

February 9, 2004
Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
February 2004

(English translation prepared by the Bank's staff based on the Japanese original
released on February 6, 2004)

Monthly Report of Recent Economic and Financial Developments¹

February 2004

The Bank's View²

Japan's economy is recovering gradually.

Exports are recently increasing substantially and business fixed investment continues a gradual recovery. Reflecting these developments, industrial production is also increasing. The decline in household income is gradually coming to a halt and private consumption is virtually flat. Meanwhile, housing investment remains sluggish and public investment is declining.

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 more visible. However, given persisting structural factors such as excessive debt, the increase in business fixed investment is expected to remain moderate. Private consumption is likely to remain virtually flat for some time, since the employment and income situations are unlikely to improve markedly. Meanwhile, public investment is projected to follow a declining trend.

On the price front, domestic corporate goods prices have been firm, due to the rise in rice prices and the strengthening of overseas and domestic commodity prices. The year-on-year rate of change in consumer prices (excluding fresh food) has been close to zero percent, while temporary factors such as the rise in rice prices have exerted upward pressure on prices.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on February 4 and 5, 2004.

² The Bank's view was determined by the Policy Board at the Monetary Policy Meeting held on February 4 and 5, 2004.

Turning to the outlook, domestic corporate goods prices are expected to remain firm for the immediate future. As for consumer prices, the year-on-year rate of change is likely to be around zero percent for the time being due partly to the rise in rice prices. However, they are basically projected to continue falling slightly, since the imbalance between supply and demand in the economy still remains considerable despite its gradual improvement.

As for the financial environment, 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. The pace of decline in credit demand in the private sector is becoming somewhat moderate. 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. As growth of banknotes in circulation is on a downtrend due mainly to decreasing anxieties about the financial system, the year-on-year growth rate of the monetary base is moving around 15 percent. The year-on-year growth rate of the money stock is at the 1.0-2.0 percent level. As for developments in financial markets, money market conditions continue to be extremely easy, as the Bank of Japan provides ample liquidity. In the foreign exchange and capital markets, while the yen's exchange rate against the U.S. dollar is rising somewhat from the previous month, stock prices are declining slightly. Long-term interest rates are around the same level as last month.

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 amount of public construction completed, 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 are recently increasing substantially, reflecting the recovery in overseas economies, mainly in the United States and East Asia (Charts 4[1] and 5). By region (Chart 5[1]), exports in the fourth quarter exhibited high growth for all regions. In particular, exports to East Asia jumped, mainly among those to the NIEs. By goods (Chart 5[2]), exports of capital goods and parts, including semiconductor fabrication machines and equipment, and those of IT-related goods, continued to increase, mainly among those to East Asia (Charts 6[1] and 7). Also, exports of consumer goods (digital home appliances) surged, assisted by seasonal demand for Christmas sales in the United States and Europe.³ Exports of automobile-related goods started to increase, due mainly to the intended accumulation of inventories overseas, reflecting solid sales (Chart 6[3]).

Real imports are on a mild uptrend (Charts 4[1] and 8). By goods (Chart 8[2]), imports of IT-related goods, capital goods and parts, and consumer goods such as household electrical appliances increased in the fourth quarter, reflecting further progress in the international division of labor between Japan and East Asia. On the other hand, imports of materials such as crude oil have been decreasing since summer, in reaction to the increase until spring last year, due to geopolitical risks and the shutdown of nuclear power plants.

Given these developments in exports and imports, net exports in terms of the real trade balance have recently been increasing substantially (Chart 4[2]). The surplus of the nominal balance on goods and services also continues to rise.

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]). As for the U.S. economy, private consumption continues to be solid, and a recovery in business fixed investment is becoming more visible, mainly in IT-related sectors (Chart 9-2[2]). Also, East Asian economies are expected to continue recovering, led by China's economy. However, compared to the upsurge in the fourth quarter, exports in the first quarter are likely to decelerate.

With the projection that domestic production will continue increasing, imports are expected to continue a mild increase, mainly in IT-related goods, capital goods and parts, and consumer goods. In all of these fields, further progress continues in the international division of labor between Japan and East Asia.

Business fixed investment continues a gradual recovery. Shipments of capital goods (excluding transport equipment) have been increasing substantially, because of some large spot shipments, and also because of the continuous rise in semiconductor fabrication machines and equipment and in computer-related goods (Chart 10-1[1]). Also, machinery orders (private demand, excluding shipbuilding and orders from electric power companies), a leading indicator of business fixed investment, were on a rising trend on average, as they rose substantially in October-November after the decline in the third quarter (Chart 10-2[1]). Meanwhile, construction starts (floor area, private, nondwelling use), another leading indicator, are on a very gradual rising trend over a somewhat longer term, despite quarterly fluctuations (Chart 10-2[2]).

Regarding the outlook for business fixed investment, the recovery trend is expected to become more visible with the ongoing increase in exports and production. However, firms perceive that excess capacities persist, although this view is lessening steadily, mainly in manufacturing firms (Chart 10-1[2]). Structural factors such as excessive debt, low expected growth rates, and weakness in the financial system still restrain investment, although their impacts have weakened from a while ago. In

³ As for digital home appliances, which include high-priced goods such as flat-panel TVs, there seems to be stronger demand during the Christmas shopping period than for traditional home appliances. In fact, this pattern was also observed in the fourth quarter of 2002.

these circumstances, firms are likely to maintain their cautious investment stances relative to their cash flow.

The underlying trend of private consumption is virtually flat, with the slump in the third quarter due to the cool summer last year and the following recovery in the fourth quarter. With regard to monthly indicators (Charts 11-1 and 11-2), the number of new passenger-car registrations had not exhibited any noticeable increases or decreases until December, but increased somewhat substantially in January due to solid sales of new models. Sales of household electrical appliances (NEBA statistics; in real terms) continued to be solid as a whole, mainly in digital home appliances (digital cameras, flat panel TVs, and DVD recorders), although sales of personal computers have slowed somewhat. Sales at department stores and supermarkets picked up slightly in the fourth quarter, mainly in reaction to the drop in the third quarter affected by the cool summer. Sales at convenience stores have been more or less flat. Sales in the food services industry rose in December. Outlays for travel have almost recovered to the level prior to the slump caused by the war in Iraq and the SARS epidemic.

Indices of aggregated sales (in real terms), which are comprised of major sales indicators of these goods and services (Chart 11-3),⁴ remained fairly weak from spring until summer last year, but have recently improved. Also, aggregate supply of consumer goods (Chart 11-4), which comprehensively captures producers' supply of goods, increased in the fourth quarter.

Indicators for consumer sentiment are on a recovery trend as a whole (Chart 12).

Private consumption is likely to remain virtually flat for the time being. That is because household income is unlikely to improve markedly, although its decline is gradually coming to a halt.

⁴ 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, the coverage of services consumption is narrow, and the indices do not necessarily incorporate all sales channels of goods.

Housing investment continues to be sluggish. Housing starts rose in December mainly in housing for rent and housing for sale in the Tokyo metropolitan area, but remained flat and low on average (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 situations of households.

Industrial production surged in the fourth quarter, after it started to increase in the third quarter (Chart 14[1]). As for shipments by goods in the fourth quarter (Chart 15), producer goods and durable consumer goods increased at a rapid pace, reflecting the upsurge in exports and solid sales of digital home appliances.⁵ Meanwhile, inventories continue to be 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 by favorable sales of durable consumer goods. However, the pace of increase in production in the first quarter is expected to slow compared to the high growth in the fourth quarter mentioned above.⁶ Also based on anecdotal information, although firms project production to continue increasing, the increase in production basically depends on the actual increase in demand. Firms still maintain a cautious stance on accumulating inventories.

Turning to the employment and income situations, the declines in the number of employees and in wages are slowing on average. As a result, the decline in household income is gradually coming to a halt (Chart 17[1]).

⁵ However, as mentioned in footnote 3, part of the surge in digital home appliances seems to be a temporary increase supported by seasonal demand at home and abroad.

⁶ By simply using the released forecast indices for January and February and assuming that the level for March is the same as February, production for the first quarter is calculated to be almost flat, increasing 0.1 percent from the previous quarter. However, given the large fluctuations shown in the production forecast indices for January and February, the above forecast, with the assumption of flat production in March after a large drop in February, is considered to somewhat underestimate overall production in the first quarter.

In the labor market, the number of new job offers continued to increase and the ratio of job offers to applicants advanced to the level last recorded in 1993 (Chart 18-1[2]), reflecting stronger production activity. Also, the overtime hours worked have been increasing (Chart 18-2[3]). Meanwhile, the unemployment rate has recently been falling, but still remains high (Chart 18-1[1]).⁷

As for the employment situation, the number of employees in the *Labour Force Survey* was hovering around zero percent on a year-on-year basis with the fluctuations smoothed out, although it marked a rather clear positive growth in December (Chart 18-2[1]). The rate of year-on-year decline in the number of regular employees in the *Monthly Labour Survey* has been diminishing gradually (Chart 18-2[2]).

As for wages on a year-on-year basis, overtime payments continued a slight increase and regular payments dropped marginally (Chart 17[2]). Special cash earnings in December decreased due to the ongoing decline in bonuses mainly in nonmanufacturing firms.

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 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) still continue to decline 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]).

⁷ The unemployment rate for December (seasonally adjusted) was 4.9 percent, dipping beneath 5 percent for the first time in two and a half years. However, attention should be paid to the fact that it tends to show large monthly fluctuations.

Domestic corporate goods prices (adjusted to exclude the effects of seasonal changes in electricity rates; same hereafter)⁸ have been firm compared to levels three months before (Chart 21). In detail, while machinery prices consistently declined, rice prices continued to increase and meat prices rose caused by the outbreak of BSE in the United States.⁹ Prices of iron and steel and of nonferrous metals also rose, reflecting the strengthening of overseas and domestic commodity prices.

Corporate services prices (domestic supply-demand factors; same hereafter) continue a year-on-year decline of slightly more than 1 percent, mainly in leasing and renting, real estate services, and general services such as car maintenance and building maintenance (Chart 22).

The year-on-year rate of change in consumer prices (excluding fresh food; same hereafter) has been close to zero percent, while temporary factors such as the rise in rice prices have exerted upward pressure on prices (Chart 23). The year-on-year rate of change became positive in October for the first time in five and a half years, recording a 0.1 percent increase, followed by a drop of 0.1 percent in November and 0.0 percent in December.

The outlook for import prices is unclear because it depends on the strengthening of international commodity prices and on developments in the foreign exchange rates. Domestic corporate goods prices are likely to remain firm for the immediate future, due mainly to the rise in domestic commodity prices.

With respect to the outlook for consumer prices, the imbalance between supply and demand in the macroeconomy is expected to improve, although the pace will be very gradual. Under these circumstances, consumer prices are basically projected to continue falling slightly, although their year-on-year rate of change is likely to be around zero percent for the time being, due partly to the rise in rice prices.

⁸ The figures are adjusted to exclude a large seasonal fluctuation in electric power charges to observe the underlying changes in domestic corporate goods prices. Industrial and commercial electric power consumption charges are set relatively high during July-September, when consumption increases substantially.

⁹ Rice and meat are categorized as "Others" in Chart 21.

3. Financial Developments

(1) Financial Markets

The outstanding balance of current accounts at the Bank of Japan moves at around 33-34 trillion yen, as the Bank has been further providing ample liquidity in accordance with the guideline for money market operations decided at the Monetary Policy Meeting held on January 20 (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]) are steady at low levels on the whole. Under these circumstances, interest rates on Euroyen futures (Chart 26[2]) are declining, mainly in distant contracts.

In the government bond market, yields on 10-year government bonds (newly issued 10-year JGB; Chart 25[2]) have moved in a relatively narrow range; they are currently at about 1.3 percent.

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

Stock prices (Chart 31) have declined somewhat, reflecting a weakening in the bank sector and concerns over the appreciation of the yen against the U.S. dollar. The Nikkei 225 Stock Average is moving at around 10,500 yen.

In the foreign exchange market (Chart 32), the yen has been appreciating slightly as the market continues to be sensitive about the G-7 meeting. The yen is currently traded in the range of 105-107 yen to the U.S. dollar.

(2) Corporate Finance and Monetary Aggregates

As for credit demand in the private sector, the pace of decline is becoming somewhat moderate, since corporate activity has started to recover, as seen in the increase in business fixed investment, while firms are continuously reducing their debts.

Meanwhile, as for credit supply, the lending attitudes of private banks have been slightly more accommodative on the whole, although they remain cautious in extending loans to firms with high credit risks. The lending attitudes of financial institutions as perceived by firms are in general 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 rate of decline in 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, is diminishing slightly. (The year-on-year change was –1.9 percent in October, –1.9 percent in November, and –1.9 percent in December; 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 virtually flat, as the issuance spreads remain steady. CP issuance rates continue to be at low levels. The amount outstanding of CP issued and the amount outstanding of corporate bonds issued are above the previous year's levels (Chart 37).

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

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.

Meanwhile, growth of banknotes in circulation is on a downtrend, due mainly to decreasing anxieties about the financial system. The year-on-year growth rate of the monetary base (currency in circulation + current account balances at the Bank of Japan) has been around 15 percent. (The year-on-year change was 16.7 percent in November, 13.2 percent in December, and 13.6 percent in January; Chart 38.) The ratio of the monetary base to nominal GDP continues to increase, and is currently at an extremely high level.

The year-on-year growth rate of the money stock (M_2 + CDs) has been moving around 1.5 percent. (The year-on-year change was 1.5 percent in October, 1.6 percent in November, and 1.5 percent in December; Chart 39.)

The number of corporate bankruptcies continues a downtrend; it declined by 20.3 percent year-on-year in December, to 1,132 cases (Chart 40).

Box: Recent Developments in Banks' Lending Outstanding

The year-on-year rate of decline in banks' lending outstanding has recently been diminishing slightly (Chart 35).

The following two factors are the backgrounds of the diminishing rate of decline in addition to the rise in the amount outstanding of housing loans: (1) the lending attitudes of financial institutions toward firms have been slightly more accommodative; and (2) some positive demand for funds seems to be on the rise, as corporate activity has started to recover, as seen in the increase in business fixed investment.

The lending attitudes of financial institutions as perceived by firms continue to improve mildly from the bottom of around the end of 2002, although those perceived by small firms remain severe (BOX Chart 1, upper panel). Also, credit demand of firms as perceived by banks seems to be improving recently (BOX Chart 1, middle panel), and the surplus of firms' funds has recently started to diminish, reflecting the increase in business fixed investment and the bottoming out of operating funds (BOX Chart 1, lower panel).

However, firms are still making efforts to reduce their excessive debt and these movements have exerted downward pressure on banks' lending outstanding and the growth in money stock. The debt outstanding of firms is still at high levels, particularly in small and nonmanufacturing firms (BOX Chart 2, upper panel), and the survey results of firms showed that they continued to reduce their debts (BOX Chart 2, lower panel). The repayment of excessive debt is a structural adjustments needed to ensure the sustainable growth of Japan's economy; hence this repayment is expected to continue hereafter. Based on these factors, bank lending is projected to continue declining for the time being, although its pace will become moderate.

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	Indicators for Private Consumption
Chart 12	Consumer Confidence
Chart 13	Indicators for Housing Investment
Chart 14	Production, Shipments, and Inventories
Chart 15	Shipments breakdown by type of goods
Chart 16	Inventory Cycle
Chart 17	Compensation of Employees
Chart 18	Labor Market
Chart 19	Prices
Chart 20	Import Prices and International Commodity Prices
Chart 21	Domestic Corporate Goods Price Index
Chart 22	Corporate Service Price Index
Chart 23	Consumer Price Index (excluding fresh food)
Chart 24	Consumer Prices of imported goods and their substitutes
Chart 25	Interest Rates
Chart 26	Short-Term Money Market Rates
Chart 27	Current Account Balances at the Bank of Japan
Chart 28	Implied Forward Rates (1-year)
Chart 29	Yields of Bank Bonds
Chart 30	Yields of Corporate Bonds
Chart 31	Stock Prices
Chart 32	Exchange Rates
Chart 33	Lending Attitude of Financial Institutions as Perceived by Small Enterprises
Chart 34	Lending Rates
Chart 35	Lending by Domestic Commercial Banks
Chart 36	Lending by Other Financial Institutions
Chart 37	Private-Sector Fund-Raising in the Capital Markets
Chart 38	Monetary Base
Chart 39	Money Stock (M ₁ , M ₂ +CDs, Broadly-Defined Liquidity)
Chart 40	Corporate Bankruptcies
Chart 41	Monetary Indicators, Economic Activity and Price Development
Box Chart1	Environment for Bank Loans (1)
Box Chart2	Environment for Bank Loans (2)

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2003/Q2	Q3	Q4	2003/Oct.	Nov.	Dec.	2004/Jan.
Index of living expenditure level (all households)	0.9	0.0	n.a.	-1.2	0.2	n.a.	n.a.
Sales at department stores	-1.6	-0.6	0.5	4.7	-5.5	2.3	n.a.
Sales at supermarkets	-1.4	-2.4	0.8	3.4	-6.8	2.7	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	<341>	<338>	<332>	<336>	<332>	<327>	<365>
Sales of household electrical appliances (real, NEBA)	3.7	5.4	2.7	-4.2	-4.8	2.0	n.a.
Outlays for travel (50 major travel agencies)	-17.9	14.2	n.a.	5.4	-1.4	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	<120>	<112>	<117>	<118>	<113>	<122>	<n.a.>
Machinery orders (from private sector ⁴)	3.4	-2.9	n.a.	17.4	-7.8	n.a.	n.a.
Manufacturing	8.6	-3.4	n.a.	10.2	-5.3	n.a.	n.a.
Nonmanufacturing ⁴	1.3	-2.4	n.a.	20.1	-7.6	n.a.	n.a.
Construction Starts (private, nondwelling use)	4.0	1.7	-1.6	-8.1	-11.8	20.3	n.a.
Mining & manufacturing	0.3	2.8	14.9	-3.3	14.5	20.3	n.a.
Nonmanufacturing ⁵	3.0	2.0	-5.6	-9.6	-18.9	17.6	n.a.
Value of public works contracted	-5.6	2.0	-11.2	-5.4	-7.7	5.4	n.a.
Real exports	-0.1	3.8	7.9	3.0	0.1	4.3	n.a.
Real imports	2.0	1.3	1.8	-3.3	3.1	-1.1	n.a.
Industrial production	-0.7	1.3	p 3.6	1.0	1.0	p -1.0	n.a.
Shipments	0.2	0.8	p 3.8	1.8	-1.9	p 1.6	n.a.
Inventories	-0.6	0.9	p -0.8	-0.3	1.0	p -1.4	n.a.
Inventory Ratio <s.a., CY 2000=100>	<98.1>	<97.1>	<p 94.8>	<93.7>	<100.9>	<p 94.8>	<n.a.>
Real GDP	0.6	0.3	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.1	0.0	n.a.	0.8	-1.3	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2003/Q2	Q3	Q4	2003/Sep.	Oct.	Nov.	Dec.
Ratio of job offers to applicants <s.a., times>	<0.61>	<0.64>	<0.74>	<0.66>	<0.70>	<0.74>	<0.78>
Unemployment rate <s.a., %>	<5.4>	<5.2>	<5.1>	<5.1>	<5.2>	<5.2>	<4.9>
Overtime working hours ⁶	4.7	3.6	p 4.3	3.1	5.1	4.0	p 4.0
Number of employees	0.3	-0.2	0.3	-0.3	-0.1	0.2	0.7
Number of regular employees ⁶	-0.6	-0.5	p -0.3	-0.4	-0.3	-0.3	p -0.4
Nominal wages per person ⁶	1.1	-1.2	p -0.9	0.4	-0.2	0.0	p -1.6
Domestic corporate goods price index ⁷ <q/q % chg.> (3-month growth rate)	-1.0 <-0.3>	-0.7 <-0.2>	p -0.4 <p 0.1>	-0.5 <0.1>	-0.5 <0.0>	-0.5 <0.1>	p -0.1 <p 0.2>
Consumer price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-0.4 <0.1>	-0.1 <0.1>	0.0 <-0.0>	-0.1 <0.1>	0.1 <0.1>	-0.1 <-0.1>	0.0 <-0.0>
Corporate service price index ⁹ <s.a., q/q % chg.> (3-month growth rate)	-1.2 <-0.5>	-1.2 <-0.2>	-1.2 <-0.2>	-1.1 <-0.1>	-1.2 <-0.2>	-1.1 <-0.2>	-1.3 <-0.3>
Money Stock (M ₂ +CDs) <average outstanding, y/y % chg.>	1.6	1.8	1.5	1.8	1.5	1.6	1.5
Number of suspension of transactions with banks	-15.4	-28.9	-29.0	-26.6	-29.0	-29.6	-28.5

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";

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

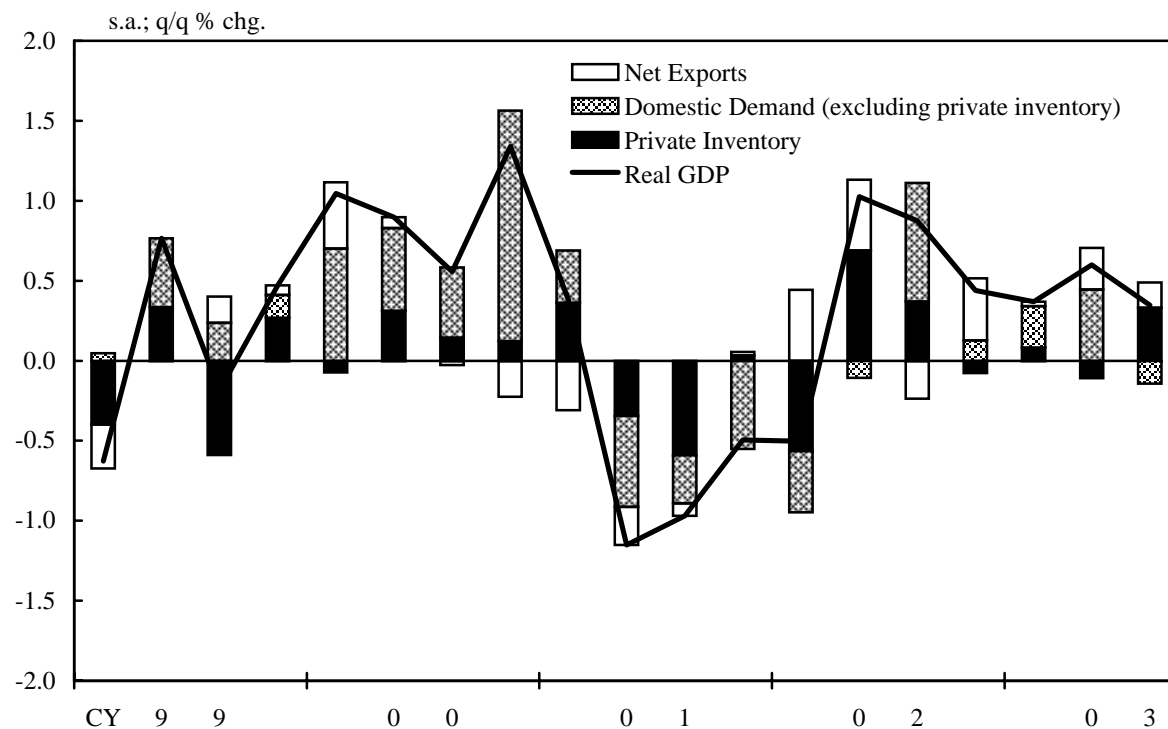
Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey";

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)



(2) Components

s.a.; q/q % chg.

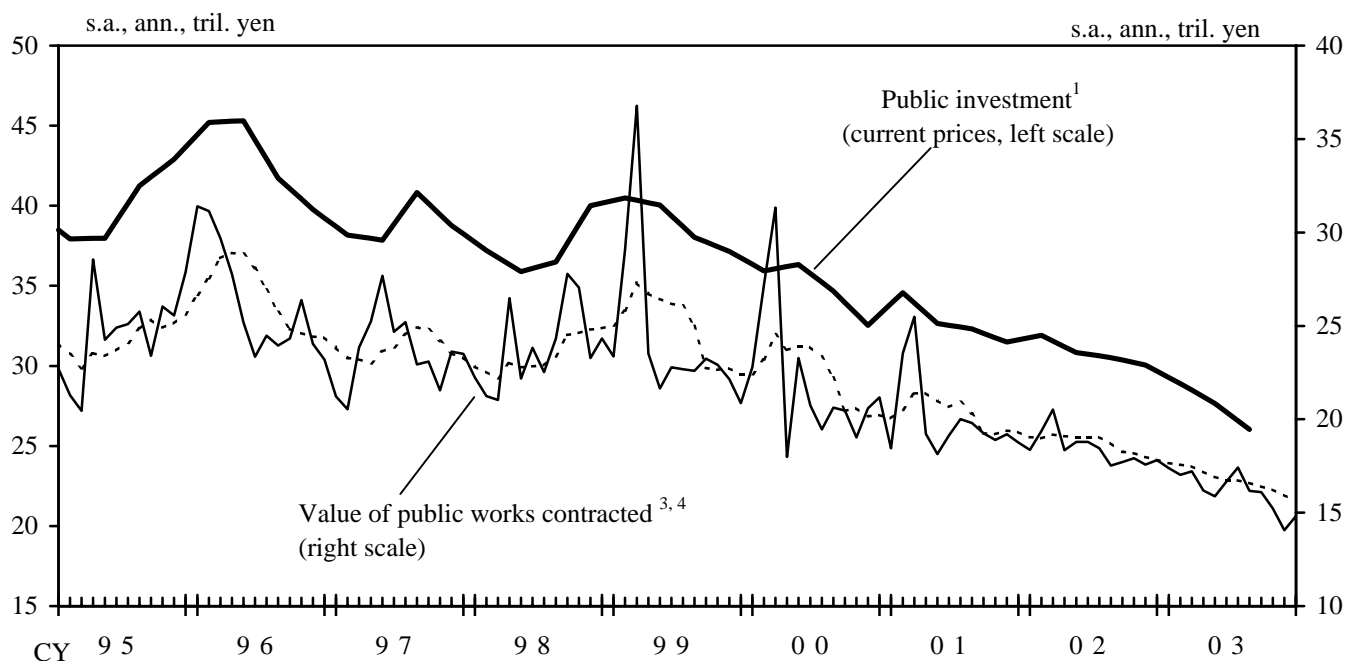
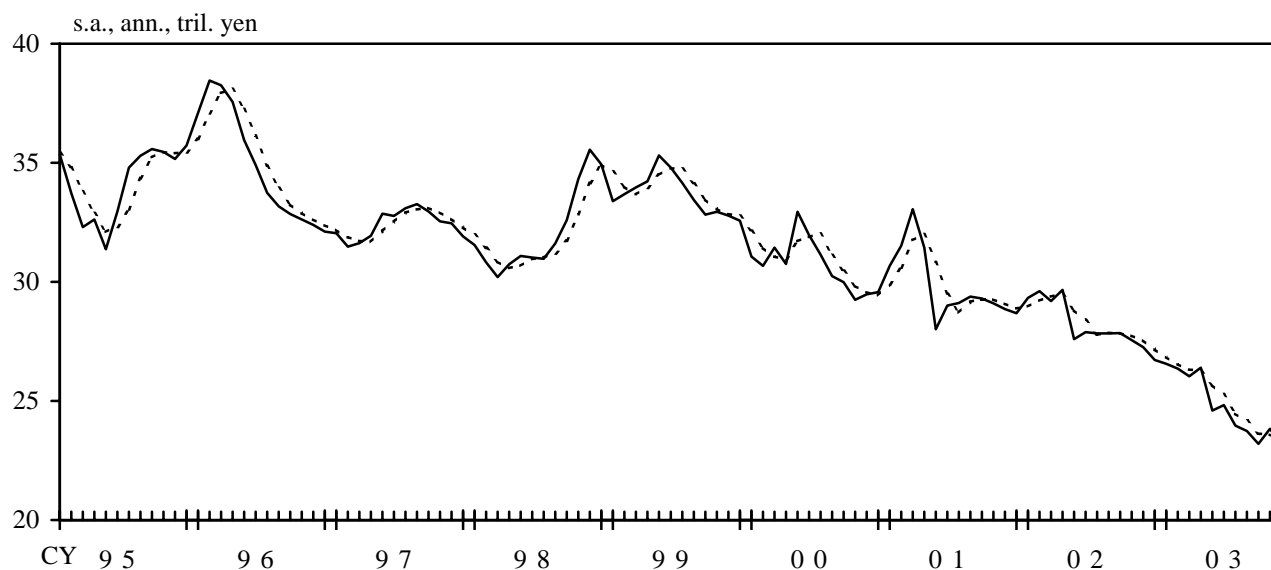
	2002		2003		
	Q3	Q4	Q1	Q2	Q3
Real GDP	0.9	0.4	0.4	0.6	0.3
Domestic Demand	1.1	0.1	0.4	0.3	0.2
Private Consumption	1.0	-0.2	0.1	0.1	-0.1
Non-Resi. Investment	1.2	2.5	2.3	3.9	0.5
Residential Investment	-1.1	-0.9	-0.9	0.0	3.1
Private Inventory	(0.4)	(-0.1)	(0.1)	(-0.1)	(0.3)
Public Demand	0.3	-0.4	-0.6	-1.0	-1.3
Public Investment	-0.9	-1.2	-3.2	-3.9	-5.6
Net Exports of goods and services	(-0.2)	(0.4)	(0.0)	(0.3)	(0.2)
Exports	-0.3	4.6	0.8	1.3	3.0
Imports	2.3	1.5	0.7	-1.1	2.2
Nominal GDP	0.6	-0.5	-0.3	0.3	0.1

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) Amount of Public Construction Completed^{2,3,4}

Notes: 1. Quarterly figures of public investment are plotted at the middle month of each quarter.

2. Amount of public construction completed 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.

3. The figures of value of public works contracted and amount of public construction completed are seasonally adjusted by X-12-ARIMA.

4. The dotted line for value of public works contracted is the 6-month moving average, and the dotted line for amount of public construction completed is the 3-month moving average.

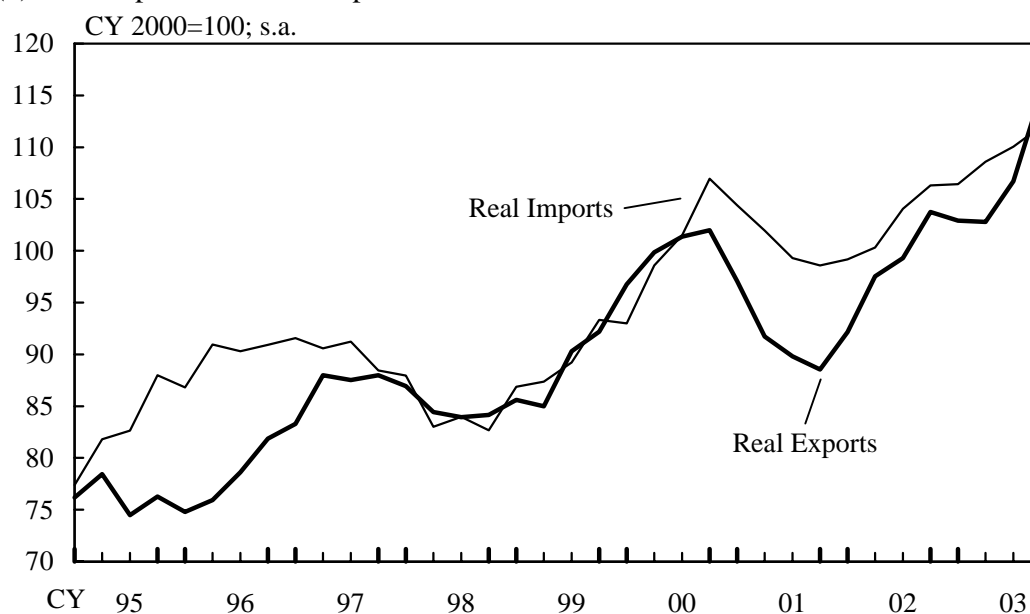
Sources: Cabinet Office, "National Accounts";

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

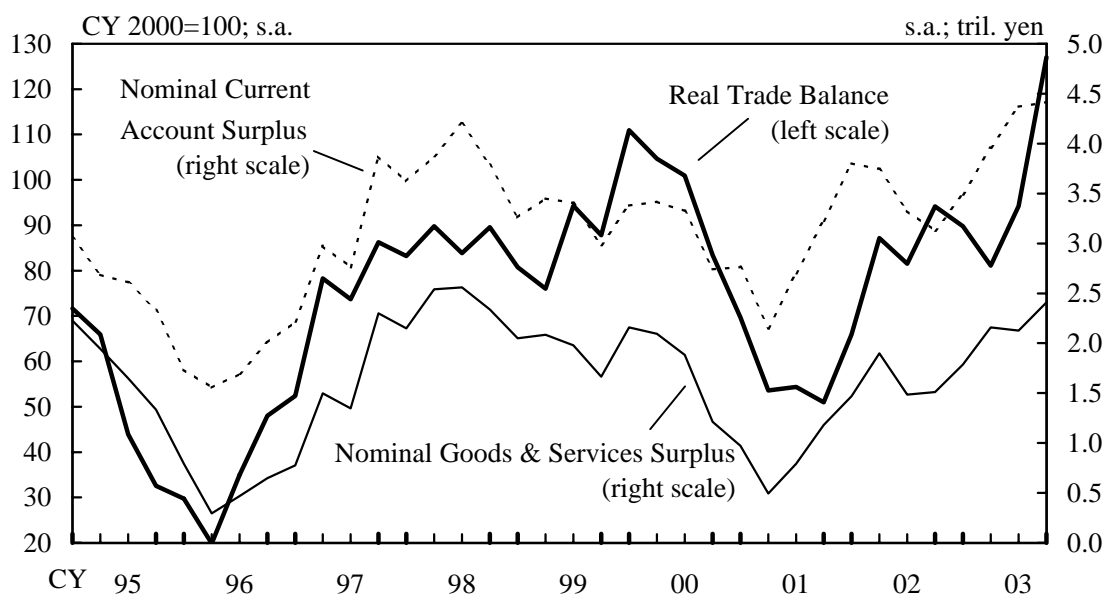
Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works."

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/Q4 figures are Oct.-Nov. 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 2002	2003	2002 Q4	2003 Q1	Q2	Q3	Q4	2003 Oct.	Nov.	Dec.
United States	<24.6>	1.4	-6.2	3.4	-9.9	0.9	-1.5	5.2	1.9	-4.2	6.8
EU	<15.3>	-0.0	13.9	1.4	6.3	0.2	1.2	4.1	-1.7	0.5	4.9
East Asia	<44.9>	17.5	19.9	3.4	7.9	-2.5	7.1	9.2	6.7	-0.3	0.4
China	<12.2>	35.5	41.2	3.3	21.7	0.7	8.3	3.4	3.8	-4.5	0.2
NIEs	<23.5>	14.4	15.8	4.4	4.5	-5.2	7.8	14.5	11.5	1.2	1.3
Korea	<7.4>	19.1	19.2	6.2	7.7	-8.1	9.3	10.6	4.0	0.3	7.4
Taiwan	<6.6>	14.6	16.1	2.1	4.9	-6.2	9.1	21.6	17.8	4.7	-4.2
ASEAN4 ³	<9.2>	10.2	9.1	1.0	2.1	0.2	4.1	4.1	-0.6	1.4	-1.7
Thailand	<3.4>	16.5	18.3	4.0	0.2	2.6	7.4	6.0	-1.6	10.0	-9.4
Real exports		7.2	9.0	4.5	-0.8	-0.1	3.8	7.9	3.0	0.1	4.3

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2002	2003	2002 Q4	2003 Q1	Q2	Q3	Q4	2003 Oct.	Nov.	Dec.
Intermediate goods	<15.6>	8.8	5.7	-2.4	4.3	0.4	0.4	4.9	2.4	-2.6	2.8
Motor vehicles and their related goods	<23.7>	12.7	1.3	5.0	-1.3	-5.3	0.1	8.7	-2.4	0.7	11.0
Consumer goods ⁴	<7.0>	7.9	15.0	10.6	0.4	0.9	-2.6	20.4	14.3	5.0	-6.1
IT-related goods ⁵	<14.1>	0.3	12.9	3.0	-3.9	3.0	8.9	5.4	0.9	2.2	4.9
Capital goods and parts ⁶	<28.6>	7.8	17.1	5.2	1.9	1.6	6.9	6.8	1.0	1.1	3.3
Real exports		7.2	9.0	4.5	-0.8	-0.1	3.8	7.9	3.0	0.1	4.3

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

2. Shares of each region and goods in 2003 are shown in angle brackets.

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

4. Excludes motor vehicles.

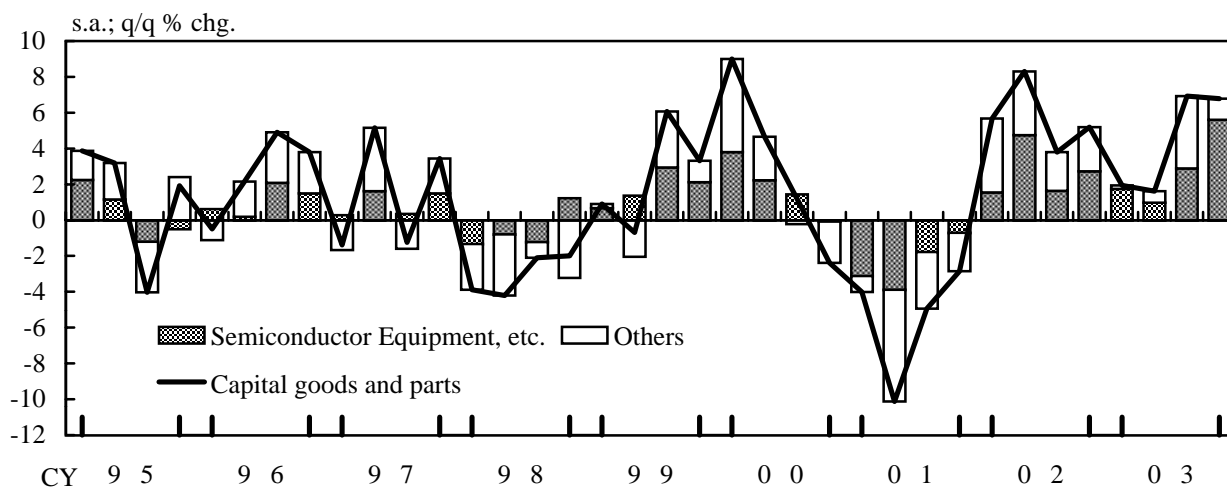
5. IT-related goods are composed of automatic data processing machinery, telecommunication machinery, ICs and medical and optical instruments.

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

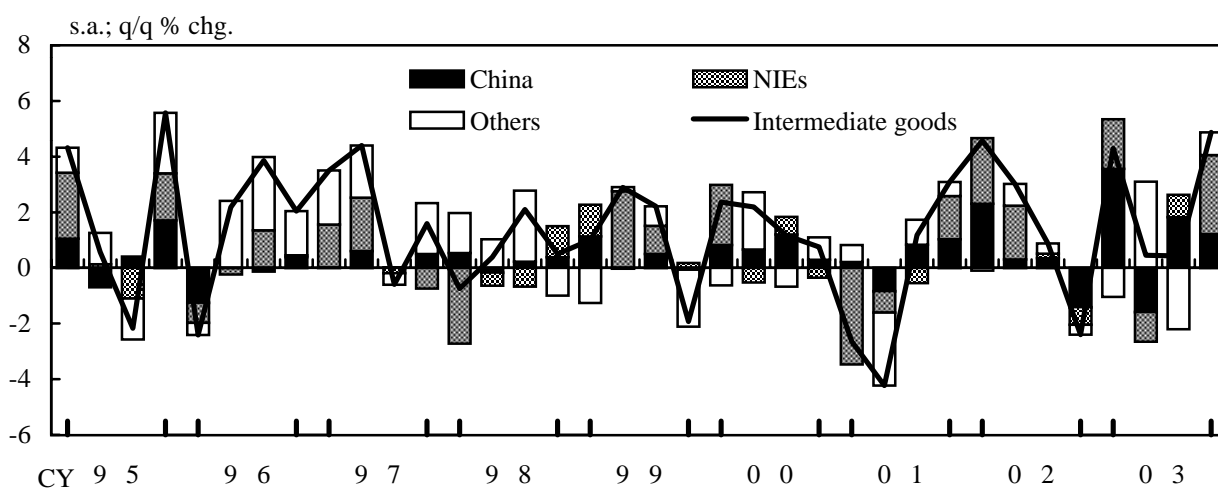
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Real Exports breakdown by goods

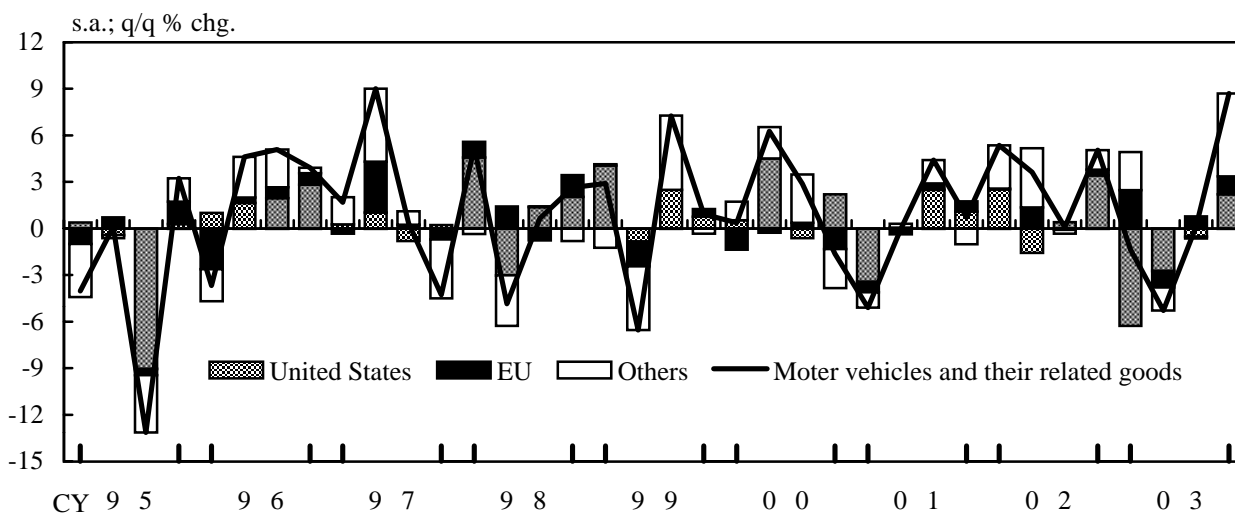
(1) Capital goods and parts (real, breakdown by goods)



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



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

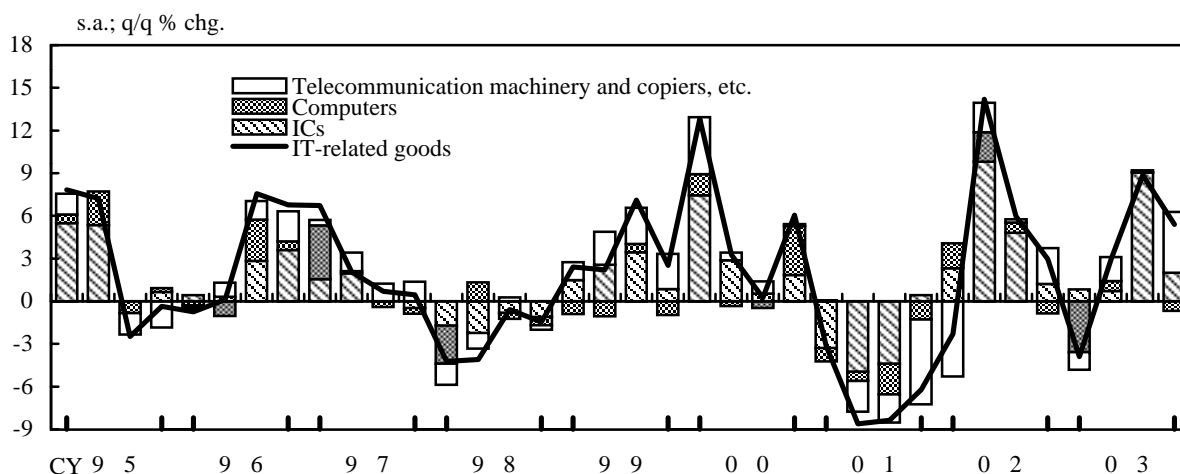


Note: Seasonally adjusted by X-12-ARIMA.

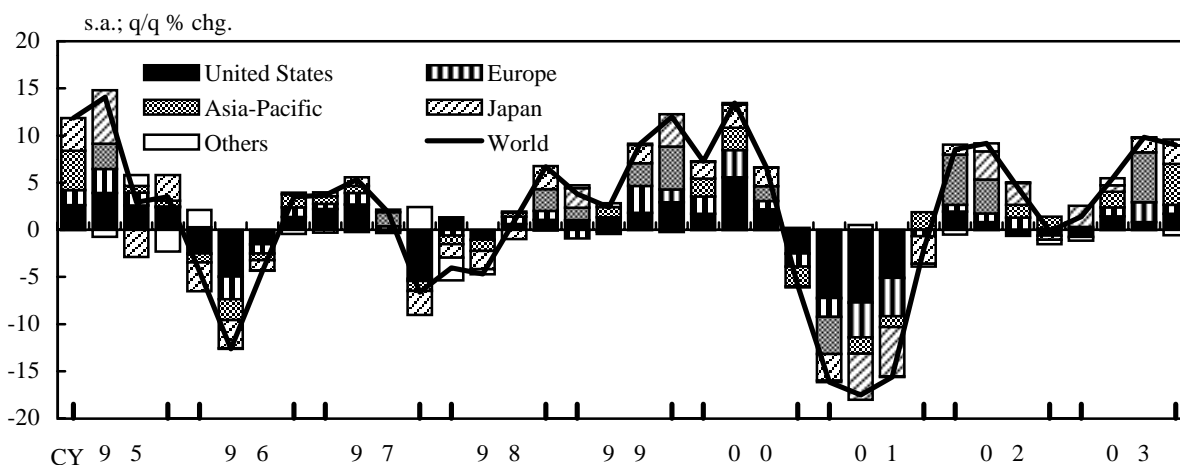
Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Corporate Goods Price Index."

Exports and Imports of IT-related goods

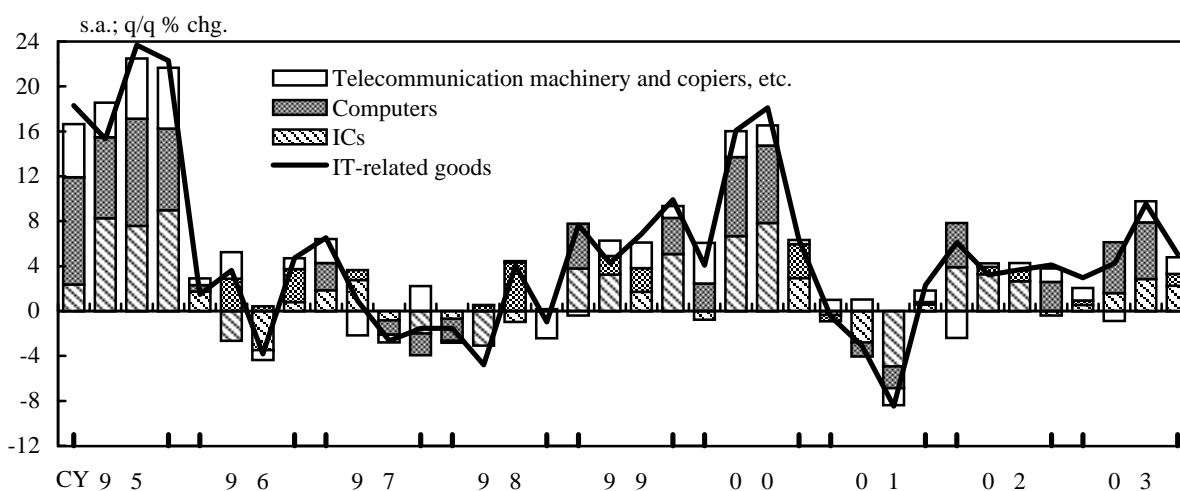
(1) Exports of IT-related goods (real, breakdown by goods)



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



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



Note: Seasonally adjusted by X-12-ARIMA.

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

Real Imports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2002	2003	2002 Q4	2003 Q1	Q2	Q3	Q4	2003 Oct.	Nov.	Dec.
United States	<15.4>	-3.9	-1.6	-4.5	-2.9	5.2	-0.9	1.4	-0.2	0.6	-3.3
EU	<12.8>	2.3	6.3	1.5	-1.6	2.6	1.7	3.5	-3.2	7.7	-3.8
East Asia	<42.4>	6.4	14.6	5.7	0.6	4.4	4.4	3.9	0.3	1.9	-1.3
China	<19.7>	13.9	22.1	8.3	3.9	5.3	4.8	3.8	-0.8	1.7	2.3
NIEs	<10.2>	1.8	9.8	2.1	-2.1	2.4	7.7	6.5	3.6	-0.9	0.5
Korea	<4.7>	-1.5	13.2	2.8	-0.1	4.0	2.7	9.6	11.5	-3.2	-0.8
Taiwan	<3.7>	5.5	6.7	-0.2	-2.8	0.6	12.4	2.5	1.2	-6.0	0.2
ASEAN4 ³	<12.5>	1.5	8.9	5.3	-1.5	4.7	1.2	1.9	-0.8	4.7	-8.0
Thailand	<3.1>	7.6	11.6	5.0	-1.6	2.5	5.5	4.0	1.0	1.0	-7.5
Real imports		1.2	6.8	2.2	0.1	2.0	1.3	1.8	-3.3	3.1	-1.1

(2) Breakdown by goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 2002	2003	2002 Q4	2003 Q1	Q2	Q3	Q4	2003 Oct.	Nov.	Dec.
Raw materials ⁴	<27.1>	-2.7	5.8	4.0	3.7	-0.3	-3.8	-3.7	-5.8	1.4	3.5
Intermediate goods	<13.4>	1.4	4.5	-0.2	1.0	-0.4	2.2	1.4	-1.6	-2.4	1.7
Foodstuffs	<11.5>	-2.5	-4.3	-3.3	-1.0	-1.4	-0.1	0.2	2.1	-5.0	1.3
Consumer goods	<10.8>	-0.9	7.9	5.5	-3.8	3.5	3.6	7.2	2.0	6.9	-4.0
IT-related goods ⁵	<14.0>	7.8	19.1	4.1	3.0	4.2	9.5	5.1	2.5	-1.5	-1.8
Capital goods and parts ⁶	<13.0>	11.5	14.2	1.4	-2.2	12.2	-2.4	6.8	4.2	8.6	-8.5
excluding aircraft	<11.9>	8.3	14.3	5.3	0.3	5.1	-0.5	7.8	5.5	3.7	-7.0
Real imports		1.2	6.8	2.2	0.1	2.0	1.3	1.8	-3.3	3.1	-1.1

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

2. Shares of each region and goods in 2003 are shown in angle brackets.

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

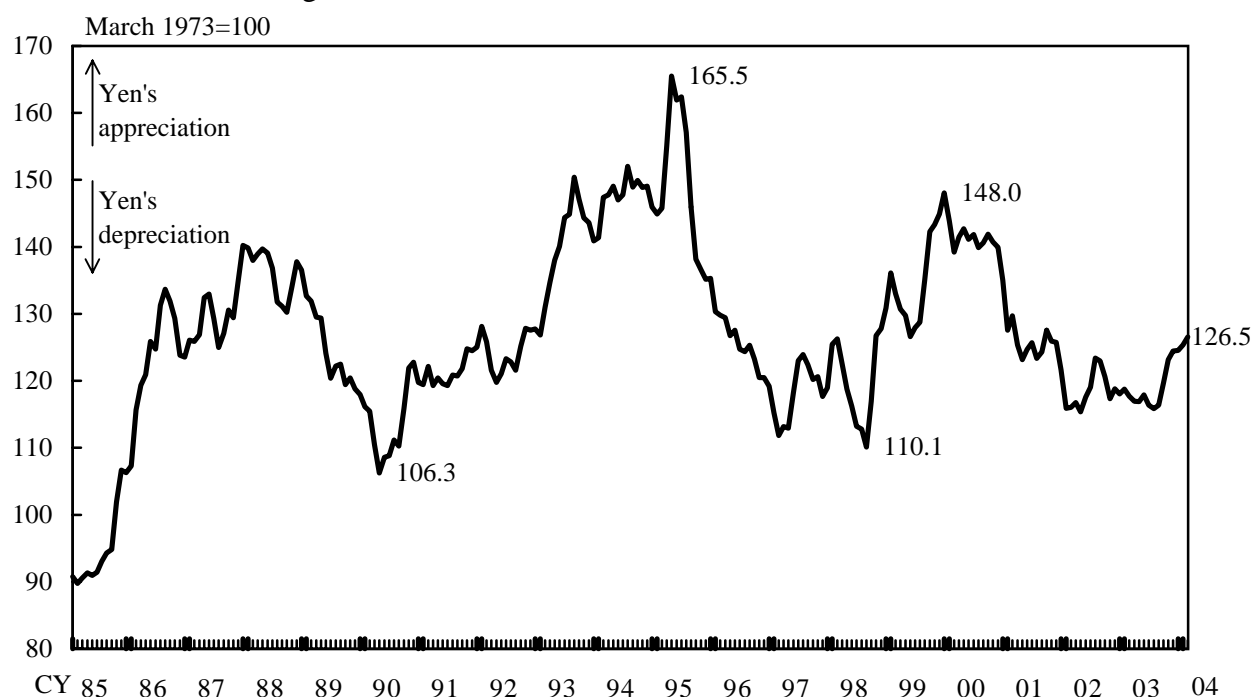
4. Raw materials are mainly composed of woods, ores and mineral fuel.

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 February 2004 is the average up to February 4.
 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

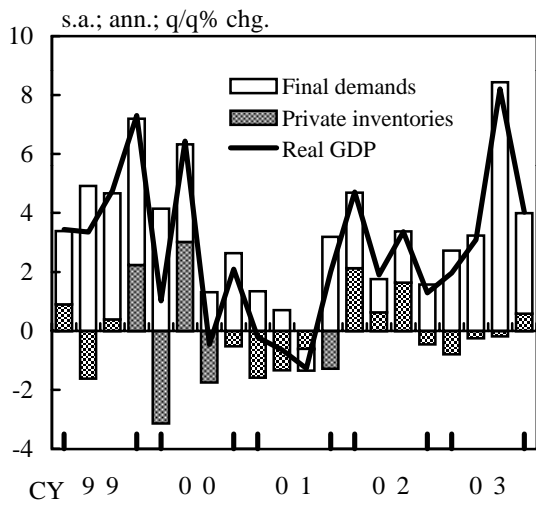
		CY2001	2002	2003	2003 Q1	Q2	Q3	Q4	
United States ¹		0.5	2.2	3.1	2.0	3.1	8.2	4.0	
European Union ¹		1.7	1.0	n.a.	0.1	0.0	1.7	n.a.	
East Asia ²	Germany	0.8	0.2	-0.1	-1.0	-0.6	0.9	n.a.	
	France	2.1	1.2	n.a.	0.1	-1.6	1.5	n.a.	
	United Kingdom	2.1	1.7	n.a.	0.7	2.4	3.3	3.8	
	China	7.3	8.0	9.1	9.9	6.7	9.6	9.9	
	NIEs	Korea	3.1	6.3	n.a.	3.7	1.9	2.3	n.a.
		Taiwan	-2.2	3.6	n.a.	3.5	-0.1	4.2	n.a.
		Hong Kong	0.5	2.3	n.a.	4.5	-0.5	4.0	n.a.
Singapore		-2.4	2.2	0.8	1.6	-3.7	1.8	3.7	
ASEAN4	Thailand	2.1	5.4	n.a.	6.7	5.8	6.5	n.a.	
	Indonesia	3.4	3.7	n.a.	3.4	3.7	3.9	n.a.	
	Malaysia	0.3	4.1	n.a.	4.6	4.5	5.1	n.a.	
	Philippines	3.0	4.4	4.5	4.5	4.0	5.1	4.5	

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

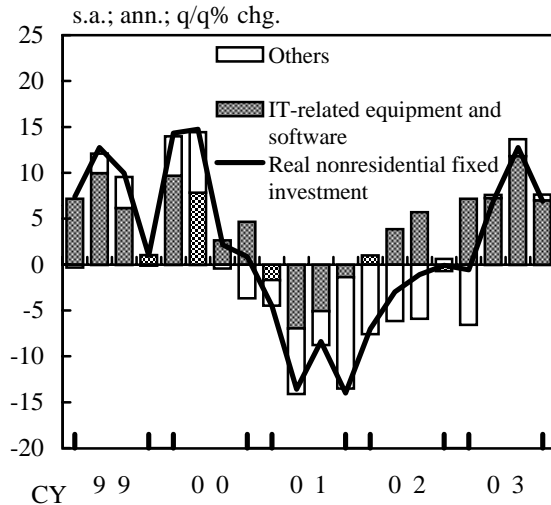
2. Quarterly data of East Asia are percent changes from a year earlier.

Environment for Exports (2)

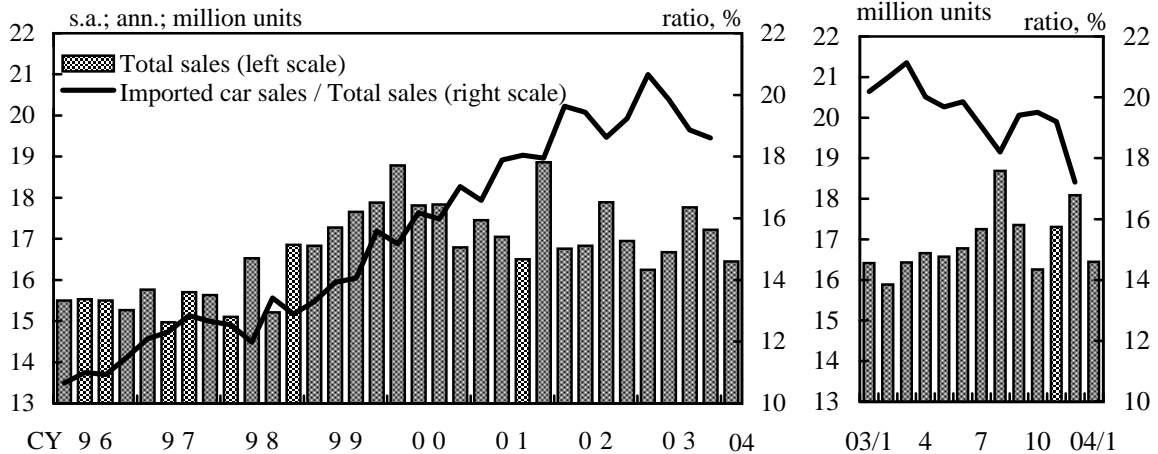
(1) U.S. Real GDP (breakdown by final demands and inventories)



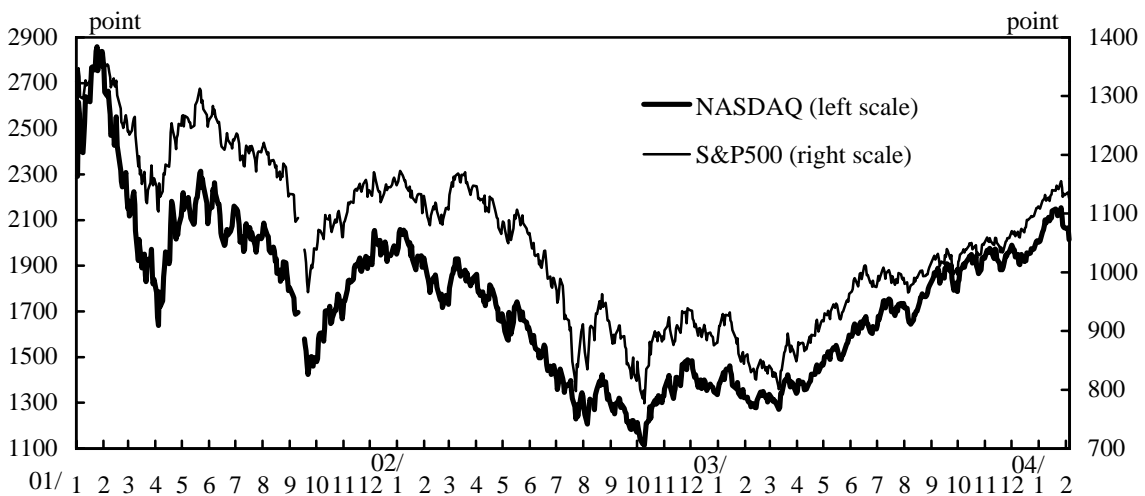
(2) U.S. Real Nonresidential Fixed Investment



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



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

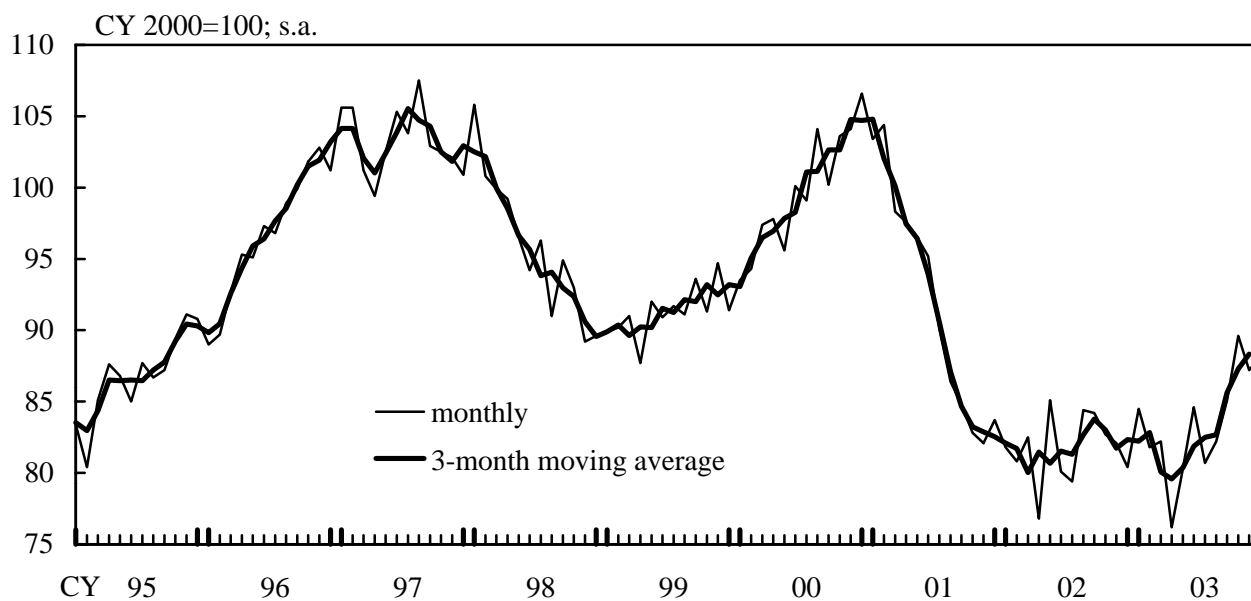


Notes: 1. "Total sales" of automobile in 2004/Q1 is based on one month sales in January. January figures of Automobile Sales are calculated by adding average of heavy trucks in CY 2003 (0.33mil.) to preliminary figure released by an industry association (s.a., ann., 16.12 mil.) which does not include heavy trucks.
2. Figures of U.S. stock prices in (4) are up to February 4.

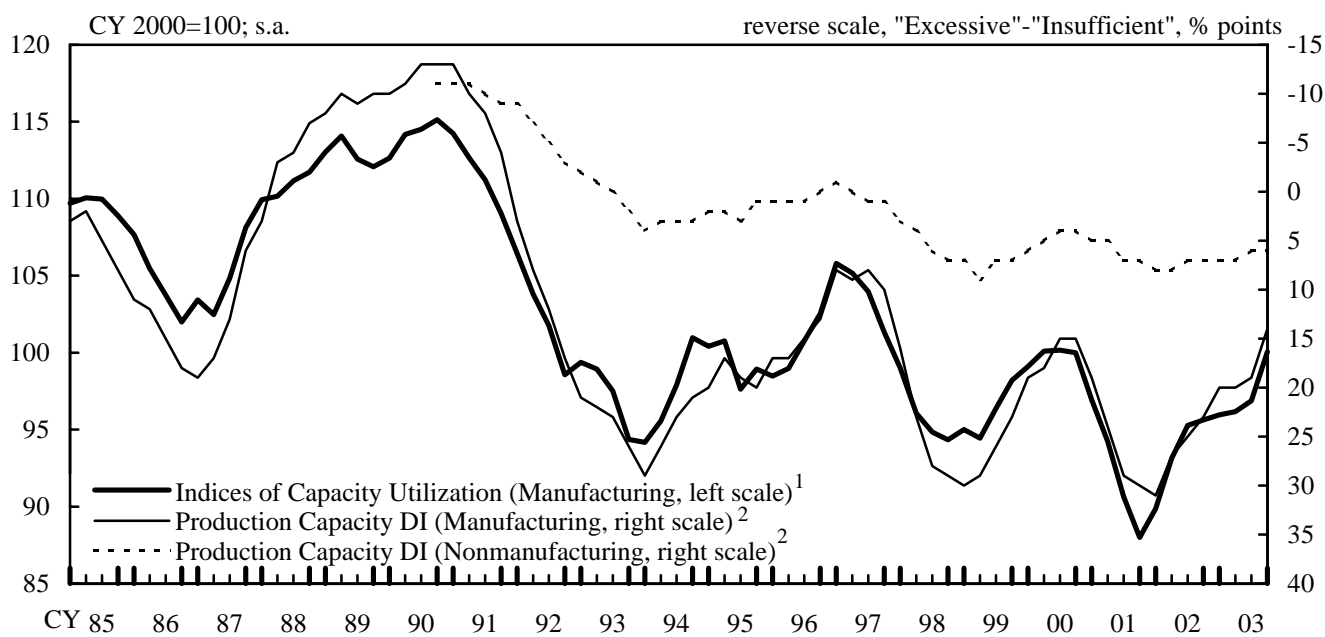
Sources: U.S. Department of Commerce, "National Income and Product Accounts," "Sales, production, imports, exports, and inventories, in units"; Reuters News Service; Bloomberg.

Indicators for Business Fixed Investment (1)

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



(2) Indices of Capacity Utilization and Production Capacity DI



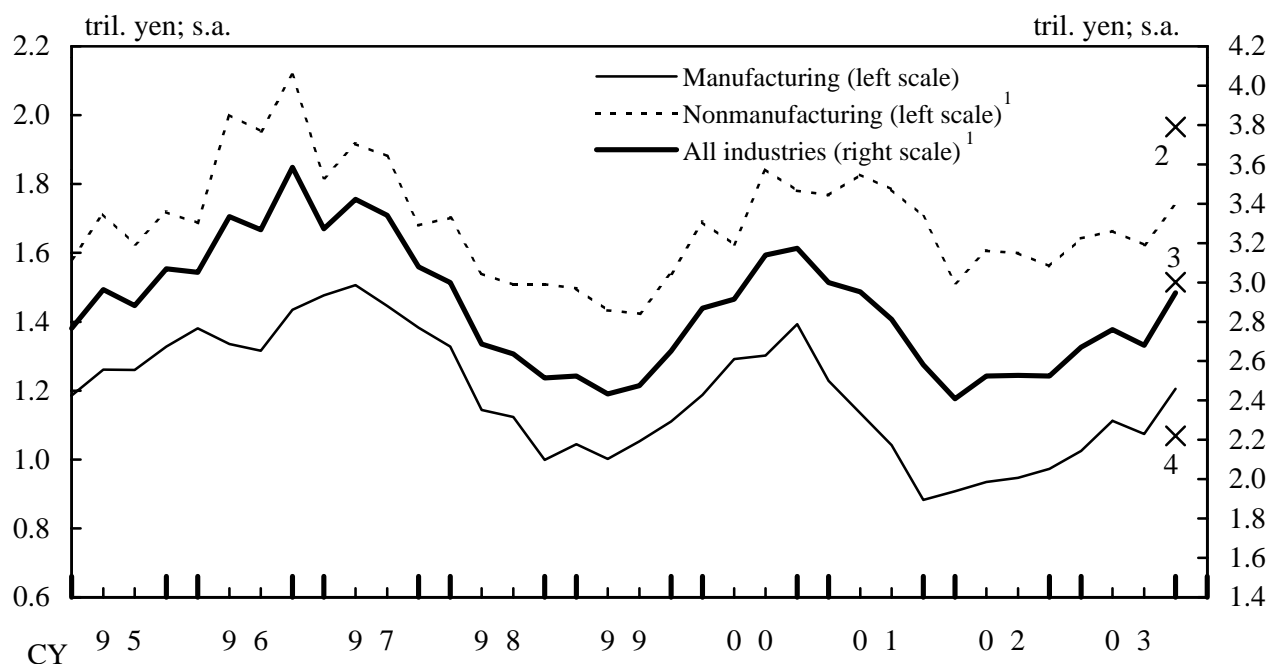
Notes: 1. The figure for 2003/Q4 is average of October and November.

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.

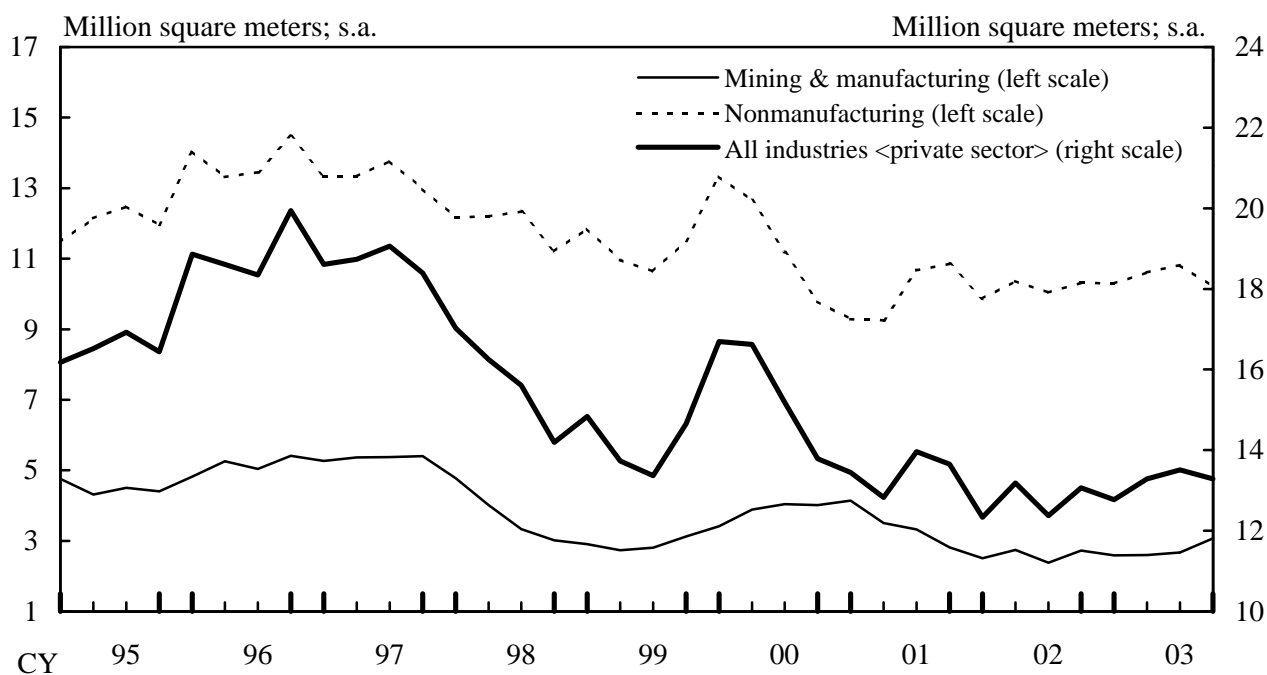
2. Forecast of nonmanufacturing industries for 2003/Q4.

3. Forecast of all industries for 2003/Q4.

4. Forecast of manufacturing industries for 2003/Q4.

5. Figures for 2003/Q4 are averages of October and November in terms of quarterly amount.

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



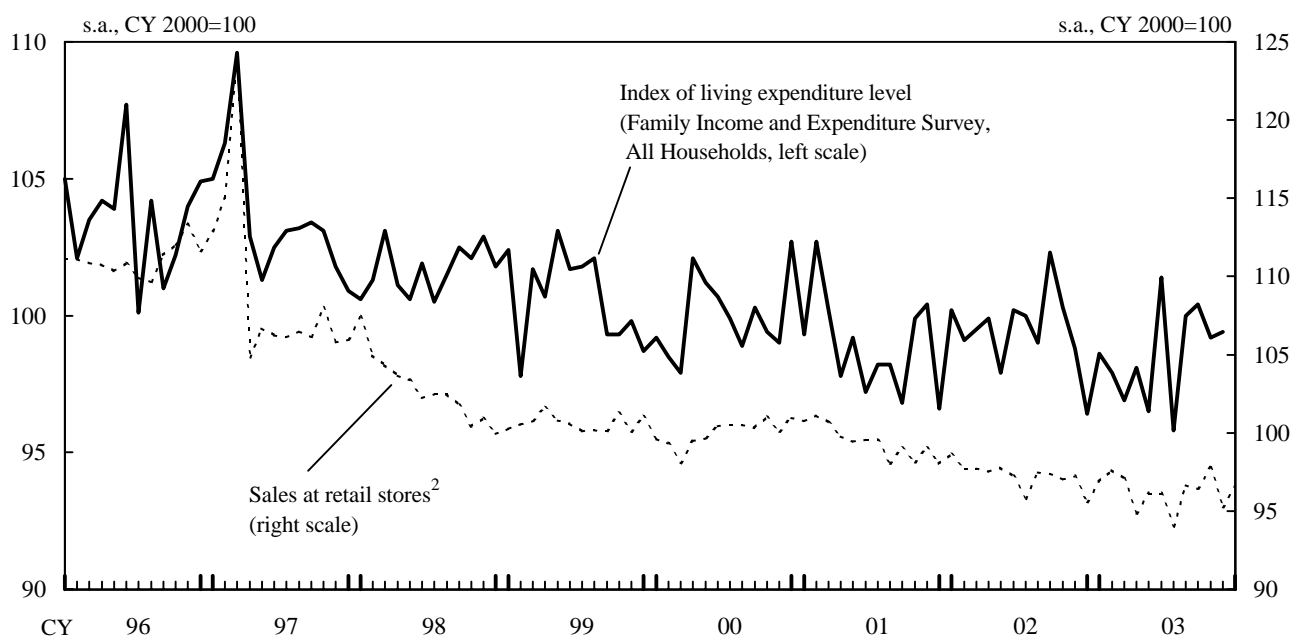
Note: Seasonally adjusted by X-12-ARIMA.

Sources: Cabinet Office, "Machinery Orders Statistics";

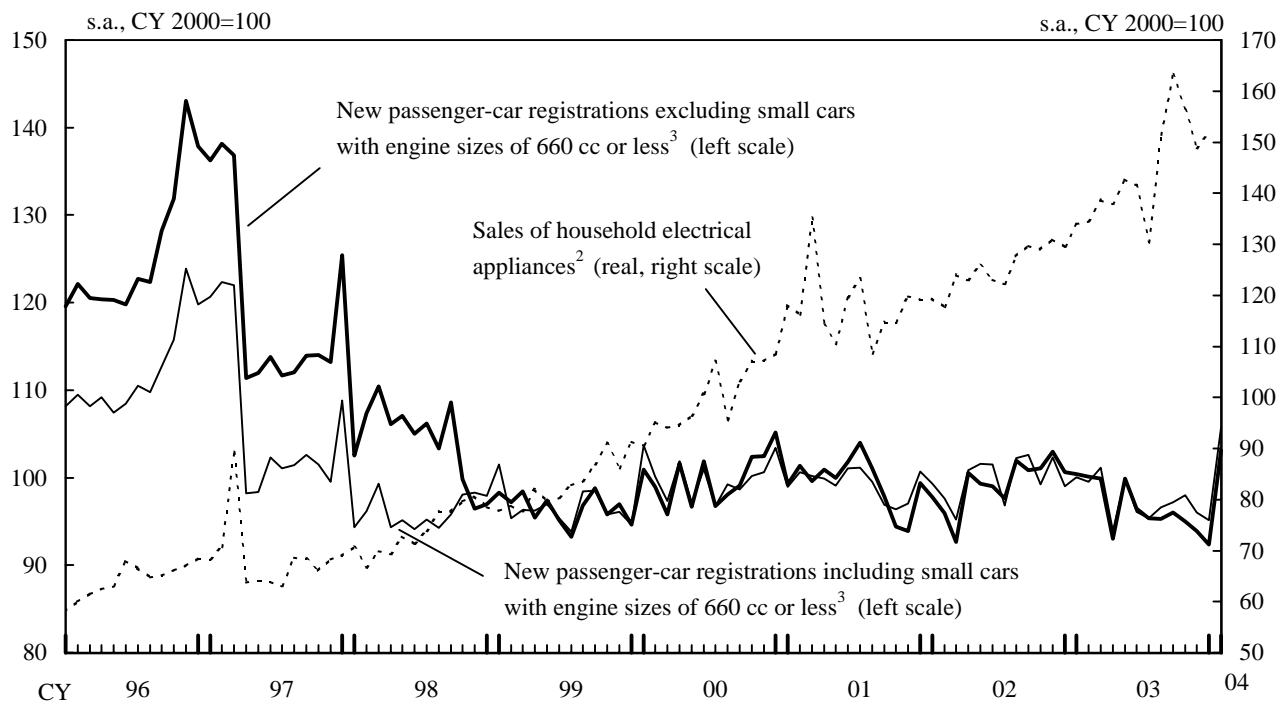
Ministry of Land, Infrastructure and Transport, "Statistics on Building Construction Starts."

Indicators for Private Consumption¹ (1)

(1) Household Spending (real)



(2) Sales of Durable Goods



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

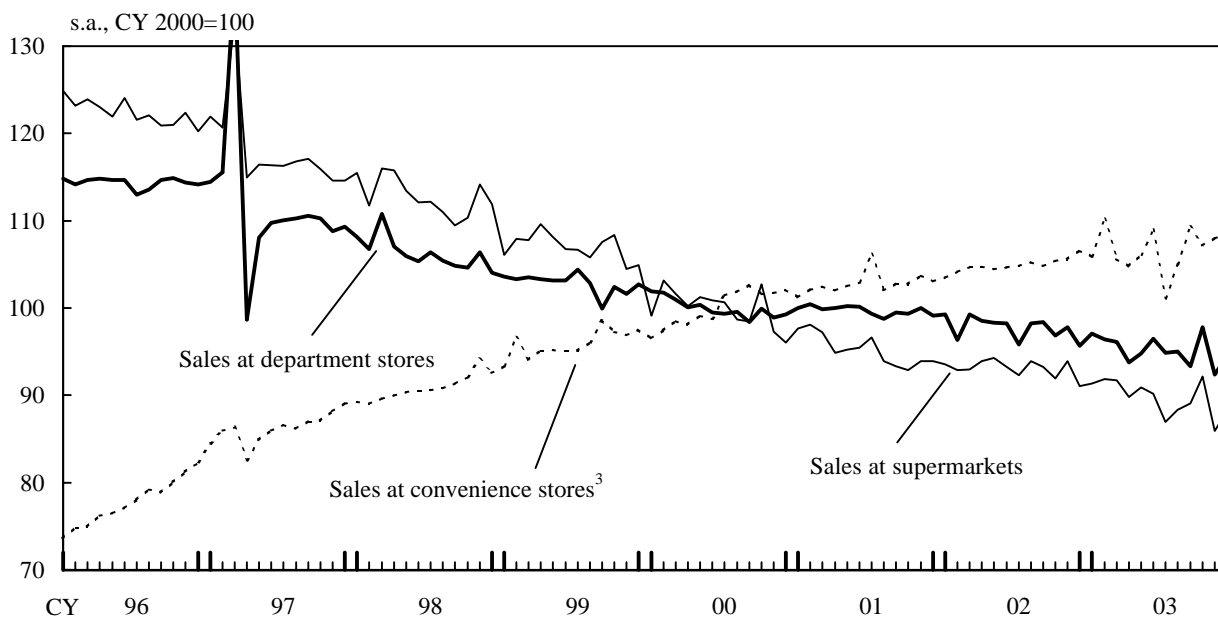
2. Sales at retail stores are deflated by the consumer price index for goods. Sales of household electrical appliances are the sum of their components deflated by the consumer price index (or the wholesale price index for personal computers before 1999).

3. The number of New passenger -car registrations has been retroactively revised due to the changes in definitions of the released statistics. In line with this revision, seasonally adjusted figures have also been changed.

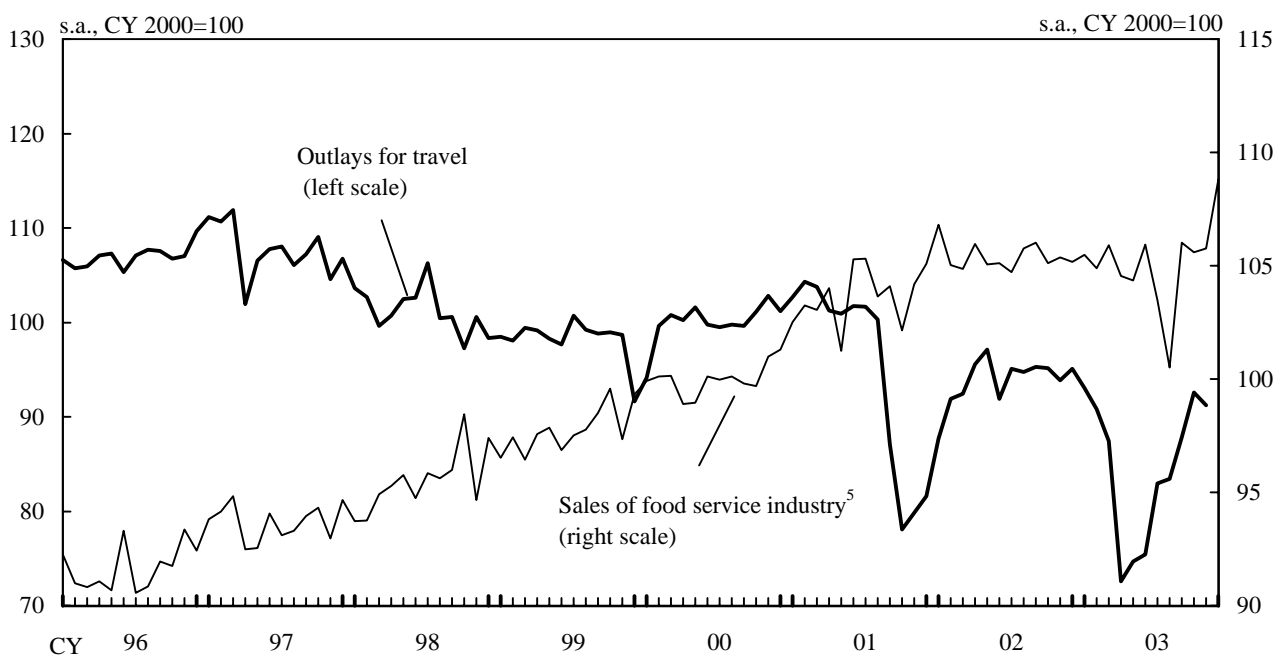
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles";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

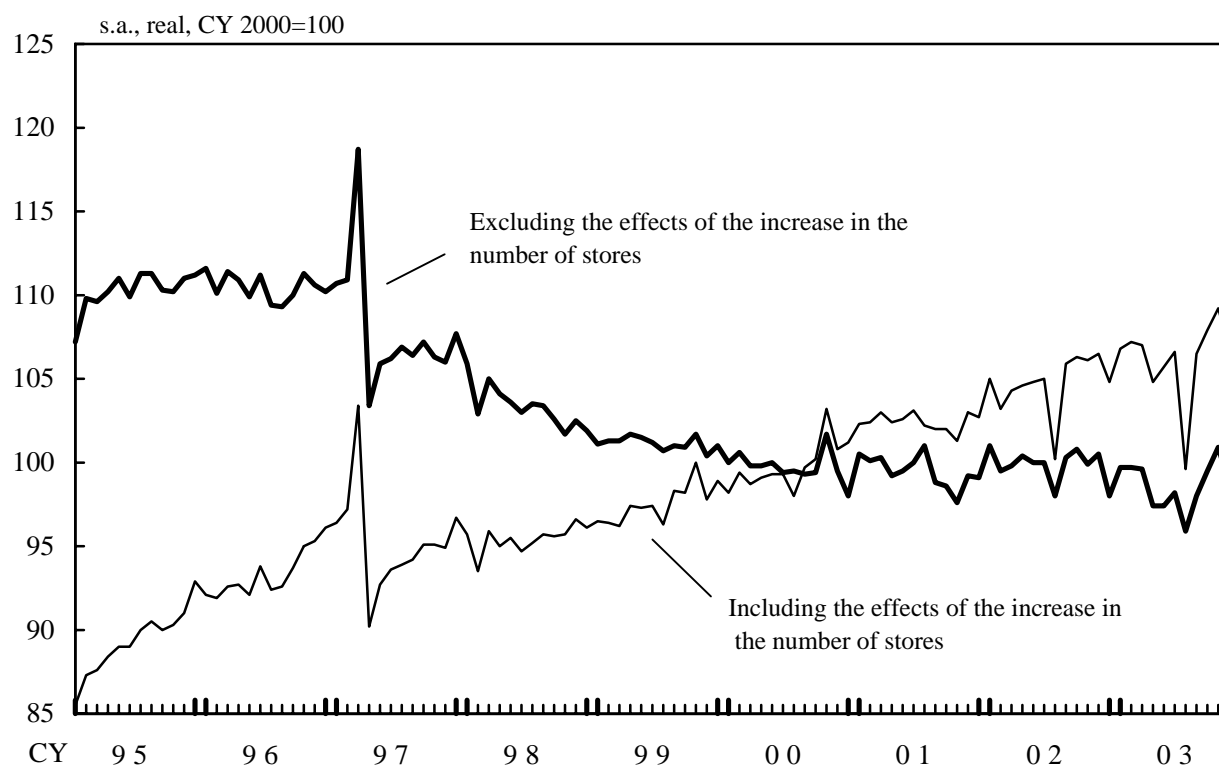
5. Sales of food service industry are calculated using the year to year change rates of every month released by the Japan Food Service Association based on monthly sales amounts in 1993 released by the Food Service Industry Survey & Research Center.

Sources: Ministry of 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

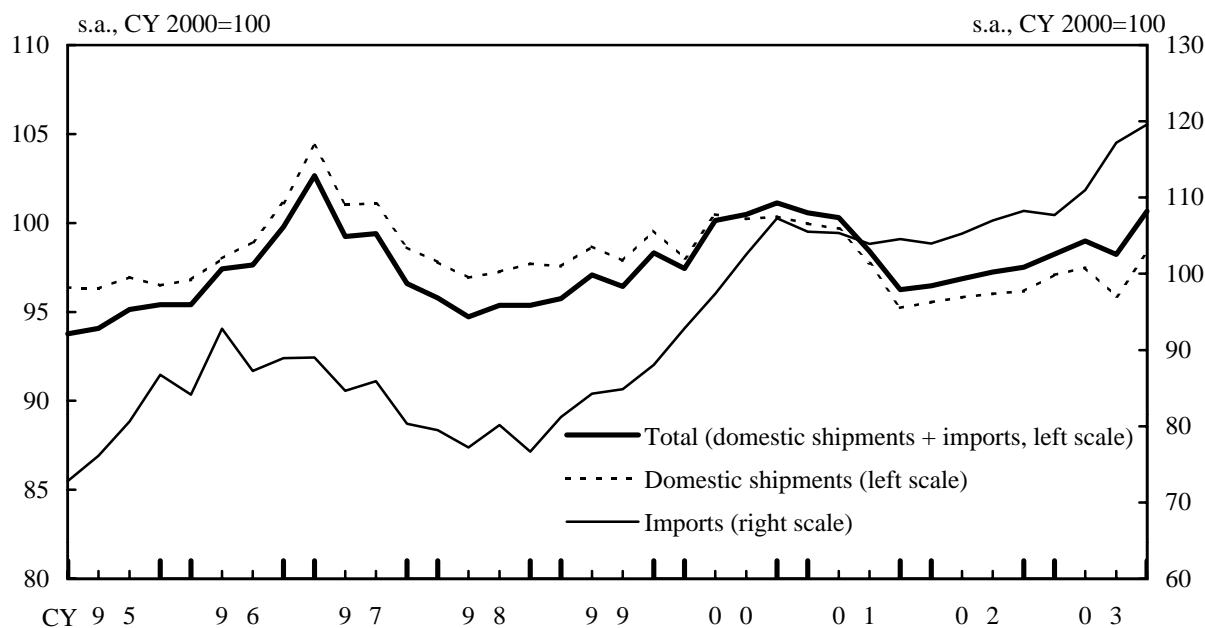


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Sales of food service industry*, where the weights come from household expenditure in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

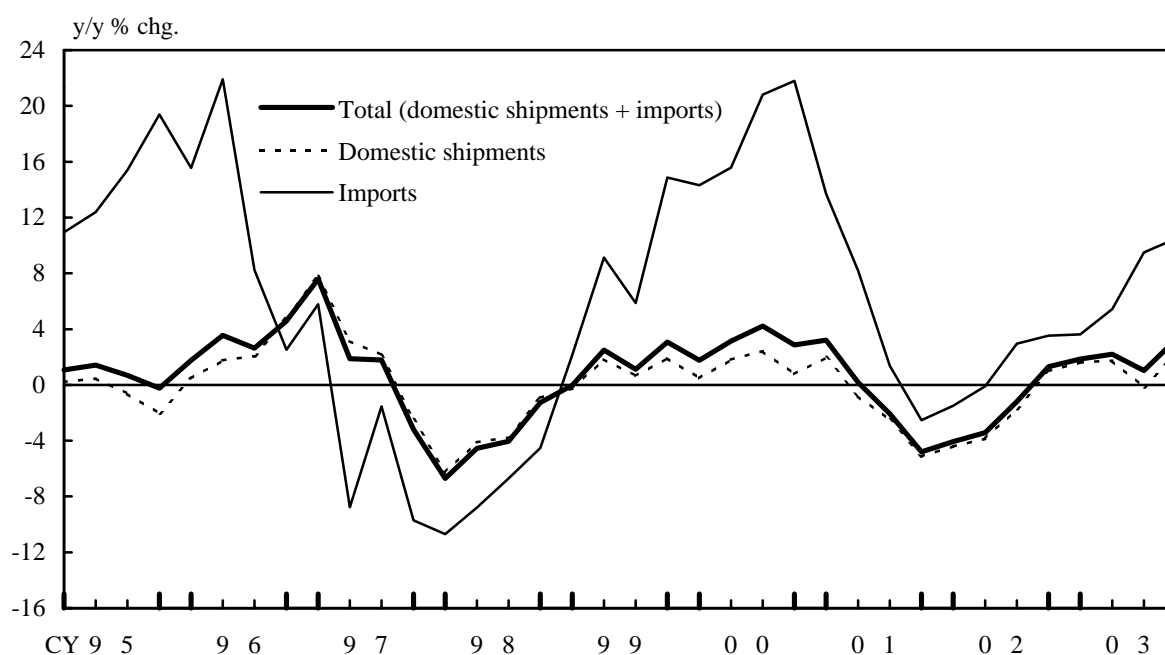
Source: Bank of Japan, "Indices of Aggregated Sales."

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

(1) Level



(2) Changes from a year earlier

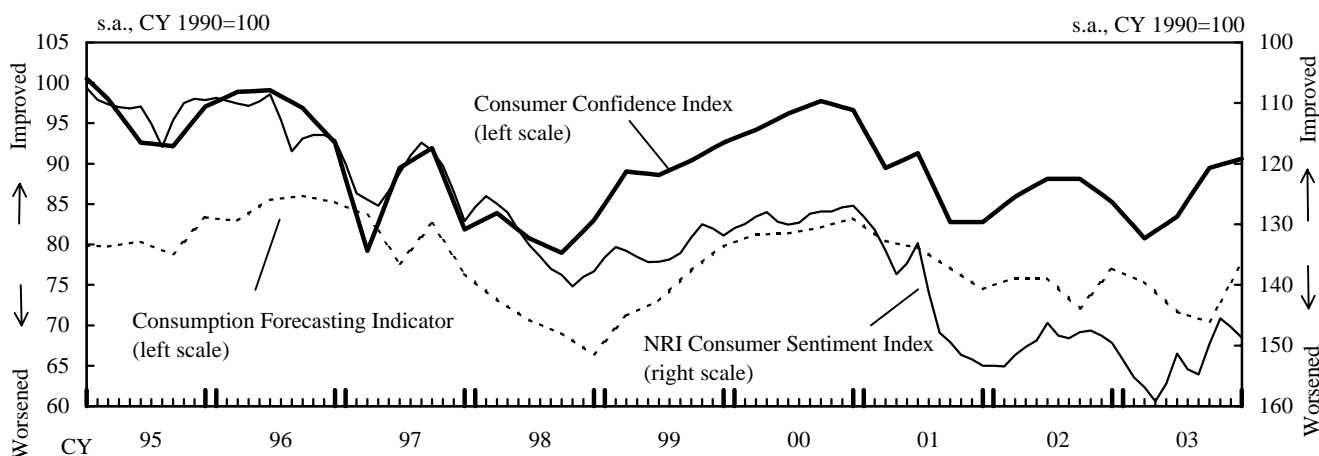


- Notes: 1. Aggregate supply of consumer goods is calculated by the Bank of Japan using shipments of consumer goods in *Indices of Industrial Production* and real exports and imports of consumer goods. The weights used for calculation are those of *Indices of Industrial Domestic Shipments and Imports*.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

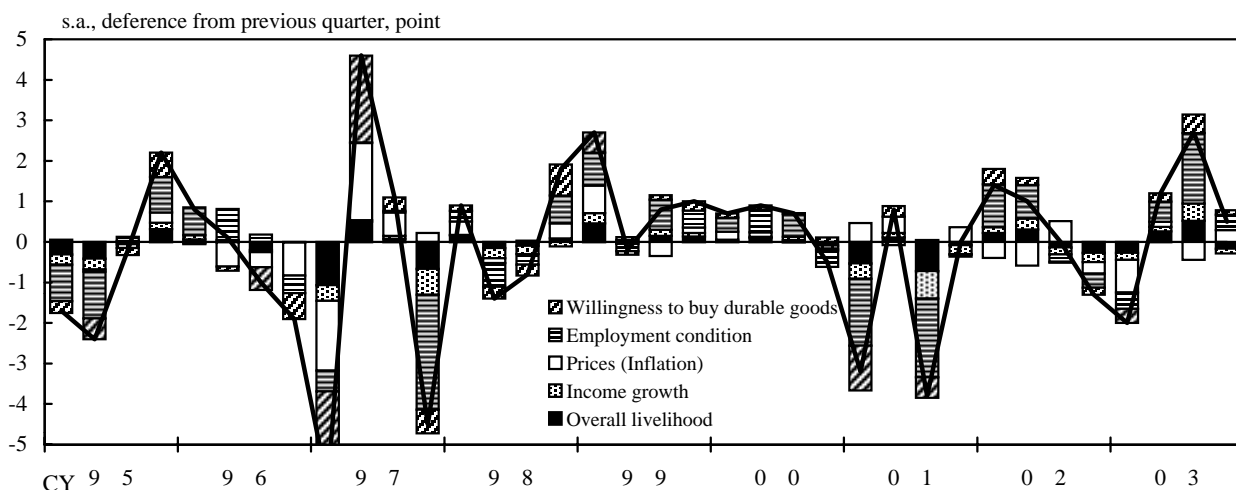
Consumer Confidence

(1) Surveys on Consumer Confidence

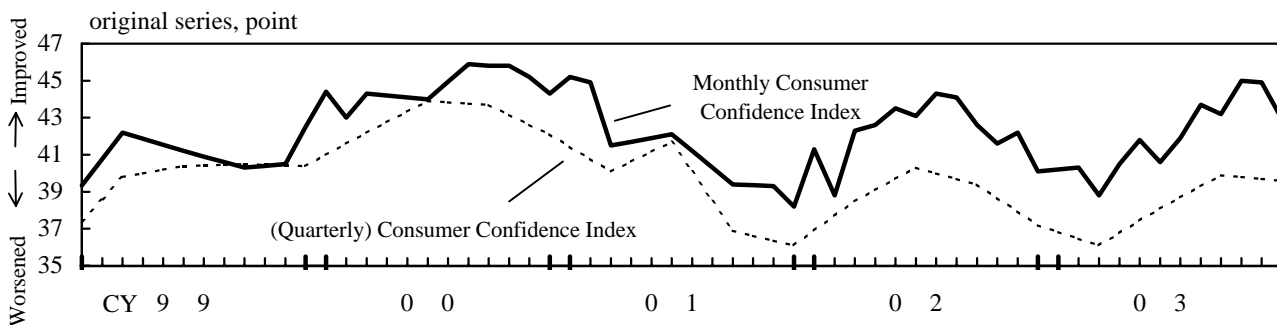


- Notes:
1. Seasonally adjusted by X-11. "Consumer Confidence Index" is seasonally adjusted by the Cabinet Office.
 2. Consumer Confidence Index (with 5,040 samples in a nationwide basis), Consumption Forecasting Indicator (with 1,500 samples in metropolitan area), and NRI Consumer Sentiment Index (with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

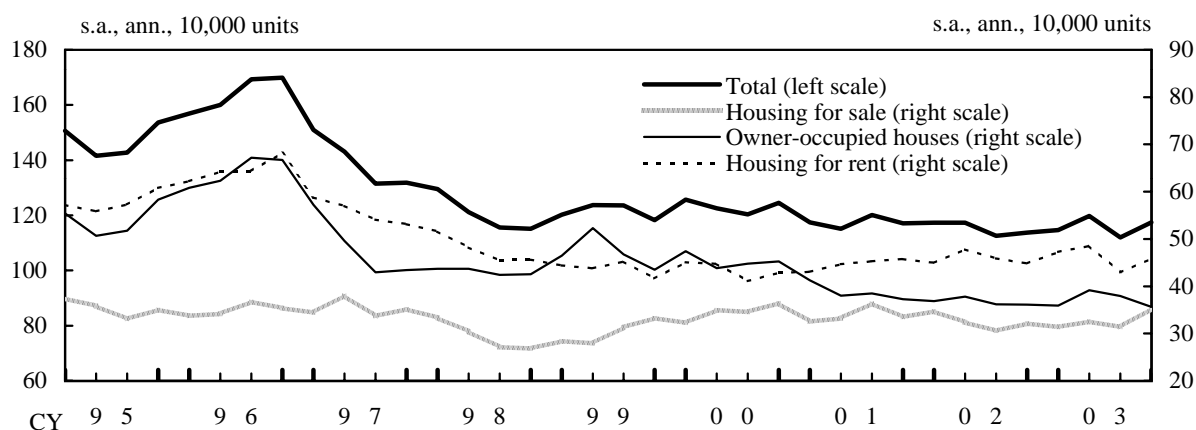


Note: *Monthly Consumer Confidence Survey* is conducted on a monthly basis for limited samples of the Tokyo district (435 households surveyed) in the quarterly Consumer Confidence Survey. The items in the monthly survey are parts of the quarterly survey. Prior to 2001, figures for the months when the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

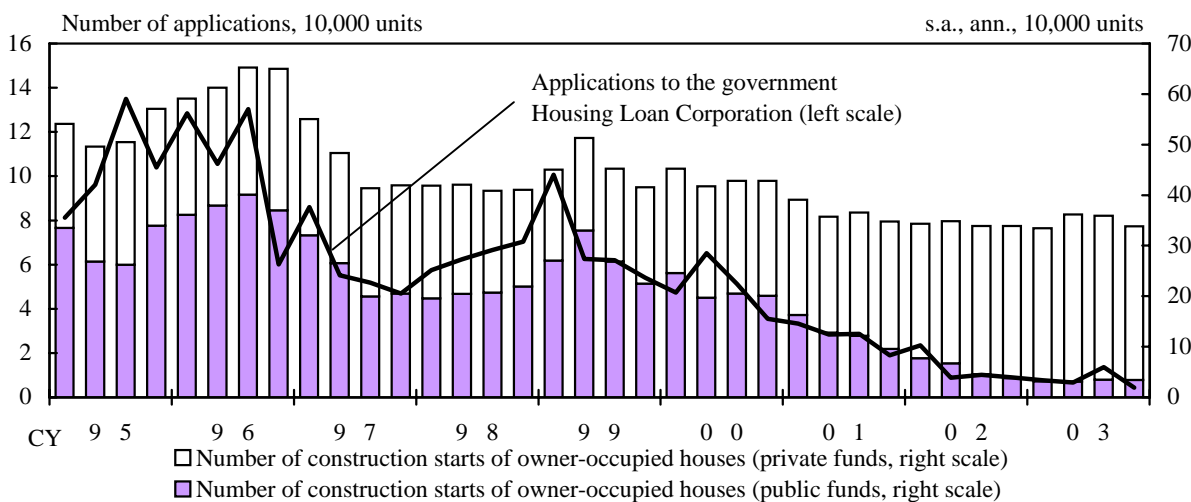
Sources: Cabinet Office, "Consumer Confidence Survey," "Monthly Consumer Confidence Survey"; Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator"; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Indicators for Housing Investment

(1) Housing Starts

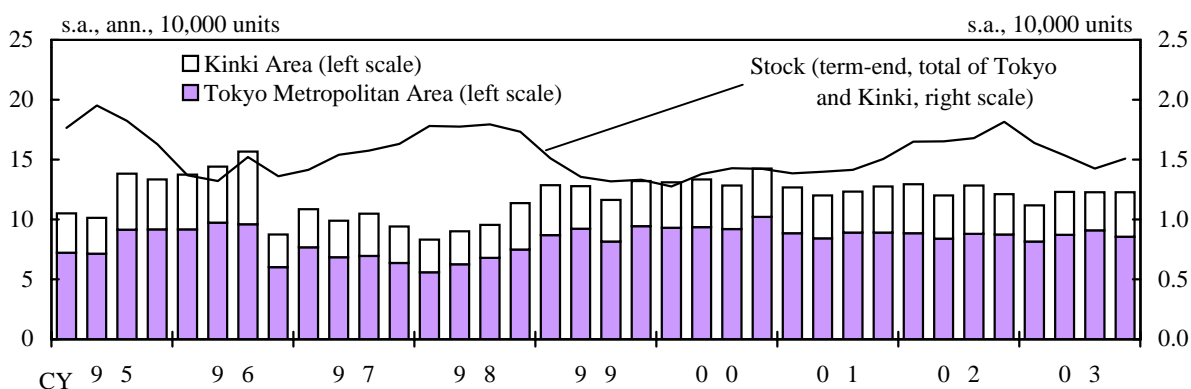


(2) Applications to the Government Housing Loan Corporation for new owner-occupied houses and Construction Starts of owner-occupied houses



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.

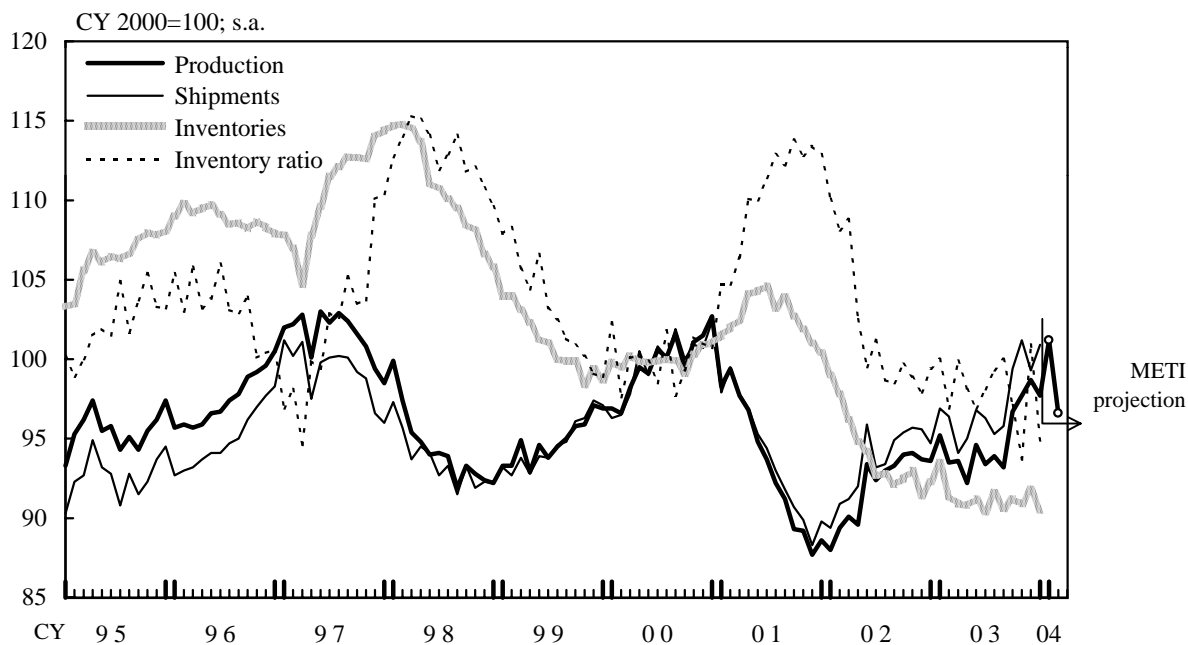
(3) Sales of Condominiums



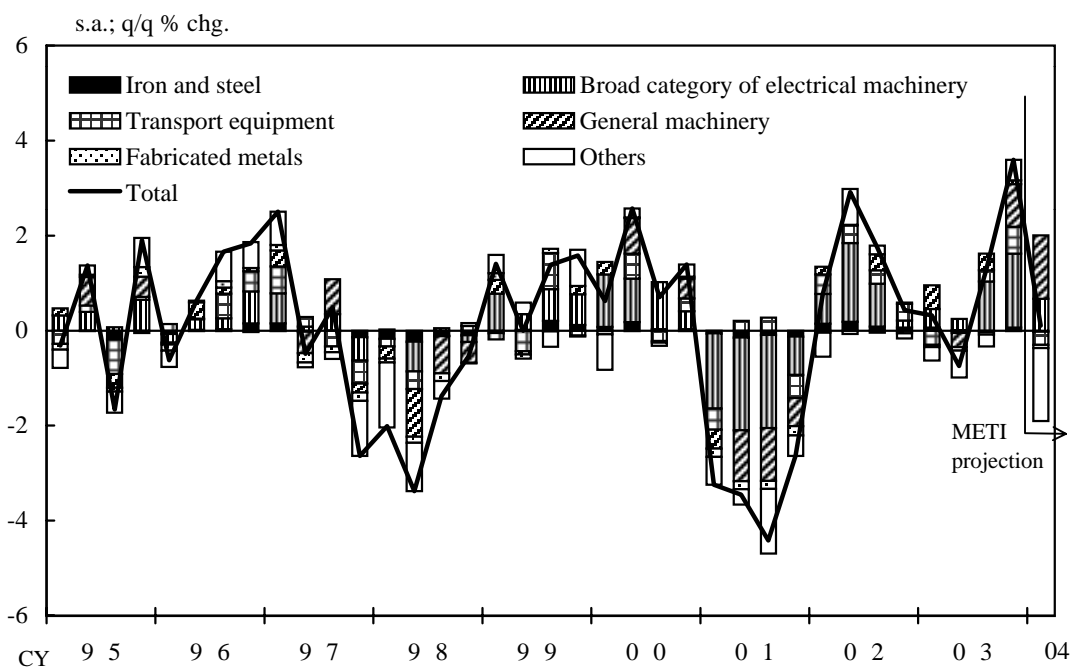
Note: Seasonally adjusted by X-12-ARIMA.

 Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries



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

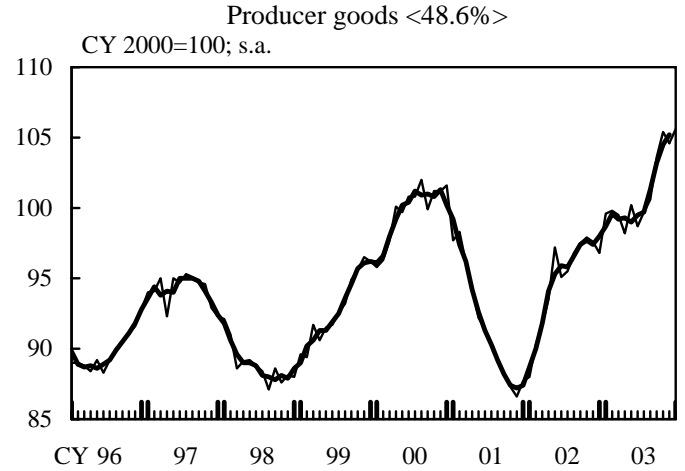
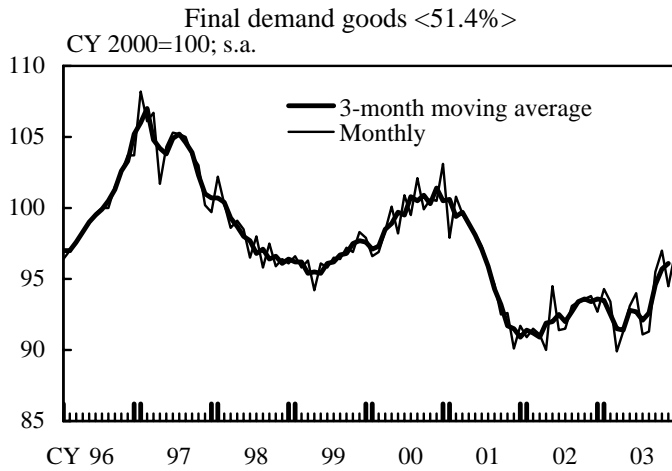
"Broad category of electrical machinery" is the weighted sum of "electrical machinery", "information and communication electronics equipment" and "electronic parts and devices."

2. 2004/Q1 for METI projection is based on the assumption that production level in March is the same as that of Feb..

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

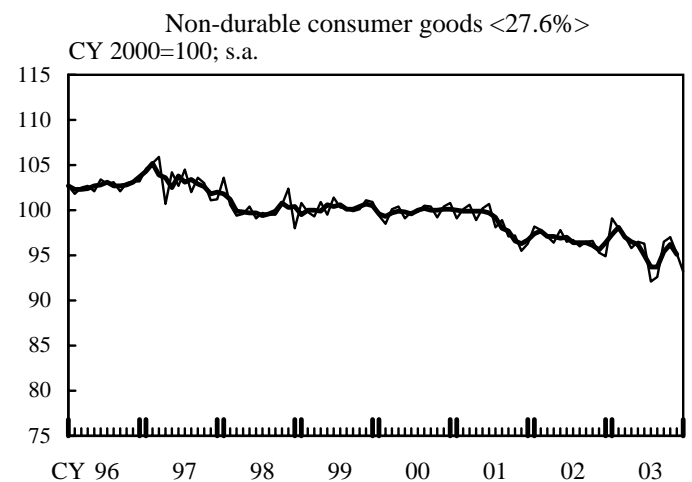
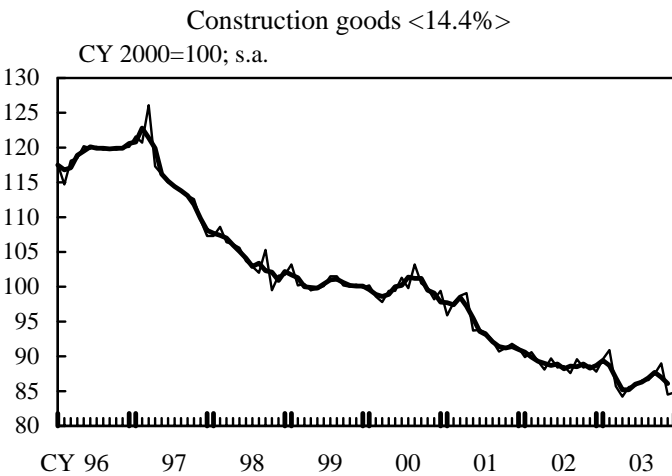
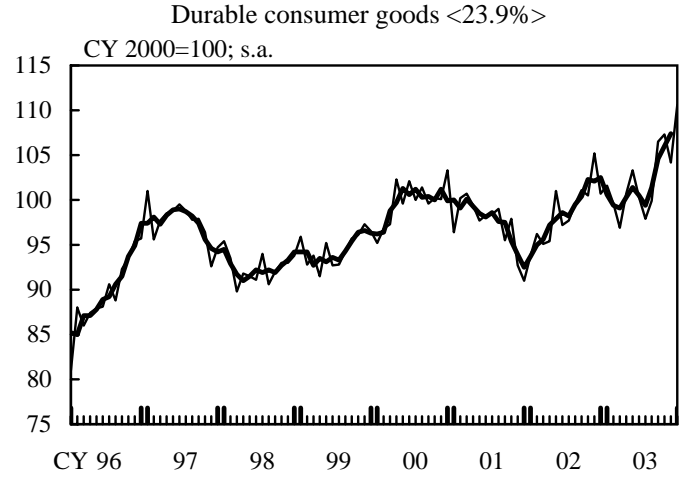
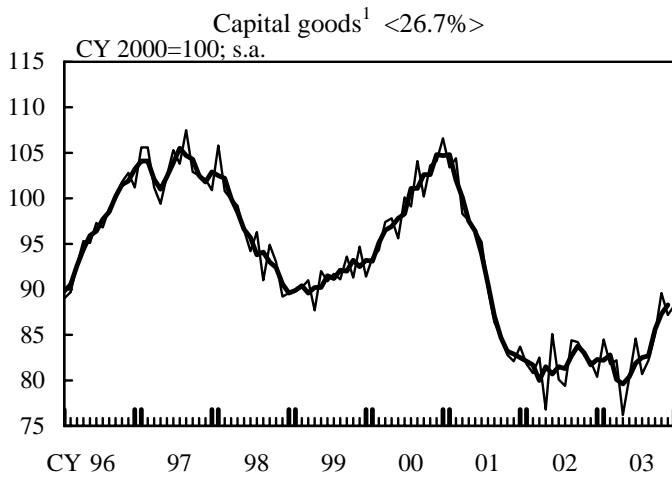
Shipments breakdown by type of goods

(1) Final demand goods and Producer goods



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

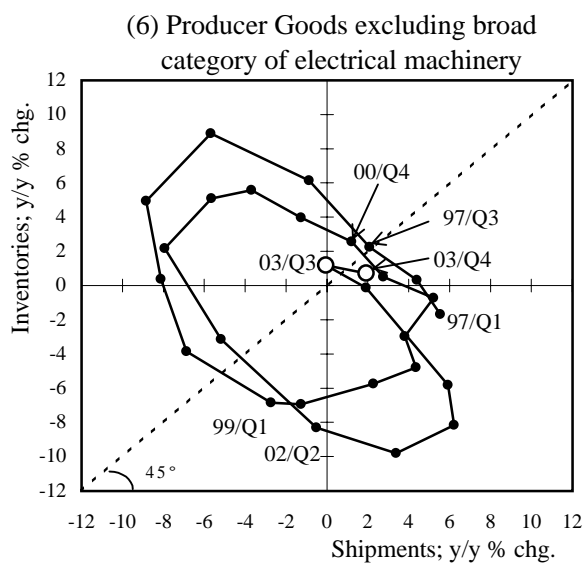
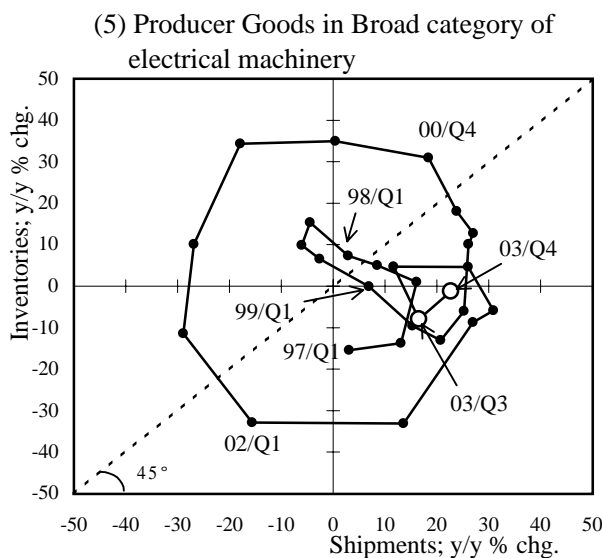
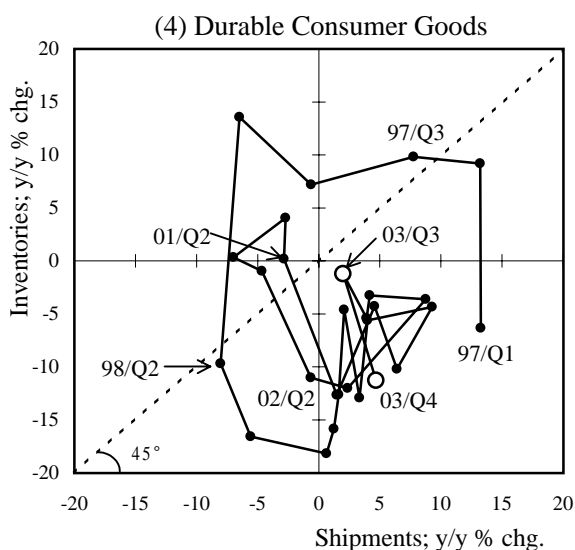
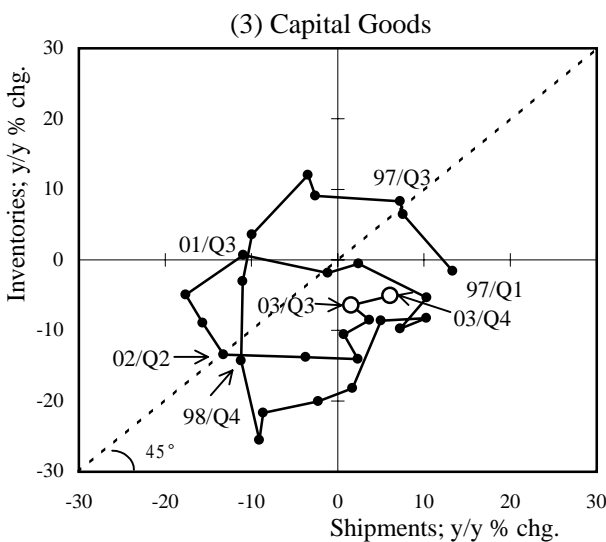
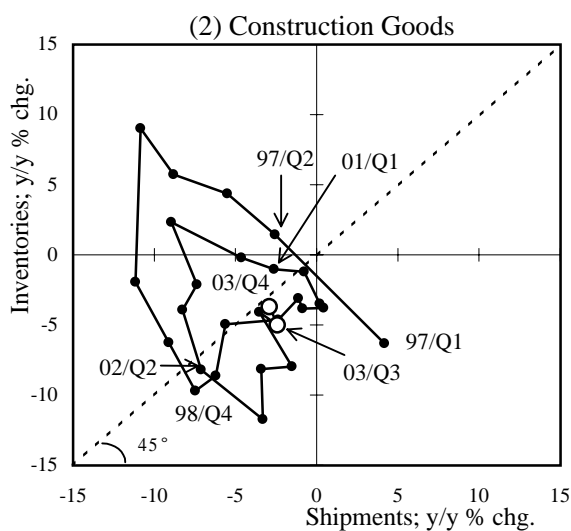
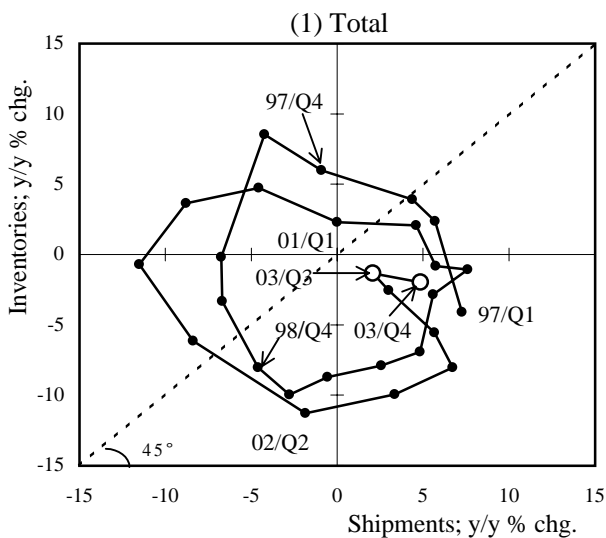
(2) Breakdown of final demand goods



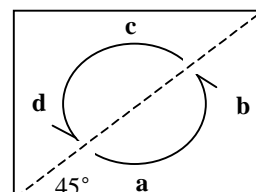
Notes: 1. Excluding transportation equipment.
2. Shares of shipments of final demand goods are shown in angle brackets.

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

Inventory Cycle

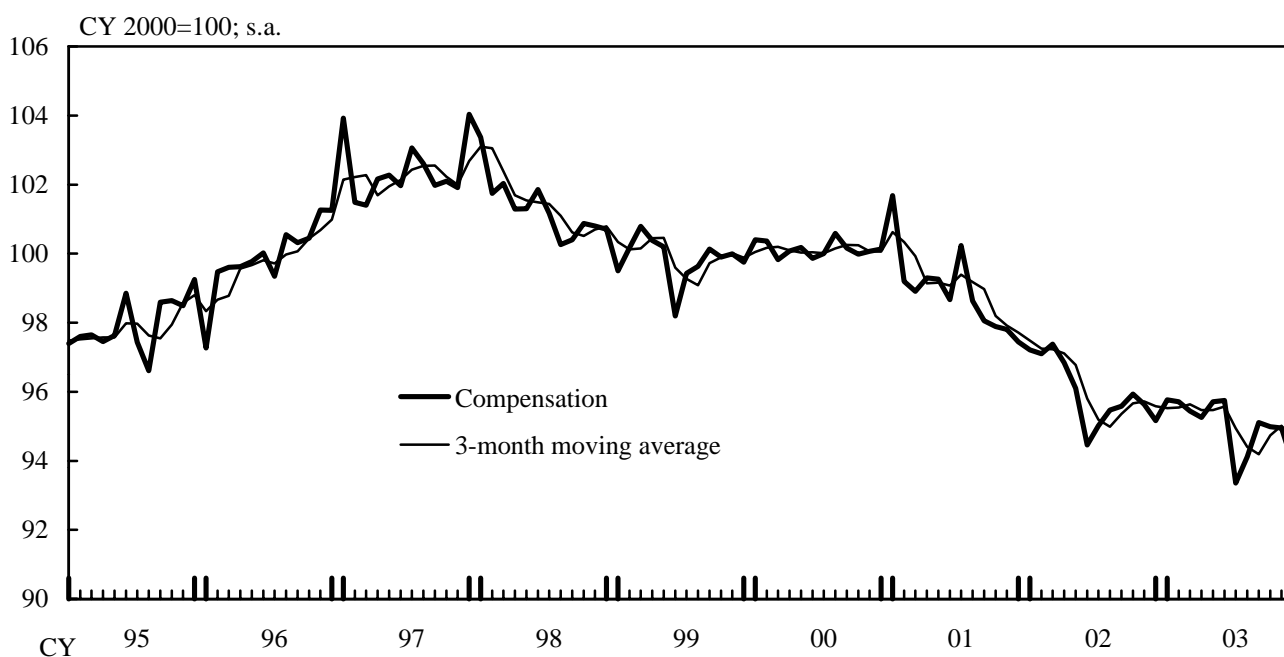


a Shipment recovery phase
 b Intended inventory accumulation phase
 c Unintended inventory accumulation phase
 d Inventory adjustment phase



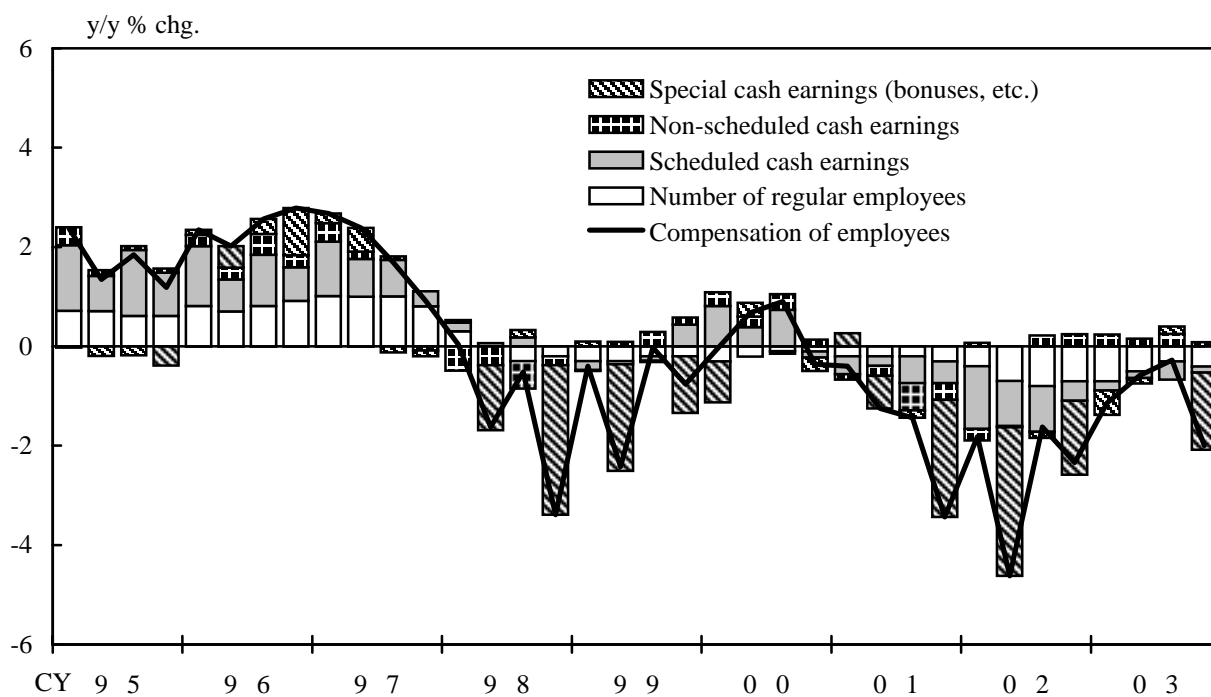
Compensation of Employees

(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 December 2003 are preliminary figures.

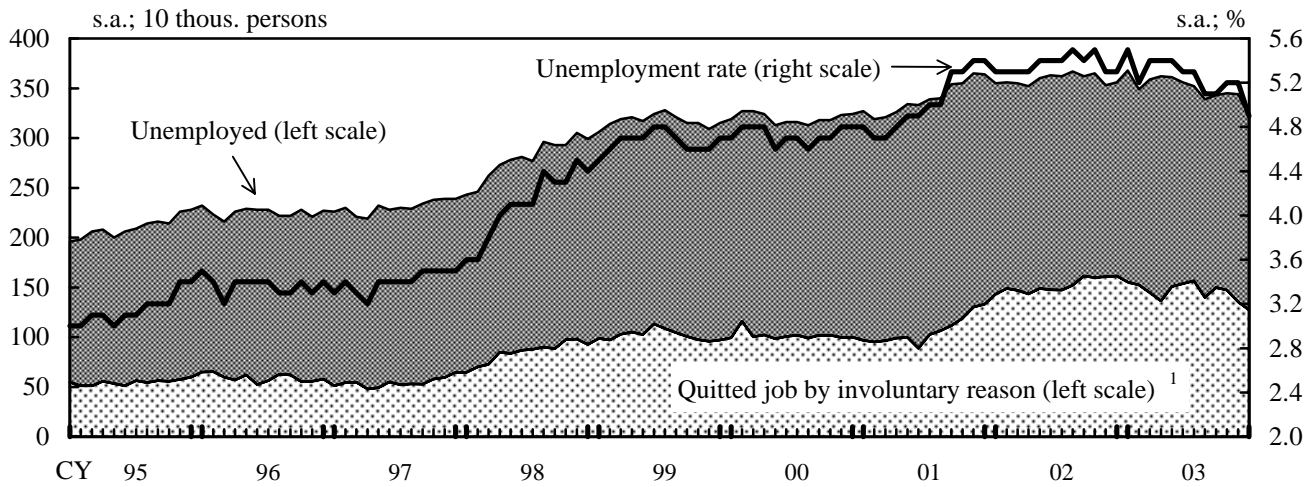
(2) Breakdown of Compensation



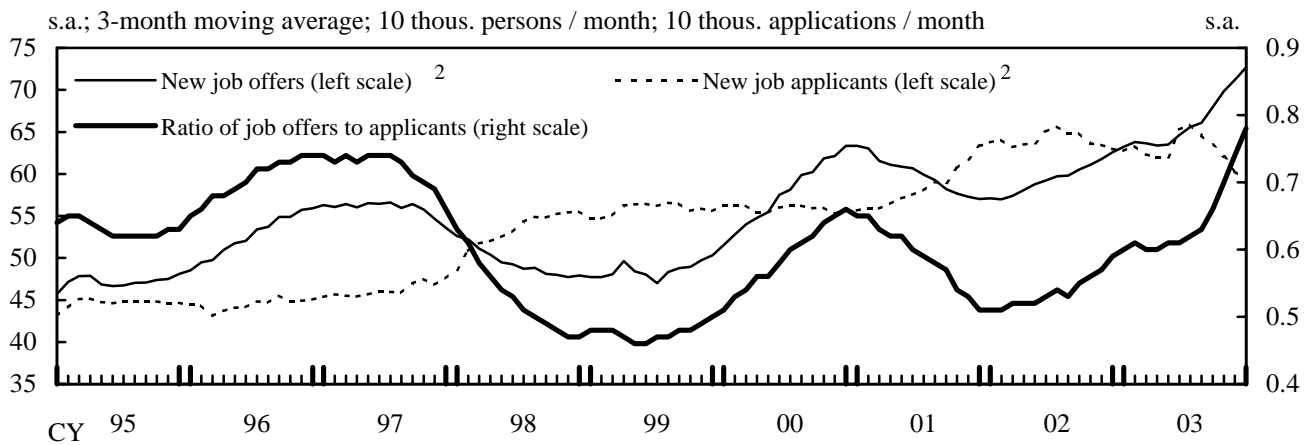
- Notes: 1. Data are for establishments with at least 5 employees. Those for December 2003 are preliminary figures.
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
3. Figures for 2003/Q4 are those of December.

Labor Market (1)

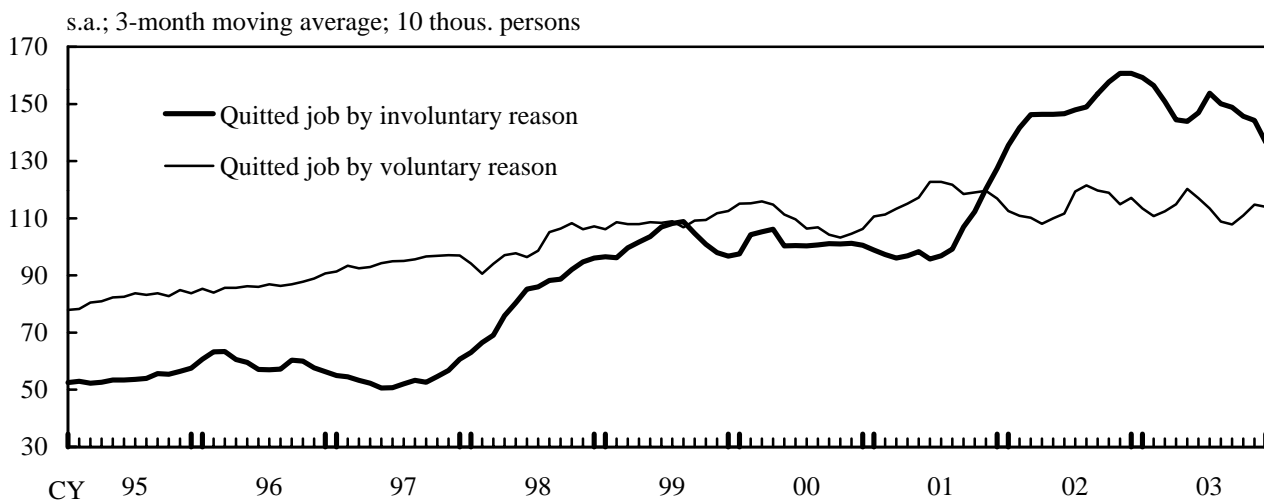
(1) The Unemployed and Unemployment Rate



(2) Ratio of Job Offers to Applicants



(3) Breakdown of the Unemployed¹



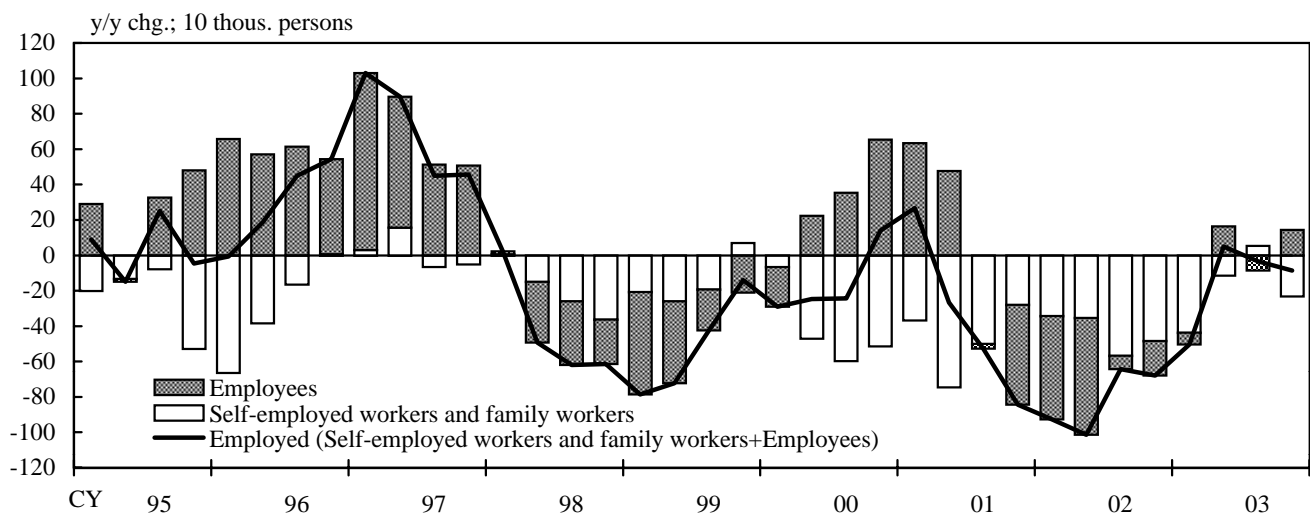
Notes: 1. Seasonally adjusted by X-11.

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

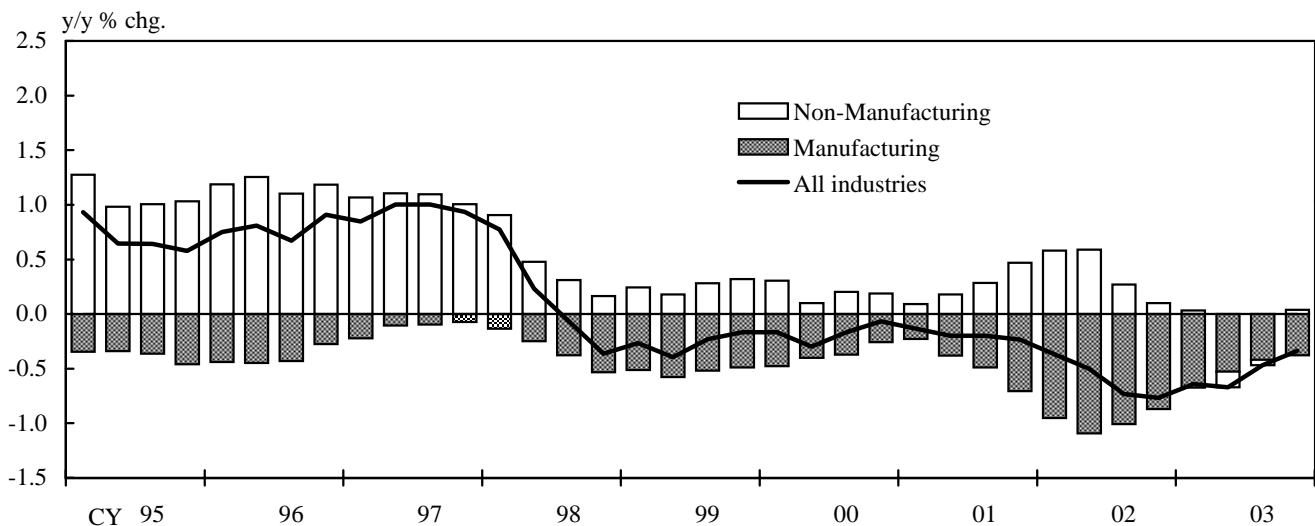
Sources: Ministry of Health, Labour and Welfare, "Report on Employment Service,"
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Labor Market (2)

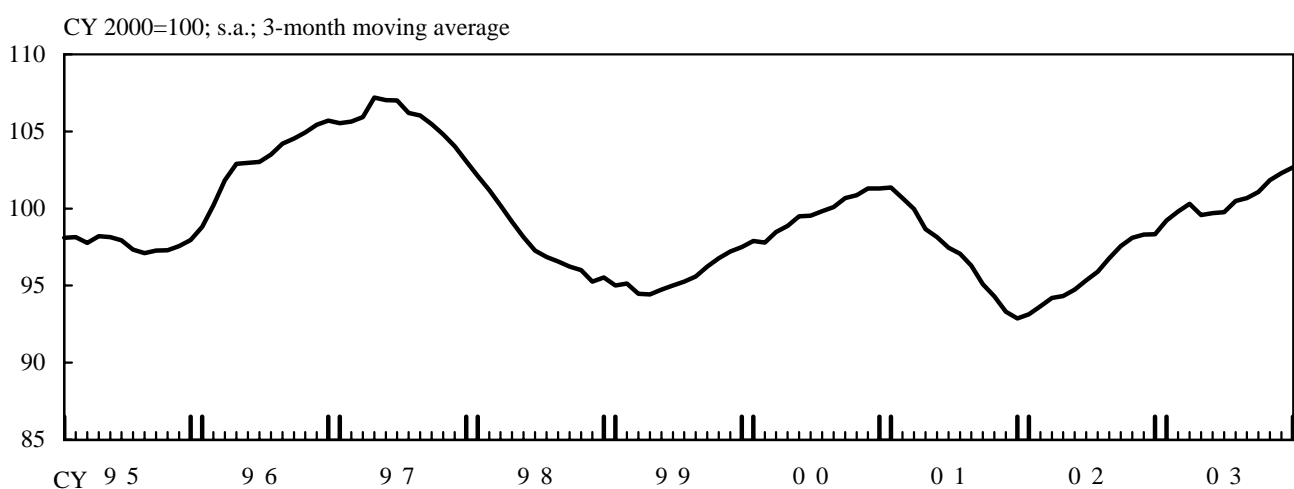
(1) The Employed (Labour Force Survey)



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



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

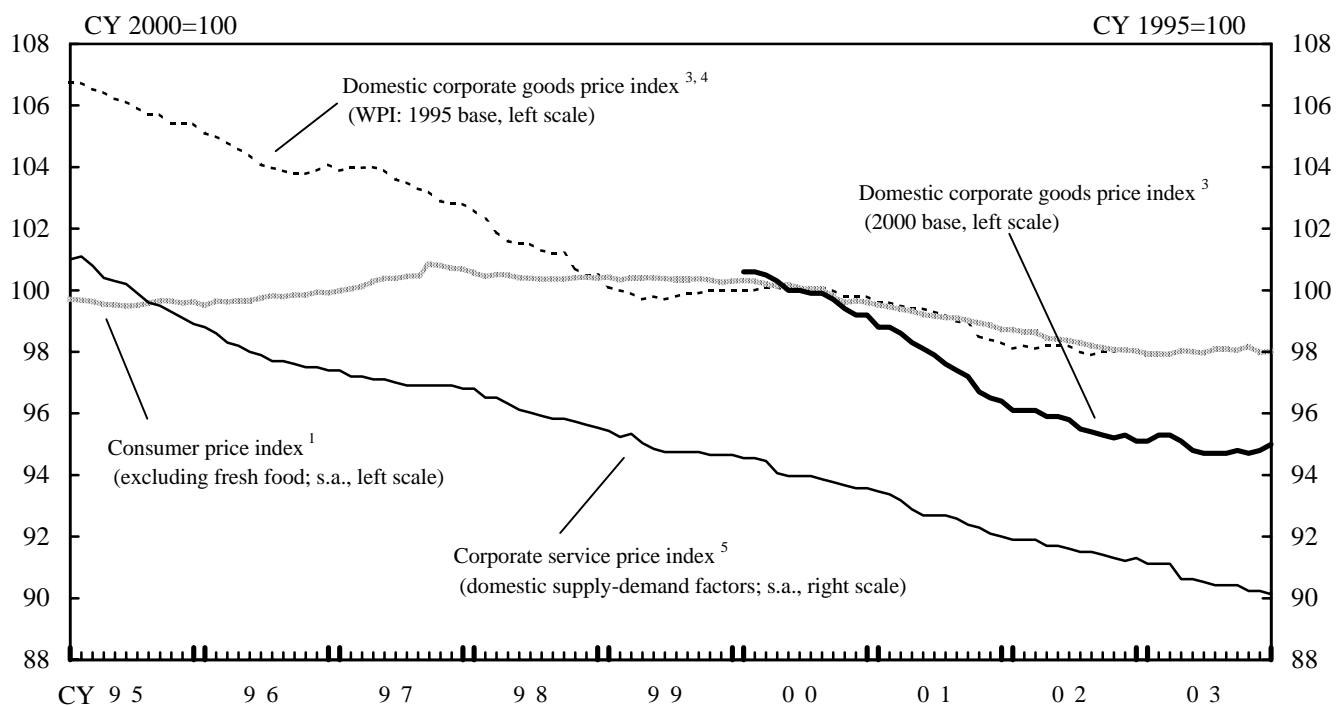


Note: 1. Data are for establishments with at least 5 employees. Those for December 2003 are preliminary figures.

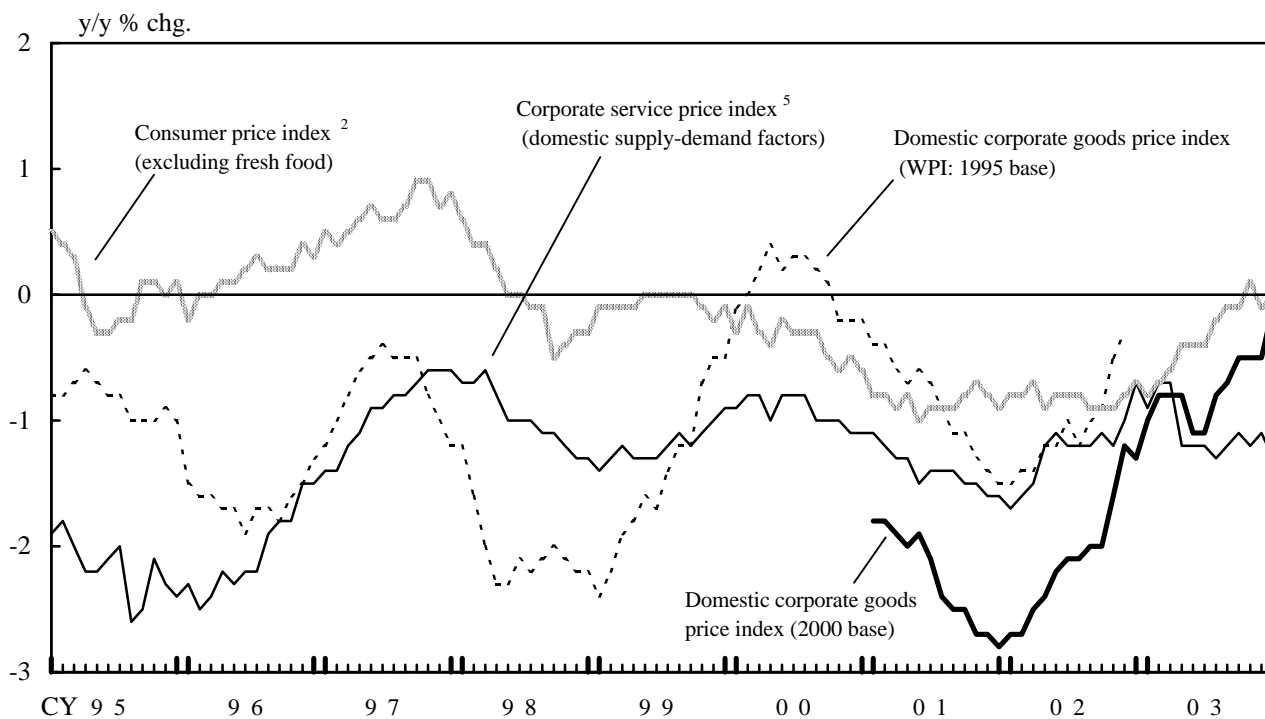
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Prices⁶

(1) Level



(2) Changes from a year earlier



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

2. Data up to 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.

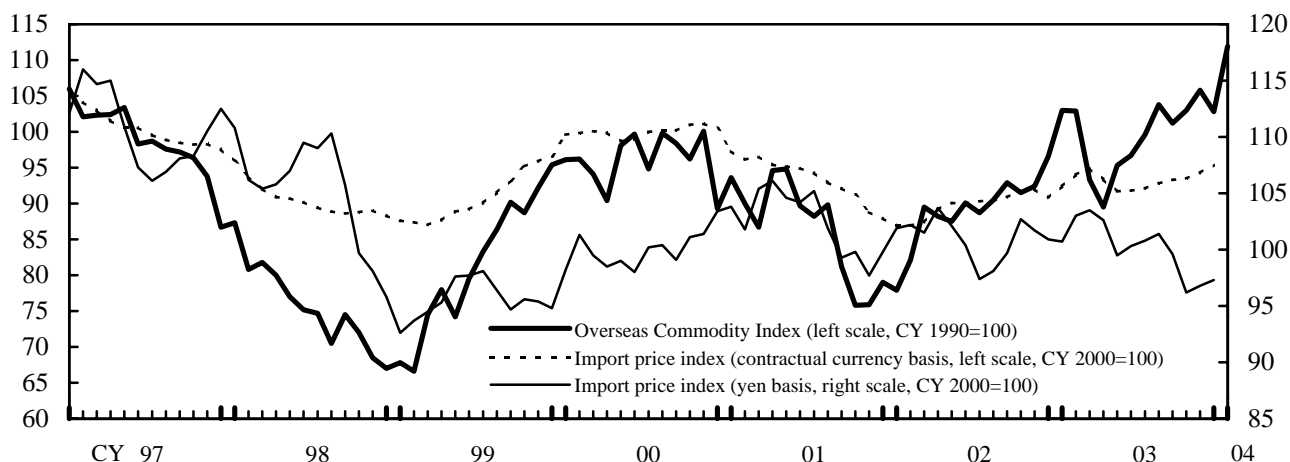
5. See footnote 1 in Chart 22, for definition of the Corporate Service Price Index (domestic supply-demand factors).

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."

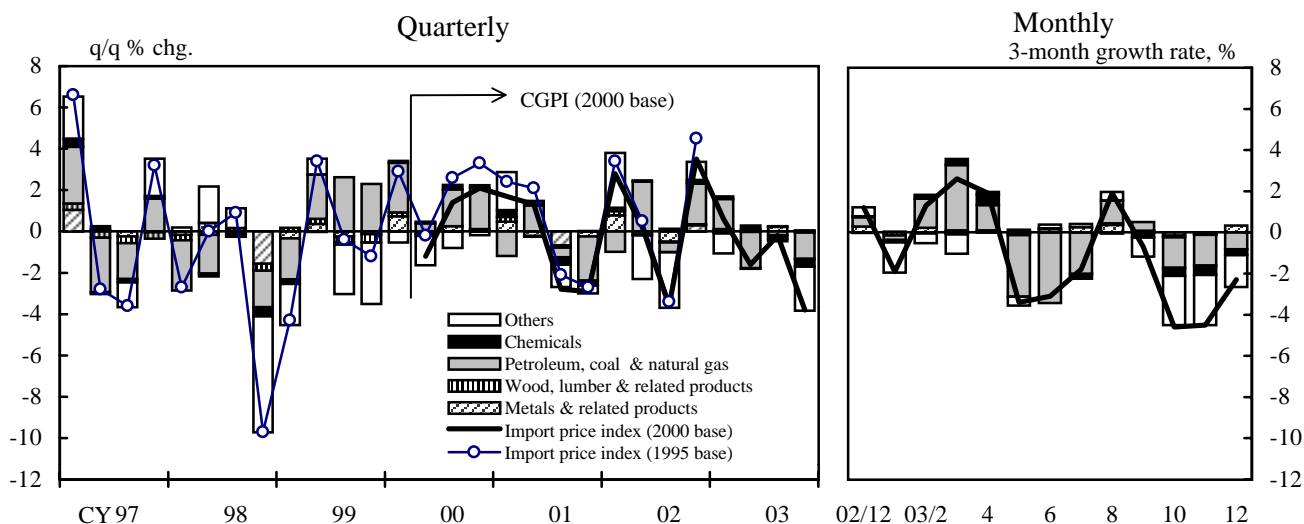
Import Prices and International Commodity Prices

(1) Import Price Index and Overseas Commodity Index



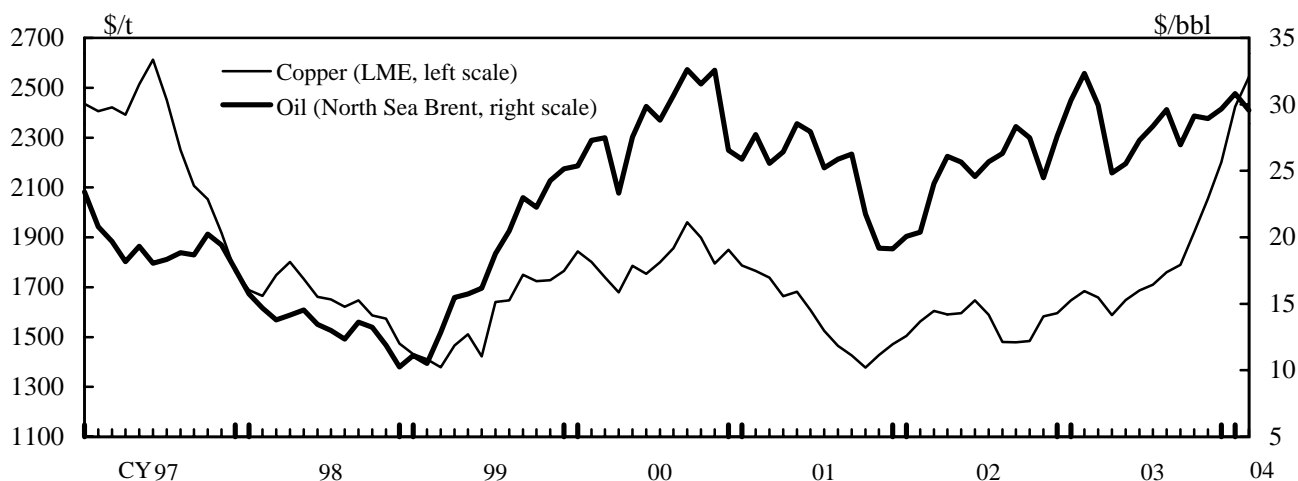
Note: Overseas Commodity Index, which is calculated by Bank of Japan, is the end of month figure.

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



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

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

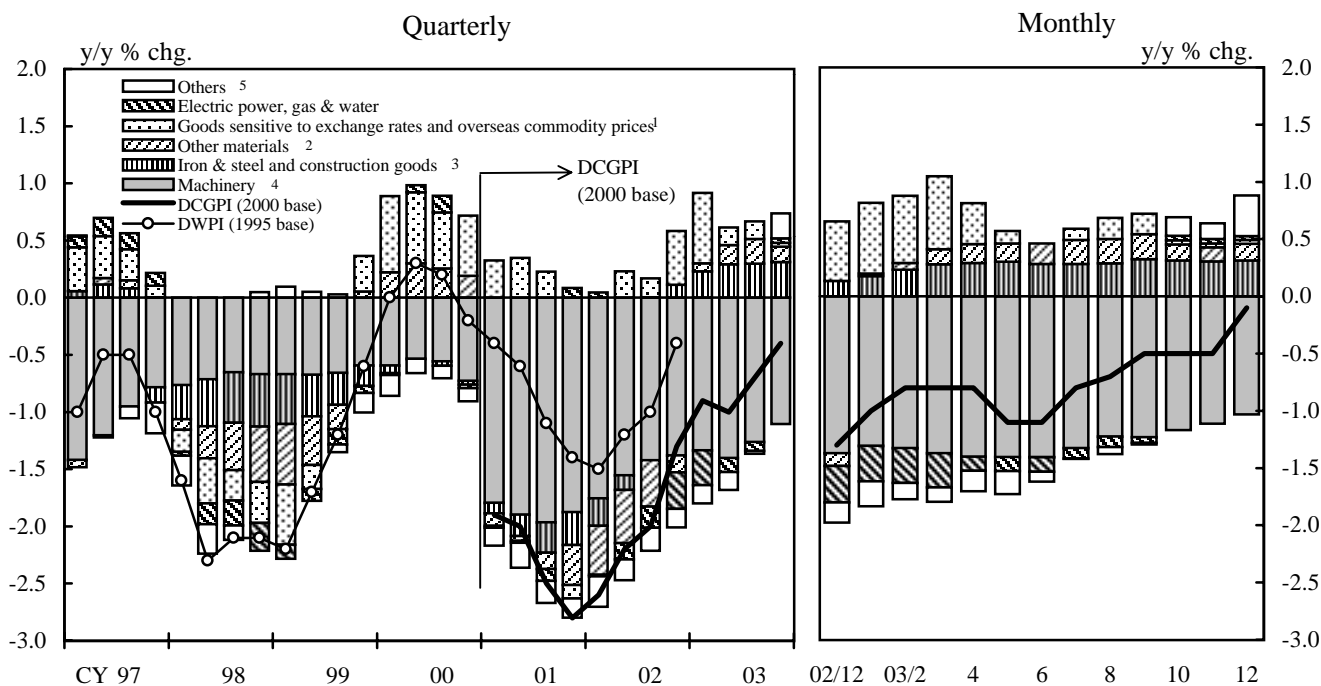
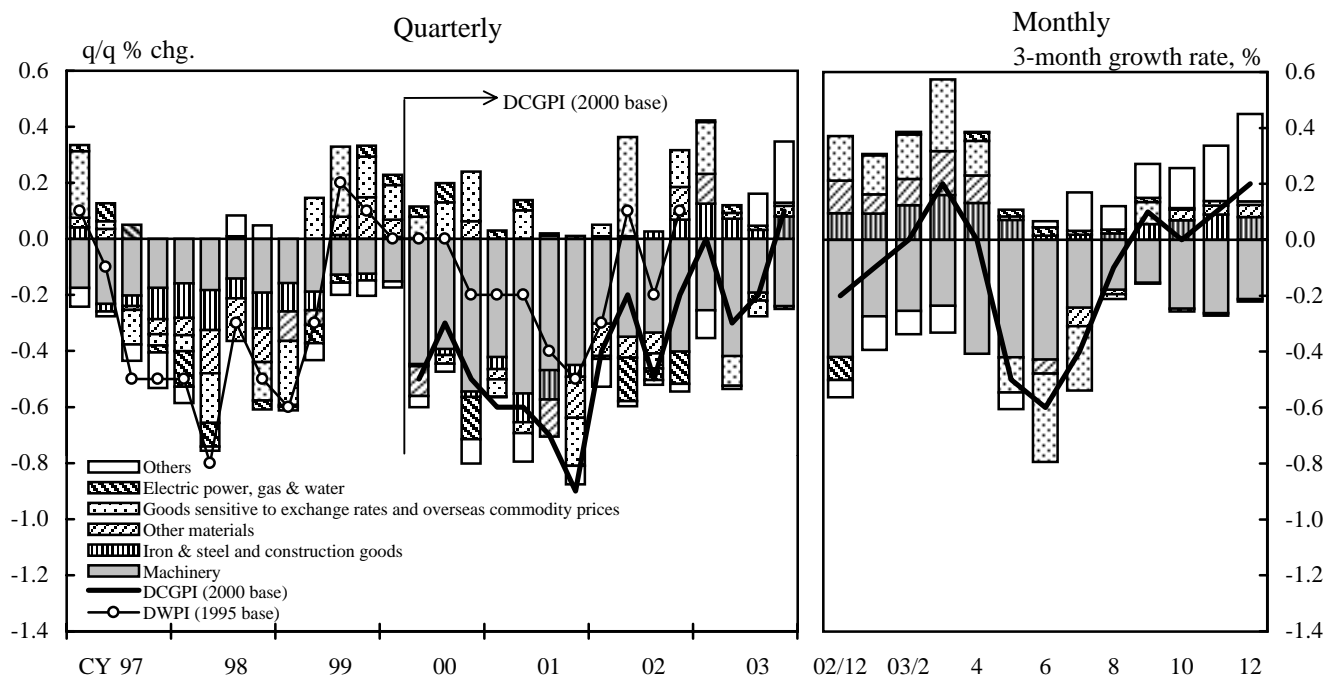


Note: Monthly averages. Figures for February 2004 are the averages up to February 3.

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

Domestic Corporate Goods Price Index⁷

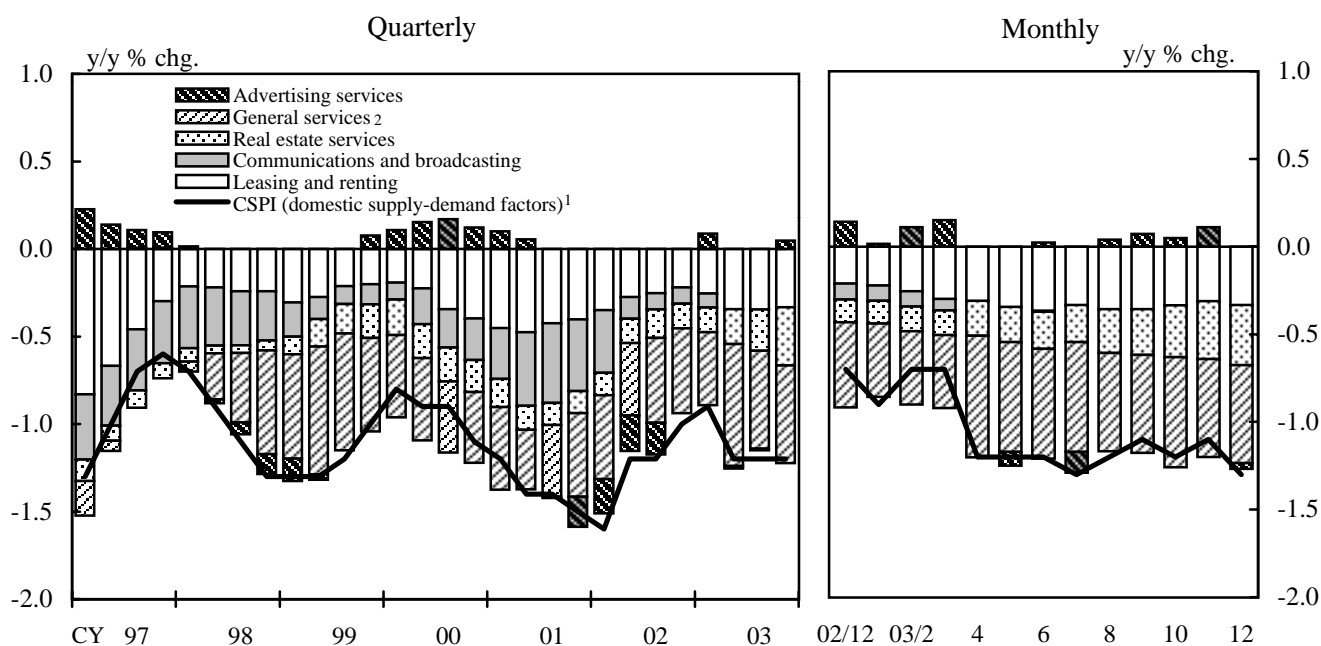
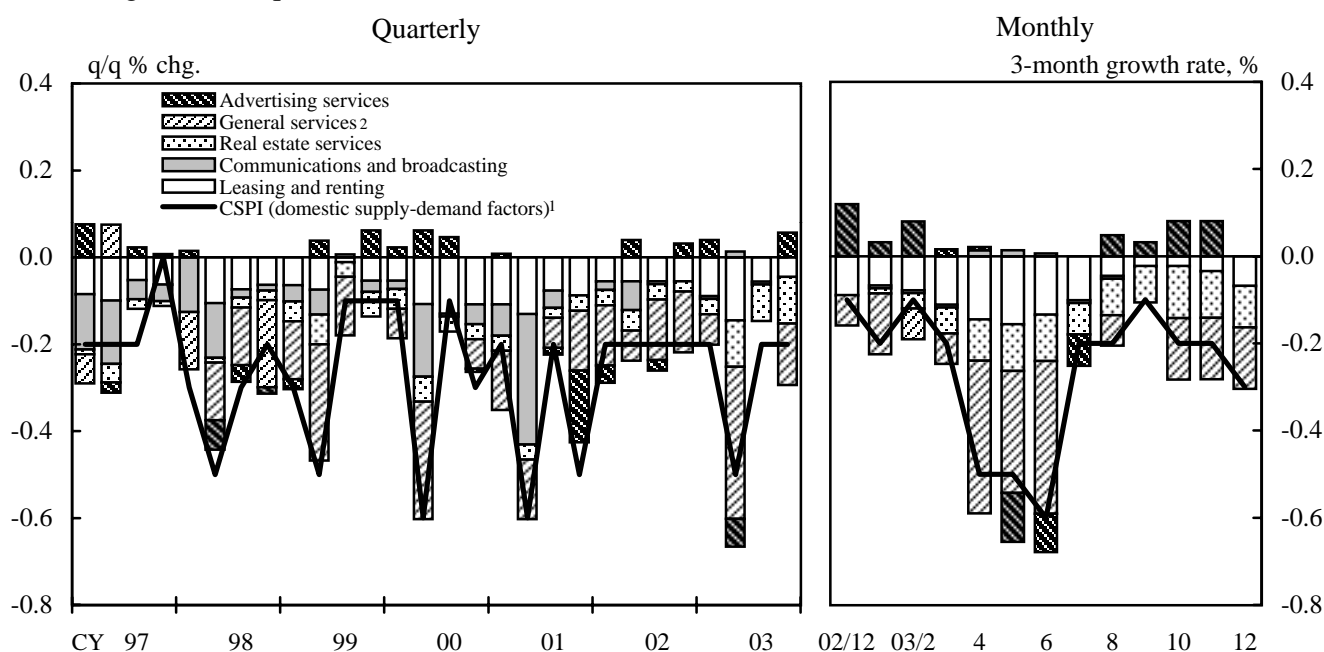
(1) Changes from a year earlier

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

Corporate Service Price Index⁴

(1) Changes from a year earlier

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

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

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

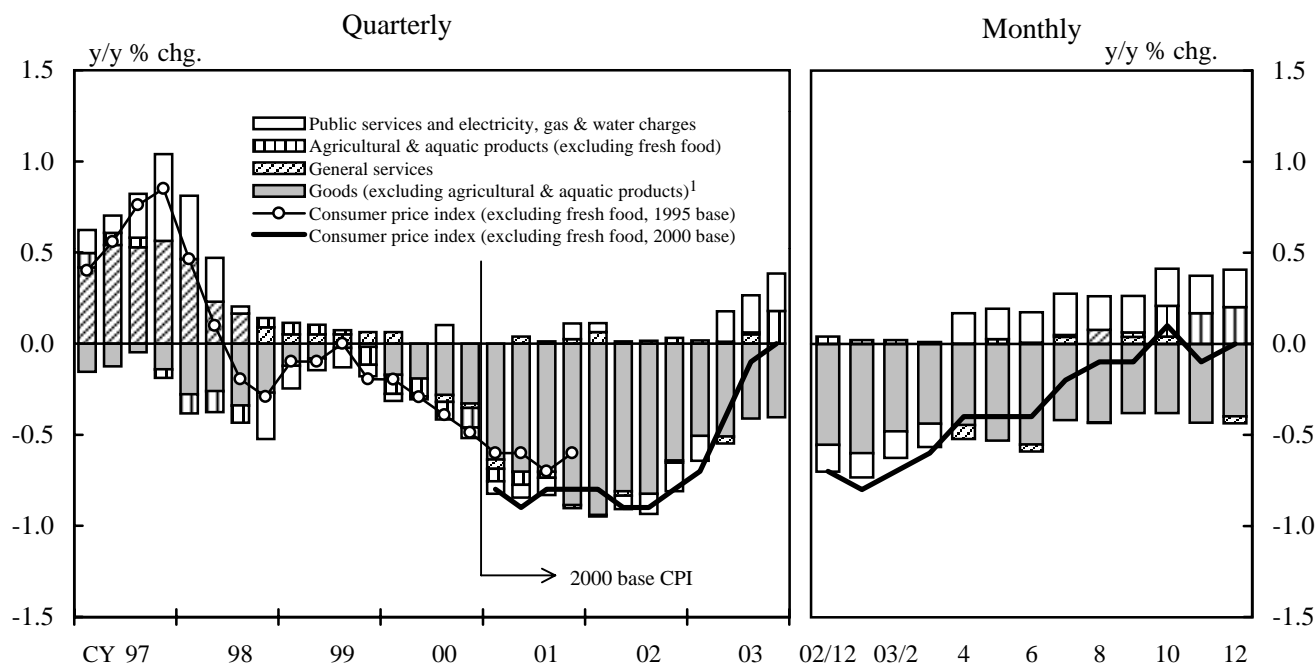
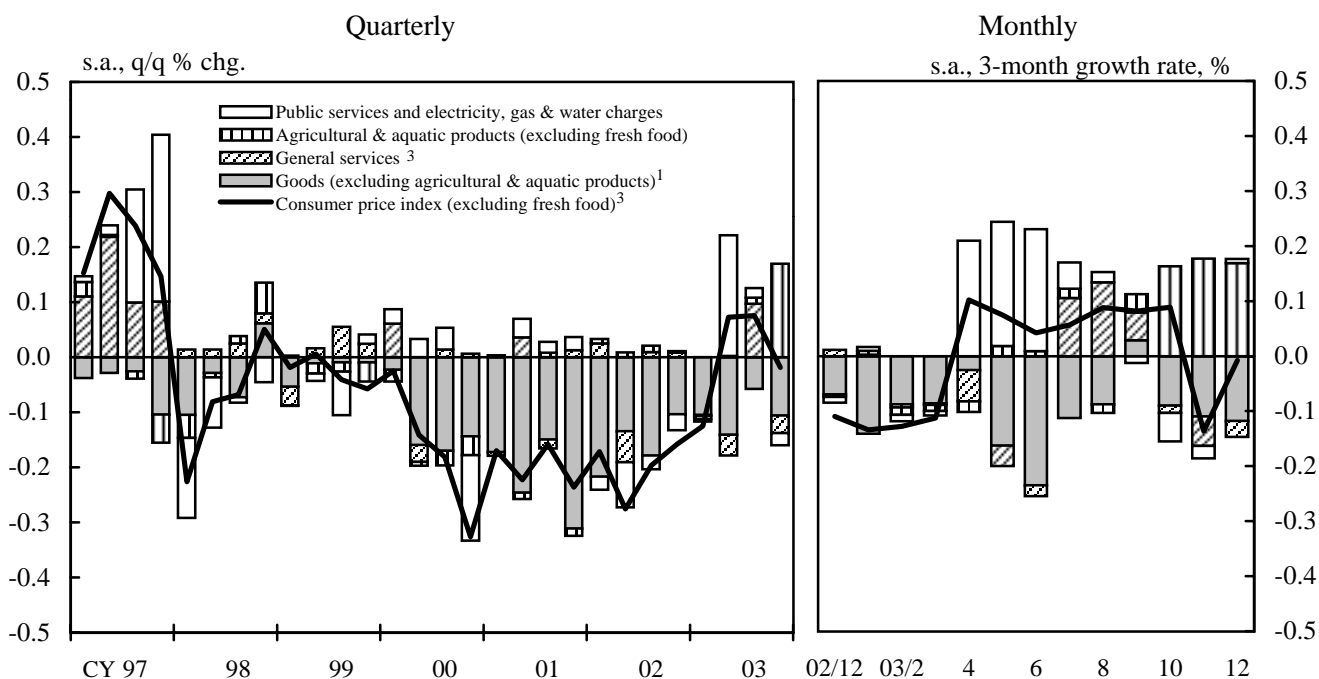
2. General services include all services in Domestic supply-demand factors except Leasing and rental, Communications and broadcasting, Real estate services, and Advertising services.

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

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

Consumer Price Index (excluding fresh food)⁴

(1) Changes from a year earlier

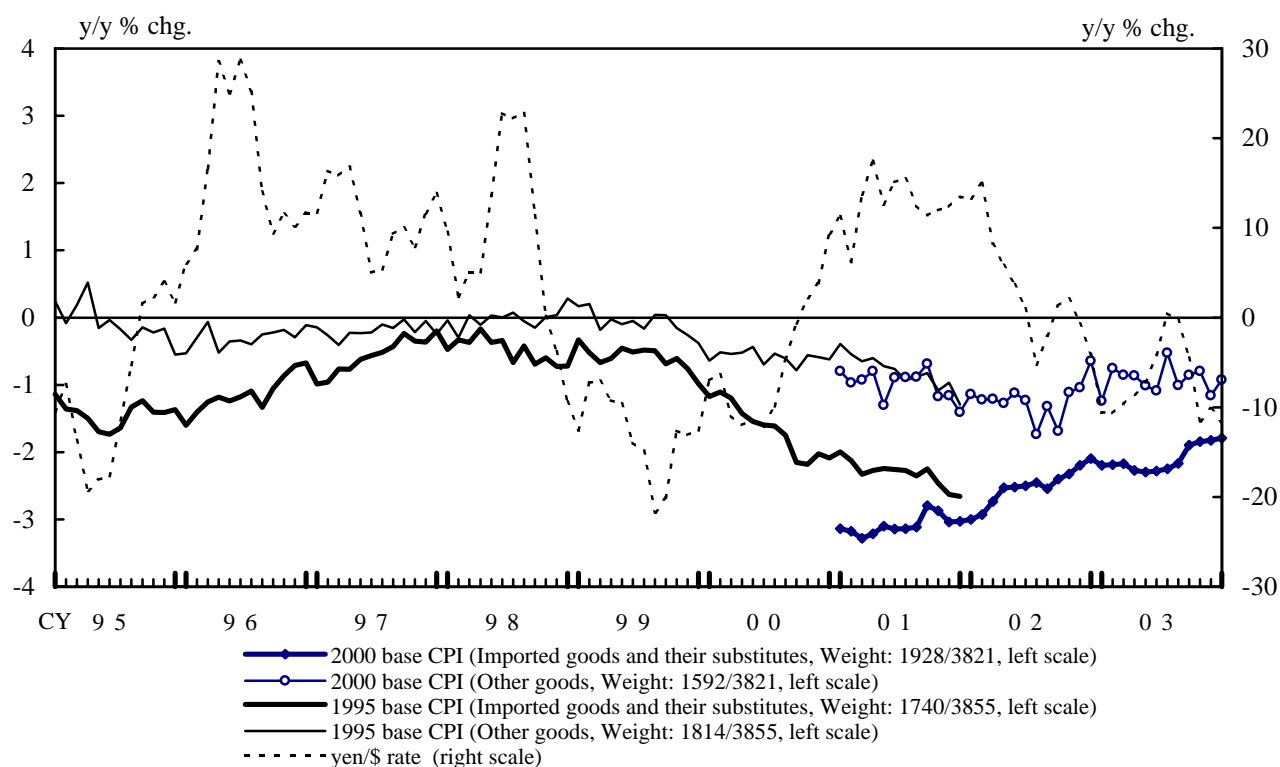
(2) Changes from a quarter earlier and 3 months earlier (2000 base CPI)²

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

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

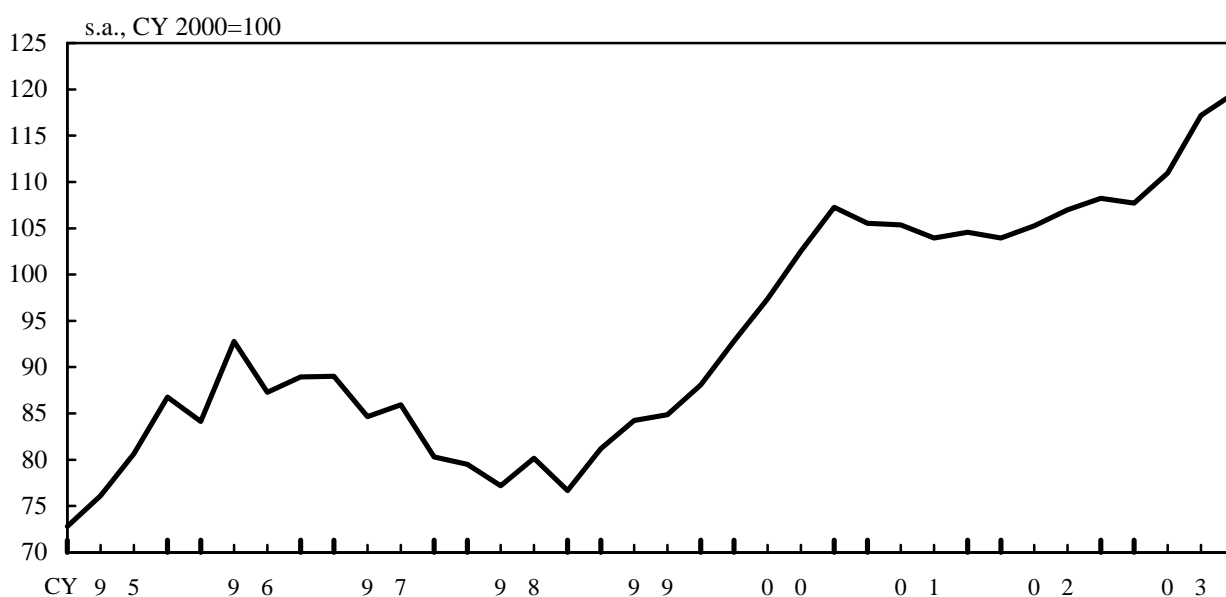
Consumer Prices of imported goods and their substitutes

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



- Notes: 1. Goods covered here exclude petroleum products and agricultural & aquatic products.
 2. Imported goods consist of items common to both the Import Price Index and the Consumer Price Index, and their substitutes consist of items considered to be substitutable for import products but not covered by the Import Price Index.
 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)

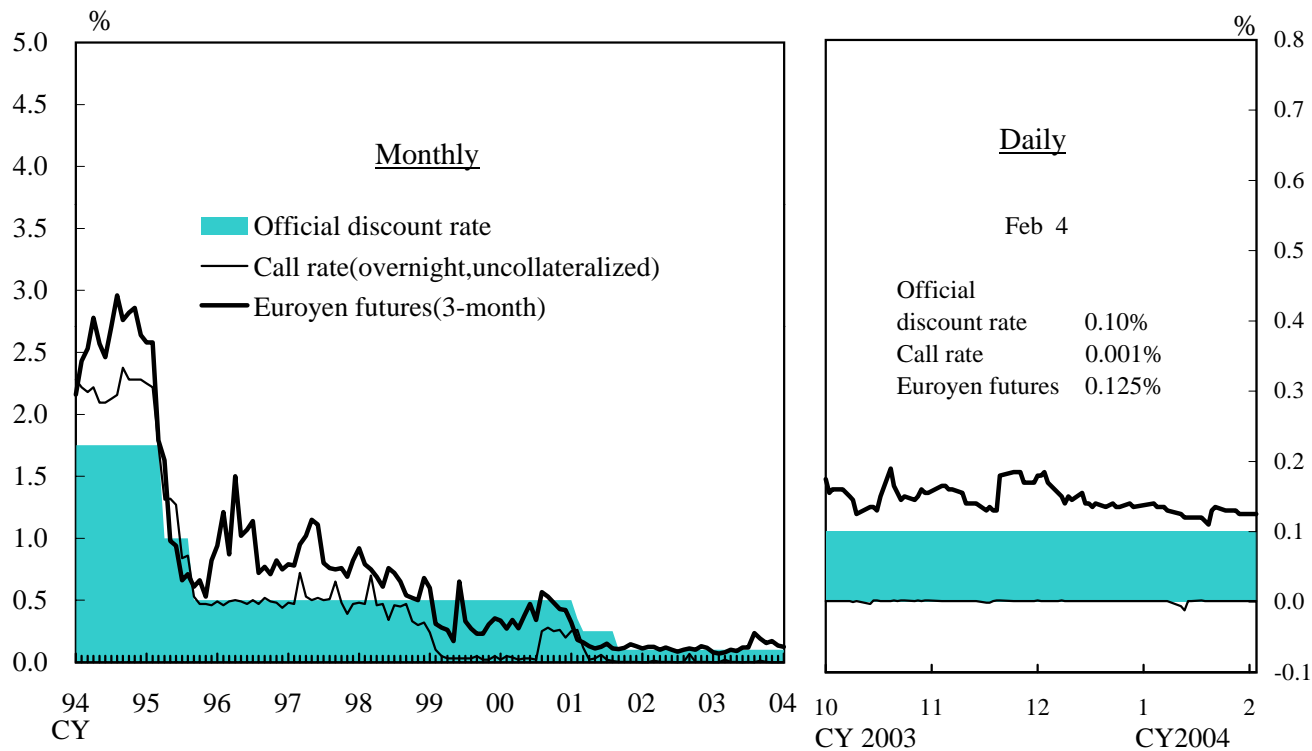


Note: Real imports (consumer goods), which are composed of motor vehicles, audio and visual apparatus, office machinery, foodstuffs and textiles, are calculated from the Trade Statistics as an index with the 2000 average equal to 100.

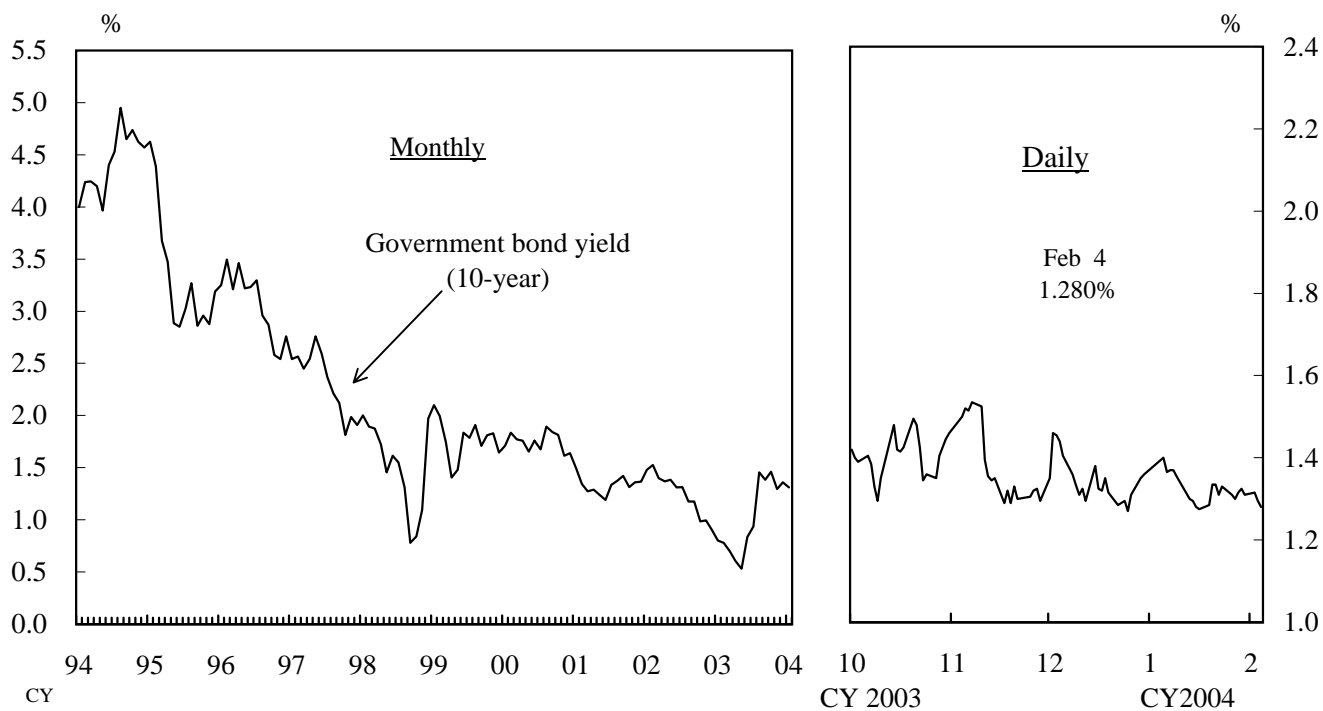
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index";
 Ministry of Finance, "The Summary Report on Trade of Japan";
 Bank of Japan, "Corporate Goods Price Index."

Interest Rates

(1) Short-Term



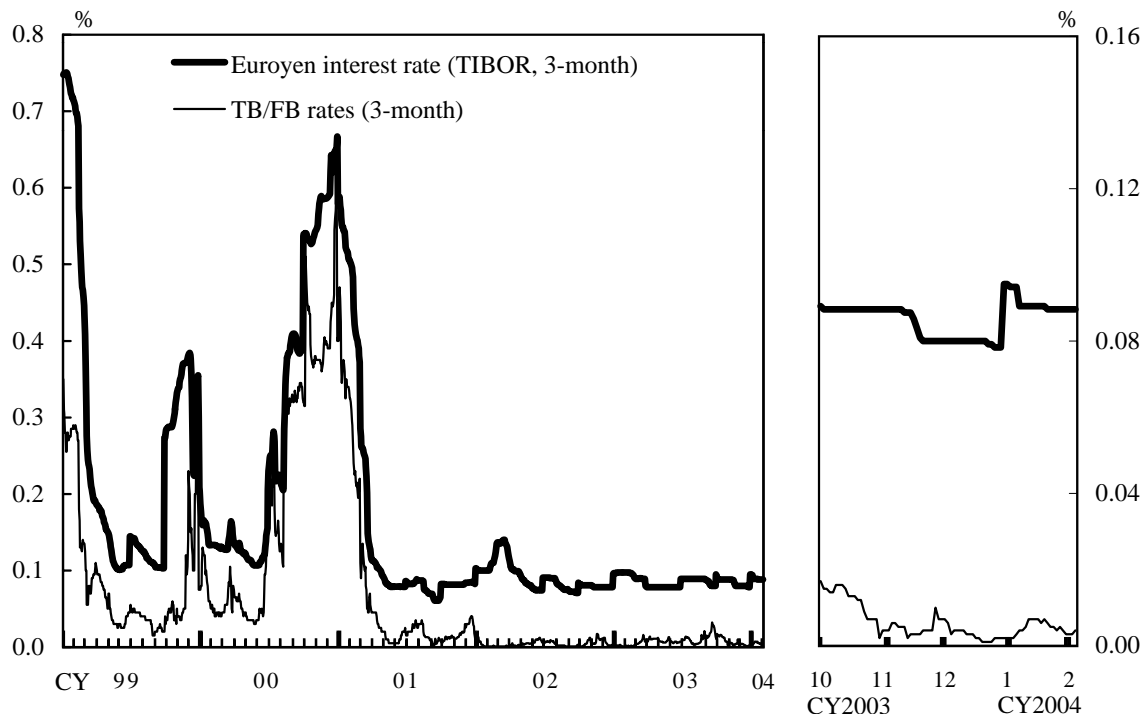
(2) Long-Term



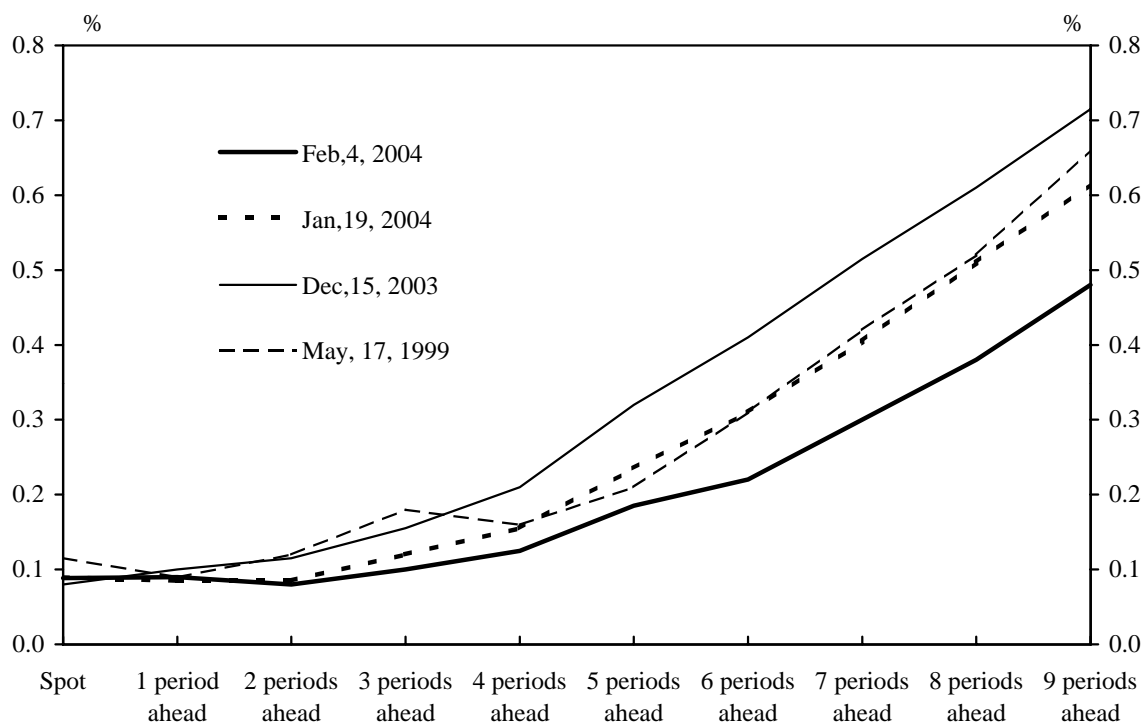
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
 Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments



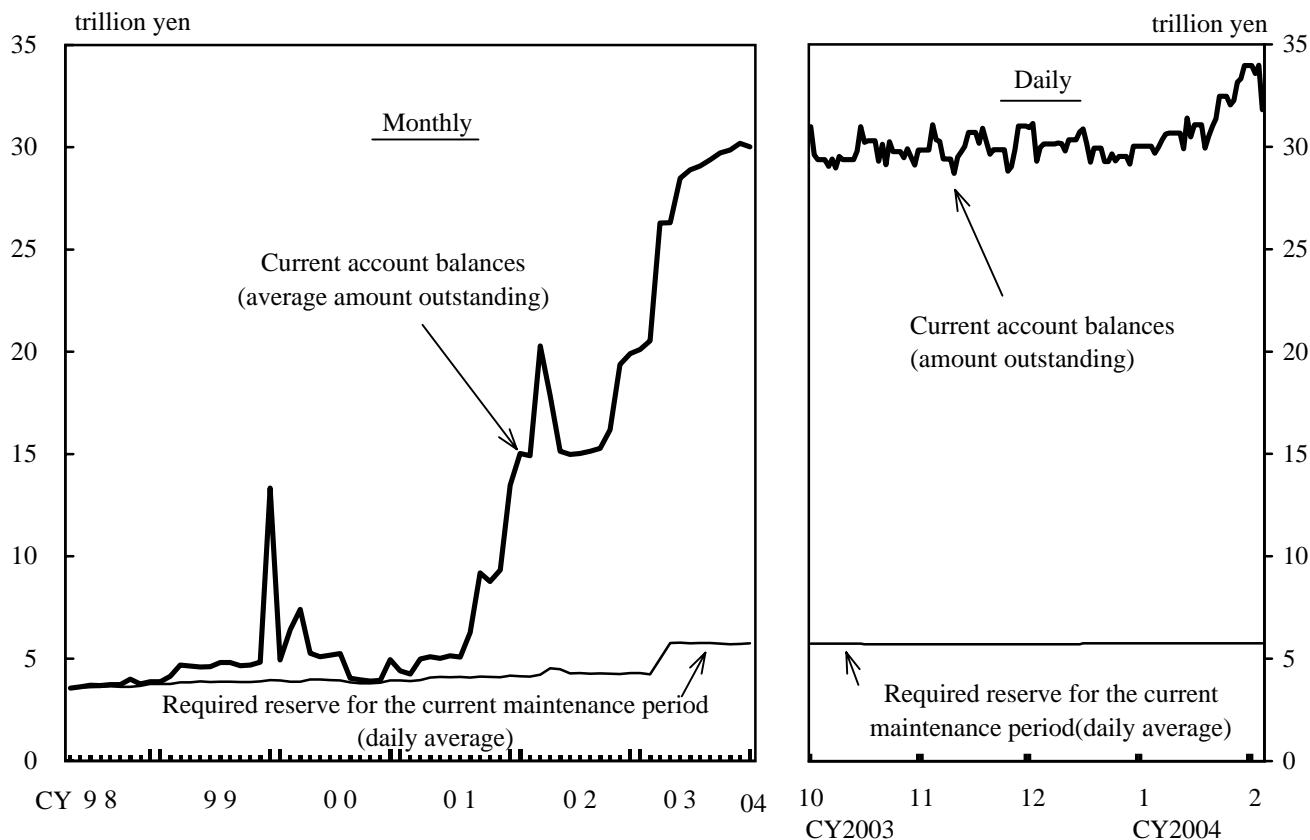
(2) Euroyen Interest Rates Futures (3-Month) ¹



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.

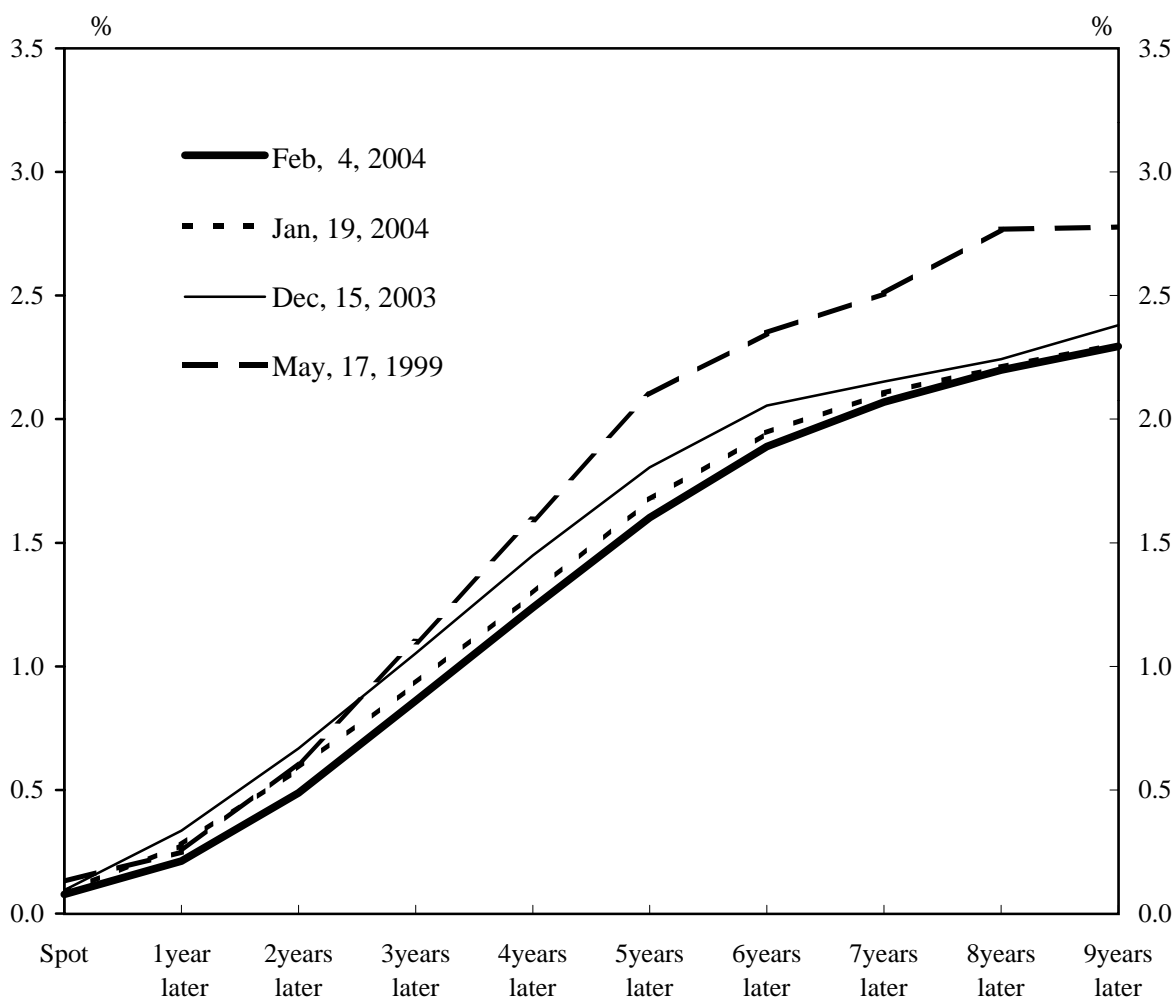
Current Account Balances at the Bank of Japan ¹



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

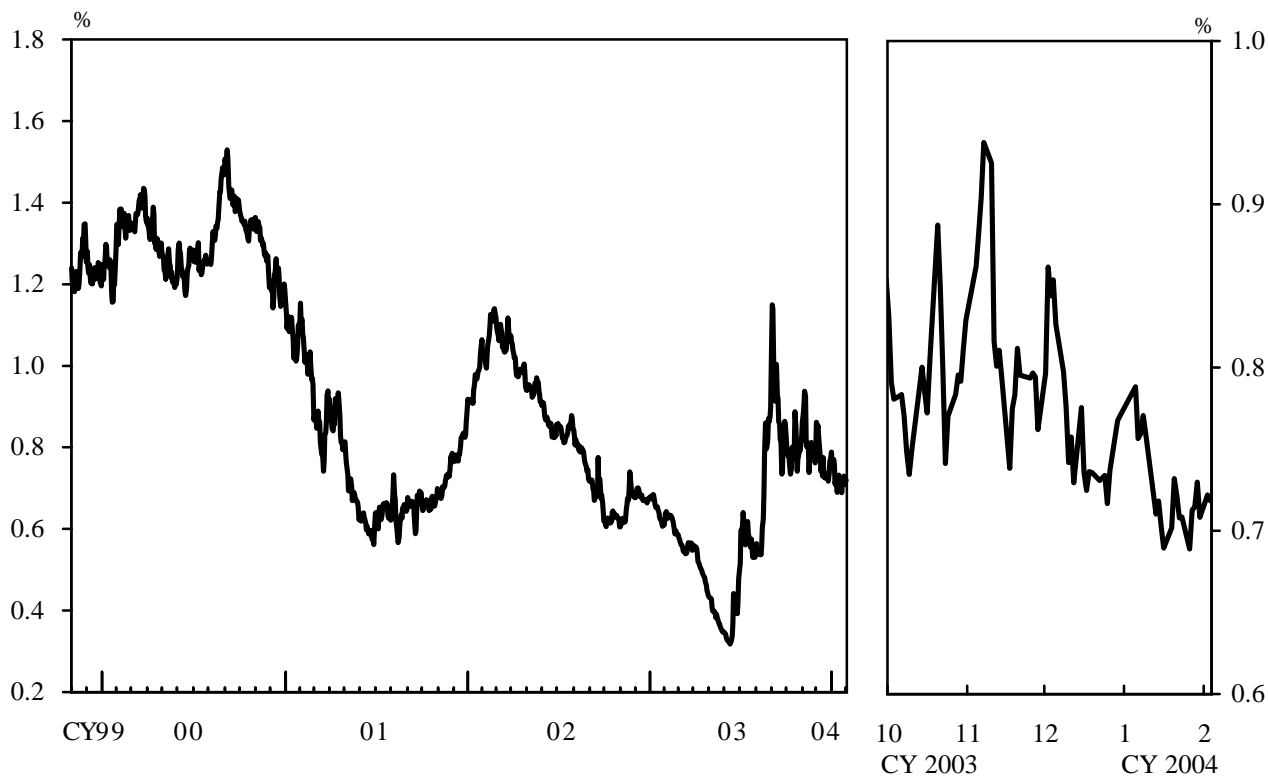


Note: 1. Calculated from yen-yen swap rates.

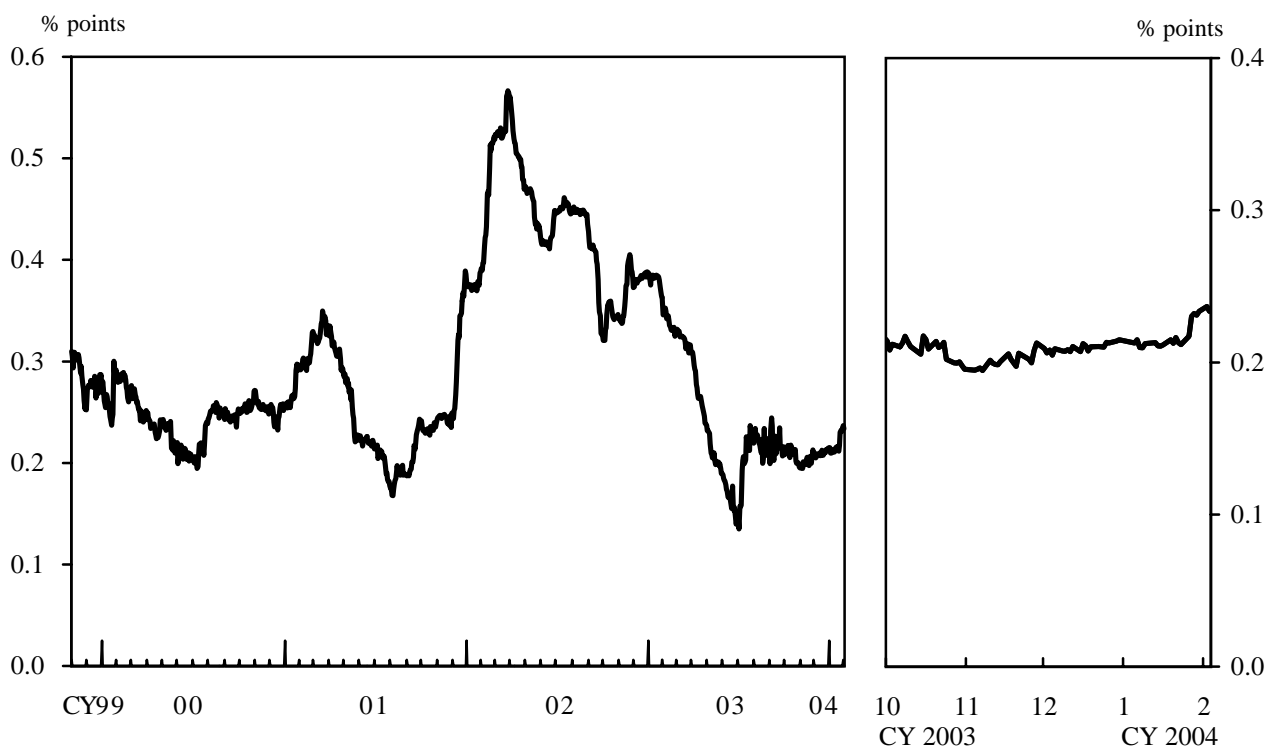
Source: Kyodo News.

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.

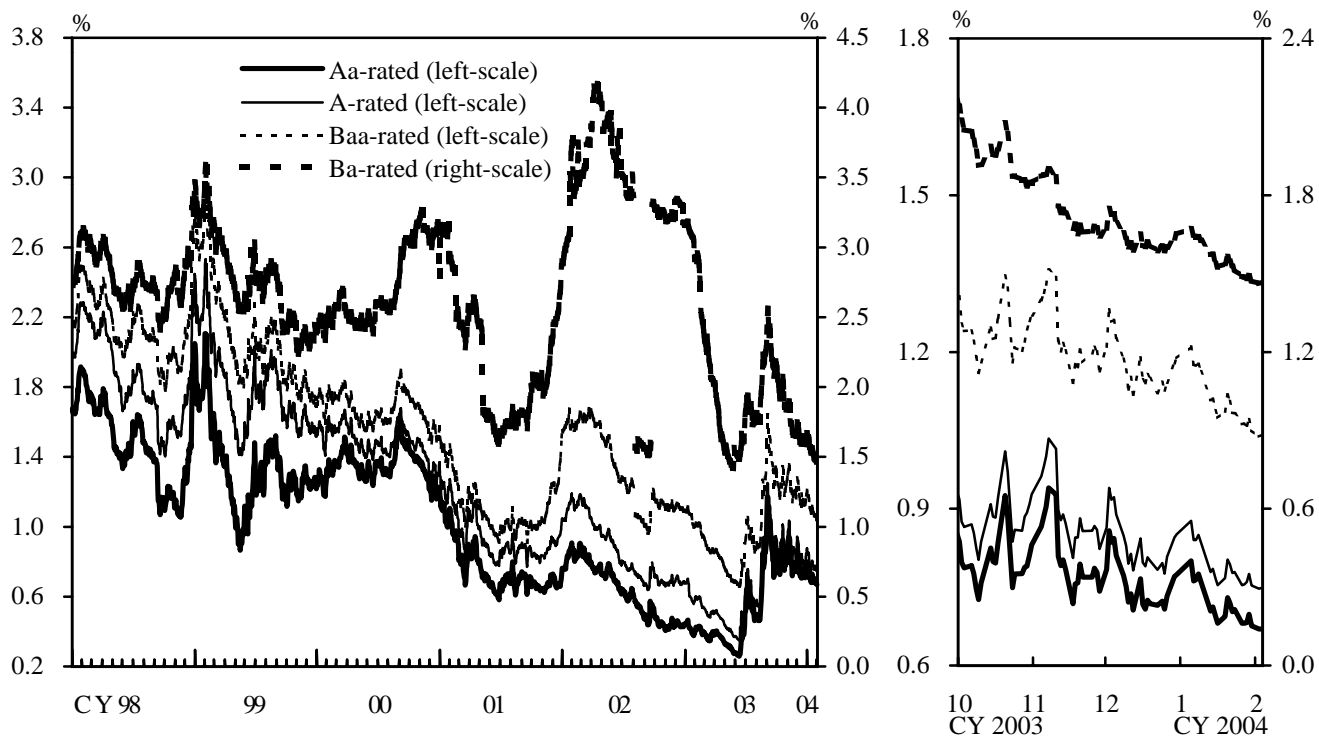
2. Average bank bond yield is the average of four bank bonds.

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

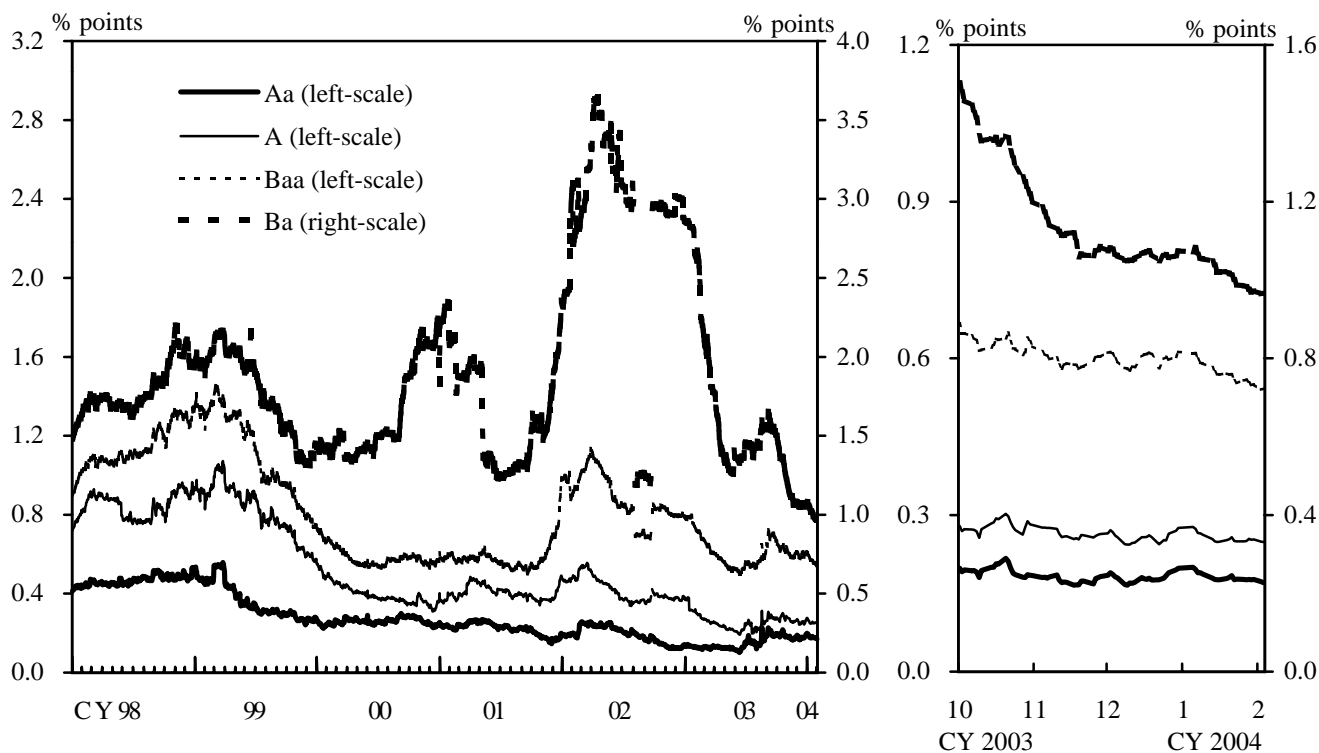
"Reference Price(Yields) Table for OTC Bond Transactions."

Yields of Corporate Bonds¹

(1) Corporate Bond Yields



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



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

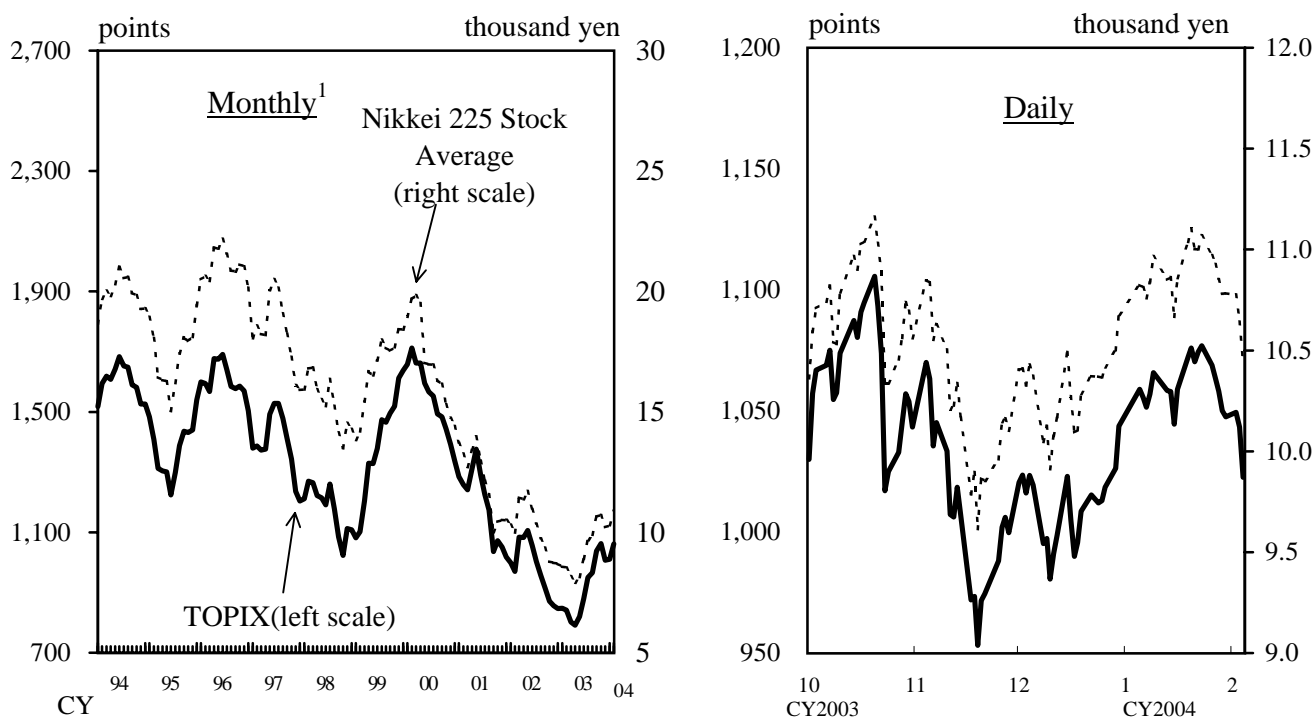
2. The indicated ratings are of Moody's.

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

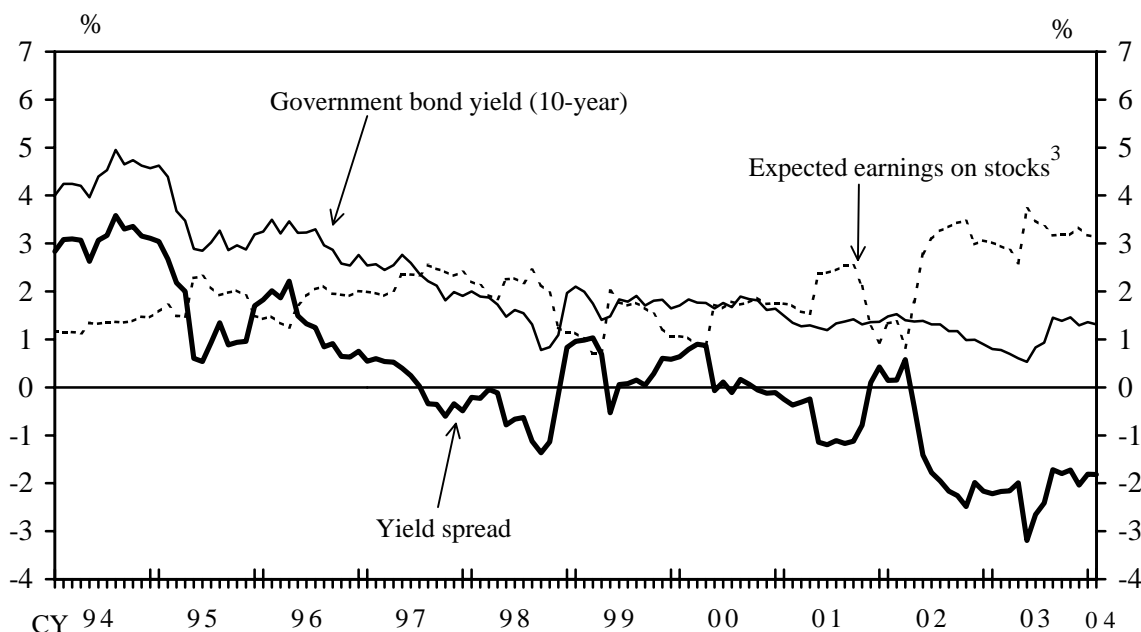
"Reference Price(Yields) Table for OTC Bond Transactions."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

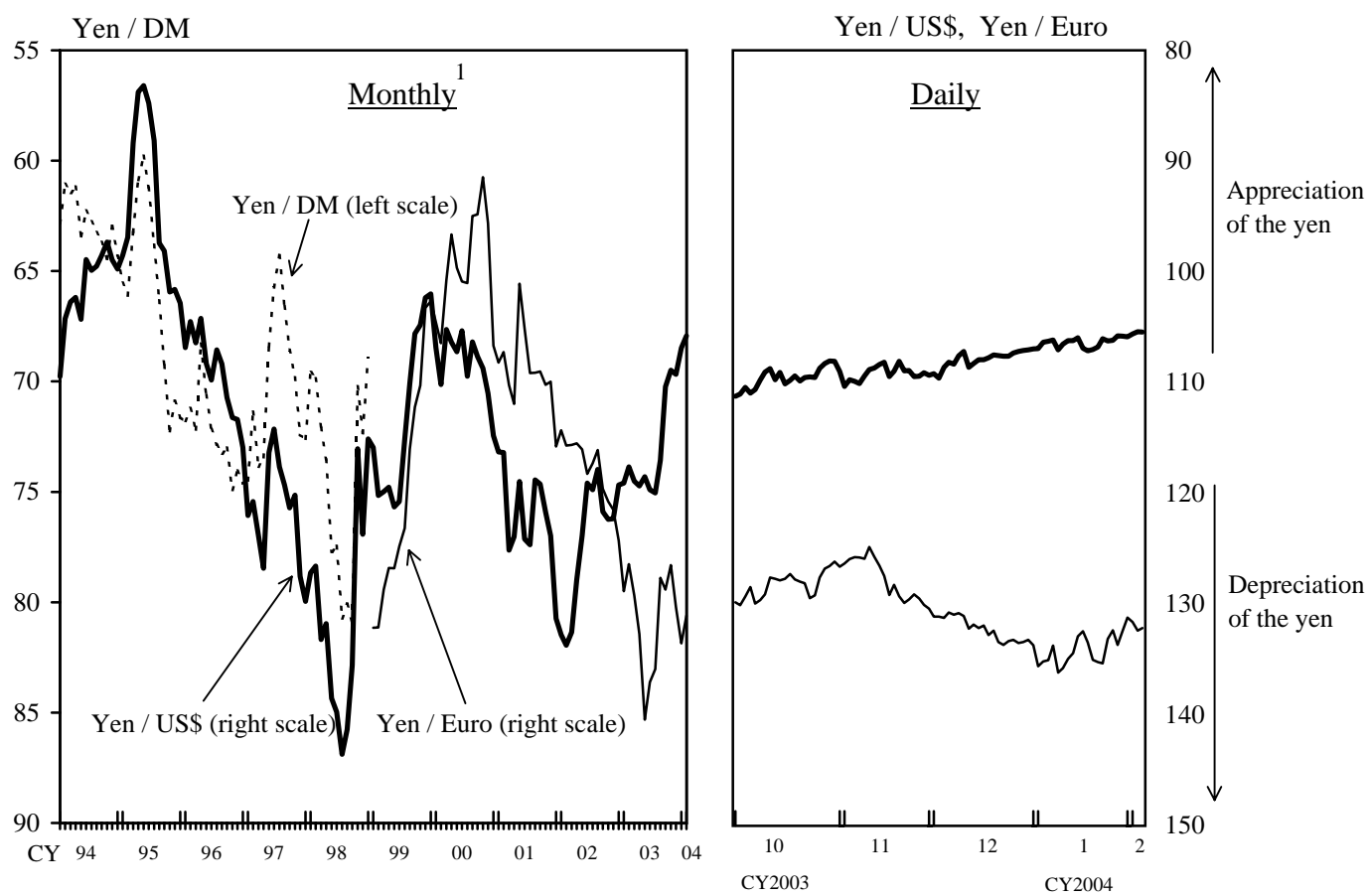
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

Exchange Rates

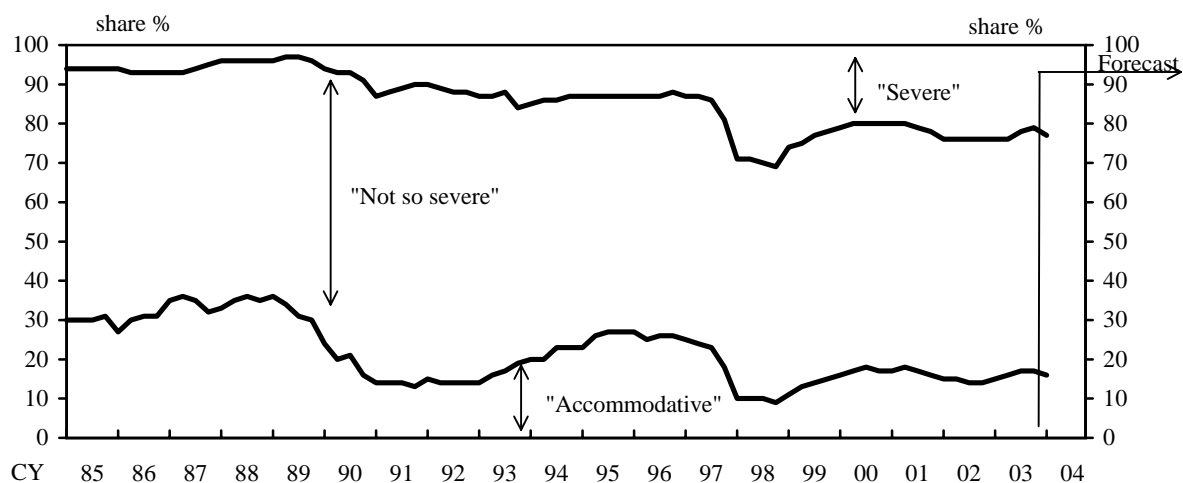


Note: 1. End of month.

Source: Bank of Japan.

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

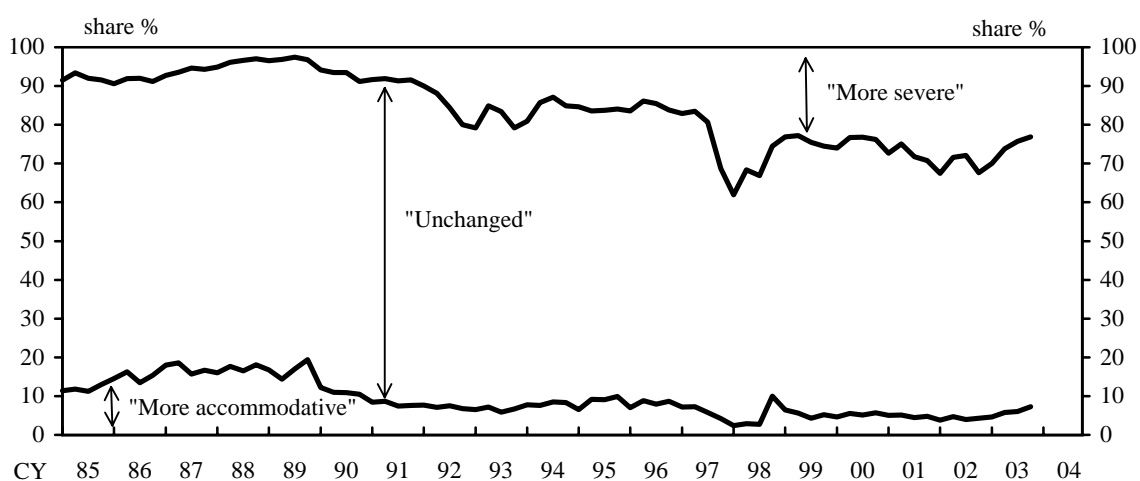
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (December, 2003)



(2) "Monthly Survey of Small Businesses in Japan" (Mid-January, 2004)

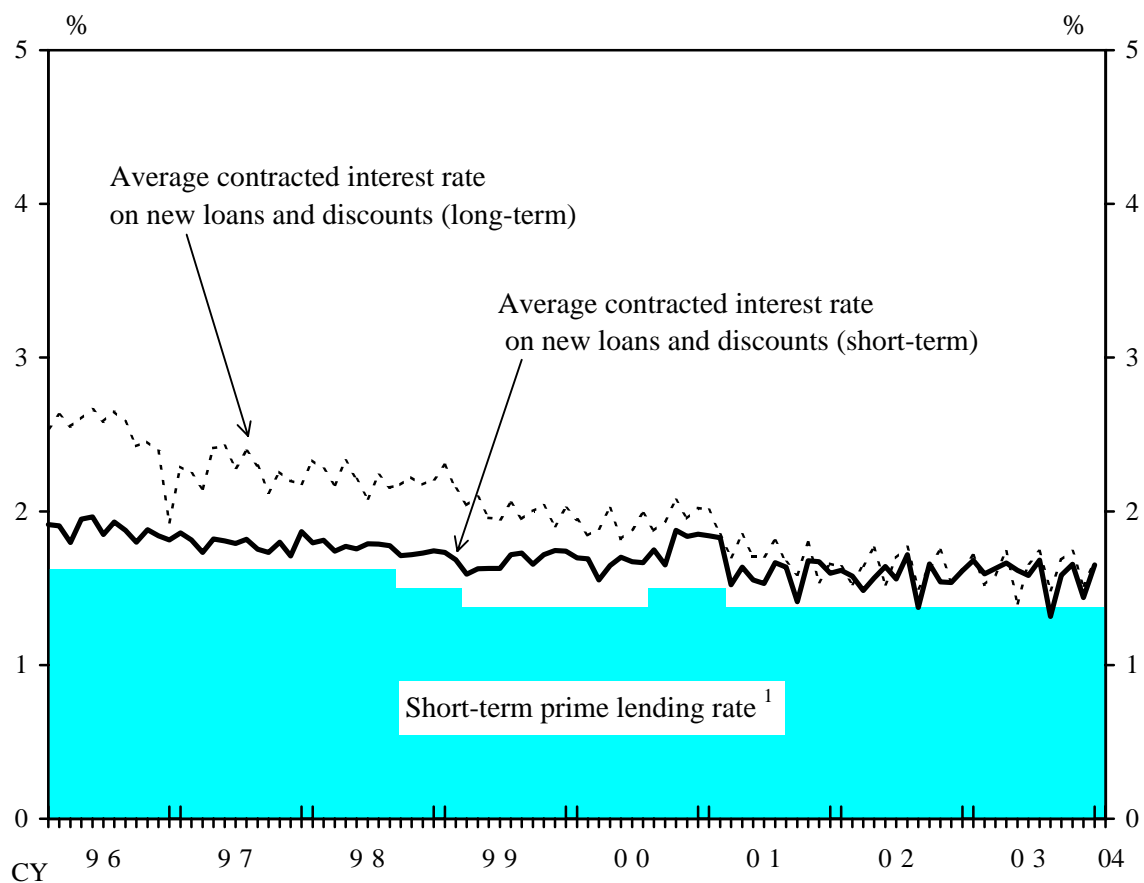


(3) "Quarterly Survey of Small Businesses in Japan" (December 10, 2003)



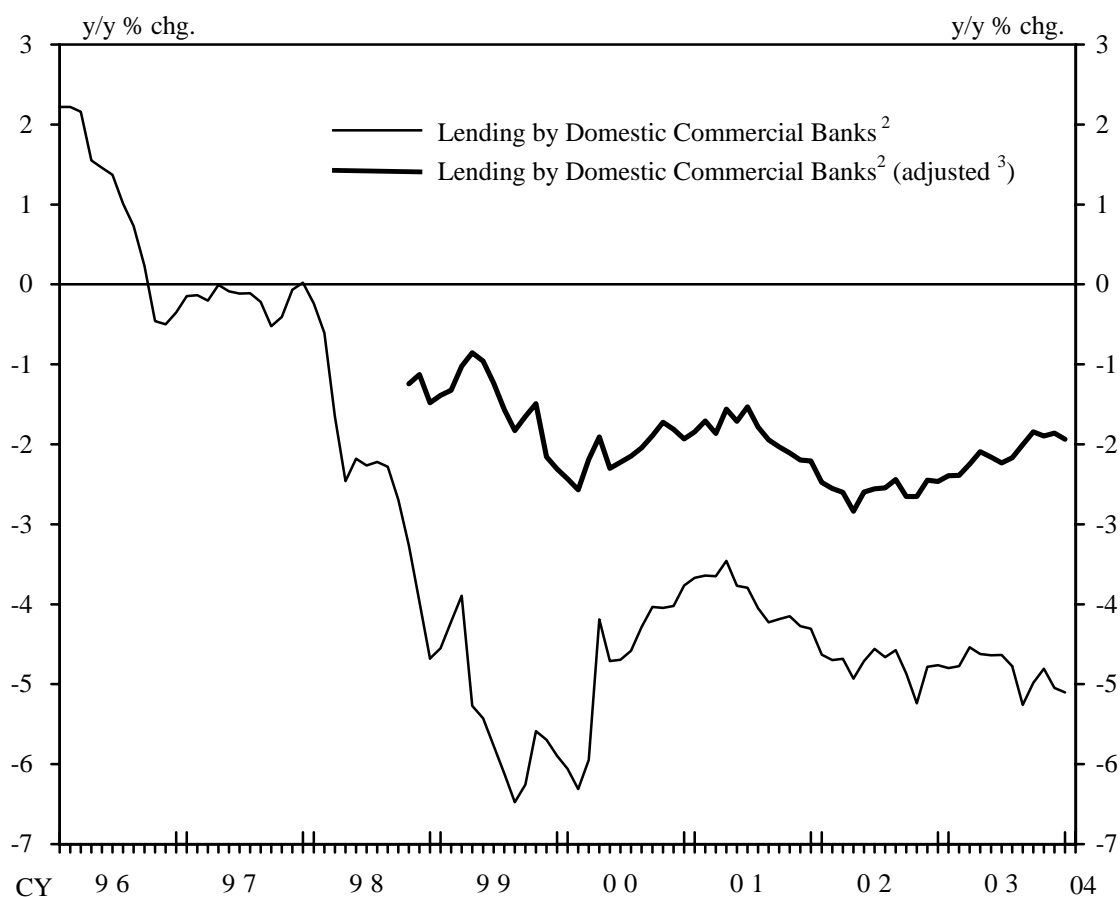
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ;
 Japan Finance Corporation for Small Business, "Monthly Survey of Small Businesses in Japan";
 National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

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).

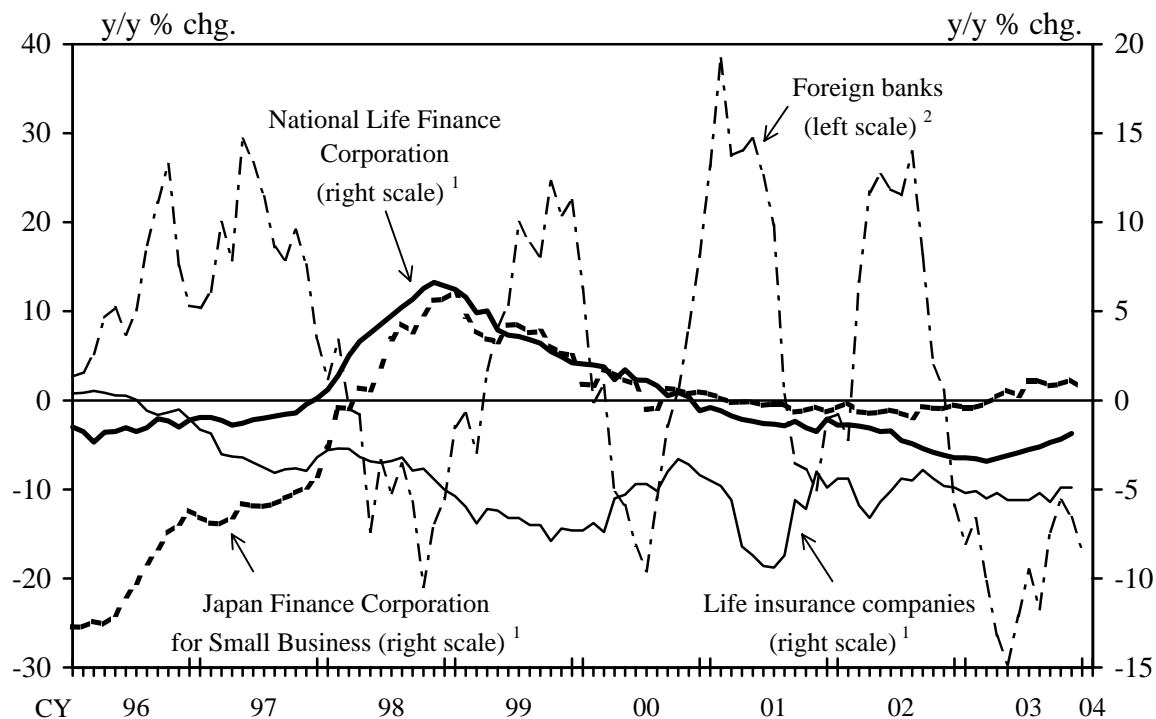
3. Adjusted to exclude

- (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."

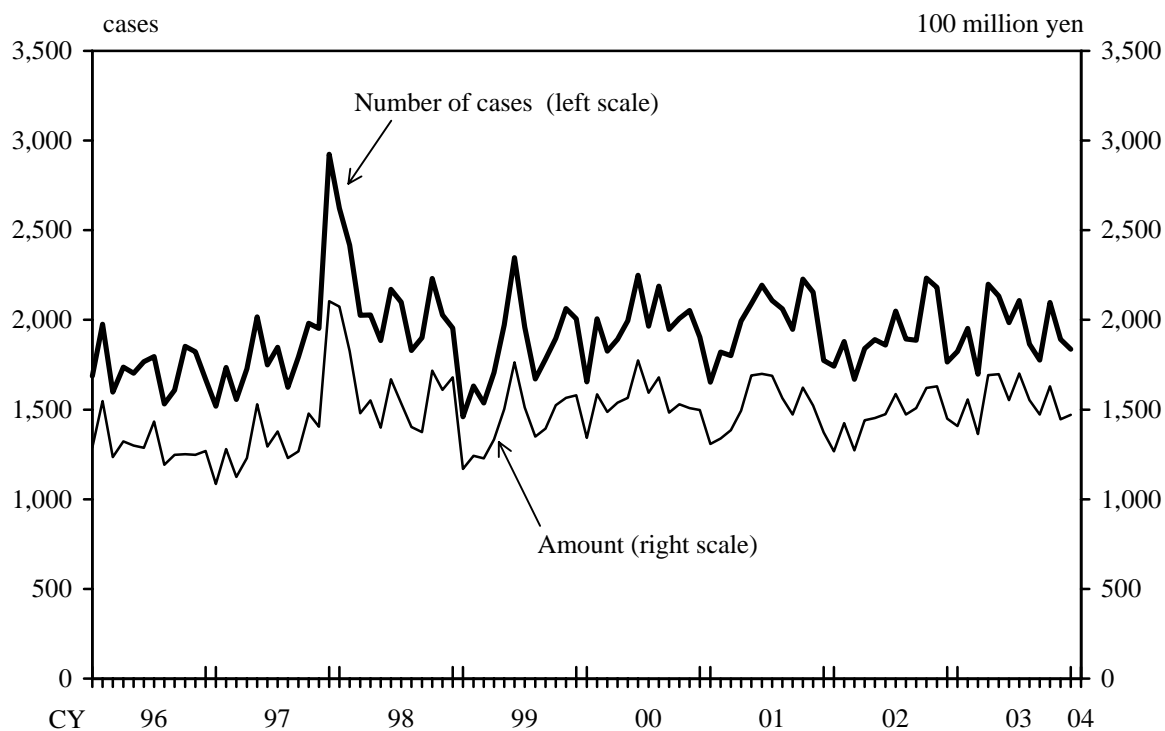
Lending by Other Financial Institutions

(1) Lending Outstanding



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

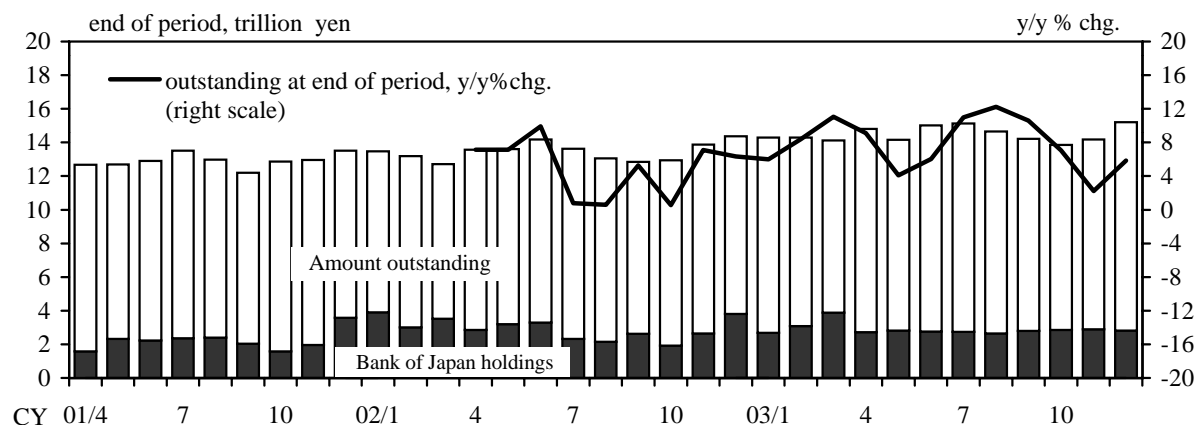
(2) Application for a Loan from Japan Finance Corporation for Small Business



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



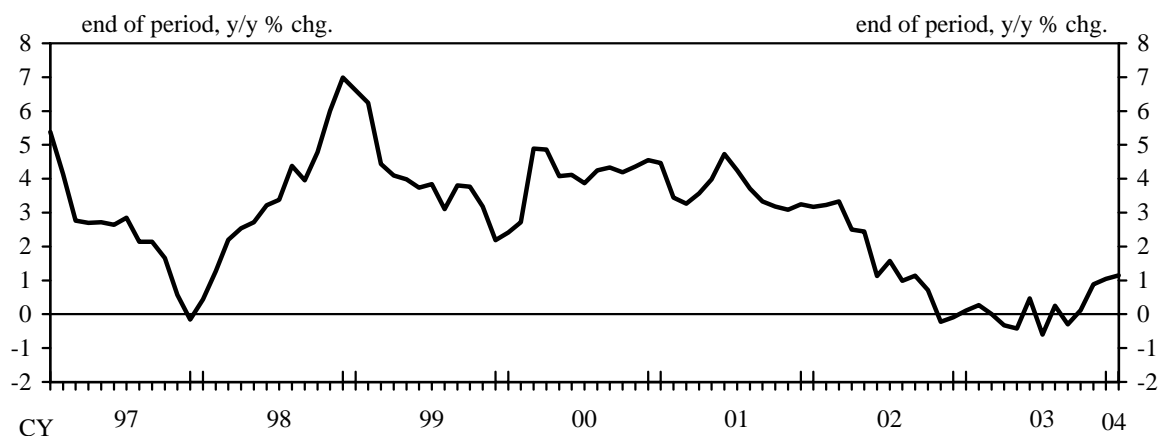
Notes: 1. Figures are those of the client financial institutions of the Bank of Japan.
2. Excludes those issued by banks.

(2) Issue Volume of Corporate Bonds

	(100 million yen)					
	2003/Q2	Q3	Q4	2003/Nov.	Dec.	2004/Jan.
Volume	33,304	29,385	29,061	8,038	13,459	3,319
(previous year)	(27,604)	(28,505)	(27,520)	(8,169)	(14,113)	(4,395)

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 of January 2004 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)



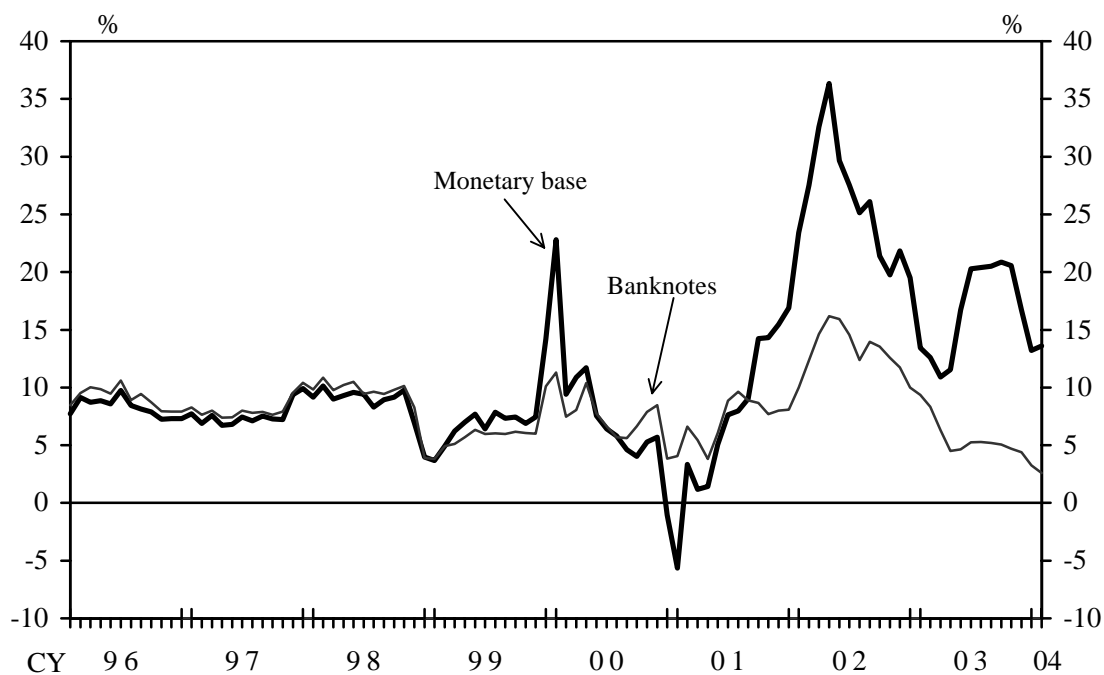
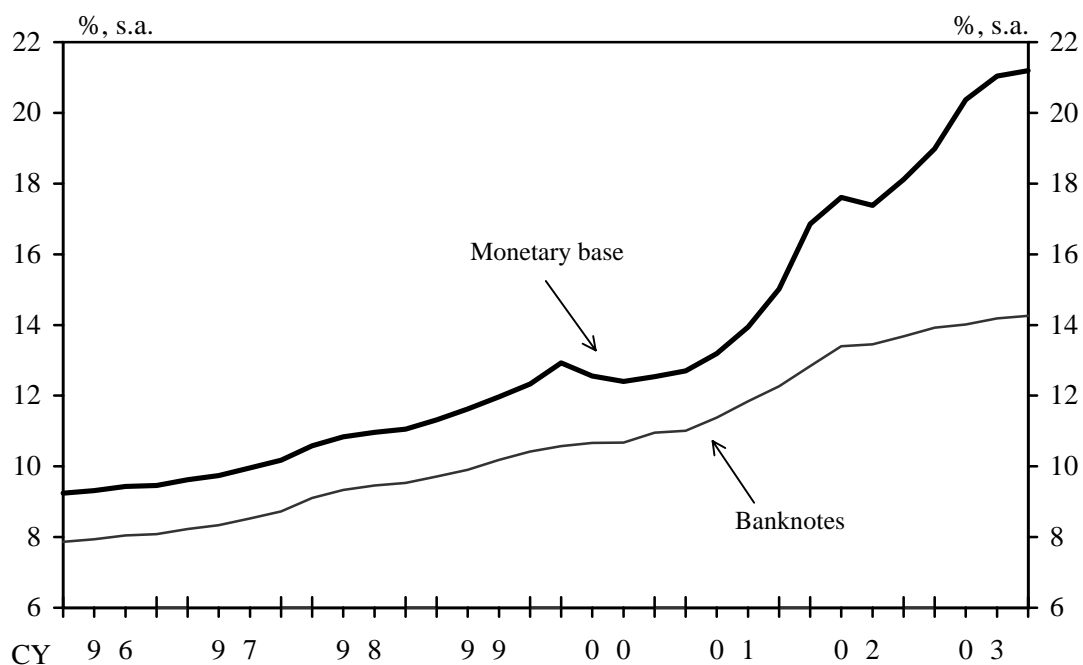
Note: Percentage changes from the previous year of the amount outstanding of corporate bonds are estimated figures. Procedures of the estimation are summarized as follows:

- (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 figures of December 2003 and January 2004 are preliminary ones.

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**

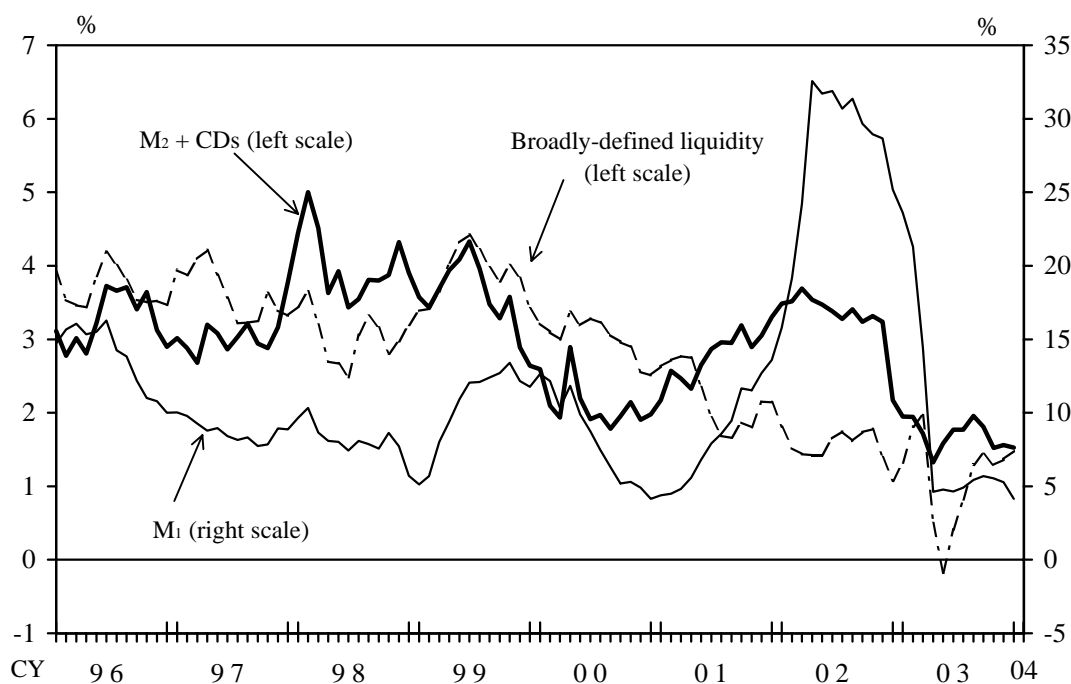
Notes: 1. Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

Data for currency in circulation include holdings of financial institutions.

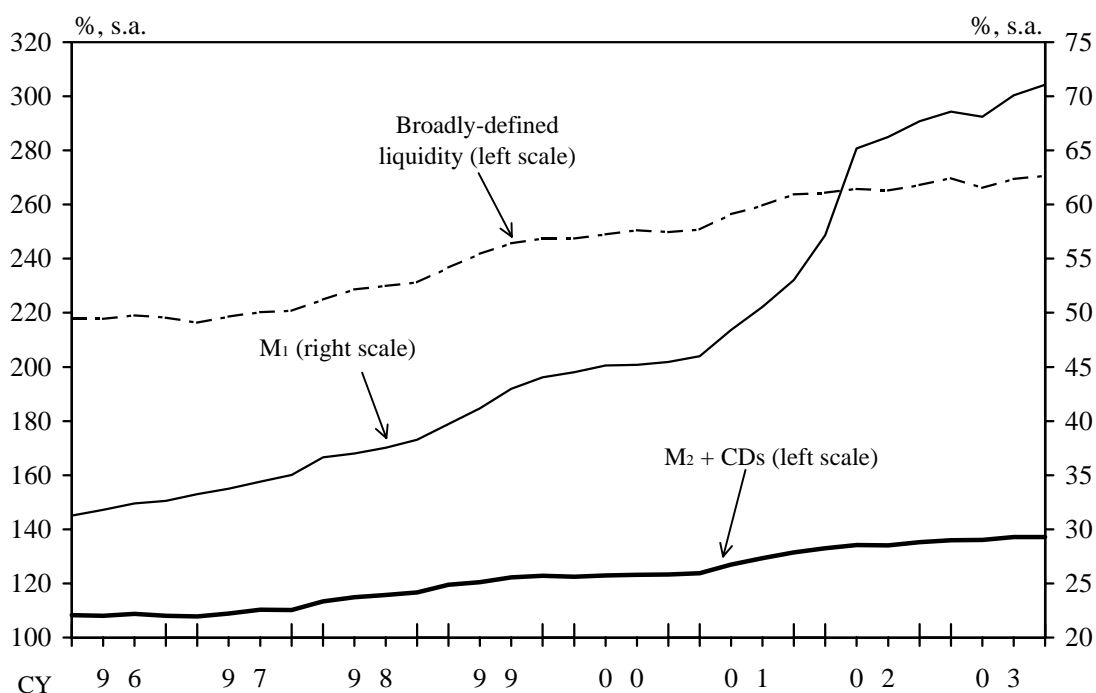
2. Figure for the nominal GDP in 2003/Q4 is assumed to be unchanged from the previous quarter.

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

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

(1) Changes from a Year Earlier

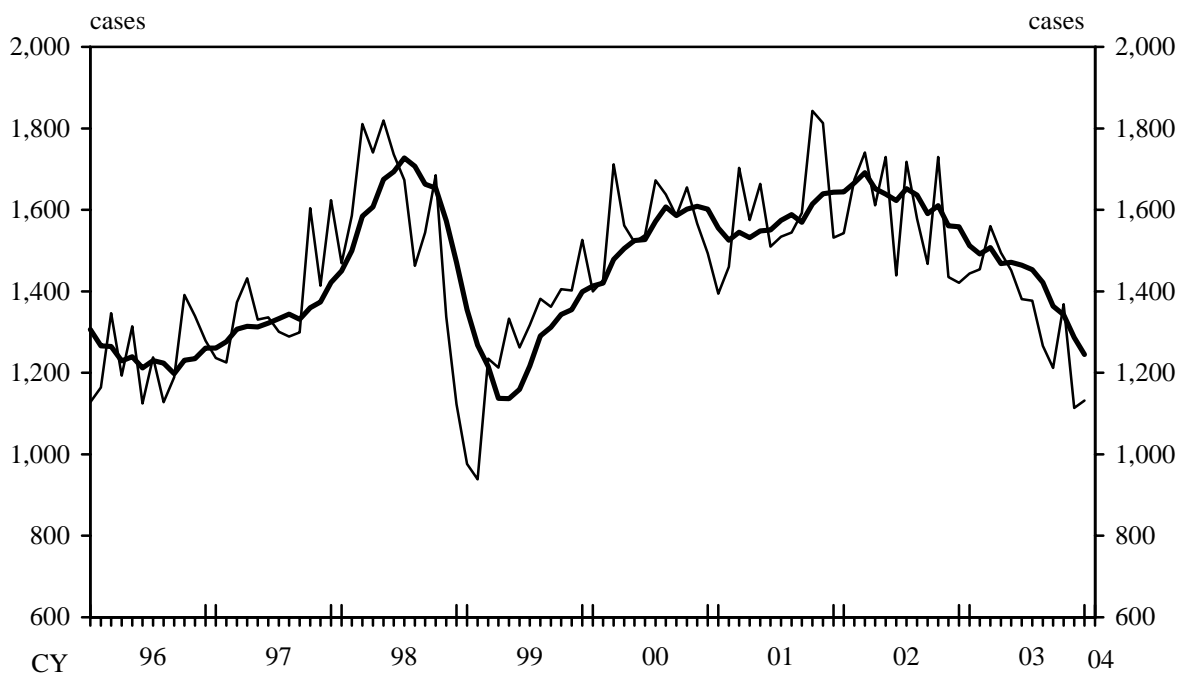
Note: In April 2003, the Postal Life Welfare Corporation was dissolved and its assets were transferred to the Japan Post. Accordingly, its financial assets were excluded from the Money Stock. Changes of the Broadly-defined Liquidity from a year earlier adjusted for the exclusion is 3.6% in December 2003.

(2) Ratio of Money Stock to Nominal GDP

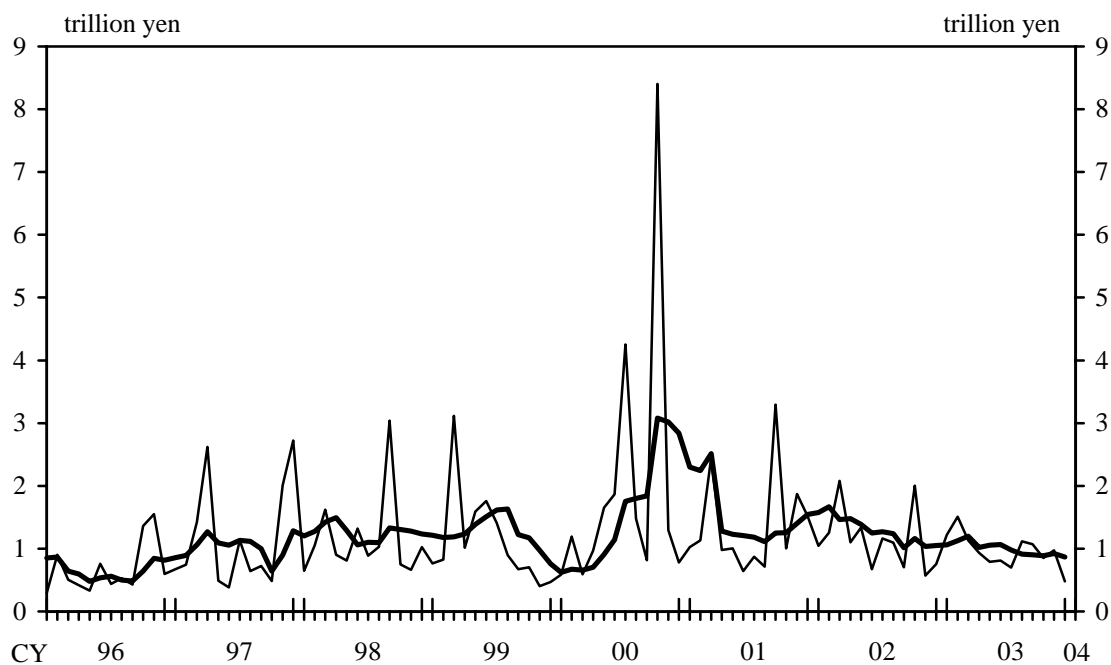
Note: Figure for the nominal GDP in 2003/Q4 is assumed to be unchanged from the previous quarter.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities

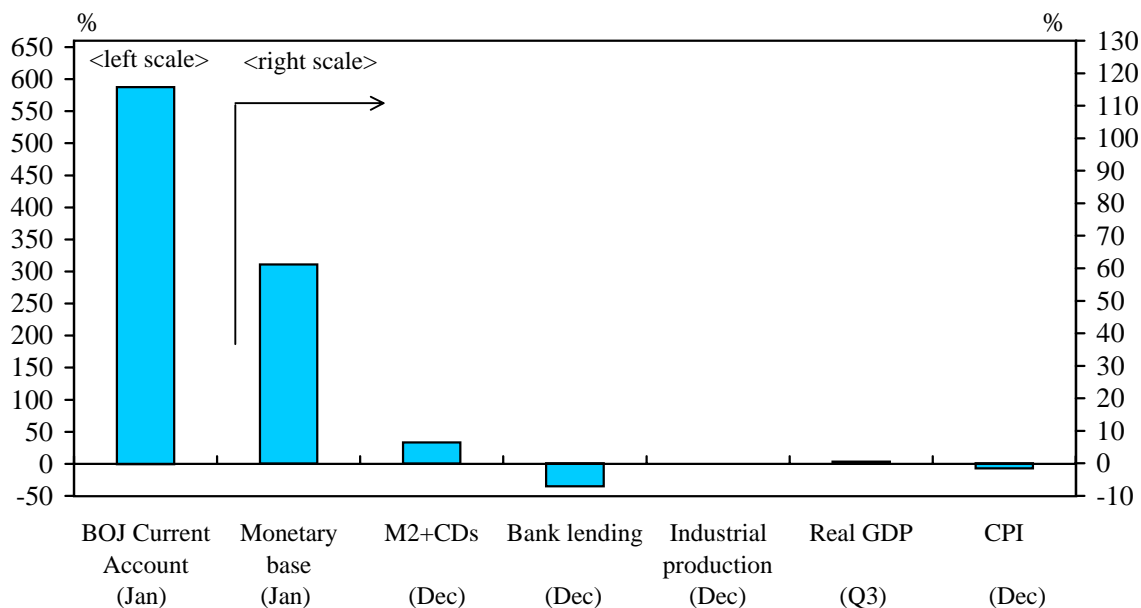


Note: Bold lines are the six-month moving average.

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

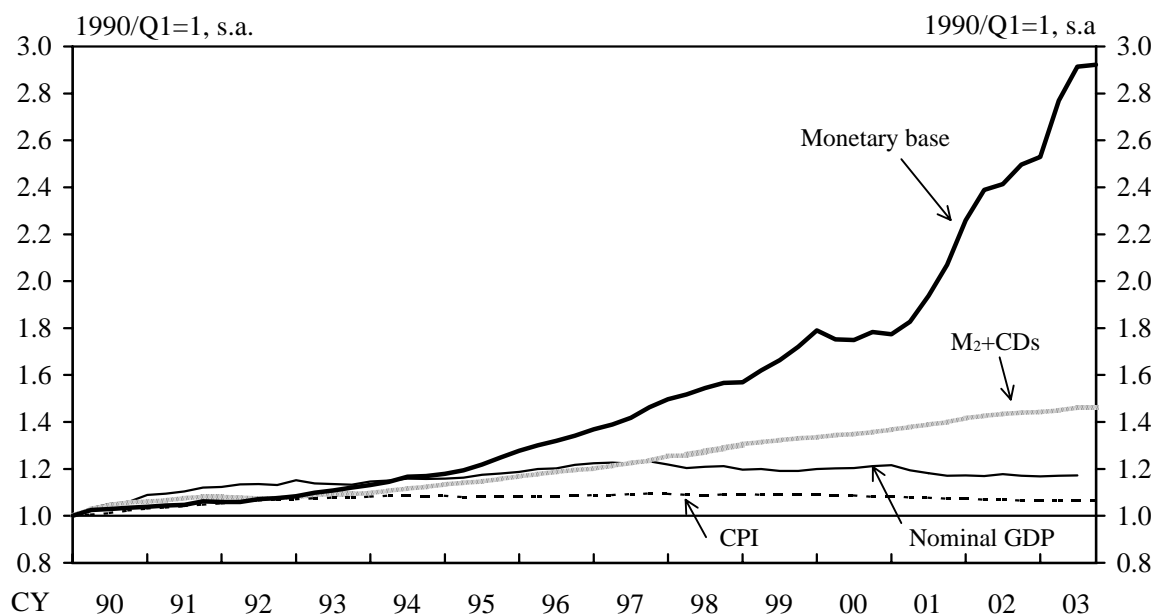
 Monetary Indicators, Economic Activity and Price Development

(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

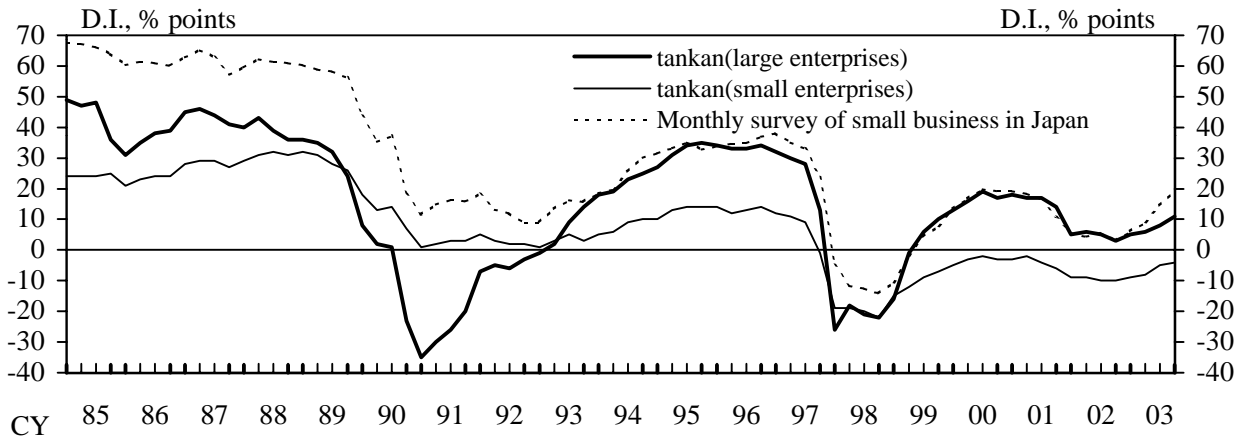


- Notes: 1. Figures for monetary base are adjusted for changes in reserve requirement rates.
 2. Figures for CPI exclude fresh food and effects of the change in the consumption tax rate.

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.

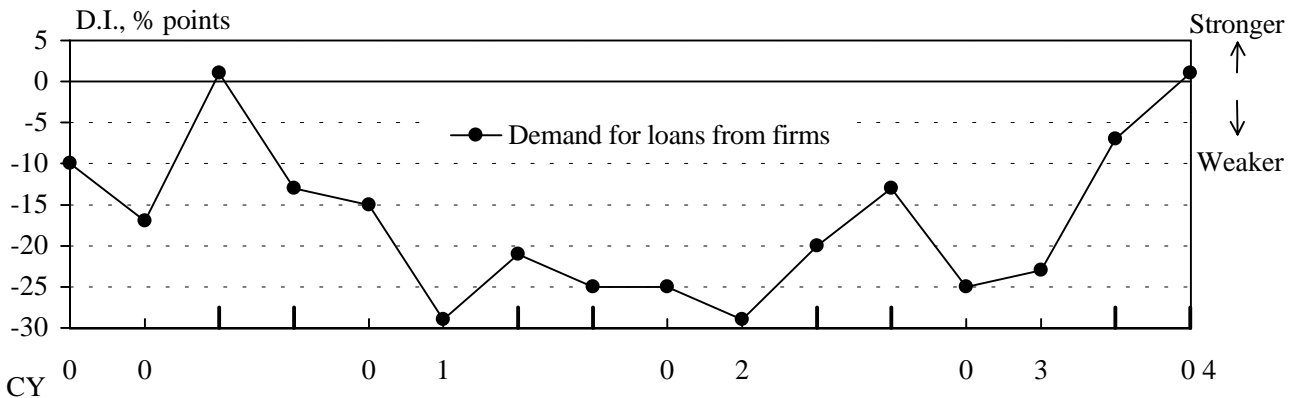
Environment for Bank Loans (1)

(1) Lending Attitude of Financial Institutions

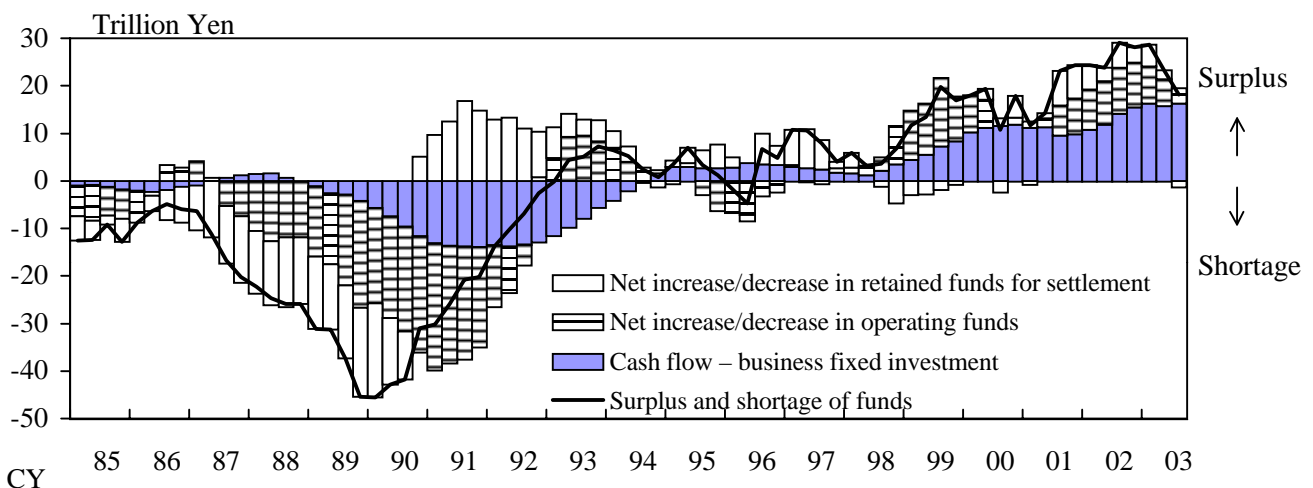


Note: Monthly Survey of Small Business in Japan: "Accommodative" - "Severe". Quarterly figures are average of monthly data.
Tankan: "Accommodative" - "Severe"

(2) Demand for Loans (Senior Loan Officer Opinion Survey)



(3) Surplus and Shortage of Firms' Funds



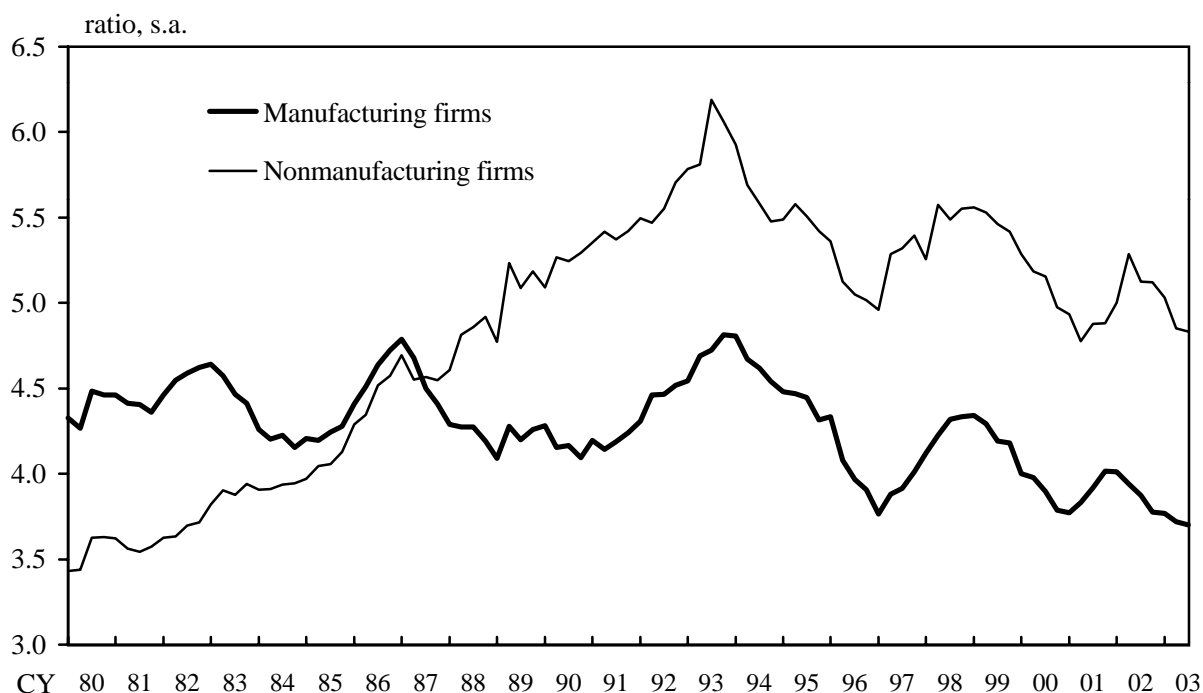
Notes: 1. (1) Surplus and shortage of funds = cash flow - business fixed investment + net increase/decrease in operating funds + net increase/decrease in retained funds for settlement (2) Cash flow = current profits / 2 + depreciation expenses (3) Operating funds = inventories + receivables - payables (4) Retained funds for settlement = cash + deposits

2. "Cash flow" and "business fixed investment" are sum of last four quarters.
Other items are total of quarterly increase or decrease in last four quarters.

Sources: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."; Japan Finance Corporation for Small Business, "Monthly Survey of Small Business in Japan"; Bank of Japan, "Tankan - Short-term Economic Survey of Enterprises in Japan," "Senior Loan Officer Opinion Survey on Bank Lending Practices at Large Japanese Banks."

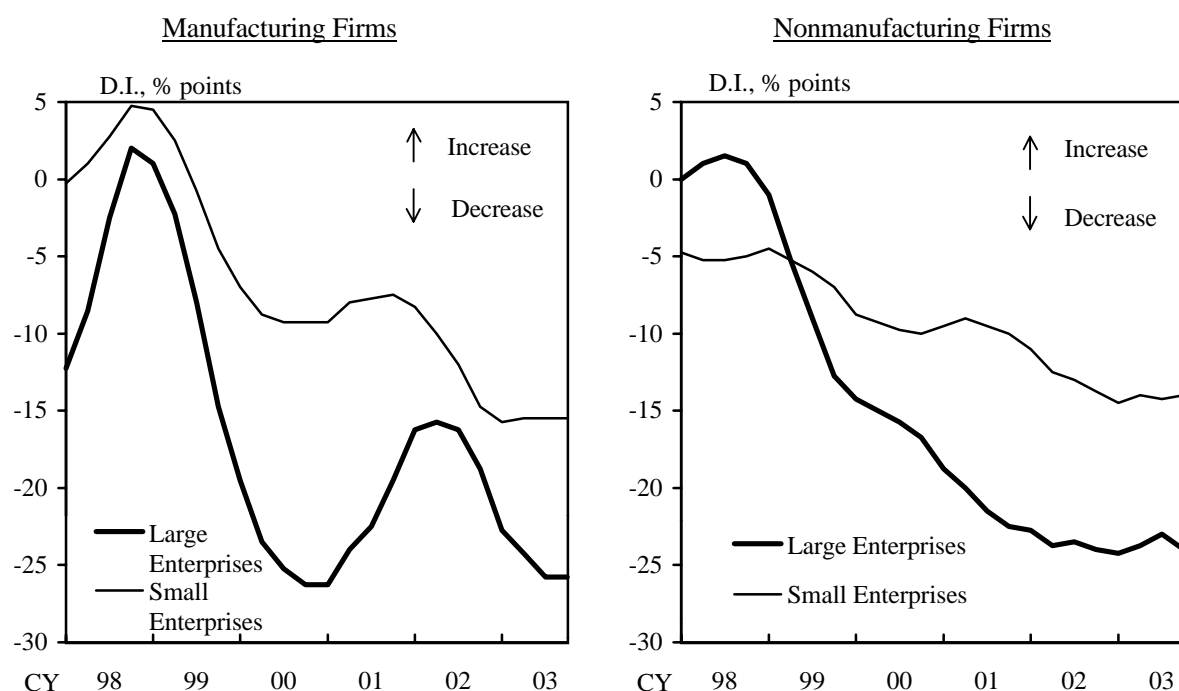
 Environment for Bank Loans (2)

(1) Ratio of Debts to Sales



Note: Ratio of debts to sales = (corporate bonds + long-term and short-term borrowings + bills discounted) / sales (monthly average)

(2) Interest-bearing Debt Outstanding



Notes: 1. Forecast of future condition of interest-bearing debt outstanding in three month time ("Increase" - "Decrease"). Three alternatives provided in the survey are: "Increase," "Unchanged" and "Decrease."
2. 4-quarter moving average.

Sources: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."; Bank of Japan, "Tankan - Short-term Economic Survey of Enterprises in Japan."