

August 12, 2003
Bank of Japan

Monthly Report of
Recent Economic and Financial Developments
August 2003

(English translation prepared by the Bank staff based on the Japanese original
released on August 11, 2003)

Monthly Report of Recent Economic and Financial Developments¹

August 2003

The Bank's View²

Economic activity remains virtually flat.

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 virtually flat.

Industrial production continues to be basically level in response to these developments in final demand. As for the employment situation, the number of employees including non-regular employees such as temporary workers has almost stopped falling, and the pace of decline in wages has also slowed. However, the increase in the overtime hours worked and new job offers has come to a halt, and the number of regular employees continues to decline. Thus household income still seems to be on a gradual downtrend on average, and the employment and income situation of households overall remains severe.

Turning to the economic outlook, it is fairly possible that the growth rate of overseas economies, especially that of the U.S. economy, will accelerate in the second half of this year. However, as for the U.S. economy, although improvements have been observed in some recent economic indicators, careful examination is still required to judge to what extent business fixed investment and employment will increase following these developments. The pace of economic expansion in East Asia still remains slow compared to what it was a while ago, although there seem to be signs of recovery. In this situation, both exports and industrial production are projected to remain virtually flat for the immediate future.

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

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

With respect to domestic demand, public investment is projected to follow a declining trend, and private consumption is likely to remain weak for some time since the employment and income situation is unlikely to improve markedly. Meanwhile, the uptrend of business fixed investment is expected to become established in the period ahead, mainly in large manufacturing firms, whose investment has been thus far significantly restrained despite the recovery in their profits. However, the pace of increase in overall business investment is likely to remain modest, as long as uncertainty regarding a recovery in exports and production remains.

Overall, with the anticipation that the growth rate of overseas economies will accelerate in the second half of this year, the uptrend in exports and production will resume gradually, 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 immediate future while downward pressures such as excessive labor input and debt persist. In addition, as for the outlook for the external environment, there still remains uncertainty about, among other things, the recovery of the U.S. economy. On the domestic side, given the fragility of the financial system, continued attention should be paid to developments in stock prices and long-term interest rates.

On the price front, import prices and domestic corporate goods prices are declining, mainly reflecting crude oil prices that fell back in early spring. Corporate services prices continue a year-on-year decrease of slightly over 1 percent; the rate of decline expanded in April, as many firms reprice at the beginning of a new fiscal year. The rate of decline in consumer prices remains virtually unchanged from April, when the rate 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, but are likely to stop declining before long since crude oil prices have recently been firm after they fell back in early spring. On the other hand, turning to 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. Hence domestic corporate goods prices are likely to continue a gradual downtrend, although the pace of decline will slow with the halt in the decline in import prices gradually having effects. Meanwhile, consumer prices are projected to continue falling at the current moderate pace on a year-on-year basis.

As for the financial environment, the outstanding balance of current accounts at the Bank of Japan is moving at around 29 trillion yen, as the Bank has been providing ample liquidity. Under these circumstances, the overnight call rate continues to move at around zero percent. Interest rates on term instruments remain steady at low levels.

Yields on long-term government bonds have been declining gradually partly because investors bought medium- and long-term bonds on dips, and are recently moving at around 0.9 percent. Meanwhile, yield spreads between private bonds (bank bonds and corporate bonds) and government bonds continue to be at low levels on the whole, although those between bank bonds and government bonds are widening slightly.

Stock prices have become weak due mainly to a concern over the rapid increase in stock prices, even though market participants' view on the outlook for Japan's economy has been improving gradually. The Nikkei 225 Stock Average is recently moving at the 9,000-9,500 yen level.

In the foreign exchange market, the yen appreciated toward mid-July as foreign investors kept on investing in Japanese stocks, but it fell back as the dollar was purchased reflecting expectations for a recovery in the U.S. economy. The yen is currently traded in the range of 119-121 yen to the U.S. dollar.

With regard to corporate finance, private banks remain cautious in extending loans to firms with high credit risks, while they continue to be more active in extending loans to blue-chip companies. Their lending attitudes seem to be becoming slightly more accommodative in areas such as terms and conditions for lending. Meanwhile, the lending attitudes of financial institutions as perceived by firms are improving somewhat, although small firms continue to perceive them as

severe. In the corporate bond and CP markets, the issuing environment for firms with high credit ratings continues to be favorable on the whole, although some firms still seem to be taking a wait-and-see stance in the corporate bond issuance market.

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 issued is slightly below the previous year's level.

Meanwhile, according to business surveys, financial positions of firms are improving slightly, although those of small firms in particular remain severe.

The year-on-year growth rate of the monetary base is around 20 percent. The year-on-year growth rate of the money stock is somewhat less than 2 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. Meanwhile, long-term interest rates and stock prices are slightly declining. 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 the issuing environment of corporate bonds and CP continues to be favorable on the whole, especially for firms with low credit risks. 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 continue declining with cutbacks in public works expenditures for fiscal 2003.

Real exports (Charts 4[1] and 5) continue to be more or less flat; they decreased marginally by 0.8 percent in the first quarter and by 0.2 percent in the second quarter, both on a quarter-on-quarter basis (q/q hereafter). By region (Chart 5[1]), exports to the United States stopped declining in the second quarter, due mainly to the increase in consumer goods and in capital goods and parts, after they had plunged in the first quarter, particularly for automobiles. On the other hand, exports to East Asia dropped in the second quarter after the upsurge in the first quarter. As for exports to East Asia in detail, those to the NIEs economies, which had been growing steadily to date, declined in the second quarter, due to the deceleration of domestic demand in South Korea and also probably to the epidemic of severe acute respiratory syndrome (SARS). Exports to China basically remained flat in the second quarter in reaction to the upsurge in the previous quarter.³ Concerning exports to China, there seemed to be no discernable effects from the SARS epidemic. By goods (Chart 5[2]), exports of automobile-related goods declined in the second quarter following the first quarter, mainly to the United States where inventory adjustment was underway (Chart 6). In contrast, exports of IT-related goods such as electronic parts and telecommunications machinery picked up in the second quarter (Chart 7).

The underlying trend of real imports (Charts 4[1] and 8) is virtually flat. They had been basically unchanged in the first quarter, recording a q/q increase of 0.2 percent, and then showed a q/q increase of 1.9 percent in the second quarter. This

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.

increase in the second quarter was partly attributable to the increase in imports of aircraft, which are categorized as capital goods and parts and often show large fluctuations. By goods (Chart 8[2]), imports of materials such as crude oil had surged until the first quarter reflecting growing tensions over Iraq-related developments, and remained virtually flat at a high level in the second quarter due to the steady demand for thermal power generation in response to the shutdown of several nuclear power plants. Meanwhile, imports of IT-related goods and those of capital goods and parts (excluding aircraft) continued a rising trend, reflecting the progress in the international division of labor between China and Japan.

Given these developments in exports and imports, net exports (real exports minus real imports), in terms of the real trade balance (Chart 4[2]),⁴ dropped in the second quarter. However, taking into consideration the fact that the increase in imports was partly caused by the temporary factors mentioned above, the underlying trend of net exports is judged to be more or less unchanged. The surplus of the nominal balance on goods and services has also been flat on the whole, but is currently somewhat stronger compared to the real trade balance, reflecting the diminishing deficits in travel and transportation caused by the slump in overseas travel.

As for the outlook for exports, it is fairly possible that the growth rate of overseas economies, especially that of the U.S. economy, will accelerate in the second half of this year. In fact, it has been pointed out that demand for IT-related goods is heading for recovery in the United States. Under these circumstances, stock prices have picked up (Chart 9-2), and improvements have been observed in some recent economic indicators such as business confidence, factory orders, and GDP statistics. However, these improvements in economic indicators have just started to emerge, and careful examination is still required to judge to what extent business fixed investment and employment will increase following these developments.

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

Economic activity in East Asia has decelerated somewhat (Chart 9-1[2]), mainly in South Korea where growth in domestic demand has been slowing. The effects of the SARS problem on Japan's production and exports were relatively small, judged from the second quarter figures. Also, given that the SARS epidemic was contained in a relatively short period, the growth rate of the East Asian economies is likely to rise again soon.

In sum, exports are projected to resume an uptrend at some stage, with the anticipation that the growth rate of overseas economies will accelerate in the second half of this year. For the immediate future, however, exports are still likely to remain virtually flat, since the effects from the deceleration in the East Asian economies and uncertainty regarding a recovery of the U.S. economy remain.

As for imports, a structural increase in IT-related goods and in capital goods and parts is expected to continue. However, domestic demand and production (as discussed below) will stay more or less unchanged, and imports of materials are expected to decline as the operations of nuclear power plants restart. Hence overall imports are projected to remain basically flat for the immediate future. Reflecting these developments in exports and imports, net exports are projected to be virtually flat for the immediate future.

Business fixed investment is on a gradual recovery trend, albeit with some fluctuations, reflecting the improvement in corporate profits. Shipments of capital goods (excluding transport equipment; Chart 10-1[1]), a coincident indicator of machinery investment, are considered to be flat or on a slight uptrend, having increased in May-June after a substantial decline in April.^{5,6} Moreover, machinery orders (private demand, excluding shipbuilding and electric power equipment; Chart 10-2[1]), a leading indicator of business fixed investment, continued a mild increase. Meanwhile, construction starts (floor area, private, nondwelling use; Chart 10-2[2]), another leading indicator, were more or less flat.

⁵ The sizable decline in April was largely affected by a drop in general-purpose computers and in semiconductor fabrication machines and equipment, both of which fluctuate substantially.

⁶ Furthermore, as for trucks, which are excluded here from shipments of capital goods, replacement demand is recently rising as emissions controls are to become stricter from October this year.

As for the outlook for business fixed investment, the uptrend is expected to become established in the period ahead, mainly in large manufacturing firms whose investment has been thus far significantly restrained despite the recovery in their profits. However, firms still perceive that excess capacities persist, although gradually to a lesser extent (Chart 10-1[2]). Under these circumstances, the pace of increase in overall business fixed investment is likely to remain modest, as long as uncertainty regarding the recovery in exports and production remains.

Private consumption remains weak. In detail (Charts 11-1 and 11-2), the number of new passenger-car registrations has not exhibited any noticeable increases or decreases following the plunge in April in reaction to an upsurge caused by a temporary rush of demand before the environment-related taxation system was changed.⁷ Sales at both department stores and supermarkets dropped in the second quarter, due mainly to adverse weather. As for sales at convenience stores, a demand rush for cigarettes occurred in June ahead of the rise in tobacco tax. On average in the second quarter, however, they declined marginally from the previous quarter due to the lingering effects from the decline in reaction to a substantial rush of demand that had occurred before sales of high-denomination prepaid expressway cards were discontinued in February. 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 were more or less flat. Outlays for travel in April-May dropped substantially, mainly in overseas travel, largely because the war on Iraq and the epidemic of SARS had negative effects, and also because the calendar for Japan's annual holidays in April-May (so-called Golden Week holidays) was unfavorable this year. Indices of aggregated sales (Chart 11-3)⁸—which are comprised of many sales indicators of these goods and services—seem to maintain their underlying trend to date on average, although recently they seem to be somewhat

⁷ The rush of demand before March occurred because automobile-related tax relief measures targeted at low greenhouse gas emissions and fuel-efficient vehicles have been scaled down substantially from April.

⁸ The indices of aggregated sales are compiled by the weighted average of various sales indicators, including a few indicators for services consumption. Since each sales indicator shows different movements, the indices of aggregated sales are used to evaluate the whole trend of these sales indicators. For the detailed calculation method, see note 1 in Chart 11-3.

weak. Aggregate supply of consumer goods (Chart 11-4), which comprehensively captures producers' supply of goods, continued a very mild increase.

Indicators for consumer sentiment (Chart 12), which had been on a downtrend on the whole until early spring, are recently picking up slightly along with the recovery in stock prices.

Private consumption is likely to be lackluster for some time, since the employment and income situation is unlikely to improve markedly.

As for housing investment (Chart 13), housing starts had been in the low range of 1.1~1.2 million units at annual rates, but they rose to 1.27 million units in June assisted partly by temporary factors.⁹ The underlying trend of housing investment is likely to remain stagnant, since no supporting factors in particular can be seen including the employment and income situation of households.

Industrial production (Chart 14[1]) has been basically flat. It declined by 0.6 percent in the second quarter from the first quarter, after a q/q increase of 0.3 percent in the first quarter. This basically implies that firms are maintaining cautious stances on production with the decline in exports to East Asia and substantial uncertainty regarding the timing of recovery in overall exports, given that shipments rose albeit marginally (a q/q increase of 0.3 percent in the second quarter) and inventories declined (a q/q decrease of 0.8 percent in the second quarter). In addition, it has been also pointed out that production and shipments of some products such as digital cameras are restrained, despite favorable final demand, due to a shortage of electronic parts.

⁹ To be eligible for the current tax credits for housing loans, home-buyers must move into their new houses by the end of this year. Thus taking the construction period into consideration, construction needs to be started by around this summer. There are discussions on the possible extension of the current tax credit scheme for next year onward. However, it is likely that the rush of demand by those wanting to securely receive the tax credits increased construction starts in June, mainly in owner-occupied houses. Apart from this, the Amended Building Standard Law, which imposes more stringent regulations for the so-called "sick house" (allergies to chemical substances of building materials) issues, applies to constructions starts from July 1. The increase in construction starts in June may have also been affected somewhat by a demand rush ahead of the implementation of this law in order to avoid a resulting hike in construction costs.

Inventories (Charts 14[1] and 16) still continue a gradual decline. This reflects firms' cautious stances on production described above. At the same time, this also indicates that adjustment pressure on inventories has not accumulated, and that the risks of a vicious spiral in the inventory cycle are small unless final demand falls into a slump.

As for the outlook for industrial production, since adjustment pressure on inventories has not accumulated as a whole, production is expected to turn up if exports start to increase again. At this present stage, however, uncertainty regarding the outlook for overseas economies still remains, and thus production is expected to remain virtually unchanged for the immediate future. Anecdotal information obtained from Japanese firms also indicates that many firms will maintain cautious stances on production, with the projected level of production unchanged or increased marginally, if any, since the timing for a recovery in exports is yet uncertain.

As for the employment and income situation, the number of employees in the *Labour Force Survey*, including non-regular employees such as temporary workers, has almost stopped falling (Chart 18-2[1]). The pace of decline in wages has also slowed reflecting the recovery in corporate profits. However, the increase in the number of new job offers and overtime hours worked has come to a halt since production activity continues to be flat (Charts 18-1[2] and 18-2[3]). Moreover, the number of regular employees in the *Monthly Labour Survey*, in which regular employees have more share compared to the *Labour Force Survey*, kept declining (Chart 18-2[2]). As a result, household income still seems to be on a gradual downtrend on average, and the employment and income situation of households remains severe overall (Chart 17[1]).

Looking at nominal wages per employee on a year-on-year basis (Chart 17[2]), regular payments were basically below the previous year's level, albeit very slightly.¹⁰ On the other hand, overtime payments continued a slight year-on-year

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

increase. In these circumstances, special cash earnings in June (preliminary figures), which represent about half of summer bonuses, showed a relatively clear increase of 4.1 percent on a year-on-year basis. Since this increase is possibly affected by fluctuations due to sampling factors, the underlying trend of special cash earnings needs to be judged based on the incoming July and August data as well. Nevertheless, according to various surveys, bonuses this summer turned out to be clearly above the previous year's level.¹¹ Although these surveys mainly cover bonuses of large manufacturing firms, it is likely that the pace of decline in overall bonuses even including nonmanufacturing firms and small firms has also slowed.

Meanwhile, the unemployment rate (Chart 18-1[1]) remained unchanged at high levels, with some fluctuations. The number of those involuntarily unemployed (Chart 18-1[3]) has recently stayed at a slightly lower level than before, although historically it is still high.

As for the outlook, the improvement in the employment and income situation will become distinct 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, a marked recovery in household income is unlikely for the time being.

2. Prices

Import prices (on a yen basis; same hereafter) declined in both May and June compared to levels three months before, mainly reflecting crude oil prices that fell back in early spring (Chart 20).

¹¹ According to the survey results of 213 major firms released by the Japan Business Federation, summer bonuses increased by 4.7 percent year-on-year. The survey results of 1,001 firms released by the *Nihon Keizai Shimbun, Inc.* also posted an increase of 3.1 percent year-on-year.

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates; same hereafter)¹² inched up in March and also in April compared to levels three months before, but dropped in May-June affected by the fall in crude oil prices (Chart 21). In detail, machinery prices kept on declining, and petroleum product prices turned down. In addition, the increase in prices of materials such as iron and steel has slowed.

The year-on-year rate of decline in corporate services prices (domestic supply-demand factors; same hereafter) in May-June was about the same as in April, when the rate had expanded to slightly over 1 percent (Chart 22).¹³

The rate of decline in consumer prices (excluding fresh food; same hereafter) in May-June was about the same as in April, when the rate had diminished marginally, reflecting the rise in medical costs due to the reform of the medical insurance system (Chart 23); the year-on-year declines of CPI from March to June were 0.6 percent, 0.4 percent, 0.4 percent, and 0.4 percent chronologically. In detail, the decline in consumer prices was for the most part attributable to the developments in goods prices (excluding agricultural and aquatic products); the year-on-year changes in prices of general services continued to hover at very close to zero percent.

Looking at the conditions influencing price developments, import prices are expected to continue declining for the immediate future, but are likely to stop declining before long, since crude oil prices have recently been firm after they fell back in early spring.

On the other hand, the domestic supply-demand balance remains basically unchanged, and downward pressure on prices from this side is expected to continue. The ongoing technological innovations in machinery and the streamlining of distribution channels will continue to exert downward pressure on prices. Based on

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

¹³ The decline in general services in April basically reflected firms' intentions to reduce business costs, which were incorporated into the annual price revisions conducted in that month, but it was also affected by the substantial decrease in prices of software services due to sampling factors.

these factors, domestic corporate goods prices are likely to continue a gradual downtrend, although the pace of decline will slow with the halt in the decline in import prices gradually having effects.

Meanwhile, as for consumer prices, a marginal upward pressure is expected from the rise in tobacco tax in July. However, since the environment surrounding prices remains unchanged as mentioned above, downward pressure on consumer prices will likely persist. Meanwhile, import of consumer goods is increasing only very gradually (Chart 24), and hence additional downward pressure from this factor is not likely to be very strong. Based on all of these developments, consumer prices are projected to continue falling at the current moderate pace on a year-on-year basis.

3. Financial Developments

(1) Financial Markets

The outstanding balance of current accounts at the Bank of Japan is moving at around 29 trillion yen, as the Bank has been providing ample liquidity (Chart 27).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 25[1]) continues to move at around zero percent. Interest rates on term instruments (Chart 26) remain steady at low levels on the whole.

In the government bond market, yields on 10-year government bonds (newly issued 10-year JGB; Chart 25[2]) have been declining gradually partly because investors bought medium- and long-term bonds on dips, and are recently moving at around 0.9 percent.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 29 and 30) continue to be at low levels on the whole, although those between bank bonds and government bonds are widening slightly since bank bonds were sold for such reasons as portfolio adjustments, reflecting growing concern over the further decline in yield spreads.

Stock prices (Chart 31) have become weak due mainly to a concern over the rapid increase in stock prices, even though market participants' view on the outlook for Japan's economy has been improving gradually. The Nikkei 225 Stock Average is recently moving at the 9,000-9,500 yen level.

In the foreign exchange market (Chart 32), the yen appreciated toward mid-July as foreign investors kept on investing in Japanese stocks. However, it fell back as market participants became sensitive to a possible market intervention and as the prospects for the economic recovery in the U.S. have improved. The yen is currently traded in the range of 119-121 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The year-on-year growth of the monetary base (currency in circulation + current account balances at the Bank of Japan) is around 20 percent, due mainly to the increase in the outstanding balance of current accounts at the Bank of Japan. (The year-on-year change was 16.7 percent in May, 20.3 percent in June, and 20.4 percent in July; Chart 33.)

The year-on-year growth rate of the money stock ($M_2 + \text{CDs}$) is somewhat less than 2 percent. (The year-on-year change was 1.6 percent in May, 1.8 percent in June, and 1.8 percent in July; Chart 34.)

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

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. Their lending attitudes seem to be becoming slightly more accommodative in areas such as terms and conditions for lending. Meanwhile, the lending attitudes of financial institutions as perceived by firms are improving somewhat, although small firms continue to perceive them as severe. In the corporate bond and CP markets, the issuing environment for firms with high credit ratings continues to be favorable on the whole, although some firms still seem to be taking a wait-and-see stance in the corporate bond issuance market.

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 factors¹⁴), 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 –2.2 percent in May, –2.2 percent in June, and –2.1 percent in July; Chart 35.) The amount outstanding of corporate bonds issued is slightly below the previous year’s level (Chart 37).

Funding costs for firms continue to be at extremely low levels on the whole. The average contracted interest rates on new loans and discounts, with the monthly fluctuations averaged, are more or less unchanged (Chart 39). The long-term prime lending rate was lowered by 0.10 percent to 1.50 percent on August 8. In the capital market, both corporate bond and CP issuance rates are at low levels for firms with high credit ratings.

Meanwhile, according to business surveys, financial positions of firms are improving slightly, although those of small firms in particular remain severe.

The number of corporate bankruptcies in June declined by 4.0 percent year-on-year, to 1,381 cases (Chart 40).

Against the above background, the financial developments are summarized as follows. Money market conditions continue to be extremely easy. Meanwhile, long-term interest rates and stock prices are slightly declining. 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,

¹⁴ 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.

remains severe, although the issuing environment of corporate bonds and CP continues to be favorable on the whole, especially for firms with low credit risks. Developments in the financial and capital markets, the behavior of financial institutions, and the situation of corporate finance continue to require close monitoring.

Charts

Chart 1	Main Economic Indicators
Chart 2	Real GDP
Chart 3	Public Investment
Chart 4	External Balance
Chart 5	Real Exports
Chart 6	Real Exports breakdown by goods
Chart 7	Exports and Imports of IT-related goods
Chart 8	Real Imports
Chart 9	External Environment
Chart 10	Indicators for Business Fixed Investment
Chart 11	Indicators for Private Consumption
Chart 12	Consumer Confidence
Chart 13	Indicators for Housing Investment
Chart 14	Production, Shipments, and Inventories
Chart 15	Shipments breakdown by type of goods
Chart 16	Inventory Cycle
Chart 17	Compensation of Employees
Chart 18	Labor Market
Chart 19	Prices
Chart 20	Import Prices and International Commodity Prices
Chart 21	Domestic Corporate Goods Price Index
Chart 22	Corporate Service Price Index
Chart 23	Consumer Price Index (excluding fresh food)
Chart 24	Consumer Prices of imported goods and their substitutes
Chart 25	Interest Rates
Chart 26	Short-Term Money Market Rates
Chart 27	Current Account Balances at the Bank of Japan
Chart 28	Implied Forward Rates (1-year)
Chart 29	Yields of Bank Bonds
Chart 30	Yields of Corporate Bonds
Chart 31	Stock Prices
Chart 32	Exchange Rates
Chart 33	Monetary Base
Chart 34	Money Stock (M1, M2+CDs, Broadly-Defined Liquidity)
Chart 35	Lending by Domestic Commercial Banks
Chart 36	Lending Attitude of Financial Institutions as Perceived by Small Enterprises
Chart 37	Private-Sector Fund-Raising in the Capital Markets
Chart 38	Lending by Other Financial Institutions
Chart 39	Lending Rates
Chart 40	Corporate Bankruptcies
Chart 41	Monetary Indicators, Economic Activity and Price Development

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2002/Q4	2003/Q1	Q2	2003/Apr.	May	Jun.	Jul.
Index of living expenditure level (all households)	-1.9	-0.7	0.9	1.2	-1.6	5.1	n.a.
Sales at department stores	-0.7	-0.3	-1.6	-2.4	1.1	1.7	n.a.
Sales at supermarkets	-0.9	-0.7	-1.4	-2.0	1.2	-0.7	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 326>	< 335>	< 306>	< 283>	< 331>	< 303>	< 310>
Sales of household electrical appliances (real, NEBA)	2.6	4.5	3.7	-0.5	3.5	-0.9	n.a.
Outlays for travel (50 major travel agencies)	0.3	-3.4	n.a.	-17.0	3.0	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 114>	< 115>	< 120>	< 116>	< 117>	< 127>	<n.a.>
Machinery orders (from private sector ⁴)	-0.1	5.8	n.a.	-1.8	6.5	n.a.	n.a.
Manufacturing	2.7	5.4	n.a.	1.2	15.9	n.a.	n.a.
Nonmanufacturing ⁴	-2.3	5.1	n.a.	0.5	0.4	n.a.	n.a.
Construction Starts (private, nondwelling use)	5.6	-2.2	4.0	2.4	2.9	0.5	n.a.
Mining & manufacturing	14.6	-4.9	0.3	-14.9	8.9	39.2	n.a.
Nonmanufacturing ⁵	2.8	-0.3	3.0	5.3	-0.4	-3.9	n.a.
Value of public works contracted	-0.7	-3.1	-5.6	-6.0	-1.9	5.0	n.a.
Real exports	4.5	-0.8	-0.2	-0.1	3.3	-3.3	n.a.
Real imports	2.2	0.2	1.9	0.2	1.9	1.8	n.a.
Industrial production	0.4	0.3	p -0.6	-1.5	2.6	p -1.2	n.a.
Shipments	0.8	0.5	p 0.3	1.1	1.8	p -0.6	n.a.
Inventories	-0.2	-1.5	p -0.8	-0.1	0.4	p -1.1	n.a.
Inventory Ratio <s.a., CY 2000=100>	<99.4>	<99.9>	<p 97.7>	<98.1>	<96.9>	<p 97.7>	<n.a.>
Real GDP	0.4	0.1	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.3	0.6	n.a.	-0.6	0.2	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2002/Q4	2003/Q1	Q2	2003/Apr.	May	Jun.	Jul.
Ratio of job offers to applicants <s.a., times>	<0.57>	<0.60>	<0.61>	<0.60>	<0.61>	<0.61>	<n.a.>
Unemployment rate <s.a., %>	<5.4>	<5.4>	<5.4>	<5.4>	<5.4>	<5.3>	<n.a.>
Overtime working hours ⁶	5.9	6.5	p 4.7	4.0	5.5	p 4.4	n.a.
Number of employees	-0.4	-0.1	0.3	-0.1	0.6	0.5	n.a.
Number of regular employees ⁶	-0.8	-0.6	p -0.6	-0.8	-0.6	p -0.6	n.a.
Nominal wages per person ⁶	-1.7	-0.7	p 0.8	-0.6	0.6	p 1.7	n.a.
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	-1.3 <-0.2>	-0.9 <0.0>	p -0.9 <p -0.2>	-0.8 <0.1>	-1.0 <-0.4>	p -1.0 <p -0.5>	n.a. <n.a.>
Consumer price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-0.8 <-0.2>	-0.7 <-0.1>	-0.4 <0.1>	-0.4 <0.1>	-0.4 <0.1>	-0.4 <0.0>	n.a. <n.a.>
Corporate service price index ⁹ <s.a., q/q % chg.> (3-month growth rate)	-1.0 <-0.2>	-0.9 <-0.1>	-1.2 <-0.6>	-1.2 <-0.5>	-1.2 <-0.6>	-1.2 <-0.6>	n.a. <n.a.>
Monetary aggregates (M2+CDs) <average outstanding, y/y % chg.>	2.9	1.9	1.6	1.3	1.6	1.8	1.8
Number of suspension of transactions with banks	-17.9	-21.7	-15.4	-13.3	-18.4	-14.0	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";

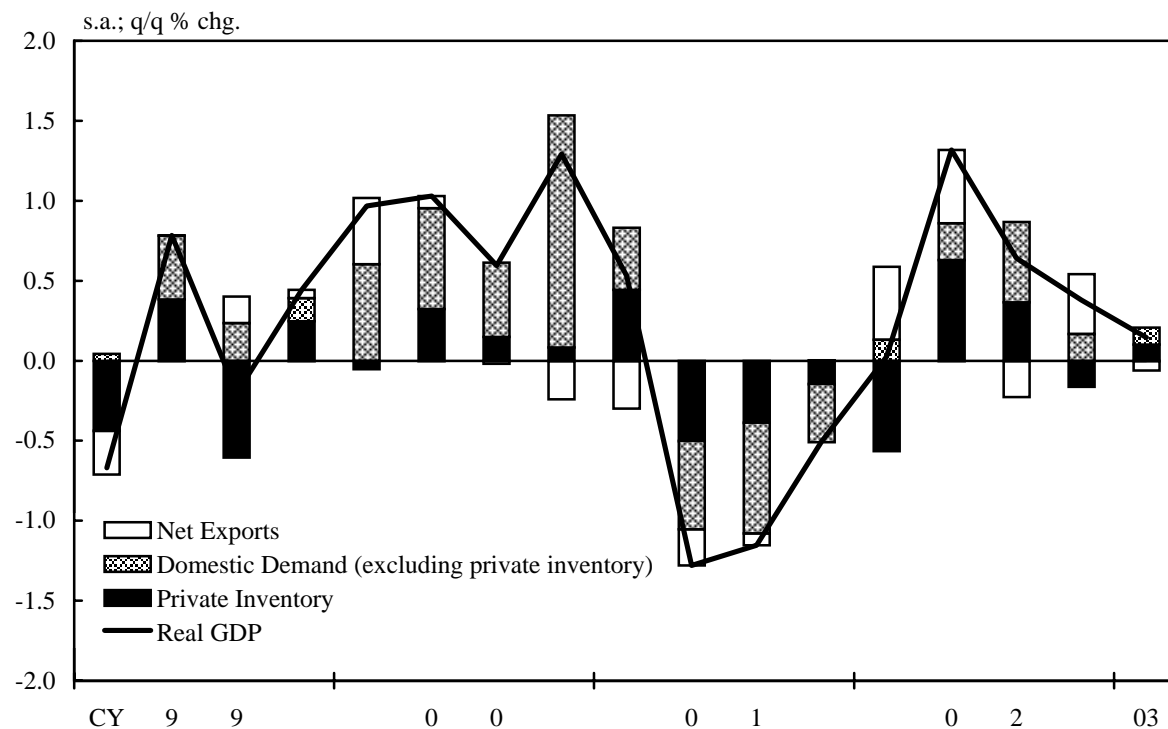
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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" for 1994/Q1-1999/Q4.

(2) Components

s.a.; q/q % chg.

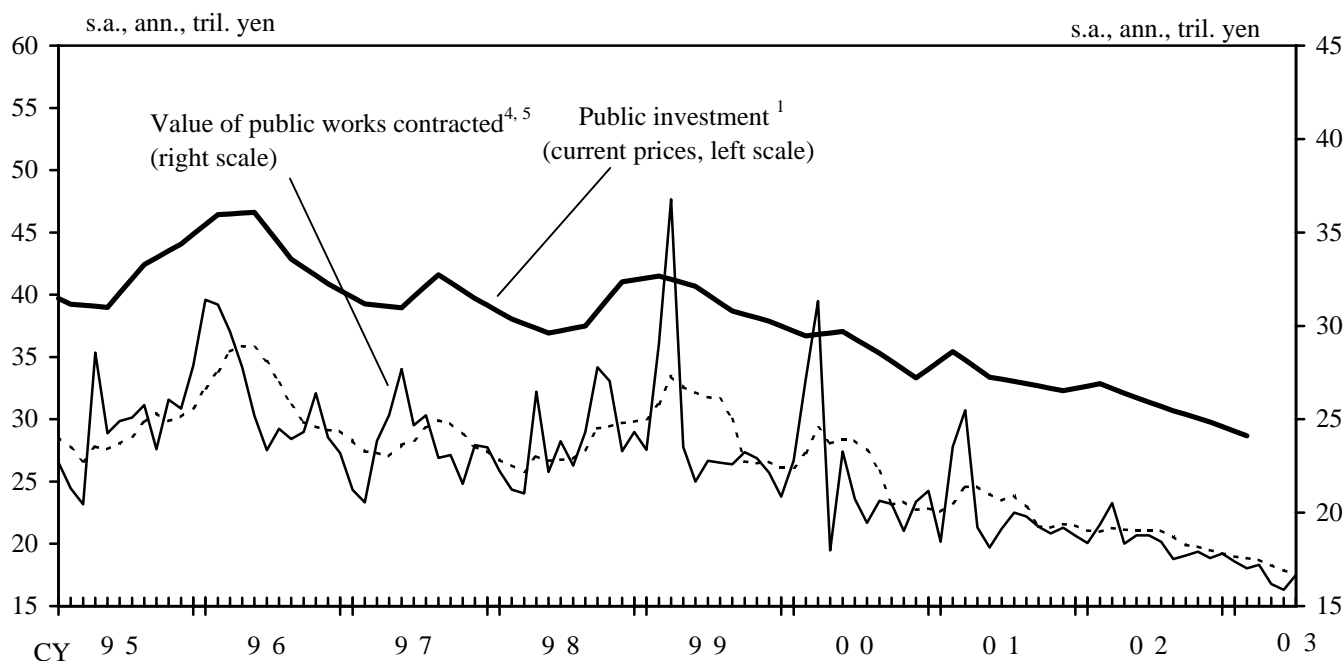
	2002				2003
	Q1	Q2	Q3	Q4	Q1
Real GDP	0.0	1.3	0.6	0.4	0.1
Domestic Demand	-0.4	0.9	0.9	0.0	0.2
Private Consumption	0.5	0.3	0.6	-0.0	0.2
Non-Resi. Investment	-1.6	1.3	1.3	2.5	0.7
Residential Investment	-2.5	-0.2	0.1	-1.0	-1.2
Private Inventory	(-0.6)	(0.6)	(0.4)	(-0.2)	(0.1)
Public Demand	0.9	-0.7	-0.2	-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.

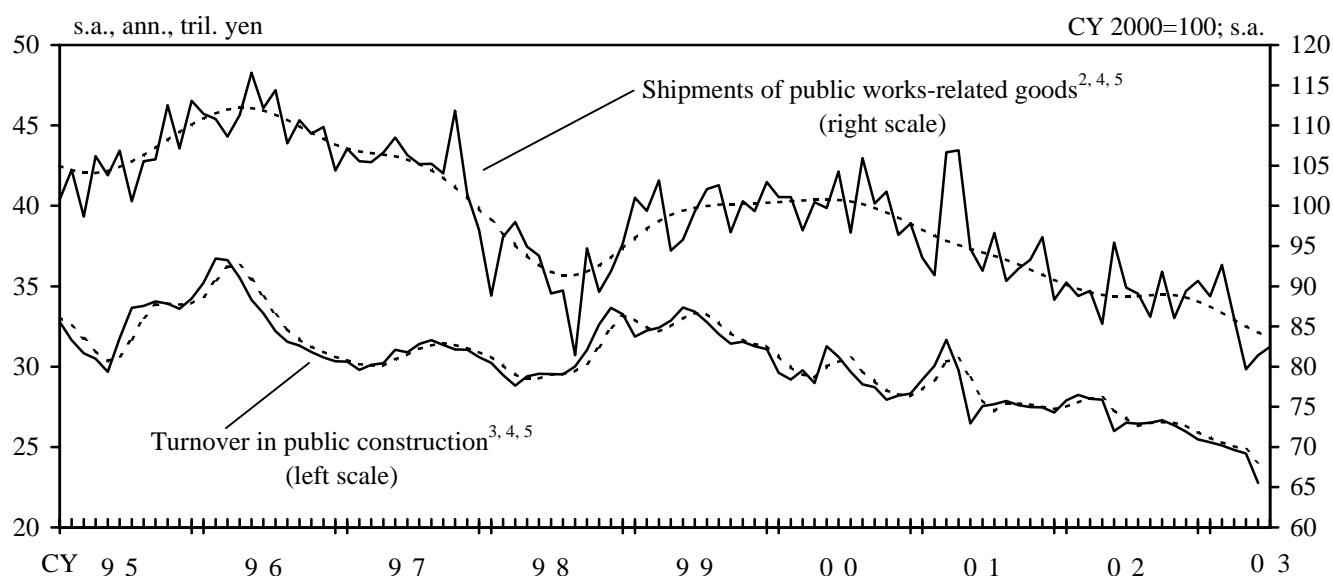
Source: Cabinet Office, "National Accounts."

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 figures of public investment are plotted at the middle month of each quarter. The figures include "reference series" for 1995/Q1-1999/Q4.

2. "Public works-related goods" is the weighted average of asphalt, concrete products for roads, bridges, and cement.

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

5. As for the dotted lines, the line for value of public works contracted is the 6-month 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-month moving average.

Sources: Cabinet Office, "National Accounts";

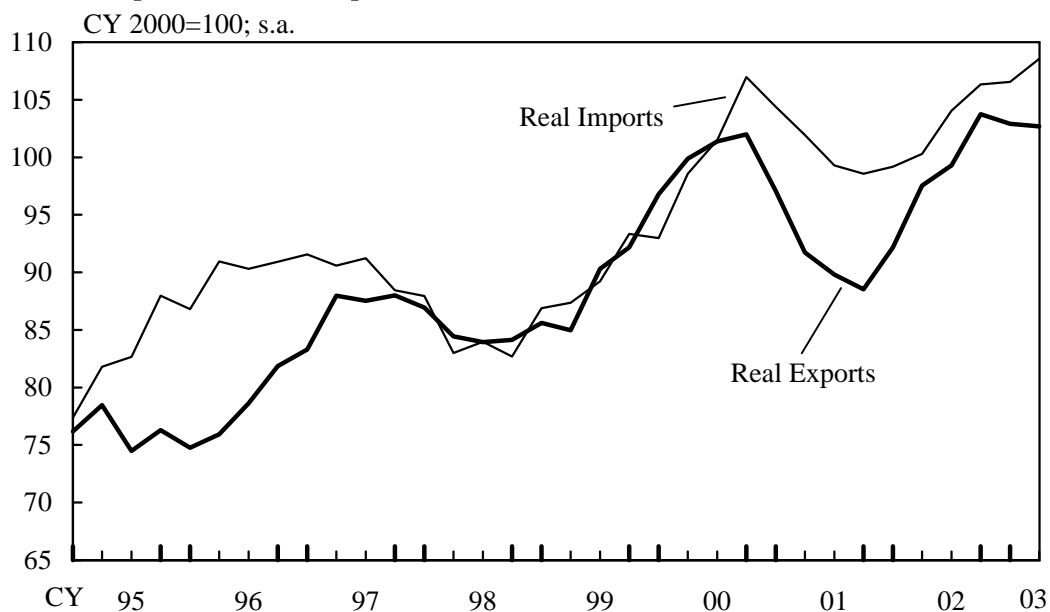
East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";

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

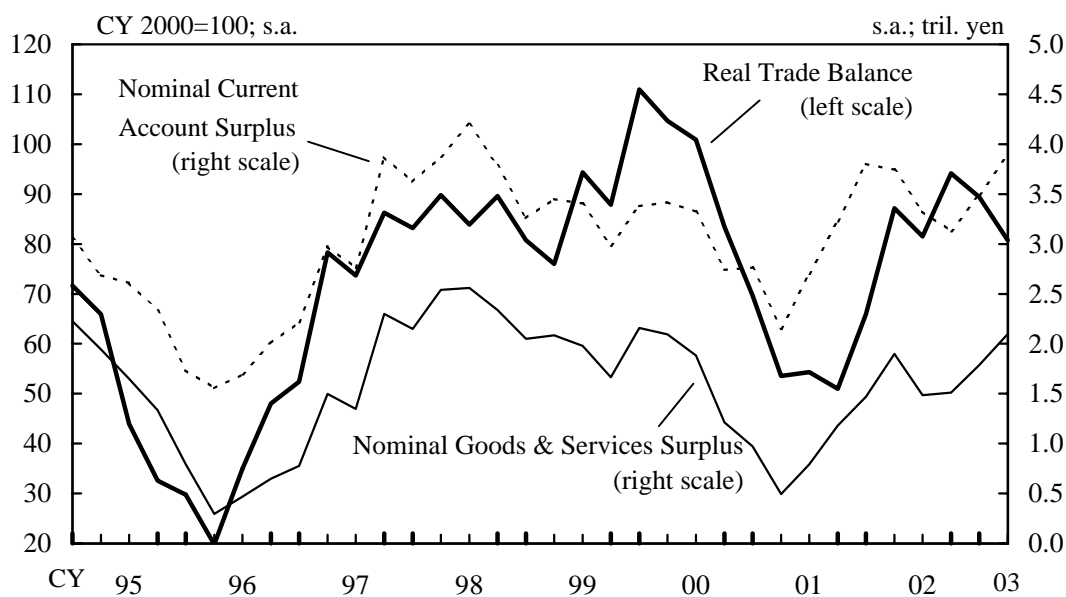
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

 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.
 3. Balance of payments data up to 1995/Q4 are from old basis.

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 Apr.	May	Jun.
United States	<28.5>	-7.7	1.4	1.8	-0.1	3.4	-9.9	0.9	-1.7	7.4	-7.2
EU	<14.7>	-10.1	-0.0	7.8	4.8	1.4	6.3	0.1	-2.2	3.5	-0.5
East Asia	<41.5>	-9.0	17.5	10.9	3.8	3.4	7.9	-2.6	-1.6	3.3	-1.8
China	<9.6>	12.4	35.5	11.8	10.2	3.3	21.7	0.6	4.8	4.6	-3.7
NIEs	<22.7>	-15.2	14.4	11.4	2.4	4.4	4.5	-5.3	-6.1	3.9	-0.6
Korea	<6.9>	-8.4	19.1	13.6	4.3	6.2	7.7	-8.2	-5.7	1.2	0.8
Taiwan	<6.3>	-25.3	14.6	11.3	2.4	2.1	4.9	-6.3	-7.5	2.3	-1.0
ASEAN4 ³	<9.3>	-7.8	10.2	9.1	1.1	1.0	2.1	0.2	1.8	0.4	-2.3
Thailand	<3.2>	-3.6	16.5	14.4	8.0	4.0	0.2	2.5	-2.3	10.4	-4.1
Real exports		-8.6	7.2	5.8	1.8	4.5	-0.8	-0.2	-0.1	3.3	-3.3

(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 Apr.	May	Jun.
Intermediate goods	<15.3>	-3.2	8.8	3.0	0.9	-2.4	4.3	0.2	1.4	2.3	-5.6
Motor vehicles and their related goods	<24.3>	-1.8	12.7	3.6	0.1	5.0	-1.3	-5.3	-6.4	5.0	-1.8
Consumer goods ⁴	<7.1>	-4.8	7.9	5.5	1.0	10.6	0.4	0.9	-0.6	1.9	-5.1
IT-related goods ⁵	<14.8>	-10.5	0.3	14.2	6.0	3.0	-3.9	3.0	0.7	4.6	-3.7
Capital goods and parts ⁶	<27.3>	-14.6	7.8	8.3	3.8	5.2	1.9	1.5	2.1	2.9	-1.0
Real exports		-8.6	7.2	5.8	1.8	4.5	-0.8	-0.2	-0.1	3.3	-3.3

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

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

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

4. Excludes motor vehicles.

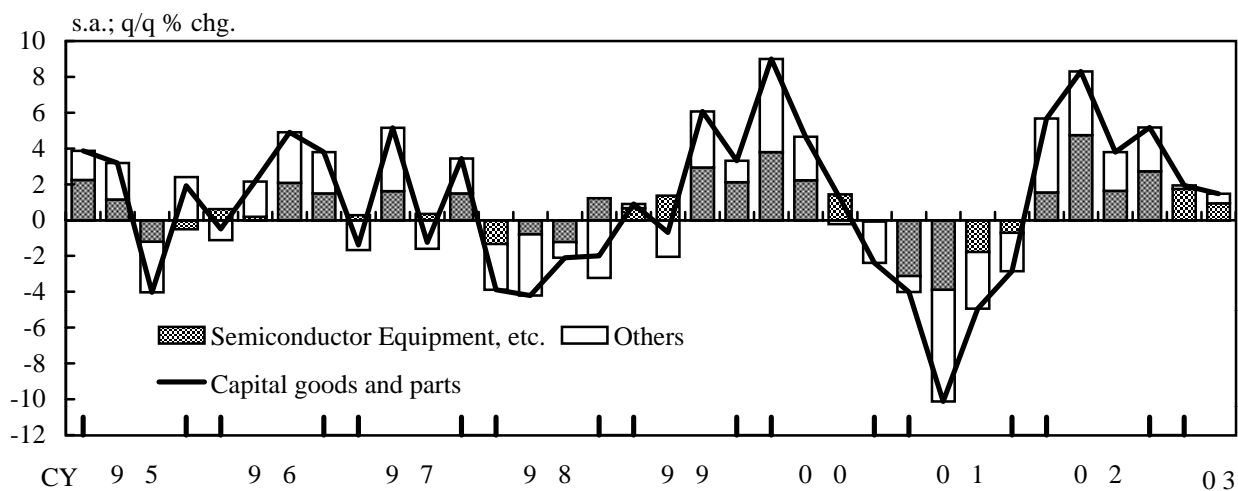
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs and medical and optical instruments.

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

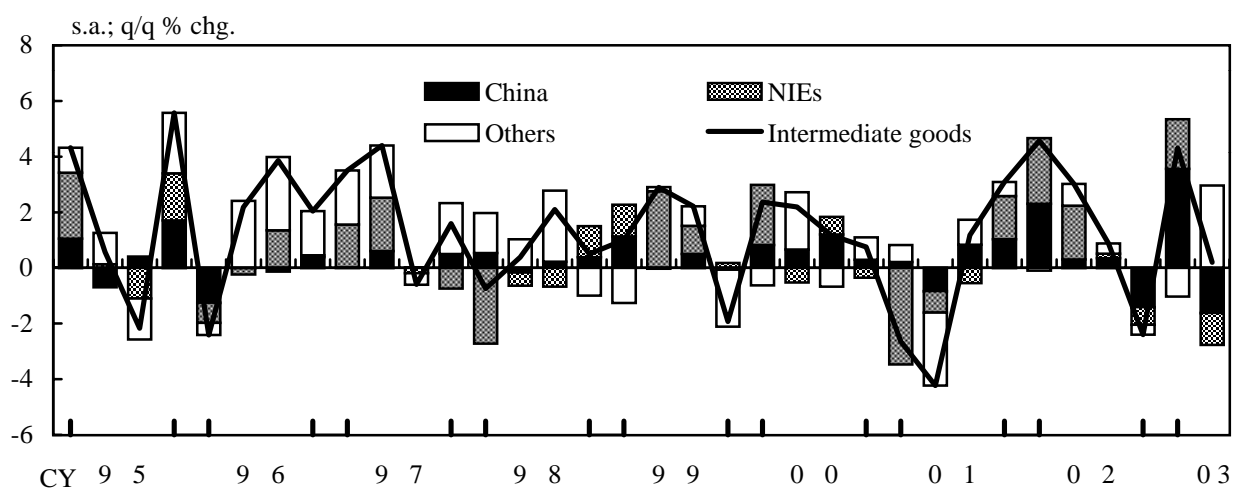
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

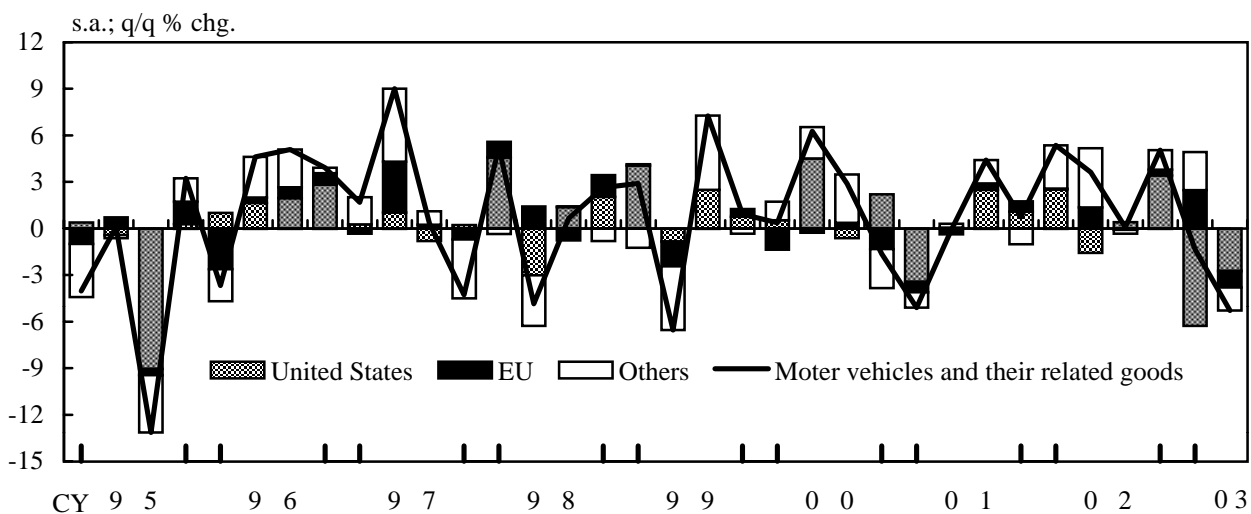
(1) Capital goods and parts (real, breakdown by goods)



(2) Intermediate goods (real, breakdown by region)



(3) Motor vehicles and their related goods (real, breakdown by region)

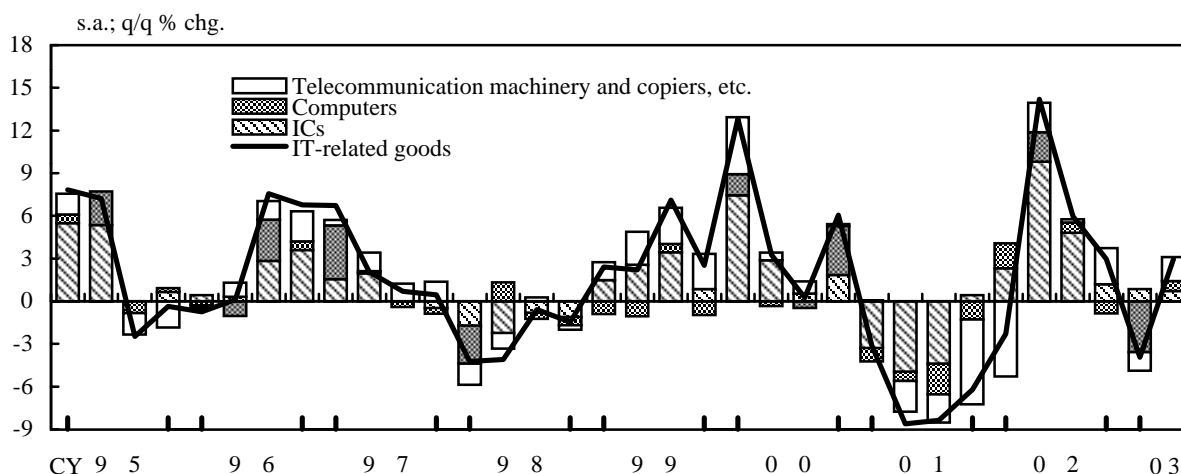


Note: Seasonally adjusted by X-12-ARIMA.

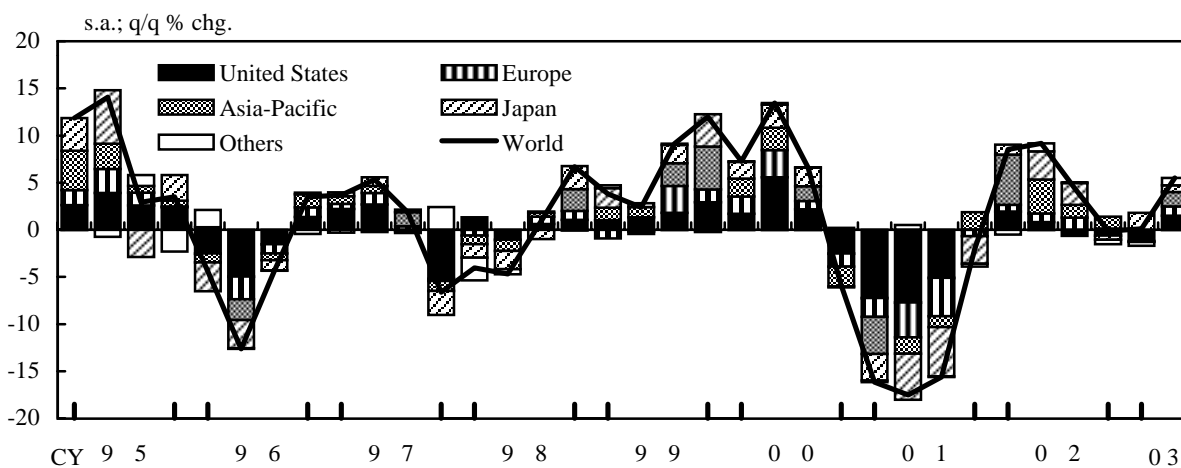
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

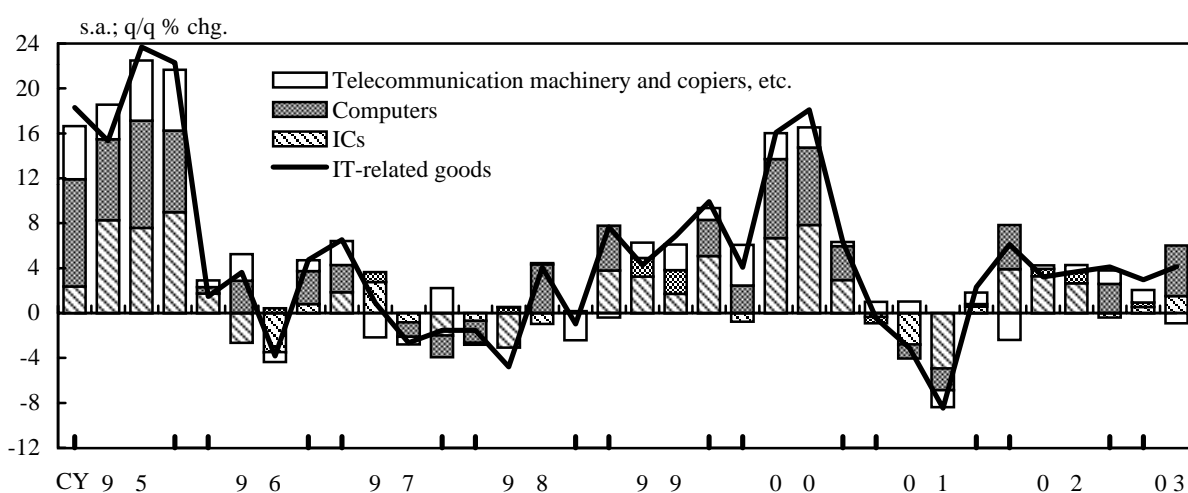
(1) Exports of IT-related goods (real, breakdown by goods)



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



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



Note: Seasonally adjusted by X-12-ARIMA.

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

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 Apr.	May	Jun.
United States	<17.1>	-0.6	-3.8	1.0	1.6	-4.5	-2.8	5.1	12.0	-0.6	-2.2
EU	<13.0>	6.1	2.3	2.0	5.7	1.5	-1.6	2.5	-1.1	6.6	-0.9
East Asia	<41.4>	6.1	6.4	2.8	3.6	5.7	0.7	4.2	2.8	0.7	1.4
China	<18.3>	16.5	13.9	3.8	3.9	8.3	3.9	5.2	-0.7	0.9	3.6
NIEs	<10.5>	-3.3	1.8	6.2	2.5	2.1	-2.0	2.3	5.1	0.3	0.5
Korea	<4.6>	-3.2	-1.5	8.0	3.7	2.8	-0.0	3.8	4.7	4.0	2.6
Taiwan	<4.0>	-5.1	5.5	6.8	2.1	-0.2	-2.8	0.5	10.5	-3.1	-0.8
ASEAN4 ³	<12.6>	3.6	1.5	-1.0	4.3	5.3	-1.4	4.4	6.3	0.8	-0.9
Thailand	<3.1>	10.4	7.6	3.9	4.7	5.0	-1.5	2.4	1.0	1.9	-0.8
Real imports		1.2	1.2	1.1	3.7	2.2	0.2	1.9	0.2	1.9	1.8

(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 Apr.	May	Jun.
Raw materials ⁴	<25.3>	-4.1	-2.7	-2.9	6.0	4.0	4.0	-0.8	-4.9	9.4	-4.0
Intermediate goods	<13.0>	-1.1	1.4	1.1	4.4	-0.1	1.0	-0.4	-3.0	0.8	4.6
Foodstuffs	<12.5>	-0.0	-2.5	-1.5	1.2	-3.3	-1.0	-1.5	0.1	0.6	-1.5
Consumer goods	<11.0>	7.9	-0.9	3.8	0.9	5.5	-3.8	3.5	-1.8	2.6	4.3
IT-related goods ⁵	<14.4>	9.6	7.8	3.2	3.7	4.1	3.0	4.1	4.7	1.0	3.4
Capital goods and parts ⁶	<12.9>	10.6	11.5	8.6	6.2	1.4	-2.2	12.2	10.4	-0.9	-1.3
excluding aircraft	<11.8>	13.9	8.3	7.5	4.1	5.3	0.3	5.1	-5.1	7.3	-1.8
Real imports		1.2	1.2	1.1	3.7	2.2	0.2	1.9	0.2	1.9	1.8

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

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

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

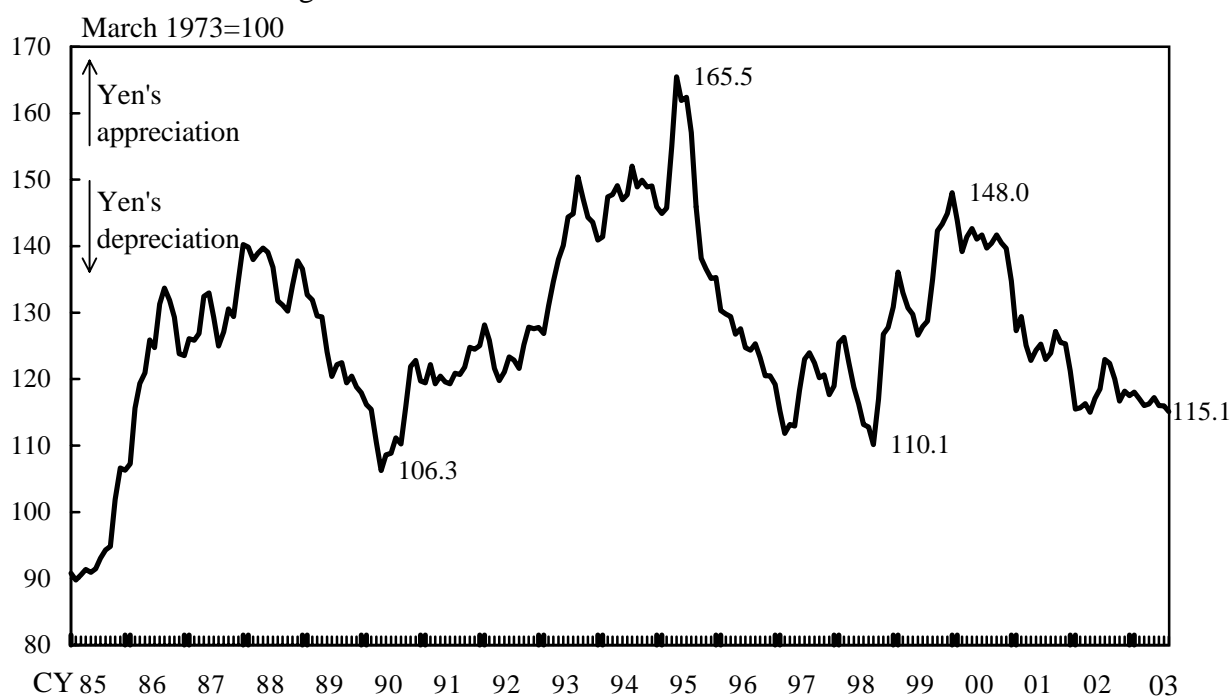
4. Raw materials are mainly composed of woods, ores and mineral fuel.

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

6. Excludes IT-related goods.

External Environment (1)

(1) Real Effective Exchange Rate 1



Note: Calculated by the Bank of Japan. Monthly average. Figure for August 2003 is the average up to August 7.

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

(2) Real GDP Growth Rates in Overseas Economies

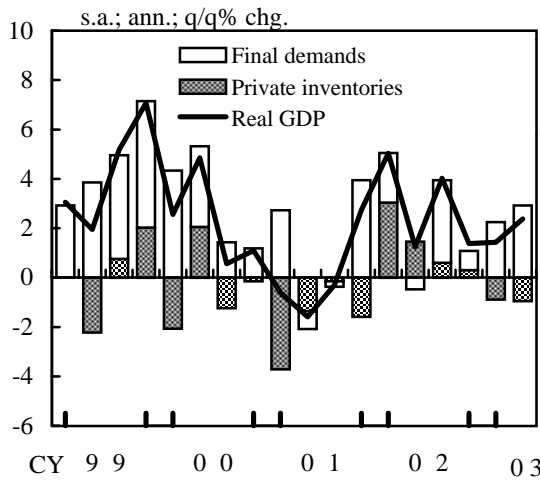
		CY2000	2001	2002	2002 Q3	Q4	2003 Q1	Q2
United States ¹		3.8	0.3	2.4	4.0	1.4	1.4	2.4
European Union ¹		3.5	1.6	1.0	1.5	0.6	0.4	n.a.
	Germany	2.9	0.6	0.2	1.2	-0.1	-0.9	n.a.
	France	4.2	2.1	1.2	1.2	-0.2	1.1	n.a.
	United Kingdom	3.1	2.1	1.9	3.7	2.0	0.4	1.3
	China	8.0	7.3	8.0	8.1	8.1	9.9	6.7
East Asia ²	Korea	9.3	3.1	6.3	5.8	6.8	3.7	n.a.
	NIEs							
	Taiwan	5.9	-2.2	3.5	4.8	4.2	3.2	n.a.
	Hong Kong	10.2	0.5	2.3	3.4	5.1	4.5	n.a.
	Singapore	9.4	-2.4	2.2	3.8	3.0	1.6	-4.3
	ASEAN4							
	Thailand	4.6	1.9	5.3	5.8	6.2	6.7	n.a.
Indonesia	4.9	3.4	3.7	4.3	3.8	3.4	n.a.	
Malaysia	8.5	0.3	4.1	5.8	5.4	4.0	n.a.	
Philippines	4.4	4.5	4.4	3.8	5.8	4.5	n.a.	

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

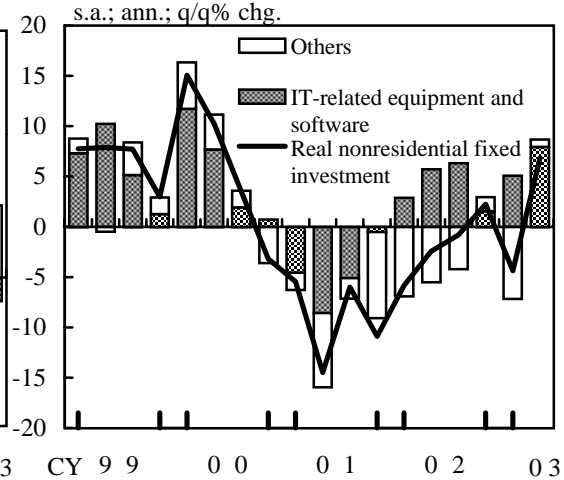
2. Quarterly data of East Asia are percent changes from a year earlier.

External Environment (2)

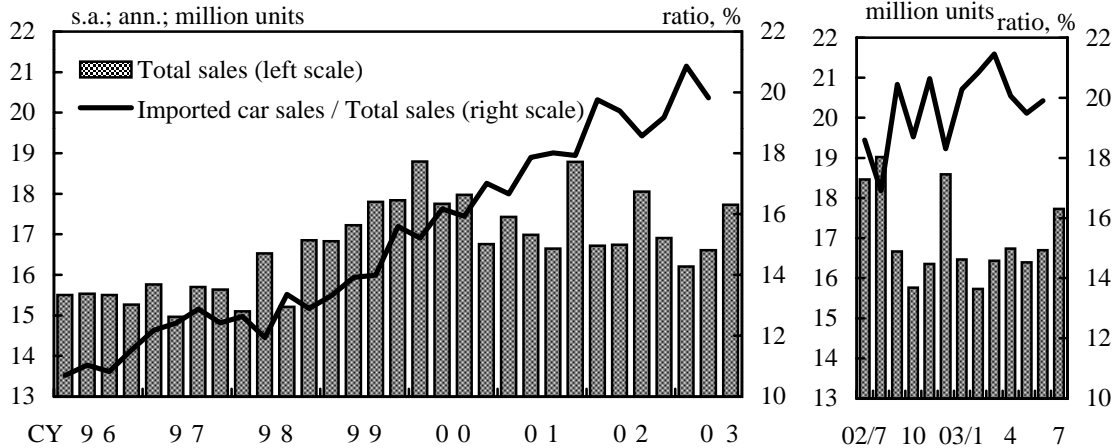
(1) U.S. Real GDP (breakdown by final demands and inventories)



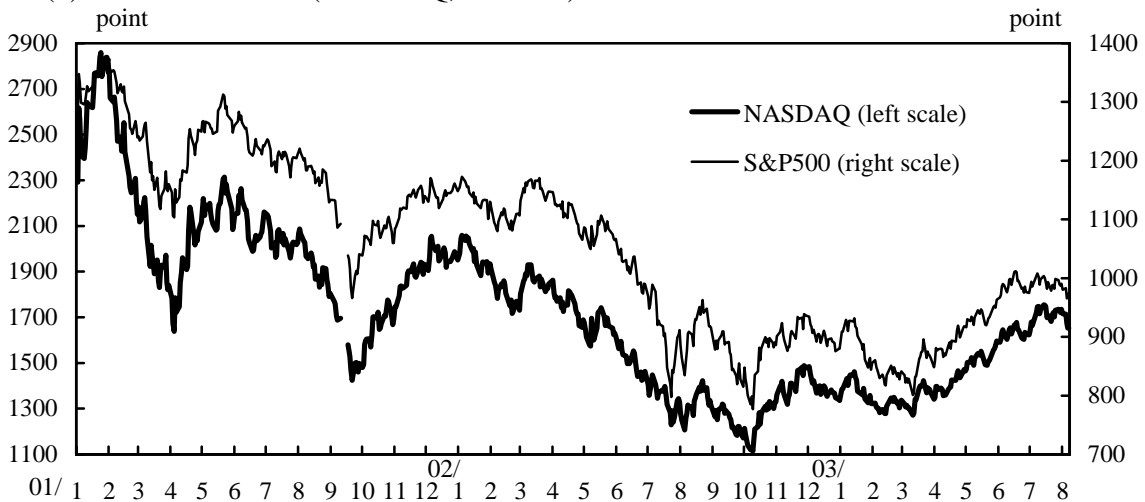
(2) U.S. Real Nonresidential Fixed Investment



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



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



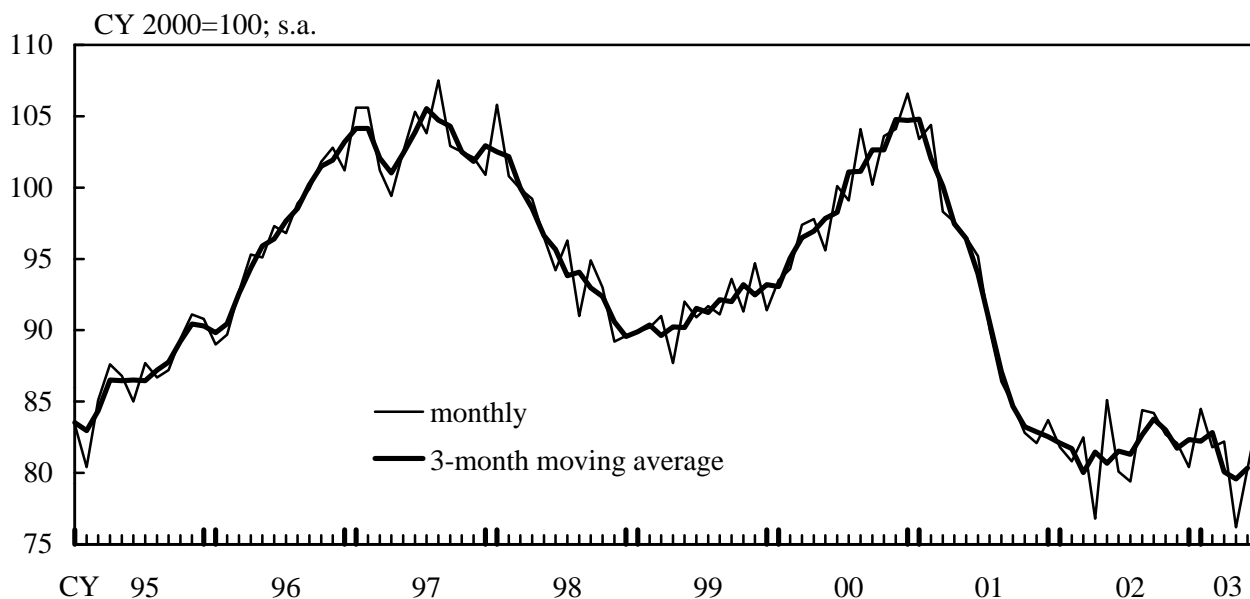
Notes: 1. "Total sales" of automobiles in 2003/Q3 is based on one month sales in July. July figures of Automobile Sales are calculated by adding average of heavy trucks in CY 2002 (0.4mil.) to preliminary figure released by an industry association (s.a., ann., 17.33 mil.) which does not include heavy trucks.

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

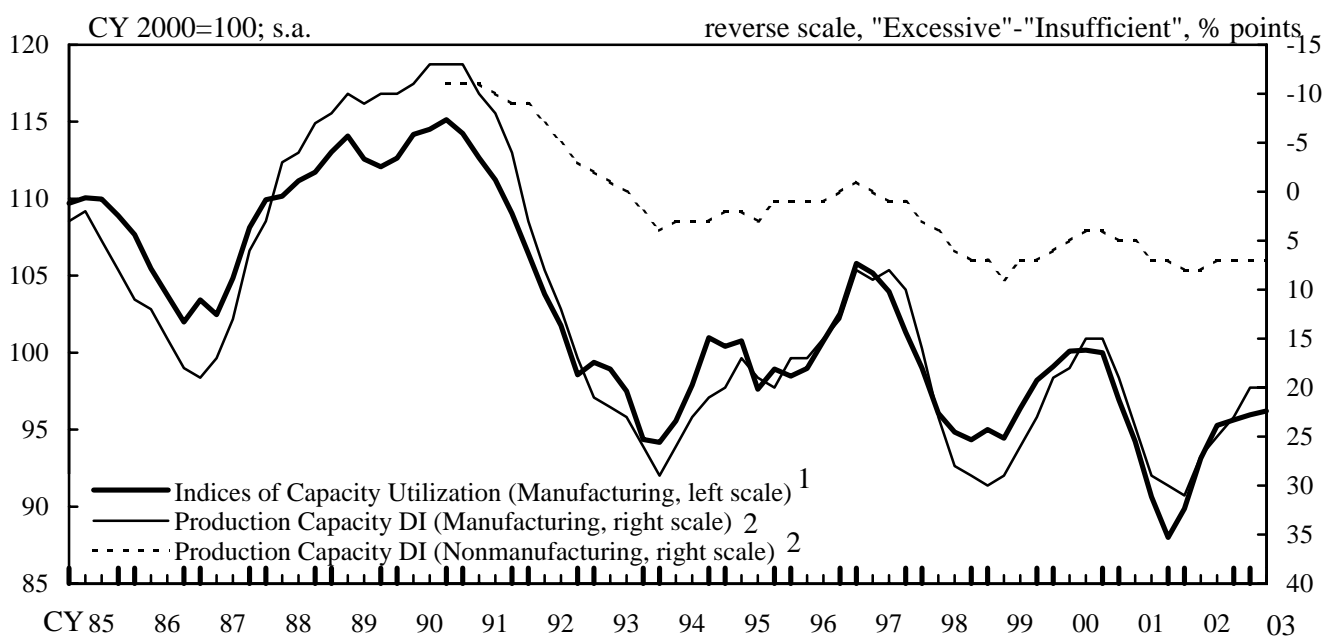
Sources: U.S. Department of Commerce, "National Income and Product Accounts," "Sales, production, imports, exports, and inventories, in units"; Reuters News Service; Bloomberg.

Indicators for Business Fixed Investment (1)

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



(2) Indices of Capacity Utilization and Production Capacity DI



Notes: 1. The figure for 2003/Q2 is average of April and May.

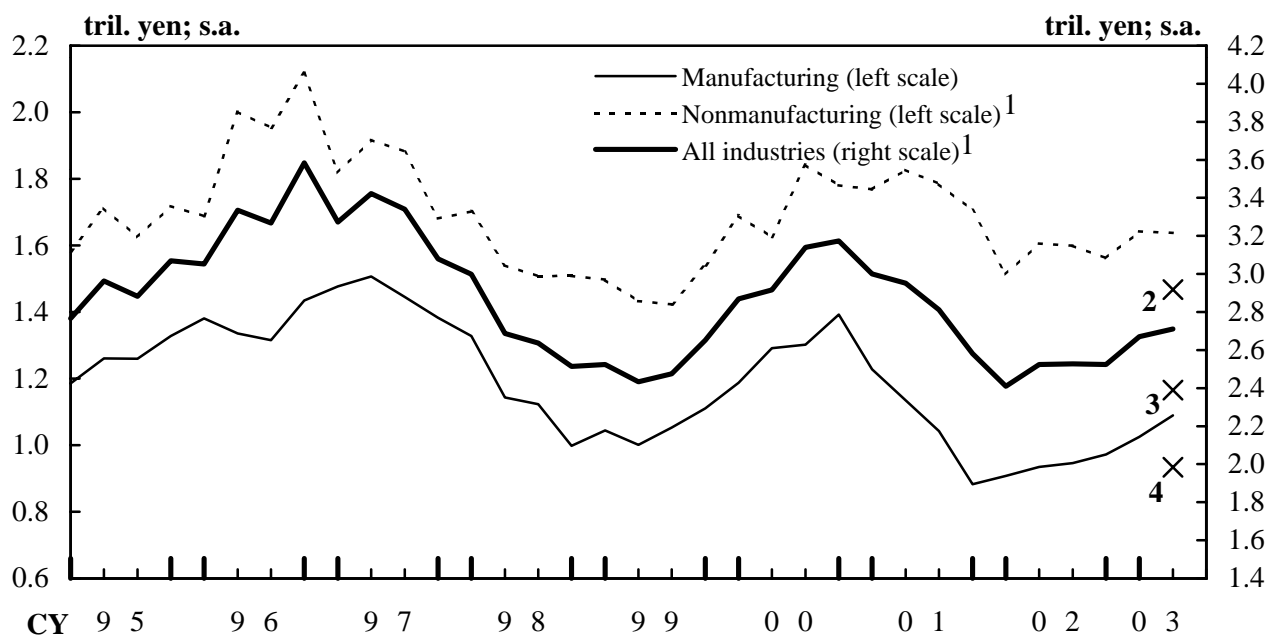
2. Production Capacity DI are those of all enterprises.

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.

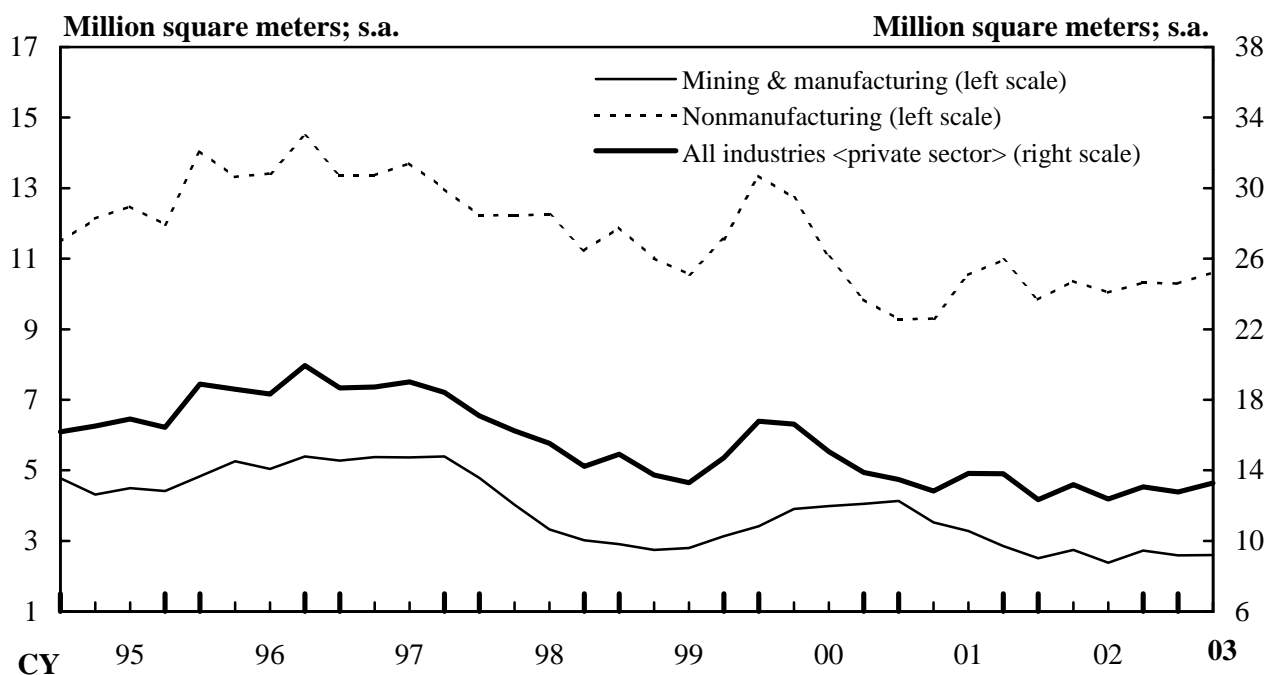
2. Forecast of nonmanufacturing industries for 2003/Q2.

3. Forecast of all industries for 2003/Q2.

4. Forecast of manufacturing industries for 2003/Q2.

5. Figures for 2003/Q2 are averages of April and May in terms of quarterly amount.

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



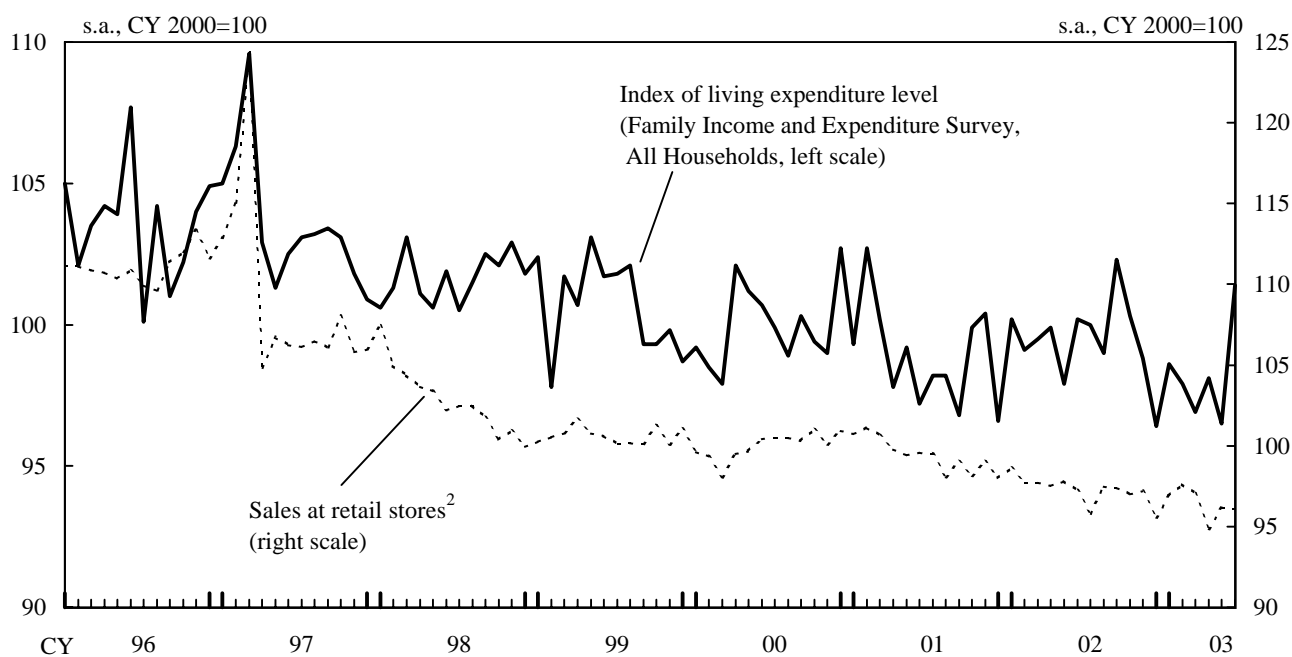
Note: Seasonally adjusted by X-12-ARIMA.

Sources: Cabinet Office, "Machinery Orders Statistics";

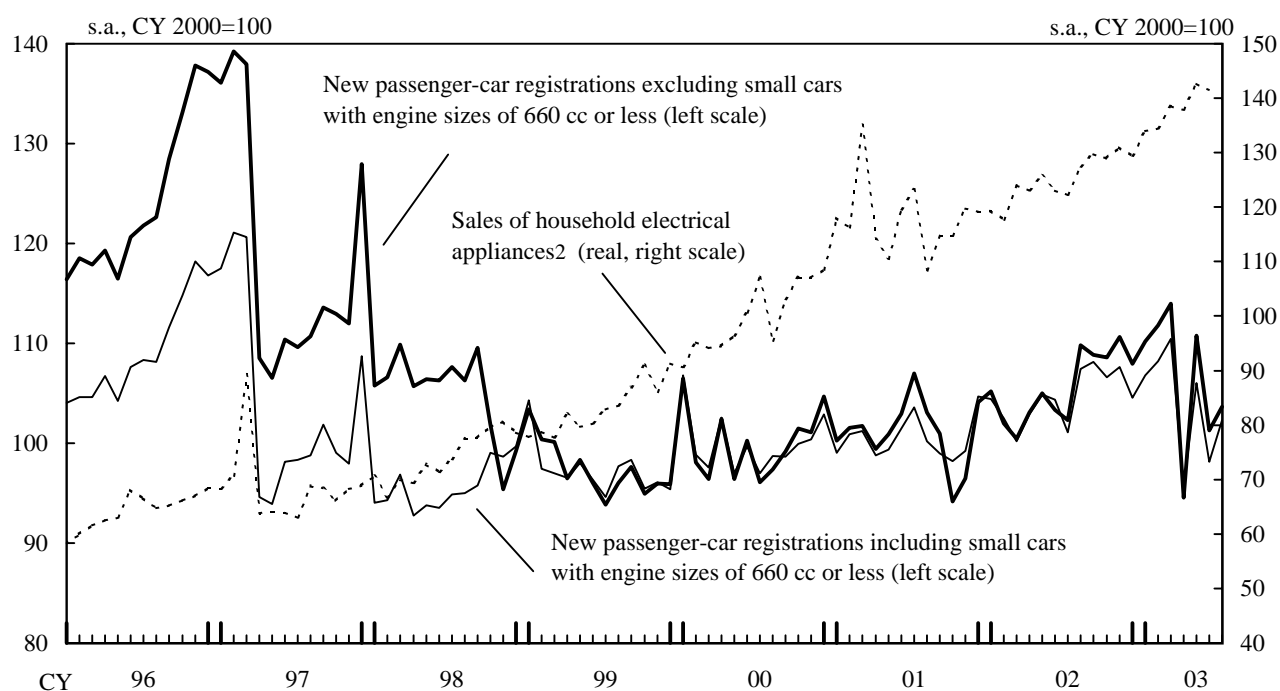
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



(2) Sales of Durable Goods



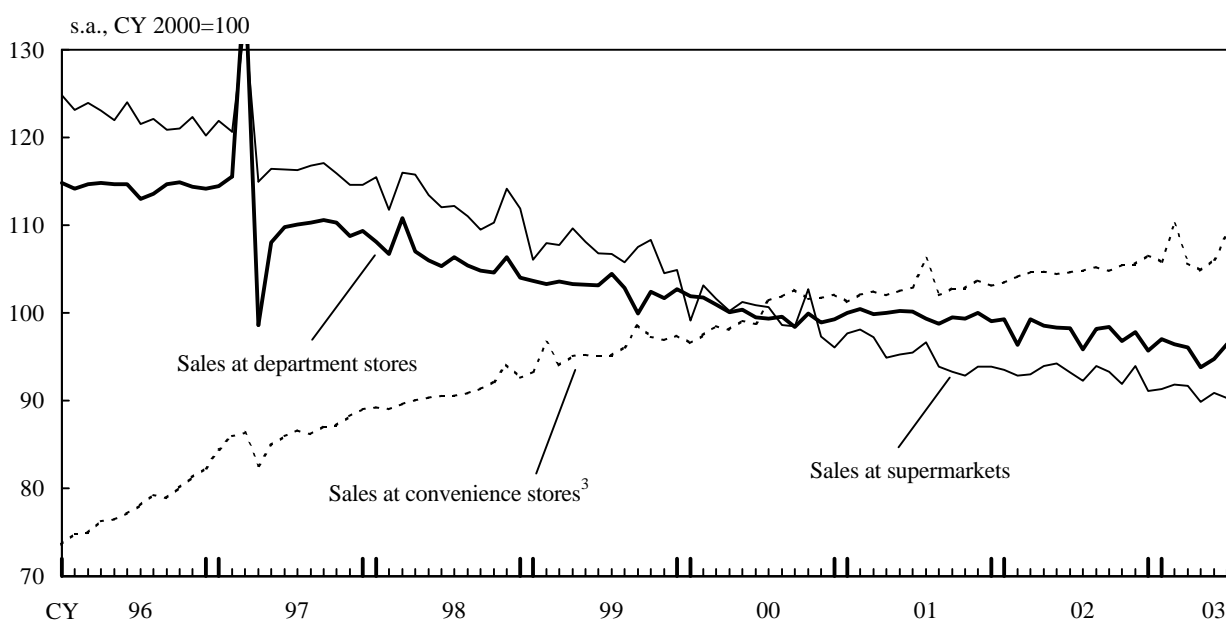
Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications.

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).

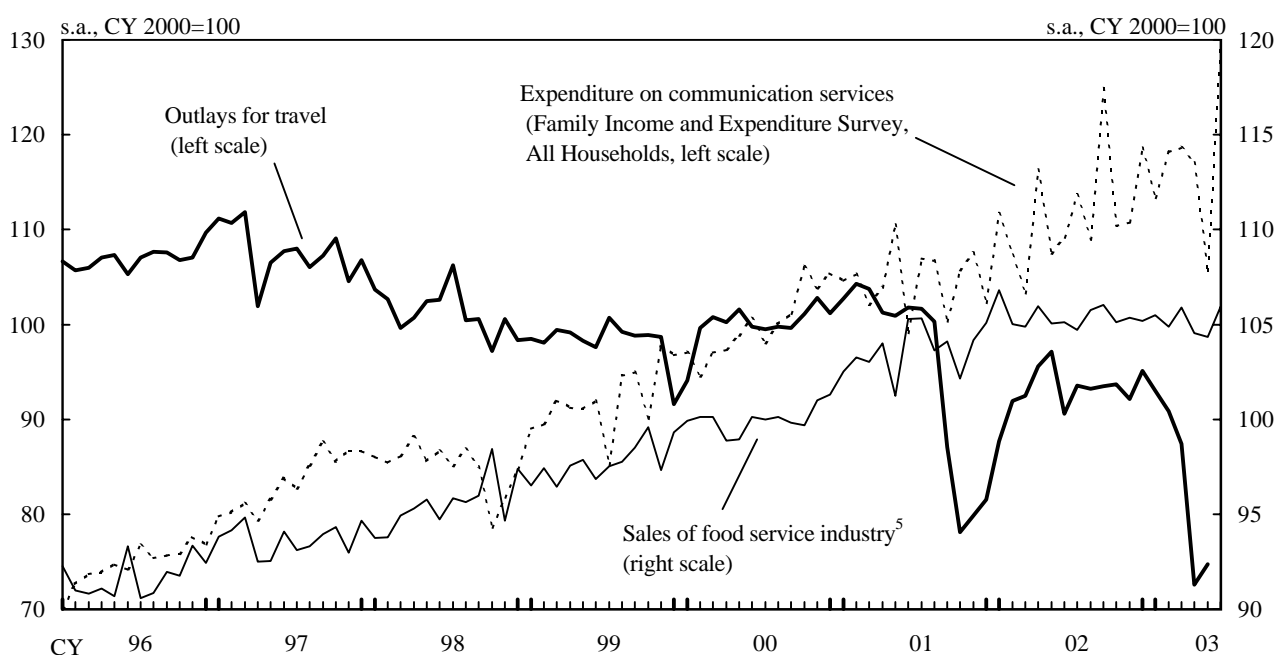
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles";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

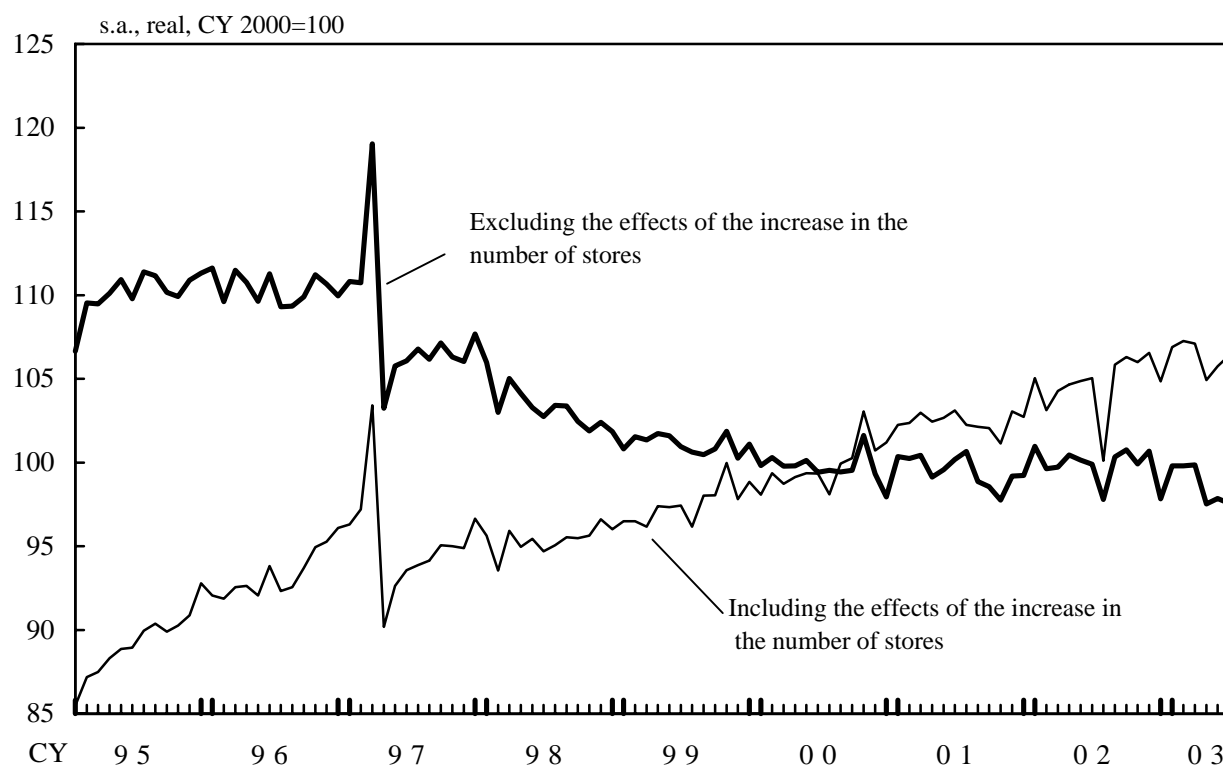
3. Sales at convenience stores until March 1997 are based on the survey conducted by the Bank of Japan. From April 1997 they are based on the data published by the Ministry of Economy, Trade and Industry.

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

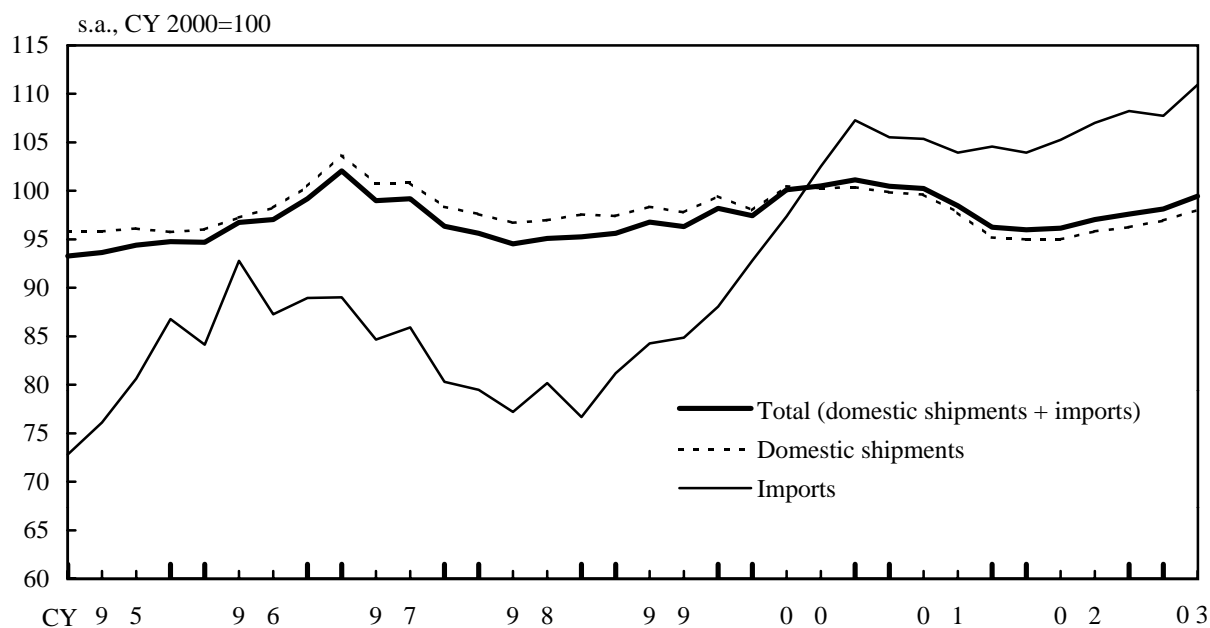


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in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

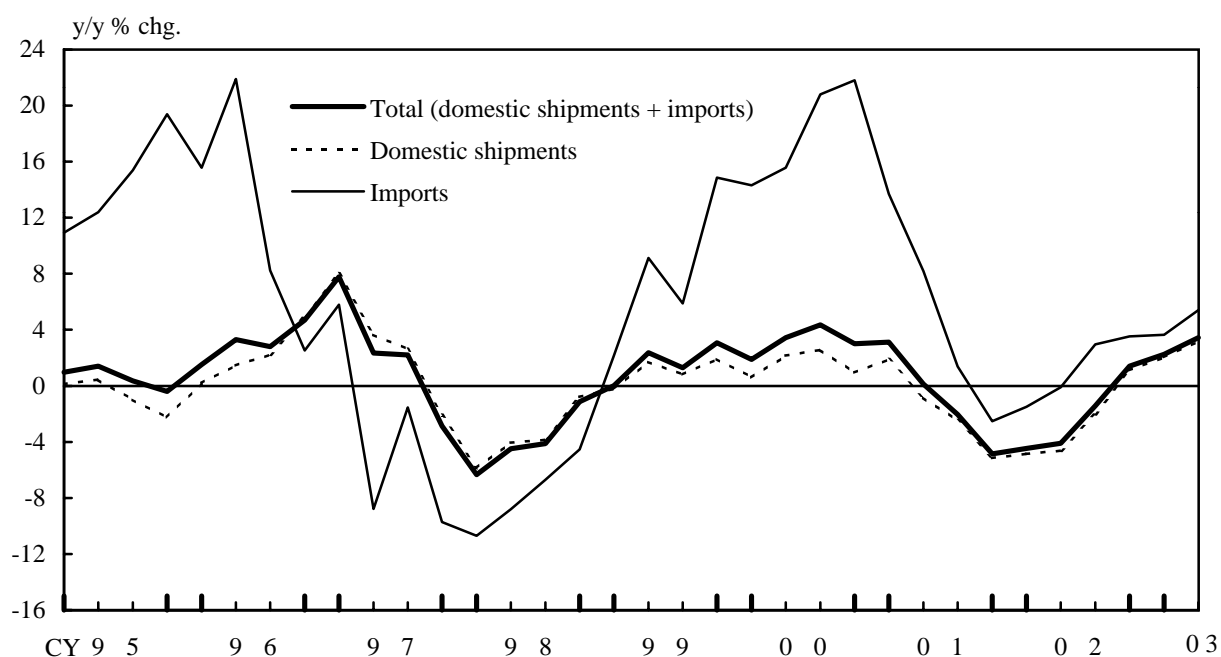
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index,"
 "Monthly Report on the Family Income and Expenditure Survey";
 Bank of Japan, "Wholesale Price Indexes";
 Japan Automobile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

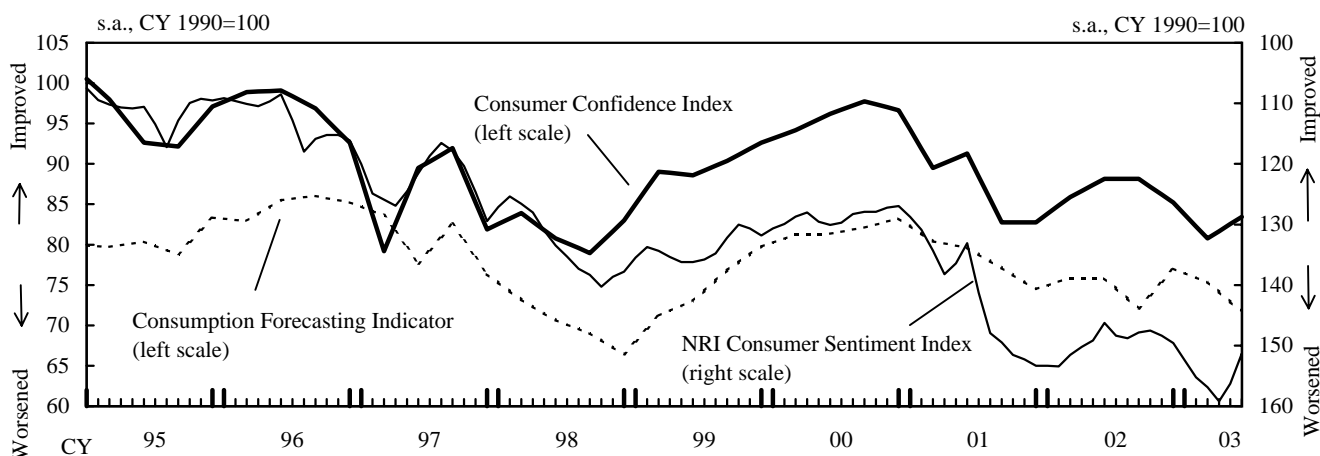


- Notes: 1. Aggregate supply of consumer goods is calculated by the Bank of Japan using shipments of consumer goods in *Indices of Industrial Production* and real exports and imports of consumer goods. The weights used for calculation are those of *Indices of Industrial Domestic Shipments and Imports*.
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.

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

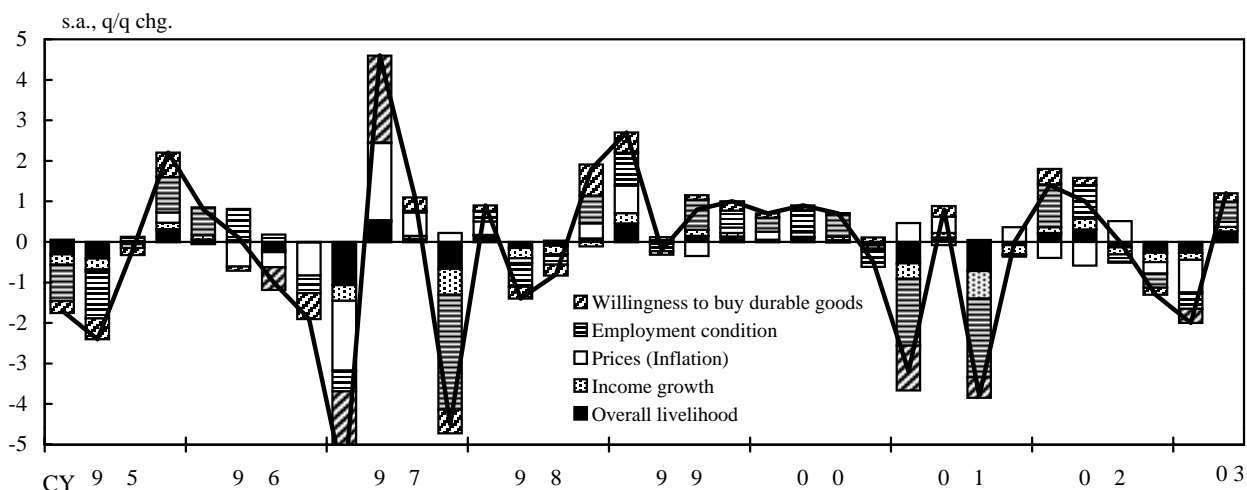
Consumer Confidence

(1) Surveys on Consumer Confidence

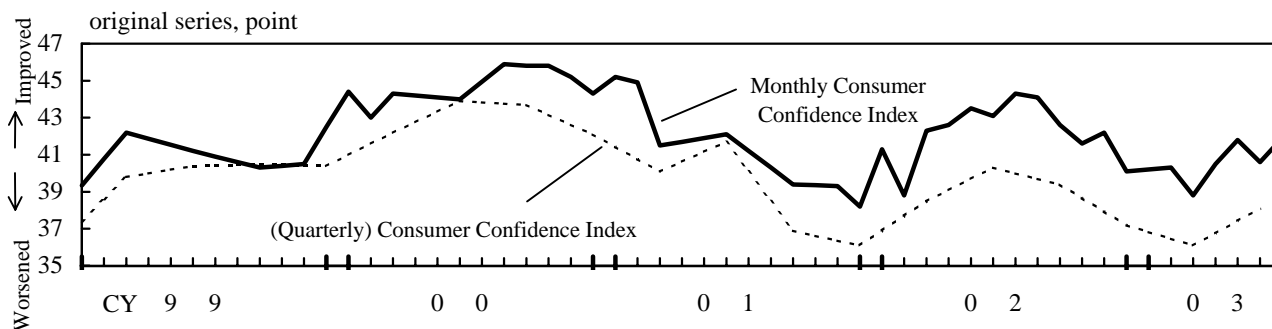


- Notes:
1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office.
 2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 1,500 samples in metropolitan area), and NRI Consumer Sentiment Index (with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

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



(Reference) Monthly Consumer Confidence Survey (Tokyo)

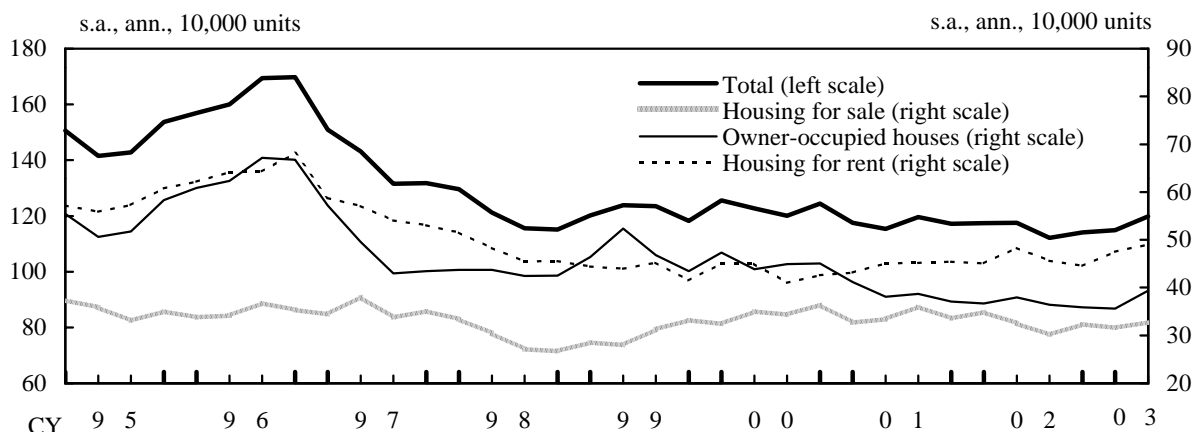


Note: *Monthly Consumer Confidence Survey* is conducted on a monthly basis for limited samples of the Tokyo district (435 households surveyed) in the quarterly Consumer Confidence Survey. The items in the monthly survey are parts of the quarterly survey. Prior to 2001, figures for the months when the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

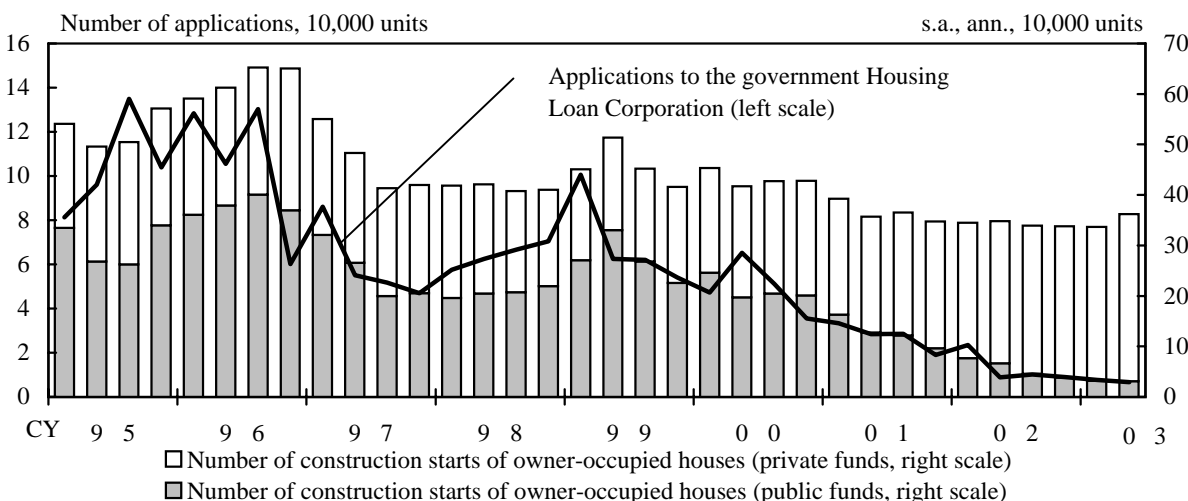
Sources: Cabinet Office, "Consumer Confidence Survey," "Monthly Consumer Confidence Survey"; Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators for Housing Investment

(1) Housing Starts

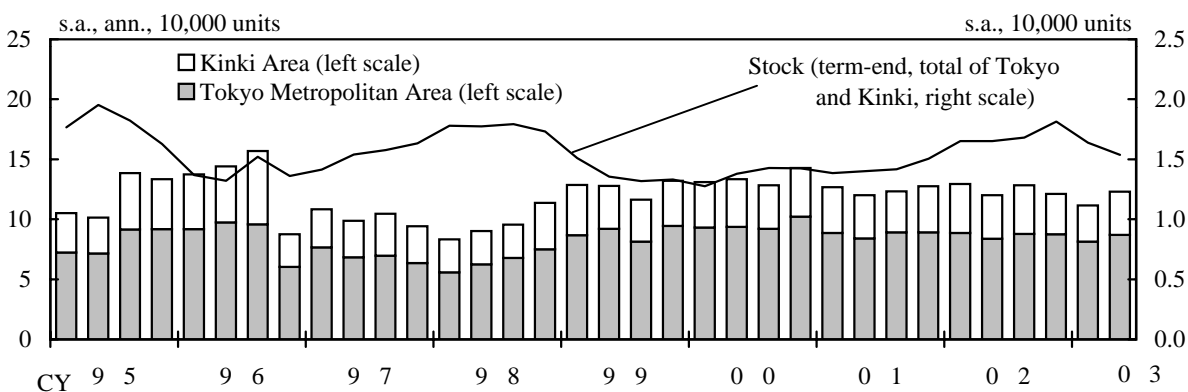


(2) Applications to the Government Housing Loan Corporation for new owner-occupied houses and Construction Starts of owner-occupied houses



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

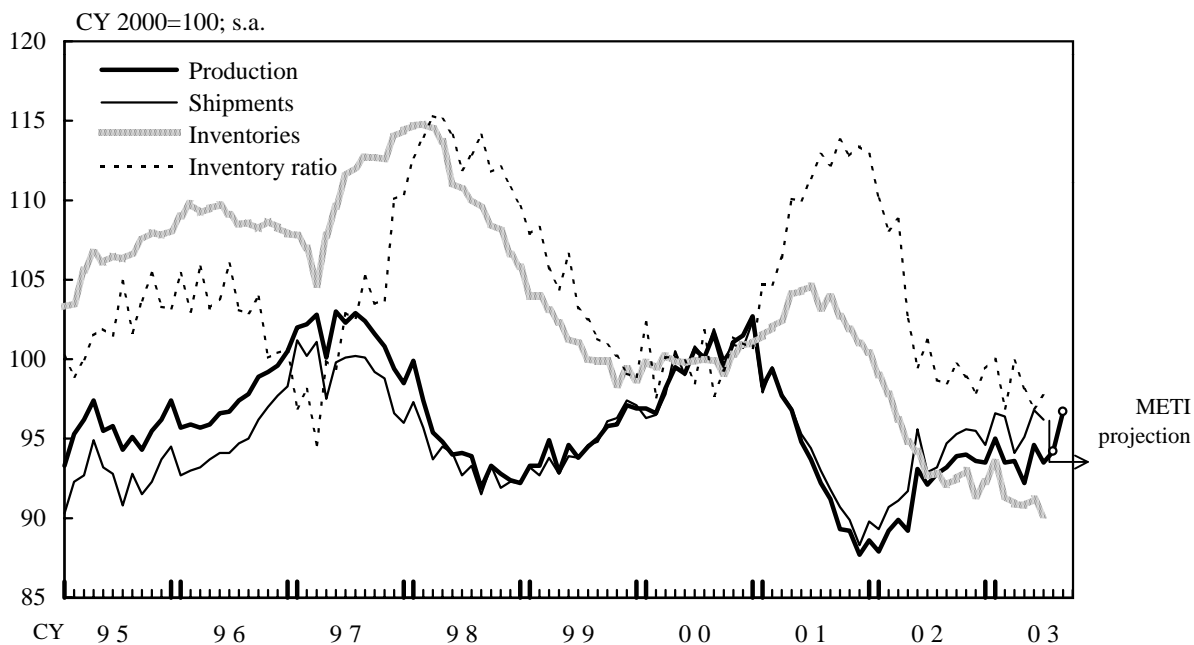
(3) Sales of Condominiums



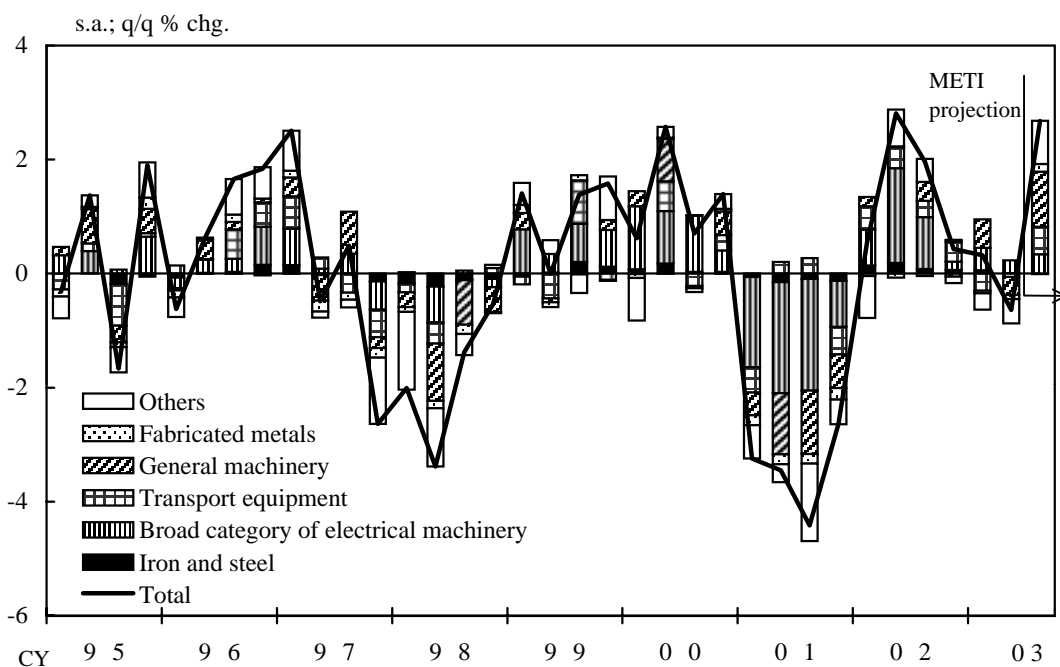
Note: Seasonally adjusted by X-12-ARIMA.

 Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries



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

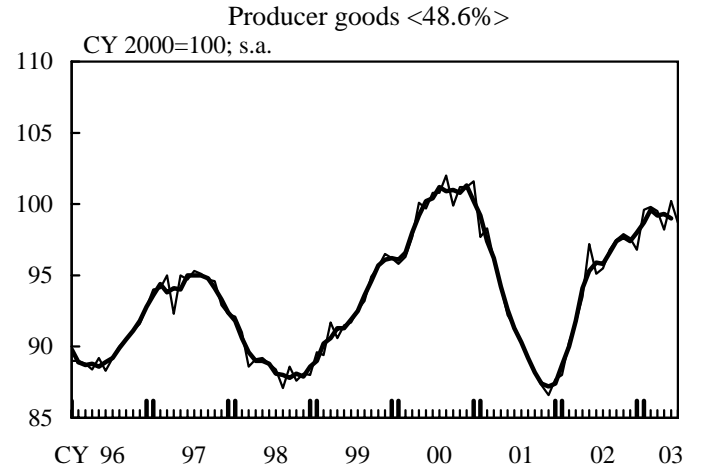
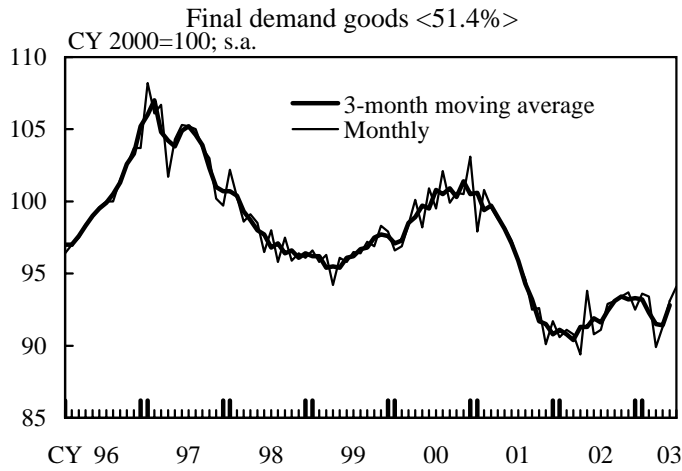
"Broad category of electrical machinery" is the weighted sum of "electrical machinery", "information and communication electronics equipment" and "electronic parts and devices."

2. 2003/Q3 for METI projection is based on the assumption that production level in Sept. is the same as that of Aug..

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

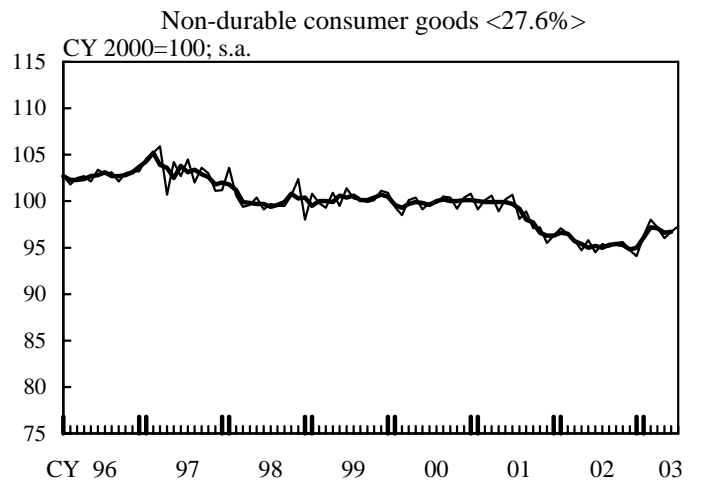
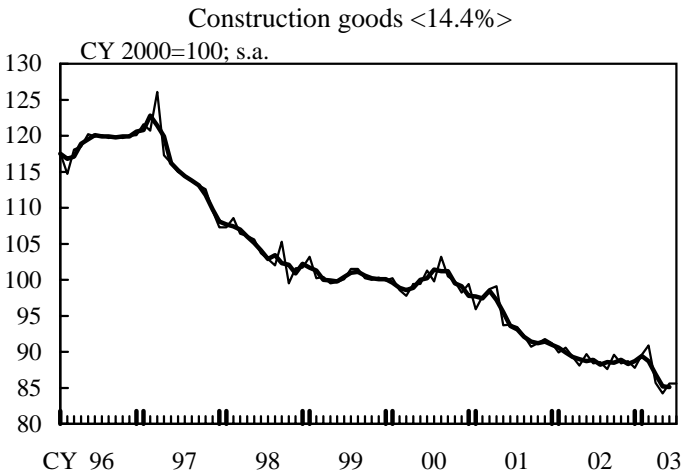
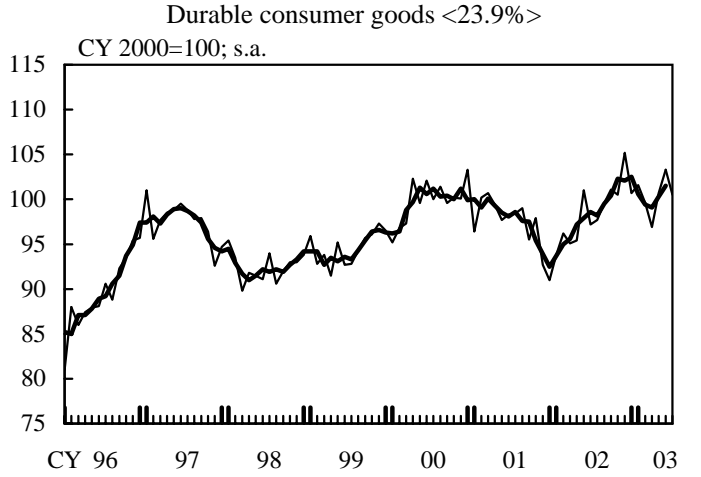
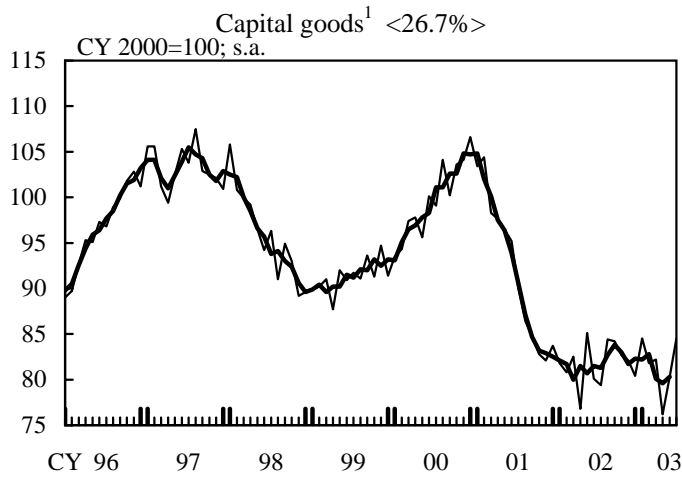
Shipments breakdown by type of goods

(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

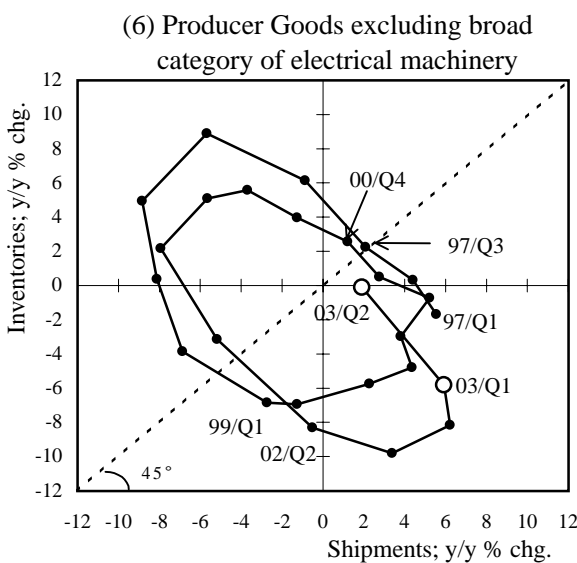
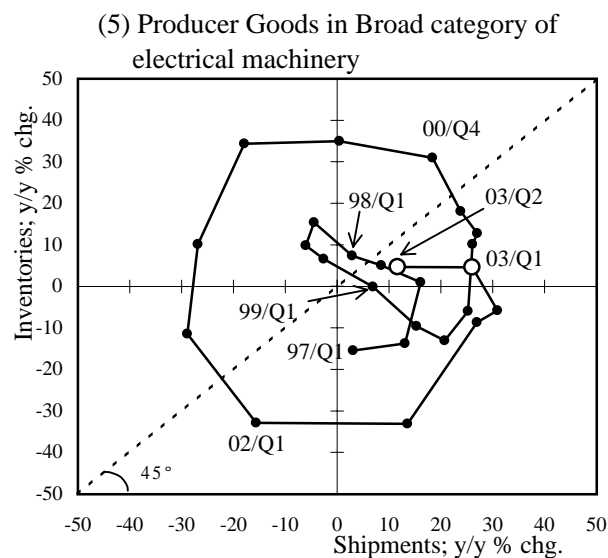
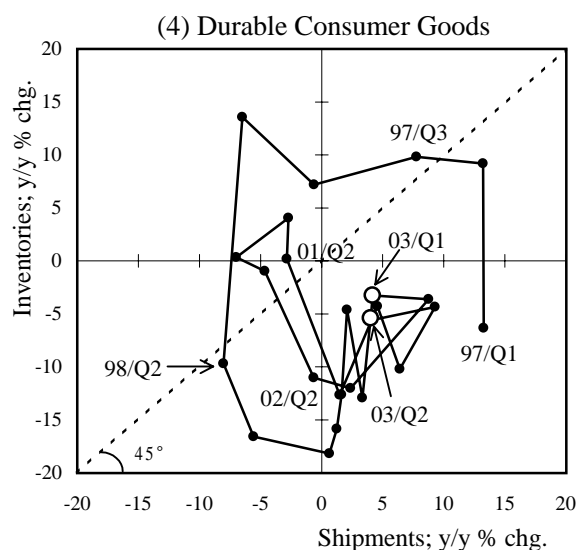
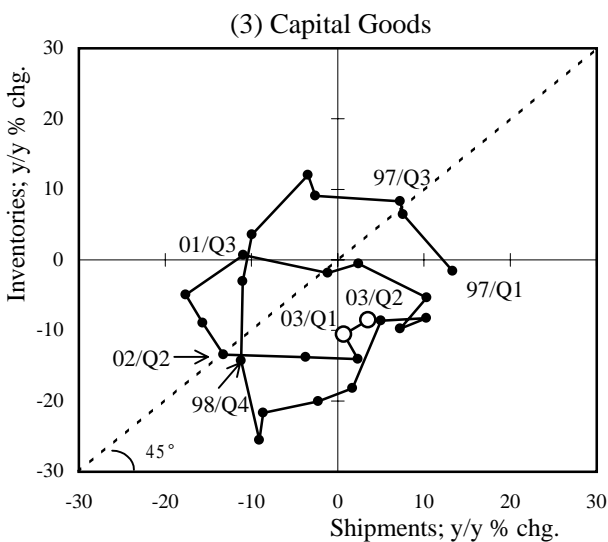
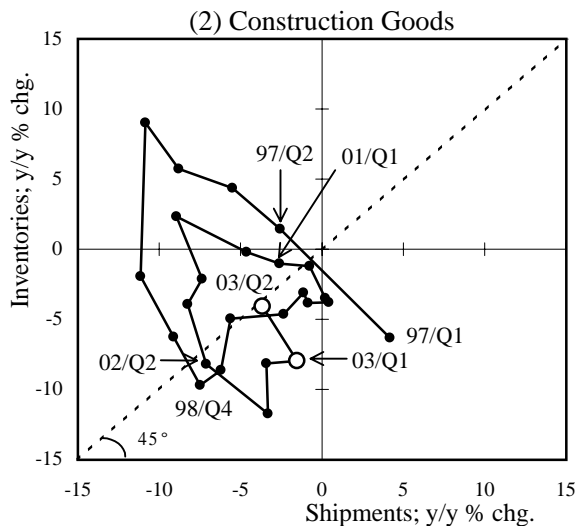
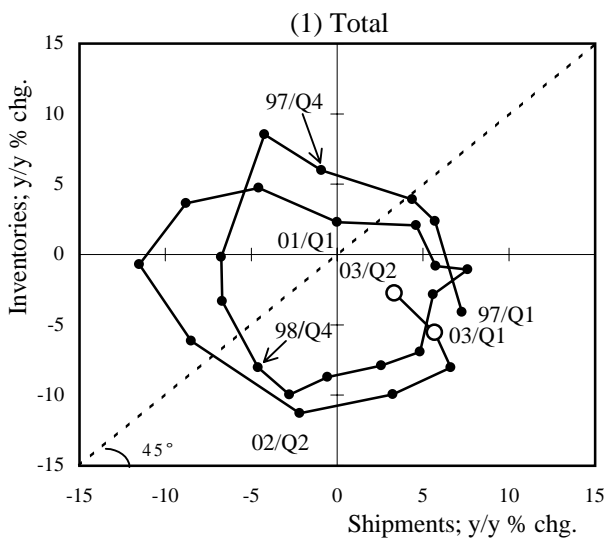


Notes: 1. Excluding transportation equipment.

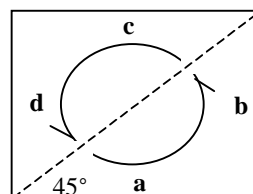
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

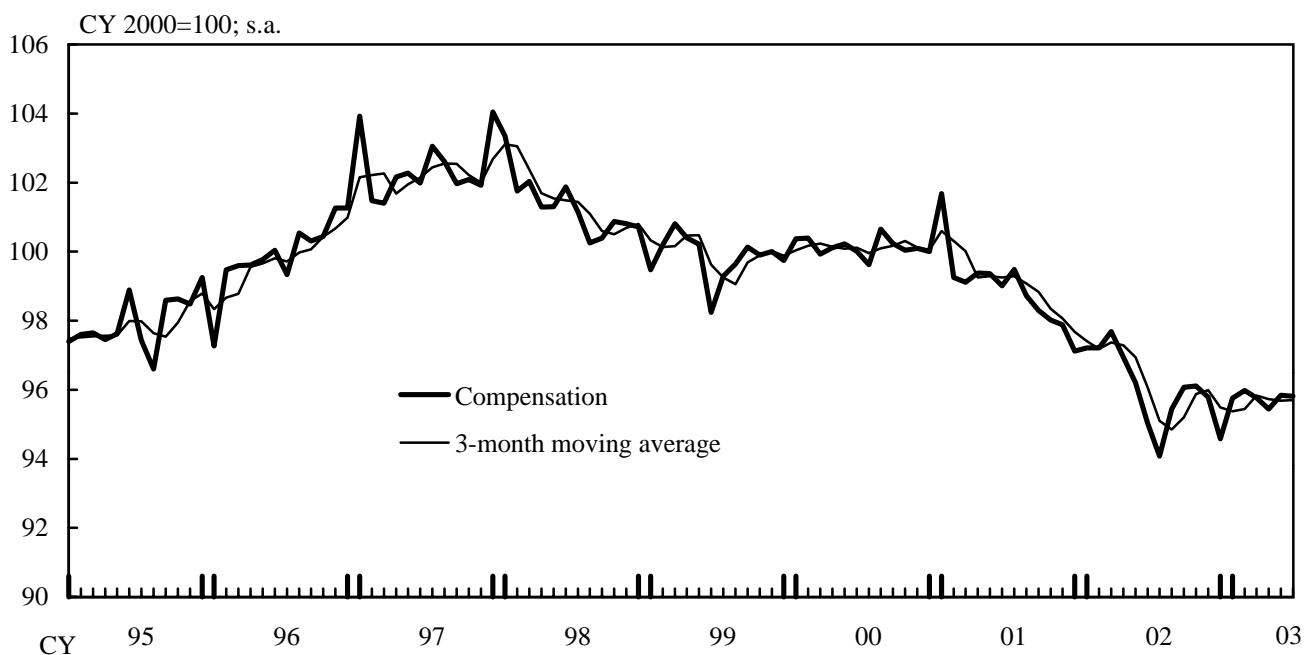


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



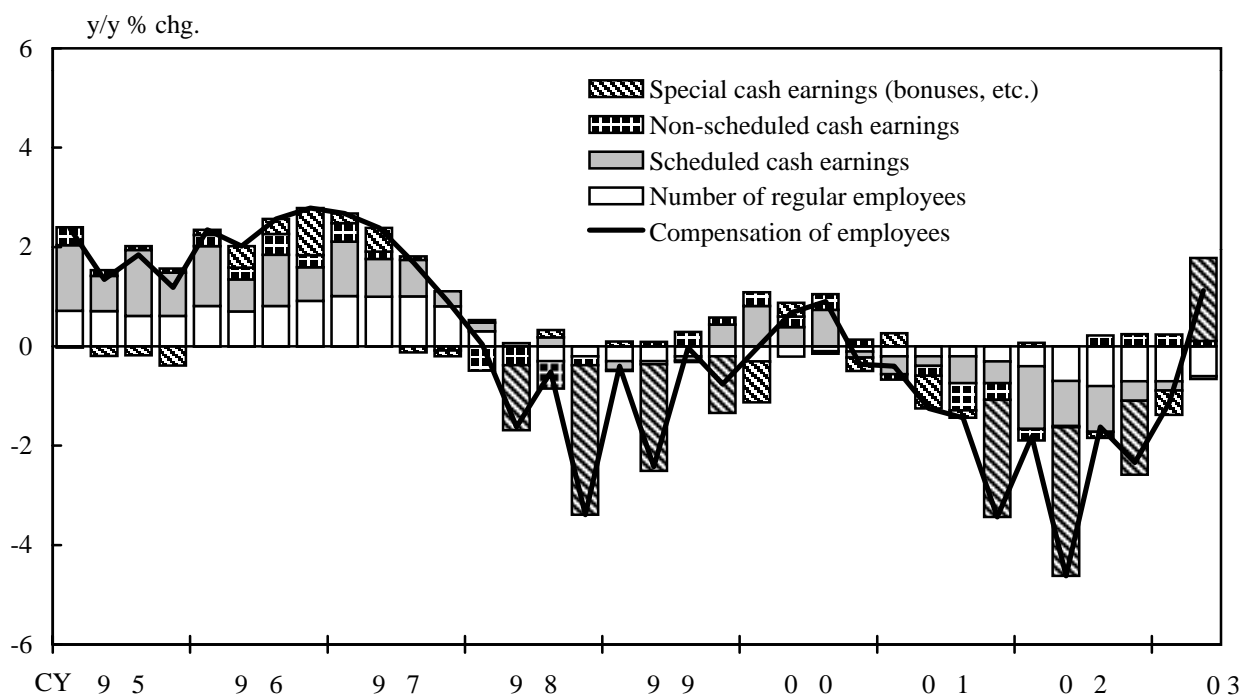
Compensation of Employees

(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 June 2003 are preliminary figures.

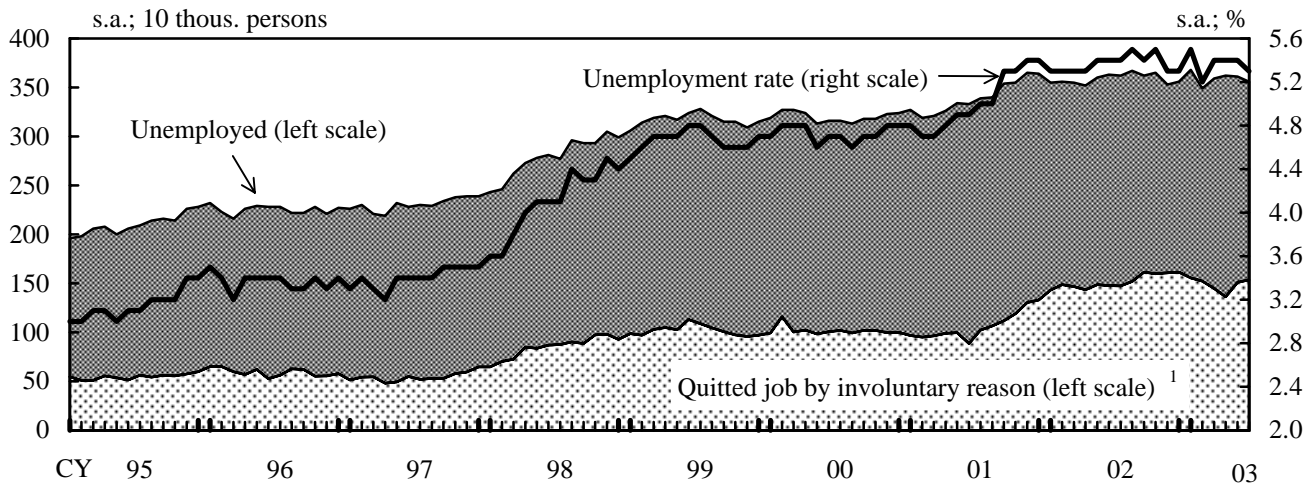
(2) Breakdown of Compensation



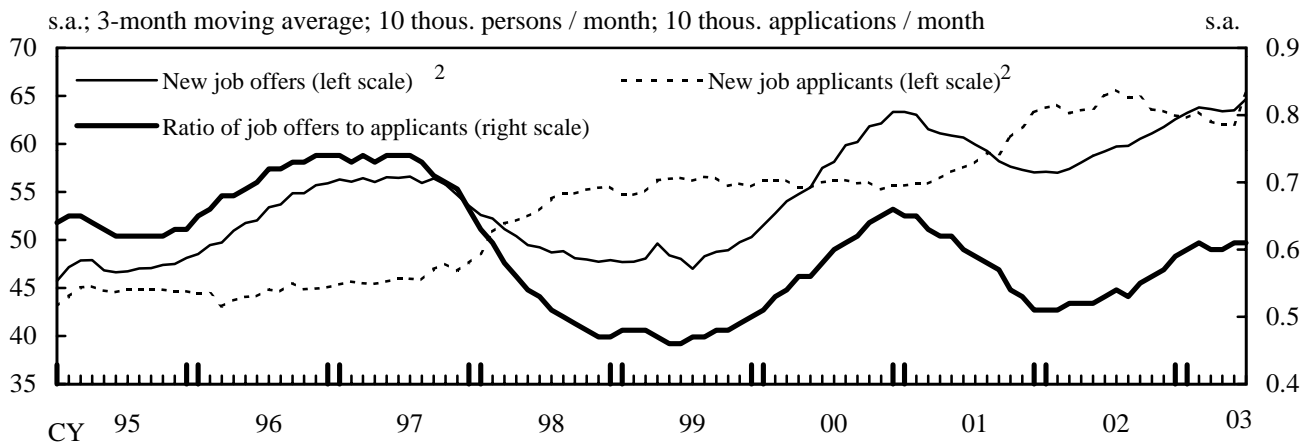
- Notes: 1. Data are for establishments with at least 5 employees.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
3. Figures for 2003/Q2 are those of June 2003. Those for June 2003 are preliminary figures.

Labor Market (1)

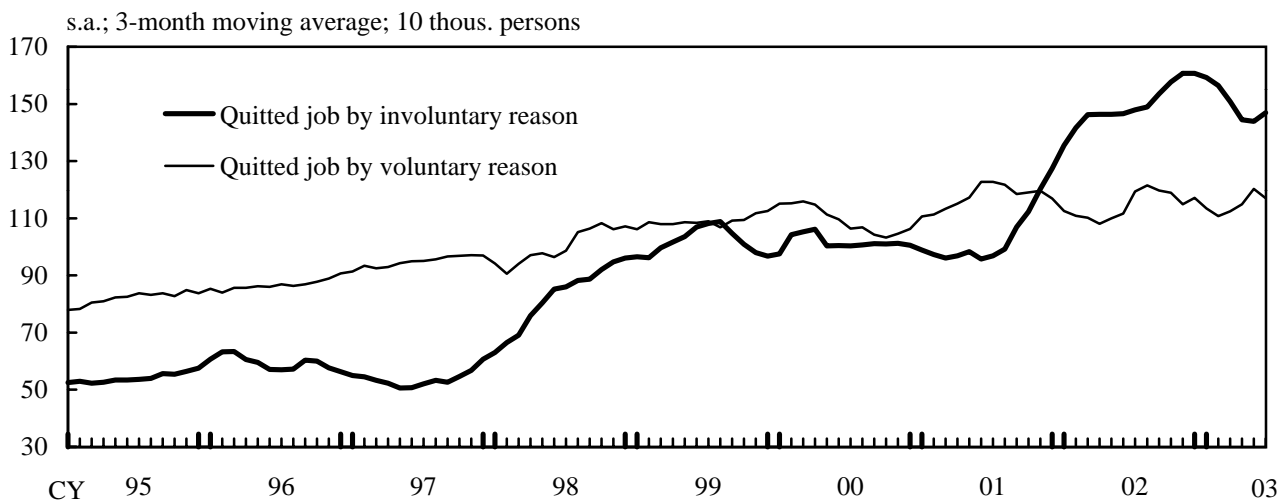
(1) The Unemployed and Unemployment Rate



(2) Ratio of Job Offers to Applicants



(3) Breakdown of the Unemployed¹



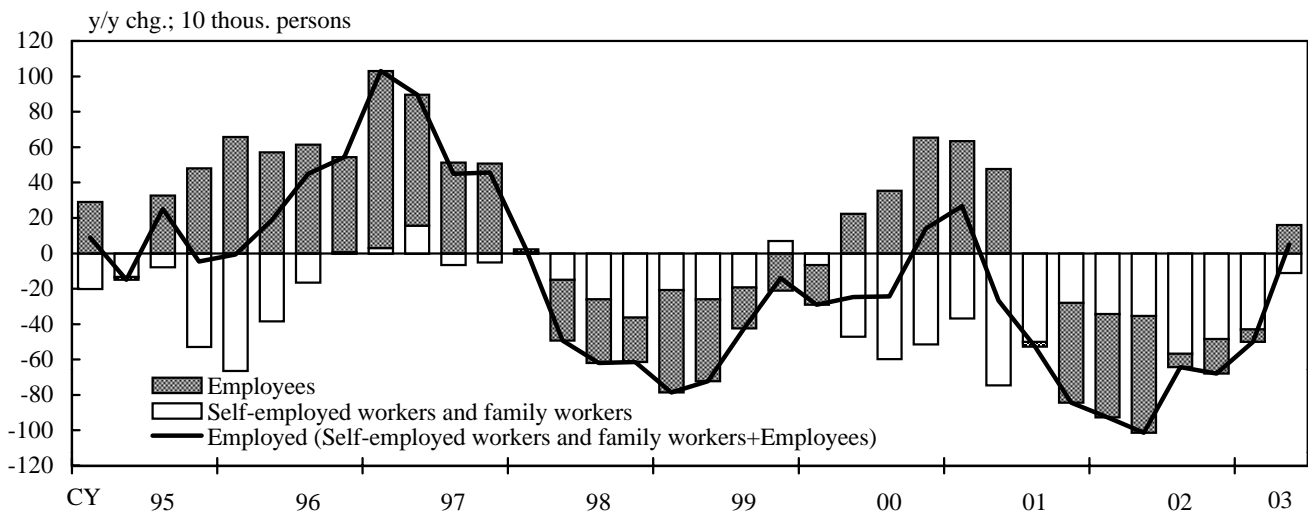
Notes: 1. Seasonally adjusted by X-11.

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

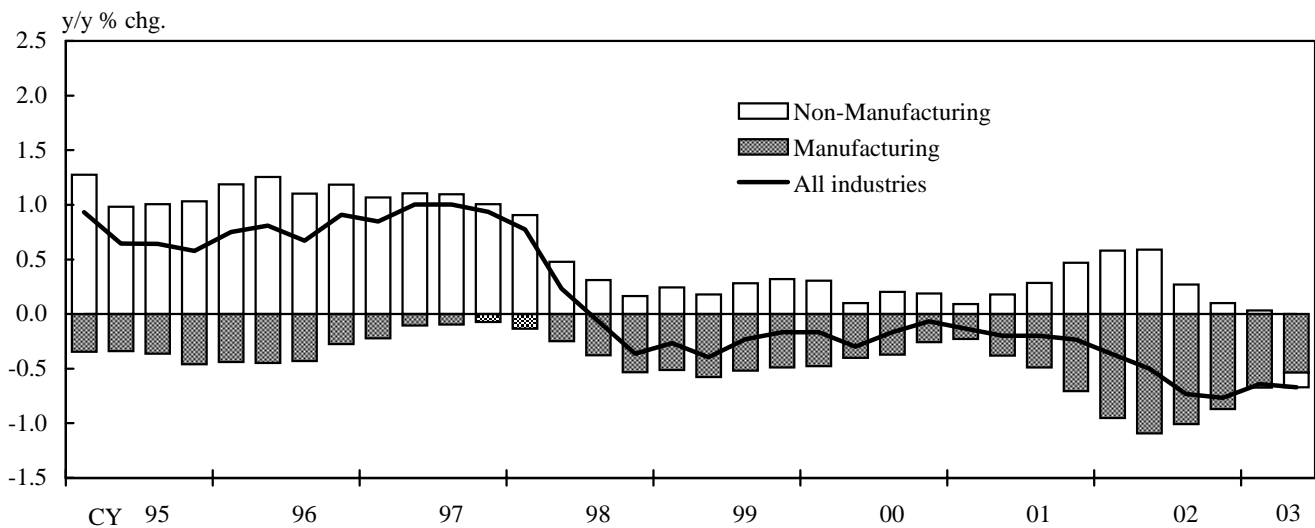
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service,"
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Labor Market (2)

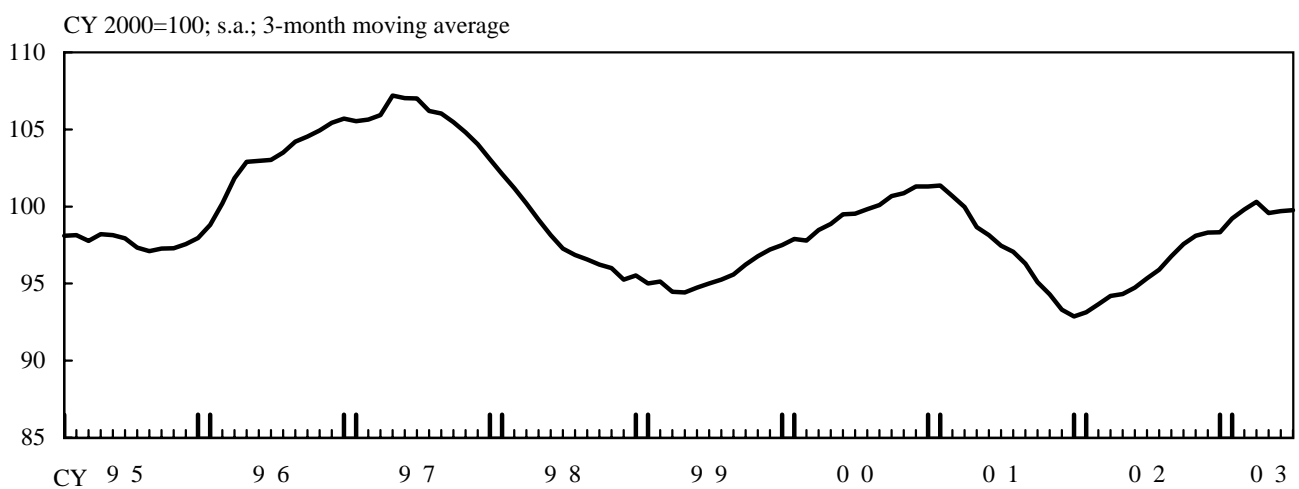
(1) The Employed (Labour Force Survey)



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



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

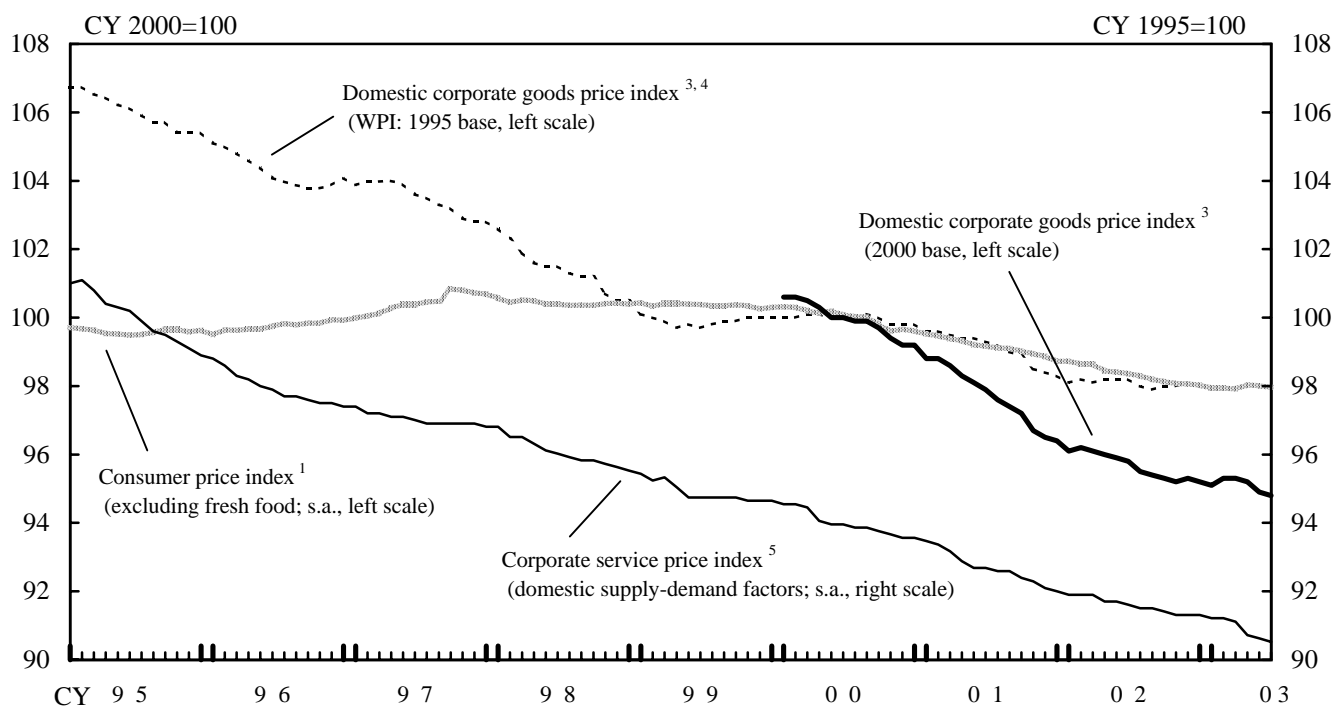


Note: 1. Data are for establishments with at least 5 employees. Those for June 2003 are preliminary figures.

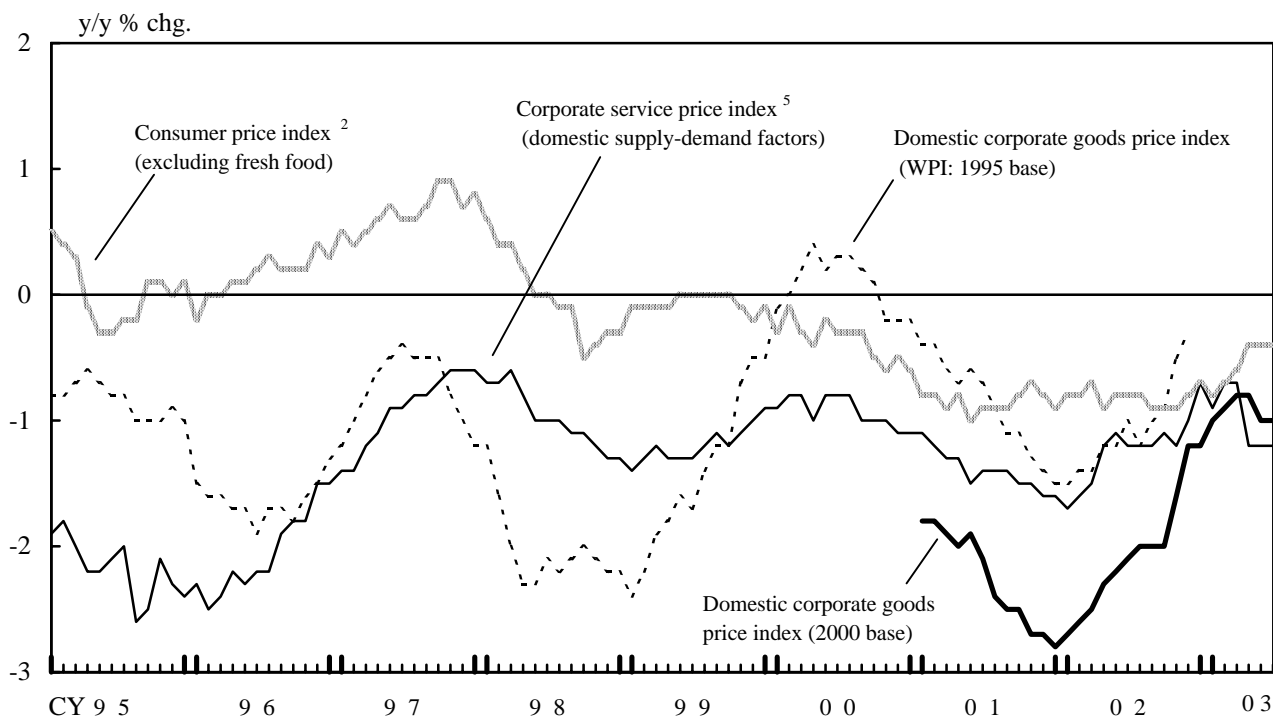
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

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.

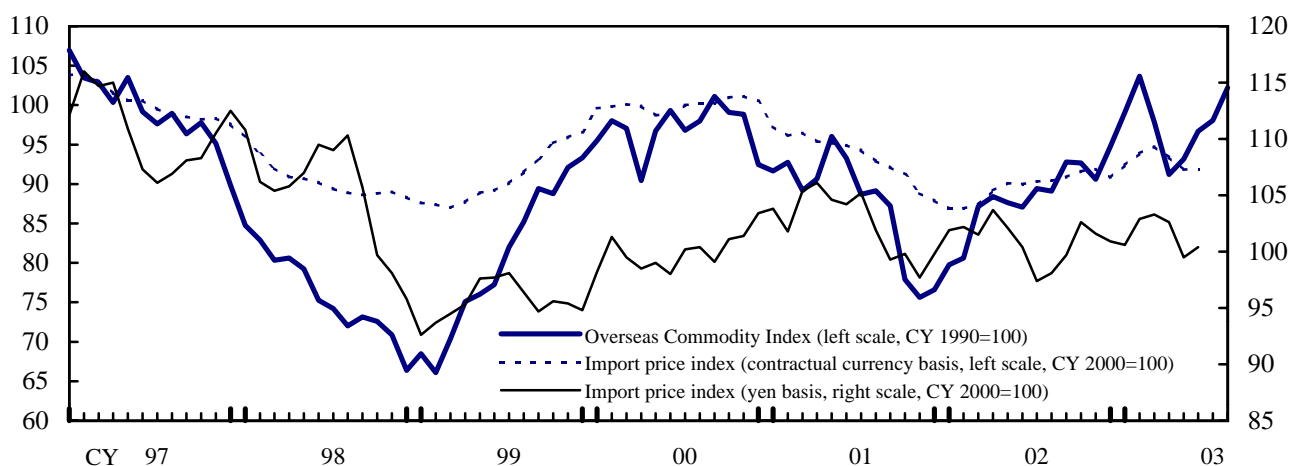
5. See footnote 1 in Chart 22, for definition of the Corporate Service Price Index (domestic supply-demand factors).

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

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

Import Prices and International Commodity Prices

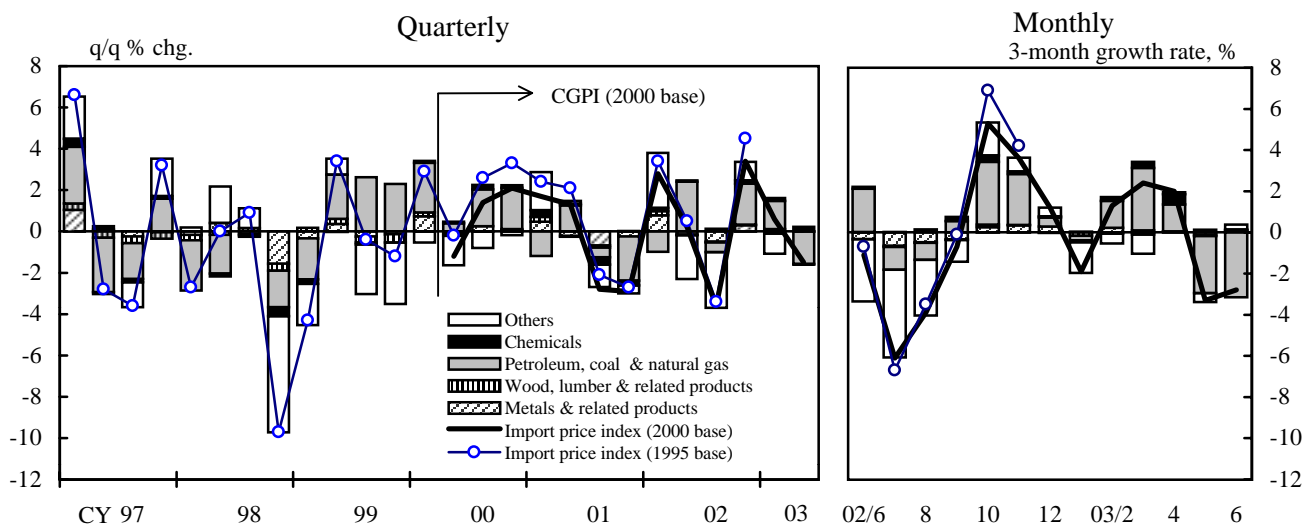
(1) Import Price Index and Overseas Commodity Index



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

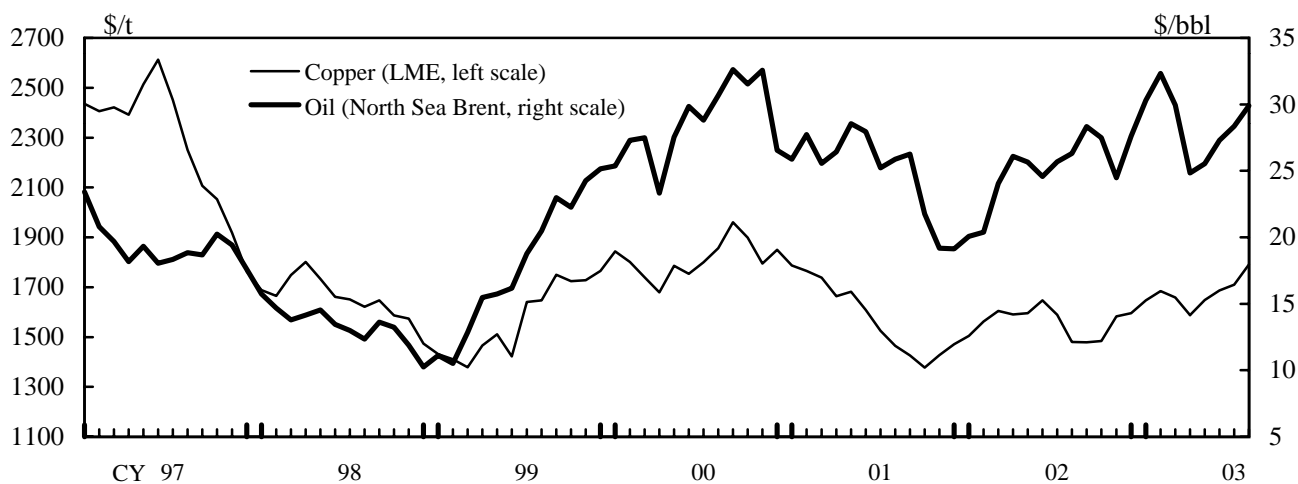
Figure for August 2003 is the average up to August 6.

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



Note: 1995 base figure for 2002/Q4 is Oct.-Nov. average.

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

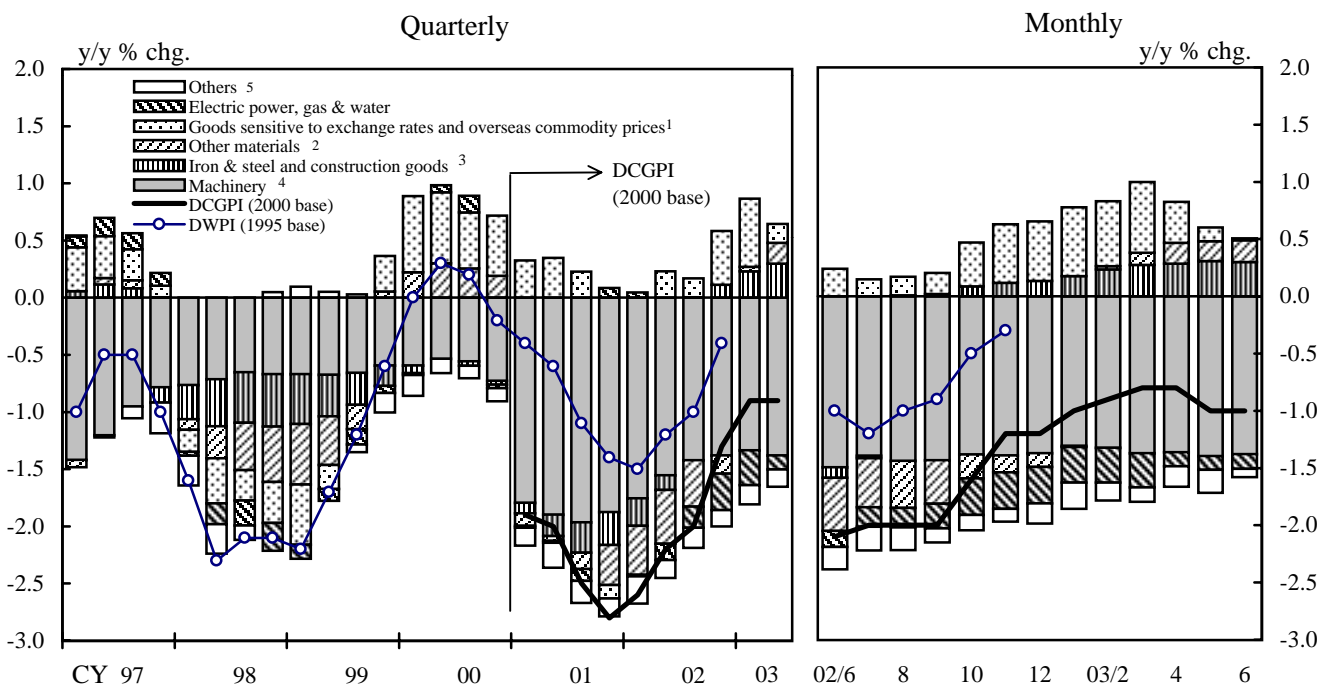
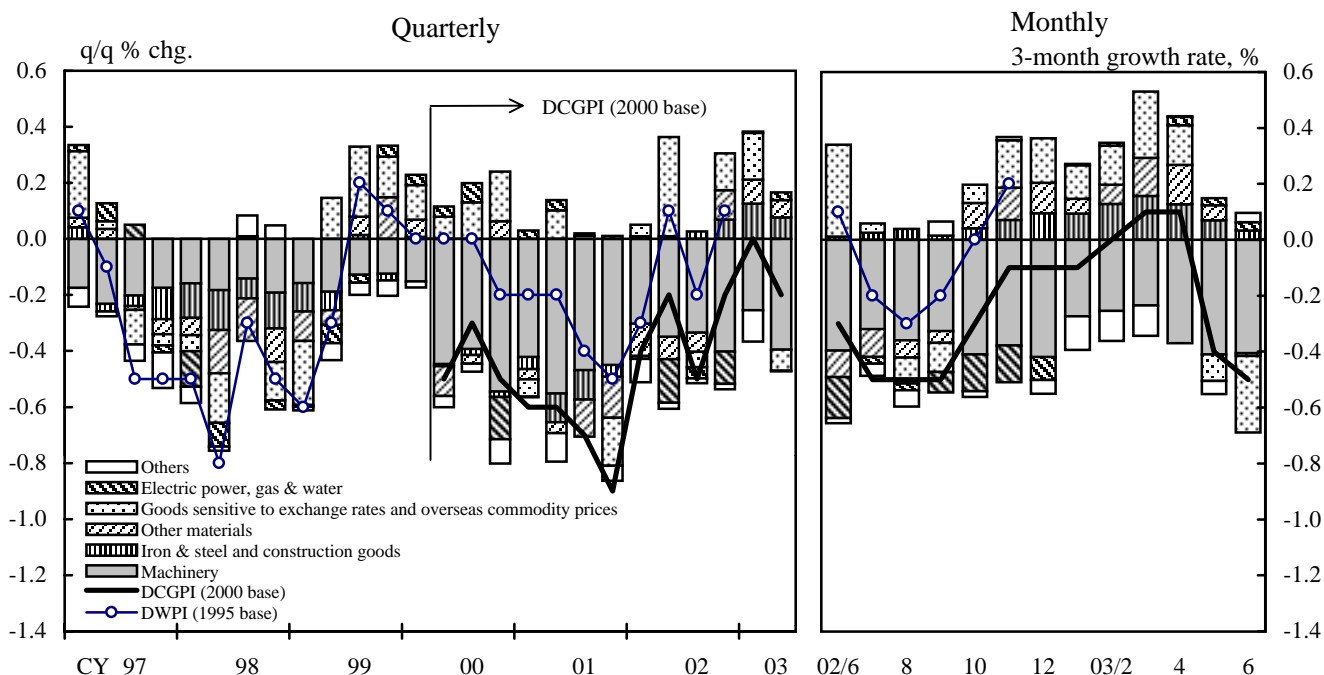


Note: Monthly averages. Figures for August 2003 are the averages up to August 6.

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.

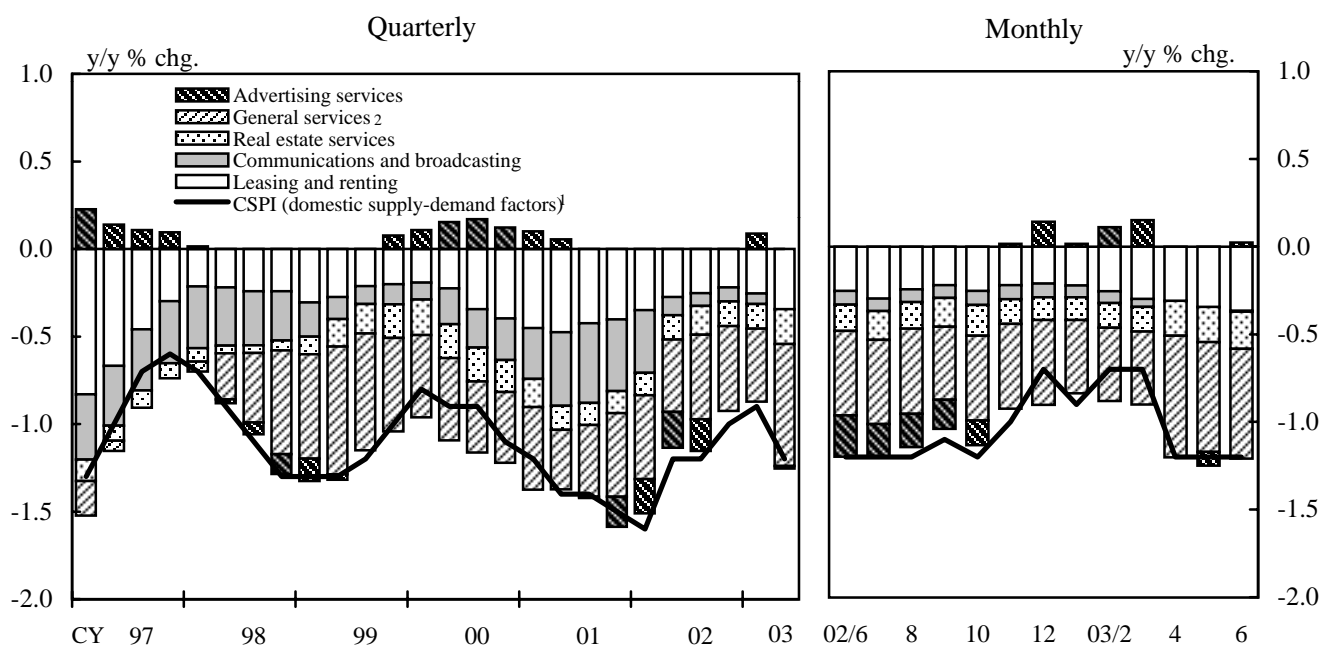
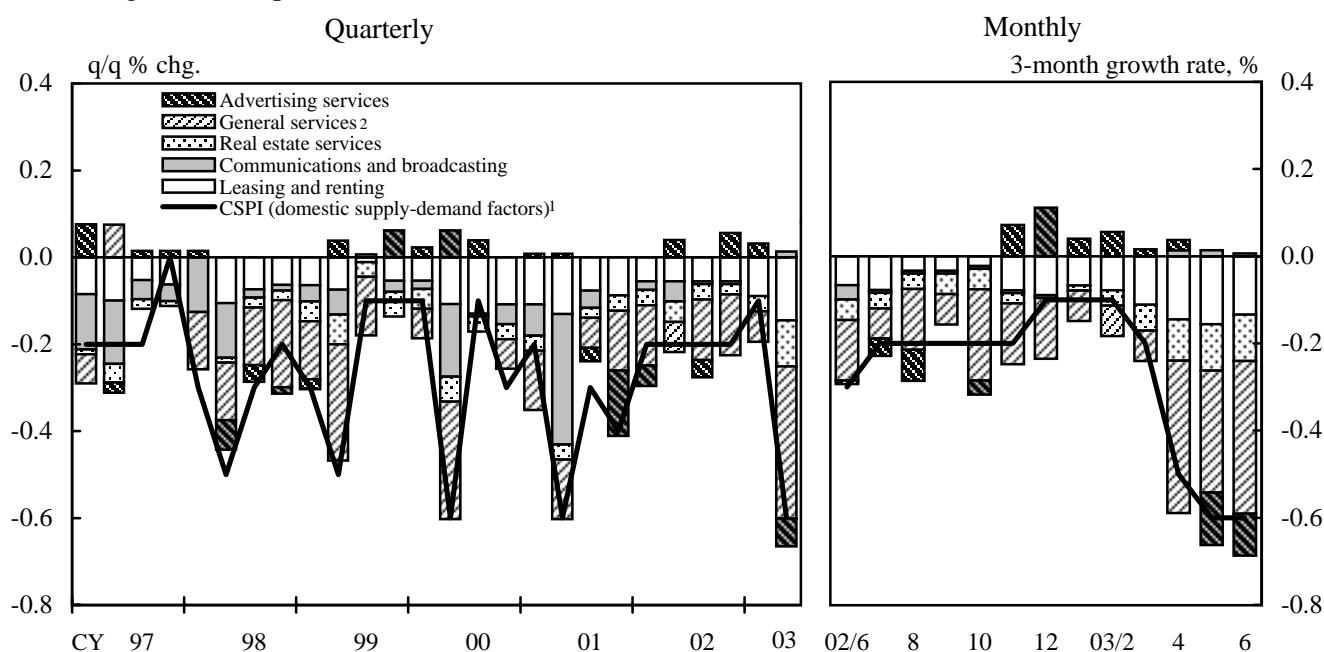
This effect makes the Domestic Corporate Goods Price Index rise by about 0.2%.

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

Corporate Service Price Index⁴

(1) Changes from a year earlier

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

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

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

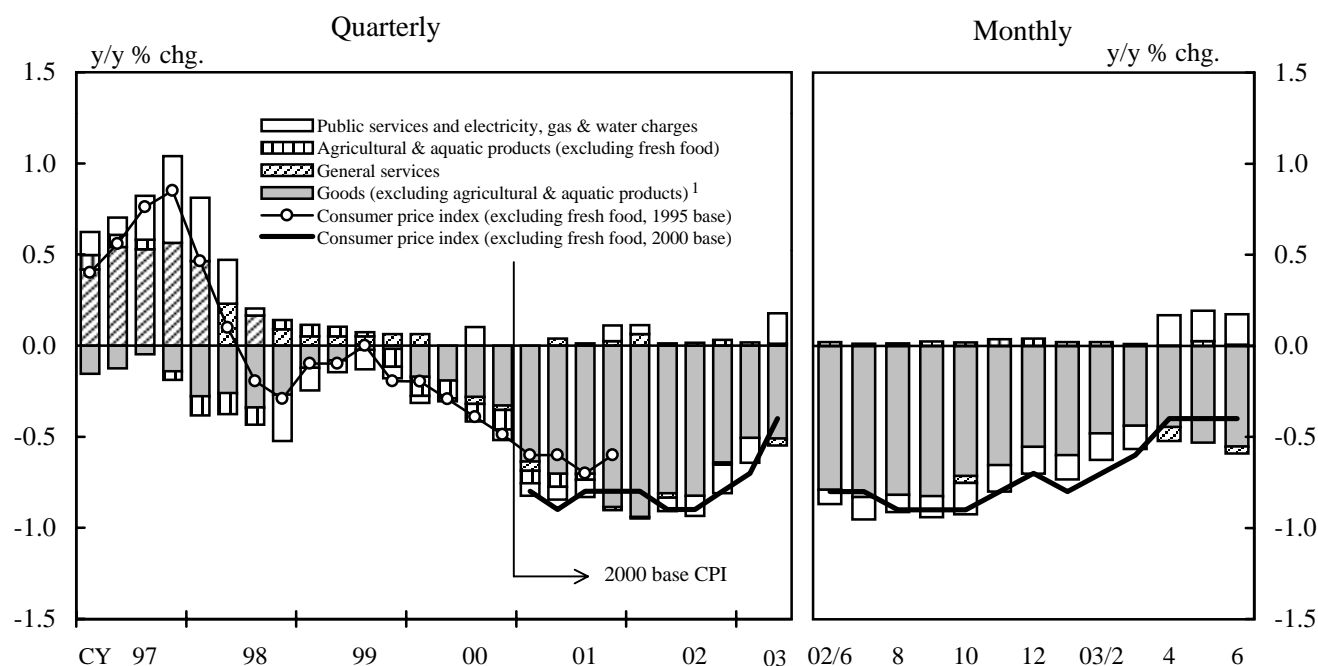
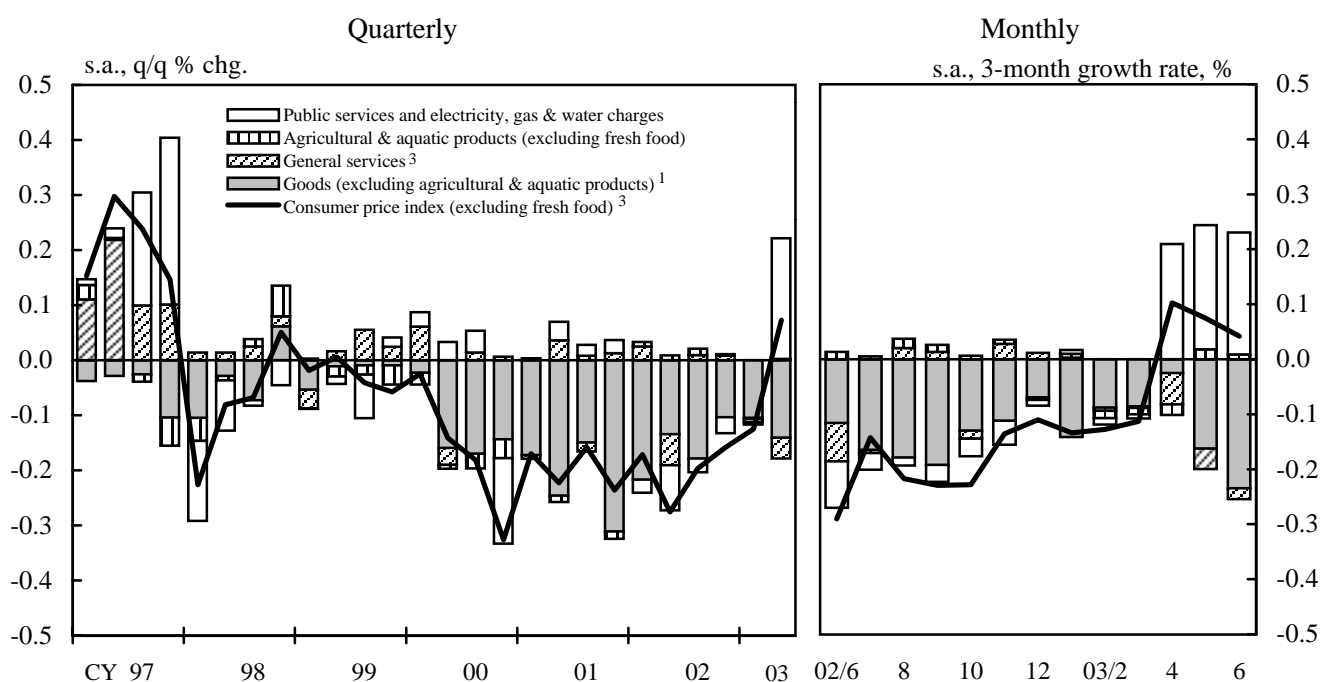
2. General services include all services in Domestic supply-demand factors except Leasing and rental, Communications and broadcasting, Real estate services, and Advertising services.

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

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

Consumer Price Index (excluding fresh food)⁴

(1) Changes from a year earlier

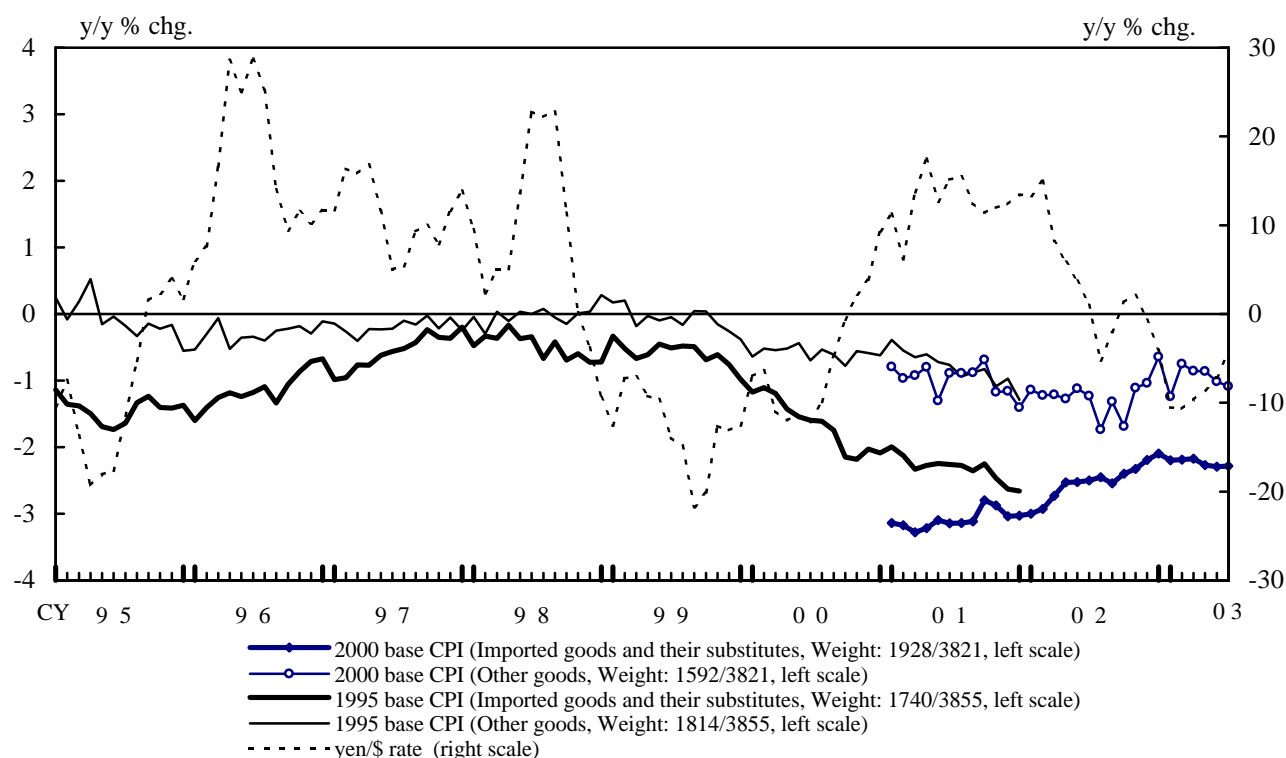
(2) Changes from a quarter earlier and 3 months earlier (2000 base CPI)²

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

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

Consumer Prices of imported goods and their substitutes

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



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

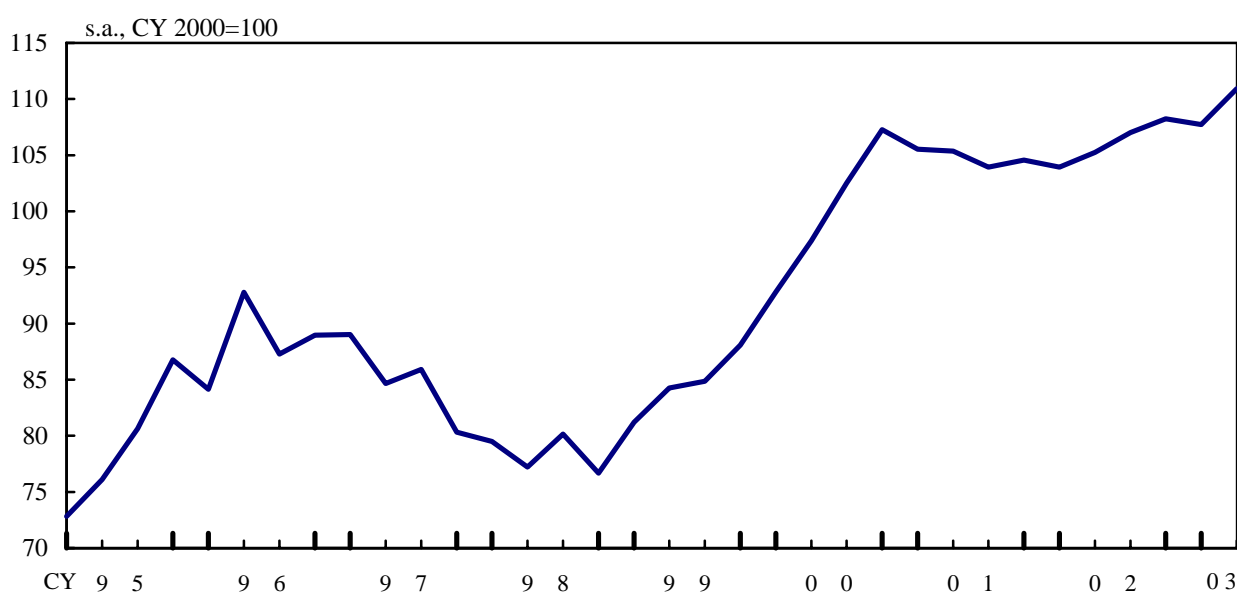
2. Imported goods consist of items common to both the Import Price Index and the Consumer Price Index, and their substitutes consist of items considered to be substitutable for import products but not covered by the Import Price Index.

The 2000 base figures have been retrospectively revised. Based on the recent trade data, some items have been reclassified into the series.

3. Adjusted to exclude the effects of the special tobacco tax introduced in December 1998, and biscuits, prices of which were heavily affected by changes in monitored brands. Weight is shares in Goods (excluding agricultural & aquatic products).

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

(2) Real imports (consumer goods)

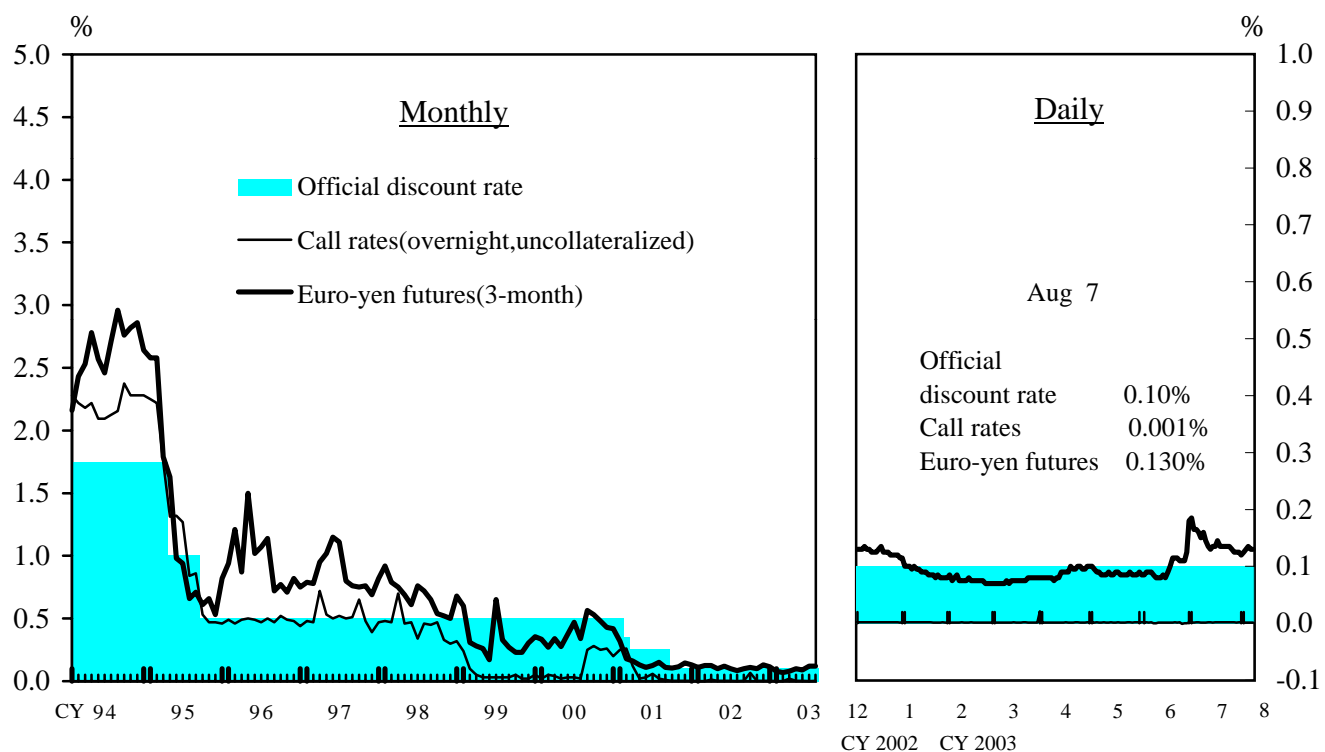


Note: Real imports (consumer goods), which are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles, are calculated from the Trade Statistics as an index with the 2000 average equal to 100.

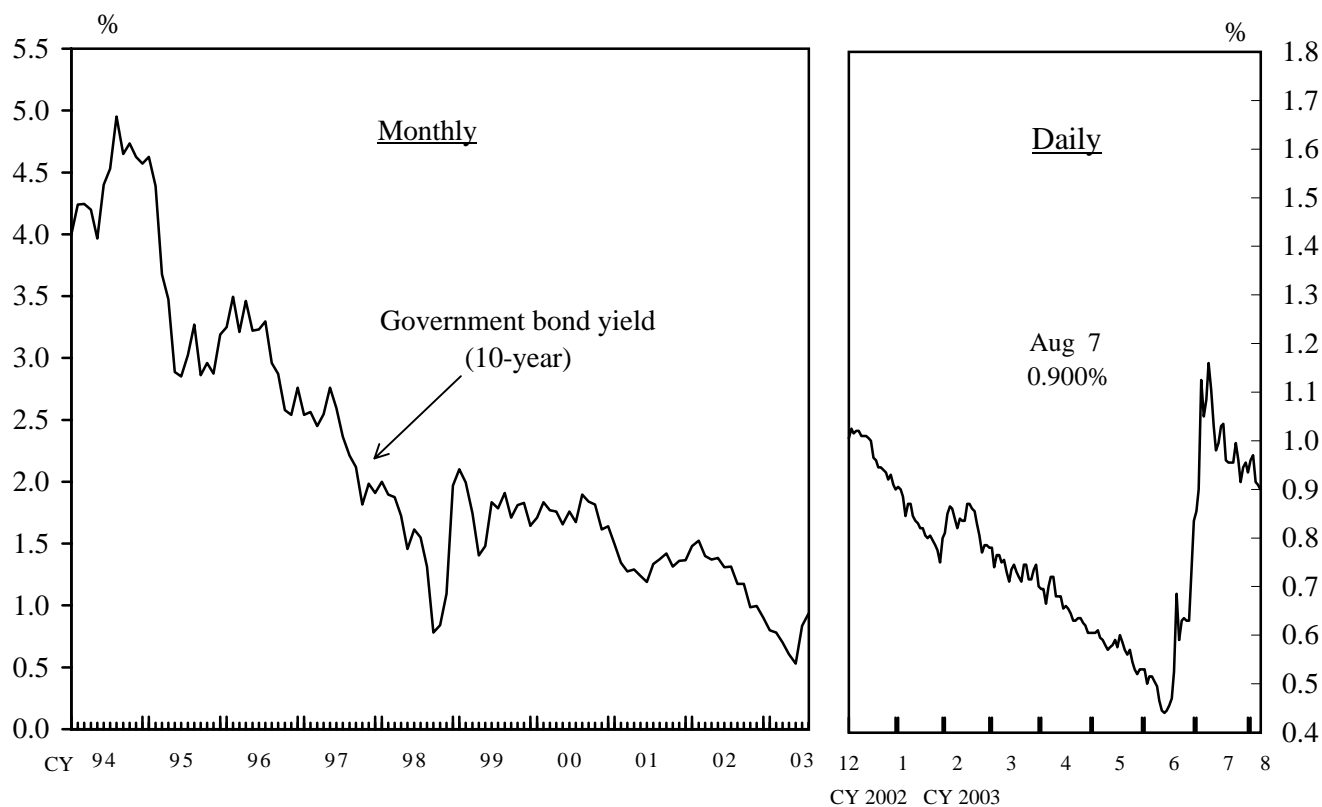
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index";
Ministry of Finance, "The Summary Report on Trade of Japan";
Bank of Japan, "Corporate Goods Price Index."

Interest Rates

(1) Short-Term



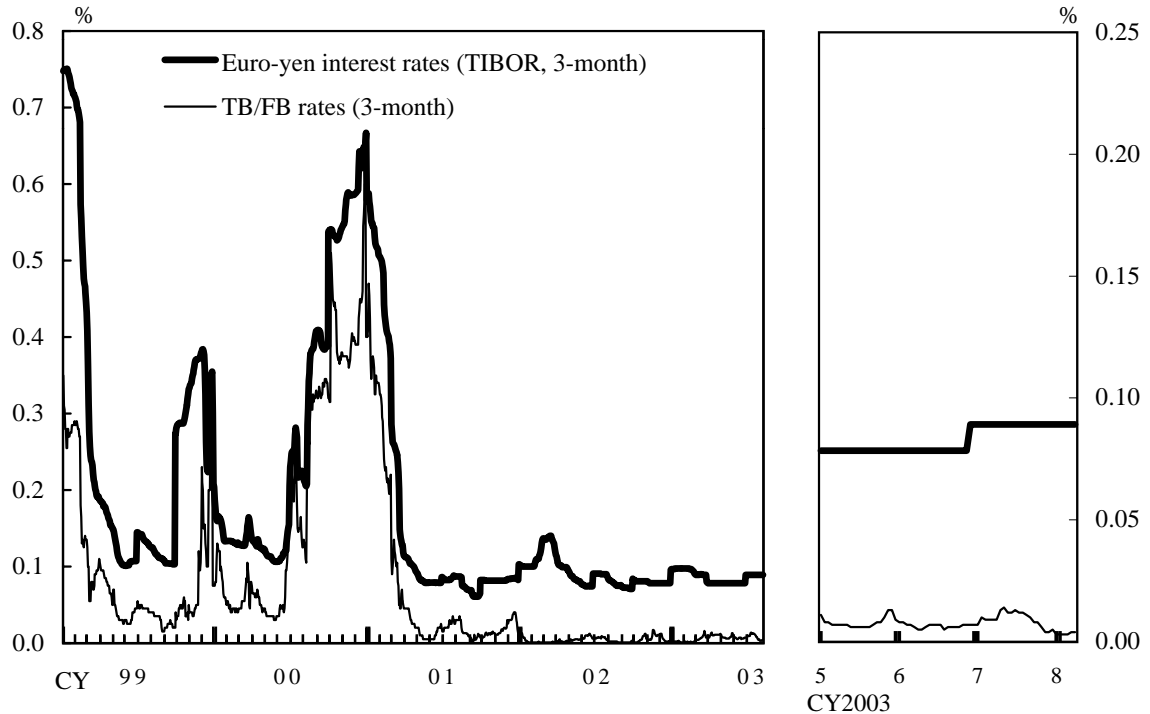
(2) Long-Term



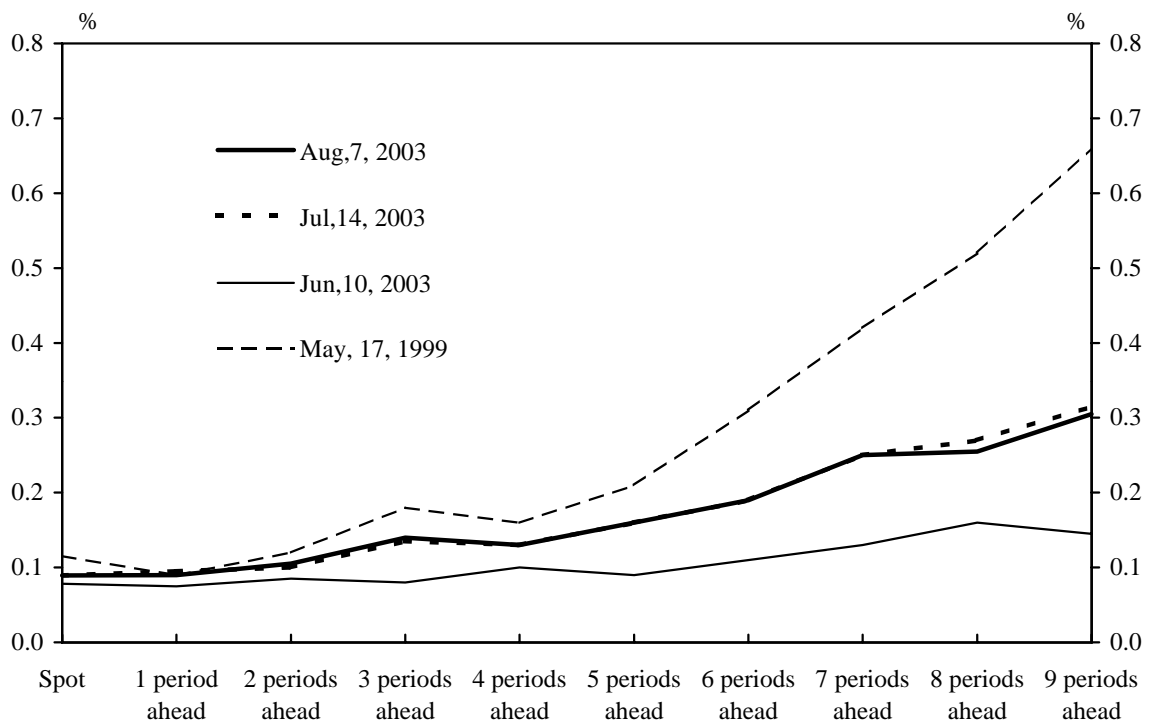
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



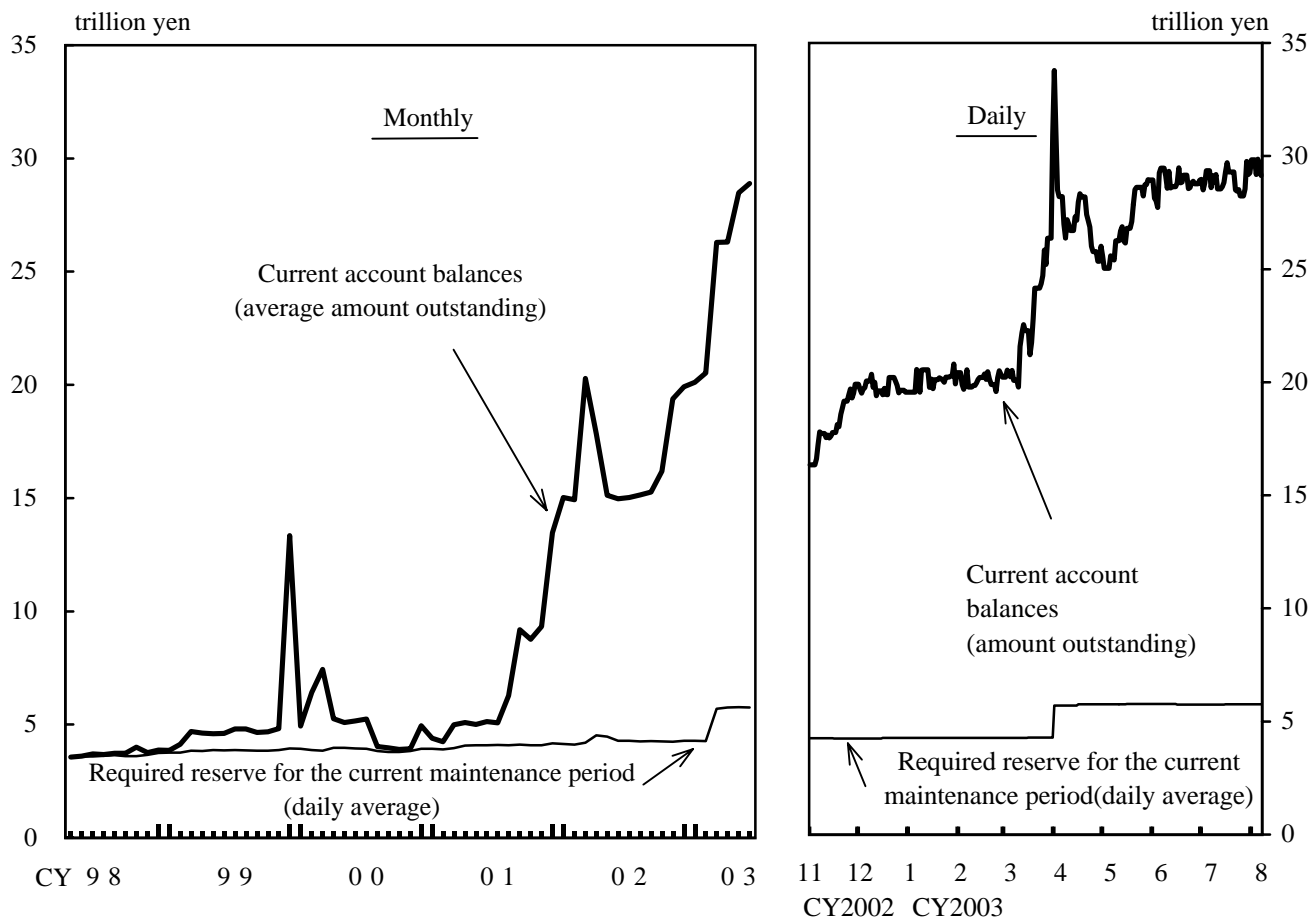
(2) Euro-Yen Interest Rates Futures (3-Month) ¹



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

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

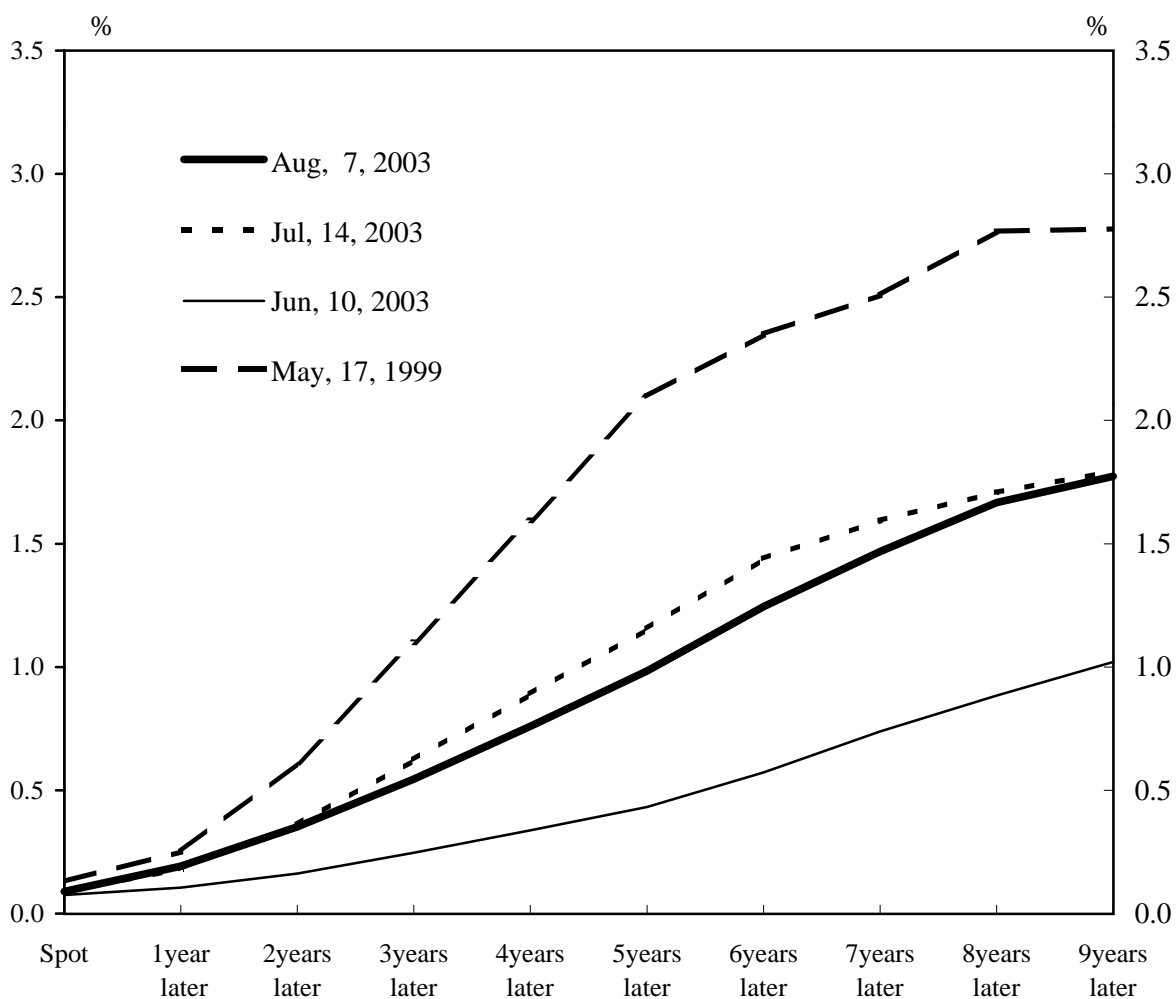
Current Account Balances at the Bank of Japan ¹



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

Source: Bank of Japan.

Implied Forward Rates (1-year)¹

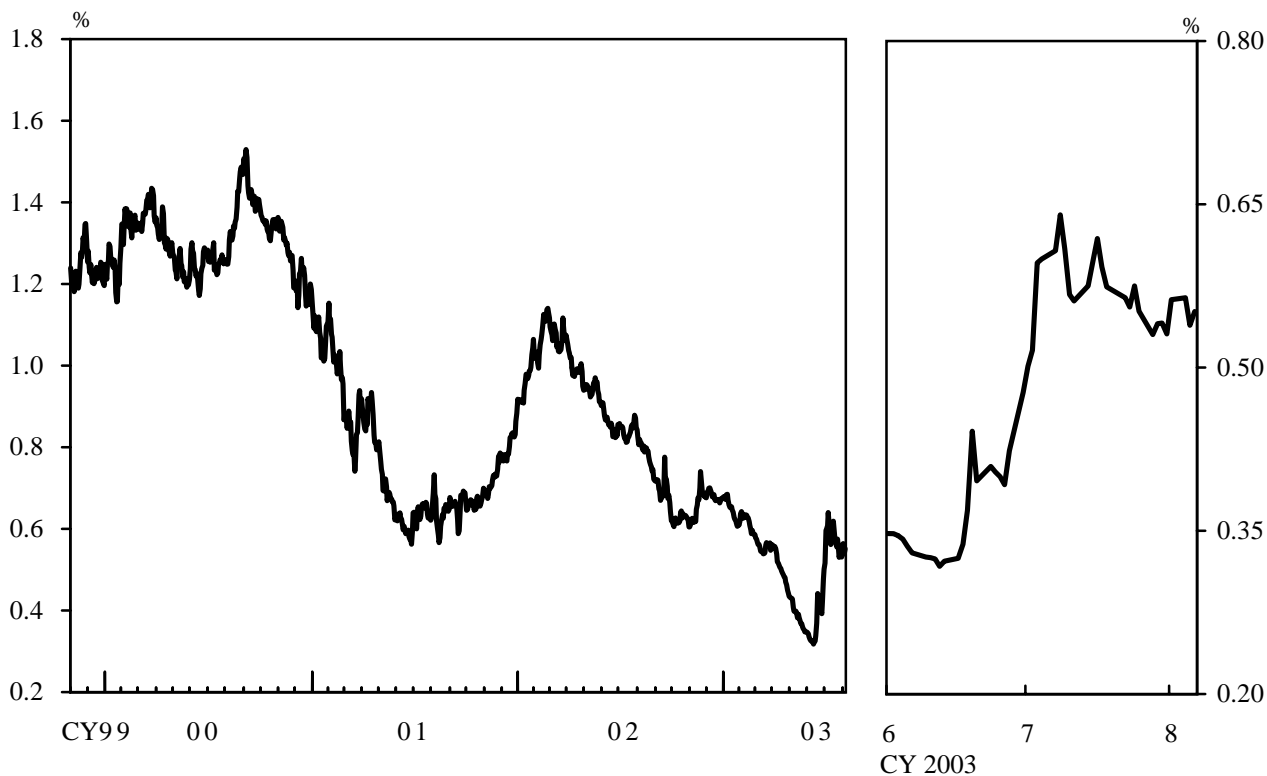


Note: 1. Calculated from yen-yen swap rates.

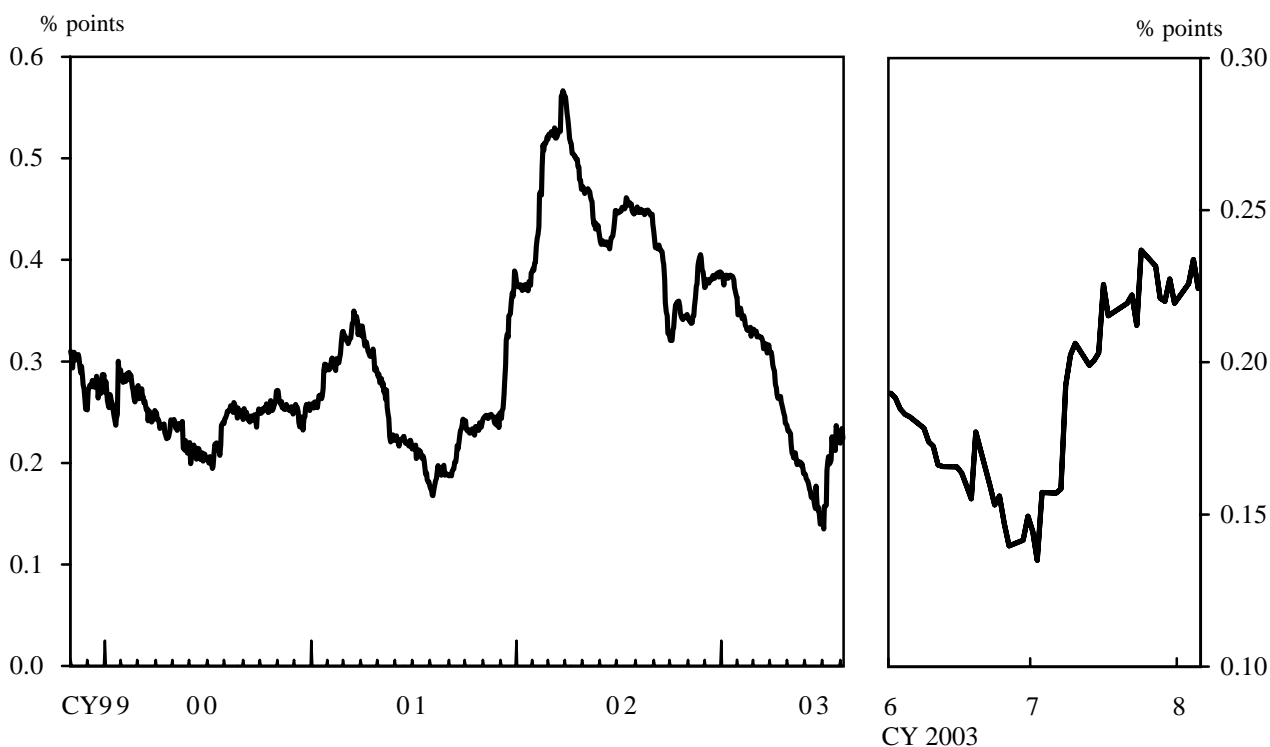
Source: Kyodo News.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



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

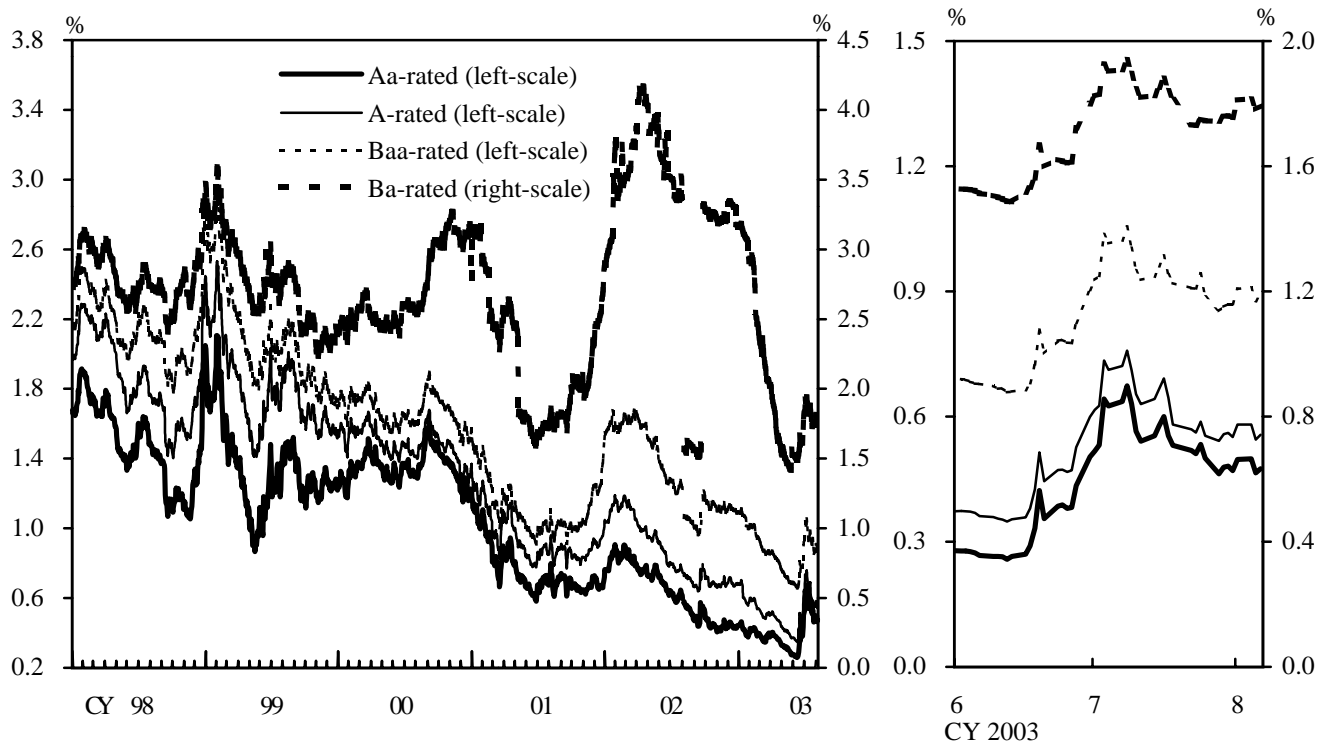
2. Average bank bond yield is the average of four bank bonds.

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

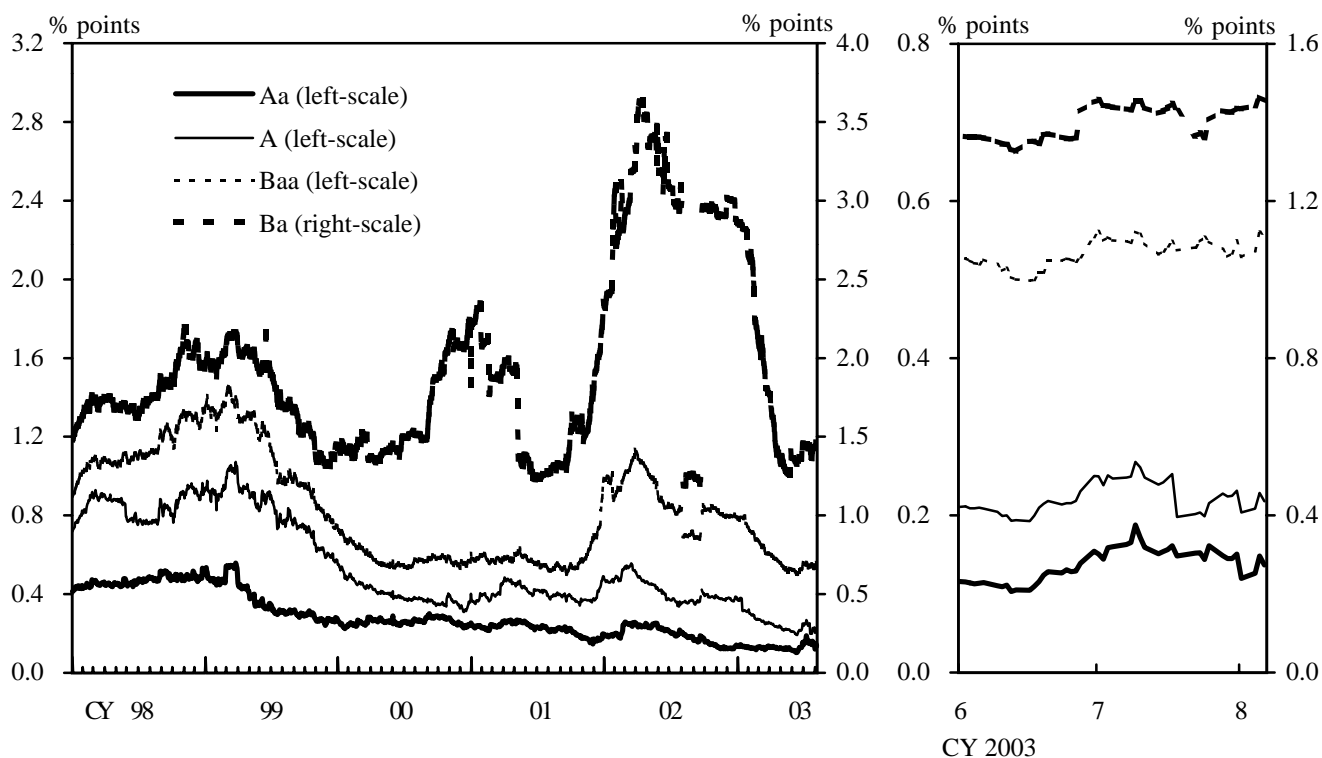
"Reference Price(Yields) Table for OTC Bond Transactions."

Yields of Corporate Bonds¹

(1) Corporate Bond Yields



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



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

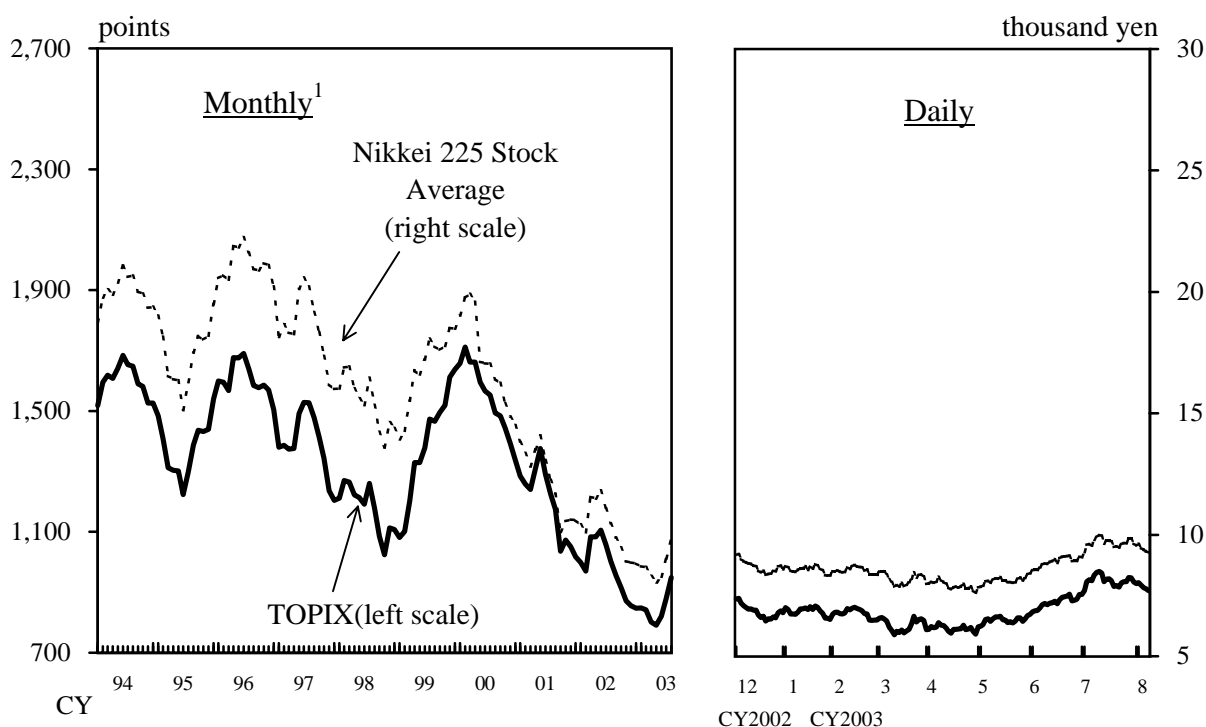
The indicated ratings are of Moody's.

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

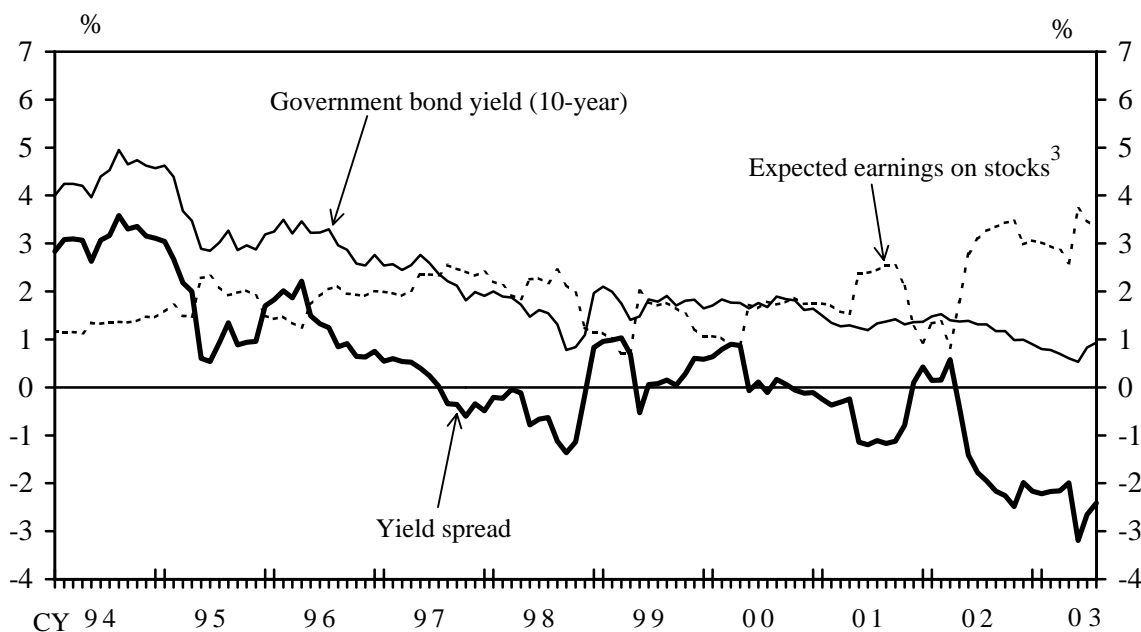
"Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

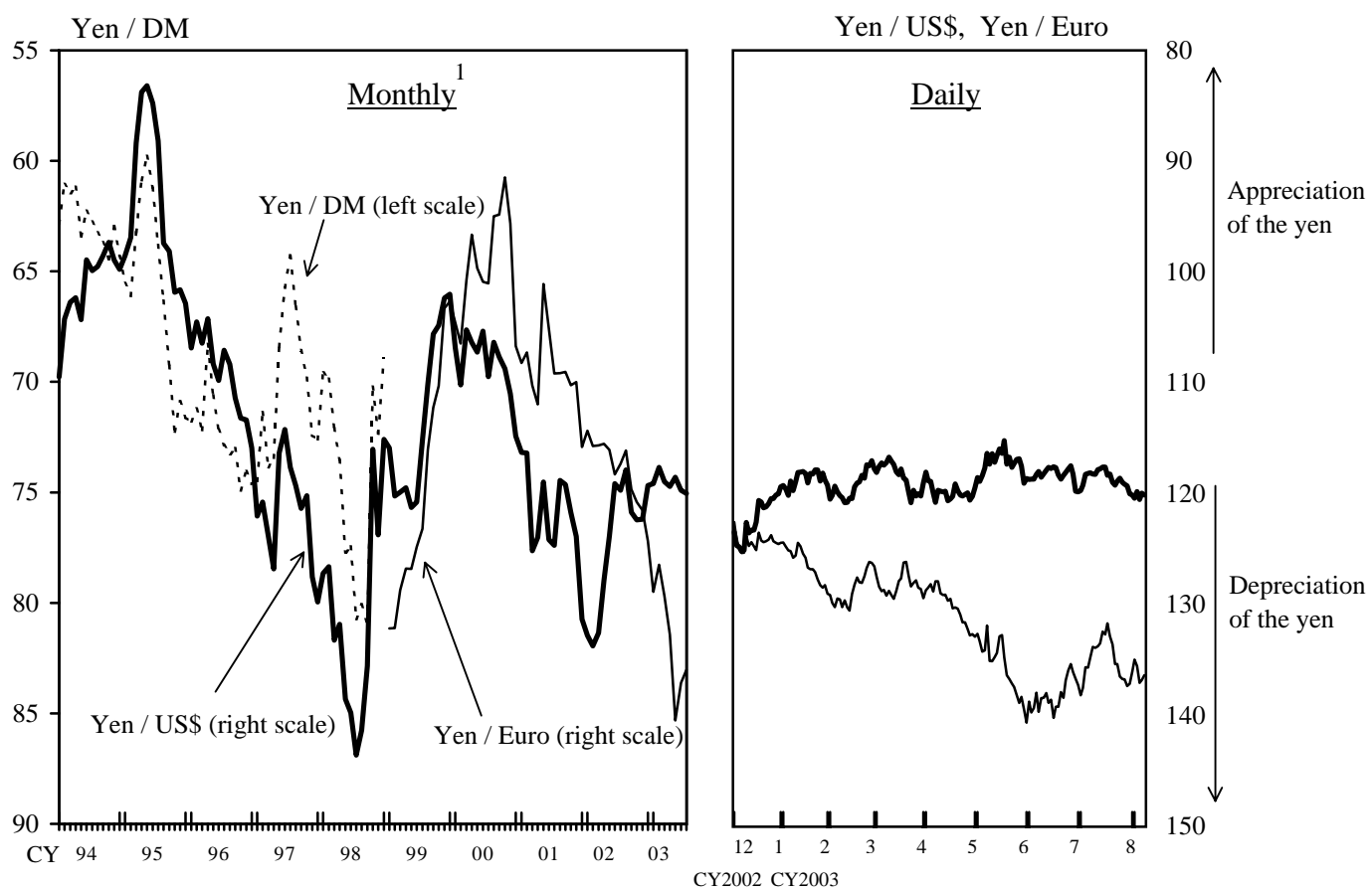
Yield spread = government bond yields - expected earnings on stocks,
where expected earnings on stocks = 1/expected price earnings ratio.

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

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

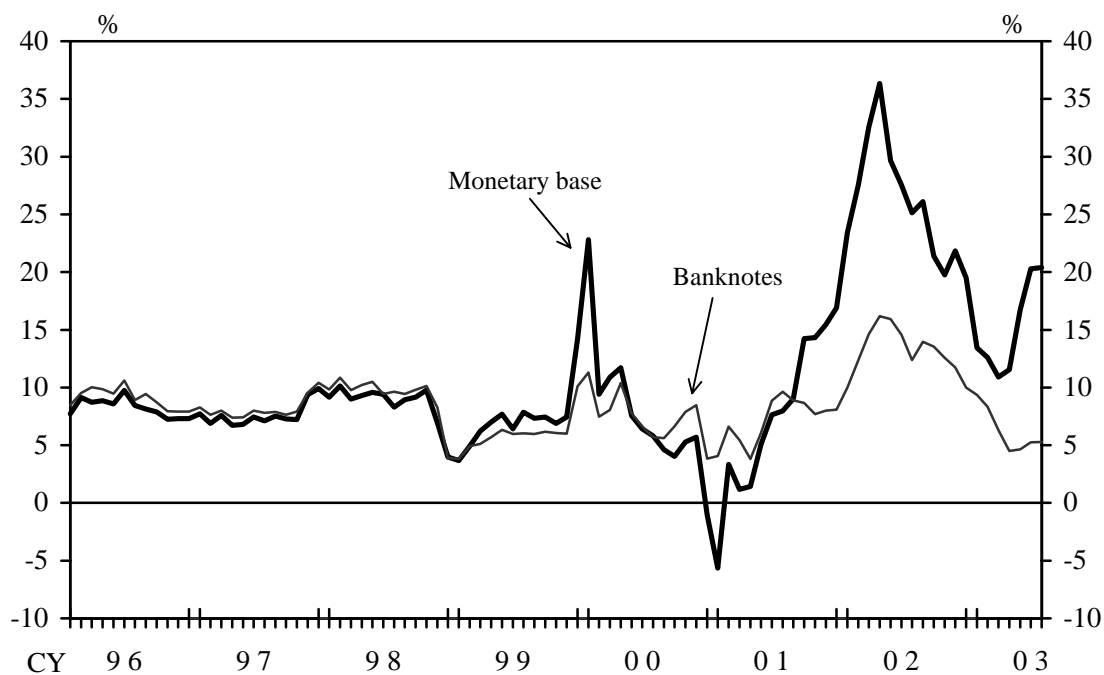
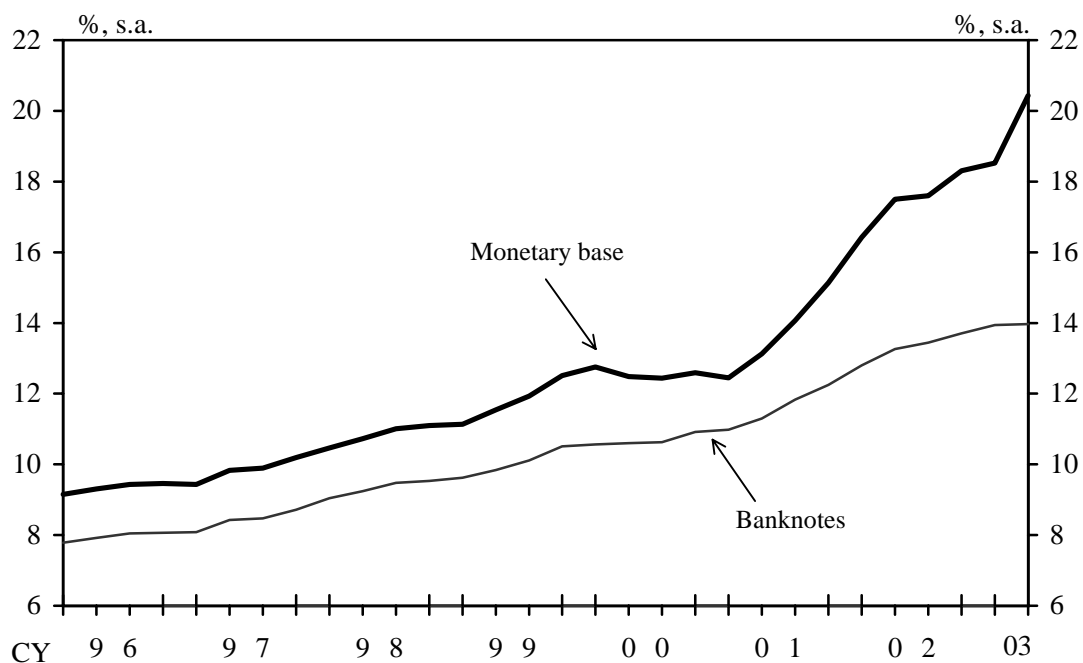
Sources: *The Nihon Keizai Shimbun* ; Daiwa Research Institute, "*Daiwa Tousei Shiryou* (Daiwa Investment Information)."

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.

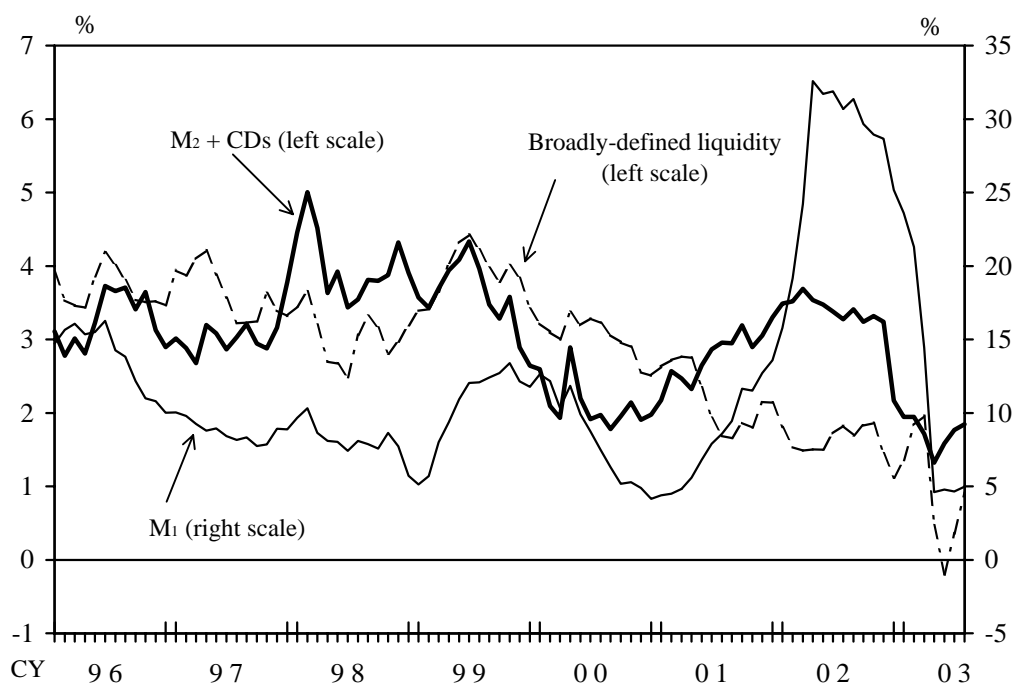
Data for currency in circulation include holdings of financial institutions.

2. Figures for the nominal GDP in 2003/Q2 is assumed to be unchanged from the previous quarter.

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

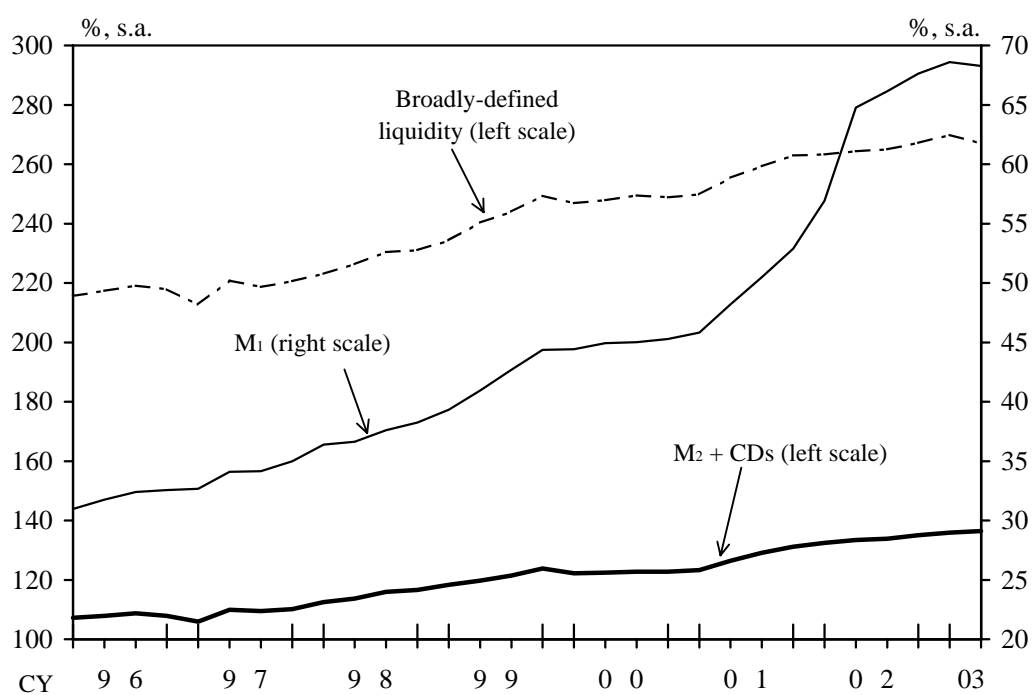
Money Stock (M₁, M₂+CDs, Broadly-Defined Liquidity)

(1) Changes from a Year Earlier



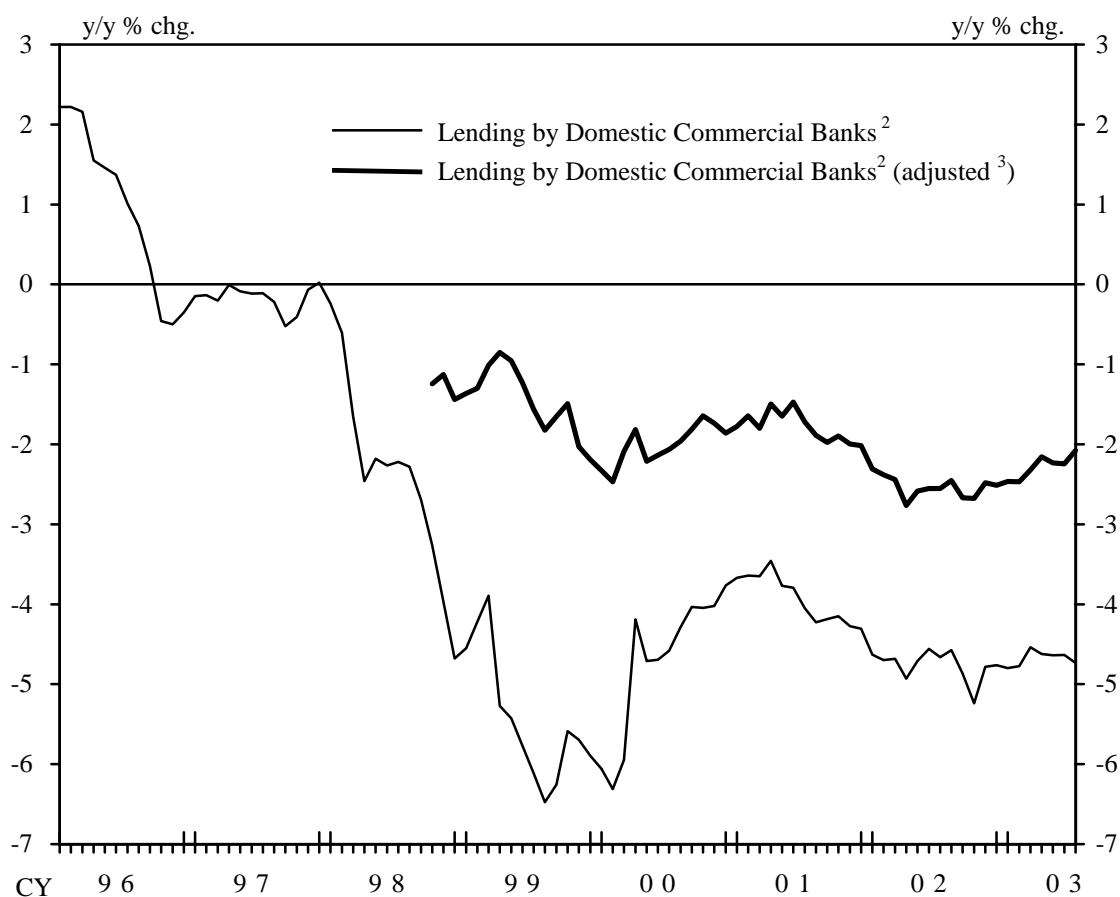
Note: In April 2003, the Postal Life Welfare Corporation was dissolved and its assets were transferred to the Japan Post. Accordingly, its financial assets were excluded from the Money Stock. Changes of the Broadly-defined Liquidity from a year earlier adjusted for the exclusion is 3.1% in July 2003.

(2) Ratio of Money Stock to Nominal GDP



Note: Figures for 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).

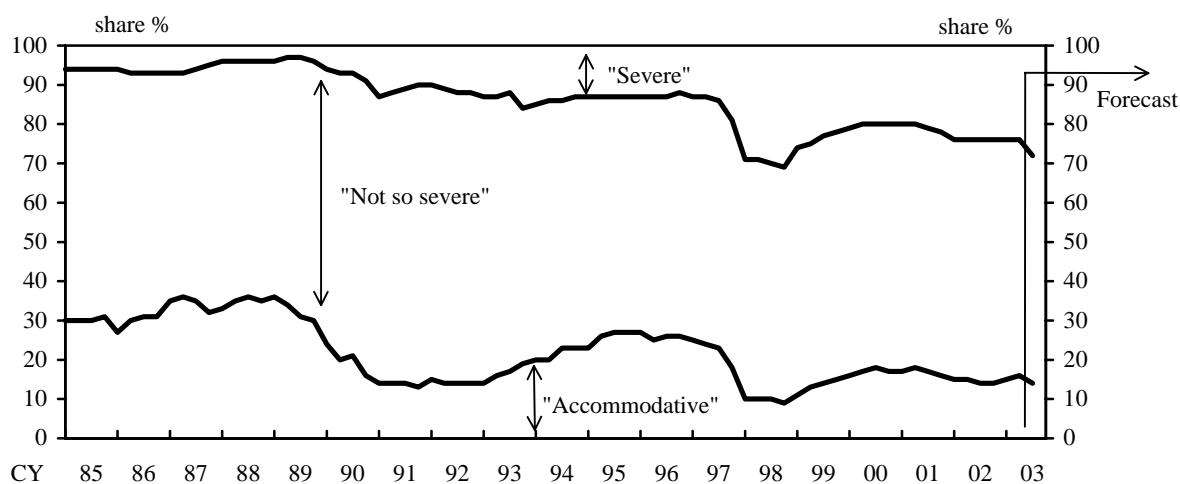
3. Adjusted to exclude

- (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

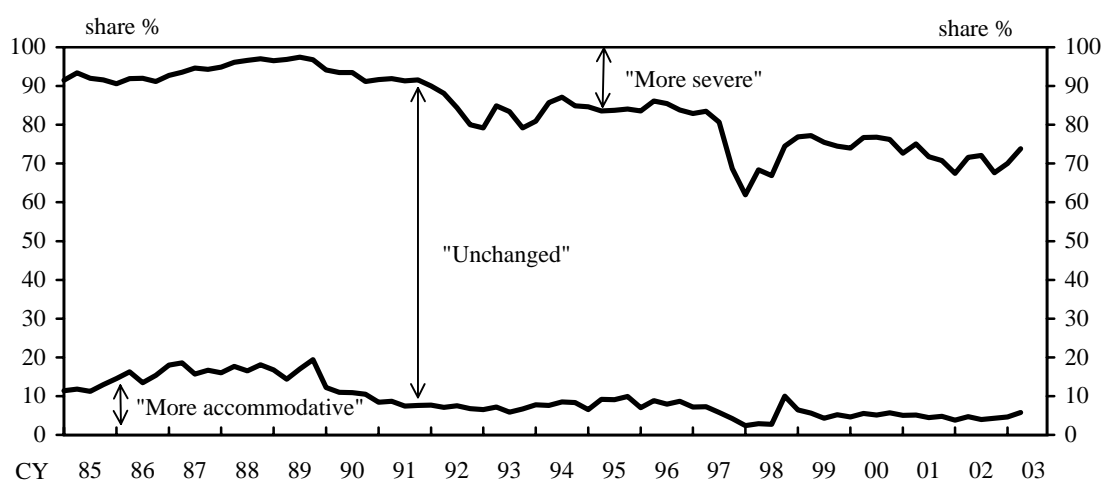
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (June, 2003)



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

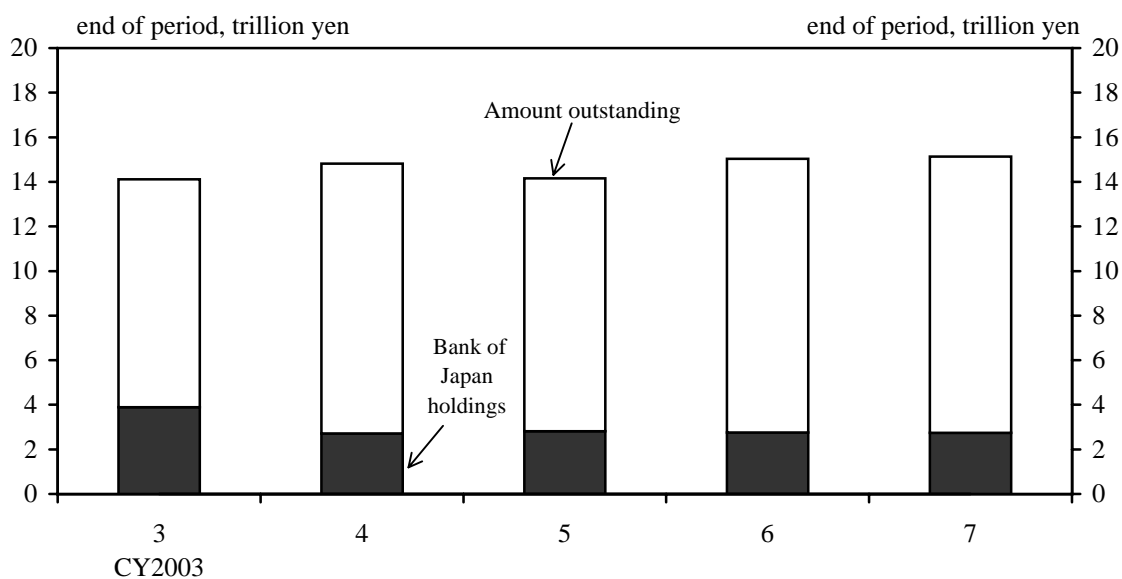


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-June, 2003)



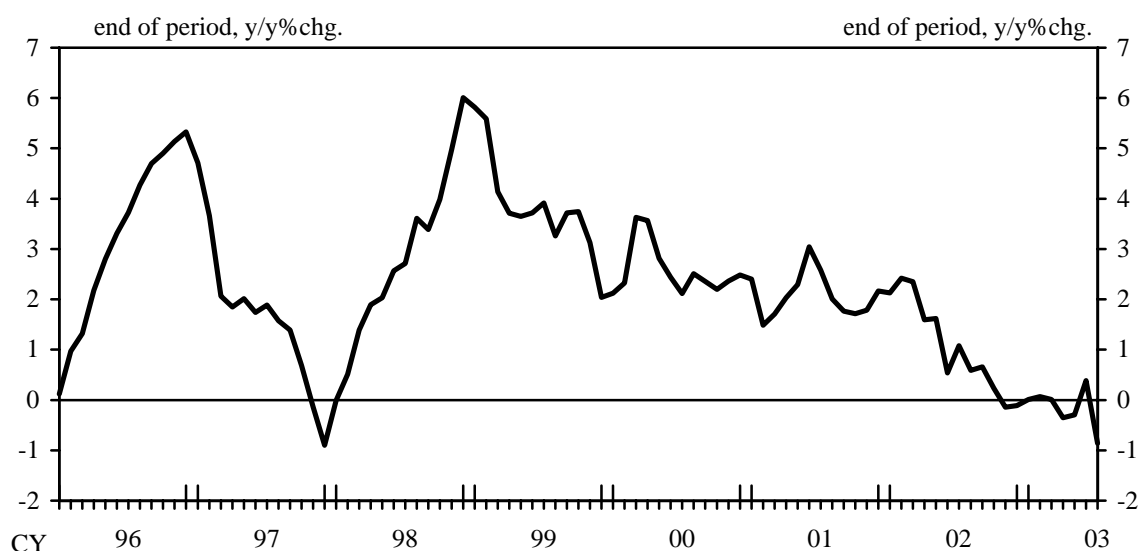
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ;
 Japan Finance Corporation for Small Business, "Monthly Survey of Small Businesses in Japan";
 National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

 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/Q4	2003/Q1	Q2	2003/May	Jun.	Jul.
Volume	27,521	31,861	31,053	10,096	14,726	5,163
(previous year)	(31,811)	(28,284)	(27,604)	(10,004)	(12,193)	(9,670)

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

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

Excludes those issued by banks.

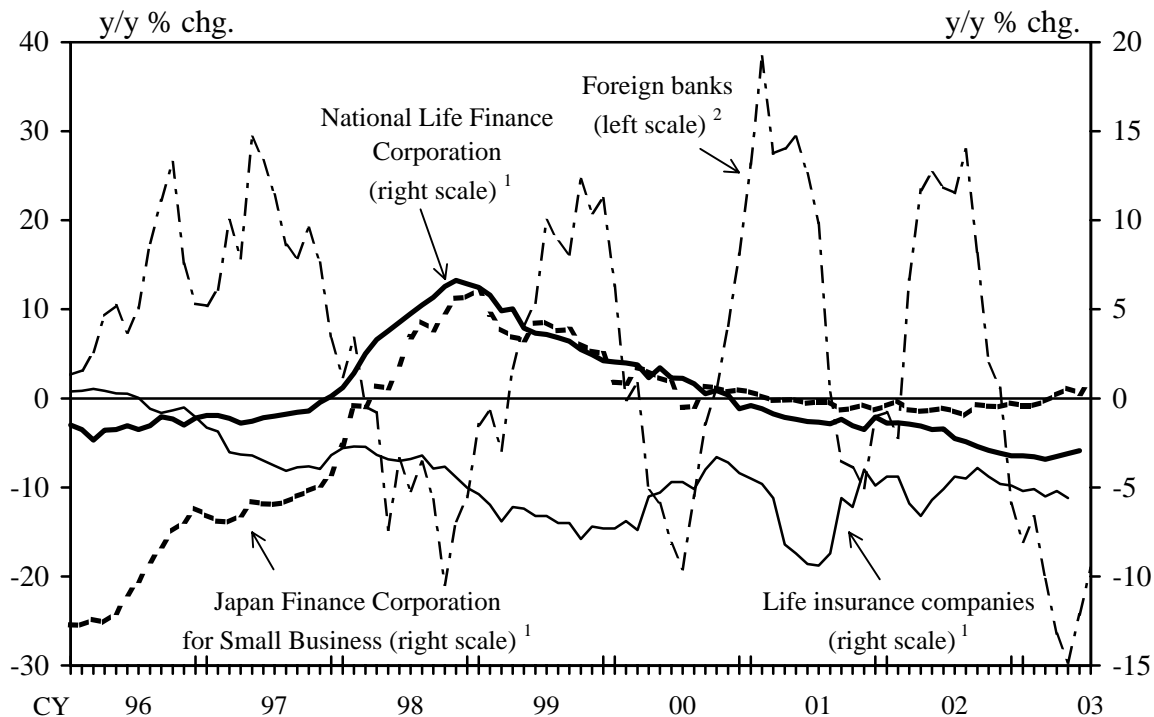
2. Includes straight bonds, convertible bonds, and bonds with warrants.

3. Estimated by the Bank of Japan.

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

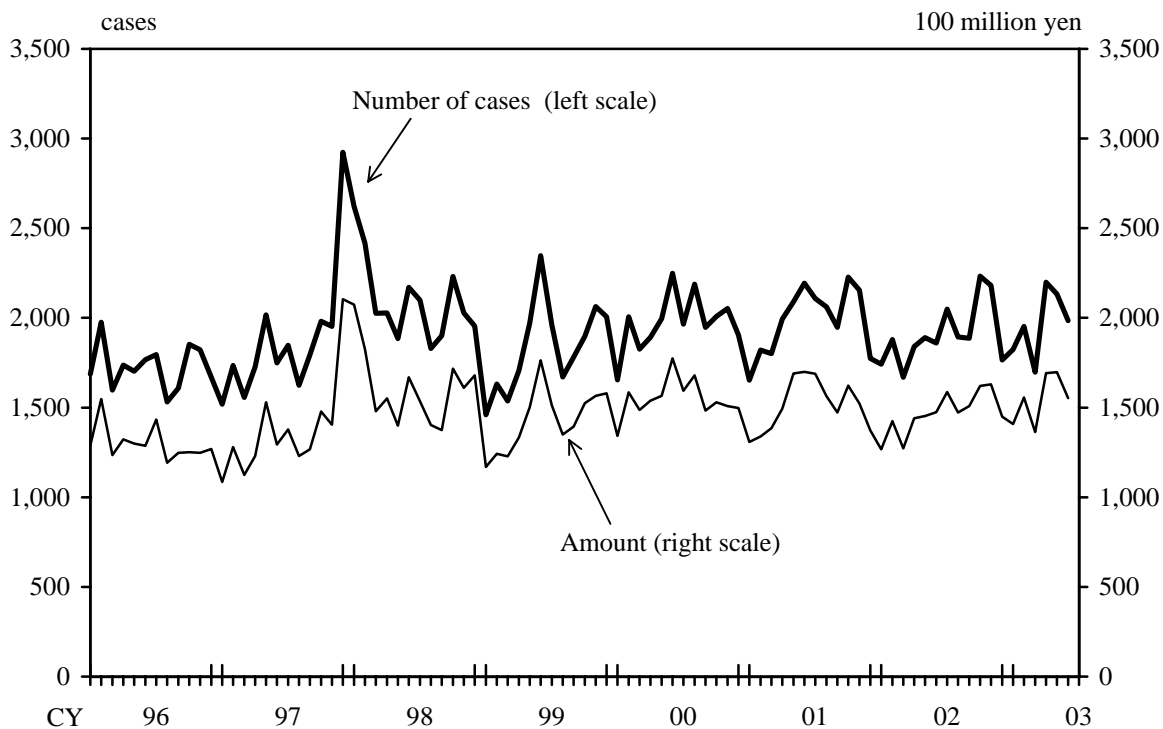
Lending by Other Financial Institutions

(1) Lending Outstanding



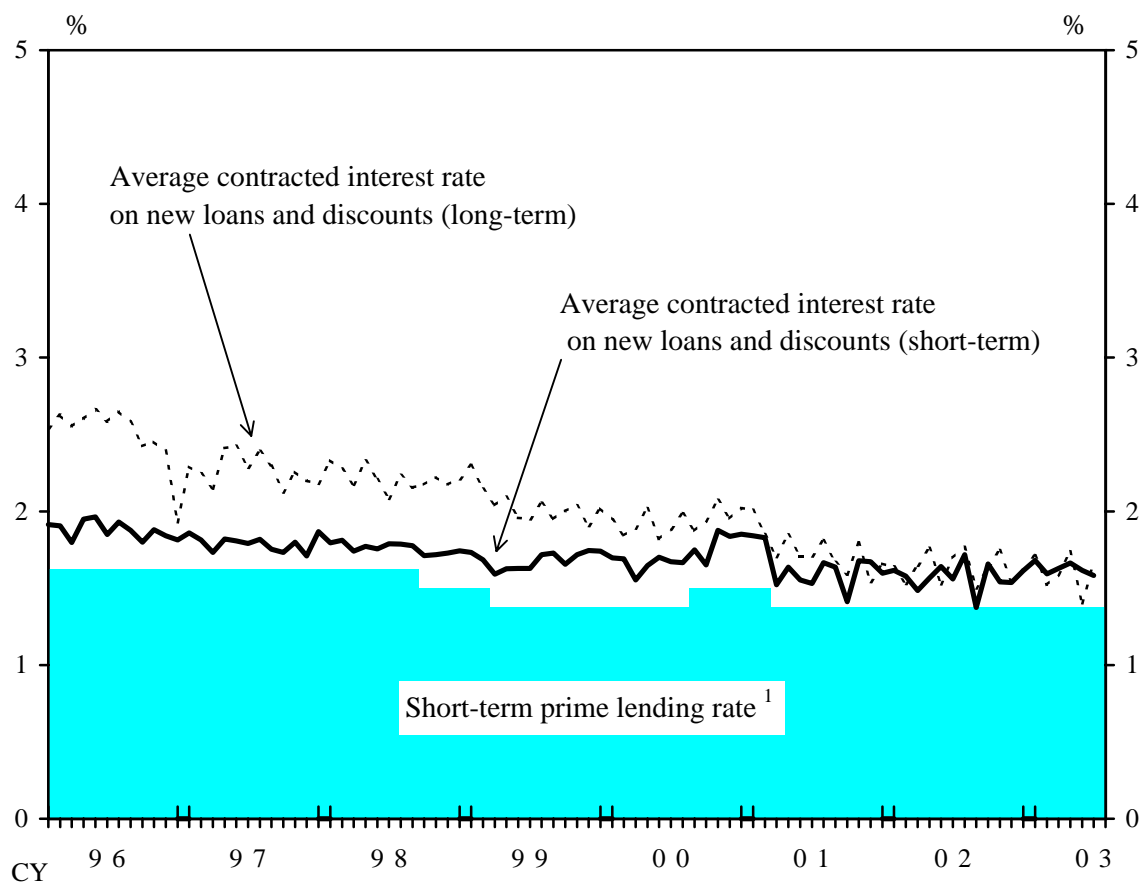
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

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



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

Lending Rates

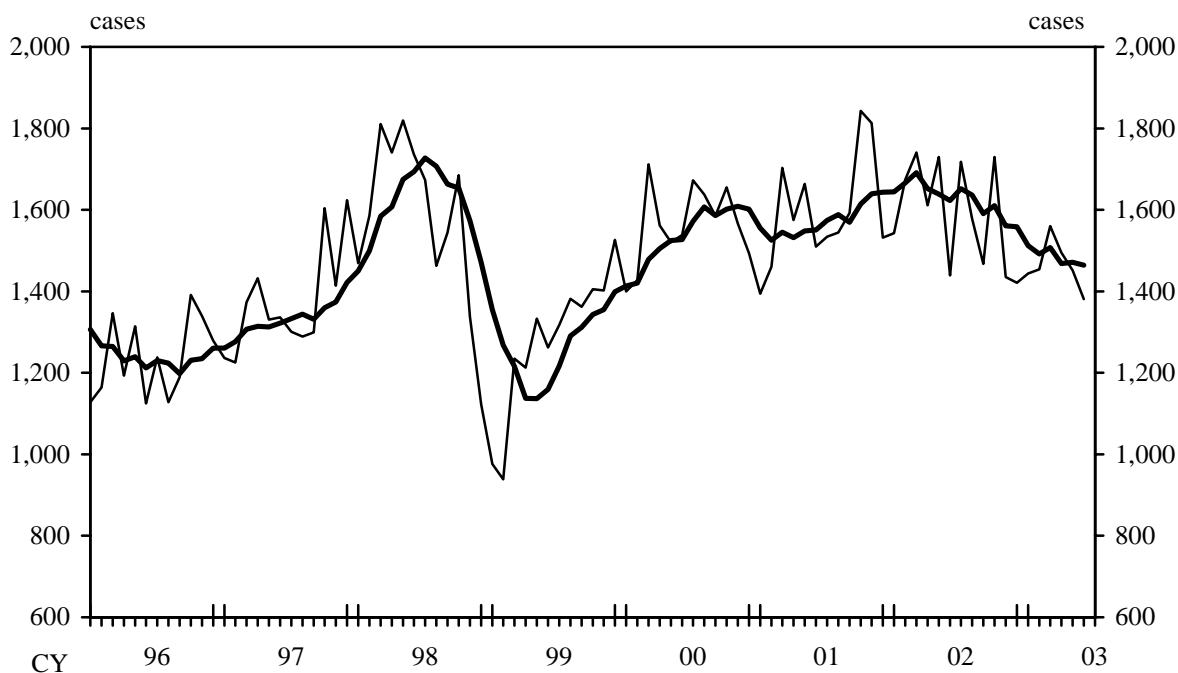


Note: 1. Data are at end of period.

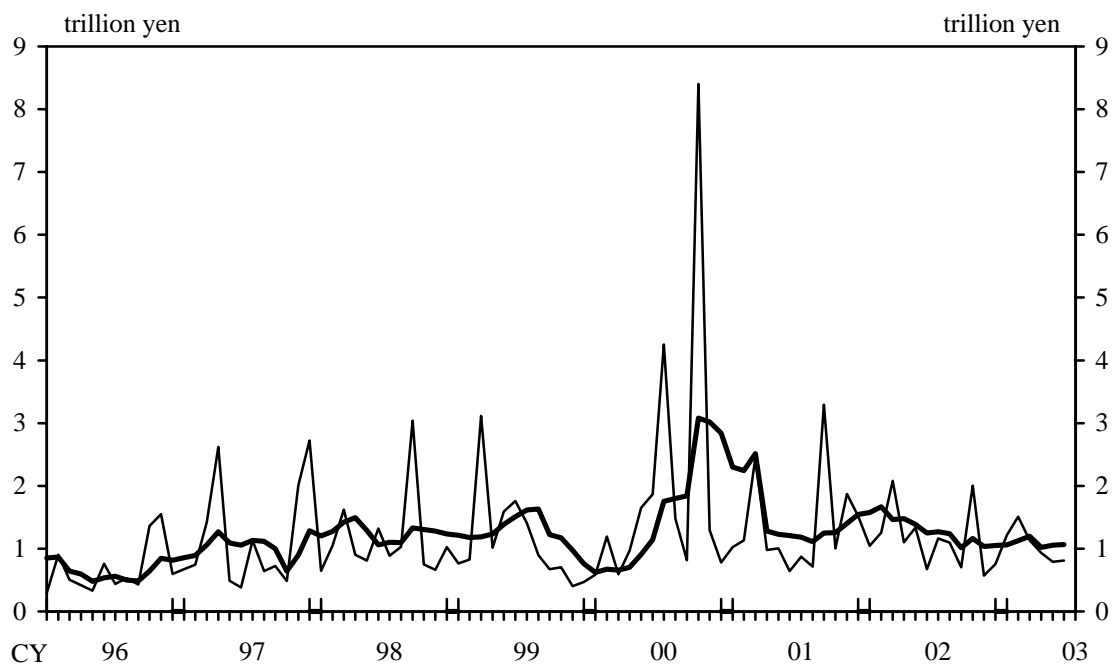
Source: Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

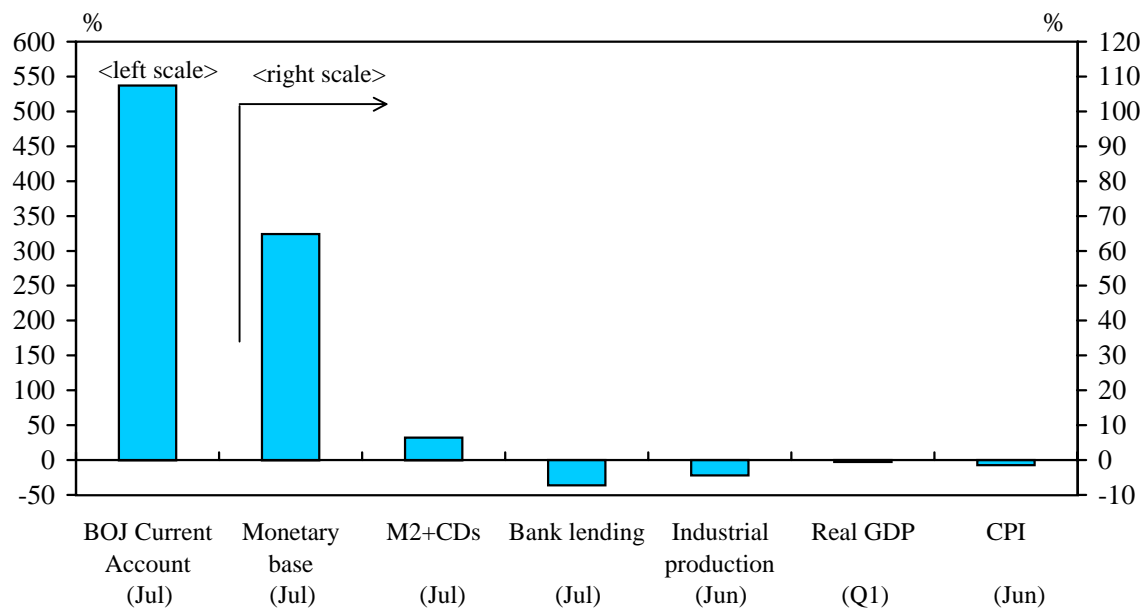


Note: Bold lines are the six-month moving average.

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

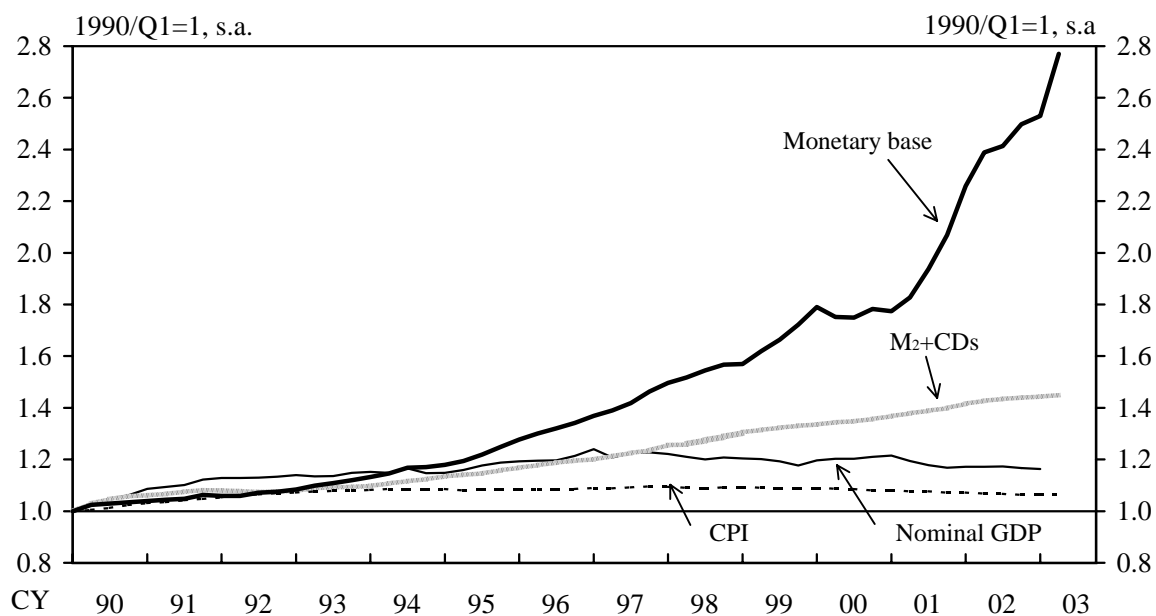
 Monetary Indicators, Economic Activity and Price Development

(1) Changes from March 2001



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

(2) Developments since 1990



- Notes: 1. Figures for monetary base are adjusted for changes in reserve requirement rates.
 2. Figures for CPI exclude fresh food and effects of the change in the consumption tax rate.

Sources: Cabinet Office, "National Accounts"; Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production"; Bank of Japan.