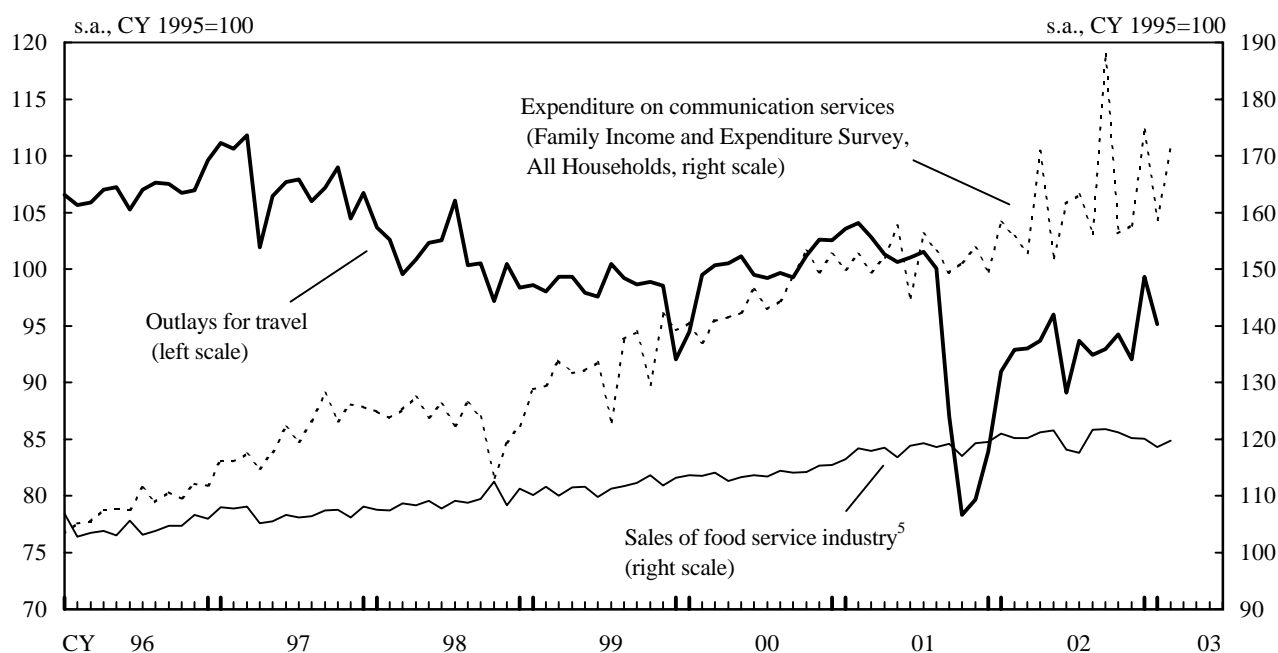
(2) Sales of Durable Goods



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

2. Sales at retail stores are deflated by the consumer price index for goods. Sales of household electrical appliances are the sum of their components deflated by the consumer price index (or the wholesale price index for personal computers before 1999).

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

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

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

2. Adjusted to exclude the effect of the increase in the number of stores (except convenience stores). Sales at department stores, supermarkets and convenience stores are adjusted to exclude the effect of the rise in the consumption tax rate.

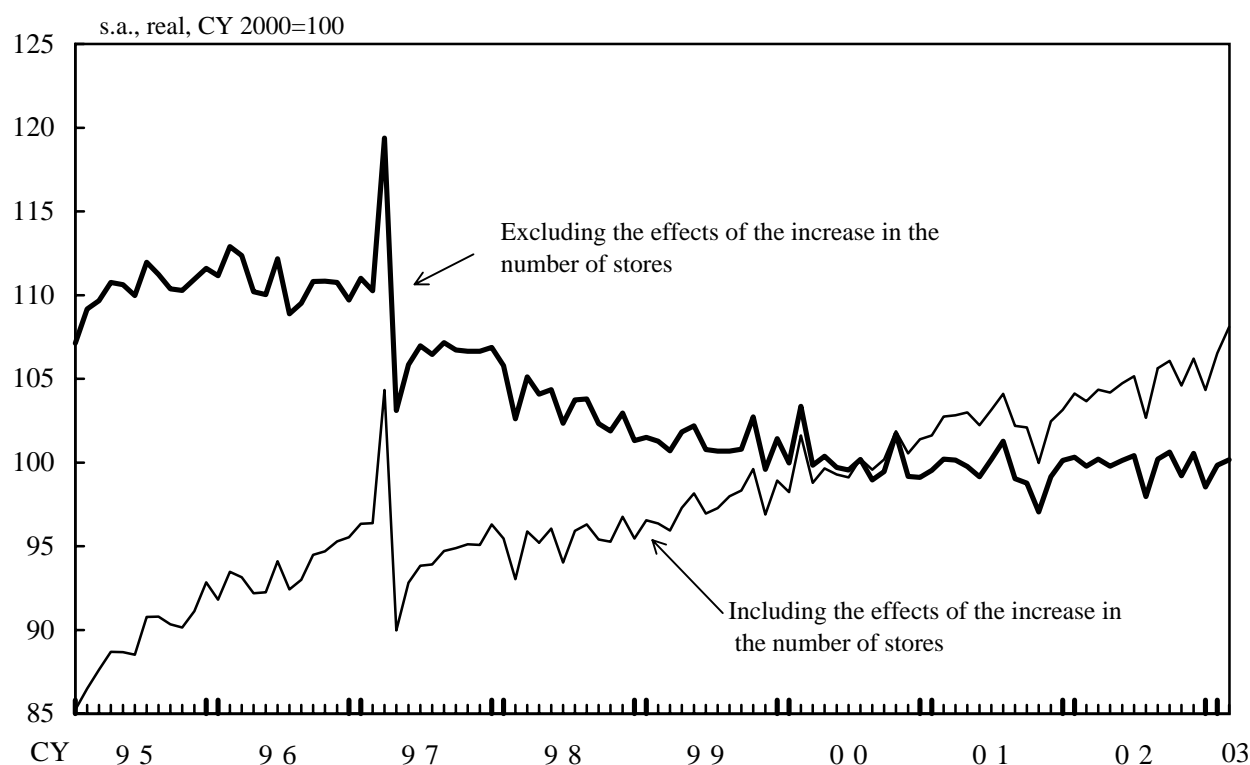
3. Sales at convenience stores until March 1997 are based on the survey conducted by the Bank of Japan. From April 1997 they are based on the data published by the Ministry of Economy, Trade and Industry.

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

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

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

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

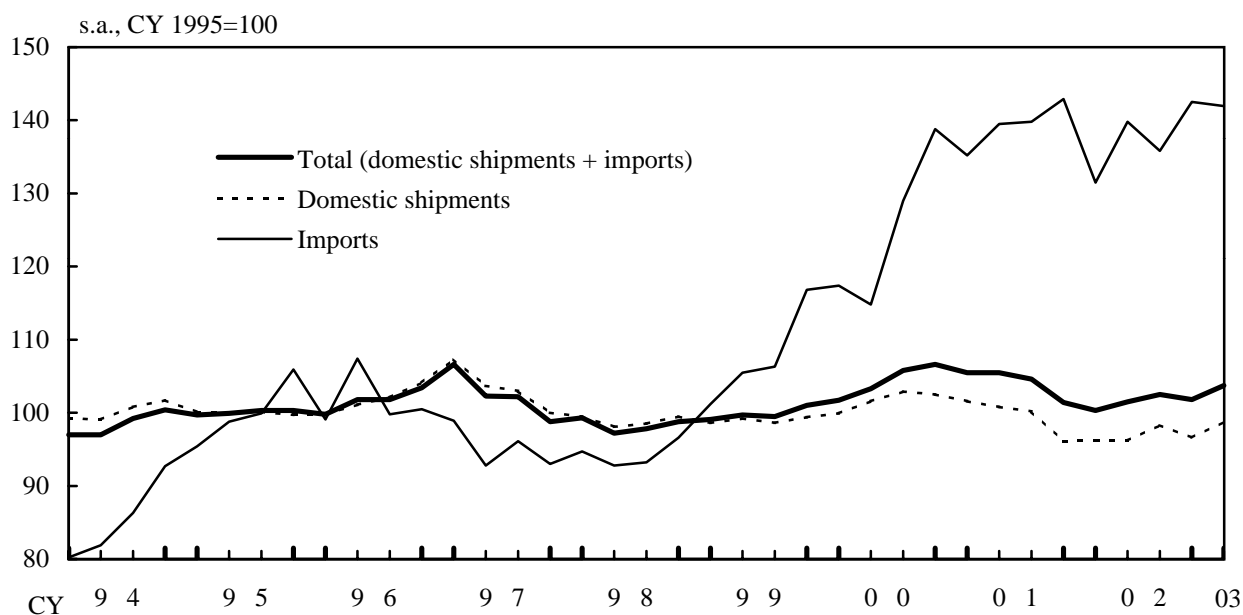


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in the *Family Income and Expenditure Survey*. These indices of aggregated sales consist of the series including and excluding the effects of the increase in the number of stores. Indices "including the effects of the increase in the number of stores" reflect the fluctuations in sales due to changes in the number of stores caused by the opening and closing down of businesses. (Indices "including the effects of the increase in the number of stores" include sales at convenience stores.) On the other hand, those "excluding the effects of the increase in the number of stores" aim to capture consumption trends only from stores of which sales data can be obtained continuously.
2. Sales indicators in nominal terms are deflated by the corresponding items of the price indices.
3. Seasonally adjusted by X-12-ARIMA.

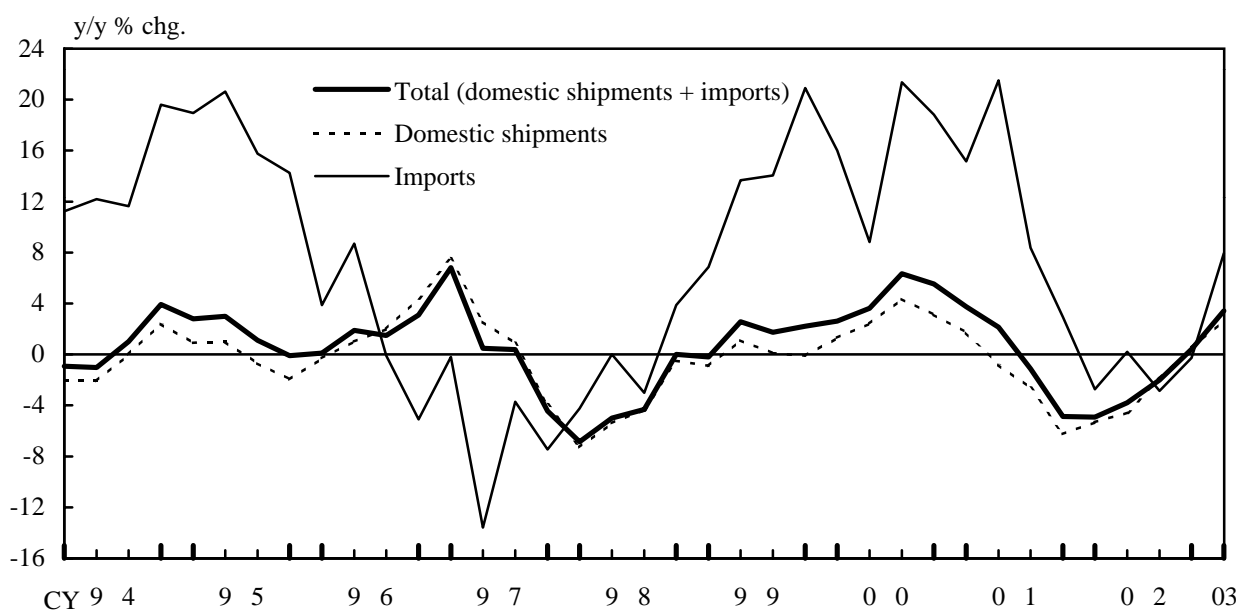
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index,"
 "Monthly Report on the Family Income and Expenditure Survey";
 Bank of Japan, "Wholesale Price Indexes";
 Japan Automobile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

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

(1) Level



(2) Changes from a year earlier



Notes: 1. "Domestic shipments" and "Imports" are components of "consumer goods" in the *Indices of Industrial Domestic Shipments and Imports* (the definition for "consumer goods" is the same as that in the *Indices of Industrial Production*).

2. Figures for 2003/Q1 of "Domestic shipments" are calculated from quarterly changes of *Indices of Industrial Production* (excluding the effects of exports).

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

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

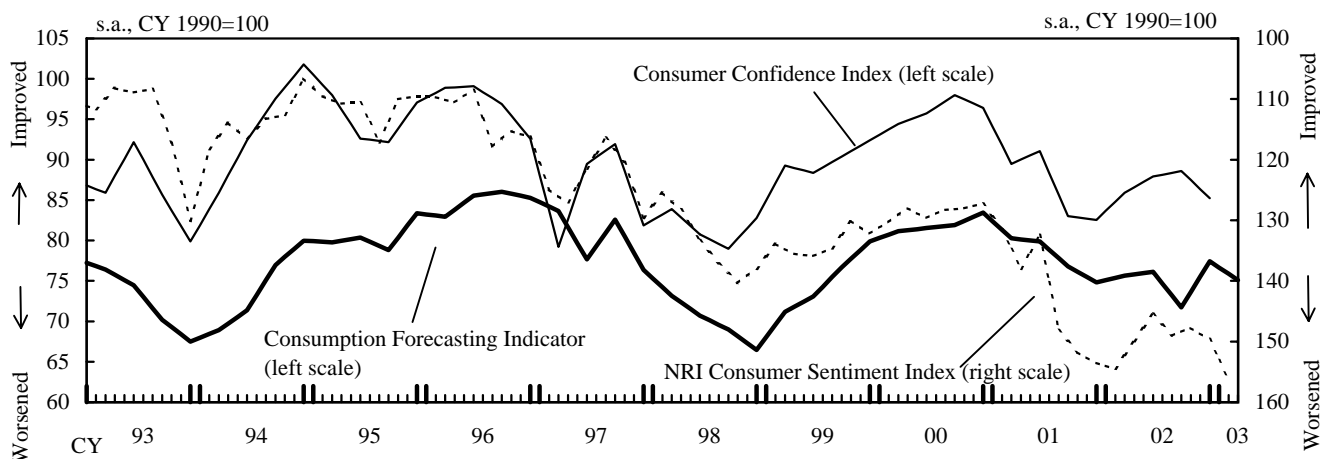
5. Year-on-year changes are calculated from seasonal adjusted series.

6. 2003/Q1 figures are those of Jan.-Feb. 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," "Corporate Goods Price Index."

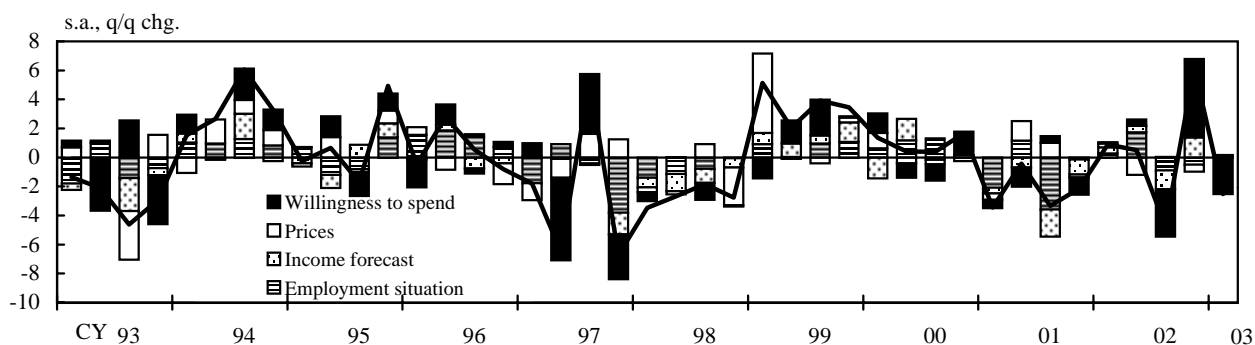
Consumer Confidence

(1) Surveys on Consumer Confidence



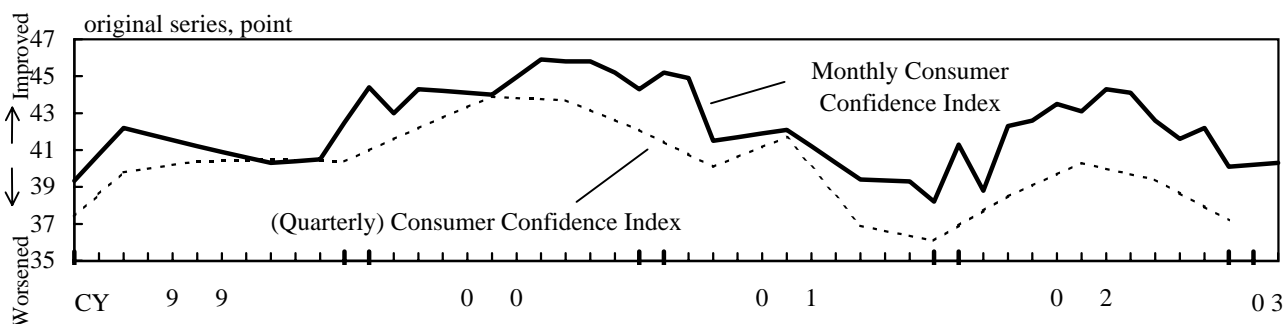
- Notes:
1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office.
 2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 1,500 samples in metropolitan area), and NRI Consumer Sentiment Index (with 2,200 samples in a nationwide basis) are based on surveys on consumer confidence.
 3. Data are plotted at the months of each survey.
 4. "Consumer Confidence Index" is surveyed by the Cabinet Office, "Consumption Forecasting Indicator" by NIKKEI RIM, and "NRI Consumer Sentiment Index" by NRI.

(2) Contribution of Each Item in the 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)

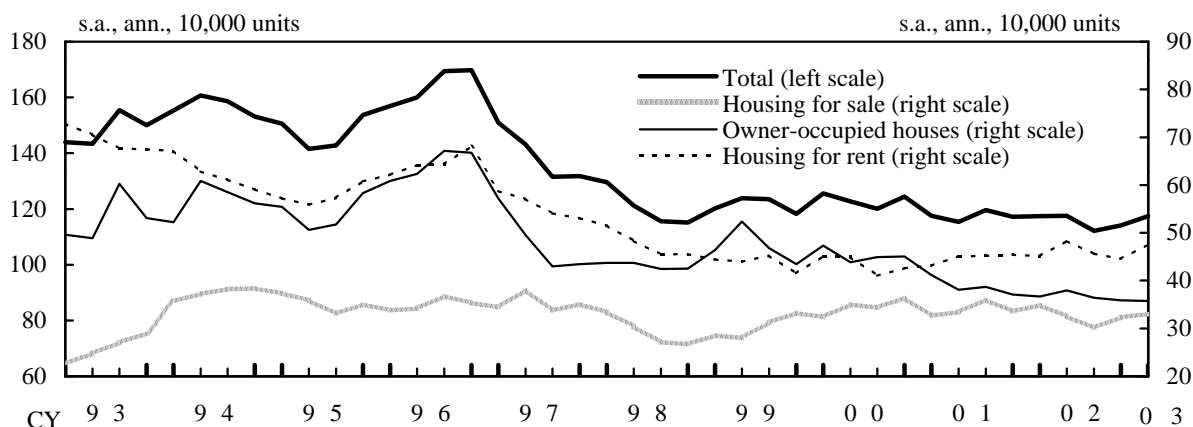


Note: *Monthly Consumer Confidence Survey* is conducted on a monthly basis for limited samples of the Tokyo district (435 households surveyed) in the quarterly Consumer Confidence Survey. The items in the monthly survey are parts of the quarterly survey. Prior to 2001, figures for the months when the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

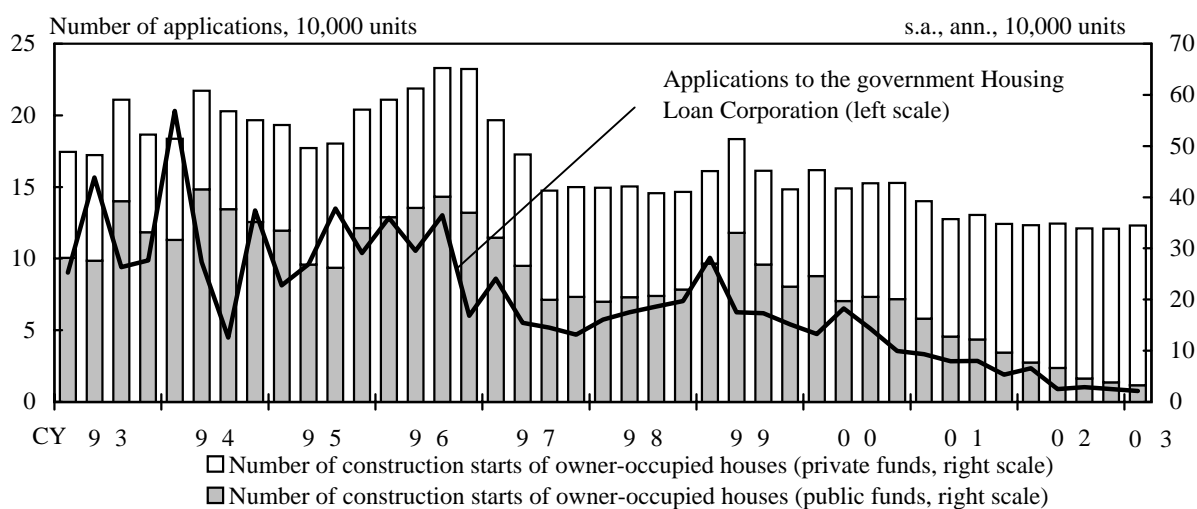
Indicators for Housing Investment

(1) Housing Starts



Note: Figures of 2003/Q1 are those of January-February averages.

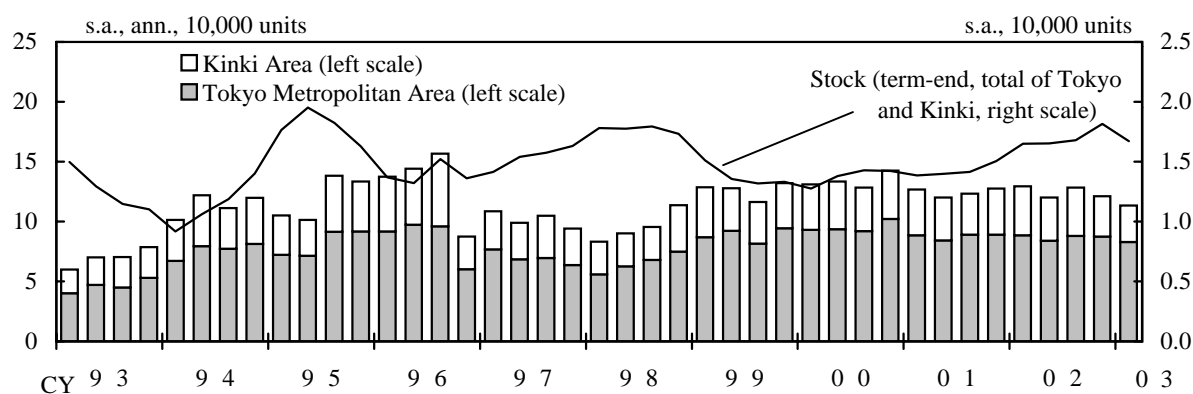
(2) Applications to the Government Housing Loan Corporation for new owner-occupied houses and Construction Starts of owner-occupied houses



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 2003/Q1 are those of January-February averages.

(3) Sales of Condominiums



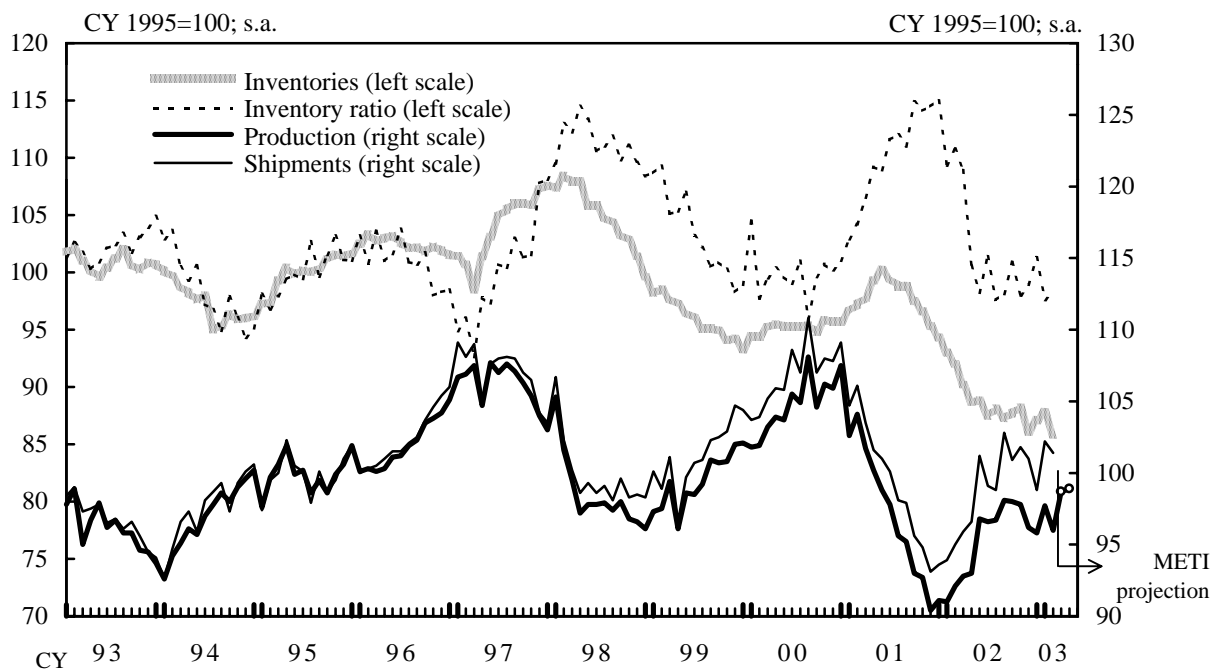
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. Figures of total condominiums sales for 2003/Q1 are those of January-February averages.
 Term-end stocks for 2003/Q1 are those of February.

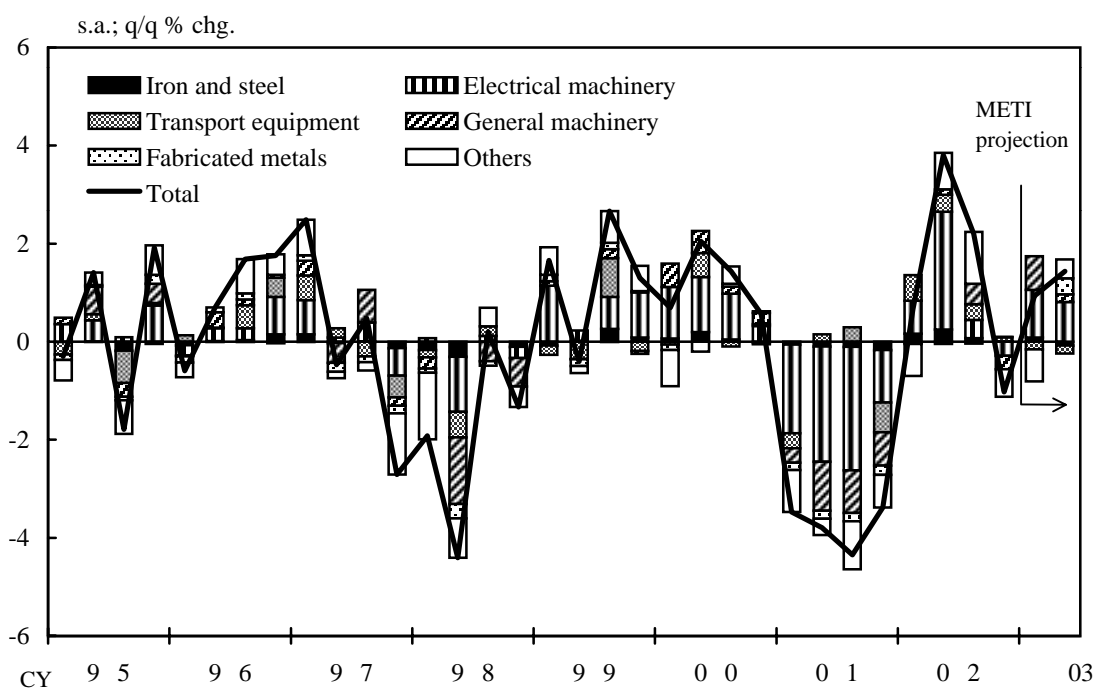
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries



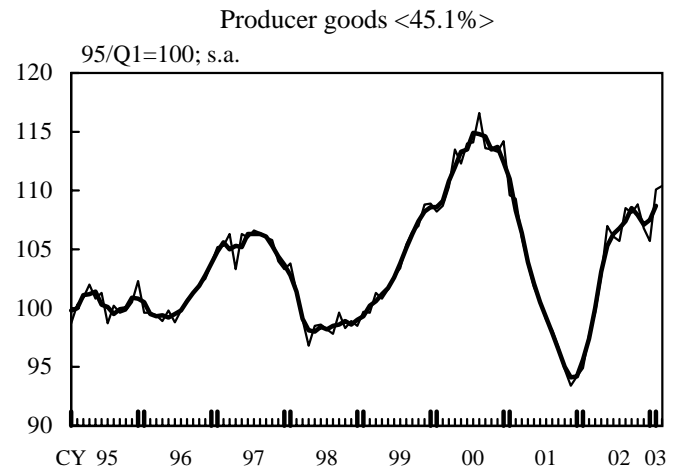
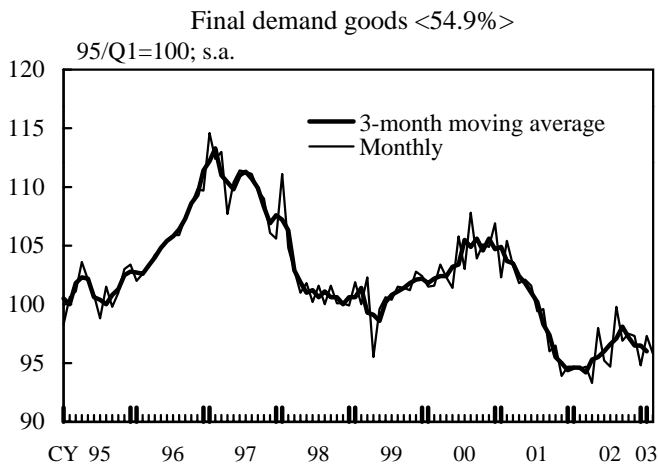
Notes:1. Transport equipment excludes ships and rolling stock.

2. 2003/Q2 for METI projection is based on the assumption that production level in May and June is the same as that of April.

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

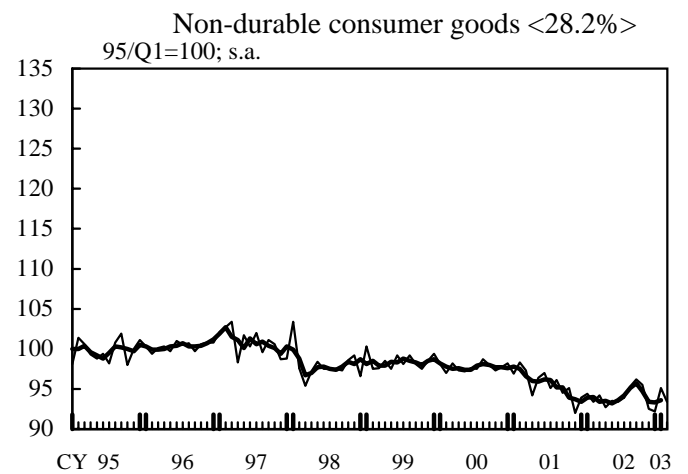
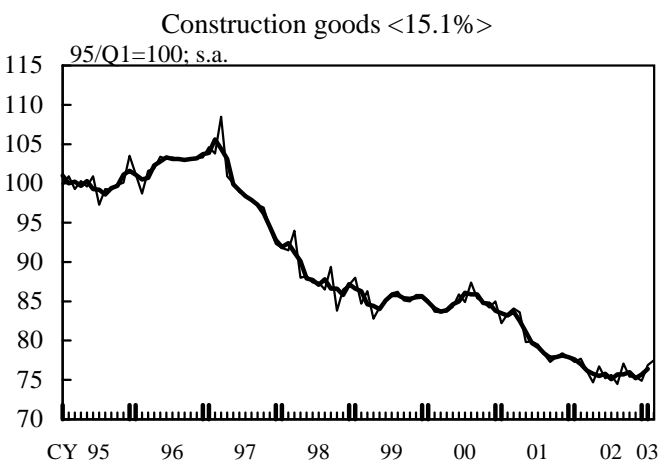
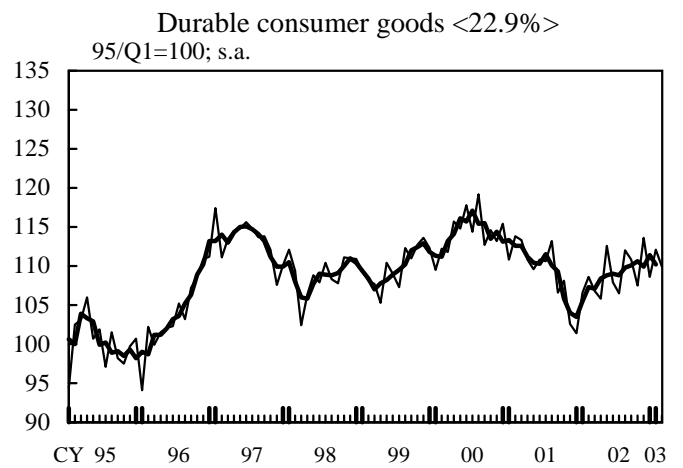
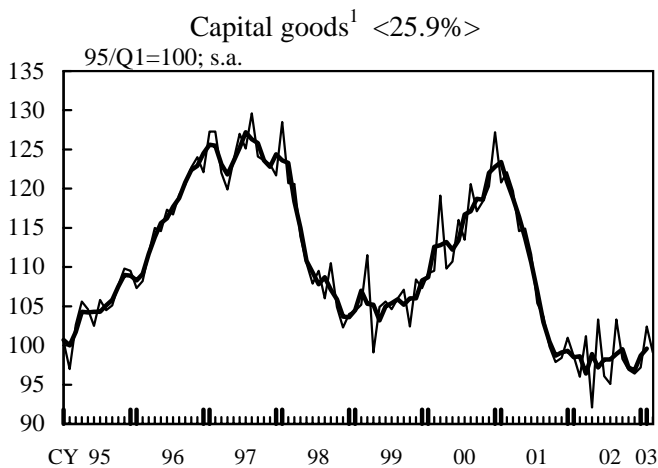
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

(2) Breakdown of final demand goods

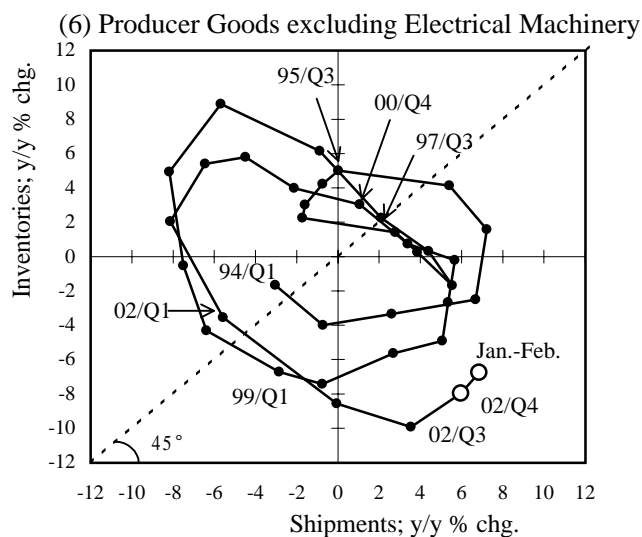
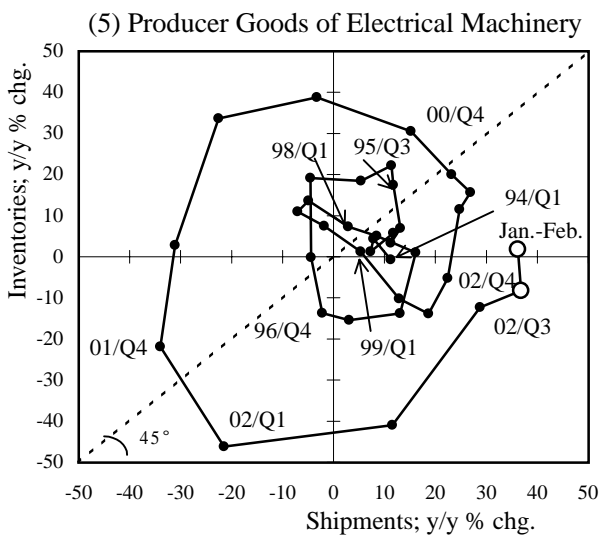
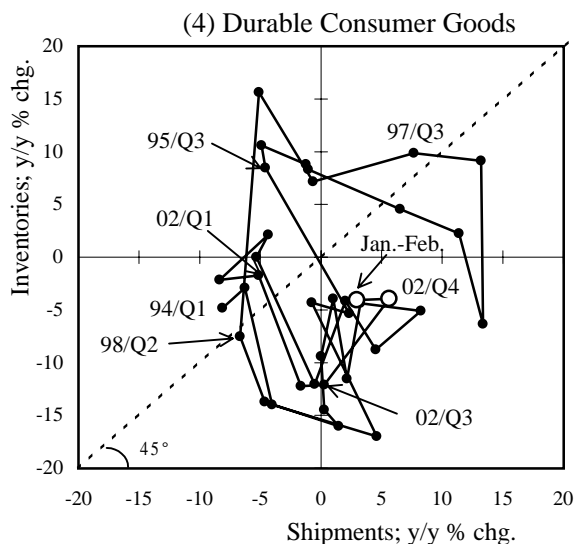
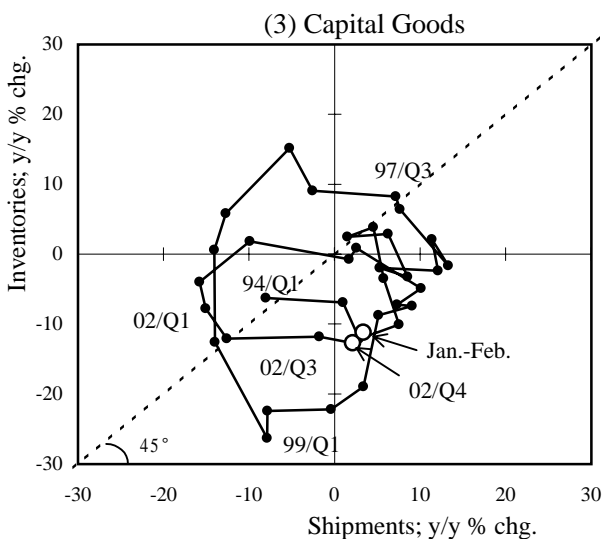
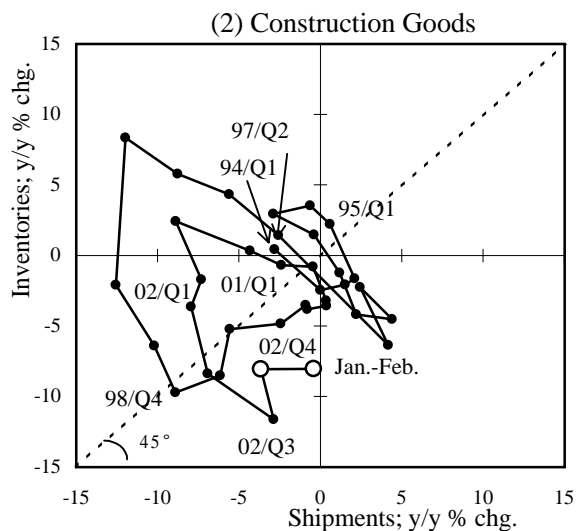
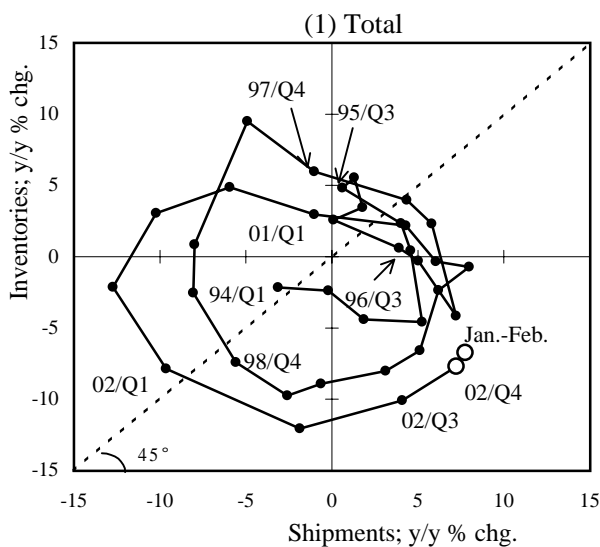


Notes: 1.Excluding transportation equipment.

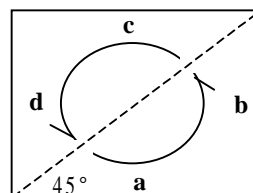
2.Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

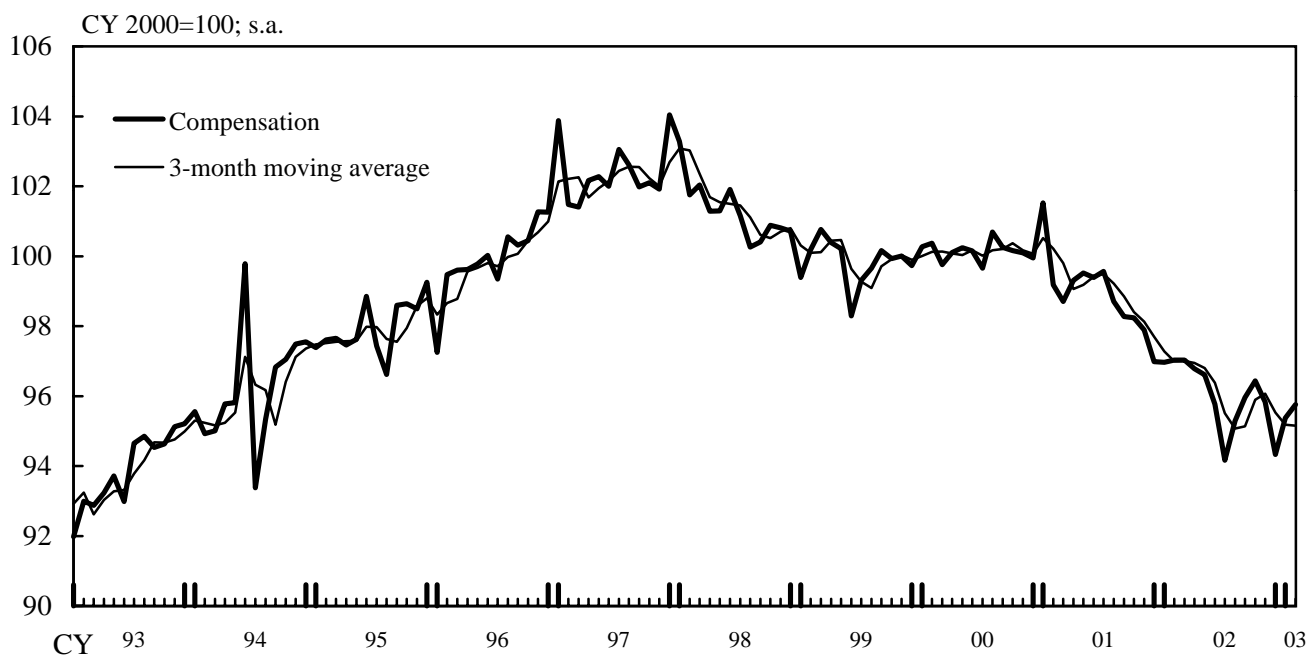


- a** Shipment recovery phase
- b** Intended inventory accumulation phase
- c** Unintended inventory accumulation phase
- d** Inventory adjustment phase



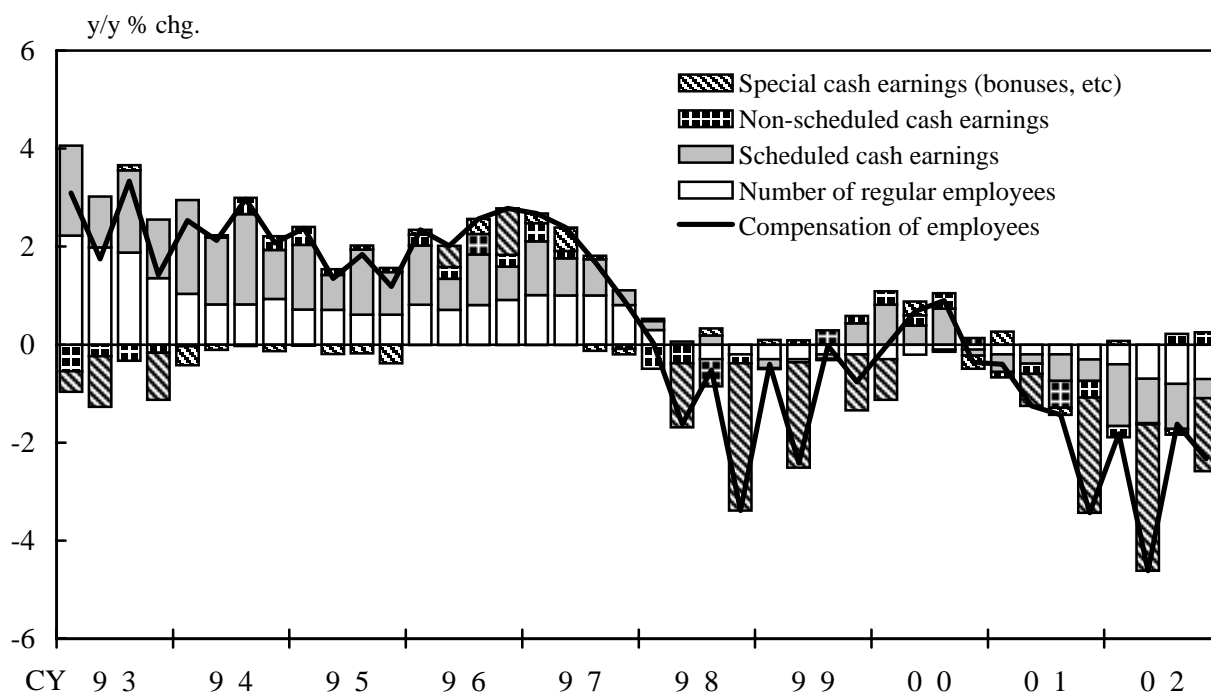
Compensation of Employees

(1) Compensation



- Notes: 1. Compensation figure is calculated by the Bank of Japan as the index of total cash earnings times the index of regular employees divided by 100.
 2. Figures are seasonally adjusted by X-12-ARIMA on a monthly basis, and so those are retroactively revised each month.
 3. Data are for establishments with at least 5 employees. Those for February 2003 are preliminary figures.

(2) Breakdown of Compensation

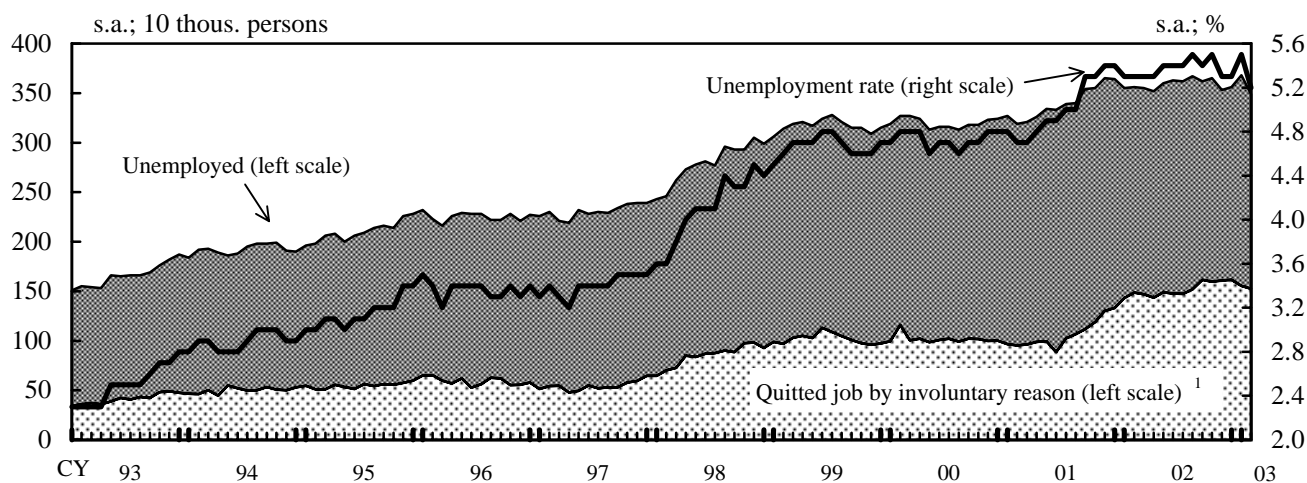


- Notes: 1. Data are for establishments with at least 5 employees.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
 3. Those for February 2003 are preliminary figures.

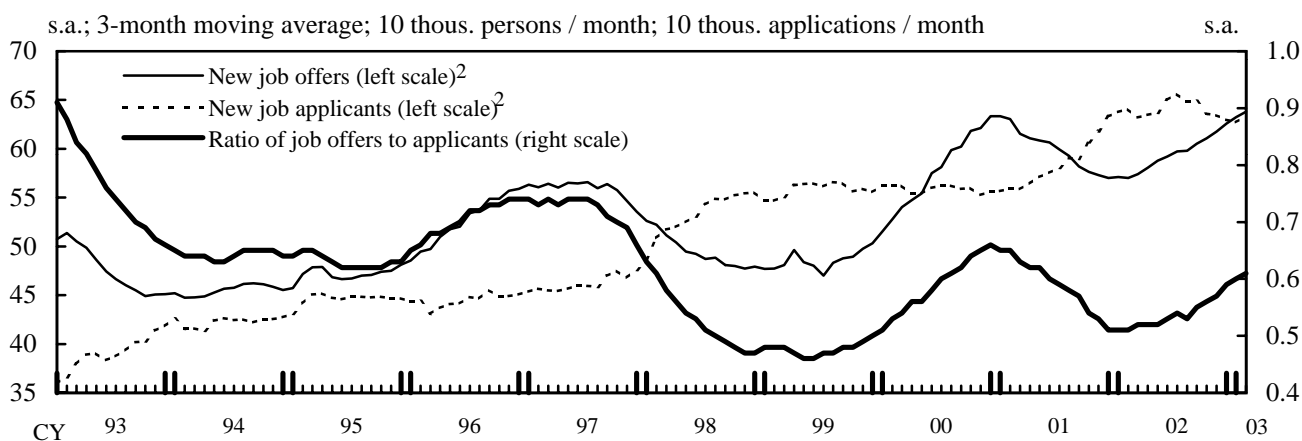
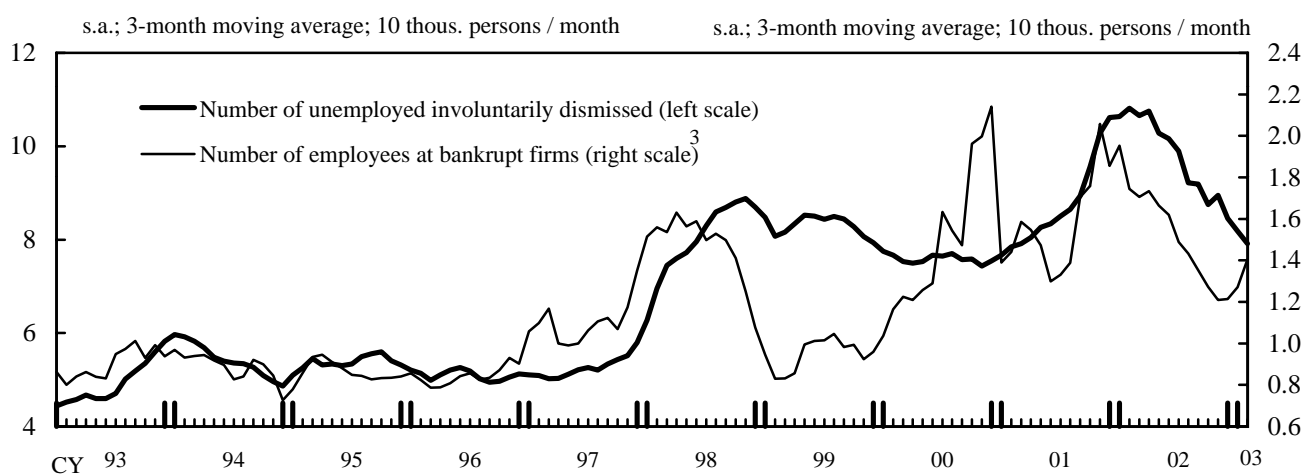
Source: Ministry of Health, Labour and Welfare, "Monthly Labour Survey."

Labor Market (1)

(1) The Unemployed and Unemployment Rate



(2) Ratio of Job Offers to Applicants

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

Notes: 1. Seasonally adjusted by X-11.

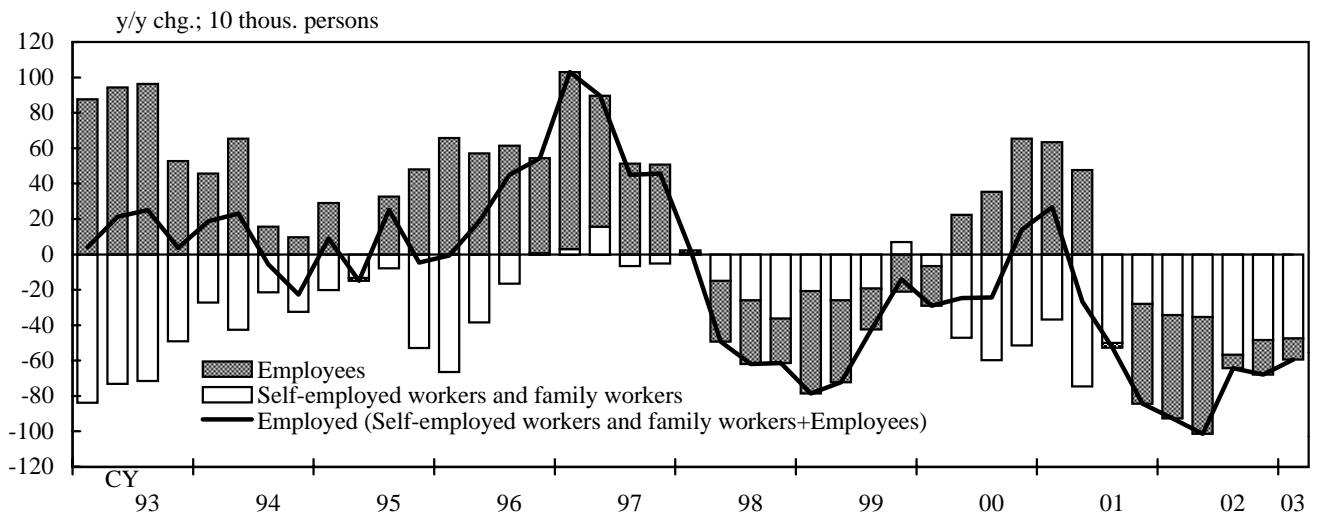
2. Not include jobs offered to new graduates, but to part-time workers.

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

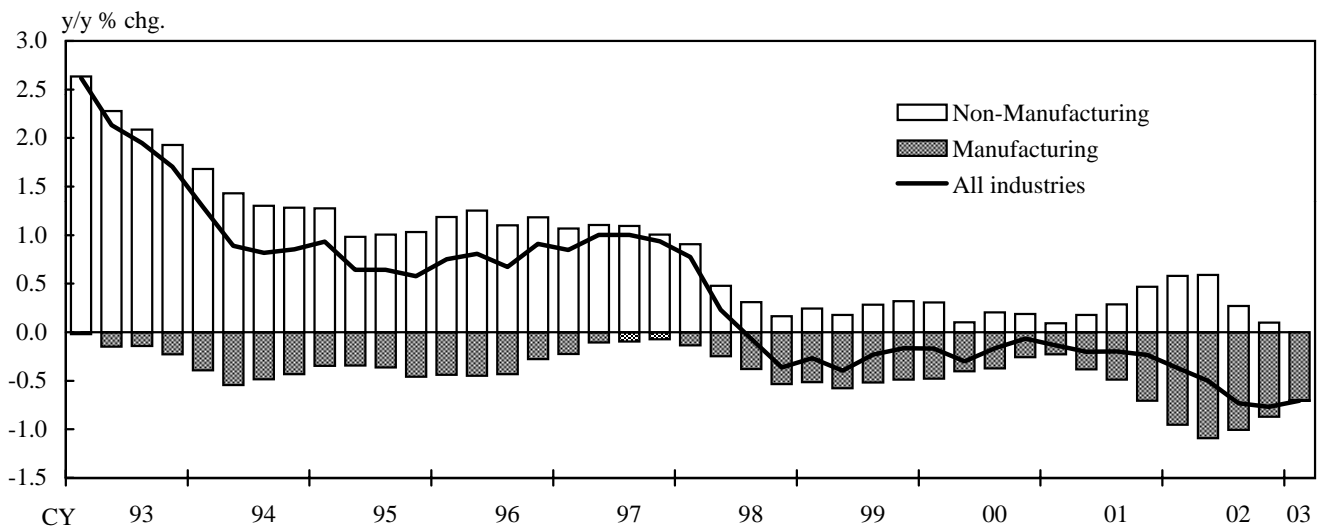
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service," "Report on Employment Insurance Service"; Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey"; Teikoku Databank Ltd., "Japan's Business Failure."

Labor Market (2)

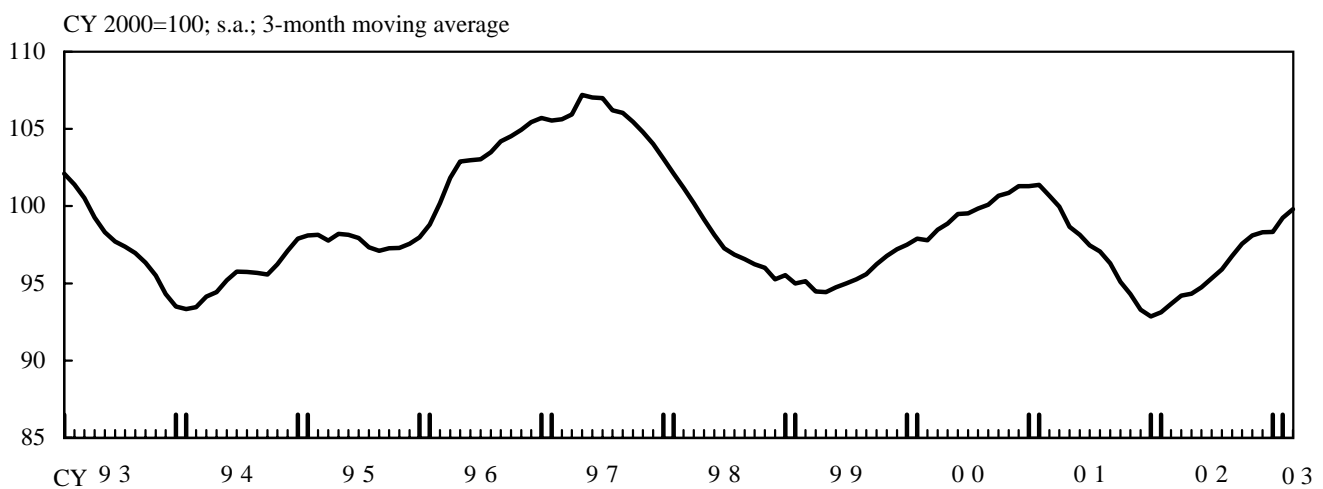
(1) The Employed (Labour Force Survey)



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



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



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

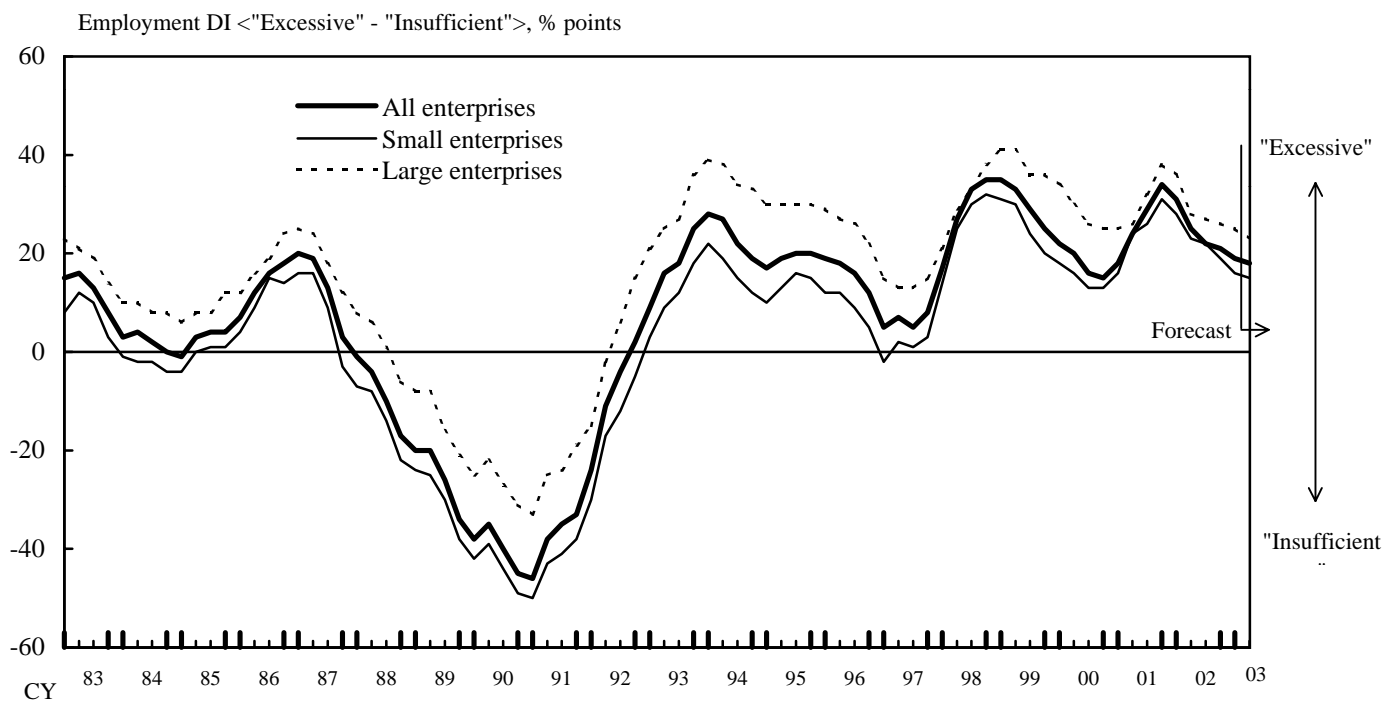
2. Figures for 2003/Q1 are those of Jan.-Feb. 2003 averages.

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

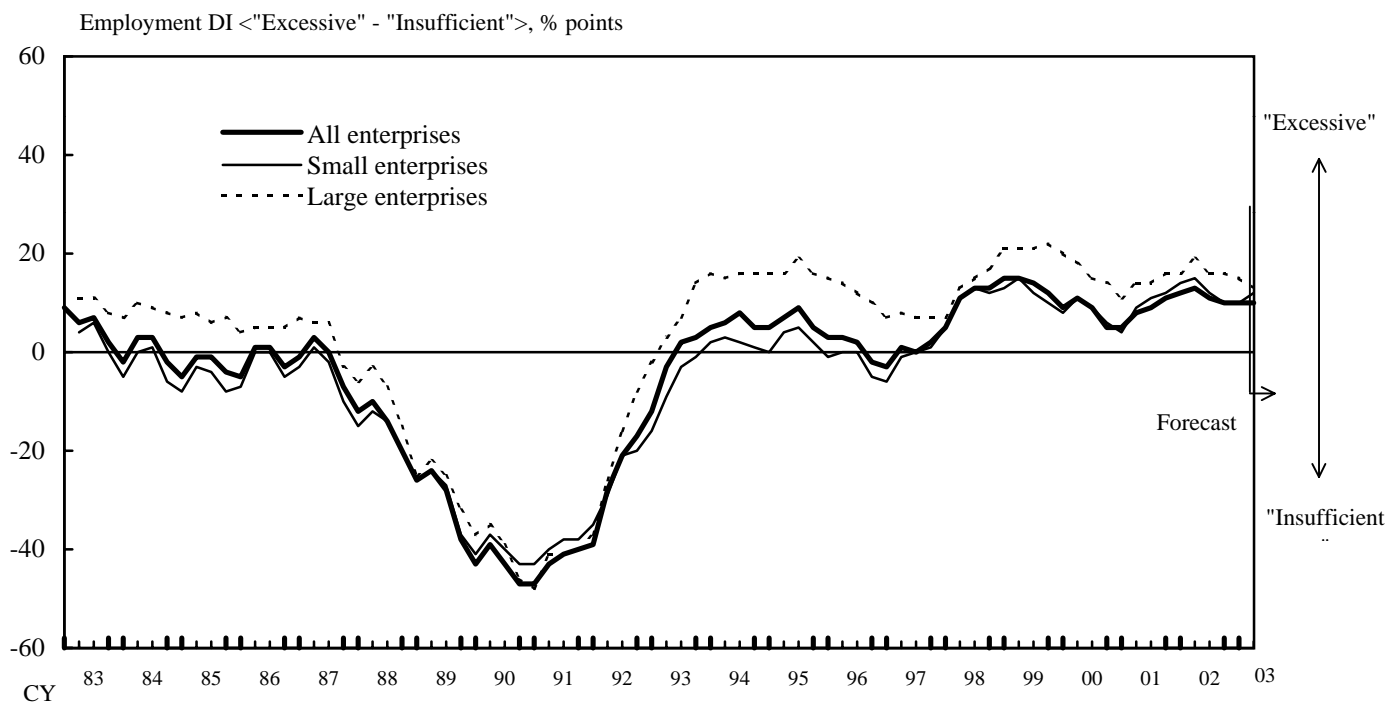
Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Employment Conditions

(1) Manufacturing



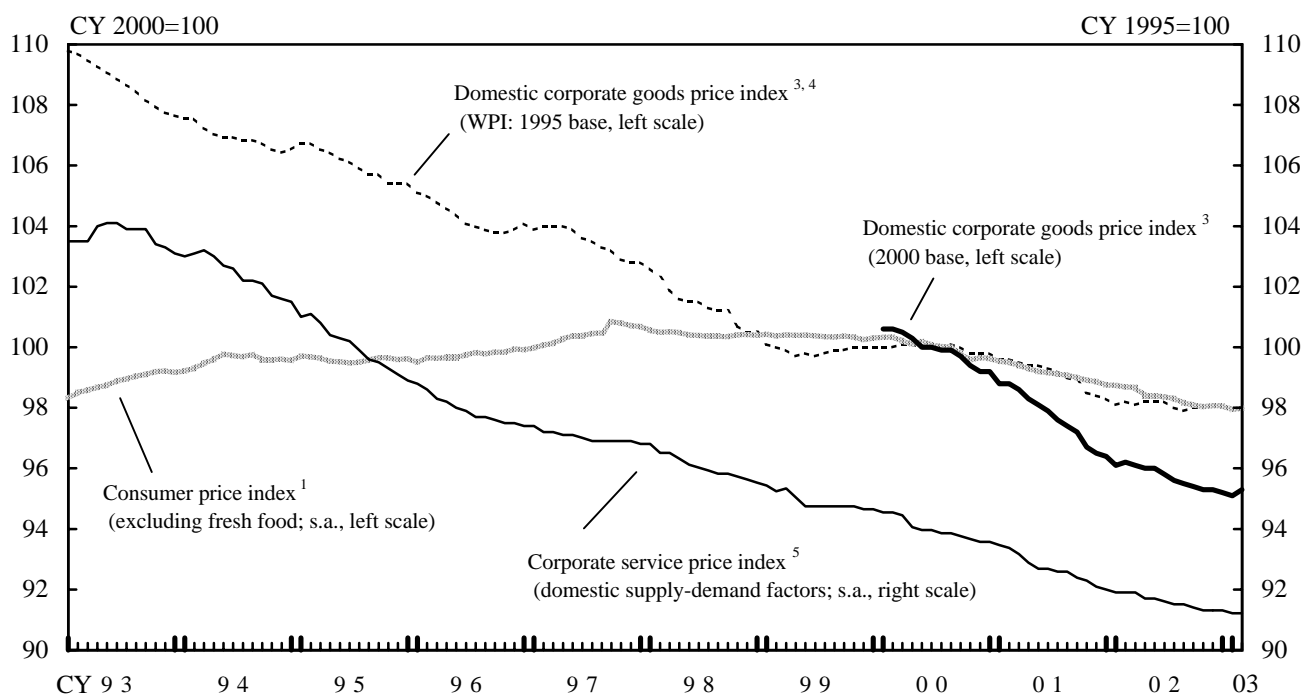
(2) Nonmanufacturing



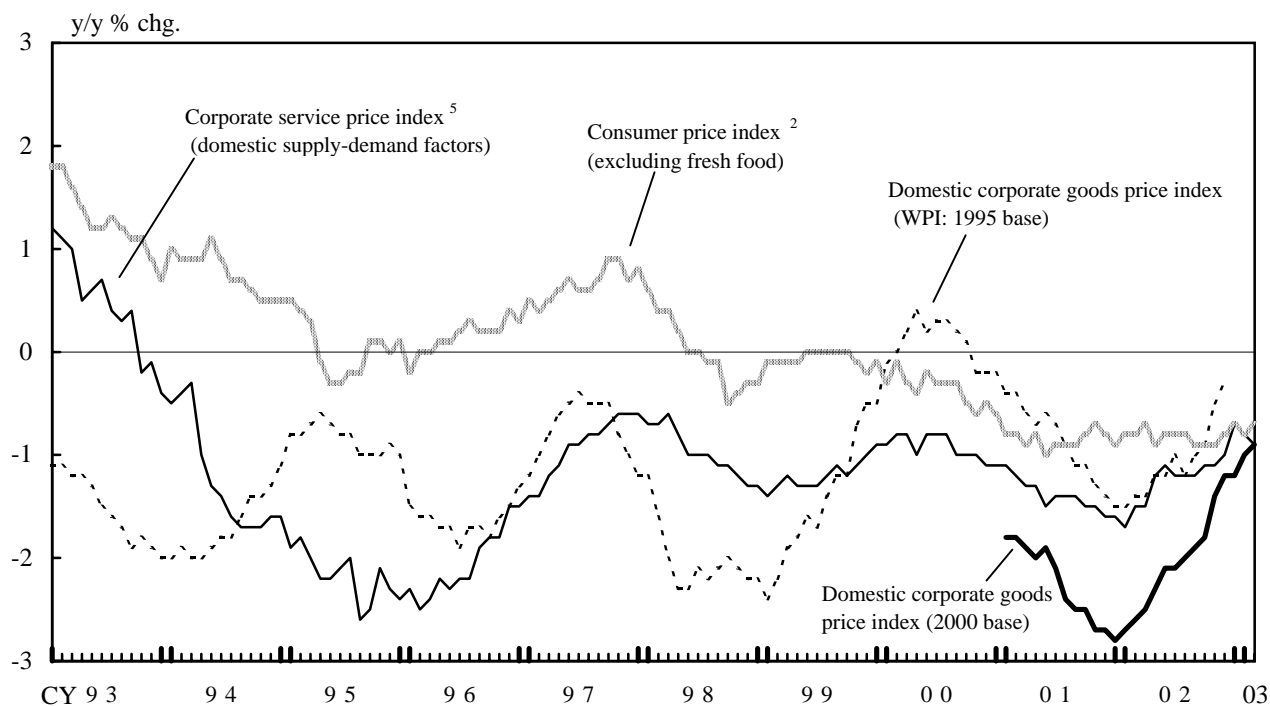
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

Prices⁶

(1) Level



(2) Changes from a year earlier



Notes: 1. Seasonally adjusted by X-12-ARIMA, based on the original series excluding "package tours to overseas" newly adopted from the 2000 base. This is because sample size of this item is insufficient for seasonal adjustment, though it has large seasonal fluctuations.

2. Data before Dec. 2000 are on the 1995 base CPI.

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

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

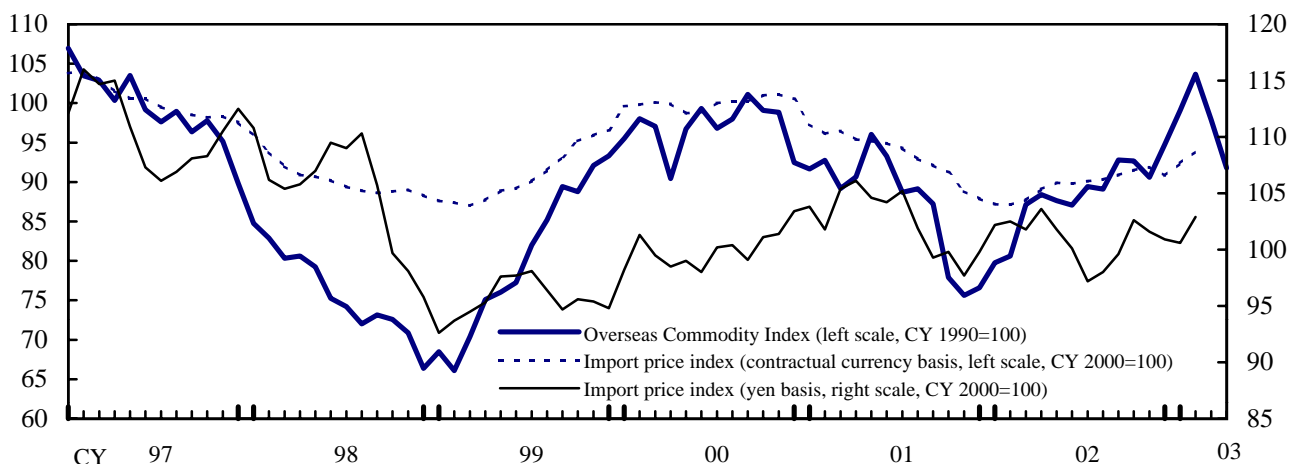
5. See footnote 1 in Chart 27, for definition of the Corporate Service Price Index (domestic supply-demand factors).

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

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

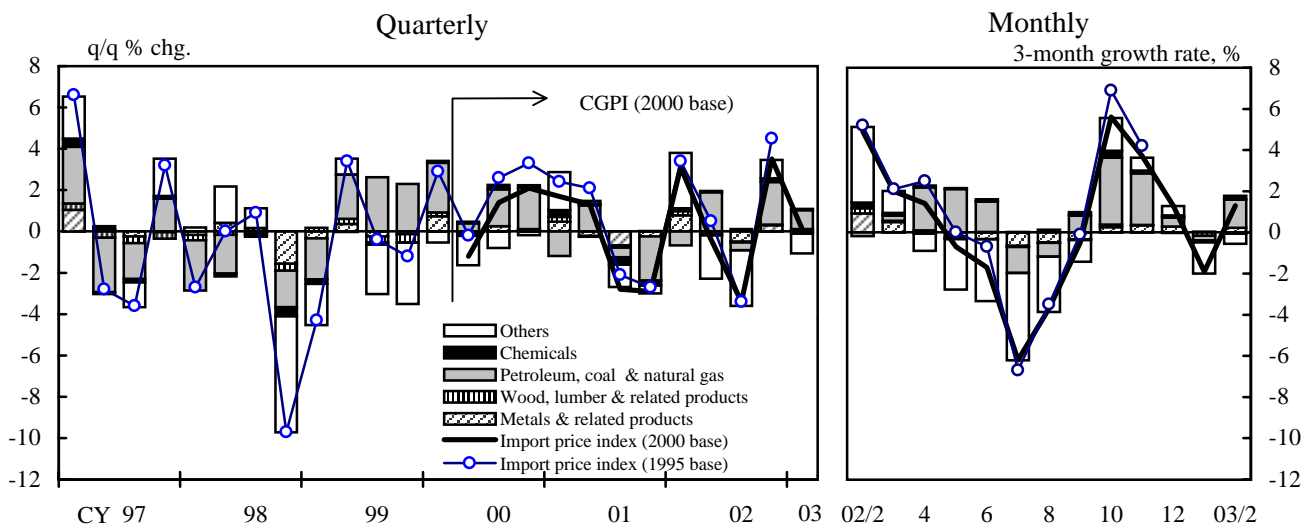
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



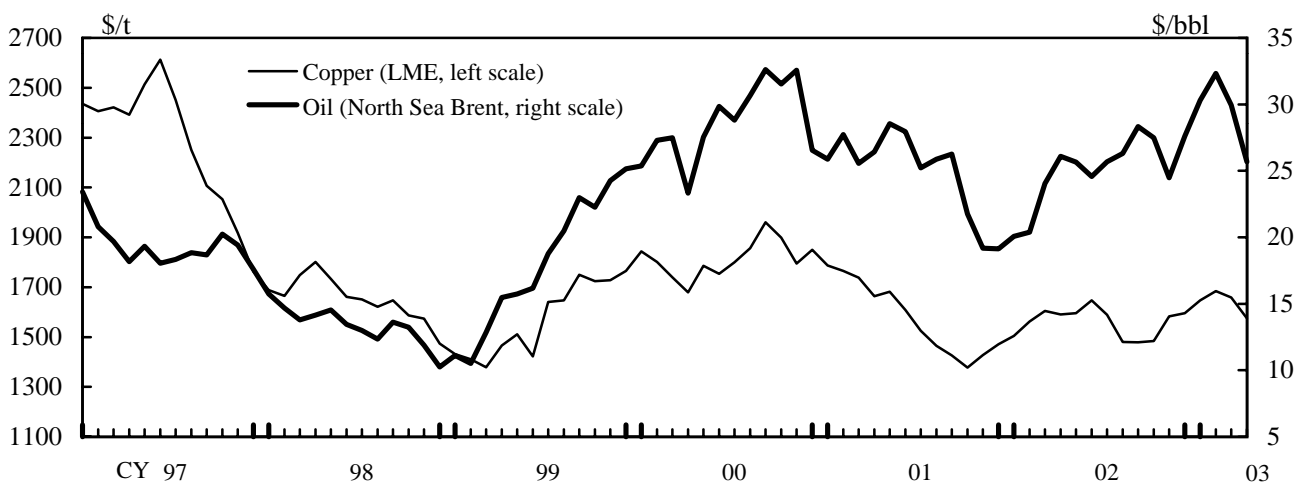
Note: Overseas Commodity Index, which is calculated by Bank of Japan, is a monthly average.
Figure for April 2003 is the average up to April 4.

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



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

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

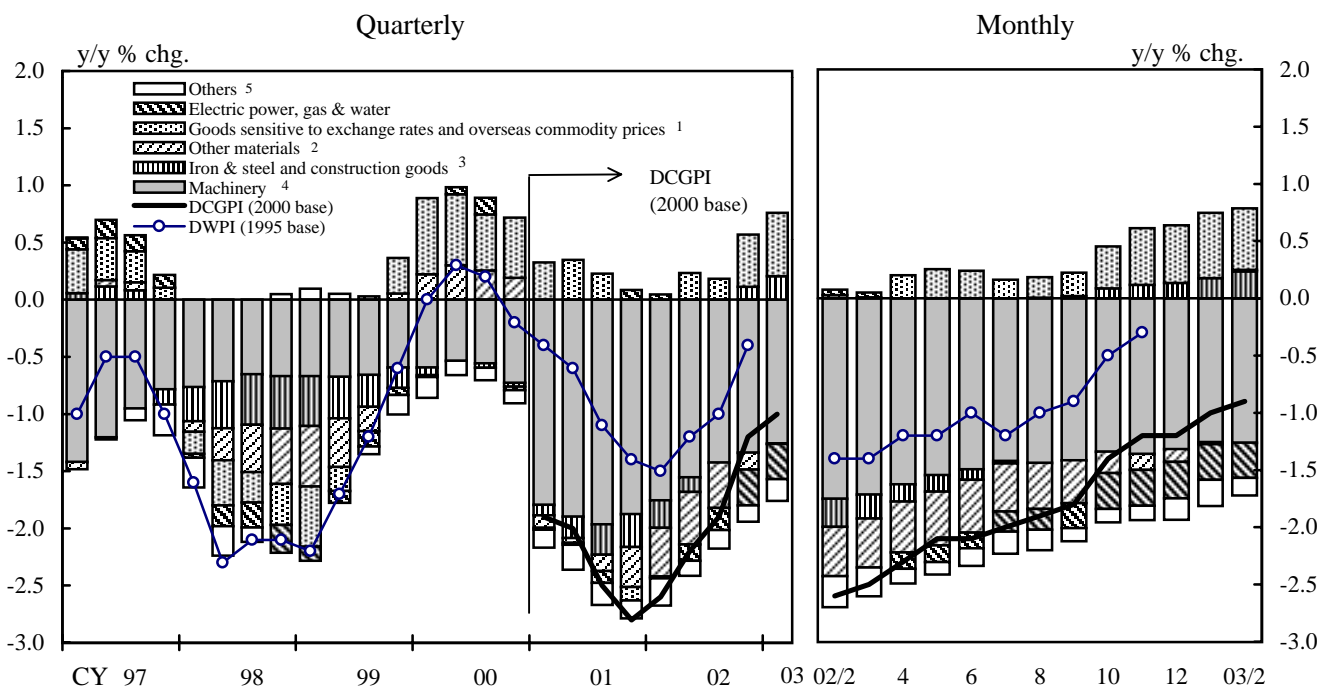


Note: Monthly averages. Figures for April 2003 are the averages up to April 4.

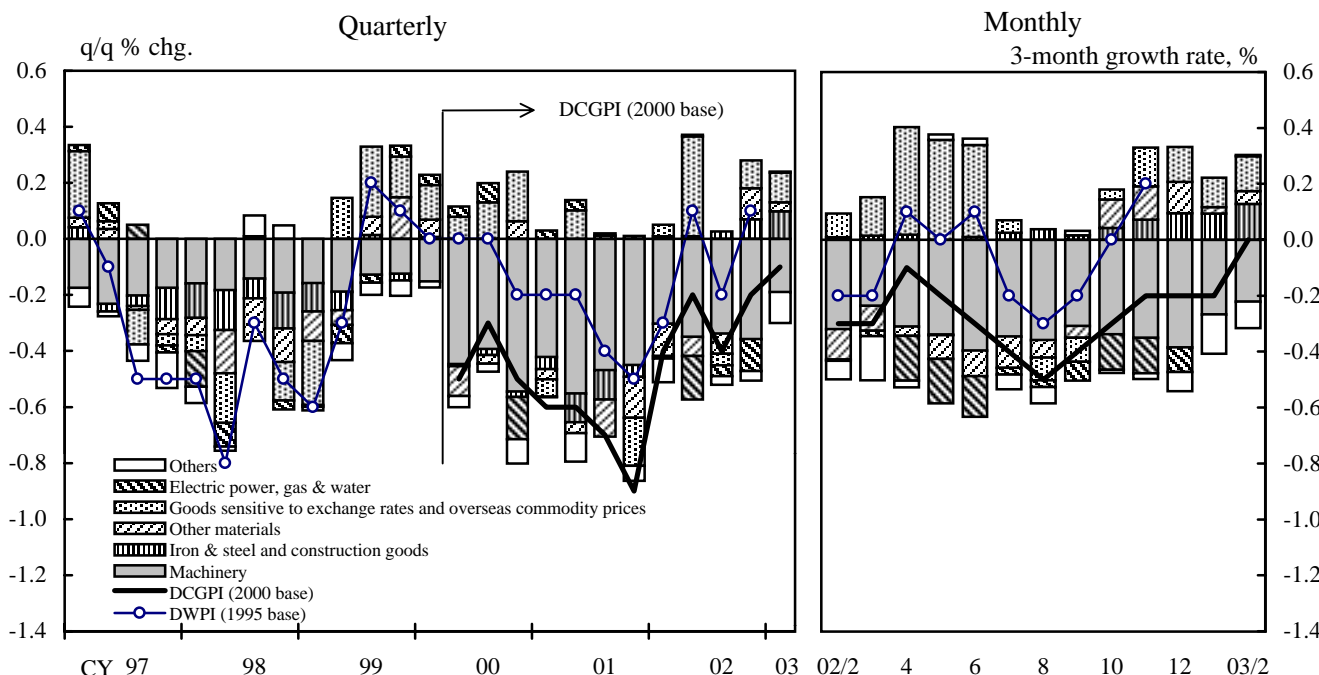
Sources: Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes," "Financial and Economic Statistics Monthly," etc.

Domestic Corporate Goods Price Index⁷

(1) Changes from a year earlier



(2) Changes from a quarter earlier and 3 months earlier⁶

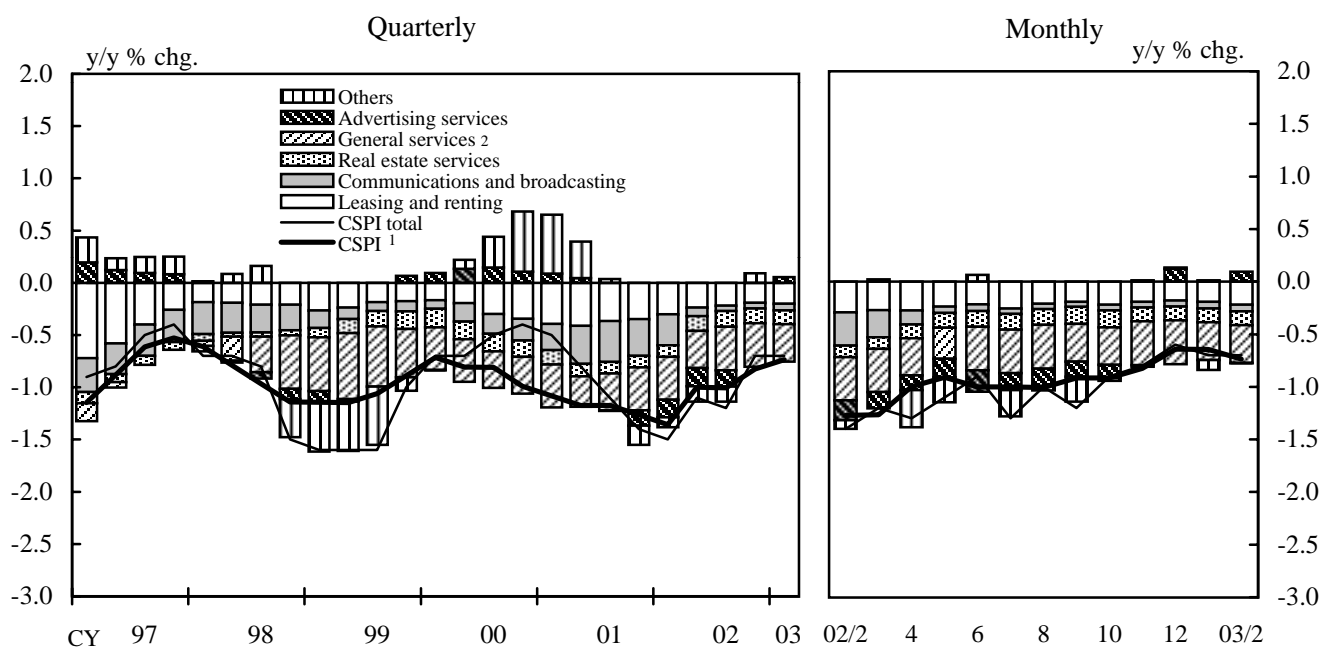
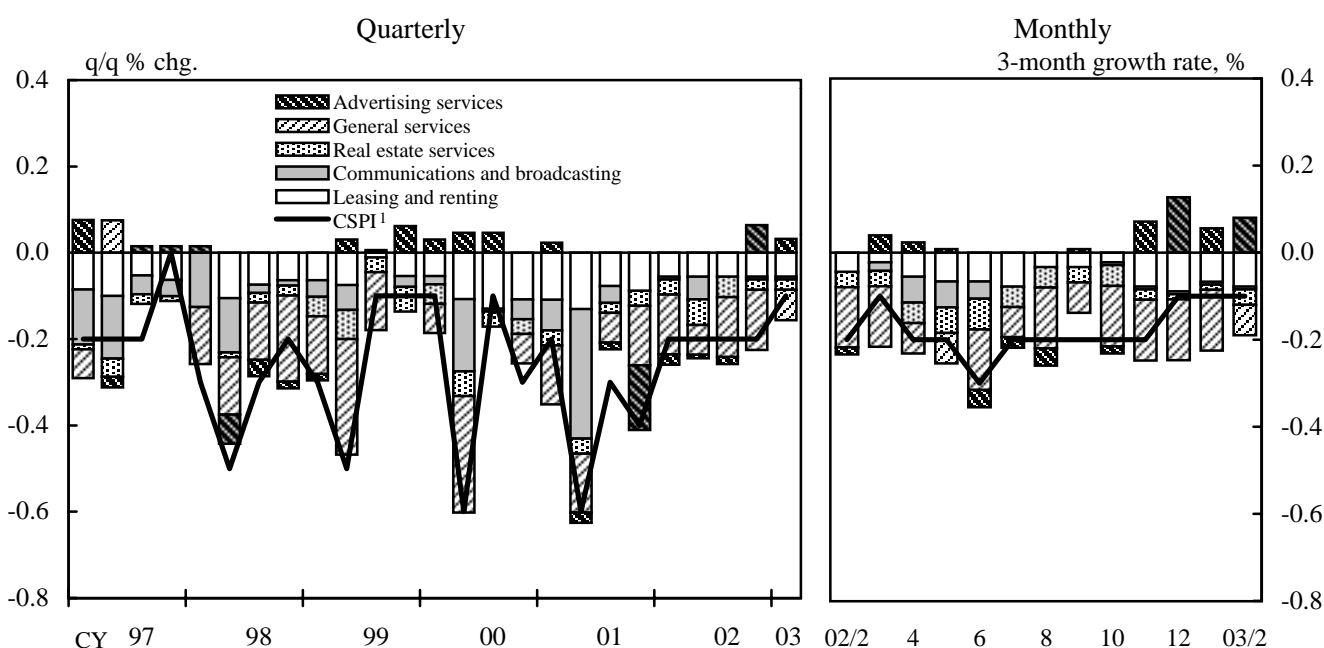


- Notes: 1. Goods sensitive to exchange rates and overseas commodity prices; petroleum & coal products, nonferrous metals.
 2. Other materials; chemicals, plastic products, textile products, pulp, paper & related products.
 3. Iron & steel and construction goods; iron & steel, metal products, ceramics, stone & clay products, lumber & wood products, scrap & waste.
 4. Machinery; electrical machinery, general machinery, transportation equipment, precision instruments.
 5. Others; processed foodstuffs, other manufacturing industry products, agricultural, forestry & fishery products, mining products.
 6. Adjusted to exclude a hike of electric power charges in summer season from July to September.
 This effect makes the Domestic Corporate Goods Price Index rise by about 0.2%.
 7. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
 8. Figures for 2003/Q1 are those of Jan.-Feb. averages.
 1995 base figures for 2002/Q4 are those of Oct.-Nov. averages.

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

Corporate Service Price Index⁴

(1) Changes from a year earlier

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

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

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

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

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

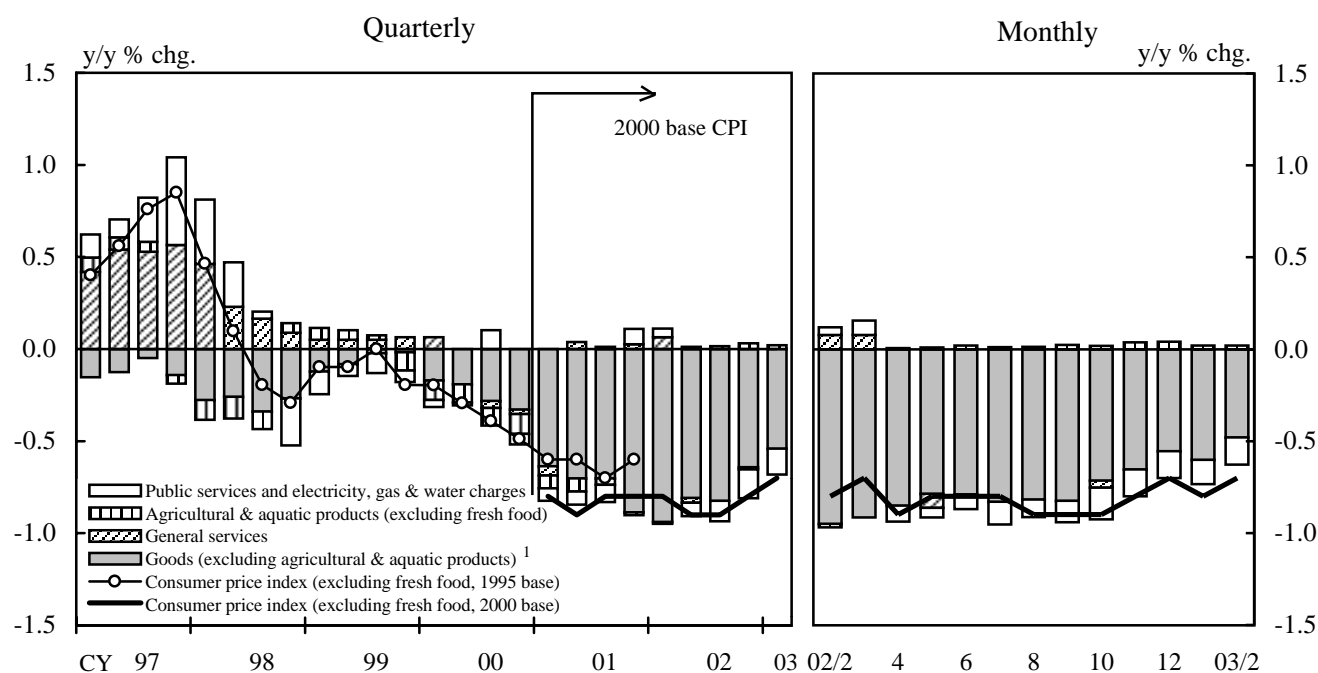
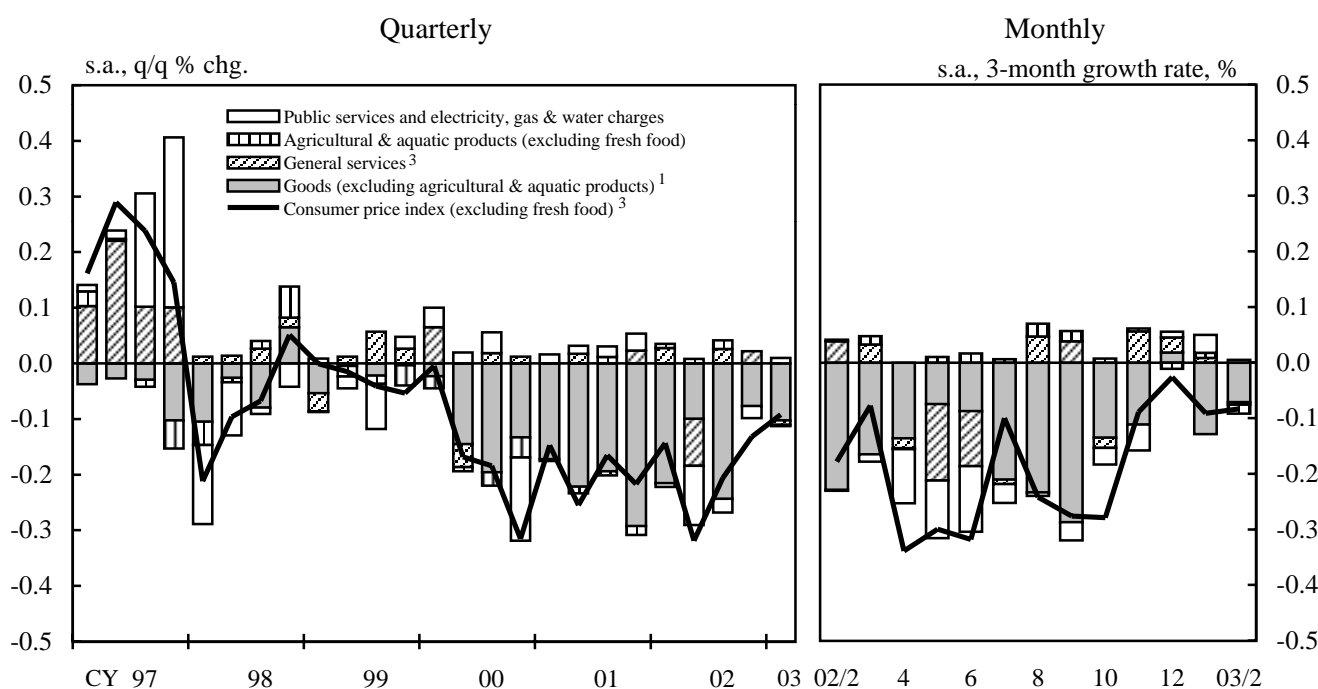
4. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

5. Figures for 2003/Q1 are those of Jan.-Feb. averages.

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

Consumer Price Index (excluding fresh food)⁴

(1) Changes from a year earlier

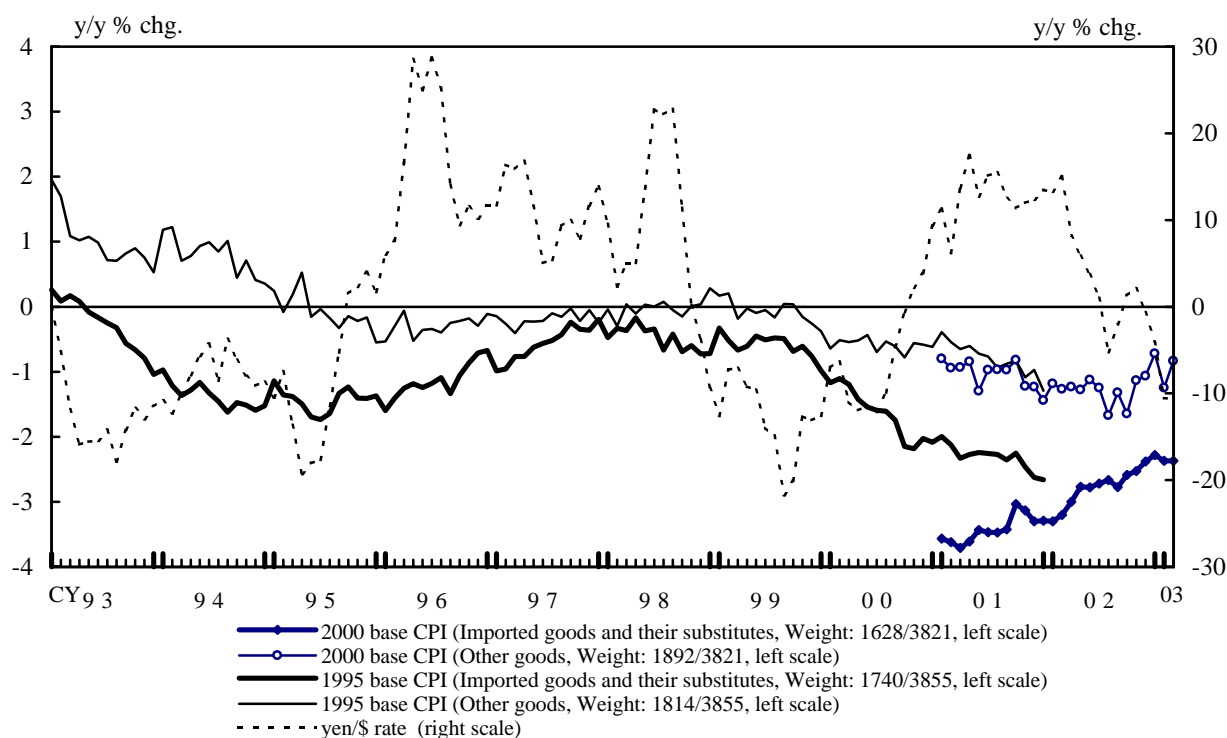
(2) Changes from a quarter earlier and 3 months earlier (2000 base CPI)²

- Notes: 1. The Items are basically the same as the definition published by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, however electricity, gas & water charges is excluded from goods.
2. Seasonally adjusted by X-12-ARIMA. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.
3. Excluding "package tours to overseas" newly adopted from the 2000 base. This is because sample size of this item is insufficient for seasonal adjustment, though it has large seasonal fluctuations.
4. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
5. Figures for 2003/Q1 are those of Jan.-Feb. 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



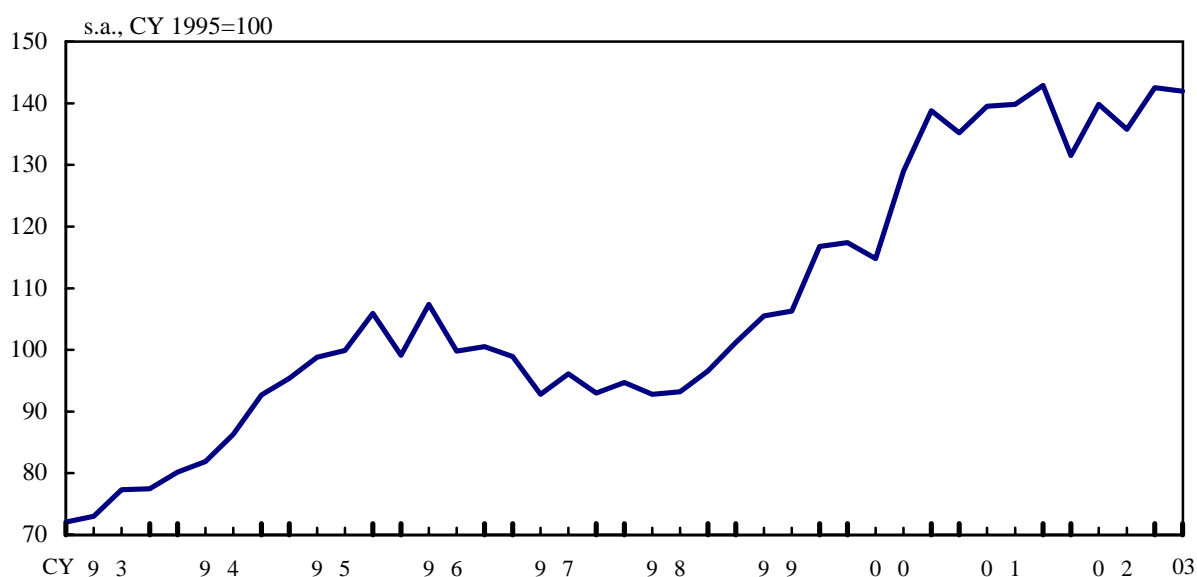
Notes: 1. Goods covered here exclude petroleum products and agricultural & aquatic products.

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)



Notes: 1. "Imports" are components of "consumer goods" in the *Indices of Industrial Domestic Shipments and Imports* (the definition for "consumer goods" is the same as that in the *Indices of Industrial Production*).

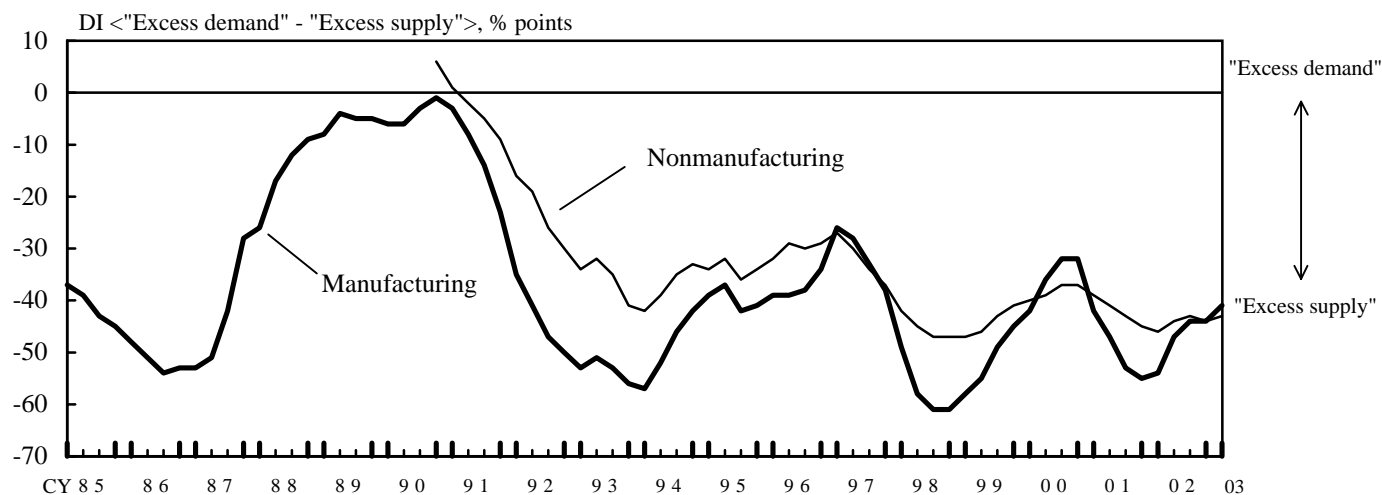
2. Figures for 2003/Q1 are calculated from quarterly changes of real imports for consumption. Real imports (consumer goods) are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles.

3. 2003/Q1 figures are those of Jan.-Feb. averages in terms of quarterly amount.

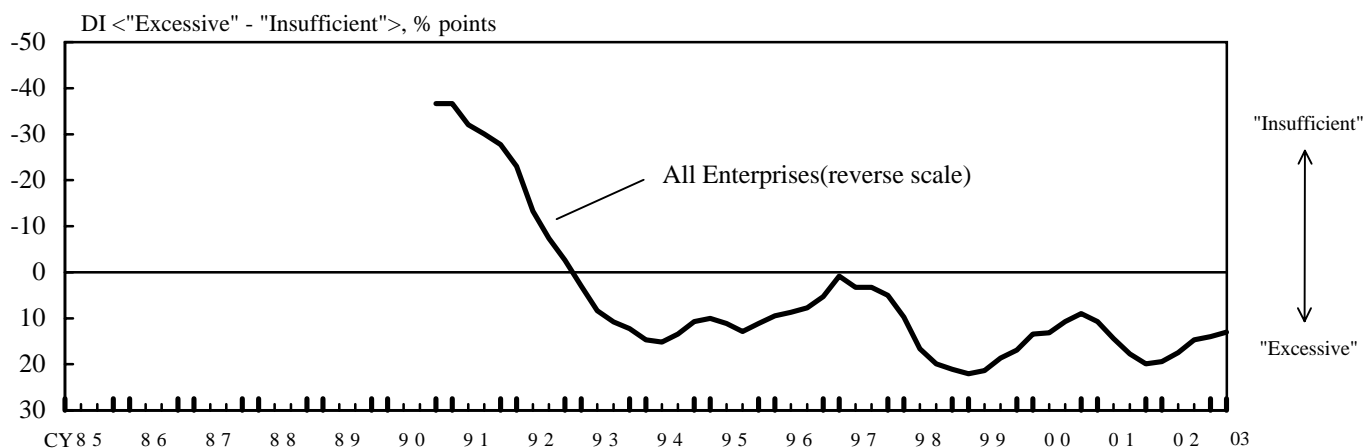
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Indices of Industrial Domestic Shipments and Imports"; Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price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

Factors Contributing to the Change in Prices

(1) Supply and Demand Conditions for Products and Services (All Enterprises)

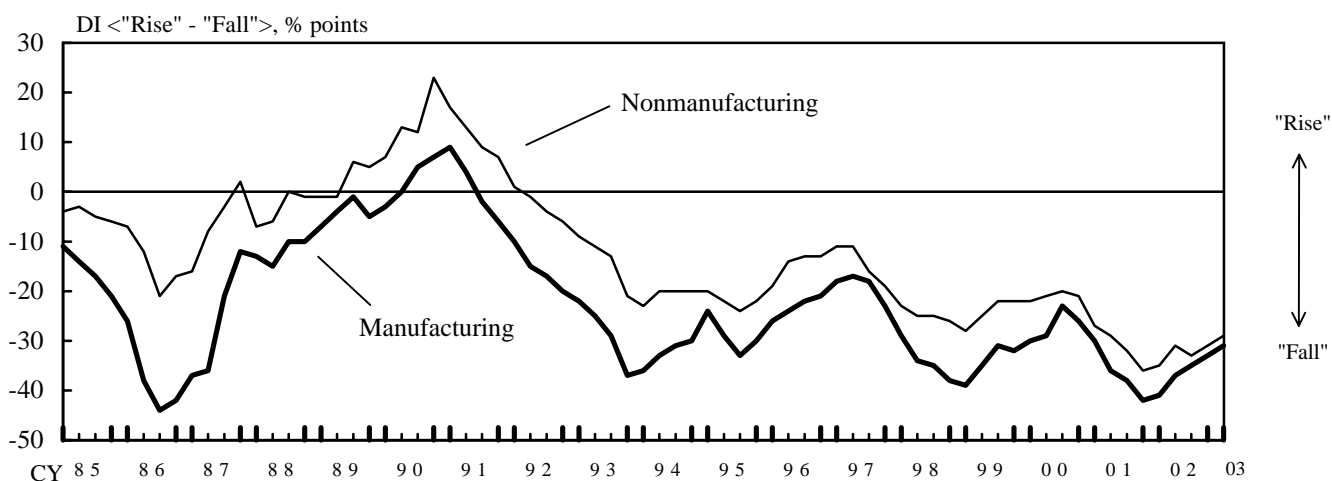


(2) Utilization of Capital and Labor



Note: Figures are weighted averages of Production Capacity DI and Employment DI which show excessiveness. Labor share in national account, 1990-2001 average, is used as the weight.

(3) Change in Output Prices (All Enterprises)

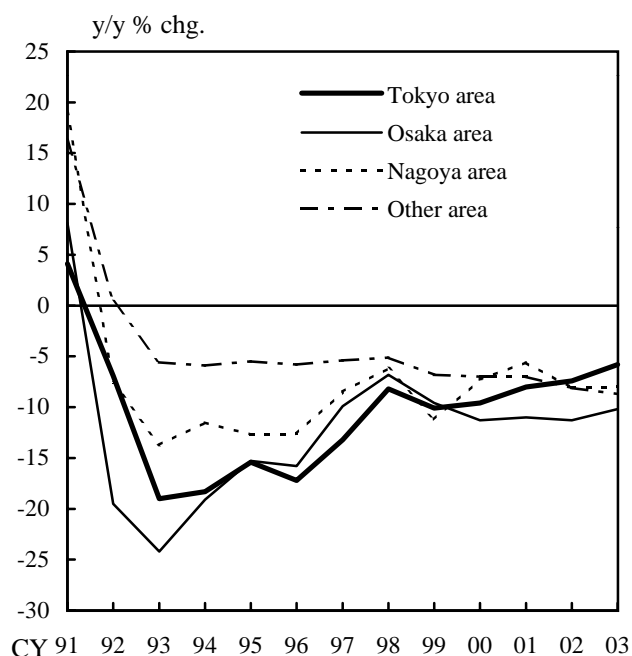


Sources: Cabinet Office, "National Accounts";
Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

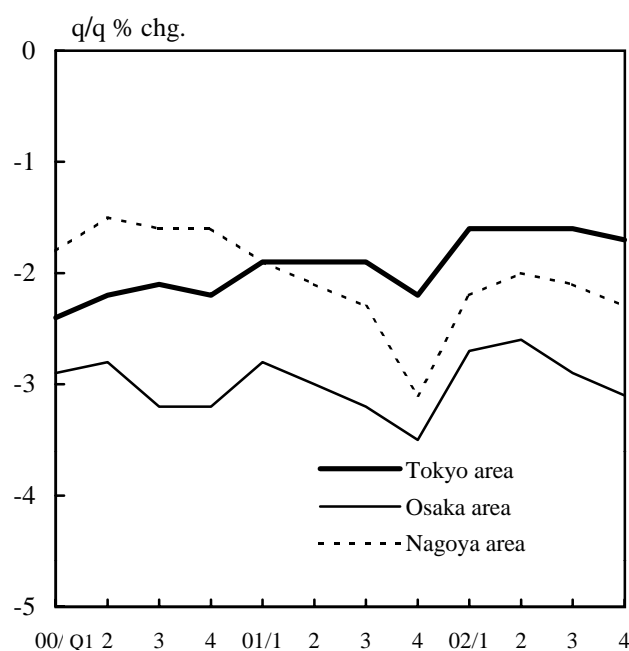
Land Prices

(1) Commercial land

(1-1) Average change (as of January 1st)

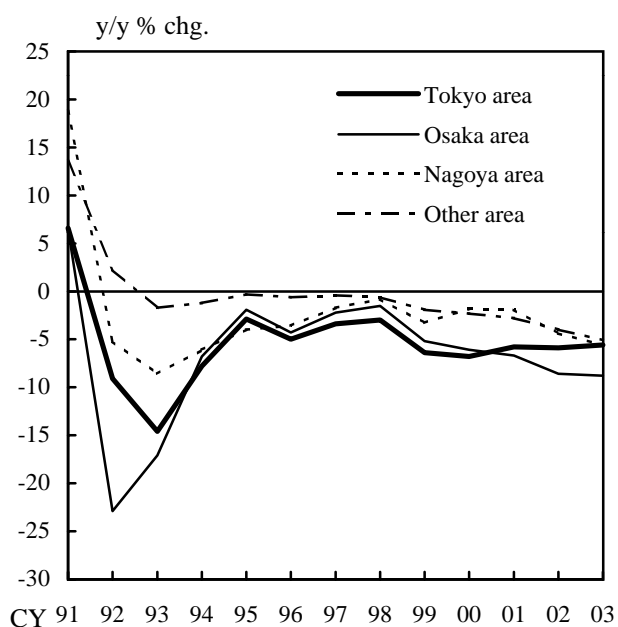


(1-2) Average change at representative locations

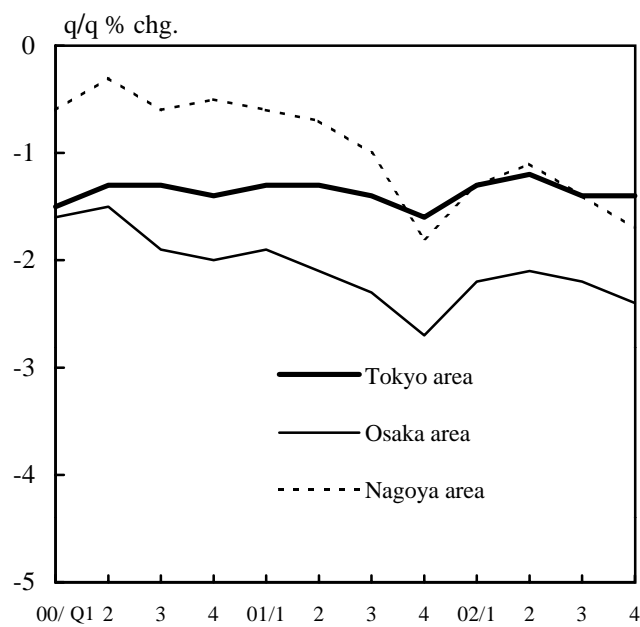


(2) Residential land

(2-1) Average change (as of January 1st)



(2-2) Average change at representative locations

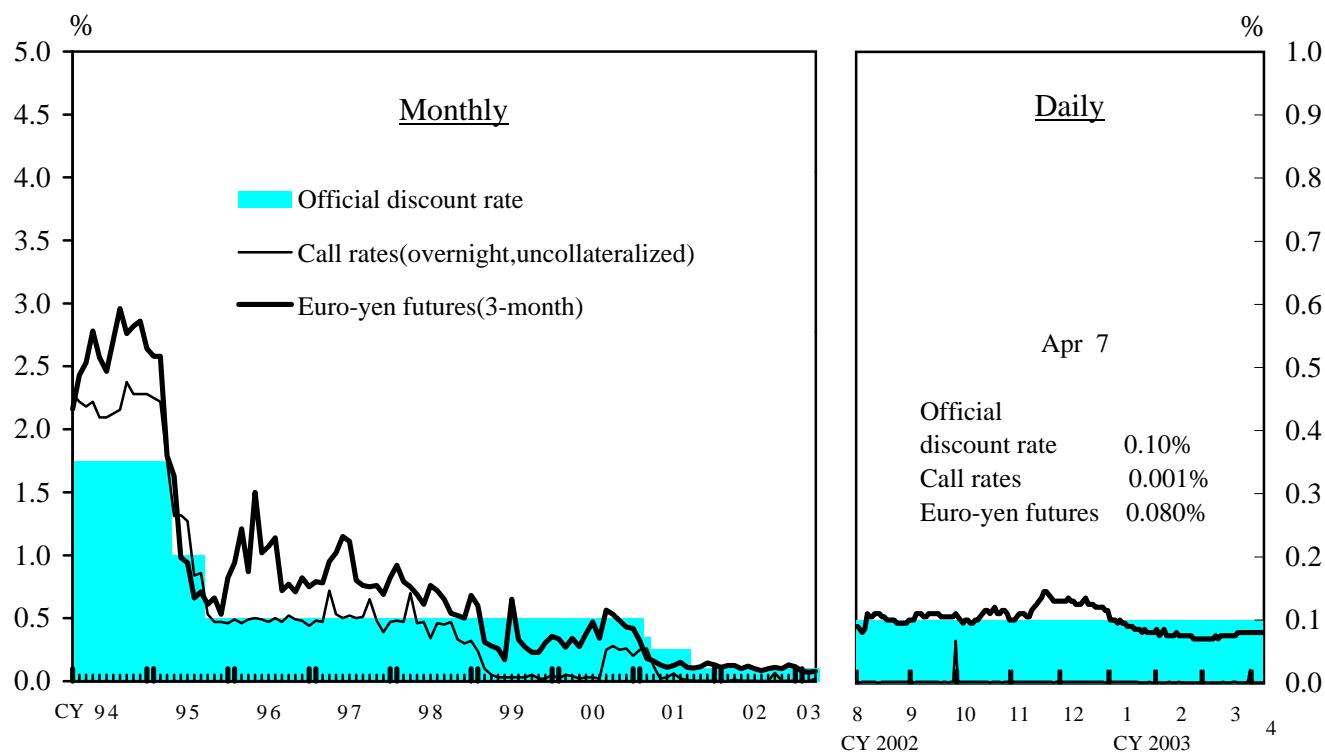


Note: "Representative locations" are the standard locations for "Publication of Land Price" and "Land prices survey by the administrative divisions," which are largely regarded as identical locations between two statistics.

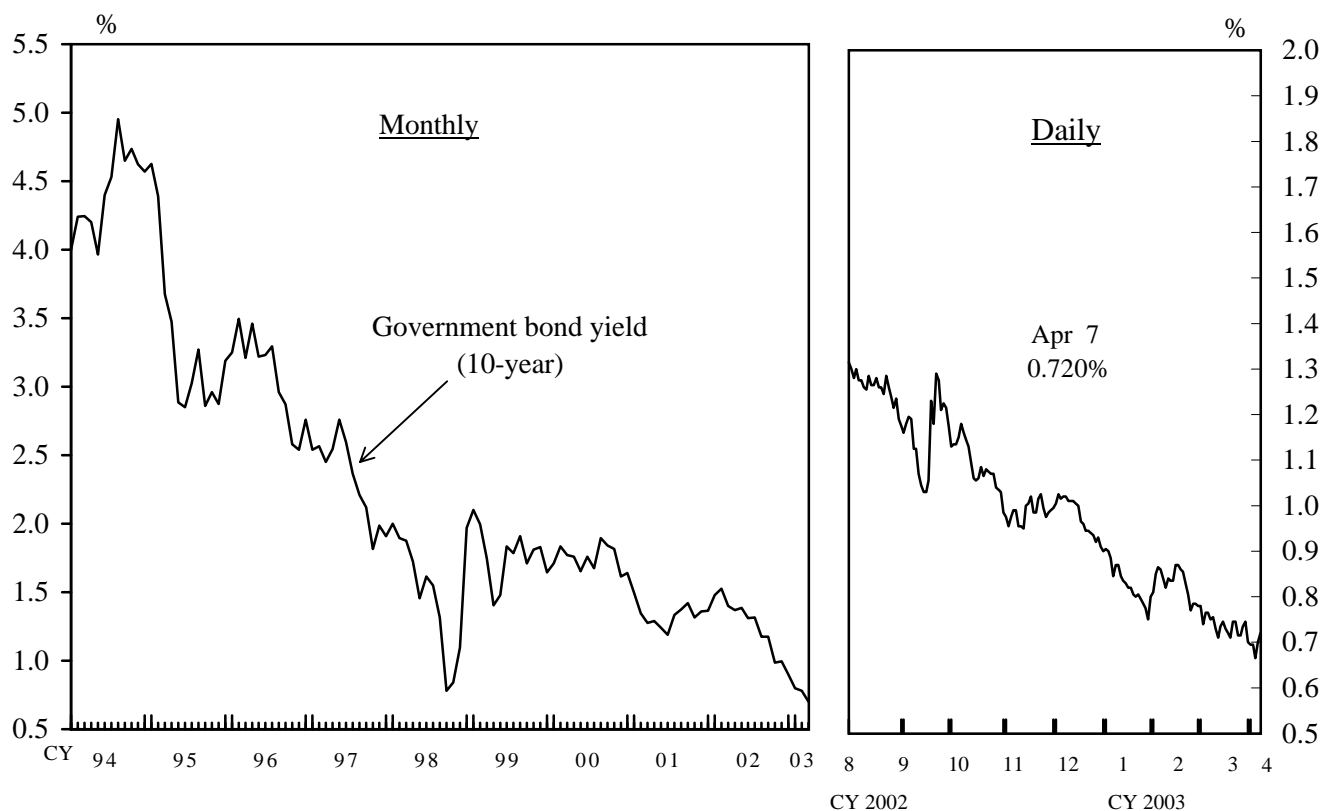
Sources: Ministry of Land, Infrastructure and Transport, "Publication of Land price,"
"Land prices survey by the administrative divisions."

Interest Rates

(1) Short-Term



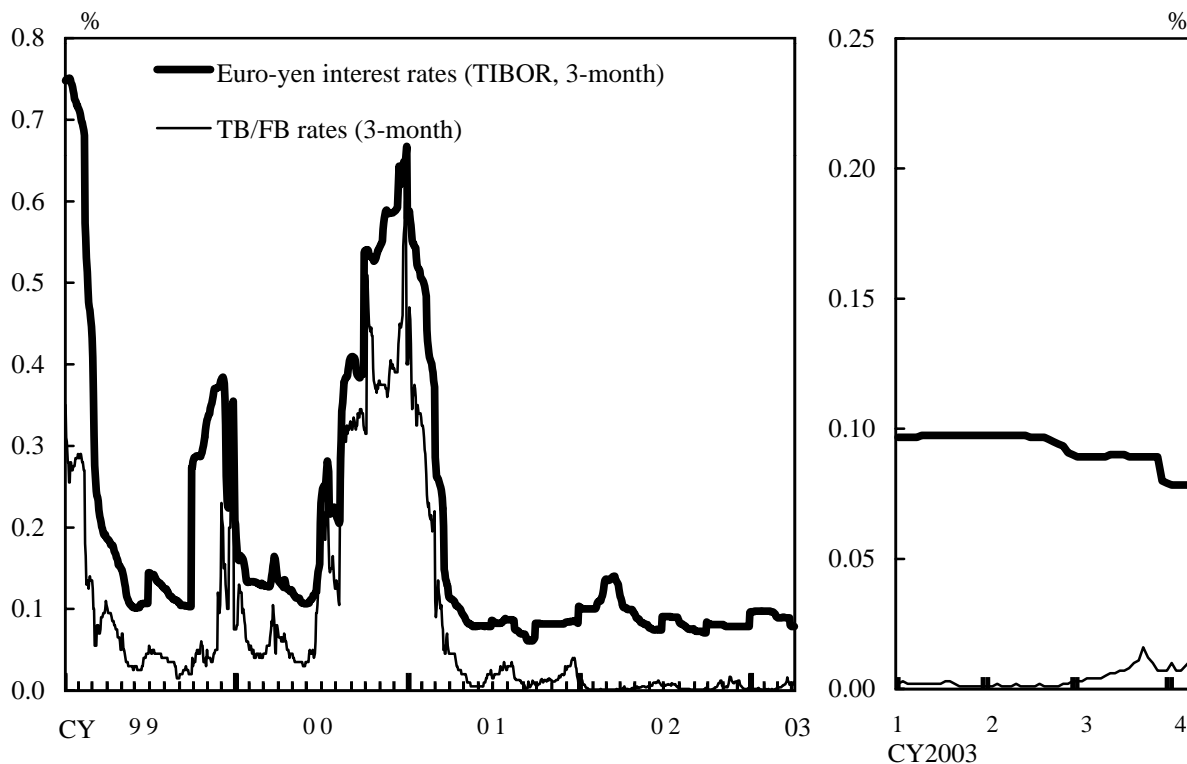
(2) Long-Term



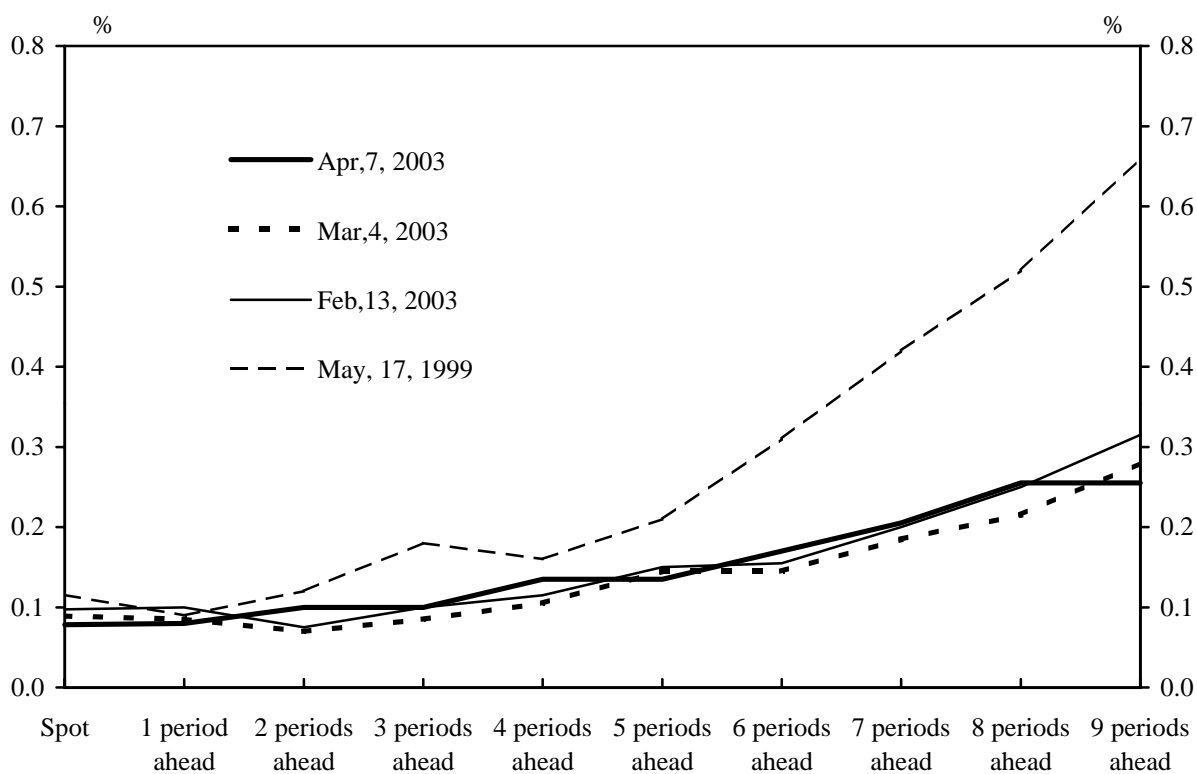
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

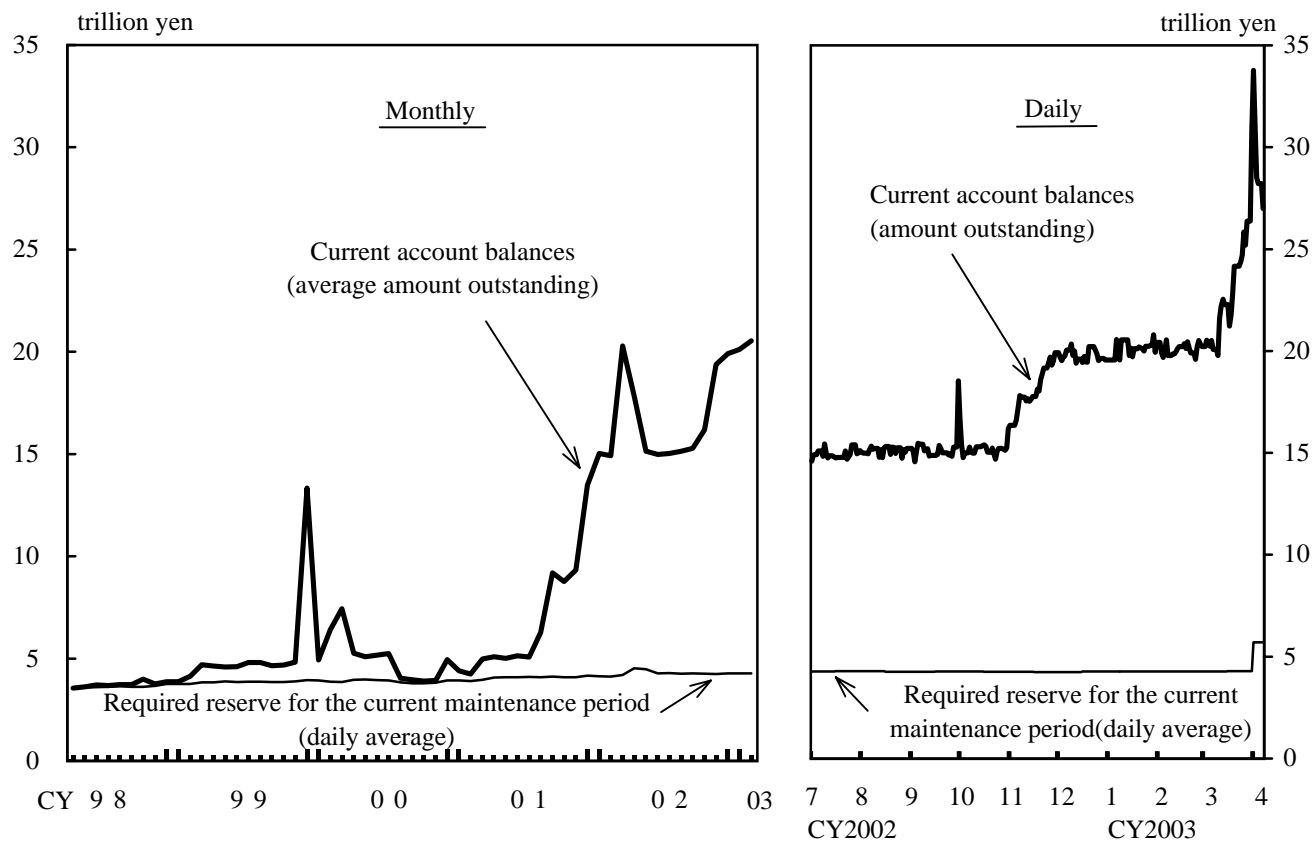


(2) Euro-Yen Interest Rates Futures (3-Month)



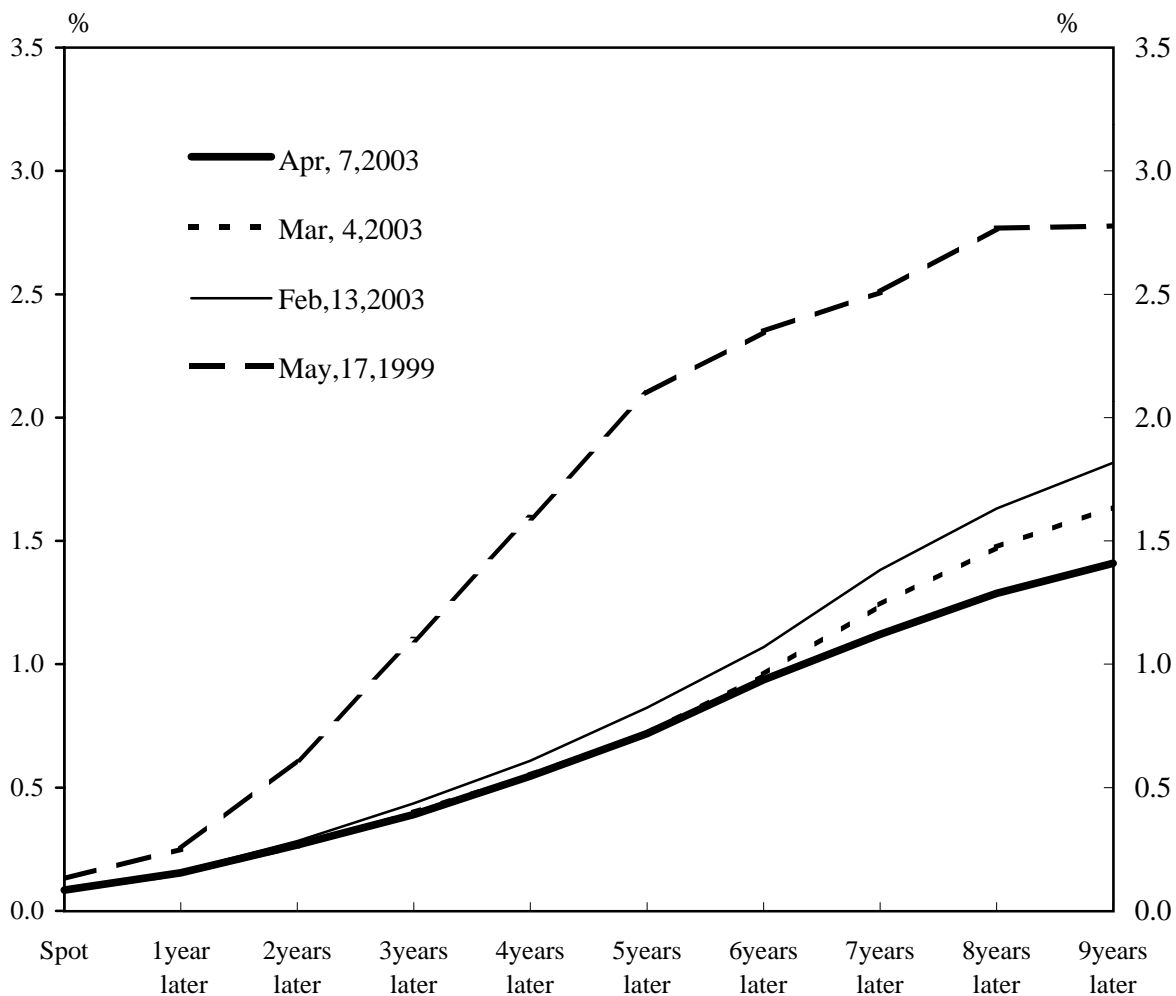
Sources: Japanese Bankers Association; Japan Bond Trading Co., Ltd.;
Tokyo International Financial Futures Exchange.

Current Account Balances at the Bank of Japan



Source: Bank of Japan.

Implied Forward Rates (1-year)¹

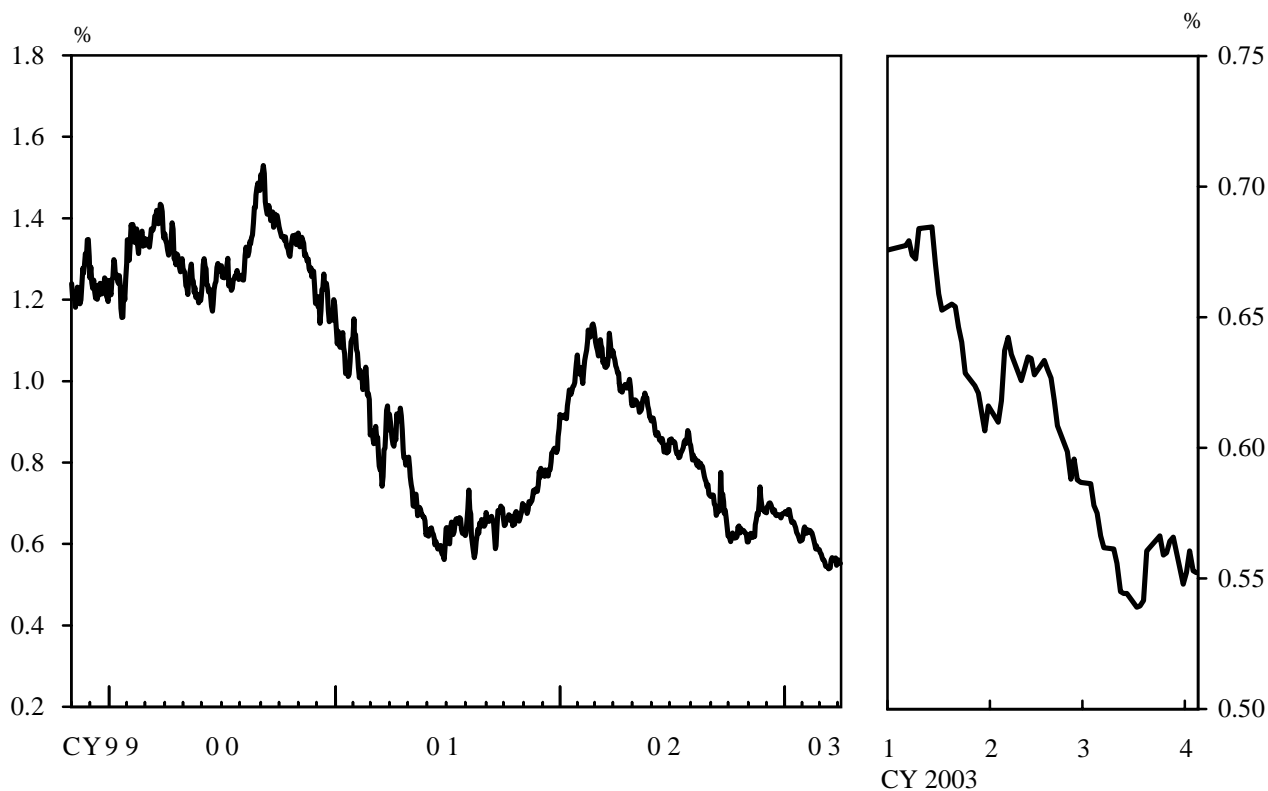


Note: 1. Calculated from yen-yen swap rates.

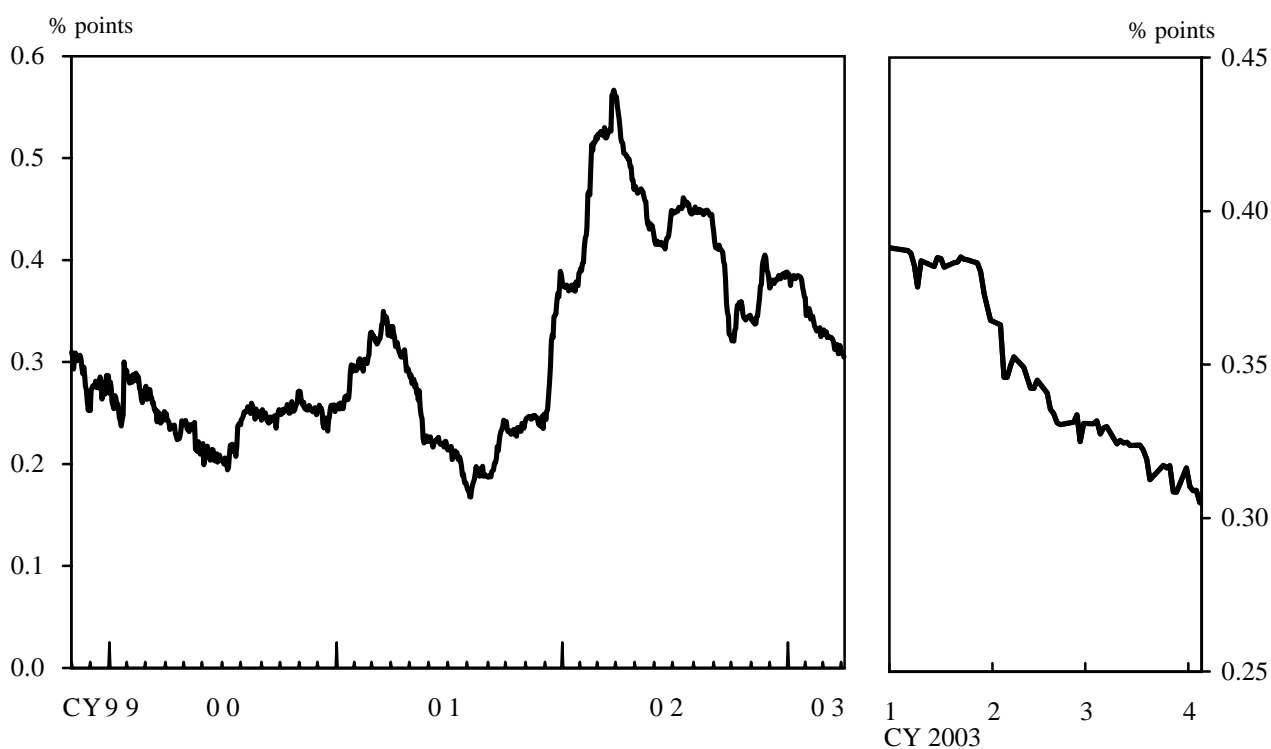
Source: Kyodo News.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



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

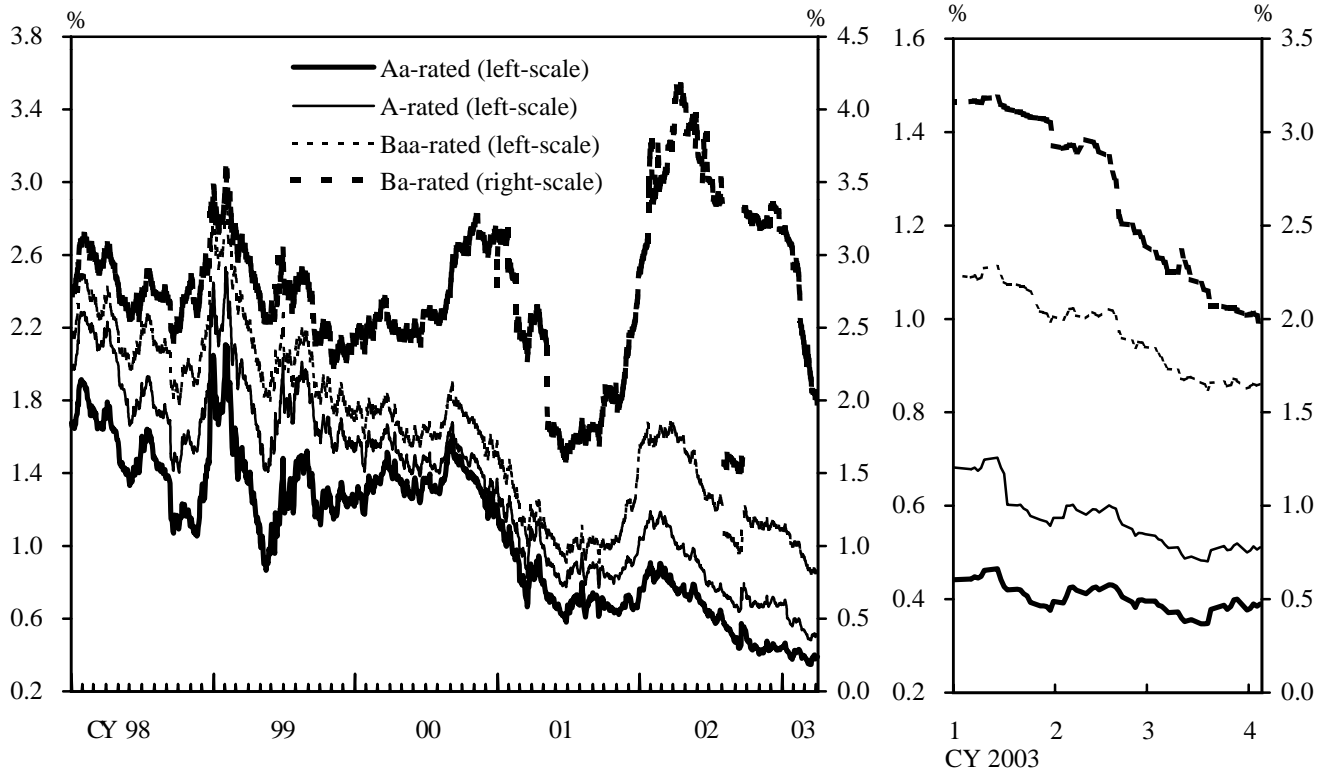
2. Average bank bond yield is the average of four bank bonds.

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

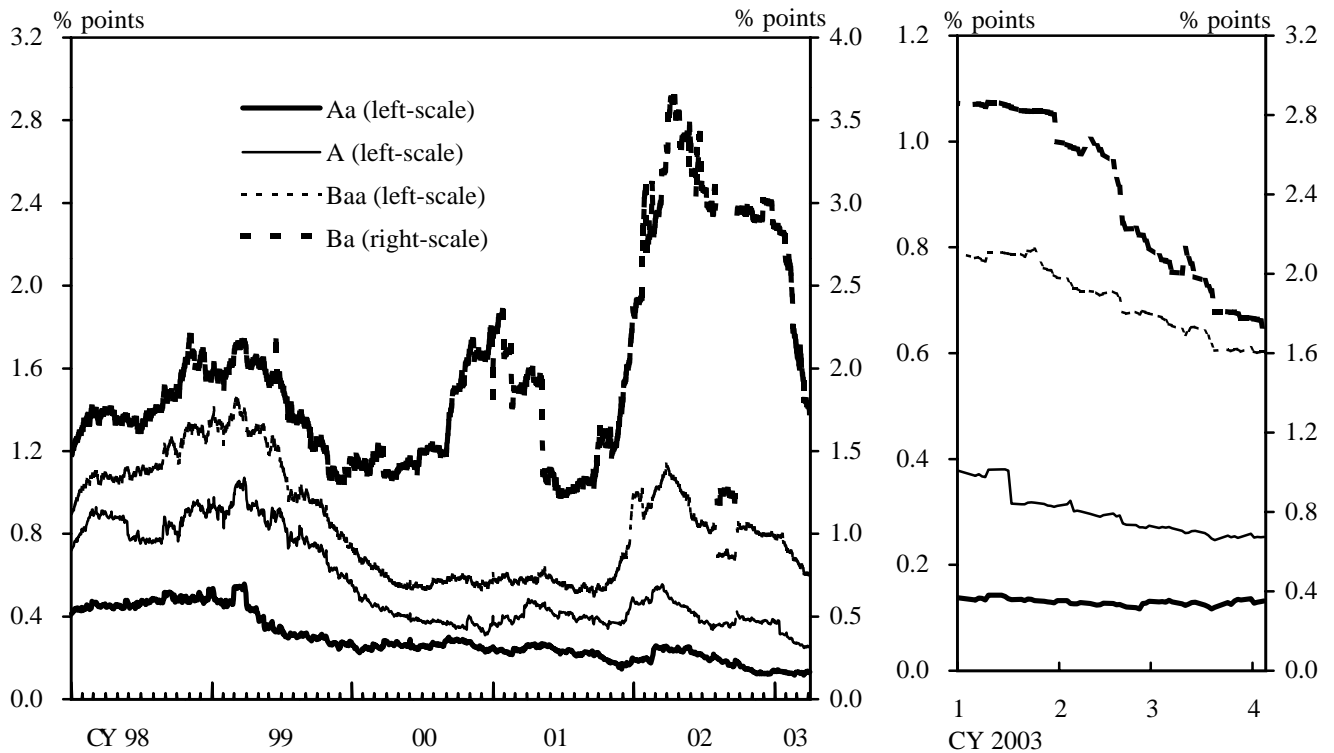
"Reference Price(Yields) Table for OTC Bond Transactions."

Yields of Corporate Bonds¹

(1) Corporate Bond Yields



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



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

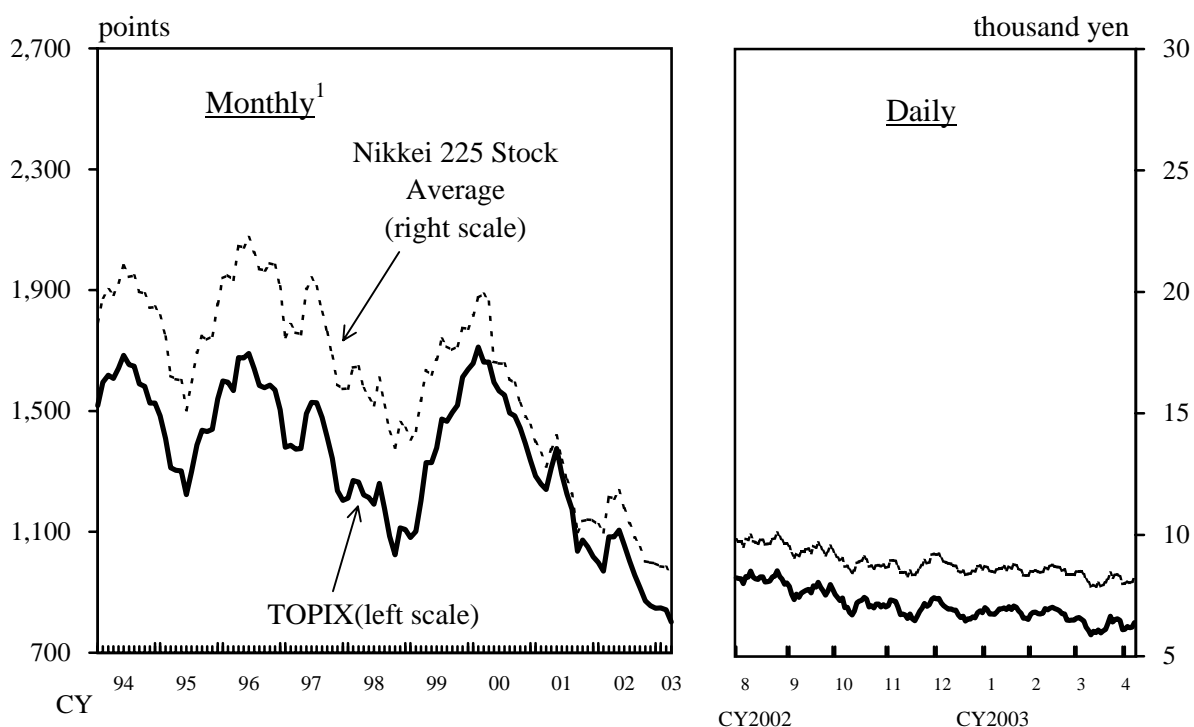
The indicated ratings are of Moody's.

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

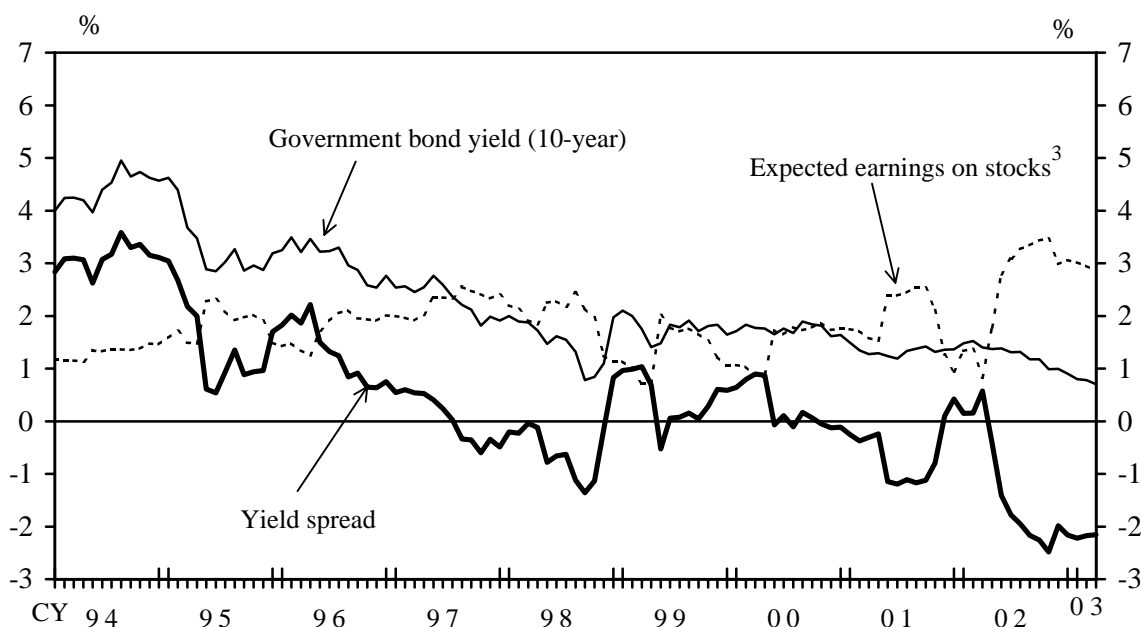
"Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

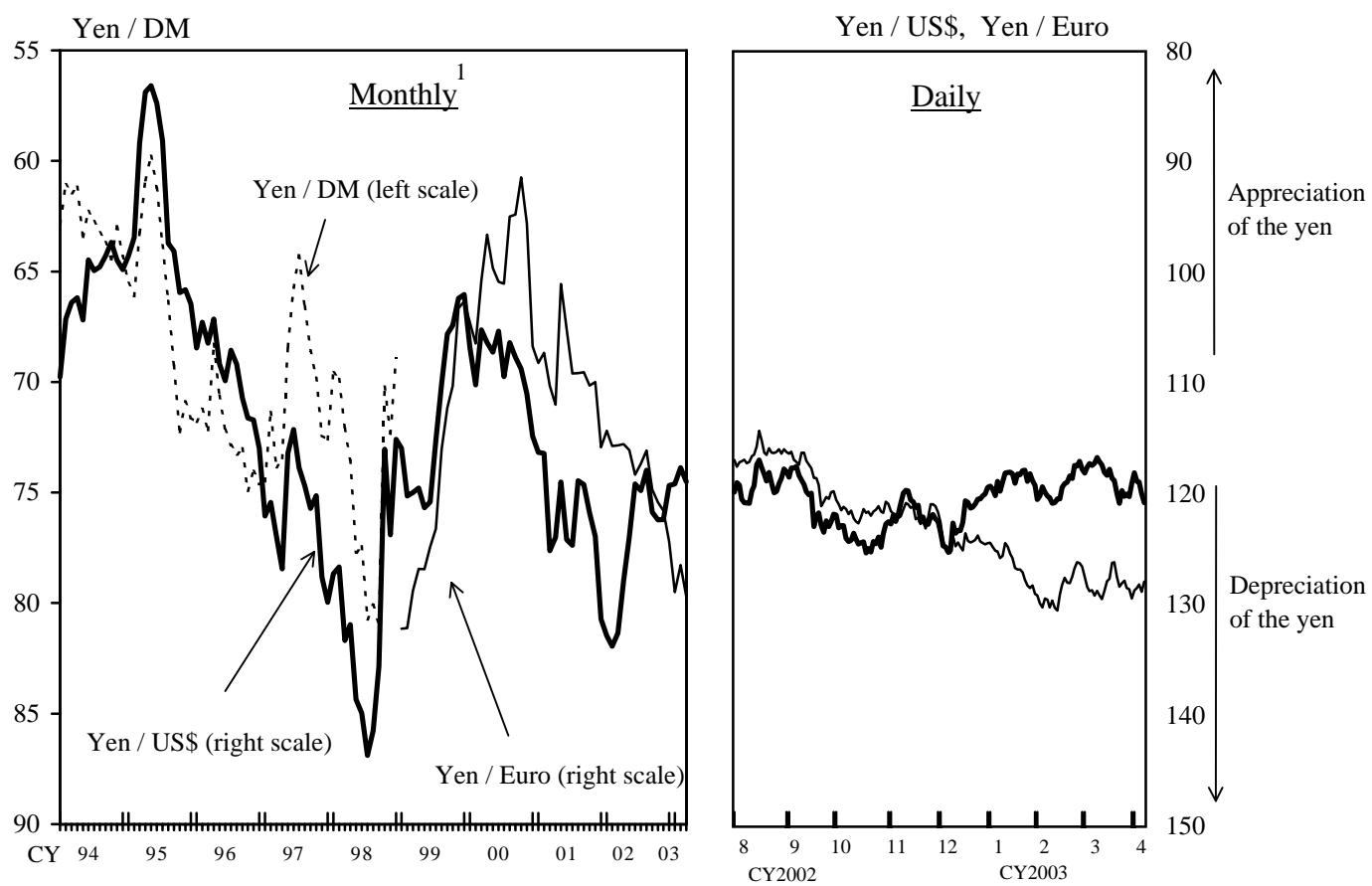
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

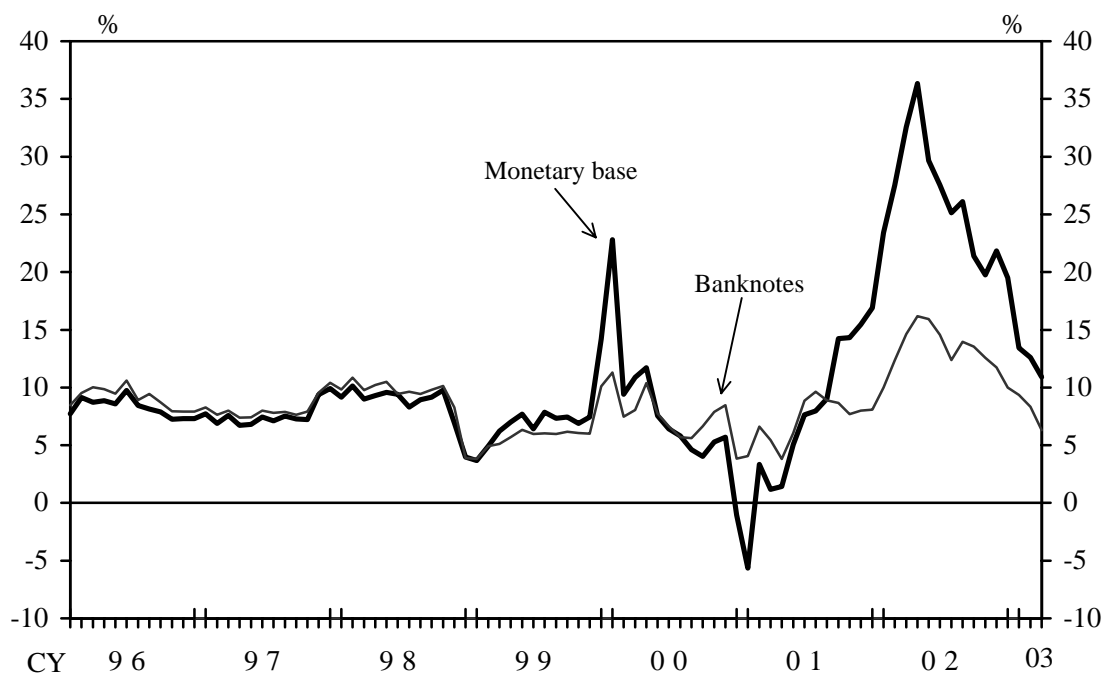
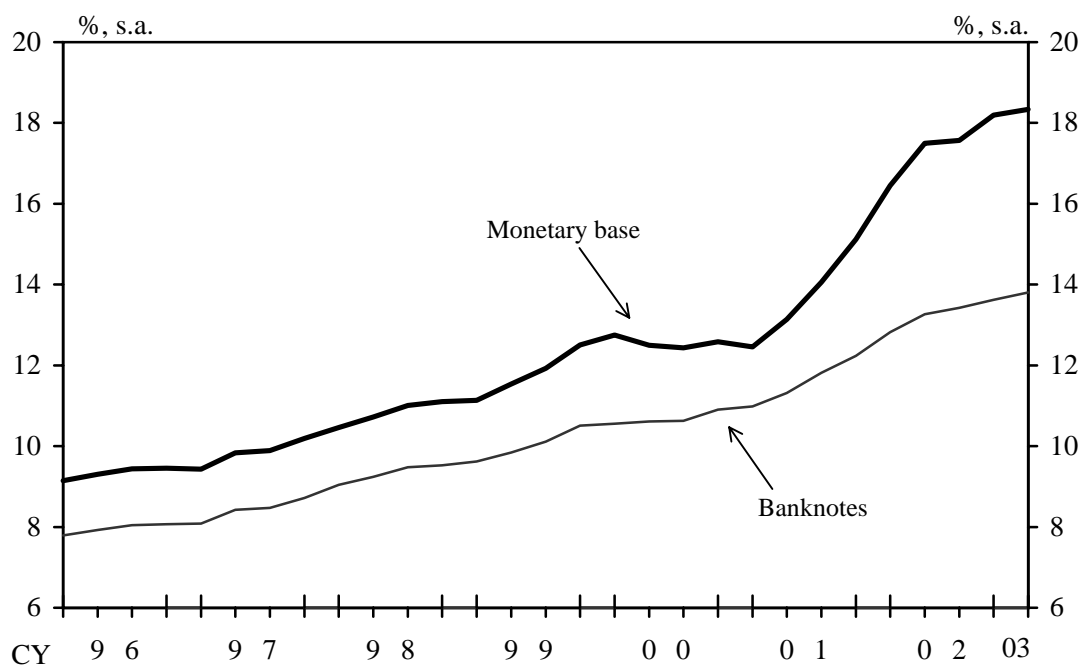
Exchange Rates



Note: 1. End of month.

Source: Bank of Japan.

Monetary Base

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

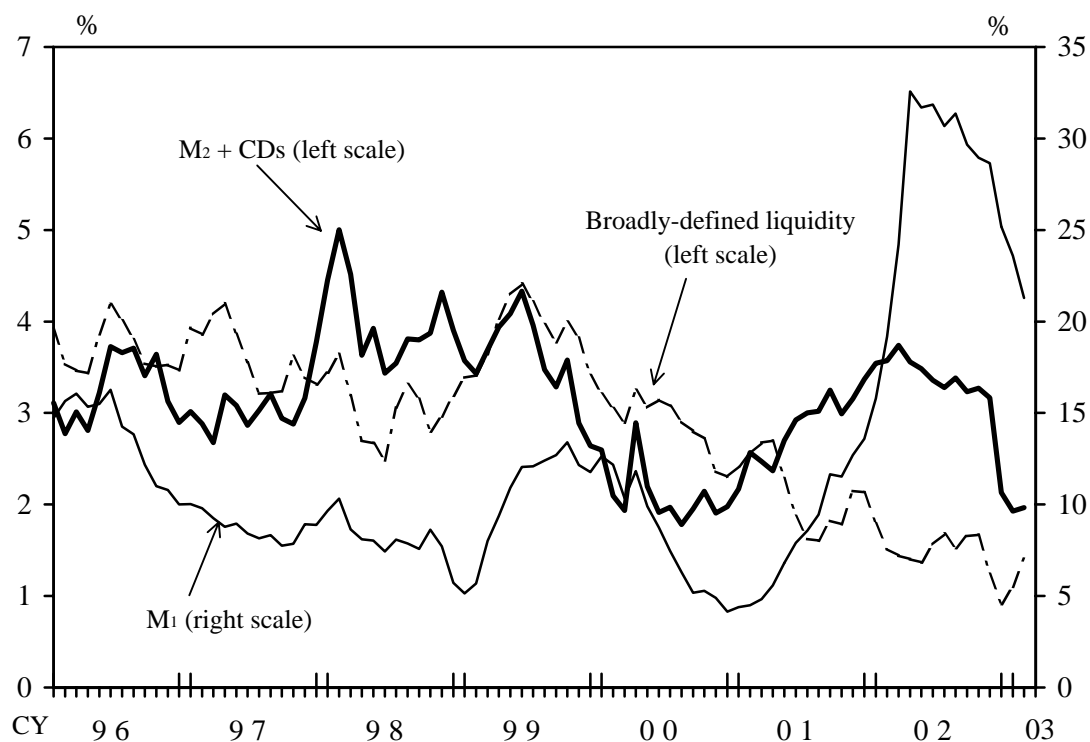
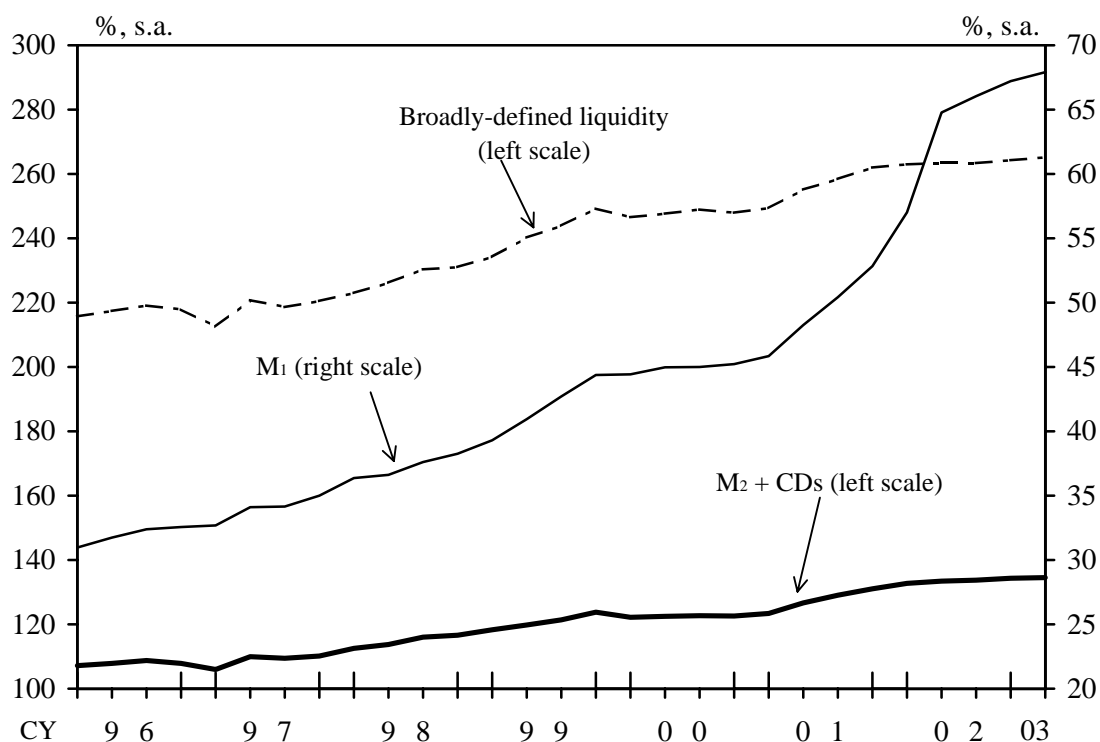
Notes: 1. Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

Data for currency in circulation include holdings of financial institutions.

2. Figure for the nominal GDP in 2003/Q1 is assumed to be unchanged from the previous quarter.

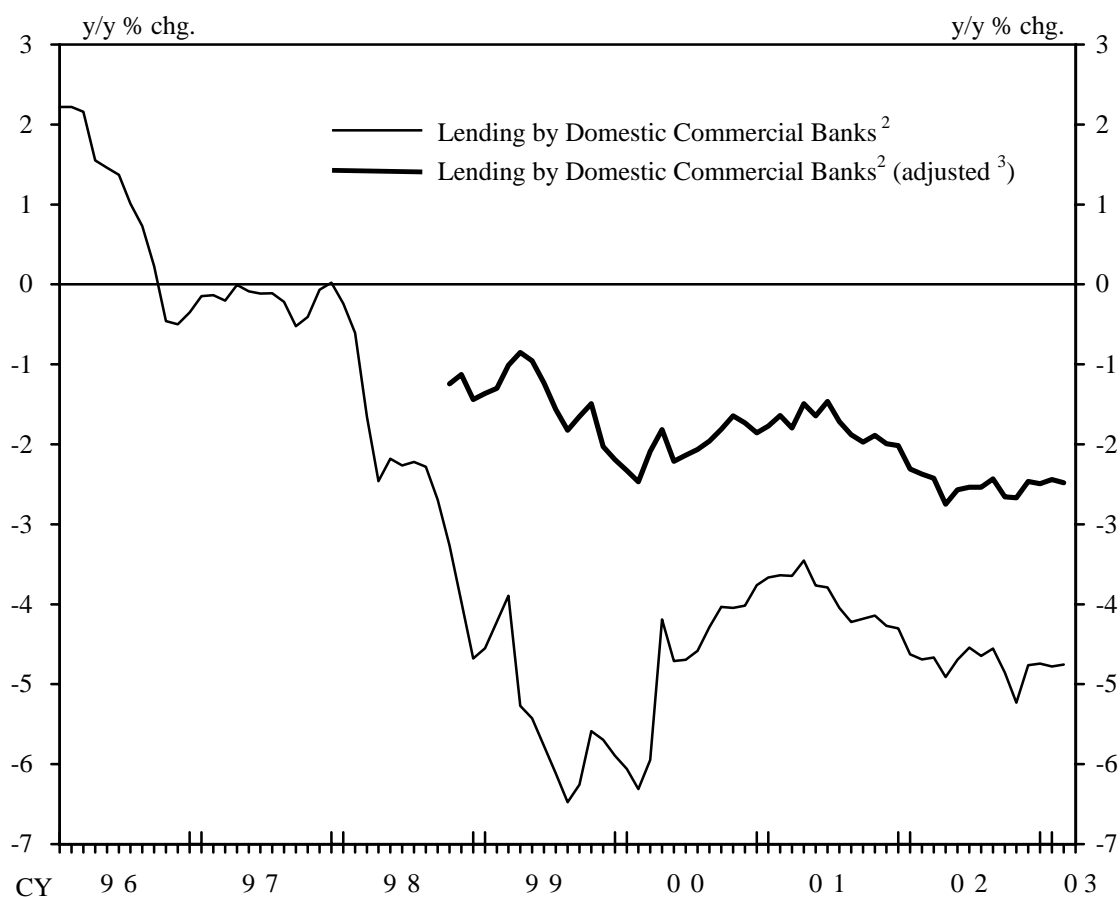
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

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

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

Note: Figures for money stock in 2003/Q1 are averages of January and February, and the nominal GDP in 2003/Q1 is assumed to be unchanged from previous quarter.

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

Lending by Domestic Commercial Banks ¹

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

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

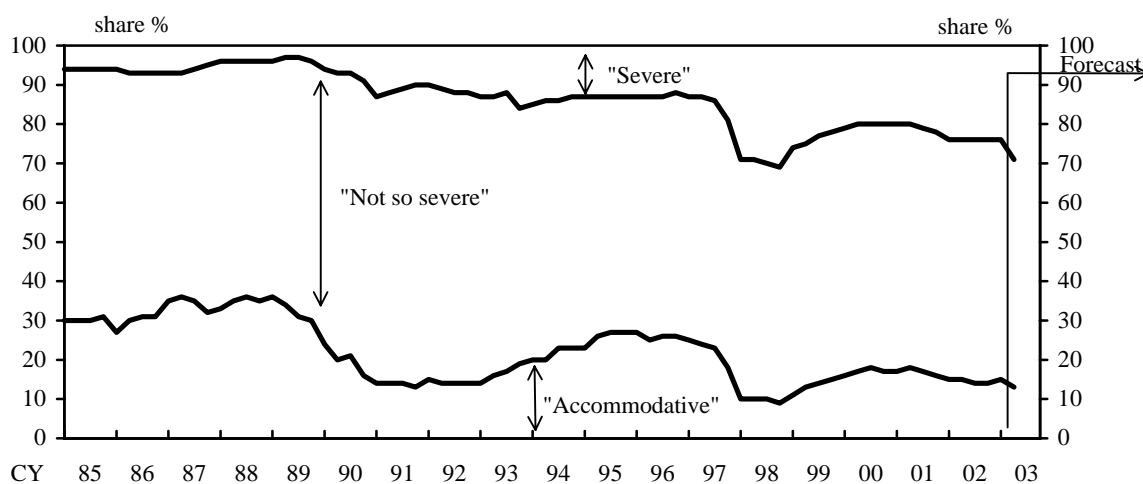
3. Adjusted to exclude

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

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

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

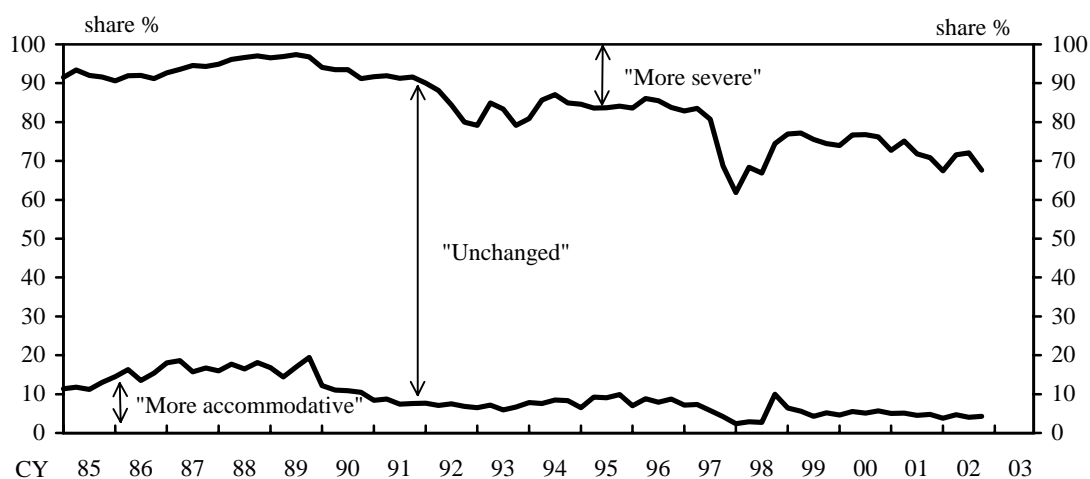
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (March, 2003)



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

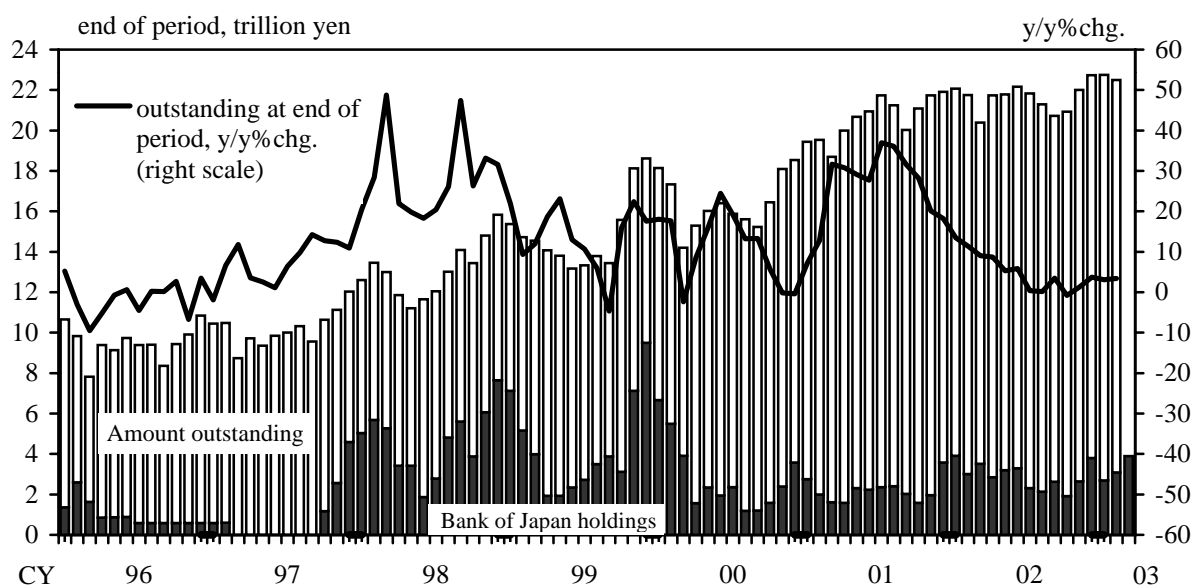


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-December, 2002)



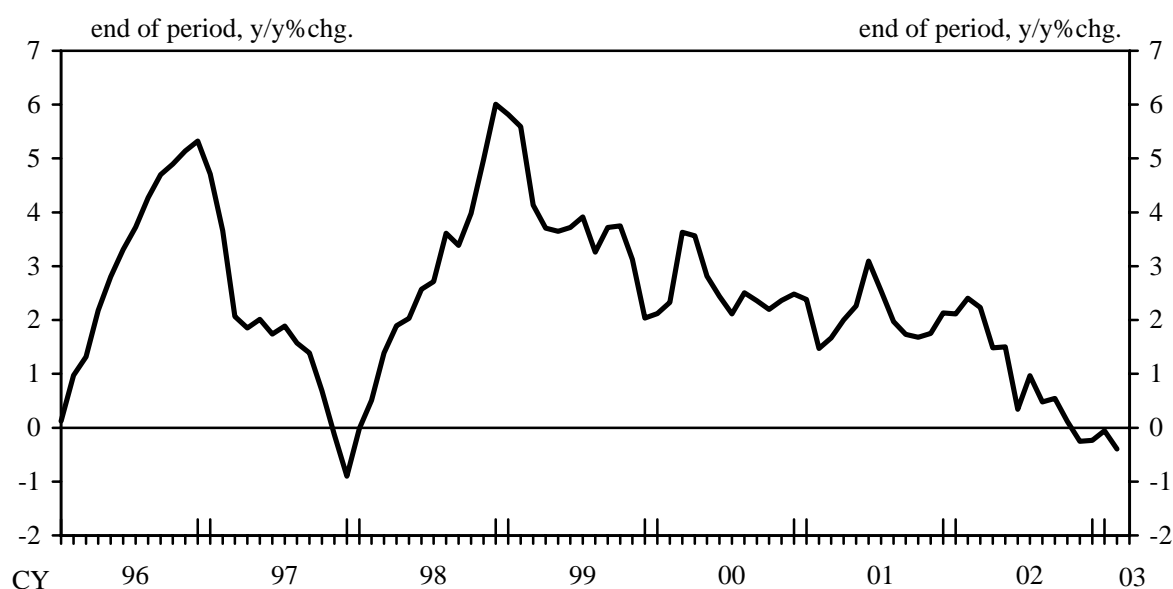
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ;
 Japan Finance Corporation for Small Business, "Monthly Survey of Small Businesses in Japan";
 National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Private-Sector Fund-Raising in the Capital Markets

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

(100 million yen)

	2002/Q2	Q3	Q4	2002/Dec.	2003/Jan.	Feb.
Volume	27,604	28,502	27,262	13,858	5,051	8,275
(previous year)	(35,223)	(23,780)	(31,808)	(14,214)	(2,482)	(11,713)

(3) Amount Outstanding of Corporate Bonds (Changes from a Year Earlier) ^{2,3}

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

Excludes those issued by banks.

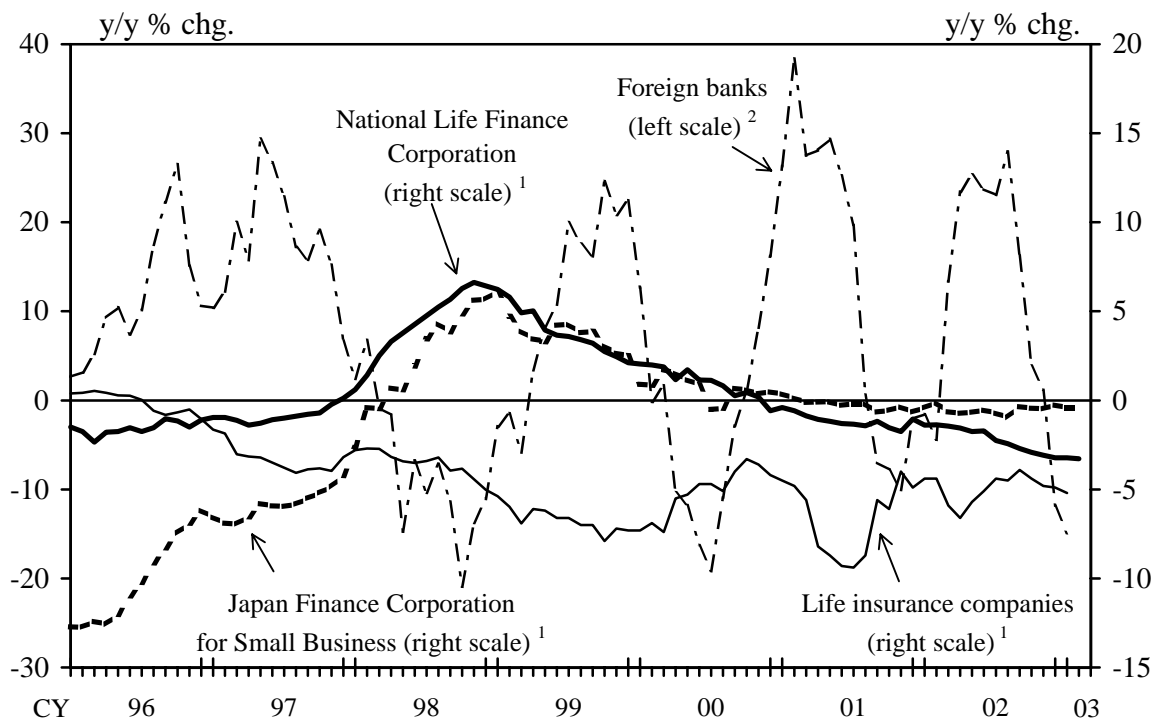
2. Includes straight bonds, convertible bonds, and bonds with warrants.

3. Estimated by the Bank of Japan.

Sources: Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Bond Review"; IN Information Center, "Funding Eye."

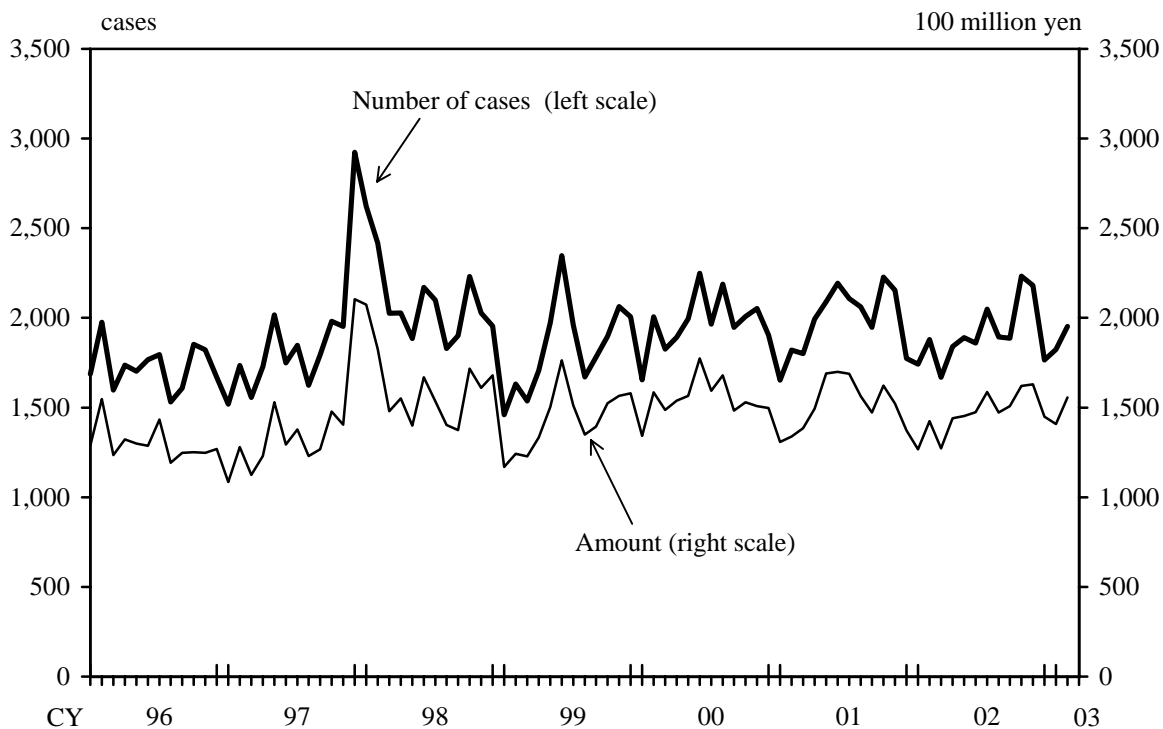
Lending by Other Financial Institutions

(1) Lending Outstanding



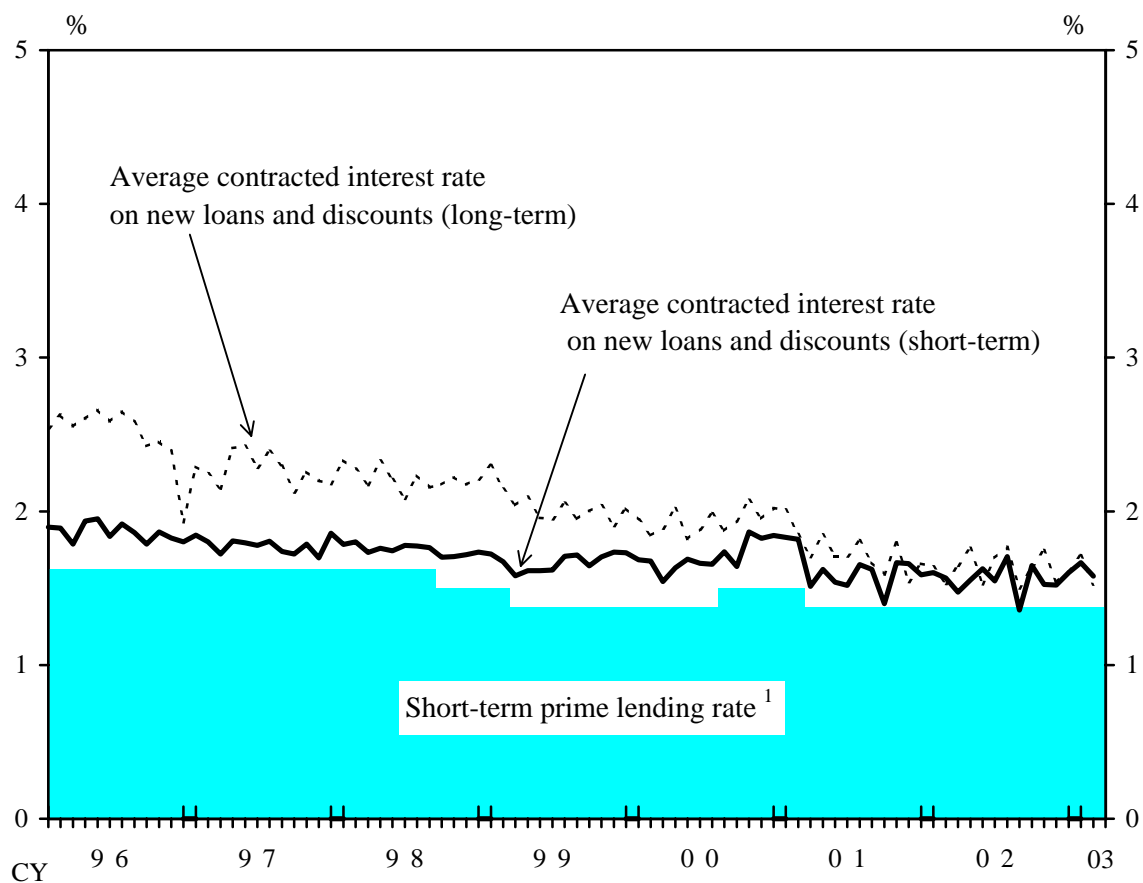
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

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



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

Lending Rates

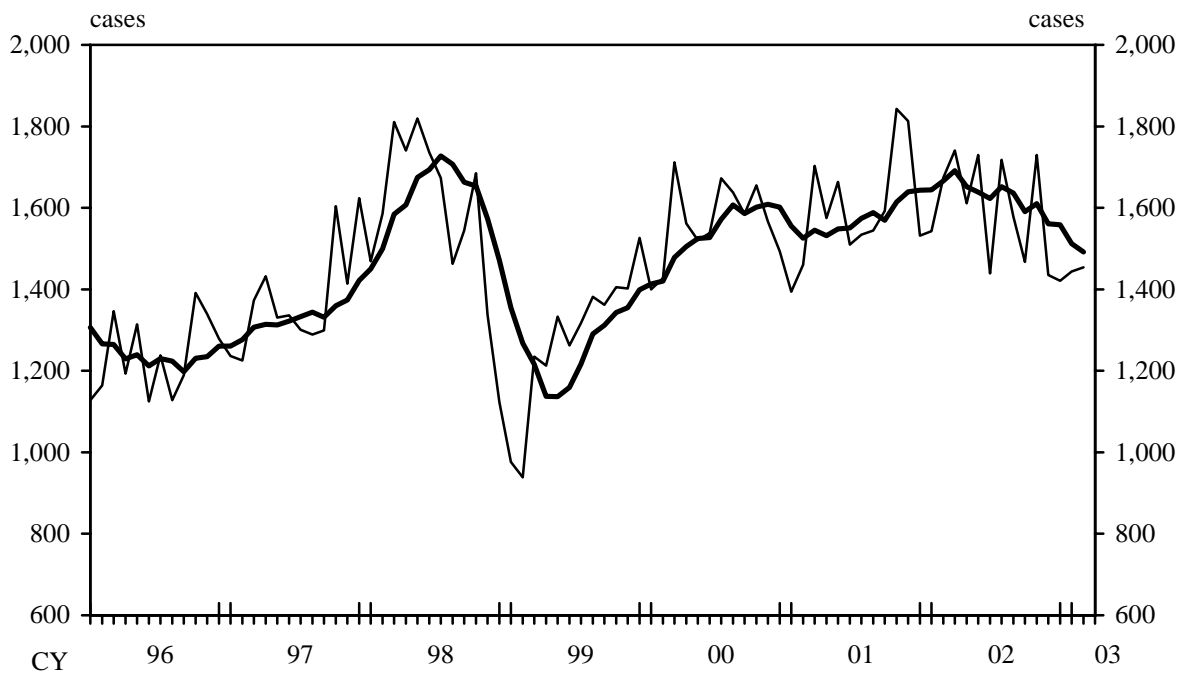


Note: 1. Data are at end of period.

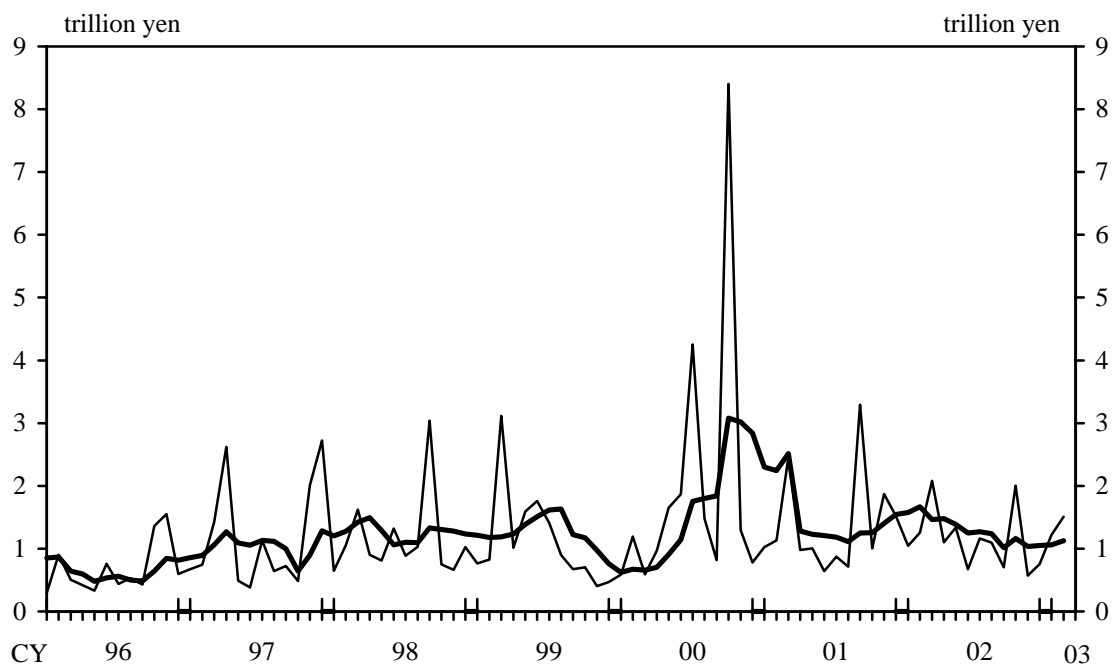
Source: Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

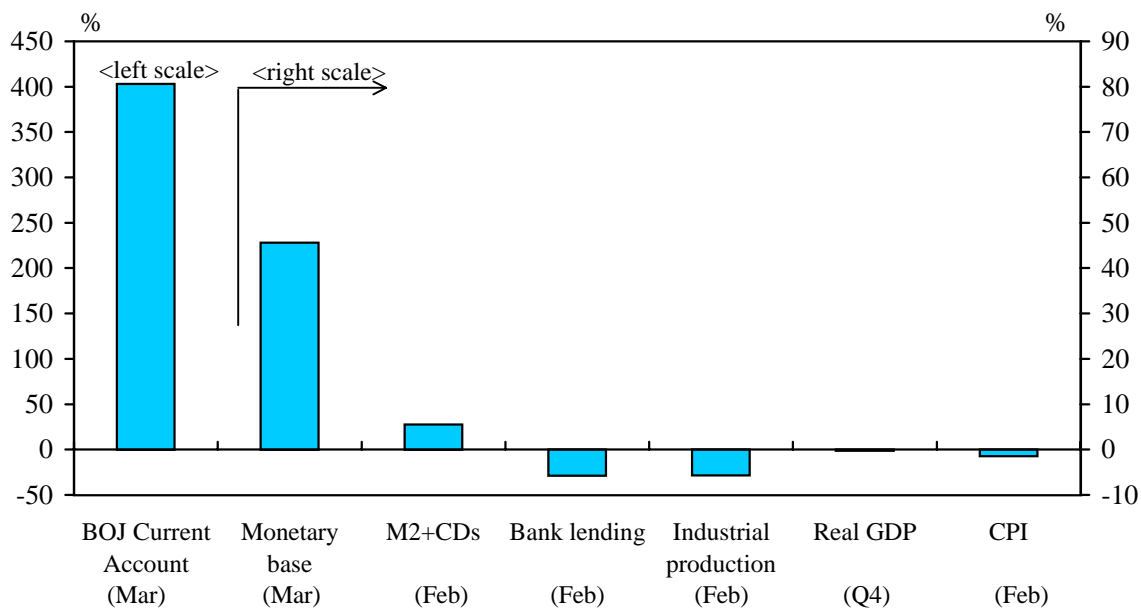


Note: Bold lines are the six-month moving average.

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

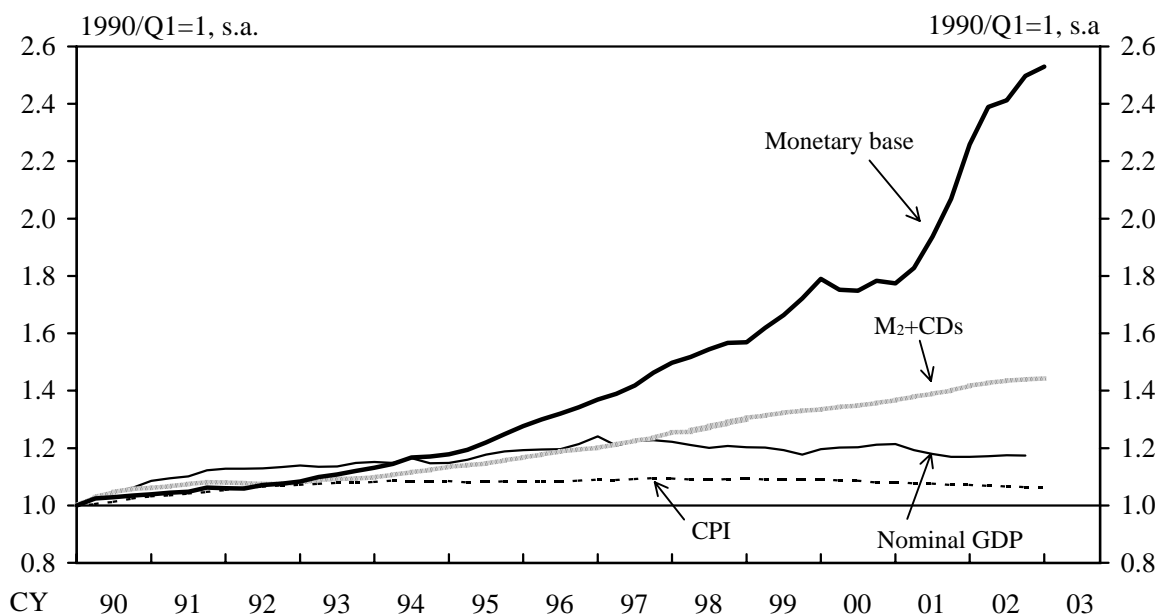
 Monetary Indicators, Economic Activity and Price Development

(1) Changes from March 2001



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

(2) Developments since 1990



- Notes: 1. Figures for monetary base are adjusted for changes in reserve requirement rates.
 2. Figures for CPI exclude fresh food and effects of the change in the consumption tax rate.
 3. Figures for M2+CDs and CPI in 2003/Q1 are averages of January and February.

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.