

November 26, 2003
Bank of Japan

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

(English translation prepared by the Bank staff based on the Japanese original
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Monthly Report of Recent Economic and Financial Developments¹

November 2003

The Bank's View²

Japan's economy is starting to recover gradually.

Housing investment remains sluggish and public investment is declining. Private consumption also continues to be weak. However, exports are increasing and business fixed investment continues a gradual recovery. Reflecting these developments in final demand, industrial production, which had been flat, has started to increase. Meanwhile, the decline in household income is gradually coming to a halt.

As for the outlook, Japan's economy is anticipated to continue recovering, albeit at a moderate pace.

Overseas economies are projected to continue growing relatively fast. Based on this projection, it is expected that exports and production will continue increasing and that the recovery trend in business fixed investment will also become clearer. However, given persisting structural factors such as excess debt, the increase in business fixed investment is expected to remain moderate. Private consumption is likely to remain weak or virtually flat for some time, since the employment and income situation is unlikely to improve markedly. Meanwhile, public investment is projected to follow a declining trend.

On the price front, domestic corporate goods prices continue to be more or less flat, since the decline in machinery prices was almost offset by the rise in rice prices. Meanwhile, the year-on-year rate of decline in consumer prices has diminished due mainly to the temporary factors such as the increase in medical

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on November 20 and 21, 2003.

² The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on November 20 and 21, 2003 as the basis for monetary policy decisions.

treatment costs and in tobacco tax. The decline was 0.1 percent in September. As for the outlook, domestic corporate goods prices are likely to remain more or less flat for the time being. As for consumer prices, the year-on-year rate of change may temporarily be zero percent or slightly above due to the rise in rice prices. However, they are basically projected to continue falling gradually, since the imbalance between supply and demand in the economy still remains considerably large despite its gradual improvement.

As for the financial environment, money market conditions continue to be extremely easy, as the Bank of Japan provides ample liquidity. In the foreign exchange and capital markets, the yen's exchange rate to the U.S. dollar and stock prices show somewhat unstable movements. Meanwhile, long-term interest rates are declining. The environment for corporate finance is becoming somewhat more accommodative on the whole, although it is still severe for firms with high credit risks. The issuing environment for CP and corporate bonds is favorable on the whole, especially for firms with high credit ratings. Also, the lending attitudes of private banks have been slightly more accommodative in areas such as terms and conditions for loans. Under these circumstances, the amount outstanding of CP and corporate bonds issued continues to be above the previous year's level, and the rate of decline in lending by private banks is diminishing slightly. Meanwhile, the year-on-year growth rate of the money stock is on the 1.0-2.0 percent level.

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 continue to increase, reflecting the improvement in the U.S. and East Asian economies (Charts 4[1] and 5). They started to increase in the third quarter on a quarter-on-quarter (q/q hereafter) basis, and then surged in October from the third quarter. Looking at these movements by region (Chart 5[1]), as for East Asia, exports to China continued to increase, and those to NIEs exhibited a distinct recovery in the third quarter after the containment of the severe acute respiratory syndrome (SARS) epidemic, and then increased further in October. Exports to the United States declined in the third quarter, mainly in automobile-related goods and consumer goods, but rose in October. By goods (Chart 5[2]), exports of capital goods and parts such as semiconductor fabrication machines and equipment, and those of IT-related goods such as electronic parts, continued to increase, mainly among those to East Asia assisted by the recovery in global IT-related demand (Charts 6[1] and 7). Exports of automobile-related goods basically reflected the developments in those to the United States as mentioned above. Exports of these goods were basically flat in the third quarter, reflecting inventory adjustment in the United States and the increase in overseas production lines by Japanese car makers, but they increased in October because inventory adjustment was almost finished (Chart 6[3]). Also, exports of consumer goods, which declined in the third quarter, picked up in October.

Real imports are increasing mildly on average (Charts 4[1] and 8). They inched up in the third quarter on a q/q basis, and were flat in October. Looking at these movements by goods (Chart 8[2]), imports of IT-related goods and consumer goods such as household electrical appliances continued to increase, reinforced by the progress in the international division of labor between Japan and East Asia including

China. On the other hand, imports of materials such as crude oil decreased, since demand for electric power dropped, reflecting the restart of operations of nuclear power plants and this year's cool summer.

Given these developments in exports and imports, net exports (real exports minus real imports), in terms of the real trade balance (Chart 4[2]), are recently increasing and the rise was particularly sharp in October. Meanwhile, the surplus of the nominal balance on goods and services rose in the first half of this year, reflecting the diminishing deficits in travel caused by the slump in overseas travel, but the increase has come to a halt just recently.

As for the outlook, exports are expected to continue increasing, since overseas economies are projected to continue growing relatively fast, mainly in the United States and East Asia (Chart 9-1[2]). In the United States, with the high GDP growth rate in the third quarter supported by monetary and fiscal policies (Chart 9-2[1]), the employment situation, which had represented a downside risk, has started to show some hints of improvement. As for East Asia, China's economy has resumed high growth, and exports and production in NIEs have also started to recover relatively clearly, in response to the containment of the SARS epidemic and the above-mentioned developments in the U.S. economy. Under these circumstances, downside risks on overseas economies are receding, at least for the immediate future. However, in terms of the outlook until next year, uncertainty remains on whether the U.S. economy will maintain its relatively high growth rate even after the policy effects wane. Moreover, given the appreciation of the yen's exchange rate against the U.S. dollar since late September (Chart 9-1[1]), continued attention should be paid to the possibility of further unstable movements of the exchange rate and their effects.

Imports are projected to continue a mild uptrend, mainly in IT-related goods and in capital goods and parts from East Asia, with the projection that domestic production will continue increasing, which is mentioned below.

Business fixed investment continues a gradual recovery. Shipments of capital goods (excluding transport equipment), a coincident indicator of machinery investment, rose in the third quarter, mainly in semiconductor fabrication machines

and equipment (Chart 10-1[1]). Moreover, machinery orders (private demand, excluding shipbuilding and orders from electric power companies), a leading indicator of business fixed investment, were on a gradual recovery trend on average (Chart 10-2[1]). They had increased relatively clearly in the first and second quarters, but fell back in the third quarter. The forecast figures for the fourth quarter posted considerably high growth mainly in nonmanufacturing firms, but this needs to be discounted since sizable discrepancies sometimes exist between the forecast and actual figures. Meanwhile, construction starts (floor area, private, nondwelling use), another leading indicator, increased for two consecutive quarters, a development which has not been observed recently (Chart 10-2[2]).

Regarding the outlook for business fixed investment, the recovery trend is expected to become clearer with the ongoing increase in exports and production. However, firms perceive that excess capacities persist, although this view is gradually lessening (Chart 10-1[2]). Structural factors such as persisting excess debt, low expected growth rates, and weakness in the financial system continue to affect investment, although the impact of these factors has weakened from a while ago. In these circumstances, firms are likely to maintain their cautious investment stance relative to their cash flow.

Private consumption still continues to be weak as a whole, although indicators are mixed. Sales of durable consumer goods, particularly digital home appliances, were relatively brisk, while sales of nondurable consumer goods and transactions of services were sluggish in the third quarter, due mainly to weather conditions such as this year's cool summer. In detail (Charts 11-1 and 11-2), the number of new passenger-car registrations was recently solid assisted by the introduction of new models. As for sales of household electrical appliances (NEBA statistics; in real terms), digital home appliances (digital cameras, flat-panel displays, and DVDs) and PCs registered favorable sales. In addition, sales of air conditioners and refrigerators, which had been depressed in July from the cool summer, recovered successively in August and September, due mainly to the unusually hot weather in early autumn. Meanwhile, sales at department stores and supermarkets were sluggish as the adverse weather conditions, such as the cool summer and the unusually hot weather in early autumn, had negative impacts. However, department

stores sales in the Tokyo metropolitan area in October recovered to some extent. Sales at convenience stores dropped in the third quarter because of the cool summer and also in reaction to a demand rush for cigarettes that had occurred ahead of the rise in tobacco tax. Regarding services consumption, sales in the food services industry picked up in September after they had plunged in July and August from the cool summer. Outlays for travel still remained low, although they showed some recovery in the third quarter reflecting the containment of the SARS epidemic.

The weakness in indices of aggregated sales (in real terms)³—which are comprised of major sales indicators of these goods and services—has recently become somewhat noticeable on average (Chart 11-3). Aggregate supply of consumer goods (Chart 11-4), which comprehensively captures producers' supply of goods, dropped in the third quarter after they had continued an increase through the second quarter.

Regarding indicators for consumer sentiment (Chart 12), the *Consumer Confidence Index* has been showing clear improvements.

Private consumption is likely to remain weak or virtually flat, since the employment and income situation is unlikely to improve markedly with firms' persistent stance of restraining labor costs as mentioned below.

Housing investment continues to be sluggish. Housing starts decreased in the third quarter, in reaction to the rise in the second quarter due to a demand rush by those wanting to receive current tax credits (Chart 13[1]). The underlying trend of housing investment is likely to remain stagnant, since no supporting factors in particular can be seen, including the employment and income situation of households.

Industrial production, which had been flat, has started to increase (Chart 14[1]). In detail, production increased in the third quarter since items such as semiconductor fabrication machines and equipment rose from the recovery in

³ The indices of aggregated sales are the weighted average of major sales indicators, with the weights based on consumption spending of households. Each sales indicator is deflated by consumer prices. The indices are convenient in the sense that the trend of these sales indicators can be observed in a single series. However, attention should be paid to the fact that the coverage of services consumption is narrow, and that the indices also do not necessarily incorporate all sales channels.

domestic and overseas IT-related demand. Also, digital home appliances, which have faced favorable demand, increased since the restraint on production to date due to the shortage of electronic parts has dissipated. Meanwhile, inventories are virtually flat at low levels (Charts 14[1] and 16).

As for the outlook, production is expected to continue increasing, due mainly to the rise in exports and also supported by the recovery in business fixed investment and favorable sales of durable consumer goods.⁴ Also, based on anecdotal information, the stances of firms on production, which had been cautious to date, are starting to show positive signs reflecting the improvement in the environment for exports. In particular, it is more likely that production in the fourth quarter will exhibit a rather solid increase, mainly in electronic parts and semiconductors and in general machinery. However, firms still maintain their cautious stance on production in the sense that intended accumulation of inventories in anticipation of future demand has not been observed yet.

As for the employment and income situation, the number of new job offers is increasing, and the pace of improvement in the ratio of job offers to applicants seems to be recently accelerating somewhat (Chart 18-1[2]). Also, the overtime hours worked are gradually rising again after a temporary halt (Chart 18-2[3]). The 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 (Chart 18-2[1]). Nevertheless, as for the number of regular employees in the *Monthly Labour Survey*, the pace of year-on-year decline has still been very slow (Chart 18-2[2]). The unemployment rate remained high, although it inched down recently (Chart 18-1[1]).⁵

⁴ The growth rate obtained simply by calculating the production forecast index for October and November needs to be discounted considerably; assuming that the production level for December is the same as November, the forecast for the fourth quarter shows an increase of 6.9 percent on a q/q basis. But this high growth is partly attributable to the forecast production in general machinery, which in nature tends to fluctuate substantially.

⁵ While the number of the unemployed decreased, the number of employees also decreased, causing the labor force participation rate to drop. Given this unusual movement for an early stage of economic recovery, the recent drop in the unemployment rate may possibly be due to temporary fluctuations from sampling factors.

Meanwhile, the pace of decline in wages is slowing. As for nominal wages per employee (Chart 17[2]), overtime payments continued a slight year-on-year increase, and both regular payments and special cash earnings hovered around zero percent on a year-on-year basis. As a result, the decline in household income is gradually coming to a halt.

As for the outlook, given that production will increase and corporate profits will continue to recover, this in turn is expected to have gradual positive effects on employment and income. However, firms persistently perceive employment to be excessive, and also the overall labor market remains loose. This implies that firms are likely to continue restraining labor costs through the employment of part-time workers and through outsourcing. Thus, household income is unlikely to improve markedly for the time being.

2. Prices

Import prices (on a yen basis; same hereafter) are currently declining compared to levels three months before (Chart 20[2]), with effects from the appreciation of the yen prevailing over those from rising international commodity prices (Charts 20[1] and [3]).

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates; same hereafter)⁶ continue to be more or less flat compared to levels three months before (Chart 21). In detail, machinery prices continued to decline, although the pace of decline has moderated from a while ago. Meanwhile, rice prices increased and some materials-related prices such as iron and steel also rose.

Corporate services prices (domestic supply-demand factors; same hereafter) continue a year-on-year decline of slightly over 1 percent, mainly in leasing and

⁶ 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.

renting, real estate services, and general services such as car maintenance and building maintenance (Chart 22).

The year-on-year rate of decline in consumer prices (excluding fresh food; same hereafter) has diminished due mainly to the temporary factors, such as the increase in medical costs in April and the rise in tobacco tax in July (Chart 23). The decline was 0.1 percent in September.

As for the outlook, import prices are expected to remain soft for the immediate future, although they depend on rising international commodity prices and on the yen's exchange rate. Domestic corporate goods prices are likely to remain more or less flat for the time being, as machinery prices continue to fall while the effects from the rise in rice prices remain. As 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, the year-on-year rate of change may temporarily be zero percent or slightly above due to the rise in rice prices. However, they are basically projected to continue falling gradually, since the imbalance between supply and demand in the economy still remains considerably large despite its gradual improvement.

3. Financial Developments

(1) Financial Markets

The outstanding balance of current accounts at the Bank of Japan moves almost at the 29-31 trillion yen level, as the Bank provides ample liquidity (Chart 27).

As for interest rate developments in the money markets, the overnight call rate (uncollateralized; Chart 25[1]) moves at around zero percent. Interest rates on term instruments (Chart 26[1]) declined on the whole. Under these circumstances, interest rates on Euroyen futures (Chart 25[1]) are declining gradually, with some fluctuations, after they inched up in mid-October, reflecting the rise in interest rates on the short- to medium-term bonds.

In the government bond market, yields on 10-year government bonds (newly issued 10-year JGB; Chart 25[2]) continue to be influenced by developments in stock prices. They rose to around 1.5-1.6 percent at the start of November, but are moving at around 1.3 percent.

Yield spreads between private bonds (bank bonds and corporate bonds) and government bonds (Charts 29 and 30) are virtually unchanged. However, yield spreads between government bonds and corporate bonds with low credit ratings narrowed as investors increased their demand for the bonds.

Stock prices (Chart 31) rose in mid-October, reflecting improved outlook for Japan's economy. The Nikkei 225 Stock Average recorded its highest level of the year. They show somewhat unstable movements, however, reflecting the stock price movements in the United States and large-scale sales for profit-taking. The Nikkei is declining to the 9,500-10,000 yen level.

In the foreign exchange market (Chart 32), the yen rose toward late October due to elevated concerns over the U.S. current account deficit and also to the ongoing investment in Japanese stocks by foreign investors. There were some U.S. dollar purchases, reflecting improvements in U.S. economic indicators, and recently the market became nervous as concerns over geopolitical risks increased. The yen is currently traded in the range of 108-110 yen to the U.S. dollar.

(2) Corporate Finance and Monetary Aggregates

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.

Meanwhile, as for credit supply, 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 have been slightly more accommodative in areas such as terms and conditions for loans. The lending attitudes of financial institutions as perceived by firms in general are improving somewhat, although those perceived by small firms remain severe (Chart 33).

Lending rates continue to be at extremely low levels on the whole. The average contracted interest rates on new loans and discounts, with the monthly fluctuations averaged, are more or less unchanged (Chart 34). The long-term prime lending rate was raised by 0.15 percent to 1.80 percent on November 11.

The rate of decline in lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors⁷), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, is diminishing slightly. (The year-on-year change was -2.0 percent in August, -1.8 percent in September, and -1.8 percent in October; Chart 35.)

In the corporate bond and CP markets, the issuing environment is favorable on the whole, especially for firms with high credit ratings. Corporate bond issuance rates are at somewhat higher levels, reflecting the developments in long-term interest rates, although the issuance spreads remain steady. CP issuance rates continue to be at low levels. The amount outstanding of CP issued is above the previous year's level (Chart 37). The amount outstanding of corporate bonds issued is around the previous year's level.

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

Meanwhile, 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 20.5 percent in August, 20.9 percent in September, and 20.6 percent in October; Chart 38.)

⁷ The figures are adjusted for (1) fluctuations from the liquidation of loans, (2) fluctuations in the yen value of foreign-currency-denominated loans due to changes in exchange rates, and (3) fluctuations from loan write-offs.

The year-on-year growth rate of the money stock (M_2 + CDs) slowed somewhat and is around 1.5 percent. (The year-on-year change was 2.0 percent in August, 1.8 percent in September, and 1.5 percent in October; Chart 39.)

The number of corporate bankruptcies continues a downtrend; it declined by 20.9 percent year-on-year in October, to 1,368 cases (Chart 40).

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2003/Q1	Q2	Q3	2003/Jul.	Aug.	Sep.	Oct.
Index of living expenditure level (all households)	-0.7	0.9	0.0	-5.5	4.4	0.4	n.a.
Sales at department stores	-0.3	-1.6	-0.6	-1.7	0.2	-1.8	n.a.
Sales at supermarkets	-0.7	-1.4	-2.4	-3.6	1.6	0.9	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	<335>	<306>	<314>	<310>	<309>	<322>	<313>
Sales of household electrical appliances (real, NEBA)	4.5	3.7	5.4	-7.8	16.1	7.8	n.a.
Outlays for travel (50 major travel agencies)	-3.4	-17.9	14.2	10.0	0.6	5.3	n.a.
Housing starts <s.a., ann. 10,000 units>	<115>	<120>	<112>	<116>	<106>	<113>	<n.a.>
Machinery orders (from private sector ⁴)	5.8	3.4	-2.9	-3.1	-4.3	-1.6	n.a.
Manufacturing	5.4	8.6	-3.4	-6.8	-5.7	10.3	n.a.
Nonmanufacturing ⁴	5.1	1.3	-2.4	-0.5	-2.9	-9.3	n.a.
Construction Starts (private, nondwelling use)	-2.2	4.0	1.7	-7.9	8.1	10.0	n.a.
Mining & manufacturing	-4.9	0.3	2.8	-18.9	-0.3	2.0	n.a.
Nonmanufacturing ⁵	-0.3	3.0	2.0	-6.6	9.9	15.8	n.a.
Value of public works contracted	-3.1	-5.6	2.0	4.6	-7.2	-0.4	-5.4
Real exports	-0.8	-0.1	3.8	2.0	2.4	3.7	2.9
Real imports	0.1	2.0	1.3	-1.2	-2.1	6.4	-3.3
Industrial production	0.3	-0.7	1.3	0.5	-0.7	3.8	n.a.
Shipments	0.5	0.2	0.8	-1.0	0.5	3.8	n.a.
Inventories	-1.5	-0.6	0.9	1.3	-1.1	0.7	n.a.
Inventory Ratio <s.a., CY 2000=100>	<99.9>	<98.1>	<97.1>	<99.3>	<100.0>	<97.1>	<n.a.>
Real GDP	0.5	0.9	0.6	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.6	0.1	0.0	-1.5	0.3	2.2	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2003/Q1	Q2	Q3	2003/Jul.	Aug.	Sep.	Oct.
Ratio of job offers to applicants <s.a., times>	<0.60>	<0.61>	<0.64>	<0.62>	<0.63>	<0.66>	<n.a.>
Unemployment rate <s.a., %>	<5.4>	<5.4>	<5.2>	<5.3>	<5.1>	<5.1>	<n.a.>
Overtime working hours ⁶	6.5	4.7	3.6	4.3	3.3	3.1	n.a.
Number of employees	-0.1	0.3	-0.2	0.1	-0.3	-0.3	n.a.
Number of regular employees ⁶	-0.6	-0.6	-0.5	-0.6	-0.4	-0.4	n.a.
Nominal wages per person ⁶	-0.7	1.1	-1.2	-1.9	-1.7	0.4	n.a.
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	-0.9 <0.0>	-1.0 <-0.3>	-0.7 <-0.2>	-0.8 <-0.4>	-0.7 <-0.1>	-0.5 <0.0>	p -0.4 <p 0.1>
Consumer price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-0.7 <-0.1>	-0.4 <0.1>	-0.1 <0.1>	-0.2 <0.1>	-0.1 <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>	-1.2 <-0.2>	-1.3 <-0.2>	-1.2 <-0.2>	-1.1 <-0.1>	n.a. <n.a.>
Monetary aggregates (M ₂ +CDs) <average outstanding, y/y % chg.>	1.9	1.6	1.8	1.8	2.0	1.8	1.5
Number of suspension of transactions with banks	-21.7	-15.4	-28.9	-31.9	-27.6	-26.6	-29.0

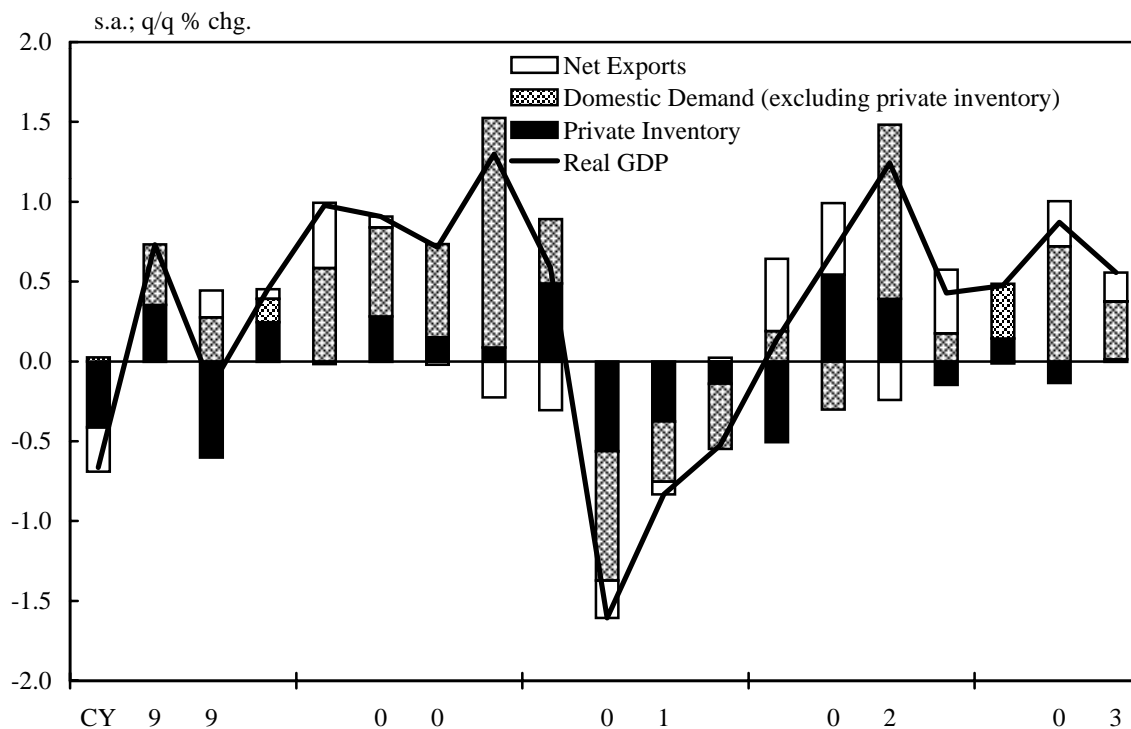
Notes: 1. All figures in chart 1-1 except figures in angle brackets are quarter on quarter (month on month) change of seasonal adjusted data.

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.

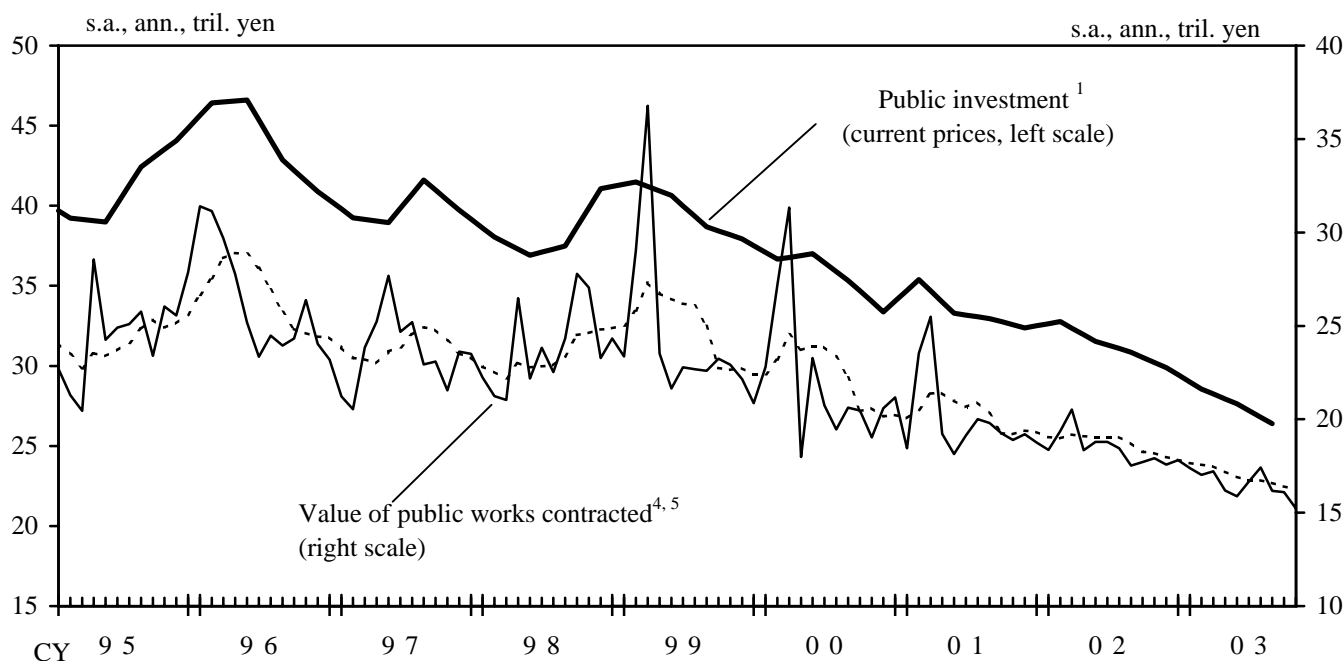
	2002		2003		
	Q3	Q4	Q1	Q2	Q3
Real GDP	1.2	0.4	0.5	0.9	0.6
Domestic Demand	1.5	0.0	0.5	0.6	0.4
Private Consumption	1.4	-0.3	0.2	0.1	0.0
Non-Resi. Investment	1.8	3.6	2.5	4.7	2.8
Residential Investment	-0.6	-1.1	-0.7	0.2	2.7
Private Inventory	(0.4)	(-0.1)	(0.1)	(-0.1)	(0.0)
Public Demand	0.3	-0.8	-0.7	-0.6	-1.0
Public Investment	-1.7	-2.6	-3.9	-2.6	-3.9
Net Exports of goods and services	(-0.2)	(0.4)	(-0.0)	(0.3)	(0.2)
Exports	-0.2	4.7	0.5	1.5	2.8
Imports	2.5	1.5	0.7	-1.2	1.7
Nominal GDP	0.7	-0.5	-0.1	0.3	-0.0

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

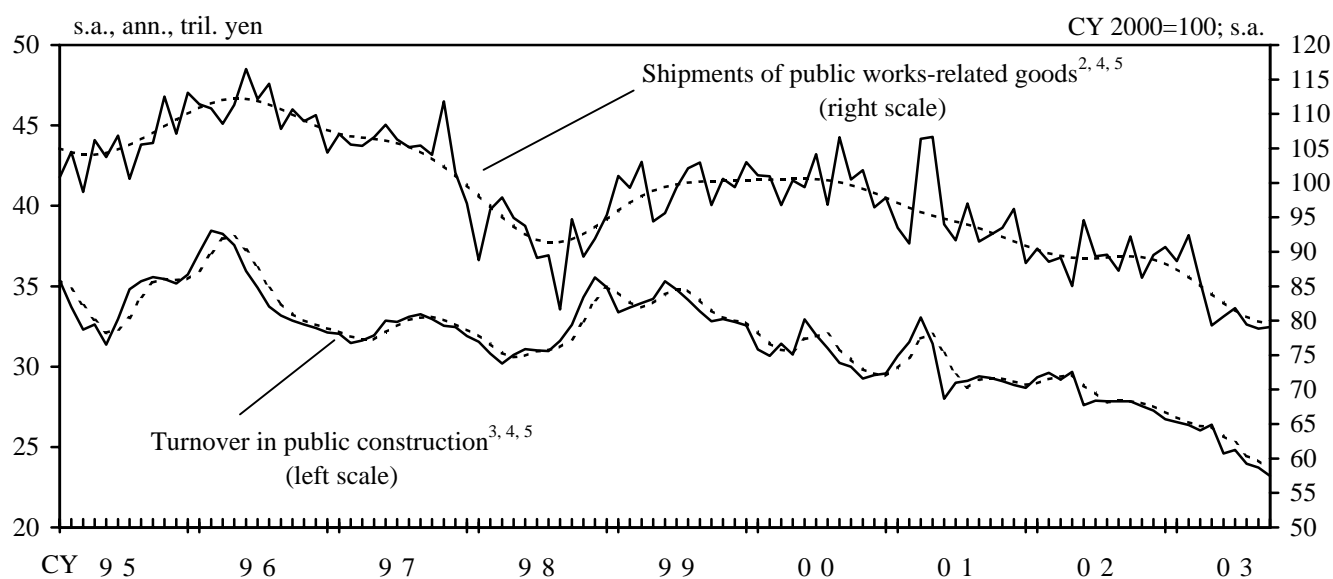
Source: Cabinet Office, "National Accounts."

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";

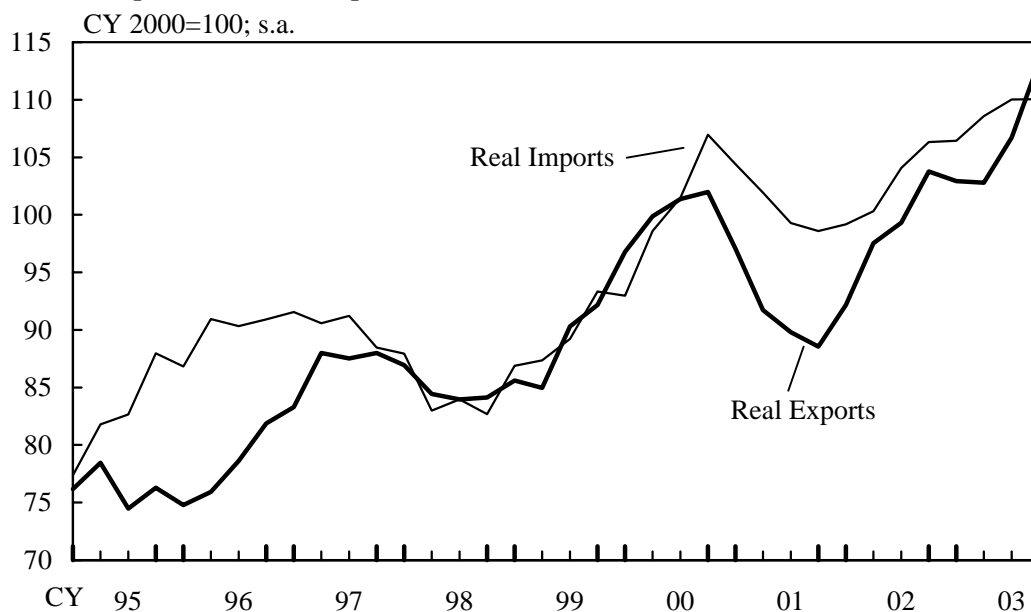
East Japan Construction Surety etc., "Public Works Prepayment Surety Statistics";

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

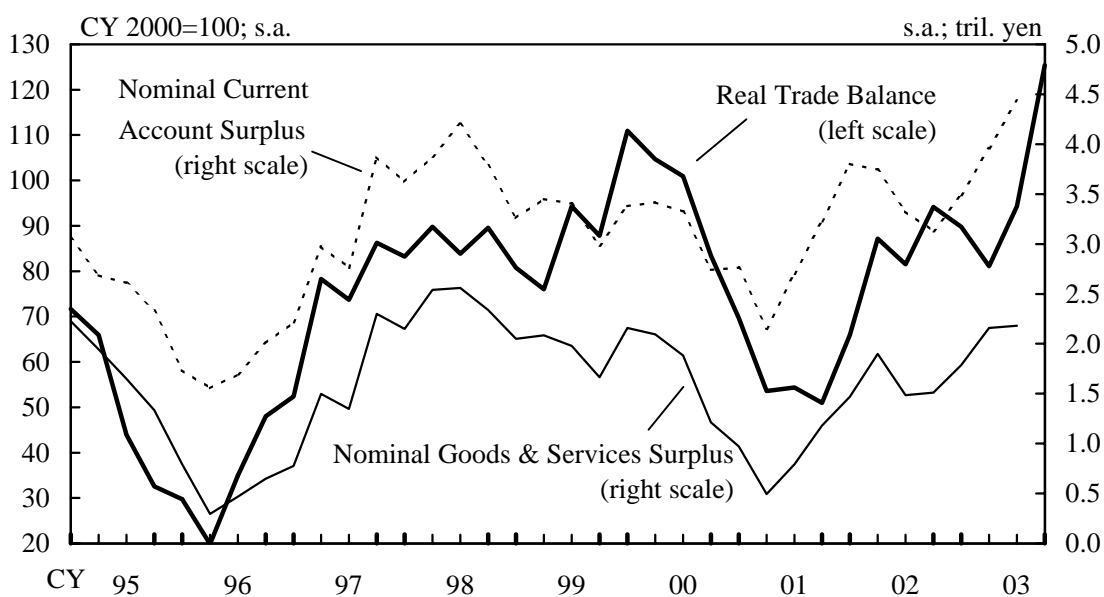
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

 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. 2003/Q4 figures are October figures converted into quarterly amount.

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

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

Real Exports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2001	2002	2002 Q4	2003 Q1	Q2	Q3	Q4	2003 Aug.	Sep.	Oct.
United States	<28.5>	-7.7	1.4	3.4	-9.9	0.9	-1.5	5.8	-0.6	6.4	1.8
EU	<14.7>	-10.1	-0.0	1.4	6.3	0.2	1.2	2.0	-0.0	5.9	-1.8
East Asia	<41.5>	-9.0	17.5	3.4	7.9	-2.5	7.1	9.1	6.4	0.5	6.6
China	<9.6>	12.4	35.5	3.3	21.7	0.7	8.3	6.2	9.3	-0.5	3.6
NIEs	<22.7>	-15.2	14.4	4.4	4.5	-5.2	7.8	12.8	7.0	-1.2	11.3
Korea	<6.9>	-8.4	19.1	6.2	7.7	-8.1	9.3	8.2	2.2	4.2	4.6
Taiwan	<6.3>	-25.3	14.6	2.1	4.9	-6.2	9.1	18.2	12.9	-3.4	16.4
ASEAN4 ³	<9.3>	-7.8	10.2	1.0	2.1	0.2	4.1	3.9	1.4	5.9	-0.4
Thailand	<3.2>	-3.6	16.5	4.0	0.2	2.6	7.4	3.7	1.1	6.1	-0.6
Real exports		-8.6	7.2	4.5	-0.8	-0.1	3.8	6.2	2.4	3.7	2.9

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2001	2002	2002 Q4	2003 Q1	Q2	Q3	Q4	2003 Aug.	Sep.	Oct.
Intermediate goods	<15.3>	-3.2	8.8	-2.4	4.3	0.4	0.4	5.6	0.1	4.9	2.3
Motor vehicles and their related goods	<24.3>	-1.8	12.7	5.0	-1.3	-5.3	0.1	4.1	0.9	10.2	-2.6
Consumer goods ⁴	<7.1>	-4.8	7.9	10.6	0.4	0.9	-2.6	18.9	4.9	3.6	14.3
IT-related goods ⁵	<14.8>	-10.5	0.3	3.0	-3.9	3.0	8.9	2.0	8.6	-2.1	0.7
Capital goods and parts ⁶	<27.3>	-14.6	7.8	5.2	1.9	1.6	6.9	4.7	0.9	5.4	0.8
Real exports		-8.6	7.2	4.5	-0.8	-0.1	3.8	6.2	2.4	3.7	2.9

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2003/Q4 figures are October 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.

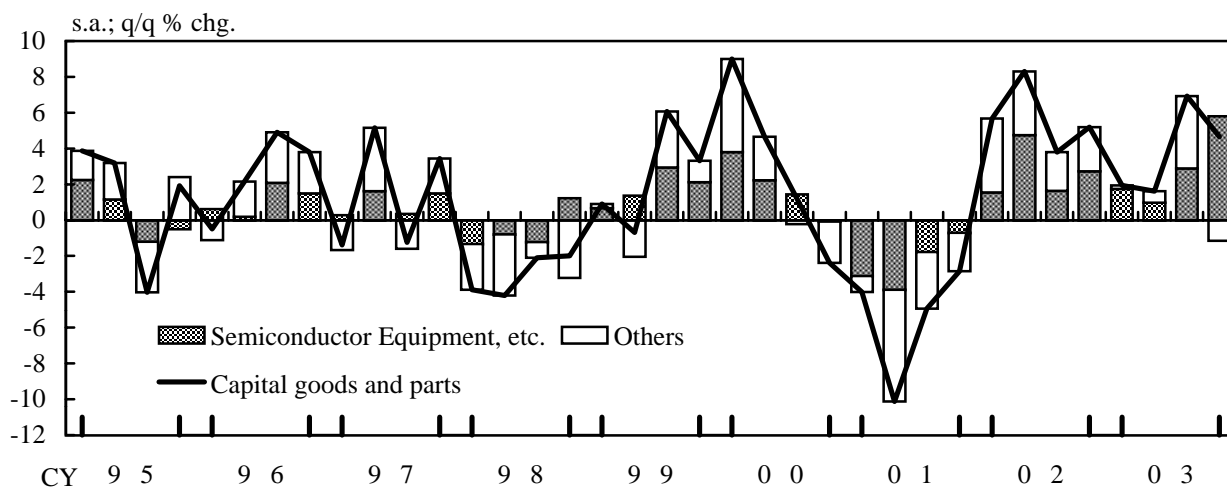
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs and medical and optical instruments.

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

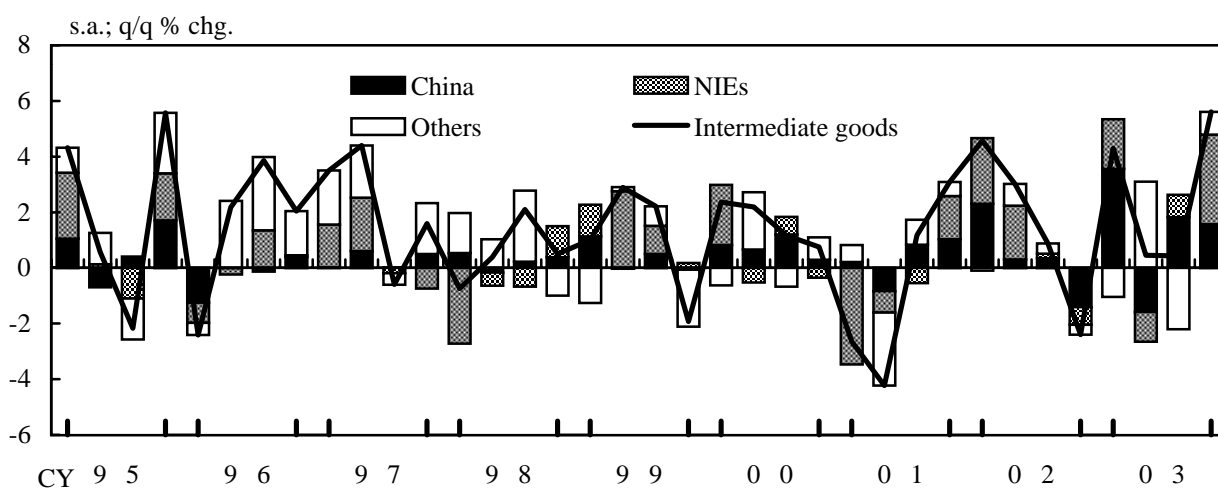
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

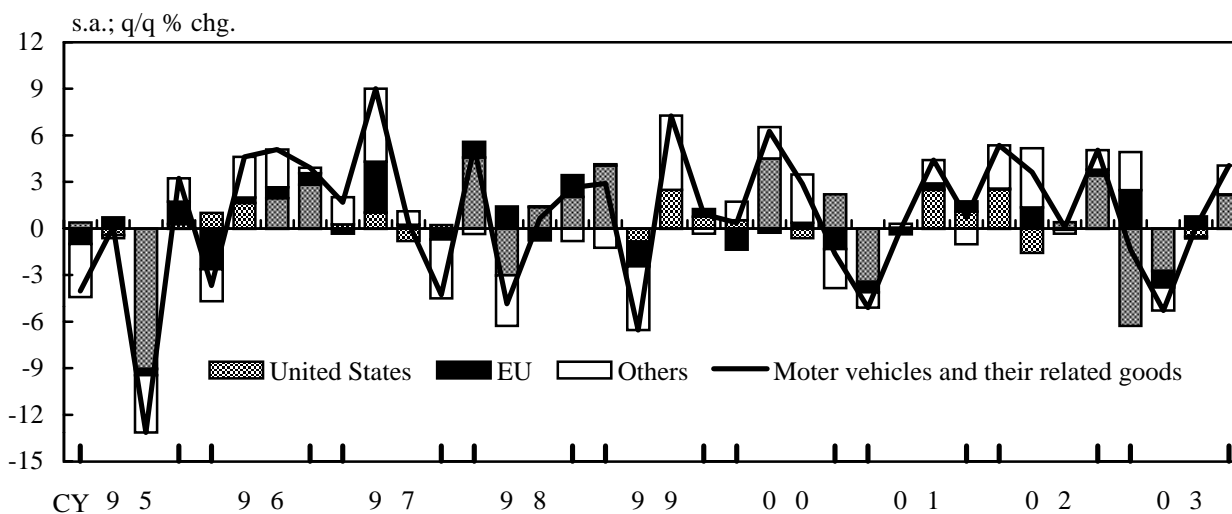
(1) Capital goods and parts (real, breakdown by goods)



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



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



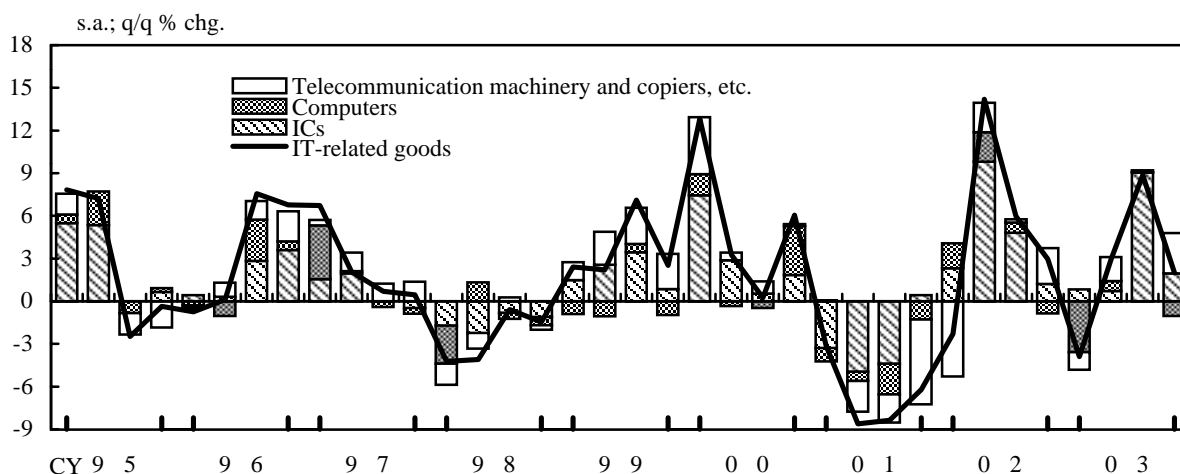
Notes: 1. Seasonally adjusted by X-12-ARIMA.

2. 2003/Q4 figures are October figures converted into quarterly amount.

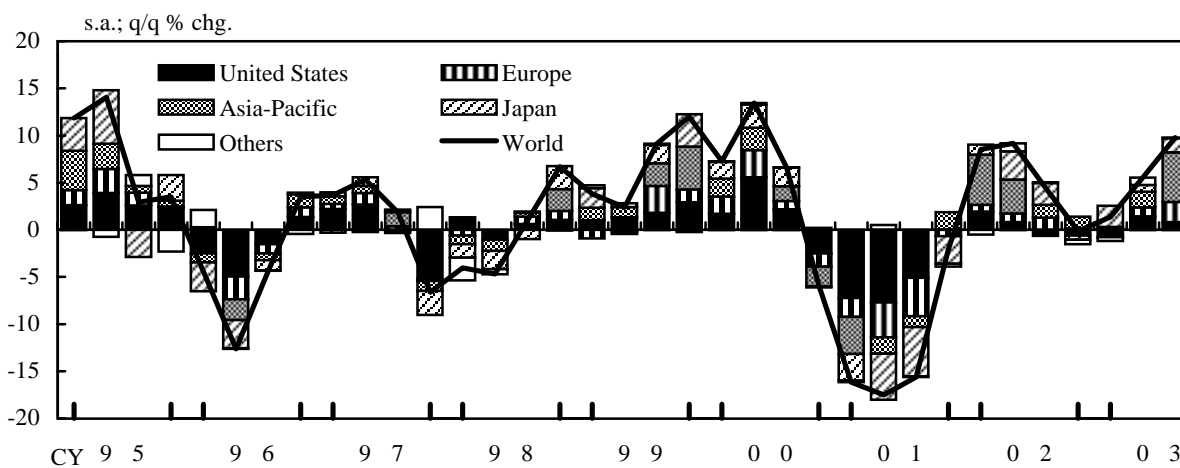
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

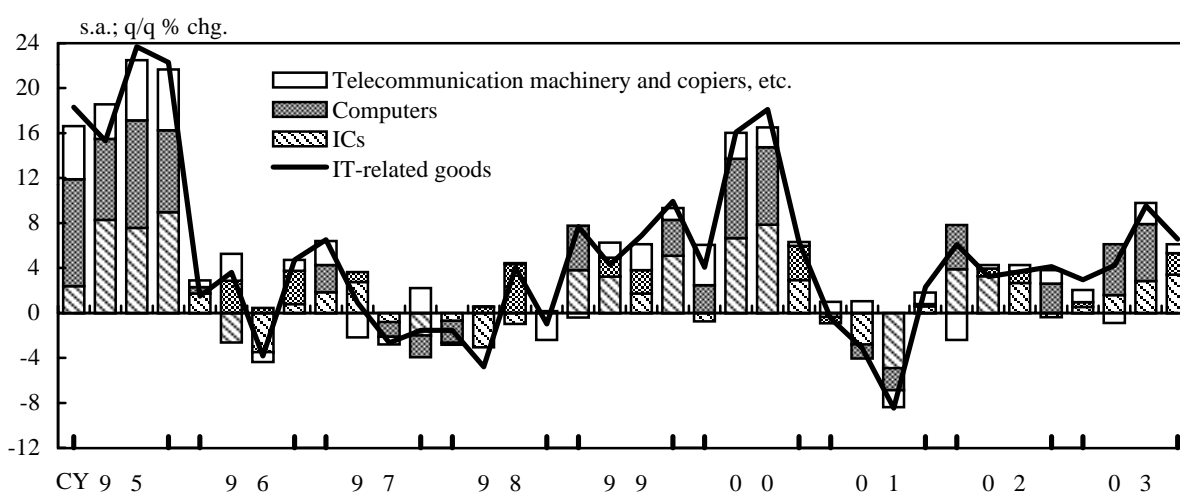
(1) Exports of IT-related goods (real, breakdown by goods)



(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/Q4 figures are October 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 Q4	2003 Q1	Q2	Q3	Q4	2003 Aug.	Sep.	Oct.
United States	<17.1>	-0.6	-3.9	-4.5	-2.9	5.2	-0.9	2.0	-5.0	6.3	-0.4
EU	<13.0>	6.1	2.3	1.5	-1.6	2.6	1.7	-0.4	4.4	2.4	-3.3
East Asia	<41.4>	6.1	6.4	5.7	0.6	4.4	4.4	3.0	-0.1	4.1	0.4
China	<18.3>	16.5	13.9	8.3	3.9	5.3	4.8	1.9	-0.4	4.2	-0.8
NIEs	<10.5>	-3.3	1.8	2.1	-2.1	2.4	7.7	6.9	0.5	4.6	3.6
Korea	<4.6>	-3.2	-1.5	2.8	-0.1	4.0	2.6	12.9	-4.8	3.7	12.0
Taiwan	<4.0>	-5.1	5.5	-0.2	-2.8	0.6	12.4	5.6	5.8	5.3	0.2
ASEAN4 ³	<12.6>	3.6	1.5	5.3	-1.5	4.7	1.2	1.5	-0.2	3.6	-0.7
Thailand	<3.1>	10.4	7.6	5.0	-1.6	2.5	5.4	5.4	1.3	6.8	0.5
Real imports		1.2	1.2	2.2	0.1	2.0	1.3	0.0	-2.1	6.4	-3.3

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2001	2002	2002 Q4	2003 Q1	Q2	Q3	Q4	2003 Aug.	Sep.	Oct.
Raw materials ⁴	<25.3>	-4.1	-2.7	4.0	3.7	-0.3	-3.8	-5.7	-2.9	1.6	-5.8
Intermediate goods	<13.0>	-1.1	1.4	-0.2	1.0	-0.4	2.2	2.5	-0.9	6.9	-1.6
Foodstuffs	<12.5>	-0.0	-2.5	-3.3	-1.0	-1.4	-0.1	3.4	-7.1	5.5	2.3
Consumer goods	<11.0>	7.9	-0.9	5.5	-3.8	3.5	3.6	4.1	-2.8	4.2	2.3
IT-related goods ⁵	<14.4>	9.6	7.8	4.1	3.0	4.2	9.5	6.6	4.1	4.3	2.3
Capital goods and parts ⁶	<12.9>	10.6	11.5	1.4	-2.2	12.2	-2.4	3.8	-7.9	4.0	4.0
excluding aircraft	<11.8>	13.9	8.3	5.3	0.3	5.1	-0.5	7.4	-3.8	5.1	5.3
Real imports		1.2	1.2	2.2	0.1	2.0	1.3	0.0	-2.1	6.4	-3.3

Notes: 1. Seasonally adjusted by X-12-ARIMA. 2003/Q4 figures are October 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.

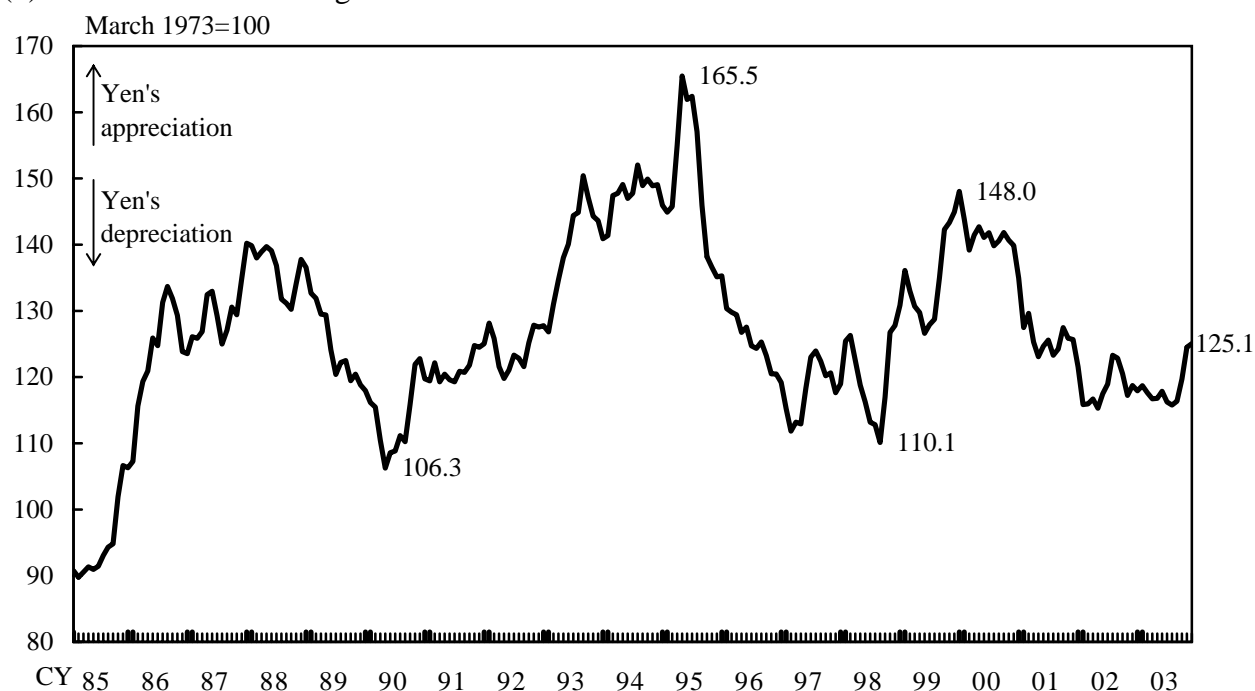
4. Raw materials are mainly composed of woods, ores and mineral fuel.

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 November 2003 is the average up to November 20.
 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

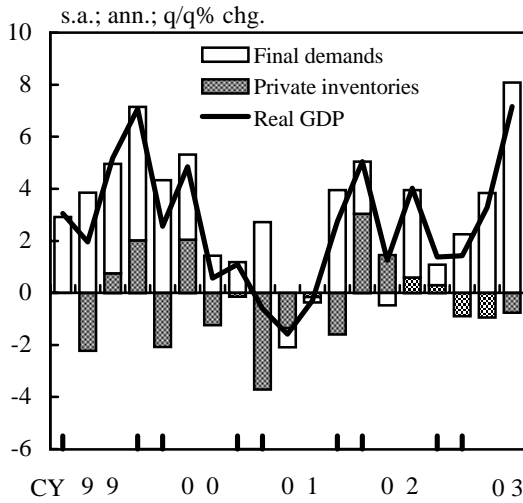
		CY2000	2001	2002	2002 Q4	2003 Q1	Q2	Q3	
United States ¹		3.8	0.3	2.4	1.4	1.4	3.3	7.2	
European Union ¹		3.6	1.7	1.0	0.4	0.2	0.1	n.a.	
	Germany	2.9	0.8	0.2	-0.2	-1.0	-0.6	0.9	
	France	4.2	2.1	1.2	-1.1	0.2	-1.4	1.5	
	United Kingdom	3.8	2.1	1.7	2.1	0.7	2.4	2.3	
East Asia ²	China	8.0	7.3	8.0	8.1	9.9	6.7	9.1	
	NIEs	Korea	9.3	3.1	6.3	6.8	3.7	1.9	n.a.
		Taiwan	5.9	-2.2	3.6	4.5	3.5	-0.1	4.2
		Hong Kong	10.2	0.5	2.3	5.1	4.5	-0.5	n.a.
		Singapore	9.4	-2.4	2.2	3.0	1.6	-3.8	1.7
	ASEAN4	Thailand	4.6	1.9	5.3	6.2	6.7	5.8	n.a.
		Indonesia	4.9	3.4	3.7	3.8	3.4	3.7	3.9
Malaysia		8.5	0.3	4.1	5.4	4.6	4.4	n.a.	
Philippines		6.0	3.0	4.4	5.8	4.5	3.2	n.a.	

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

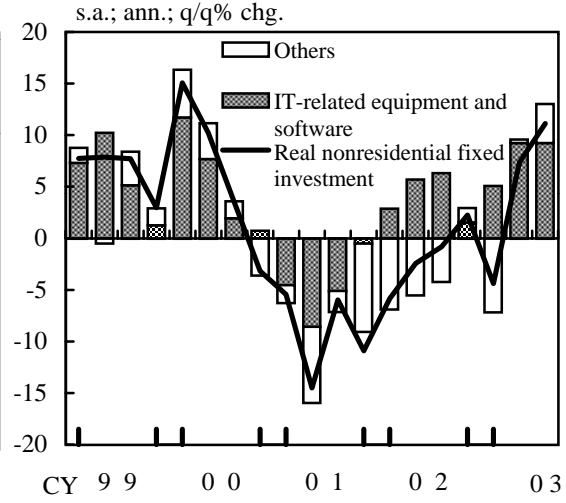
2. Quarterly data of East Asia are percent changes from a year earlier.

Environment for Exports (2)

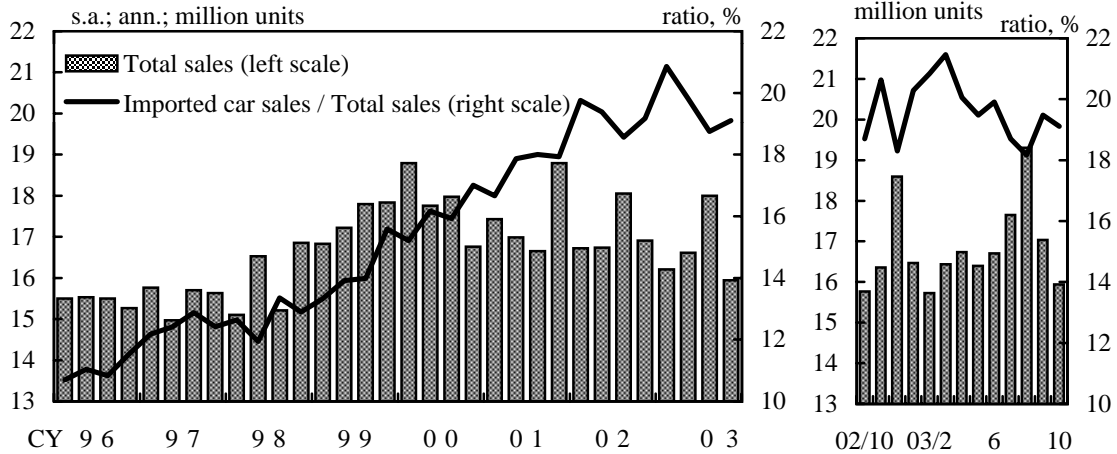
(1) U.S. Real GDP (breakdown by final demands and inventories)



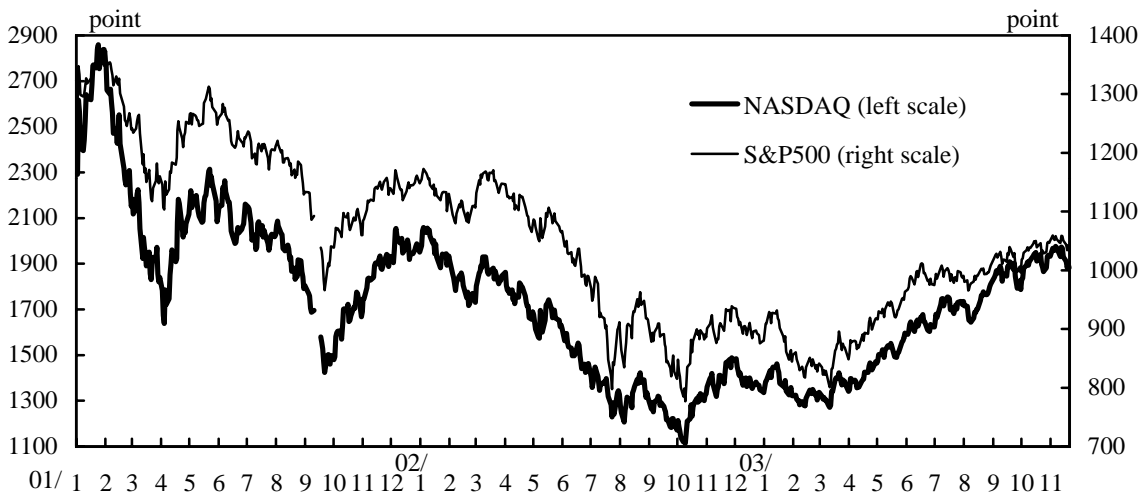
(2) U.S. Real Nonresidential Fixed Investment



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



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

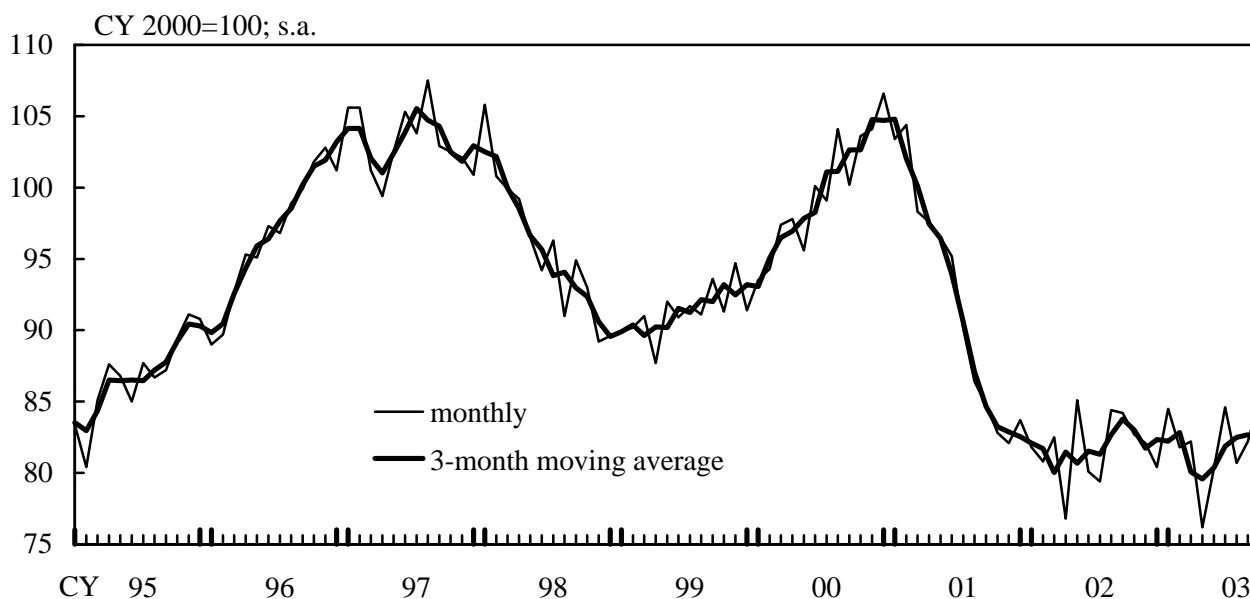


Notes: 1. "Total sales" of automobile and "Imported car sales / Total sales" in 2003/Q4 are based on one month sales in October.

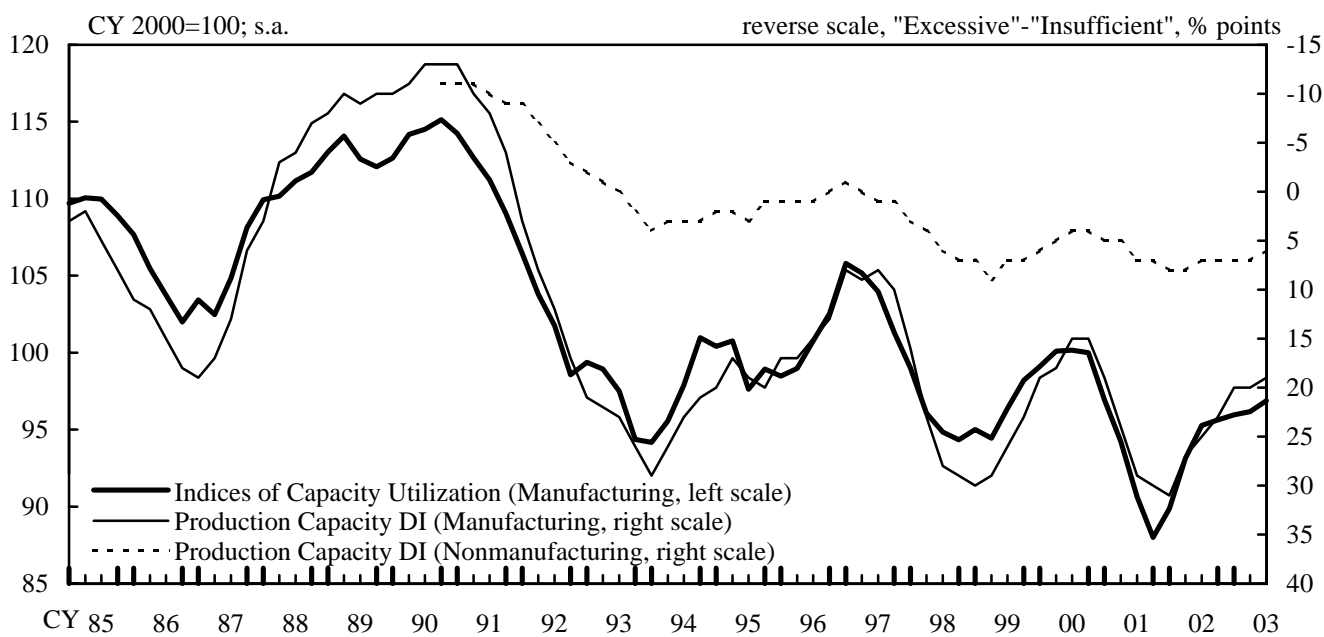
2. Figures of U.S. stock prices in (4) are up to November 20.

Indicators for Business Fixed Investment (1)

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



(2) Indices of Capacity Utilization and Production Capacity DI

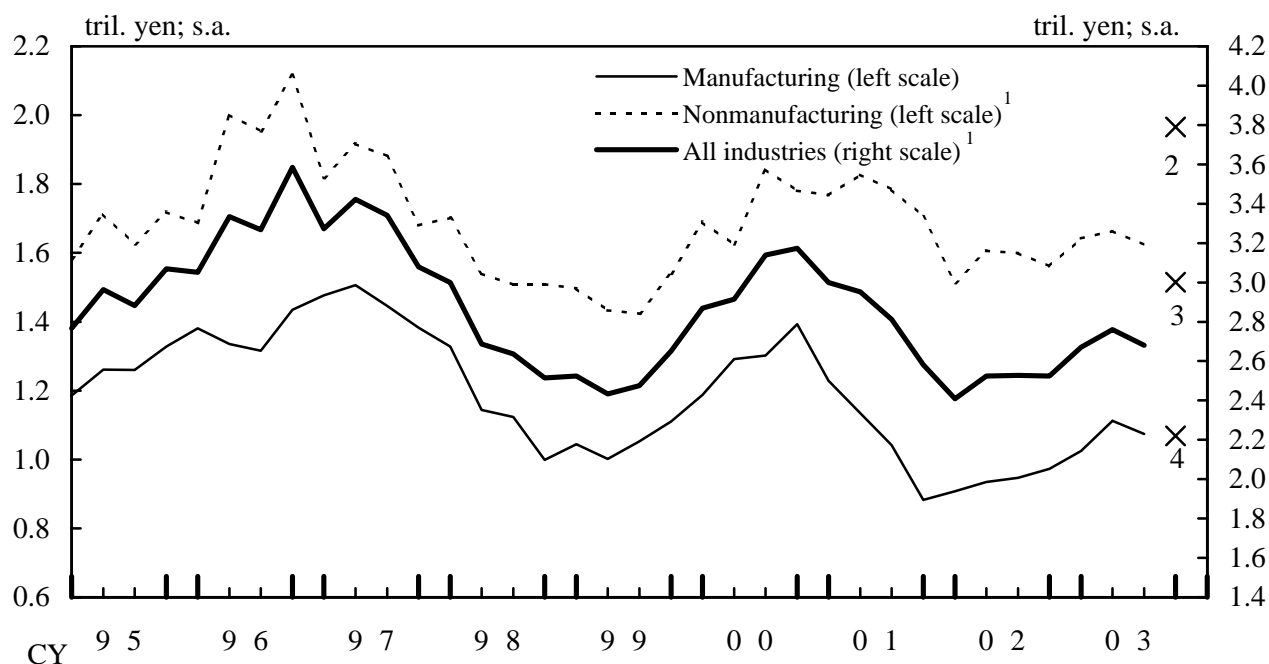


Note: Production Capacity DIs are those of all enterprises.

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

Indicators for Business Fixed Investment (2)

(1) Machinery Orders



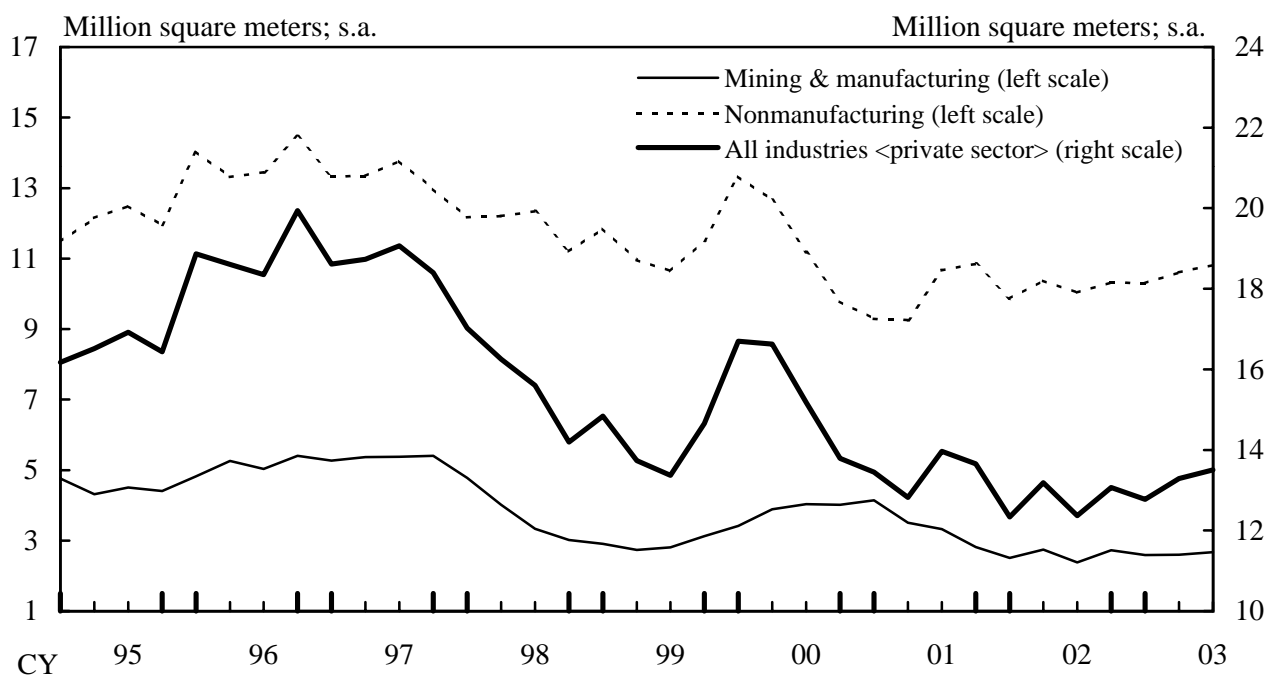
Notes: 1. Excludes orders of shipbuilding and orders from electric power companies.

2. Forecast of nonmanufacturing industries for 2003/Q4.

3. Forecast of all industries for 2003/Q4.

4. Forecast of manufacturing industries for 2003/Q4.

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



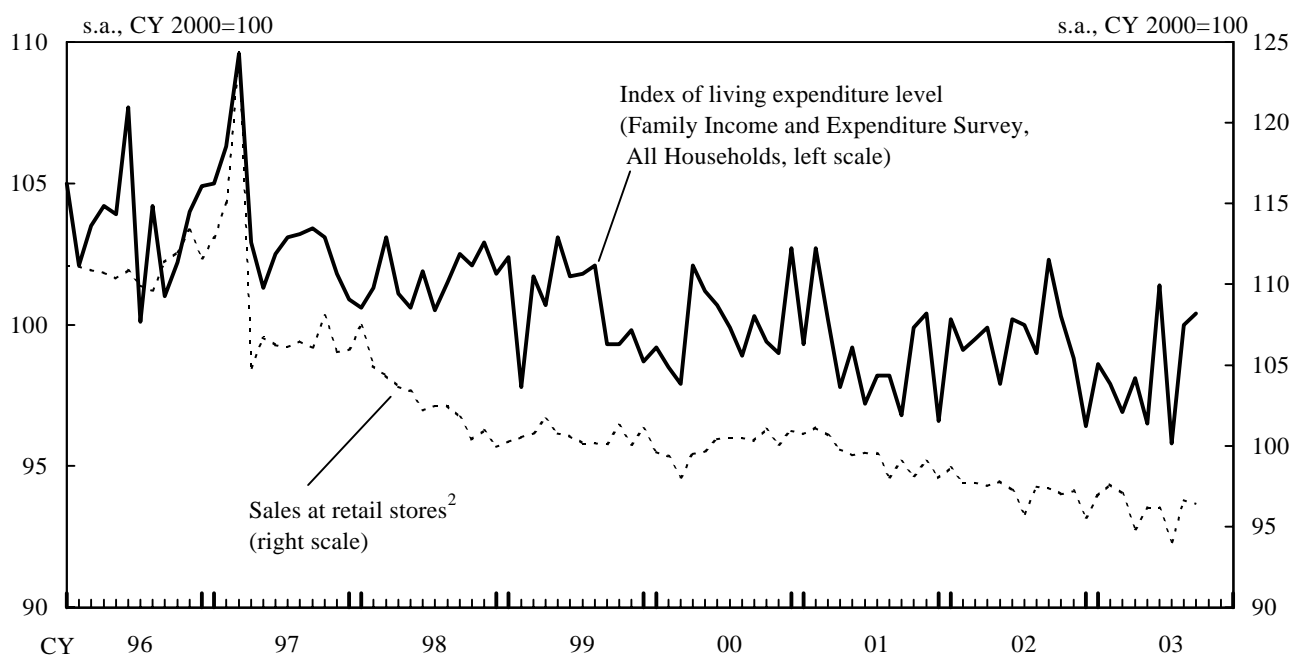
Note: Seasonally adjusted by X-12-ARIMA.

Sources: Cabinet Office, "Machinery Orders Statistics";

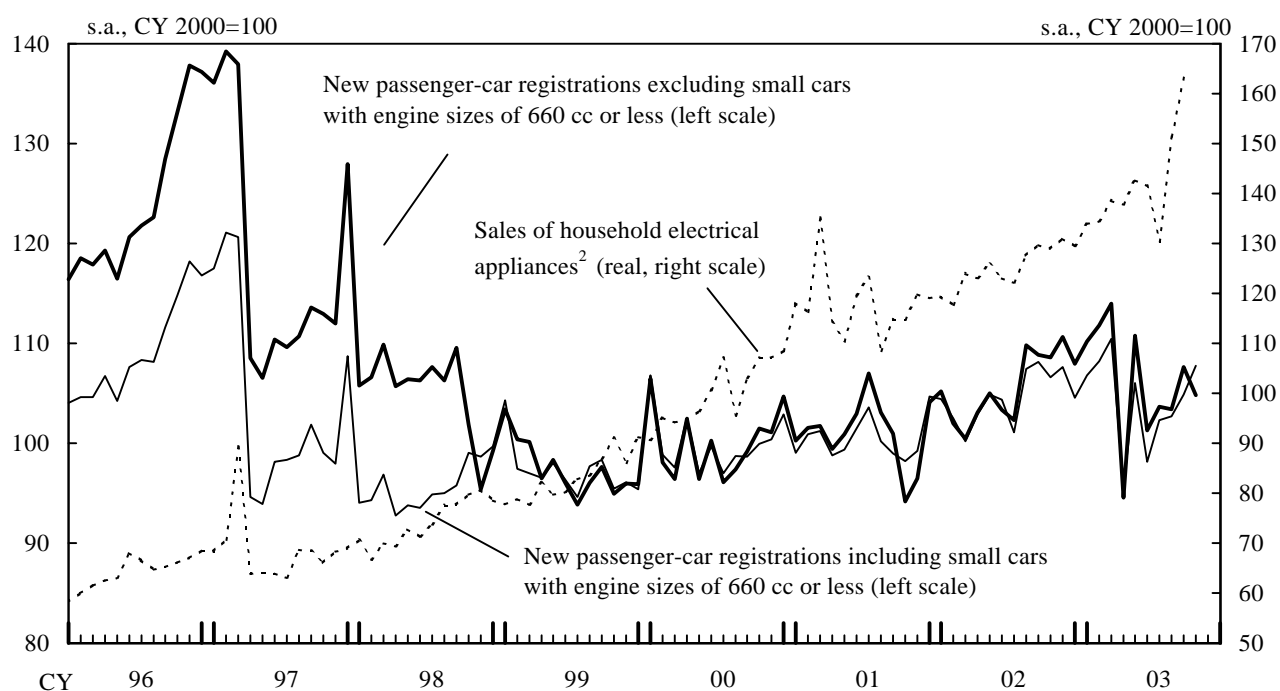
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



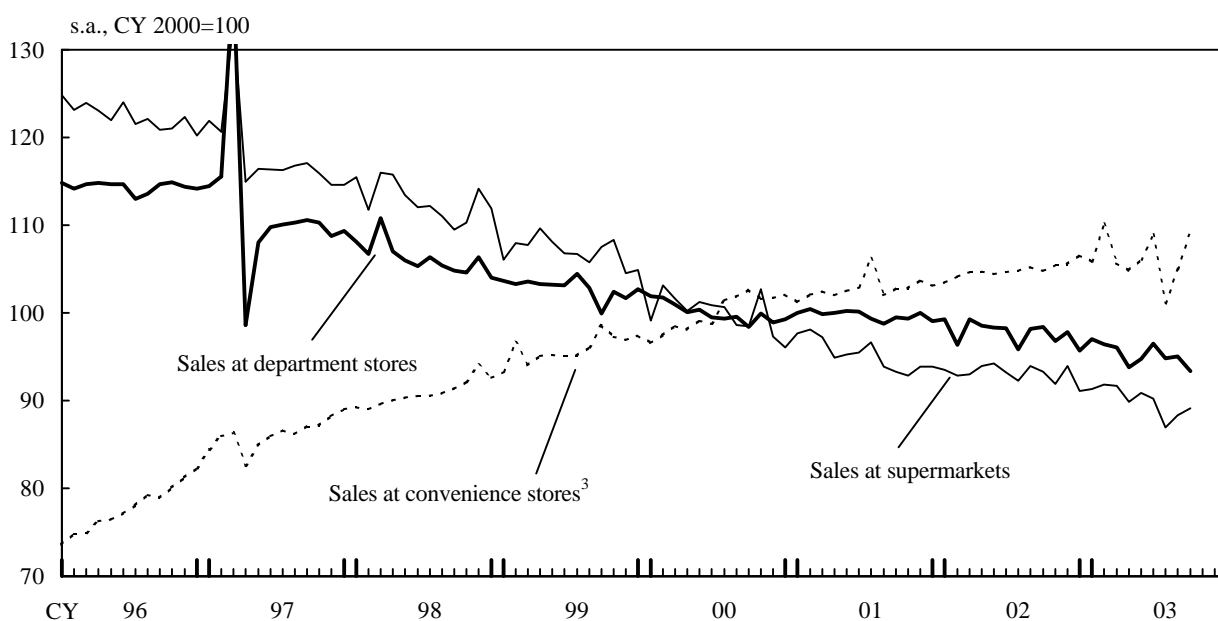
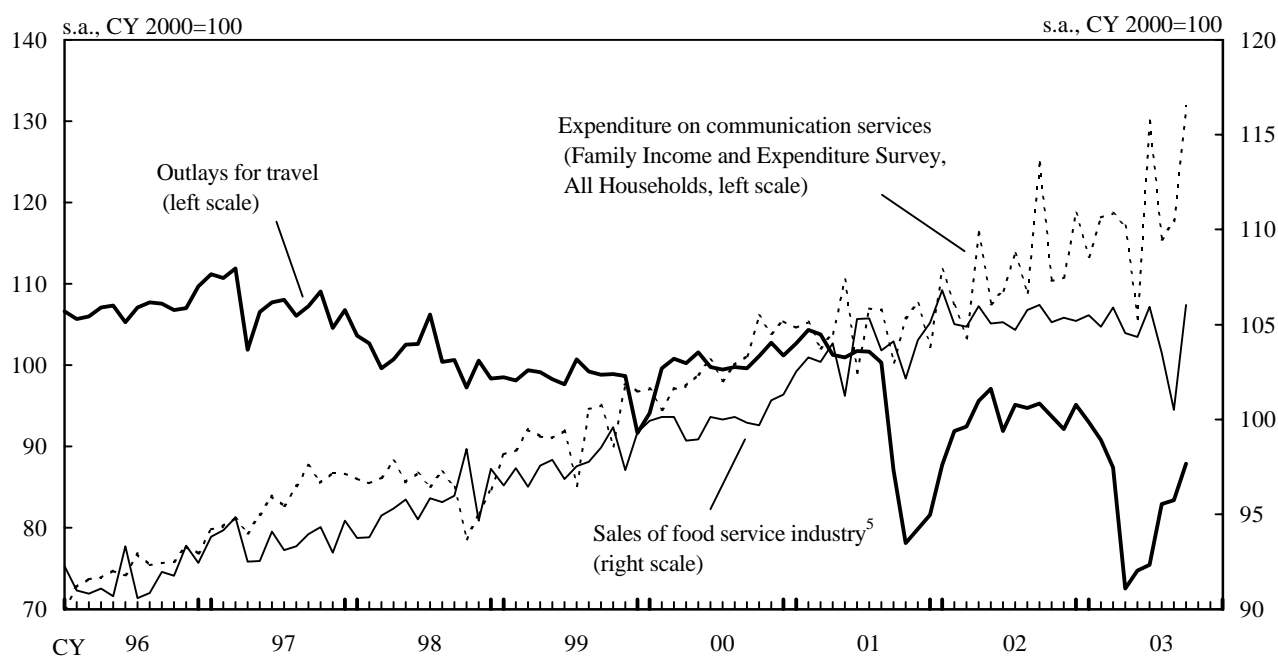
(2) Sales of Durable Goods



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

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

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

Indicators for Private Consumption¹ (2)(3) Sales at Retail Stores (nominal)²(4) Consumption of Services (nominal)⁴

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

2. Adjusted to exclude the effect of the increase in the number of stores (except convenience stores). Sales at department stores, supermarkets and convenience stores are adjusted to exclude the effect of the rise in the consumption tax rate.

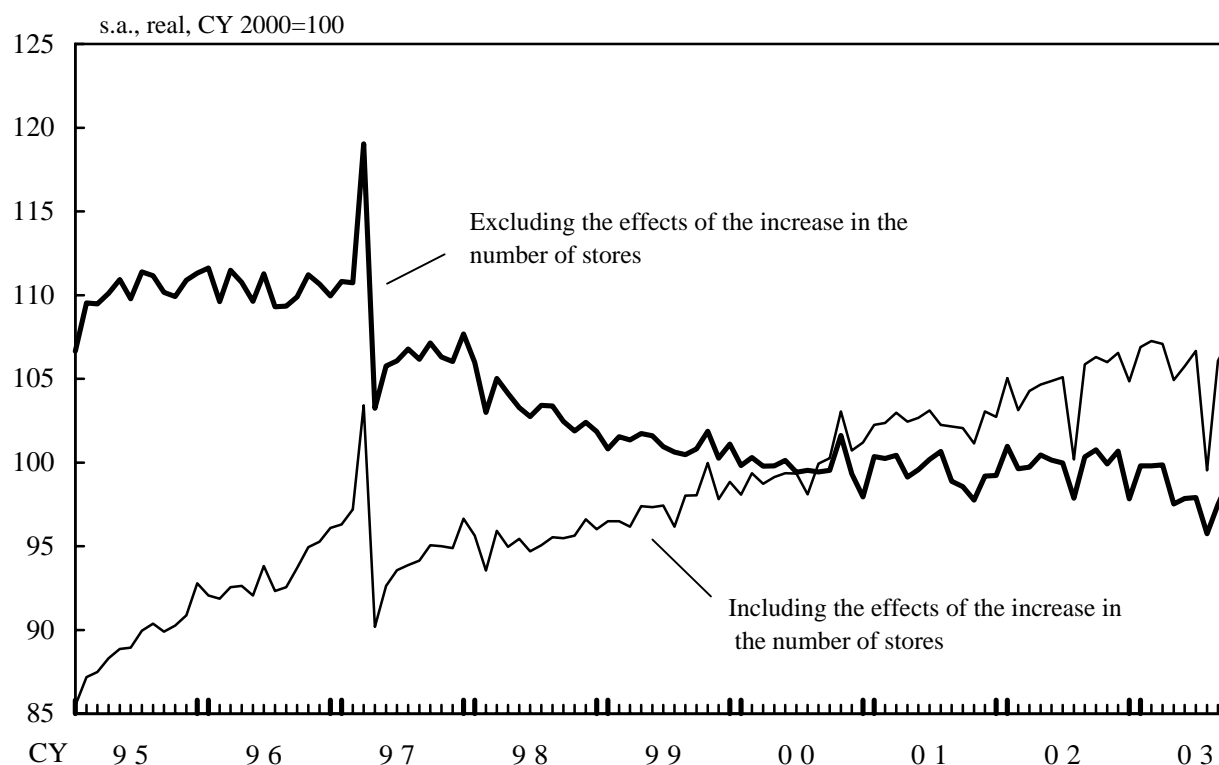
3. Sales at convenience stores until March 1997 are based on the survey conducted by the Bank of Japan. From April 1997 they are based on the data published by the Ministry of Economy, Trade and Industry.

4. Outlays for travel and Sales of food service industry are adjusted to exclude the effect of the rise in the consumption tax rate.

5. Sales of food service industry are calculated using the year to year change rates of every month released by the Japan Food Service Association based on monthly sales amounts in 1993 released by the Food Service Industry Survey & Research Center.

Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Monthly Report on the Family Income and Expenditure Survey"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Ministry of Land, Infrastructure and Transport, "Major Travel Agents' Revenue"; Food Service Industry Survey & Research Center, "*Getsuji Uriage Doukou Chousa* (Monthly Survey of Food Service Sales)"; Japan Food Service Association, "*Gaishoku Sangyou Shijou Doukou Chousa* (The Research of Food Service Industry)."

Indicators for Private Consumption (3) - Indices of aggregated sales

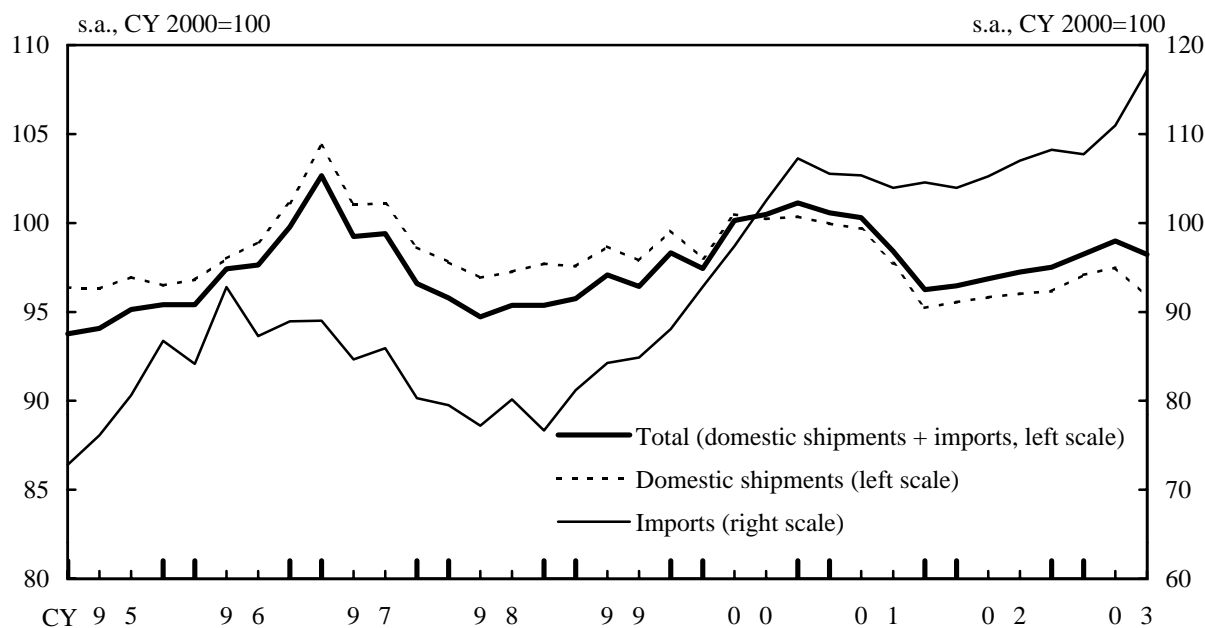


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in the *Family Income and Expenditure Survey*. These indices of aggregated sales consist of the series including and excluding the effects of the increase in the number of stores. Indices "including the effects of the increase in the number of stores" reflect the fluctuations in sales due to changes in the number of stores caused by the opening and closing down of businesses. (Indices "including the effects of the increase in the number of stores" include sales at convenience stores.) On the other hand, those "excluding the effects of the increase in the number of stores" aim to capture consumption trends only from stores of which sales data can be obtained continuously.
2. Sales indicators in nominal terms are deflated by the corresponding items of the price indices.
3. Seasonally adjusted by X-12-ARIMA.

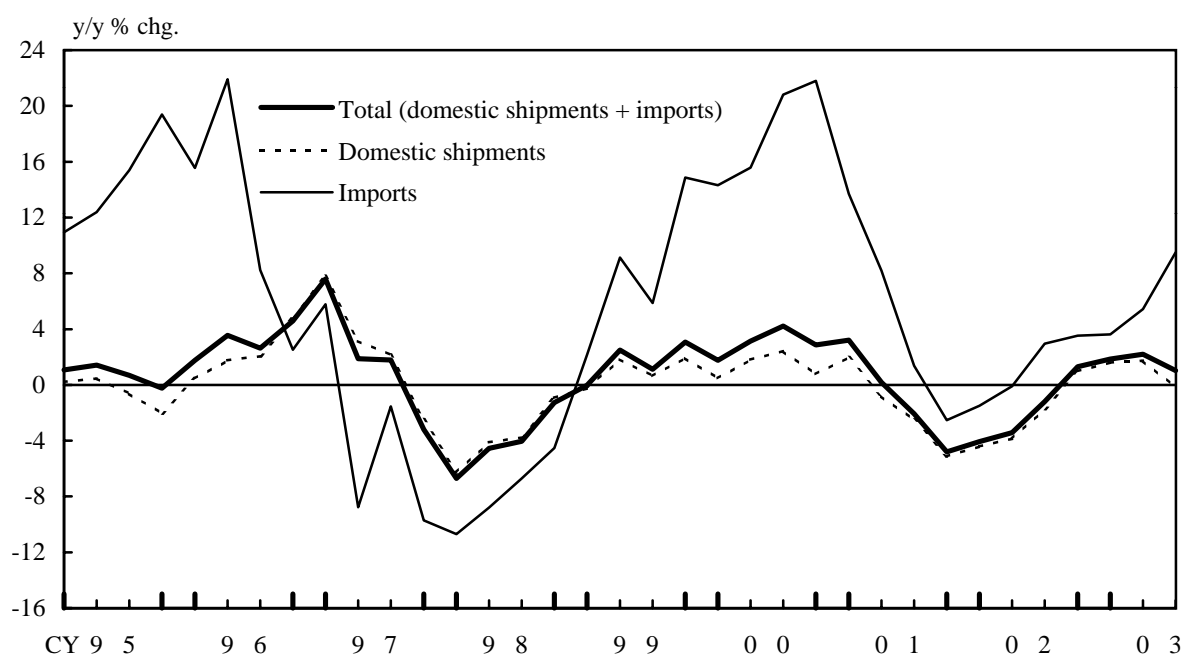
Sources: Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index,"
 "Monthly Report on the Family Income and Expenditure Survey";
 Bank of Japan, "Wholesale Price Indexes";
 Japan Automobile Dealers Association, "Domestic Sales of Automobiles";
 Japan Mini Vehicles Association, "Sales of Mini Vehicles";
 Nippon Electric Big-Stores Association (NEBA), "Sales of Electrical Appliances";
 Food Service Industry Survey & Research Center, "*Getsuji Uriage Doukou Chousa* (Monthly Survey of Food Service Sales)"; Japan Food Service Association, "*Gaishoku Sangyou Shijou Doukou Chousa* (The Research of Food Service Industry)";
 Ministry of Land, Infrastructure and Transport, "Major Travel Agents' Revenue."

Indicators for Private Consumption (4) - Aggregate supply of consumer goods

(1) Level



(2) Changes from a year earlier

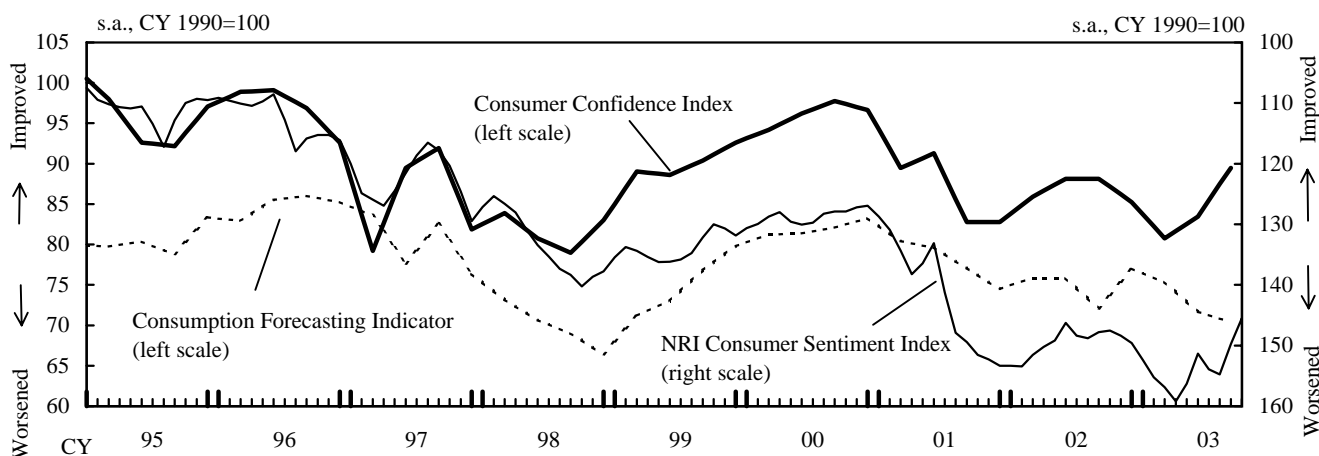


- Notes: 1. Aggregate supply of consumer goods is calculated by the Bank of Japan using shipments of consumer goods in *Indices of Industrial Production* and real exports and imports of consumer goods. The weights used for calculation are those of *Indices of Industrial Domestic Shipments and Imports*.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

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

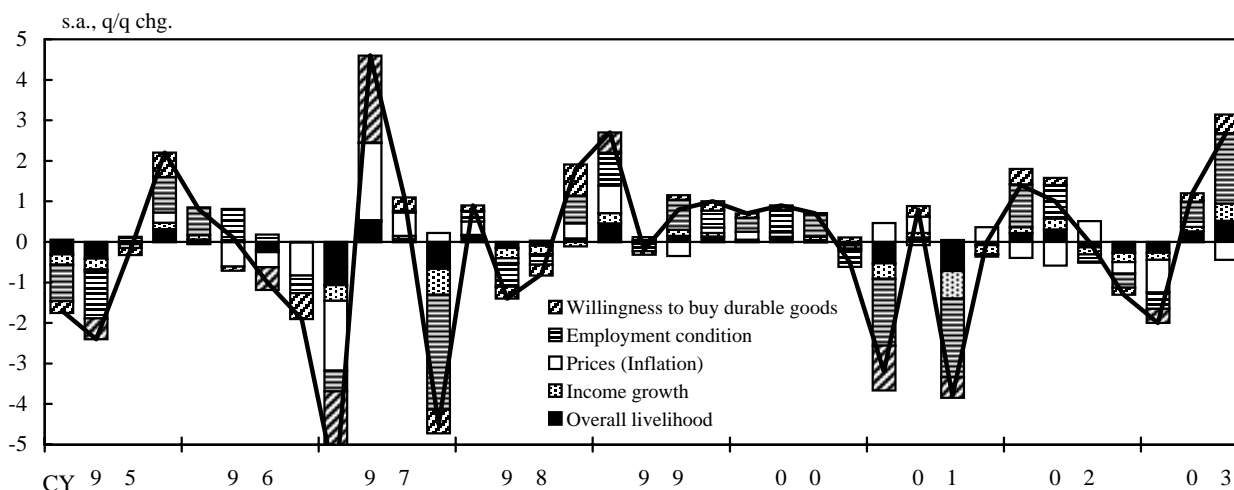
Consumer Confidence

(1) Surveys on Consumer Confidence

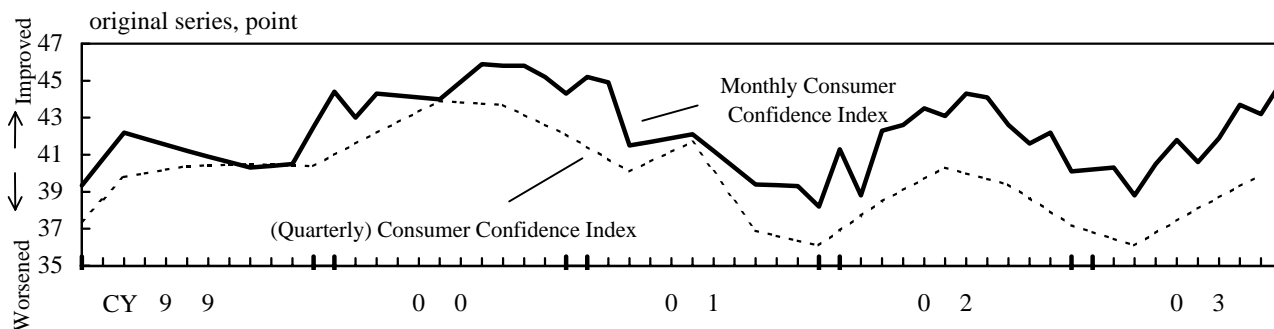


- Notes:
1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office.
 2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 1,500 samples in metropolitan area), and NRI Consumer Sentiment Index (with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

(2) Contribution of Each Item in the Consumer Confidence Index



(Reference) Monthly Consumer Confidence Survey (Tokyo)

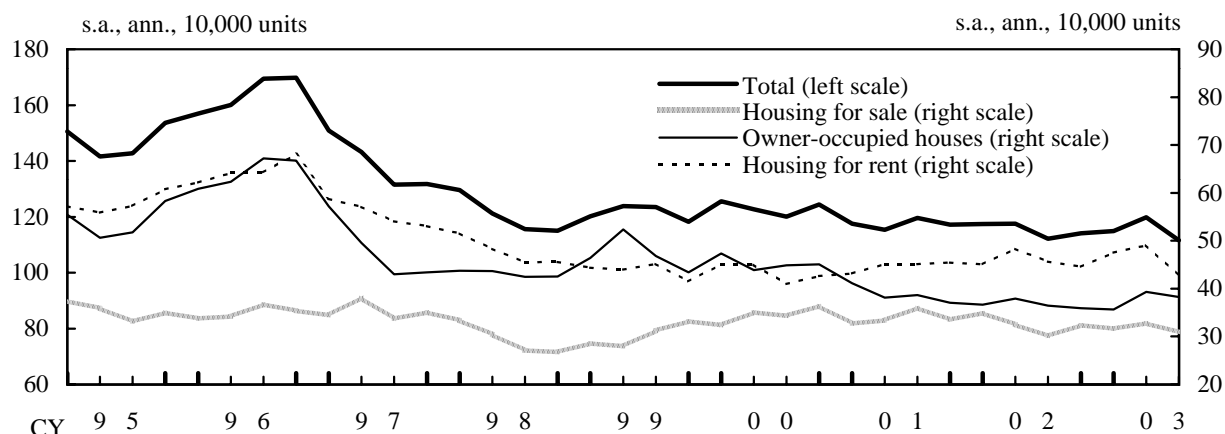


Note: *Monthly Consumer Confidence Survey* is conducted on a monthly basis for limited samples of the Tokyo district (435 households surveyed) in the quarterly Consumer Confidence Survey. The items in the monthly survey are parts of the quarterly survey. Prior to 2001, figures for the months when the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

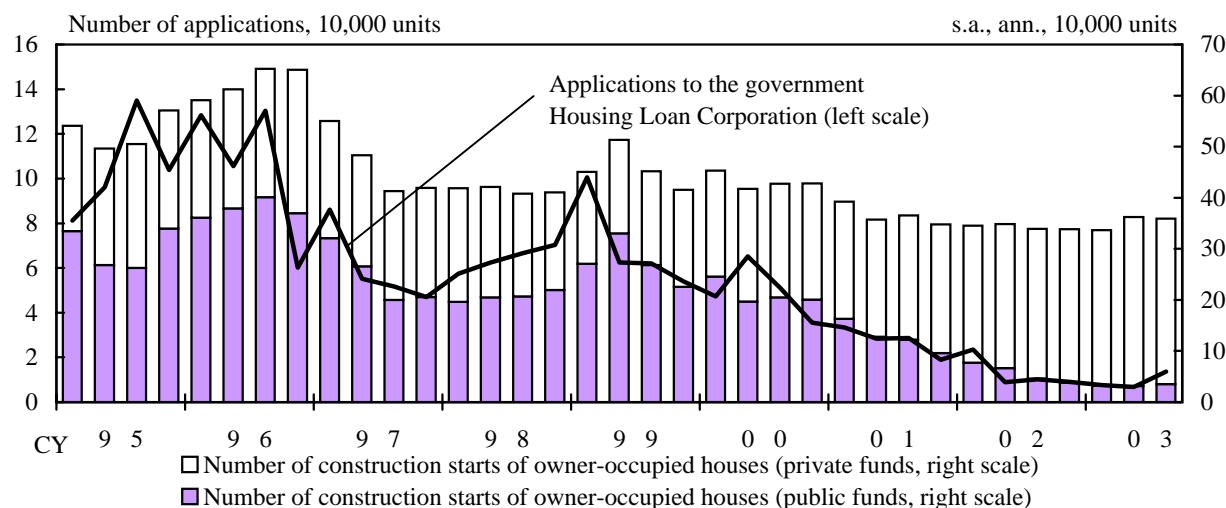
Sources: Cabinet Office, "Consumer Confidence Survey," "Monthly Consumer Confidence Survey"; Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators for Housing Investment

(1) Housing Starts

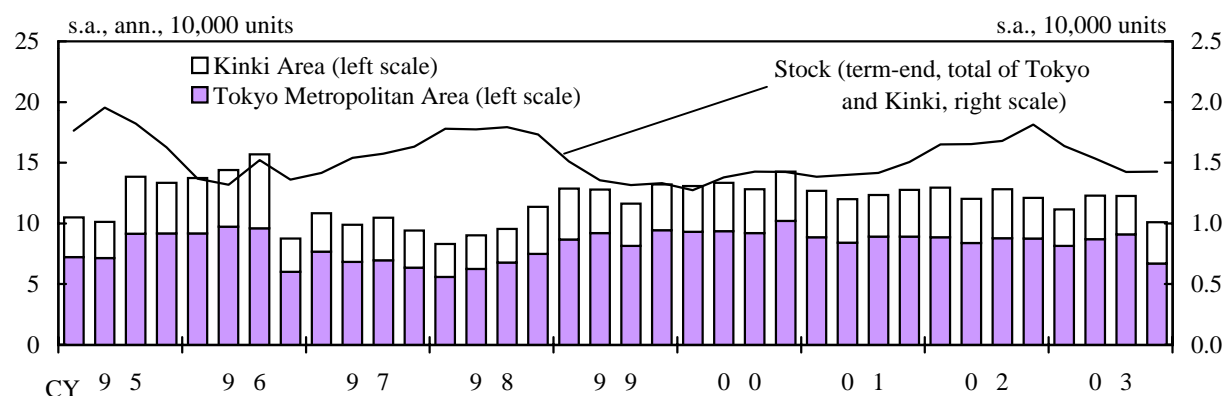


(2) Applications to the Government Housing Loan Corporation for new owner-occupied houses and Construction Starts of owner-occupied houses



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

(3) Sales of Condominiums

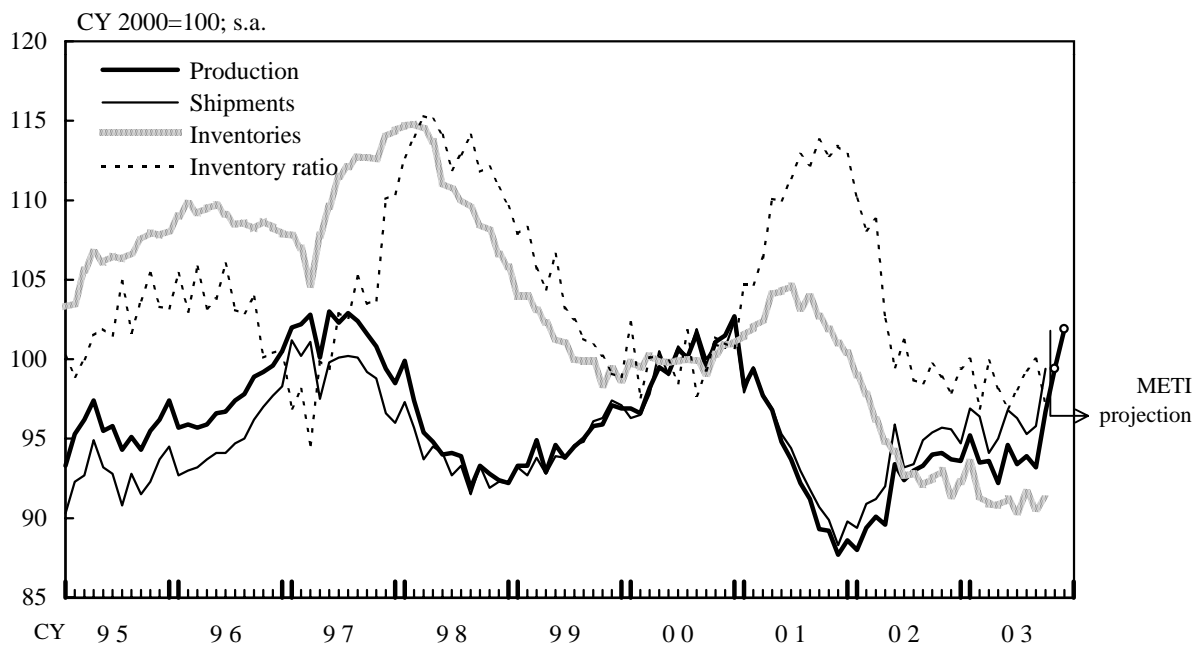


Notes: 1. Seasonally adjusted by X-12-ARIMA.
 2. Figures for 2003/Q4 are those of October.

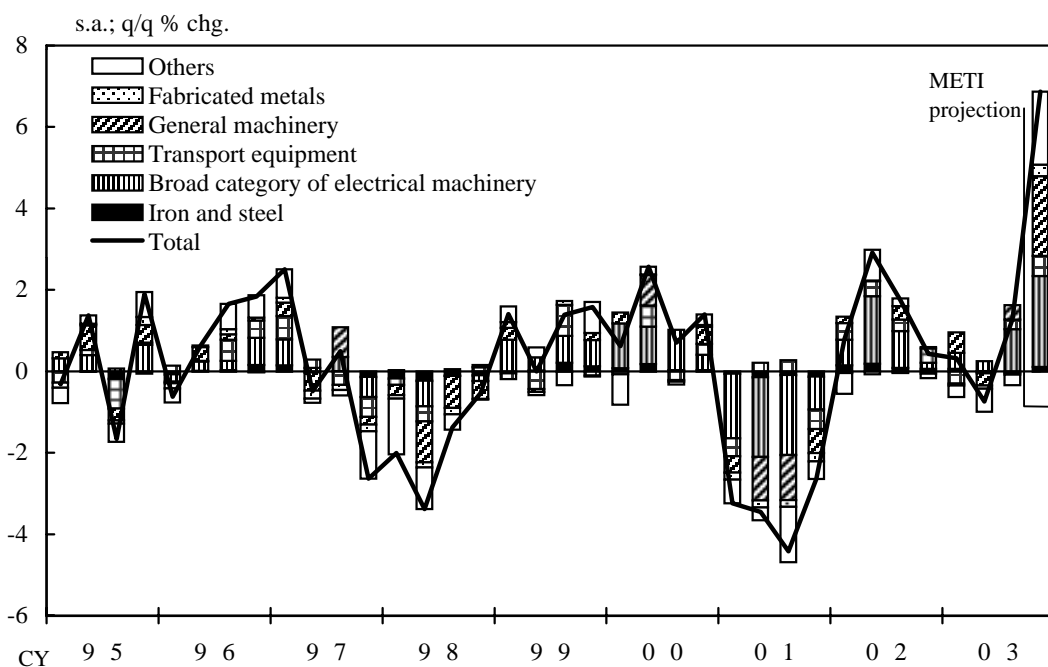
Sources: Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts," etc.

 Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries



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

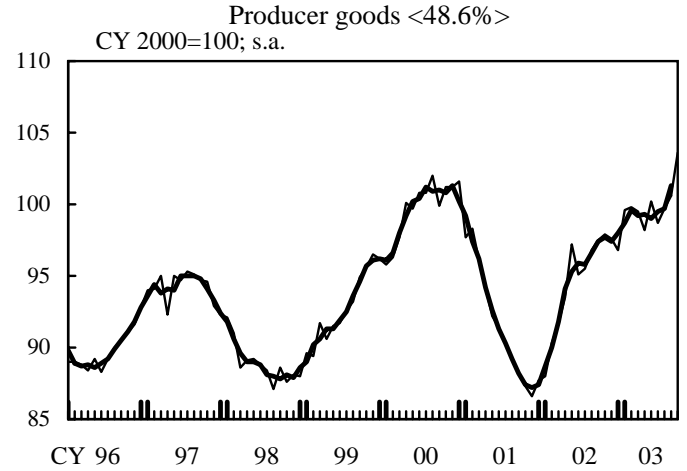
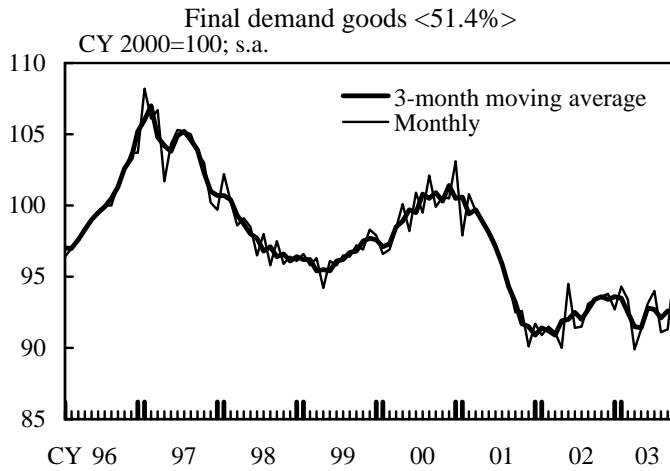
"Broad category of electrical machinery" is the weighted sum of "electrical machinery", "information and communication electronics equipment" and "electronic parts and devices."

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

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

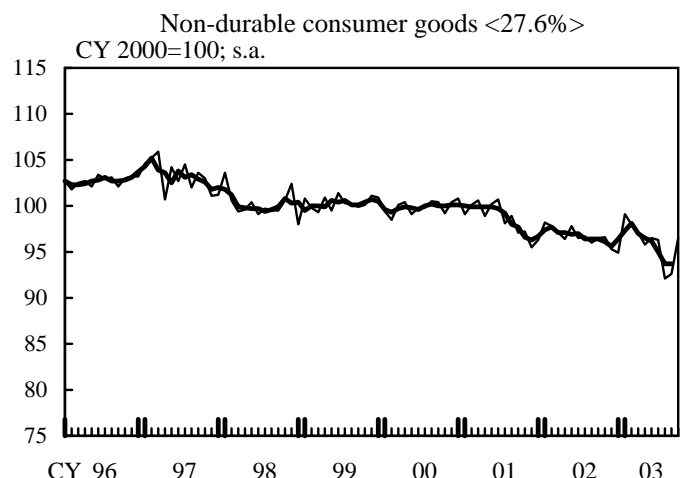
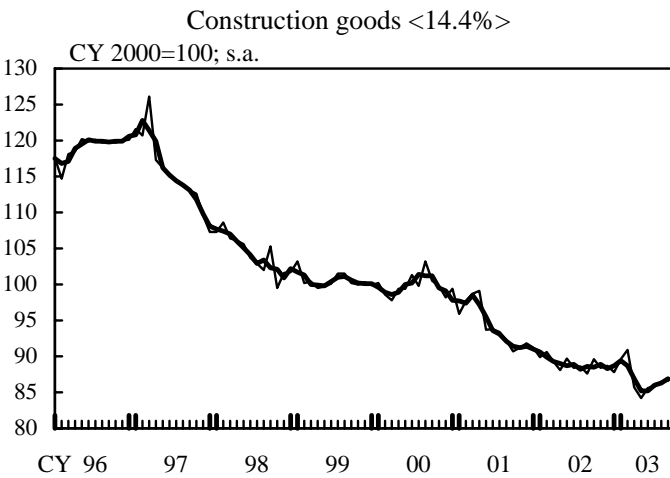
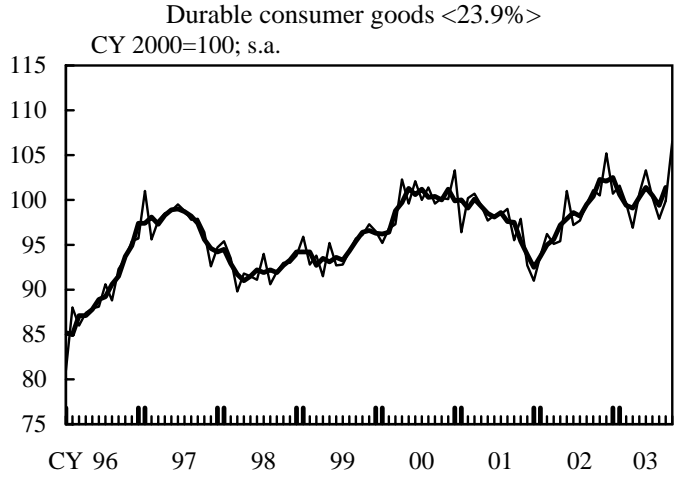
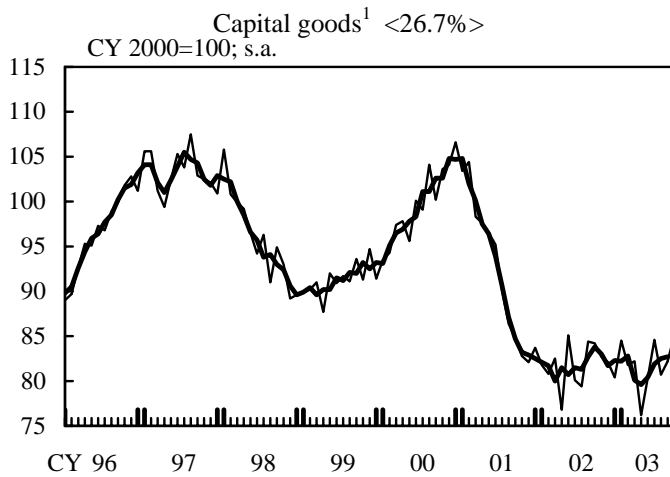
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

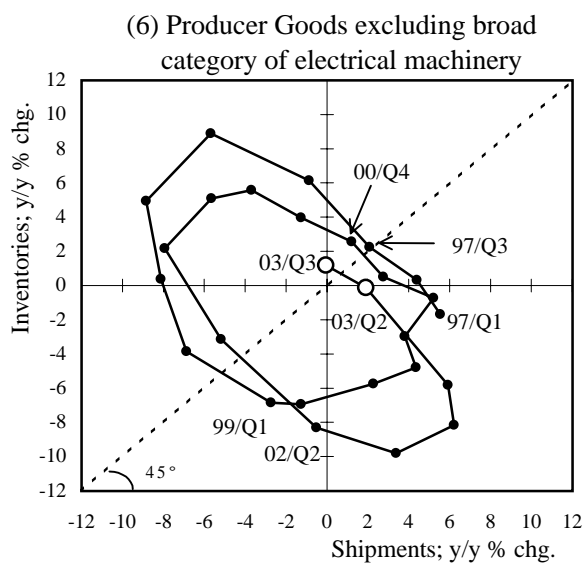
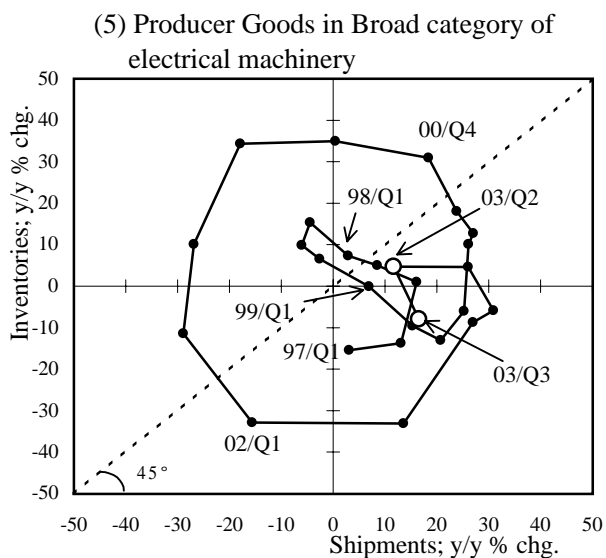
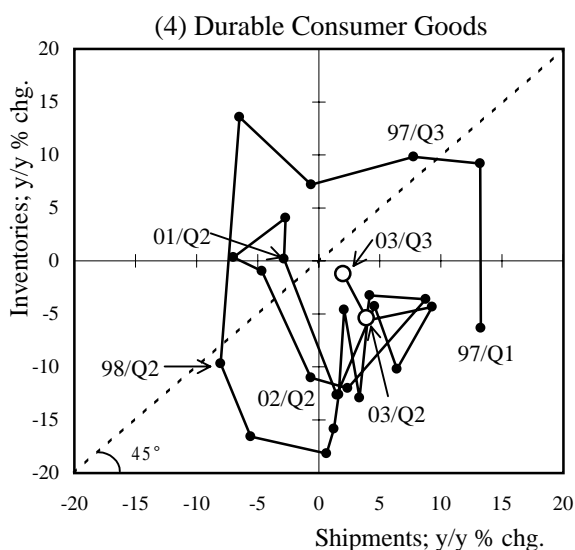
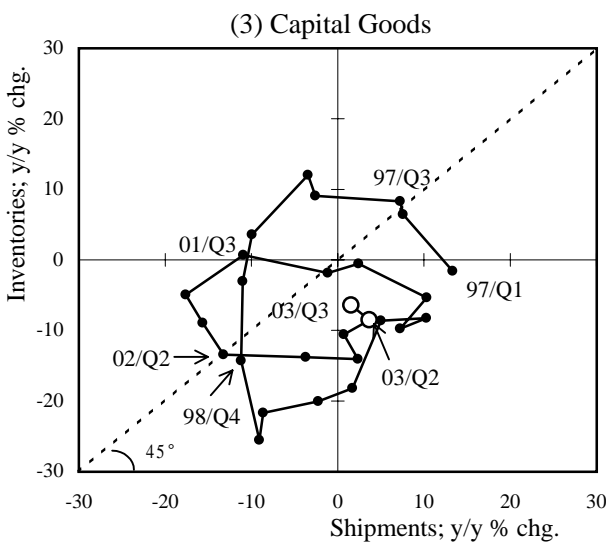
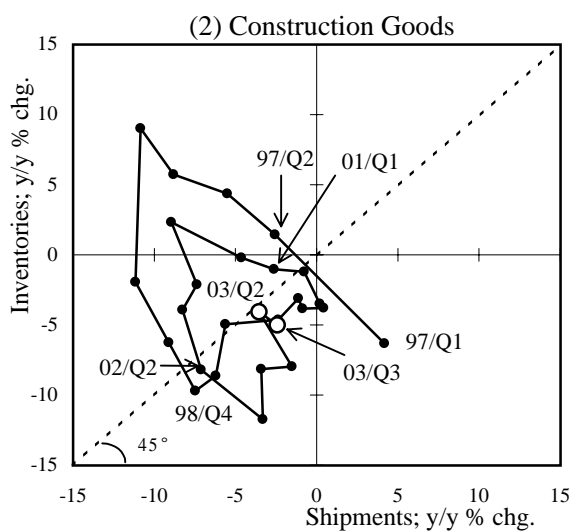
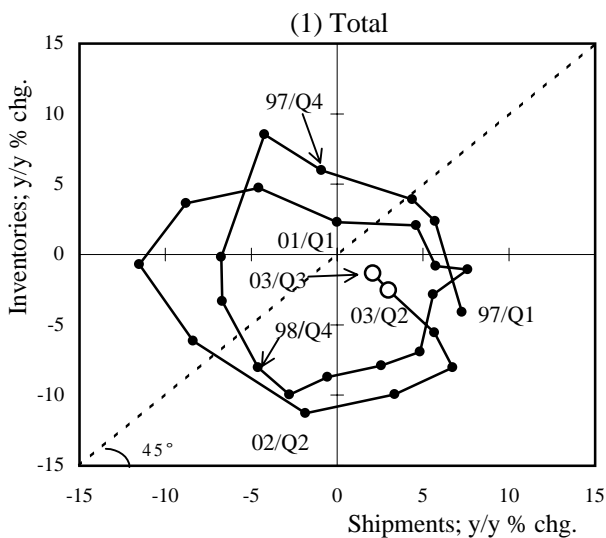
(2) Breakdown of final demand goods



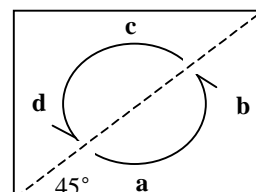
Notes: 1. Excluding transportation equipment.
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

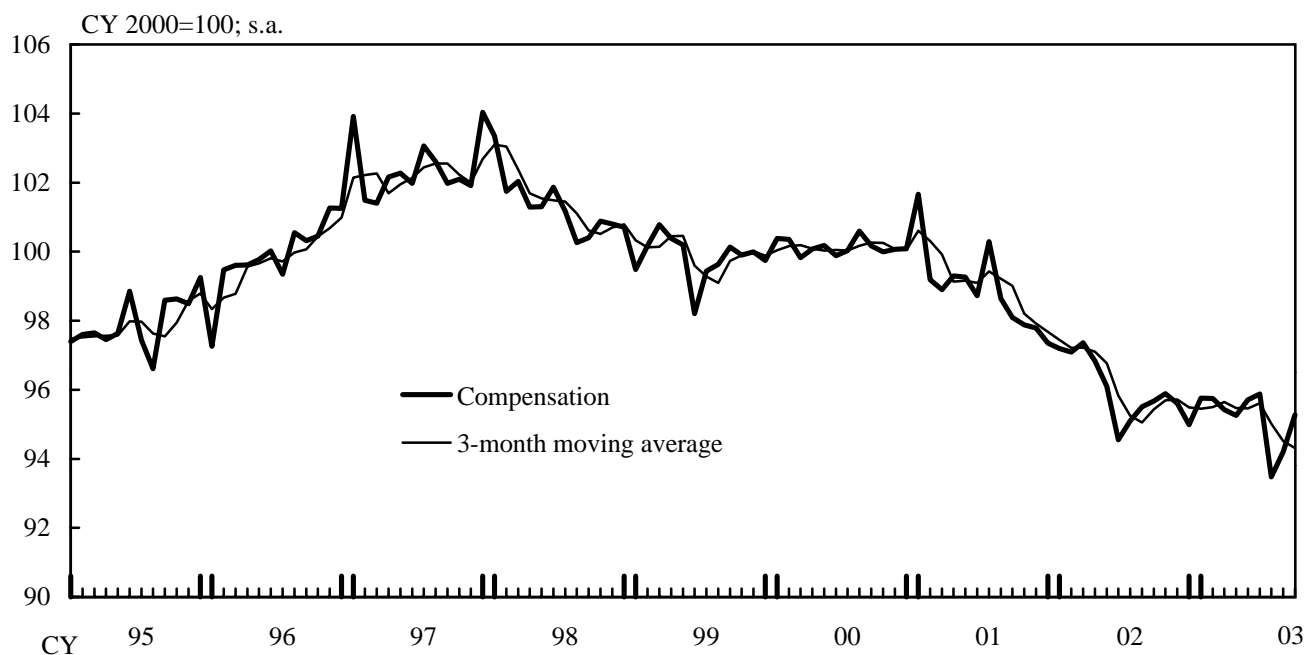


a Shipment recovery phase
 b Intended inventory accumulation phase
 c Unintended inventory accumulation phase
 d Inventory adjustment phase



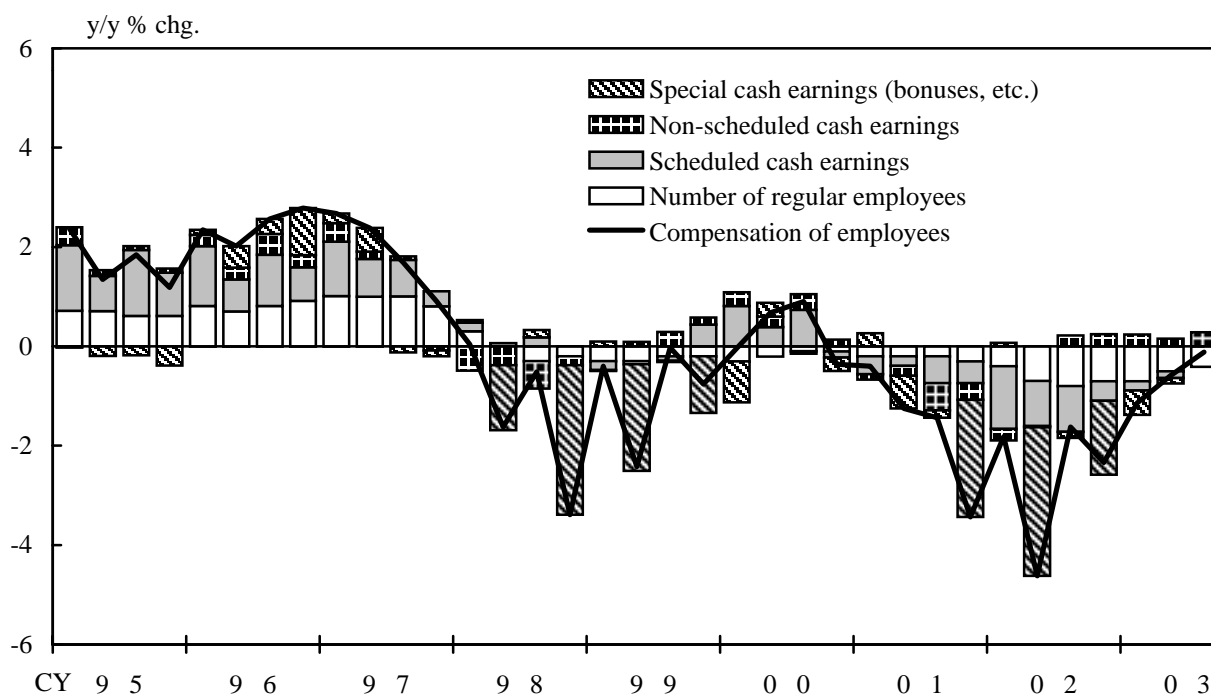
Compensation of Employees

(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.

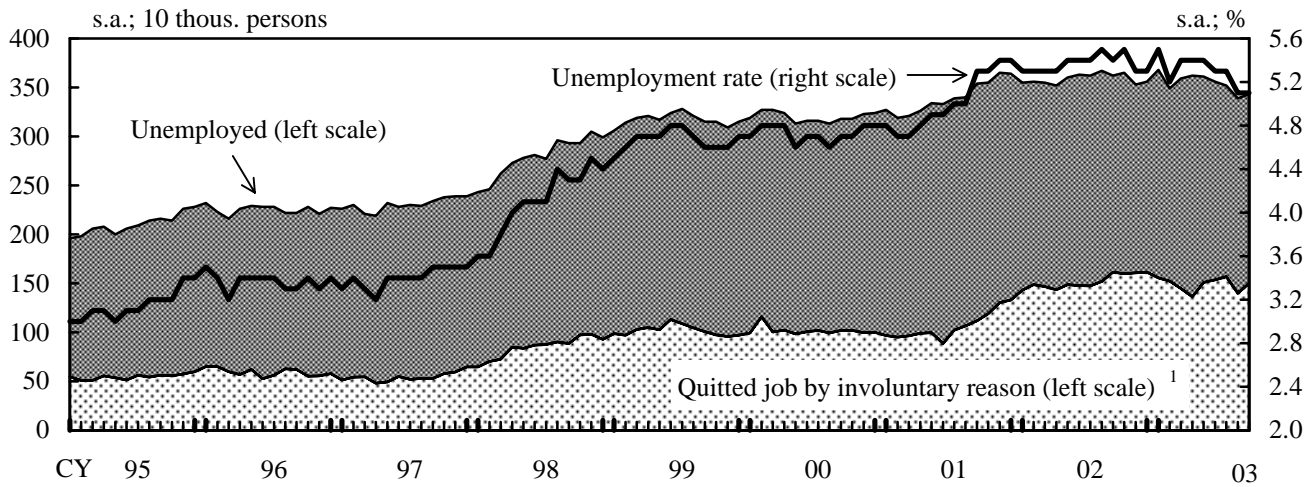
(2) Breakdown of Compensation



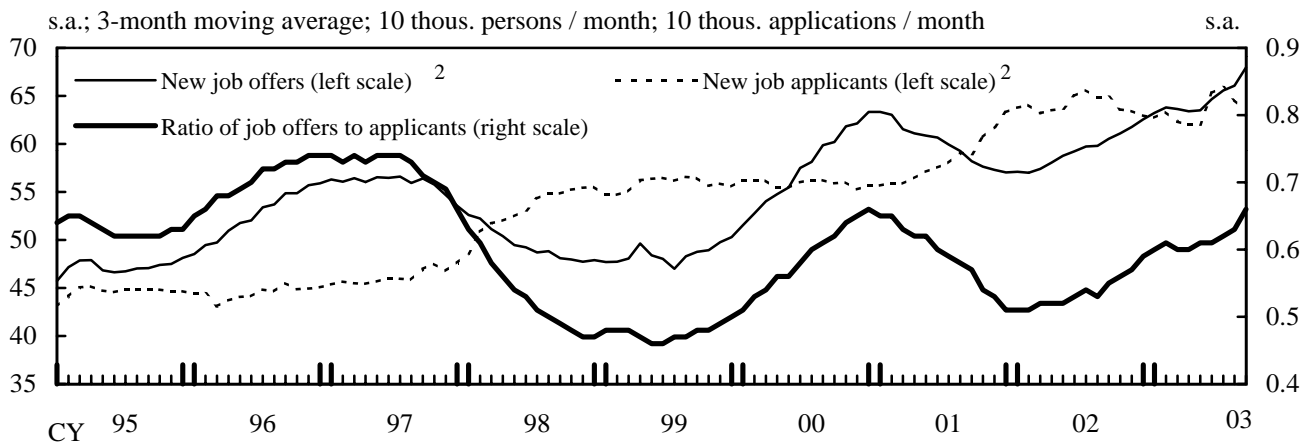
- Notes: 1. Data are for establishments with at least 5 employees.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
3. Figures for 2003/Q3 are those of September 2003.

Labor Market (1)

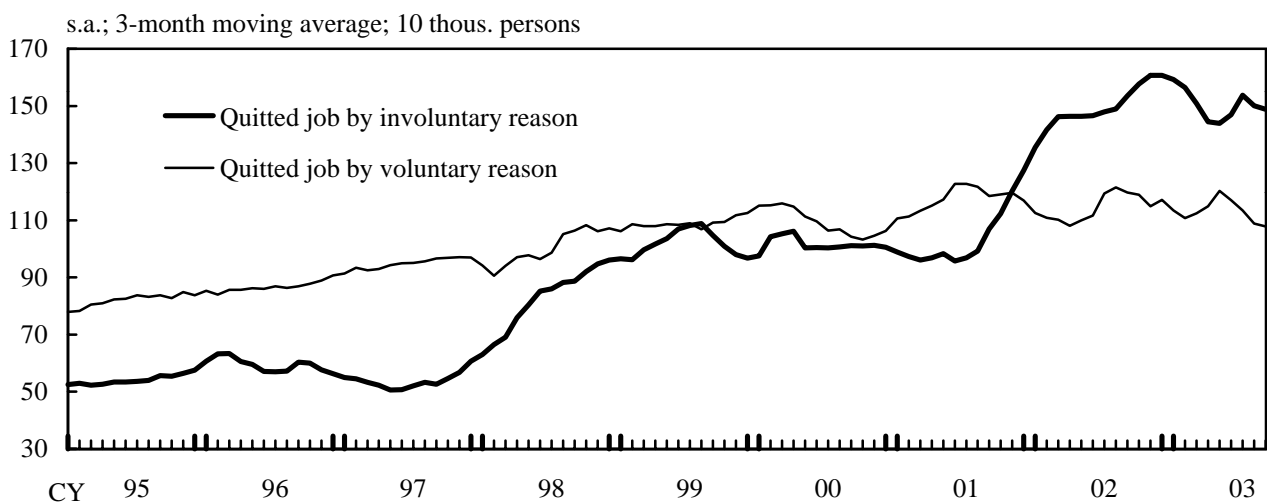
(1) The Unemployed and Unemployment Rate



(2) Ratio of Job Offers to Applicants



(3) Breakdown of the Unemployed¹



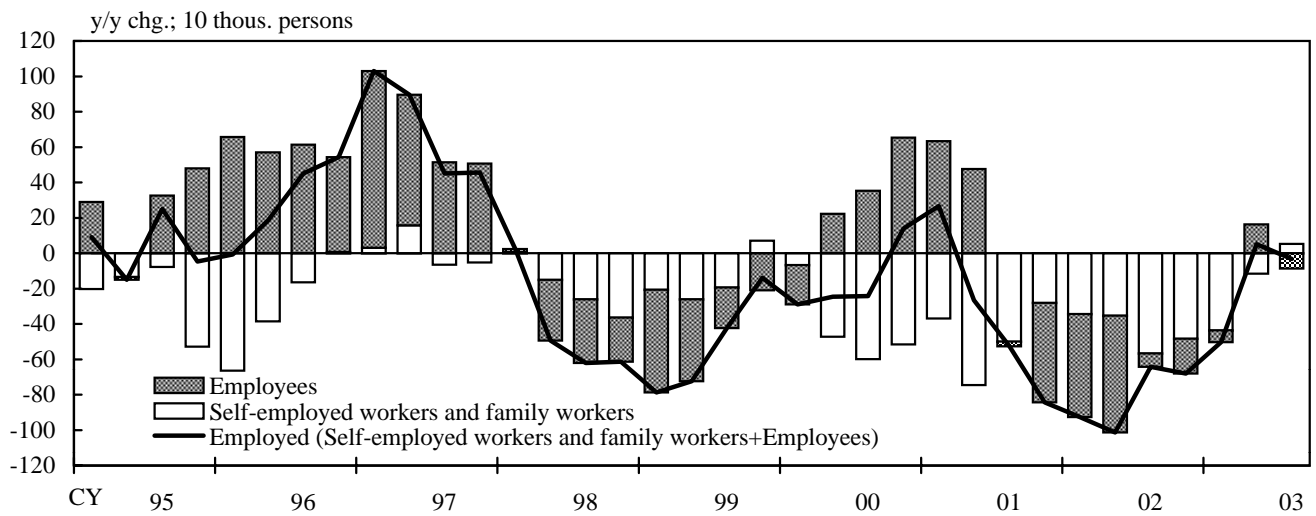
Notes: 1. Seasonally adjusted by X-11.

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

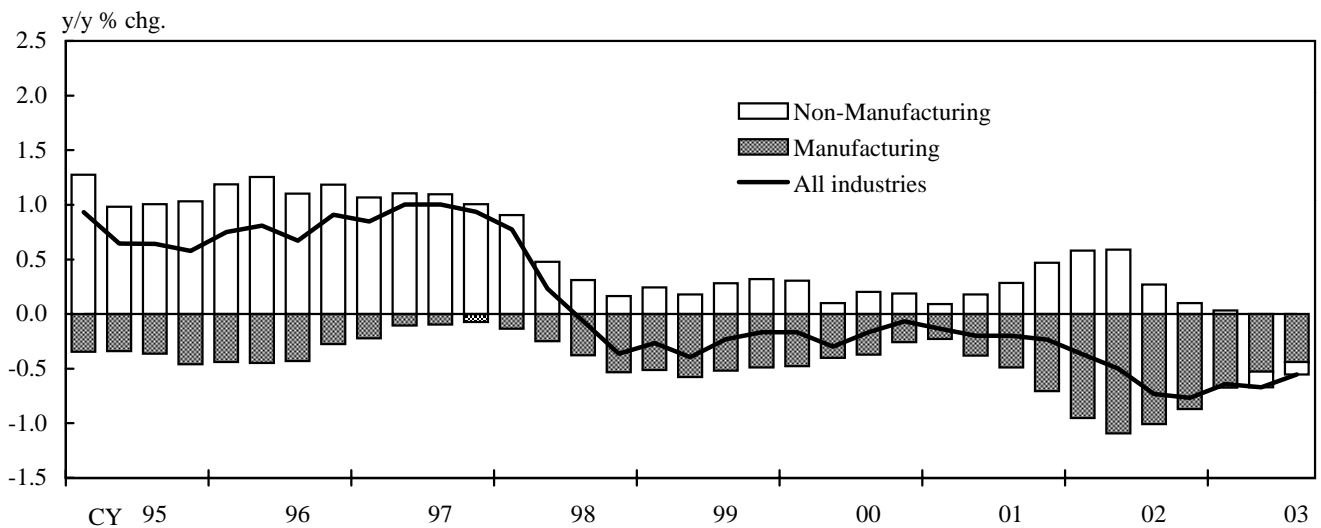
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service,"
Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Labor Market (2)

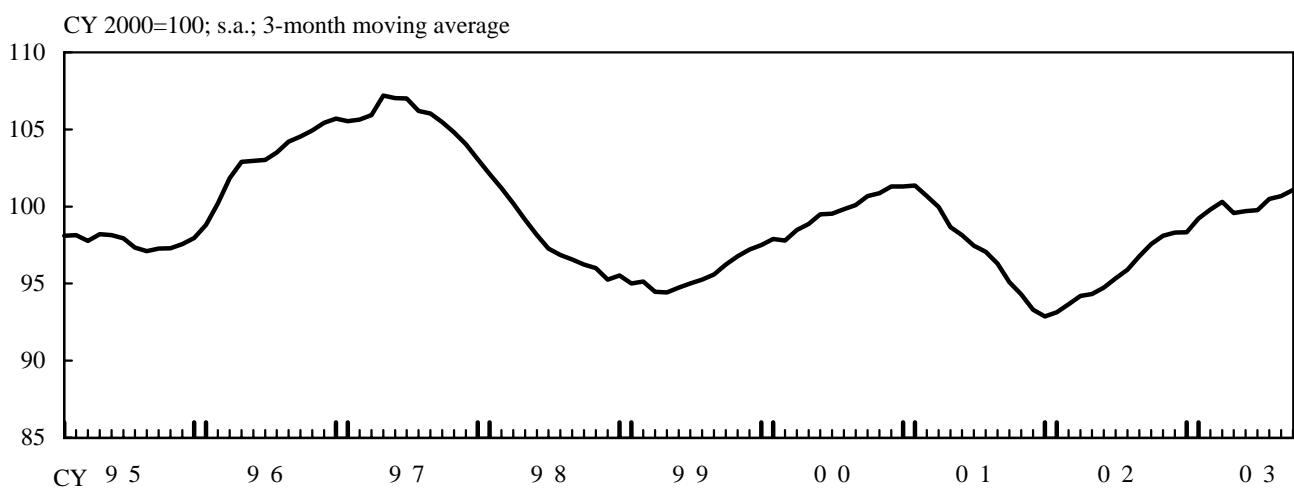
(1) The Employed (Labour Force Survey)



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



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

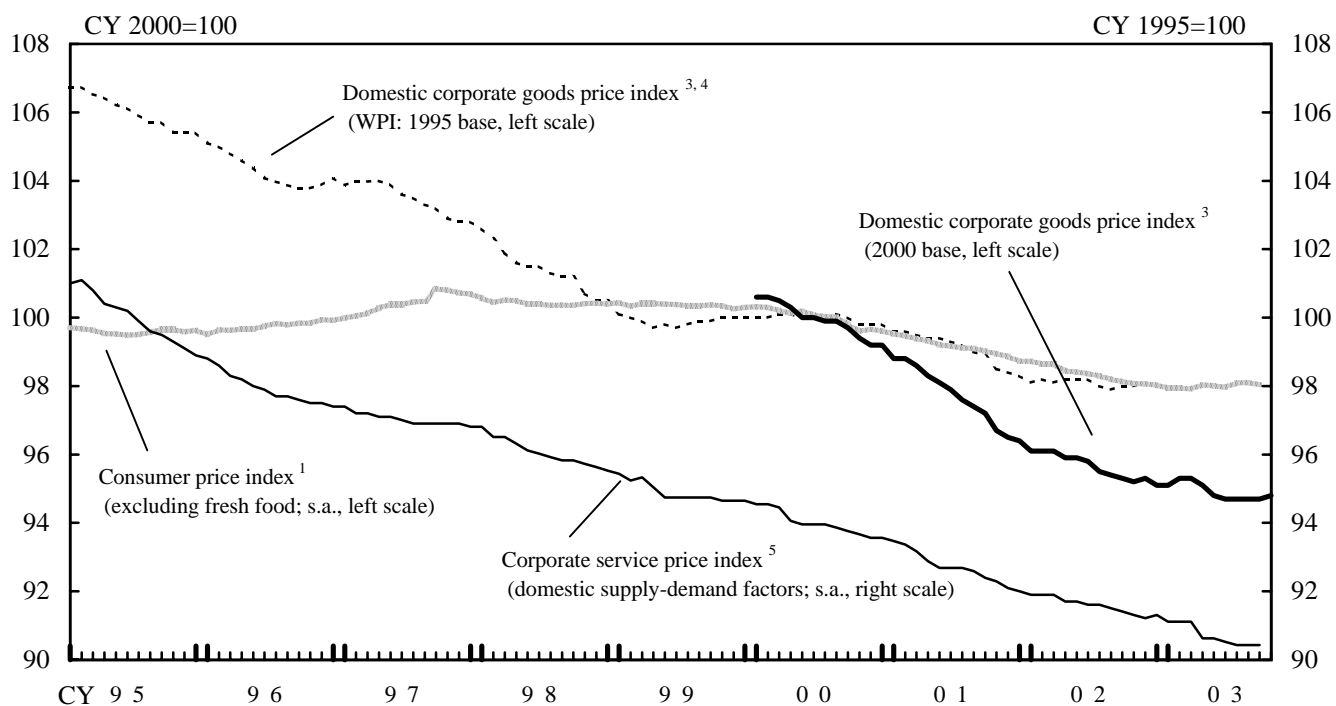


Note: 1. Data are for establishments with at least 5 employees.

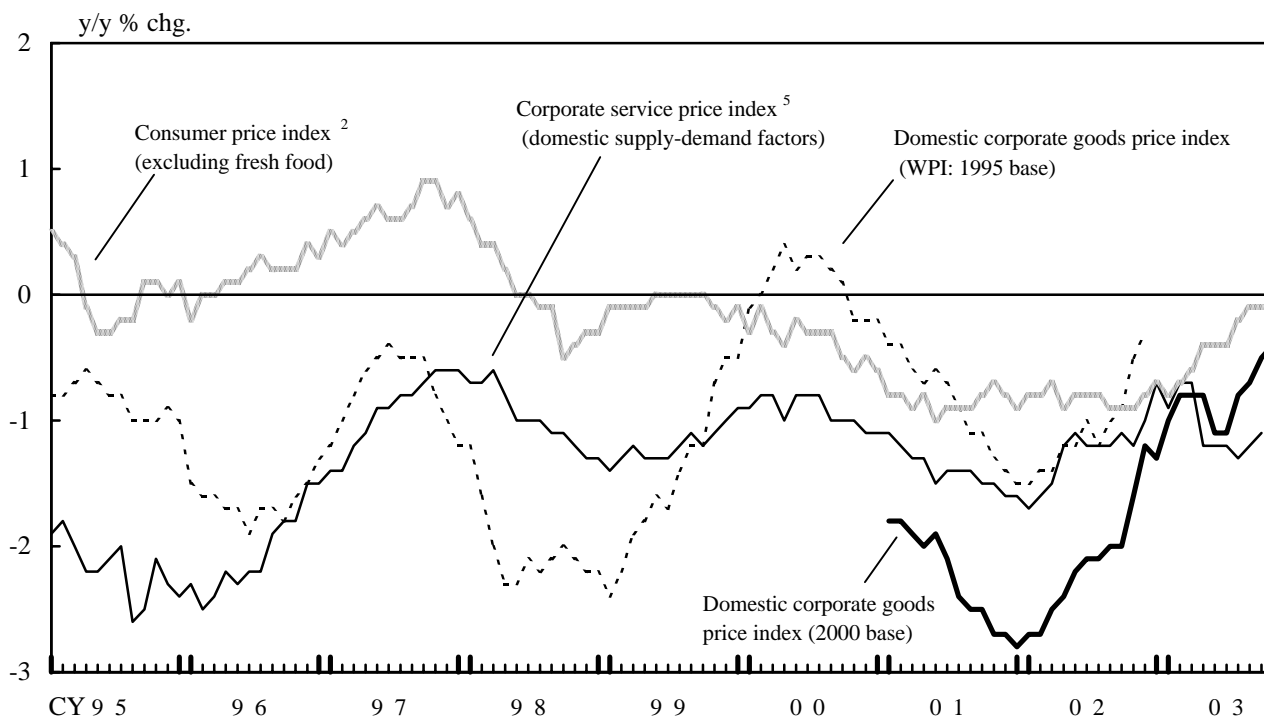
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Prices⁶

(1) Level



(2) Changes from a year earlier



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

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

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

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

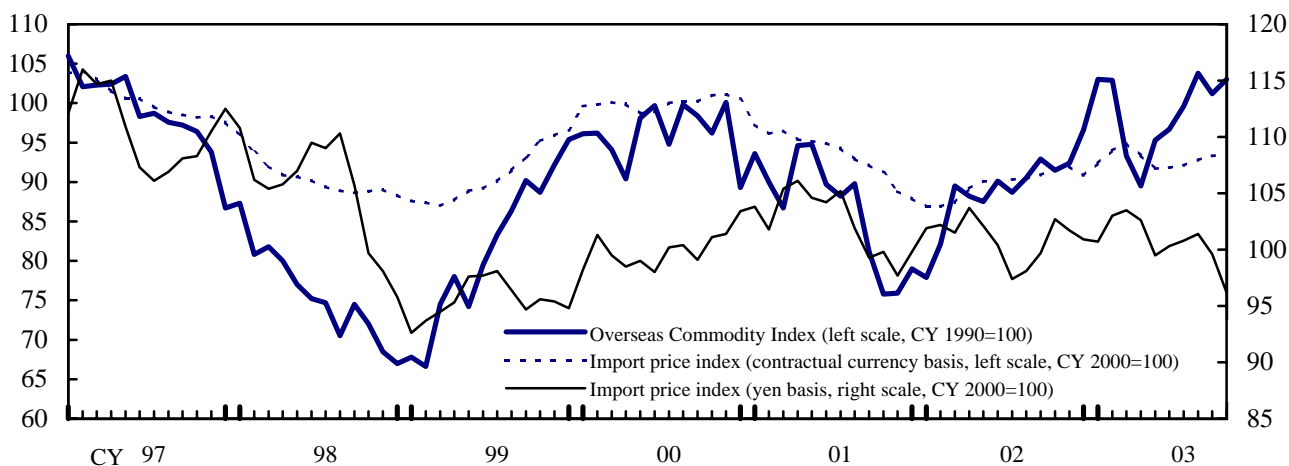
5. See footnote 1 in Chart 22, for definition of the Corporate Service Price Index (domestic supply-demand factors).

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

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

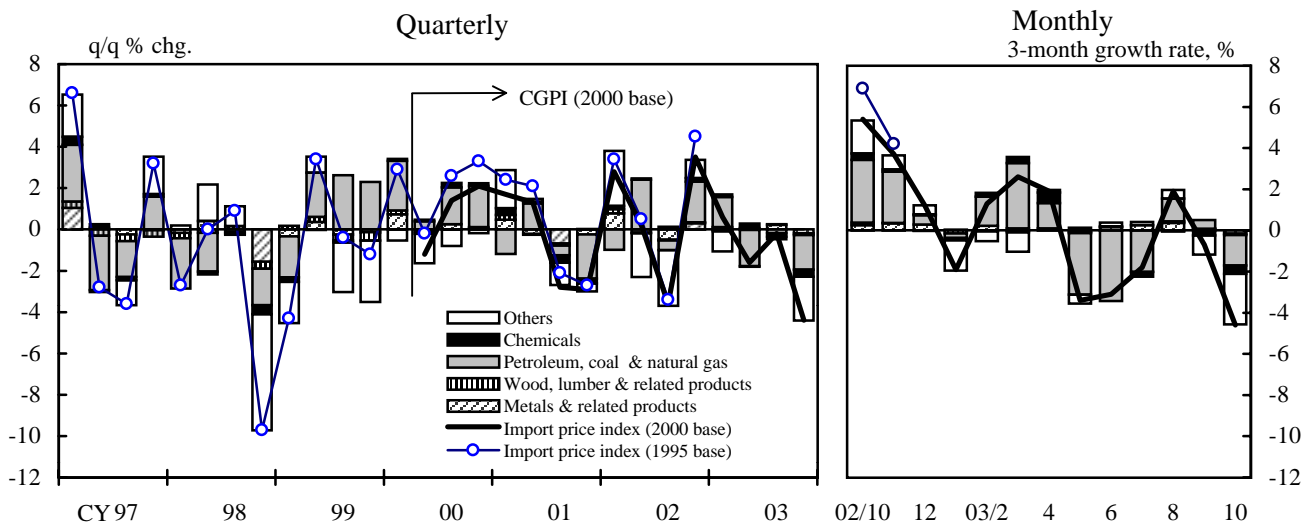
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



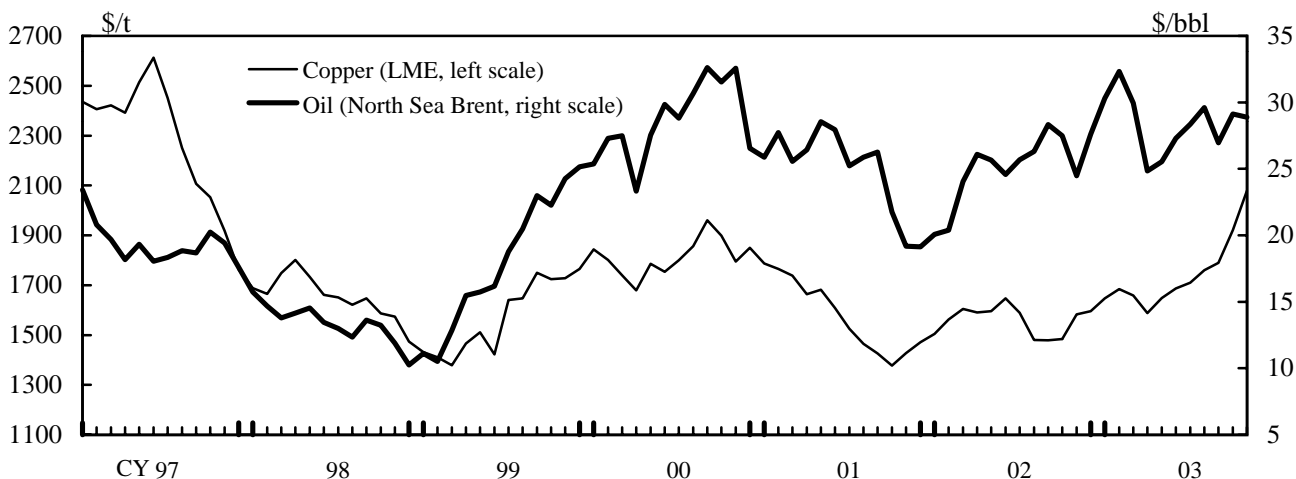
Note: Overseas Commodity Index, which is calculated by Bank of Japan, is the end of month figure.

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



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

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

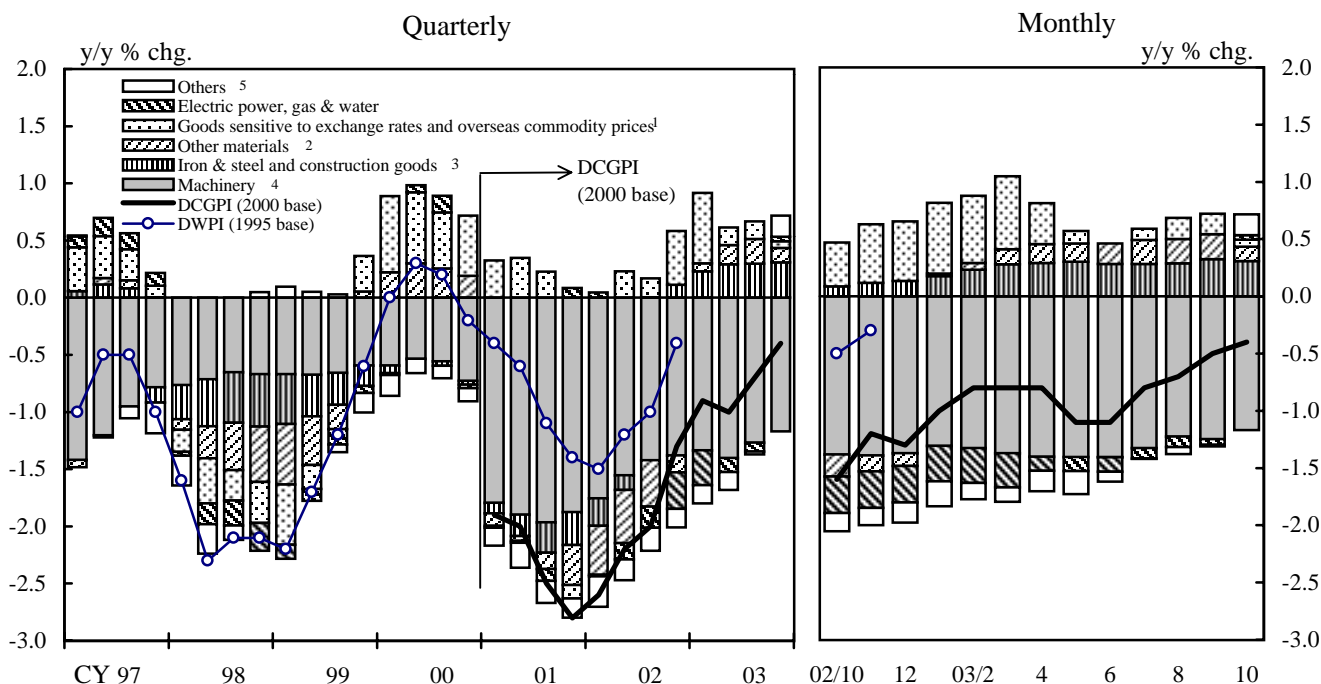
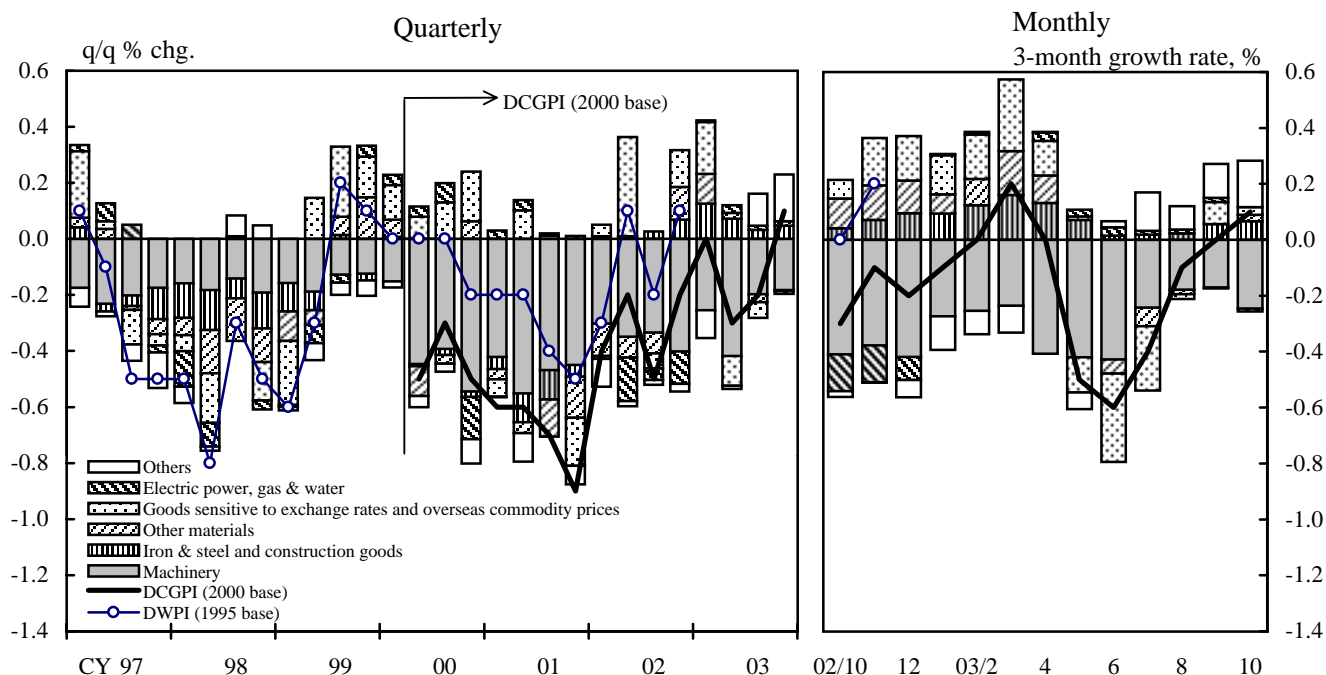


Note: Monthly averages. Figures for November 2003 are the averages up to November 19.

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

Domestic Corporate Goods Price Index⁷

(1) Changes from a year earlier

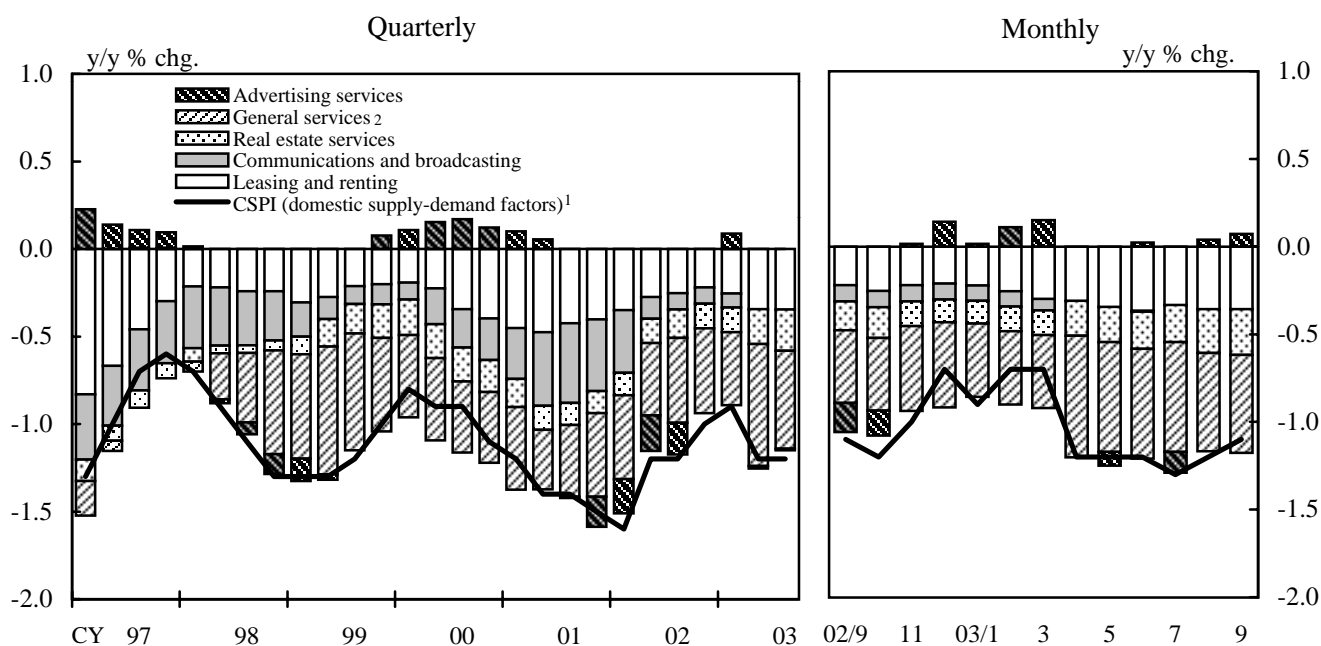
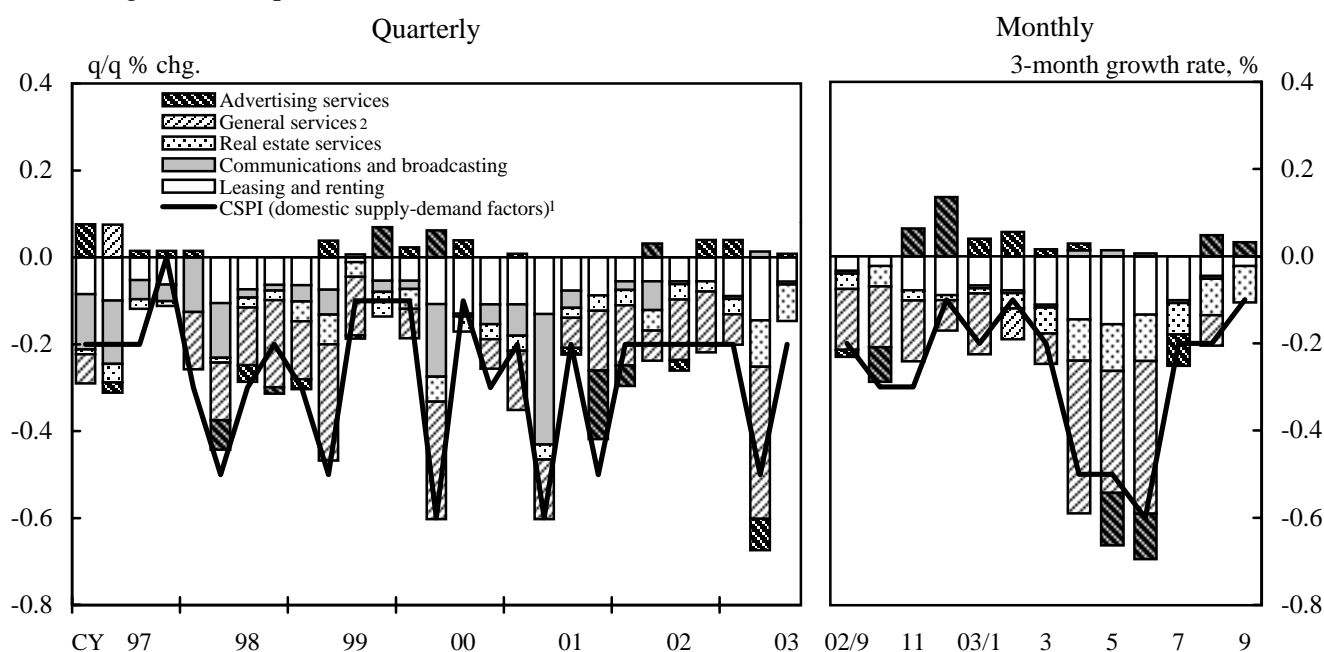
(2) Changes from a quarter earlier and 3 months earlier⁶

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

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

Corporate Service Price Index⁴

(1) Changes from a year earlier

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

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

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

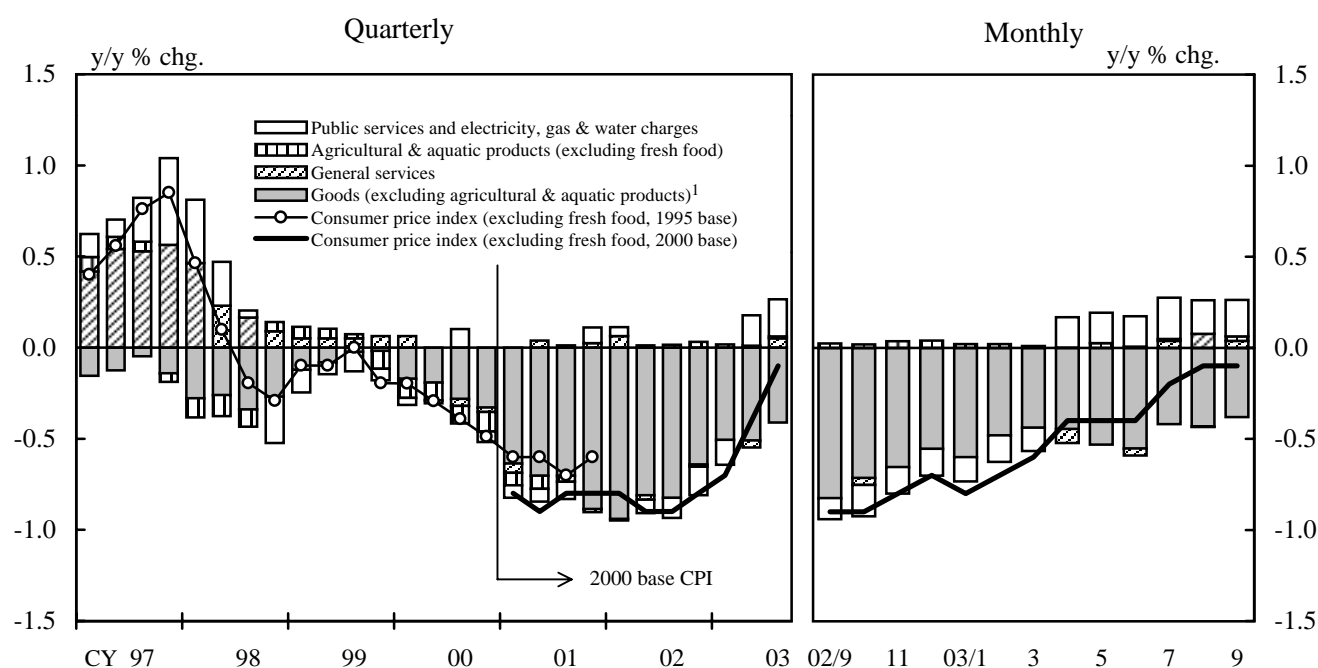
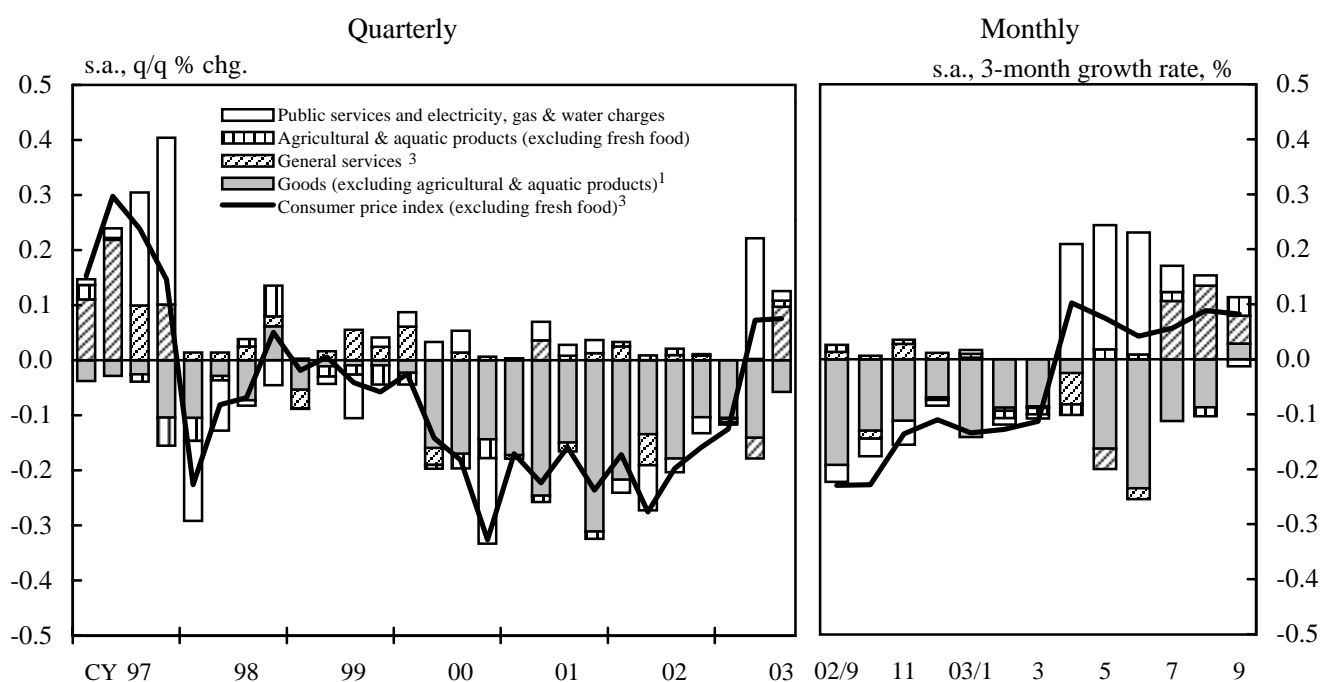
2. General services include all services in Domestic supply-demand factors except Leasing and rental, Communications and broadcasting, Real estate services, and Advertising services.

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

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

Consumer Price Index (excluding fresh food)⁴

(1) Changes from a year earlier

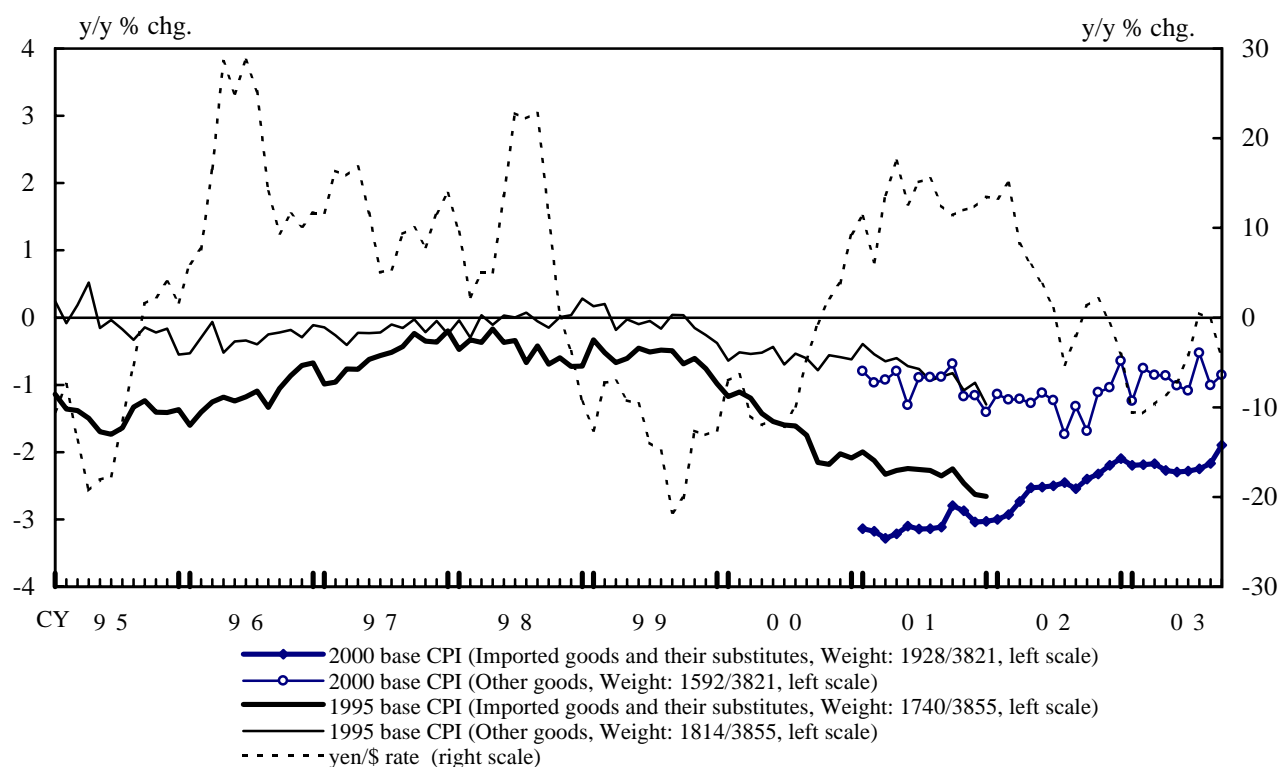
(2) Changes from a quarter earlier and 3 months earlier (2000 base CPI)²

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

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

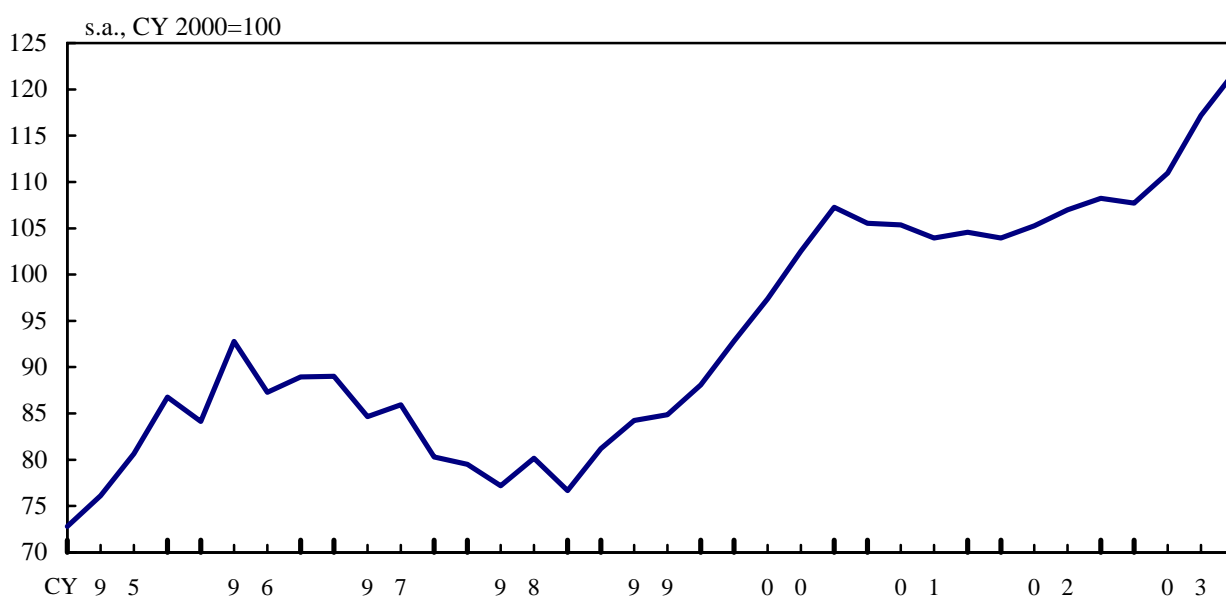
Consumer Prices of imported goods and their substitutes

(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)

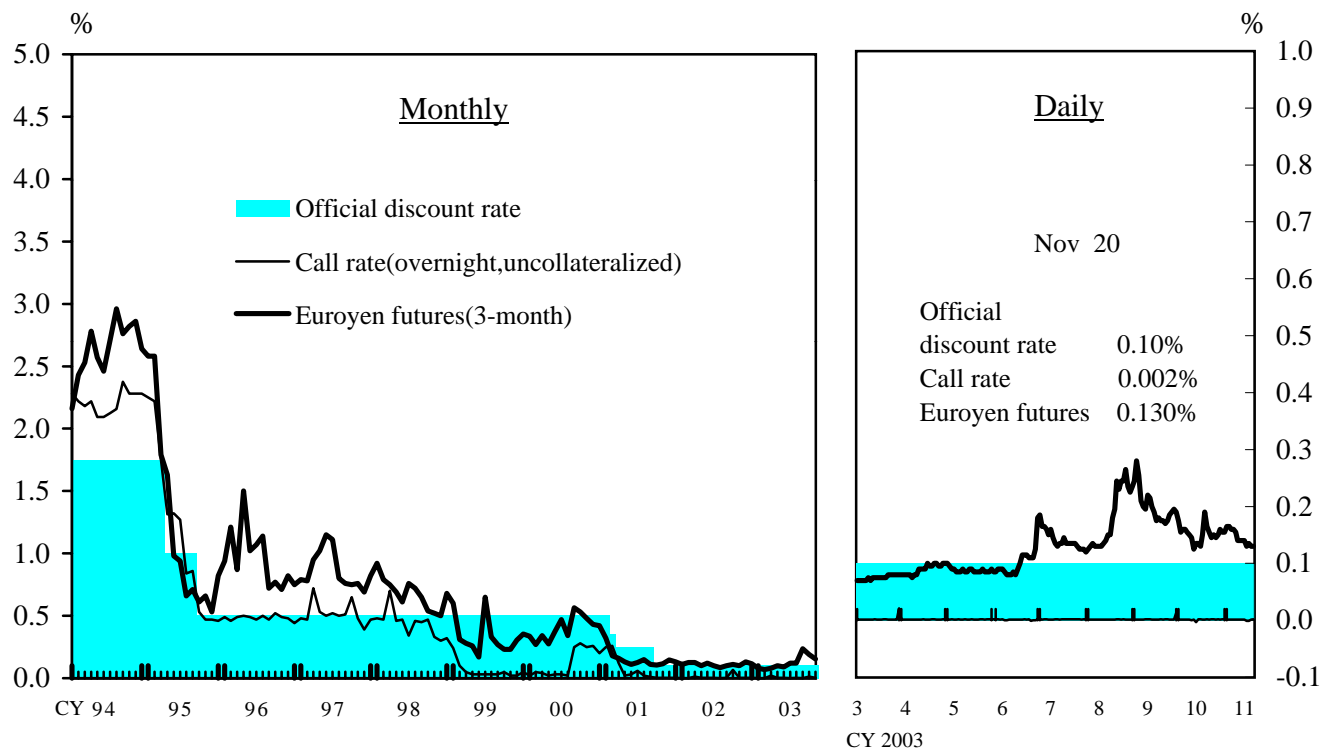


- Notes:
1. Real imports (consumer goods), which are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles, are calculated from the Trade Statistics as an index with the 2000 average equal to 100.
 2. 2003/Q4 figure is October at a quarterly rate.

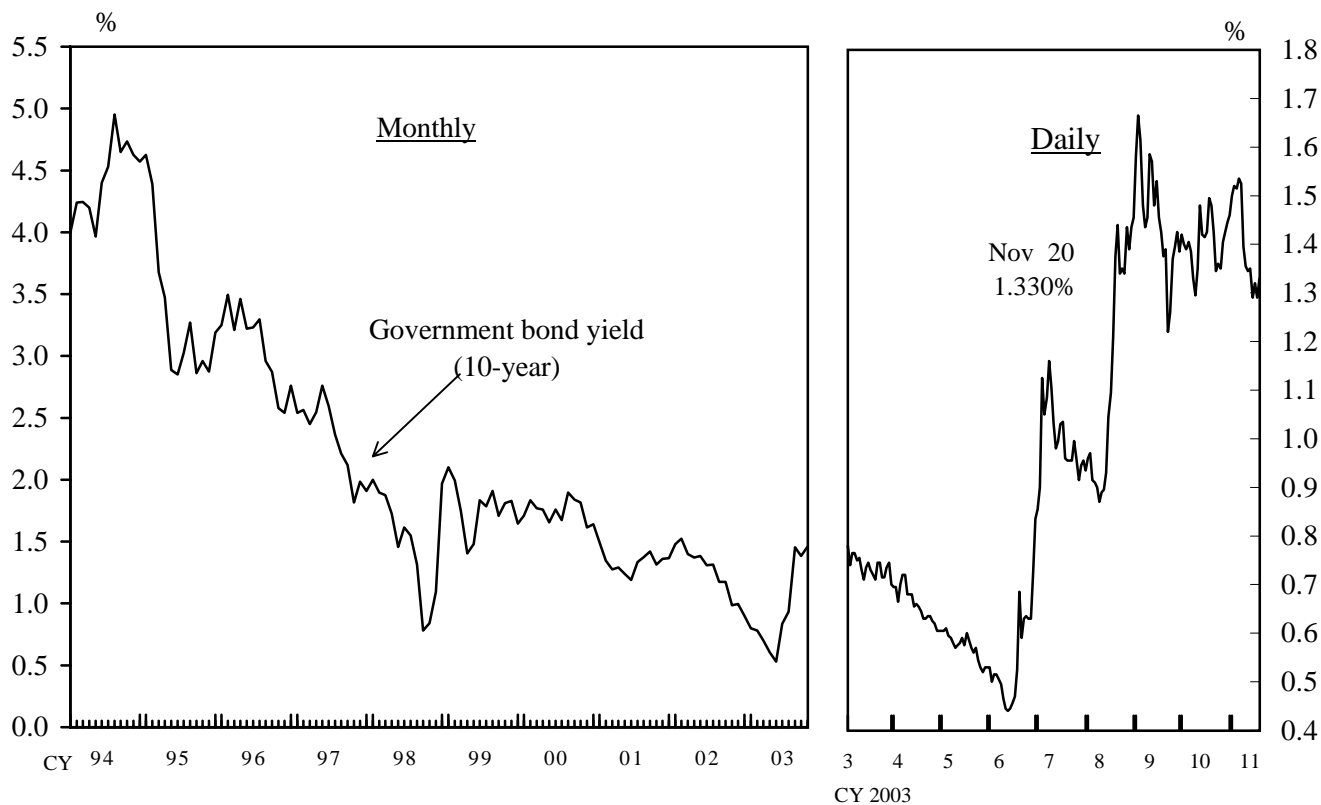
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Interest Rates

(1) Short-Term



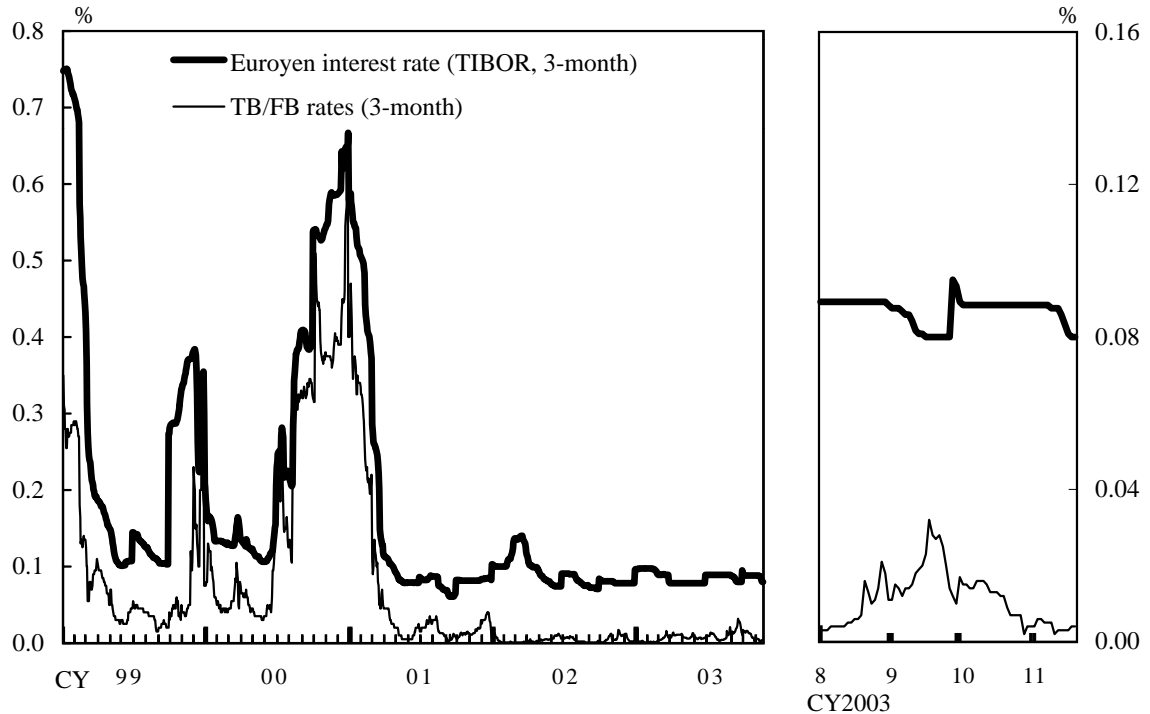
(2) Long-Term



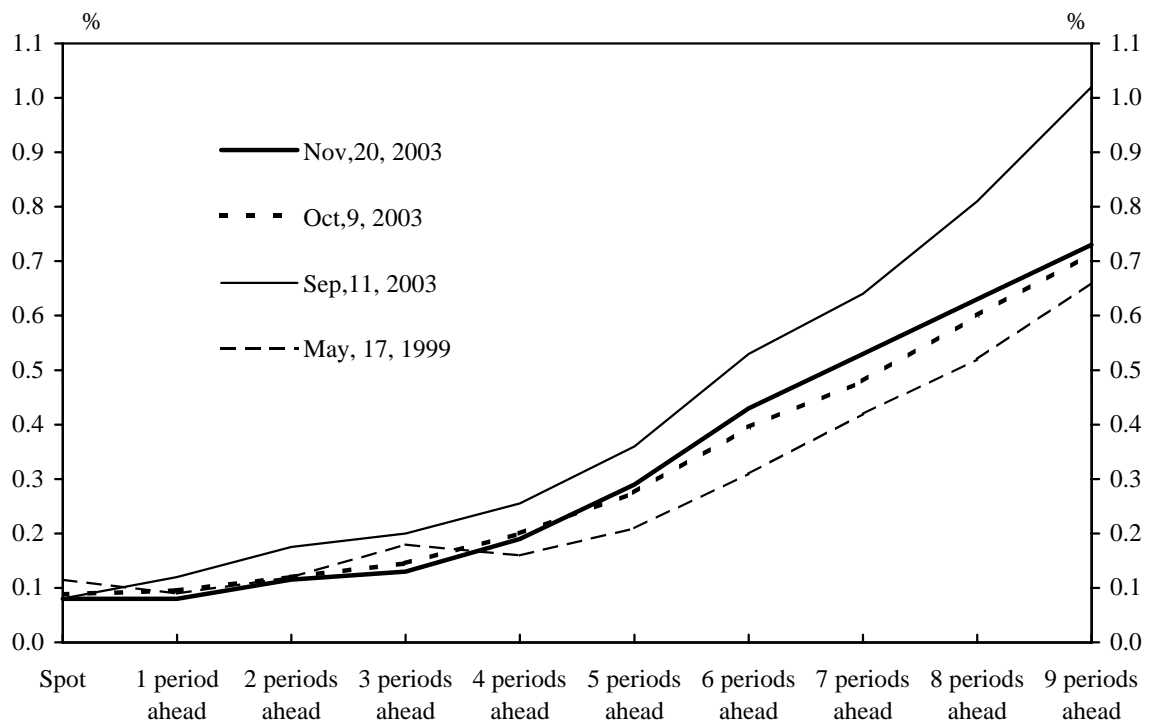
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
 Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



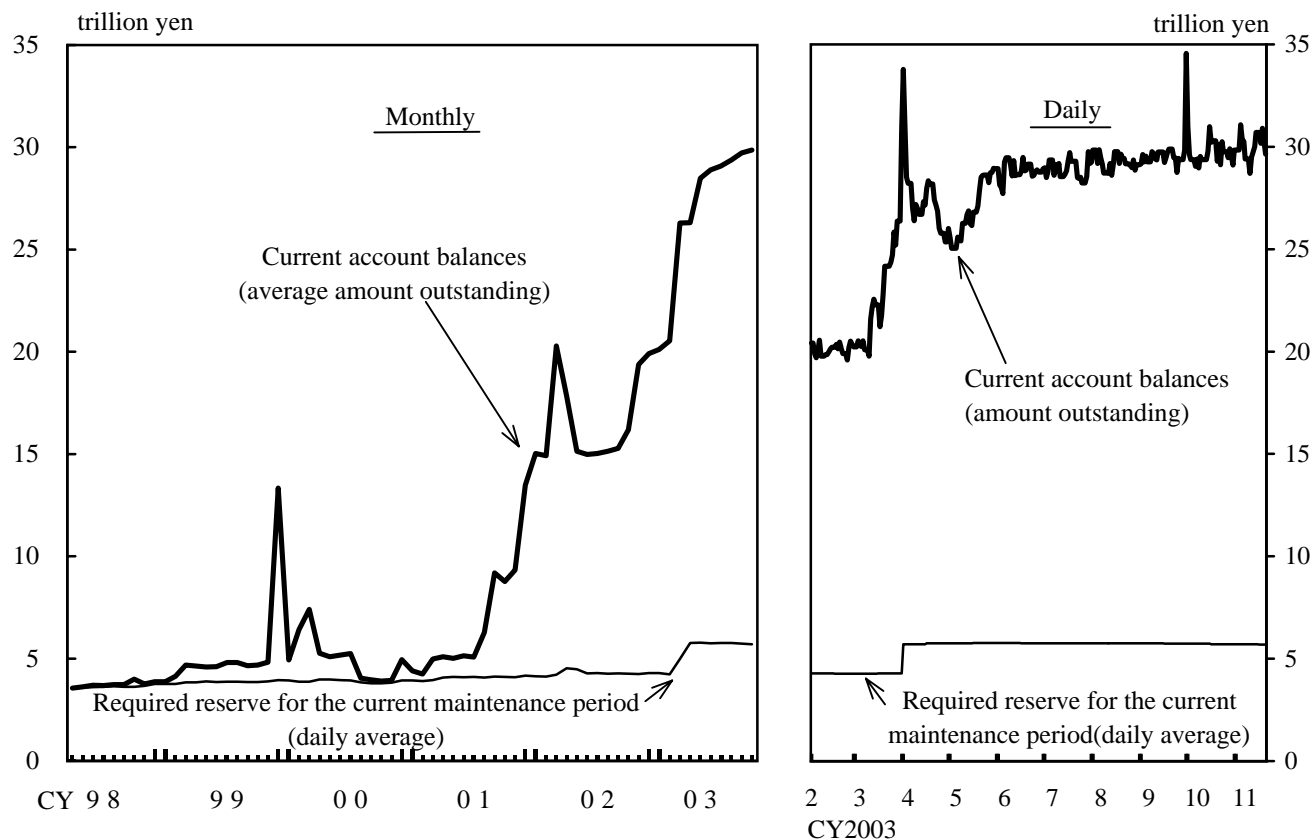
(2) Euroyen Interest Rates Futures (3-Month) ¹



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

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

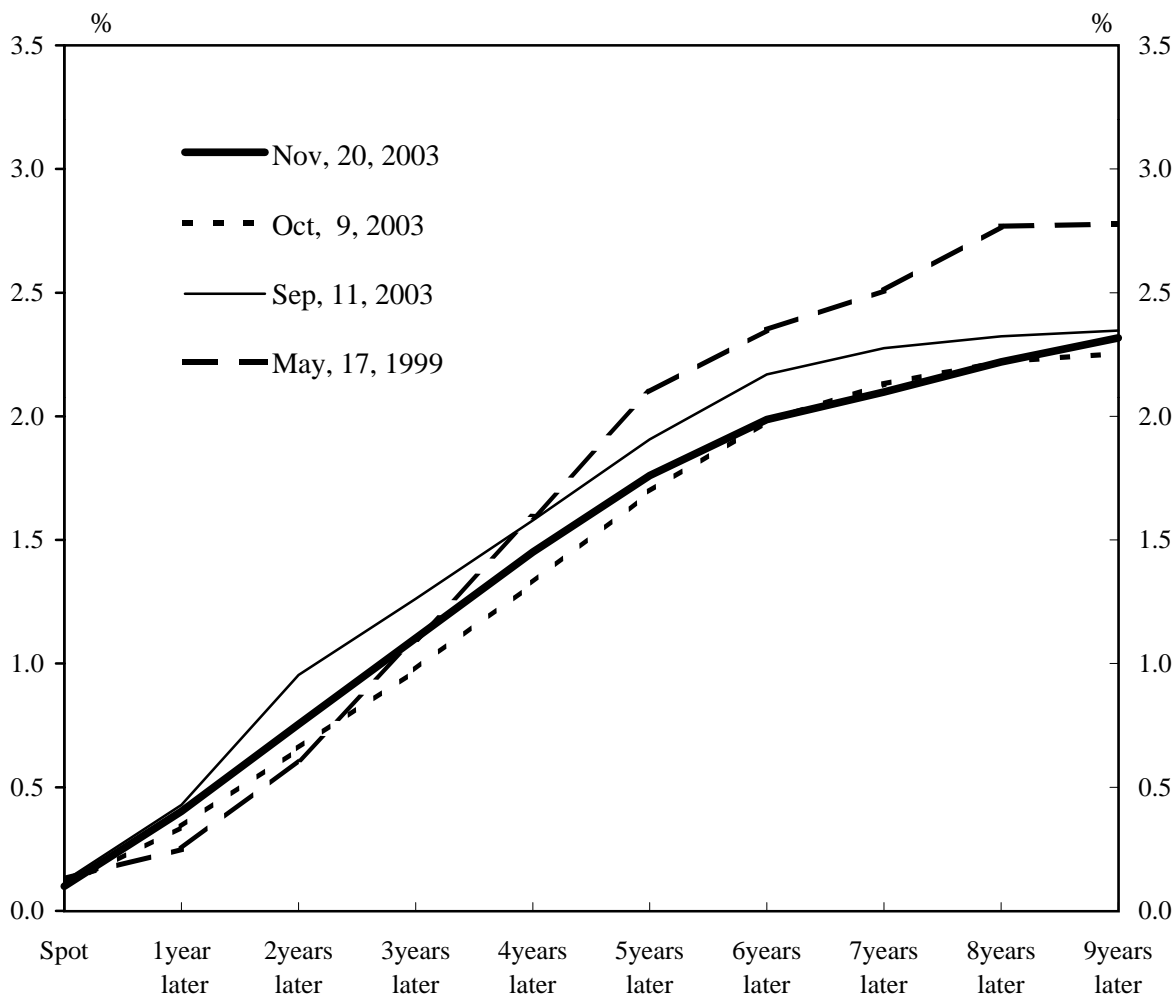
Current Account Balances at the Bank of Japan ¹



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

Source: Bank of Japan.

Implied Forward Rates (1-year)¹

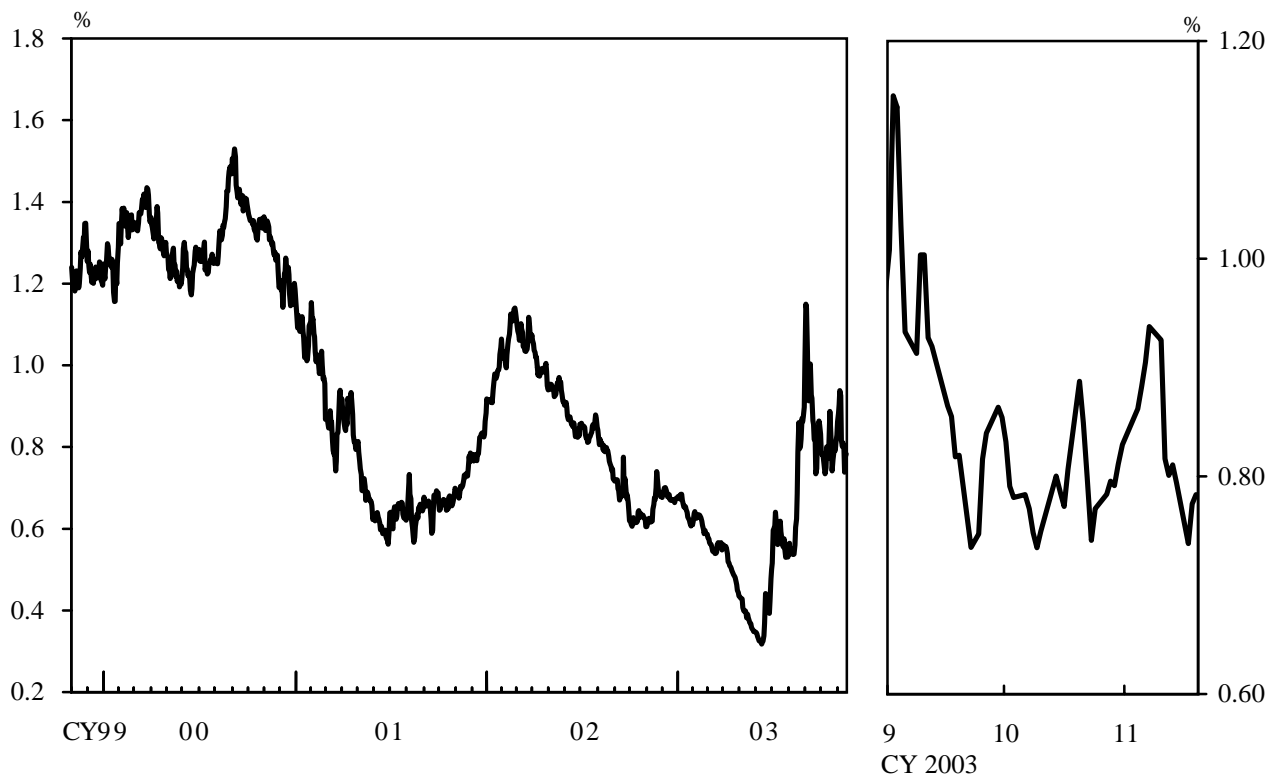


Note: 1. Calculated from yen-yen swap rates.

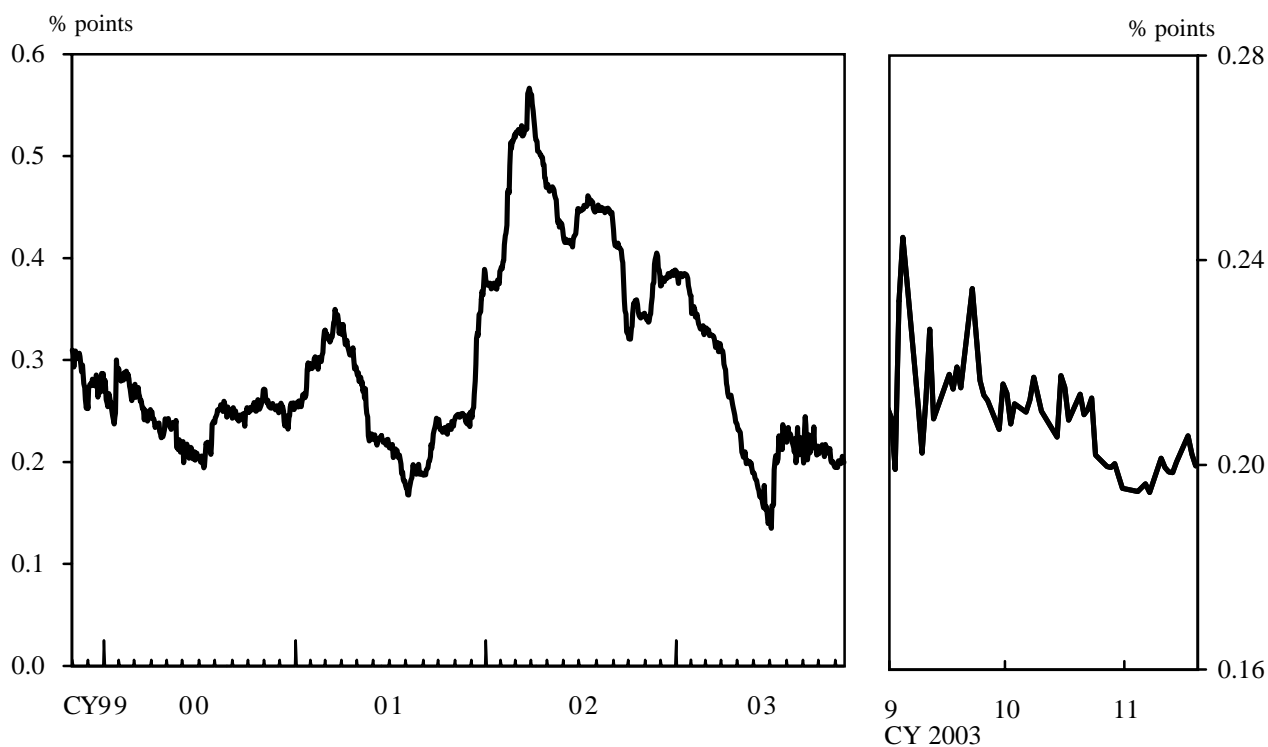
Source: Kyodo News.

Yields of Bank Bonds

(1) Average Bank Bond Yield



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



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

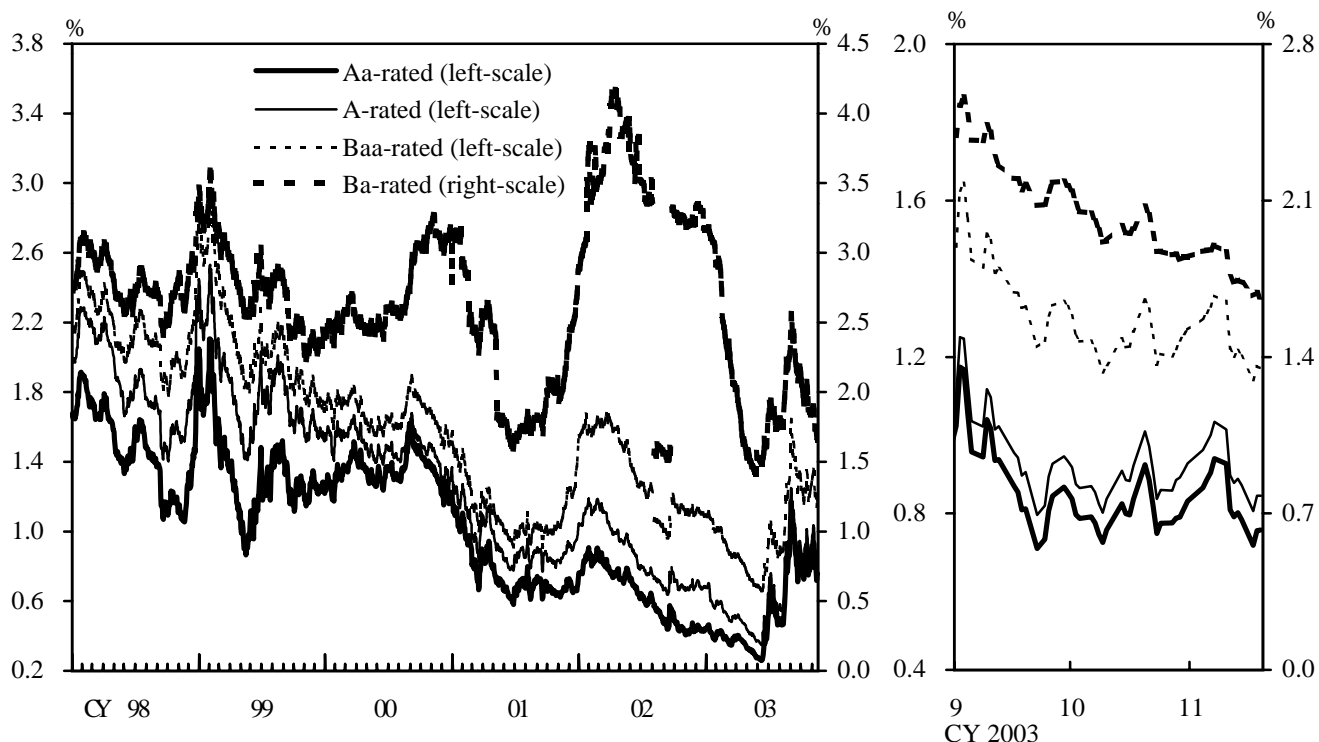
2. Average bank bond yield is the average of four bank bonds.

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

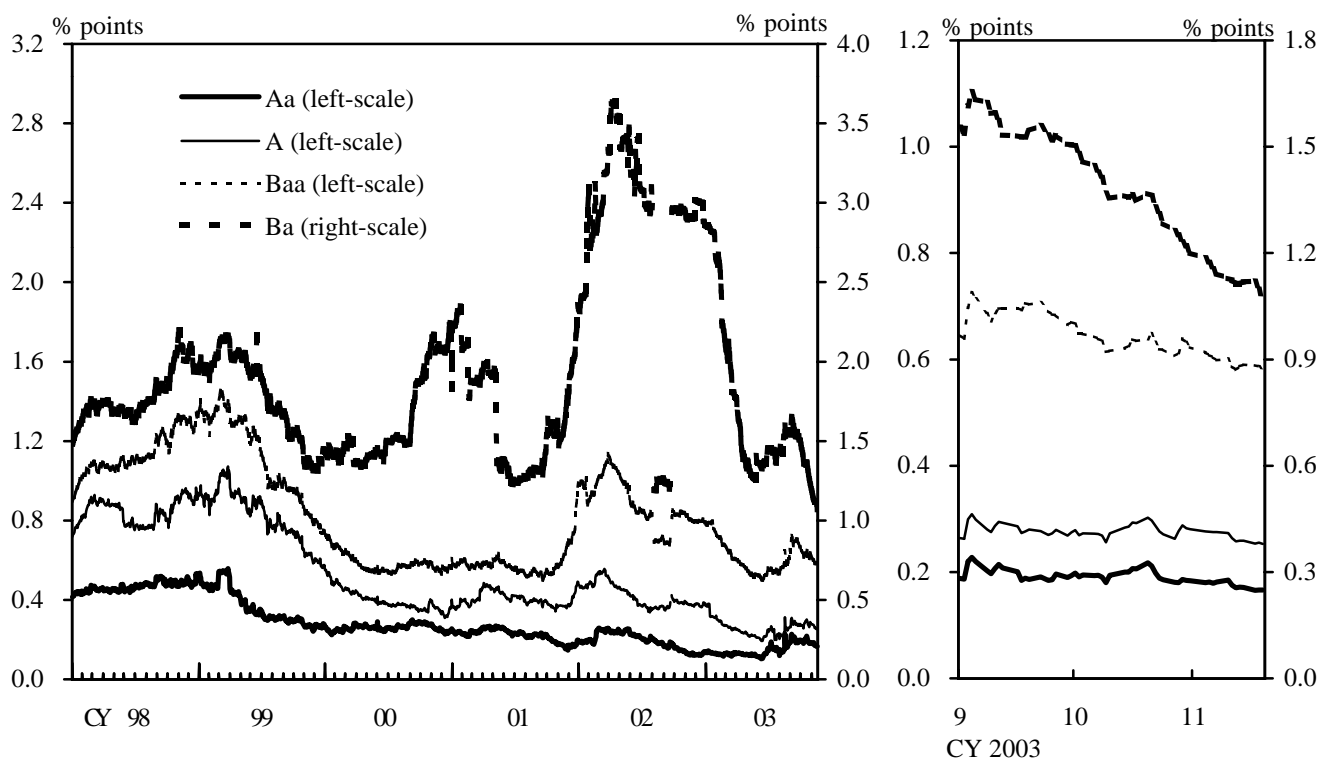
"Reference Price(Yields) Table for OTC Bond Transactions."

Yields of Corporate Bonds¹

(1) Corporate Bond Yields



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



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

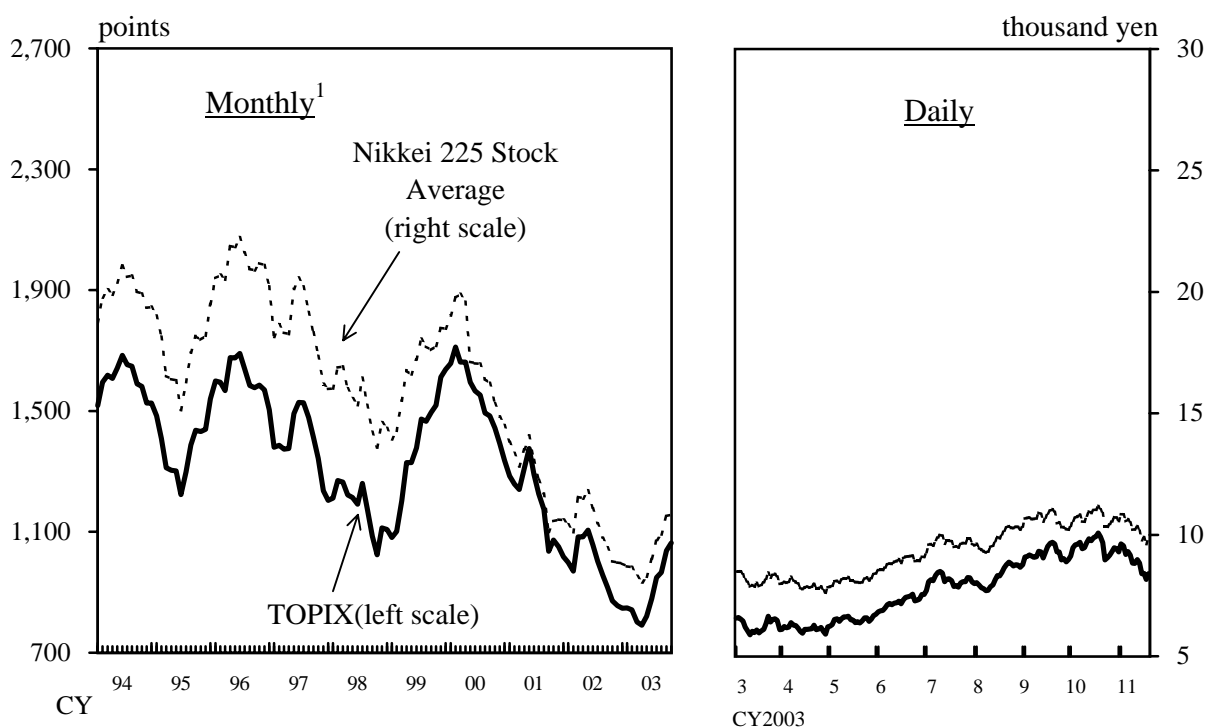
2. The indicated ratings are of Moody's.

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

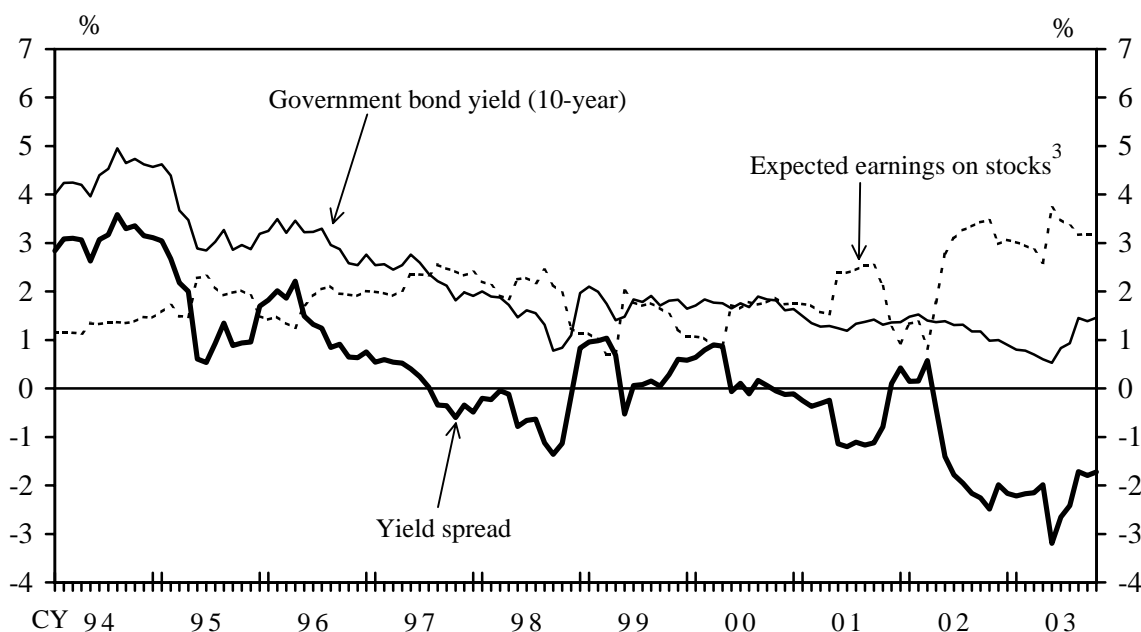
"Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread ²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

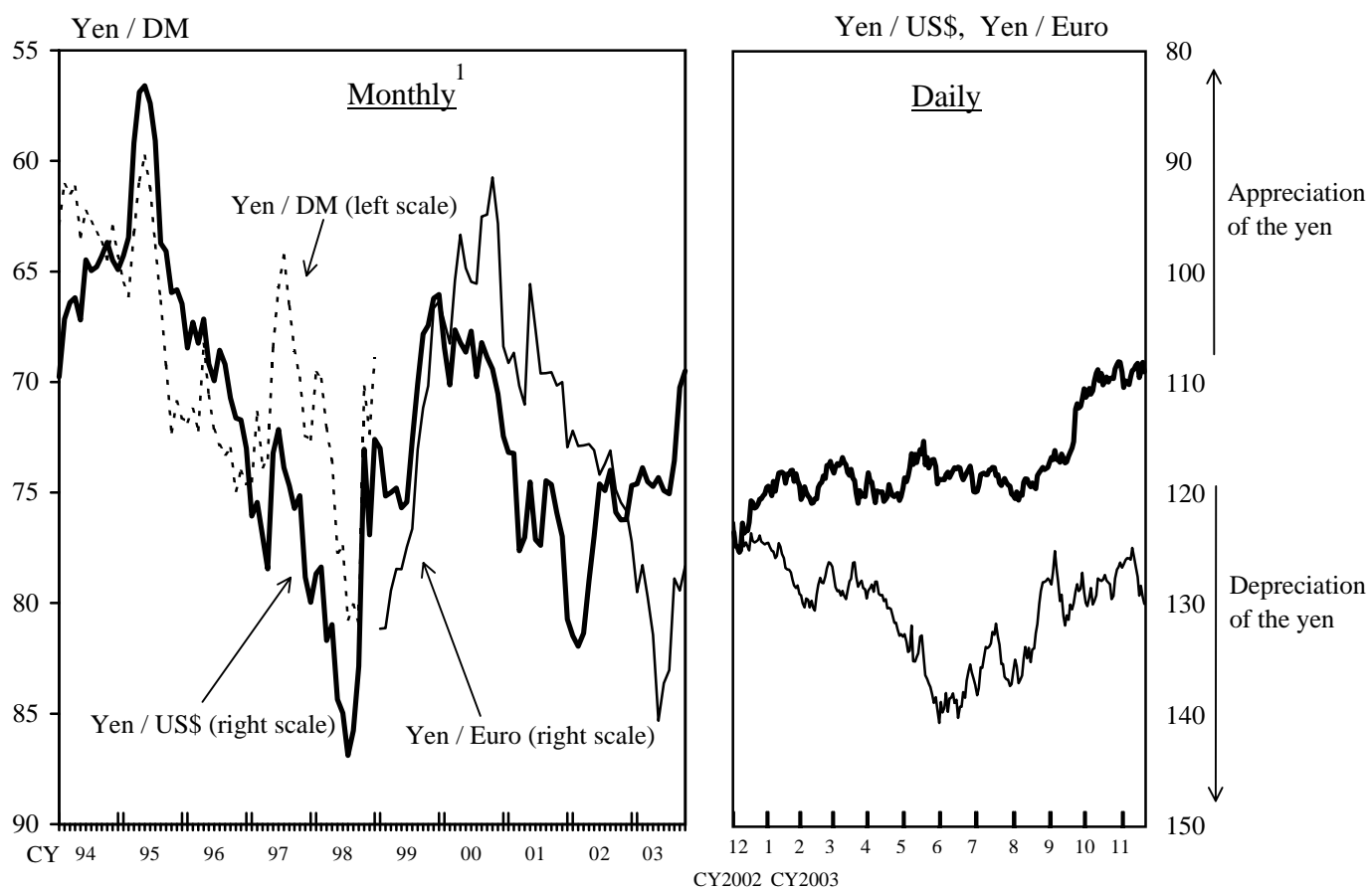
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

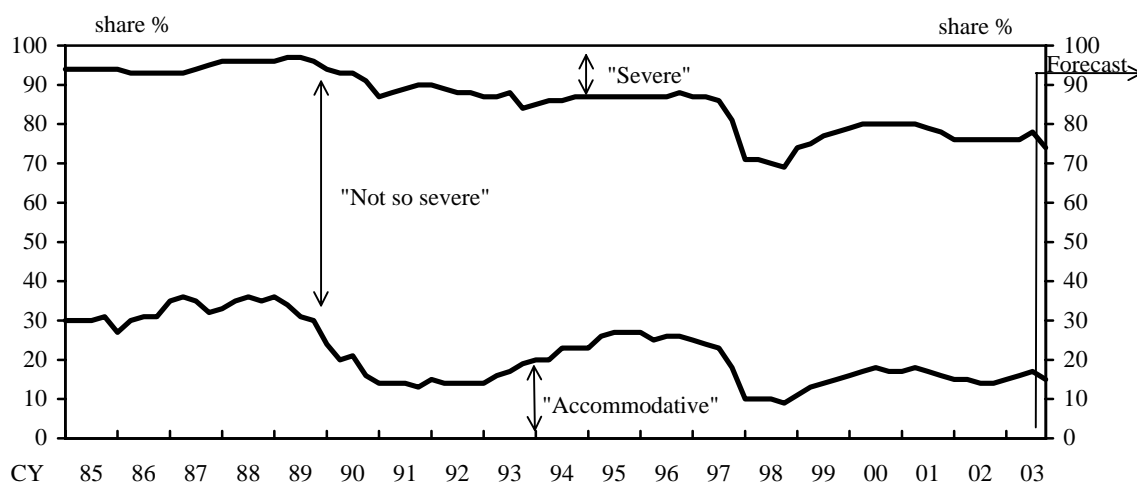
Exchange Rates



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

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

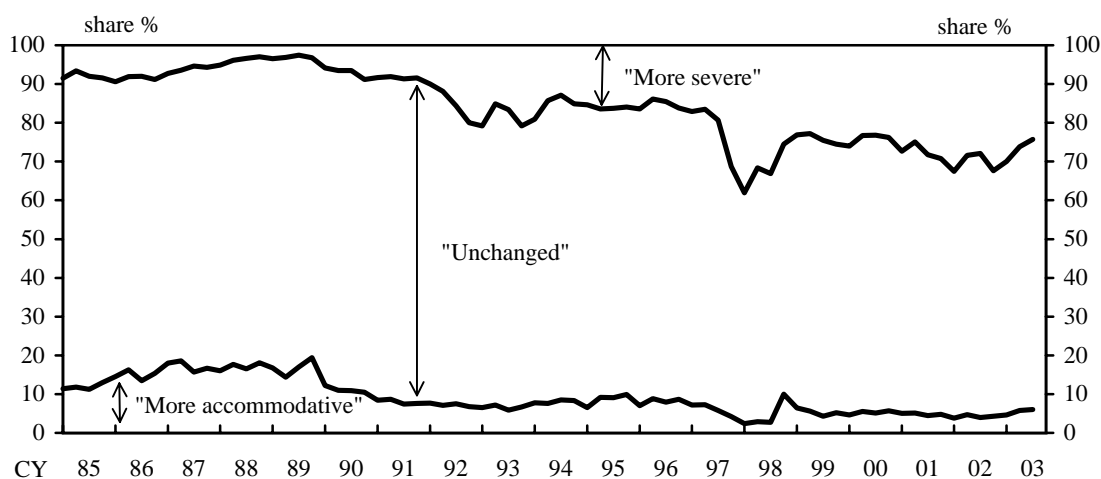
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (September, 2003)



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

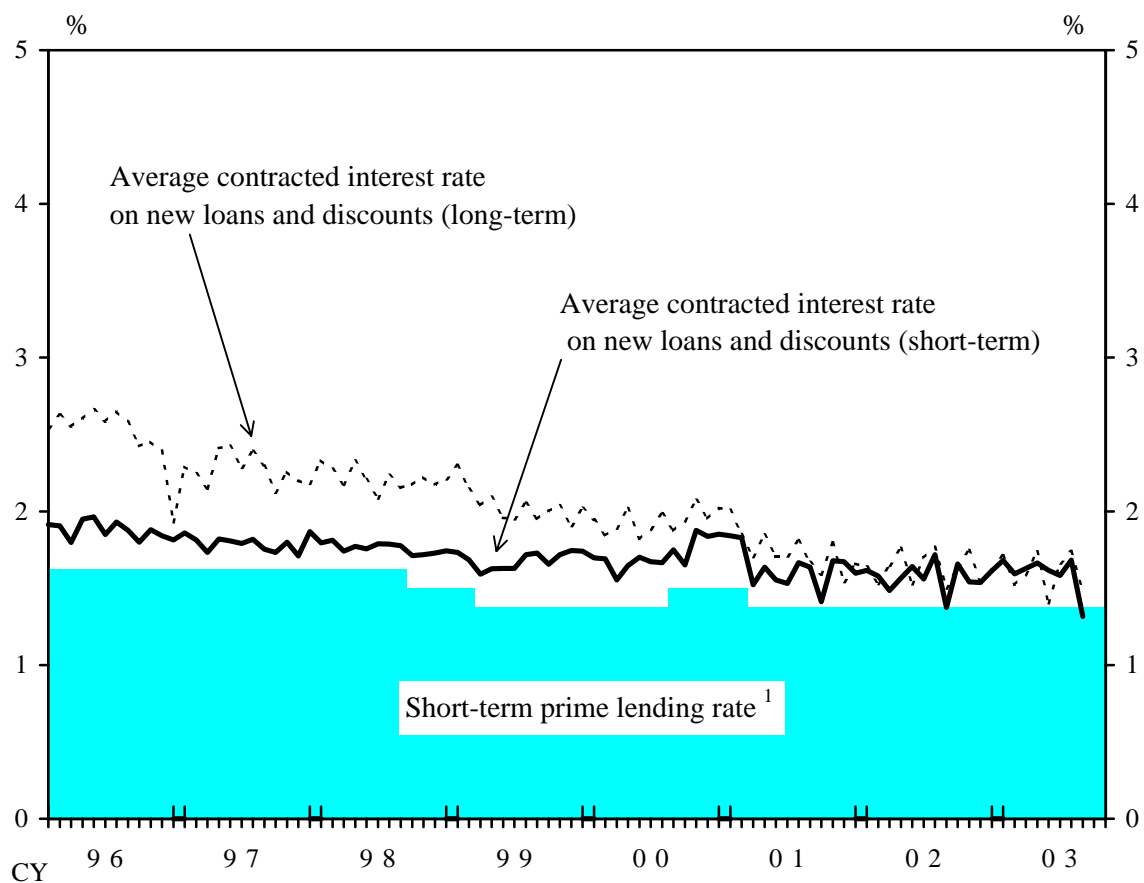


(3) "Quarterly Survey of Small Businesses in Japan" (September 10, 2003)



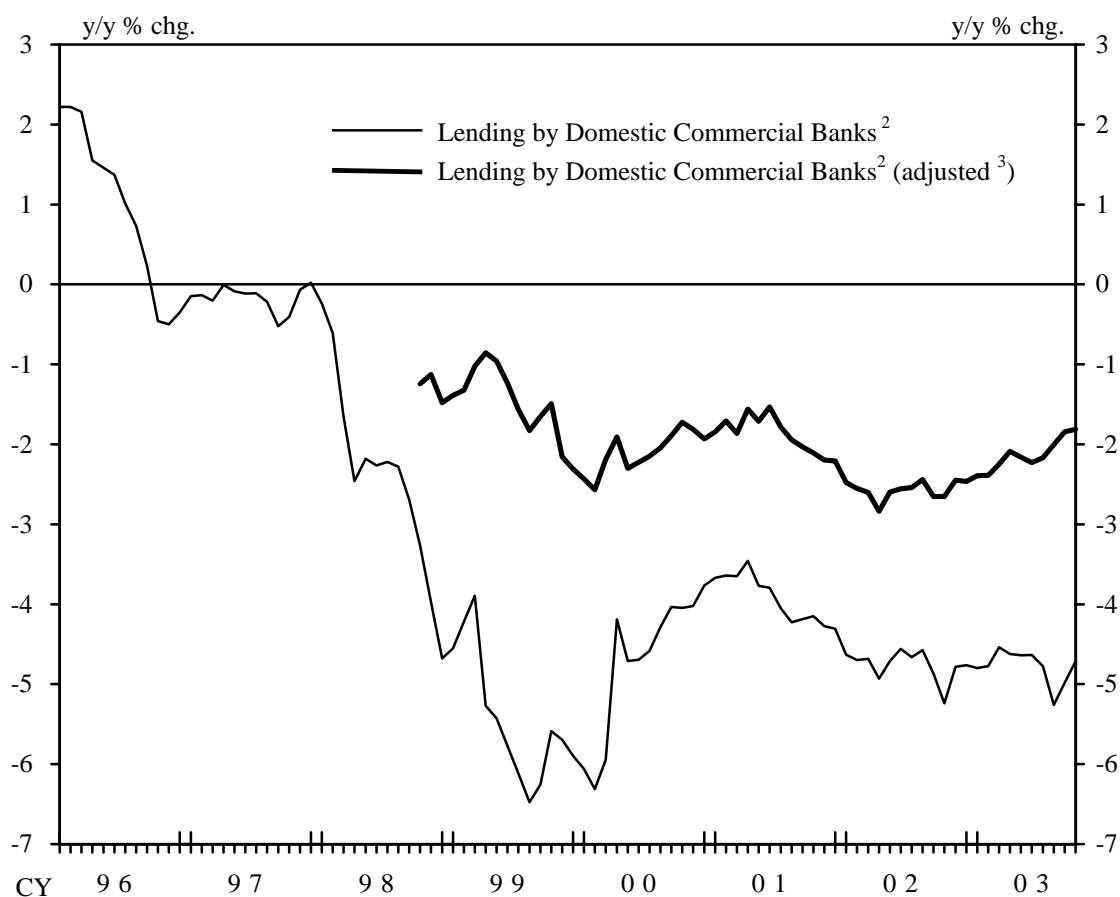
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ;
 Japan Finance Corporation for Small Business, "Monthly Survey of Small Businesses in Japan";
 National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Lending Rates



Note: 1. Data are at end of period.

Source: Bank of Japan.

Lending by Domestic Commercial Banks ¹

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

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

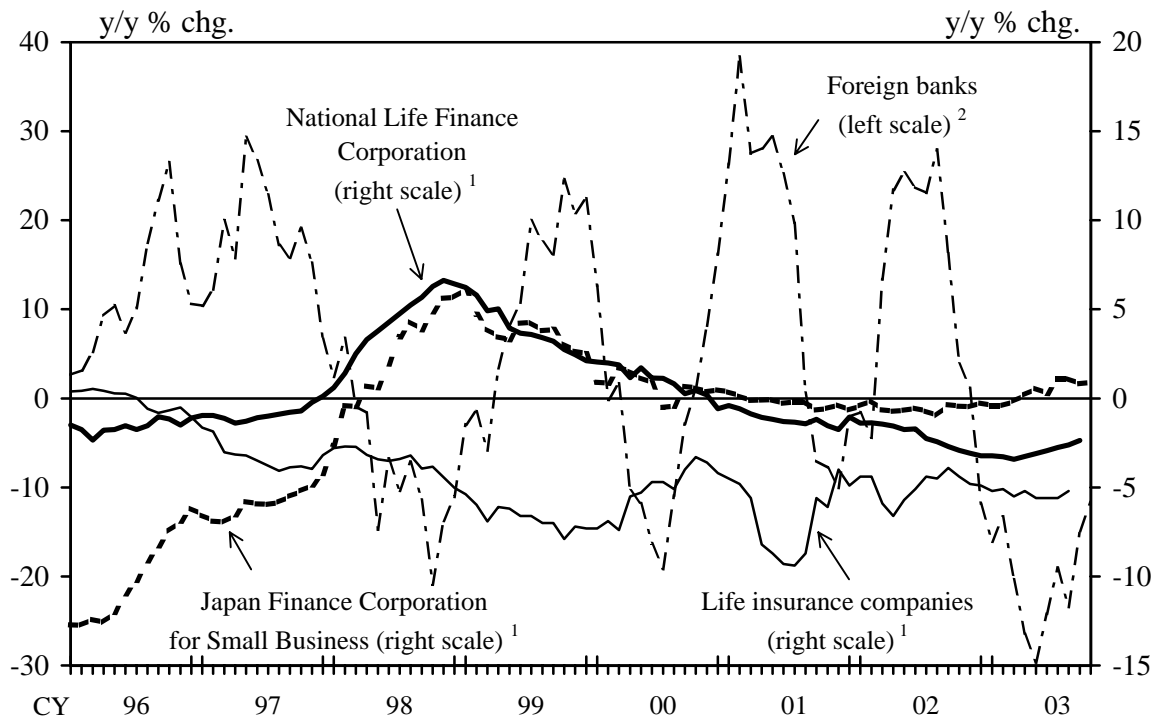
3. Adjusted to exclude

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

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

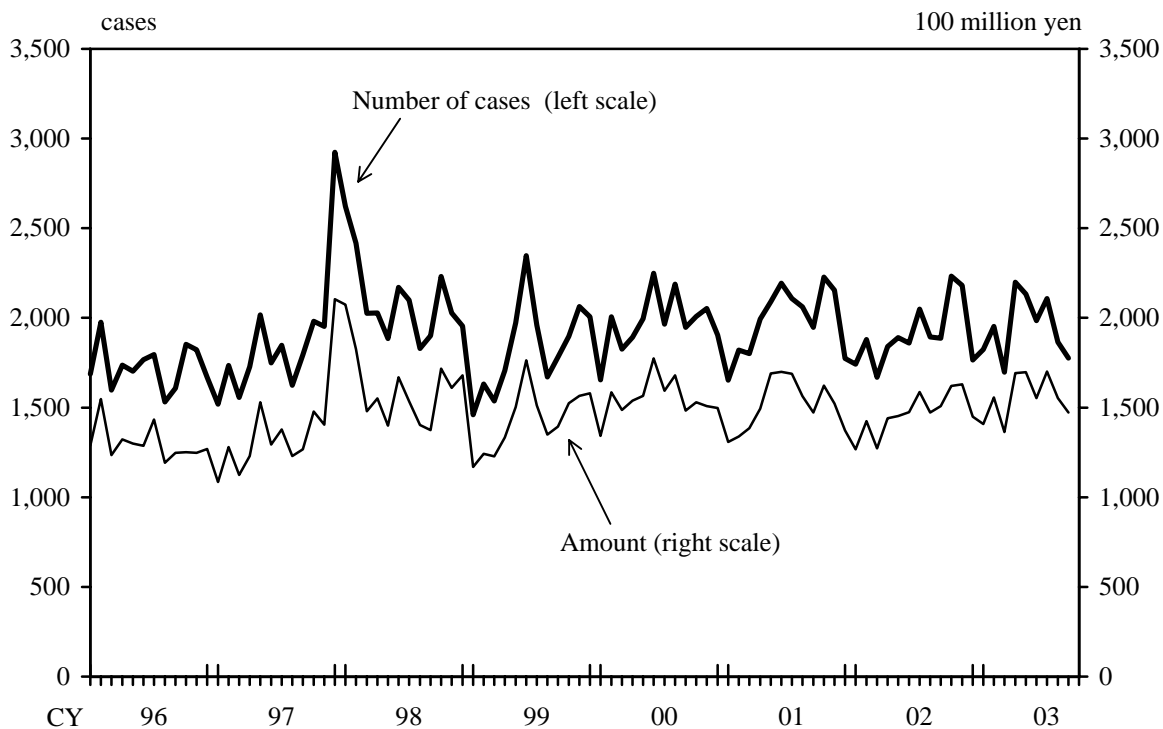
Lending by Other Financial Institutions

(1) Lending Outstanding



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

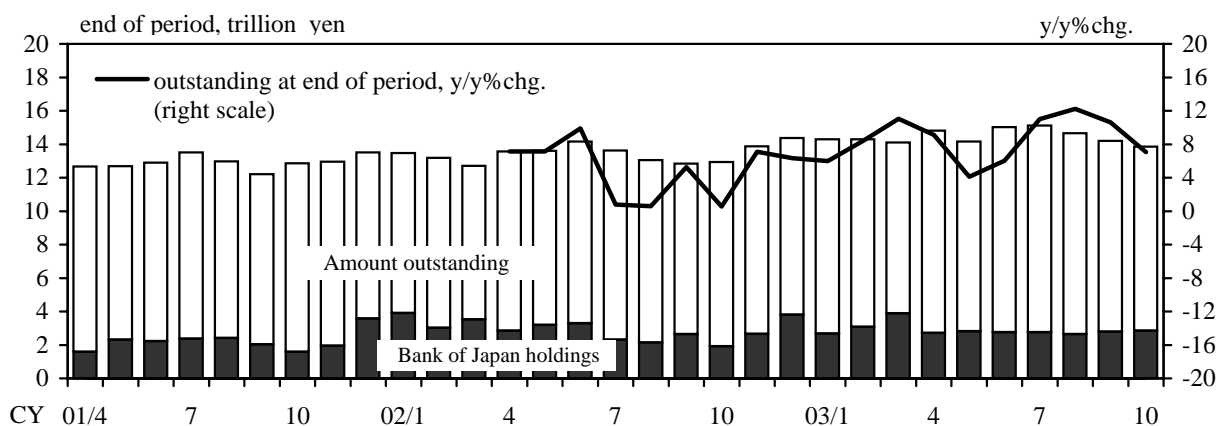
(2) Application for a Loan from Japan Finance Corporation for Small Business



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

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.

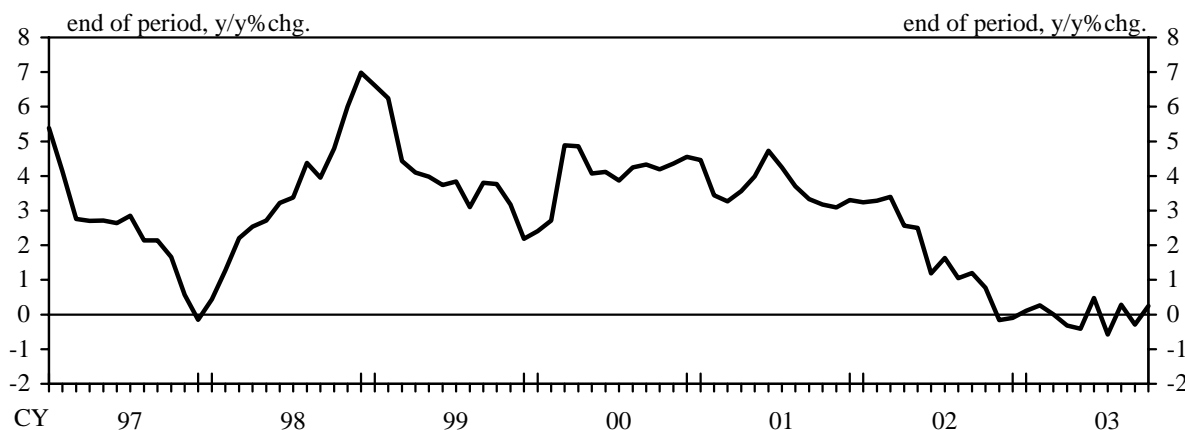
(2) Issue Volume of Corporate Bonds

(100 million yen)

	2003/Q1	Q2	Q3	2003/Aug.	Sep.	Oct.
Volume	31,861	33,304	29,144	9,477	12,536	6,610
(previous year)	(28,284)	(27,604)	(28,503)	(5,123)	(13,710)	(5,237)

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)



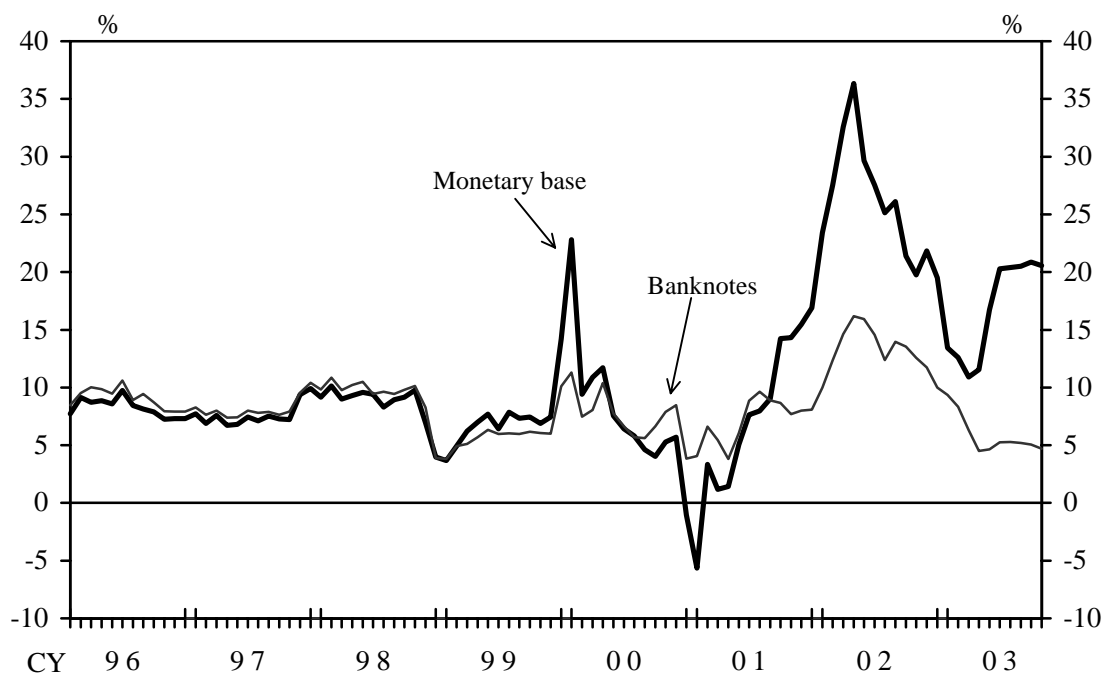
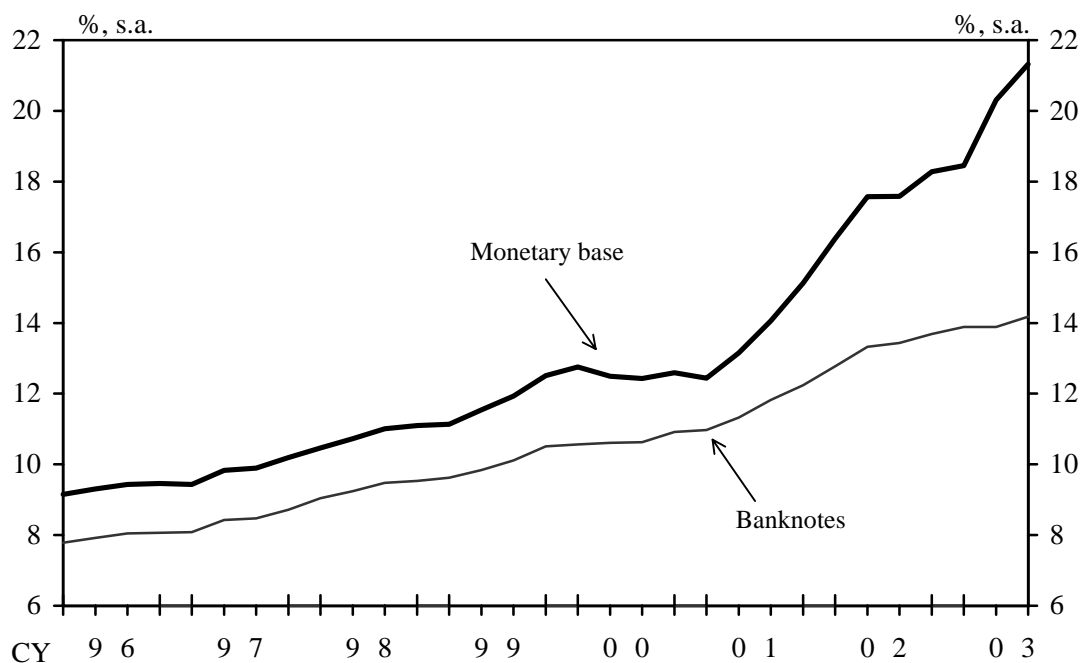
Note: Percentage changes from the previous year of the amount outstanding of corporate bonds are estimated figures. Procedures of the estimation are summarized as follows:

- (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.

$$\text{Percentage changes from the previous year of the amount outstanding of corporate bonds} = \frac{\text{The amount outstanding of corporate bonds as of this month} + \text{The sum of conversion amount over the last 12 months}}{\text{The amount outstanding of corporate bonds as of the same month in the previous year}}$$
- (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."

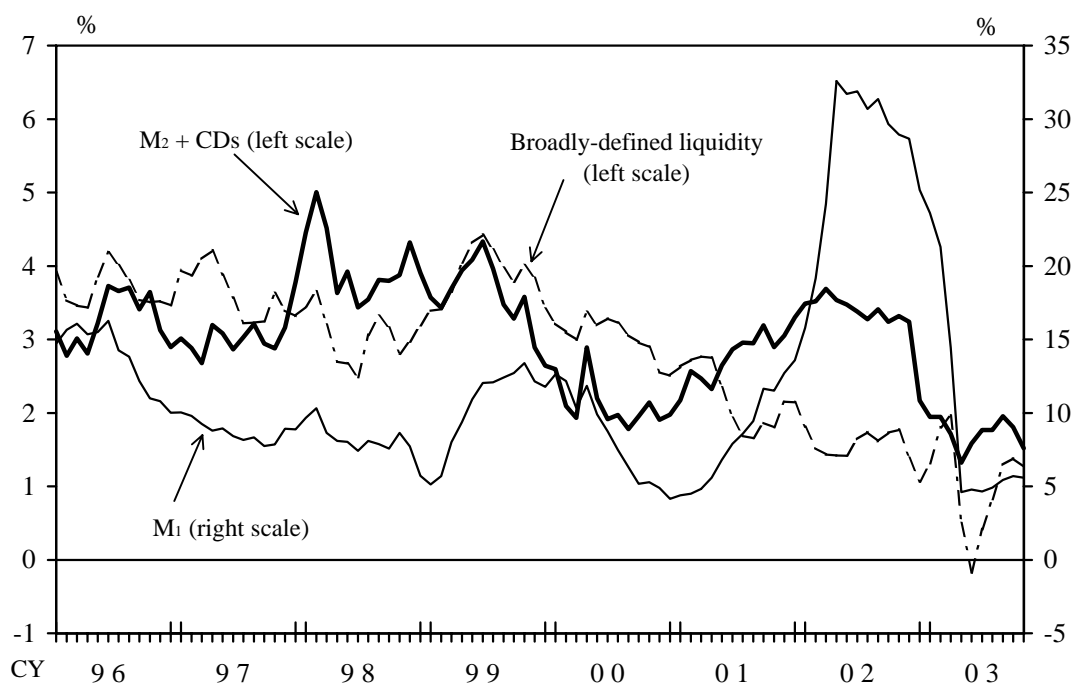
Monetary Base

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

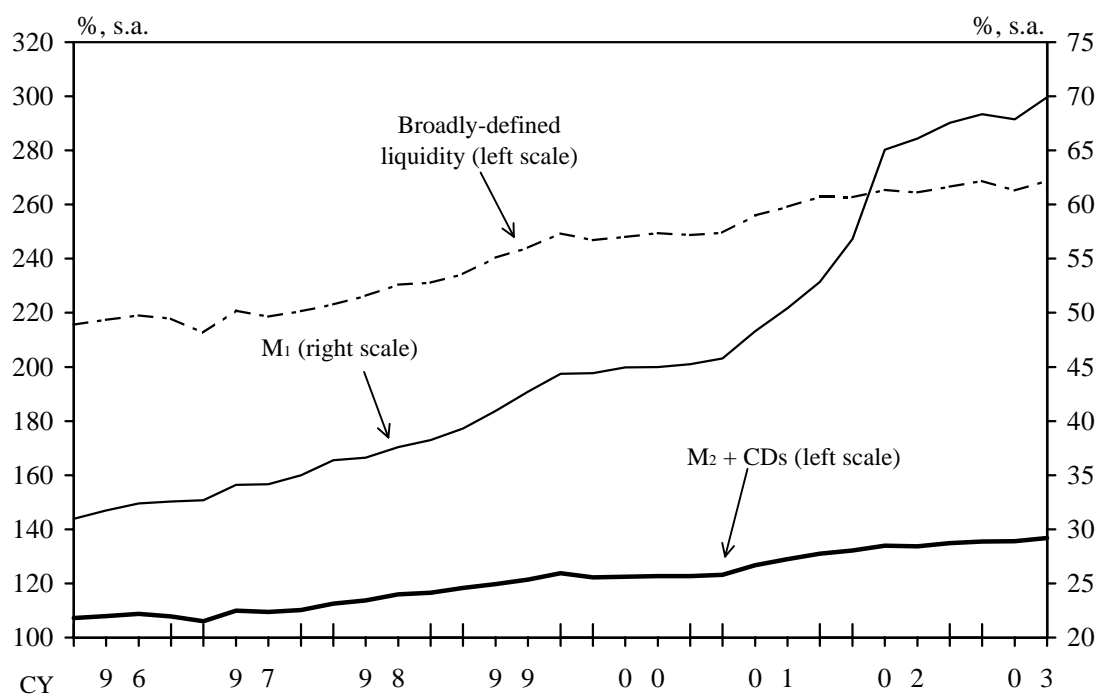
Note: Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

Data for currency in circulation include holdings of financial institutions.

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

(1) Changes from a Year Earlier

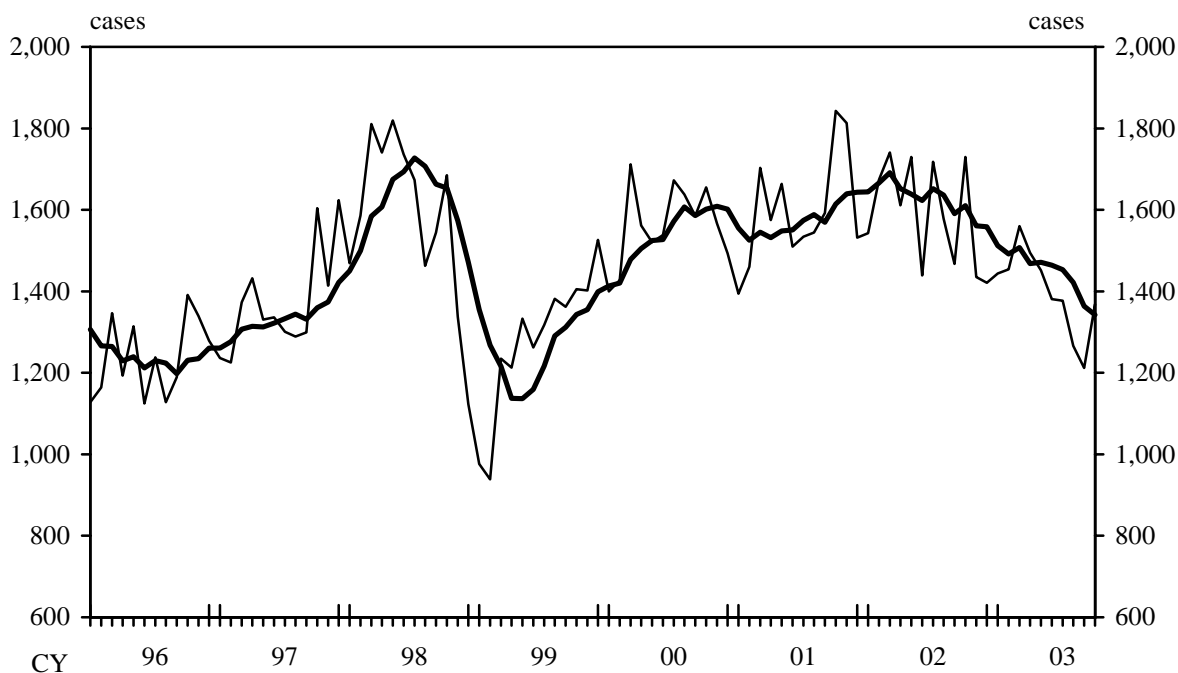
Note: In April 2003, the Postal Life Welfare Corporation was dissolved and its assets were transferred to the Japan Post. Accordingly, its financial assets were excluded from the Money Stock. Changes of the Broadly-defined Liquidity from a year earlier adjusted for the exclusion is 3.4% in October 2003.

(2) Ratio of Money Stock to Nominal GDP

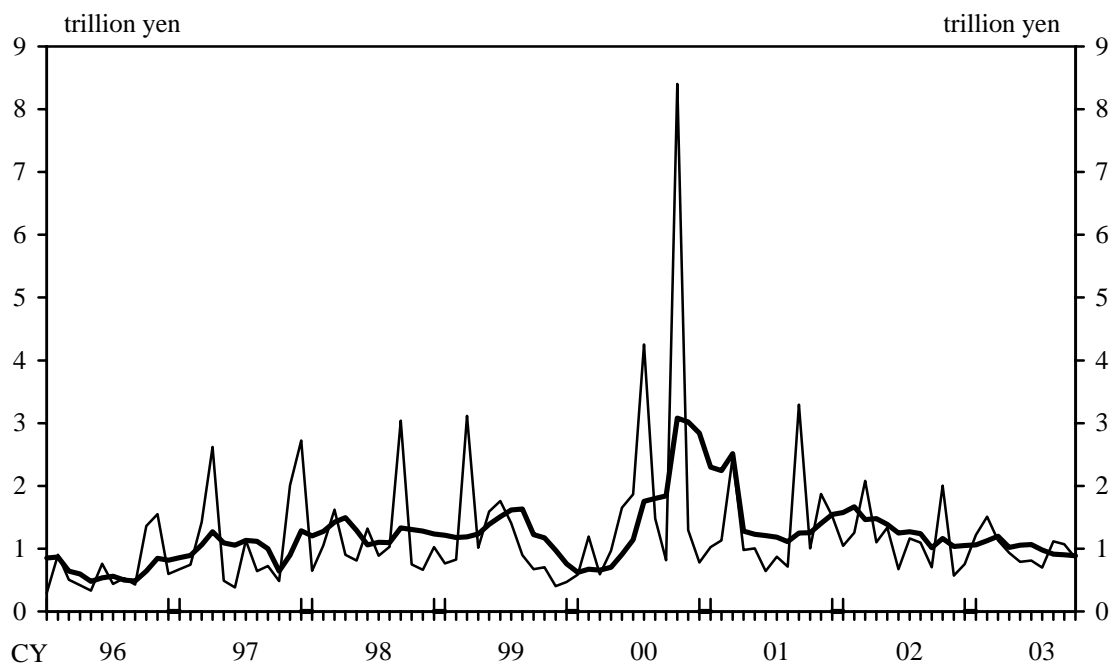
Sources: Cabinet Office, "National Accounts"; Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

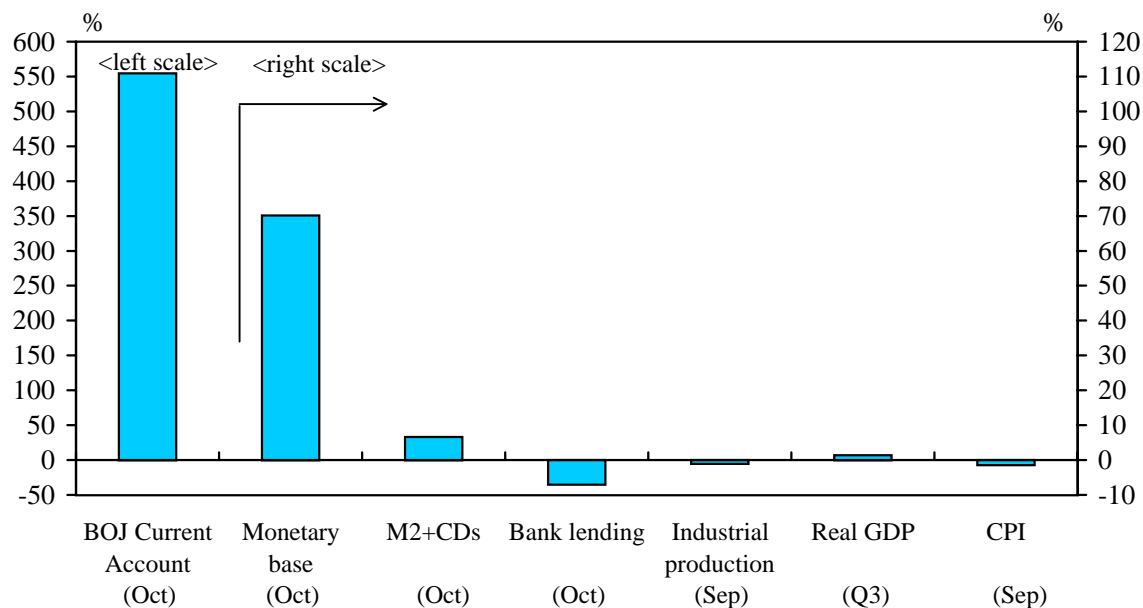


Note: Bold lines are the six-month moving average.

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

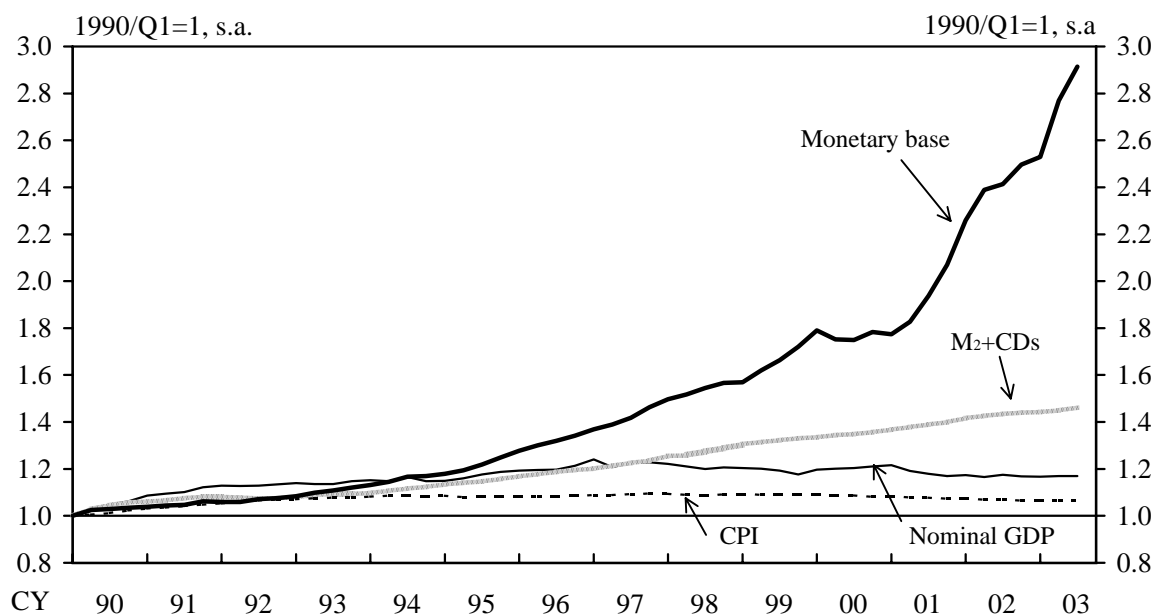
 Monetary Indicators, Economic Activity and Price Development

(1) Changes from March 2001



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

(2) Developments since 1990



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

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