

February 26, 1999
Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
February 1999

(English translation prepared by the Bank staff based on the Japanese original
released on February 16, 1999)

Monthly Report of Recent Economic and Financial Developments¹

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The Bank's View²

The economic deterioration in Japan has become moderate against the background of the increase in public investment.

Business fixed investment has been declining significantly. As for housing investment, housing starts are bottoming out but remain at a low level. Recovery in private consumption has been weak on the whole, although partial improvement in sales of goods has been observed. Meanwhile, net exports (exports minus imports) basically remain on a gradually increasing trend, and public investment is increasing considerably. Reflecting this development of final demand and the continued progress in inventory adjustments, industrial production, which had been on a downtrend, is leveling off.

Corporate profits continue to decline. Employment and household income conditions are still deteriorating as the unemployment rate is at a historically high level, and winter bonuses have decreased significantly. Conditions in corporate finance are currently improving, but firms apparently cannot remove their anxiety about the availability of funds in the future. Consequently, corporate and household sentiment remains cautious, and a recovery has not yet been observed in private demand.

As for the future developments, the increase in public investment is likely to underpin the economy toward the first half of fiscal 1999 with the implementation of the government's economic measures. Furthermore, the Bank's monetary and financial measures and the government's measures to alleviate the credit crunch will continue to be in effect. Nevertheless, an immediate self-sustained recovery in

¹ This report was written based on data and information available when the Bank of Japan Monetary Policy Meeting was held on February 12, 1999.

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

private demand is hardly expected, since corporate profits and household income are still deteriorating and the constraints from corporate finance are likely to persist for some time due to cautious lending attitudes of private banks. Moreover, attention should be paid to (1) the effects of the continued appreciation of the yen since autumn 1998; (2) those of the recent rise in long-term interest rates; and (3) the uncertainty in financial and economic developments abroad. To lead Japan's economy into a steady recovery, it is important to prepare an environment where firms and households can regain confidence in Japan's economic future by, for instance, promptly restoring the stability of the financial system.

With regard to prices, reflecting the large output gap, domestic wholesale prices are on a downtrend, and corporate service prices are weakening. Consumer prices have increased above the previous year's level due to the rise in prices of perishables. Excluding this temporary effect, consumer prices basically remain weak. As for the outlook, although public investment is expected to increase, distinct narrowing in the output gap is hardly expected toward the first half of 1999, as private demand is likely to remain sluggish. Furthermore, the decline in wages and the appreciation of the yen since autumn 1998 are likely to continue exerting downward pressure on prices. Hence, prices are expected to remain on a downtrend.

In the financial markets, the Japan premium and Euro-yen interest rates (both on three-month contracts) remain stable despite the approach of the fiscal year-end. This reflects the abatement of the market's anxiety about liquidity and credit risks of Japanese banks against the background of the Bank of Japan's maintenance of a decisive stance on easy monetary policy as well as the formulation of the framework to restore the stability of Japan's financial system.

Yields on Japanese government bonds have risen again reflecting the market's concern over the prospective expansion of fiscal deficits. In the foreign exchange market, the trend has been toward a higher yen. Stock prices continue to be weak. Considering that these developments can be a hindrance to an economic recovery, their ensuing developments require close attention.

With regard to corporate finance, credit demand for economic activities remains weak, as a result of the significant decrease in business fixed investment. Firms' moves to increase their on-hand liquidity in the face of difficult fund-raising conditions are gradually settling down. Although private banks have basically retained their cautious lending stance, they continue to actively utilize the credit guarantee system. As a result, the previously tightened credit conditions are easing somewhat.

Nevertheless, private banks and capital market participants are still cautious of corporate credit risk, and thus firms with relatively low credit ratings remain under severe fund-raising conditions.

The situation continues to warrant careful monitoring, particularly with regard to how corporate finance develops toward the end of the fiscal year.

The Background

1. Japan's Economy

With regard to public investment (Chart 2), the value of public works contracted, which reflects orders, is maintaining a high level, on average, from the effects of the comprehensive economic measures. Reflecting these contracts, shipments of public works related goods are rising recently, which indicates that the actual execution of public works is also increasing. As for the outlook, public investment is projected to remain on an increasing trend as the effects of the comprehensive economic measures will continue and the third supplementary budget for fiscal 1998, based on the emergency economic package, will be implemented.

Real exports (Charts 3 to 5) are essentially flat on the whole, posting a slight decline in the fourth quarter of 1998 after turning to an increase in the third quarter. The pace of growth in exports to the United States and Europe, which had been firm, is decelerating somewhat, and the pace of decline in exports to Asia, which had been down sharply, is slowing down. Meanwhile, real imports declined extremely in the second quarter of 1998 and increased in the third quarter, but declined again in the fourth quarter. Given the stagnant domestic private demand and the continuing production cutbacks in Japan, real imports remain on a weak trend overall.

As a result of these import and export developments, net exports (exports – imports) increased largely in the second quarter of 1998 in terms of the real trade balance³ and declined slightly in the third quarter, but posted a slight increase again in the fourth quarter. Net exports seem to basically remain on a gradual increasing trend, though fluctuating. The nominal current account surplus is also on an increasing trend, on the whole.

As for the future environment for foreign trade, the continued appreciation of the yen since autumn 1998 is likely to restrict exports gradually towards fiscal 1999

³ It should be noted that the real trade balance presented in Chart 3(2) differs from net exports on a GDP basis, but the changes in the real trade balance are basically equivalent to those of net exports. (The real trade balance is on a customs-clearance basis and does not include the trade in services, while net exports are on an ownership-transfer basis and include the trade in services).

(Chart 6(1)). Meanwhile, while the stagnation of private demand in Japan is likely to continue, the United States economy is expected to remain firm, and Asian economies are expected to move toward a recovery compared with 1998 (Chart 6(2)). These factors will facilitate an increase in net exports. European economies, however, are gradually slowing down, and there are still uncertain aspects regarding the trends of economic adjustments in Asia. Additionally, the United States economy, presently recording high growth, is expected to decelerate gradually in the future, and there is a risk that this deceleration may be reinforced depending on developments in Latin American economies, which are recently showing signs of intensifying adjustments.

Business fixed investment has been declining significantly. Shipments of general capital goods, which reflect the current trend of fixed investment in machinery, continue to decline, having dropped 0.7 percent in the third quarter of 1998 on a seasonally adjusted quarter-to-quarter basis and 4.1 percent in the fourth quarter. Leading indicators, such as machinery orders and nonresidential construction starts (Chart 7), also continue to decline at a rapid pace. Thus, business fixed investment is still in a serious adjustment phase.

As for the future environment for business fixed investment, corporate profits remain on a declining trend, and the continued appreciation of the yen since autumn 1998 and the recent increase in long-term interest rates may exert additional downward pressures on corporate profits. These developments in corporate profits and the strong perceptions of excess equipment are likely to continue restricting business fixed investment. As for corporate finance (Chart 8), although the conditions are currently improving especially for small firms,⁴ firms still feel anxious regarding the availability of funds in the future because private banks are maintaining a cautious lending attitude. Hence, the financial constraints on business fixed investment are likely to continue for some time.

⁴ Among small firms, perceptions of tightness in corporate finance have eased and business conditions seem to have stopped declining. Against this background, there are signs that the pace of decline in business fixed investment by these firms, which fell rapidly in the first half of 1998, is slowing down (Chart 8(2)).

With regard to private consumption (Chart 9), sales of household appliances remain firm due to the notable increase in sales of personal computers accompanying the introduction of new products. Sales at department stores and chain stores declined in October, recovered in November due to the success of large discount sales at major supermarkets, but fell sharply in December because of lackluster year-end sales. Thus, sales at department stores and chain stores have been moving back and forth. The number of passenger car sales (excluding light cars) dropped sharply in the fourth quarter of 1998 from some demand shift to light cars with the influx of new models in line with the changes in light car standards. In January, however, it recovered to the level posted in the third quarter of 1998 because of the introduction of new models. Including light cars, the number of passenger car sales was essentially flat in the fourth quarter of 1998, but increased considerably in January. Outlays for travel remain on a declining trend. Hence, although some improvements in sales of goods have been observed from the introduction of new products and efforts to increase sales, there are also many indicators showing weak developments. Consequently, the recovery in private consumption as a whole remains weak. Meanwhile, consumer sentiment remains cautious, although its deterioration seems to be ceasing (Chart 10). As for the future, the recovery in private consumption is likely to remain weak for the time being amid the harsh employment and income conditions.

With regard to housing investment (Chart 11), housing starts (on a seasonally adjusted annual basis) were declining at a rapid pace, posting 1.23 million units in the second quarter of 1998 (-5.8 percent from the previous quarter), and 1.15 million units in the third quarter (-6.7 percent). In the fourth quarter, however, it recorded only a slight decline, falling to 1.13 million units (-1.8 percent). Thus, housing starts are bottoming out, but remain at a low level. As for the outlook, construction starts of condominiums and houses for rent are expected to remain stagnant for the time being due to excess inventories, while construction starts of owner-occupied houses are expected to turn to an increase as applications for loans from the government Housing

Loan Corporation increased greatly at the end of 1998.⁵ The future developments in housing starts should be closely monitored, including the effects of the reduction in taxes on home purchases recently launched by the government.⁶

Reflecting these developments in final demand, industrial production (Chart 12) decreased considerably in the second quarter of 1998 (-5.1 percent on a seasonally adjusted quarter-to-quarter basis), remained unchanged in the third quarter (0.0 percent), and declined only slightly in the fourth quarter (-0.4 percent).⁷ Moreover, based on corporate interviews and production forecast indices, in the first quarter of 1999 industrial production is projected to basically maintain the fourth-quarter level. Thus, the pace of decline has slowed further and industrial production is now leveling off. This may be because while business fixed investment continues to decrease, public investment and the demand for some consumer goods are increasing, and inventory adjustments continue to progress (Chart 13).

Employment and income conditions are still deteriorating. In the labor market (Chart 14), the ratio of job offers to applications declined further from 0.50 in the third quarter of 1998 to 0.48 in the fourth quarter, and the unemployment rate rose to 4.3 percent in the third quarter and maintained the same level in the fourth quarter.⁸ Additionally, the year-to-year decline in the number of regular employees (on a monthly employment statistical basis at establishments with at least five employees) is

⁵ The number of applications received for loans for the construction of private homes by the government Housing Loan Corporation for the third offering period for fiscal 1998 (November 2 to December 25) surged up 49.9 percent year-to-year.

⁶ It was decided to keep the standard interest rate on loans for the construction of private homes by the government Housing Loan Corporation at 2.2 percent for the fourth offering period for fiscal year 1998 (January 18 through March 12, 1999) amid growing expectations of higher housing loan interest rates. While employment and income conditions deteriorate, the effects of such decisions on interest rates and of the government's reduction in taxes on home purchases need to be carefully monitored.

⁷ After accounting for calendar factors by using X-12-ARIMA, the seasonally adjusted quarter-to-quarter decline in industrial production was 3.5 percent in the second quarter of 1998, 1.7 percent in the third quarter, and 0.0 percent in the fourth quarter.

⁸ On a monthly basis, the ratio of job offers to applications posted the lowest level since the start of these statistics in 1963 for three consecutive months through November, and then rose slightly in December (0.48) from the November level (0.47). The unemployment rate also reached the highest level of 4.4 percent in November since the start of these statistics in 1953 and then declined slightly to 4.3 percent in December.

gradually expanding. As regards wages (Chart 15), the growth of regular compensation is at a low level, and overtime compensation remains well below the previous year's level. As for special payments, winter bonuses declined substantially.⁹ Reflecting these employment and wage developments, employee income is on a declining trend, and this trend is expected to continue for the time being.

2. Prices

With regard to price developments, import prices (Chart 17(1)) continue falling at a rapid pace owing to the appreciation of the yen and the decline in international commodity prices, particularly crude oil prices. As for domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates;¹⁰ Chart 17(3)), the prices of steel and machinery continue to decline, and the prices of non-ferrous metals are dropping sharply due to the appreciation of the yen. Thus, domestic wholesale prices overall continue declining. (Domestic wholesale prices declined by a quarter-to-quarter 0.3 percent in the third quarter of 1998, 0.5 percent in the fourth quarter, and 0.4 percent in January compared to the fourth quarter level).

Corporate service prices (Chart 18(1)) are weakening overall, particularly those for real estate rents and advertising, against the background of stagnant corporate activities. The year-to-year price declines are gradually expanding. (The year-to-year decline in corporate service prices was 0.2 percent in the second quarter of 1998, 0.4 percent in the third quarter, and 0.9 percent in the fourth quarter).

⁹ According to wages statistics (*Monthly Labor Statistics Survey*, Ministry of Labor), special payments in November and December, which is when most winter bonuses are paid, were down by a sharp 6.4 percent from the previous year. This surpassed the decline in special payments recorded from June through August (a year-to-year decline of 3.9 percent), which is when most summer bonuses are paid.

¹⁰ Industrial and commercial electric power consumption charges are set relatively high during July-September, when the consumption volume increases substantially. Here, in order to view the fundamental changes in domestic wholesale prices, adjustments are made to exclude such factors that result in large seasonal fluctuations.

Consumer prices (excluding perishables; Chart 18(2)) remain weak overall as the prices of goods remain below the previous year's level and the increase in service-related prices is slowing. (The year-to-year changes in consumer prices were +0.1 percent in the second quarter of 1998, -0.2 percent in the third quarter, and -0.3 percent in the fourth quarter). The prices of perishables have risen sharply since autumn 1998 due to irregular weather.¹¹ Thus, including perishables, consumer prices overall turned to a year-to-year increase of 0.5 percent in the fourth quarter of 1998 (compared with a decline of 0.2 percent in the third quarter).

Regarding the future environment for prices overall, although public investment is expected to increase, distinct narrowing in the output gap is hardly expected toward the first half of fiscal 1999, as private demand is likely to remain sluggish. Furthermore, the decline in wages and the appreciation of the yen since autumn 1998 are expected to continue exerting downward pressure on prices. Judged from these developments, prices are likely to remain on a downtrend.

3. Financial Developments

(1) Financial Markets

Interest rate developments in short-term money markets (Charts 19(1) and 20 to 22) show that with the continued ample provision of funds by the Bank of Japan, the overnight call rate (uncollateralized) generally remained around 0.25 percent.

The Japan premium (three-month contracts) expanded briefly around the end of December, but has been narrowing at an accelerating pace from mid-January and is now holding around the lowest levels posted during 1998. Euro-yen interest rates (three-month contracts) have also been weakening gradually since mid-January. Thus, the short-term money markets have been calm despite the approach of the fiscal year-end.

¹¹ January statistics for the Tokyo district (preliminary figures), however, show that the year-to-year rate of increase in the price of perishables declined significantly after a large rise in the fourth quarter of 1998. Thus, the upward pressure on consumer prices overall (year-to-year) from perishables should decline substantially in January on a nationwide basis as well.

These developments reflect the abatement of the market's anxiety about the liquidity and credit risks of Japanese banks against the background of the Bank of Japan's maintenance of a decisive stance on easy monetary policy as well as the formulation of the framework to restore the stability of Japan's financial system.

The three-month TB yield has been declining slightly from the beginning of 1999.

Yields on ten-year government bonds (benchmark) (Chart 19(2)) rose above 2.0 percent at the end of December, and fell back somewhat at the beginning of the year after the good auction of new bonds in January. Recently, however, the yields have begun to rise once again reflecting the market's concern over the deterioration in the supply-demand balance for government bonds and the prospective expansion of fiscal deficits, and posted the highest levels since the summer of 1997 in early February. Yields on private bonds (Charts 24 and 25) also rose sharply in pace with the government bond yields. The yield spread between corporate and government bonds expanded in autumn 1998, especially for bonds issued by corporations with low credit ratings, and has remained at a high level ever since.

Stock prices (Chart 26(1)) recovered the 14,000 yen level from mid-January, with favorable market sentiment toward the progress of measures to stabilize and revitalize Japan's financial system. From February, however, stock prices fell back below the 14,000 yen level due to the rise in long-term interest rates and the appreciation of the yen.

On the foreign exchange market (Chart 27), the trend has been toward a higher yen and lower dollar because of a range of factors including higher long-term Japanese interest rates. The yen-dollar exchange rate has recently been moving between 111 and 115 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The year-to-year growth in money stock (Charts 28 and 29) in terms of $M_2 +$ CDs is generally holding steady between 3.0 and 4.0 percent, although it increased

slightly at one point reflecting corporate moves to secure ample on-hand liquidity. (The year-to-year growth in $M_2 + \text{CDs}$ was 3.7 percent in the third quarter of 1998, 3.9 percent in October, 4.3 percent in November, and 3.9 percent in December).

Meanwhile, the rate of growth in bank notes declined conspicuously in December and January, resulting in slower growth in the monetary base (bank notes + reserve deposits). These developments in bank notes may be attributed, in part, to the brevity of this year's New Year's holidays (compared with the average year) and to the decline in winter bonuses. Additionally, since autumn 1997, corporations and households had been holding cash (bank notes) due to concerns over the stability of the financial system, but this trend has recently been weakening, and this is believed to be contributing substantially to the slowing of the growth in bank notes.

The year-to-year decline in lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;¹² Chart 30), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, remained more or less level in January.

In relation to these monetary aggregate developments, regarding the credit demand of private firms, as a result of the significant decline in business fixed investment, the credit demand for economic activities remains weak. Also, firms' moves to increase their on-hand liquidity, which were strengthening from autumn 1998, are gradually settling down in response to the various measures implemented by the government and the Bank of Japan.

Meanwhile, the lending attitude of private financial institutions is still fundamentally cautious as they face growing credit risk amid the worsening of corporate earnings. However, private financial institutions continue to actively utilize the enhanced credit guarantee system.

¹² 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, (3) fluctuations from loan write-offs, and (4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General Account.

Fund-raising from sources other than bank loans (Charts 32 and 33) has recently been slowing down slightly. On the capital market, CP issuance remains at a high level, but the issuance of corporate bonds declined sharply in January from the previous month. This was because most firms facing large-scale redemptions of convertible bonds in March essentially completed the necessary funds procurement by December.

Turning to the funding cost for firms, in December the average contracted interest rates on loans and discounts (Chart 34) generally remained essentially level versus the previous month.

CP issuance rates remained stable at low levels from the beginning of the year, with the continuation of the Bank of Japan's high-volume CP repo operations. However, issuance rates on corporate bonds increased sharply, reflecting the developments on the secondary market.

Thus, the corporate fund-raising environment has been easing due to the government's measures to enhance the credit guarantee system as well as the Bank of Japan's ample provision of funds and implementation of new measures to facilitate firms' financing activities. Under this environment, the number of corporate bankruptcies is below the previous year's level (Chart 35).

Nevertheless, private banks and capital market participants are still cautious of corporate credit risk, and thus firms with relatively low credit ratings remain under severe fund-raising conditions.

The situation continues to warrant careful monitoring, particularly with regard to how corporate finance conditions develop toward the end of the fiscal year.

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Main Economic Indicators (1)

y/y % chg.

	98/Q2	Q3	Q4	98/Oct.	Nov.	Dec.	99/Jan.
Index of expenditure level (all households)	-0.8	-1.9	p 0.2	-0.6	1.5	p -0.2	n.a.
Sales of department stores	0.6	-4.5	p -4.6	-4.6	-2.4	p -6.2	n.a.
Sales of chain stores ¹	0.3	-2.5	-1.4	-2.3	0.5	-2.2	n.a.
New passenger-car registrations ² <s.a., ann. 10,000 units>	324	325	287	289	274	296	328
Sales of electric appliances (NEBA)	3.6	8.2	10.1	13.6	11.3	7.3	n.a.
Outlays for travel (50 major travel agencies)	-2.8	-3.2	-7.0	-10.5	-2.7	-7.3	n.a.
Housing starts <s.a., ann. 10,000 units>	123	115	113	115	109	115	n.a.
Machinery orders (from private sector ³)	-21.7	-20.3	n.a.	-26.1	-12.2	n.a.	n.a.
Mining & manufacturing	-23.7	-22.0	n.a.	-32.3	-26.3	n.a.	n.a.
Nonmanufacturing ³	-20.1	-18.9	n.a.	-21.6	0.5	n.a.	n.a.
Construction Starts (private, nonresidential use)	-13.8	-18.2	-22.9	-23.5	-20.4	-24.6	n.a.
Manufacturing	-25.9	-38.1	-45.5	-41.2	-48.5	-46.4	n.a.
Nonmanufacturing ⁴	-8.9	-10.5	-13.4	-16.9	-7.1	-15.7	n.a.
Value of public works contracts	-6.2	4.9	10.4	22.6	-1.5	4.3	n.a.
Real exports <s.a. quarterly (monthly) change>	-0.9	1.7	p -0.6	4.8	-14.2	p 5.6	n.a.
Real imports <s.a. quarterly (monthly) change>	-7.8	3.3	p -1.4	-3.3	-0.2	p 2.1	n.a.
Industrial production <s.a. quarterly (monthly) change>	-5.1	0.0	p -0.4	-1.1	-2.1	p 1.3	n.a.
Shipments <s.a. quarterly (monthly) change>	-5.1	0.8	p 0.0	-1.3	-2.1	p 1.4	n.a.
Inventories <s.a. quarterly (monthly) change>	-1.9	-2.4	p -3.5	-0.5	-1.4	p -1.7	n.a.
Inventories/shipments <s.a. 1995=100>	111.0	109.1	p 107.8	111.4	111.2	p 107.8	n.a.

Main Economic Indicators (2)

	y/y % chg.						
	98/Q2	Q3	Q4	98/Oct.	Nov.	Dec.	99/Jan.
Ratio of job offers to applications <s.a., times>	0.53	0.50	0.48	0.48	0.47	0.48	n.a.
Unemployment rate <s.a., %>	4.18	4.26	4.35	4.27	4.44	4.33	n.a.
Overtime working hours ⁵	-9.3	-8.7	p -7.3	-7.7	-8.6	p -5.8	n.a.
Number of employees	-0.6	-0.7	-0.5	-0.2	-0.4	-0.8	n.a.
Number of regularly employed ⁵	0.1	-0.2	p -0.4	-0.4	-0.6	p -0.4	n.a.
Nominal wage per person ⁵	-0.6	-2.0	p -2.3	-0.1	0.1	p -4.2	n.a.
Domestic wholesale price index	-2.3	-2.1	-2.1	-2.1	-2.2	-2.2	-2.3
Consumer price index (nationwide)	0.4	-0.2	0.5	0.2	0.8	0.6	n.a.
Excluding perishables	0.1	-0.2	-0.3	-0.4	-0.3	-0.3	n.a.
Corporate service price index	-0.2	-0.4	-0.9	-0.8	-0.8	-0.9	n.a.
Monetary aggregates (M2+CDs) <average outstanding, y/y % chg>	3.7	3.7	p 4.0	3.9	4.3	p 3.9	n.a.
Number of suspension of transaction with banks	28.9	17.3	-17.5	-5.3	-8.3	-37.4	n.a.

Notes: 1. Adjusted to exclude consumption tax.

2. Excludes small cars with engine size of 660cc or less. Seasonally adjusted by X-12-ARIMA (β version).

3. Excludes ships and demand from electric power companies.

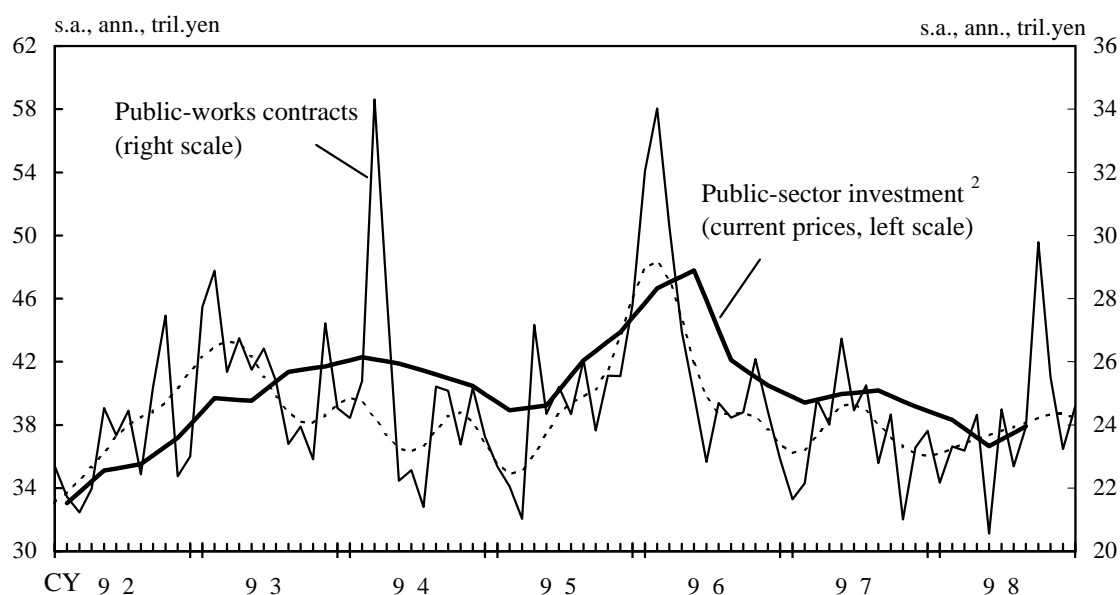
4. Nonmanufacturing=commerce+services+agriculture & fisheries+public utilities industries etc.

5. Data for establishments with five regular employees or more.

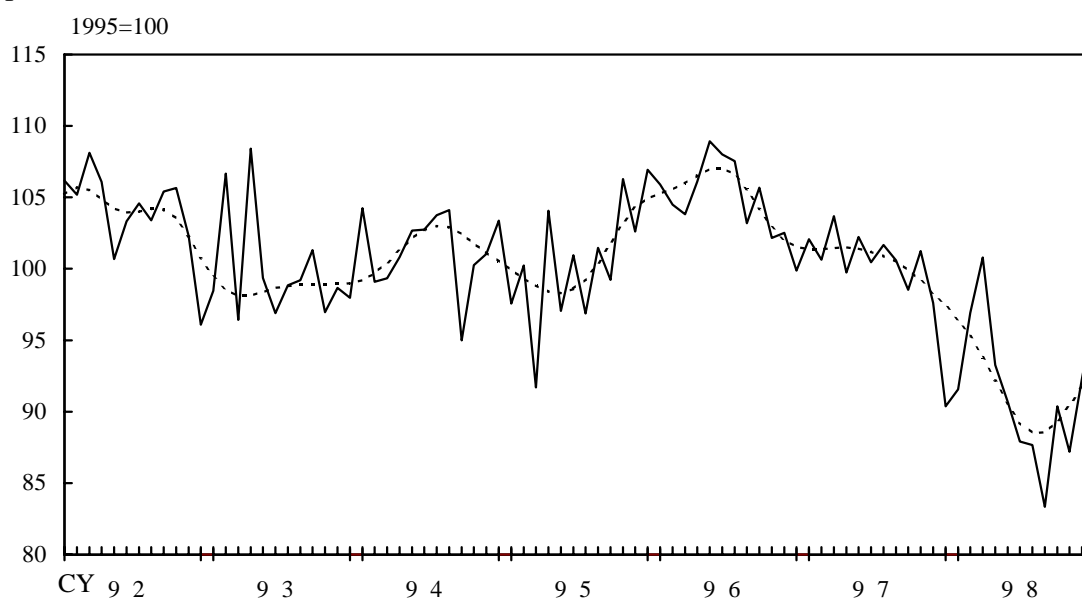
Sources: Management and Coordination Agency, "Monthly Report on Family Income and Expenditure Survey", "Labor Force Survey", "Consumer Price Index";
 Ministry of International Trade and Industry, "Current Survey of Commerce", "Indices of Industrial Production";
 Japan Chain Stores Association, "Sales of Chain Stores";
 Japan Automobile Dealers association, "Domestic Sales of Automobiles";
 Nippon Electric Big-stores Association (NEBA), "Sales of Electric Appliance";
 Ministry of Transport, "Major Travel Agents' Revenue";
 Ministry of Construction, "Monthly of Construction Statistics"; Economic Planning Agency, "Machinery Orders Statistics"
 Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";
 Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Labor, "Report on Employment Service",
 "Monthly Labor Survey"; Bank of Japan, "Wholesale Price Indexes", "Corporate Service Price Index",
 "Economic Statistics Monthly"; Federation of Bankers Associations of Japan, "Suspension of Transaction with Banks."

Public-sector Investment¹

(1) Public-works Contracts



(2) Shipments of Public Works-related Goods³



- Notes: 1. Seasonally adjusted by X-12-ARIMA (β version). The dotted line is the trend cycle factor.
 2. Quarterly basis public-sector investment is plotted at the middle month of each quarter.
 3. In order to follow the monthly movement of public-sector investment, we have compiled the data of shipments of "public works-related goods" by selecting some goods used for public works from "Indices of Industrial Production."

The basket of goods used to calculate "public works-related goods" was changed just after the base year of "Indices of Industrial Production" was revised from 1990 to 1995. The goods presently used are asphalt, concrete products for roads, bridges, and cement.

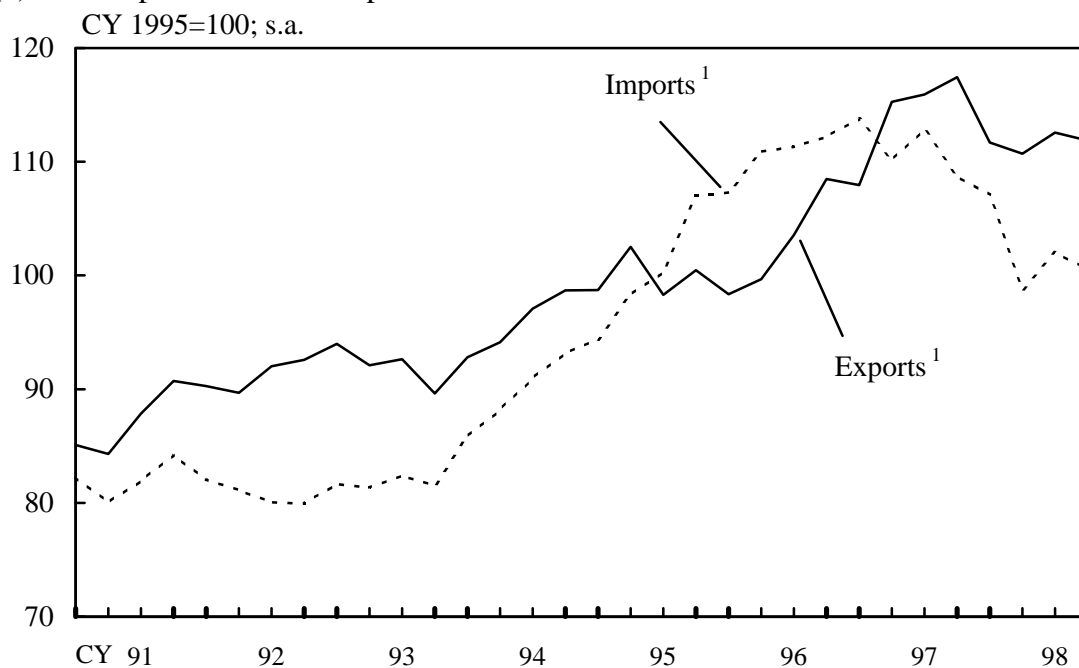
"Public works-related goods" only covers construction investment excluding buildings (which comprises two-thirds of public-sector investment), and does not cover building and machinery investment (which comprises one-third of public-sector investment).

"Public works-related goods" is partly used for private-sector investment.

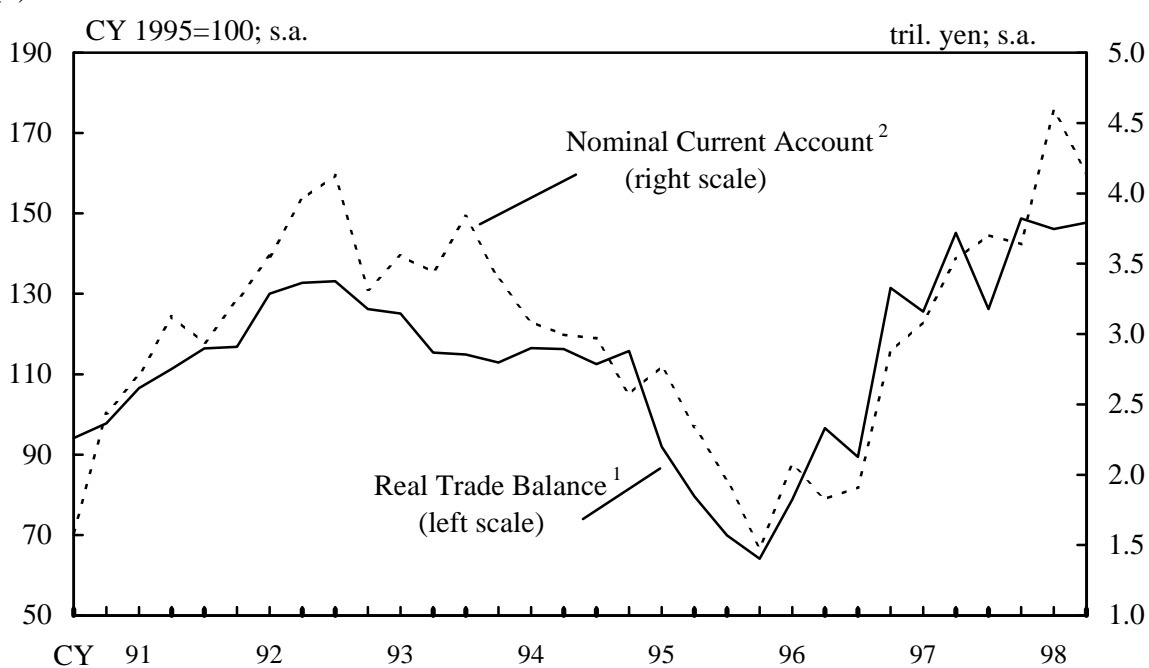
Sources: Economic Planning Agency, "National Income Statistics";
 Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";
 Ministry of International Trade and Industry, "Indices of Industrial Production."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account



Notes: 1. Seasonally adjusted by X-11.

2. 1998/Q4 is Oct-Nov average in terms of quarterly amount.

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

Real Exports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 97	98	97 Q4	98 Q1	Q2	Q3	Q4	98 Oct.	Nov.	Dec.
United States	<30.5>	14.6	6.8	1.8	4.6	-0.8	2.5	-2.4	7.2	-17.6	3.8
EU	<18.4>	13.8	15.6	5.4	1.3	7.2	2.0	0.9	4.8	-13.7	8.6
East Asia	<33.2>	8.6	-18.1	-2.4	-11.1	-7.3	-0.2	-1.3	-0.4	-10.7	7.6
China	<5.2>	8.2	0.8	6.2	-3.9	4.0	-2.1	-2.0	1.8	-11.4	3.7
NIEs	<20.2>	10.5	-16.5	-0.4	-10.5	-8.2	-1.4	-0.9	-0.8	-11.4	9.7
Korea	<4.0>	-1.5	-35.5	-2.8	-29.8	-7.0	-1.4	13.1	4.2	-5.1	13.7
ASEAN4 ³	<7.8>	5.0	-29.2	-10.0	-16.0	-11.3	4.2	-1.7	-0.8	-8.3	5.2
Thailand	<2.4>	-11.6	-29.4	-15.4	-9.6	-2.3	-0.4	-2.6	1.3	-11.6	6.3
Indonesia	<1.1>	22.6	-53.5	-19.5	-36.0	-26.9	8.7	5.5	3.1	-9.4	7.0
Real exports		11.2	-2.1	1.3	-4.9	-0.9	1.7	-0.6	4.8	-14.2	5.6

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 97	98	97 Q4	98 Q1	Q2	Q3	Q4	98 Oct.	Nov.	Dec.
Intermediate goods	<14.5>	11.2	3.0	0.7	-3.2	2.3	4.9	-1.5	3.2	-14.9	5.9
Motor vehicles and their related goods	<21.9>	14.6	1.3	-4.2	-3.0	0.7	4.1	1.8	5.4	-10.4	7.8
Consumer goods ⁴	<7.3>	6.3	5.0	2.2	2.3	0.7	-2.7	0.9	8.0	-12.2	5.6
Information-related goods ⁵	<17.2>	18.1	-7.0	1.3	-5.5	-5.3	1.6	-1.7	0.3	-11.6	9.0
Capital goods and parts ⁶	<28.6>	9.0	-5.4	3.5	-5.8	-2.8	0.5	-4.1	0.1	-12.5	2.3
Real exports		11.2	-2.1	1.3	-4.9	-0.9	1.7	-0.6	4.8	-14.2	5.6

Notes: 1. Seasonally adjusted by X-11.

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

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

4. Excluding motor vehicles.

5. Information-related exports = automatic data processing machinery + telecommunication machinery + ICs + scientific, medical and optical instruments.

6. Excluding information-related goods and power generating machinery and parts of motor vehicles.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes."

Real Imports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 97	98	97 Q4	98 Q1	Q2	Q3	Q4	98 Oct.	Nov.	Dec.
United States	<23.9>	1.1	-3.8	-0.1	0.5	-4.8	1.4	-4.5	4.2	-6.9	-5.3
EU	<14.0>	-3.6	-6.1	-7.1	3.4	-8.5	4.0	1.9	-9.2	8.3	-2.4
East Asia	<34.9>	0.9	-7.7	-4.5	-0.2	-6.0	1.4	0.4	-4.7	3.6	4.4
China	<13.2>	8.8	-4.4	-2.9	0.8	-4.7	1.4	-1.2	-2.9	4.1	7.4
NIEs	<10.2>	-8.1	-10.9	-5.6	-0.5	-9.0	-0.4	5.8	-5.6	6.7	1.1
Korea	<4.3>	-3.9	-9.1	-8.8	3.7	-10.1	-3.7	10.2	-0.4	5.6	3.8
ASEAN4 ³	<11.4>	2.2	-8.2	-5.2	-0.9	-4.7	3.0	-2.2	-5.6	0.5	4.3
Thailand	<2.9>	-0.5	-6.7	-2.1	-3.5	-2.7	2.9	-4.3	-3.2	-3.0	1.6
Indonesia	<3.9>	-2.3	-10.0	-8.5	0.1	-4.1	5.8	-5.4	-15.3	2.2	2.4
Real imports		0.9	-8.3	-3.7	-1.5	-7.8	3.3	-1.4	-3.3	-0.2	2.1

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 97	98	97 Q4	98 Q1	Q2	Q3	Q4	98 Oct.	Nov.	Dec.
Raw materials ⁴	<23.2>	-0.5	-6.0	0.1	-4.3	-4.4	2.7	0.0	2.5	-4.7	2.0
Intermediate goods	<14.0>	2.7	-7.1	-1.5	-2.0	-9.3	2.1	0.9	-2.0	2.9	2.6
Foodstuffs	<14.7>	-3.5	-4.2	-6.6	0.9	-2.9	3.4	-3.7	-11.8	6.4	-0.8
Consumer goods	<10.7>	-10.0	-13.8	-9.1	-0.3	-8.9	7.0	-6.7	-15.4	8.4	-0.1
Information-related goods ⁵	<13.2>	8.0	-5.8	-3.1	-4.0	-1.2	4.1	-1.6	-4.2	1.3	0.3
Capital goods and parts ⁶	<13.3>	13.6	2.7	0.3	8.0	-10.8	1.8	-1.1	10.3	-9.6	-1.7
Real imports		0.9	-8.3	-3.7	-1.5	-7.8	3.3	-1.4	-3.3	-0.2	2.1

Notes: 1. Seasonally adjusted by X-11.

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

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

4. Raw materials = woods + ores + mineral fuel, etc.

5. Information-related goods = office machinery + telecommunication machinery + ICs + scientific, medical and optical instruments.

6. Excluding information-related goods.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes."

Overseas Economic Conditions and Real Effective Exchange Rate

(1) Real Effective Exchange Rate ¹

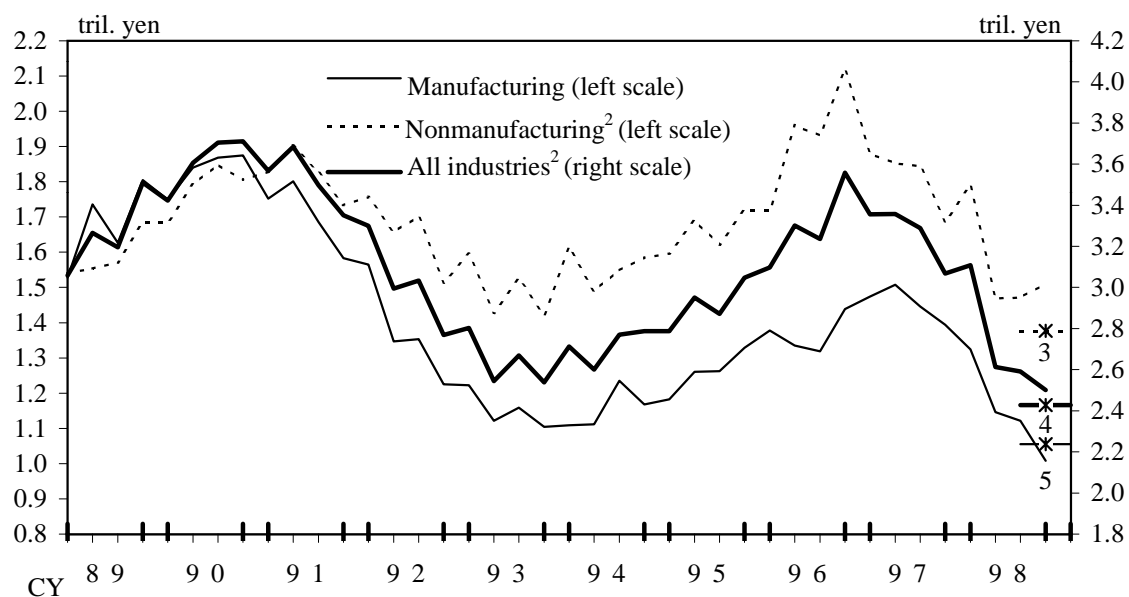
Notes: 1. Monthly average. The figure for February 1999 is February 1-10 average. Calculated by Bank of Japan.
 Figures are index of weighted average of yen's real exchange rates versus 24 major currencies which are calculated from exchange rates and price indexes of the respective countries.

(2) Real GDP Growth Rates in Overseas Economies

		CY97	98	99	98 Q1	Q2	Q3	Q4	
United States ¹		3.9	3.9	(2.4)	5.5	1.8	3.7	5.6	
European Union ¹		2.7	(2.8)	(2.0)	3.1	2.1	n.a.	n.a.	
	Germany	2.2	2.8	(1.8)	5.9	0.2	3.5	n.a.	
	France	2.3	(3.0)	(2.2)	2.8	3.3	2.1	n.a.	
	United Kingdom	3.5	(2.5)	(0.5)	1.9	2.0	1.6	n.a.	
East Asia ²	China	8.8	7.8	(7.6)	7.2	(Jan-Jun) 7.0	(Jan-Sep) 7.2	(Jan-Dec) 7.8	
	NIEs	Korea	5.5	(-6.3)	(1.0)	-3.9	-6.8	-6.8	n.a.
		Taiwan	6.8	(5.0)	(4.5)	5.9	5.2	4.7	n.a.
		Hong Kong	5.3	(-4.9)	(-0.9)	-2.6	-5.1	-7.1	n.a.
		Singapore	7.8	1.3	(-0.8)	6.2	1.8	-0.7	-1.5
	4 Countries of ASEAN	Thailand	-0.4	(-7.8)	(0.0)	n.a.	n.a.	n.a.	n.a.
		Indonesia	4.9	-13.7	(-3.2)	-6.4	-16.8	-17.4	-19.5
Malaysia		7.7	(-6.2)	(0.0)	-2.8	-6.8	-8.6	n.a.	
Philippines		5.2	-0.5	(1.5)	1.6	-0.8	-0.7	-1.9	

Notes: 1. Quarterly data are quarter-to-quarter percent changes.
 2. Quarterly data are percent changes from a year earlier.
 3. Forecasts by "BLUE CHIP ECONOMIC INDICATORS" and "CONSENSUS FORECASTS" are shown in brackets.

Major Indexes of Business Fixed Investment

(1) Machinery Orders¹

Notes: 1. Seasonally adjusted data.

Figures for 1998/Q4 are averages of October and November in terms of quarterly amount.

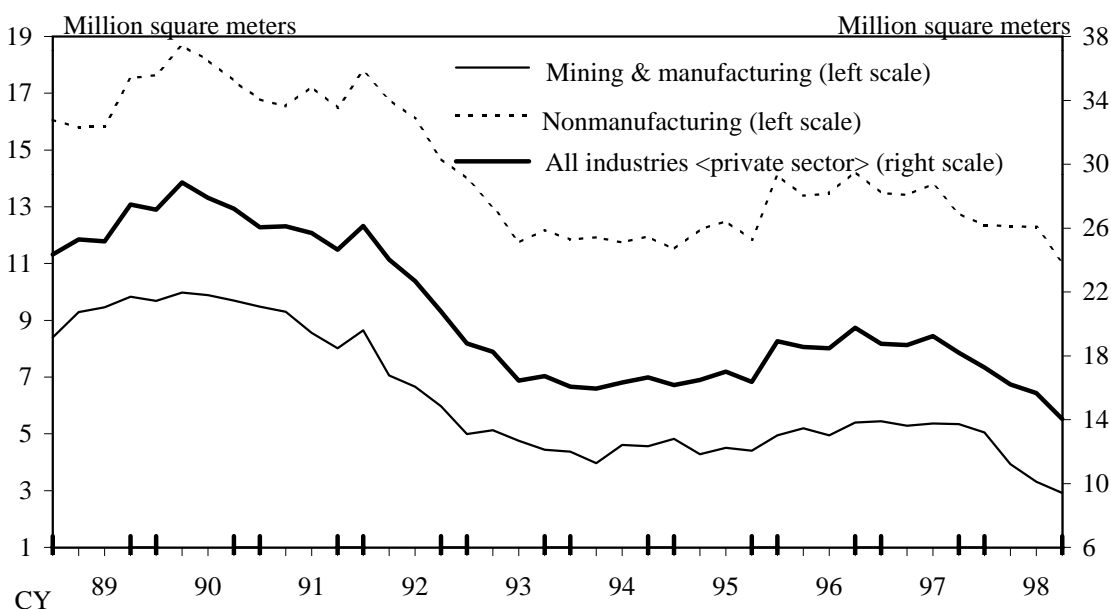
2. Excludes orders from electric power companies, and shipbuilding orders.

3. Forecast of nonmanufacturing industries for 1998/Q4.

4. Forecast of all industries for 1998/Q4.

5. Forecast of manufacturing industries for 1998/Q4.

(2) Construction Starts (Nonresidential)

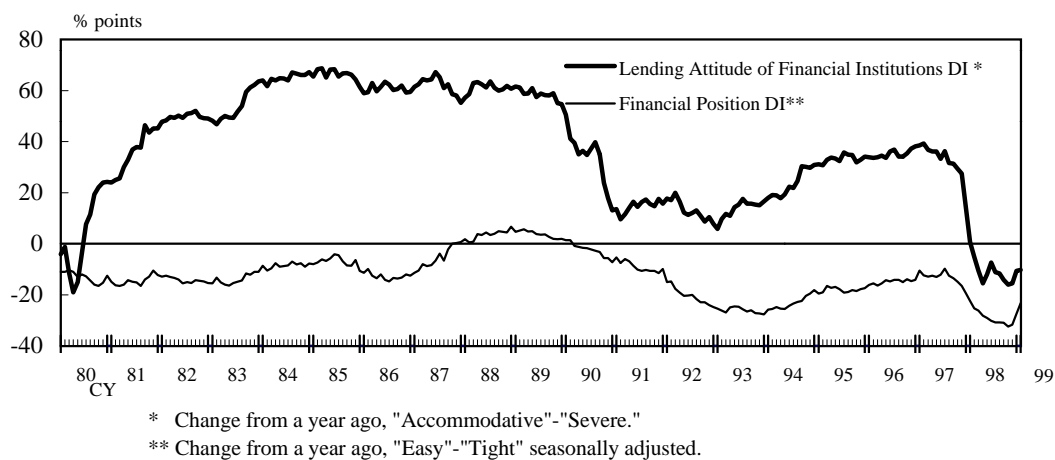


Note: Seasonally adjusted by X-11.

Sources: Economic Planning Agency, "Machinery Orders Statistics";
Ministry of Construction, "Building Constructuon Started."

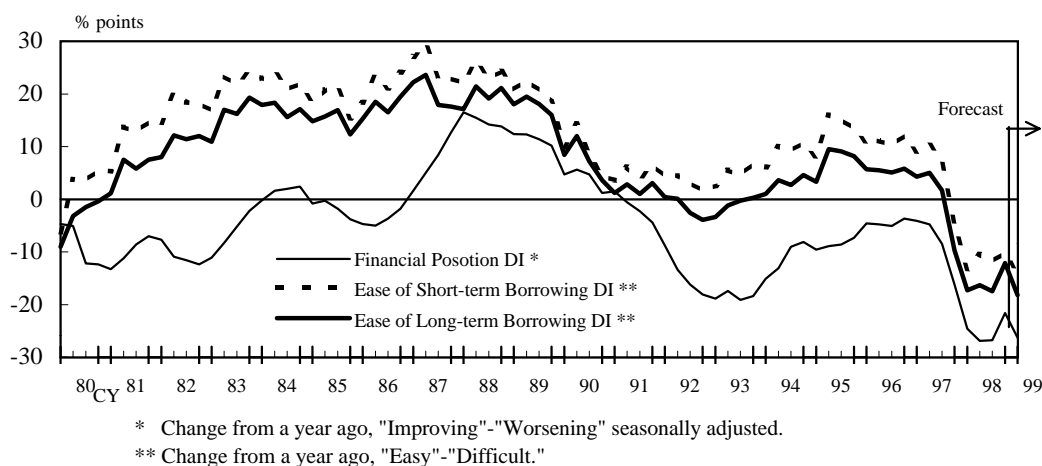
Corporate Finance-Related Indicators

(1) Monthly Survey on Trends of Small Businesses¹

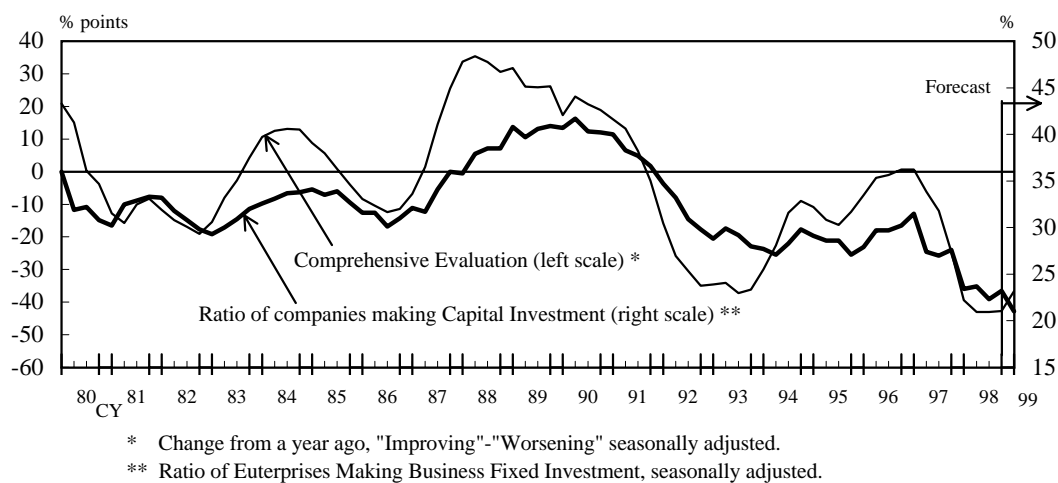


(2) Economic Survey of Small Businesses²

(Lending Attitude of Financial Institutions and Financial Position)



(Comprehensive Evaluation and Business Fixed Investment Indicators)



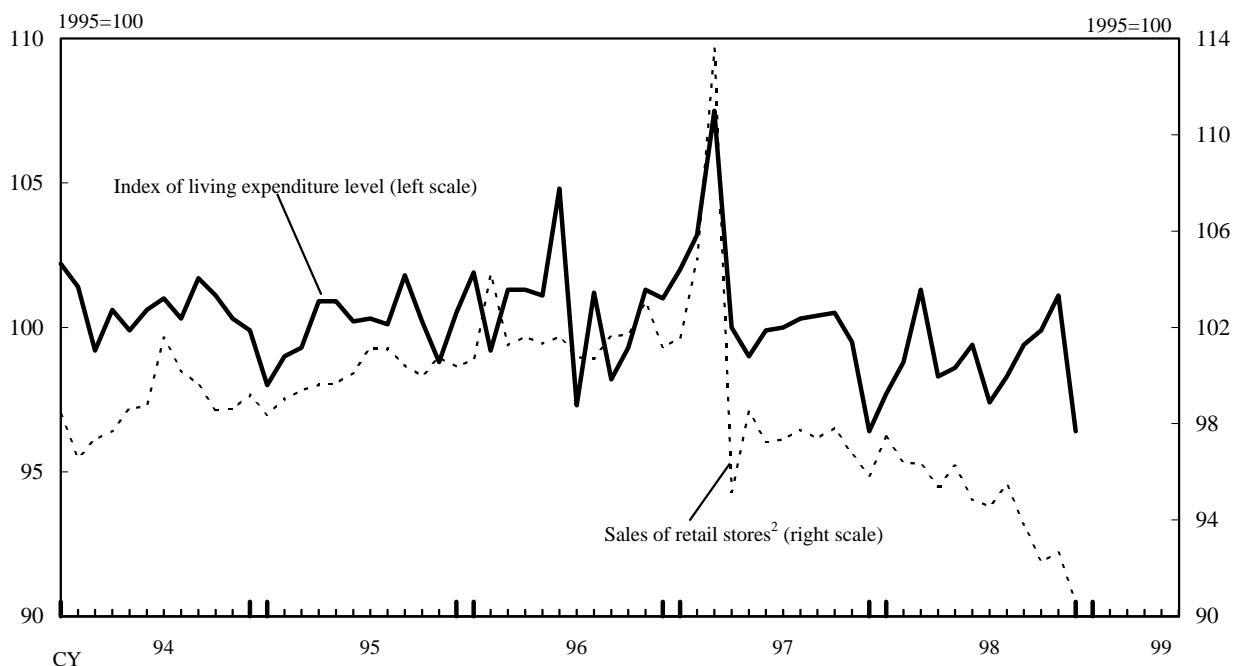
Notes: 1. Sample: 900 Companies (Responses: 638 <January 1999 Survey>).

2. Sample: 12,117 Companies (Responses: 5,880 <December 1998 Survey>).

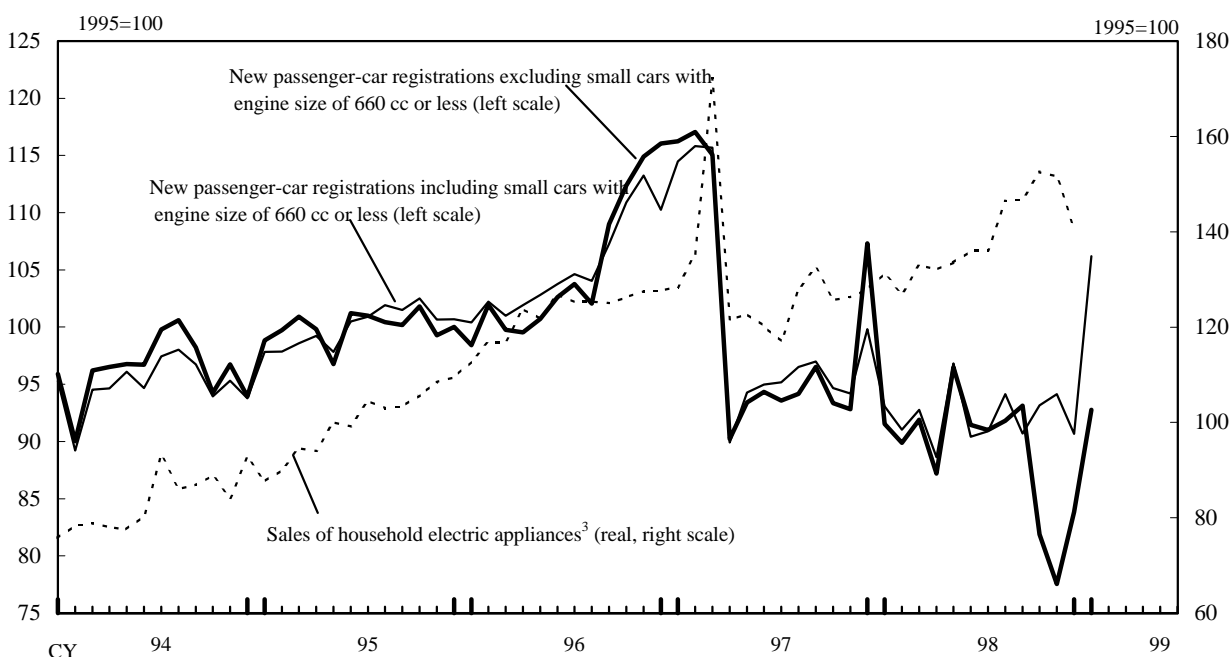
Sources: Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses", "Economic Survey of Small Businesses."

Private Consumption¹ (1)

(1) Household Spending



(2) Sales of Durable Goods



Notes: 1. Seasonally adjusted by X-12-ARIMA (β version).

Index of living expenditure level is seasonally adjusted by X-11.

2. Sales of retail stores is deflated by the Consumer Price Index for commodities.

3. Sales of household electric appliances is deflated by Wholesale Price Index (for personal computers) and Consumer Price Index (other electric appliances).

Sources: Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey", "Consumer Price Index";

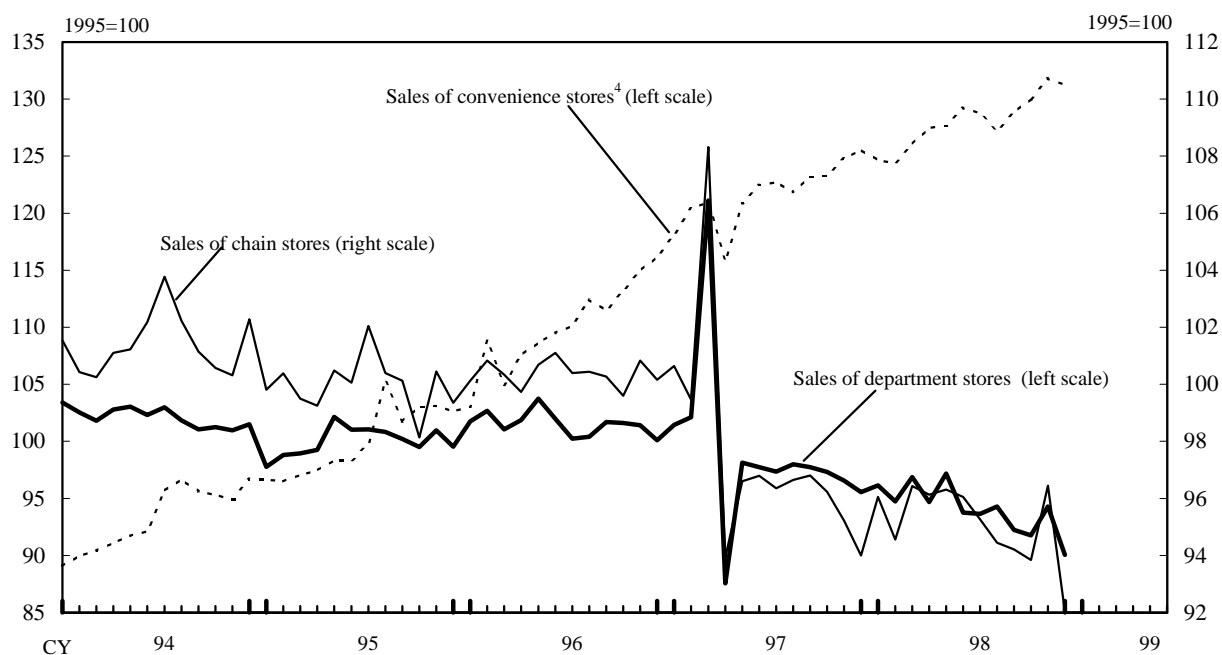
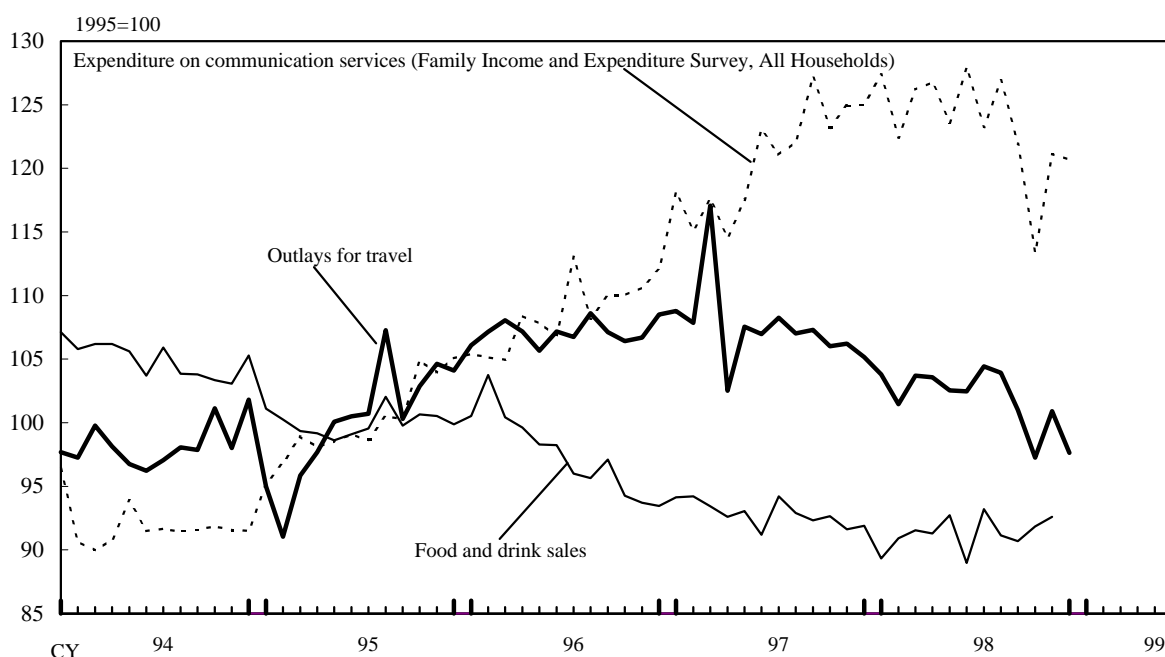
Ministry of International Trade and Industry, "Current Survey of Commerce";

Japan Automobile Dealers association, "Domestic Sales of Automobiles";

Japan Mini Vehicles Association, "Sales of Mini Vehicles";

Nippon Electric Big-Stores Association (NEBA), "Sales of Electric Appliance";

Bank of Japan, "Wholesale Price Indexes."

Private Consumption¹ (2)(3) Sales of retail stores²(4) Consumption of service³

Notes: 1. Seasonally adjusted by X-12-ARIMA (β version).

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

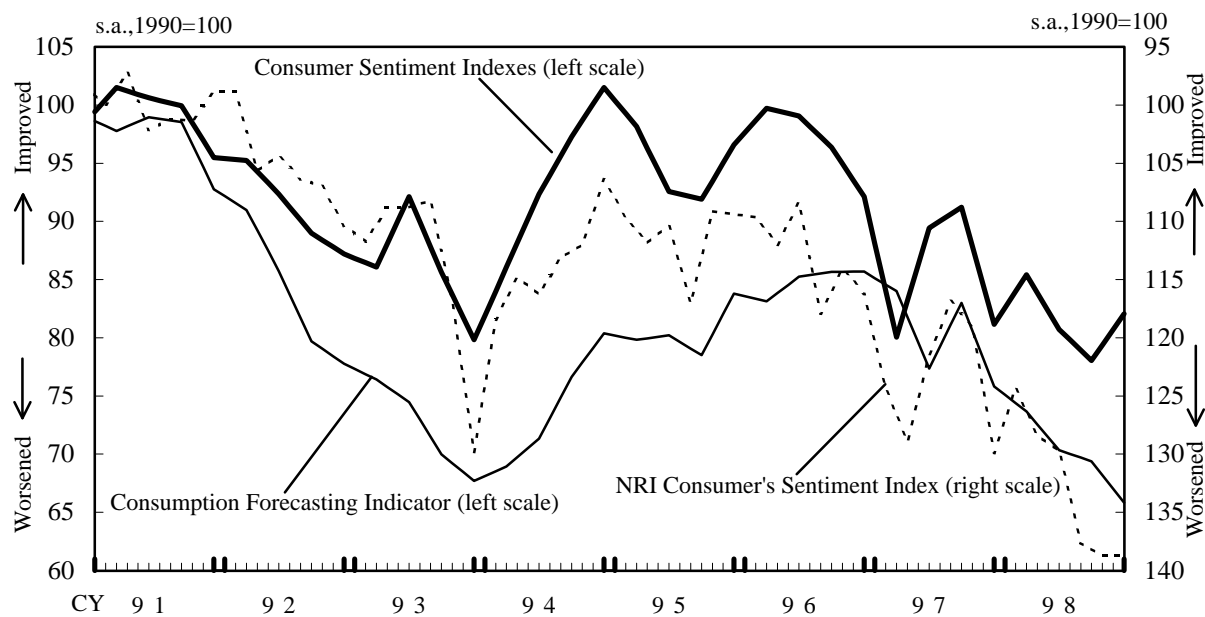
3. Outlays for travel and Food and drink sales are adjusted to exclude the effect of the rise of the consumption tax rate.

4. Sales of convenience stores is surveyed by Bank of Japan.

Sources: Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey";
Ministry of International Trade and Industry, "Current Survey of Commerce";
Japan Chain Stores Association, "Sales of Chain Stores";
Ministry of Transport, "Major Travel Agents' Revenue";
Foodservice Industry Survey & Research Center, "Monthly Survey of Food and Drink Sales."

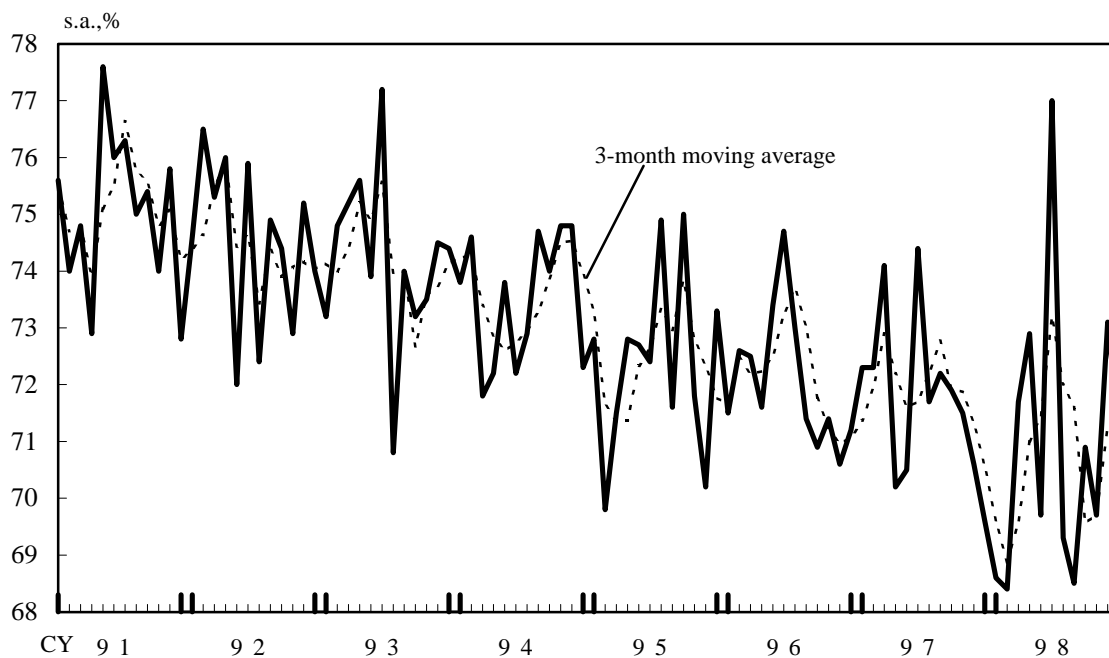
Consumer Confidence and Propensity to Consume

(1) Surveys on consumer confidence



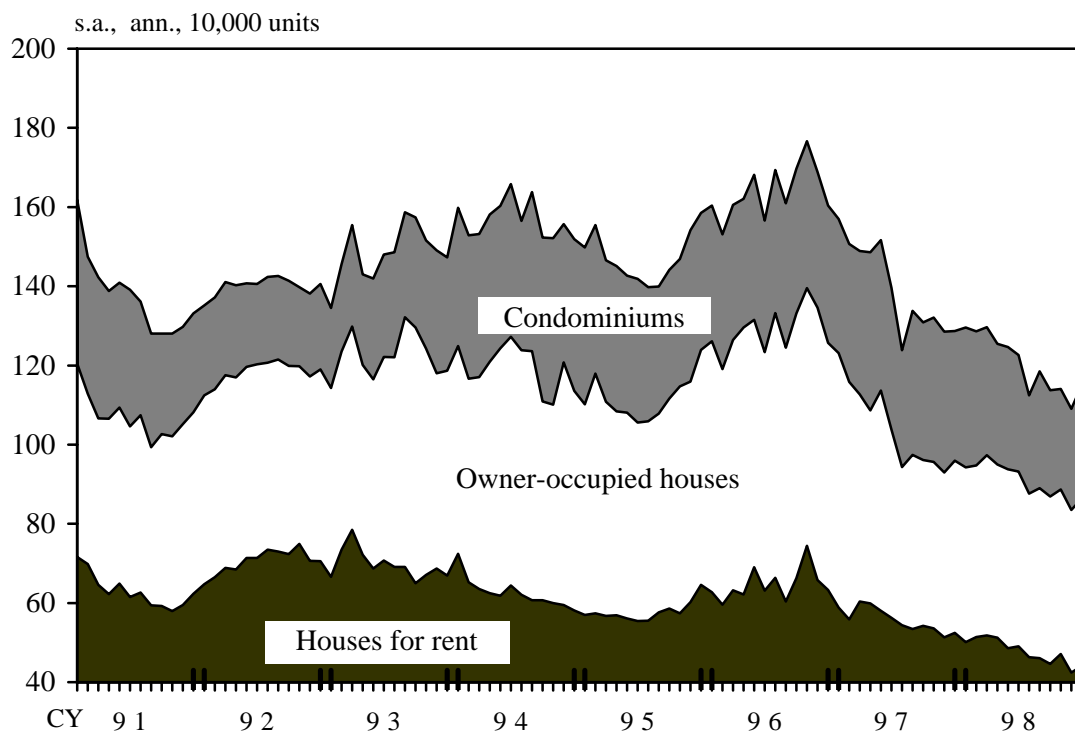
- Notes: 1. Consumer Sentiment Indexes, Consumption Forecasting Indicator, and NRI Consumer's Sentiment Index are based on surveys on consumer confidence.
 2. Data are plotted at the months of each survey.
 3. "Consumer Sentiment Indexes" is surveyed by Economic Planning Agency, "Consumption Forecasting Indicator" by NIKKEI RIM, "NRI Consumer's Sentiment Index" by NRI.

(2) Propensity to consume (Family Income and Expenditure Survey)



Sources: Economic Planning Agency, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (Nikkei RIM), "Consumption Forecasting Indicator";
 Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey";
 Nippon Research Institute (NRI), "Consumer's Sentiment Survey."

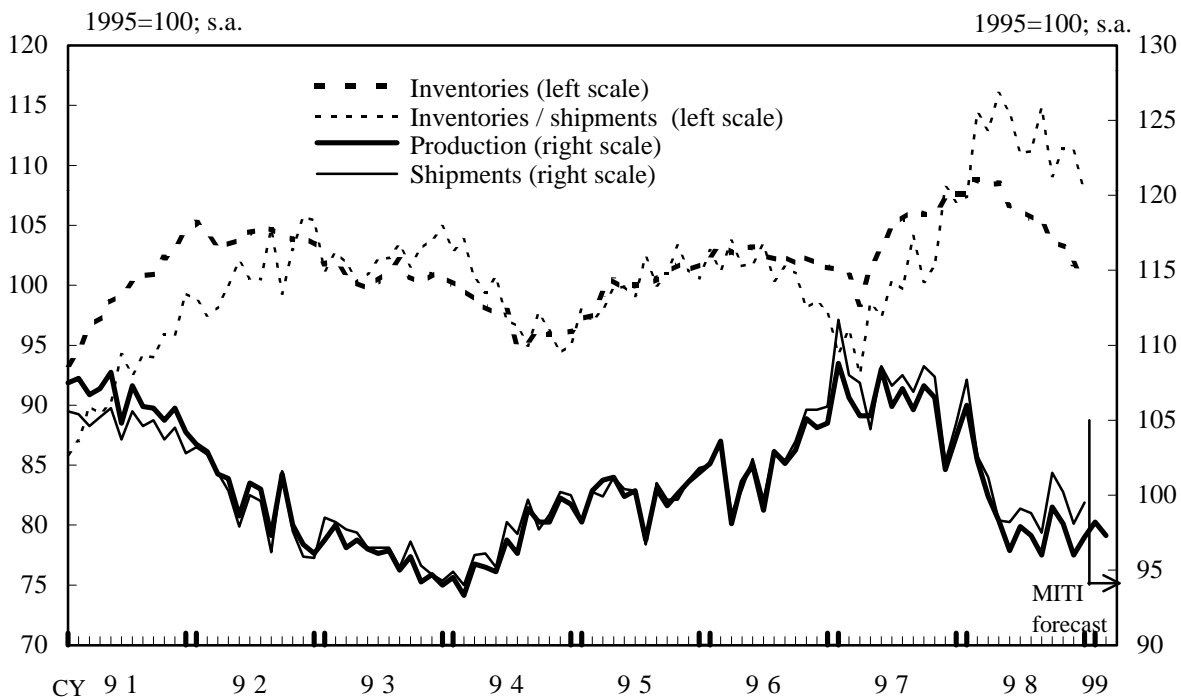
Housing Starts



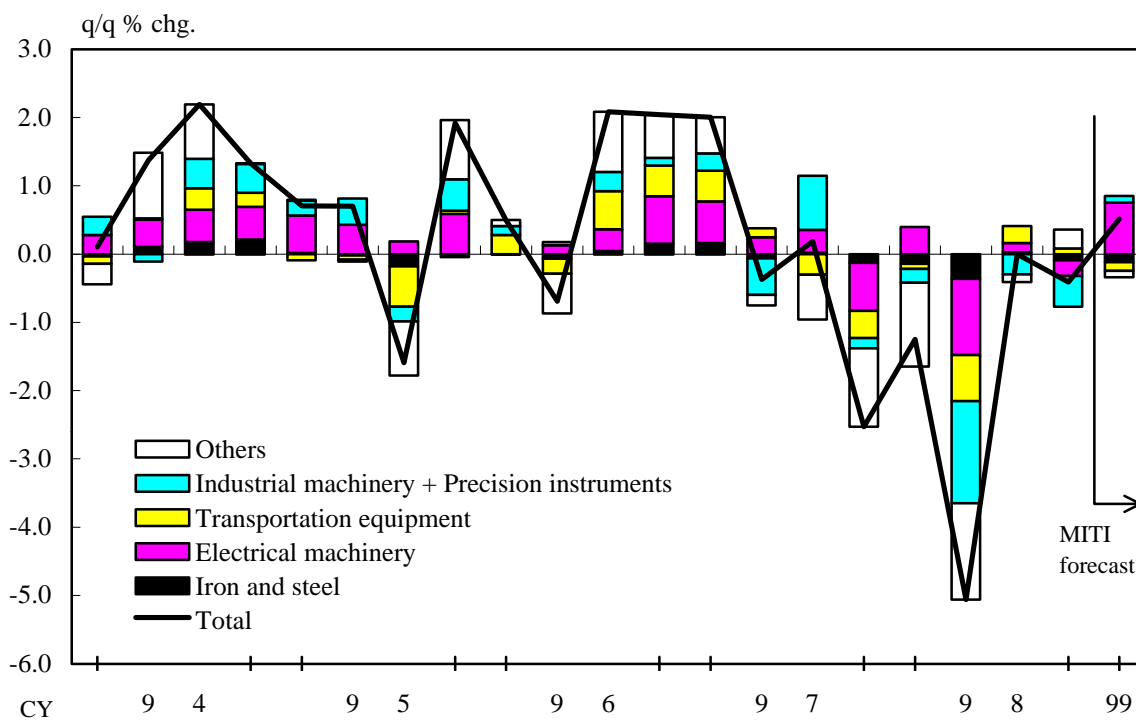
Source: Ministry of Construction, "Monthly of Construction Statistics."

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



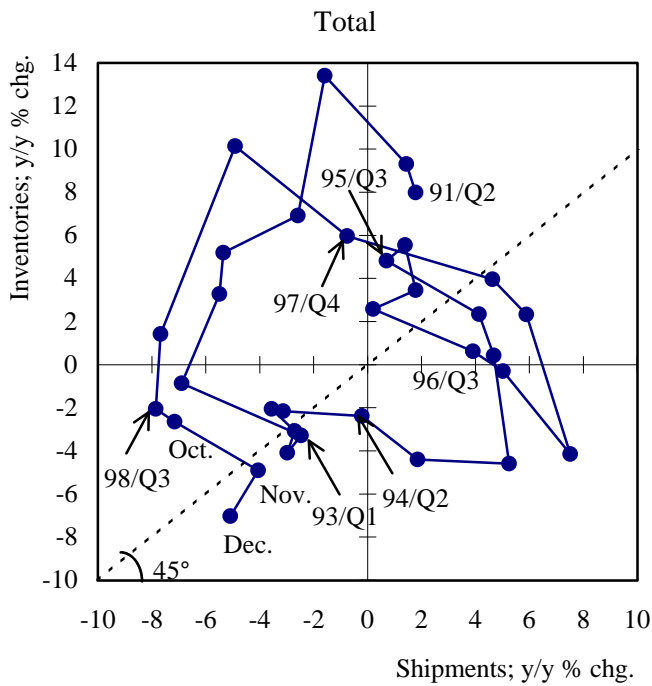
(2) Production by Industries



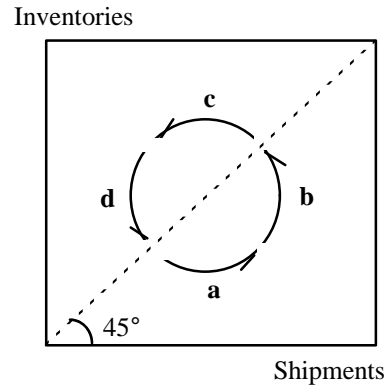
Note: Transportation equipment excludes ships and rolling stock.

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

Inventory Cycle

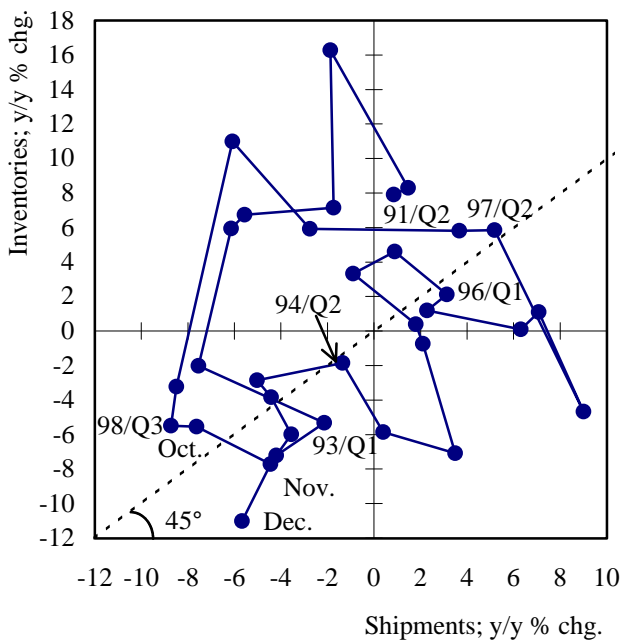


Phases in the Inventory Cycle

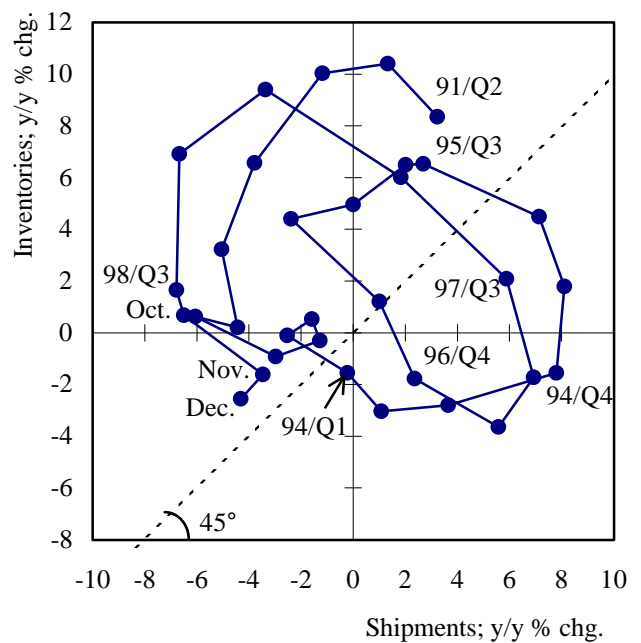


- a** Shipment recovery
- b** Intentional inventory accumulation
- c** Unintentional inventory accumulation
- d** Inventory adjustment

Final Demand Goods



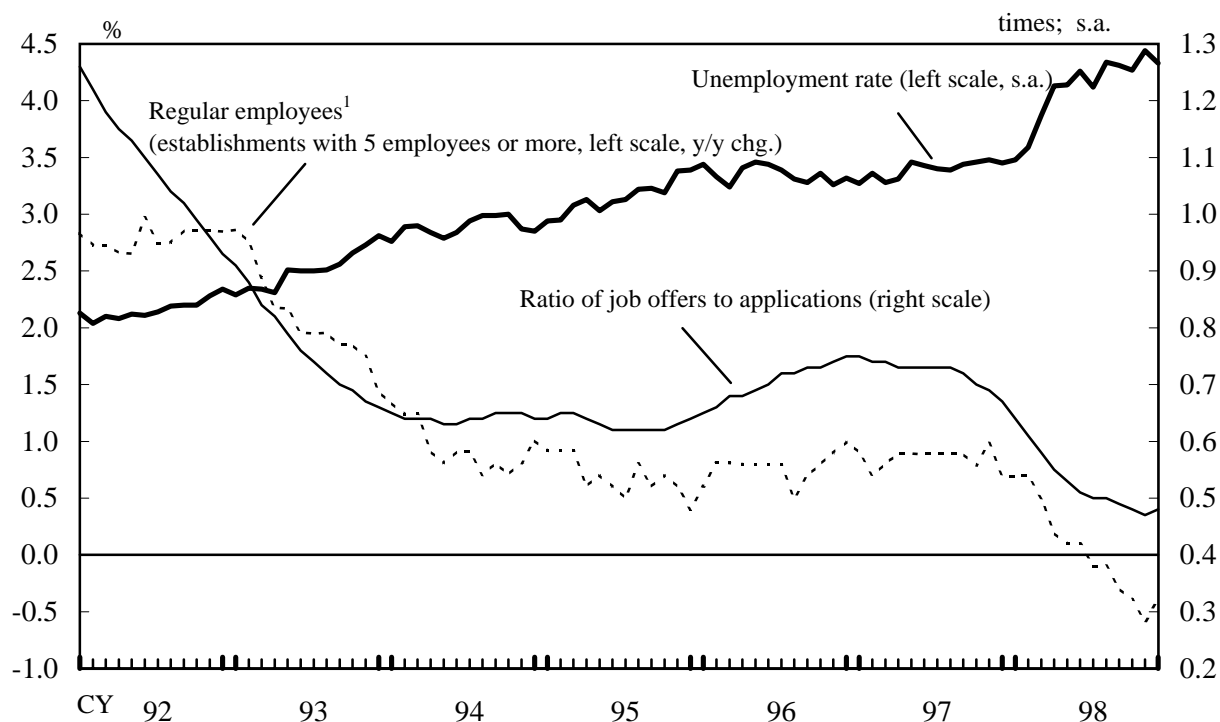
Production Goods



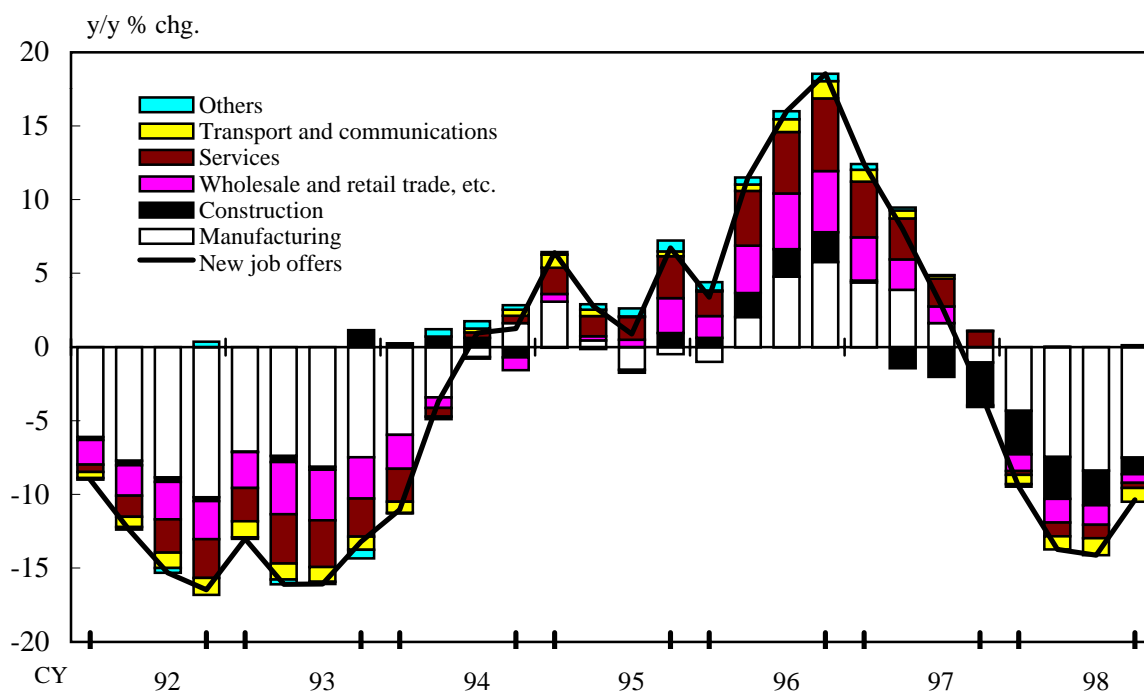
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Labor

(1) Monthly



(2) New Job Offers²



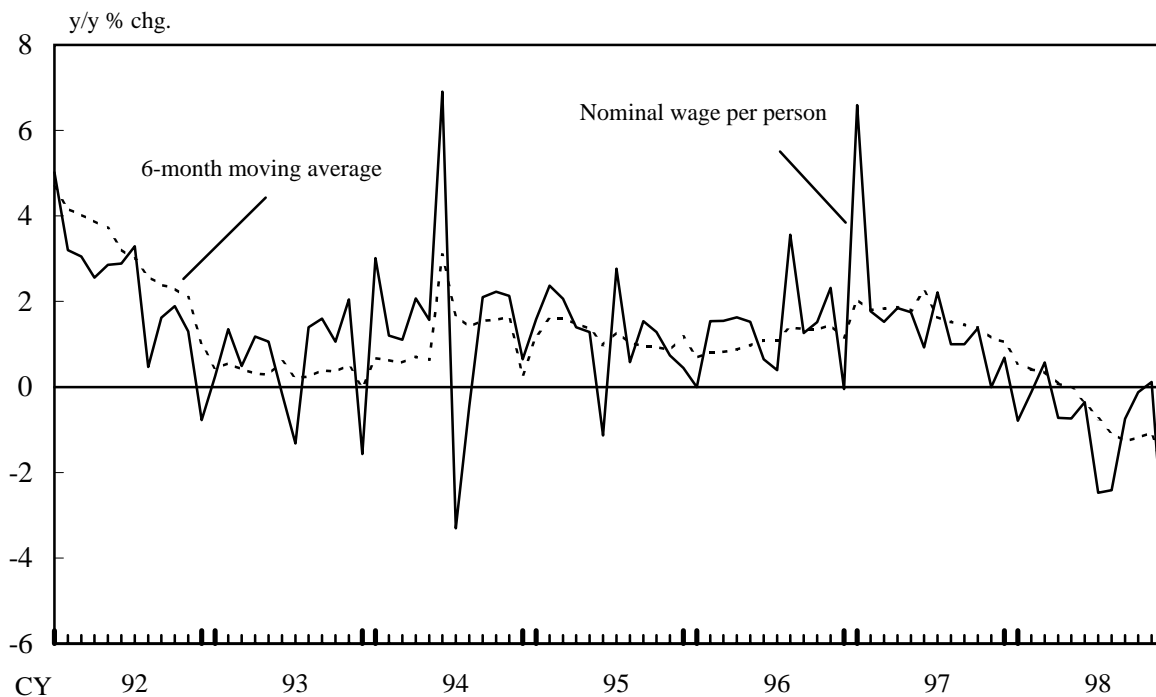
Notes: 1. The data of regular employees in December 98 are preliminary.

2. Excludes jobs offered to new graduates.

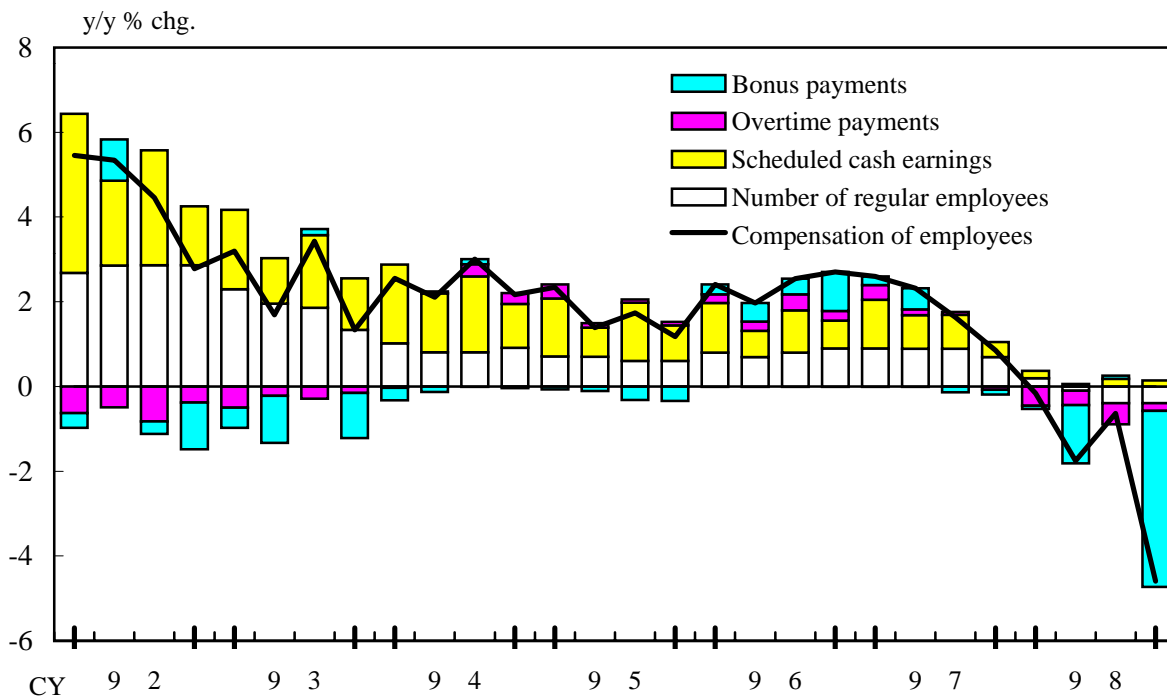
Sources: Ministry of Labor, "Monthly Labor Survey", "Report on Employment Service"; Management and Coordination Agency, "Labor Force Survey."

Compensation of Employees ¹

(1) Nominal Wage per Person



(2) Breakdown of Compensation ²



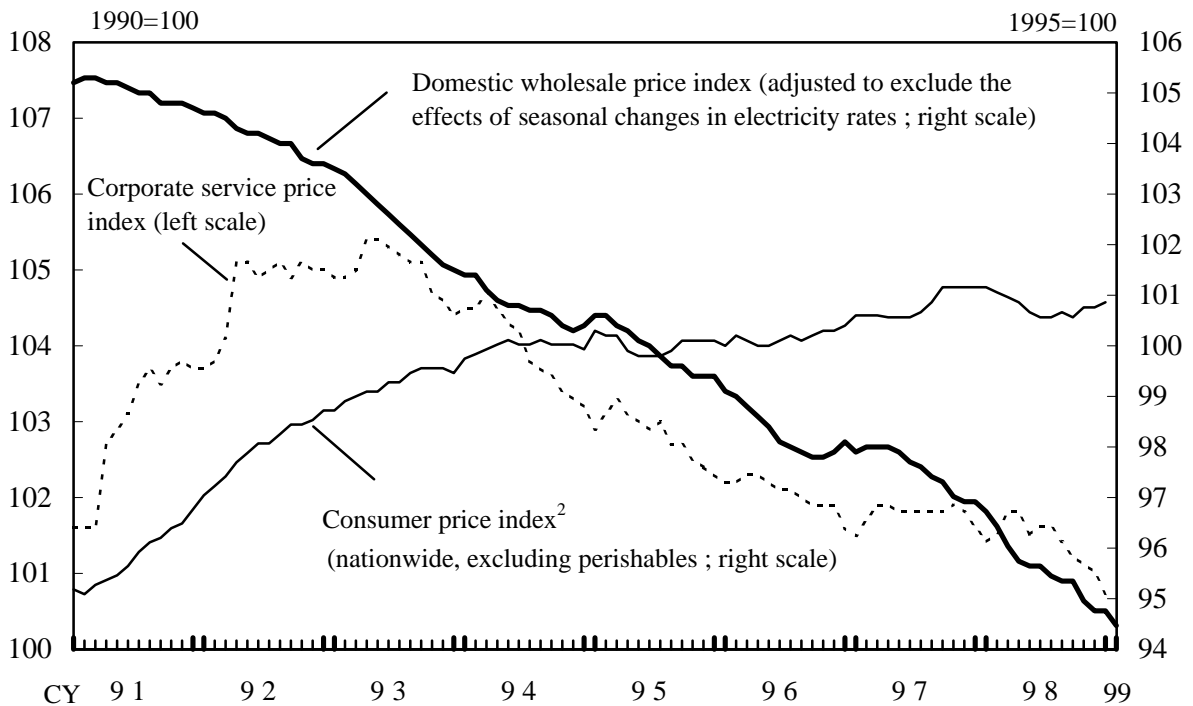
Notes: 1. Data for establishments with 5 employees or more. The data in December 98 are preliminary.

2. Q1= Mar-May, Q2= Jun-Aug, Q3=Sep-Nov, Q4= Dec-Feb. The data in 98/Q4 are those of December.

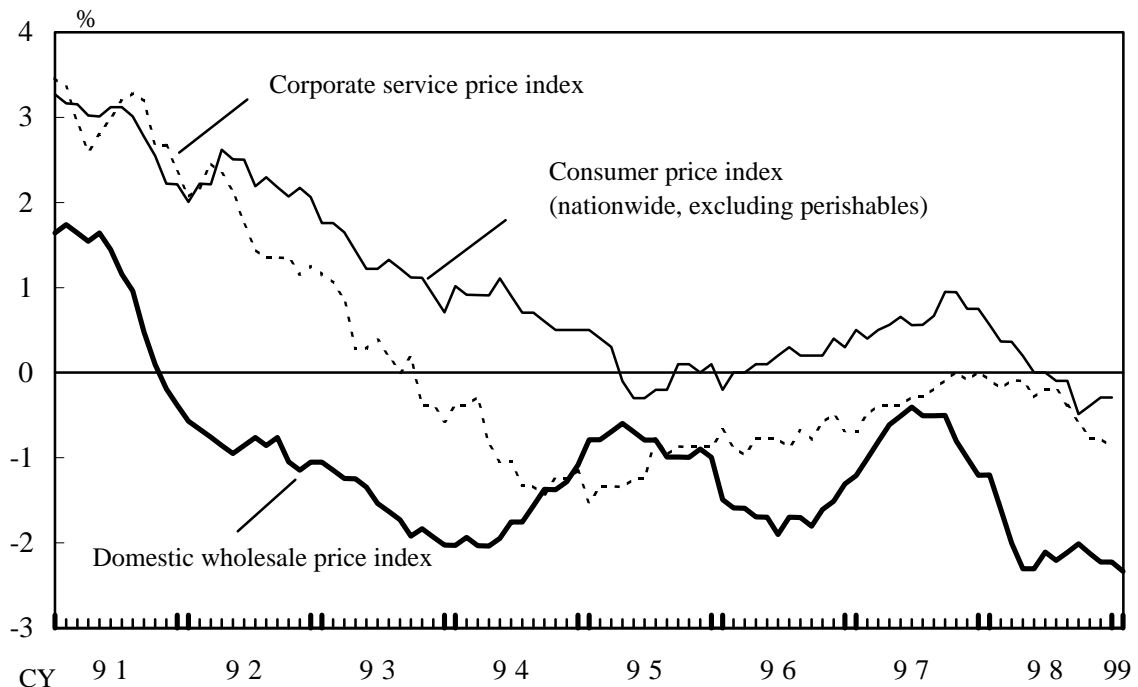
Source: Ministry of Labor, "Monthly Labor Survey."

Prices¹

(1) Level



(2) Changes from a year earlier



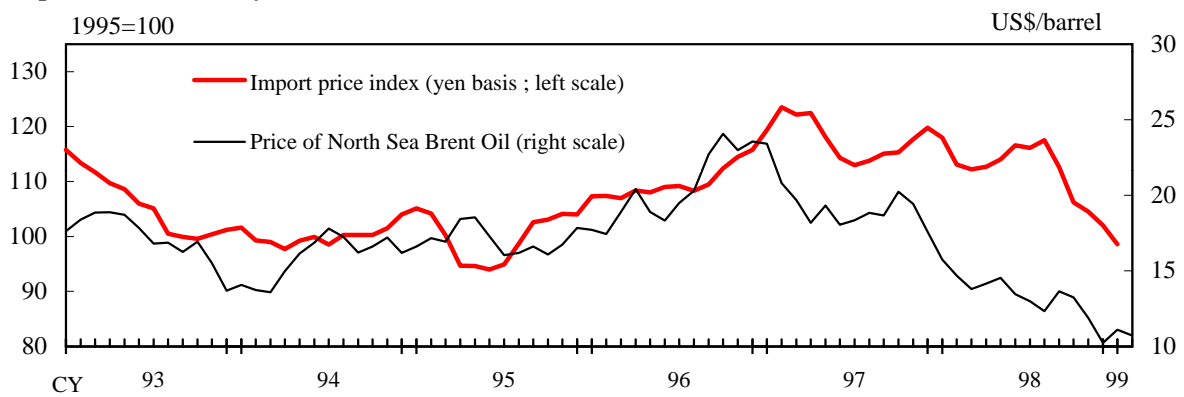
Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of tax rate.

2. Based on seasonally adjusted data of CPI whose base period is 1995, although the figures before January 1995 are calculated from CPI whose base period is 1990.

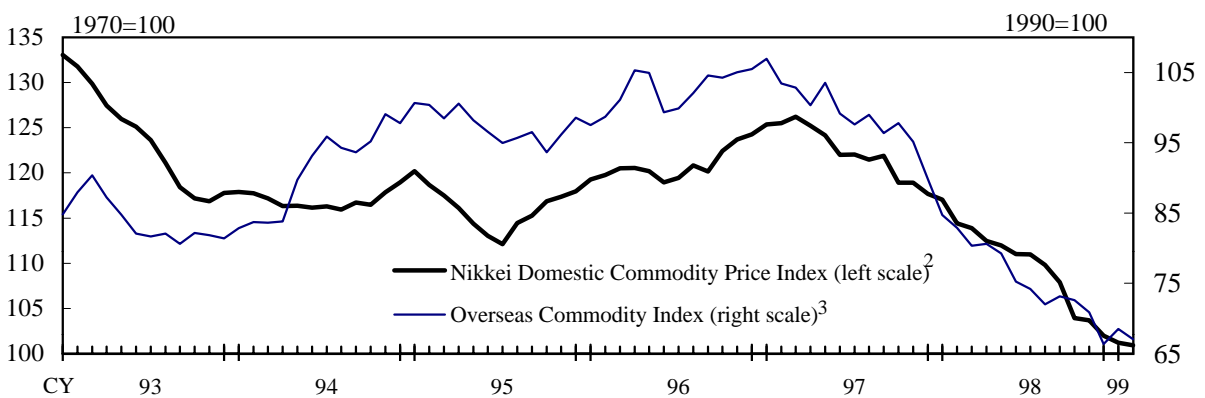
Sources: Management and Coordination Agency, "Consumer Price Index"; Bank of Japan, "Wholesale Price Indexes", "Corporate Service Price Index."

Import Prices and Domestic Wholesale Prices

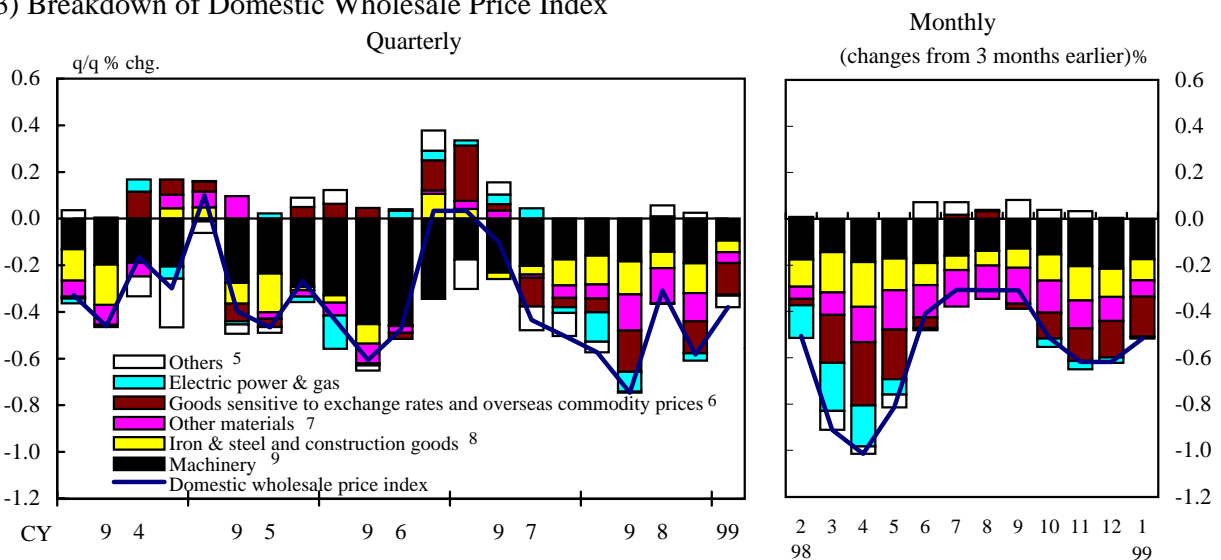
(1) Import Price Index (yen basis) and Crude Oil Price¹



(2) Domestic Commodity Market



(3) Breakdown of Domestic Wholesale Price Index⁴



Notes: 1.Data for Feb. 1999 are Feb. 1-9 average.

2.Data for Feb. 1999 are as of Feb. 5.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for Feb. 1999 are Feb. 1-9 average.

4. Adjusted to exclude the effects of seasonal changes of electricity rates, and of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of tax rate. Data for 99/Q1 are those of Jan. 1999.

5. Others = processed foodstuffs + other manufacturing industry products + edible agricultural, livestock & aquatic products + inedible agricultural & forestry products + mining products + water.

6. Goods sensitive to exchange rates and overseas commodity prices = petroleum & coal products + nonferrous metal.

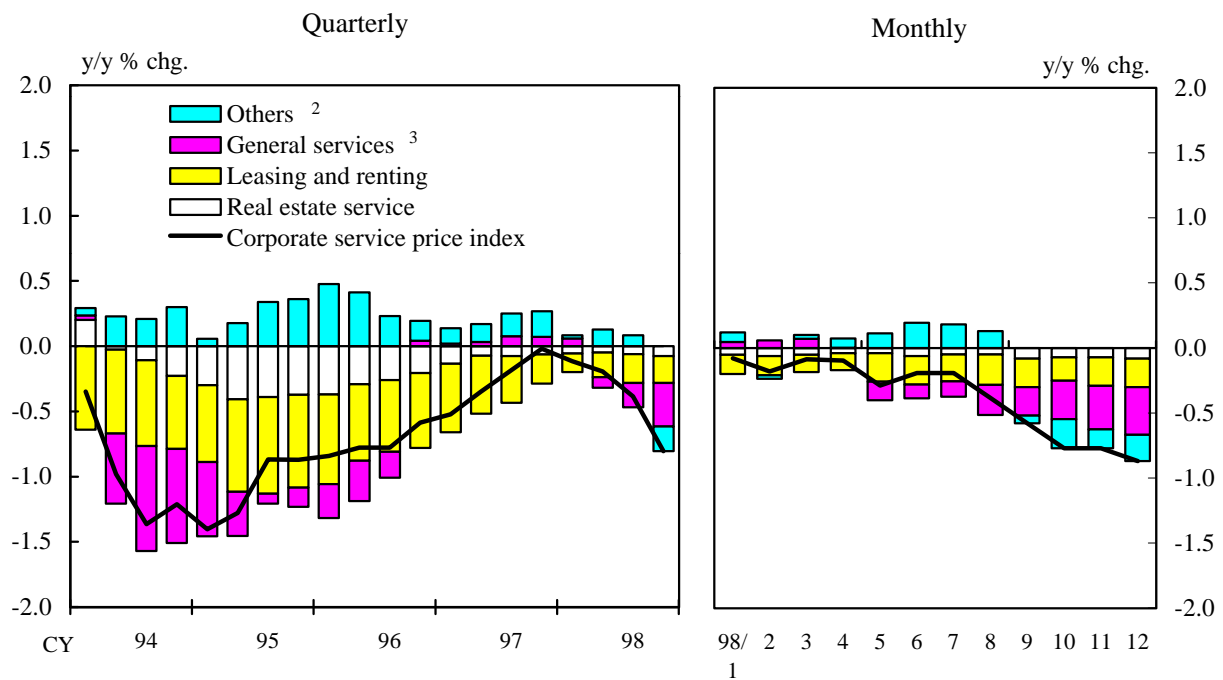
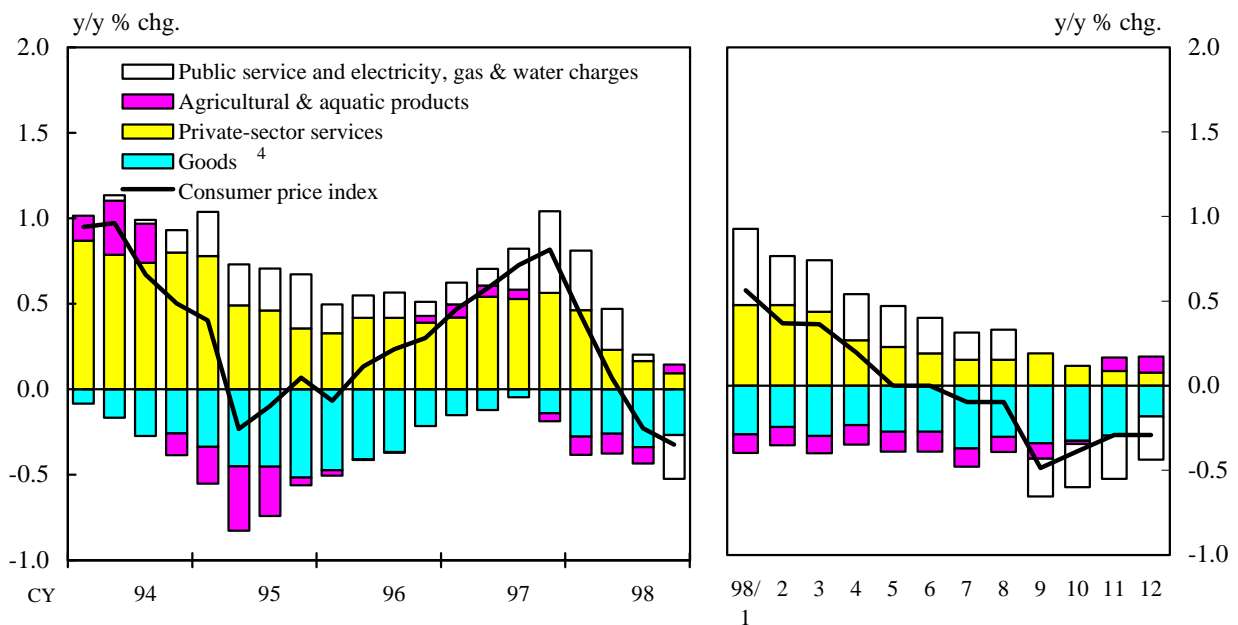
7. Other materials = chemicals + plastic products + textile products + pulp, paper & related products.

8. Iron & steel and construction goods = iron & steel + metal products + ceramics, stone & clay products + lumber & wooden products + scrap & waste.

9. Machinery = electrical machinery + general machinery + transportation equipment + precision instruments.

Sources: Bank of Japan, "Wholesale Price Indexes", "Economic Statistics Monthly", "Nippon Ginko Chousa Geppo (Bank of Japan Monthly Bulletin)"; Nihon Keizai Shimbun Inc., "Nikkei Domestic Commodity Price Index."

Corporate Service Prices and Consumer Prices

(1) Breakdown of Corporate Service Price Index¹(2) Breakdown of Consumer Price Index (excluding perishables)¹

Notes: 1. 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 of tax rate.

2. Others = automobile insurance (compulsory automobile) + railroad fares + bus fares + domestic air fares + tolls + postal services + sewerage disposal + ocean freight + international air freight + international air fares.

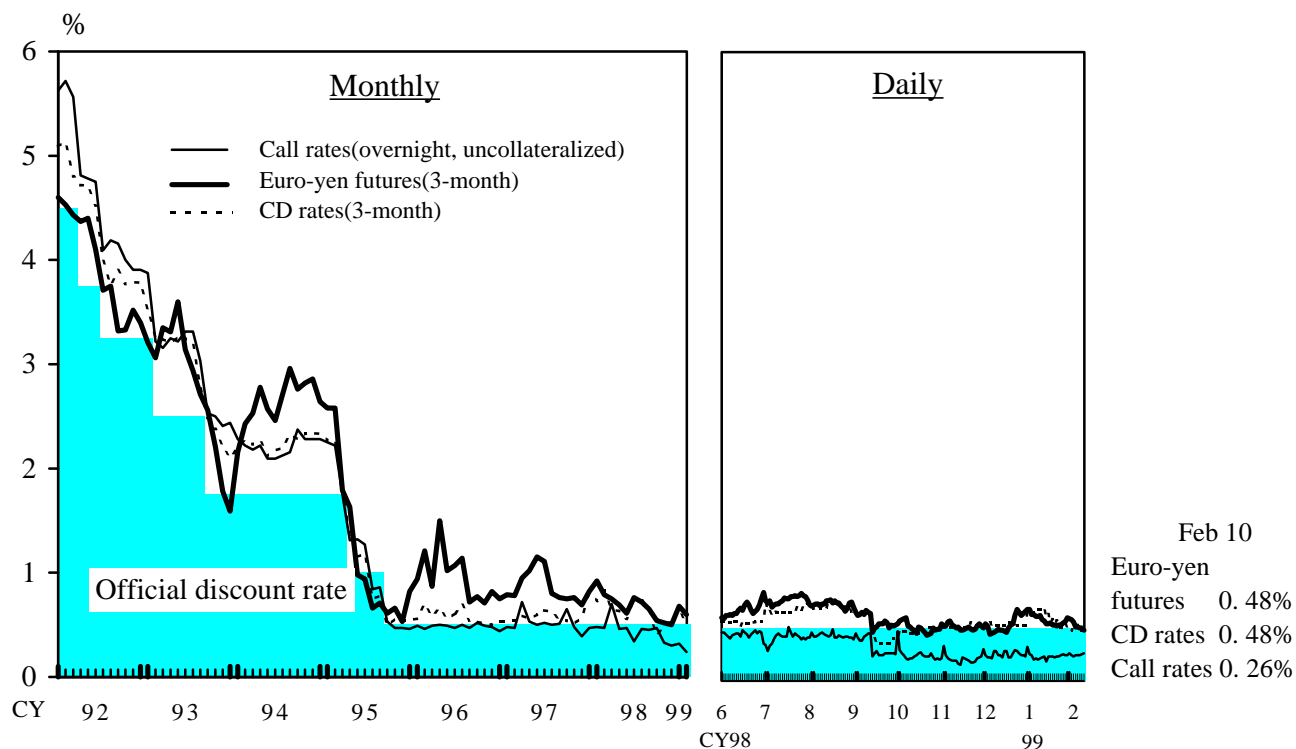
3. General services = finance & insurance + transportation + information services + communications + advertisement + building maintenance & construction planning + temporary worker services + machinery maintenance etc. (excluding items in "others").

4. Excludes agricultural and aquatic products.

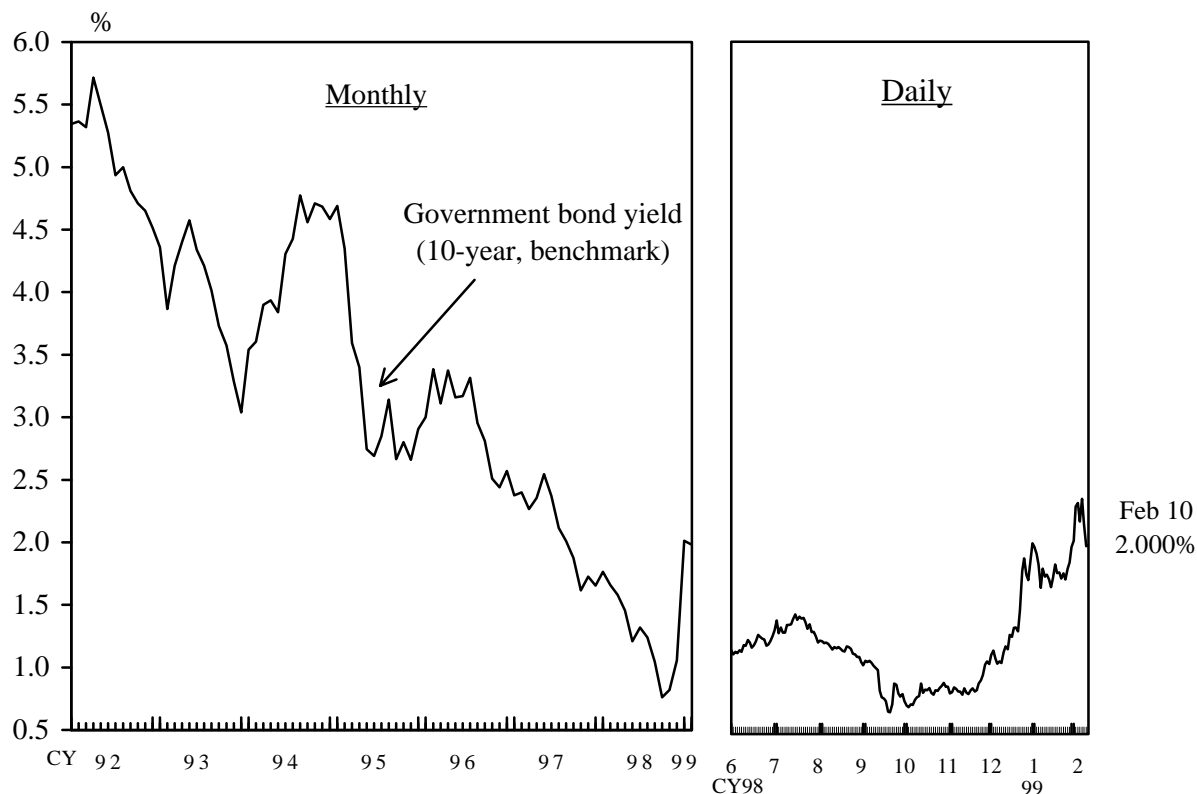
Sources: Management and Coordination Agency, "Consumer Price Index";
Bank of Japan, "Corporate Service Price Index."

Interest Rates

(1) Short-Term



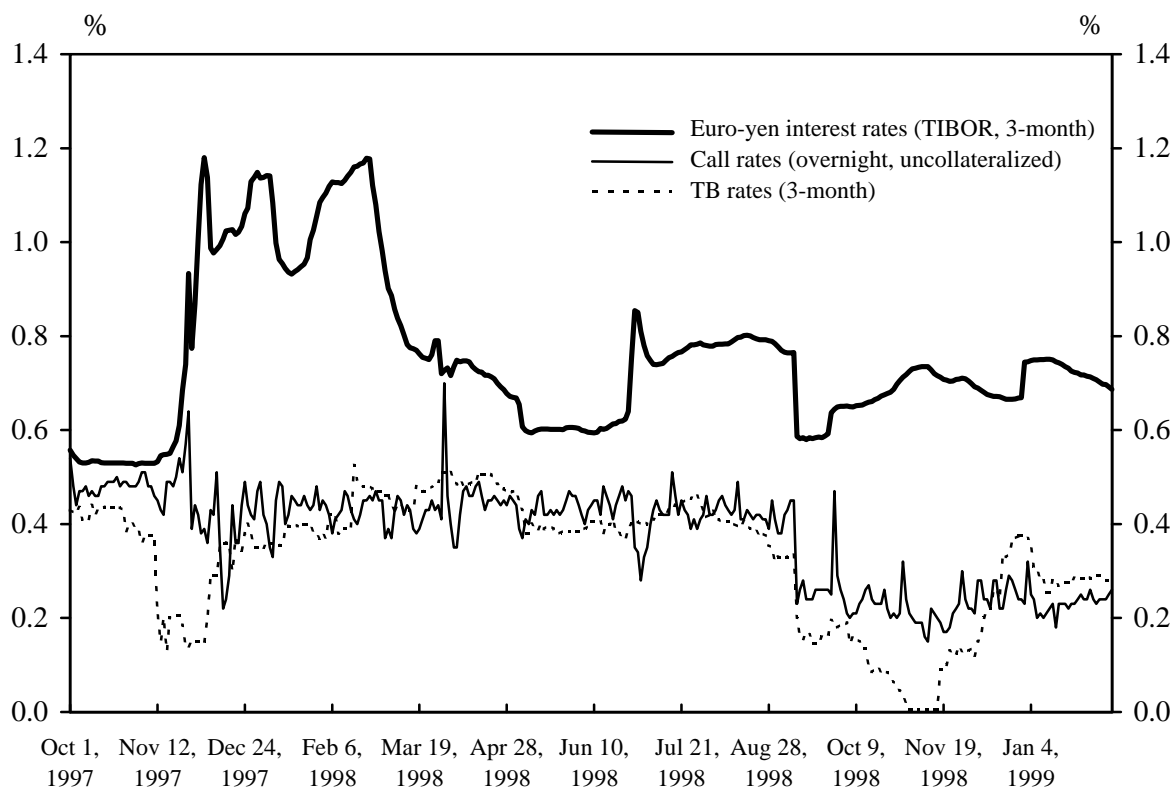
(2) Long-Term



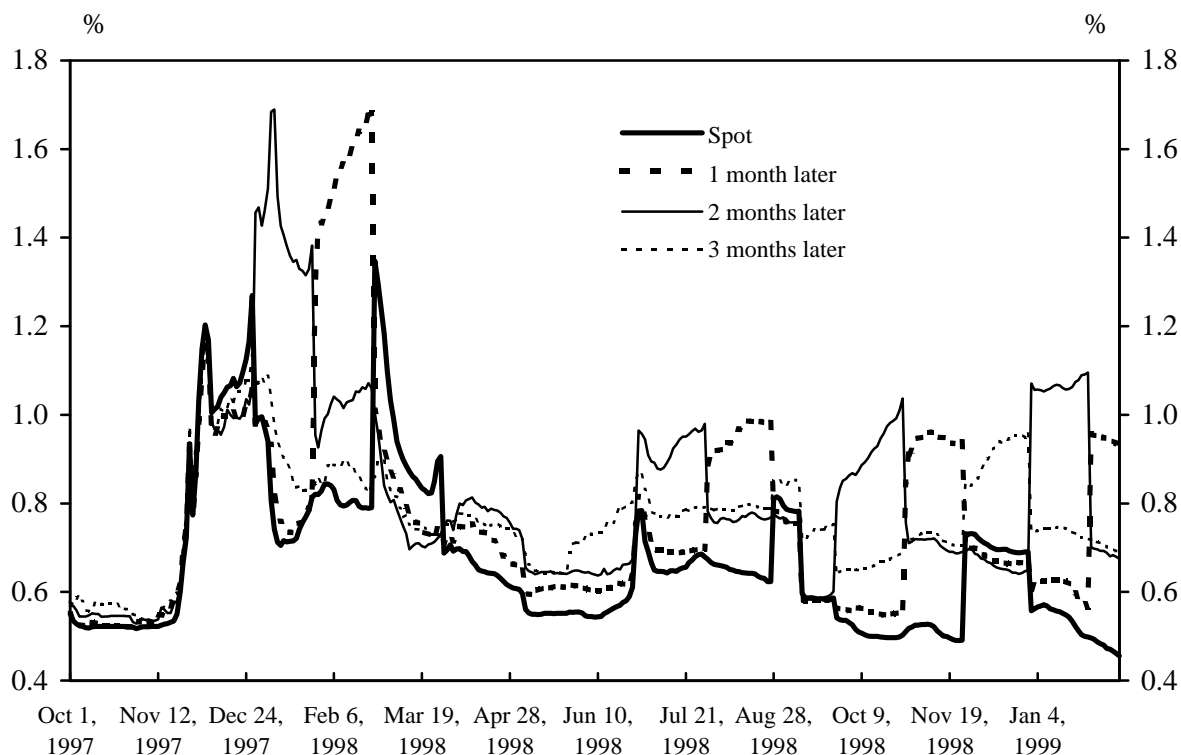
Source: Bank of Japan, "Economic Statistics Monthly."

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

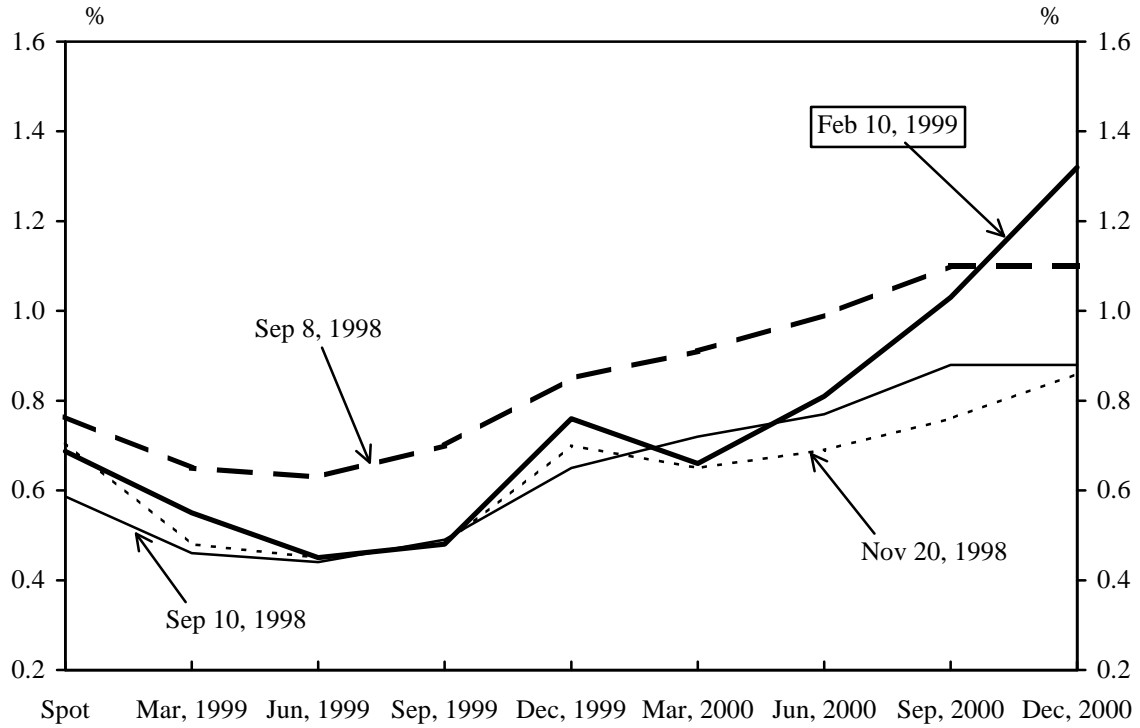


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-yen Interest Rates)



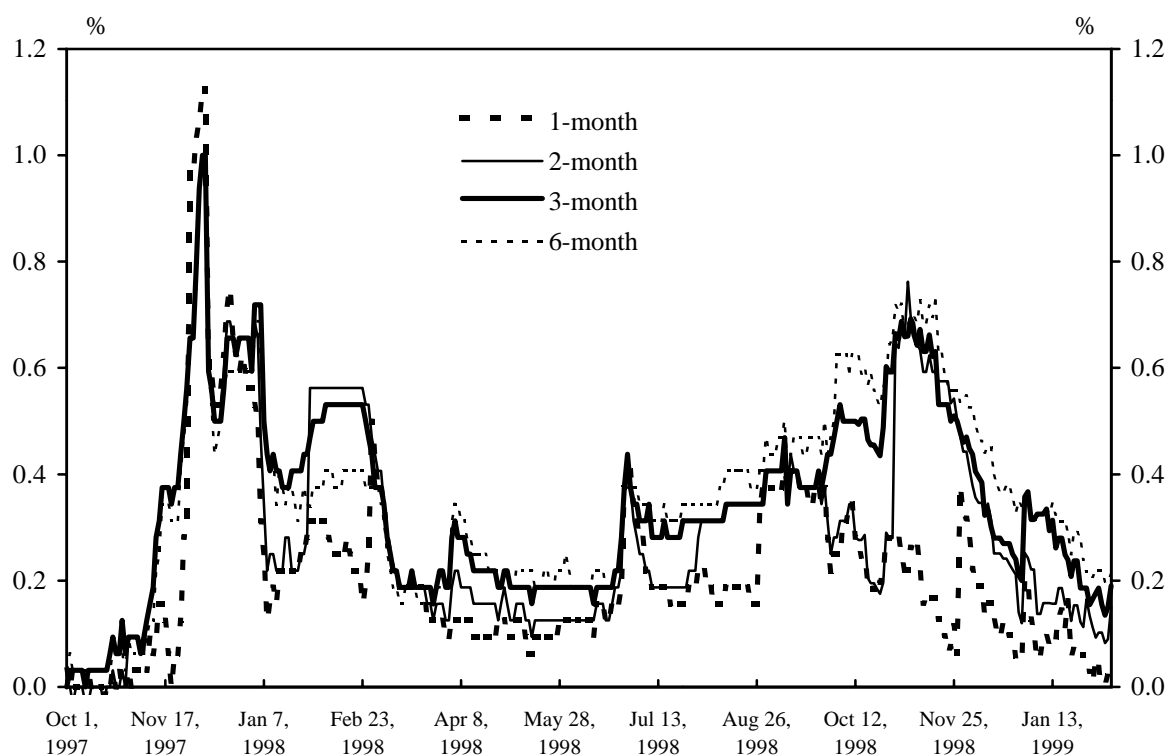
Sources: Bank of Japan, "Economic Statistics Monthly" ; *The Nikkei Financial Daily* .

Euro-Yen Interest Rates Futures (3-Month)



Source: *The Nikkei Financial Daily*.

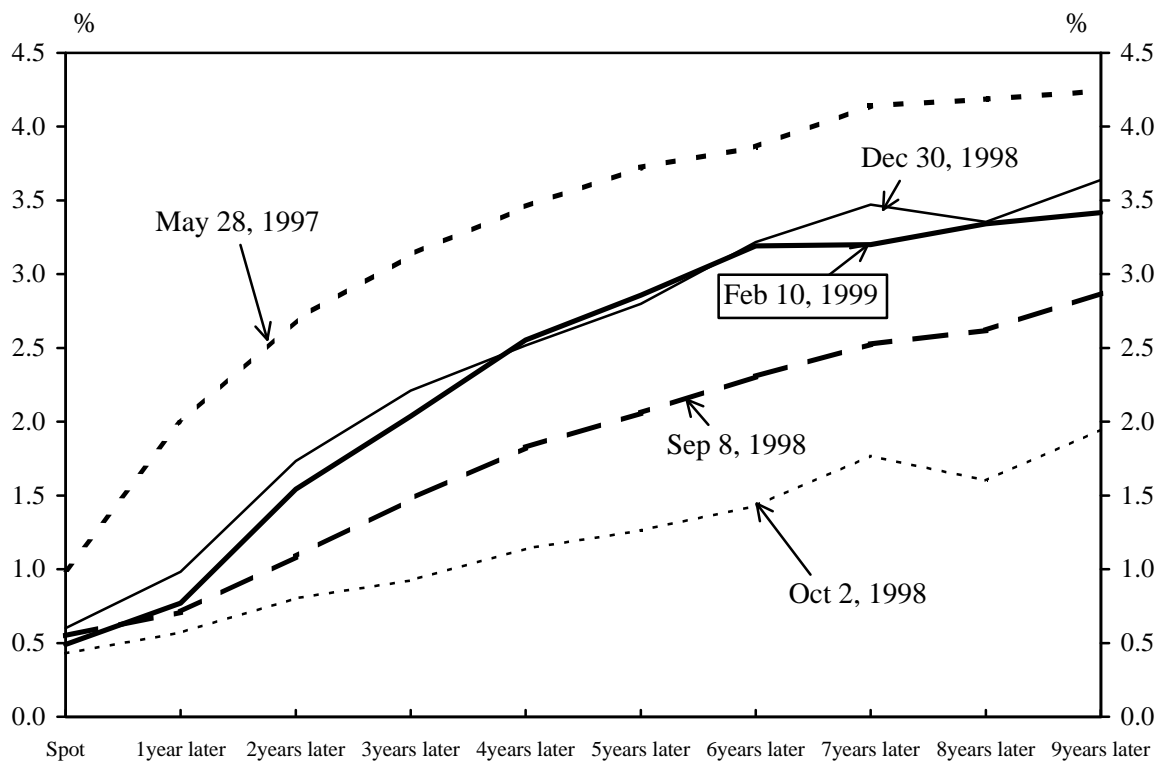
Japan Premium in the Eurodollar Market



Note: Japan premium is an extra expense Japanese banks must pay for raising funds in overseas financial markets. Japan premium in this chart is calculated as follows:
Japan premium = interest rate quoted by Bank of Tokyo-Mitsubishi - interest rate quoted by Barclays Bank in the Eurodollar market (London).

Source: *British Bankers' Association* (BBA).

Implied Forward Rates (1-year)

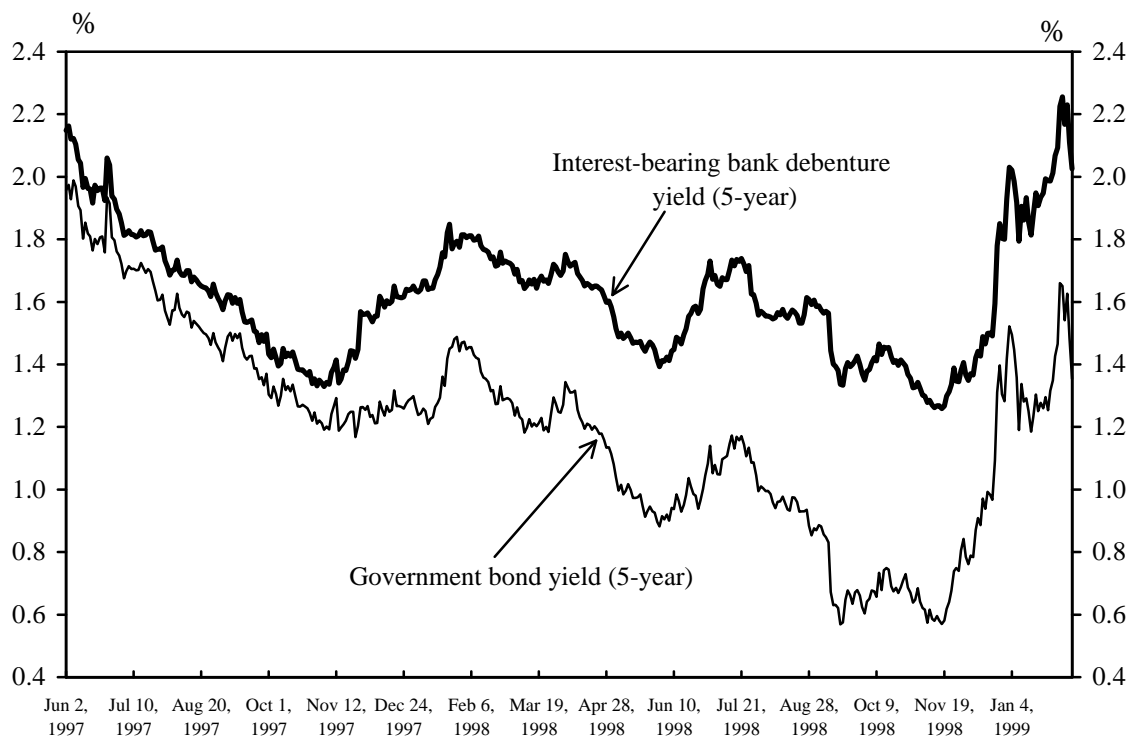


Note: Calculated from yen-yen swap rates.

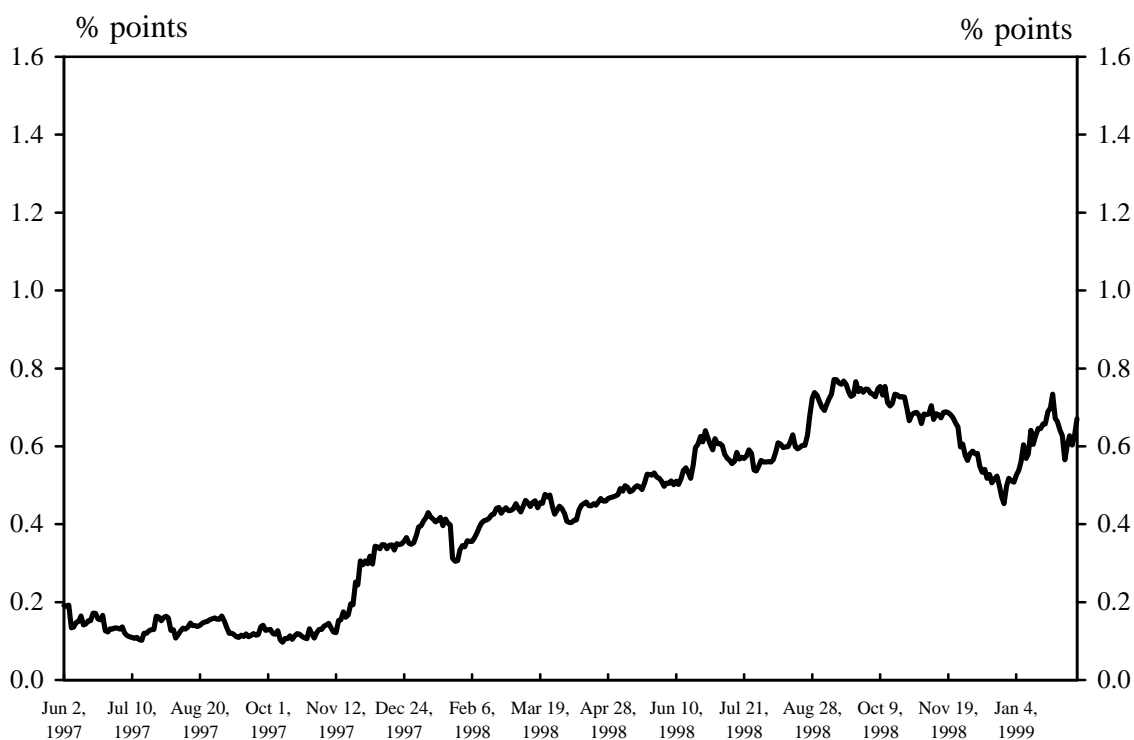
Source: *The Nikkei Financial Daily*.

Yields of Bank Debentures

(1) Bond Yields



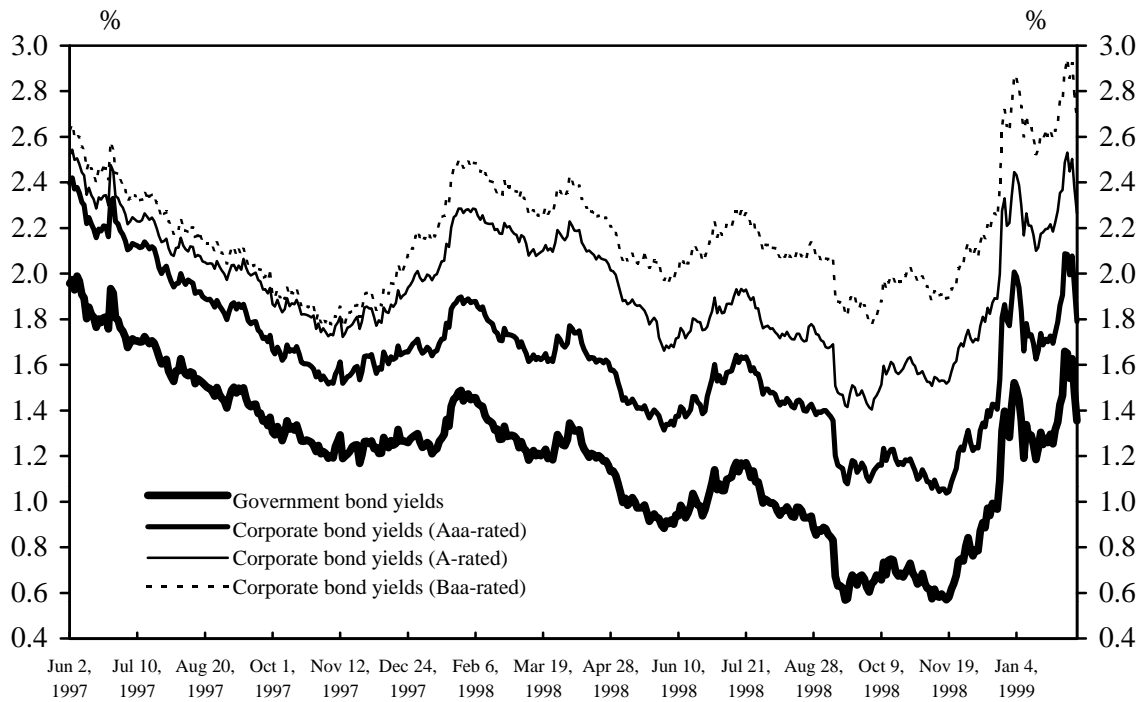
(2) Spread of Bank Debenture and Government Bond Yield



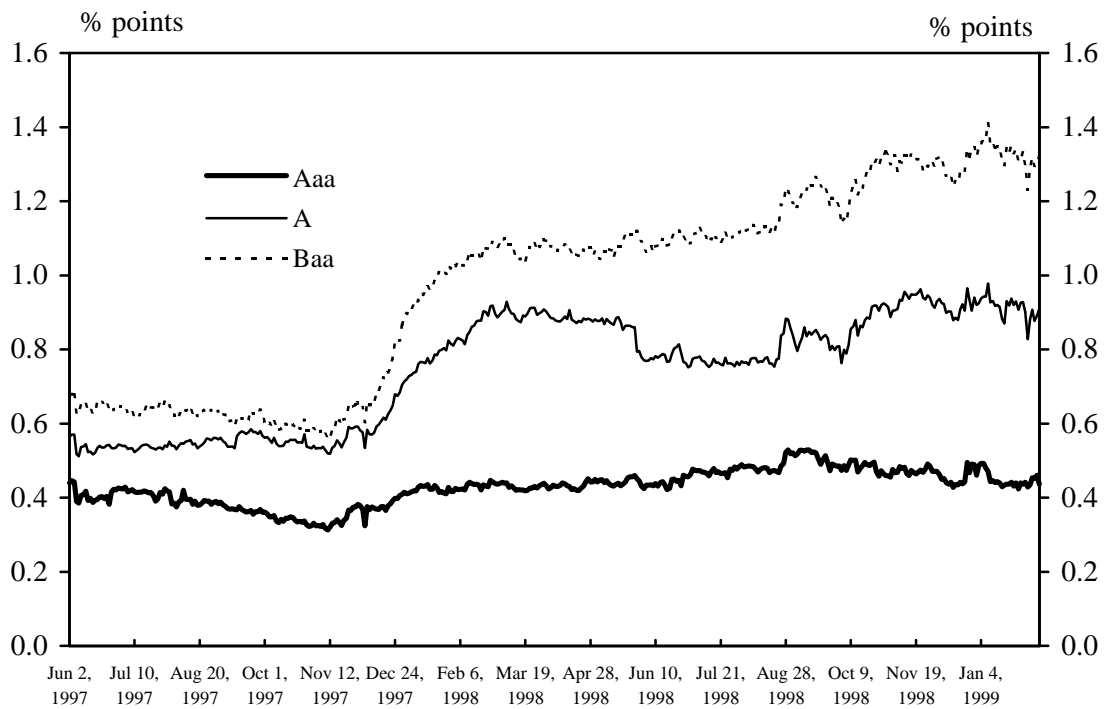
Source: Securities Dealers Association of Japan, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields

(1) Yields of Government and Corporate Bonds by Rating ^{1,2}



(2) Yield Spreads of Public and Corporate Bonds



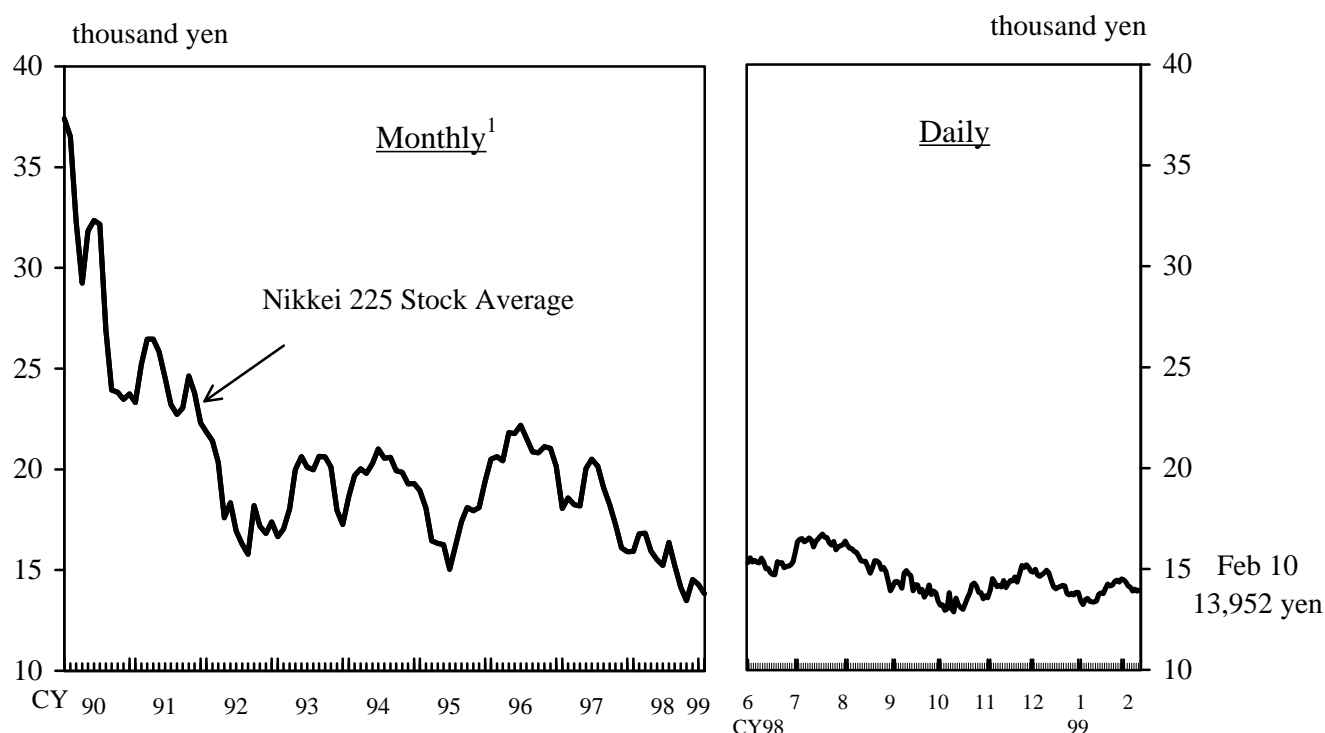
Notes: 1. Yields on bonds with 5-year maturity.

2. The indicated ratings are of Moody's Japan K.K.

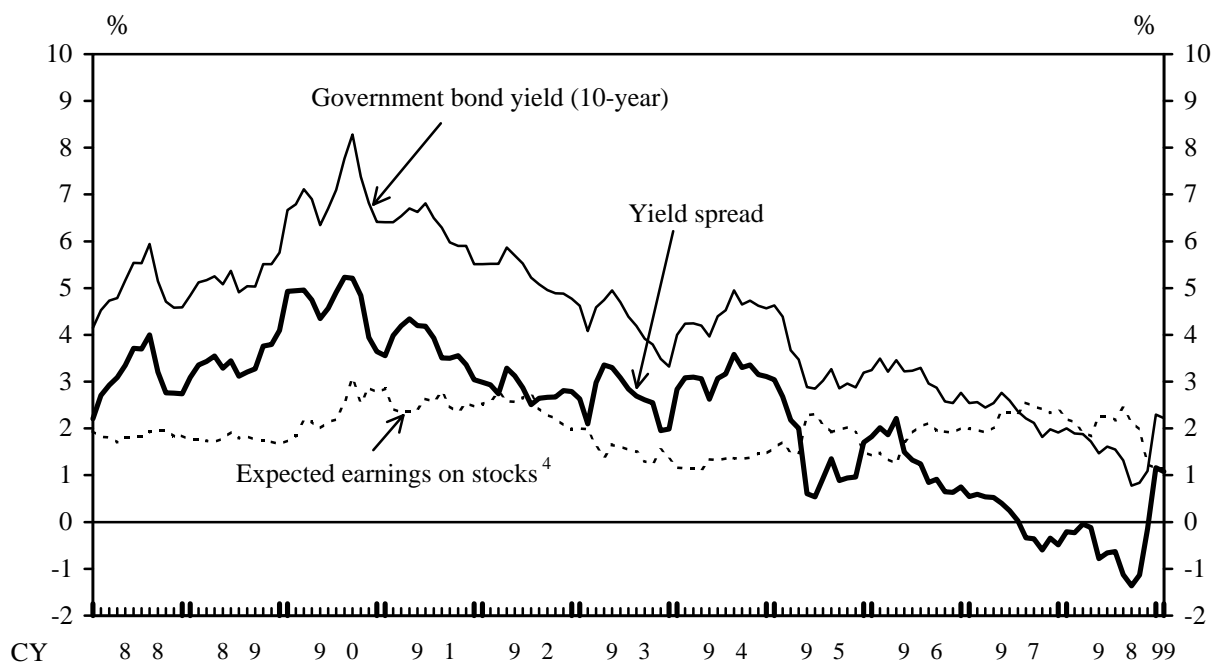
Source: Securities Dealers Association of Japan, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock prices



(2) Yield Spread^{2, 3}



Notes: 1. Data are monthly averages.

2. Data are at end of period.

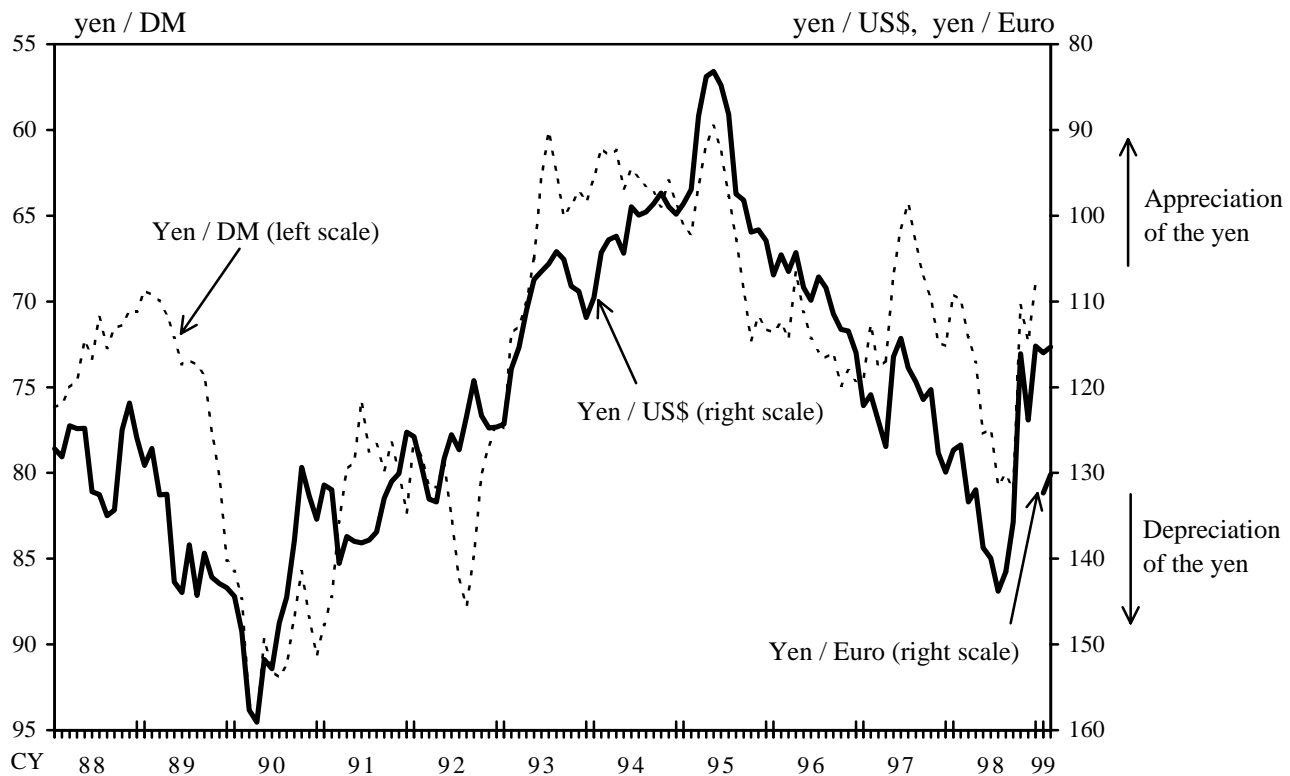
3. Yield spread = government bond yields - expected earnings on stocks, where expected earnings on stocks = 1/expected price earnings ratio.

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

Data are calculated by the Daiwa Research Institute.

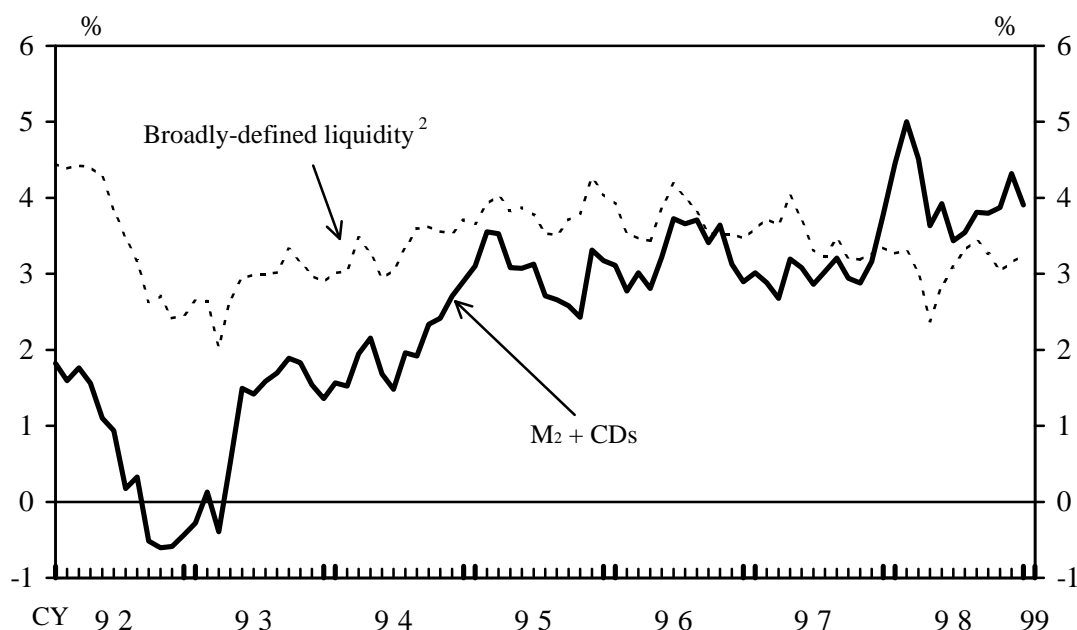
Sources: *The Nihon Keizai Shimbun*; Daiwa Research Institute, "*Daiwa Toushi Shiryou* (Daiwa Investment Information)."

Exchange Rates

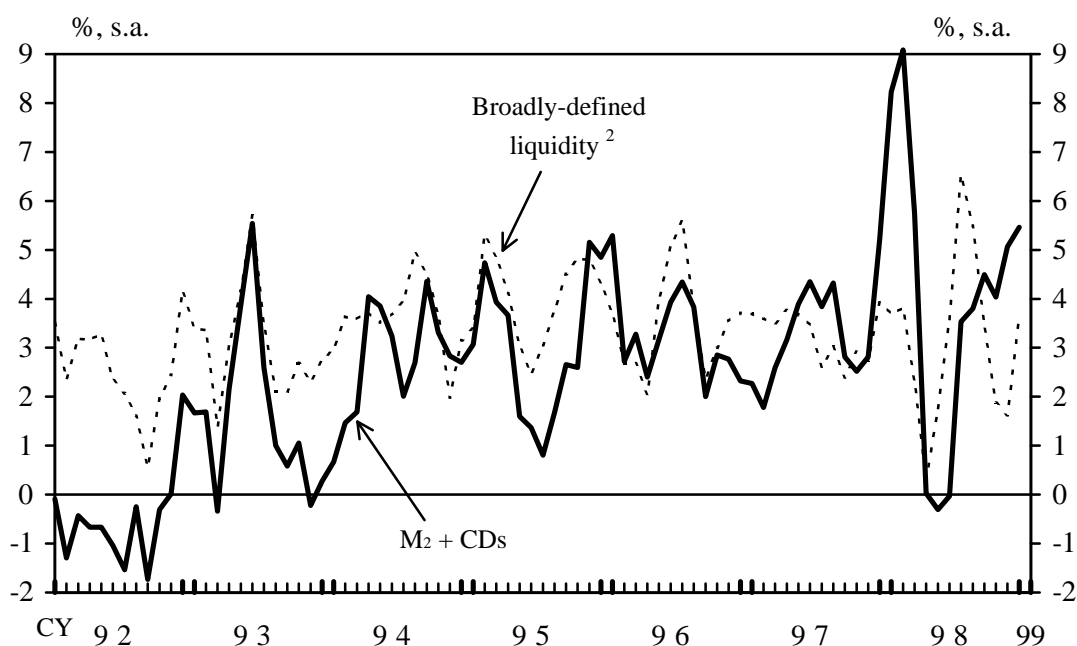


Note: End of month. Data of Feb 1999 are as of Feb 10, 1999.
 Source: Bank of Japan, "Economic Statistics Monthly."

 Money Stock (M_2 +CDs, Broadly-Defined Liquidity)

(1) Changes from a Year Earlier ¹

(2) Changes from Three Months Earlier (Annualized)



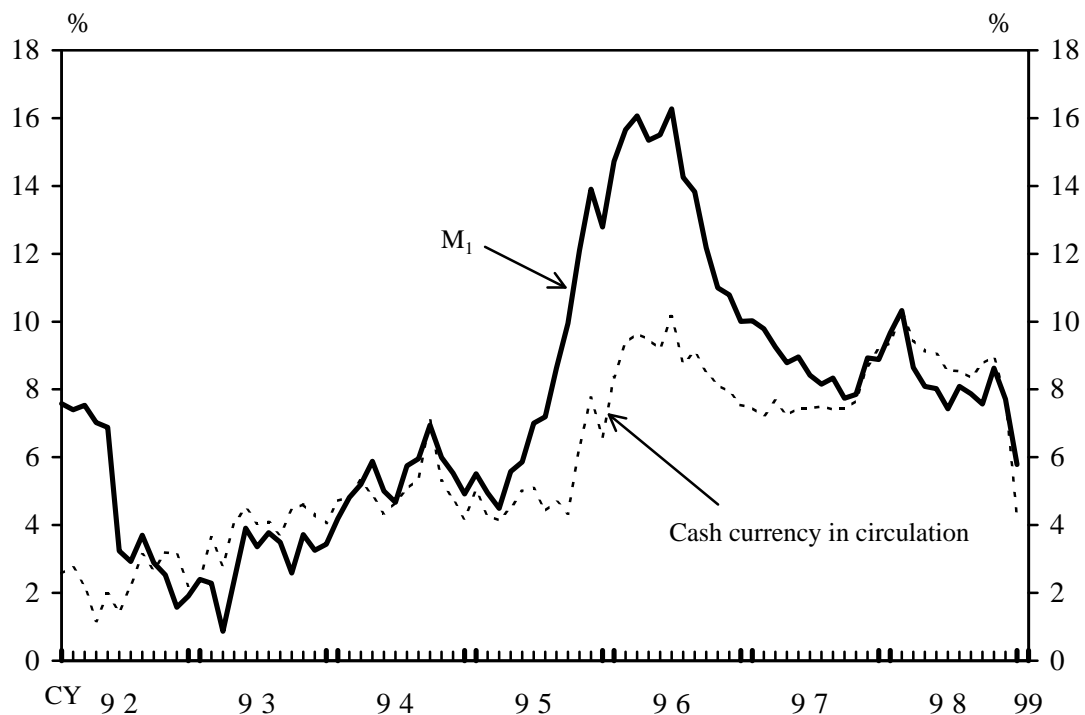
Notes: 1. Percent changes in average amounts outstanding.

2. Broadly-defined liquidity = M_2 +CDs + deposits (including CDs) of Post Offices, Agricultural Cooperatives, Fishery Cooperatives, Credit Cooperatives, and Labor Credit Associations + money trusts and loan trusts of Domestically Licensed Banks (excluding Foreign Trust Banks) + bonds with repurchase agreement + bank debentures + government bonds + investment trusts + money deposited other than money in trust (money trust with returns in the form of investment assets) + foreign bonds. Domestically Licensed Banks are the banks which are established and licensed under Japanese legislation.

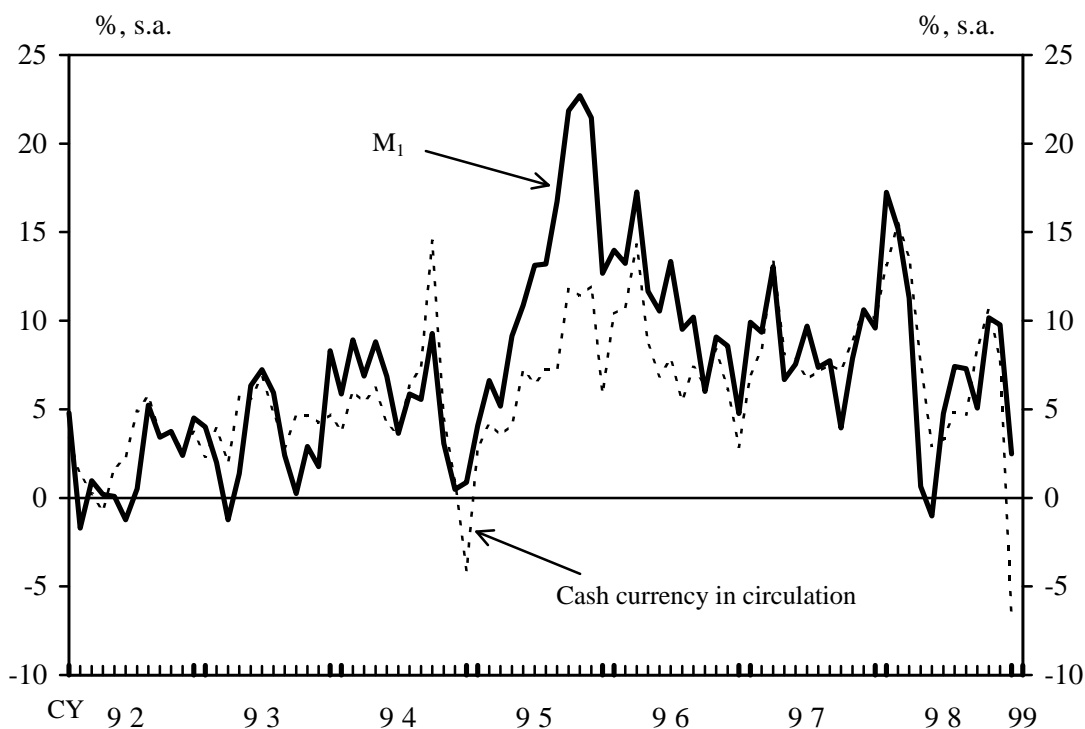
Source: Bank of Japan, "Economic Statistics Monthly."

Money Stock (M_1 , Cash Currency in Circulation)

(1) Changes from a Year Earlier

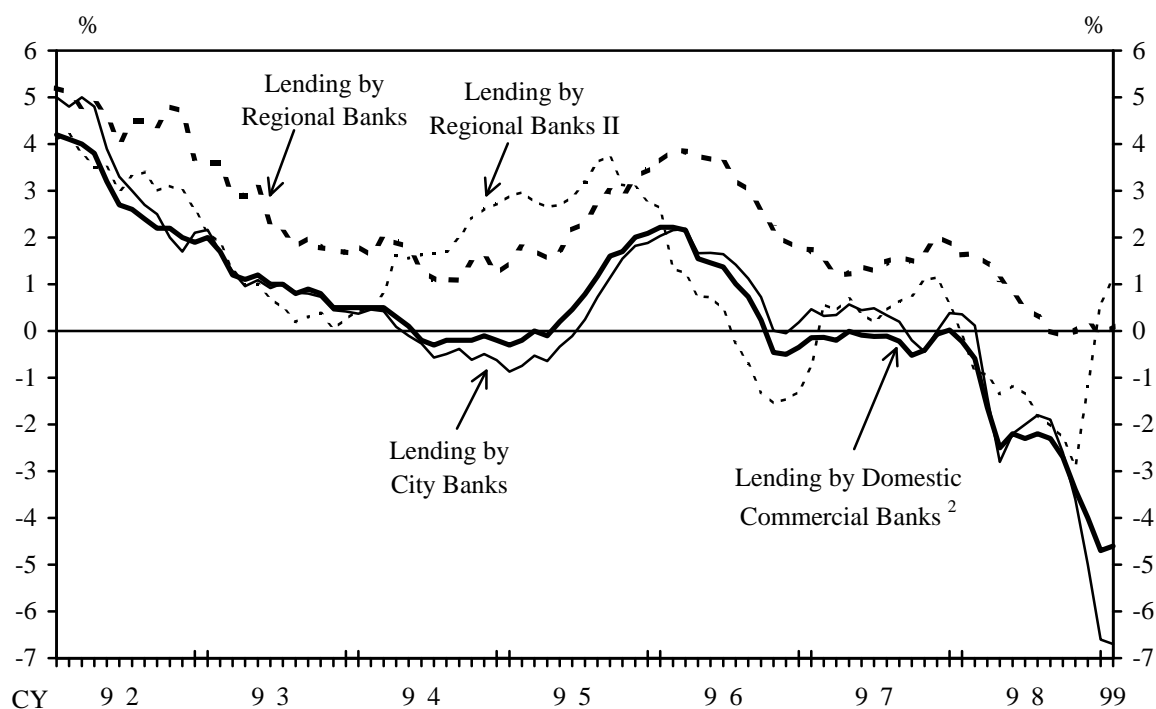


(2) Changes from Three Months Earlier (Annualized)



Note: Percent changes in average amounts outstanding.
 Source: Bank of Japan, "Economic Statistics Monthly."

Lending by Domestic Commercial Banks



(Reference)

The following figures are adjusted for

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

Figures in parentheses are the original data.

	October, 1998	November, 1998	December, 1998	January, 1999
Domestic commercial banks	- 1.4 (- 3.4)	- 1.2 (- 4.0)	- 1.5 (- 4.7)	- 1.4 (- 4.6)
City Banks, Long-term Credit Banks and Trust Banks	- 2.3 (- 4.9)	- 2.4 (- 6.1)	- 3.1 (- 7.4)	- 3.2 (- 7.4)
Regional Banks	0.7 (- 0.0)	1.0 (0.2)	0.7 (- 0.1)	1.0 (0.1)
Regional Banks II	- 1.1 (- 2.9)	0.9 (- 1.2)	3.2 (0.6)	3.8 (1.1)

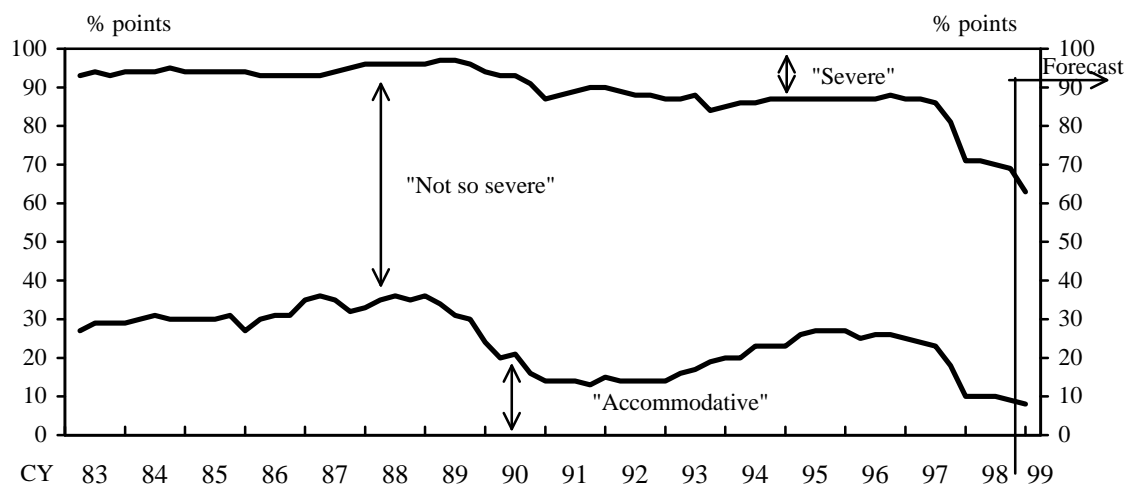
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

2. Domestic Commercial Banks refers to member banks of the Federation of Bankers Associations of Japan 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).

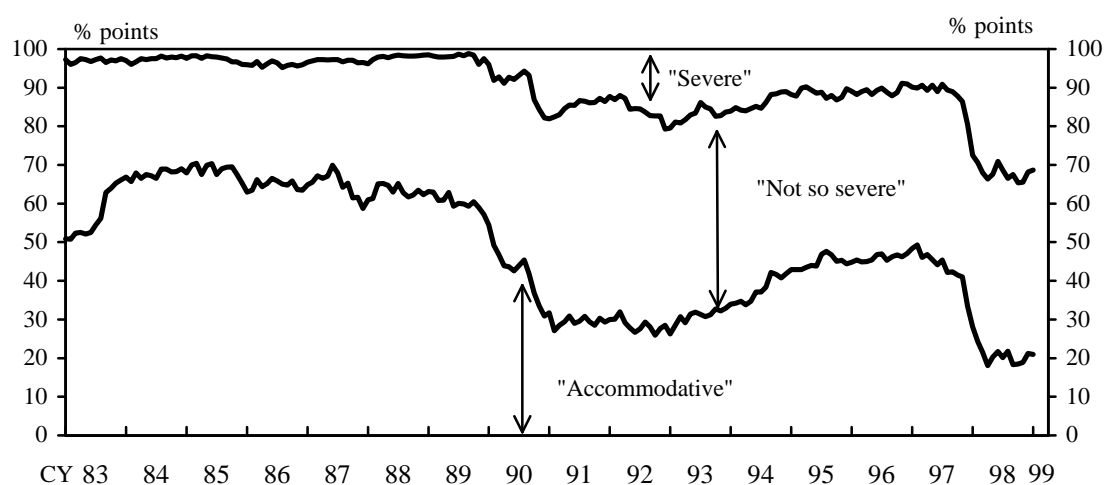
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as perceived by Small Enterprises

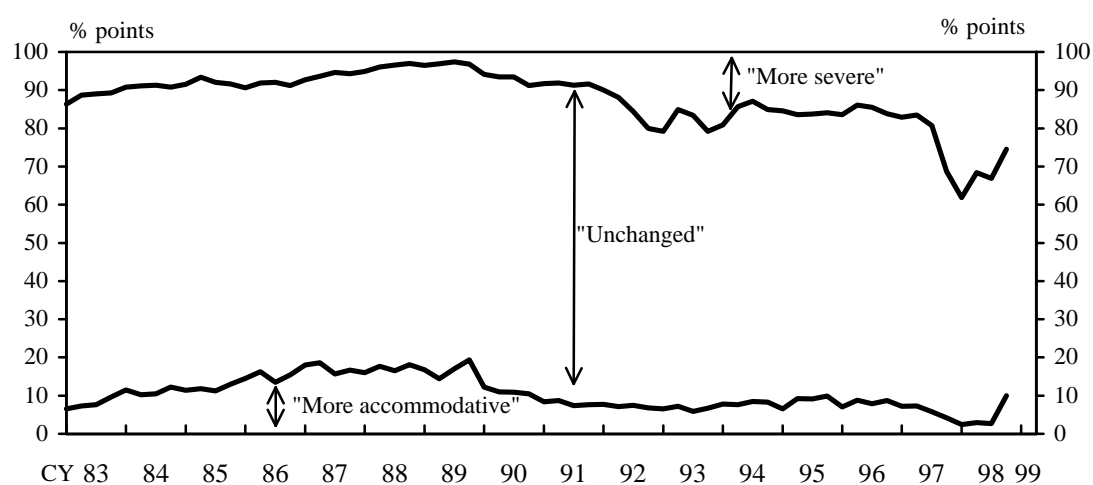
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (December, 1998)



(2) "Monthly Survey on Trends of Small Businesses" (Mid-January, 1999)



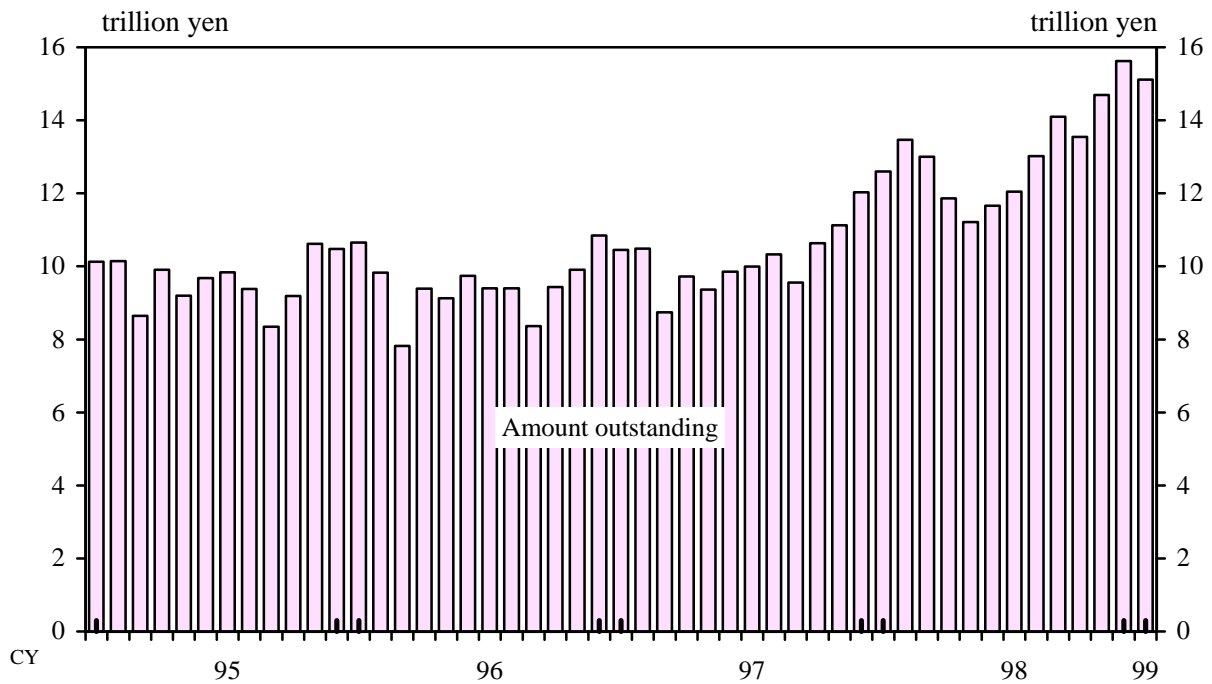
(3) "Quarterly Survey of Small Businesses in Japan" (Mid-December, 1998)



Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan";
 Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses";
 People's Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

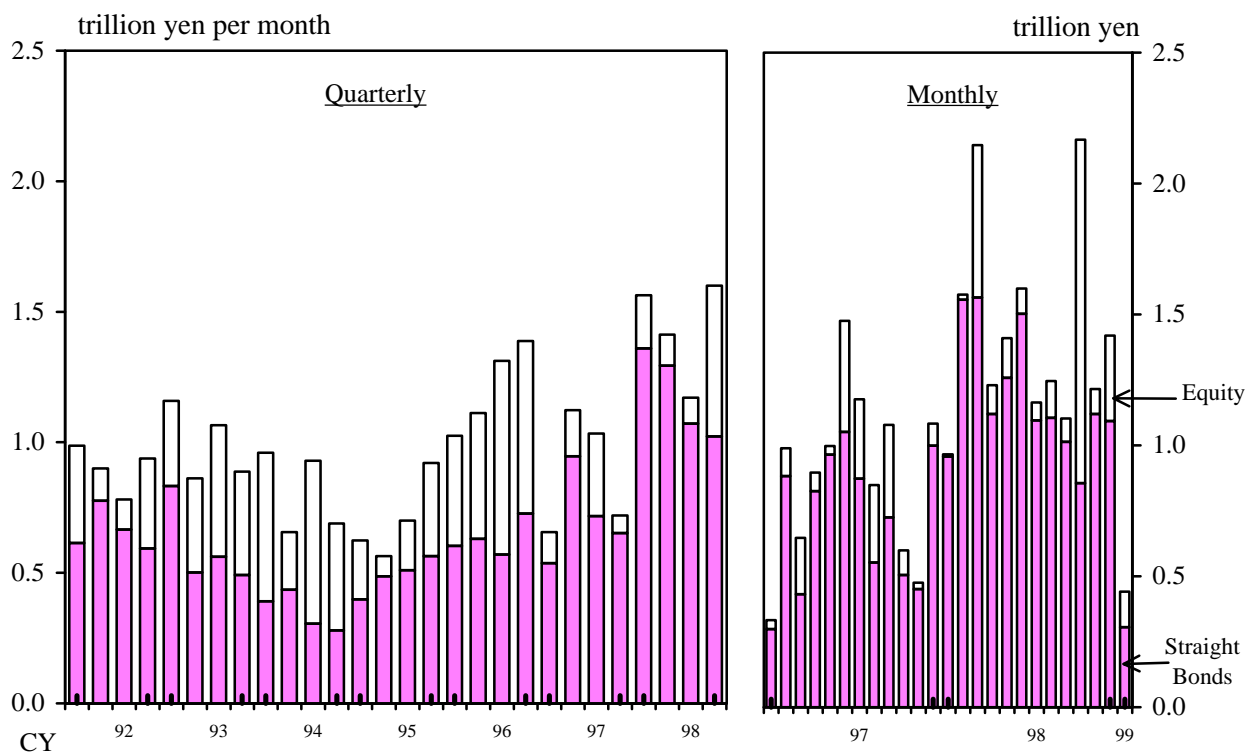
Private-Sector Fund Raising in the Capital Markets

(1) C P



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

(2) Bond and Equity

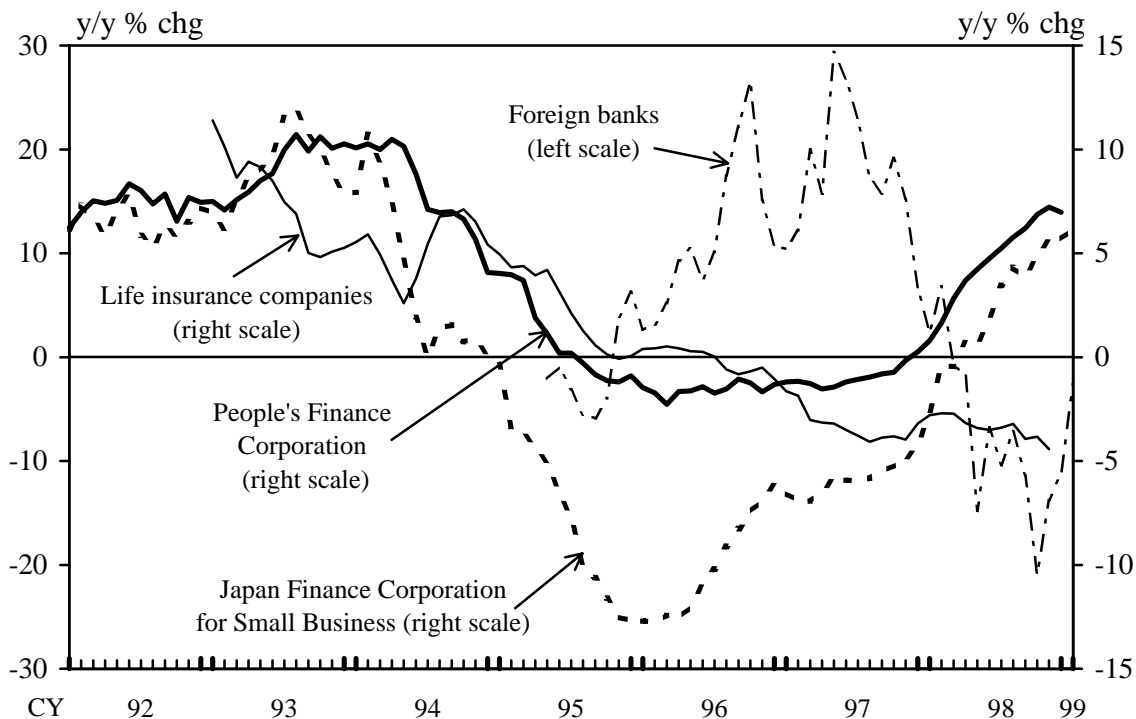


Note: Data for equity include convertible bonds, bonds with warrants, and new equity issues.

Sources: Bank of Japan, "Principal Figures of Financial Institutions"; The Bond Underwriters Association of Japan, "Bond Review."

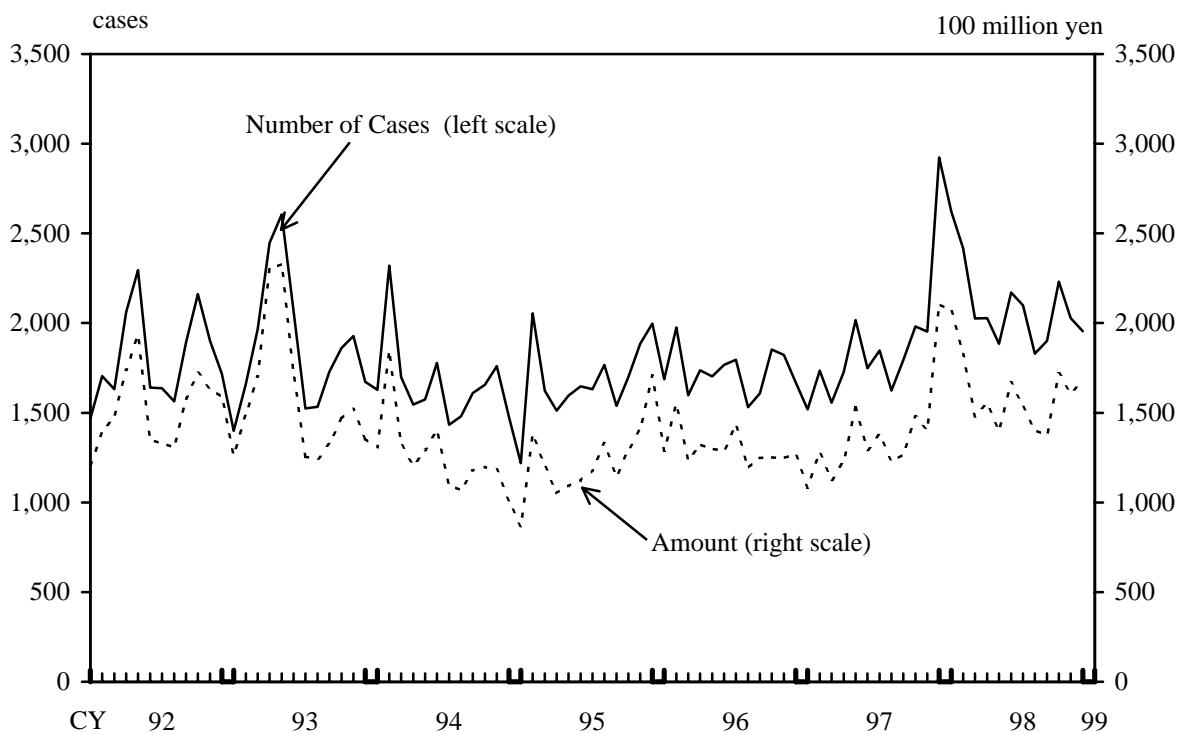
Lending by Other Financial Institutions

(1) Lending Outstanding



Note: Data are based on amounts outstanding at end of period except for those of foreign banks.

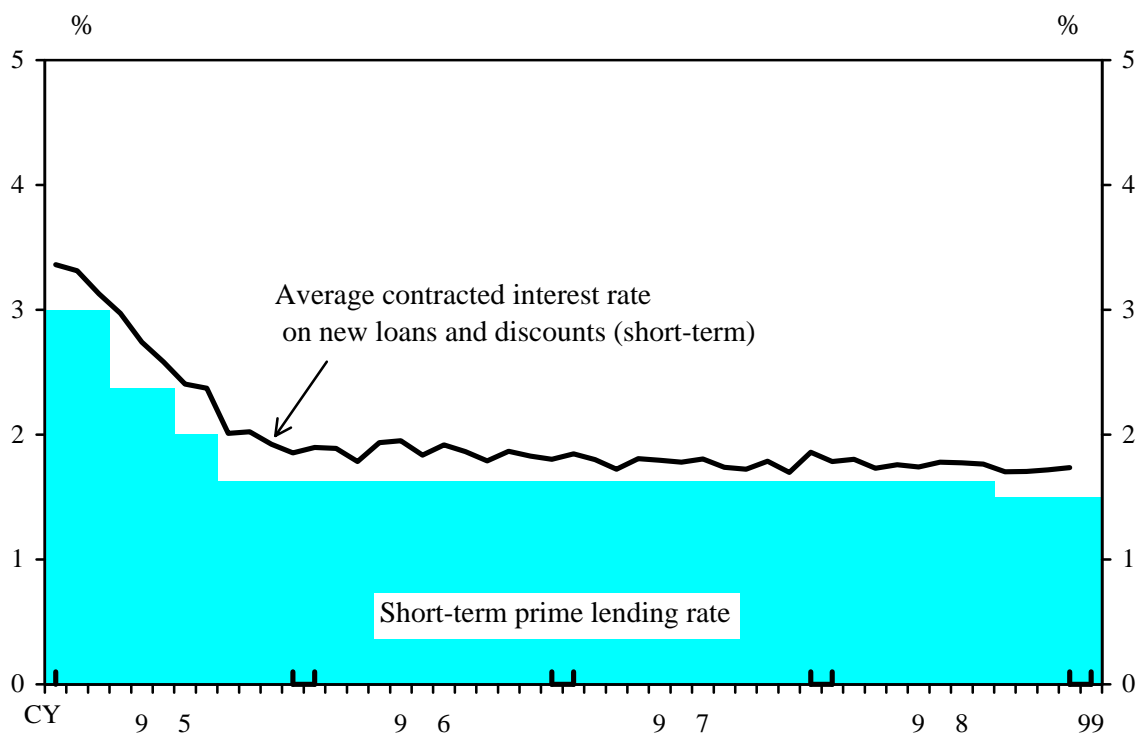
(2) Application for a Loan from Japan Finance Corporation for Small Business



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

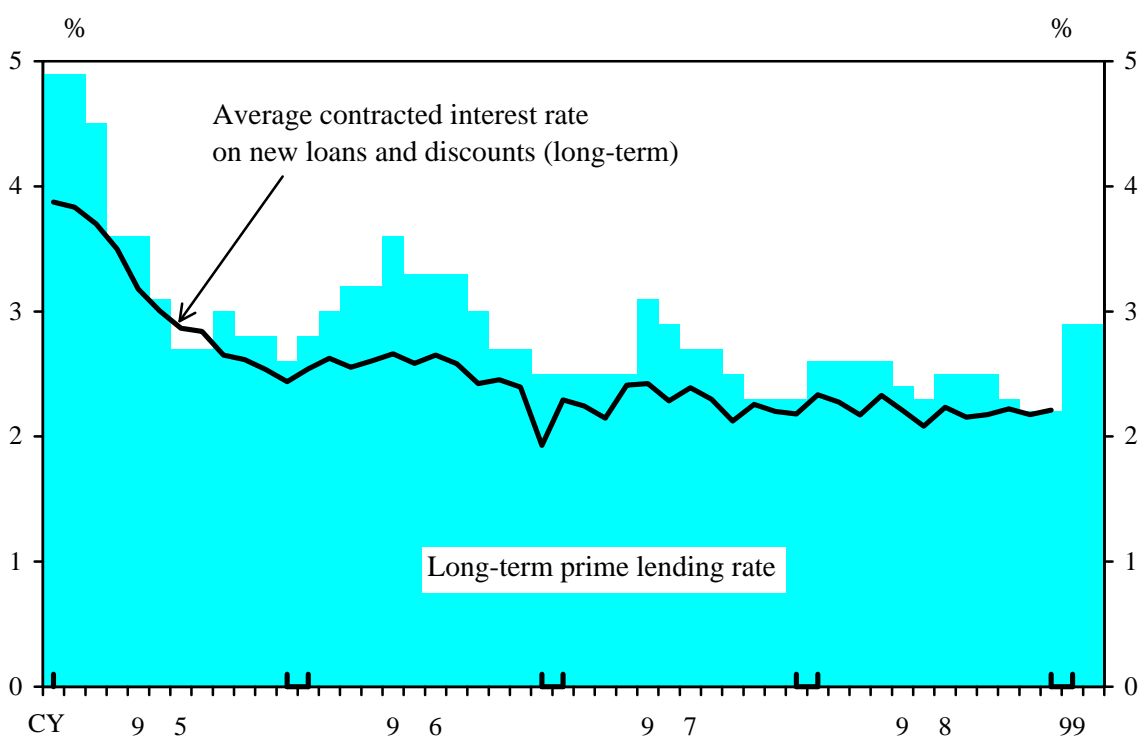
Lending Rates

(1) Short-Term



Note: Data for short-term prime lending rate are at end of period.

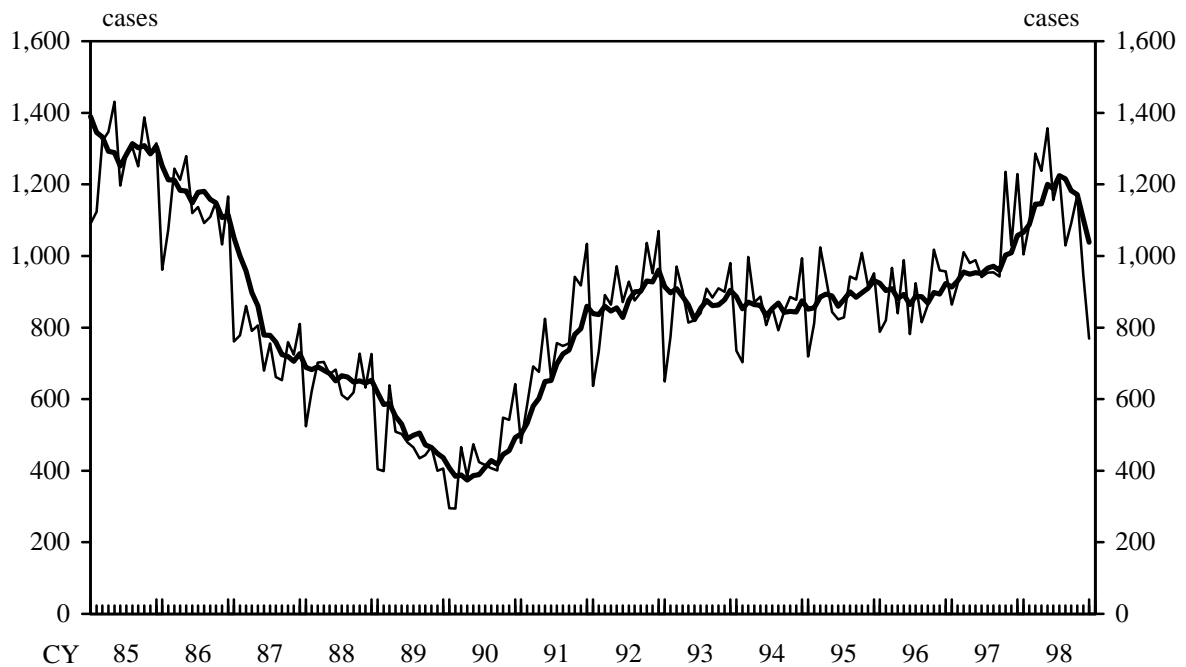
(2) Long-Term



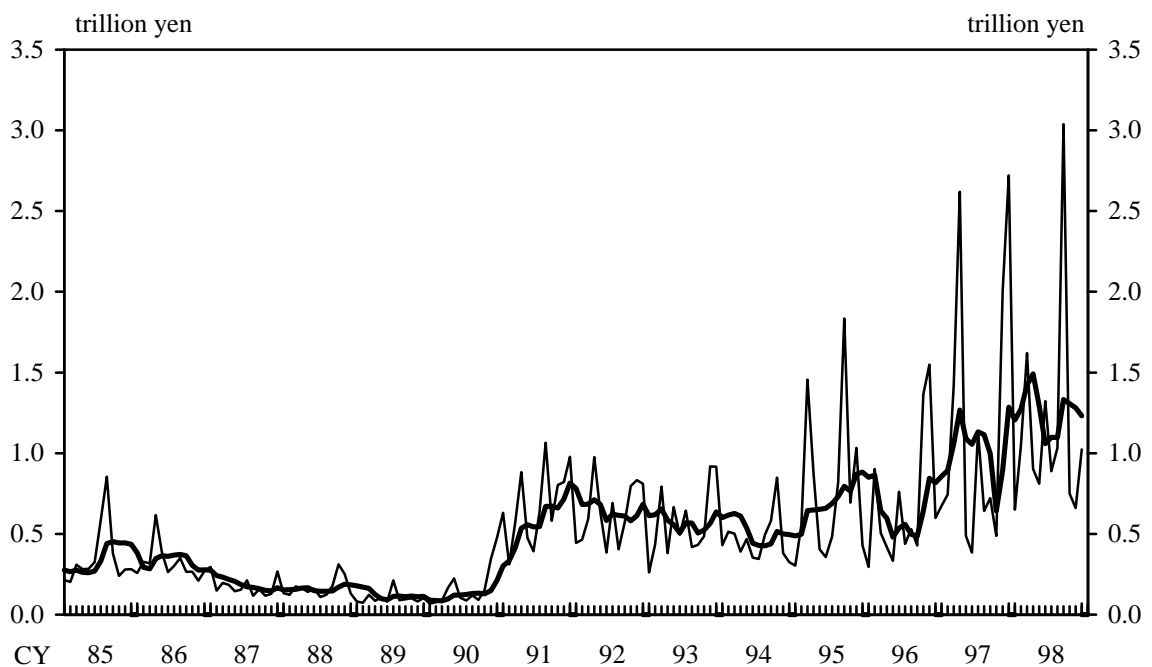
Source: Bank of Japan, "Economic Statistics Monthly."

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



Notes: 1. Data for the number of cases exclude types of bankruptcies other than suspension of business transaction with banks.

2. The bold line is six-month moving average.

Sources: Federation of Bankers Associations of Japan, "Suspension of Business Transaction with Banks"; Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly Review of Corporate Bankruptcies)."