

May 22, 2001
Bank of Japan

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

May 2001

(English translation prepared by the Bank staff based on the Japanese original
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Monthly Report of Recent Economic and Financial Developments¹

May 2001

The Bank's View²

Adjustments in economic activities have been under way, as production is declining reflecting a fall in exports.

With regard to final demand, the recovery in private consumption continues to be weak as a whole, but there are somewhat positive signs in some indicators. Housing investment is declining slightly. Public investment is increasing. On the other hand, net exports (real exports minus real imports) continue to decrease reflecting a slowdown in overseas economies such as those of the U.S. and East Asia. Business fixed investment seems to be leveling off while the exporting conditions continue to deteriorate.

Industrial production is declining sharply, reflecting such developments in final demand and as excessive inventories of electronic parts and some materials are building up. The environment surrounding corporate profits is becoming more severe in line with the decline in exports and production, and business sentiment of firms is worsening particularly in manufacturing. Income conditions of households have not yet deteriorated, but the decline in production is starting to affect the household sector mainly through the decrease in hours worked.

As for the outlook, public investment is expected to continue increasing for the time being. Net exports, however, are likely to continue decreasing for a while, reflecting the ongoing adjustments in overseas economies. Business fixed investment is projected to peak out and then to start a downturn, as the effects from the implementation of a backlog of orders sustaining investment dissipates. In addition, inventory adjustments in goods such as electronic parts and materials will

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on May 17 and 18, 2001.

² The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on May 17 and 18 as the basis for monetary policy decisions.

continue for the time being. Industrial production, therefore, is expected to follow a declining trend. In these circumstances, corporate profits are likely to start decreasing and thus household income is expected to weaken gradually.

Overall, the adjustments are likely to continue for some time, mainly in production. Meanwhile, it is generally thought that overseas economies, particularly the U.S., will follow a gradual recovery trend from the latter half of 2001. In this case, exports, helped also by the depreciation of the yen, are expected to underpin the economy once again. However, attention should still be paid to the possibility of a prolonged deceleration of overseas economies and the risk of a negative impact on the economy induced by developments in foreign and domestic capital markets via corporate and household confidence.

With regard to prices, import prices are rising, mainly reflecting the depreciation of the yen. Domestic wholesale prices are declining mainly due to the decrease in prices of electrical machinery. Consumer prices continue to be somewhat weak owing to the decline in prices of imported products and their substitutes. The rate of decrease in corporate service prices is accelerating somewhat owing to the reduction in communications charges.

As for the conditions surrounding price developments, the prior yen depreciation is exerting upward pressure on prices. However, with the ongoing adjustments, the balance between supply and demand in the domestic market is likely to exert downward pressure on prices. In addition, the declining trend of machinery prices caused by technological innovations, the decrease in prices of consumer goods arising from the streamlining of distribution channels, and the reduction in communications charges aided by deregulation will continue to restrain price developments. Overall, prices are expected to be weak for the time being. Moreover, given the high degree of uncertainty regarding future economic developments, the possibility that weak demand will intensify downward pressure on prices warrants careful monitoring.

In the financial market, the overnight call rate is currently moving at about 0.01 percent, reflecting the guideline for money market operations to maintain the current-account balance at the Bank of Japan at around 5 trillion yen.

Interest rates on term instruments are declining further. The Japan premium remains negligible.

Yields on long-term government bonds recently decreased to around 1.3 percent. The yield spreads between private bonds (bank debentures and corporate bonds) and government bonds are mostly unchanged or contracting somewhat.

Stock prices rose until early May reflecting the recovery in U.S. stocks, but are decreasing slightly thereafter.

In the foreign exchange market, the yen has appreciated slightly and is currently being traded in the range of 122-124 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. There seem to be no significant changes in firms' perception on the lending attitude of financial institutions. The fund-raising conditions of firms in the markets for such instruments as corporate bonds and CP are improving further owing to the decline in market interest rates and the more active stance of investors to take credit risks.

On the other hand, credit demand of private firms continues to lack momentum as the level of corporate expenditures such as business fixed investment remains below firms' cash flow. 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. The amount outstanding of corporate bonds issued continues to be above the previous

year's level but the growth rate is slowing. Meanwhile, the amount outstanding of CP issued is well above that of the previous year marking the highest level to date.

The year-to-year growth rate of money stock ($M_2 + \text{CDs}$) is around 2.5 percent.

Funding costs for firms are declining reflecting developments in market interest rates.

In this financial environment, the lending attitude of financial institutions and corporate financing conditions remain easy. For the time being, attention should be paid to the effects of the additional monetary easing measures taken by the Bank, while careful monitoring is required for the effects of stock price developments and corporate profit conditions on the behavior of financial institutions and the fund-raising conditions of firms.

The Background

1. Japan's Economy

Public investment is increasing. The value of public works contracted--a metric that reflects orders--has been declining recently in reaction to the temporary surge in March as the implementation of the supplementary budget for fiscal 2000 concentrated toward the end of fiscal 2000.³ Actual implementation of those works seems to be rising, reflecting the orders of the supplementary budget (Chart 2). Public investment is projected to continue increasing for a while.

Real exports continue to decline, reflecting a slowdown in overseas economies, especially those of the United States and East Asia (Charts 3[1], 4, and 5). Real exports in the first quarter of 2001 decreased significantly compared to the fourth quarter of 2000--information technology (IT) related goods (semiconductor parts and computers) and capital goods and parts (semiconductor fabrication machines and equipment) decreased, reflecting inventory adjustments overseas, and automobiles (exported to Europe and the United States) dropped. Real imports had been increasing substantially but declined in the first quarter compared to the fourth quarter (Charts 3[1] and 6); in addition to sluggish imports of information-related parts, materials, and intermediate goods reflecting the decrease in production, imports of personal computers were also stagnant owing to weak domestic sales. As a result of these developments, net exports (real exports minus real imports), in terms of the real trade balance,⁴ continue to decrease (Chart 3[2]).

Regarding the future environment for foreign trade, the real effective exchange rate of the yen had been depreciating from the end of 2000 but has recently been steady (Chart 7[1]). In overseas economies, however, the United States and East Asian economies are decelerating (Chart 7[2]); exports are thus expected to continue

³ The scale of the supplementary budget of the central and local governments combined has contracted compared to fiscal 1999, and thus the value of public works contracted continues a downtrend on a year-to-year basis.

⁴ 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.)

declining for some time. Meanwhile, imports are projected to be sluggish for a while from the effects of the decline in production and the depreciation of the yen. As a result, net exports are likely to continue declining for the time being.

Business fixed investment appears to be leveling off as the implementation of a backlog of orders, which had been sustaining the increase of investment, has progressed. Shipments of capital goods (excluding transportation equipment), which basically move simultaneously with machinery investment, have been peaking out (the quarter-to-quarter change was +4.1 percent in the fourth quarter of 2000 and -0.5 percent in the first quarter of 2001). Moreover, among leading indicators, machinery orders (private demand, excluding shipbuilding and electric power equipment) are projected to be flat for the second quarter after the decline in the first quarter for the first time since the second quarter of 1999 (Chart 8[1]). Nonresidential construction starts continue a declining trend, particularly in nonmanufacturing (Chart 8[2]).

As for the outlook, business fixed investment is likely to peak out and then gradually start a downturn, judged from the increasingly severe environment surrounding corporate profits in line with the decline in exports and production since the start of 2001, and from the recent developments in leading indicators.

The recovery in private consumption remains weak as a whole, but somewhat positive signs can be seen in some indicators (Chart 9). According to sales indicators, sales of household electrical appliances appeared to be at low levels since April in reaction to significantly high sales during March, mainly due to the surge in demand before the law regarding the recycling of home electronic appliances⁵ came into effect in April. Outlays for travel remained firm. Passenger car sales generally continued to be flat, with some fluctuations. Meanwhile, sales at department stores and chain stores remained basically stagnant, but sales increased somewhat in the first quarter compared to the fourth quarter, particularly in foodstuffs and apparel. According to recent confidence surveys, consumer confidence seemed to be more

⁵ The official name of the law is the "Law for Recycling of Specified Kinds of Home Appliances." From April 2001, consumers are obliged to pay recycling charges on renewal purchases of household electrical appliances such as TVs, refrigerators, air conditioners, and washing machines.

cautious (Chart 10). Private consumption is expected to remain almost flat for the time being, reflecting employment and income conditions.

Housing investment is declining somewhat. In the first quarter, construction starts of housing, particularly for owner-occupied houses and condominiums, decreased compared to the fourth quarter level (Chart 11). Judged from the number of loan applications to the government Housing Loan Corporation,⁶ housing investment is likely to decline in the future.

Reflecting these developments in final demand, industrial production is decreasing sharply mainly due to a fall in exports, particularly those of IT-related goods and automobiles (Chart 12).⁷ As for inventories, those of final goods are still broadly contained. However, inventories of electronics parts, demand for which from overseas declined significantly, have piled up rapidly, and the excessiveness of some materials such as construction goods has increased (Chart 13). Under these circumstances, industrial production is expected to continue a declining trend for some time mainly due to the decrease in exports.

As for employment and income conditions, the number of employees and compensation of employees have not yet deteriorated (Chart 14), but the supply-demand condition in the labor market has turned to ease as labor demand such as hours worked and new job offers have declined, reflecting the decrease in production activity. Labor-market-related indicators showed that while the unemployment rate remained high, particularly among the younger generation, the ratio of job offers to applicants has decreased since the growth in new job offers--which had been increasing--has started to decline (Chart 15). The number of regular employees (on a Monthly Labour Survey basis at establishments with at least five employees) was basically unchanged. Meanwhile, nominal wages per employee recently remained

⁶ The number of loan applications to the government Housing Loan Corporation during its fourth offering period for fiscal 2000 (construction of private homes; offering period: January 22-March 23, 2001) remained at a low level of 33,000 applications (a decline of 11.5 percent from the fourth offering period of the previous year).

⁷ The production forecast index projects an 0.8 percent decrease for both April and May compared to the previous months.

around the previous year's level as the growth in overtime and regular payments became even more moderate, reflecting the decline in production activities. Amid the ongoing adjustments in economic activities, the improvement in compensation of employees is projected to be sluggish.⁸

2. Prices

Import prices on a yen basis rose compared to the level three months earlier,⁹ mainly reflecting the depreciation of the yen (Chart 17).

Domestic wholesale prices are declining (Chart 18). In April, domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates¹⁰) decreased compared to the level three months earlier. This was because the prices of steel, transportation equipment, and electrical machinery, such as semiconductors and household electrical appliances, continued to decrease, although electricity charges rose as the past increase in crude oil prices was passed on.

Corporate service prices are declining somewhat faster (Chart 19). In March, the rate of decrease in corporate service prices (domestic supply-demand factors¹¹) expanded slightly compared to the level three months earlier. The decline was mainly due to the lower communications charges (such as domestic fixed telephone

⁸ According to the Japan Federation of Employers' Association (*Nikkeiren*) survey (final results), the average wage increase (includes regular pay increases) was 1.93 percent, about the same as the previous year (1.97 percent).

⁹ 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.

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

¹¹ 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 19.

services) and the reduction in the prices for leasing that reflected the price decline in IT-related goods and long-term interest rates.

Consumer prices remain somewhat weak (Chart 20). In March, consumer prices (excluding perishables) declined compared to the level three-months earlier. While prices rose somewhat for private-sector services (housing rent), prices of imported products and their substitutes continued to decline due to the increase in imports of inexpensive consumer goods (Chart 21). The year-to-year rate of decrease in March was about the same as that of the previous month.¹² (The year-to-year change was -0.5 percent in January 2001, -0.6 percent in February, and -0.6 percent in March).

Regarding the conditions surrounding price developments, the prior yen depreciation is exerting upward pressure on prices. However, with the ongoing adjustments in economic activities, the balance between supply and demand in the domestic market is likely to exert downward pressure on prices. In addition, the declining trend of machinery prices caused by technological innovations, the decrease in prices of consumer goods arising from the streamlining of distribution channels, and the reduction in communications charges aided by deregulation will continue to restrain price developments. Overall, prices are expected to be weak for the time being.

3. Financial Developments

(1) Financial Markets

Interest rate developments in short-term money markets (Charts 22[1] and 23) show that the overnight call rate (uncollateralized) has declined further, reflecting the guideline for money market operations to maintain the current-account balance at the Bank of Japan at around 5 trillion yen, and is currently moving at about 0.01 percent.

¹² Overall consumer prices including perishable goods in March were basically the same as those excluding perishables, since the prior rise in vegetable prices due to irregular weather has been leveling off. (The year-to-year change was +0.1 percent in January 2001, -0.1 percent in February, and -0.4 percent in March.)

As for interest rates on term instruments, three-month Euro-yen rates (TIBOR), TB and FB rates are declining further. The Japan premium (Chart 26) remains negligible.

Yields on ten-year government bonds (newly issued; Chart 22[2]) have recently declined to around 1.3 percent mainly due to expectations for the new government's stance to reduce budget deficit. The yield spreads between government and private bonds (bank debentures and corporate bonds; Charts 28 and 29) were mostly unchanged or contracting somewhat.

Stock prices (Chart 30[1]) rose until early May, reflecting the recovery in U.S. stock prices and expectations for the new government's stance on structural reform but have been declining slightly thereafter due mainly to the somewhat weakening U.S. stocks.

In the foreign exchange market (Chart 31), the yen has appreciated slightly, reflecting the inflow of funds from overseas against the background of expectations toward structural reform in Japan, and is currently being traded in the range of 122-124 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The growth rate of money stock ($M_2 + \text{CDs}$; Chart 32) is around 2.5 percent. The year-on-year growth in $M_2 + \text{CDs}$ was 2.7 percent in April. (The year-on-year change was 2.7 percent in February, 2.6 percent in March, and 2.7 percent in April.)

In April, the growth rate of monetary base (currency in circulation + current deposits at the Bank of Japan; Chart 33) remained modest on a year-on-year basis. (The year-on-year change was 3.4 percent in February, 1.2 percent in March, and 1.4 percent in April.)

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. There seem to be no significant changes in firms' perception on the lending attitude of financial

institutions. The fund-raising conditions of firms in the markets for such instruments as corporate bonds and CP are improving further owing to the decline in market interest rates and the more active stance of investors to take credit risks.

On the other hand, the credit demand of private firms continues to lack momentum as the level of corporate expenditures such as business fixed investment remains below firms' cash flow. 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;¹³ Chart 34), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, remains sluggish. (The year-on-year change was -1.6 percent in February, -1.8 percent in March and -1.5 percent in April.) Meanwhile, the amount outstanding of corporate bonds issued continues to be above the previous year's level but the growth rate is slowing. The amount outstanding of CP issued (excluding those issued by banks) is well above that of the previous year marking the highest level to date as firms' intentions to issue CP have increased reflecting the decline in issuance rates (Chart 36).

Funding costs for firms are declining reflecting developments in market interest rates. The long-term prime lending rate was lowered by 0.10 percent to 1.75 percent on May 10. In the capital market, corporate bond issuance rates are on a downward trend. CP issuance rates are also declining further.

The number of corporate bankruptcies (Chart 39) is recently at around the previous year's level.

In this financial environment, the lending attitude of financial institutions and corporate financing conditions remain easy. For the time being, attention should be

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.

paid to the effects of the additional monetary easing measures taken by the Bank, while careful monitoring is required for the effects of stock price developments and corporate profit conditions on the behavior of financial institutions and the fund-raising conditions of firms.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2000/Q3	Q4	2001/Q1	2001/January	February	March	April
Index of living expenditure level (all households)	-1.8	0.4	1.0	-1.1	4.1	-4.3	n.a.
Sales at department stores	-1.1	0.1	1.7	3.7	-0.6	-0.2	n.a.
Sales at chain stores	-0.7	-0.9	0.5	6.4	-2.2	-1.9	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 295>	< 303>	< 301>	< 305>	< 300>	< 299>	< 291>
Sales of household electrical appliances (real, NEBA)	2.1	3.3	11.5	9.4	-4.3	19.1	n.a.
Outlays for travel (50 major travel agencies)	-0.3	1.4	0.0	-3.1	2.7	-0.6	n.a.
Housing starts <s.a., ann. 10,000 units>	< 121>	< 123>	< 118>	< 120>	< 114>	< 121>	<n.a.>
Machinery orders (from private sector ⁴)	6.8	1.3	-7.0	-7.5	3.0	-3.6	n.a.
Manufacturing	-0.3	8.5	-12.8	-10.8	-1.8	-1.8	n.a.
Nonmanufacturing ⁴	14.2	-4.2	-2.8	-5.4	6.3	-3.6	n.a.
Construction Starts (private, nonresidential use)	-8.5	-7.9	-3.0	-2.9	-4.4	-1.4	n.a.
Mining & manufacturing	9.0	-4.3	4.1	5.3	-12.2	14.4	n.a.
Nonmanufacturing ⁵	-12.4	-12.6	-7.5	-8.5	-1.2	-4.0	n.a.
Value of public works contracted	-0.1	0.0	15.5	-11.2	8.3	51.8	-35.3
Real exports	1.0	0.2	-4.7	-7.9	7.3	-0.2	n.a.
Real imports	1.3	5.0	-3.3	-3.0	-0.5	-0.9	n.a.
Industrial production	1.5	0.6	p -3.7	-4.4	1.0	p -2.1	n.a.
Shipments	1.4	0.1	p -3.6	-4.1	1.2	p -2.6	n.a.
Inventories	-0.5	0.9	p 2.3	0.4	1.1	p 0.7	n.a.
Inventories/shipments <s.a., 1995=100>	<99.8>	<101.2>	<p 106.2>	<103.0>	<103.6>	<p 106.2>	n.a.
Real GDP	-0.6	0.7	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.0	0.5	n.a.	-1.7	1.4	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2000/Q3	Q4	2001/Q1	2001/January	February	March	April
Ratio of job offers to applicants <s.a., times>	<0.62>	<0.65>	<0.63>	<0.65>	<0.64>	<0.61>	<n.a.>
Unemployment rate <s.a., %>	<4.65>	<4.80>	<4.75>	<4.86>	<4.68>	<4.72>	<n.a.>
Overtime working hours ⁶	4.0	3.0	0.7	2.2	1.0	-0.9	n.a.
Number of employees	0.7	1.2	1.2	0.9	1.4	1.3	n.a.
Number of regular employees ⁶	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2	n.a.
Nominal wages per person ⁶	0.4	-0.1	0.1	1.3	-0.5	-0.5	n.a.
Domestic wholesale price index <q/q % chg.> (3-month growth rate)	0.2 <0.0>	-0.1 <-0.2>	-0.4 <-0.2>	-0.3 <-0.2>	-0.4 <-0.1>	-0.5 <-0.3>	-0.7 <-0.2>
Consumer price index (nationwide) ⁷ <s.a., q/q % chg.> (3-month growth rate)	-0.4 <-0.1>	-0.5 <-0.2>	-0.6 <-0.1>	-0.5 <-0.1>	-0.6 <-0.1>	-0.6 <-0.2>	n.a. <n.a.>
Corporate service price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-0.9 <-0.2>	-1.0 <-0.3>	-1.4 <-0.4>	-1.3 <-0.4>	-1.4 <-0.3>	-1.5 <-0.5>	n.a. <n.a.>
Monetary aggregates (M ₂ +CDs) <average outstanding, y/y % chg.>	1.9	2.1	p 2.6	2.4	2.7	p 2.6	p 2.7
Number of suspension of transactions with banks	15.2	-0.1	-9.0	-12.7	-5.0	-9.1	-8.4

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.

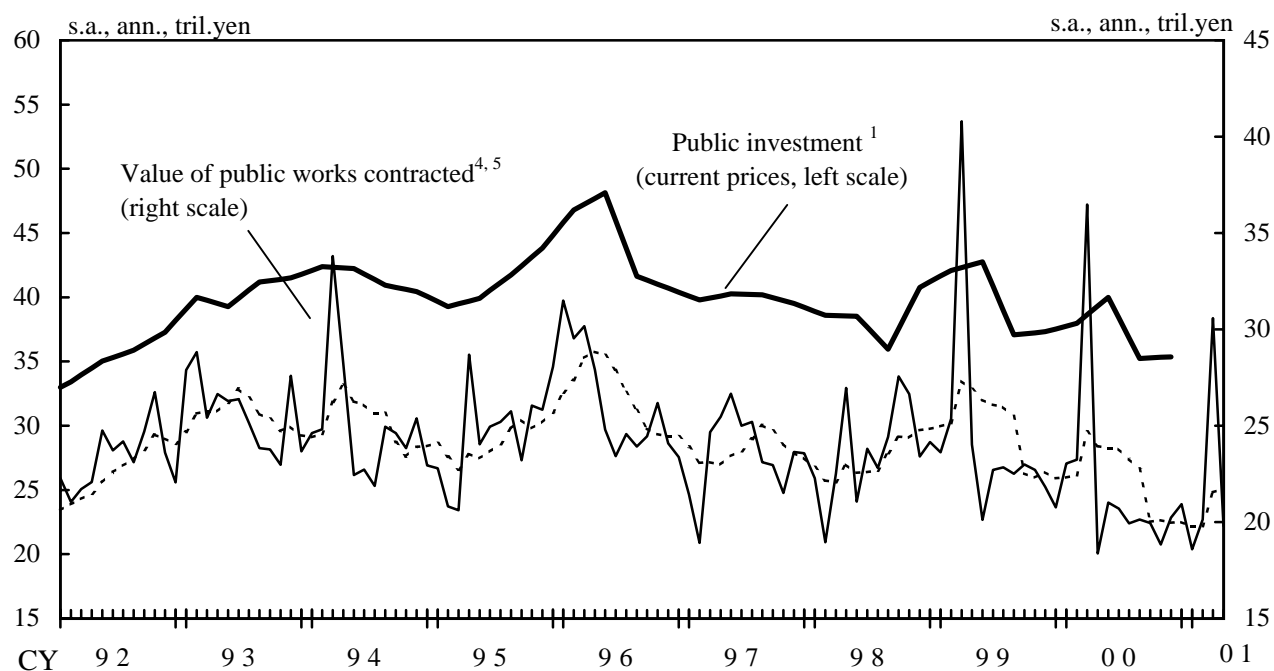
8. Domestic supply-demand factors.

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

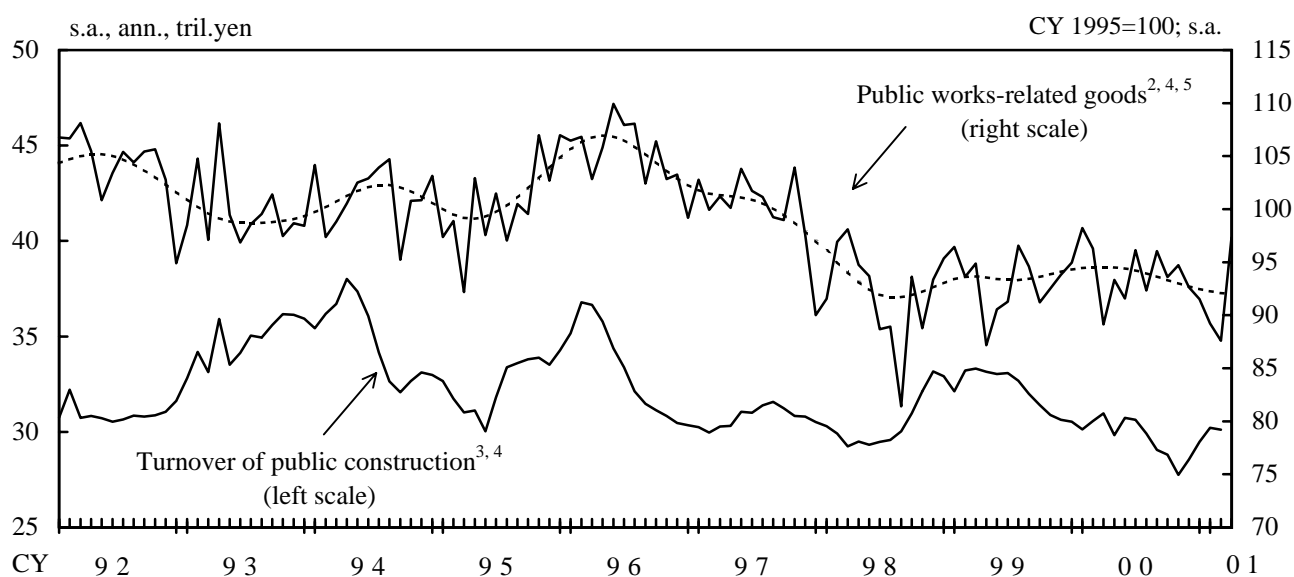
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey," "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production," "Indices 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 Land, Infrastructure and Transport, "Major Travel Agents' Revenue," "Monthly of Construction Statistics"; Ministry of Finance, "The Summary Report on Trade of Japan"; Cabinet Office, "Machinery Orders Statistics," "National Accounts"; Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics"; Ministry of Health, Labour and Welfare, "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. The data for March 2001 are preliminary.

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 (β 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: Cabinet Office, "National Accounts";

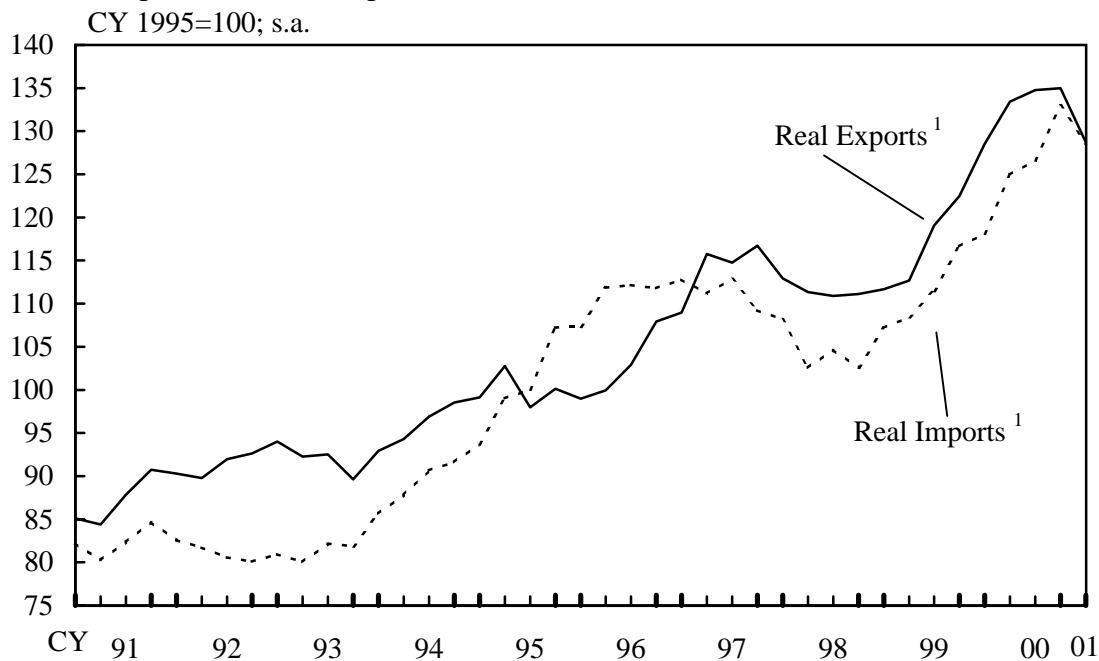
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";

Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works";

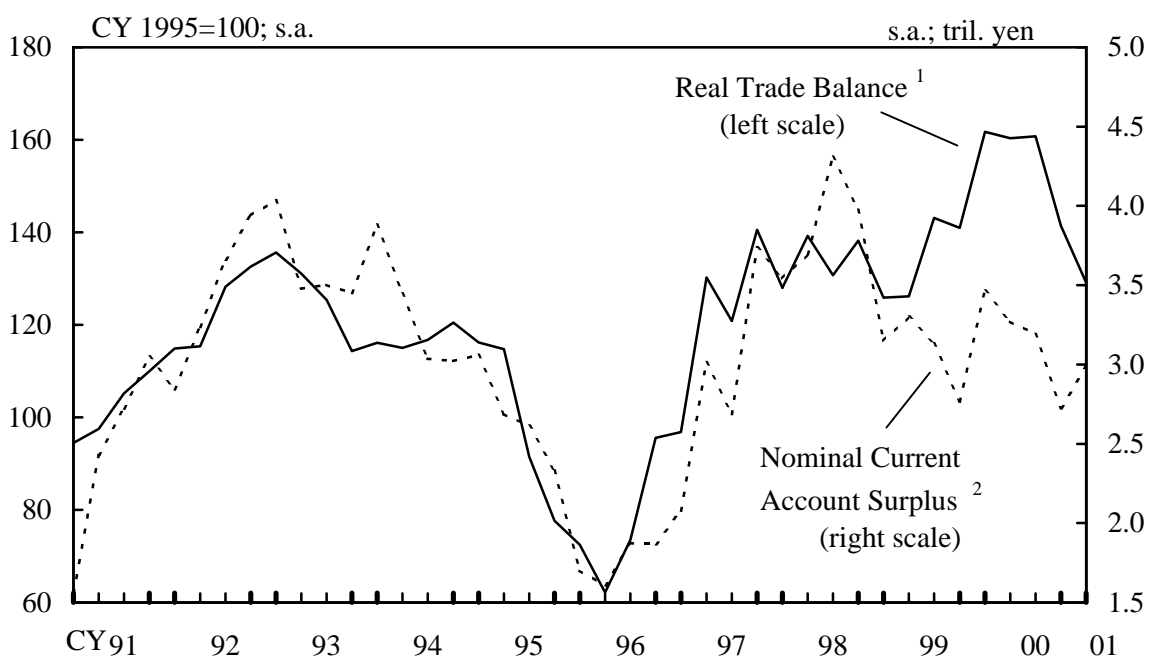
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



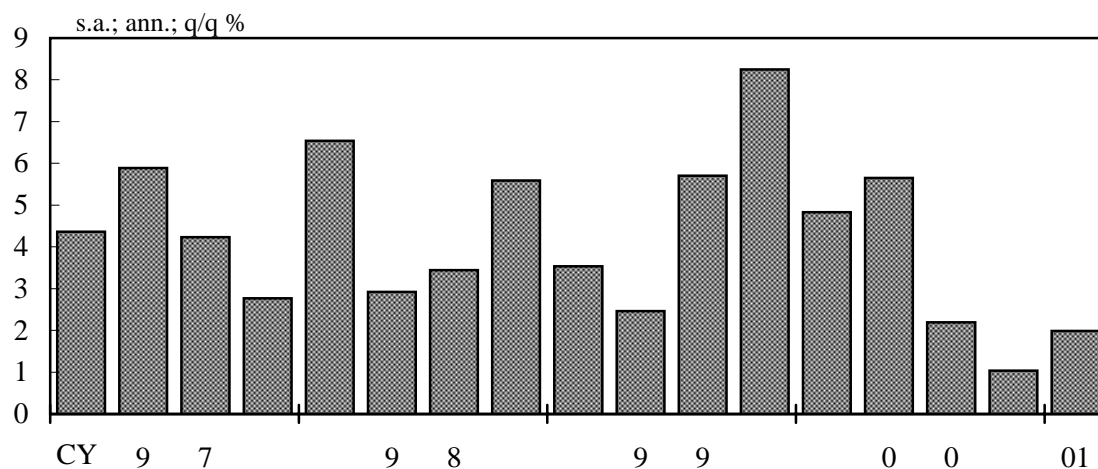
Notes: 1. Seasonally adjusted by X-11.

2. Annual revision of seasonal factors is conducted by using data up to December 2000.

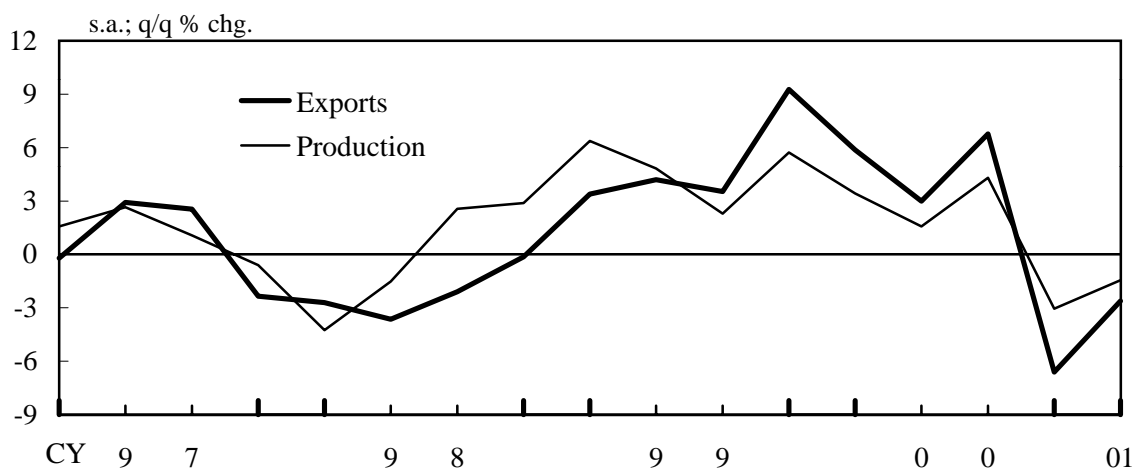
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
Bank of Japan, "Balance of Payments Monthly," "Wholesale Price Indexes."

Impacts of the U.S. Slowdown

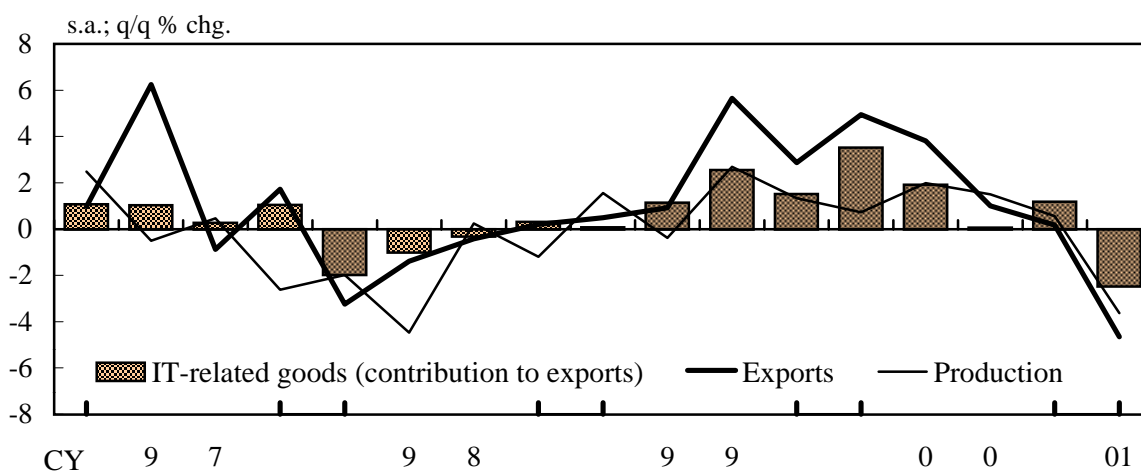
(1) United States - Real GDP



(2) NIEs3 - Exports and Production ¹



(3) Japan - Exports and Production ²



Notes: 1. Data for three members: Korea, Taiwan, and Singapore. Figures are the weighted sum of those three members, where weights come from real GDP. Exports are in nominal (U.S. dollar) terms.

2. Exports are in real terms (seasonally adjusted by X-11).

Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production"; U.S. Department of Commerce, "National Income and Product Accounts"; CEIC Data Company.

Real Exports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 99	2000	2000 Q1	Q2	Q3	Q4	2001 Q1	2001 Jan.	Feb.	Mar.
United States	<29.7>	4.6	11.7	3.7	2.9	0.8	6.0	-6.7	-10.9	5.7	-3.2
EU	<16.3>	0.9	6.4	3.2	-0.1	-0.1	-2.3	1.2	-6.5	7.9	3.5
East Asia	<39.7>	12.0	25.6	11.1	5.5	2.7	-1.7	-4.4	-2.3	1.2	-3.0
China	<6.3>	12.3	27.7	14.0	6.9	11.5	1.3	10.1	13.6	2.3	-10.1
NIEs	<23.9>	11.2	25.7	11.3	3.6	1.4	-2.3	-9.5	-8.0	2.5	-1.4
Taiwan	<7.5>	7.8	22.4	6.2	8.1	2.8	-9.2	-16.6	-14.0	2.8	5.3
Korea	<6.4>	43.9	30.3	13.7	-0.5	1.1	-0.8	-5.4	-7.3	6.7	-7.9
ASEAN4 ³	<9.5>	13.6	24.0	9.0	9.4	0.8	-2.3	-1.8	0.4	-2.3	-1.2
Thailand	<2.8>	15.3	18.9	-0.7	6.4	4.7	1.6	-5.2	-6.6	4.2	-4.2
Real exports		4.5	14.1	4.9	3.8	1.0	0.2	-4.7	-7.9	7.3	-0.2

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 99	2000	2000 Q1	Q2	Q3	Q4	2001 Q1	2001 Jan.	Feb.	Mar.
Intermediate goods	<14.1>	5.4	5.1	2.1	1.5	0.7	0.7	-2.1	-1.3	0.4	0.4
Motor vehicles and their related goods	<20.2>	2.8	9.2	-2.4	8.2	4.2	-1.1	-7.8	-18.4	22.4	-3.9
Consumer goods ⁴	<7.0>	5.0	13.0	3.9	2.5	-0.3	2.6	-6.0	-6.3	4.4	-0.4
IT-related goods ⁵	<18.8>	6.4	25.2	12.0	5.6	-2.6	5.9	-5.7	-6.5	2.7	-1.2
Capital goods and parts ⁶	<29.7>	1.8	21.0	10.2	4.9	1.6	-3.3	-3.2	-6.1	3.6	3.1
Real exports		4.5	14.1	4.9	3.8	1.0	0.2	-4.7	-7.9	7.3	-0.2

Notes: 1. Seasonally adjusted by X-11.

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

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

4. Excluding motor vehicles.

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

6. Excluding IT-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 ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 99	2000	2000 Q1	Q2	Q3	Q4	2001 Q1	2001 Jan.	Feb.	Mar.
United States	<19.0>	-2.9	8.0	-3.0	8.6	2.4	4.7	-5.5	-4.8	1.9	-6.2
EU	<12.3>	5.8	8.5	1.4	1.1	2.1	4.3	2.1	2.0	-1.3	-4.5
East Asia	<39.6>	15.8	25.5	7.2	4.8	4.8	6.5	-1.1	-0.6	0.1	2.2
China	<14.5>	11.9	28.1	12.9	3.6	1.4	10.1	5.2	3.9	-10.4	23.1
NIEs	<12.2>	24.2	28.4	4.7	4.9	8.1	4.4	-5.3	1.1	4.0	-9.3
Taiwan	<4.7>	25.6	43.6	13.9	8.6	6.3	8.1	-7.7	1.9	8.3	-15.4
Korea	<5.4>	30.8	22.5	0.5	1.4	6.3	2.4	-2.6	0.2	1.7	-4.2
ASEAN4 ³	<12.8>	12.6	20.2	3.8	6.1	5.3	5.0	-3.8	-7.1	8.8	-7.7
Thailand	<2.8>	5.4	19.3	4.2	8.3	1.6	8.9	-4.1	-10.3	5.4	1.6
Real imports		6.1	13.3	1.2	5.8	1.3	5.0	-3.3	-3.0	-0.5	-0.9

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 99	2000	2000 Q1	Q2	Q3	Q4	2001 Q1	2001 Jan.	Feb.	Mar.
Raw materials ⁴	<26.8>	2.7	1.7	-0.8	1.7	-1.3	0.6	-1.7	2.0	0.1	-4.3
Intermediate goods	<13.0>	3.6	8.3	1.9	3.9	-1.1	5.6	0.1	0.9	-1.5	-6.2
Foodstuffs	<12.1>	2.8	5.4	3.8	-1.1	-0.1	2.2	-2.3	-5.3	-0.8	6.5
Consumer goods	<10.5>	8.1	21.3	6.0	4.4	1.3	9.3	-2.7	-4.4	-7.9	14.3
IT-related goods ⁵	<16.1>	18.7	43.9	7.5	12.8	11.7	7.3	-5.0	-2.8	2.8	-9.7
Capital goods and parts ⁶	<11.5>	5.1	12.4	-3.3	6.7	6.2	7.6	-3.7	-7.5	7.4	-6.9
excluding aircraft		4.4	21.5	5.6	3.9	5.5	8.9	0.5	0.5	-1.0	-4.2
Real imports		6.1	13.3	1.2	5.8	1.3	5.0	-3.3	-3.0	-0.5	-0.9

Notes: 1. Seasonally adjusted by X-11.

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

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

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

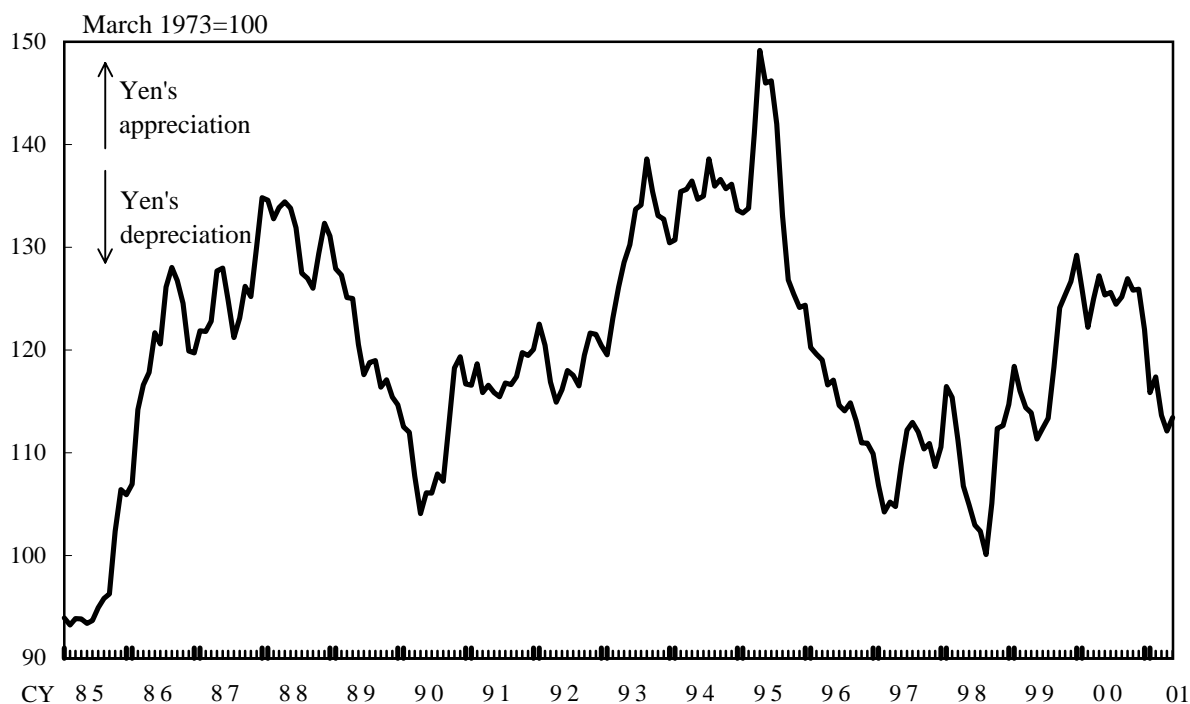
5. IT-related goods = office machinery + telecommunication machinery + ICs + scientific, medical and optical instruments.

6. Excluding IT-related goods.

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

Real Effective Exchange Rate and Overseas Economic Conditions

(1) Real Effective Exchange Rate



Note: Monthly average. The figure for May 2001 is the average of May 1-17. 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

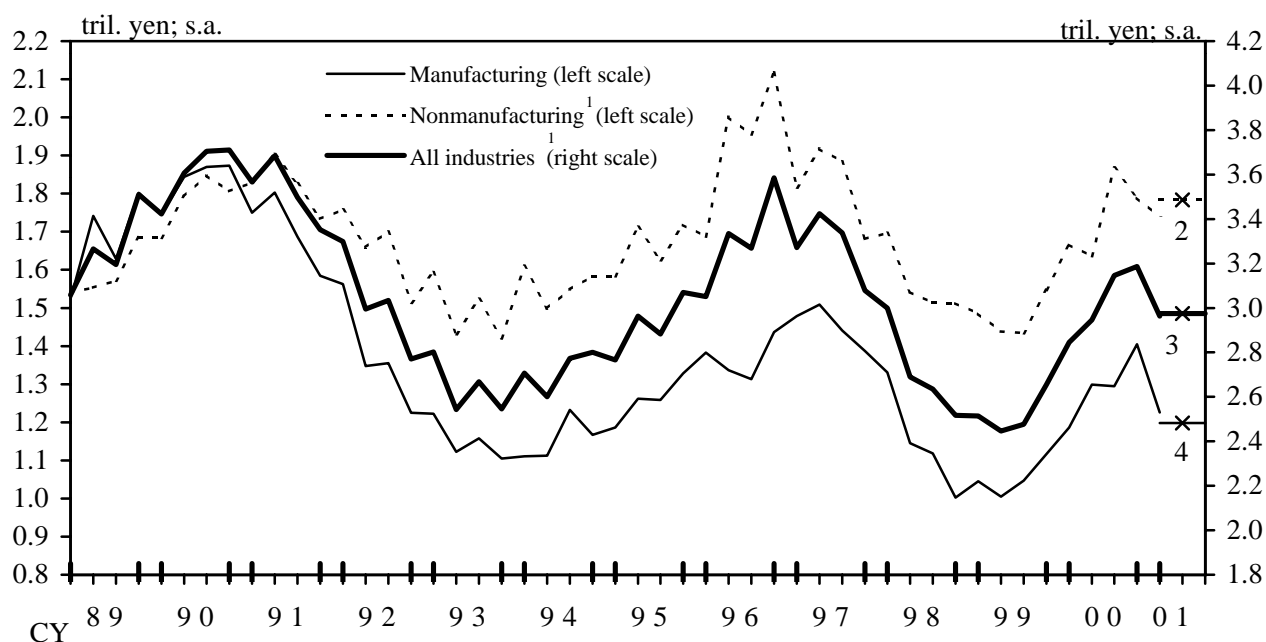
		CY98	99	2000	2000 Q2	Q3	Q4	2001 Q1
United States ¹		4.4	4.2	5.0	5.6	2.2	1.0	2.0
European Union ¹		2.9	2.5	3.3	3.3	2.4	2.5	n.a.
Germany		2.1	1.6	3.0	4.8	1.1	0.8	n.a.
France		3.5	3.0	3.3	3.0	2.6	4.0	n.a.
United Kingdom		2.6	2.3	3.0	3.6	3.5	1.4	1.4
China		7.8	7.1	8.0	(Jan-Jun) 8.2	(Jan-Sep) 8.2	(Jan-Dec) 8.0	8.1
East Asia ²	Korea	-6.7	10.9	8.8	9.7	9.2	4.6	n.a.
	NIEs							
	Taiwan	4.6	5.4	6.0	5.4	6.6	4.1	n.a.
	Hong Kong	-5.3	3.1	10.5	10.8	10.8	6.8	n.a.
	Singapore	0.1	5.9	9.9	8.4	10.3	11.0	4.6
ASEAN4	Thailand	-10.8	4.2	4.3	6.2	2.8	3.1	n.a.
	Indonesia	-13.1	0.8	4.8	5.2	4.4	5.2	n.a.
	Malaysia	-7.4	5.8	8.5	8.4	7.8	6.5	n.a.
	Philippines	-0.6	3.3	3.9	4.5	4.6	3.6	n.a.

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

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

Indicators for Business Fixed Investment

(1) Machinery Orders



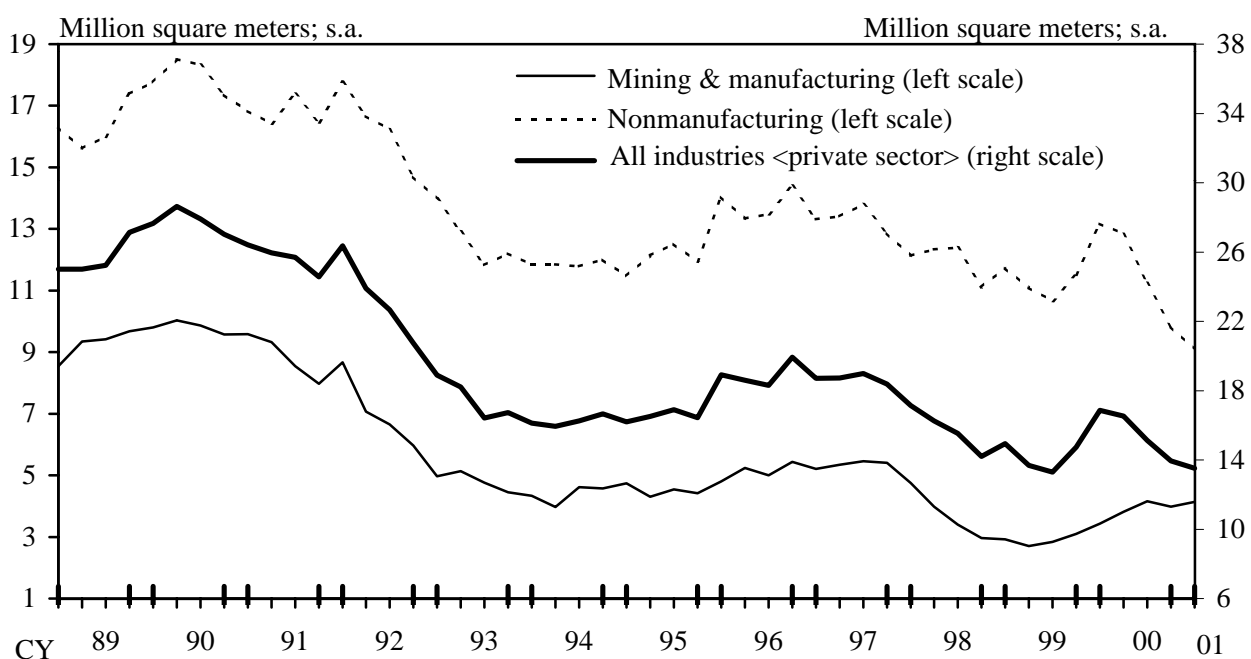
Notes: 1. Excludes orders from electric power companies and shipbuilding orders.

2. Forecast of nonmanufacturing industries for 2001/Q2.

3. Forecast of all industries for 2001/Q2.

4. Forecast of manufacturing industries for 2001/Q2.

(2) Construction Starts (Nonresidential)



Note: Seasonally adjusted by X-11.

Sources: Cabinet Office, "Machinery Orders Statistics";

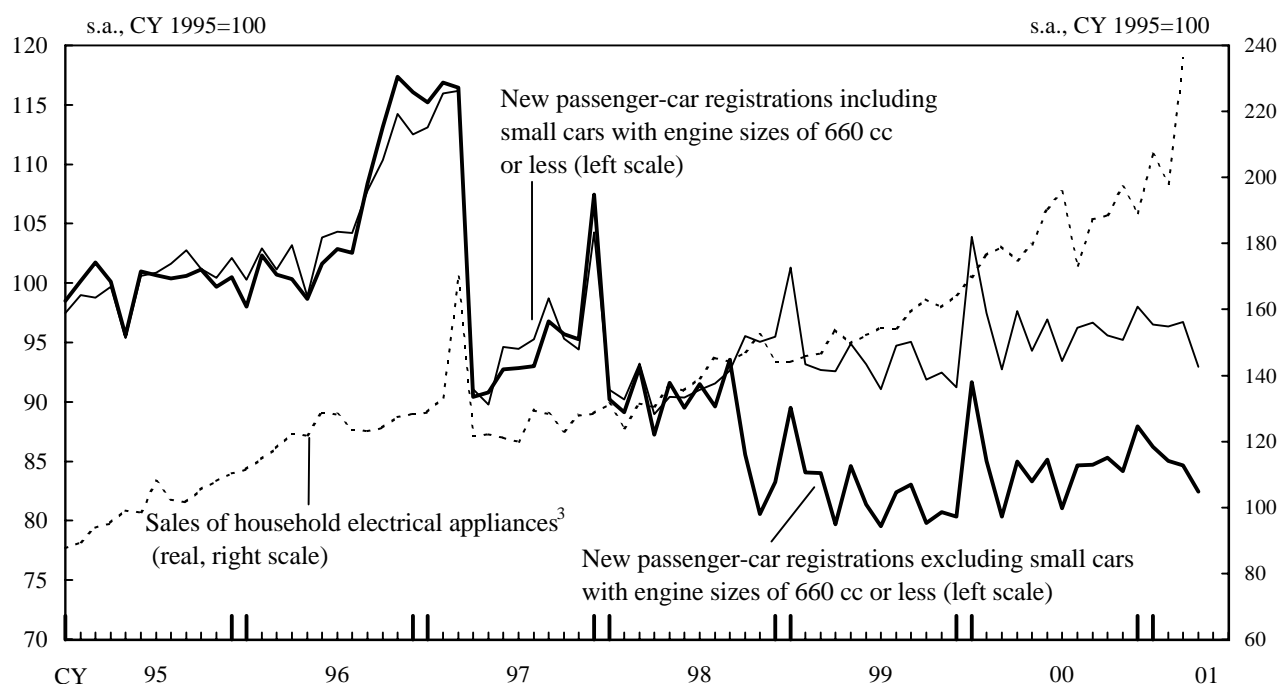
Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

Private Consumption¹ (1)

(1) Household Spending



(2) Sales of Durable Goods



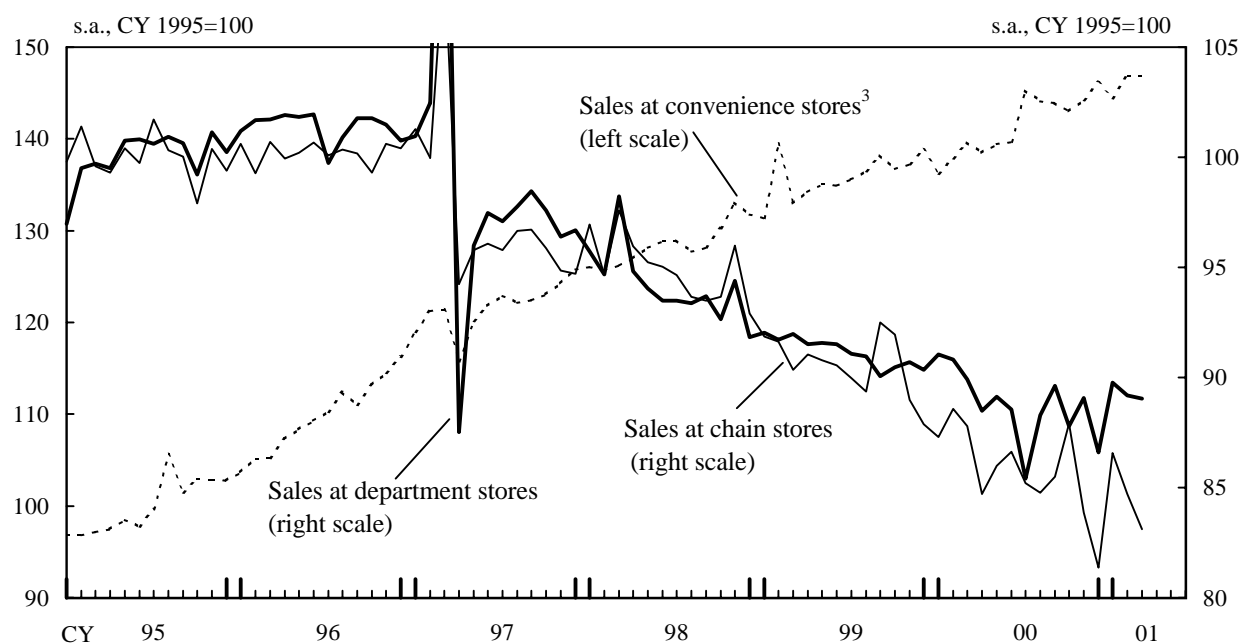
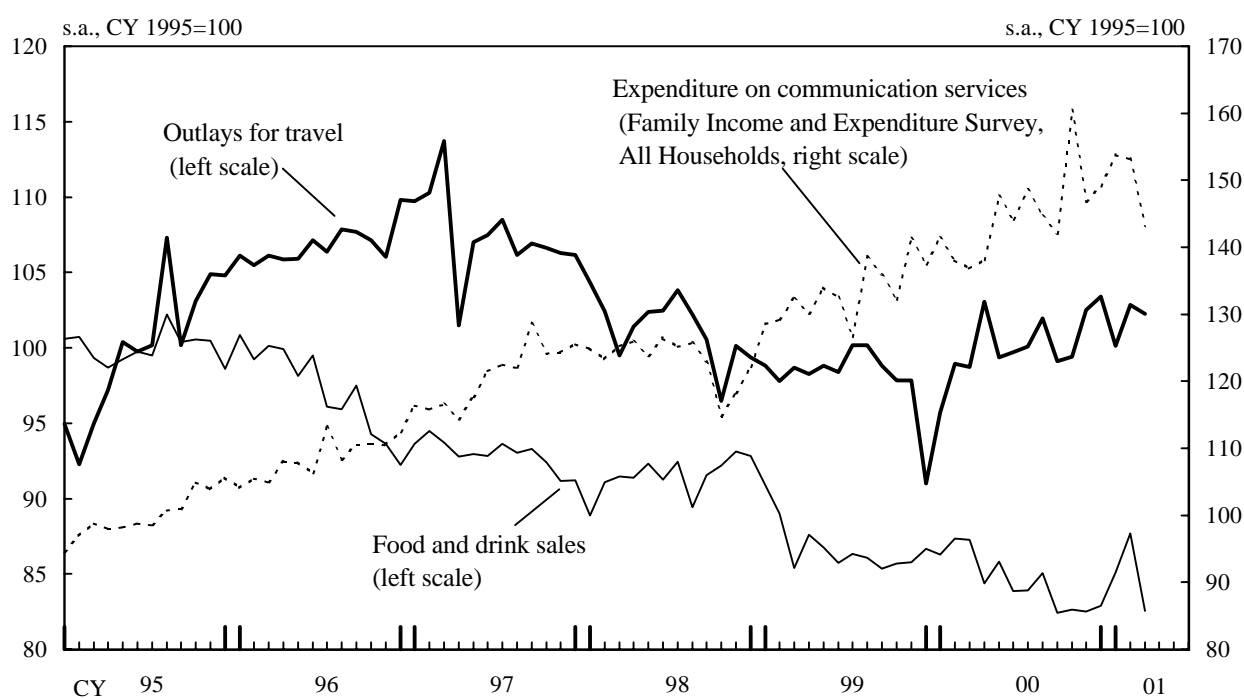
Notes: 1. Seasonally adjusted by X-12-ARIMA (β version).

Index of living expenditure level is seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications.

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: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, 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 Consumption¹ (2)(3) Sales of Retail Stores²(4) Consumption of Service⁴

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

2. Adjusted to exclude the effect of the increase in the number of stores (except convenience stores).
Sales 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: Ministry of Public Management, Home Affairs, Posts and Telecommunications,

"Monthly Report on the Family Income and Expenditure Survey,";

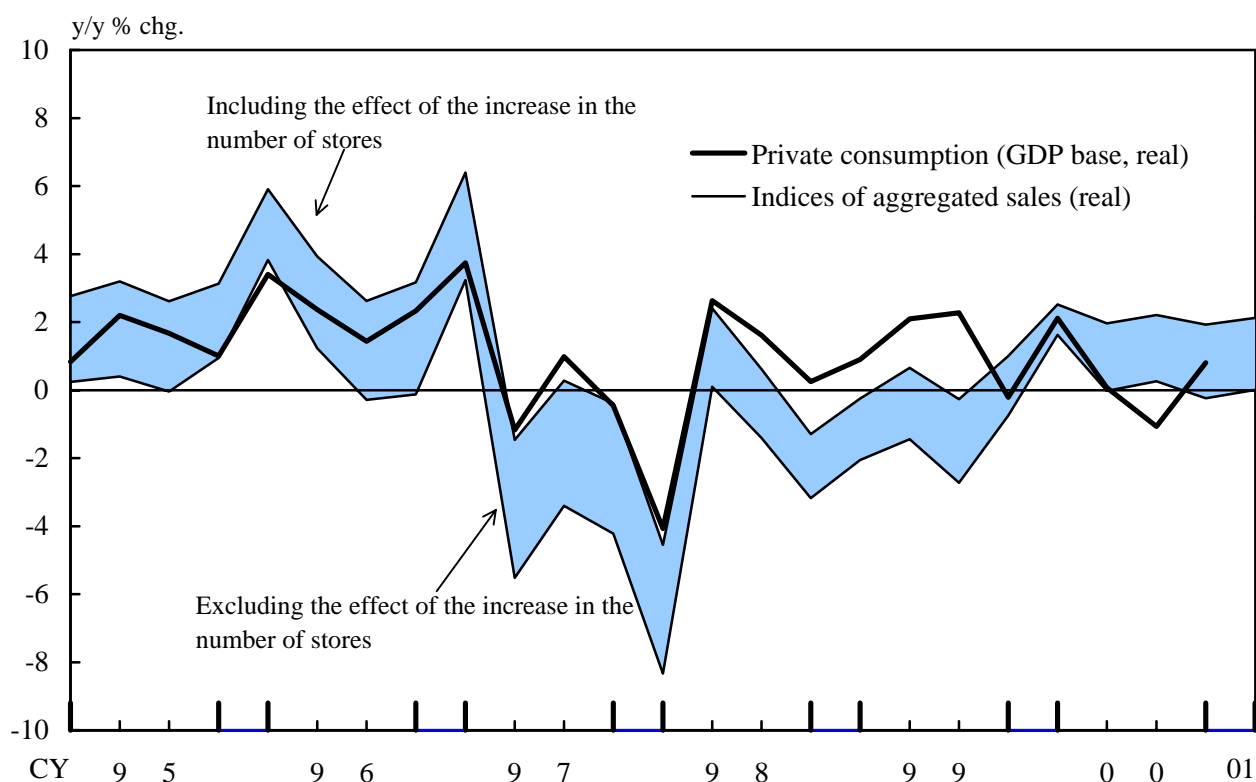
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

Japan Chain Stores Association, "Sales at Chain Stores";

Ministry of Land, Infrastructure and Transport, "Major Travel Agents' Revenue";

Foodservice Industry Survey & Research Center, "Monthly Survey of Food and Drink Sales."

Private Consumption (3)

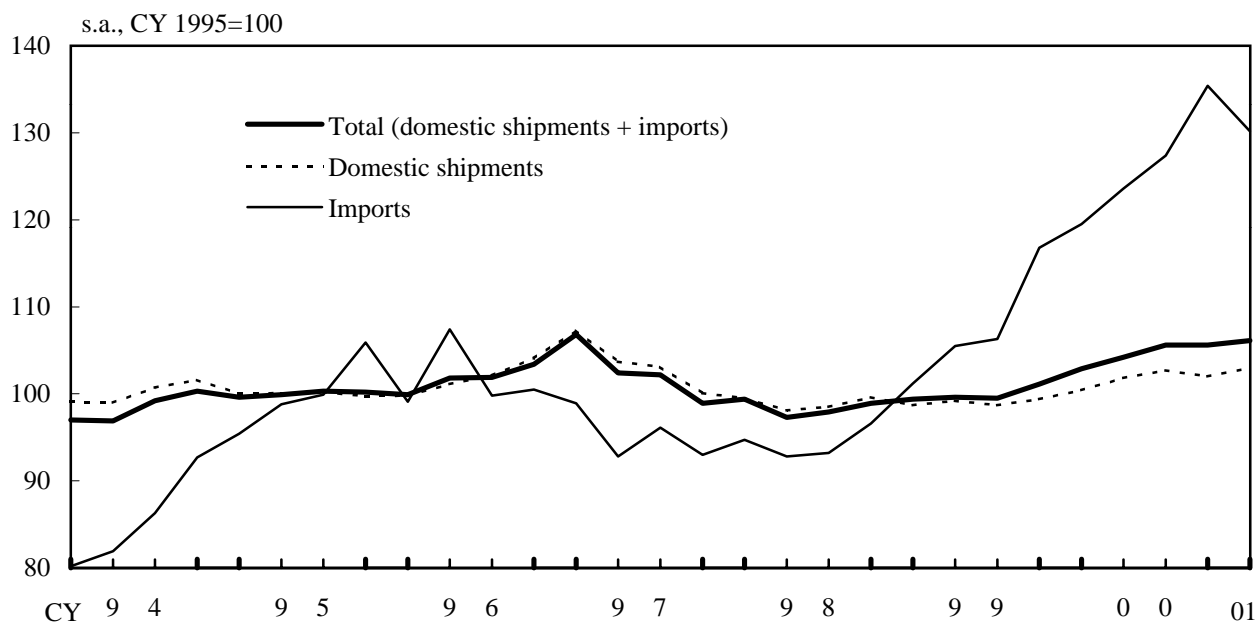


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *Sales at chain stores*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Food and drink sales*, where the weights come from the *Family 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 items of the 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.

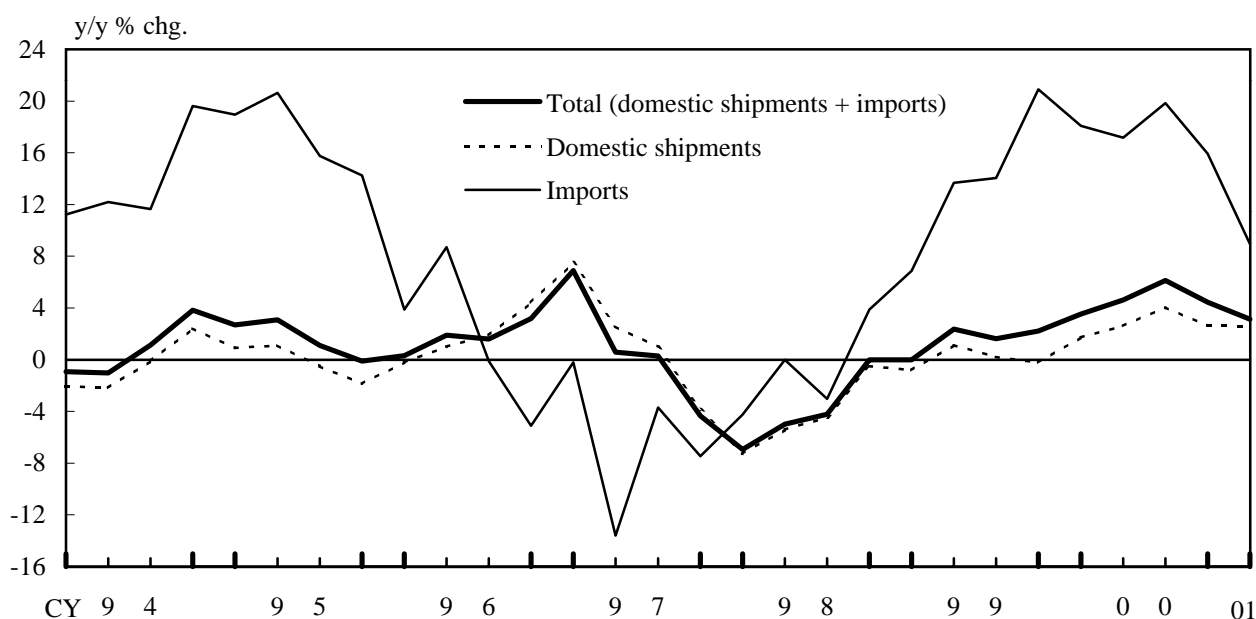
Sources: Cabinet Office, "National Accounts";
 Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey";
 Bank of Japan, "Wholesale 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 Land, Infrastructure and Transport, "Major Travel Agents' Revenue."

Private Consumption (4) - Estimation of consumer goods supply

(1) Level



(2) Changes from a year earlier



Notes: 1. "Domestic shipments" and "Imports" are components 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. Figures for 2001/Q1 of "Domestic shipments" are calculated from quarterly changes of *Indices of Industrial Production* (excluding the effects of exports).

3. Figures for 2001/Q1 of "Imports" are calculated from quarterly changes of real imports.
Real imports (consumer goods) = motor vehicles + audio and visual apparatus + office machinery + foodstuffs + textiles.

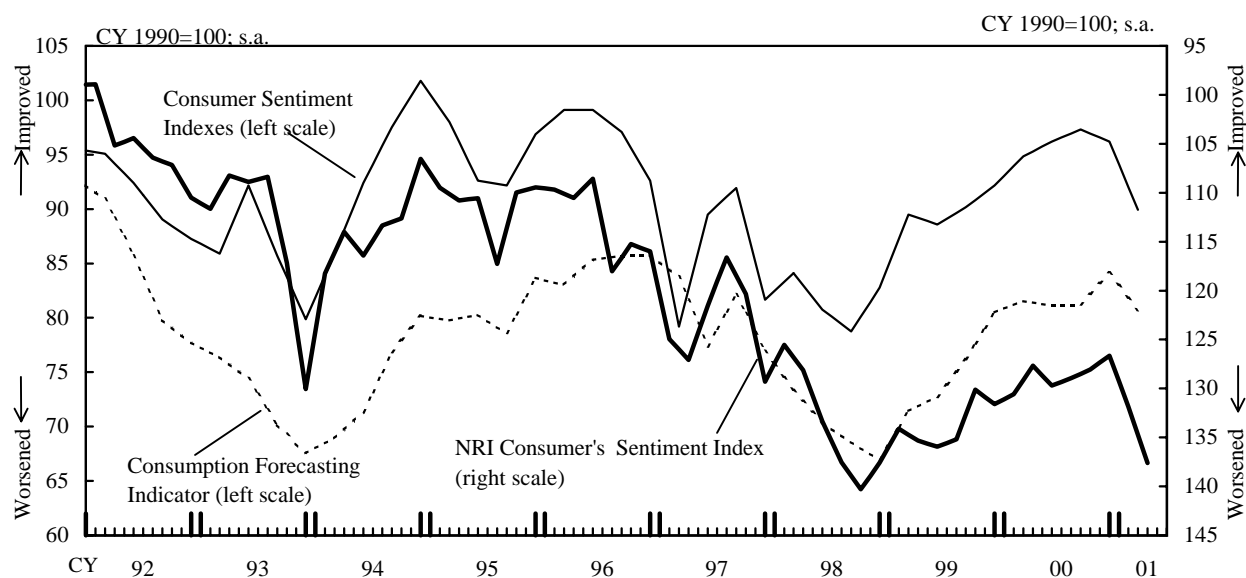
4. Figures for 2001/Q1 of "Total (domestic shipments + imports)" are calculated from weighted average of the quarterly changes in "Domestic shipments" and "Imports".

5. Year-on-year changes are calculated from seasonal adjusted series.

Sources: Ministry of Economy 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."

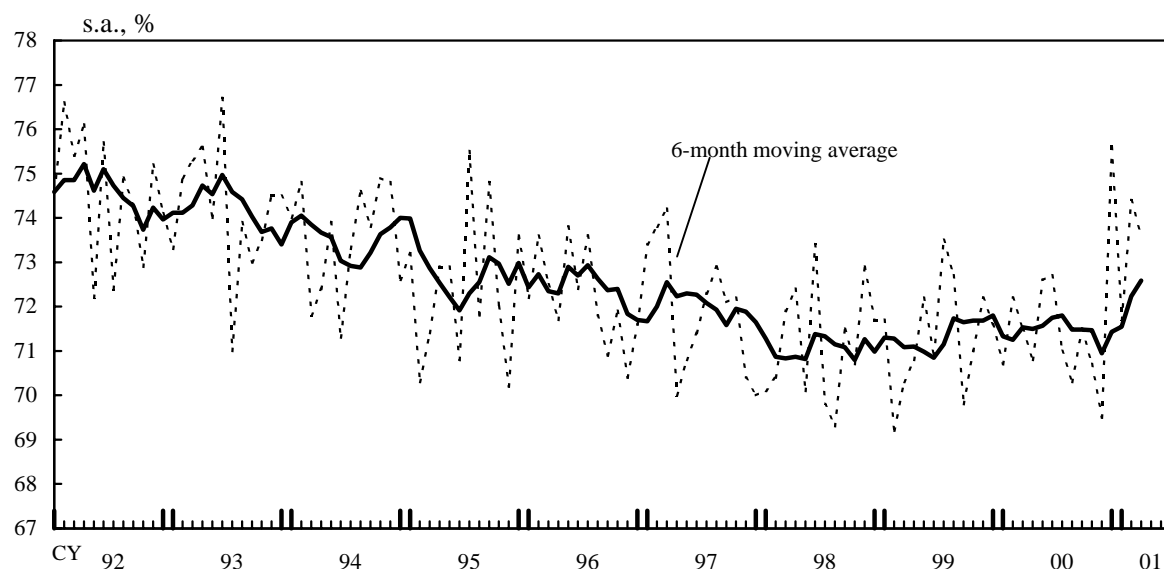
Consumer Confidence and Propensity to Consume

(1) Surveys on Consumer Confidence



- Notes:
1. Seasonally adjusted by X-11. "Consumer Sentiment Indexes" is seasonally adjusted by the Cabinet Office.
 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 Cabinet Office, "Consumption Forecasting Indicator" by NIKKEI RIM, and "NRI Consumer's Sentiment Index" by NRI.

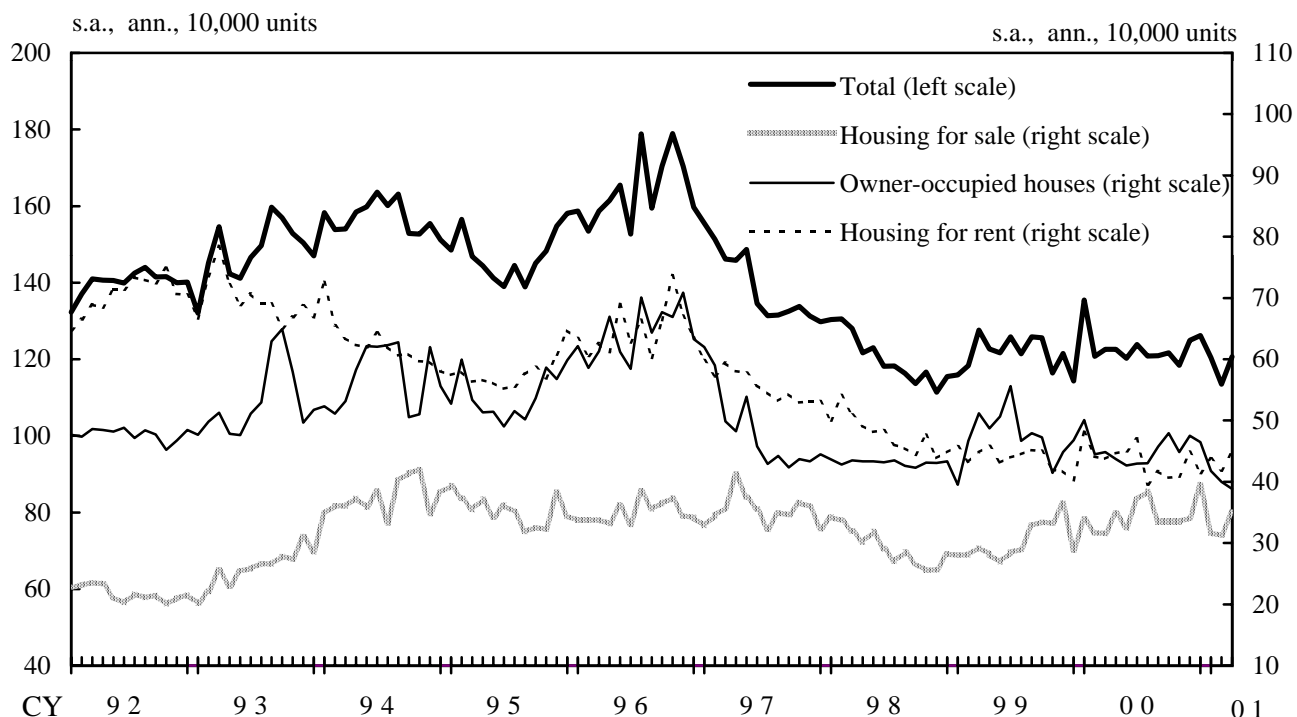
(2) Propensity to Consume (Family Income and Expenditure Survey)



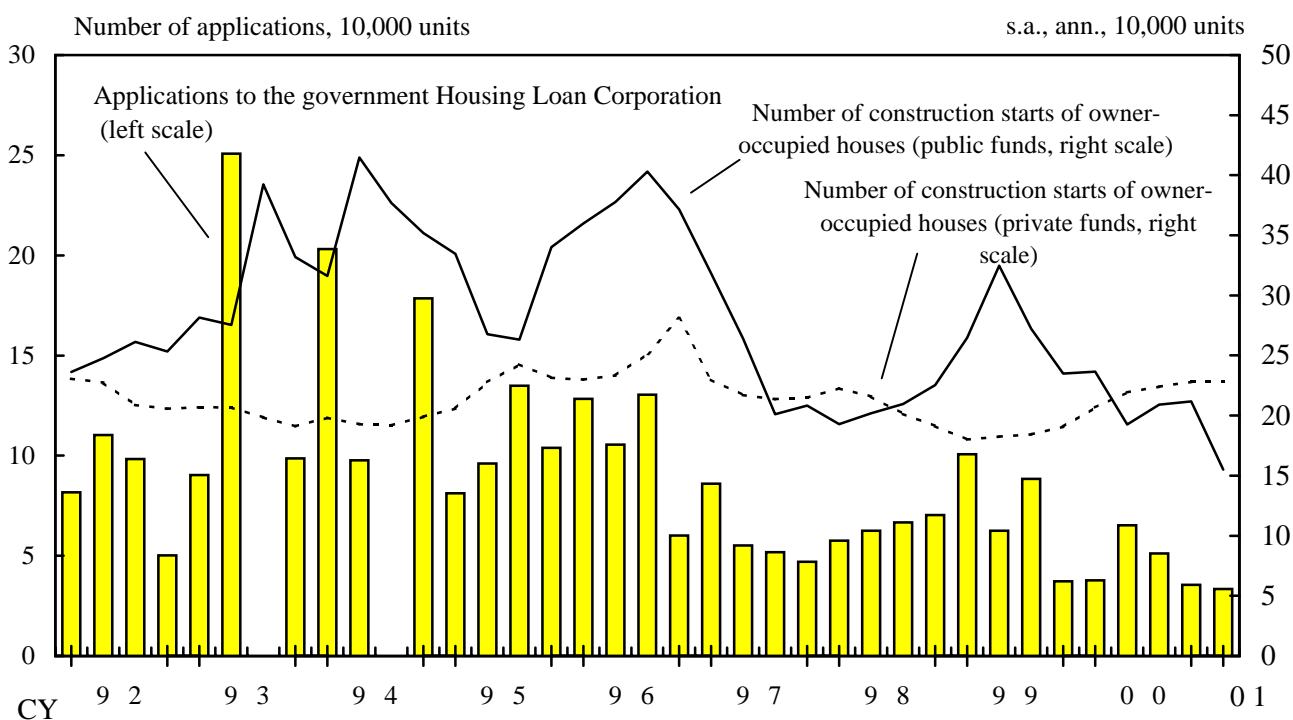
Sources: Cabinet Office, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications,
 "Monthly Report on the Family Income and Expenditure Survey";
 Nippon 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)

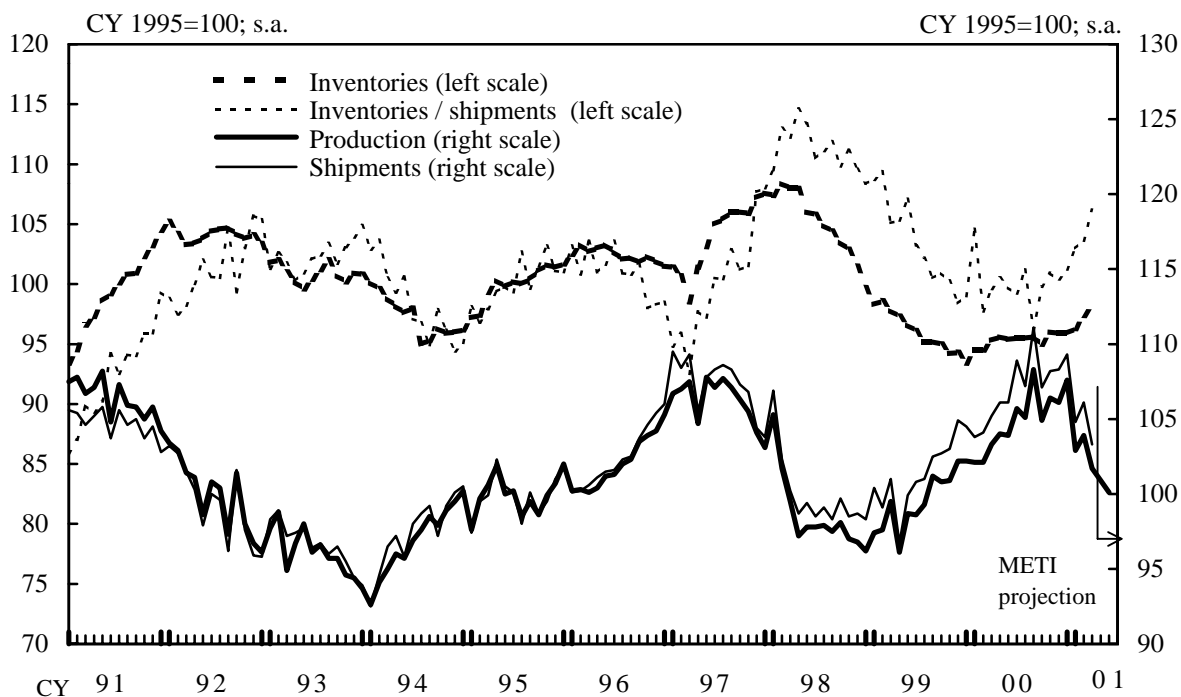


Note: The duration of the loan offering period (the government Housing Loan Corporation) differs and the period may be extended to the following quarter. The number of loan applications for the construction of private homes is placed in the quarter that includes most of the offering period.

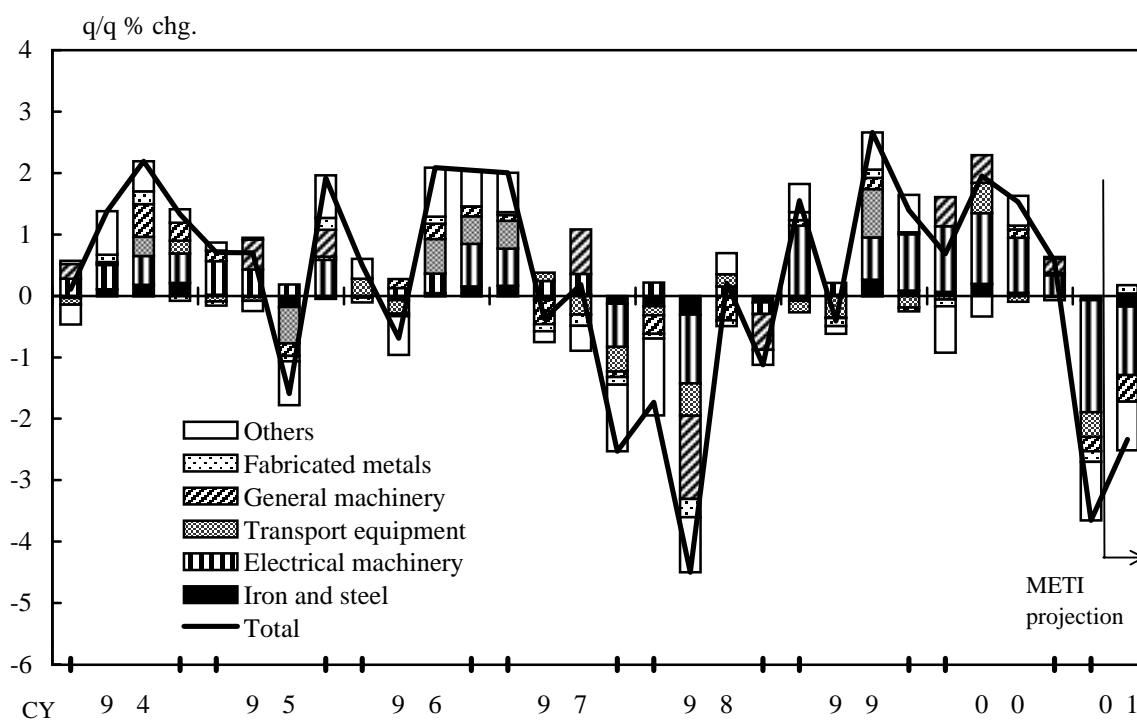
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



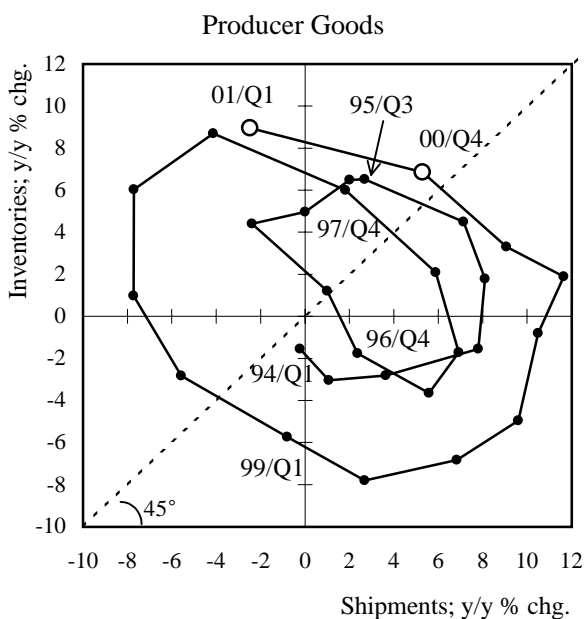
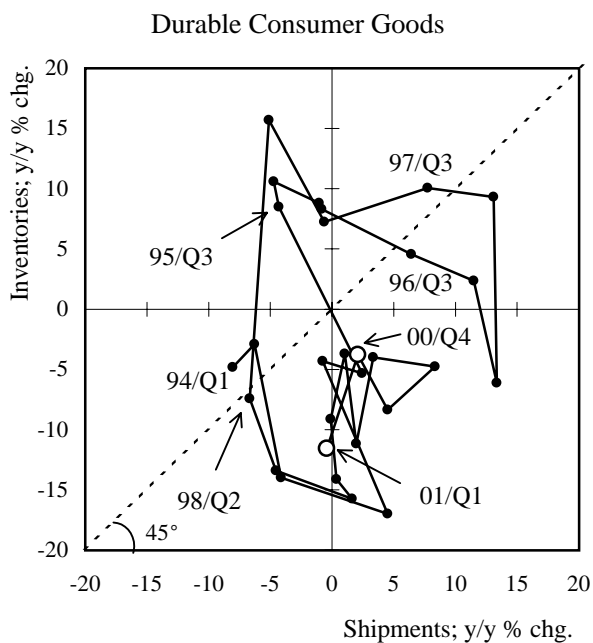
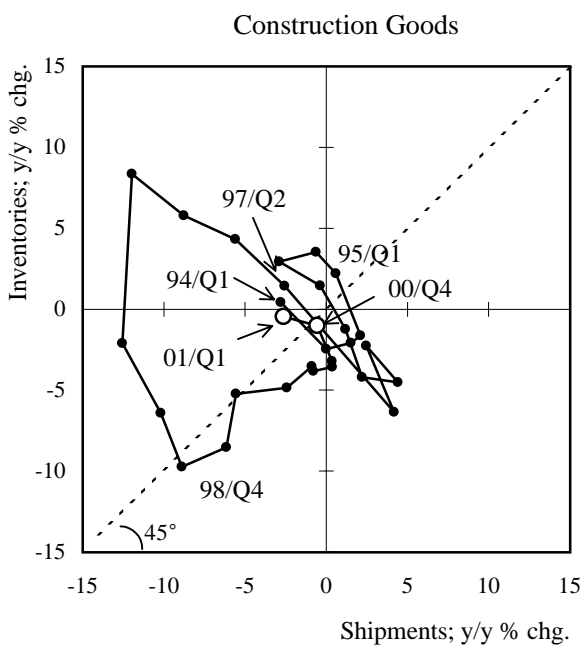
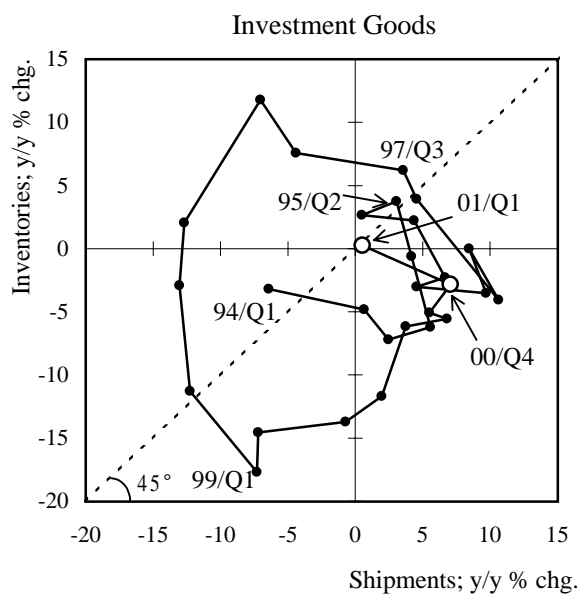
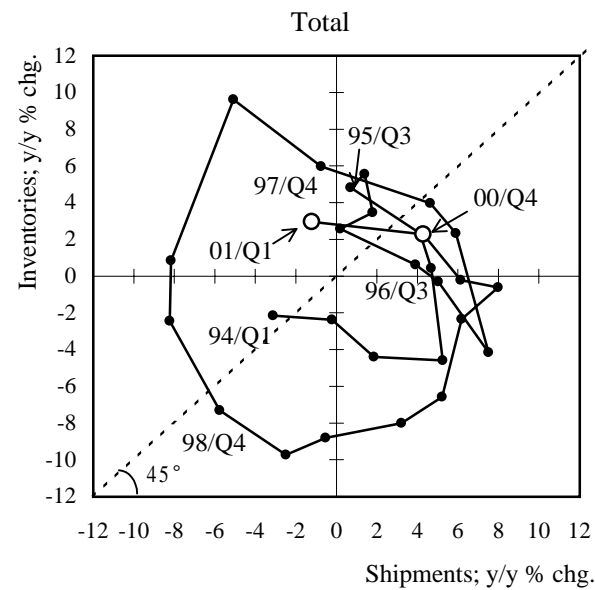
(2) Production by Industries



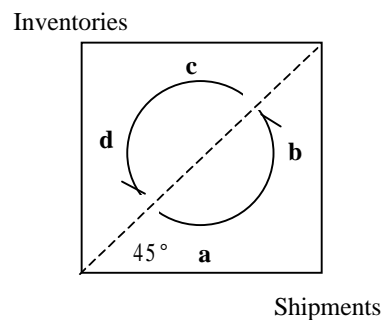
Note: Transport equipment excludes ships and rolling stock.

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

Inventory Cycle



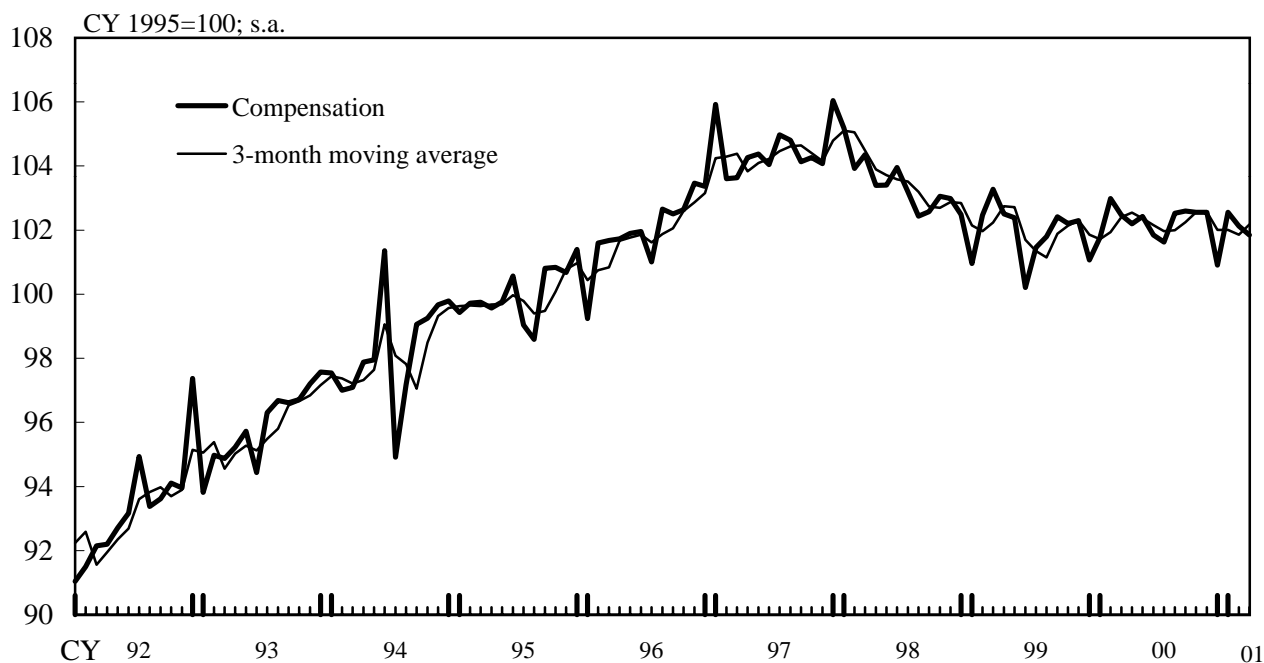
Phases in the Inventory Cycle



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

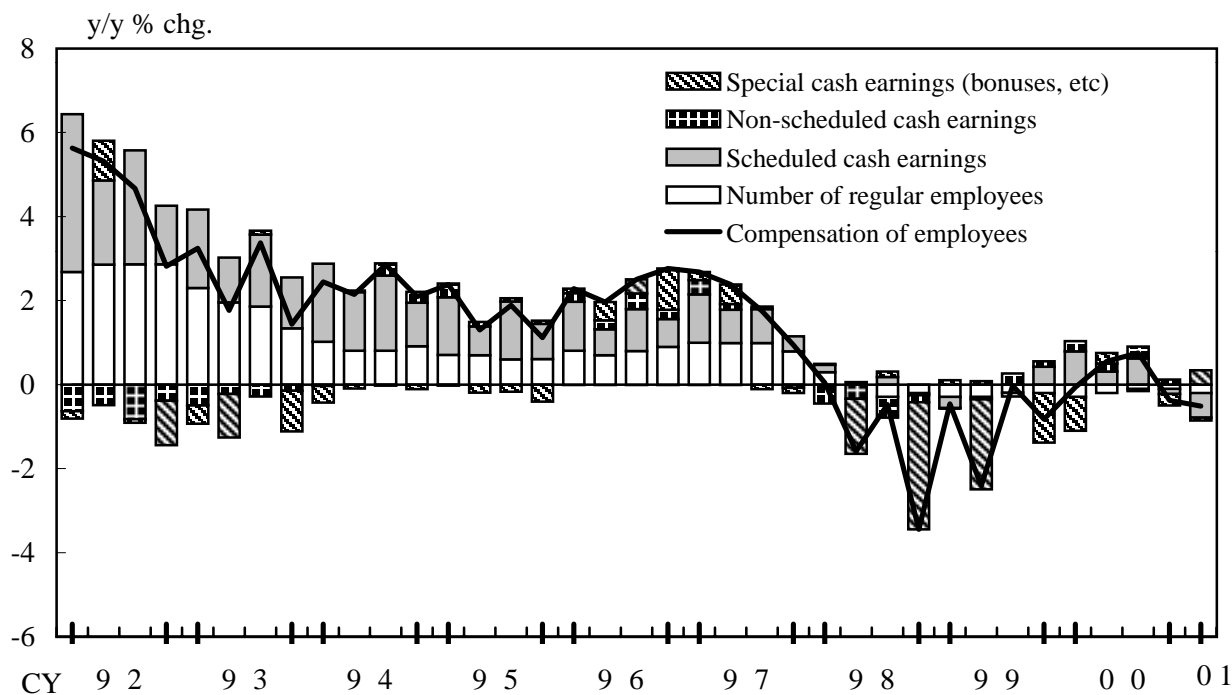
Compensation of Employees

(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 (β version).
 3. Data for establishments with at least 5 employees.

(2) Breakdown of Compensation

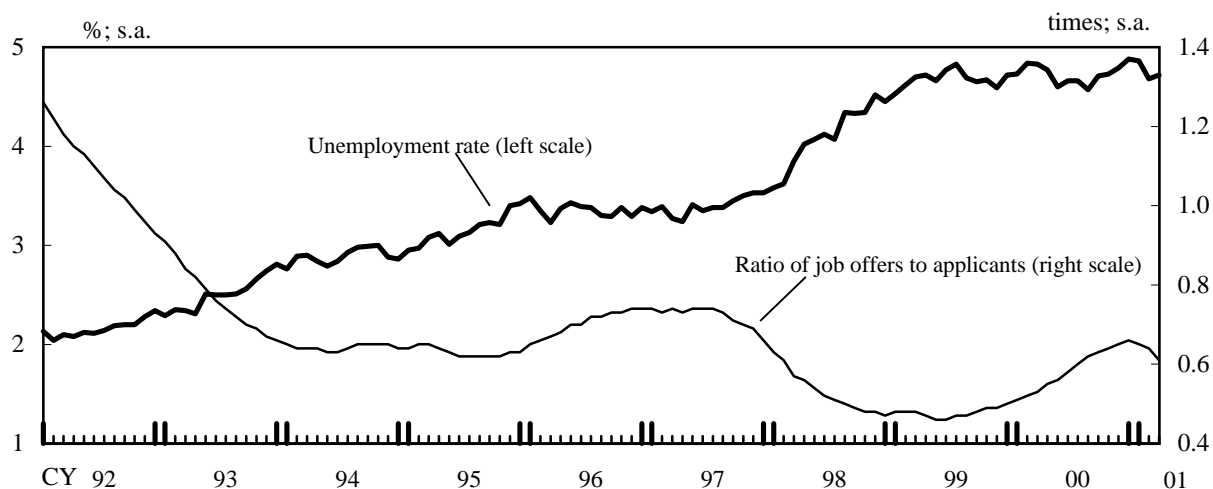


- Notes: 1. Data for establishments with at least 5 employees.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
 3. Figures for 2001/Q1 are those of the March 2001.

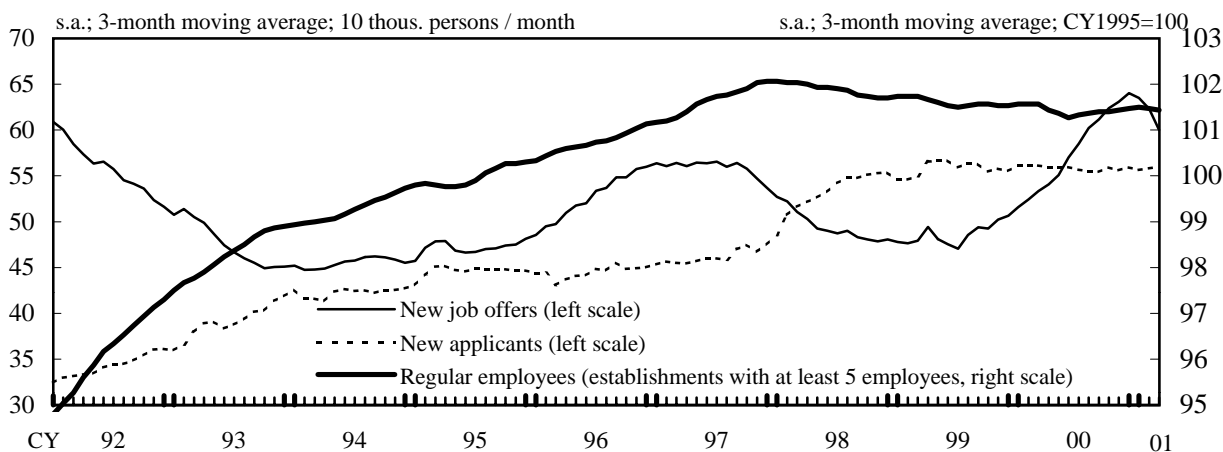
Source: Ministry of Health, Labour and Welfare, "Monthly Labour Survey."

Labor Market

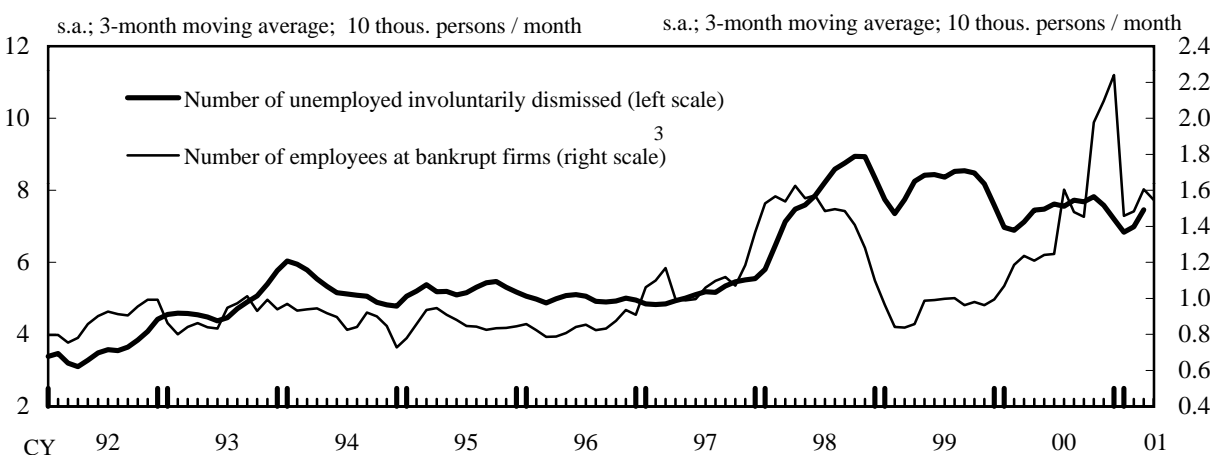
(1) Monthly



(2) New Job Offers, New Applicants¹ and Regular employees



(3) Number of Unemployed Involuntarily Dismissed and Employees at Bankrupt Firms²

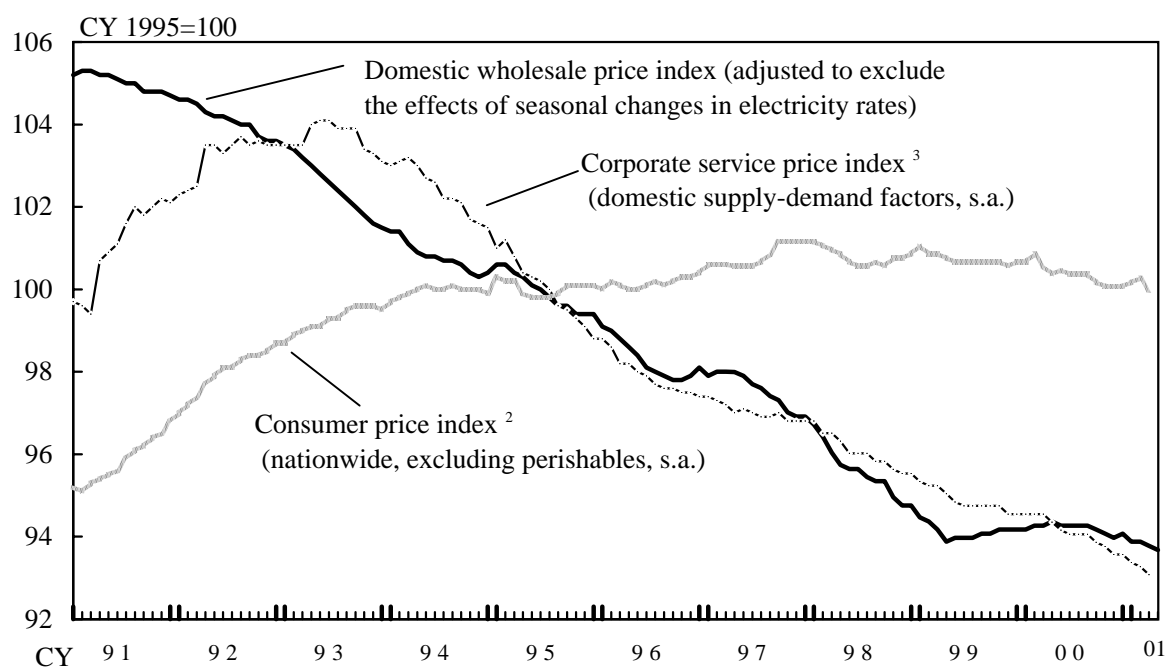


- Notes: 1. Exclude jobs offered to new graduates.
- 2. Seasonally adjusted by X-11.
- 3. The data are based on a survey conducted by Teikoku Databank Ltd.. Bankruptcies with liabilities of ten million yen or more.

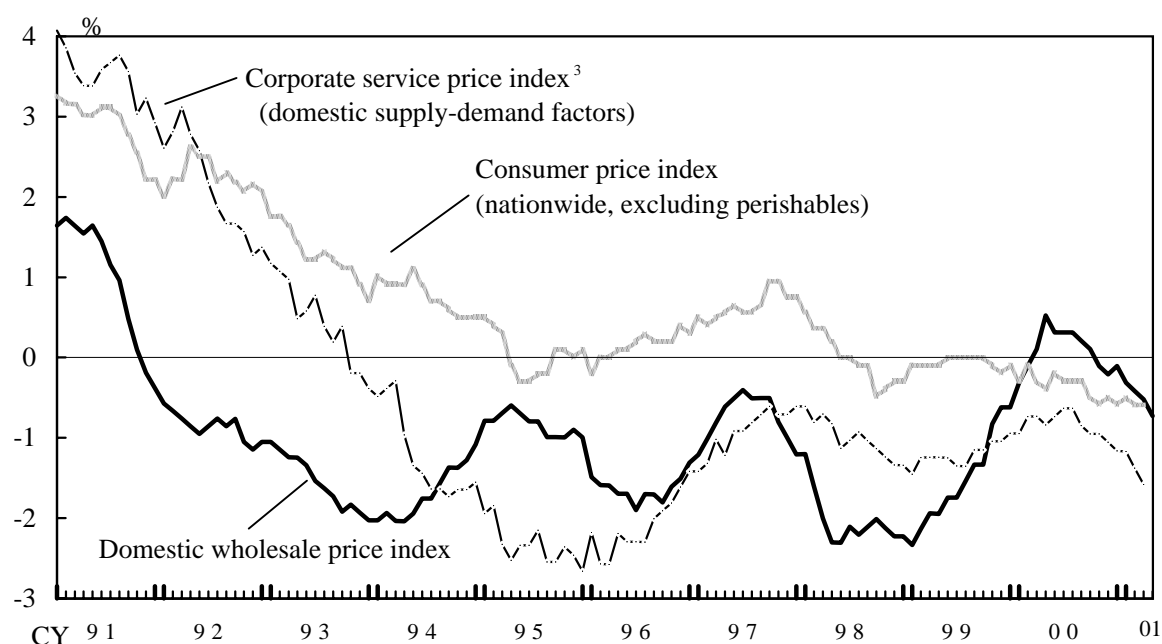
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey," "Report on Employment Service," "Report on Employment Insurance Service"; Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey"; Teikoku Databank Ltd., "Japan's Business Failure."

Prices¹

(1) Level



(2) Changes from a year earlier

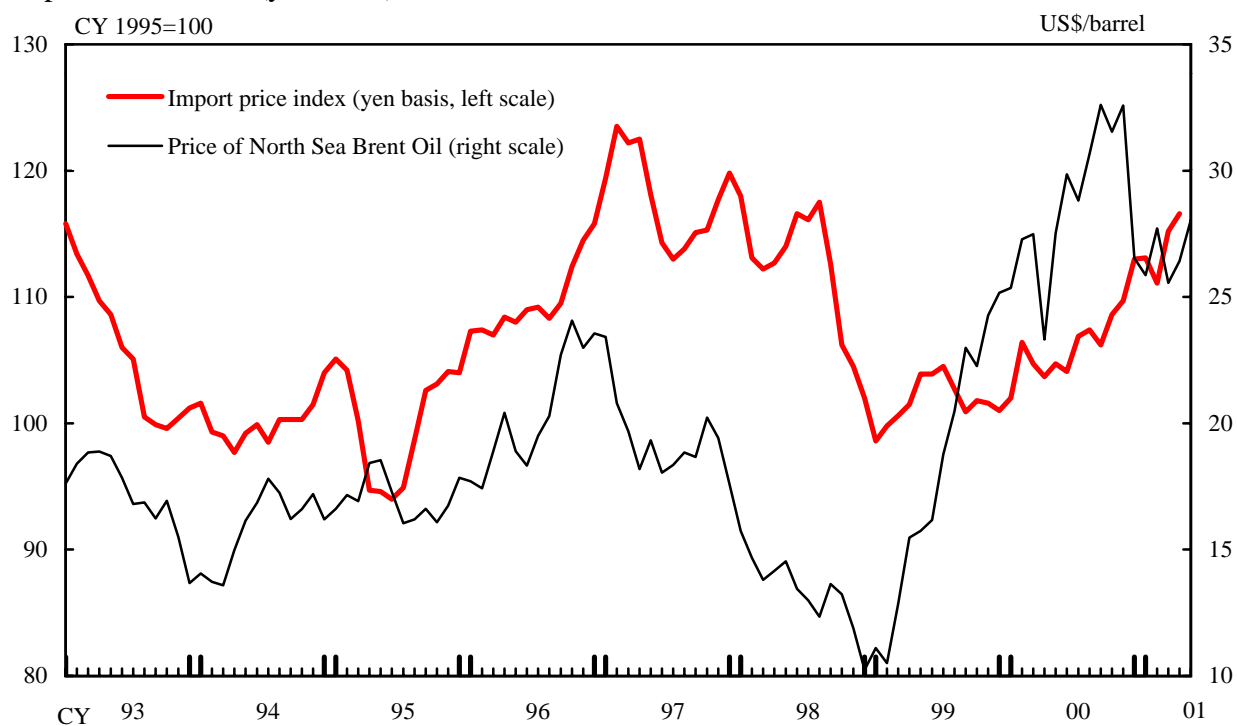


- Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. The 1990-base CPI, seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, is spliced for figures before January 1995.
3. See footnote 4 in Chart 19, for definition of the Corporate service price index (domestic supply-demand factors).

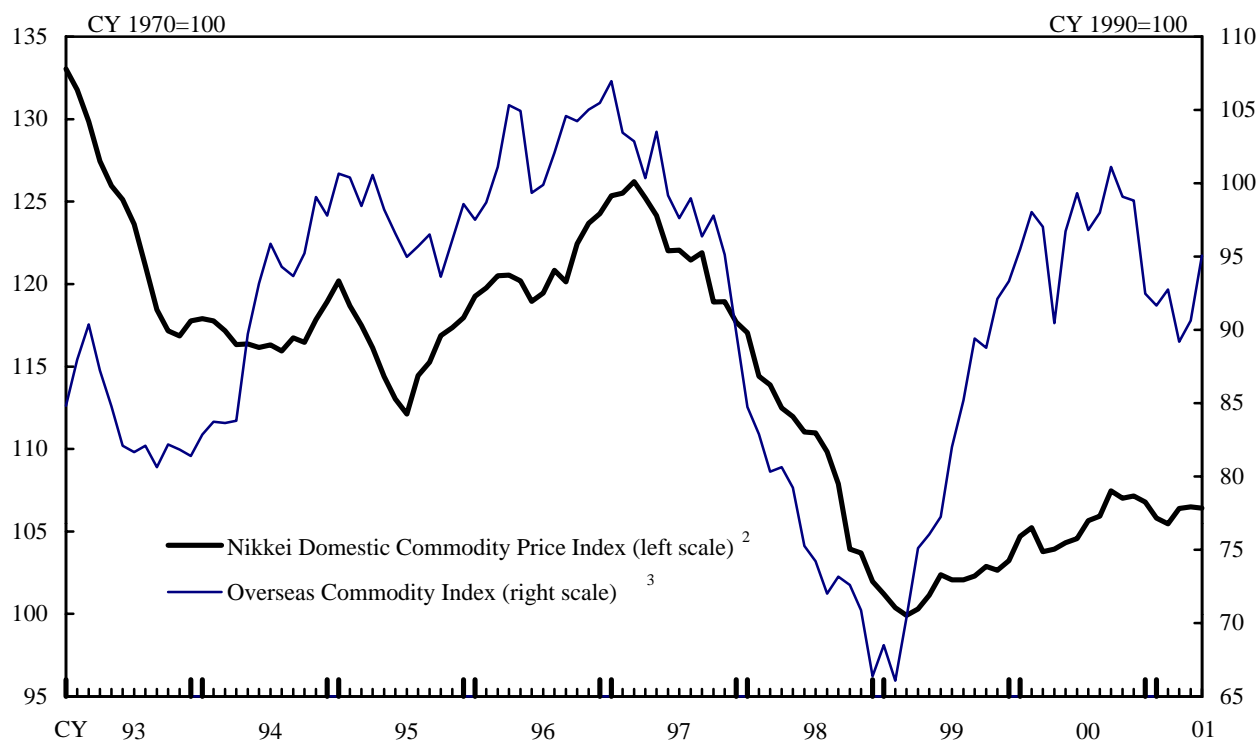
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index."

Import Prices and Domestic Commodity Market

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



(2) Domestic Commodity Market



Notes: 1. Data for May 2001 are May 1-16 average.

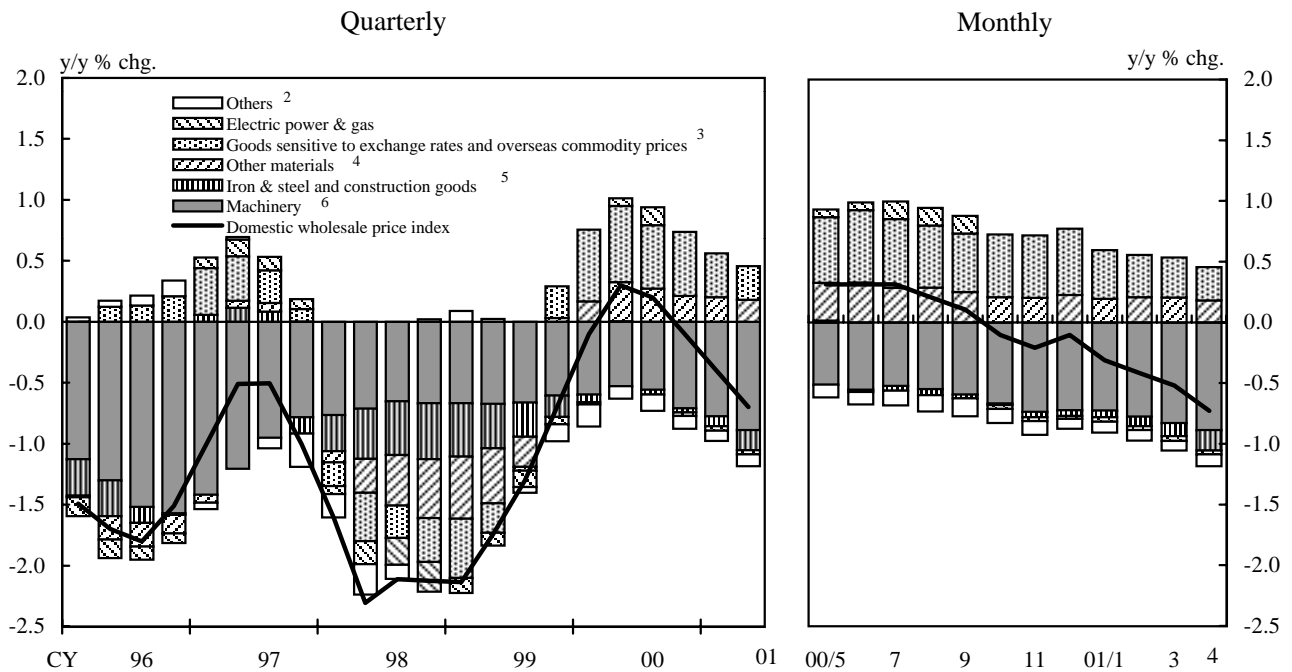
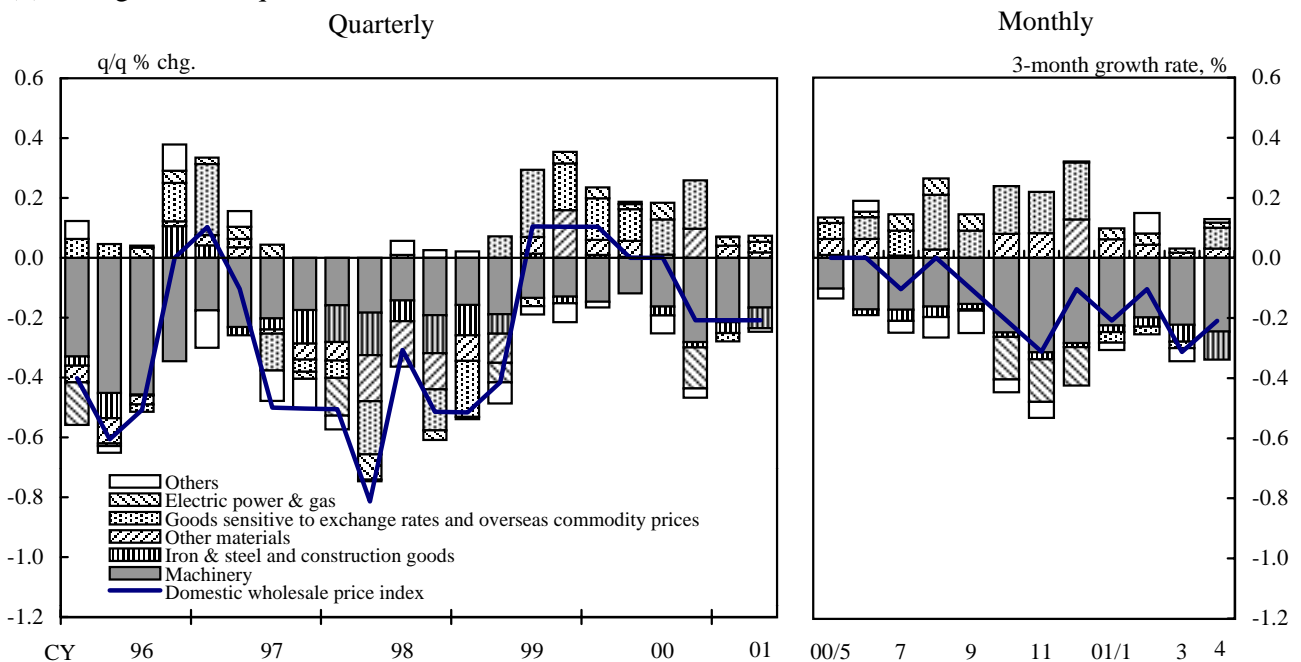
2. Data for May 2001 are as of May 11.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for May 2001 are May 1-16 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 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 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.

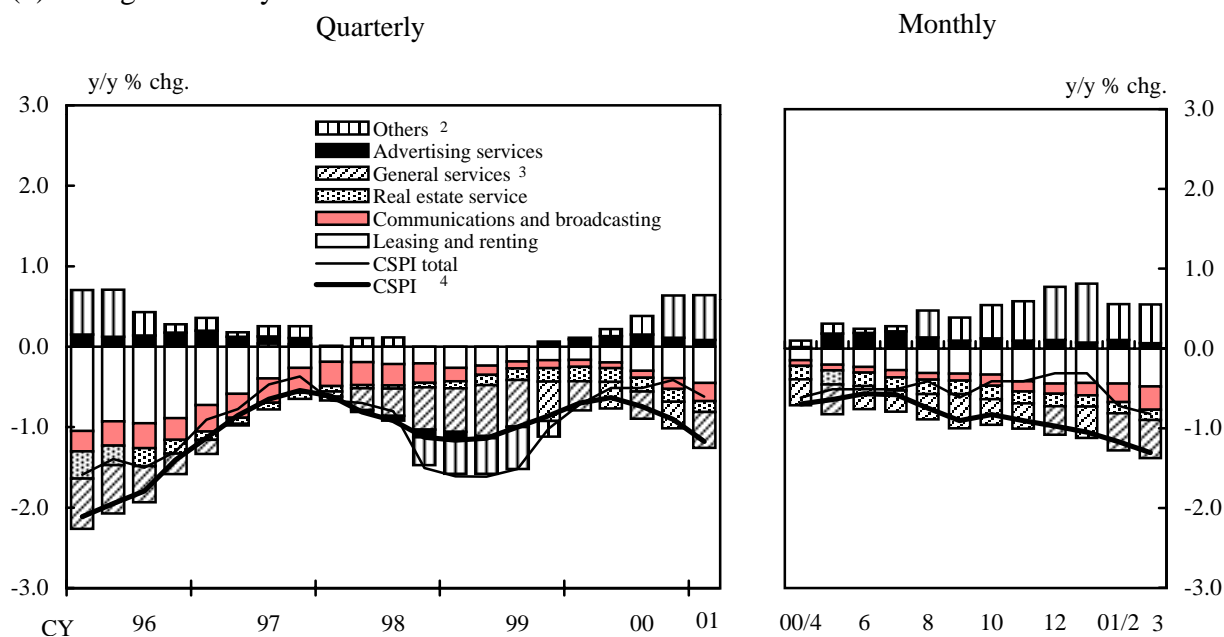
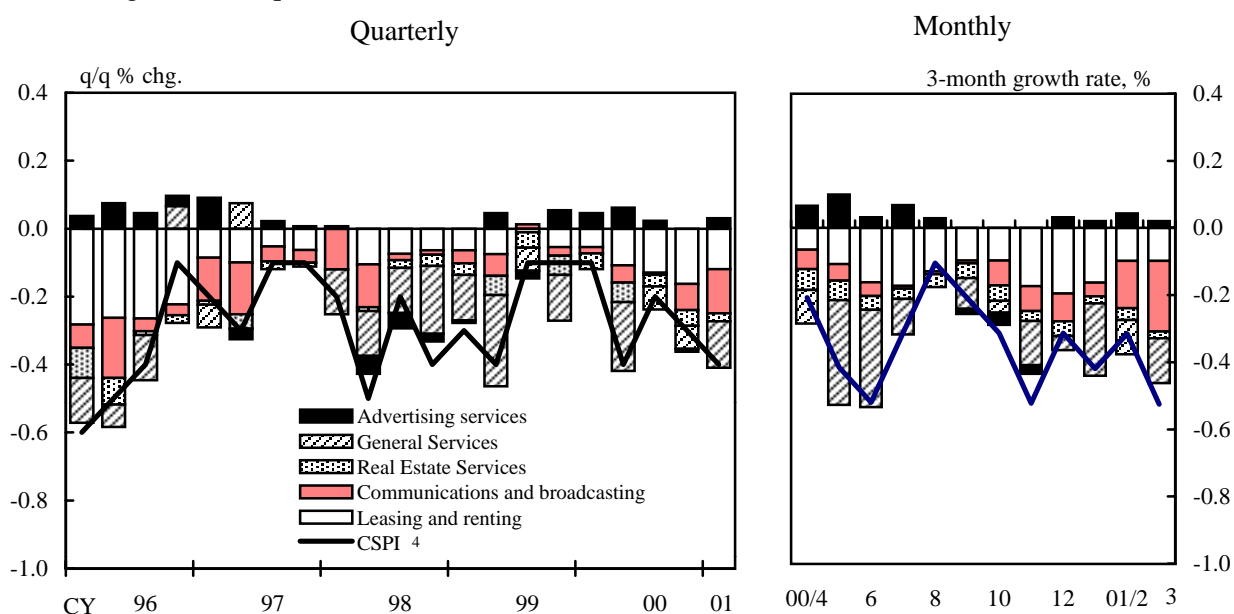
7. Adjusted to exclude the effects of the summer-time (from July to September) hike in electricity rates.

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

8. Figures for 2001/Q2 are those of April.

Corporate Service Price Index¹

(1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier⁵

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>).

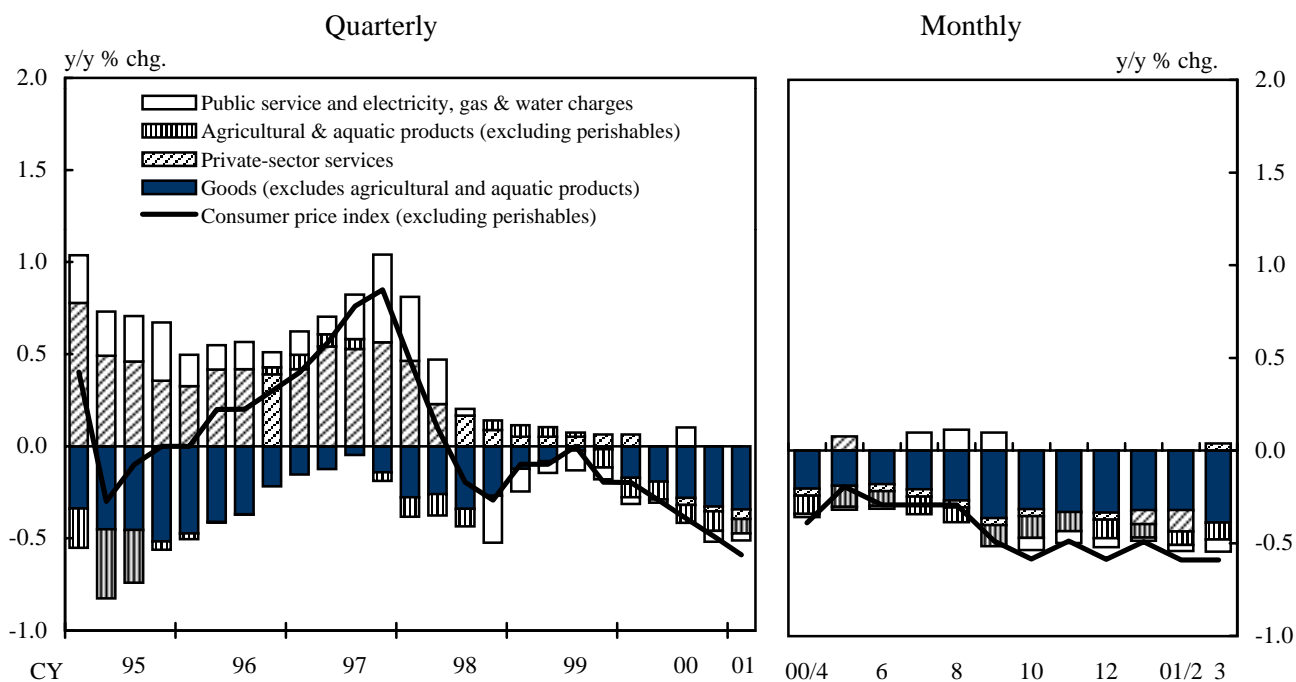
3. General services = finance & insurance + transportation + information services + building maintenance services + temporary worker services + machinery maintenance, etc. (excluding items in "others").

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.

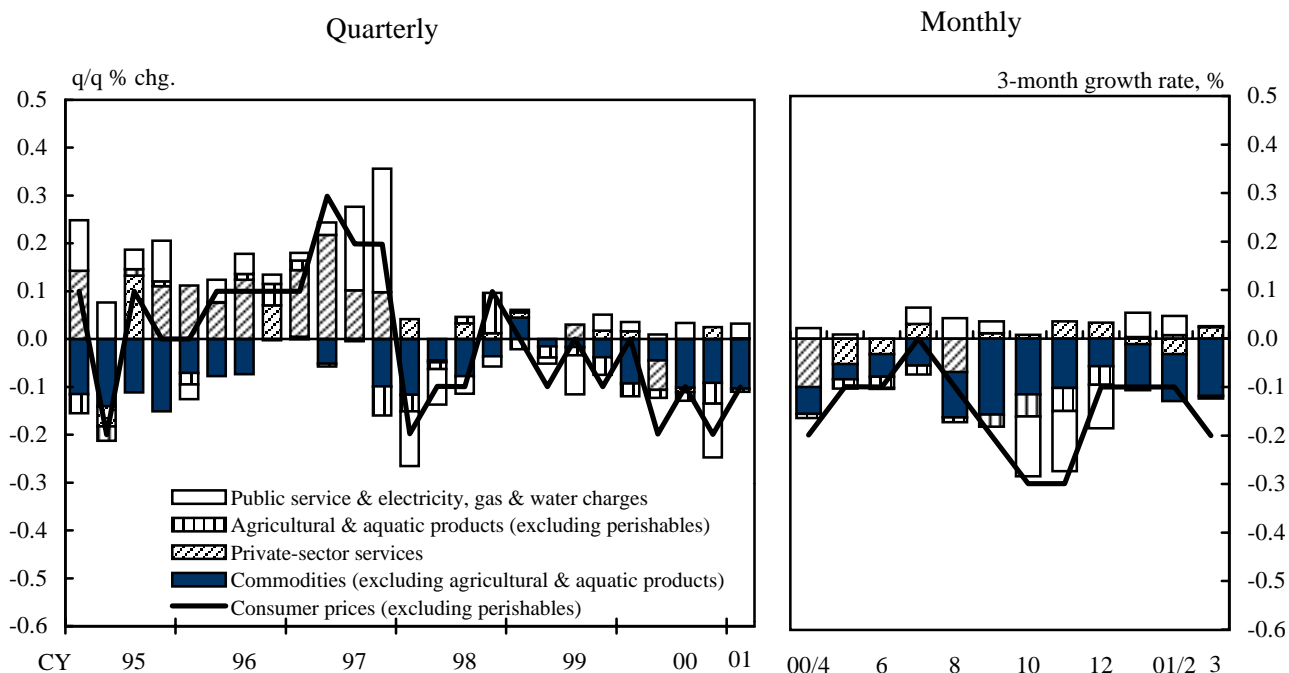
5. Television commercials in Advertising services, Sales space rental in Real estate services, and General warehousing and storage in Transportation are seasonally adjusted by X-12-ARIMA (β version). Due to seasonal adjustment every month, the series are revised retroactively every month.

Consumer Price Index (excluding perishables)¹

(1) Changes from a year earlier



(2) Changes from a quarter earlier and 3 months earlier²



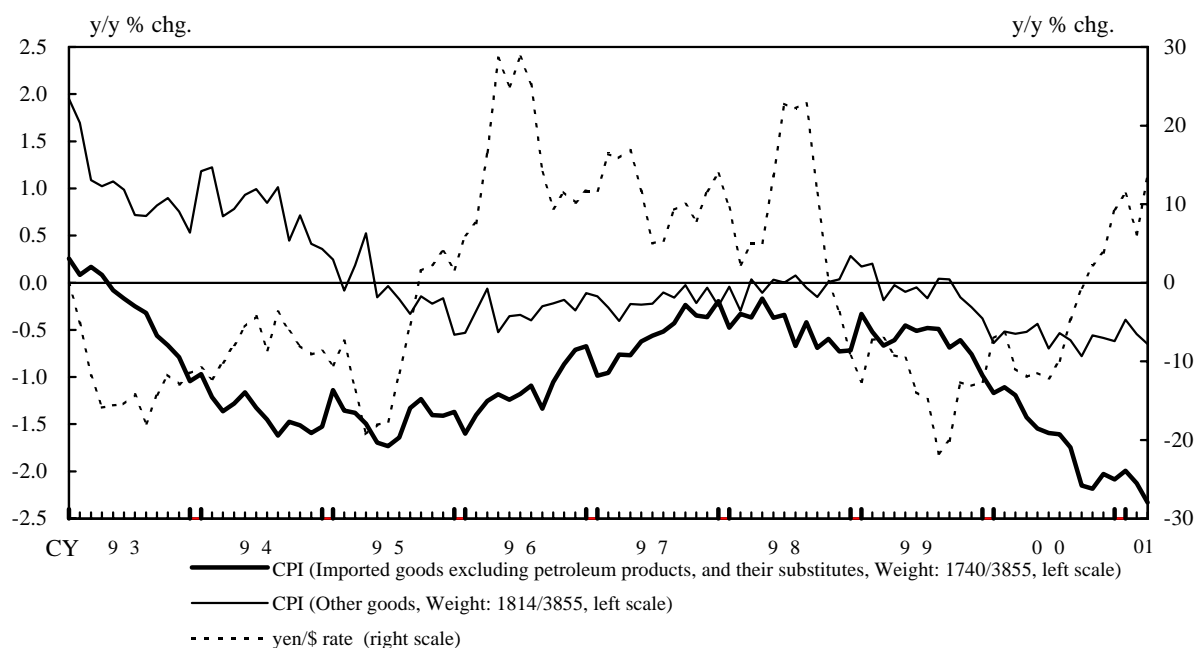
Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

2. Seasonally adjusted. Due to seasonal adjustment every month, the series are revised retroactively every month. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index."

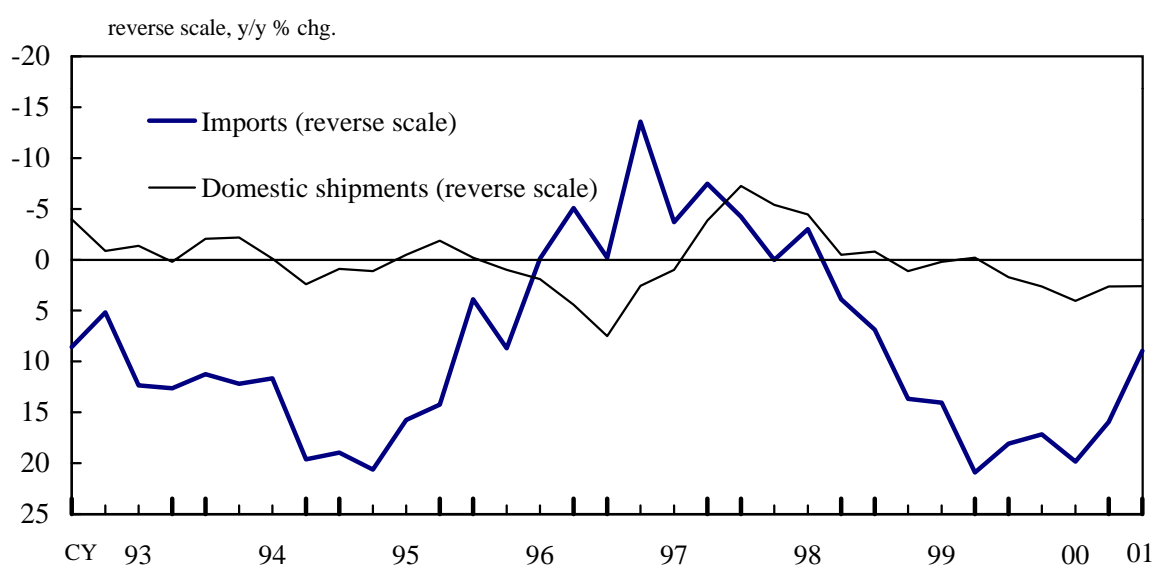
Consumer Price Index (Imported goods and their substitutes)¹

(1) Consumer Price Index (Imported goods excluding petroleum products and substitutes, and other goods)²



- 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 the Import Price Index and the Consumer Price Index, and their substitutes consist of items considered to be substitutable for import products but not covered by the Import Price Index.
3. Adjusted to exclude the effects of the special tobacco tax introduced in December 1998, and biscuits, prices of which were heavily affected by changes in monitored brands. Weight is shares in commodities (excluding perishables).

(2) Consumer goods supply (Imports and Domestic shipments)

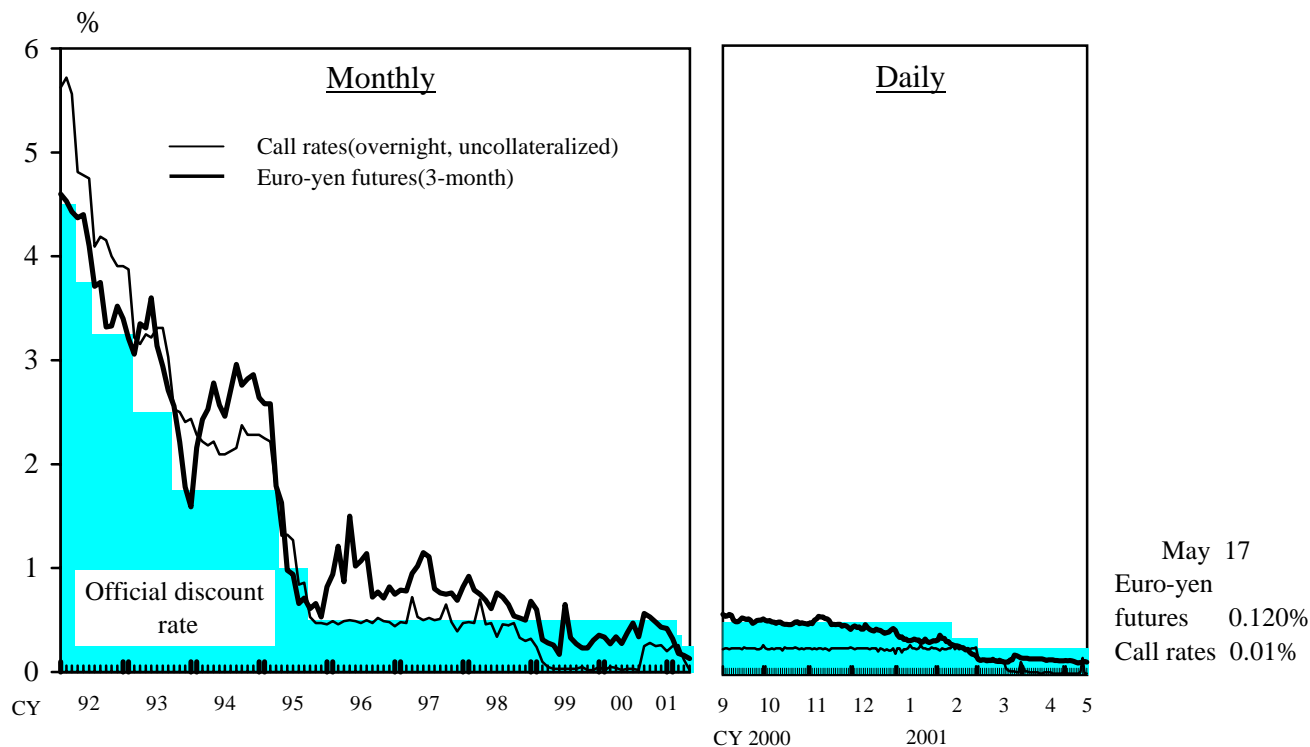


Note: See footnote Chart 9-4, for definition of the consumer goods supply.

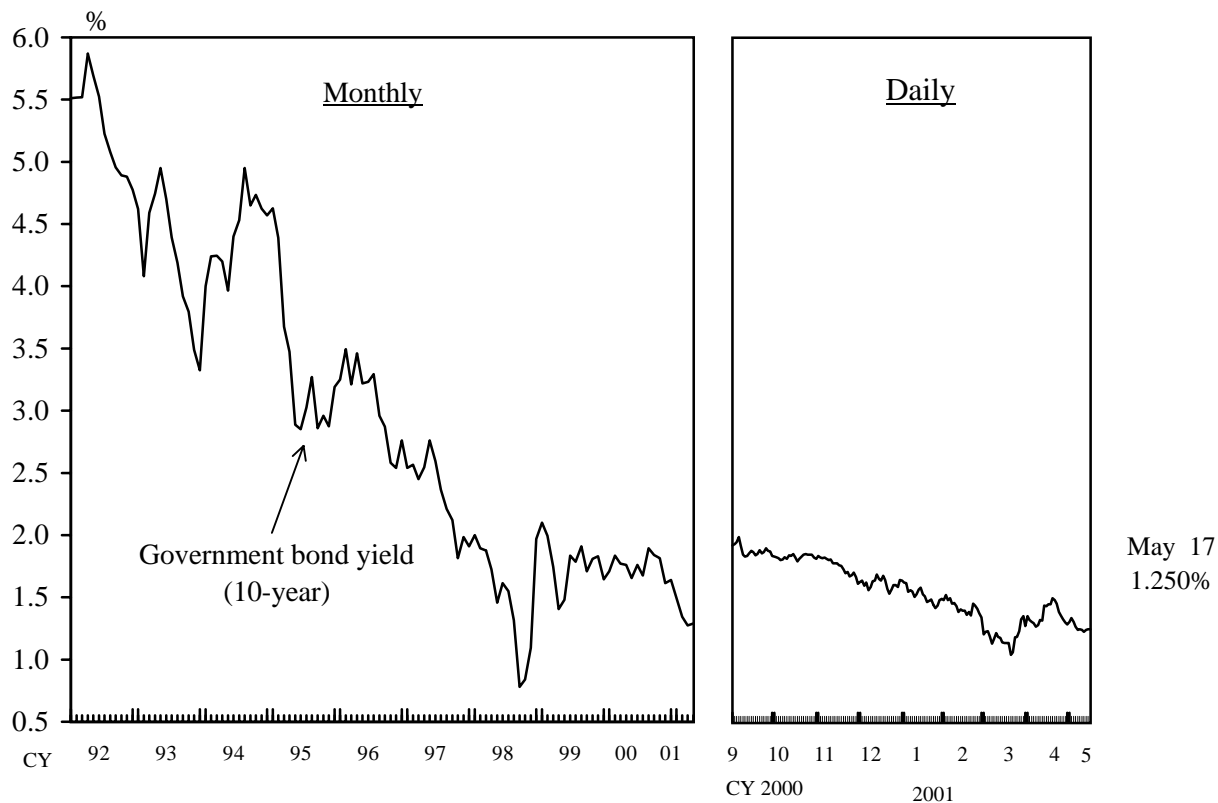
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports"; Bank of Japan, "Wholesale Price Indexes."

Interest Rates

(1) Short-Term



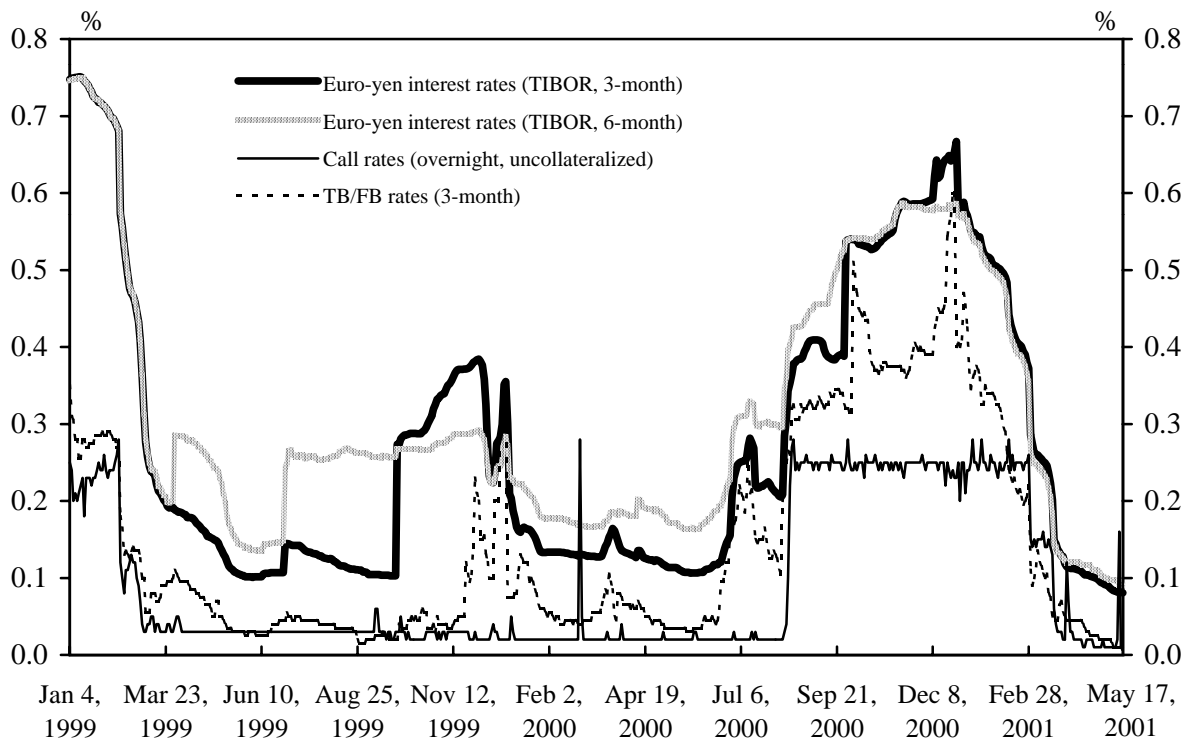
(2) Long-Term



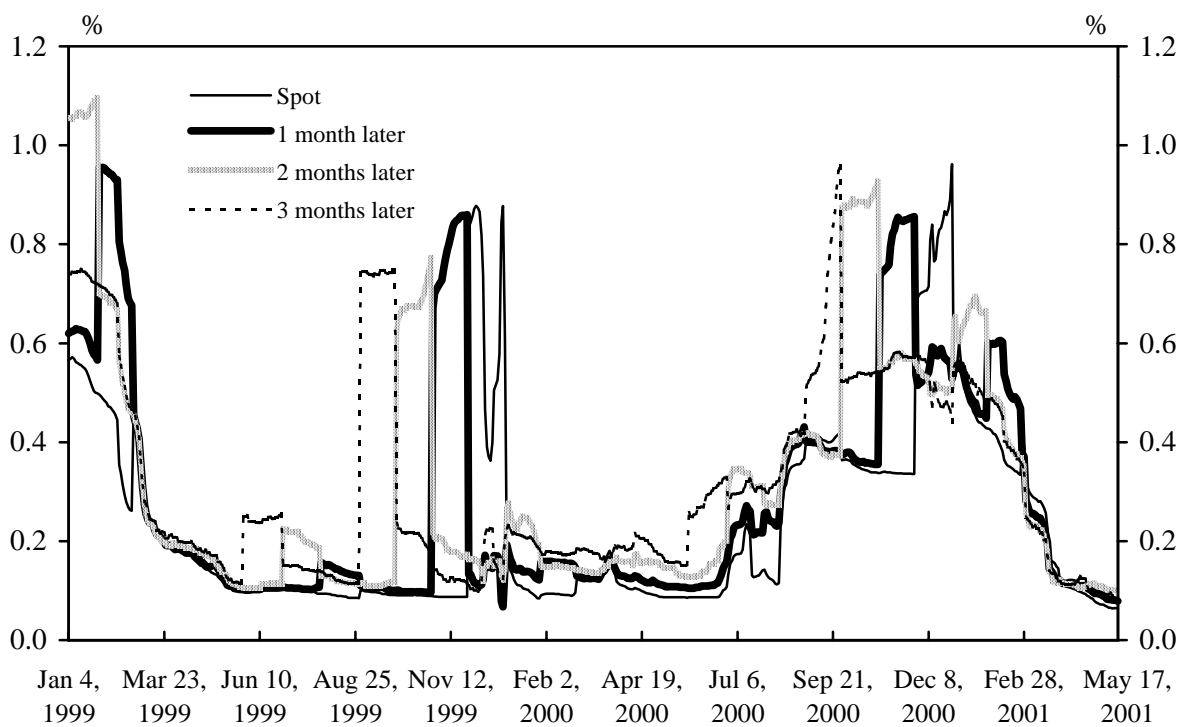
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

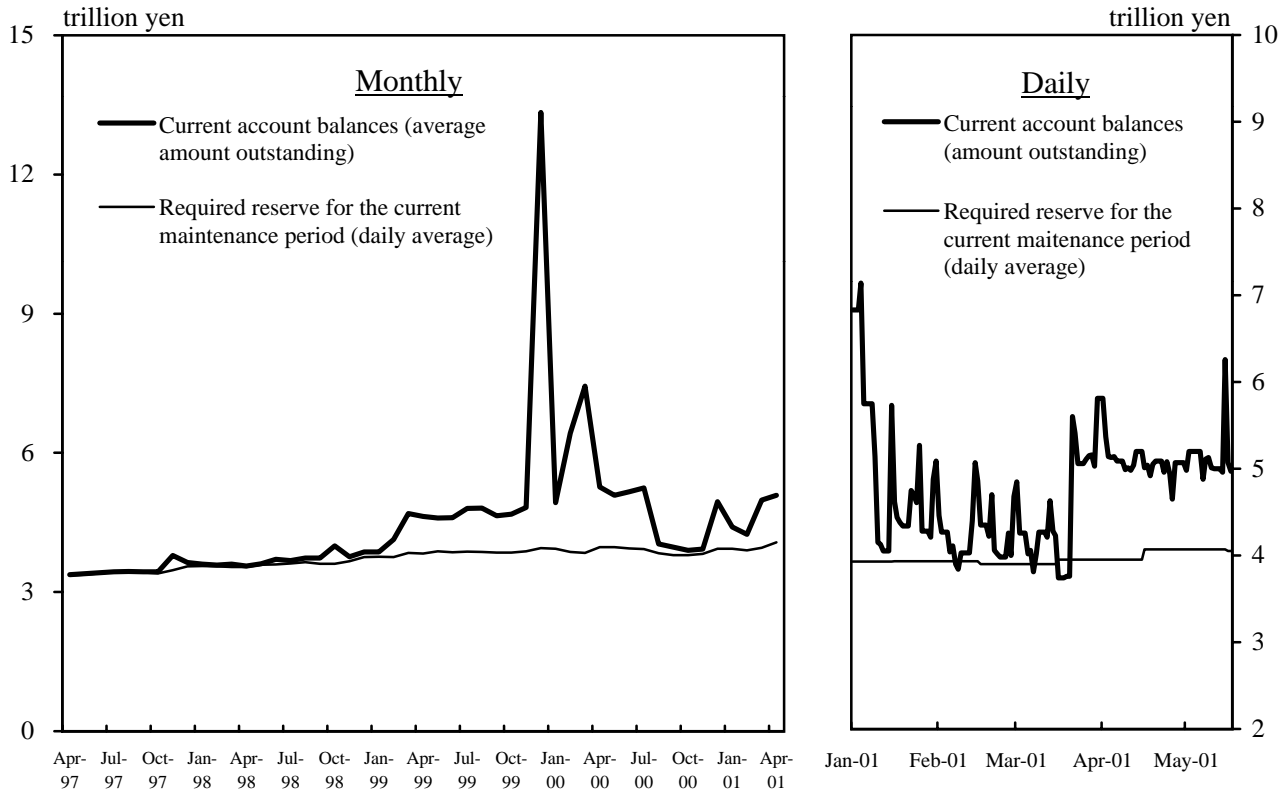


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

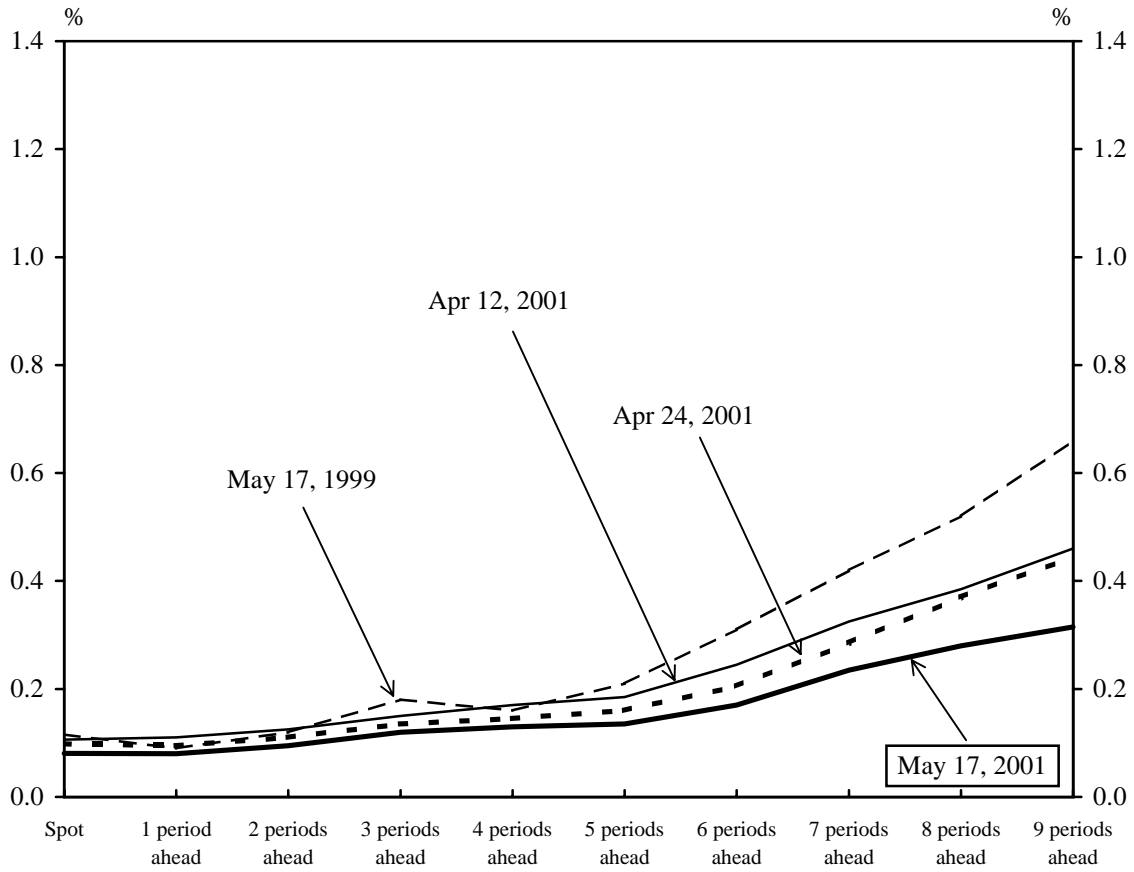


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

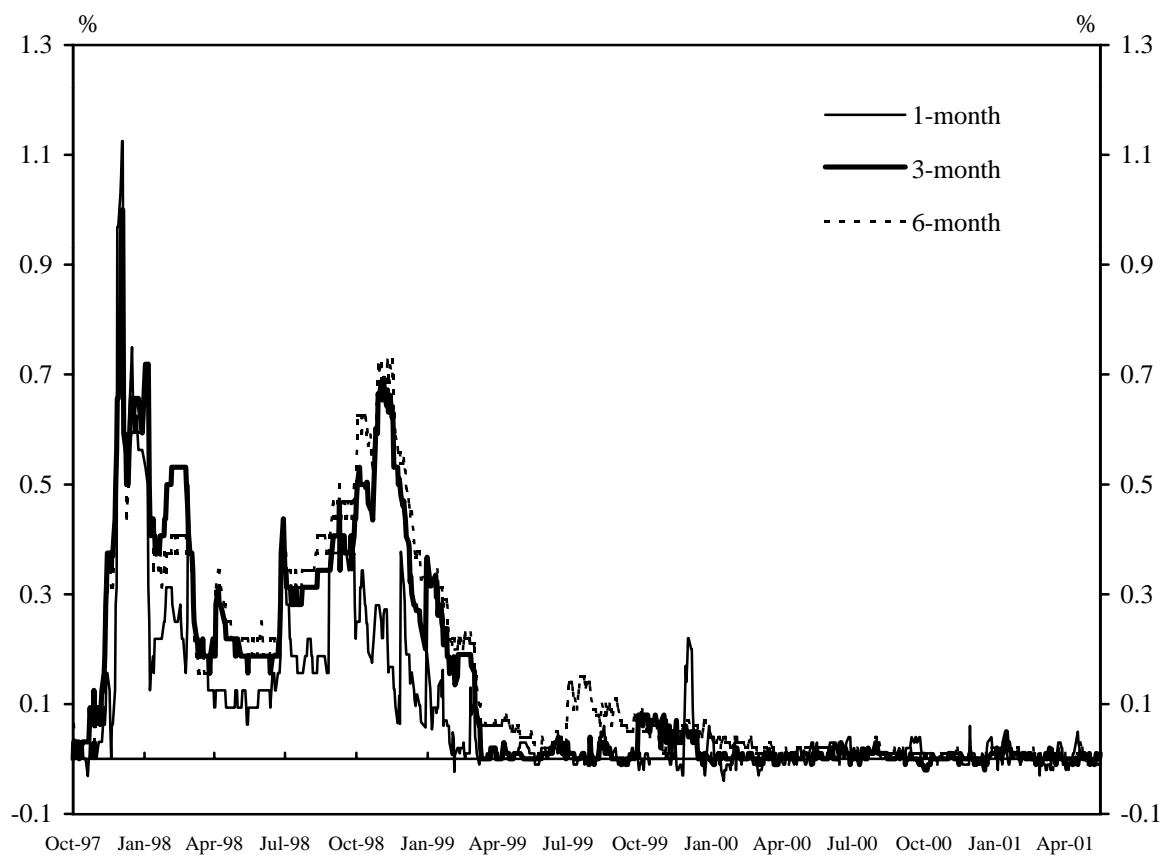
Current Account Balances at the Bank of Japan



Euro-Yen Interest Rates Futures (3-Month)



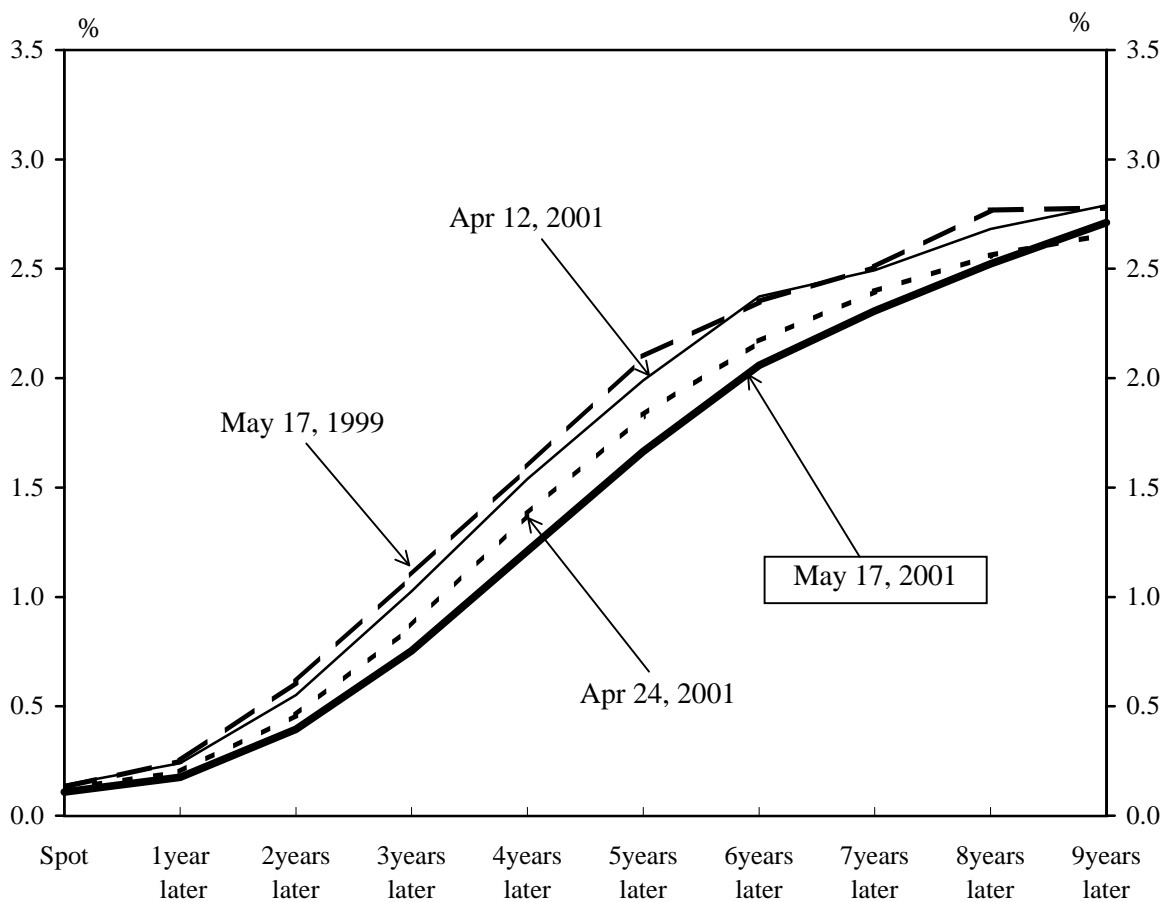
Source: Tokyo International Financial Futures Exchange.

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

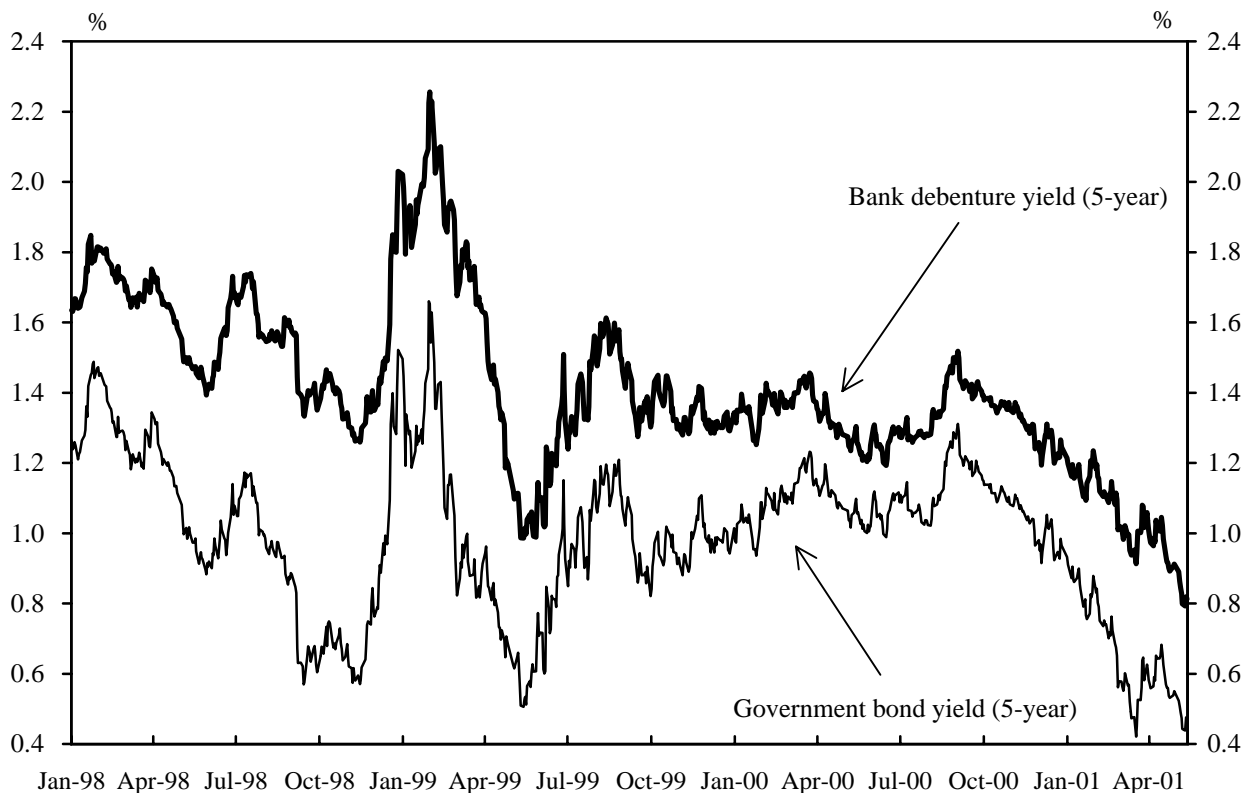


Note: 1. Calculated from yen-yen swap rates.

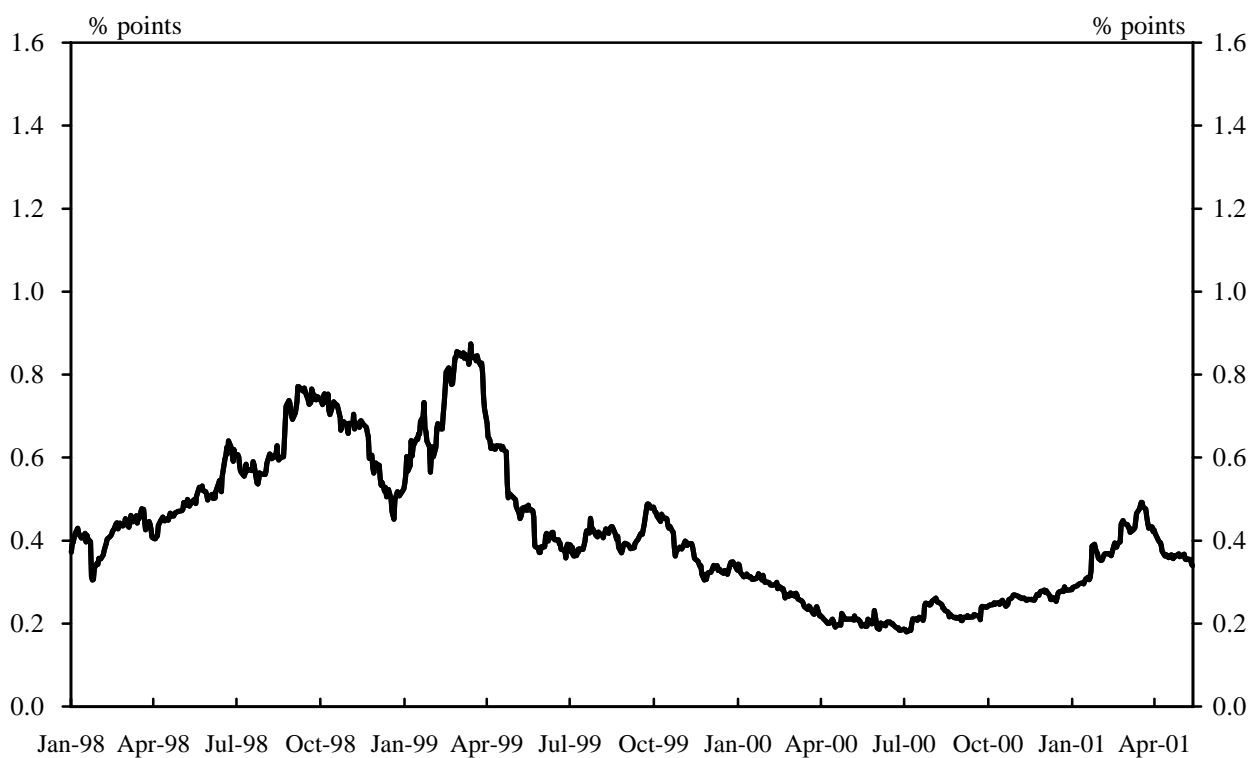
Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



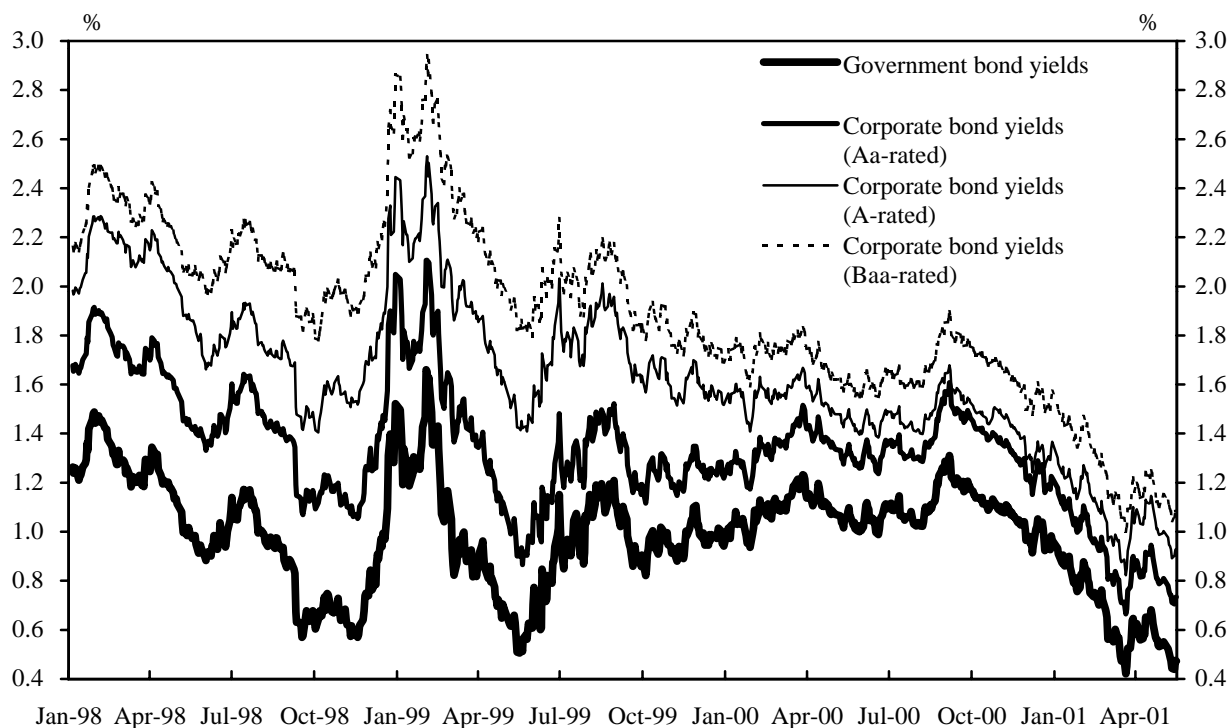
(2) Spread of Bank Debenture and Government Bond Yield



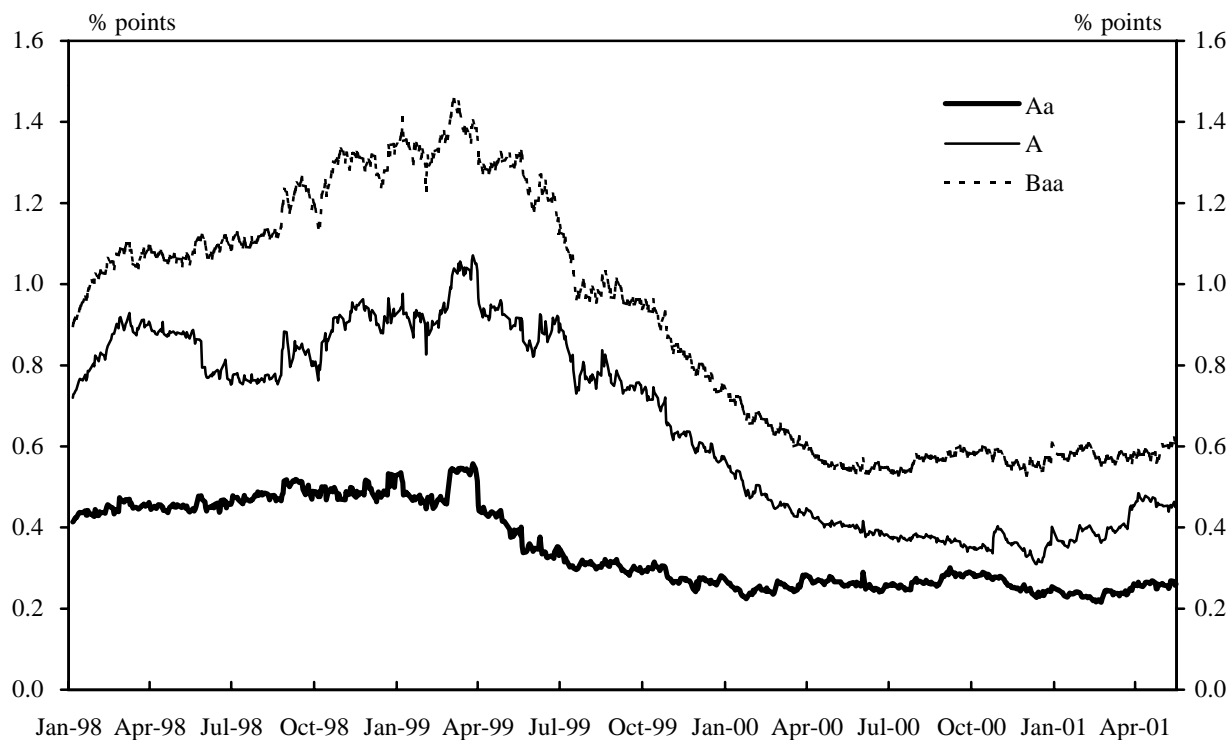
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields ¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



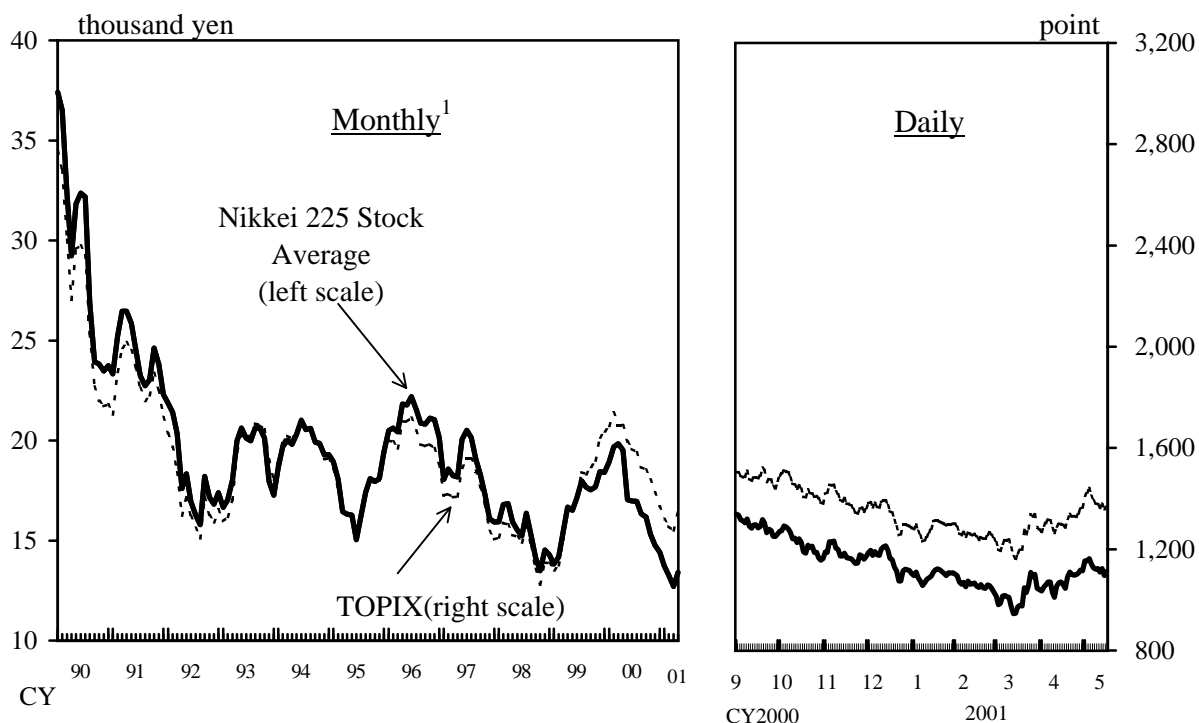
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

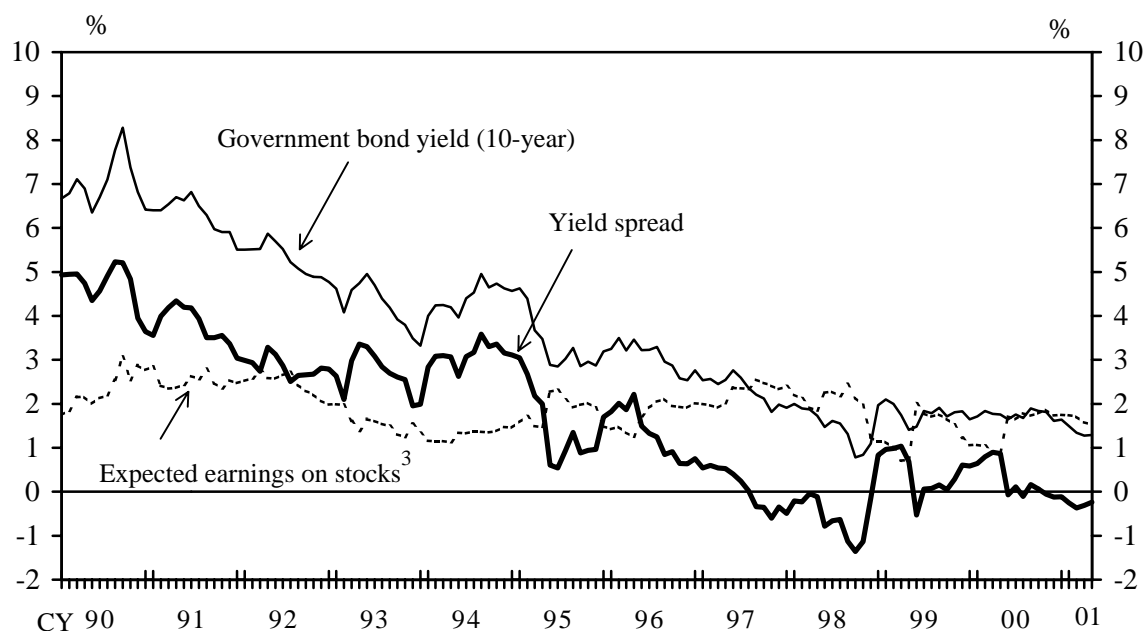
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

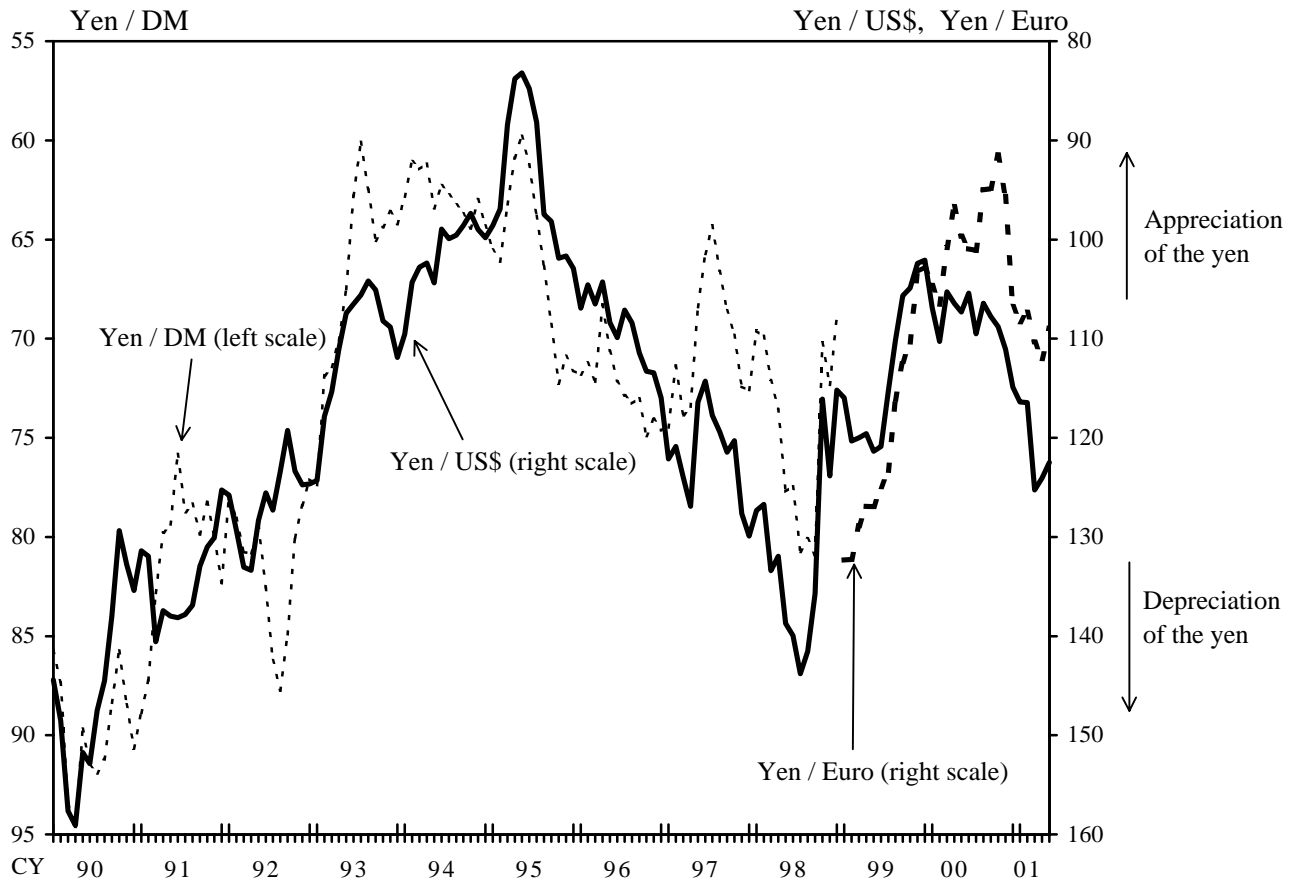
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

Exchange Rates ¹

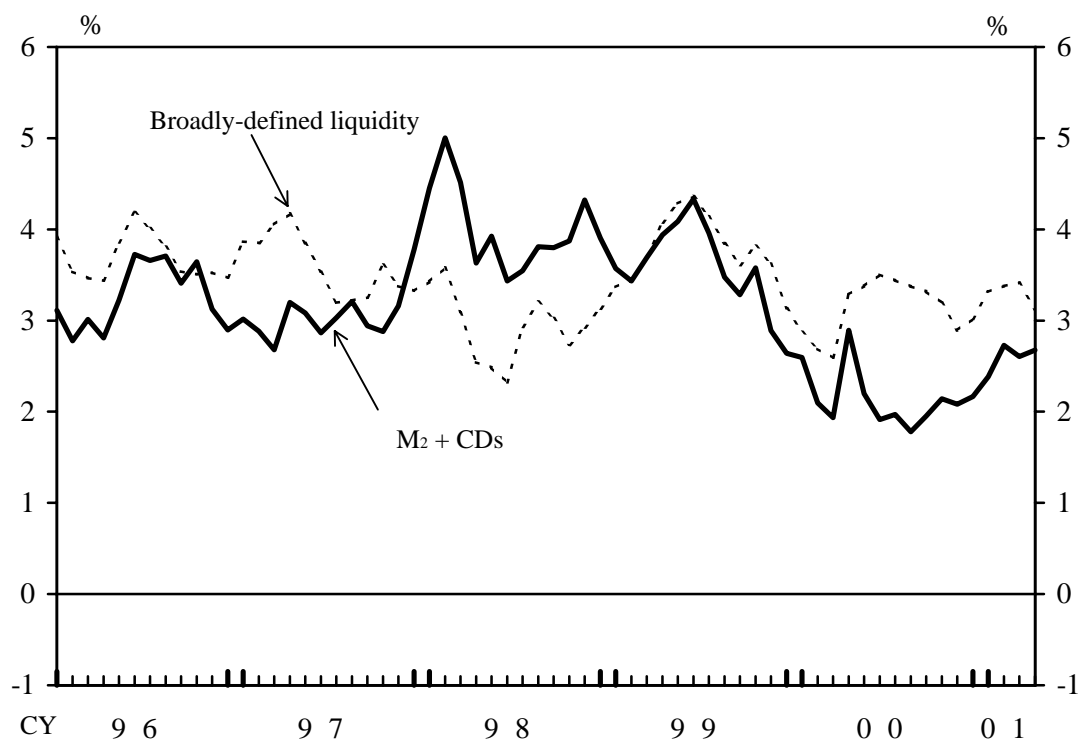


Note: 1. End of month. Data for May 2001 are as of May 17, 2001.

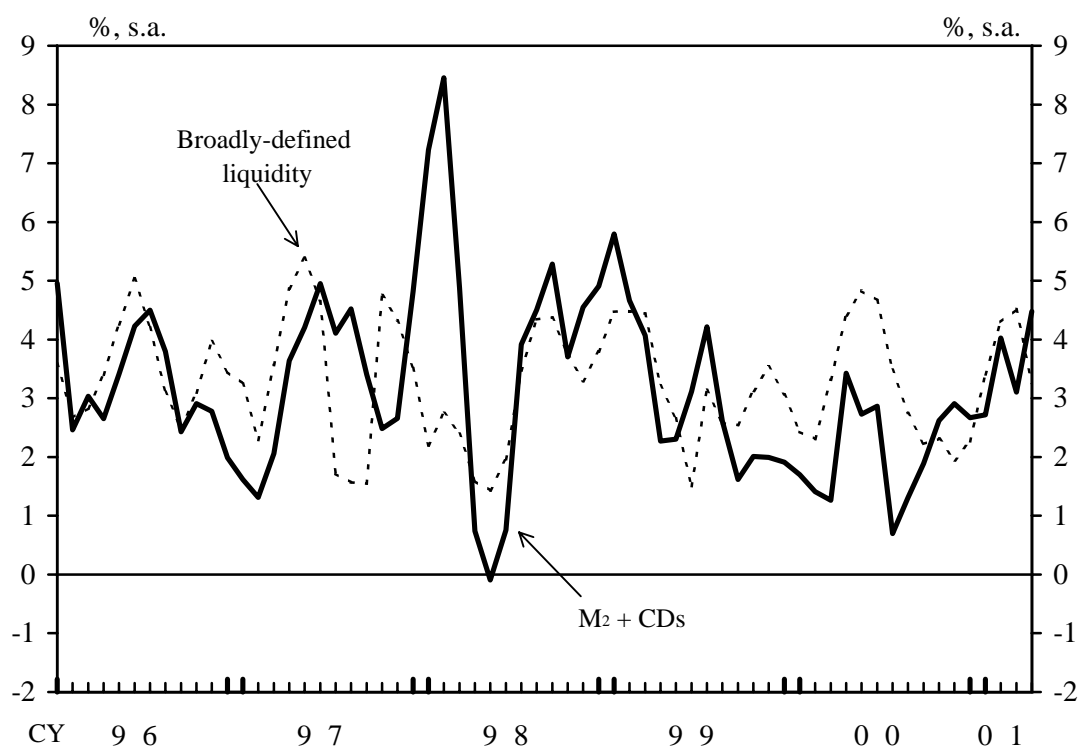
Source: Bank of Japan.

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

(1) Changes from a Year Earlier



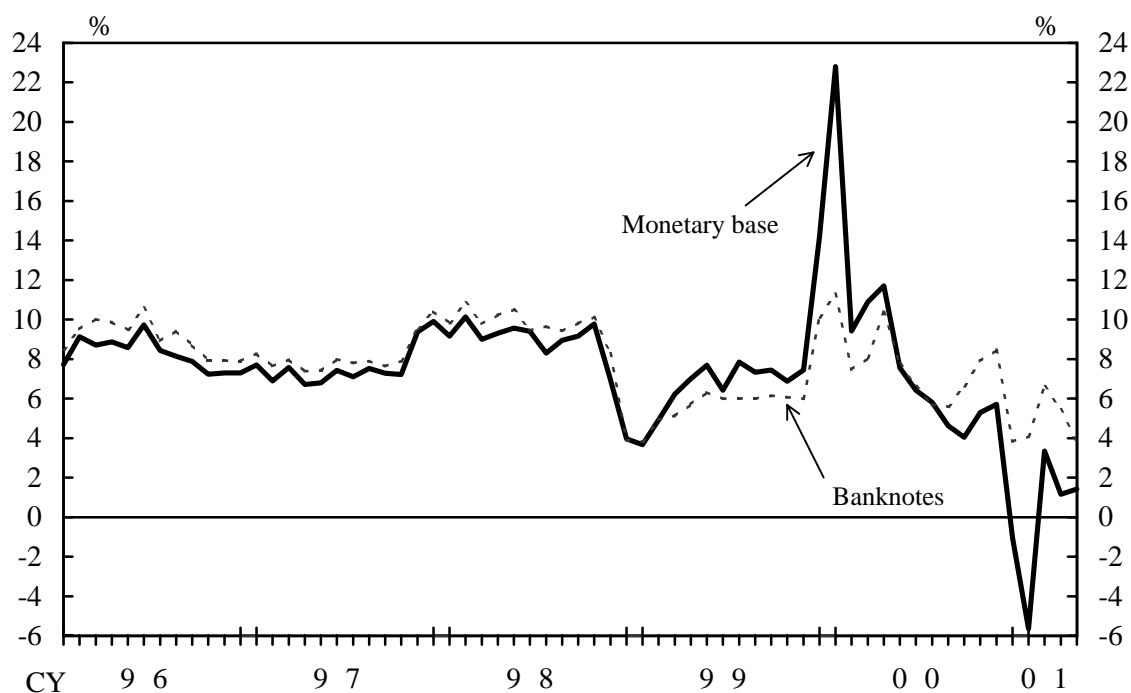
(2) Changes from Three Months Earlier (Annualized)



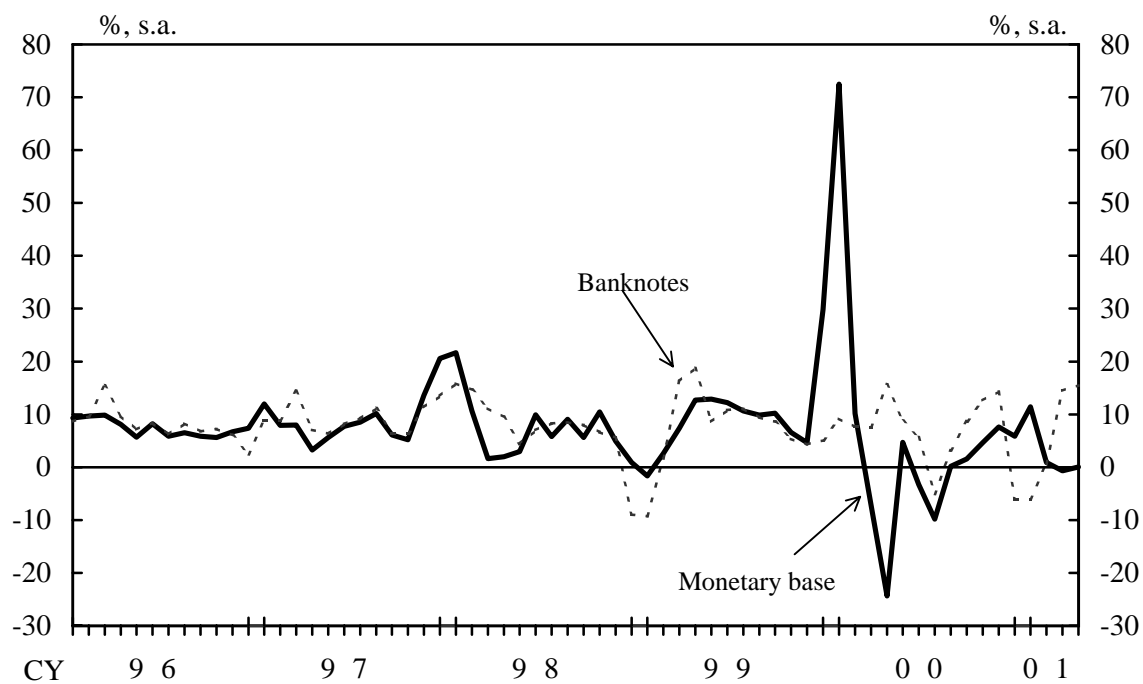
Note: Percent changes in average amounts outstanding.
 Source: Bank of Japan.

 Monetary Base

(1) Changes from a Year Earlier



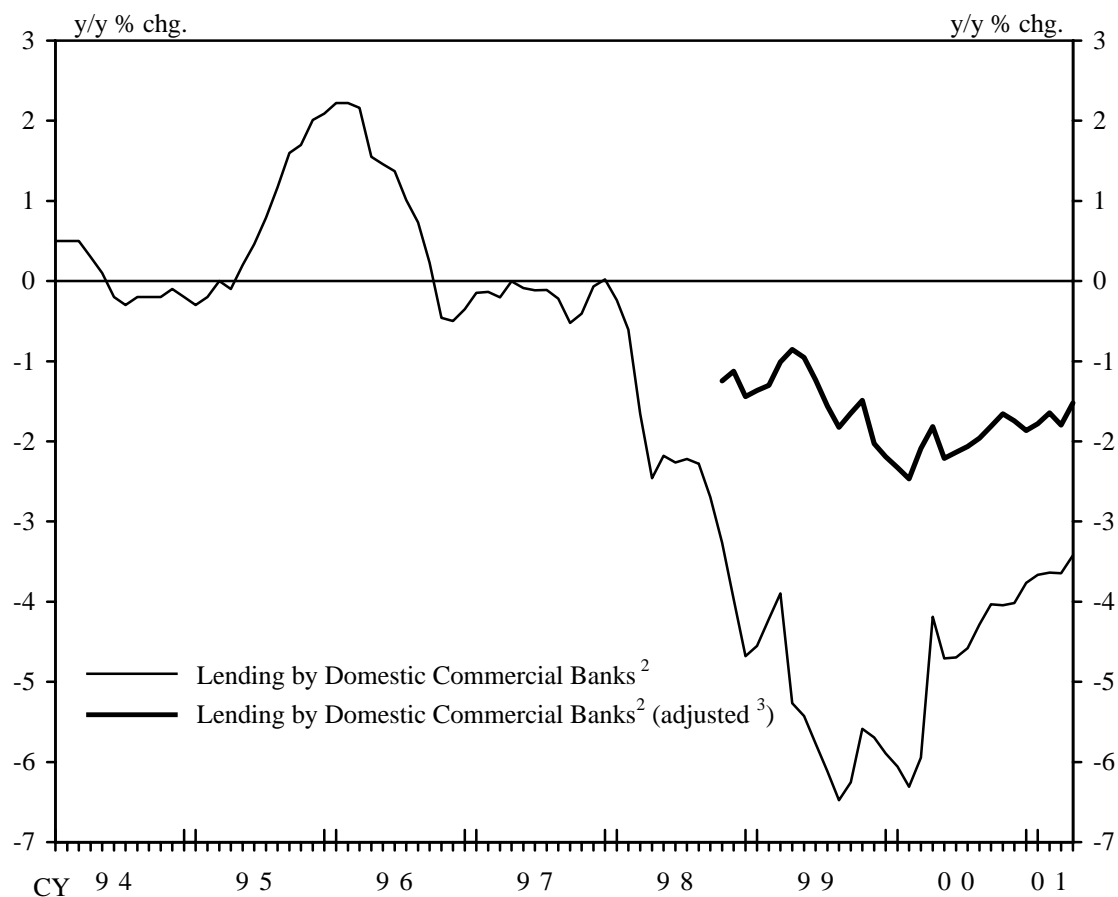
(2) Changes from Three Months Earlier (Annualized)



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 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).

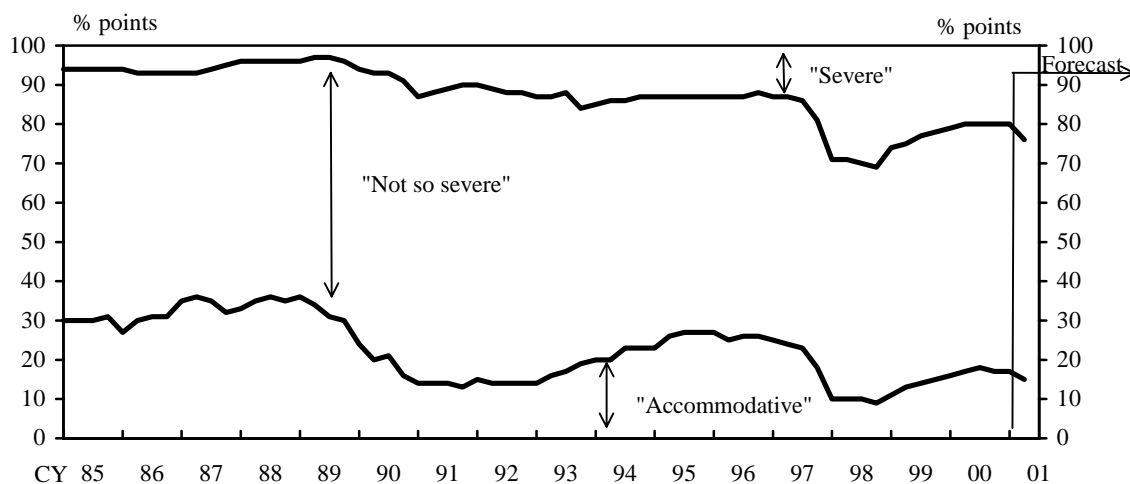
3. Adjusted to exclude

- (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.

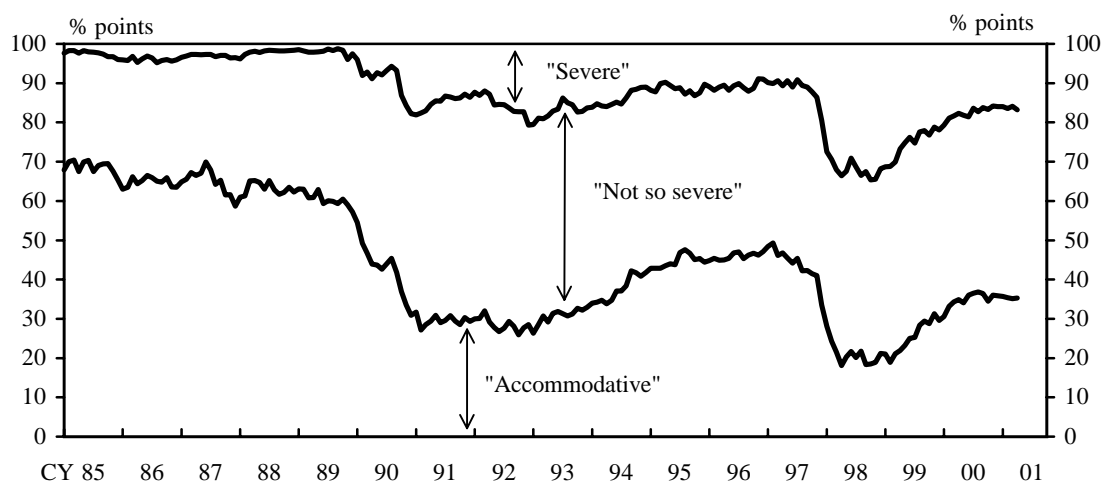
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

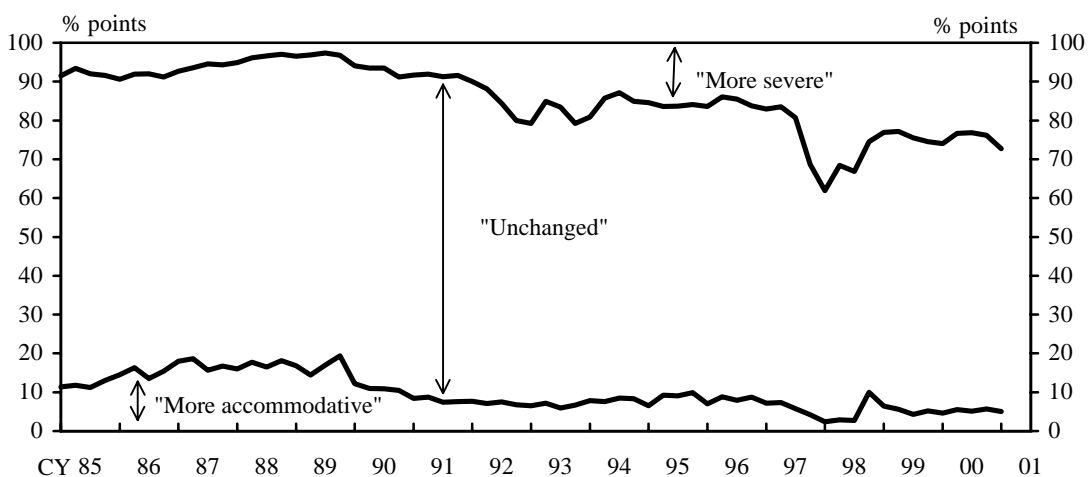
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (March, 2001)



(2) "Monthly Survey on Trends of Small Businesses" (Mid-April, 2001)

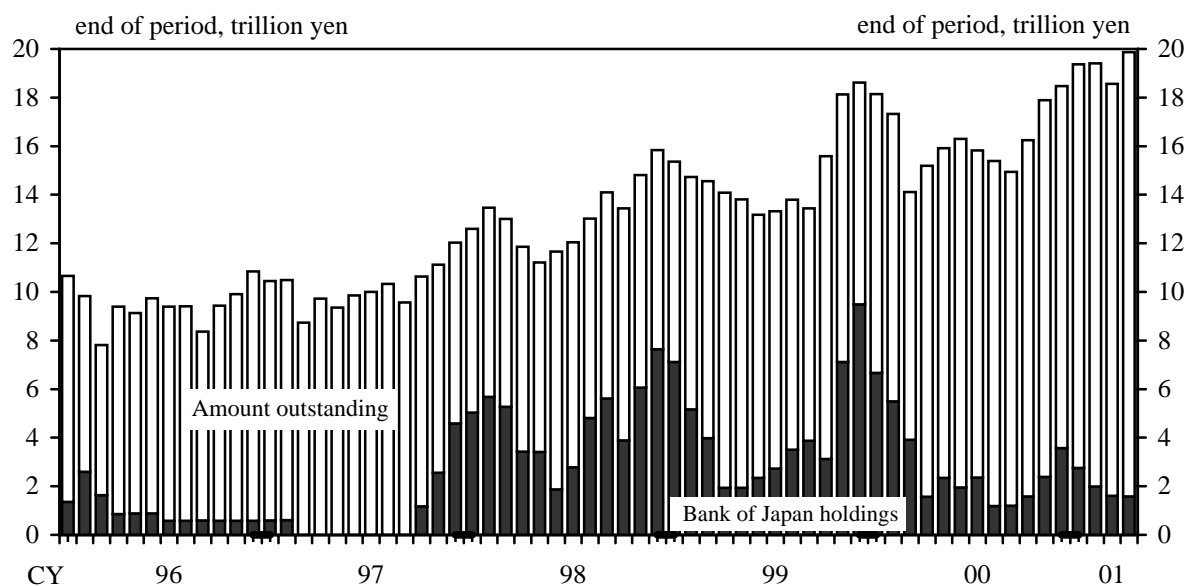


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-March, 2001)



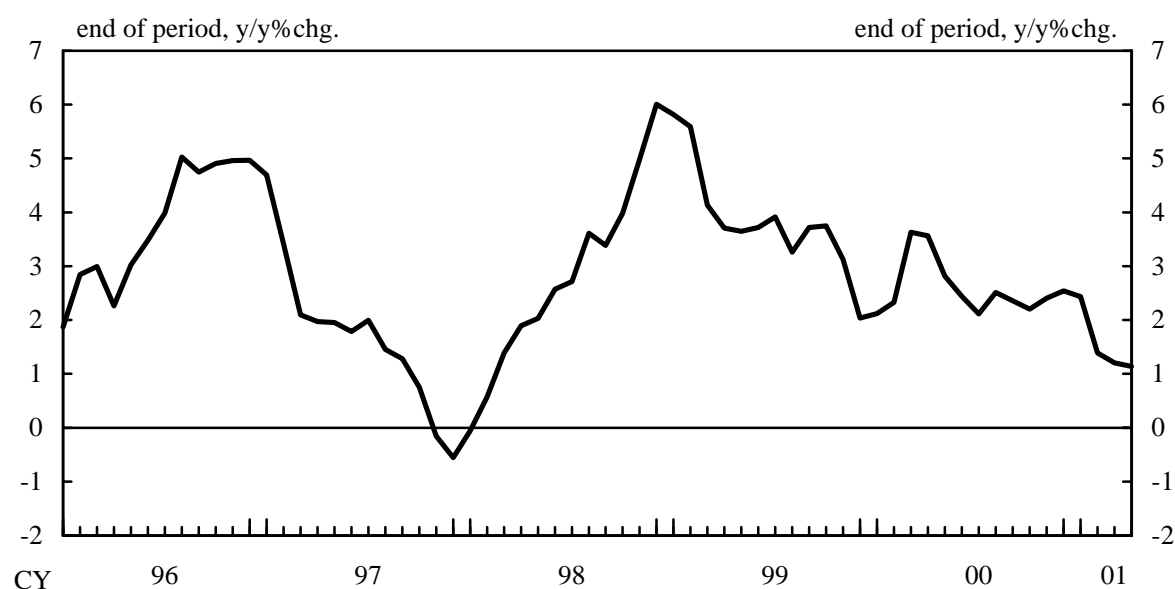
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ;
 Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses";
 National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Private-Sector Fund-Raising in the Capital Markets

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

(100 million yen)

	2000/Q3	Q4	2001/Q1	2001/Feb.	Mar.	Apr.
Volume	25,985	20,385	18,363	8,840	8,440	6,350
(previous year)	(26,260)	(21,163)	(24,121)	(12,405)	(8,290)	(6,449)

(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.

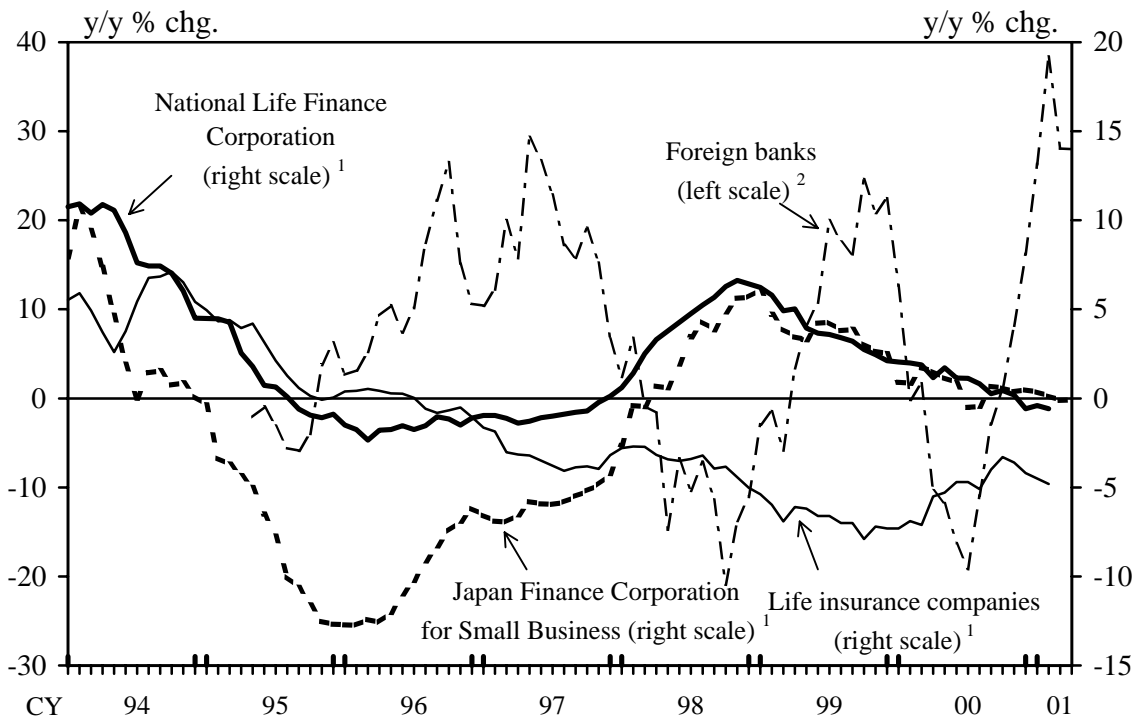
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

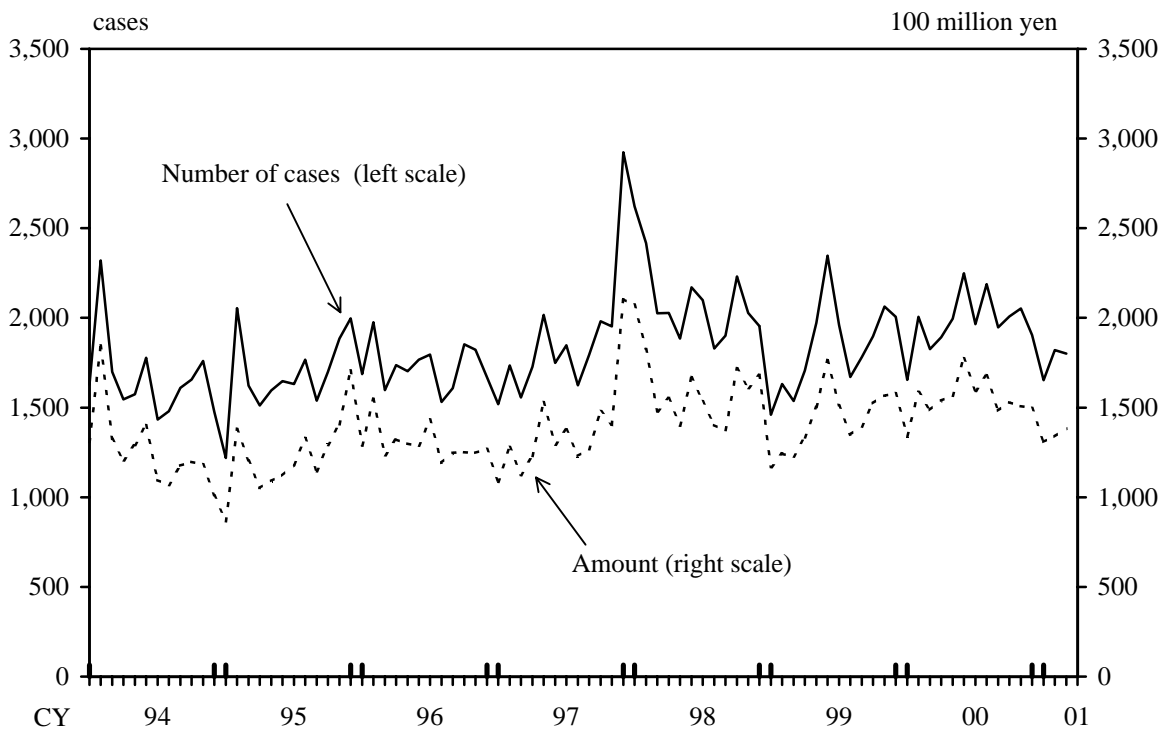
Lending by Other Financial Institutions

(1) Lending Outstanding



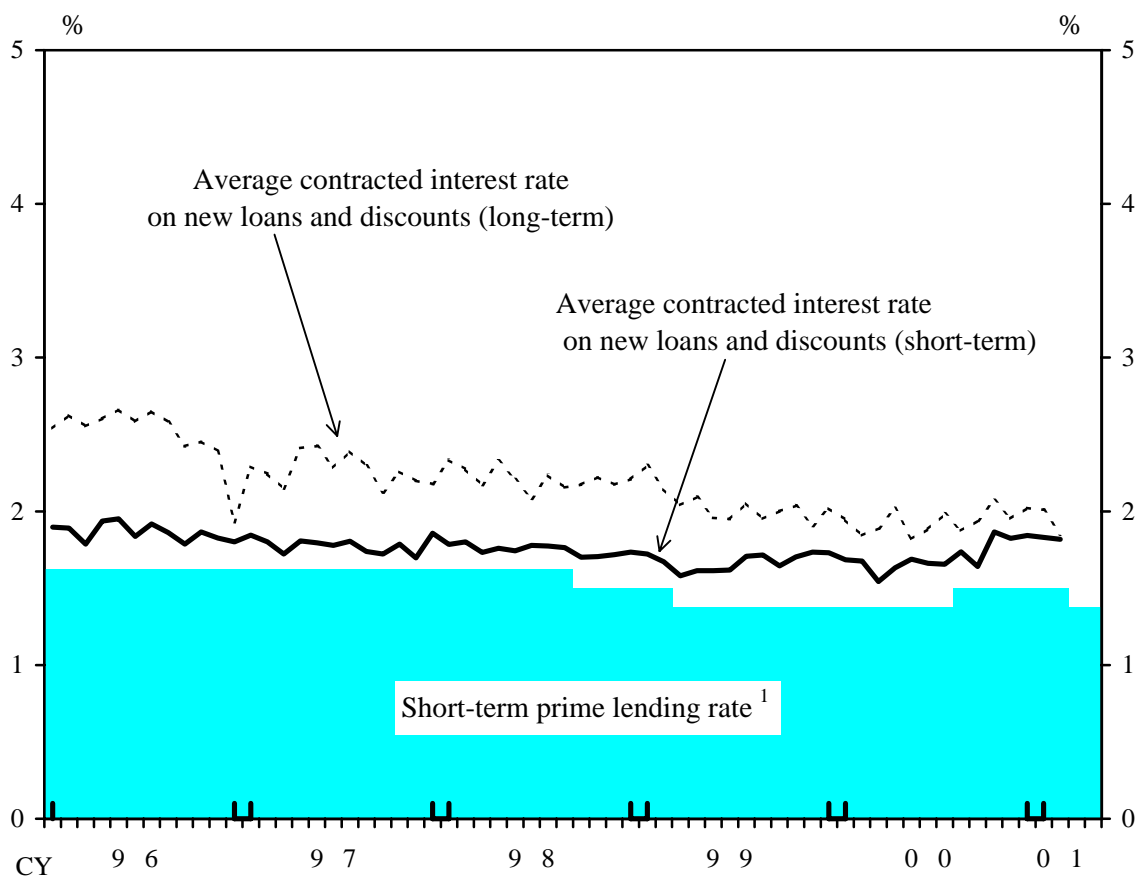
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

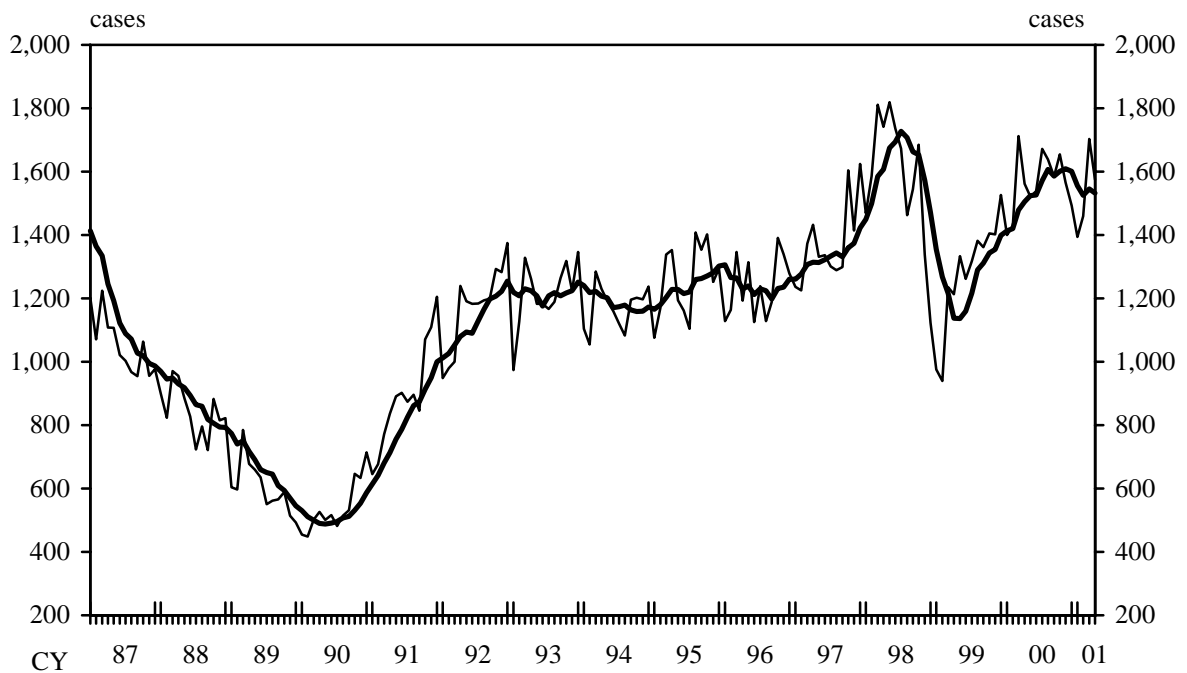


Note: 1. Data are at end of period.

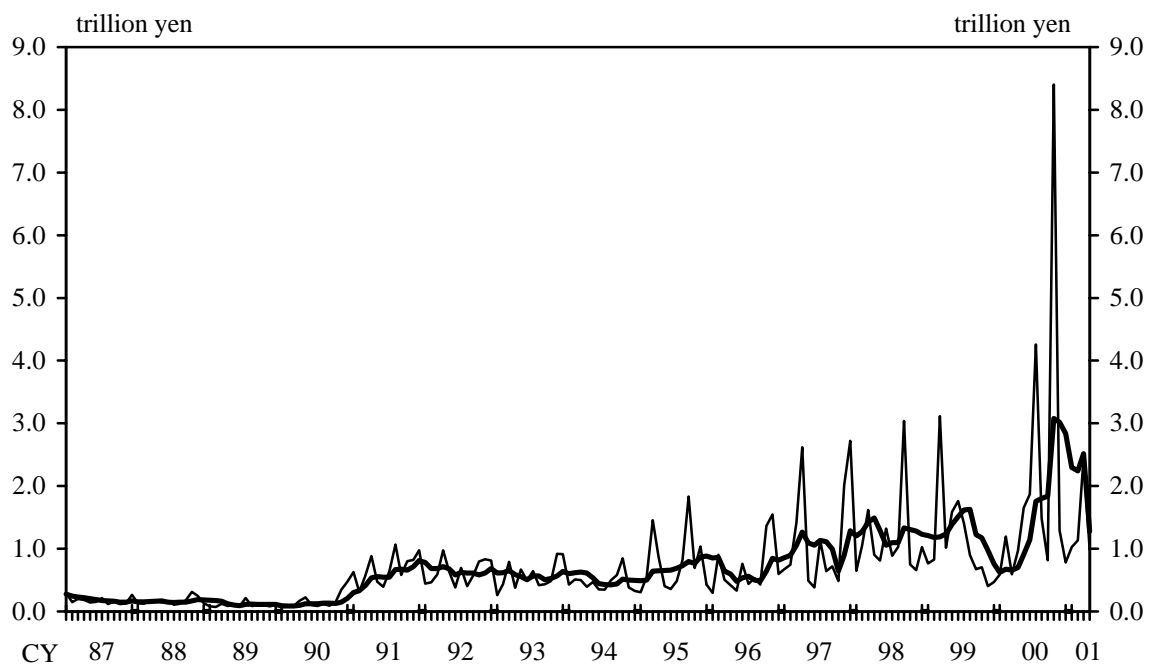
Source: Bank of Japan.

Corporate Bankruptcies

(1) 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)."