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Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
April 2000

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The Bank's View²

The improvement in Japan's economy is becoming distinct. Recovery has started in some areas of private demand, as seen in a gradual upturn in business fixed investment.

With regard to exogenous demand, net exports (real exports minus real imports) continue to follow an upward trend due to an upturn in overseas economies, and public investment has started to pick up reflecting the progress in the implementation of the supplementary budget for fiscal 1999. As regards domestic private demand, housing investment is decreasing moderately, and recovery in private consumption continues to be weak through lack of notable improvements in employment and income conditions. Meanwhile, business fixed investment is starting to pick up albeit moderately.

Reflecting such developments in final demand, industrial production is increasing, and corporate profits and sentiment continue to improve. Firms as a whole still strongly feel that they have excess capacity and employees, and that they should reduce their debts to restore financial soundness. Nevertheless, the number of firms that take positive action, such as increasing the amount of fixed investment, is increasing gradually, especially in high-growth sectors. Regarding employment conditions, although the decrease in the number of employees and in wages is slowing, efforts by firms to reduce personnel expenses have prolonged the severity of households' income conditions.

As for the outlook, public investment is likely to increase for some time. This, along with the favorable financial environment created partly by the Bank's monetary easing, is expected to continue underpinning the economy. Moreover, net exports are likely to follow an upward trend reflecting the recovery of overseas

¹ This report was written based on data and information available when the Bank of Japan Monetary Policy Meeting was held on April 10, 2000.

² The Bank's view on recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on April 10 as the basis of monetary policy decisions.

economies, and it is also highly probable that business fixed investment will increase gradually with an improvement in corporate profits and sentiment. However, housing investment is expected to continue declining moderately, and there seems to be no substantial change in firms' stance to reduce personnel expenses. Hence, it may take some time for households' income conditions to improve and, in turn, for private consumption to recover. In addition, since firms' prospects for sales remain modest, careful monitoring is still required to determine whether the recovery in business fixed investment is sustainable and whether it is likely to spread to a wider range of industries.

With regard to prices, import prices are basically on a rising trend reflecting the increase in international commodity prices such as crude oil prices. Domestic wholesale prices, notwithstanding the fall in prices of electric machinery, are flat mainly due to the rise in prices of petroleum and chemical products reflecting an increase in crude oil prices. Meanwhile, consumer prices continue to be somewhat weak due to the decline in prices of imported products reflecting the past appreciation of the yen, despite the slight increase in the prices of private-sector services. Corporate service prices are still falling slowly.

As for the outlook, upward pressure on prices is likely to arise from the gradual improvement in domestic supply-demand balance and from the rise in crude oil prices. On the other hand, downward pressure is expected from the long-term declining trend of machinery prices due to technological innovations and from the fall in prices of imported products reflecting the past appreciation of the yen. On balance, overall prices are likely to remain unchanged. However, attention should still be paid to the downward pressure on prices stemming from weak demand, although the pressure has weakened given some recovery in private demand.

In the financial market, the overnight call rate has generally stayed near zero, and financial institutions have been confident about the availability of overnight funds. The amount outstanding of funds in the call money market increased slightly in late March, and decreased thereafter.

Interest rates on term instruments rose slightly toward end-March, the end of the fiscal year, but have weakened somewhat since the beginning of April. The Japan premium remains negligible.

Yields on long-term government bonds rose marginally in mid-March and stayed above 1.8 percent, but declined somewhat from late March and are recently back in the range of 1.7-1.8 percent. The yield spread between private bonds (bank debentures and corporate bonds) and government bonds continues narrowing, primarily that between private bonds with relatively low credit ratings and government bonds.

Stock prices weakened almost to 19,000 yen in mid-March, but then rebounded and are currently moving between 20,000 and 21,000 yen.

In the foreign exchange market, the yen strengthened against the U.S. dollar toward the end of March. However, it weakened at the beginning of April and has been traded at around 105 yen since then.

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 are becoming more active 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, firms continue to reduce debts as part of their balance-sheet restructuring measures. As a result, credit demand in the private sector has continued to be basically stagnant, and thus private banks' lending has remained sluggish. Issuance of corporate bonds and CP has been steady.

The growth in money stock (M_2 +CDs) continues to slow reflecting the above-mentioned situation.

In this financial environment, corporate financing conditions are easing, and the lending attitude of financial institutions is perceived by firms as less severe. It

continues to warrant careful monitoring how these favorable developments in corporate financing environment will affect economic activities.

The Background

1. Japan's Economy

With regard to public investment (Chart 2), because the value of public works contracted, which reflects orders, is recently rising along with the implementation of the supplementary budget for fiscal 1999, public investment appears to be turning to an increase. As for the outlook, public investment is expected to continue increasing gradually.

Real exports (Charts 3 to 5) are on a rising trend, mostly due to an increase in exports of information-related goods to Asia. Meanwhile, real imports declined slightly in January-February 2000 from the level of the fourth quarter of 1999 especially due to a decrease in imports of crude oil, following a large increase through the end of 1999.

As a result of these import and export developments, net exports (real exports – real imports) in terms of the real trade balance³ seem to remain on an increasing trend.

As for the future environment for foreign trade, the real effective exchange rate of the yen had been moving toward a slight depreciation in January and February 2000, but the market trend returned toward an appreciation of the yen from mid-March (Chart 6(1)). Regarding the foreign demand conditions, however, the U.S. economy is expected to remain firm, and the recoveries in the European, NIEs and ASEAN economies are becoming more distinct (Chart 6(2)). Reflecting these developments, there is a high probability that net exports will continue rising moderately 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 wealth effect from 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 continue improving. The Bank of Japan's *Tankan – Short-term Economic Survey of Enterprises* of March 2000 (Chart 7) indicates that current profits projections for fiscal 1999 continue a large increase, although manufacturing firms revised their projections somewhat downwards from the December 1999 survey. For fiscal 2000, large and small manufacturing and nonmanufacturing firms are all projecting increased profits for the second consecutive year. Regarding corporate finance conditions, the March *Tankan* (Chart 8) reports continued improvements in both the financial position DI and the lending attitude of financial institutions DI at both large and small firms. Reflecting these favorable profit and corporate finance developments, corporate sentiment has continued to follow an upward trend since the end of 1998 (Chart 9). Moreover, perceptions of excess equipment continue to ease gradually overall, although they are still strong (Chart 10).

Under this environment, business fixed investment is turning to an increase, albeit moderately. Shipments of general capital goods, which move almost simultaneously with machinery investment, posted a large increase of 7.6 percent in January-February 2000 compared to the level of the fourth-quarter of 1999, partially in reaction to some firms' decisions to postpone computer purchases at the end of 1999 due to concerns about the Year 2000 problem. Among leading indicators (Chart 11), nonresidential construction starts increased by 9.7 percent in the fourth quarter of 1999 on a seasonally adjusted quarter-to-quarter basis, and then surged by 20.9 percent in January-February compared to the fourth-quarter level, in part due to large-scale redevelopment projects in the nonmanufacturing industries. Machinery orders (private demand; excluding shipbuilding and electric power equipment) increased by 9.9 percent in the fourth quarter of 1999 on a seasonally adjusted quarter-to-quarter basis, and then rose by 8.9 percent in January-February 2000 compared to the fourth-quarter level.

As for the outlook, the environment surrounding business fixed investment is expected to continue improving in terms of firms' profitability and financing conditions. In these circumstances, an increasing number of firms have recently started to expand their capacity in the industries enjoying an extremely strong increase

in demand, such as electronics parts. The March *Tankan* shows that investment plans for fiscal 2000 are all above the past averages at this point of time, with the exception of large nonmanufacturing firms (Chart 12).⁴ At many firms, however, prospects for sales remain modest, and there are still strong perceptions of excess equipment in the corporate sector overall. Under these conditions, careful monitoring is still required to determine whether the recovery in business fixed investment is sustainable and whether it is likely to spread to a wider range of industries.

Regarding the household sector, employment and income conditions remain harsh overall, although the decrease in the number of regular employees and in wages to date is slowing as the economic improvement is becoming more distinct. In the labor market (Chart 13), the ratio of job offers to applicants (seasonally adjusted) in February 2000 remained at the same level of 0.52 as in the previous month, while the unemployment rate in February (seasonally adjusted) rose to 4.9 percent, recording the highest level since these statistics were first compiled in 1953. (The previous record high was 4.8 percent in July 1999.)⁵ The number of regular employees (on a Monthly Labour Survey basis at establishments with at least five employees) remained flat at a level slightly below the previous year's level. As for wages (Chart 14), nominal wages per employee in February continued to be above the previous year's level due to a recovery in overtime payments along with the increase in production and also due to a rise in regular payments. Reflecting these employment and wage developments, compensation of employees has also remained above the

⁴ According to the March *Tankan*, the investment plans for fiscal 2000 (year-to-year changes) are +4.9 percent at large manufacturing firms, -3.8 percent at large nonmanufacturing firms, -9.4 percent at small manufacturing firms, and -6.0 percent at small nonmanufacturing firms. In comparison, the average year-to-year changes for the investment plans recorded by the *Tankan* (fiscal 1975-1998 for the manufacturing industries and fiscal 1984-1998 for the nonmanufacturing industries) at this time of year are -0.9 percent at large manufacturing firms, -0.6 percent at large nonmanufacturing firms, -25.8 percent at small manufacturing firms, and -21.1 percent at small nonmanufacturing firms.

⁵ The rise in the unemployment rate to a historical high in February even though the number of regular employees remained steady and the number of new job offers increased may be due to temporary fluctuations caused by a change in the sample population, and to the intensified mismatch between workers' abilities and firms' needs amid the structural changes in the economy. In the future as well, the unemployment rate may temporarily rise if the number of unemployed new graduates increases substantially along with firms' stance toward restricting new employment.

previous year's level since January. As for the outlook, the recovery in production activities is expected to have favorable effects on overtime payments and labor demand. Firms' perceptions of excess employment, however, still remain strong though they are easing (Chart 15), and firms are maintaining a strong stance toward restricting personnel expenses. Hence, it seems that the improvement in the household income environment will take some time.

Under this employment and income environment, the recovery in private consumption remains weak as a whole, although there has been a slight rebound since the beginning of the year. According to sales indices (Chart 16), sales of household electric appliances remain at a high level, mainly due to firm sales of personal computers. Sales at department stores and the number of passenger car sales have also been recovering somewhat compared to the level at the end of 1999. Sales at chain stores, however, are on a declining trend, and outlays for travel remain at a slightly low level, as the negative effects of the Year 2000 problem remain in some areas.

As for future consumption trends, while consumer sentiment, which had been flat since the early spring of 1999, is improving gradually again (Chart 17), the recovery in private consumption is likely to remain weak for the time being amid the lack of notable improvements in employment and income conditions.

Housing investment (Chart 18) seems to remain on a gradual declining trend, although it has been increasing temporarily due to a concentration of construction starts of owner-occupied houses since the beginning of the year. (On a seasonally adjusted annual basis, housing starts totaled 1.23 million units in the third quarter of 1999, 1.17 million units in the fourth quarter, and 1.28 million units in January-February 2000.)

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 also expected to follow a moderate downward trend, judged from the number of loan applications to the government Housing Loan

Corporation.⁶ Furthermore, housing for sale is also likely to turn to a decrease gradually.

Reflecting these developments in final demand and also because inventory adjustments are probably mostly completed (Chart 19), industrial production (Chart 20) remains on an increasing trend⁷ and is expected to remain firm for the time being.

2. Prices⁸

With regard to price developments, import prices on a yen basis (Chart 22) have recently decreased somewhat due to the effects from the appreciation of the yen, but are basically on an increasing trend, reflecting the rise in international commodity prices such as crude oil prices.

Domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates;⁹ Chart 23) are starting to increase compared to the previous year because petroleum and chemical product prices are rising due to the increase in crude oil prices. In terms of the three-month growth rate, domestic wholesale prices continue to be flat recently, as petroleum and chemical product prices continue to rise, while the prices of electric machinery are declining. (The change in domestic

⁶ Loan applications to the government Housing Loan Corporation during its fourth offering period for fiscal 1999 remained at a low level (38,000 applications for the construction of private homes; a decline of 62.5 percent from the previous year), following the low figures during the previous offering period (37,000 applications for the construction of private homes; a decline of 47.2 percent from the previous year).

⁷ Following an increase of 0.8 percent during the fourth quarter of 1999 on a seasonally adjusted quarter-to-quarter basis, industrial production is projected to rise by 2.2 percent during the first quarter of 2000 (based on the production forecast indices for March).

⁸ In the past, the Bank of Japan reported the rate of price change that is most generally used for each price index, such as the change from the previous month or from the previous year. From this month, the long-term trend in price change is presented in terms of the year-to-year growth rate, and the recent developments in terms of the three-month growth rate. This presentation is adopted because the three-month growth rate effectively evens out temporary monthly price fluctuations compared to the month-to-month growth rate.

⁹ 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. For a detailed calculation method, see the footnote in Chart 23.

wholesale prices in terms of the three-month growth rate was 0.0 percent in January 2000, +0.1 percent in February, and +0.1 percent in March.)

Corporate service prices (domestic supply-demand factors)¹⁰ (Chart 24) continue to decline slowly on both a year-to-year basis and in terms of the three-month growth rate, mainly due to decreases in the prices for general services. (The change in corporate service prices in terms of the three-month growth rate was -0.1 percent in December 1999, -0.2 percent in January 2000, and -0.1 percent in February.)

Consumer prices (excluding perishables; Chart 25) decreased somewhat from the previous year, as the prices of imported products continued to decline due to the past appreciation of the yen.¹¹ On the other hand, although prices are basically flat in terms of the three-month growth rate (the change in consumer prices excluding perishables in terms of the three-month growth rate was 0.0 percent in December 1999, 0.0 percent in January 2000, and +0.1 percent in February), the underlying tone is toward a slight weakening, as house rents, which have a large fluctuation among private-sector services, are rising while the prices of goods are on a long-term declining trend.

As for land prices, according to the Land Prices posted by the National Land Agency (Chart 26), the prices of both commercial and residential land continue to decline.

¹⁰ Corporate service prices (domestic supply-demand factors) only include items whose monthly price changes primarily reflect changes in domestic private demand. Specifically, items with the following properties are removed from the overall CSPI: (1) regulated fees, (2) overseas factors, and (3) fees with a large monthly fluctuation that do not necessarily reflect short-term changes in supply-demand trends. For a detailed calculation method, see the footnote in Chart 24. Incidentally, the year-to-year decline in the overall CSPI contracted in February 2000 because in addition to the movements in domestic-demand factors, transport prices increased along with the recent depreciation of the yen. (The year-to-year change in the overall CSPI was -0.8 percent in January 2000 and -0.6 percent in February.)

¹¹ The year-to-year decline in overall consumer prices including perishables remained larger than 1.0 percent through the end of 1999 because the prices of fresh vegetables rose sharply during the fourth quarter of 1998 but declined during 1999. However, as the influence from this factor is subsiding, the amount of the year-to-year decline is gradually contracting (the year-to-year change was -0.9 percent in January 2000 and -0.6 percent in February).

Regarding the future environment for prices, upward pressure on prices is likely to arise from the gradual improvement in domestic supply-demand balance and from the rise in crude oil prices. On the other hand, downward pressure is expected from the long-term declining trend of machinery prices due to technological innovations and from the fall in prices of imported products reflecting the past appreciation of the yen. On balance, overall prices are likely to remain unchanged.¹² However, attention should still be paid to the downward pressure on prices stemming from weak demand, although the pressure has weakened given some recovery in private demand.

3. Financial Developments

(1) Financial Markets

Interest rate developments in short-term money markets (Charts 28(1) and 29) show that the overnight call rate (uncollateralized) has generally stayed near zero, at around 0.02 percent, and financial institutions have been confident about the availability of overnight funds. The amount outstanding in the call money market increased slightly in late March, and decreased thereafter.

As for interest rates on term instruments, three-month Euro-yen (TIBOR), TB, and FB rates rose slightly toward the end of March in conjunction with the end of the fiscal year, but have weakened somewhat since the beginning of April. The Japan premium (Chart 31) remains negligible.

Yields on ten-year government bonds (newly issued; Chart 28(2)) rose marginally in mid-March in response to Japan's improved economic indices and stayed above 1.8 percent, but declined somewhat from late March and are recently back in the range of 1.7-1.8 percent. The yield spread between government and private bonds (bank debentures and corporate bonds; Charts 33 and 34) continues narrowing, primarily for bonds with relatively low ratings.

¹² In greater detail, differences in the price index characteristics may lead to different movements of product price indices. While the domestic wholesale price index, which gives a relatively high weighting to petroleum products, is rising slightly, the consumer price index (excluding agricultural, livestock and fishery products), which gives a high weighting to imported products, is likely to decline slightly due to the influence from the past appreciation of the yen.

Stock prices (Chart 35(1)) weakened almost to 19,000 yen in mid-March, but then rebounded and are currently firm on the whole at 20,000-21,000 yen.

In the foreign exchange market (Chart 36), the yen strengthened against the U.S. dollar toward the end of March against the background of the improvement in the perceptions of Japan's economic conditions and the comments by European monetary authority officials accepting a depreciation of the euro. However, the yen weakened at the beginning of April and has been traded at around 105 yen to the U.S. dollar since then as market participants became sensitive to intervention.

(2) Monetary Aggregates and Corporate Finance

The year-to-year growth in money stock (Chart 37) in terms of $M_2 + \text{CDs}$ continued to slow, reflecting the stagnant private credit demand. (The year-to-year growth in $M_2 + \text{CDs}$ was 2.9 percent in November 1999, 2.6 percent in December, 2.6 percent in January 2000, and 2.1 percent in February.) For the second quarter of 2000, the year-to-year growth is projected to remain around the level posted during the first quarter as there will be some inflow from postal savings on maturity, while private-sector funds demand will remain sluggish.

The year-to-year growth in the monetary base (currency in circulation + reserves; Chart 38) increased slightly from the previous month in March.

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 are becoming more active 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, many firms continue to reduce debts as part of their balance-sheet restructuring measures. As a result, the overall credit demand of private firms has continued to be basically stagnant.

Consequently, the tone of lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;¹³ Chart 39), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, remains sluggish. (The year-to-year change was –1.6 percent in October 1999, –2.1 percent in November, –2.2 percent in December, –2.4 percent in January 2000, and –2.5 percent in February.) Corporate bond and CP issuance (Chart 40) has been steady.

Turning to the funding cost for firms, the average contracted interest rates on new loans and discounts (Chart 42) remained generally steady. Corporate bond issuance rates have been holding at a low level. CP issuance rates have been at an extremely low level, near the historical low.

The number of corporate bankruptcies (Chart 43) remained at around 1,400-1,500 cases per month.

In this financial environment, corporate financing conditions are easing, and the lending attitude of financial institutions is perceived by firms as less severe. How these favorable developments in corporate financing will affect economic activities continues to warrant careful monitoring.

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, and (3) fluctuations from loan write-offs.

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Changes in Presentation of Indexes Used in the Charts

1. Main Economic Indexes (Chart 1-1)

Presentation of some indexes in the "Main Economic Indexes" is changed from a year-to-year basis to a seasonally adjusted month-to-month (quarter-to-quarter) basis in line with the changes in the text. The following indexes are subject to the change:

Index of Expenditure Level, Sales at Department Stores, Sales at Chain Stores, Sales of Electric Appliances (NEBA), Outlays for Travel, Machinery Orders, Construction Starts, and Value of Public Works Contracts.

2. Price-related Charts (Charts 1-2, 23, 24, and 25)

In the past, the Bank of Japan reported the price change that is most generally used for each price index, such as the change from the previous month or from the previous year. From this month, the long-term trend in price change is presented in terms of the year-to-year growth rate, and recent developments in terms of the three-month growth rate. As a result, the charts are changed reflecting the text.

Main Economic Indexes (1)

s.a., q/q (m/m) % chg.¹

	99/Q3	Q4	2000/Q1	99/December	2000/January	February	March
Index of expenditure level (all households)	-1.9	-1.8	n.a.	-2.4	2.1	p 0.2	n.a.
Sales at department stores	-1.8	-0.6	n.a.	0.8	1.4	p -1.0	n.a.
Sales at chain stores	-0.5	-2.1	n.a.	-1.3	0.0	2.8	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	<281>	<288>	<304>	<292>	<327>	<305>	<281>
Sales of electric appliances (real, NEBA)	1.8	3.3	n.a.	1.9	6.2	3.4	n.a.
Outlays for travel (50 major travel agencies)	2.2	-4.5	n.a.	-8.7	4.7	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	<123>	<117>	<n.a.>	<116>	<135>	<121>	<n.a.>
Machinery orders (from private sector ⁴)	3.1	9.9	n.a.	16.1	0.8	-2.5	n.a.
Mining & manufacturing	3.6	7.4	n.a.	13.2	-3.0	5.5	n.a.
Nonmanufacturing ⁴	1.5	11.7	n.a.	18.6	8.8	-10.4	n.a.
Construction Starts (private, nonresidential use)	-2.9	9.7	n.a.	-8.4	27.4	-9.3	n.a.
Manufacturing	6.7	7.9	n.a.	-6.2	27.5	11.2	n.a.
Nonmanufacturing ⁵	-5.3	10.6	n.a.	-9.2	27.4	-16.4	n.a.
Value of public works contracts	2.1	-3.2	n.a.	-1.9	3.0	8.5	n.a.
Real exports	6.7	2.5	n.a.	1.3	-0.7	5.7	n.a.
Real imports	2.6	5.2	n.a.	-1.4	-7.9	3.6	n.a.
Industrial production	3.9	0.8	n.a.	-1.2	0.2	p 3.0	n.a.
Shipments	4.1	1.4	n.a.	-1.0	1.9	p 0.5	n.a.
Inventories	-1.2	-2.2	n.a.	-1.5	0.8	p 0.2	n.a.
Inventories/shipments <s.a., 1995=100>	<100.1>	<98.7>	<n.a.>	<98.7>	<99.4>	<p 99.1>	<n.a.>
Real GDP	-1.0	-1.4	n.a.	n.a.	n.a.	n.a.	n.a.

Main Economic Indexes (2)

	y/y % chg. ¹						
	99/Q3	Q4	2000/Q1	99/December	2000/January	February	March
Ratio of job offers to applicants <s.a., times>	<0.47>	<0.49>	< n.a.>	<0.50>	<0.52>	<0.52>	< n.a.>
Unemployment rate <s.a., %>	<4.72>	<4.63>	< n.a.>	<4.69>	<4.68>	<4.85>	< n.a.>
Overtime working hours ⁶	-0.3	1.4	n.a.	1.0	3.3	p 3.2	n.a.
Number of employees	-0.4	-0.4	n.a.	-0.7	-0.7	-0.1	n.a.
Number of regularly employed ⁶	-0.2	-0.2	n.a.	-0.1	-0.2	p -0.2	n.a.
Nominal wages per person ⁶	-0.9	-1.2	n.a.	-2.3	1.4	p 1.5	n.a.
Domestic wholesale price index <q/q % chg.> (3-month growth rate)	-1.3 <0.1>	-0.7 <0.1>	-0.1 <0.1>	-0.6 <0.1>	-0.3 <0.0>	-0.1 <0.1>	0.1 <0.1>
Consumer price index (nationwide) ⁷ <s.a., q/q % chg.> (3-month growth rate)	0.0 <0.0>	-0.2 <-0.1>	n.a. < n.a.>	-0.1 <0.0>	-0.3 <0.0>	-0.1 <0.1>	n.a. < n.a.>
Corporate service price index core <s.a., q/q % chg.> (3-month growth rate)	-1.1 <-0.1>	-0.9 <-0.2>	n.a. < n.a.>	-0.9 <-0.1>	-0.8 <-0.2>	-0.7 <-0.1>	n.a. < n.a.>
Monetary aggregates (M ₂ +CDs) <average outstanding, y/y % chg.>	3.6	3.0	n.a.	2.6	2.6	p 2.1	n.a.
Number of suspension of transactions with banks	-18.5	3.3	n.a.	39.7	56.1	59.3	n.a.

Notes: 1. Excludes the cases indicated inside angle-brackets at the index section.

2. P indicates preliminary figures.

3. Excludes small cars with engine sizes of 660cc or less.

4. Excludes ships and demand from electric power companies.

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

6. Data for establishments with at least five regular employees.

7. Excludes perishables.

8. For calculation methods of both figures that are seasonally adjusted and indexes processed and compiled by the Bank of Japan, refer to the footnotes of each chart.

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";

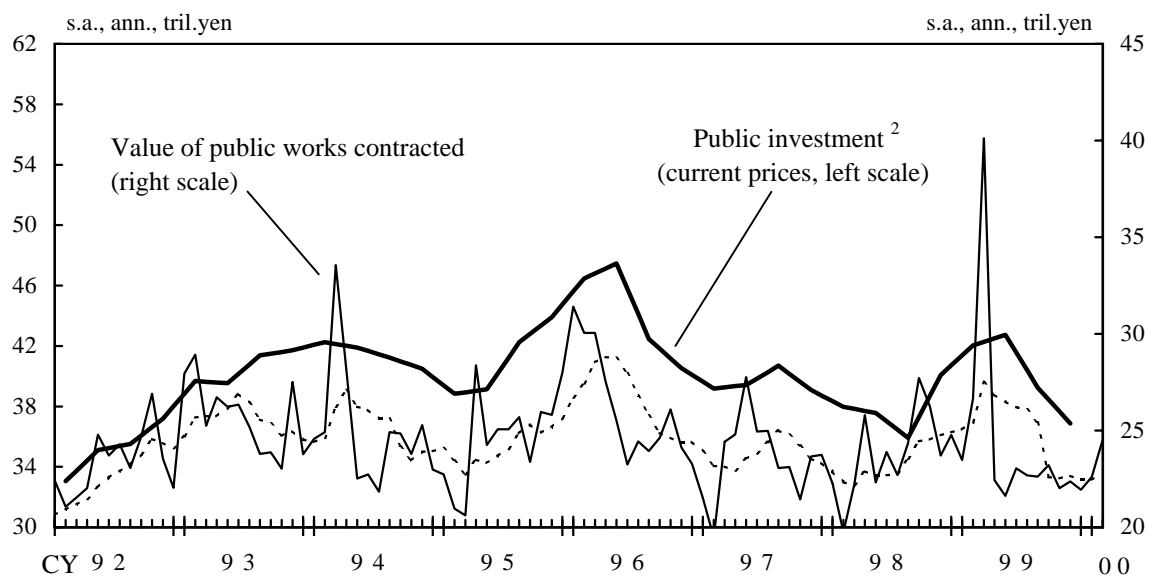
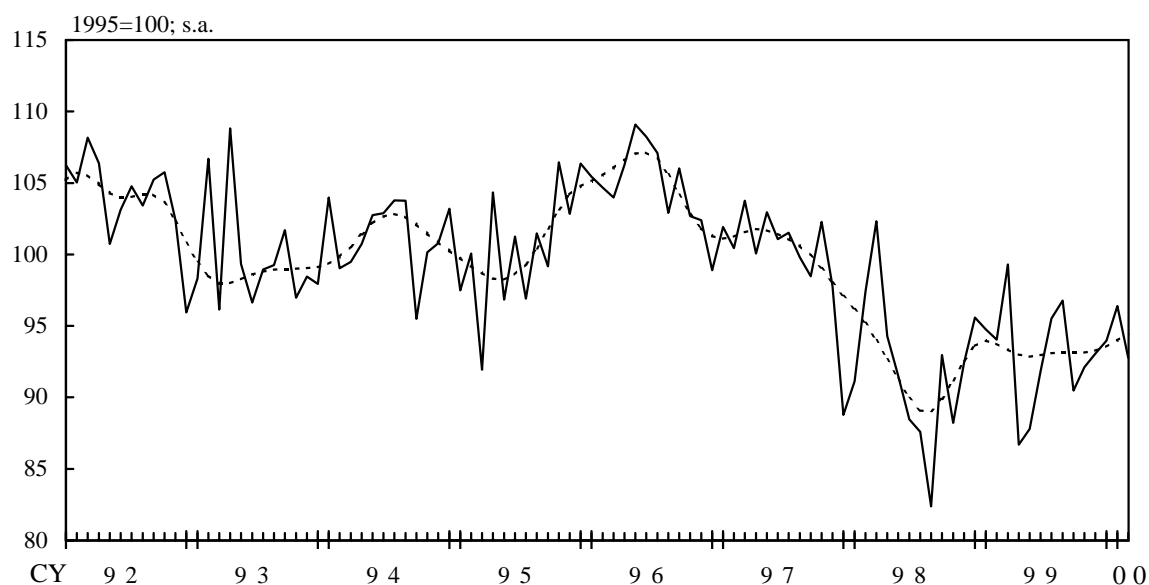
Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Labor, "Report on Employment Service",

"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

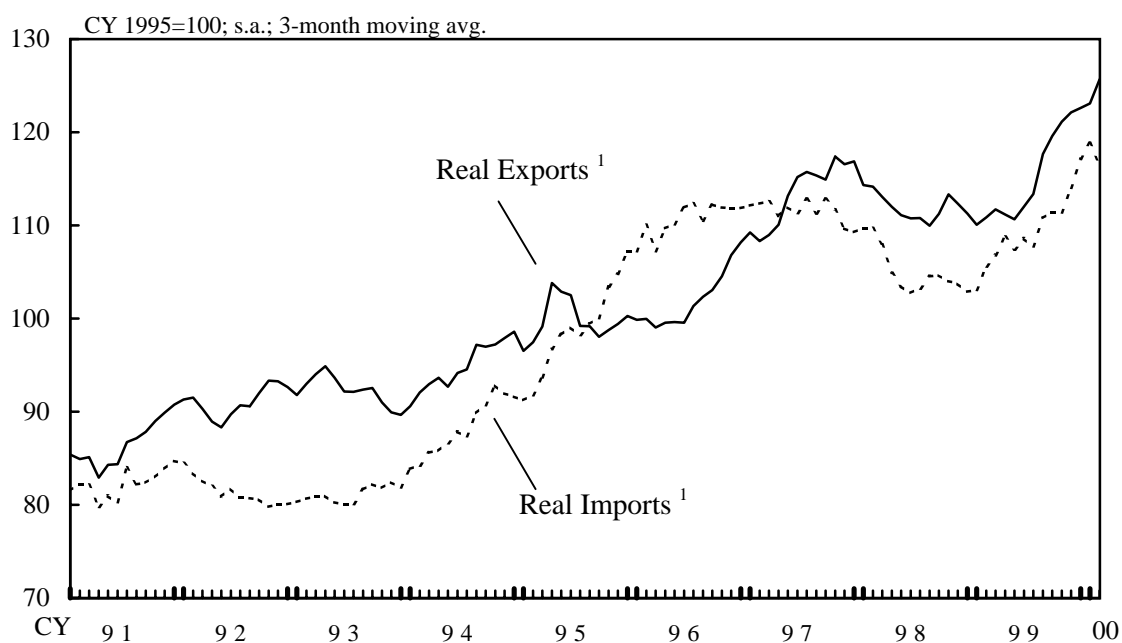
(2) Shipments of Public Works-related Goods^{3,4}

- Notes:
1. Seasonally adjusted by X-12-ARIMA (β version). As the figures are seasonally adjusted on a monthly basis, the data are retroactively revised each month. The dotted line of "value of public works contracted" is the 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 for February 2000 are preliminary.

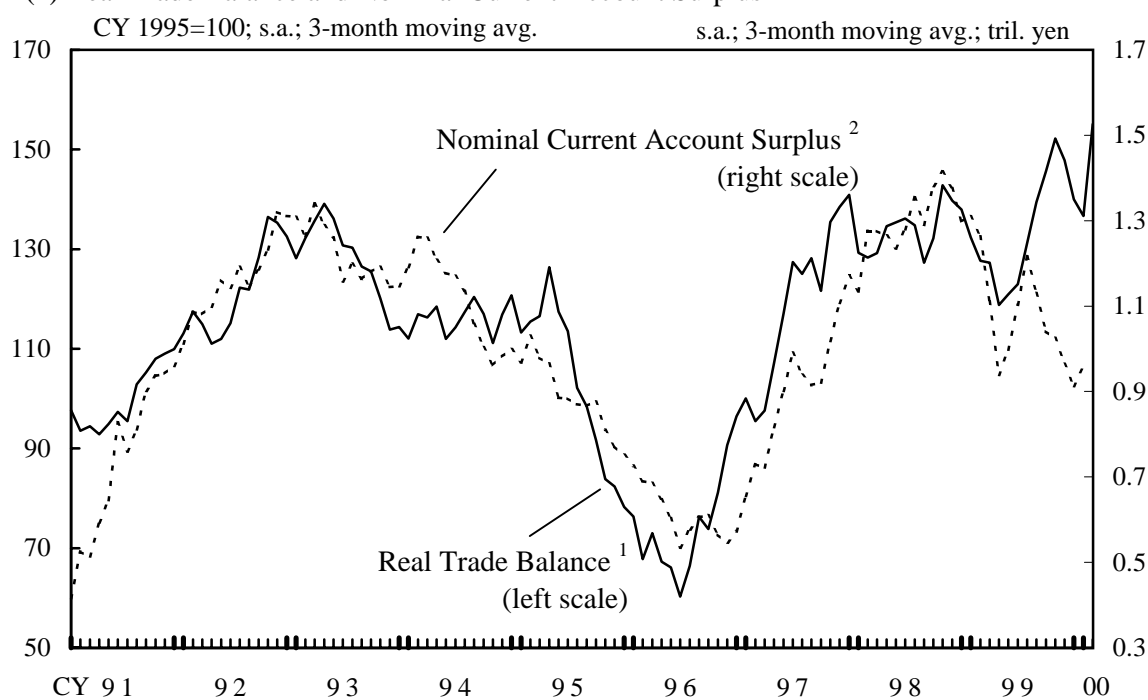
Sources: Economic Planning Agency, "National Income Statistics";
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";
Ministry of International Trade and Industry, "Indices of Industrial Production."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



Notes: 1. Seasonally adjusted by X-11.
2. Annually revised on March.

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 98	99	99 Q1	Q2	Q3	2000 Q4	2000 Q1	99 Dec.	2000 Jan.	Feb.
United States	<30.7>	6.8	4.6	0.5	2.1	5.7	-0.1	2.0	2.0	-3.5	5.3
EU	<17.8>	15.6	0.9	-1.5	-4.5	5.2	2.6	1.9	0.9	-2.3	5.4
East Asia	<35.8>	-18.1	12.0	7.9	3.9	7.8	2.3	11.6	2.9	9.3	-1.3
China	<5.6>	0.5	12.3	17.2	-6.3	8.4	-7.7	17.3	-3.5	12.6	11.9
NIEs	<21.5>	-16.5	11.2	5.7	5.6	8.6	5.0	12.3	4.8	9.6	-2.9
Taiwan	<6.9>	-0.4	7.8	3.4	3.7	7.4	6.9	4.7	4.3	-2.0	4.7
Korea	<5.5>	-35.3	43.9	20.8	4.4	12.1	9.4	17.9	9.7	10.4	0.4
ASEAN4 ³	<8.6>	-29.2	13.6	7.5	7.0	5.6	2.1	6.5	2.0	6.6	-4.7
Thailand	<2.7>	-29.4	15.3	8.7	0.2	11.4	8.8	-1.4	0.3	-1.0	-3.5
Real exports		-2.1	4.5	0.4	0.3	6.7	2.5	3.2	1.3	-0.7	5.7

(2) Breakdown by type of good

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 98	99	99 Q1	Q2	Q3	2000 Q4	2000 Q1	99 Dec.	2000 Jan.	Feb.
Intermediate goods	<14.2>	2.9	5.4	0.8	4.2	1.9	-2.3	0.6	1.4	-3.3	4.1
Motor vehicles and their related goods	<21.5>	1.3	2.8	-1.5	-3.0	8.4	1.7	-6.6	-2.7	-14.5	17.3
Consumer goods ⁴	<7.2>	5.0	5.0	1.3	-0.9	6.1	4.4	6.0	1.7	5.0	-1.6
Information-related goods ⁵	<17.6>	-7.0	6.4	1.9	3.2	7.3	2.3	11.6	6.3	4.4	4.3
Capital goods and parts ⁶	<28.4>	-5.4	1.8	3.8	-1.5	7.0	1.4	13.4	1.8	13.3	-3.7
Real exports		-2.1	4.5	0.4	0.3	6.7	2.5	3.2	1.3	-0.7	5.7

Notes: 1. Seasonally adjusted by X-11. 2000/Q1 are Jan-Feb averages in terms of quarterly amount.

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

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

4. Excluding motor vehicles.

5. Information-related goods = 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.

7. Data for Taiwan, Korea, and Thailand are after annual revision.

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 98	99	99 Q1	Q2	Q3	Q4	2000 Q1	99 Dec.	2000 Jan.	Feb.
United States	<21.7>	-3.7	-2.9	9.2	-9.2	-0.3	8.8	-5.2	0.7	-7.8	-0.3
EU	<13.8>	-6.5	5.8	2.6	-2.4	6.2	3.1	-1.7	-4.5	-2.6	1.0
East Asia	<37.6>	-7.7	15.8	7.6	5.8	2.8	7.7	2.1	-0.4	-5.7	6.5
China	<13.8>	-4.4	11.9	7.6	4.7	0.4	7.3	3.5	0.3	-3.6	3.4
NIEs	<11.6>	-10.9	24.2	11.7	5.3	4.5	12.3	1.4	0.1	-4.9	3.0
Taiwan	<4.1>	-11.1	25.6	13.5	5.0	3.0	12.6	10.2	-1.0	1.7	8.8
Korea	<5.2>	-9.5	30.8	11.2	8.6	4.6	18.3	0.1	-1.7	-2.5	-2.5
ASEAN4 ³	<12.1>	-8.1	12.6	4.1	7.5	3.7	4.0	1.3	-1.7	-8.6	13.4
Thailand	<2.9>	-7.1	5.4	4.3	2.0	1.3	4.0	2.9	2.5	-2.4	1.8
Real imports		-6.2	6.1	3.8	1.7	2.6	5.2	-2.8	-1.4	-7.9	3.6

(2) Breakdown by type of good

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 98	99	99 Q1	Q2	Q3	Q4	2000 Q1	99 Dec.	2000 Jan.	Feb.
Raw materials ⁴	<23.2>	-6.0	2.7	1.6	1.4	0.1	1.8	-4.0	-7.8	-6.8	5.1
Intermediate goods	<13.5>	-7.1	3.6	3.3	1.7	4.1	1.1	-2.6	1.8	-10.7	6.3
Foodstuffs	<14.3>	-4.0	2.8	4.8	-0.3	0.3	2.9	3.1	0.5	-4.0	3.5
Consumer goods	<10.8>	-13.8	8.1	1.9	10.2	0.5	6.5	-3.1	-1.9	-5.6	0.3
Information-related goods ⁵	<14.4>	-5.8	18.7	6.7	6.2	4.4	12.4	3.8	-3.3	-1.3	4.7
Capital goods and parts ⁶	<12.9>	2.7	5.1	15.3	-11.4	1.8	13.6	-8.5	-1.3	-10.1	-0.9
Real imports		-6.2	6.1	3.8	1.7	2.6	5.2	-2.8	-1.4	-7.9	3.6

Notes: 1. Seasonally adjusted by X-11. 2000/Q1 are Jan-Feb averages in terms of quarterly amount.

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

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

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

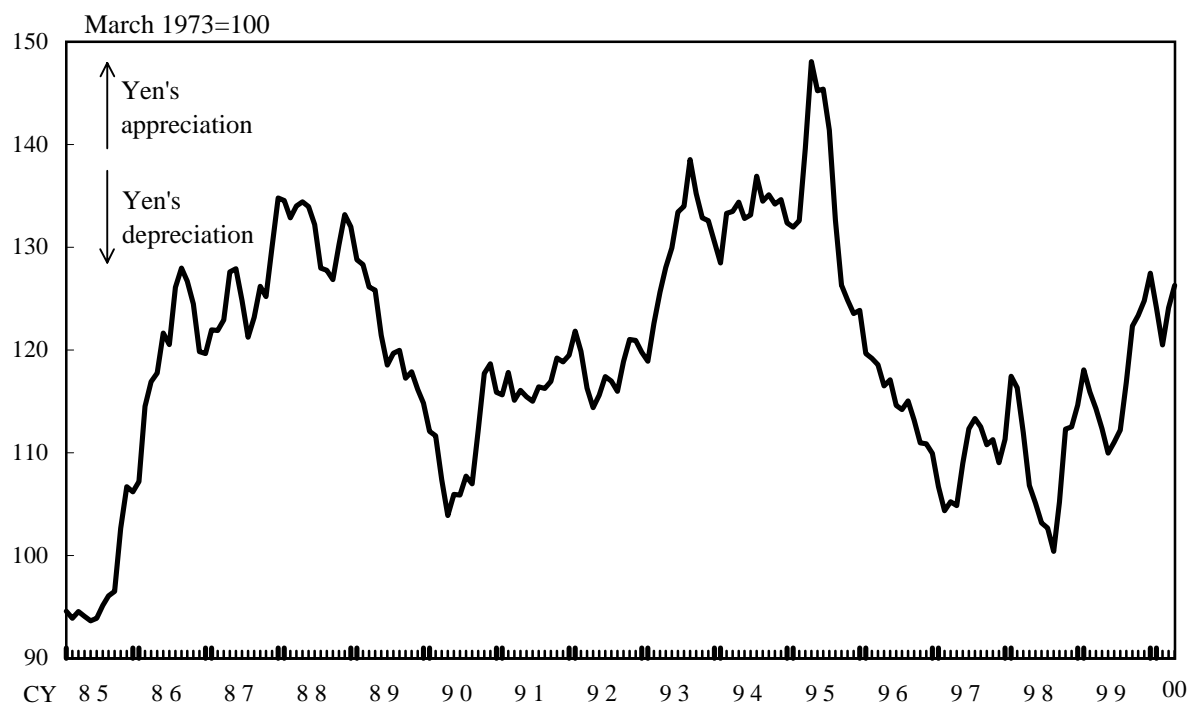
5. Information-related goods = office machinery + telecommunication machinery + ICs + scientific, medical and optical instruments.

6. Excluding information-related goods.

7. Data for Taiwan, Korea, and Thailand are after annual revision.

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 April 2000 is the average of April 1-7. 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.

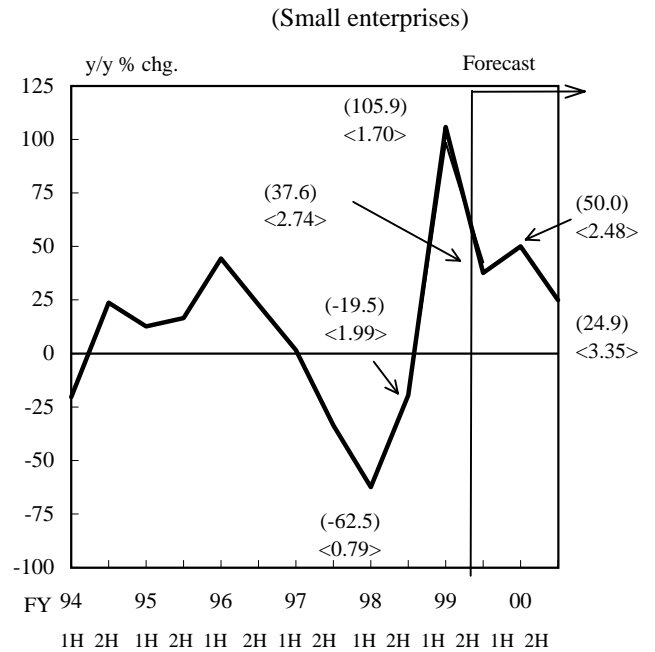
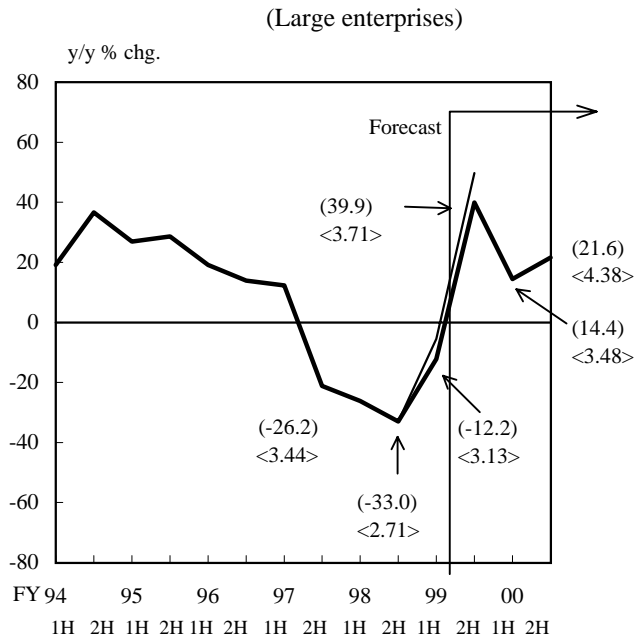
(2) Real GDP Growth Rates in Overseas Economies

		CY98	99	2000	99 Q1	Q2	Q3	Q4	
United States ¹		4.3	4.2	(4.1)	3.7	1.9	5.7	7.3	
European Union ¹		2.7	2.2	(3.1)	2.1	2.3	4.1	3.8	
East Asia ²	Germany	2.2	1.5	(2.8)	2.7	0.3	3.5	2.7	
	France	3.4	2.7	(3.5)	1.8	3.4	3.9	3.6	
	United Kingdom	2.2	2.1	(3.2)	1.6	3.0	4.1	3.1	
	China	7.8	7.1	(7.3)	8.3	(Jan-Jun) 7.6	(Jan-Sep) 7.4	(Jan-Dec) 7.1	
	NIEs	Korea	-6.7	10.7	(7.7)	5.4	10.8	12.8	13.0
		Taiwan	4.6	5.7	(6.5)	4.2	6.6	5.1	6.8
		Hong Kong	-5.1	2.9	(5.2)	-3.0	1.1	4.4	8.7
4 Countries of ASEAN	Singapore	-0.2	5.4	(5.7)	0.8	6.6	6.9	7.1	
	Thailand	-10.2	4.2	(5.2)	0.2	2.6	7.4	6.5	
	Indonesia	-13.2	0.2	(4.2)	-7.9	3.3	0.7	5.8	
	Malaysia	-7.5	5.4	(6.4)	-1.3	4.1	8.2	10.6	
	Philippines	-0.5	3.2	(3.9)	1.2	3.6	3.4	4.6	

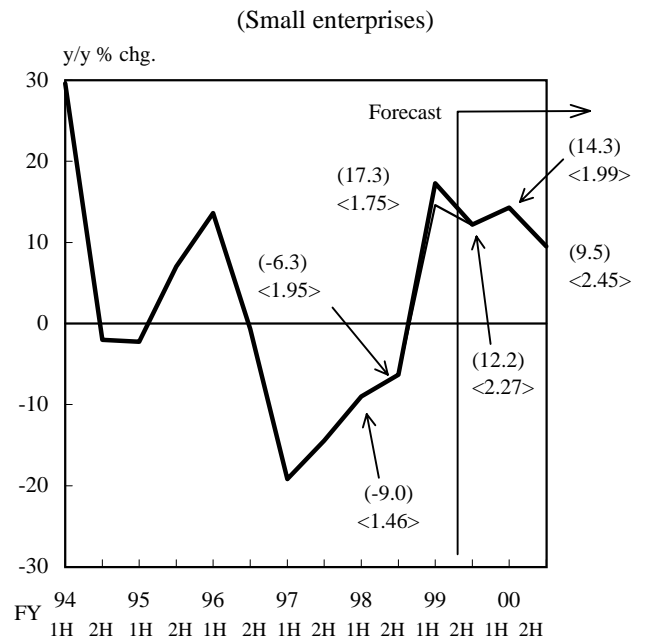
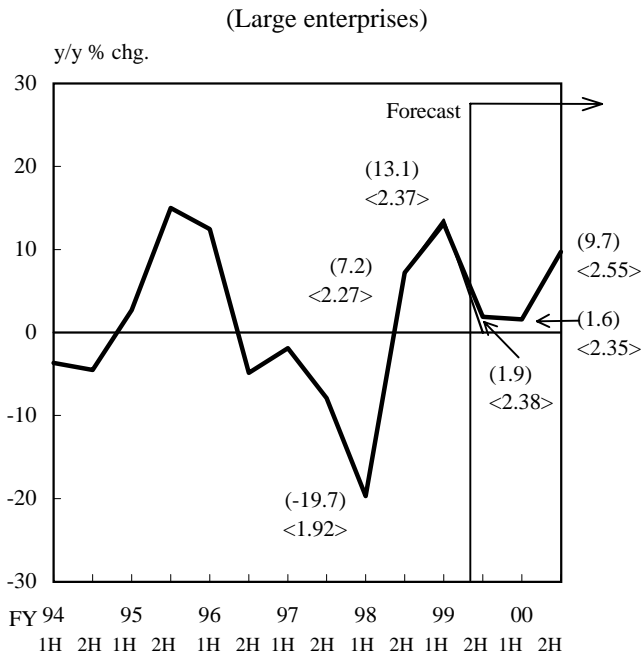
Notes: 1. Quarterly data are quarter-to-quarter percent changes.
 2. Quarterly data are percent changes from a year earlier.
 3. Forecasts by "BLUE CHIP ECONOMIC INDICATORS" and "CONSENSUS FORECASTS" are shown in brackets.

Current Profits to Sales Ratio as Surveyed in the *Tankan* (March 2000)

(1) Manufacturing



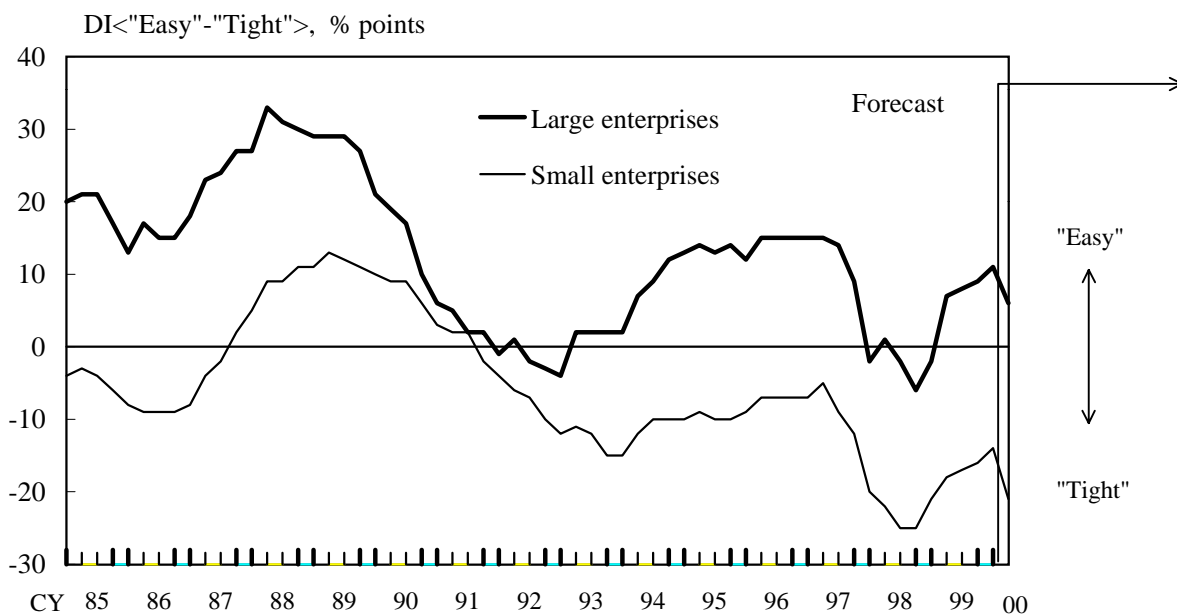
(2) Nonmanufacturing



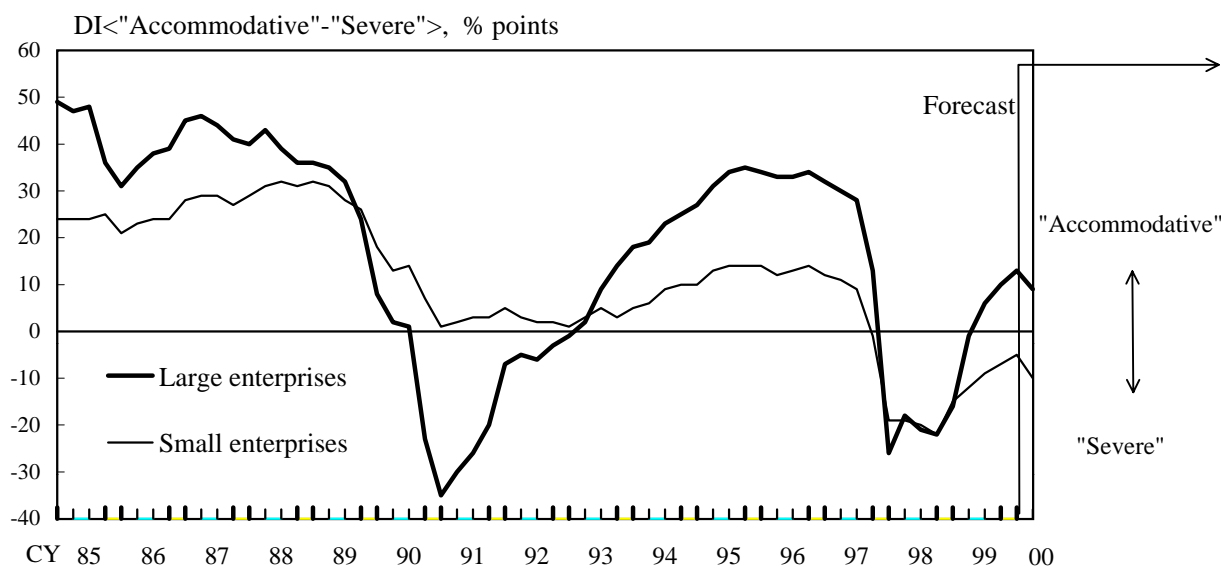
Notes: 1. The thin solid line shows the figures as of the December 1999 survey.
 2. Figures in brackets are the current profits to sales ratio.
 3. Figures in parentheses are the percent change in current profits from a year earlier.
 Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

Corporate Finance-Related Indicators in the *Tankan* (March 2000)

(1) Financial Position



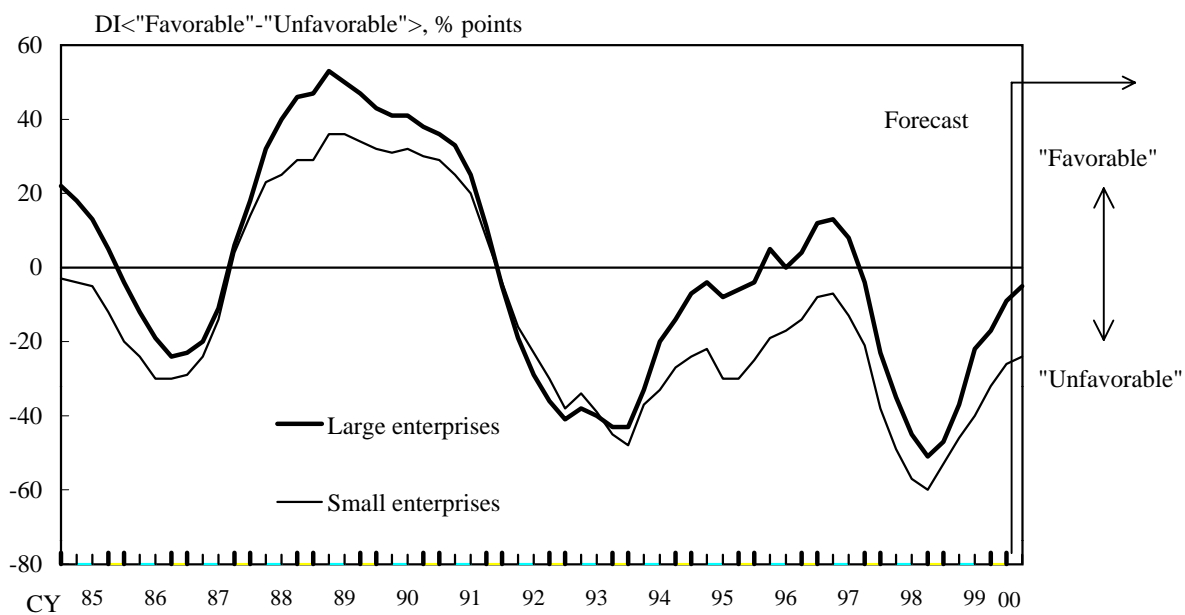
(2) Lending Attitude of Financial Institutions



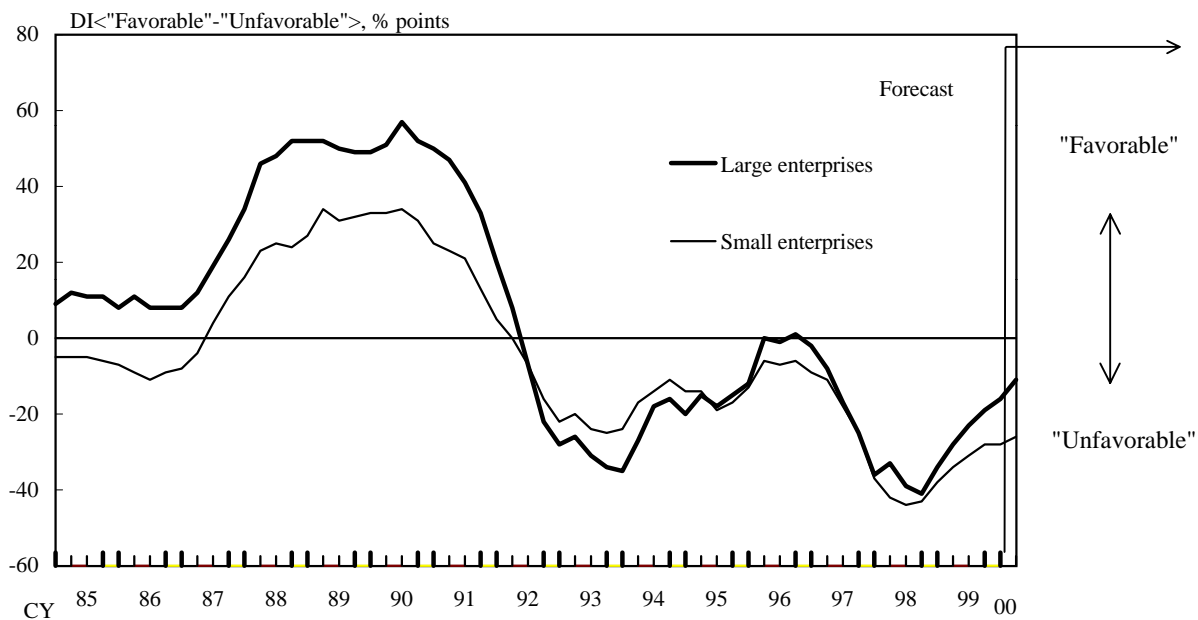
Source: Bank of Japan, "*Tankan* Short-term Economic Survey of Enterprises in Japan."

Business Conditions in the *Tankan* (March 2000)

(1) Manufacturing



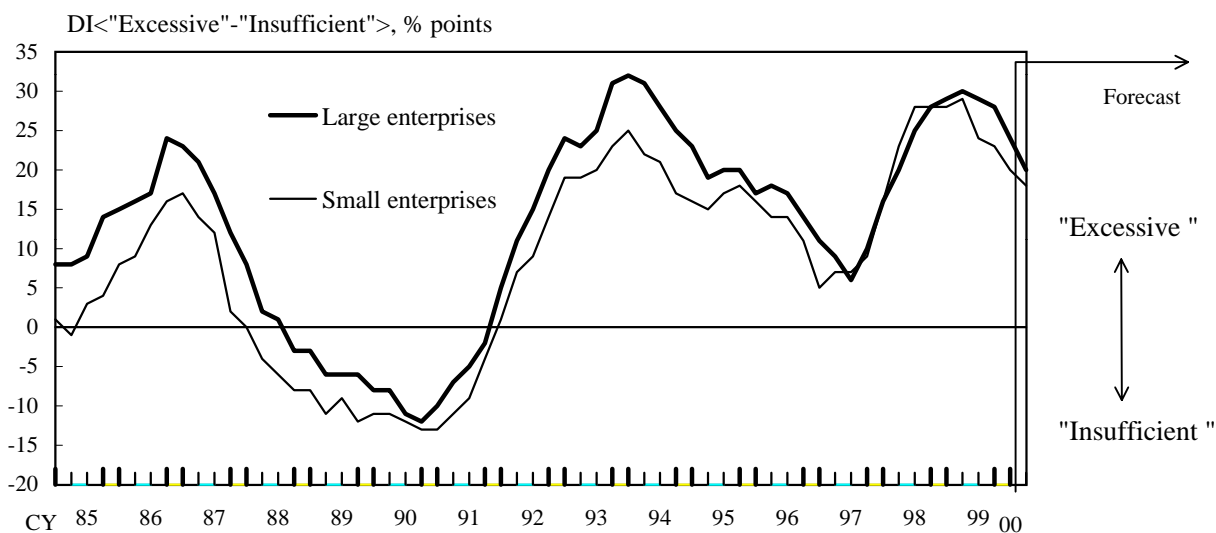
(2) Nonmanufacturing



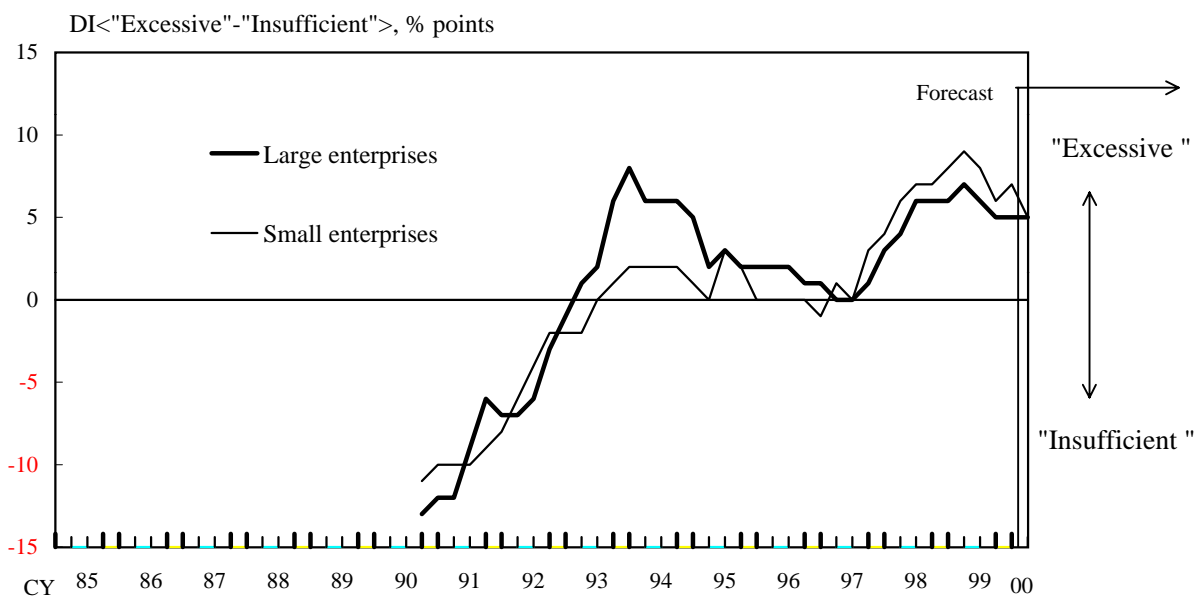
Source: Bank of Japan, "*Tankan* Short-term Economic Survey of Enterprises in Japan."

Production Capacity Indicators in the *Tankan* (March 2000)

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

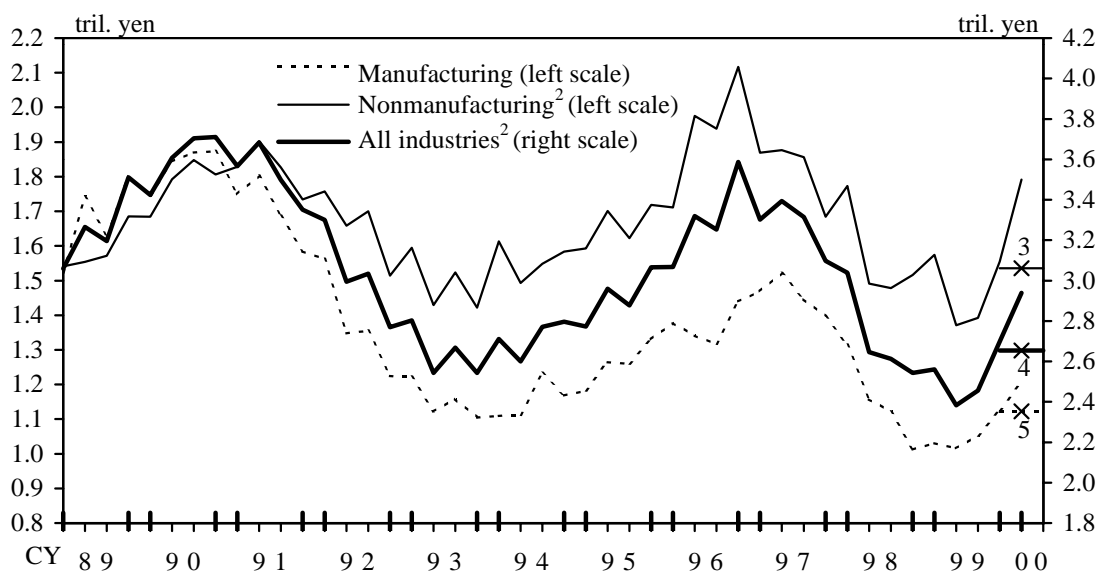


(2) Operating Ratio and Production Capacity DI (Nonmanufacturing Industries)



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 2000/Q1 are averages of January and February in terms of quarterly amount.

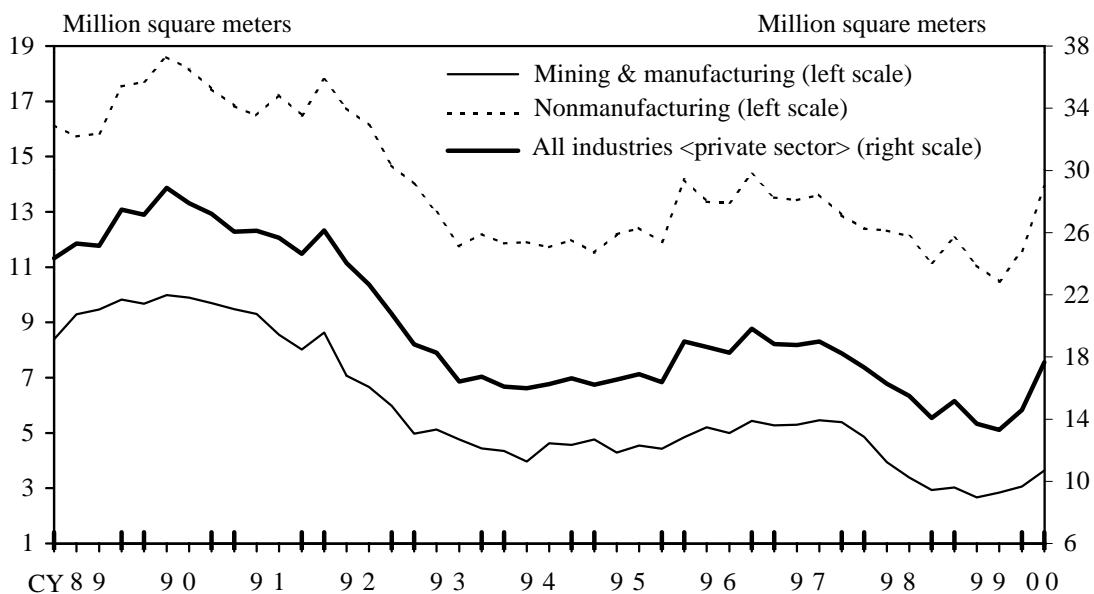
2. Excludes orders from electric power companies and shipbuilding orders.

3. Forecast of nonmanufacturing industries for 2000/Q1.

4. Forecast of all industries for 2000/Q1.

5. Forecast of manufacturing industries for 2000/Q1.

(2) Construction Starts (Nonresidential)



Notes: 1. Seasonally adjusted by X-11.

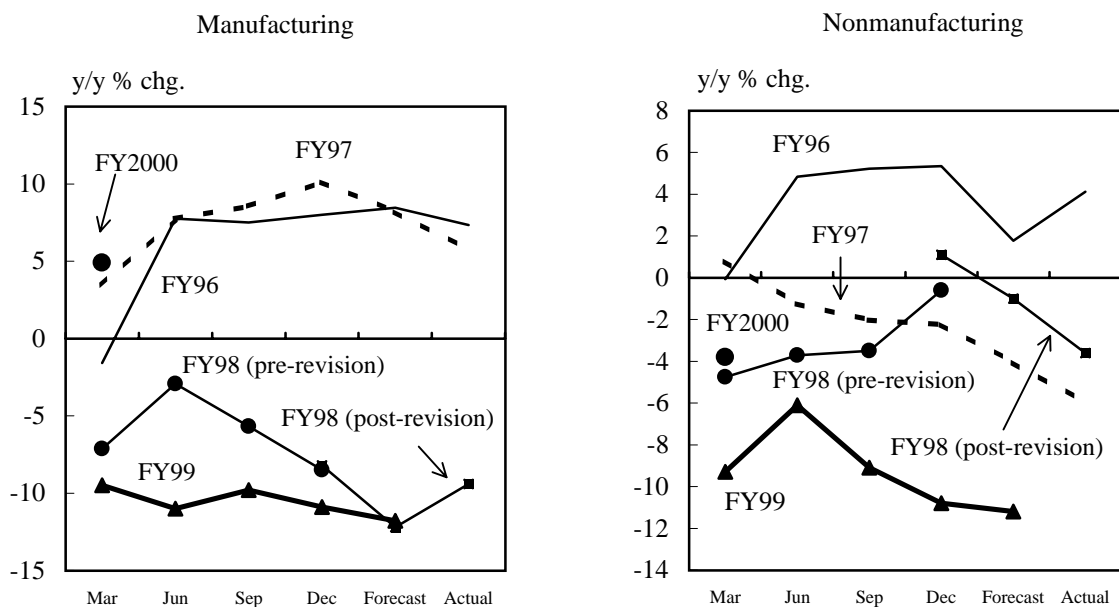
2. Figures for 2000/Q1 are averages of January and February in terms of quarterly amount.

Sources: Economic Planning Agency, "Machinery Orders Statistics";

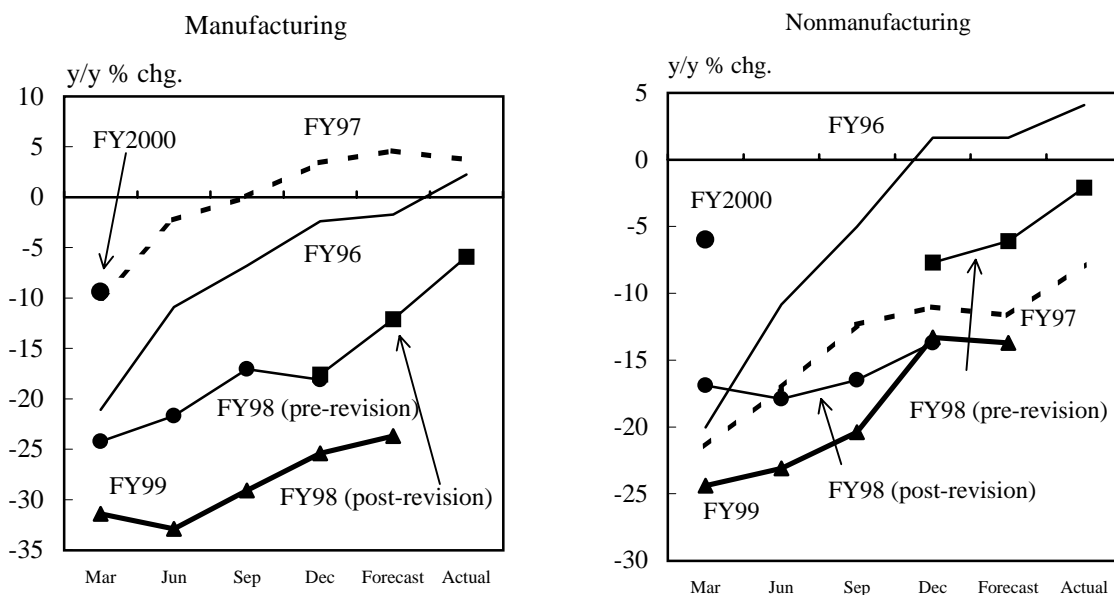
Ministry of Construction, "Statistics Building Construction Starts."

Business Fixed Investment Plans as Surveyed in the *Tankan* (March 2000)

(1) Adjustment of Plans by Large Enterprises



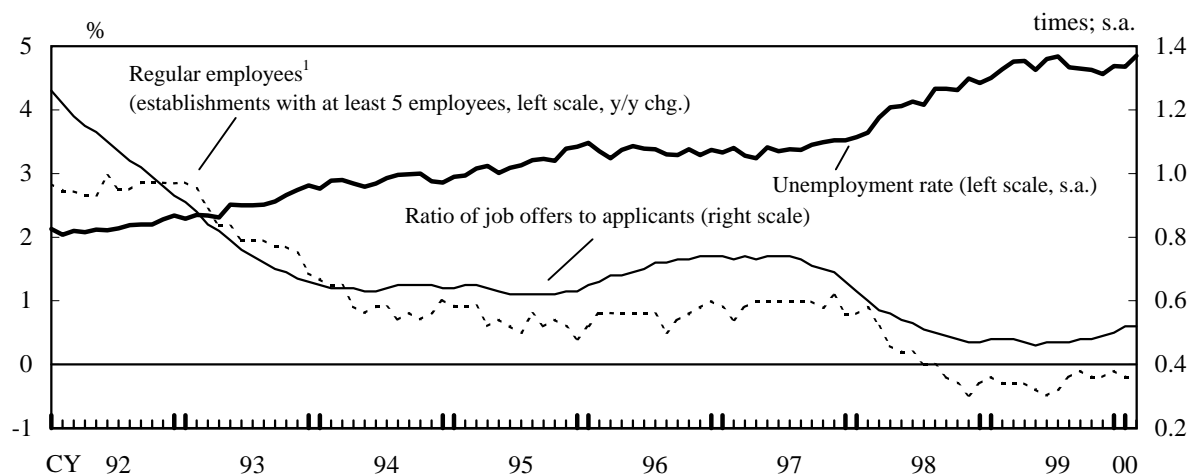
(2) Adjustment of Plans by Small Enterprises



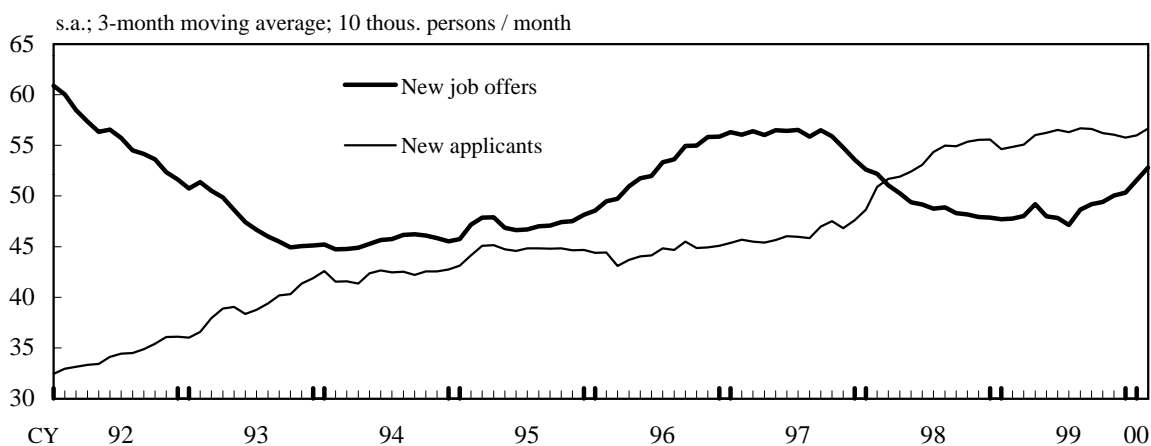
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

Labor

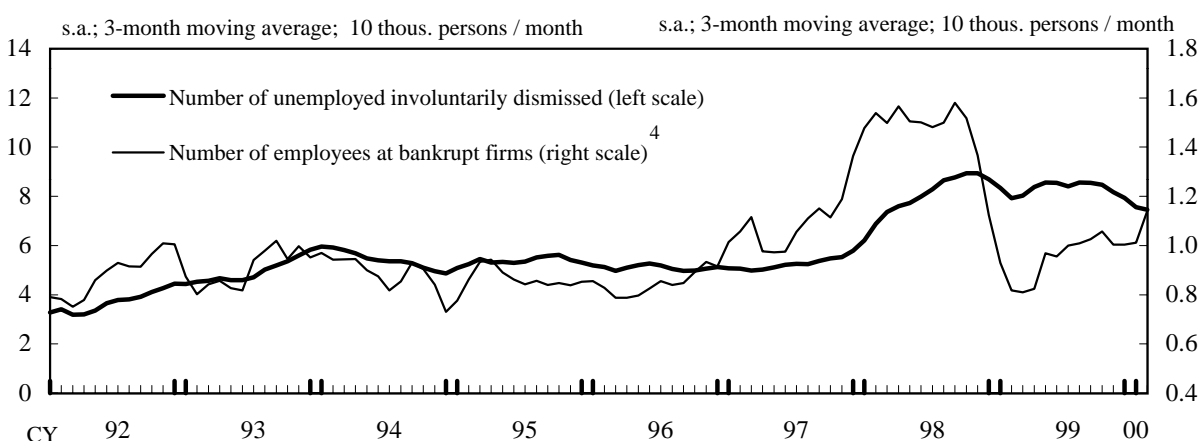
(1) Monthly



(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 Feb. 2000 are preliminary figures.

2. Excludes jobs offered to new graduates.

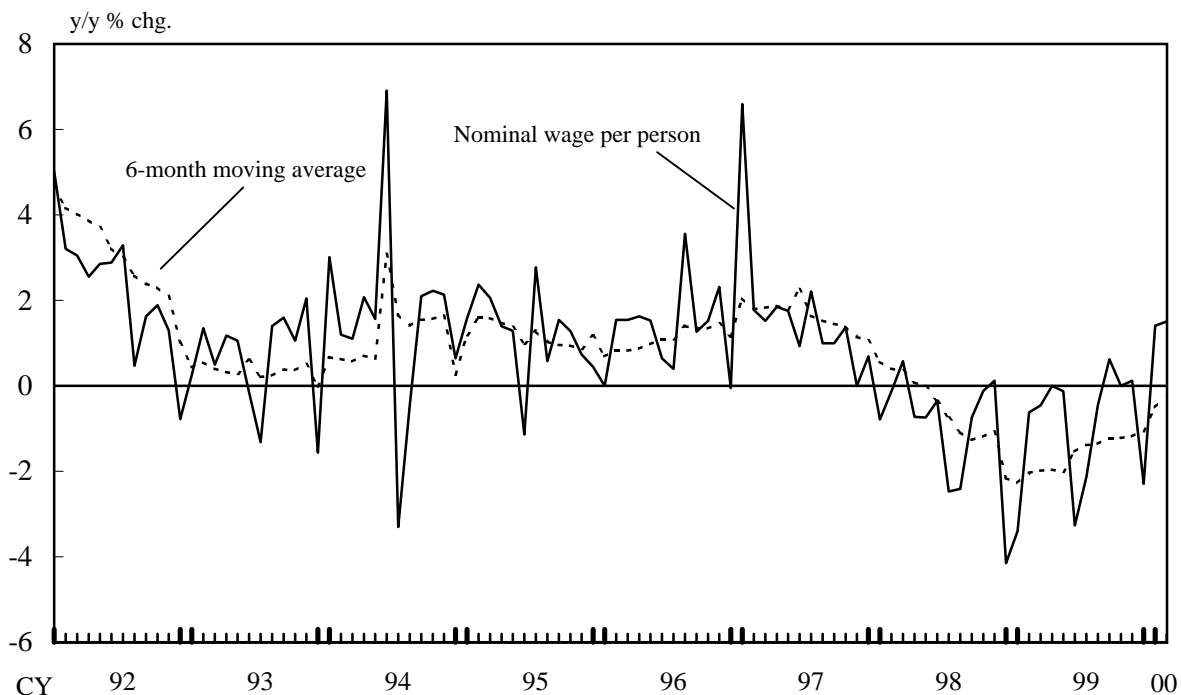
3. Seasonally adjusted by X-11.

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

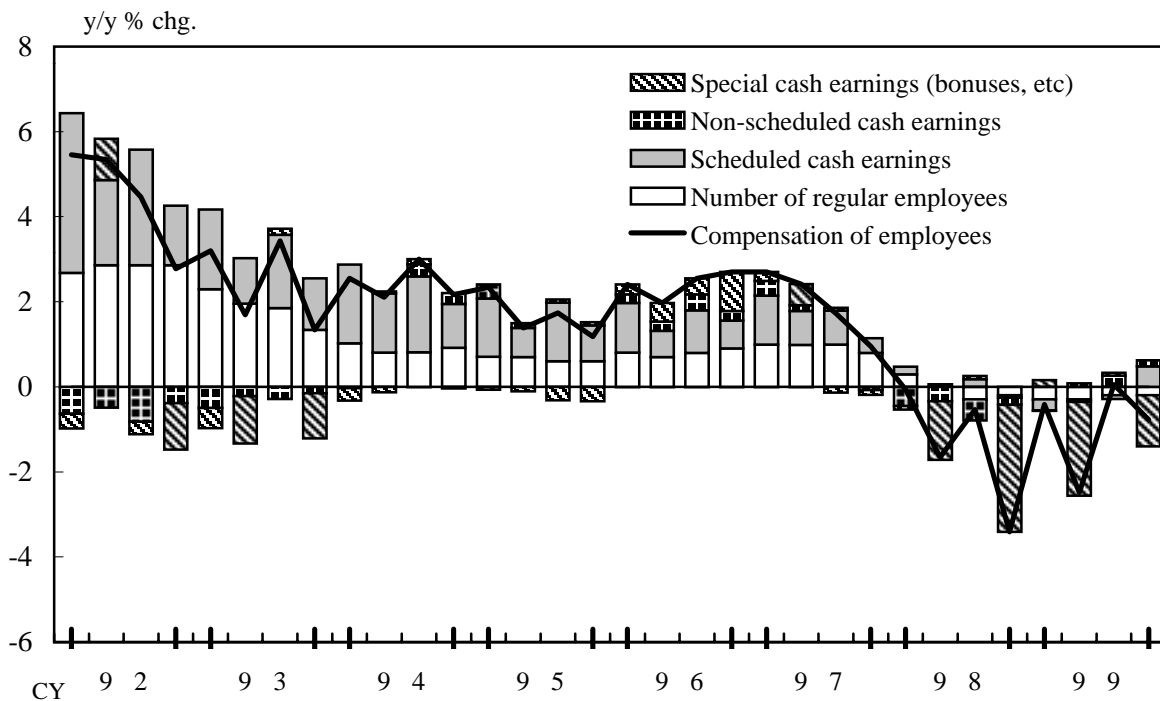
Sources: Ministry of Labour, "Monthly Labour Survey", "Report on Employment Service", "Report on Employment Insurance Service"; Management and Coordination Agency, "Labour Force Survey"; *Teikoku Databank Ltd.*, "Japan's Business Failure."

Compensation of Employees ¹

(1) Nominal Wage per Person



(2) Breakdown of Compensation ²

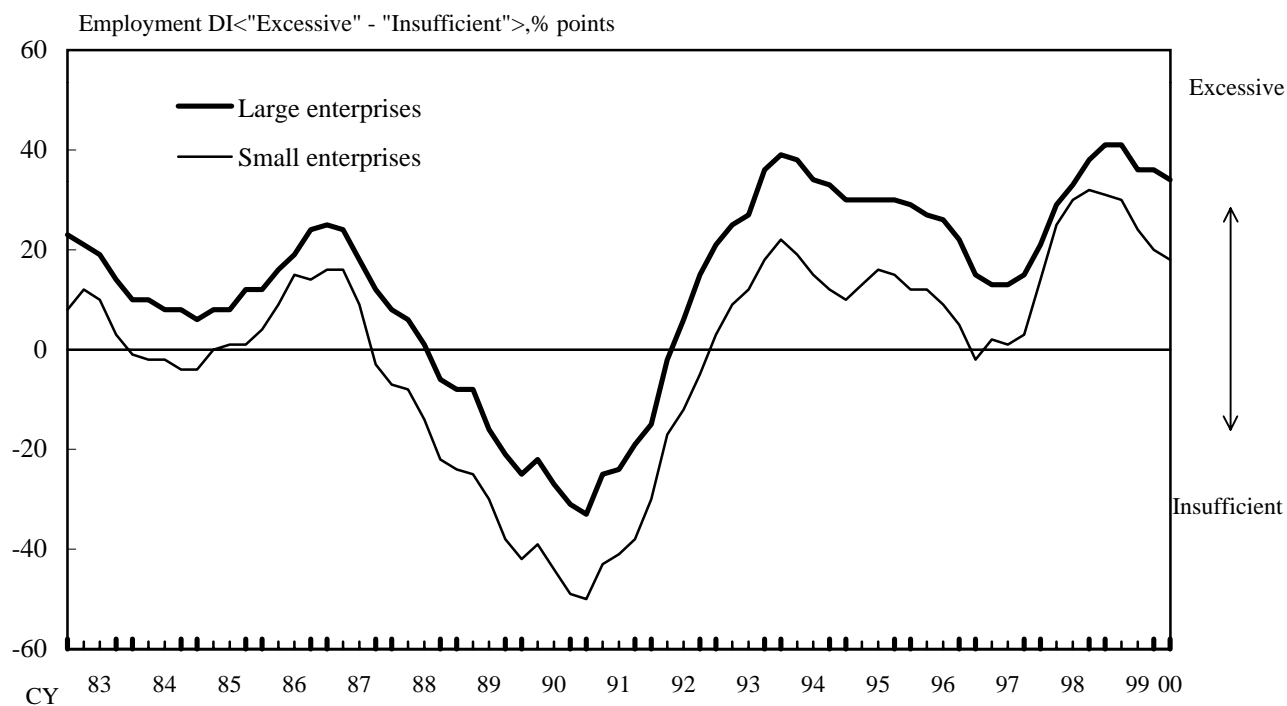


Notes : 1. Data for establishments with at least 5 employees. The data for Feb. 2000 are preliminary figures.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.

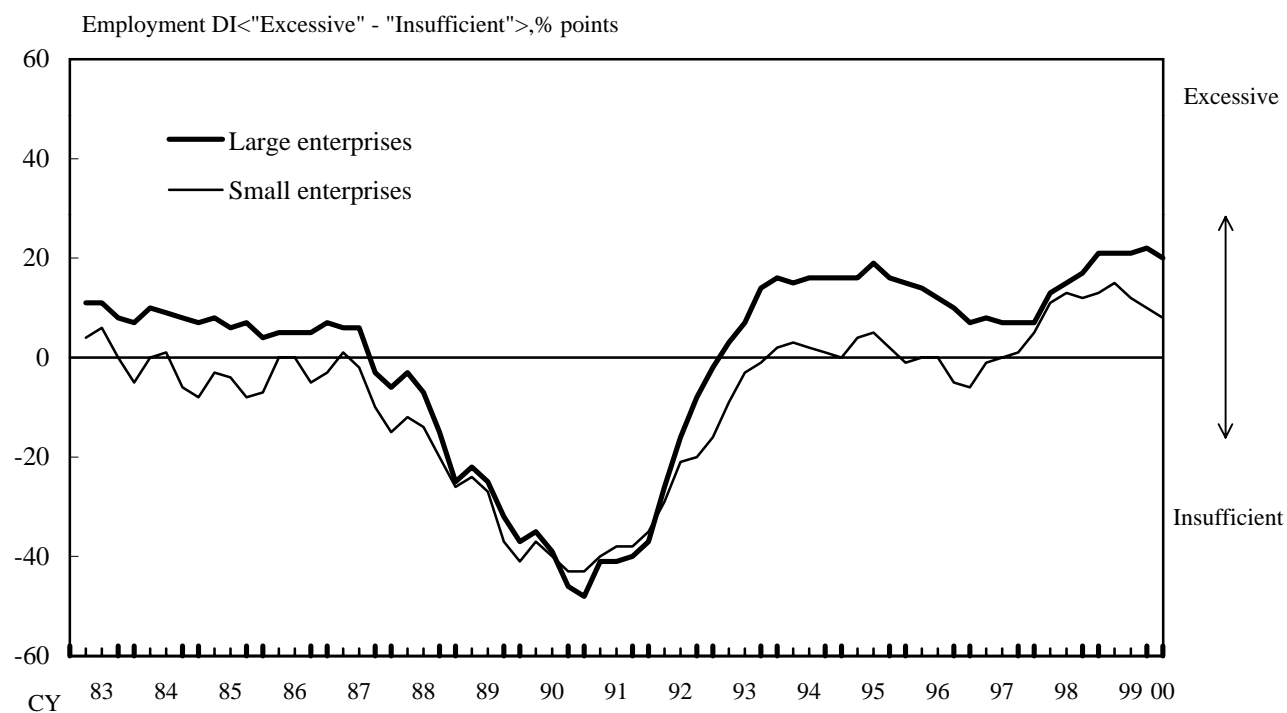
Source: Ministry of Labour, "Monthly Labour Survey."

Employment Conditions in the *Tankan* (March 2000)

(1) Manufacturing



(2) Nonmanufacturing

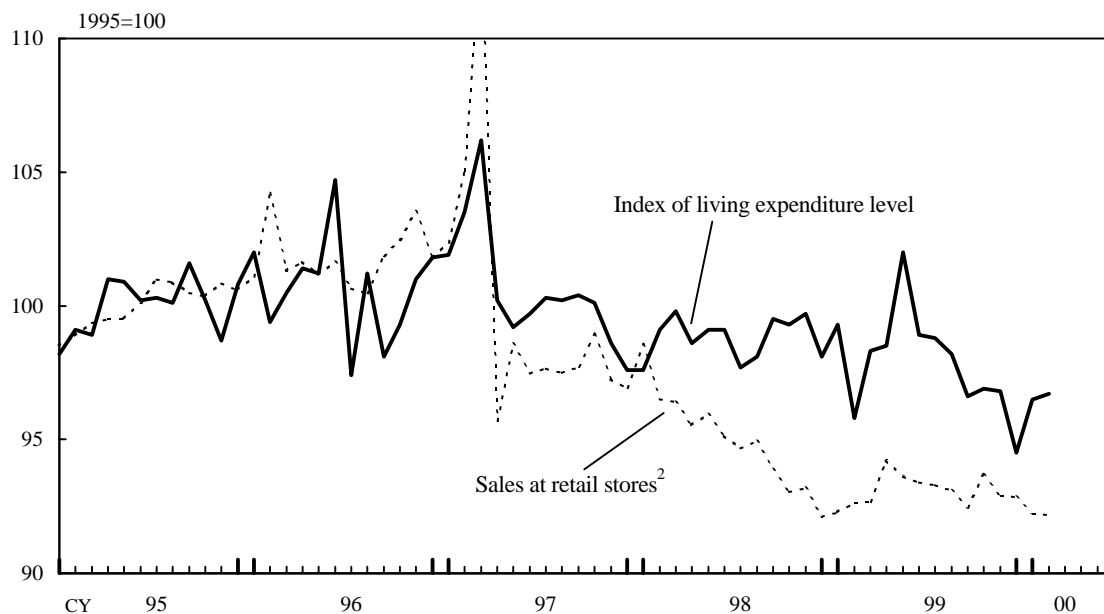


Note: Figures before December 1998 are based on the pre-revision *Tankan*, and those of March 1999 are based on the post-revision *Tankan*.

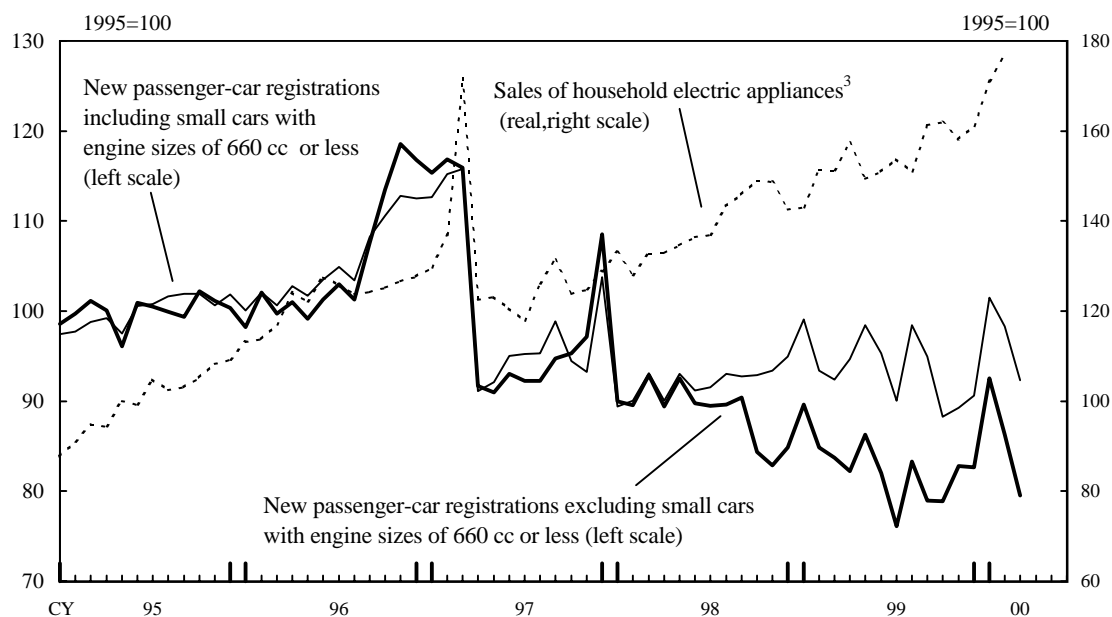
Source: Bank of Japan, "*Tankan* Short-Term Economic Survey of Enterprises in Japan."

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 the Management and Coordination Agency.

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

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

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

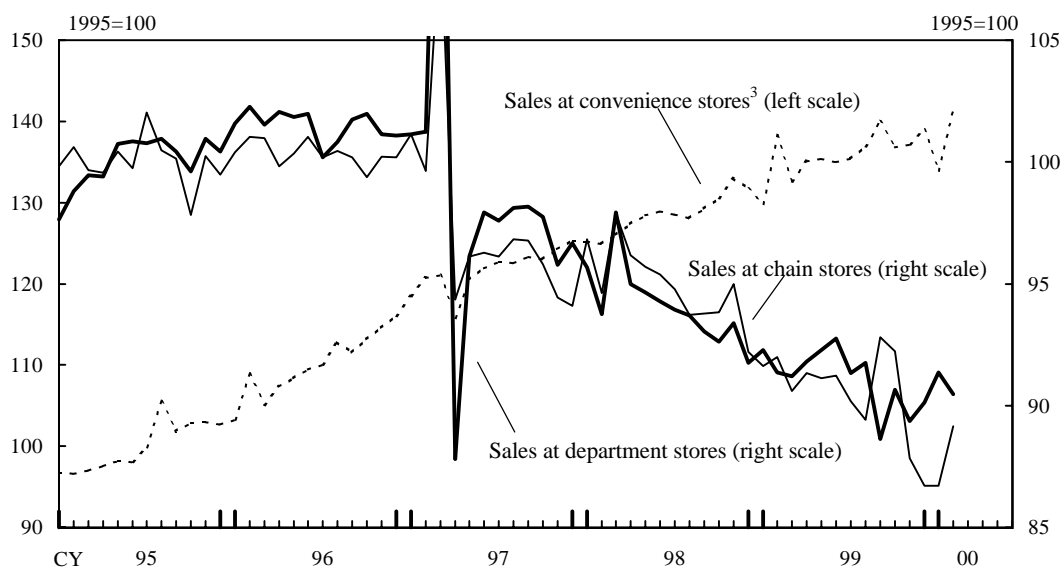
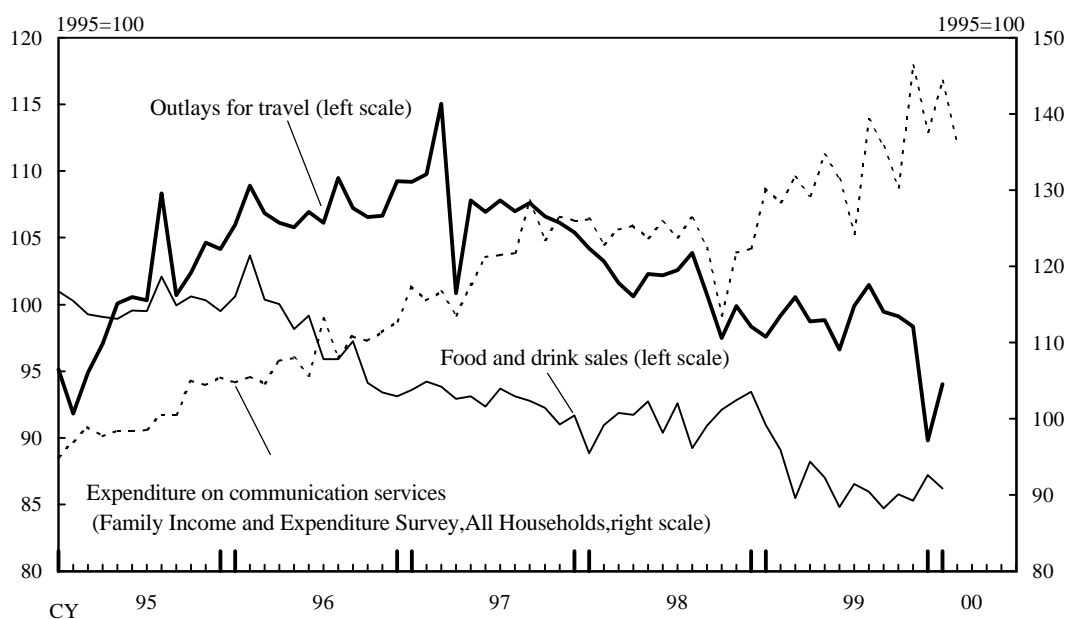
Ministry of International Trade and Industry, "Current Survey of Commerce";

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 at 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 at department stores and sales at chain stores are adjusted to exclude the effect of the rise of the consumption tax rate.

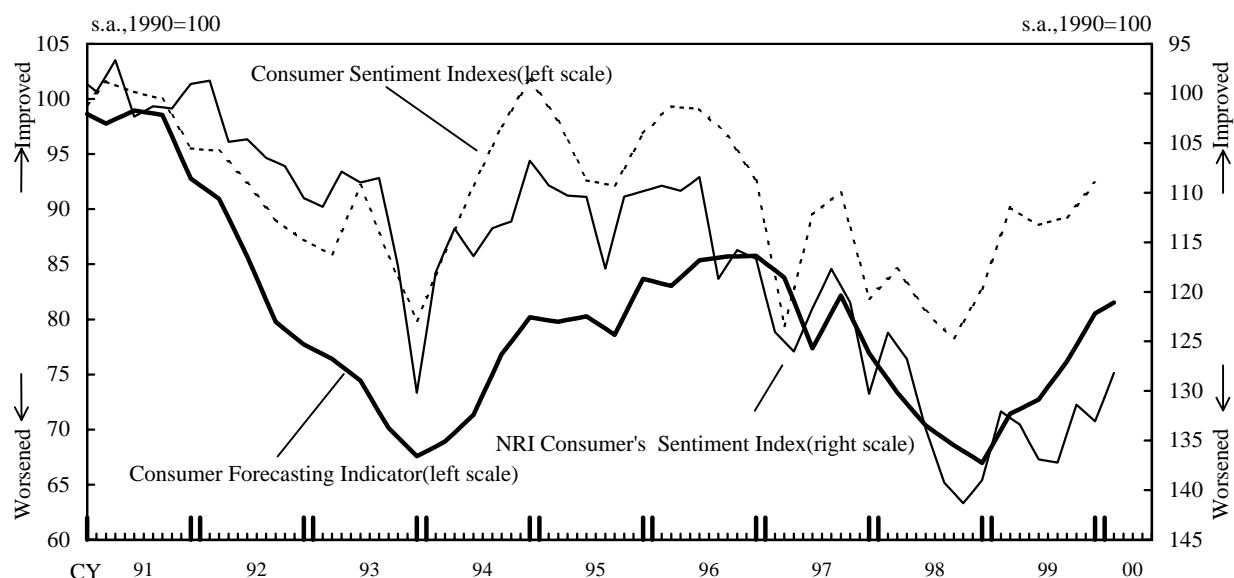
3. Sales at convenience stores are surveyed by the Bank of Japan.

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 at Chain Stores";
Ministry of Transport, "Major Travel Agents' Revenue";
Foodservice Industry Survey & Research Center, "Monthly Survey of Food and Drink Sales."

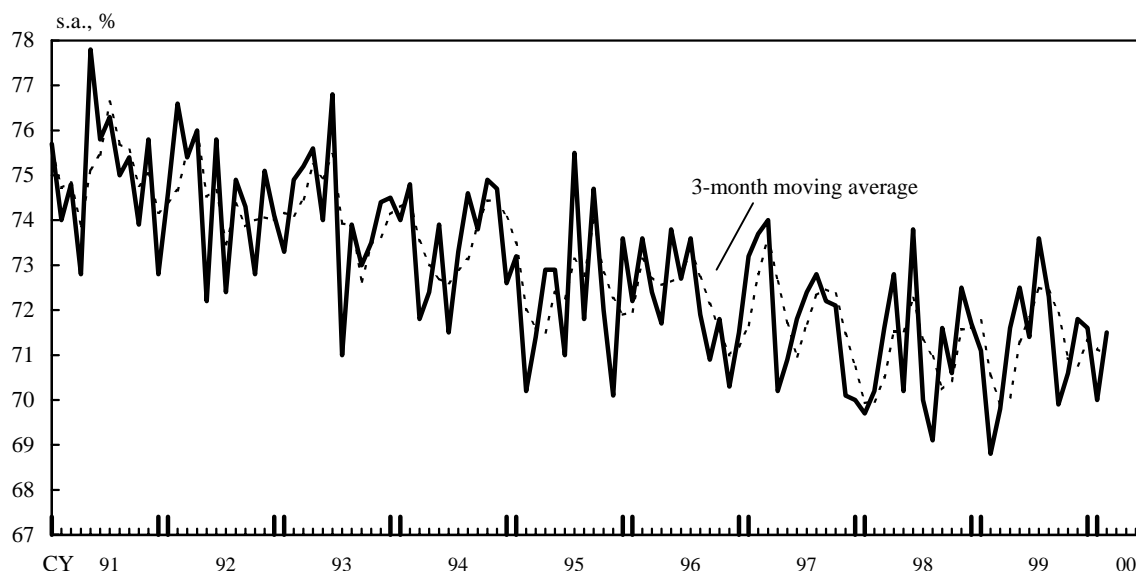
Consumer Confidence and Propensity to Consume

(1) Surveys on consumer confidence



- Notes:
1. Seasonally adjusted by X-11. "Consumer Sentiment Indexes" is seasonally adjusted by the 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 the Economic Planning Agency, "Consumer Forecasting Indicator" by Nikkei RIM, and "NRI Consumer's Sentiment Index" by NRI.

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

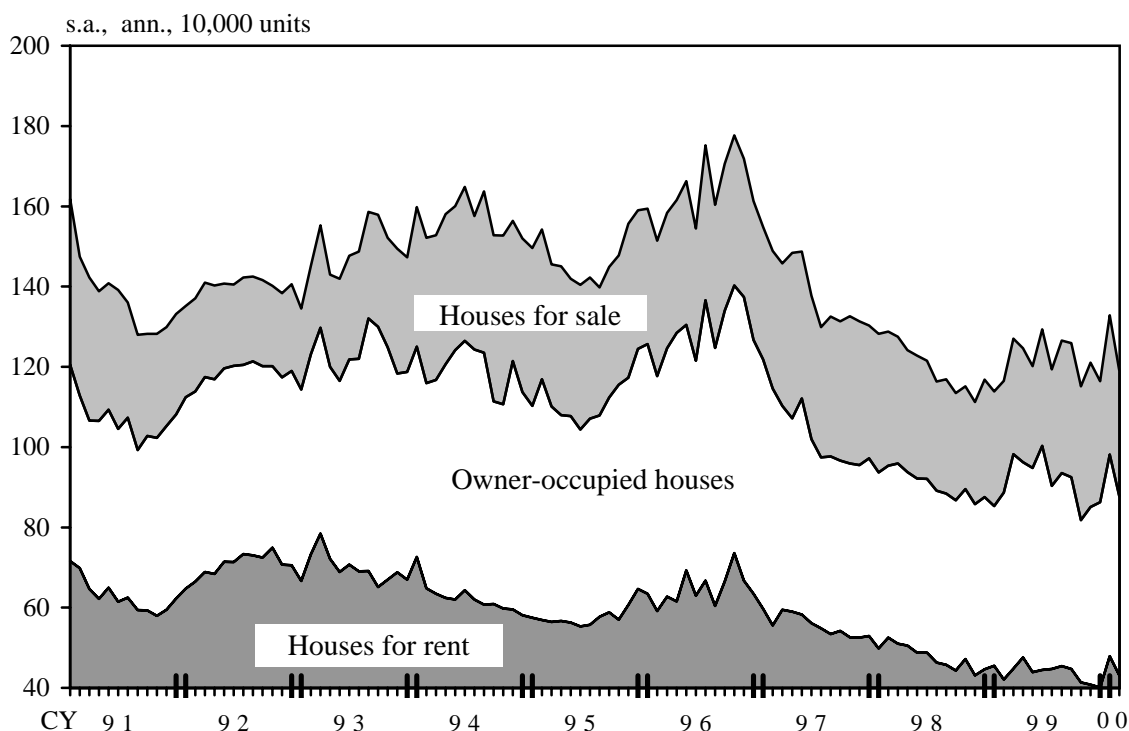


Note: Seasonally adjusted by the Management and Coordination Agency.

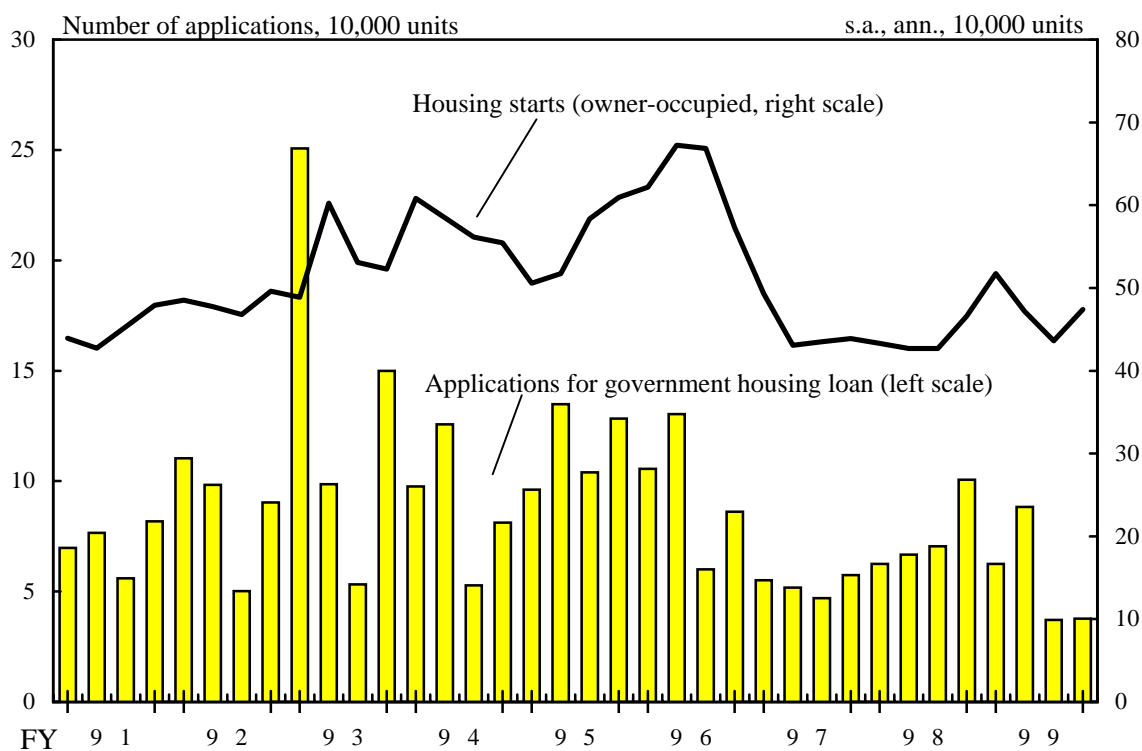
Sources: Economic Planning Agency, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (Nikkei RIM), "Consumption Forecasting Indicator";
 Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey";
 Nippon Research Institute (NRI), "Consumer's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

Major Indexes of Housing Investment

(1) Housing starts

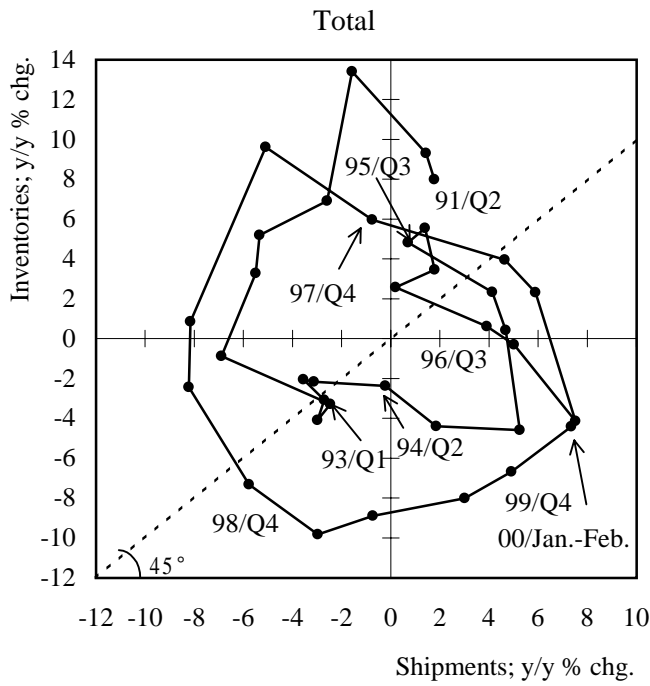


(2) Number of applications for government housing loan (for new owner-occupied homes)

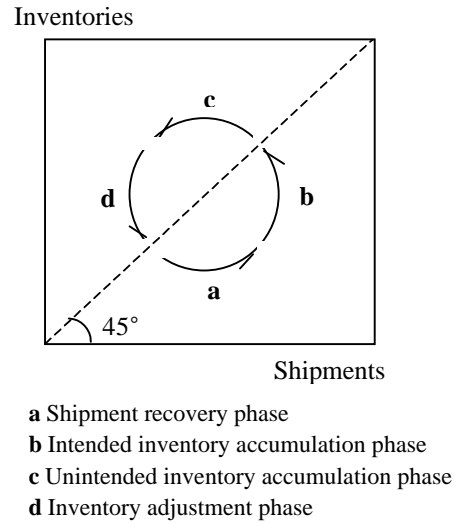


Note: The data for 99/Q4 are January-February 2000 averages converted into an annual equivalent.
 Source: Ministry of Construction, "Monthly of Construction Statistics", etc.

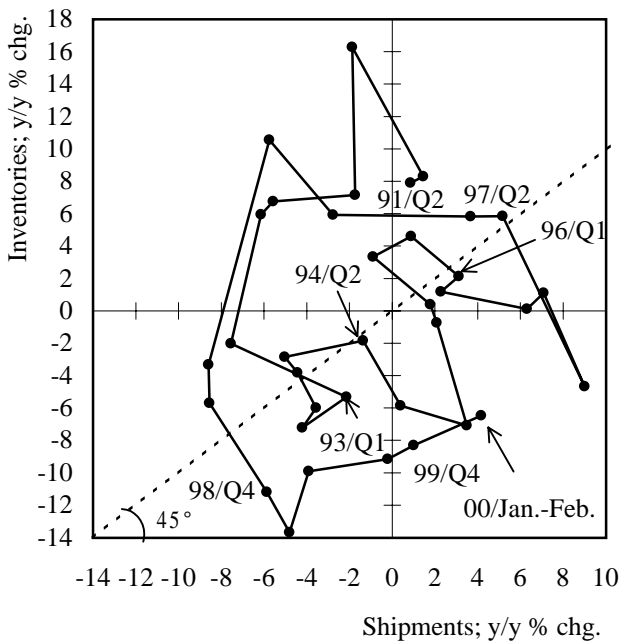
Inventory Cycle



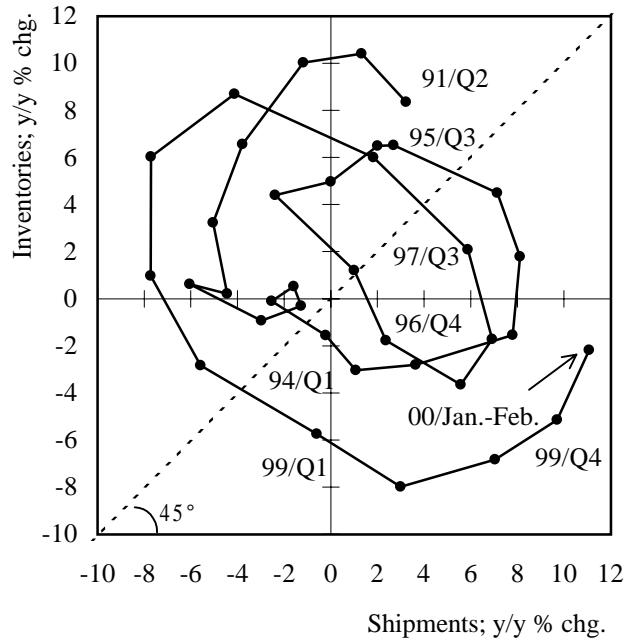
Phases in the Inventory Cycle



Final Demand Goods



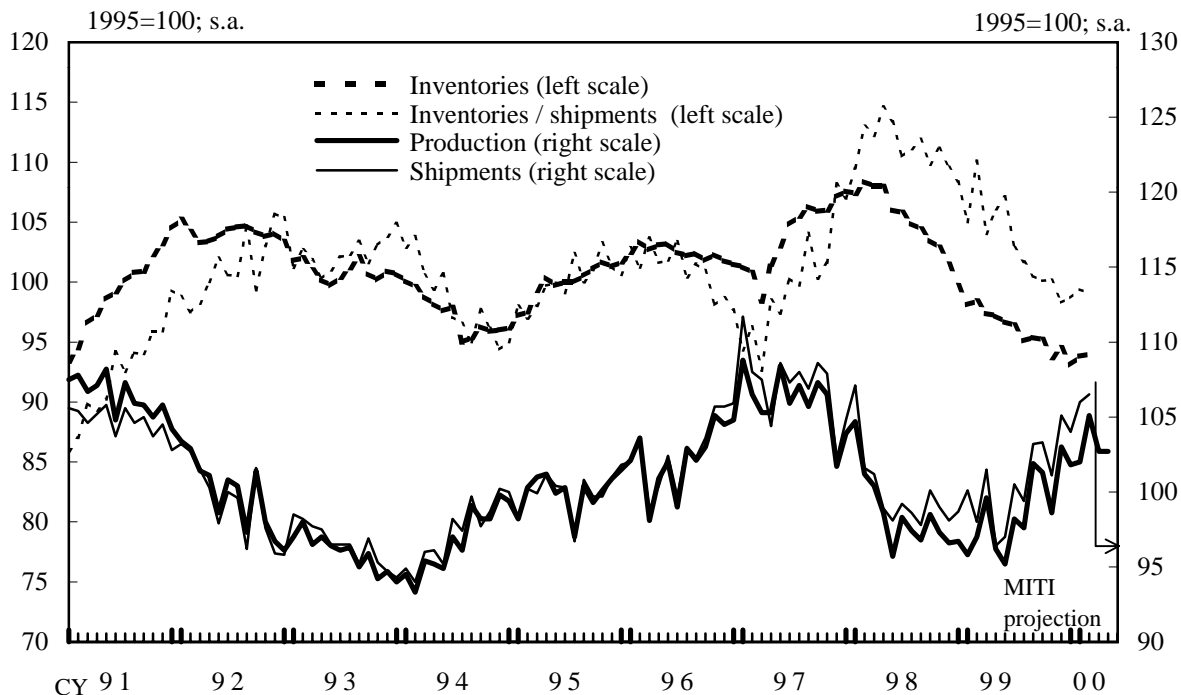
Production Goods



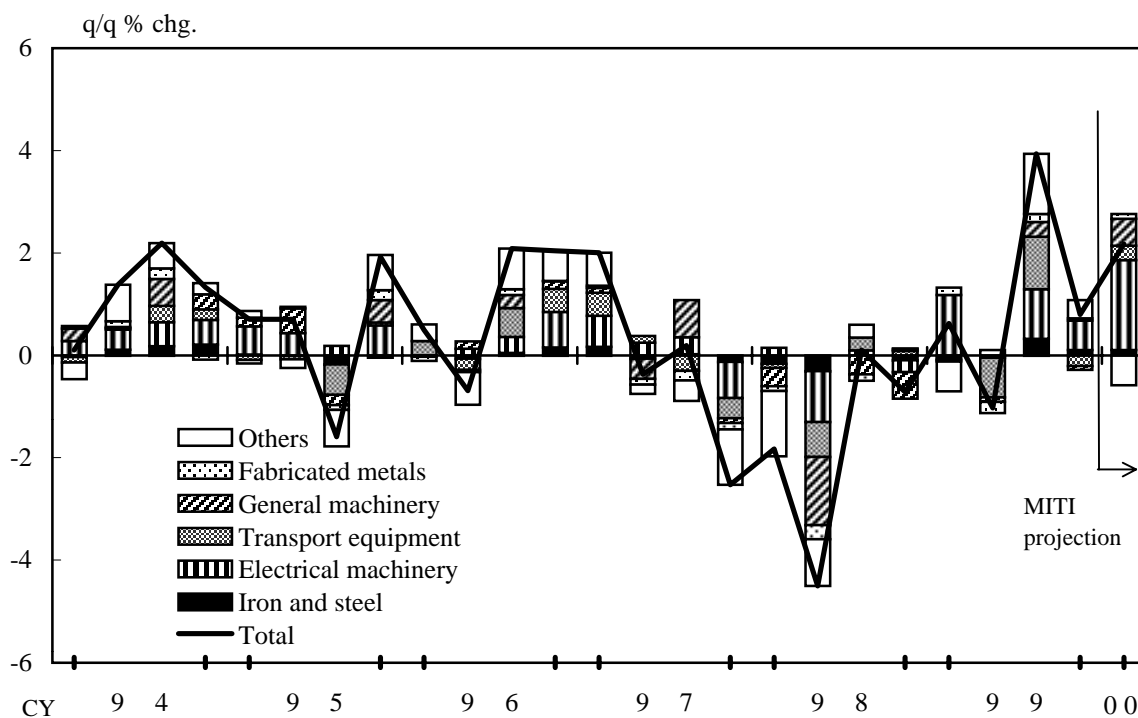
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

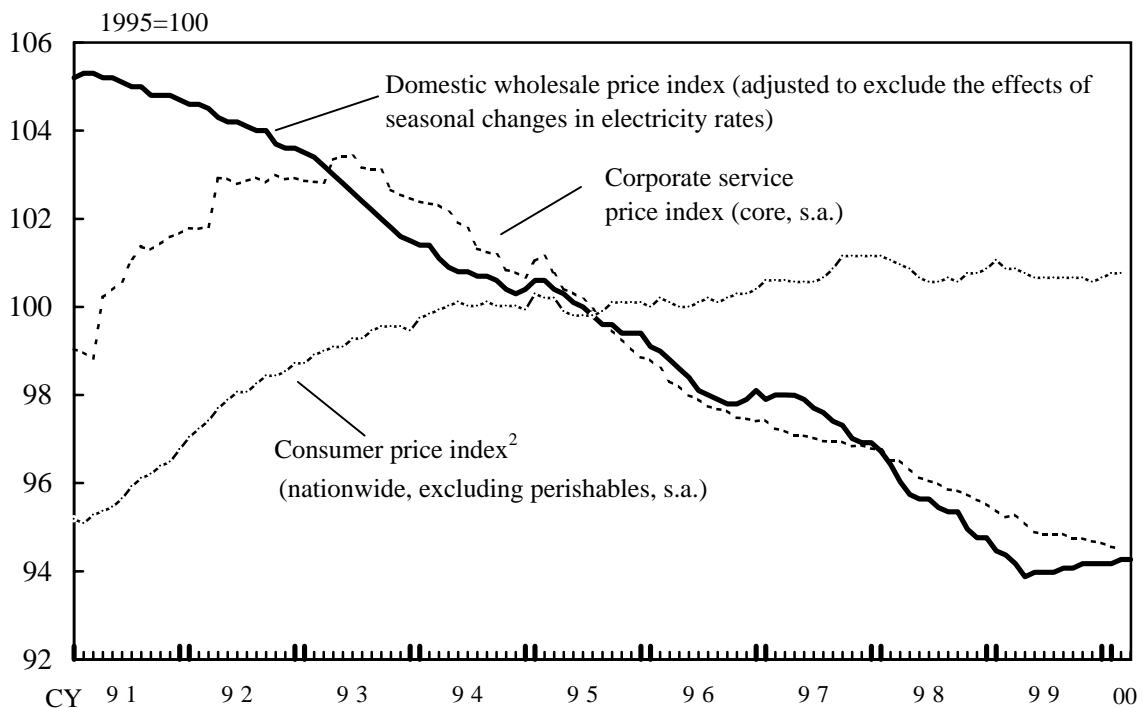


Note: Transport equipment excludes ships and rolling stock.

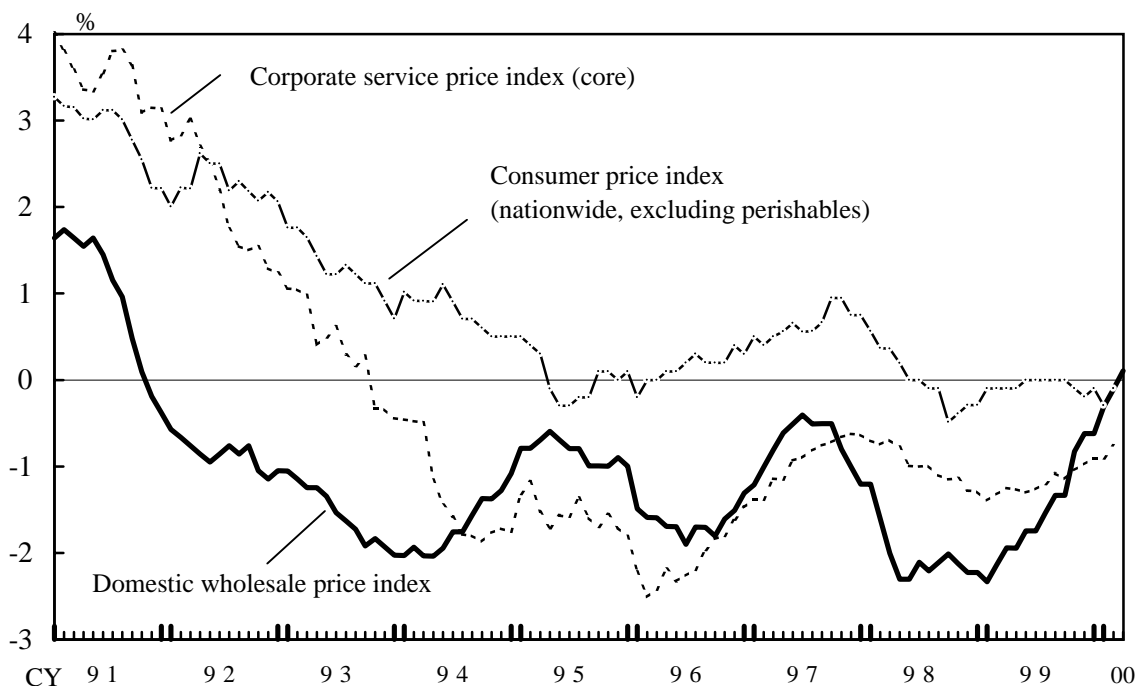
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Prices¹

(1) Level



(2) Changes from a year earlier



Notes: 1. Figures before January 1995 are calculated from the CPI whose base period is 1990 in chart(1). This data series is seasonally adjusted by Management and Coordination Agency.

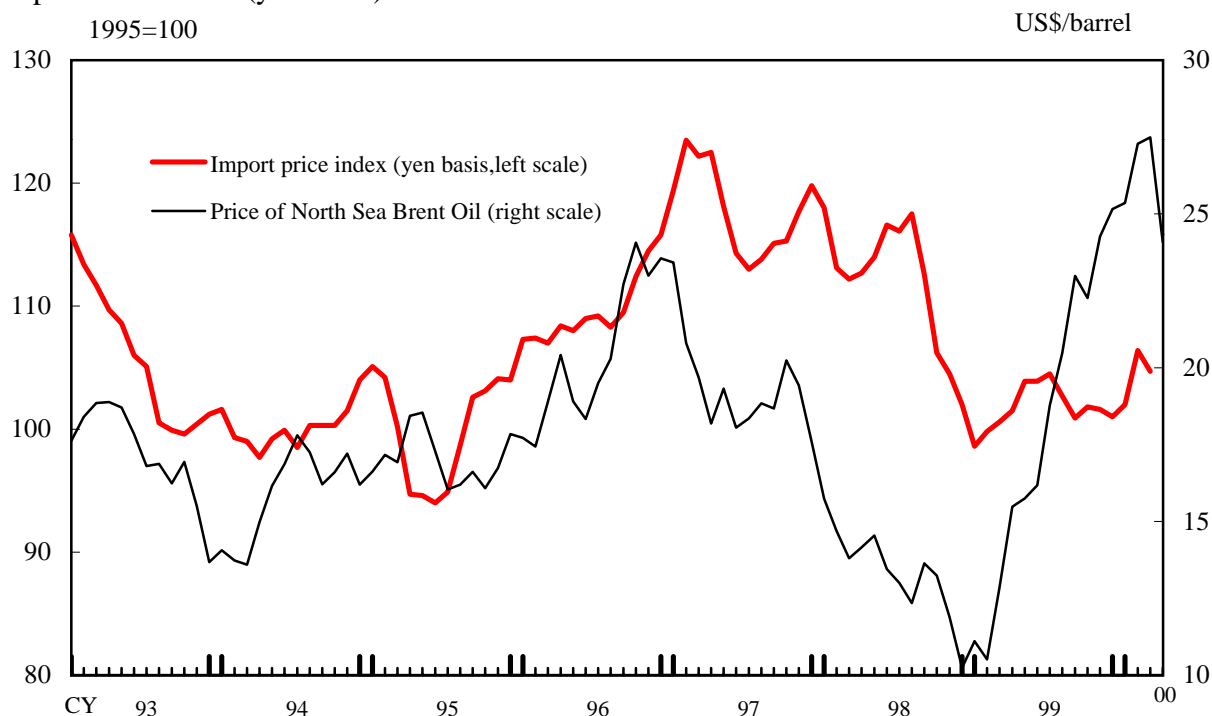
2. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.

3. See footnote 4 in Chart 24, for an explanation about the Corporate service price index core.

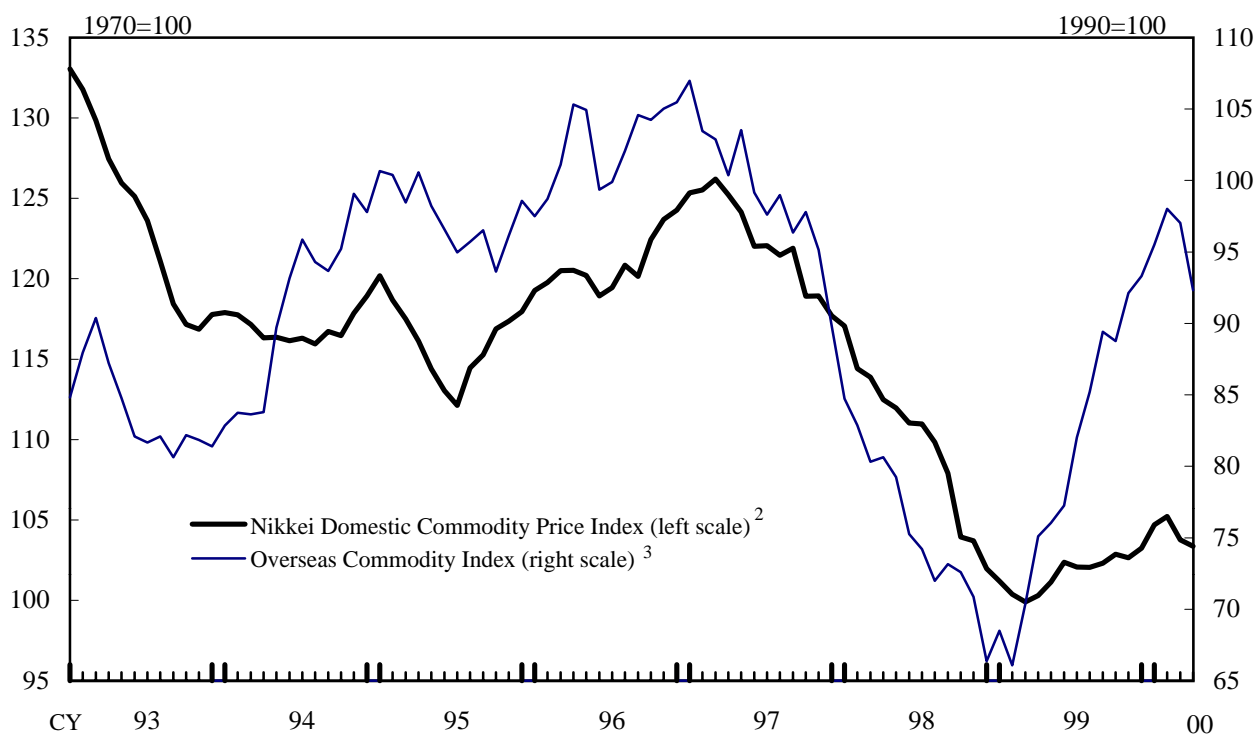
Sources: Management and Coordination Agency, "Consumer Price Index"; Bank of Japan, "Wholesale Price Indexes", "Corporate Service Price Index."

Import Prices and Domestic Commodity Market

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



(2) Domestic Commodity Market



Notes: 1. Data for April 2000 are April 1-6 average.

2. Data for April 2000 are as of April 7.

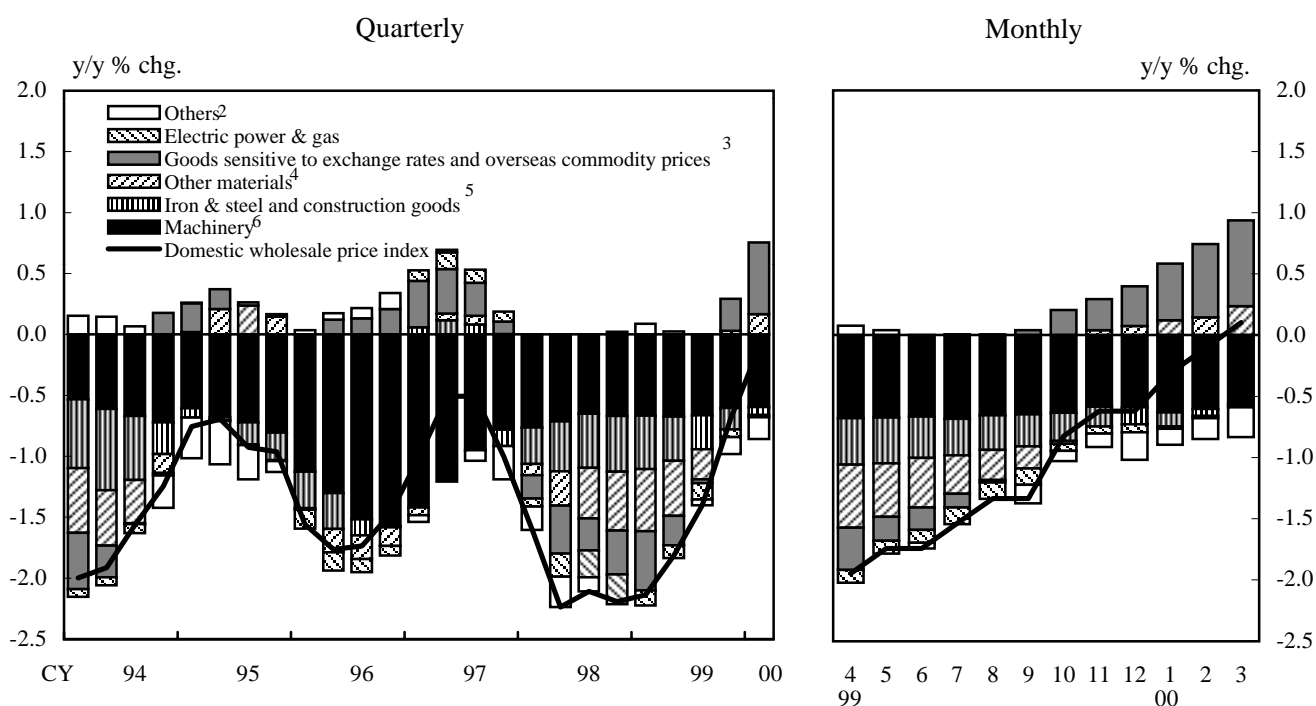
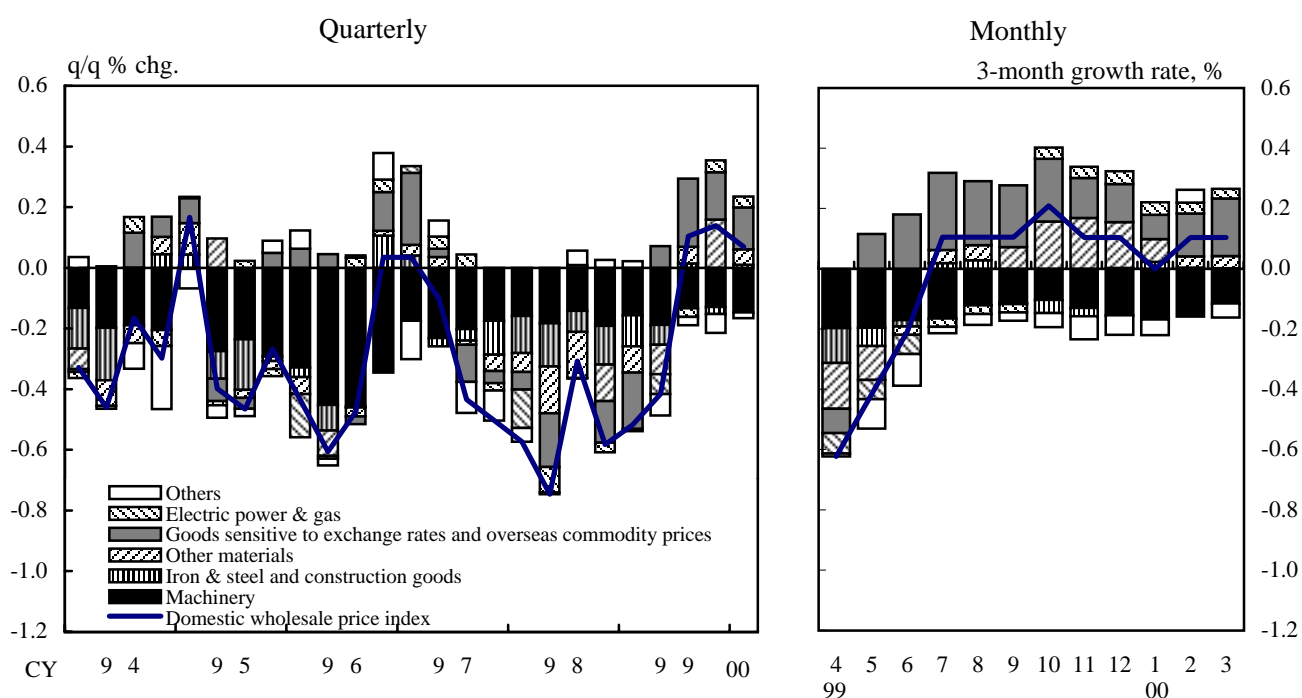
3. Calculated by the Research and Statistics Department, Bank of Japan.

Data for April 2000 are April 1-6 average.

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."

Breakdown of Domestic Wholesale Price Index¹

(1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier⁷

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 the tax rate.

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

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

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

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

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

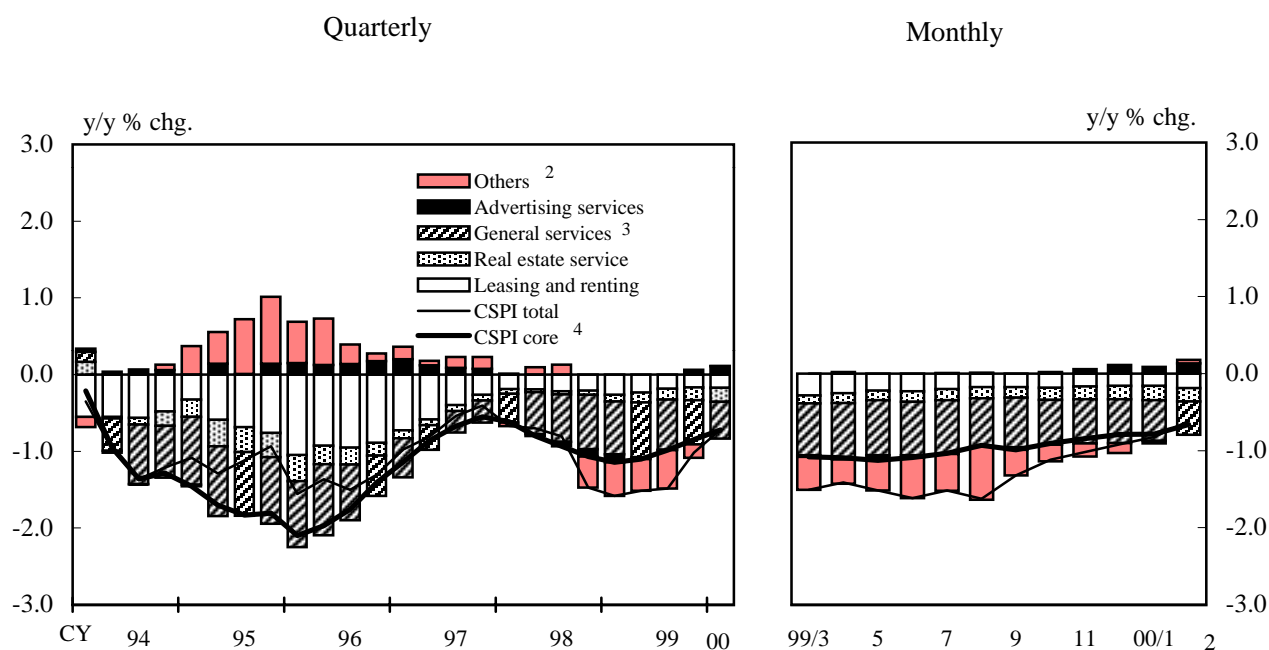
7. Adjusted to exclude the effects of the summer-time (from July to September) hike in electricity rates in chart(2).

This effect causes the Domestic Wholesale Price Index to rise about 0.2%.

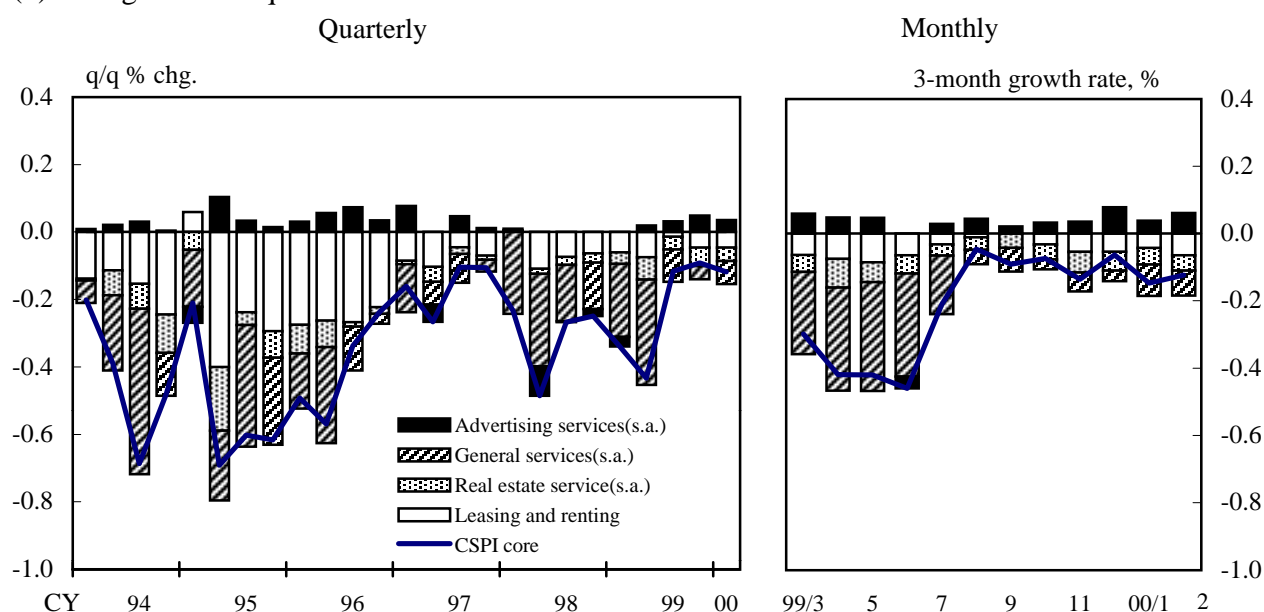
Source: Bank of Japan, "Wholesale Price Indexes."

Breakdown of Corporate Service Price Index¹

(1) Changes from a year earlier



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



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 the 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 + securities issuance and related services (banks' procurement service for issuing debentures <excluding underwriting services>).

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

4. CSPI core includes all items aside from "others" as defined above. This index mainly reflects the supply and demand conditions in the domestic private sector.

5. Television commercials in Advertising services, Sales space rental in Real estate services and General warehousing and storage in Transportation in chart(2) are seasonally adjusted by X-12-ARIMA(β version).

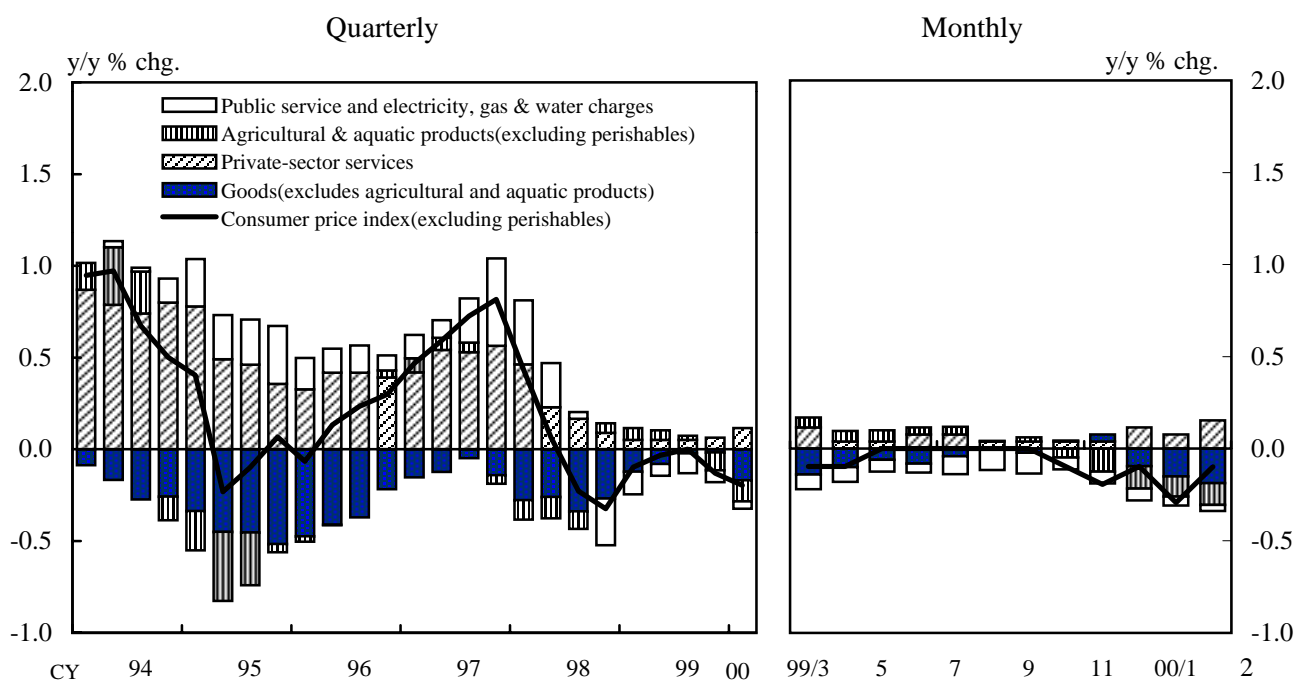
Due to seasonal adjustment every month, these data services are revised retroactively every month.

6. Data for 2000/Q1 are those of the Jan. - Feb. average.

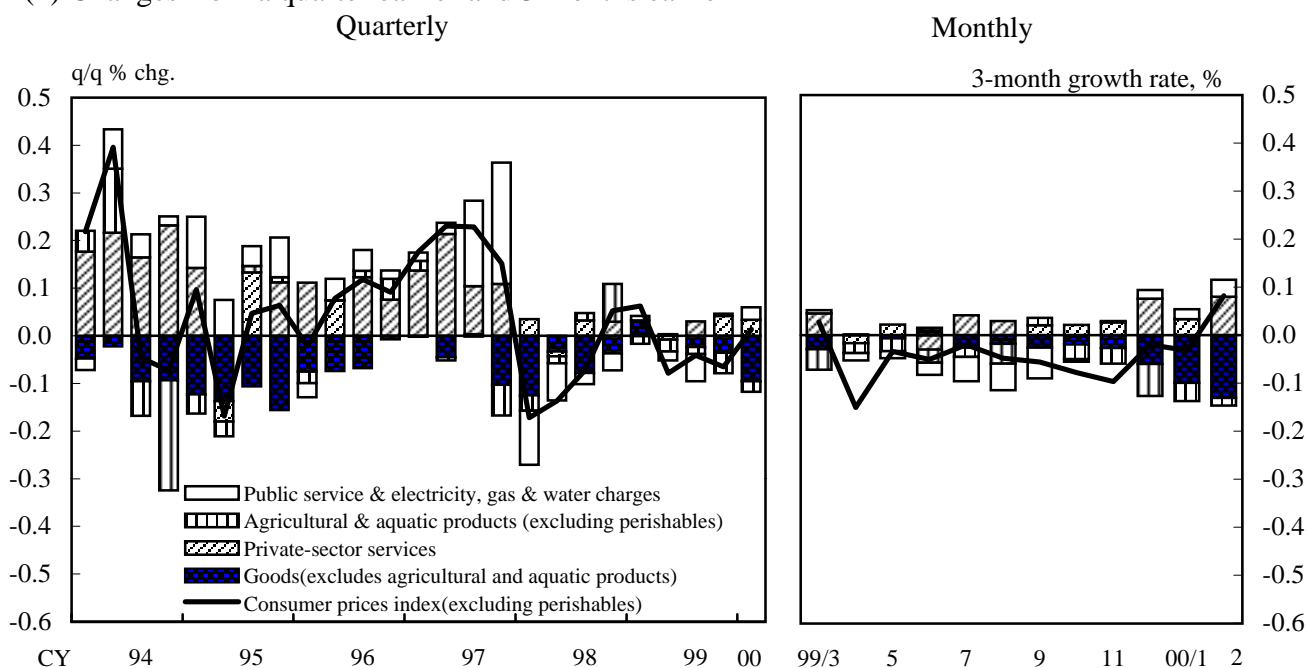
Source: Bank of Japan, "Corporate Service Price Index."

Breakdown of Consumer Price Index (excluding perishables)¹

(1) Changes from a year earlier



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



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 the tax rate.
 Data in chart(2) are seasonally adjusted. Due to seasonal adjustment every month, these data series are revised retroactively every month. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.

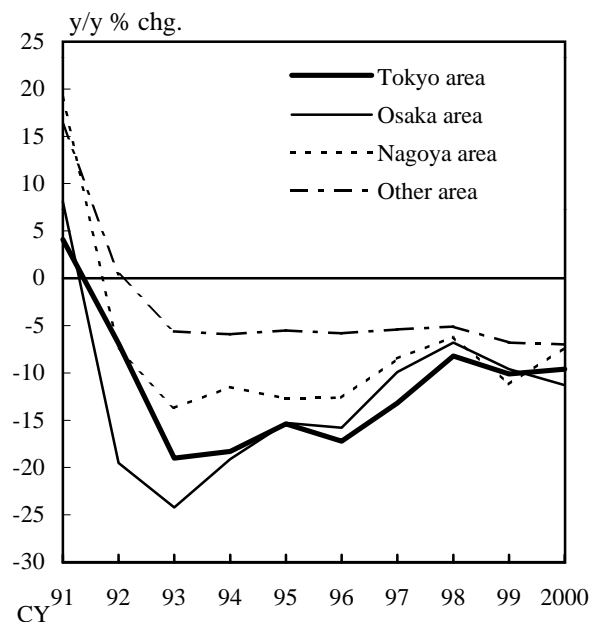
2. Data for 2000/Q1 are those of the Jan. - Feb. average.

Source: Management and Coordination Agency, "Consumer Price Index."

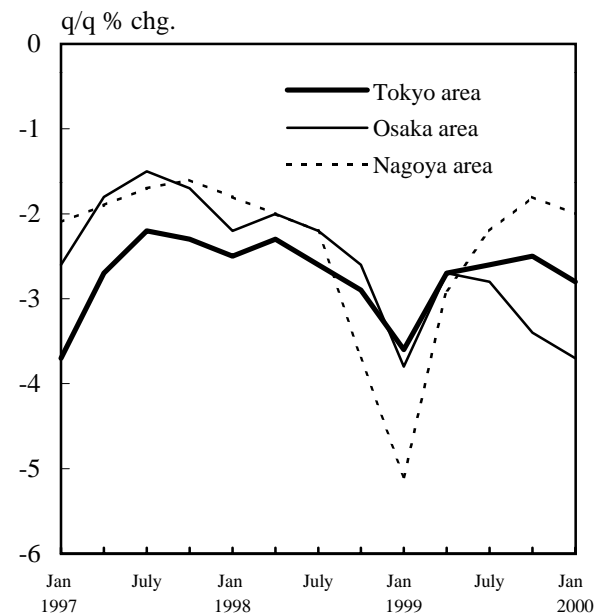
Land Prices Posted by the National Land Agency

(1) Commercial land

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

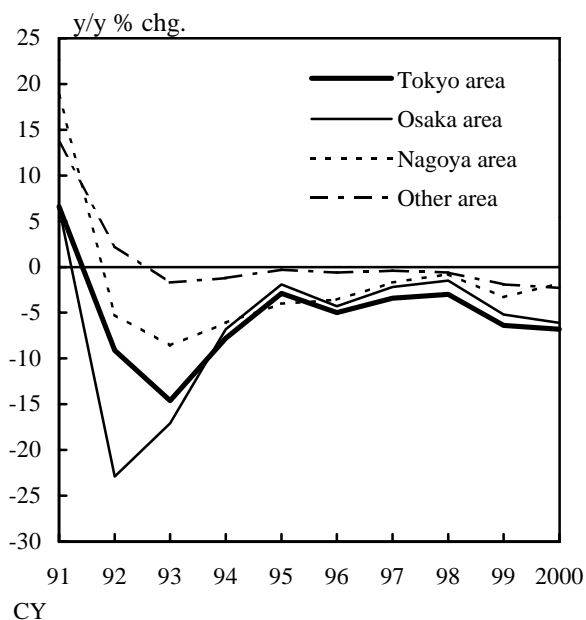


(1-2) Average change at representative locations

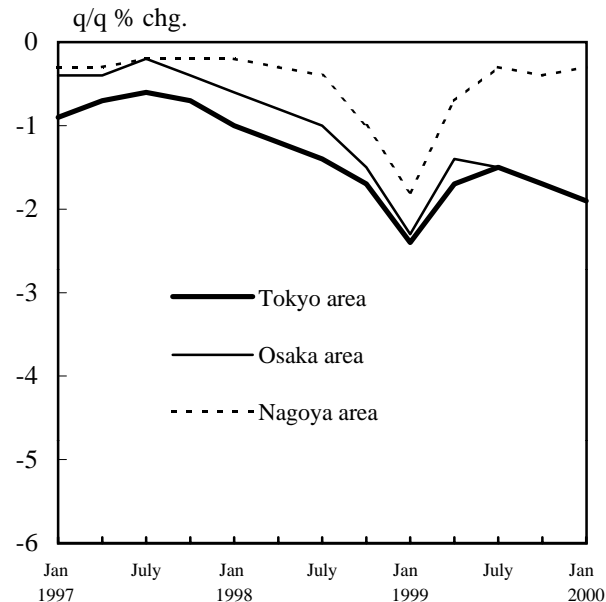


(2) Residential land

(2-1) Average change (as of January 1st)



(2-2) Average change at representative locations

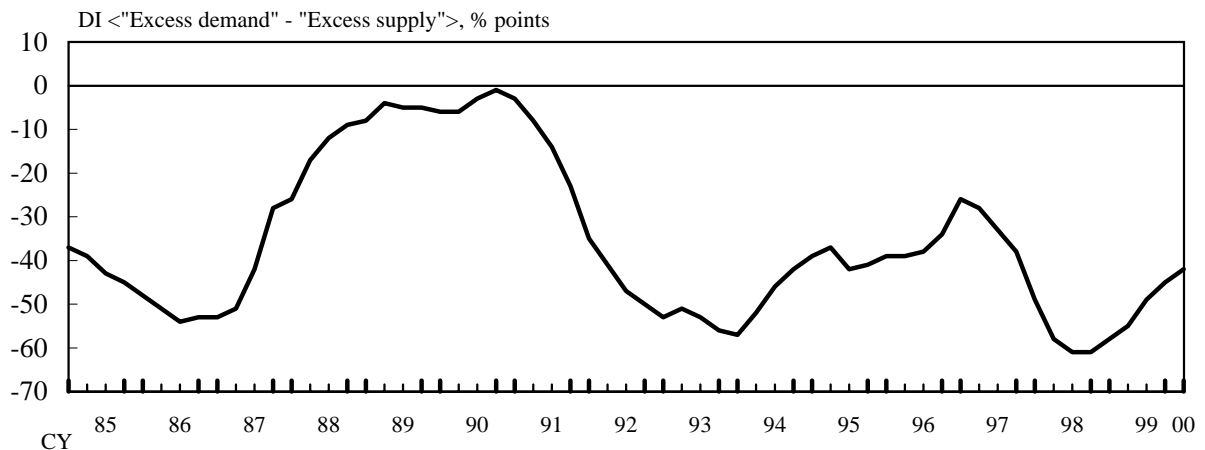
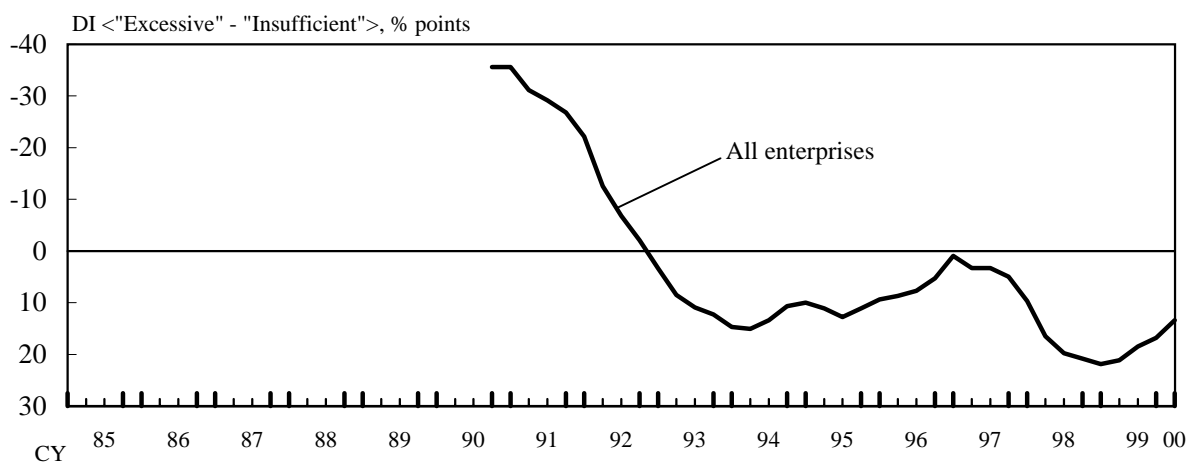


Note: "Representative locations" are the standard points for "Land prices posted by the National Land Agency" and "Land prices survey by the administrative divisions."

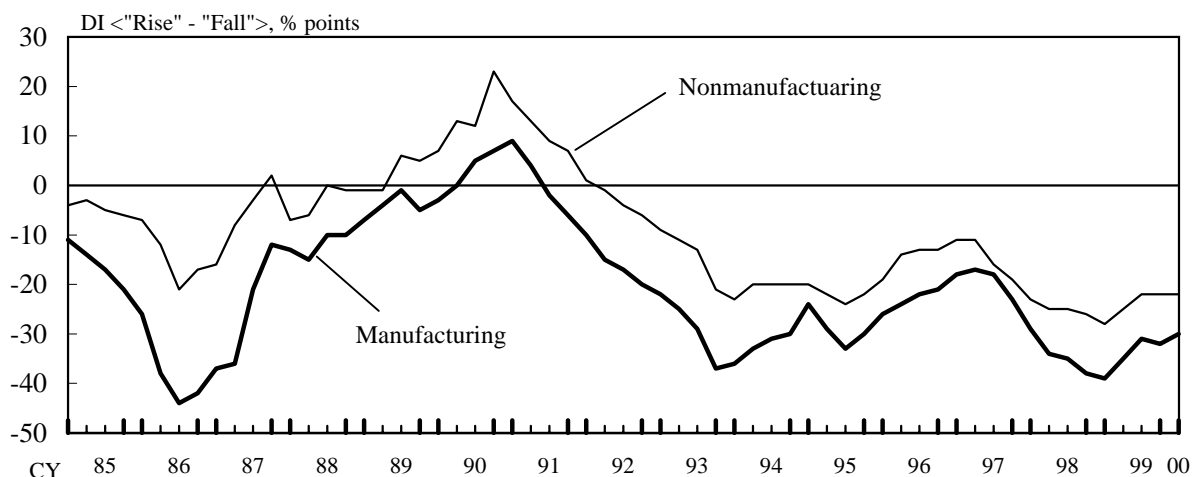
Sources: The National Land Agency, "Land prices posted by the National Land Agency", "Land prices survey by the administrative divisions."

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*.

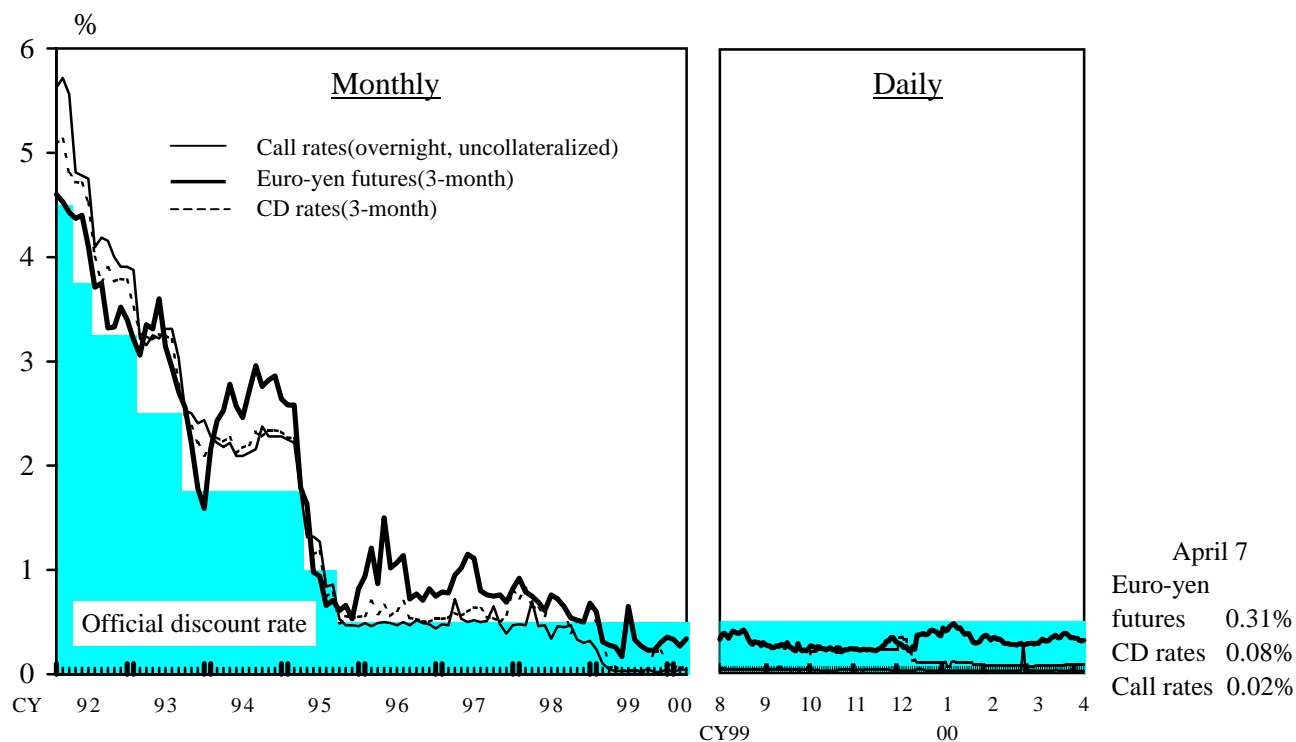
2. Figures are calculated by adding Production Capacity DI and Employment DI which are weighted by the relative share of capital and labor based on 1975-98 average.

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

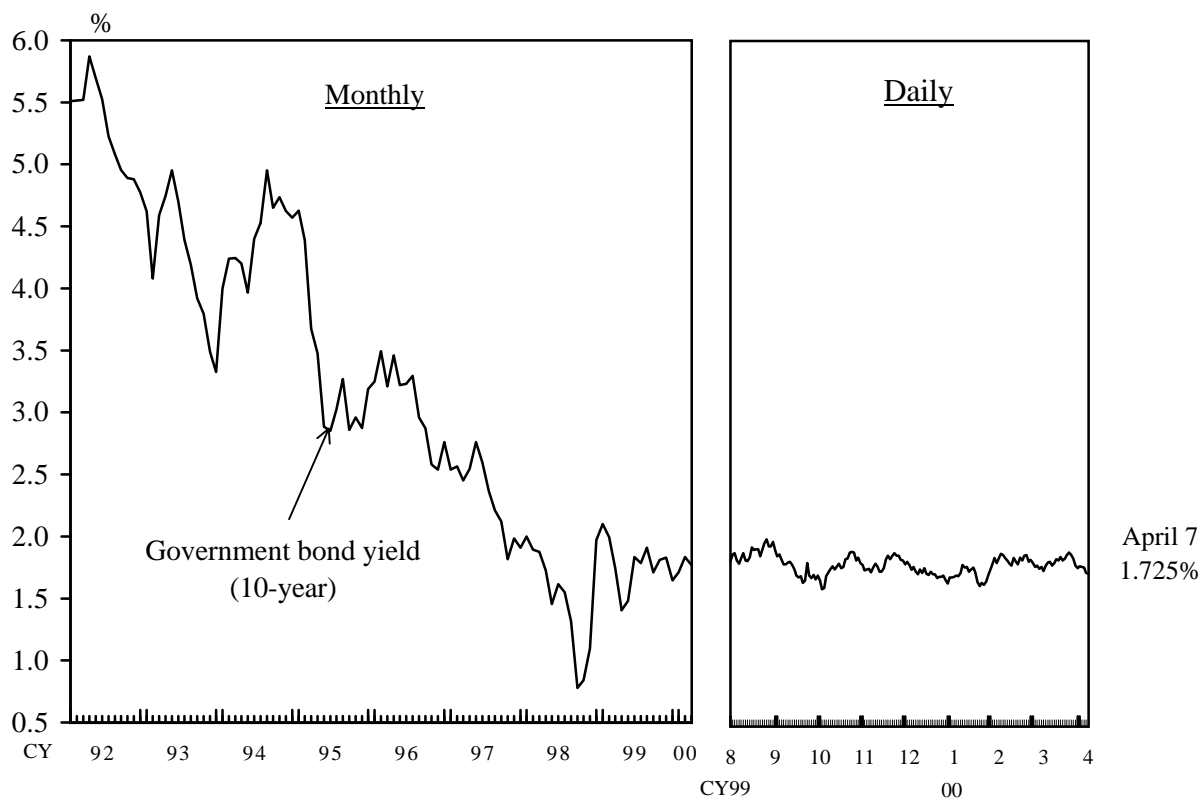
Sources: Economic Planning Agency, "National Income Statistics";
Bank of Japan, "*Tankan* Short-Term Economic Survey of Enterprises in Japan."

Interest Rates

(1) Short-Term



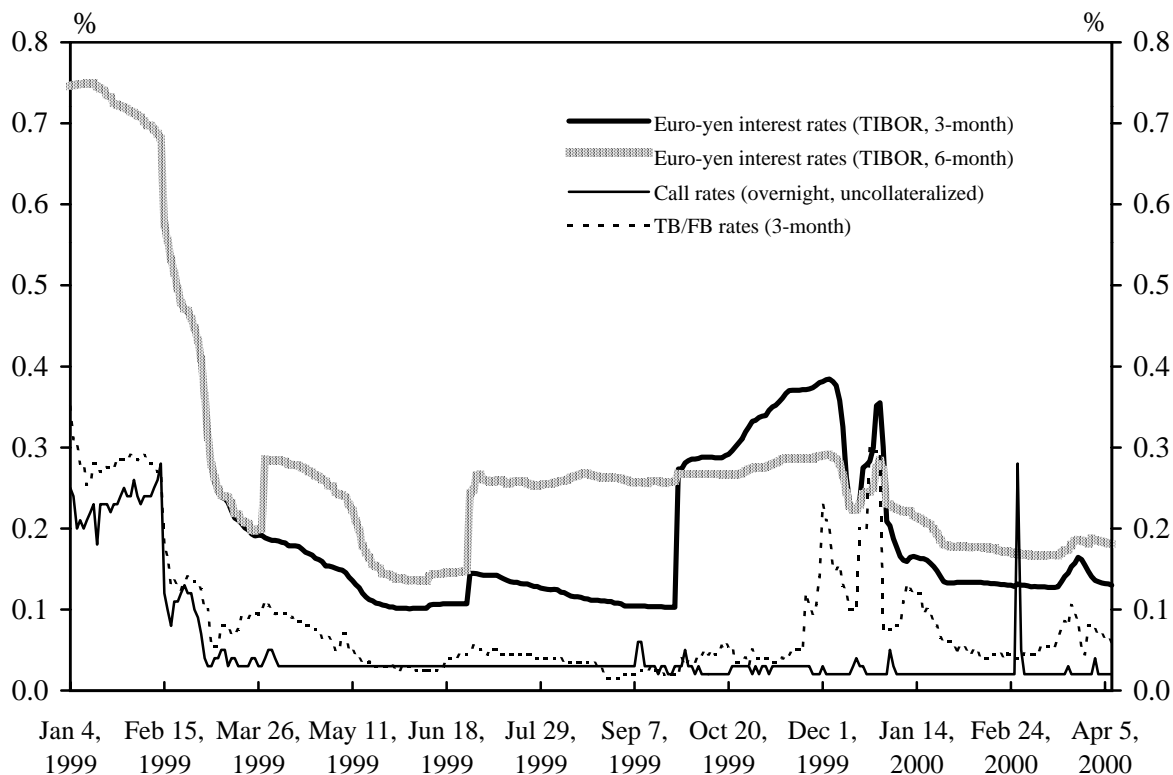
(2) Long-Term



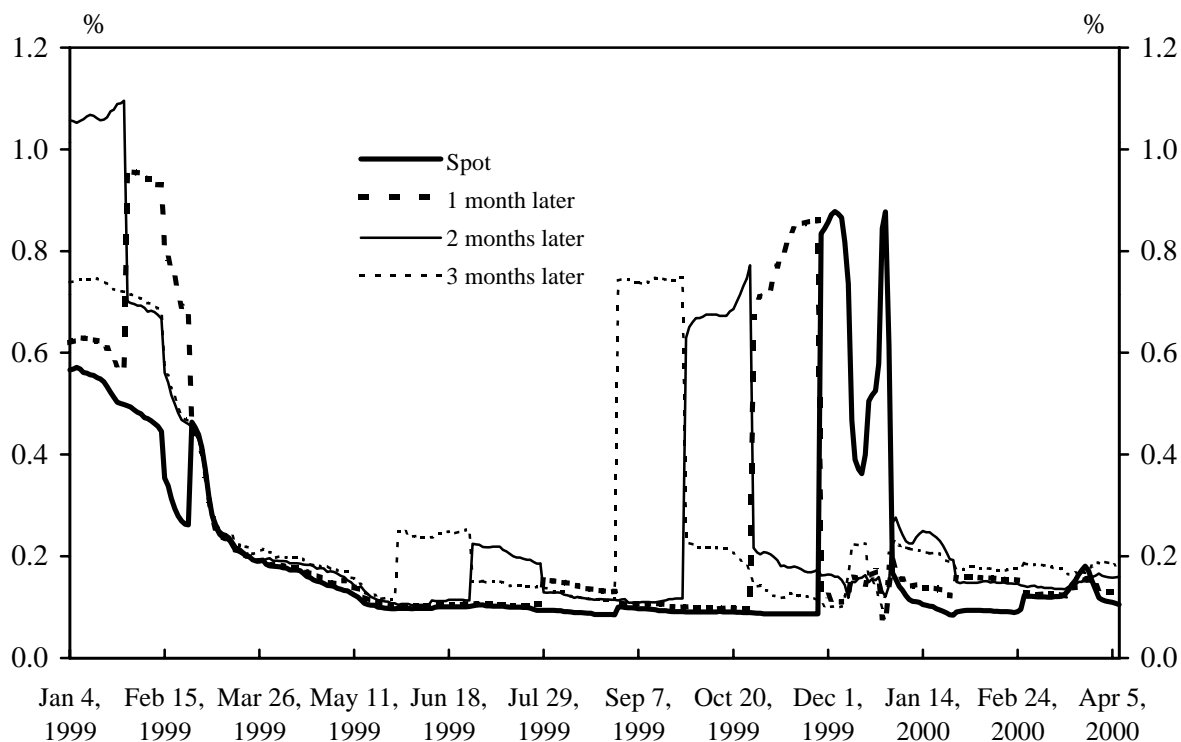
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

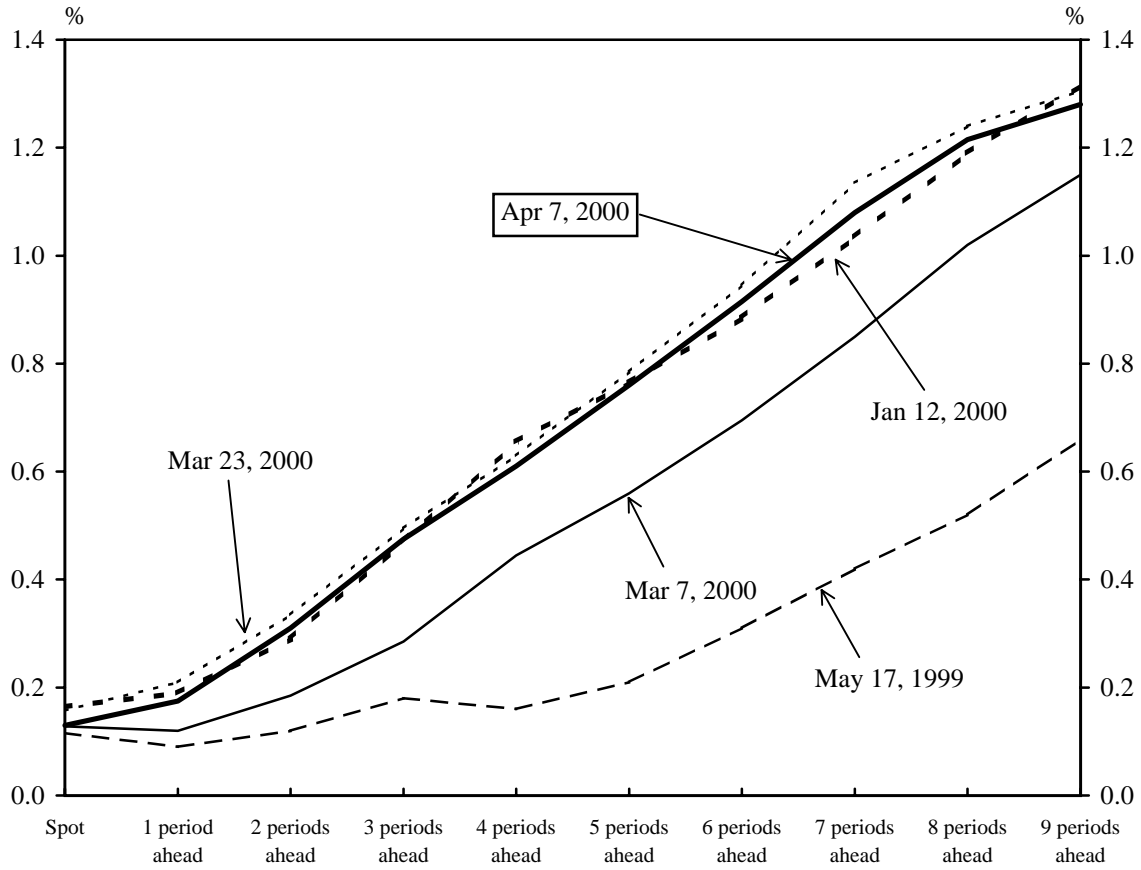


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

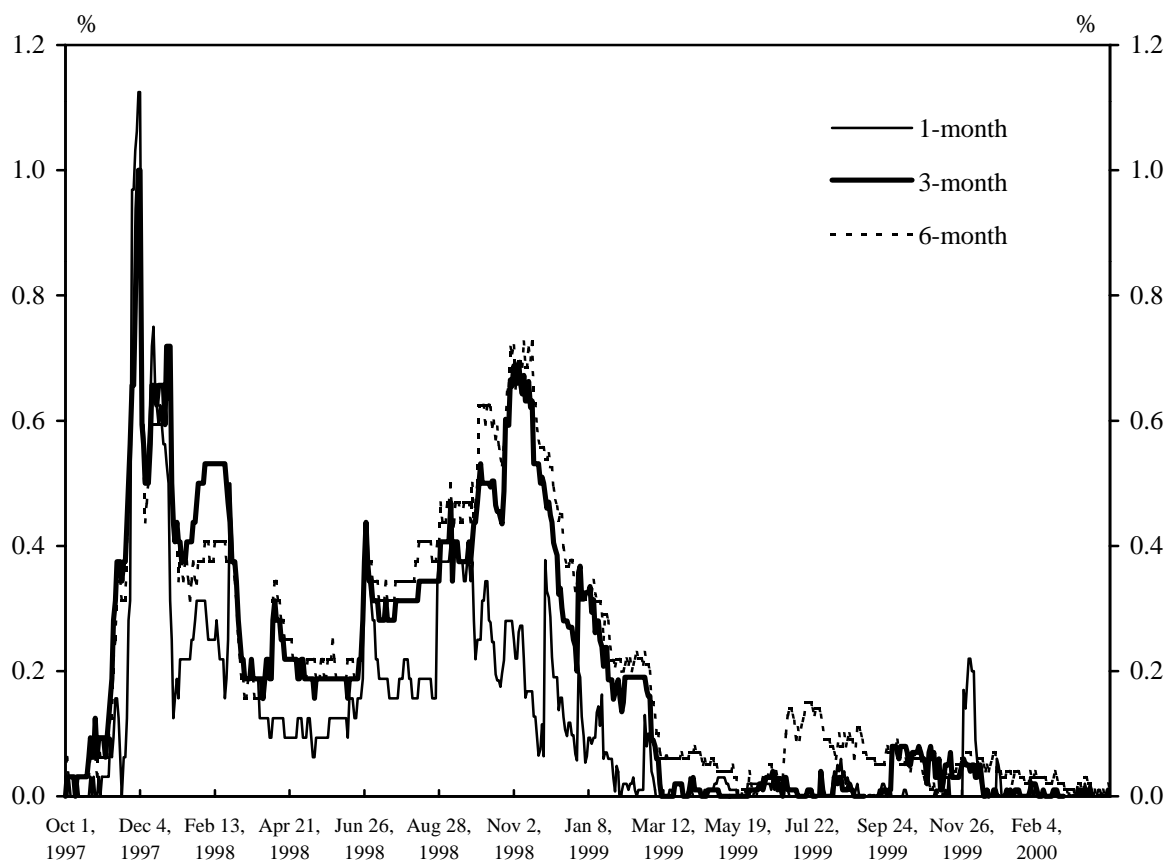


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Euro-Yen Interest Rates Futures (3-Month)



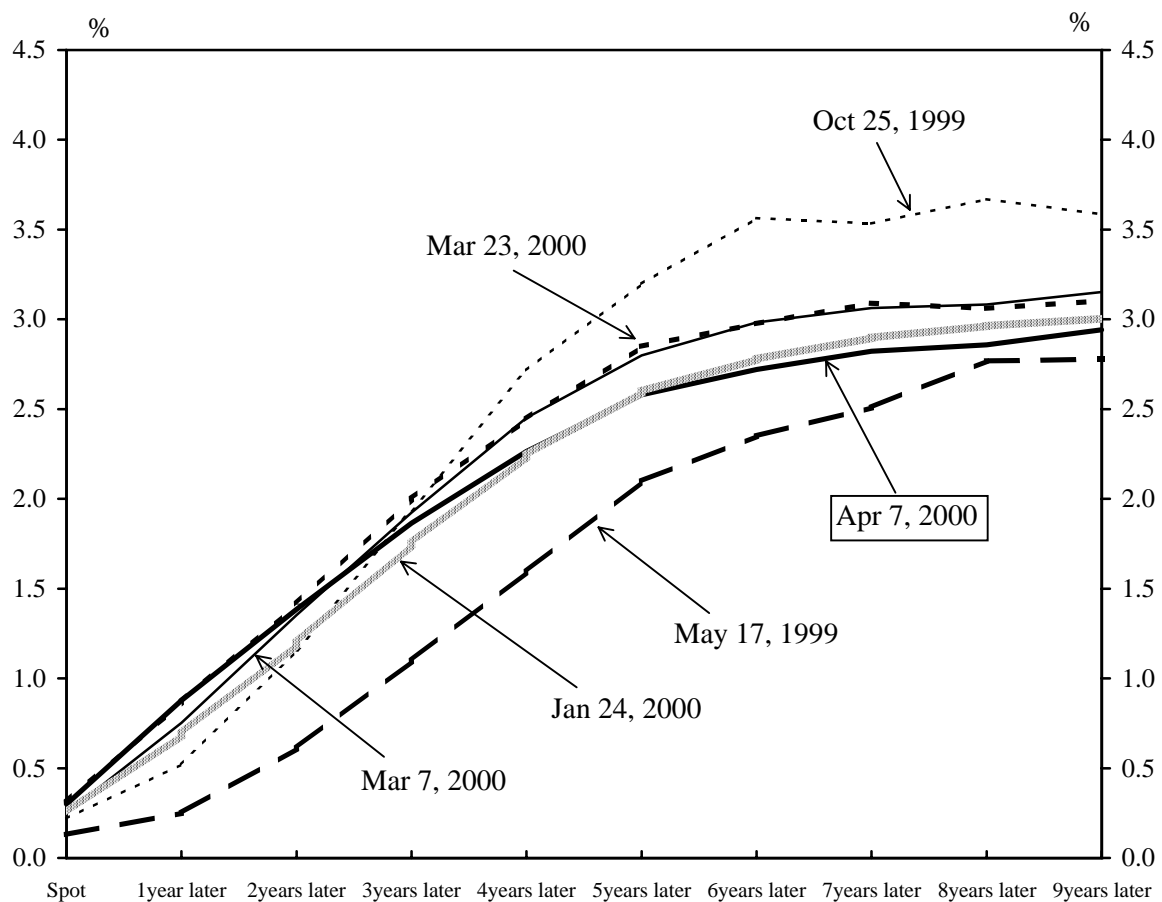
Source: Tokyo International Financial Futures Exchange.

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

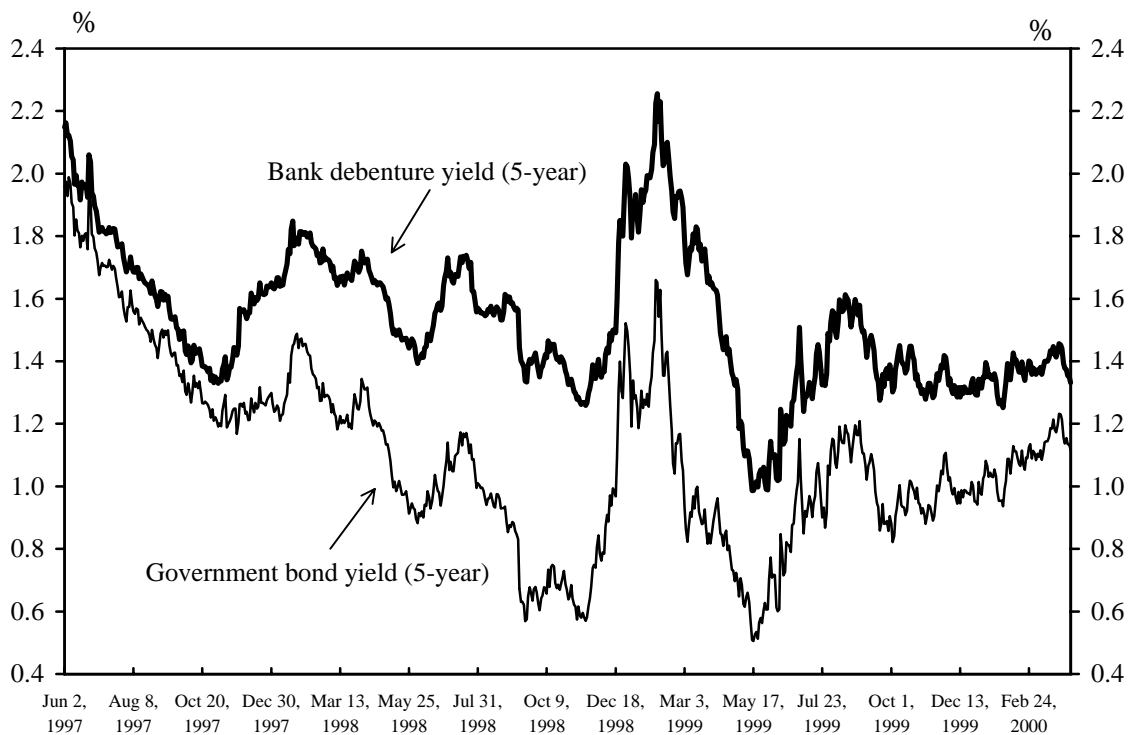


Note: 1. Calculated from yen-yen swap rates.

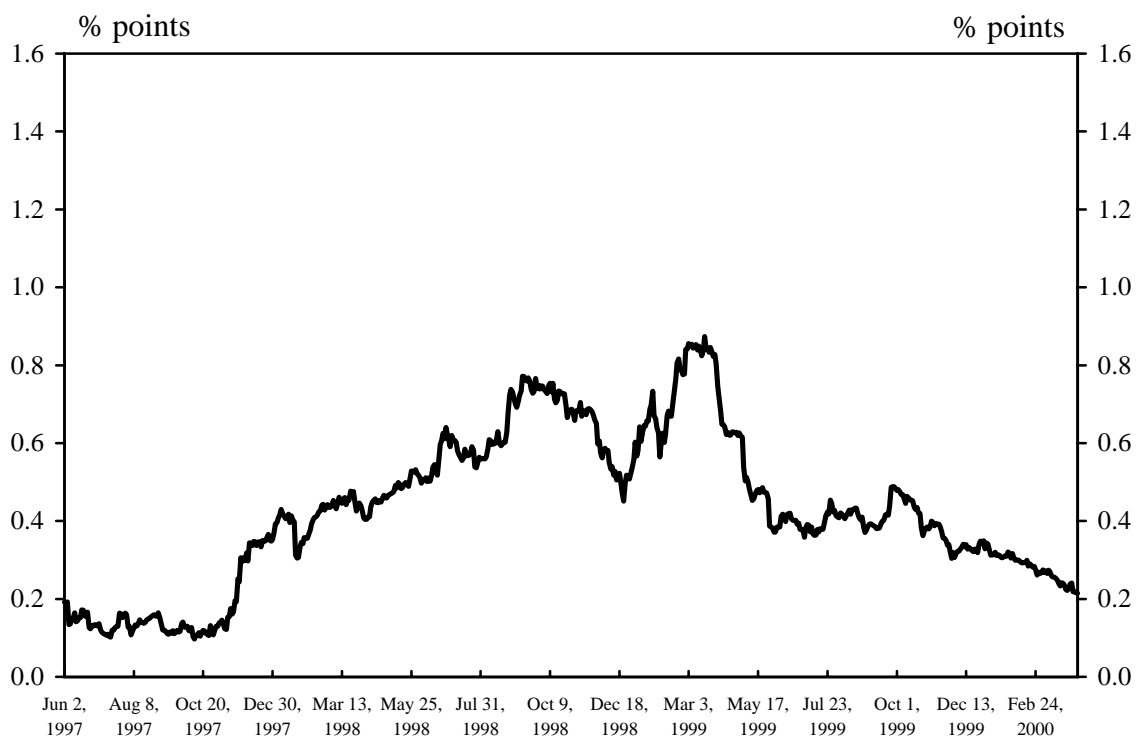
Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



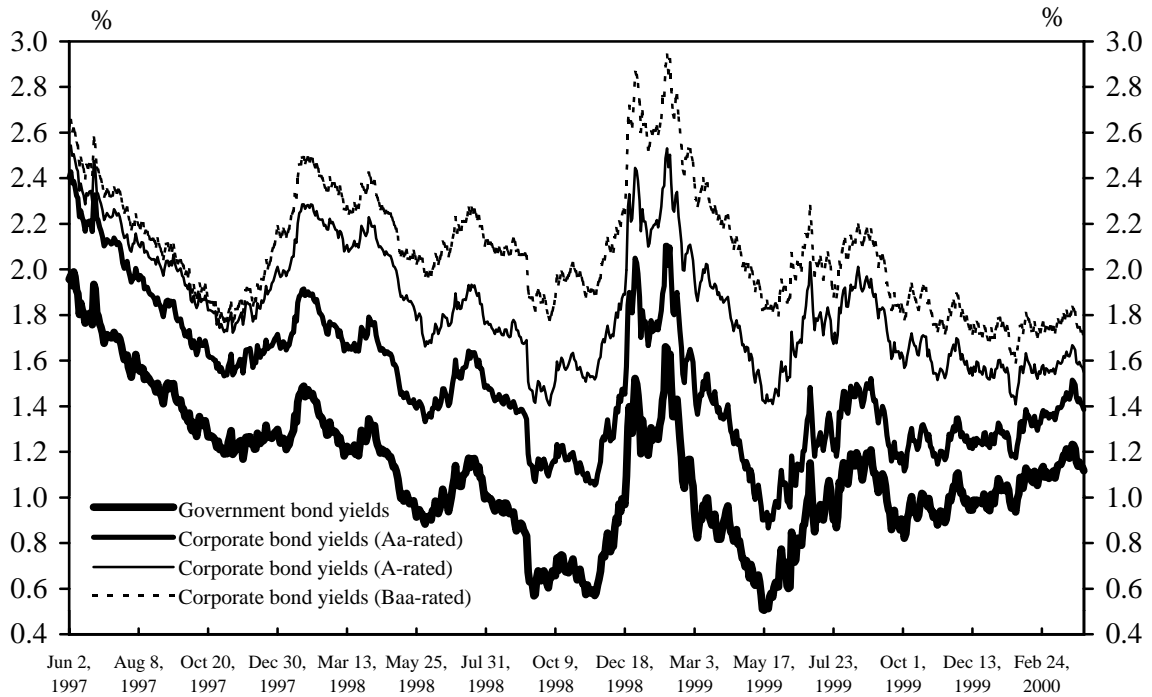
(2) Spread of Bank Debenture and Government Bond Yield



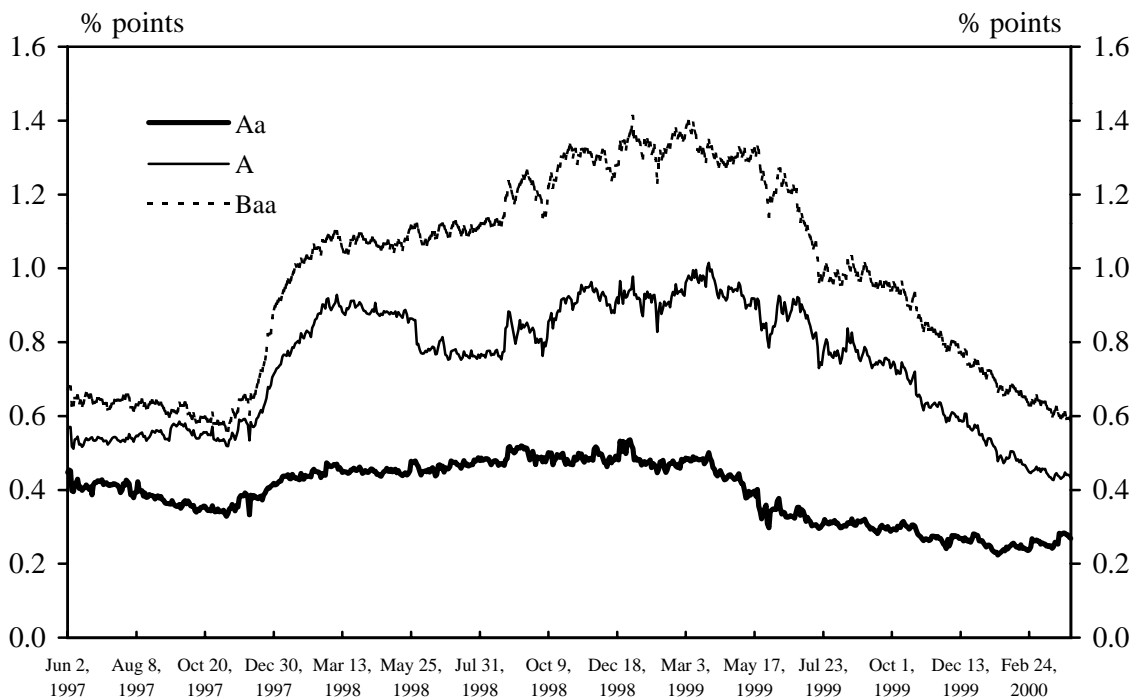
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



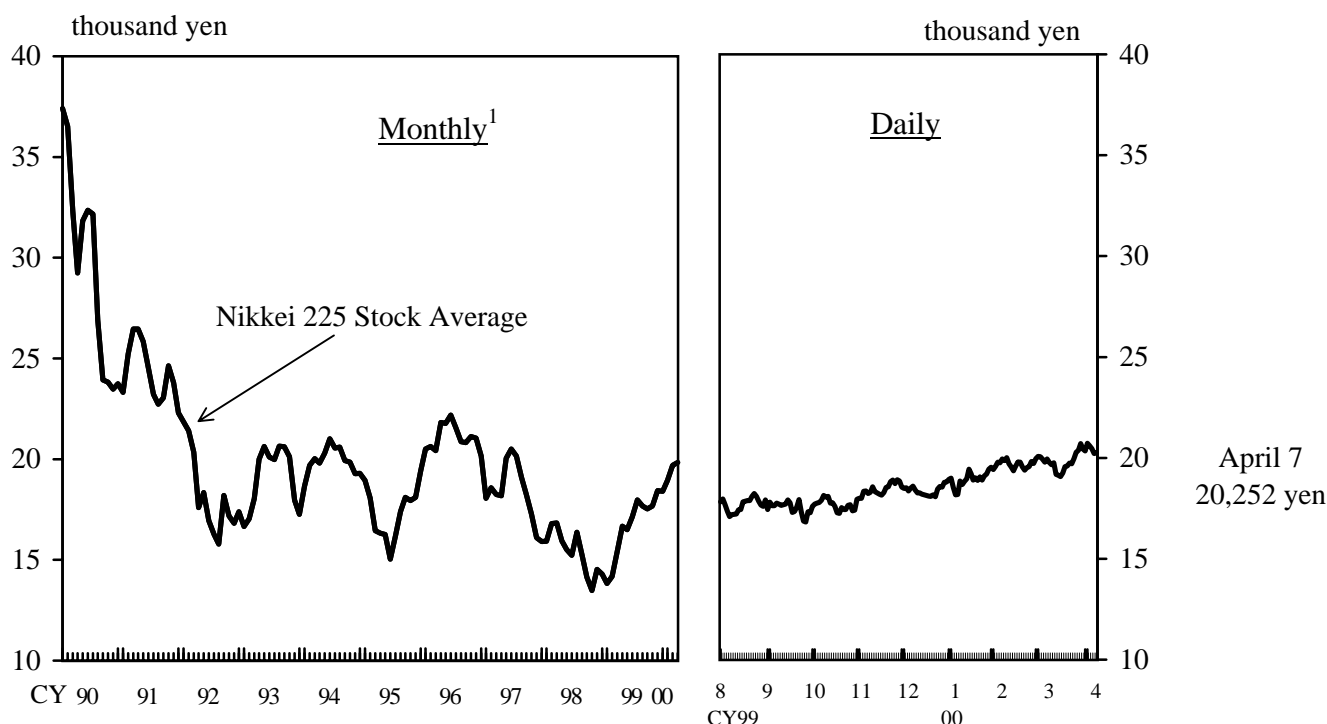
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

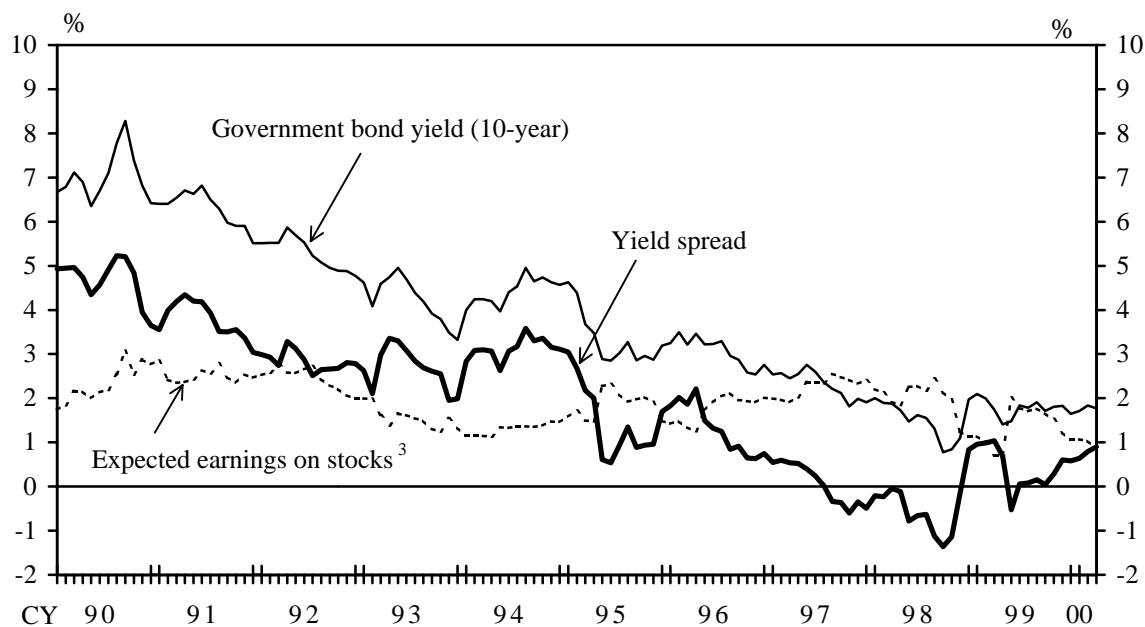
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

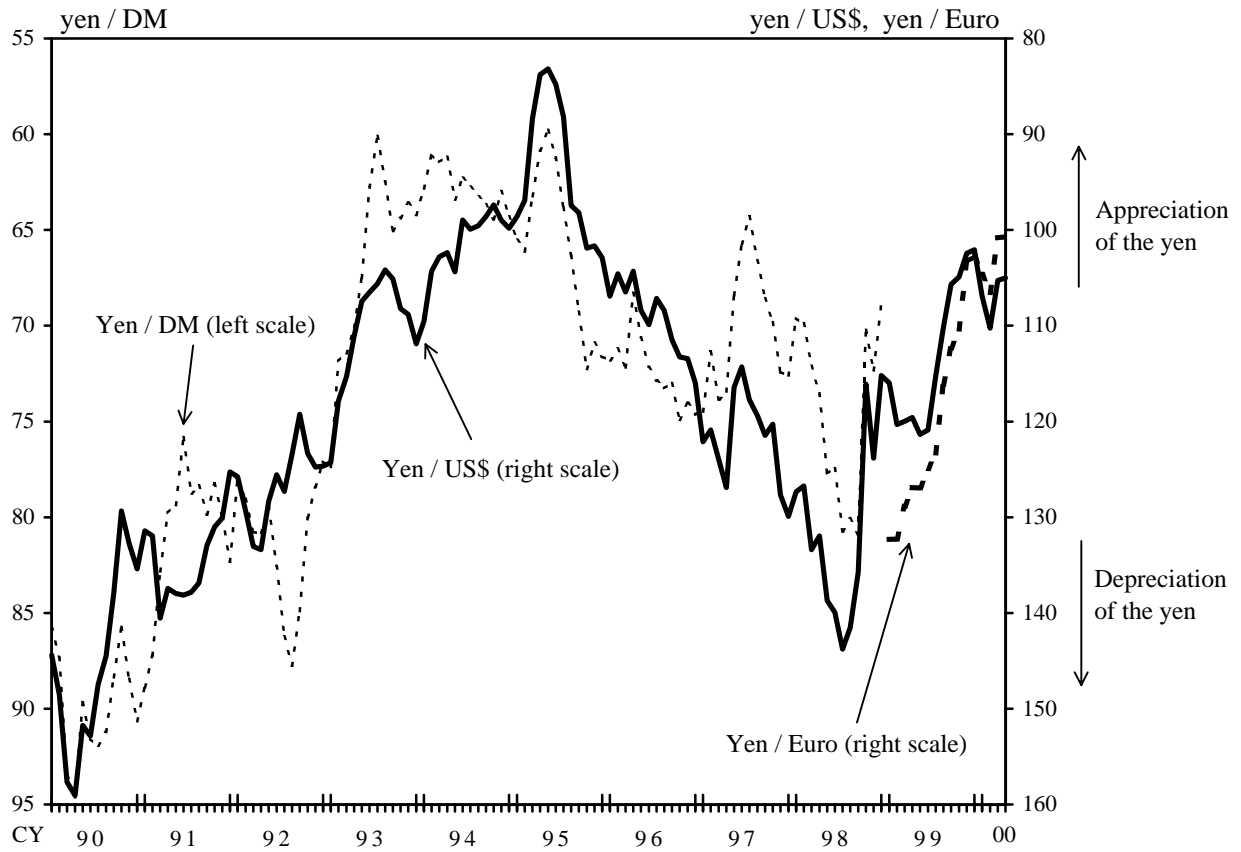
Yield spread = government bond yields - expected earnings on stocks,
where expected earnings on stocks = 1/expected price earnings ratio.

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 ¹

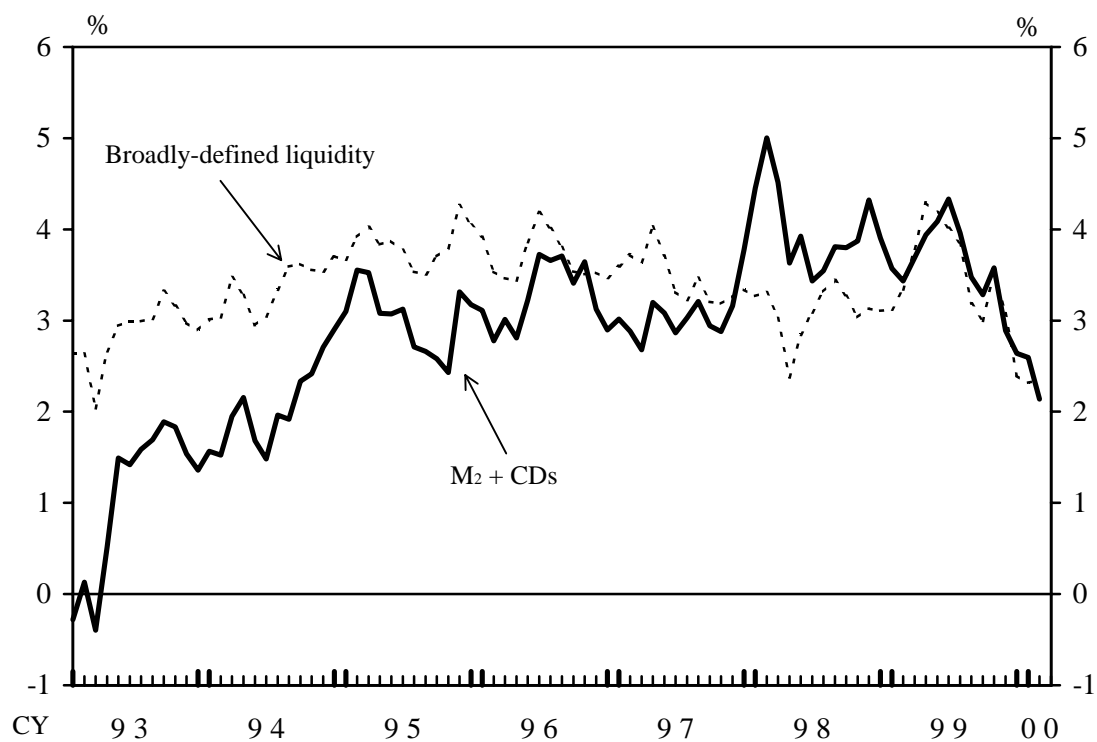


Note: 1. End of month. Data for April 2000 are as of April 7, 2000.

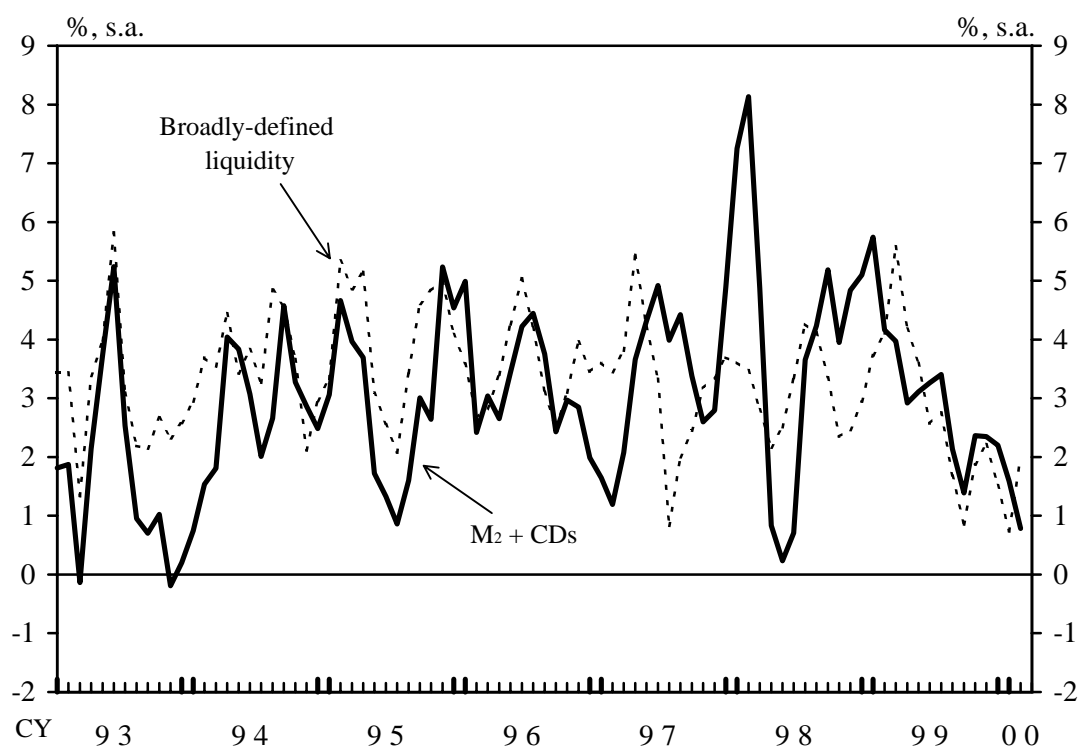
Source: Bank of Japan.

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

(1) Changes from a Year Earlier



(2) Changes from Three Months Earlier (Annualized)

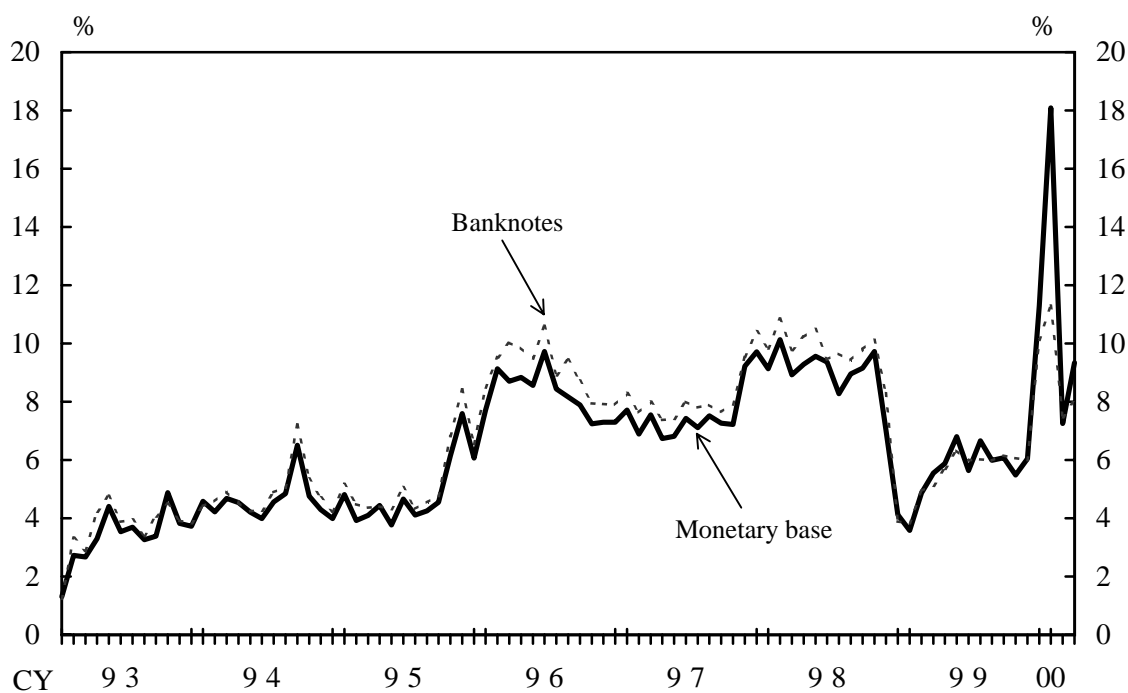


Note: 1. Percent changes in average amounts outstanding.

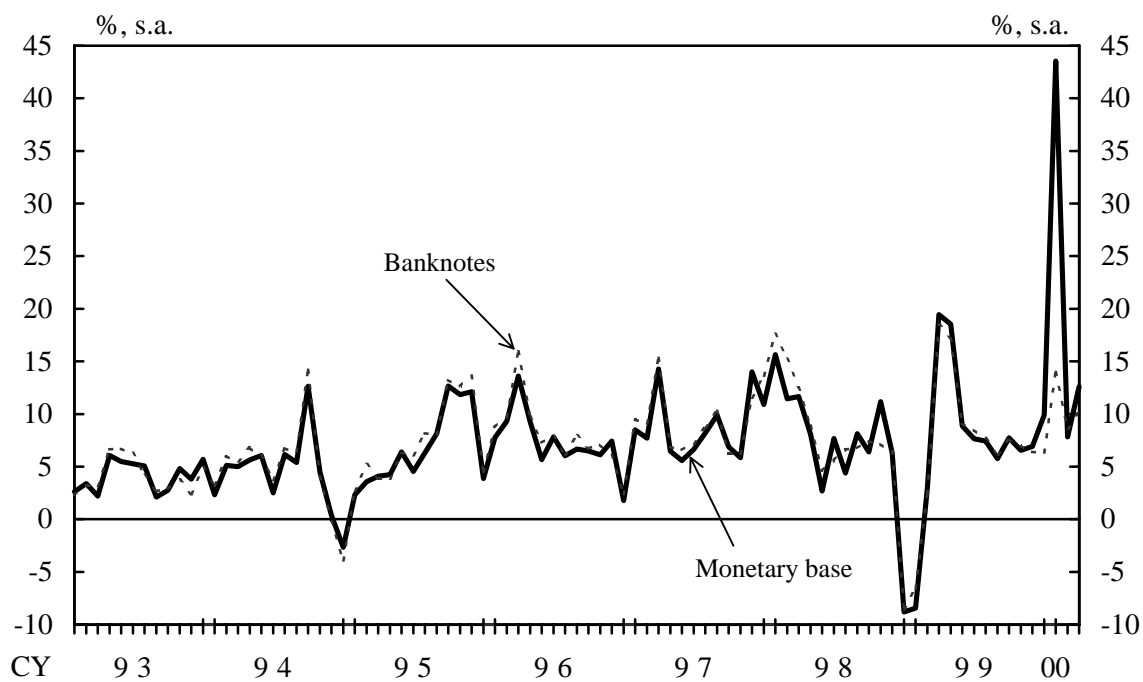
Source: Bank of Japan.

 Monetary Base ¹

(1) Changes from a Year Earlier

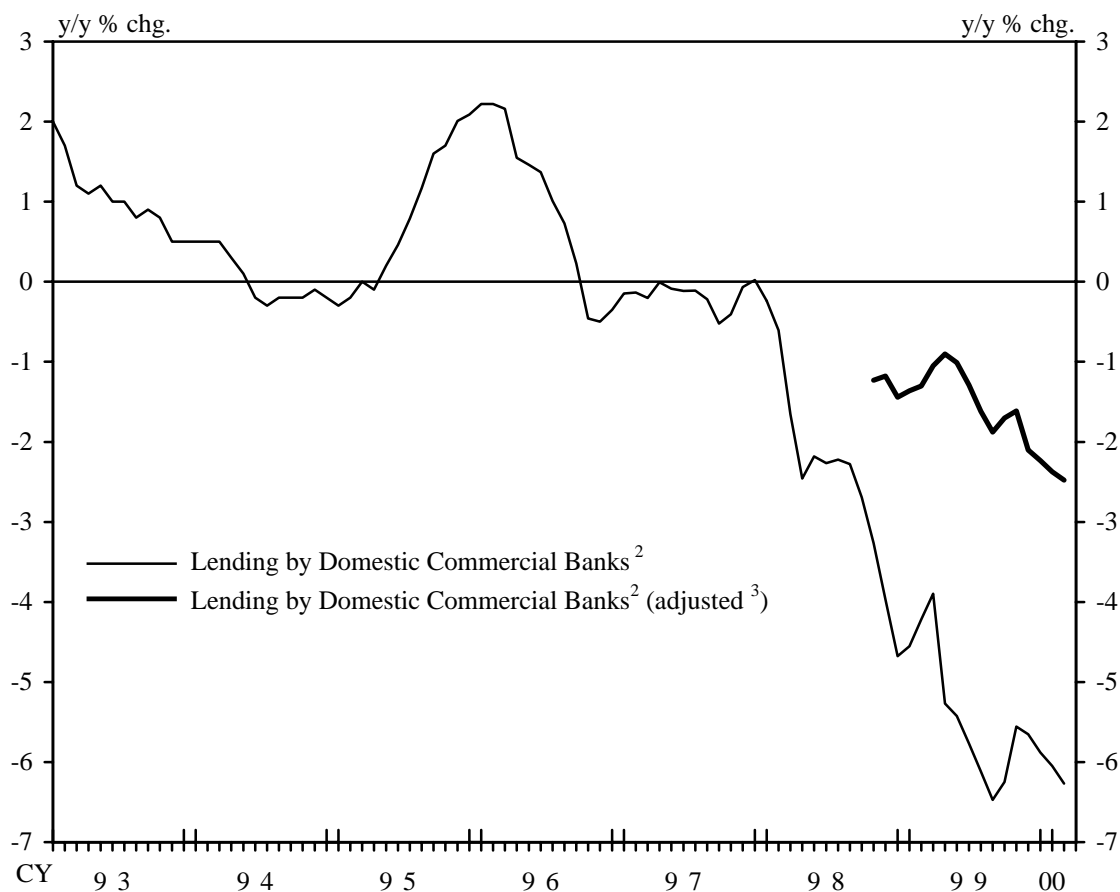


(2) Changes from Three Months Earlier (Annualized)



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 ¹

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

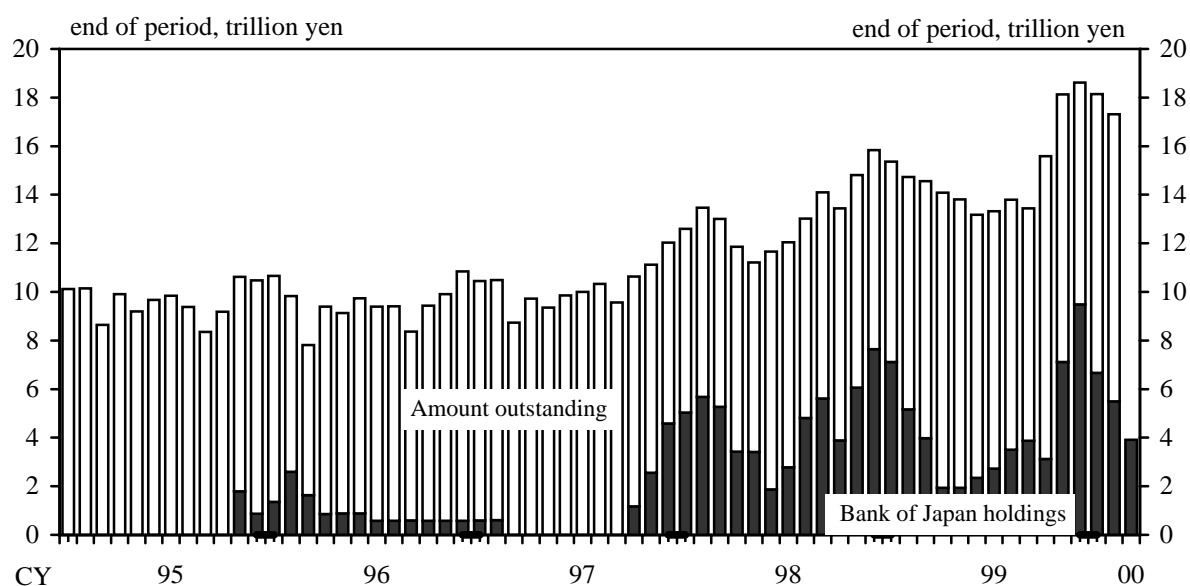
2. "Domestic commercial banks" refers to member banks of the Japanese Bankers Association, which consists of city banks, long-term credit banks, trust banks (excluding foreign-owned trust banks and trust banks that started business after October 1993), the member banks of the Regional Banks Association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

3. Adjusted to exclude

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

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

Private-Sector Fund Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper¹(2) Issue Volume of Corporate Bonds²

(100 million yen)

	Oct, 1999	Nov, 1999	Dec, 1999	Jan, 2000	Feb, 2000	Mar, 2000
Volume	5,446	8,654	7,023	3,056	8,882	7,176
(last year)	(8,946)	(11,803)	(14,764)	(4,909)	(10,706)	(11,556)

(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.

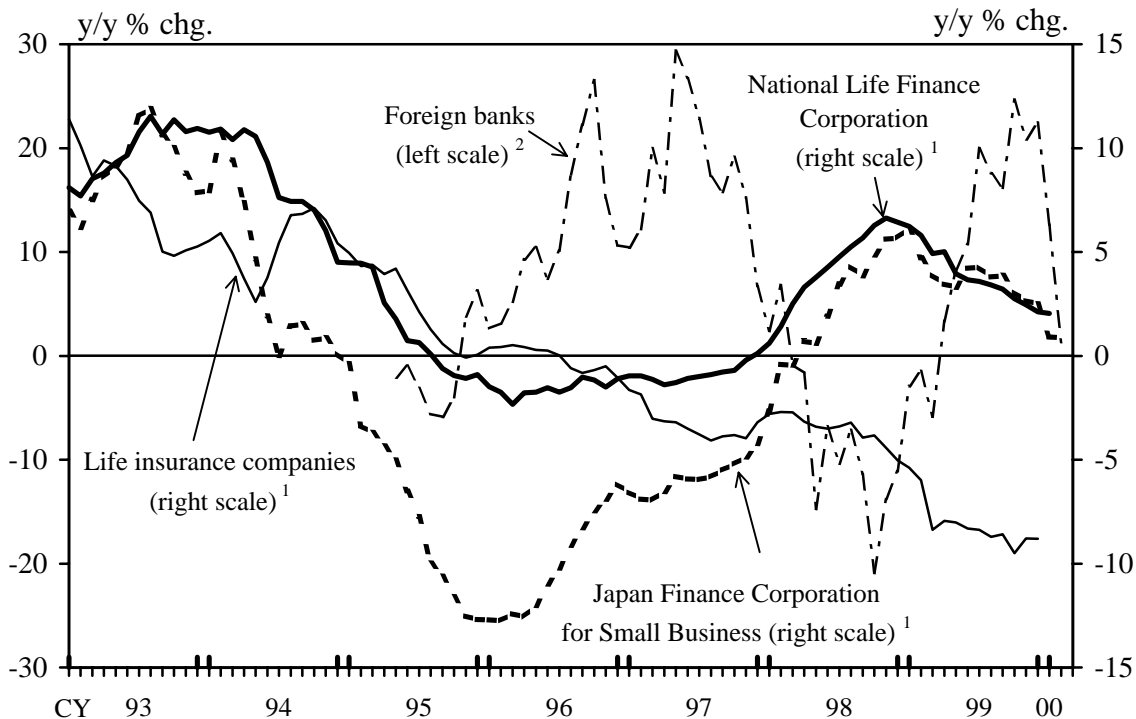
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

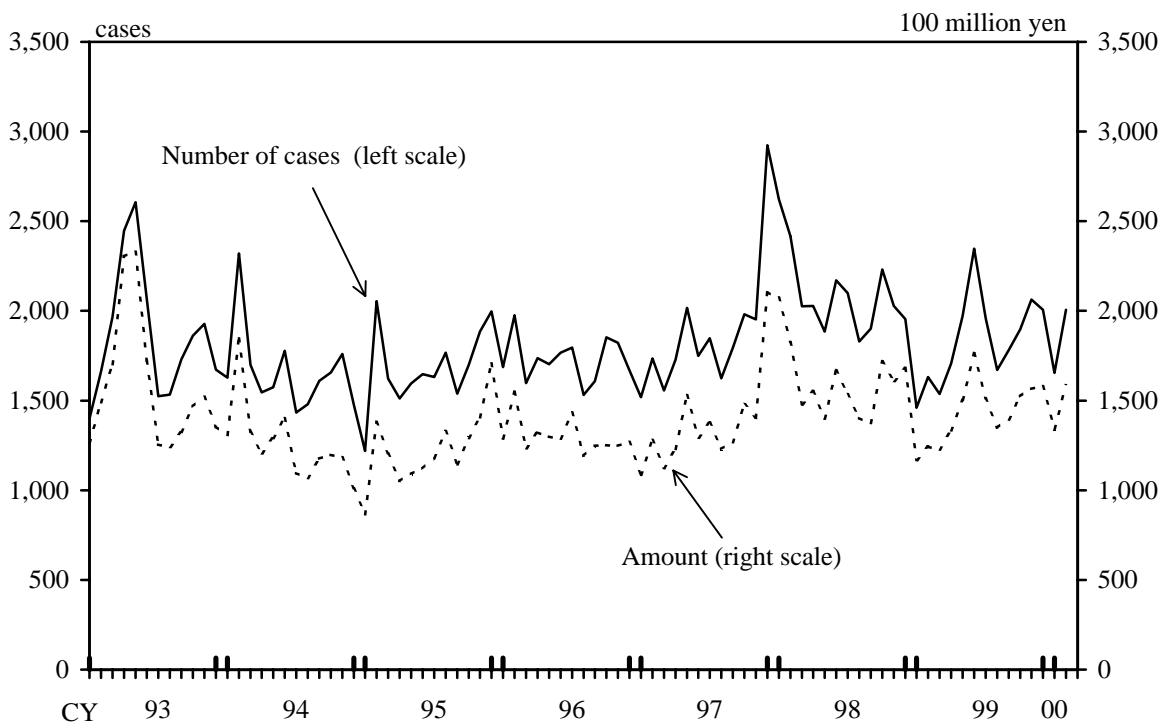
Lending by Other Financial Institutions

(1) Lending Outstanding



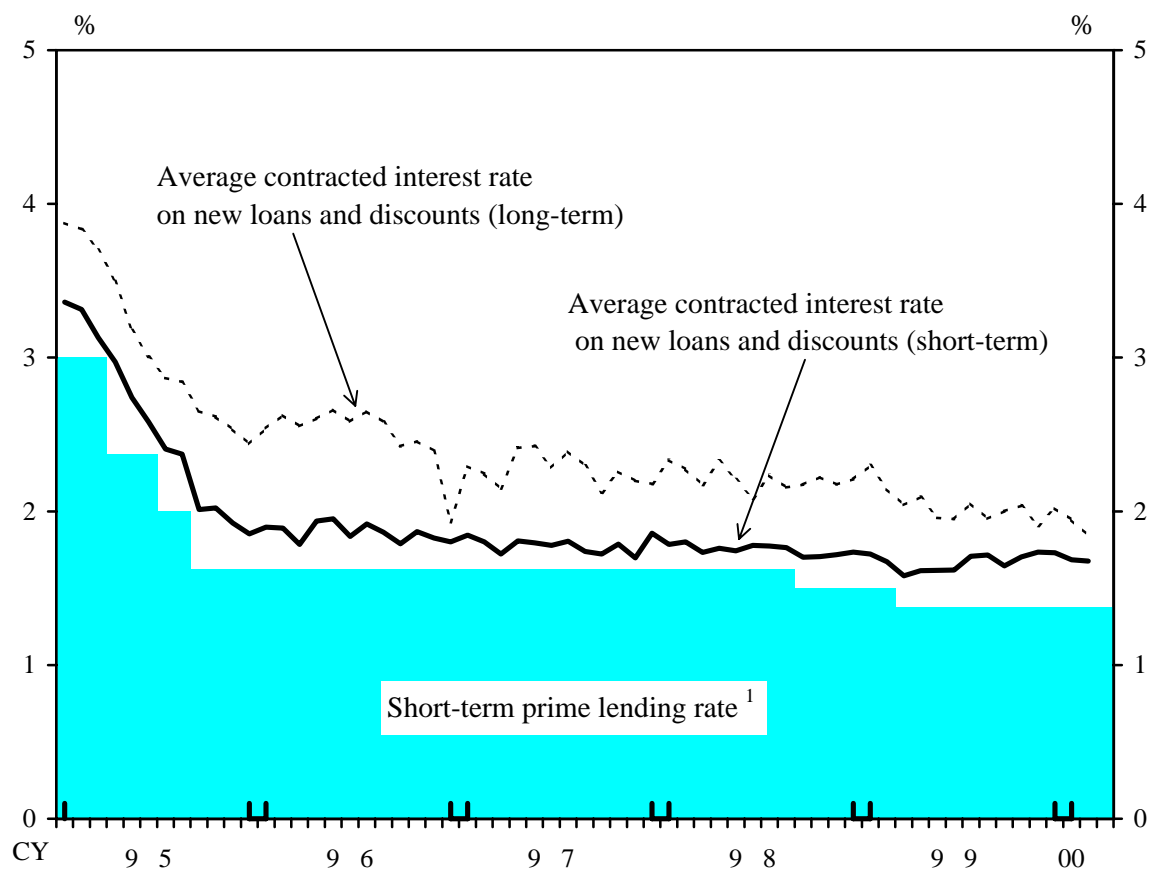
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

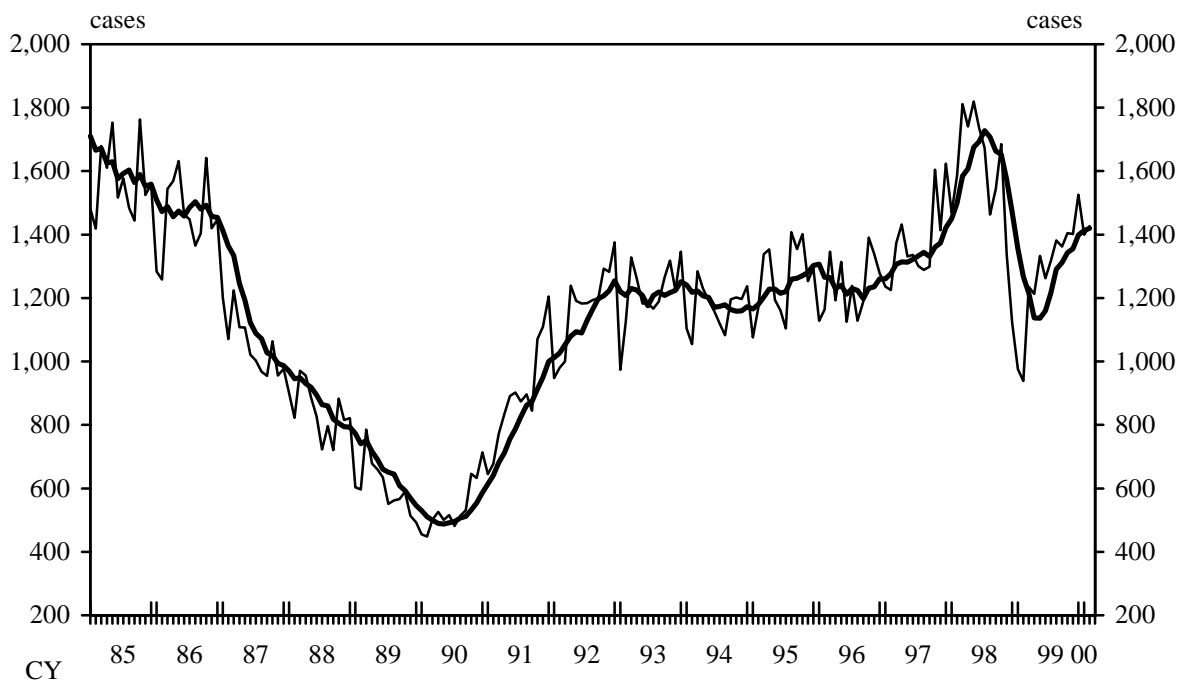


Note: 1. Data are at end of period.

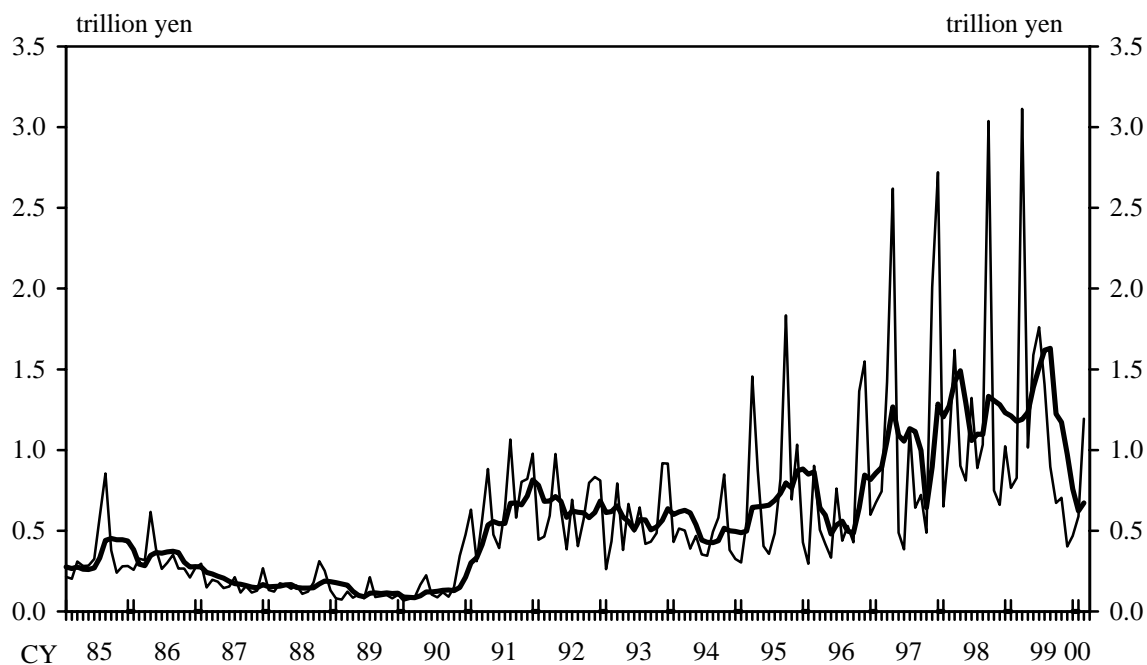
Source: Bank of Japan.

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)."