

October 27, 1999
Bank of Japan

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

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Monthly Report of Recent Economic and Financial Developments¹

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The Bank's View²

Japan's economy has stopped deteriorating, and exports and production are improving at present. However, clear signs of a self-sustained recovery in private demand have not been observed yet.

With regard to final demand, business fixed investment has been on a downward trend. Recovery in private consumption continues to be weak on the whole, reflecting the persistent severity in employment and income conditions. Housing investment, which had been recovering, has recently peaked out. Meanwhile, public works have been rising, and net exports (exports minus imports) have continued to grow due to an increase in exports.

Reflecting such developments in final demand and continued progress in inventory adjustment, industrial production is increasing. Additionally, corporate profits have started picking up. In this situation, corporate sentiment has continued to improve. Such positive developments in corporate profits and sentiment, however, have not necessarily stimulated business activities, because firms strongly feel that they have excess capacity and employees and that they should reduce their debts to restore financial soundness.

As for the outlook, improvements in the overall financial environment partly due to the monetary easing by the Bank, along with a series of economic measures taken by the government, are expected to continue underpinning the economy. Moreover, the positive impact on domestic production of the recovery of overseas economies, especially of Asian economies, is likely to continue for some time. By contrast, leading indicators suggest a high probability of a moderate decrease in housing investment in the near future. The recent developments in public works

¹ This report was written based on data and information available when the Bank of Japan Monetary Policy Meeting was held on October 13, 1999.

² The Bank's view on recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on October 13 as the basis of monetary policy decisions.

orders indicate that public investment is likely to stop increasing. In addition, under cautious sales plans, firms are expected to continue corporate restructuring to improve their profitability. Although such restructuring is expected to improve productivity, in the short run, it reduces fixed investment and also discourages household expenditure through the resulting deterioration in employment and income conditions. Moreover, it seems that the recent appreciation of the yen will have an adverse effect on corporate profits in the near term. 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 have recently fallen slightly due to the appreciation of the yen, despite the rise in international commodity prices such as crude oil prices. Domestic wholesale prices are leveling off due to the progress in inventory adjustment as well as an increase in prices of some products closely related to international commodities, such as those of petroleum products. Consumer prices continue to be unchanged. Corporate service prices are still falling, although the pace of the decline is slowing. As regards the movements of overall prices in the future, they are likely to be flat, as the rise in crude oil prices to date will continue to be passed on to prices of other products for a while. However, substantial narrowing in the output gap led by a recovery in private demand is unlikely for the time being, 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 financial institutions have been confident about the availability of overnight funds. As for interest rates on term instruments, short-term rates maturing before the year-end have been moving at a historically low level. Meanwhile, rates maturing beyond the year-end are relatively high due to market participants' concern over the Year 2000 problem.

The Japan premium has continued to be nearly zero for short-term transactions, but a small premium has been observed for transactions maturing beyond the year-end.

Yields on long-term government bonds declined from late August to the level of around 1.6 percent. They rose somewhat thereafter and have recently been moving between 1.7 and 1.8 percent. The yield spread between government bonds and private bonds (bank debentures and corporate bonds) has been stable and noticeably smaller than before.

Stock prices fell below the 17,000 yen level in late September against the background of the weak tone in U.S. stock prices and the rapid appreciation of the yen, but subsequently rebounded reacting to the recovery in U.S. stock prices and the restoration of stability in the foreign exchange market. The prices are presently moving around 18,000 yen.

In the foreign exchange market, the yen surged against the U.S. dollar and reached the 103-104 yen level in the middle of and late September, but then declined to the current level of 106-108 yen to the dollar.

The amount outstanding of funds in the call money market has remained generally stable since the middle of June. 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, while carefully evaluating the credit risks involved.

However, credit demand for economic activities such as business fixed investment remains weak. In addition, some firms have been trying to reduce debts using their on-hand liquidity. As a result, credit demand in the private sector has continued to be weak, and thus private banks' lending has remained sluggish. Meanwhile, issuance of corporate bonds and CP has recently been steady.

The year-to-year growth rate of money stock (M_2 +CDs) has declined to around 3.5 percent mainly due to the weakness in credit demand in the private sector.

In this financial environment, credit conditions 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 economic activities.

The Background

1. Japan's Economy

With regard to public investment (Chart 2), the value of public works contracted, which reflects orders, was basically flat in July and August after it declined substantially in the second quarter of 1999 as a result of the concentration of orders under the government's economic stimulus measures in the first quarter. Meanwhile, shipments of public works related goods are currently increasing, but are likely to level off gradually reflecting the recent developments in public works orders.

Real exports (Charts 3 to 5) are on an increasing trend. Exports to the NIEs and ASEAN countries are maintaining high levels of growth, and those to the United States remain firm. Exports to Europe, which had been declining through the second quarter of 1999, are picking up. Meanwhile, real imports are on a rising trend, especially for information-related goods.

As a result of these import and export developments, net exports (exports – imports) in terms of the real trade balance³ continue to increase. The nominal current account surplus, which had been expanding temporarily since the early spring due to the improvement in the income balance, is almost unchanged at present, mainly due to the rise in crude oil prices.

As for the future environment for foreign trade, the recent appreciation of the yen is likely to exert downward pressure on export profitability and thereby restrict exports (Chart 6(1)). Regarding the foreign demand conditions, the U.S. economy is expected to remain firm, and the recovery in the NIEs and ASEAN economies is becoming more distinct (Chart 6(2)). Reflecting these developments, there is a high probability that net exports will continue rising for some time. Nevertheless, the outlook for overseas economies continues to warrant careful monitoring, as the continued expansion of the U.S. economy is apparently supported, to a large extent, by the rise in stock prices.

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).

As for domestic private demand, first regarding the trends in the corporate sector in relation to business fixed investment, corporate profits are improving. The Bank of Japan's *Tankan – Short-term Economic Survey of Enterprises* of September 1999 (Chart 7) indicates that current profits for the first half of fiscal 1999 declined on a year-to-year basis at large manufacturing firms, but increased at small manufacturing firms and at nonmanufacturing firms. The *Tankan* also shows that current profits are projected to improve substantially in the second half of fiscal 1999, especially among manufacturing firms, due to increased sales, mostly from exports as well as due to the effects of corporate restructuring. Consequently, large and small manufacturing and nonmanufacturing firms are all projecting increased profits for the full fiscal year.⁴ Turning to corporate finance conditions, the September *Tankan* (Chart 8) shows improvements in both the financial position DI and the lending attitude of financial institutions DI at both large and small firms. Along with these favorable profit and corporate finance developments, the September *Tankan* indicates a large improvement in the business conditions DI (Chart 9).

While the environment for business fixed investment is improving as stated above, there are still strong perceptions of excess equipment (Chart 10), and firms continue financial restructuring by allocating improved cash flow to reduce their debts. Under these conditions, according to the *Tankan* and other surveys, business fixed investment remains on a declining trend on the whole, although signs of improvement are observed recently in some related indicators. Shipments of general capital goods, which reflect the current trend of machinery investment, declined by 6.6 percent in the second quarter of 1999 on a seasonally adjusted quarter-to-quarter basis, and then rose by 4.0 percent in July-August compared to the second-quarter

⁴ It is possible that these profit projections will be revised downward, as an exchange rate was assumed to be 113.58 yen per dollar for the second half of fiscal 1999 and thus may not reflect the recent appreciation of the yen properly.

level.⁵ As for leading indicators (Chart 11), machinery orders are virtually flat, and nonresidential construction starts continue to decline.⁶

As for the outlook of business fixed investment, it is difficult to project any immediate abatement of the perceptions of excess equipment, and firms are expected to continue corporate restructuring. Accordingly, business fixed investment is likely to remain on a declining trend for some time, although the rate of decline will slow down. The September *Tankan* shows that investment plans for fiscal 1999 are still restricted substantially (Chart 12) among both large firms (a year-to-year decline of 9.8 percent for manufacturing firms and 9.1 percent for nonmanufacturing firms) and small firms (a year-to-year decline of 29.1 percent for manufacturing firms and 20.4 percent for nonmanufacturing firms).

Regarding the household sector, employment and income conditions are still on a deteriorating trend. In the labor market (Chart 13), the unemployment rate (seasonally adjusted) was 4.7 percent in August, slightly below the July figure (4.9 percent), which was the highest level since the start of these statistics in 1953. The ratio of job offers to applicants (seasonally adjusted) remained at 0.46, the lowest level since the start of these statistics in 1963, in August for the fourth consecutive month. The number of regular employees (on a monthly employment statistics basis at establishments with at least five employees) remains below the previous year's level. Wages are still on a declining trend (Chart 14), as special payments were down sharply due to the decline in summer bonuses, while overtime payments picked up along with the increase in production. Reflecting these employment and wage developments, compensation of employees remains 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 (Chart 15).

⁵ The increase in the shipments of general capital goods in July-August may be partially attributed to an increase in exports and to the temporary rise in machinery orders and nonresidential construction starts during the first quarter of 1999.

⁶ Compared to the average levels during the second quarter, July-August machinery orders (private demand; excluding shipbuilding and electric power equipment) increased by 1.0 percent, while July-August nonresidential construction starts declined by 6.5 percent.

Under this employment and income environment, the recovery in private consumption remains weak as a whole. According to sales indices (Chart 16), sales of household electric appliances remain at a high level, mainly due to firm sales of personal computers, and outlays for travel are picking up somewhat. On the other hand, sales at department stores and chain stores, which were basically flat during the second quarter of 1999, have been declining somewhat since July. The number of passenger car sales (excluding light cars) has continued to decline, and the number of passenger car sales including light cars has also decreased slightly.

As for future consumption trends, the reduction in personal income taxes is expected to continue underpinning consumption. Nevertheless, the recovery is likely to remain weak for the time being, as employment and income conditions will continue to be harsh.

With regard to housing investment (Chart 18), housing starts (on a seasonally adjusted annual basis), which had dropped to 1.15 million units in July due to temporary factors, rebounded to 1.28 million units in August. Excluding these fluctuations due to temporary factors, however, housing starts, which had been on a recovery trend, have recently peaked out.⁷ In detail, construction starts of owner-occupied houses increased somewhat, and construction starts of housing for sale were up sharply.

As for the outlook, construction starts of houses for rent are expected to remain stagnant due to strong perceptions of excess supply. Construction starts of owner-occupied houses are expected to decline gradually, as the number of loan applications to the government Housing Loan Corporation during its first offering period for fiscal 1999⁸ decreased from those during the previous offering period. With respect to housing for sale, there are signs of an increase in new supply against

⁷ The decline in construction starts of owner-occupied houses in July was partially due to temporary factors, such as a delay in housing design works, and the disappearance of this factor apparently contributed to the recovery in construction starts of owner-occupied houses in August.

⁸ There were 62,000 loan applications to the government Housing Loan Corporation for the construction of private homes during its first offering period for fiscal 1999 (April 26 – June 18, 1999), the same level as recorded in the previous year.

the background of strong condominium sales, so construction starts are expected to remain firm for the time being.⁹

Reflecting these developments in final demand, along with the continued progress of inventory adjustments (Chart 19), industrial production (Chart 20) is increasing.¹⁰

As for the environment surrounding future production, business fixed investment is projected to remain on a declining trend, and housing investment, which had been on a rising trend, is expected to peak out more distinctly. Meanwhile, inventory adjustment pressures are weakening and exports should continue to rise for some time, reflecting the recovery in overseas economies, especially in Asia. Thus, industrial production is expected to maintain the current level for the time being.

2. Prices

With regard to price developments, import prices on a yen basis (Chart 22(1)) are presently declining slightly due to the appreciation of the yen, despite the increase in international commodity prices such as crude oil prices.

Domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates;¹¹ Chart 22(3)) are almost at the same level as recorded in the previous month. This is because petroleum product prices are rising and some raw material prices have stopped falling, while the prices of electrical machinery continue to decline. (The month-to-month change in domestic wholesale prices was 0.0 percent in July, +0.1 percent in August, and 0.0 percent in September).

⁹ The expiration of the measure for reduced taxes on home purchases at the end of 2000 may have also contributed to the recent increase in construction starts of housing for sale.

¹⁰ Following a decline of 1.0 percent during the second quarter of 1999 on a seasonally adjusted quarter-to-quarter basis, industrial production is projected to increase by 3.8 percent during the third quarter, based on the production forecast indices for September.

¹¹ 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.

Corporate service prices (Chart 23(1)) continue to decline, mainly due to decreases in the prices for general services, although the rate of the decline is decelerating. (The year-to-year decline in corporate service prices was 1.2 percent in the second quarter of 1999 and 1.1 percent in July-August).

Consumer prices (excluding perishables; Chart 23(2)) remain at the same level as recorded in the previous year. The rate of the year-to-year decline in the prices of goods decreased due to the rise in petroleum product prices, but the rate of the year-to-year increase in prices of private-sector services contracted. (The year-to-year change in consumer prices was 0.0 percent in June 1999, 0.0 percent in July, and 0.0 percent in August).¹²

As for land prices, according to the *Land Prices Survey by the Administrative Divisions* (Chart 24), the prices of both commercial and residential land continue to decline.

Regarding the future environment for prices overall, the movement of prices overall is likely to be flat, as the rise in crude oil prices to date will continue to be passed on to the prices of other products for a while. However, a substantial narrowing in the output gap led by a recovery in private demand is unlikely for the time being (Chart 25), 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 26(1), 27 and 28) show that with the continued ample provision of funds by the Bank of Japan the overnight call rate (uncollateralized) has stayed near zero, at 0.02-0.03 percent, and financial institutions have been confident about the availability of overnight funds.

¹² In August, overall consumer prices including perishables rose from the previous year's level as the prices of fresh vegetables increased due to unfavorable weather (the year-to-year changes were -0.1 percent in July 1999 and +0.3 percent in August).

As for interest rates on term instruments, short-term rates maturing before the end of the calendar year have been moving at a historically low level. Meanwhile, longer-term rates maturing beyond the year-end remain relatively high due to the influence from the Year 2000 problem. Three-month rates have been somewhat high from the end of September for the same reason. Three-month TB and FB rates were generally at a level slightly below the overnight call rate in September, but rose slightly at the end of the month and are presently at a level slightly above it. Three-month Euro-yen interest rates (TIBOR) also rose at the end of September.

The Japan premium (Chart 29) has continued to be nearly zero for short-term transactions, but a small premium has been observed for transactions maturing beyond the year-end.

Yields on ten-year government bonds (newly issued; Chart 26(2)) declined due to the further appreciation of the yen in September and fell to around 1.6 percent at one point, but subsequently rose somewhat and have recently been moving between 1.7 and 1.8 percent. The yield spread between government and private bonds (bank debentures and corporate bonds; Charts 31 and 32) has been stable and noticeably smaller than before, and it seems that market participants are maintaining a positive stance toward taking on credit risks.

Stock prices (Chart 33(1)) fell below the 17,000 yen level in late September against the background of the weak tone in U.S. stock prices and the rapid appreciation of the yen, but subsequently rebounded reacting to the recovery in U.S. stock prices and the restoration of stability in the foreign exchange market. The prices are presently moving around 18,000 yen.

The amount outstanding in the call money market has remained generally stable since mid-June. To date, this has not led to any difficulty in funds settlement, but close attention should be paid to future market developments.

In the foreign exchange market (Chart 34), the yen surged against the U.S. dollar and reached the 103-104 yen level in middle and late September, reflecting the improved prospects for Japan's economy and the increasingly uncertain outlook for

the U.S. and European economies. The yen later declined, partly due to the purchases of foreign currency assets by Japanese investors in line with the beginning of the second half of the Japanese fiscal year, and is presently moving around 106-108 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The year-to-year growth in money stock (Chart 35) in terms of $M_2 + \text{CDs}$ has slowed somewhat, because lending is sluggish reflecting the weakness in private credit demand. (The year-to-year growth in $M_2 + \text{CDs}$ was 4.1 percent in May, 4.3 percent in June, 3.9 percent in July, and 3.5 percent in August). The year-to-year growth during the fourth quarter of 1999 is projected to be somewhat less than that during the third quarter, as private credit demand will likely remain weak. (The year-to-year growth in $M_2 + \text{CDs}$ during the fourth quarter is projected to be 3.0-4.0 percent).

The year-to-year growth in the monetary base (currency in circulation + reserves; Chart 36) has recently been in the range of 5.5-7.0 percent.

The lending attitude of private financial institutions is still fundamentally cautious. However, the constraint that had been caused by severe fund-raising conditions and insufficient capital bases has eased considerably. Against this background, major banks have gradually become more active than before in extending loans, while carefully evaluating the credit risks involved.

However, the credit demand of private firms for economic activities such as business fixed investment remains weak. In addition, some firms have been trying to reduce debts using their on-hand liquidity. As a result, the overall credit demand of private firms has continued to be weak.

Consequently, the year-to-year decline in lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;¹³ Chart 37), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, has been gradually expanding (-0.9 percent in May, -1.2 percent in June, -1.6 percent in July, and -1.8 percent in August). Meanwhile, fund-raising from sources other than bank loans (Charts 38 and 39) fundamentally remains sluggish.

Turning to the funding cost for firms, in August the average contracted interest rates on new loans and discounts (Chart 40) rose a bit for short-term contracts, but fell slightly for long-term contracts. CP and corporate bond issuance rates moved lower as institutional investors' eagerness to invest in such instruments continued to be strong while firms' desire to issue such instruments is sluggish.

In this financial environment, credit conditions have eased somewhat. From the beginning of this year, the number of corporate bankruptcies (Chart 41) has remained 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 economic activities.

¹³ 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.

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Main Economic Indexes (1)

y/y % chg.

	99/Q1	Q2	Q3	99/June	July	August	September
Index of expenditure level (all households)	-0.9	0.8	n.a.	-0.1	1.1	p 0.1	n.a.
Sales of department stores	-4.2	-2.6	n.a.	-2.0	-2.1	p -2.9	n.a.
Sales of chain stores ¹	-5.1	-4.7	n.a.	-3.6	-5.1	-4.9	n.a.
New passenger-car registrations ² <s.a., ann. 10,000 units>	304	295	281	290	269	294	279
Sales of electric appliances (NEBA)	10.4	9.7	n.a.	11.2	6.7	2.5	n.a.
Outlays for travel (50 major travel agencies)	-2.6	-3.6	n.a.	-5.1	-4.9	0.4	n.a.
Housing starts <s.a., ann. 10,000 units>	122	126	n.a.	131	115	128	n.a.
Machinery orders (from private sector ³)	-14.8	-9.9	n.a.	-7.7	-7.5	-4.1	n.a.
Mining & manufacturing	-21.8	-12.2	n.a.	-12.6	-7.8	-1.5	n.a.
Nonmanufacturing ³	-9.1	-7.9	n.a.	-3.3	-7.3	-6.1	n.a.
Construction Starts (private, nonresidential use)	-12.5	-15.4	n.a.	-10.2	-30.0	-3.2	n.a.
Manufacturing	-37.8	-32.2	n.a.	-26.9	-32.5	-2.9	n.a.
Nonmanufacturing ⁴	-2.5	-9.8	n.a.	-4.3	-29.3	-3.2	n.a.
Value of public works contracts	52.7	-8.1	n.a.	-2.7	-0.9	-6.6	n.a.
Real exports <s.a. quarterly (monthly) change>	1.8	0.0	n.a.	9.8	0.5	2.4	n.a.
Real imports <s.a. quarterly (monthly) change>	5.0	-0.5	n.a.	8.4	-3.8	9.0	n.a.
Industrial production <s.a. quarterly (monthly) change>	0.6	-1.0	n.a.	3.2	-0.6	p 4.6	n.a.
Shipments <s.a. quarterly (monthly) change>	1.3	-1.9	n.a.	3.6	-1.1	p 4.0	n.a.
Inventories <s.a. quarterly (monthly) change>	-2.3	-1.0	n.a.	-0.3	-1.3	p 0.2	n.a.
Inventories/shipments <s.a. 1995=100>	104.0	102.9	n.a.	102.9	101.7	p 99.4	n.a.
Real GDP <s.a. quarterly change>	2.0	0.2	n.a.	n.a.	n.a.	n.a.	n.a.

Main Economic Indexes (2)

	y/y % chg.						
	99/Q1	Q2	Q3	99/June	July	August	September
Ratio of job offers to applicants <s.a., times>	0.49	0.47	n.a.	0.46	0.46	0.46	n.a.
Unemployment rate <s.a., %>	4.62	4.77	n.a.	4.86	4.90	4.67	n.a.
Overtime working hours ⁵	-5.7	-2.7	n.a.	-2.1	-2.0	p -1.1	n.a.
Number of employees	-1.1	-0.9	n.a.	-1.3	-1.2	-0.3	n.a.
Number of regularly employed ⁵	-0.3	-0.4	n.a.	-0.5	-0.4	p -0.2	n.a.
Nominal wage per person ⁵	-1.5	-1.5	n.a.	-3.3	-2.1	p -1.1	n.a.
Domestic wholesale price index	-2.1	-1.7	-1.3	-1.7	-1.5	-1.3	-1.3
Consumer price index (nationwide)	-0.1	-0.3	n.a.	-0.3	-0.1	0.3	n.a.
Excluding perishables	-0.1	-0.1	n.a.	0.0	0.0	0.0	n.a.
Corporate service price index	-1.0	-1.2	n.a.	-1.2	-1.1	-1.1	n.a.
Monetary aggregates (M2+CDs) ⁶ <average outstanding, y/y % chg>	3.6	4.1	n.a.	4.3	3.9	p 3.5	n.a.
Number of suspension of transaction with banks	-42.3	-30.7	n.a.	-24.1	-25.7	-14.3	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 Appliances";

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";

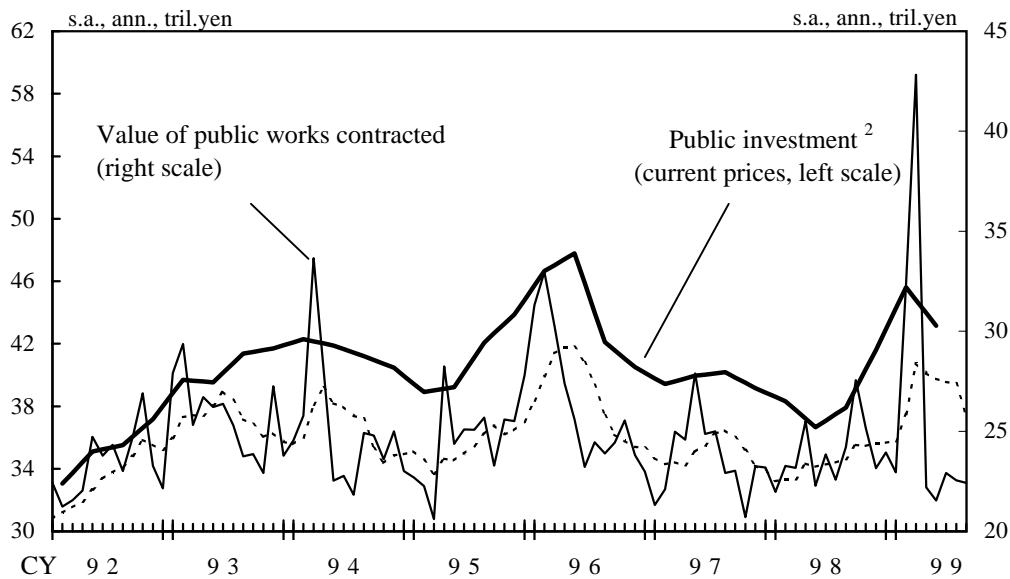
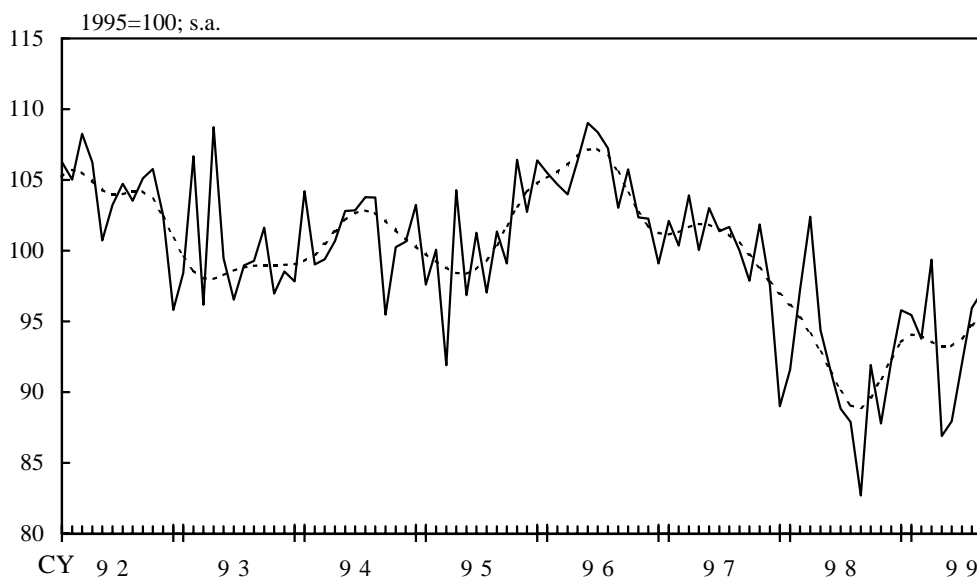
Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Labor, "Report on Employment Service",

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

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

Public Investment¹

(1) Value of public works contracted

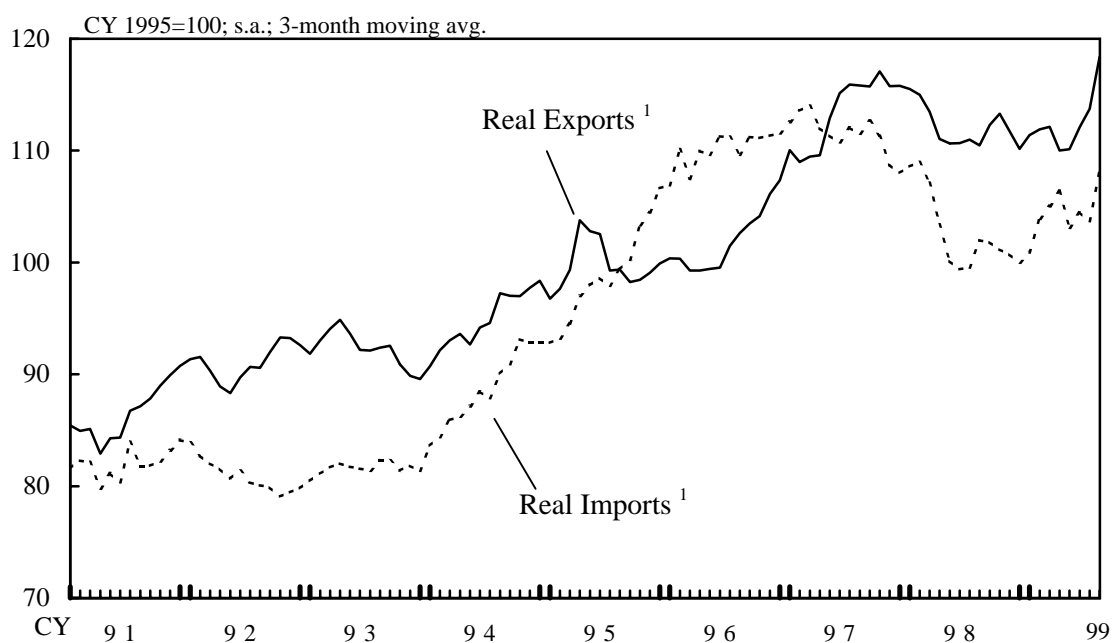
(2) Shipments of Public Works-related Goods^{3,4}

- 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.
 4. The data in August 99 are preliminary.

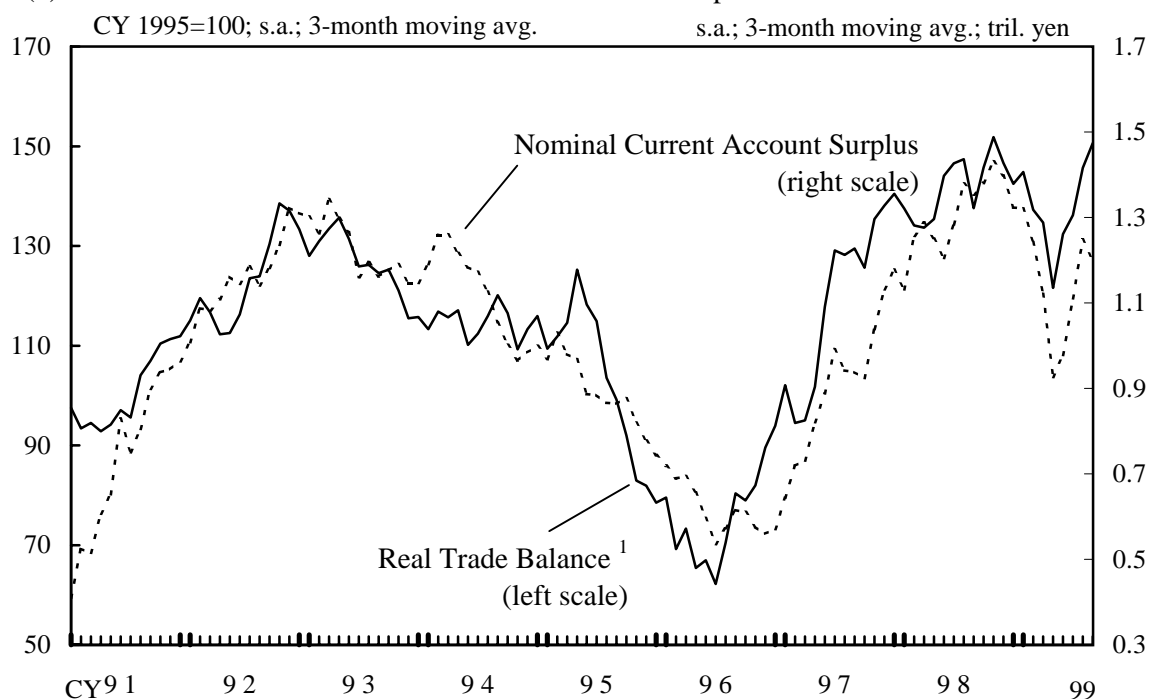
Sources: Economic Planning Agency, "National Income Statistics";
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";
Ministry of International Trade and Industry, "Indices of Industrial Production."

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 Q3	99 Q4	99 Q1	99 Q2	99 Q3	99 Jun.	99 Jul.	99 Aug.
United States	<30.5>	14.6	6.8	2.2	-2.5	1.4	2.4	5.5	6.2	0.0	5.8
EU	<18.4>	13.8	15.6	2.8	0.2	-2.3	-4.3	5.0	8.5	4.0	-3.0
East Asia	<33.2>	8.6	-18.1	-1.7	-2.3	9.2	2.6	8.0	9.8	2.7	1.4
China	<5.2>	8.2	0.5	-0.6	-4.3	20.3	-6.5	7.5	12.0	3.6	3.5
NIEs	<20.2>	10.5	-16.5	-3.2	-1.9	6.8	4.5	7.6	11.8	0.7	1.4
Taiwan	<6.6>	17.4	-0.4	0.7	-2.0	2.8	3.7	5.8	11.6	-3.2	3.2
Korea	<4.0>	-1.5	-35.3	-2.9	10.5	23.2	3.9	8.6	10.6	3.8	2.1
ASEAN4 ³	<7.8>	5.0	-29.2	1.4	-2.2	8.1	4.5	9.3	4.2	7.1	0.1
Thailand	<2.4>	-11.6	-29.4	-0.2	-2.3	10.9	-1.7	10.1	17.4	-0.3	3.3
Real exports		11.2	-2.1	1.5	-1.9	1.8	0.0	6.2	9.8	0.5	2.4

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.			s.a. m/m % chg.				
		CY 97	98	98 Q3	99 Q4	99 Q1	99 Q2	99 Q3	99 Jun.	99 Jul.	99 Aug.
Intermediate goods	<14.5>	11.2	2.9	3.2	-1.1	0.1	4.5	3.0	6.8	-0.1	0.5
Motor vehicles and their related goods	<21.9>	14.6	1.3	3.2	2.4	-3.5	-2.4	6.4	5.0	-0.4	8.1
Consumer goods ⁴	<7.3>	6.3	5.0	-2.3	0.3	1.8	-0.6	6.3	5.9	5.5	-0.7
Information-related goods ⁵	<17.2>	18.1	-7.0	0.9	-3.4	2.6	2.9	7.8	7.9	3.4	0.4
Capital goods and parts ⁶	<28.7>	9.0	-5.4	0.0	-4.6	2.6	-1.1	6.4	11.7	2.3	-2.5
Real exports		11.2	-2.1	1.5	-1.9	1.8	0.0	6.2	9.8	0.5	2.4

Notes: 1. Seasonally adjusted by X-11. 99/Q3 are Jul-Aug averages in terms of 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 Q3	99 Q4	99 Q1	99 Q2	99 Q3	99 Jun.	99 Jul.	99 Aug.
United States	<23.9>	1.1	-3.7	0.3	-3.6	10.0	-12.3	0.5	5.3	-5.0	13.7
EU	<13.9>	-3.6	-6.5	3.3	1.6	3.8	-4.8	9.5	12.9	3.7	-2.0
East Asia	<34.9>	0.9	-7.7	0.9	0.5	8.2	6.1	2.9	7.3	-4.1	7.0
China	<13.2>	8.8	-4.4	0.6	-0.8	7.2	5.8	1.4	7.4	-5.1	6.9
NIEs	<10.2>	-8.1	-10.9	-0.2	4.3	13.2	4.8	2.8	9.8	-4.1	6.0
Taiwan	<3.6>	-10.4	-11.1	1.5	3.2	13.9	5.0	5.9	0.8	2.9	3.4
Korea	<4.3>	-3.9	-9.5	-3.3	9.1	14.7	6.1	1.5	11.5	-5.9	9.7
ASEAN4 ³	<11.4>	2.2	-8.1	2.2	-1.4	5.0	7.8	4.5	5.0	-3.0	8.0
Thailand	<2.9>	-0.5	-7.1	2.1	-4.3	5.4	1.3	2.4	2.8	-1.8	5.6
Real imports		0.9	-8.3	2.4	-1.8	5.0	-0.5	3.7	8.4	-3.8	9.0

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.			s.a. m/m % chg.				
		CY 97	98	98 Q3	99 Q4	99 Q1	99 Q2	99 Q3	99 Jun.	99 Jul.	99 Aug.
Raw materials ⁴	<23.2>	-0.5	-6.0	2.3	-0.3	1.3	1.4	0.2	10.0	-10.0	13.8
Intermediate goods	<14.0>	2.7	-7.1	-0.2	0.2	1.8	1.4	5.1	11.3	-6.5	10.7
Foodstuffs	<14.8>	-3.5	-4.0	2.6	-4.0	5.7	-1.7	-0.3	9.4	-2.6	1.2
Consumer goods	<10.7>	-10.0	-13.8	5.3	-5.3	2.8	9.5	3.3	9.9	-5.6	9.6
Information-related goods ⁵	<13.2>	8.0	-5.8	3.8	-2.0	6.3	7.8	7.2	5.1	-0.7	7.4
Capital goods and parts ⁶	<13.3>	13.6	2.7	-0.4	0.8	20.5	-17.7	0.1	2.0	2.0	4.9
Real imports		0.9	-8.3	2.4	-1.8	5.0	-0.5	3.7	8.4	-3.8	9.0

Notes: 1. Seasonally adjusted by X-11. 99/Q3 are Jul-Aug averages in terms of 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.

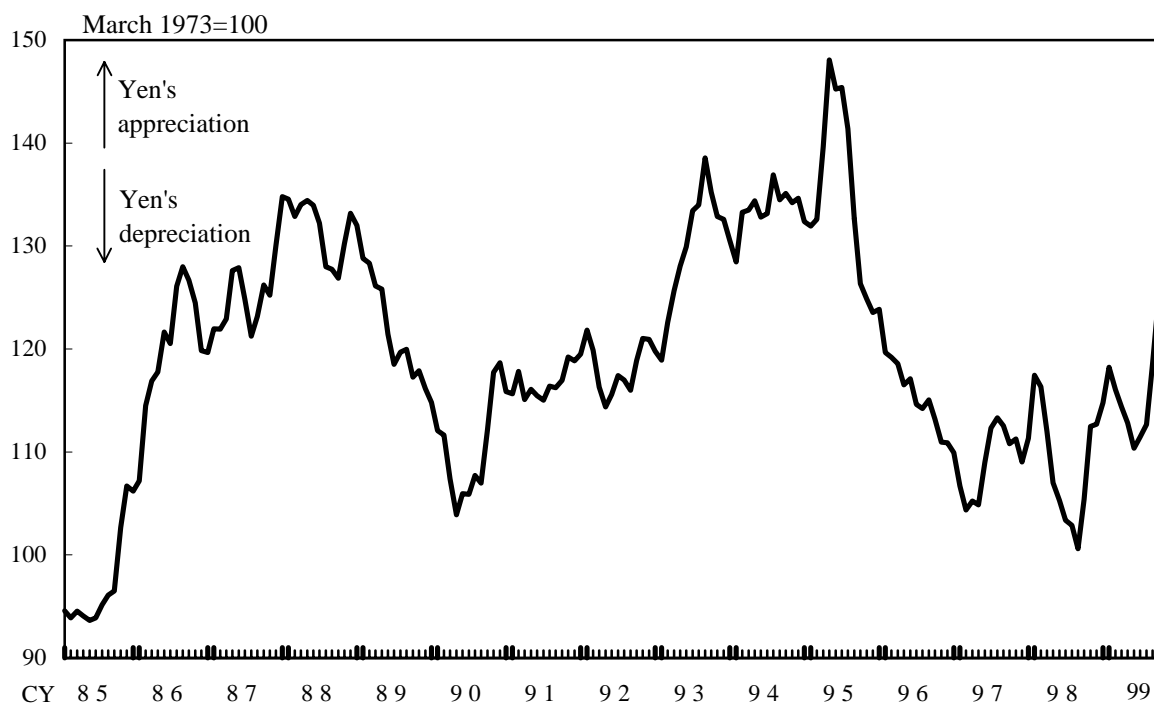
4. Raw materials = woods + ores + mineral fuel, etc.

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 October 1999 is the average of October 1-12. 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.

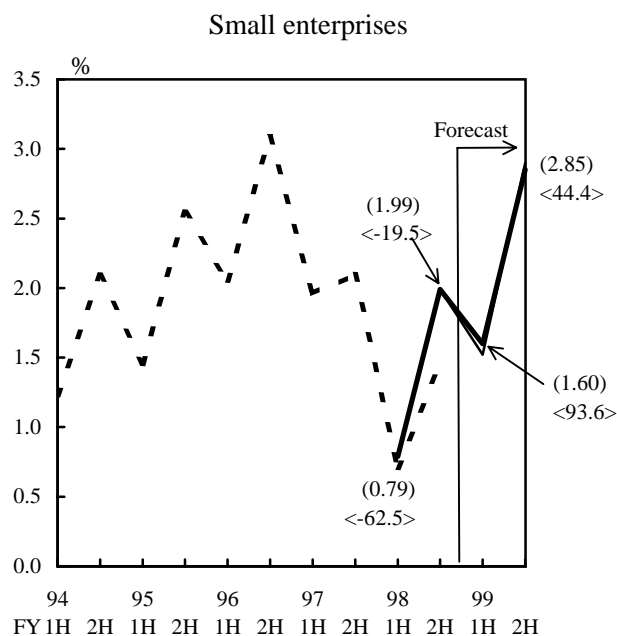
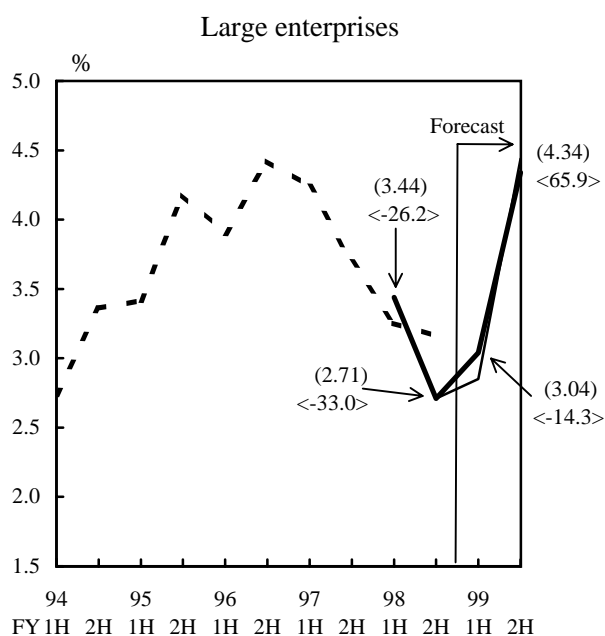
(2) Real GDP Growth Rates in Overseas Economies

		CY97	98	99	98 Q3	Q4	99 Q1	Q2	
United States ¹		3.9	3.9	(3.8)	3.7	6.0	4.3	1.6	
European Union ¹		2.6	2.7	(2.0)	2.5	0.8	1.7	n.a.	
	Germany	1.5	2.2	(1.5)	1.6	-1.1	1.8	0.2	
	France	2.0	3.4	(2.4)	1.9	2.6	1.4	2.5	
	United Kingdom	3.5	2.2	(1.4)	2.2	0.2	0.9	2.6	
East Asia ²	China	8.8	7.8	(7.3)	(Jan-Sep) 7.2	(Jan-Dec) 7.8	8.3	(Jan-Jun) 7.6	
	NIEs	Korea	5.0	-5.8	(6.6)	-7.1	-5.3	4.6	9.8
		Taiwan	6.8	4.7	(5.1)	4.7	3.7	4.3	6.5
		Hong Kong	5.0	-5.1	(-0.4)	-6.9	-5.6	-3.2	0.7
		Singapore	9.0	0.3	(4.2)	-1.9	-1.1	0.6	6.7
	4 Countries of ASEAN	Thailand	-1.8	-10.0	(2.5)	-13.6	-5.8	0.8	3.5
		Indonesia	4.7	-13.2	(0.2)	-16.1	-17.7	-9.4	1.8
Malaysia		7.5	-7.5	(3.0)	-10.9	-10.3	-1.3	4.1	
	Philippines	5.2	-0.5	(2.5)	-0.1	-2.0	1.2	3.6	

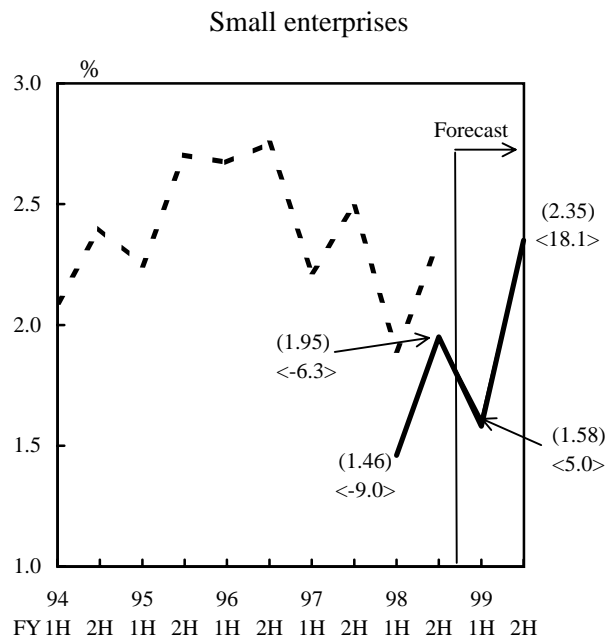
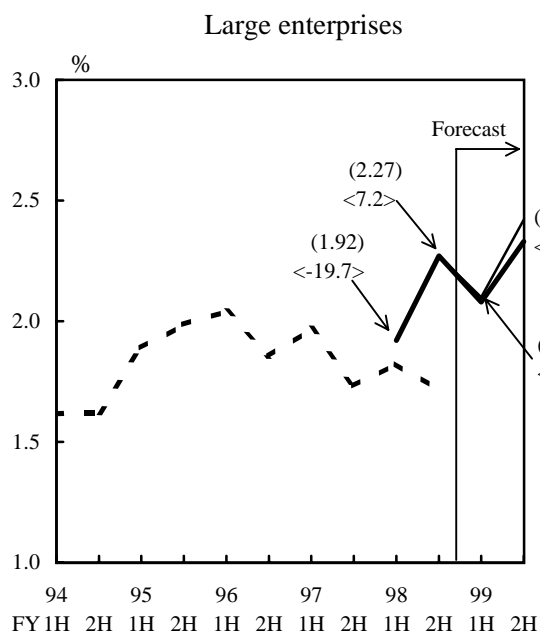
Notes: 1. Quarterly data are quarter-to-quarter percent changes.
 2. Quarterly data are percent changes from a year earlier.
 3. Forecasts by "BLUE CHIP ECONOMIC INDICATORS" and "CONSENSUS FORECASTS" are shown in brackets.

Current Profits to Sales Ratio as Surveyed in the *Tankan* (September 1999)

(1) Manufacturing



(2) Nonmanufacturing

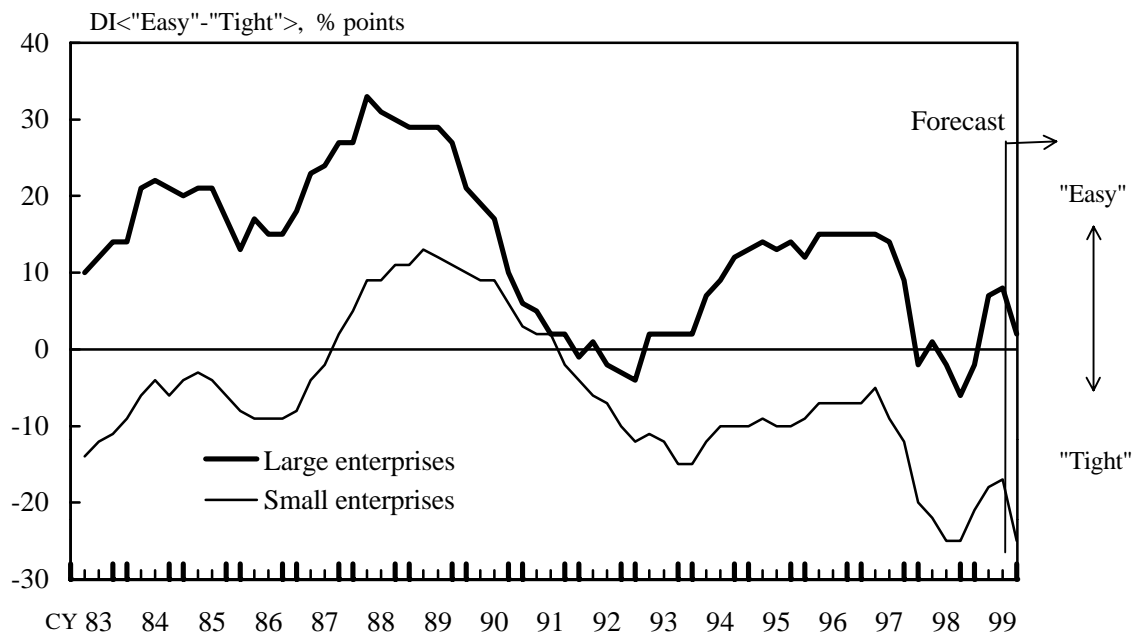


- Notes: 1. The dotted line shows the pre-revision *Tankan*, and the wide solid line shows the post-revision *Tankan* figures (the thin solid line shows the figures as of the June 1999 survey).
 2. Figures in parentheses are the current profits to sales ratio.
 3. Figures in brackets are the percent change in current profits from a year earlier.

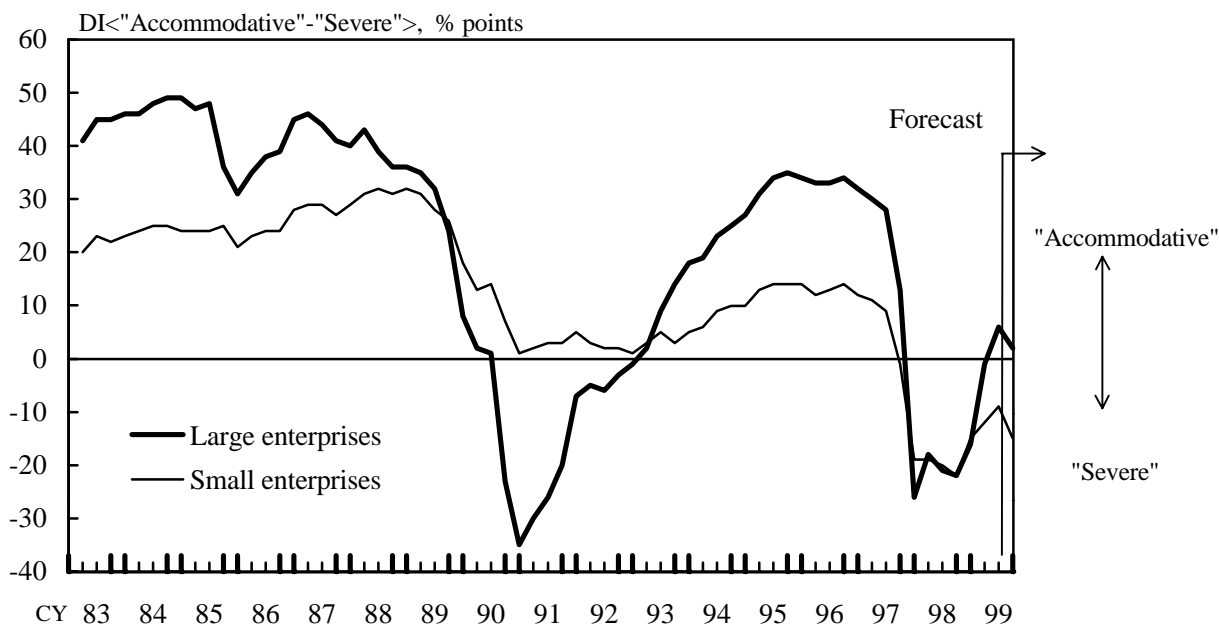
Source: Bank of Japan, "*Tankan* Short-term Economic Survey of Enterprises in Japan."

Corporate Finance-Related Indicators in the *Tankan* (September 1999)

(1) Financial Position



(2) Lending Attitude of Financial Institutions

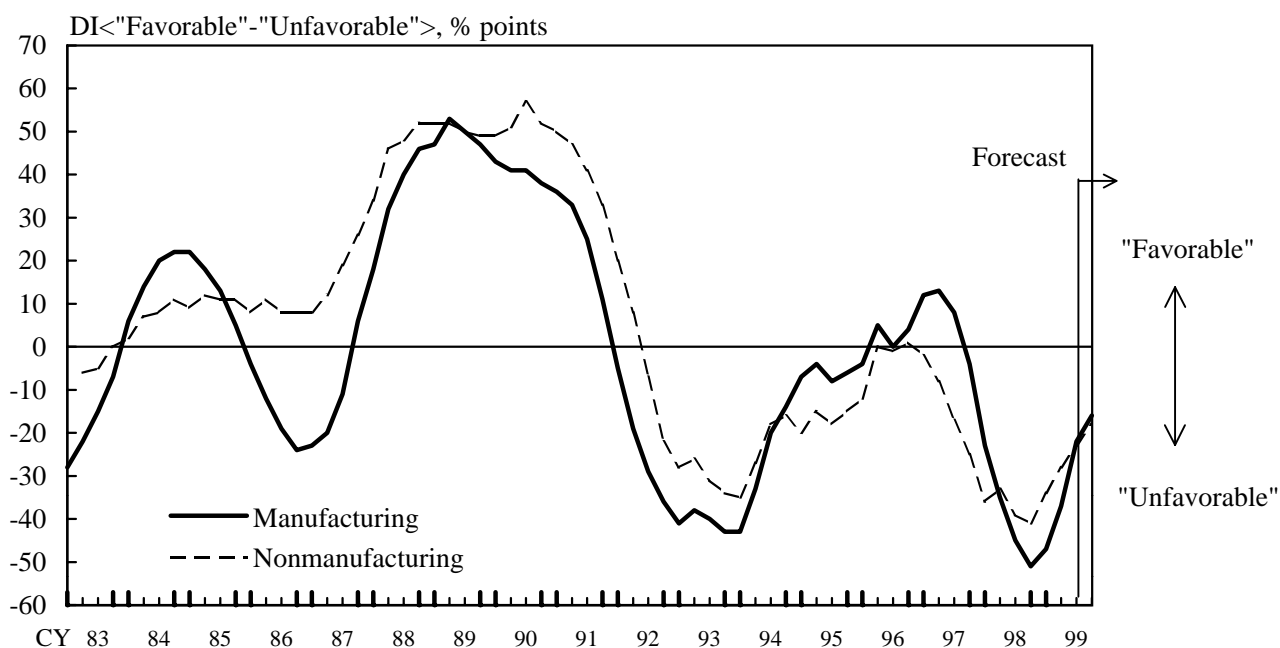


Note: Figures before December 1998 are based on the pre-revision *Tankan* , and those of March 1999 are based on the post-revision *Tankan* .

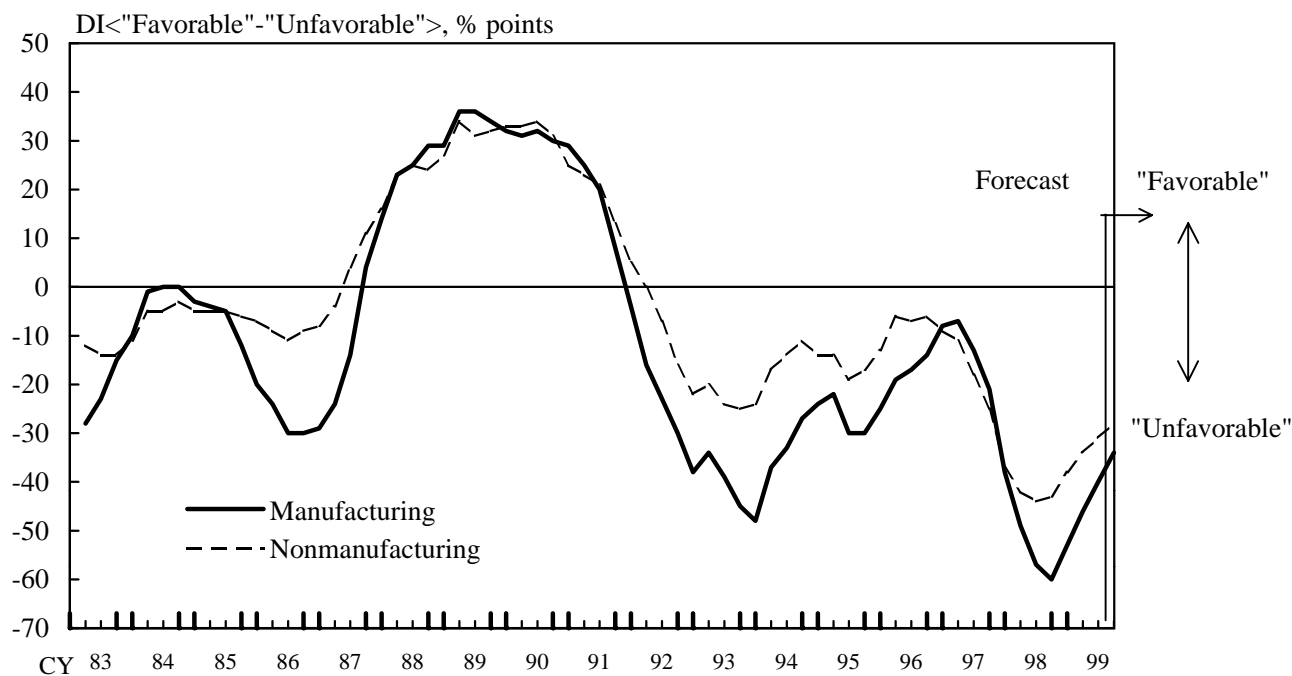
Source: Bank of Japan, "*Tankan* Short-term Economic Survey of Enterprises in Japan."

Business Conditions in the *Tankan* (September 1999)

(1) Large Enterprises



(2) Small Enterprises

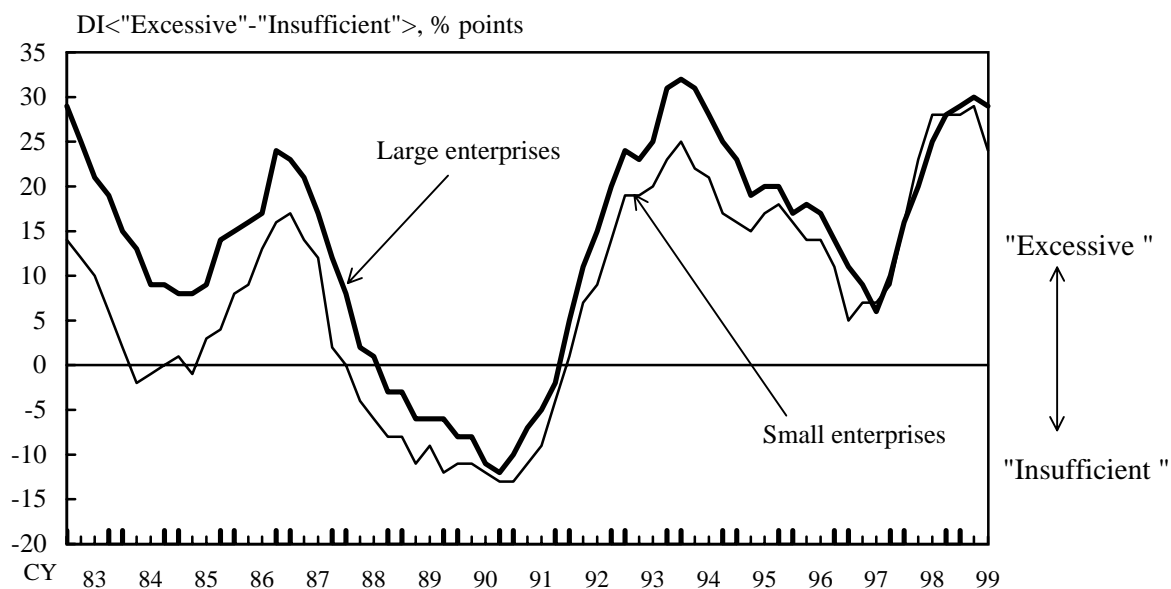


Note: Figures before December 1998 are based on the pre-revision *Tankan*, and those of March 1999 are based on the post-revision *Tankan*.

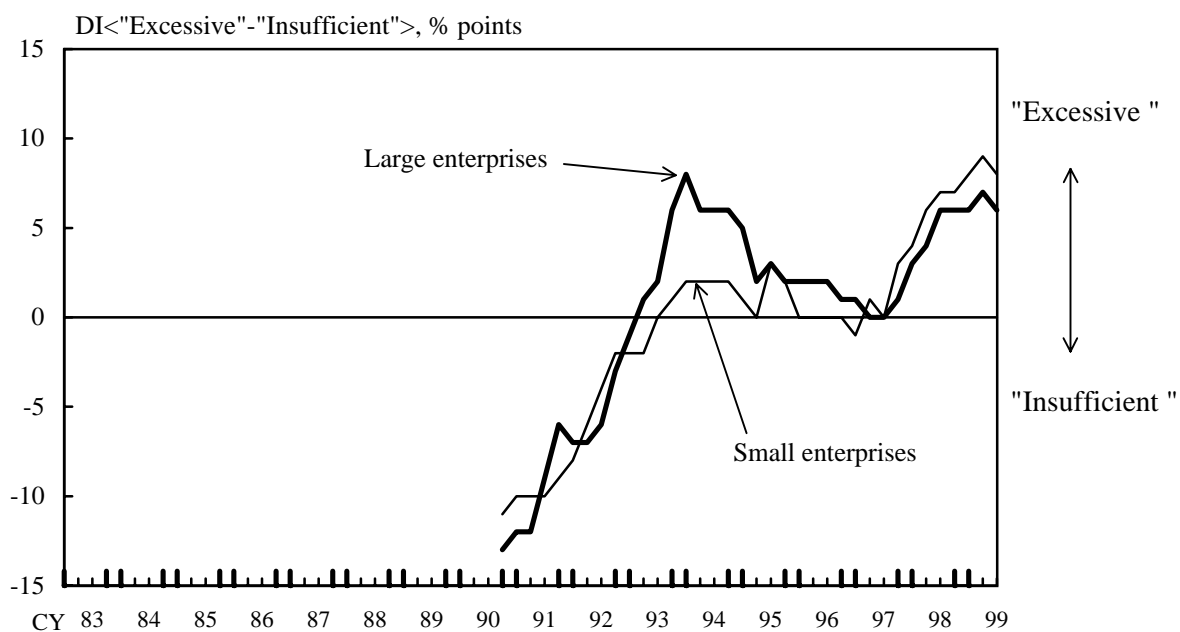
Source: Bank of Japan, "*Tankan* Short-term Economic Survey of Enterprises in Japan."

 Production Capacity Indicators in the *Tankan* (September 1999)

(1) Operating Ratio and Production Capacity DI (Manufacturing Industries)



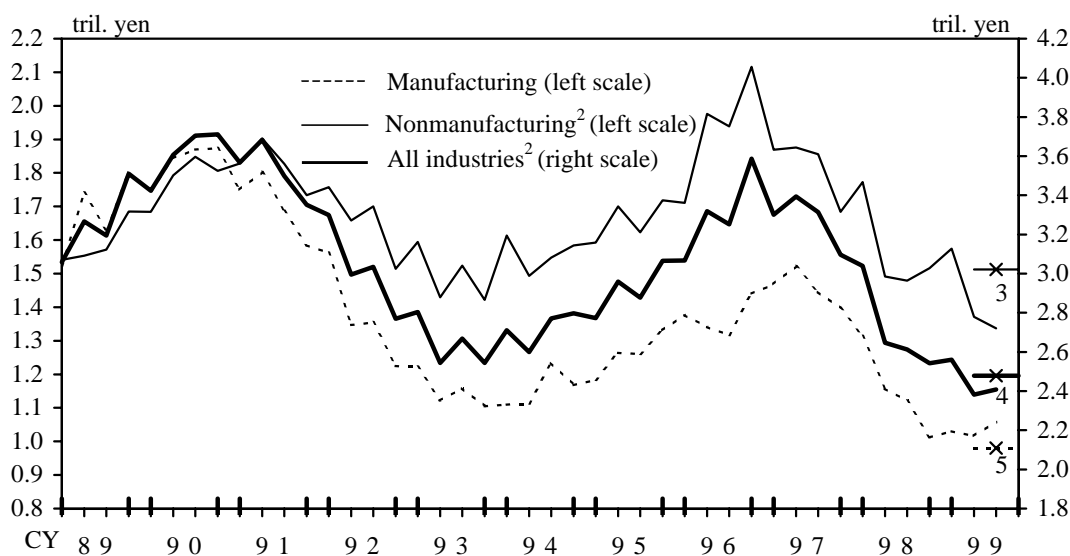
(2) Operating Ratio and Production Capacity DI (Nonmanufacturing Industries)



Note: Figures before December 1998 are based on the pre-revision *Tankan* , and those of March 1999 are based on the post-revision *Tankan* .

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

Major Indexes of Business Fixed Investment

(1) Machinery Orders¹

Notes: 1. Seasonally adjusted data.

Figures for 1999/Q3 are averages of July and August in terms of quarterly amount.

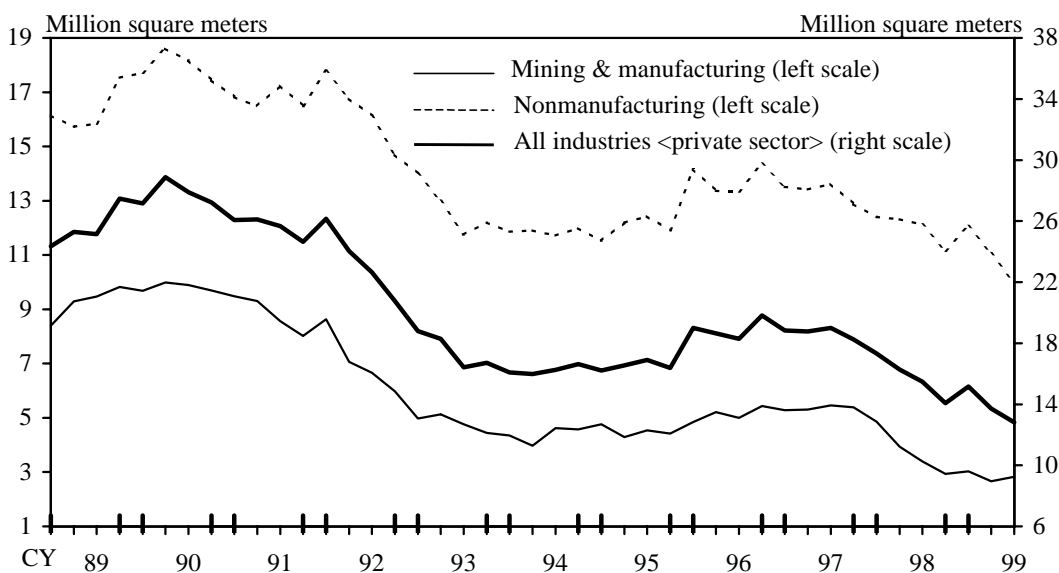
2. Excludes orders from electric power companies and shipbuilding orders.

3. Forecast of nonmanufacturing industries for 1999/Q3.

4. Forecast of all industries for 1999/Q3.

5. Forecast of manufacturing industries for 1999/Q3.

(2) Construction Starts (Nonresidential)



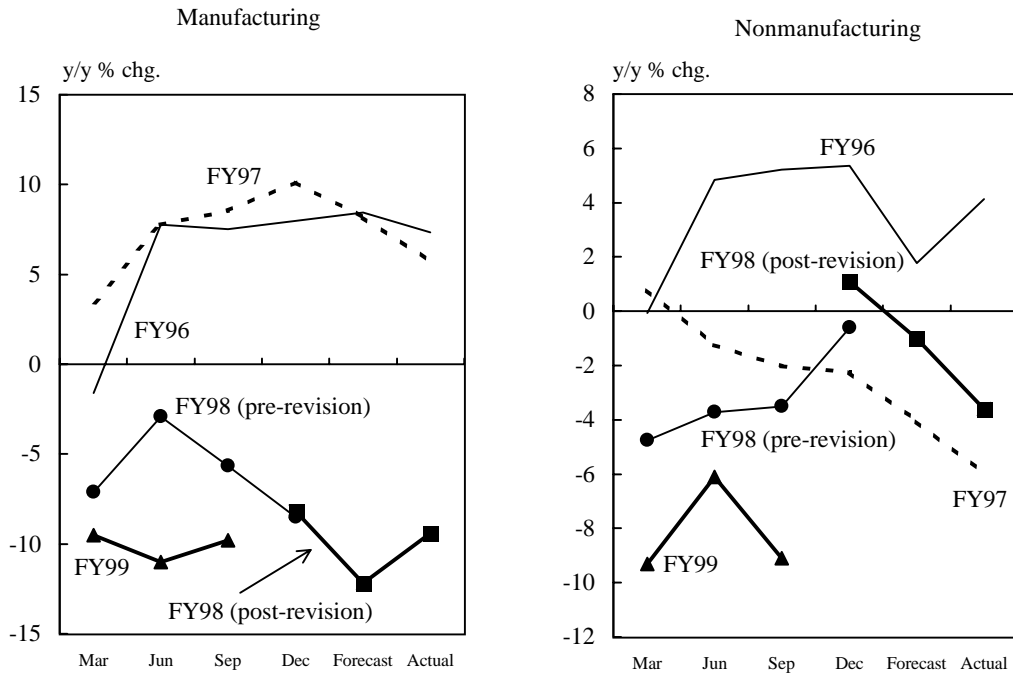
Notes: 1. Seasonally adjusted by X-11.

2. Figures for 1999/Q3 are averages of July and August in terms of quarterly amount.

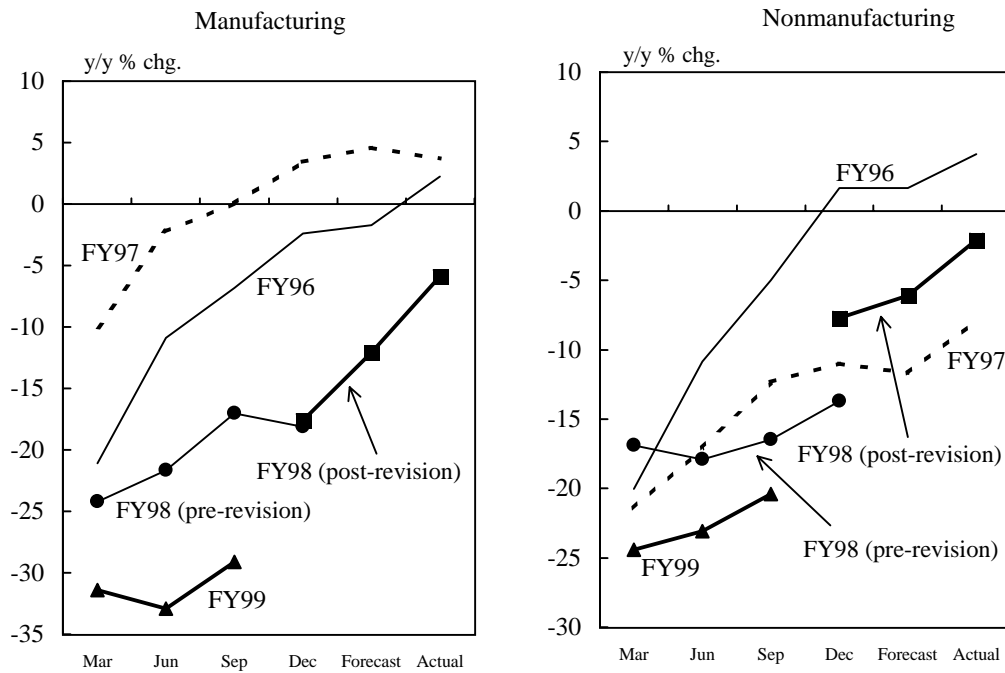
Sources: Economic Planning Agency, "Machinery Orders Statistics";
 Ministry of Construction, "Statistics Building Construction Starts."

Business Fixed Investment Plans as Surveyed in the *Tankan* (September 1999)

(1) Adjustment of Plans by Large Enterprises

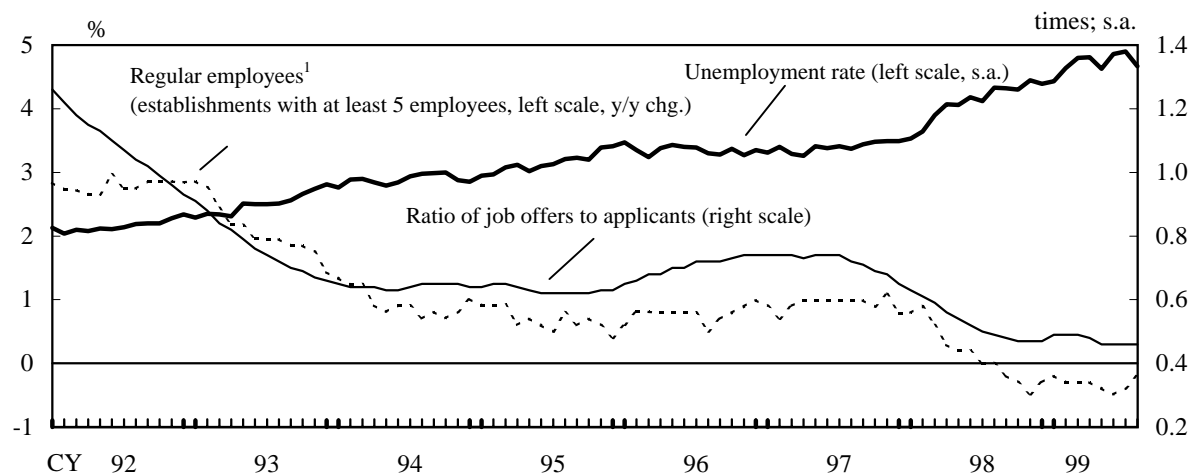
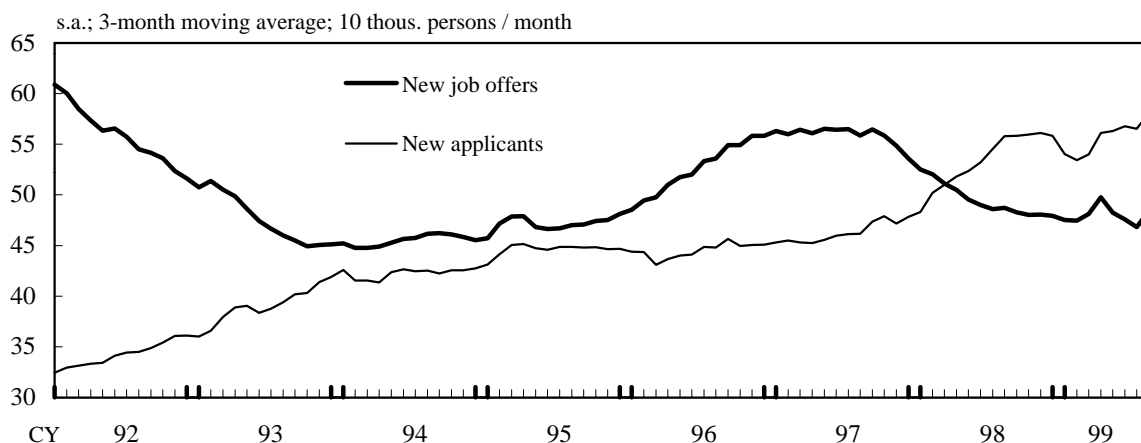
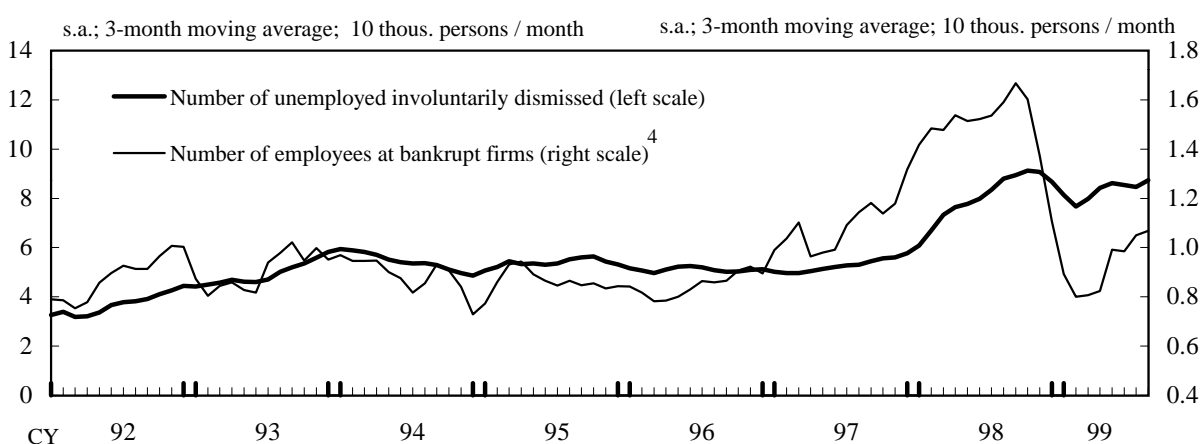


(2) Adjustment of Plans by Small Enterprises



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 Aug.1999 are preliminary figures.

2. Excludes jobs offered to new graduates.

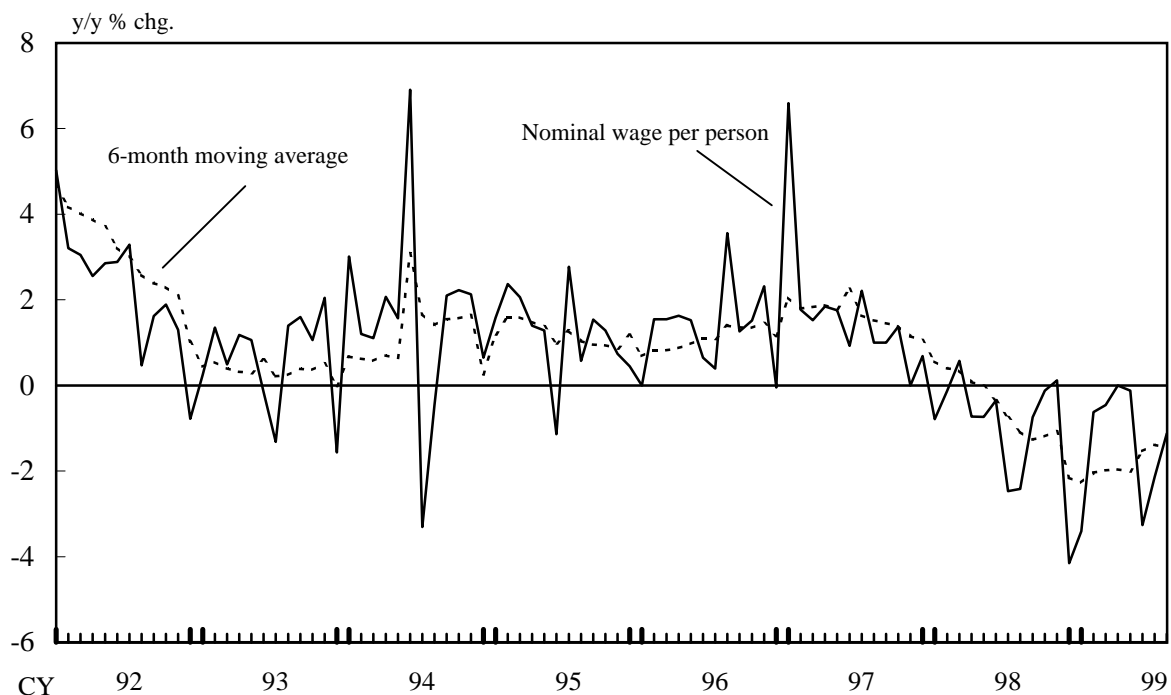
3. Seasonally adjusted by X-11.

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

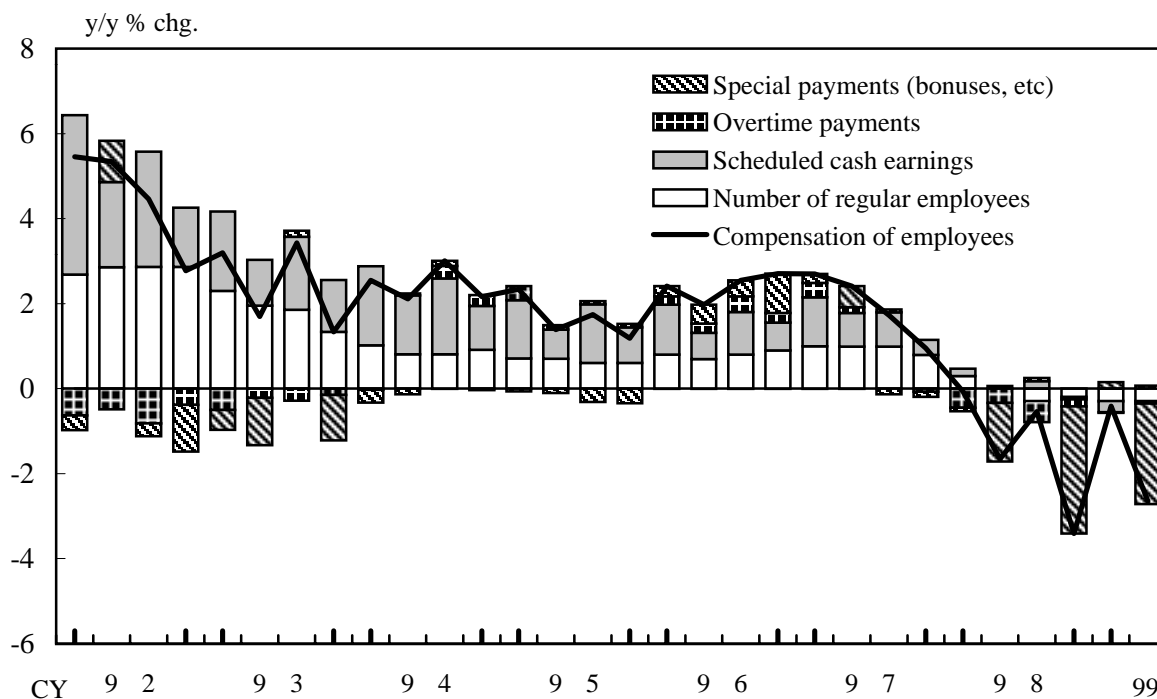
Sources: Ministry of Labor, "Monthly Labor Survey", "Report on Employment Service", "Report on Employment Insurance Service"; Management and Coordination Agency, "Labor Force Survey"; *Teikoku Databank Ltd.*, "Japan's Business Failure."

Compensation of Employees¹

(1) Nominal Wage per Person



(2) Breakdown of Compensation²

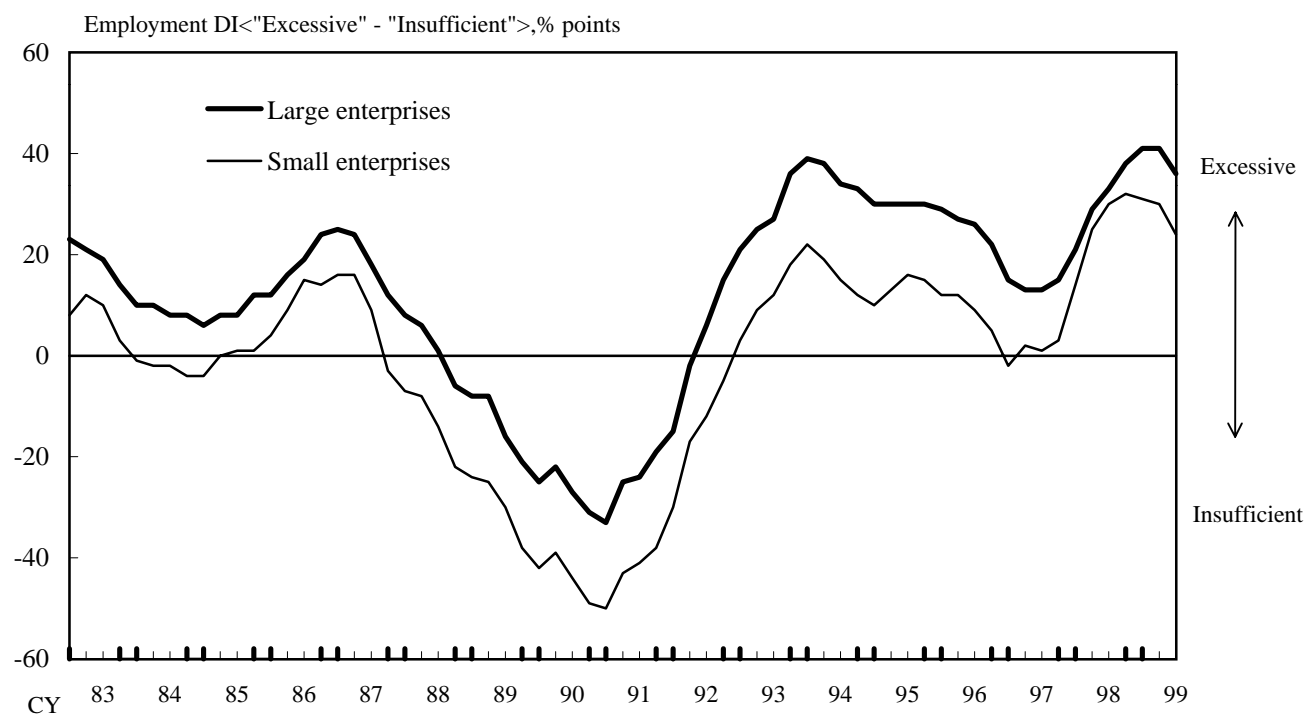


Notes : 1. Data for establishments with at least 5 employees. The data for Aug.1999 are preliminary figures.
 2. Q1= Mar-May, Q2= Jun-Aug, Q3=Sep-Nov, Q4= Dec-Feb.

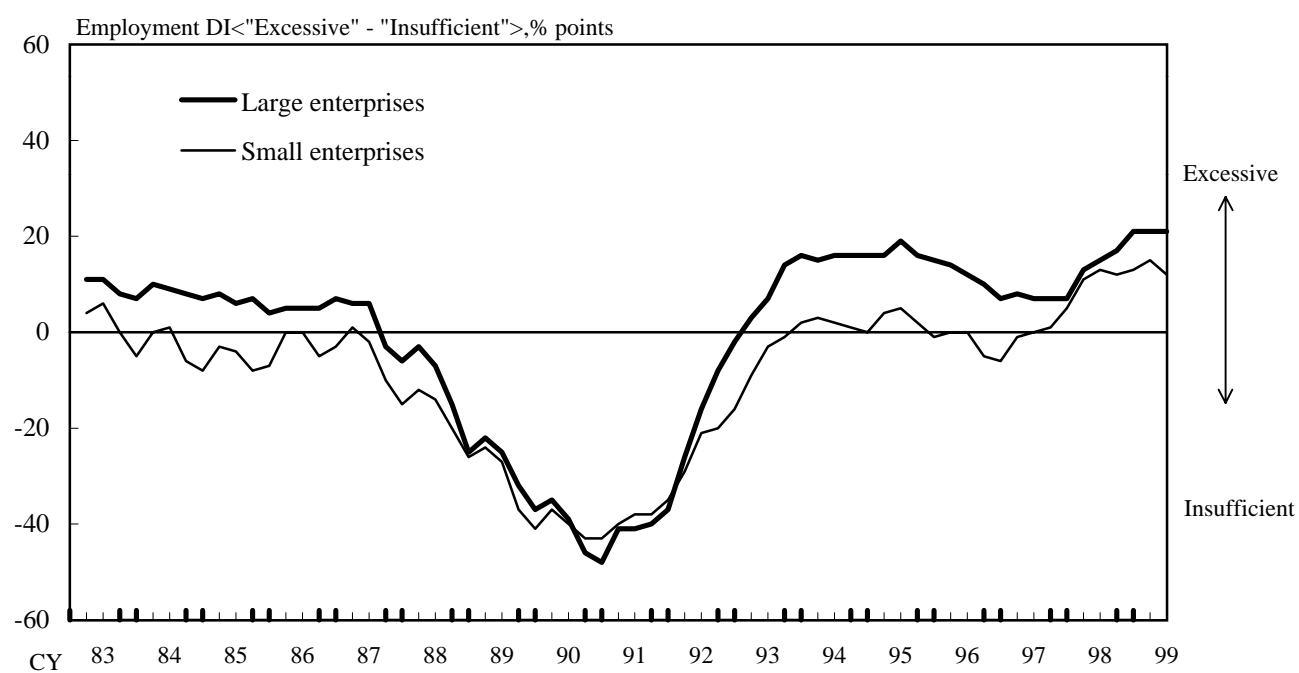
Source: Ministry of Labor, "Monthly Labor Survey."

Employment Conditions in the *Tankan* (September 1999)

(1) Manufacturing



(2) Nonmanufacturing

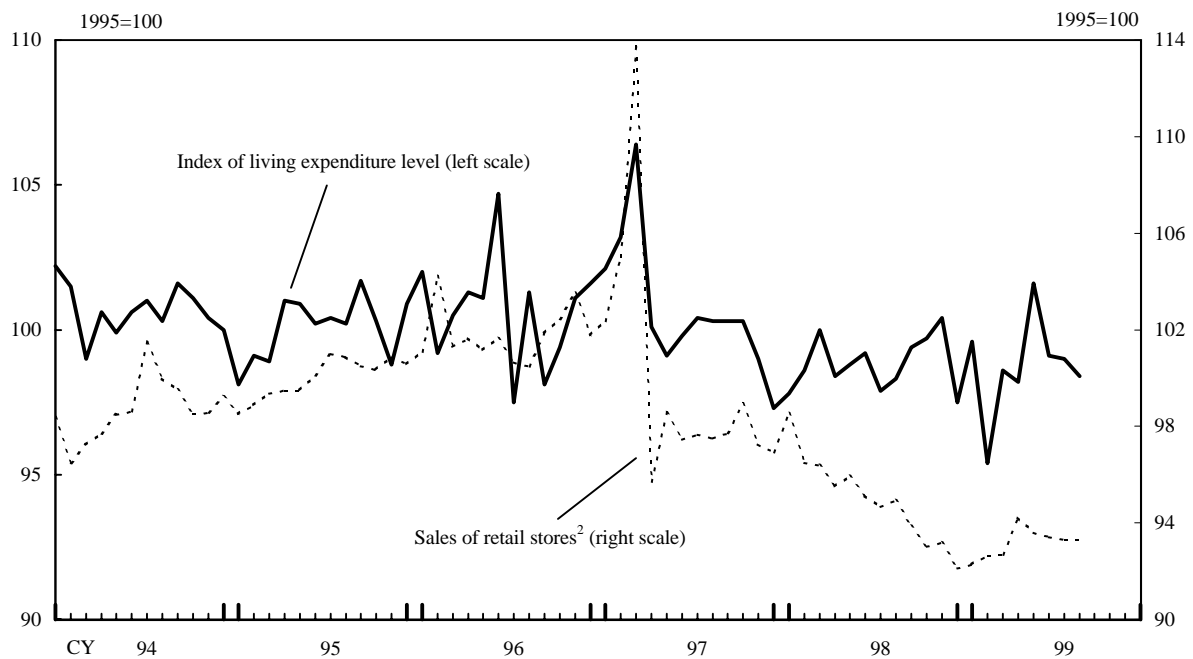


Note: Figures before December 1998 are based on the pre-revision *Tankan*, and those of March 1999 are based on the post-revision *Tankan*.

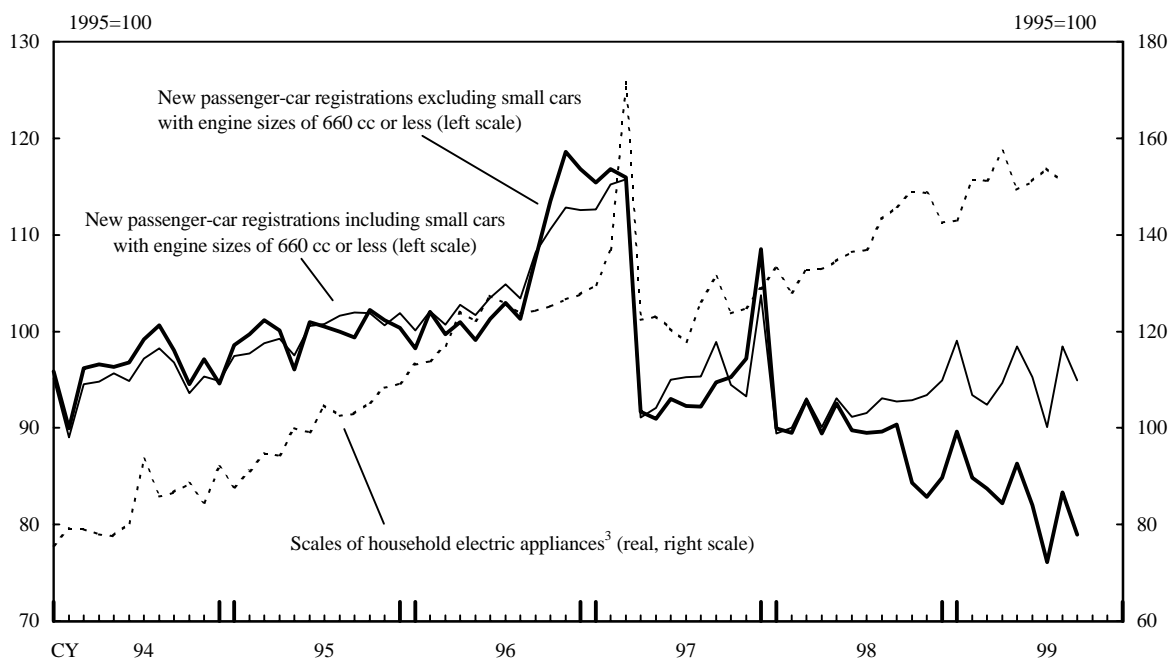
Source: Bank of Japan, "*Tankan* Short-Term Economic Survey of Enterprises in Japan."

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 Management and Coordination Agency.

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

3. Sales of household electric appliances are 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";

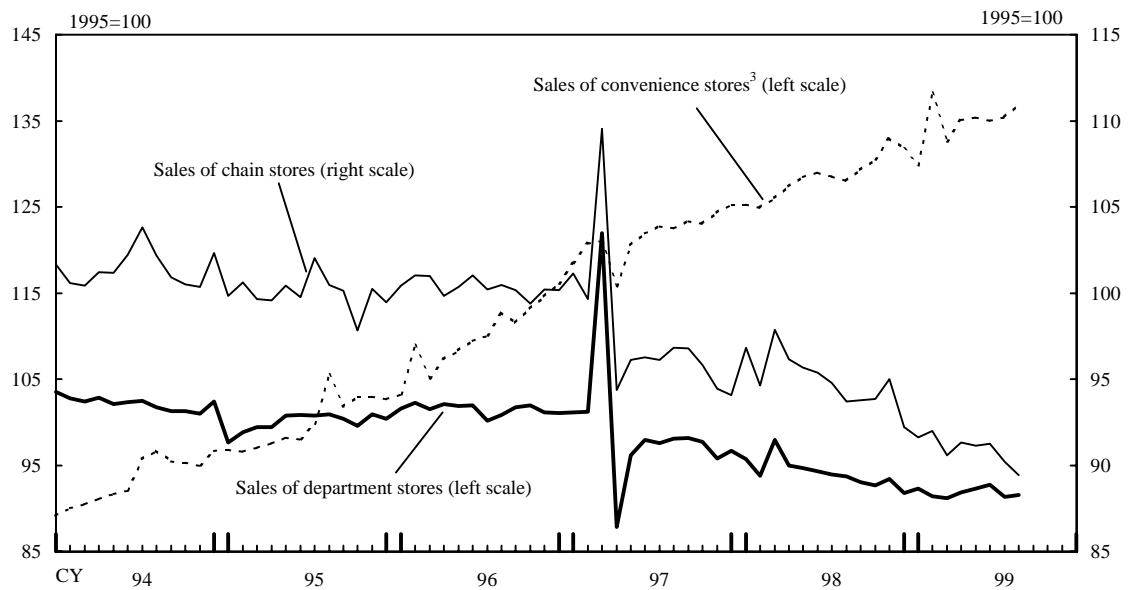
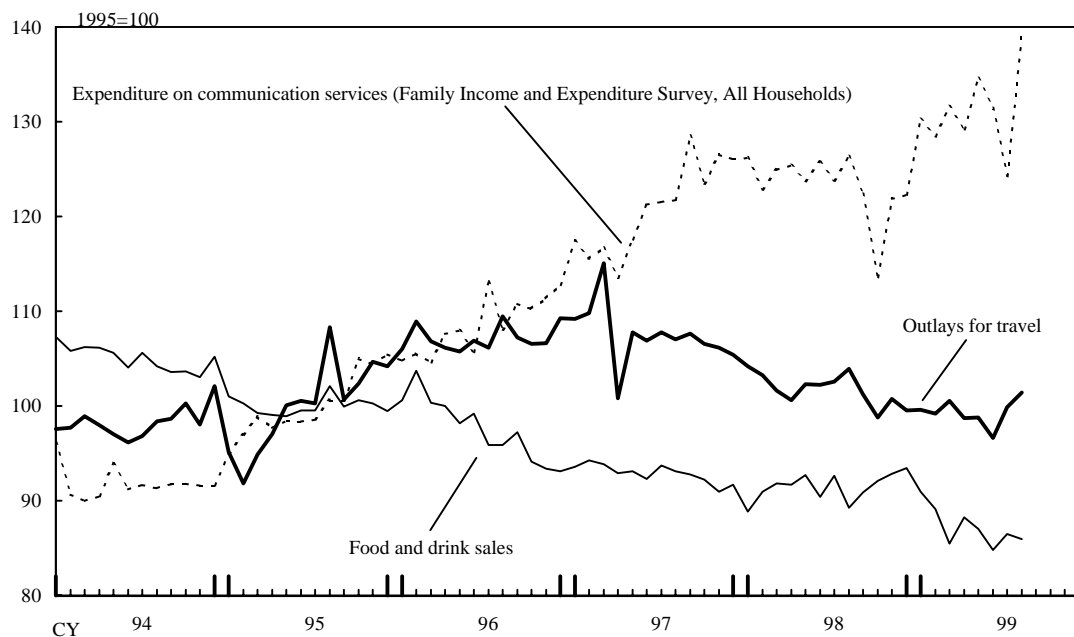
Ministry of International Trade and Industry, "Current Survey of Commerce";

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 service⁴

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.

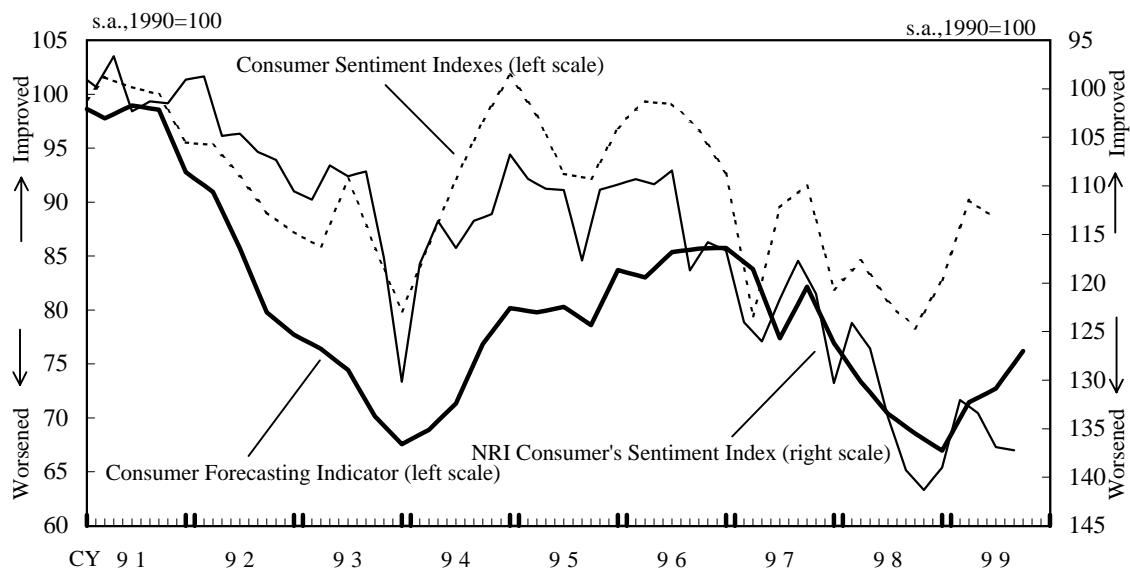
3. Sales of convenience stores are surveyed by the Bank of Japan.

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

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."

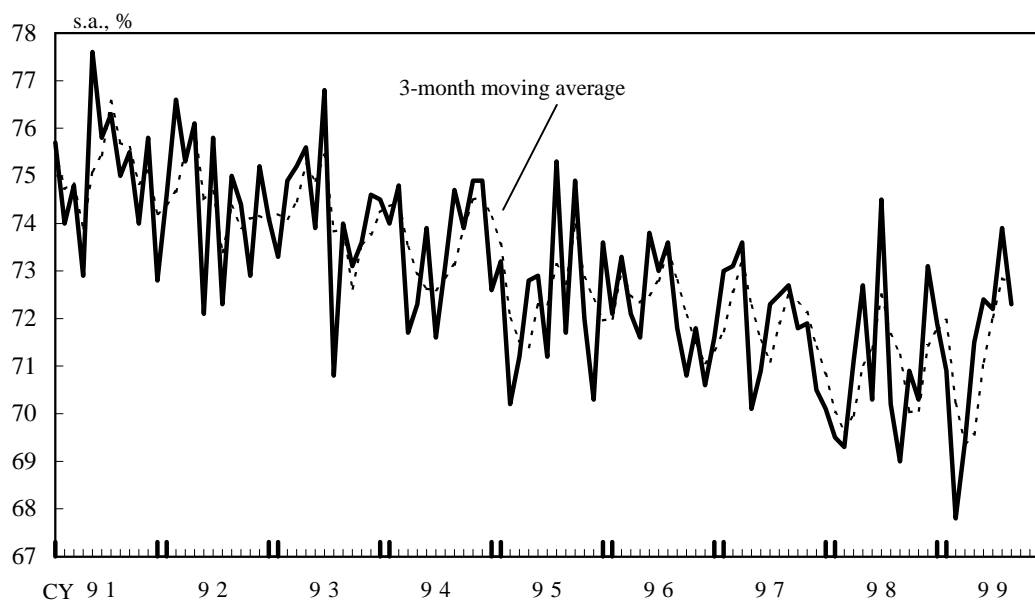
Consumer Confidence and Propensity to Consume

(1) Surveys on consumer confidence



- Notes:
1. Seasonally adjusted by X-11. "Consumer Sentiment Indexes" is seasonally adjusted by Economic Planning Agency.
 2. Consumer Sentiment Indexes, Consumer Forecasting Indicator, and NRI Consumer's Sentiment Index are based on surveys on consumer confidence.
 3. Data are plotted at the months of each survey.
 4. 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)

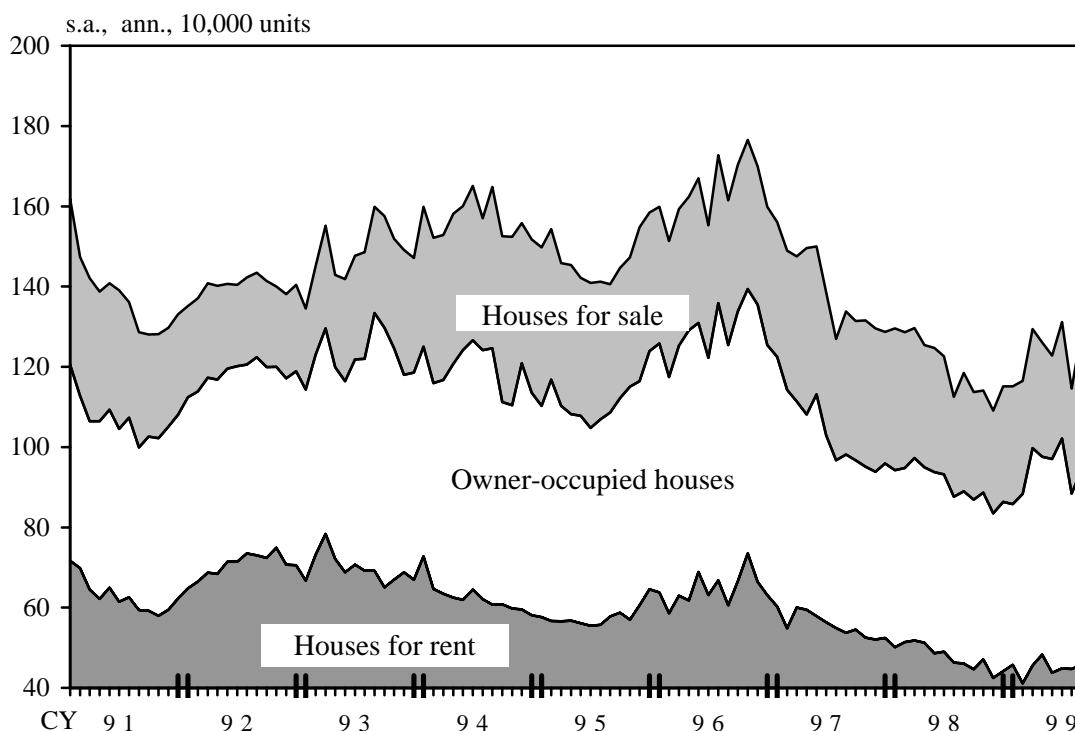


Note: Seasonally adjusted by Management and Coordination Agency.

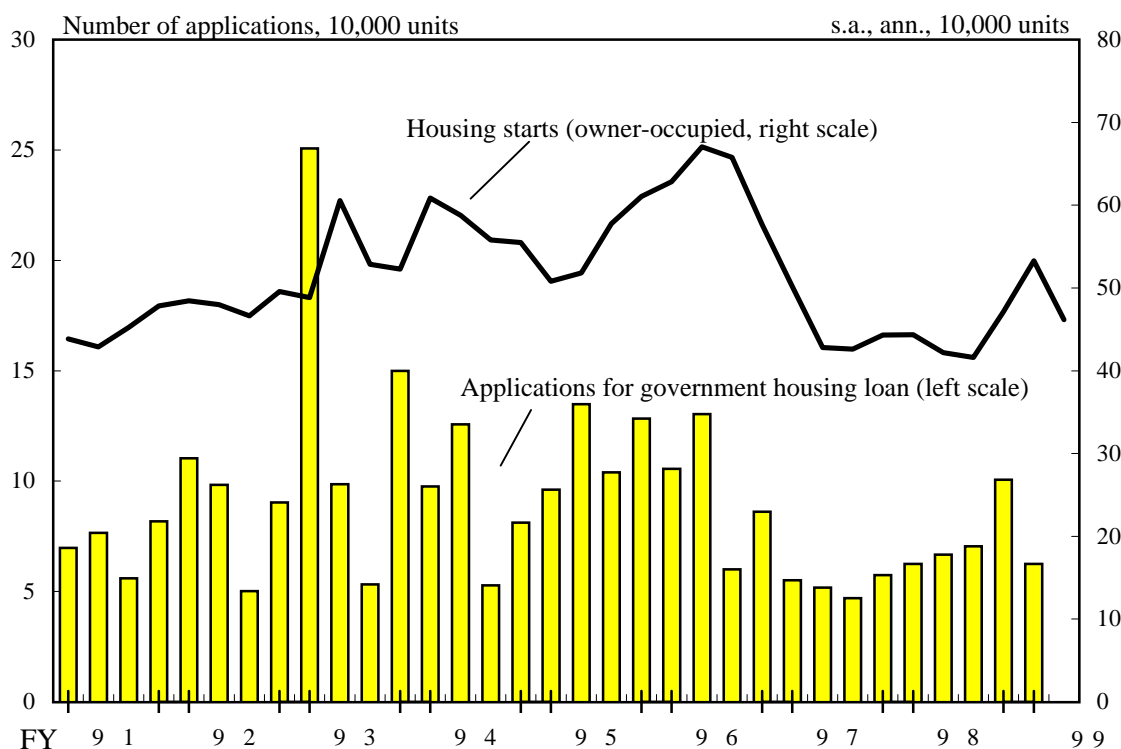
- Sources: Economic Planning Agency, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (Nikkei RIM), "Consumption Forecasting Indicator";
 Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey";
 Nippon Research Institute (NRI), "Consumer's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

Major Indexes of Housing Investment

(1) Housing starts



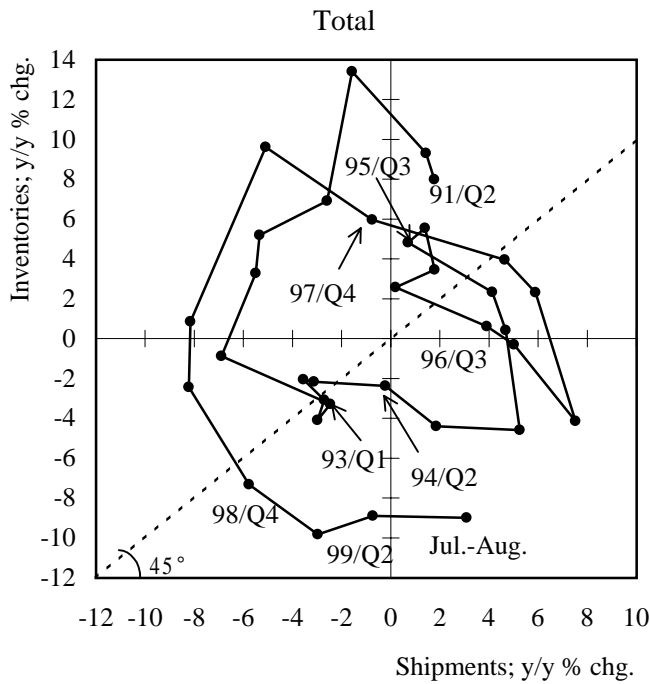
(2) Number of applications for government housing loan (for new owner-occupied homes)



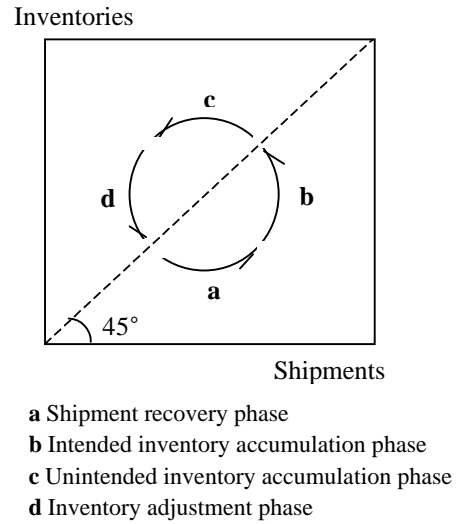
Note: The data for 99/Q2 are July-August averages converted into an annual equivalent.

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

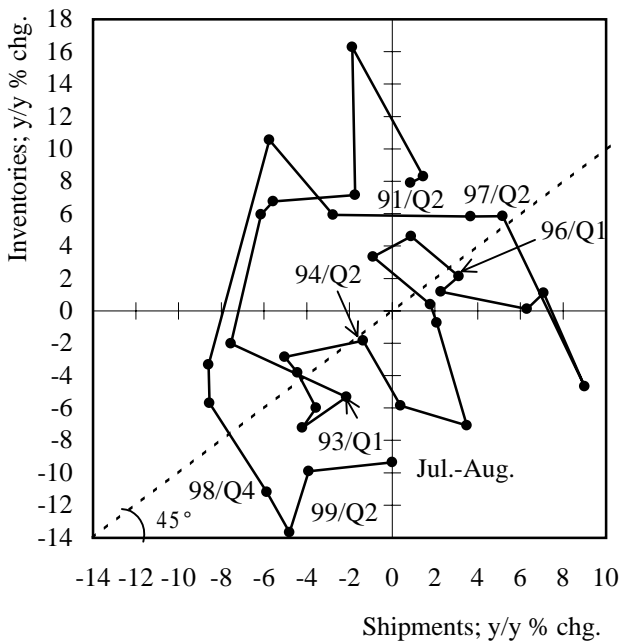
Inventory Cycle



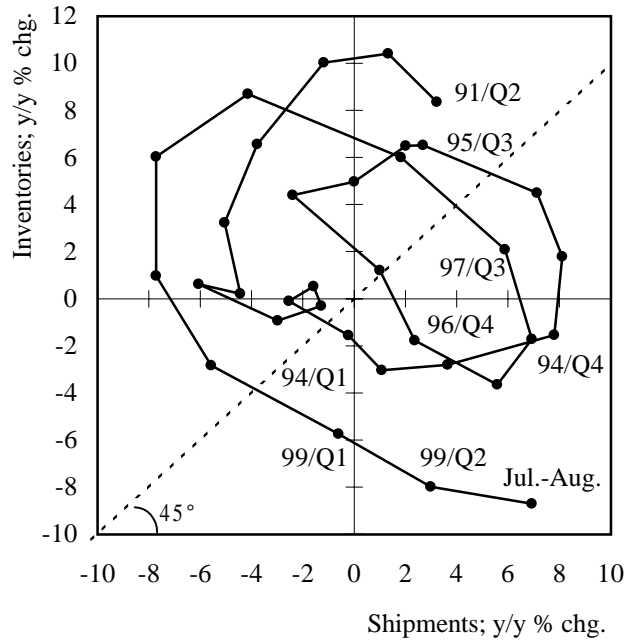
Phases in the Inventory Cycle



Final Demand Goods



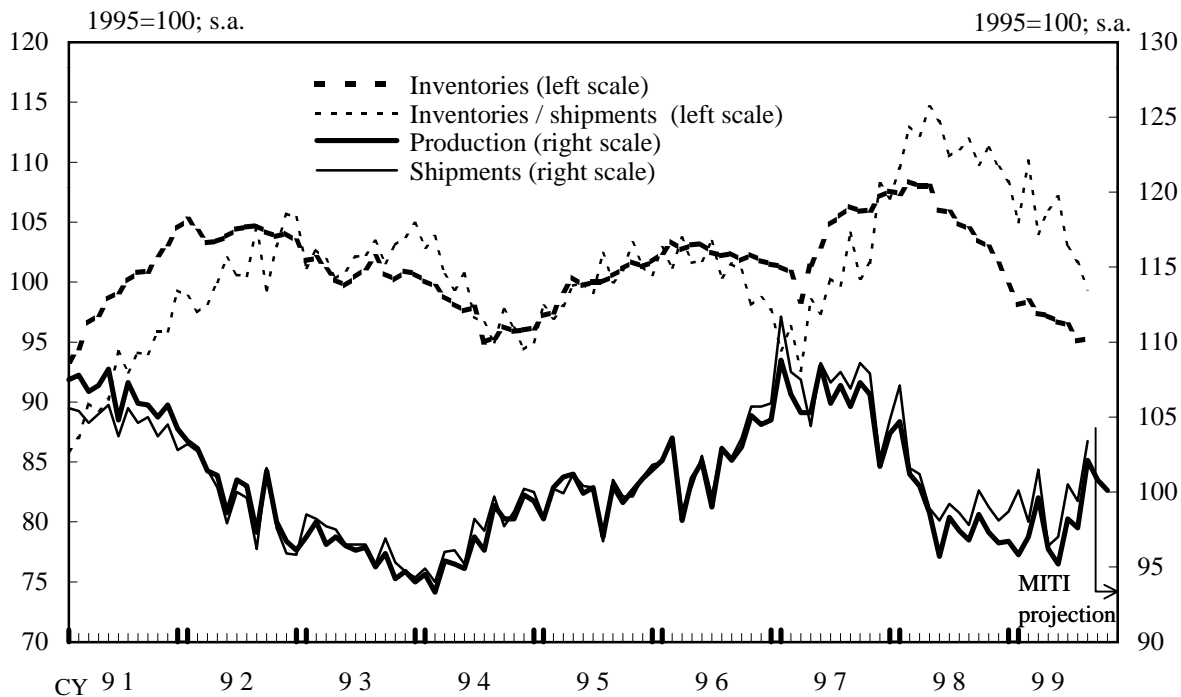
Production Goods



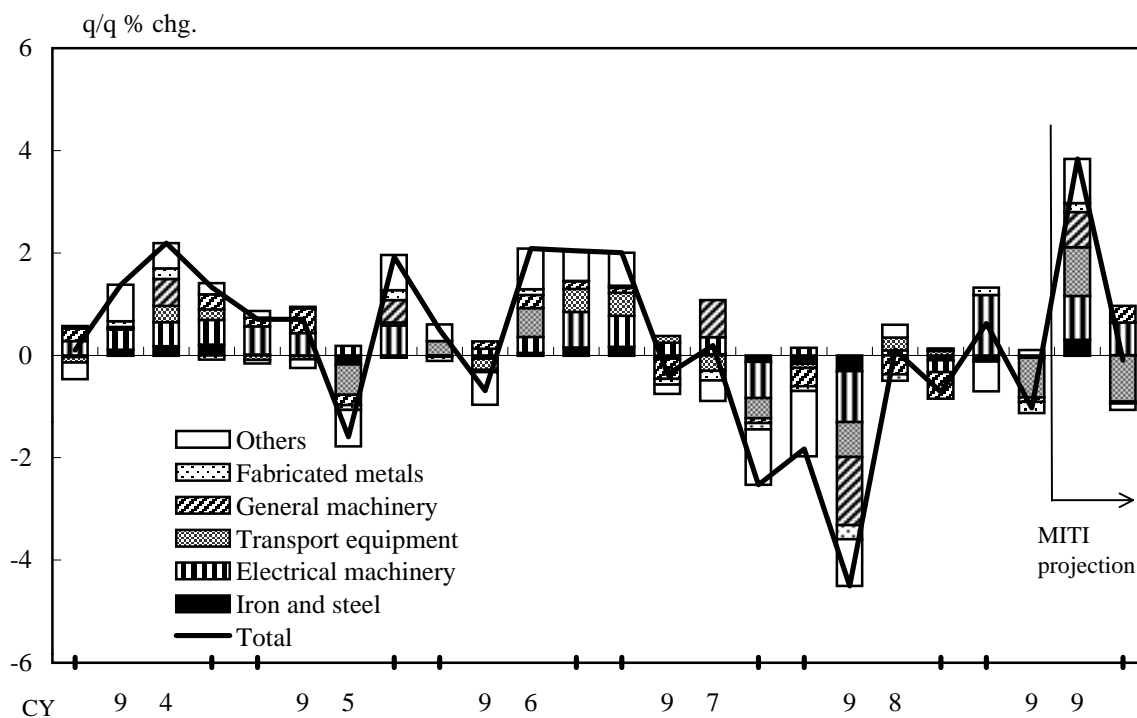
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

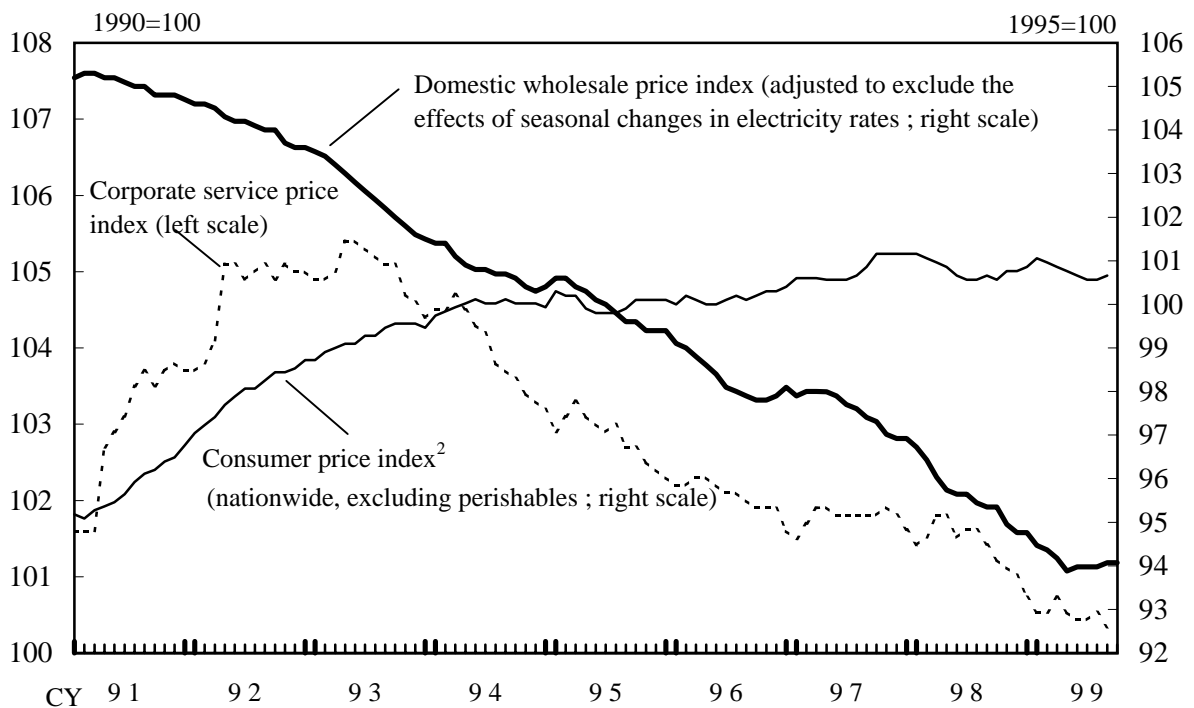


Note: Transport equipment excludes ships and rolling stock.

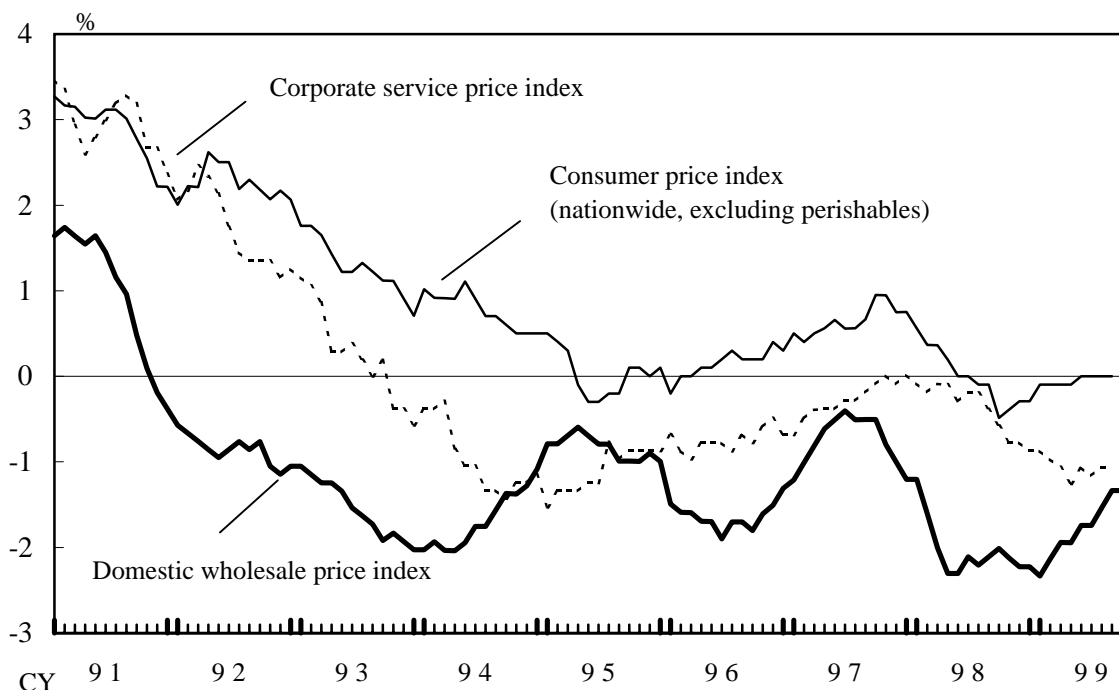
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Prices¹

(1) Level



(2) Changes from a year earlier



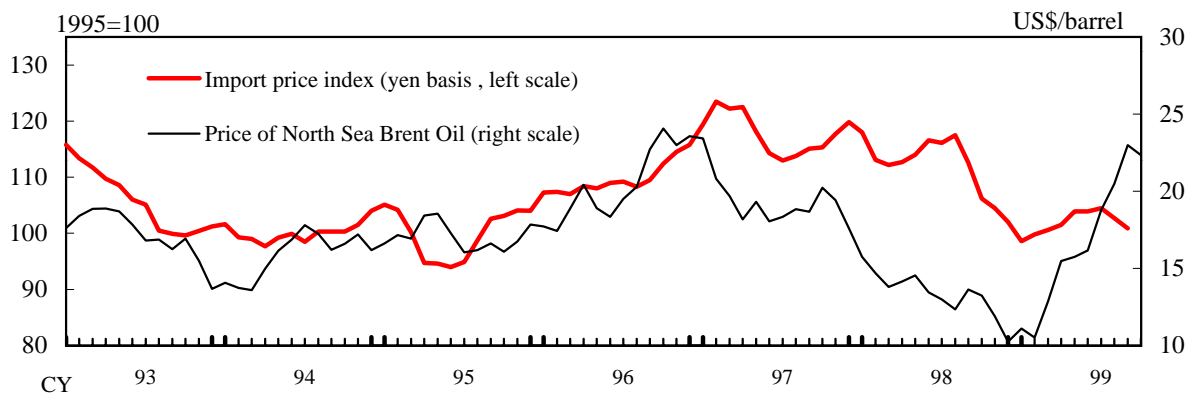
Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.

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.

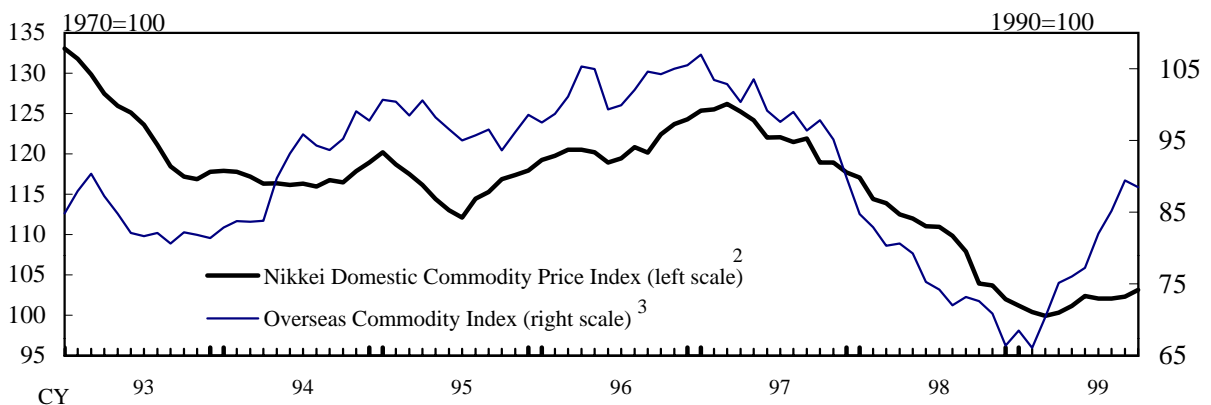
Sources: Management and Coordination Agency, "Consumer Price Index";
Bank of Japan, "Wholesale Price Indexes", "Corporate Service Price Index."

Import Prices and Domestic Wholesale Prices

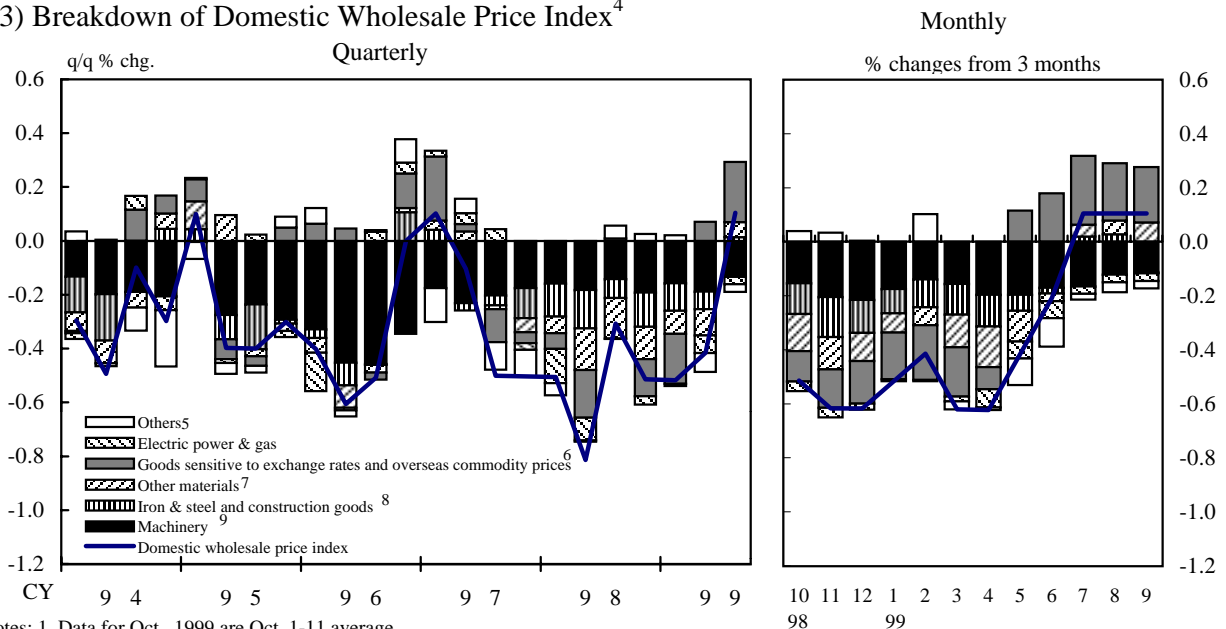
(1) Import Price Index (yen basis) and Crude Oil Price¹



(2) Domestic Commodity Market



(3) Breakdown of Domestic Wholesale Price Index⁴



Notes: 1. Data for Oct. 1999 are Oct. 1-11 average.

2. Data for Oct. 1999 are as of Oct. 8.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for Oct. 1999 are Oct. 1-11 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.

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.

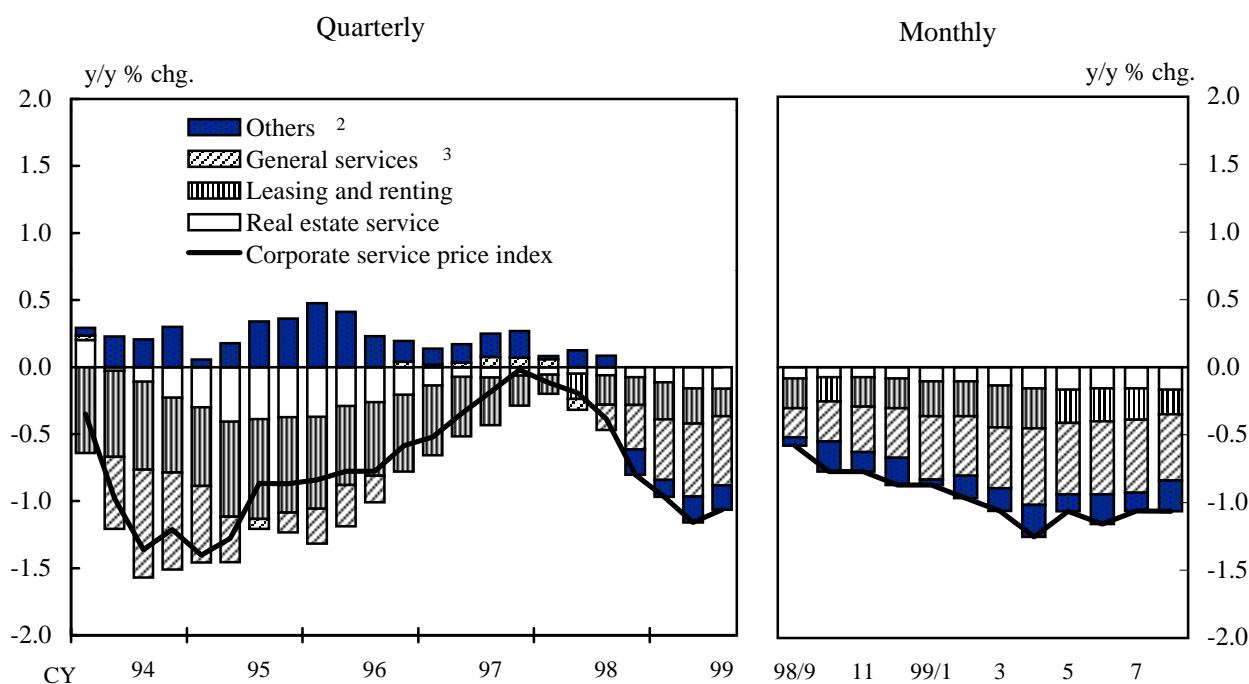
8. Iron & steel and construction goods = iron & steel + metal products + ceramics, stone & clay products + lumber & wood products + scrap & waste.

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

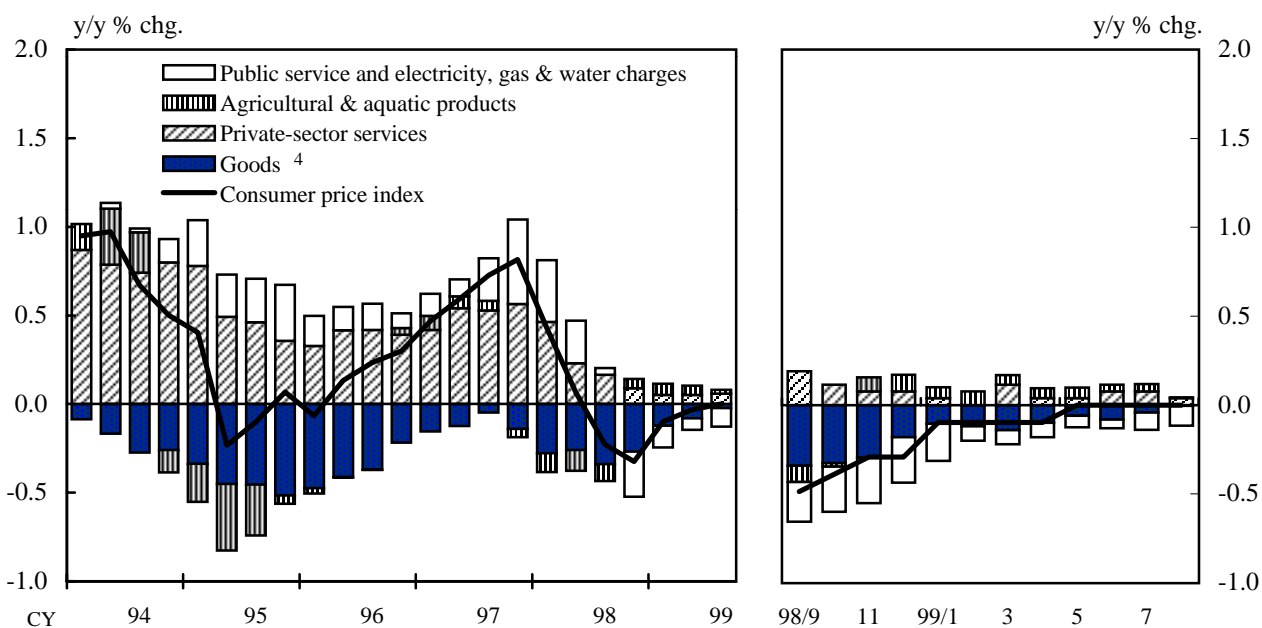
Sources: Bank of Japan, "Wholesale Price Indexes", "Financial and Economic Statistics Monthly", "Nippon Ginko Chousa Geppo (Bank of Japan Monthly Bulletin)"; Nihon Keizai Shimbun Inc., "Nikkei Domestic Commodity Price Index."

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.

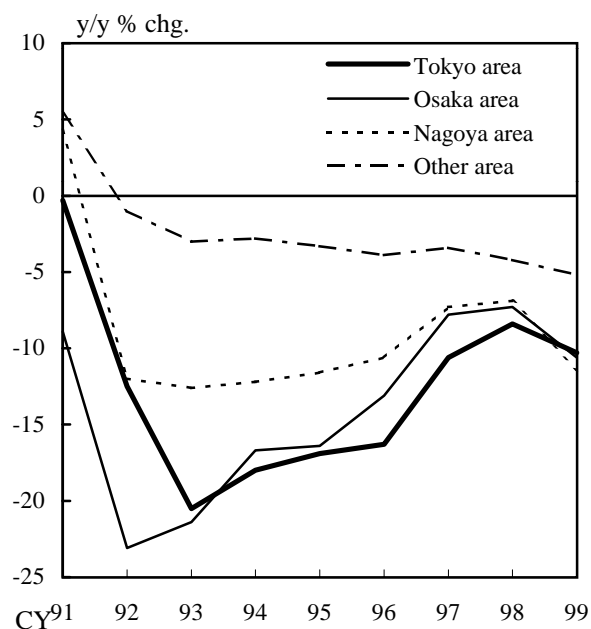
5. Data for 99/Q3 are those of the July - Aug. average.

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

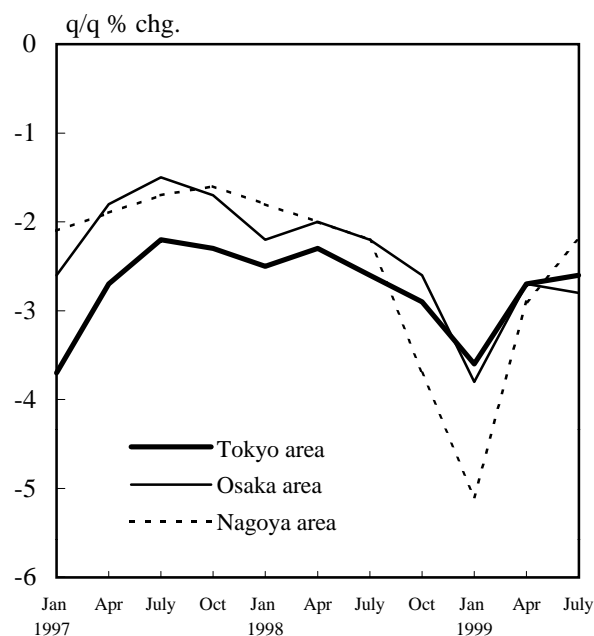
Land Prices Posted by the National Land Agency

(1) Commercial land

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

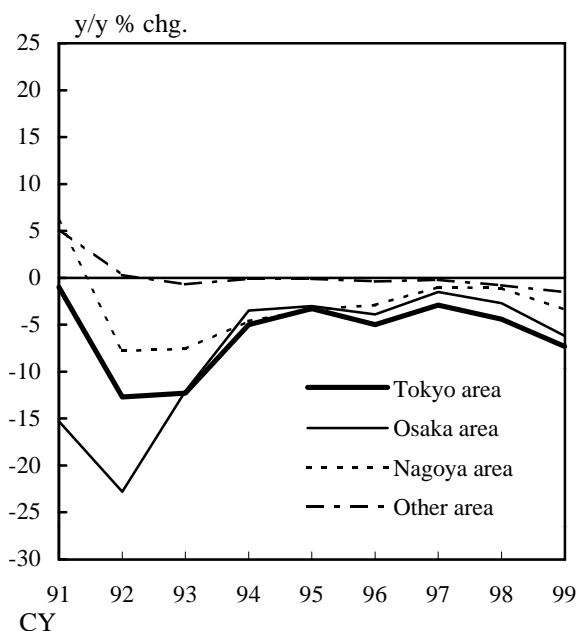


(1-2) Average change at representative locations

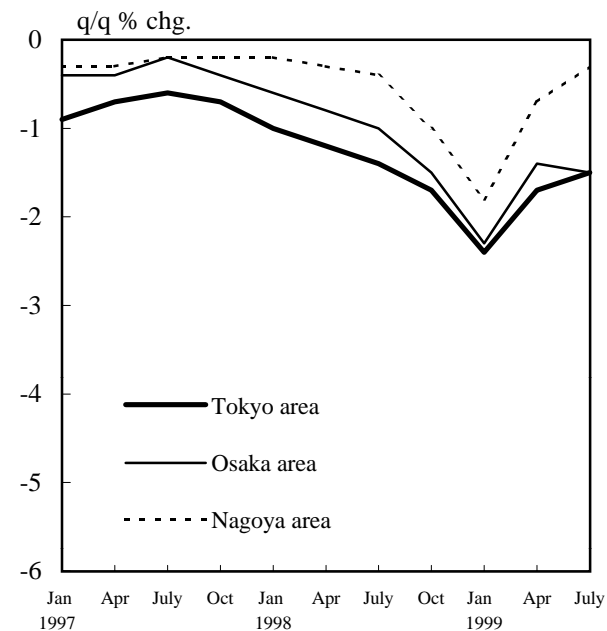


(2) Residential land

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



(1-2) Average change at representative locations

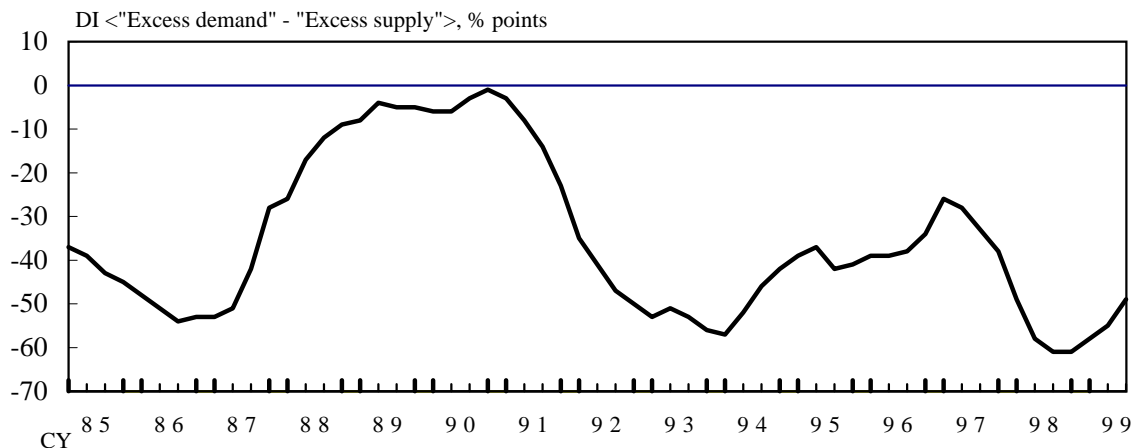
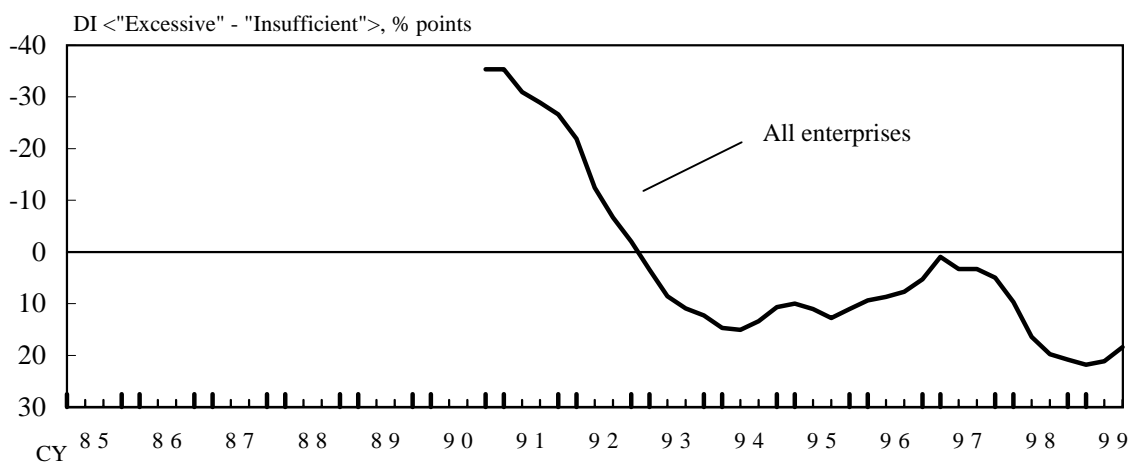


Note: "Representative locations" are the standard points for "Land prices posted by the National Land Agency" and "Land prices survey by the administrative divisions."

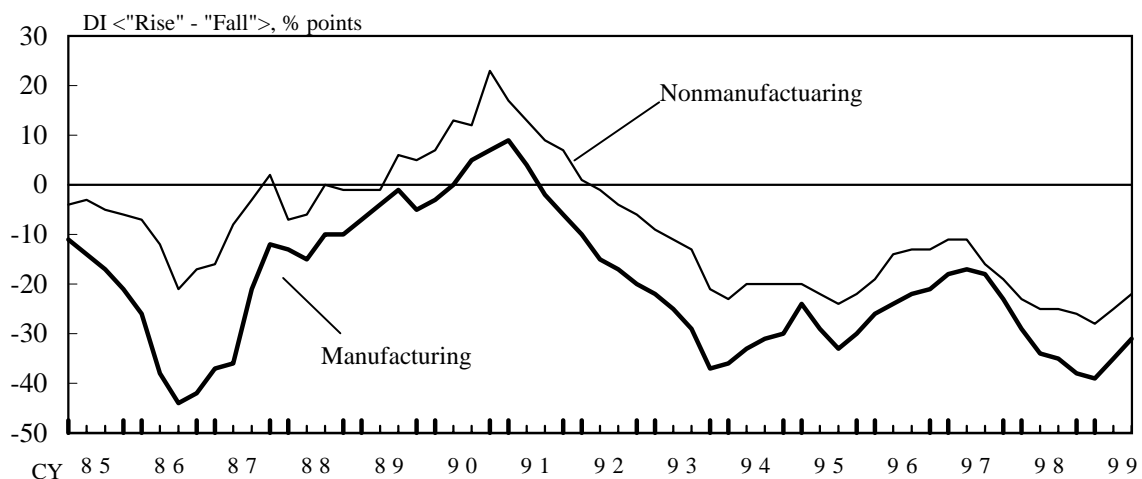
Sources: The National Land Agency, "Land prices posted by the National Land Agency", "Land prices survey by the administrative divisions."

Factors Contributing to the Change in Prices¹

(1) Supply and Demand Conditions for Products (All Enterprises, Manufacturing)

(2) Utilization of Capital and Labor²

(3) Change in Output Prices (All Enterprises)



Notes: 1. Figures before December 1998 are based on the pre-revision *Tankan*, and those of March 1999 are based on the post-revision *Tankan*.

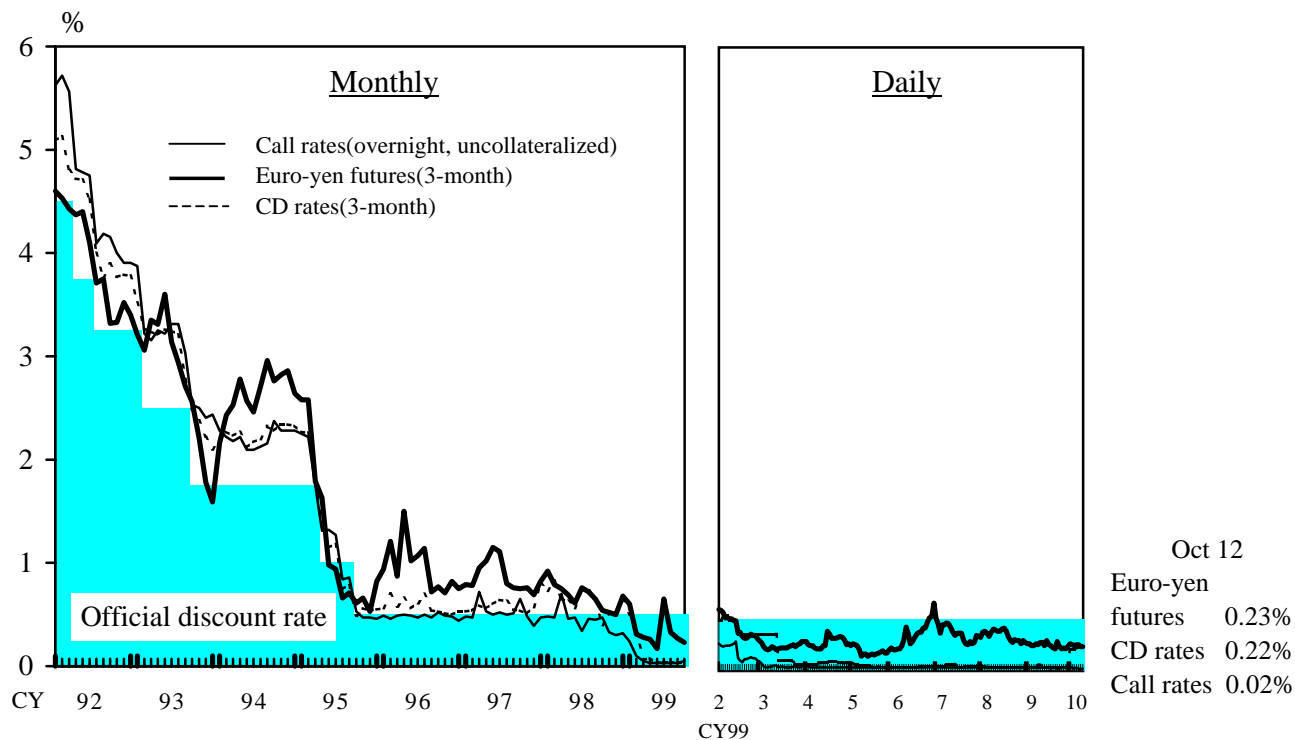
2. Figures are calculated by adding Production Capacity DI and Employment DI which are weighted by the relative share of capital and labor based on 1975-97 average.

Production Capacity DI and Employment DI are calculated as "Excessive" minus "Insufficient".

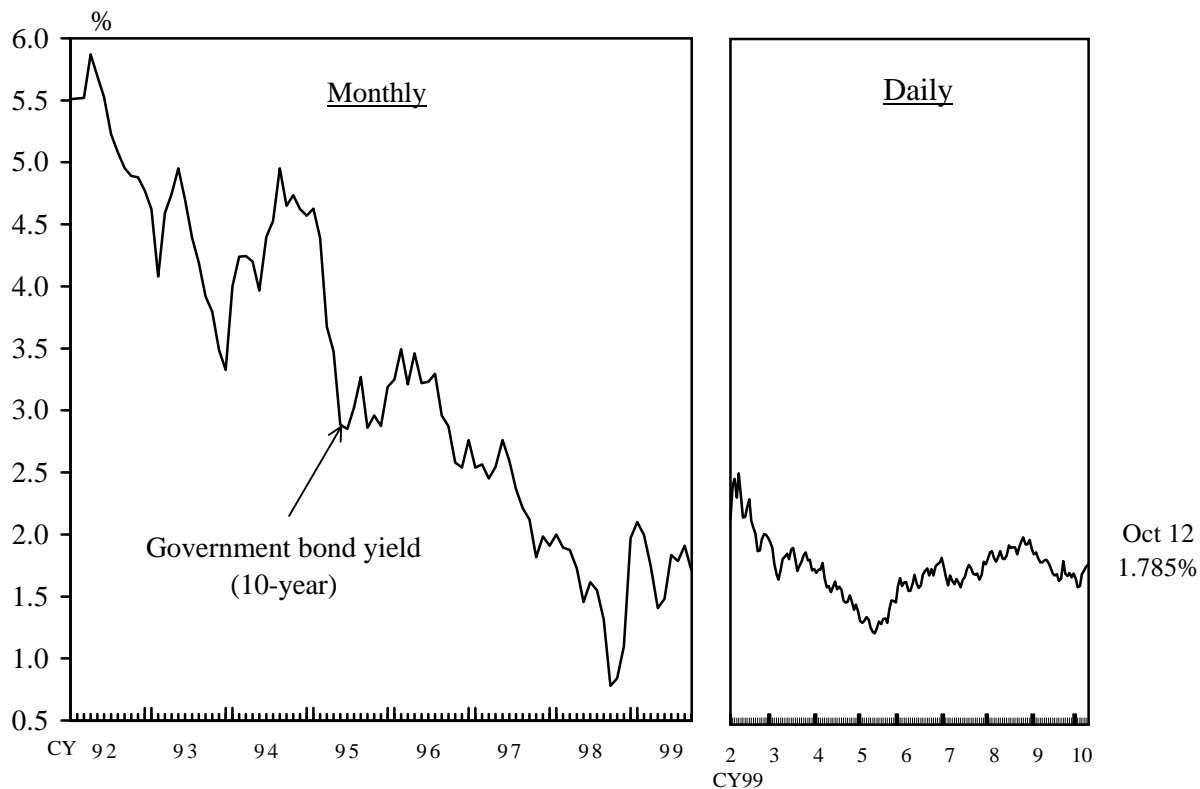
Sources: Economic Planning Agency, "National Income Statistics";
Bank of Japan, "*Tankan* Short-Term Economic Survey of Enterprises in Japan."

Interest Rates

(1) Short-Term



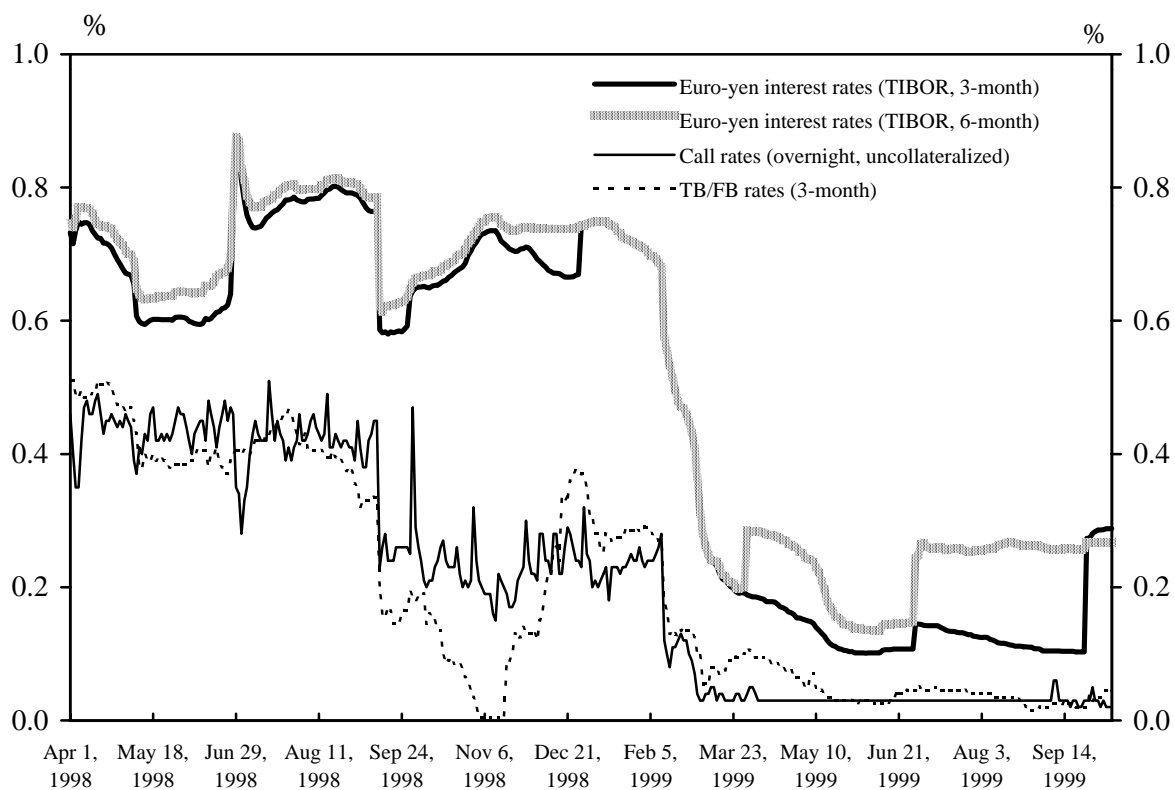
(2) Long-Term



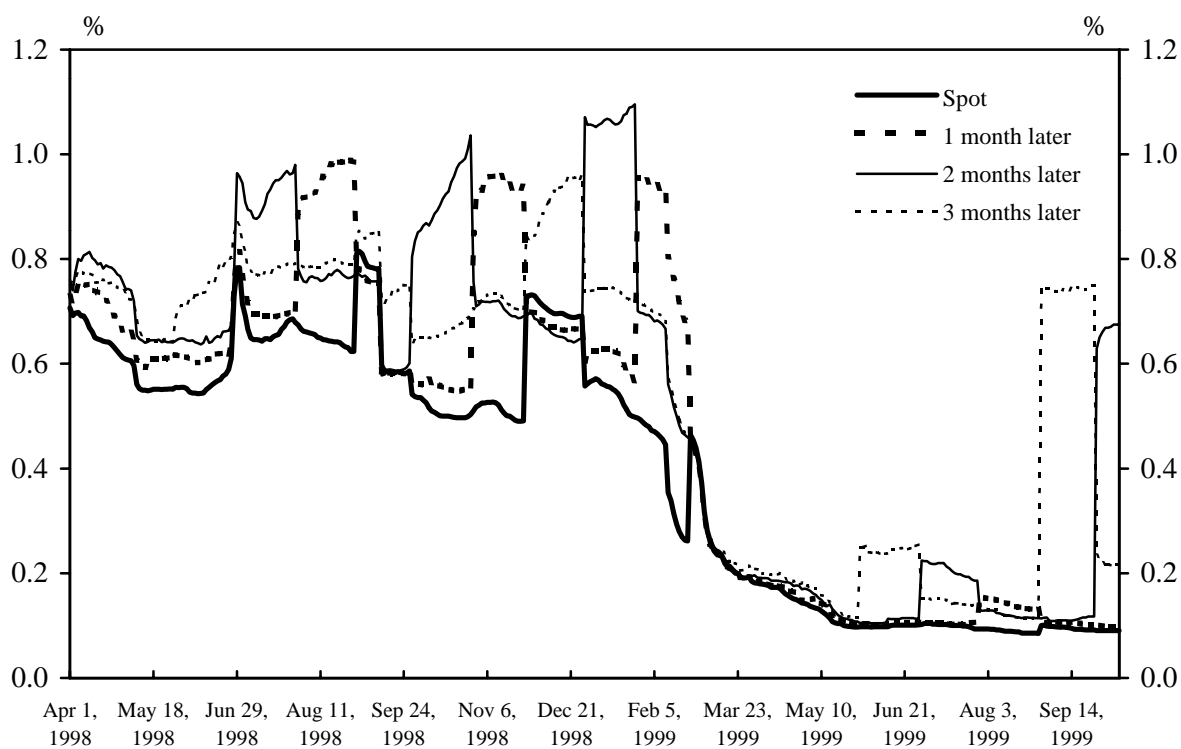
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

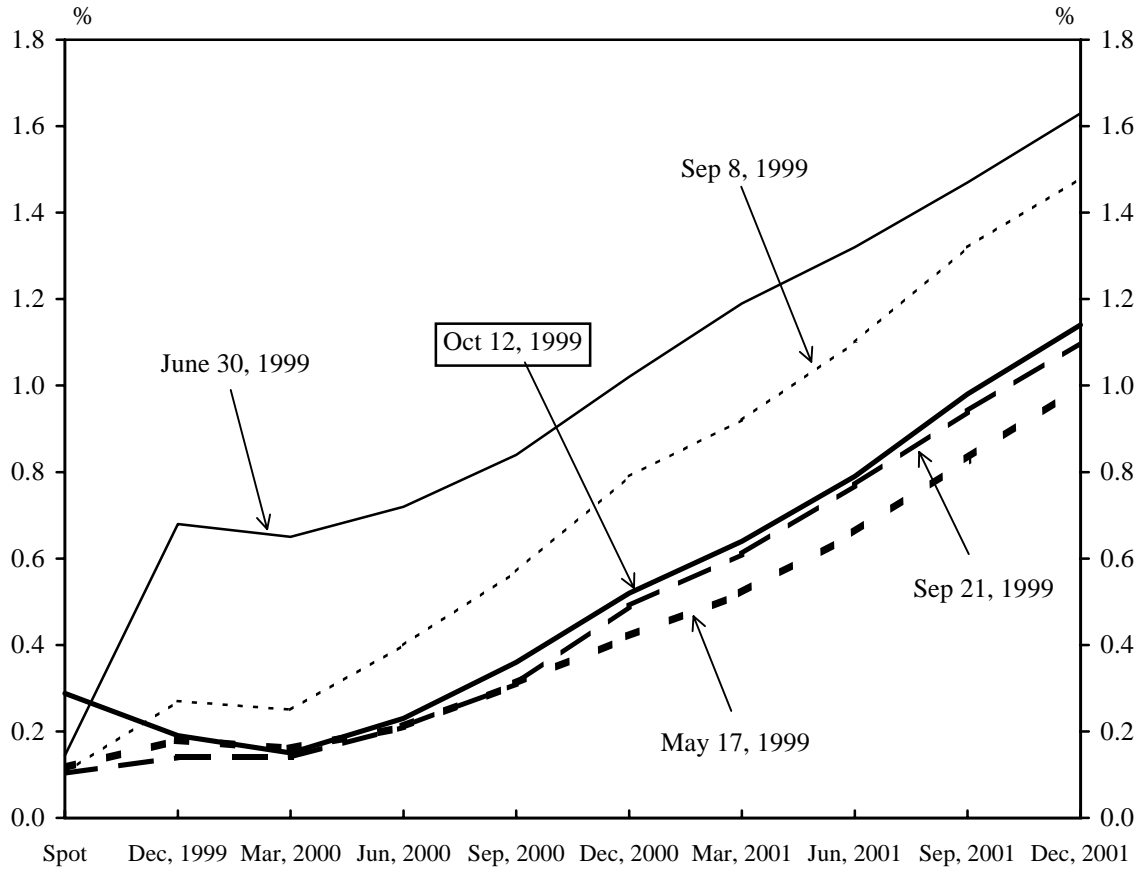


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

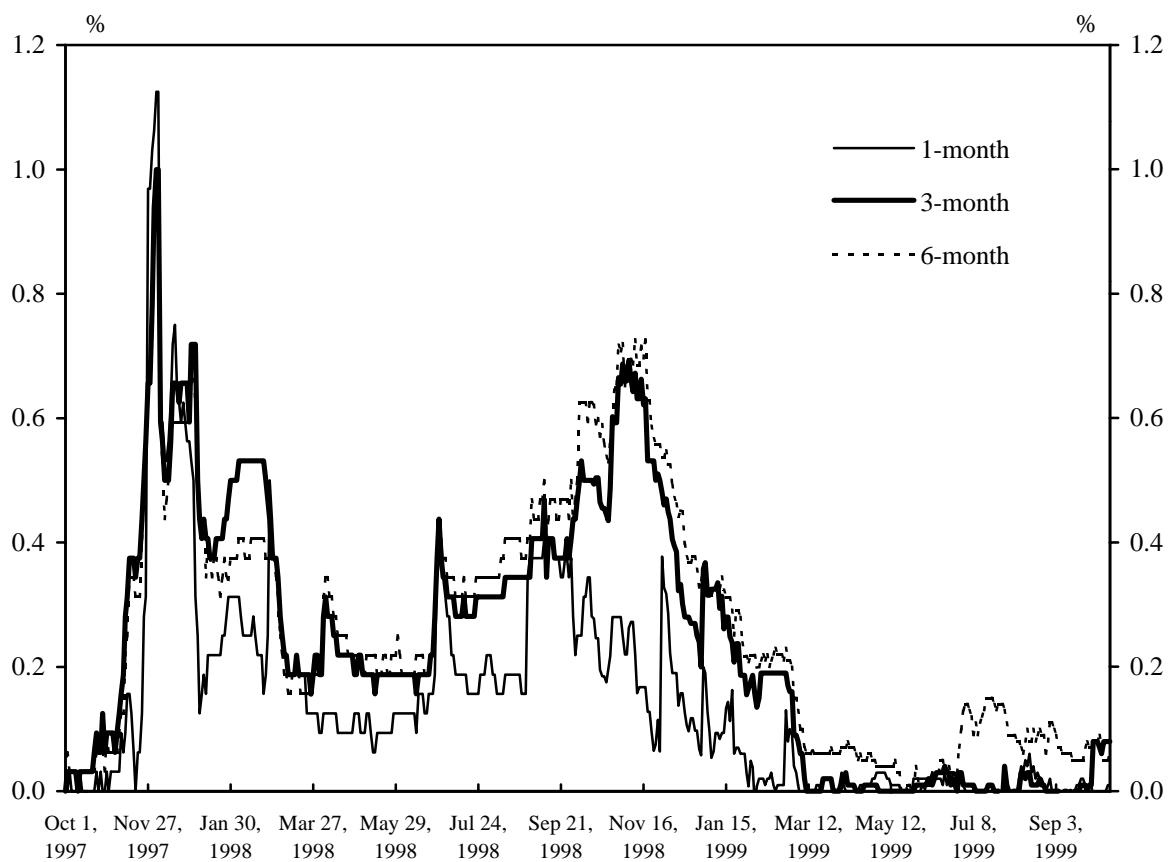


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Euro-Yen Interest Rates Futures (3-Month)



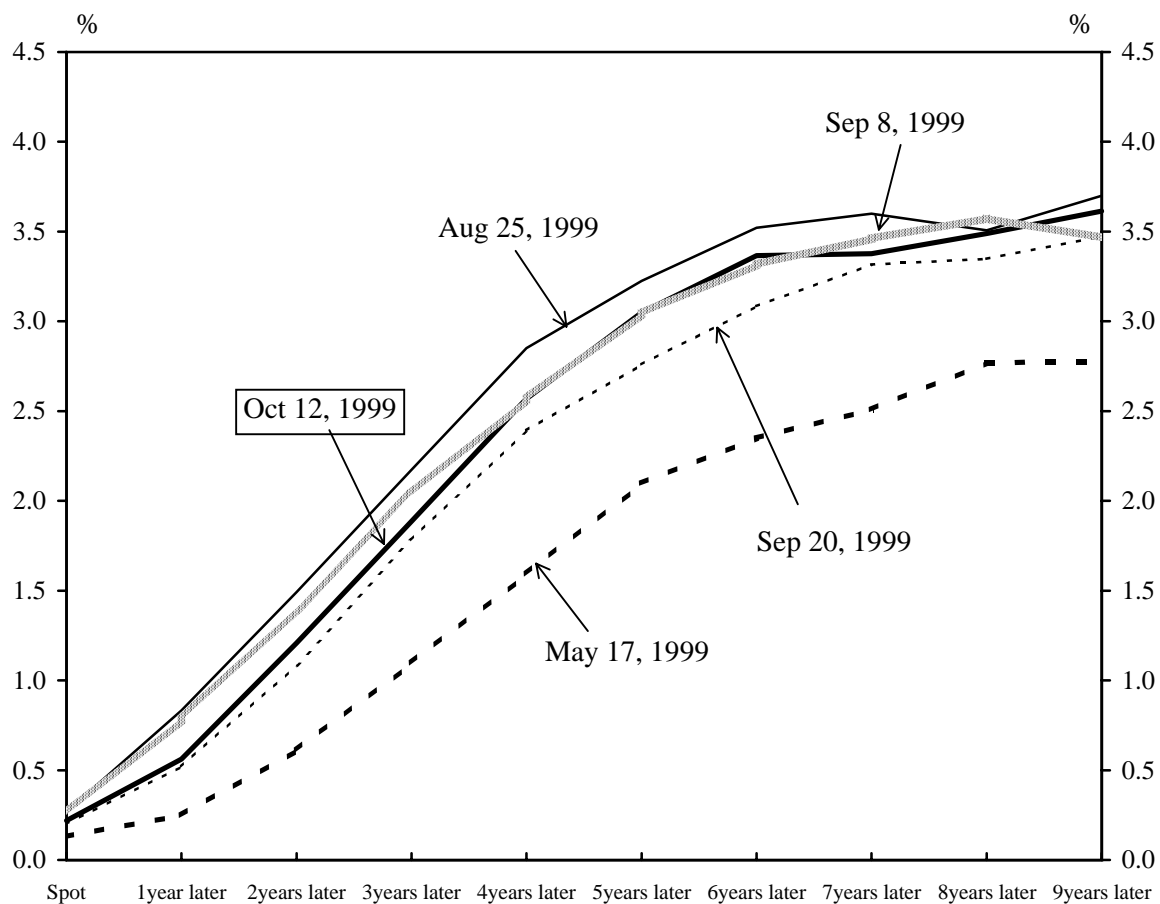
Source: Tokyo International Financial Futures Exchange.

Japan Premium in the Eurodollar Market ¹

Note: 1. 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)¹

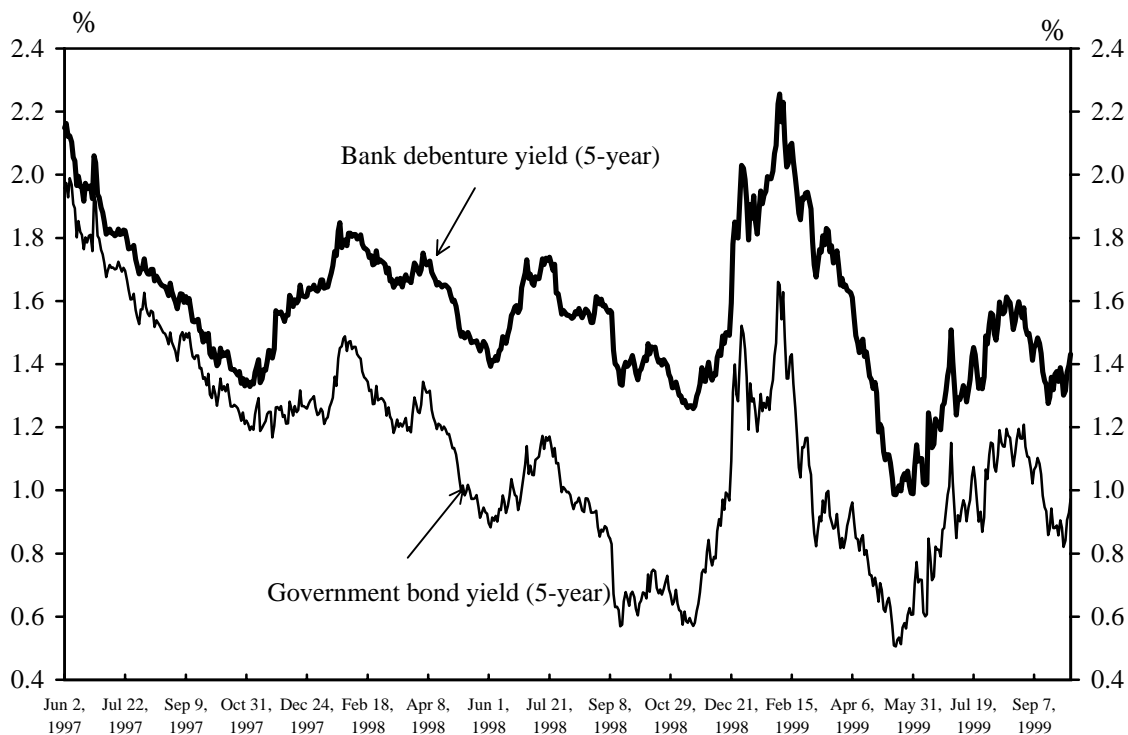


Note: 1. Calculated from yen-yen swap rates.

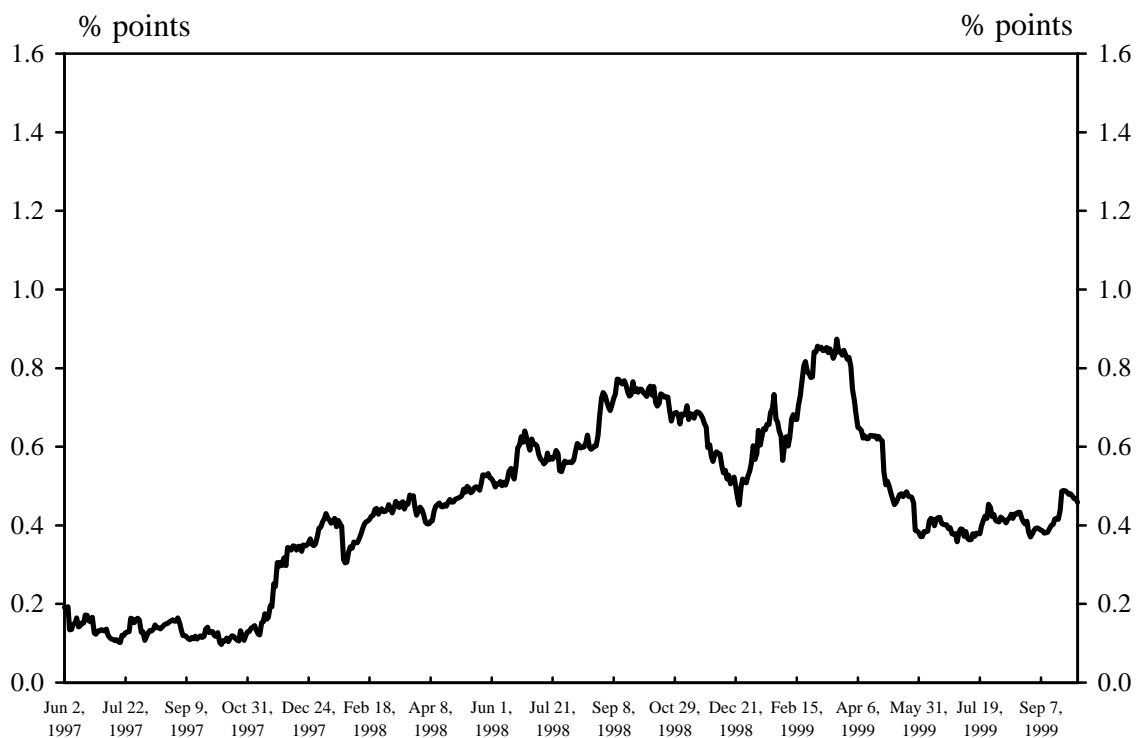
Source: Bank of Japan, "Financial and Economic Statistics Monthly."

Yields of Bank Debentures

(1) Bond Yields



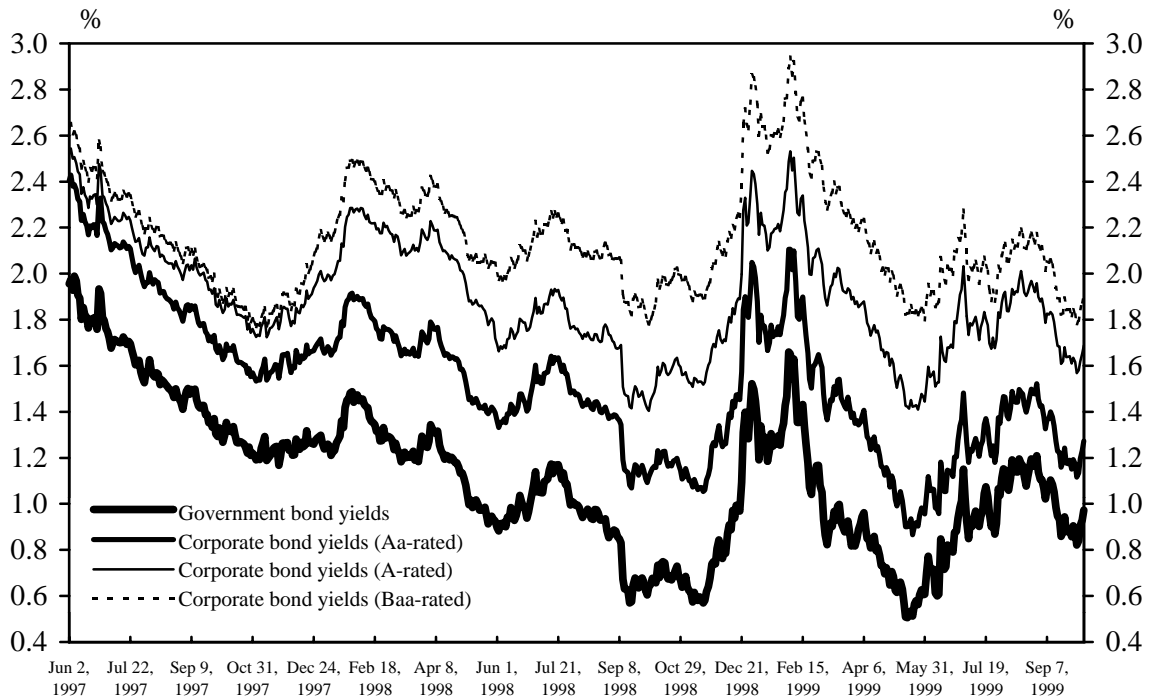
(2) Spread of Bank Debenture and Government Bond Yield



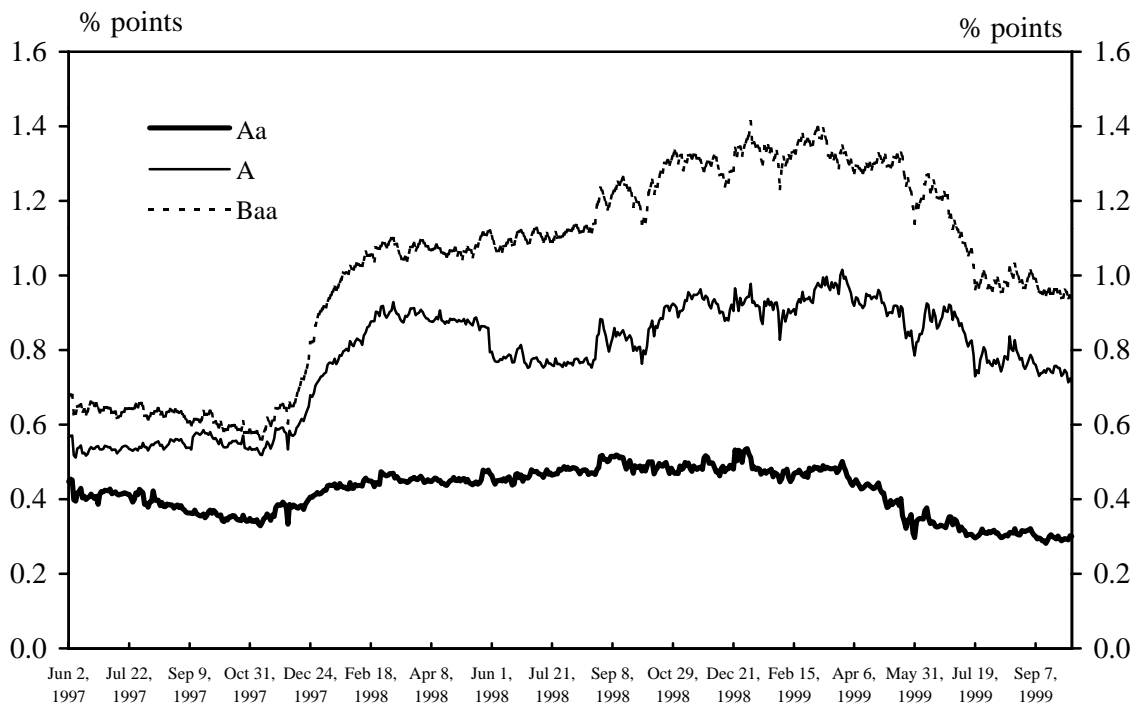
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



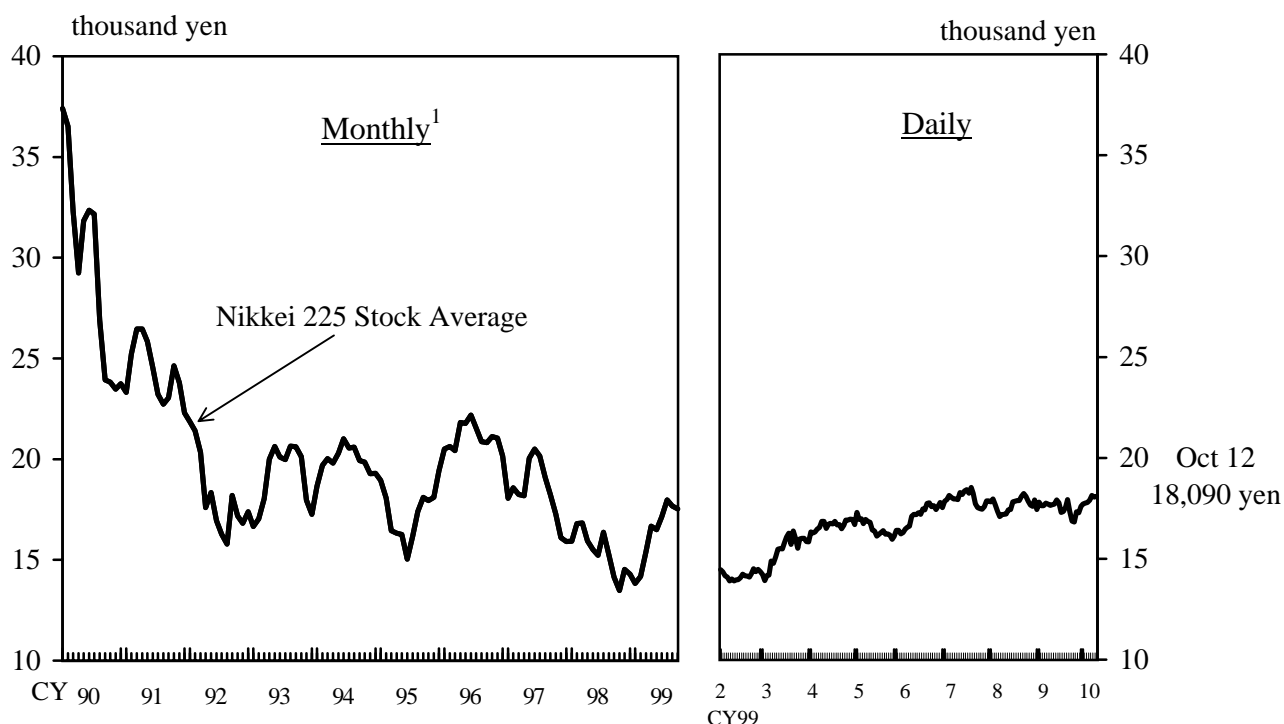
Note: 1. Yields on bonds with 5-year maturity.

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

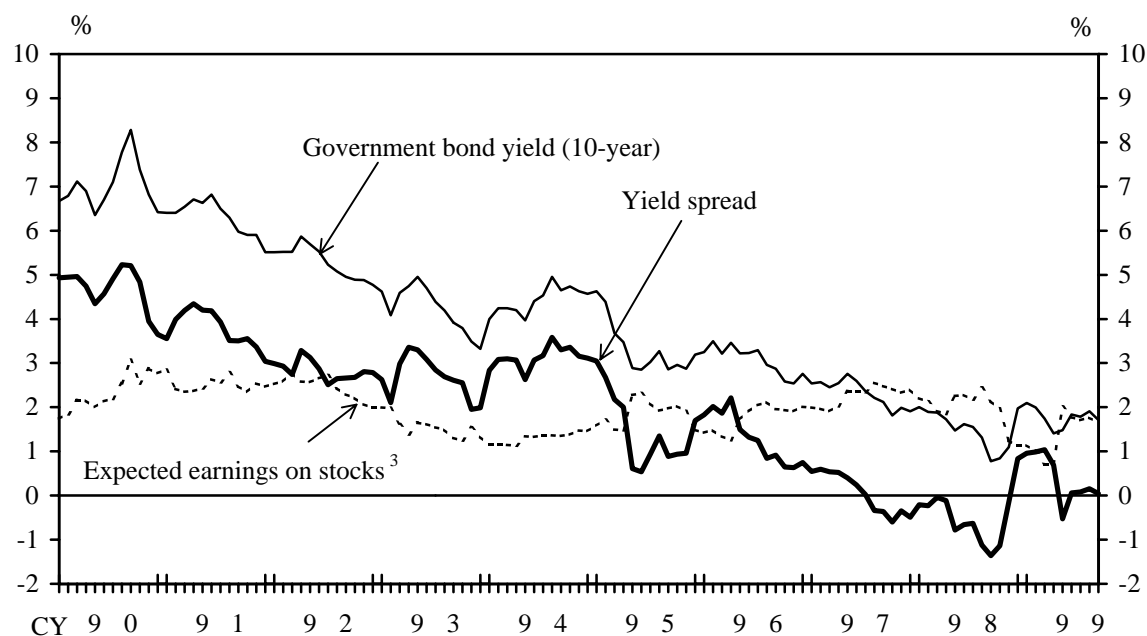
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

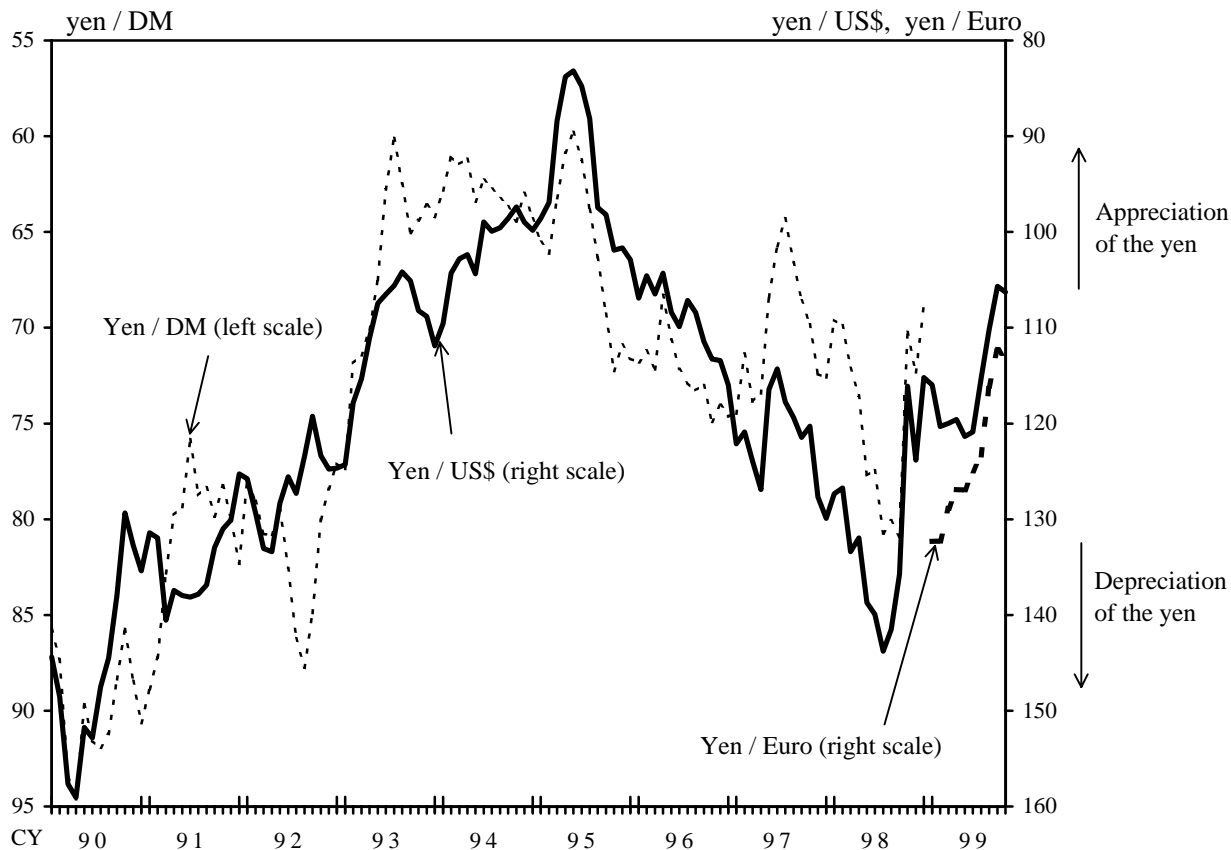
Yield spread = government bond yields - expected earnings on stocks,
where expected earnings on stocks = 1/expected price earnings ratio.

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

Data are calculated by the Daiwa Research Institute.

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

Exchange Rates

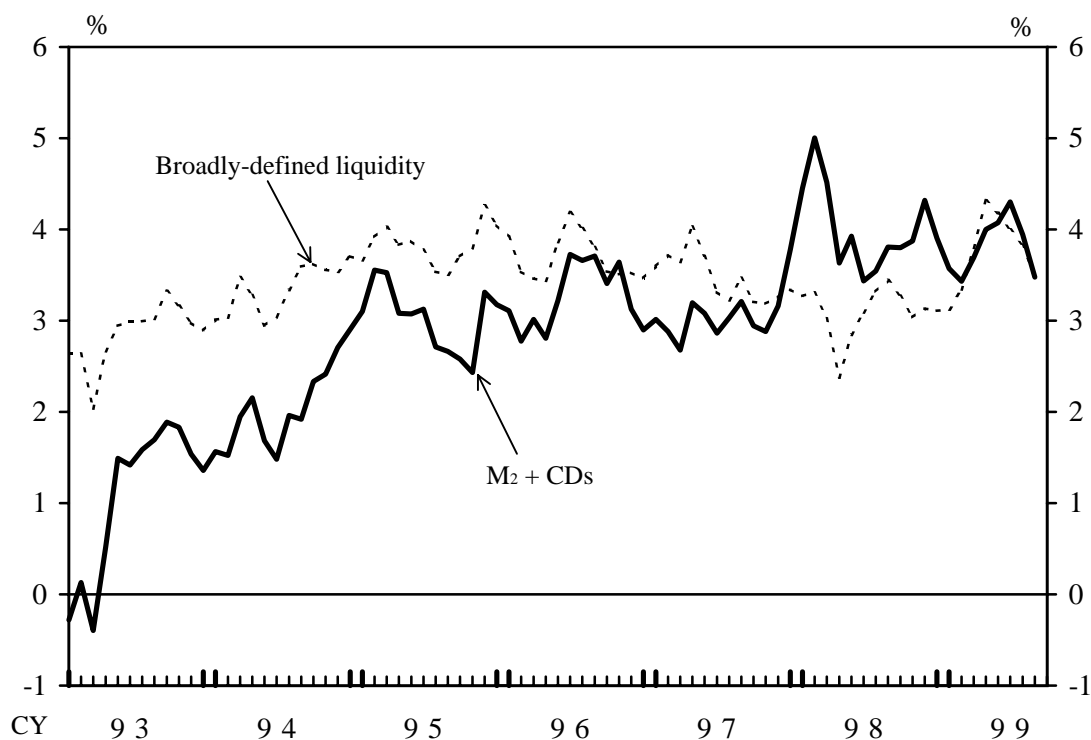


Note: 1. End of month. Data for October 1999 are as of October 12, 1999.

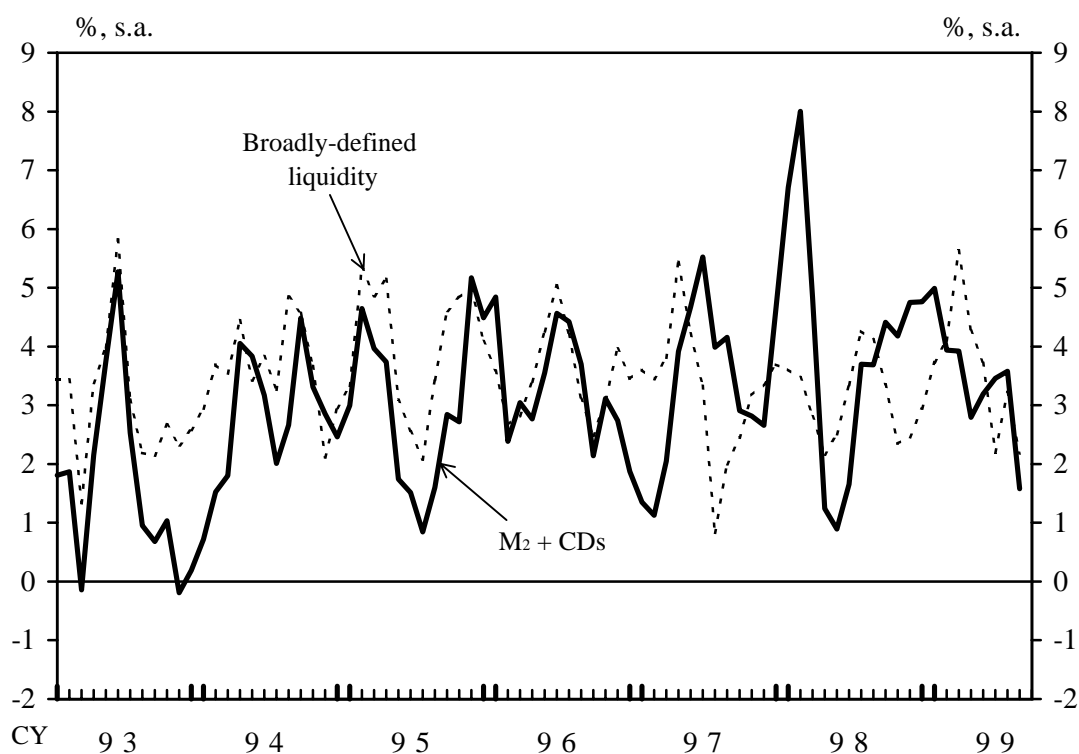
Source: Bank of Japan.

Money Stock (M2+CDs, Broadly-Defined Liquidity)¹

(1) Changes from a Year Earlier



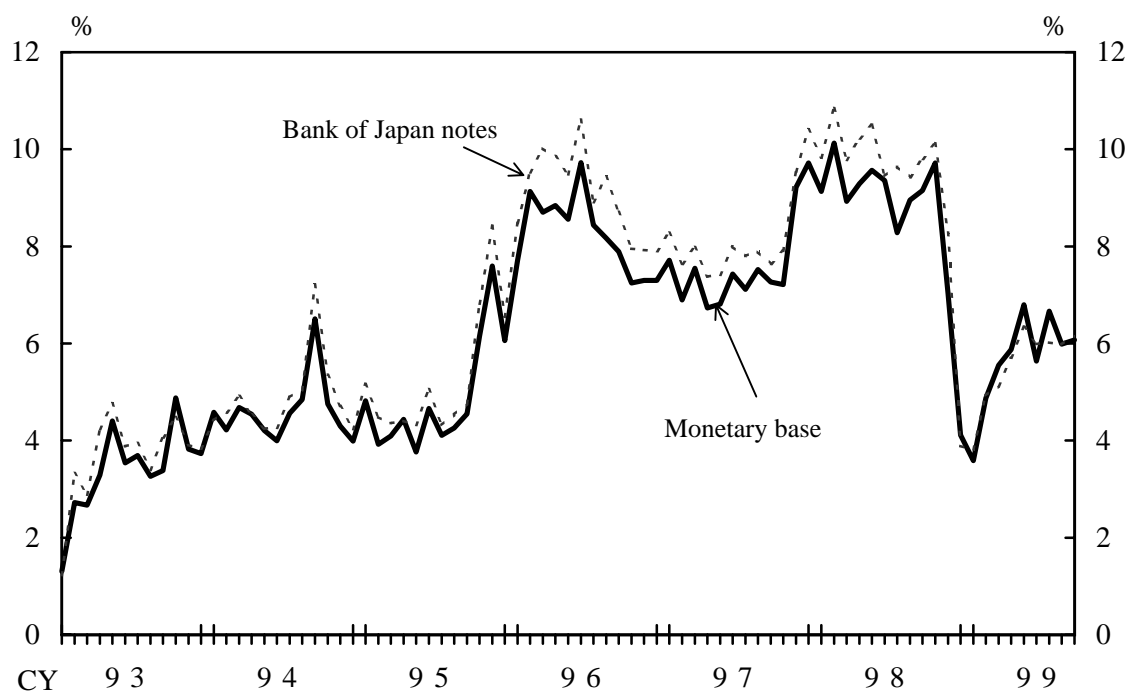
(2) Changes from Three Months Earlier (Annualized)



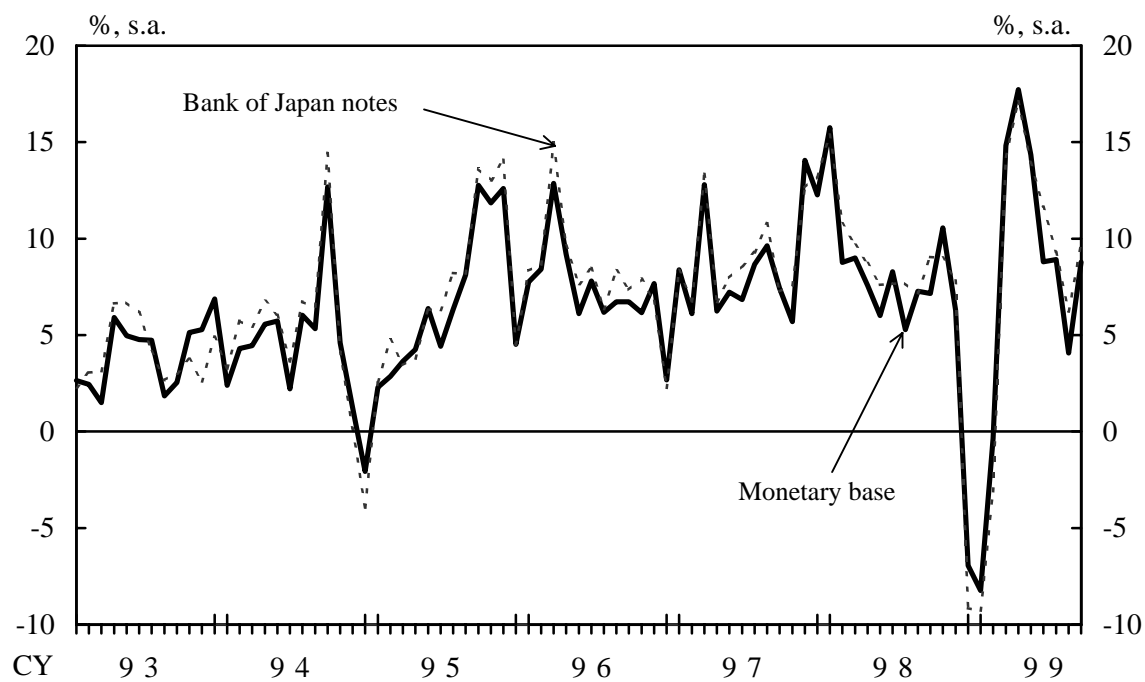
Note: 1. Percent changes in average amounts outstanding.
Source: Bank of Japan.

 Monetary Base ¹

(1) Changes from a Year Earlier



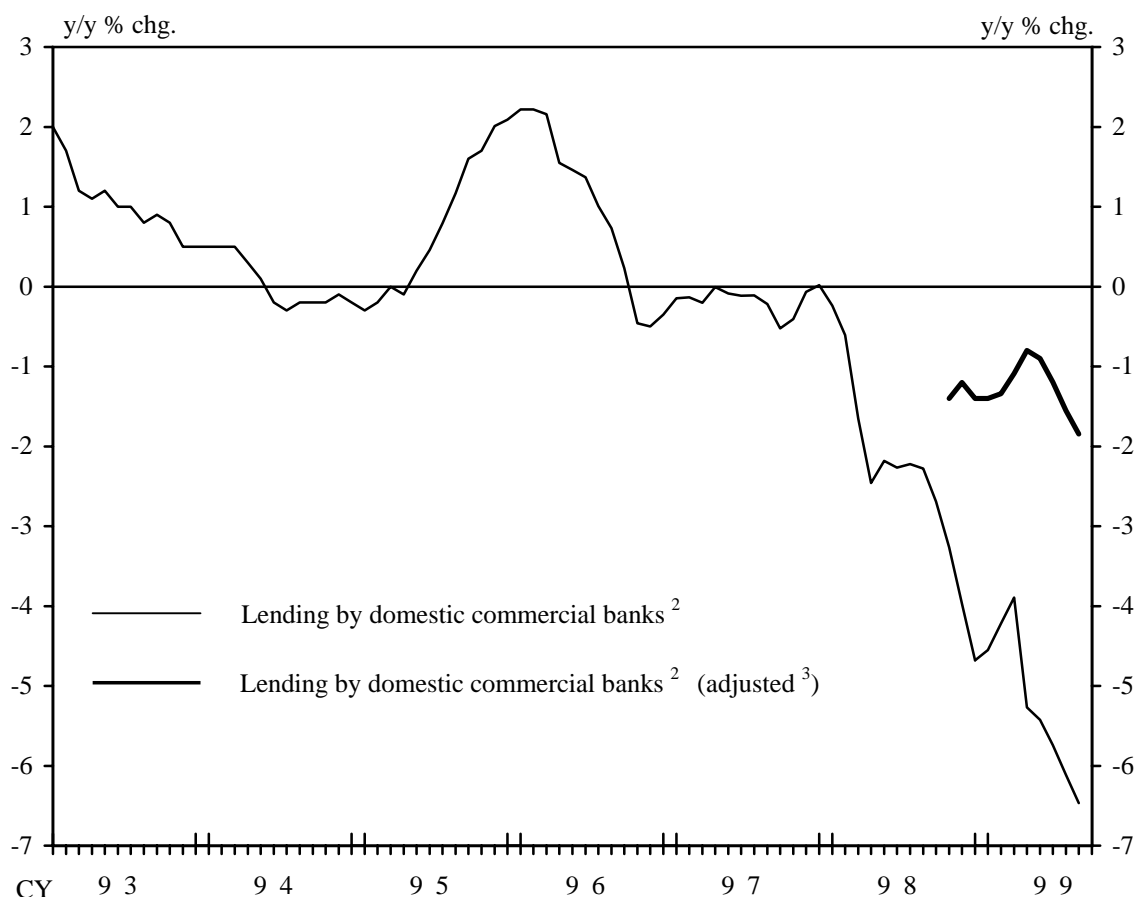
(2) Changes from Three Months Earlier (Annualized)



Note: 1. Monetary base = currency in circulation (banknotes + coins) + reserves.
 Data for currency in circulation include holdings of financial institutions.
 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.

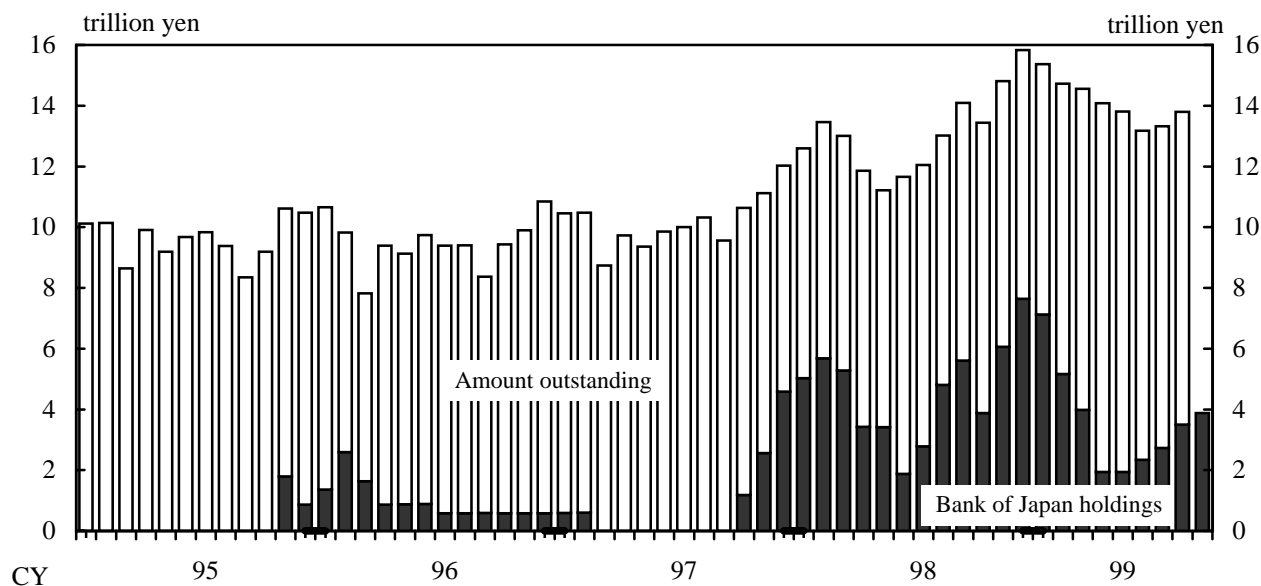
2. "Domestic commercial banks" refers to member banks of the Japanese Bankers Association which consists of city banks, long-term credit banks, trust banks (excluding foreign-owned trust banks and trust banks that started business after October 1993), the member banks of the Regional Banks Association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

3. Adjusted to exclude

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

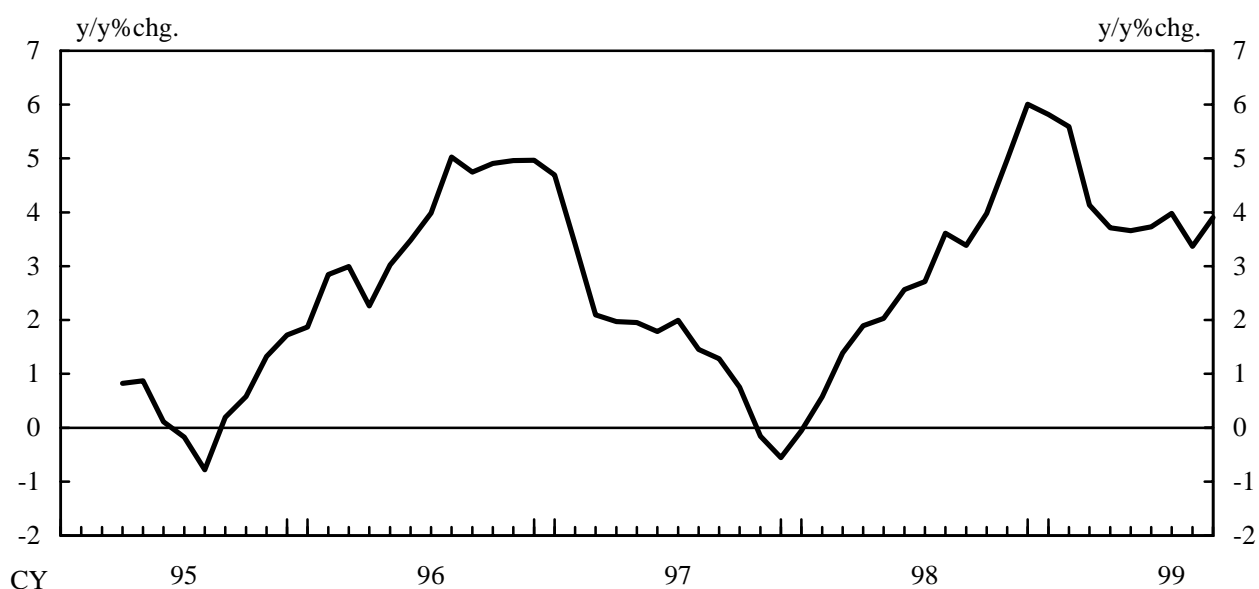
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Private-Sector Fund Raising in the Capital Markets

(1) Amount Outstanding of Commercial Papers ¹(2) Issue Volume of Corporate Bonds ²

(100 million yen)

	Apr, 1999	May, 1999	Jun, 1999	Jul, 1999	Aug, 1999	Sep, 1999
Volume	8,807	10,688	14,923	10,334	5,334	10,320
(last year)	(11,493)	(12,578)	(15,378)	(11,046)	(11,148)	(10,824)

(3) Amount Outstanding of Corporate Bonds (Changes from a Year Earlier) ^{2, 3}

Notes: 1. Figures are those of the client financial institutions of the Bank of Japan.

Excludes those issued by banks.

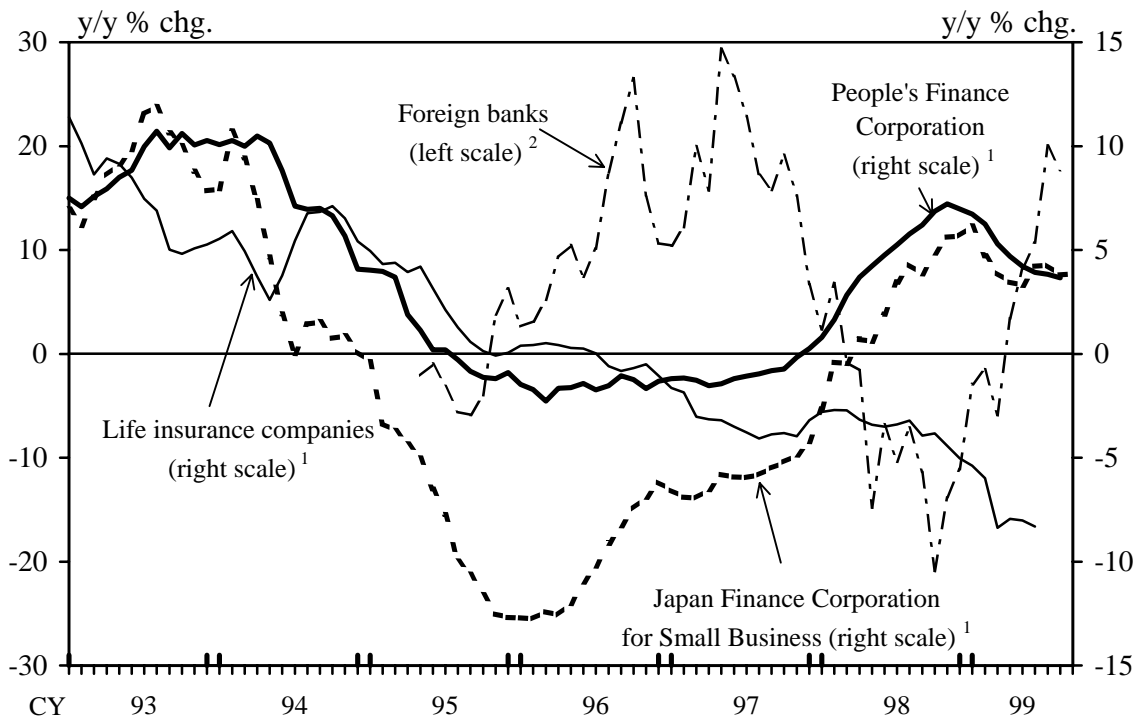
2. Includes straight bonds, convertible bonds, and bonds with warrants.

3. 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."

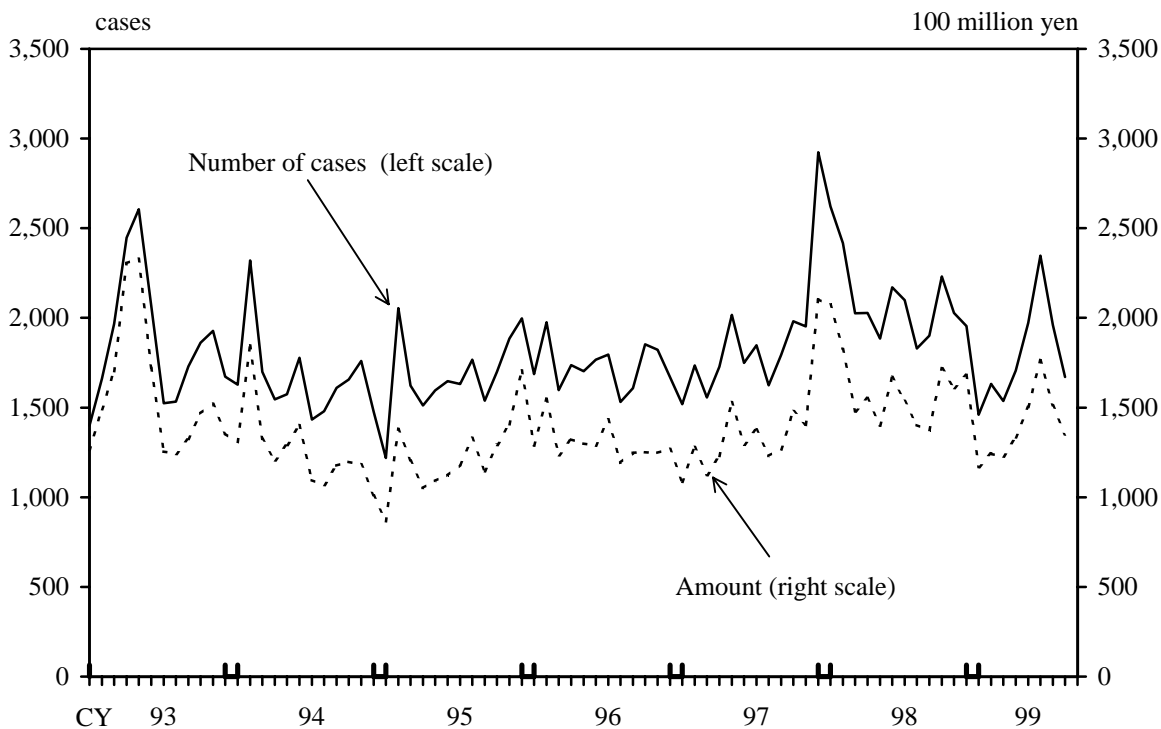
Lending by Other Financial Institutions

(1) Lending Outstanding



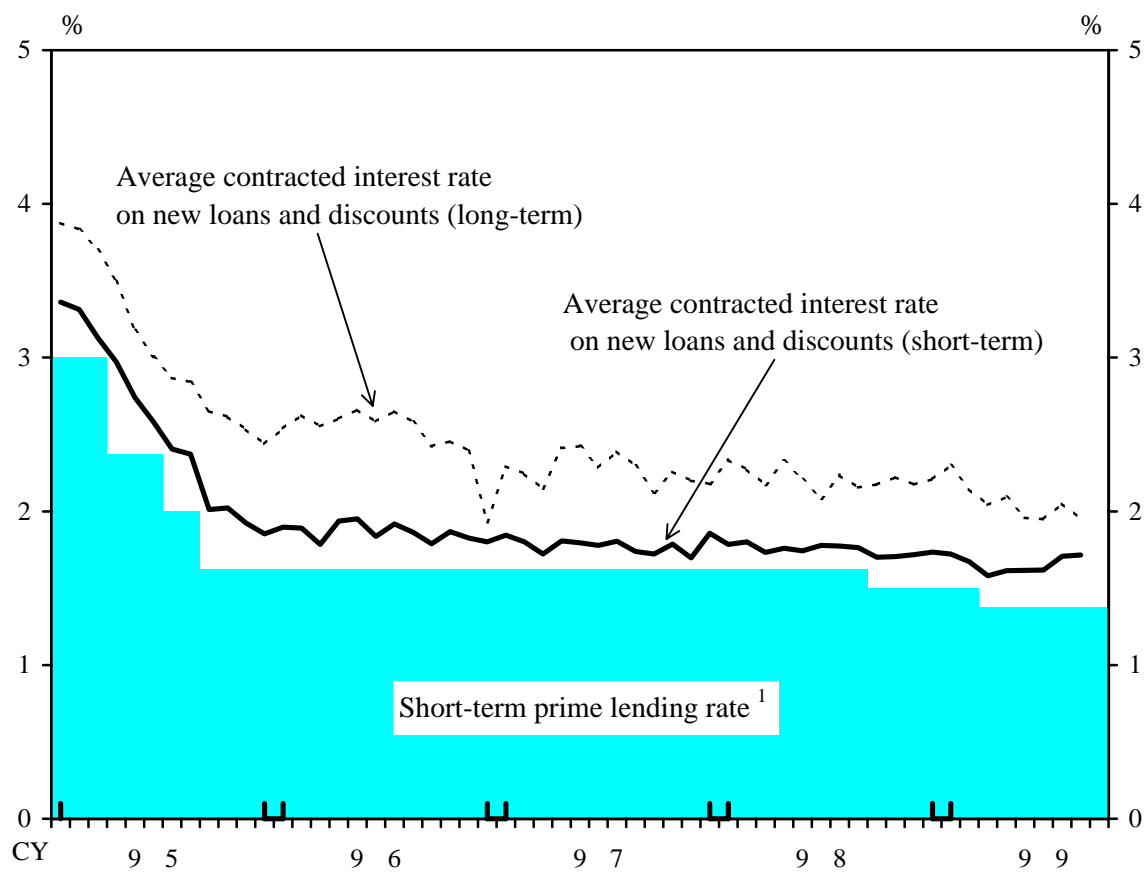
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

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



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

Lending Rates

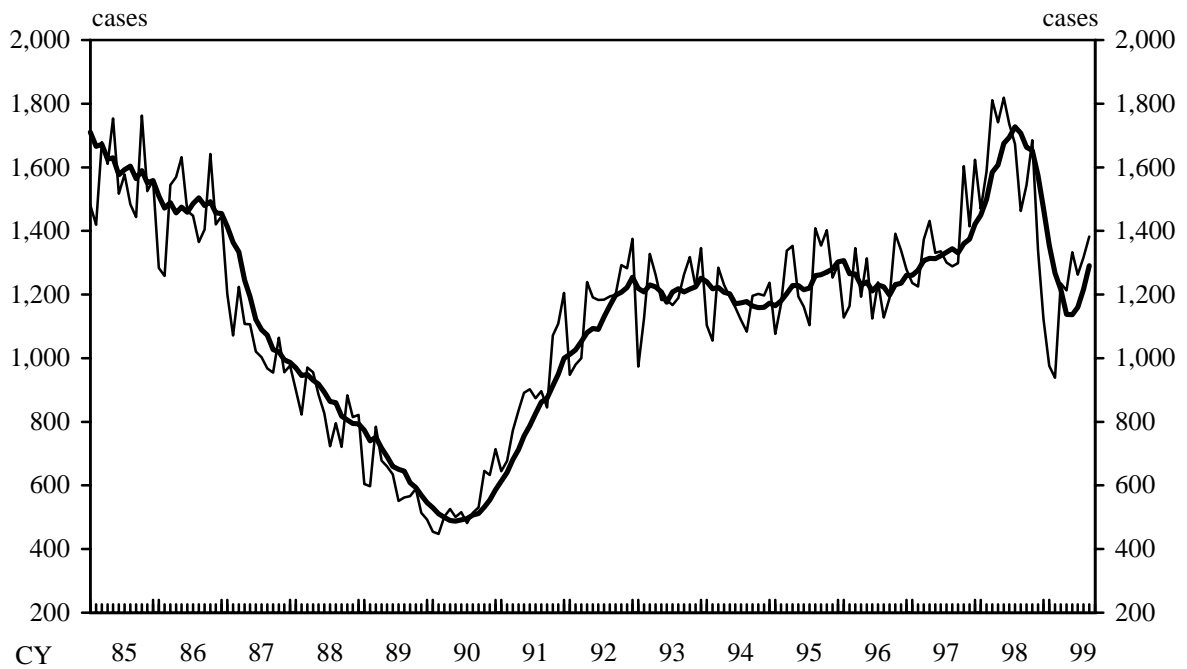


Note: 1. Data are at end of period.

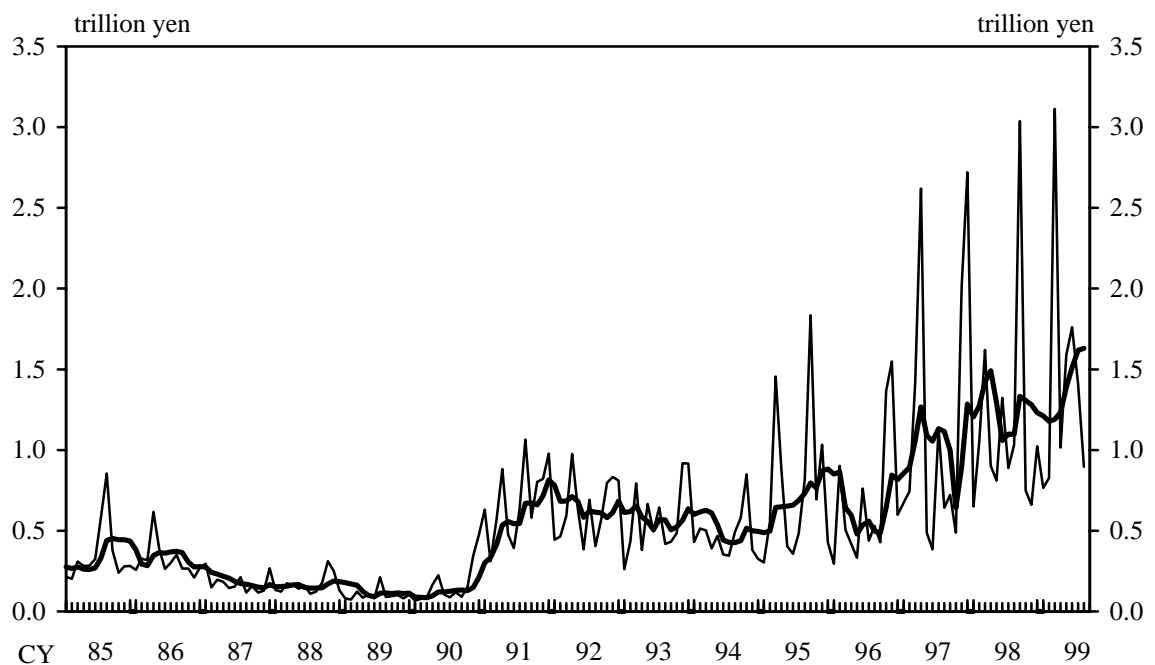
Source: Bank of Japan.

Corporate Bankruptcies ¹

(1) Number of Cases



(2) Amount of Liabilities



Note: 1. The bold line is the six-month moving average.

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