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

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Monthly Report of Recent Economic and Financial Developments¹

May 2003

The Bank's View²

Economic activity remains flat as a whole, but there is greater uncertainty about the economic outlook.

With regard to final demand, business fixed investment is recovering gradually, although one of the leading indicators suggests possible weakness ahead. Meanwhile, private consumption continues to be weak, housing investment also remains sluggish, and public investment is declining. While domestic demand has not shown clear signs of recovery, net exports remain virtually level.

Industrial production is basically level in response to these developments in final demand. 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 the 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 is that the growth rate, especially that of the U.S. economy, will accelerate in the second half of this year with diminishing uncertainty regarding Iraq-related developments. For the time being, however, the recovery in the U.S. and European economies is projected to remain very modest. Moreover, there is rising concern that the growth of East Asian economies, which has been well-sustained so far, may slow at least temporarily, influenced by severe acute respiratory syndrome

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on May 19 and 20, 2003.

² The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on May 19 and 20, 2003 as the basis for monetary policy decisions.

(SARS). In this situation, exports and also industrial production are expected to remain virtually level for the time being.

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 the growth rate of overseas economies accelerates in the second half of this year, the uptrend in exports and production will resume sooner or later, which in turn will initiate the momentum for an economic recovery in Japan. 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. As to the outlook for the environment for exports, there is greater uncertainty about the effects of SARS within the East Asian region, whose economies are closely linked to Japan's, as well as uncertainty regarding the recovery in the U.S. and European economies and the developments in the U.S. dollar. On the domestic side, how the developments in the financial system will affect stock prices, corporate finance, and the economy requires careful monitoring.

On the price front, import prices are still increasing somewhat, reflecting the rise in crude oil prices until early spring. 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, import prices are expected to start declining, in reaction to the fall in crude oil prices since early spring. 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 addition, the improvement in

the supply-demand situation in materials industries has recently come to a halt. Based on these factors, domestic corporate goods prices are projected to return to a gradual decline. Meanwhile, the pace of year-on-year decline in consumer prices is projected to slow somewhat in April with the rise in medical costs due to public insurance reforms. The year-on-year decline in consumer prices thereafter is projected to remain around the April level. While the rise in prices of petroleum products is expected to peak out, the import of consumer goods, which is strongly related to low-price strategies, is not increasing as it once was.

As for the financial environment, the outstanding balance of current accounts at the Bank of Japan moved in the range of 25-30 trillion yen during April, as the Bank provided more ample liquidity to secure financial market stability. Since the beginning of May, the Bank has been providing more ample liquidity in accordance with the guideline for money market operations decided at the Monetary Policy Meeting held on April 30. The outstanding balance of current accounts is recently moving at around 25-27 trillion yen. Under these circumstances, the overnight call rate continues to hover at very close to zero percent. Longer-term interest rates remain steady at low levels.

Yields on long-term government bonds declined and were temporarily moving at the 0.5-0.6 percent level, as banks and institutional investors have further increased investment in government bonds since the start of the new fiscal year. Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds are contracting further due mainly to the increase in corporate bond investment by institutional investors.

Stock prices plunged temporarily toward the end of April reflecting uncertainty regarding the domestic economic outlook and concern over the worsening supply-demand situation in the stock market, but they have since recovered following the recovery in European and U.S. stock prices. The Nikkei 225 Stock Average is recently moving at around 8,000 yen.

In the foreign exchange market, the yen appreciated reflecting the ongoing weakness of the U.S. dollar due mainly to concern about increasing fiscal deficits and

current account deficits in the United States. The yen is currently traded in the range of 115-118 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. Recently, their lending attitudes seem to be becoming slightly more accommodative in areas such as interest margin charges. Meanwhile, the lending attitudes of financial institutions as perceived by firms, particularly small ones, remain severe. In the corporate bond and CP markets, the issuing environment for firms with high credit ratings continues to be accommodative, and the environment for firms with relatively low credit ratings seems to be improving slightly.

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, but the rate of decline is contracting slightly. 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 slowed somewhat and is around 1.5 percent.

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

Against the above background, the financial developments are summarized as follows. Money market conditions continue to be extremely easy due partly to the additional monetary easing by the Bank. Long-term interest rates are declining further. The money stock and the monetary base maintain high growth rates relative to that of economic activity as a whole, although the rates have slowed somewhat. In corporate

finance, the fund-raising environment has not changed significantly, that is, the environment for firms, particularly with high credit risks, remains severe, although slight improvements are observed such as in the issuing environment of corporate bonds and CP. Stock prices remain unstable. Under these circumstances, a meeting of the Financial System Management Council was held and it was decided that injection of capital into Resona Bank was necessary. Including the effects arising from the decision, 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. 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 were virtually level in the first quarter, marking –0.8 percent on a quarter-on-quarter basis, after a high growth of 4.5 percent in the fourth quarter of 2002³ (Charts 4[1] and 5). Total exports were almost level, as a large decrease in those to the United States and a substantial increase to China and other parts of East Asia, both of which were affected by temporary factors, basically offset one another. In the first quarter, by region (Chart 5[1]), exports to the United States plunged. This was due to temporary factors such as the decline in reaction to the restocking of automobiles in the fourth quarter and to the front-loading of exports before stricter U.S. customs examinations in that quarter, in addition to the effects from the slowdown of the U.S. economy observed ahead of military action against Iraq. On the other hand, exports to East Asia surged, especially to China. This was also because of a temporary increase from the reduction of China's tariffs,⁴ as well as the firmness in domestic demand in this region and the ongoing progress in the international division of labor with Japan. By goods, IT-related exports declined somewhat notably in the first quarter (Chart

³ Figures of real exports and imports were retroactively revised in line with the annual revisions for the year 2002. The revision includes: basic data used for deflation has been switched from the 1995-base *Wholesale Price Index* to the 2000-base *Corporate Goods Price Index*; seasonal factors were recalculated. As a result, real exports during the second half of 2002, mainly for the fourth quarter, have been revised substantially upward, as exports of high value-added consumer goods were raised in real terms.

⁴ Exports to China at the start of the year seem to have exhibited 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. Exports to China exhibited high growth in the first quarter, but monthly developments showed that exports declined substantially in March in reaction to the high growth in January-February.

5[2]), but this was largely due to temporary fluctuations, given that global IT-related demand has not dropped sharply (Chart 6).

Real imports increased by 2.2 percent in the fourth quarter on a quarter-on-quarter basis, but were more or less level in the first quarter recording an 0.2 percent increase (Charts 4[1] and 8). By goods (Chart 8[2]), IT-related imports continued to increase, reflecting the progress in the international division of labor between China and Japan. Imports of materials were also rising due to active stocking of crude oil brought on by concern over Iraq-related developments. In contrast, imports of consumer goods declined in reaction to the high growth in the fourth quarter.

Net exports (real exports minus real imports), in terms of the real trade balance (Chart 4[2]),⁵ have been almost flat, despite some fluctuations, reflecting the developments in both real exports and imports. The surplus of the nominal balance on goods and services was basically level, even though, in detail, it showed slight differences from the real trade balance, since the rise in crude oil prices reduces the trade surplus.

Regarding the outlook for overseas economies, a widely shared prospect is that the growth rate of the economies, especially that of the U.S. economy, will accelerate in the second half of this year with diminishing uncertainty regarding Iraq-related developments. In fact, as with the current U.S. economy (Chart 9-2), stock prices and some private consumption-related indicators seem to be improving gradually in line with a decrease in geopolitical risks. At this current stage, however, production and employment-related indicators are still weak and few signs exist that would indicate a distinct recovery in business fixed investment. Thus, uncertainty regarding the U.S. economic outlook remains substantial.

In addition, the growth of East Asian economies (Chart 9-1[2]), which has been well-sustained so far, may slow at least temporarily due to the effects of severe acute

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.)

respiratory syndrome (SARS). Anecdotal information obtained from Japanese firms regarding the SARS problem indicates that significant effects on production and exports have not yet been observed, at least at this stage. However, it has been pointed out that the decline in business travel has affected progress in business negotiations. There is also widespread concern that if this problem lingers on until summer, there are possibilities that the expansions of local production lines will be hindered and domestic demand in these economies will decline, mainly in private consumption-related demand.

In sum, as for the outlook for exports, based on a widely shared prospect that the growth rate of overseas economies will accelerate in the second half of this year, exports are projected to resume an uptrend again at some stage. For the time being, however, exports are likely to remain virtually level, as the recoveries in the U.S. and European economies are expected to be weak, and the possible effects of SARS remain a concern.

As for imports, since final demand and production are expected to stay more or less unchanged, they are projected to remain virtually level. Reflecting these developments in exports and imports, net exports are expected to be more or less unchanged for the time being, but since it is particularly difficult to predict the effects of SARS, attention should be paid to the downside risks on both exports and imports.

Business fixed investment is recovering gradually, reflecting the improvement in corporate profits. Based on national accounts, investment inched up in the first quarter, recording an increase for four consecutive quarters starting from the second quarter of 2002 (Chart 2). Shipments and aggregate supply of capital goods (excluding transport equipment; Chart 10-1[1]),⁶ a coincident indicator of machinery investment, seem to be on a very gradual uptrend since mid 2002, with some fluctuations.

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

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*.

shipbuilding and electric power equipment; Chart 10-2[1]), those of manufacturing have been increasing moderately but steadily from the beginning of 2002. Meanwhile, those of nonmanufacturing surged, but its underlying trend is still unclear due to substantial quarterly fluctuations. In addition, since the forecast for machinery orders in the second quarter showed a substantial decrease, whether these developments will lead to an actual decline in orders requires close monitoring.⁷ Construction starts (private, nondwelling use; Chart 10-2[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. 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 10-1[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. In detail (Charts 11-1 and 11-2), the number of new passenger-car registrations fell sharply in April, after an upsurge in the first quarter. These fluctuations were largely caused by a temporary rush of demand before the environment-related taxation system was changed.⁸ Sales at both department stores and supermarkets continued to be weak, and the underlying trend, after monthly fluctuations are smoothed out, was unchanged. Sales at convenience stores declined in March in reaction to a rush of demand in February before sales of high-denomination prepaid expressway cards were discontinued at the end of February. Meanwhile, the growth in sales of household electrical appliances (NEBA statistics; real basis) was

⁷ The forecast for machinery orders in the second quarter dropped substantially by 10.5 percent on a quarter-on-quarter basis. However, throughout the past one year, actual orders have been higher than forecasts. This time, in particular, the second quarter forecasts seemed to have decreased in reaction to the high growth in the first quarter. Moreover, firms might have taken an especially cautious stance at the time of the survey, which was conducted in late March, due to military action against Iraq.

⁸ The rush of demand before March occurred because automobile related tax relief measures targeted at low greenhouse gas emissions and fuel-efficient vehicles will be scaled down substantially from April onward.

high in the first quarter, as sales of digital cameras were favorable and the introduction of spring PC models was front-loaded. As for services consumption, sales in the food services industry continued to be level. Outlays for travel dropped significantly in March for overseas travel due mainly to greater tension in Iraq-related developments. The underlying trend of indices of aggregated sales (Chart 11-3)⁹—which are comprised of many sales indicators, including those mentioned above—seemed to be basically unchanged. Similarly, for aggregate supply of consumer goods (Chart 11-4), the underlying trend was also unchanged.

Indicators for consumer sentiment (Chart 12) are weak as a whole. However, the *Monthly Consumer Confidence Survey* for April, which was conducted after military action against Iraq was almost completed, showed signs of improvement.

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

Housing investment remains sluggish (Chart 13) 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 14[1]) was virtually level, with an increase of 0.4 percent in the fourth quarter of 2002 and 0.3 percent in the first quarter of 2003 on a quarter-on-quarter basis.¹⁰ By industry (Chart 14[2]), while production of electrical machinery such as digital cameras increased in the first quarter, that of transport

⁹ The indices of aggregated sales are compiled by the weighted average of various sales indicators (including a few indicators for services consumption). Since each sales indicator shows different movements, the indices of aggregated sales are used to evaluate the whole trend of these sales indicators. For the detailed calculation method, see the notes in Chart 11-3.

¹⁰ *Indices of Industrial Production* were revised from the 1995 base to the 2000 base. In the revision, some items were replaced with new items, index weights were updated, and seasonal factors were recalculated. Detailed price information such as prices of semiconductor ICs has become available due to the revision of price statistics from the 1995-base *Wholesale Price Index* to the 2000-base *Corporate Goods Price Index*. This has enabled the deflation of some items whose nominal value of production has been used as real value-added figures. In line with this revision, for example, the growth of production in the fourth quarter of 2002 was revised substantially upward, from -1.0 percent to 0.4 percent on a quarter-on-quarter basis. This is largely because digital cameras and the electronic parts used mainly for these devices were newly incorporated into the index.

equipment decreased, reflecting a reactionary fall in exports of automobiles to the United States.

Inventories (Charts 14[1] and 16) were still on a gradual declining trend, 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 adjustment pressure on inventories has not 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, while it is hard to expect a self-sustaining recovery in domestic demand, adjustment pressure on inventories has not accumulated. Hence, changes in the current underlying trend of production seem to depend largely on exports. Assuming that the growth rate of overseas economies accelerates in the second half of this year, 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 many firms will maintain their cautious stance on production for the second quarter, citing that substantial uncertainty about overseas developments will persist. The production forecast for the second quarter using the production forecast indexes for April and May of the *Indices of Industrial Production* shows that production will be more or less unchanged, +0.1 percent on a quarter-on-quarter basis, assuming that production in June will be around the May level.

As for the employment and income situations, the number of new job offers and overtime hours worked remain firm (Charts 18-1[2] and 18-2[3]). Moreover, the number of employees in the *Labour Force Survey*, which covers various types of employees, including non-regular employees such as temporary workers, appears to be declining at a slower pace (Chart 18-2[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 (Chart 18-2[2]). In these circumstances, wages still continue to decrease, although the improvement in corporate profits is gradually having positive effects on wages, as seen in the less-steep decline in bonuses

over the past winter. In sum, even though the rate of decline in household income is becoming slow, the employment and income situations of households remain severe overall (Chart 17[1]).

Looking at nominal wages per employee on a year-on-year basis (Chart 17[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 pace of increase in the ratio of part-time workers has slowed.¹¹ Moreover, overtime payments continued a year-on-year increase.

Meanwhile, the unemployment rate (Chart 18-1[1]) remained unchanged at high levels, with some fluctuations. In particular, the number of those involuntarily unemployed (Chart 18-1[3]) seems to be peaking, although it remained high.

As for the outlook, if production resumes its uptrend and corporate profits continue to rise, 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 is expected to continue declining for some time, albeit at a somewhat slower pace.

2. Prices

Import prices on a yen basis are still increasing somewhat compared to levels three months ago, reflecting the rise in crude oil prices until early spring (Chart 20).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates; same hereafter)¹² inched up in March-April compared to

¹¹ 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.

¹² 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.

levels three months ago (Chart 21). 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 and chemicals 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 22). 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 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.¹³

Consumer prices (excluding fresh food; same hereafter) continue to decline slowly (Chart 23). With respect to developments on a year-on-year basis, the rate of decline diminished marginally, reflecting the rise in petroleum products (gasoline); the year-on-year changes of CPI from January to March were -0.8 percent, -0.7 percent, and -0.6 percent chronologically. 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. Preliminary figures of the Tokyo CPI in April, which are released a month earlier than the nationwide figures, showed that the year-on-year rate of decline diminished by 0.3 percentage points from March, caused by the rise in medical costs due to public insurance reforms: -0.7 percent in March and -0.4 percent in April. The nationwide consumer prices for April are projected to follow the same developments.

Looking at the conditions influencing price developments, import prices are expected to start declining, in reaction to the fall in crude oil prices since early spring. On the domestic side, the supply-demand balance in the macroeconomy, ongoing technological innovations in machinery, and the streamlining of distribution channels

¹³ Not on "domestic supply-demand factors" but based on "all items," the year-on-year rate of decline contracted, recording -0.5 percent in March. This was because ocean freight increased, reflecting Iraq-related developments.

will continue to exert downward pressure on prices. In addition, the improvement in the supply-demand situation in the materials industries has recently come to a halt. Based on these factors, domestic corporate goods prices are projected to return to a gradual decline. Meanwhile, the pace of the year-on-year decline in consumer prices is projected to slow somewhat in April with the rise in medical costs due to public insurance reforms, as described above.¹⁴ The year-on-year decline in consumer prices thereafter is projected to remain around the April level. While the rise in prices of petroleum products is expected to peak out, the import of consumer goods, which is strongly related to low-price strategies, is not increasing as it once was (Chart 24).

3. Financial Developments

(1) Financial Markets

The outstanding balance of current accounts at the Bank of Japan moved in the range of 25-30 trillion yen during April, as the Bank provided more ample liquidity to secure financial market stability. Since the beginning of May, the Bank has been providing more ample liquidity in accordance with the guideline for money market operations decided at the Monetary Policy Meeting held on April 30. The outstanding balance of current accounts is recently moving at around 25-27 trillion yen (Chart 27).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 25[1]) continues to hover at very close to zero percent. Longer-term interest rates (Chart 26) such as TB and FB rates, and repo rates rose temporarily toward the end of April, but have been declining again since the beginning of May, and continue to be stable.

In the government bond market, yields on 10-year government bonds (newly issued 10-year JGB; Chart 25[2]) declined temporarily to the 0.5 - 0.6 percent level, as banks and institutional investors have further increased investment in long-term

¹⁴ The rate of decline in the general index including fresh food has already diminished to around zero percent; -0.1 percent on a year-on-year basis in March mainly in reaction to the plunge in fresh food prices during the same time in 2002. Hence, the year-on-year change in April is likely to be zero or a slight positive.

government bonds due mainly to widespread perceptions of an excess of liquidity among market participants.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 29 and 30) are contracting further, as institutional investors have increased investment in corporate bonds.

Stock prices (Chart 31) plunged temporarily toward the end of April reflecting uncertainty regarding the domestic economic outlook and concern over the worsening supply-demand situation in the stock market, but they have since recovered following the recovery in European and U.S. stock prices. The Nikkei 225 Stock Average is recently moving at around 8,000 yen.

In the foreign exchange market (Chart 32), the yen appreciated, reflecting the ongoing weakness of the U.S. dollar mainly due to concern about increasing fiscal deficits and current account deficits in the United States and to the return of capital from the United States to Europe. The yen is currently traded in the range of 115-118 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 12.6 percent in February, 10.9 percent in March, and 11.5 percent in April; Chart 33.)

The year-on-year growth rate of the money stock (M_2 + CDs) slowed somewhat and is around 1.5 percent. (The year-on-year change was 1.9 percent in February, 1.7 percent in March, and 1.4 percent in April; Chart 34.) The growth rate of M_1 decelerated sharply in reaction to the significant increase in the previous year due to the strong preference for liquid assets. (The year-on-year change was 21.3 percent in February, 14.5 percent in March, and 4.7 percent in April.)

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, while they continue to be more active in extending loans to blue-chip companies. Recently, their lending attitudes seem to be becoming slightly more accommodative in areas such as interest margin charges. Meanwhile, the lending attitudes of financial institutions as perceived by firms, particularly small ones, remain severe. In the corporate bond and CP markets, the issuing environment for firms with high credit ratings continues to be accommodative, and the environment for firms with relatively low credit ratings seems to be improving slightly.

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 factors¹⁵), 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, but the rate of decline is contracting slightly. (The year-on-year change was -2.5 percent in February, -2.3 percent in March, and -2.1 percent in April; Chart 35.) The amount outstanding of corporate bonds and CP issued is moving at around the previous year's level (Chart 37).

Funding costs for firms continue to be at extremely low levels on the whole. The average contracted interest rates on new loans and discounts, with the monthly fluctuations averaged, are more or less unchanged (Chart 39). In the capital market, both corporate bond and CP issuance rates are at low levels for firms with high credit ratings. The spread between high and low credit ratings is narrowing.

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

¹⁵ The figures are adjusted for (1) fluctuations from the liquidation of loans, (2) fluctuations in the yen value of foreign-currency-denominated loans due to changes in exchange rates, and (3) fluctuations from loan write-offs.

The number of corporate bankruptcies has been declining by around 10 percent from the previous year's level (Chart 40).

Against the above background, the financial developments are summarized as follows. Money market conditions continue to be extremely easy due partly to the additional monetary easing by the Bank. Long-term interest rates are declining further. The money stock and the monetary base maintain high growth rates relative to that of economic activity as a whole, although the rates have slowed somewhat. In corporate finance, the fund-raising environment has not changed significantly, that is, the environment for firms, particularly with high credit risks, remains severe, although slight improvements are observed such as in the issuing environment of corporate bonds and CP. Stock prices remain unstable. Under these circumstances, a meeting of the Financial System Management Council was held and it was decided that injection of capital into Resona Bank was necessary. Including the effects arising from the decision, 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	Indicators for Private Consumption
Chart 12	Consumer Confidence
Chart 13	Indicators for Housing Investment
Chart 14	Production, Shipments, and Inventories
Chart 15	Shipments breakdown by type of goods
Chart 16	Inventory Cycle
Chart 17	Compensation of Employees
Chart 18	Labor Market
Chart 19	Prices
Chart 20	Import Prices and International Commodity Prices
Chart 21	Domestic Corporate Goods Price Index
Chart 22	Corporate Service Price Index
Chart 23	Consumer Price Index (excluding fresh food)
Chart 24	Consumer Price Index of imported goods and their substitutes
Chart 25	Interest Rates
Chart 26	Short-Term Money Market Rates
Chart 27	Current Account Balances at the Bank of Japan
Chart 28	Implied Forward Rates (1-year)
Chart 29	Yields of Bank Bonds
Chart 30	Yields of Corporate Bonds
Chart 31	Stock Prices
Chart 32	Exchange Rates
Chart 33	Monetary Base
Chart 34	Money Stock (M1, M2+CDs, Broadly-Defined Liquidity)
Chart 35	Lending by Domestic Commercial Banks
Chart 36	Lending Attitude of Financial Institutions as Perceived by Small Enterprises
Chart 37	Private-Sector Fund-Raising in the Capital Markets
Chart 38	Lending by Other Financial Institutions
Chart 39	Lending Rates
Chart 40	Corporate Bankruptcies
Chart 41	Monetary Indicators, Economic Activity and Price Development

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2002/Q3	Q4	2003/Q1	2003/Jan.	Feb.	Mar.	Apr.
Index of living expenditure level (all households)	1.1	-1.9	-0.7	2.3	-0.7	-1.0	n.a.
Sales at department stores	-0.9	-0.7	-0.3	1.4	-0.7	-0.3	n.a.
Sales at supermarkets	-0.7	-0.9	-0.7	0.3	0.6	-0.2	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 320>	< 326>	< 335>	< 329>	< 334>	< 341>	< 283>
Sales of household electrical appliances (real, NEBA)	2.0	2.6	4.5	3.5	0.4	3.0	n.a.
Outlays for travel (50 major travel agencies)	-0.0	0.3	-3.4	-2.2	-2.4	-3.8	n.a.
Housing starts <s.a., ann. 10,000 units>	< 112>	< 114>	< 115>	< 120>	< 115>	< 110>	<n.a.>
Machinery orders (from private sector ⁴)	0.1	-0.1	5.8	6.8	-6.8	3.8	n.a.
Manufacturing	1.3	2.7	5.4	9.4	-6.7	-0.6	n.a.
Nonmanufacturing ⁴	-0.4	-2.3	5.1	5.3	-7.2	2.4	n.a.
Construction Starts (private, nonresidential use)	-6.7	8.4	-4.2	13.8	-6.9	1.2	n.a.
Mining & manufacturing	-15.4	18.7	-7.3	-13.4	0.3	-2.2	n.a.
Nonmanufacturing ⁵	-4.2	5.3	-2.4	24.7	-10.5	3.2	n.a.
Value of public works contracted	-4.0	-0.7	-3.1	-2.4	-2.1	1.1	-6.0
Real exports	1.8	4.5	-0.8	-1.9	2.6	-3.0	n.a.
Real imports	3.7	2.2	0.2	-0.9	-2.1	0.8	n.a.
Industrial production	2.0	0.4	0.3	1.6	-1.6	0.1	n.a.
Shipments	1.1	0.8	0.5	2.1	-0.2	-2.4	n.a.
Inventories	-0.2	-0.2	-1.5	1.3	-2.2	-0.5	n.a.
Inventory Ratio <s.a., CY 2000=100>	<99.7>	<99.4>	<99.9>	<100.0>	<96.9>	<99.9>	<n.a.>
Real GDP	0.8	0.5	0.0	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.3	-0.3	n.a.	1.9	-0.8	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2002/Q3	Q4	2003/Q1	2003/Jan.	Feb.	Mar.	Apr.
Ratio of job offers to applicants <s.a., times>	<0.54>	<0.57>	<0.60>	<0.60>	<0.61>	<0.60>	<n.a.>
Unemployment rate <s.a., %>	<5.4>	<5.4>	<5.4>	<5.5>	<5.2>	<5.4>	<n.a.>
Overtime working hours ⁶	2.7	5.9	6.5	6.8	6.5	6.2	n.a.
Number of employees	-0.1	-0.4	-0.1	-0.3	-0.2	0.1	n.a.
Number of regular employees ⁶	-0.7	-0.8	-0.6	-0.6	-0.7	-0.6	n.a.
Nominal wages per person ⁶	-3.5	-1.7	-0.7	-1.0	-0.1	-1.1	n.a.
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	-2.0 <-0.5>	-1.3 <-0.2>	-0.8 <0.1>	-1.0 <-0.1>	-0.9 <0.0>	-0.7 <0.2>	p -0.8 <p 0.1>
Consumer price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-0.9 <-0.2>	-0.8 <-0.1>	-0.7 <-0.1>	-0.8 <-0.1>	-0.7 <-0.1>	-0.6 <-0.1>	n.a. <n.a.>
Corporate service price index ⁹ <s.a., q/q % chg.> (3-month growth rate)	-1.2 <-0.2>	-1.0 <-0.2>	-0.9 <-0.1>	-0.9 <-0.1>	-0.7 <-0.1>	-0.7 <-0.1>	n.a. <n.a.>
Monetary aggregates (M2+CDs) <average outstanding, y/y % chg.>	3.3	2.9	1.9	1.9	1.9	1.7	1.4
Number of suspension of transactions with banks	-7.7	-17.9	-21.7	-24.8	-23.2	-17.2	-13.3

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";

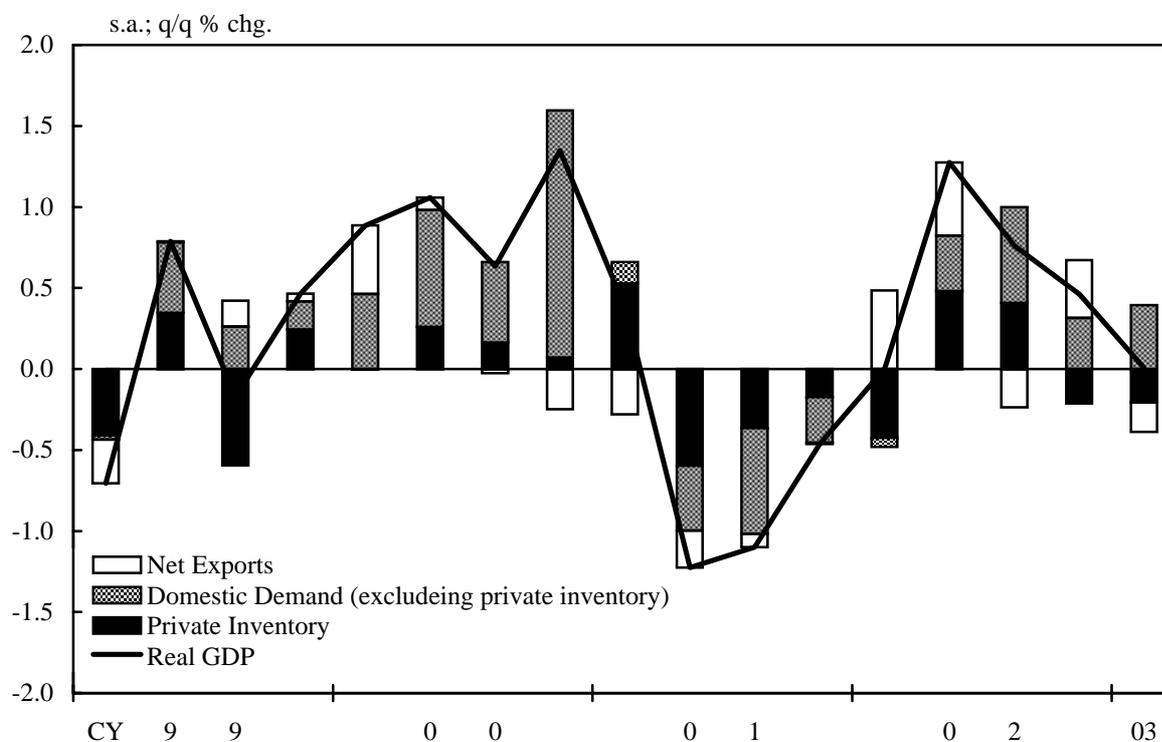
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

Bank of Japan, "Corporate Goods Price Index," "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.

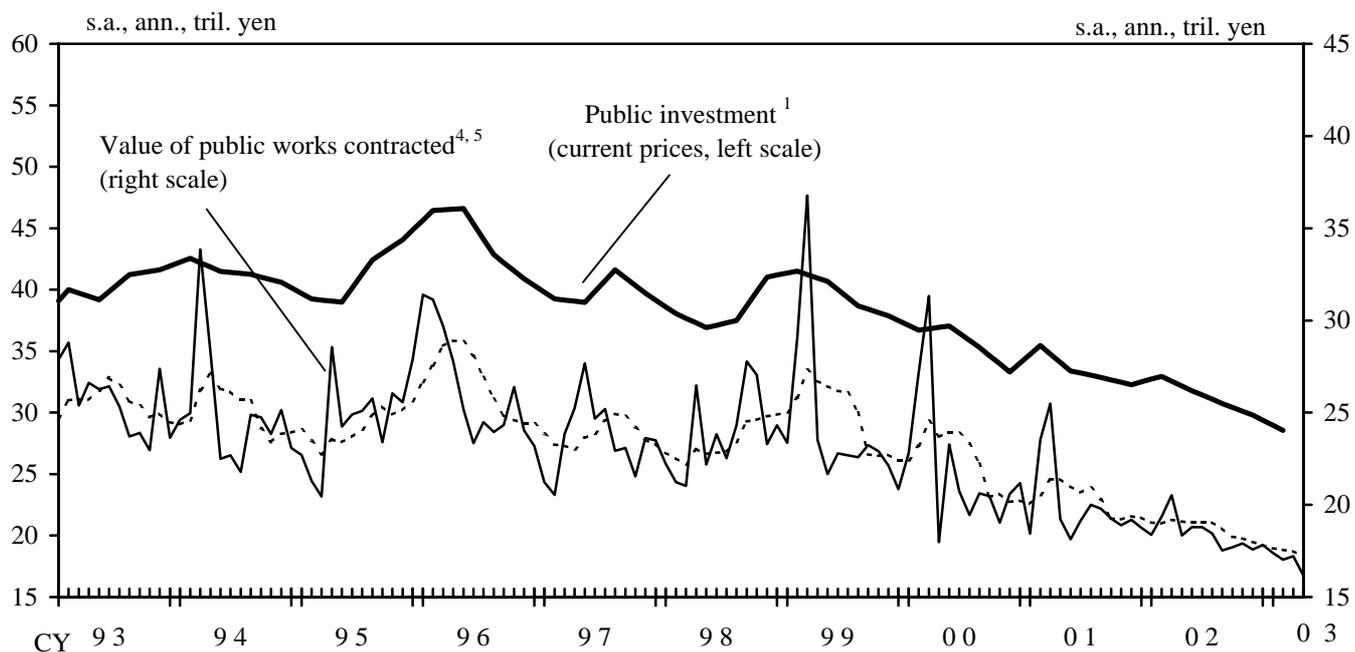
	2002				2003
	Q1	Q2	Q3	Q4	Q1
Real GDP	0.0	1.3	0.8	0.5	0.0
Domestic Demand	-0.5	0.8	1.0	0.1	0.2
Private Consumption	0.4	0.3	0.7	0.0	0.3
Non-Resi. Investment	-2.5	2.0	1.7	3.0	1.9
Residential Investment	-2.5	-0.2	0.1	-1.0	-1.2
Private Inventory	(-0.4)	(0.5)	(0.4)	(-0.2)	(-0.2)
Public Demand	0.9	-0.7	-0.2	-0.6	-0.3
Public Investment	2.5	-2.9	-2.9	-2.7	-3.5
Net Exports of goods and services	(0.5)	(0.5)	(-0.2)	(0.4)	(-0.2)
Exports	5.5	6.8	0.0	4.5	-0.5
Imports	0.9	3.3	2.8	1.6	1.4

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

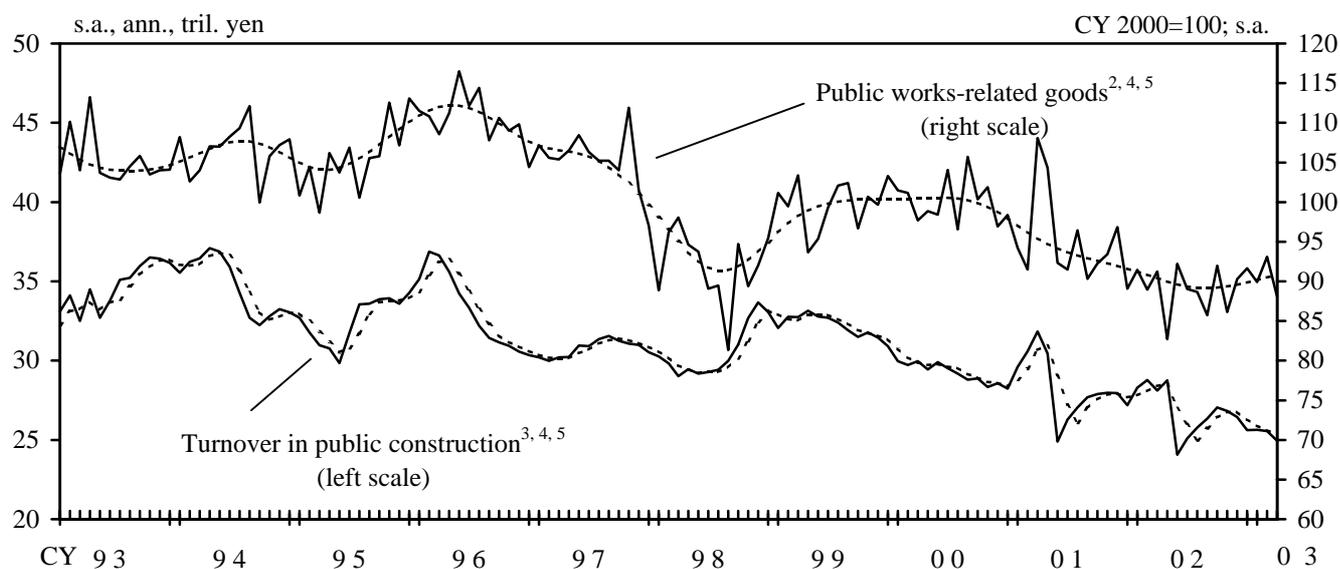
Source: Cabinet Office, "National Accounts."

Public Investment

(1) Value of Public Works Contracted and Public Investment



(2) 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 2000-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";

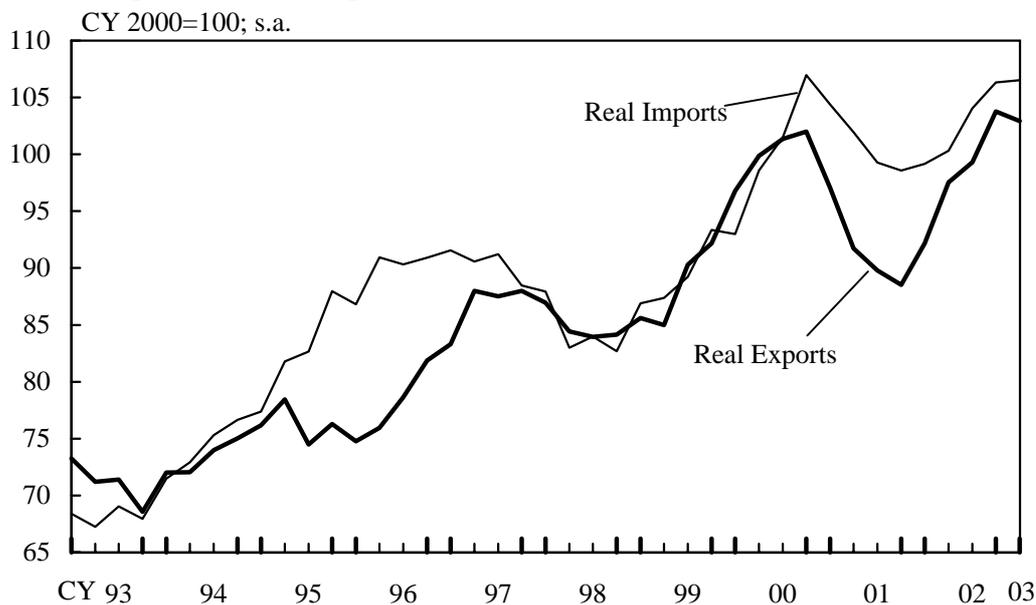
East Japan Construction Surety etc, "Public Works Prepayment Surety Statistics";

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

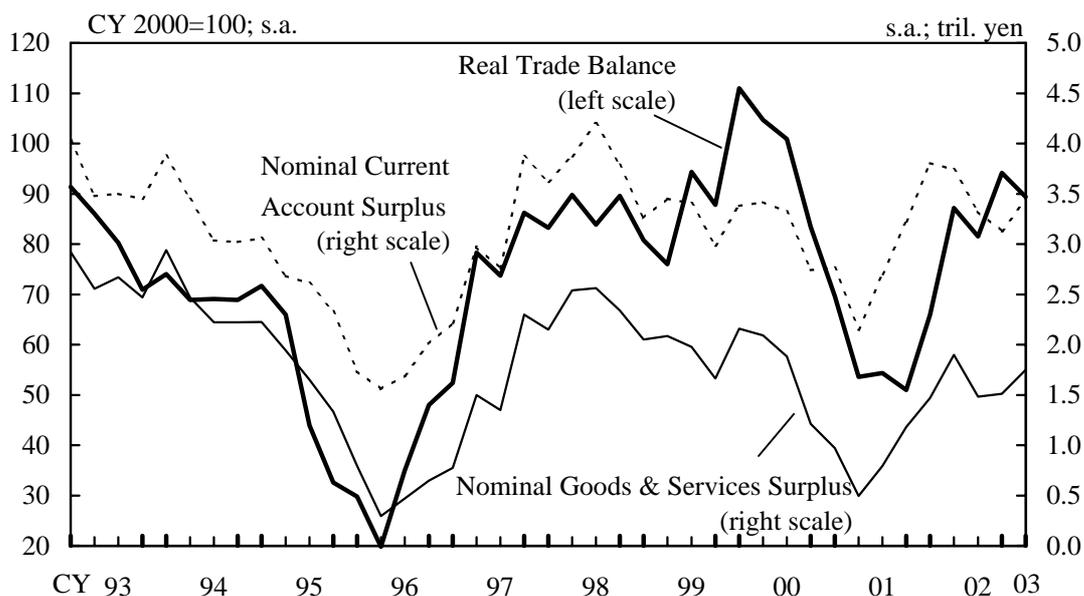
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

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 2000.

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

Figures for real exports and imports were retroactively revised this month, reflecting a revision of the figures for 2002 in the trade statistics compiled by the Ministry of Finance, a revision of the "Export and Imports Price Index" base year from 1995 base WPI to 2000 base CGPI, and the annual revision of seasonal factors by X-12-ARIMA conducted by using the data up to December 2002. All the deflators are similarly calculated in the following figures.

2. Balance of payments data up to 1995/Q4 are from old basis. Annual revision of seasonal factors is conducted by using data up to December 2002.

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

Bank of Japan, "Balance of Payments Monthly," "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	2003 Jan.	Feb.	Mar.
United States	<28.5>	-7.7	1.4	3.6	1.8	-0.1	3.4	-9.9	-6.6	-6.3	3.7
EU	<14.7>	-10.1	-0.0	-3.2	7.8	4.8	1.4	6.3	8.4	-1.8	1.3
East Asia	<41.5>	-9.0	17.5	8.1	10.9	3.8	3.4	7.9	6.7	3.1	-5.2
China	<9.6>	12.4	35.5	16.9	11.8	10.2	3.3	21.7	19.7	11.8	-13.2
NIEs	<22.7>	-15.2	14.4	6.3	11.4	2.4	4.4	4.5	1.3	3.9	-4.1
Korea	<6.9>	-8.4	19.1	3.8	13.6	4.3	6.2	7.7	5.6	3.3	-7.0
Taiwan	<6.3>	-25.3	14.6	6.2	11.3	2.4	2.1	4.9	2.2	-0.3	0.2
ASEAN4 ³	<9.3>	-7.8	10.2	4.9	9.1	1.1	1.0	2.1	6.7	-8.2	2.8
Thailand	<3.2>	-3.6	16.5	0.7	14.4	8.0	4.0	0.2	5.4	-10.4	5.0
Real exports		-8.6	7.2	4.1	5.8	1.8	4.5	-0.8	-1.9	2.6	-3.0

(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	2003 Jan.	Feb.	Mar.
Intermediate goods	<15.3>	-3.2	8.8	4.6	3.0	0.9	-2.4	4.3	3.5	2.2	-2.3
Motor vehicles and their related goods	<24.3>	-1.8	12.7	5.3	3.6	0.1	5.0	-1.3	0.3	-7.0	1.5
Consumer goods ⁴	<7.1>	-4.8	7.9	5.2	5.5	1.0	10.6	0.4	0.3	1.3	2.2
IT-related goods ⁵	<14.8>	-10.5	0.3	-2.3	14.2	6.0	3.0	-4.0	-5.7	5.2	-1.8
Capital goods and parts ⁶	<27.3>	-14.6	7.8	5.7	8.3	3.8	5.2	1.9	-0.2	4.9	-5.4
Real exports		-8.6	7.2	4.1	5.8	1.8	4.5	-0.8	-1.9	2.6	-3.0

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

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.

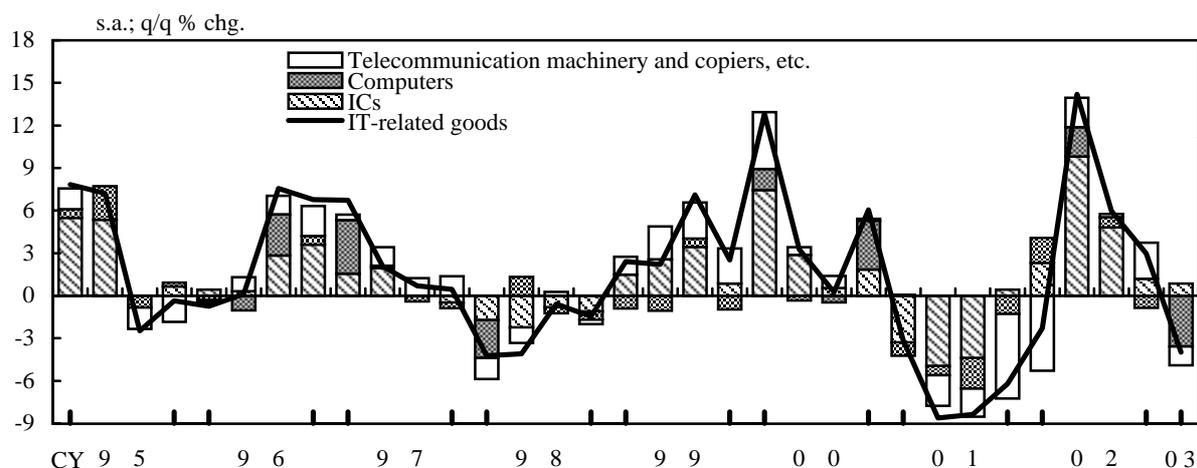
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs and medical and optical instruments.

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

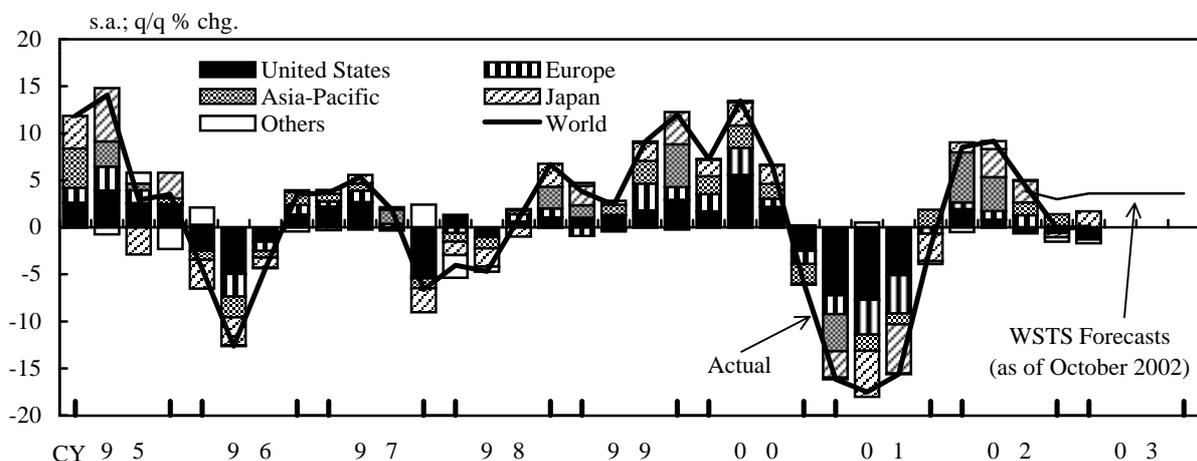
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

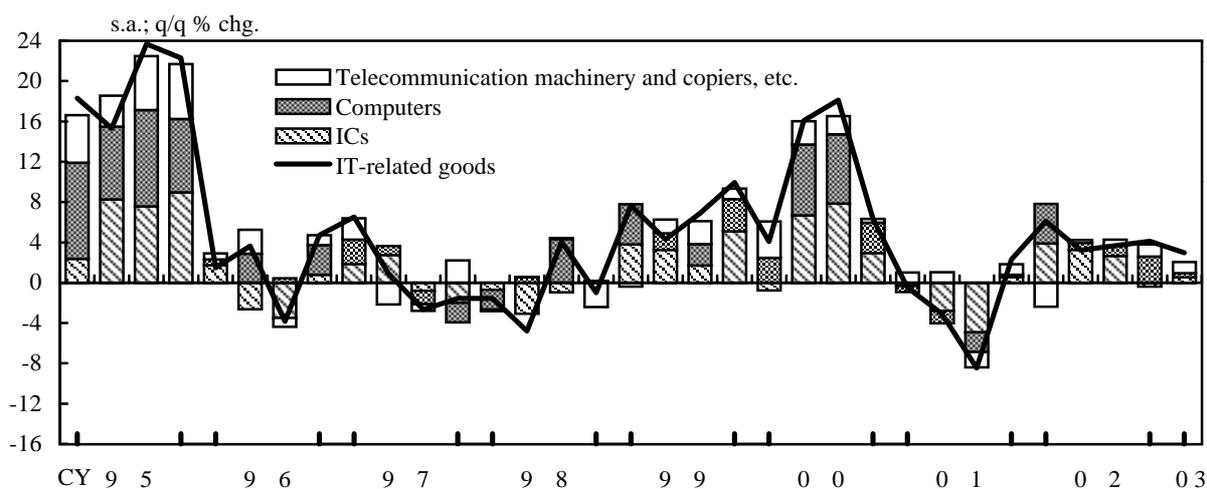
(1) Exports of IT-related goods (real, breakdown by goods)



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



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

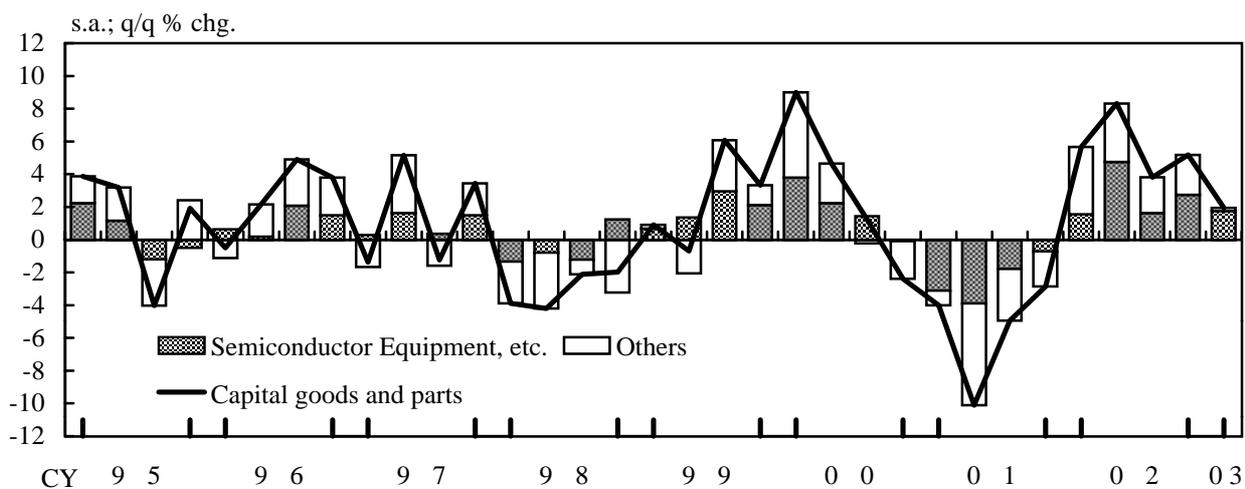


Note: Seasonally adjusted by X-12-ARIMA.

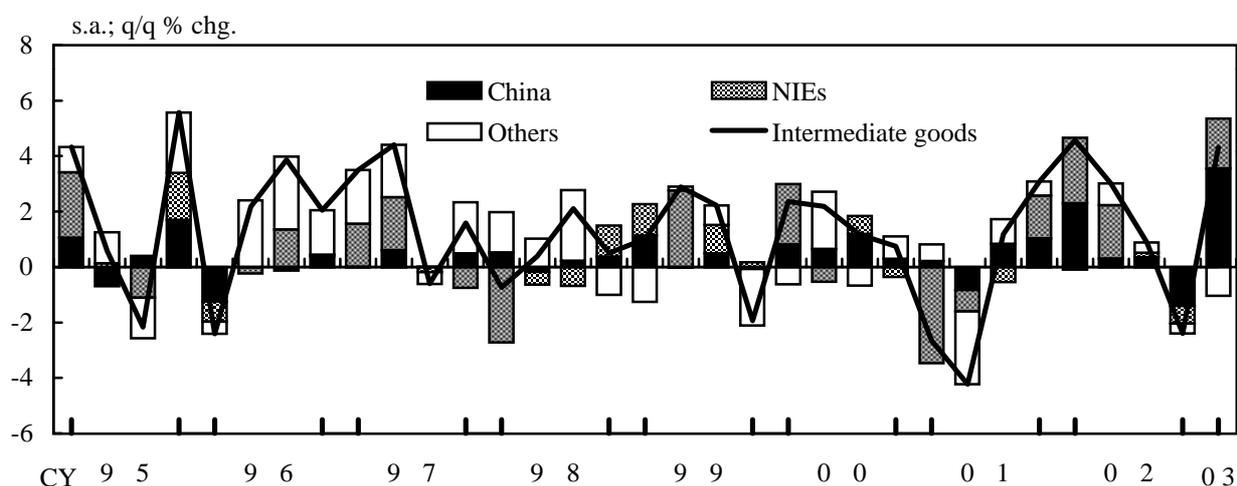
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
 Bank of Japan, "Corporate Price Index";
 WSTS (World Semiconductor Trade Statistics), "Semiconductor Forecasts."

Real Exports breakdown by goods

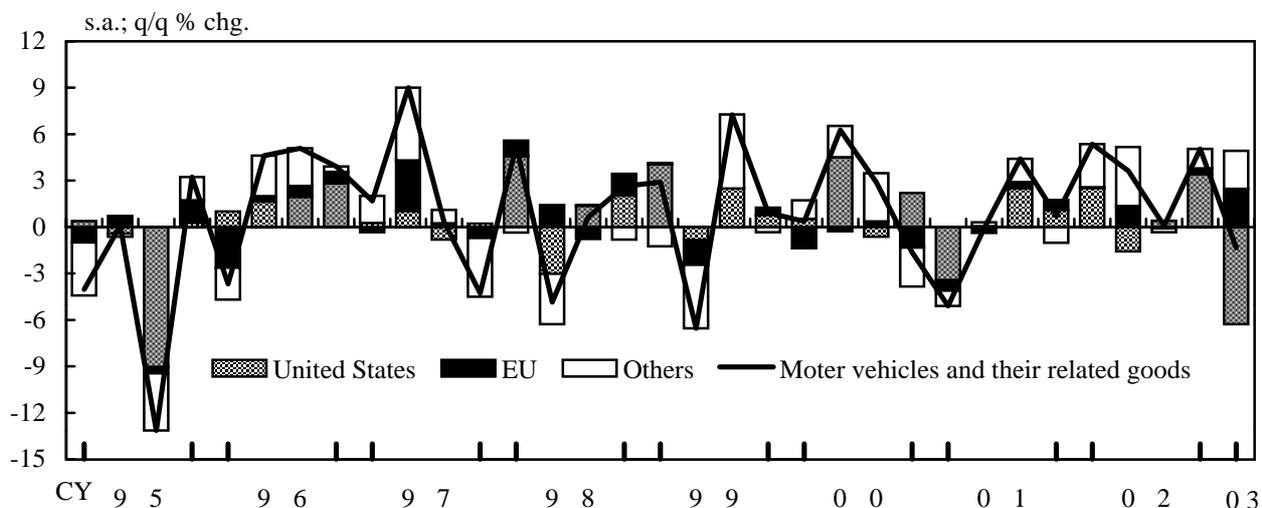
(1) Capital goods and parts



(2) Intermediate goods



(3) Motor vehicles and their related goods



Note: Seasonally adjusted by X-12-ARIMA.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "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	2003 Jan.	Feb.	Mar.
United States	<17.1>	-0.6	-3.8	0.8	1.0	1.6	-4.5	-2.8	1.4	-9.2	-2.8
EU	<13.0>	6.1	2.3	-3.3	2.0	5.7	1.5	-1.6	-3.6	-0.6	-0.2
East Asia	<41.4>	6.1	6.4	3.6	2.8	3.6	5.7	0.7	1.8	-5.2	3.4
China	<18.3>	16.5	13.9	3.4	3.8	3.9	8.3	3.9	2.1	-4.5	8.8
NIEs	<10.5>	-3.3	1.8	5.6	6.2	2.5	2.1	-2.0	4.9	-11.5	1.6
Korea	<4.6>	-3.2	-1.5	0.5	8.0	3.7	2.8	-0.0	6.2	-11.5	-0.3
Taiwan	<4.0>	-5.1	5.5	8.6	6.8	2.1	-0.2	-2.8	5.3	-7.1	-6.5
ASEAN4 ³	<12.6>	3.6	1.5	2.4	-1.0	4.3	5.3	-1.5	-1.2	-0.9	-2.6
Thailand	<3.1>	10.4	7.6	1.3	3.9	4.7	5.0	-1.6	-7.4	5.9	-2.2
Real imports		1.2	1.2	0.6	1.1	3.7	2.2	0.2	-0.9	-2.1	0.8

(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	2003 Jan.	Feb.	Mar.
Raw materials ⁴	<25.3>	-4.1	-2.7	-0.8	-2.9	6.0	4.0	4.0	-3.7	6.6	-3.8
Intermediate goods	<13.0>	-1.1	1.4	0.7	1.1	4.4	-0.1	0.9	2.5	-4.6	3.3
Foodstuffs	<12.5>	-0.0	-2.5	-2.6	-1.5	1.2	-3.3	-1.0	0.5	-4.6	0.2
Consumer goods	<11.0>	7.9	-0.9	-5.5	3.8	0.9	5.5	-3.8	-7.4	-3.7	5.2
IT-related goods ⁵	<14.4>	9.6	7.8	6.1	3.2	3.7	4.1	3.0	9.5	-8.2	0.9
Capital goods and parts ⁶	<12.9>	10.6	11.5	5.2	8.6	6.2	1.4	-2.2	-0.5	-6.7	7.7
excluding aircraft	<11.8>	13.9	8.3	1.6	7.5	4.1	5.3	0.3	2.8	-10.2	15.7
Real imports		1.2	1.2	0.6	1.1	3.7	2.2	0.2	-0.9	-2.1	0.8

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

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.

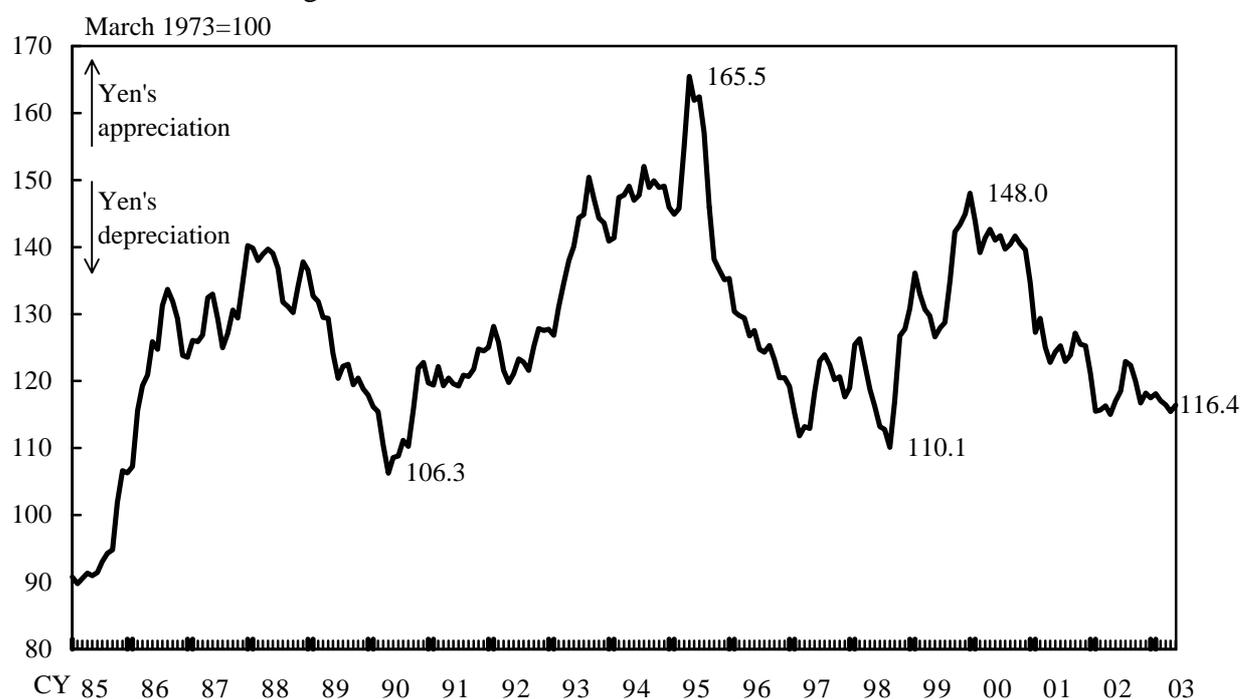
4. Raw materials are mainly composed of woods, ores and mineral fuel.

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 May 2003 is the average up to May 19.

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

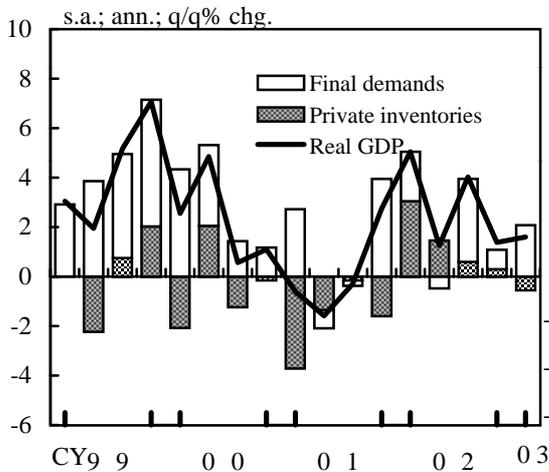
		CY2000	2001	2002	2002 Q2	Q3	Q4	2003 Q1	
United States ¹		3.8	0.3	2.4	1.3	4.0	1.4	1.6	
European Union ¹		3.5	1.6	1.0	1.8	1.7	0.5	n.a.	
East Asia ²	Germany	2.9	0.6	0.2	0.6	1.2	-0.1	-0.9	
	France	4.2	2.1	1.2	1.9	1.3	-0.3	n.a.	
	United Kingdom	3.1	2.1	1.8	2.4	4.3	1.5	0.7	
	China	8.0	7.3	8.0	8.0	8.1	8.1	9.9	
	NIEs	Korea	9.3	3.1	6.3	6.6	5.8	6.8	n.a.
		Taiwan	5.9	-2.2	3.5	4.0	4.8	4.2	3.2
		Hong Kong	10.2	0.6	2.3	0.8	3.3	5.0	n.a.
		Singapore	9.4	-2.4	2.2	3.8	3.8	3.0	1.5
	ASEAN4	Thailand	4.6	1.9	5.2	5.1	5.8	6.1	n.a.
		Indonesia	4.9	3.4	3.7	3.9	4.3	3.8	n.a.
Malaysia		8.3	0.4	4.2	4.1	5.8	5.6	n.a.	
Philippines		4.4	3.2	4.6	4.8	3.7	5.8	n.a.	

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

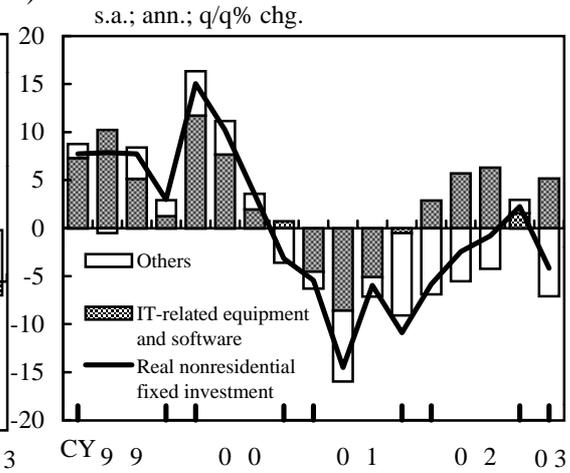
2. Quarterly data of East Asia are percent changes from a year earlier.

Exporting Conditions (2)

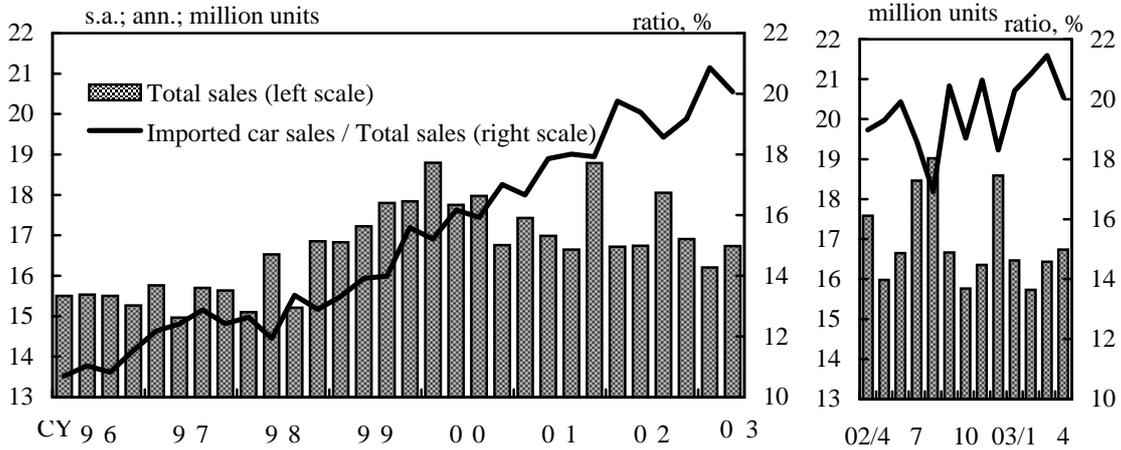
(1) U.S. Real GDP (breakdown by final demands and inventories)



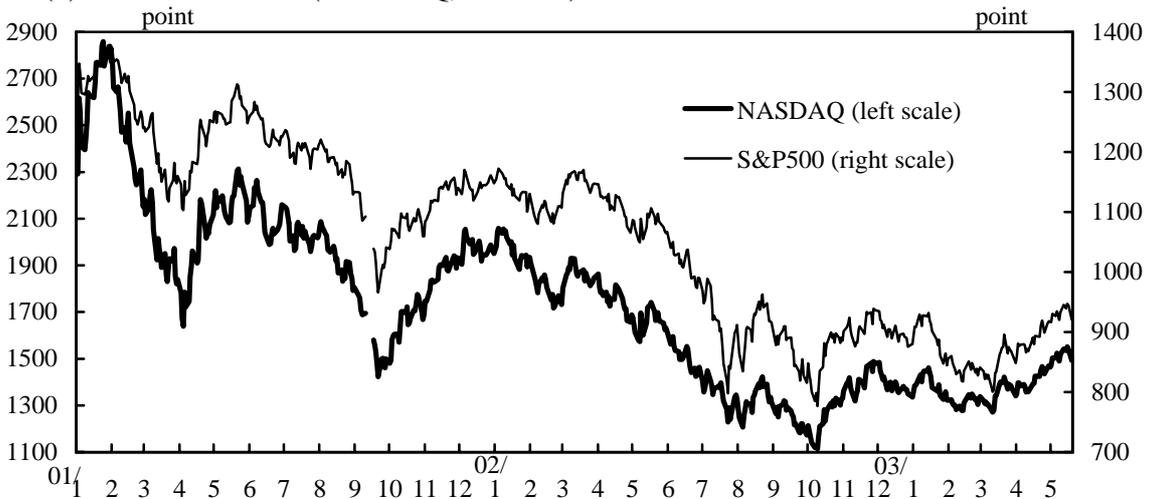
(2) U.S. Real Nonresidential Fixed Investment



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



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



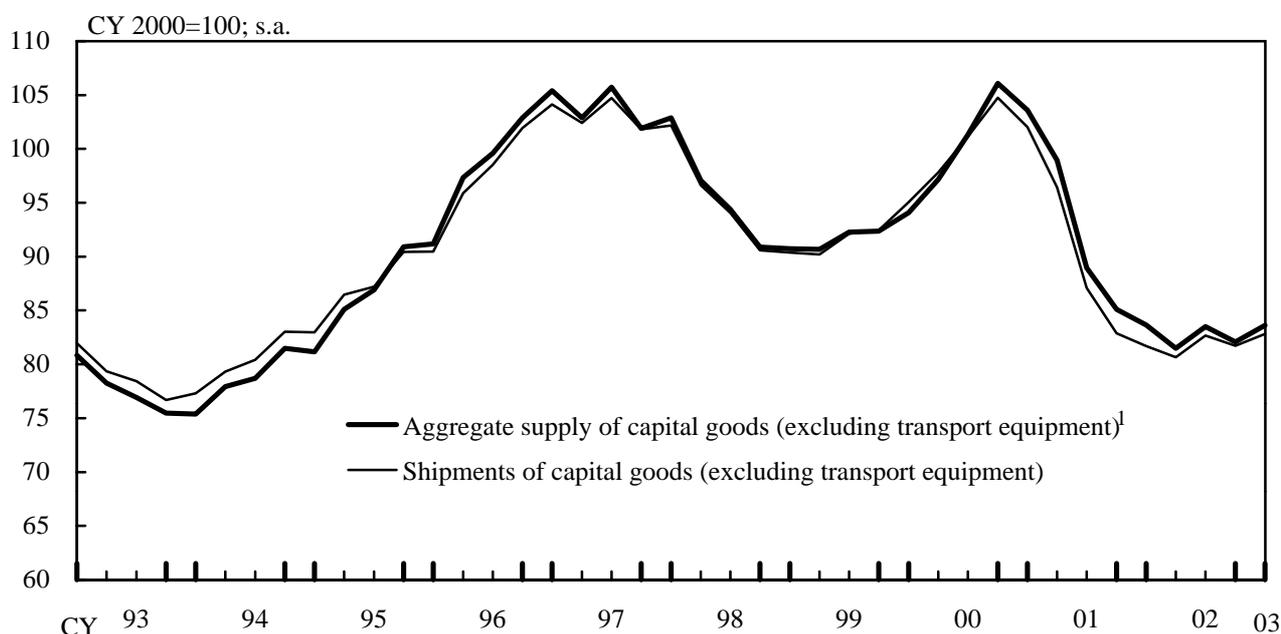
Notes: 1. "Total sales" of automobiles and "Imported car sales/ Total sales" in 2003/Q2 are based on one month sales in April.

2. Figures of U.S. stock prices in (4) are up to May 19.

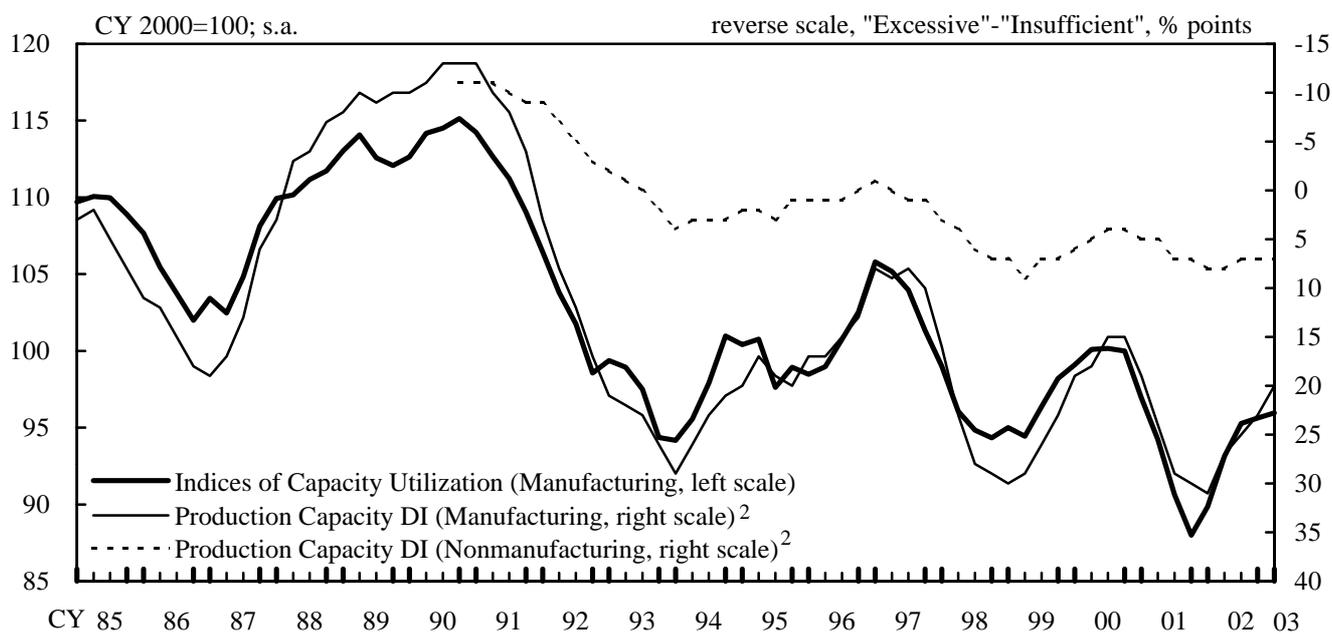
Sources: U.S. Department of Commerce, "National Income and Product Accounts," "Sales, production, imports, exports, and inventories, in units"; Bloomberg.

Indicators for Business Fixed Investment (1)

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



(2) Indices of Capacity Utilization and Production Capacity DI



Notes: 1. Aggregate supply of capital goods (excluding transport equipment) is calculated by the Bank of Japan using shipments of capital goods in *Indices of Industrial Production* and real exports and imports of capital goods and parts (shipments of capital goods - real exports + real imports).

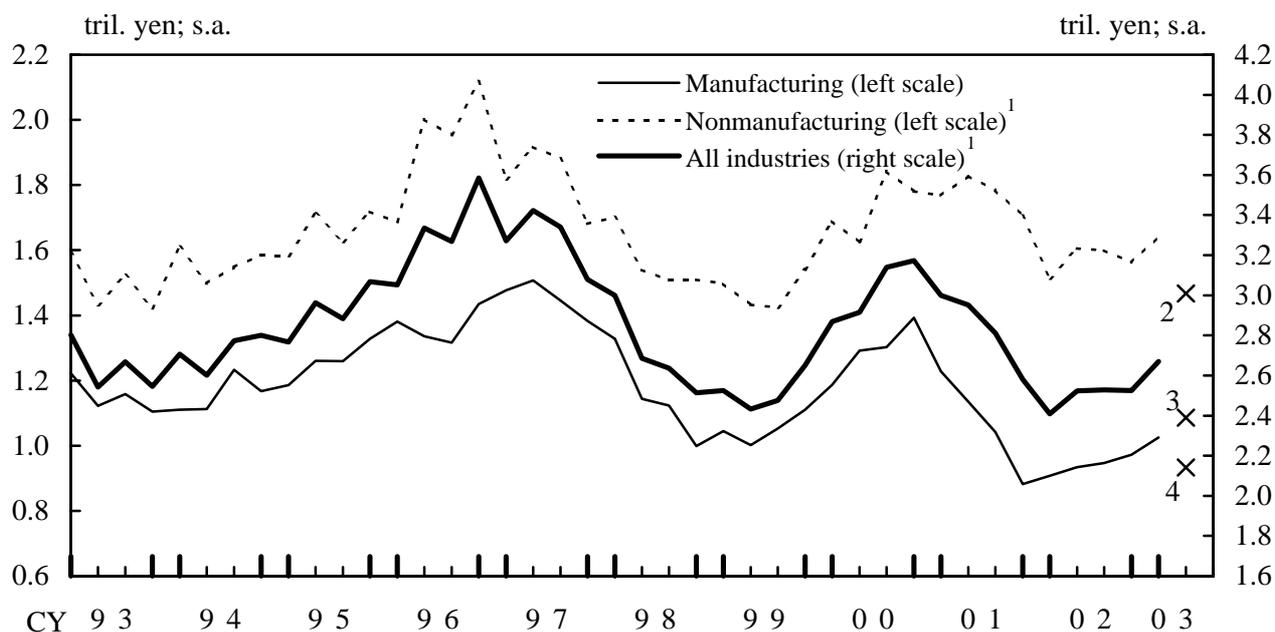
The weights used for calculation are those of *Indices of Industrial Domestic Shipments and Imports*.

2. All enterprises.

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

Indicators for Business Fixed Investment (2)

(1) Machinery Orders



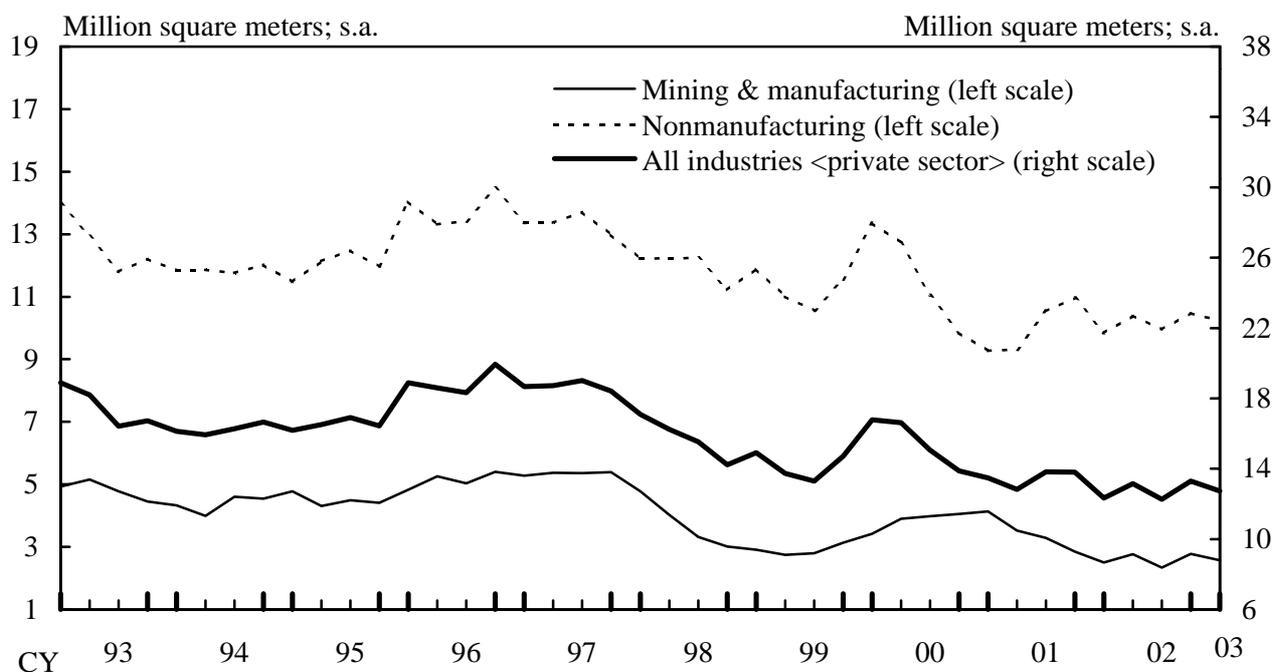
Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.

2. Forecast of nonmanufacturing industries for 2003/Q2.

3. Forecast of all industries for 2003/Q2.

4. Forecast of manufacturing industries for 2003/Q2.

(2) Construction Starts (Nonresidential)



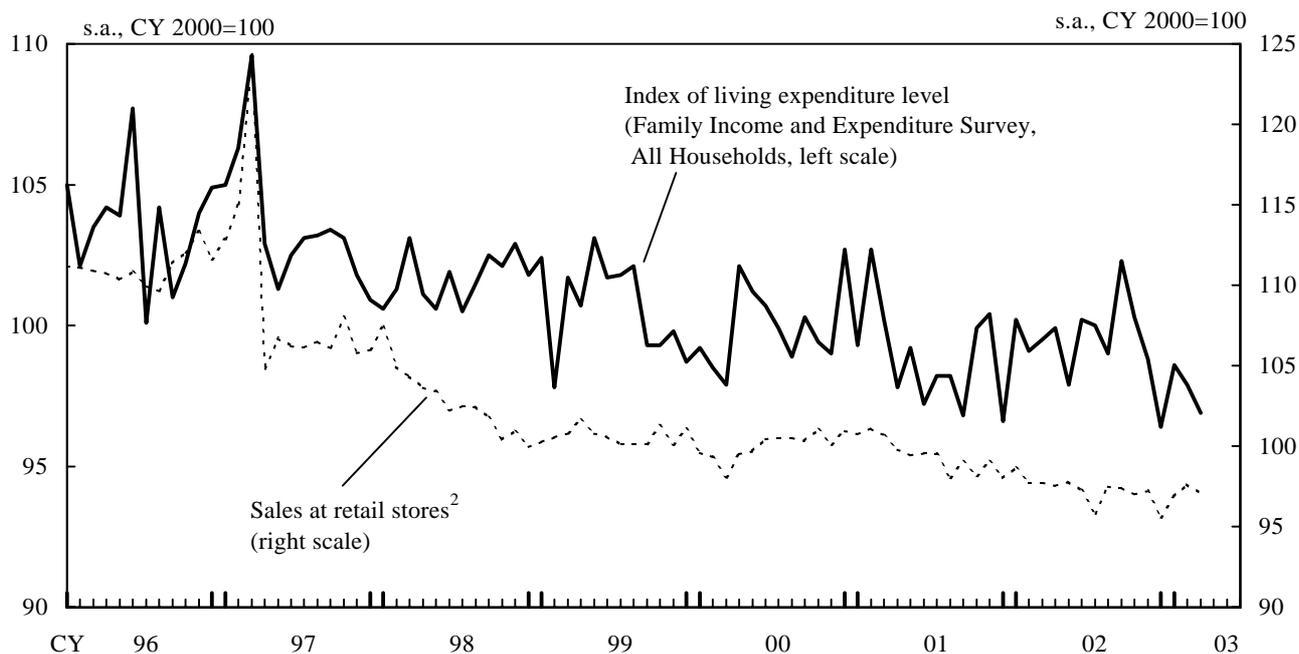
Note: Seasonally adjusted by X-12-ARIMA.

Sources: Cabinet Office, "Machinery Orders Statistics";

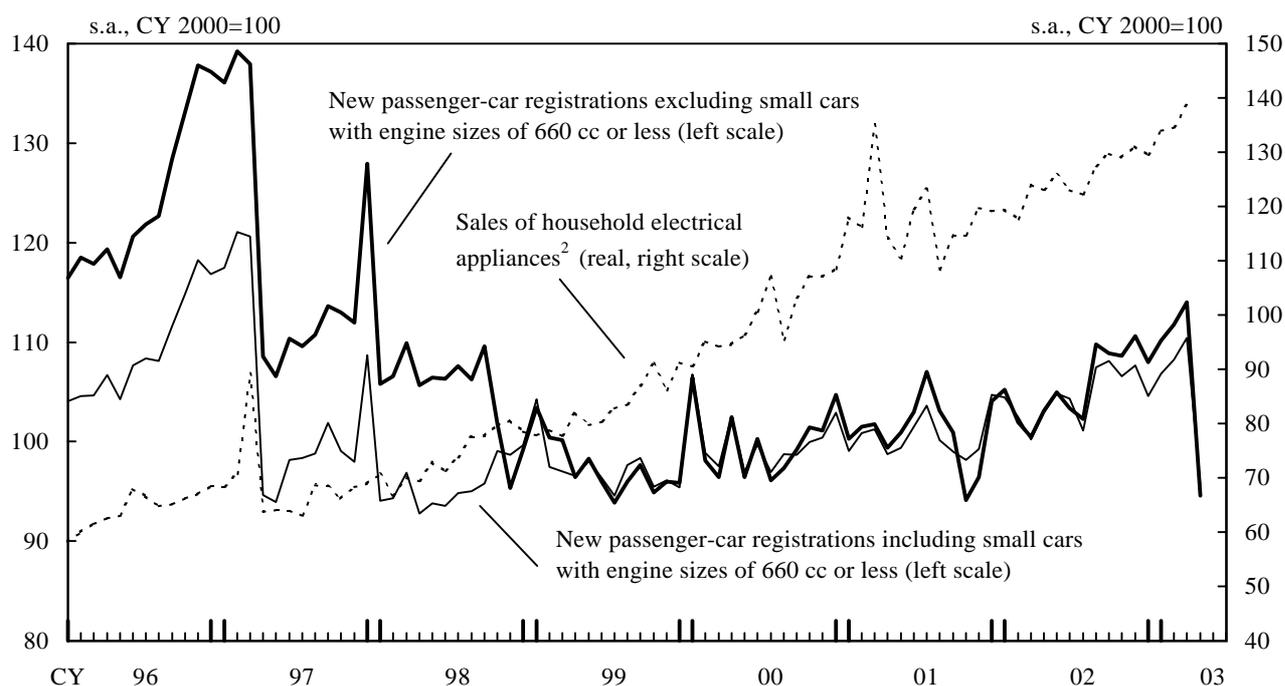
Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



(2) Sales of Durable Goods



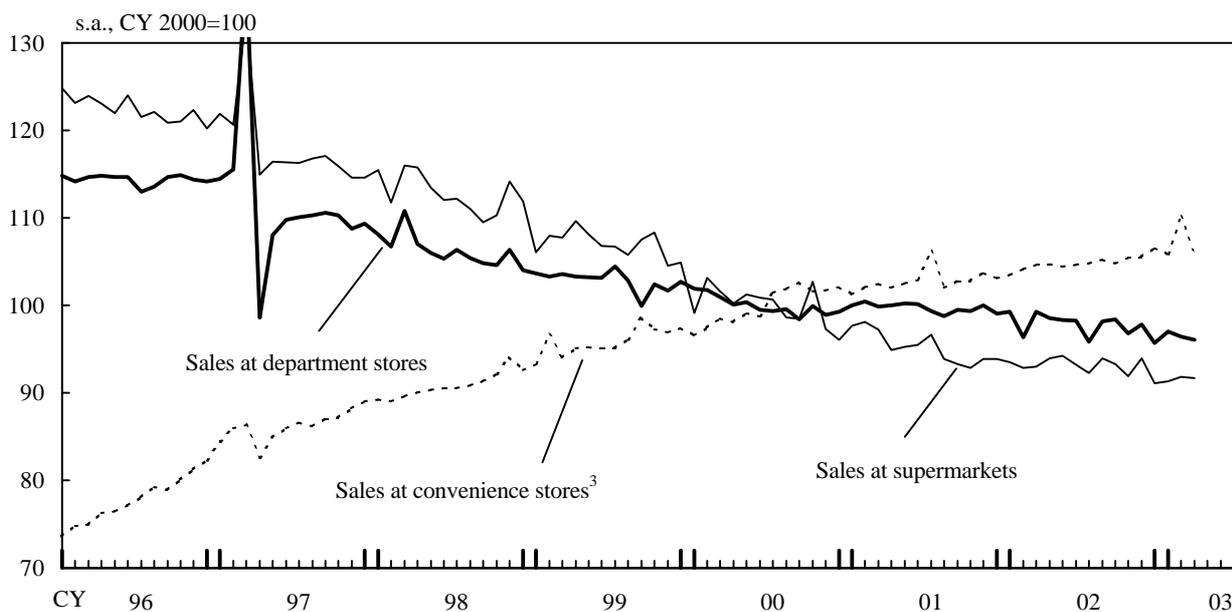
Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications.

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).

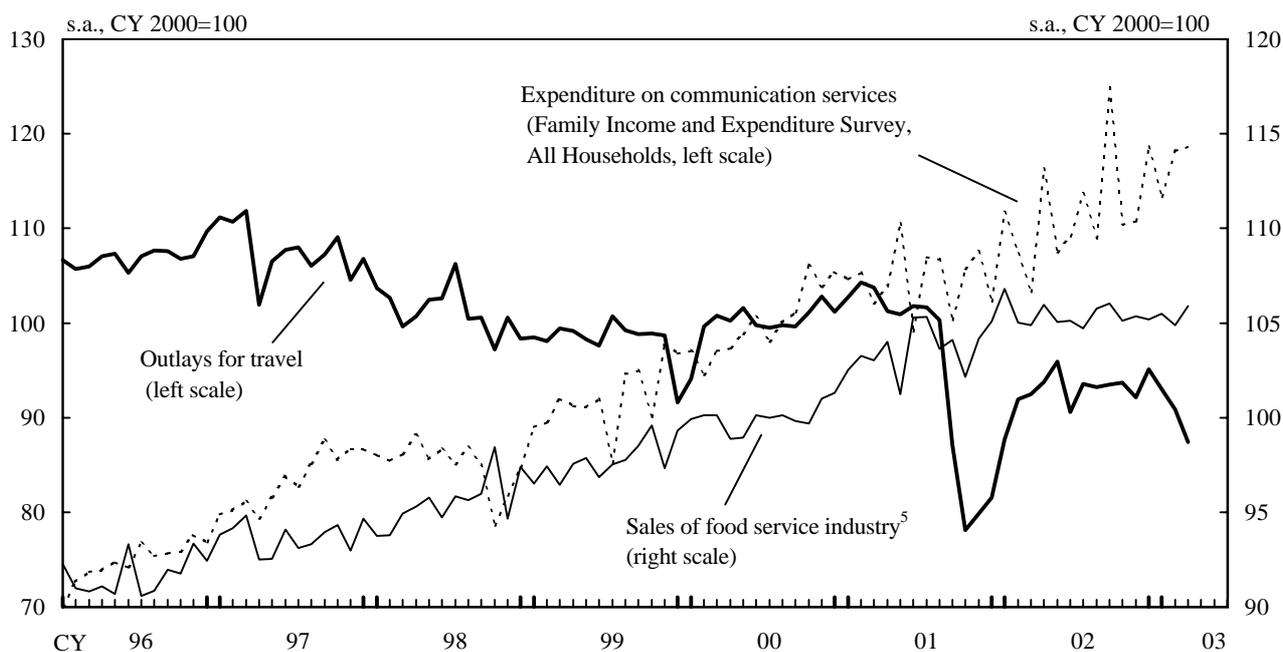
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index";
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
Japan Automobile Dealers Association, "Domestic Sales of Automobiles";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



(4) Consumption of Services (nominal)⁴



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.

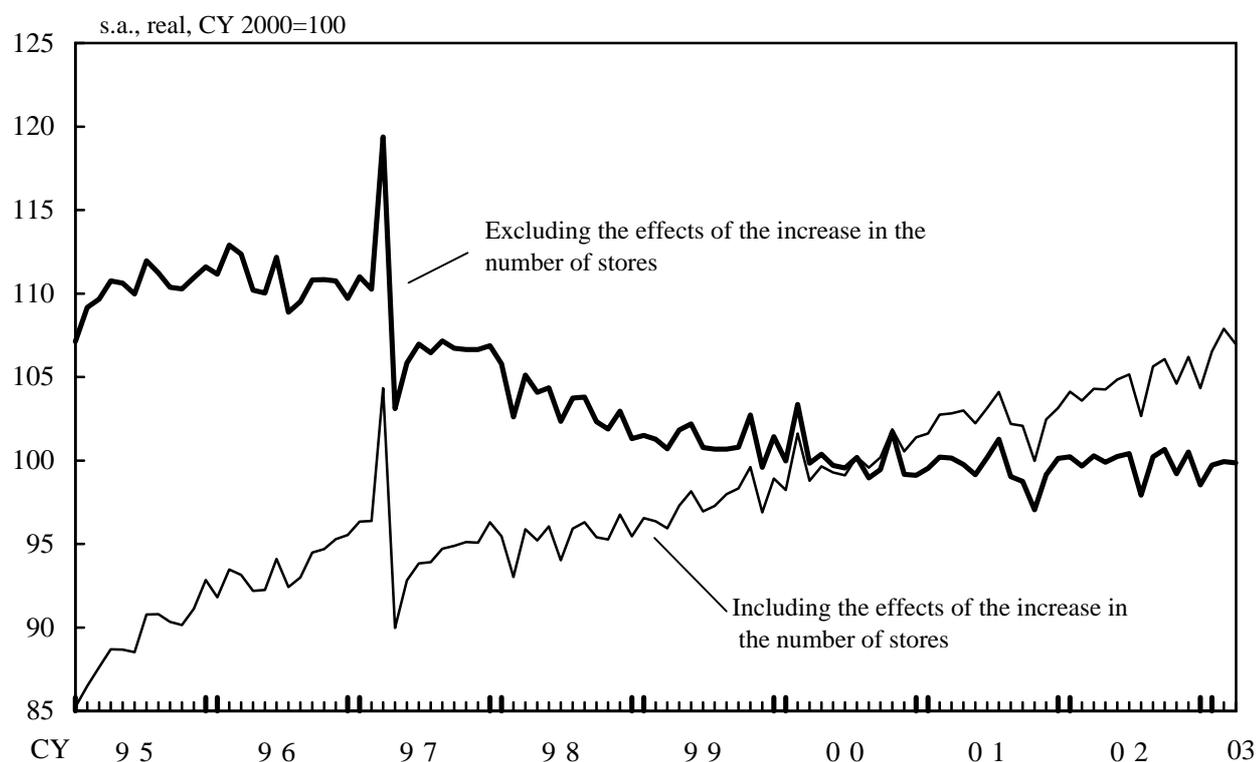
3. Sales at convenience stores until March 1997 are based on the survey conducted by the Bank of Japan. From April 1997 they are based on the data published by the Ministry of Economy, Trade and Industry.

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

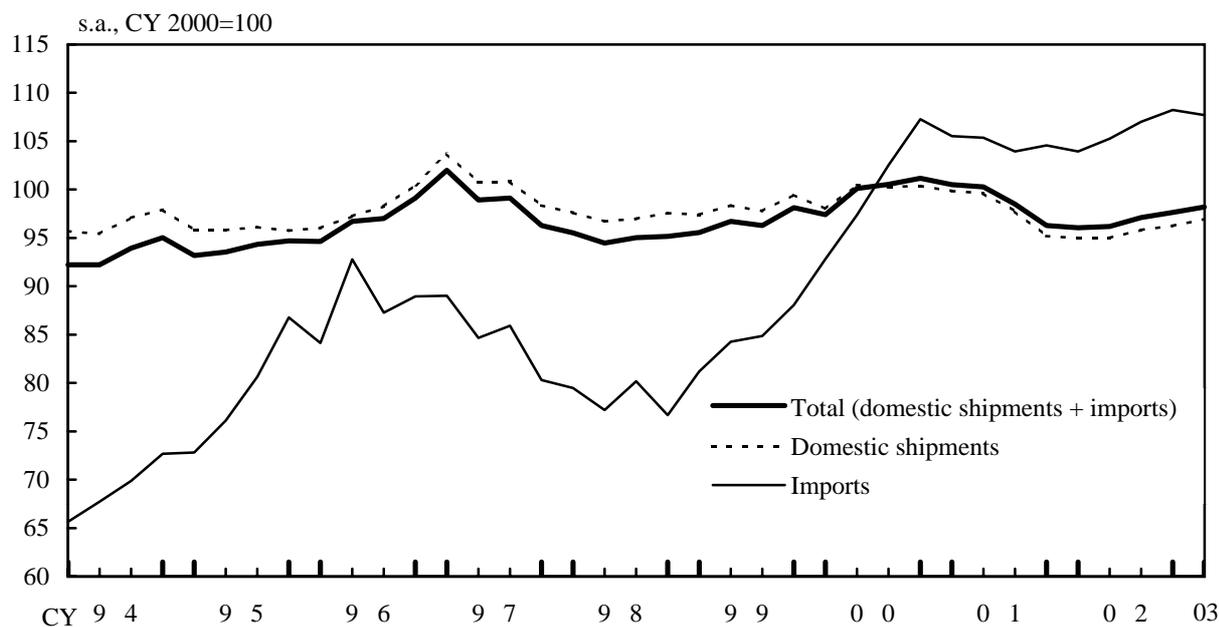


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in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

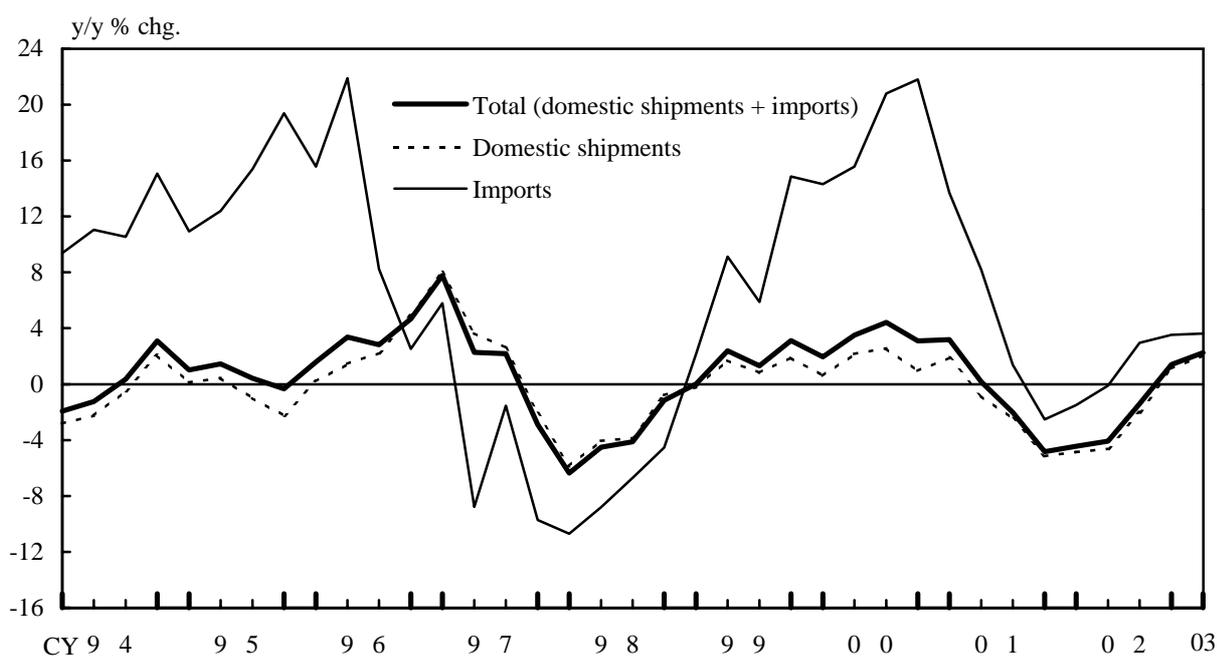
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index,"
 "Monthly Report on the Family Income and Expenditure Survey";
 Bank of Japan, "Wholesale Price Indexes";
 Japan Automobile 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

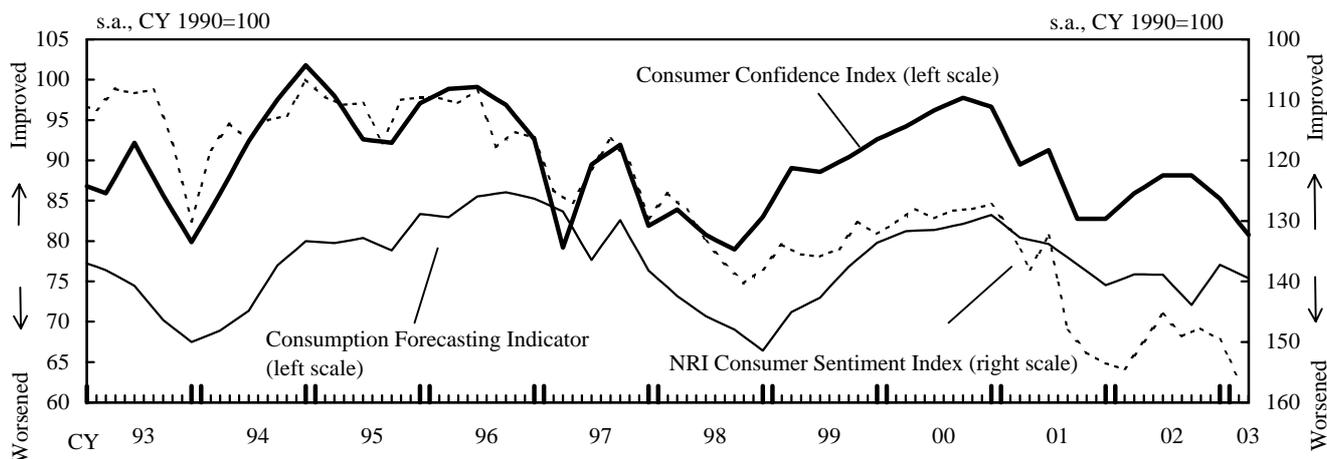


- Notes: 1. Aggregate supply of consumer goods is calculated by the Bank of Japan using shipments of consumer goods in *Indices of Industrial Production* and real exports and imports of consumer goods. The weights used for calculation are those of *Indices of Industrial Domestic Shipments and Imports*.
2. Figures of "Imports" are calculated from real imports of consumer goods. Real imports (consumer goods) are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles.
3. Year-on-year changes are calculated from seasonal adjusted series.

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

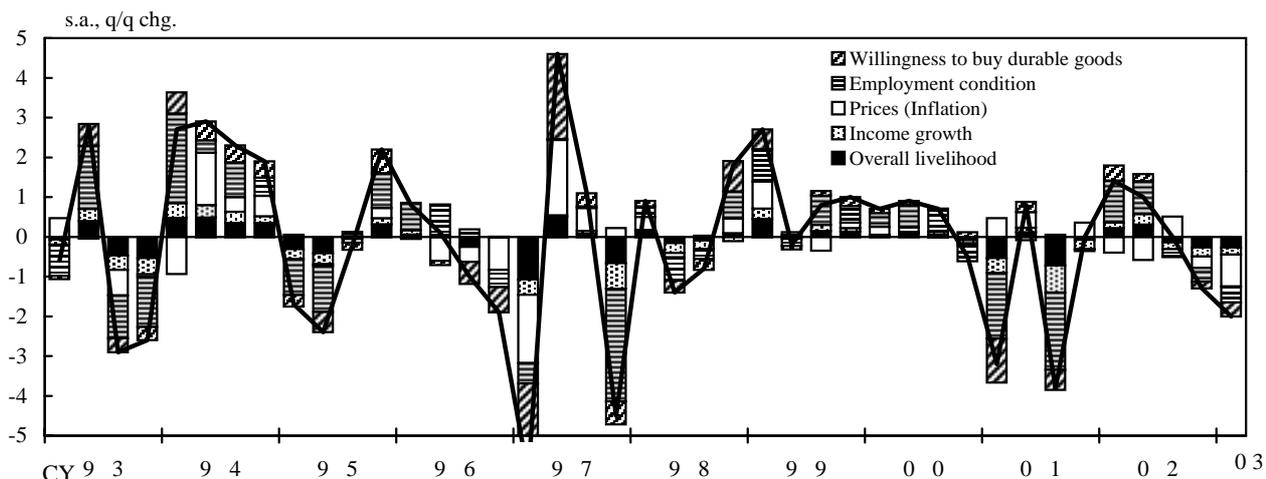
Consumer Confidence

(1) Surveys on Consumer Confidence

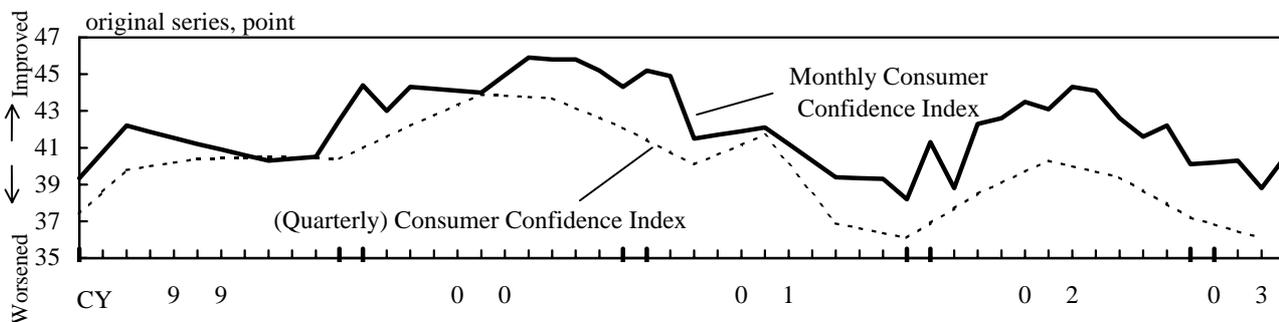


- Notes:
1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office.
 2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 1,500 samples in metropolitan area), and NRI Consumer Sentiment Index (with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

(2) Contribution of Each Item in the Consumer Sentiment Indexes



(Reference) Monthly Consumer Confidence Survey (Tokyo)

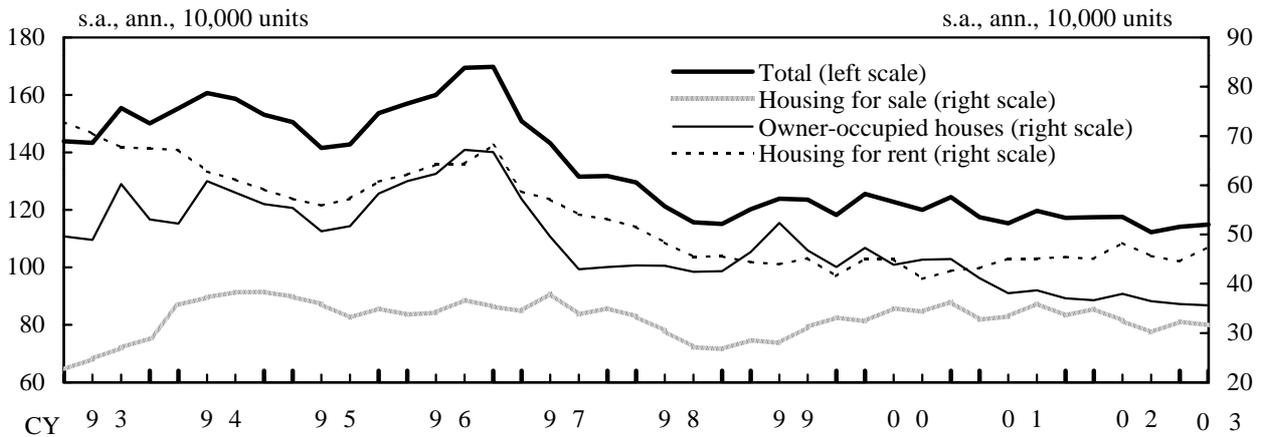


Note: *Monthly Consumer Confidence Survey* is conducted on a monthly basis for limited samples of the Tokyo district (435 households surveyed) in the quarterly Consumer Confidence Survey. The items in the monthly survey are parts of the quarterly survey. Prior to 2001, figures for the months when the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

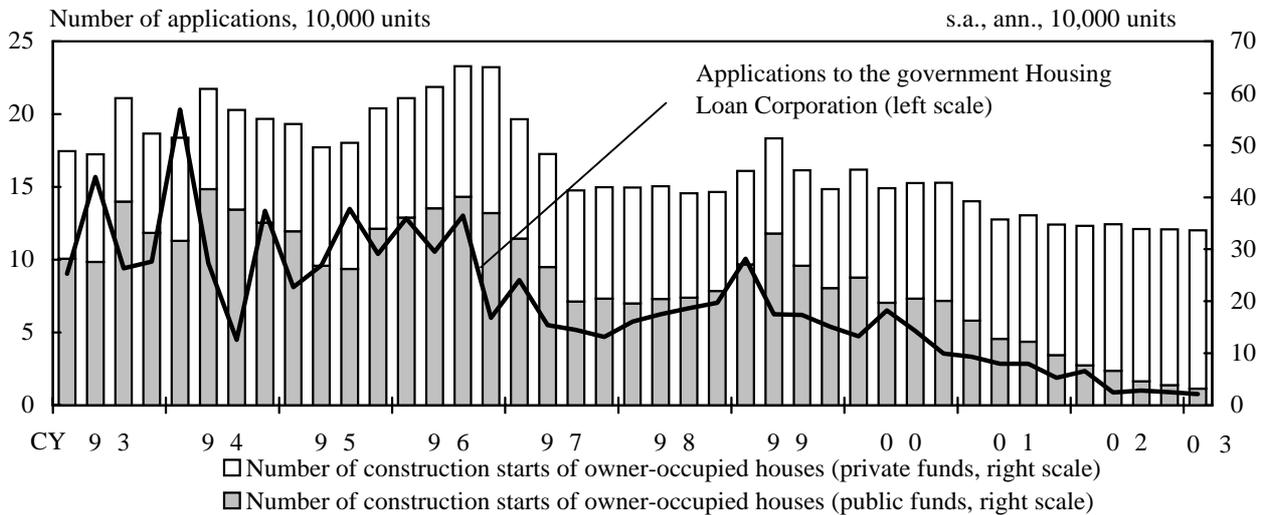
Sources: Cabinet Office, "Consumer Confidence Survey," "Monthly Consumer Confidence Survey"; Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators for Housing Investment

(1) Housing Starts

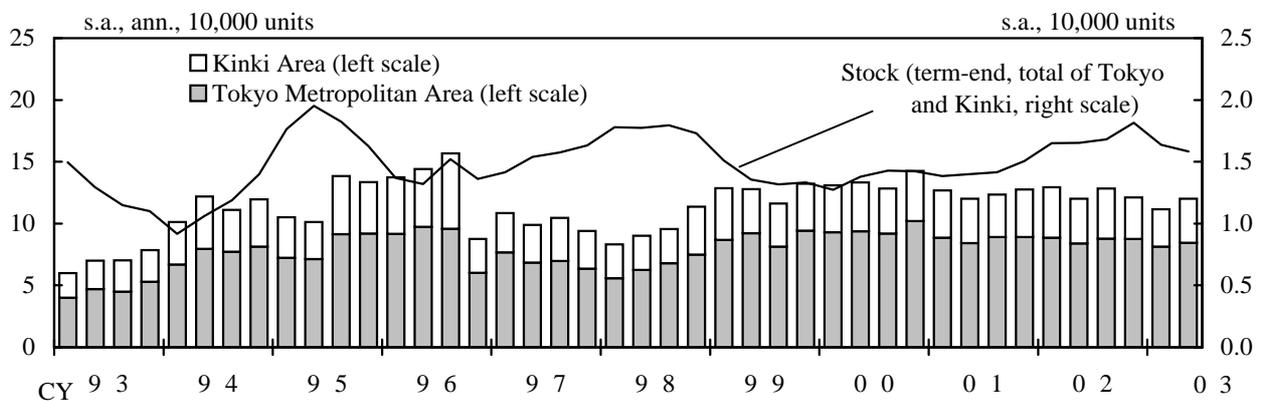


(2) Applications to the Government Housing Loan Corporation for new owner-occupied houses and Construction Starts of owner-occupied houses



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

(3) Sales of Condominiums

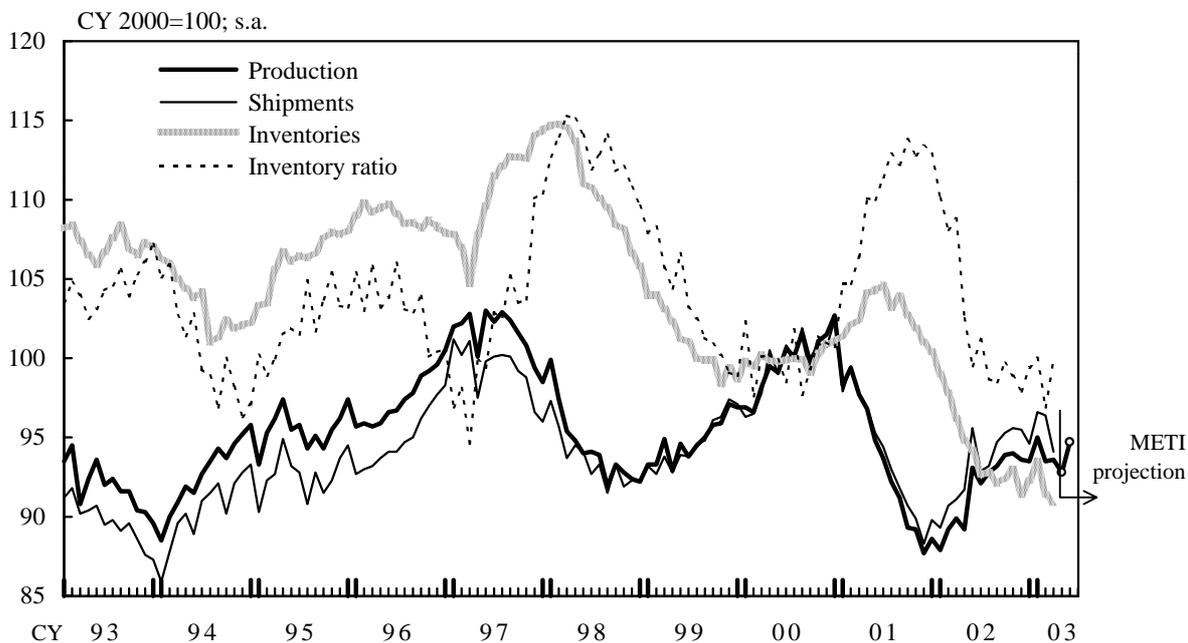


Notes: 1. Seasonally adjusted by X-12-ARIMA.
2. Figures of 2003/Q2 are those of April.

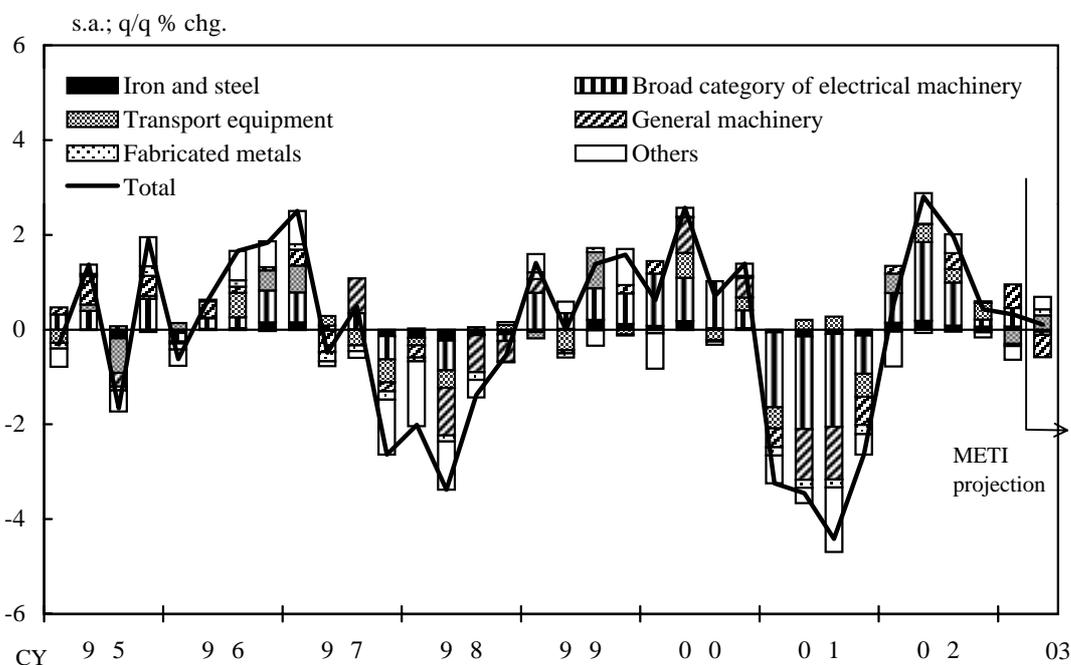
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries



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

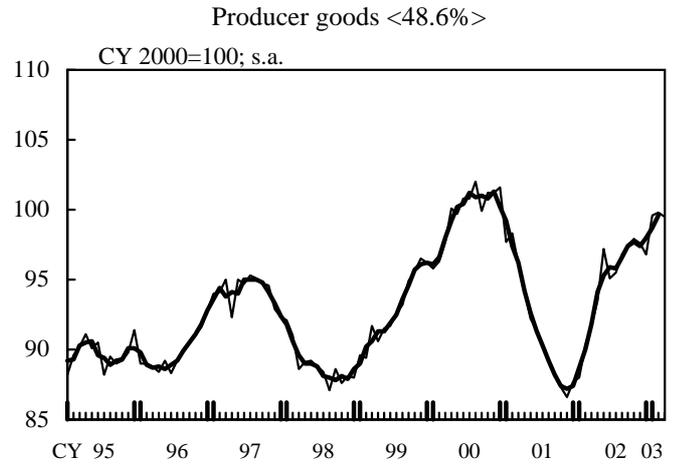
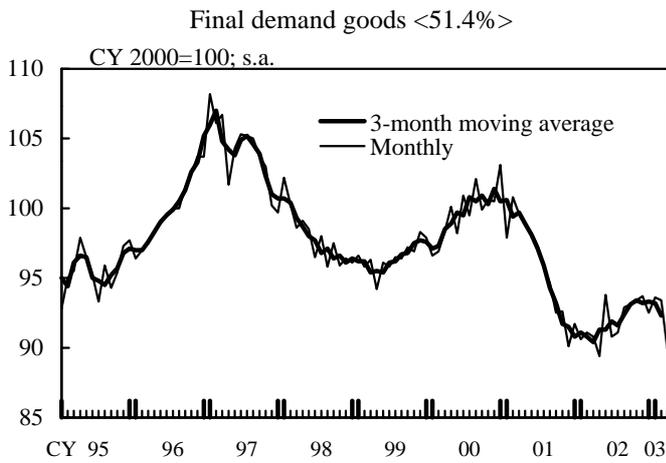
"Broad category of electrical machinery" is the weighted sum of "electrical machinery", "information and communication electronics equipment" and "electronic parts and devices."

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

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

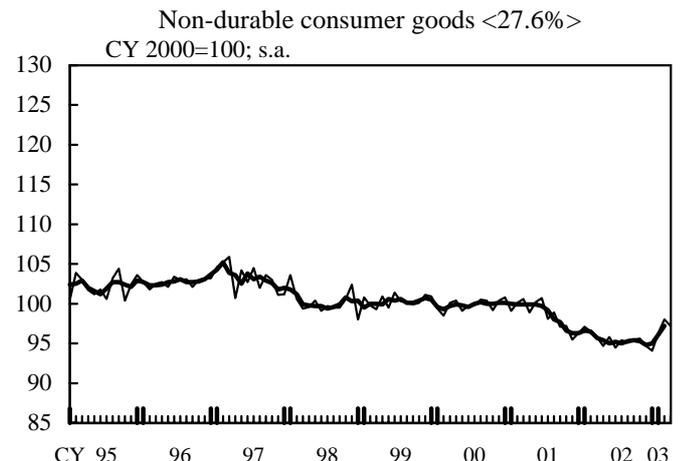
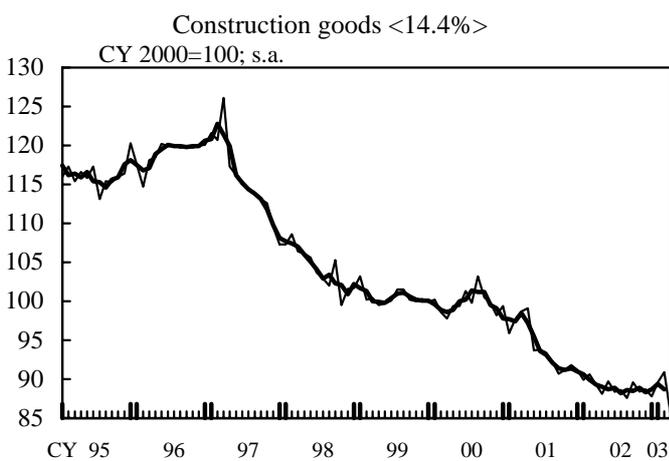
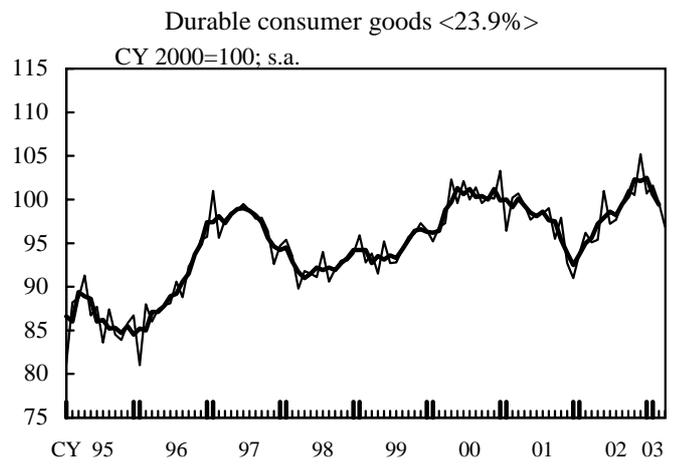
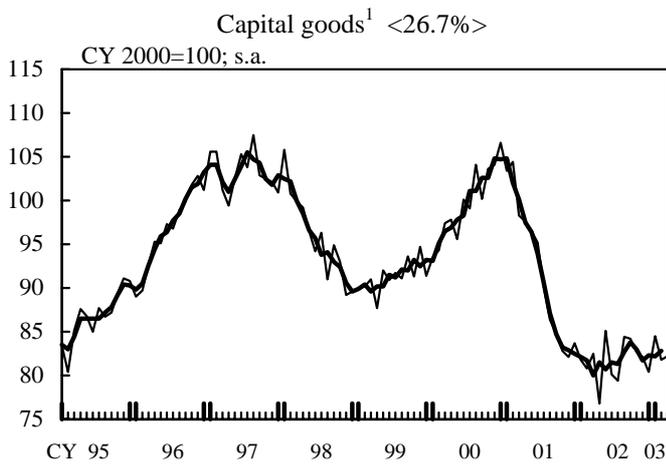
Shipments breakdown by type of goods

(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

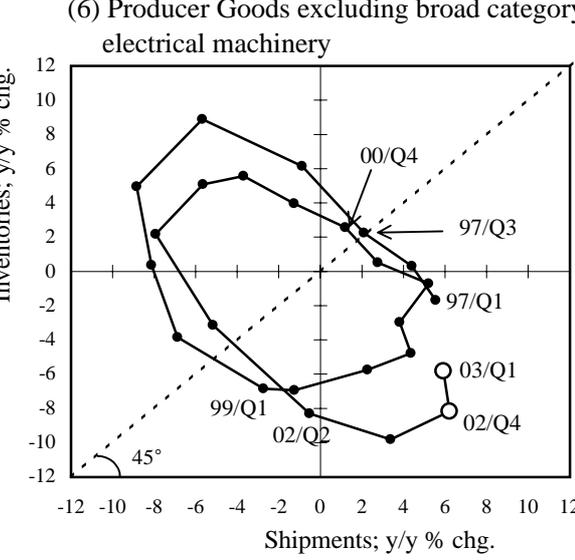
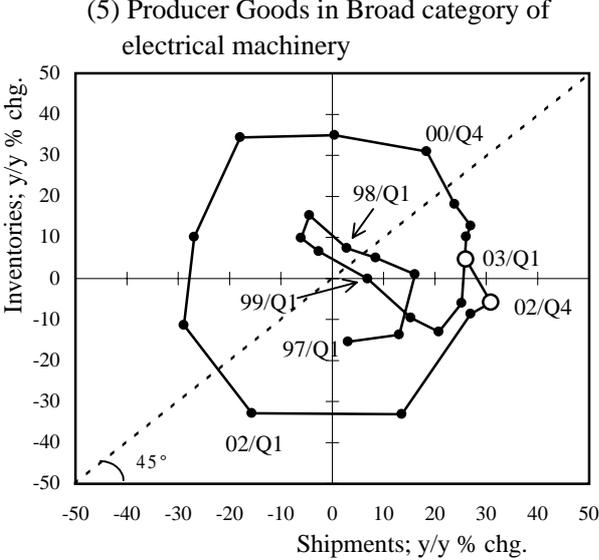
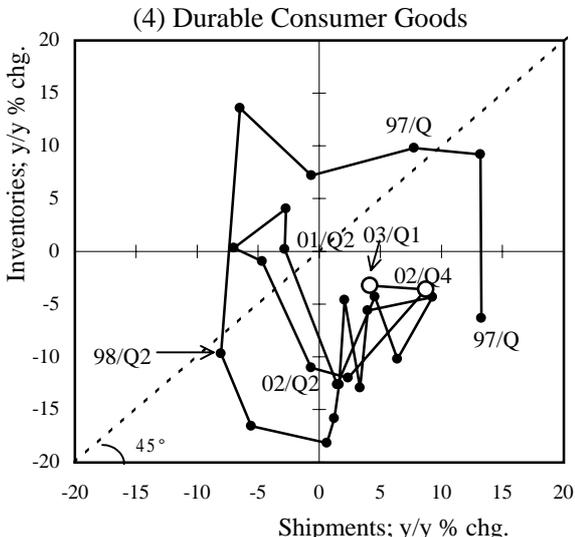
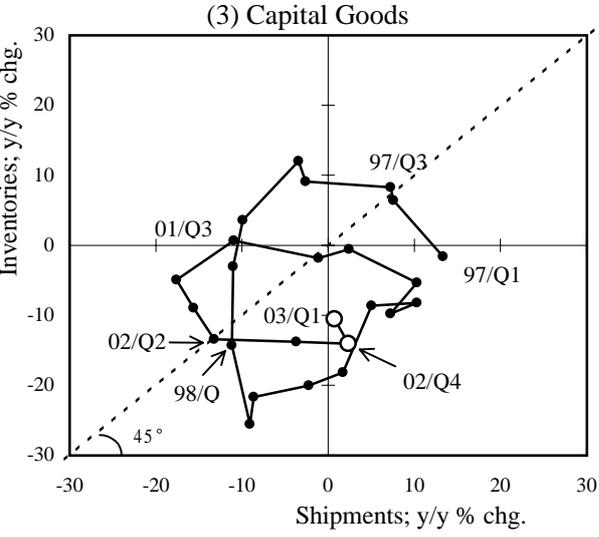
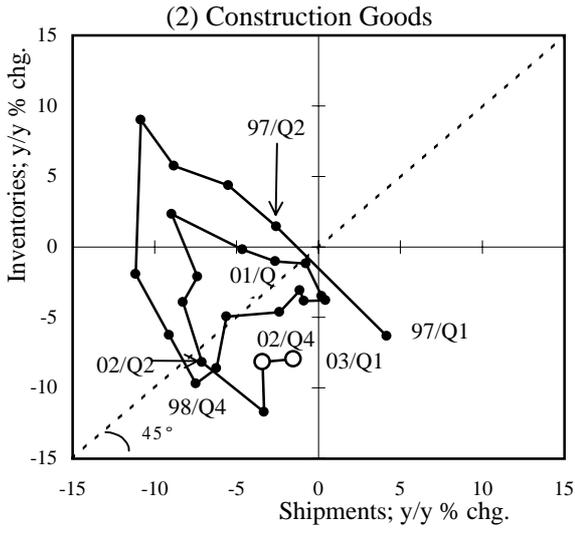
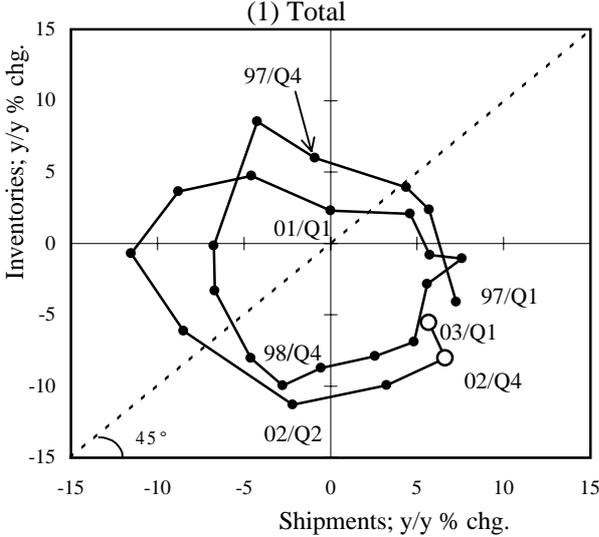


Notes: 1. Excluding transportation equipment.

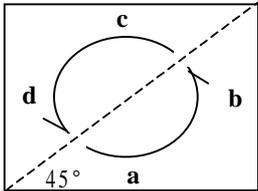
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle



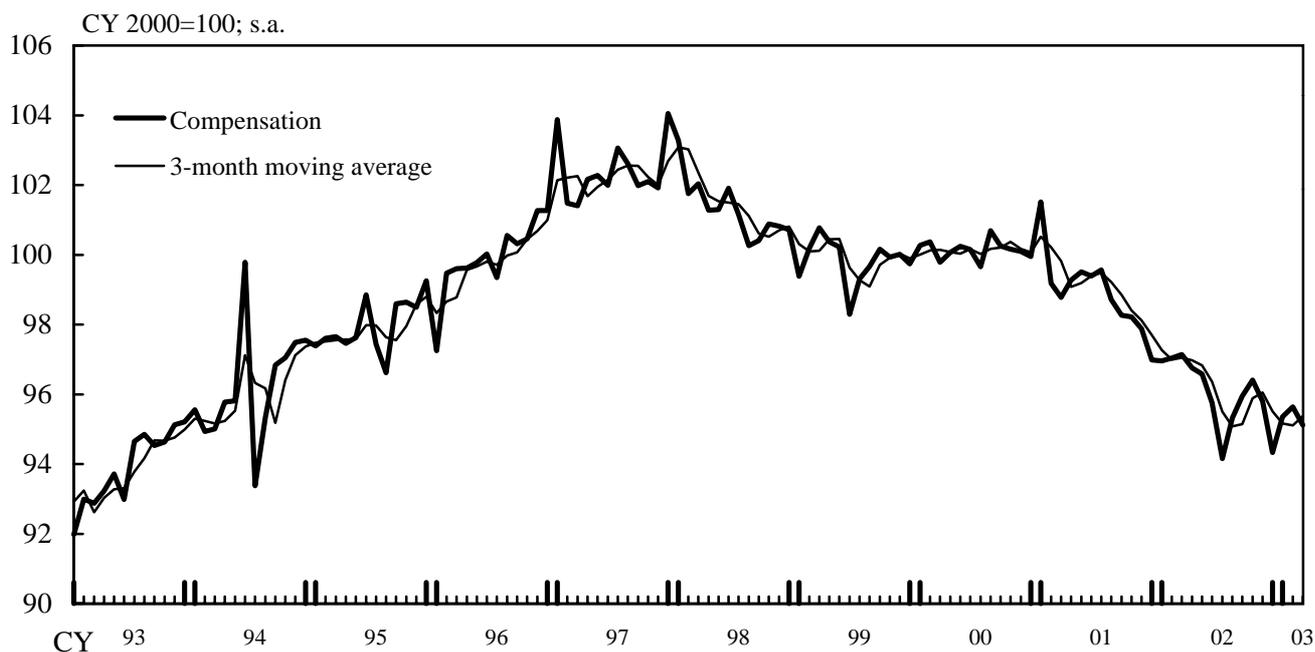
- a** Shipment recovery phase
- b** Intended inventory accumulation phase
- c** Unintended inventory accumulation phase
- d** Inventory adjustment phase



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

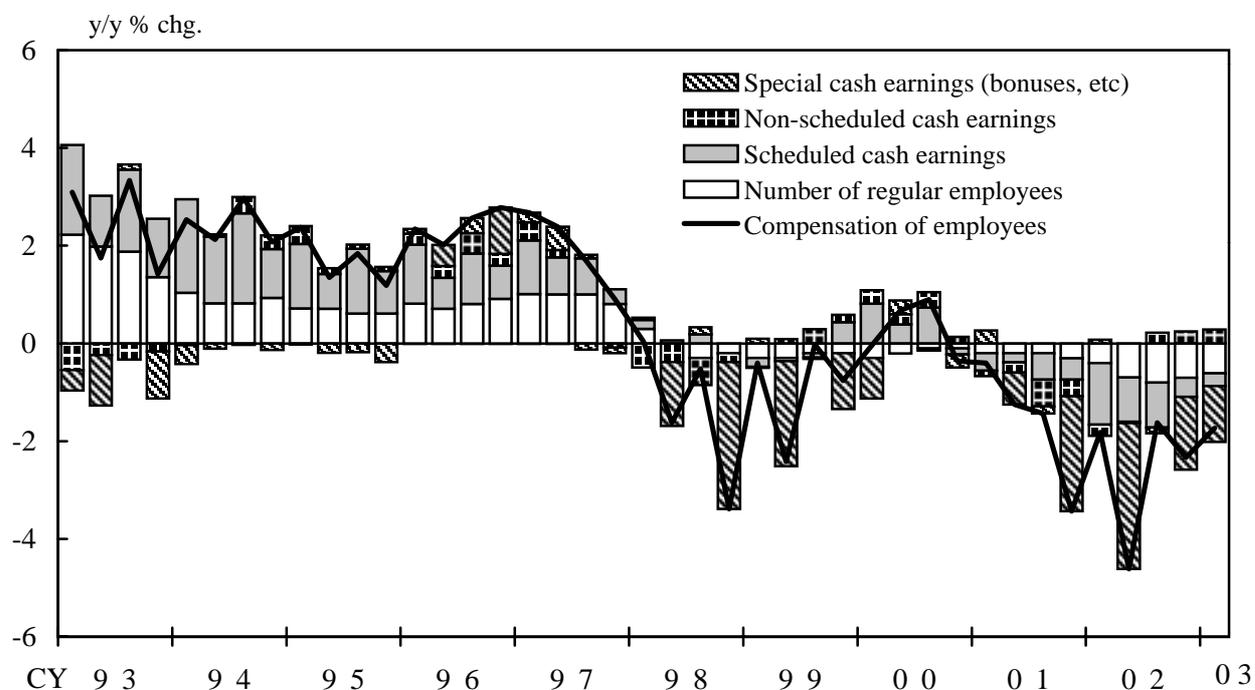
Compensation of Employees

(1) Compensation



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

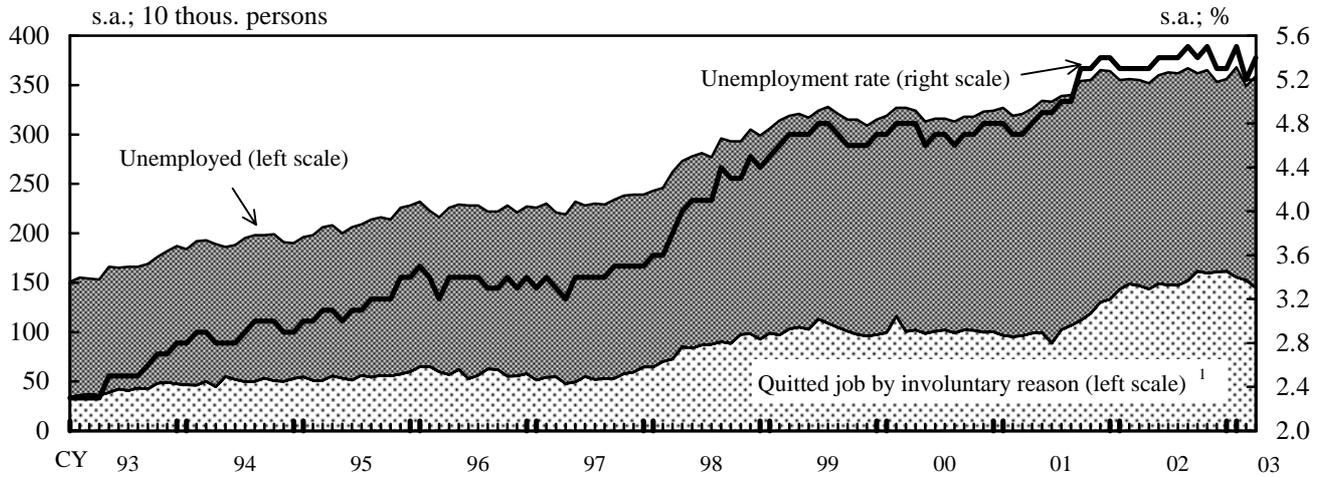
(2) Breakdown of Compensation



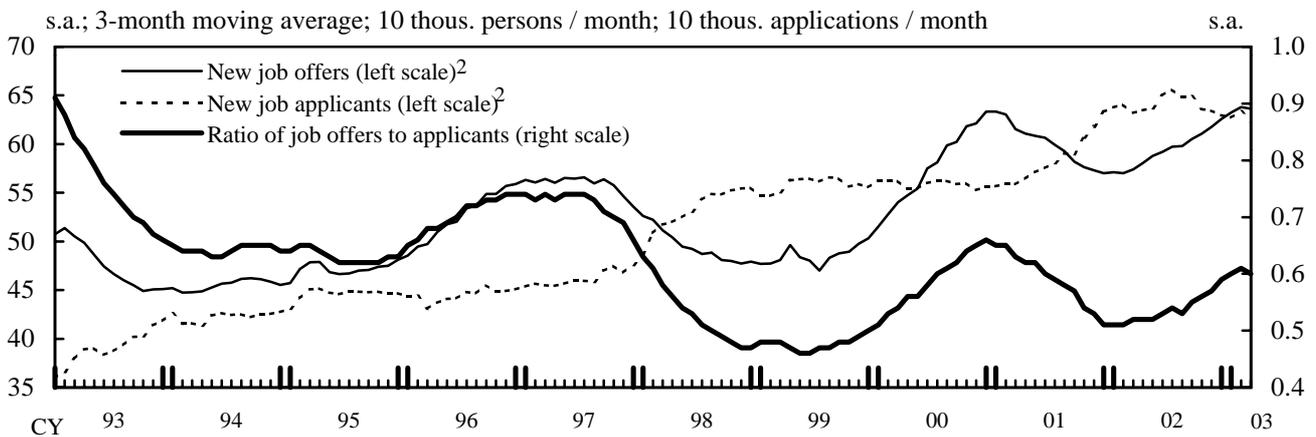
- Notes: 1. Data are for establishments with at least 5 employees.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
 3. Figures for 2003/Q1 are those of March.

Labor Market (1)

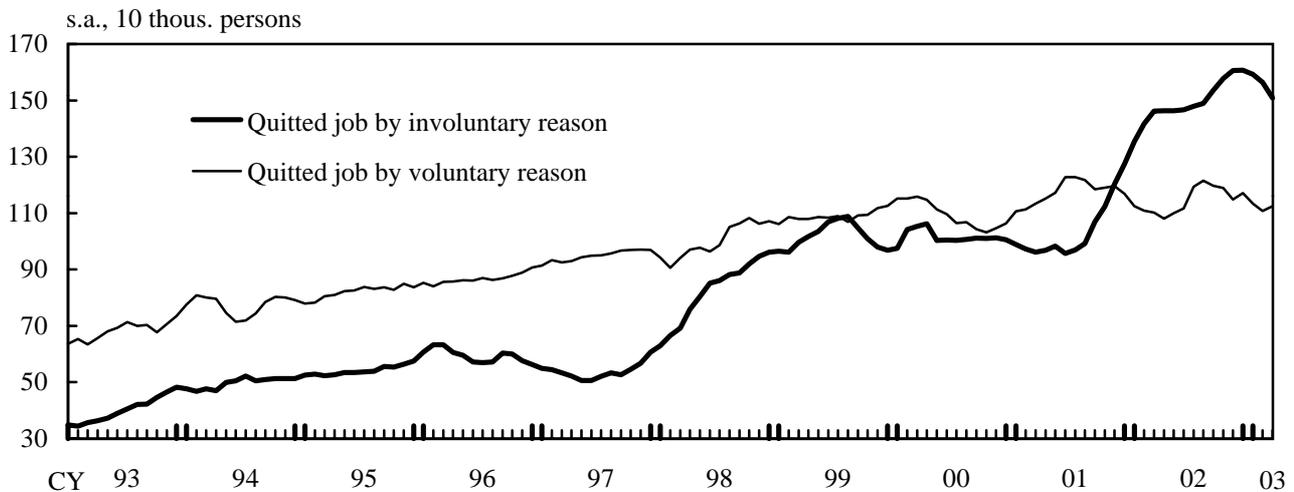
(1) The Unemployed and Unemployment Rate



(2) Ratio of Job Offers to Applicants



(3) Breakdown of the Unemployed¹



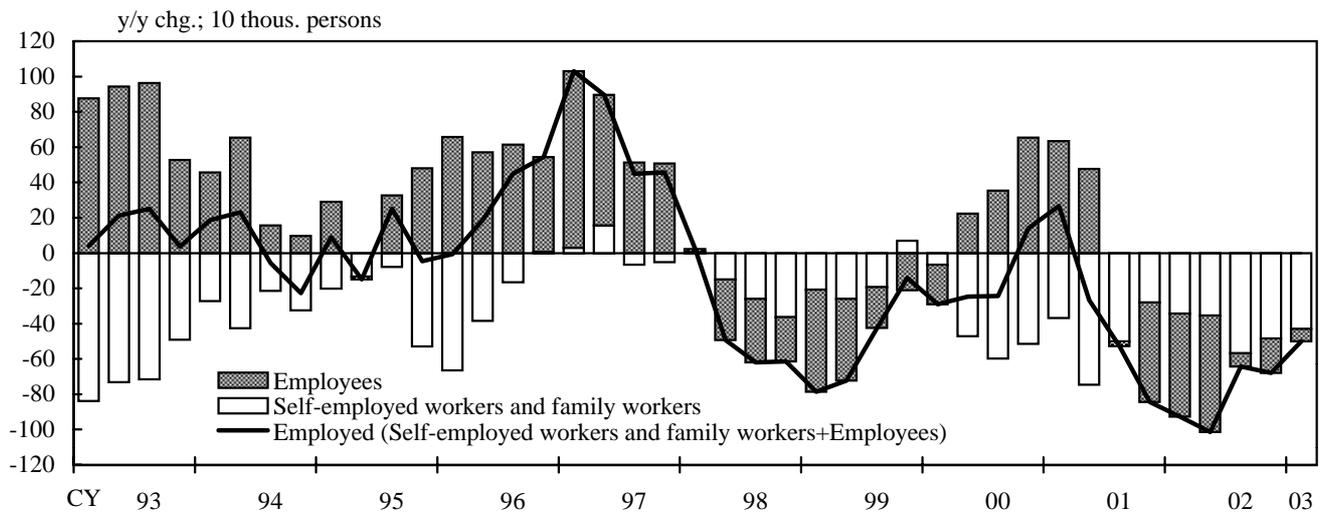
Notes: 1. Seasonally adjusted by X-11.

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

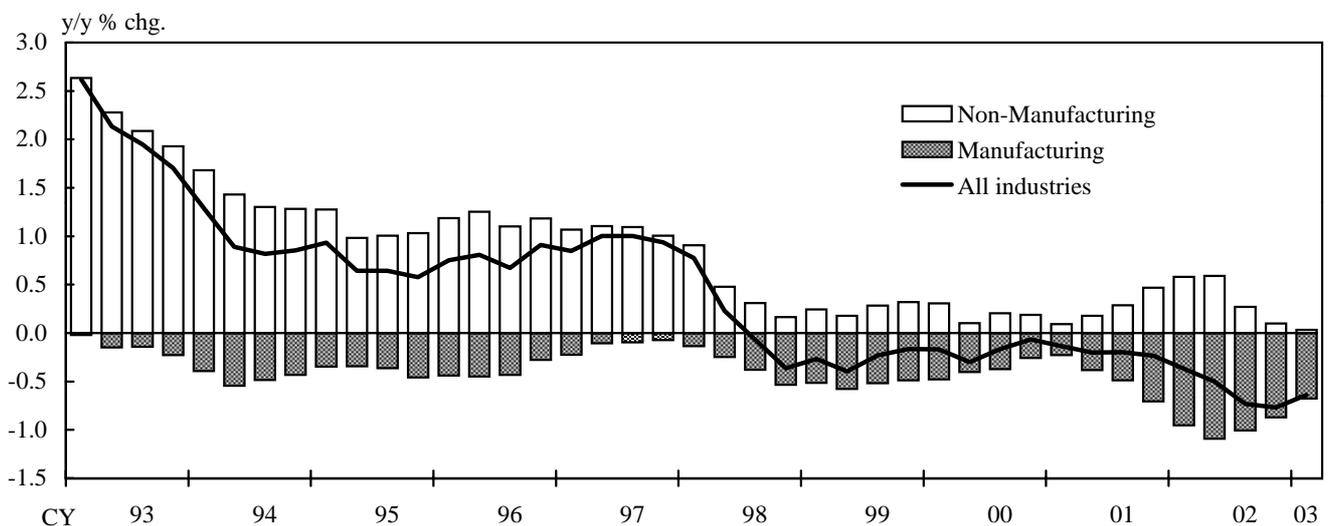
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service,"
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Labor Market (2)

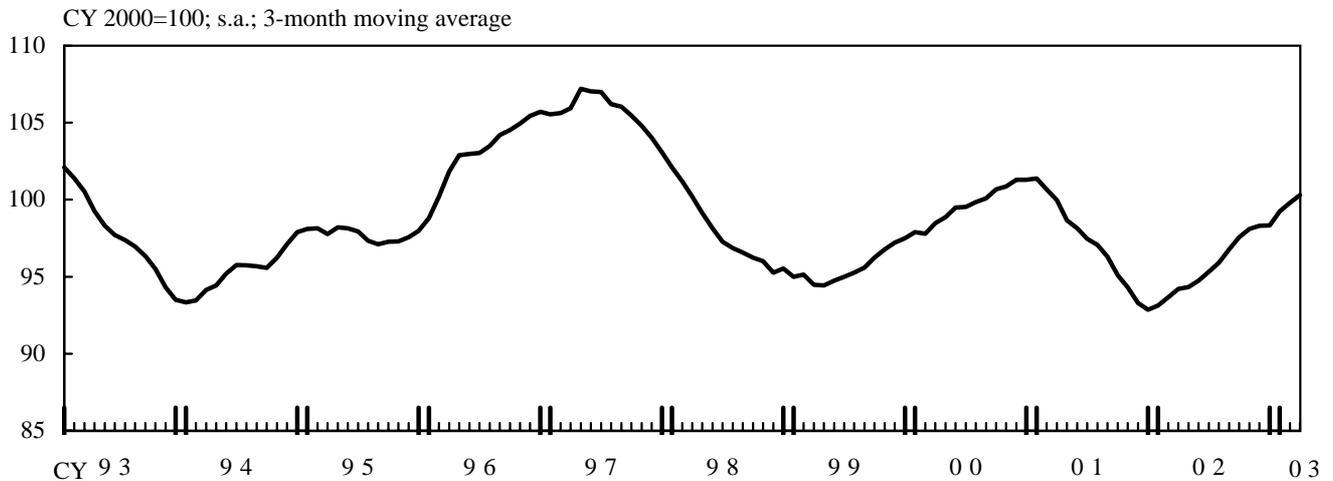
(1) The Employed (Labour Force Survey)



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



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

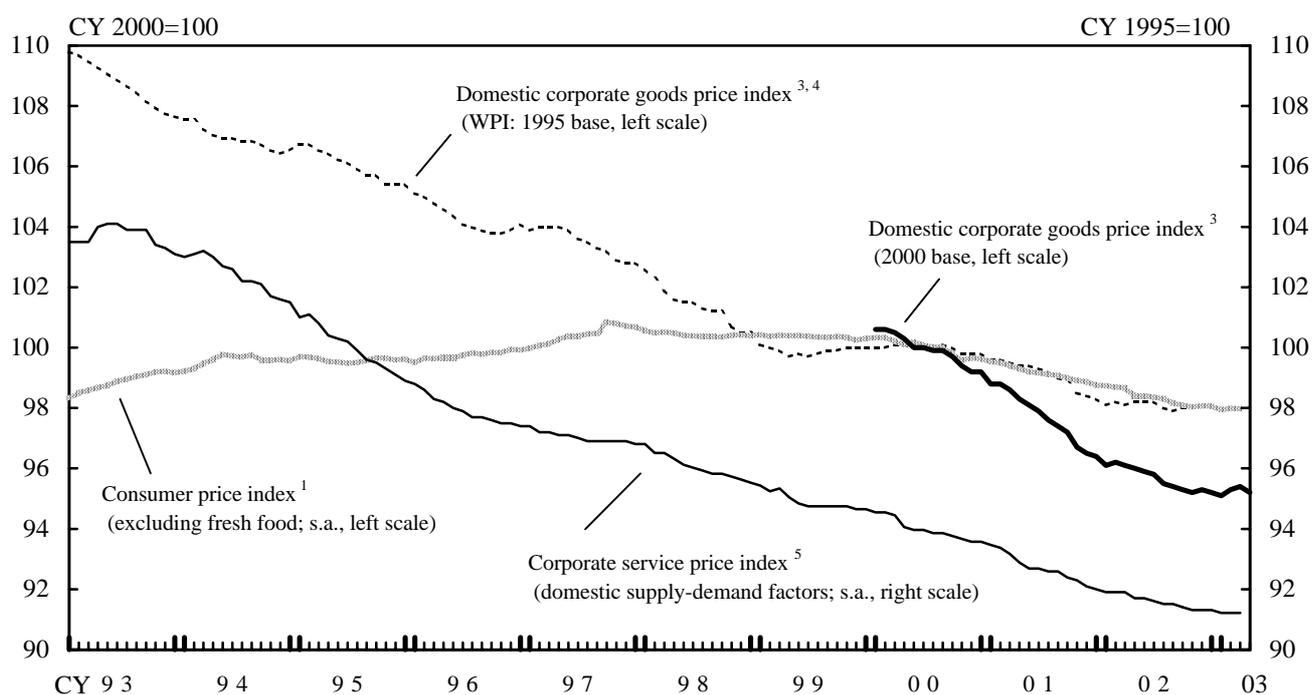


Note: 1. Data are for establishments with at least 5 employees.

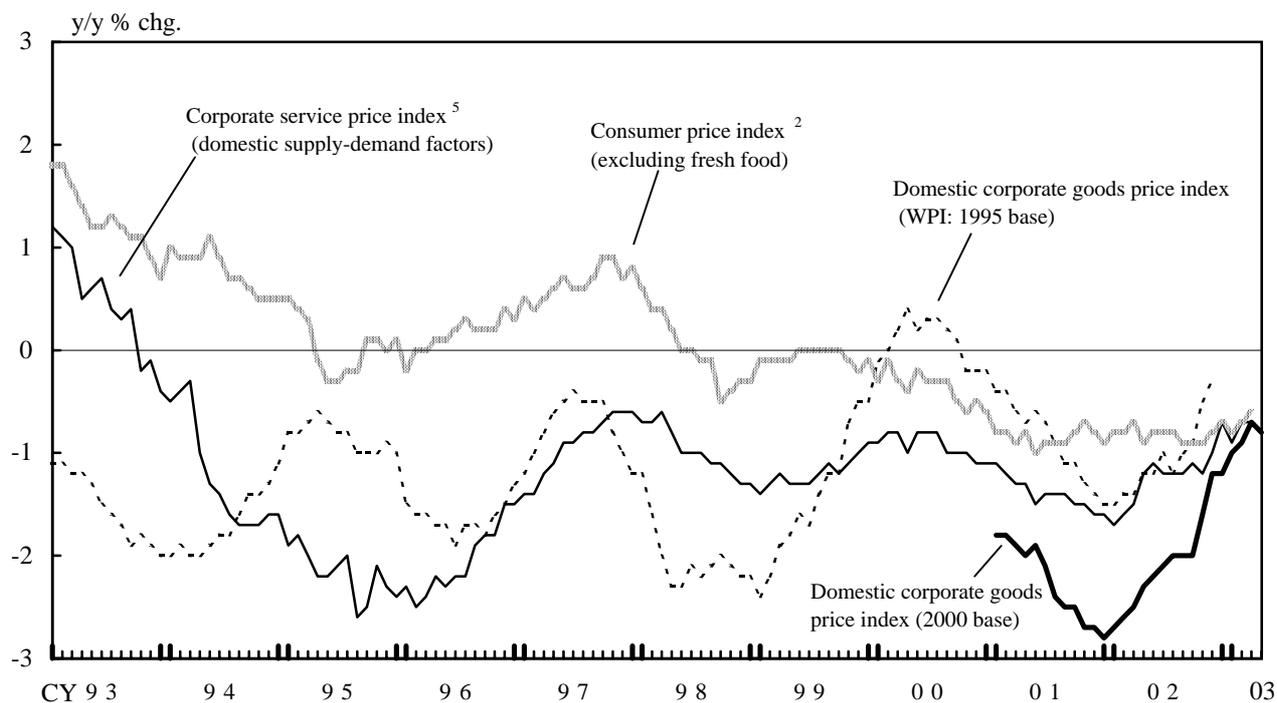
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

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.

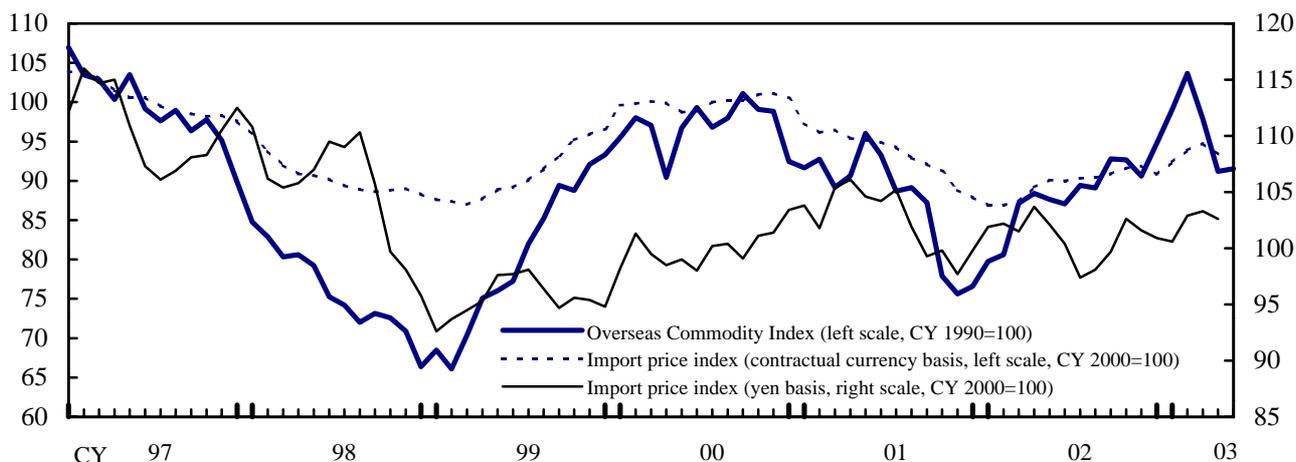
5. See footnote 1 in Chart 22, for definition of the Corporate Service Price Index (domestic supply-demand factors).

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."

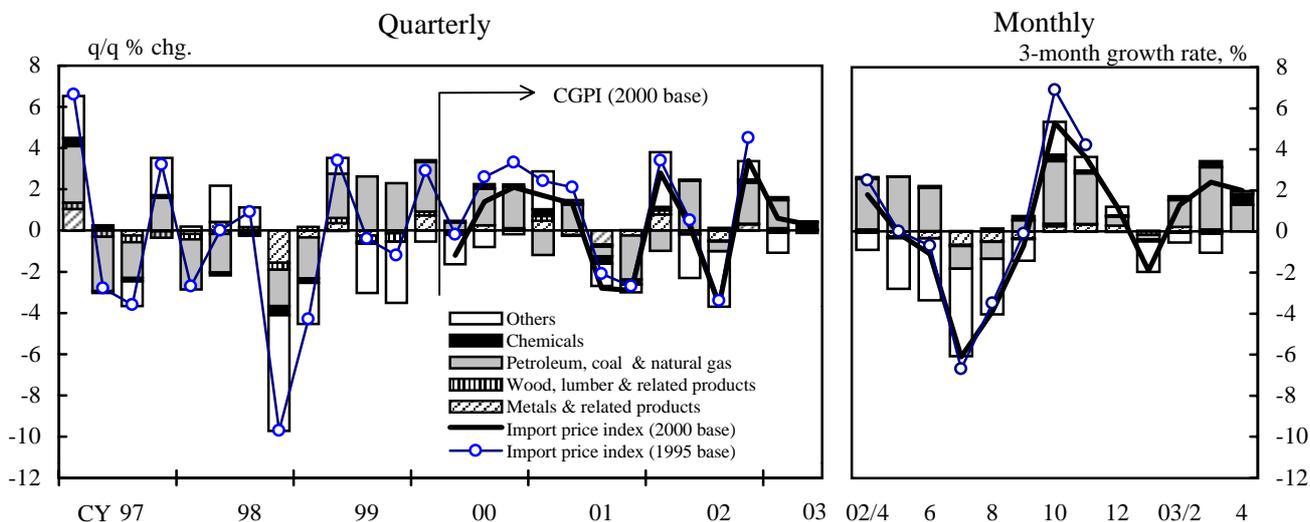
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



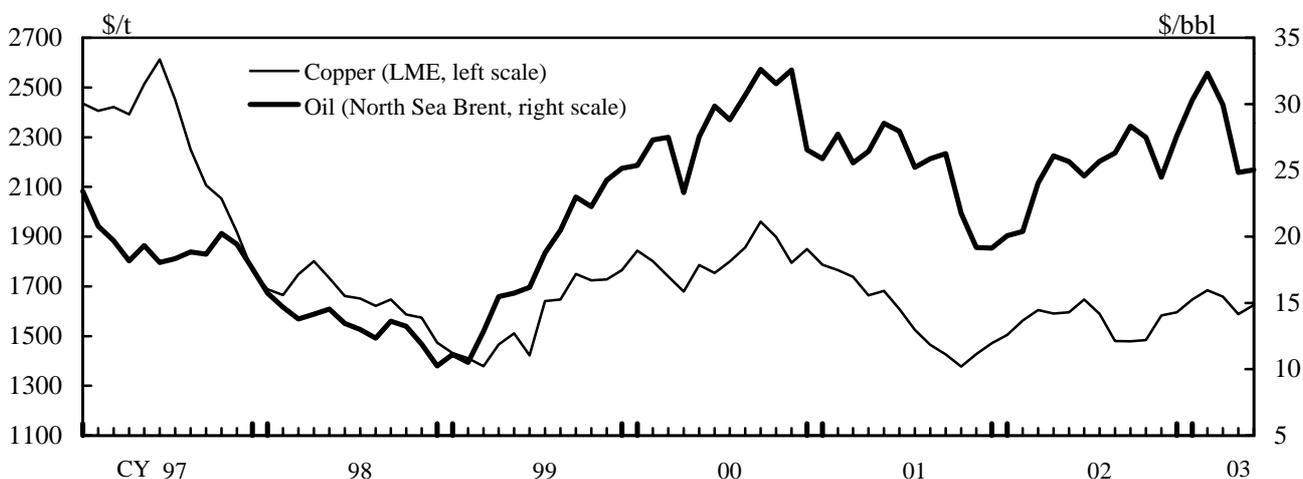
Note: Overseas Commodity Index, which is calculated by Bank of Japan, is a monthly average.
Figure for May 2003 is the average up to May 16.

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



Note: Figures for 2003/Q2 are those of April.
1995 base figures for 2002/Q4 are those of Oct.-Nov. averages.

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

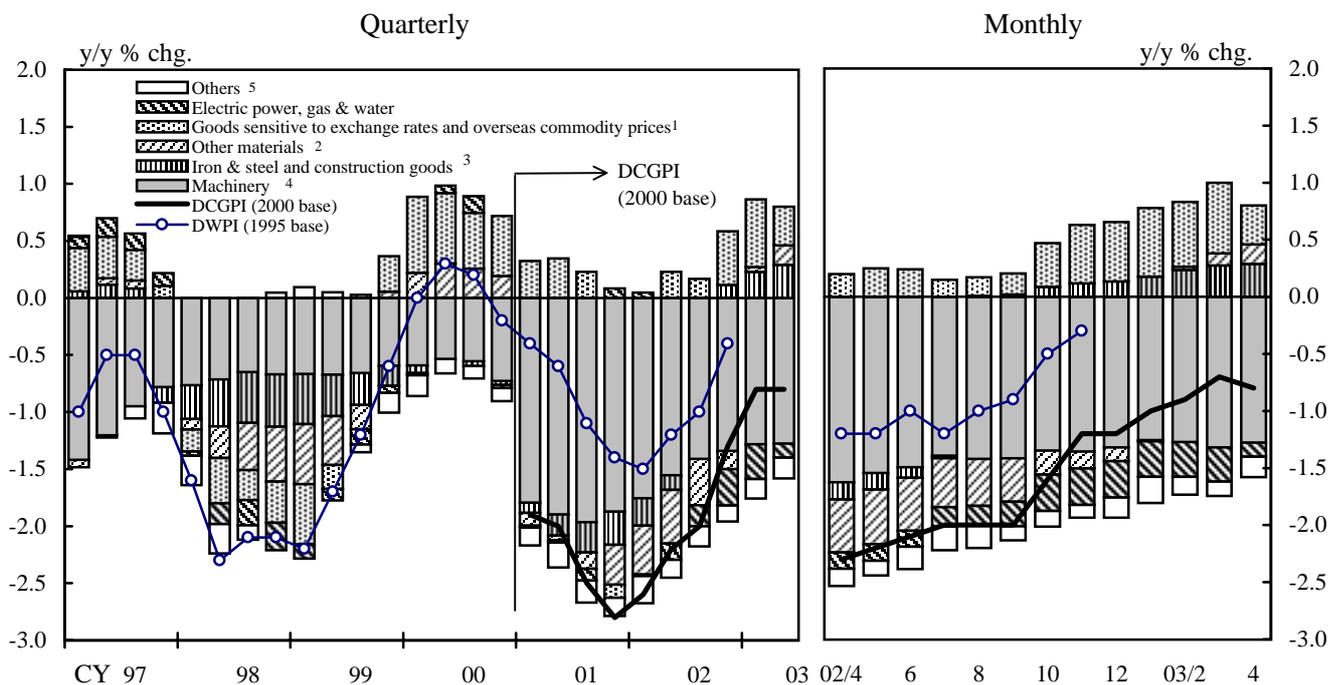
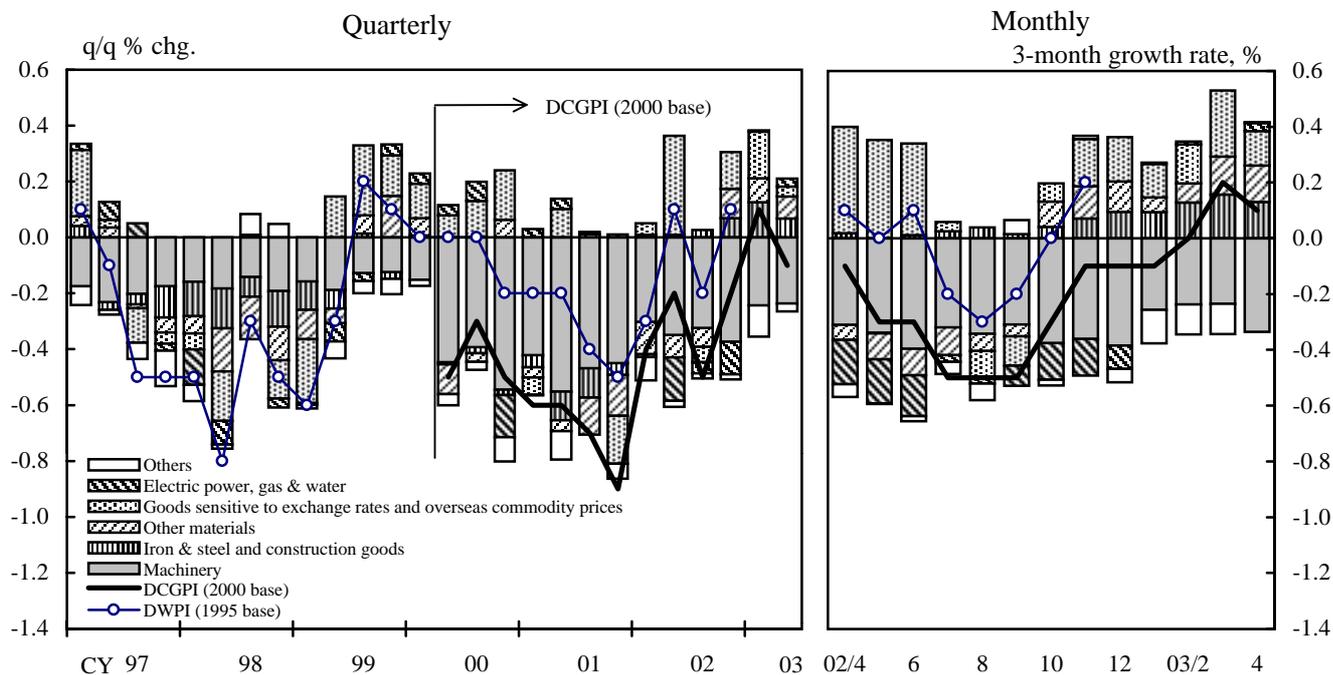


Note: Monthly averages. Figures for May 2003 are the averages up to May 16.

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.

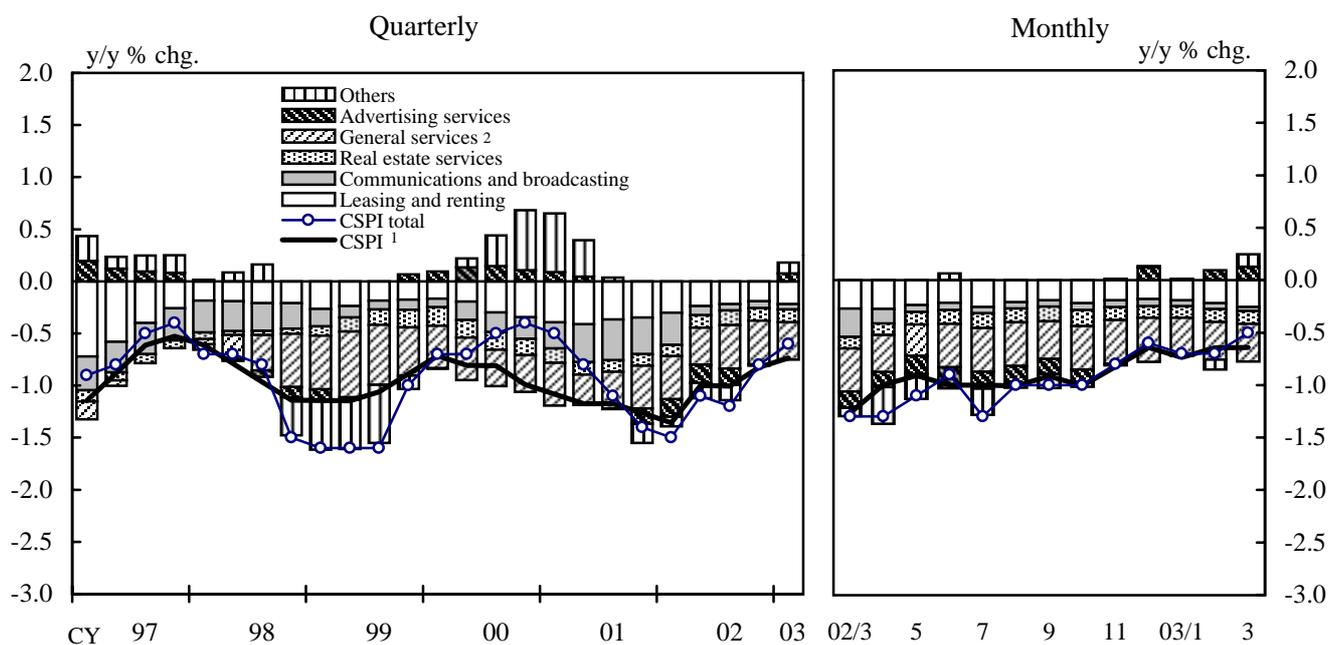
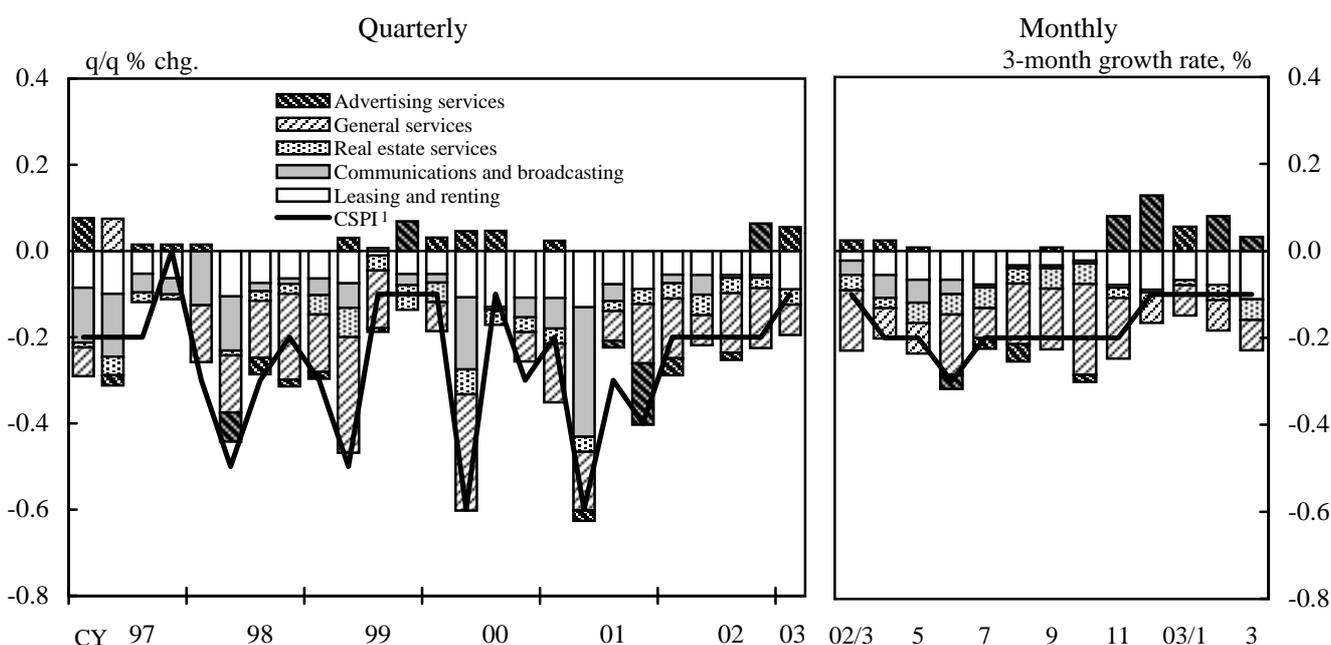
8. Figures for 2003/Q2 are those of April.

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.

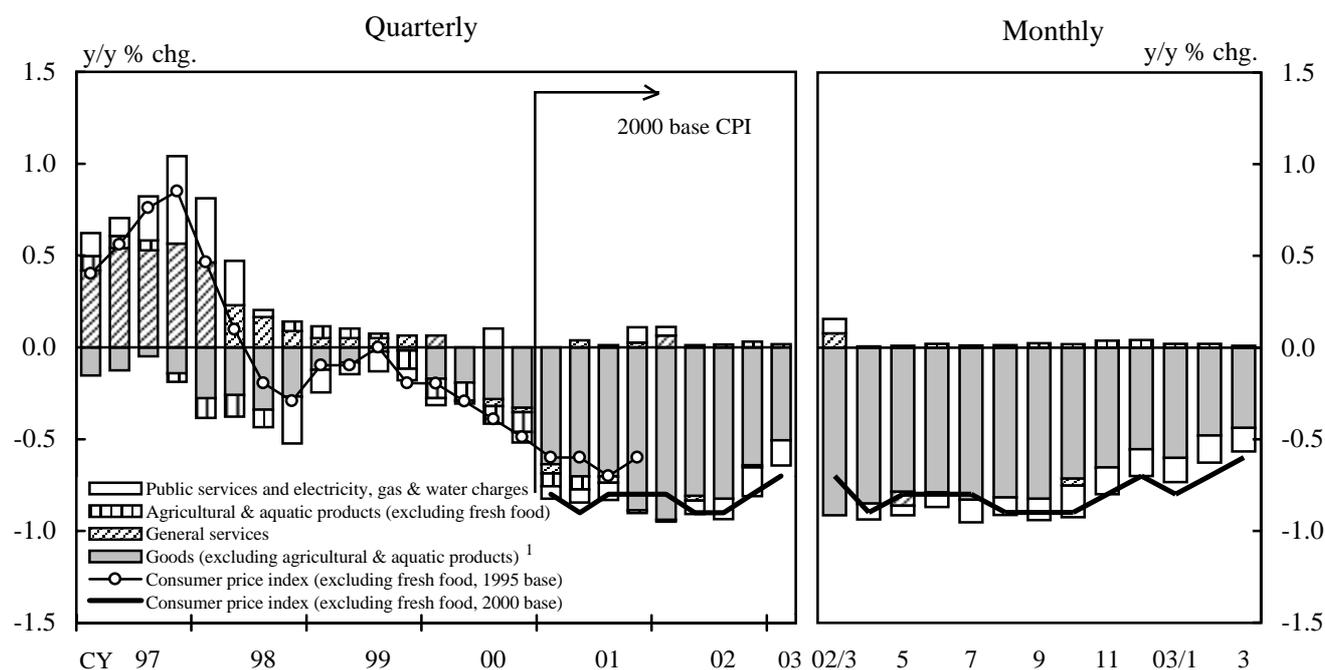
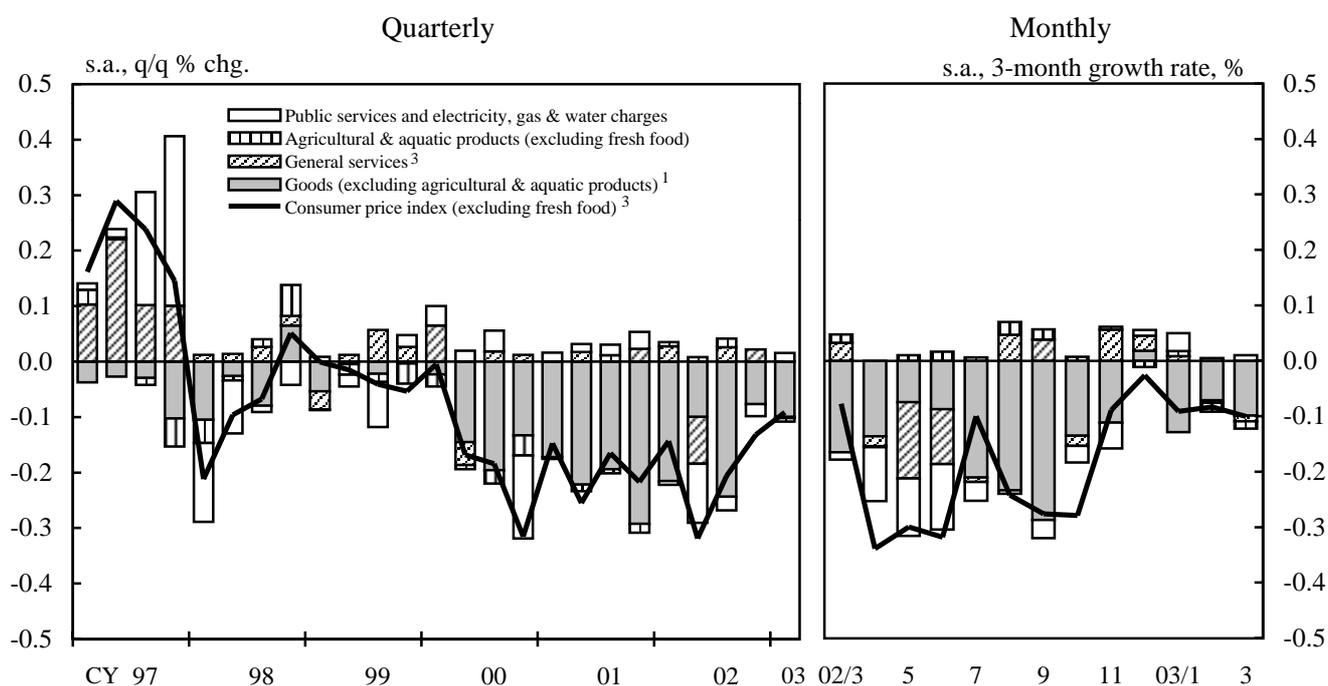
2. General services include all services in Domestic supply-demand factors except Leasing and rental, Communications and broadcasting, Real estate services, and Advertising services.

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.

Consumer Price Index (excluding fresh food)⁴

(1) Changes from a year earlier

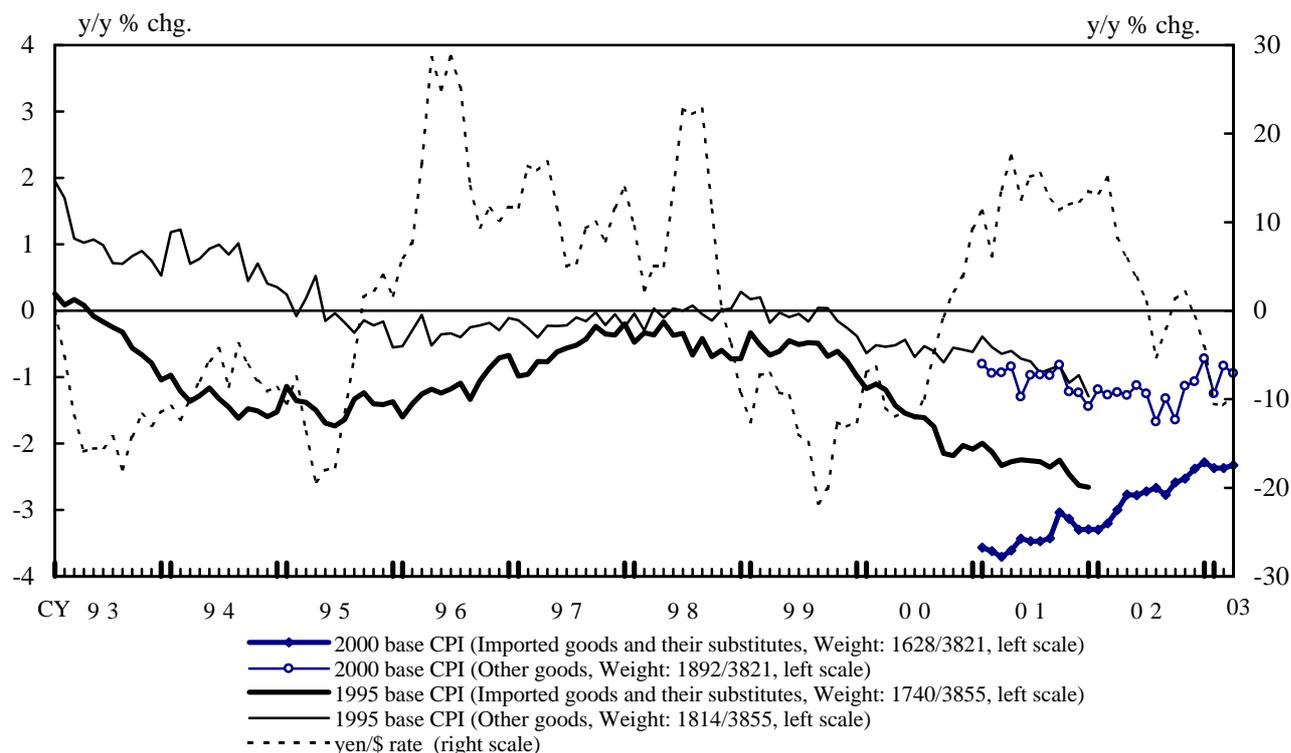
(2) Changes from a quarter earlier and 3 months earlier (2000 base CPI)²

- 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.

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



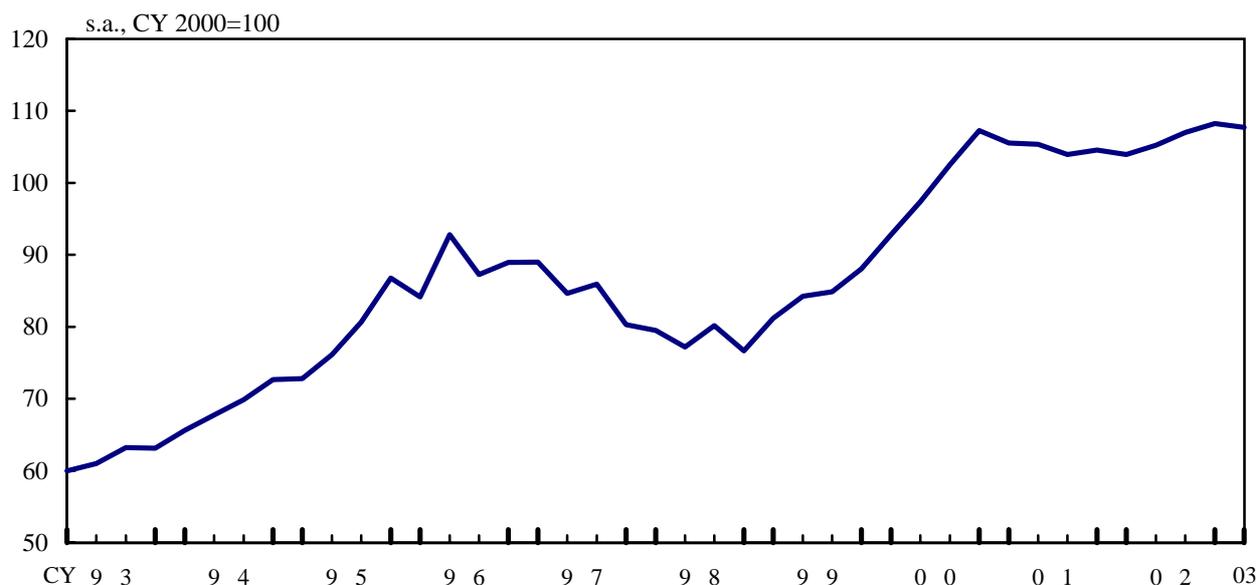
Notes: 1. Goods covered here exclude petroleum products and agricultural & aquatic products.

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) Real imports (consumer goods)

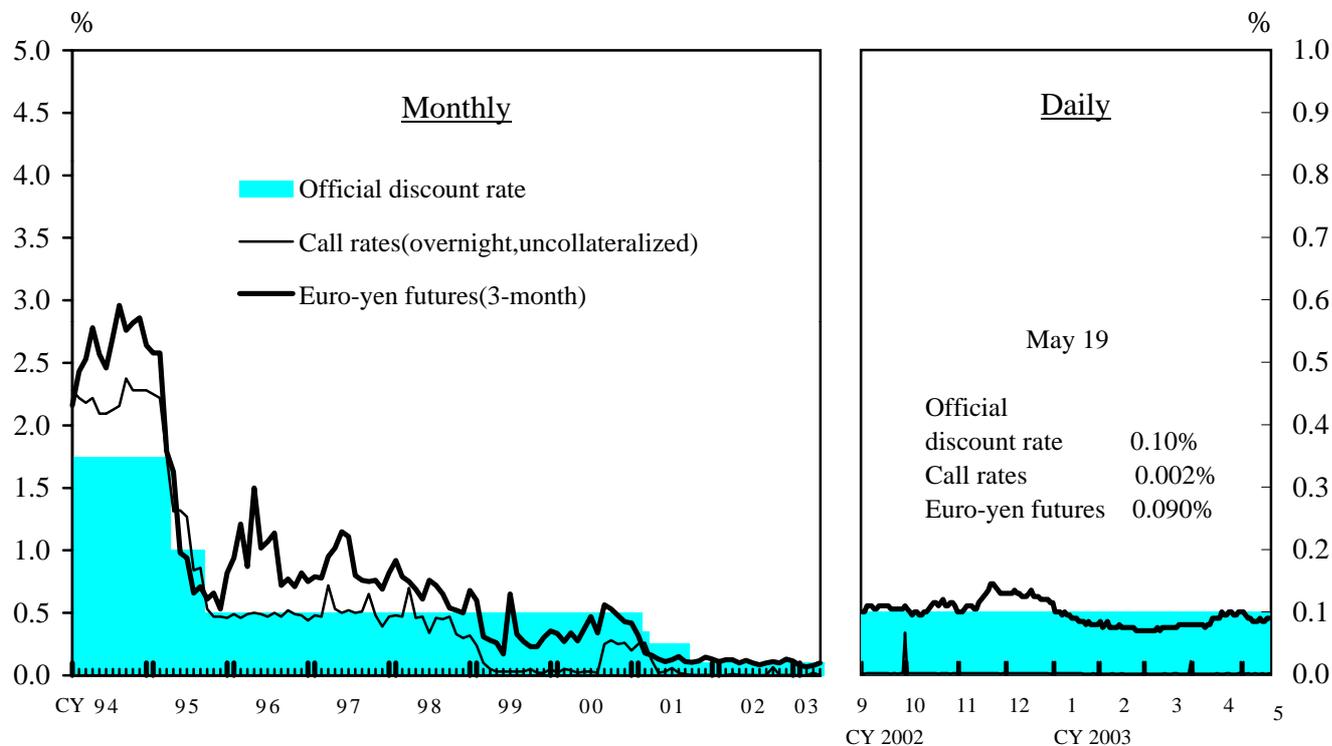


Note: Real imports (consumer goods), which are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles, are calculated from the Trade Statistics as an index with the 2000 average equal to 100.

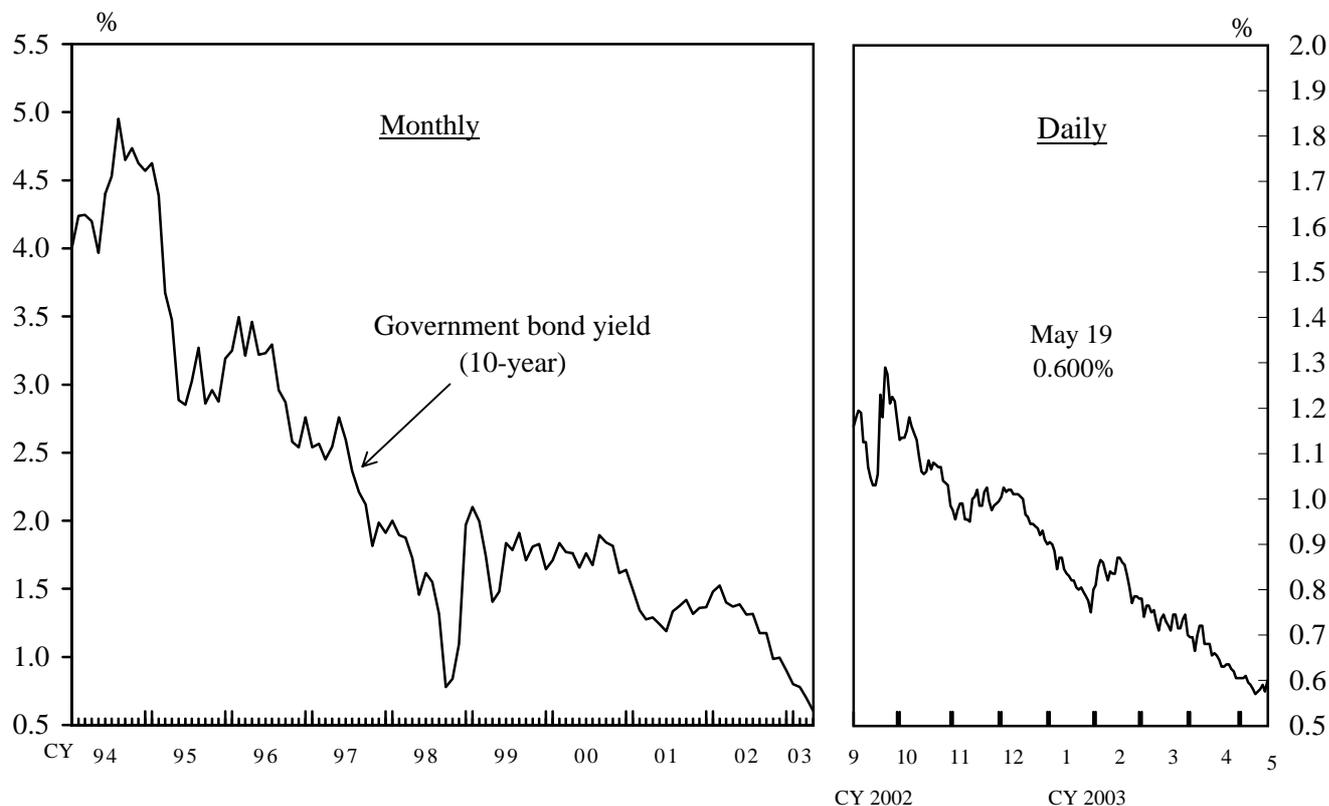
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index";
Ministry of Finance, "The Summary Report on Trade of Japan";
Bank of Japan, "Corporate Goods Price Index."

Interest Rates

(1) Short-Term



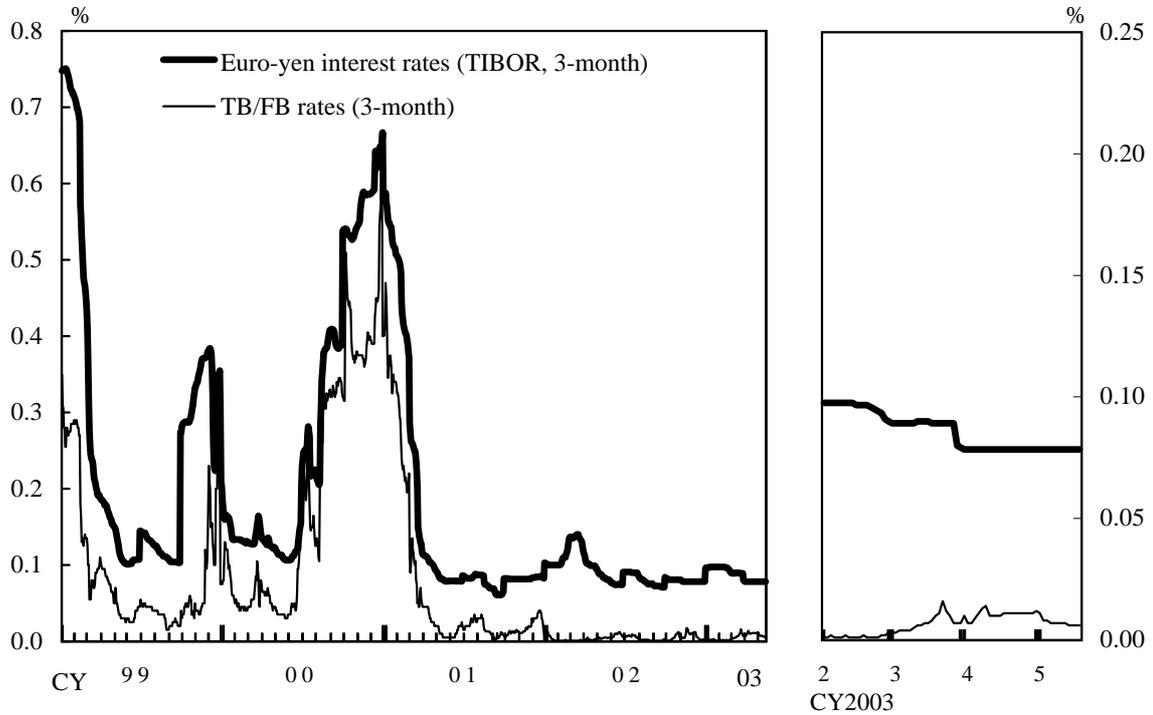
(2) Long-Term



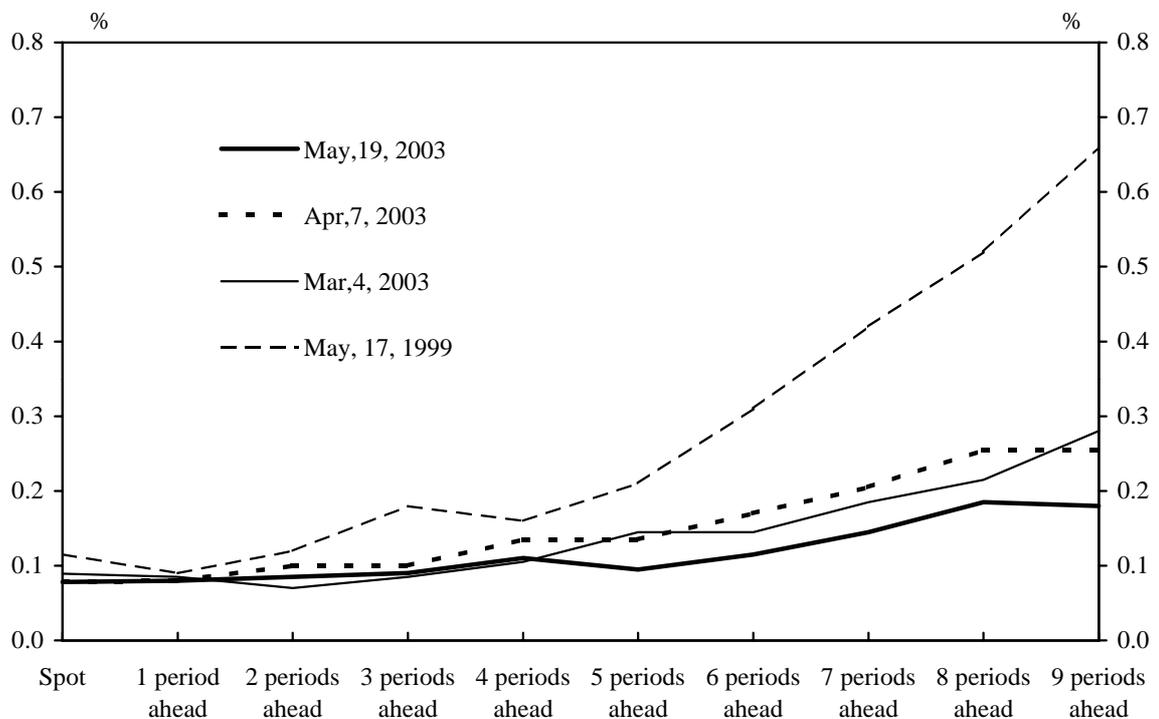
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



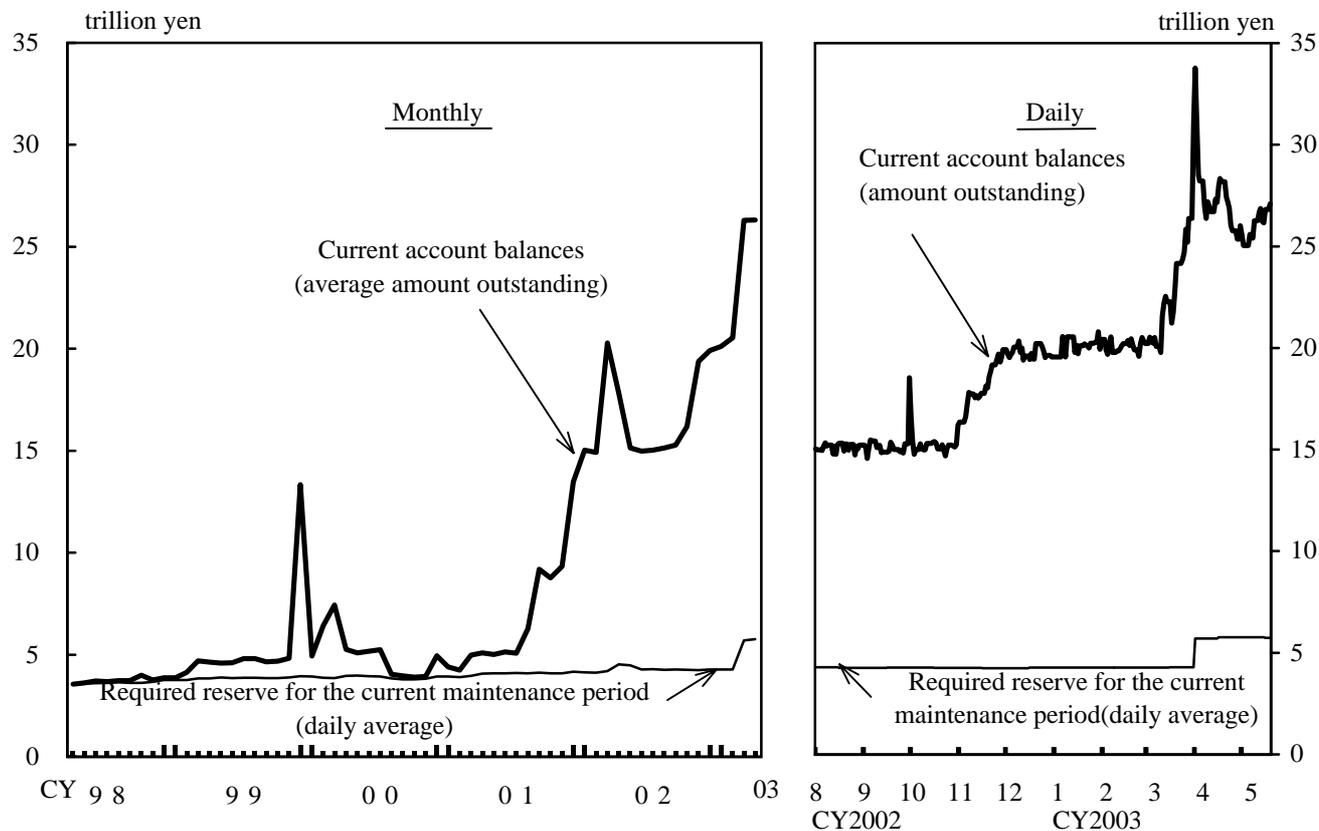
(2) Euro-Yen Interest Rates Futures (3-Month) ¹



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

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

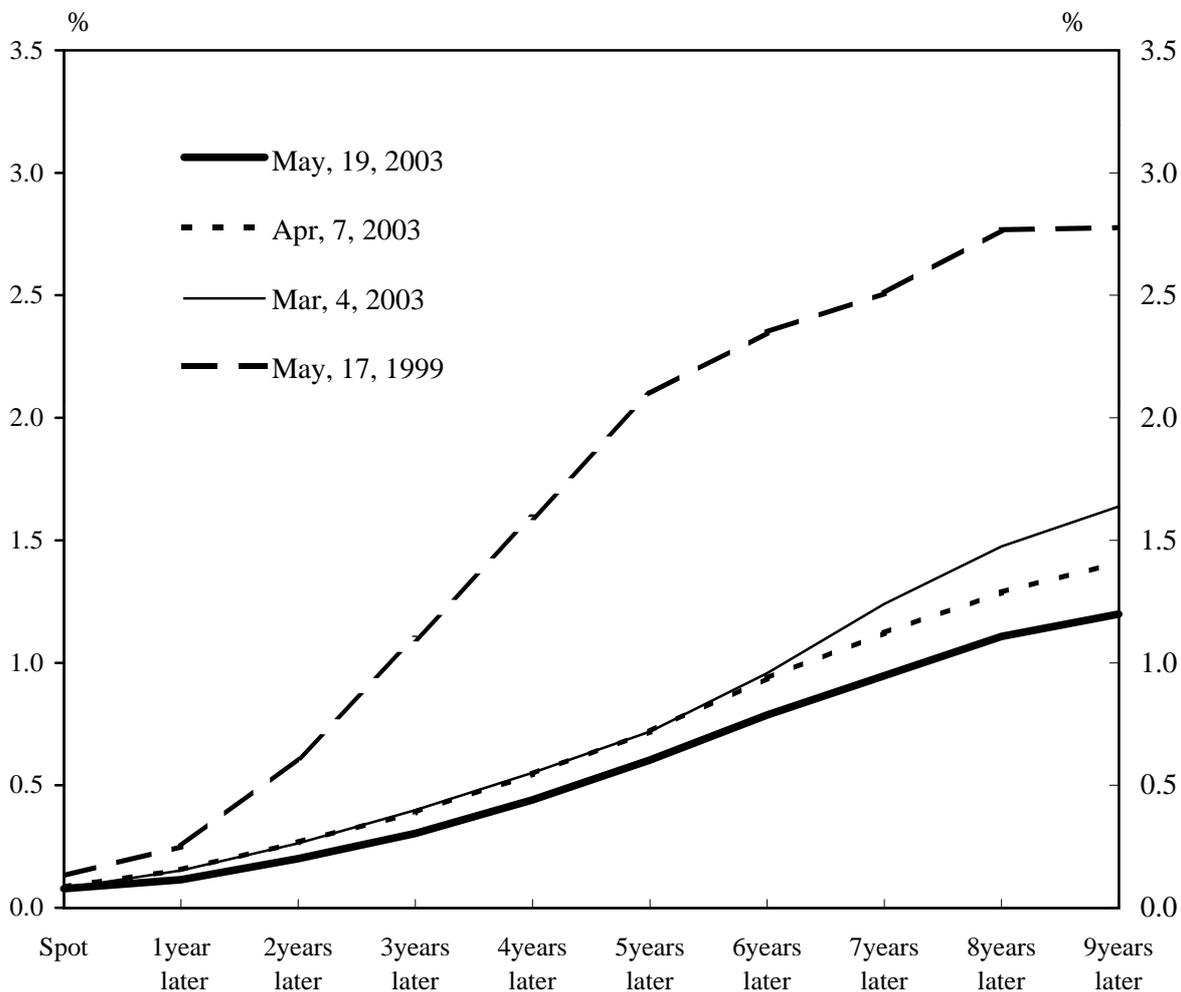
Current Account Balances at the Bank of Japan ¹



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

Source: Bank of Japan.

Implied Forward Rates (1-year)¹

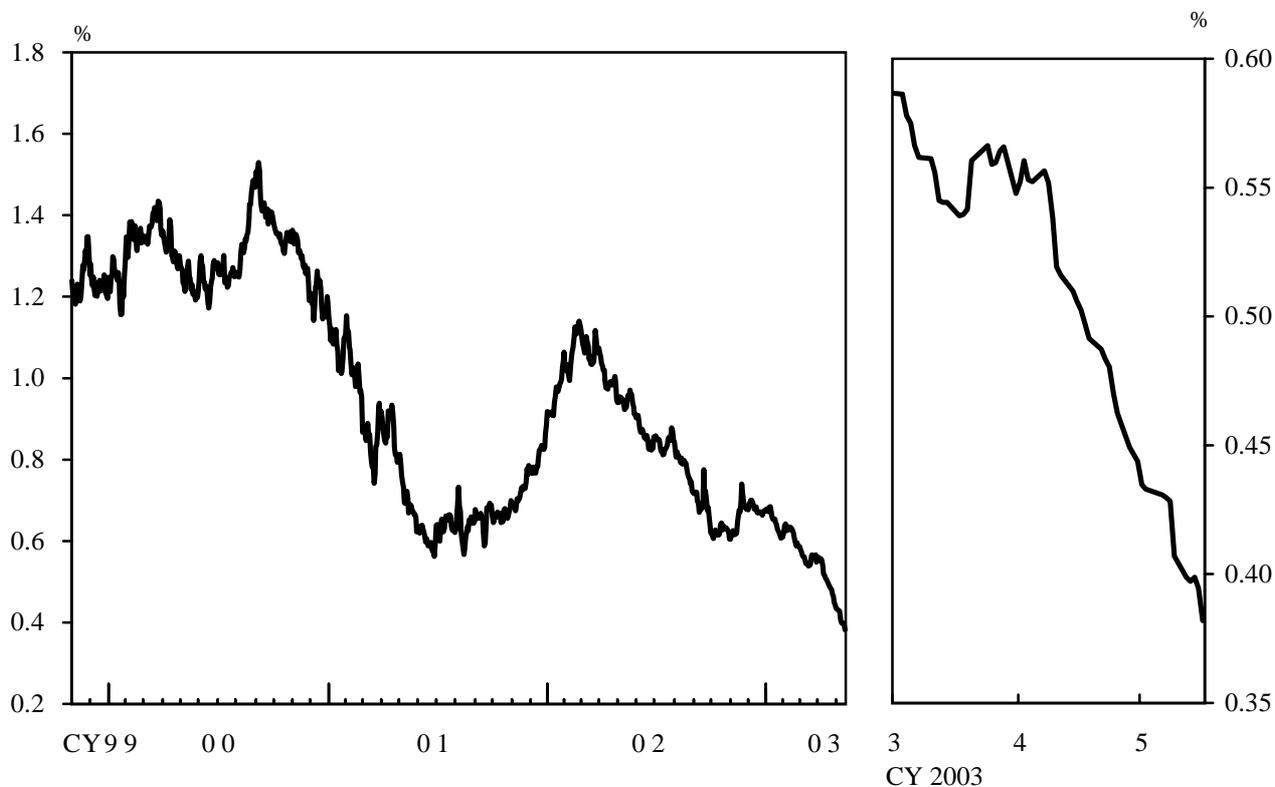


Note: 1. Calculated from yen-yen swap rates.

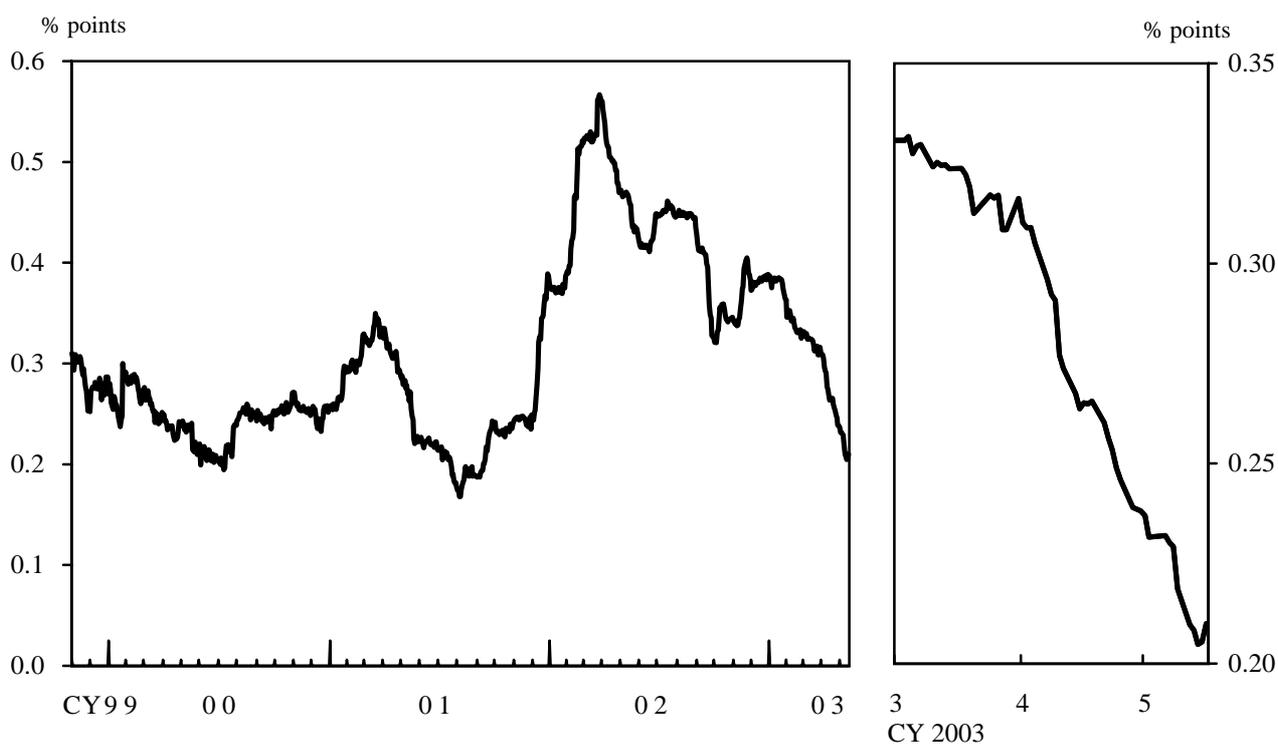
Source: Kyodo News.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



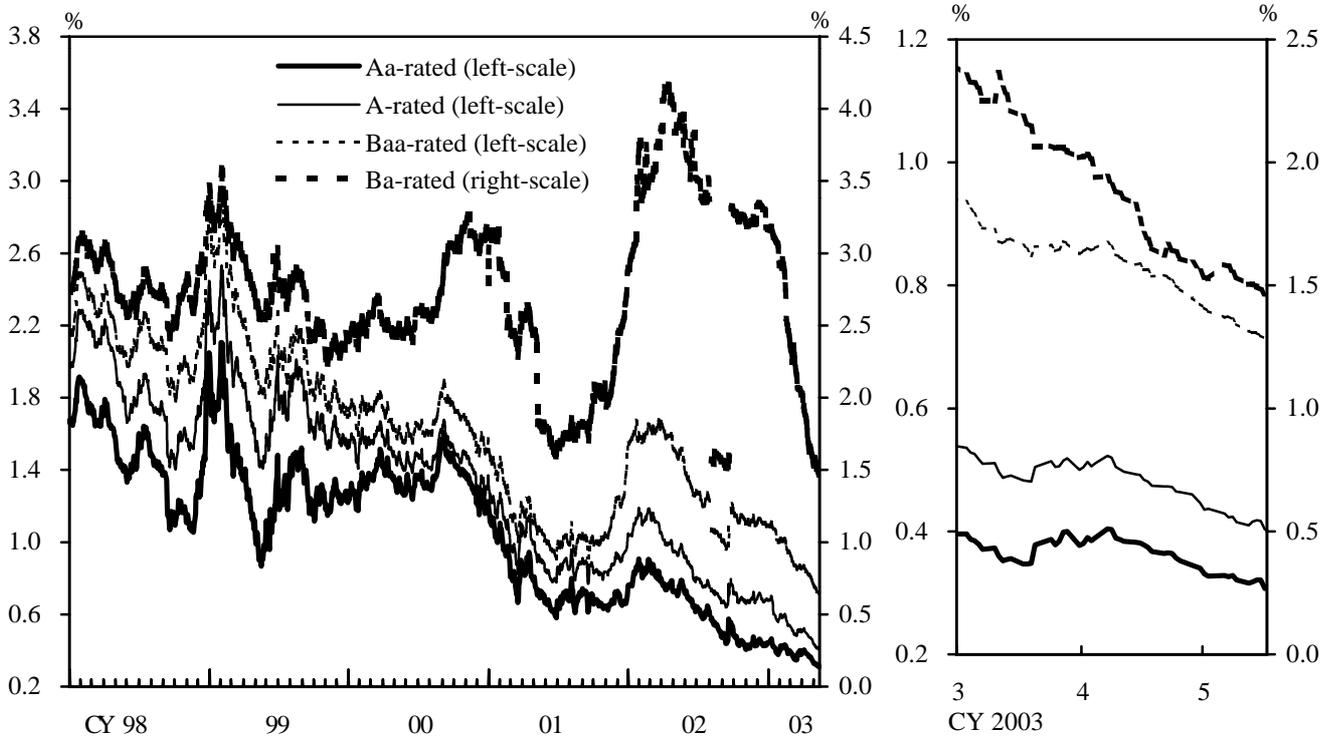
Notes: 1. Yields on bonds with 5-year maturity.

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

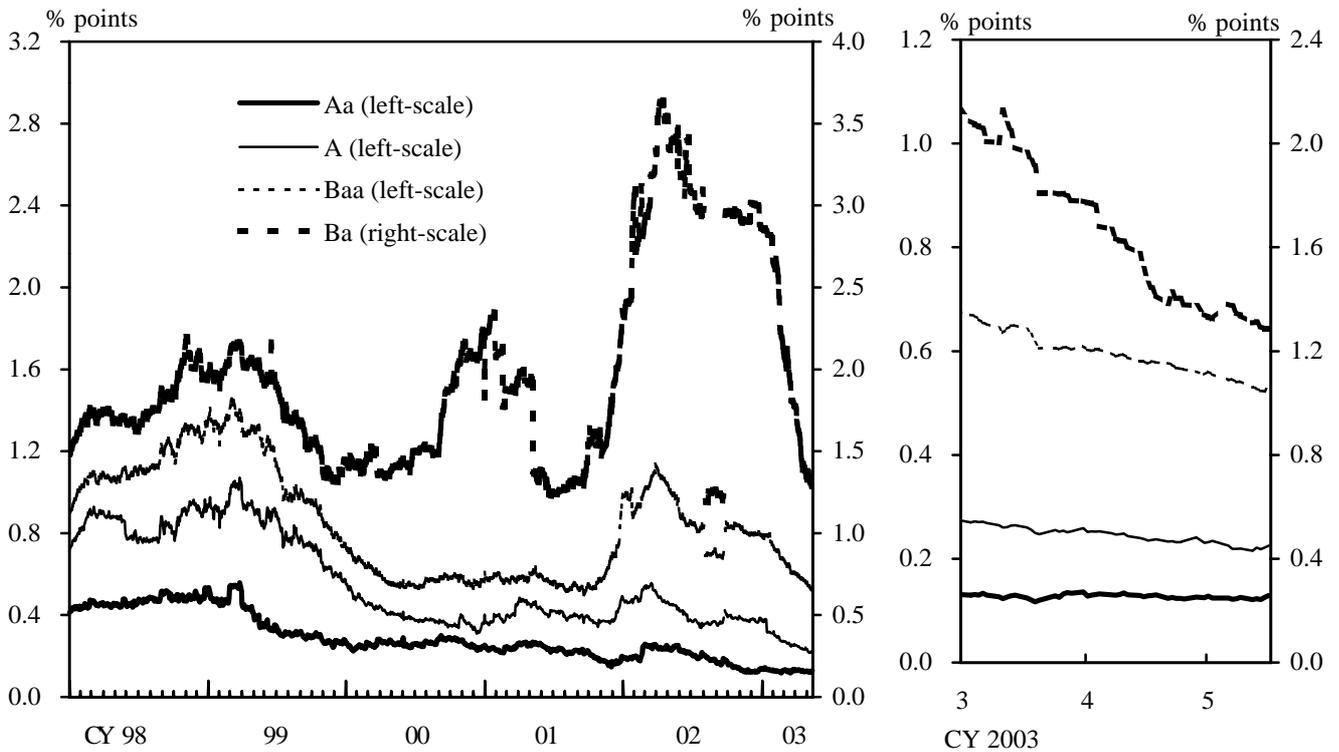
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."
"Reference Price(Yields) Table for OTC Bond Transactions."

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.

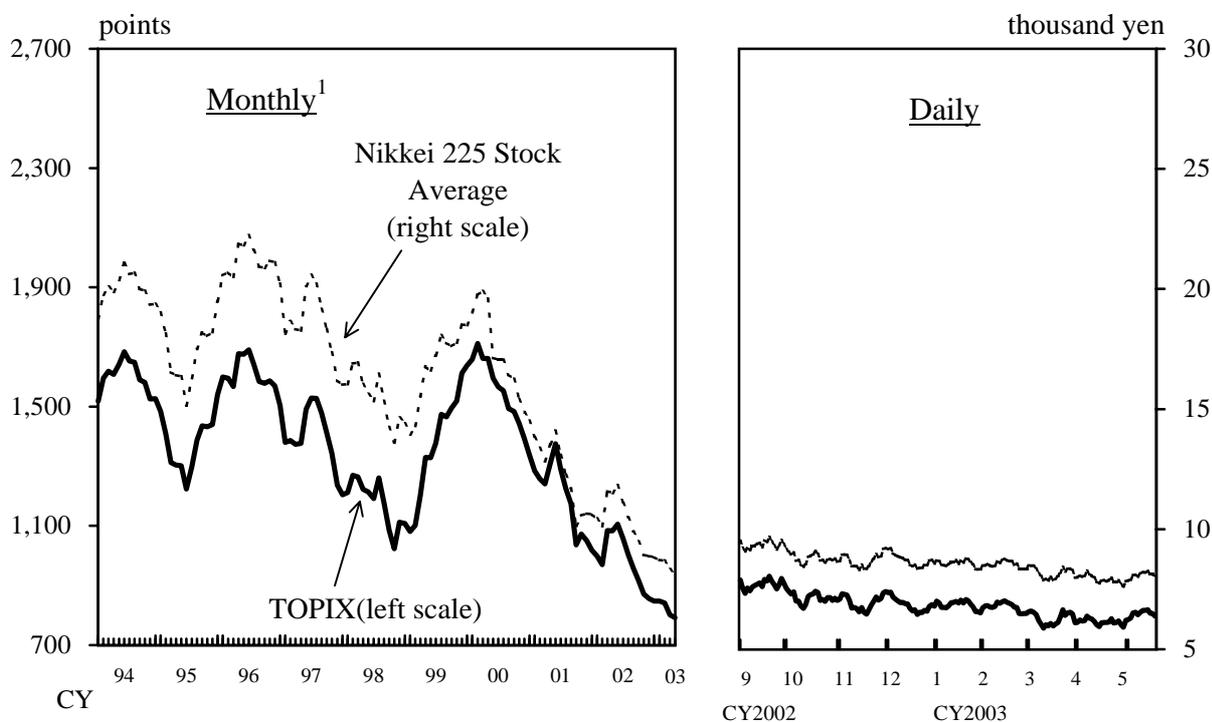
The indicated ratings are of Moody's.

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

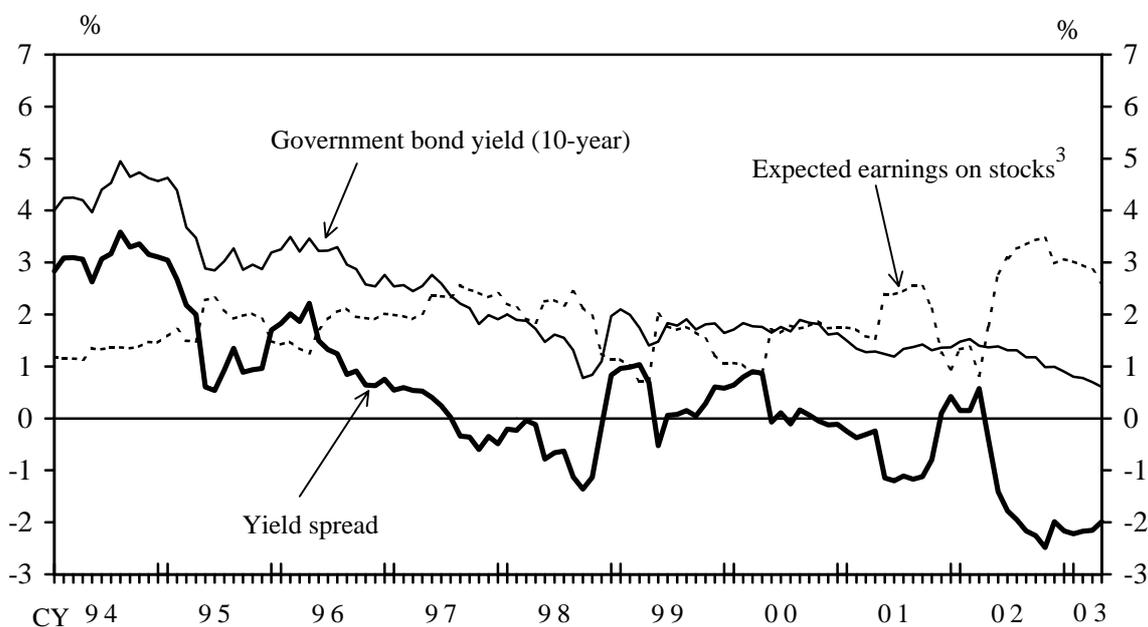
"Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread ²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

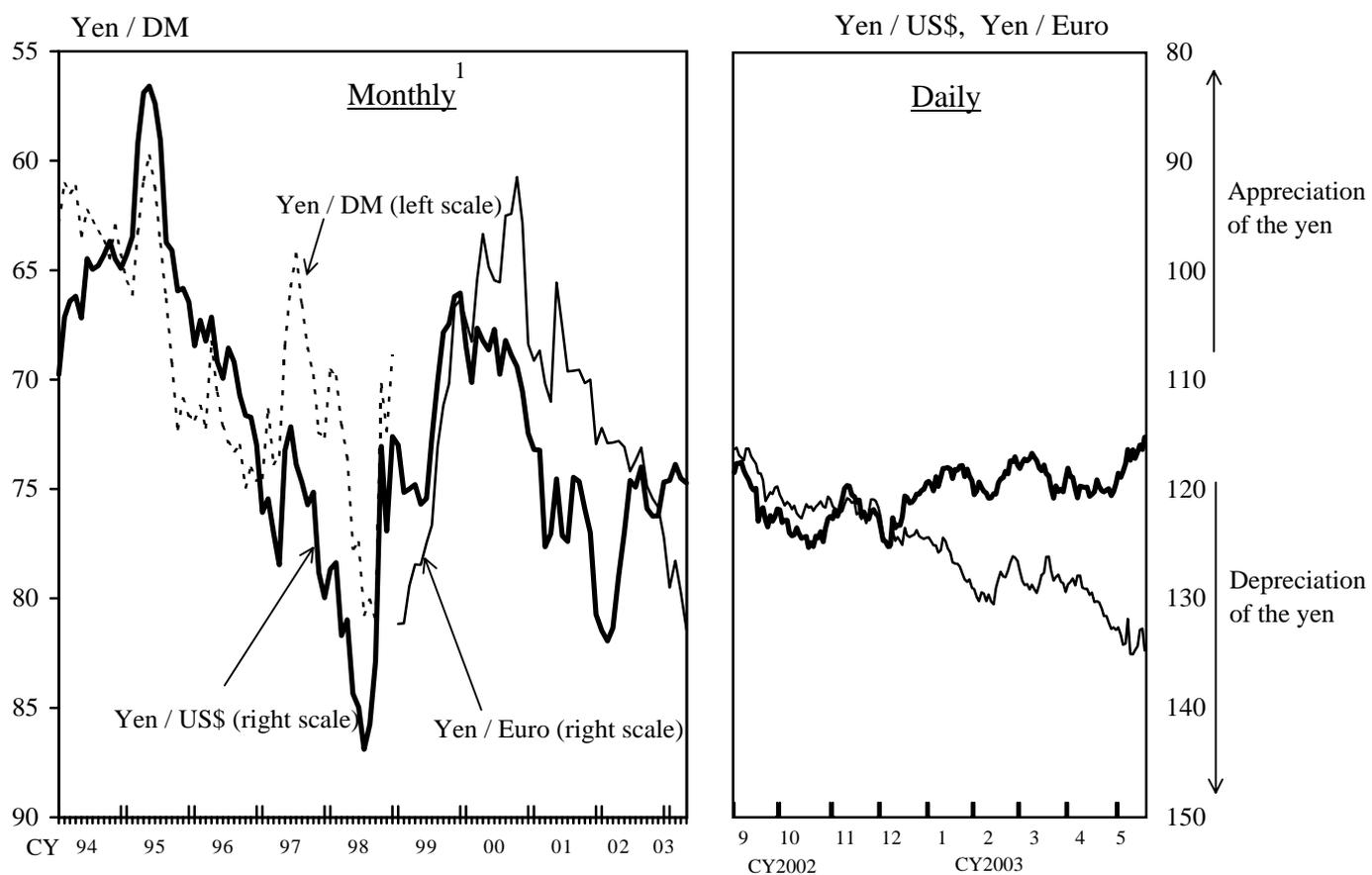
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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

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

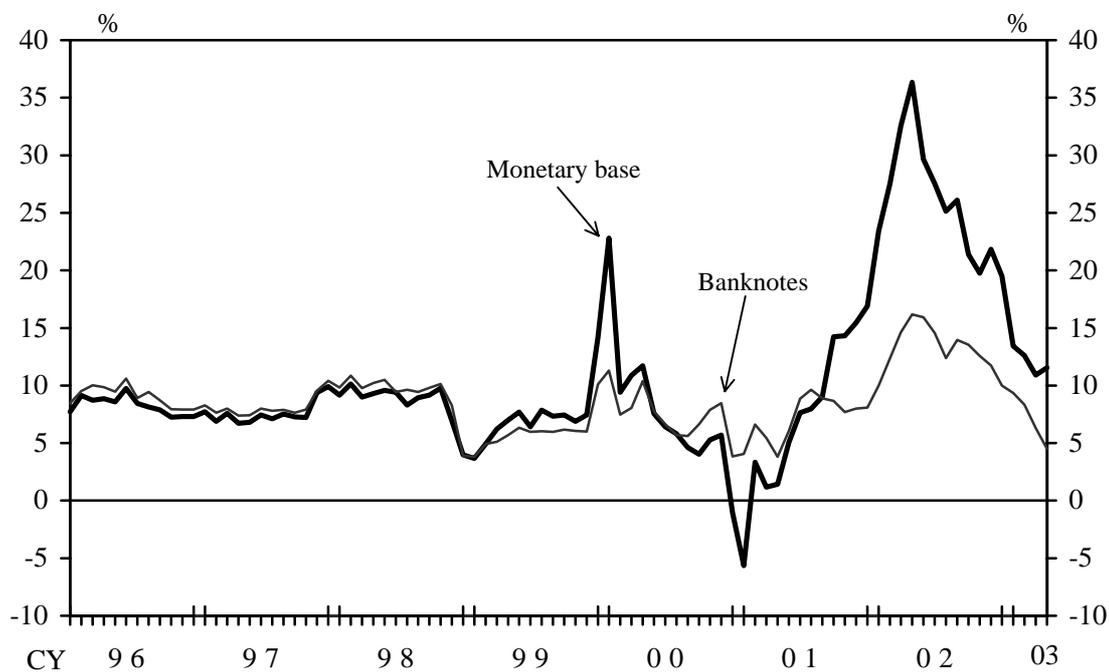
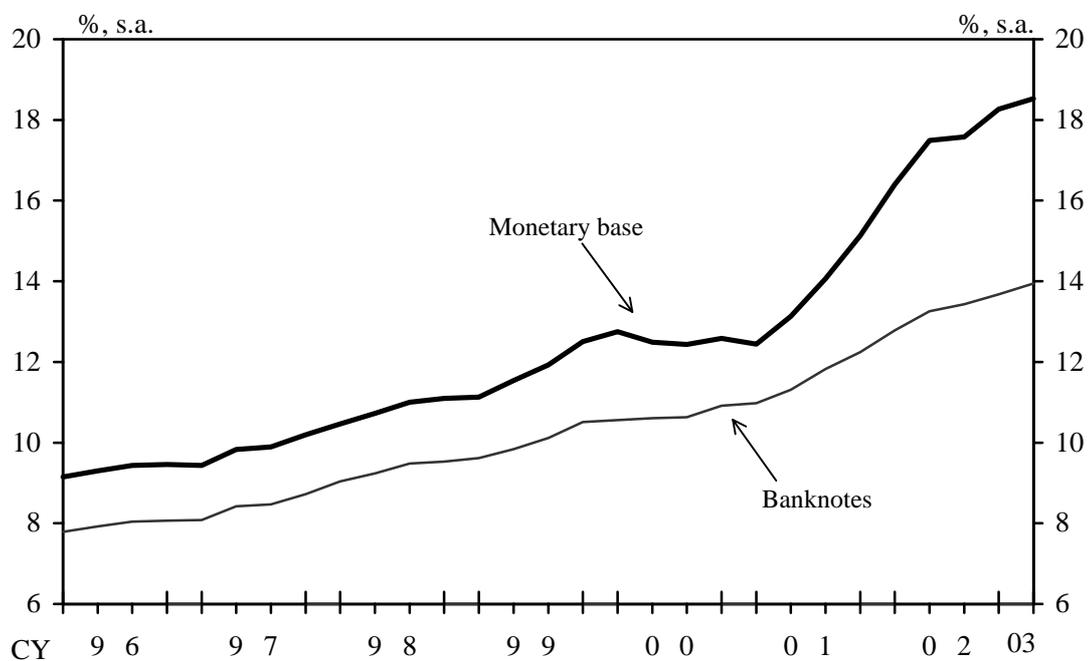
Sources: *The Nihon Keizai Shimbun* ; Daiwa Research Institute, "*Daiwa Toushi Shiryou* (Daiwa Investment Information)."

Exchange Rates



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

Monetary Base

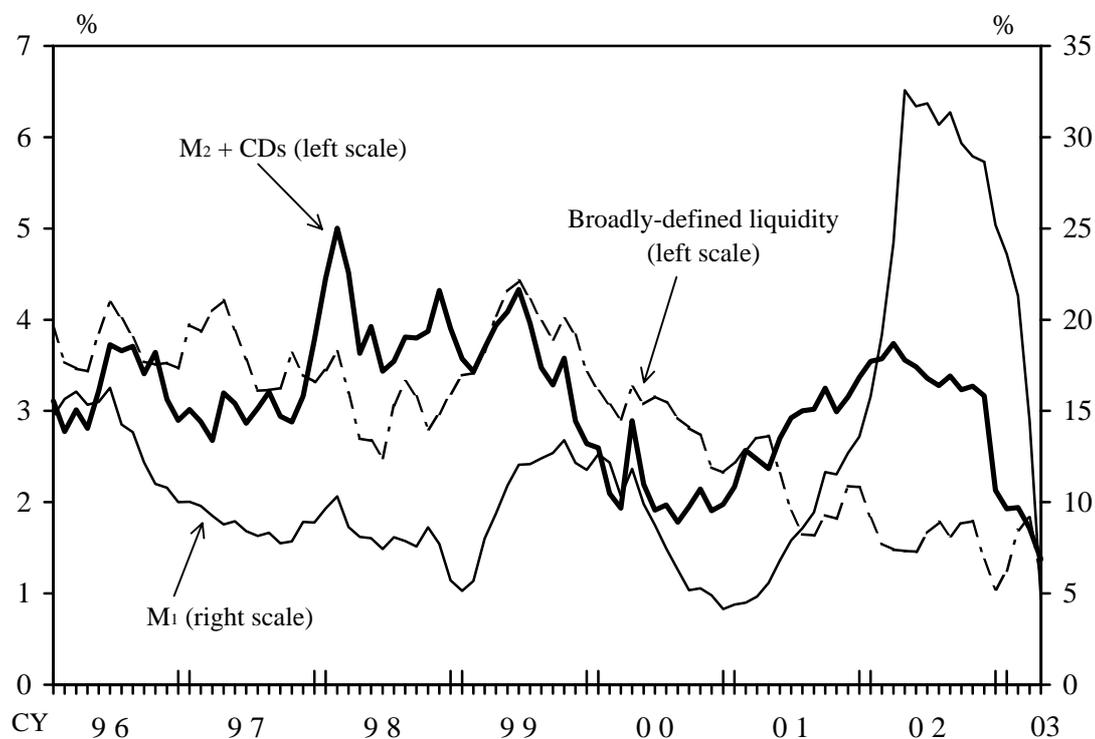
(1) Changes from a Year Earlier**(2) Ratio of Monetary Base to Nominal GDP**

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

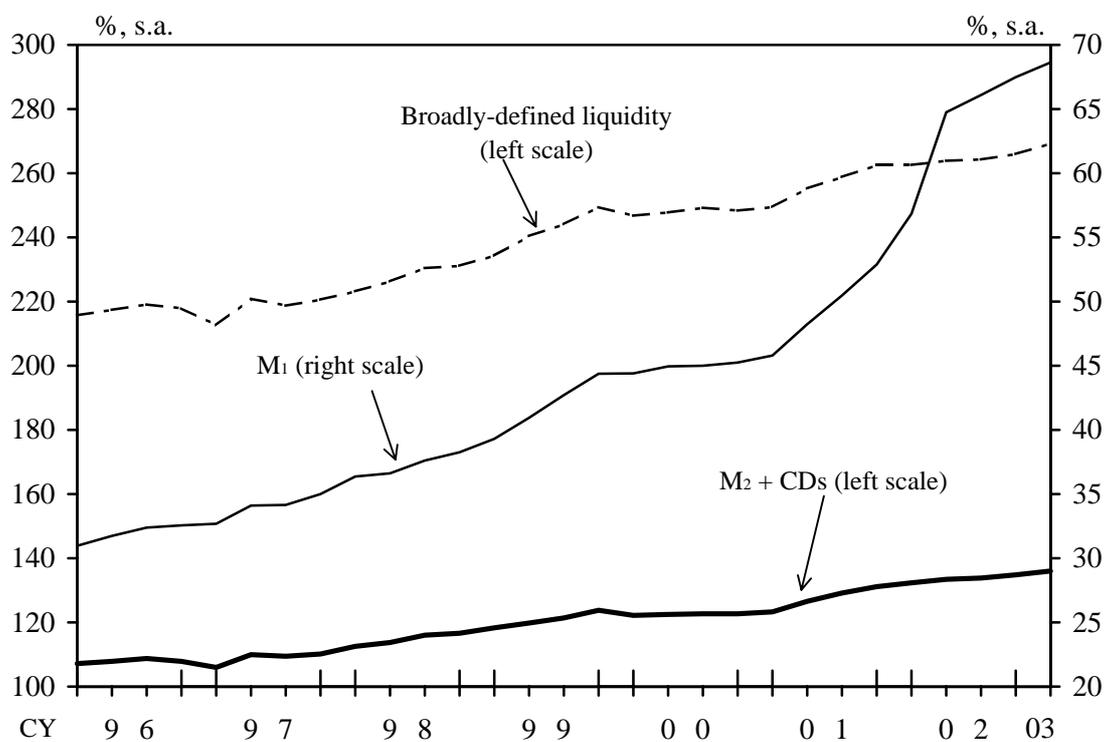
Data for currency in circulation include holdings of financial institutions.

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

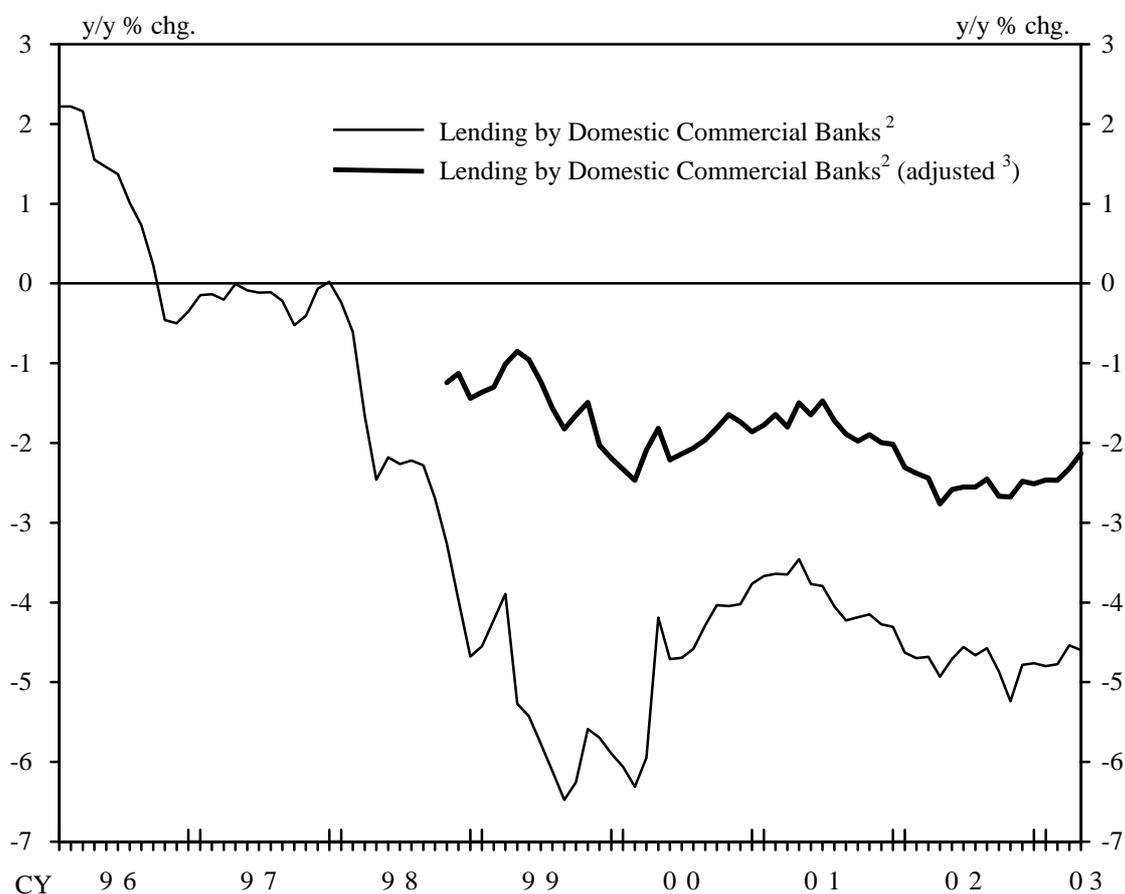
(1) Changes from a Year Earlier



(2) Ratio of Money Stock to Nominal GDP



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).

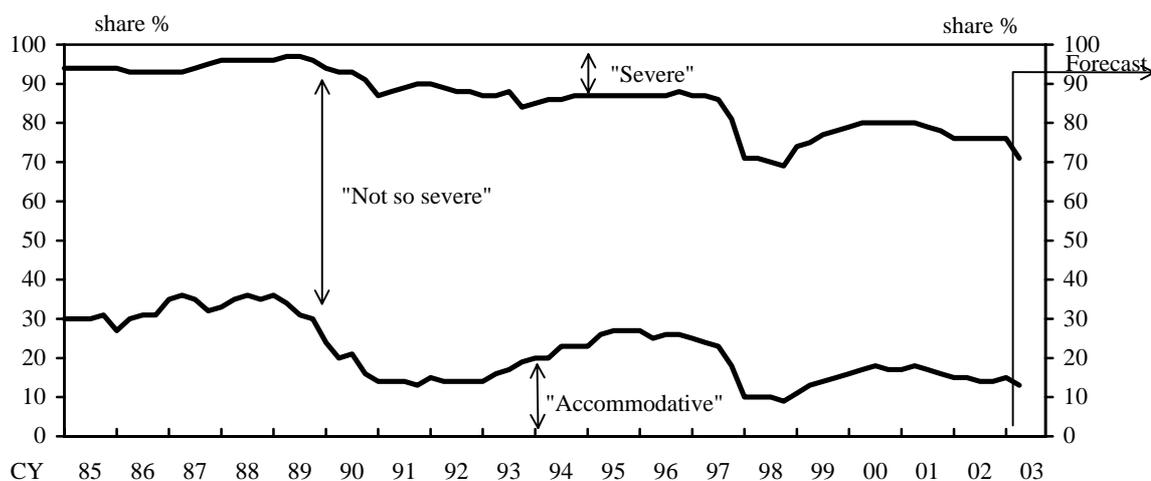
3. Adjusted to exclude

- (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

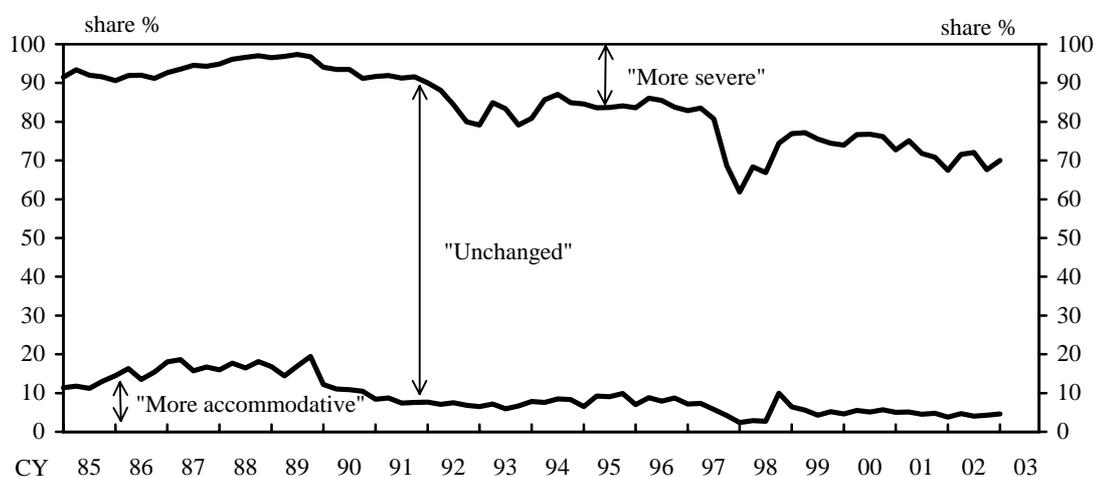
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (March, 2003)



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

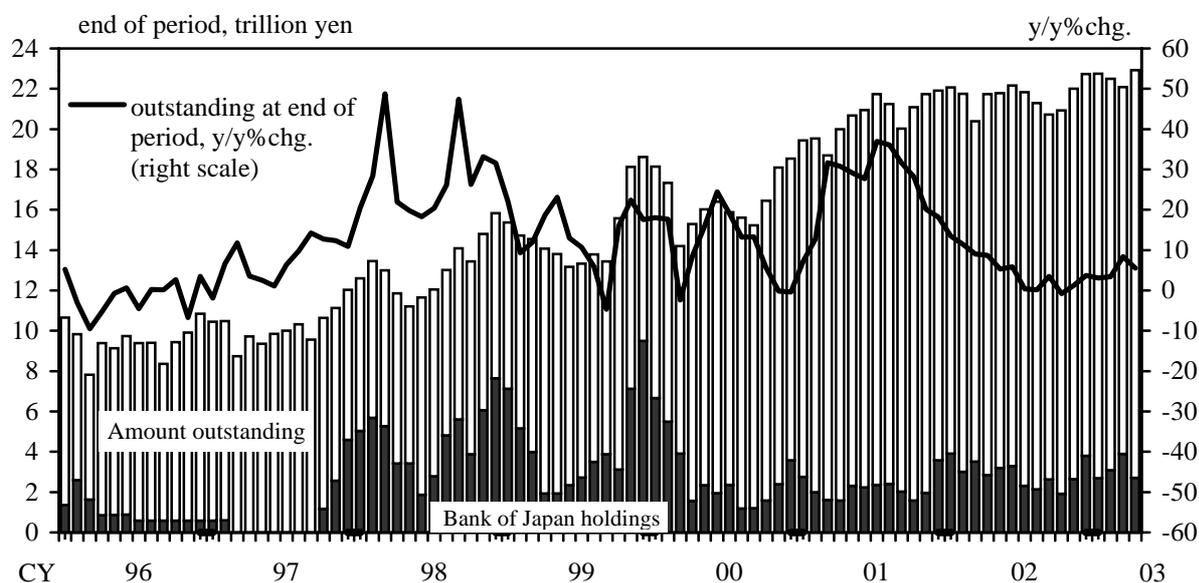


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-March, 2003)



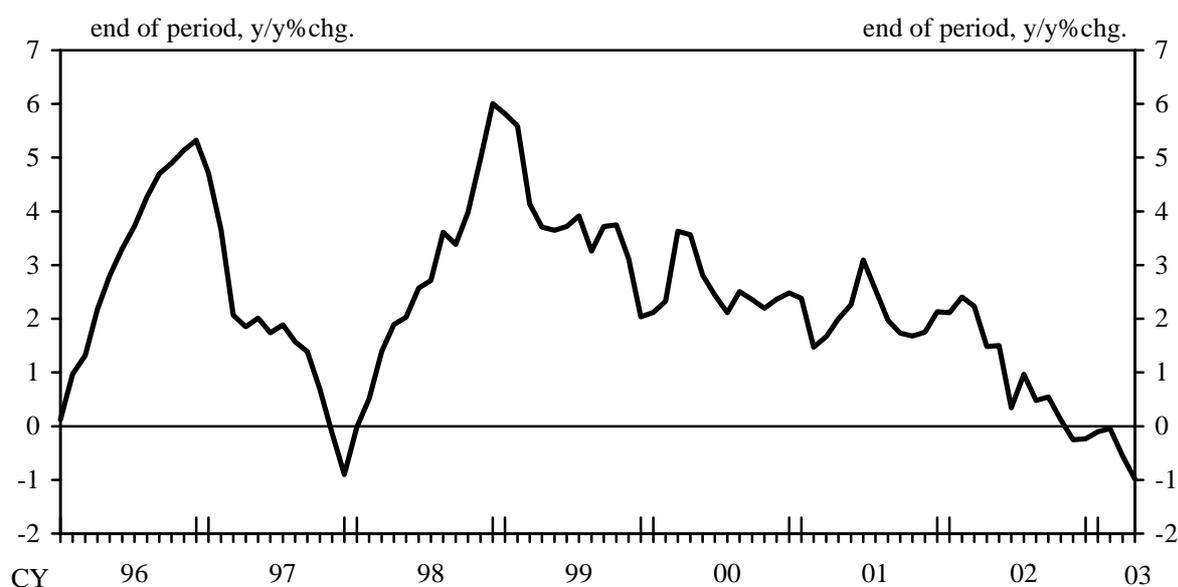
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ; Japan Finance Corporation for Small Business, "Monthly Survey of Small Businesses in Japan"; National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

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/Q3	Q4	2003/Q1	2003/Feb.	Mar.	Apr.
Volume	28,502	27,262	24,980	11,291	9,297	5,660
(previous year)	(23,780)	(31,808)	(27,157)	(11,713)	(12,962)	(5,407)

(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.

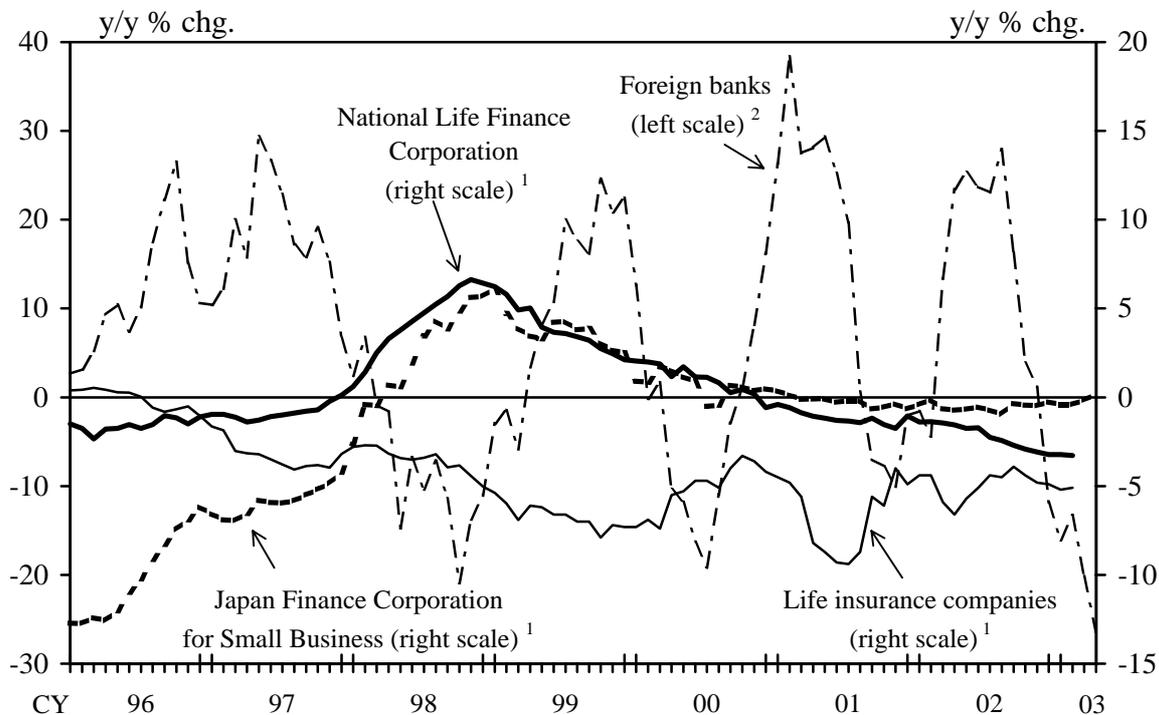
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

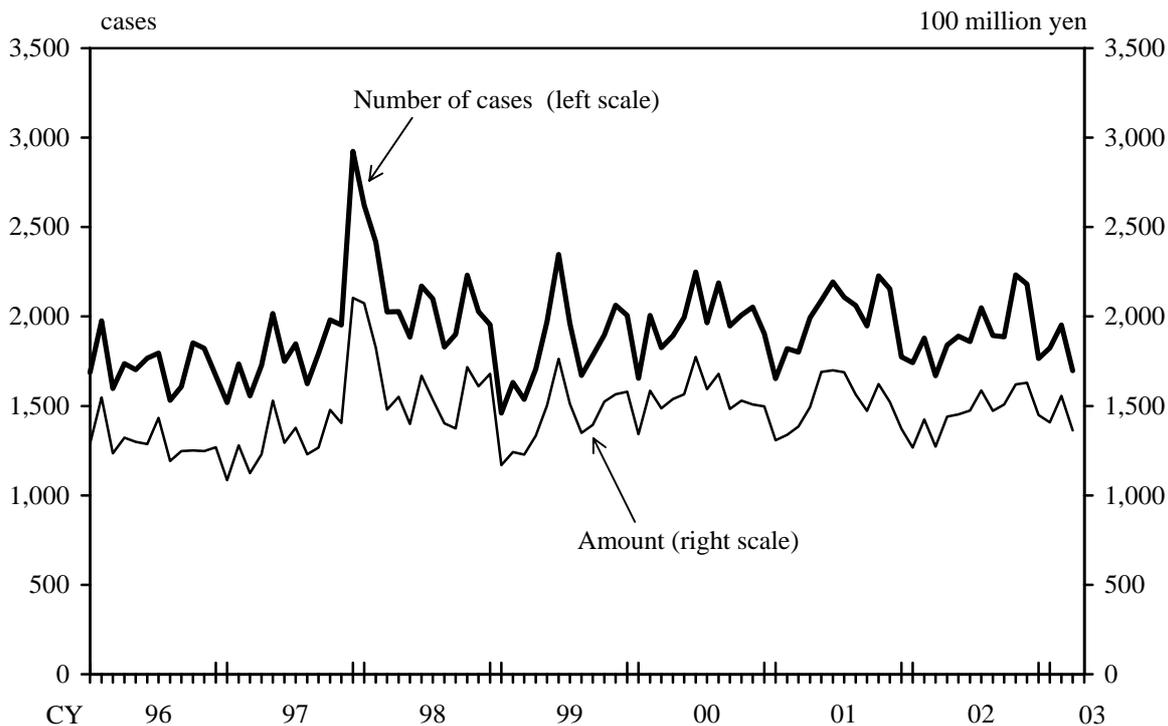
Lending by Other Financial Institutions

(1) Lending Outstanding



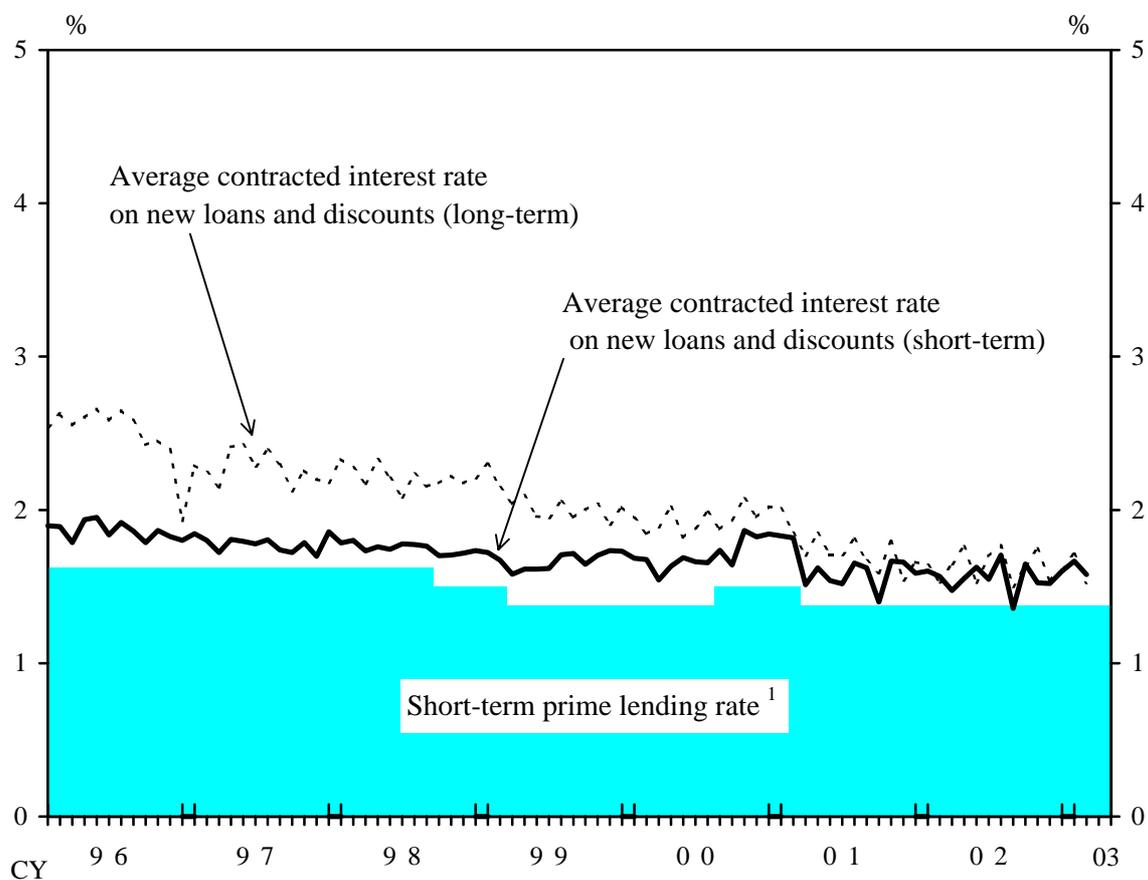
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

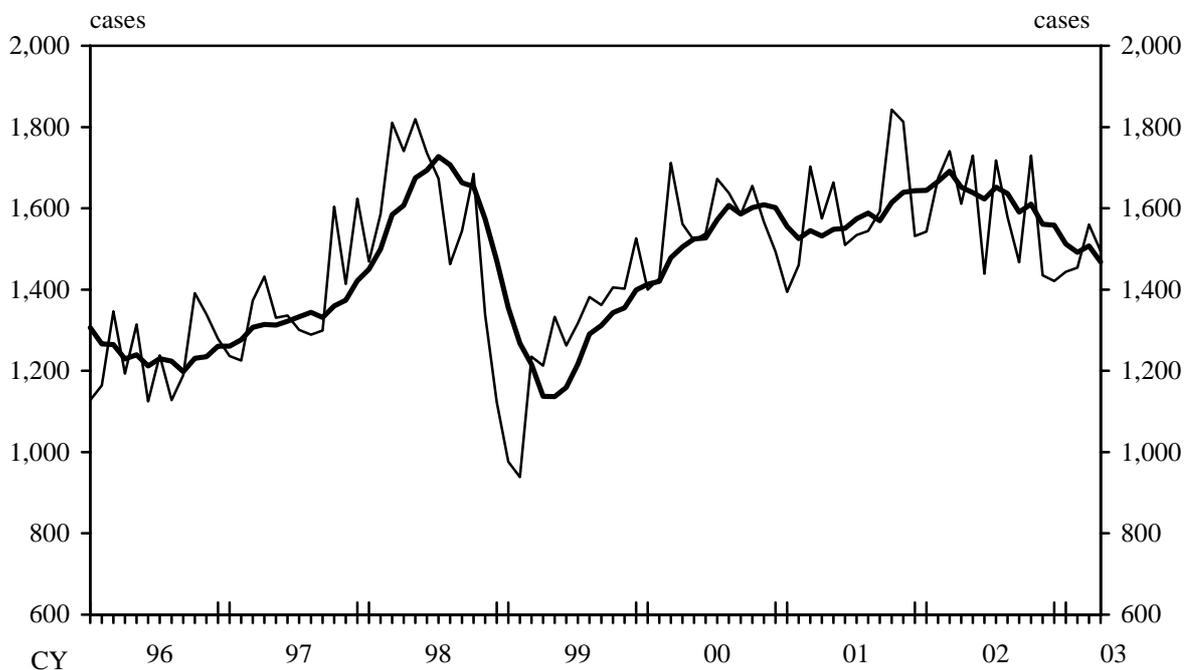


Note: 1. Data are at end of period.

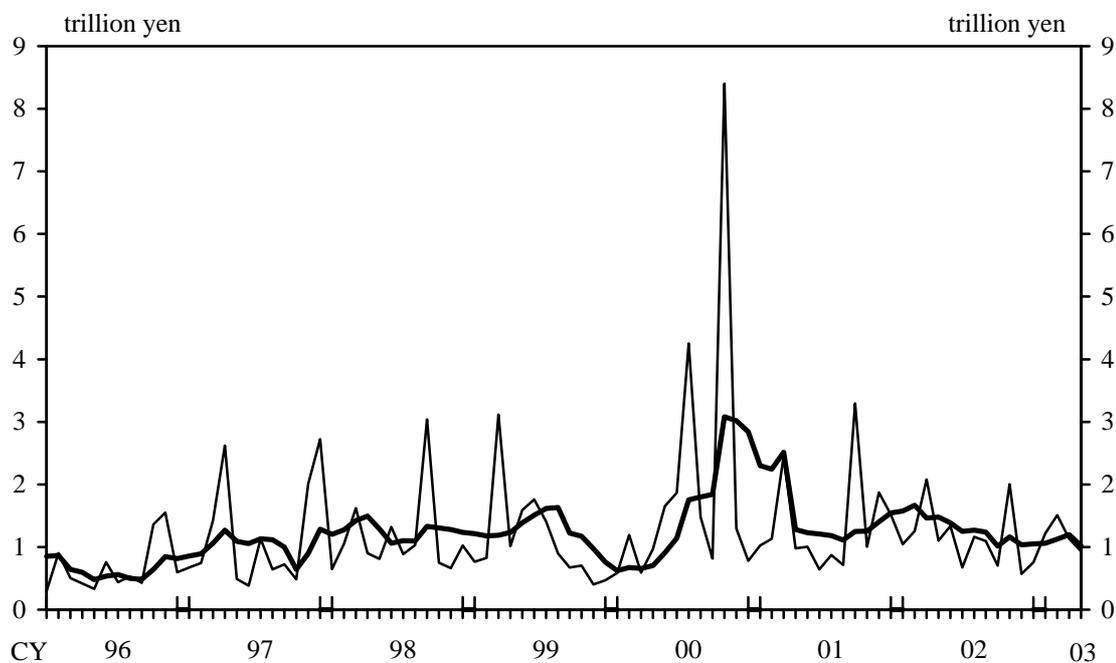
Source: Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

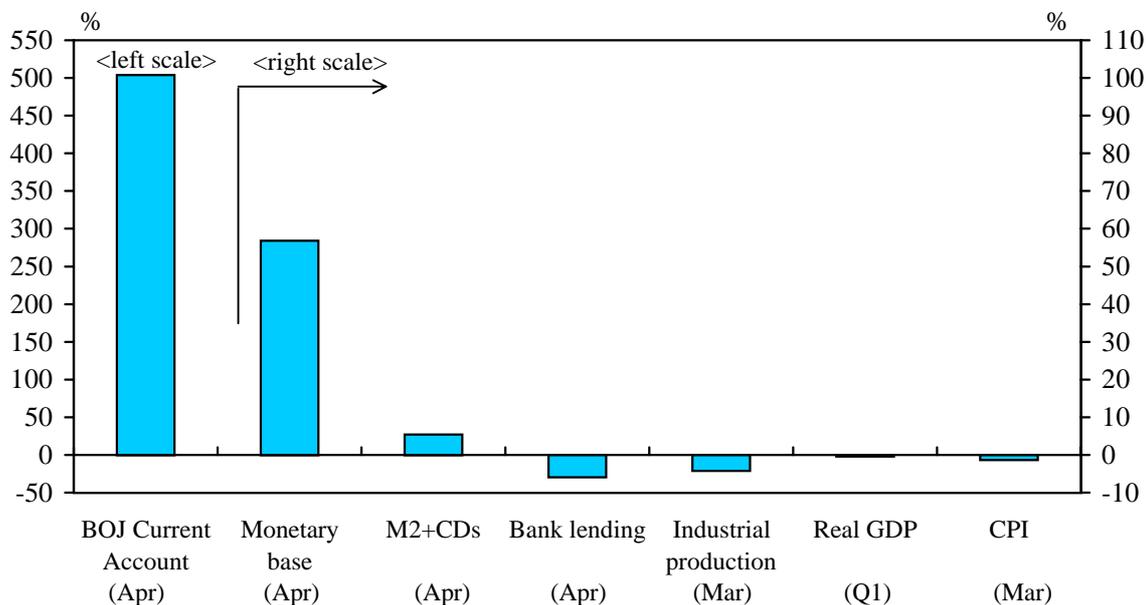


Note: Bold lines are the six-month moving average.

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

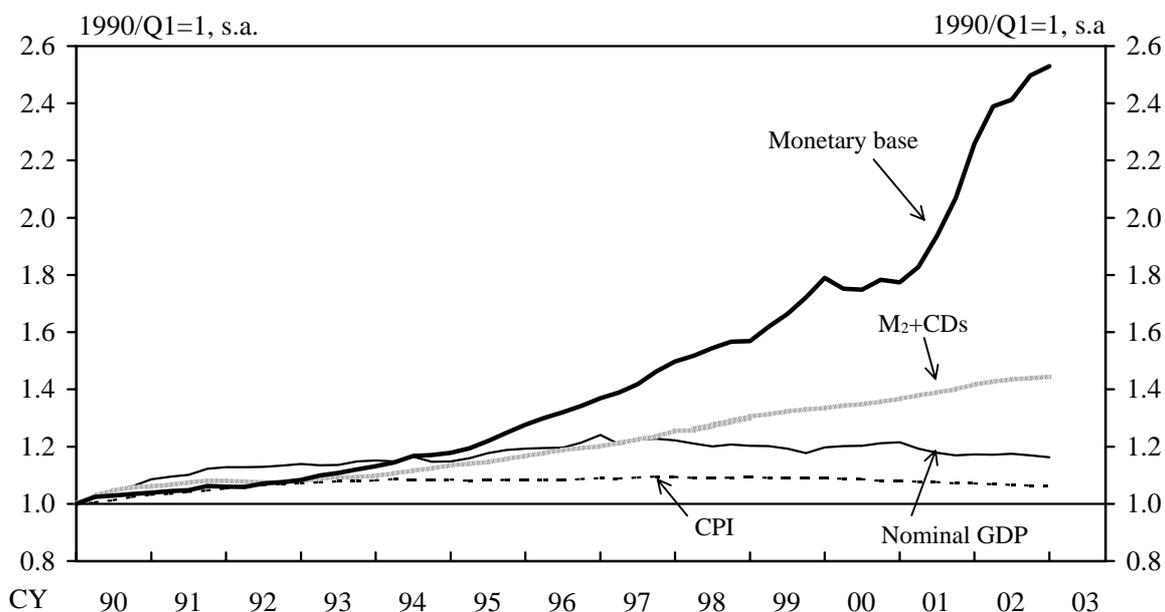
 Monetary Indicators, Economic Activity and Price Development

(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.

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.