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Bank of Japan

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

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Monthly Report of Recent Economic and Financial Developments¹

June 2003

The Bank's View²

Economic activity remains virtually flat as a whole, although exports are currently showing some weakness.

With regard to final demand, business fixed investment is on a gradual recovery trend, albeit showing some fluctuations. Meanwhile, private consumption continues to be weak, housing investment remains sluggish, and public investment is declining. Net exports are currently somewhat weak, although their underlying trend remains virtually flat.

Industrial production continues to be basically level in response to these developments in final demand. Under these circumstances, corporate profits continue to recover, although the pace is moderating. As for the employment situation, 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, the increase in the overtime hours worked and new job offers has come to a halt. 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 pace of recovery in the U.S. economy is projected to remain very gradual. Moreover, the growth of East Asian economies at present is likely to be slowing at least temporarily, due mainly to the

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on June 10 and 11, 2003.

² The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on June 10 and 11, 2003 as the basis for monetary policy decisions.

deceleration of domestic demand in South Korea and the epidemic of severe acute respiratory syndrome (SARS). In this situation, for the time being, exports are projected to be slightly weak or flat and industrial production is expected to remain virtually level.

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. An uptrend of business fixed investment will be established once 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 for the outlook for the external environment, there continues to be substantial uncertainty about the outlook for the U.S. and European economies as well as the possible effects of the SARS epidemic in the East Asian region, whose economies are closely linked to Japan's. On the domestic side, developments in the financial system and their influences on stock prices, corporate finance, and the economy continue to require careful monitoring.

On the price front, import prices and domestic corporate goods prices have turned to decline, mainly reflecting crude oil prices that fell back in early spring. The rate of decline in corporate services prices expanded in April, as many firms reprice at the beginning of a new fiscal year. Meanwhile, the rate of decline in consumer prices has diminished due mainly to the rise in medical treatment costs in line with the reform of the medical insurance system.

Looking at the conditions influencing price developments, import prices are expected to continue declining for the immediate future, due mainly to the lingering effects of the fall in crude oil prices. On the domestic side, the supply-demand balance

in the macroeconomy, ongoing technological innovations in machinery, and the streamlining of distribution channels will continue to exert downward pressure on prices. In addition, the increase in commodity prices has peaked out. Based on these factors, domestic corporate goods prices are likely to continue declining. Meanwhile, consumer prices are projected to continue falling at the current moderate pace on a year-on-year basis. While the rise in prices of petroleum products is peaking out, the import of consumer goods, which is strongly related to low-price strategies of firms, is not increasing as it once was.

As for the financial environment, the outstanding balance of current accounts at the Bank of Japan is recently moving at around 28-29 trillion yen, as 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 May 20. Under these circumstances, the overnight call rate continues to move at around zero percent. Longer-term interest rates remain steady at low levels.

Yields on long-term government bonds have declined to the 0.4-0.5 percent level, as banks and institutional investors continue to increase investment in government bonds. Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds are at historical lows.

Stock prices have risen following the recovery in U.S. and European stock prices. The Nikkei 225 Stock Average is recently moving at the 8,500-9,000 yen level.

In the foreign exchange market, the yen depreciated as market participants became sensitive to a possible market intervention and as some U.S. economic indicators improved. The yen is currently traded in the range of 117-119 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 is improving.

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 2.0-2.5 percent on a year-on-year basis. The amount outstanding of corporate bonds and CP issued is moving at around the previous year's level.

Meanwhile, according to business surveys, although there seem to be slight improvements, financial positions of firms, particularly those of small firms, remain severe.

The year-on-year growth rate of the monetary base rose somewhat and is around 15 percent. The year-on-year growth rate of the money stock 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 and stock prices are recently recovering. The money stock and the monetary base maintain high growth rates relative to that of economic activity as a whole. 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. 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. 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.

Real exports (Charts 4[1] and 5) decreased marginally by 0.8 percent in the first quarter on a quarter-on-quarter basis, a decline for the first time in five quarters. They also dropped in April by 1.5 percent from the first quarter. By region (Chart 5[1]), exports to the United States plunged in the first quarter, followed by a slight decline in April. This was due to the deceleration of the U.S. growth rate, as well as in reaction to the restocking of automobiles in the fourth quarter. On the other hand, exports to East Asia, especially to China, surged in the first quarter, supported by a temporary increase from the reduction of China's tariffs,³ in addition to the ongoing progress in the international division of labor with Japan. In April, however, exports to this region dropped from the first quarter, particularly those to the NIEs economies, such as South Korea and Taiwan. This was a fall in reaction to the high growth up to the first quarter, while the growth rates of the United States and South Korea slowed. By goods (Chart 5[2]), automobile-related goods were the largest contributor to the decline in April from the first quarter. Exports of automobile-related goods to the United States, which dropped sharply in the first quarter, still continued to decline as the inventory level there remained high. Exports of those goods to Europe and East Asia also declined after they increased sharply in the first quarter (Chart 7).

Real imports were flat, recording increases of 0.2 percent in the first quarter on a quarter-on-quarter basis and 0.0 percent in April from the first quarter (Charts 4[1] and 8). In April, by goods (Chart 8[2]), imports of materials decreased since the rise in

³ 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.

active stocking of crude oil, which had been brought on by concern over Iraq-related developments, had come to a halt. On the other hand, IT-related imports continued to increase, reflecting the progress in the international division of labor between China and Japan. Also, an increase in imports of aircraft, categorized in capital goods and parts, contributed to the April figures.

Given these developments in real exports and real imports, net exports (real exports minus real imports), in terms of the real trade balance (Chart 4[2]),⁴ are currently somewhat weak, although their underlying trend remains virtually flat. Meanwhile, the surplus of the nominal balance on goods and services has been level on average, even though it has shown slight differences from the real trade balance reflecting factors such as the fluctuations in crude oil prices.

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, after the war on Iraq, U.S. stock prices are following a recovery trend (Chart 9-2), and both consumer and business confidence there also seem to be improving. However, few signs exist that would indicate a distinct recovery in business fixed investment, and an upturn in economic indicators is yet to be confirmed clearly. Thus, uncertainty regarding the U.S. economic outlook remains substantial.

In addition, the growth of the East Asian economies (Chart 9-1[2]), which has been well-sustained so far, is likely to be slowing at present at least temporarily, influenced mainly by the deceleration of domestic demand in South Korea and by the epidemic of severe acute respiratory syndrome (SARS). Anecdotal information obtained from Japanese firms regarding the SARS problem indicates that the effects on production and exports have so far remained very small. However, it has been pointed out that restriction on business travel has slowed business negotiations. Also, schedules for the expansions of local production lines have been affected. Under these

⁴ 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.)

circumstances, if the SARS epidemic continues to spread and this problem lingers on into the summer, there are possibilities that the effects on these economies, including final demand in East Asia, will become widespread. Hence, the developments of the SARS epidemic require close monitoring.

As for the outlook, exports are projected to resume an uptrend again at some stage, based on a widely shared prospect that the growth rate of overseas economies will accelerate in the second half of this year. For the time being, however, exports are likely to be slightly weak or flat, since the pace of recovery in the U.S. economy is projected to remain very gradual and since the SARS epidemic may have some impact on exports.

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 projected to be slightly weak or flat for the time being. Since it is particularly difficult to predict the impact of the SARS epidemic, attention should be paid to the downside risks on both exports and imports.

Business fixed investment is on a gradual recovery trend, albeit with some fluctuations, reflecting the improvement in corporate profits. Based on national accounts, investment in real terms inched up in the first quarter, recording an increase for four consecutive quarters starting from the second quarter of 2002 (Chart 2). Breaking down the developments in fixed investment (nominal basis) by the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Charts 10[1] and 11), investments of large manufacturing firms seem to have stopped declining. Those of small manufacturing firms and large nonmanufacturing firms declined in the first quarter, but this was mainly in reaction to the temporary upsurge in the previous quarter. On average, investments of these sectors appear to be on a gradual rising trend. Shipments and aggregate supply of capital goods (excluding transport equipment), a coincident indicator of machinery investment, declined considerably in April (Chart 12-1[1]), but were level or on a slight uptrend on average, when fluctuations are smoothed out.

Regarding leading indicators of business fixed investment (private demand, excluding shipbuilding and electric power equipment; Chart 12-2[1]), machinery orders were on a very gradual rising trend on average, although the April figures, converted into a quarterly rate, inched down from the first quarter. Given that the forecast for machinery orders in the second quarter indicated a substantial decline, careful monitoring as to whether these developments will actually lead to a decrease in orders is required. Construction starts (floor area, private, nondwelling use; Chart 12-2[2]), another leading indicator, were more or less unchanged.

As for the developments in corporate profits, which is the basic background of the gradual recovery trend in business fixed investment, the ratio of current profits to sales inched down in the first quarter after a substantial rise in the previous quarter, according to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 10[2]). On average, corporate profits continue to recover, although the pace seems to be moderating with a slowdown in exports.

As for the outlook for business fixed investment, given the certain degree of recovery in corporate profits to date, an uptrend will be established once 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 (Chart 12-1[2]) and to substantial uncertainty regarding exports. 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 13-1 and 13-2), the number of new passenger-car registrations picked up in May, after it fell sharply in April in reaction to an upsurge in the first quarter. The upsurge had been caused by a temporary rush of demand before the environment-related taxation system was changed.⁵ Sales at both department stores and supermarkets dropped in April due mainly to irregular weather. Sales at convenience stores also declined since recreational demand was affected by the

⁵ 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.

weather. Meanwhile, sales of household electrical appliances (NEBA statistics; real basis) have basically been maintaining their rising trend to date due mainly to favorable sales of digital cameras. Regarding services consumption, sales in the food services industry continued to be level. As for outlays for travel, overseas travel dropped significantly in March, influenced by the epidemic of SARS mainly in Asia. Indices of aggregated sales (Chart 13-3)⁶—which are comprised of many sales indicators of these goods and services—seem to maintain their underlying trend to date, with the small decline in April considered to be within the range of occasional fluctuations. As for aggregate supply of consumer goods (Chart 13-4), which comprehensively captures producers' supply of goods, the underlying trend was also unchanged.

Indicators for consumer sentiment (Chart 14) are relatively weak as a whole. However, the *Monthly Consumer Confidence Survey* has shown some improvements since April.

Private consumption is likely to be lackluster for some time, reflecting the harsh employment and income situations.

Housing investment remains sluggish (Chart 15) 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 16[1]) declined by 1.6 percent in April from the first quarter, after it had been virtually level, with increases 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. However, by simply combining the production forecast indices for May and June, industrial production in the second quarter is projected to rise by 0.4 percent from the previous quarter. Actual production may turn out to be below the forecast index, taking into consideration a recent shortage of electronic parts for digital audiovisual

⁶ 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 note 1 in Chart 13-3.

equipment (digital cameras, etc.). However, according to anecdotal information obtained from Japanese firms, the trend of production seems to be more or less flat.

Inventories (Charts 16[1] and 18) were still on a gradual declining trend, although the pace has become very modest, after they underwent rapid cutbacks through the first half of 2002. This reflects the cautious stance of firms on production. At the same time, it also indicates that adjustment pressure on inventories has not accumulated, and that the risks of a vicious spiral in the inventory 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, 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 the present stage, such as the developments in the U.S. economy and the impact of the SARS epidemic on the East Asian economies. Anecdotal information obtained from Japanese firms also indicates that many firms will maintain their cautious stances on production, citing that substantial uncertainty about overseas developments will persist.

As for the employment and income situations, 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 20-2[1]). However, the increase in the overtime hours worked and number of new job offers has come to a halt since production activity has been flat for quite a while (Charts 20-1[2] and 20-2[3]). Moreover, 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 20-2[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 small, the employment and income situations of households remain severe overall (Chart 19[1]).

Looking at nominal wages per employee on a year-on-year basis (Chart 19[2]), regular payments continued to be below the previous year's level, but the rate of decline has contracted compared to that during 2002.⁷ On the other hand, overtime payments continued a year-on-year increase.

Meanwhile, the unemployment rate (Chart 20-1[1]) remained unchanged at high levels, with some fluctuations. The number of those involuntarily unemployed (Chart 20-1[3]) seems to be peaking, although it remained high.

As for the outlook, the employment and income situations will gradually improve, if production resumes its uptrend and corporate profits continue to recover. However, 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, for instance, through 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 have turned to decline compared to levels three months before, mainly reflecting crude oil prices that fell back in early spring and the appreciation of the yen from the end of April to mid-May (Chart 22).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates; same hereafter)⁸ inched up in March and also in April compared to levels three months before, but dropped in May affected by the fall in crude oil prices (Chart 23). In detail, prices of materials such as iron and steel continued to rise, reflecting the improvement in the supply and demand balance so far.

⁷ 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.

⁸ 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.

However, machinery prices kept on declining, and petroleum product prices also turned to decline reflecting the fall in crude oil prices.

The rate of decline in corporate services prices (domestic supply-demand factors; same hereafter) expanded in April, by marking a drop of 1.2 percent on a year-on-year basis (Chart 24). In detail, the rise in prices for advertising services (TV/radio advertising) has come to a halt. The rate of decline in prices of general services expanded. This decline basically reflected firms' strong intentions to reduce business costs, which were incorporated into the annual price revisions conducted in April. It was also partly attributable to the substantial decrease in prices of software services, which was affected by sampling factors. In addition, the rate of decline in prices of leasing and rentals (car rental), and real estate (rent paid for offices) expanded slightly.

The rate of decline in consumer prices (excluding fresh food; same hereafter) narrowed marginally in April, by marking a 0.4 percent drop from the previous year (Chart 25); the year-on-year declines of CPI from February to April were 0.7 percent, 0.6 percent, and 0.4 percent chronologically. The development in April reflected the effects of the rise in medical costs due to the reform of the medical insurance system, as well as the dissipation of the year-on-year effects of the reduction in electricity charges that took place in April last year. Meanwhile, the year-on-year change in prices of general services turned from zero percent in March down to a slight negative in April, when such prices as education-related (tutorial fees), and reading and recreational-related (package tours to overseas and charges for rental cars) were reduced at the start of the fiscal year.

As for land prices, according to the *Urban Land Price Index*, prices of both commercial and residential land continue to decline almost at the same pace to date (Chart 27).

Looking at the conditions influencing price developments, import prices are expected to continue declining for the immediate future, due mainly to the lingering effects of the fall in crude oil prices. On the domestic side, the supply-demand balance in the macroeconomy, ongoing technological innovations in machinery, and the

streamlining of distribution channels will continue to exert downward pressure on prices. In addition, the increase in commodity prices has peaked out. Based on these factors, domestic corporate goods prices are likely to continue declining. Meanwhile, consumer prices are projected to continue falling at the current moderate pace on a year-on-year basis. While the rise in prices of petroleum products is peaking out, the import of consumer goods, which is strongly related to low-price strategies of firms, is not increasing as it once was (Chart 26).

3. Financial Developments

(1) Financial Markets

The outstanding balance of current accounts at the Bank of Japan is recently moving at around 28-29 trillion yen, as 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 May 20 (Chart 30).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 28[1]) continues to move at around zero percent. Longer-term interest rates (Chart 29) such as TB and FB rates, and repo rates rose slightly toward the end of May, but continue to be stable at low levels on the whole.

In the government bond market, yields on 10-year government bonds (newly issued 10-year JGB; Chart 28[2]) have declined to the 0.4-0.5 percent level, as banks and institutional investors continue to increase investment in government bonds, reflecting uncertainty regarding the domestic economic outlook, while market participants share perceptions of an excess of liquidity.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 32 and 33) are at historical lows due partly to a strong demand of institutional investors for corporate bonds.

Stock prices (Chart 34) have risen following the recovery in U.S. and European stock prices. The Nikkei 225 Stock Average is recently moving at the 8,500-9,000 yen level.

In the foreign exchange market (Chart 35), the yen depreciated as market participants became sensitive to a possible market intervention and as some U.S. economic indicators improved. The yen is currently traded in the range of 117-119 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) rose somewhat and is around 15 percent. (The year-on-year change was 10.9 percent in March, 11.5 percent in April, and 16.7 percent in May; Chart 36.)

The year-on-year growth rate of the money stock (M_2 + CDs) is around 1.5 percent. (The year-on-year change was 1.7 percent in March, 1.3 percent in April, and 1.6 percent in May; Chart 37.)

In terms of the ratio to nominal GDP, both the monetary base and the money stock are 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 is improving.

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 factors⁹), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, continues to decline by about 2.0-2.5 percent on a year-on-year basis. (The year-on-year change was -2.3 percent in March, -2.2 percent in April, and -2.3 percent in May; Chart 38.) The amount outstanding of corporate bonds and CP issued is moving at around the previous year's level (Chart 40).

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 42). 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, although there seem to be slight improvements, financial positions of firms, particularly those of small firms, remain severe.

The number of corporate bankruptcies has been declining by around 10 percent from the previous year's level (Chart 43).

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 and stock prices are recently recovering. The money stock and the monetary base maintain high growth rates relative to that of economic activity as a whole. In corporate finance, the fund-raising environment has not changed significantly, that is, the

⁹ 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.

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. Developments in the financial and capital markets, the behavior of financial institutions, and the situation of corporate finance continue to require close monitoring.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2002/Q3	Q4	2003/Q1	2003/Feb.	Mar.	Apr.	May
Index of living expenditure level (all households)	1.1	-1.9	-0.7	-0.7	-1.0	1.2	n.a.
Sales at department stores	-0.9	-0.7	-0.3	-0.7	-0.3	-2.5	n.a.
Sales at supermarkets	-0.7	-0.9	-0.7	0.6	-0.2	-2.1	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 320>	< 326>	< 335>	< 334>	< 341>	< 283>	< 331>
Sales of household electrical appliances (real, NEBA)	2.0	2.6	4.5	0.4	3.0	-0.5	n.a.
Outlays for travel (50 major travel agencies)	-0.0	0.3	-3.4	-2.4	-3.8	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 112>	< 114>	< 115>	< 115>	< 110>	< 116>	<n.a.>
Machinery orders (from private sector ⁴)	0.1	-0.1	5.8	-6.8	3.8	-1.8	n.a.
Manufacturing	1.3	2.7	5.4	-6.7	-0.6	1.2	n.a.
Nonmanufacturing ⁴	-0.4	-2.3	5.1	-7.2	2.4	0.5	n.a.
Construction Starts (private, nonresidential use)	-6.2	5.6	-2.2	-3.5	1.0	2.4	n.a.
Mining & manufacturing	-13.3	14.6	-4.9	-1.2	-2.2	-14.9	n.a.
Nonmanufacturing ⁵	-3.2	2.8	-0.3	-5.9	2.3	5.3	n.a.
Value of public works contracted	-4.0	-0.7	-3.1	-2.1	1.1	-6.0	n.a.
Real exports	1.8	4.5	-0.8	2.6	-3.0	-0.3	n.a.
Real imports	3.7	2.2	0.2	-2.1	0.8	0.2	n.a.
Industrial production	2.0	0.4	0.3	-1.6	0.1	p -1.2	n.a.
Shipments	1.1	0.8	0.5	-0.2	-2.4	p 1.6	n.a.
Inventories	-0.2	-0.2	-1.5	-2.2	-0.5	p -0.2	n.a.
Inventory Ratio <s.a., CY 2000=100>	<99.7>	<99.4>	<99.9>	<96.9>	<99.9>	<p 97.9>	<n.a.>
Real GDP	0.6	0.4	0.1	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.3	-0.3	0.6	-0.8	0.7	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2002/Q3	Q4	2003/Q1	2003/Feb.	Mar.	Apr.	May
Ratio of job offers to applicants <s.a., times>	<0.54>	<0.57>	<0.60>	<0.61>	<0.60>	<0.60>	<n.a.>
Unemployment rate <s.a., %>	<5.4>	<5.4>	<5.4>	<5.2>	<5.4>	<5.4>	<n.a.>
Overtime working hours ⁶	2.7	5.9	6.5	6.5	6.2	p 4.0	n.a.
Number of employees	-0.1	-0.4	-0.1	-0.2	0.1	-0.1	n.a.
Number of regular employees ⁶	-0.7	-0.8	-0.6	-0.7	-0.6	p -0.8	n.a.
Nominal wages per person ⁶	-3.5	-1.7	-0.7	-0.1	-1.1	p -0.6	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>	-0.9 <0.0>	-0.7 <0.2>	-0.8 <0.1>	p -1.0 <p -0.4>
Consumer price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-0.9 <-0.2>	-0.8 <-0.2>	-0.7 <-0.1>	-0.7 <-0.1>	-0.6 <-0.1>	-0.4 <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>	-0.7 <-0.1>	-0.7 <-0.2>	-1.2 <-0.5>	n.a. <n.a.>
Monetary aggregates (M2+CDs) <average outstanding, y/y % chg.>	3.3	2.9	1.8	1.9	1.7	1.3	1.6
Number of suspension of transactions with banks	-7.7	-17.9	-21.7	-23.2	-17.2	-13.3	n.a.

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";

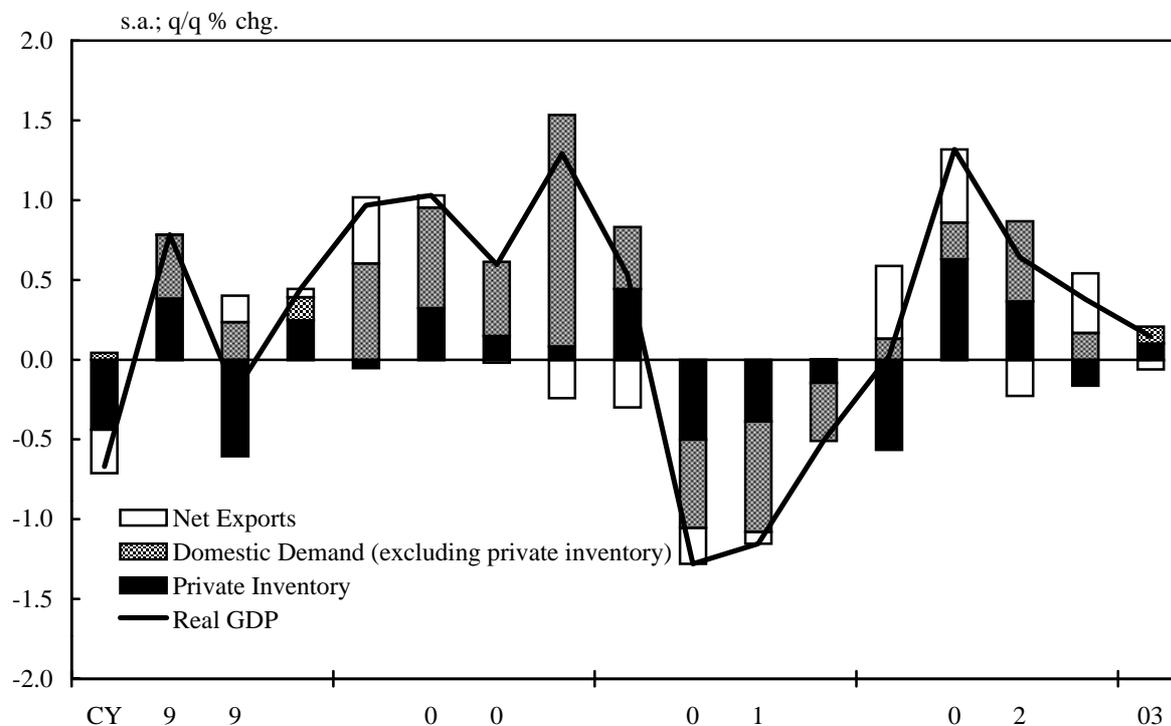
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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" before 1999/Q4.

(2) Components

s.a.; q/q % chg.

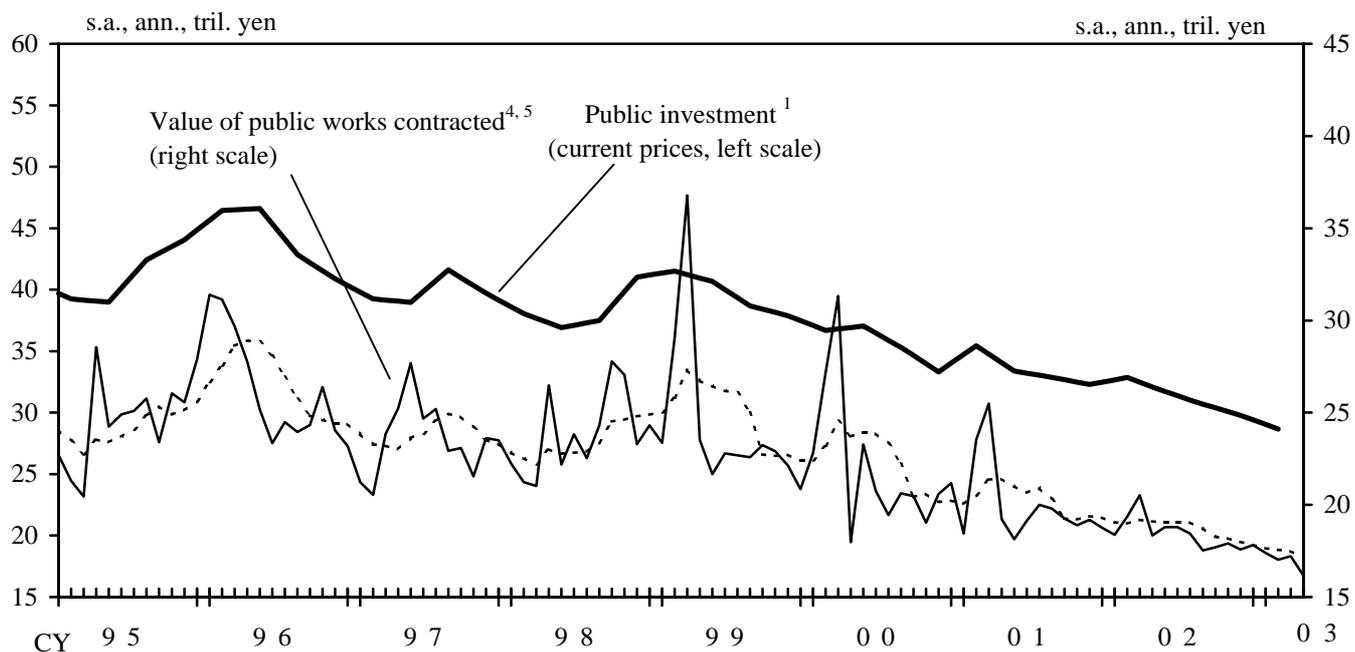
	2002				2003
	Q1	Q2	Q3	Q4	Q1
Real GDP	0.0	1.3	0.6	0.4	0.1
Domestic Demand	-0.4	0.9	0.9	0.0	0.2
Private Consumption	0.5	0.3	0.6	-0.0	0.2
Non-Resi. Investment	-1.6	1.3	1.3	2.5	0.7
Residential Investment	-2.5	-0.2	0.1	-1.0	-1.2
Private Inventory	(-0.6)	(0.6)	(0.4)	(-0.2)	(0.1)
Public Demand	0.9	-0.7	-0.2	-0.7	-0.3
Public Investment	2.2	-2.9	-2.8	-2.5	-3.2
Net Exports of goods and services	(0.5)	(0.5)	(-0.2)	(0.4)	(-0.1)
Exports	5.5	6.8	0.0	4.4	-0.4
Imports	1.2	3.2	2.7	1.4	0.1
Nominal GDP	0.2	0.0	0.2	-0.5	-0.4

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

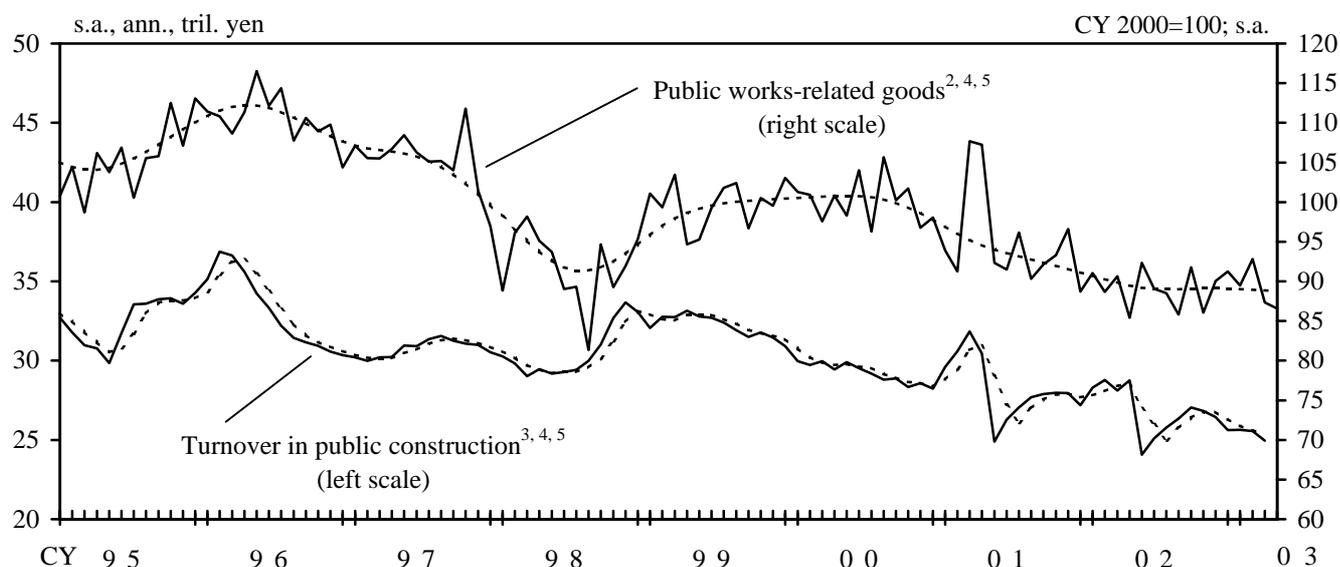
Source: Cabinet Office, "National Accounts."

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 1995/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";

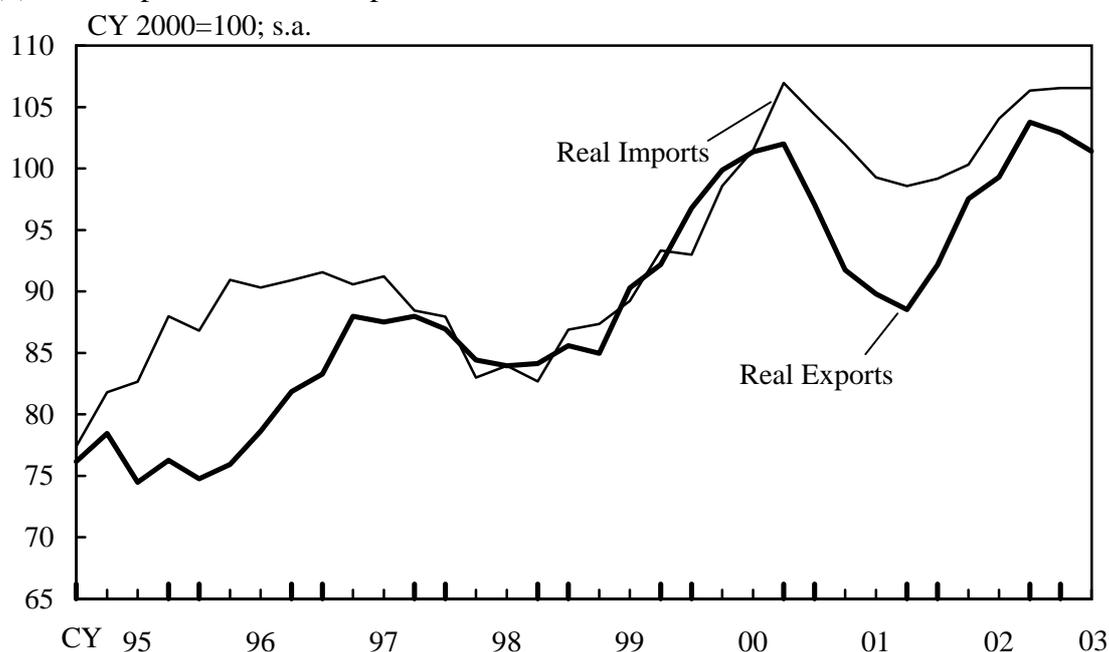
East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";

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

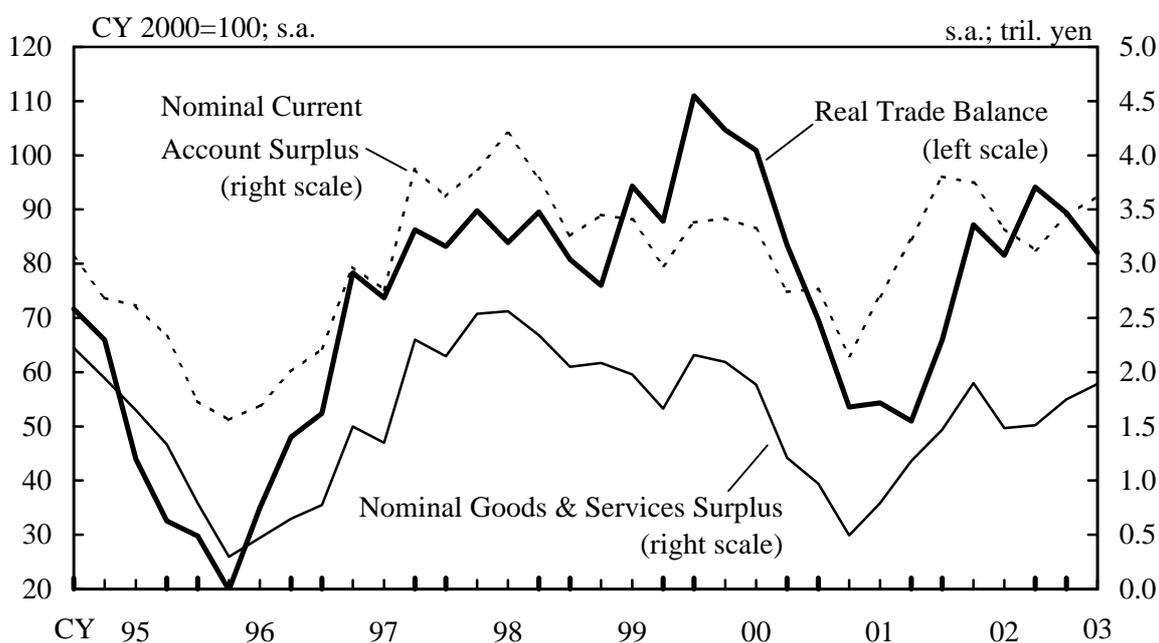
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

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."
 2. Real exports/imports and the real trade balance are seasonally adjusted by X-12-ARIMA. 2003/Q2 figures are April figures converted into quarterly amount.
 3. Balance of payments data up to 1995/Q4 are from old basis. 2003/Q2 figures are April figures converted into quarterly amount.

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 Q2	Q3	Q4	2003 Q1	Q2	2003 Feb.	Mar.	Apr.
United States	<28.5>	-7.7	1.4	1.8	-0.1	3.4	-9.9	-1.6	-6.3	3.7	-1.8
EU	<14.7>	-10.1	-0.0	7.8	4.8	1.4	6.3	-2.2	-1.8	1.3	-2.4
East Asia	<41.5>	-9.0	17.5	10.9	3.8	3.4	7.9	-4.4	3.1	-5.2	-1.9
China	<9.6>	12.4	35.5	11.8	10.2	3.3	21.7	-1.4	11.8	-13.2	4.6
NIEs	<22.7>	-15.2	14.4	11.4	2.4	4.4	4.5	-7.8	3.9	-4.1	-6.4
Korea	<6.9>	-8.4	19.1	13.6	4.3	6.2	7.7	-9.6	3.3	-7.0	-6.1
Taiwan	<6.3>	-25.3	14.6	11.3	2.4	2.1	4.9	-7.8	-0.3	0.2	-7.8
ASEAN4 ³	<9.3>	-7.8	10.2	9.1	1.1	1.0	2.1	0.4	-8.2	2.8	1.5
Thailand	<3.2>	-3.6	16.5	14.4	8.0	4.0	0.2	-3.0	-10.4	5.0	-2.5
Real exports		-8.6	7.2	5.8	1.8	4.5	-0.8	-1.5	2.6	-3.0	-0.3

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2001	2002	2002 Q2	Q3	Q4	2003 Q1	Q2	2003 Feb.	Mar.	Apr.
Intermediate goods	<15.3>	-3.2	8.8	3.0	0.9	-2.4	4.3	-0.4	2.2	-2.3	0.4
Motor vehicles and their related goods	<24.3>	-1.8	12.7	3.6	0.1	5.0	-1.3	-7.8	-7.0	1.5	-6.4
Consumer goods ⁴	<7.1>	-4.8	7.9	5.5	1.0	10.6	0.4	1.3	1.3	2.2	-0.6
IT-related goods ⁵	<14.8>	-10.5	0.3	14.2	6.0	3.0	-4.0	0.8	5.2	-1.8	0.4
Capital goods and parts ⁶	<27.3>	-14.6	7.8	8.3	3.8	5.2	1.9	-0.2	4.9	-5.4	2.0
Real exports		-8.6	7.2	5.8	1.8	4.5	-0.8	-1.5	2.6	-3.0	-0.3

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2003/Q2 figures are April figures converted into quarterly amount.

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

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

4. Excludes motor vehicles.

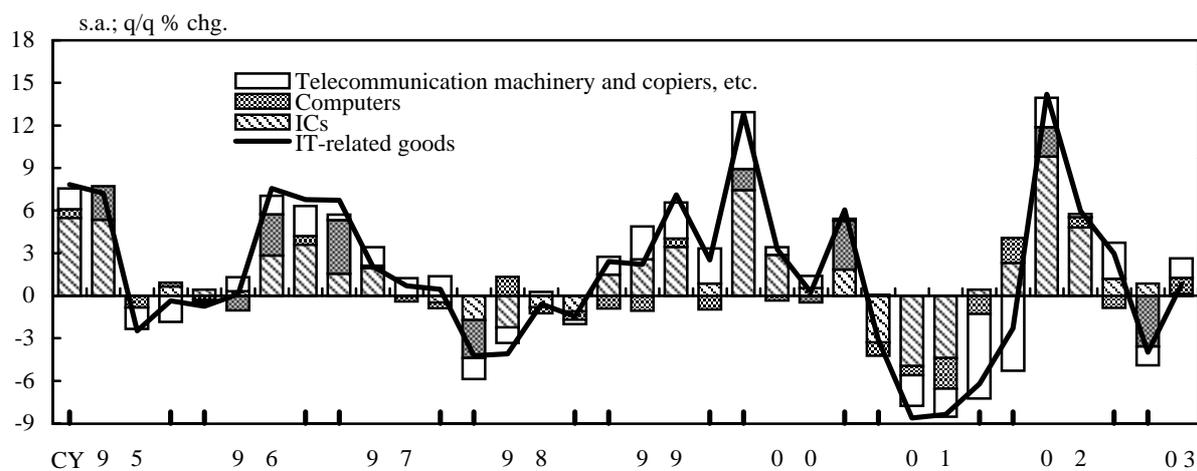
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs and medical and optical instruments.

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

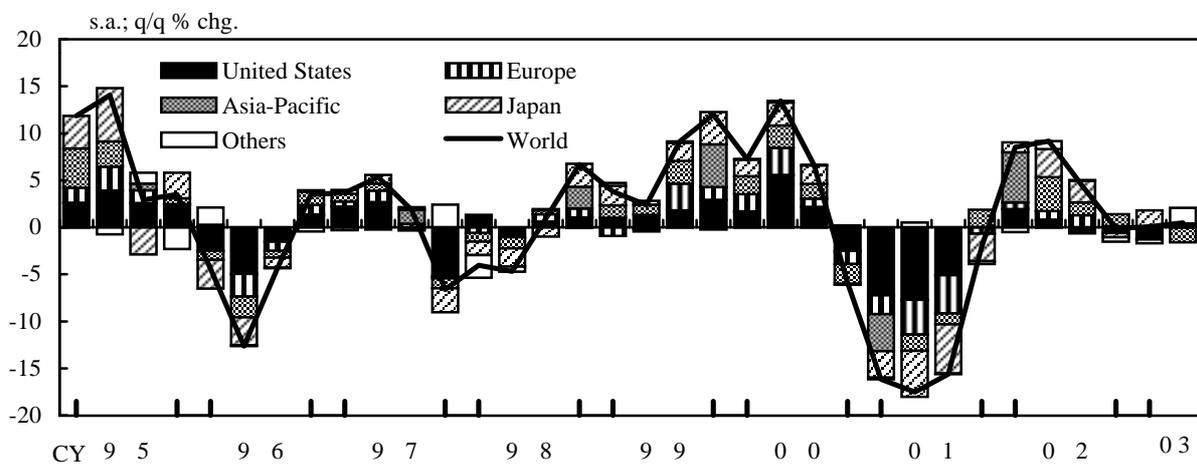
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

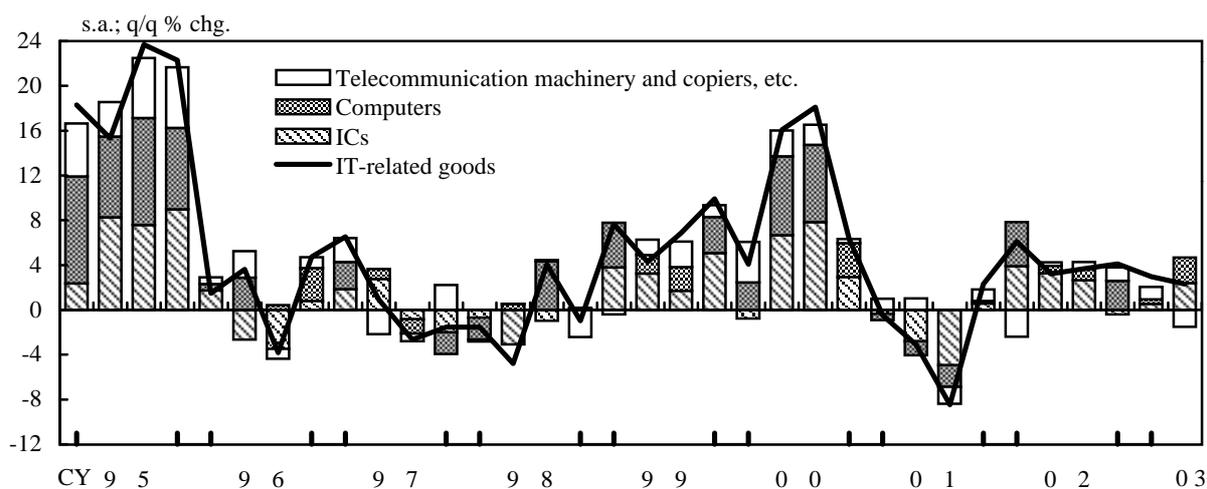
(1) Exports of IT-related goods (real, breakdown by goods)



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



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



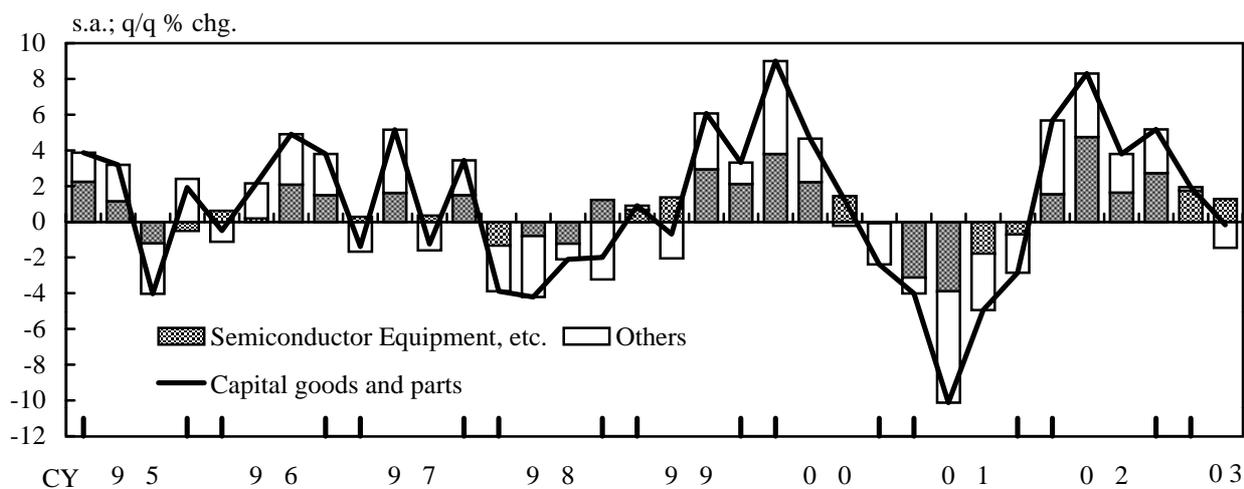
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. 2003/Q2 figures are April figures converted into quarterly amount.

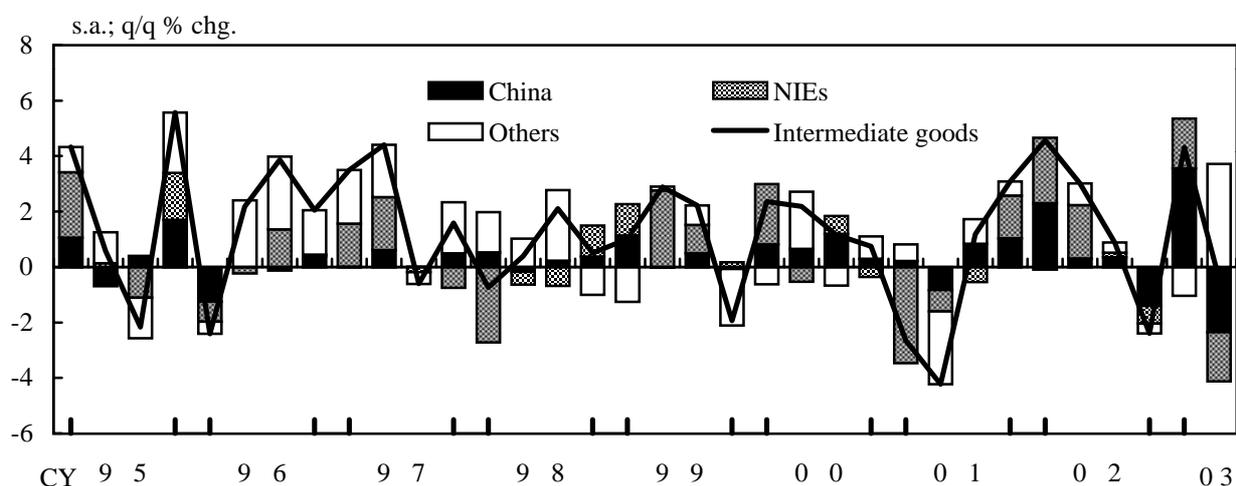
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
Bank of Japan, "Corporate Goods Price Index"; WSTS (World Semiconductor Trade Statistics.)

Real Exports breakdown by goods

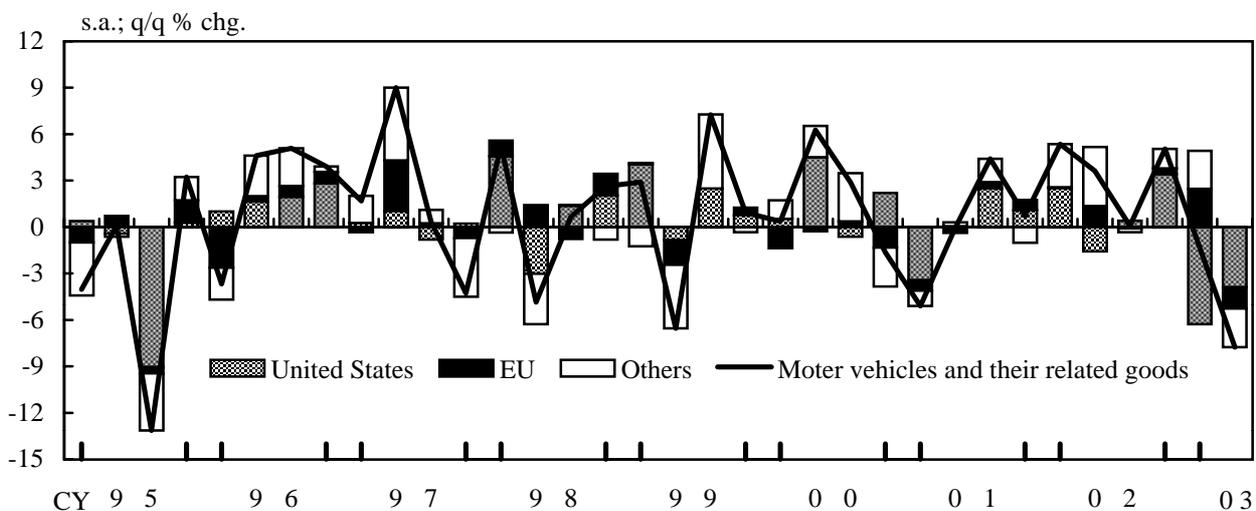
(1) Capital goods and parts



(2) Intermediate goods



(3) Motor vehicles and their related goods



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

2. 2003/Q2 figures are April figures converted into quarterly amount.

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 Q2	Q3	Q4	2003 Q1	Q2	2003 Feb.	Mar.	Apr.
United States	<17.1>	-0.6	-3.8	1.0	1.6	-4.5	-2.8	6.2	-9.2	-2.8	12.0
EU	<13.0>	6.1	2.3	2.0	5.7	1.5	-1.6	-1.5	-0.6	-0.2	-1.2
East Asia	<41.4>	6.1	6.4	2.8	3.6	5.7	0.7	3.2	-5.2	3.4	2.8
China	<18.3>	16.5	13.9	3.8	3.9	8.3	3.9	3.4	-4.5	8.8	-0.7
NIEs	<10.5>	-3.3	1.8	6.2	2.5	2.1	-2.0	1.8	-11.5	1.6	5.1
Korea	<4.6>	-3.2	-1.5	8.0	3.7	2.8	-0.0	0.1	-11.5	-0.3	4.7
Taiwan	<4.0>	-5.1	5.5	6.8	2.1	-0.2	-2.8	2.9	-7.1	-6.5	10.5
ASEAN4 ³	<12.6>	3.6	1.5	-1.0	4.3	5.3	-1.4	4.1	-0.9	-2.5	6.2
Thailand	<3.1>	10.4	7.6	3.9	4.7	5.0	-1.5	1.4	5.9	-2.2	0.9
Real imports		1.2	1.2	1.1	3.7	2.2	0.2	0.0	-2.1	0.8	0.2

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 2001	2002	2002 Q2	Q3	Q4	2003 Q1	Q2	2003 Feb.	Mar.	Apr.
Raw materials ⁴	<25.3>	-4.1	-2.7	-2.9	6.0	4.0	4.0	-5.3	6.6	-3.8	-4.9
Intermediate goods	<13.0>	-1.1	1.4	1.1	4.4	-0.1	1.0	-2.5	-4.6	3.3	-3.1
Foodstuffs	<12.5>	-0.0	-2.5	-1.5	1.2	-3.3	-1.0	-1.4	-4.6	0.2	0.1
Consumer goods	<11.0>	7.9	-0.9	3.8	0.9	5.5	-3.8	0.3	-3.7	5.2	-1.8
IT-related goods ⁵	<14.4>	9.6	7.8	3.2	3.7	4.1	3.0	2.3	-8.2	0.9	4.7
Capital goods and parts ⁶	<12.9>	10.6	11.5	8.6	6.2	1.4	-2.2	13.2	-6.7	7.8	10.3
excluding aircraft	<11.8>	13.9	8.3	7.5	4.1	5.3	0.3	0.6	-10.2	15.7	-5.2
Real imports		1.2	1.2	1.1	3.7	2.2	0.2	0.0	-2.1	0.8	0.2

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2003/Q2 figures are April figures converted into quarterly amount.

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

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

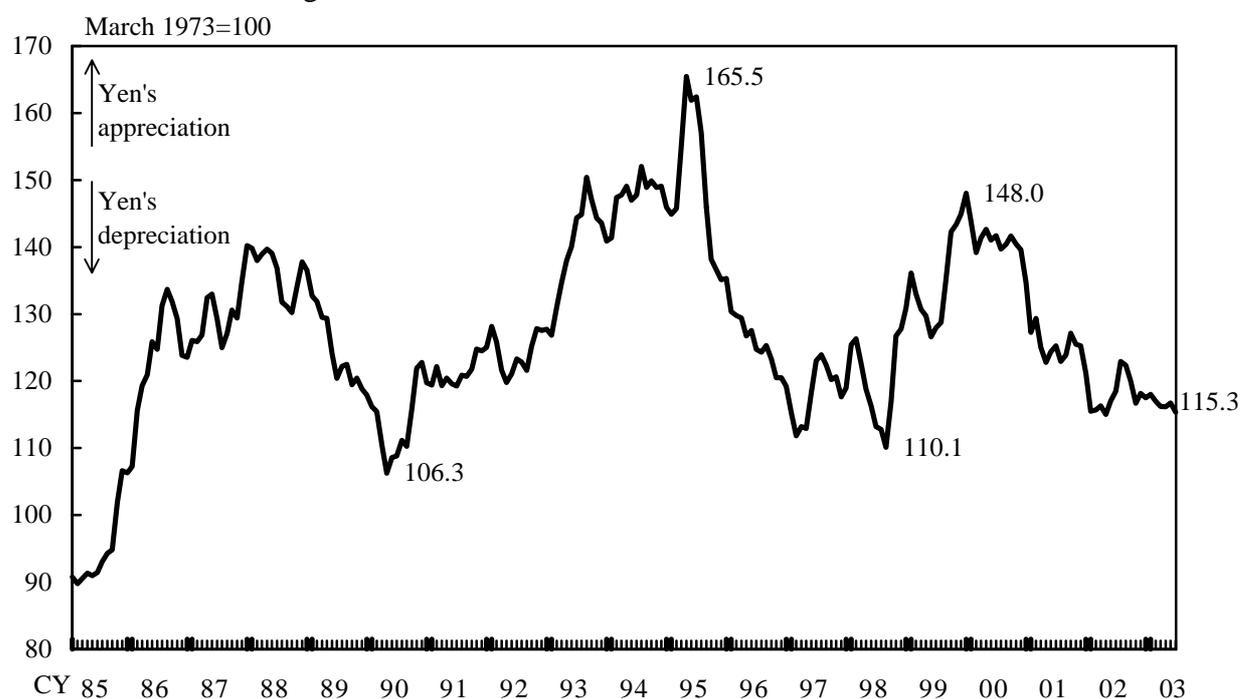
4. Raw materials are mainly composed of woods, ores and mineral fuel.

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

6. Excludes IT-related goods.

External Environment (1)

(1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for June 2003 is the average up to June 10.

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

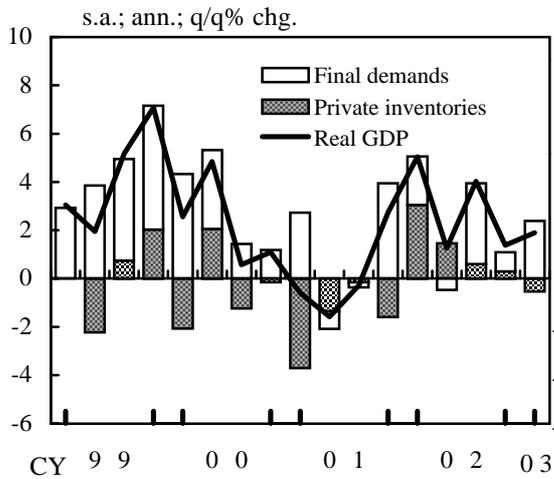
		CY2000	2001	2002	2002 Q2	Q3	Q4	2003 Q1	
United States ¹		3.8	0.3	2.4	1.3	4.0	1.4	1.9	
European Union ¹		3.5	1.6	1.0	1.8	1.6	0.5	0.2	
East Asia ²	Germany	2.9	0.6	0.2	0.6	1.2	-0.1	-0.9	
	France	4.2	2.1	1.2	2.0	1.3	-0.2	1.0	
	United Kingdom	3.1	2.1	1.8	2.4	4.3	1.5	0.6	
	China	8.0	7.3	8.0	8.0	8.1	8.1	9.9	
	NIEs	Korea	9.3	3.1	6.3	6.6	5.8	6.8	3.7
		Taiwan	5.9	-2.2	3.5	4.0	4.8	4.2	3.2
		Hong Kong	10.2	0.5	2.3	0.8	3.4	5.1	4.5
		Singapore	9.4	-2.4	2.2	3.8	3.8	3.0	1.6
	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	3.4	
Malaysia		8.5	0.3	4.1	4.0	5.8	5.4	4.0	
Philippines		4.4	4.5	4.4	4.1	3.8	5.8	4.5	

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

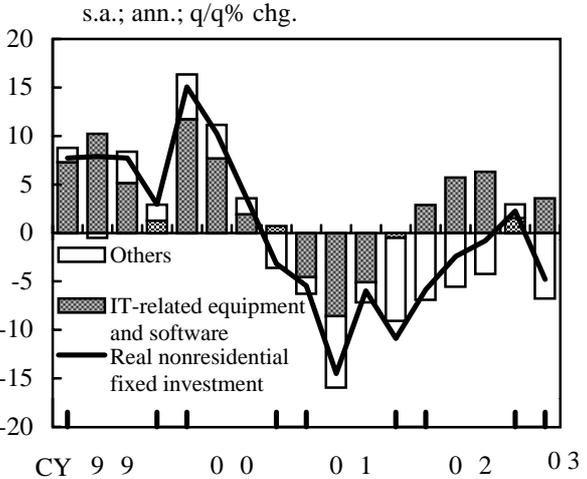
2. Quarterly data of East Asia are percent changes from a year earlier.

External Environment (2)

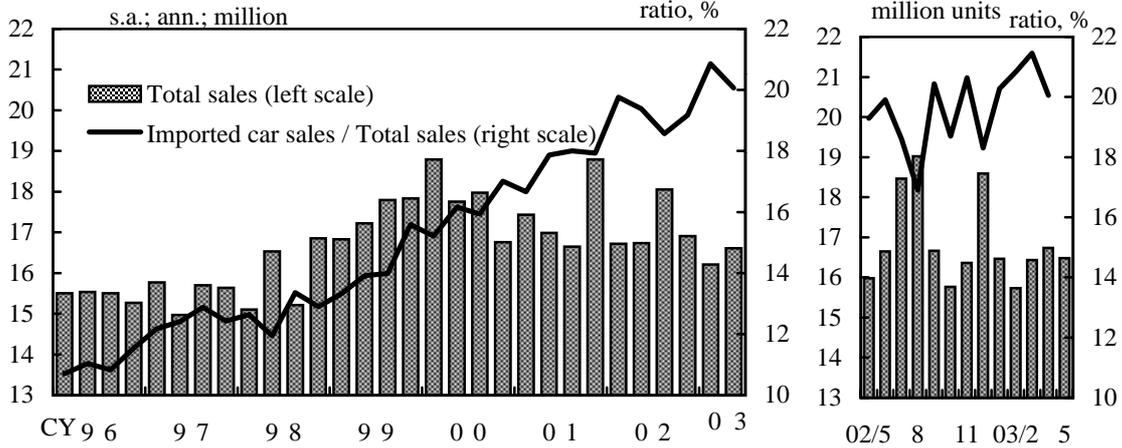
(1) U.S. Real GDP (breakdown by final demands and inventories)



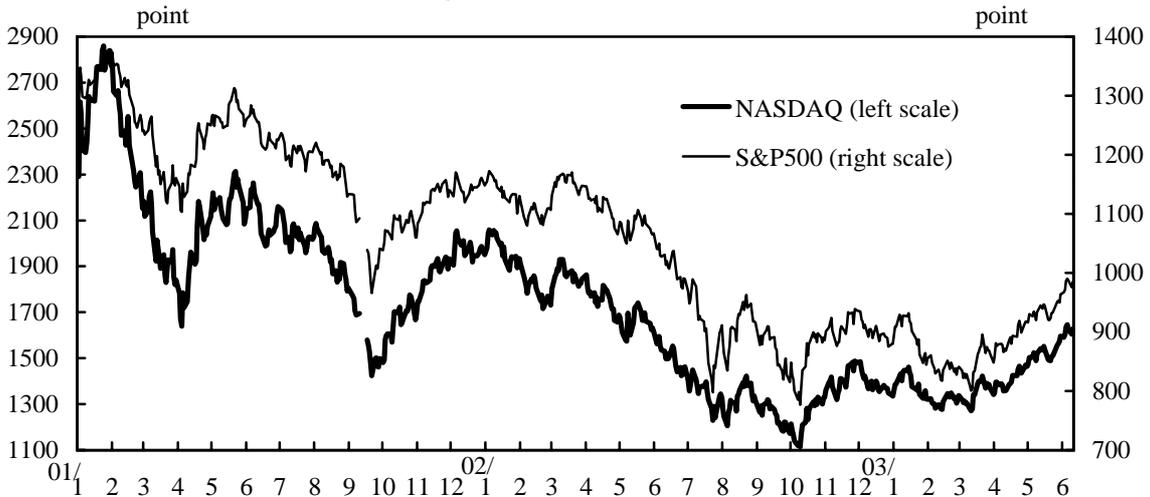
(2) U.S. Real Nonresidential Fixed Investment



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



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



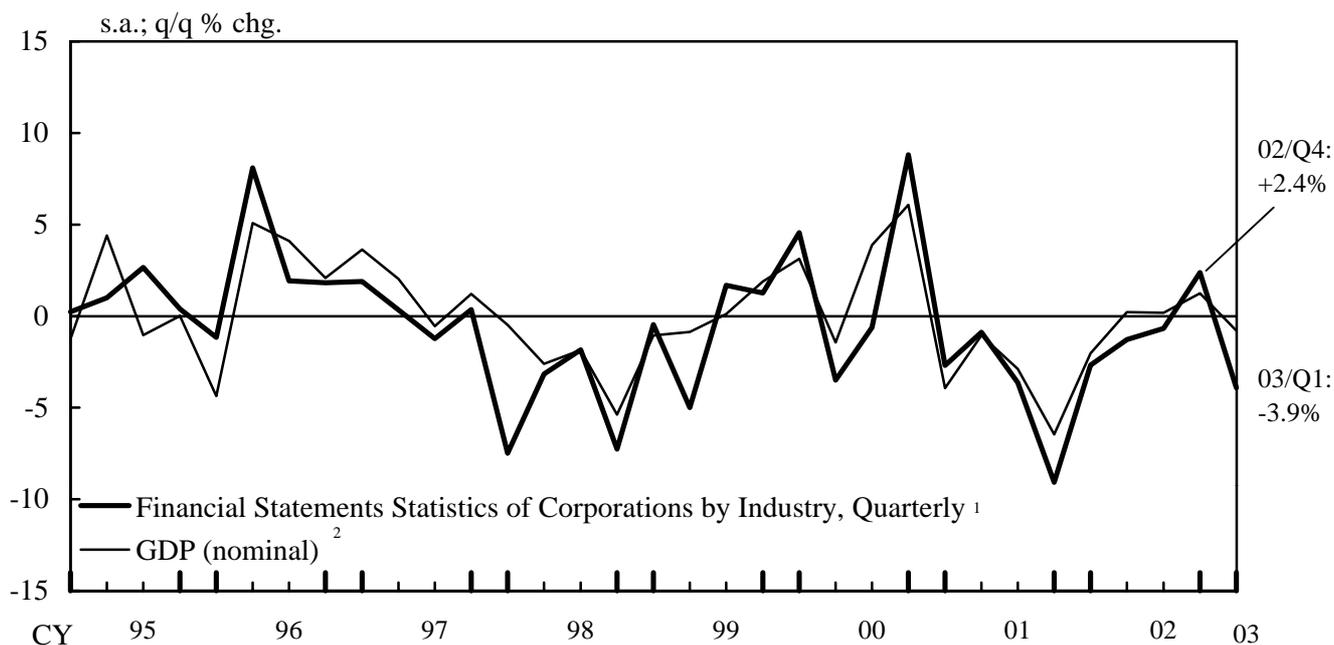
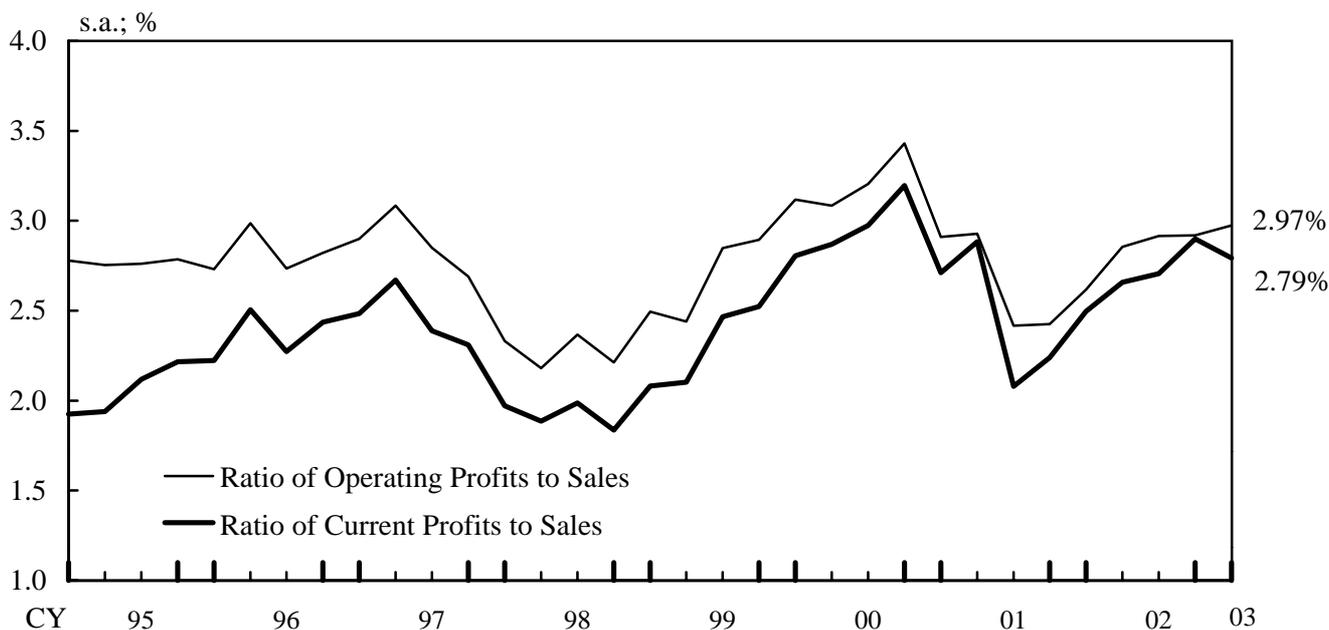
Notes: 1. "Imported car sales/ Total sales" in 2003/Q2 is based on April figure in (3). "Total sales" of automobiles in 2003/Q2 is Apr.-May average. May figures of Automobile Sales are calculated by adding average of heavy trucks in CY 2002 (0.4 mil.) to preliminary figure released by an industry association (s.a., ann., 16.08 mil.) which does not include heavy trucks.

2. Figures of U.S. stock prices in (4) are up to June 10.

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

Business Fixed Investment and Corporate Profits

(1) Fixed Investment

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

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

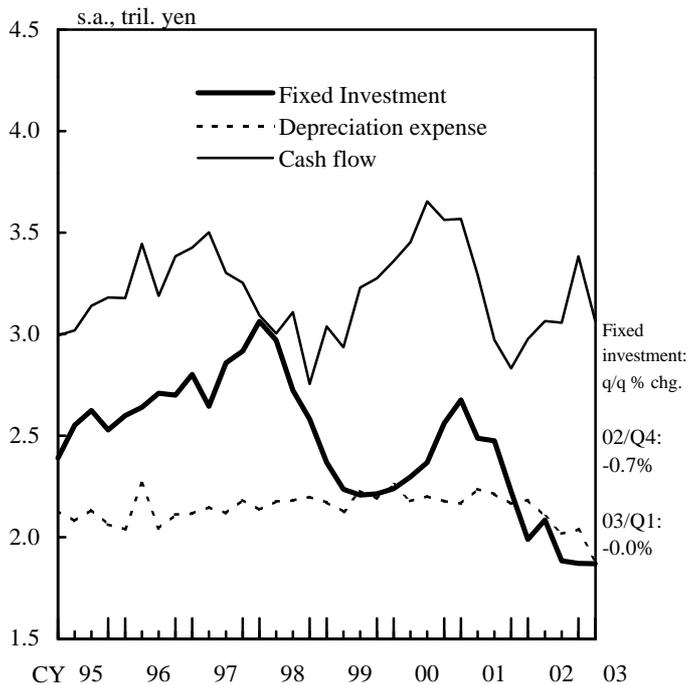
2. The Figures include "reference series" for 1995/Q1-1999/Q4.

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

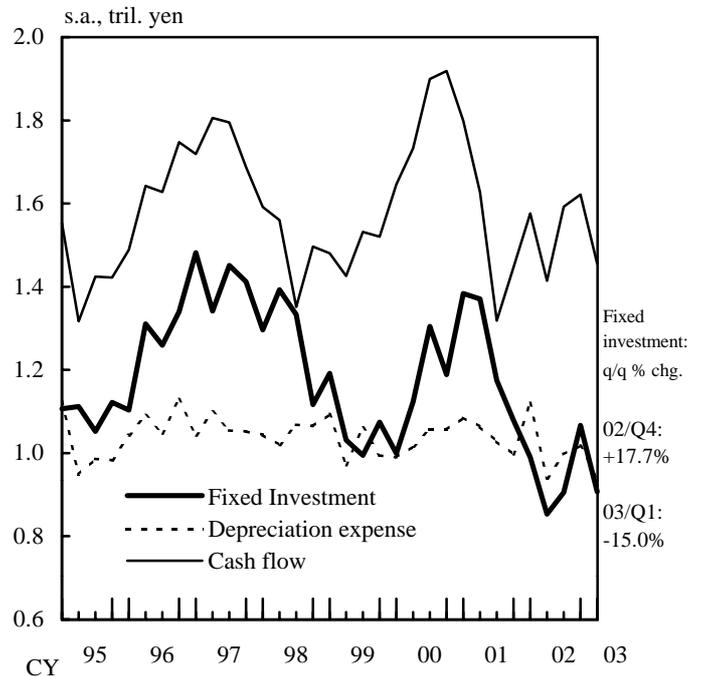
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment

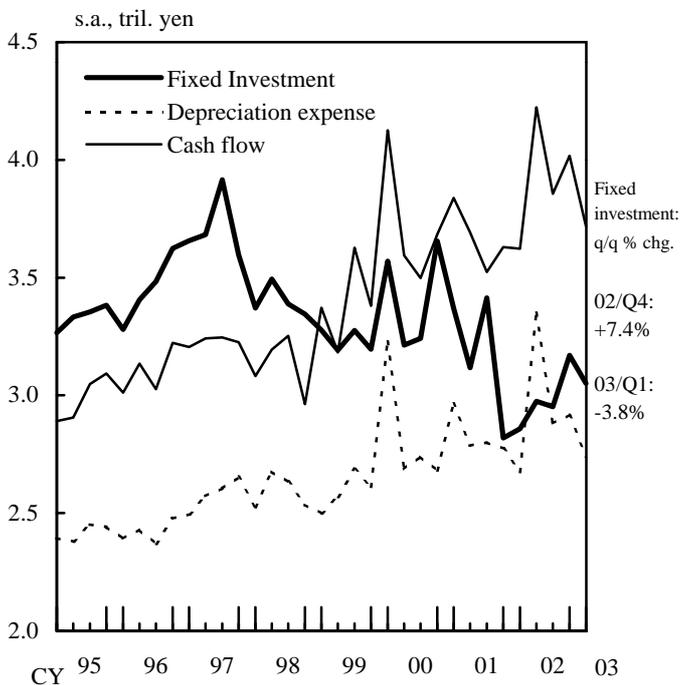
(1) Manufacturing large firms



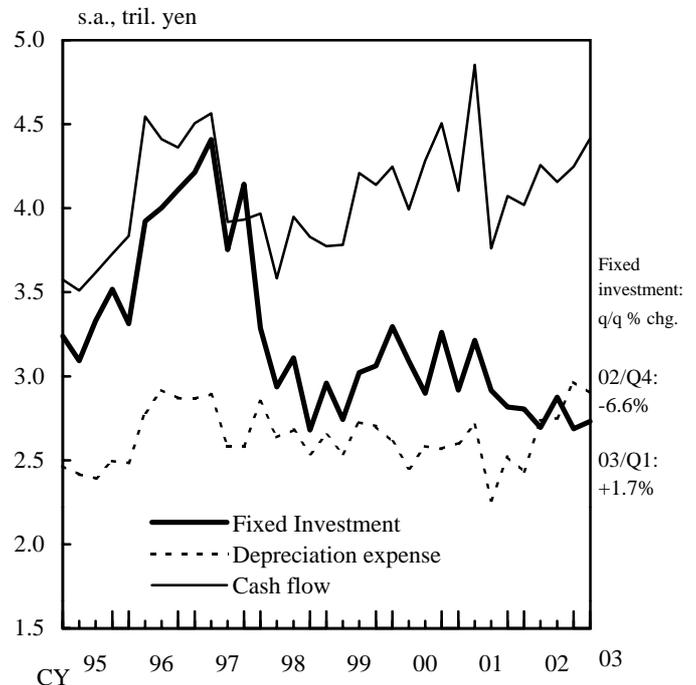
(2) Manufacturing medium and small firms



(3) Nonmanufacturing large firms



(4) Nonmanufacturing medium and small firms



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

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

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

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

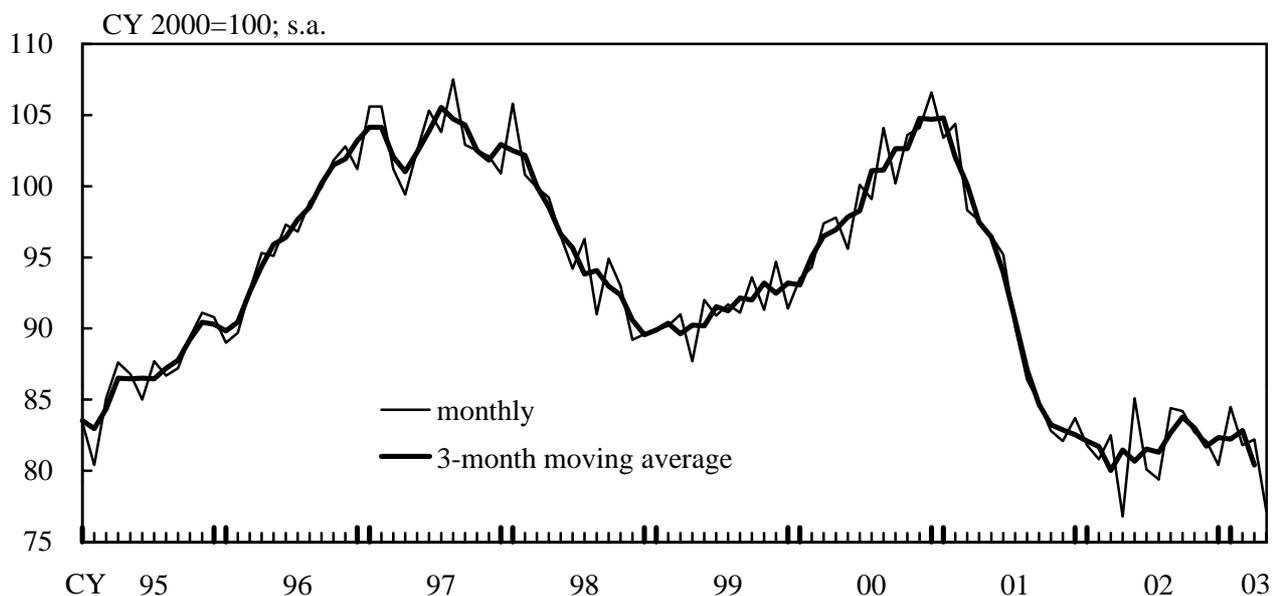
5. Cash Flow = Current profits ÷ 2 + Depreciation expense

6. Seasonally adjusted by X-11.

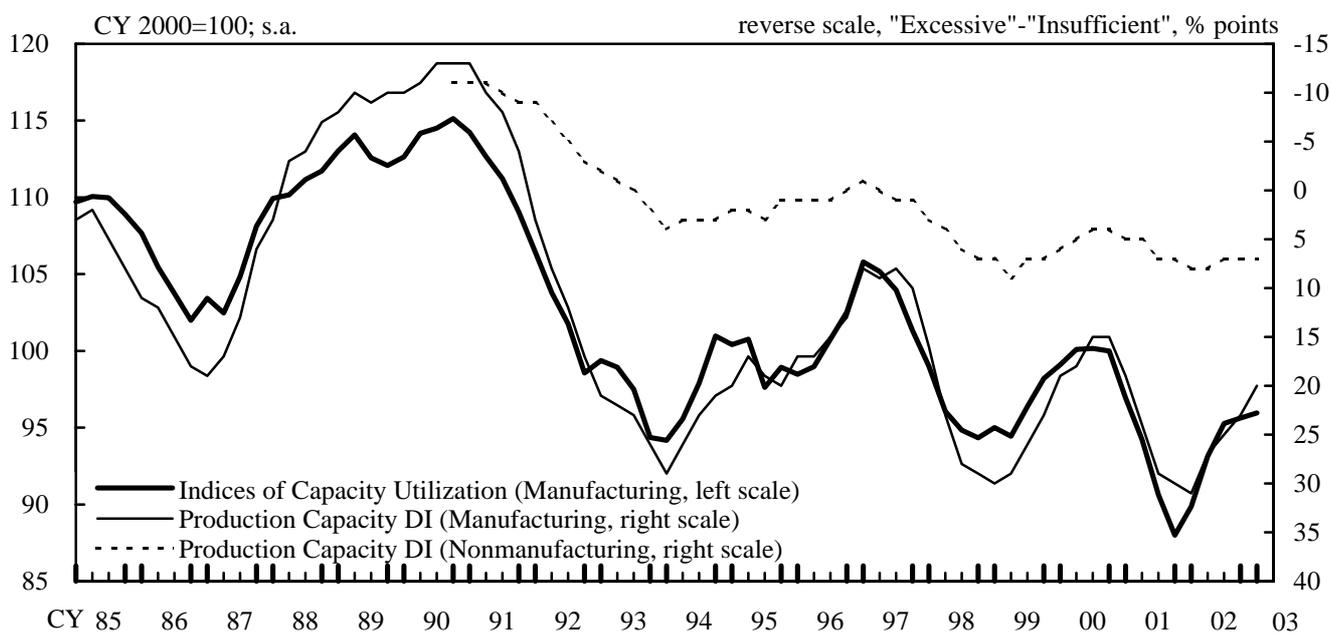
Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Indicators for Business Fixed Investment (1)

(1) Shipments of capital goods (excluding transport equipment)



(2) Indices of Capacity Utilization and Production Capacity DI

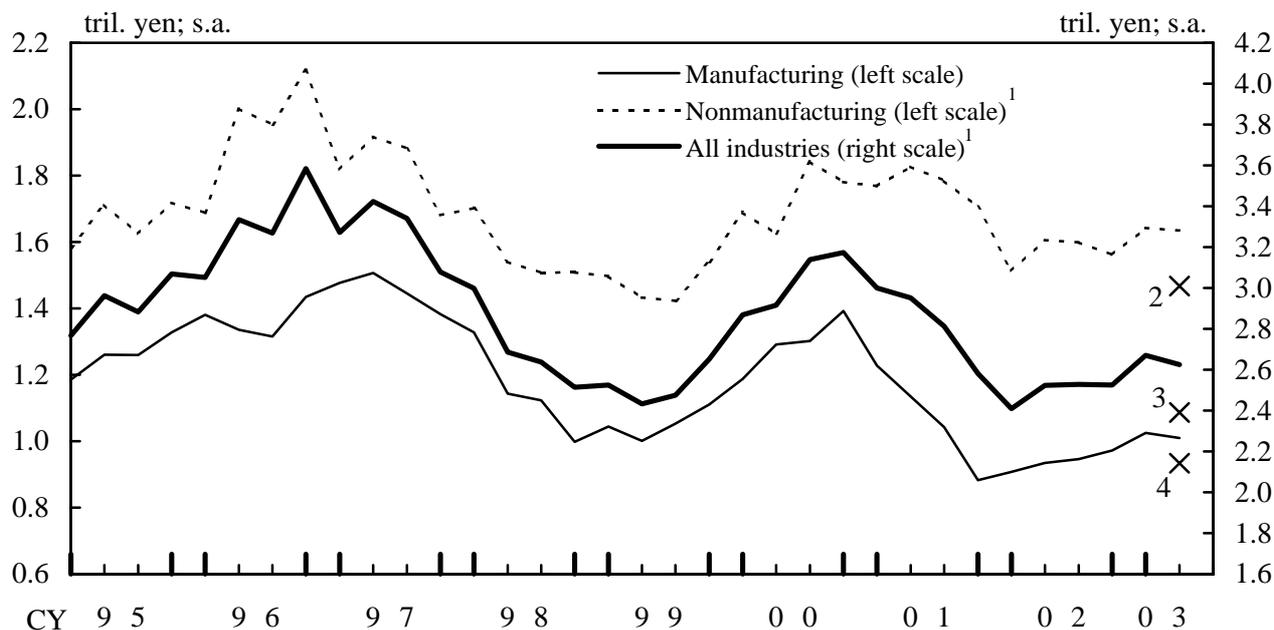


Note: Production Capacity DIs are those of all enterprises.

Sources: Ministry of Economy, Trade and Industry, "Indices of Industrial Production,"
Bank of Japan, "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.

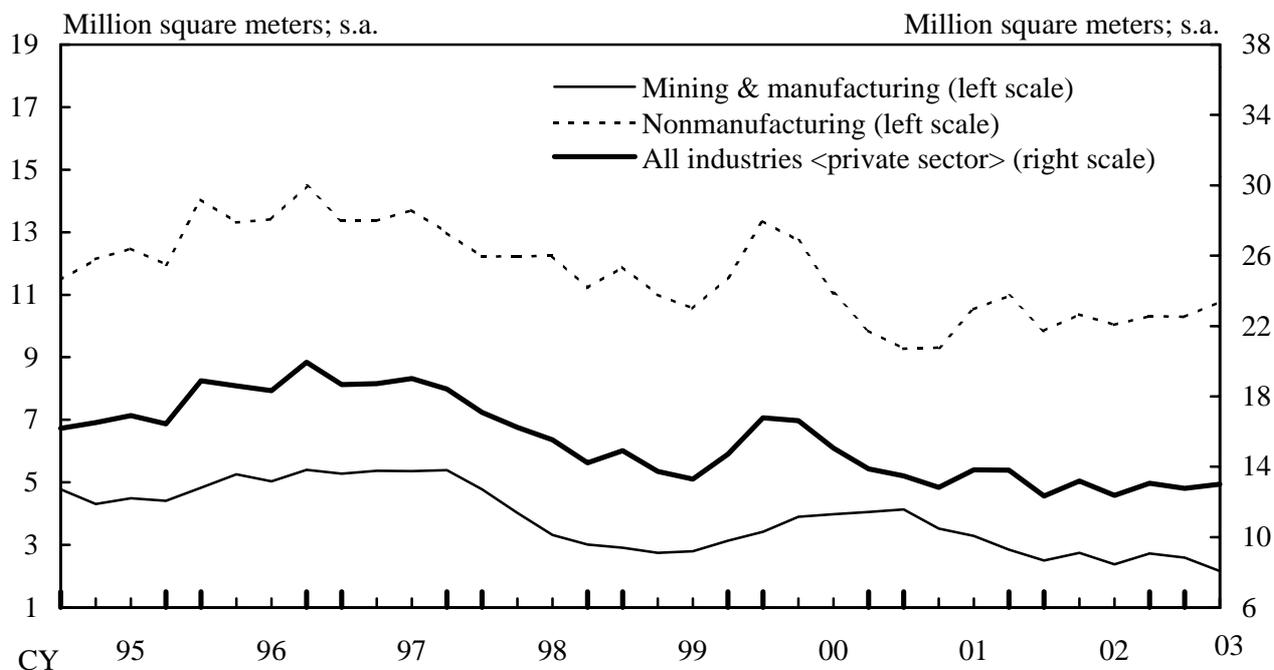
2. Forecast of nonmanufacturing industries for 2003/Q2.

3. Forecast of all industries for 2003/Q2.

4. Forecast of manufacturing industries for 2003/Q2.

5. Figures for 2003/Q2 are those of April in terms of quarterly amount.

(2) Construction Starts (floor area, nondwelling use)



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

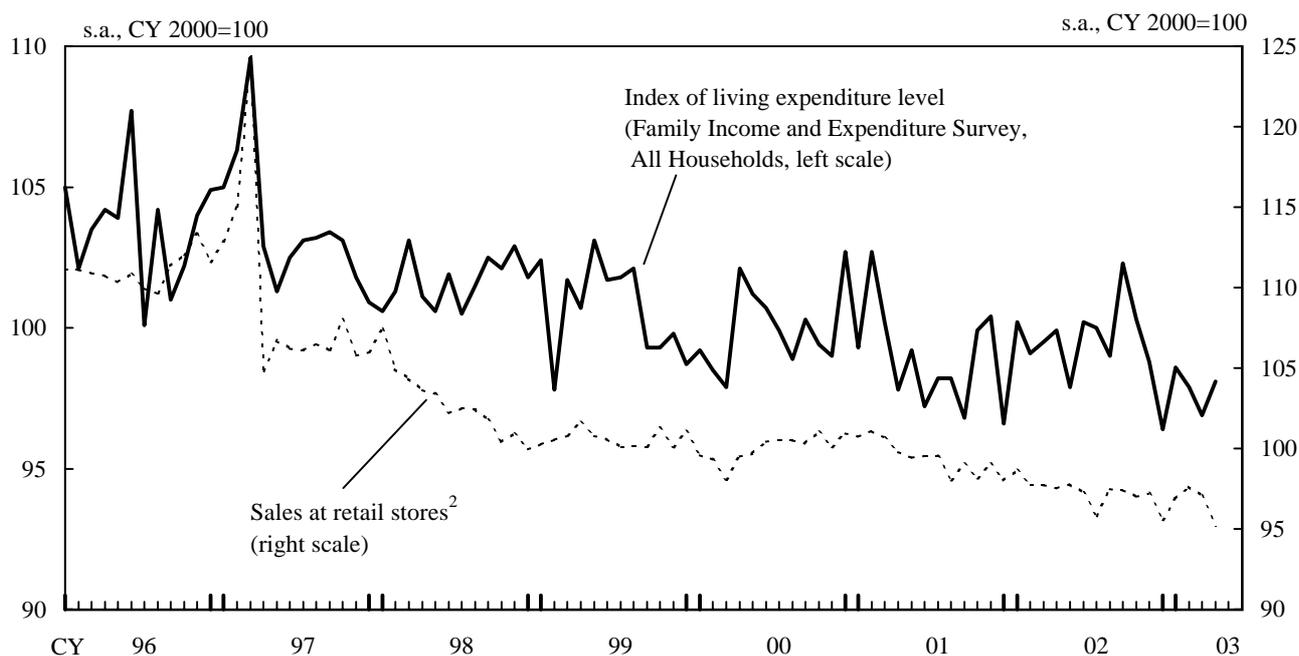
2. Figures for 2003/Q2 are those of April in terms of quarterly amount.

Sources: Cabinet Office, "Machinery Orders Statistics";

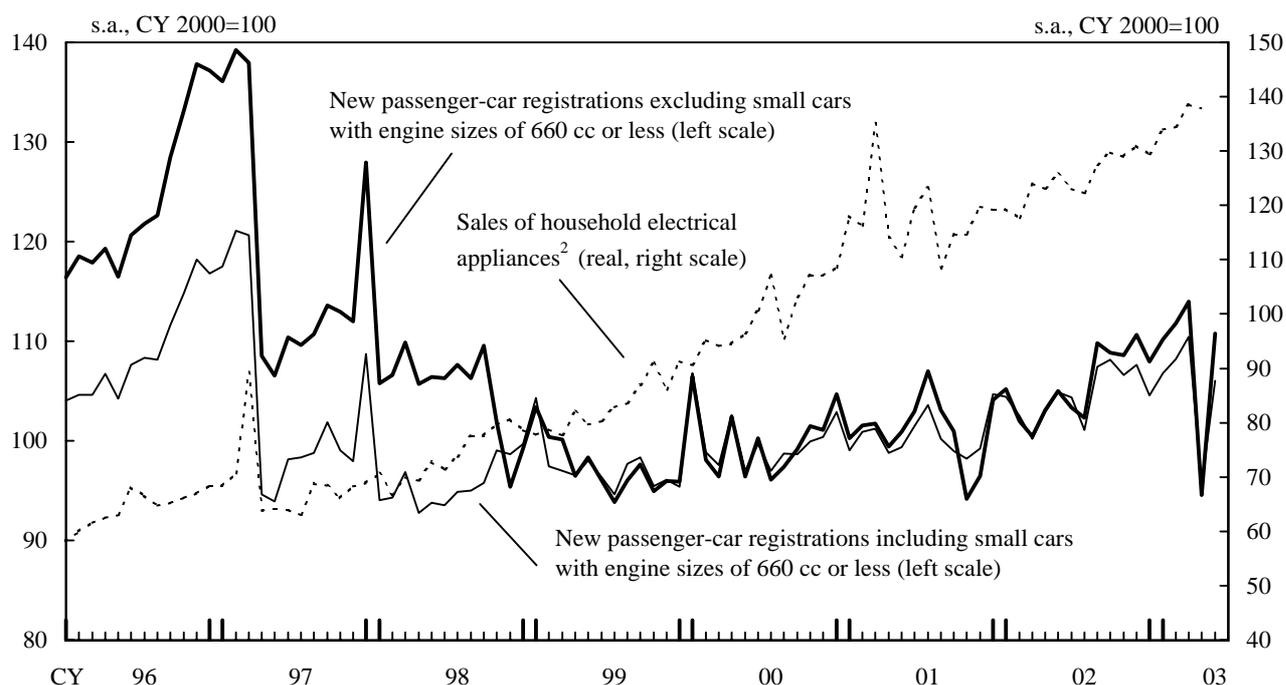
Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



(2) Sales of Durable Goods



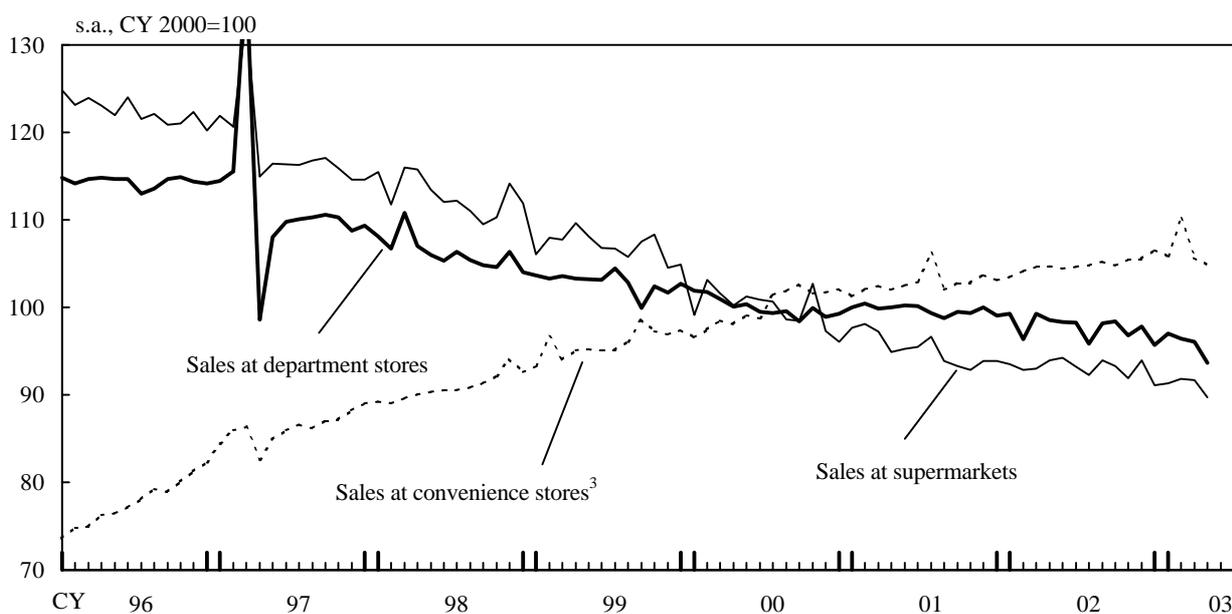
Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications.

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).

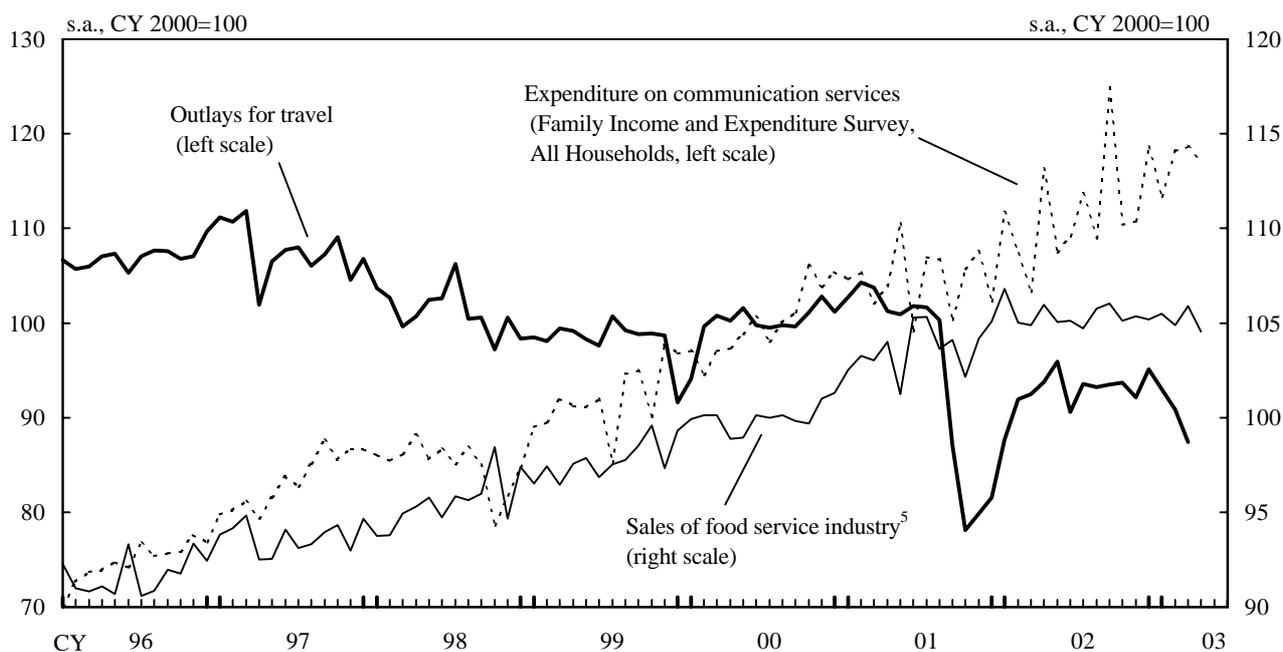
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles";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

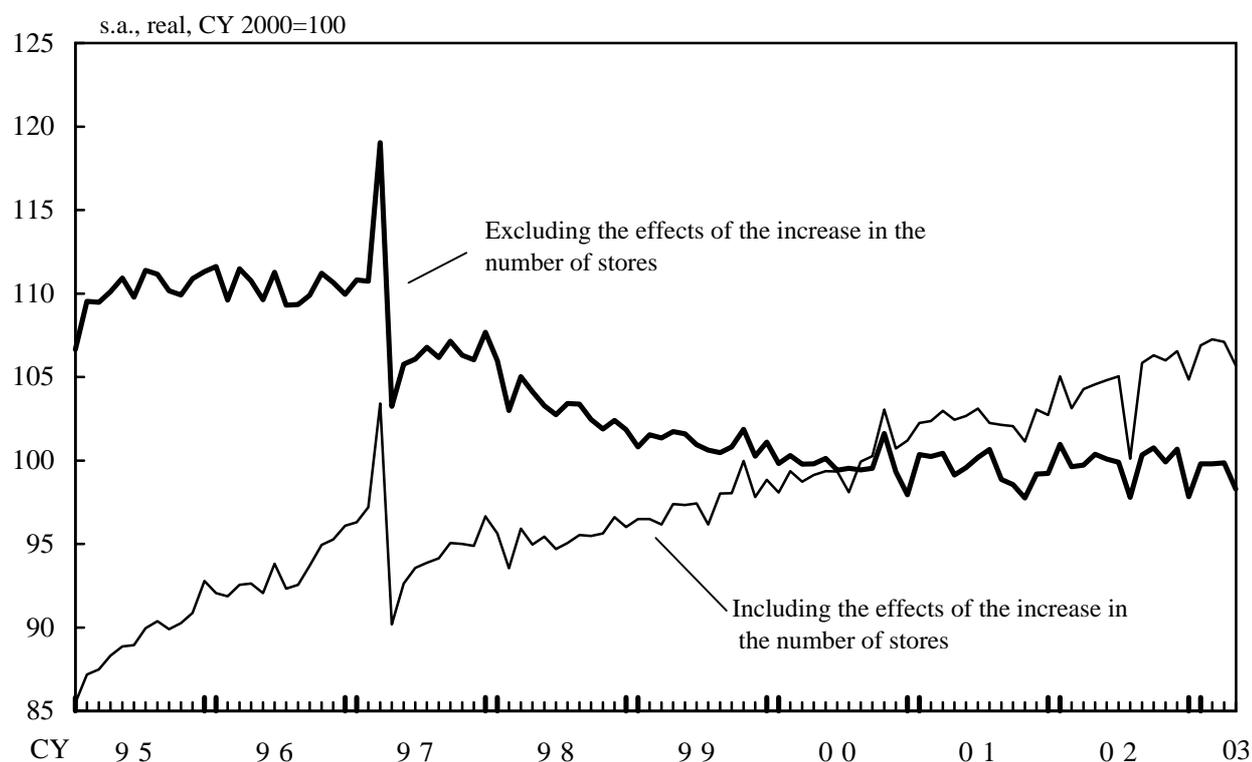
3. Sales at convenience stores until March 1997 are based on the survey conducted by the Bank of Japan. From April 1997 they are based on the data published by the Ministry of Economy, Trade and Industry.

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

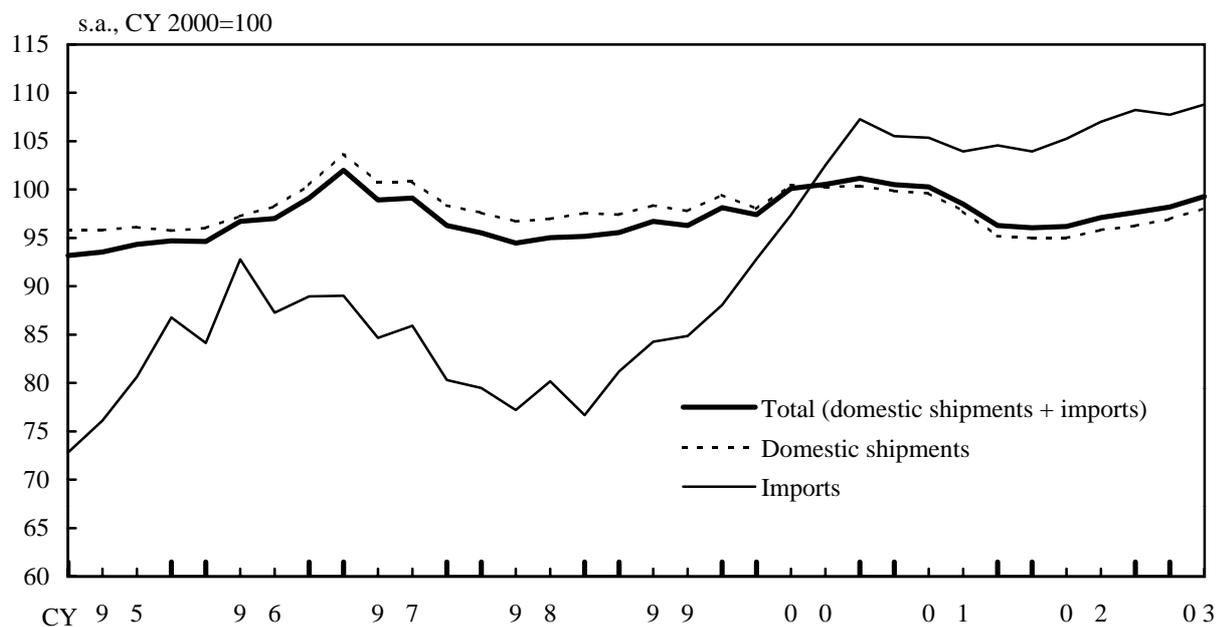


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in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

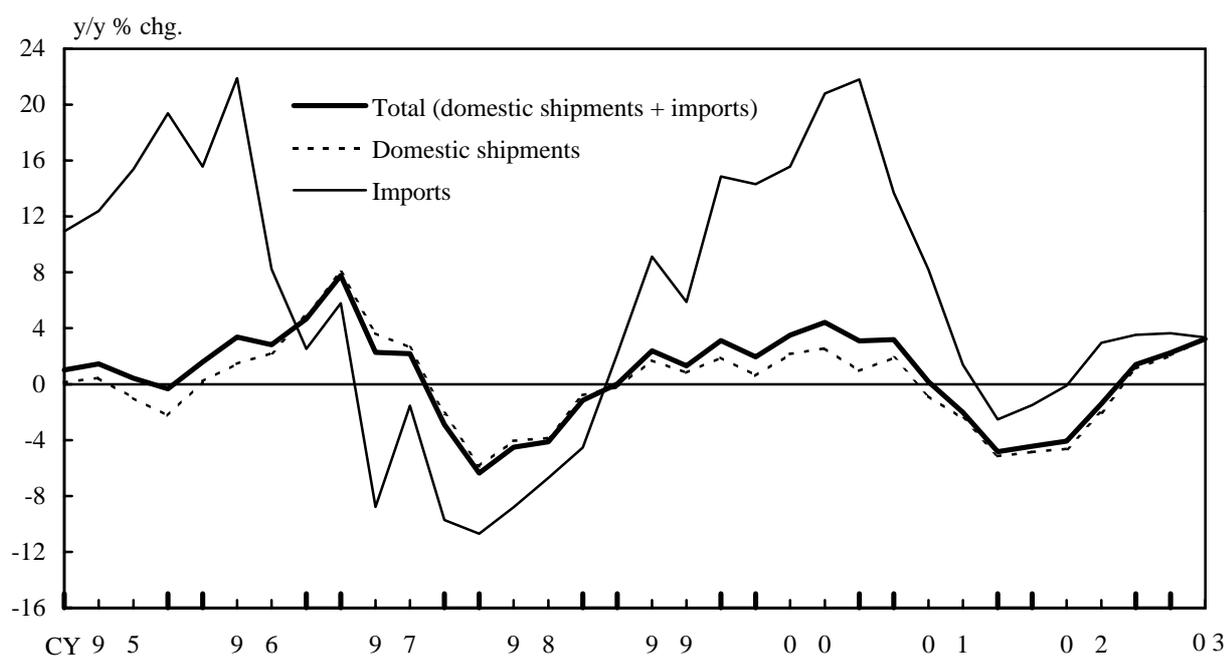
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index,"
 "Monthly Report on the Family Income and Expenditure Survey";
 Bank of Japan, "Wholesale Price Indexes";
 Japan Automobile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

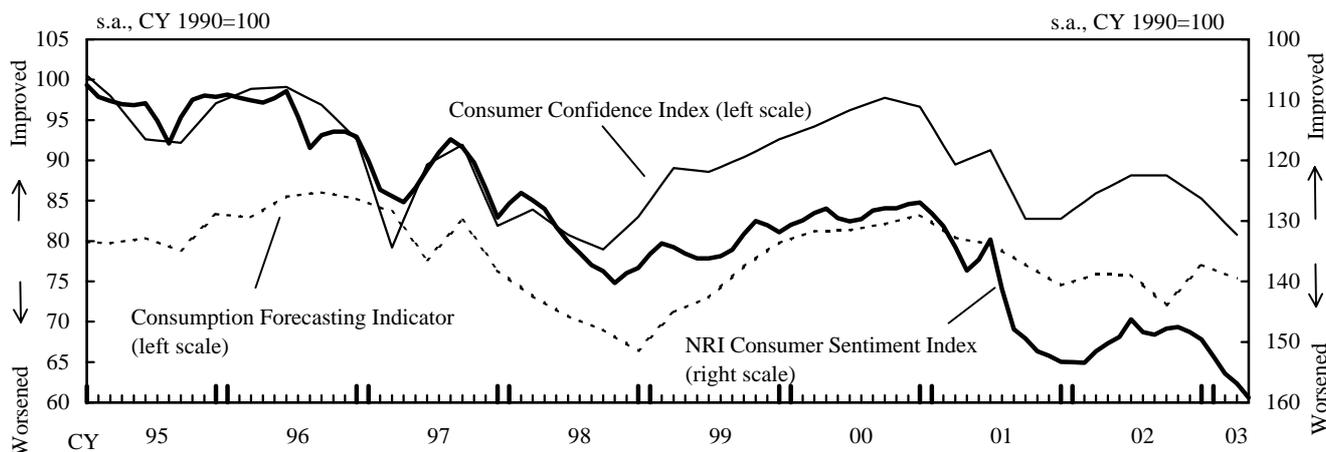


- Notes: 1. Aggregate supply of consumer goods is calculated by the Bank of Japan using shipments of consumer goods in *Indices of Industrial Production* and real exports and imports of consumer goods. The weights used for calculation are those of *Indices of Industrial Domestic Shipments and Imports*.
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 seasonally adjusted series.
4. 2003/Q2 figures are those of April in terms of quarterly amount.

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

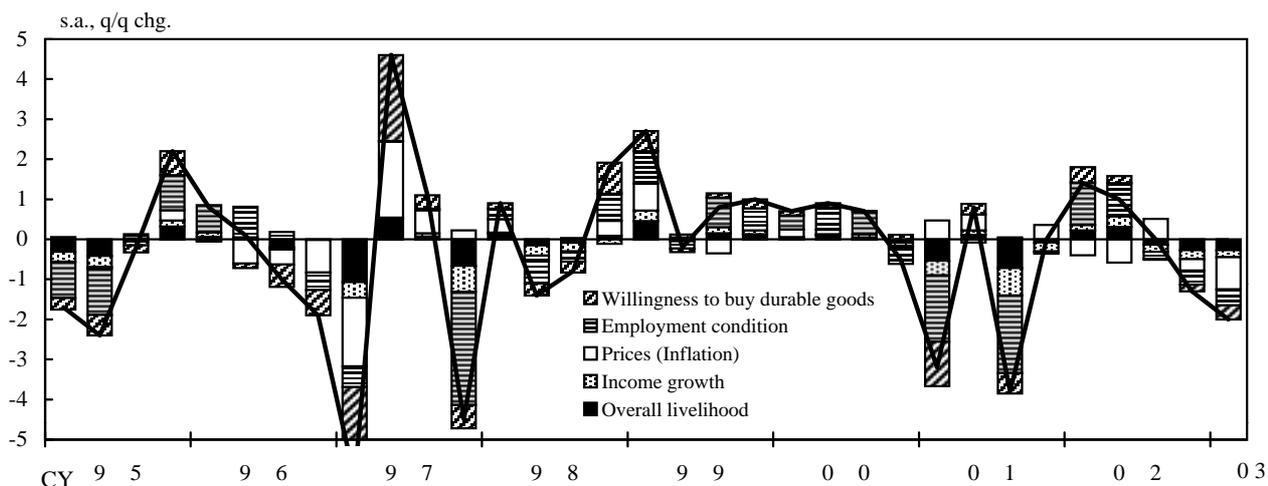
Consumer Confidence

(1) Surveys on Consumer Confidence

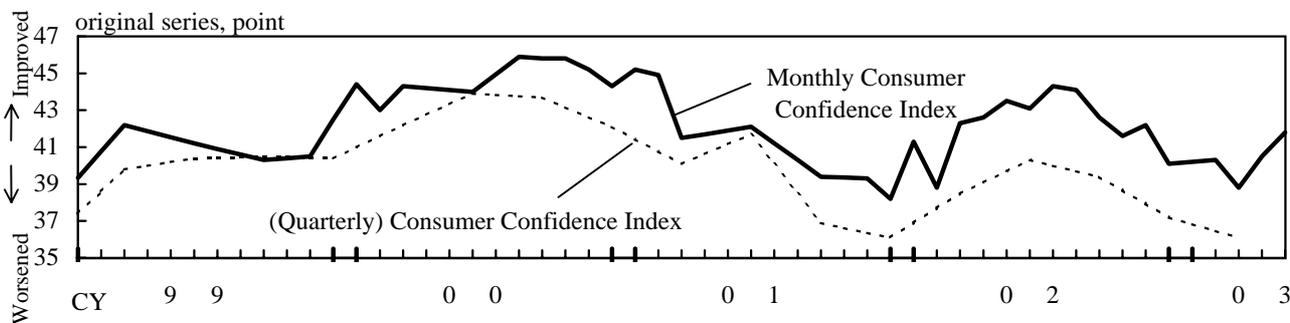


- Notes:
1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office.
 2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 1,500 samples in metropolitan area), and NRI Consumer Sentiment Index (with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

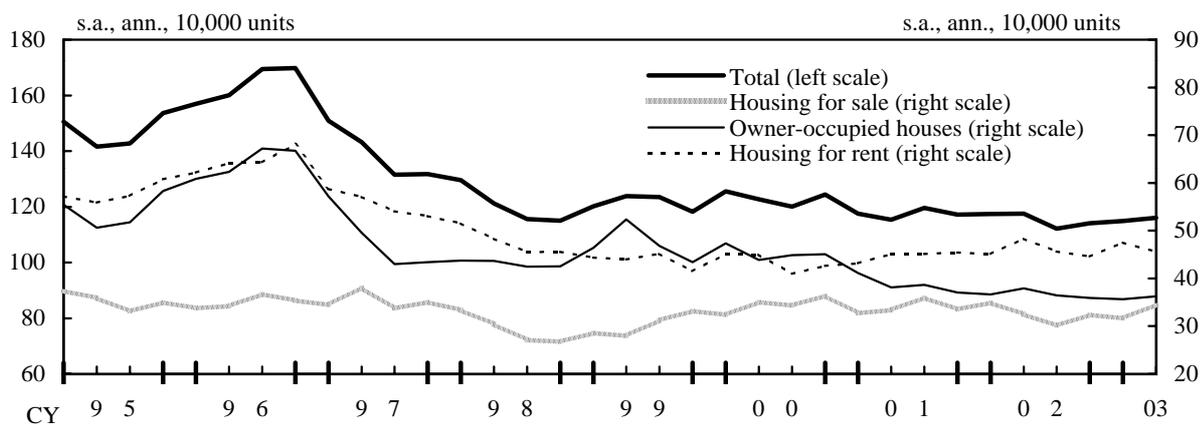


Note: *Monthly Consumer Confidence Survey* is conducted on a monthly basis for limited samples of the Tokyo district (435 households surveyed) in the quarterly Consumer Confidence Survey. The items in the monthly survey are parts of the quarterly survey. Prior to 2001, figures for the months when the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

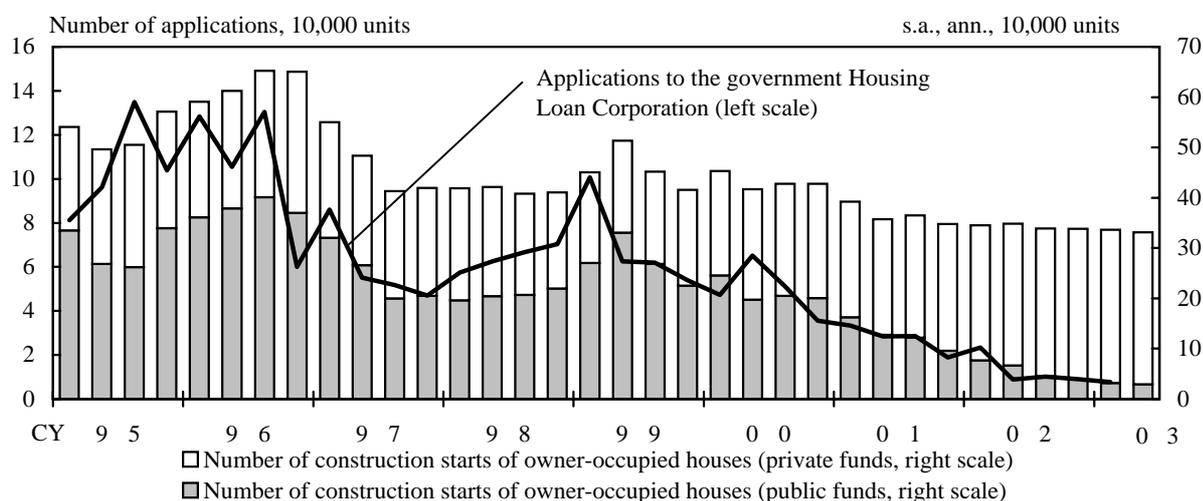
Indicators for Housing Investment

(1) Housing Starts



Note: Figures of 2003/Q2 are those of April.

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

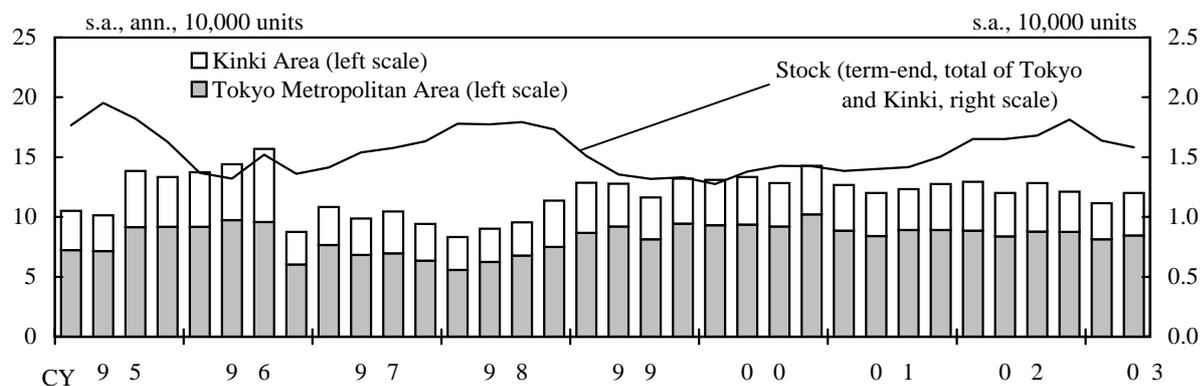


Notes: 1. The number of loan applications for the construction of private houses is allotted according to the number of days in the offering period of each quarter.

2. The number of loan applications for 2003/Q2 is not calculated until the end of the 1st offering period in FY2003 and this is not shown on this graph.

3. Figures for the number of construction starts of owner-occupied houses (private funds and public funds) for 2003/Q2 are those of April.

(3) Sales of Condominiums



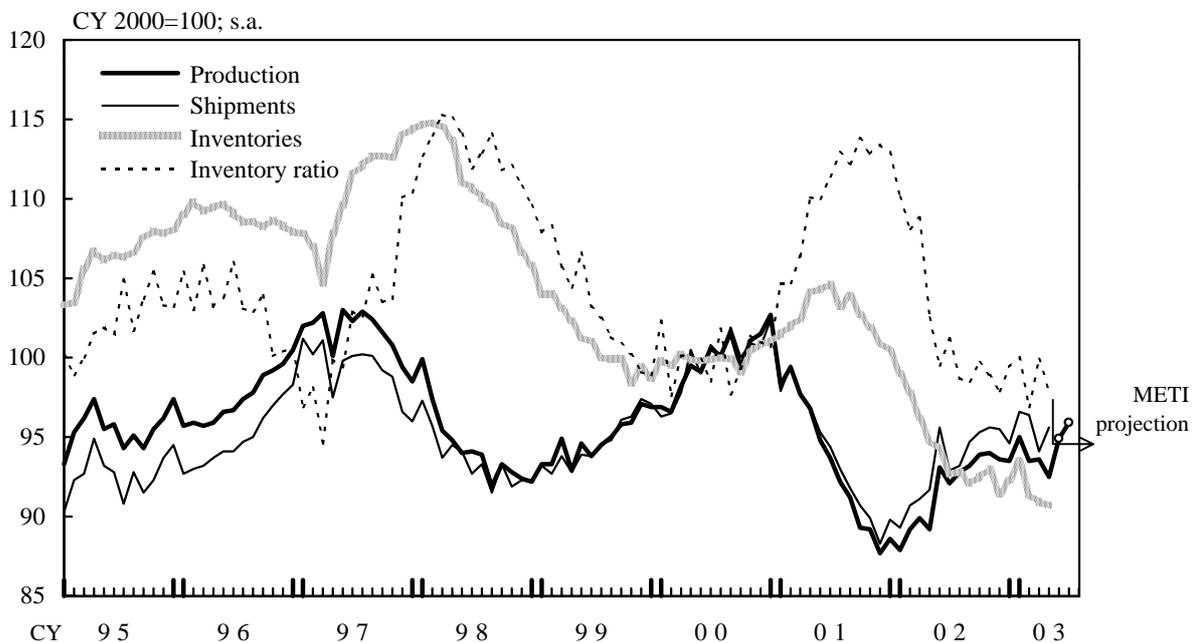
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. Figures of 2003/Q2 are those of April.

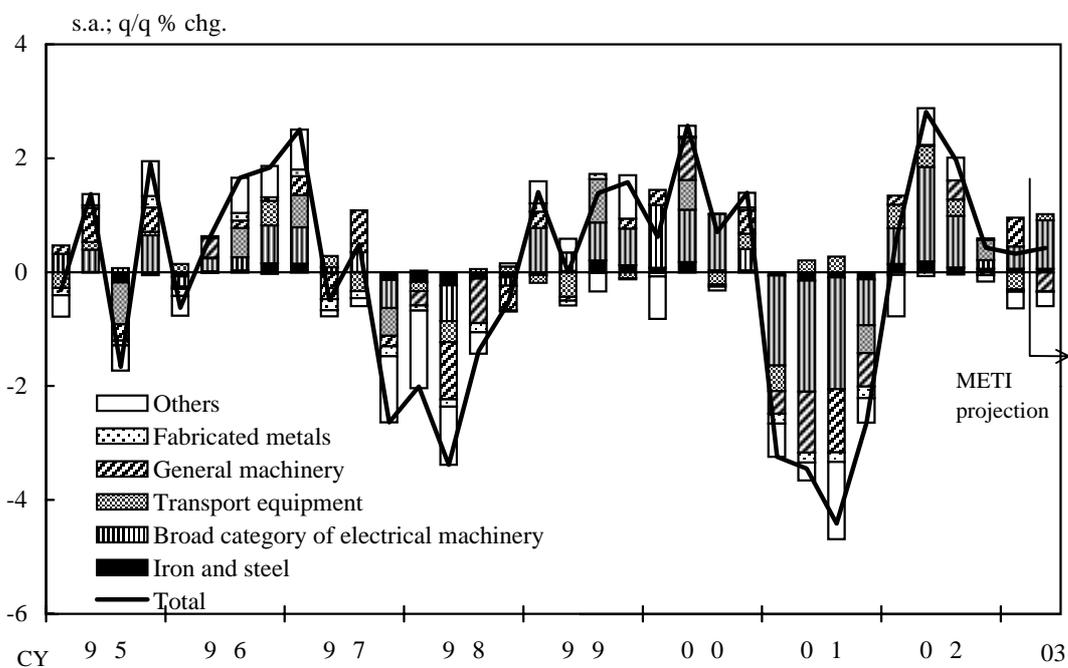
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

 Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries



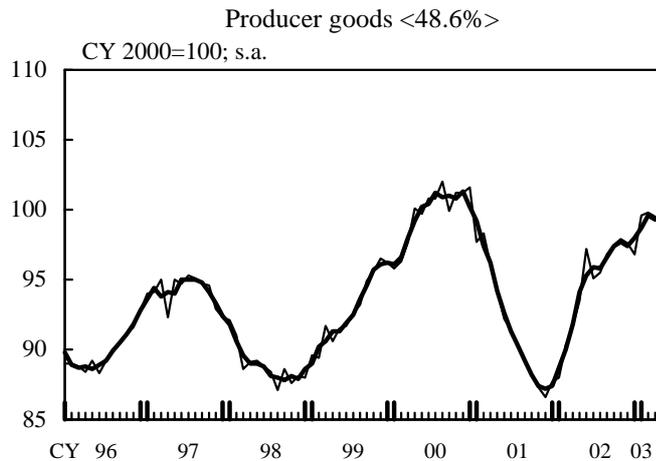
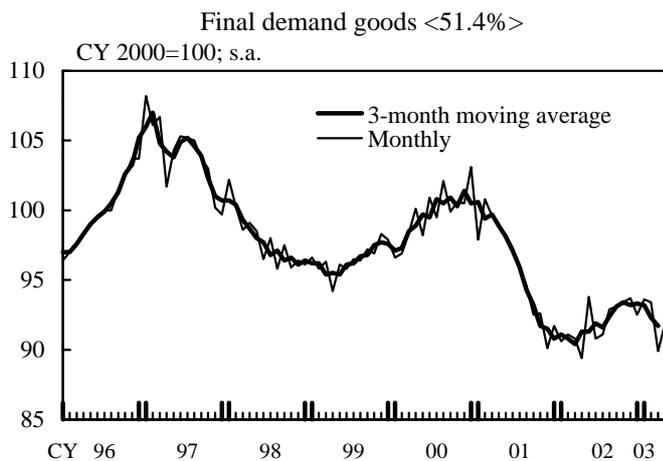
Note: Transport equipment excludes ships and rolling stock.

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

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

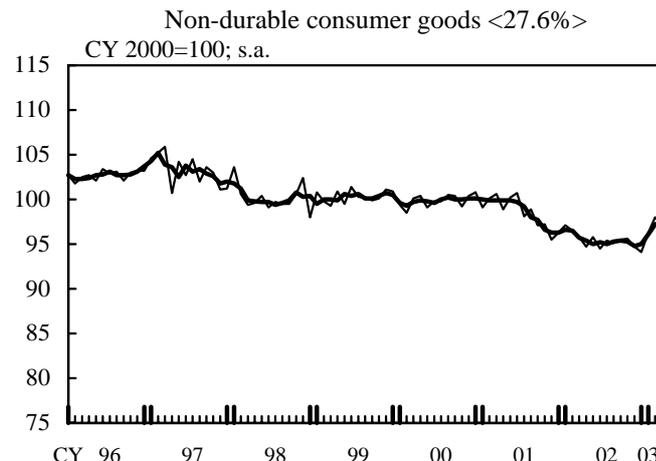
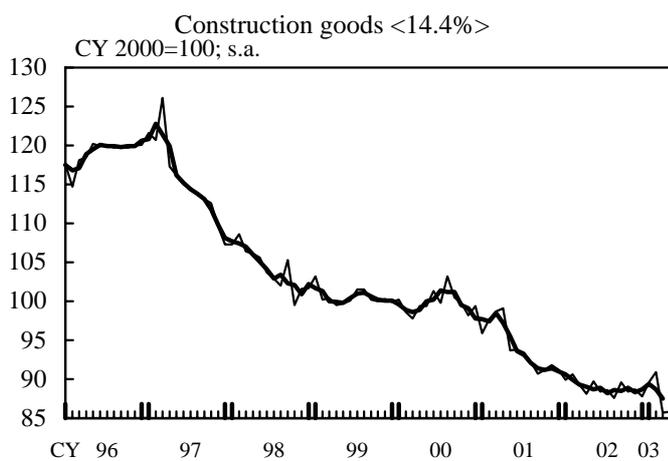
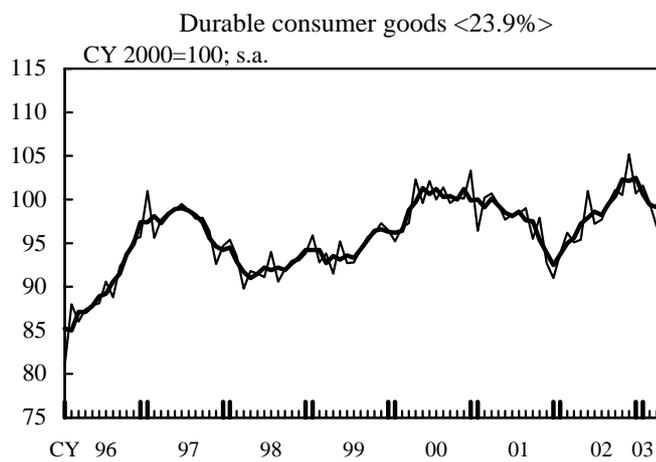
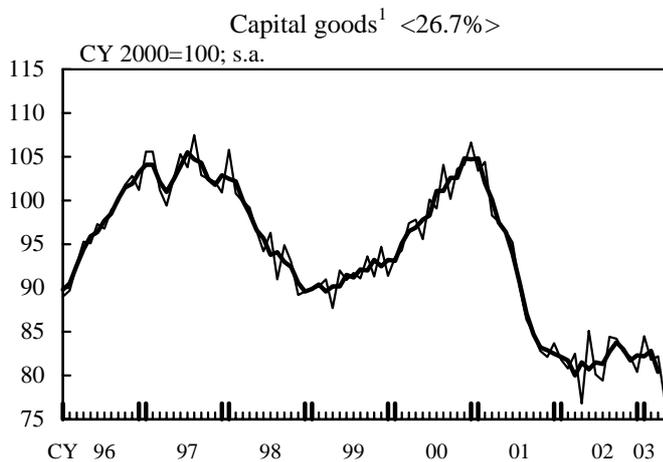
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

(2) Breakdown of final demand goods

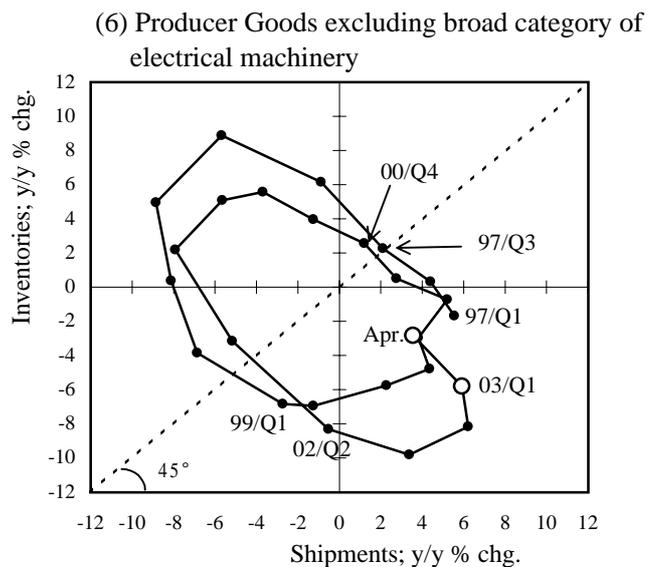
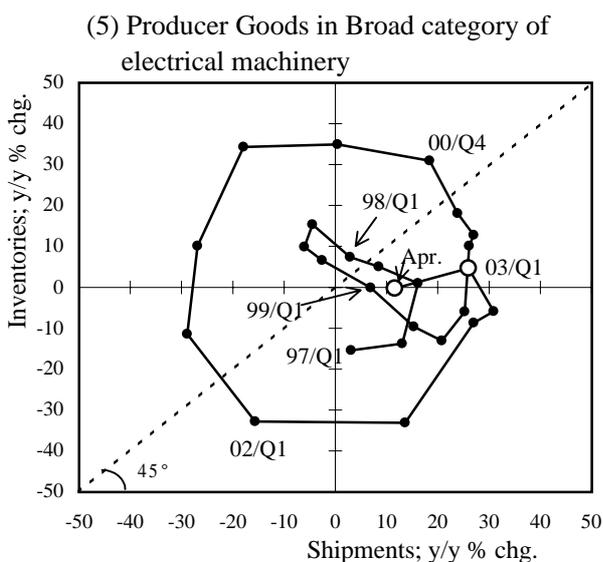
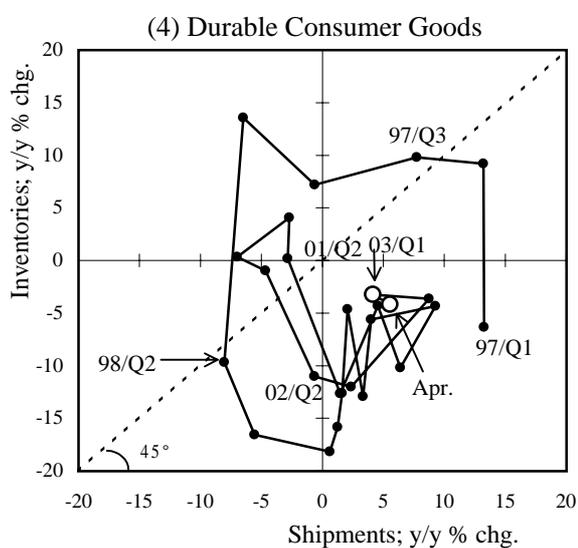
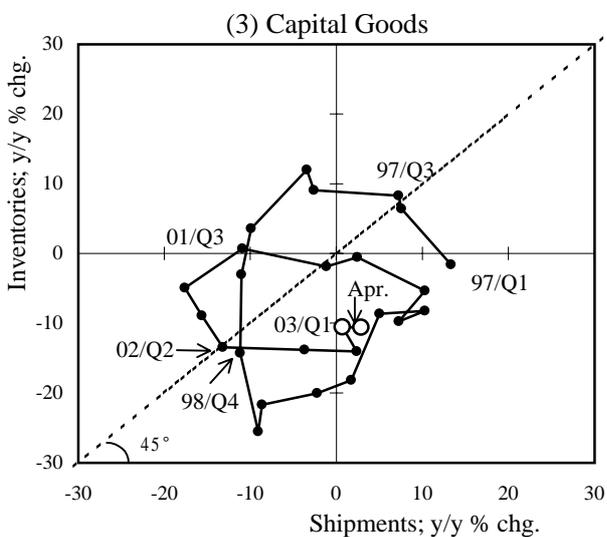
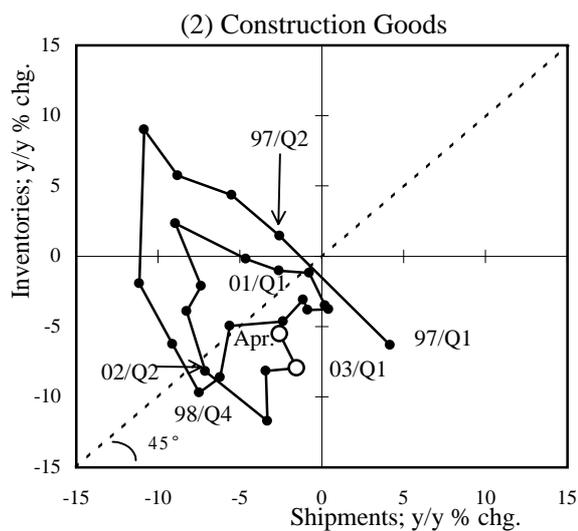
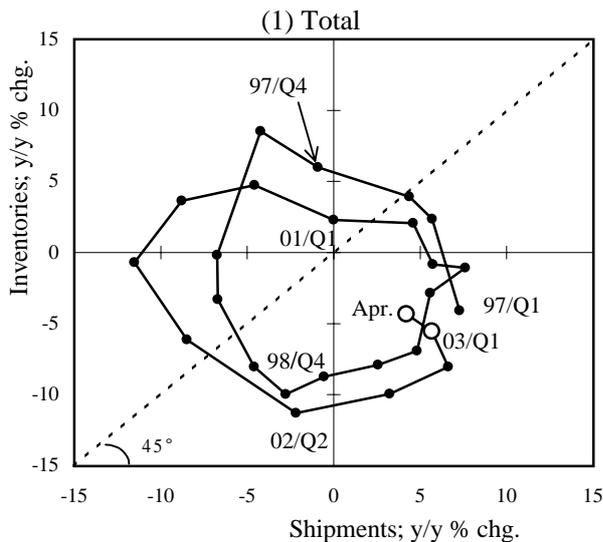


Notes: 1. Excluding transportation equipment.

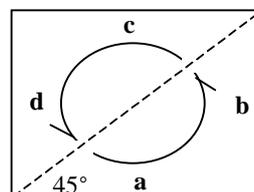
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

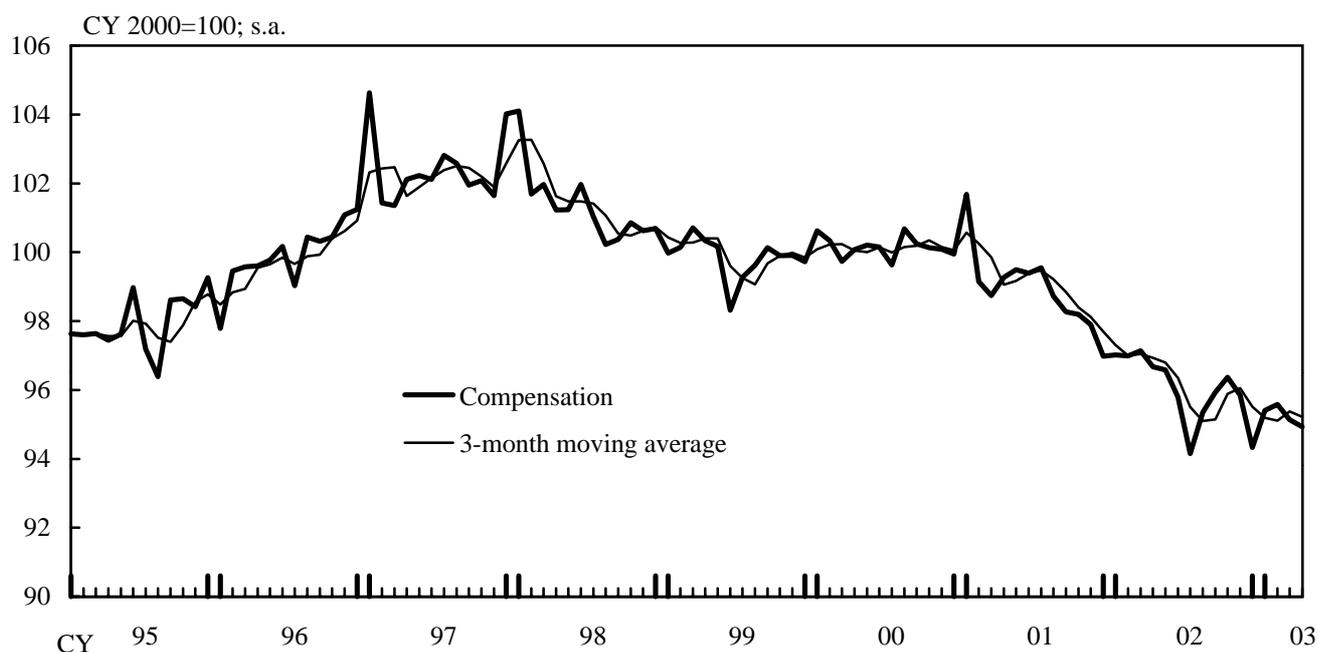


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



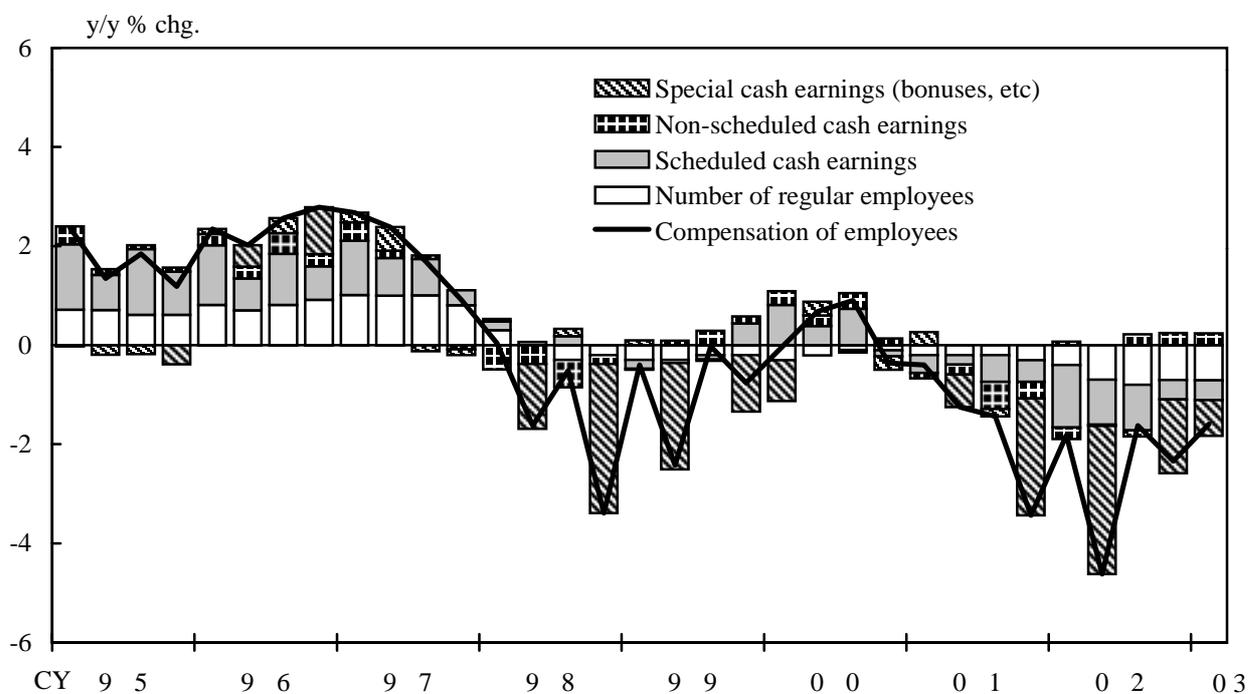
Compensation of Employees

(1) Compensation



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

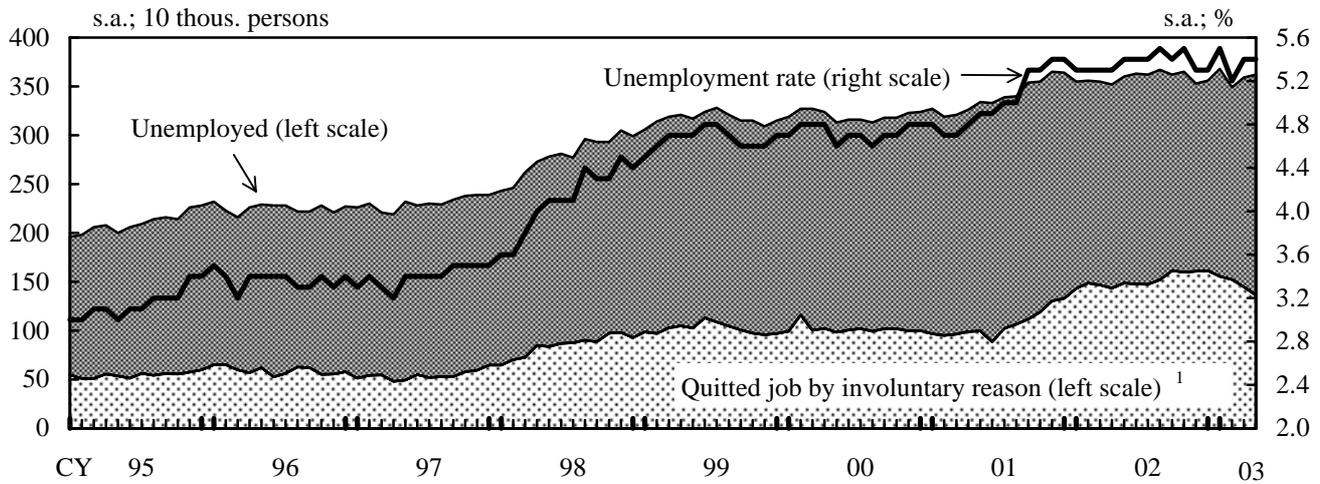
(2) Breakdown of Compensation



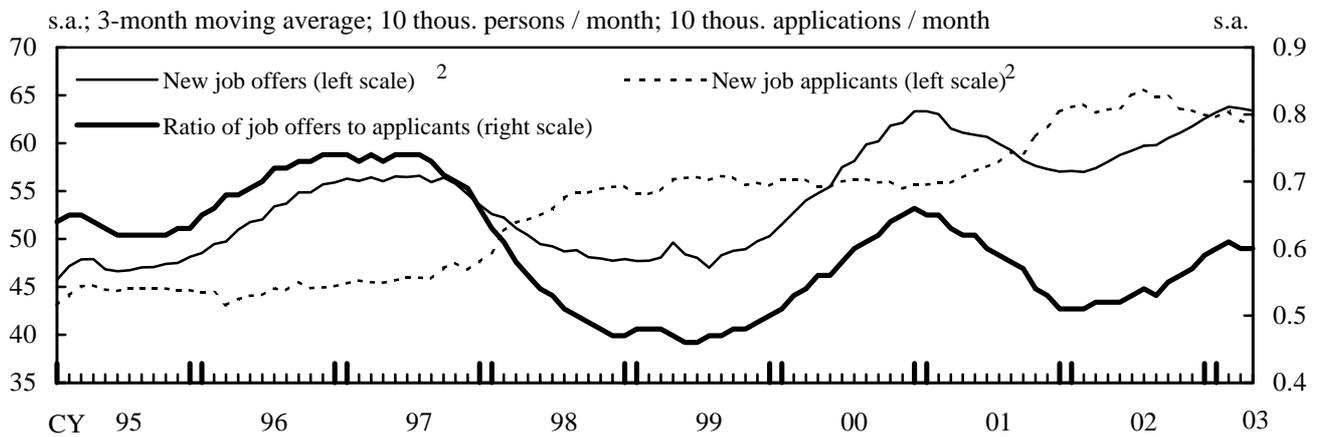
- Notes: 1. Data are for establishments with at least 5 employees.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
3. Figures for 2003/Q1 are those of March - April averages. Those for April 2003 are preliminary figures.

Labor Market (1)

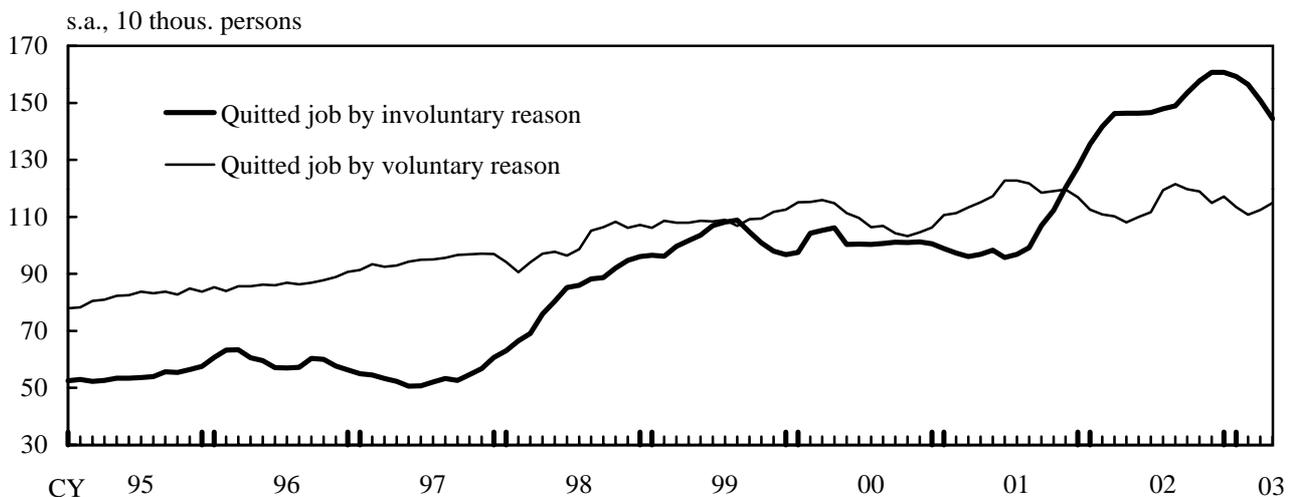
(1) The Unemployed and Unemployment Rate



(2) Ratio of Job Offers to Applicants



(3) Breakdown of the Unemployed¹



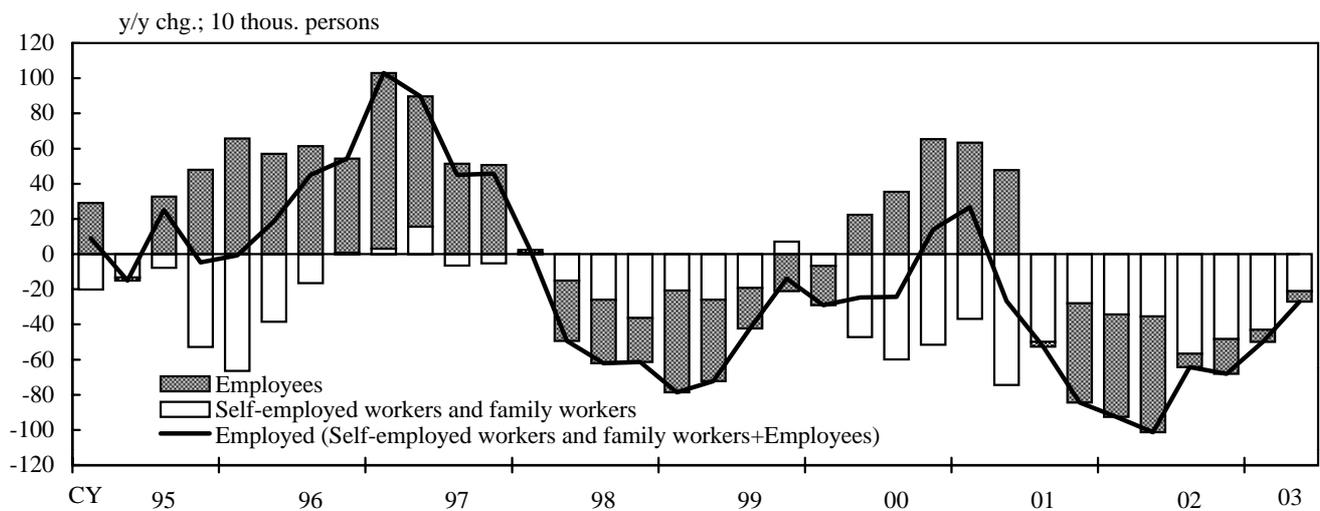
Notes: 1. Seasonally adjusted by X-11.

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

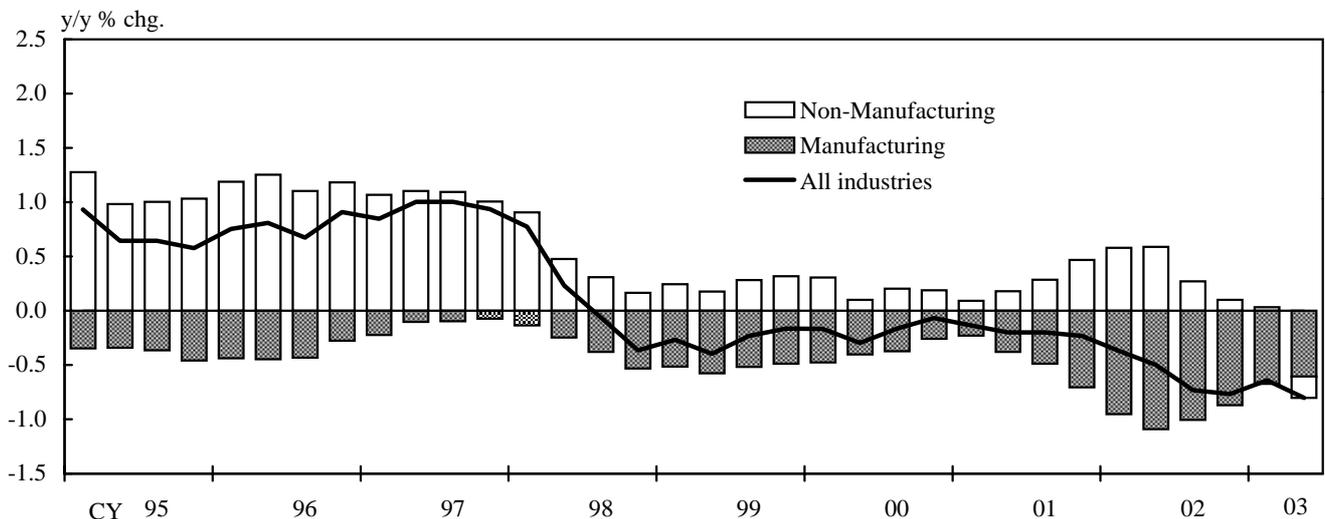
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service,"
Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Labor Market (2)

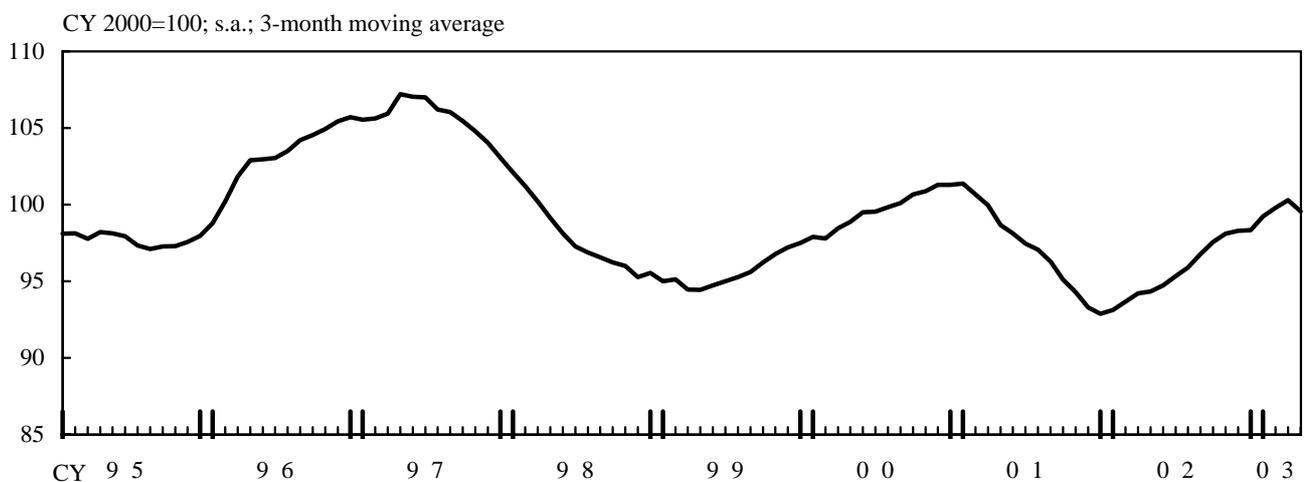
(1) The Employed¹ (Labour Force Survey)



(2) Number of Regular Employees^{1,2} (Monthly Labour Survey)



(3) Non-scheduled Hours Worked² (Monthly Labour Survey)



Note: 1. Figures for 2003/Q2 are those of April.

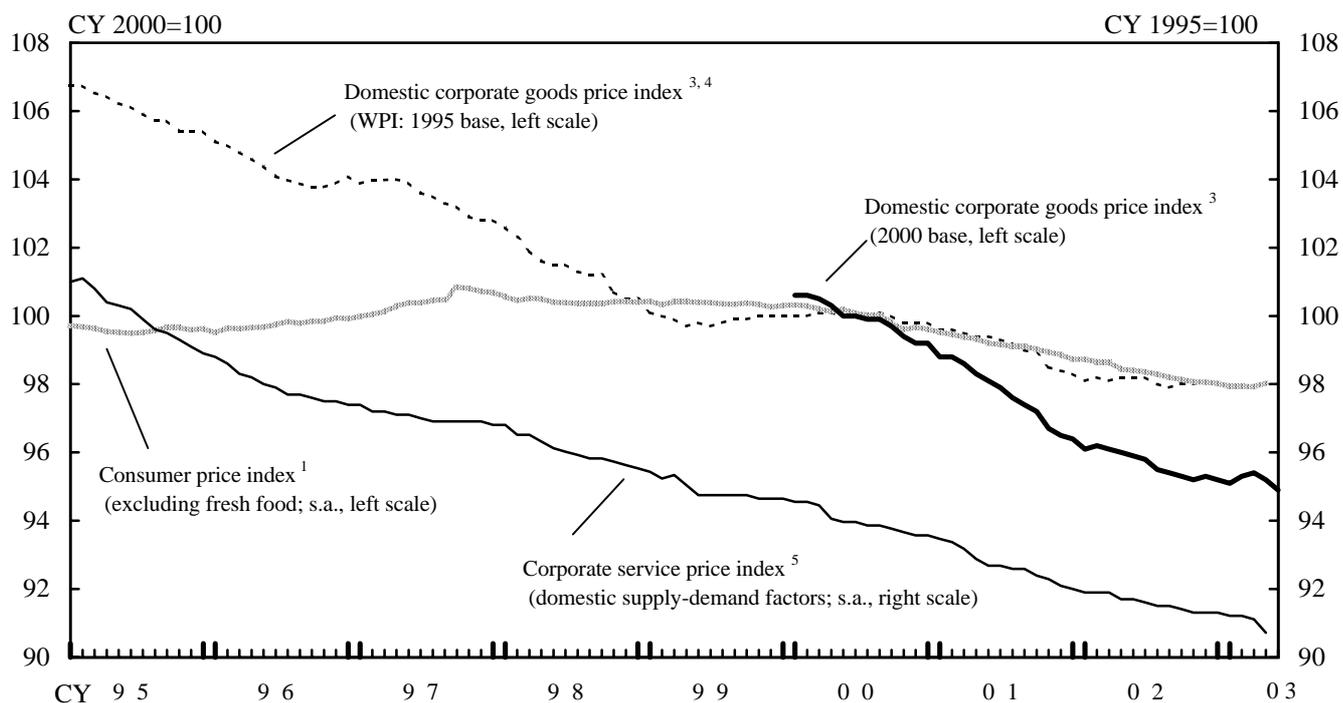
2. Data are for establishments with at least 5 employees. Those for April 2003 are preliminary figures.

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

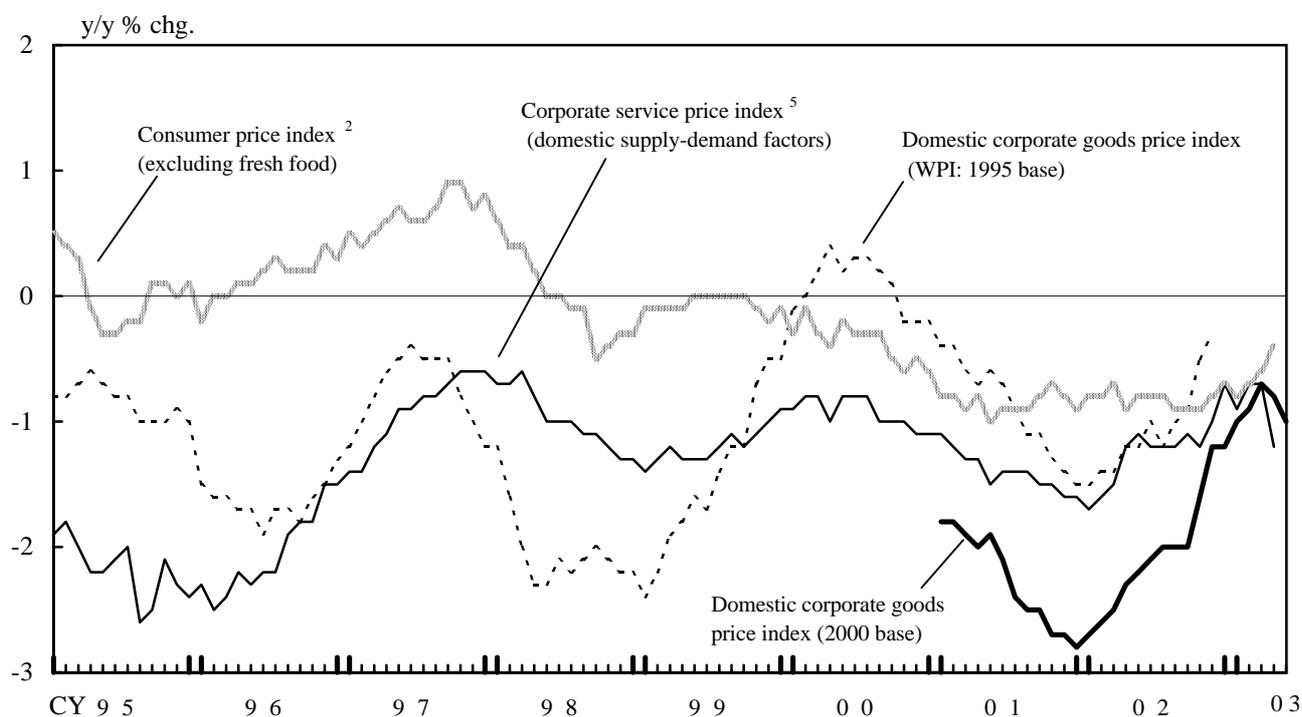
Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

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.

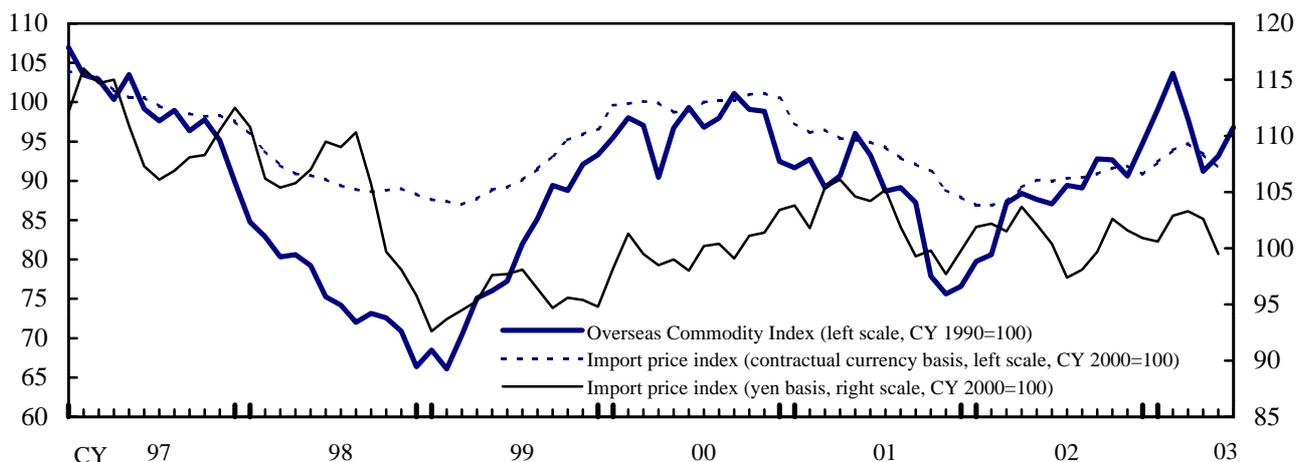
5. See footnote 1 in Chart 24, for definition of the Corporate Service Price Index (domestic supply-demand factors).

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."

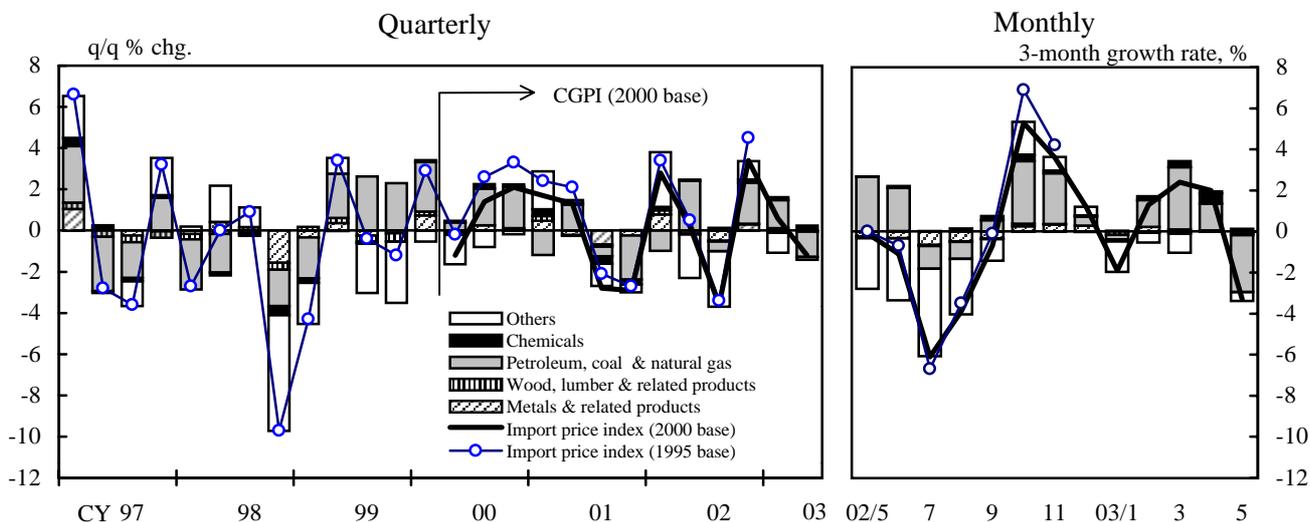
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



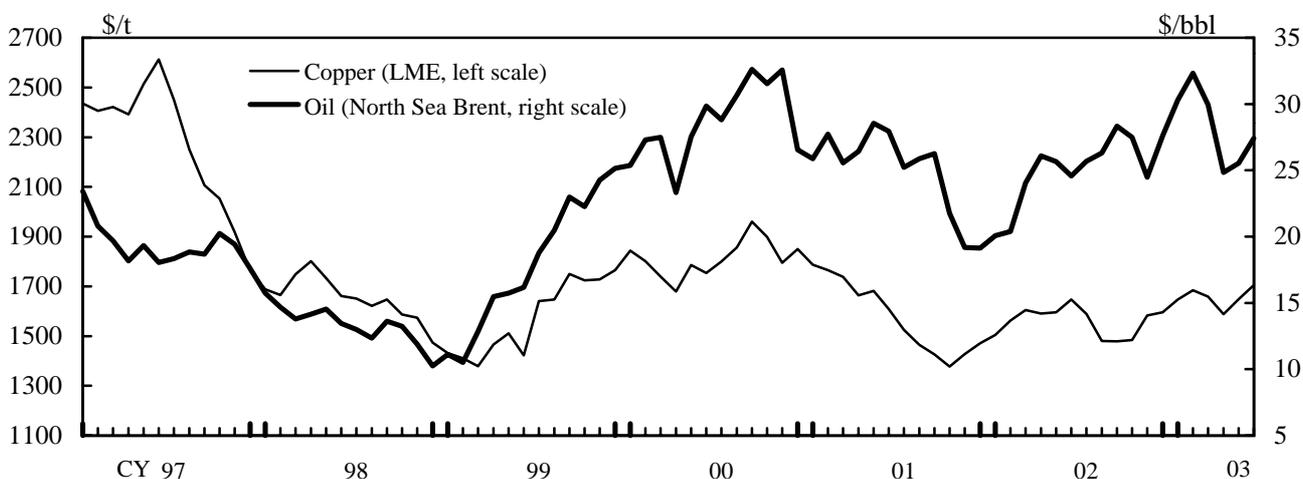
Note: Overseas Commodity Index, which is calculated by Bank of Japan, is a monthly average.
Figure for June 2003 is the average up to June 9.

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



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

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

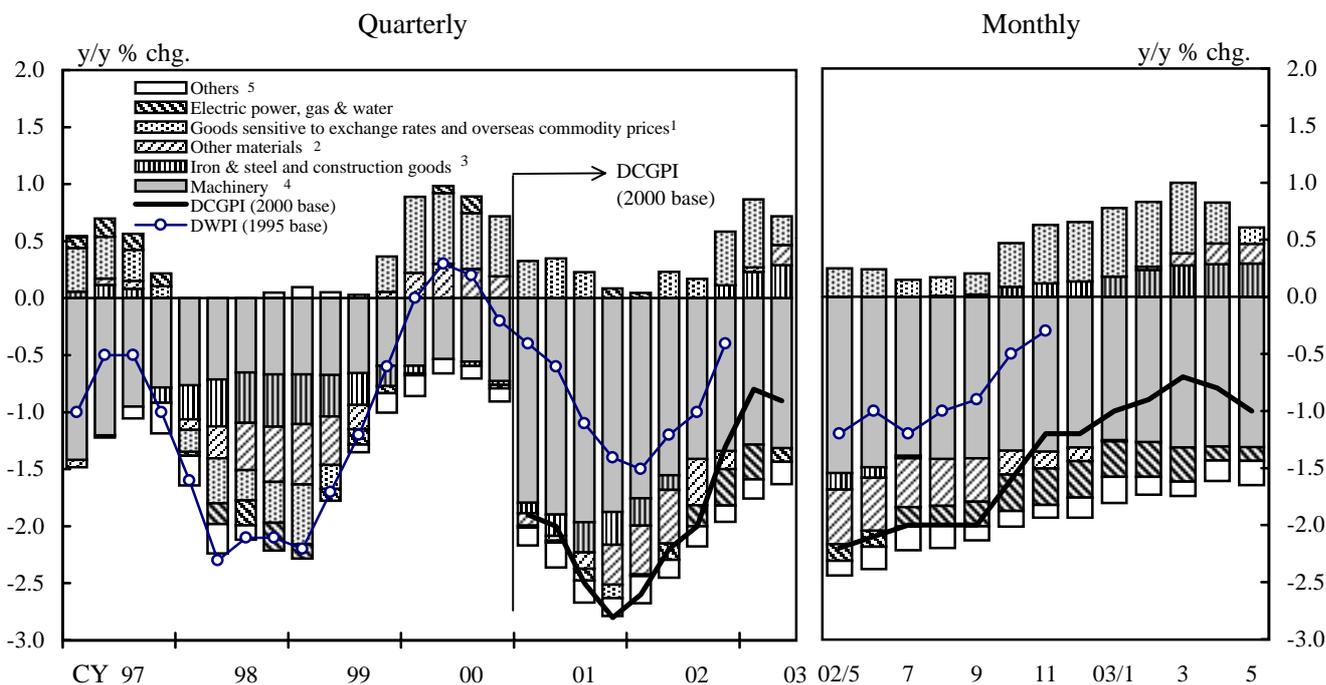


Note: Monthly averages. Figures for June 2003 are the averages up to June 9.

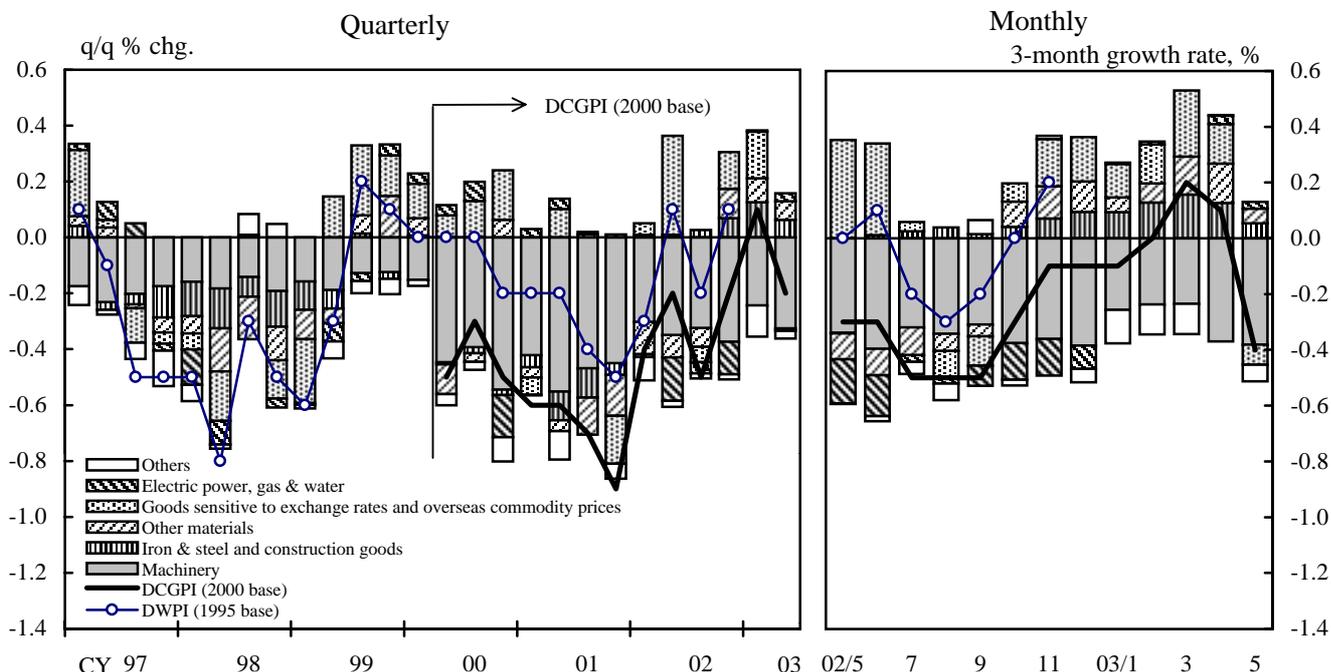
Sources: Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes," "Financial and Economic Statistics Monthly," etc.

Domestic Corporate Goods Price Index⁷

(1) Changes from a year earlier



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

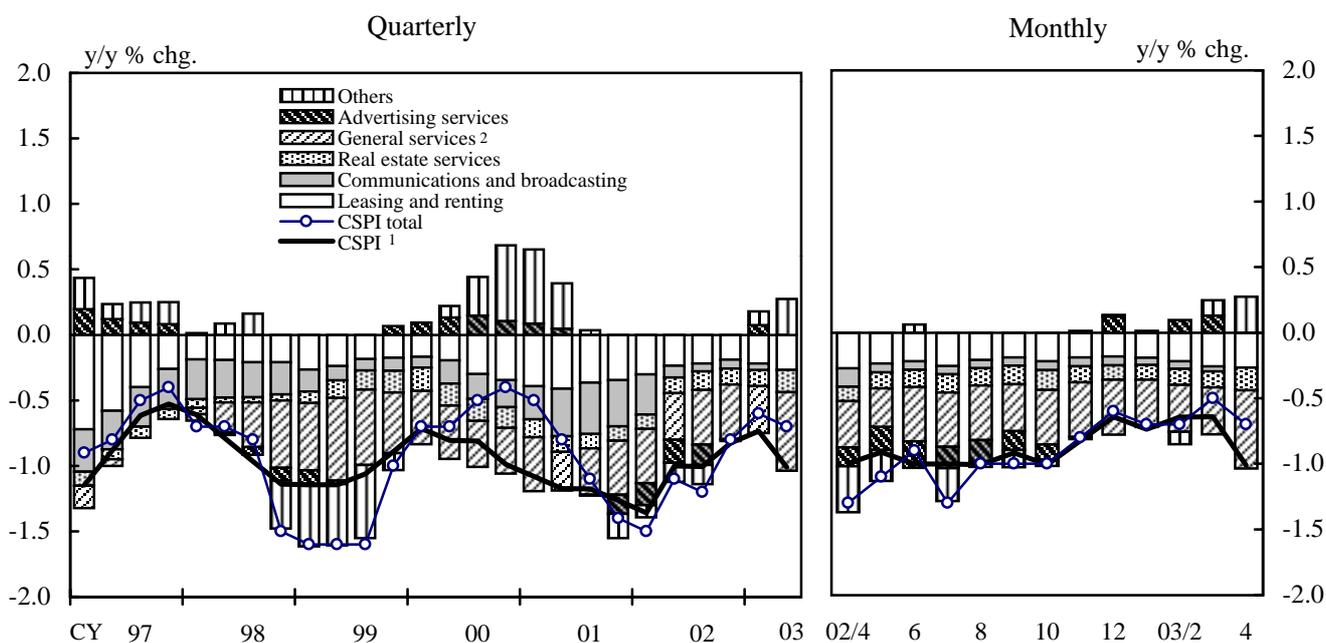
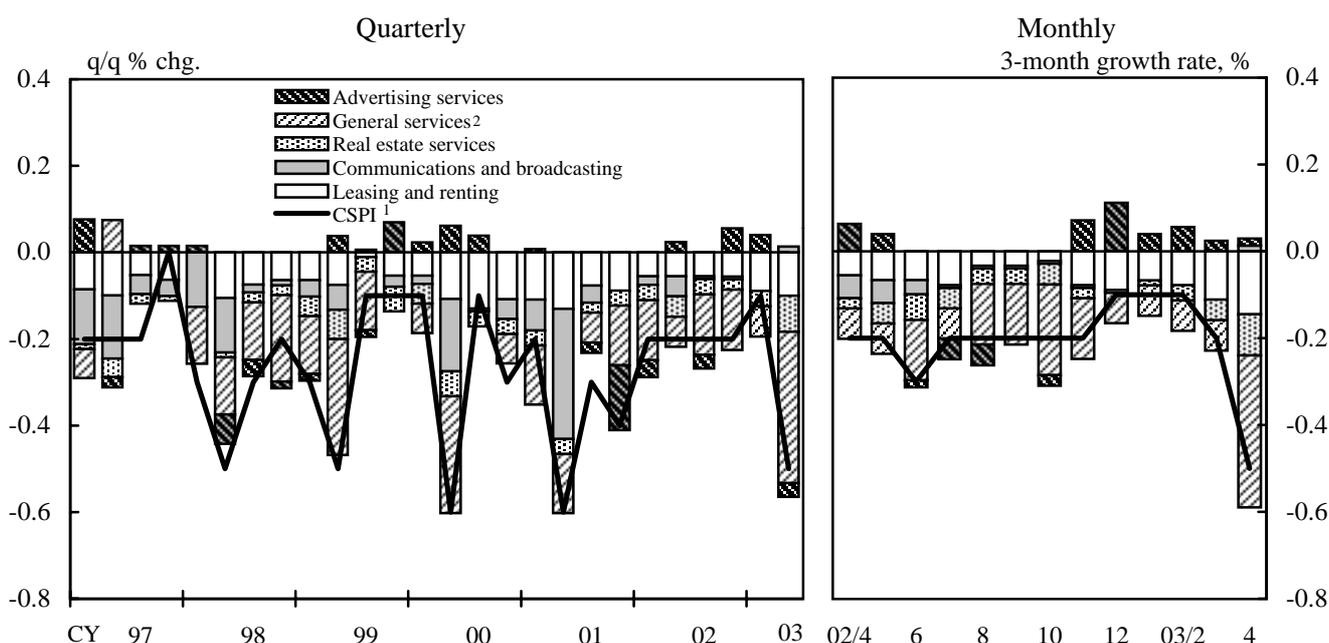


- Notes: 1. Goods sensitive to exchange rates and overseas commodity prices; petroleum & coal products, nonferrous metals.
 2. Other materials; chemicals, plastic products, textile products, pulp, paper & related products.
 3. Iron & steel and construction goods; iron & steel, metal products, ceramics, 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-May averages.
 1995 base figures for 2002/Q4 are those of Oct.-Nov. averages.

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

Corporate Service Price Index⁴

(1) Changes from a year earlier

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

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

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

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

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

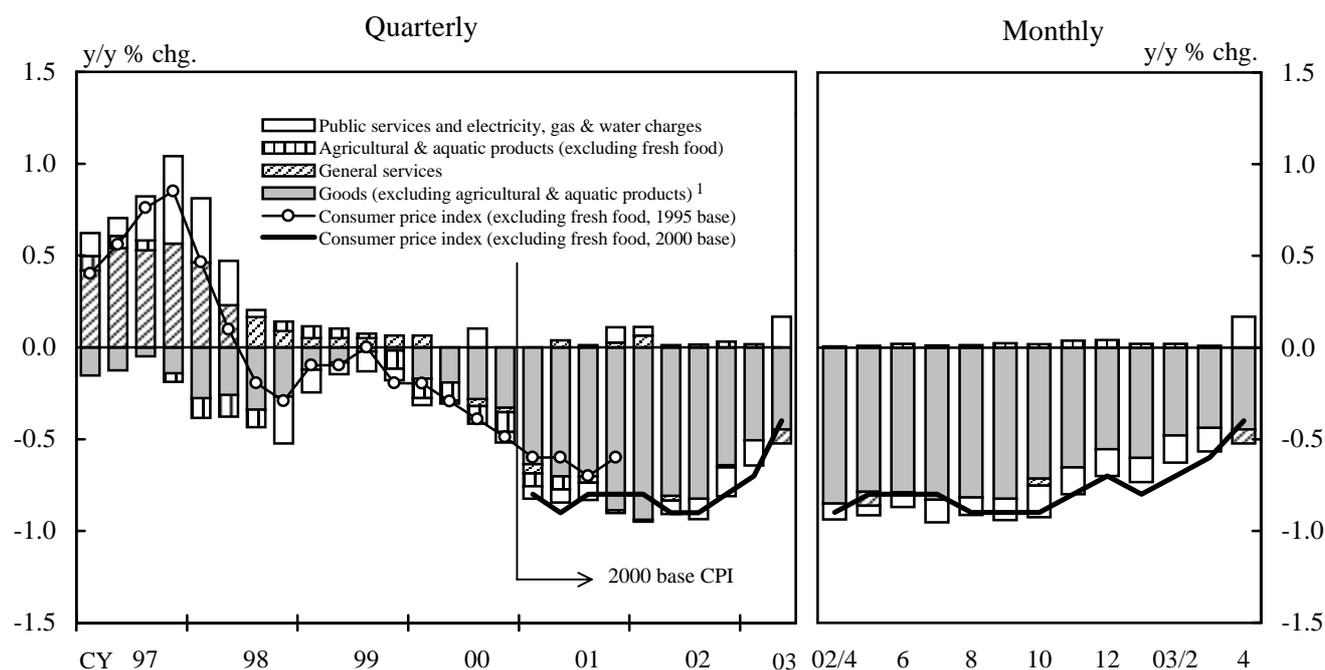
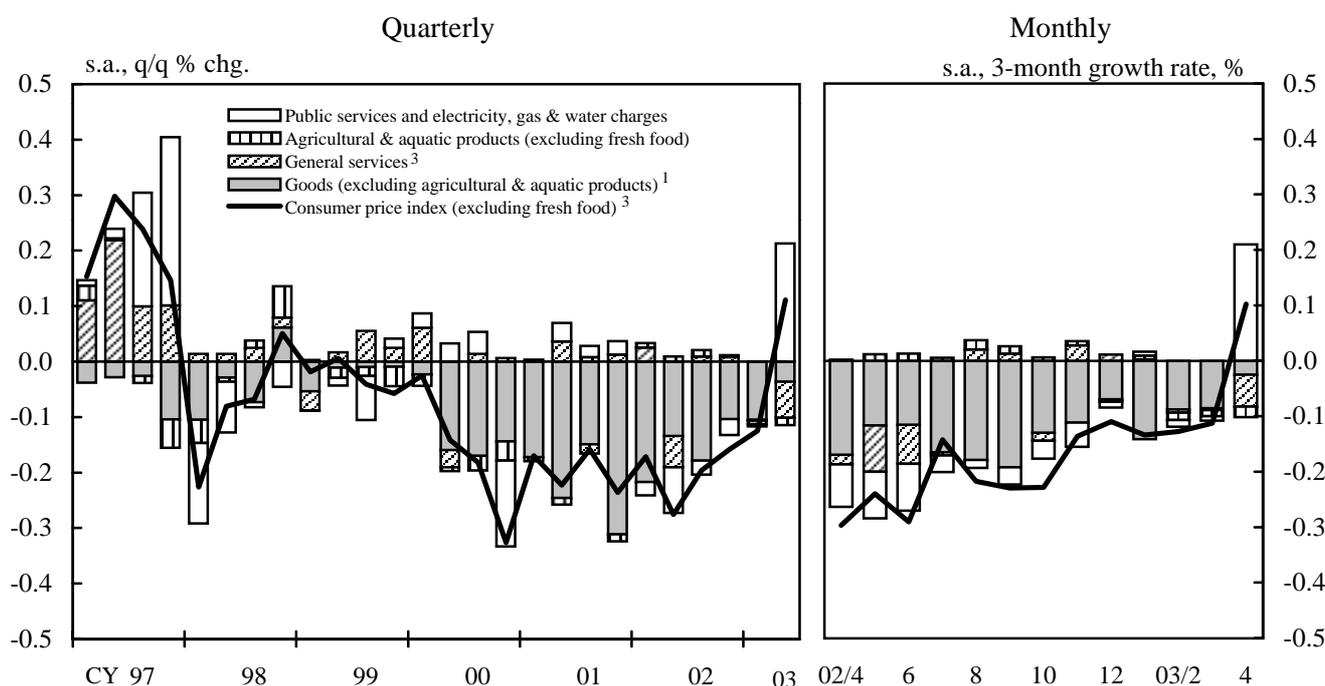
4. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

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

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

Consumer Price Index (excluding fresh food)⁴

(1) Changes from a year earlier

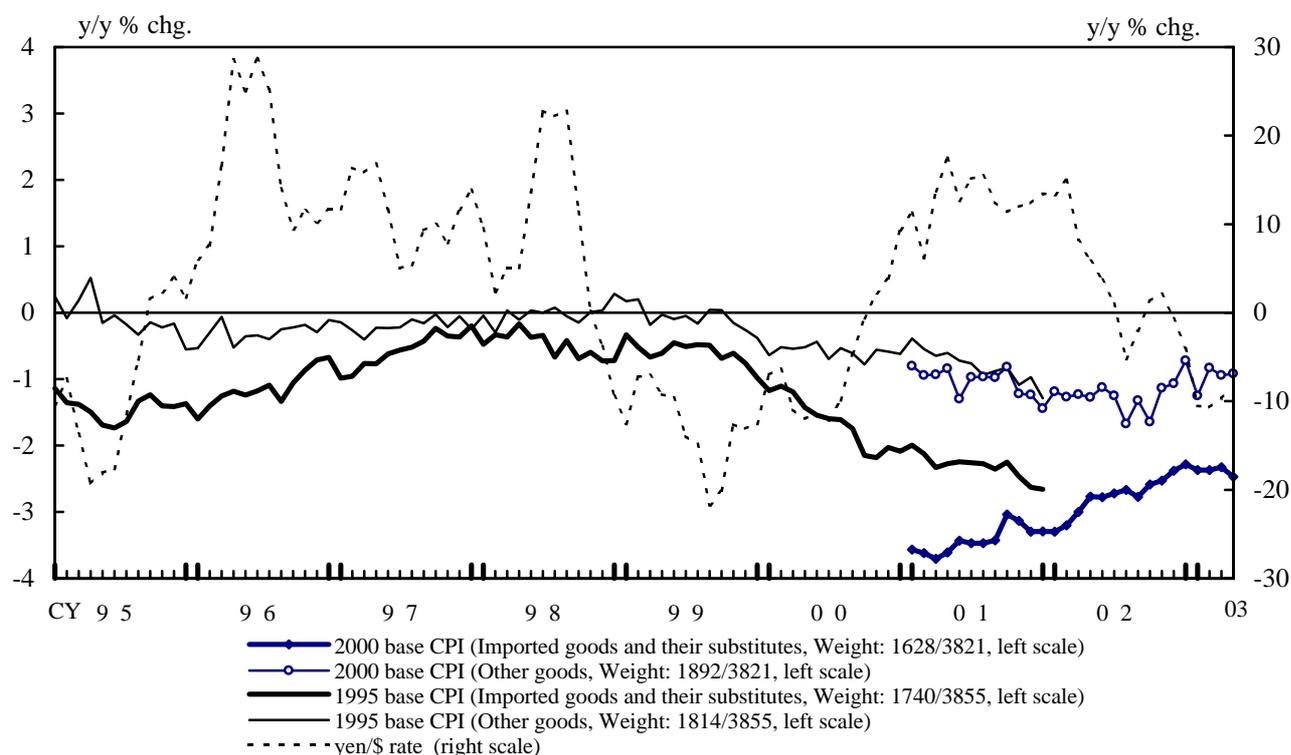
(2) Changes from a quarter earlier and 3 months earlier (2000 base CPI)²

- Notes: 1. The Items are basically the same as the definition published by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, however electricity, gas & water charges is excluded from goods.
2. Seasonally adjusted by X-12-ARIMA. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.
3. Excluding "package tours to overseas" newly adopted from the 2000 base. This is because sample size of this item is insufficient for seasonal adjustment, though it has large seasonal fluctuations.
4. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
5. Figures for 2003/Q2 are those of April.

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

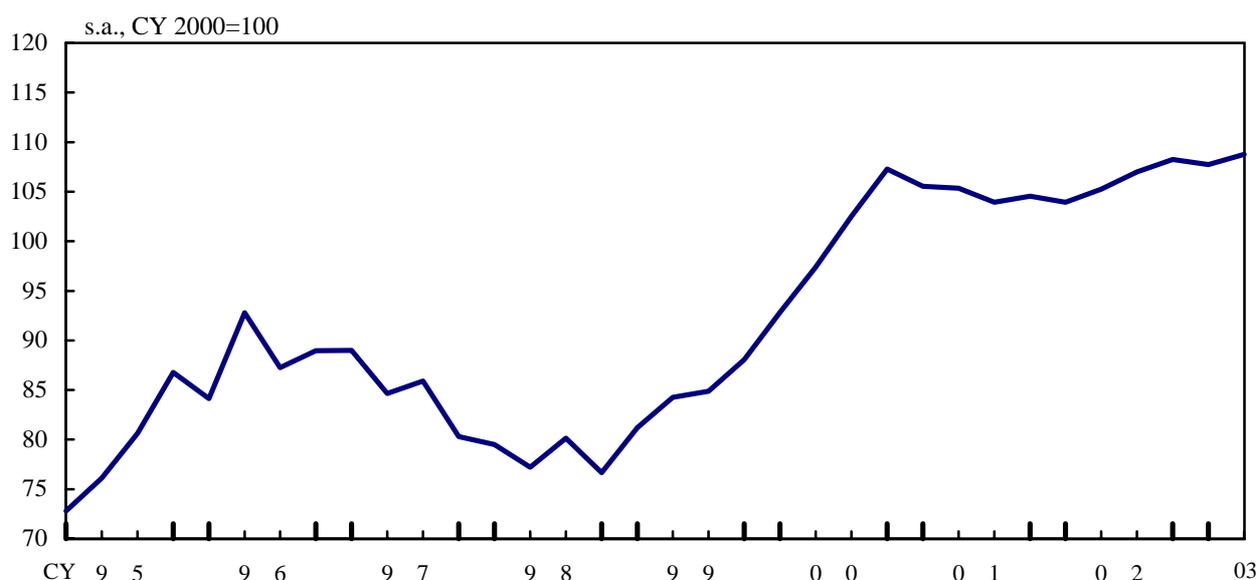
Consumer Price Index of imported goods and their substitutes

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



- Notes: 1. Goods covered here exclude petroleum products and agricultural & aquatic products. Weight is shares in Goods (excluding 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.
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)

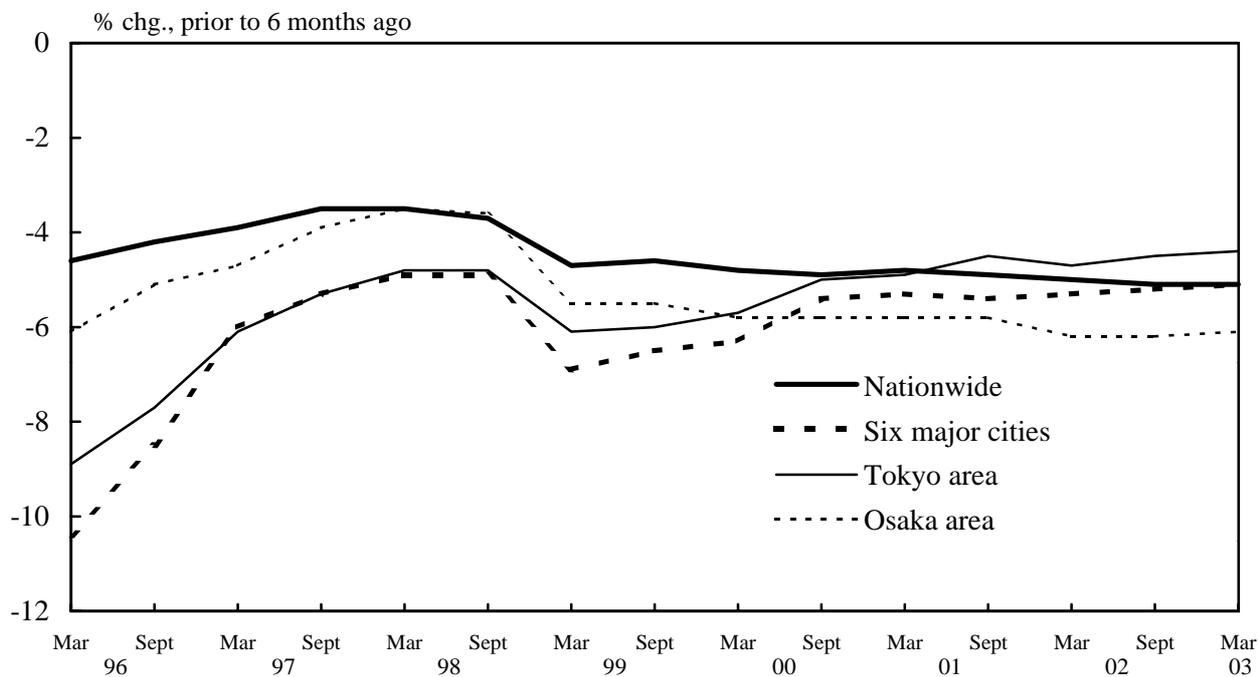


- Notes: 1. Real imports (consumer goods), which are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles, are calculated from the Trade Statistics as an index with the 2000 average equal to 100.
2. 2003/Q2 figures are those of April in terms of quarterly amount.

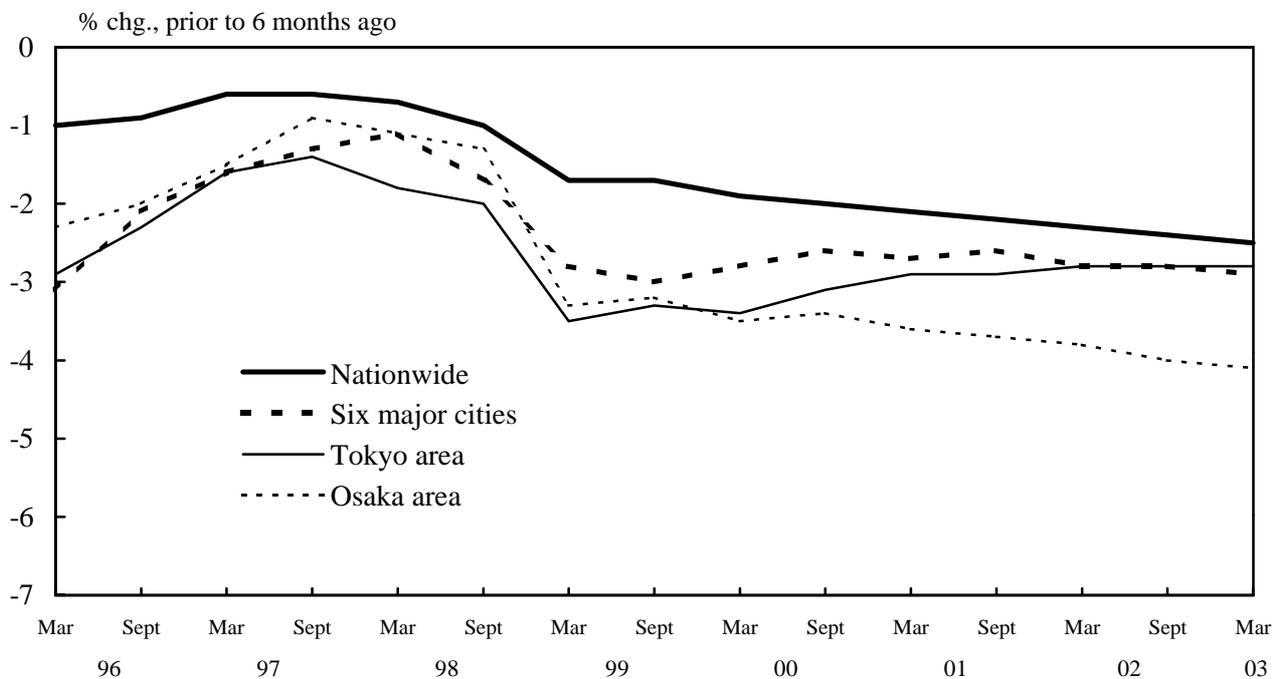
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Urban Land Price Index

(1) Commercial land



(2) Residential land



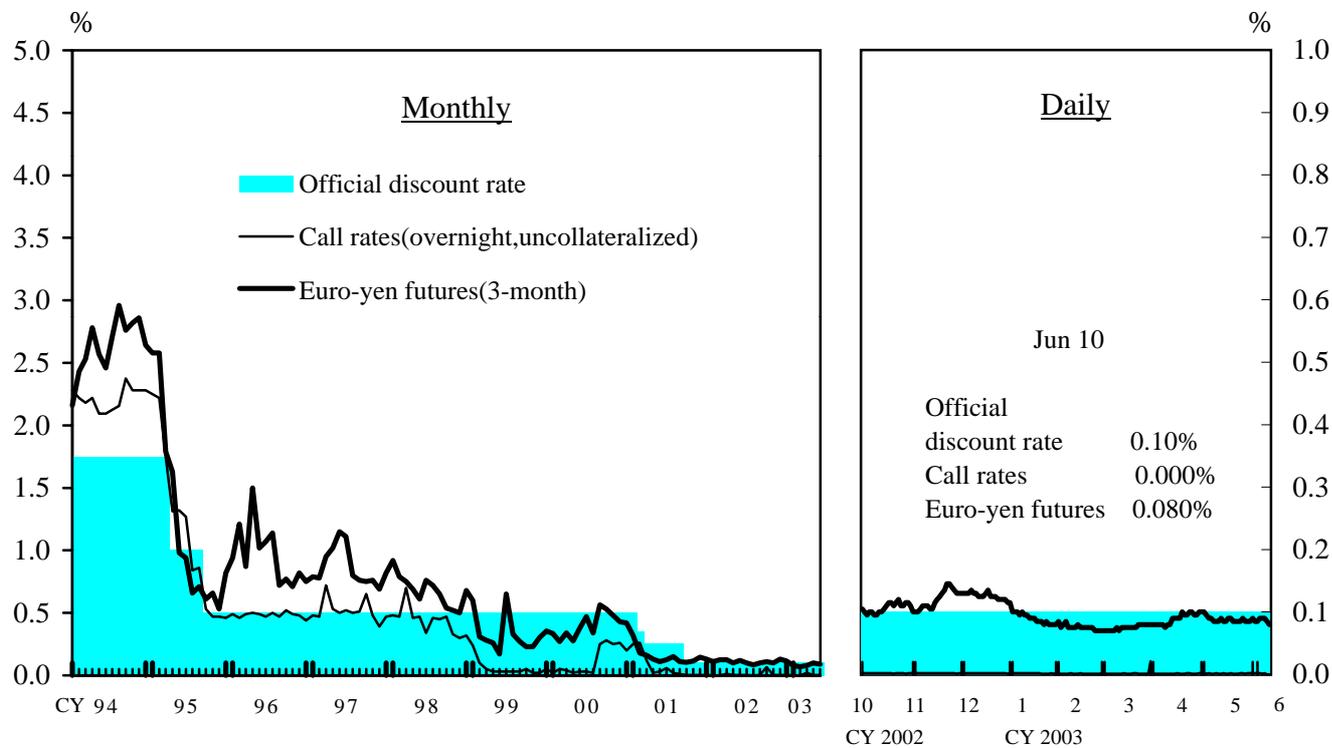
Notes: 1. The Urban Land Price Index is based on surveys conducted at the end of March and September each year.

2. Six major cities include Tokyo (23 wards only), Yokohama, Nagoya, Kyoto, Osaka and Kobe.

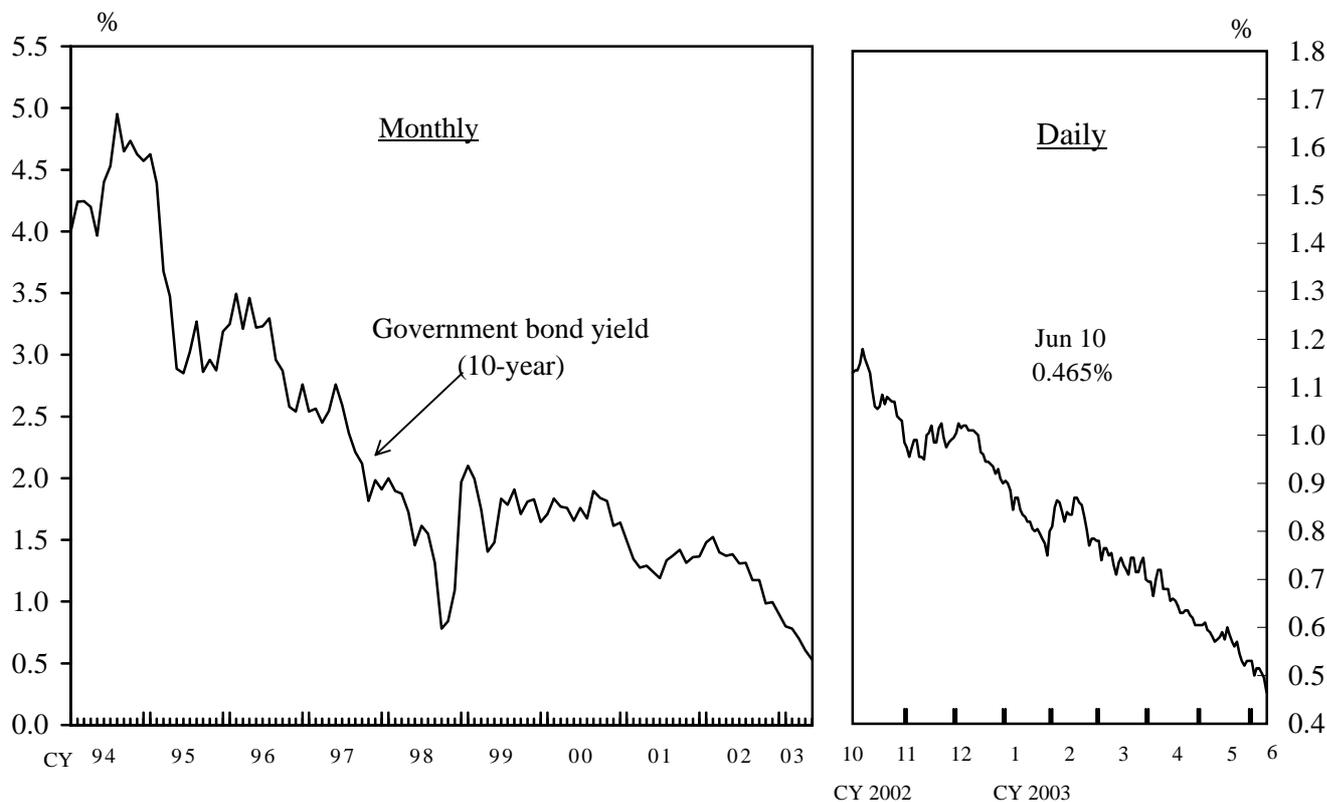
Source: Japan Real Estate Institute, "Urban Land Price Index."

Interest Rates

(1) Short-Term



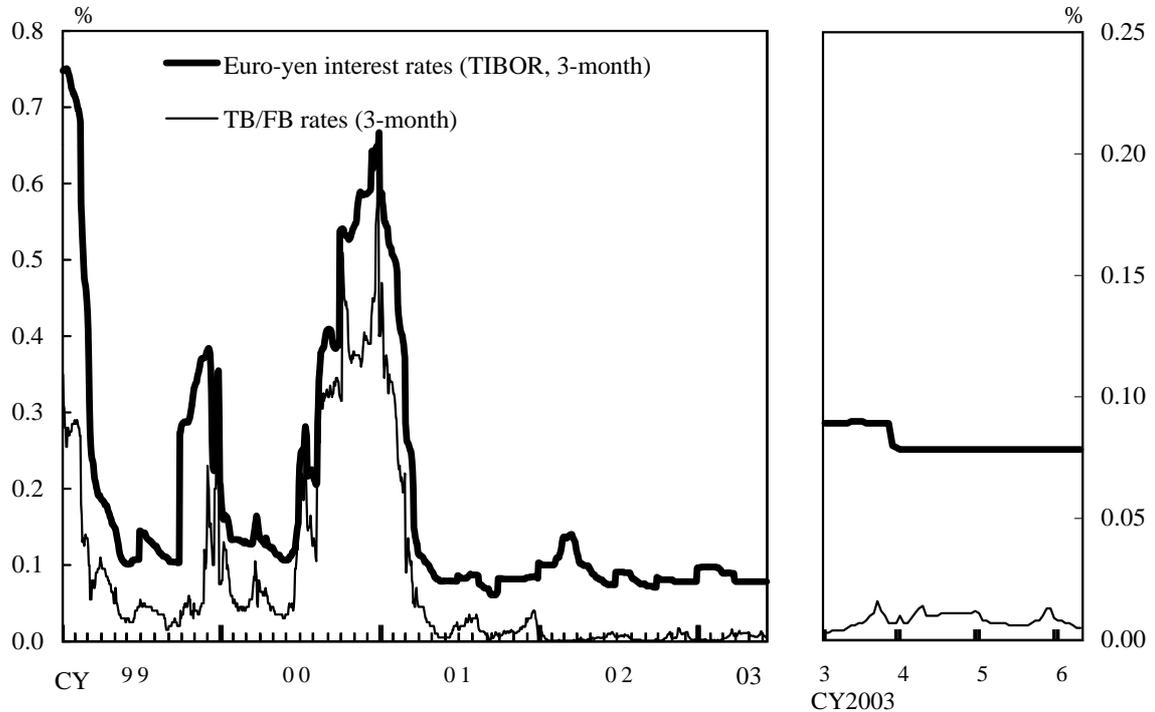
(2) Long-Term



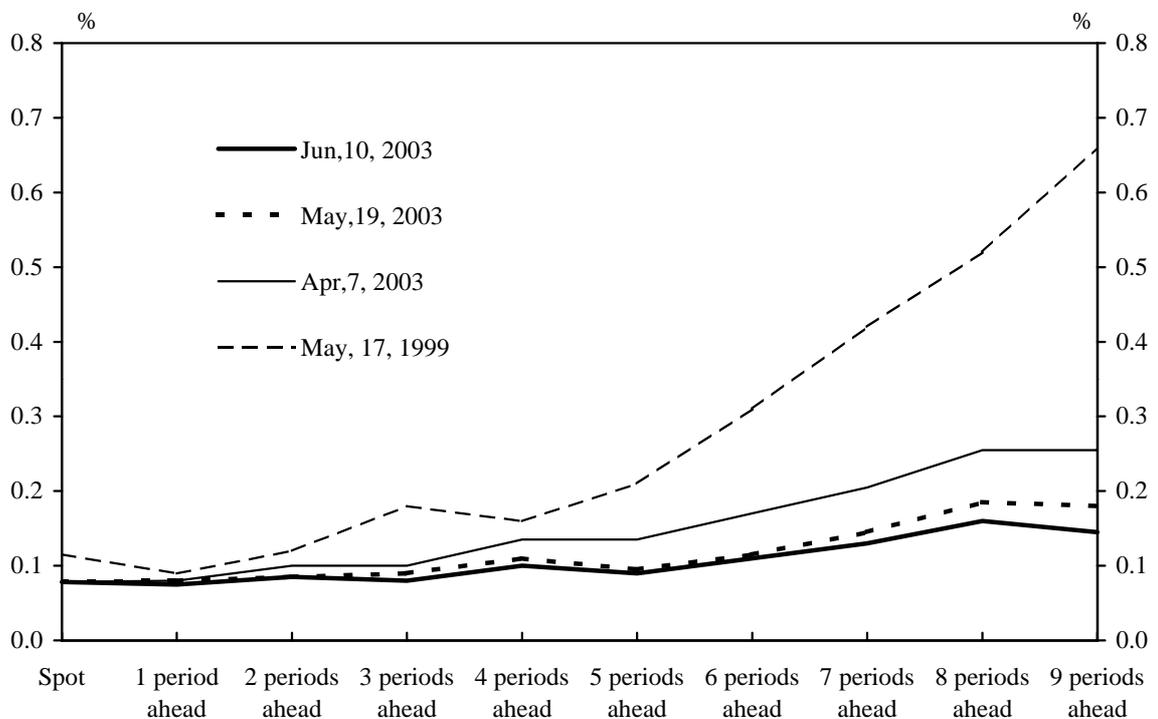
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



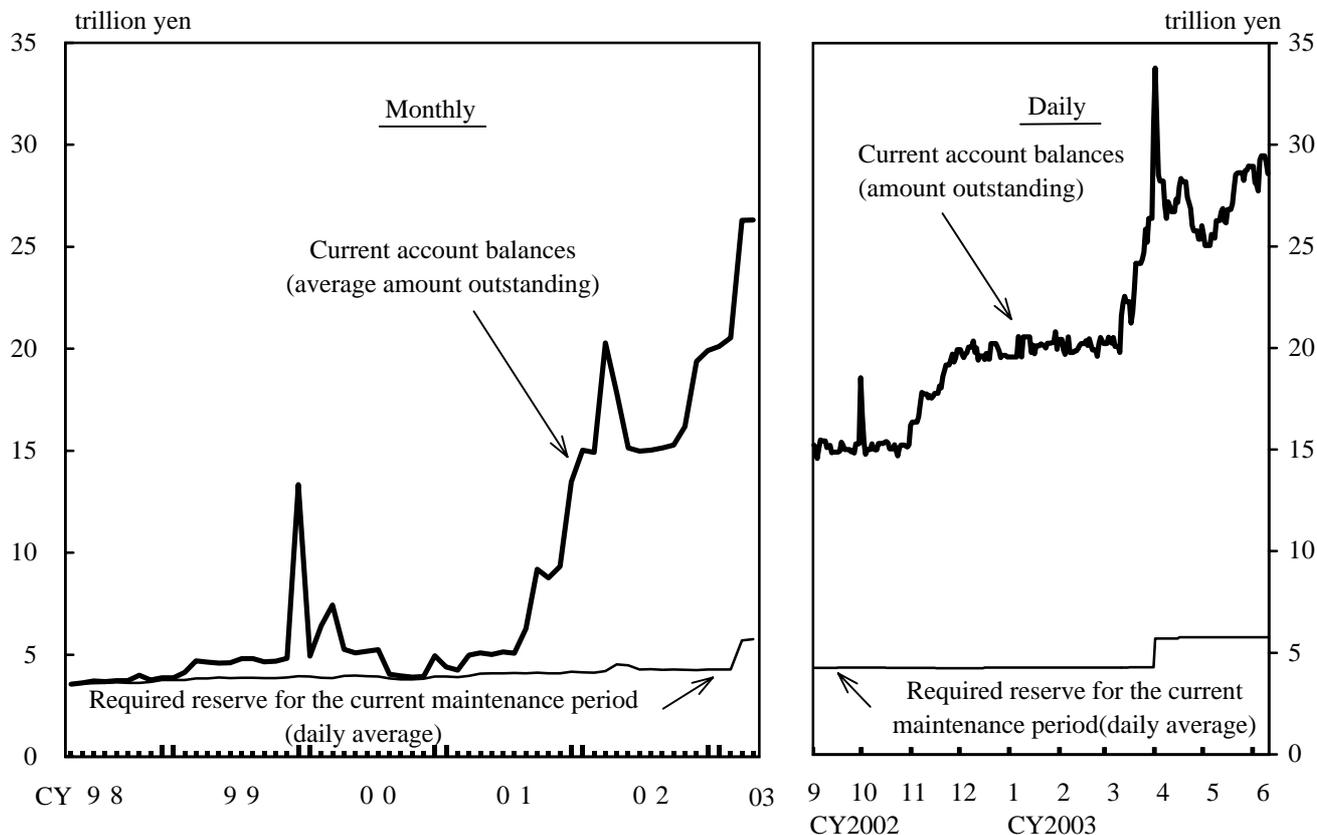
(2) Euro-Yen Interest Rates Futures (3-Month) ¹



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.

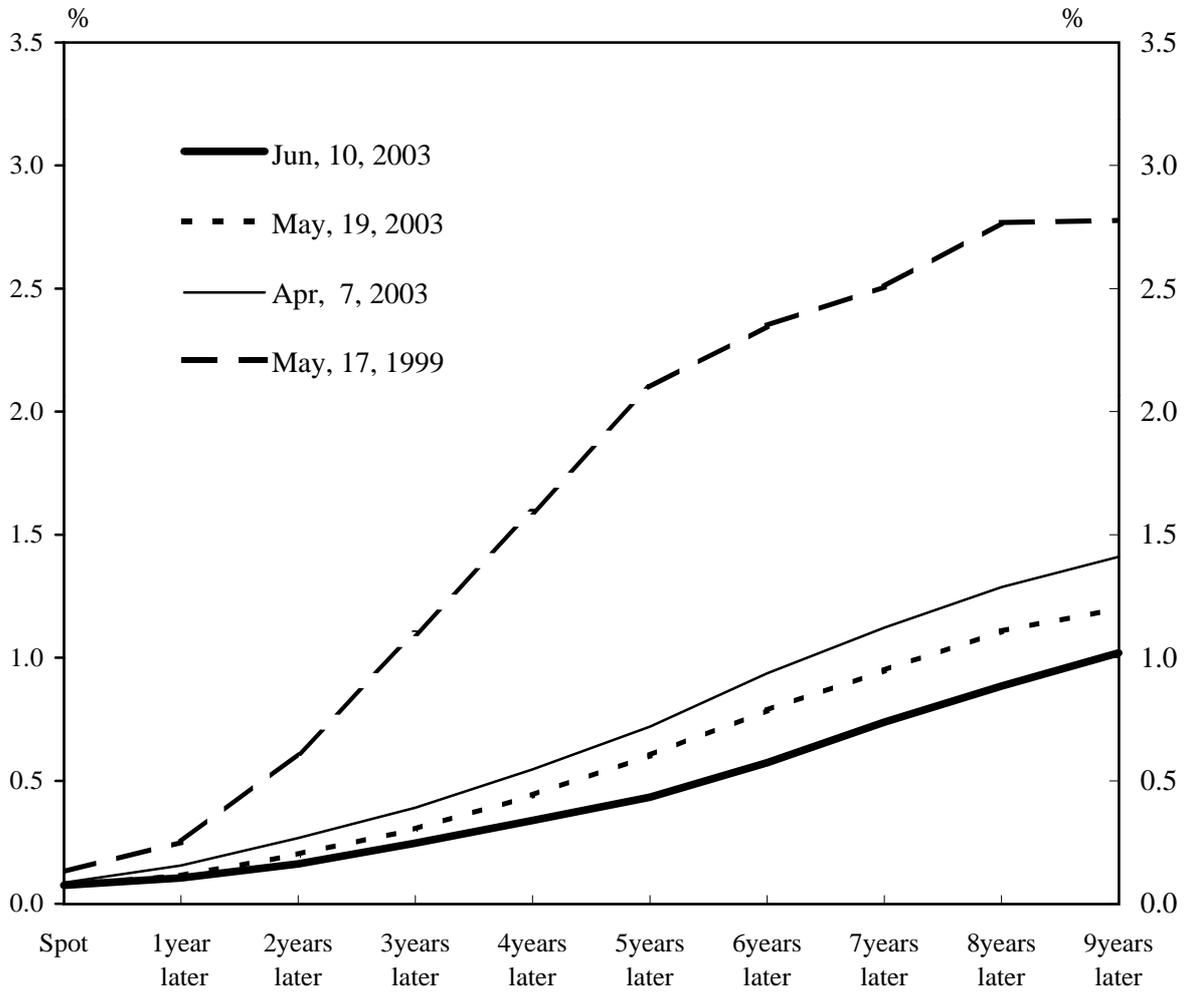
Current Account Balances at the Bank of Japan ¹



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

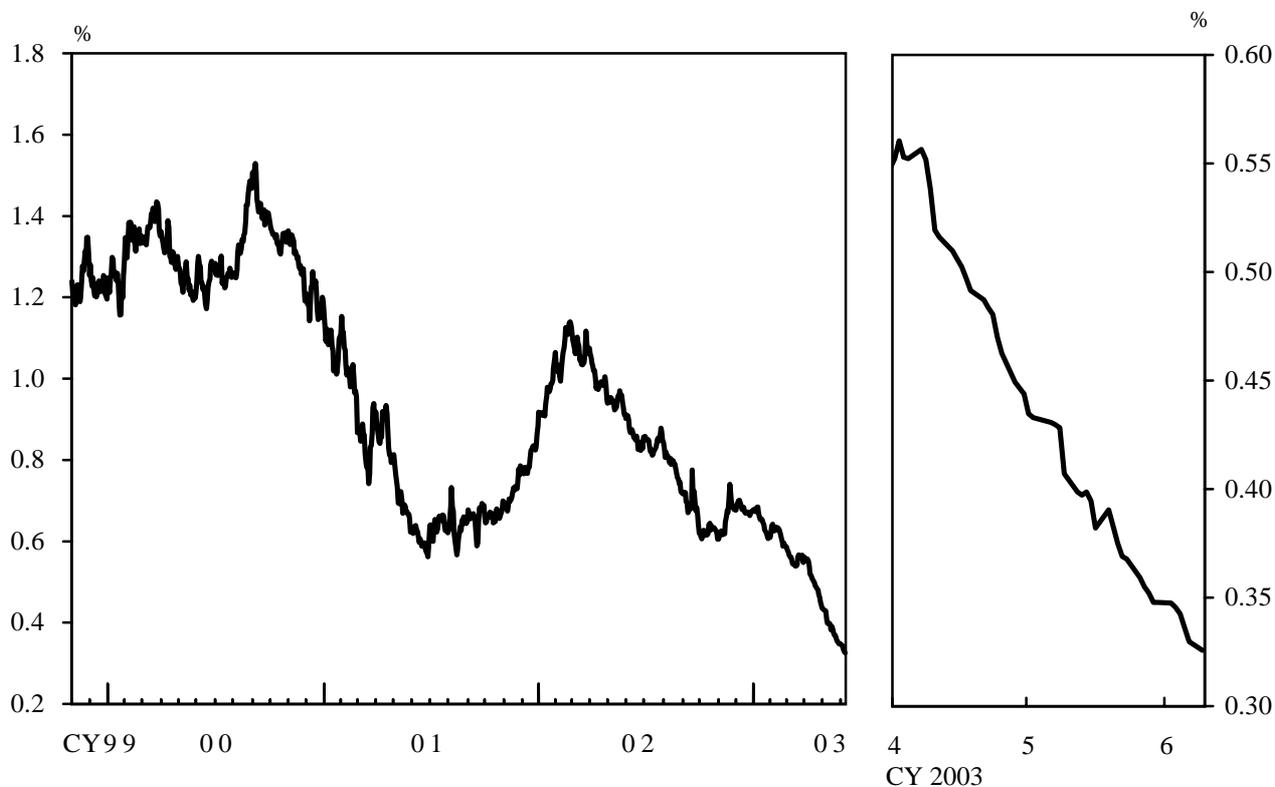


Note: 1. Calculated from yen-yen swap rates.

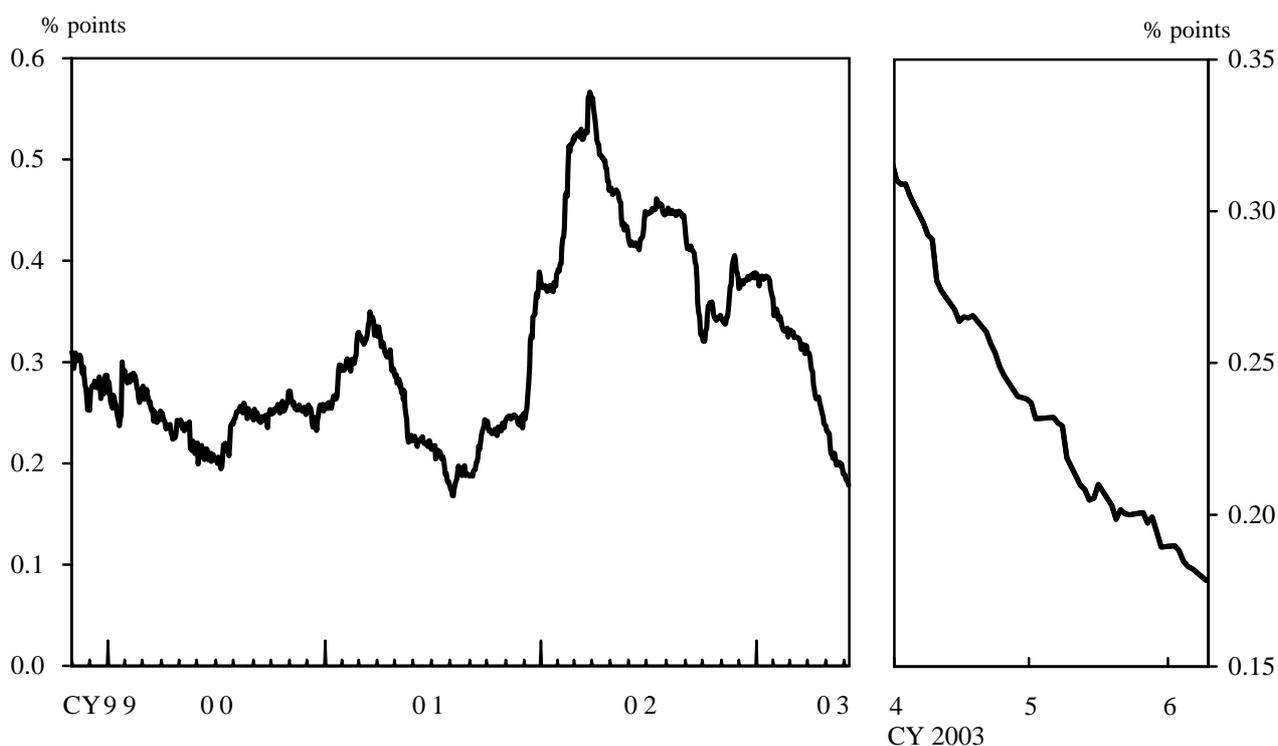
Source: Kyodo News.

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.

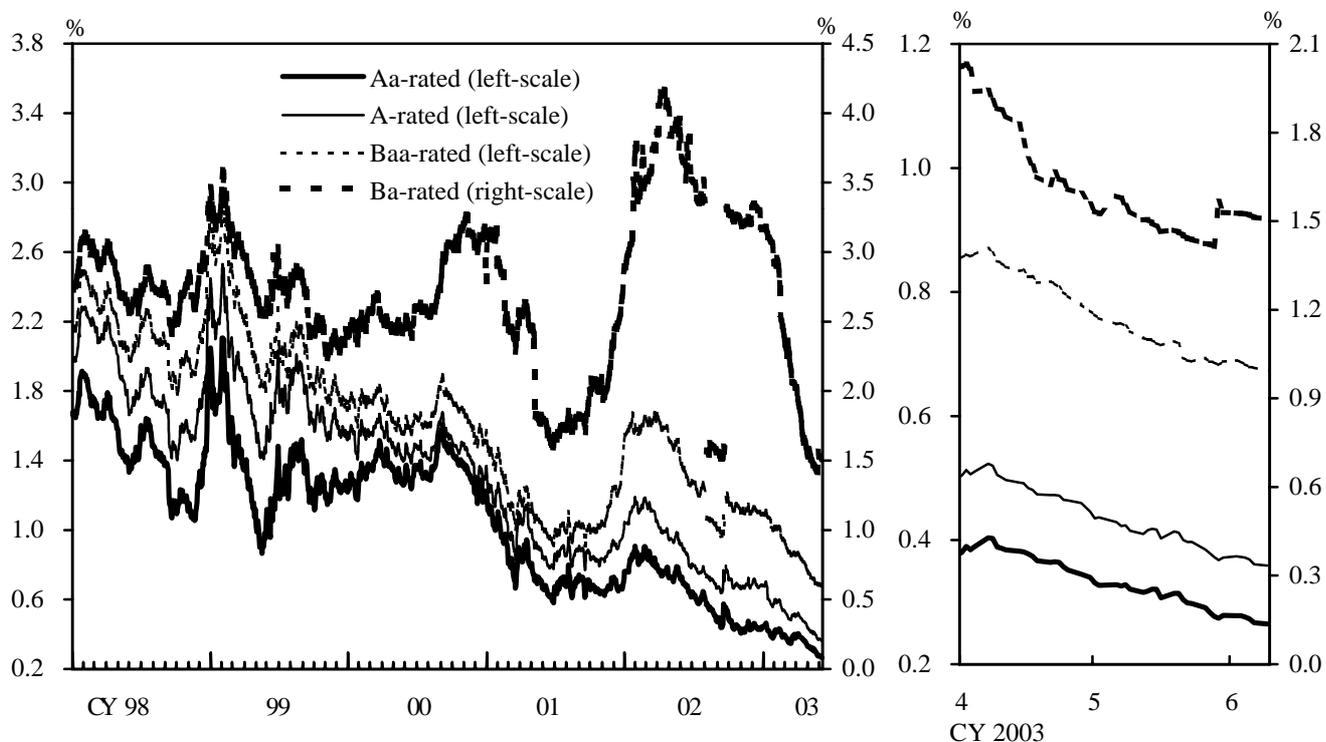
2. Average bank bond yield is the average of four bank bonds.

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

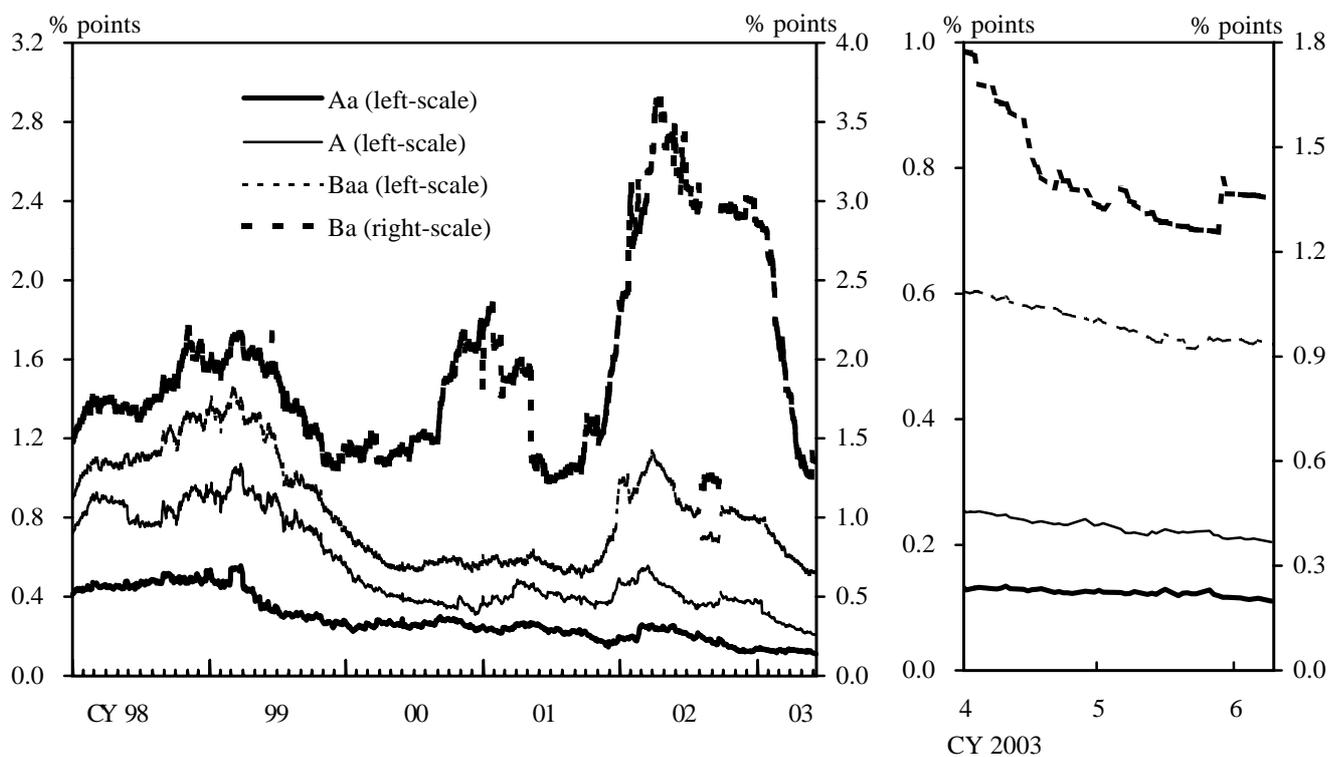
"Reference Price(Yields) Table for OTC Bond Transactions."

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.

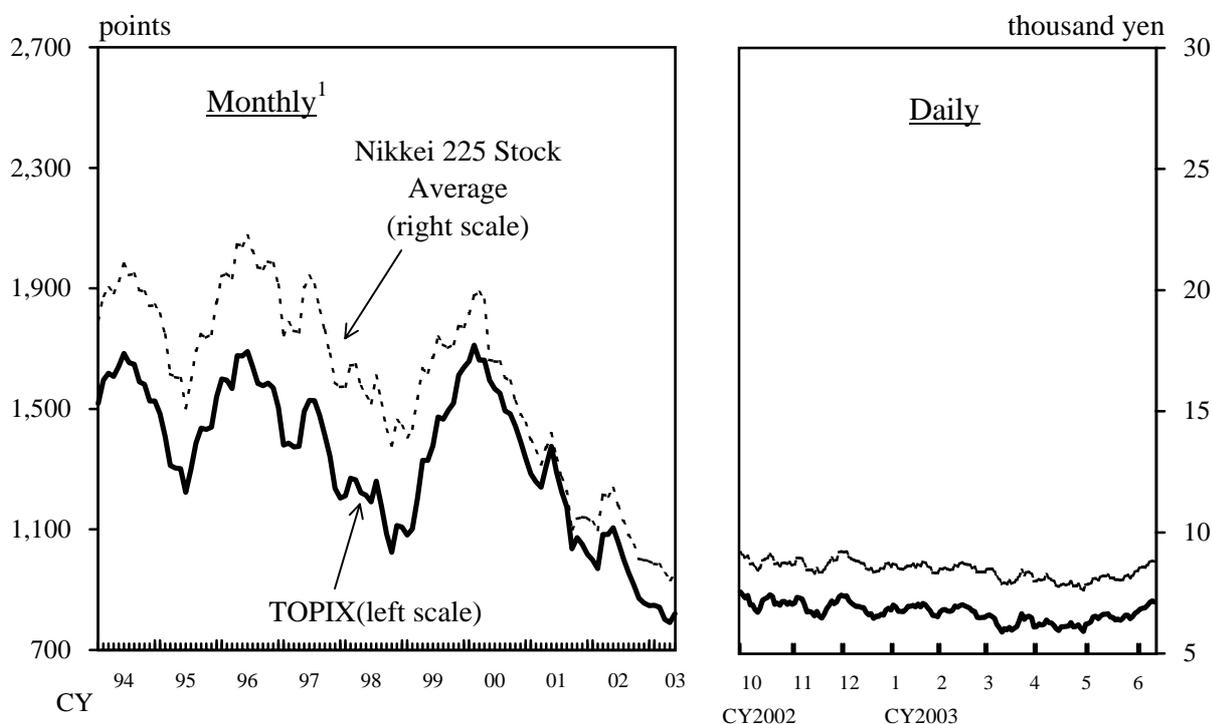
The indicated ratings are of Moody's.

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

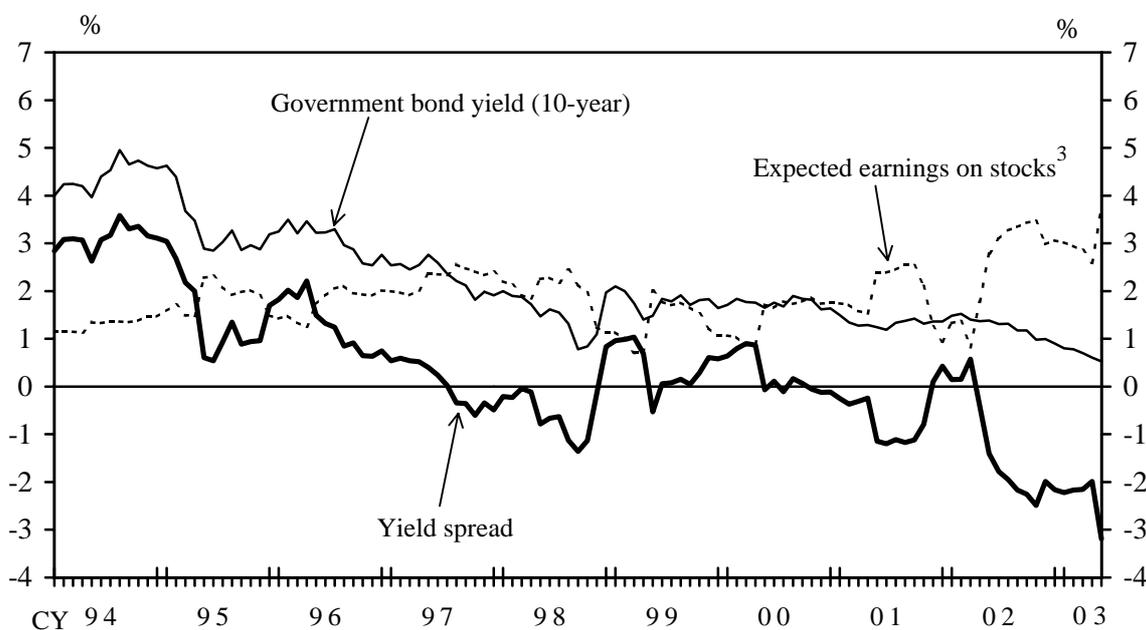
"Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

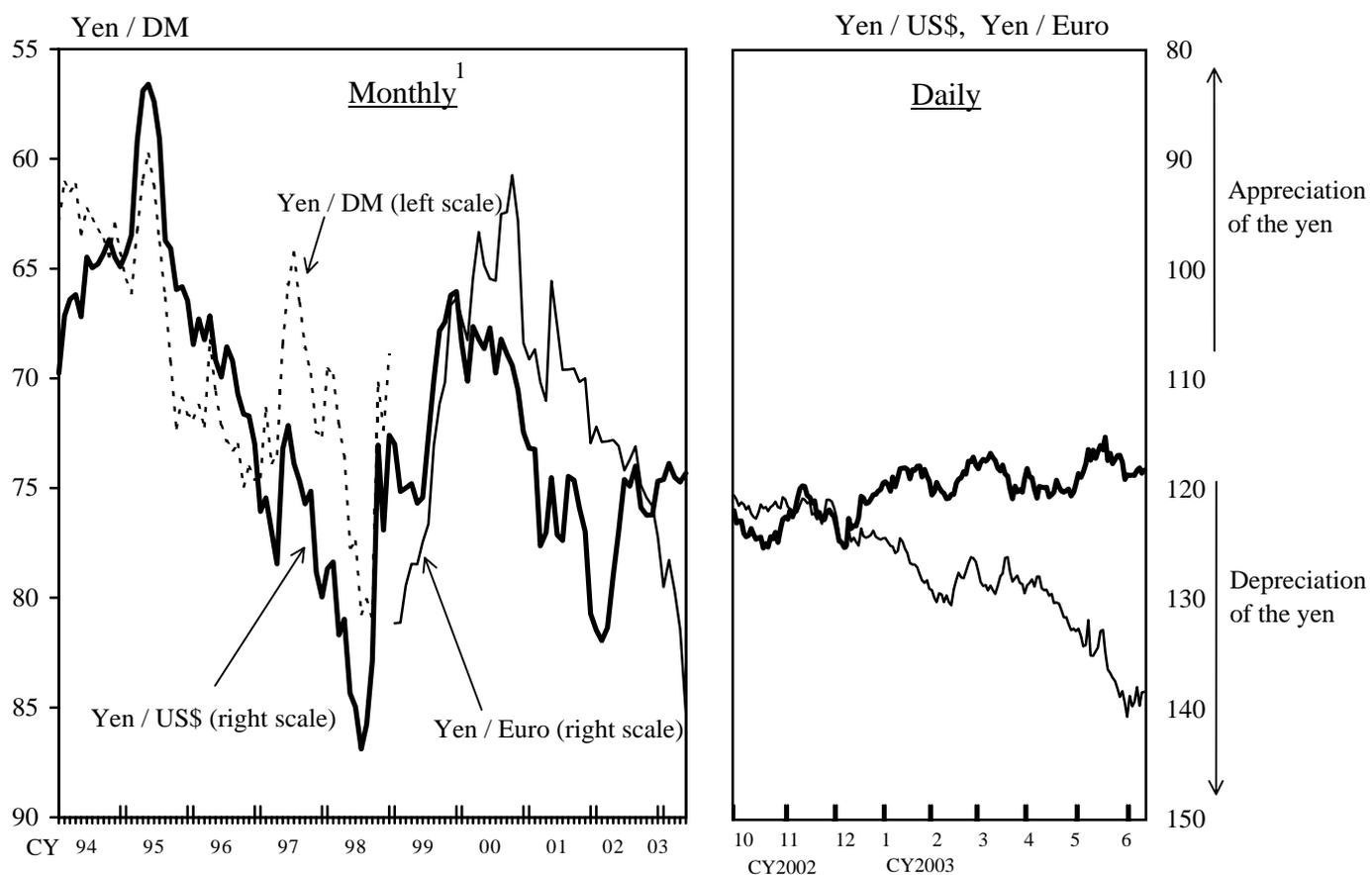
Yield spread = government bond yields - expected earnings on stocks,
where expected earnings on stocks = 1/expected price earnings ratio.

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

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

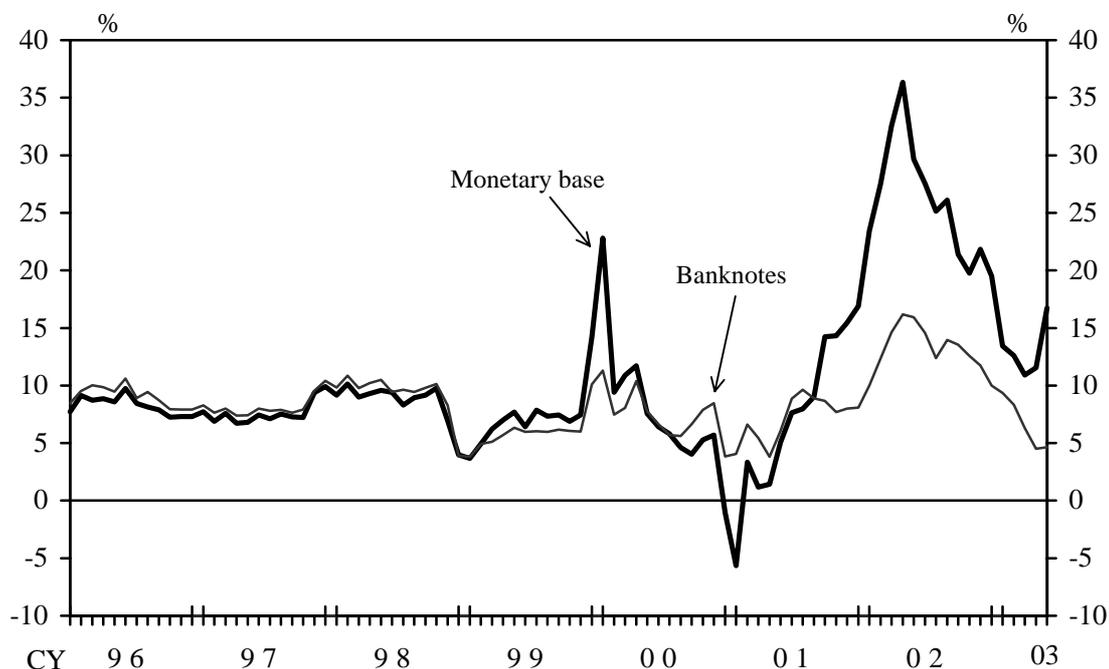
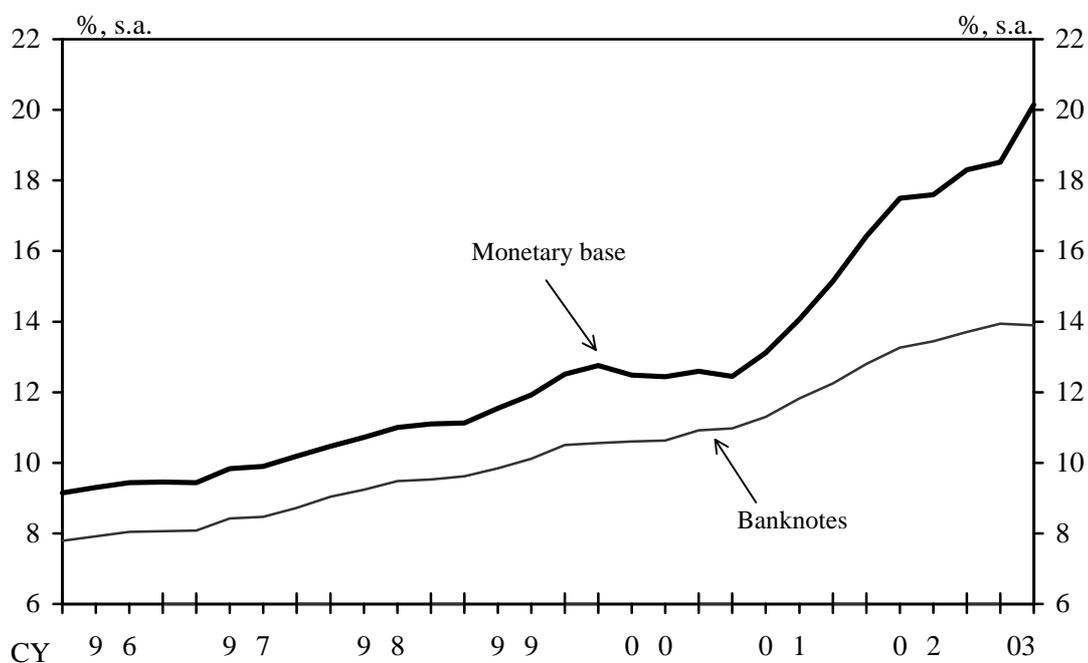
Sources: *The Nihon Keizai Shimbun* ; Daiwa Research Institute, "*Daiwa Toushi Shiryou* (Daiwa Investment Information)."

Exchange Rates



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

Monetary Base

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

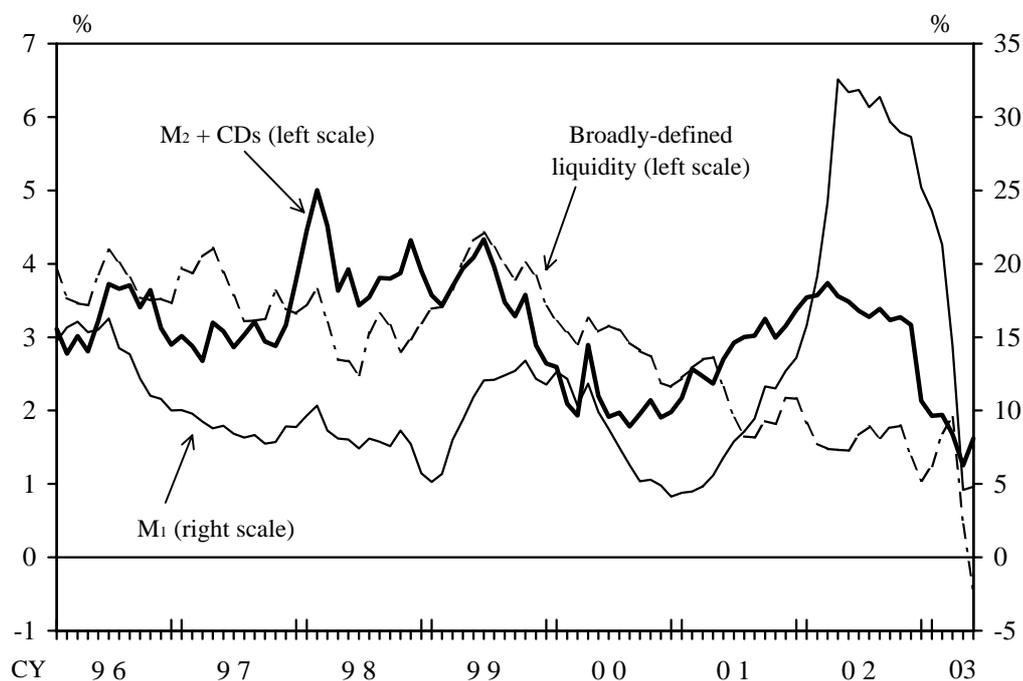
Notes: 1. Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

Data for currency in circulation include holdings of financial institutions.

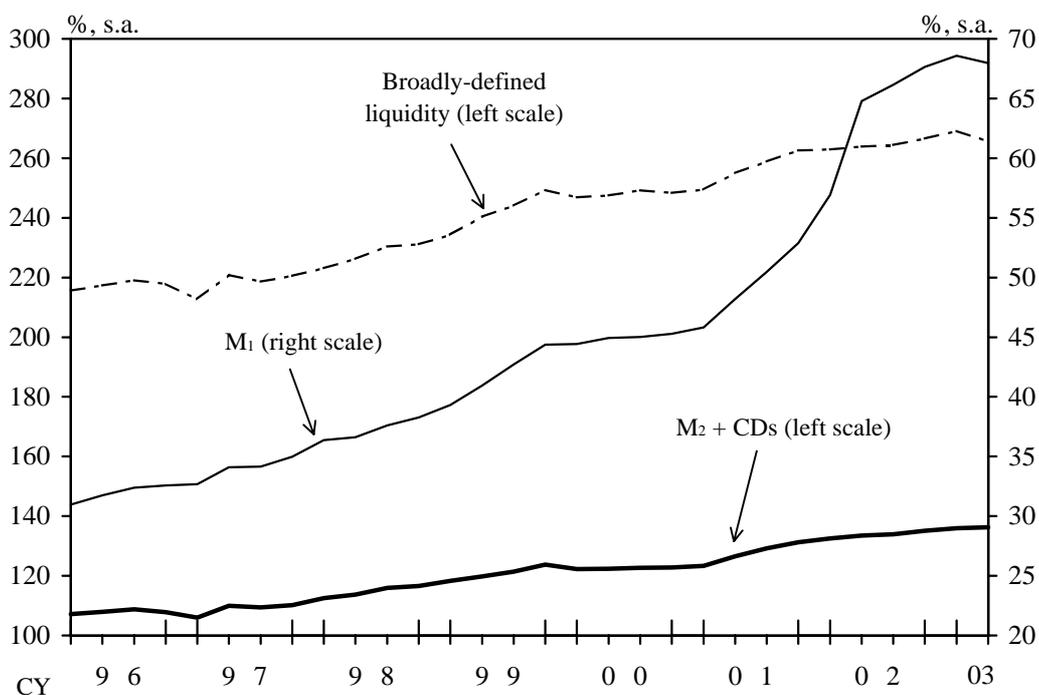
2. Figures for the monetary base and banknotes in 2003/Q2 are averages of April and May, and the nominal GDP in 2003/Q2 is assumed to be unchanged from the previous quarter.

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

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

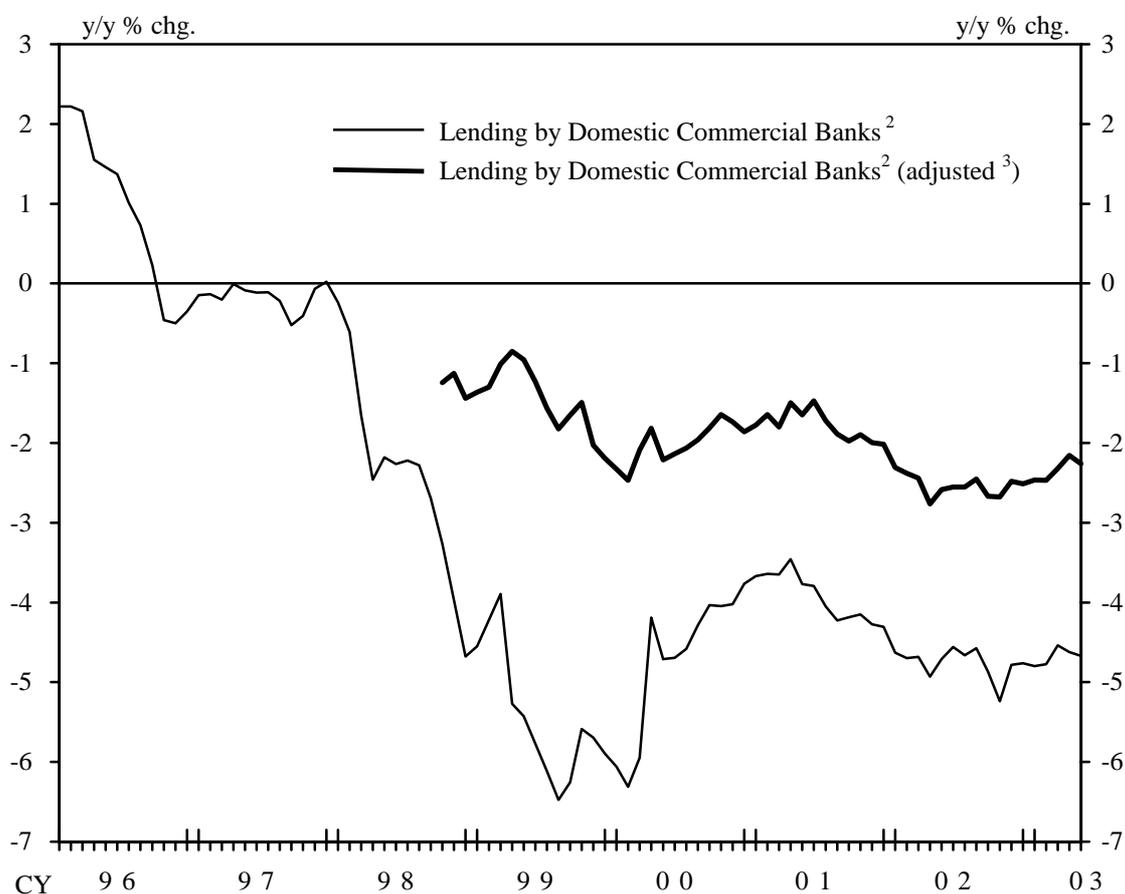
(1) Changes from a Year Earlier

Note: In April 2003, the Postal Life Welfare Corporation was dissolved and its assets were transferred to the Japan Post. Accordingly, its financial assets were excluded from the Money Stock. Changes of the Broadly-defined Liquidity from a year earlier adjusted for the exclusion are 1.6% in April and 1.7% in May.

(2) Ratio of Money Stock to Nominal GDP

Note: Figures for money stock in 2003/Q2 are averages of April and May, and the nominal GDP in 2003/Q2 is assumed to be unchanged from previous quarter.

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

Lending by Domestic Commercial Banks ¹

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

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

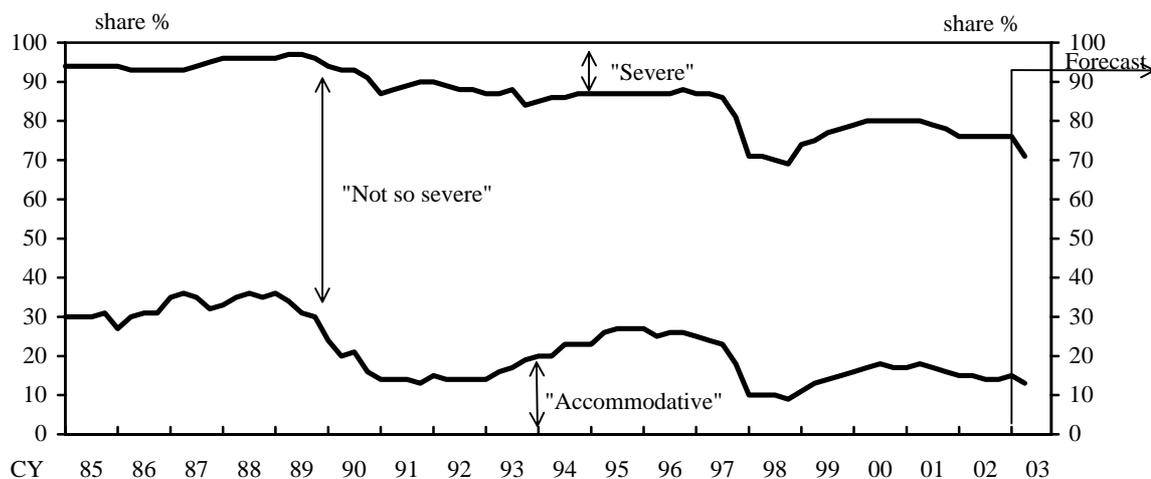
3. Adjusted to exclude

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

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

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

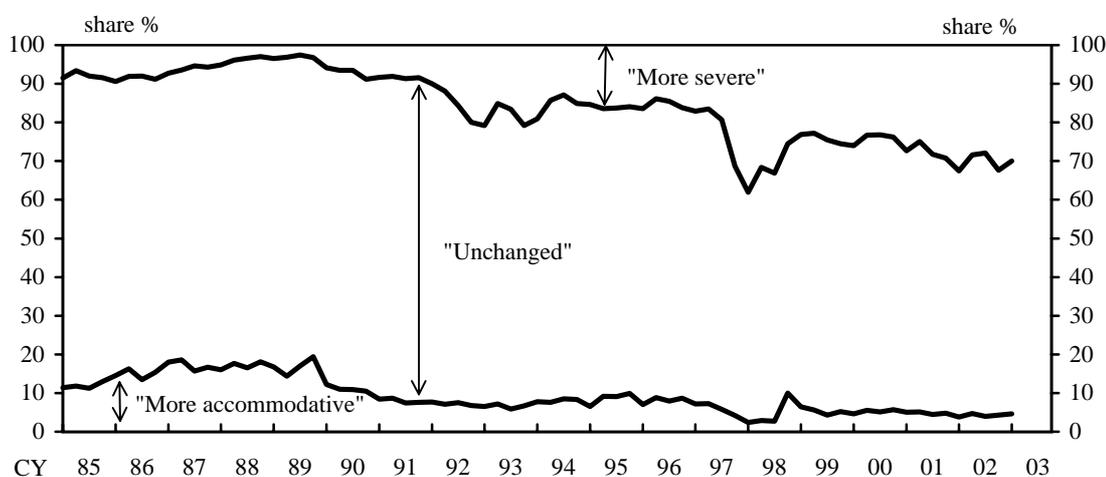
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (March, 2003)



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

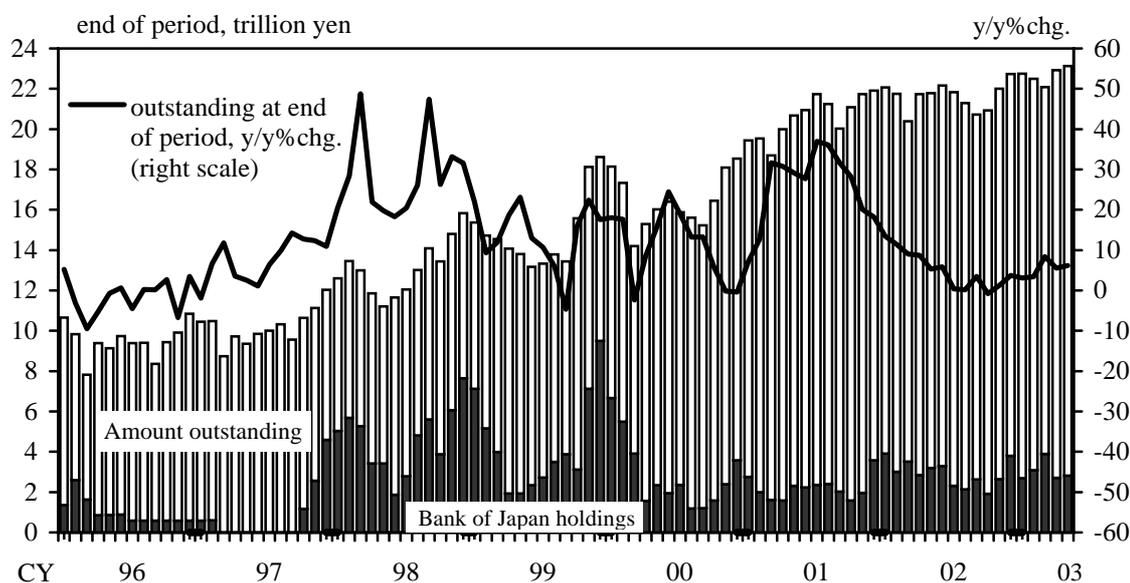


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-March, 2003)



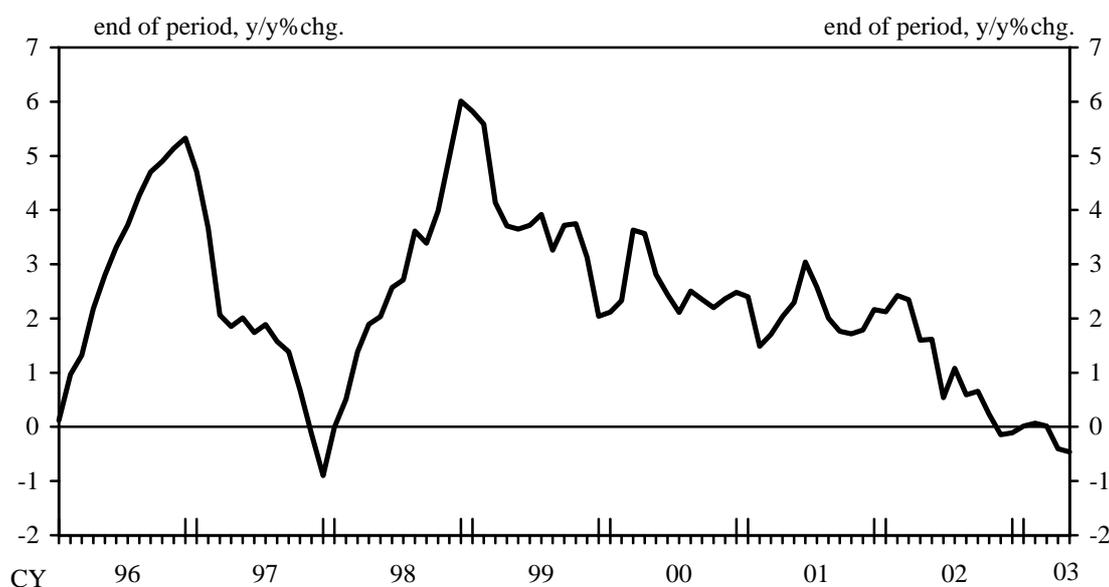
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ; Japan Finance Corporation for Small Business, "Monthly Survey of Small Businesses in Japan"; National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

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/Mar.	Apr.	May
Volume	28,502	27,521	31,861	16,169	5,659	8,892
(previous year)	(23,780)	(31,811)	(28,284)	(14,089)	(5,407)	(10,004)

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

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

Excludes those issued by banks.

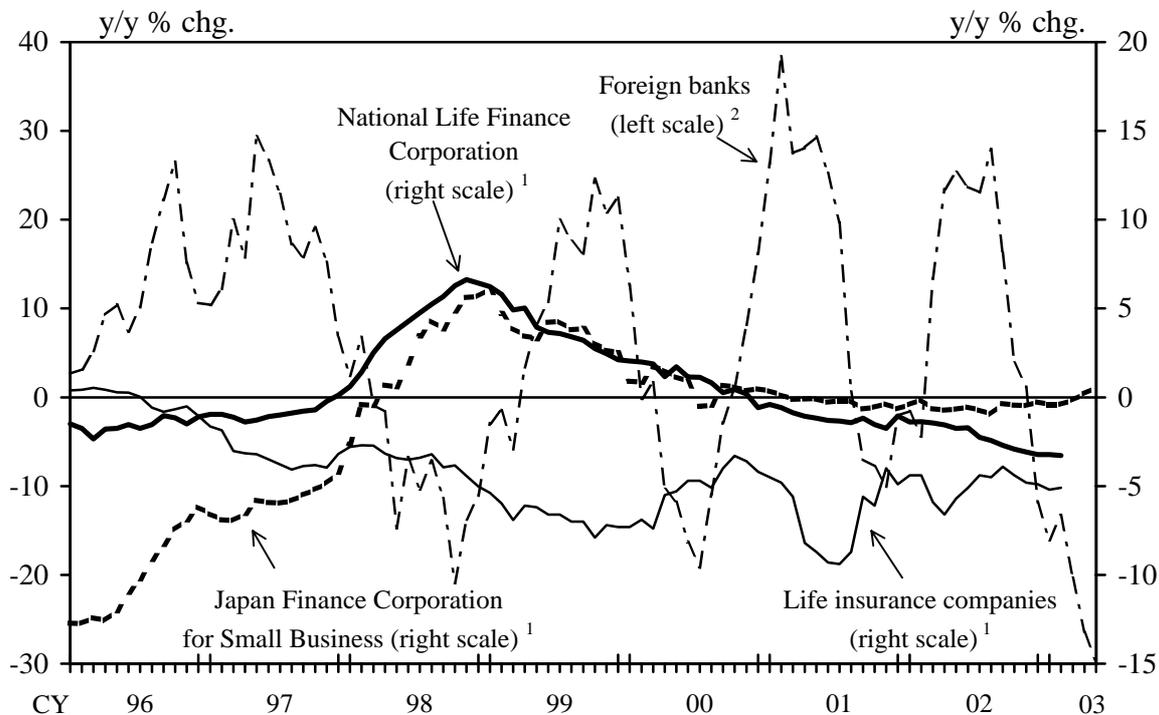
2. Includes straight bonds, convertible bonds, and bonds with warrants.

3. Estimated by the Bank of Japan.

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

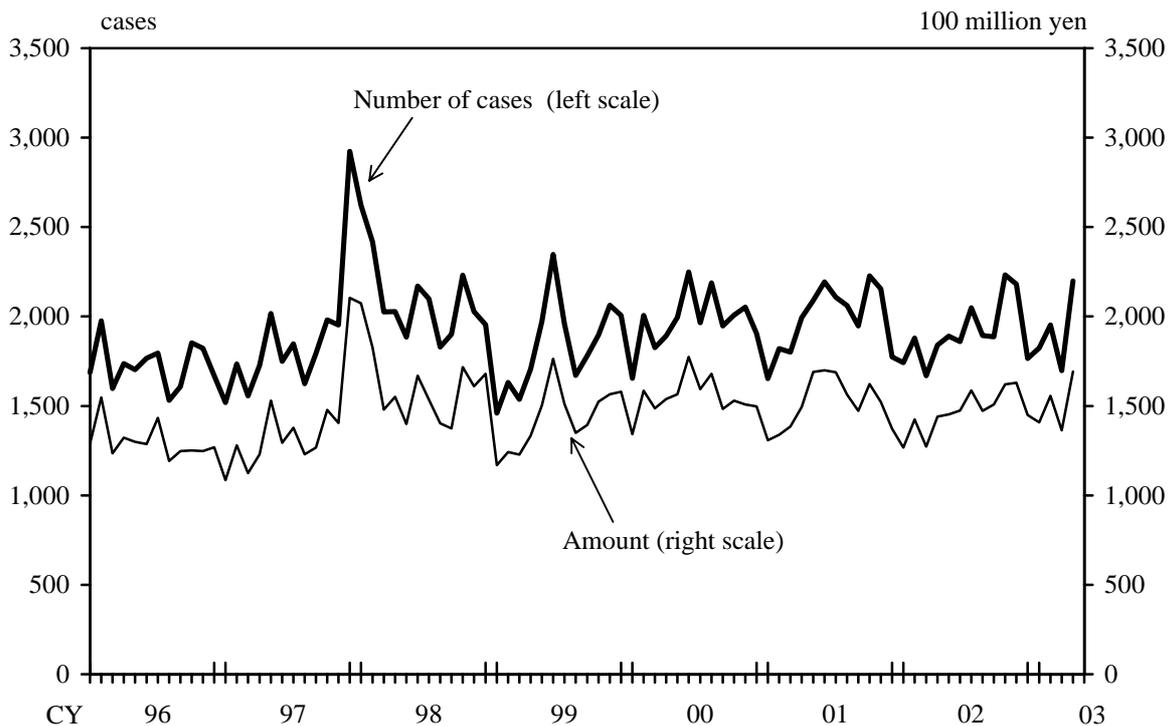
Lending by Other Financial Institutions

(1) Lending Outstanding



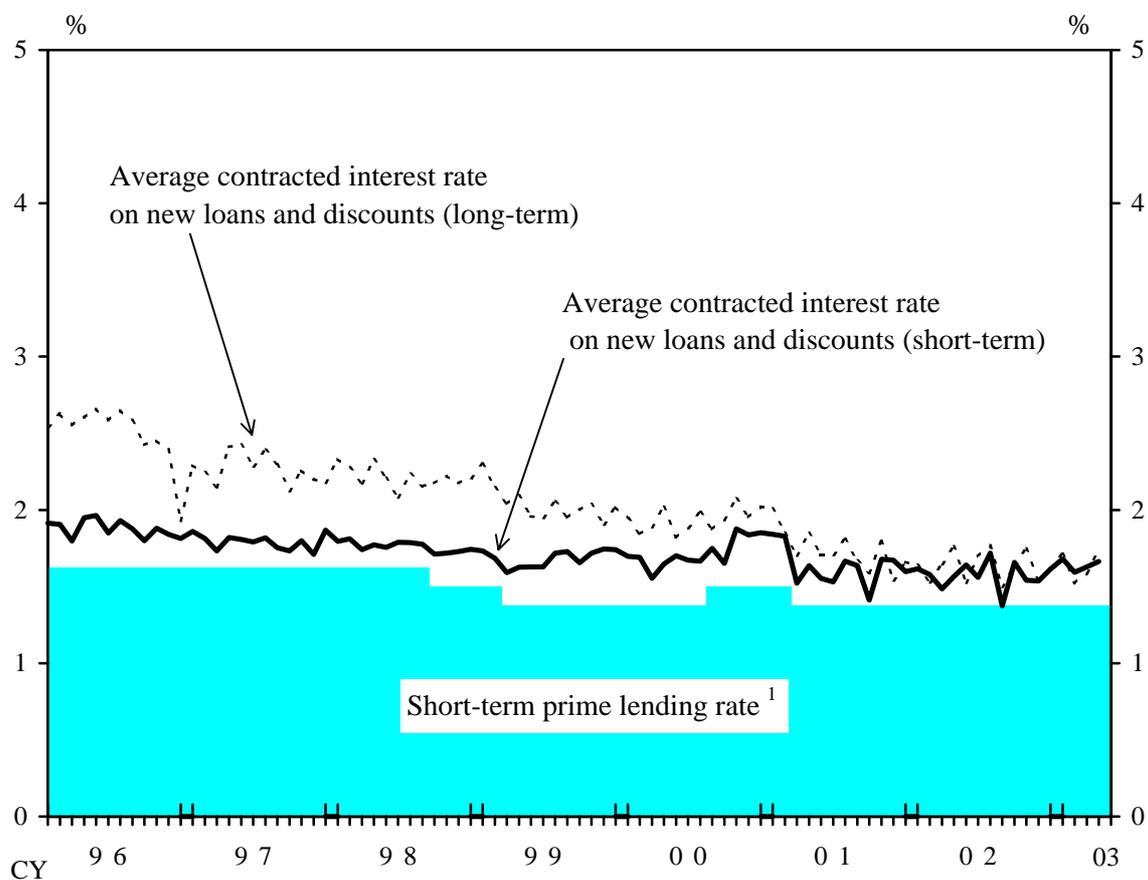
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

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



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

Lending Rates

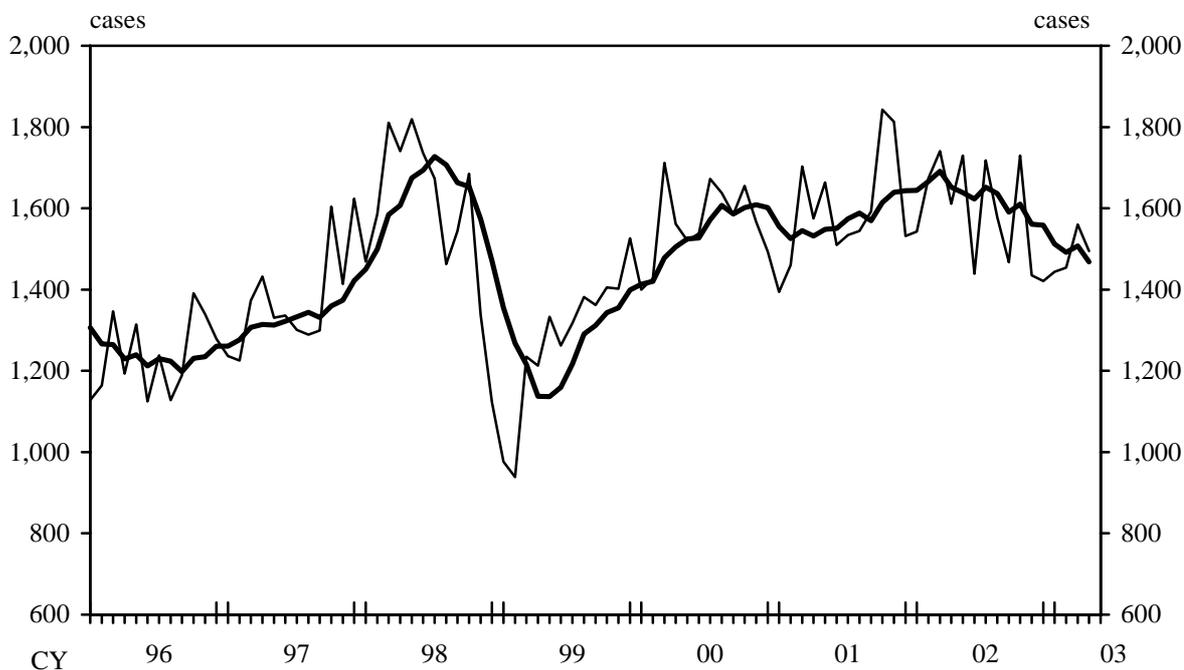


Note: 1. Data are at end of period.

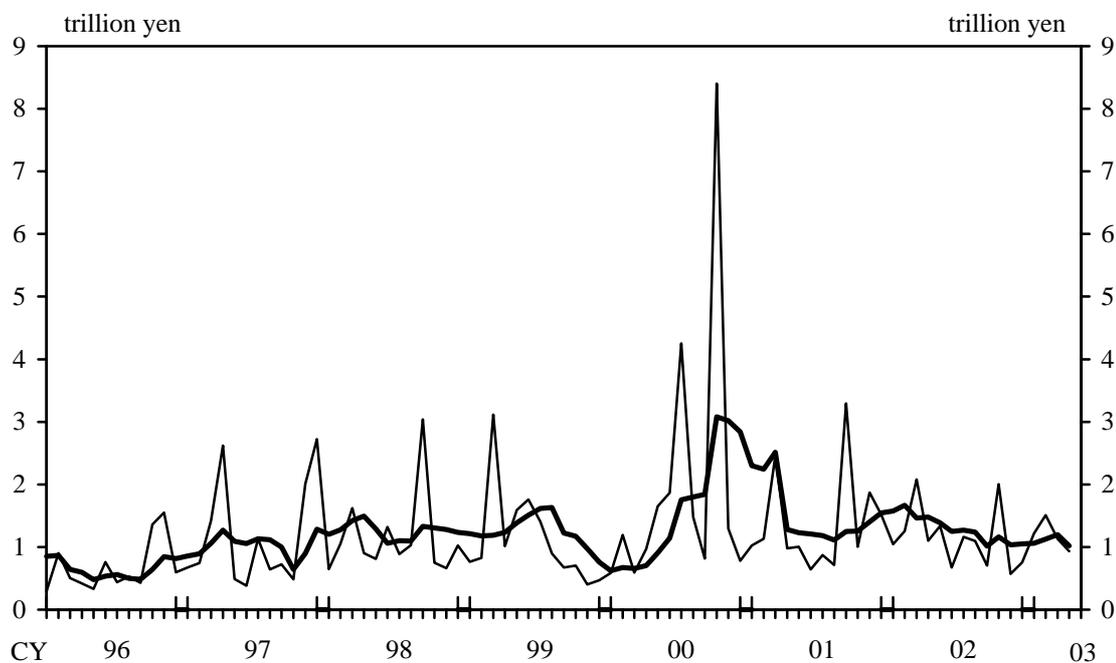
Source: Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

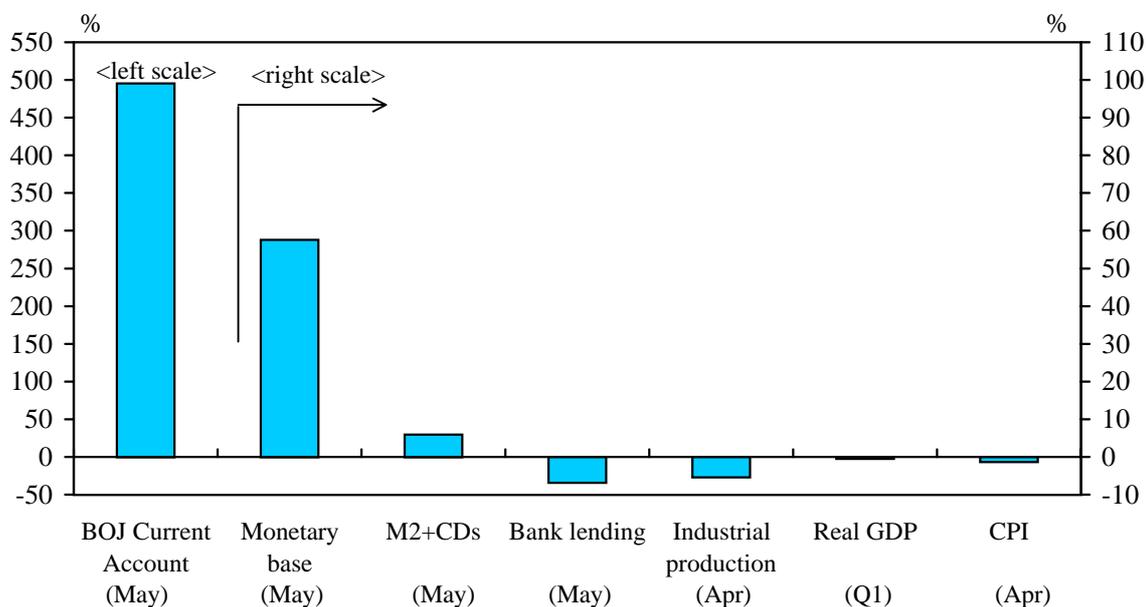


Note: Bold lines are the six-month moving average.

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

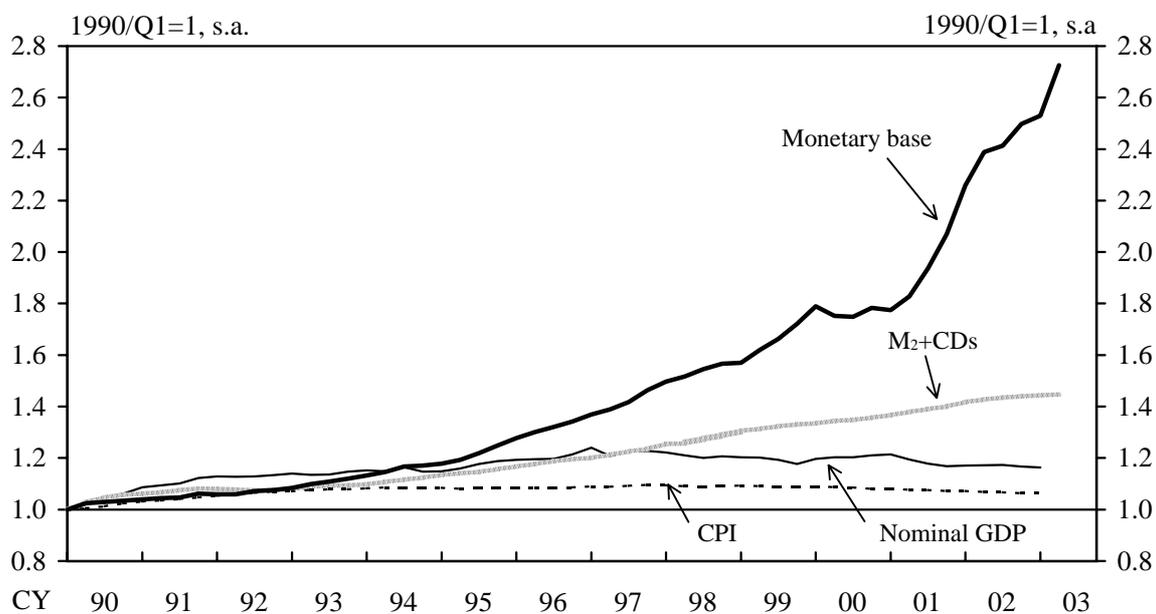
 Monetary Indicators, Economic Activity and Price Development

(1) Changes from March 2001



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

(2) Developments since 1990



- Notes: 1. Figures for monetary base are adjusted for changes in reserve requirement rates.
 2. Figures for CPI exclude fresh food and effects of the change in the consumption tax rate.
 3. Figures for Monetary base and M2+CDs in 2003/Q2 are averages for April and May.

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.