

December 19, 2000  
Bank of Japan

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

(English translation prepared by the Bank staff based on the Japanese original  
released on December 18, 2000)

# Monthly Report of Recent Economic and Financial Developments<sup>1</sup>

December 2000

## The Bank's View<sup>2</sup>

Japan's economy continues to recover gradually, albeit at a somewhat slower pace due to decelerating export growth.

With regard to exogenous demand, public investment is decreasing gradually since the implementation of the supplementary budget for fiscal 1999 has peaked out. Net exports (real exports minus real imports), which had been increasing, are starting to level off as inventories of some raw materials and electronics parts became somewhat excessive in East Asian economies. As regards domestic private demand, business fixed investment is on an increasing trend. The recovery in private consumption continues to be weak as a whole through lack of notable improvements in employment and income conditions, although there are somewhat positive signs in some indicators. Housing investment is declining slightly.

Reflecting such developments in final demand, industrial production remains on a rising trend although the pace is somewhat slowing. Corporate profits continue to improve, and the number of firms that take positive action, such as increasing the amount of fixed investment, is rising, especially in high-growth sectors. Income conditions of households still remain severe, but regular and overtime payments as well as new job offers continue to increase in line with the recovery in corporate activities, and compensation of employees has stopped decreasing.

As for the outlook, public investment is expected to maintain the current level for the time being, but is likely to start increasing again in the future along with the implementation of the new economic stimulus package by the government. While the U.S. economy is decelerating gradually, the expansion in overseas economies is

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<sup>1</sup> This report was written based on data and information available when the Bank of Japan Monetary Policy Meeting was held on December 15, 2000.

<sup>2</sup> The Bank's view on recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on December 15 as the basis of monetary policy decisions.

projected to continue, albeit at a slower pace. In these circumstances, exports are likely to remain level for the time being mainly due to inventory adjustments in East Asian economies. Meanwhile, imports are projected to continue increasing, particularly for those of consumer goods, and capital goods and parts. Therefore, net exports will decline slightly for a while.

In the corporate sector, firms still strongly feel that they have excess equipment and that they should reduce their debts to restore financial soundness. However, it is very likely that fixed investment in high-growth sectors, including those related with information technology services, will increase as corporate profits continue to recover. Moreover, an improvement in corporate profits will increase household income and this in turn is expected to boost private consumption. However, the pace of recovery in household income will be modest for the time being, since firms' perceptions of excess employment still persist, and thus significant changes have not been observed in their efforts to reduce personnel expenses.

Industrial production is expected to remain on a rising trend, although the pace of increase may slow down further temporarily.

Overall, the economy is likely to follow a gradual upward trend led mainly by business fixed investment, while the developments in overseas economies as well as in foreign and domestic capital markets, along with their effects on the economy, need to be carefully monitored. In addition, the favorable financial environment created partly by the Bank's sustaining easy monetary stance and the new economic stimulus package by the government are expected to underpin the economy.

With regard to prices, import prices are rising, reflecting an increase in international commodity prices such as crude oil prices. Domestic wholesale prices, notwithstanding the rise in prices of petroleum products reflecting the increase in crude oil prices, are declining somewhat mainly due to the decrease in prices of electrical machinery. Consumer prices continue to be somewhat weak owing to the decline in prices of other imported products and their substitutes, although prices of petroleum products increased. Corporate service prices are still falling slowly.

As for the condition surrounding price developments, the balance between supply and demand in the domestic market is projected to be on a gradual improving trend, while an economic recovery is expected to continue moderately. On the other hand, semiconductor prices are declining reflecting softer international semiconductor prices, and crude oil prices, which had been exerting upward pressure on prices, are dropping recently. In addition to the declining trend of machinery prices due to technological innovations, the decrease in prices of consumer goods arising from the streamlining of distribution channels will exert downward pressure on prices. Overall, prices are expected to be somewhat weak for the time being.

In the financial market, the overnight call rate is moving around 0.25 percent.

As for interest rates on term instruments, Euro-yen transactions, TB and FB rates maturing beyond the year-end are rising somewhat. The Japan premium remains negligible.

Yields on long-term government bonds have been on a downward trend since mid-October, having decreased to around 1.55 percent temporarily, and are recently moving around 1.65 percent. The yield spreads between private bonds (bank debentures and corporate bonds) and government bonds are mostly unchanged or decreasing somewhat.

Stock prices continue to be weak, having recorded this year's lowest level towards the end of November.

In the foreign exchange market, the yen has been depreciating from the beginning of November, and is currently being traded in the range of 111-113 yen to the U.S. dollar.

With regard to corporate finance, private banks continue to be more active in extending loans mainly to blue-chip companies, while carefully evaluating the credit risks involved.

On the other hand, the improvement in economic activities has not stimulated corporate demand for external funds, since firms' cash flow is at a high level in parallel with recovery in profits. Moreover, firms continue to reduce their debts as part of their balance-sheet restructuring measures. As a result, credit demand in the private sector has continued to be basically stagnant.

In view of this, the underlying tone of private banks' lending remains sluggish, although the expansion in the year-to-year decline is ceasing. Meanwhile, the amount outstanding of corporate bonds issued is slightly above the previous year's level. Issuance of CPs is increasing towards the year-end.

Money stock ( $M_2 + \text{CDs}$ ) continues to grow at around 2 percent on a year-on-year basis.

As for the funding costs for firms, the short-term funding rates basically remain flat but the long-term funding rates are declining slightly reflecting the decrease in market interest rates.

In this financial environment, the lending attitude of financial institutions and corporate financing conditions remain easy.

## The Background

### 1. Japan's Economy

Public investment is gradually decreasing. The value of public works contracted, which reflects orders, remained around the second-quarter level in the third quarter of 2000, but declined in October (Chart 2). As for actual implementation of those works, a substantial amount covered under the supplementary budget for fiscal 1999 has already been processed, and thus public investment seems to be decreasing. For the time being, public investment is expected to maintain the current level, but is likely to start increasing again when the new economic stimulus package is implemented by the government.

Real exports are basically flat since information-related goods and intermediate goods (such as steel exported to East Asia) decrease, although capital goods and parts are on a rising trend (Charts 3[1] and 4). Real imports continue to increase (Charts 3[1] and 5). This reflects the increase in information-related goods, and capital goods and parts, as well as the rebound of consumer goods from China. As a result of these developments, net exports (real exports minus real imports), in terms of the real trade balance,<sup>3</sup> which had been increasing, are starting to level off (Chart 3[2]).

As for the future environment for foreign trade, the real effective exchange rate of the yen has basically been stable. (Chart 6[1]). While U.S. economy is gradually decelerating, the expansion in overseas economies is expected to continue, albeit at a slower pace (Chart 6[2]). In these circumstances, exports are likely to remain level for the time being as inventories of some raw materials and electronics parts remain somewhat excessive at present in the East Asian economies. Meanwhile, imports are projected to continue increasing, especially those of consumer goods, and capital goods and parts. As a result, net exports are likely to decline slightly for a while.

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<sup>3</sup> Strictly speaking, 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 broadly in line with those of net exports. (The real trade balance is on a customs-clearance basis and does not include trade in services, while net exports of GDP statistics are on an ownership-transfer basis and include trade in services.)

Business fixed investment remains on a rising trend. Shipments of capital goods (excluding transport equipment), which basically move simultaneously with machinery investment, increased by 5.2 percent in the third quarter of 2000 on a quarter-to-quarter basis but decreased slightly in October (a decline of 2.0 percent compared to the third-quarter level). Among leading indicators, machinery orders (private demand; excluding shipbuilding and electric power equipment) increased on a quarter-to-quarter basis by 8.2 percent in the third quarter, posting the fifth consecutive quarterly rise, and increased further in October by 3.4 percent compared to the third quarter (Chart 7[1]). Meanwhile, nonresidential construction starts increased sharply through the end of fiscal 1999, in part due to a temporary surge in the construction of stores prior to the revision of the law regarding large-scale retail stores, but have fallen back thereafter from the second quarter (Chart 7[2]).

As for the outlook, it is very likely that fixed investment, especially in the sector related to information technology services, will increase as corporate profits continue to recover (Chart 8), although firms still strongly feel that they have excess equipment and that they should reduce their debts to restore financial soundness. According to the business fixed investment plans for fiscal 2000 reported in the Bank of Japan's *Tankan—Short-term Economic Survey of Enterprises* of December 2000, large firms, especially those in manufacturing, have revised their investment plans upward from the September *Tankan*, to a 7.6 percent increase from the previous fiscal year (Chart 10). Moreover, small firms, both in the manufacturing and nonmanufacturing sectors, have also made upward revisions.

The recovery in private consumption remains weak as a whole, although some indicators are showing somewhat positive signs (Chart 12). According to sales indicators, sales of household electric appliances remain at a high level, and outlays for travel are also steady. The number of passenger car sales generally remains steady, with some fluctuations. Meanwhile, sales at department stores and chain stores remain basically stagnant. As for the outlook, since consumer sentiment is relatively steady (Chart 13), consumption is expected to increase along with improvements in employment and income conditions, but the pace of recovery will likely remain modest for the time being.

Housing investment (Chart 14) is declining slightly as construction starts of housing for owner-occupied houses financed by public funding sources such as the government Housing Loan Corporation are dropping. Judged from the number of loan applications to the government Housing Loan Corporation, housing investment is expected to decline somewhat in the future.

Reflecting these developments in final demand, industrial production remains on an increasing trend, although the pace is somewhat slowing (Chart 15).<sup>4</sup> Inventories of some production goods such as steel are piling up rather excessively owing to the sluggish growth in exports (Chart 16), but the inventory ratio of the industry as a whole still remains low (Chart 15). For this reason, large inventory adjustments are unlikely, and industrial production is expected to follow a rising trend, although the pace of increase may temporarily slow further as export growth decelerates.

Employment and income conditions remain severe overall but compensation of employees has stopped decreasing as the economy gradually recovers (Chart 17[1]). In the labor market, the ratio of job offers to applicants is rising moderately, and the unemployment rate is also on an improving trend (Chart 18). Under these conditions, compensation of employees is slightly above the previous year's level (Chart 17[2]). The number of regular employees (on a Monthly Labour Survey basis at establishments with at least five employees) remains below the previous year's level but nominal wages per employee, especially in overtime and regular payments, are increasing gradually. As for the outlook, compensation of employees is projected to rise, reflecting the growth in production activities, but the rate of increase is expected to be very modest as firms' stance toward restricting personnel expenses remains unchanged and firms' perceptions of excess employment persist, although they have eased slightly (Chart 19).

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<sup>4</sup> Industrial production is projected to increase by 0.7 percent in the fourth quarter of 2000 compared to the previous quarter on the condition that figures for November and December turn out to be the same as those in the production forecast index.



## 2. Prices

Import prices on a yen basis (Chart 21) are rising compared to the level three months earlier.<sup>5</sup> The rise reflects the price increases in international commodities such as crude oil.

Domestic wholesale prices (Chart 22) are declining somewhat as the prices of electrical machinery such as semiconductors and household electric appliances continue to decrease,<sup>6</sup> although petroleum and chemical product prices are rising due to the increase in crude oil prices. (The change in domestic wholesale prices in terms of the three-month growth rate <adjusted to exclude the effects of seasonal changes in electricity rates<sup>7</sup>> was -0.1 percent in September 2000, -0.2 percent in October, and -0.3 percent in November.)

Corporate service prices (domestic supply-demand factors)<sup>8</sup> (Chart 23) continue to decline somewhat. This is mainly because while the decrease in the prices of general services are slowing, the prices for leasing are decreasing, reflecting the price decline in information-related goods, and lower telephone charges for long-distance calls within the same prefecture. (The change in corporate service prices in

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<sup>5</sup> Price indices show volatile changes month by month. Comparisons with levels three months earlier smooth out these temporary fluctuations to some extent and make it easier to grasp price trends.

<sup>6</sup> The decline in the prices of electrical machinery is partly due to the revision of the surveyed stage of some items, which makes the index more responsive to the effects of technological innovations. From the summer of 1999, as part of the revision of the WPI, the Bank of Japan has shifted the sampling prices of some items, particularly those of household electric appliances (approximately 20 items), from the wholesale stage to the producer stage. As a result, when new samples replace the old, the revision has enabled detailed comparisons of the production costs, which tend to capture the larger improvement in quality of the products due to technological innovations (price indexes count the improvement in quality as a decline in prices).

<sup>7</sup> 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 underlying changes in domestic wholesale prices, adjustments are made to exclude such factors that result in large seasonal fluctuations.

<sup>8</sup> 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 the detailed calculation, see the note in Chart 23.

The year-to-year decrease of the overall CSPI in October slowed due to the rise in ocean freight (overseas factor). (The year-to-year change in the overall CSPI was -0.6 percent in September and -0.4 percent in October.)

terms of the three-month growth rate was -0.1 percent in August 2000, -0.2 percent in September, and -0.2 percent in October.)

Consumer prices (excluding perishables; Chart 24) remain somewhat weak since prices of imported products and their substitutes are declining due to the increase in imports of inexpensive consumer goods (Charts 12-4 and 25) and to the reductions in public utility charges (electricity and telephone), although prices of petroleum products are rising reflecting the increase in crude oil prices. (The change in consumer prices excluding perishables in terms of the three-month growth rate was -0.2 percent in August 2000, -0.2 in September, and -0.3 percent in October.)<sup>9</sup>

Regarding the future environment for prices, the balance between supply and demand in the domestic market is projected to be on a gradual improving trend, while the economic recovery is expected to continue moderately. On the other hand, semiconductor prices are declining, reflecting softer international semiconductor prices, and crude oil prices, which had been exerting upward pressure on prices, are dropping recently. In addition to the declining trend of machinery prices due to technological innovations, the decrease in prices of consumer goods arising from the streamlining of distribution channels will exert downward pressure on prices. Overall, prices are expected to be somewhat weak for the time being.

### **3. Financial Developments**

#### **(1) Financial Markets**

Interest rate developments in short-term money markets (Charts 27[1] and 28) show that the overnight call rate (uncollateralized) is moving around 0.25 percent.

As for interest rates on term instruments, the rates on contracts extending beyond the year-end increased. Three-month Euro-yen (TIBOR), TB and FB rates,

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<sup>9</sup> The prices of perishables remain well below the previous year's level partly due to the increased influx of low-priced imported perishables after the sharp price rise in 1999 from typhoon damage. Thus, overall consumer prices including perishables continue to decline substantially. (The year-to-year change was -0.8 percent in September and -0.9 percent in October.)

which will mature over the year-end, also slightly rose. The Japan premium (Chart 30) remains negligible.

Yields on ten-year government bonds (newly issued; Chart 27[2]) have been on a declining trend since mid-October, and temporarily decreased to around 1.55 percent due to the weakening of stock prices and the rather cautious view of market participants towards the economic outlook. Those yields are recently moving around 1.65 percent. Meanwhile, the yield spreads between government and private bonds (bank debentures and corporate bonds; Charts 32 and 33) were mostly unchanged or decreased somewhat.

Stock prices (Chart 34[1]) continue to be weak, having marked year lows towards the end of November, mainly reflecting the drop in U.S. stock prices.

In the foreign exchange market (Chart 35), the yen depreciated from the beginning of November, reflecting the uncertain view of market participants over the Japanese political situation and economic recovery. The yen is currently being traded in the range of 111-113 yen to the U.S. dollar.

## **(2) Monetary Aggregates and Corporate Finance**

The year-to-year growth in money stock (Chart 36) in terms of  $M_2 + \text{CDs}$  was 2.1 percent in November, unchanged from the previous month. It continues to grow at around 2 percent recently. (The year-to-year growth in  $M_2 + \text{CDs}$  was 1.8 percent in August 2000, 2.0 percent in September, 2.1 percent in October, and 2.1 percent in November).

The year-to-year growth in the monetary base (currency in circulation + current deposits at the Bank of Japan; Chart 37) was faster in November compared with the previous month due to the increasing growth in bank notes.

As for the lending attitude of private financial institutions, financial institutions continue to be more active in extending loans mainly to blue-chip companies, while carefully evaluating the credit risks involved.

As for the credit demand of private firms, the improvement in economic activities has not stimulated corporate demand for external funds, since the level of business fixed investment and other expenditures is presently below firms' cash flow, which is at a high level, in parallel with the recovery in profits. 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.

Amid these developments, the underlying tone of lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;<sup>10</sup> Chart 38), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, remains sluggish, although the expansion in the year-to-year decline is ceasing. (The year-to-year change was -2.0 percent in August 2000, -1.8 percent in September, -1.7 percent in October, and -1.8 percent in November). Meanwhile, the amount outstanding of corporate bonds issued remains slightly above the previous year's level. Issuance of CPs is increasing towards the year-end (Chart 39).

As for the funding cost for firms, the short-term funding rates basically remain flat on the whole, although those maturing over the year-end continue to be high. On the other hand, the long-term funding rates are declining slightly reflecting the decrease in market interest rates. As for lending rates, the average contracted interest rates on new loans and discounts in October (Chart 41) rose, mainly for short-term rates. Meanwhile, the long-term prime lending rate was lowered in December for the third consecutive month due to the decrease in the long-term market interest rates. In the capital market, CP issuance rates are generally high owing to the rather high money market rates on term instruments extending beyond the year-end. Corporate bond issuance rates are declining slightly reflecting developments in market interest rates.

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<sup>10</sup> 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.

The number of corporate bankruptcies in November (Chart 42) decreased slightly compared to the previous month.

In this financial environment, the lending attitude of financial institutions and corporate financing conditions remain easy.

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## Main Economic Indicators (1)

	s.a., q/q (m/m) % chg. <sup>1</sup>						
	2000/Q1	Q2	Q3	2000/August	September	October	November
Index of living expenditure level (all households)	-0.2	3.8	-2.8	-2.4	2.8	p -0.5	n.a.
Sales at department stores	0.1	-2.1	-1.1	3.3	1.4	p -2.0	n.a.
Sales at chain stores	-1.9	-2.4	-0.7	-0.5	0.9	2.8	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 298>	< 304>	< 291>	< 303>	< 287>	< 305>	< 302>
Sales of household electrical appliances (real, NEBA)	7.6	3.7	2.1	-11.4	8.1	0.7	n.a.
Outlays for travel (50 major travel agencies)	2.3	2.9	-0.3	1.9	-2.8	0.3	n.a.
Housing starts <s.a., ann. 10,000 units>	< 127>	< 124>	< 120>	< 122>	< 122>	< 116>	<n.a.>
Machinery orders (from private sector <sup>4</sup> )	4.9	3.1	8.2	26.6	-16.5	8.3	n.a.
Manufacturing	4.5	11.2	-1.2	10.0	-15.6	21.7	n.a.
Nonmanufacturing <sup>4</sup>	7.9	-5.0	14.9	40.7	-17.0	-0.4	n.a.
Construction Starts (private, nonresidential use)	14.4	-1.9	-8.5	4.7	-19.0	-0.5	n.a.
Mining & manufacturing	10.9	11.1	9.0	-6.0	-7.8	-1.7	n.a.
Nonmanufacturing <sup>5</sup>	14.5	-2.6	-12.4	3.5	-21.4	-5.1	n.a.
Value of public works contracted	17.5	-25.5	4.1	1.1	-0.2	-6.6	n.a.
Real exports	4.9	3.2	2.1	8.7	-1.3	-2.3	n.a.
Real imports	0.4	6.3	1.0	11.6	-4.4	3.3	n.a.
Industrial production	0.8	1.7	1.6	3.4	-3.4	1.5	n.a.
Shipments	0.5	1.8	1.6	3.9	-3.6	0.9	n.a.
Inventories	2.4	-0.1	-0.8	0.3	-1.0	1.5	n.a.
Inventories/shipments <s.a., 1995=100>	<100.0>	<98.5>	<99.0>	<96.0>	<99.0>	<101.3>	<n.a.>
Real GDP	2.4	0.2	0.2	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.3	1.8	0.3	1.3	-1.5	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2000/Q1	Q2	Q3	2000/August	September	October	November
Ratio of job offers to applicants <s.a., times>	<0.52>	<0.57>	<0.61>	<0.62>	<0.62>	<0.64>	<n.a.>
Unemployment rate <s.a., %>	<4.82>	<4.70>	<4.64>	<4.55>	<4.71>	<4.67>	<n.a.>
Overtime working hours <sup>6</sup>	3.5	4.0	4.0	3.3	4.2	p 3.1	n.a.
Number of employees	-0.4	0.4	0.7	0.2	0.8	1.0	n.a.
Number of regular employees <sup>6</sup>	-0.2	-0.3	-0.2	-0.2	-0.2	p -0.1	n.a.
Nominal wages per person <sup>6</sup>	0.7	1.1	0.4	1.0	0.9	p 1.1	n.a.
Domestic wholesale price index <q/q % chg.> (3-month growth rate)	-0.1 <0.1>	0.3 <0.0>	0.2 <0.0>	0.2 <0.0>	0.1 <-0.1>	-0.1 <-0.2>	-0.2 <-0.3>
Consumer price index (nationwide) <sup>7</sup> <s.a., q/q % chg.> (3-month growth rate)	-0.2 <0.0>	-0.3 <-0.2>	-0.4 <-0.1>	-0.3 <-0.2>	-0.5 <-0.2>	-0.6 <-0.3>	n.a. <n.a.>
Corporate service price index <sup>8</sup> <s.a., q/q % chg.> (3-month growth rate)	-0.7 <-0.1>	-0.7 <-0.4>	-0.9 <-0.2>	-0.8 <-0.1>	-1.0 <-0.2>	-1.0 <-0.2>	n.a. <n.a.>
Monetary aggregates (M <sub>2</sub> +CDs) <average outstanding, y/y % chg.>	2.2	2.3	p 1.9	1.8	p 2.0	p 2.1	p 2.1
Number of suspension of transactions with banks	55.4	16.1	15.2	20.6	9.3	5.0	n.a.

Notes: 1. Excludes the cases indicated inside angle brackets in 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. Domestic supply-demand factors.

9. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

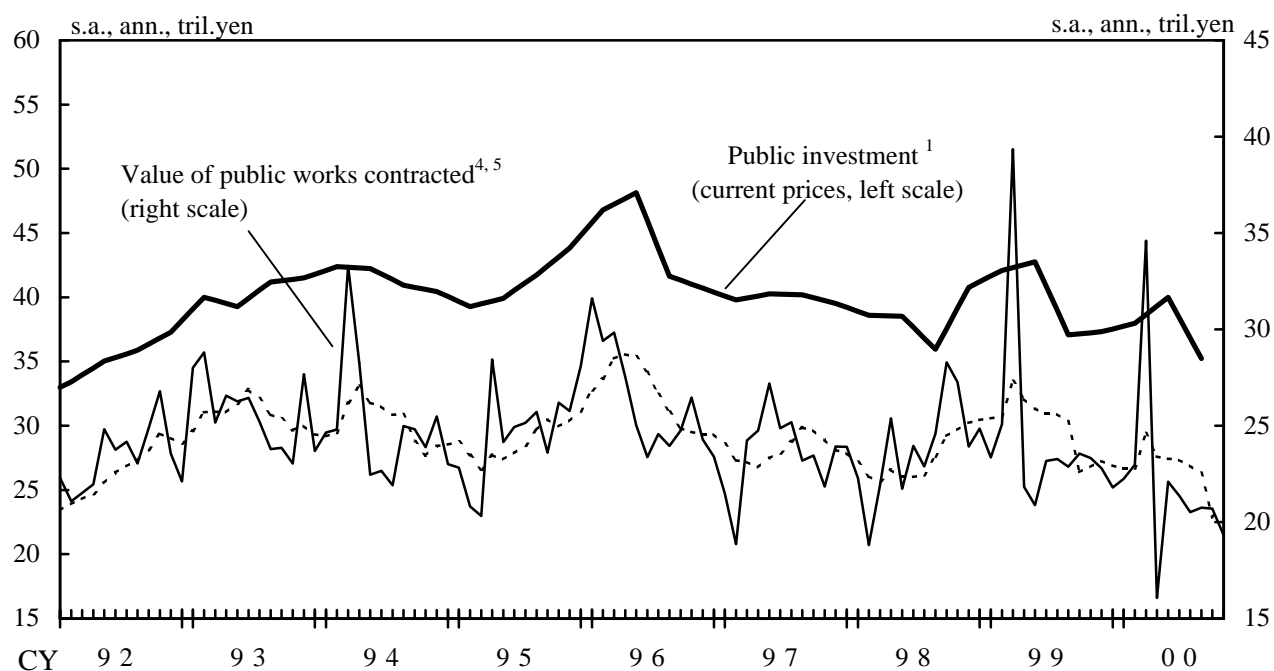
10. Hereafter, GDP related data are based on the SNA93, adopted by the United Nations in 1993.

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

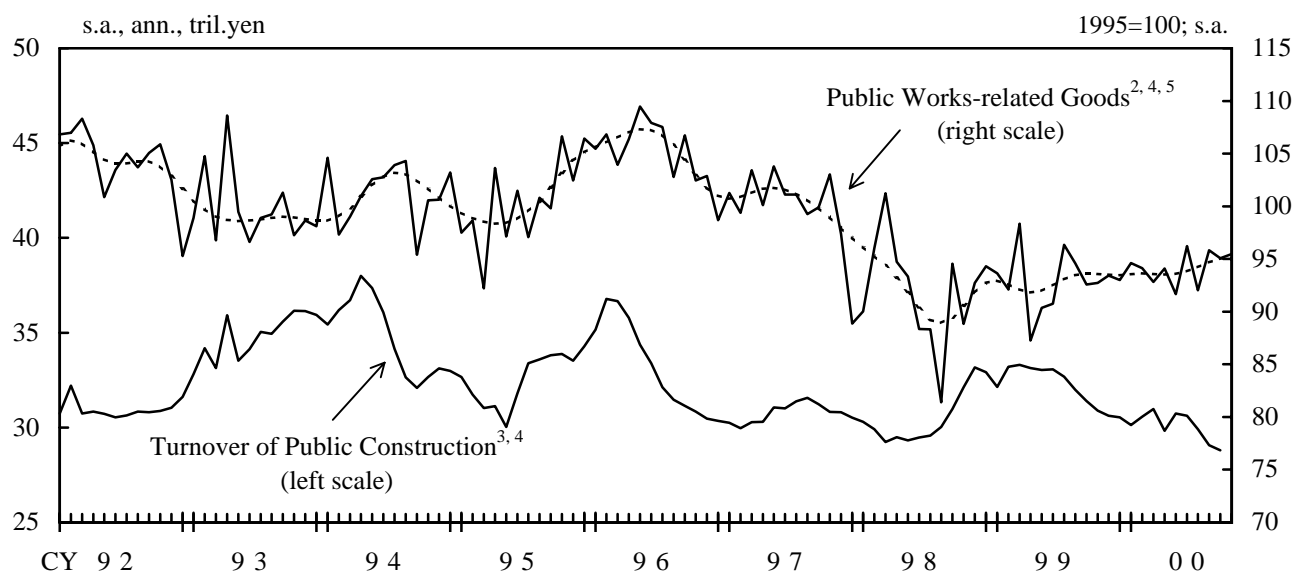


## Public Investment

## (1) Value of Public Works Contracted and Public Investment



## (2) Shipments of Public Works-related Goods and Turnover of Public Construction



Notes: 1. Quarterly basis public investment is plotted at the middle month of each quarter.

2. Public works-related goods are weighted average of asphalt, concrete products for roads, bridges, and cement, where weights are based on 1995-basis IIP (shipment). Shipments of these goods also include those to the private sector.

3. Turnover of public construction is based on the public sector table in the "Integrated Statistics on Construction Works."

4. Value of public works contracted, public works-related goods, and turnover of public construction are seasonally adjusted by X-12-ARIMA ( $\beta$  version). As the figures of value of public works contracted and public works-related goods are seasonally adjusted on a monthly basis, the data are retroactively revised each month. Seasonal factors of turnover of public construction are calculated by using data until March 2000, and are fixed for FY2000.

5. 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.

Sources: Economic Planning Agency, "National Accounts";

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

Ministry of Construction, "Integrated Statistics on Construction Works";

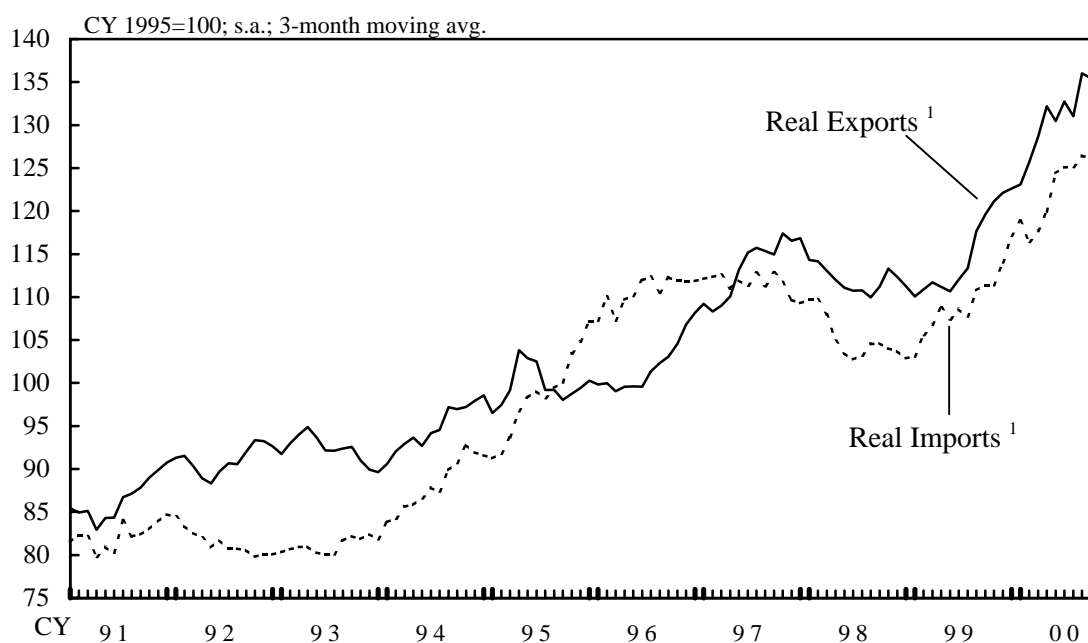
Ministry of International Trade and Industry, "Indices of Industrial Production."

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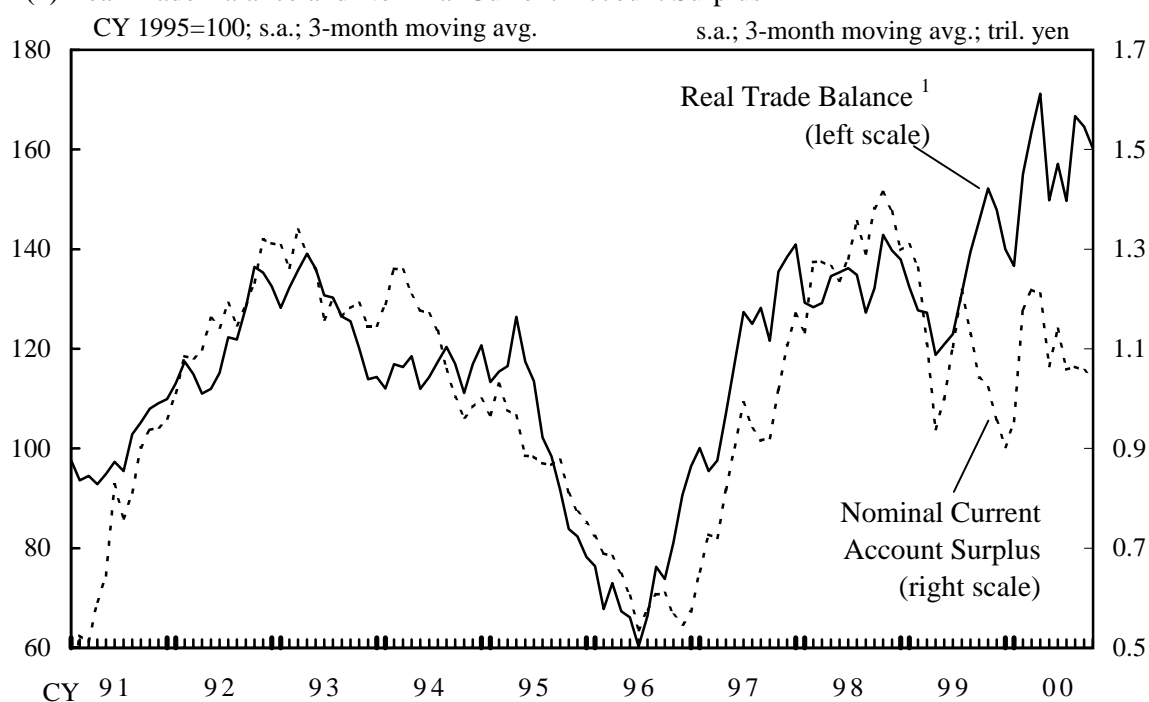
 External Balance
 

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## (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 <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 98	99	99 Q4	2000 Q1	Q2	Q3	Q4	2000 Aug.	Sep.	Oct.
United States	<30.7>	6.8	4.6	-0.1	3.6	3.6	0.8	1.1	11.8	-3.2	-0.3
EU	<17.8>	15.6	0.9	2.6	4.3	-0.6	0.1	-9.2	7.8	-4.4	-8.7
East Asia	<35.8>	-18.1	12.0	2.3	12.6	5.9	2.7	-4.7	10.6	-3.1	-5.8
China	<5.6>	0.5	12.3	-7.7	19.4	6.3	12.4	-0.1	15.1	-6.1	-0.5
NIEs	<21.5>	-16.5	11.2	5.0	12.7	3.7	1.2	-5.3	10.5	-4.0	-5.9
Taiwan	<6.9>	-0.4	7.8	6.9	5.8	9.6	2.7	-10.0	13.8	-5.9	-10.1
Korea	<5.5>	-35.3	43.9	9.4	18.8	-3.9	-0.2	-4.3	11.3	-6.4	-3.5
ASEAN4 <sup>3</sup>	<8.6>	-29.2	13.6	2.1	8.6	11.3	0.6	-6.1	7.8	1.1	-9.1
Thailand	<2.7>	-29.4	15.3	8.8	-2.0	5.5	6.9	-1.3	9.5	0.6	-4.5
Real exports		-2.1	4.5	2.5	4.9	3.2	2.1	-0.5	8.7	-1.3	-2.3

## (2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 98	99	99 Q4	2000 Q1	Q2	Q3	Q4	2000 Aug.	Sep.	Oct.
Intermediate goods	<14.2>	2.9	5.4	-2.3	2.8	2.5	0.7	-3.1	8.7	-4.0	-3.2
Motor vehicles and their related goods	<21.5>	1.3	2.8	1.7	-4.0	8.2	5.2	-2.2	7.8	-1.3	-3.7
Consumer goods <sup>4</sup>	<7.2>	5.0	5.0	4.4	5.1	1.6	-0.4	-1.2	0.4	5.7	-4.9
Information-related goods <sup>5</sup>	<17.6>	-7.0	6.4	2.3	14.7	4.1	-2.0	-1.2	8.5	-1.4	-2.8
Capital goods and parts <sup>6</sup>	<28.4>	-5.4	1.8	1.4	14.1	3.1	2.9	-7.8	8.5	2.1	-11.4
Real exports		-2.1	4.5	2.5	4.9	3.2	2.1	-0.5	8.7	-1.3	-2.3

Notes: 1. Seasonally adjusted by X-11. 2000/Q4 figures are October figures converted into quarterly amount.

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

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

4. Excluding motor vehicles.

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

6. Excluding information-related goods, 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 <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 98	99	99 Q4	2000 Q1	Q2	Q3	Q4	2000 Aug.	Sep.	Oct.
United States	<21.7>	-3.7	-2.9	8.8	-5.1	8.3	2.9	8.8	4.8	-2.6	9.0
EU	<13.8>	-6.5	5.8	3.1	1.0	0.3	2.3	4.2	11.3	-4.2	3.5
East Asia	<37.6>	-7.7	15.8	7.7	7.1	5.4	4.0	5.9	12.8	-4.7	5.1
China	<13.8>	-4.4	11.9	7.3	12.6	5.6	-1.1	6.5	12.1	-5.7	6.7
NIEs	<11.6>	-10.9	24.2	12.3	5.0	4.1	8.3	9.1	13.6	-2.8	6.7
Taiwan	<4.1>	-11.1	25.6	12.6	15.0	8.9	4.9	22.3	13.9	-2.0	18.9
Korea	<5.2>	-9.5	30.8	18.3	0.7	-0.3	5.5	5.7	12.2	-3.9	4.6
ASEAN4 <sup>3</sup>	<12.1>	-8.1	12.6	4.0	3.4	6.3	5.5	2.1	12.8	-5.5	2.0
Thailand	<2.9>	-7.1	5.4	4.0	4.8	8.8	0.9	3.3	13.5	-0.6	-0.5
Real imports		-6.2	6.1	5.2	0.4	6.3	1.0	3.9	11.6	-4.4	3.3

## (2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 98	99	99 Q4	2000 Q1	Q2	Q3	Q4	2000 Aug.	Sep.	Oct.
Raw materials <sup>4</sup>	<23.2>	-6.0	2.7	1.8	-0.3	1.3	-2.1	-0.4	14.5	-8.0	0.8
Intermediate goods	<13.5>	-7.1	3.6	1.1	0.6	4.3	-1.4	2.4	21.2	-13.9	6.4
Foodstuffs	<14.3>	-4.0	2.8	2.9	4.1	-2.3	-0.2	-2.2	8.6	-3.3	-2.6
Consumer goods	<10.8>	-13.8	8.1	6.5	4.1	7.8	0.0	8.2	14.9	-6.5	8.2
Information-related goods <sup>5</sup>	<14.4>	-5.8	18.7	12.4	7.1	13.6	11.4	10.4	5.2	1.7	7.3
Capital goods and parts <sup>6</sup>	<12.9>	2.7	5.1	13.6	-5.9	5.1	6.3	11.7	2.6	3.7	8.2
excluding aircraft		-2.4	4.4	3.9	5.0	3.0	6.3	7.2	10.5	-4.0	6.6
Real imports		-6.2	6.1	5.2	0.4	6.3	1.0	3.9	11.6	-4.4	3.3

Notes: 1. Seasonally adjusted by X-11. 2000/Q4 figures are October figures converted into quarterly amount.

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

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

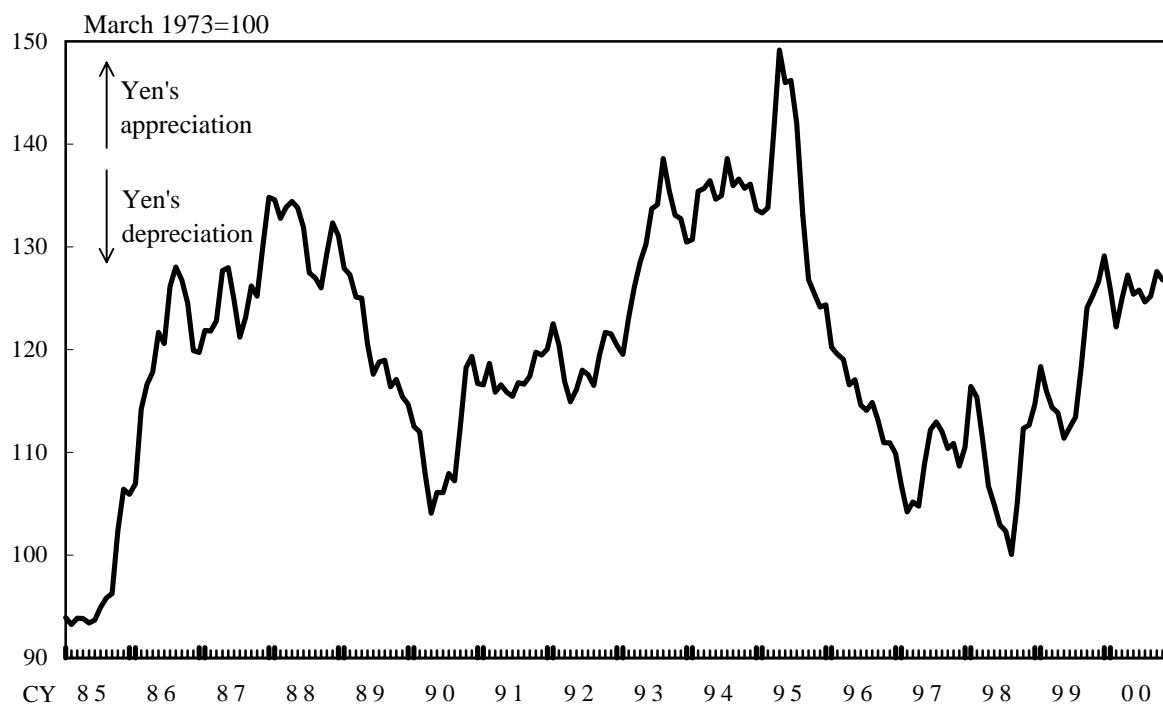
4. Raw materials = woods + ores + mineral fuel, etc.

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

6. Excluding information-related goods.

## Real Effective Exchange Rate and Overseas Economic Conditions

### (1) Real Effective Exchange Rate <sup>1</sup>



Note: 1. Monthly average. The figure for December 2000 is the average of December 1-14. Calculated by the Bank of Japan. Figures are the index of weighted average of the yen's real exchange rates versus 25 major currencies which are calculated from exchange rates and price indexes of the respective countries.

### (2) Real GDP Growth Rates in Overseas Economies

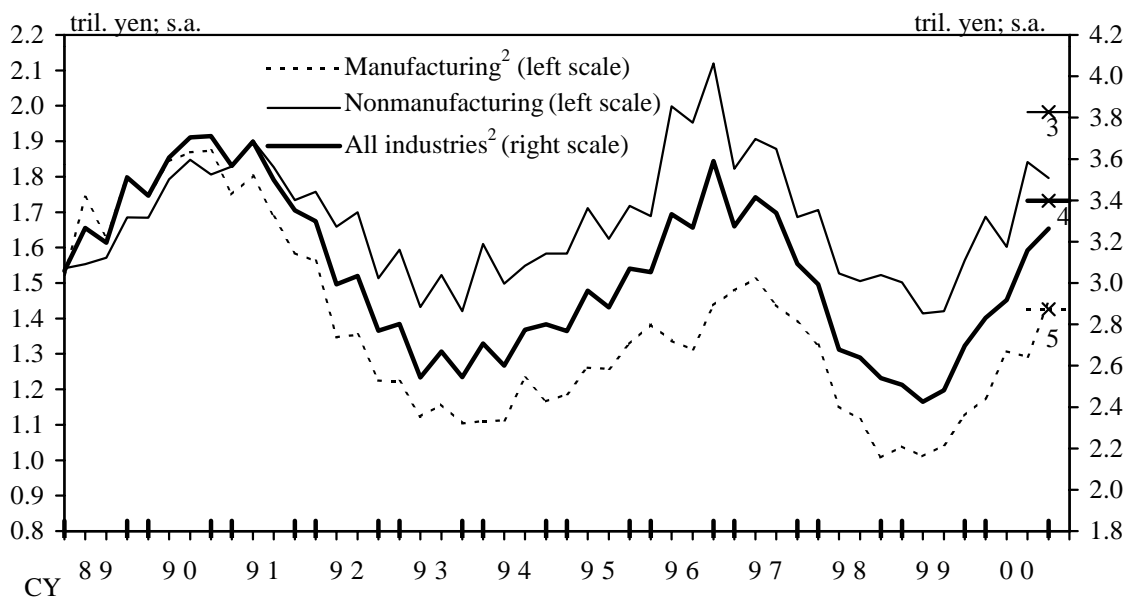
		CY98	99	2000	99 Q4	2000 Q1	Q2	Q3	
United States <sup>1</sup>		4.4	4.2	( 5.2)	8.3	4.8	5.6	2.4	
European Union <sup>1</sup>		2.7	2.5	( 3.3)	3.7	3.3	3.4	n.a.	
	Germany	2.1	1.6	( 3.1)	3.1	3.6	4.7	2.2	
	France	3.2	2.9	( 3.3)	4.2	2.2	3.3	2.7	
	United Kingdom	2.6	2.2	( 3.0)	2.8	2.1	3.8	2.9	
East Asia <sup>2</sup>	China	7.8	7.1	( 8.0)	(Jan-Dec) 7.1	8.1	(Jan-Jun) 8.2	(Jan-Sep) 8.2	
	NIEs	Korea	-6.7	10.7	( 8.7)	13.0	12.7	9.6	9.2
		Taiwan	4.6	5.4	( 6.4)	6.4	7.9	5.4	6.6
		Hong Kong	-5.3	3.1	( 8.9)	9.2	14.2	10.9	10.4
		Singapore	0.4	5.4	( 8.9)	7.1	10.1	9.0	10.4
	ASEAN4	Thailand	-10.2	4.2	( 4.8)	6.5	5.3	6.6	n.a.
		Indonesia	-13.0	0.3	( 4.2)	5.0	4.0	4.5	5.1
Malaysia		-7.6	5.8	( 8.7)	11.0	11.9	8.5	7.7	
Philippines		-0.5	3.3	( 3.6)	4.9	3.2	4.5	4.8	

Notes: 1. Quarterly data are quarter-to-quarter percent changes.

2. Quarterly data are percent changes from a year earlier.

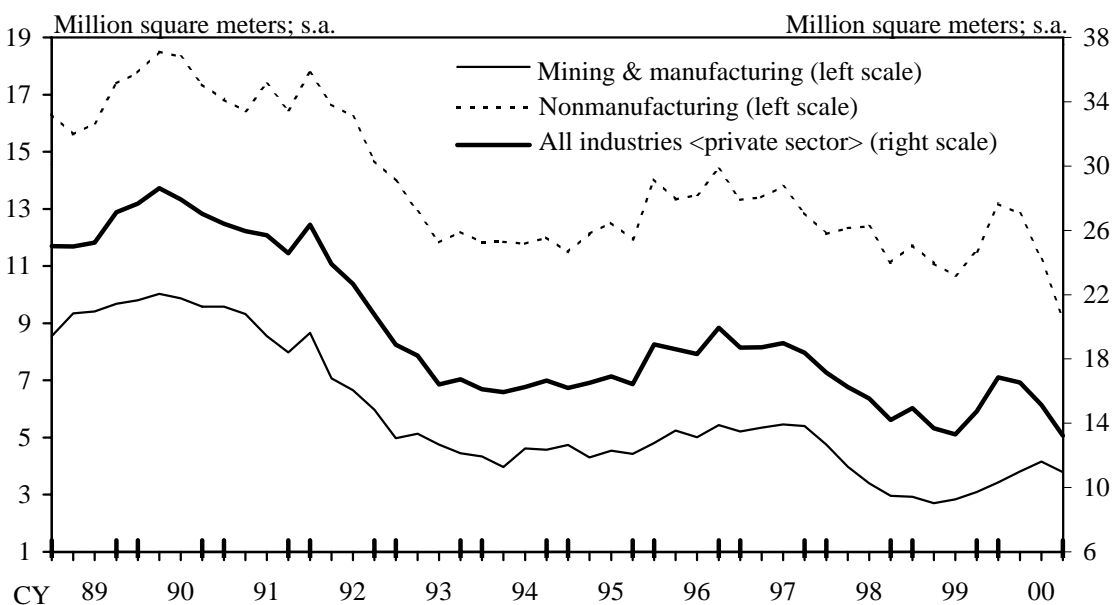
3. Forecasts by "BLUE CHIP ECONOMIC INDICATORS" and "CONSENSUS FORECASTS" are shown in brackets.

## Indicators for Business Fixed Investment

(1) Machinery Orders<sup>1</sup>

- Notes: 1. Figures for 2000/Q4 are averages of October in terms of quarterly amount.  
 2. Excludes orders from electric power companies and shipbuilding orders.  
 3. Forecast of nonmanufacturing industries for 2000/Q4.  
 4. Forecast of all industries for 2000/Q4.  
 5. Forecast of manufacturing industries for 2000/Q4.

## (2) Construction Starts (Nonresidential)

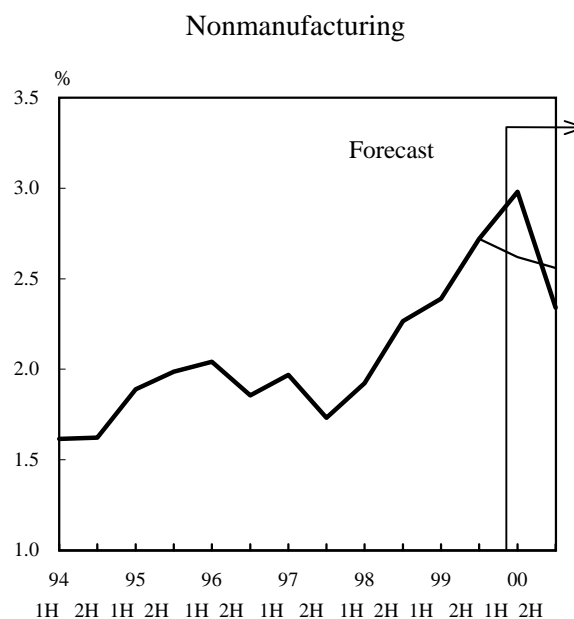
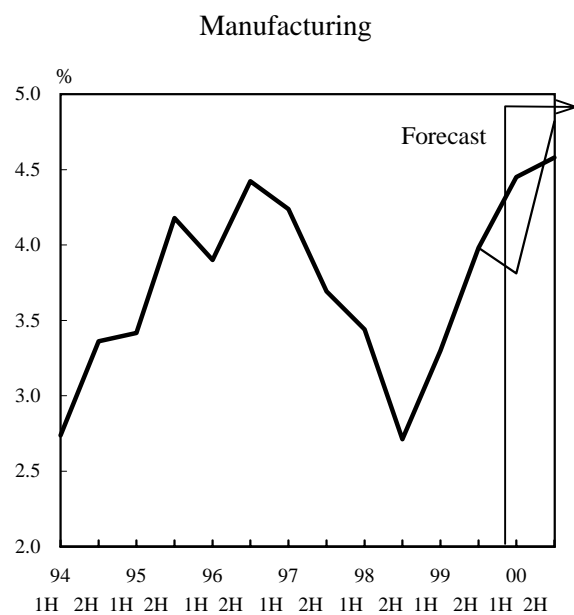


- Notes: 1. Seasonally adjusted by X-11.  
 2. Figures for 2000/Q4 are averages of October in terms of quarterly amount.

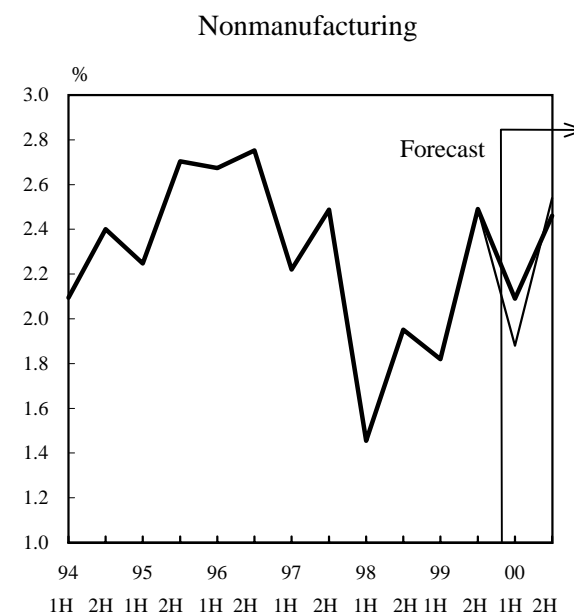
Sources: Economic Planning Agency, "Machinery Orders Statistics";  
 Ministry of Construction, "Statistics Building Construction Starts."

## Ratio of Recurring Profit to Sales

## (1) Large Enterprises



## (2) Small Enterprises



Notes: 1. The thin solid line shows the figures as of the September 2000 survey.

2. Large enterprises: 1,000 employees or more

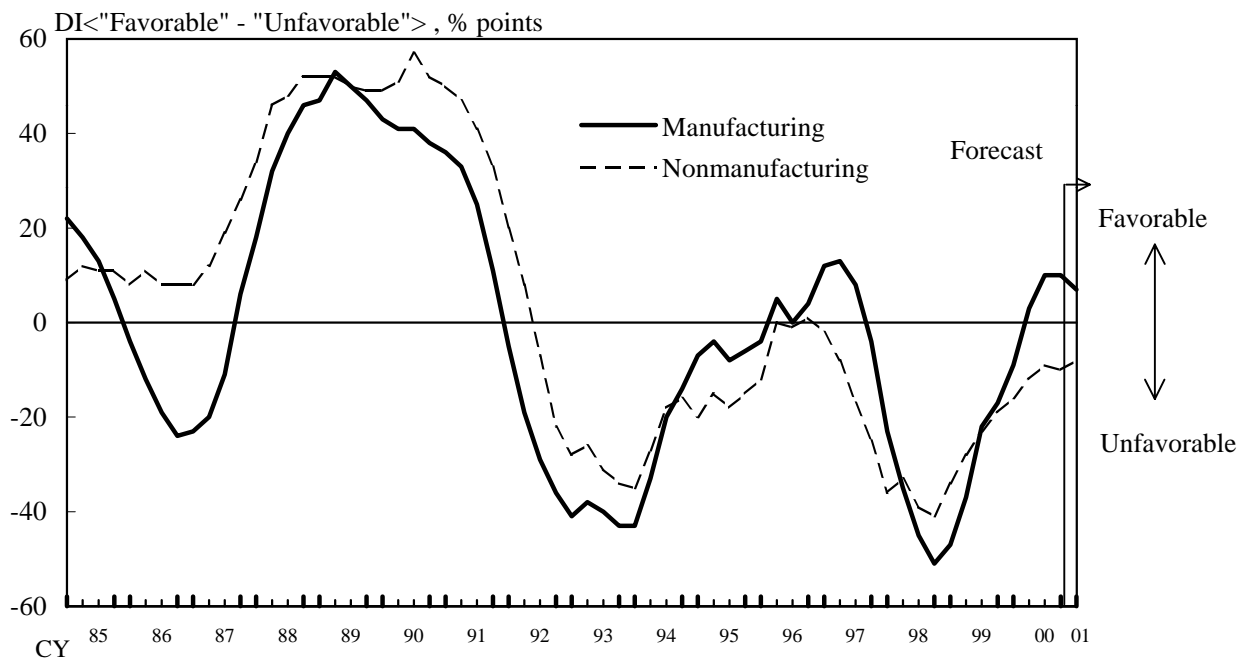
Small enterprises: 50-299 employees (Manufacturing), 20-99 employees (Wholesaling),

20-49 employees (Retailing, services, and leasing), 50-299 employees (Other industries)

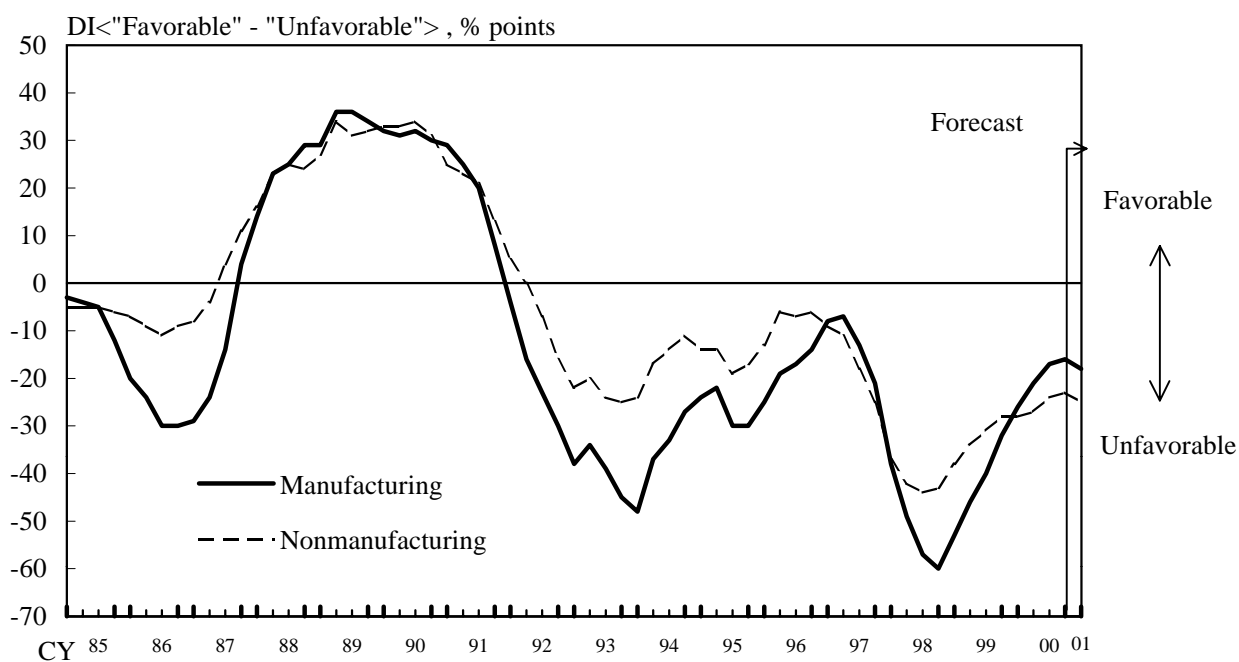
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

Business Conditions

(1) Large Enterprises



(2) Small Enterprises



Note: Large enterprises: 1,000 employees or more

Small enterprises: 50-299 employees (Manufacturing), 20-99 employees (Wholesaling),

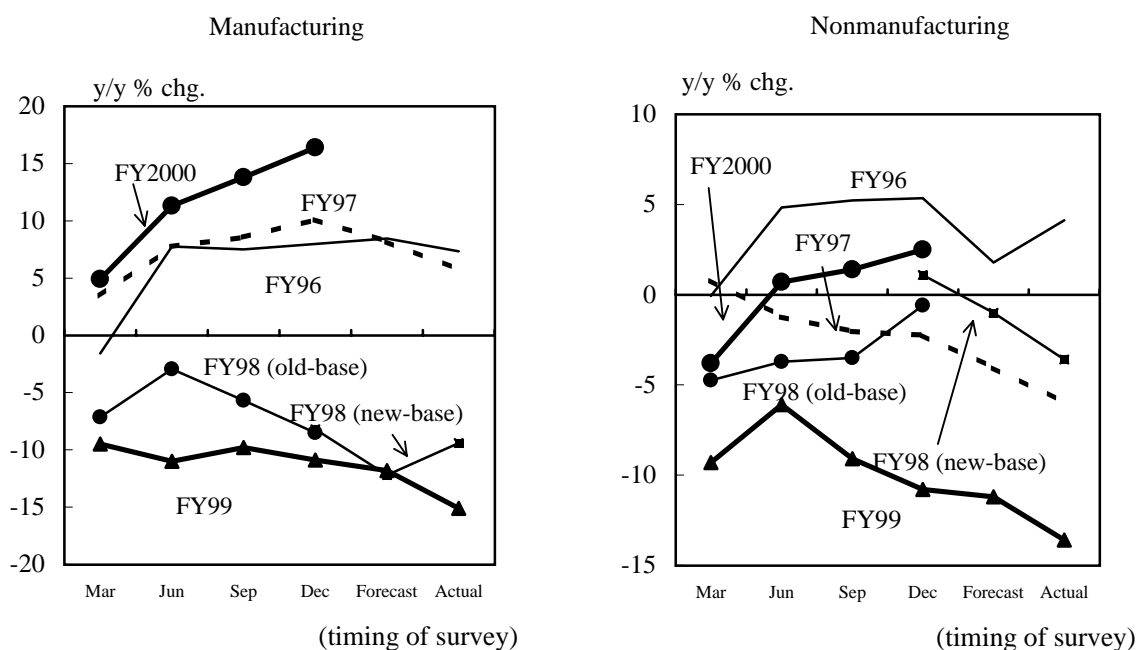
20-49 employees (Retailing, services, and leasing), 50-299 employees (Other industries)

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

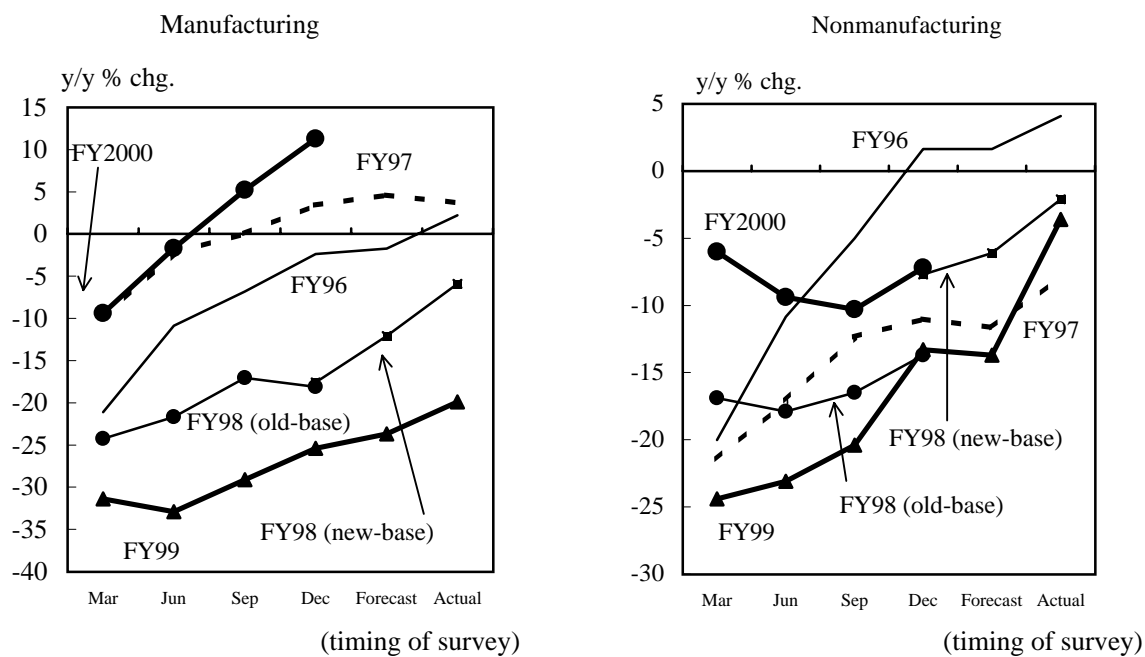


Business Fixed Investment Plans as Surveyed

(1) Large Enterprises



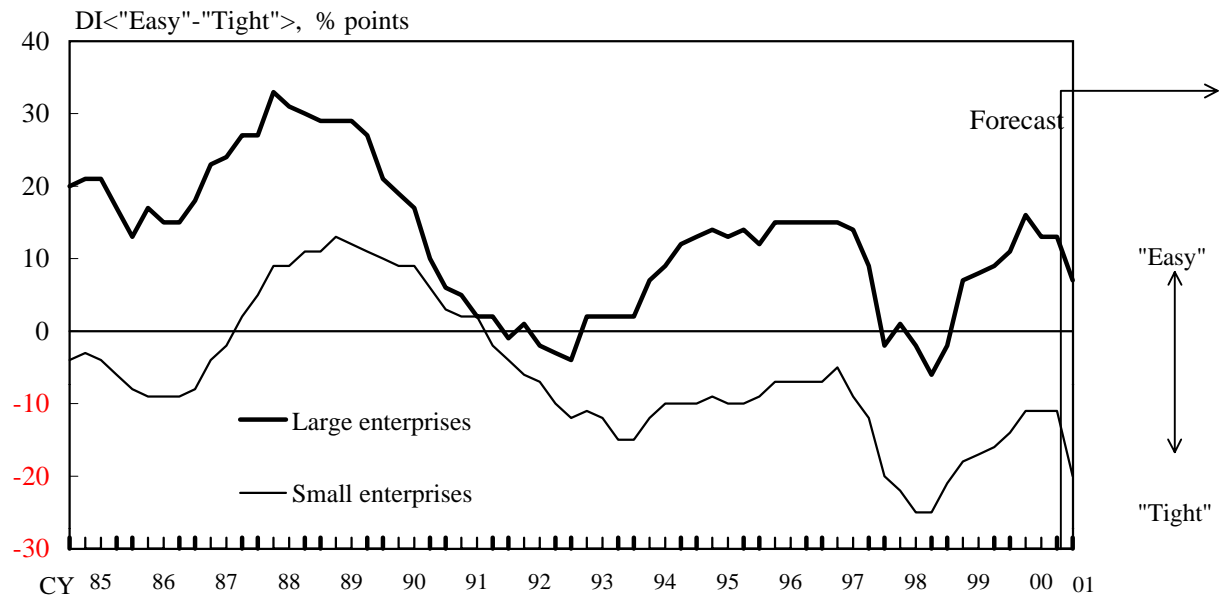
(2) Small Enterprises



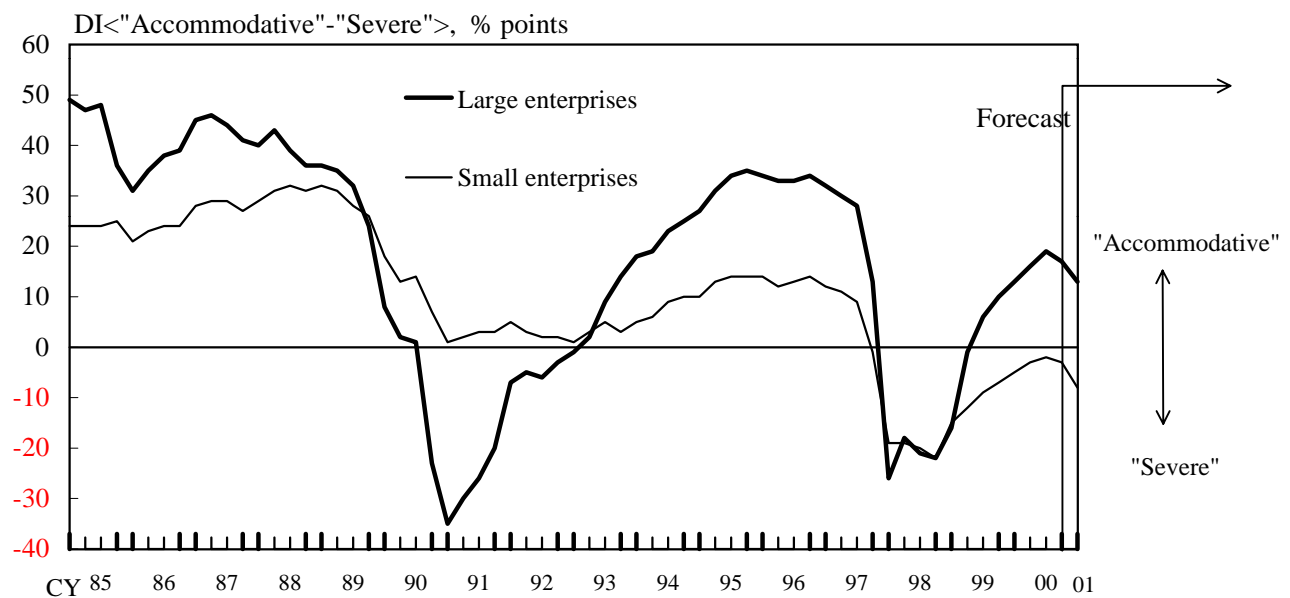
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

Corporate Finance-Related Indicators

(1) Financial Position



(2) Lending Attitude of Financial Institutions



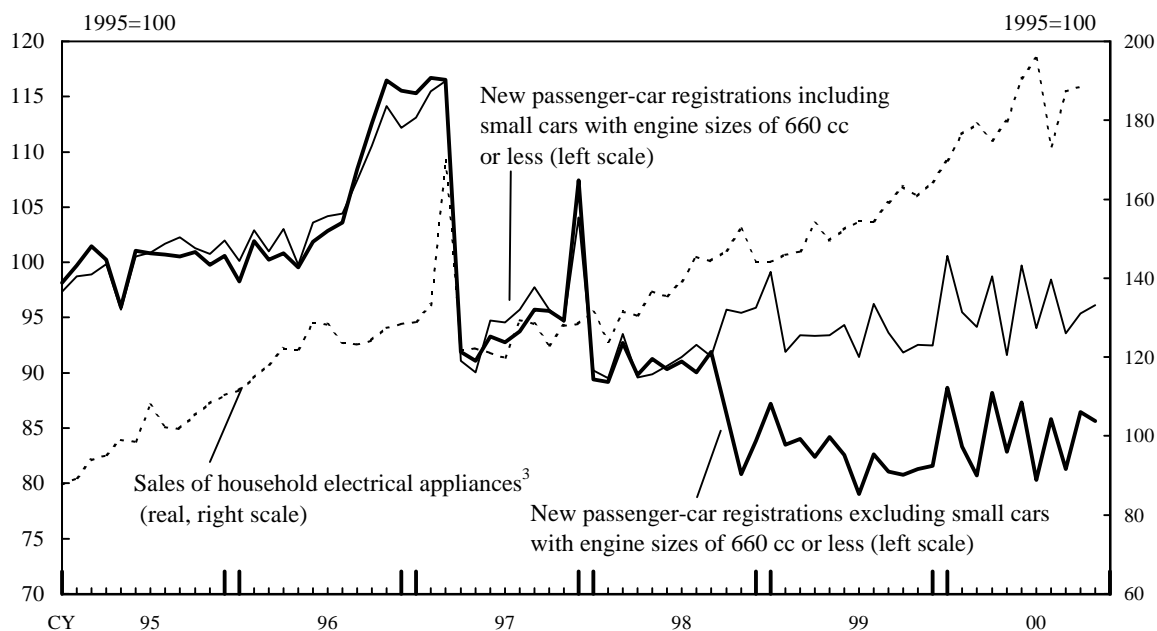
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

## Private Consumption<sup>1</sup> (1)

### (1) Household Spending



### (2) Sales of Durable Goods



Notes: 1. Seasonally adjusted by X-12-ARIMA ( $\beta$  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 electrical 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";

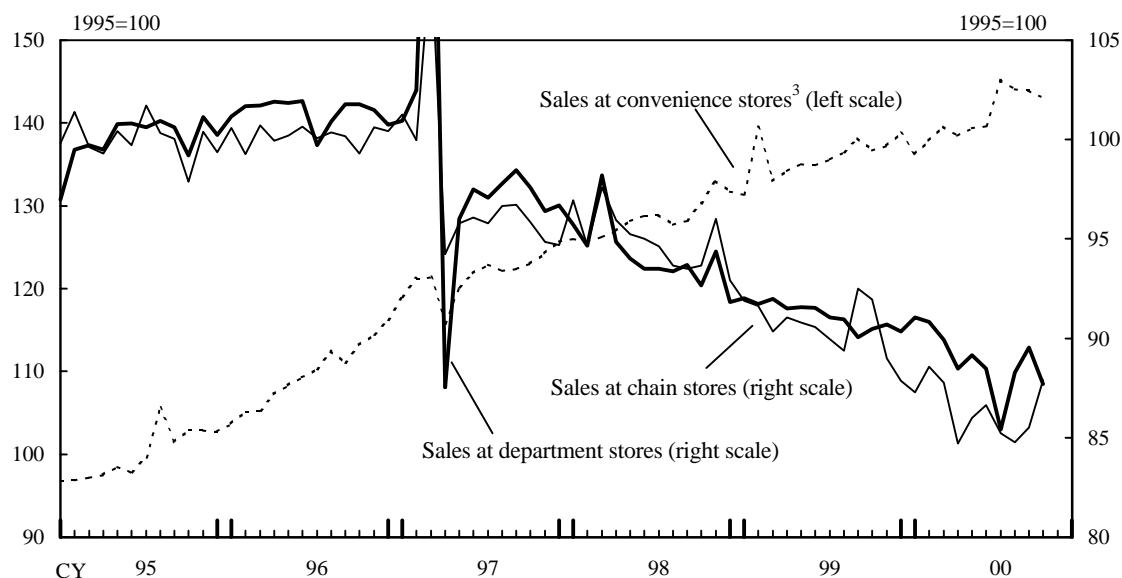
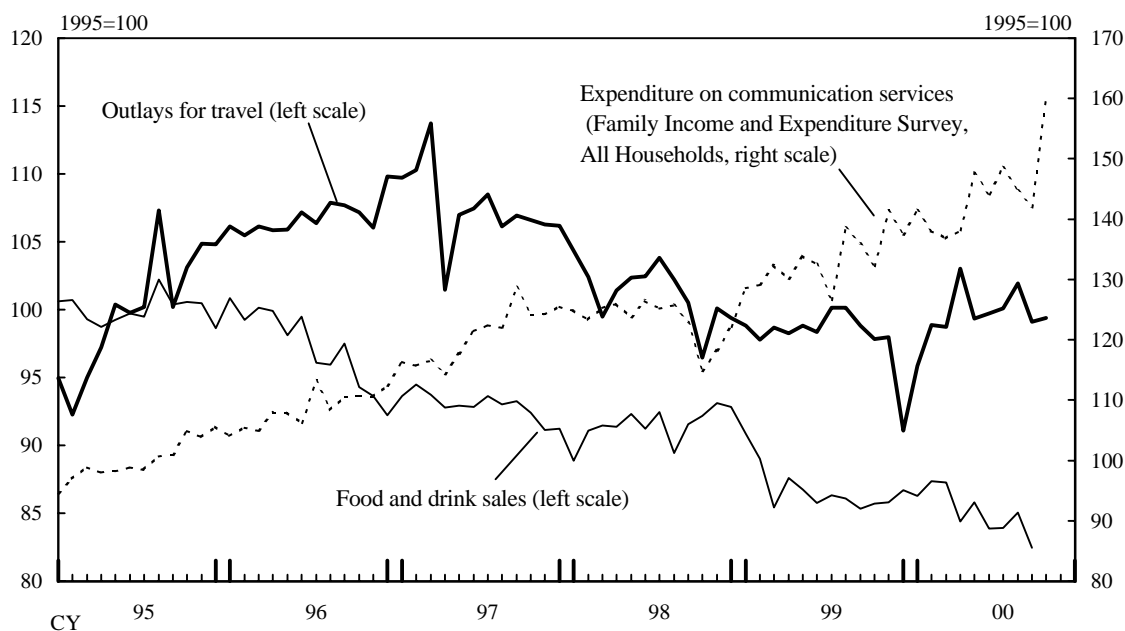
Ministry of International Trade and Industry, "Current Survey of Commerce";

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

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

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

Bank of Japan, "Wholesale Price Indexes."

Private Consumption<sup>1</sup> (2)(3) Sales of Retail Stores<sup>2</sup>(4) Consumption of Service<sup>4</sup>

Notes: 1. Seasonally adjusted by X-12-ARIMA ( $\beta$  version).

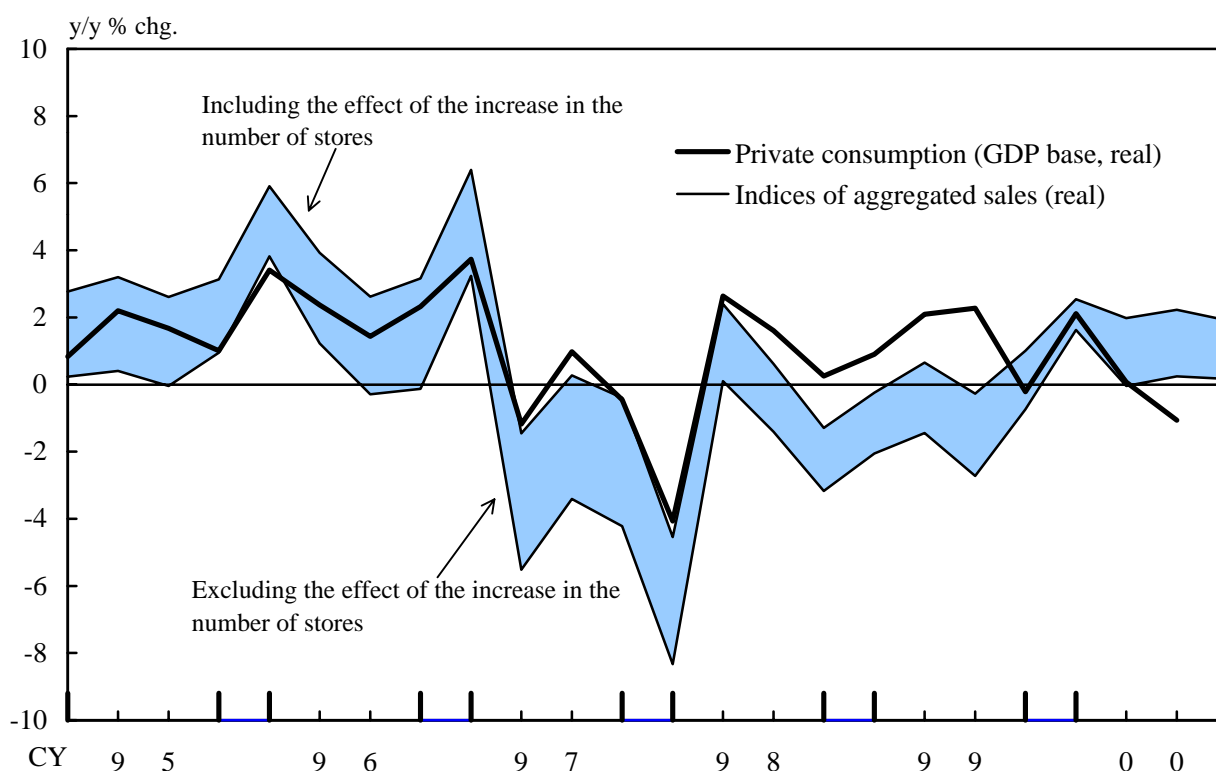
2. Adjusted to exclude the effect of the increase in the number of stores (except convenience stores).  
Sales at department stores and sales at chain stores are adjusted to exclude the effect of the rise in the consumption tax rate.

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

4. Outlays for travel and sales of food and drink are adjusted to exclude the effect of the rise in 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."

## Private Consumption (3)

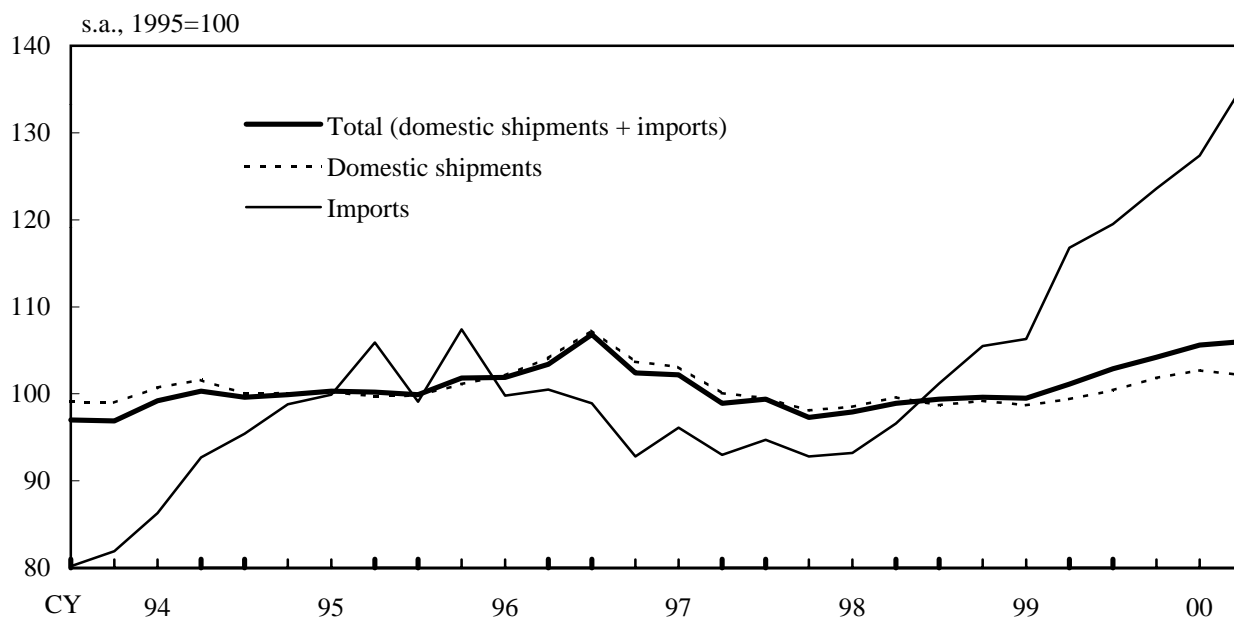


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *Sales at chain stores*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Food and drink sales*, where the weights come from the *Family Income and Expenditure Survey*. *Sales at convenience stores* are also taken into account for the index including the effect of the increase in the number of stores. Sales indicators in nominal terms are deflated by the corresponding consumer price index or the wholesale price index.
2. Indices of aggregated sales consist of the series including and excluding the effect of the increase in the number of stores. The former, which tries to cover development of private consumption to the widest extent possible, includes sales at the newly opened stores, which may arise from fresh demand provoked by them or demand shifted from the existing stores. In contrast, the latter shows ongoing development of consumption at the existing stores by excluding sales at the new stores. It is supposed that the truth (i.e., actual development of consumption) is somewhere between the former wide-coverage series and the latter narrow-coverage series, which is shown by the shaded area between the two series.
3. The data for 2000/Q4 are those of October.

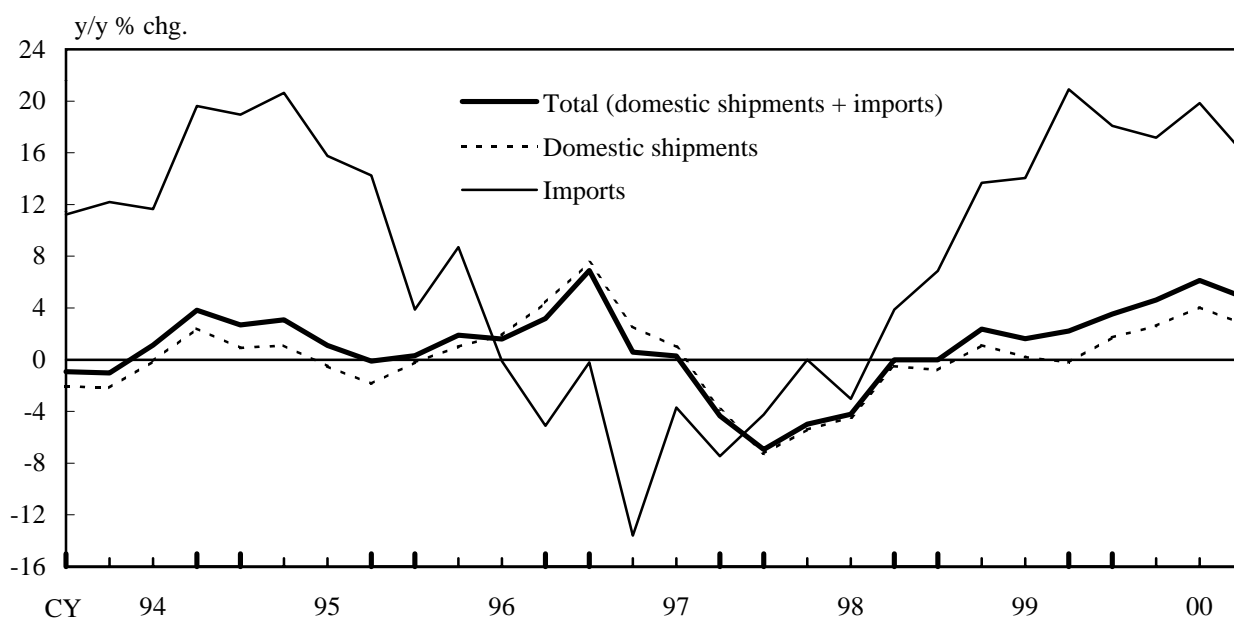
Sources: Economic Planning Agency, "National Accounts";  
 Ministry of International Trade and Industry, "Current Survey of Commerce,"  
 Management and Coordination Agency, "Consumer Price Index,"  
 "Monthly Report on the Family Income and Expenditure Survey";  
 Bank of Japan, "Wholesale Price Indexes";  
 Japan Chain Stores Association, "Sales at Chain Stores";  
 Japan Automobile Dealers Association, "Domestic Sales of Automobiles";  
 Japan Mini Vehicles Association, "Sales of Mini Vehicles";  
 Nippon Electric Big-Stores Association (NEBA), "Sales of Electrical Appliances";  
 Foodservice Industry Survey & Research Center, "Monthly Survey of Food and Drink Sales";  
 Ministry of Transport, "Major Travel Agents' Revenue."

## Private Consumption (4) - Estimation of consumer goods supply

## (1) Level (1995=100)



## (2) Changes from a year earlier



Notes: 1. "Domestic shipments" and "Imports" are categories of "consumer goods" in the *Indices of Industrial Domestic Shipments and Imports*. (The definition for "consumer goods" is the same as that in the *Indices of Industrial Production*.)

2. 2000/Q4 figures are those of October in terms of quarterly amount.

3. Figures for 2000/Q4 of "Domestic shipments" are calculated from quarter-to-quarter changes of *Indices of Industrial Production* (excluding the effects of exports).

4. Figures for 2000/Q4 of "Imports" are calculated from quarter-to-quarter changes of real imports. Real imports (consumer goods) = motor vehicles + audio and visual apparatus + office machinery + foodstuffs + textiles.

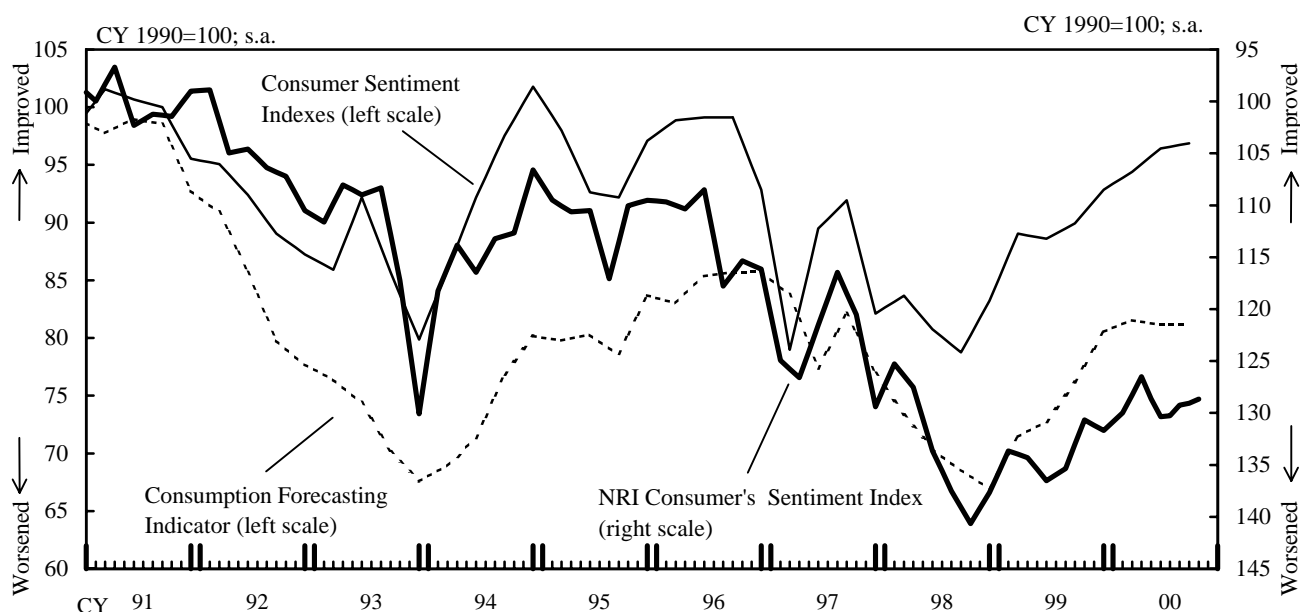
5. Figures for 2000/Q4 of "Total (domestic shipments + imports)" are calculated from weighted average of the quarter-to-quarter changes in "Domestic shipments" and "Imports".

6. Year-to-year changes figures are calculated from seasonal adjusted series.

Sources: Ministry of International Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports"; Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes."

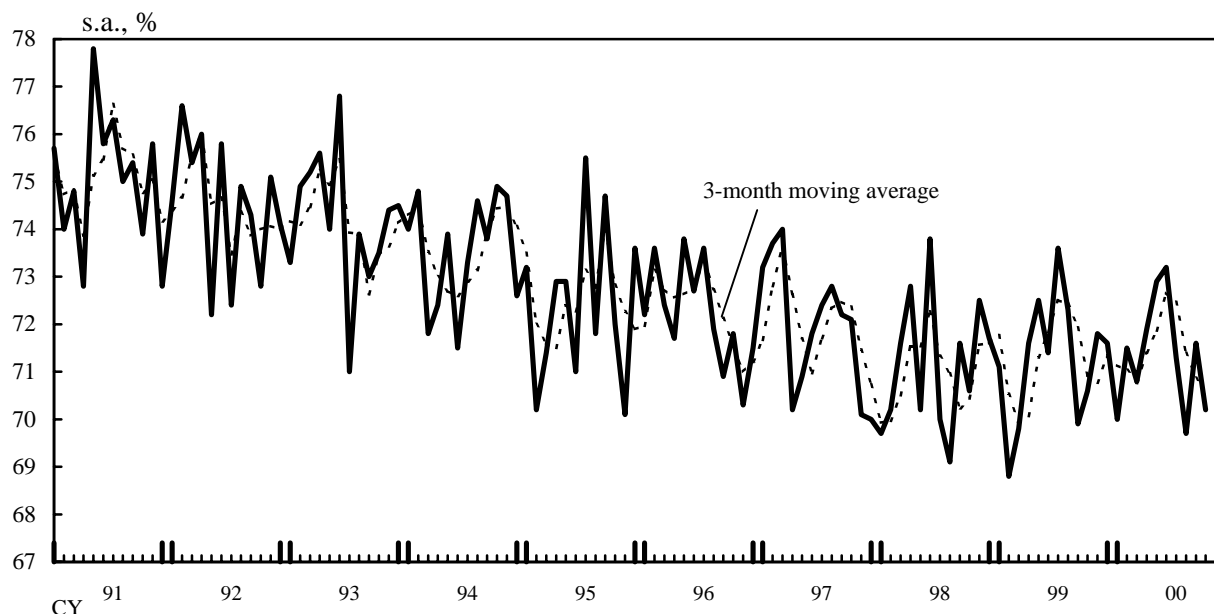
## Consumer Confidence and Propensity to Consume

### (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, Consumption 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, "Consumption Forecasting Indicator" by NIKKEI RIM, and "NRI Consumer's Sentiment Index" by NRI.

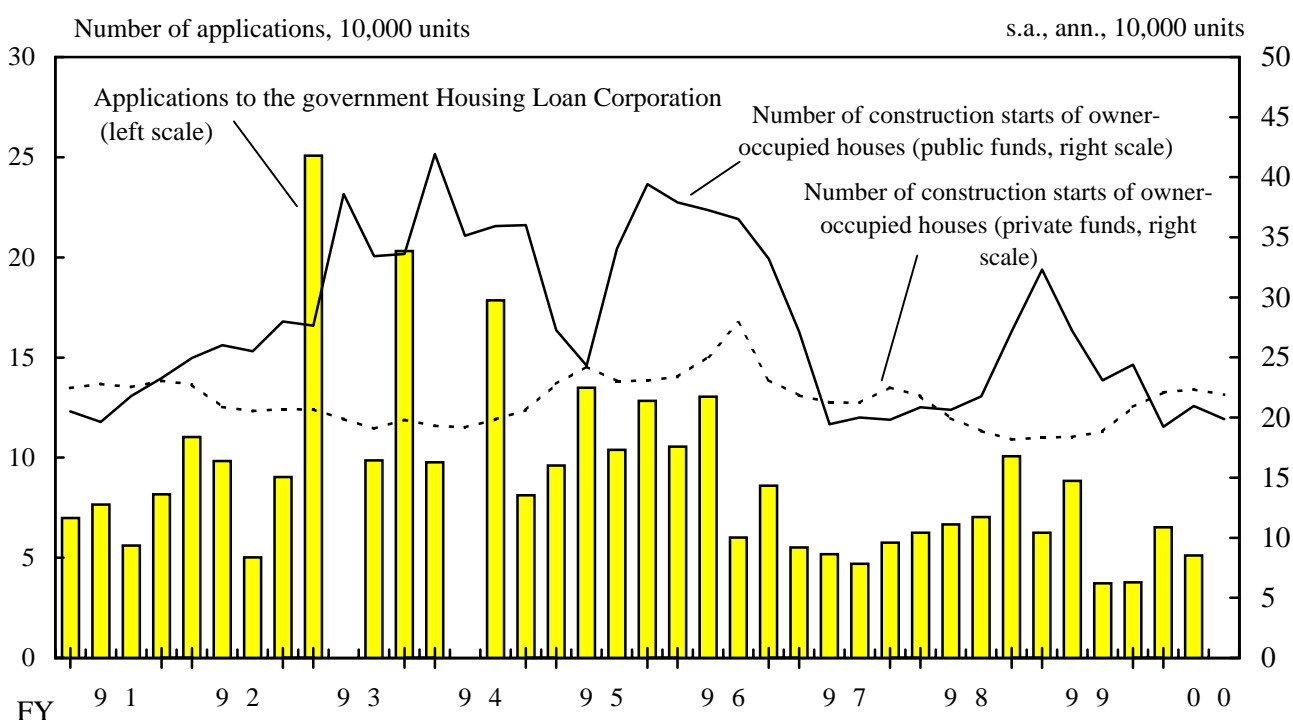
### (2) Propensity to Consume (Family Income and Expenditure Survey)



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

## Indicators for Housing Investment

## (1) Housing Starts

(2) Number of Applications to The Government Housing Loan Corporation  
(for new owner-occupied houses)

Notes: 1. The duration of the loan offering period (the government Housing Loan Corporation) differs and the period may be extended to the following quarter. The number of loan applications for the construction of private homes in (2) is placed in the quarter that includes most of the offering period.

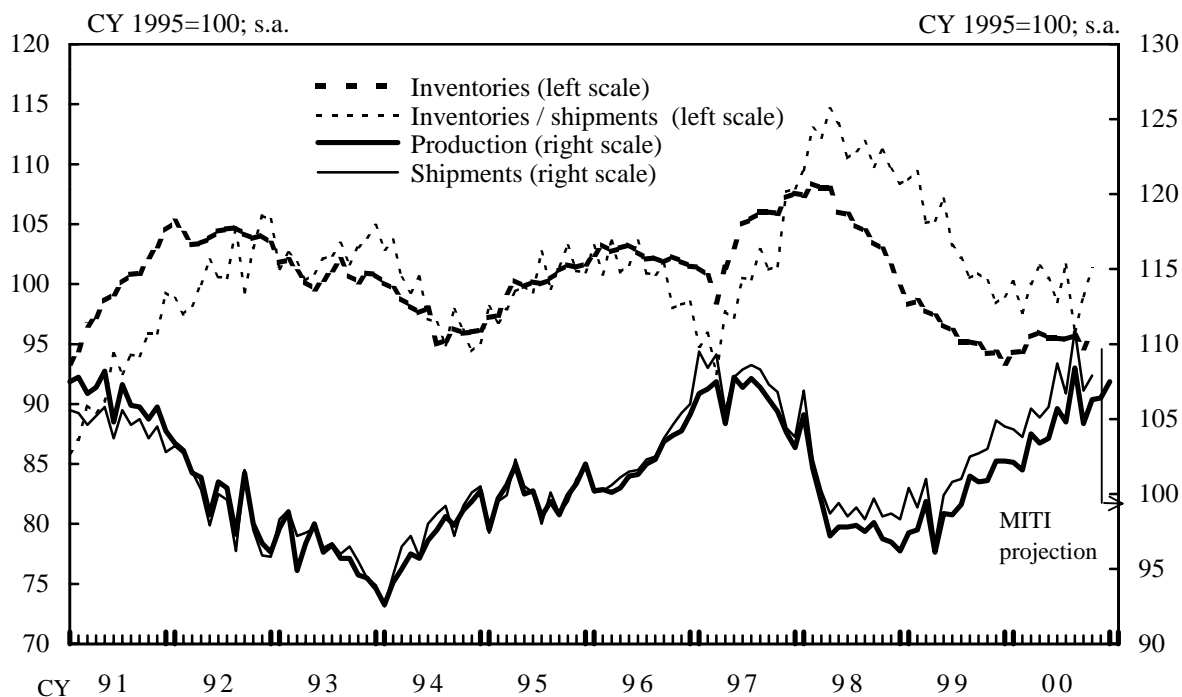
2. Figures for the number of construction starts of owner-occupied houses (private funds and public funds) for FY 2000/Q3 are data of October in terms of quarterly amount.

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

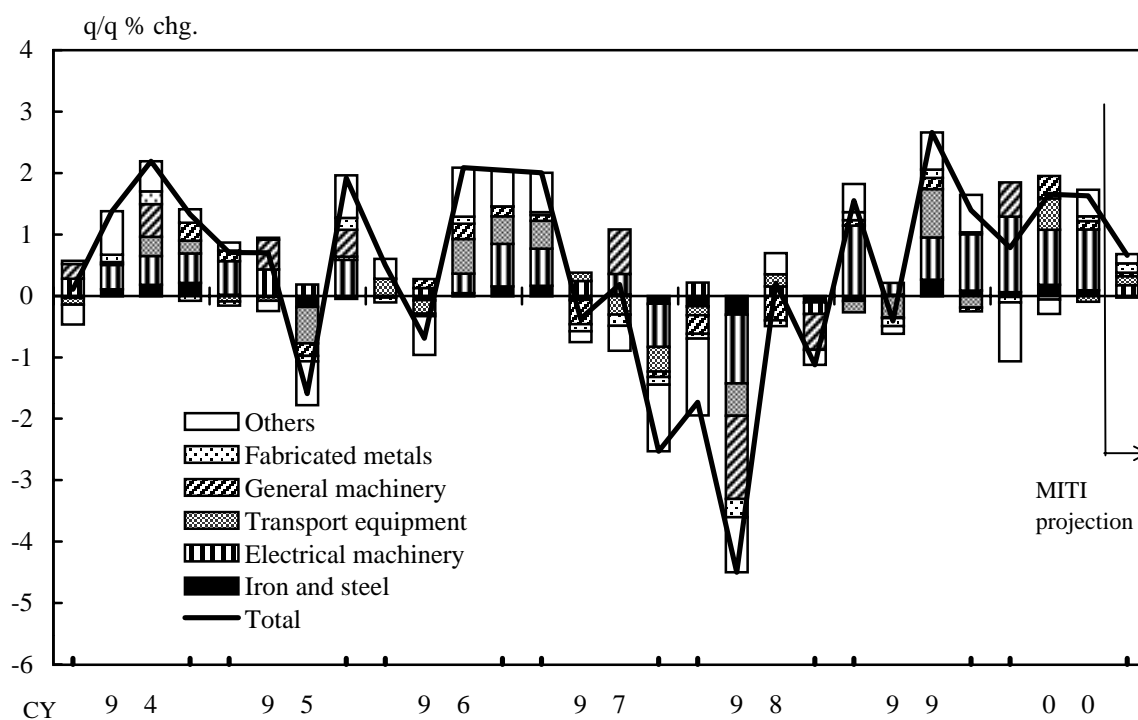


Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



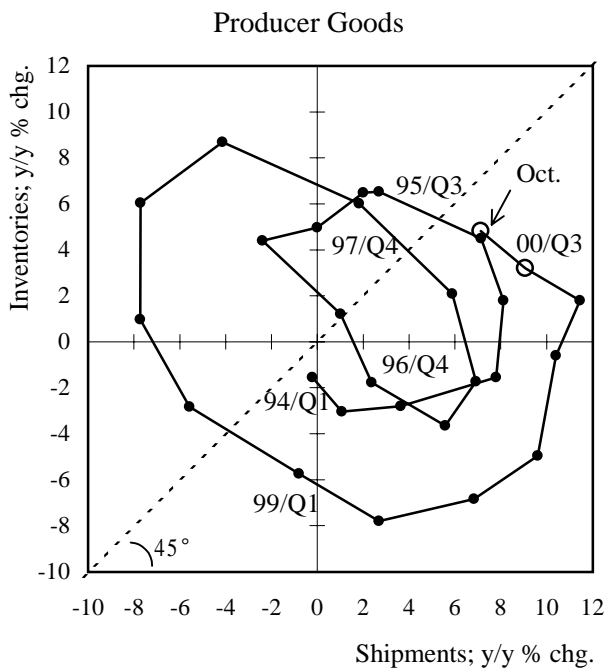
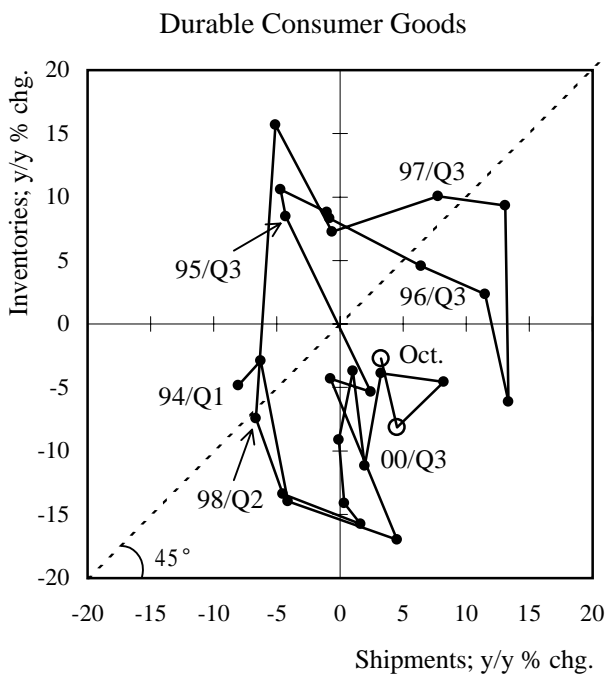
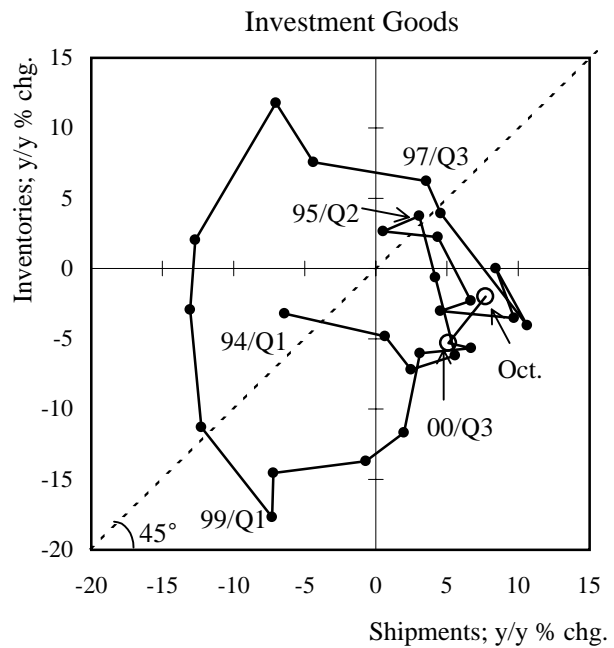
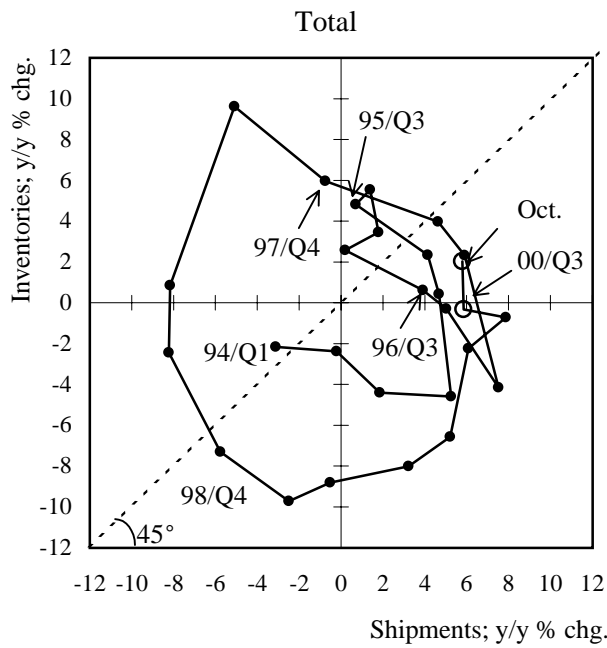
(2) Production by Industries



Note: Transport equipment excludes ships and rolling stock.

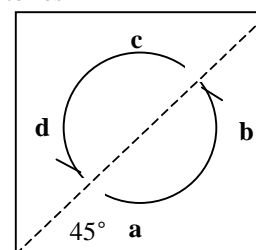
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

# Inventory Cycle



## Phases in the Inventory Cycle

Inventories



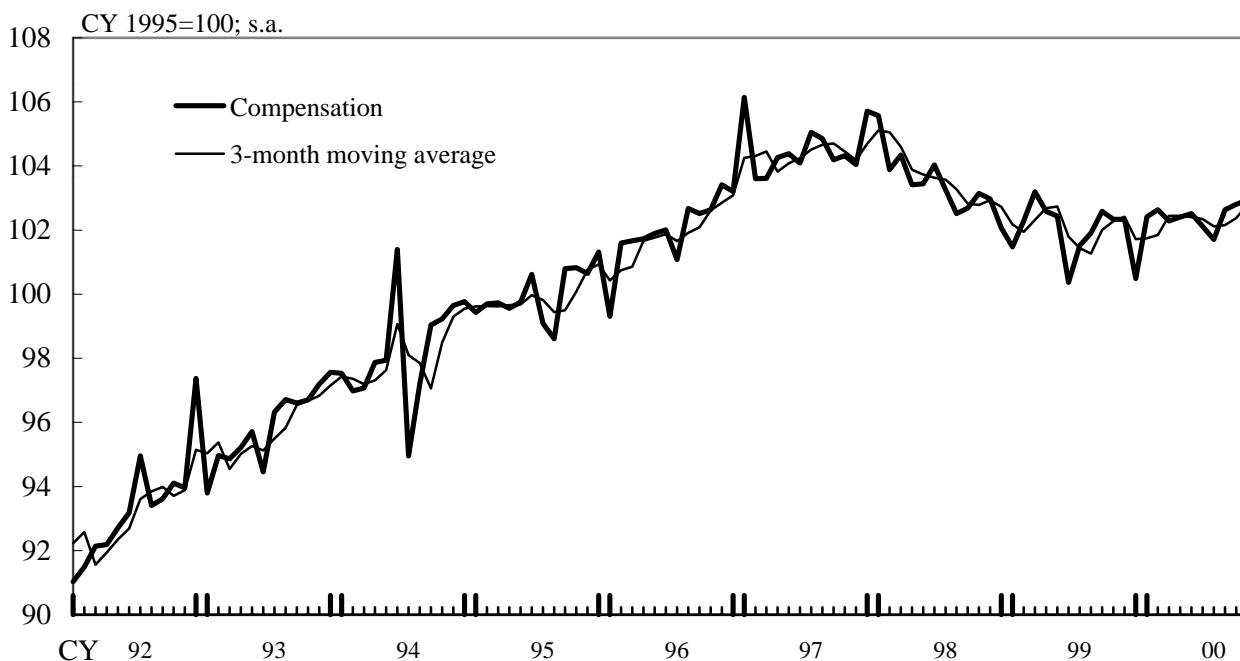
Shipments

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

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

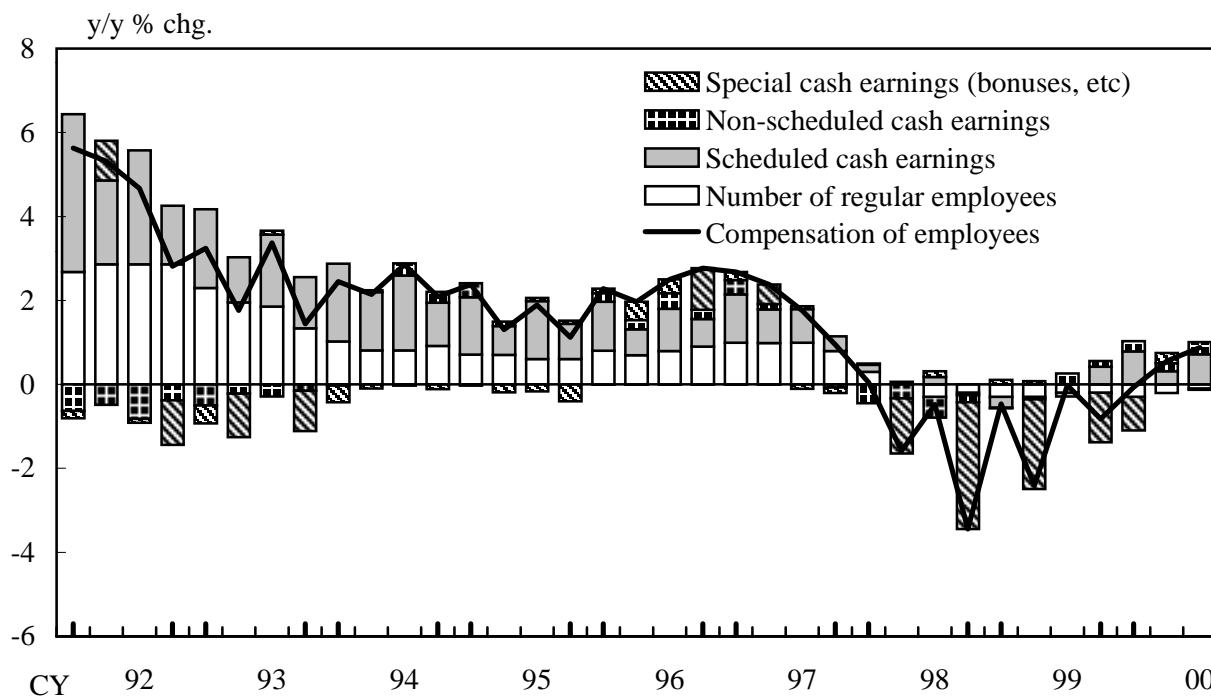
## Compensation of Employees

### (1) Compensation



- Notes: 1. Compensation = the index of total cash earnings  $\times$  the index of regular employees / 100 (calculated by the Bank of Japan).  
 2. Seasonally adjusted by X-12-ARIMA ( $\beta$  version).  
 3. Data for establishments with at least 5 employees. The data for Oct. 2000 are preliminary figures.

### (2) Breakdown of Compensation

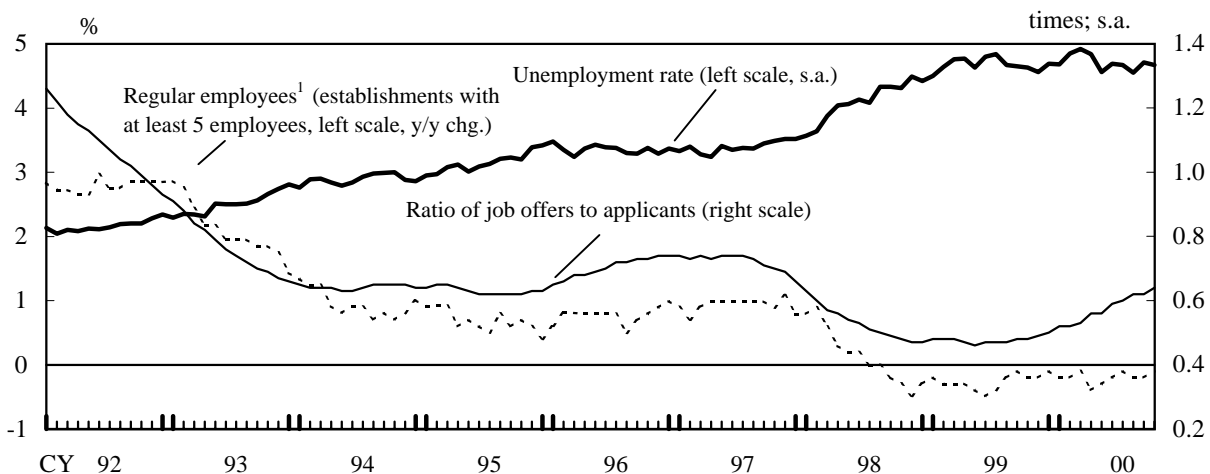


- Notes: 1. Data for establishments with at least 5 employees. The data for Oct. 2000 are preliminary figures.  
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.  
 3. The data for 00/Q3 are those of the Sep.-Oct. average.

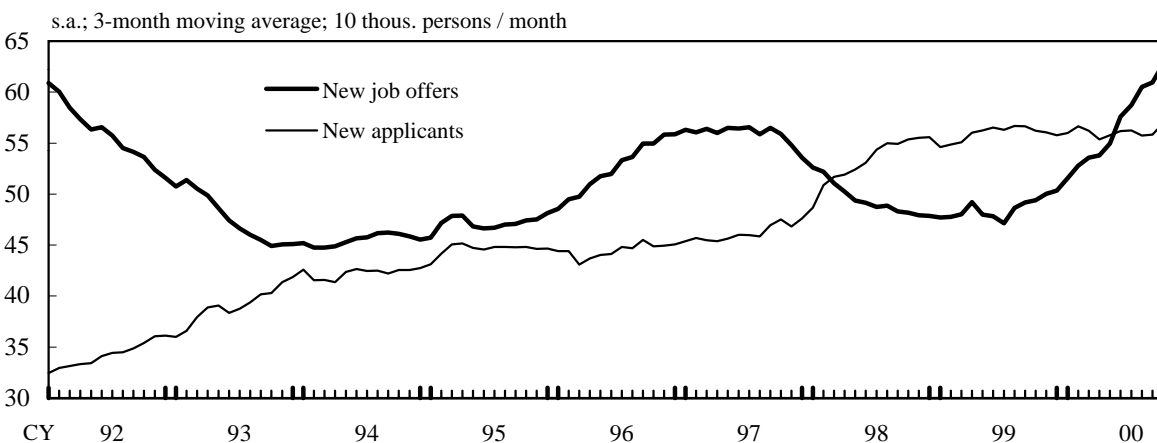
Source: Ministry of Labour, "Monthly Labour Survey."

Labor

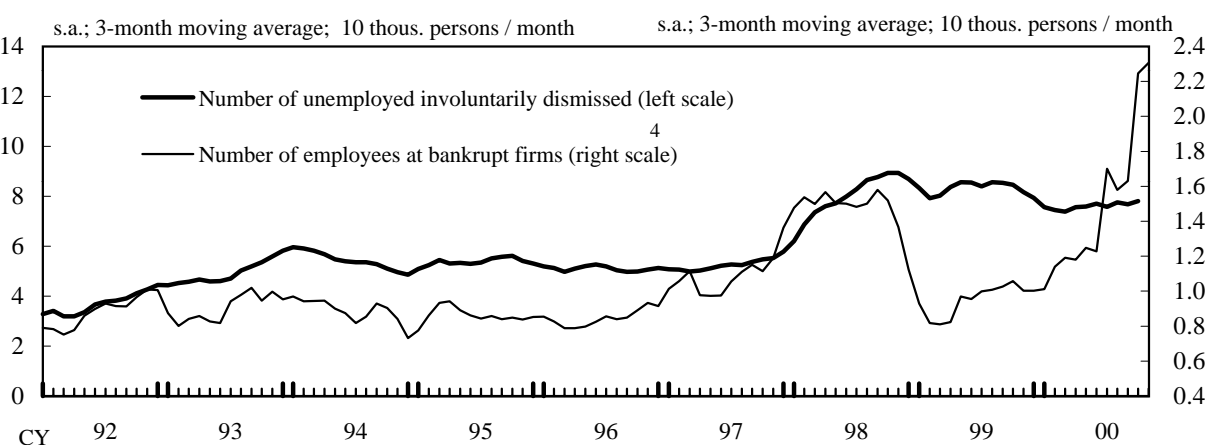
(1) Monthly



(2) New Job Offers and New Applicants<sup>2</sup>



(3) Number of Unemployed Involuntarily Dismissed and Employees at Bankrupt Firms<sup>3</sup>



Notes: 1. The data of regular employees for October 2000 are preliminary figures.

2. Exclude jobs offered to new graduates.

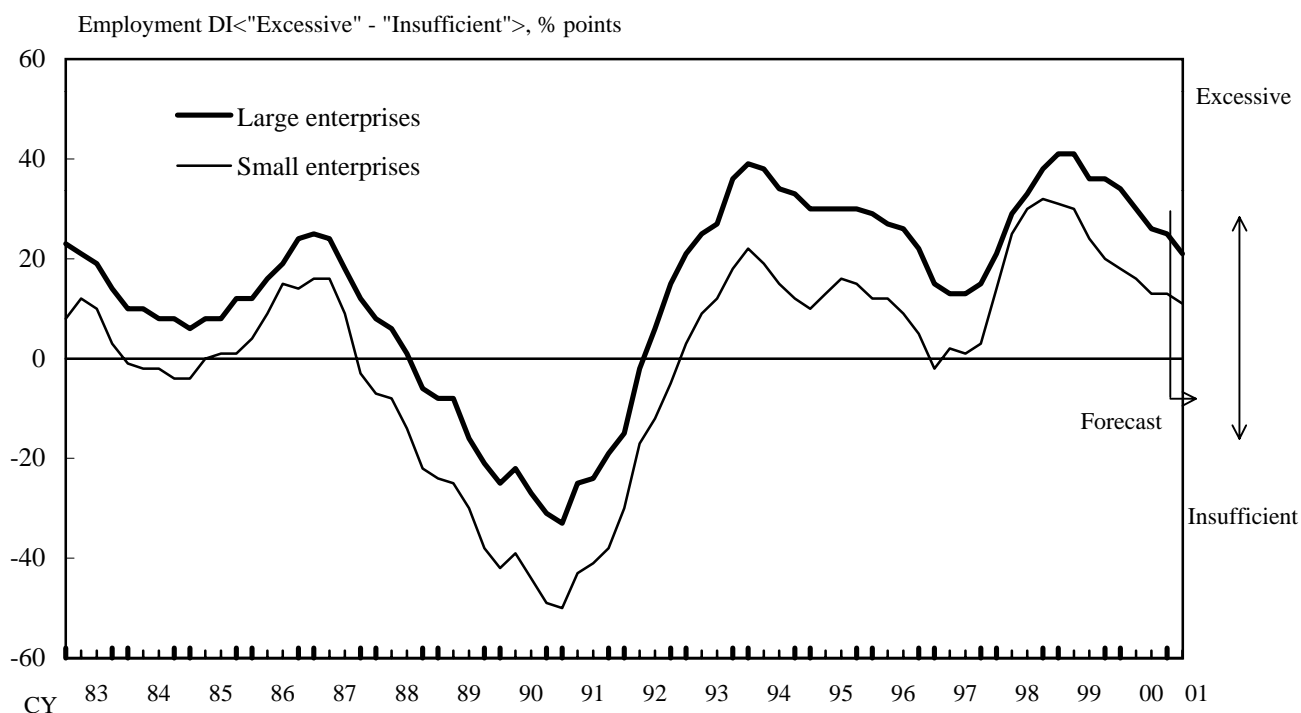
3. Seasonally adjusted by X-11.

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

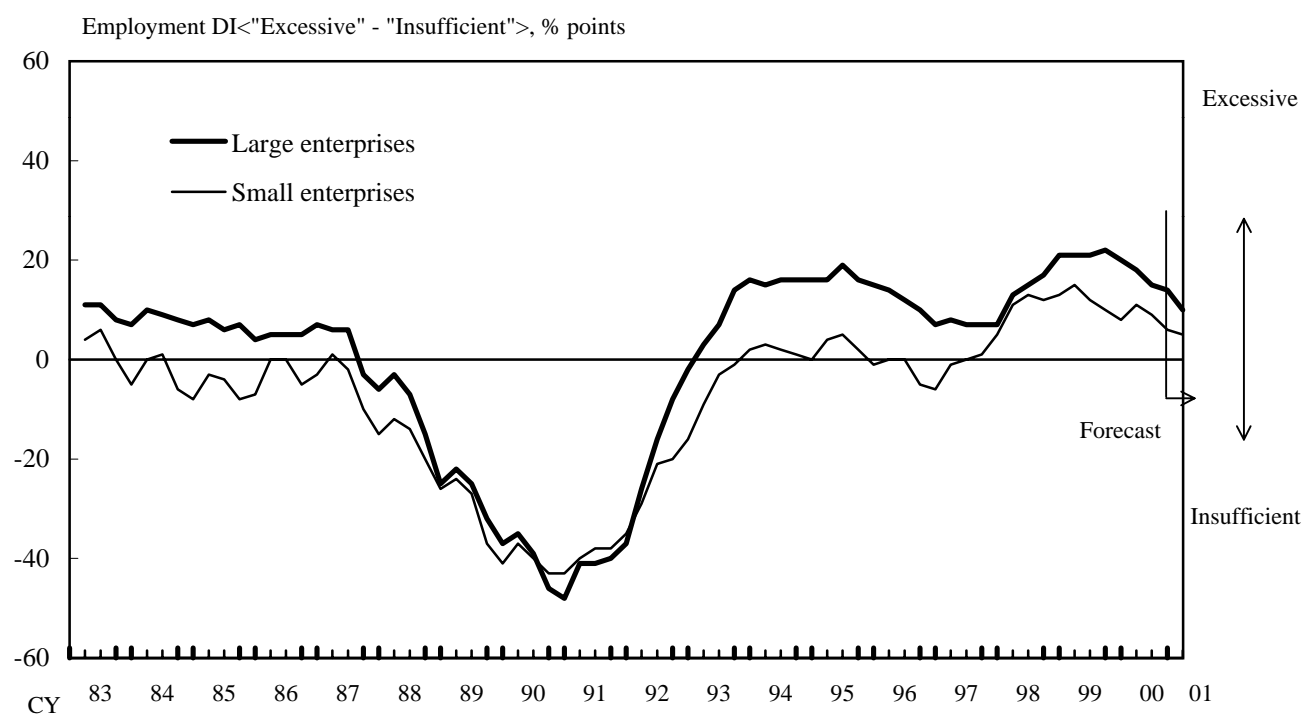
Sources: Ministry of Labour, "Monthly Labour Survey," "Report on Employment Service," "Report on Employment Insurance Service"; Management and Coordination Agency, "Labour Force Survey"; *Teikoku Databank Ltd.*, "Japan's Business Failure."

## Employment Conditions

## (1) Manufacturing



## (2) Nonmanufacturing

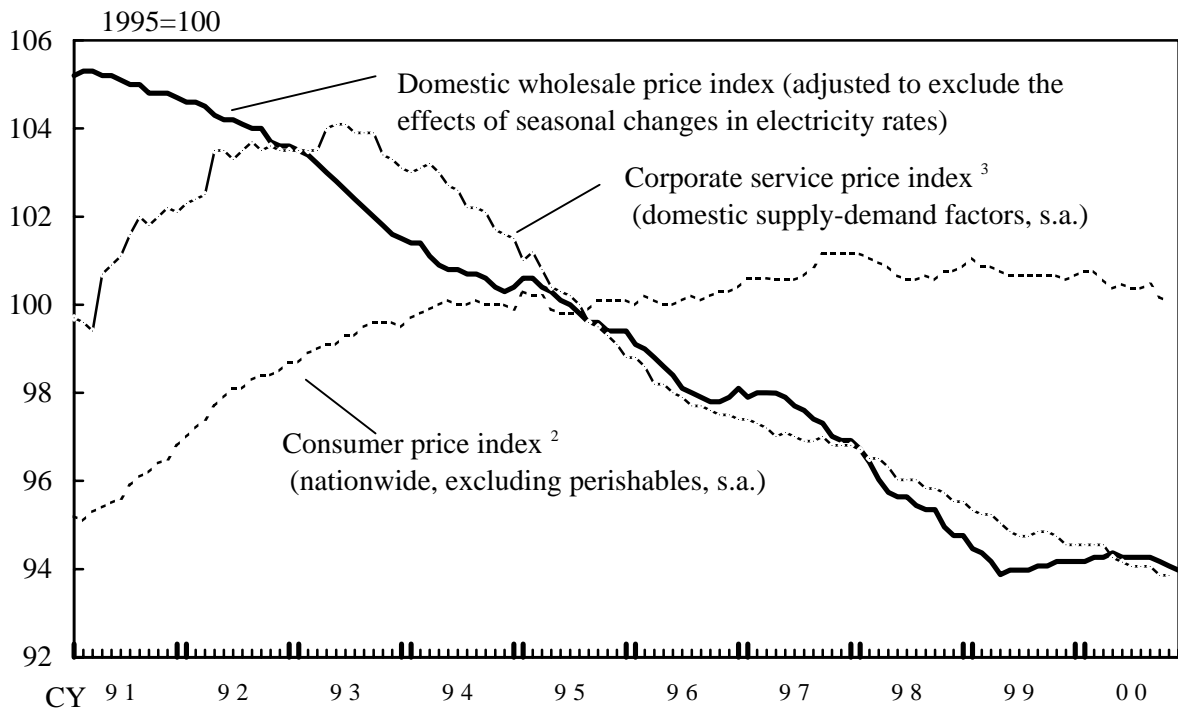


Note: Figures before December 1998 are based on the pre-revision *Tankan*, and those of March 1999 are based on the post-revision *Tankan*.

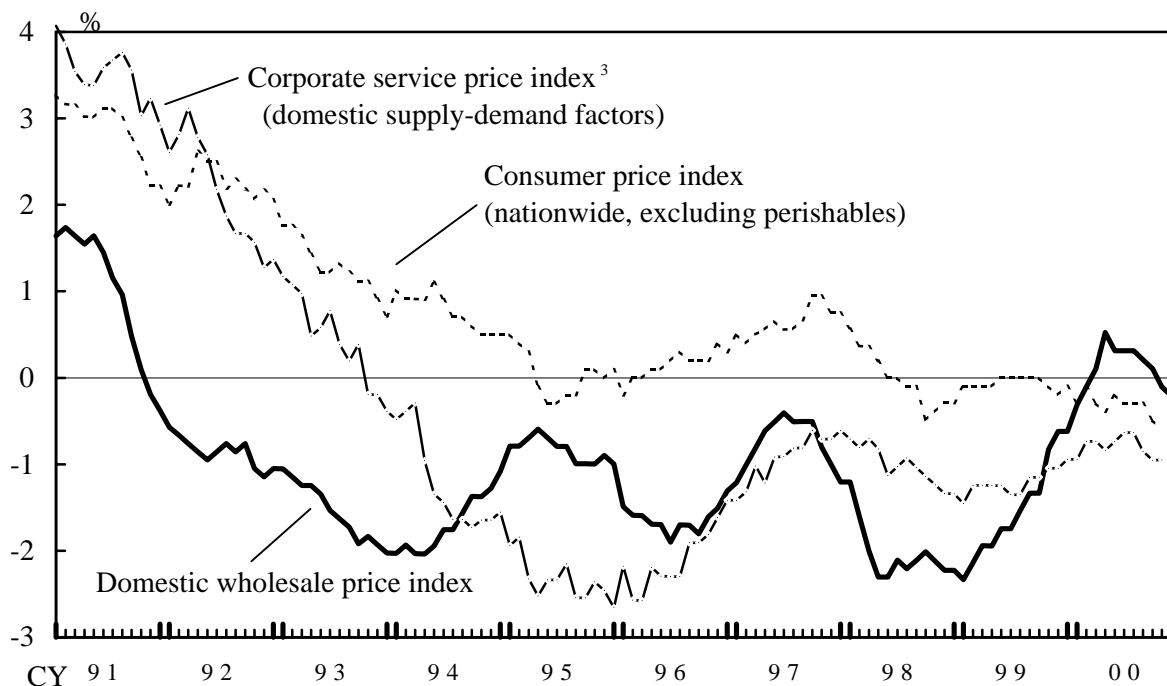
Source: Bank of Japan, "*Tankan* Short-Term Economic Survey of Enterprises in Japan."

Prices<sup>1</sup>

(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 in the tax rate.

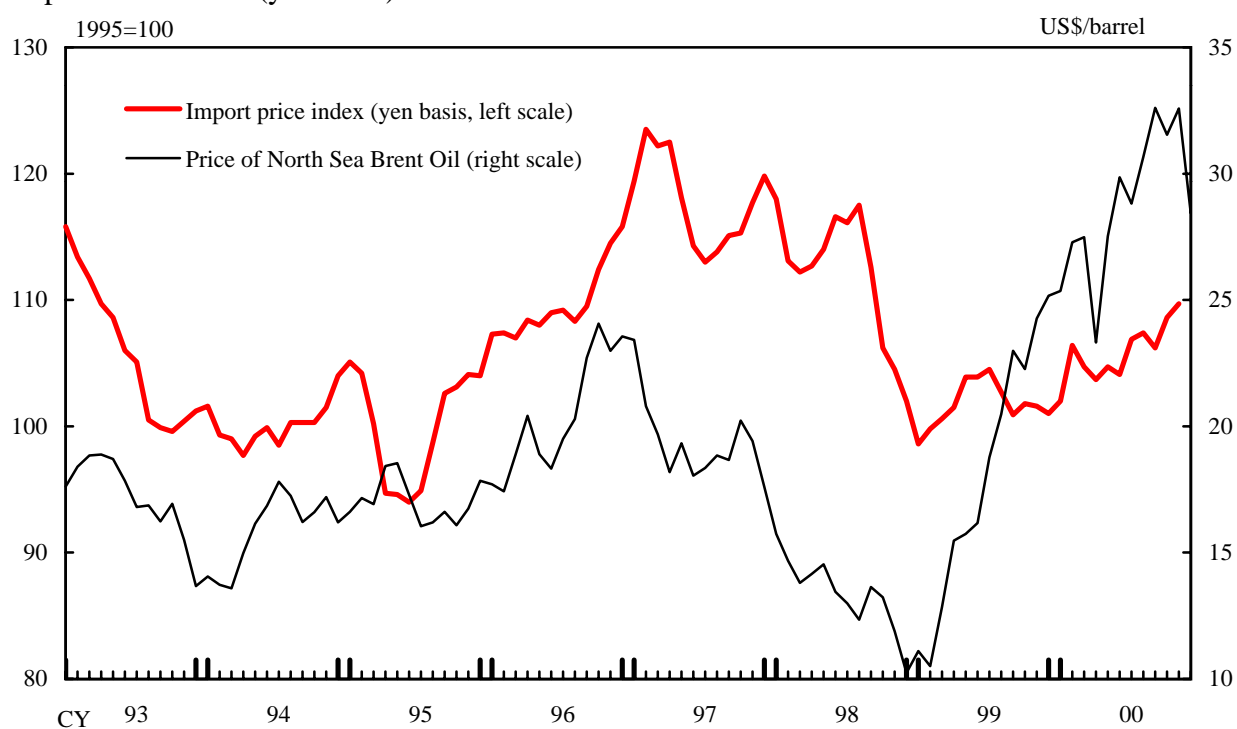
3. See footnote 4 in Chart23, for definition of the Corporate service price index (domestic supply-demand factors).

Sources: Management and Coordination Agency, "Consumer Price Index";

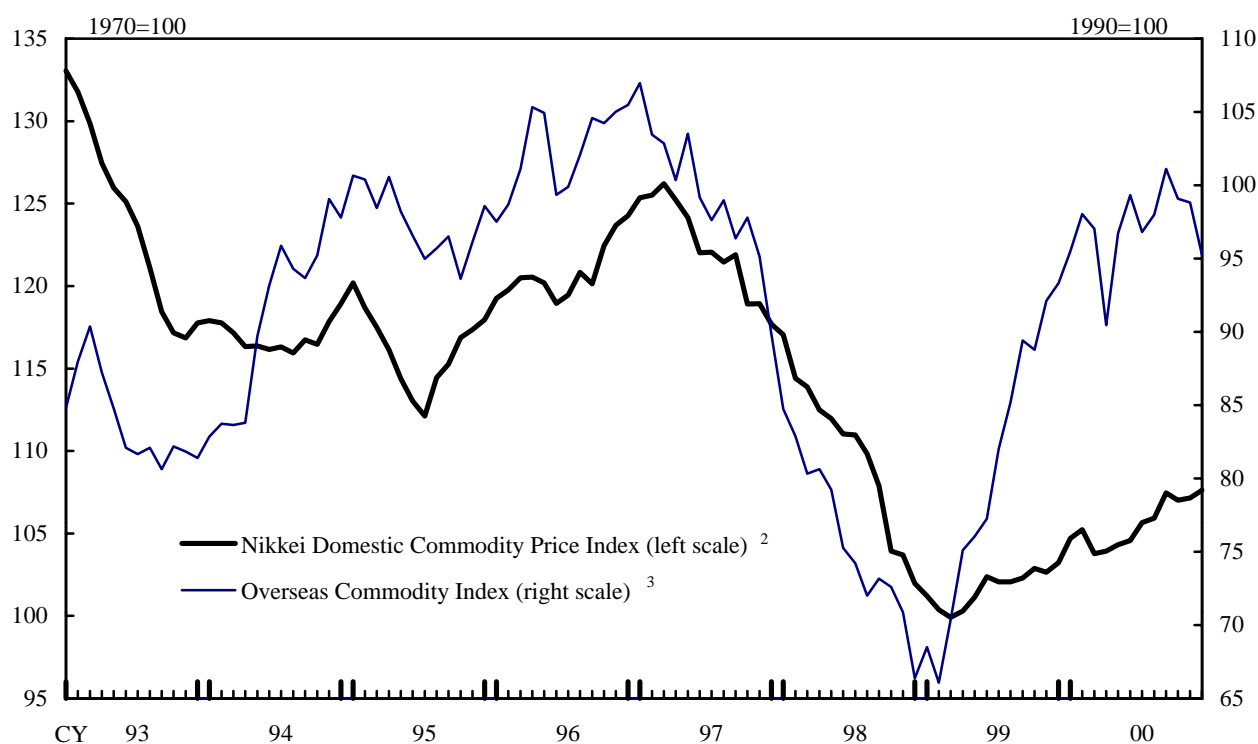
Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index."

## Import Prices and Domestic Commodity Market

### (1) Import Price Index (yen basis) and Crude Oil Price<sup>1</sup>



### (2) Domestic Commodity Market



Notes: 1. Data for December 2000 are December 1-13 average.

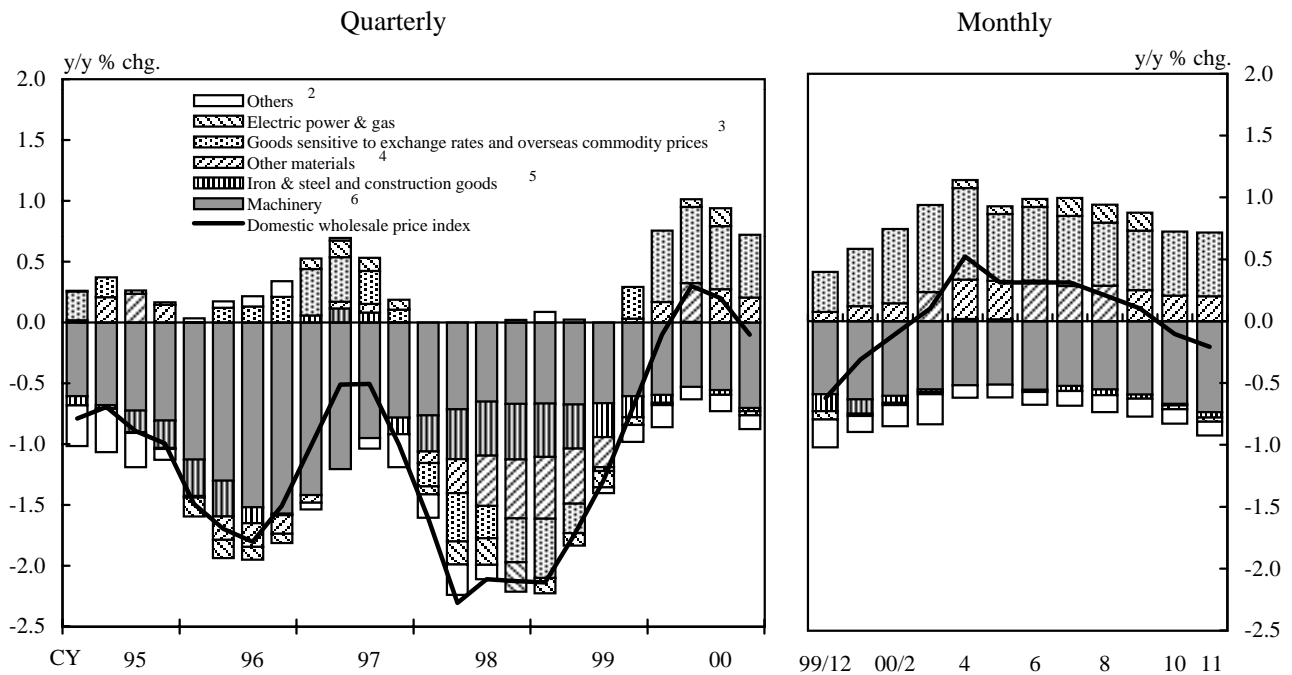
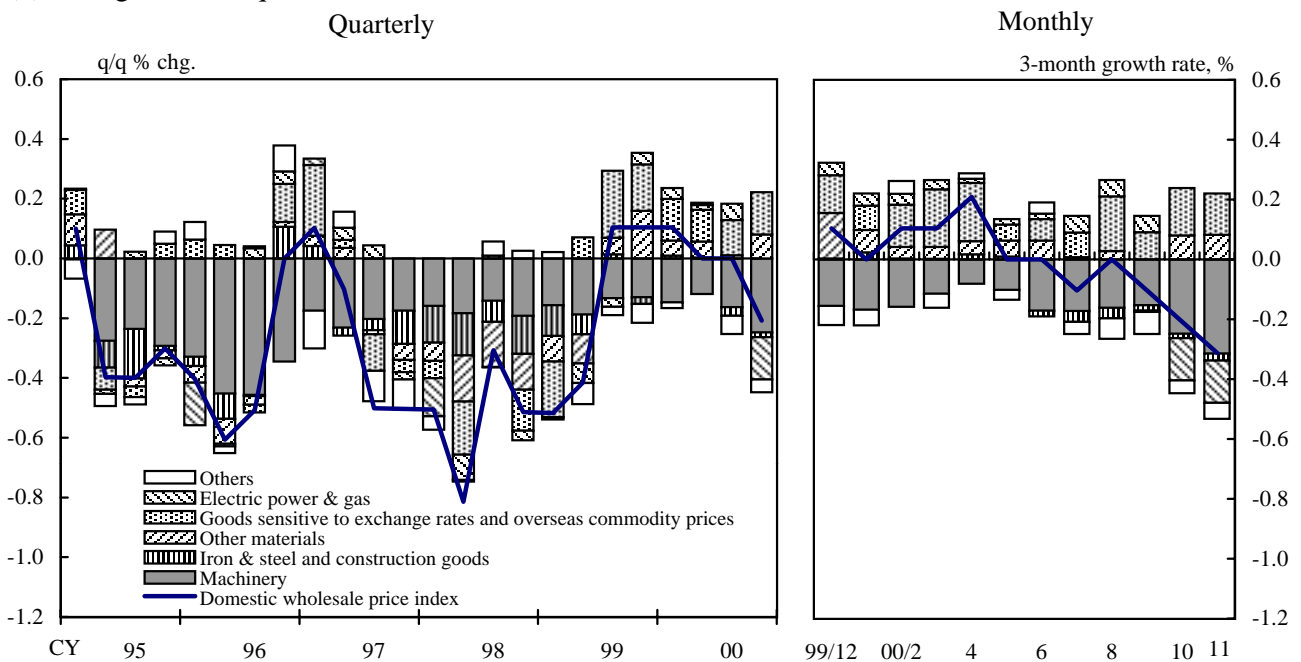
2. Data for December 2000 are as of December 8.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for December 2000 are December 1-13 average.

Sources: Bank of Japan, "Wholesale Price Indexes," "Financial and Economic Statistics Monthly,";  
Nihon Keizai Shimbun Inc., "Nikkei Domestic Commodity Price Index."

Domestic Wholesale Price Index<sup>1</sup>

## (1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier<sup>7</sup>

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 in 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).

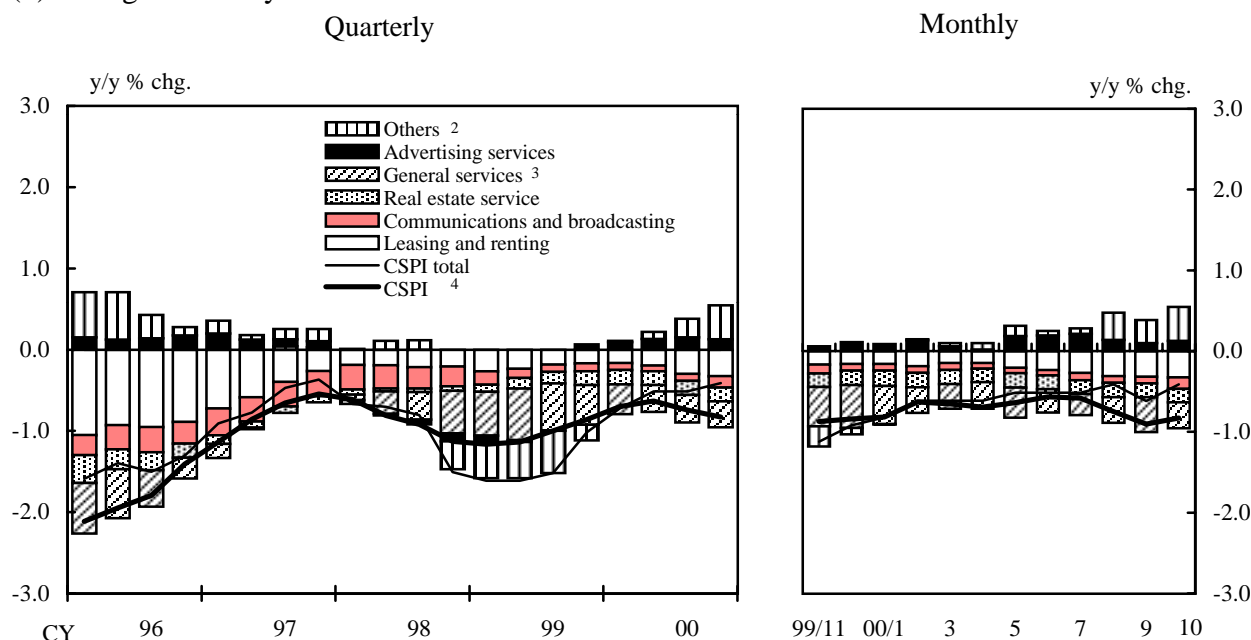
This effect causes the Domestic Wholesale Price Index to rise by about 0.2%.

8. Data for 2000/Q4 are those of the Oct. - Nov. average.

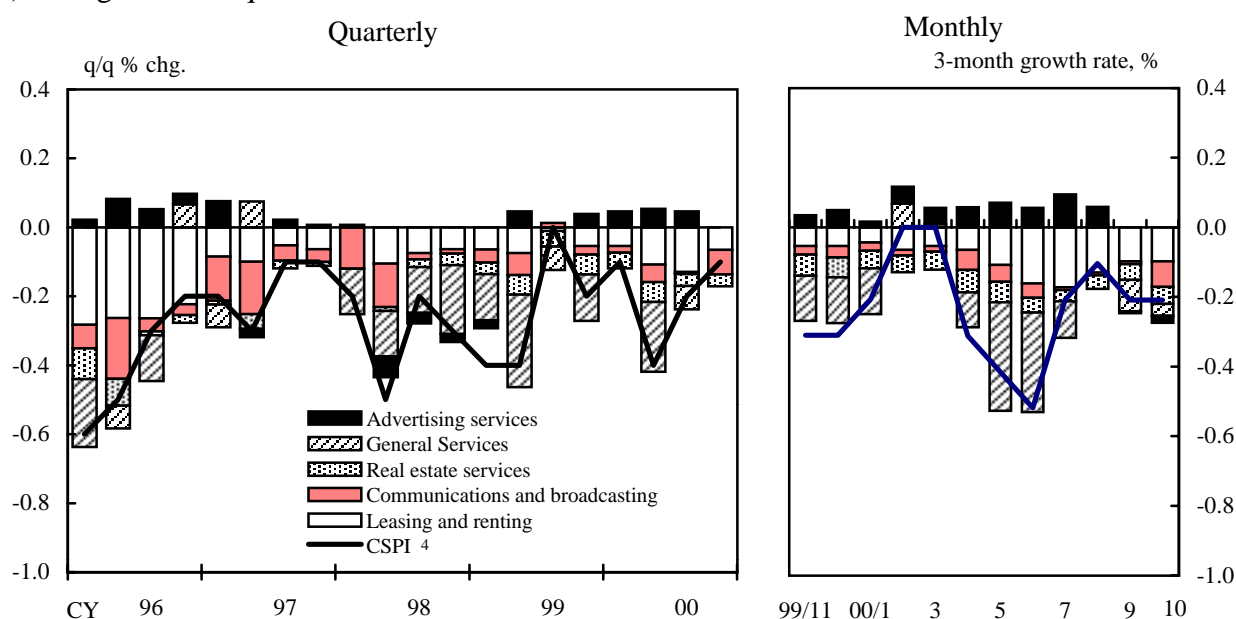


Corporate Service Price Index<sup>1</sup>

## (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 in 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 + building maintenance services + temporary worker services + machinery maintenance, etc. (excluding items in "others").

4. CSPI (domestic supply-demand factors) 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 ( $\beta$  version).

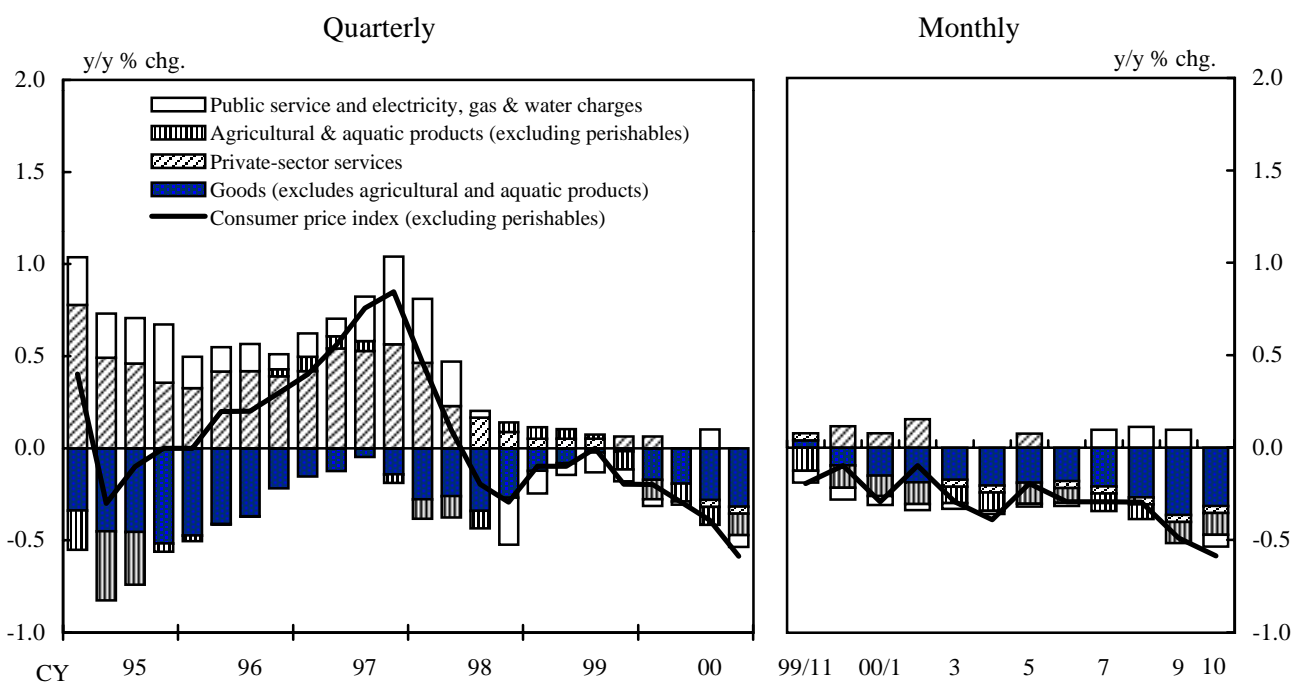
Due to seasonal adjustment every month, these data services are revised retroactively every month.

6. Data for 2000/Q4 are as of October.

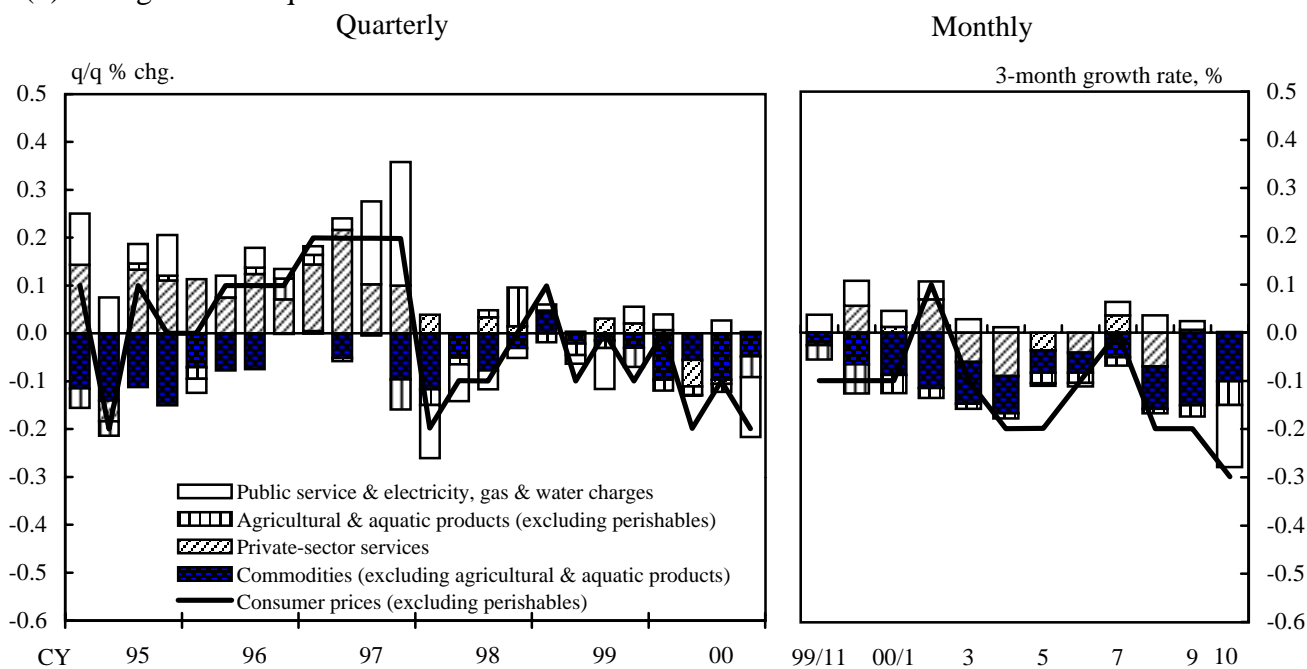
Source: Bank of Japan, "Corporate Service Price Index."

# Consumer Price Index (excluding perishables)<sup>1</sup>

## (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 in the tax rate.

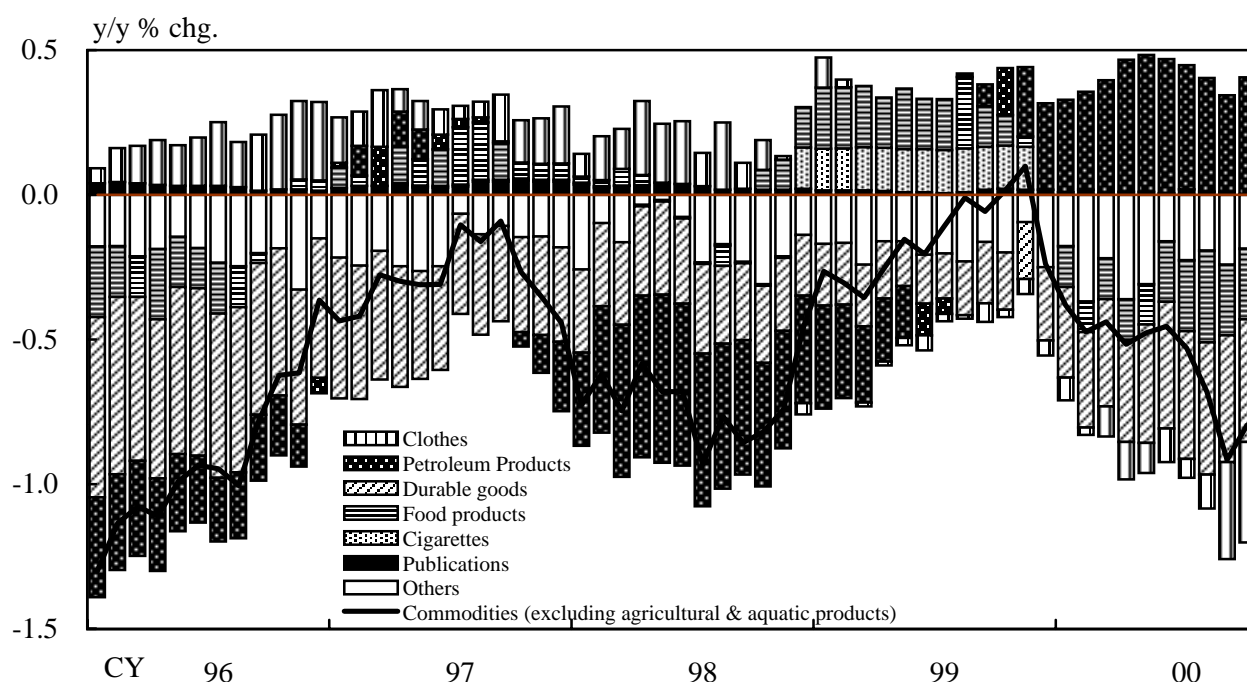
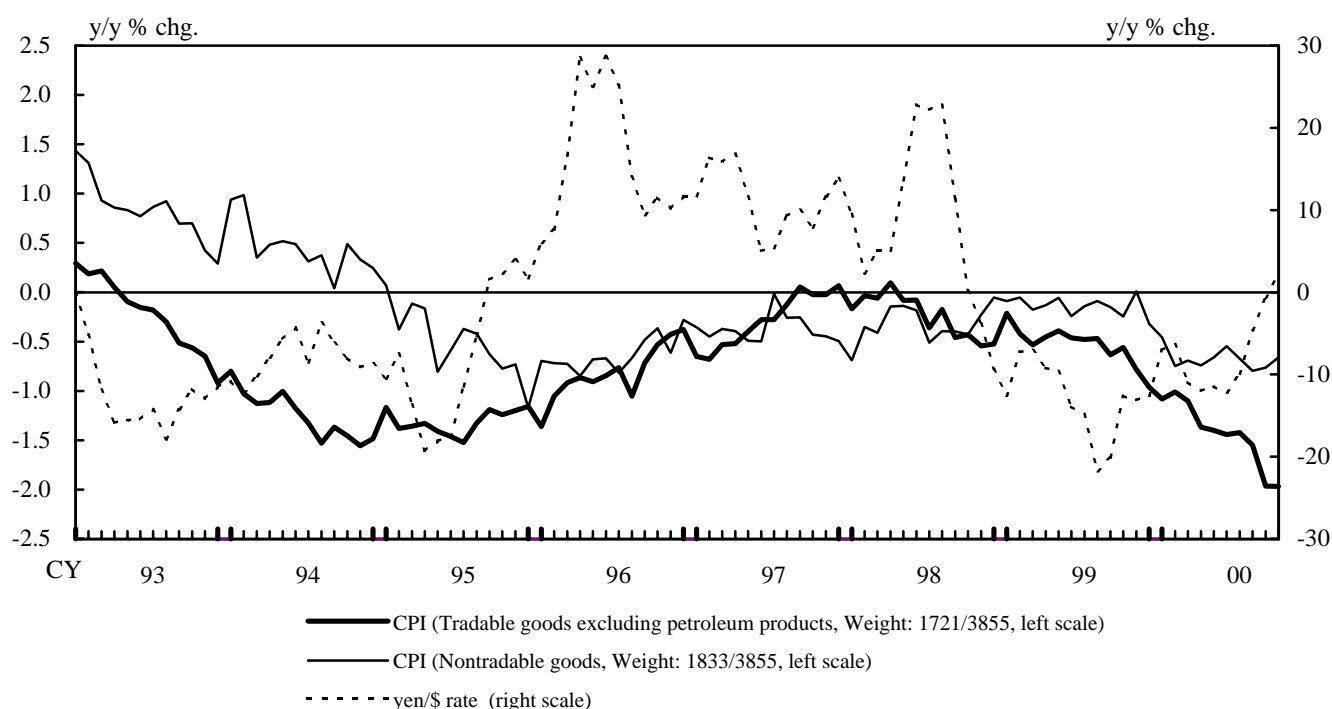
Data in chart (2) are seasonally adjusted. Due to seasonal adjustment every month, these data series are revised retroactively every month. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.

2. Data for 2000/Q4 are those of October.

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

Consumer Price Index (Commodities, excluding perishables)<sup>1</sup>

## (1) Commodities (excluding agricultural &amp; aquatic products)

(2) Imported goods (excluding petroleum products)<sup>2</sup> and Substitutes<sup>3</sup>

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 in the tax rate.

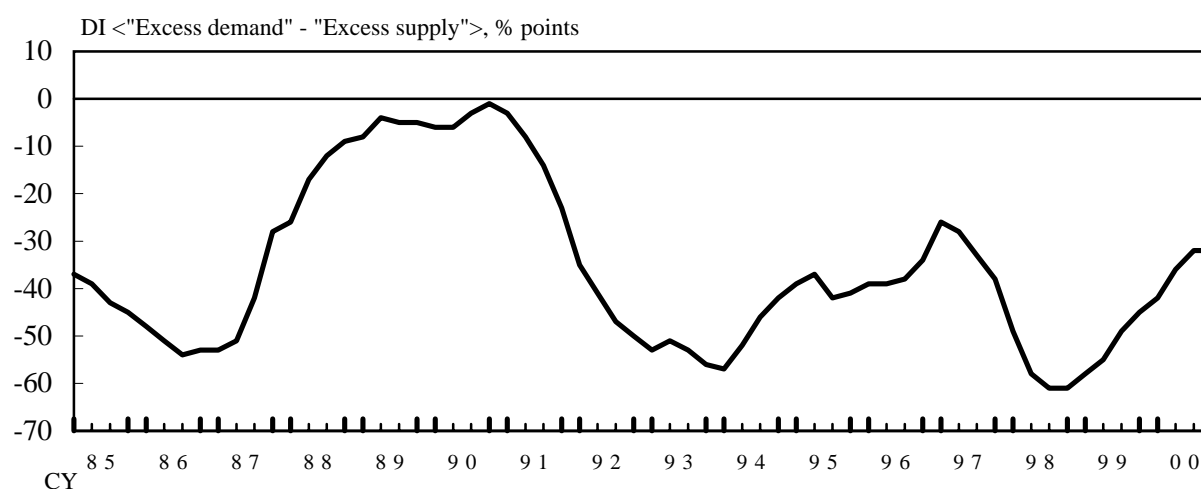
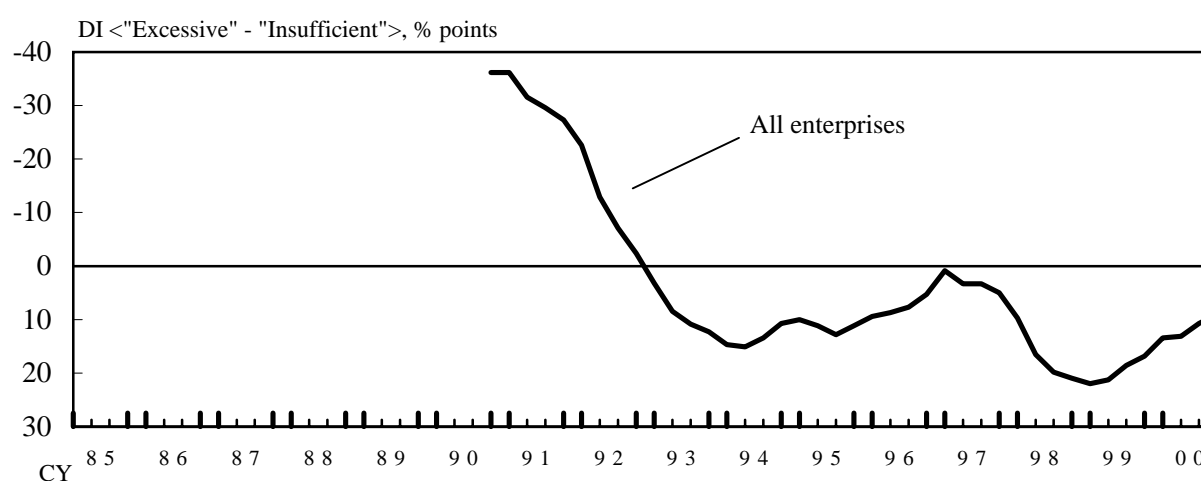
2. Imported goods (excluding petroleum products) consist of items common to both Import Price Index and Consumer Price Index.

3. Adjusted to exclude the effects of the Special Tobacco Tax introduced in December 1998 and Biscuits whose prices were heavily affected from the changes in monitored brands. Weight are shares in commodities (excluding perishables).

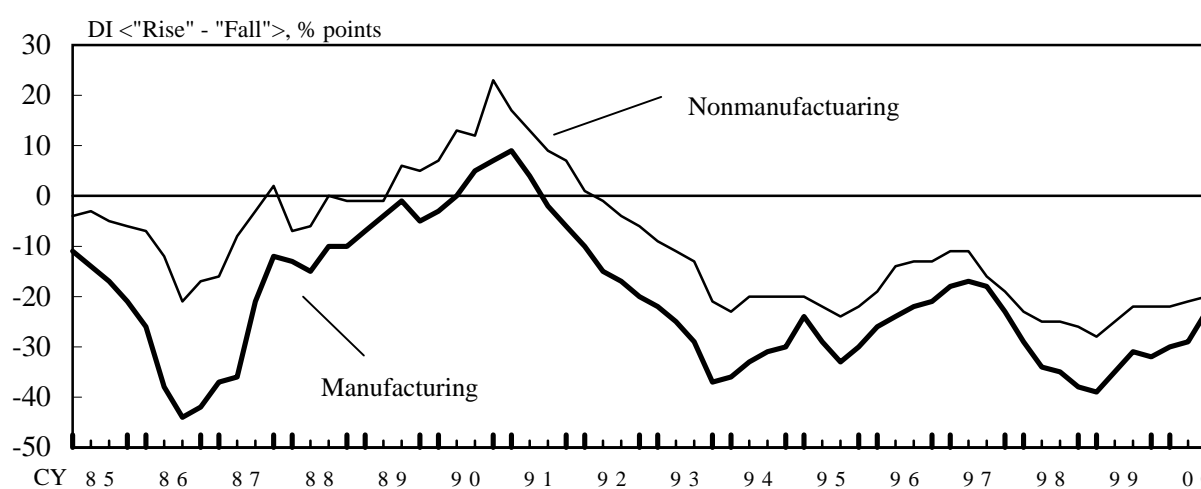
Source: Management and Coordination Agency, "Consumer Price Index."

Factors Contributing to the Change in Prices<sup>1</sup>

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

(2) Utilization of Capital and Labor<sup>2</sup>

## (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 1990-99 average.

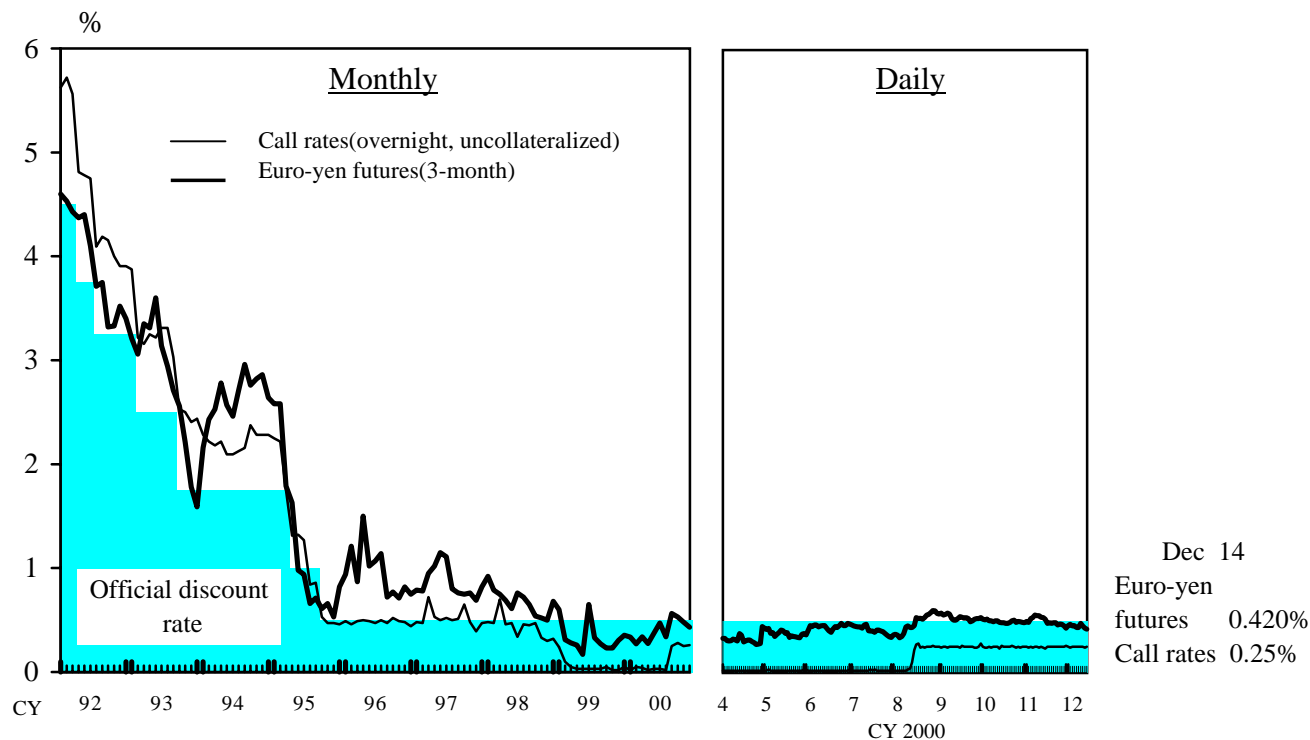
Production Capacity DI and Employment DI are calculated as "Excessive" minus "Insufficient".

Sources: Economic Planning Agency, "National Accounts";

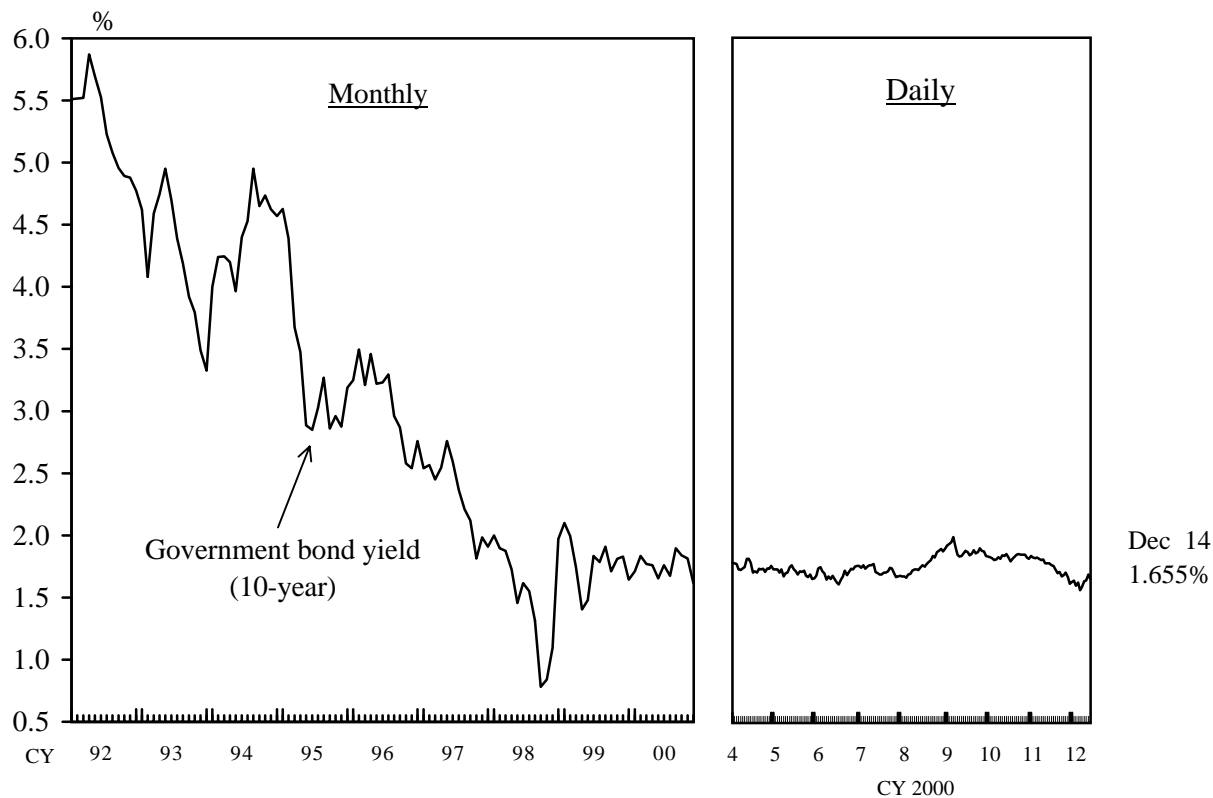
Bank of Japan, "Tankan Short-Term Economic Survey of Enterprises in Japan."

Interest Rates

(1) Short-Term



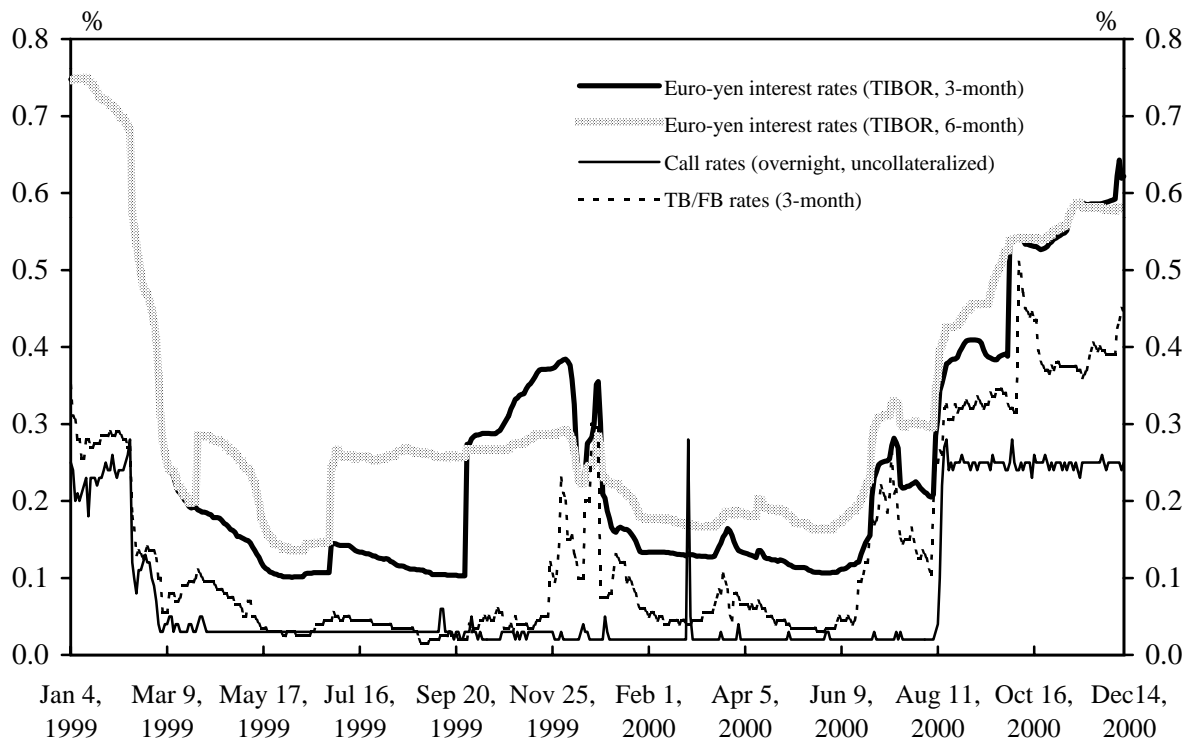
(2) Long-Term



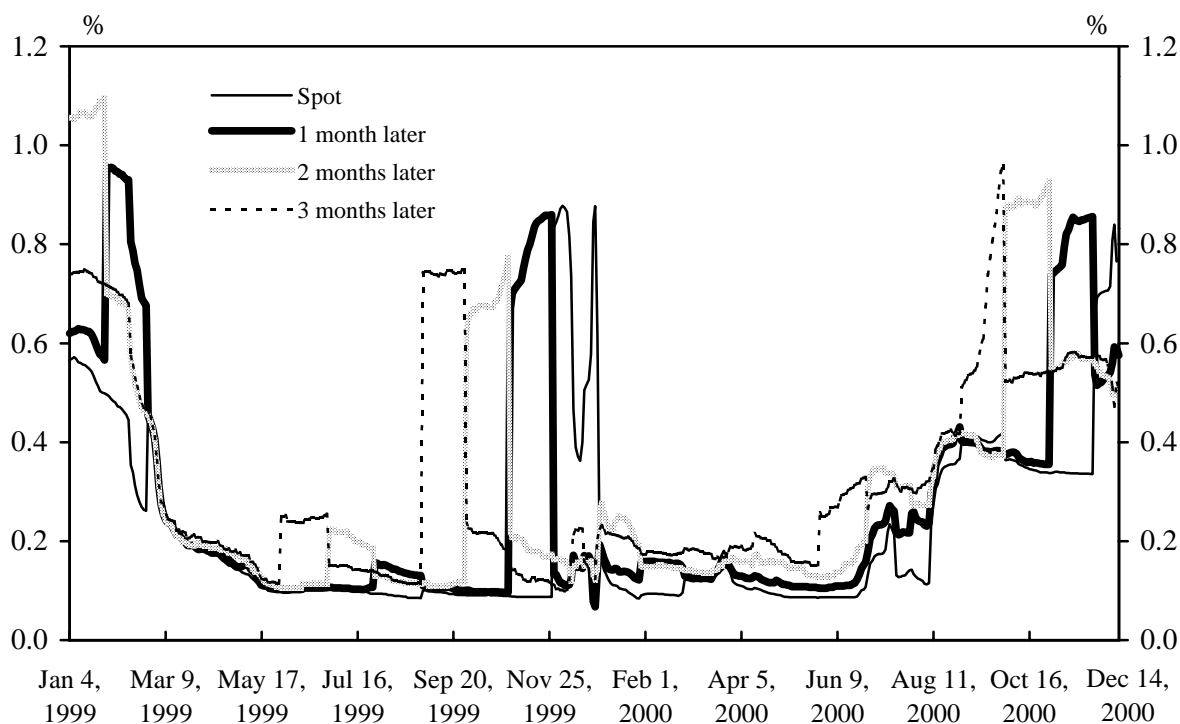
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

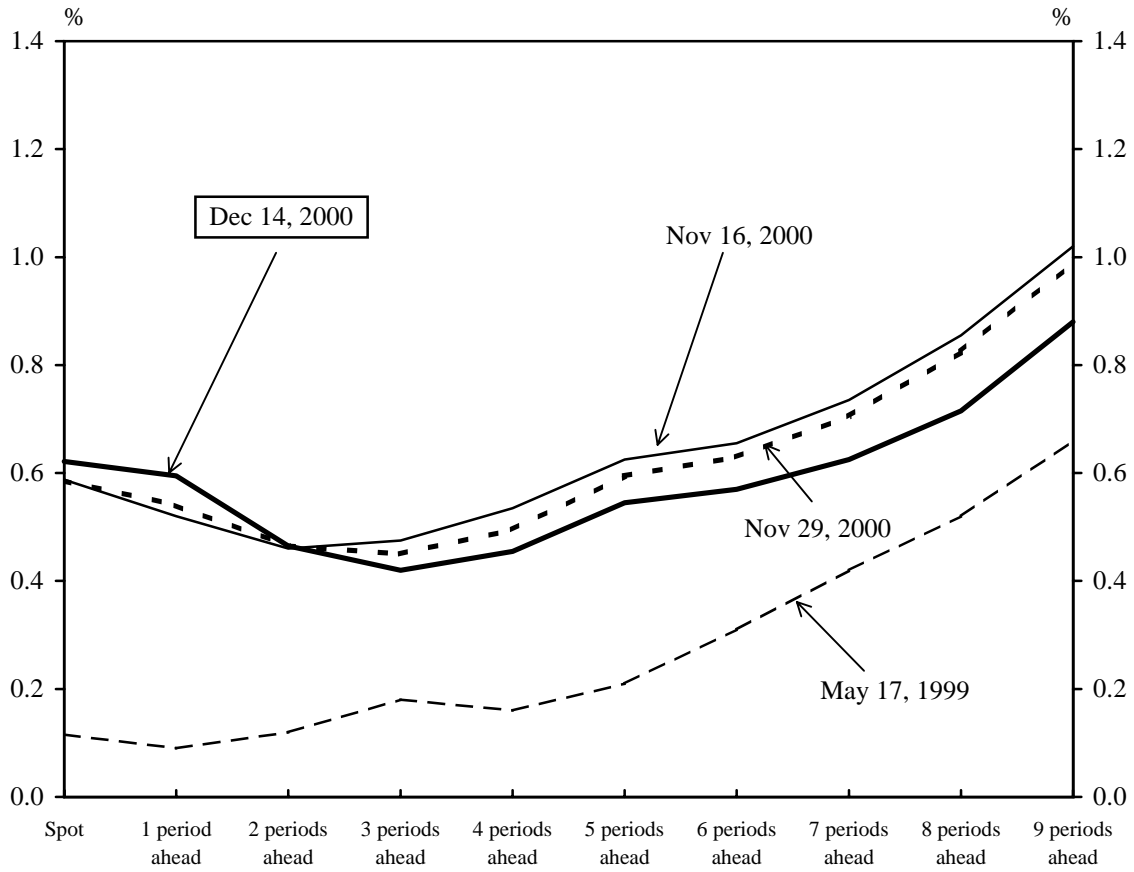


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)



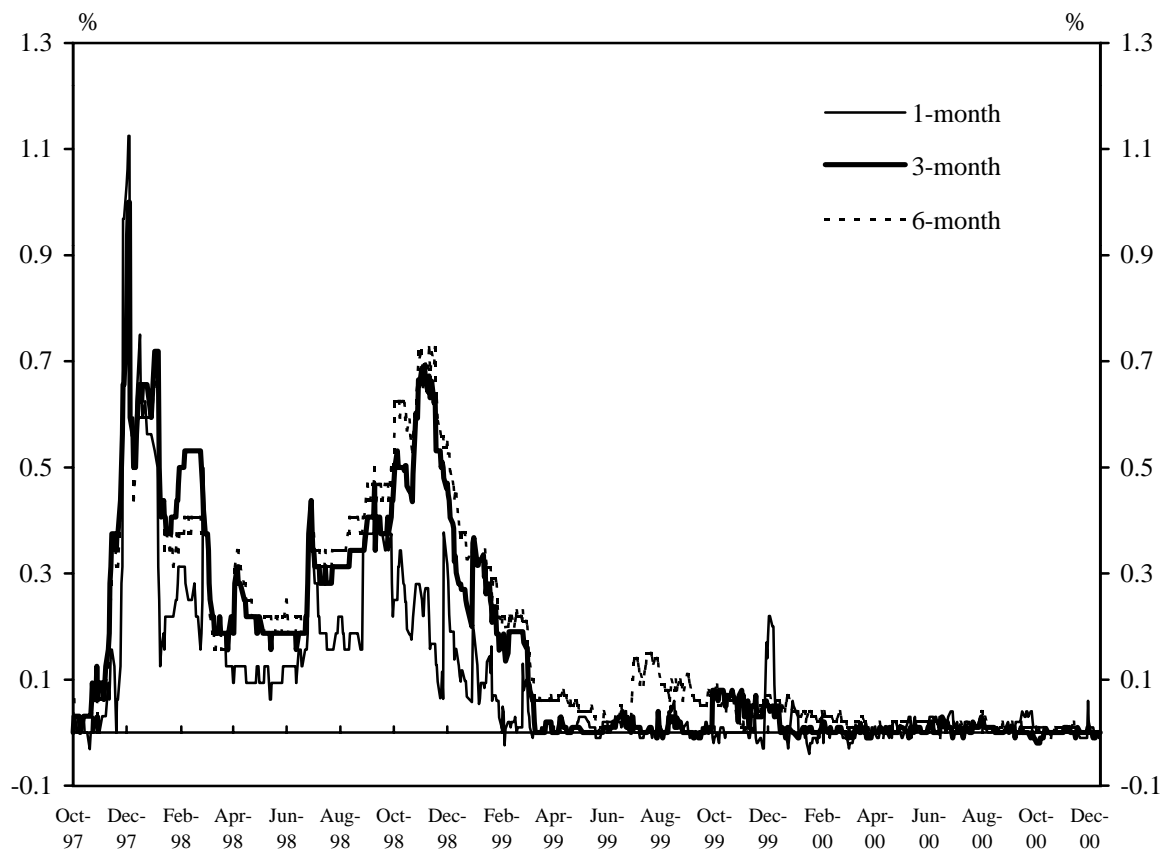
Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Euro-Yen Interest Rates Futures (3-Month)



Source: Tokyo International Financial Futures Exchange.

Japan Premium in the Eurodollar Market <sup>1</sup>

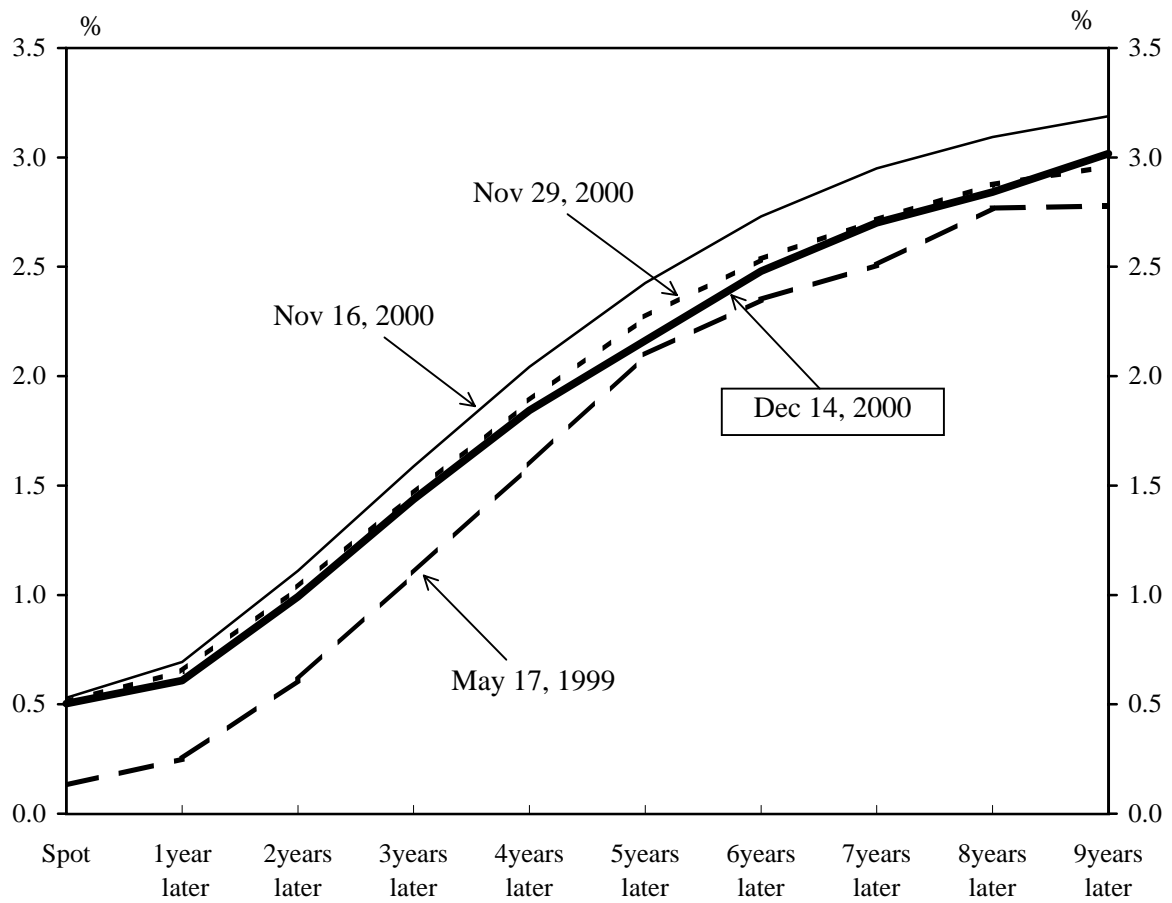


Note: 1. Japan premium is an extra expense Japanese banks must pay for raising funds in overseas financial markets. Japan premium in this chart is calculated as follows:  
 Japan premium = interest rate quoted by Bank of Tokyo-Mitsubishi - interest rate quoted by Barclays Bank in the Eurodollar market (London).

Source: British Bankers' Association (BBA).



Implied Forward Rates (1-year)<sup>1</sup>

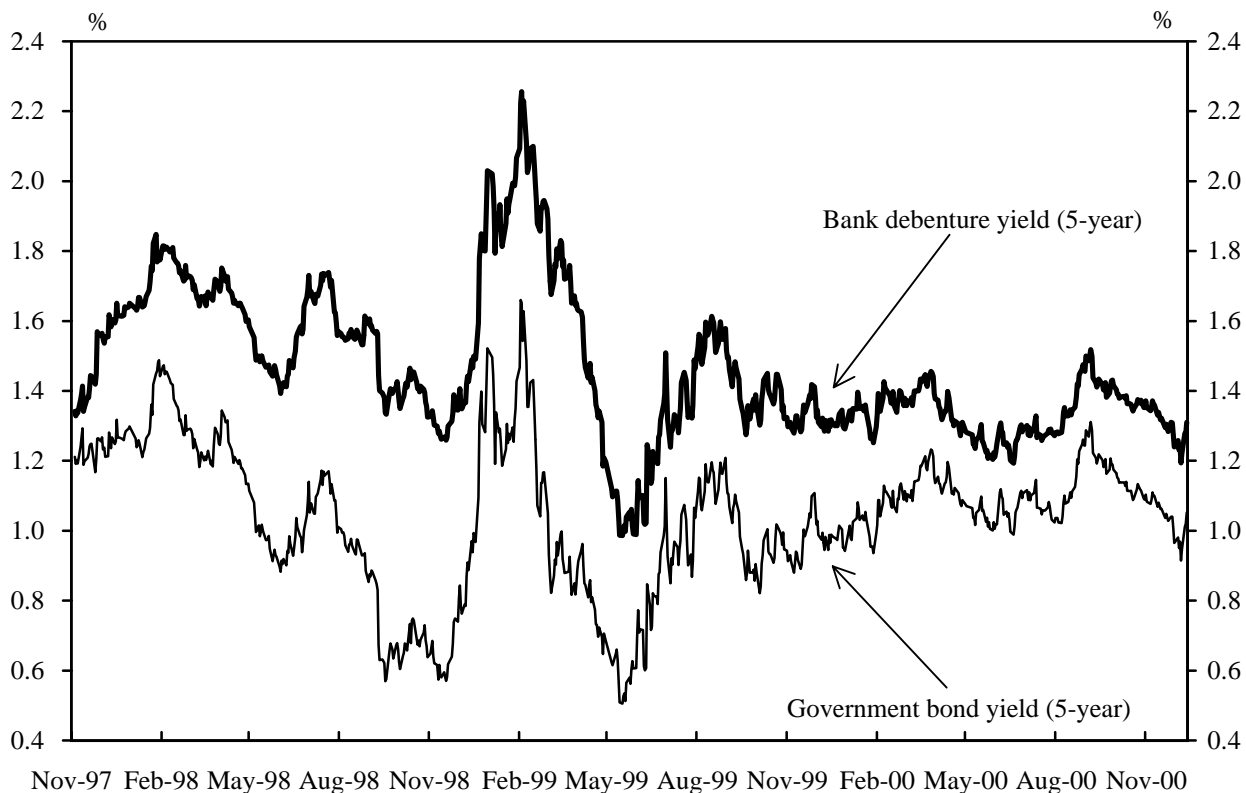


Note: 1. Calculated from yen-yen swap rates.

Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



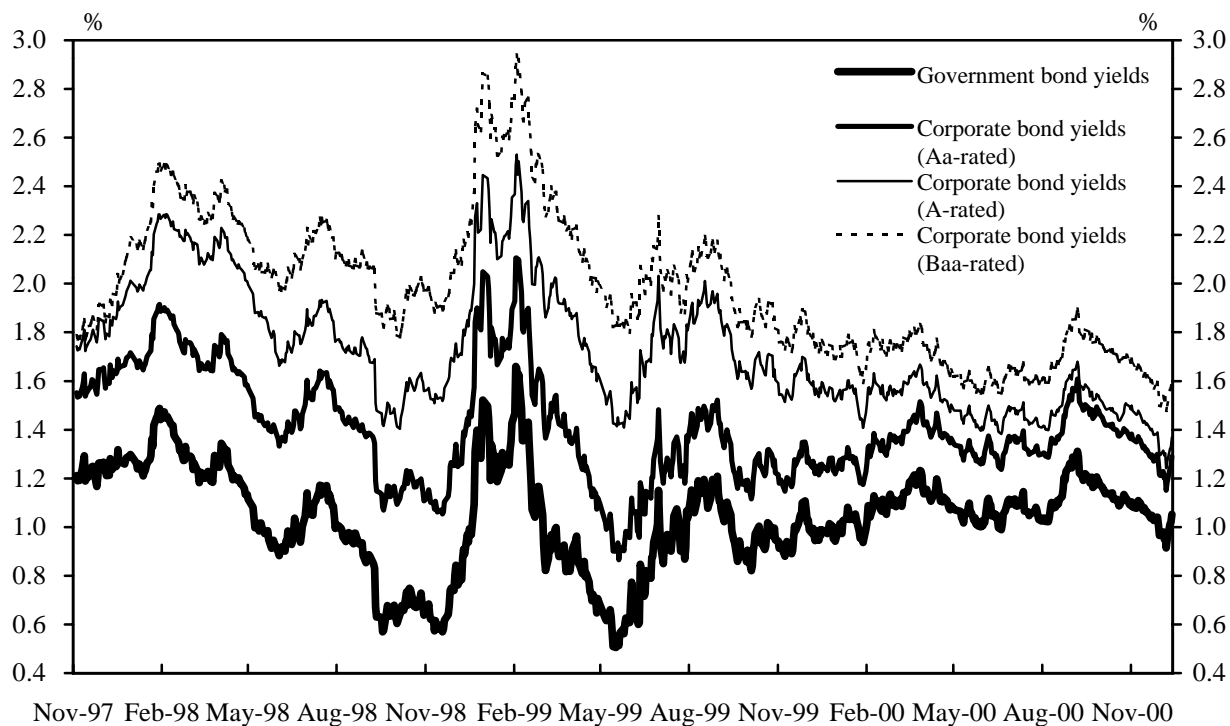
(2) Spread of Bank Debenture and Government Bond Yield



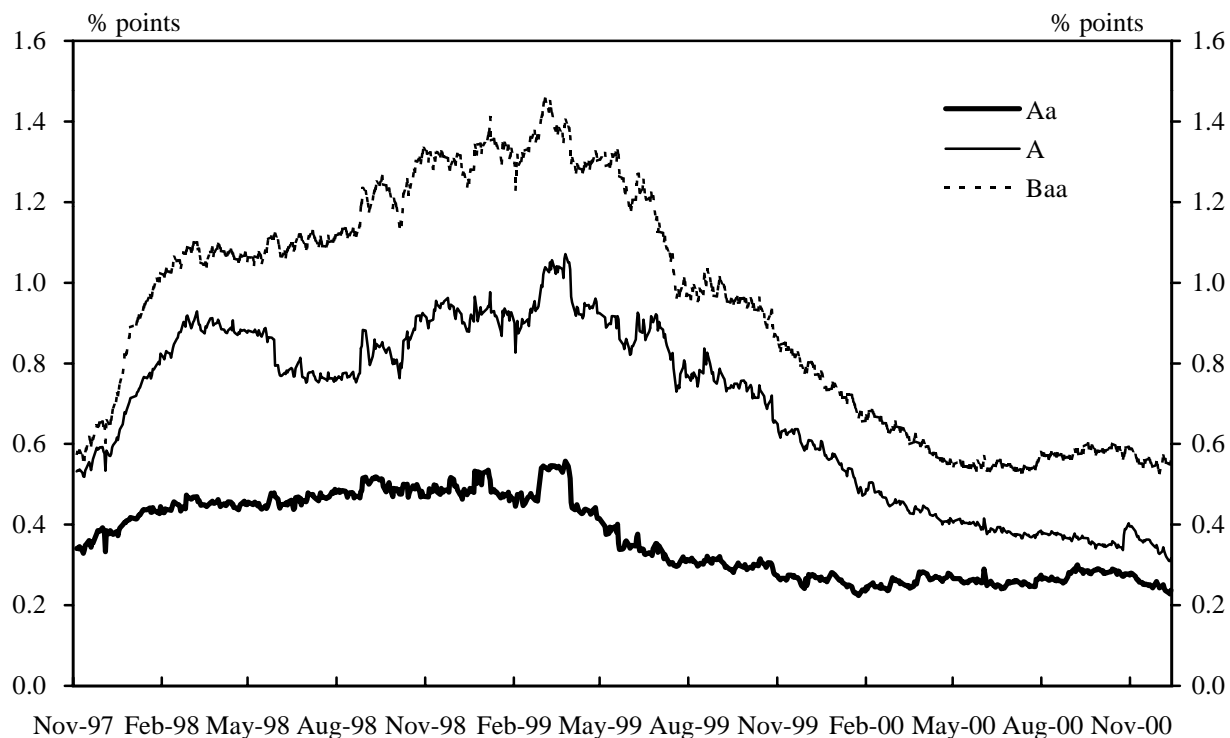
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields <sup>1</sup>

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



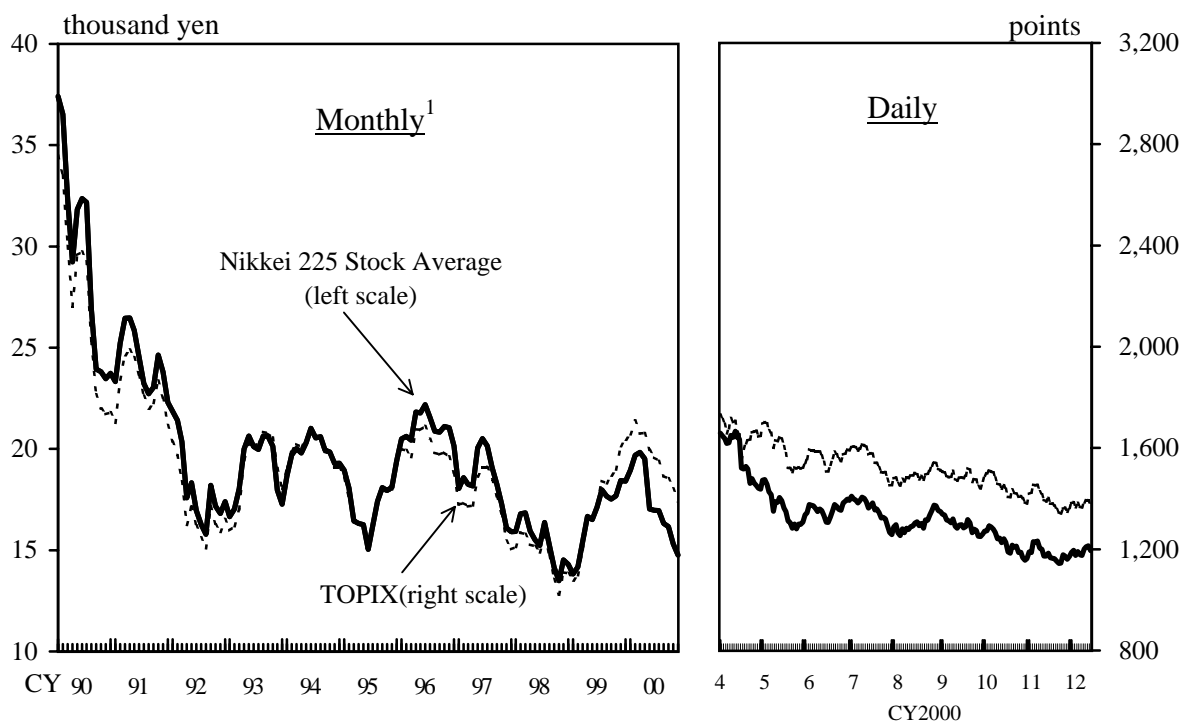
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

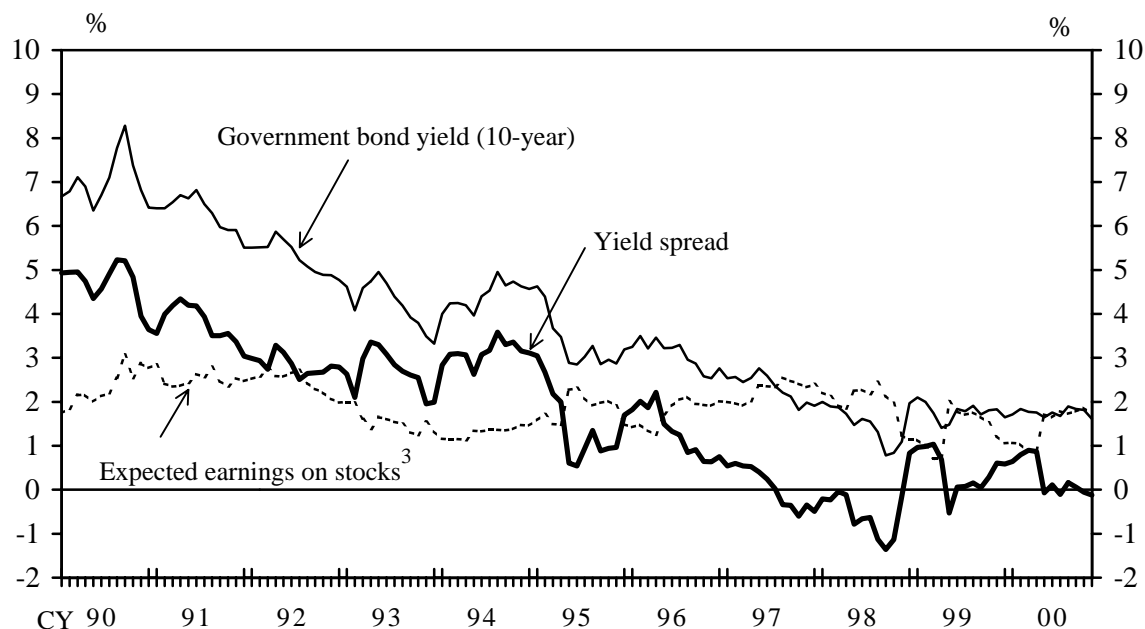
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



(2) Yield Spread <sup>2</sup>



Notes: 1. Data are monthly averages.

2. Data are at end of period.

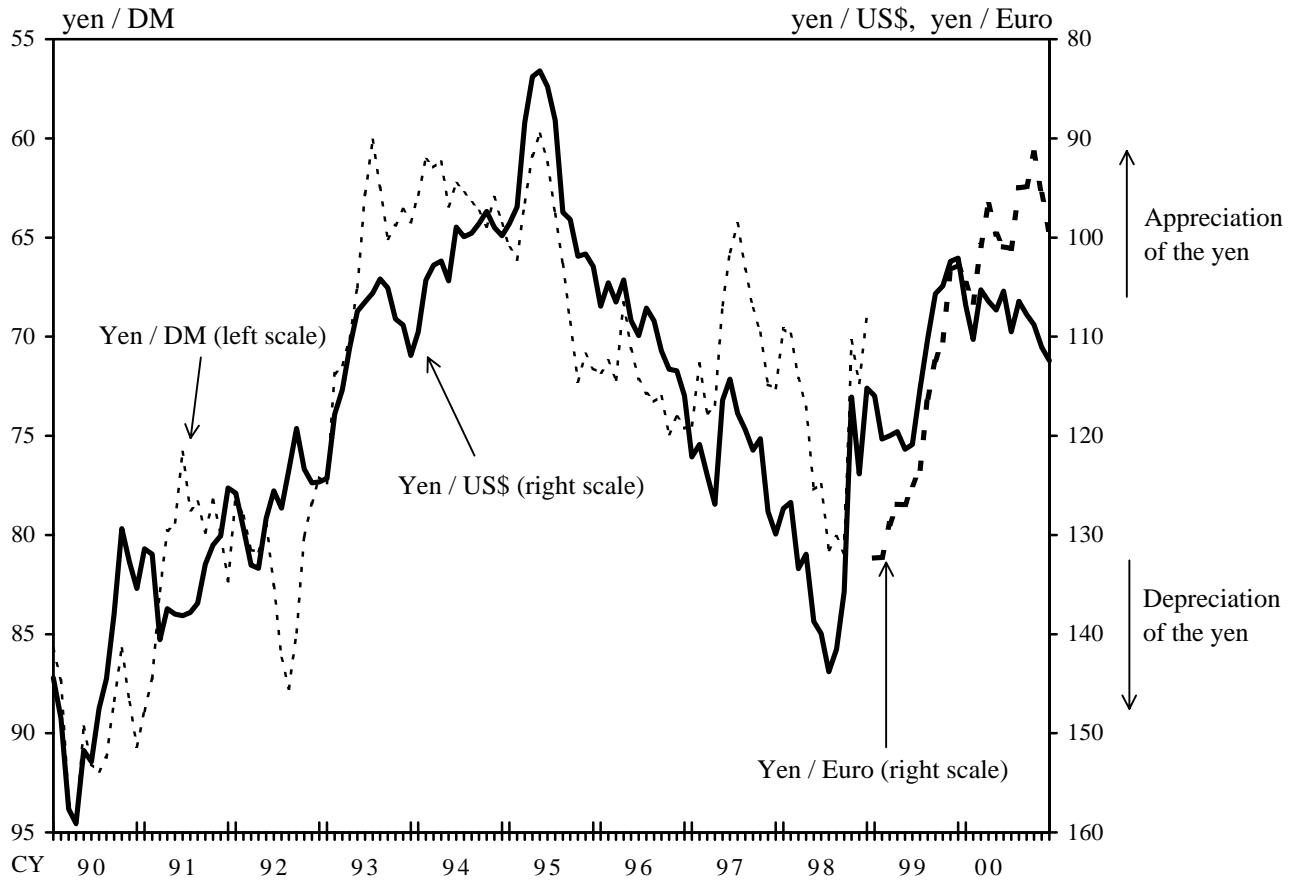
Yield spread = government bond yields - expected earnings on stocks,  
 where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

Exchange Rates <sup>1</sup>

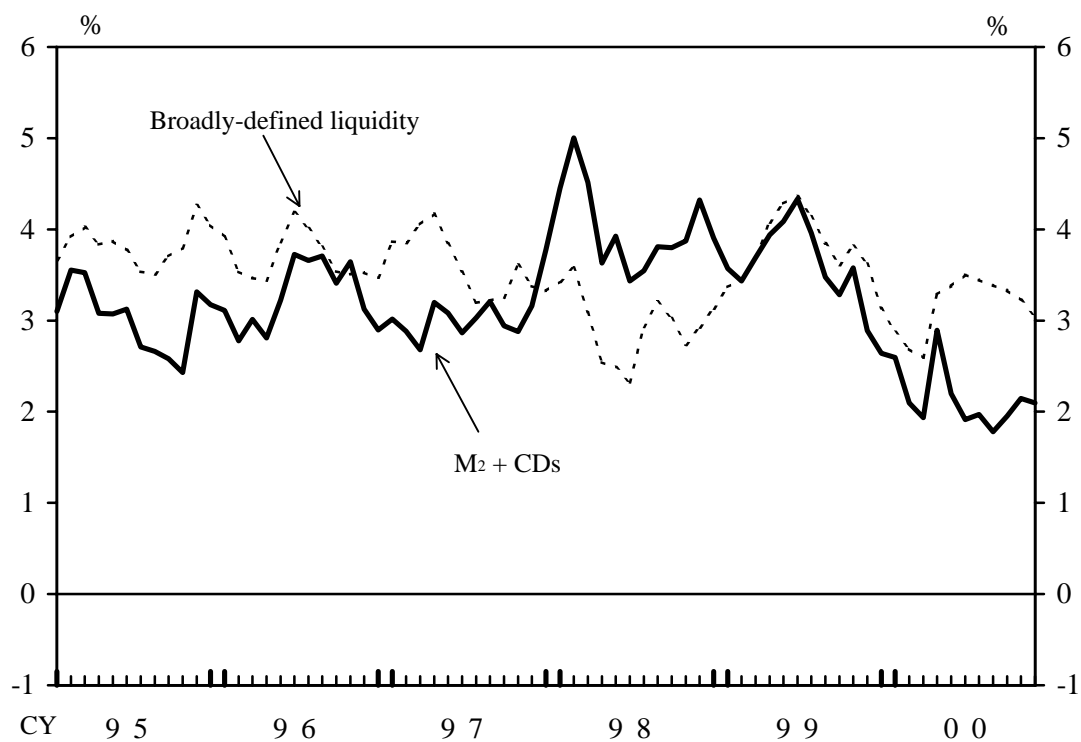


Note: 1. End of month. Data for December 2000 are as of December 14, 2000.

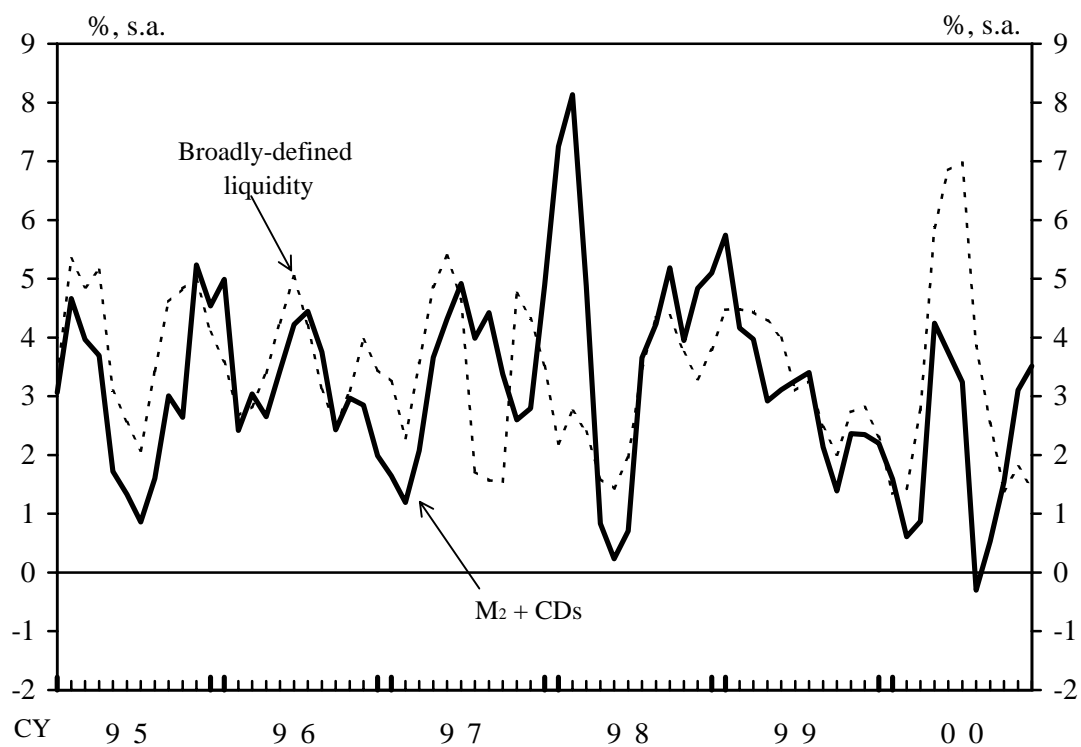
Source: Bank of Japan.

Money Stock (M<sub>2</sub>+CDs, Broadly-Defined Liquidity)

## (1) Changes from a Year Earlier



## (2) Changes from Three Months Earlier (Annualized)



Note: Percent changes in average amounts outstanding.

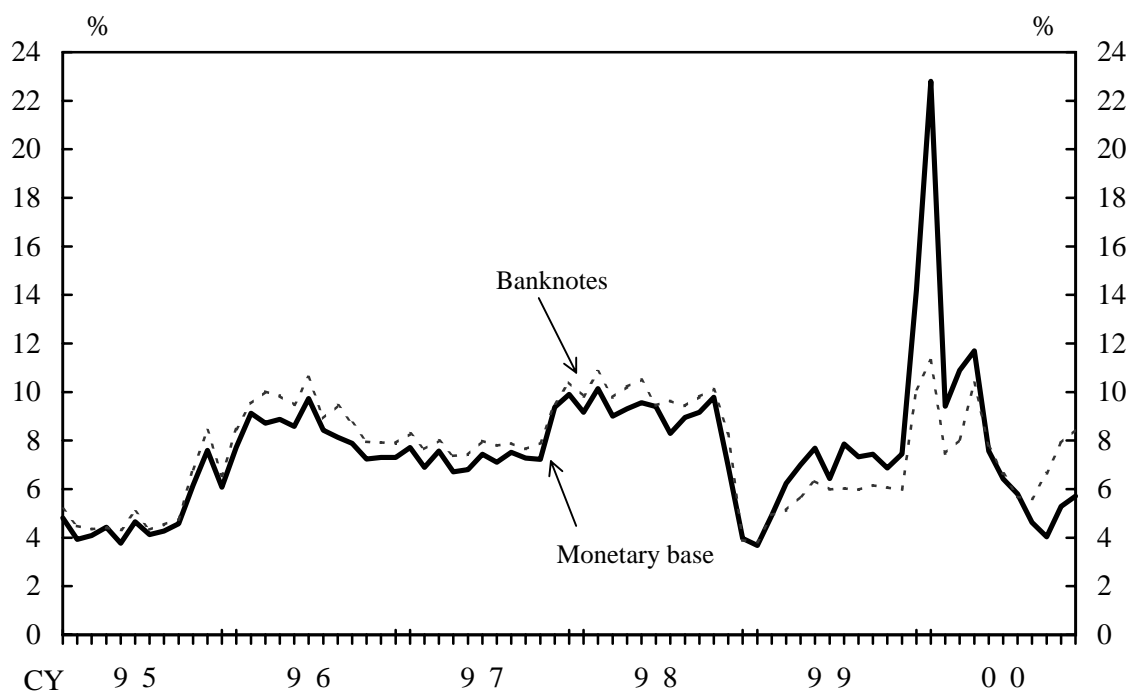
Source: Bank of Japan.

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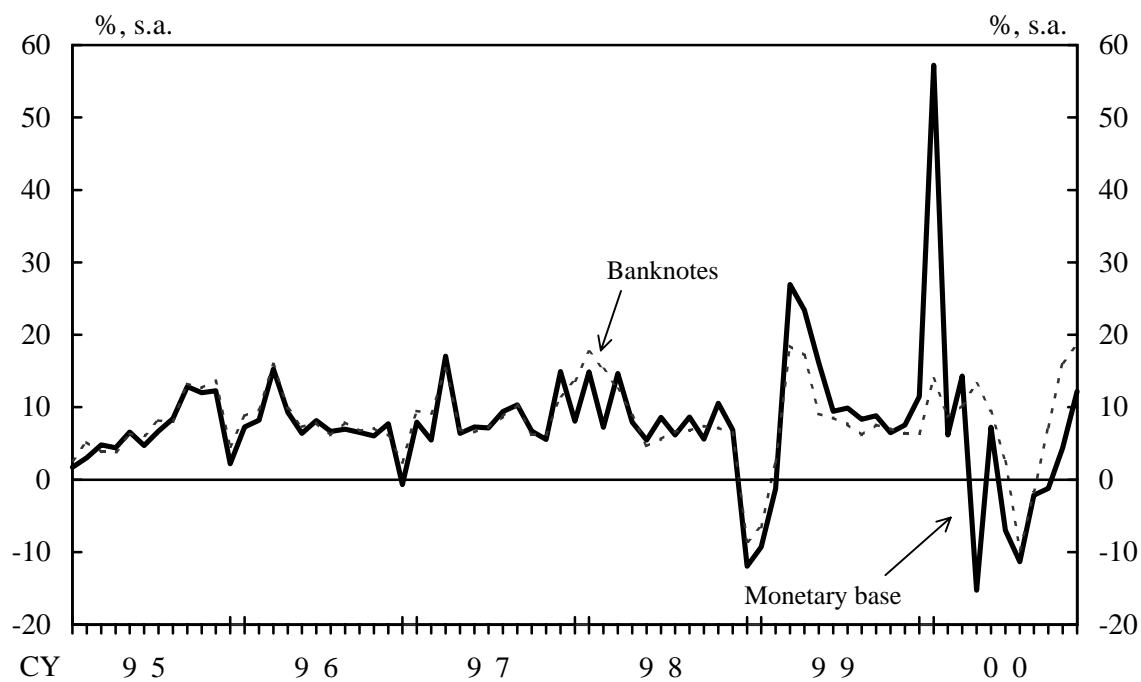
 Monetary Base
 

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## (1) Changes from a Year Earlier



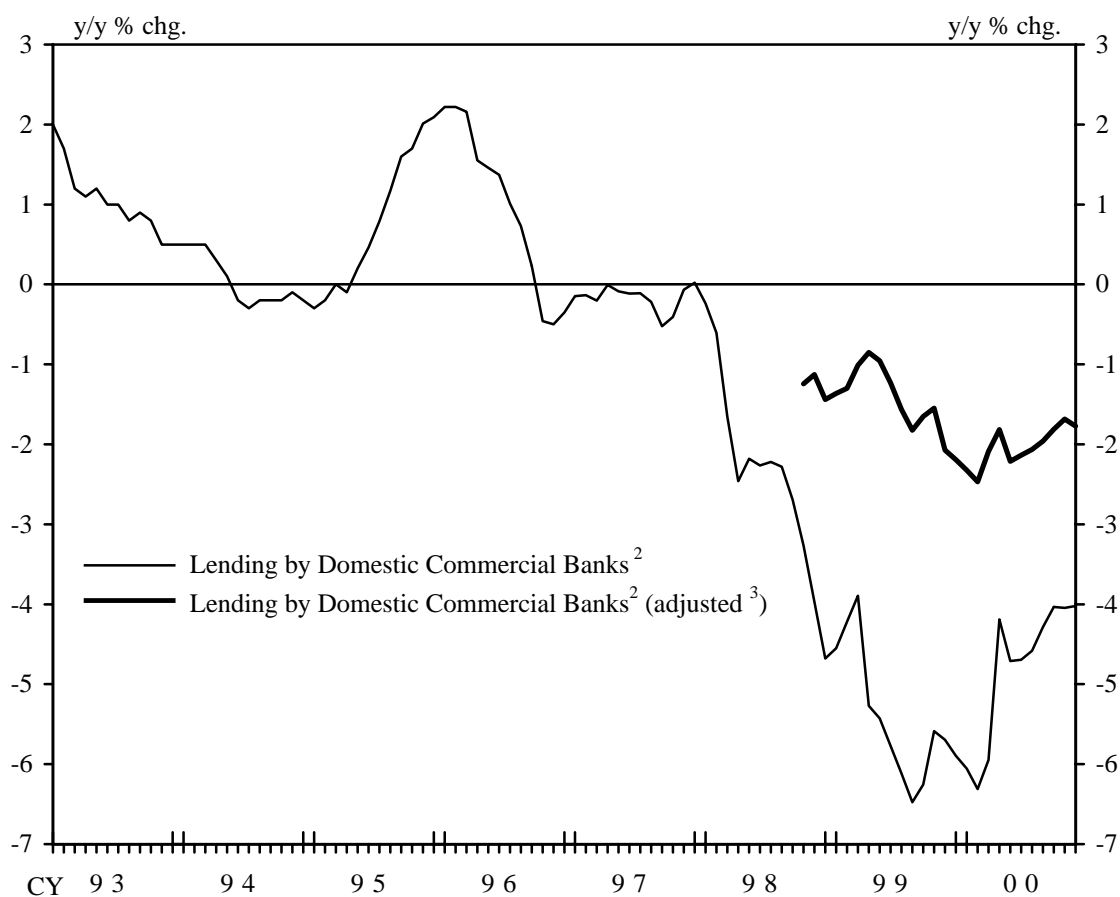
## (2) Changes from Three Months Earlier (Annualized)



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

Data for currency in circulation include holdings of financial institutions.

Source: Bank of Japan.

Lending by Domestic Commercial Banks <sup>1</sup>

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).

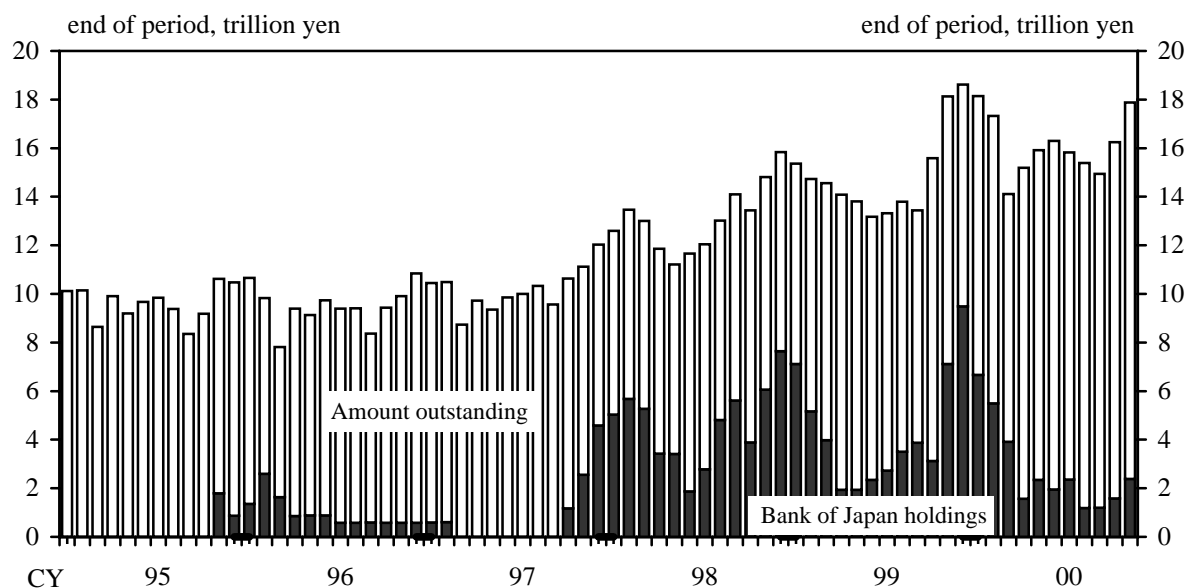
3. Adjusted to exclude

- (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."

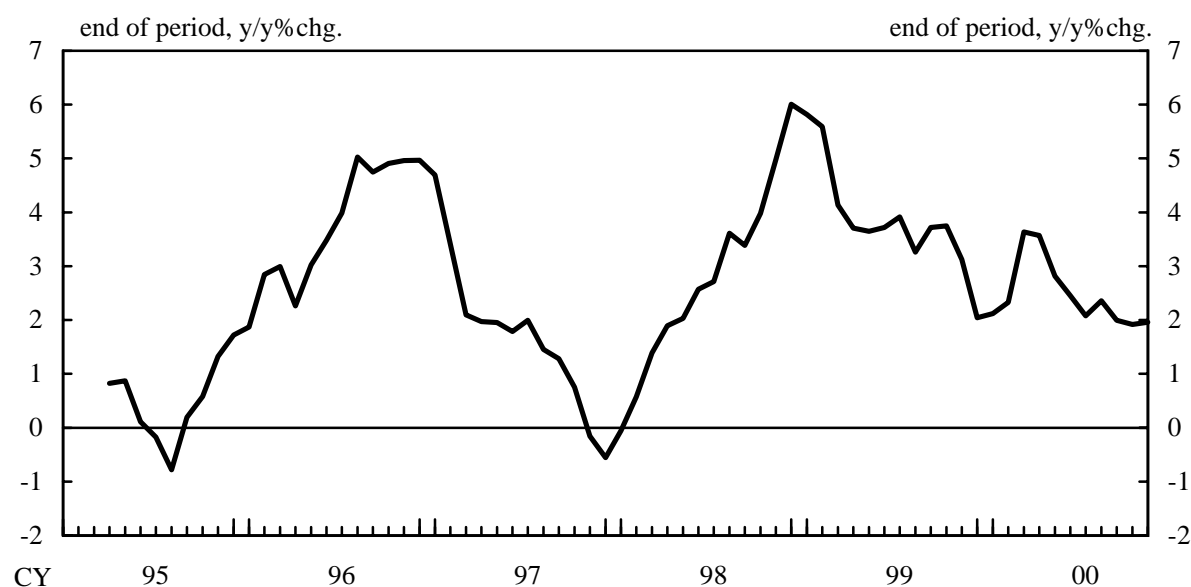


## Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper <sup>1</sup>(2) Issue Volume of Corporate Bonds <sup>2</sup>

(100 million yen)

	Jun. 2000	Jul. 2000	Aug. 2000	Sep. 2000	Oct. 2000	Nov. 2000
Volume	9,793	3,812	9,131	8,355	6,517	5,373
(previous year)	(14,923)	(10,358)	(5,417)	(10,485)	(5,456)	(8,684)

(3) Amount Outstanding of Corporate Bonds (Changes from a Year Earlier) <sup>2,3</sup>

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

Excludes those issued by banks.

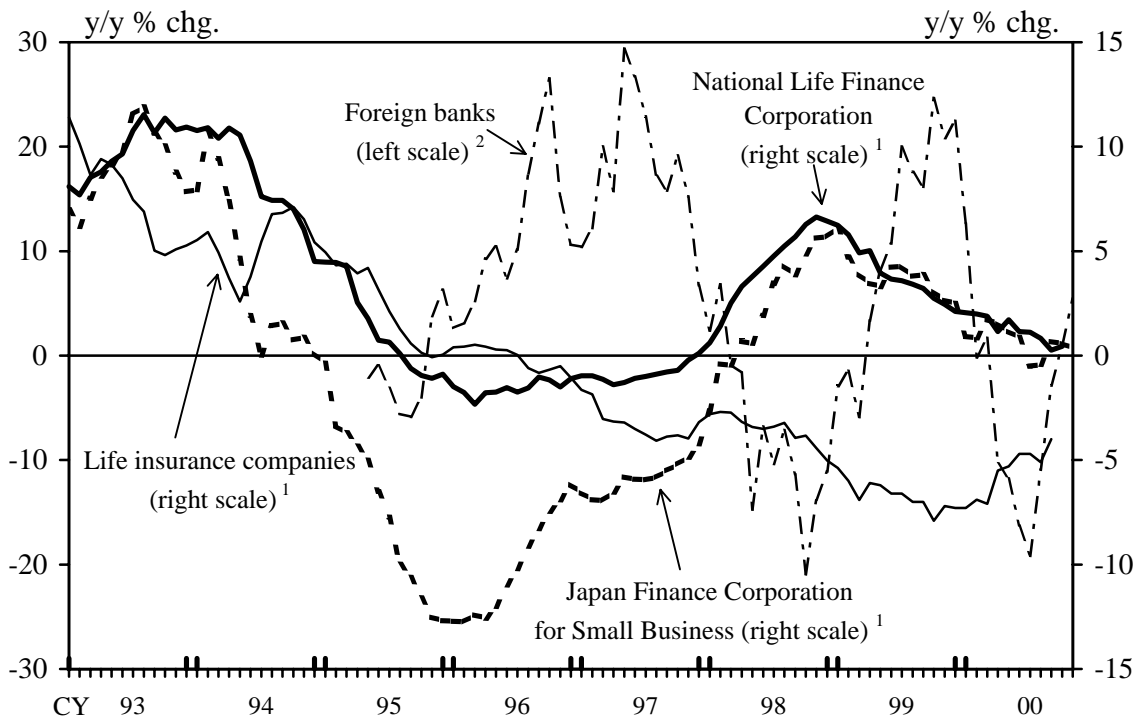
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

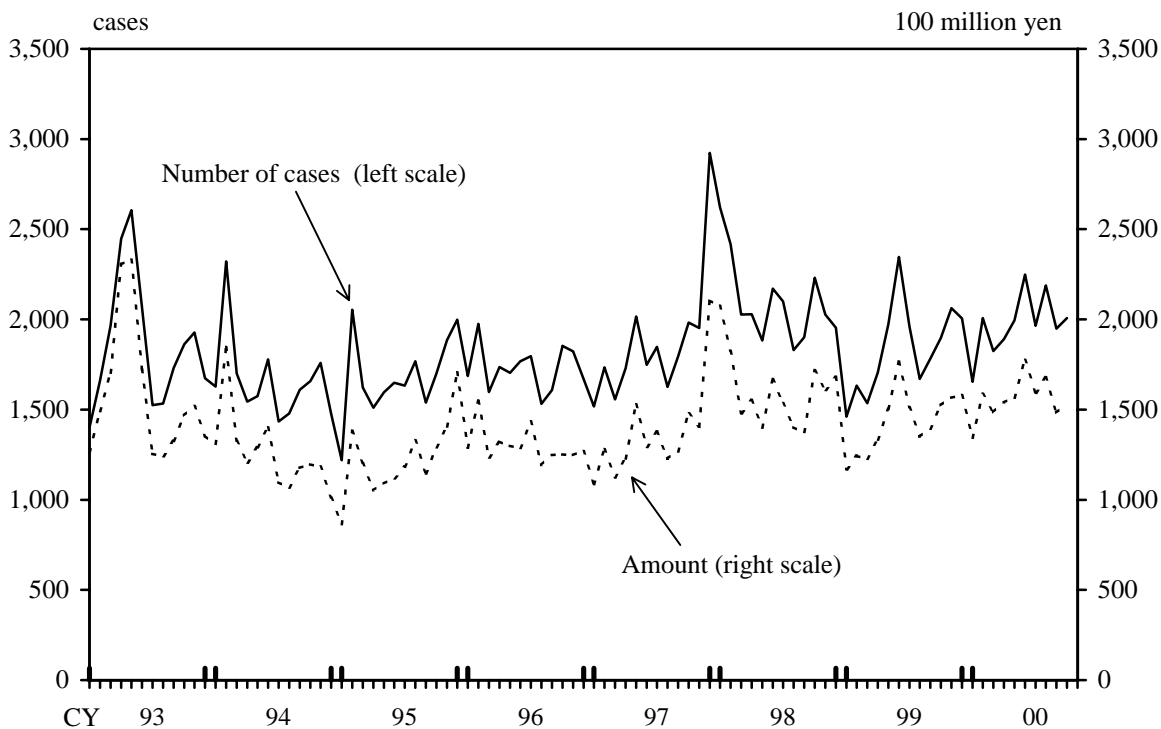
Lending by Other Financial Institutions

(1) Lending Outstanding



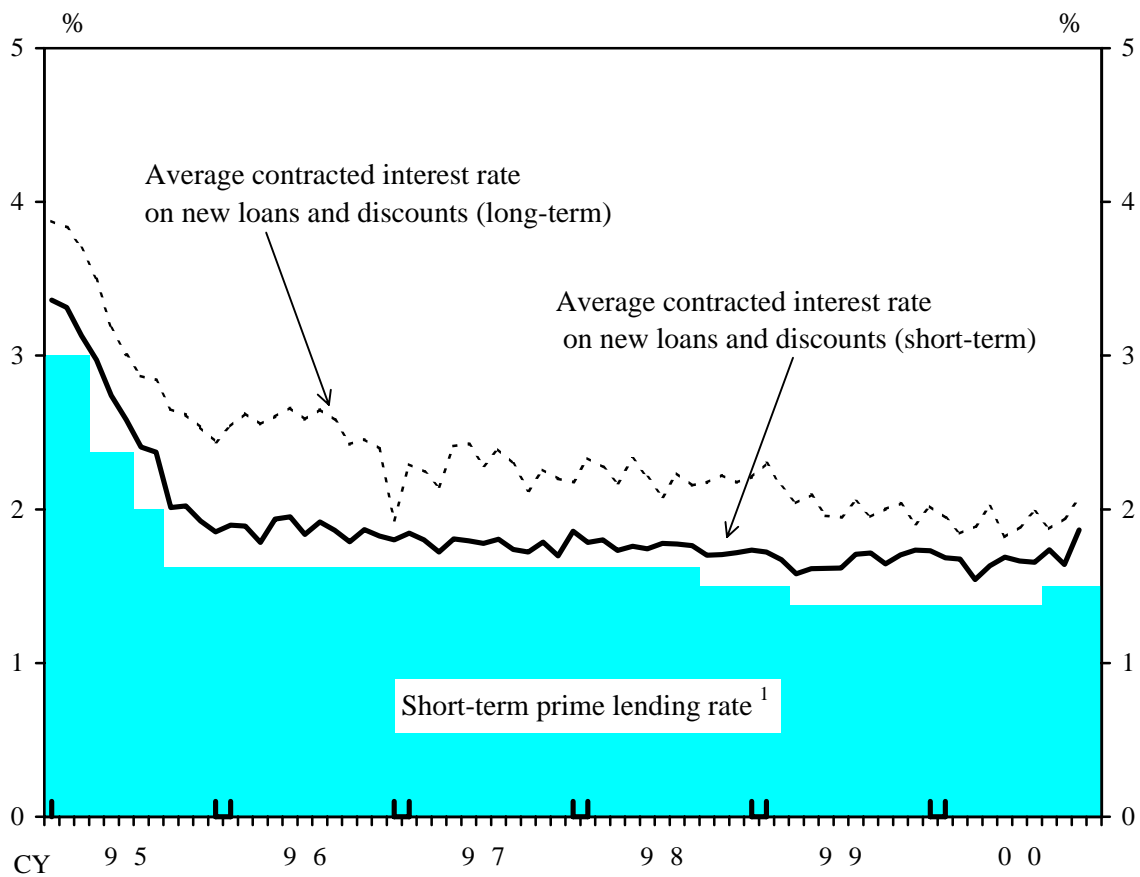
Notes: 1. Data are based on amounts outstanding at end of period.  
 2. Data are based on average amounts outstanding.

(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

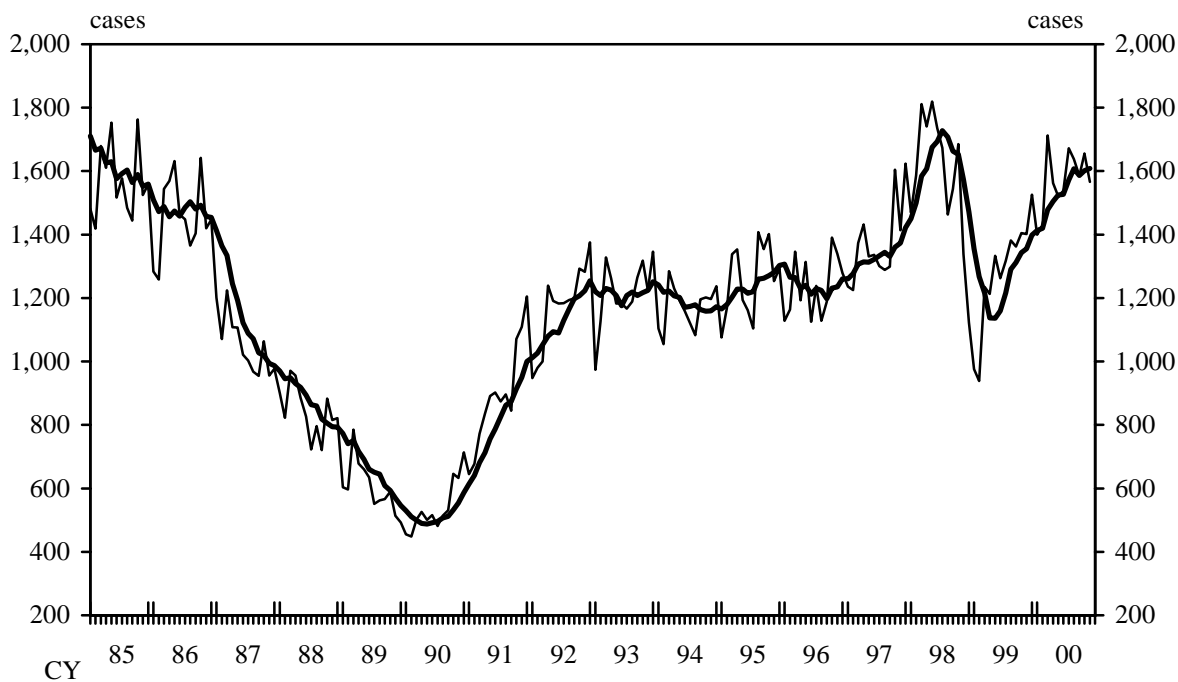


Note: 1. Data are at end of period.

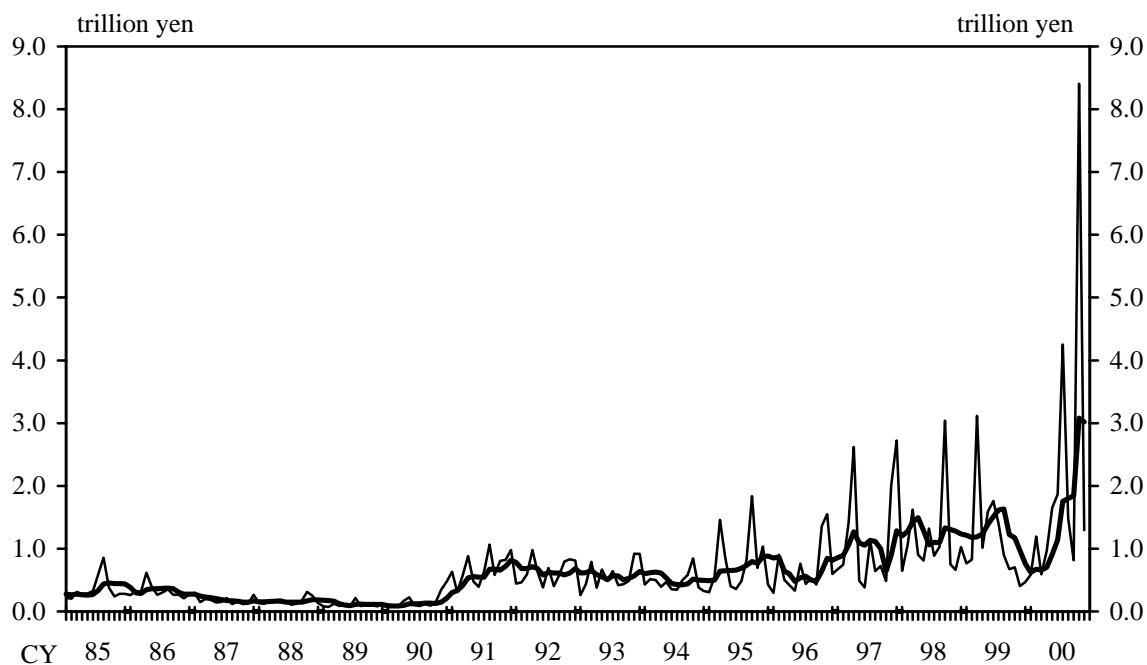
Source: Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

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