

June 28, 1999
Bank of Japan

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

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

Monthly Report of Recent Economic and Financial Developments¹

June 1999

The Bank's View²

Japan's economy, at present, has stopped deteriorating, but clear signs of recovery have not been observed yet.

With regard to final demand, business fixed investment has basically been on a downward trend, although there was a slight improvement in early 1999. Recovery in private consumption continues to be weak on the whole. Net exports (exports minus imports) are decreasing slightly at present, due mainly to an increase in imports. Meanwhile, housing investment has been recovering. Public works seem to be increasing rapidly against the background of the surge in orders in early spring.

Reflecting such developments in final demand and continued progress in inventory adjustment, industrial production has stopped decreasing. The deterioration in corporate and consumer sentiment seems to have ceased due to this economic situation and the effects of measures taken to restore the stability of Japan's financial system. However, corporate profits remain weak, and employment and household income conditions are deteriorating as the unemployment rate remains historically high and wages continue to be below the previous year's level.

As for the outlook, with the progress in inventory adjustment gradually paving the way for a recovery in production, the government's economic measures and the monetary easing by the Bank will continue to underpin the economy. Improvements in the financial environment, such as alleviation of concern about Japan's financial system, are also expected to exert positive effects on the economy gradually. Moreover, the recovery of overseas economies, especially of Asian economies, is likely to have a positive effect on domestic production. With respect to corporate activities, however, firms have started taking steps toward full-scale

¹ This report was written based on data and information available when the Bank of Japan Monetary Policy Meeting was held on June 14, 1999.

² The Bank's view on recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on June 14 as the basis of monetary policy decisions.

restructuring, facing the continued decline in profits. Although such corporate restructuring is expected to improve productivity, it may, in the short run, reduce fixed investment and discourage household expenditure through the resulting deterioration in employment and income conditions. Under such circumstances, it is still difficult to expect an immediate self-sustained recovery in private demand. Overall economic developments require careful monitoring in consideration of the above points. It is also important to promote structural reform in order to assure the economy's sustained growth in the medium term.

With regard to prices, import prices continue to rise due to the bottoming out of international commodity prices such as crude oil prices. The pace of decline in domestic wholesale prices is slowing due to a rise in prices of some products closely related to international commodities, such as those of petroleum products. On the other hand, corporate service prices continue to decline. Consumer prices remain weak. In relation to price developments in the future, there is a possibility that prices overall, which have been on a downtrend, will temporarily level off reflecting the rise in import prices. However, distinct narrowing in the output gap is unlikely for the time being even though the economy has stopped deteriorating, and wages continue to decline. Thus, downward pressure on prices is expected to remain.

In the financial market, the overnight call rate has stayed at nearly zero, and many financial institutions have become confident about the availability of liquidity. Interest rates on term instruments have declined further, reflecting the market's view that monetary easing will continue for some time. The Japan premium has almost disappeared. Furthermore, the yield spread between government bonds and private bonds—bank debentures and corporate bonds—has narrowed.

Yields on long-term government bonds have risen since late May to the current level of around 1.6-1.7 percent. Stock prices, which had generally been in the range of 16,000-17,000 yen, have recently risen and exceeded 17,000 yen.

The amount outstanding of funds in the call money market has continued to decrease. To date, this has not led to any difficulty in funds settlement, but close attention should be paid to future market developments.

With regard to corporate finance, private banks have basically retained their cautious lending attitude. However, constraint that had been caused by severe fund-raising conditions and insufficient capital base has eased considerably. Under these circumstances, major banks have gradually become more active than before in extending loans, especially for projects involving relatively small credit risks.

However, credit demand for economic activities such as business fixed investment remains weak. In addition, firms' moves to increase their on-hand liquidity are apparently settling down. As a result, credit demand in the private sector has weakened further.

Money stock (M_2 +CDs) has recently been showing a slightly higher year-to-year growth rate, mainly because firms' curtailment of on-hand liquidity has been less significant than that of the same period in the previous year.

In these financial environments, credit conditions, which had tightened previously, have eased somewhat.

The following continue to warrant careful monitoring: how actively investors will take risks; how far private banks will ease their lending stance; and how these changes will affect firms' propensity to invest.

The Background

1. Japan's Economy

With regard to public investment (Chart 2), the value of public works contracted, which reflects orders, declined substantially in April, following the concentration of orders under the government's economic stimulus measures in February and March. The actual execution of public works, however, is basically on a rising trend, reflecting the high level of orders to date. As for the outlook, public investment is projected to remain strong for the time being against the background of the continuing high level of orders.

Real exports (Charts 3 to 5) are essentially flat on the whole. Exports to Europe continue to decline, but those to Asia stay on a recovery trend after the sharp decline through 1998, and those to the United States remain firm on the whole. Meanwhile, real imports are increasing slightly at present. Imports had been virtually flat due to the stagnation of domestic private demand, excluding temporary factors such as the intensive imports of airplanes (in February), but recently show some increase primarily due to imports of information-related goods.

As a result of these import and export developments, net exports (exports – imports) in terms of the real trade balance³ are presently decreasing slightly because of the increase in imports. Meanwhile, the nominal current account surplus contracted substantially in the first quarter of 1999 due to the expansion of deficits in the income and unrequited transfers balances.

As for the future environment for foreign trade, the appreciation of the yen since autumn 1998 is restricting exports (Chart 6(1)). Regarding the domestic and foreign demand conditions, private demand in Japan has stopped falling but is likely to remain weak. Meanwhile, the United States economy is expected to remain firm and Asian economies are moving toward a recovery (Chart 6(2)). Thus, there is a high probability that net exports will turn to a rising trend. Nevertheless, the outlook

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).

for overseas economies continues to warrant careful monitoring, given that European economies are slowing down and the present high growth in the United States economy is apparently supported, to a large extent, by the rise in stock prices.

Business fixed investment has basically been on a downtrend, although there was a slight improvement in early 1999. According to the *Financial Statements of Corporations by Industry, Quarterly* (Chart 7), large manufacturing firms continue to decrease business fixed investment, but medium and small firms, especially nonmanufacturing ones, have increased it slightly since the start of 1999 after the sharp reduction in 1998.⁴ Shipments of general capital goods, which reflect the current trend of fixed investment in machinery, posted an increase of 3.6 percent in the first quarter of 1999 on a seasonally adjusted quarter-to-quarter basis, but declined again by 7.6 percent in April compared to the first-quarter level. Leading indicators, such as machinery orders and nonresidential construction starts (Chart 8), are increasing slightly at present. According to industry forecasts, however, machinery orders are expected to decline once again in the second quarter of 1999 on a seasonally adjusted quarter-to-quarter basis. Furthermore, the *Business and Investment Survey of Incorporated Enterprises* (Chart 9) reports that both large and medium firms plan to reduce investment in fiscal 1999 well below the actual level in fiscal 1998. Thus, business fixed investment apparently follows a declining trend.

With regard to environment for business fixed investment in terms of corporate finance, as the limitations on funds availability, especially for small firms, have eased (Chart 10), business fixed investment by these firms, which declined rapidly during 1998, is now picking up slightly. Nevertheless, it seems that concerns about the availability of funds in the future have not completely disappeared yet. Moreover, it is difficult to expect a rapid improvement in corporate profits, which declined significantly during fiscal 1998, and strong perceptions of excess equipment will persist for the time being. Under these conditions, many firms are proceeding with full-fledged restructuring to improve their profitability and financial soundness.

⁴ The rise in office equipment investment contributed most to the increase in the shipments of general capital goods during the first quarter of 1999 (a quarter-to-quarter rise of 7.4 percent, accounting for 2.2 percent of the total increase in the shipments from the previous quarter). Based on interviews with firms, this suggests that small firms may have made small-scale

Judged from these developments, business fixed investment is likely to remain on a declining trend for some time.

The recovery in private consumption as a whole still remains weak, despite slight improvements in some related indicators. In detail (Chart 11), sales of household electric appliances remain at a high level, mainly due to firm sales of personal computers. Outlays for travel, which had been on a declining trend, are presently leveling off. The number of passenger car sales (excluding light cars) increased slightly in the first quarter of 1999 from the introduction of new models, but is now weakening once again. Including light cars, however, the number of passenger car sales is on a gradual increasing trend. Sales at department stores and chain stores continue to decline, but the recent pace of decline seems to be decelerating slightly. Consumer sentiment, which was deteriorating through the end of 1998, is presently improving somewhat, although remaining at a low level (Chart 12).

As for future consumption trends, the reduction in personal income taxes is expected to underpin consumption, and the abatement of anxiety regarding the stability of Japan's financial system is expected to have a positive effect. Nevertheless, the recovery is likely to remain weak for the time being as employment and income conditions will continue to be harsh and a substantial decline in summer bonuses is expected.

With regard to housing investment (Chart 13), housing starts (on a seasonally adjusted annual basis), which were around 1.15 million units from the latter half of 1998 through to the beginning of 1999, have presently recovered to between 1.25 and 1.29 million units. In detail, construction starts of owner-occupied houses remain on an increasing trend, apparently reflecting the starts of housing construction financed by loans from the government Housing Loan Corporation, for which applications were up sharply during its third offering period for fiscal 1998 (November 2 – December 25, 1998; an increase of 49.9 percent from the previous year for the construction of private homes). Thus, housing starts have started picking up.

investments intensively in cost saving and information equipment such as photocopiers, which had been postponed due to concerns over the availability of funds.

As for the outlook, construction starts of houses for rent are expected to remain stagnant due to strong perceptions of excess supply. With respect to housing for sale, the demand is on the rise as condominium sales are recently on an increasing trend. This sales trend is unlikely to result in a large increase in construction starts immediately as excess inventories continue, but there is a possibility that the declining trend to date will gradually turn to an increase. Construction starts of owner-occupied houses are likely to rise through the summer, owing to the increase in applications for loans from the government Housing Loan Corporation during the third offering period for fiscal 1998 and a further increase during the fourth offering period (January 18 – March 26, 1999; an increase of 75.1 percent from the previous year for the construction of private homes), against the background of the reduction in the taxes on home purchases and the maintenance of the Corporation's standard interest rate on loans at a low level.

Reflecting these developments in final demand, along with the continued progress of inventory adjustment (Chart 14), industrial production (Chart 15) recorded a slight decrease in the fourth quarter of 1998 (-0.7 percent on a seasonally adjusted quarter-to-quarter basis) and turned to a slight increase in the first quarter of 1999 (+0.6 percent). A slight increase is projected for the second quarter as well (+0.3 percent), based on the production forecast indices for May and June.

As for the environment surrounding future production, although business fixed investment is projected to remain on a declining trend, inventory adjustment pressures are weakening, public investment and housing investment are expected to increase, and exports should rise somewhat through the summer, reflecting the recovery in Asian economies. Thus, industrial production is projected to remain firm for the time being.

Employment and income conditions are still on a deteriorating trend. In the labor market (Chart 16), the unemployment rate (seasonally adjusted) was 4.8 percent in March, which was the highest level since the start of these statistics in 1953, and remained at the same level in April. The ratio of job offers to applicants (seasonally adjusted) was 0.48 in April and still near the lowest level since the start of these statistics in 1963. The number of regular employees (on a monthly employment

statistics basis at establishments with at least five employees) was up slightly in April compared to the previous year's level, reflecting the recovery in the construction industry, which was underpinned by public investment. As regards wages (Chart 17), overtime compensation remains below the previous year's level, and regular compensation is falling slightly below the previous year's level. Reflecting these employment and wage developments, compensation of employees is on a declining trend. As for the outlook, the employment and income conditions are expected to remain harsh for the time being with the full-scale implementation of corporate restructuring.

2. Prices

With regard to price developments, import prices on a yen basis (Chart 19(1)) turned to an increase, reflecting the bottoming out of crude oil prices and other international commodity prices since March.

The pace of decline in domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates;⁵ Chart 19(3)) is presently slowing. This is because the prices of products closely related to international commodities such as those of petroleum products have turned to an increase, while the prices of construction-related goods continue to decline. (Domestic wholesale prices declined by a quarter-to-quarter 0.5 percent in the first quarter of 1999, and by 0.4 percent in April-May compared to the first-quarter level).

Corporate service prices (Chart 20(1)) continue to decline overall, particularly those for machinery repairs and real estate, against the background of a strengthening corporate stance toward reducing costs. (The year-to-year decline in corporate service prices was 1.0 percent in the first quarter of 1999 and 1.3 percent in April).

Consumer prices (excluding perishables; Chart 20(2)) remain weak overall as the prices of goods remain below the previous year's level. (The year-to-year

⁵ 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

decline in consumer prices excluding perishables was 0.1 percent in the first quarter of 1999 and 0.1 percent in April). Including perishables, consumer prices overall also remain below the previous year's level.

As for land prices, according to the *Quarterly Land Price Index* (Chart 21), the prices of both commercial and residential land continue to decline, but the rate of decline is decelerating slightly.

Regarding the future environment for prices overall, there is a possibility that prices, which have been on a downtrend, will temporarily level off, reflecting the rise in import prices. However, distinct narrowing in the output gap is unlikely for the time being even though the economy has stopped deteriorating, and wages continue to decline. Judged from these developments, the downward pressure on prices is expected to remain.

3. Financial Developments

(1) Financial Markets

Interest rate developments in short-term money markets (Charts 22(1) and 23 to 25) show that with the continued ample provision of funds by the Bank of Japan the overnight call rate (uncollateralized) has stayed near zero, at around 0.03 percent. Under these conditions, many financial institutions have become confident about the availability of liquidity.

Interest rates on term instruments have declined further, reflecting the market's view that monetary easing will continue for some time. Three-month TB and FB rates have fallen to around 0.03 percent, the same level as the overnight call rate. Moreover, three-month Euro-yen interest rates (TIBOR) have fallen to around 0.1 percent. The Japan premium has almost disappeared since March.

Yields on ten-year government bonds (newly issued; Chart 22(2)) declined to below 1.3 percent through mid-May and then rebounded with market concerns about

the fundamental changes in domestic wholesale prices, adjustments are made to exclude such factors that result in large seasonal fluctuations.

the likelihood of a supplementary budget and the accompanying worsening of the supply-demand balance for government bonds, and are presently moving at around 1.6-1.7 percent. Yields on private bonds (bank debentures and corporate bonds; Charts 27 and 28) have also risen slightly, but the increase is less than that for government bonds. Consequently, the yield spread between government and private bonds has narrowed.

Judged from these financial market developments, it seems that market participants' stance toward taking on credit risks is gradually becoming more positive.

Stock prices (Chart 29(1)) had risen and exceeded 17,000 yen in early May, but then declined as the outlook for U.S. stock prices became increasingly unclear. Thereafter, the prices recovered the 17,000 yen level, partly because the GDP data for the January-March quarter of 1999 were stronger than forecasted in the market.

The amount outstanding in the call money market has continued to decrease as institutional investors have shifted more funds into ordinary deposits and other instruments in reaction to the decline in term interest rates. To date, this has not led to any difficulty in funds settlement, but close attention should be paid to future market developments.

On the foreign exchange market (Chart 30), the yen-dollar exchange rate had moved in a band between 120 and 124 yen to the U.S. dollar until early June amid nervous market sentiment due to the Kosovo crisis and other factors. The rate has recently shifted to the range of 118-121 yen to the U.S. dollar, reacting to the strong GDP figures.

(2) Monetary Aggregates and Corporate Finance

The year-to-year growth in money stock (Chart 31) in terms of $M_2 + \text{CDs}$ was 3.9 percent in April, posting a rise for the second consecutive month. (The year-to-year growth in $M_2 + \text{CDs}$ was 3.4 percent in February, 3.7 percent in March, and 3.9 percent in April). However, this is largely due to the developments during the same

period of the previous year, when the growth rate declined substantially.⁶ Incidentally, the seasonally adjusted three-month growth rate in $M_2 + \text{CDs}$ has been slowing. (The annualized three-month growth rate was 3.9 percent in February, 3.9 percent in March, and 2.6 percent in April).

The year-to-year growth in the monetary base (currency in circulation + reserves; Chart 32) rose further due to the recovery in the growth of both currency in circulation and reserves.

The year-to-year decline in lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;⁷ Chart 33), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, had contracted gradually from the beginning of the year, but the rate of decline expanded slightly in May. Meanwhile, fund-raising from sources other than bank loans (Charts 35 and 36) is slowing down gradually.

Turning to the funding cost for firms, the average contracted interest rates on loans and discounts (Chart 37), which had decreased reflecting the decline in short- and long-term market interest rates, increased marginally in April. CP and corporate bond issuance rates declined further in May as institutional investors' desire to invest in such instruments is strengthening while firms' desire to issue such instruments is sluggish.

In relation to these monetary aggregate and corporate funding cost developments, the credit demand of private firms for economic activities such as business fixed investment remains weak. In addition, firms' moves to increase their on-hand liquidity due to the previously harsh fund-raising environment are apparently

⁶ During the same period of the previous year, as the anxiety regarding the stability of the financial system temporarily settled down, there was a widespread movement among firms to decrease the on-hand liquidity that they had previously accumulated, so the year-to-year growth in $M_2 + \text{CDs}$ declined rapidly. (In 1998, the year-to-year growth in $M_2 + \text{CDs}$ was 5.0 percent in February, 4.5 percent in March, and 3.6 percent in April).

⁷ The figures are adjusted for (1) fluctuations from the liquidation of loans, (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates, (3) fluctuations from loan write-offs, (4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General Account, etc.

settling down. As a result, the overall credit demand of private firms is weakening further.

Meanwhile, the lending attitude of private financial institutions is still fundamentally cautious. However, the fund-raising environment for financial institutions themselves has turned substantially favorable, and their insufficient capital bases have been increased with the injection of public funds. Against this background, major banks have gradually become more active than before in extending loans, especially for projects involving relatively small credit risks.

In this financial environment, credit conditions, which had tightened previously, have eased somewhat. From the beginning of this year, the number of corporate bankruptcies (Chart 38) has remained far below the previous year's level due to the enhancement of the credit guarantee system and other factors.

The following factors continue to warrant careful monitoring: how actively investors will take risks; how far private banks will ease their lending stance; and how these changes will affect firms' propensity to invest and other economic activities.

Charts

Chart 1	Main Economic Indexes
Chart 2	Public Investment
Chart 3	External Balance
Chart 4	Real Exports
Chart 5	Real Imports
Chart 6	Overseas Economic Conditions and Real Effective Exchange Rate
Chart 7	Business Fixed Investments by Industry and Scale
Chart 8	Major Indexes of Business Fixed Investment
Chart 9	Capital Spending Plans
Chart 10	Corporate Finance-Related Indexes
Chart 11	Private Consumption
Chart 12	Consumer Confidence and Propensity to Consume
Chart 13	Major Indexes of Housing Investment
Chart 14	Inventory Cycle
Chart 15	Production, Shipments, and Inventories
Chart 16	Labor
Chart 17	Compensation of Employees
Chart 18	Prices
Chart 19	Import Prices and Domestic Wholesale Prices
Chart 20	Corporate Service Prices and Consumer Prices
Chart 21	Quarterly Land Price Index
Chart 22	Interest Rates
Chart 23	Short-Term Money Market Rates
Chart 24	Euro-Yen Interest Rates Futures (3-Month)
Chart 25	Japan Premium in the Eurodollar Market
Chart 26	Implied Forward Rates (1-year)
Chart 27	Yields of Bank Debentures
Chart 28	Corporate Bond Yields
Chart 29	Stock Prices
Chart 30	Exchange Rates
Chart 31	Money Stock (M2+CDs, Broadly-Defined Liquidity)
Chart 32	Monetary Base
Chart 33	Lending by Domestic Commercial Banks
Chart 34	Lending Attitude of Financial Institutions as perceived by Small Enterprises
Chart 35	Private-Sector Fund Raising in the Capital Markets
Chart 36	Lending by Other Financial Institutions
Chart 37	Lending Rates
Chart 38	Corporate Bankruptcies

Main Economic Indexes (1)

y/y % chg.

	98/Q3	Q4	99/Q1	99/Feb.	March	April	May
Index of expenditure level (all households)	-1.9	0.2	-0.9	-3.2	-1.3	p -0.2	n.a.
Sales of department stores	-4.5	-4.5	-4.2	-2.6	-7.5	p -3.4	n.a.
Sales of chain stores ¹	-2.5	-1.4	-5.1	-2.9	-8.0	-5.3	n.a.
New passenger-car registrations ² <s.a., ann. 10,000 units>	318	297	304	300	296	291	305
Sales of electric appliances (NEBA)	8.2	10.1	10.4	15.0	8.3	12.5	n.a.
Outlays for travel (50 major travel agencies)	-3.2	-7.0	-2.6	-4.4	0.2	-0.9	n.a.
Housing starts <s.a., ann. 10,000 units>	115	113	122	119	130	125	n.a.
Machinery orders (from private sector ³)	-20.3	-17.8	-14.8	-8.9	-13.6	-14.5	n.a.
Mining & manufacturing	-22.0	-27.2	-21.8	-16.0	-24.0	-18.3	n.a.
Nonmanufacturing ³	-18.9	-10.2	-9.1	-3.1	-5.3	-11.6	n.a.
Construction Starts (private, nonresidential use)	-18.2	-22.9	-12.5	-4.4	-14.0	-5.8	n.a.
Manufacturing	-38.1	-45.5	-37.8	-27.8	-48.6	-38.7	n.a.
Nonmanufacturing ⁴	-10.5	-13.4	-2.5	4.7	-1.3	4.8	n.a.
Value of public works contracts	4.9	10.4	52.7	38.8	89.0	-12.2	n.a.
Real exports <s.a. quarterly (monthly) change>	1.5	-1.9	1.8	-10.8	4.6	1.4	n.a.
Real imports <s.a. quarterly (monthly) change>	2.4	-1.8	5.0	6.9	-5.1	2.5	n.a.
Industrial production <s.a. quarterly (monthly) change>	0.1	-0.7	0.6	1.3	2.7	p -2.7	n.a.
Shipments <s.a. quarterly (monthly) change>	0.1	-0.2	1.3	-2.1	3.6	p -4.3	n.a.
Inventories <s.a. quarterly (monthly) change>	-2.2	-3.7	-2.3	0.3	-1.0	p -0.4	n.a.
Inventories/shipments <s.a. 1995=100>	109.8	108.4	104.0	110.1	104.0	p 105.6	n.a.
Real GDP <s.a. quarterly change>	-0.3	-0.8	1.9	n.a.	n.a.	n.a.	n.a.

Main Economic Indexes (2)

	y/y % chg.						
	98/Q3	Q4	99/Q1	99/Feb.	March	April	May
Ratio of job offers to applicants <s.a., times>	0.49	0.47	0.49	0.49	0.49	0.48	n.a.
Unemployment rate <s.a., %>	4.26	4.38	4.62	4.64	4.80	4.81	n.a.
Overtime working hours ⁵	-8.7	-7.3	-5.7	-6.0	-5.0	p -4.0	n.a.
Number of employees	-0.7	-0.5	-1.1	-1.3	-1.2	-0.7	n.a.
Number of regularly employed ⁵	-0.1	-0.3	-0.2	-0.3	-0.1	p 0.3	n.a.
Nominal wage per person ⁵	-2.0	-2.3	-1.5	-0.6	-0.5	p -0.1	n.a.
Domestic wholesale price index	-2.1	-2.1	-2.1	-2.1	-1.9	-1.9	-1.7
Consumer price index (nationwide)	-0.2	0.5	-0.1	-0.1	-0.4	-0.1	n.a.
Excluding perishables	-0.2	-0.3	-0.1	-0.1	-0.1	-0.1	n.a.
Corporate service price index	-0.4	-0.9	-1.0	-1.0	-1.1	-1.3	n.a.
Monetary aggregates (M2+CDs) ⁶ <average outstanding, y/y % chg>	3.7	4.0	p 3.6	3.4	p 3.7	p 3.9	n.a.
Number of suspension of transaction with banks	17.3	-17.5	-42.3	-47.7	-39.2	-35.2	n.a.

Notes: 1. Adjusted to exclude consumption tax.

2. Excludes small cars with engine sizes 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 at least five regular employees.

6. Figures of M2+CDs and Broadly-defined Liquidity are calculated on current basis from April 1999.

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", "National Income Statistics";

Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";

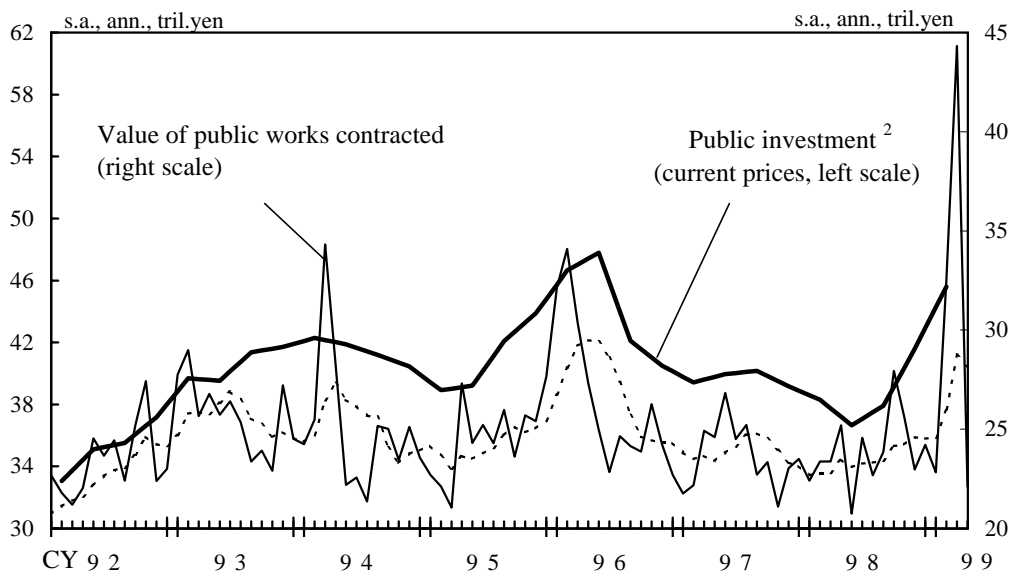
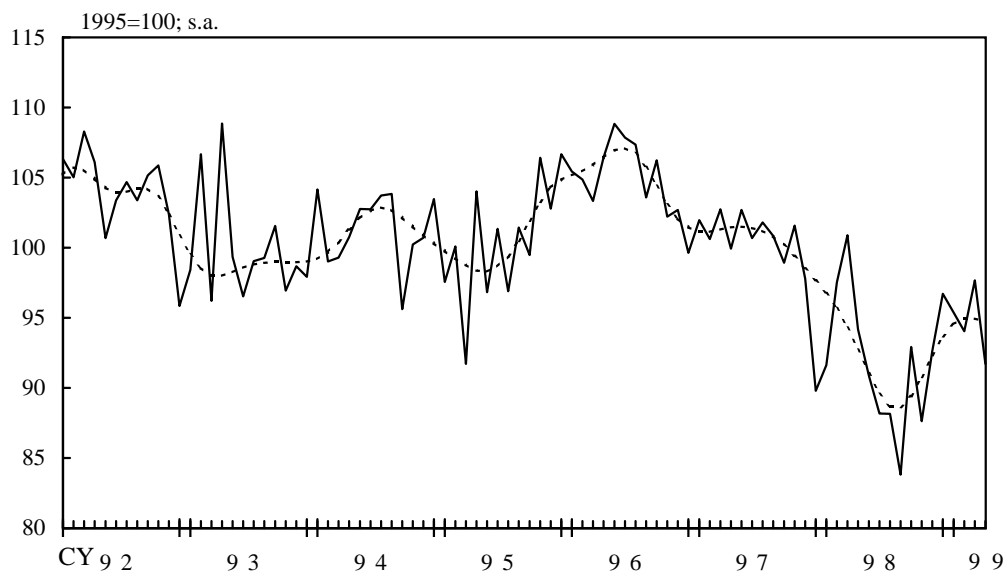
Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Labor, "Report on Employment Service",

"Monthly Labor Survey"; Bank of Japan, "Wholesale Price Indexes", "Corporate Service Price Index",

"Financial and Economic Statistics Monthly"; Federation of Bankers Associations of Japan, "Suspension of Transaction with Banks."

Public Investment¹

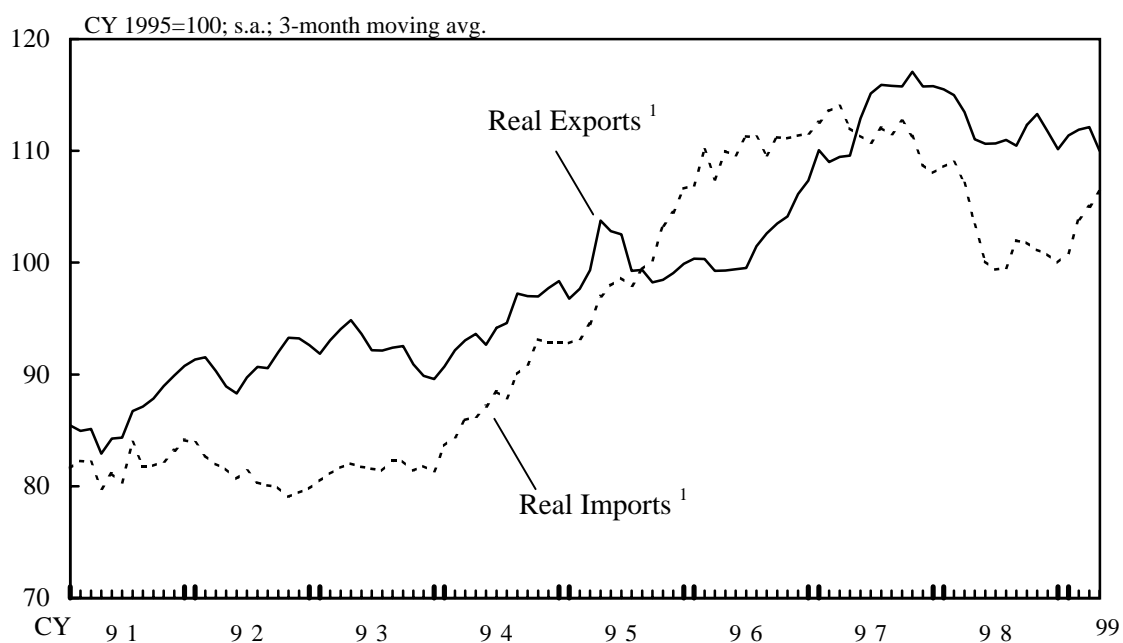
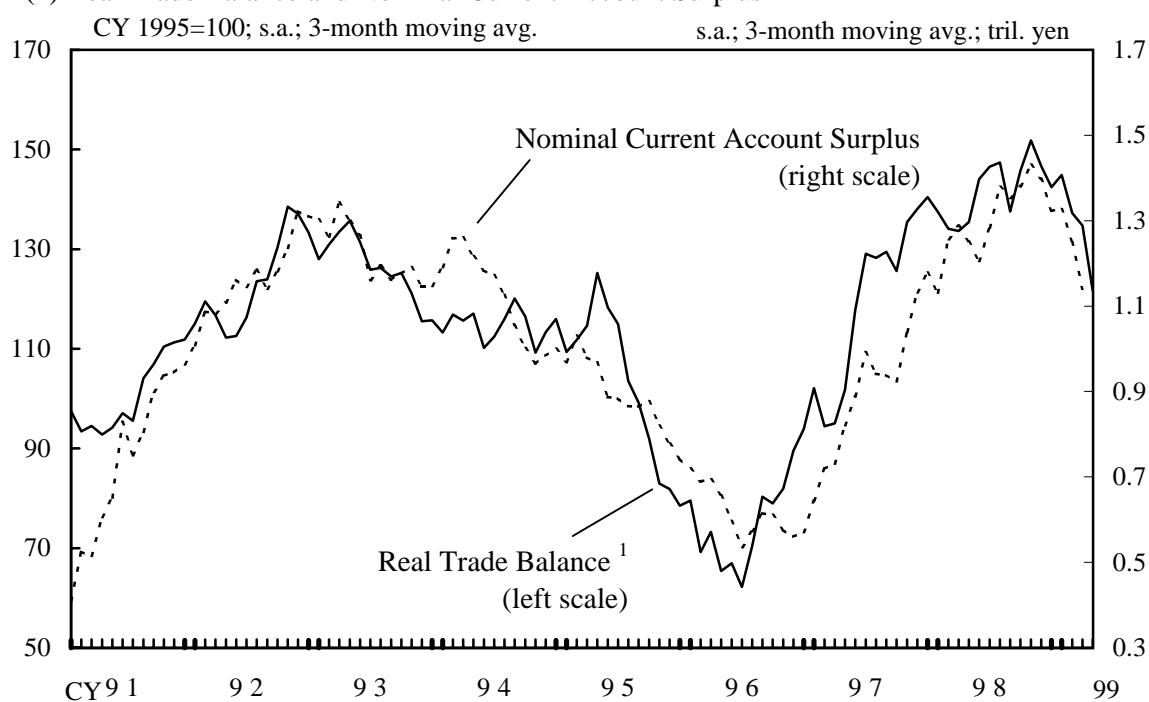
(1) Value of public works contracted

(2) Shipments of Public Works-related Goods³

- Notes: 1. Seasonally adjusted by X-12-ARIMA (β version). The dotted line of "value of public works contracted" is 6 months moving average. The dotted line of "public works-related goods" is the trend cycle factor.
2. Quarterly basis public investment is plotted at the middle month of each quarter.
3. In order to follow the monthly movement of public 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 investment), and does not cover building and machinery investment (which comprises one-third of public investment).
- "Public works-related goods" is partly used for private-sector investment.
- The data in April 99 are preliminary.

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 Surplus**

Note: 1. Seasonally adjusted by X-11.

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	98 Q2	Q3	Q4	99 Q1	Q2	99 Feb.	Mar.	Apr.
United States	<30.5>	14.6	6.8	-1.7	2.2	-2.5	1.4	3.3	-12.0	2.8	6.0
EU	<18.4>	13.8	15.6	5.2	2.8	0.2	-2.3	-1.3	-5.0	-0.3	0.6
East Asia	<33.2>	8.6	-18.1	-6.2	-1.7	-2.3	9.2	3.1	-16.1	9.9	2.9
China	<5.2>	8.2	0.5	4.0	-0.6	-4.3	20.3	0.0	-23.8	12.7	1.7
NIEs	<20.2>	10.5	-16.5	-7.5	-3.2	-1.9	6.8	3.4	-17.4	12.7	2.1
Korea	<4.0>	-1.5	-35.3	-6.3	-2.9	10.5	23.2	6.8	-11.8	13.5	2.5
ASEAN4 ³	<7.8>	5.0	-29.2	-8.8	1.4	-2.2	8.1	4.6	-7.1	2.1	5.8
Thailand	<2.4>	-11.6	-29.4	-3.9	-0.2	-2.3	10.9	-2.8	-7.2	4.7	-3.4
Indonesia	<1.1>	22.6	-53.4	-24.9	4.1	5.4	0.1	-7.8	-11.1	0.7	-4.5
Real exports		11.2	-2.1	-2.5	1.5	-1.9	1.8	0.5	-10.8	4.6	1.4

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 97	98	98 Q2	Q3	Q4	99 Q1	Q2	99 Feb.	Mar.	Apr.
Intermediate goods	<14.5>	11.2	2.9	1.9	3.2	-1.1	0.1	5.4	-12.2	8.5	4.4
Motor vehicles and their related goods	<21.9>	14.6	1.3	-1.0	3.2	2.4	-3.5	-2.8	-12.7	3.9	-0.6
Consumer goods ⁴	<7.3>	6.3	5.0	0.4	-2.3	0.3	1.8	2.9	-1.2	1.1	2.6
Information-related goods ⁵	<17.2>	18.1	-7.0	-4.2	0.9	-3.4	2.6	2.3	-4.9	6.1	0.1
Capital goods and parts ⁶	<28.6>	9.0	-5.4	-3.6	0.0	-4.6	2.6	-0.8	-9.2	2.9	0.6
Real exports		11.2	-2.1	-2.5	1.5	-1.9	1.8	0.5	-10.8	4.6	1.4

Notes: 1. Seasonally adjusted by X-11. 99/Q2 figures are April figures converted into quarterly amount.

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	98 Q2	Q3	Q4	99 Q1	Q2	99 Feb.	Mar.	Apr.
United States	<23.9>	1.1	-3.7	-4.0	0.3	-3.6	10.0	-6.1	27.6	-22.8	3.7
EU	<14.0>	-3.6	-6.5	-6.3	3.3	1.6	3.8	-5.9	2.8	6.5	-10.5
East Asia	<34.9>	0.9	-7.7	-5.8	0.9	0.5	8.2	5.9	10.0	-2.5	4.4
China	<13.2>	8.8	-4.4	-4.3	0.6	-0.8	7.2	6.4	17.5	-16.4	14.0
NIEs	<10.2>	-8.1	-10.9	-8.5	-0.2	4.3	13.2	6.0	15.8	-1.2	2.0
Korea	<4.3>	-3.9	-9.5	-9.8	-3.3	9.1	14.7	11.1	10.1	10.7	0.9
ASEAN4 ³	<11.4>	2.2	-8.1	-5.0	2.2	-1.4	5.0	5.2	-2.6	13.4	-2.2
Thailand	<2.9>	-0.5	-7.1	-2.2	2.1	-4.3	5.4	1.2	-2.6	7.3	-2.6
Indonesia	<3.9>	-2.3	-9.0	-4.9	5.1	-1.7	1.7	6.9	-8.7	26.7	-5.5
Real imports		0.9	-8.3	-7.2	2.4	-1.8	5.0	1.2	6.9	-5.1	2.5

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 97	98	98 Q2	Q3	Q4	99 Q1	Q2	99 Feb.	Mar.	Apr.
Raw materials ⁴	<23.2>	-0.5	-6.0	-4.7	2.3	-0.3	1.3	2.6	-7.7	12.1	-2.2
Intermediate goods	<14.0>	2.7	-7.1	-8.1	-0.2	0.2	1.8	-1.2	7.0	5.4	-6.6
Foodstuffs	<14.7>	-3.5	-4.0	-2.1	2.6	-4.0	5.7	3.5	-3.6	-5.1	8.6
Consumer goods	<10.7>	-10.0	-13.8	-8.4	5.3	-5.3	2.8	10.1	4.7	-3.4	11.0
Information-related goods ⁵	<13.2>	8.0	-5.8	-1.4	3.8	-2.0	6.3	4.4	5.1	-3.2	5.0
Capital goods and parts ⁶	<13.3>	13.6	2.7	-8.3	-0.4	0.8	20.5	-9.2	63.4	-36.8	7.4
Real imports		0.9	-8.3	-7.2	2.4	-1.8	5.0	1.2	6.9	-5.1	2.5

Notes: 1. Seasonally adjusted by X-11. 99/Q2 figures are April figures converted into quarterly amount.

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 June 1999 is the average of June 1-11. Calculated by the Bank of Japan.

Figures are the index of weighted average of the 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

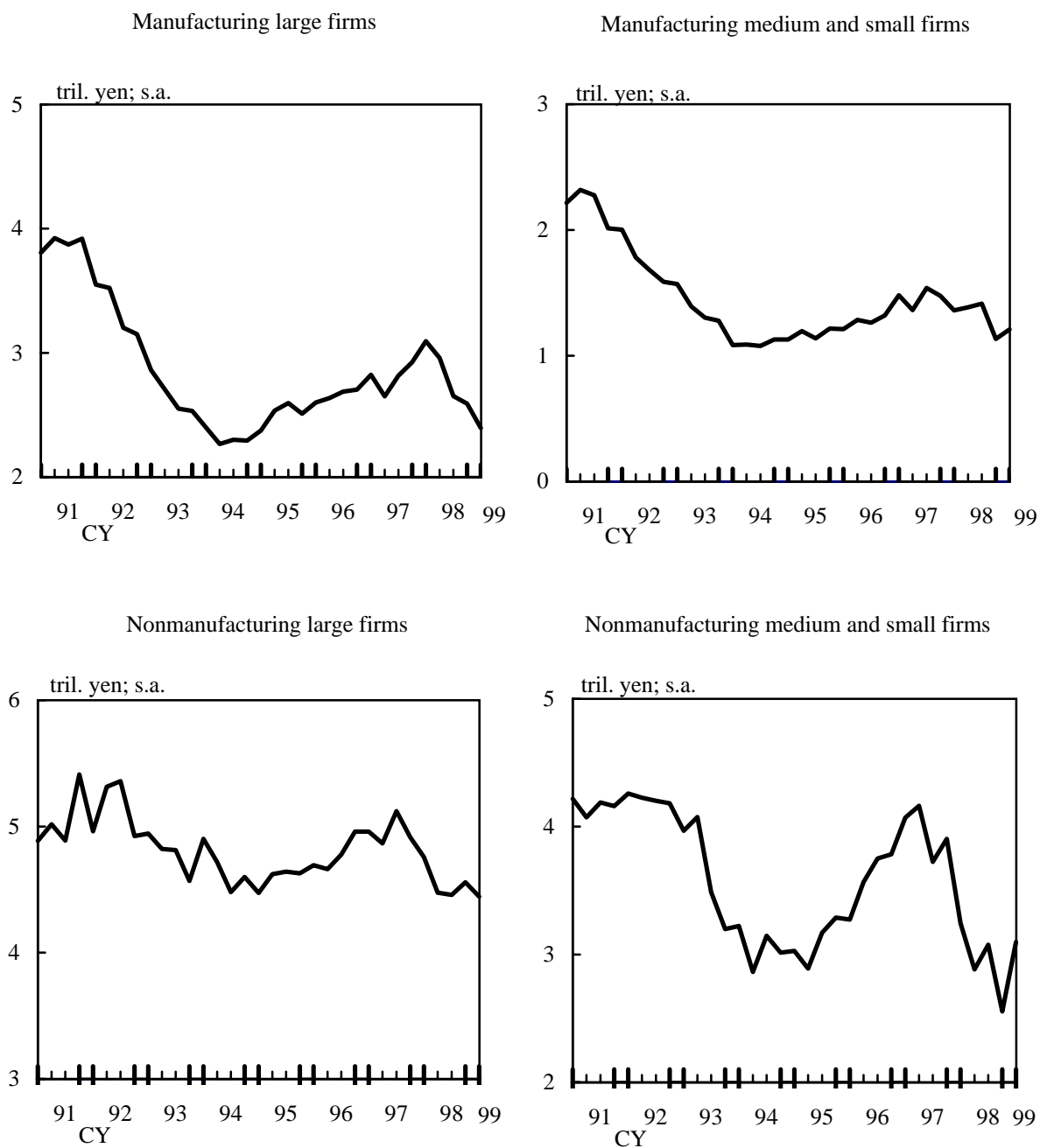
		CY97	98	99	98 Q2	Q3	Q4	99 Q1	
United States ¹		3.9	3.9	(3.8)	1.8	3.7	6.0	4.1	
European Union ¹		2.7	2.7	(1.9)	2.3	2.6	1.0	n.a.	
	Germany	1.8	2.3	(1.6)	-0.5	1.9	-0.6	n.a.	
	France	2.0	3.2	(2.3)	3.4	1.2	3.0	1.4	
	United Kingdom	3.5	2.1	(0.8)	1.2	1.1	0.3	-0.1	
East Asia ²	China	8.8	7.8	(7.3)	(Jan-Jun) 7.0	(Jan-Sep) 7.2	(Jan-Dec) 7.8	8.3	
	NIEs	Korea	5.0	-5.8	(3.7)	-7.2	-7.1	-5.3	4.6
		Taiwan	6.8	4.8	(4.5)	5.2	4.7	3.7	4.3
		Hong Kong	5.3	-5.1	(-0.6)	-5.1	-6.9	-5.7	-3.5
		Singapore	8.0	1.5	(2.1)	1.6	-0.6	-0.8	1.2
	4 Countries of ASEAN	Thailand	-1.3	(-8.0)	(0.8)	-12.0	-11.0	n.a.	n.a.
		Indonesia	4.9	-13.7	(-3.0)	-12.3	-18.4	-19.5	-10.3
Malaysia		7.7	-6.7	(1.3)	-6.8	-9.0	-8.1	n.a.	
	Philippines	5.2	-0.5	(1.5)	-0.8	-0.7	-1.6	1.2	

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.

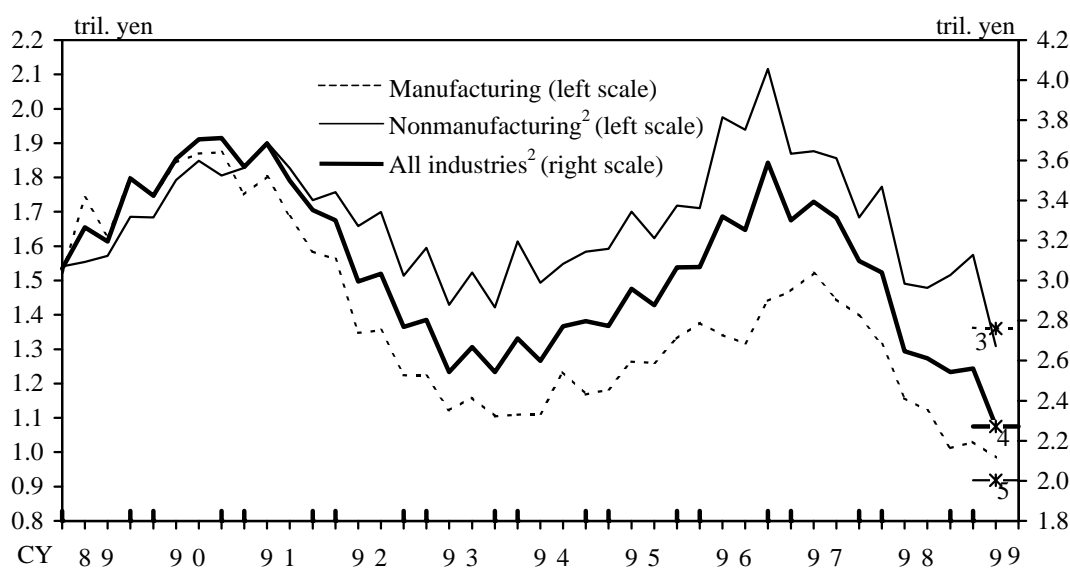
 Business Fixed Investments by Industry and Scale



Note: "Large Firms" refers to firms with stockholders' equity of 1 billion yen or more, and "Medium and small Firms" refers to firms with stockholders' equity of 10 million or more but less than 1 billion yen.

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

Major Indexes of Business Fixed Investment

(1) Machinery Orders¹

Notes: 1. Seasonally adjusted data.

Figures for 1999/Q2 are averages of April in terms of quarterly amount.

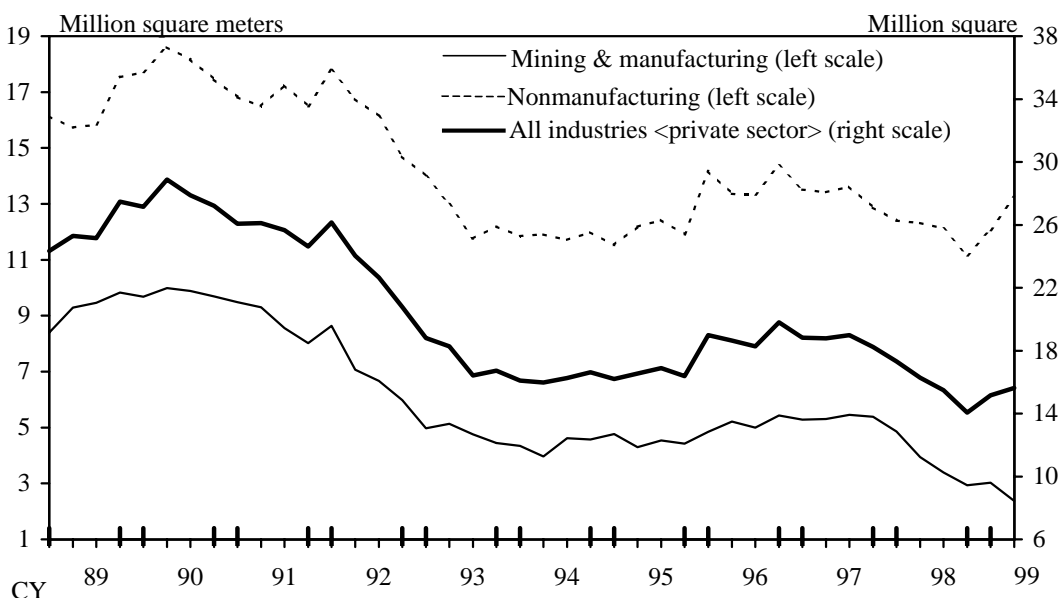
2. Excludes orders from electric power companies and shipbuilding orders.

3. Forecast of nonmanufacturing industries for 1999/Q2.

4. Forecast of all industries for 1999/Q2.

5. Forecast of manufacturing industries for 1999/Q2.

(2) Construction Starts (Nonresidential)



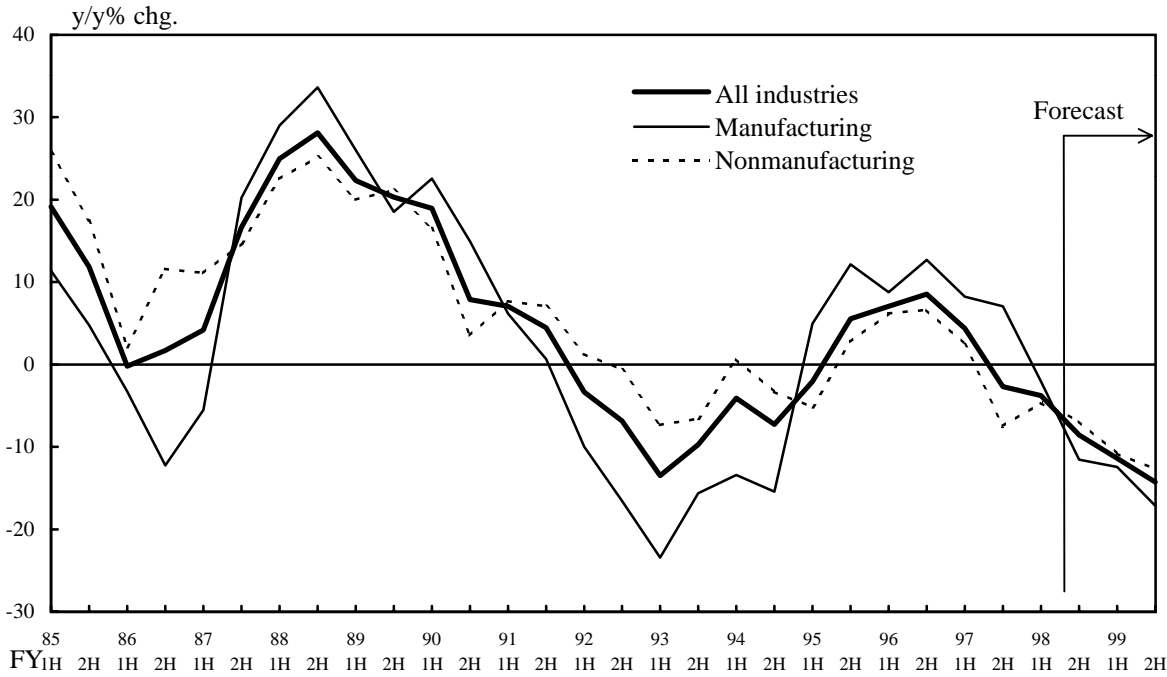
Notes: 1. Seasonally adjusted by X-11.

2. Figures for 1999/Q2 are averages of April in terms of quarterly amount.

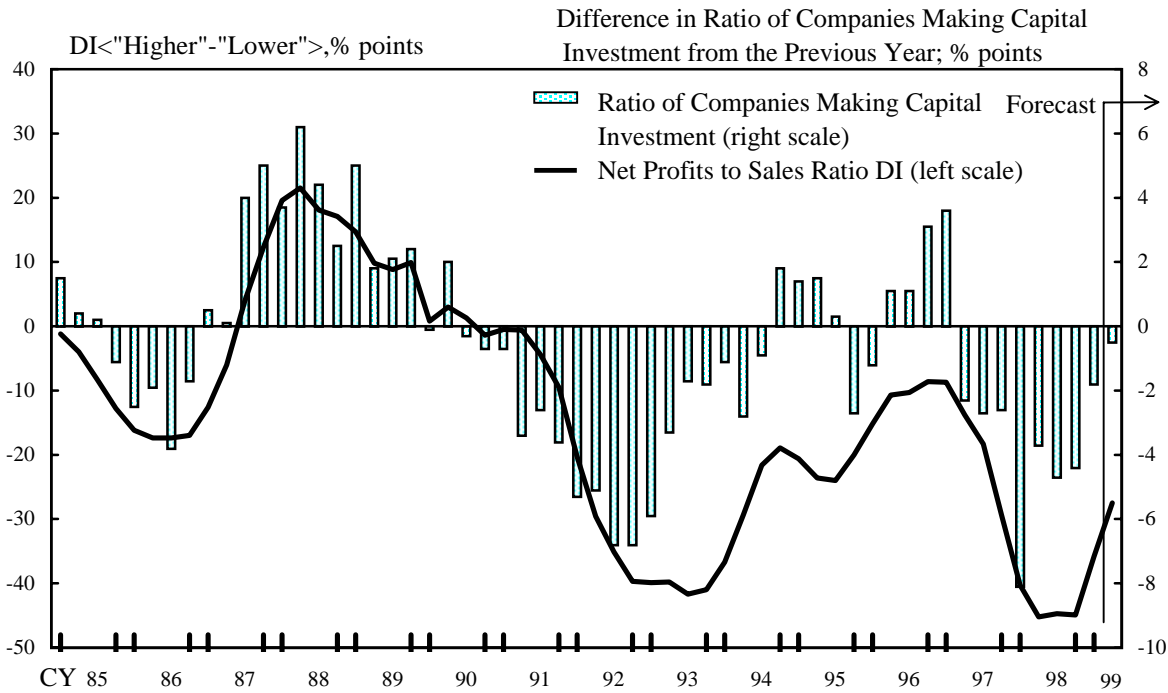
Sources: Economic Planning Agency, "Machinery Orders Statistics";
Ministry of Construction, "Statistics Building Construction Starts."

Capital Spending Plans

(1) Business and Investment Survey of Incorporated Enterprises¹



(2) Economic Survey of Small Businesses²

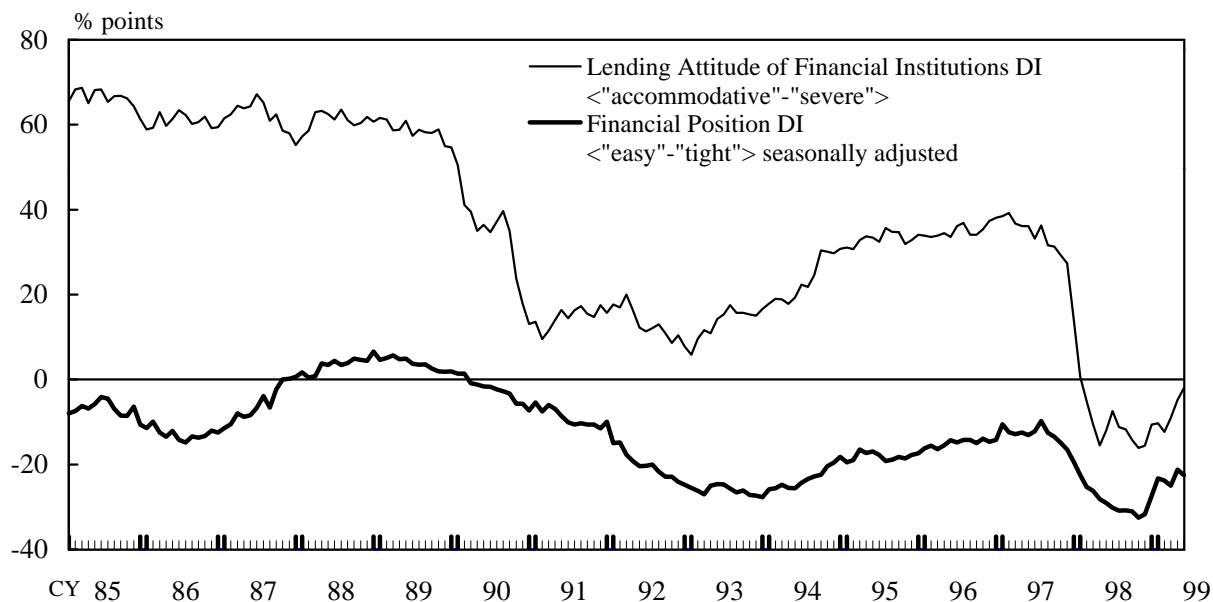
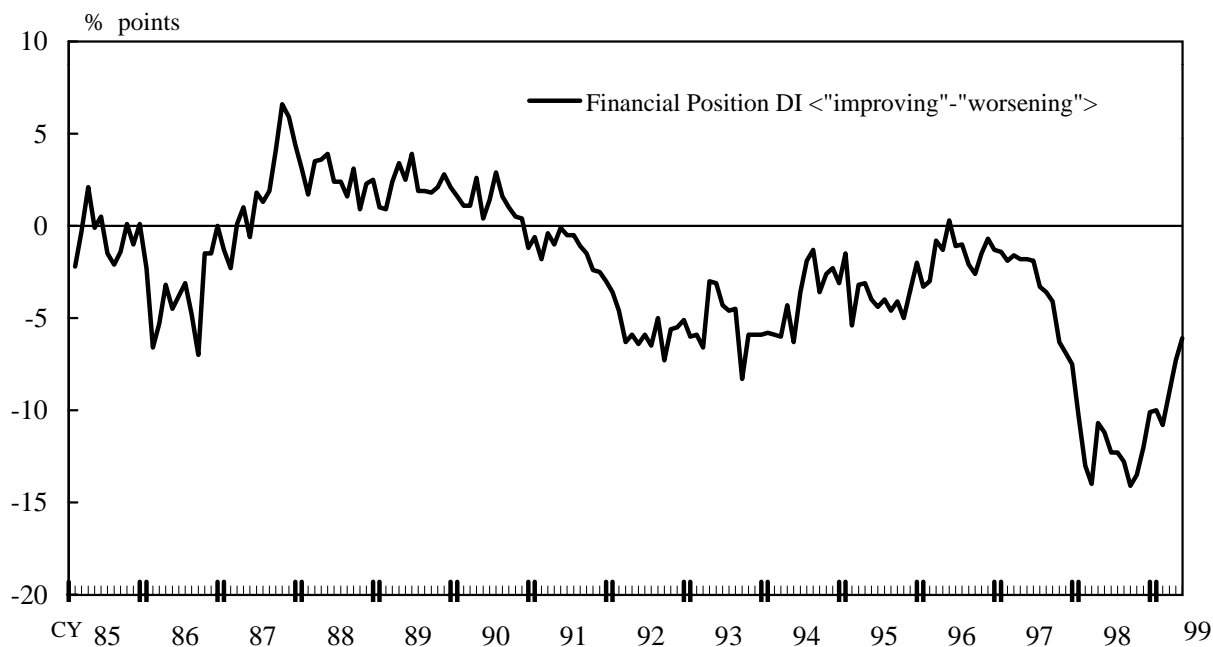


Notes: 1. Sample: 4,528 companies (responses: 4,260 <March 1999 survey>).

2. Sample: 12,078 companies (responses: 6,206 <March 1999 survey>).

Sources: Economic Planning Agency, "Business and Investment Survey of Incorporated Enterprises"; Japan Finance Corporation for Small Business, "Economic Survey of Small Businesses."

Corporate Finance-Related Indexes

(1) Monthly Survey on Trends of Small Businesses¹(2) Business Survey Index for Small and Medium-Sized Businesses²

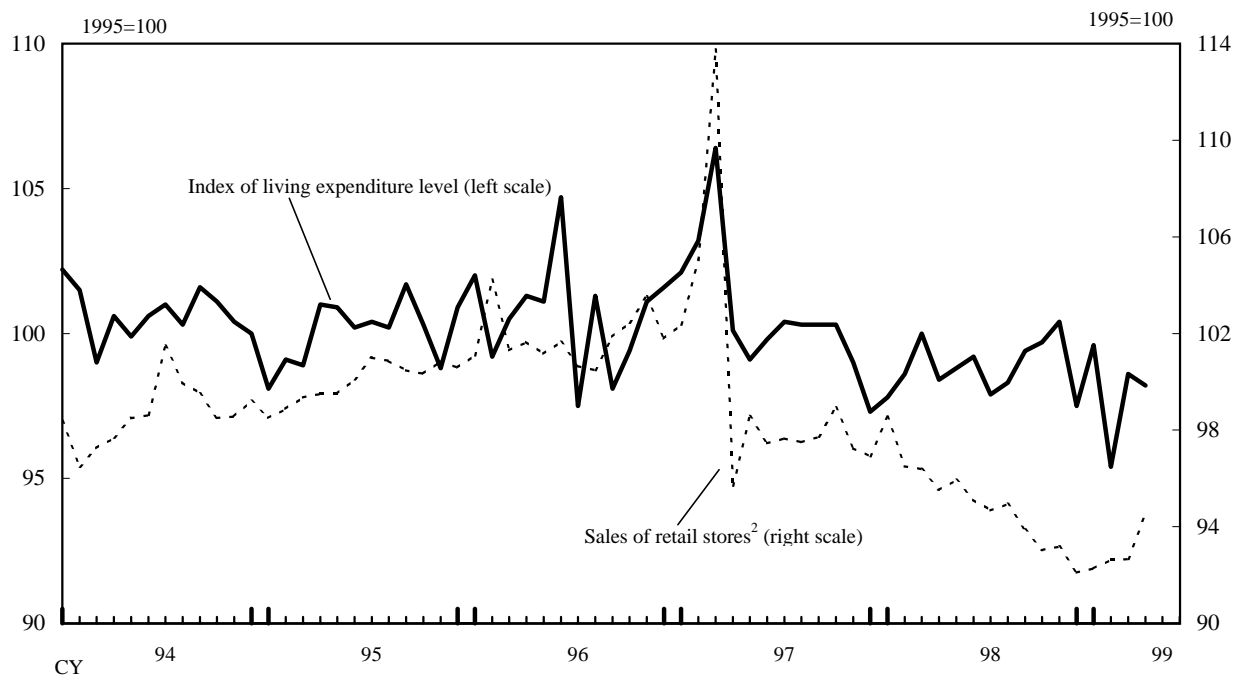
Notes: 1. Sample: 900 companies (valid responses: 657 <May 1999 survey>).

2. Sample: 800 companies (all responses <May 1999 survey>).

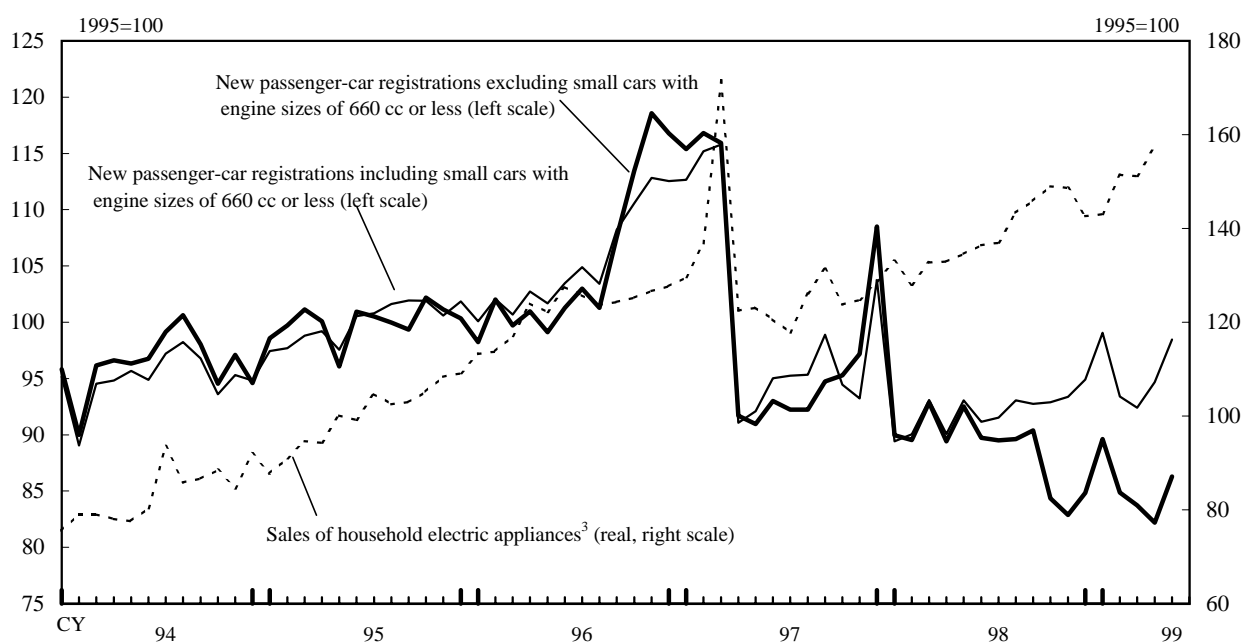
Sources: Japan Finance Corporation for Small Businesses, "Monthly Survey on Trends of Small Businesses";
The Shoko Chukin Bank, "Business Survey Index for Small and Medium-Sized Businesses."

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";

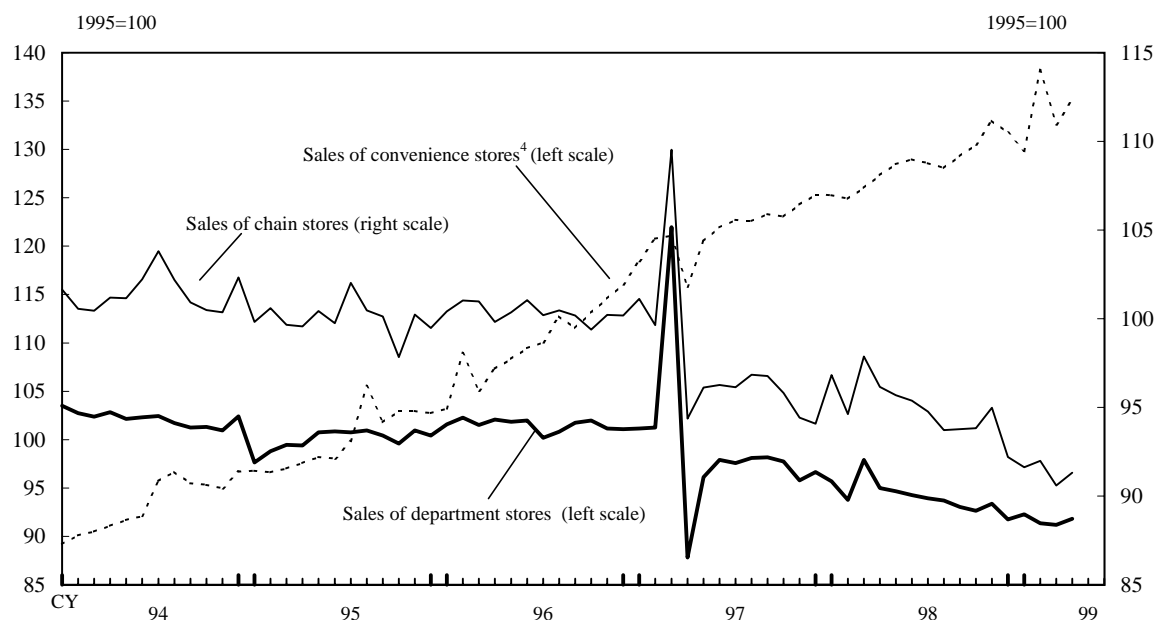
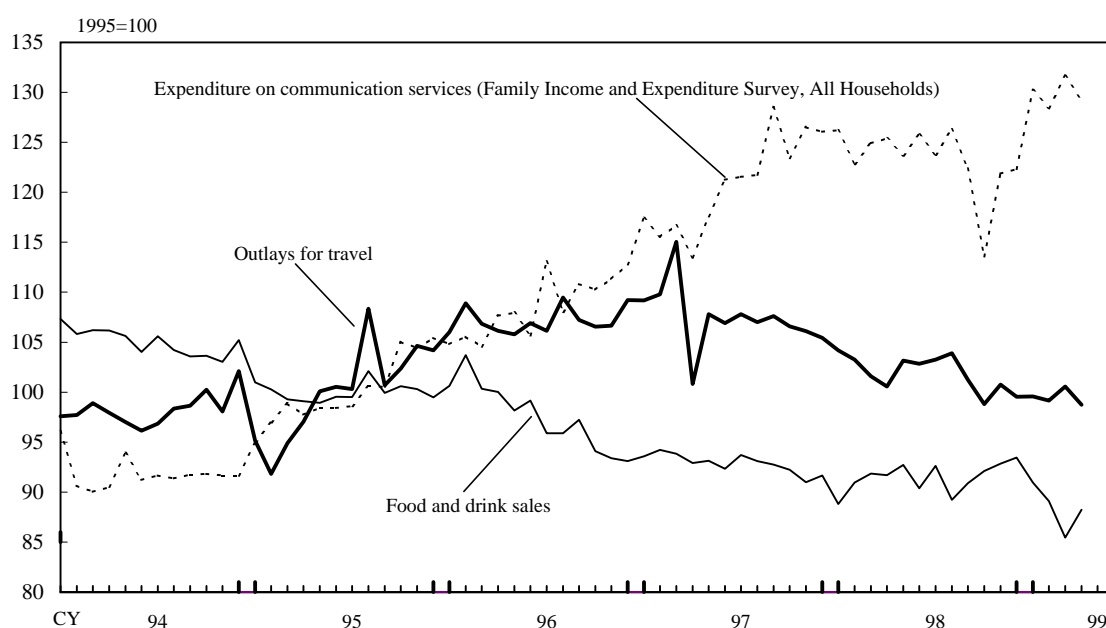
Japan Automobile Dealers association, "Domestic Sales of Automobiles";

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.

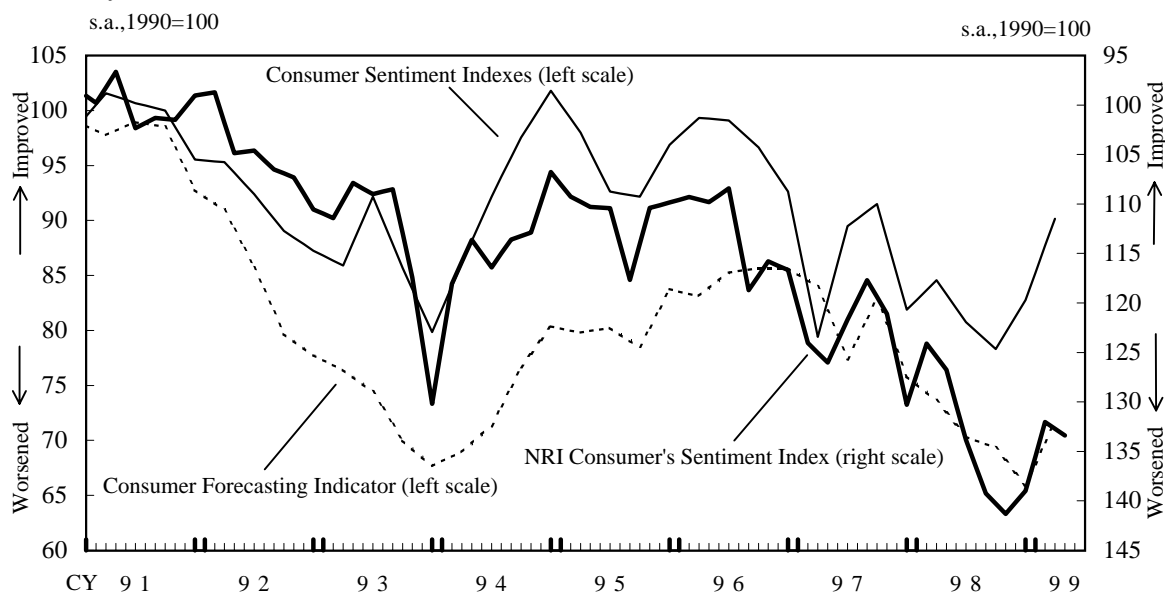
3. Outlays for travel and Food and drink sales are adjusted to exclude the effect of the rise of the consumption tax rate.

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."

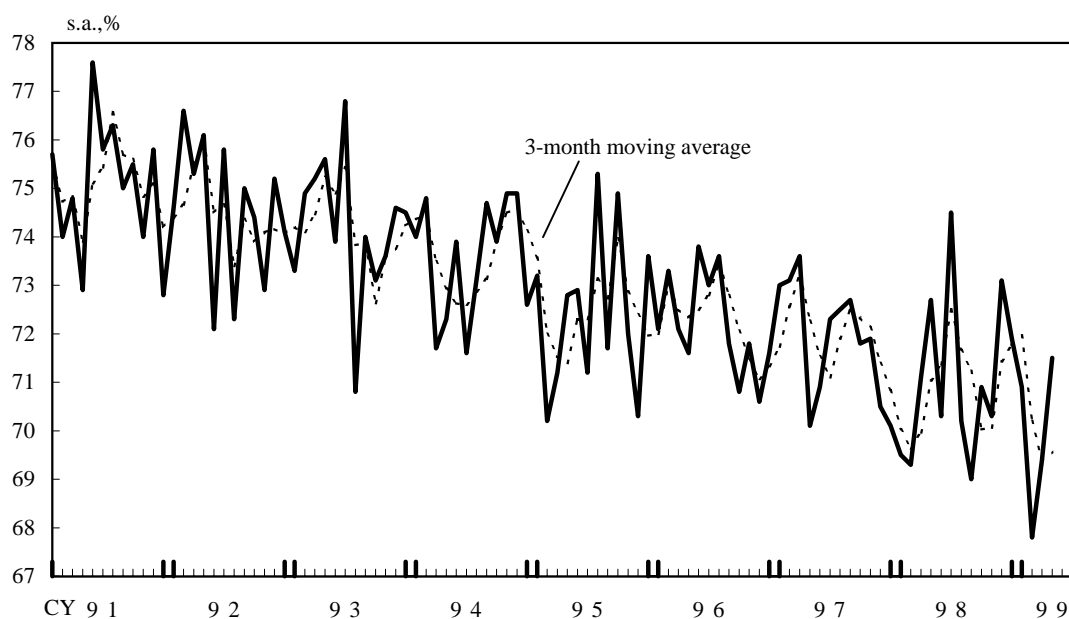
Consumer Confidence and Propensity to Consume

(1) Surveys on consumer confidence



- Notes: 1. Consumer Sentiment Indexes, Consumer 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, "Consumer Forecasting Indicator" by NIKKEI RIM, "NRI Consumer's Sentiment Index" by NRI.

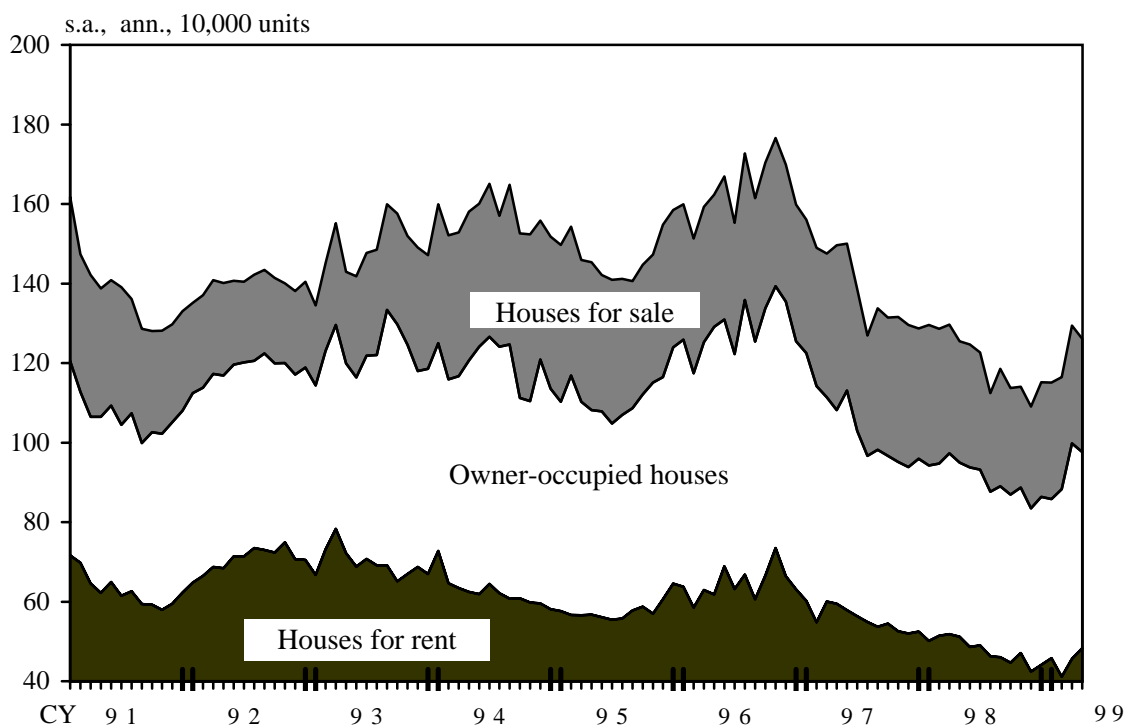
(2) Propensity to consume (Family Income and Expenditure Survey)



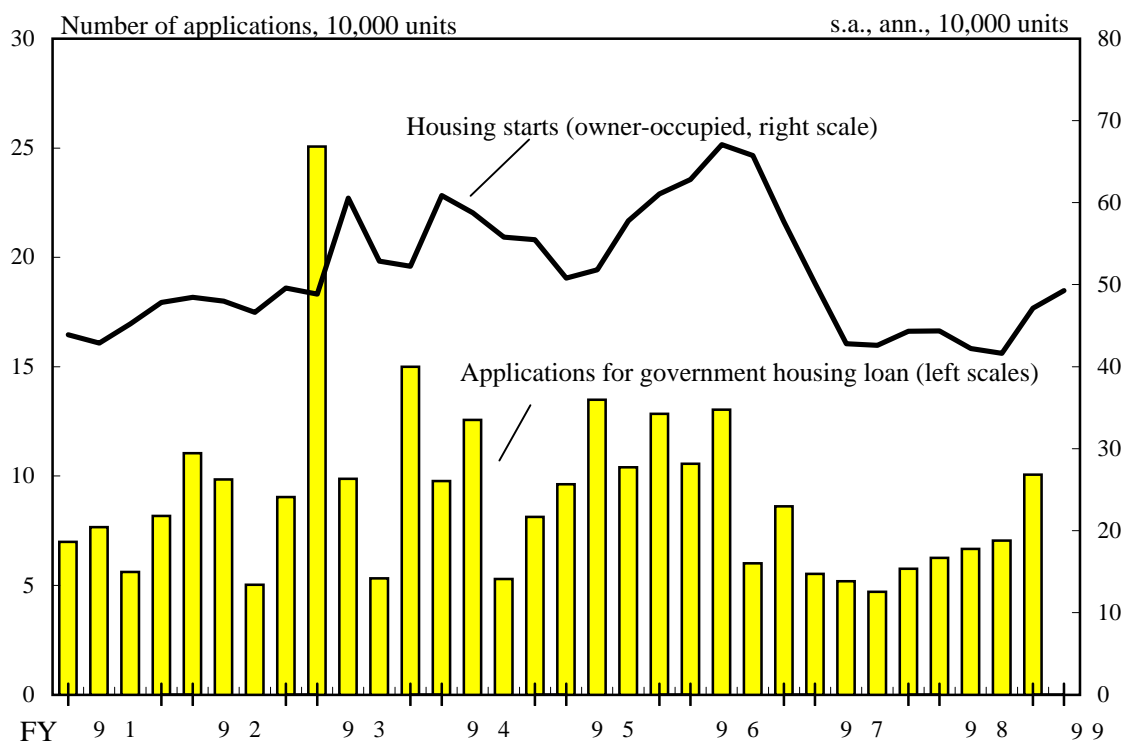
Sources: Economic Planning Agency, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (Nikkei RIM), "Consumption Forecasting Indicator";
 Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey";
 Nippon Research Institute (NRI), "Consumer's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

Major Indexes of Housing Investment

(1) Housing starts

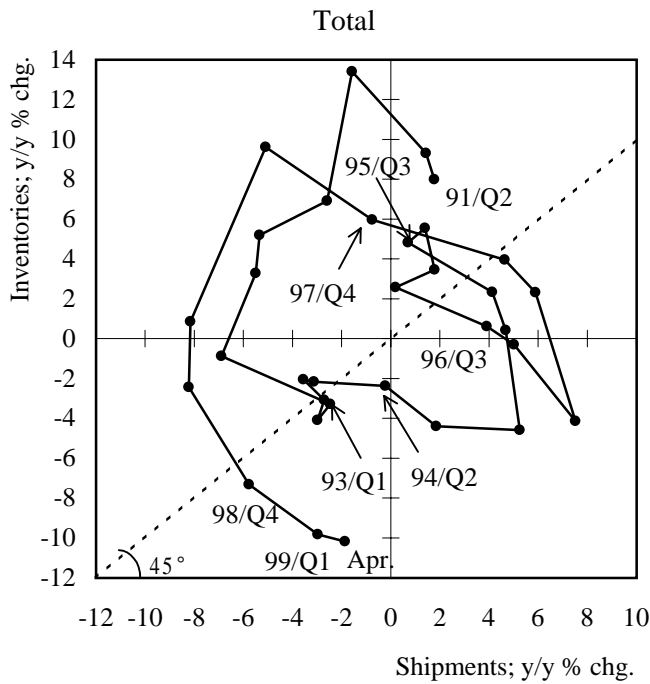


(2) Number of applications for government housing loan (for new owner-occupied homes)

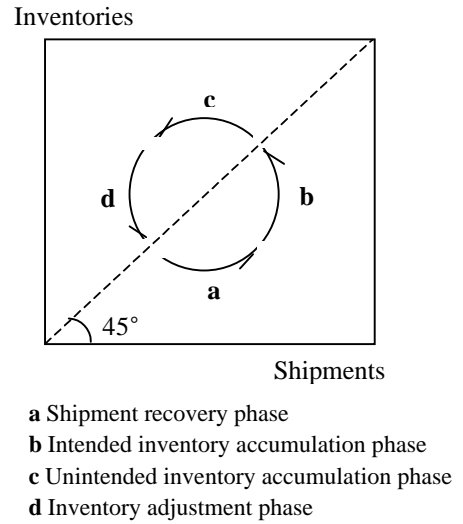


Note : The data for 99/1Q are April converted into an annual equivalent.
 Source: Ministry of Construction, "Monthly of Construction Statistics", etc.

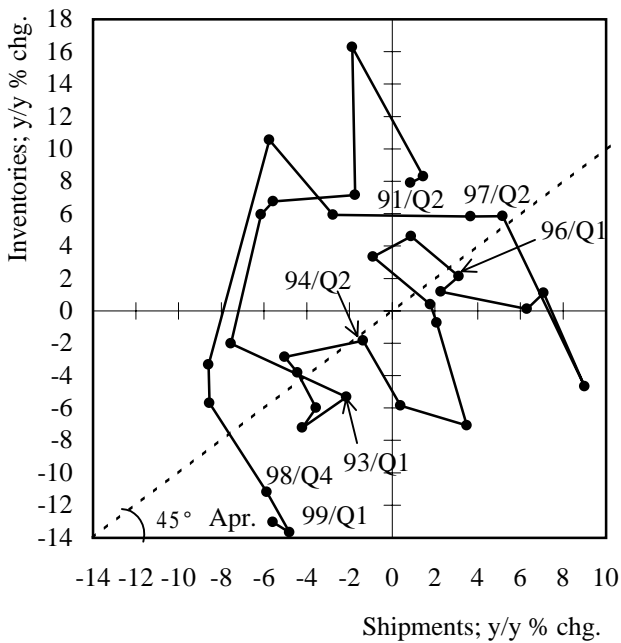
Inventory Cycle



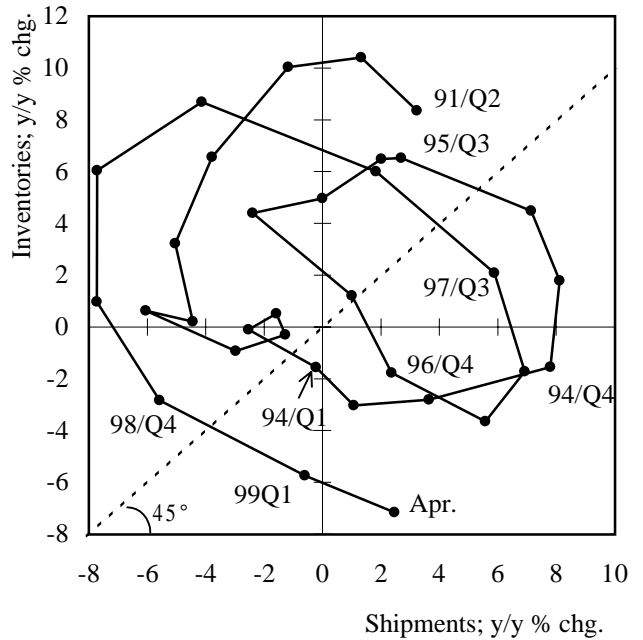
Phases in the Inventory Cycle



Final Demand Goods



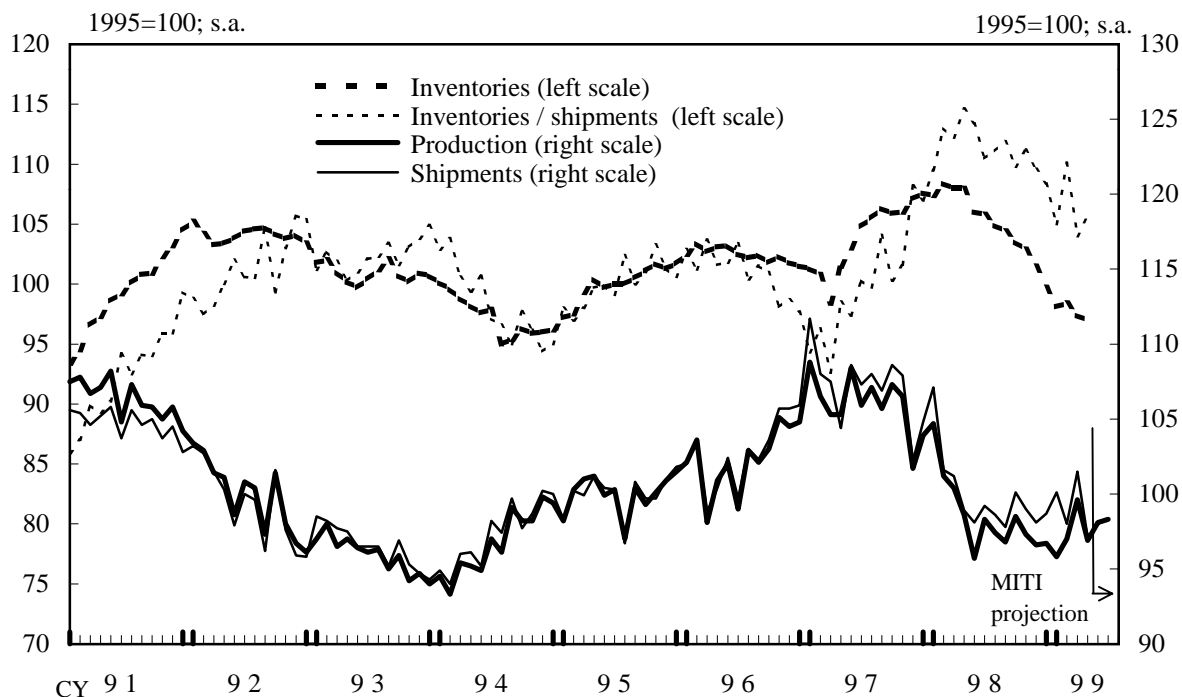
Production Goods



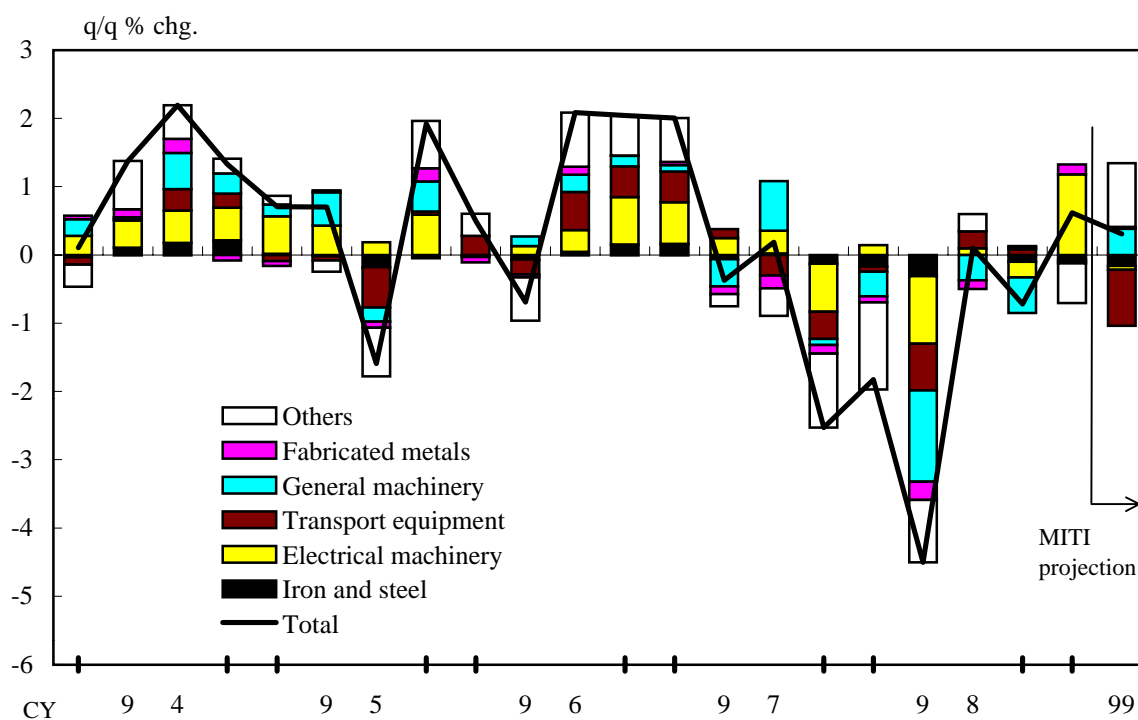
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

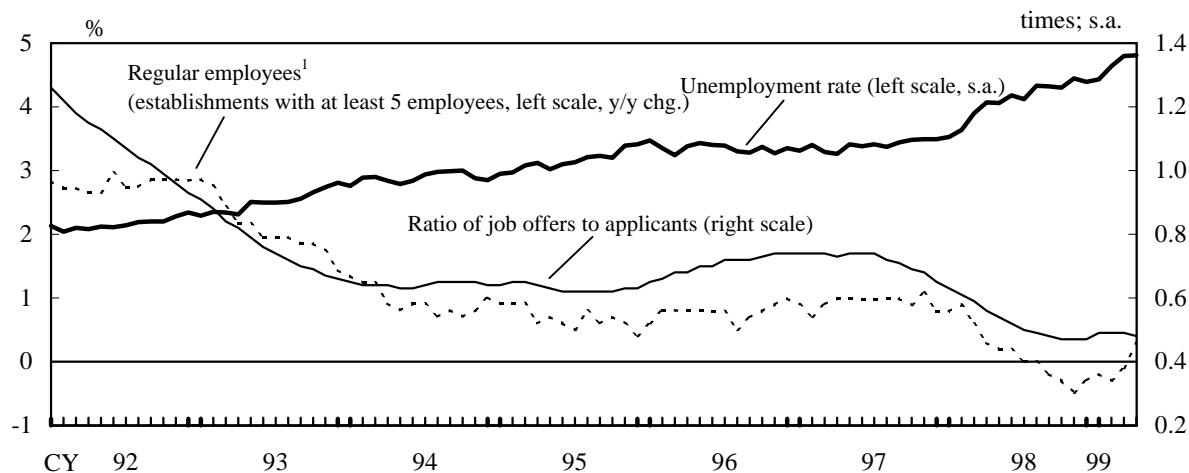


Note: Transport equipment excludes ships and rolling stock.

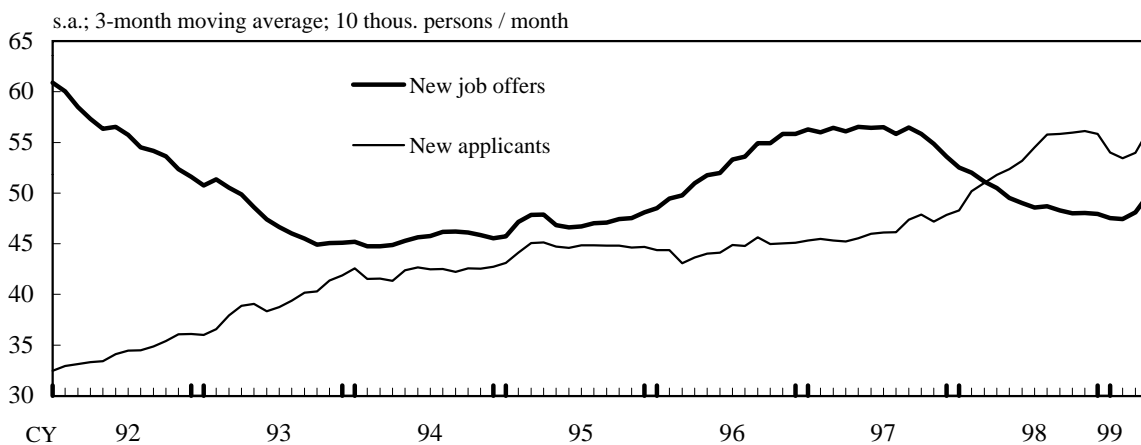
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Labor

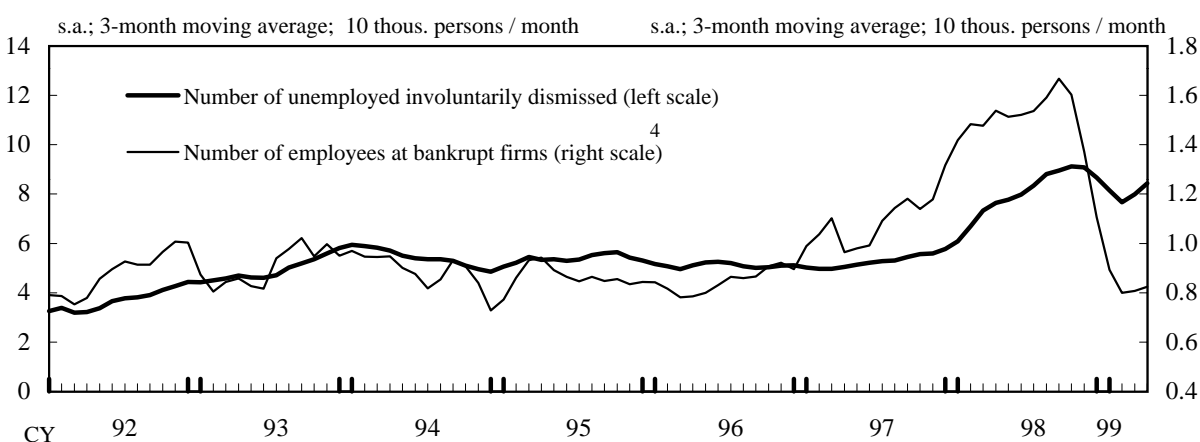
(1) Monthly



(2) New Job Offers and New Applicants²



(3) Number of Unemployed Involuntarily Dismissed and Employees at Bankrupt Firms³



Notes: 1. The data of regular employees for April 99 are preliminary figures.

2. Excludes jobs offered to new graduates.

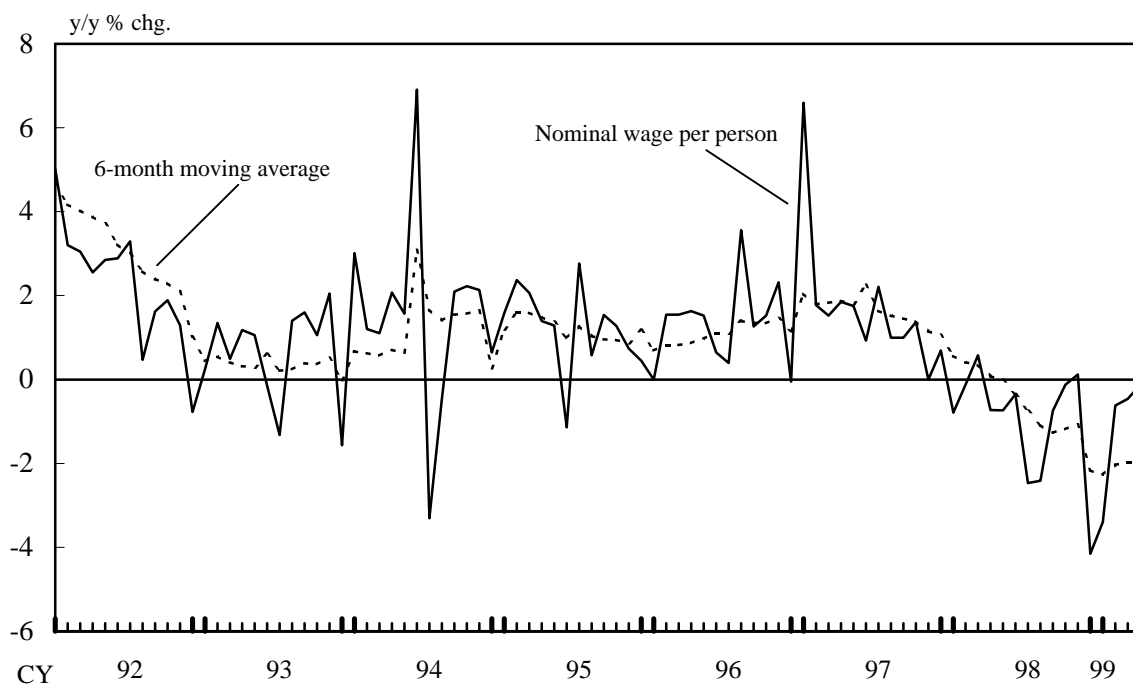
3. Seasonally adjusted by X-11.

4. The data are based on a survey conducted by *Teikoku Databank Ltd.* . Bankruptcies with liabilities of ten million yen or more.

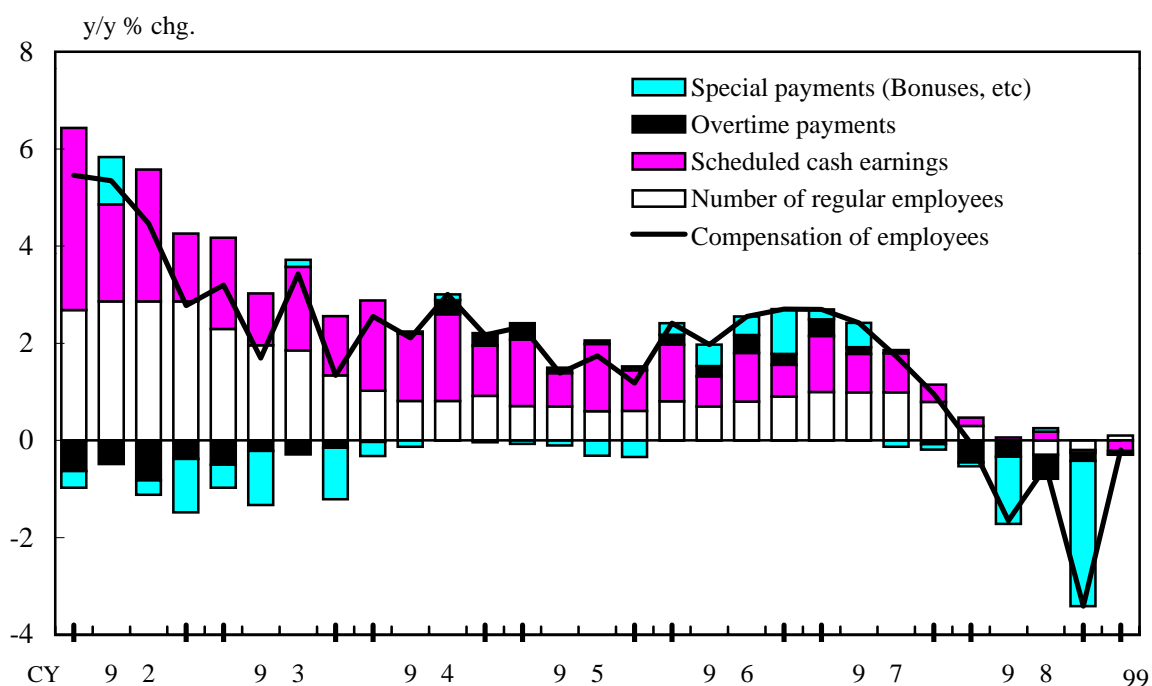
Sources: Ministry of Labor, "Monthly Labor Survey", "Report on Employment Service", "Report on Employment Insurance Service"; Management and Coordination Agency, "Labor Force Survey"; Teikoku Databank Ltd., "Japan's Business Failure."

Compensation of Employees ¹

(1) Nominal Wage per Person



(2) Breakdown of Compensation ^{2,3}



Notes: 1. Data for establishments with at least 5 employees. The data for April 99 are preliminary figures.

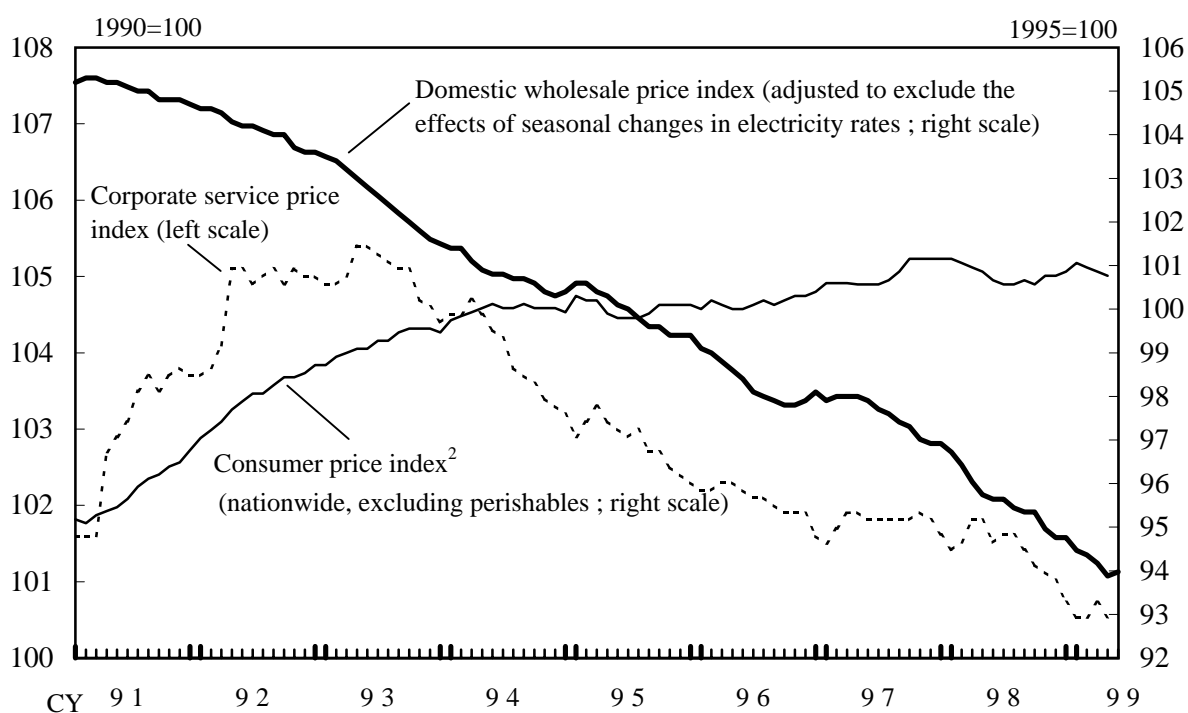
2. Q1= Mar-May, Q2= Jun-Aug, Q3=Sep-Nov, Q4= Dec-Feb.

3. The data of 99/Q1 are those of the March-April average.

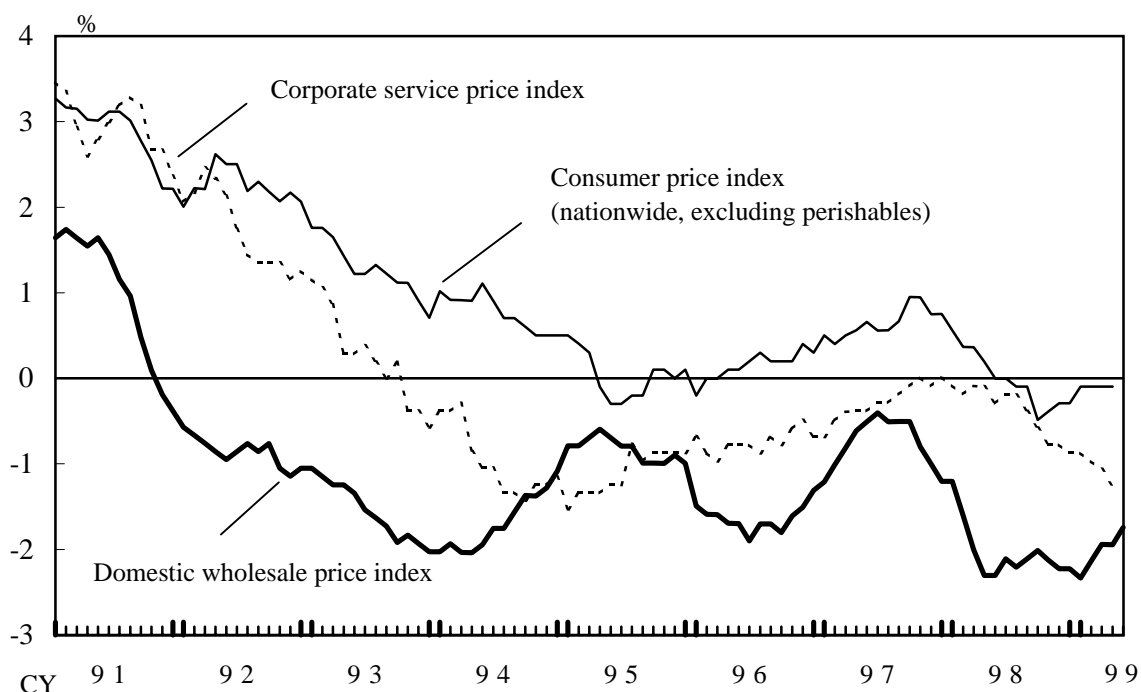
Source: Ministry of Labor, "Monthly Labor Survey."

Prices¹

(1) Level



(2) Changes from a year earlier



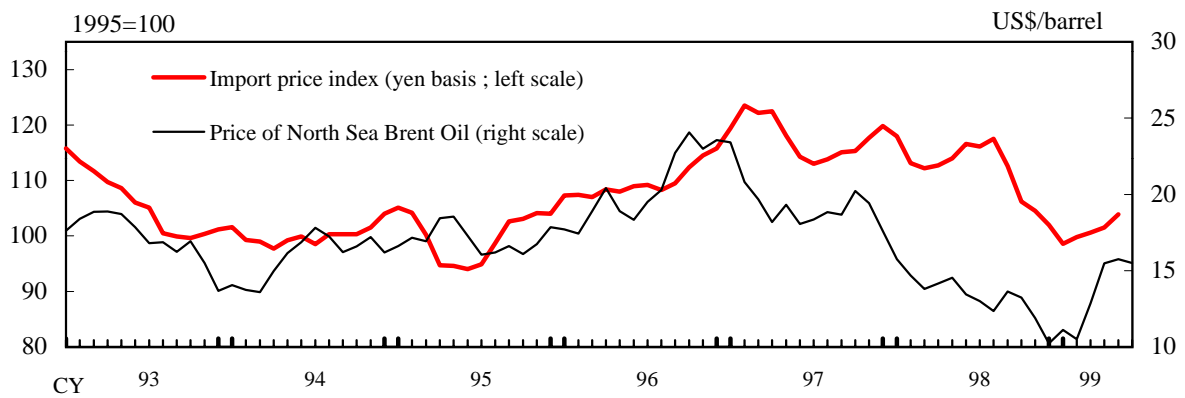
Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.

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.

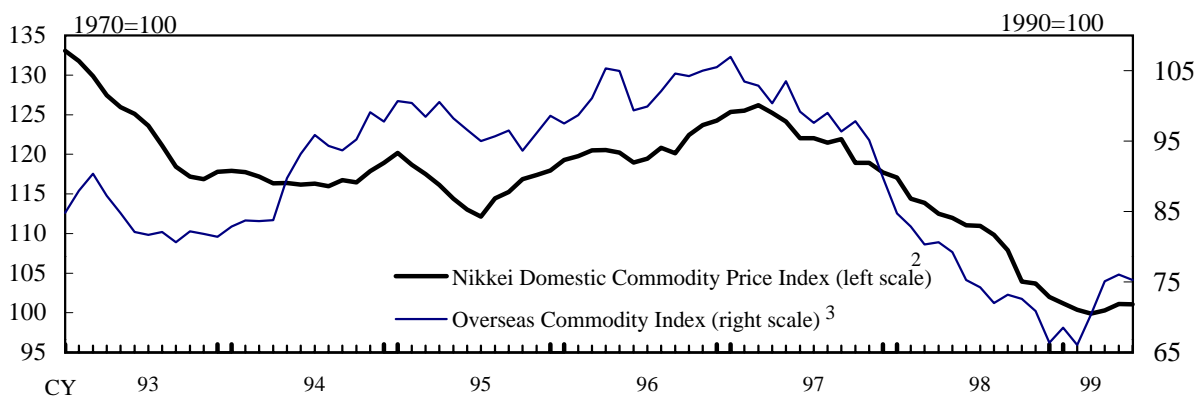
Sources: Management and Coordination Agency, "Consumer Price Index";
Bank of Japan, "Wholesale Price Indexes", "Corporate Service Price Index."

Import Prices and Domestic Wholesale Prices

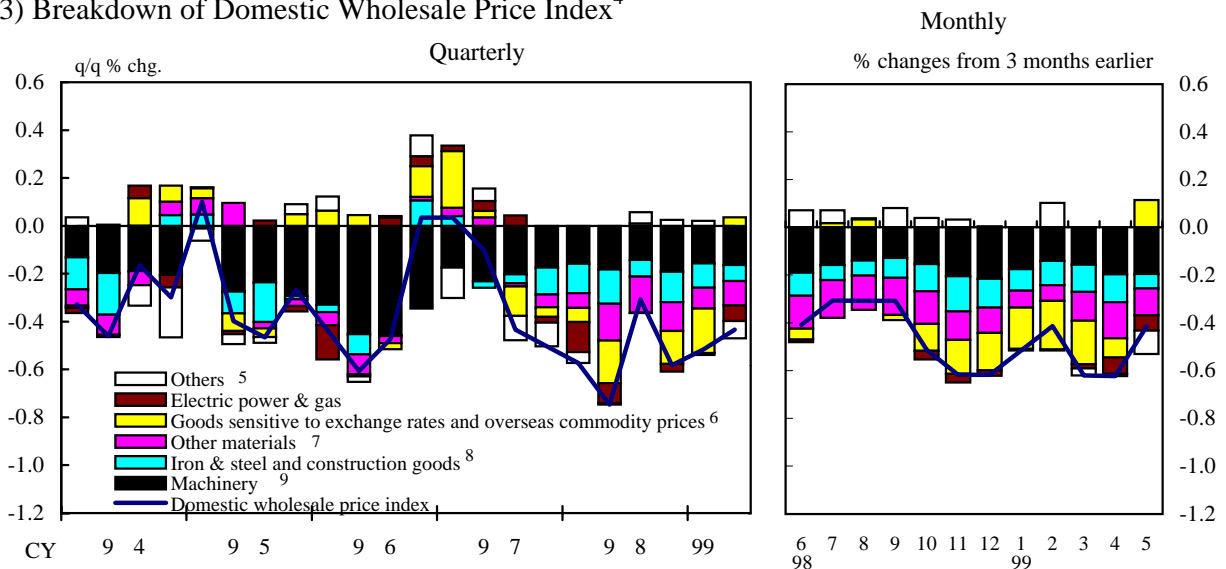
(1) Import Price Index (yen basis) and Crude Oil Price¹



(2) Domestic Commodity Market



(3) Breakdown of Domestic Wholesale Price Index⁴

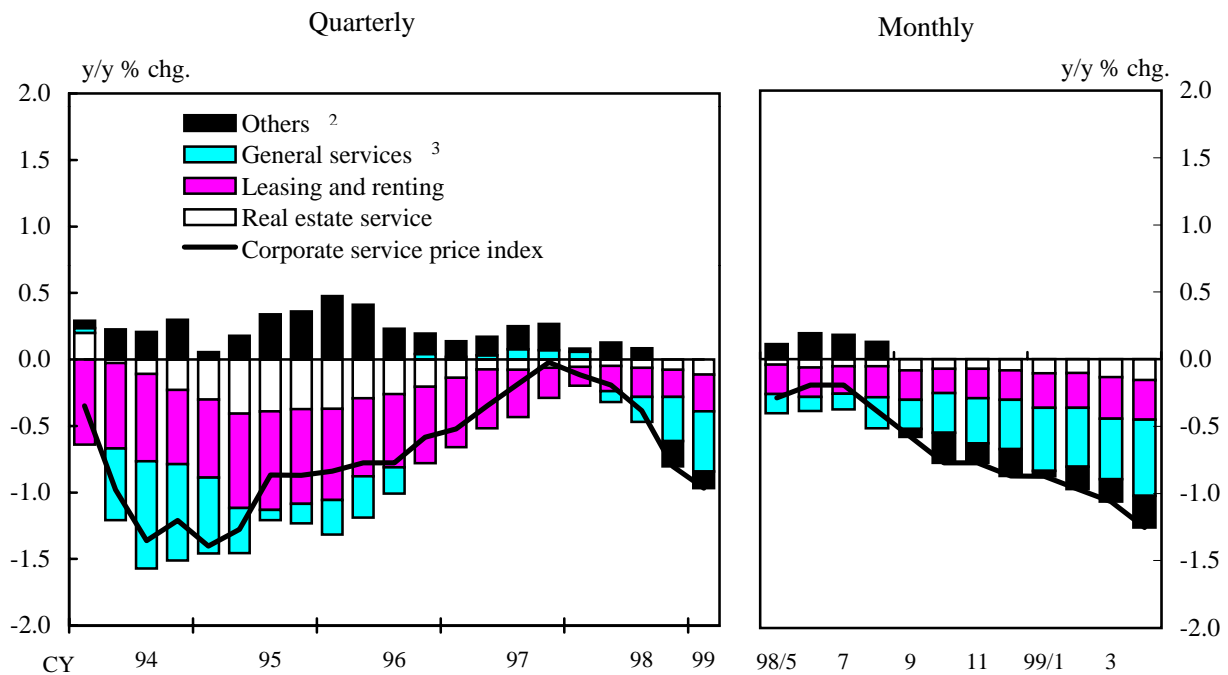


- Notes: 1. Data for June 1999 are June 1-10 average.
 2. Data for June 1999 are as of June 11.
 3. Calculated by the Research and Statistics Department, Bank of Japan. Data for June 1999 are June 1-10 average.
 4. Adjusted to exclude the effects of seasonal changes in electricity rates, and of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of tax rate. Data for 99/Q2 are those of the Apr.-May average.
 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 & wood products + scrap & waste.
 9. Machinery = electrical machinery + general machinery + transportation equipment + precision instruments.

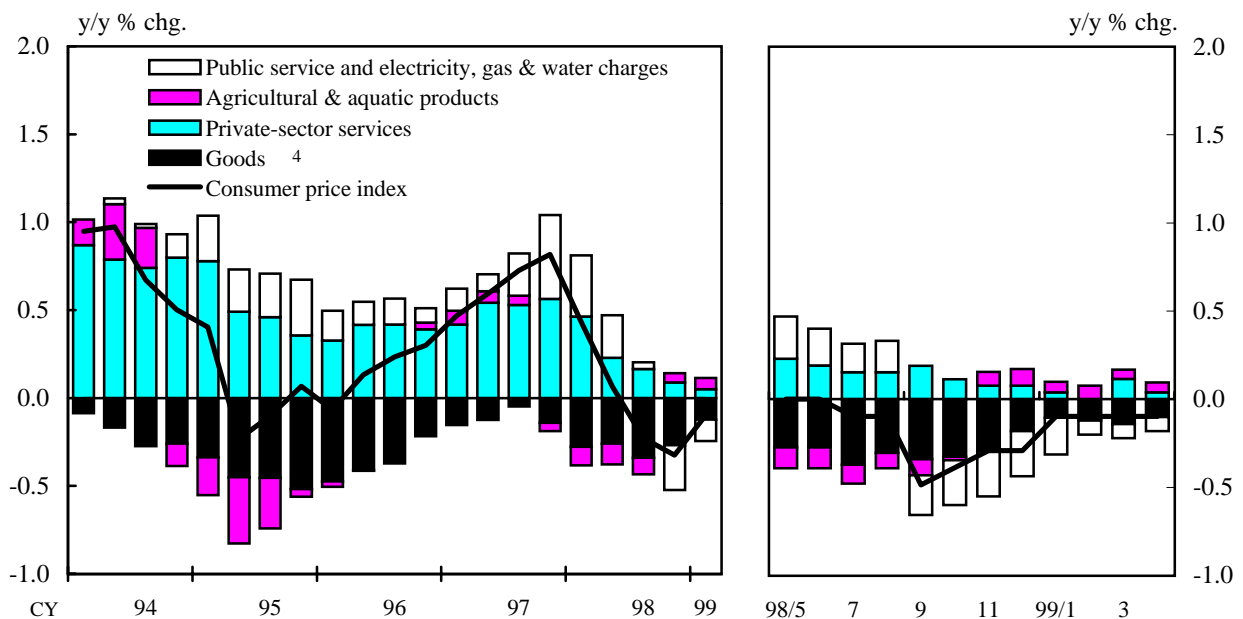
Sources: Bank of Japan, "Wholesale Price Indexes", "Financial and Economic Statistics Monthly", "Nippon Ginko Chousa Geppo (Bank of Japan Monthly Bulletin)"; Nihon Keizai Shimbun Inc., "Nikkei Domestic Commodity Price Index."

Corporate Service Prices and Consumer Prices¹

(1) Breakdown of Corporate Service Price Index



(2) Breakdown of Consumer Price Index (excluding perishables)

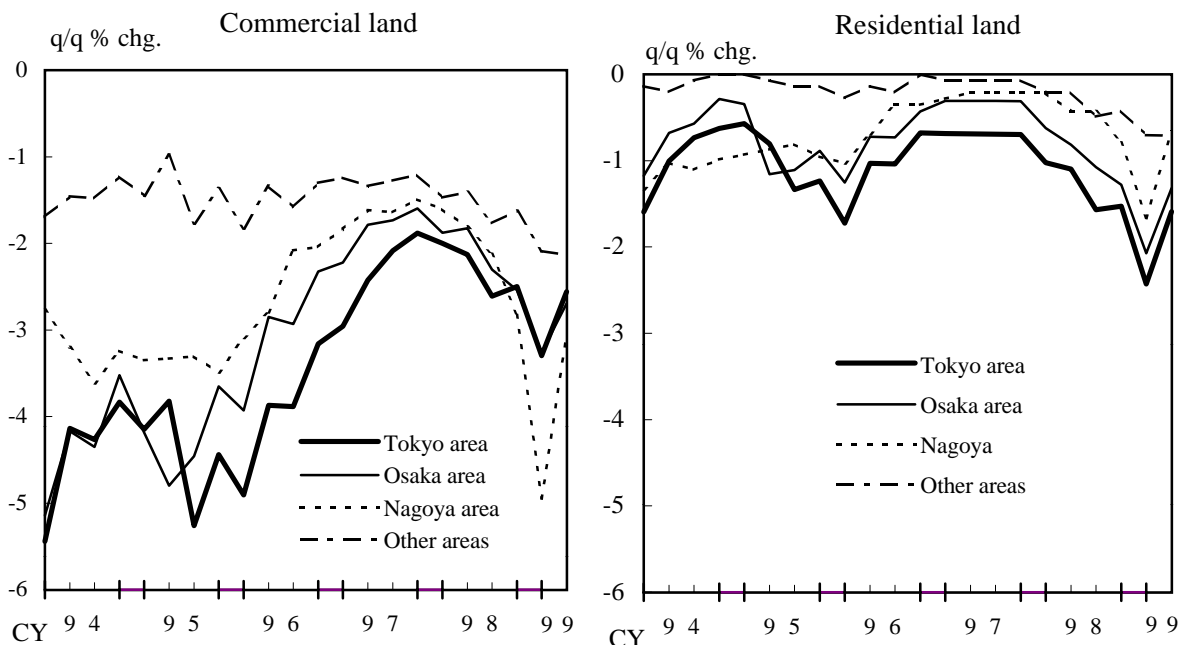


- Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of tax rate.
2. Others = automobile insurance (compulsory) + railroad fares + bus fares + taxi fares + domestic air fares + tolls + postal services + 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.

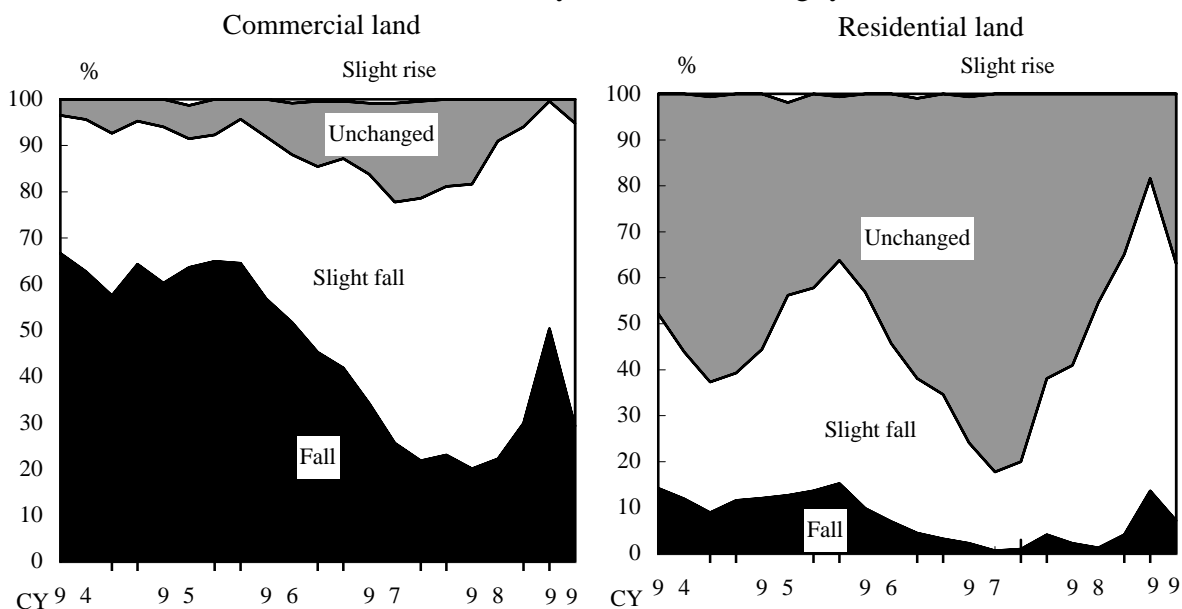
Sources: Management and Coordination Agency, "Consumer Price Index";
Bank of Japan, "Corporate Service Price Index."

Quarterly Land Price Index

(1) Quarterly Land Price Index



(2) Short-term Land Price Research (Tokyo, Osaka and Nagoya areas)



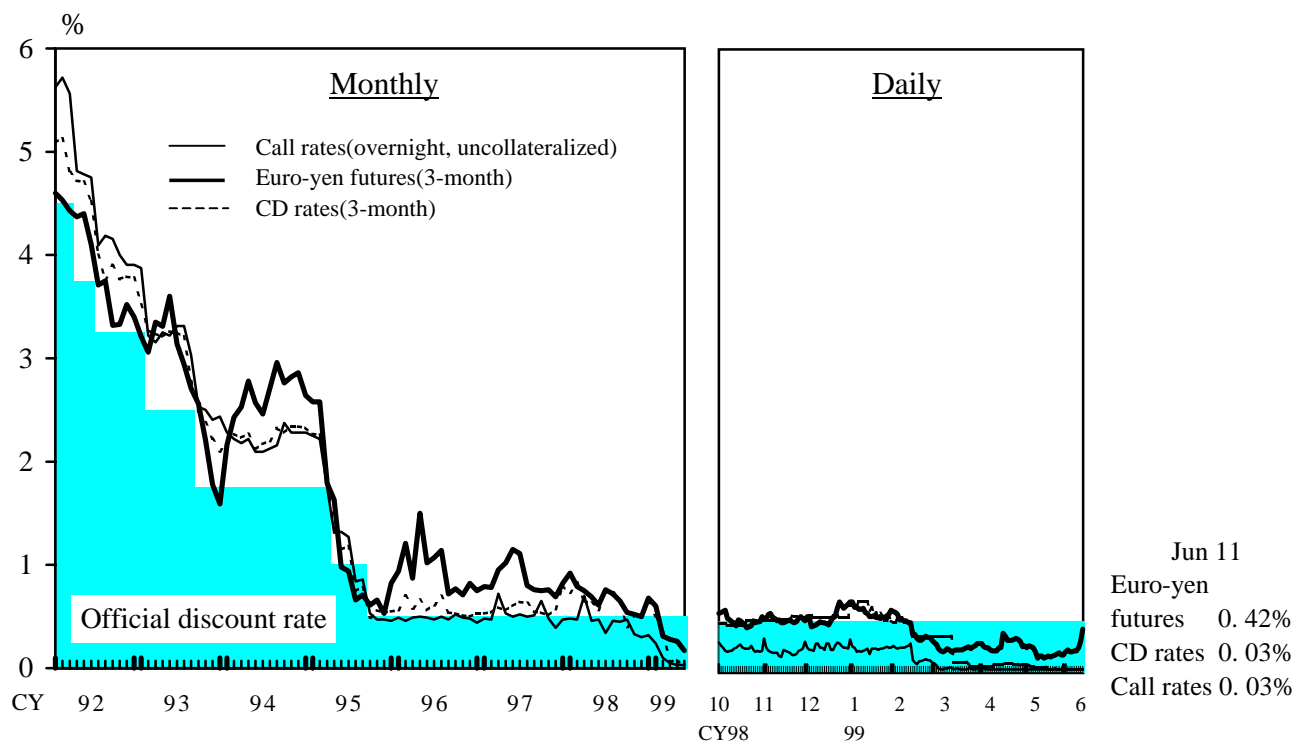
Notes: 1. The figures after April 1998 are preliminary figures.

2. "Slight rise" means changes between +1% and +3% compared with the previous quarter, "Unchanged" means changes between -1% and +1% compared with the previous quarter, "Slight fall" means changes between -3% and -1% compared with the previous quarter, and "Fall" means changes a decline of more than 3% compared with the previous quarter.

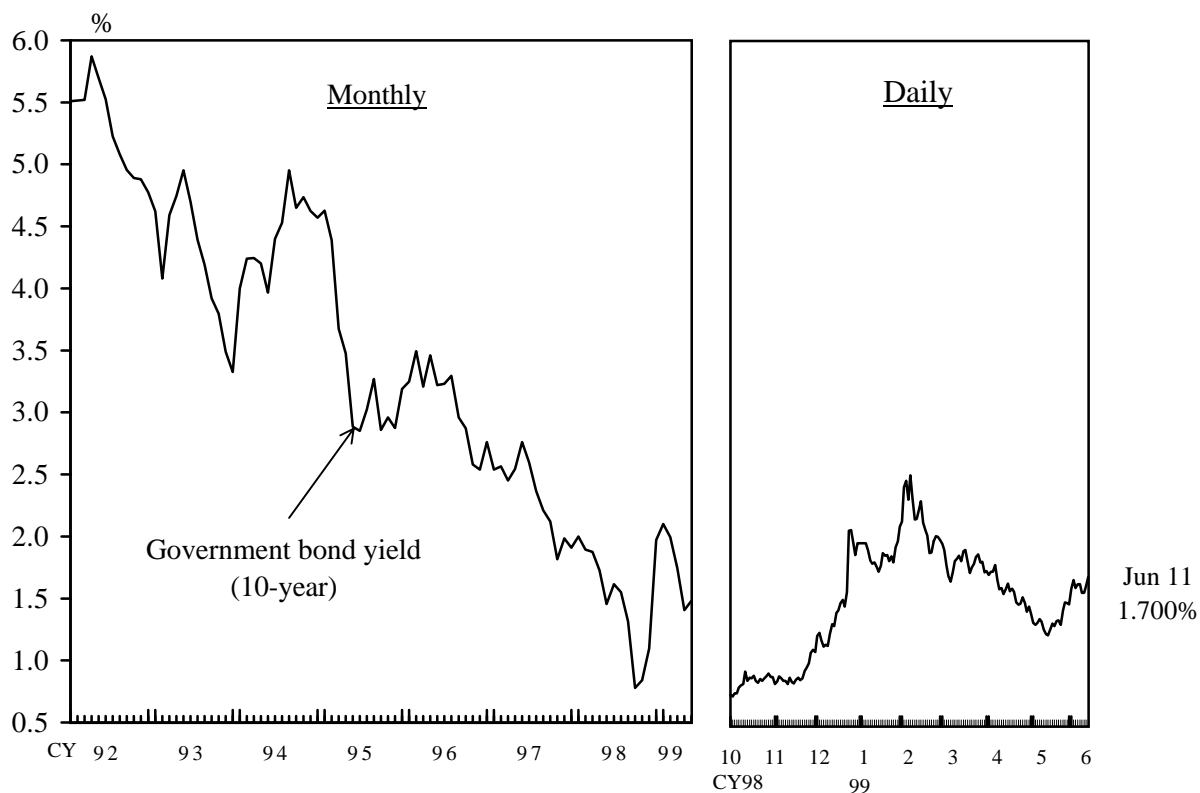
Sources: The National Land Agency, "Short-term Land Price Research";
The Land Institute of Japan, "Quarterly Land Price Index."

Interest Rates

(1) Short-Term



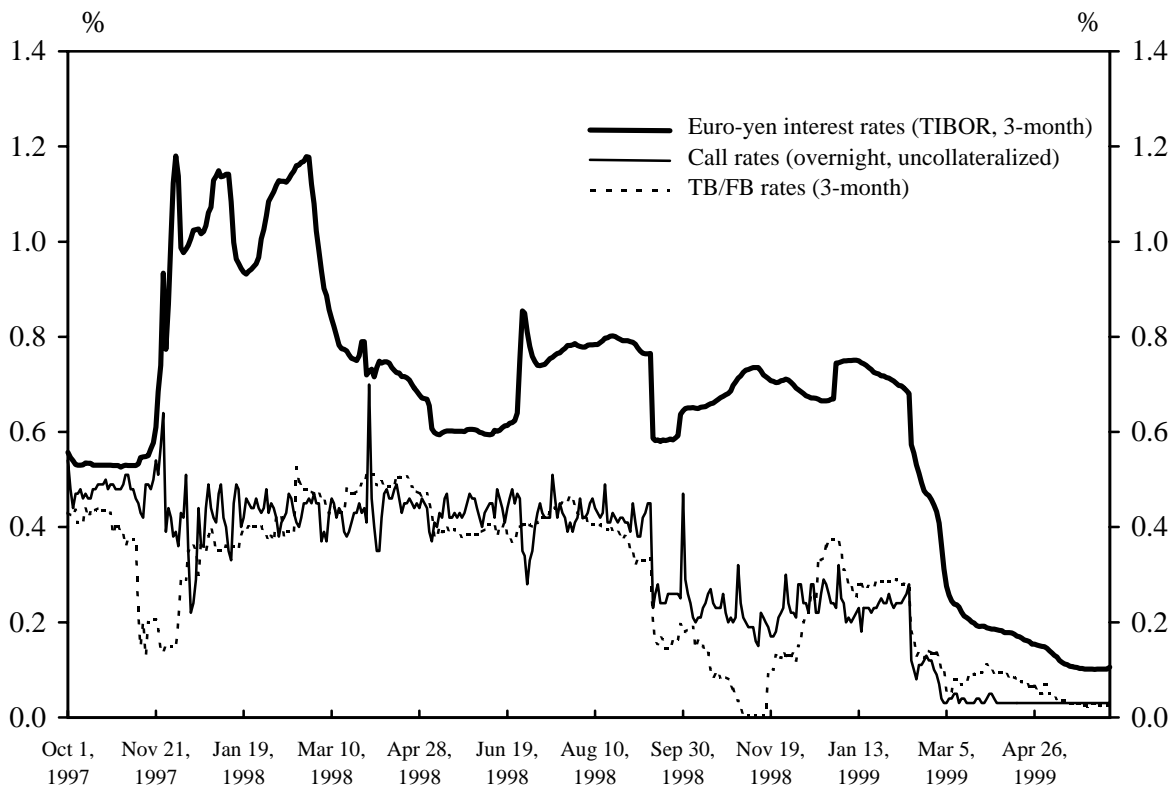
(2) Long-Term



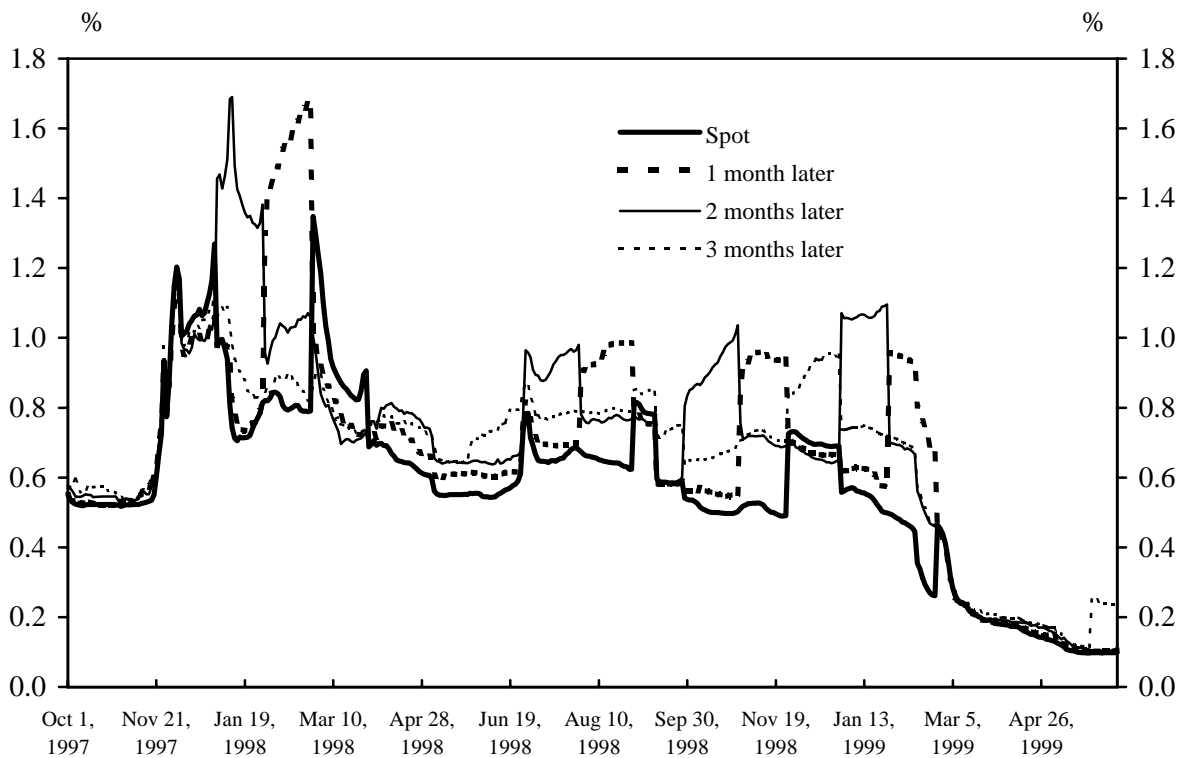
Sources: Bank of Japan, Tokyo International Financial Futures Exchange, Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

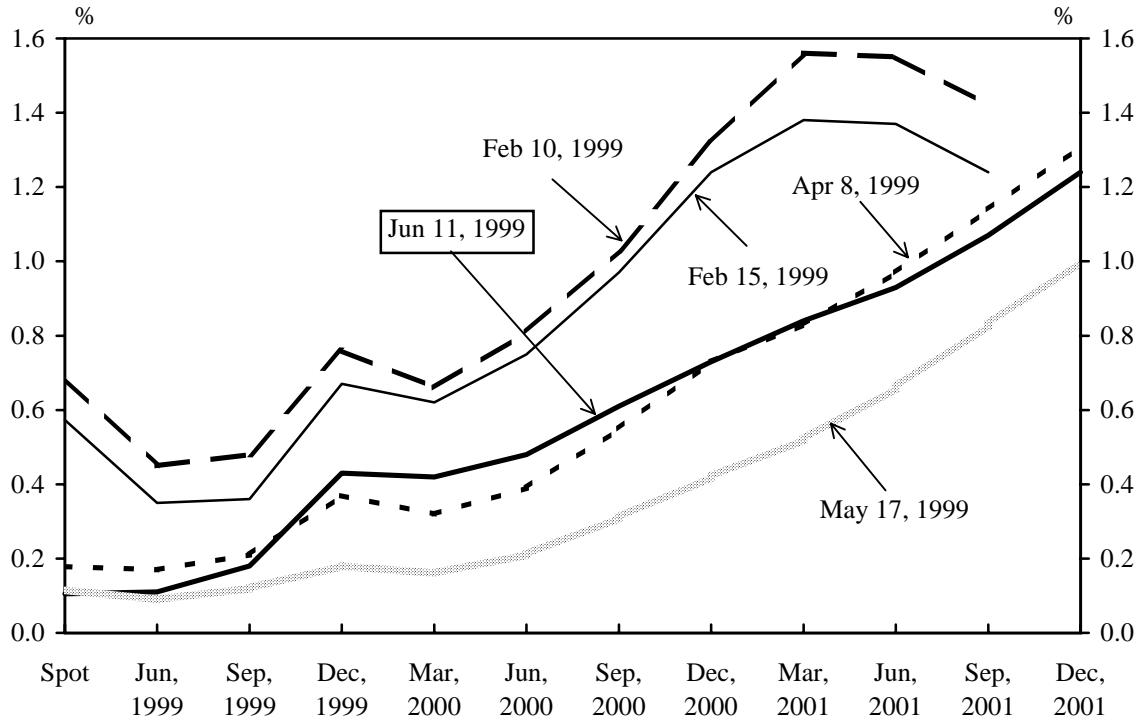


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-yen Interest Rates)



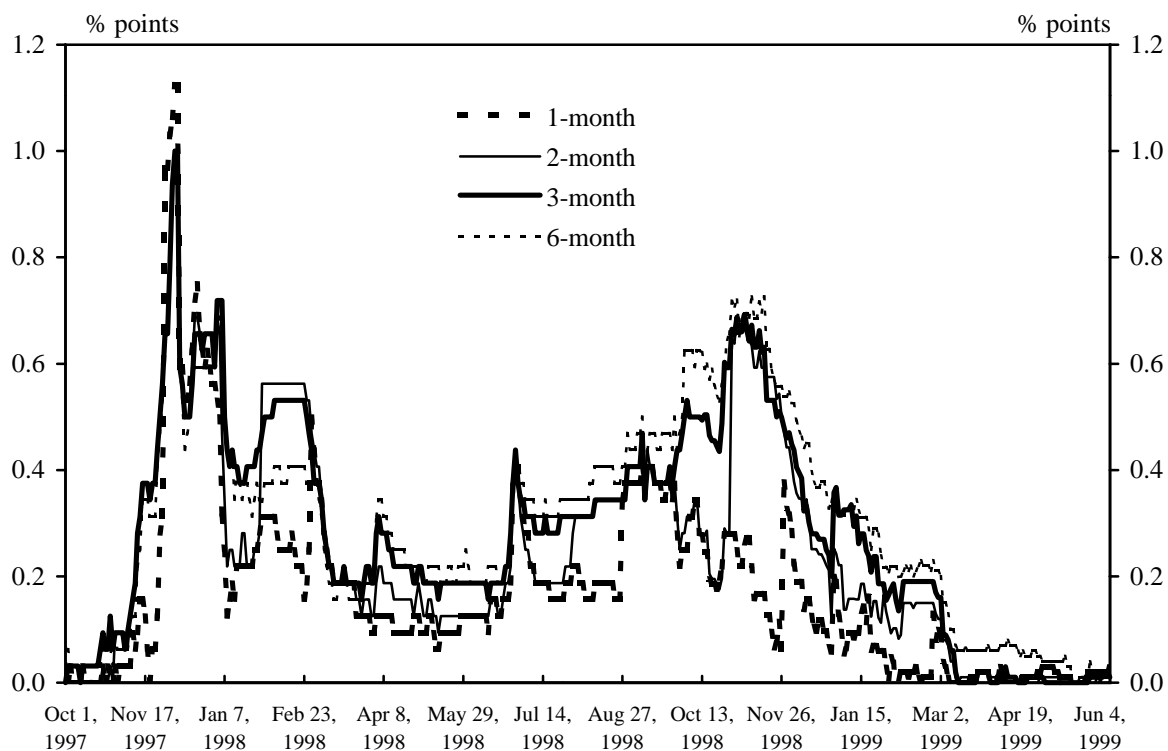
Sources: Bank of Japan, Japanese Bankers Association, Japan Bond Trading Co., Ltd.

Euro-Yen Interest Rates Futures (3-Month)



Source: Tokyo International Financial Futures Exchange.

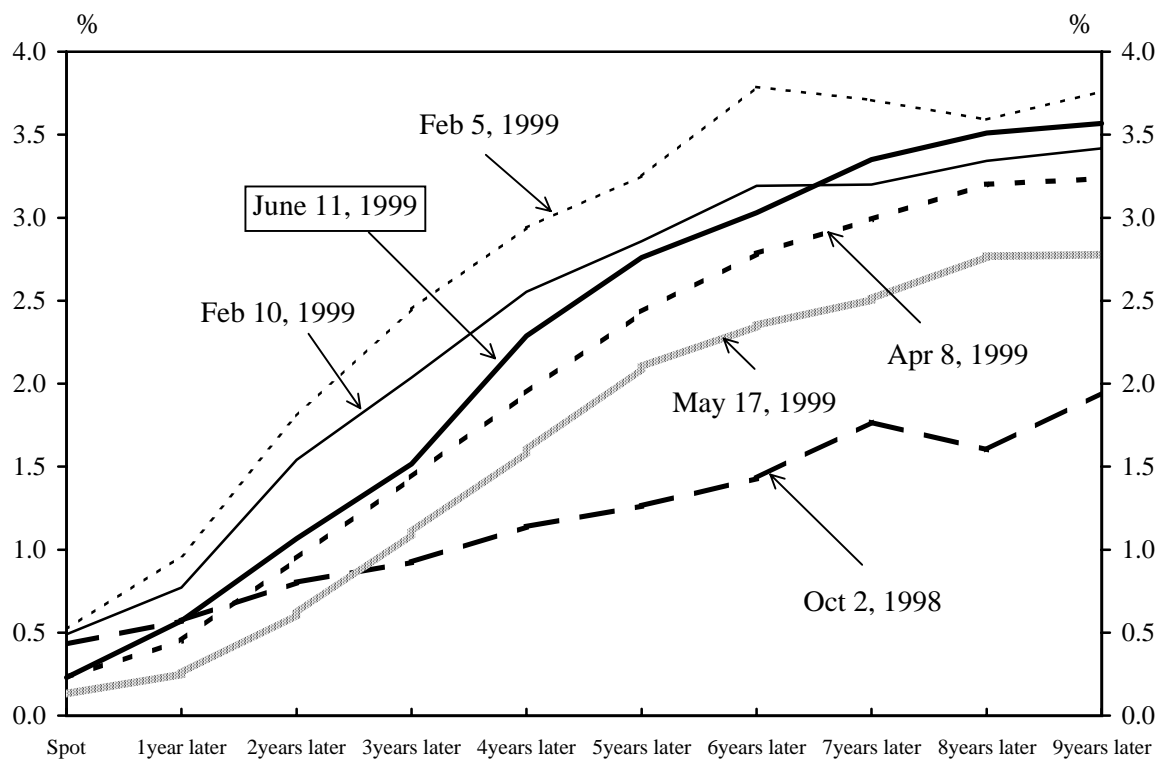
Japan Premium in the Eurodollar Market



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)

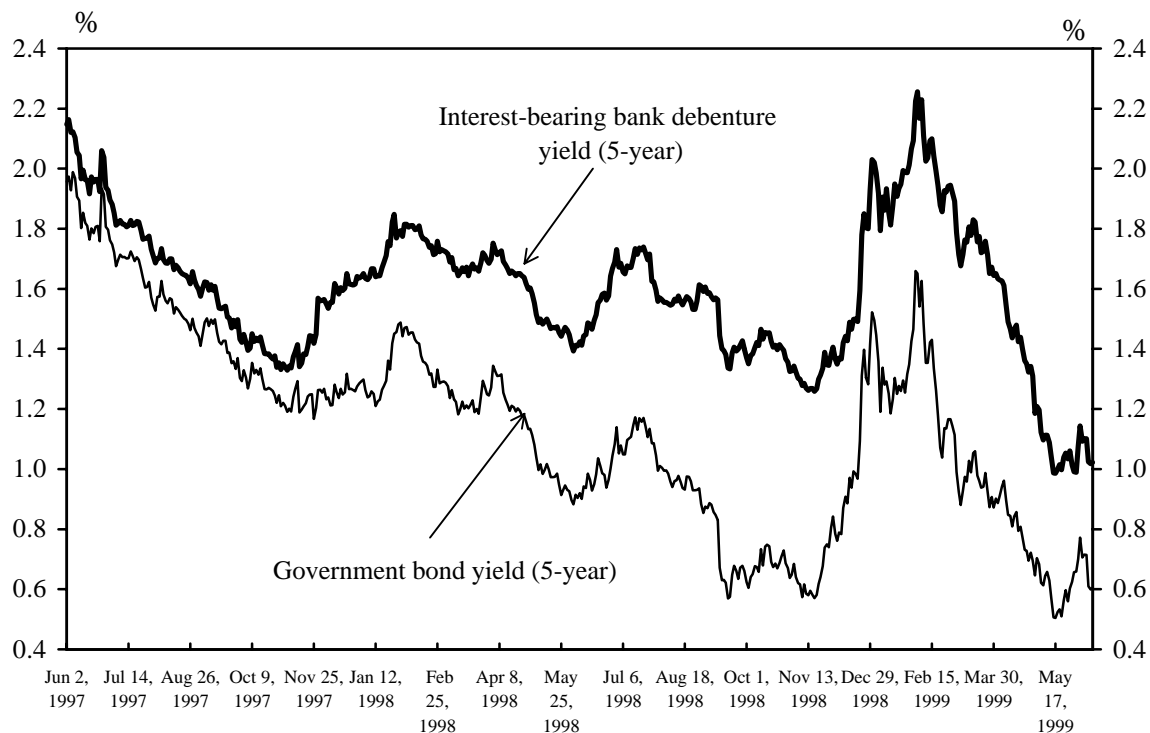


Note: Calculated from yen-yen swap rates.

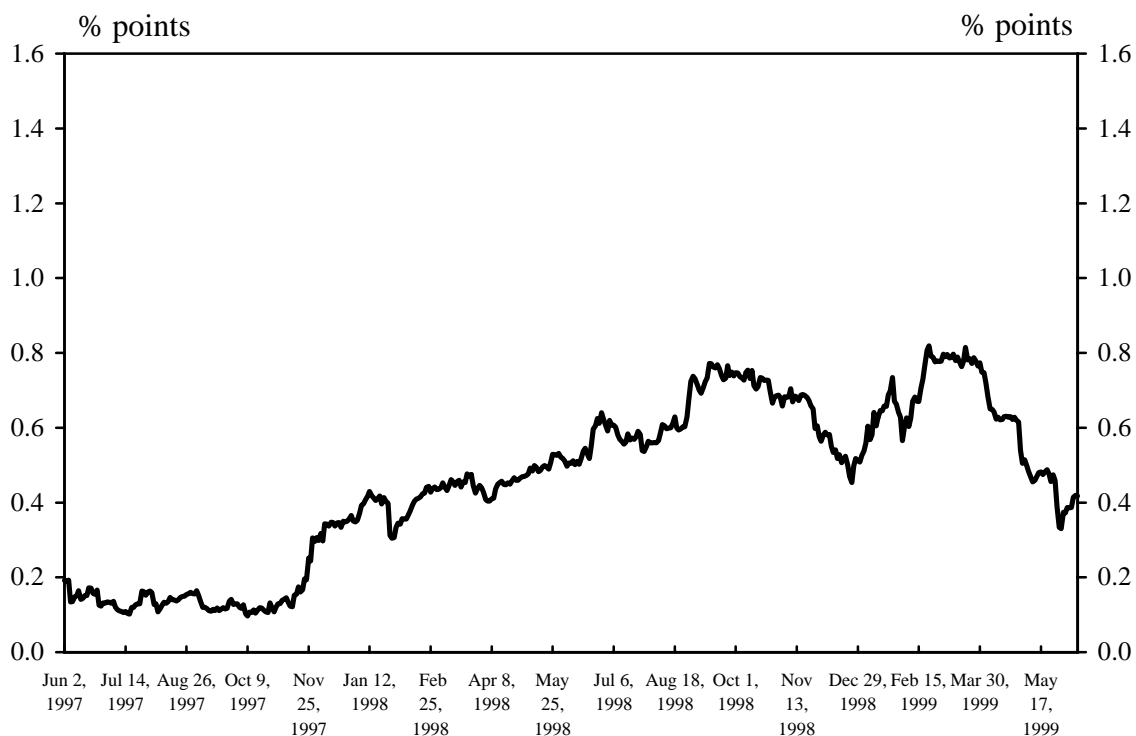
Source: Bank of Japan, "Financial and Economic Statistics Monthly."

Yields of Bank Debentures

(1) Bond Yields



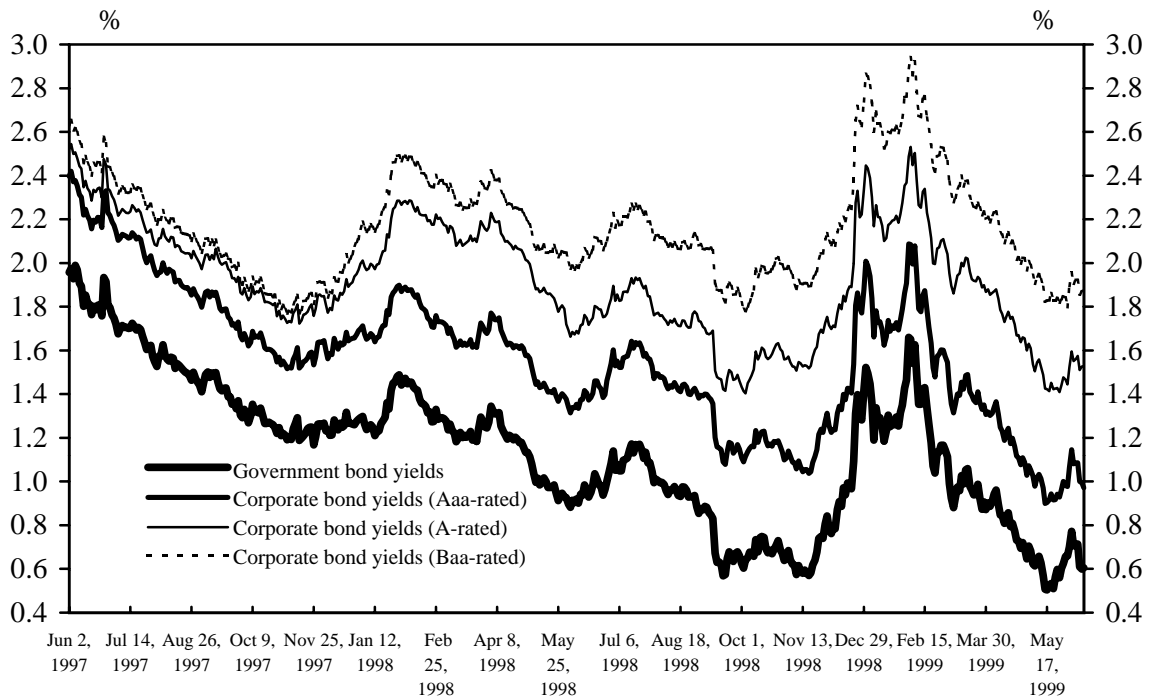
(2) Spread of Bank Debenture and Government Bond Yield



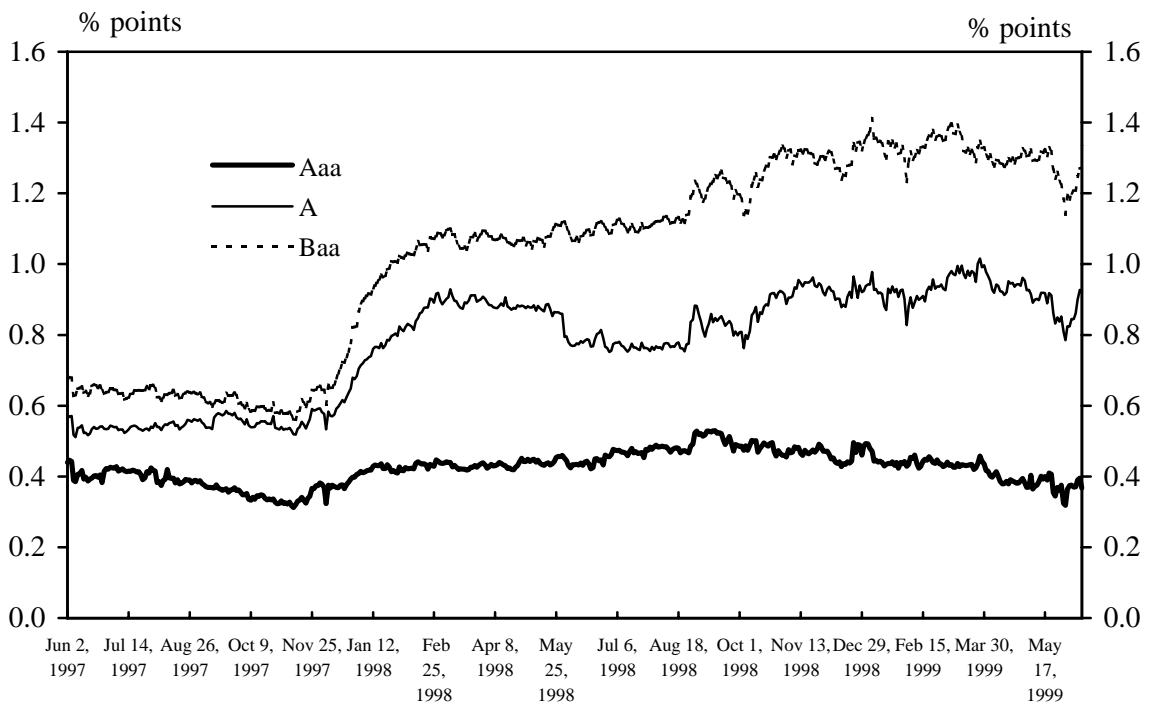
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields

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



(2) Yield Spreads of Public and Corporate Bonds



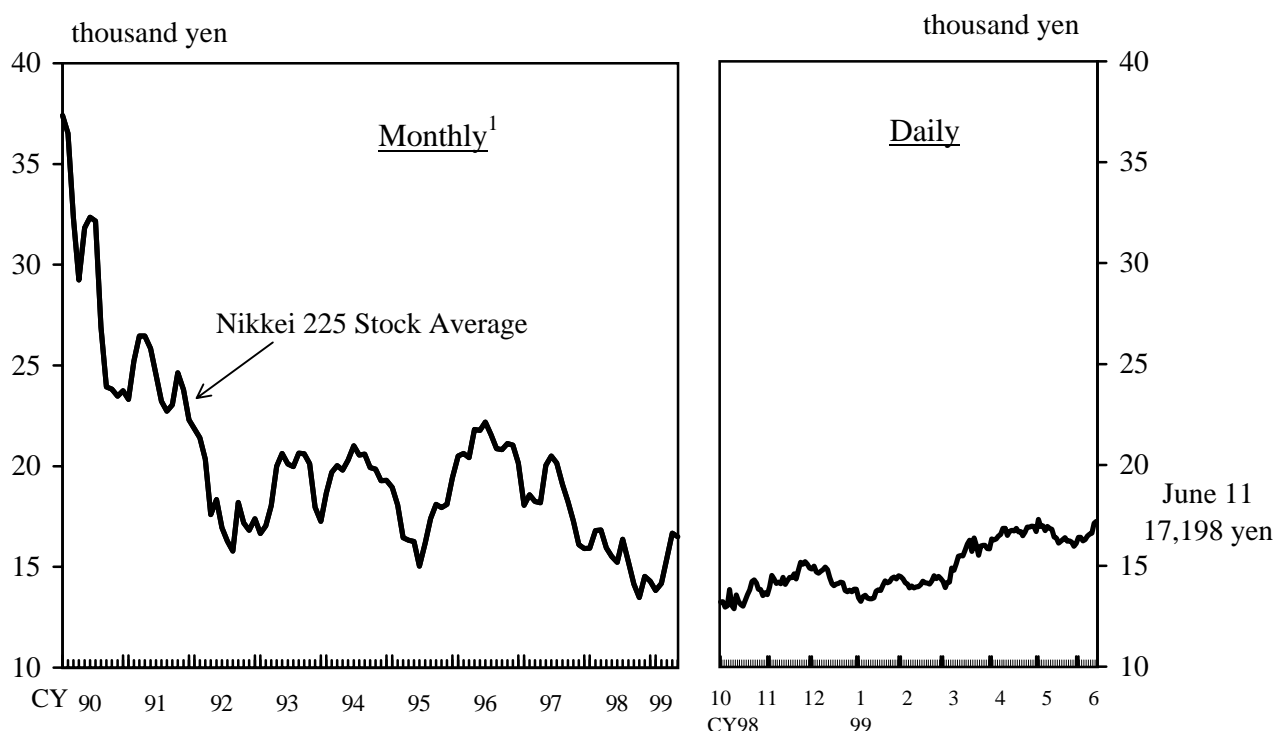
Notes: 1. Yields on bonds with 5-year maturity.

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

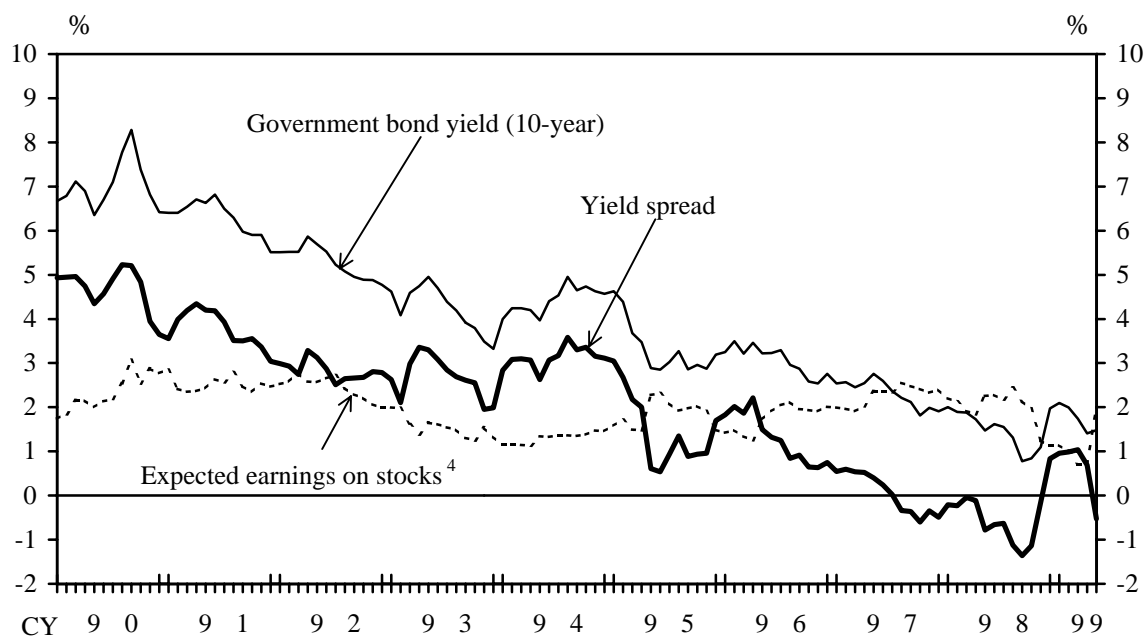
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock prices



(2) Yield Spread^{2, 3}



Notes: 1. Data are monthly averages.

2. Data are at end of period.

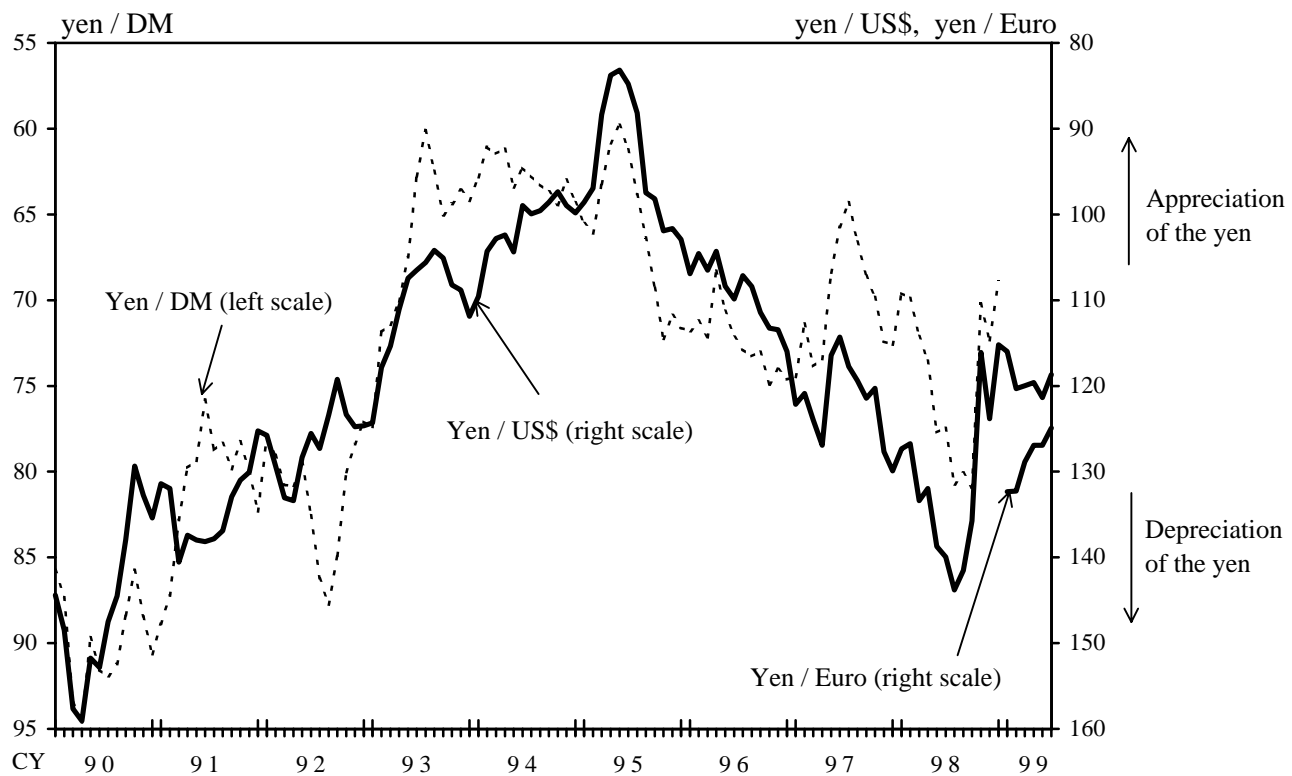
3. Yield spread = government bond yields - expected earnings on stocks, where expected earnings on stocks = 1/expected price earnings ratio.

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

Data are calculated by the Daiwa Research Institute.

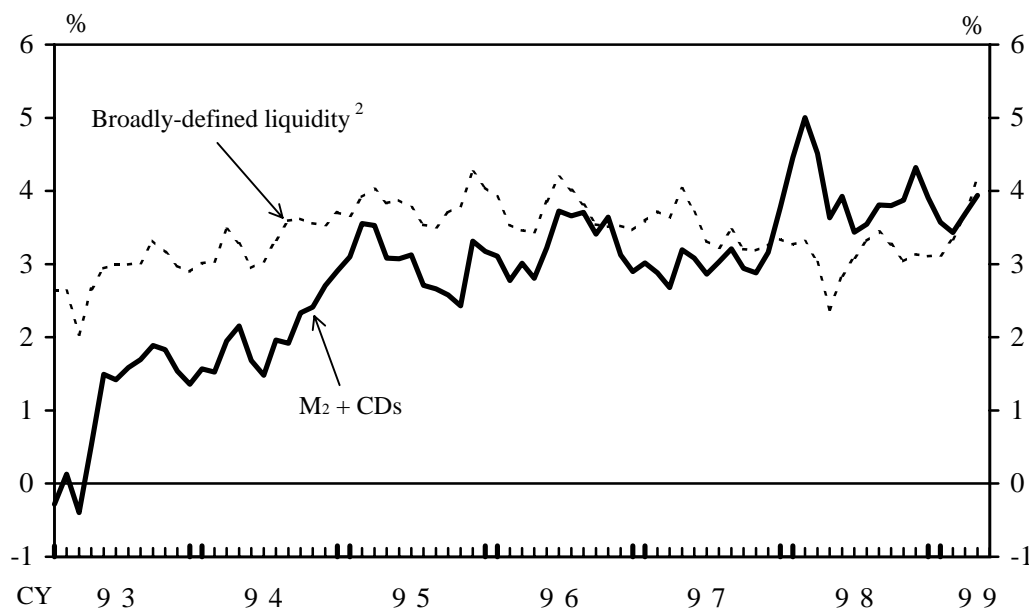
Sources: *The Nihon Keizai Shimbun*; Daiwa Research Institute, "*Daiwa Toushi Shiryou* (Daiwa Investment Information)."

Exchange Rates

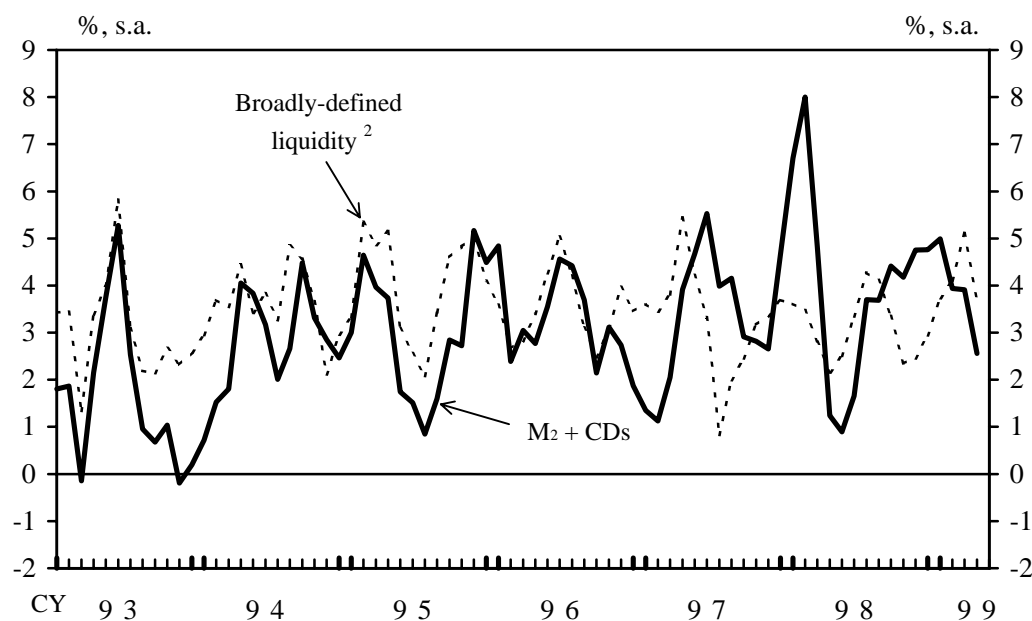


Note: End of month. Data of June 1999 are as of June 11, 1999.

Source: Bank of Japan.

Money Stock (M_2 +CDs, Broadly-Defined Liquidity)(1) Changes from a Year Earlier¹

(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.

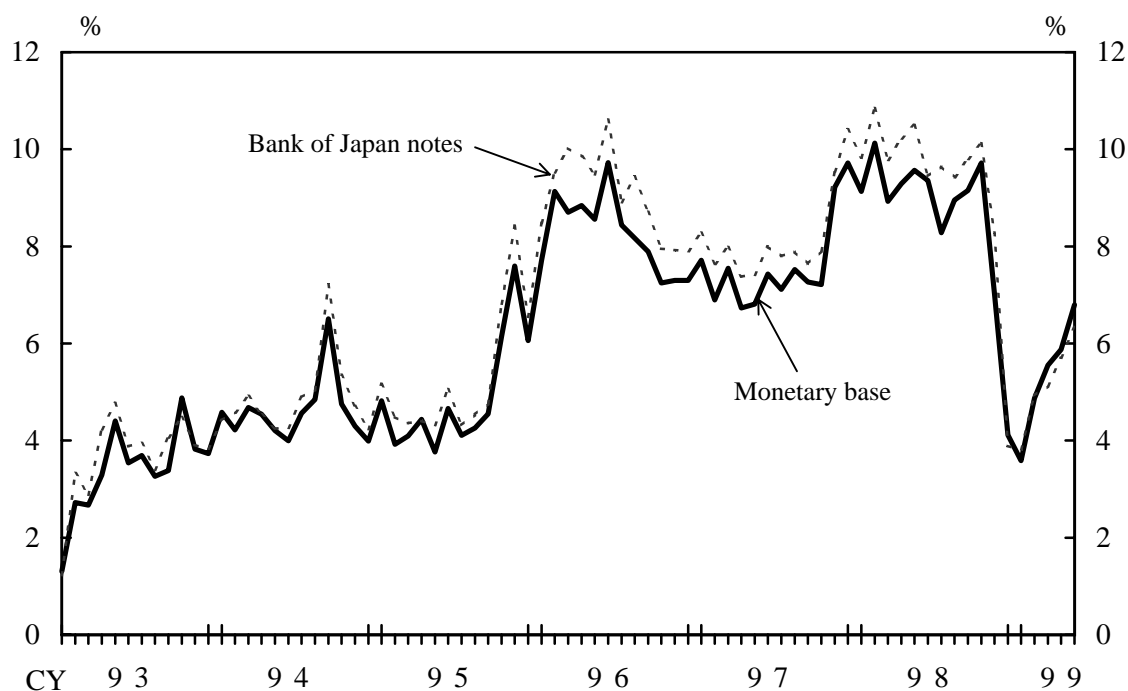
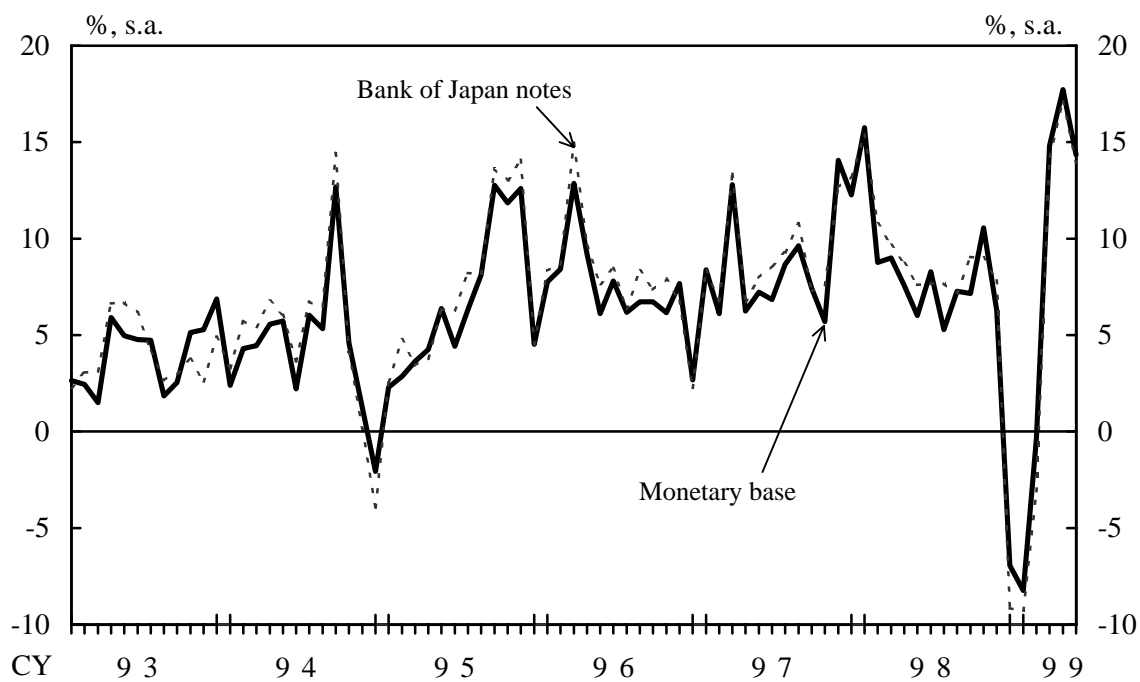
3. Figures are calculated on new basis from April 1999. Changes are as followings,

M_2 +CDs: Foreign Banks in Japan, Domestically Licensed Foreign Trust Banks and Zenshinren Bank (one of central organizations of financial institutions) are added into financial institutions surveyed.

Broadly-defined Liquidity: Foreign Banks in Japan, Domestically Licensed Foreign Trust Banks and central organizations of financial institutions for small business, agriculture, forestry and fishery are added into financial institutions surveyed. Commercial paper issued by the financial institutions are included.

Source: Bank of Japan.

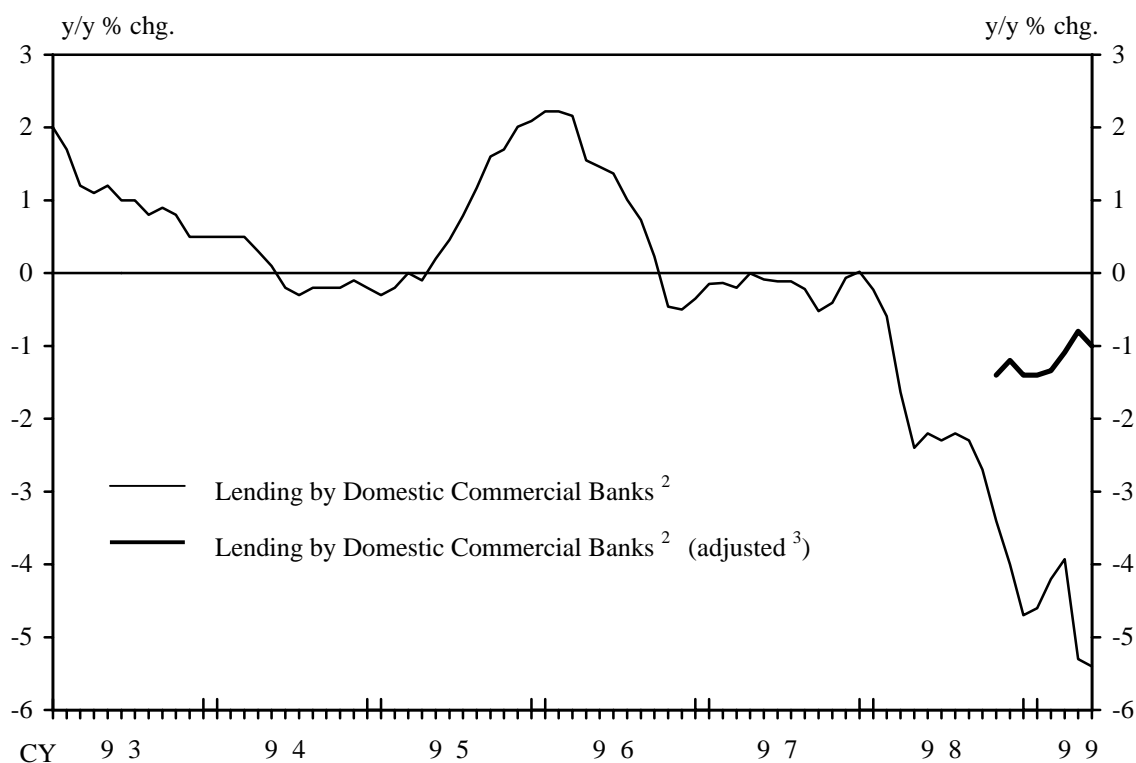
Monetary Base

(1) Changes from a Year Earlier**(2) Changes from Three Months Earlier (Annualized)**

Notes: 1. Monetary base = Currency in circulation (Banknotes + Coins) + Reserves
 Data for currency in circulation include holdings of financial institutions.
 2: Reserve requirement rate change unadjusted.

Source: Bank of Japan.

Lending by Domestic Commercial Banks



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).

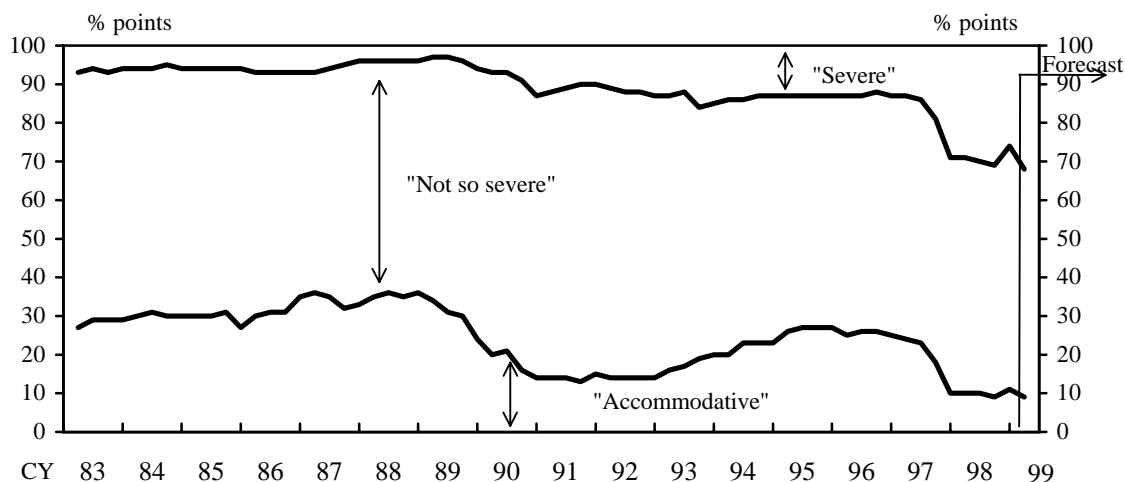
3. Adjusted to exclude

- (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,
- (4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General Account, and
- (5) the transfer of loans to the former Housing Loan Administration Corporation to the Resolution and Collection Corporation.

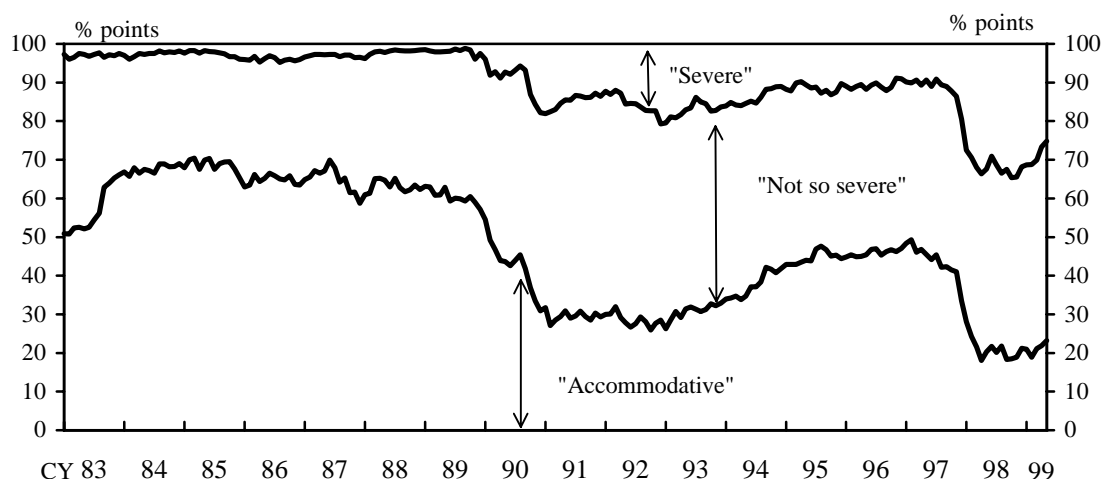
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as perceived by Small Enterprises

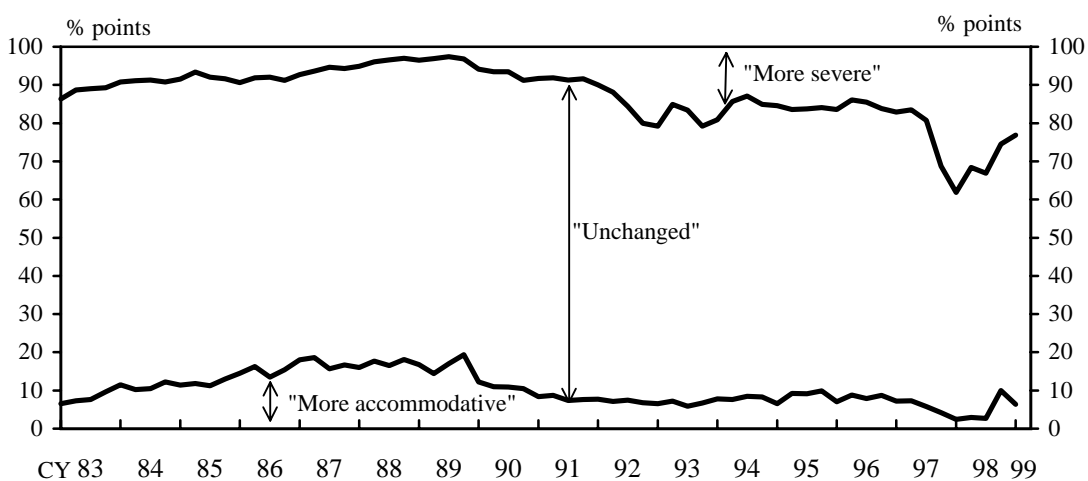
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (March, 1999)



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



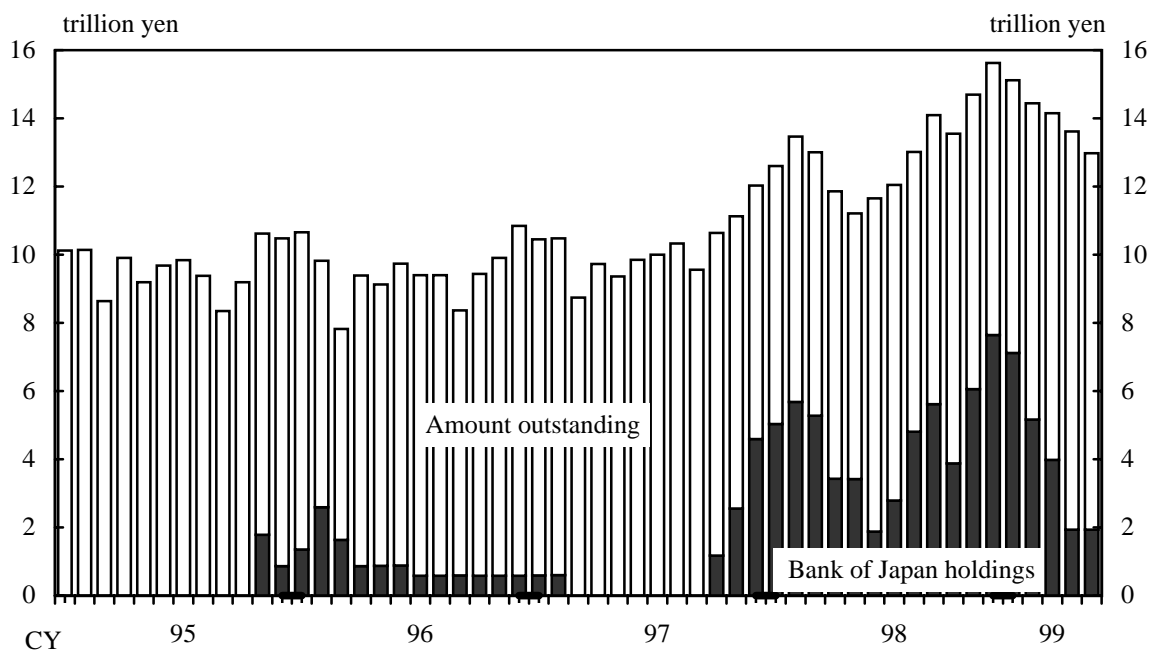
(3) "Quarterly Survey of Small Businesses in Japan" (Mid-March, 1999)



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."

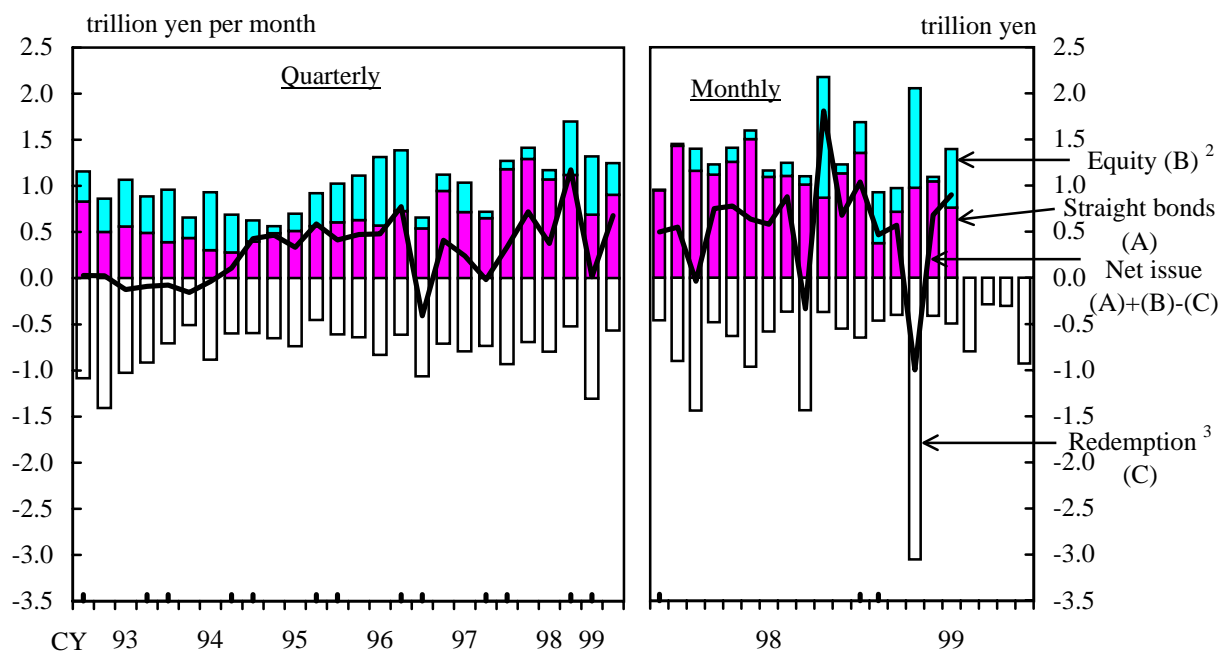
Private-Sector Fund Raising in the Capital Markets

(1) Amount Outstanding of Commercial Papers ^{1,2}



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 ¹

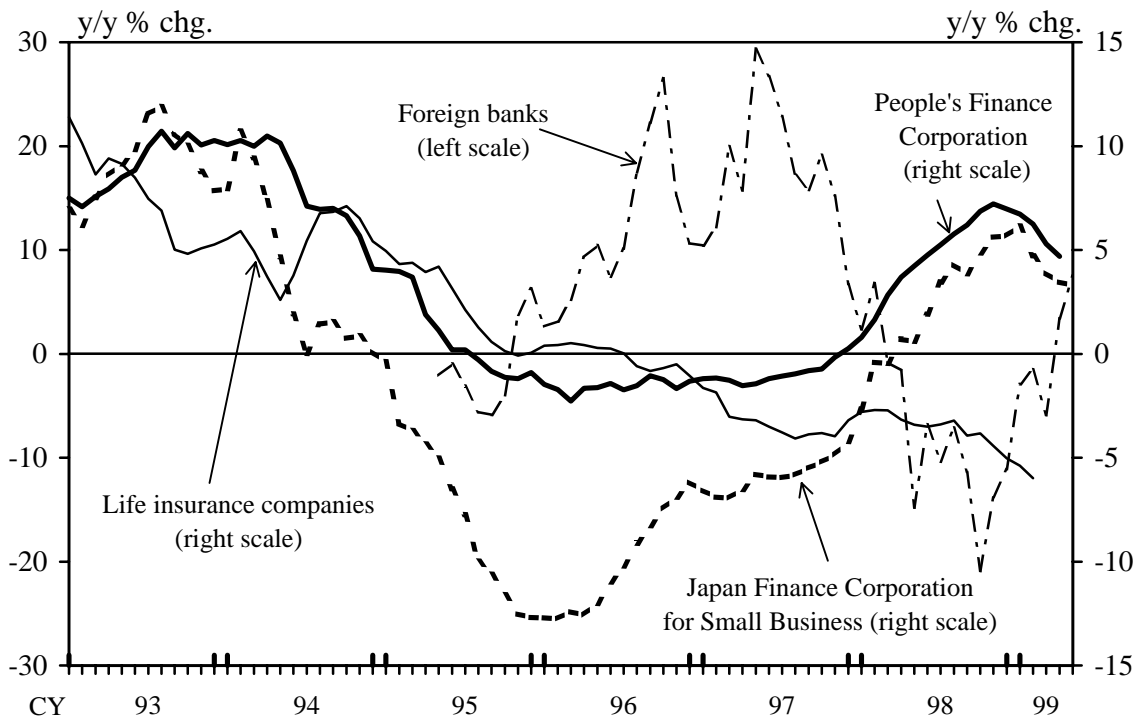


Notes: 1. Includes those issued by banks.
 2. Data for March 1999 exclude the injection of public funds into private banks (6.9 trillion yen).
 3. Data for equity include convertible bonds, bonds with warrants, and new equity issues.
 4. Figures of Equity and Straight Bonds for 1999/Q2 are Apr-May average.
 5. Estimated by the Bank of Japan.

Sources: Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Bond Review"; IN Information Center, "Funding Eye."

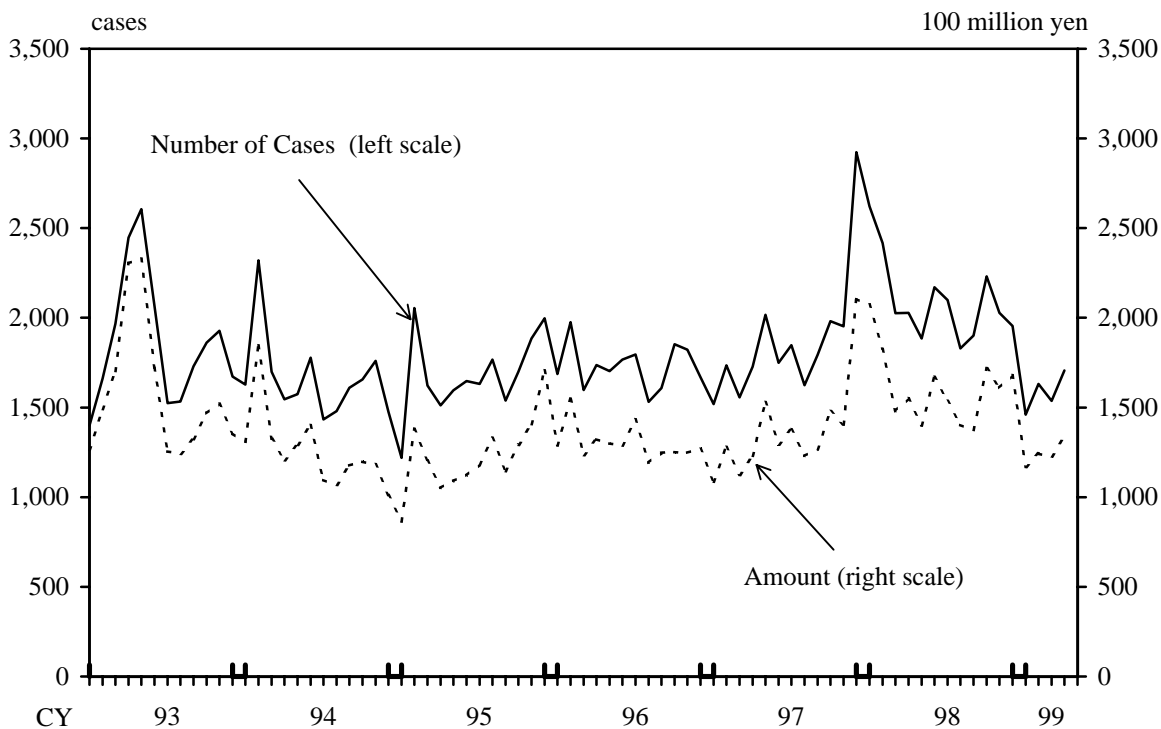
Lending by Other Financial Institutions

(1) Lending Outstanding



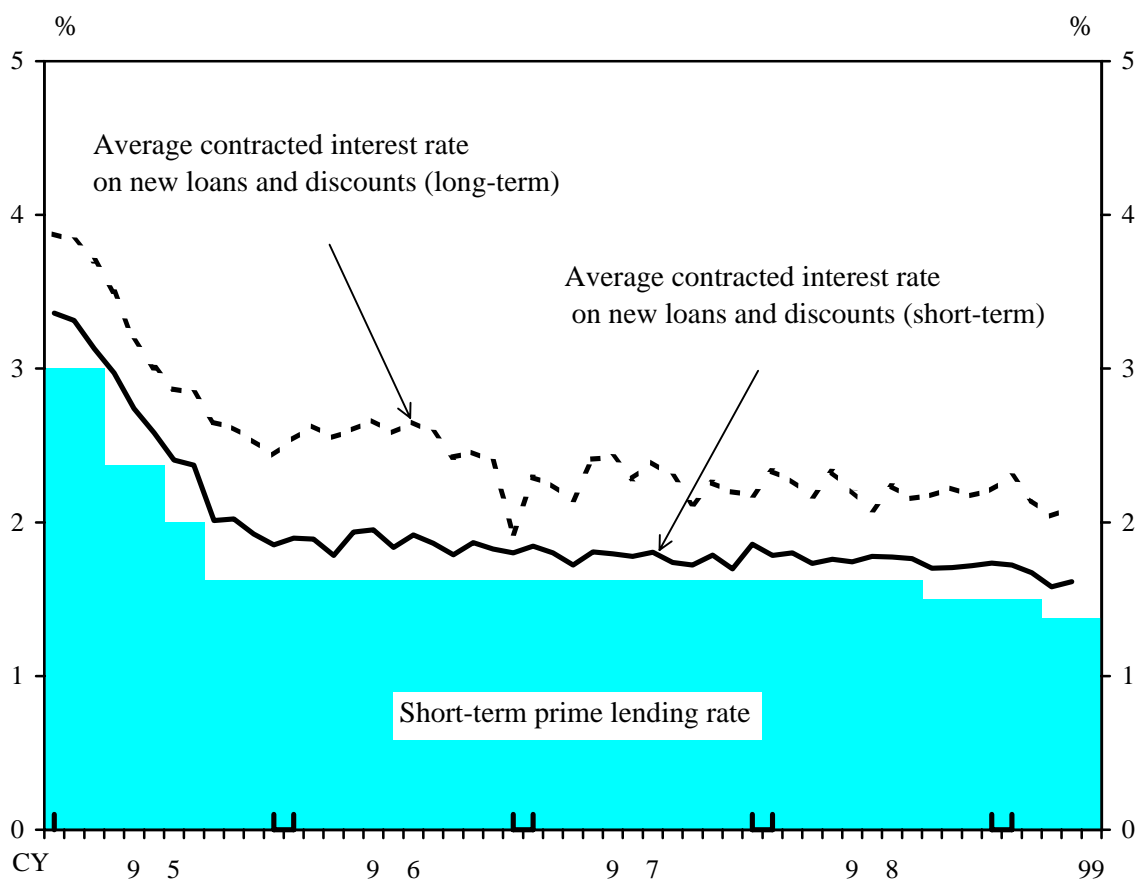
Note: Data are based on amounts outstanding at end of period except for those of foreign banks.

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



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

Lending Rates

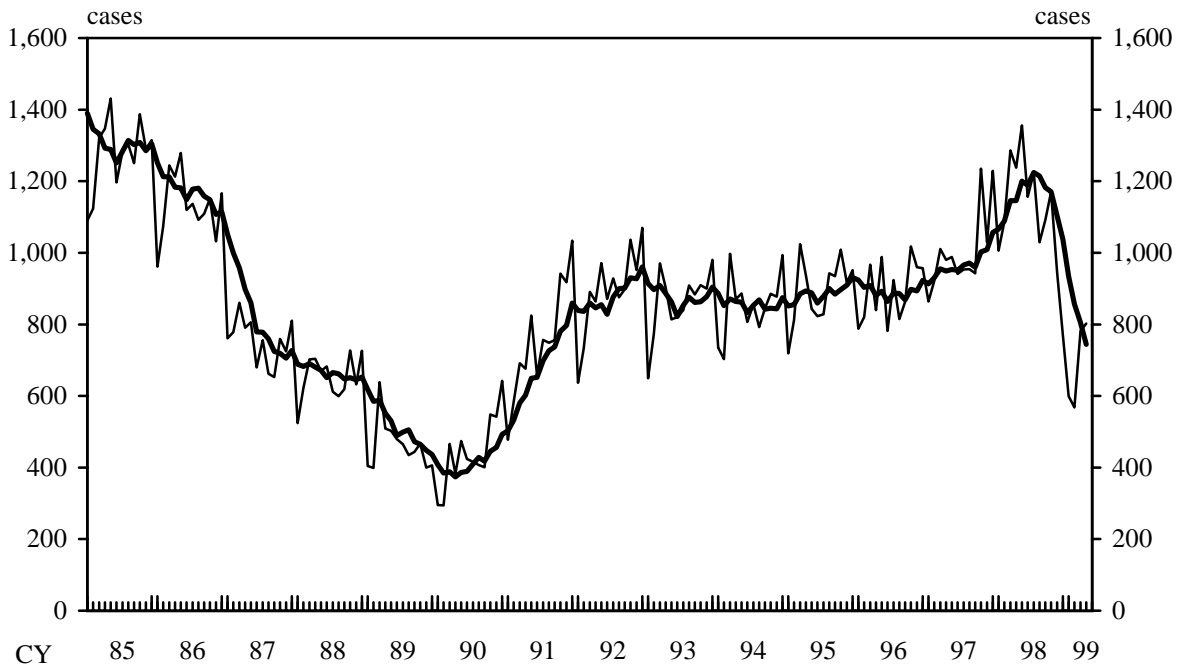


Note: Data for short-term prime lending rate are at end of period.

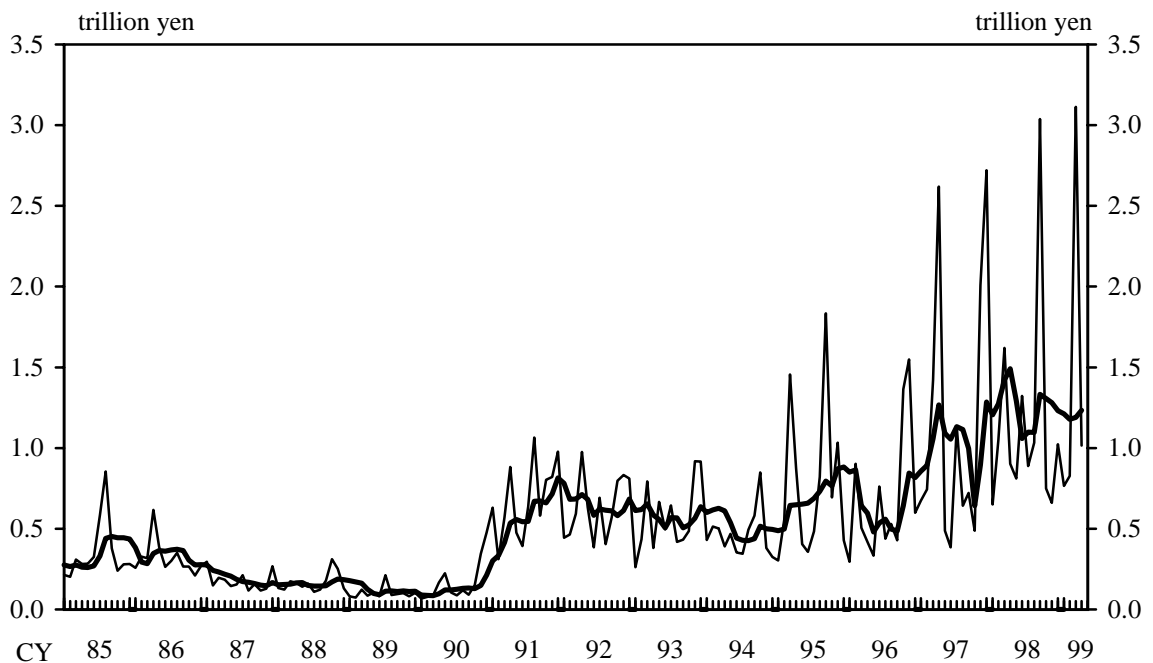
Source: Bank of Japan.

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