

October 15, 2003
Bank of Japan

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

(English translation prepared by the Bank staff based on the Japanese original
released on October 14, 2003)

Monthly Report of Recent Economic and Financial Developments¹

October 2003

The Bank's View²

The foundation for a gradual recovery in Japan's economy is being laid, as the environment for exports and business sentiment have improved.

With regard to final demand, housing investment remains sluggish and public investment is declining. Private consumption also continues to be weak. Meanwhile, business fixed investment is recovering gradually and net exports have recently started to increase somewhat.

In response to these developments in final demand, corporate profits are following a moderate uptrend and business sentiment is improving, although industrial production is still basically flat. Meanwhile, the number of employees has stopped falling and the pace of decline in wages is gradually slowing. However, the employment and income situation of households overall still remains severe, as the unemployment rate continues to be high, albeit with some fluctuations.

Turning to the economic outlook, overseas economies are expected to maintain a relatively steady recovery mainly in the United States and in East Asia. Under these circumstances, it is likely that exports will continue to increase and industrial production will 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 the employment and income situation is unlikely to improve markedly. Meanwhile, the recovery trend in business fixed investment is expected to become clearer, mainly

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on October 9 and 10, 2003.

² The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on October 9 and 10, 2003 as the basis for monetary policy decisions.

in large manufacturing firms, whose investment has been thus far significantly restrained despite the recovery in their profits.

Overall, with the recovery in overseas economies, exports and production will increase, which in turn will gradually initiate momentum for an economic recovery in Japan. However, it is expected to take some more time before a self-sustaining recovery in domestic demand gains momentum, given persisting downward pressures from structural adjustments, such as firms' reduction of excess debt and restraint on labor costs. In addition, uncertainty still exists with respect to the outlook for the environment for exports, as the employment situation in the United States continues to be sluggish and the yen exchange rate has been unstable, tending toward appreciation against the U.S. dollar.

On the price front, import prices have stopped declining due to the uptrend in international commodity prices, especially crude oil prices, until this summer. 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. As for consumer prices, the year-on-year rate of decline diminished to 0.1 percent in August due mainly to the special factors, such as the increase in medical treatment costs in April and the rise in tobacco tax in July.

As for the outlook for prices, import prices are projected to head for a decline again due to the recent appreciation of the yen. Meanwhile, domestic corporate goods prices are likely to remain more or less flat for the time being, since there is some time lag for these import price developments to have effects on the domestic prices and also the rate of decline in machinery prices is diminishing. As for consumer prices, although it is possible that the year-on-year decline may stop temporarily in the period ahead due to special factors such as a rise in rice prices, they are basically projected to continue falling gradually, since the supply-demand condition in the macroeconomy still remains considerably loose despite its recent gradual improvement.

As for the financial environment, the outstanding balance of current accounts at the Bank of Japan moved almost at the 29-30 trillion yen level in September, as the Bank provided ample liquidity, but rose to 34.6 trillion yen on September 30 as a result of even more ample liquidity provision by the Bank. Under these circumstances, the overnight call rate moved at around zero percent, except for the temporary rise on September 30. Interest rates on term instruments remained steady on the whole, although TB and FB rates rose from mid to late September. Meanwhile, interest rates on Euroyen futures are declining gradually, although they were at somewhat high levels in September mainly in distant contracts.

Yields on long-term government bonds fluctuated due partly to portfolio adjustments toward the fiscal half year end under the improved outlook for Japan's economy. Recently, they declined slightly partly because investors bought government bonds on dips. The yields are moving at around 1.3 percent. Meanwhile, yield spreads between private bonds (bank bonds and corporate bonds) and government bonds are virtually unchanged on the whole.

Stock prices rose substantially toward mid-September as foreign investors continued to invest in Japanese stocks, but declined toward the end of September due to the rapid appreciation of the yen and growing concern over price adjustments. However, they recovered after the rebound in U.S. stock prices. The Nikkei 225 Stock Average is moving at around 10,500 yen.

In the foreign exchange market, the yen rose sharply as market participants became less sensitive to a possible market intervention around the time of the G-7 meeting and as foreign investors continued to invest in Japanese stocks. The yen is currently traded in the range of 109-111 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 loans. 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 still seem to be taking a wait-and-see attitude 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 CP issued is above the previous year's level. The amount outstanding of corporate bonds issued is around the previous year's level.

Meanwhile, according to business surveys, the 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 is around 2 percent.

Funding costs for firms continue to be at extremely low levels on the whole, although corporate bond issuance rates are increasing slightly reflecting the rise in long-term interest rates.

Against the above background, the financial developments are summarized as follows. Money market conditions continue to be extremely easy. Meanwhile, long-term interest rates are at a slightly lower level than last month. Stock prices are basically around the same level as last month. 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 the funding environment for firms, particularly for 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—follows a downtrend. The turnover in public construction, which reflects the actual progress of public works, is also trending downward. Public investment is projected to continue declining, with cutbacks in public works expenditures for fiscal 2003.

Real exports had been more or less flat until the second quarter, but inched up in July-August from the second quarter (Charts 4[1] and 5). Looking at the movements in July-August by region (Chart 5[1]), exports to the United States declined mainly in automobile-related goods and consumer goods. On the other hand, as for exports to East Asia, while those to China continued to rise, those to NIEs—which had dropped in the second quarter due mainly to the effects of the epidemic of severe acute respiratory syndrome (SARS)—showed a clear recovery. By goods (Chart 5[2]), exports of automobile-related goods continued to decline, reflecting inventory adjustment in the United States and increasing overseas production lines by Japanese car makers (Chart 6[3]). In contrast, exports of capital goods and parts including semiconductor fabrication machines and equipment, and those of IT-related goods such as electronic parts, accelerated mainly among those to East Asia, assisted by the recovery in global IT-related demand (Charts 6[1] and 7).

Real imports have been virtually flat on average; they had increased slightly in the second quarter, but inched down in July-August from the second quarter (Charts 4[1] and 8). By goods (Chart 8[2]), imports of materials such as crude oil had remained high in the second quarter due to the demand for thermal power generation in response to the shutdown of several nuclear power plants, but decreased in July-August as the operations of those plants restarted. Meanwhile, imports of IT-related goods and those of capital goods and parts (excluding aircraft) followed an uptrend, mainly from structural factors such as the progress in the international division of labor between Japan and East Asia, including China.

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 are recently increasing somewhat. Meanwhile, the surplus of the nominal balance on goods and services had risen in the first half of this year, reflecting the diminishing deficits in travel and transportation caused by the slump in overseas travel, but the increase has come to a halt just recently.

As for the outlook for exports, overseas economies are expected to maintain a relatively steady recovery mainly in the United States and East Asia (Chart 9-1[2]). In fact, in the United States, private consumption has been steady, supported by the policy effects of large-scale tax cuts, and IT-related investment has also been increasing (Chart 9-2[2]). Moreover, the East Asian economies are resuming a growth trend, 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 continue increasing in the period ahead, reflecting the recovery in overseas economies. Uncertainty still exists, however, with respect to the outlook for the environment for exports, as the employment situation in the United States continues to be sluggish and the yen exchange rate has been unstable, appreciating somewhat rapidly against the U.S. dollar since late September (Chart 9-1[1]).

Meanwhile, imports are projected to increase mildly, mainly in IT-related goods and in capital goods and parts from East Asia, with the gradual rise in domestic production mentioned below.

Business fixed investment is recovering gradually. Shipments of capital goods (excluding transport equipment; Chart 10-1[1]), a coincident indicator of machinery investment, are considered to be flat or on a slight uptrend with the

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.

fluctuations smoothed out.⁴ Moreover, machinery orders (private demand, excluding shipbuilding and orders from electric power companies; Chart 10-2[1]), a leading indicator of business fixed investment, followed a gradual uptrend. However, construction starts (floor area, private, nondwelling use; Chart 10-2[2]), another leading indicator, remained more or less flat.

As for the environment surrounding business fixed investment, corporate profits are on a gradual rising trend. According to business plans in the Bank of Japan's *Tankan*—Short-term Economic Survey of Enterprises—of September 2003 (Chart 11), current profits for manufacturing firms were projected to display a double-digit increase for two consecutive years on a year-on-year basis.⁵ Meanwhile, current profits for nonmanufacturing firms were projected to continue recovering, albeit moderately compared to those in manufacturing firms. With the continuous recovery trend in corporate profits, business sentiment of firms turned positive among large manufacturing firms for the first time since the December 2000 survey (Chart 12), and that of both small manufacturing and nonmanufacturing firms also improved moderately. Meanwhile, with regard to corporate finance (Chart 13), the financial position of firms and the lending attitude of financial institutions both perceived by firms—including small firms—improved slightly. However, as for the levels, they remained severe for small firms.

Regarding the outlook for business fixed investment based on the above developments, the recovery trend is expected to become clearer, mainly in large manufacturing firms, whose investment has been thus far significantly restrained despite the recovery in their profits. In fact, regarding business fixed investment plans for fiscal 2003 in the September *Tankan* (Chart 14), investment by large manufacturing firms was projected to show a double-digit increase on a year-on-year basis, as their investment had been so far restrained considerably while their profits

⁴ As for trucks, which are excluded here from shipments of capital goods, strong replacement demand continues as emissions controls have become stricter from October this year.

⁵ Business plans of large manufacturing firms in the September *Tankan* anticipate the yen's exchange rate for the second half of fiscal 2003 to be 117.53 against the U.S. dollar, and so basically do not incorporate the appreciation of the yen against the U.S. dollar since late September. However, it seems that an increase in their profits would be sufficiently maintained even assuming that the yen exchange rate is around the 110 level, which is observed recently.

had continued to recover since last year. Investment by large nonmanufacturing firms was projected to stop declining. Investment plans of small firms were in line with the past averages for this time of the year and remained solid on the whole, although they lacked strength. However, firms perceive that excess capacities persist, although this view is gradually lessening (Chart 10-1[2]). Also, the mid-term growth rate expected by firms is still considered to be low, and hence firms are likely to maintain their cautious investment stance relative to their cash flow.

Private consumption continues to be weak. Many consumption-related indicators displayed a decrease in July-August from the second quarter due mainly to the cool summer this year, but in August alone, they showed a considerable recovery from the slump in July (Charts 15-1 and 15-2). In detail, the number of new passenger-car registrations in September was firm particularly for subcompact passenger cars. Sales of household electrical appliances (NEBA statistics; in real terms) in August increased substantially as a whole. This was because sales of digital home appliances (digital cameras, flat-panel displays, and DVDs) were favorable and also those of air conditioners and refrigerators, which had plunged in July, picked up in August. Meanwhile, sales at department stores dropped only marginally in July-August since sales of some accessories such as designer-brand goods were solid, although those of foodstuffs and summer apparel were lackluster as a whole. In contrast, sales at supermarkets fell rather substantially in July-August, as the cool summer significantly affected sales of beverages and summer apparel. Sales at convenience stores were also sluggish in July-August since the cool summer had a negative impact on beverages and also in reaction to a demand rush for cigarettes that occurred ahead of the rise in tobacco tax. Regarding services consumption, sales in the food services industry plunged in July and in August from slow customer traffic due to the cool summer as well. On the other hand, outlays for travel, which had been in a slump since this spring, showed some recovery in July reflecting the containment of the SARS epidemic.

The weakness in indices of aggregated sales (in real terms; Chart 15-3)⁶—which are comprised of many sales indicators of these goods and

⁶ The indices of aggregated sales are compiled by the weighted average of various sales indicators, including a few indicators for services consumption. Since each sales indicator shows

services—has recently become somewhat noticeable on average, although they inched up in August alone. Aggregate supply of consumer goods (Chart 15-4), which comprehensively captures producers' supply of goods, plunged in July-August after they had continued a very mild increase through the second quarter.

Indicators for consumer sentiment (Chart 16), which had been on a downtrend on the whole until early spring, are recently picking up, along with the steady movements in stock prices.

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

Housing investment continues to be sluggish. Housing starts decreased in July and in August, in reaction to the rise in June due to temporary factors (Chart 17[1]).⁷ 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 still continues to be basically flat (Chart 18[1]). It inched down in August, induced by the decrease in production of air conditioners and cans for beverages due to the cool summer and also by temporary fluctuations in general machinery. On the other hand, as for such products as digital home appliances, which have faced favorable demand, the restraint on production due to the shortage of electronic parts is waning.

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 15-3.

⁷ 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 needed to be started by around this summer. Moreover, the Amended Building Standard Law, which imposes more stringent regulations for the so-called "sick house" (allergies to chemical substances of building materials) issues, has been applied to constructions starts from July 1. The increase in construction starts in June also seemed to be affected somewhat by a demand rush ahead of the implementation of this law to avoid a resulting hike in construction costs.

Inventories are virtually flat at low levels (Charts 18[1] and 20). This indicates that adjustment pressure on inventories has hardly accumulated since firms have maintained their cautious stance on production.

Under these circumstances, industrial production is likely to turn up gradually, due mainly to the increase in exports.⁸ Also, based on anecdotal information obtained from firms, even though firms basically maintain their cautious stance on production, it is becoming a widely-shared view that production is going to turn up gradually in the near future, as there have been some improvements in orders, mainly in electronic parts.

As for the employment and income situation, the ratio of job offers to applicants and the number of new job offers continue a gradual uptrend (Chart 22-1[2]). Also, the number of regular employees in the *Monthly Labour Survey* kept declining, but the current year-on-year rate of decline has diminished marginally (Chart 22-2[2]). The total number of employees in the *Labour Force Survey*, including both regular and non-regular employees, was hovering around zero percent on a year-on-year basis with the fluctuations smoothed out, although it registered a year-on-year decline in August alone (Chart 22-2[1]). Meanwhile, the pace of decline in wages is slowing (Chart 21). Also, the September *Tankan* showed that the excessiveness of employment perceived by firms has been receding, albeit gradually (Chart 23). However, employment and wages show few signs of picking up, and the unemployment rate continues to be high with some fluctuations. Based on these factors, the employment and income situation of households overall still remains severe.

As for nominal wages per employee (Chart 21[2]), overtime payments continued a slight year-on-year increase and the decline in regular payments has almost come to a halt. The pace of decline in bonuses has also slowed, reflecting the recovery in corporate profits. In this respect, special cash earnings had been

⁸ By simply combining actual production in July-August with the growth rate of the production forecast index for September, industrial production is calculated to rise by 1.1 percent in the third quarter from the previous quarter. Also, the production forecast index for October shows an increase of 1.4 percent from September.

declining substantially until last winter, but the rate of decline diminished this summer (June-August; August figures are preliminary) to around zero percent on a year-on-year basis.

Meanwhile, the unemployment rate dropped in August alone (Chart 22-1[1]), but this can be regarded as a mere fluctuation, since the number of employed persons also decreased in the same month, which is an irregular movement. With these fluctuations smoothed out, the unemployment rate has still been high. The number of those involuntarily unemployed also remained high (Chart 22-1[3]).

As for the outlook, improvement in the employment and income situation will become distinct if production resumes its uptrend and corporate profits continue to recover. However, production is expected to increase only gradually for the time being. Moreover, the loose supply and demand condition in the overall labor market still enables firms to restrain labor costs, for instance, through the use of part-time workers and outsourcing. 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 (Chart 25[2]), 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 until this summer (Charts 25[1] and [3]).

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 26). Recently, however, with the effects of the decline in import prices on the wane, the rise in tobacco tax in July also exerted an upward influence on the domestic

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.

prices, and the rate of decrease in machinery prices diminished marginally. Therefore, domestic corporate goods prices were virtually flat in August.

Corporate services prices (domestic supply-demand factors; same hereafter) continue to decline at slightly over 1 percent on a year-on-year basis, although there are monthly fluctuations (Chart 27).

The year-on-year rate of decline in consumer prices (excluding fresh food; same hereafter) diminished, largely due to the special factors such as the increase in medical costs in April and the rise in tobacco tax in July (Chart 28). Consumer prices declined by 0.2 percent in July and 0.1 percent in August on a year-on-year basis.

As for land prices in the *Prefectural Land Price Survey* (Chart 31), prices of both commercial and residential land continued to decline. By region, the rate of decline in commercial land in the three major urban areas including the Tokyo area has been diminishing, while the rate of decline in both commercial and residential land in other areas has been expanding.

As for the outlook for prices, import prices are projected to head for a decline again due to the recent appreciation of the yen. On the other hand, the domestic supply-demand conditions in terms of the September *Tankan* continued to be considerably loose as a whole, but are on a very gradual recovery trend (Chart 30). The supply and demand conditions for products and services perceived by firms also continued to improve gradually, particularly for manufacturing firms. The operating level in the domestic economy, measured by the weighted average of the excessiveness in both production capacity and employment perceived by firms, seemed to be rising somewhat. As for the change in output prices perceived by firms, downward pressure still remains substantial, but it has been easing somewhat in both manufacturing and nonmanufacturing firms.

Based on these developments, with regard to the outlook for domestic corporate goods prices for the time being, the decline in import prices is expected to have effects on the domestic prices with some time lag, while the rate of decline in

machinery prices has been diminishing, and prices of rice may increase due to the cool summer. Reflecting these mixed factors, domestic corporate goods prices are likely to remain more or less flat for the time being.

As for the outlook for consumer prices, low-pricing strategies of firms are unlikely to change significantly in either aggressive or passive ways for the time being. Under these circumstances, as for consumer prices, although it is possible that the year-on-year decline may stop temporarily in the period ahead due to special factors such as the rise in rice prices, they are basically projected to continue falling gradually, since the supply-demand condition in the macroeconomy still remains considerably loose despite its recent gradual improvement.

3. Financial Developments

(1) Financial Markets

The outstanding balance of current accounts at the Bank of Japan moved almost at the 29-30 trillion yen level in September, as the Bank provided ample liquidity, but rose to 34.6 trillion yen on September 30 as a result of even more ample liquidity provision by the Bank (Chart 34).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 32[1]) moved at around zero percent, except for the temporary rise on September 30. Interest rates on term instruments (Chart 33[1]) remained steady on the whole, although TB and FB rates rose from mid to late September. Under these circumstances, interest rates on Euroyen futures (Chart 33[2]) are declining gradually, although they were at somewhat high levels in September mainly in distant contracts.

In the government bond market, yields on 10-year government bonds (newly issued 10-year JGB; Chart 32[2]) fluctuated due partly to portfolio adjustments toward the fiscal half year end under the improved outlook for Japan's economy. Recently, they declined slightly partly because investors bought government bonds on dips. The yields are moving at around 1.3 percent.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 36 and 37) are virtually unchanged on the whole, with some fluctuations in bank bonds. The fluctuations were due mainly to investors' profit-taking reflecting the rather high liquidity.

Stock prices (Chart 38) rose substantially toward mid-September as foreign investors continued to invest in Japanese stocks, but declined toward the end of September due to the rapid appreciation of the yen and growing concern over price adjustments. However, they recovered after the rebound in U.S. stock prices. The Nikkei 225 Stock Average is moving at around 10,500 yen.

In the foreign exchange market (Chart 39), the yen rose sharply as market participants became less sensitive to a possible market intervention by the Japanese monetary authority around the time of the G-7 meeting and as foreign investors continued to invest in Japanese stocks. The yen is currently traded in the range of 109-111 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 20.4 percent in July, 20.5 percent in August, and 20.9 percent in September; Chart 40.)

The year-on-year growth rate of the money stock (M_2 + CDs) is around 2 percent. (The year-on-year change was 1.8 percent in July, 2.0 percent in August, and 1.8 percent in September; Chart 41.) As for the fourth quarter, the year-on-year growth rate is projected to remain around 2 percent, as there seem to be no substantial changes in credit demand of private firms.

In terms of the ratio to nominal GDP, 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 loans. 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 still seem to be taking a wait-and-see attitude 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 factors¹⁰), 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 July, -2.0 percent in August, and -1.9 percent in September; Chart 42.) The amount outstanding of CP issued is above the previous year's level (Chart 44). The amount outstanding of corporate bonds issued is around the previous year's level.

Funding costs for firms continue to be at extremely low levels on the whole, although corporate bond issuance rates are increasing slightly reflecting the rise in long-term interest rates. The average contracted interest rates on new loans and discounts, with the monthly fluctuations averaged, are more or less unchanged (Chart 46). The long-term prime lending rate was lowered by 0.20 percent to 1.65 percent

¹⁰ 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.

on October 10. In the capital market, CP issuance rates continue to be at low levels. Corporate bond issuance rates are recently increasing slightly.

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

The number of corporate bankruptcies in August declined by 19.8 percent year-on-year, to 1,266 cases (Chart 47).

Against the above background, the financial developments are summarized as follows. Money market conditions continue to be extremely easy. Meanwhile, long-term interest rates are at a slightly lower level than last month. Stock prices are basically around the same level as last month. 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 the funding environment for firms, particularly for 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.

Charts

Chart 1	Main Economic Indicators
Chart 2	Real GDP
Chart 3	Public Investment
Chart 4	External Balance
Chart 5	Real Exports
Chart 6	Real Exports breakdown by goods
Chart 7	Exports and Imports of IT-related goods
Chart 8	Real Imports
Chart 9	Environment for Exports
Chart 10	Indicators for Business Fixed Investment
Chart 11	Current Profits
Chart 12	Business Conditions
Chart 13	Corporate Finance-Related Indicators
Chart 14	Business Fixed Investment Plans as Surveyed
Chart 15	Indicators for Private Consumption
Chart 16	Consumer Confidence
Chart 17	Indicators for Housing Investment
Chart 18	Production, Shipments, and Inventories
Chart 19	Shipments breakdown by type of goods
Chart 20	Inventory Cycle
Chart 21	Compensation of Employees
Chart 22	Labor Market
Chart 23	Employment Conditions
Chart 24	Prices
Chart 25	Import Prices and International Commodity Prices
Chart 26	Domestic Corporate Goods Price Index
Chart 27	Corporate Service Price Index
Chart 28	Consumer Price Index (excluding fresh food)
Chart 29	Consumer Prices of imported goods and their substitutes
Chart 30	Domestic Supply and Demand Conditions
Chart 31	Land Prices
Chart 32	Interest Rates
Chart 33	Short-Term Money Market Rates
Chart 34	Current Account Balances at the Bank of Japan
Chart 35	Implied Forward Rates (1-year)
Chart 36	Yields of Bank Bonds
Chart 37	Yields of Corporate Bonds
Chart 38	Stock Prices
Chart 39	Exchange Rates
Chart 40	Monetary Base
Chart 41	Money Stock (M1, M2+CDs, Broadly-Defined Liquidity)
Chart 42	Lending by Domestic Commercial Banks
Chart 43	Lending Attitude of Financial Institutions as Perceived by Small Enterprises
Chart 44	Private-Sector Fund-Raising in the Capital Markets
Chart 45	Lending by Other Financial Institutions
Chart 46	Lending Rates
Chart 47	Corporate Bankruptcies
Chart 48	Monetary Indicators, Economic Activity and Price Development

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2003/Q1	Q2	Q3	2003/Jun.	Jul.	Aug.	Sep.
Index of living expenditure level (all households)	-0.7	0.9	n.a.	5.1	-5.5	4.4	n.a.
Sales at department stores	-0.3	-1.6	n.a.	1.8	-1.7	0.2	n.a.
Sales at supermarkets	-0.7	-1.4	n.a.	-0.8	-3.6	1.5	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	<335>	<306>	<314>	<303>	<310>	<309>	<322>
Sales of household electrical appliances (real, NEBA)	4.5	3.7	n.a.	-0.9	-7.8	16.1	n.a.
Outlays for travel (50 major travel agencies)	-3.4	-17.9	n.a.	0.9	10.0	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	<115>	<120>	<n.a.>	<127>	<116>	<106>	<n.a.>
Machinery orders (from private sector ⁴)	5.8	3.4	n.a.	2.4	-3.1	-4.3	n.a.
Manufacturing	5.4	8.6	n.a.	-0.8	-6.8	-5.7	n.a.
Nonmanufacturing ⁴	5.1	1.3	n.a.	4.6	-0.5	-2.9	n.a.
Construction Starts (private, nondwelling use)	-2.2	4.0	n.a.	0.5	-7.9	8.1	n.a.
Mining & manufacturing	-4.9	0.3	n.a.	39.2	-18.9	-0.3	n.a.
Nonmanufacturing ⁵	-0.3	3.0	n.a.	-3.9	-6.6	9.9	n.a.
Value of public works contracted	-3.1	-5.6	n.a.	5.0	4.6	-7.2	n.a.
Real exports	-0.8	-0.2	n.a.	-3.2	2.0	2.4	n.a.
Real imports	0.2	1.9	n.a.	1.9	-1.2	-2.1	n.a.
Industrial production	0.3	-0.7	n.a.	-1.3	0.5	p -0.5	n.a.
Shipments	0.5	0.2	n.a.	-0.5	-1.0	p 0.5	n.a.
Inventories	-1.5	-0.6	n.a.	-0.9	1.3	p -1.0	n.a.
Inventory Ratio <s.a., CY 2000=100>	<99.9>	<98.1>	<n.a.>	<98.1>	<99.3>	<p 99.9>	<n.a.>
Real GDP	0.6	1.0	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.6	0.1	n.a.	0.8	-1.5	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2003/Q1	Q2	Q3	2003/Jun.	Jul.	Aug.	Sep.
Ratio of job offers to applicants <s.a., times>	<0.60>	<0.61>	<n.a.>	<0.61>	<0.62>	<0.63>	<n.a.>
Unemployment rate <s.a., %>	<5.4>	<5.4>	<n.a.>	<5.3>	<5.3>	<5.1>	<n.a.>
Overtime working hours ⁶	6.5	4.7	n.a.	4.4	4.3	p 3.3	n.a.
Number of employees	-0.1	0.3	n.a.	0.5	0.1	-0.3	n.a.
Number of regular employees ⁶	-0.6	-0.6	n.a.	-0.6	-0.6	p -0.4	n.a.
Nominal wages per person ⁶	-0.7	1.1	n.a.	2.5	-1.9	p -2.0	n.a.
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	-0.9 <0.0>	-1.0 <-0.3>	n.a. <n.a.>	-1.1 <-0.6>	-0.7 <-0.4>	p -0.6 <p 0.0>	n.a. <n.a.>
Consumer price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-0.7 <-0.1>	-0.4 <0.1>	n.a. <n.a.>	-0.4 <0.0>	-0.2 <0.1>	-0.1 <0.1>	n.a. <n.a.>
Corporate service price index ⁹ <s.a., q/q % chg.> (3-month growth rate)	-0.9 <-0.2>	-1.2 <-0.5>	n.a. <n.a.>	-1.2 <-0.6>	-1.3 <-0.3>	-1.1 <-0.2>	n.a. <n.a.>
Monetary aggregates (M2+CDs) <average outstanding, y/y % chg.>	1.9	1.6	1.8	1.8	1.8	2.0	1.8
Number of suspension of transactions with banks	-21.7	-15.4	n.a.	-14.0	-31.9	-27.6	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.

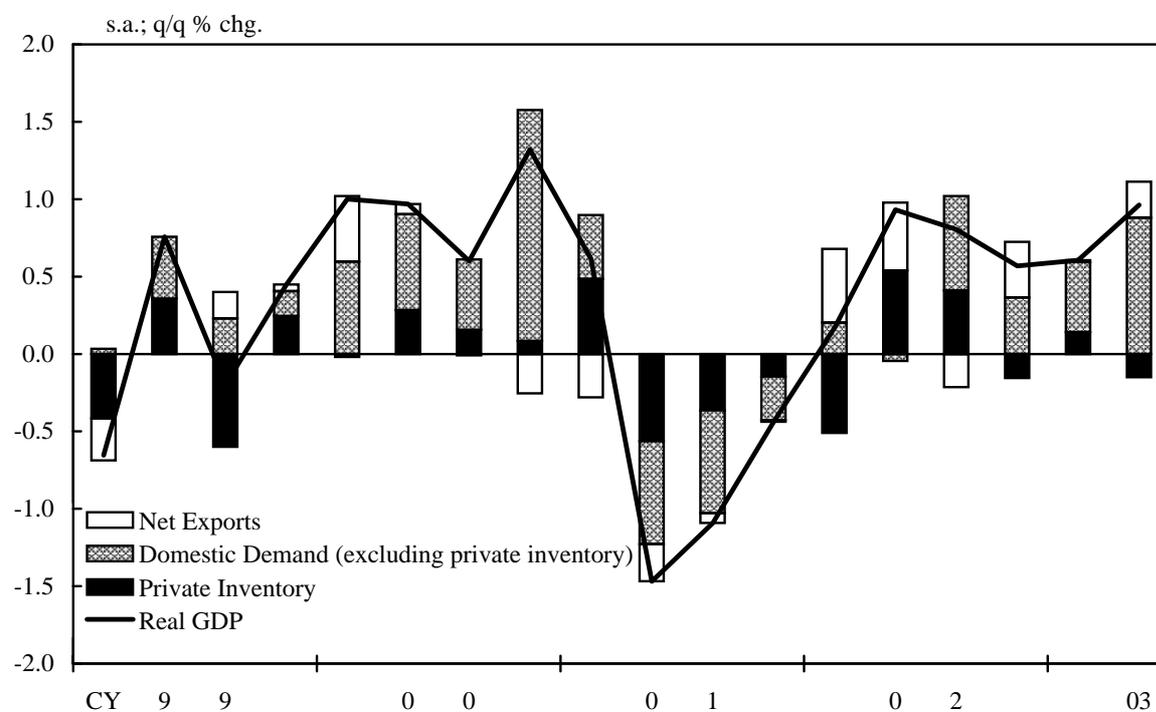
All figures in chart 1-2 except figures in angle brackets are year on year change. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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.

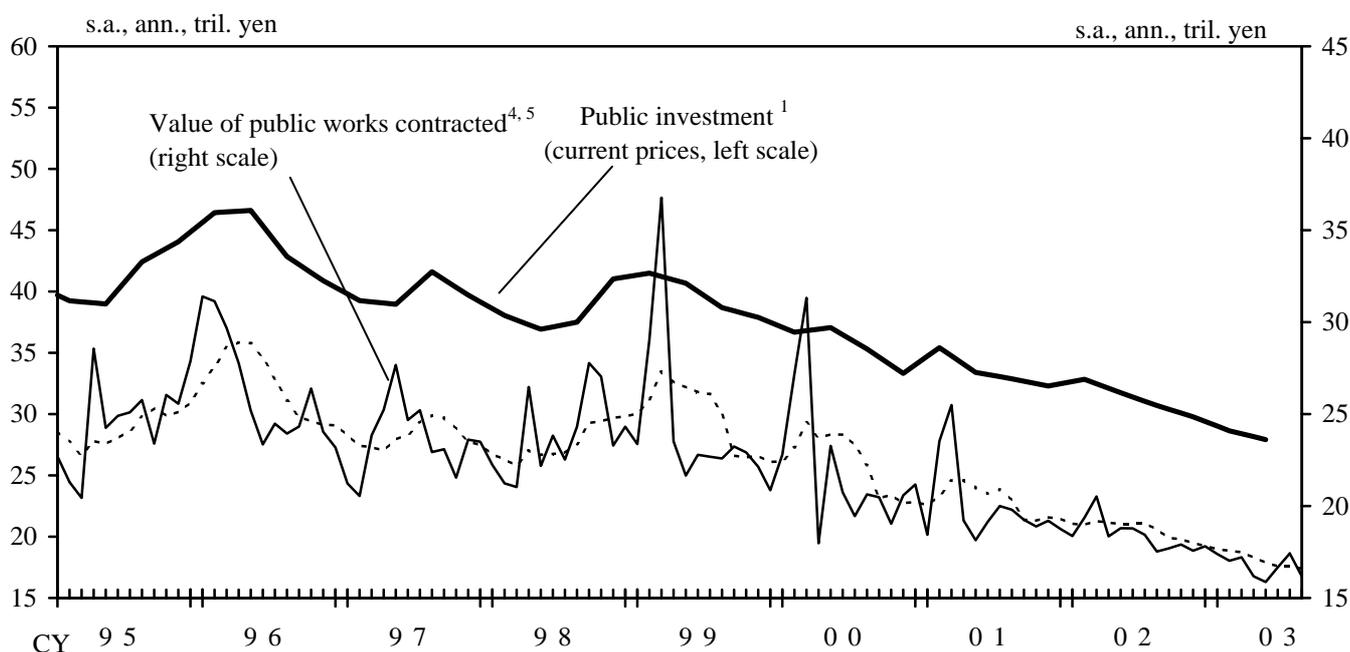
	2002			2003	
	Q2	Q3	Q4	Q1	Q2
Real GDP	0.9	0.8	0.6	0.6	1.0
Domestic Demand	0.5	1.0	0.2	0.6	0.8
Private Consumption	0.2	0.7	0.0	0.4	0.4
Non-Resi. Investment	-0.2	1.9	3.5	2.5	4.7
Residential Investment	-0.4	-0.1	-0.8	-1.0	-0.3
Private Inventory	(0.5)	(0.4)	(-0.2)	(0.1)	(-0.2)
Public Demand	-0.6	-0.2	-0.7	-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.

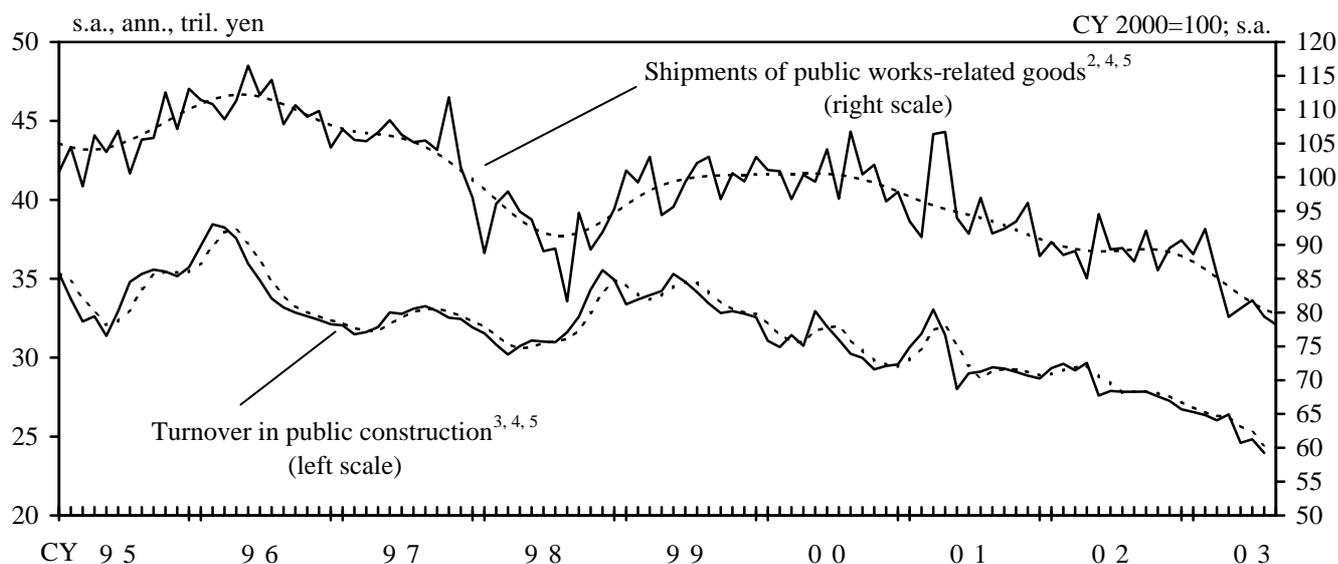
Source: Cabinet Office, "National Accounts."

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." 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";

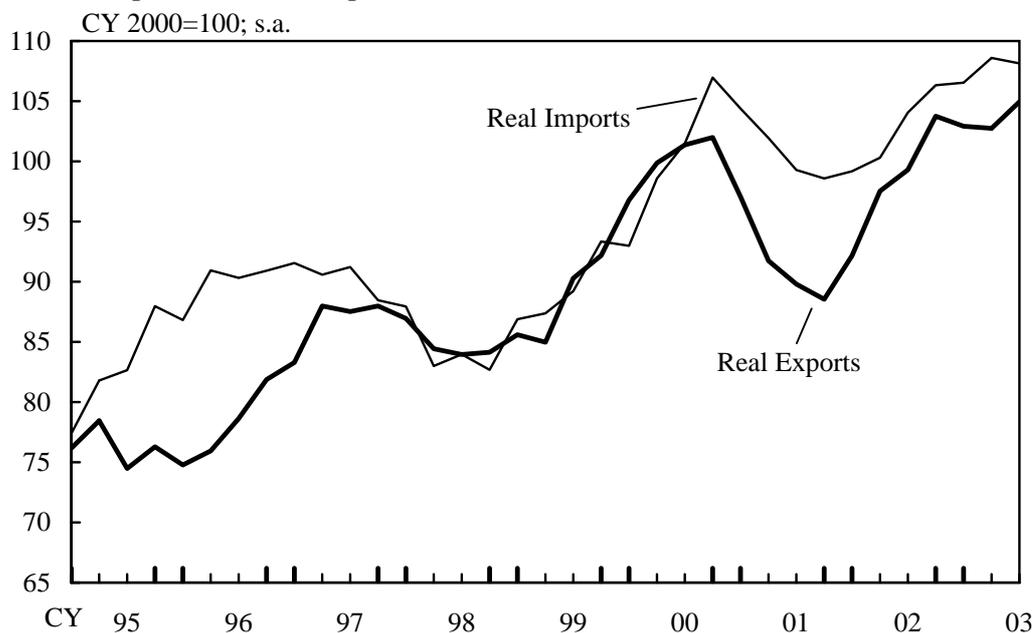
East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";

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

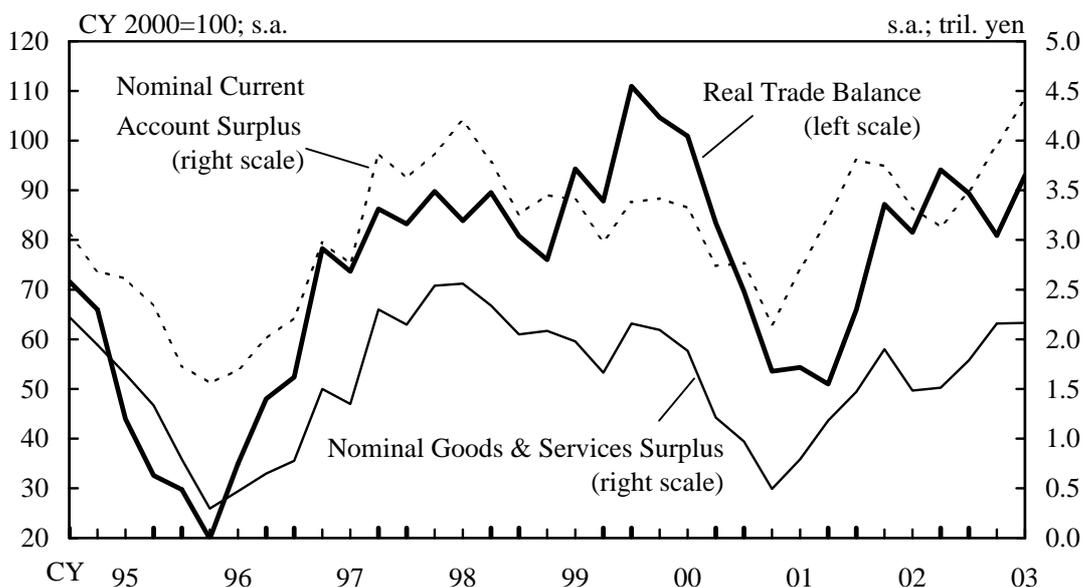
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

 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.
 3. Balance of payments data up to 1995/Q4 are from old basis. 2003/Q3 figures are Jul.-Aug. averages 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 Jun.	2003 Jul.	2003 Aug.
United States	<28.5>	-7.7	1.4	-0.1	3.4	-9.9	0.9	-3.4	-7.2	-0.6	-0.6
EU	<14.7>	-10.1	-0.0	4.8	1.4	6.3	0.1	-0.8	-0.5	-1.6	-0.0
East Asia	<41.5>	-9.0	17.5	3.8	3.4	7.9	-2.5	5.9	-1.7	2.7	6.4
China	<9.6>	12.4	35.5	10.2	3.3	21.7	0.7	7.0	-3.6	3.2	9.3
NIEs	<22.7>	-15.2	14.4	2.4	4.4	4.5	-5.2	7.1	-0.5	2.5	6.9
Korea	<6.9>	-8.4	19.1	4.3	6.2	7.7	-8.2	7.5	0.9	5.3	2.2
Taiwan	<6.3>	-25.3	14.6	2.4	2.1	4.9	-6.3	8.3	-0.9	1.6	12.8
ASEAN4 ³	<9.3>	-7.8	10.2	1.1	1.0	2.1	0.2	1.9	-2.3	2.6	1.4
Thailand	<3.2>	-3.6	16.5	8.0	4.0	0.2	2.5	5.1	-4.0	4.1	1.1
Real exports		-8.6	7.2	1.8	4.5	-0.8	-0.2	2.1	-3.2	2.0	2.4

(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 Jun.	2003 Jul.	2003 Aug.
Intermediate goods	<15.3>	-3.2	8.8	0.9	-2.4	4.3	0.2	-0.8	-5.6	2.4	-0.2
Motor vehicles and their related goods	<24.3>	-1.8	12.7	0.1	5.0	-1.3	-5.3	-3.2	-1.8	-4.1	1.2
Consumer goods ⁴	<7.1>	-4.8	7.9	1.0	10.6	0.4	0.9	-4.6	-5.1	-4.1	4.9
IT-related goods ⁵	<14.8>	-10.5	0.3	6.0	3.0	-3.9	3.0	8.2	-3.7	4.8	8.6
Capital goods and parts ⁶	<27.3>	-14.6	7.8	3.8	5.2	1.9	1.5	4.8	-0.8	3.9	0.8
Real exports		-8.6	7.2	1.8	4.5	-0.8	-0.2	2.1	-3.2	2.0	2.4

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2003/Q3 figures are Jul.-Aug. 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.

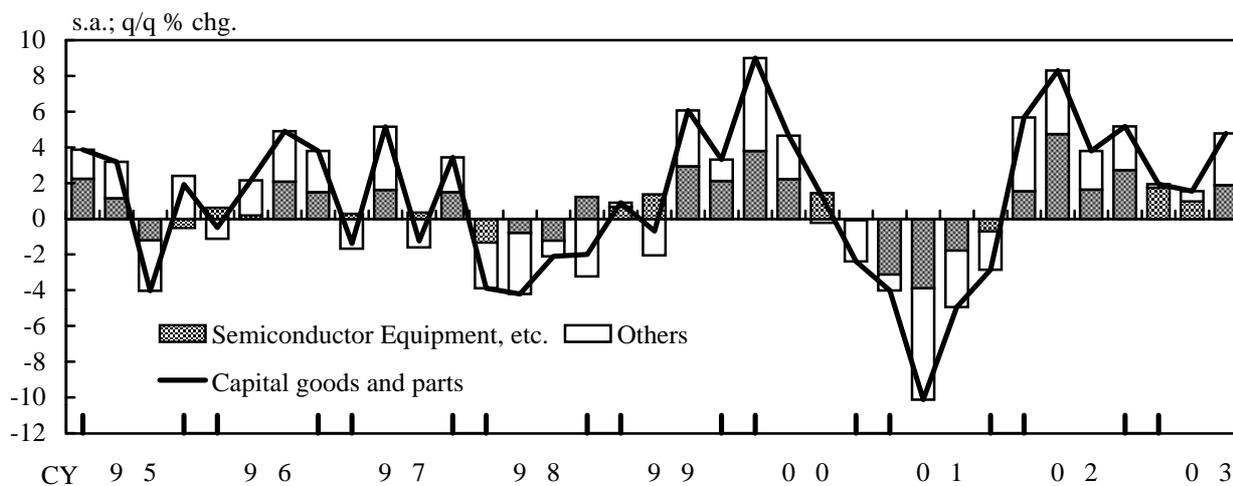
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs and medical and optical instruments.

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

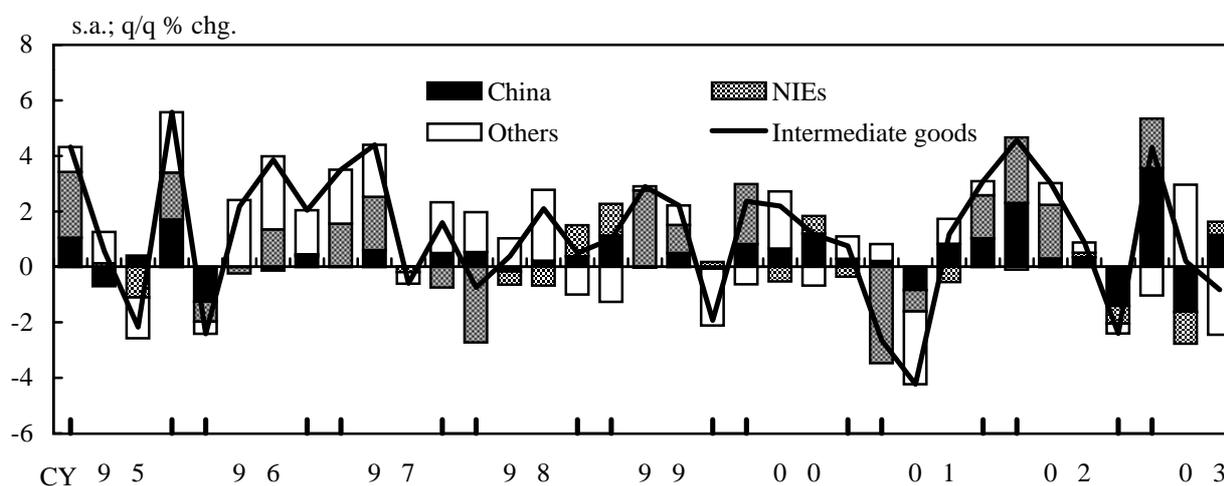
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

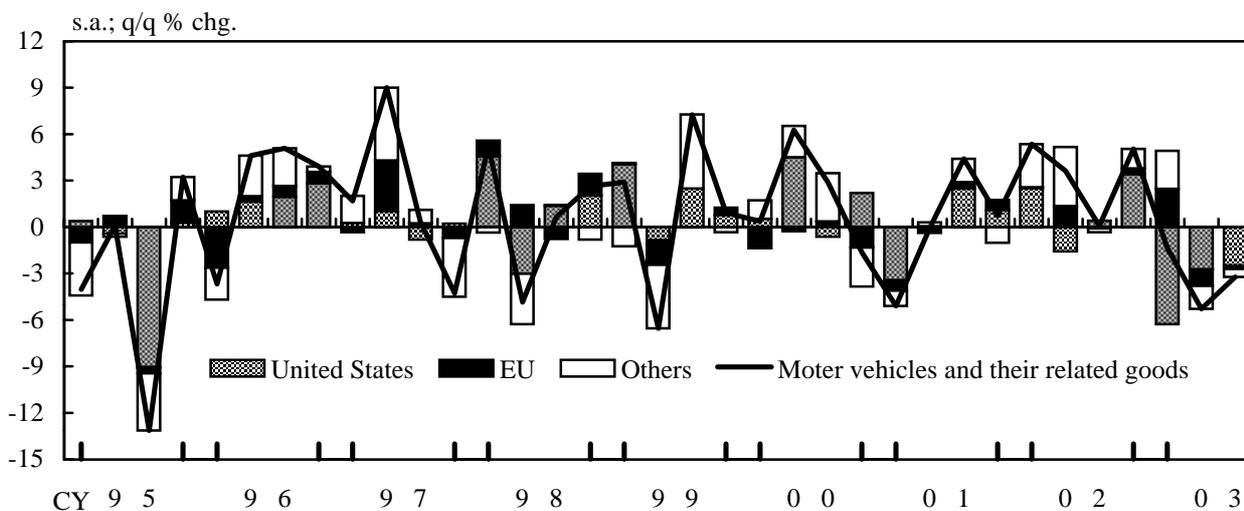
(1) Capital goods and parts (real, breakdown by goods)



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



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



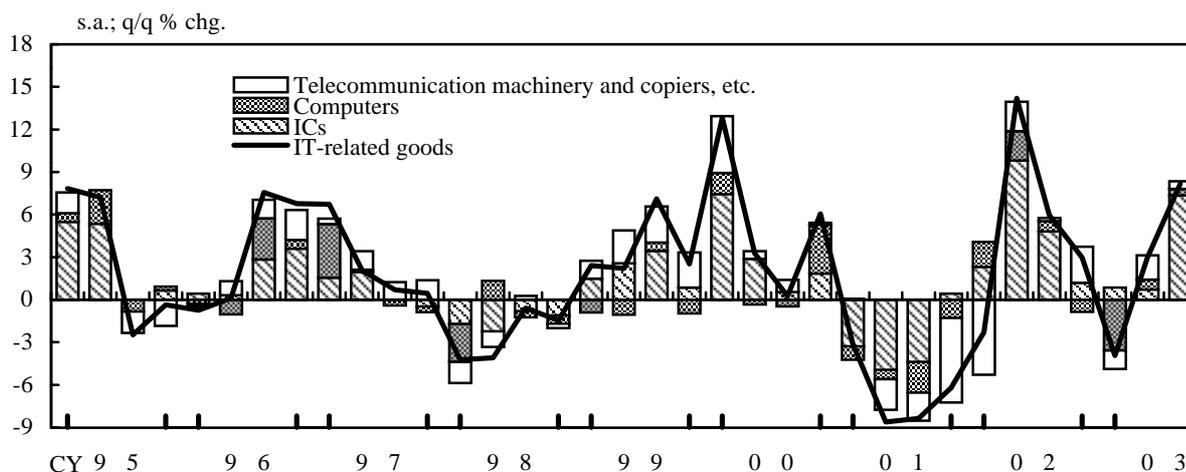
Notes: 1. Seasonally adjusted by X-12-ARIMA.

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

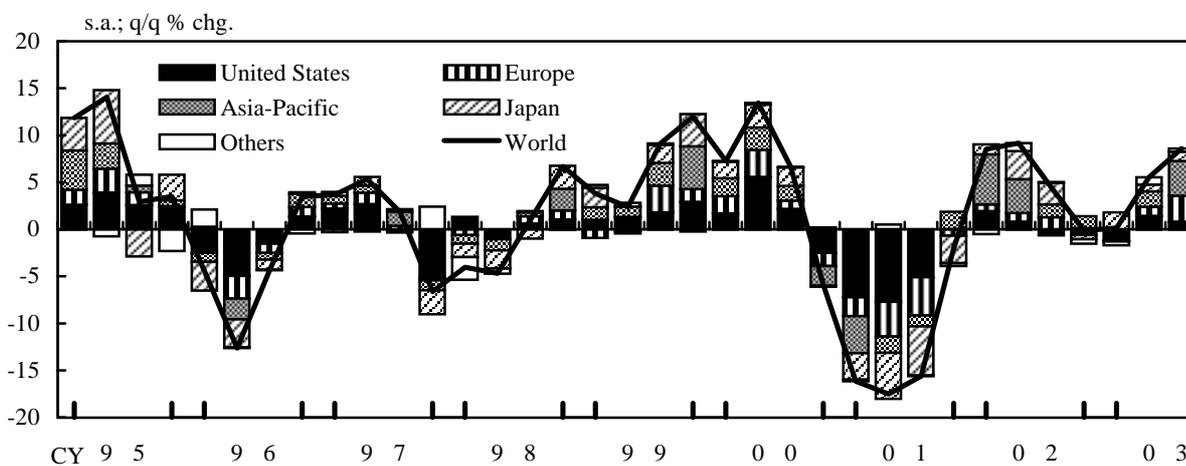
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

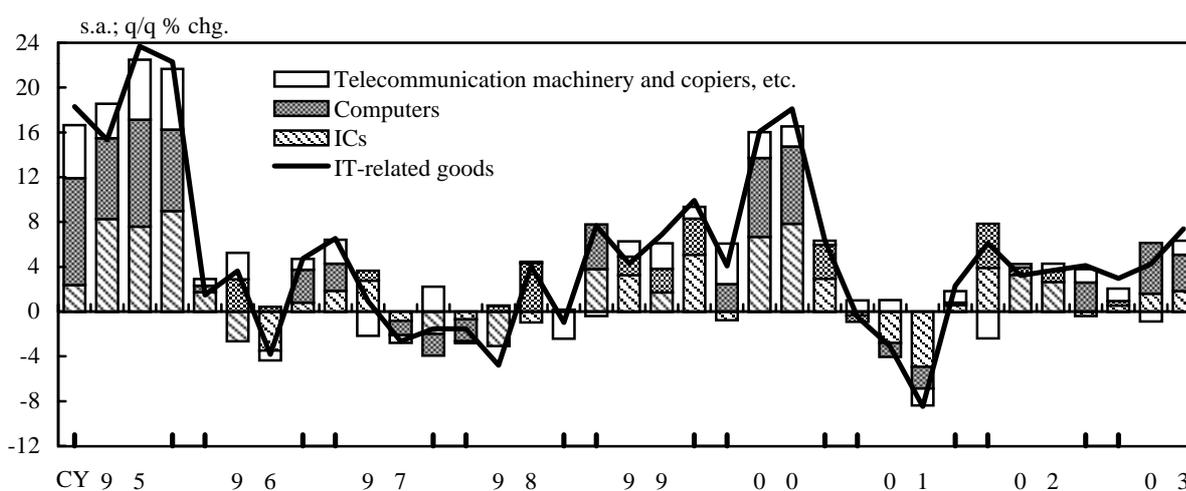
(1) Exports of IT-related goods (real, breakdown by goods)



(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 Jul.-Aug. 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	2003 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Jun.	2003 Jul.	2003 Aug.
United States	<17.1>	-0.6	-3.8	1.6	-4.5	-2.8	5.1	-2.0	-2.1	2.1	-5.0
EU	<13.0>	6.1	2.3	5.7	1.5	-1.6	2.5	0.2	-0.9	-3.4	4.4
East Asia	<41.4>	6.1	6.4	3.6	5.7	0.7	4.3	3.1	1.6	1.8	-0.1
China	<18.3>	16.5	13.9	3.9	8.3	3.9	5.3	3.4	3.7	0.9	-0.4
NIEs	<10.5>	-3.3	1.8	2.5	2.1	-2.0	2.4	6.1	0.7	5.1	0.6
Korea	<4.6>	-3.2	-1.5	3.7	2.8	-0.0	3.8	2.4	2.8	1.7	-4.8
Taiwan	<4.0>	-5.1	5.5	2.1	-0.2	-2.8	0.6	9.5	-0.5	7.9	5.9
ASEAN4 ³	<12.6>	3.6	1.5	4.3	5.3	-1.4	4.5	0.1	-0.7	0.5	-0.3
Thailand	<3.1>	10.4	7.6	4.7	5.0	-1.5	2.5	2.9	-0.7	2.1	1.3
Real imports		1.2	1.2	3.7	2.2	0.2	1.9	-0.4	1.9	-1.2	-2.1

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2001	2002	2002 Q3	2003 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Jun.	2003 Jul.	2003 Aug.
Raw materials ⁴	<25.3>	-4.1	-2.7	6.0	4.0	4.0	-0.8	-3.7	-4.0	-2.5	-3.0
Intermediate goods	<13.0>	-1.1	1.4	4.4	-0.1	1.0	-0.4	0.2	4.5	-2.5	-1.0
Foodstuffs	<12.5>	-0.0	-2.5	1.2	-3.3	-1.0	-1.4	-0.6	-1.4	3.8	-7.0
Consumer goods	<11.0>	7.9	-0.9	0.9	5.5	-3.8	3.5	2.6	4.3	0.4	-2.8
IT-related goods ⁵	<14.4>	9.6	7.8	3.7	4.1	3.0	4.2	7.4	3.7	2.4	4.1
Capital goods and parts ⁶	<12.9>	10.6	11.5	6.2	1.4	-2.2	12.3	-2.4	-1.2	2.8	-8.0
excluding aircraft	<11.8>	13.9	8.3	4.1	5.3	0.3	5.1	-1.6	-1.6	-0.9	-3.8
Real imports		1.2	1.2	3.7	2.2	0.2	1.9	-0.4	1.9	-1.2	-2.1

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2003/Q3 figures are Jul.-Aug. 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.

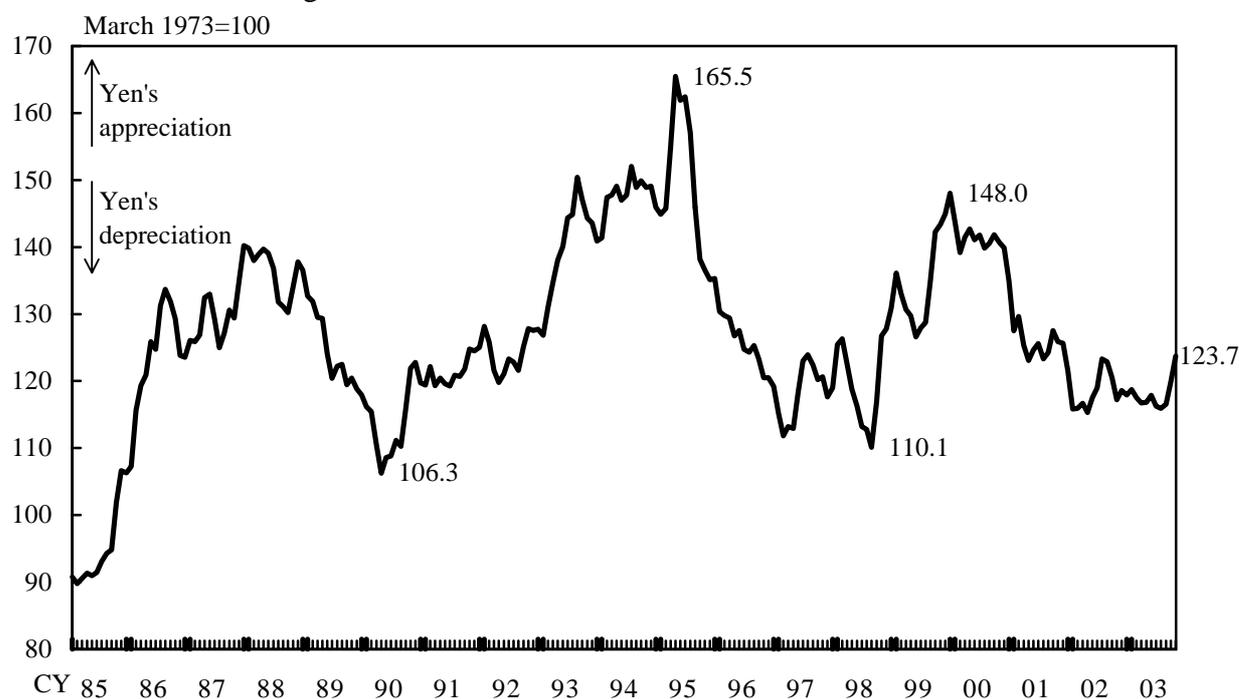
4. Raw materials are mainly composed of woods, ores and mineral fuel.

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 October 2003 is the average up to October 9.

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

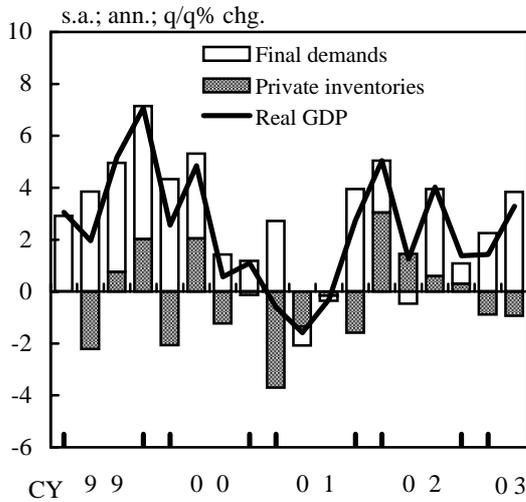
		CY2000	2001	2002	2002 Q3	Q4	2003 Q1	Q2	
United States ¹		3.8	0.3	2.4	4.0	1.4	1.4	3.3	
European Union ¹		3.6	1.6	1.0	1.1	0.5	0.2	0.2	
	Germany	2.9	0.8	0.2	0.6	-0.2	-1.0	-0.2	
	France	4.2	2.1	1.3	0.8	-0.9	0.3	-1.3	
	United Kingdom	3.8	2.1	1.7	2.8	2.1	0.7	2.4	
East Asia ²	China	8.0	7.3	8.0	8.1	8.1	9.9	6.7	
	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	5.8
		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		6.0	3.0	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.

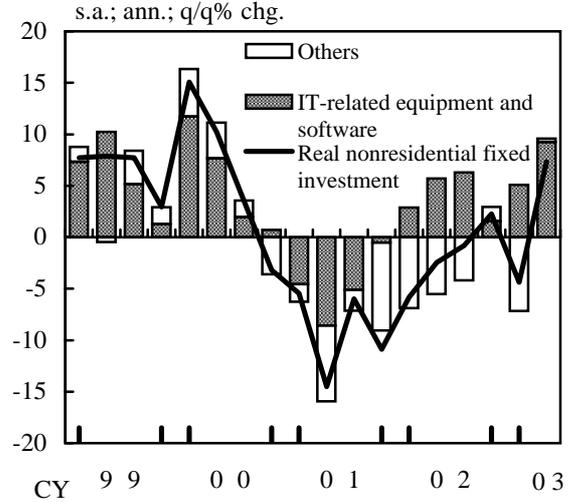
2. Quarterly data of East Asia are percent changes from a year earlier.

Environment for Exports (2)

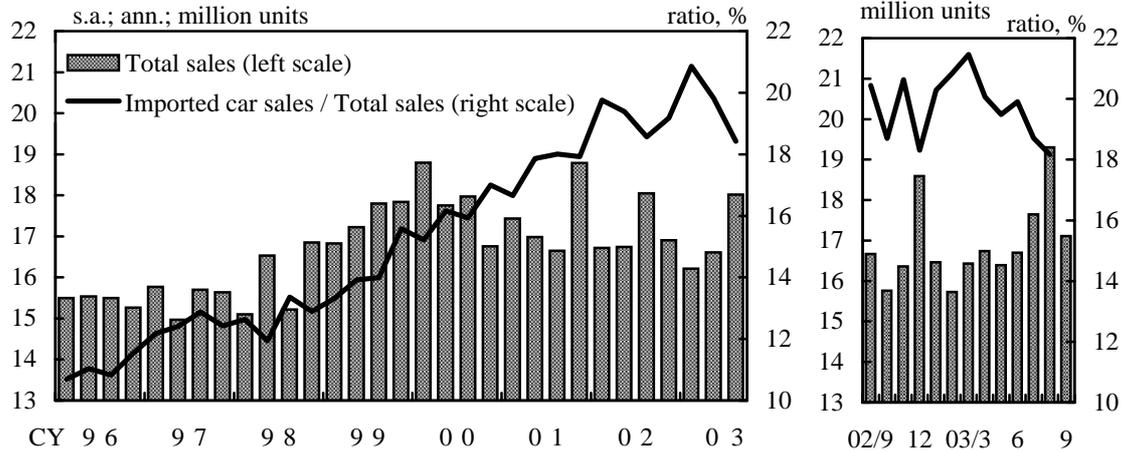
(1) U.S. Real GDP (breakdown by final demands and inventories)



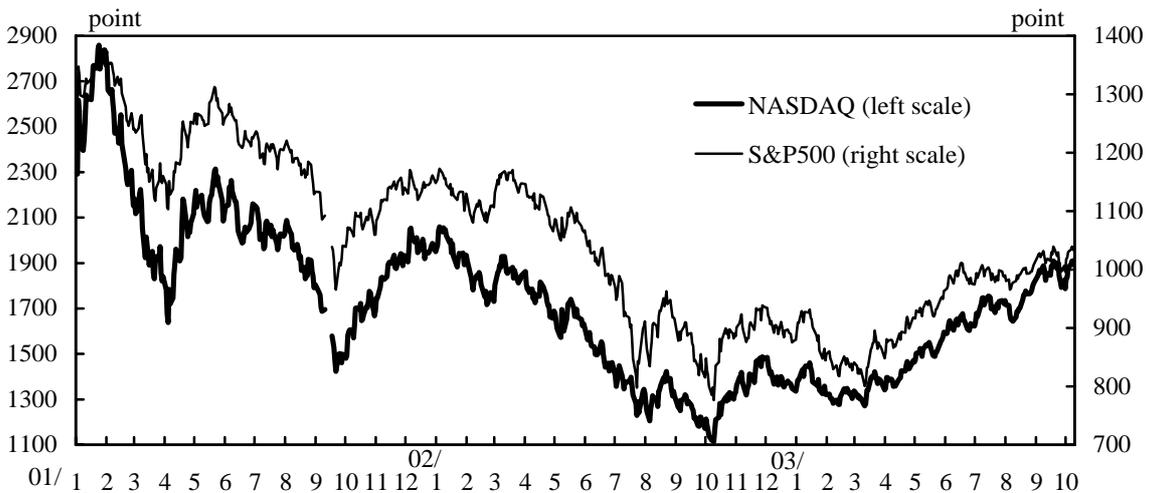
(2) U.S. Real Nonresidential Fixed Investment



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



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

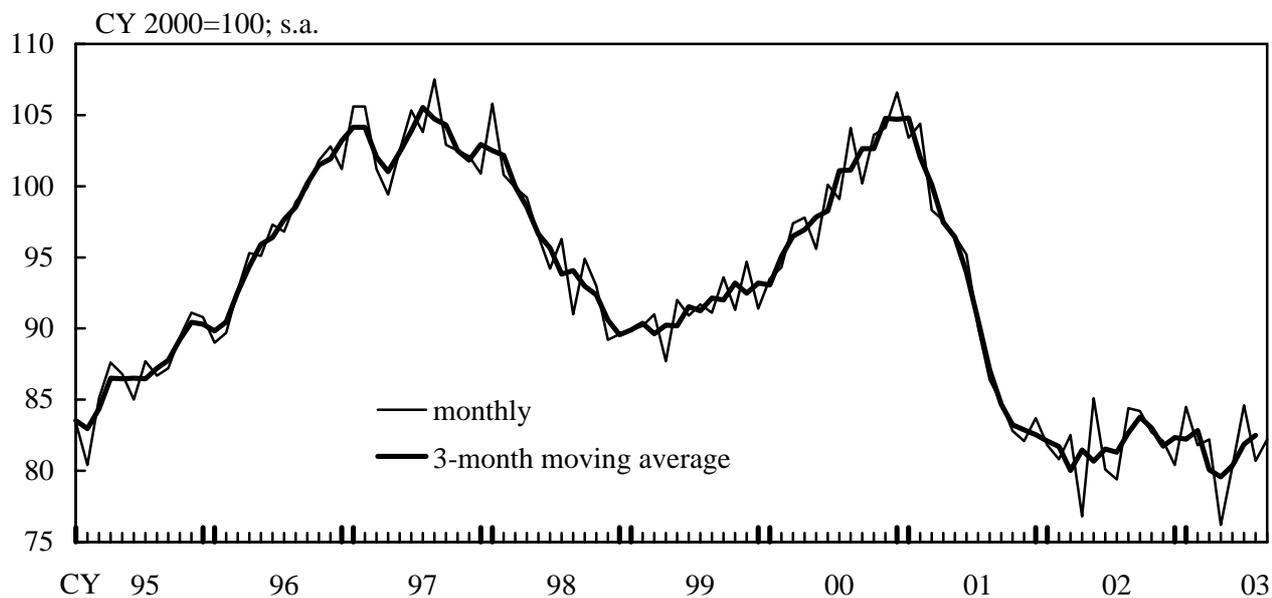


- Notes: 1. September figures of Automobile Sales are calculated by adding average of heavy trucks in CY 2002 (0.4mil.) to preliminary figure released by an industry association (s.a., ann., 16.71 mil.) which does not include heavy trucks. "Imported car sales / Total sales of automobile" in 2003/Q3 is based on Jul.-Aug. average in (3).
2. Figures of U.S. stock prices in (4) are up to October 9.

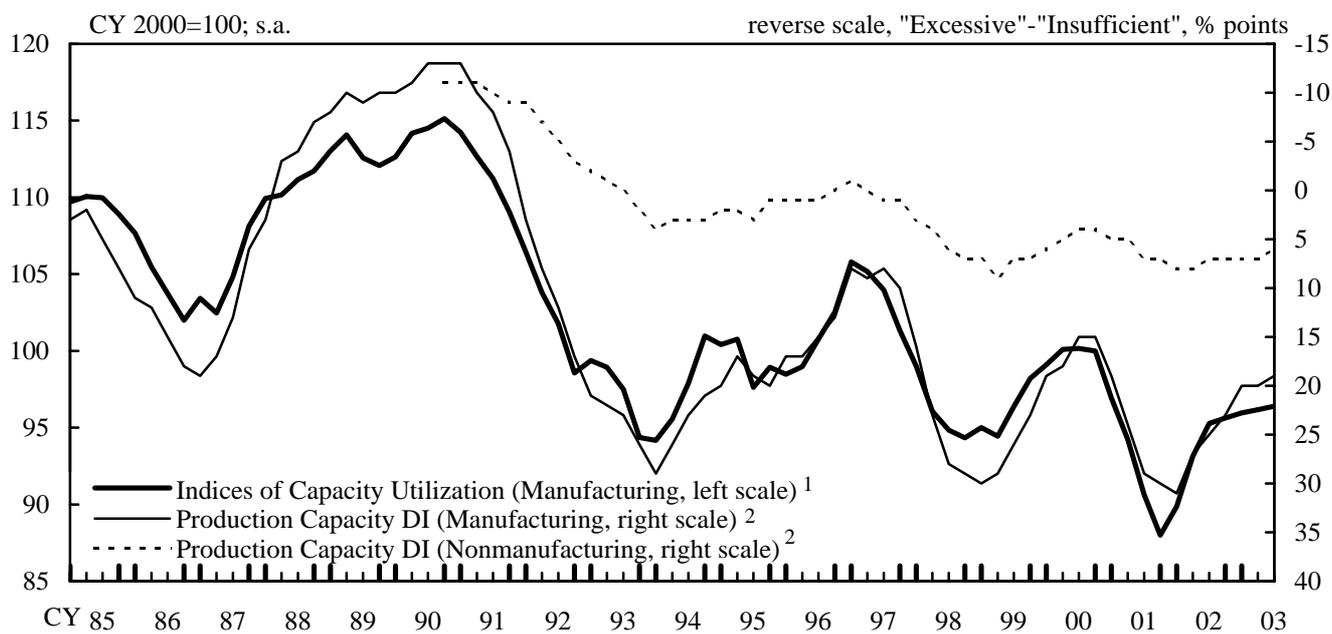
Sources: U.S. Department of Commerce, "National Income and Product Accounts," "Sales, production, imports, exports, and inventories, in units"; Reuters News Service; Bloomberg.

Indicators for Business Fixed Investment (1)

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



(2) Indices of Capacity Utilization and Production Capacity DI



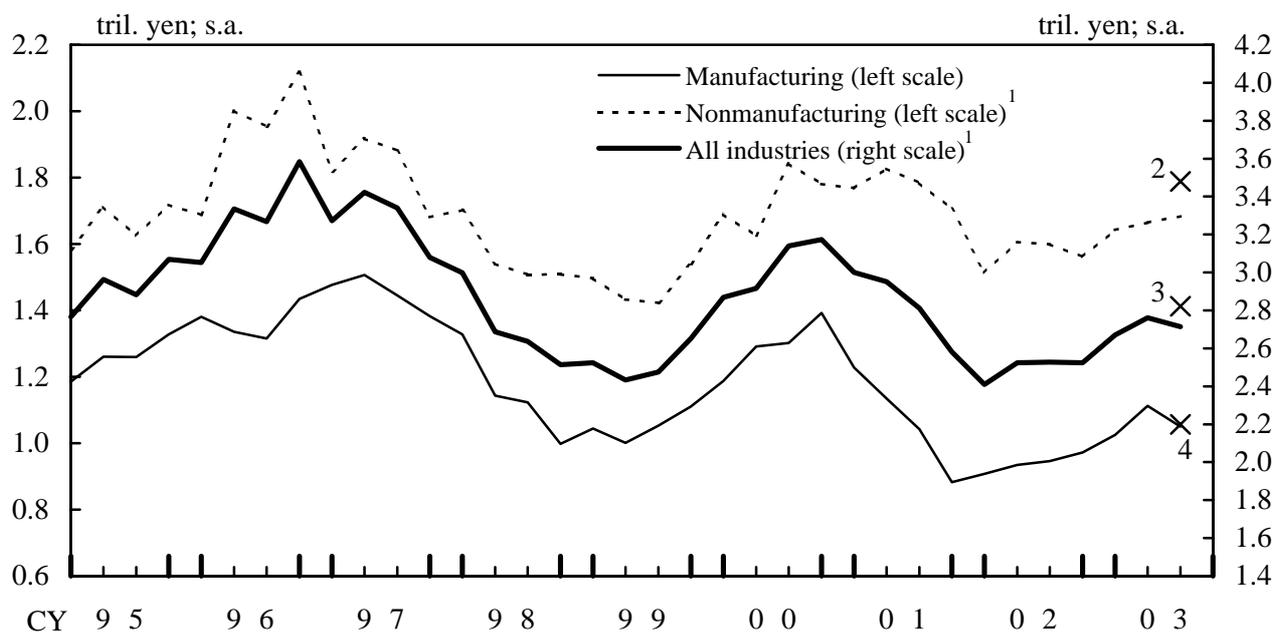
Notes: 1. The figure for 2003/Q3 is as of July.

2. Production Capacity DIs are those of all enterprises.

Sources: Ministry of Economy, Trade and Industry, "Indices of Industrial Production";
Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

Indicators for Business Fixed Investment (2)

(1) Machinery Orders



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

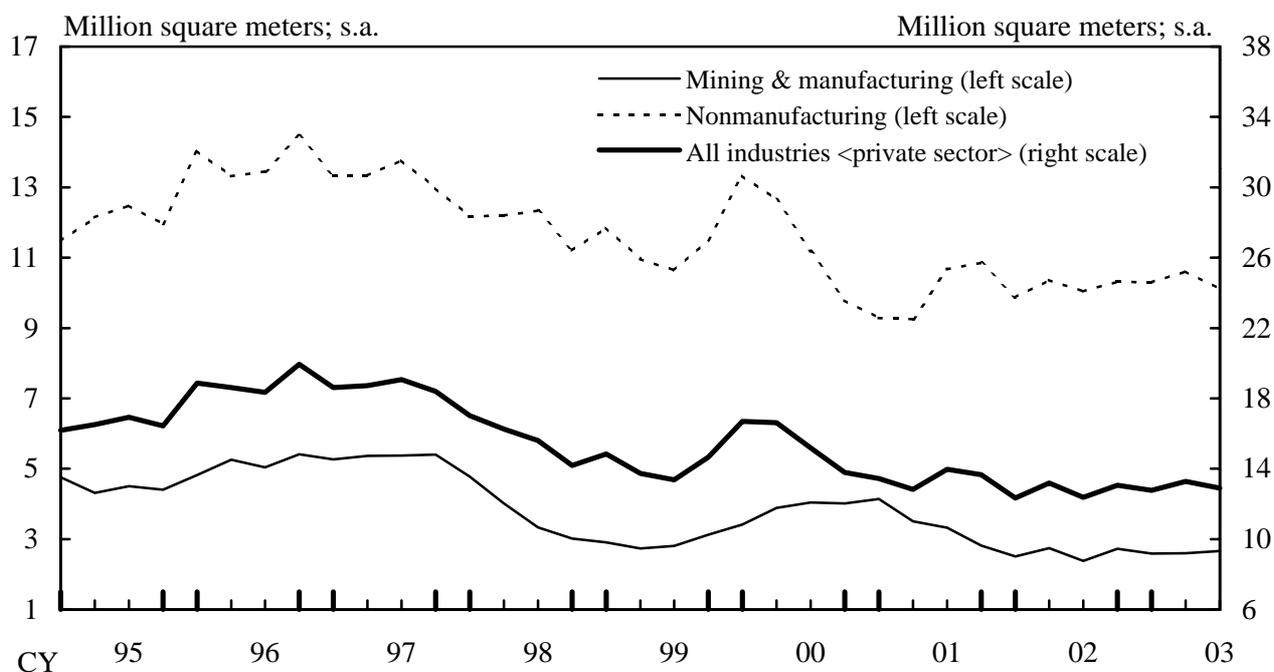
2. Forecast of nonmanufacturing industries for 2003/Q3.

3. Forecast of all industries for 2003/Q3.

4. Forecast of manufacturing industries for 2003/Q3.

5. Figures for 2003/Q3 are averages of July and August in terms of quarterly amount.

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



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

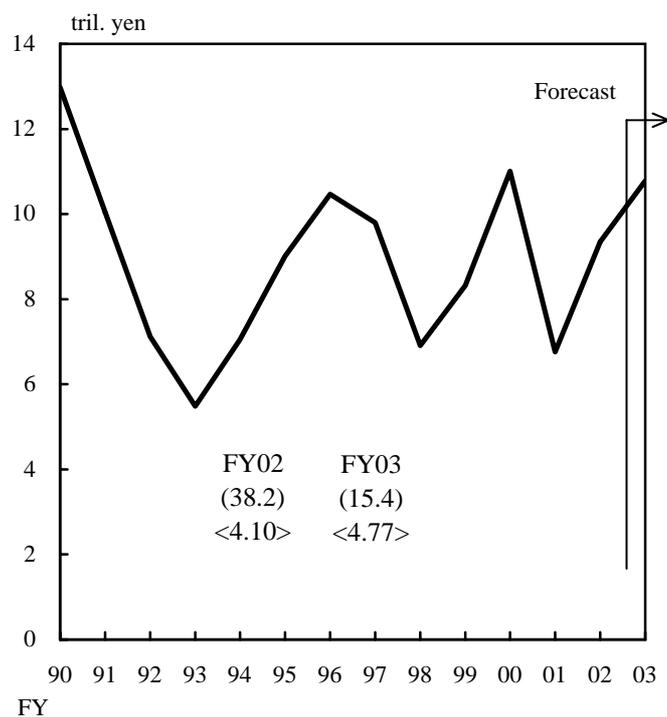
2. Figures for 2003/Q3 are averages of July and August in terms of quarterly amount.

Sources: Cabinet Office, "Machinery Orders Statistics";

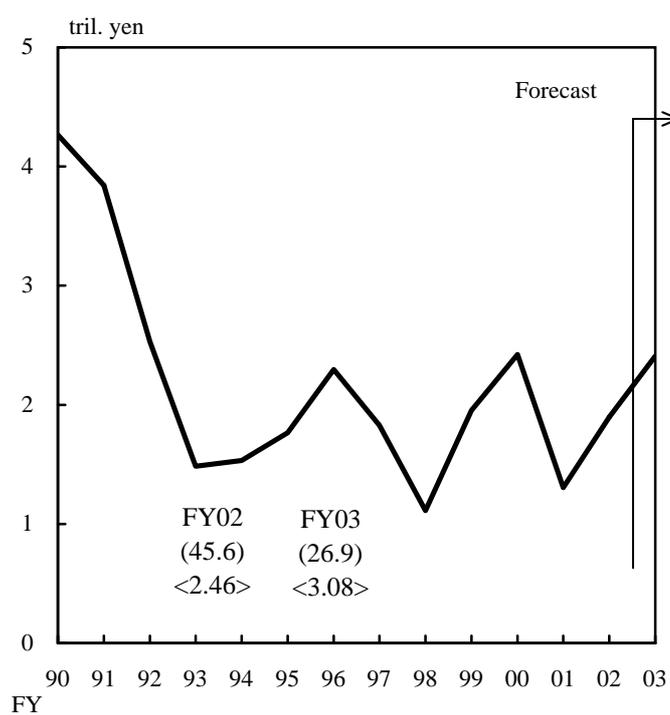
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Current Profits

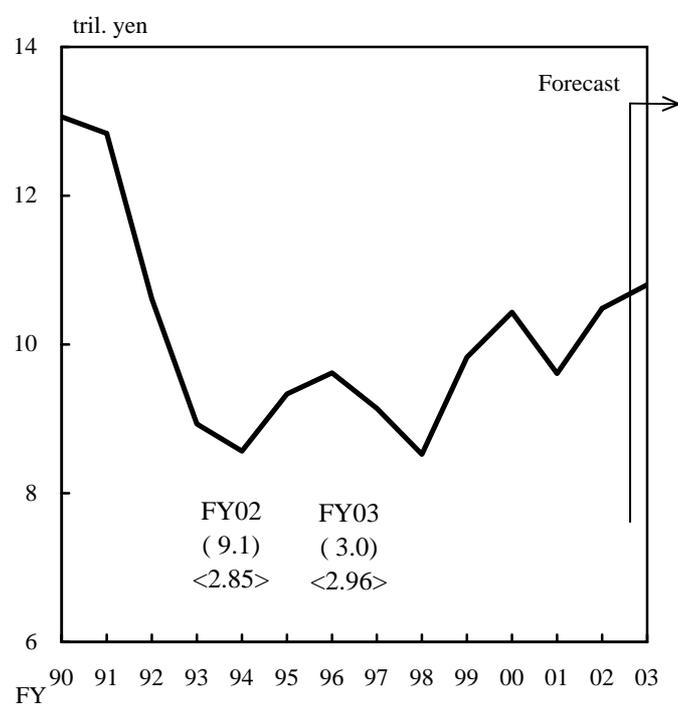
(1) Manufacturing Large Enterprises



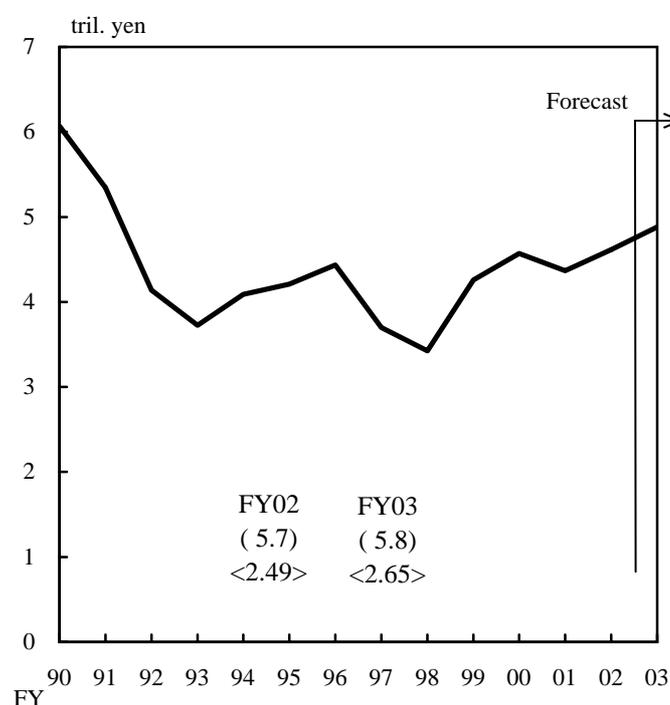
(2) Manufacturing Small Enterprises



(3) Nonmanufacturing Large Enterprises



(4) Nonmanufacturing Small Enterprises



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

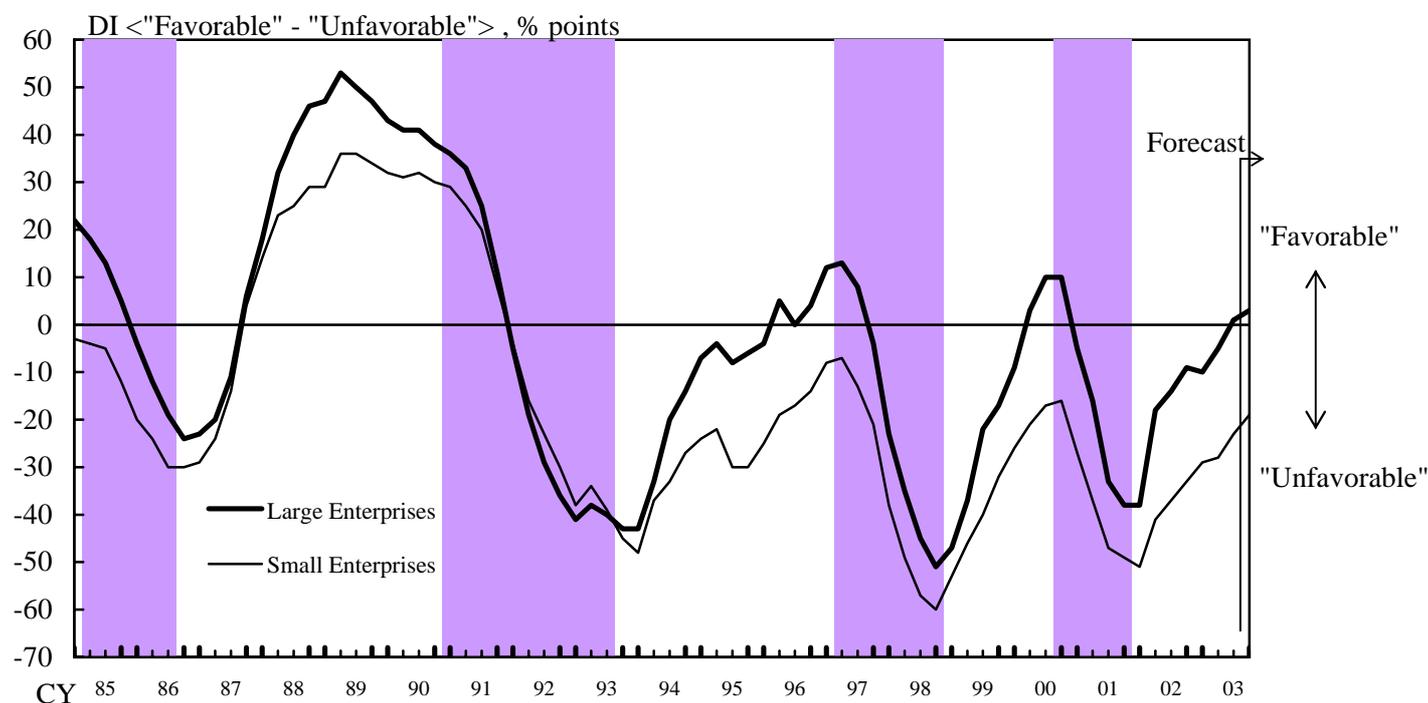
Small enterprises: 50-299 employees (for Manufacturing), 20-99 employees (for Wholesaling),
20-49 employees (for Retailing, services, and leasing),
50-299 employees (for Other industries)

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

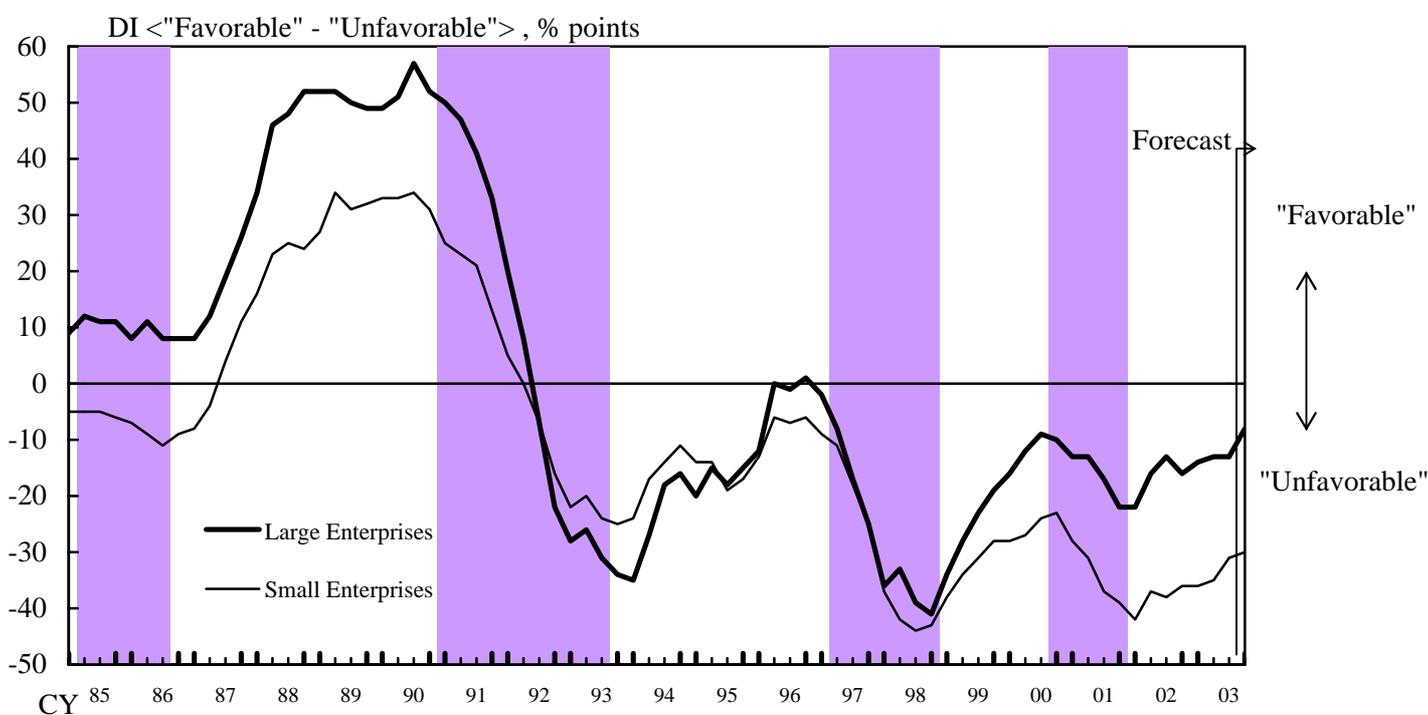
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan, September 2003."

Business Conditions

(1) Manufacturing



(2) Nonmanufacturing



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

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

2. Shaded areas indicate recession periods.

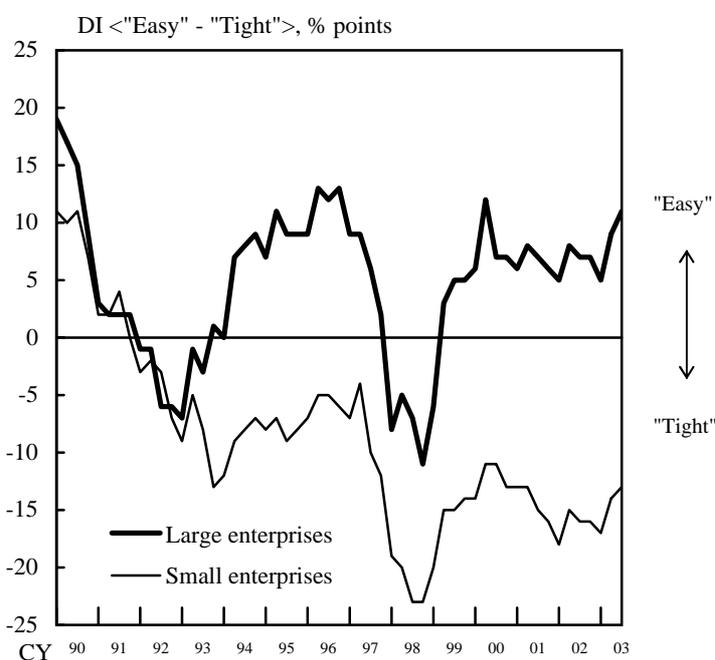
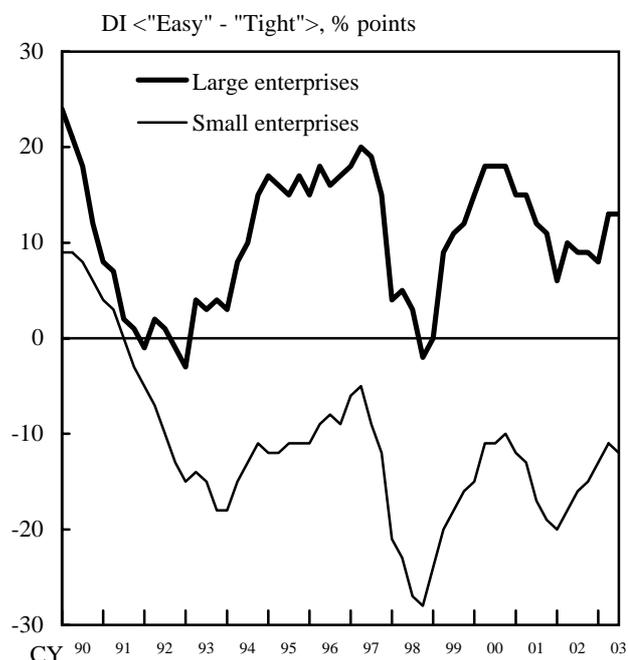
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

Corporate Finance-Related Indicators

(1) Financial Position

< Manufacturing >

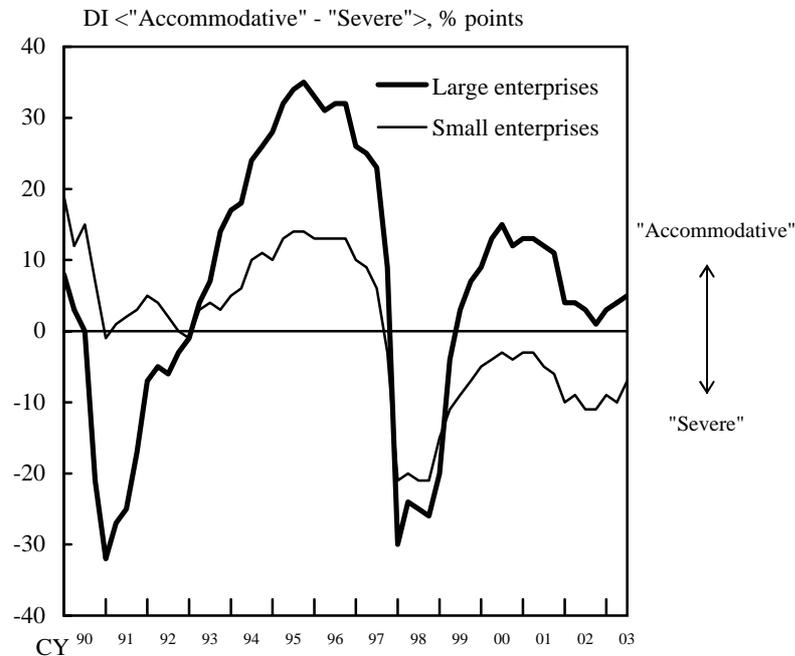
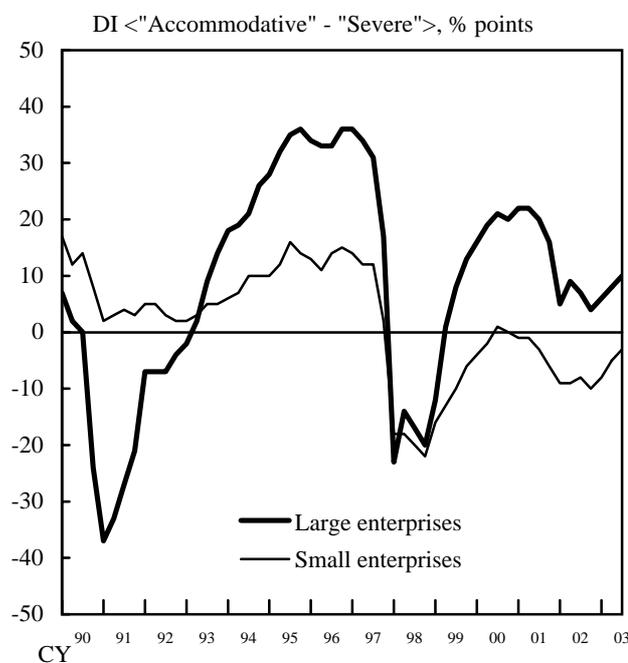
< Nonmanufacturing >



(2) Lending Attitude of Financial Institutions

< Manufacturing >

< Nonmanufacturing >



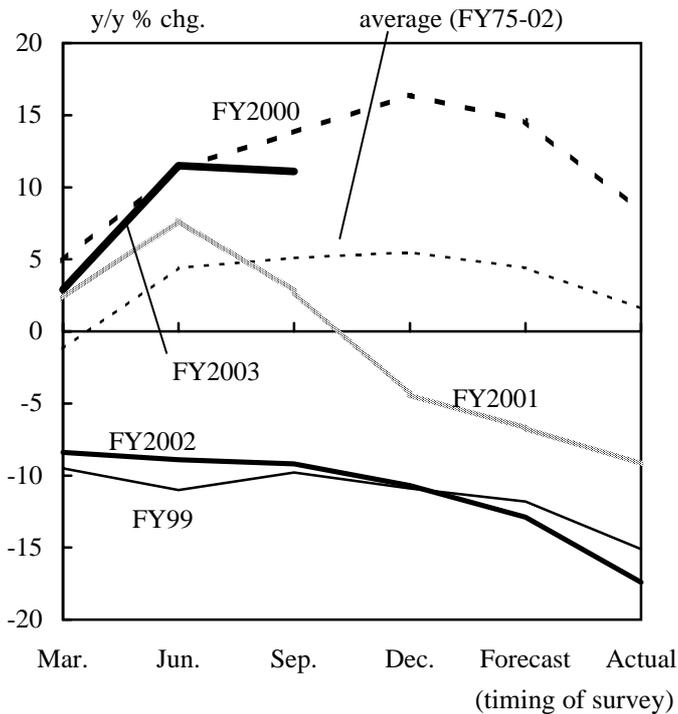
Note: Large enterprises: 1,000 employees or more

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

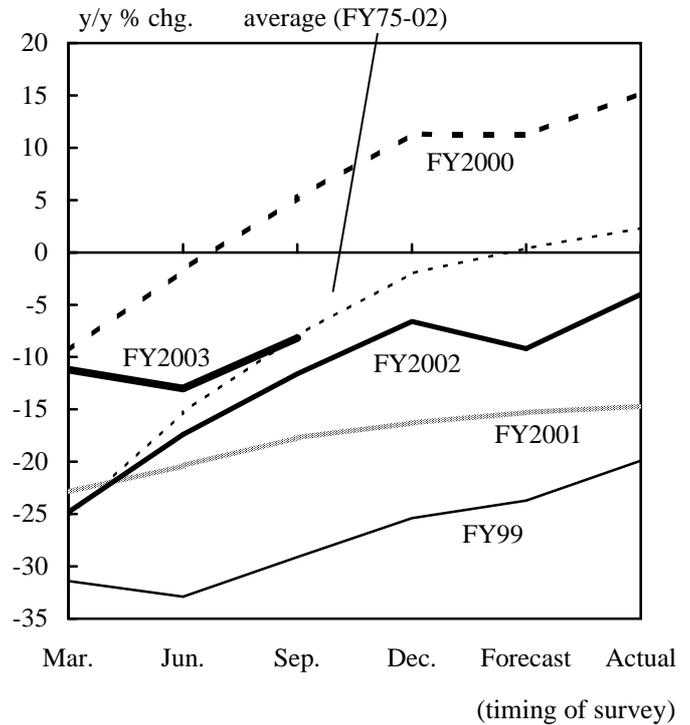
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

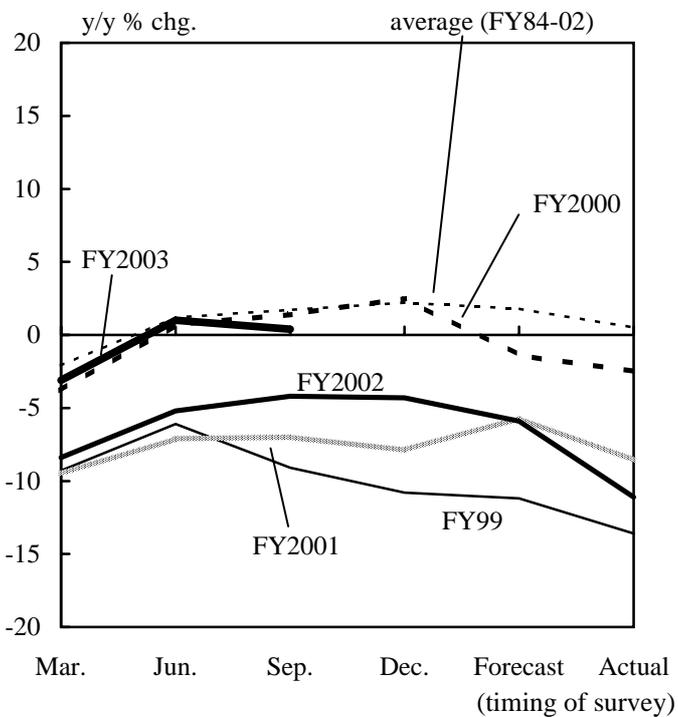
(1) Manufacturing Large Enterprises



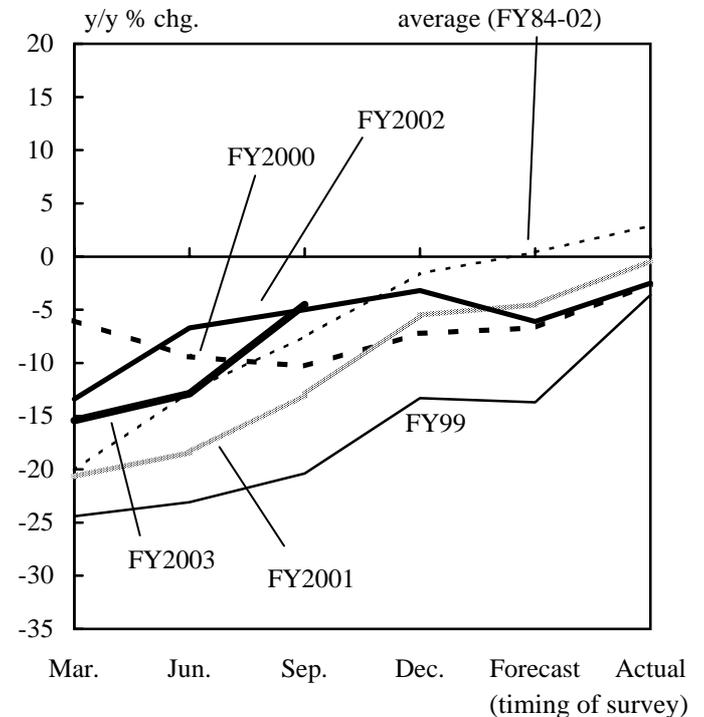
(2) Manufacturing Small Enterprises



(3) Nonmanufacturing Large Enterprises



(4) Nonmanufacturing Small Enterprises

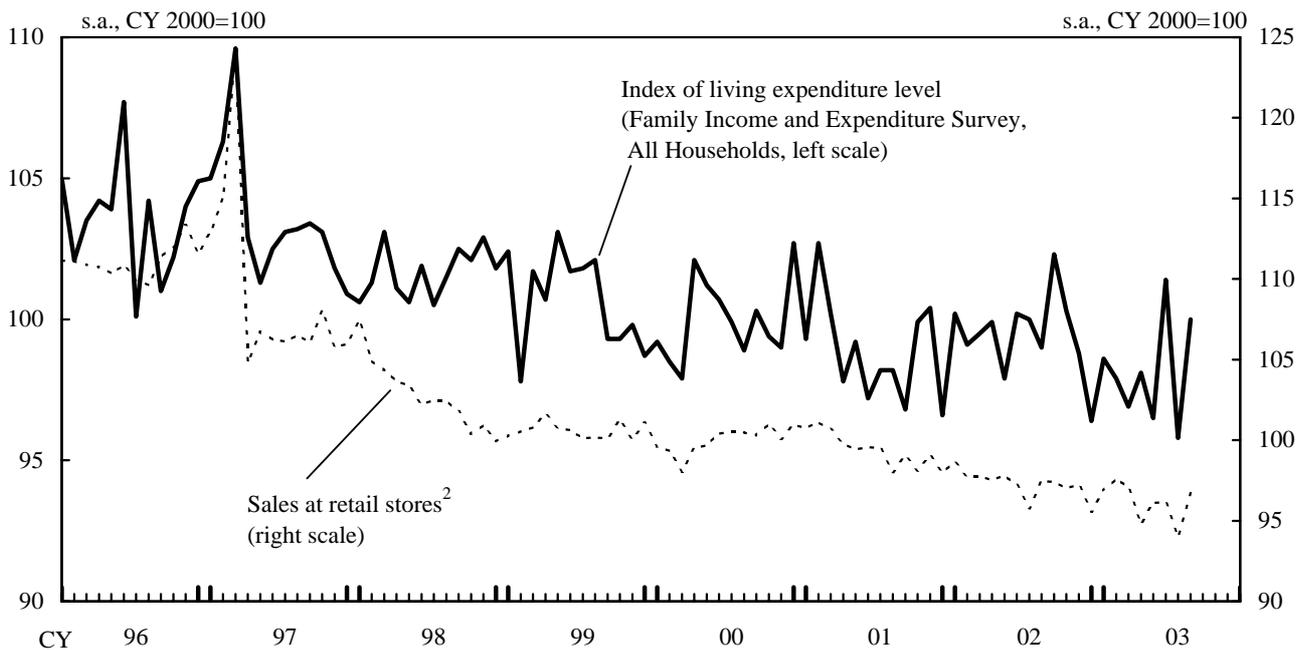


Note: Large enterprises: 1,000 employees or more
 Small enterprises: 50-299 employees (for Manufacturing), 20-99 employees (for Wholesaling),
 20-49 employees (for Retailing, services, and leasing),
 50-299 employees (for Other industries)

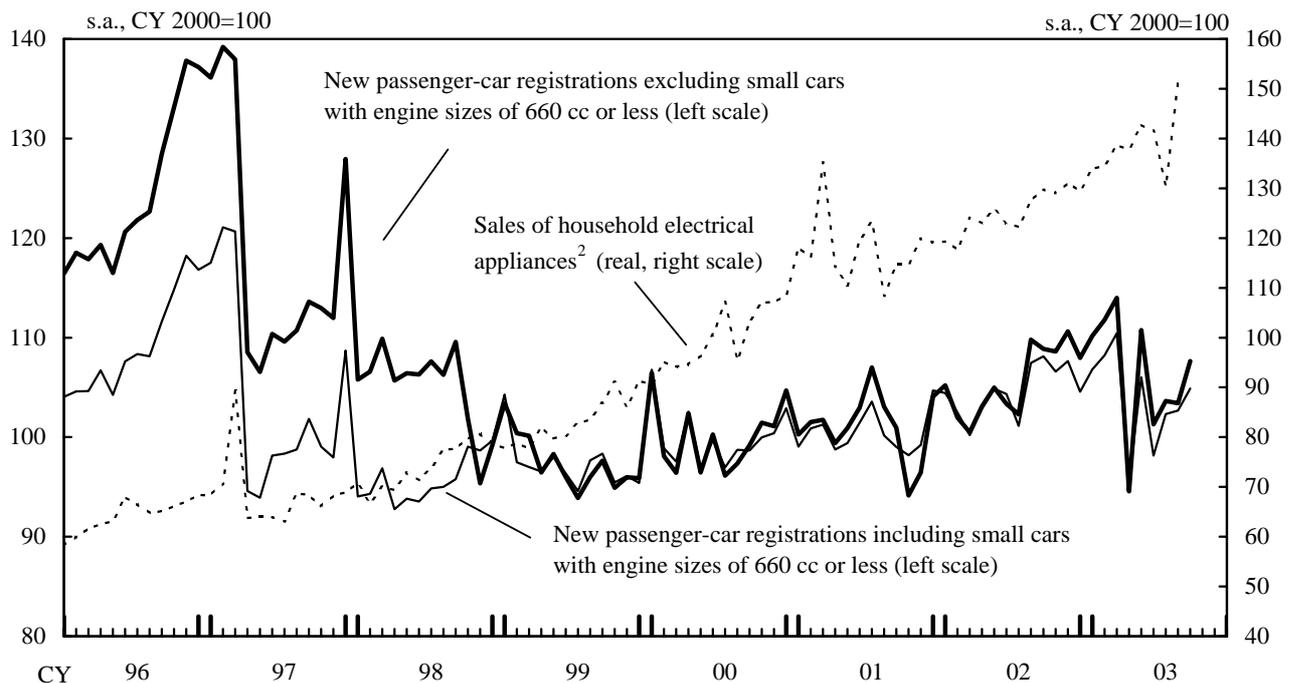
Source: Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



(2) Sales of Durable Goods



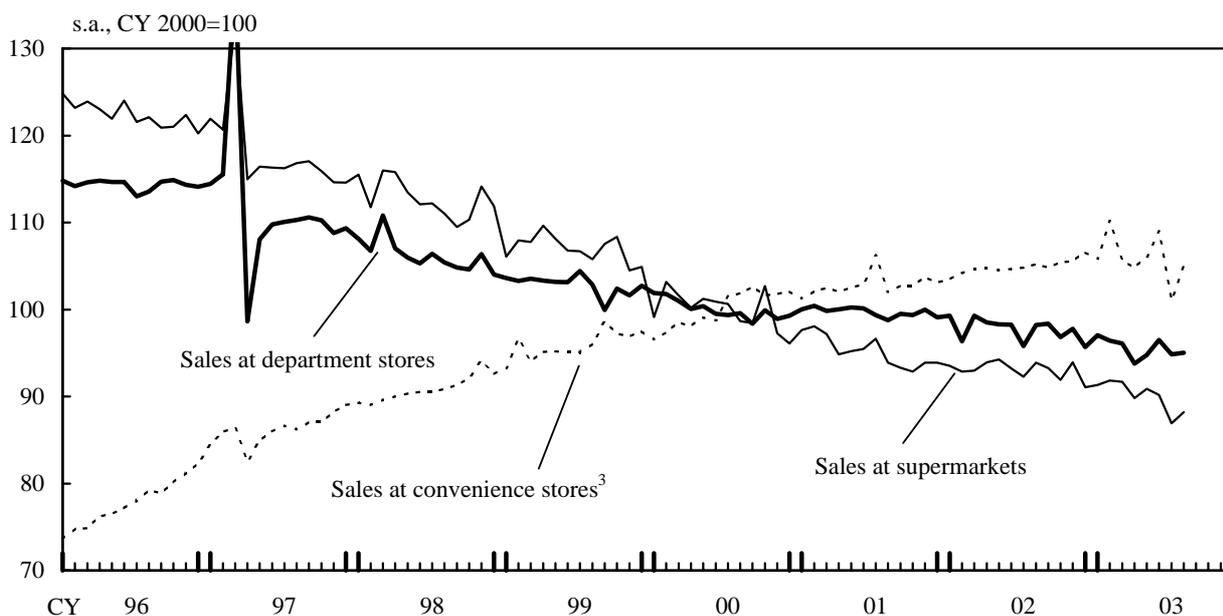
Notes: 1. Seasonally adjusted by X-12-ARIMA. Index of living expenditure level is seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications.

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

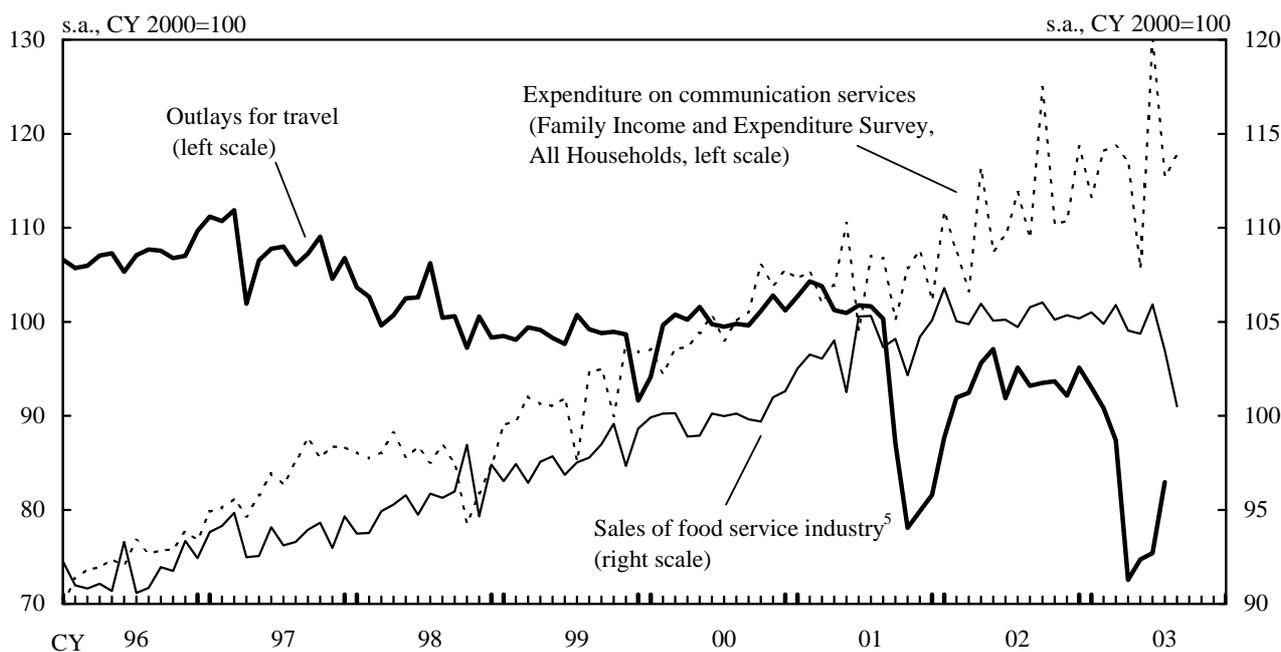
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index";
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
Japan Automobile Dealers Association, "Domestic Sales of Automobiles";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

Indicators for Private Consumption¹ (2)

(3) Sales at Retail 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.

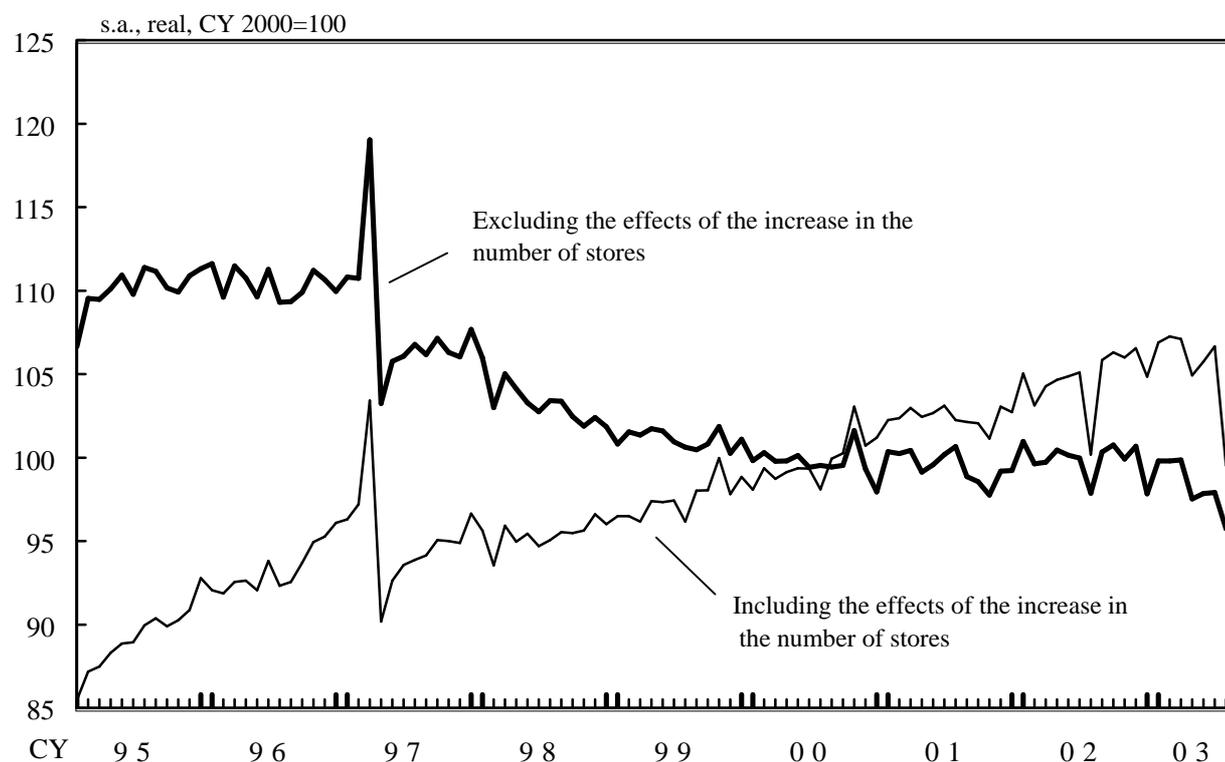
3. Sales at convenience stores until March 1997 are based on the survey conducted by the Bank of Japan. From April 1997 they are based on the data published by the Ministry of Economy, Trade and Industry.

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

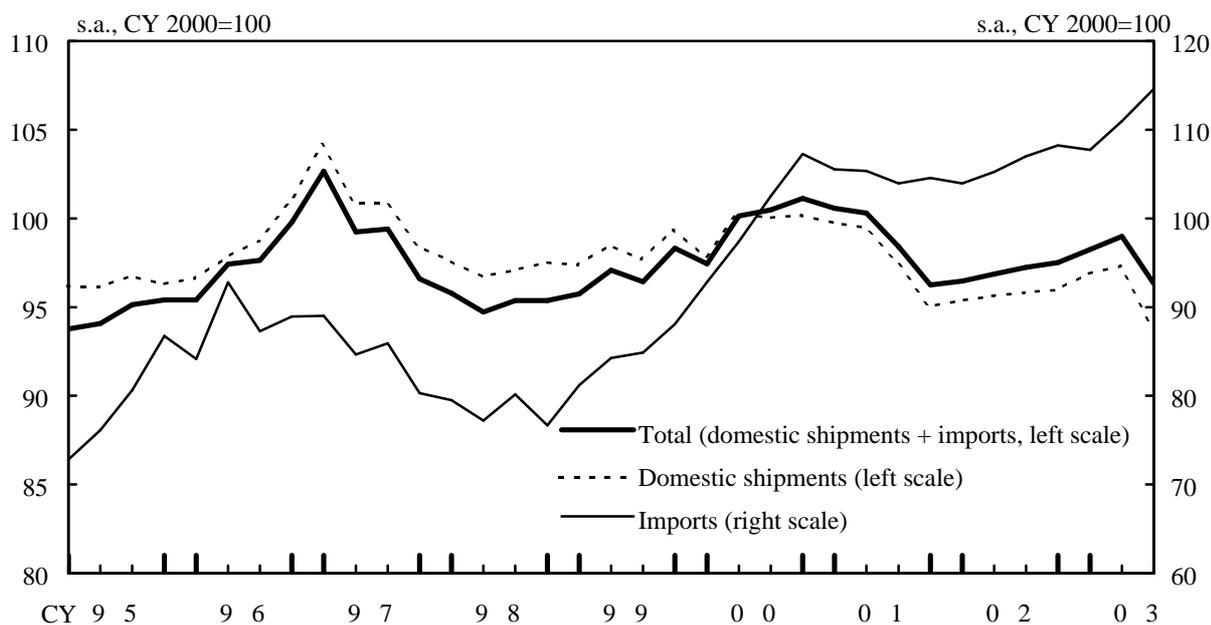


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in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

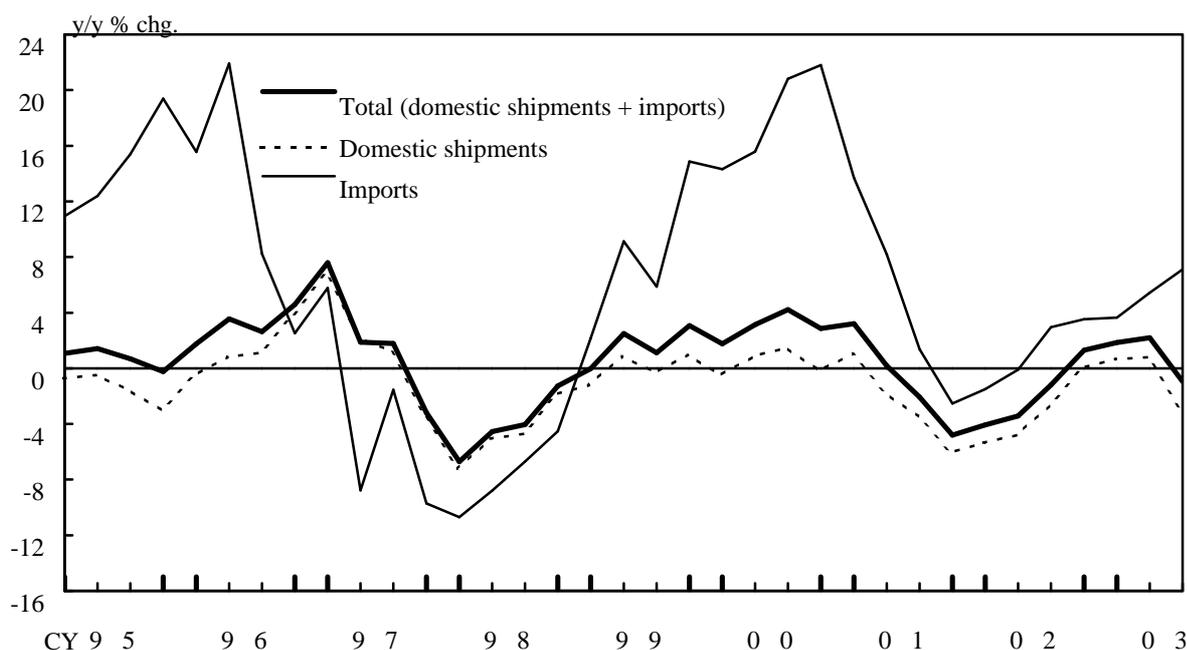
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index,"
 "Monthly Report on the Family Income and Expenditure Survey";
 Bank of Japan, "Wholesale Price Indexes";
 Japan Automobile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

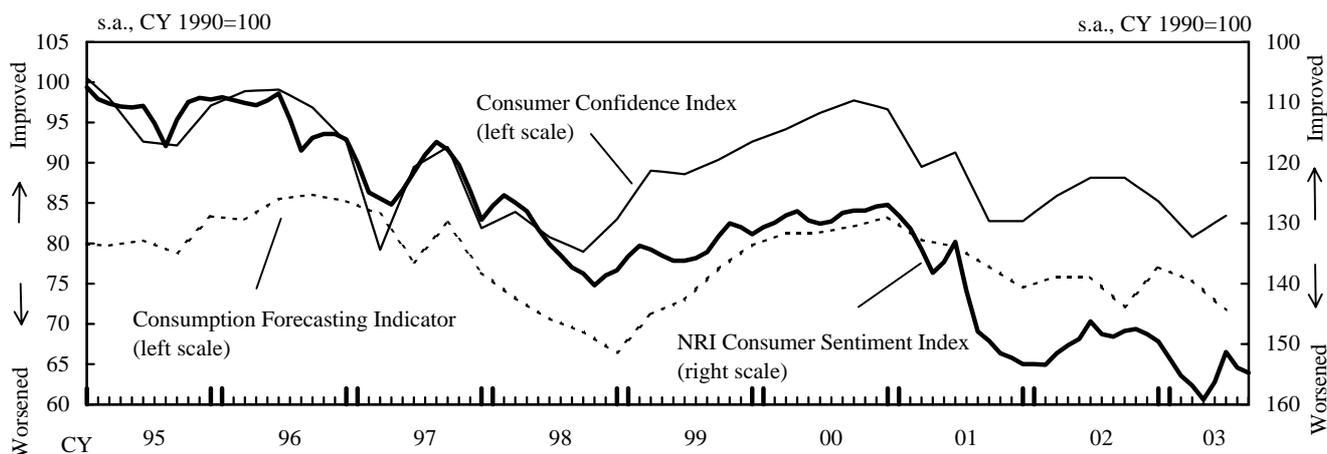
3. Year-on-year changes are calculated from seasonally adjusted series.

4. 2003/Q3 figures are those of Jul.-Aug. 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."

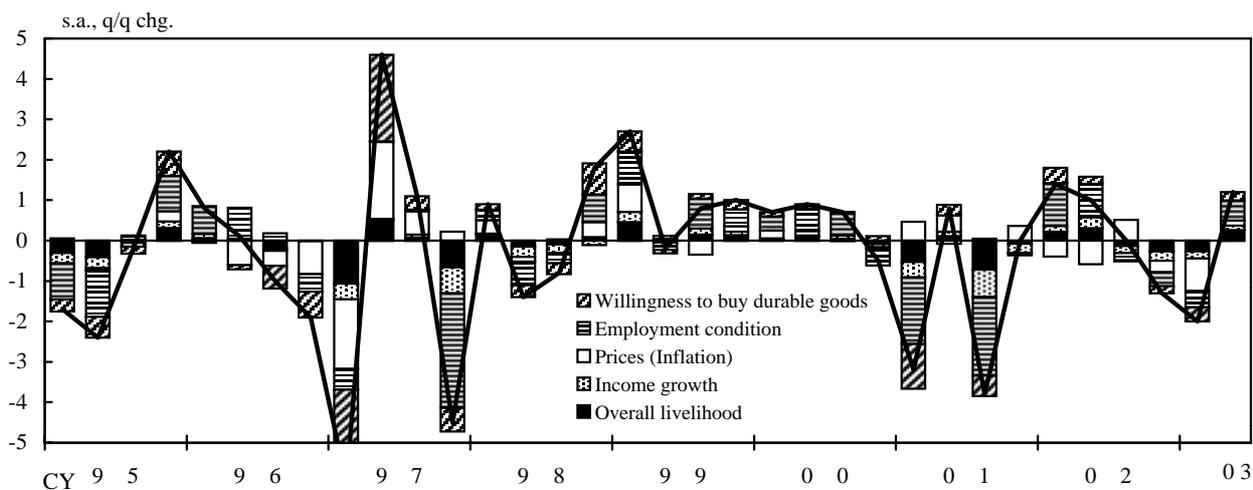
Consumer Confidence

(1) Surveys on Consumer Confidence

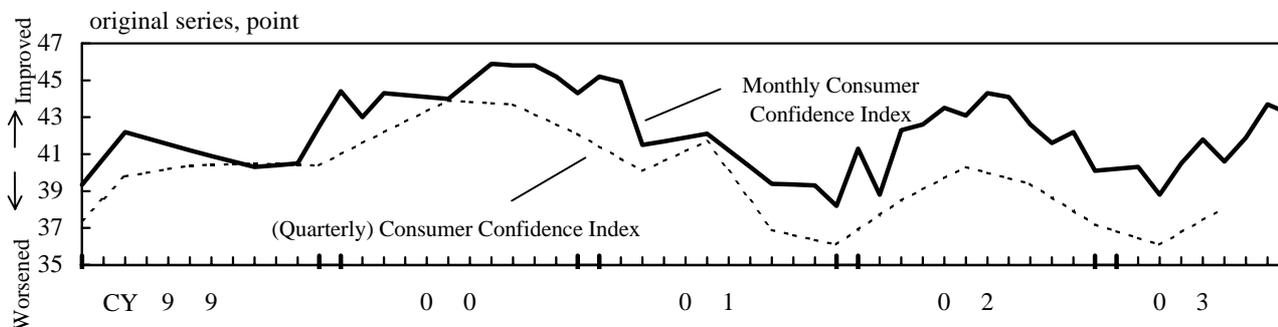


- Notes:
1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office.
 2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 1,500 samples in metropolitan area), and NRI Consumer Sentiment Index (with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



(Reference) Monthly Consumer Confidence Survey (Tokyo)

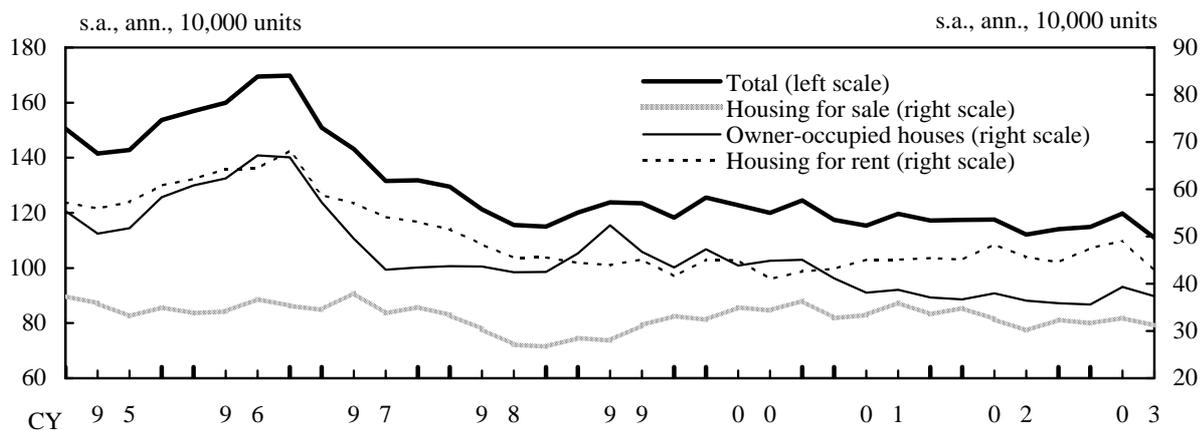


Note: *Monthly Consumer Confidence Survey* is conducted on a monthly basis for limited samples of the Tokyo district (435 households surveyed) in the quarterly Consumer Confidence Survey. The items in the monthly survey are parts of the quarterly survey. Prior to 2001, figures for the months when the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

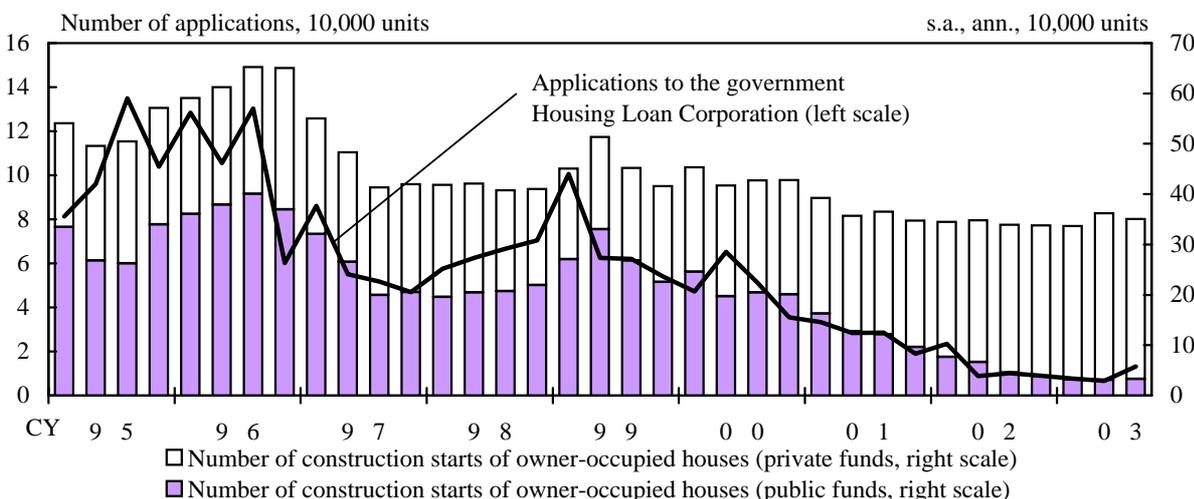
Indicators for Housing Investment

(1) Housing Starts



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

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

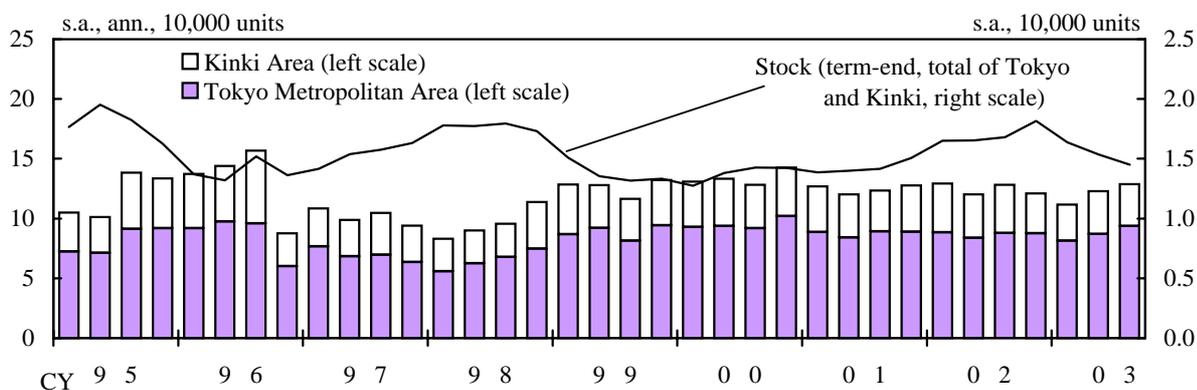


Notes: 1. The number of loan applications for the construction of private houses is allotted according to the number of days in the offering period of each quarter.

2. Figures for the number of 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-August averages.

(3) Sales of Condominiums



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

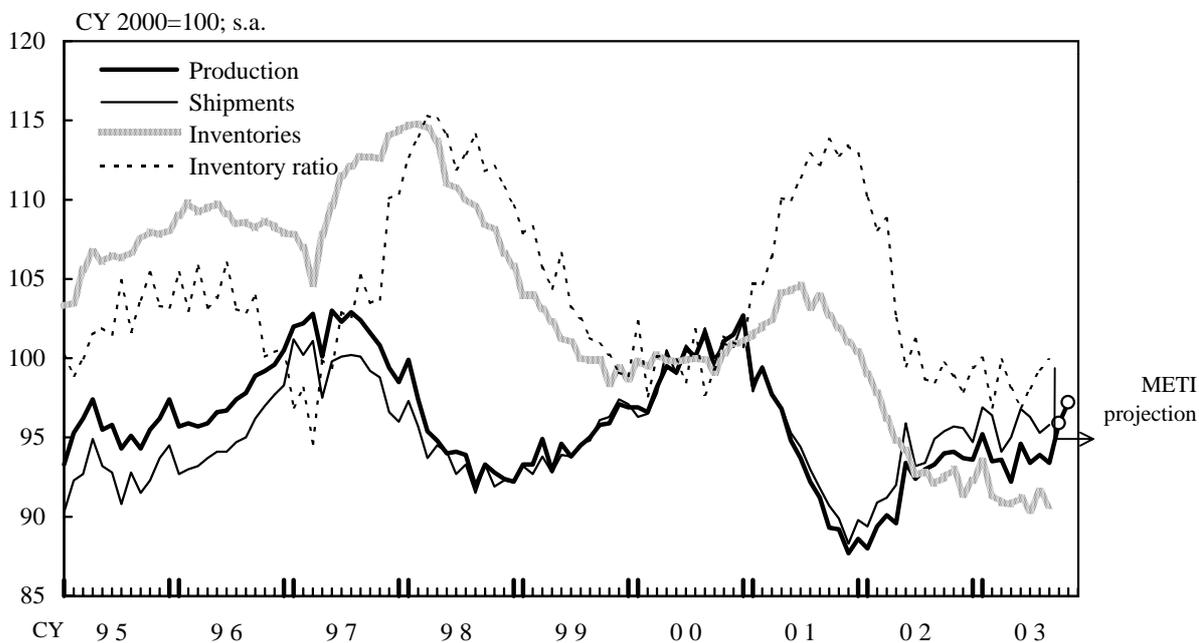
2. Figures of total condominiums sales for 2003/Q3 are those of July-August averages.

Term-end stocks are those of August.

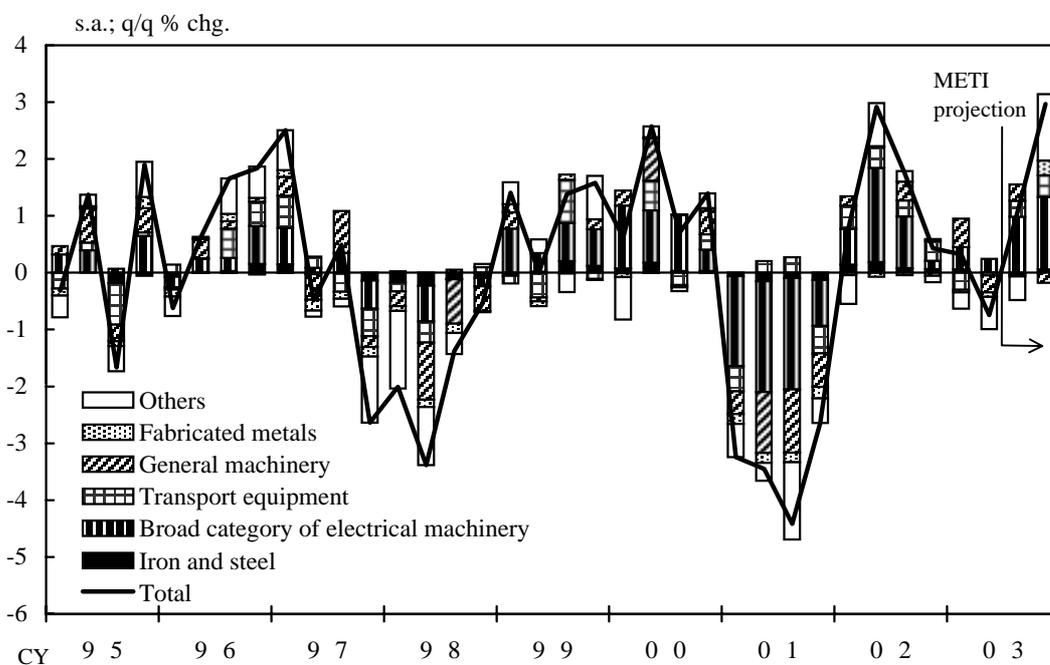
Sources: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries



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

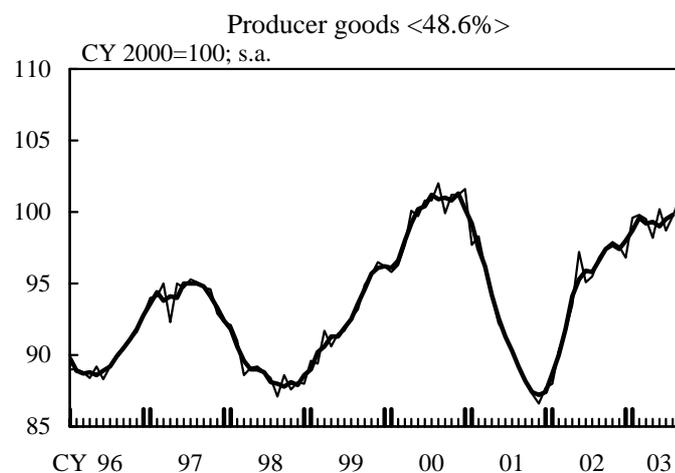
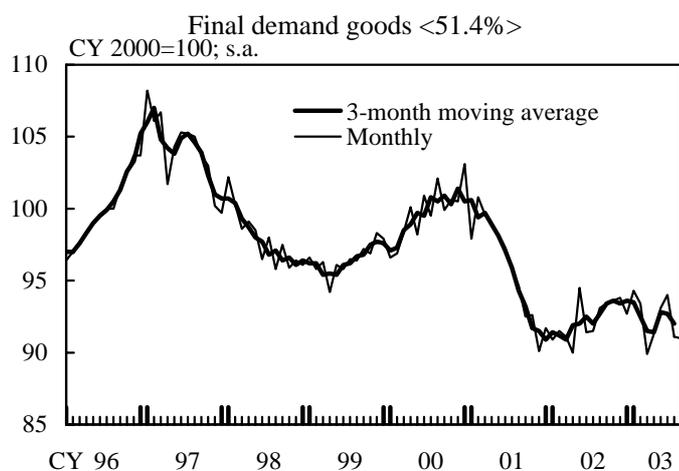
"Broad category of electrical machinery" is the weighted sum of "electrical machinery", "information and communication electronics equipment" and "electronic parts and devices."

2. 2003/Q4 for METI projection is based on the assumption that production level in Nov. and Dec. is the same as that of Oct..

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

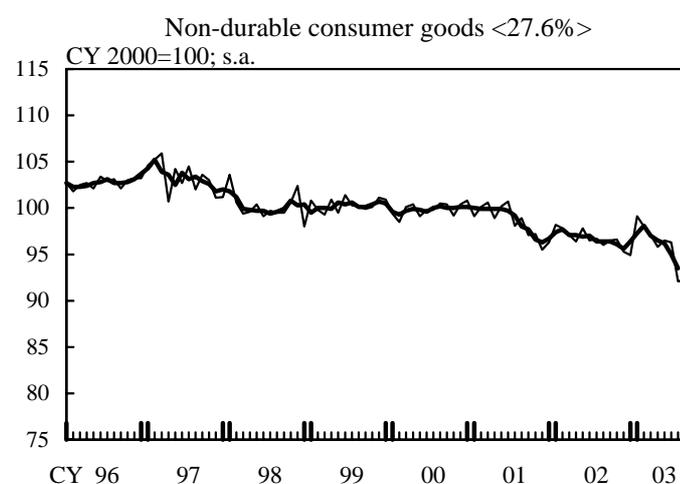
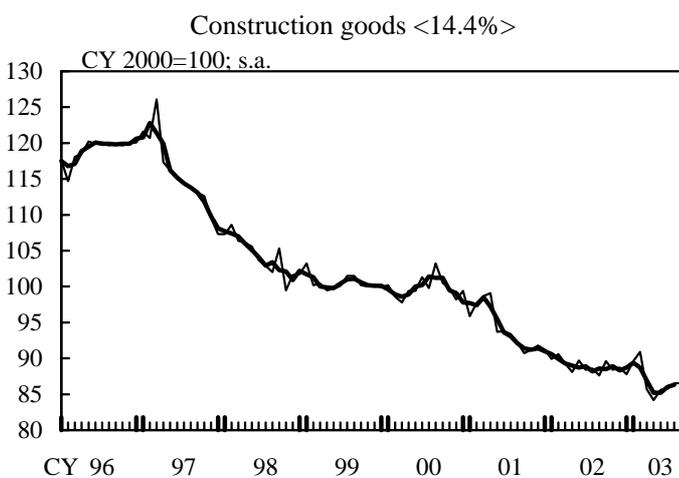
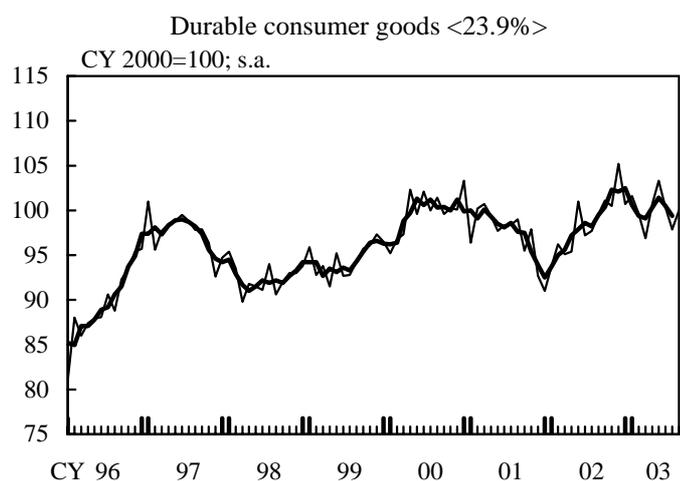
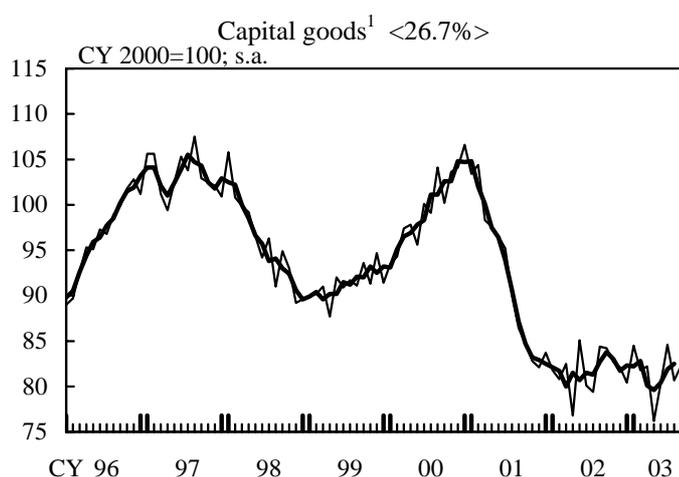
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

(2) Breakdown of final demand goods

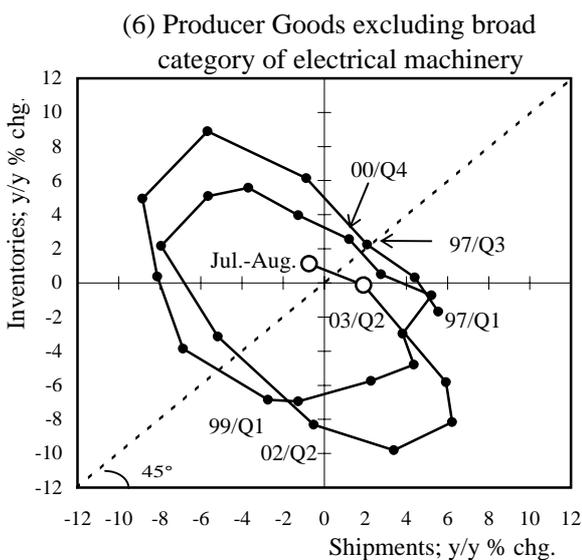
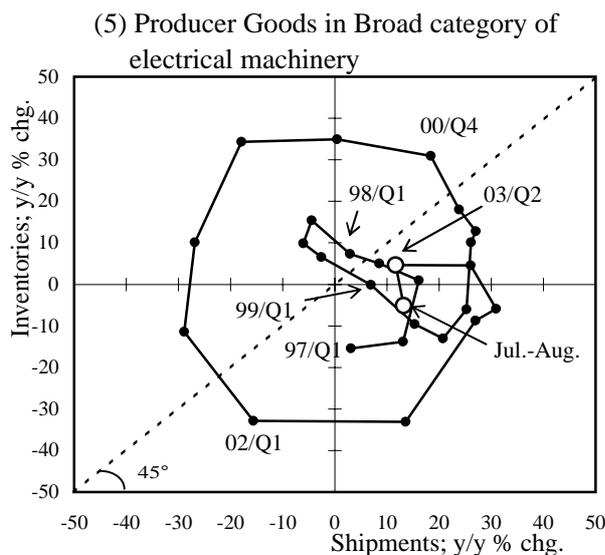
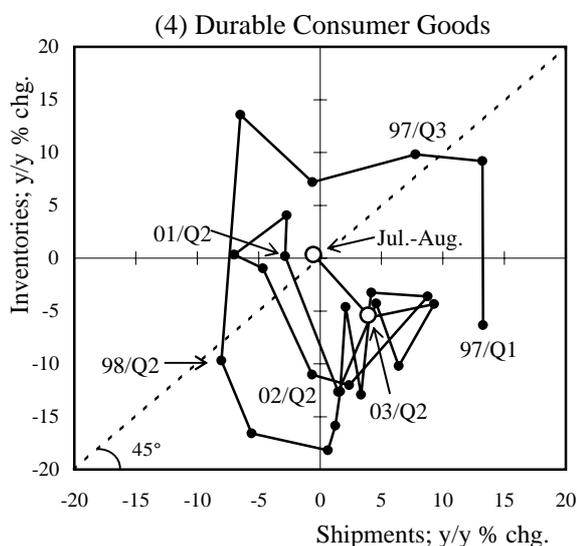
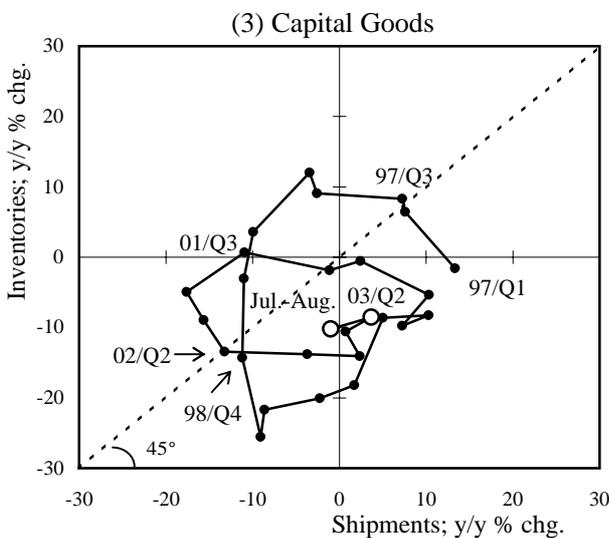
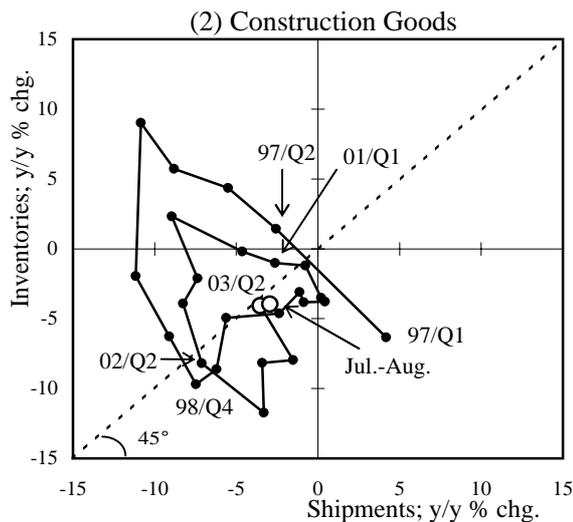
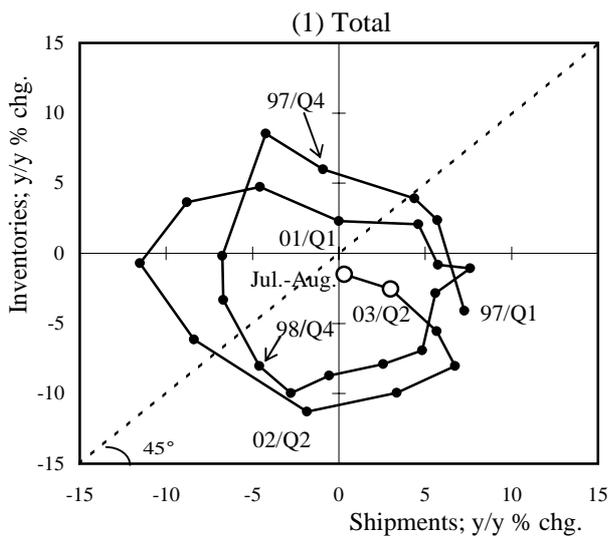


Notes: 1. Excluding transportation equipment.

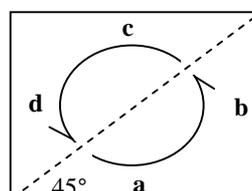
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

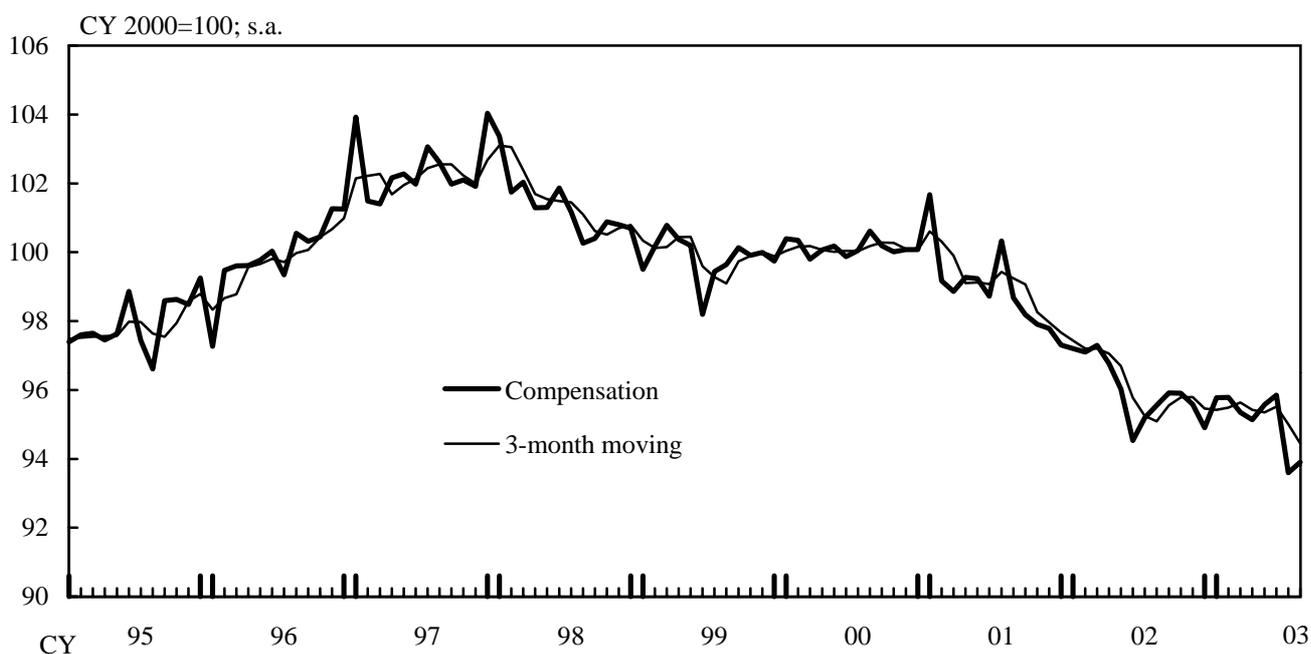


a Shipment recovery phase
 b Intended inventory accumulation phase
 c Unintended inventory accumulation phase
 d Inventory adjustment phase



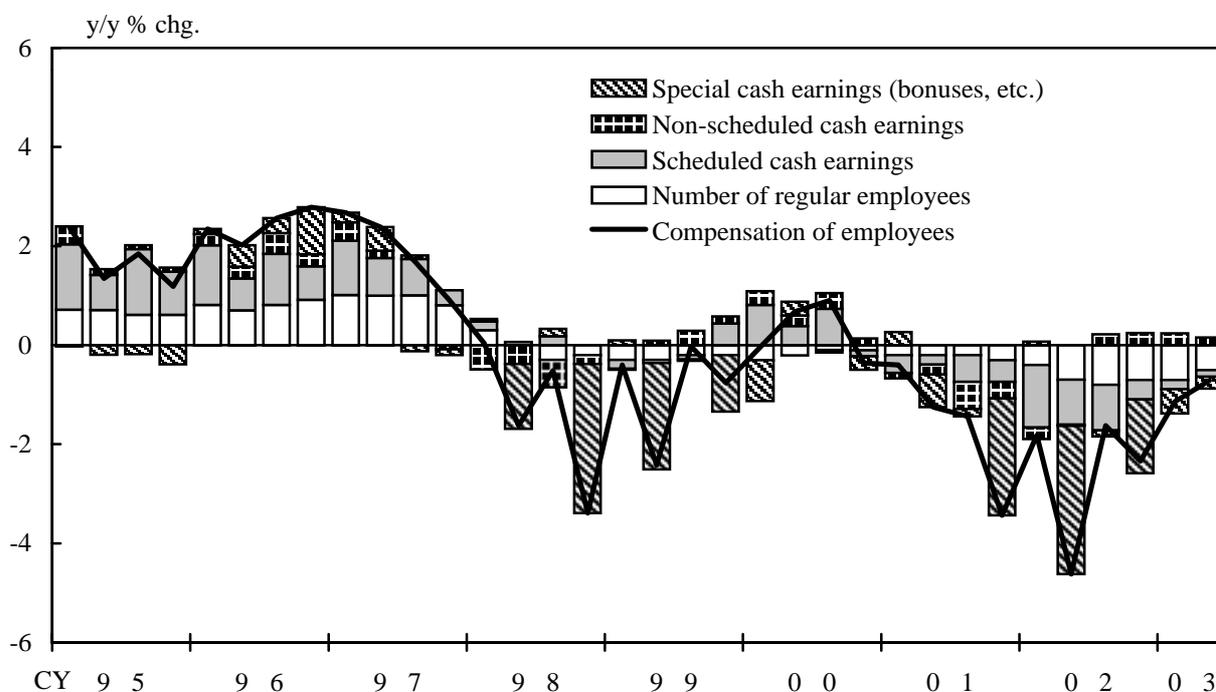
Compensation of Employees

(1) Compensation



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

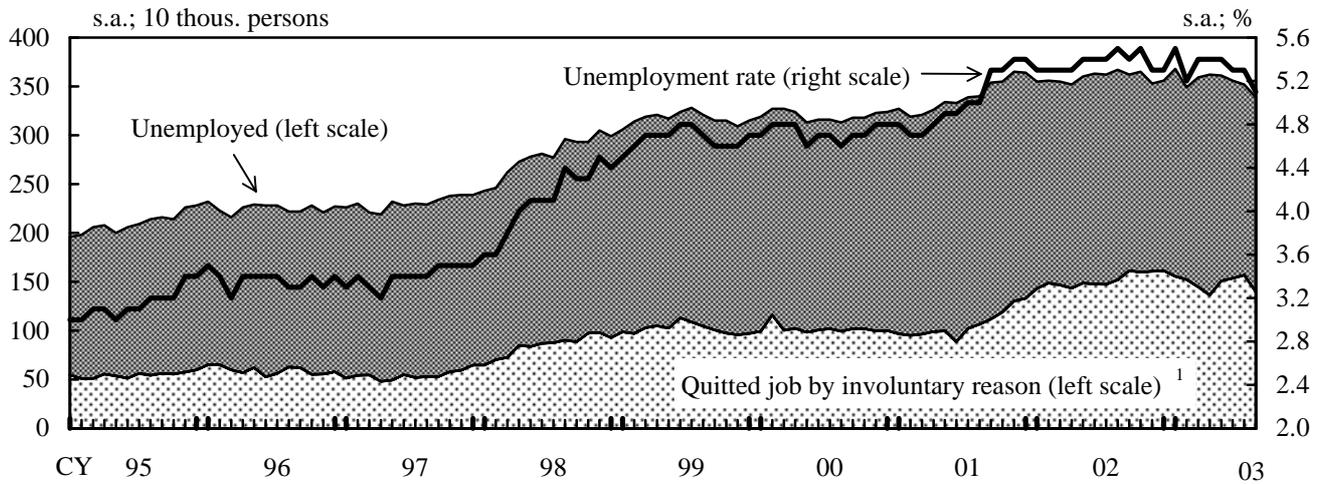
(2) Breakdown of Compensation



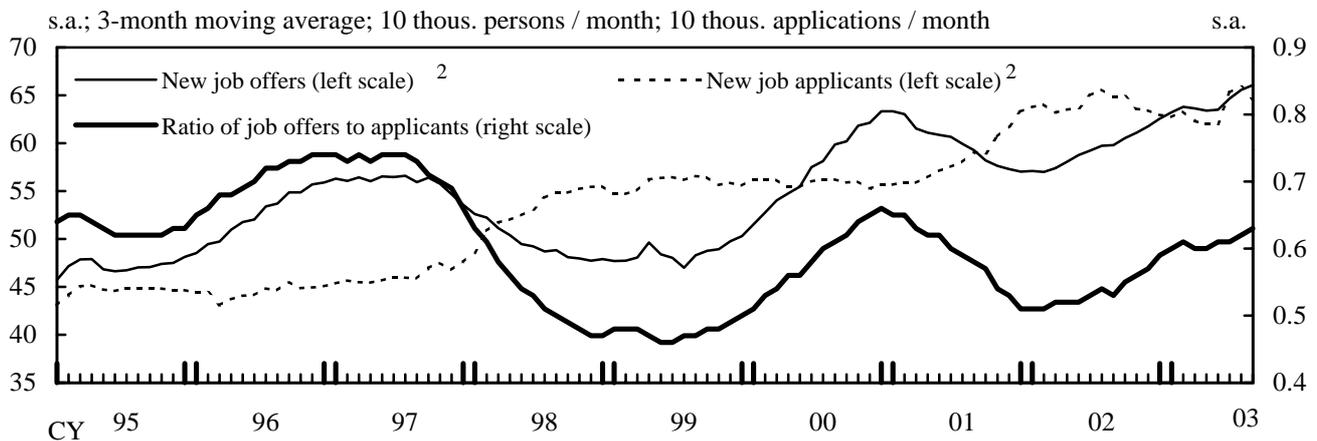
- Notes: 1. Data are for establishments with at least 5 employees. Those for August 2003 are preliminary figures.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.

Labor Market (1)

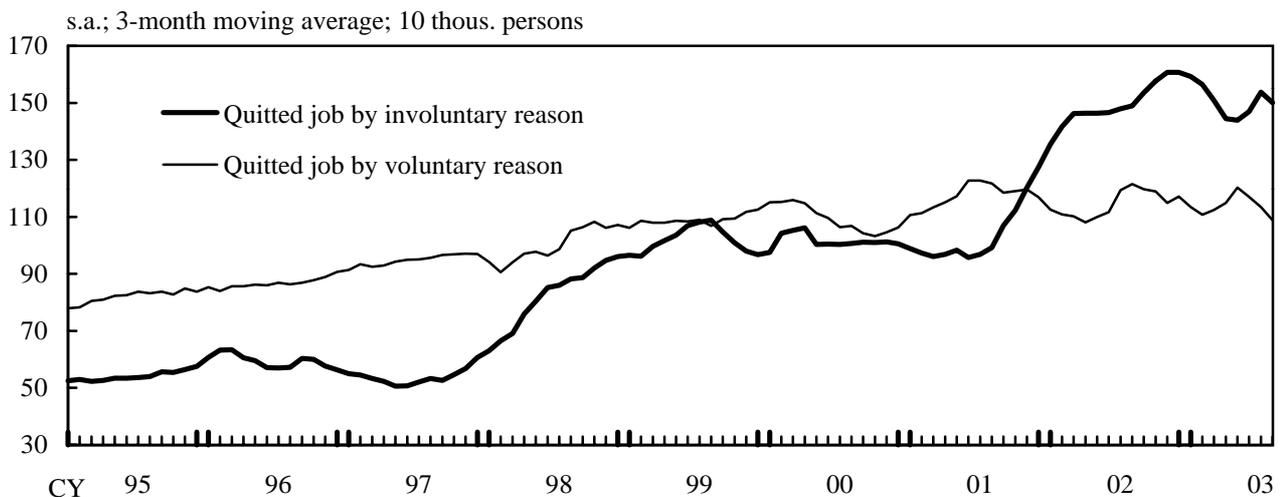
(1) The Unemployed and Unemployment Rate



(2) Ratio of Job Offers to Applicants



(3) Breakdown of the Unemployed¹

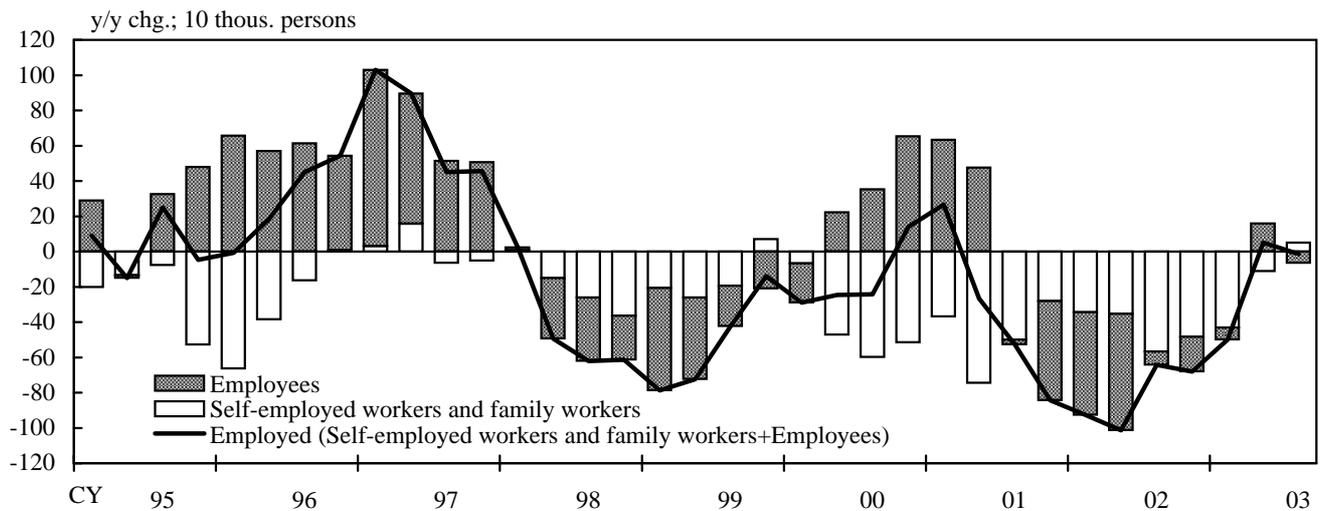
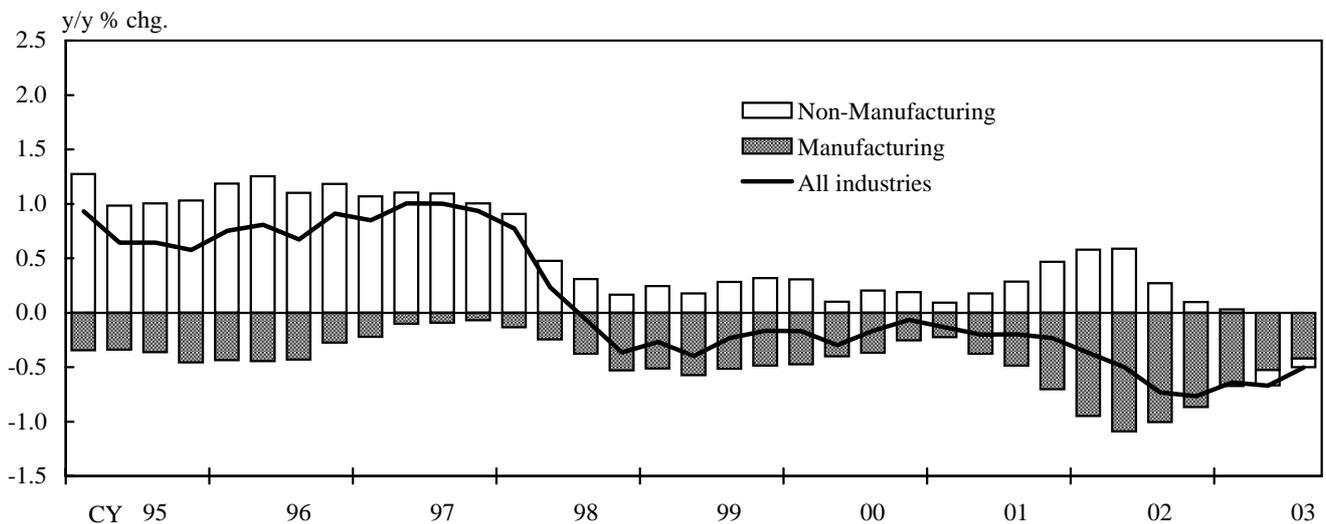
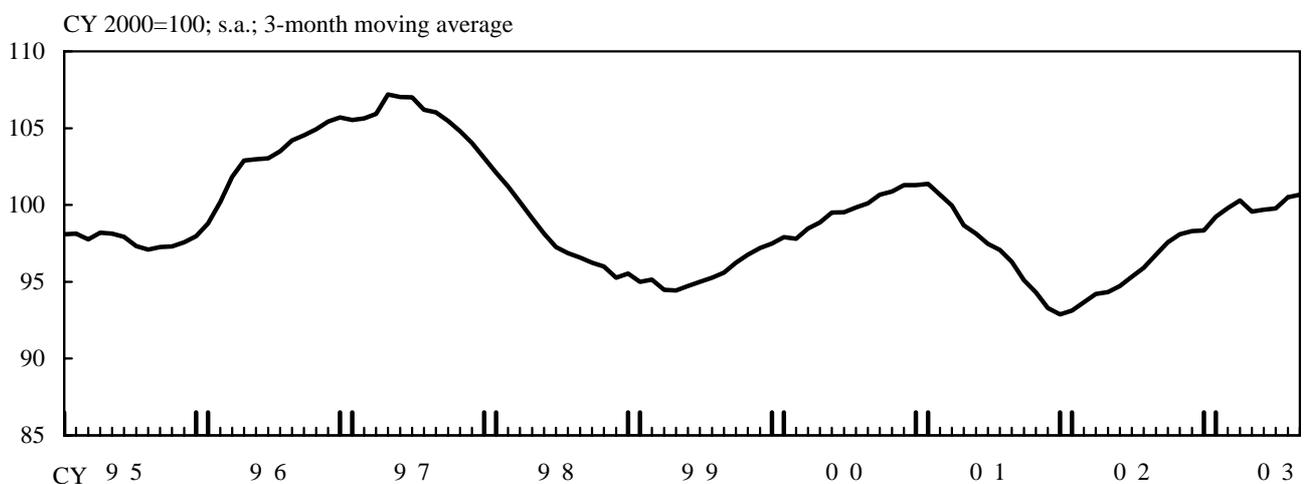


Notes: 1. Seasonally adjusted by X-11.

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 the July-Aug. averages.

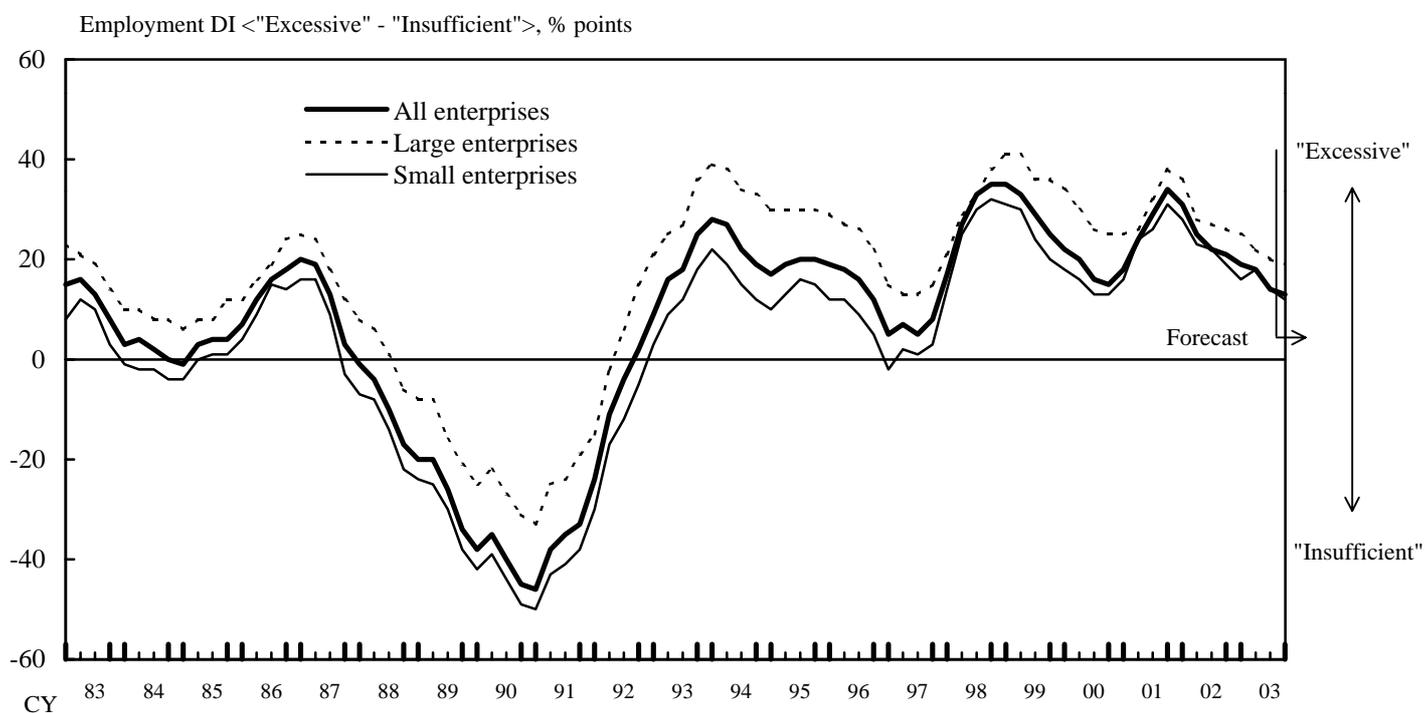
2. Data are for establishments with at least 5 employees. Those for August 2003 are preliminary figures

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

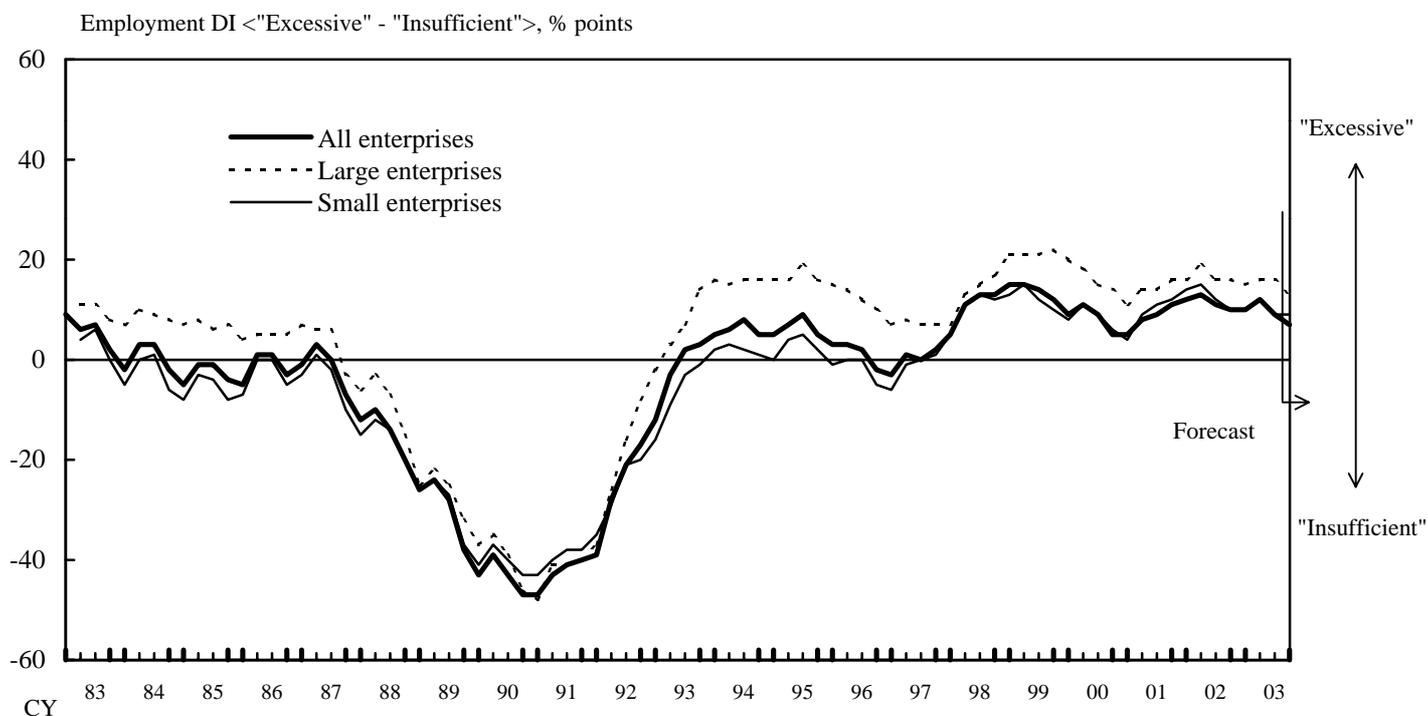
Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Employment Conditions

(1) Manufacturing



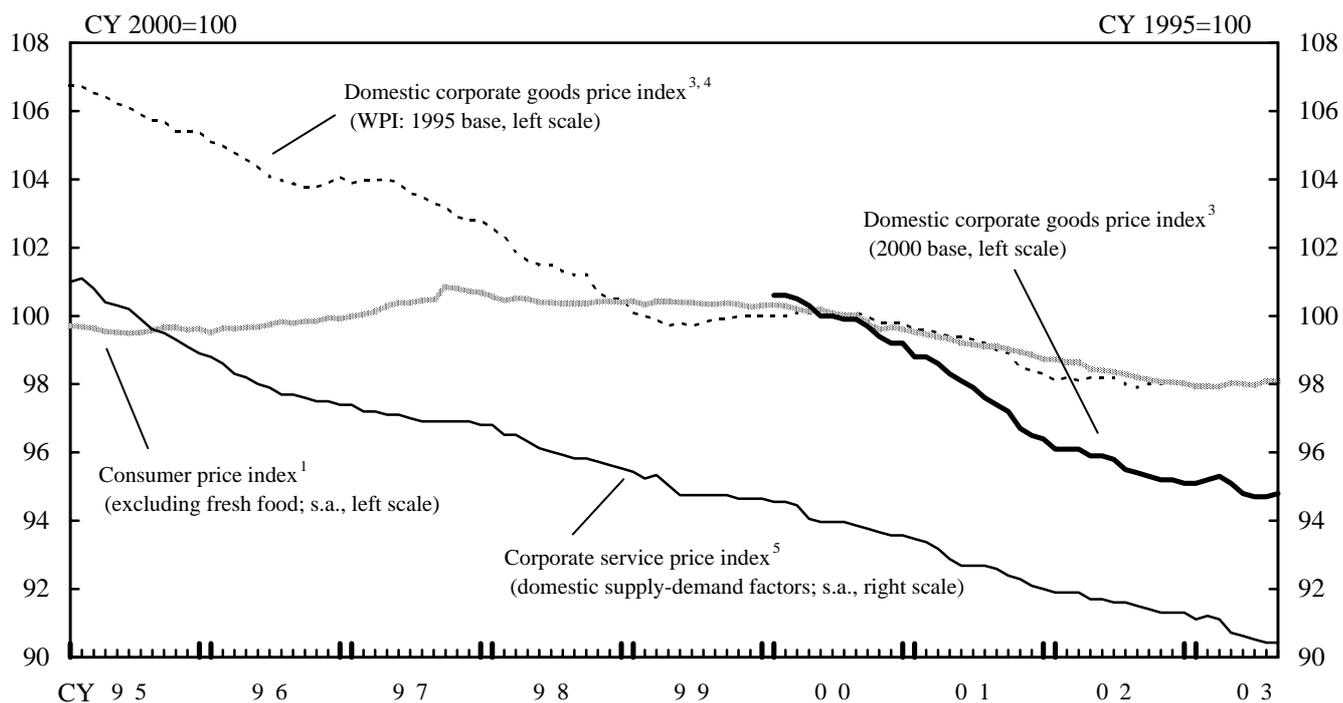
(2) Nonmanufacturing



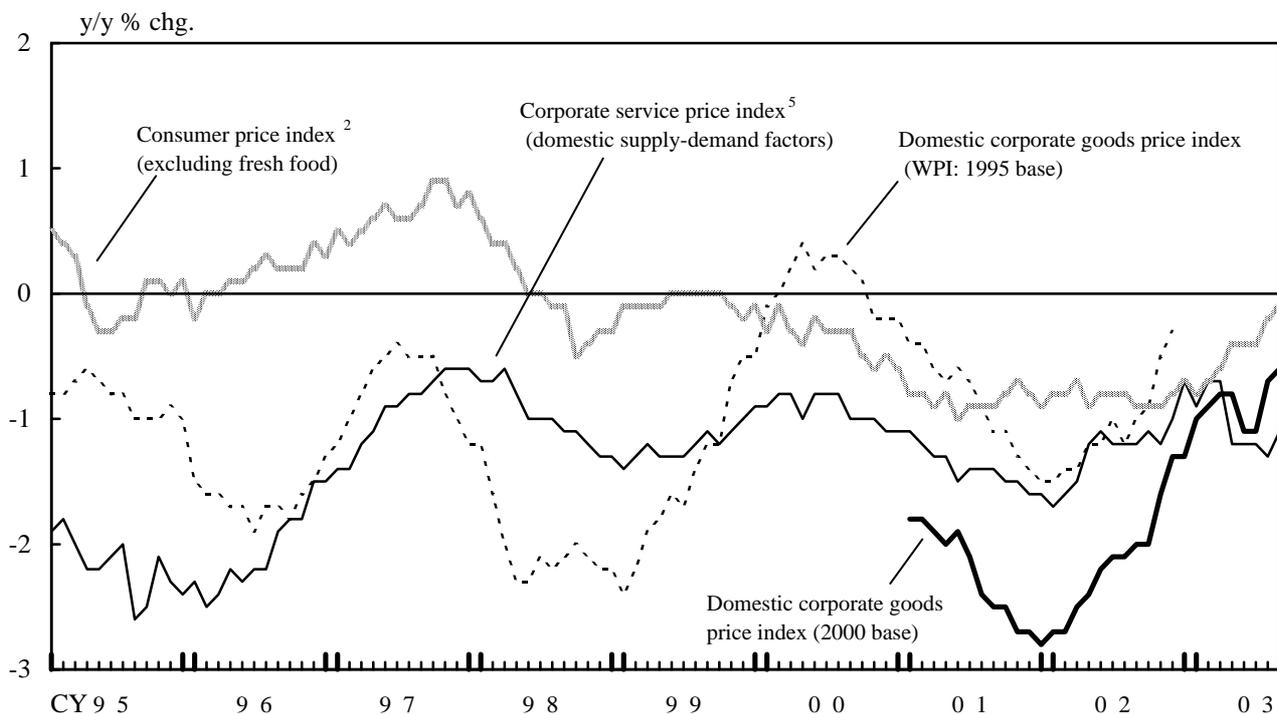
Source: Bank of Japan, "Tankan", Short-term Economic Survey of Enterprises in Japan."

Prices⁶

(1) Level



(2) Changes from a year earlier



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

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

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

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

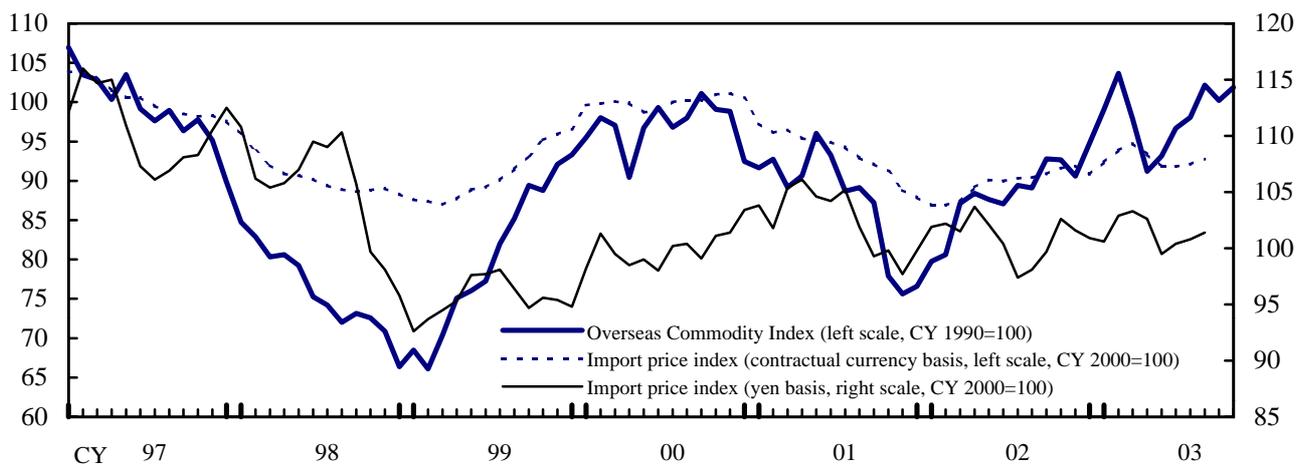
5. See footnote 1 in Chart 27, for definition of the Corporate Service Price Index (domestic supply-demand factors).

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

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

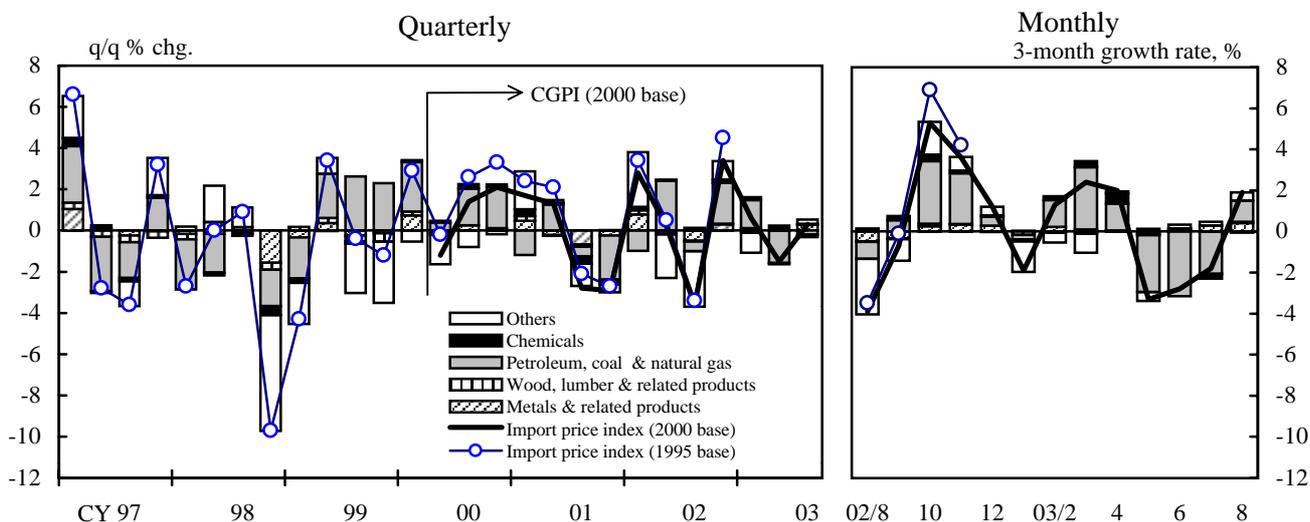
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



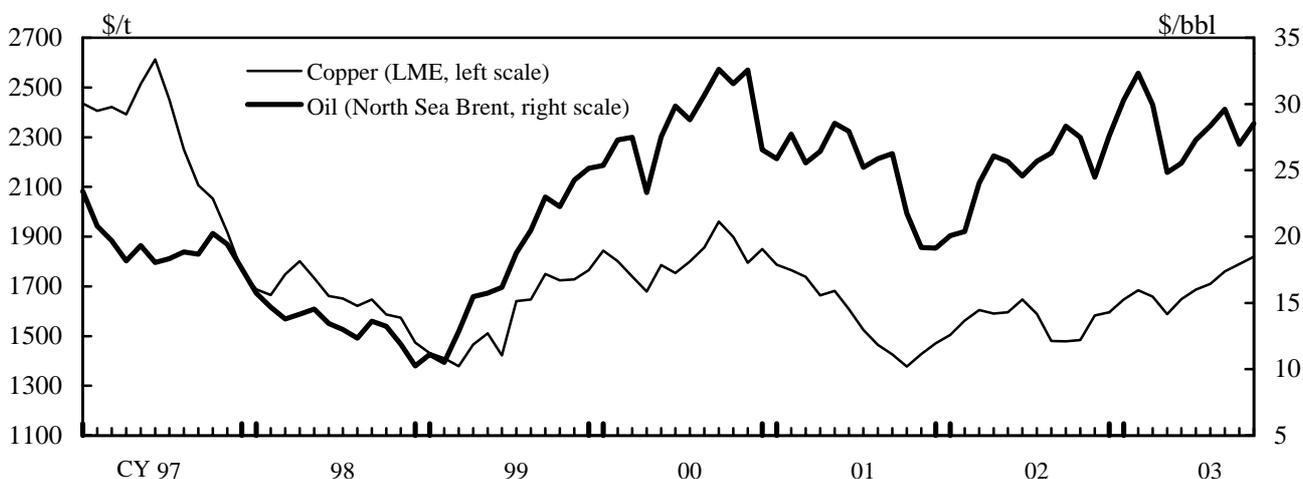
Note: Overseas Commodity Index, which is calculated by Bank of Japan, is a monthly average.
Figure for October 2003 is the average up to October 8.

(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)

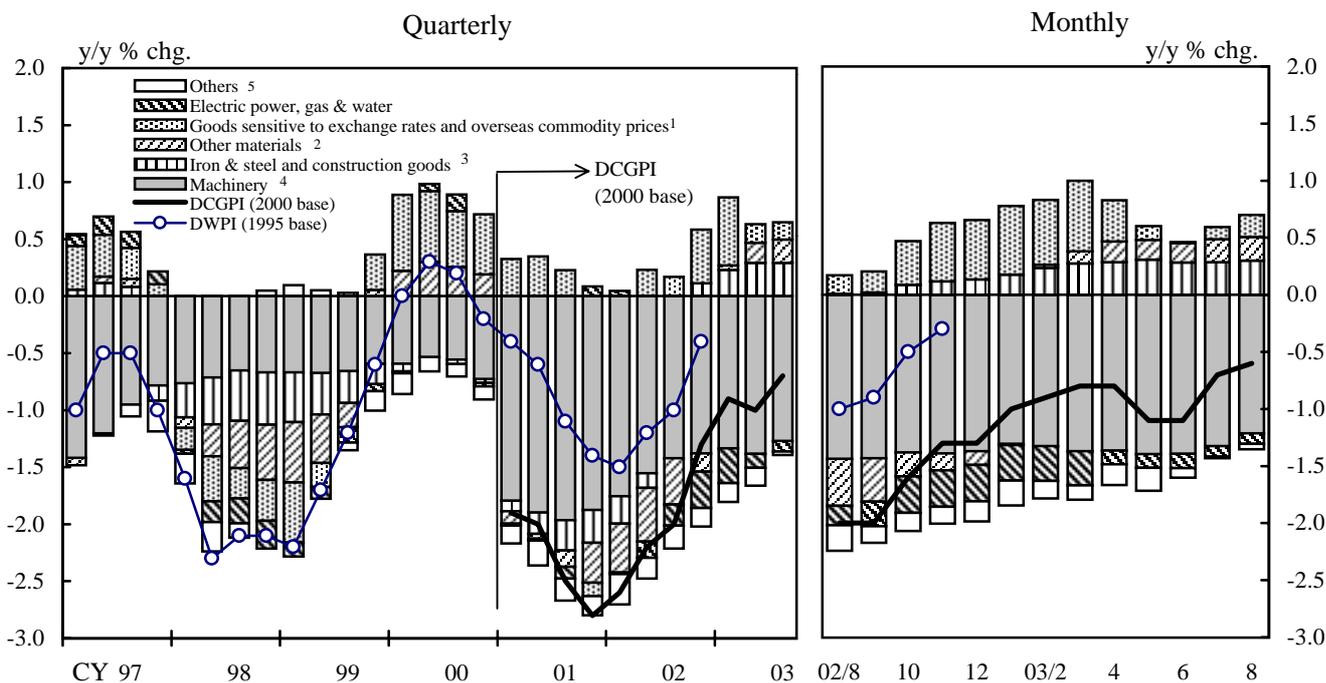


Note: Monthly averages. Figures for October 2003 are the averages up to October 8.

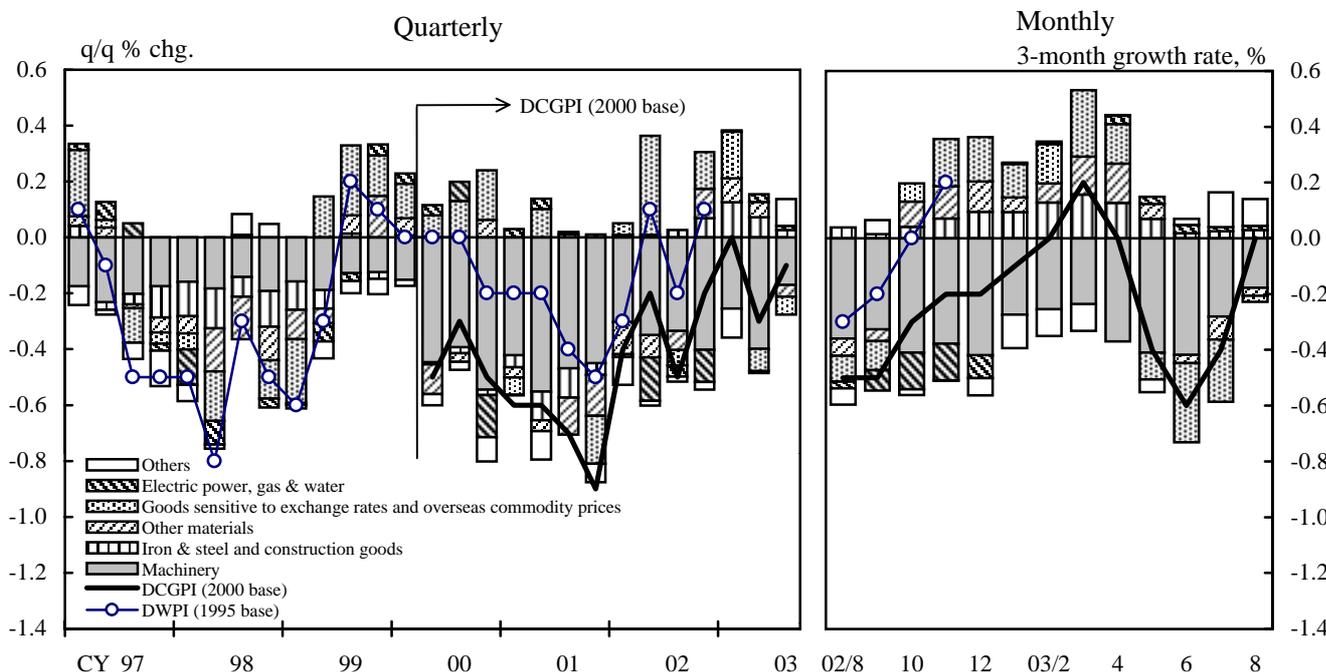
Sources: Bank of Japan, "Corporate Goods Price Index," "Wholesale Price Indexes," "Financial and Economic Statistics Monthly," etc.

Domestic Corporate Goods Price Index⁷

(1) Changes from a year earlier



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

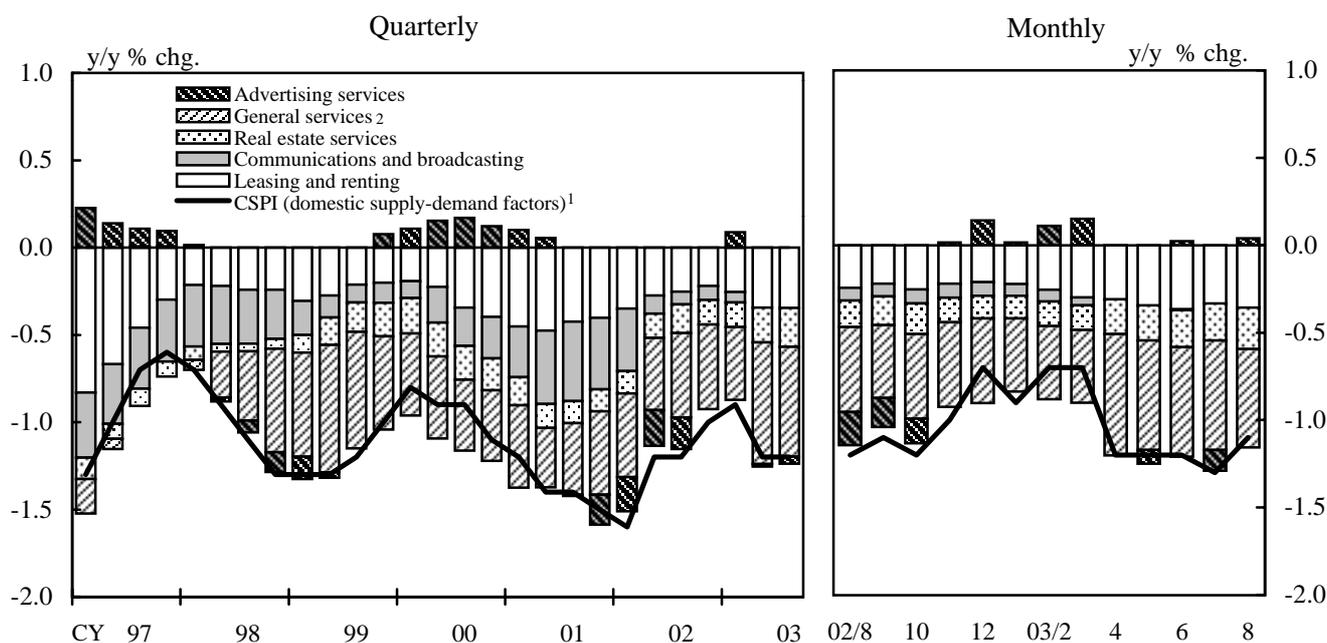
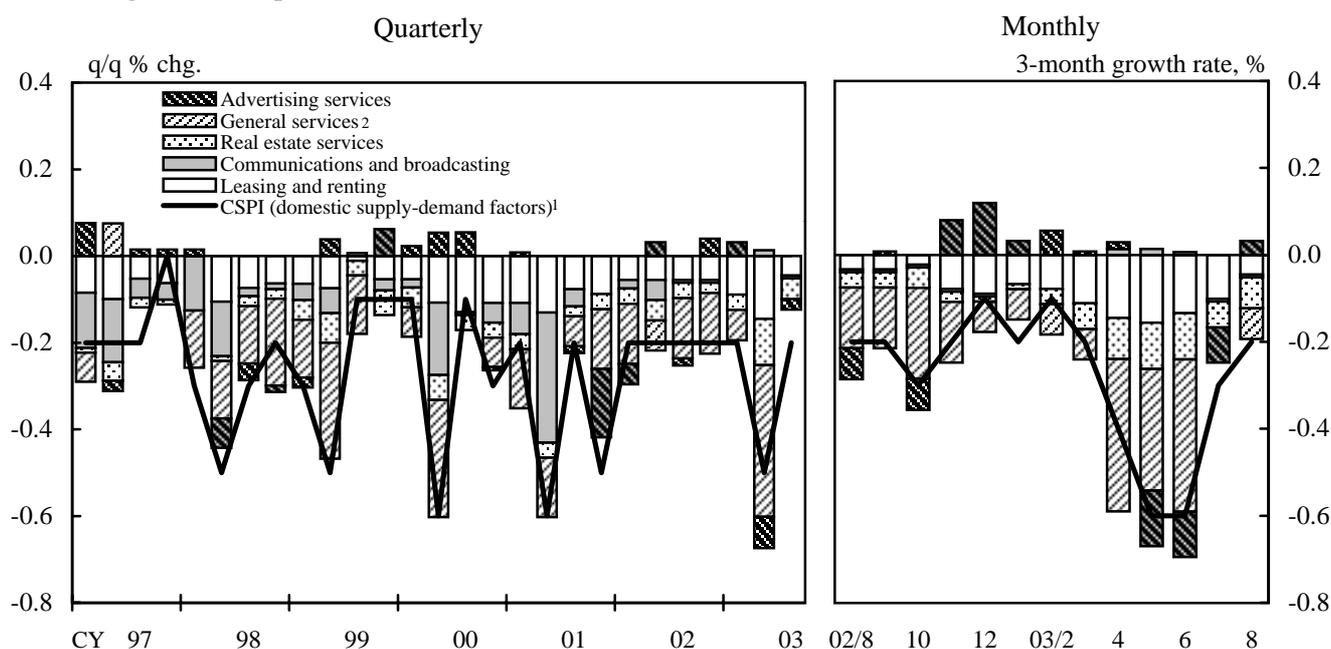


- Notes: 1. Goods sensitive to exchange rates and overseas commodity prices; petroleum & coal products, nonferrous metals.
 2. Other materials; chemicals, plastic products, textile products, pulp, paper & related products.
 3. Iron & steel and construction goods; iron & steel, metal products, ceramics, 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.

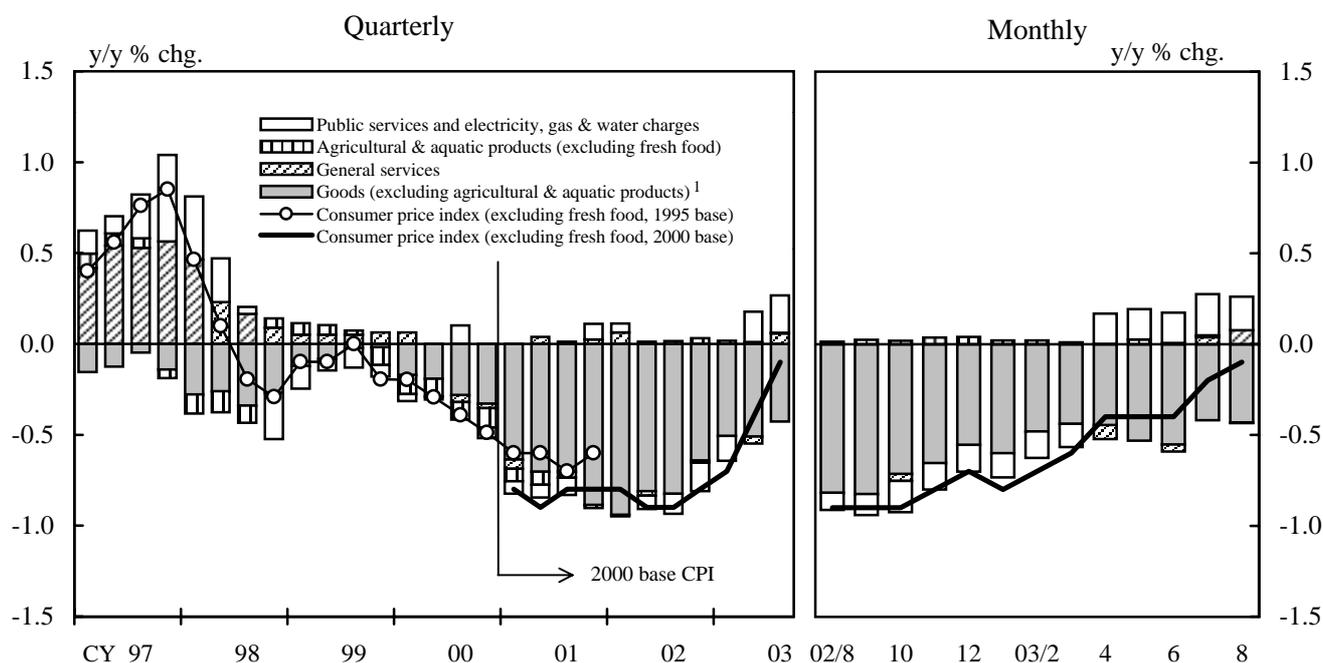
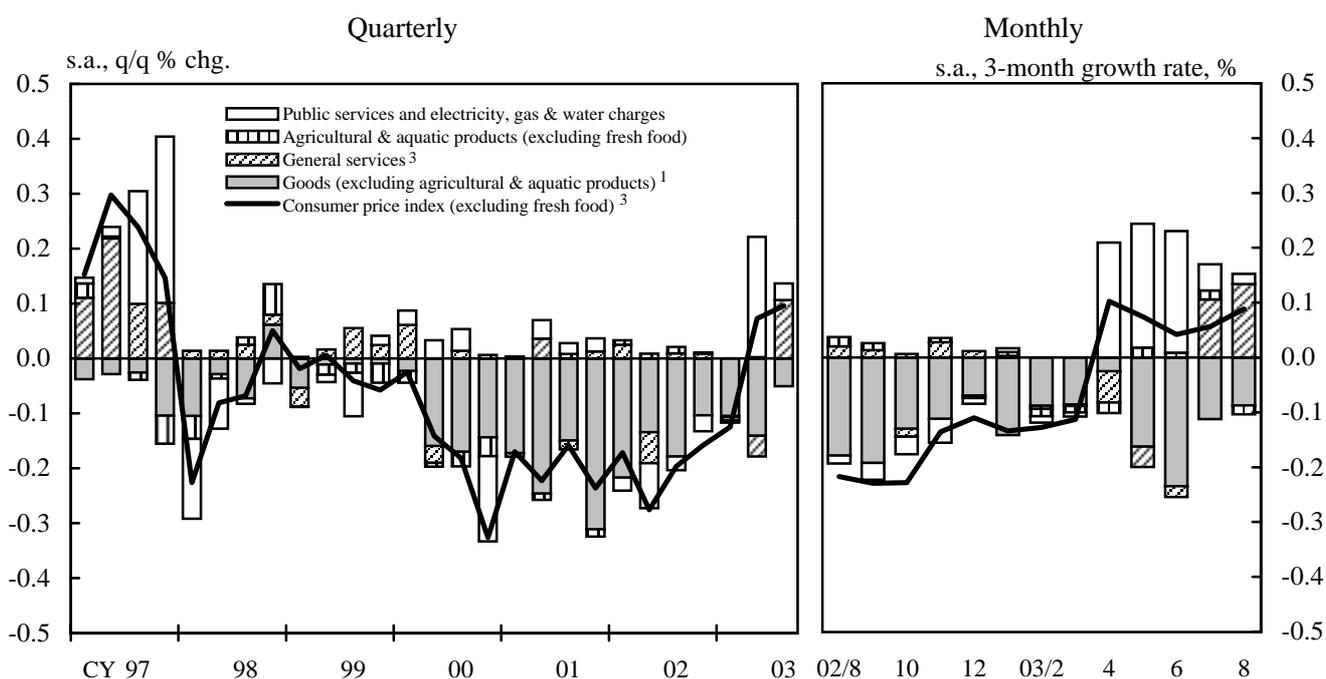
4. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

5. Figures for 2003/Q3 are those of July-August averages.

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

Consumer Price Index (excluding fresh food)⁴

(1) Changes from a year earlier

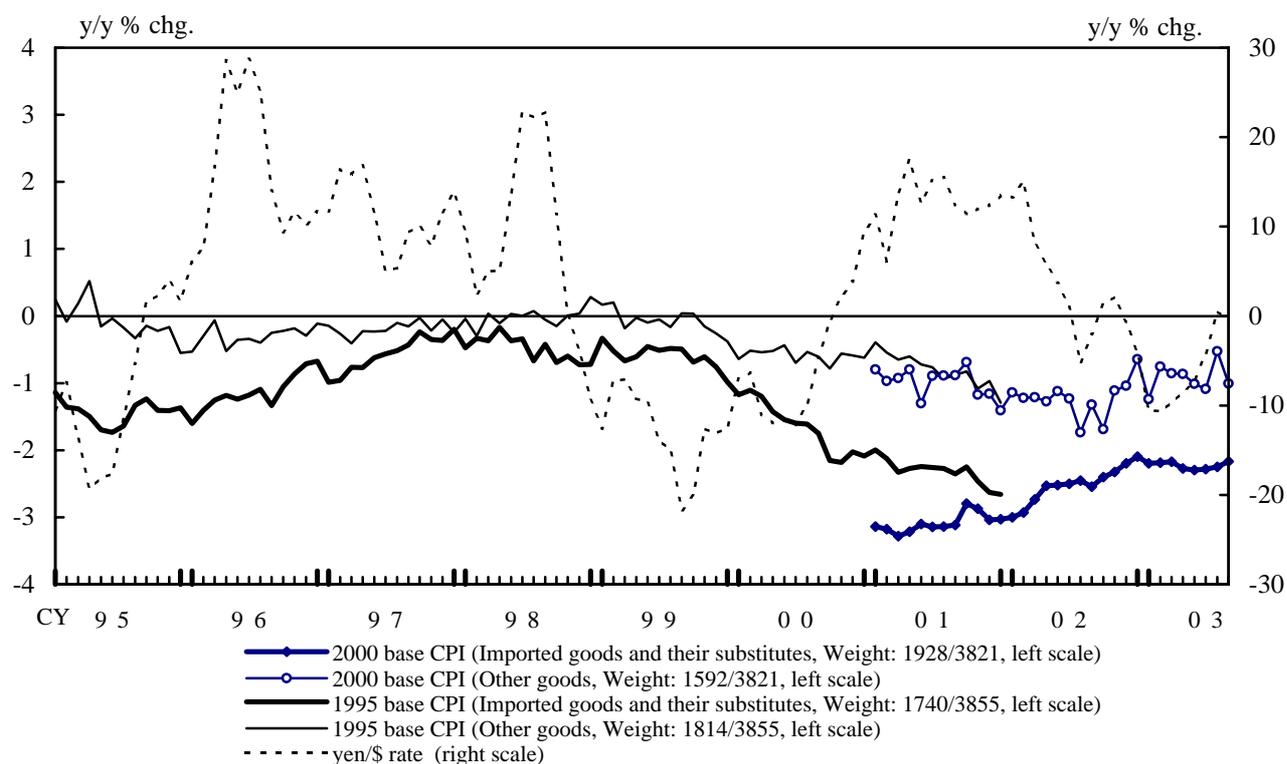
(2) Changes from a quarter earlier and 3 months earlier (2000 base CPI)²

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

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

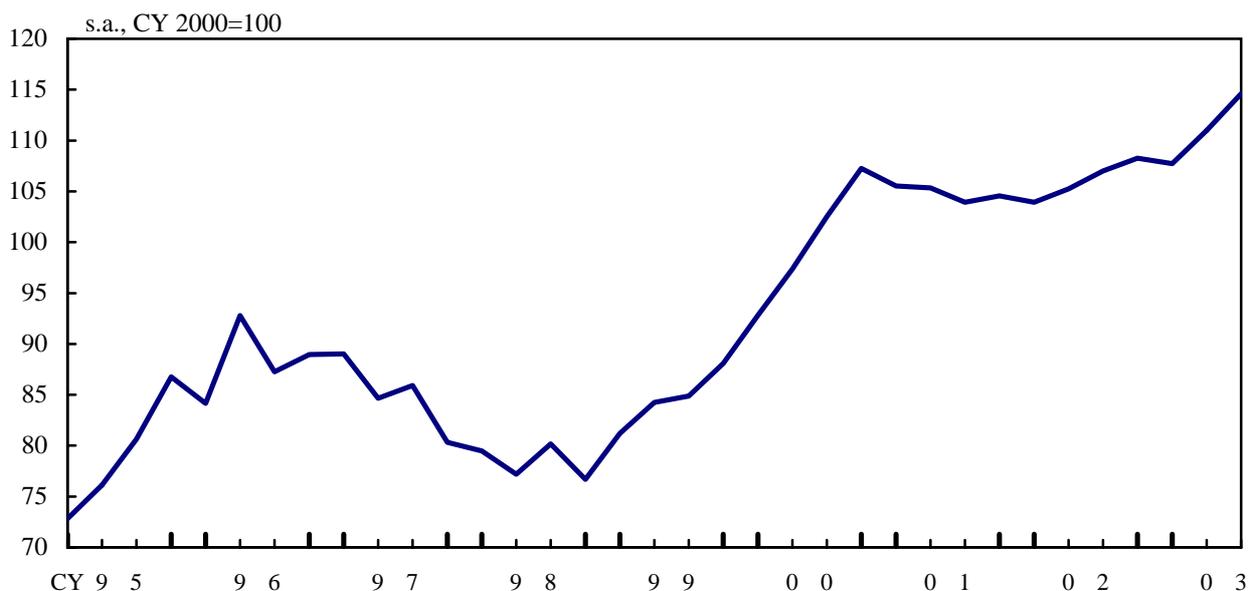
Consumer Prices of imported goods and their substitutes

(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)

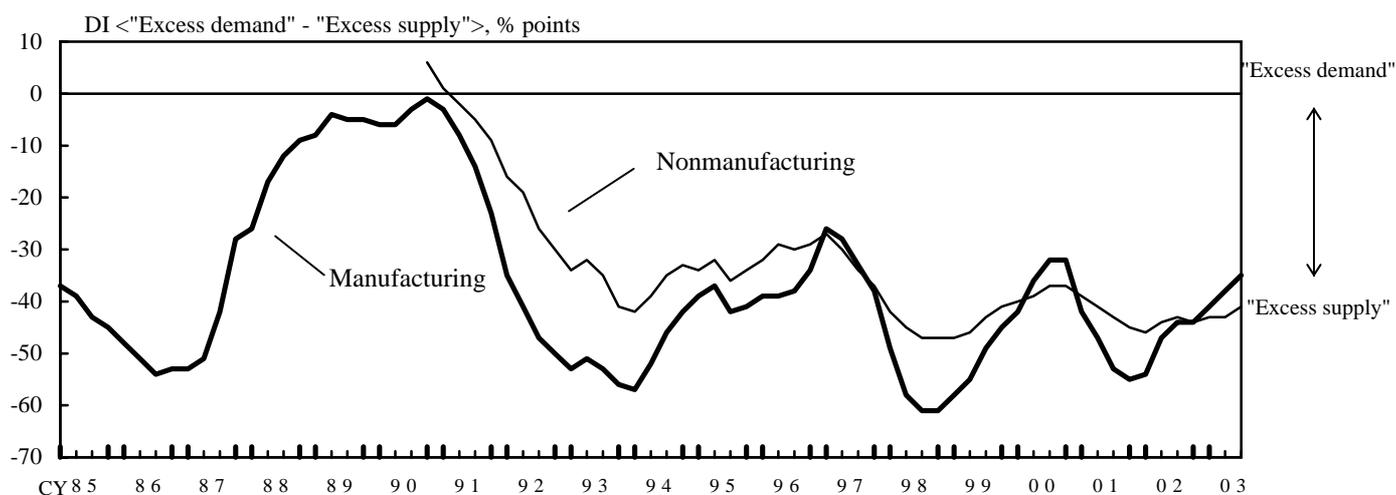


- Notes:
1. Real imports (consumer goods), which are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles, are calculated from the Trade Statistics as an index with the 2000 average equal to 100.
 2. 2003/Q3 figure is July-August average at a quarterly rate.

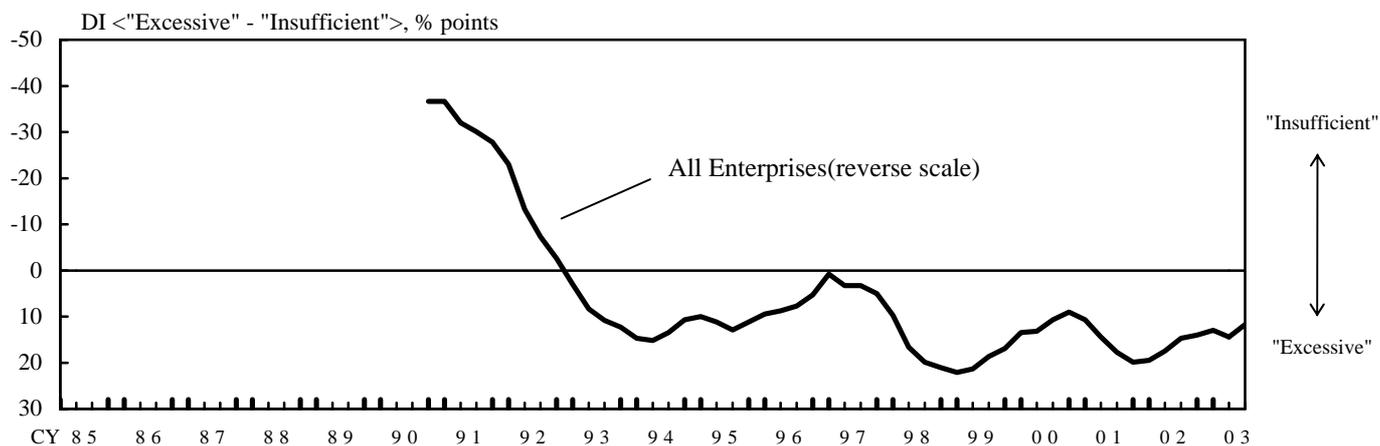
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Domestic Supply and Demand Conditions

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

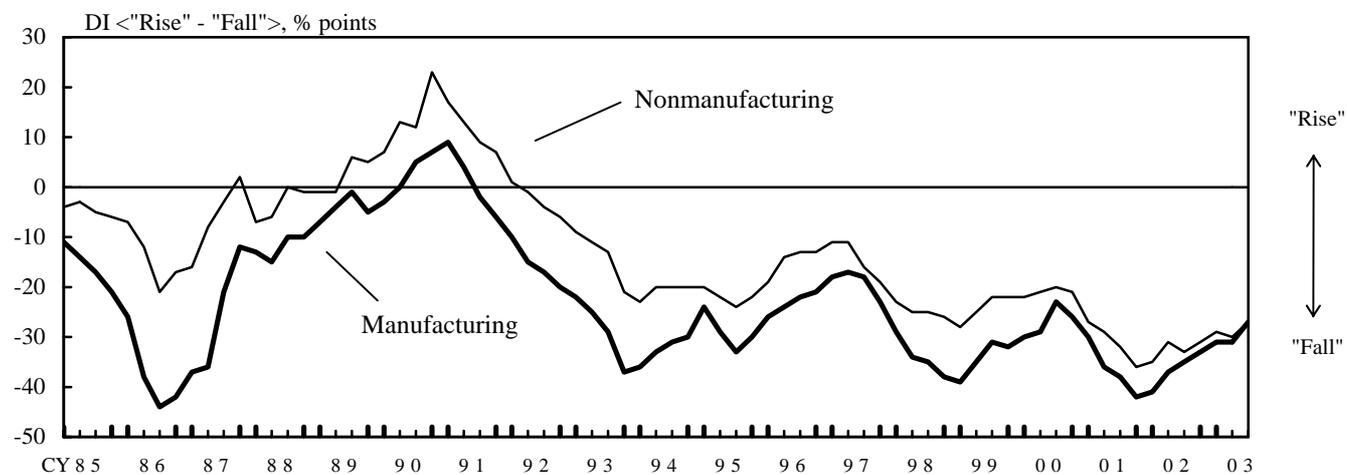


(2) Utilization of Capital and Labor



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

(3) Change in Output Prices (All Enterprises)

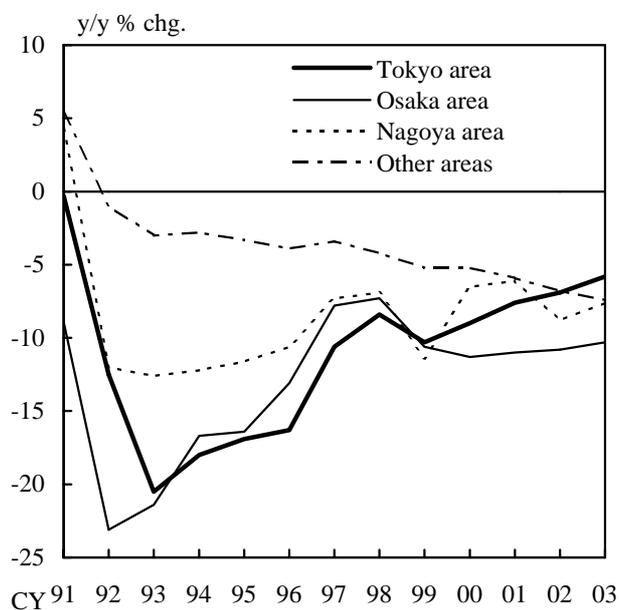


Sources: Cabinet Office, "National Accounts";
Bank of Japan, "Tankan, Short-term Economic Survey of Enterprises in Japan."

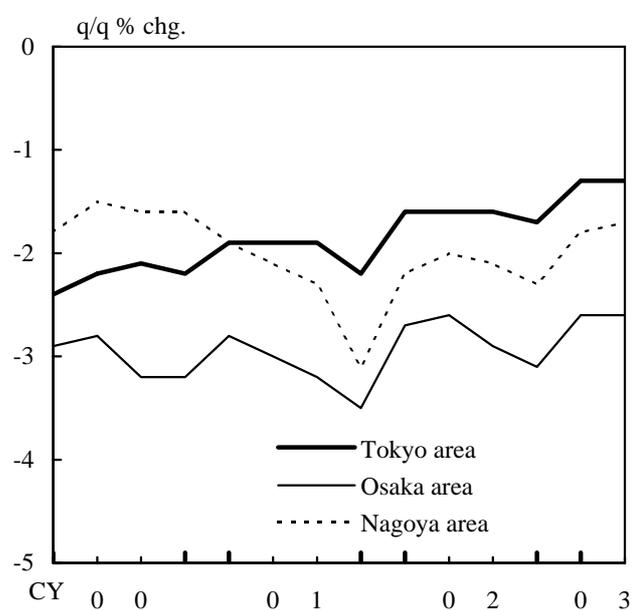
Land Prices

(1) Commercial land

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

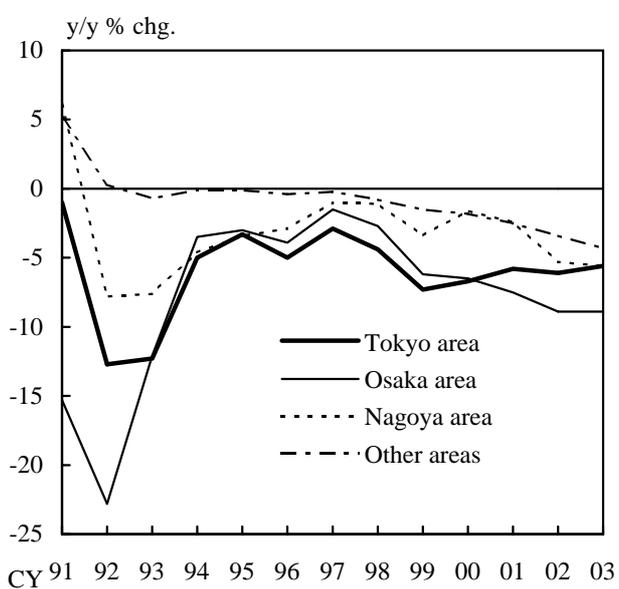


(1-2) Average change at representative locations

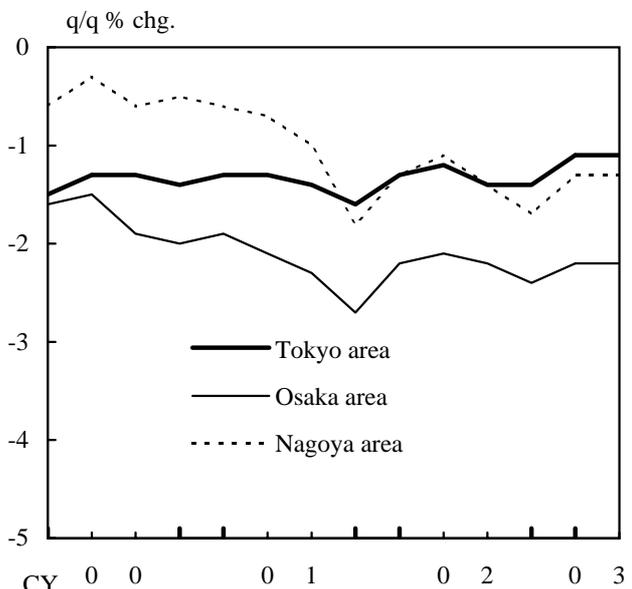


(2) Residential land

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



(2-2) Average change at representative locations

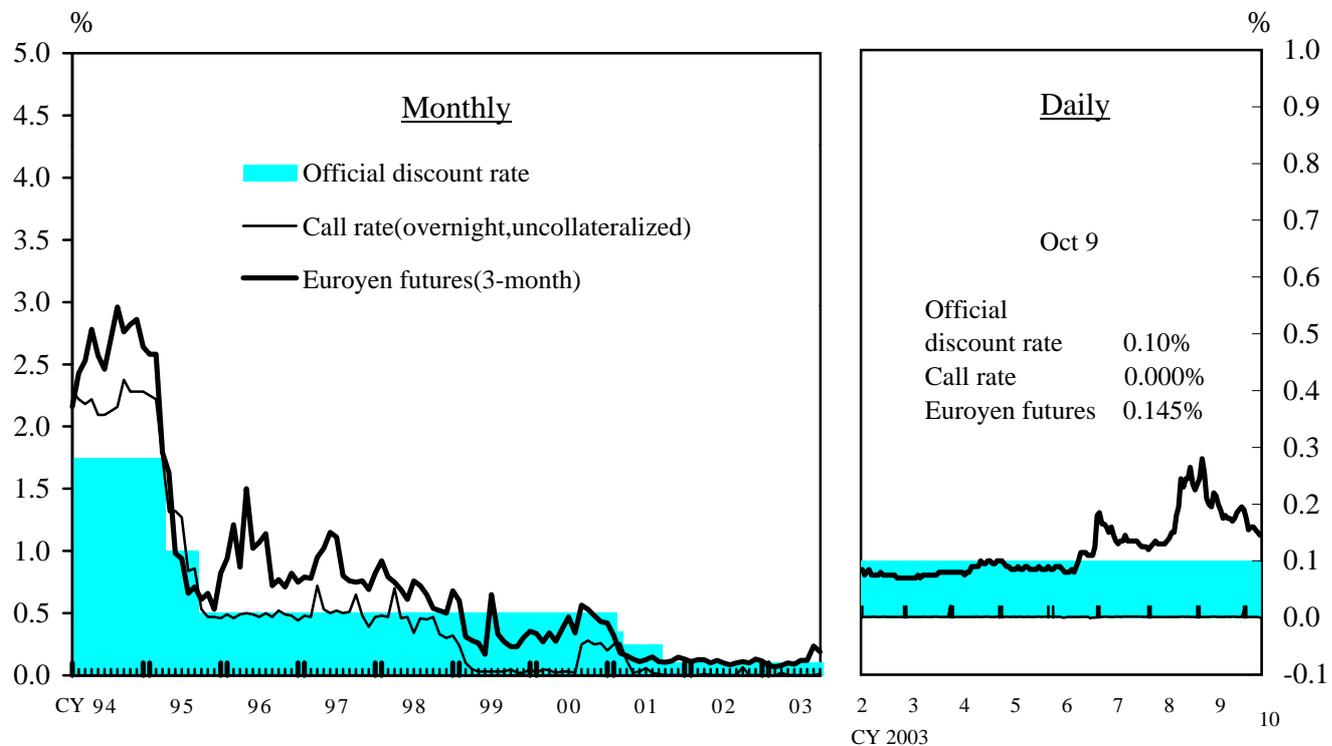


Note: *Publication of Land Price*, surveyed by the Ministry of Land, Infrastructure and Transport, shows the land prices as of January 1st. *Prefectural Land Price Survey*, surveyed by prefecture officials, shows the land prices as of July 1st. Each survey has representative locations called "DAIHYO-HYOJUNCHI" or "SHITEI-KIJUNCHI," which are basically regarded as the same locations between the two statistics. The prices of these representative locations are also surveyed on April 1st and October 1st, so the series of the quarterly price changes for those locations can be obtained.

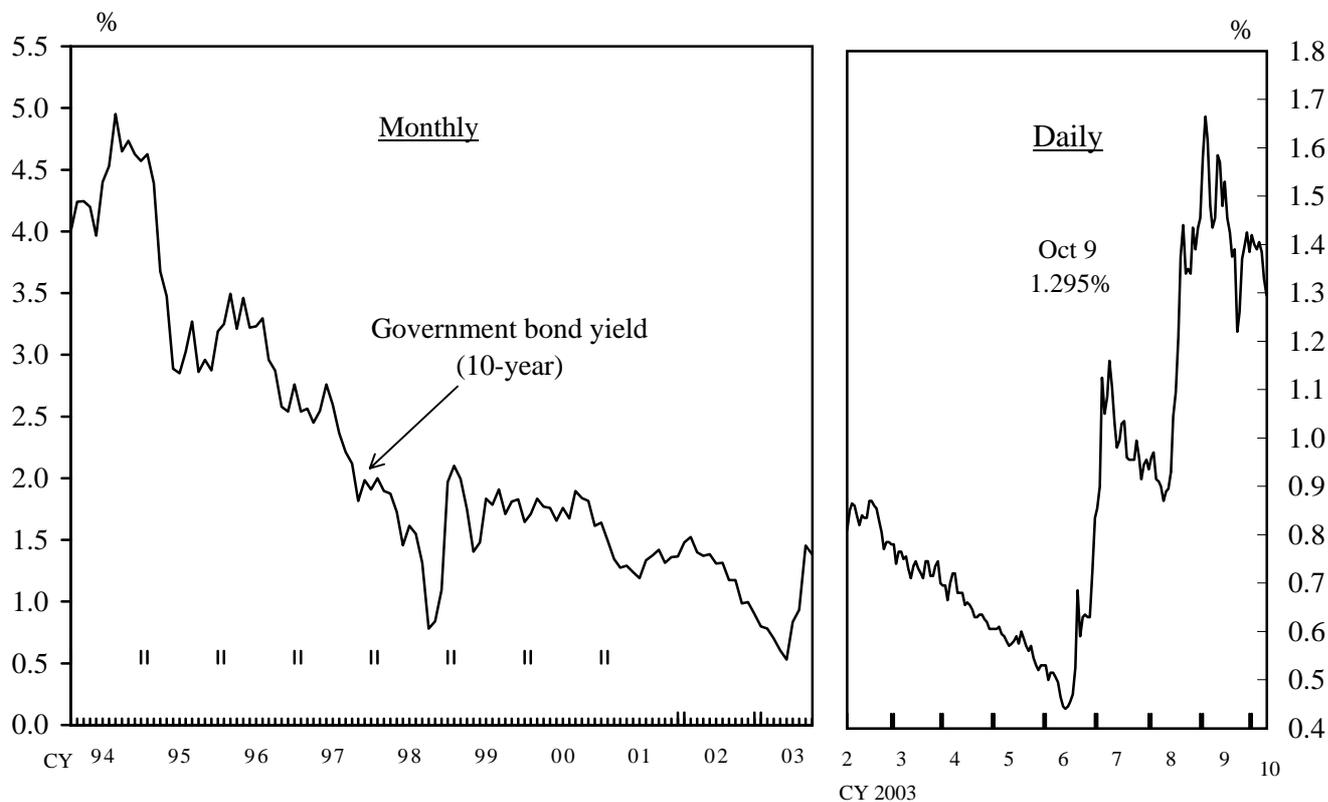
Sources: Ministry of Land, Infrastructure and Transport, "Publication of Land Price,"
"Prefectural Land Price Survey."

Interest Rates

(1) Short-Term



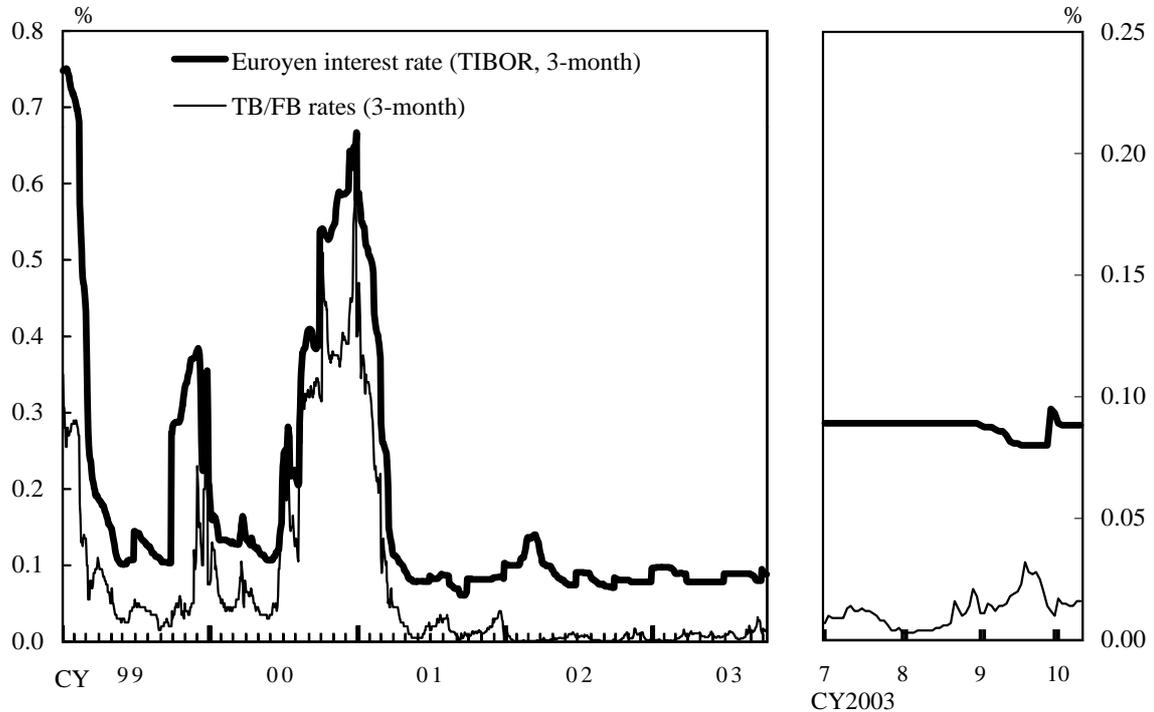
(2) Long-Term



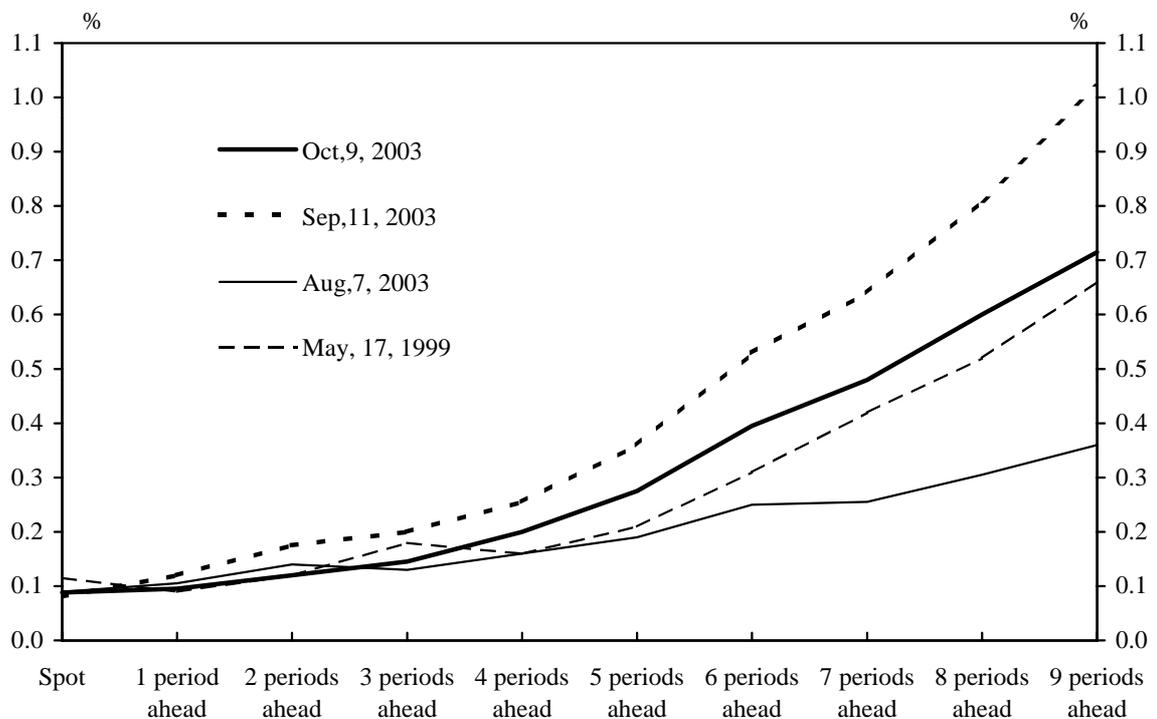
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



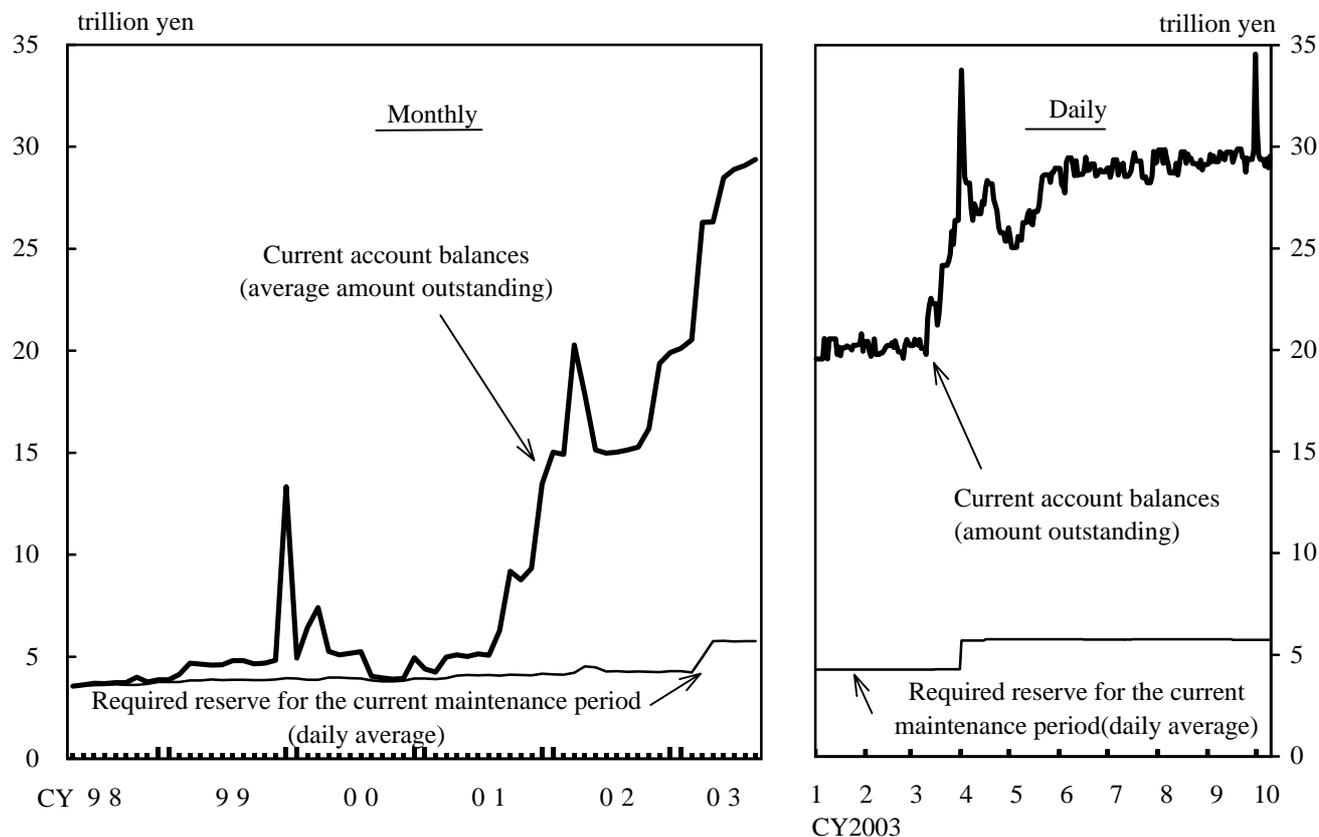
(2) Euroyen Interest Rates Futures (3-Month) ¹



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.

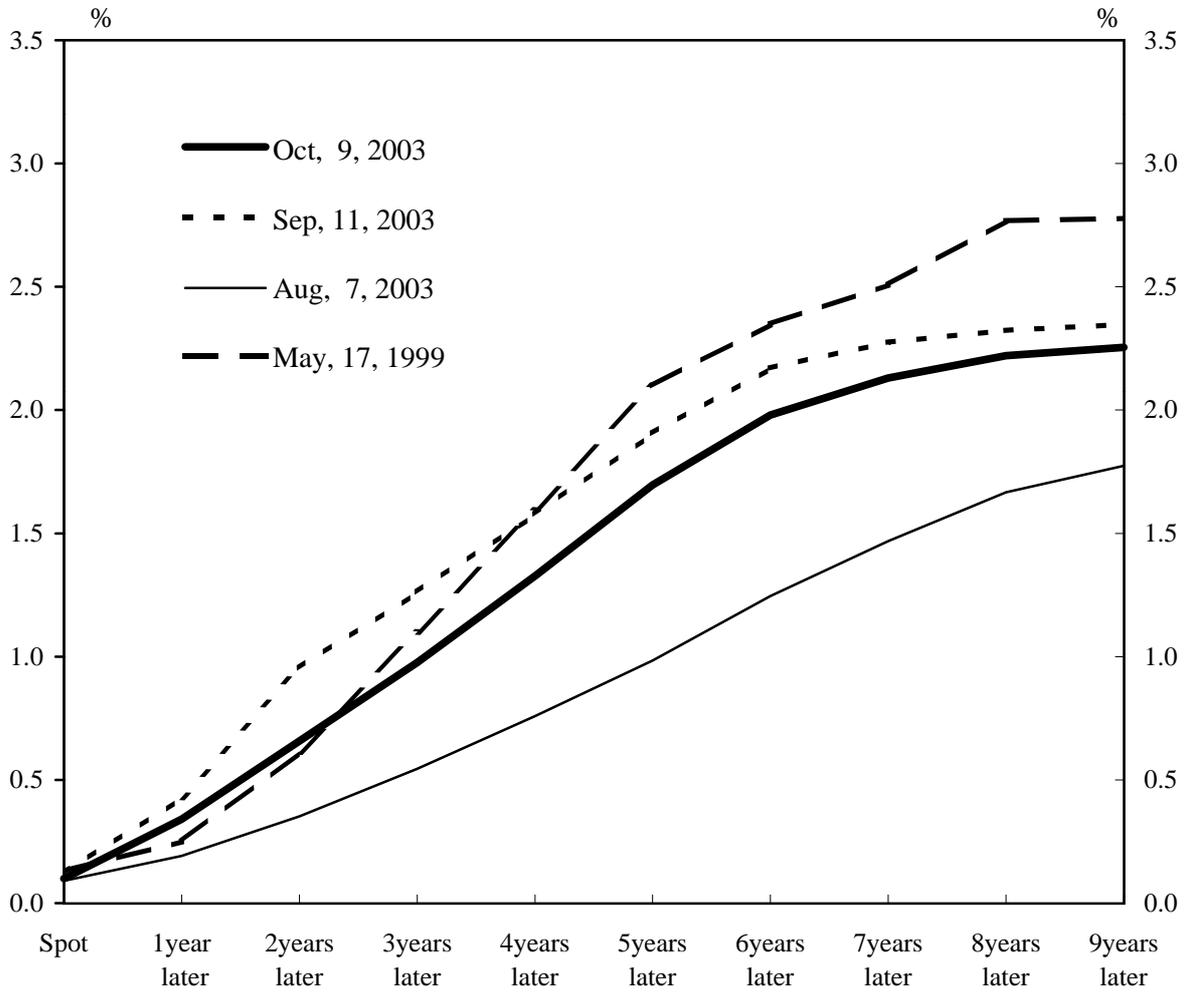
Current Account Balances at the Bank of Japan ¹



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

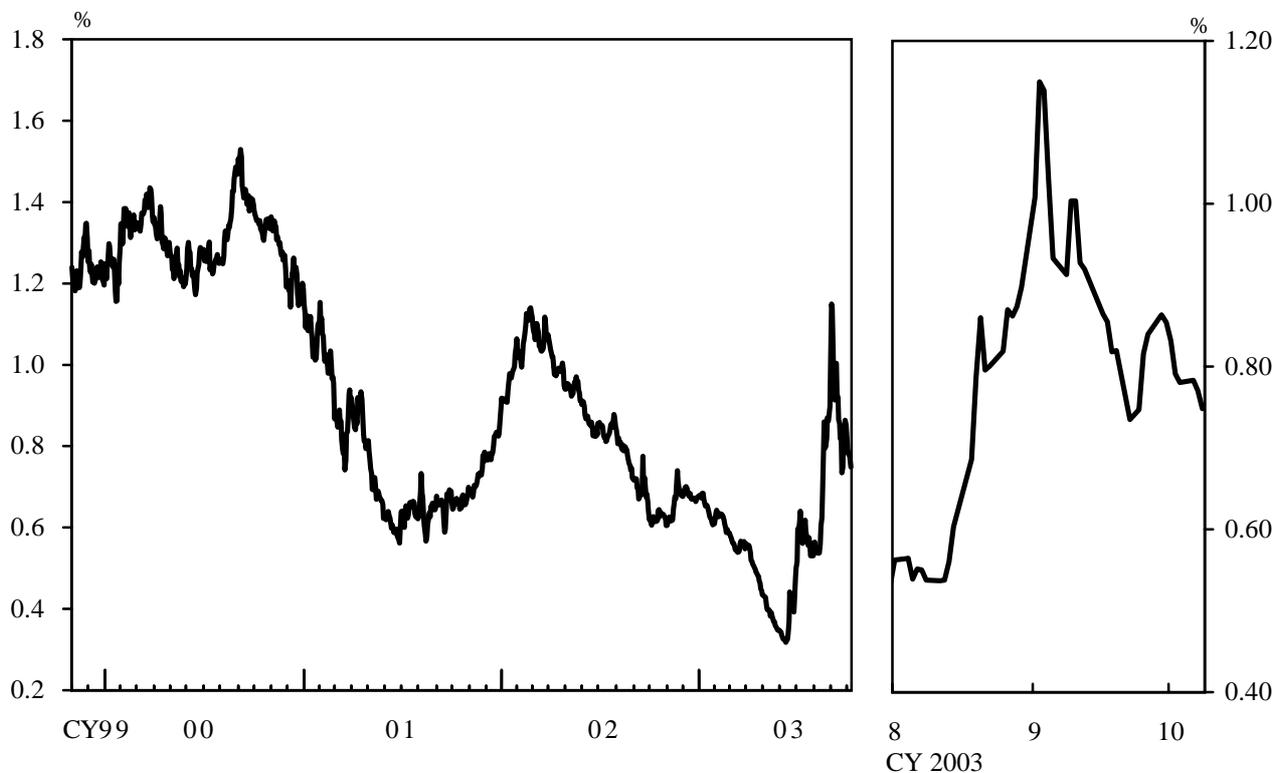


Note: 1. Calculated from yen-yen swap rates.

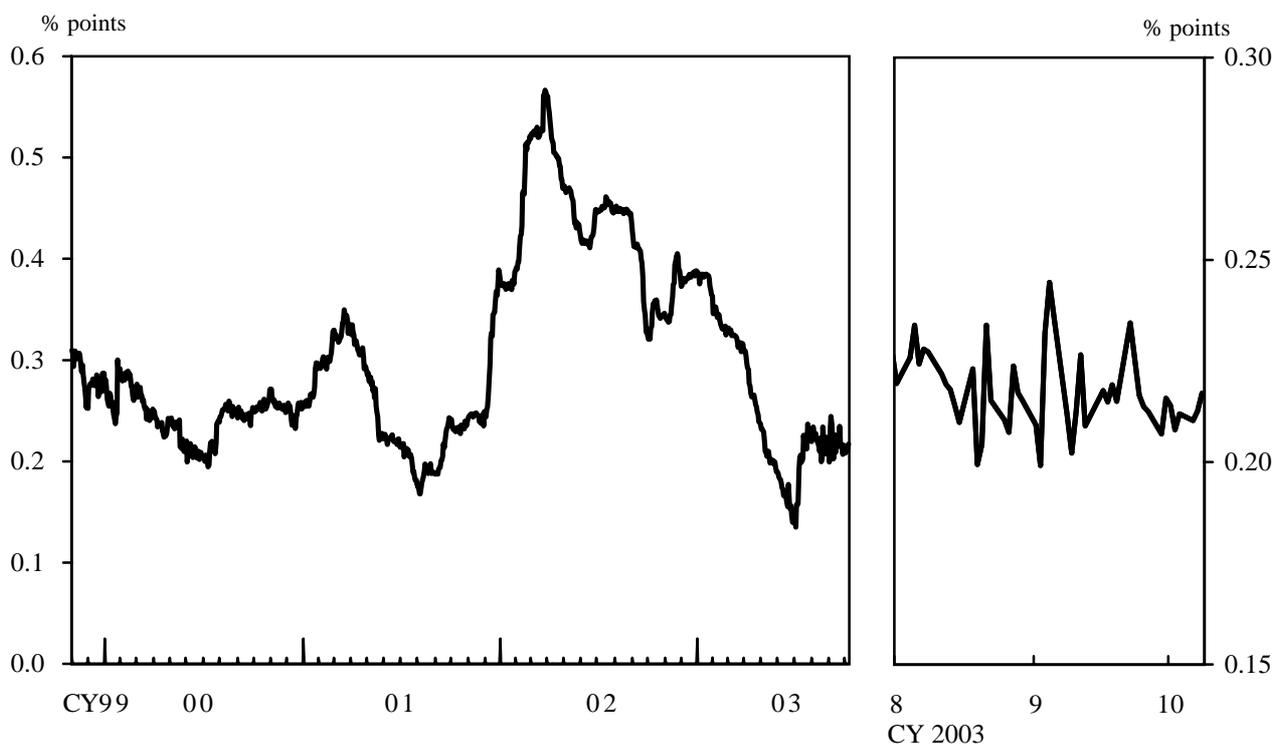
Source: Kyodo News.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



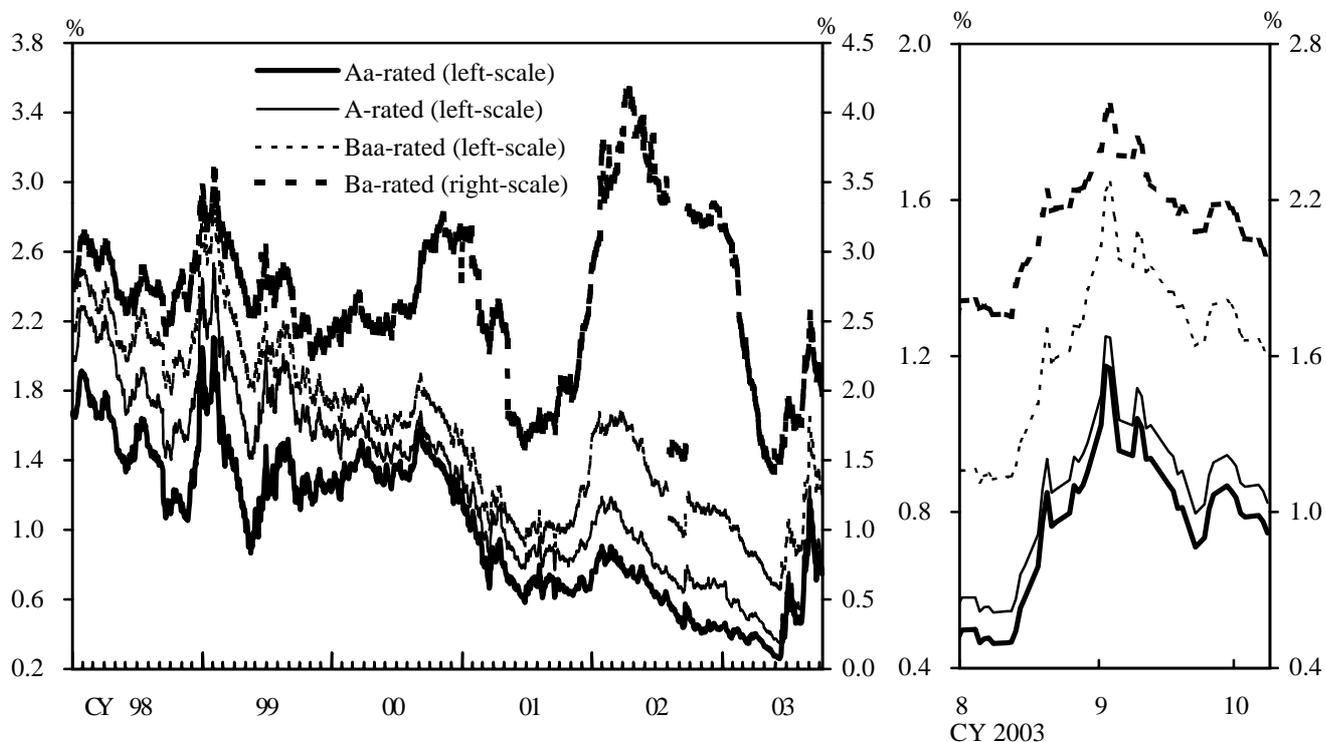
Notes: 1. Yields on bonds with 5-year maturity.

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

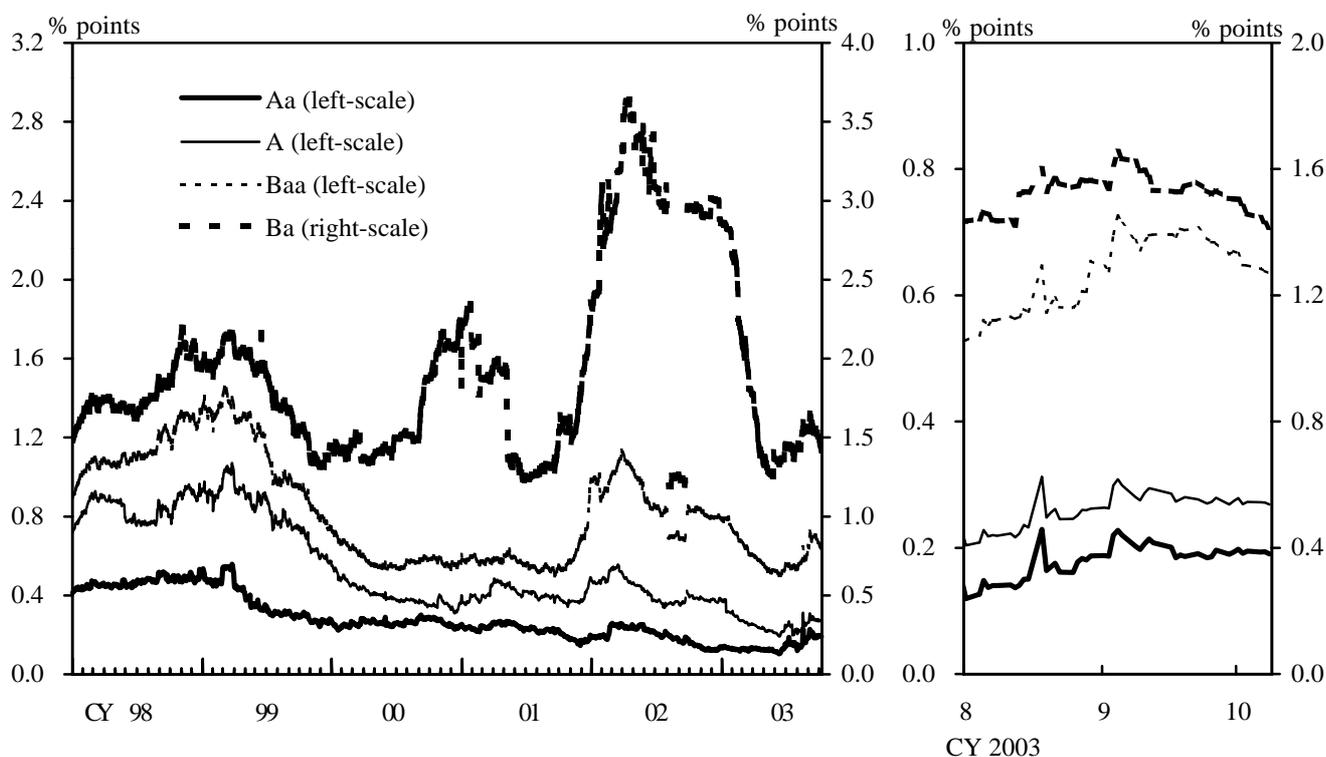
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."
 "Reference Price(Yields) Table for OTC Bond Transactions."

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.

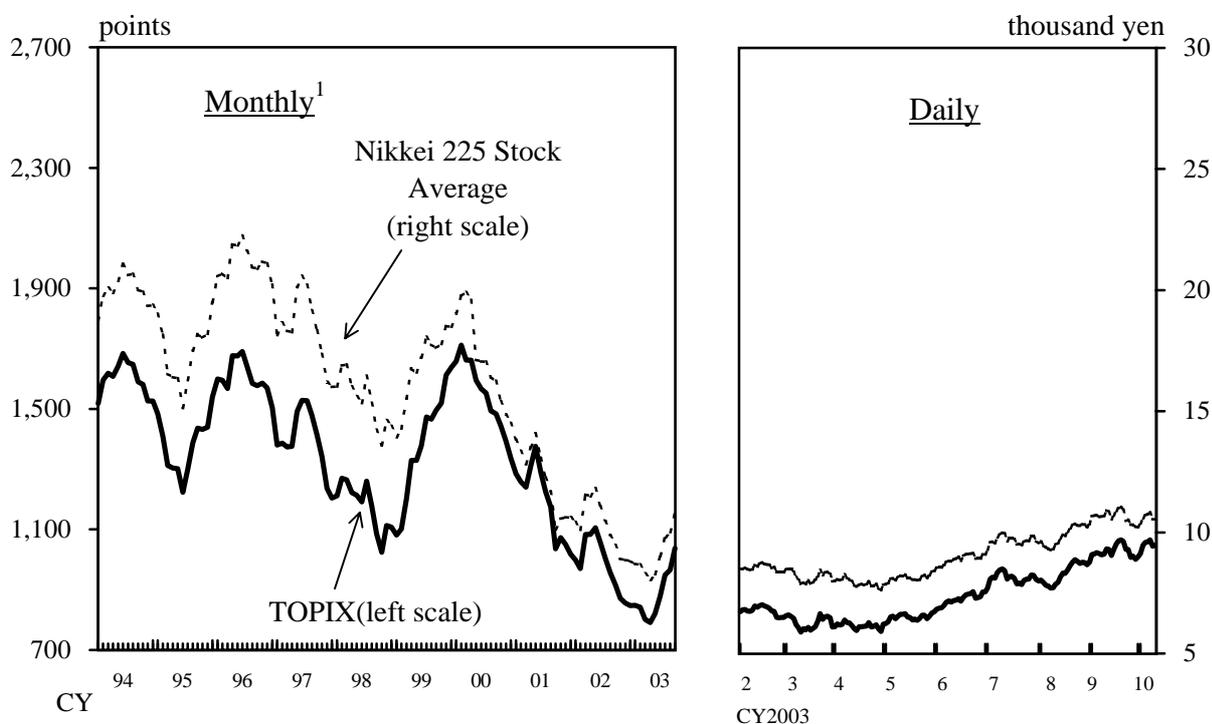
2. The indicated ratings are of Moody's.

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

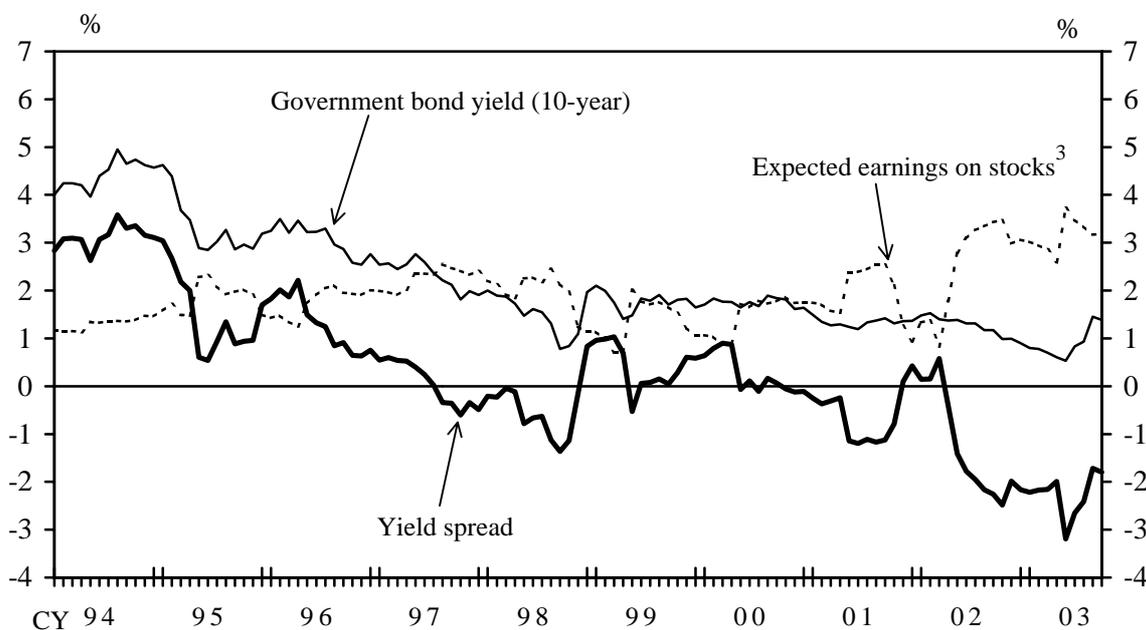
"Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

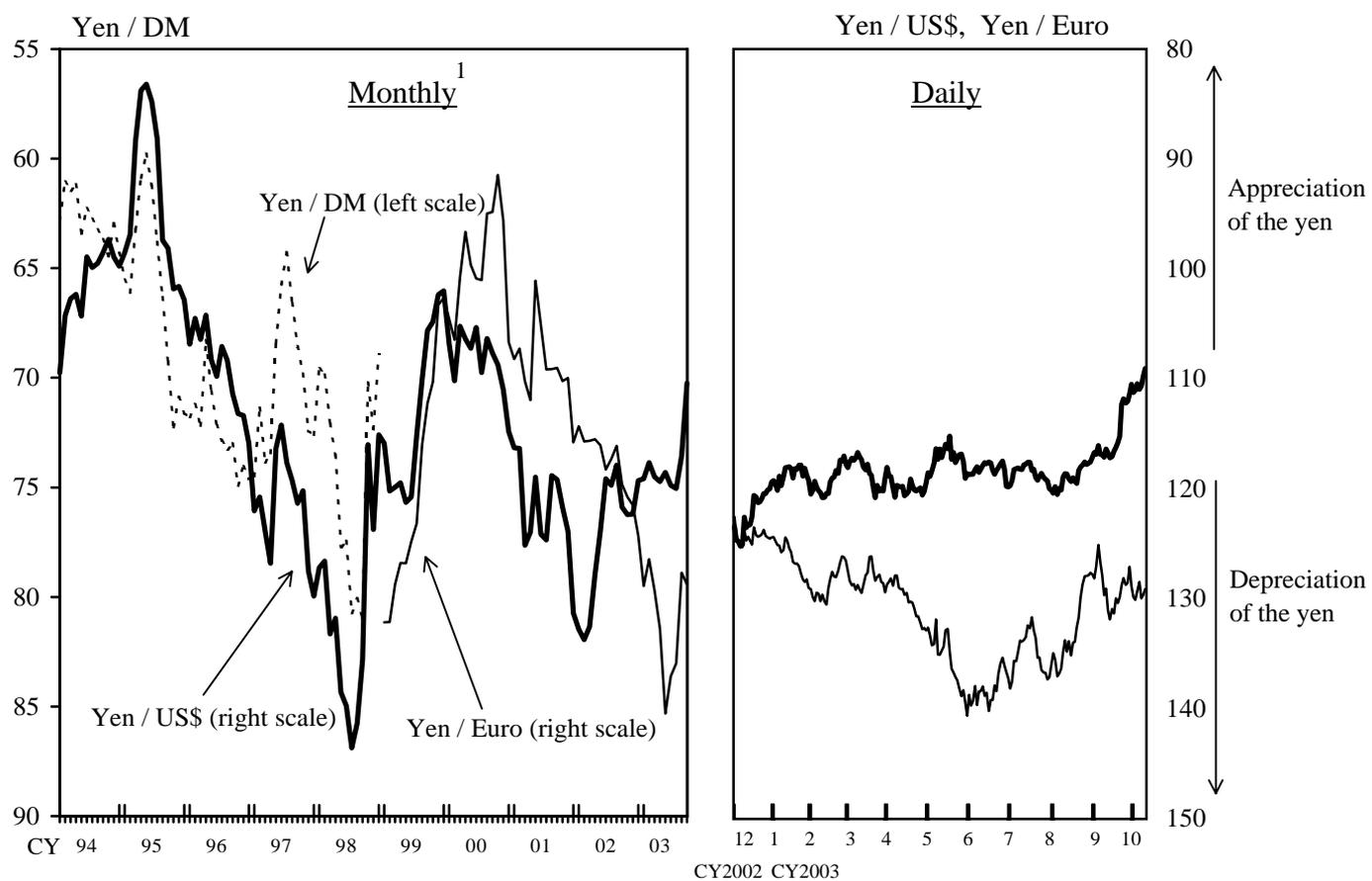
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

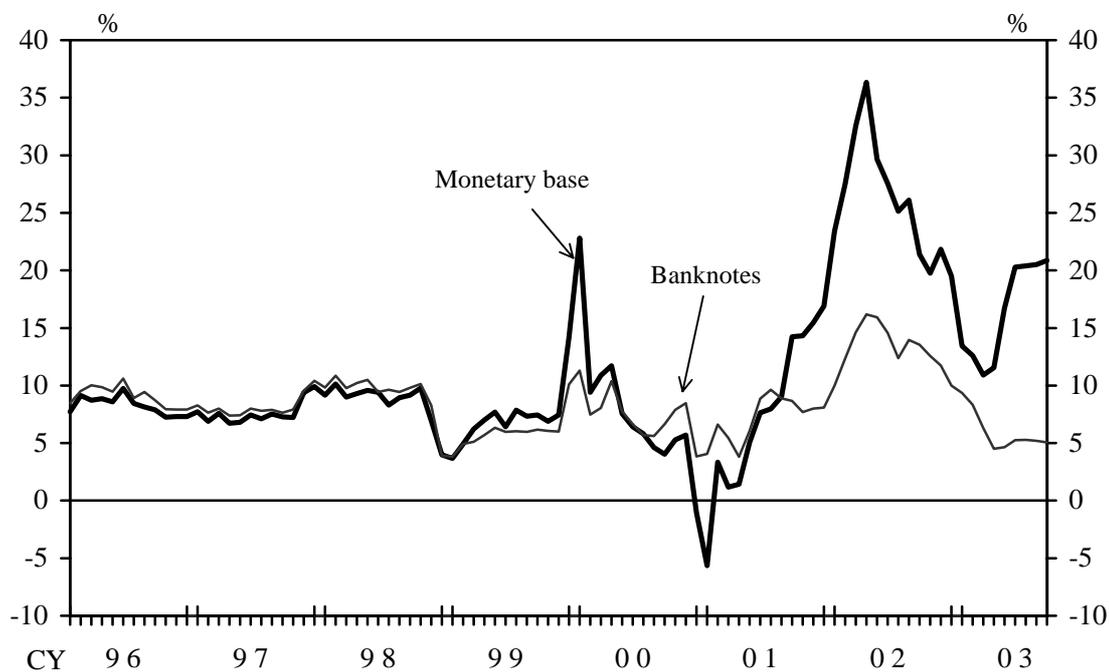
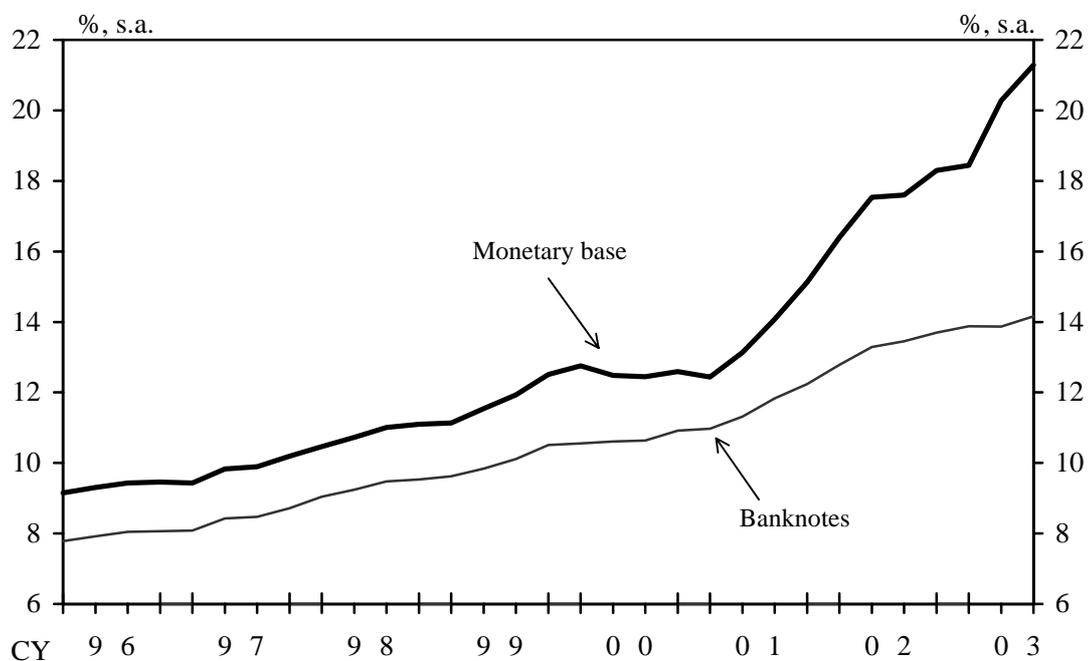
Exchange Rates



Note: 1. End of month.

Source: Bank of Japan.

Monetary Base

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

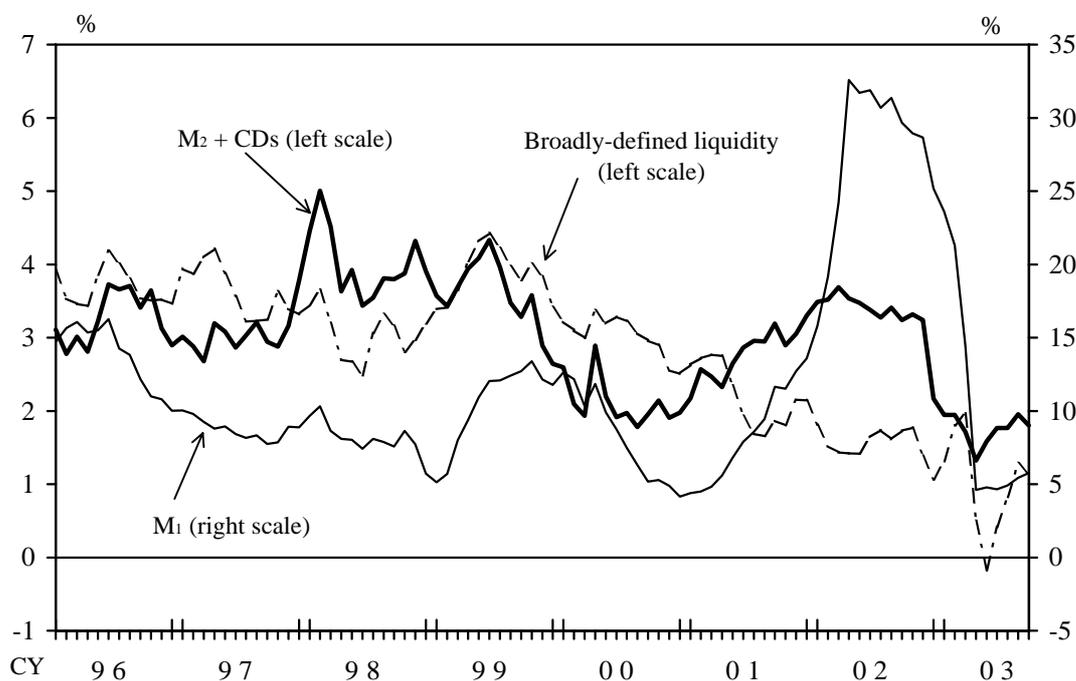
Notes: 1. Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

Data for currency in circulation include holdings of financial institutions.

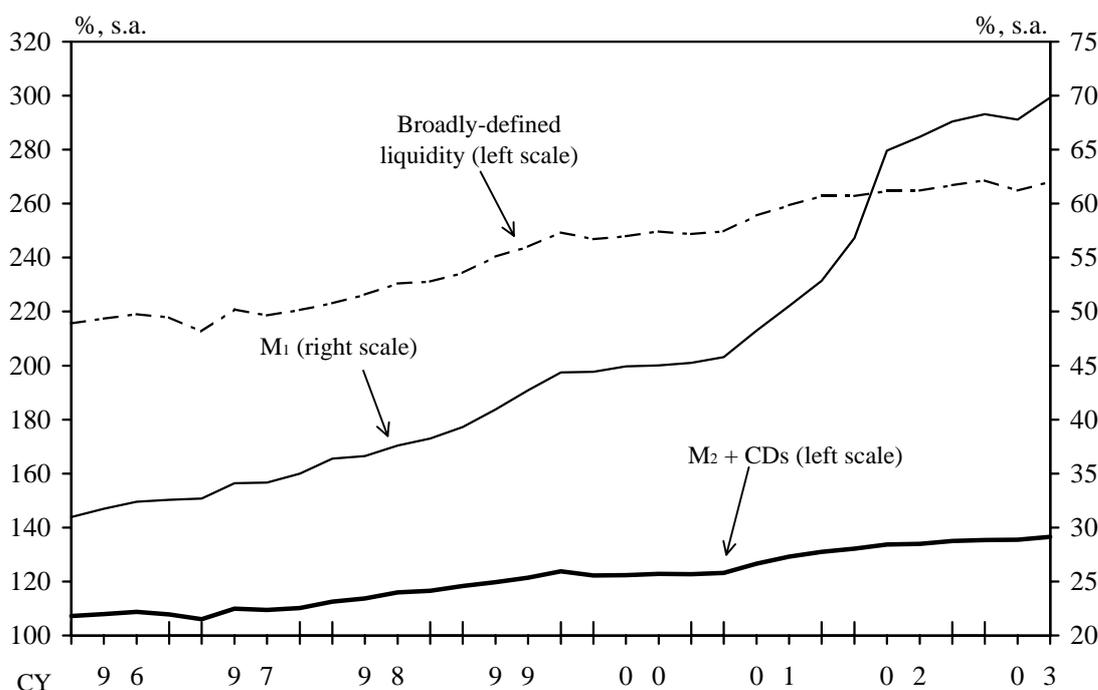
2. Figure for the nominal GDP in 2003/Q3 is assumed to be unchanged from the previous quarter.

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

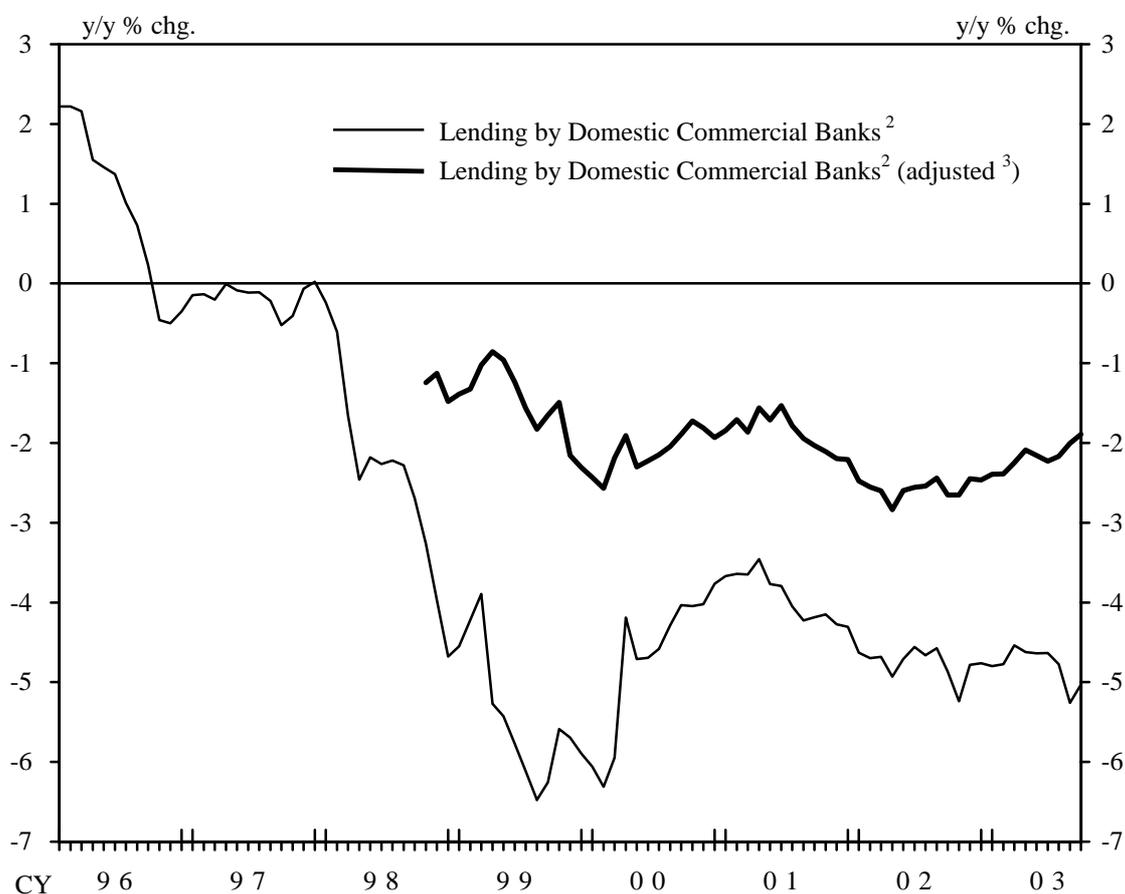
Money Stock (M₁, M₂+CDs, Broadly-Defined Liquidity)

(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 September 2003.

(2) Ratio of Money Stock to Nominal GDP

Note: Figure for the nominal GDP in 2003/Q3 is assumed to be unchanged from the previous quarter.

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).

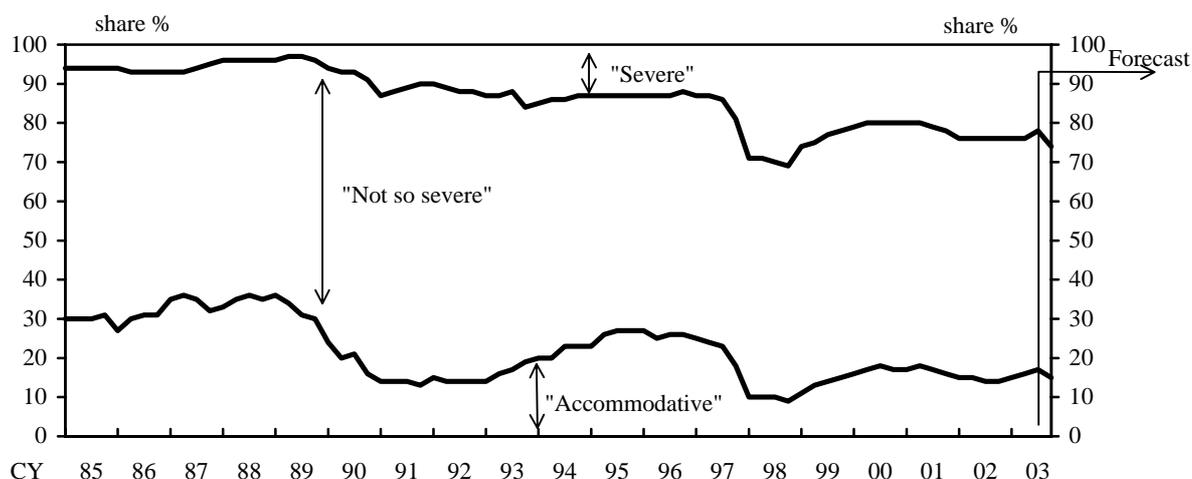
3. Adjusted to exclude

- (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.

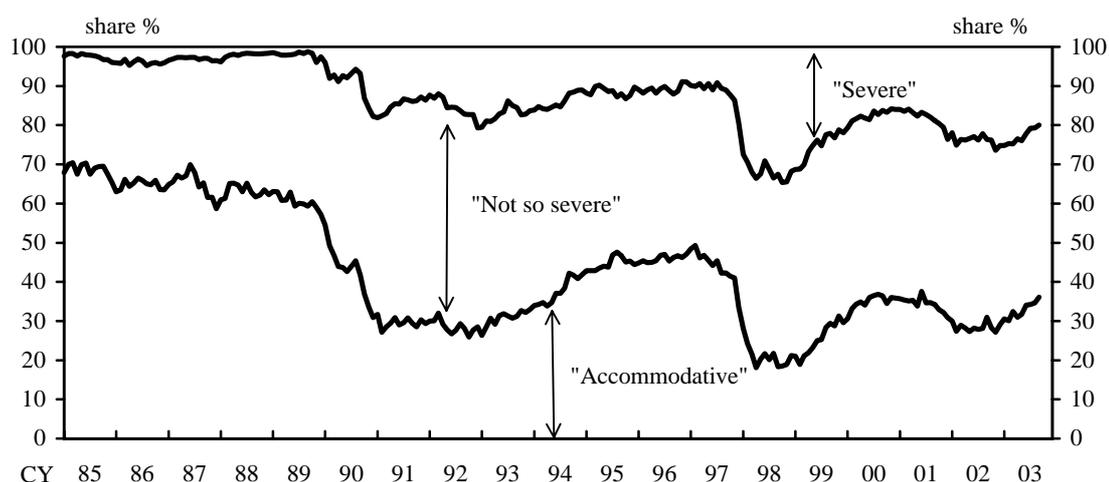
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

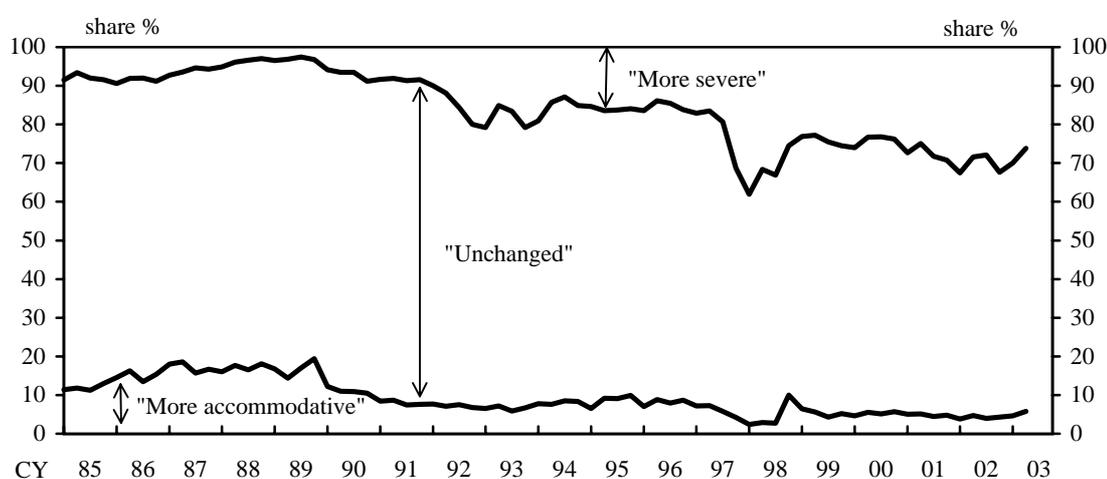
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (September, 2003)



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



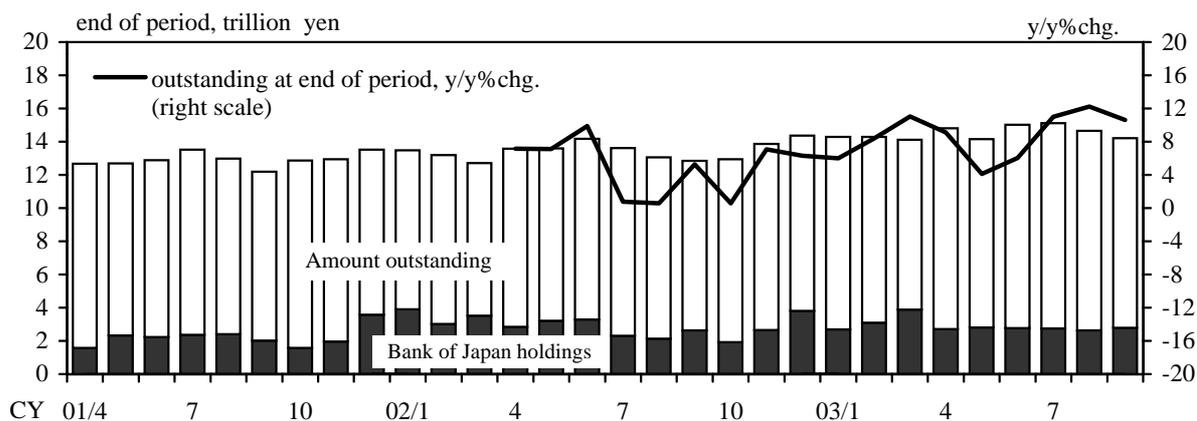
(3) "Quarterly Survey of Small Businesses in Japan" (Mid-June, 2003)



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.

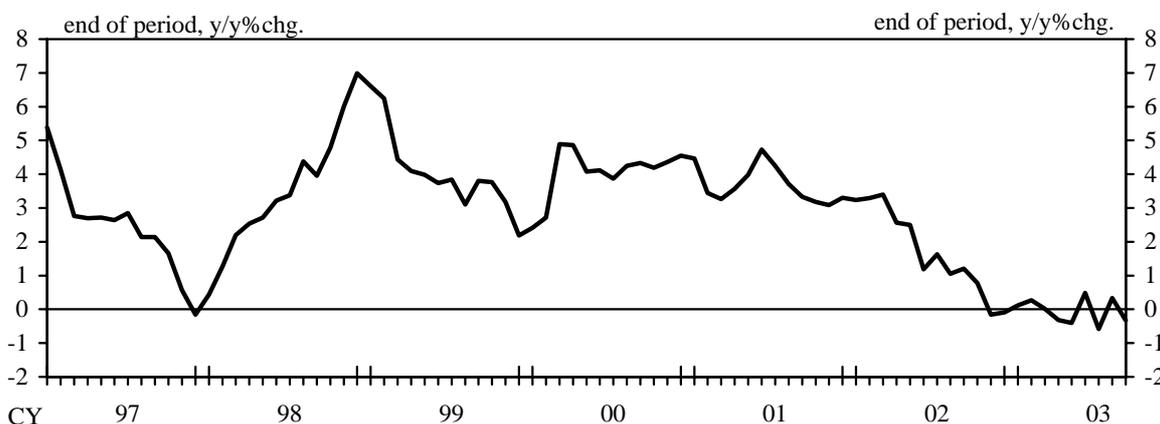
(2) Issue Volume of Corporate Bonds

(100 million yen)

	2003/Q1	Q2	Q3	2003/Jul.	Aug.	Sep.
Volume	31,861	33,304	26,628	7,071	9,407	10,150
(previous year)	(28,284)	(27,604)	(28,503)	(9,670)	(5,123)	(13,710)

- 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)



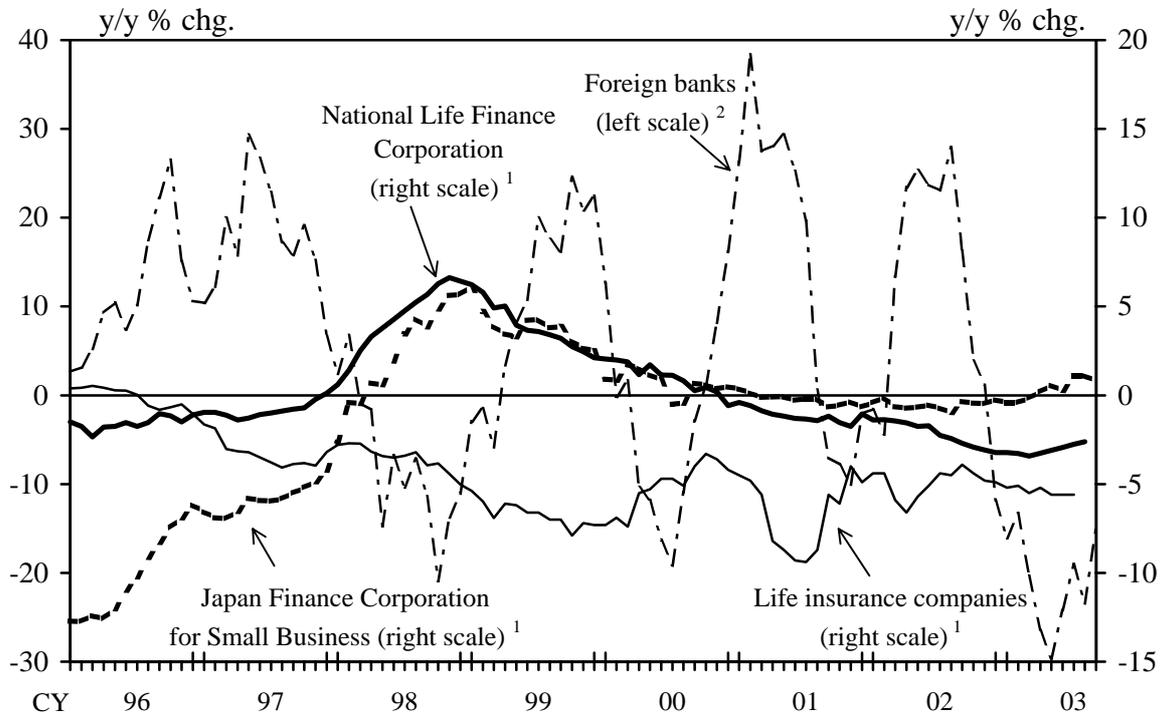
Note: Percentage changes from the previous year of the amount outstanding of corporate bonds are estimated figures. Procedures of the estimation are summarized as follows:

- (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."

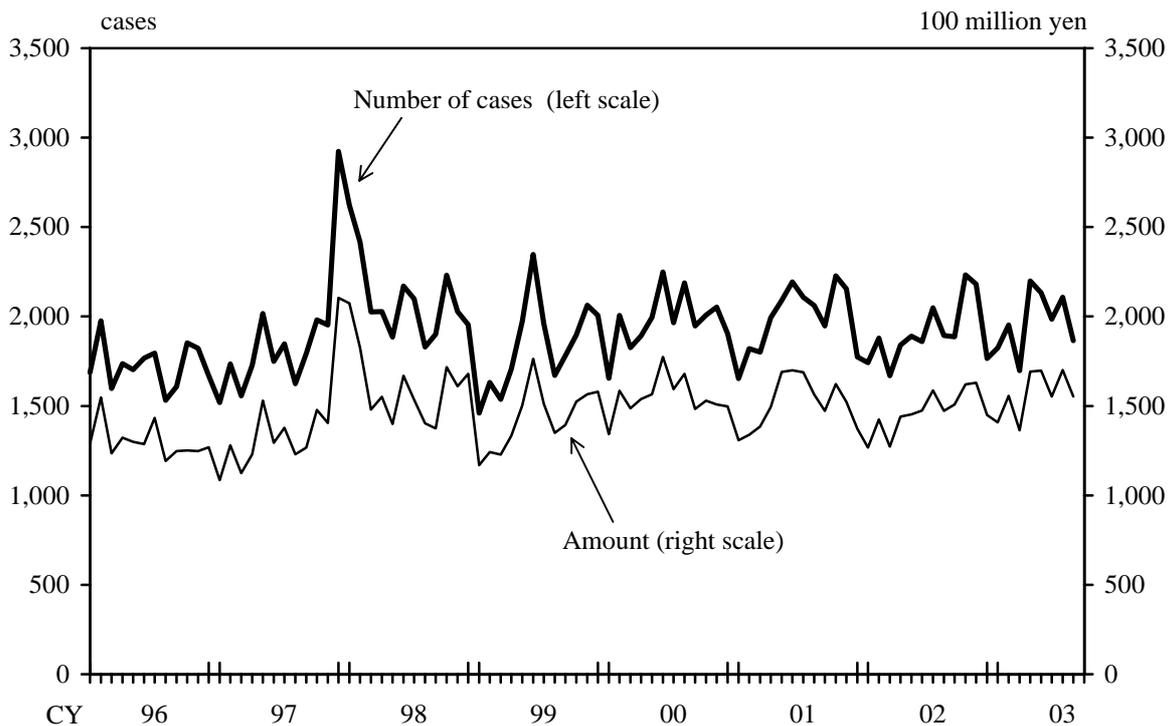
Lending by Other Financial Institutions

(1) Lending Outstanding



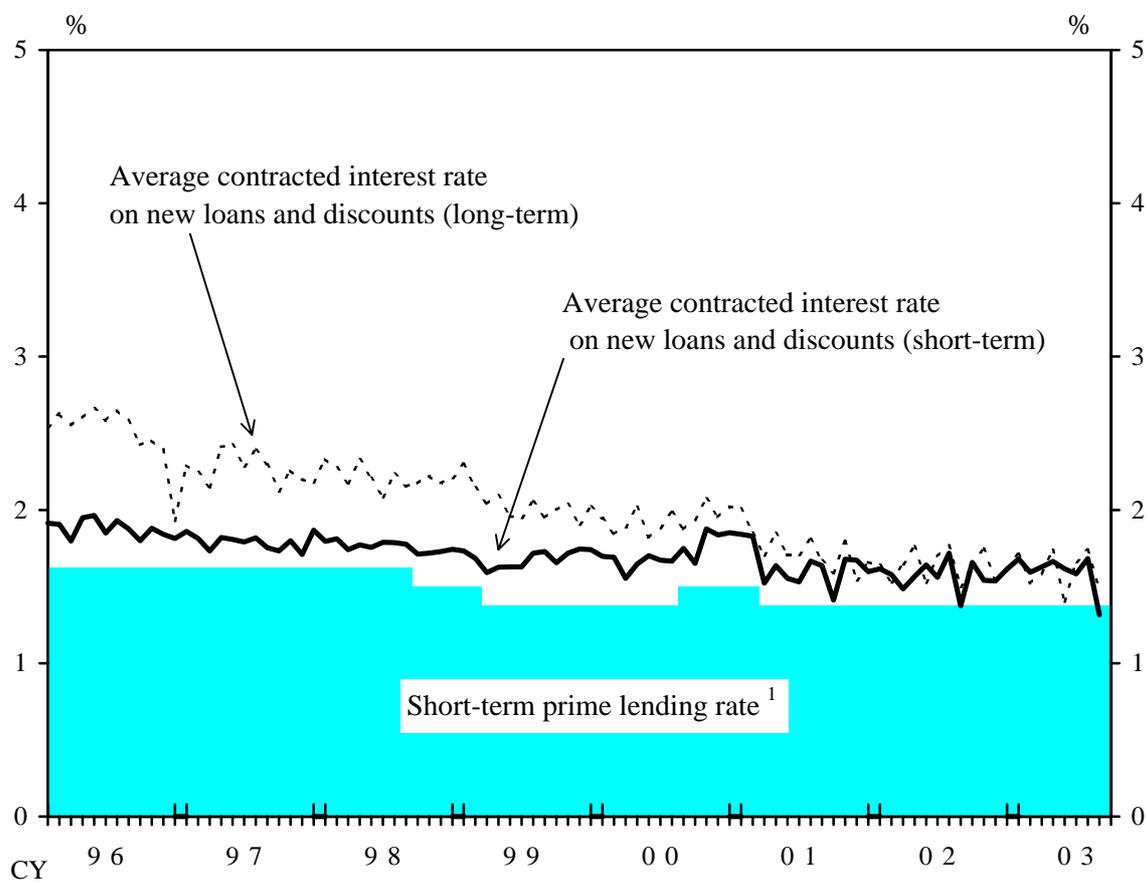
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

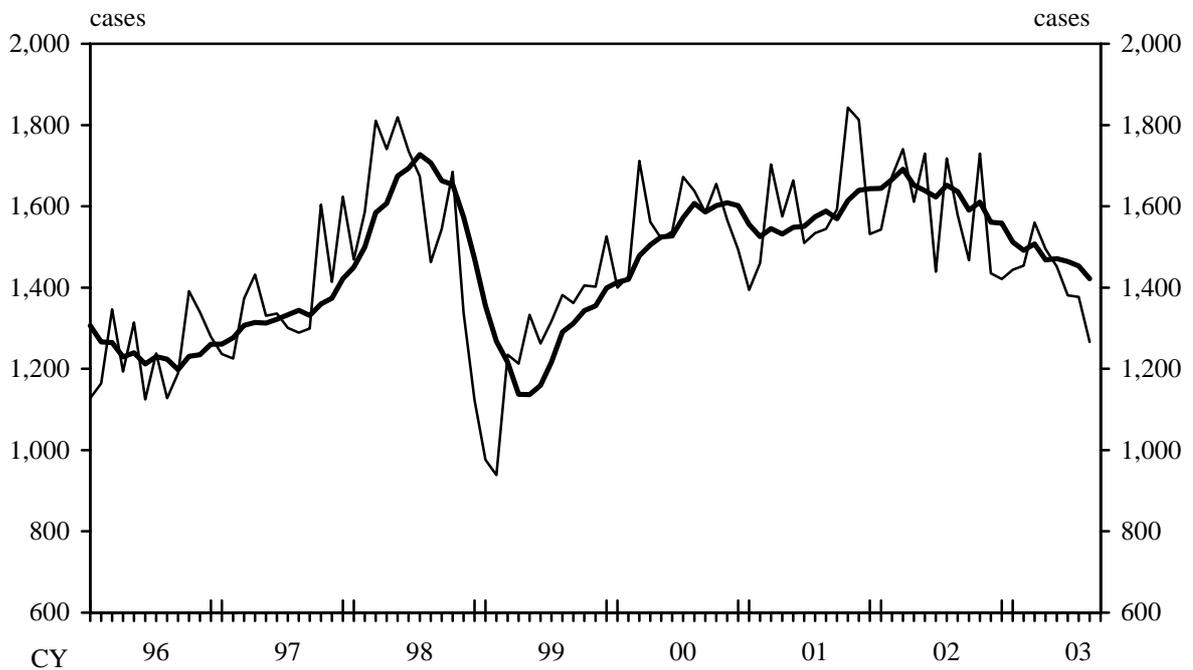


Note: 1. Data are at end of period.

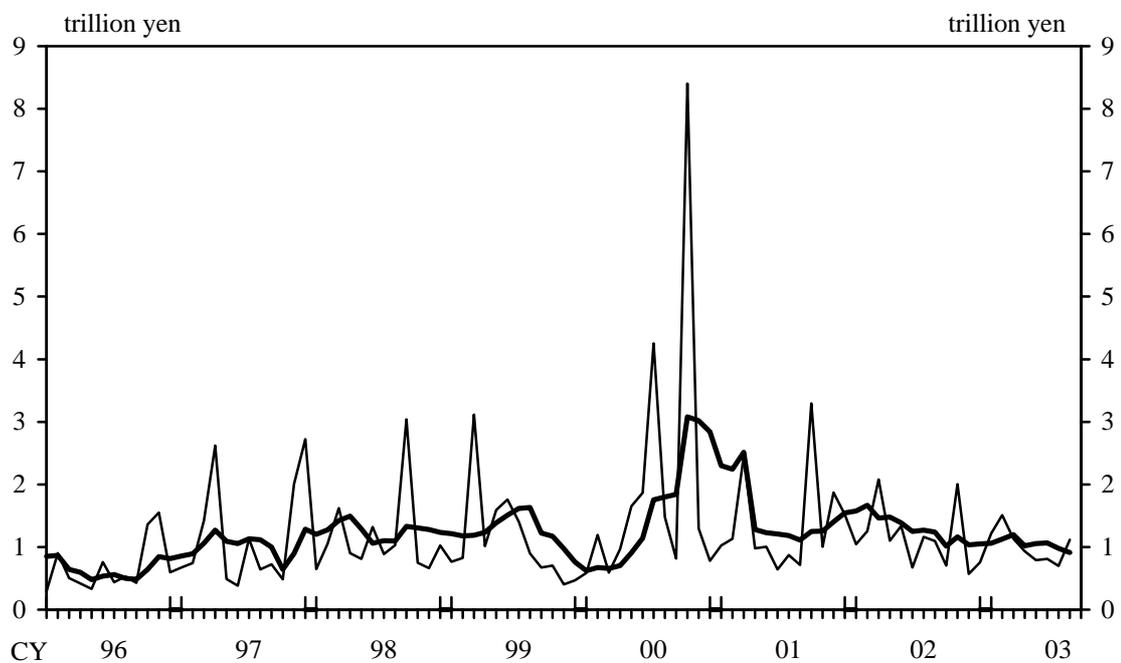
Source: Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

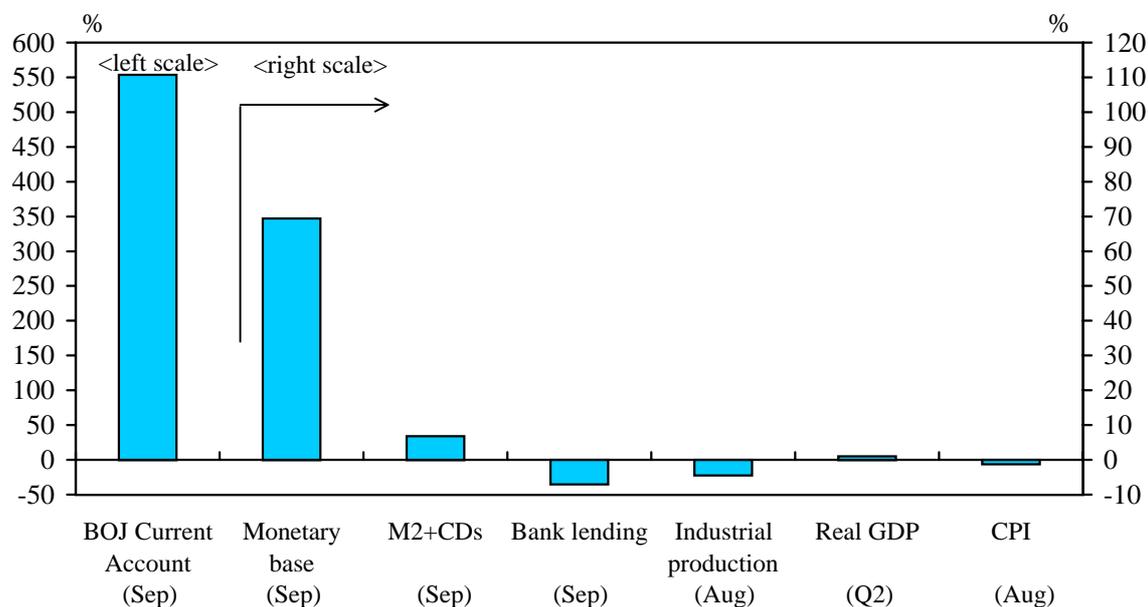


Note: Bold lines are the six-month moving average.

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

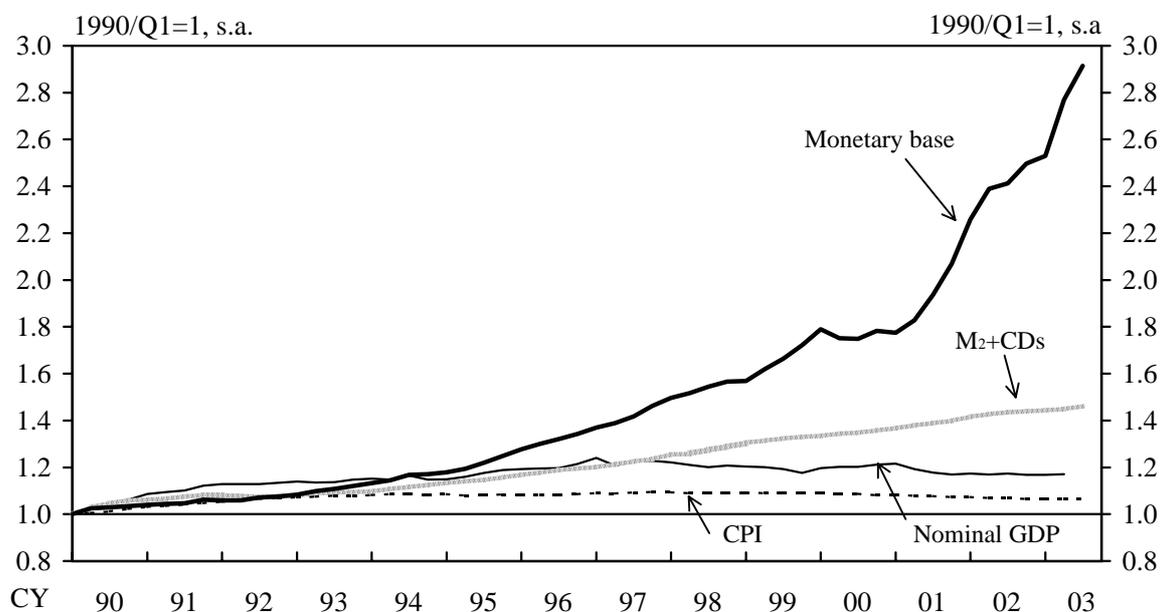
 Monetary Indicators, Economic Activity and Price Development

(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. Figure for CPI in 2003/Q3 is that of Jul.-Aug. average.

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.