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Bank of Japan

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

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Monthly Report of Recent Economic and Financial Developments¹

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The Bank's View²

Economic activity still continues to be virtually flat as a whole, although signs of improvement have been observed in such areas as the environment for exports.

With regard to final demand, business fixed investment is recovering gradually. 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, and corporate profits are on a moderate uptrend. As for the employment situation, although the number of regular employees continues to decline, the total number of employees including both regular and non-regular employees has stopped falling. The pace of decline in wages has also slowed, and thus the decline in household income is gradually coming to a halt. However, the unemployment rate continues to be high, and hence the employment and income situation of households overall still remains severe.

Turning to the economic outlook, with respect to overseas economies, the likelihood is gradually increasing that the growth rate of the U.S. economy will accelerate and that the East Asian economies as a whole will resume a growth trend. Hence, exports and industrial production are likely to turn up gradually.

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

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on September 11 and 12, 2003.

² The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on September 11 and 12, 2003 as the basis for monetary policy decisions.

the employment and income situation is unlikely to improve markedly. Meanwhile, the recovery trend in business fixed investment is expected to become clearer in the period ahead, mainly in large manufacturing firms, whose investment has been thus far significantly restrained despite the recovery in their profits. However, as long as the pace of increase in exports and production continues to be gradual, the recovery in business fixed investment is likely to remain moderate.

Overall, with the recovery in overseas economies, 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 due to persisting downward pressures from structural adjustments, such as firms' reduction of excess debt and labor costs. In addition, as for the outlook for the environment for exports, there still remains uncertainty overall, as the employment situation in the United States continues to be sluggish and the pace of recovery in some East Asian economies such as South Korea is slow. On the domestic side, continued attention should be paid to the developments in financial markets such as the volatile movements in long-term interest rates.

On the price front, import prices have recently stopped declining, reflecting the uptrend in international commodity prices, especially crude oil prices. Under these circumstances, domestic corporate goods prices are more or less flat, which is also partly due to the rise in tobacco tax. Meanwhile, corporate services prices continue a year-on-year decrease of slightly over 1 percent. Consumer prices also continue to decline, but the year-on-year rate of decrease has diminished to 0.2 percent due to special factors, such as the rise in medical treatment costs in April in line with the reform of the medical insurance system and the rise in tobacco tax in July.

Looking at the conditions influencing price developments, the outlook for import prices is unclear at present because it largely depends on developments in the foreign exchange rate. Turning to the domestic side, the basic conditions surrounding prices, such as the supply-demand balance in the macroeconomy, technological innovations, streamlining of distribution channels, and pricing strategies

of firms, are unlikely to change significantly for the time being. Under these circumstances, domestic corporate goods prices are likely to remain more or less flat for the time being. Consumer prices are basically projected to continue falling at the current moderate pace on a year-on-year basis, although there are possibilities that the rate of decline may temporarily diminish further depending on future special factors.

As for the financial environment, the outstanding balance of current accounts at the Bank of Japan is moving at the 29-30 trillion yen level, 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. Meanwhile, interest rates on Euroyen futures are recently declining gradually after rising noticeably from late August.

Yields on long-term government bonds rose rapidly reflecting an improved outlook for Japan's economy, and are recently moving in the range of 1.4-1.6 percent. Meanwhile, yield spreads between private bonds (bank bonds and corporate bonds) and government bonds are widening slightly after the rebound in long-term interest rates.

Stock prices have been rising sharply as foreign investors continue to invest in Japanese stocks. The Nikkei 225 Stock Average is recently moving at around 10,500 yen.

In the foreign exchange market, the yen appreciated as foreign investors continued to invest in Japanese stocks. The yen is currently traded in the range of 116-118 yen to the U.S. dollar.

With regard to corporate finance, private banks remain cautious in extending loans to firms with high credit risks, while they continue to be more active in extending loans to blue-chip companies. 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 in general are improving somewhat, although those perceived by small firms remain severe. In the corporate bond and CP markets, the issuance spreads remain

steady and the favorable issuing environment is virtually unchanged on the whole, especially for firms with high credit ratings, although some firms seem to be taking a wait-and-see stance in the corporate bond issuance market in view of the rise in long-term interest rates.

Credit demand in the private sector continues to follow a downtrend mainly because firms' cash flow remains above business fixed investment and firms are continuously reducing their debts.

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

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

The year-on-year growth rate of the monetary base continues to be around 20 percent. The year-on-year growth rate of the money stock rose slightly and is at around 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 rising. Growth rates of the money stock and the monetary base relative to economic activity remain high. In corporate finance, the favorable issuing environment of corporate bonds and CP is virtually unchanged on the whole, especially for firms with low credit risks. However, there has been no significant change in the severity of fund-raising environment for firms, particularly with firms with high 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—still follows a downtrend, although it has just recently increased slightly. 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 0.2 percent in the second quarter on a quarter-on-quarter basis (q/q hereafter), but inched up by 0.9 percent in July from the second quarter. In July by region (Chart 5[1]), exports to the United States declined mainly in automobile-related goods and consumer goods, and those to the EU also dropped. On the other hand, exports to East Asia turned up after the epidemic of severe acute respiratory syndrome (SARS) was contained. By goods (Chart 5[2]), exports of automobile-related goods continued to decline, reflecting the transfer of plants to overseas by firms and inventory adjustment in the United States (Chart 6[3]). In contrast, exports of IT-related goods such as electronic parts rose firmly, assisted by the gradual recovery in global IT-related demand (Chart 7). Also, exports of capital goods and parts, such as semiconductor fabrication machines and equipment, have recently increased further (Chart 6[1]).

The underlying trend of real imports (Charts 4[1] and 8) is virtually flat. They showed a q/q growth of 1.9 percent in the second quarter, but it was partly attributable to the increase in imports of aircraft, which are categorized as capital goods and parts and often show large fluctuations. In July, growth from the previous quarter slowed, recording only an increase of 0.6 percent. By goods (Chart 8[2]), imports of materials such as crude oil remained high in the second quarter due to the steady demand for thermal power generation in response to the shutdown of several nuclear power plants, but decreased in July, when the restart of operations of those plants was in prospect. Meanwhile, imports of IT-related goods and those of capital

goods and parts (excluding aircraft) continued to rise, mainly 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]),³ continue to be flat, albeit with some fluctuations. The surplus of the nominal balance on goods and services has also been more or less 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, with respect to overseas economies, the likelihood is gradually increasing that the growth rate of the U.S. economy will accelerate and that the East Asian economies as a whole will resume a growth trend. In fact, in the United States, stock prices increased amid the recovery in IT-related demand (Chart 9-2[4]). In addition, with the policy effects from the implementation of large-scale tax cuts, the number of economic indicators that show positive movements is increasing, mainly among business confidence and private consumption-related indicators. Economic activity in East Asia has started to recover (Chart 9-1[2]), in response to the containment of the SARS epidemic and the above-mentioned developments in the U.S. economy.

In sum, exports are likely to turn up gradually, with the recovery in overseas economies. However, there still remains uncertainty overall regarding the outlook for the environment for exports, as the employment situation in the United States continues to be sluggish and the pace of recovery in some East Asian economies such as South Korea is slow.

As for imports, the increase in IT-related goods and in capital goods and parts can be regarded as structural movements, while imports of materials are expected to continue declining in response to the restart of operations of nuclear power plants.

³ 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.

Based on these, overall imports are projected to increase mildly with the gradual rise in production.

Business fixed investment is increasing gradually, reflecting the improvement in corporate profits to date. Based on GDP statistics, business fixed investment in real terms increased for four consecutive quarters starting from the third quarter of 2002 (Chart 2). According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 10[1]), fixed investment in nominal terms was on a gradual uptrend on average, although quarterly fluctuations were significant. Breaking down the upsurge in the second quarter of 2003 (Chart 11), investment by large nonmanufacturing firms exhibited a substantial increase, but this increase needs to be discounted to a certain extent, because it partly reflects the developments in business services, which fluctuate largely. Meanwhile, it has become clear that the decline in investment by large manufacturing firms has come to a halt. Investment by small manufacturing firms seems to be on a gradual uptrend, with the fluctuations smoothed out.

As for monthly indicators, shipments of capital goods (excluding transport equipment; Chart 12-1[1]), a coincident indicator of machinery investment, are considered to be flat or on a slight uptrend on average.⁴ Moreover, machinery orders (private demand, excluding shipbuilding and orders from electric power companies; Chart 12-2[1]), a leading indicator of business fixed investment, continued to increase. However, construction starts (floor area, private, nondwelling use; Chart 12-2[2]), another leading indicator, were more or less flat.

As for the developments in corporate profits, which support the gradual increase in business fixed investment, the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 10[2]) indicated that the ratio of current profits to sales has been on a recovery trend from the start of this year, although the pace has been moderating compared with that in 2002, when profits had increased significantly.

⁴ 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 recovery trend is expected to become clearer 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 this view is gradually lessening (Chart 12-1[2]). Under these circumstances, as long as the pace of increase in exports and production continues to be gradual, the recovery in business fixed investment is likely to remain moderate.

The weakness in private consumption has become slightly noticeable due partly to the cool summer this year. In detail (Charts 13-1 and 13-2), the number of new passenger-car registrations has recently been virtually flat on average, since the boom in small cars, which led the uptrend last year, has waned. Sales at both department stores and supermarkets dropped in July following the decline in the second quarter. In particular, sales at supermarkets in July exhibited a significant decrease, mainly in summer apparel and beverages, due to the cool summer. Sales at convenience stores declined substantially in July due to the cool summer and also in reaction to a demand rush for cigarettes that occurred in June ahead of the rise in tobacco tax. Sales of household electrical appliances (NEBA statistics; in real terms) overall dropped sharply in July due to the decline in sales of air conditioners and refrigerators caused by the cool summer. Meanwhile, sales of digital cameras continued to be favorable, and those of personal computers have recently picked up. Regarding services consumption, sales in the food services industry decreased, also due to the cool summer. Outlays for travel had dropped substantially until June, mainly in overseas travel, largely due to the war on Iraq and the SARS epidemic, but inched up in July after the epidemic was contained.

Indices of aggregated sales (in real terms; Chart 13-3)⁵—which are comprised of many sales indicators of these goods and services—were recently somewhat weak, and along with the effects of the cool summer mentioned above, they showed a sizable decline in July. Aggregate supply of consumer goods (Chart 13-4), which

⁵ The indices of aggregated sales are compiled by the weighted average of various sales indicators, including a few indicators for services consumption. Since each sales indicator shows different movements, the indices of aggregated sales are used to evaluate the whole trend of these sales indicators. For the detailed calculation method, see note 1 in Chart 13-3.

comprehensively captures producers' supply of goods, also decreased in July, after they had continued a very mild increase through the second quarter.

Indicators for consumer sentiment (Chart 14), which had been on a downtrend on the whole until early spring, are recently picking up slightly, along with the rise in stock prices.

Private consumption is likely to be lackluster for some time, since the employment and income situation is unlikely to improve markedly, even though the additional temporary weakness caused by the cool summer will dissipate.

Housing investment continues to be sluggish. Housing starts (Chart 15[1]) had advanced to 1.27 million units in June at annual rates by temporary factors,⁶ but then declined in July back to 1.1~1.2 million units. 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 16[1]) continues to be basically flat. It inched up by 0.6 percent in July from the second quarter, after a q/q decrease of 0.6 percent in the second quarter. This basically implies that firms are maintaining cautious stances on production as exports remain flat and domestic demand shows mixed developments. In addition, as for such products as digital cameras, which face favorable demand, the restraint on production due to a shortage of electronic parts seems to persist, albeit to a lesser extent.

Inventories (Charts 16 [1] and 18) are virtually flat at low levels. They inched up in July, but this was mainly because inventories of air conditioners and

⁶ 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 to avoid a resulting hike in construction costs.

refridgerators were piled up due to the decline in shipments of these durable consumer goods affected by the cool summer (Chart 17[2]). However, disregarding these partial movements, adjustment pressure on inventories has not accumulated, and hence risks of a vicious spiral in the inventory cycle continue to be small unless final demand falls into a slump.

Industrial production is expected to resume a gradual uptrend in line with the recovery in exports, since, as mentioned above, adjustment pressure on inventories has hardly been accumulated as a whole. However, based on anecdotal information obtained from firms, the pace of increase in production is projected to remain moderate for the time being.⁷

As for the employment and income situation, the number of regular employees in the *Monthly Labour Survey* kept declining (Chart 20-2[2]), but the total number of employees in the *Labour Force Survey*, including both regular and non-regular employees, has stopped falling (Chart 20-2[1]). Moreover, the pace of decline in wages has also slowed reflecting the recovery in corporate profits, and hence the decline in household income is gradually coming to a halt (Chart 19). However, the unemployment rate continues to be high, as mentioned below, and the employment and income situation of households overall still remains severe.

Looking at nominal wages per employee on a year-on-year basis (Chart 19 [2]), overtime payments continued a slight increase, and the decline in regular payments is coming to a halt.⁸ Under these circumstances, special cash earnings in June-July, which represent summer bonuses, showed a slight increase from the previous year, although the figures fluctuated substantially in each month. It is still too early to conclude that overall summer bonuses, including payments in August,

⁷ By simply combining the production forecast indices for August and September, industrial production is calculated to rise by 2.5 percent in the third quarter on a q/q basis. However, it should be noted that actual production tends to have been revised downward from initial projections.

⁸ 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

will turn out to be positive on a year-on-year basis. However, considering that those paid in June-July represent more than 90 percent of overall summer bonuses, at least it can be said that the pace of decline in bonuses has slowed.

Meanwhile, the unemployment rate (Charts 20-1[1] and [3]) remained unchanged at high levels, as the number of those involuntarily unemployed continued to be 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) had dropped compared to levels three months before, reflecting the rapid fall in crude oil prices in early spring, but then stopped declining in August since international commodity prices, especially crude oil prices, trended upward again (Chart 22).

The rate of decline in domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates; same hereafter)⁹ compared to levels three months earlier had expanded as import prices had been on a declining trend (Chart 23). Recently, however, with the effects of the decline in import prices on the wane, the rise in tobacco tax in July also had effects, and the rate of decrease in machinery prices diminished marginally. Therefore, domestic corporate goods prices in August were virtually flat.

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.

⁹ 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.

The year-on-year rate of decline in corporate services prices (domestic supply-demand factors; same hereafter) has been about the same as in April, when the rate had expanded to slightly over 1 percent (Chart 24).¹⁰

The year-on-year rate of decline in consumer prices (excluding fresh food; same hereafter) had diminished in April reflecting the rise in medical costs due to the reform of the medical insurance system, and then had been unchanged in May and in June (Chart 25). The rate narrowed further in July due mainly to the rise in tobacco tax; the year-on-year declines of CPI in March, April, and July were 0.6 percent, 0.4 percent, and 0.2 percent chronologically. In addition to the effects from the rise in tobacco tax, the diminished year-on-year rate of decline in July was affected by the developments in public utility charges such as a rise in electricity charges due to high crude oil prices in the first quarter and an increase in airplane fares, and also by increases in some items with large fluctuations such as hotel charges and package tours to overseas.

Looking at the conditions influencing price developments, the outlook for import prices is unclear at present because it largely depends on developments in the foreign exchange rate. Turning to the domestic side, the basic conditions surrounding prices, such as the supply-demand balance in the macroeconomy, technological innovations, streamlining of distribution channels, and pricing strategies of firms, are unlikely to change significantly for the time being. Under these circumstances, domestic corporate goods prices are likely to remain more or less flat for the time being.

Since the basic conditions surrounding prices remain unchanged as mentioned above, consumer prices are basically projected to continue falling at the current moderate pace on a year-on-year basis, although there are possibilities that the rate of decline may temporarily diminish further depending on future special factors.

¹⁰ 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.

3. Financial Developments

(1) Financial Markets

The outstanding balance of current accounts at the Bank of Japan is moving at the 29-30 trillion yen level, as the Bank has been providing ample liquidity (Chart 29).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 27[1]) continues to move at around zero percent. Interest rates on term instruments (Chart 28[1]) remain steady on the whole, although TB and FB rates rose from late August. Under these circumstances, interest rates on Euroyen futures (Chart 28[2]) rose noticeably from late August, but are recently declining gradually.

In the government bond market, reflecting an improved outlook for Japan's economy, yields on 10-year government bonds (newly issued 10-year JGB; Chart 27[2]) rose rapidly since the bonds were sold mainly by banks, on a large scale, for such reasons as loss-cutting and portfolio adjustments. The yields are recently moving in the range of 1.4-1.6 percent.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 31 and 32) are widening slightly, due mainly to profit-taking such as by regional financial institutions reflecting the rebound in long-term interest rates.

Stock prices (Chart 33) have been rising sharply, due mainly to easing concern over the weak supply-demand situation as foreign investors continue to invest in Japanese stocks. The Nikkei 225 Stock Average is recently moving at around 10,500 yen.

In the foreign exchange market (Chart 34), the yen appreciated as foreign investors continued to invest in Japanese stocks. The yen is currently traded in the range of 116-118 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The year-on-year growth rate of the monetary base (currency in circulation + current account balances at the Bank of Japan) continues to be 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 20.3 percent in June, 20.4 percent in July, and 20.5 percent in August; Chart 35.)

The year-on-year growth rate of the money stock (M_2 + CDs) rose slightly and is at around 2 percent. (The year-on-year change was 1.8 percent in June, 1.8 percent in July, and 2.0 percent in August; Chart 36.)

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 in general are improving somewhat, although those perceived by small firms remain severe. In the corporate bond and CP markets, the issuance spreads remain steady and the favorable issuing environment is virtually unchanged on the whole, especially for firms with high credit ratings, although some firms seem to be taking a wait-and-see stance in the corporate bond issuance market in view of the rise in long-term interest rates.

Credit demand in the private sector continues to follow a downtrend mainly because firms' cash flow remains above business fixed investment and firms are continuously reducing their debts.

Amid these developments, lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors¹¹), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, continues to decline at around 2 percent on a year-on-year basis. (The year-on-year change was -2.2 percent in June, -2.1 percent in July, and -1.9 percent in August; Chart 37.) The amount outstanding of corporate bonds issued is around the previous year's level (Chart 39).

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 41). The long-term prime lending rate was raised by 0.35 percent to 1.85 percent on September 10. 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 in general are improving slightly, although those of small firms remain severe.

The number of corporate bankruptcies in July declined by 19.8 percent year-on-year, to 1,377 cases (Chart 42).

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 rising. Growth rates of the money stock and the monetary base relative to economic activity remain high. In corporate finance, the favorable issuing environment of corporate bonds and CP is virtually unchanged on the whole, especially for firms with low credit risks. However, there has been no significant change in the severity of fund-raising environment for firms, particularly with firms with high 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.

¹¹ 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.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2002/Q4	2003/Q1	Q2	2003/May	Jun.	Jul.	Aug.
Index of living expenditure level (all households)	-1.9	-0.7	0.9	-1.6	5.1	-5.5	n.a.
Sales at department stores	-0.7	-0.3	-1.6	1.1	1.8	-1.6	n.a.
Sales at supermarkets	-0.9	-0.7	-1.4	1.2	-0.8	-3.7	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 326>	< 335>	< 306>	< 331>	< 303>	< 310>	< 309>
Sales of household electrical appliances (real, NEBA)	2.6	4.5	3.7	3.5	-0.9	-7.8	n.a.
Outlays for travel (50 major travel agencies)	-0.3	-3.4	-17.9	3.0	0.9	10.0	n.a.
Housing starts <s.a., ann. 10,000 units>	< 114>	< 115>	< 120>	< 117>	< 127>	< 116>	<n.a.>
Machinery orders (from private sector ⁴)	-0.1	5.8	3.4	6.5	2.4	-3.1	n.a.
Manufacturing	2.7	5.4	8.6	15.9	-0.8	-6.8	n.a.
Nonmanufacturing ⁴	-2.3	5.1	1.3	0.4	4.6	-0.5	n.a.
Construction Starts (private, nondwelling use)	5.6	-2.2	4.0	2.9	0.5	-7.9	n.a.
Mining & manufacturing	14.6	-4.9	0.3	8.9	39.2	-18.9	n.a.
Nonmanufacturing ⁵	2.8	-0.3	3.0	-0.4	-3.9	-6.6	n.a.
Value of public works contracted	-0.7	-3.1	-5.6	-1.9	5.0	4.6	n.a.
Real exports	4.5	-0.8	-0.2	3.3	-3.2	2.0	n.a.
Real imports	2.2	0.2	1.9	1.9	1.9	-1.2	n.a.
Industrial production	0.4	0.3	-0.6	2.6	-1.2	p 0.5	n.a.
Shipments	0.8	0.5	0.4	1.8	-0.5	p -1.1	n.a.
Inventories	-0.2	-1.5	-0.6	0.4	-0.9	p 1.4	n.a.
Inventory Ratio <s.a., CY 2000=100>	<99.4>	<99.9>	<98.1>	<96.9>	<98.1>	<p 99.5>	<n.a.>
Real GDP	0.6	0.6	1.0	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-0.3	0.6	0.1	0.2	0.9	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2002/Q4	2003/Q1	Q2	2003/May	Jun.	Jul.	Aug.
Ratio of job offers to applicants <s.a., times>	<0.57>	<0.60>	<0.61>	<0.61>	<0.61>	<0.62>	<n.a.>
Unemployment rate <s.a., %>	<5.4>	<5.4>	<5.4>	<5.4>	<5.3>	<5.3>	<n.a.>
Overtime working hours ⁶	5.9	6.5	4.7	5.5	4.4	p 4.3	n.a.
Number of employees	-0.4	-0.1	0.3	0.6	0.5	0.1	n.a.
Number of regular employees ⁶	-0.8	-0.6	-0.6	-0.6	-0.6	p -0.6	n.a.
Nominal wages per person ⁶	-1.7	-0.7	1.1	0.6	2.5	p -1.9	n.a.
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	-1.3 <-0.2>	-0.9 <0.0>	-1.0 <-0.3>	-1.1 <-0.4>	-1.1 <-0.6>	-0.7 <-0.4>	p -0.6 <p 0.0>
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 <0.0>	-0.2 <0.1>	n.a. <n.a.>
Corporate service price index ⁹ <s.a., q/q % chg.> (3-month growth rate)	-1.0 <-0.2>	-0.9 <-0.2>	-1.2 <-0.5>	-1.2 <-0.5>	-1.2 <-0.6>	-1.3 <-0.2>	n.a. <n.a.>
Monetary aggregates (M2+CDs) <average outstanding, y/y % chg.>	2.9	1.9	1.6	1.6	1.8	1.8	2.0
Number of suspension of transactions with banks	-17.9	-21.7	-15.4	-18.4	-14.0	-31.9	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.

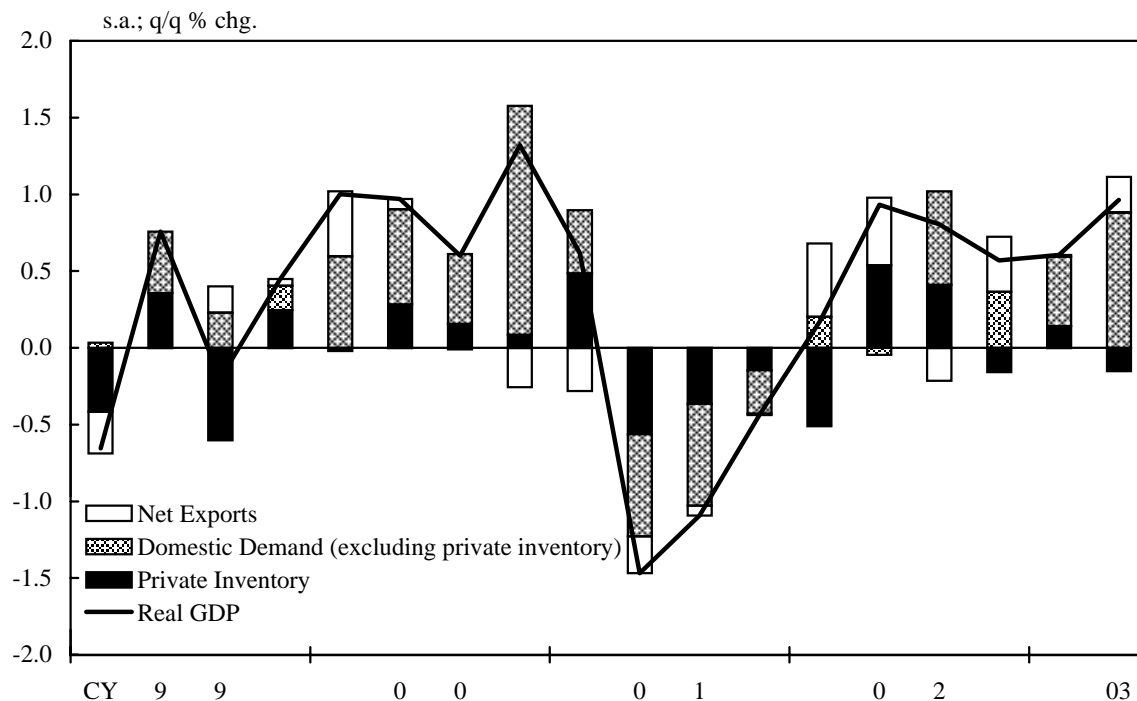
8. Excludes fresh food.

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," "Statistics on Building Construction Starts"; 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.

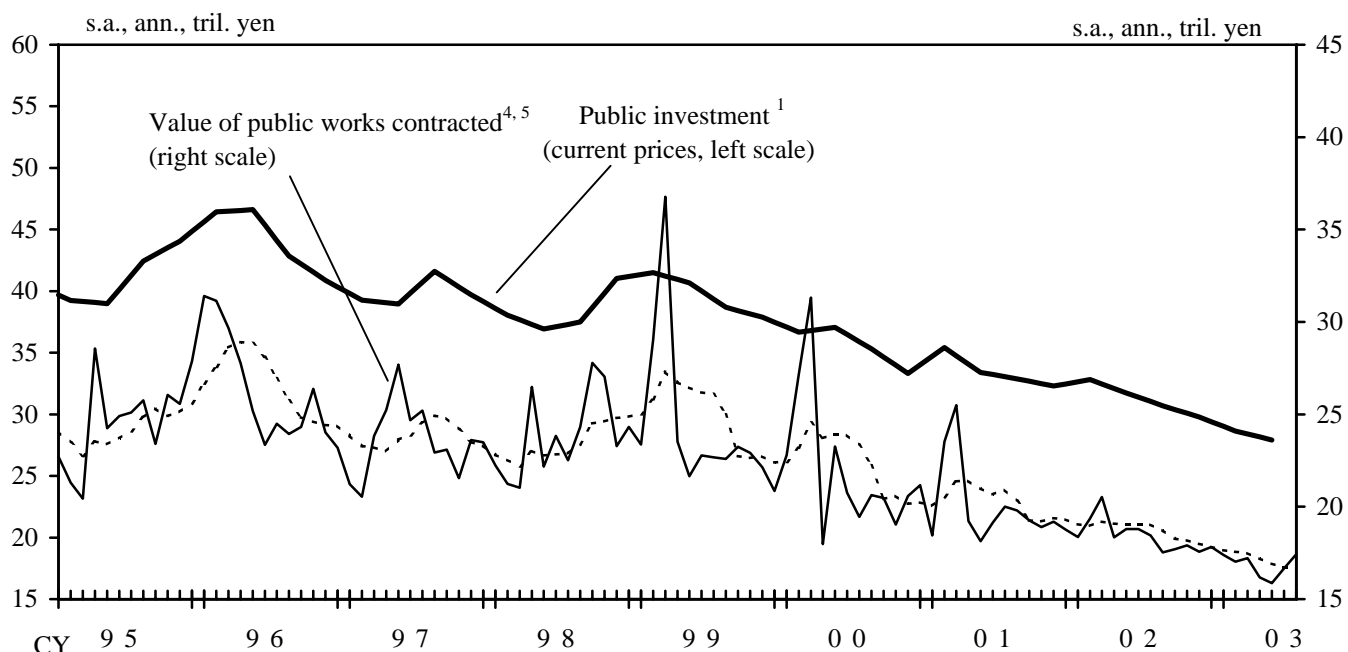
	2002			2003	
	Q2	Q3	Q4	Q1	Q2
Real GDP	0.9	0.8	0.6	0.6	1.0
Domestic Demand	0.5	1.0	0.2	0.6	0.8
Private Consumption	0.2	0.7	0.0	0.4	0.4
Non-Resi. Investment	-0.2	1.9	3.5	2.5	4.7
Residential Investment	-0.4	-0.1	-0.8	-1.0	-0.3
Private Inventory	(0.5)	(0.4)	(-0.2)	(0.1)	(-0.2)
Public Demand	-0.6	-0.2	-0.7	-0.5	-0.5
Public Investment	-2.6	-2.8	-2.5	-3.2	-1.9
Net Exports of goods and services	(0.4)	(-0.2)	(0.4)	(0.0)	(0.2)
Exports	6.9	0.1	4.3	0.6	0.8
Imports	3.6	2.6	1.4	0.6	-1.6
Nominal GDP	-0.4	0.3	-0.5	0.0	0.3

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

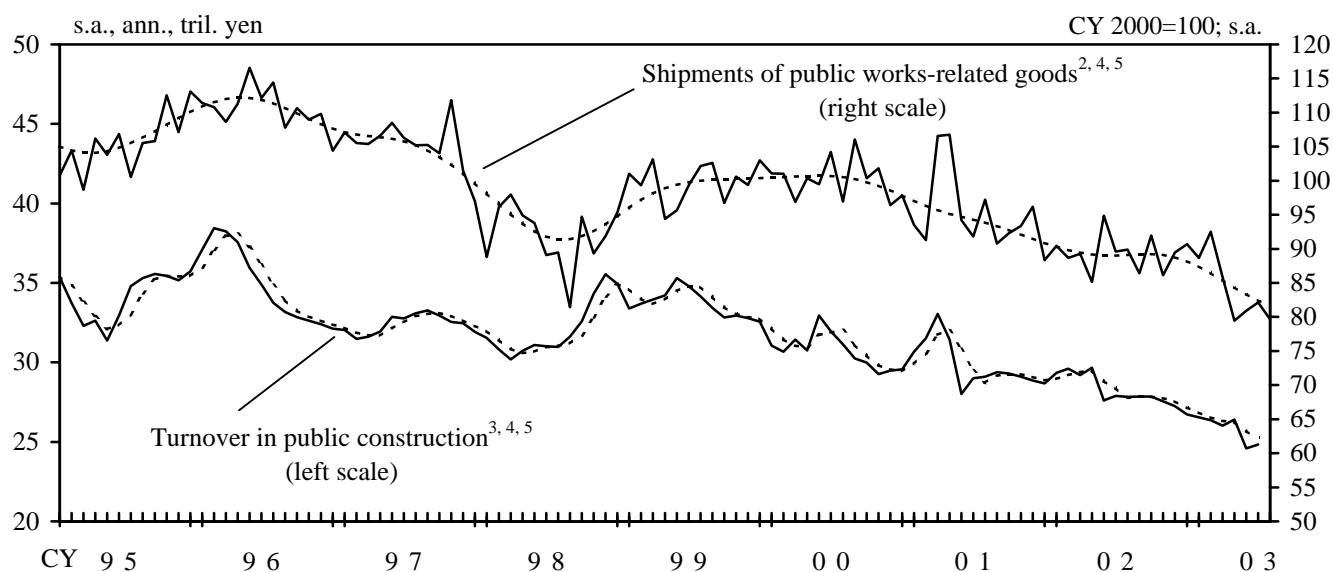
Source: Cabinet Office, "National Accounts."

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 general tables in the "Integrated Statistics on Construction Works." From this month, the general tables are adopted instead of the public organizations general tables. The figures until March 2002 are retroactively calculated with year-to-year growth rates on the former basis.
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";

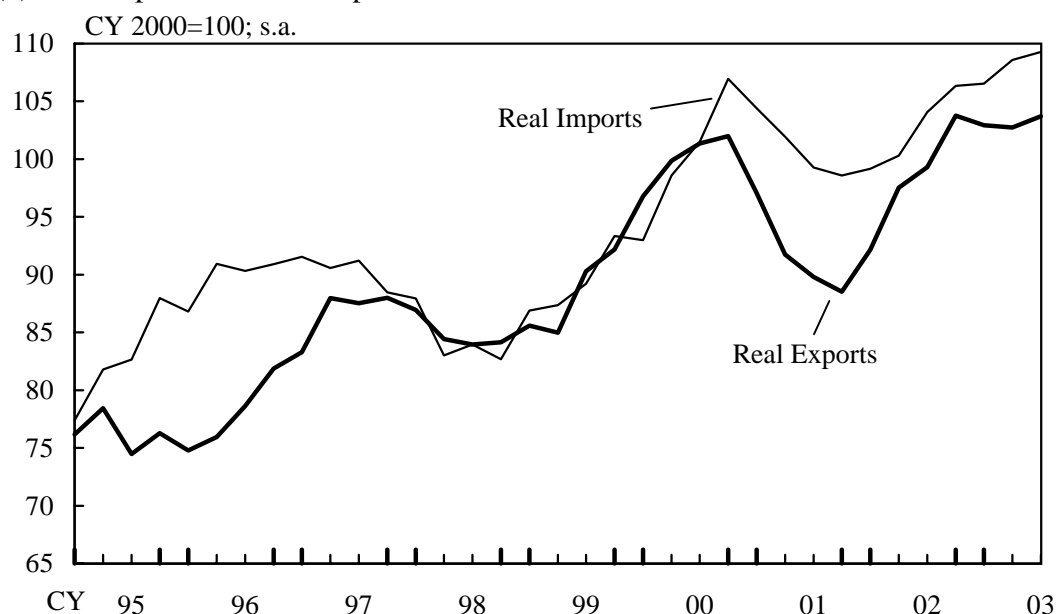
East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";

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

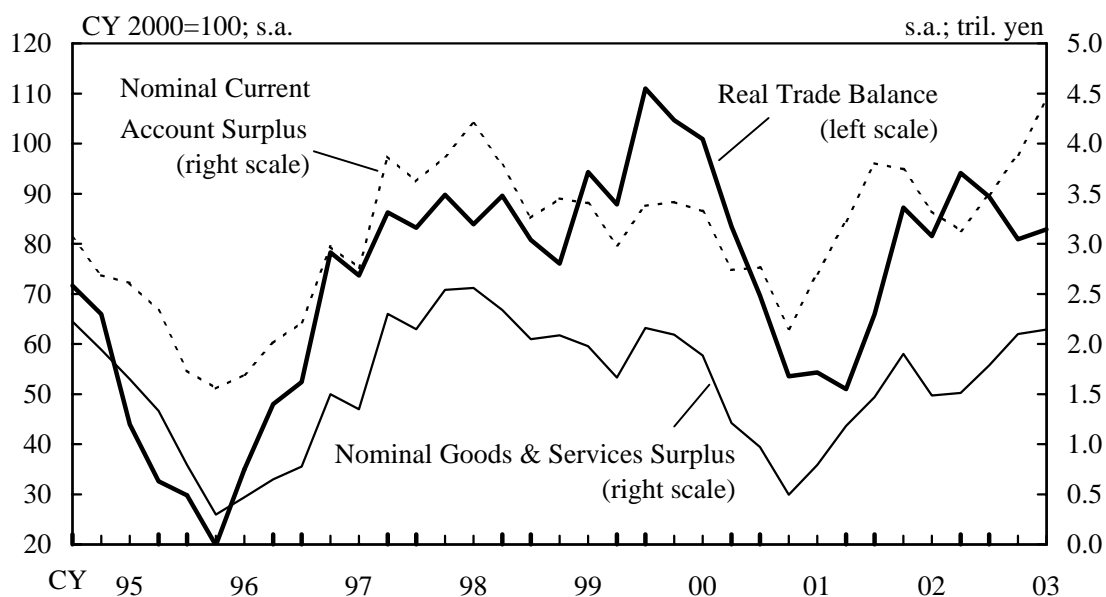
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

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. 2003/Q3 figures are Jul.- Aug. averages converted into quarterly amount.
 3. Balance of payments data up to 1995/Q4 are from old basis. 2003/Q3 figures are Jul. figures converted into quarterly amount.

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

Real Exports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2001	2002	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 May	2003 Jun.	2003 Jul.
United States	<28.5>	-7.7	1.4	-0.1	3.4	-9.9	0.9	-3.2	7.4	-7.2	-0.6
EU	<14.7>	-10.1	-0.0	4.8	1.4	6.3	0.1	-0.7	3.5	-0.5	-1.6
East Asia	<41.5>	-9.0	17.5	3.8	3.4	7.9	-2.5	2.6	3.3	-1.7	2.7
China	<9.6>	12.4	35.5	10.2	3.3	21.7	0.7	2.2	4.6	-3.6	3.2
NIEs	<22.7>	-15.2	14.4	2.4	4.4	4.5	-5.2	3.5	3.9	-0.5	2.5
Korea	<6.9>	-8.4	19.1	4.3	6.2	7.7	-8.2	6.3	1.2	0.9	5.3
Taiwan	<6.3>	-25.3	14.6	2.4	2.1	4.9	-6.3	1.7	2.3	-0.9	1.6
ASEAN4 ³	<9.3>	-7.8	10.2	1.1	1.0	2.1	0.2	1.2	0.4	-2.3	2.6
Thailand	<3.2>	-3.6	16.5	8.0	4.0	0.2	2.5	4.6	10.4	-4.0	4.1
Real exports		-8.6	7.2	1.8	4.5	-0.8	-0.2	0.9	3.3	-3.2	2.0

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2001	2002	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 May	2003 Jun.	2003 Jul.
Intermediate goods	<15.3>	-3.2	8.8	0.9	-2.4	4.3	0.2	-0.7	2.3	-5.6	2.4
Motor vehicles and their related goods	<24.3>	-1.8	12.7	0.1	5.0	-1.3	-5.3	-3.8	5.0	-1.8	-4.1
Consumer goods ⁴	<7.1>	-4.8	7.9	1.0	10.6	0.4	0.9	-6.9	1.9	-5.1	-4.1
IT-related goods ⁵	<14.8>	-10.5	0.3	6.0	3.0	-3.9	3.0	3.7	4.6	-3.7	4.8
Capital goods and parts ⁶	<27.3>	-14.6	7.8	3.8	5.2	1.9	1.5	4.3	2.9	-0.8	3.9
Real exports		-8.6	7.2	1.8	4.5	-0.8	-0.2	0.9	3.3	-3.2	2.0

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2003/Q3 figures are July figures converted into quarterly amount.

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

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

4. Excludes motor vehicles.

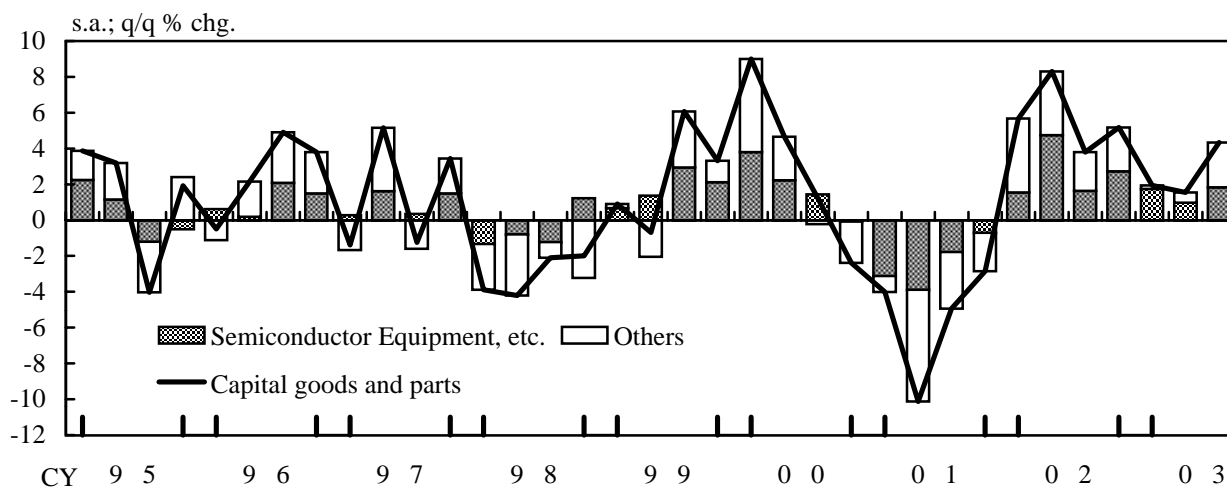
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs and medical and optical instruments.

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

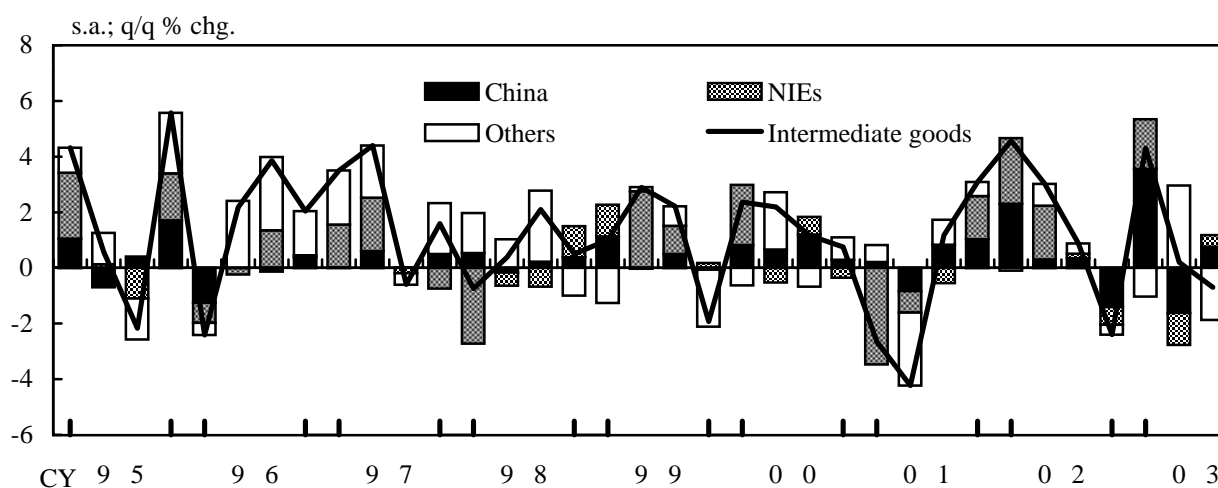
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

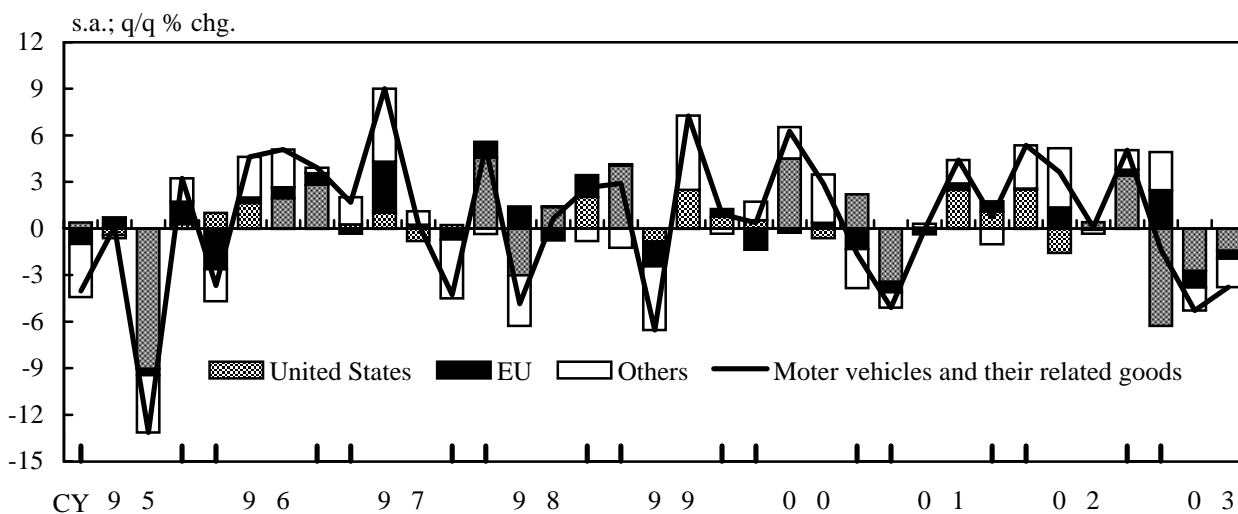
(1) Capital goods and parts (real, breakdown by goods)



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



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



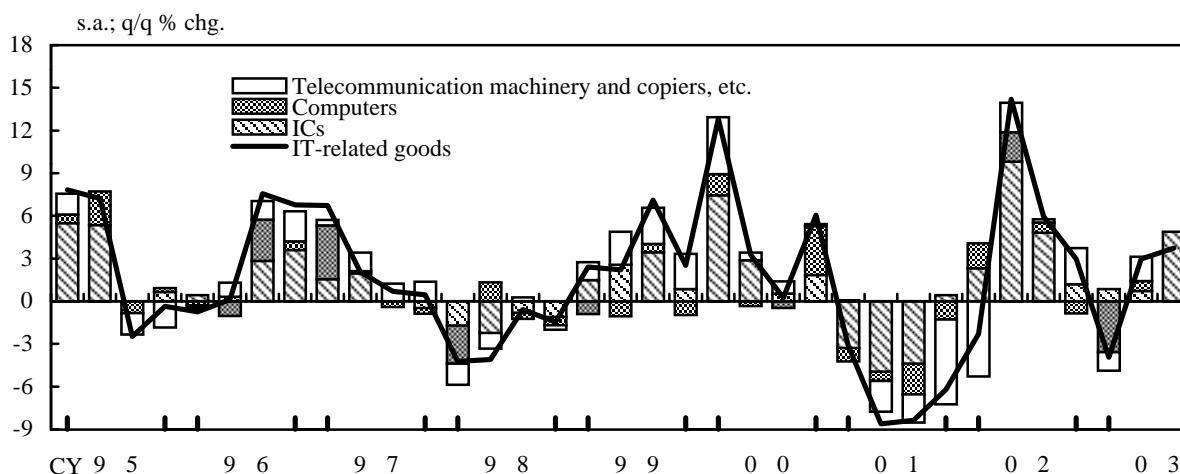
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. 2003/Q3 figures are Jul. figures converted into quarterly amount.

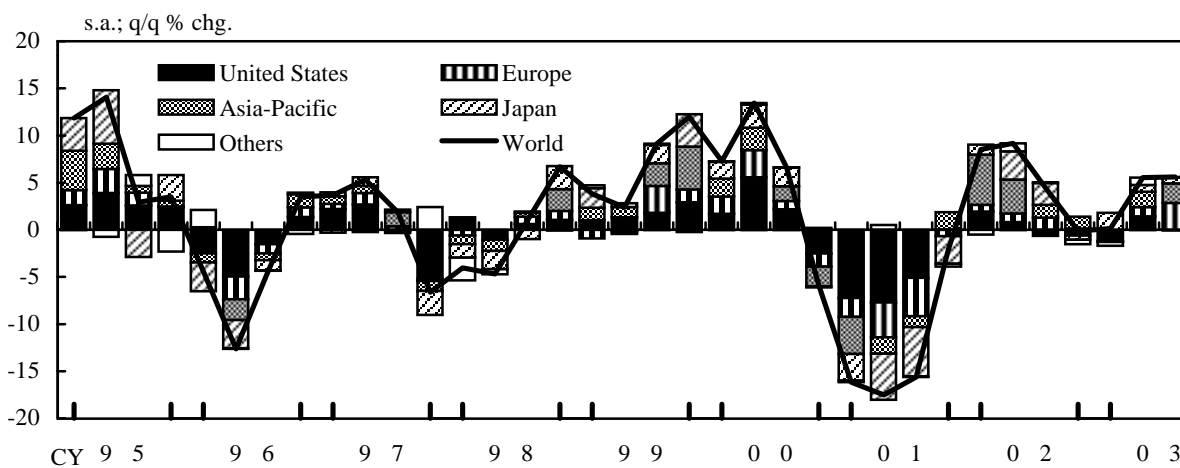
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

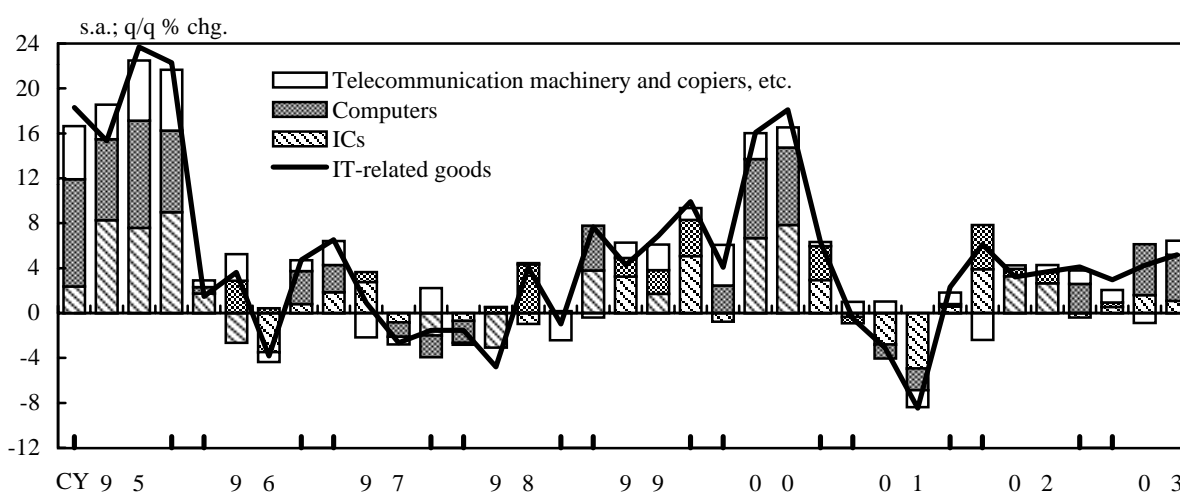
(1) Exports of IT-related goods (real, breakdown by goods)



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



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



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

2. 2003/Q3 figures are July figures converted into quarterly amount.

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

Bank of Japan, "Corporate Goods Price Index"; WSTS (World Semiconductor Trade Statistics.)

Real Imports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2001	2002	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 May	2003 Jun.	2003 Jul.
United States	<17.1>	-0.6	-3.8	1.6	-4.5	-2.8	5.1	0.5	-0.6	-2.1	2.1
EU	<13.0>	6.1	2.3	5.7	1.5	-1.6	2.5	-2.0	6.6	-0.9	-3.4
East Asia	<41.4>	6.1	6.4	3.6	5.7	0.7	4.3	3.1	0.7	1.6	1.8
China	<18.3>	16.5	13.9	3.9	8.3	3.9	5.3	3.6	0.9	3.7	0.9
NIEs	<10.5>	-3.3	1.8	2.5	2.1	-2.0	2.4	5.8	0.3	0.7	5.1
Korea	<4.6>	-3.2	-1.5	3.7	2.8	-0.0	3.8	4.9	4.0	2.8	1.7
Taiwan	<4.0>	-5.1	5.5	2.1	-0.2	-2.8	0.6	6.4	-3.1	-0.5	7.9
ASEAN4 ³	<12.6>	3.6	1.5	4.3	5.3	-1.4	4.5	0.2	0.8	-0.7	0.4
Thailand	<3.1>	10.4	7.6	4.7	5.0	-1.5	2.5	2.2	1.9	-0.7	2.0
Real imports		1.2	1.2	3.7	2.2	0.2	1.9	0.6	1.9	1.9	-1.2

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2001	2002	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 May	2003 Jun.	2003 Jul.
Raw materials ⁴	<25.3>	-4.1	-2.7	6.0	4.0	4.0	-0.8	-2.3	9.4	-4.0	-2.5
Intermediate goods	<13.0>	-1.1	1.4	4.4	-0.1	1.0	-0.4	0.6	0.8	4.5	-2.5
Foodstuffs	<12.5>	-0.0	-2.5	1.2	-3.3	-1.0	-1.4	3.0	0.6	-1.4	3.8
Consumer goods	<11.0>	7.9	-0.9	0.9	5.5	-3.8	3.5	4.1	2.6	4.3	0.4
IT-related goods ⁵	<14.4>	9.6	7.8	3.7	4.1	3.0	4.2	5.2	1.0	3.7	2.4
Capital goods and parts ⁶	<12.9>	10.6	11.5	6.2	1.4	-2.2	12.3	1.6	-0.9	-1.2	2.7
excluding aircraft	<11.8>	13.9	8.3	4.1	5.3	0.3	5.1	0.3	7.3	-1.6	-0.9
Real imports		1.2	1.2	3.7	2.2	0.2	1.9	0.6	1.9	1.9	-1.2

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2003/Q3 figures are July figures converted into quarterly amount.

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

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

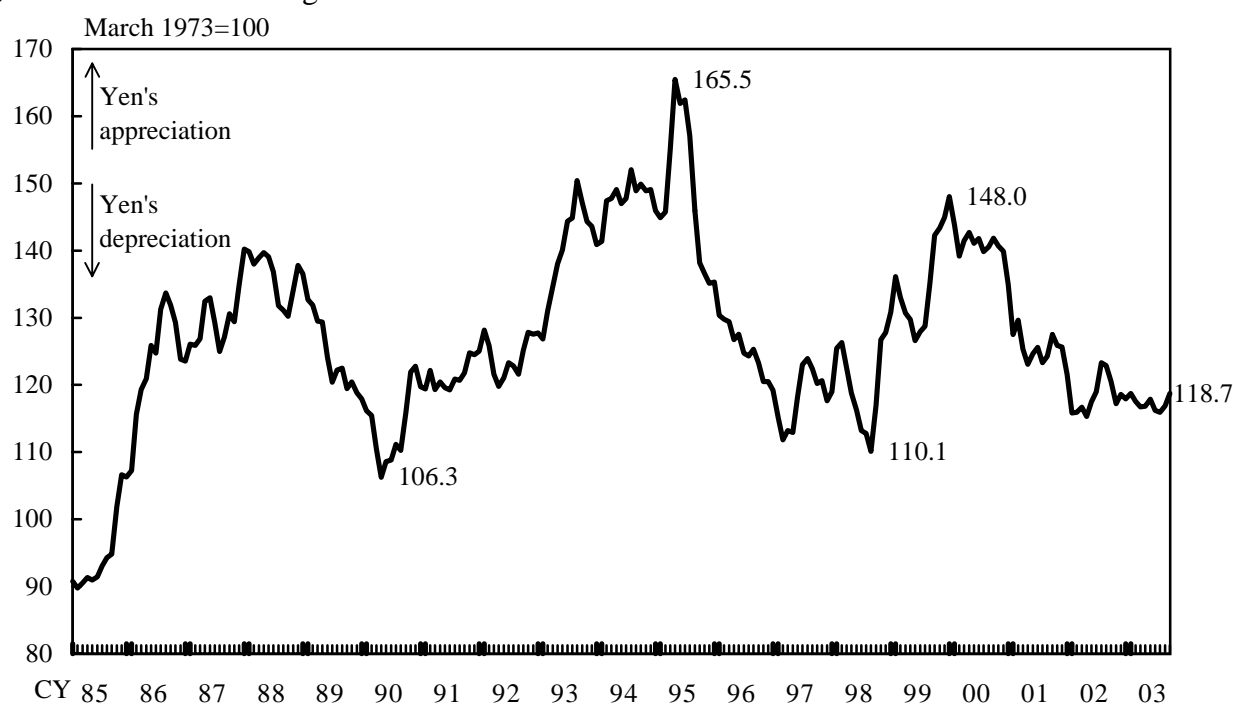
4. Raw materials are mainly composed of woods, ores and mineral fuel.

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

6. Excludes IT-related goods.

Environment for Exports (1)

(1) Real Effective Exchange Rate



Note: Calculated by the Bank of Japan. Monthly average. Figure for September 2003 is the average up to September 11. 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

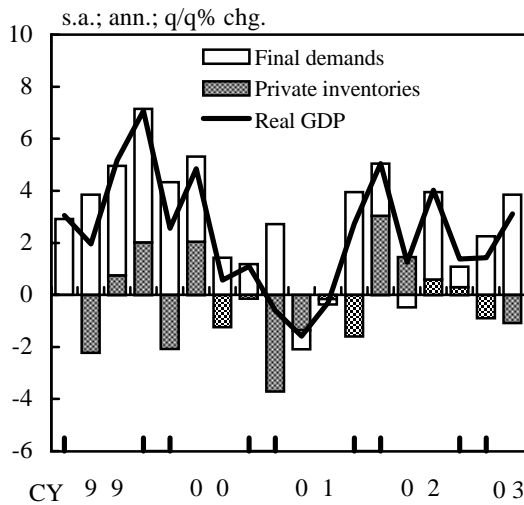
		CY2000	2001	2002	2002 Q3	Q4	2003 Q1	Q2	
United States ¹		3.8	0.3	2.4	4.0	1.4	1.4	3.1	
European Union ¹		3.5	1.6	1.0	1.2	0.5	0.2	-0.0	
	Germany	2.9	0.8	0.2	0.6	-0.2	-1.0	-0.2	
	France	4.2	2.1	1.2	1.1	-0.5	0.7	-1.3	
	United Kingdom	3.1	2.1	1.9	3.7	2.0	0.4	1.4	
East Asia ²	China	8.0	7.3	8.0	8.1	8.1	9.9	6.7	
	NIEs	Korea	9.3	3.1	6.3	5.8	6.8	3.7	1.9
		Taiwan	5.9	-2.2	3.6	5.2	4.5	3.5	-0.1
		Hong Kong	10.2	0.5	2.3	3.4	5.1	4.5	-0.5
		Singapore	9.4	-2.4	2.2	3.8	3.0	1.7	-4.2
	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	3.5	3.8
Malaysia		8.5	0.3	4.1	5.8	5.4	4.6	4.4	
Philippines		4.4	4.5	4.4	3.8	5.8	4.5	3.2	

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

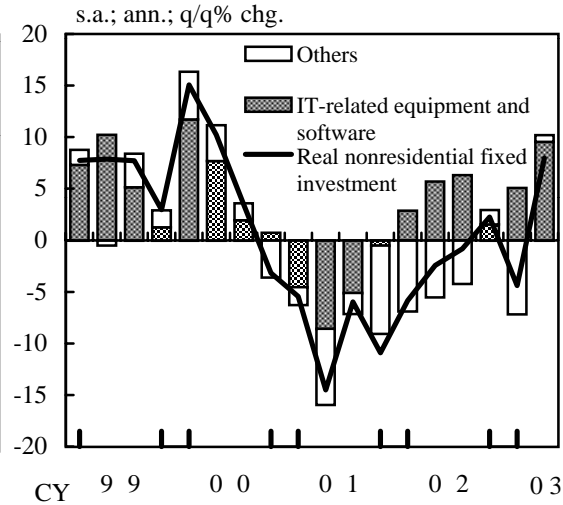
2. Quarterly data of East Asia are percent changes from a year earlier.

Environment for Exports (2)

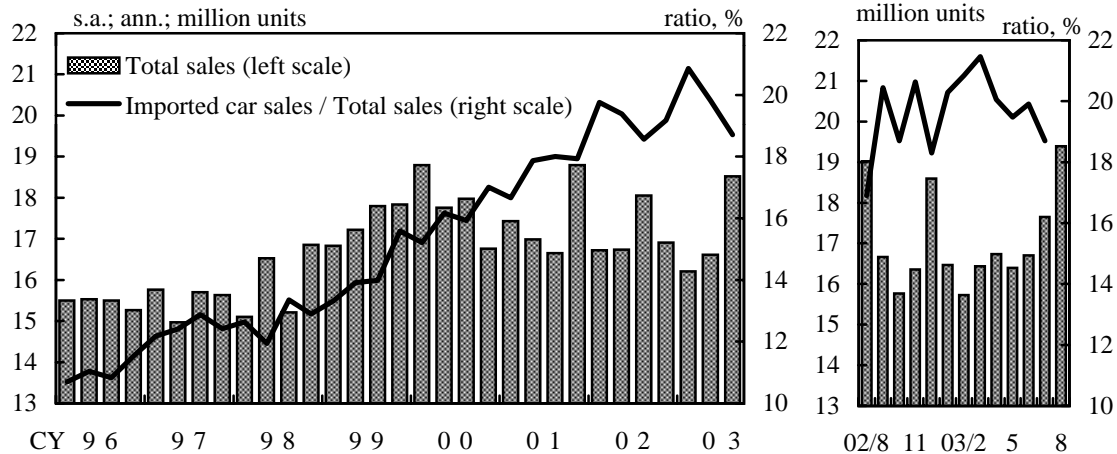
(1) U.S. Real GDP (breakdown by final demands and inventories)



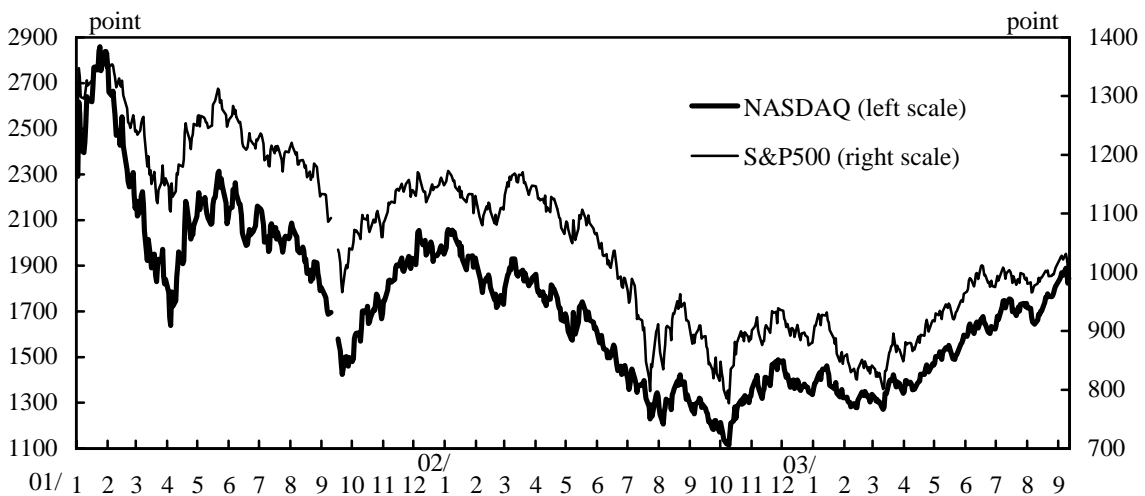
(2) U.S. Real Nonresidential Fixed Investment



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



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

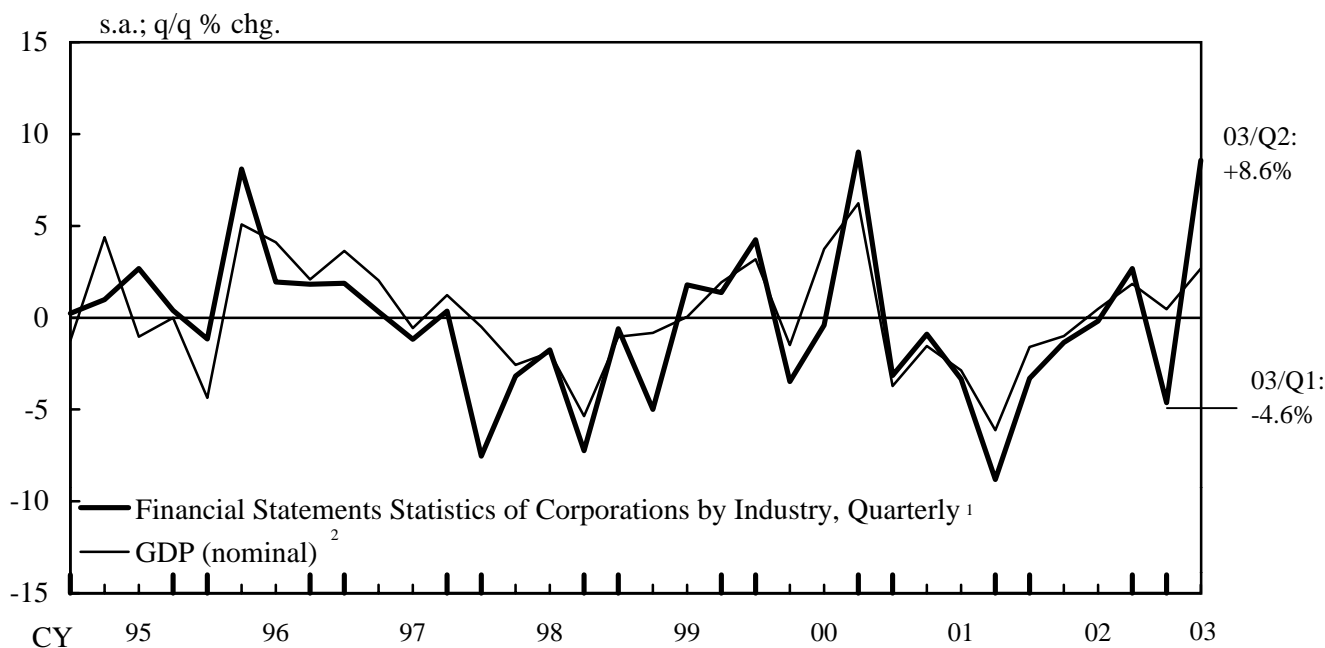
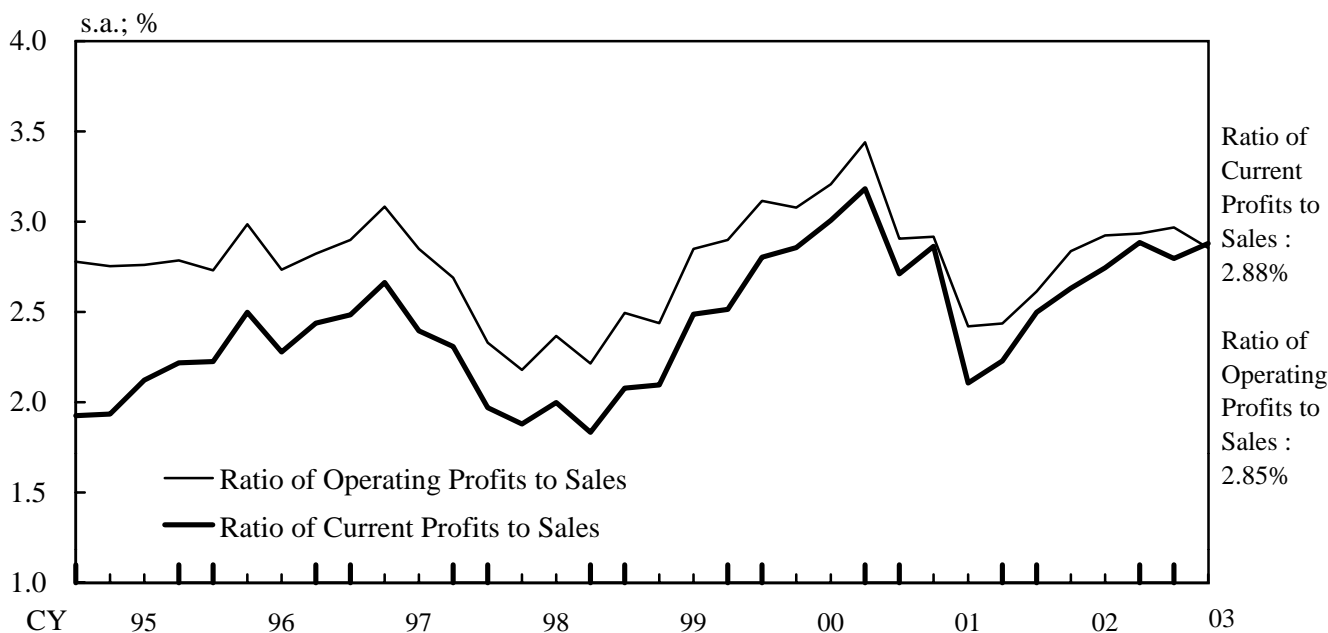


Notes: 1. "Imported car sales / Total sales of automobile" in 2003/Q3 is based on July figure in (3).
 "Total sales" of automobiles in 2003/Q3 is Jul.-Aug. average. August figures of Automobile Sales are calculated by adding average of heavy trucks in CY 2002 (0.4mil.) to preliminary figure released by an industry association (s.a., ann., 18.99 mil.) which does not include heavy trucks.
 2. Figures of U.S. stock prices in (4) are up to September 11.

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

Business Fixed Investment and Corporate Profits

(1) Fixed Investment

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

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

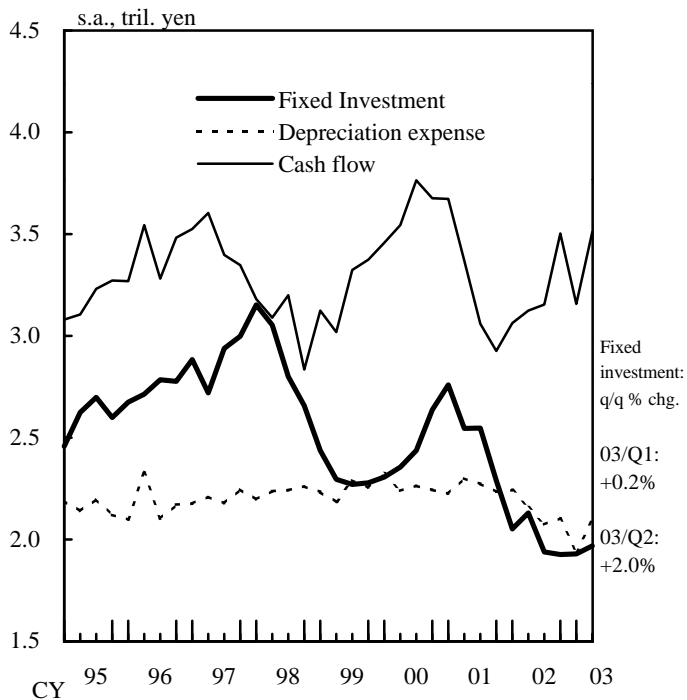
2. The Figures include "reference series" for 1995/Q1-1999/Q4.

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

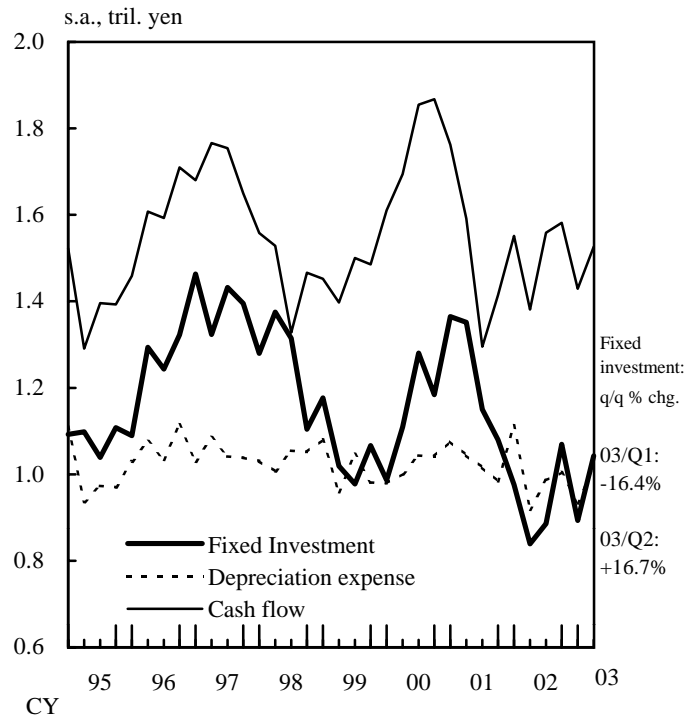
Sources: Cabinet Office, "National Accounts"; Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment

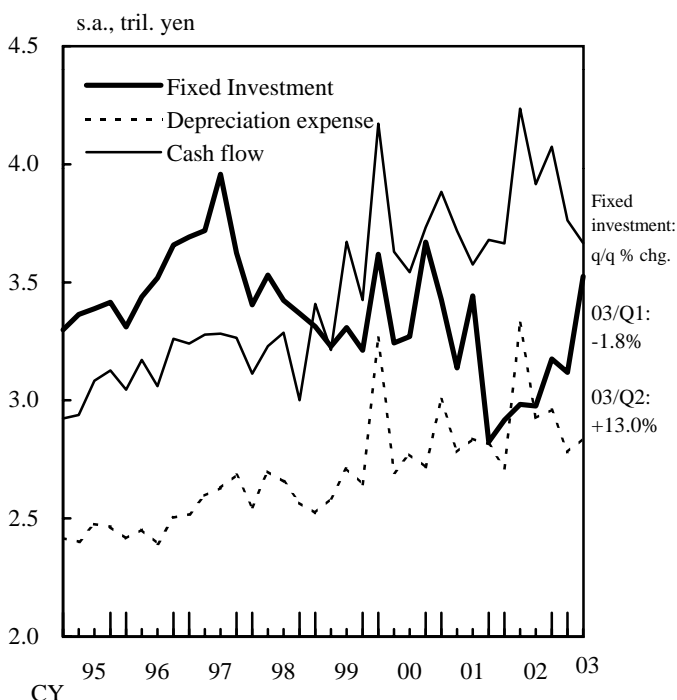
(1) Large manufacturing firms



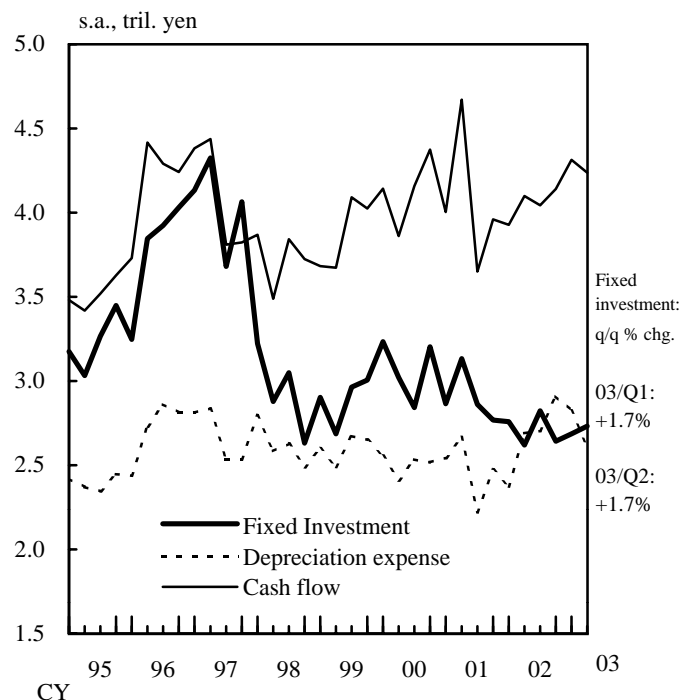
(2) Medium-sized and small manufacturing firms



(3) Large nonmanufacturing firms



(4) Medium-sized and small nonmanufacturing firms



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

2. Sample change adjusted.

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

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

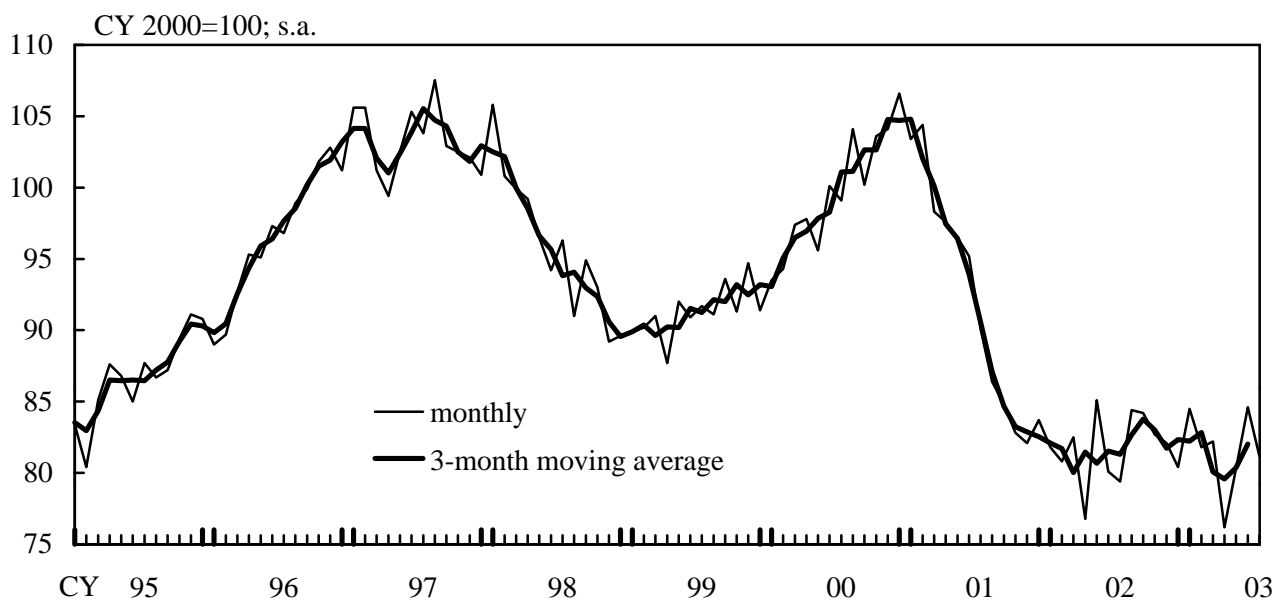
5. Cash Flow = Current profits / 2 + Depreciation expense

6. Seasonally adjusted by X-11.

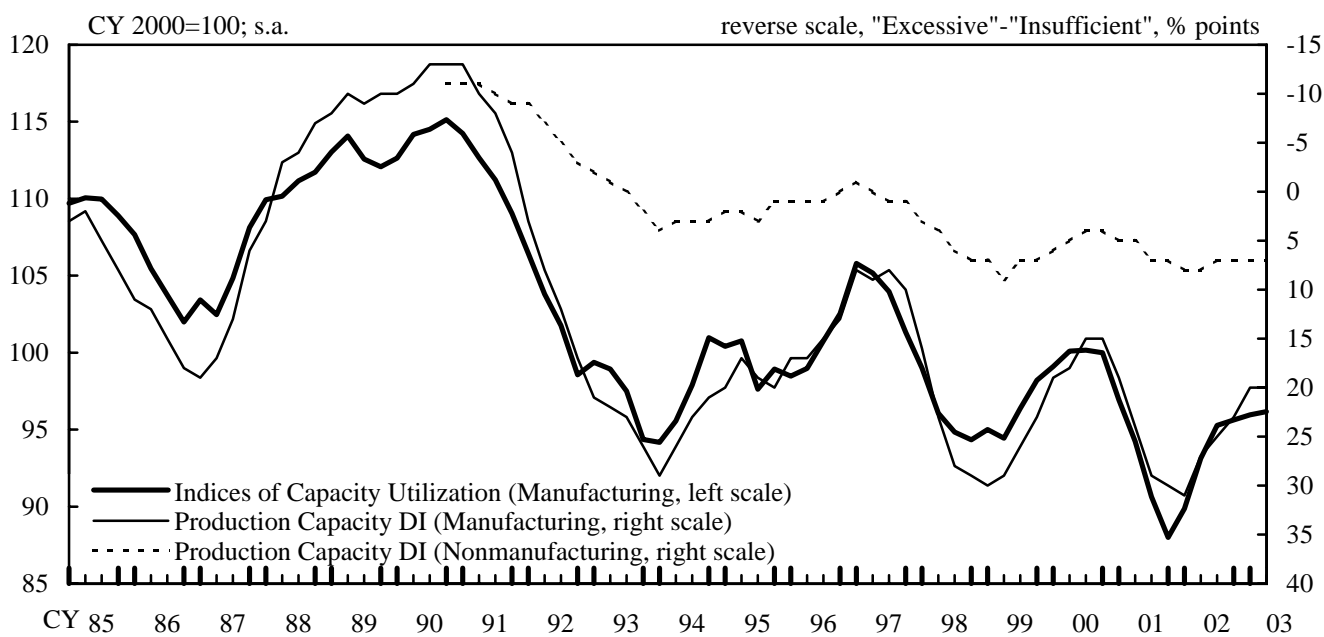
Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Indicators for Business Fixed Investment (1)

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



(2) Indices of Capacity Utilization and Production Capacity DI

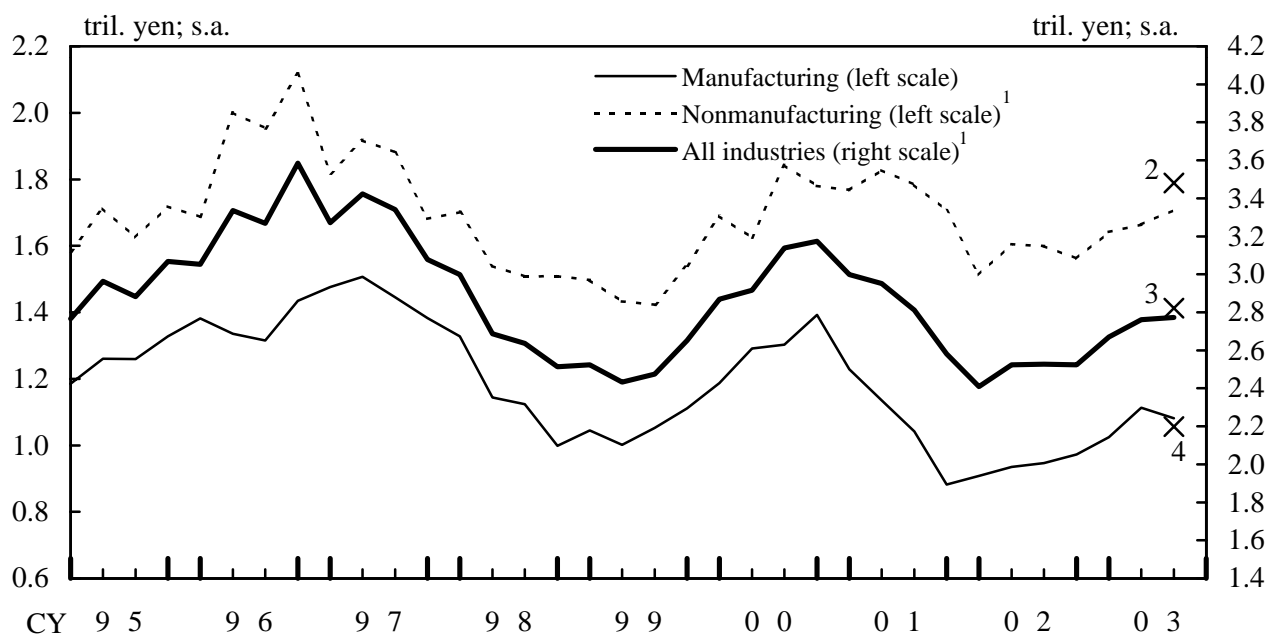


Note: Production Capacity DI's are those of all enterprises.

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.

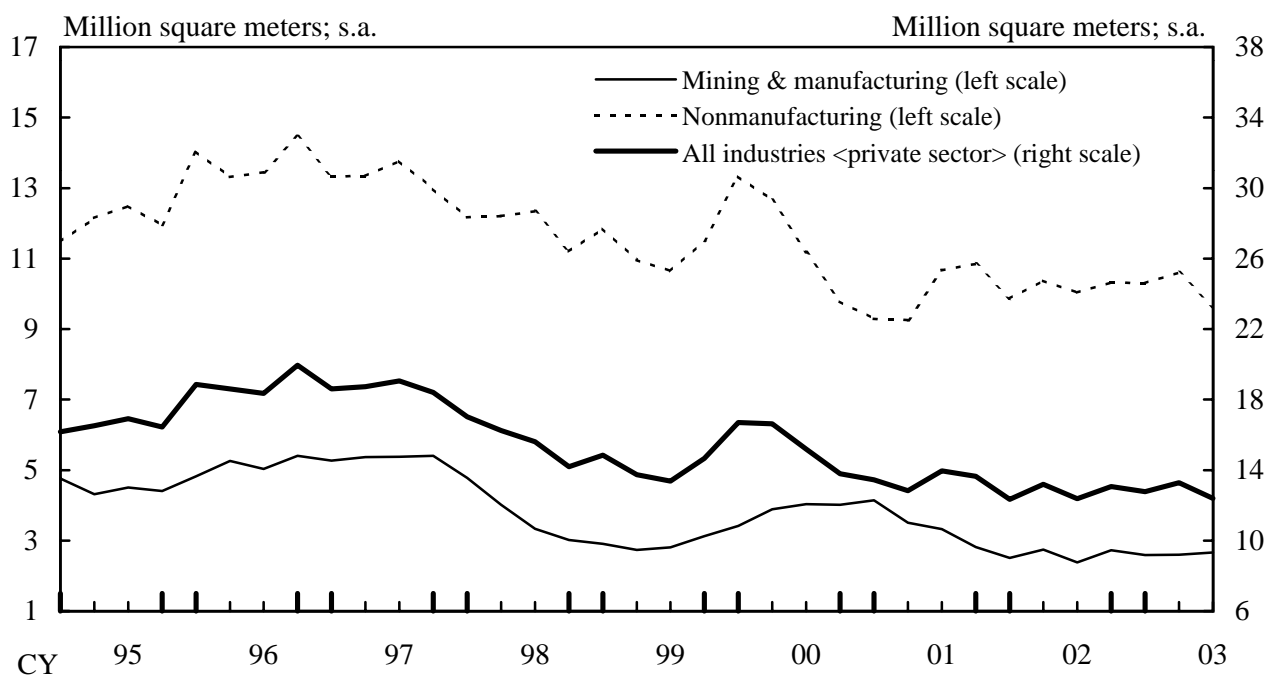
2. Forecast of nonmanufacturing industries for 2003/Q3.

3. Forecast of all industries for 2003/Q3.

4. Forecast of manufacturing industries for 2003/Q3.

5. Figures for 2003/Q3 are those of July in terms of quarterly amount.

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



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

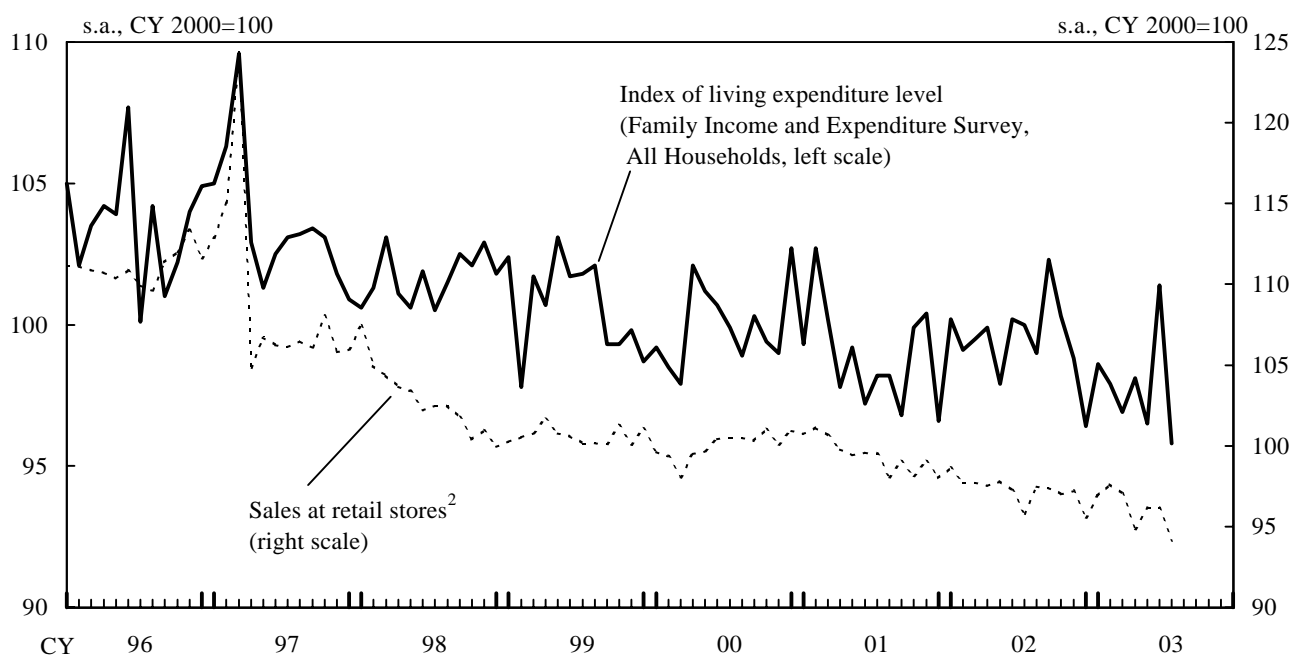
2. Figures for 2003/Q3 are those of July in terms of quarterly amount.

Sources: Cabinet Office, "Machinery Orders Statistics";

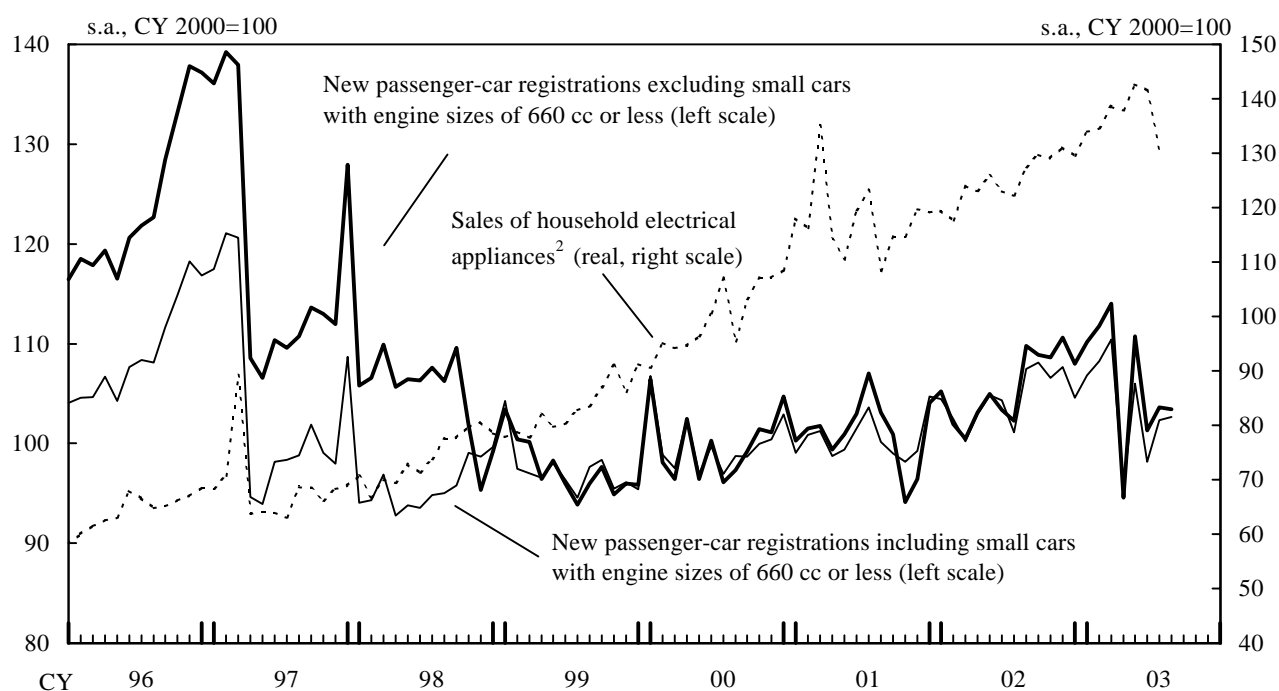
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



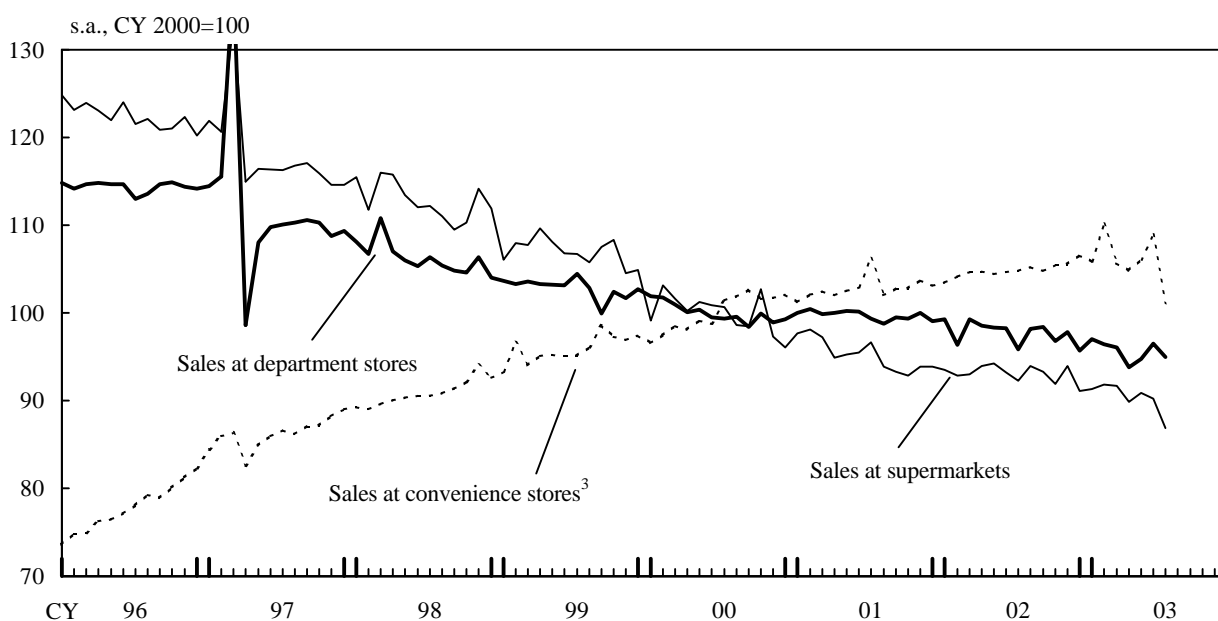
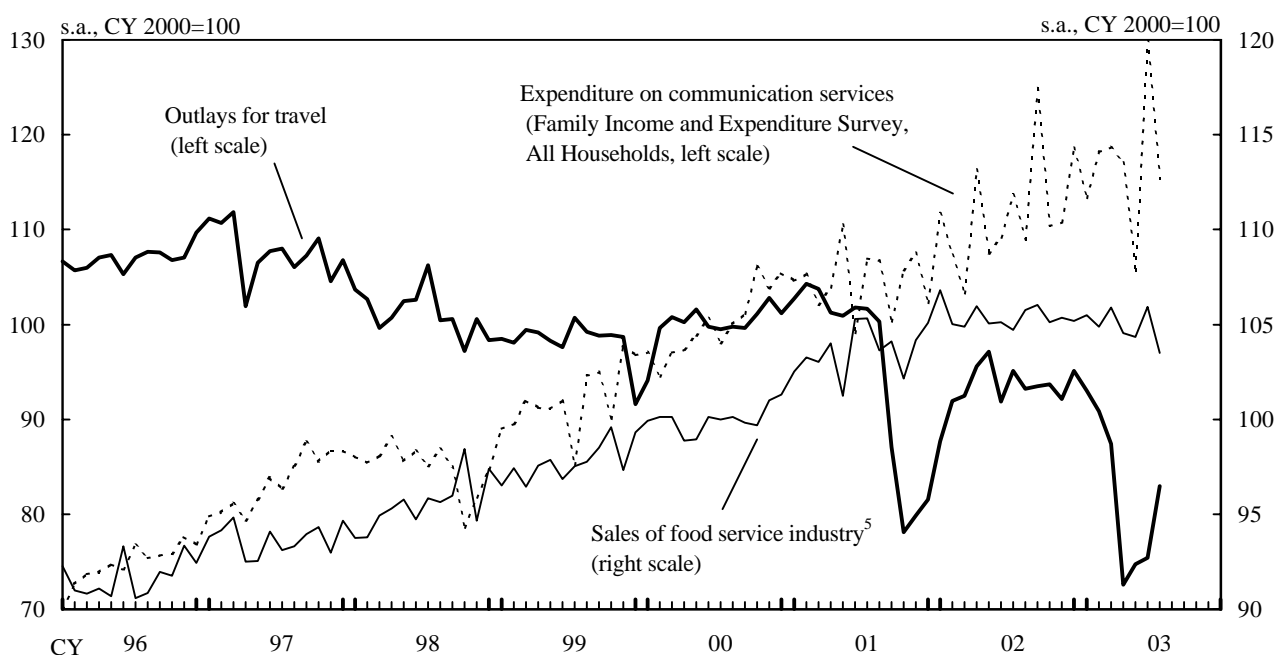
(2) Sales of Durable Goods



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.

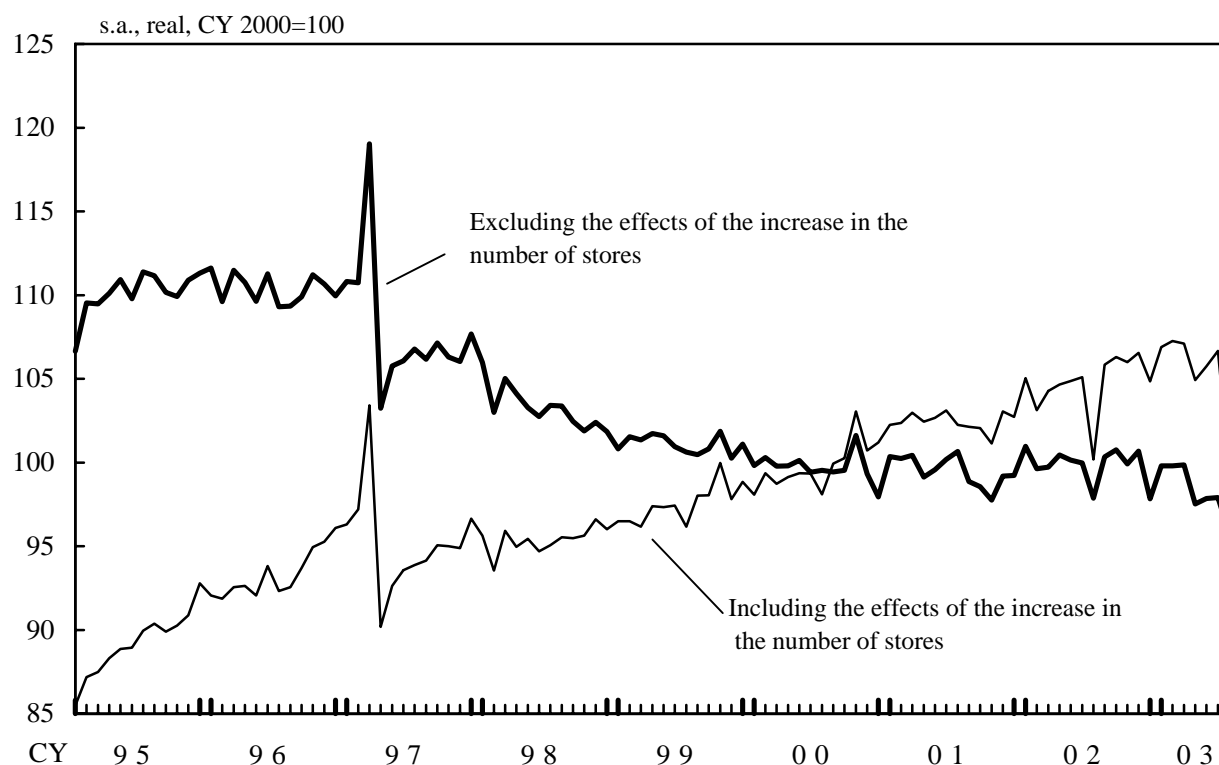
3. Sales at convenience stores until March 1997 are based on the survey conducted by the Bank of Japan. From April 1997 they are based on the data published by the Ministry of Economy, Trade and Industry.

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

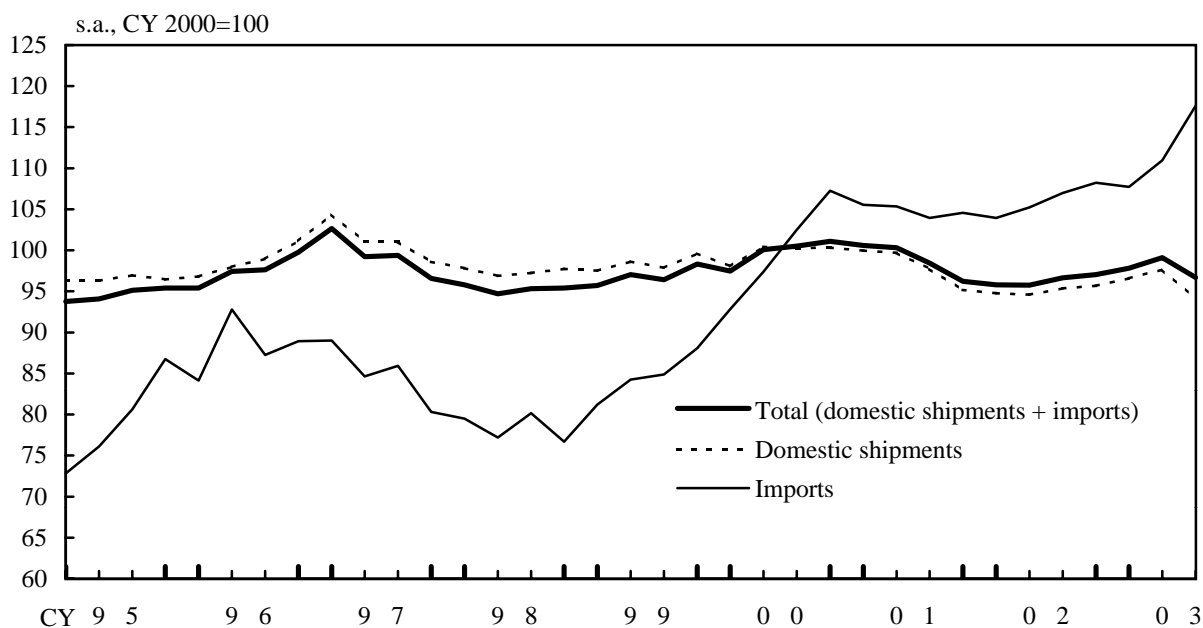


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in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

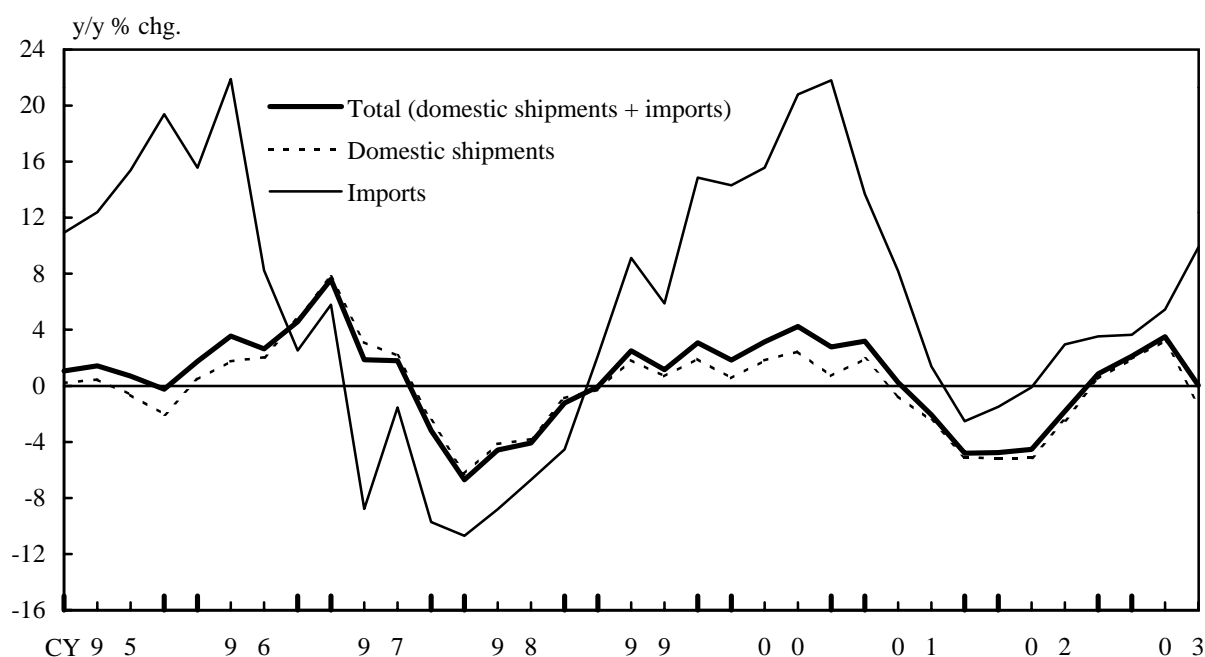
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index,"
 "Monthly Report on the Family Income and Expenditure Survey";
 Bank of Japan, "Wholesale Price Indexes";
 Japan Automobile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

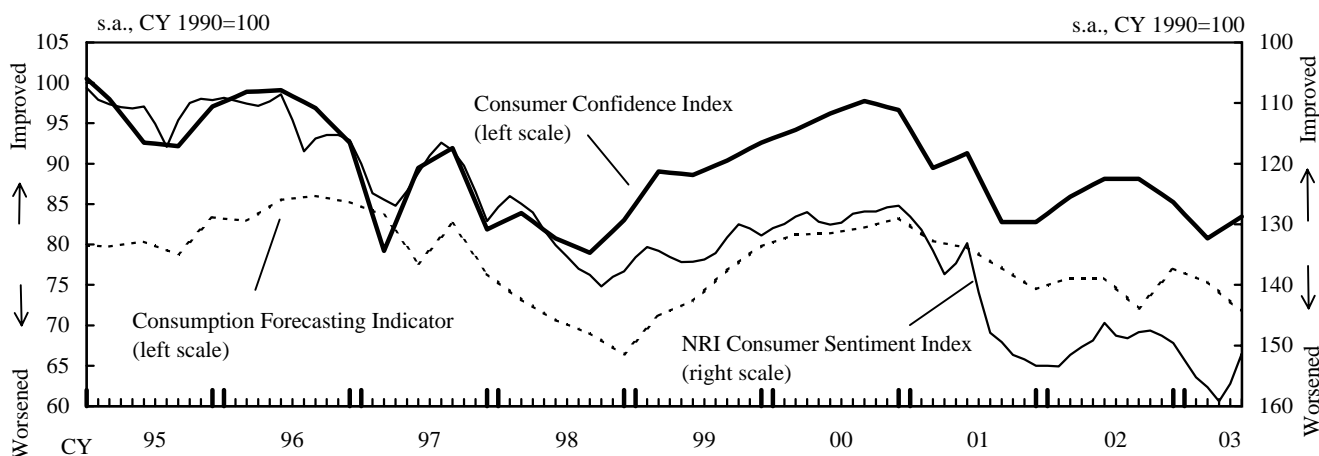
3. Year-on-year changes are calculated from seasonally adjusted series.

4. 2003/Q3 figures are those of July in terms of quarterly amount.

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

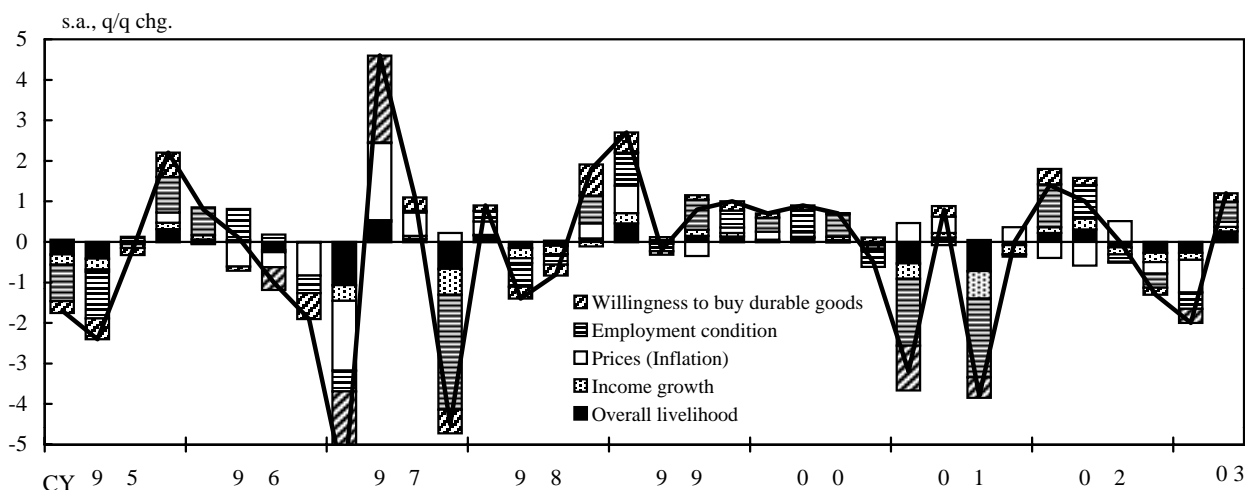
Consumer Confidence

(1) Surveys on Consumer Confidence

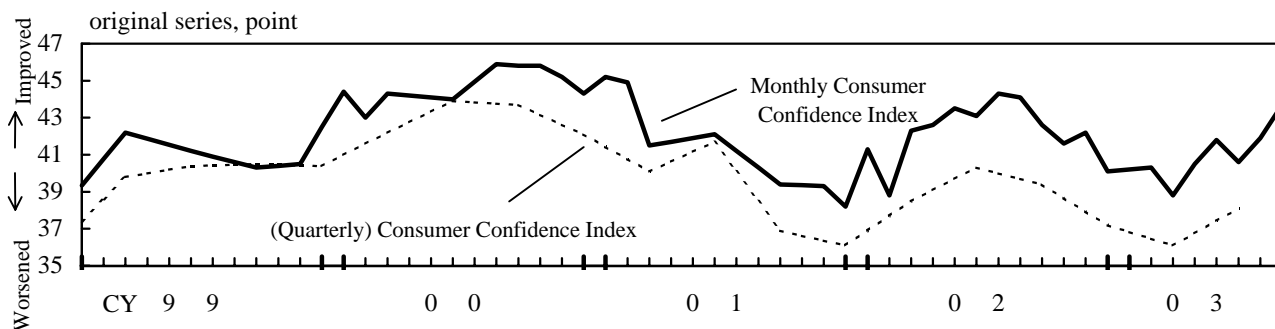


- Notes:
1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office.
 2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 1,500 samples in metropolitan area), and NRI Consumer Sentiment Index (with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

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



(Reference) Monthly Consumer Confidence Survey (Tokyo)

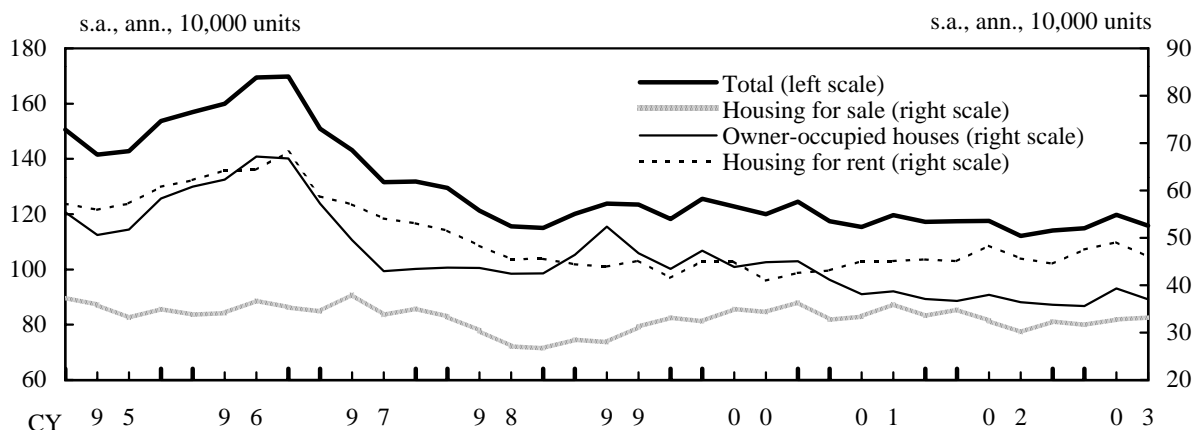


Note: *Monthly Consumer Confidence Survey* is conducted on a monthly basis for limited samples of the Tokyo district (435 households surveyed) in the quarterly Consumer Confidence Survey. The items in the monthly survey are parts of the quarterly survey. Prior to 2001, figures for the months when the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

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

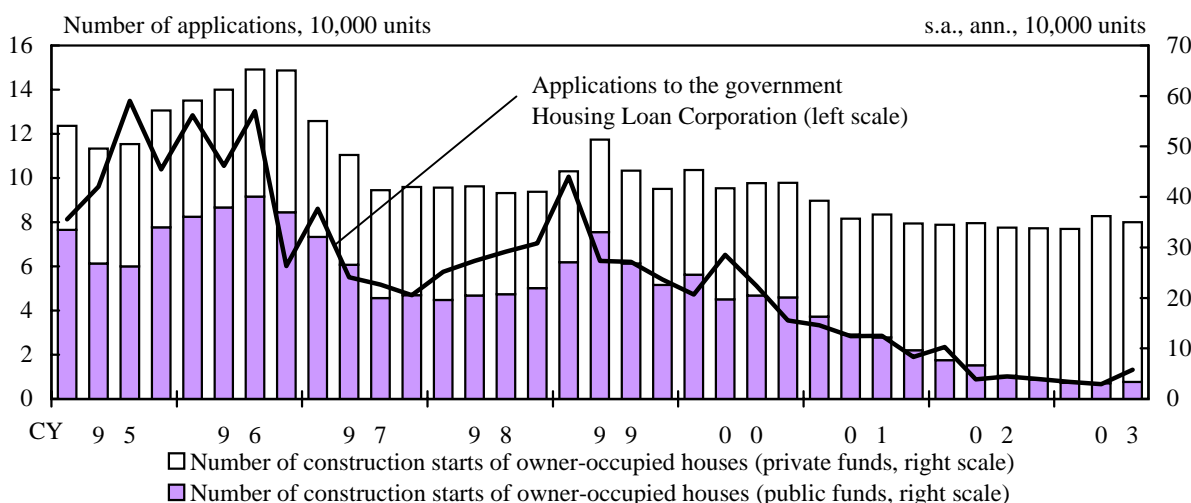
Indicators for Housing Investment

(1) Housing Starts



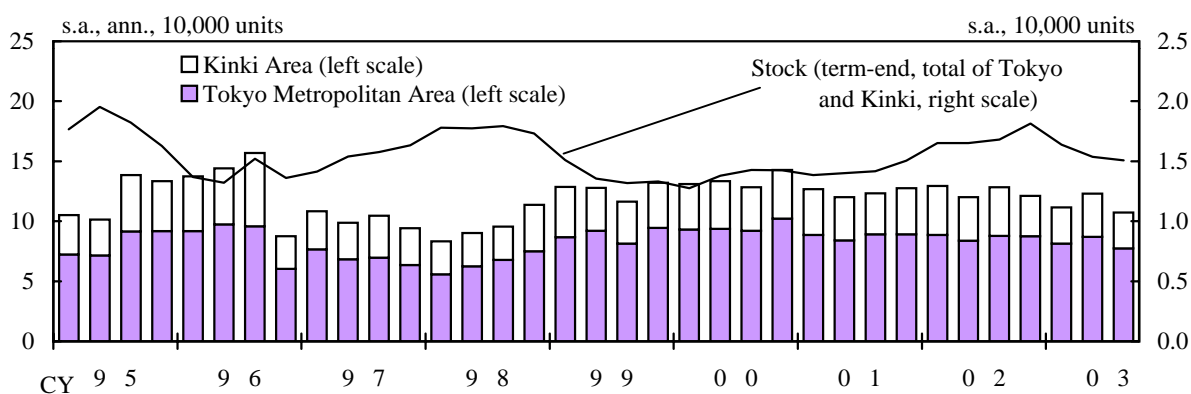
Note: Figures for 2003/Q3 are those of July.

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



- Notes: 1. The number of loan applications for the construction of private houses is allotted according to the number of days in the offering period of each quarter.
- 2. Figures for the number of loan applications for 2003/Q3 are those of the 2nd offering period in FY2003.
- 3. Figures for the number of construction starts of owner-occupied houses (private funds and public funds) for 2003/Q3 are those of July.

(3) Sales of Condominiums

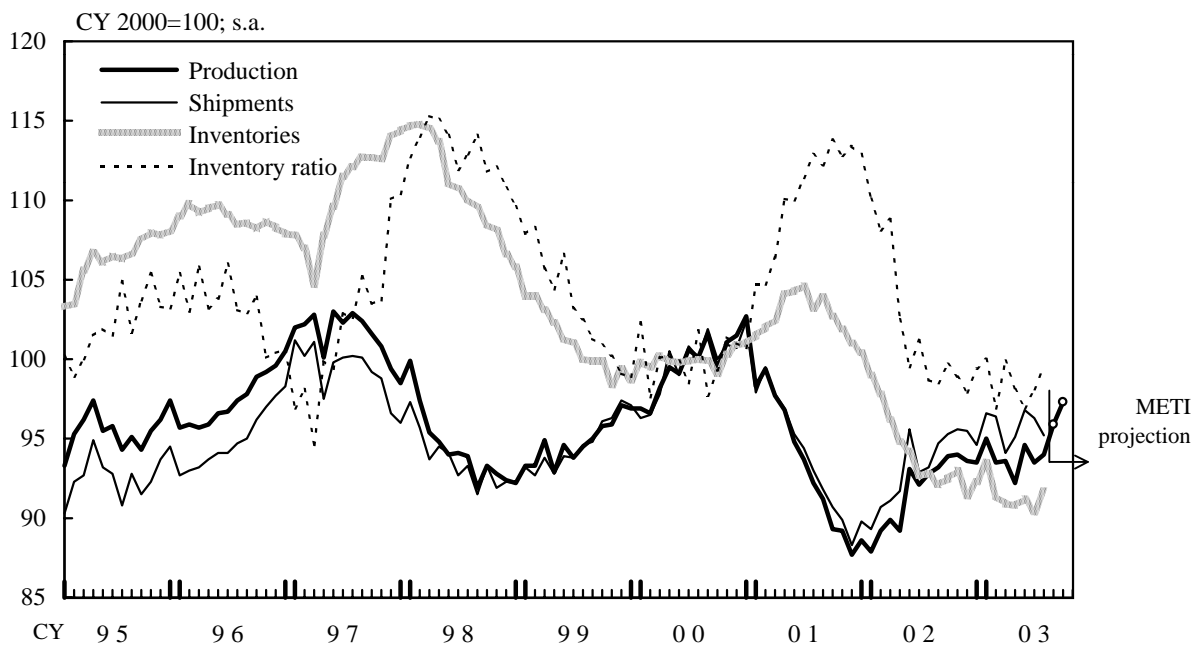


- Notes: 1. Seasonally adjusted by X-12-ARIMA.
- 2. Figures for 2003/Q3 are those of July.

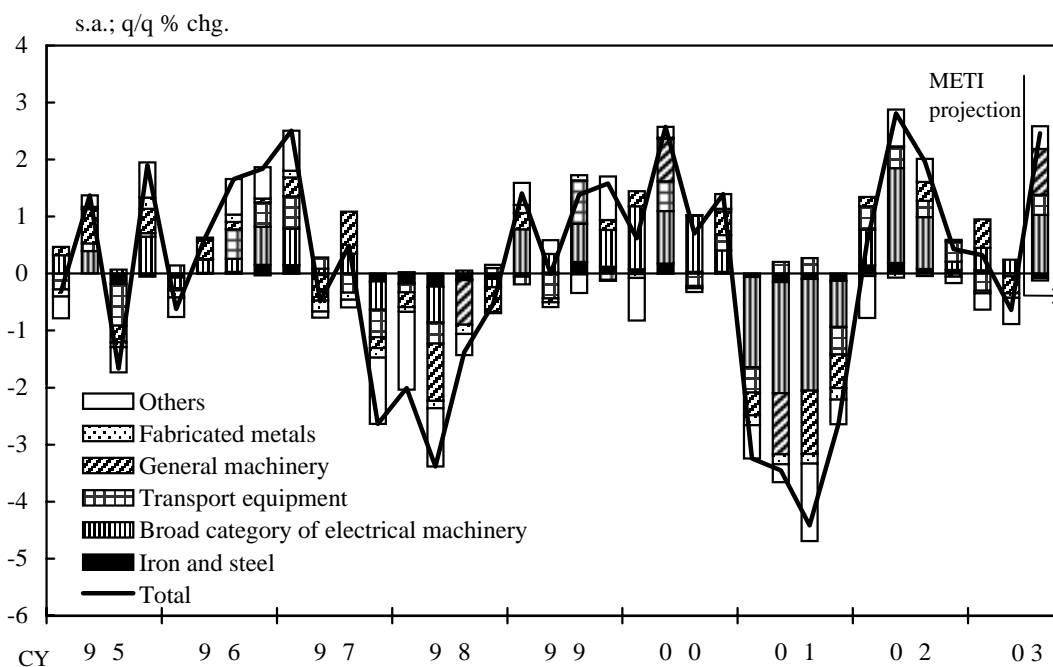
Sources: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries



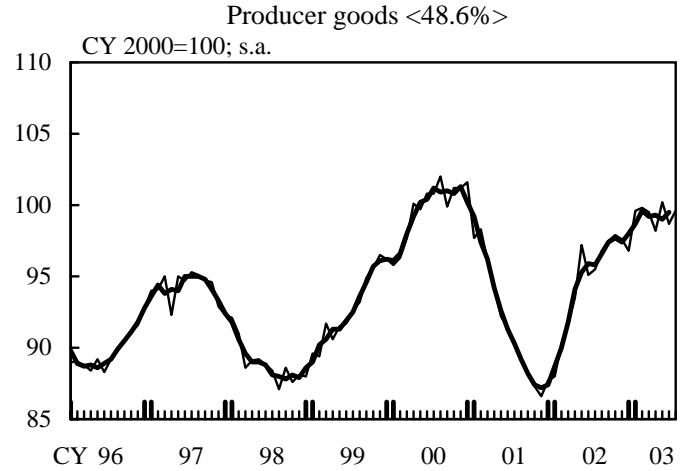
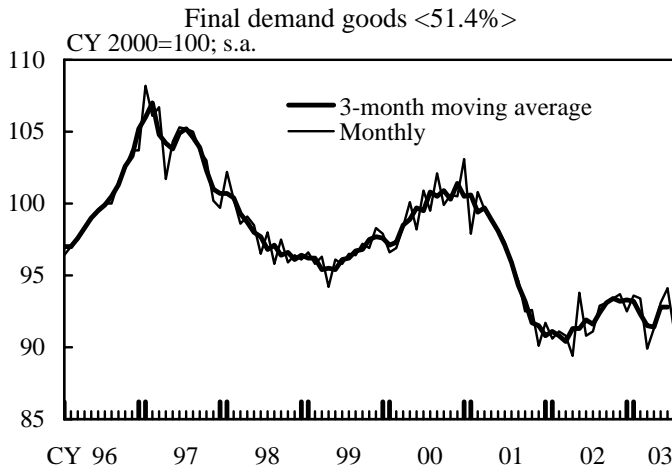
Note: Transport equipment excludes ships and rolling stock.

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

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

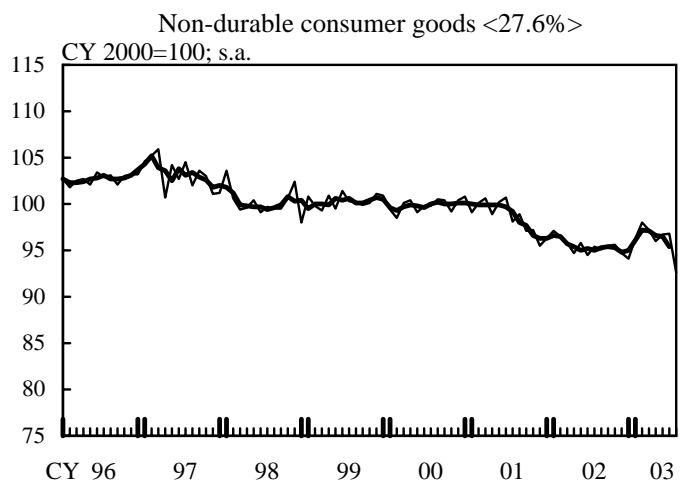
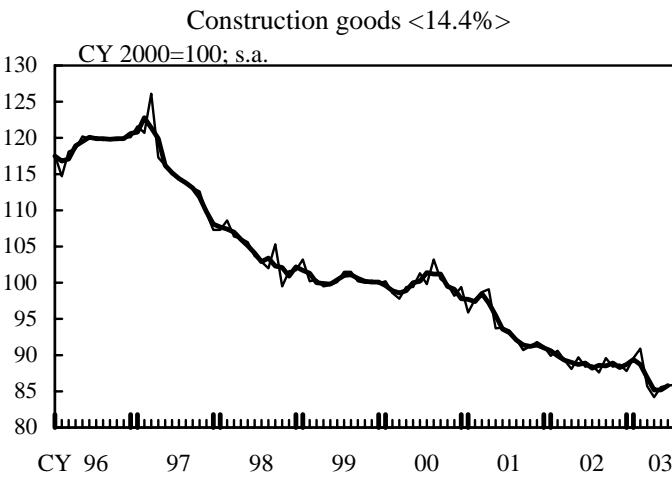
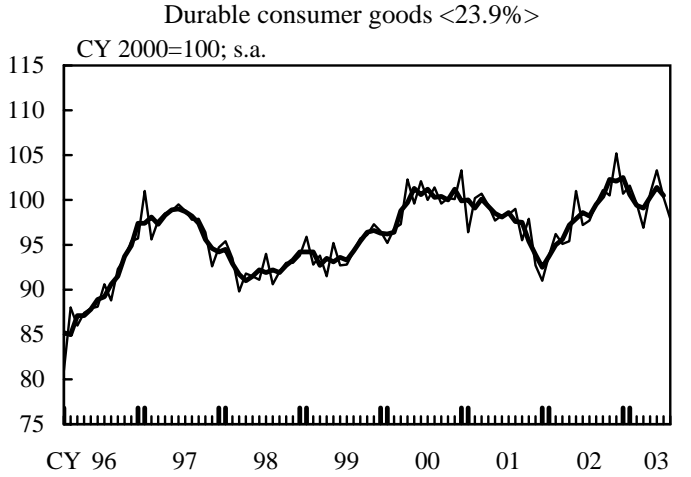
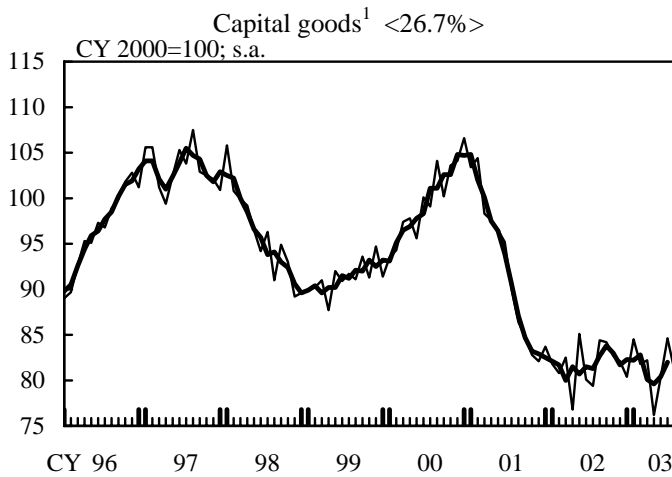
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

(2) Breakdown of final demand goods

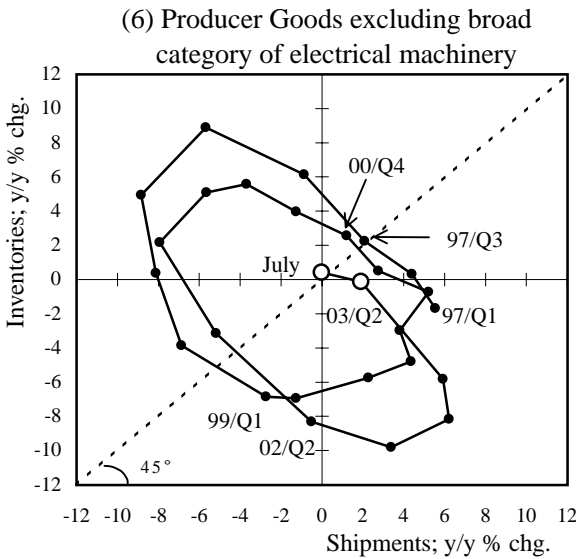
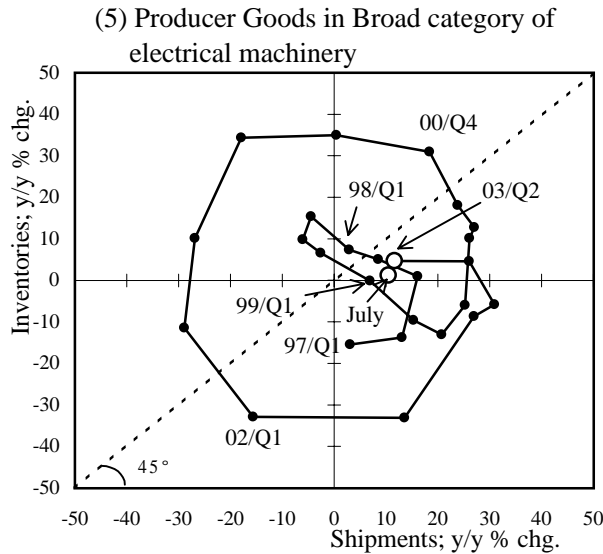
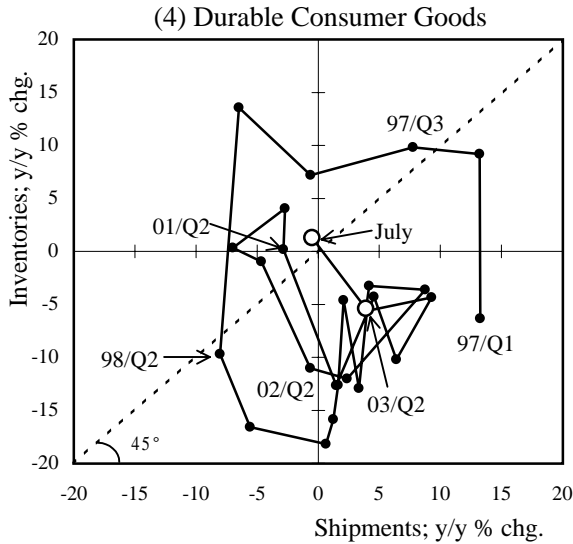
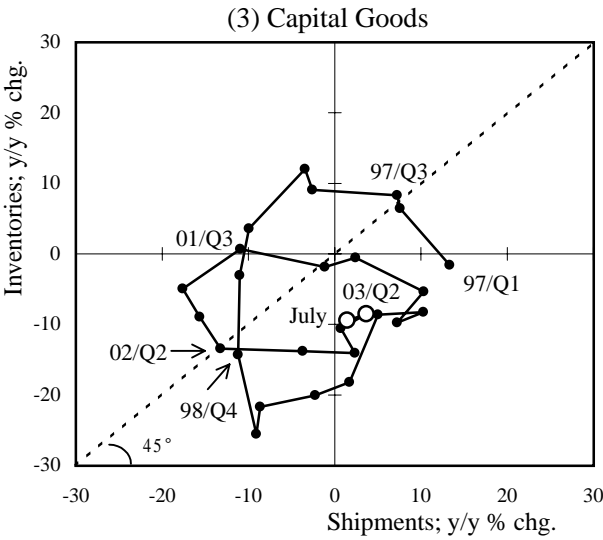
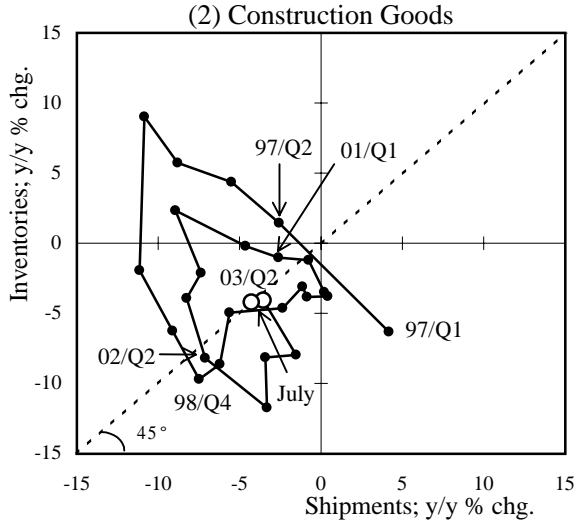
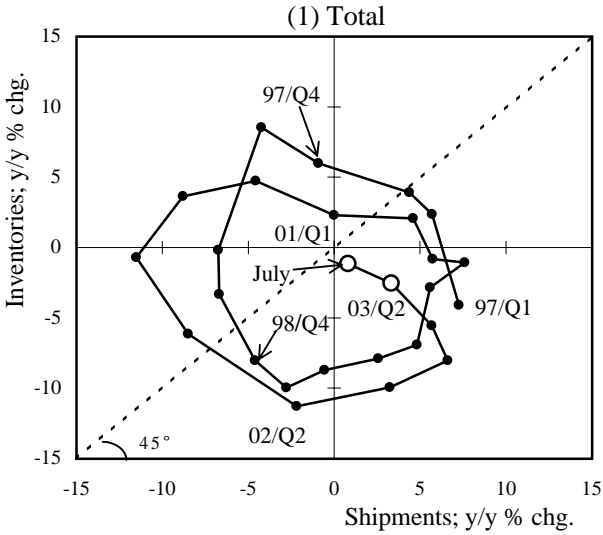


Notes: 1. Excluding transportation equipment.

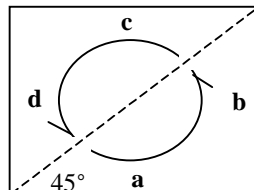
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle



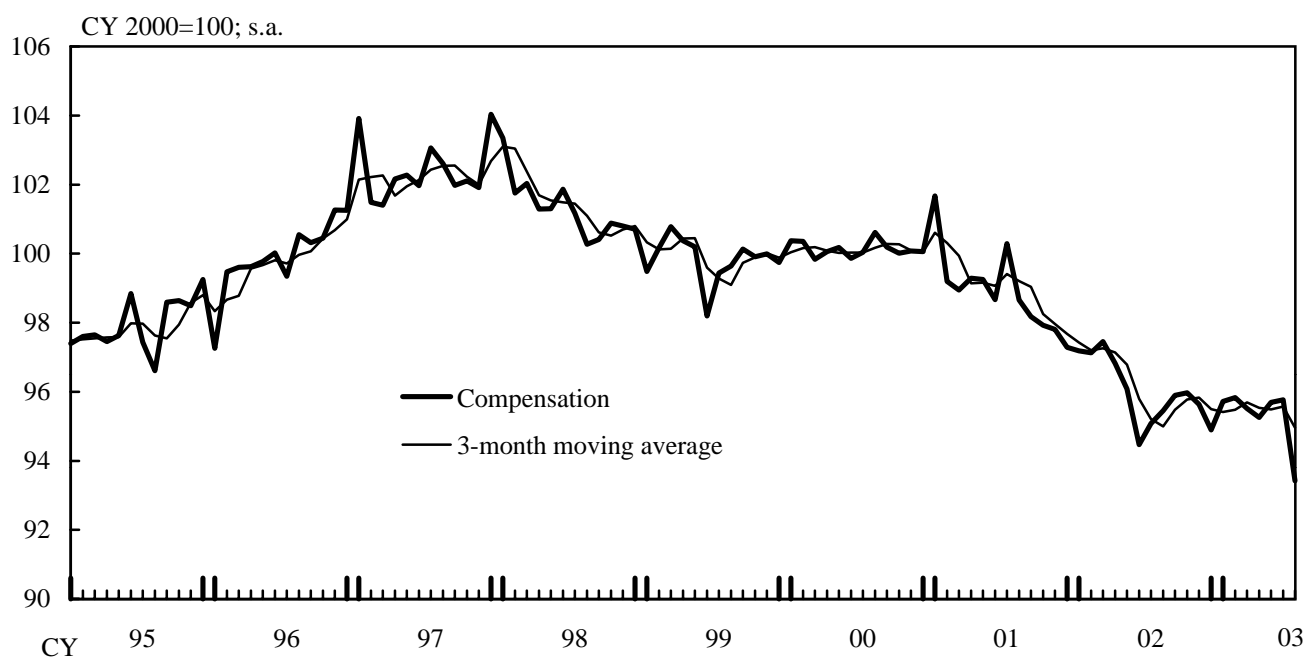
- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



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

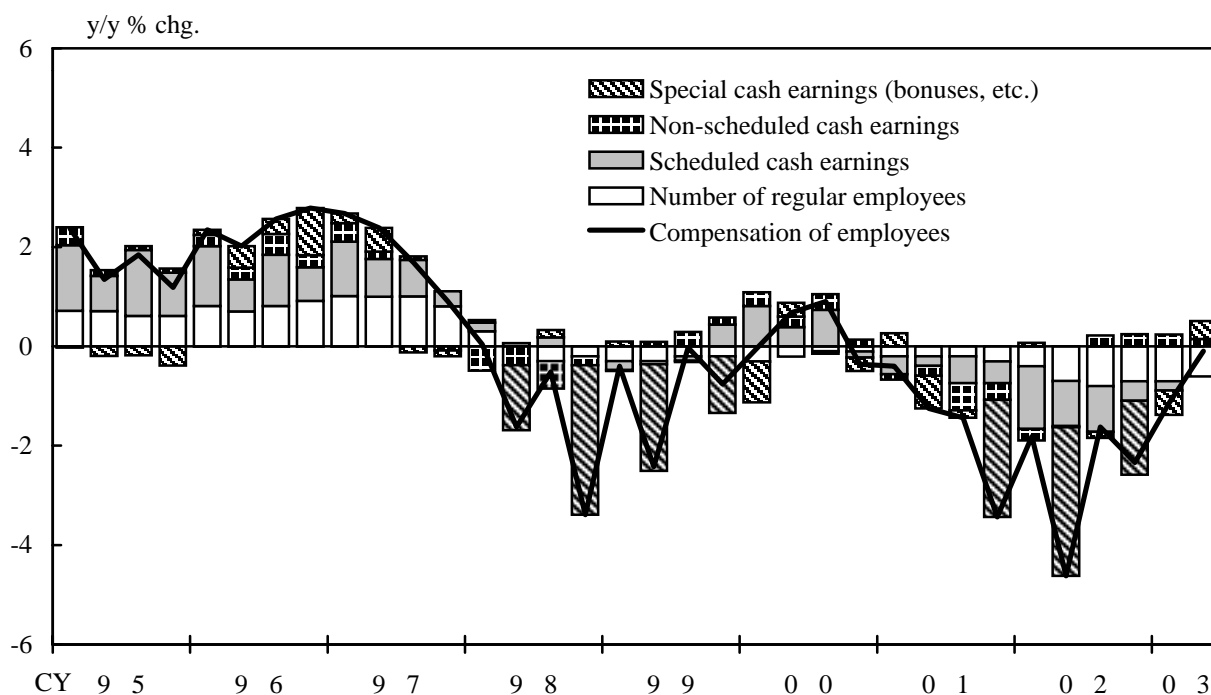
Compensation of Employees

(1) Compensation



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

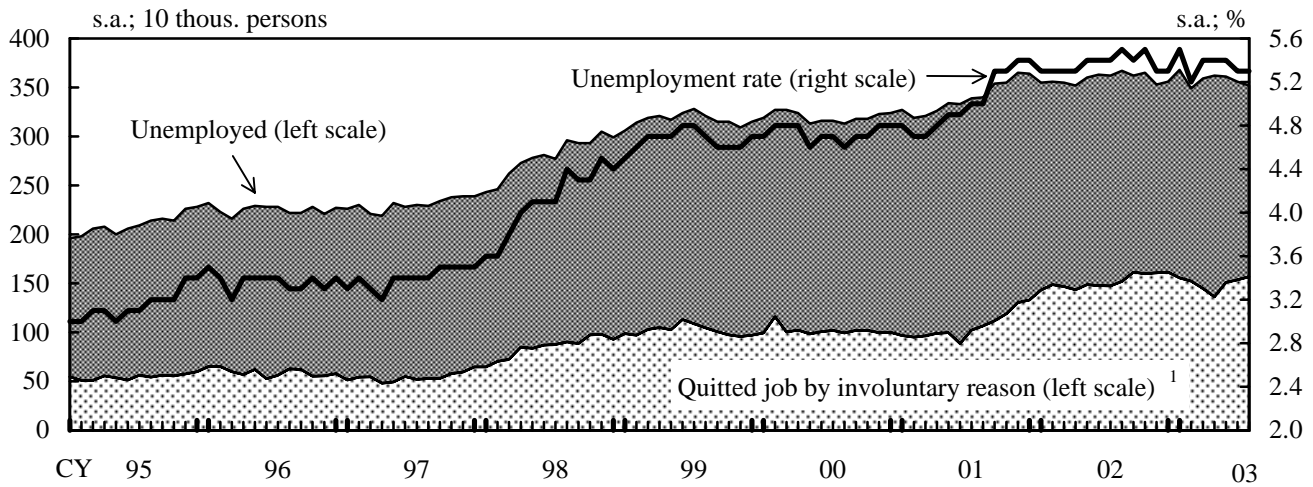
(2) Breakdown of Compensation



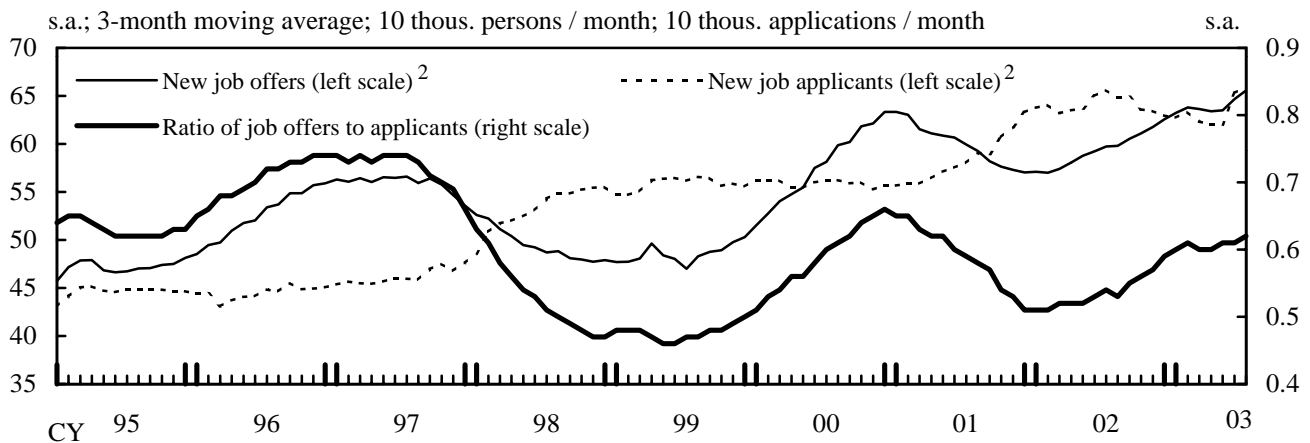
- Notes: 1. Data are for establishments with at least 5 employees.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
3. Figures for 2003/Q2 are those of the June-July 2003. Those for July 2003 are preliminary figures.

Labor Market (1)

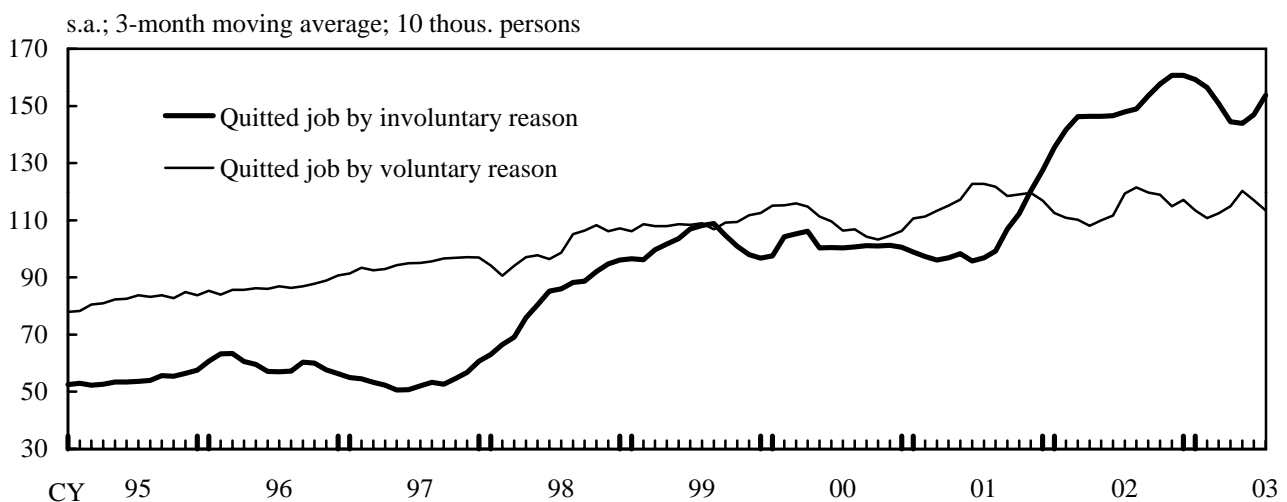
(1) The Unemployed and Unemployment Rate



(2) Ratio of Job Offers to Applicants



(3) Breakdown of the Unemployed¹

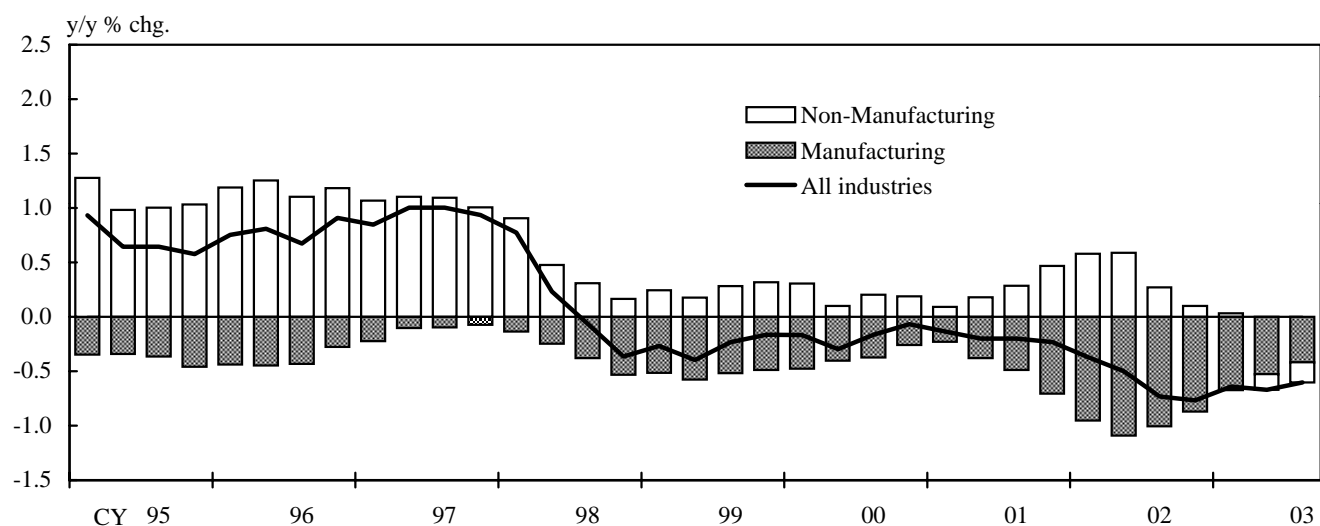
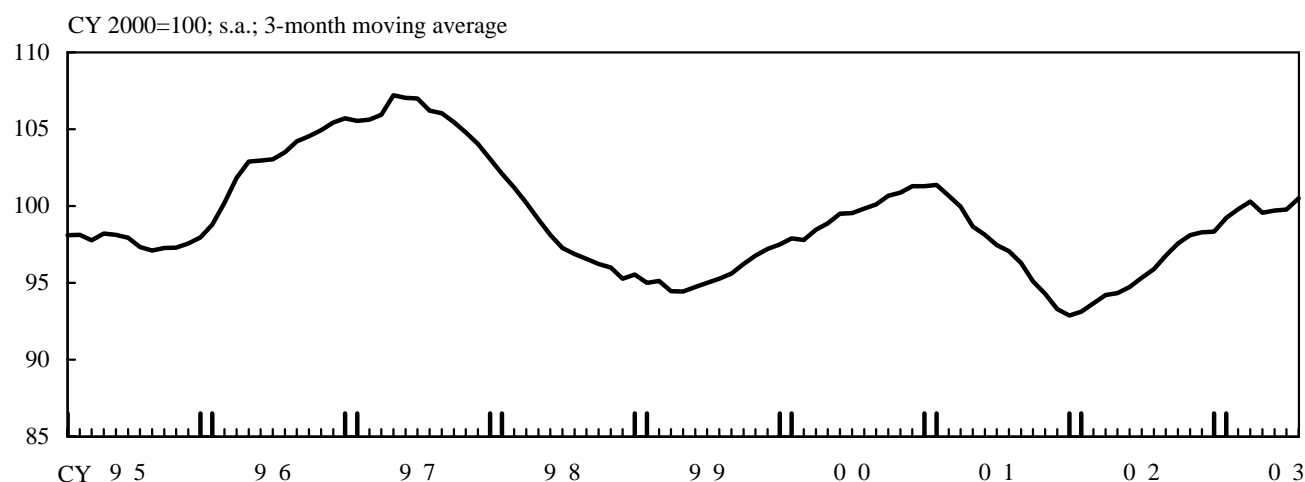


Notes: 1. Seasonally adjusted by X-11.

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

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

Labor Market (2)

(1) The Employed¹ (Labour Force Survey)(2) Number of Regular Employees^{1,2} (Monthly Labour Survey)(3) Non-scheduled Hours Worked² (Monthly Labour Survey)

Notes: 1. Figures for 2003/Q3 are those of July.

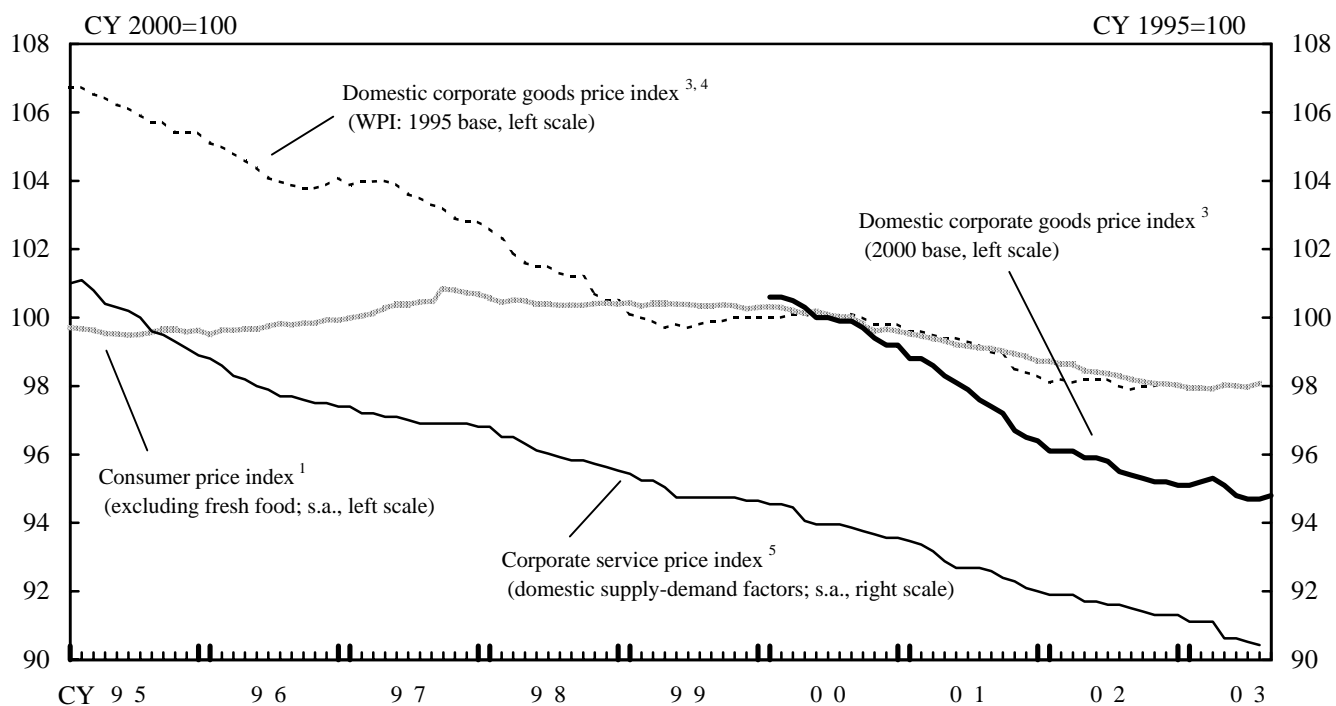
2. Data are for establishments with at least 5 employees. Those for July 2003 are preliminary figures.

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

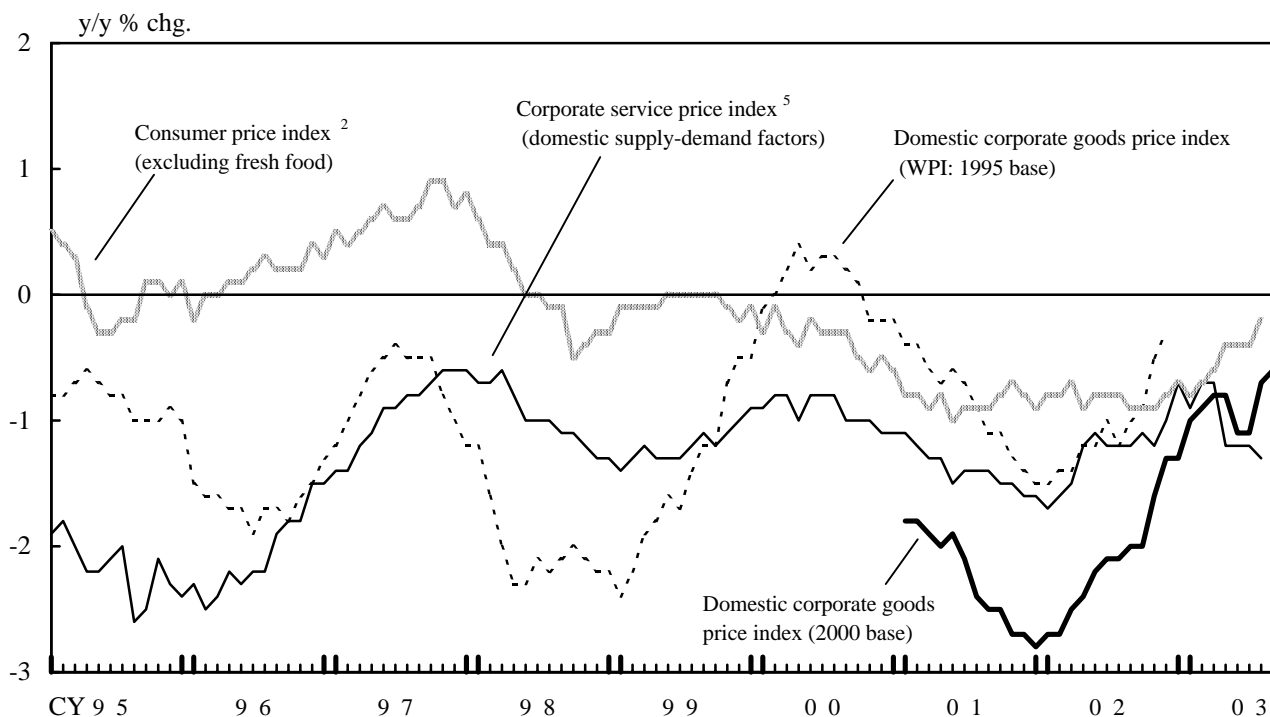
Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Prices⁶

(1) Level



(2) Changes from a year earlier



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

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

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

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

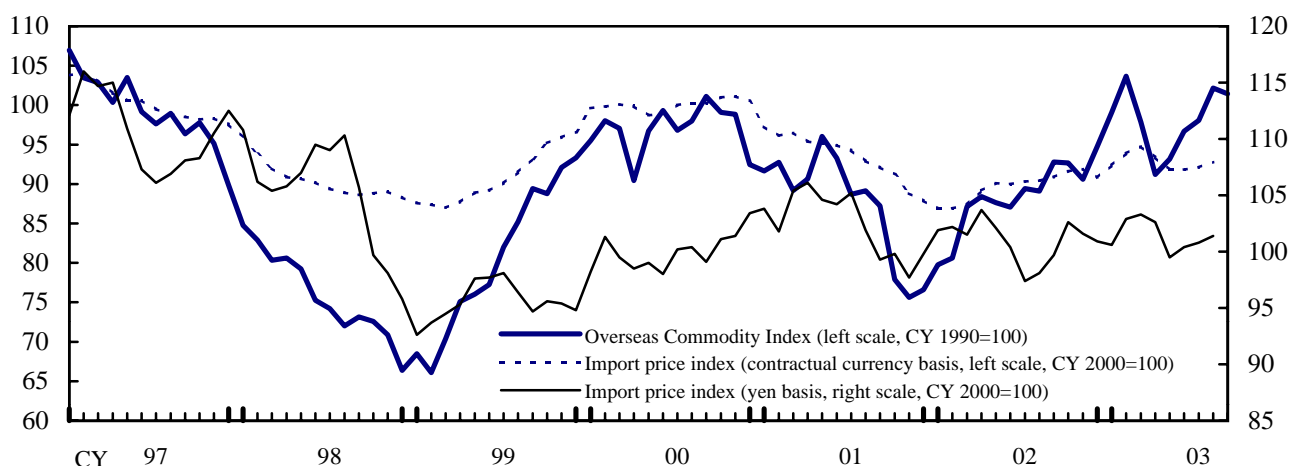
5. See footnote 1 in Chart 24, for definition of the Corporate Service Price Index (domestic supply-demand factors).

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

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

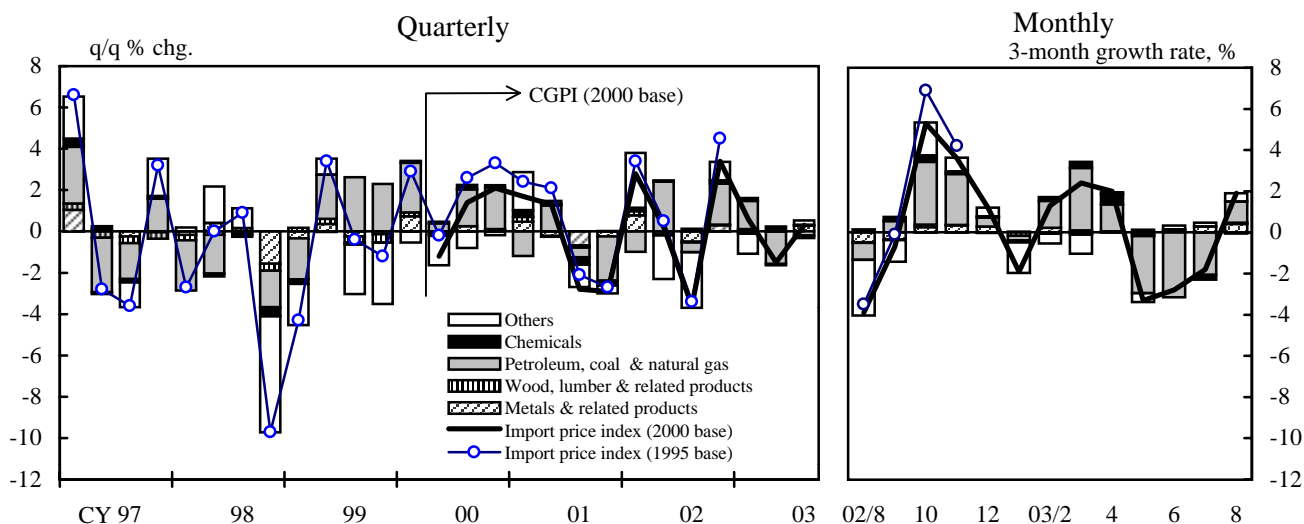
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



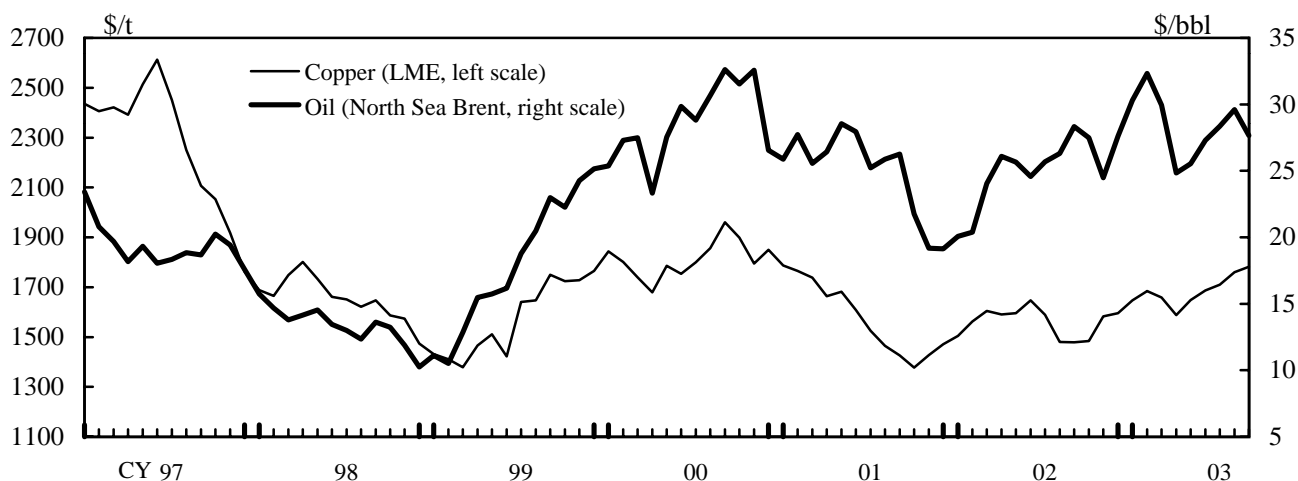
Note: Overseas Commodity Index, which is calculated by Bank of Japan, is a monthly average.
Figure for September 2003 is the average up to September 10.

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



Note: Figures for 2003/Q3 are those of July-August averages.
1995 base figure for 2002/Q4 is Oct.-Nov. average.

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

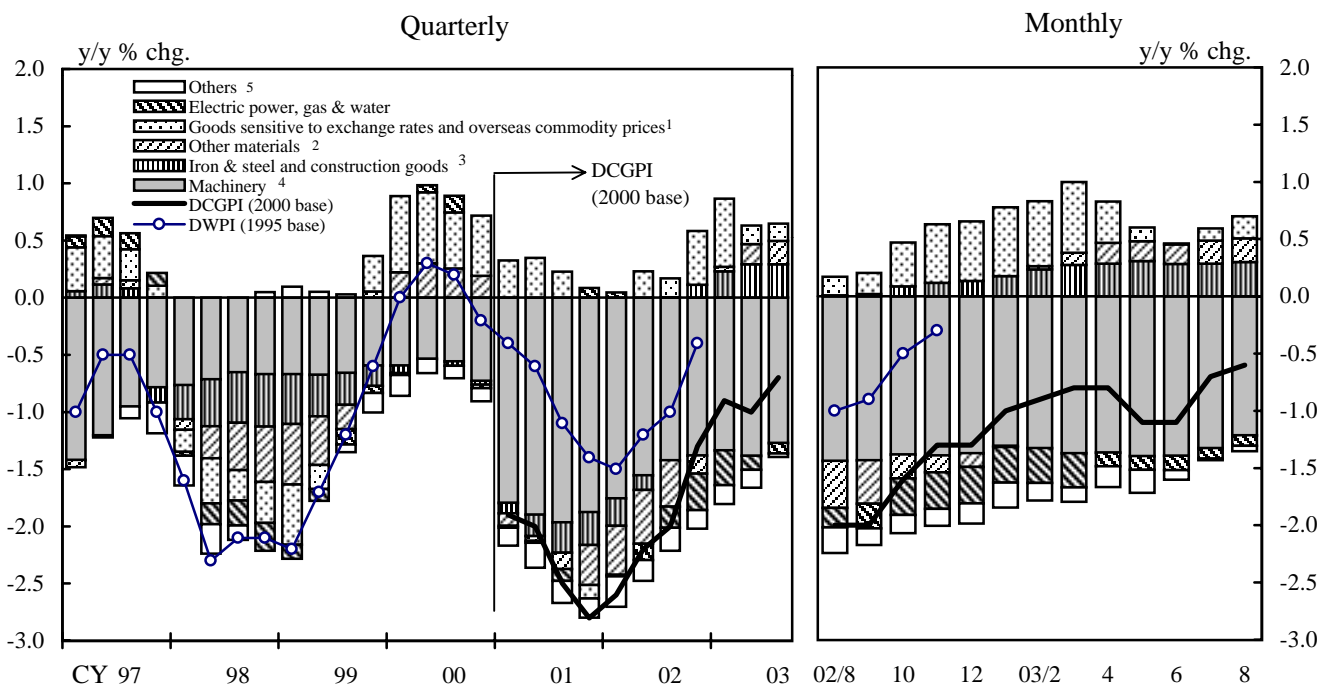


Note: Monthly averages. Figures for September 2003 are the averages up to September 10.

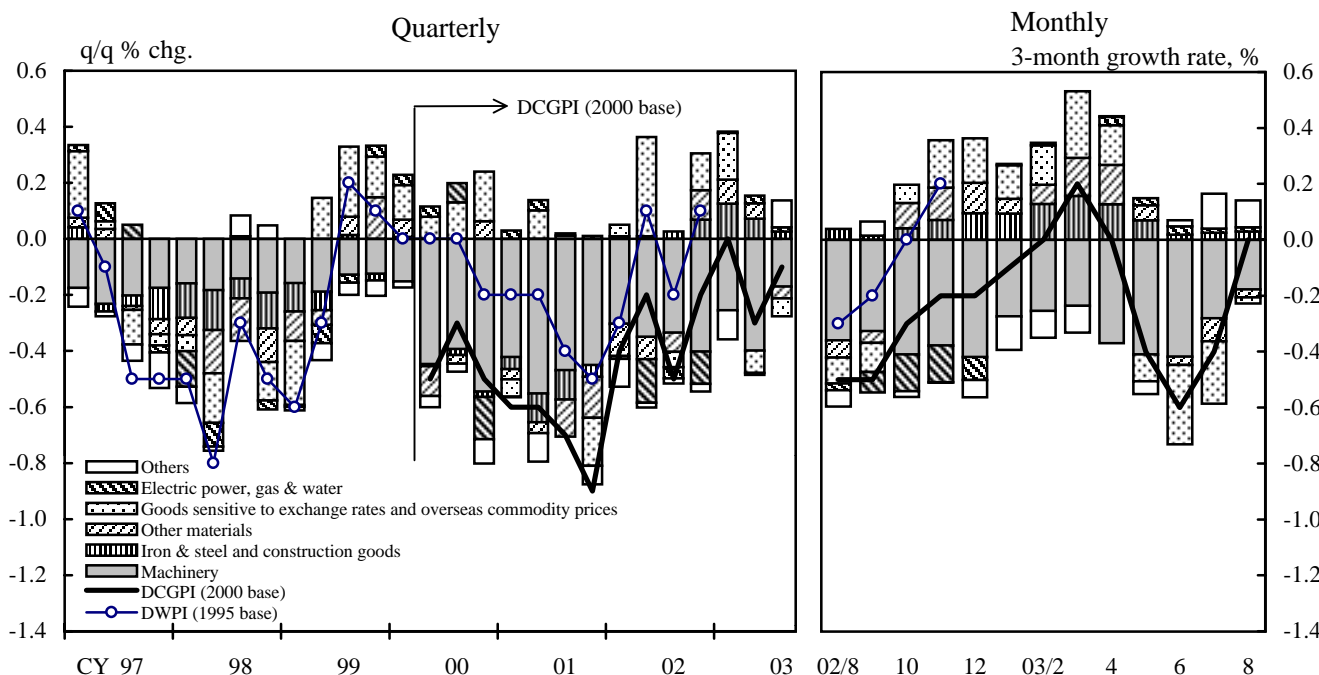
Sources: Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes,"
"Financial and Economic Statistics Monthly," etc.

Domestic Corporate Goods Price Index⁷

(1) Changes from a year earlier



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

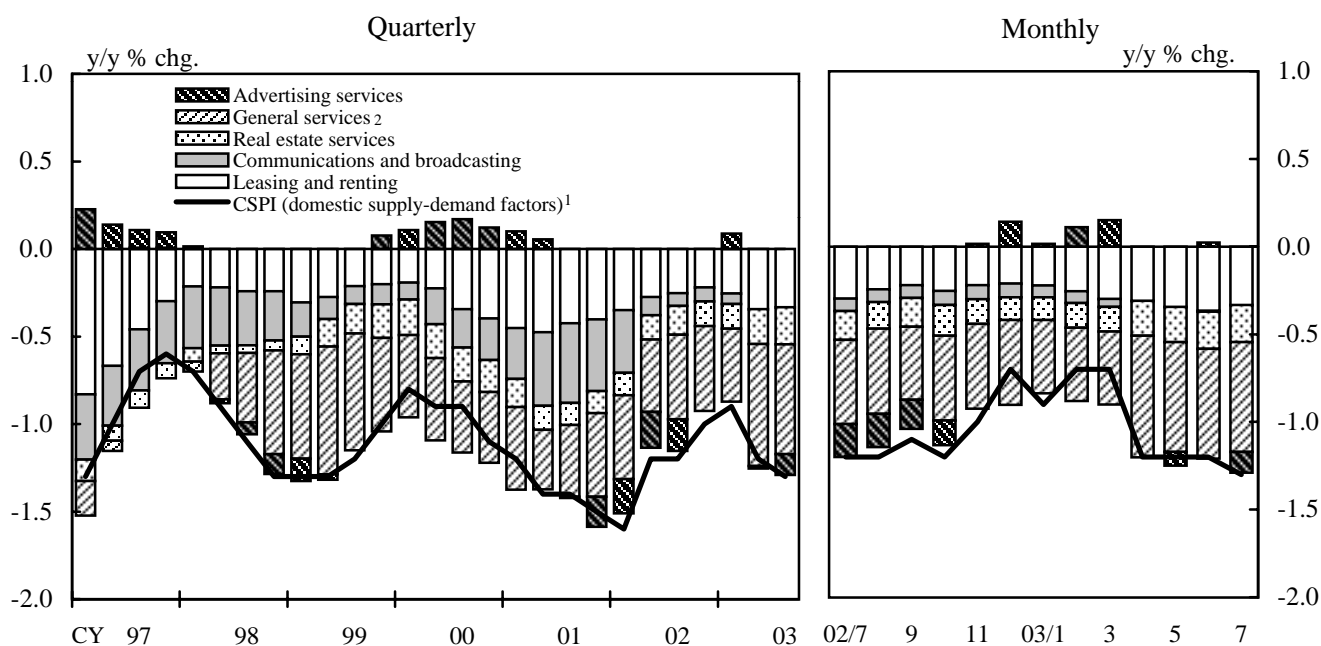
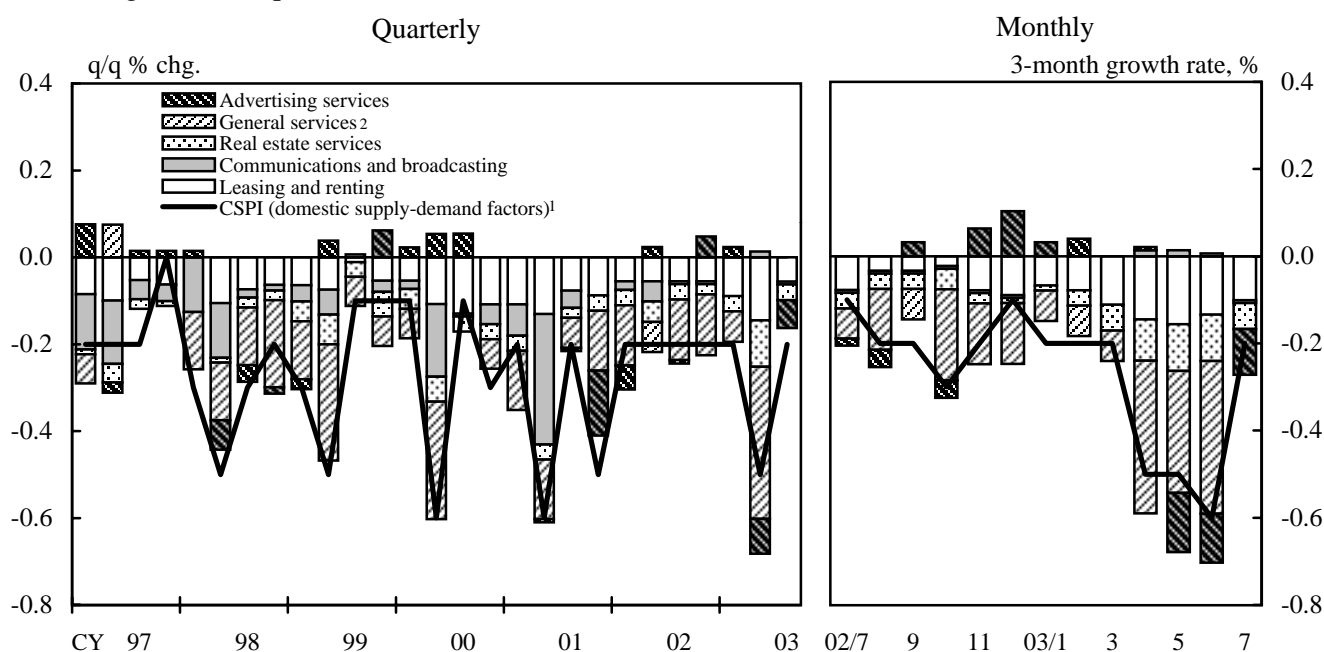


- Notes: 1. Goods sensitive to exchange rates and overseas commodity prices; petroleum & coal products, nonferrous metals.
 2. Other materials; chemicals, plastic products, textile products, pulp, paper & related products.
 3. Iron & steel and construction goods; iron & steel, metal products, ceramics, stone & clay products, lumber & wood products, scrap & waste.
 4. Machinery; electrical machinery, general machinery, transportation equipment, precision instruments.
 5. Others; processed foodstuffs, other manufacturing industry products, agricultural, forestry & fishery products, mining products.
 6. Adjusted to exclude a hike of electric power charges in summer season from July to September.
 This effect makes the Domestic Corporate Goods Price Index rise by about 0.2%.
 7. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
 8. Figures for 2003/Q3 are those of July-August averages.
 1995 base figures for 2002/Q4 are those of Oct.-Nov. averages.

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

Corporate Service Price Index⁴

(1) Changes from a year earlier

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

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

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

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

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

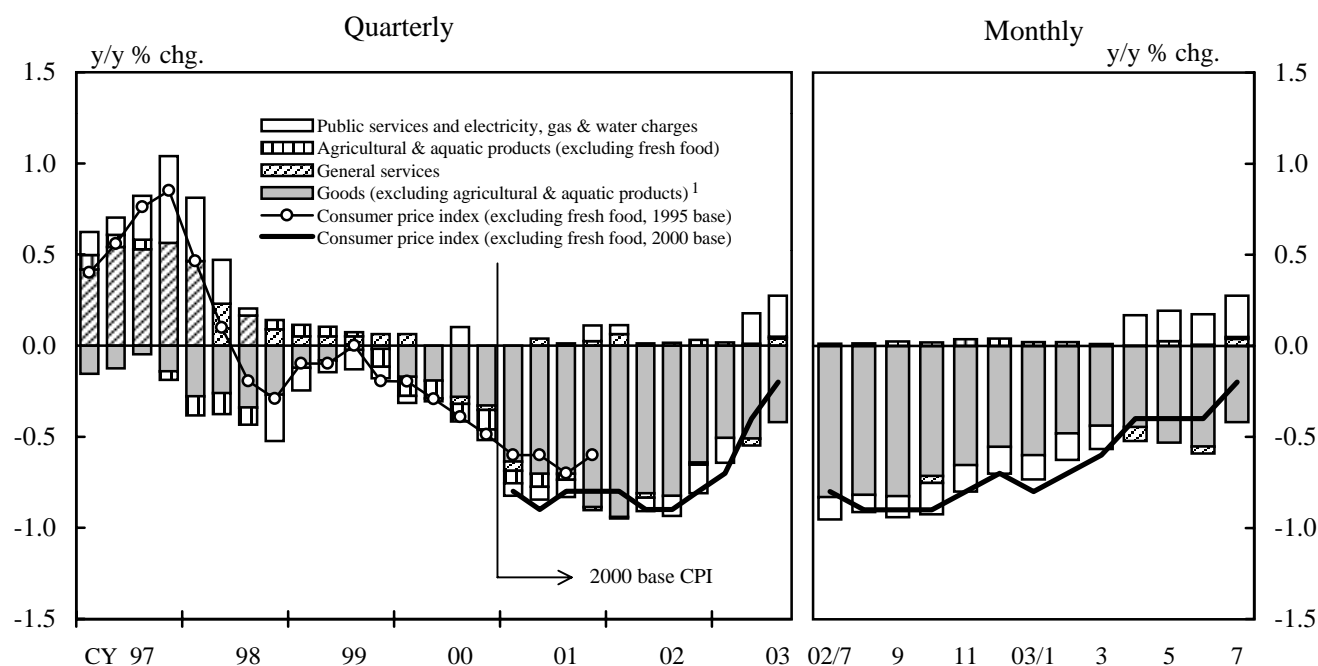
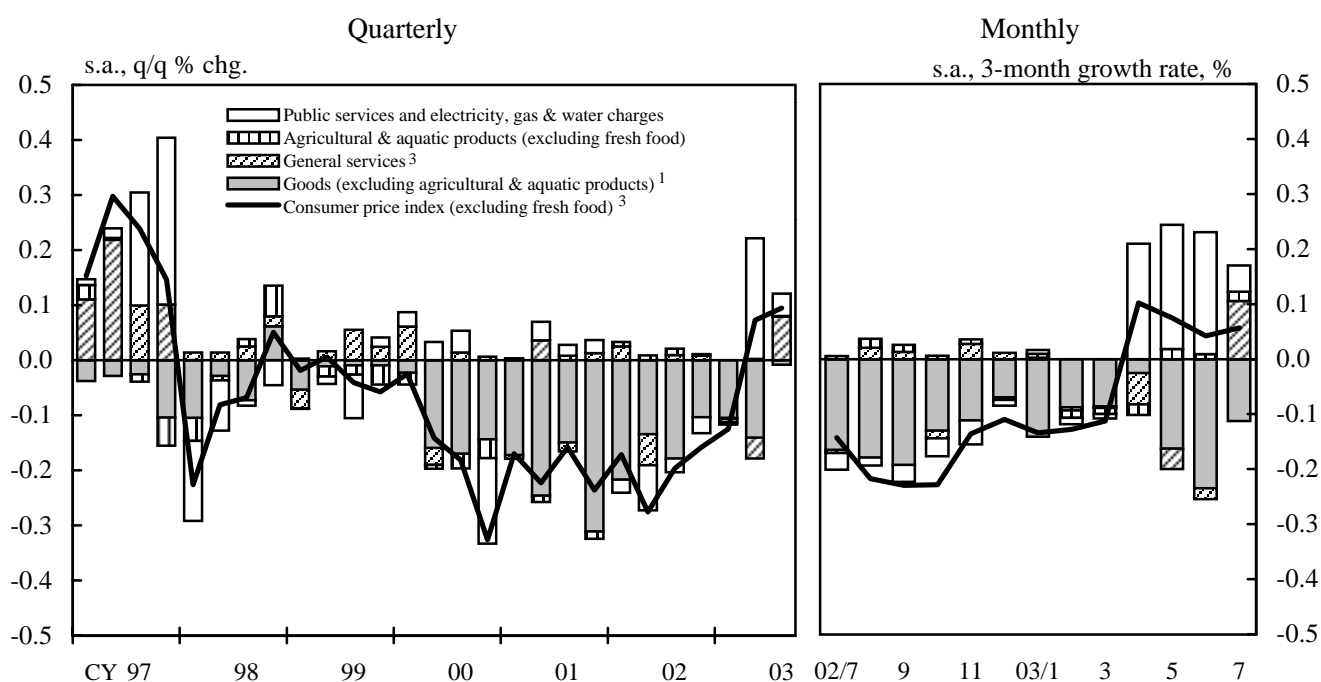
4. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

5. Figures for 2003/Q3 are those of July.

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

Consumer Price Index (excluding fresh food)⁴

(1) Changes from a year earlier

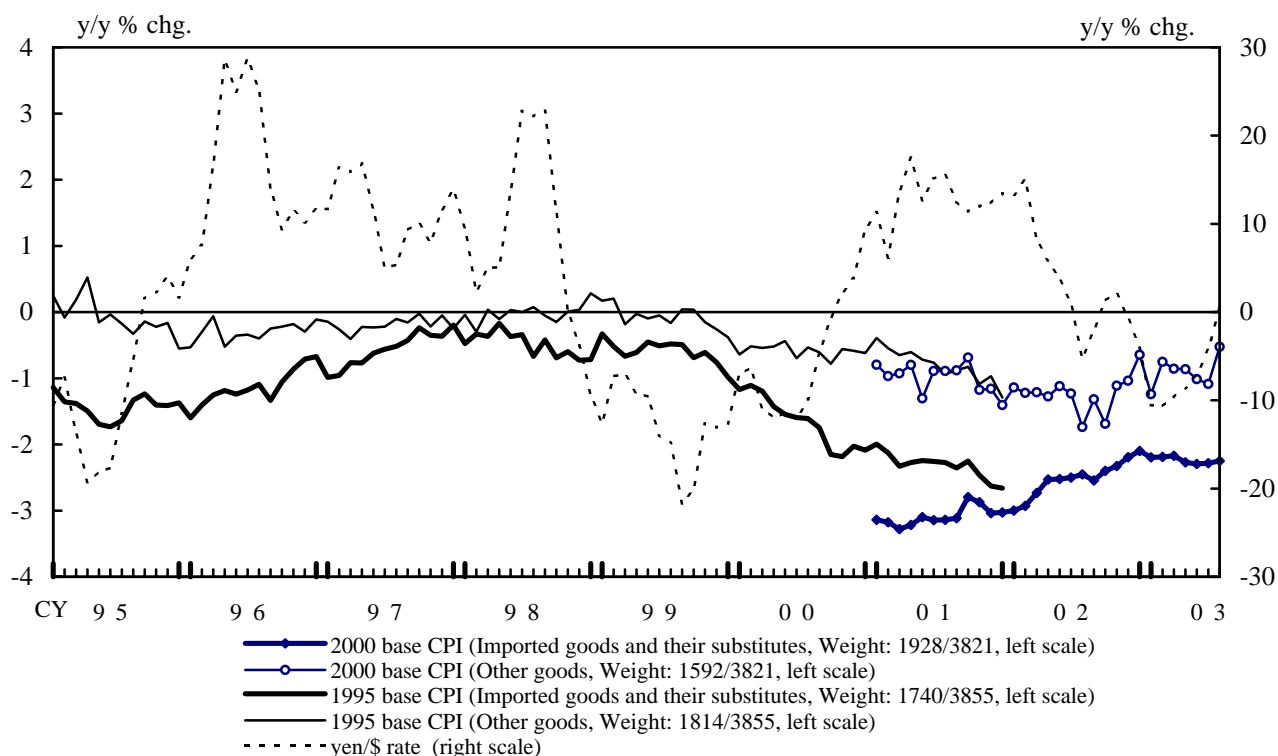
(2) Changes from a quarter earlier and 3 months earlier (2000 base CPI)²

- Notes: 1. The Items are basically the same as the definition published by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, however electricity, gas & water charges is excluded from goods.
 2. Seasonally adjusted by X-12-ARIMA. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.
 3. Excluding "package tours to overseas" newly adopted from the 2000 base. This is because sample size of this item is insufficient for seasonal adjustment, though it has large seasonal fluctuations.
 4. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
 5. Figures for 2003/Q3 are those of July.

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

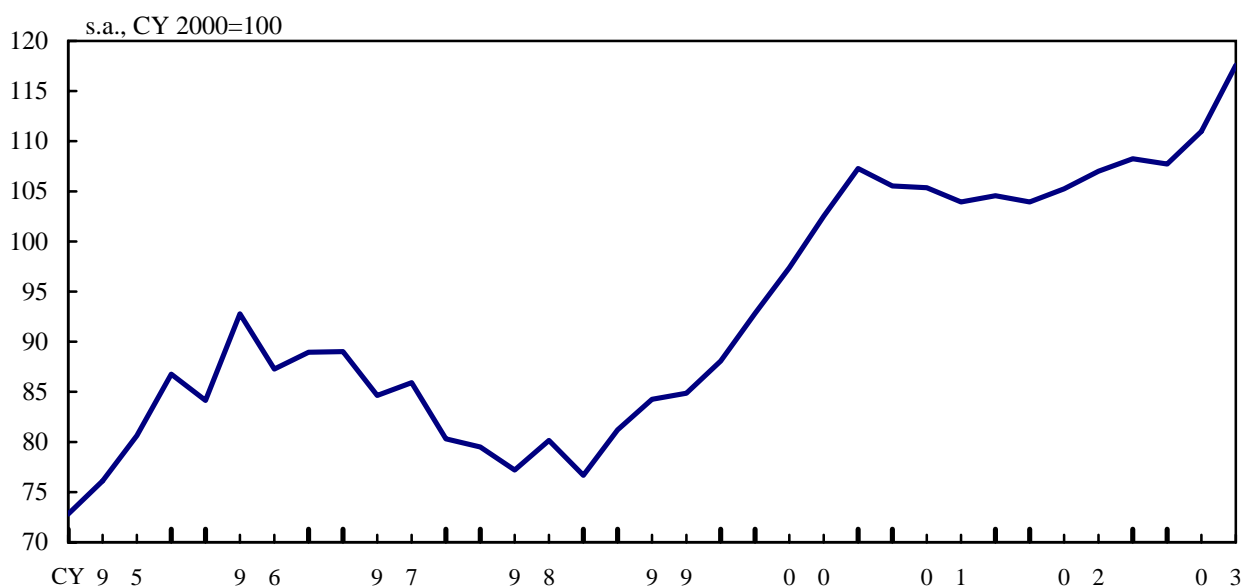
Consumer Prices of imported goods and their substitutes

(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.
 3. Adjusted to exclude the effects of the tobacco tax increases in Dec. 1998 and Jul. 2003, 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)

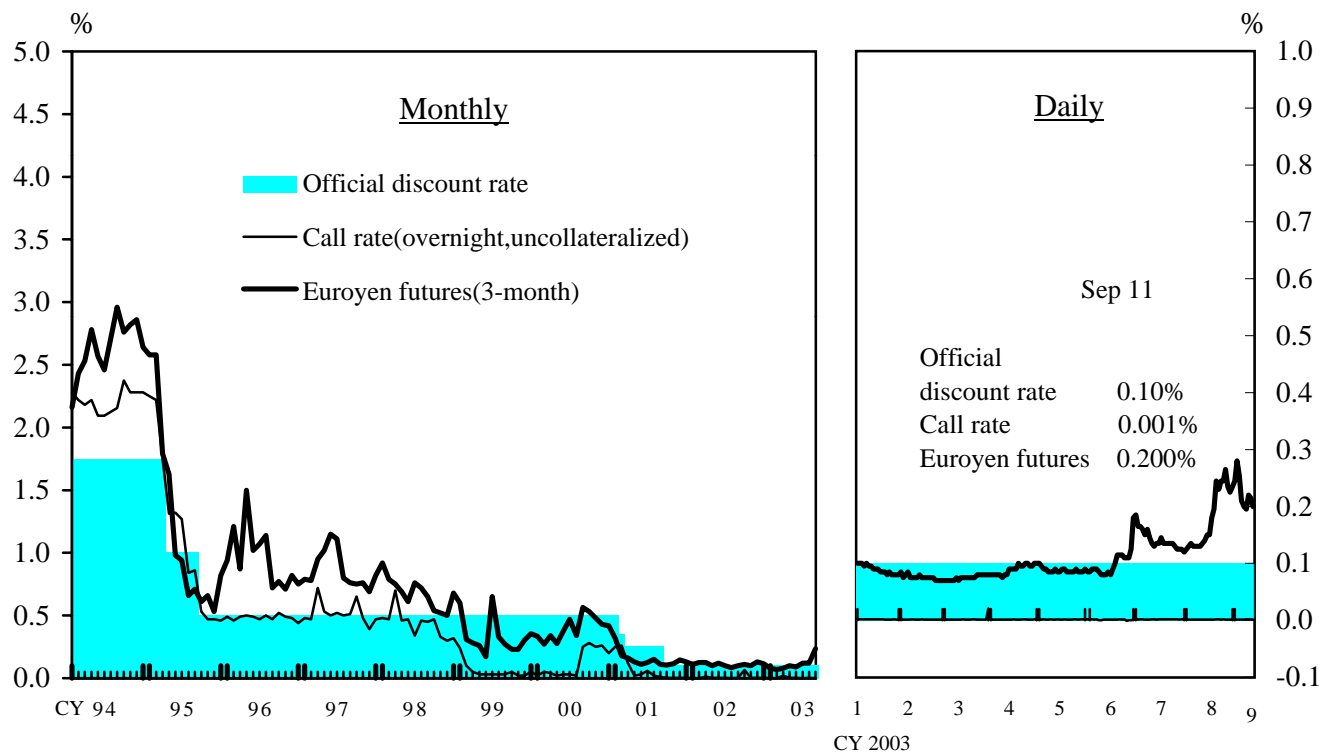


- Notes:
1. Real imports (consumer goods), which are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles, are calculated from the Trade Statistics as an index with the 2000 average equal to 100.
 2. 2003/Q3 figure is July at a quarterly rate.

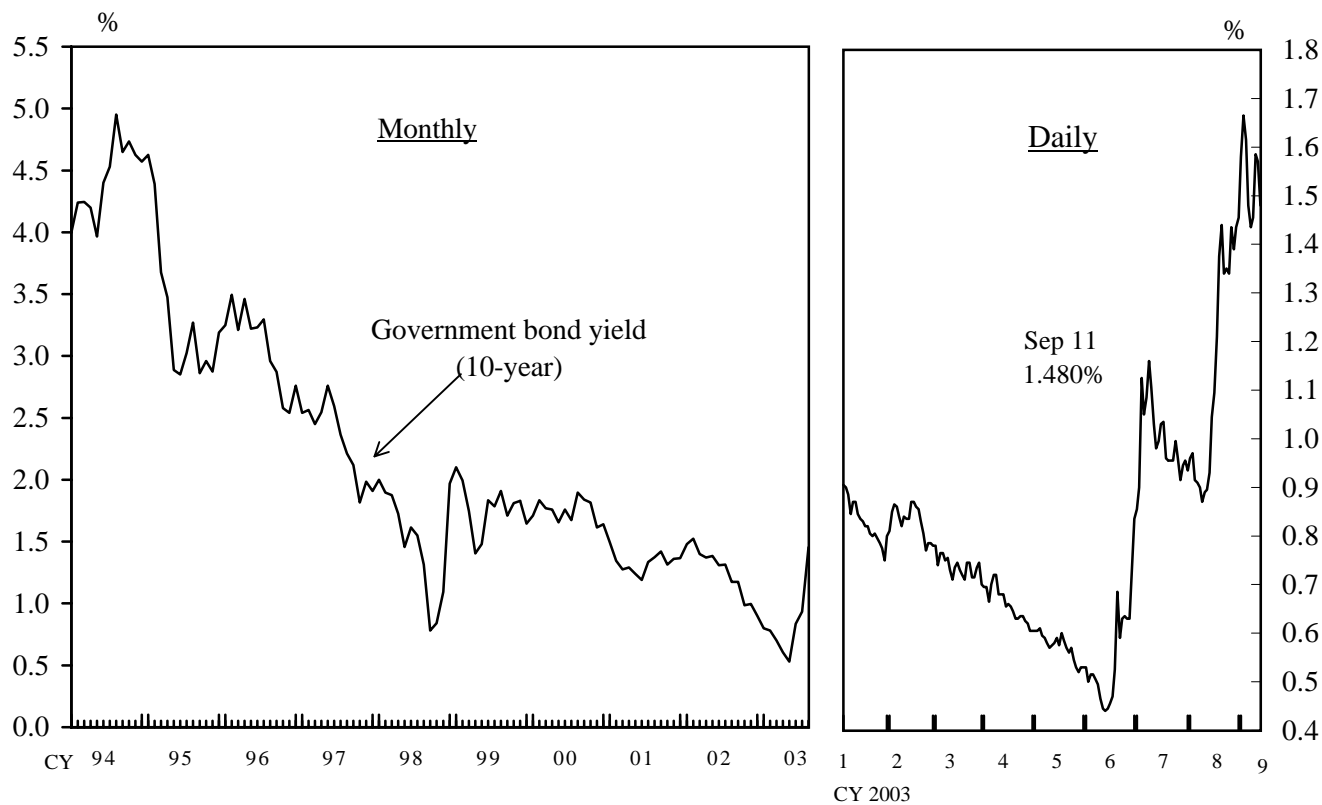
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index";
 Ministry of Finance, "The Summary Report on Trade of Japan";
 Bank of Japan, "Corporate Goods Price Index."

Interest Rates

(1) Short-Term



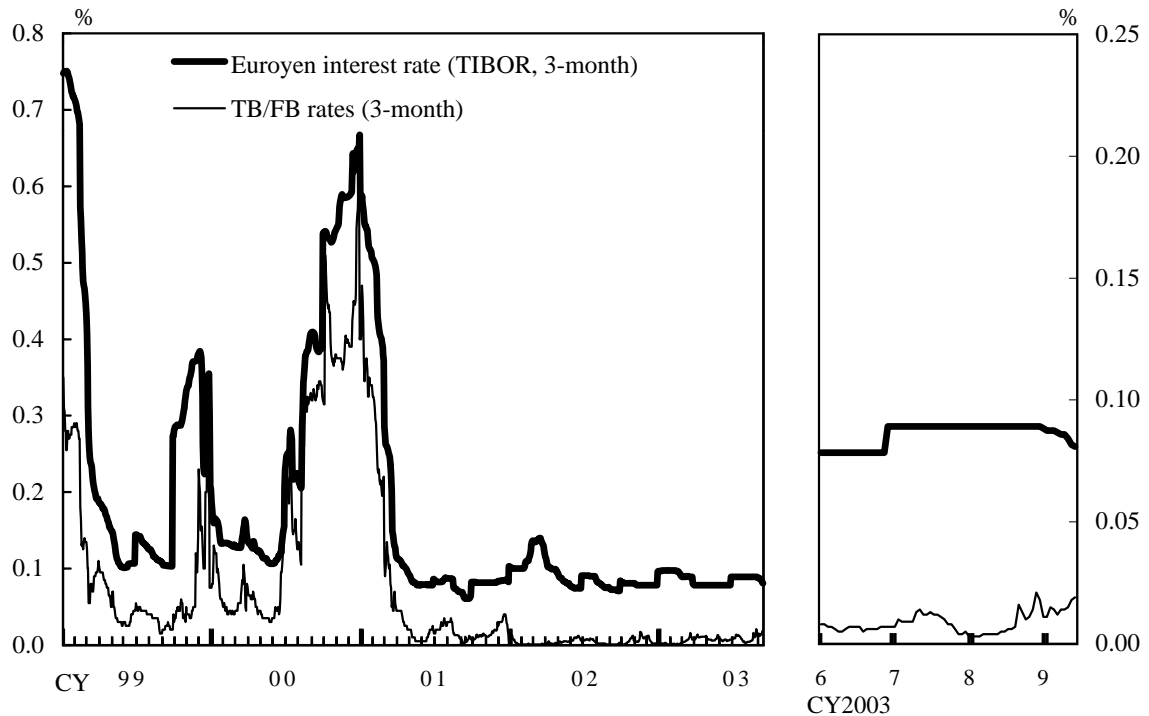
(2) Long-Term



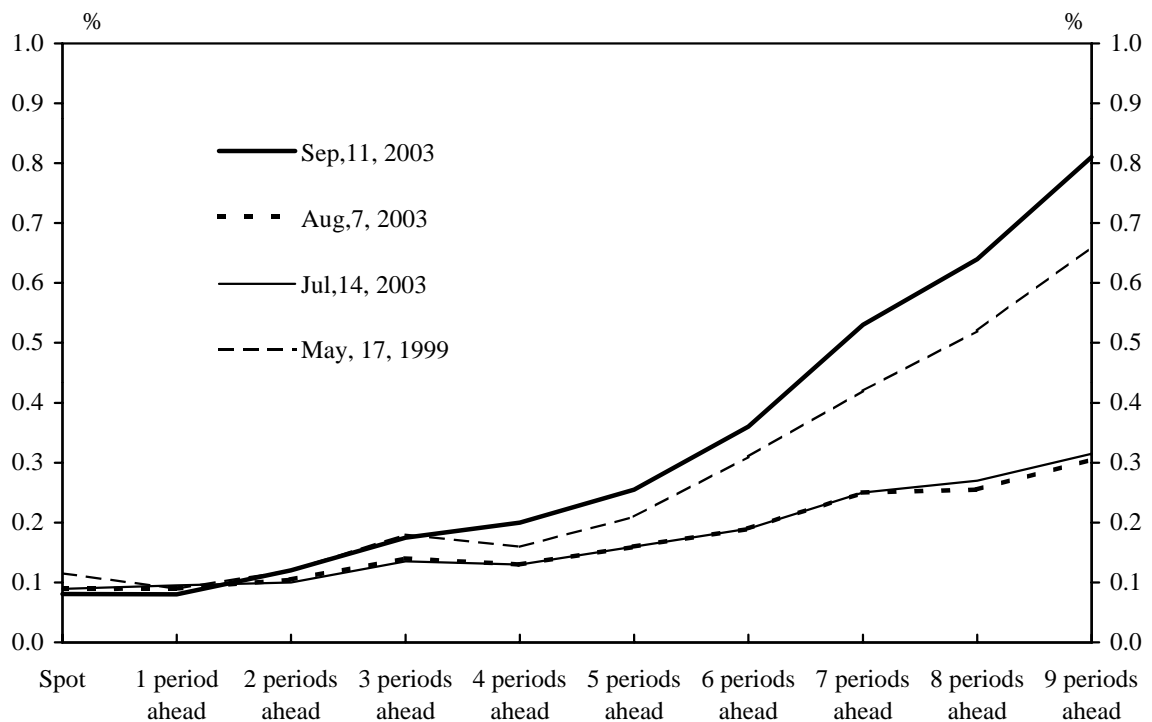
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
 Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



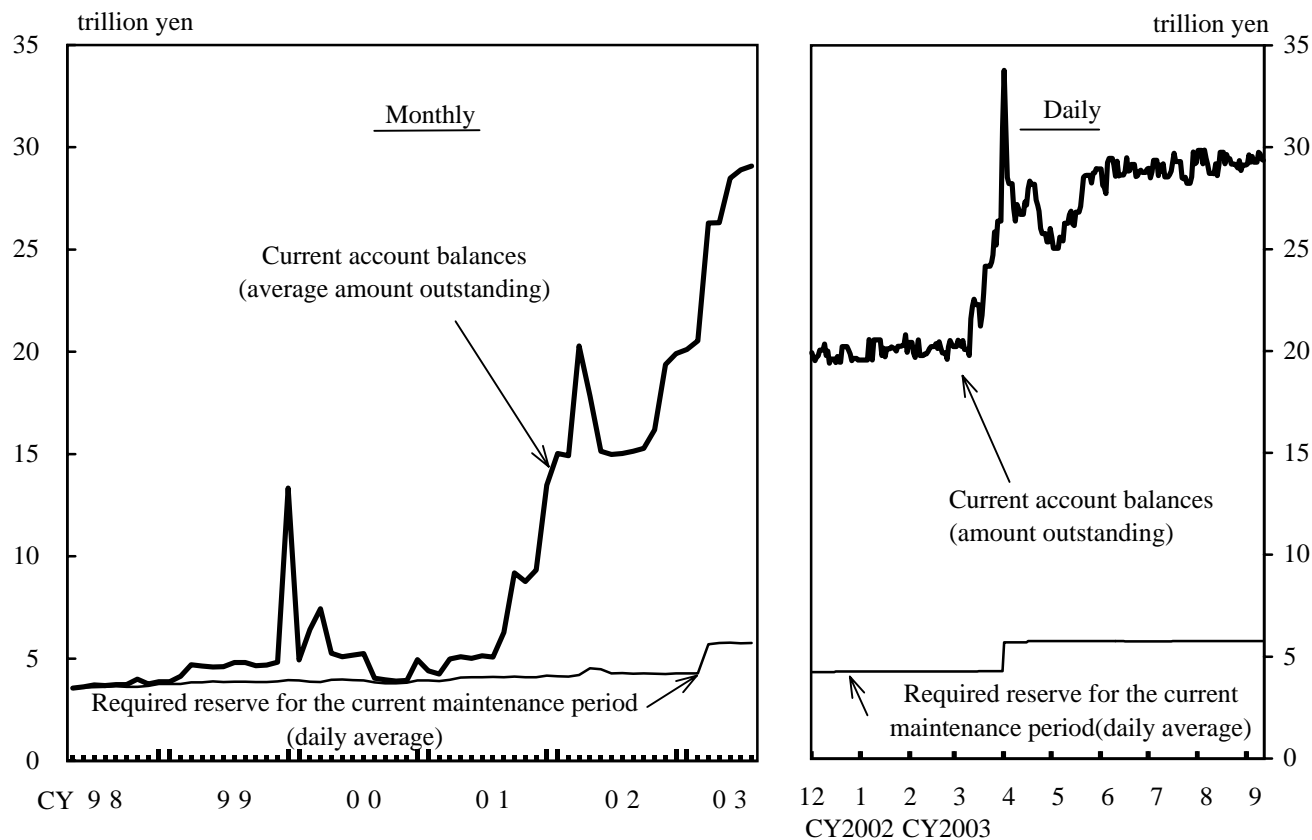
(2) Euroyen Interest Rates Futures (3-Month) ¹



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

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

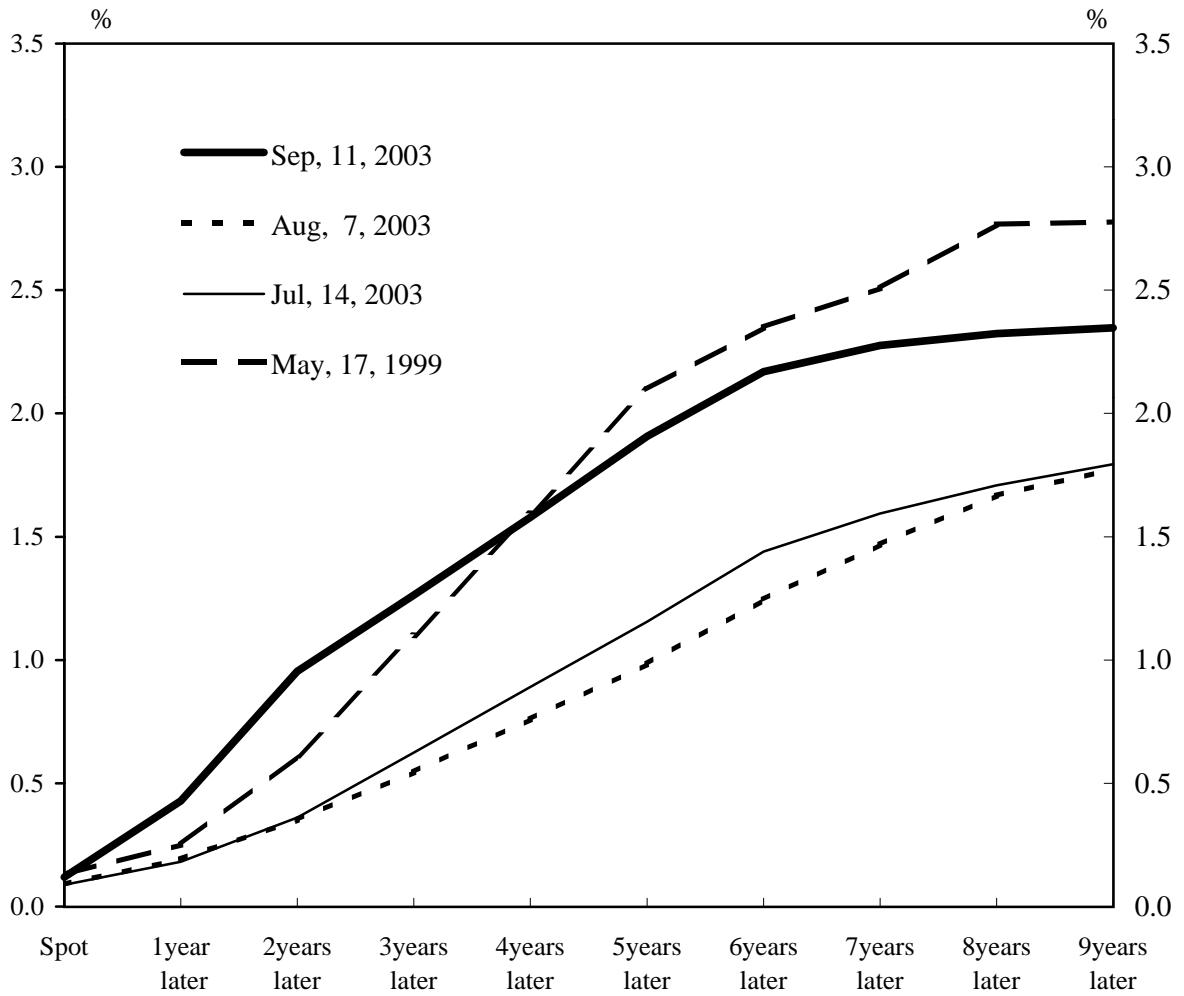
Current Account Balances at the Bank of Japan ¹



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

Source: Bank of Japan.

Implied Forward Rates (1-year) ¹

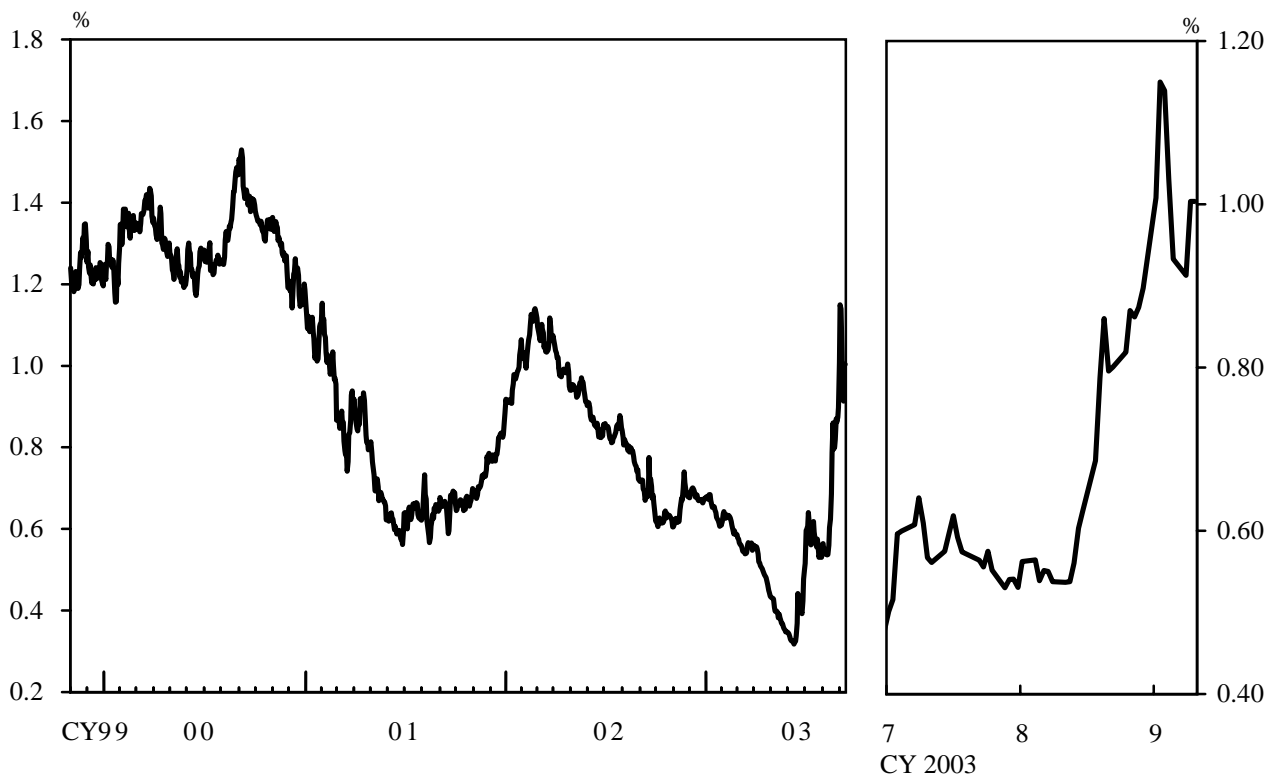


Note: 1. Calculated from yen-yen swap rates.

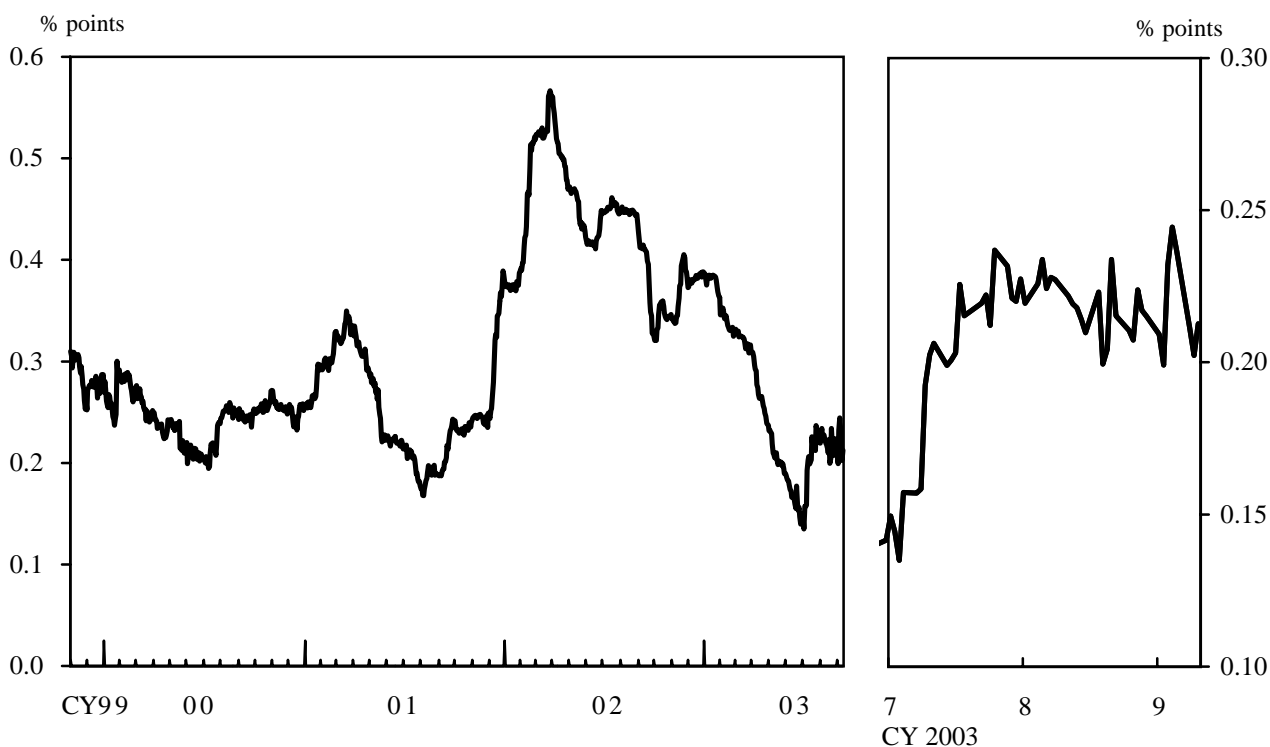
Source: Kyodo News.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



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

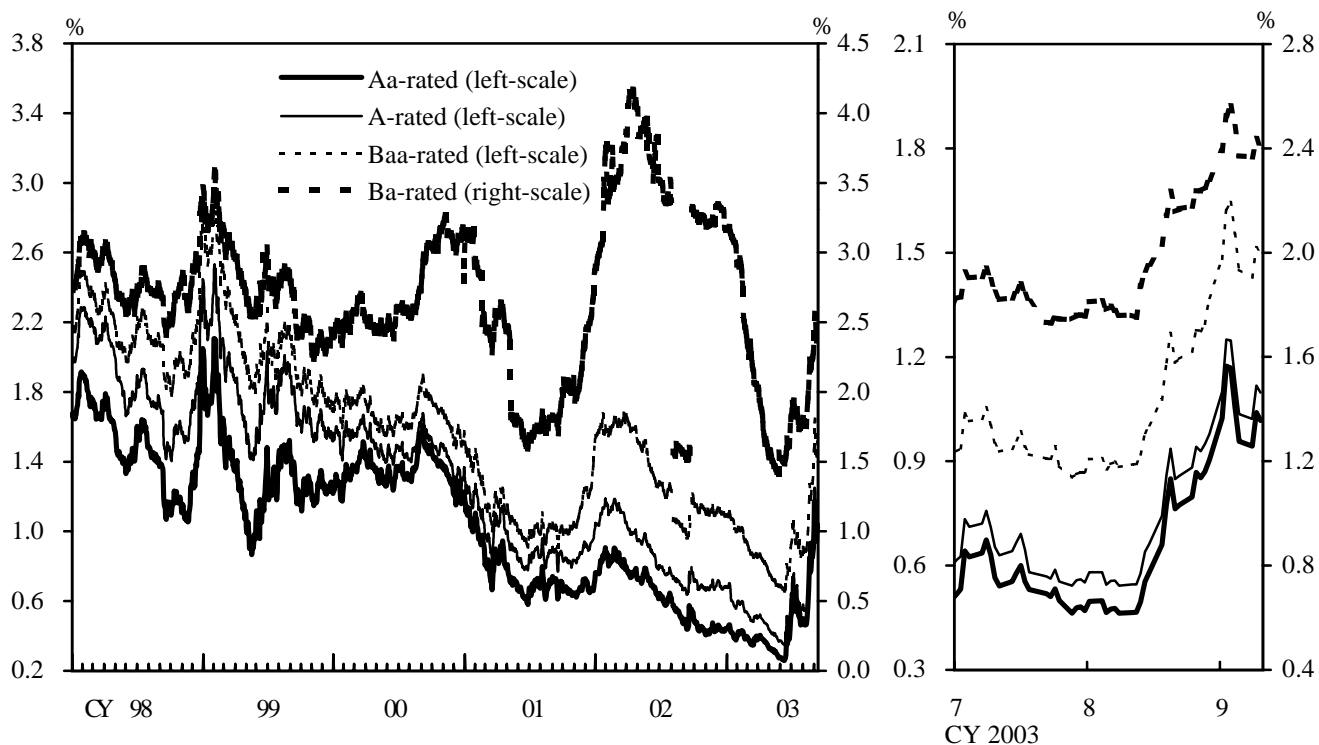
2. Average bank bond yield is the average of four bank bonds.

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

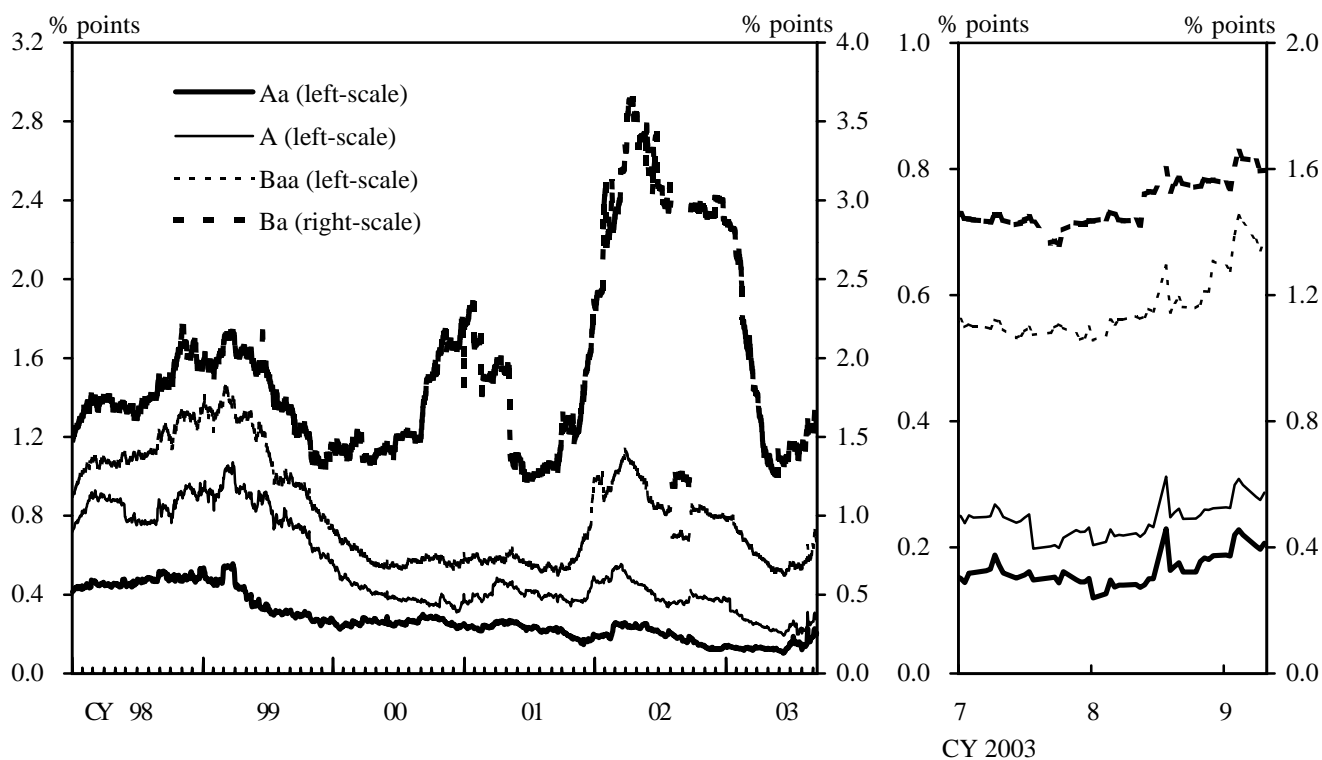
"Reference Price(Yields) Table for OTC Bond Transactions."

Yields of Corporate Bonds¹

(1) Corporate Bond Yields



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



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

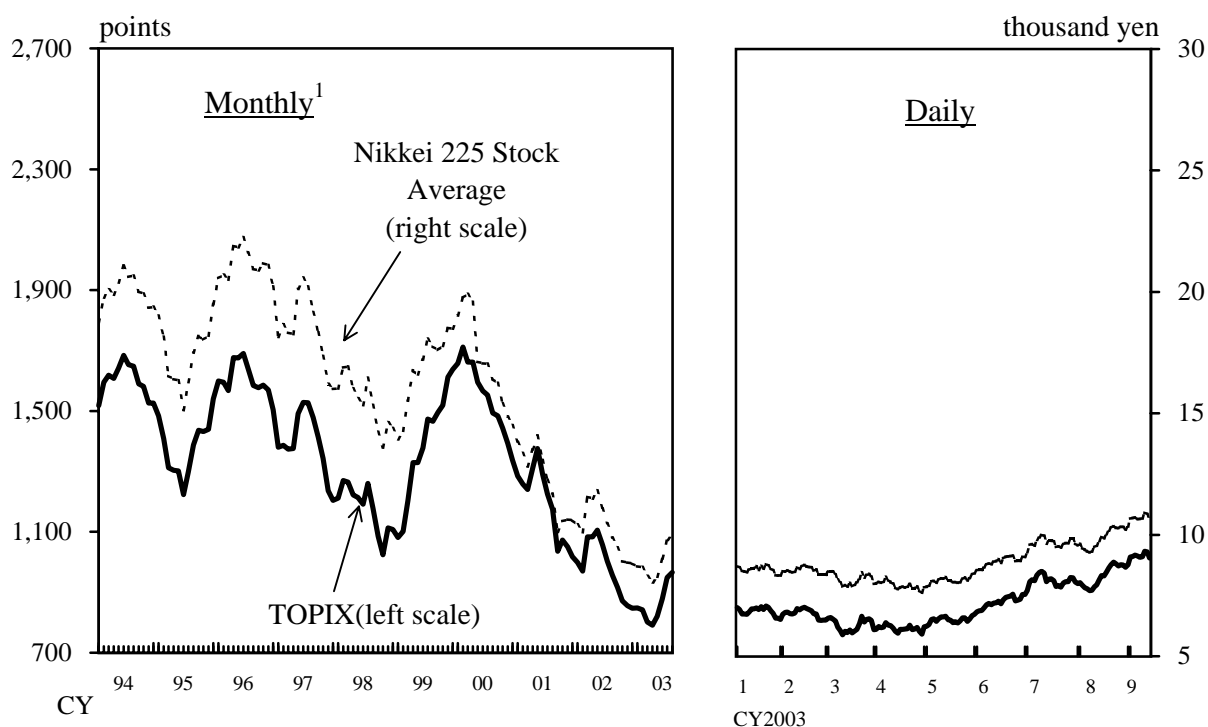
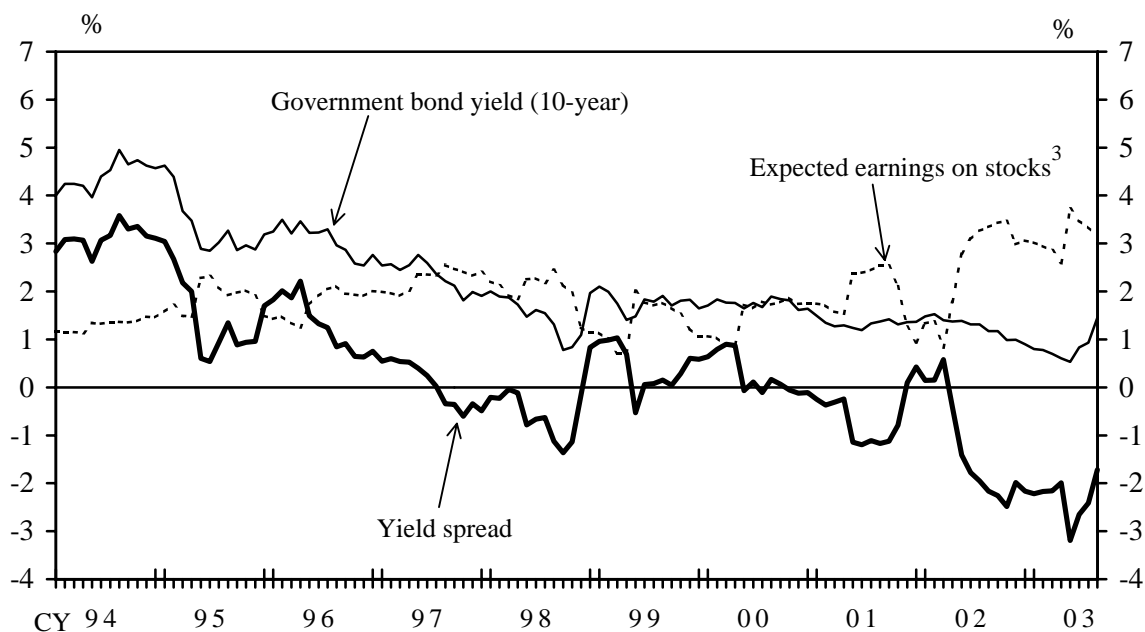
The indicated ratings are of Moody's.

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

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

Stock Prices

(1) Stock Prices

(2) Yield Spread²

Notes: 1. Data are monthly averages.

2. Data are at end of period.

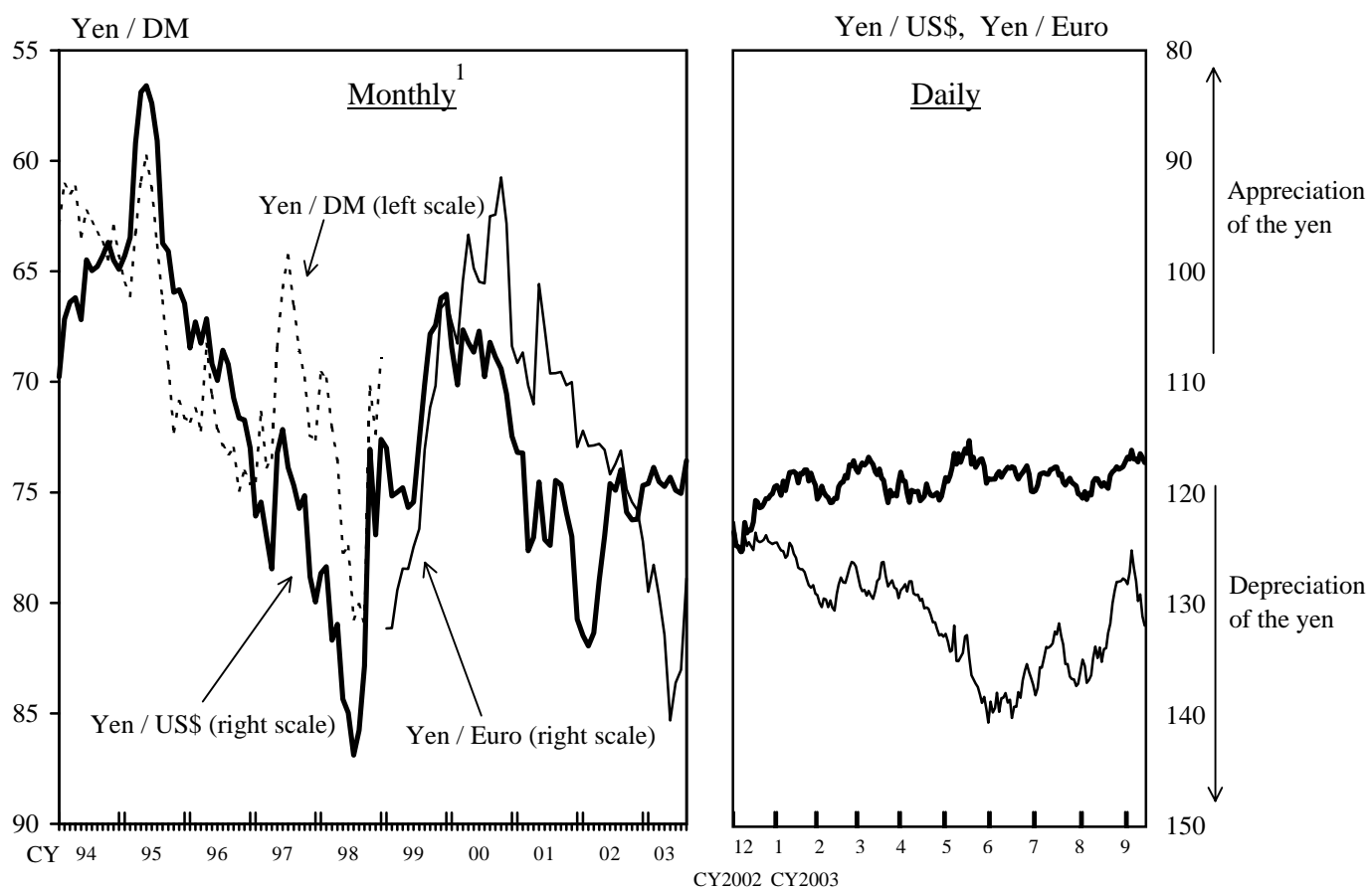
Yield spread = government bond yields - expected earnings on stocks,
where expected earnings on stocks = 1/expected price earnings ratio.

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

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

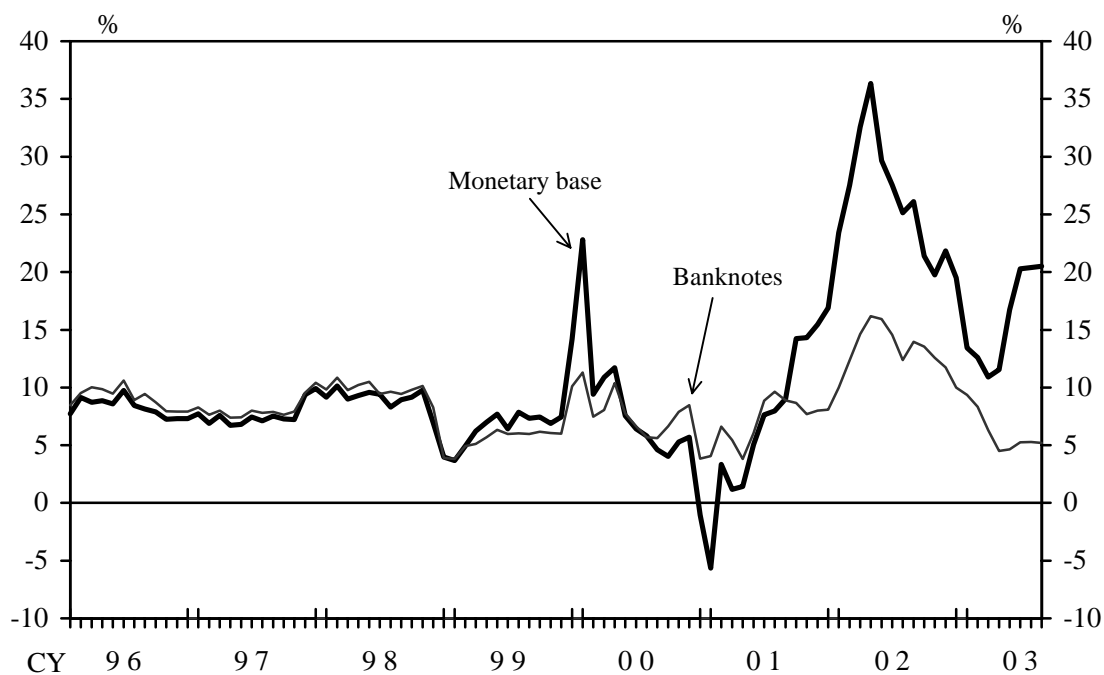
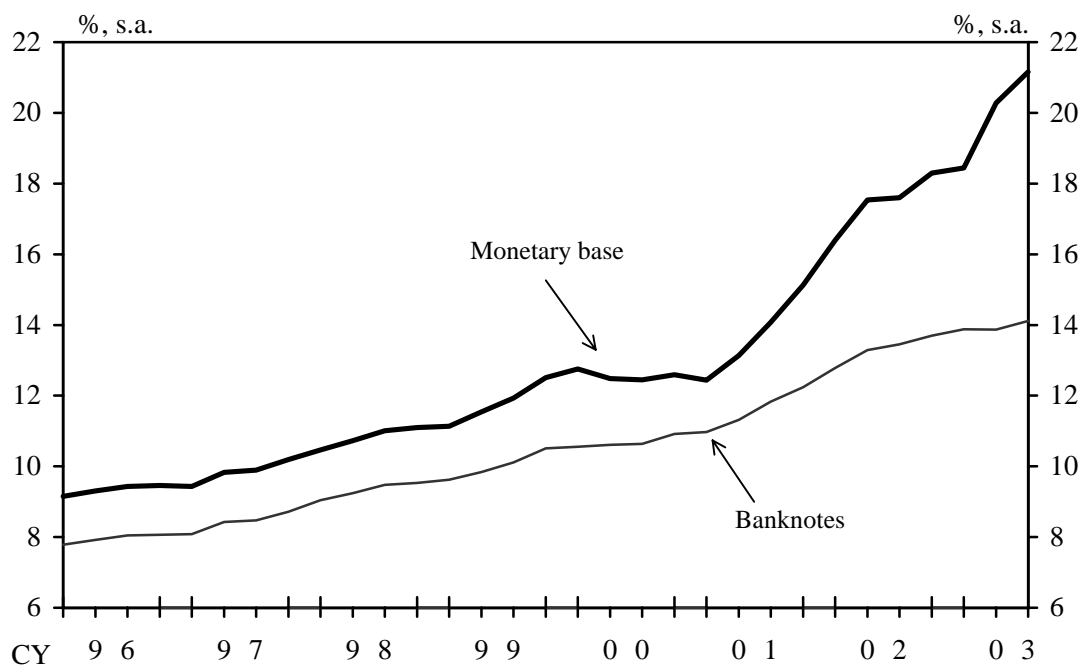
Sources: *The Nihon Keizai Shimbun*; Daiwa Research Institute, "*Daiwa Toushi Shiryou* (Daiwa Investment Information)."

Exchange Rates



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

Monetary Base

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

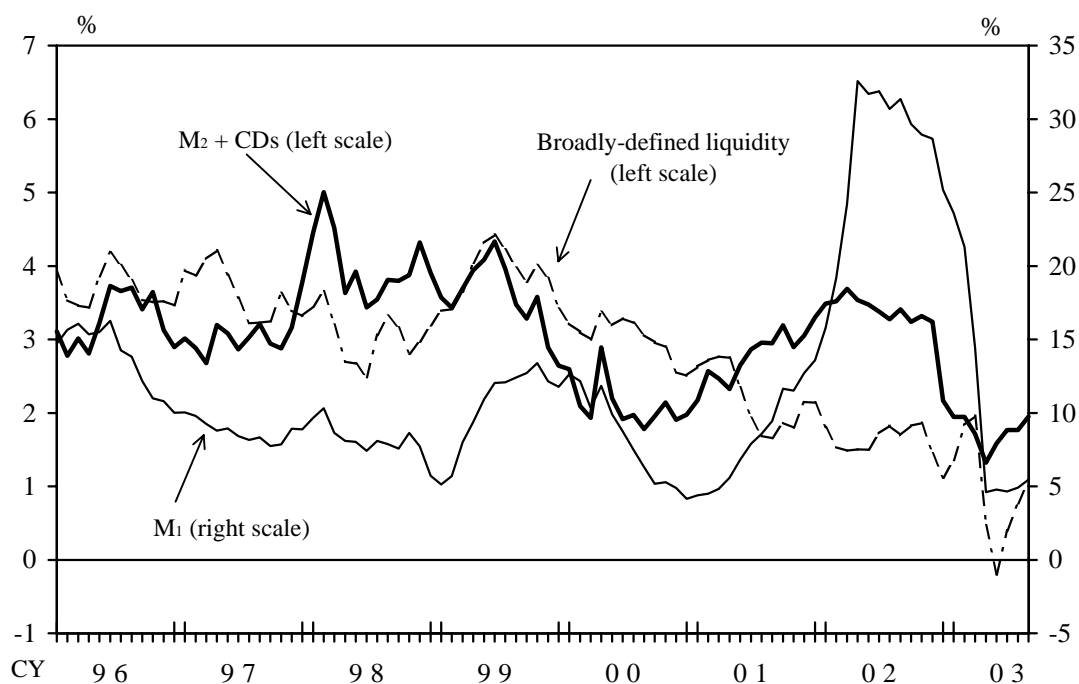
Notes: 1. Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

Data for currency in circulation include holdings of financial institutions.

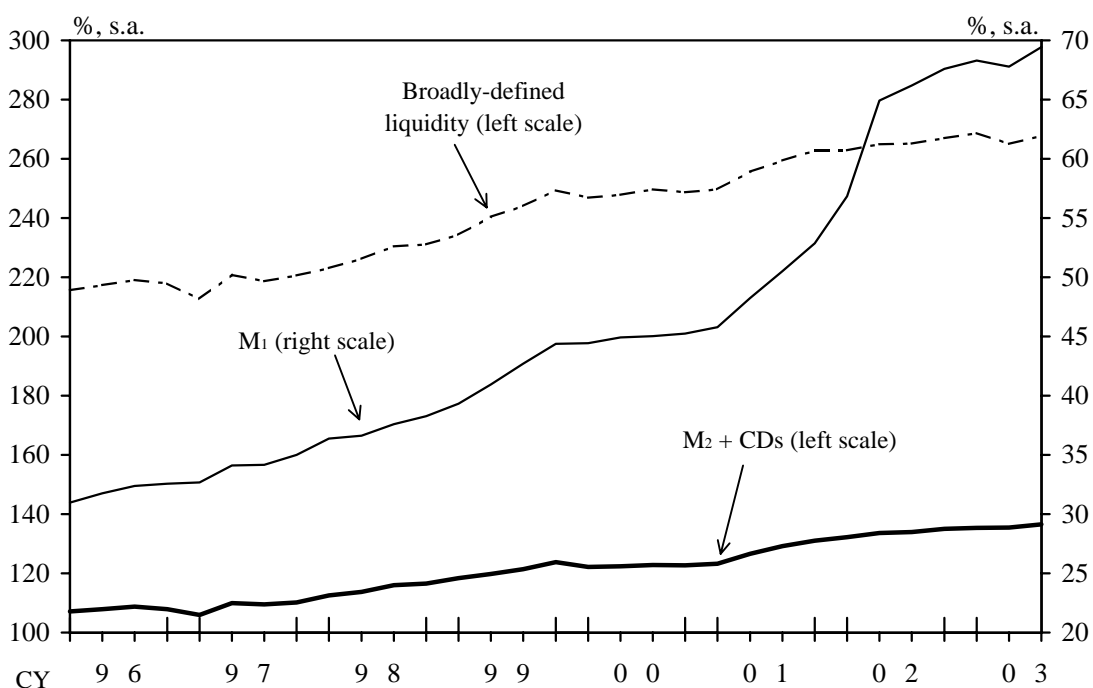
2. Figures for the monetary base and banknotes in 2003/Q3 are those of Jul.-Aug. averages, and the nominal GDP in 2003/Q3 is assumed to be unchanged from the previous quarter.

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

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

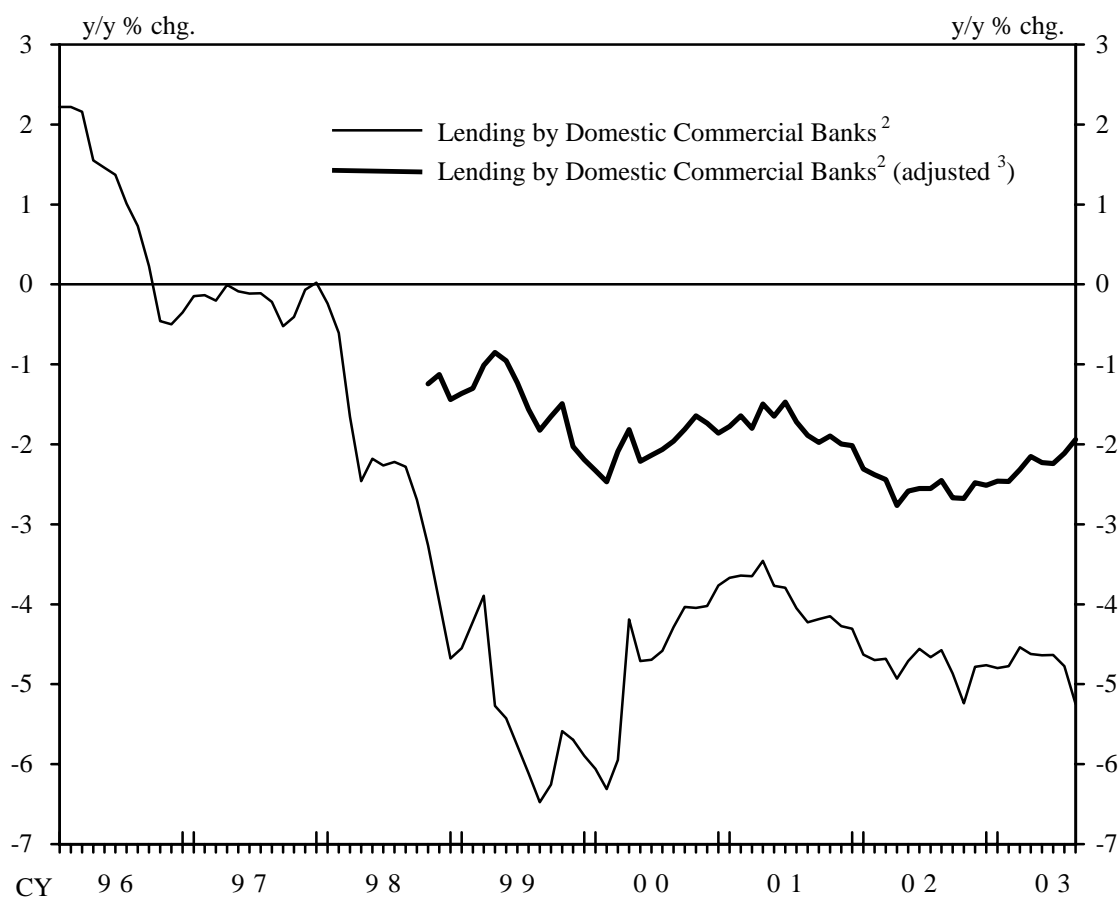
(1) Changes from a Year Earlier

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 3.3% in August 2003.

(2) Ratio of Money Stock to Nominal GDP

Note: Figures for money stock in 2003/Q3 are those of Jul.-Aug. averages, and the nominal GDP in 2003/Q3 is assumed to be unchanged from the 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).

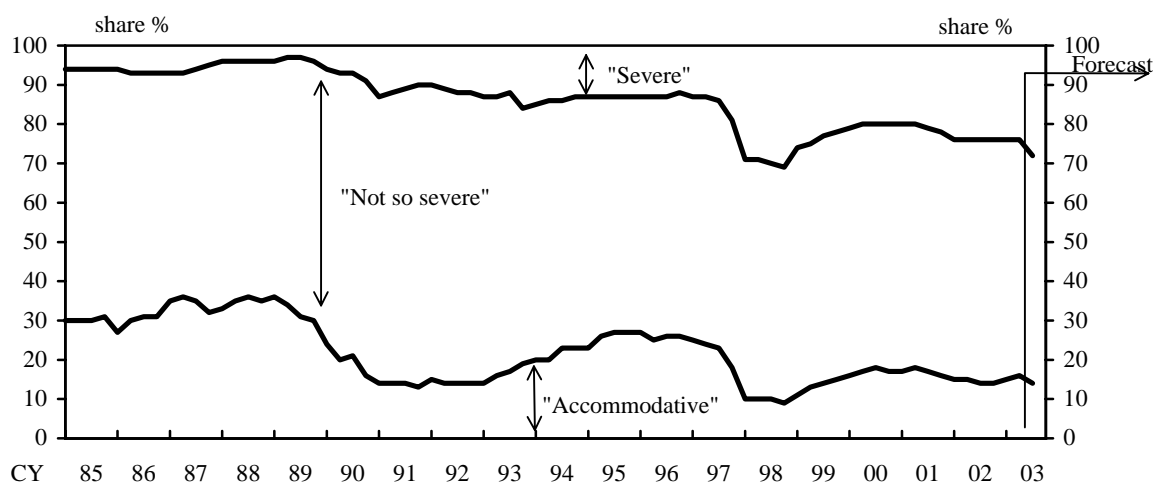
3. Adjusted to exclude

- (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

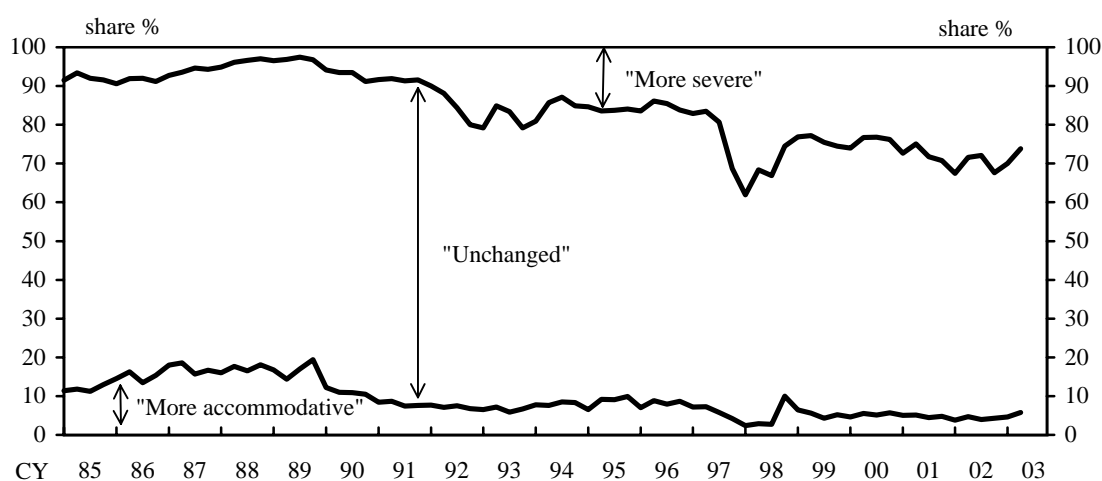
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (June, 2003)



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



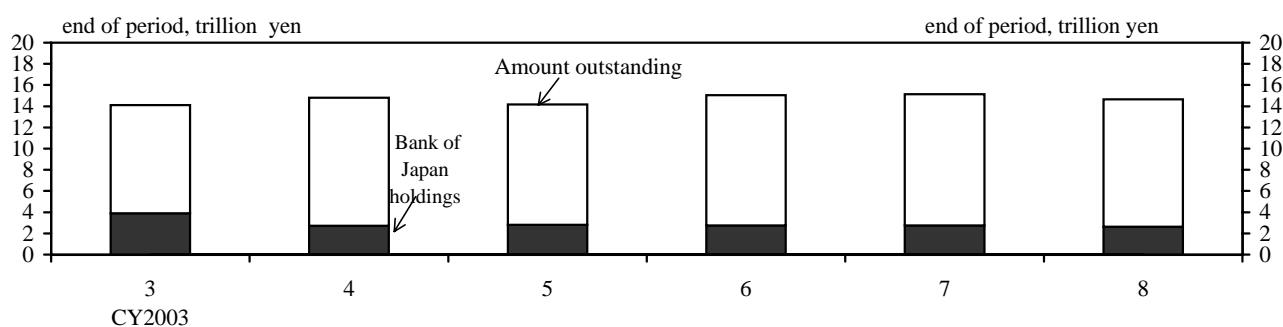
(3) "Quarterly Survey of Small Businesses in Japan" (Mid-June, 2003)



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



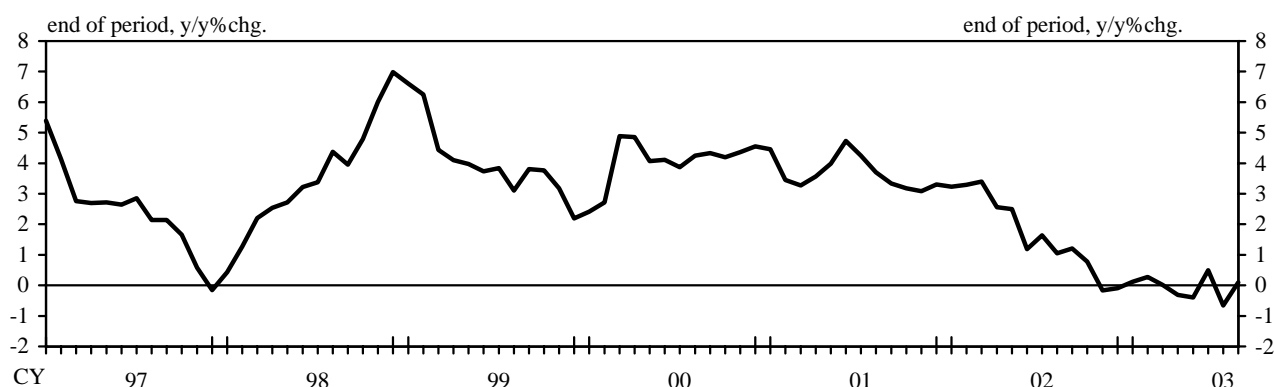
- Notes: 1. Figures are those of the client financial institutions of the Bank of Japan.
2. Excludes those issued by banks.

(2) Issue Volume of Corporate Bonds

	(100 million yen)					
	2002/Q4	2003/Q1	Q2	2003/Jun.	Jul.	Aug.
Volume	27,521	31,861	33,303	16,977	6,728	7,143
(previous year)	(31,811)	(28,284)	(27,604)	(12,193)	(9,670)	(5,122)

- Notes: 1. Corporate bonds are defined as the sum of the following categories: straight bonds, convertible bonds, and bonds with warrants issued in domestic and overseas markets, as well as ABSs issued in the domestic market.
2. Straight bonds issued by banks are excluded from domestically issued straight bonds.
3. The figure as of the latest month is a preliminary one, using an estimate for the amount outstanding of the domestically issued private placement bonds.

(3) Amount Outstanding of Corporate Bonds (Changes from a Year Earlier)

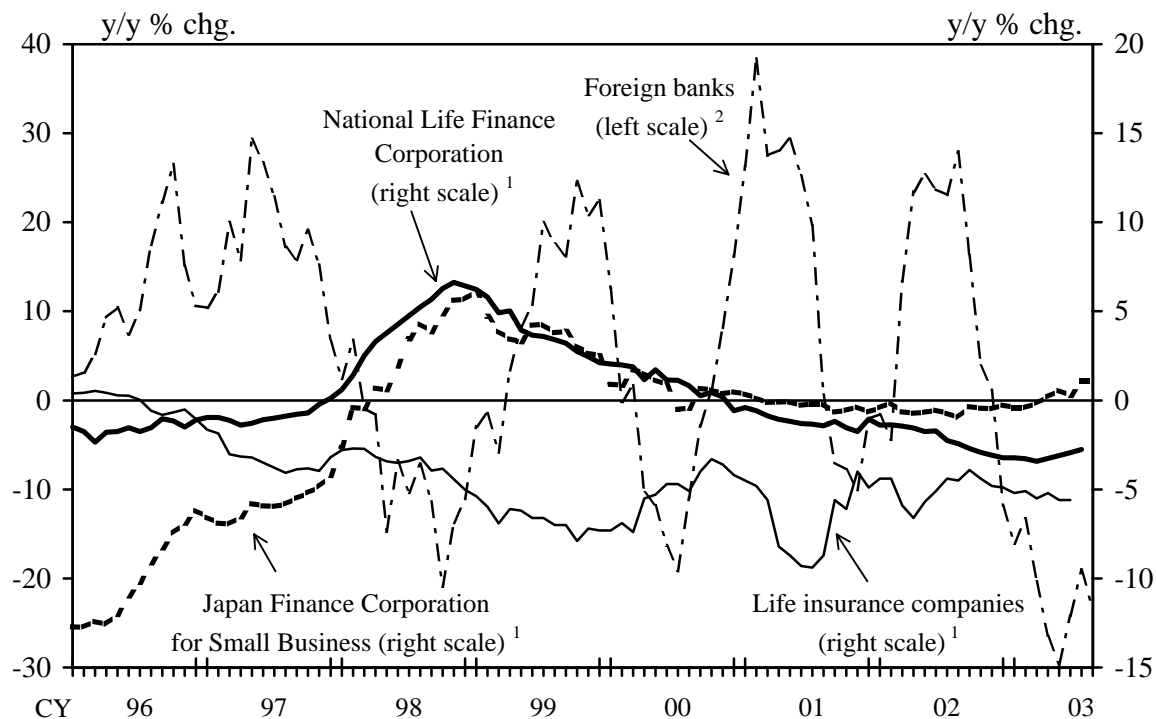


- Notes: 1. Percentage changes from the previous year of the amount outstanding of corporate bonds are estimated figures.
2. The figures are revised; they aim to grasp recent developments in the corporate bond market with more accuracy. Particular attention is paid to the following issues:
(1) consistency in terms of the data coverage.
(2) consistent treatment for bonds issued by banks.
-- the former treatment was not necessarily consistent across bond categories.
(3) realistic treatment of convertible bonds that have been converted into shares.
3. Procedures of the new estimation are summarized as follows:
(1) The sum of straight bonds, convertible bonds, bonds with warrants, and ABSs issued in both domestic and overseas markets is used.
(2) Bonds issued by banks are included.
(3) In calculating the percentage changes from the previous year of the amount outstanding of corporate bonds, the following adjustment is made for the treatment of convertible bonds that have been converted into shares.
Percentage changes from the previous year of the amount outstanding of corporate bonds
= (The amount outstanding of corporate bonds as of this month + The sum of conversion amount over the last 12 months) / The amount outstanding of corporate bonds as of the same month in the previous year
(4) The figure as of the latest month is a preliminary one, using estimates for the amount of the domestically issued private placement bonds, etc.

Sources: Bank of Japan, "Principal Figures of Financial Institutions," "Balance of Payments Monthly"; Japan Securities Dealers Association, "New Issue Volume- Redemption of Bonds," "Bond Issuance Abroad by Japanese," "Kisai-Jouhou (Issuance Information)"; IN Information Center, "Funding Eye."

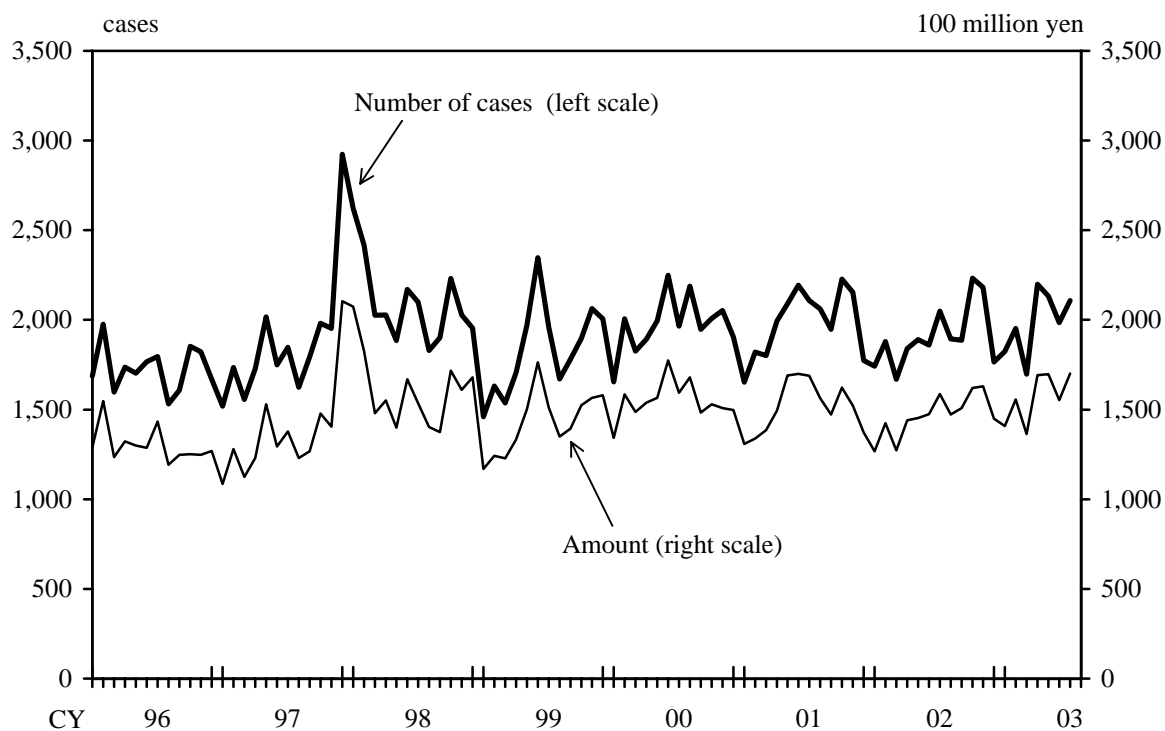
Lending by Other Financial Institutions

(1) Lending Outstanding



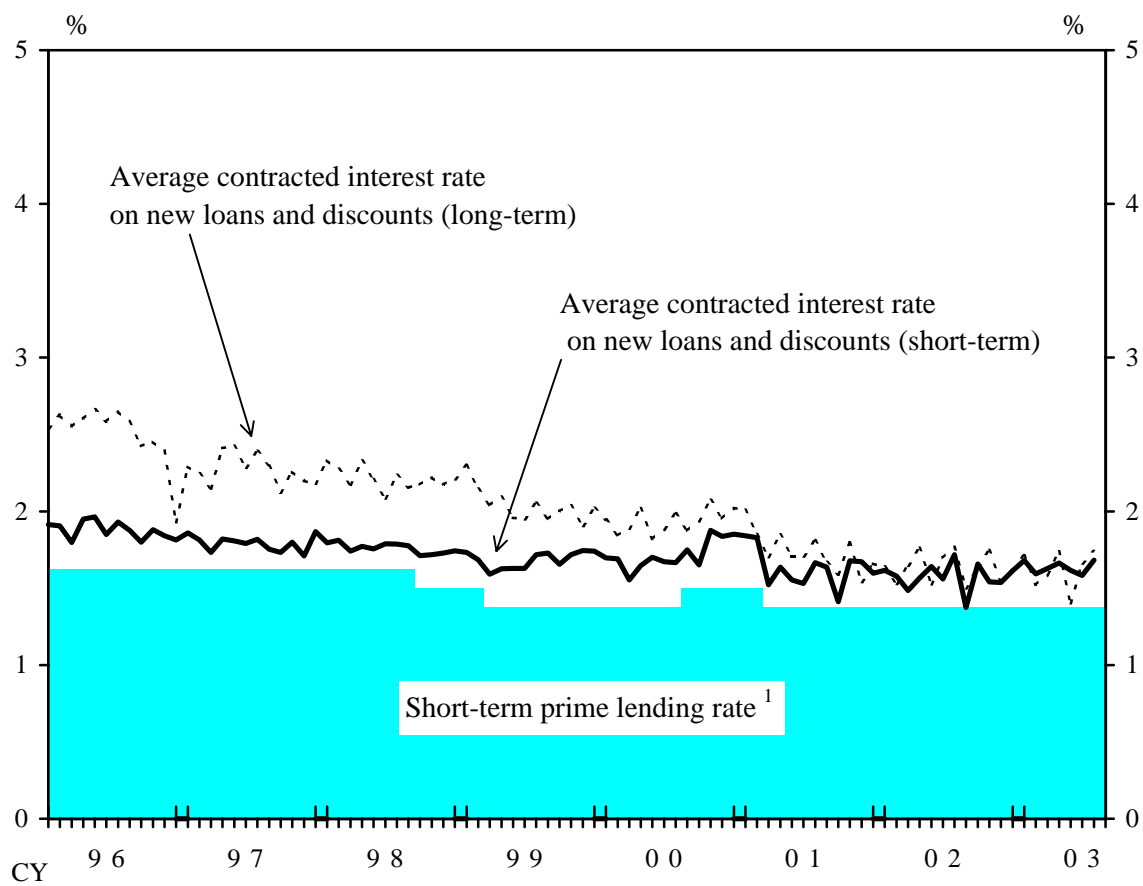
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

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



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

Lending Rates

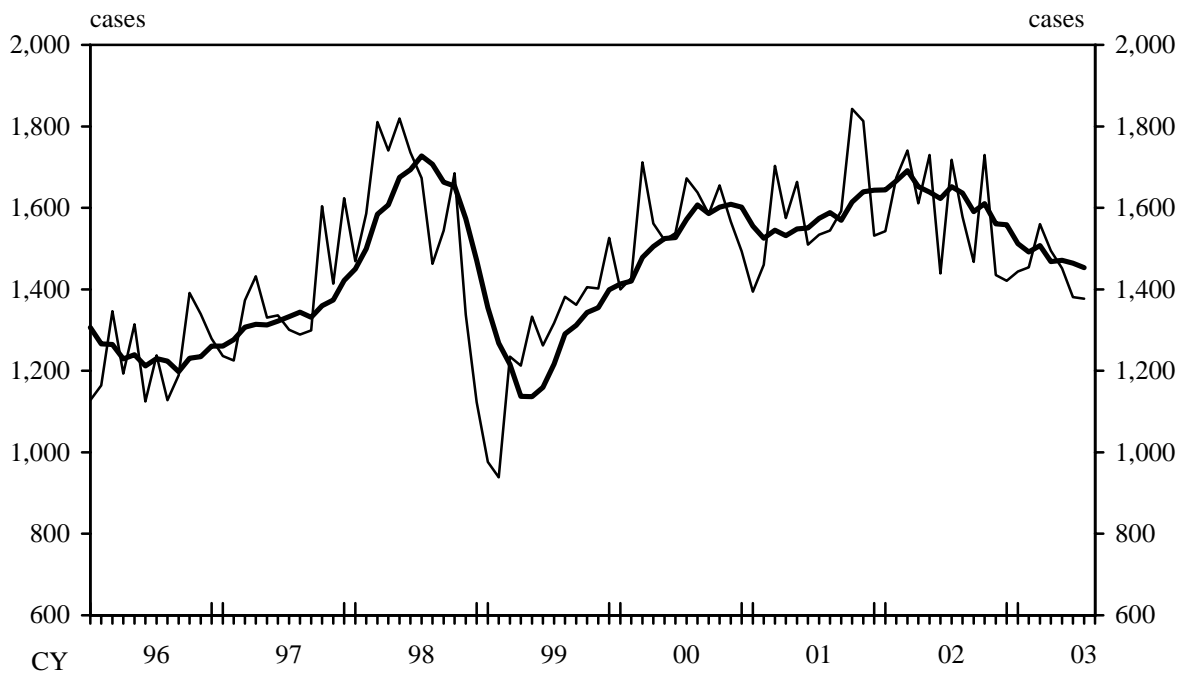


Note: 1. Data are at end of period.

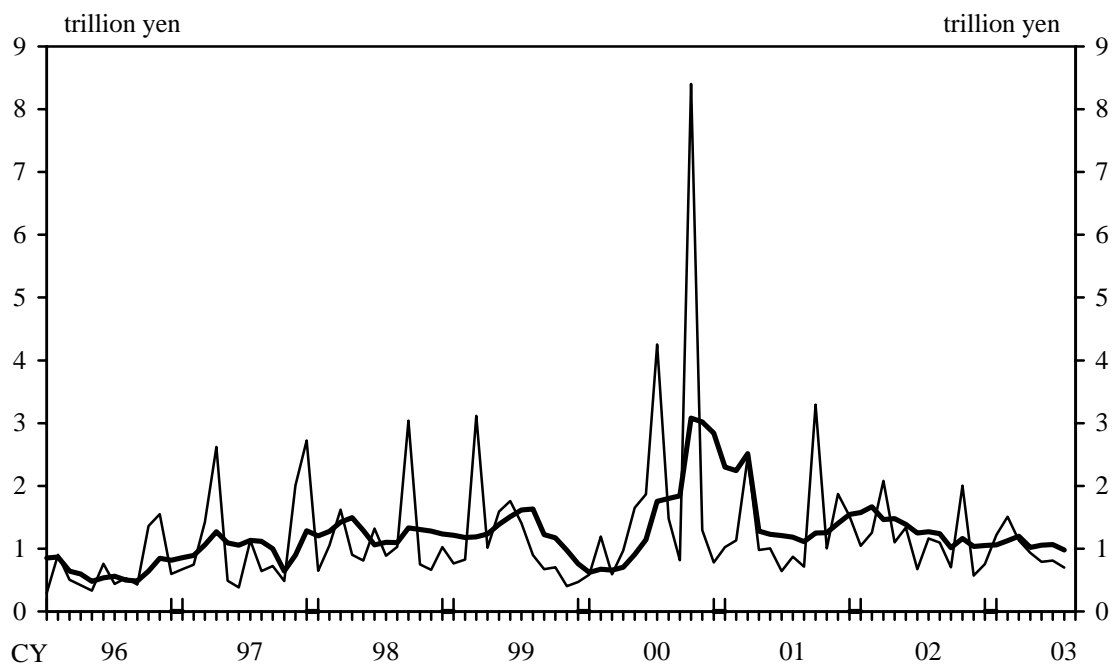
Source: Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

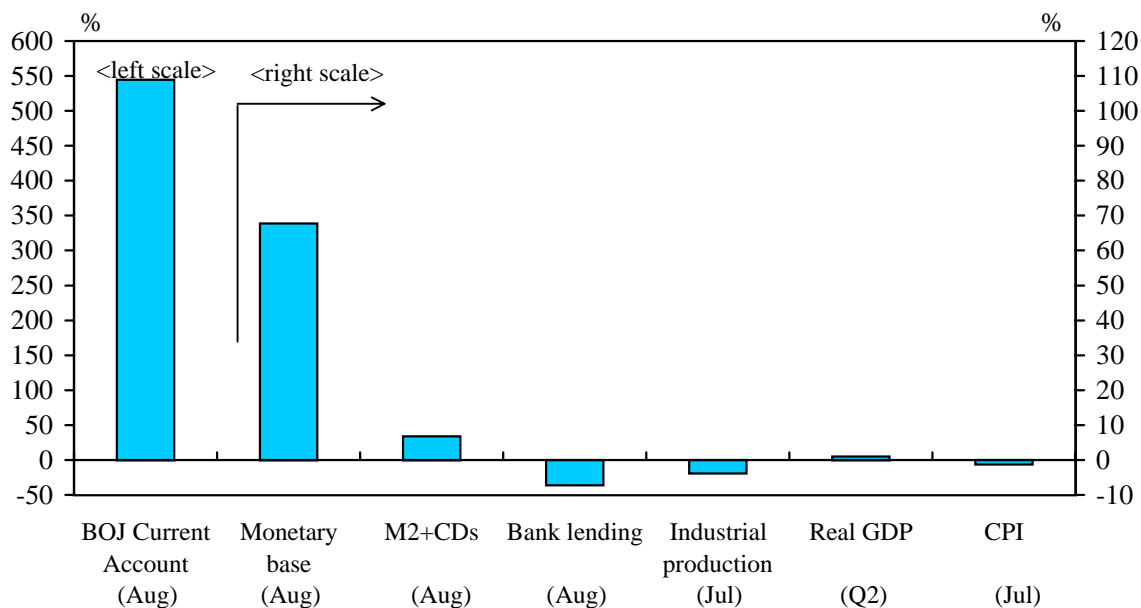


Note: Bold lines are the six-month moving average.

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

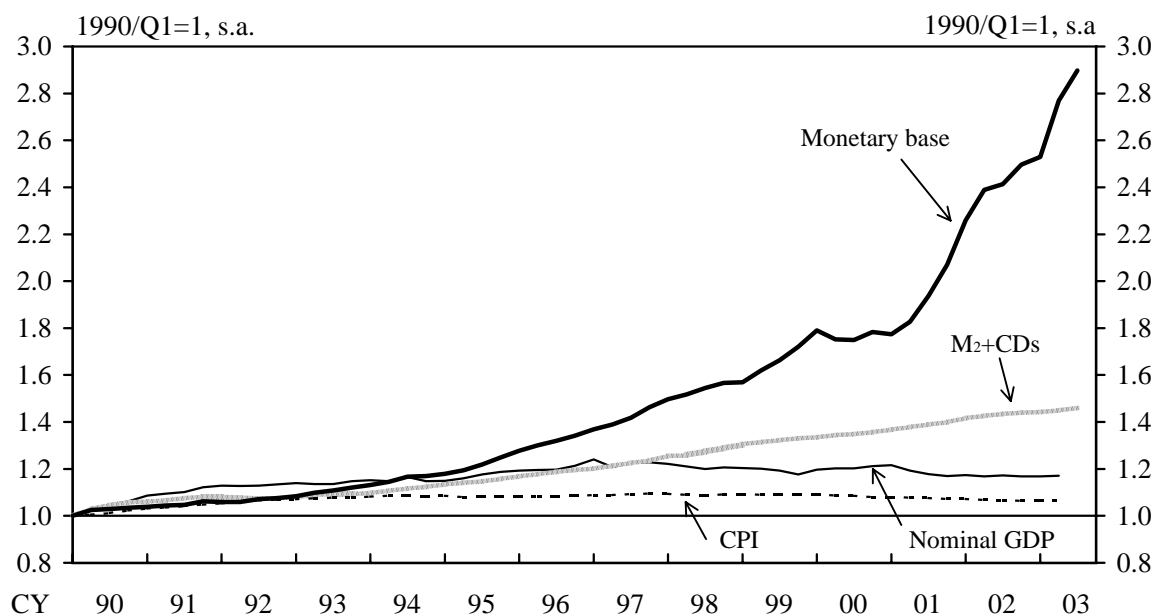
 Monetary Indicators, Economic Activity and Price Development

(1) Changes from March 2001



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

(2) Developments since 1990



- Notes: 1. Figures for monetary base are adjusted for changes in reserve requirement rates.
 2. Figures for CPI exclude fresh food and effects of the change in the consumption tax rate.
 3. Figures for Monetary base and M2+CDs in 2003/Q3 are those of Jul.-Aug. averages.

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.