

July 17, 2001
Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
July 2001

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Monthly Report of Recent Economic and Financial Developments¹

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The Bank's View²

Adjustments in economic activities are intensifying, as production is declining substantially reflecting a fall in exports.

With regard to final demand, private consumption remains flat on the whole. Housing investment is declining and public investment is also about to decrease since the implementation of the supplementary budget for fiscal 2000 has peaked out. Net exports (real exports minus real imports) continue to decrease, reflecting not only a slowdown in overseas economies but also sluggish demand for IT-related goods. Business fixed investment has started to decrease while exporting conditions continue to deteriorate.

Industrial production continues to decline sharply, reflecting such developments in final demand and a further buildup of excess inventories of electronic parts and some materials. Corporate profits and business sentiment are also 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 follow a declining trend. Net exports are likely to continue decreasing for a while amid the deceleration in overseas economies and ongoing inventory adjustments in IT-related goods worldwide. Judged from leading indicators and investment plans of firms, business fixed investment is projected to follow a downward trend. In addition, inventory adjustments in goods such as electronic parts and materials will continue for the time being. Industrial production is, therefore, expected to follow a declining trend. In

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on July 12 and 13, 2001.

² The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on July 12 and 13 as the basis for monetary policy decisions.

these circumstances, a decline in corporate profits seems inevitable for the time being and thus household income is expected to weaken gradually.

Overall, the adjustments, mainly in production, are likely to continue for some time. Among factors affecting exports, it is generally thought that inventory adjustments in IT-related goods will have come to an end by early fall and overseas economies, particularly the United States, will follow a gradual recovery trend from around the end of this year. In this case, exports are expected to underpin the economy once again. However, a prolonged deceleration of overseas economies could yield the risk of economic adjustments spreading further. Also, attention should be paid to 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 mostly unchanged. Domestic wholesale prices are weak 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. Corporate service prices continue to decrease.

As for the conditions surrounding price developments, the past 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. Furthermore, in addition to the declining trend of machinery prices caused by technological innovations, the decreases in the prices of goods and services reflecting deregulation and the streamlining of distribution channels 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 basically moving around zero percent under 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 basically level on the whole. The Japan premium remains negligible.

Yields on long-term government bonds rose after moving at around 1.15-1.2 percent until the end of June and are recently moving 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 are declining due mainly to the decrease in U.S. stocks.

In the foreign exchange market, the yen is depreciating against the U.S. dollar and is currently being traded in the range of 124-126 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. However, there are some signs indicating that the lending attitude of financial institutions perceived by small firms is becoming slightly more cautious. Meanwhile, the fund-raising conditions of firms in the markets for such instruments as corporate bonds and CP continue to improve 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. Meanwhile, the growth rate of amount outstanding of corporate bonds issued is recently rising slightly. The amount outstanding of CP issued is well above that of

the previous year and marking the highest level to date, reflecting the favorable environment for issuing CP.

The growth rate of money stock ($M_2 + \text{CDs}$) in June was higher than that of the previous month due mainly to the inflow from postal savings.

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

In this financial environment, the lending attitudes of financial institutions and corporate financing conditions remain easy as a whole. For the time being, attention should be paid to the effects of the 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 about to decrease, since the implementation of the supplementary budget for fiscal 2000 has peaked out. The value of public works contracted—a metric that reflects orders—has been at low levels after orders of the supplementary budget concentrated toward the end of fiscal 2000. Moreover, actual implementation of those works is about to decline once again as most of the orders of the supplementary budget have already been implemented (Chart 2). Public investment is expected to follow a declining trend.

Real exports continue to decrease substantially, reflecting not only a slowdown in overseas economies but also sluggish demand for IT-related goods (Charts 3[1], 4, and 5). Real exports in April-May declined significantly compared to the first quarter of 2001—IT-related goods (semiconductor parts) and capital goods and parts (semiconductor fabrication machines and equipment, and industrial machinery) continued to decrease considerably, and intermediate goods (chemicals and steel) also declined mainly due to the easing supply-demand conditions in East Asian markets. Real imports are basically sluggish amid a continued substantial decline in domestic production, while real imports in April-May remained almost flat compared to the first-quarter level after the significant decrease in the first quarter (Charts 3[1] and 6). According to the breakdown by type of goods, IT-related parts and intermediate goods decreased noticeably, and imports of personal computers also declined 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,³ 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 (Chart 7[2]), the slowdown in the

³ 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.)

European economy has become more distinct in addition to the ongoing adjustments in the U.S. and East Asian economies. Furthermore, inventory adjustments of IT-related goods have been ongoing worldwide. Consequently, exports are expected to continue declining for some time. Meanwhile, imports are projected to remain sluggish for the time being reflecting both the decrease in domestic production and the depreciation of the yen. Under these circumstances, net exports are likely to continue decreasing for a while.

Business fixed investment has started to decrease as the implementation of a backlog of orders has come to an end while the demand forecast for the IT-related sector has been revised downwards. Aggregate supply of capital goods⁴ (excluding transport equipment)—which basically moves simultaneously with machinery investment—continued to decline (Chart 8-1[1]). Among leading indicators (Chart 8-2), machinery orders (private demand, excluding shipbuilding and electric power equipment) increased somewhat in April-May compared to the relatively large decline in the first quarter. Meanwhile, nonresidential construction starts continued to follow a declining trend. This was because, in addition to the continued decrease in nonmanufacturing, nonresidential construction starts in mining and manufacturing have recently started to decline. With regard to the environment surrounding business fixed investment based on the Bank of Japan's *Tankan--Short-term Economic Survey of Enterprises--* of June 2001, firms, particularly in manufacturing, project a decrease in corporate profits for the first half of fiscal 2001 (Chart 9). Under these projections, business sentiment of firms is also deteriorating especially among manufacturing (Chart 10).⁵ As for corporate finance, although the situation differs according to each enterprise especially by its scale, corporate financing conditions overall seem to be easy so far (Chart 11).

⁴ In the *Indices of Industrial Domestic Shipments and Imports*, the aggregate supply by goods is shown by adding domestic shipments based on *Indices of Industrial Production* and imports based on *Foreign Trade Statistics*. Charts 8-1(1) and 13-4 each show the developments in aggregate supply of capital goods (excluding transport equipment) and consumer goods. Figures for the second quarter of 2001 (April-May) were calculated by the Bank of Japan using indices of industrial shipments and real imports and exports.

⁵ According to the June *Tankan*, manufacturing firms perceive their production capacity to be somewhat more excessive, along with the continued decline of the capacity utilization rate (Chart 8-1[2]).

As for the outlook, business fixed investment is projected to follow a downward trend, judged from the recent developments in leading indicators, and from the fact that corporate profits have begun to decrease. Business fixed investment plans for fiscal 2001 reported in the June *Tankan* (Chart 12) show that large manufacturing firms plan to increase investment by 7.7 percent on a year-to-year basis. These seemingly strong figures, however, reflect the fact that some investment plans of fiscal 2000 were carried on to fiscal 2001 and thus the investment plans of these large manufacturing firms actually appeared to be rather cautious.⁶ Moreover, large nonmanufacturing firms, especially in construction and real estate, wholesaling and retailing, project to decrease investment compared to the previous fiscal year. In addition, plans of small firms, both in manufacturing and nonmanufacturing, were revised modestly upwards compared to those usually observed at this time of year.

Private consumption remains flat on the whole (Chart 13). According to sales indicators, passenger car sales generally continued to be flat, with some fluctuations. Outlays for travel remained firm. Sales at department stores increased, particularly in accessories and clothes. Meanwhile, sales at chain stores continued to follow a downward trend. Sales of household electrical appliances continued to be at low levels in reaction to the surge in demand of items regulated in the law regarding the recycling of home electronic appliances⁷ before it came into effect, and also due to weak sales of personal computers. The level of indices of aggregated sales⁸ were basically flat-to-up compared to that of the previous year.

⁶ There is a tendency in the June *Tankan* that the actual business fixed investment amounts for the previous fiscal year of large manufacturing firms are revised downward compared to those in the March *Tankan*, due to the delay of the completion of construction works or the delivery of machinery. On the contrary, projections for the following fiscal year are revised upward. Nevertheless, in this June *Tankan*, projections for fiscal 2001 as well as the actual amounts for fiscal 2000 were revised downward.

⁷ 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.

⁸ While various sales indicators show different movements, the indices of aggregated sales are compiled by adding the weights of various sales indicators (including a few services consumption) to grasp the consumption trend from the supply (sales) side. For the detailed calculation method, see the notes in Chart 13-3.

The level of aggregate supply of consumer goods has recently been slightly below that of the previous year, since domestic shipments were stagnant in addition to the somewhat modest increase in imports. Meanwhile, consumer confidence has recently been flat after consumers became more cautious (Chart 14[1]). Private consumption is expected to remain basically flat for the time being, mainly reflecting employment and income conditions.

Housing investment is declining, with some fluctuations. In April-May, construction starts, particularly of owner-occupied houses, declined compared to the first quarter (Chart 15).⁹ Judged from the number of loan applications to the government Housing Loan Corporation,¹⁰ housing investment is likely to be weak for the time being.

Reflecting these developments in final demand, industrial production continues to decline sharply due not only to a fall in exports, particularly those of IT-related goods, industrial machinery such as semiconductor fabrication machines and equipment, and intermediate goods, but also to a decrease in domestic business fixed investment (Chart 16).¹¹ As for inventories, those of final demand goods are still broadly contained. However, among producer goods, inventories of electronics parts, demand for which from overseas declined significantly, have piled up rapidly despite production cutbacks, and the excessiveness of some materials such as steel and chemicals have intensified. Thus, inventories as a whole have accumulated further (Chart 17). Under these circumstances, industrial production is expected to

⁹ Construction starts for housing in May increased by 5.6 percent on a month-to-month basis. In detail, although construction starts for housing of owner-occupied houses continued to be at low levels, particularly among those financed by the government Housing Loan Corporation, those of housing for rent financed by private funding sources increased significantly.

¹⁰ The number of loan applications to the government Housing Loan Corporation during its first offering period for fiscal 2001 (construction of private homes; offering period: April 23-May 28, 2001) remained at a low level of 28,000 applications. The Housing Loan Corporation has increased the offering times of loan applications from four to six times a year since this fiscal year and the second offering period will start from July 16.

¹¹ If the growth rate of production for June is the same as that of the production forecast index (+0.3 percent compared to the previous month), production for the second quarter will decline by 3.7 percent on a quarter-to-quarter basis, a sharp decline for the second consecutive quarter (-3.7 percent in the first quarter).

follow a declining trend for some time due to the decreases in exports and business fixed investment.

As for employment and income conditions, compensation of employees has not yet deteriorated (Chart 18), but the supply-demand condition in the labor market is easing, particularly in manufacturing where exports and production decline substantially. Among labor-market-related indicators (Charts 19 and 20), the unemployment rate has recently increased somewhat. According to the June *Tankan*, firms' perception of excess employment increased slightly among small and medium-sized firms in both manufacturing and some nonmanufacturing such as construction. Meanwhile, the ratio of job offers to applicants has recently been flat after turning to a decline since the peak around the end of last year. This is because while the number of new job offers in manufacturing has followed a downward trend, those in nonmanufacturing (services, wholesale and retail trade, and eating and drinking places) has turned to increase once again. The number of regular employees (on a Monthly Labour Survey basis at establishments with five employees or more) was basically unchanged, but there seemed to be a reduction in the number of marginal workers such as part-time workers in manufacturing. Meanwhile, nominal wages per employee recently remained around the previous year's level as overtime payments decreased and the growth in regular payments was also stagnant, reflecting the decline in production activities.¹² Amid the ongoing adjustments in economic activities, compensation of employees is projected to weaken gradually for the time being.

2. Prices

Import prices on a yen basis were flat compared to the levels three months earlier, since the decline in import prices on a contractual currency basis, particularly in nonferrous metals and lumber, was basically offset by the depreciation of the yen (Chart 22).

¹² Various surveys on summer bonuses of large firms indicate that while bonuses in manufacturing will retain relatively high growth, reflecting favorable earnings in fiscal 2000, those in nonmanufacturing will remain at around the previous year's level.

Domestic wholesale prices are weak (Chart 23). In June, domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates¹³) decreased compared to the levels 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.

Corporate service prices are decreasing (Chart 24). In May, corporate service prices (domestic supply-demand factors¹⁴) declined compared to the levels three months earlier. The decrease was mainly due to lower communications charges (such as domestic fixed telephone services) and the reduction in the prices for leasing that reflected both the price decline in IT-related machinery and the decrease in long-term interest rates.

Consumer prices remain somewhat weak (Chart 25). In May, consumer prices (excluding perishables) declined compared to the levels 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 26). The overall year-to-year rate of decline in May expanded slightly, since the rate of decline in recreational services (hotel charges) and public services (telephone charges) expanded and the rate of increase in rent (imputed rent) contracted.¹⁵ (The year-to-year change was -0.6 percent in March 2001, -0.5 percent in April, and -0.7 percent in May.)

Regarding the conditions surrounding price developments, the past yen depreciation is exerting upward pressure on prices. However, with the ongoing

¹³ 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.

¹⁴ 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 24.

¹⁵ Developments of overall consumer prices including perishable goods in May were basically the same as those excluding perishables. (The year-to-year change was -0.4 percent in March, -0.4 percent in April, and -0.5 percent in May.)

adjustments in economic activities, the balance between supply and demand in the domestic market is likely to exert downward pressure on prices (Chart 27). Furthermore, in addition to the declining trend of machinery prices caused by technological innovations, the decreases in prices of goods and services reflecting deregulation and the streamlining of distribution channels will continue to restrain price developments. Overall, prices are expected to be weak for the time being.

3. Financial Developments

(1) Financial Markets

As for interest rate developments in short-term money markets (Charts 28[1] and 29), the overnight call rate (uncollateralized) is basically moving around zero percent under the guideline for money market operations to maintain the current-account balance at the Bank of Japan at around 5 trillion yen (Chart 30).

As for interest rates on term instruments (Chart 29), three-month Euro-yen rates (TIBOR) continue to be basically level on the whole. The Japan premium (Chart 32) remains negligible.

Yields on ten-year government bonds (newly issued; Chart 28[2]) rose due mainly to profit-taking by investors after moving at around 1.15-1.2 percent until the end of June and are recently moving around 1.3 percent. Yield spreads between government and private bonds (bank debentures and corporate bonds; Charts 34 and 35) are mostly unchanged or contracting somewhat.

Stock prices (Chart 36[1]) are declining mainly due to the decrease in U.S. stocks and to the more cautious views of market participants toward future earnings of domestic firms.

In the foreign exchange market (Chart 37), the yen is depreciating against the U.S. dollar due to increasing market concern over the Japanese economic outlook and is currently being traded in the range of 124-126 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The growth rate of money stock (M_2 + CDs; Chart 38) in June was higher than that of the previous month due mainly to the inflow from postal savings. (The year-on-year change was 2.5 percent in April, 2.9 percent in May, and 3.2 percent in June.) As for the third quarter, the year-on-year growth is projected to remain around the level posted during the second quarter as there will be some inflow from postal savings on maturity, while credit demand of private firms will remain sluggish. (The projected year-on-year growth rate for the third quarter is around three percent.)

In June, the growth rate of monetary base (currency in circulation + current deposits at the Bank of Japan; Chart 39) was substantially higher than that of the previous month primarily due to the increase in currency in circulation. (The year-on-year change was 1.4 percent in April, 5.1 percent in May, and 7.6 percent in June.)

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. However, there are some signs indicating that the lending attitude of financial institutions perceived by small firms is becoming slightly more cautious. Meanwhile, the fund-raising conditions of firms in the markets for such instruments as corporate bonds and CP continue to improve 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. 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;¹⁶ Chart 40), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, remains sluggish. (The year-on-year change was -1.5 percent in April, -1.6 percent in May, and -1.5 percent in June.) Meanwhile, the growth rate of amount outstanding of corporate bonds issued is recently rising slightly. The amount outstanding of CP issued (excluding those issued by banks) is well above that of the previous year and marking the highest level to date, reflecting the favorable environment for issuing CP (Chart 41).

Funding costs for firms are on a declining trend reflecting developments in market interest rates. As for lending rates, the average contracted interest rates on new loans and discounts in May (Chart 43) were below that of the previous month for both short- and long-term rates. The long-term prime lending rate was lowered by 0.05 percent to 1.55 percent on July 10. In the capital market, corporate bond issuance rates are on a downward trend. CP issuance rates are at extremely low levels.

The number of corporate bankruptcies (Chart 44) is basically flat.

In this financial environment, the lending attitude of financial institutions and corporate financing conditions remain easy as a whole. For the time being, attention should be paid to the effects of the 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.

¹⁶ The figures are adjusted for (1) fluctuations from the liquidation of loans, (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates, and (3) fluctuations from loan write-offs.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2000/Q4	2001/Q1	Q2	2001/March	April	May	June
Index of living expenditure level (all households)	0.4	1.0	n.a.	-4.3	-1.7	1.5	n.a.
Sales at department stores	0.3	0.4	n.a.	-0.4	0.8	0.1	n.a.
Sales at chain stores	-1.2	-0.1	n.a.	-1.0	-1.9	0.4	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 303>	< 301>	< 303>	< 299>	< 291>	< 310>	< 308>
Sales of household electrical appliances (real, NEBA)	3.6	10.4	n.a.	16.2	-19.0	-0.2	n.a.
Outlays for travel (50 major travel agencies)	1.2	0.7	n.a.	-0.8	-1.7	1.5	n.a.
Housing starts <s.a., ann. 10,000 units>	< 123>	< 118>	<n.a.>	< 121>	< 114>	< 120>	<n.a.>
Machinery orders (from private sector ⁴)	1.3	-7.0	n.a.	-3.6	6.3	-2.1	n.a.
Manufacturing	8.5	-12.8	n.a.	-1.8	-0.4	-0.8	n.a.
Nonmanufacturing ⁴	-4.2	-2.8	n.a.	-3.6	8.8	-2.3	n.a.
Construction Starts (private, nonresidential use)	-6.0	-5.6	n.a.	-0.9	-6.7	1.6	n.a.
Mining & manufacturing	-1.5	9.0	n.a.	7.1	-25.4	7.3	n.a.
Nonmanufacturing ⁵	-10.0	-9.4	n.a.	-3.2	0.7	0.2	n.a.
Value of public works contracted	-2.6	13.1	n.a.	48.0	-36.8	-0.5	n.a.
Real exports	0.2	-4.7	n.a.	-0.2	-6.8	1.0	n.a.
Real imports	5.0	-3.3	n.a.	-0.9	-3.7	11.2	n.a.
Industrial production	0.6	-3.7	n.a.	-2.1	-2.0	p -1.2	n.a.
Shipments	0.1	-3.5	n.a.	-2.4	-2.8	p 0.0	n.a.
Inventories	0.9	2.3	n.a.	0.7	2.2	p 0.8	n.a.
Inventories/shipments <s.a., 1995=100>	<101.2>	<106.6>	<n.a.>	<106.6>	<110.3>	<p 109.3>	<n.a.>
Real GDP	0.6	-0.2	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.5	0.5	n.a.	0.6	-2.5	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2000/Q4	2001/Q1	Q2	2001/March	April	May	June
Ratio of job offers to applicants <s.a., times>	<0.65>	<0.63>	<n.a.>	<0.61>	<0.62>	<0.61>	<n.a.>
Unemployment rate <s.a., %>	<4.80>	<4.75>	<n.a.>	<4.72>	<4.79>	<4.89>	<n.a.>
Overtime working hours ⁶	3.0	0.7	n.a.	-0.9	-2.9	p -2.2	n.a.
Number of employees	1.2	1.2	n.a.	1.3	1.3	0.7	n.a.
Number of regular employees ⁶	-0.1	-0.1	n.a.	-0.2	-0.2	p -0.2	n.a.
Nominal wages per person ⁶	-0.1	0.1	n.a.	-0.5	0.0	p -0.4	n.a.
Domestic wholesale price index <q/q % chg.> (3-month growth rate)	-0.1 <-0.2>	-0.4 <-0.2>	-0.6 <-0.2>	-0.5 <-0.3>	-0.7 <-0.2>	-0.6 <-0.2>	-0.7 <-0.2>
Consumer price index (nationwide) ⁷ <s.a., q/q % chg.> (3-month growth rate)	-0.5 <-0.2>	-0.6 <-0.1>	n.a. <n.a.>	-0.6 <-0.2>	-0.5 <-0.2>	-0.7 <-0.2>	n.a. <n.a.>
Corporate service price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-1.0 <-0.3>	-1.4 <-0.4>	n.a. <n.a.>	-1.3 <-0.4>	-1.2 <-0.4>	-1.4 <-0.5>	n.a. <n.a.>
Monetary aggregates (M ₂ +CDs) <average outstanding, y/y % chg.>	2.1	2.6	p 2.9	2.6	2.5	2.9	p 3.2
Number of suspension of transactions with banks	-0.1	-9.0	n.a.	-9.1	-8.4	7.8	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.

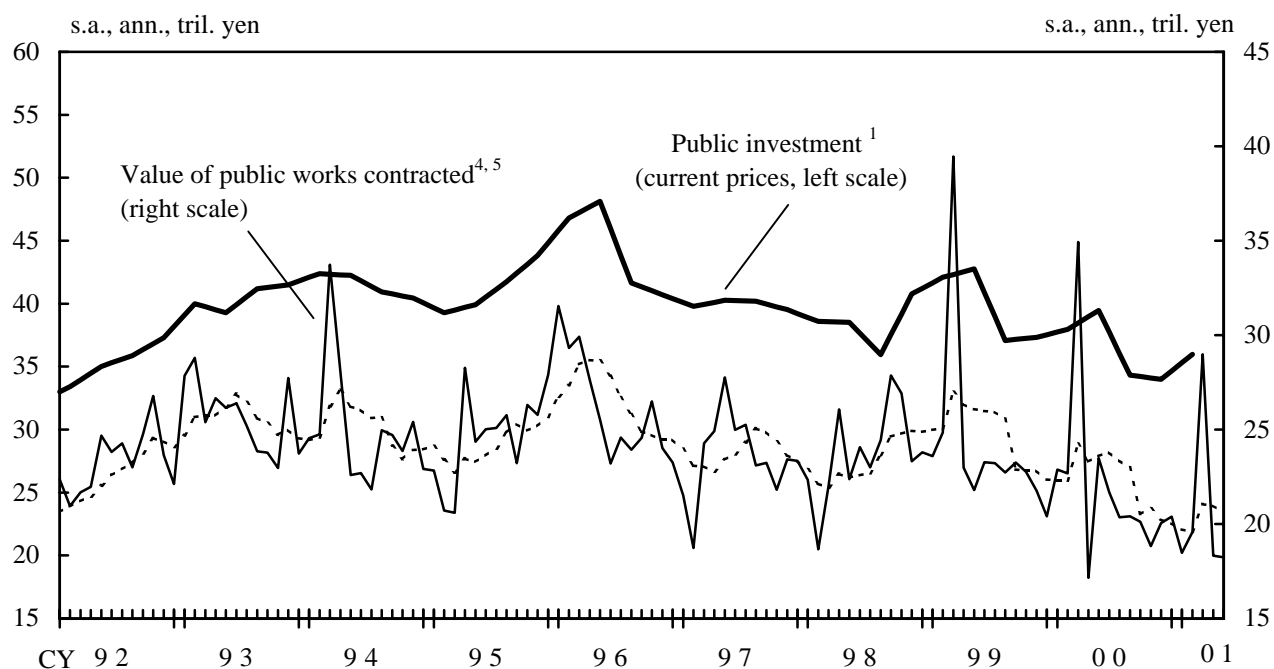
8. Domestic supply-demand factors.

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

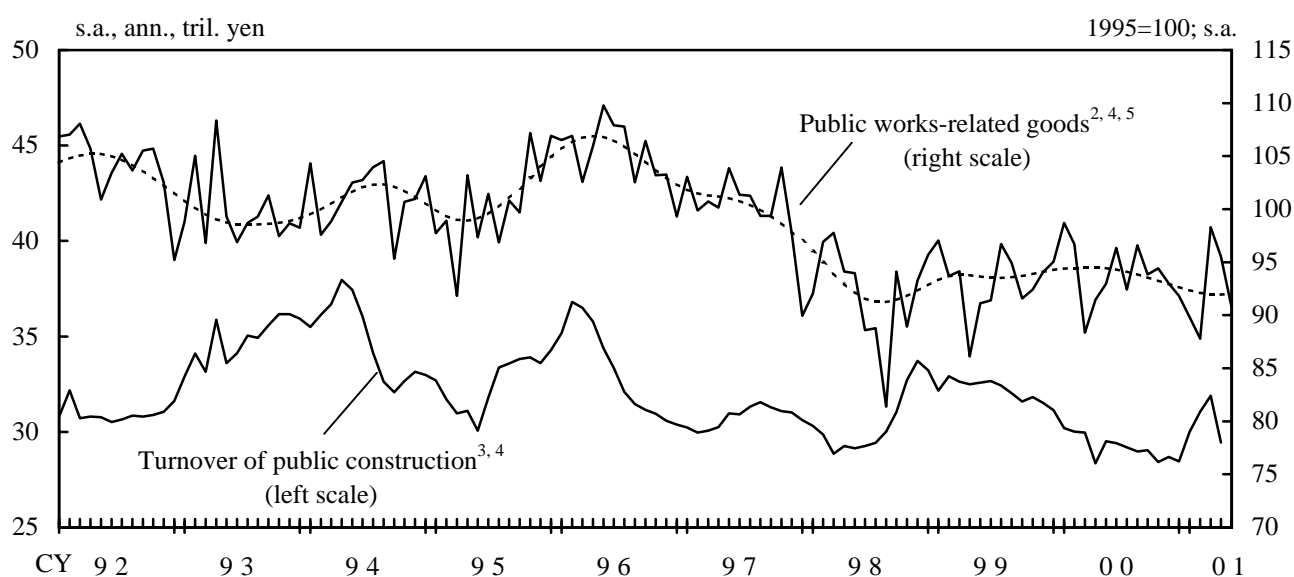
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey," "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production," "Indices 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 May 2001 are preliminary.

3. Turnover of public construction is based on the public sector table in the "Integrated Statistics on Construction Works." The data since April 2000 are retroactively revised.

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 2001, and are fixed for FY2001.

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.

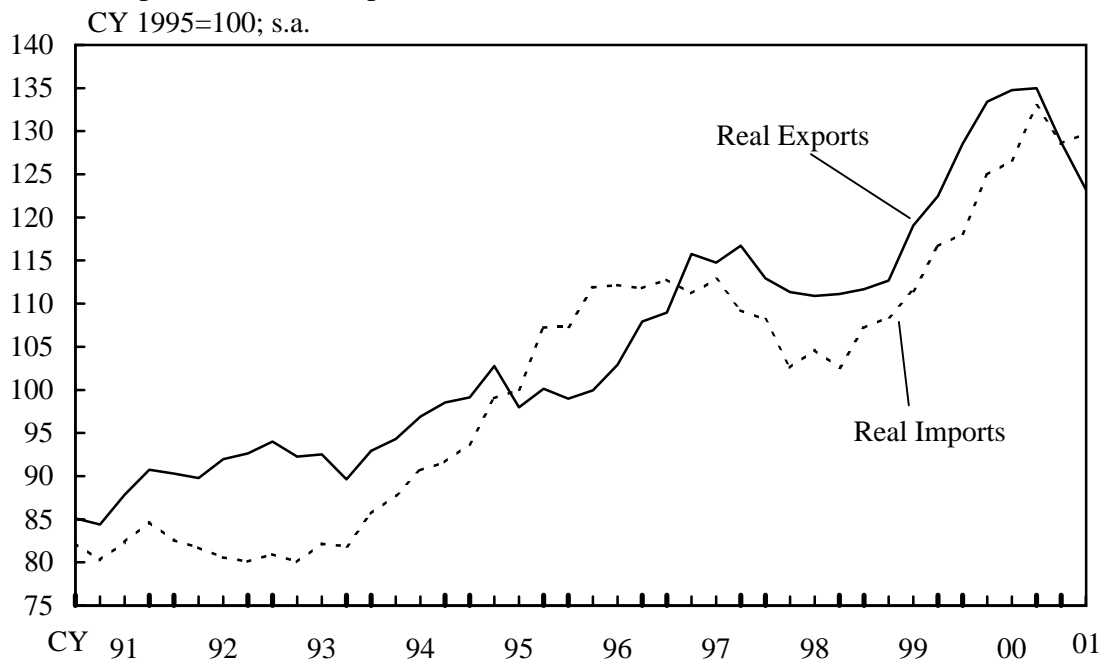
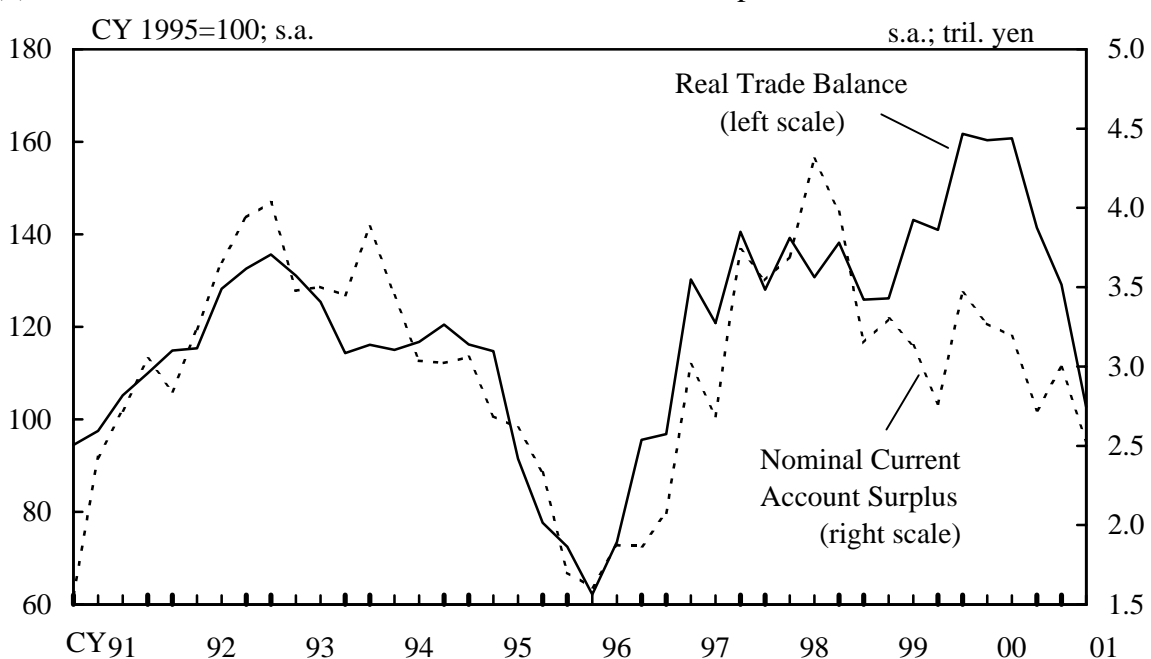
Sources: Cabinet Office, "National Accounts";

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

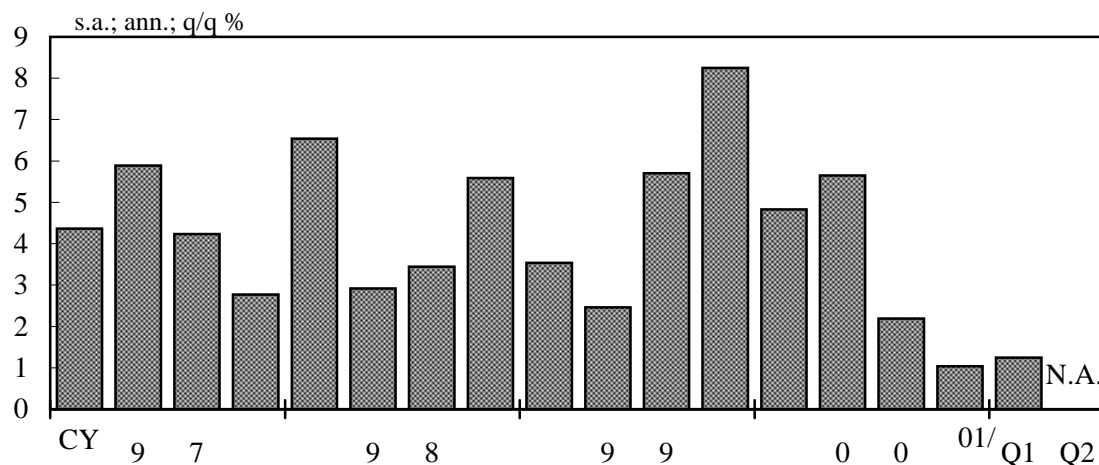
(1) Real Exports and Real Imports**(2) Real Trade Balance and Nominal Current Account Surplus**

- Notes: 1. Real exports/imports and the real trade balance are seasonally adjusted by X-11.
 2. 2001/Q2 figures are Apr.-May averages converted into quarterly amount.

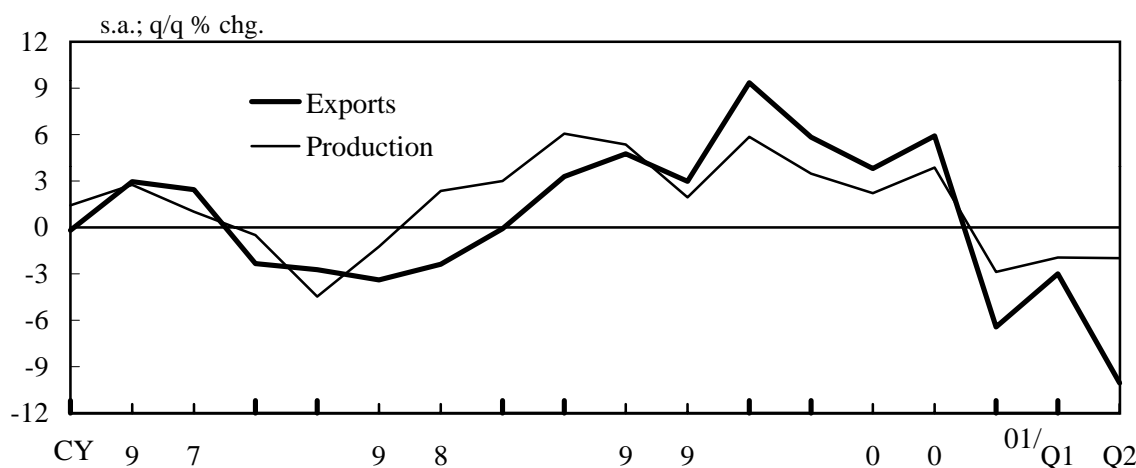
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
 Bank of Japan, "Balance of Payments Monthly," "Wholesale Price Indexes."

Impacts of the U.S. Slowdown

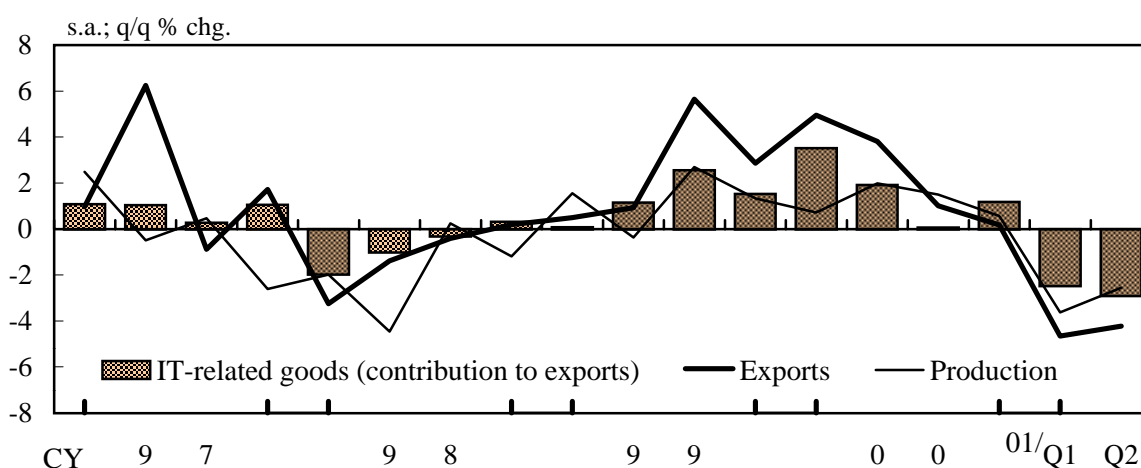
(1) United States - Real GDP



(2) NIEs3 - Exports and Production ^{1,2}



(3) Japan - Exports and Production ^{1,3}



Notes: 1. 2001/Q2 figures are Apr.-May averages converted into quarterly amount.
 2. 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.
 3. 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 Q2	Q3	Q4	2001 Q1	Q2	2001 Mar.	Apr.	May
United States	<29.7>	4.6	11.7	2.9	0.8	6.0	-6.7	-6.1	-3.2	-4.4	-3.0
EU	<16.3>	0.9	6.4	-0.1	-0.1	-2.3	1.2	-9.3	3.5	-12.4	-2.6
East Asia	<39.7>	12.0	25.6	5.5	2.7	-1.7	-4.4	-5.3	-3.0	-5.6	3.8
China	<6.3>	12.3	27.7	6.9	11.5	1.3	10.1	-4.3	-10.1	-4.7	14.2
NIEs	<23.9>	11.2	25.7	3.6	1.4	-2.3	-9.5	-5.7	-1.4	-5.9	0.8
Taiwan	<7.5>	7.8	22.4	8.1	2.8	-9.2	-16.6	-1.3	5.3	-7.2	3.7
Korea	<6.4>	43.9	30.3	-0.5	1.1	-0.8	-5.4	-10.4	-7.9	-10.5	7.1
ASEAN4 ³	<9.5>	13.6	24.0	9.4	0.8	-2.3	-1.8	-5.3	-1.2	-5.4	3.2
Thailand	<2.8>	15.3	18.9	6.4	4.7	1.6	-5.2	-3.8	-4.2	-1.5	-1.8
Real exports		4.5	14.1	3.8	1.0	0.2	-4.7	-4.2	-0.2	-6.8	1.0

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 99	2000	2000 Q2	Q3	Q4	2001 Q1	Q2	2001 Mar.	Apr.	May
Intermediate goods	<14.1>	5.4	5.1	1.5	0.7	0.7	-2.1	-3.6	0.4	-7.6	7.6
Motor vehicles and their related goods	<20.2>	2.8	9.2	8.2	4.2	-1.1	-7.8	2.6	-3.9	-0.9	-0.5
Consumer goods ⁴	<7.0>	5.0	13.0	2.5	-0.3	2.6	-6.0	-1.2	-0.4	-0.3	-4.2
IT-related goods ⁵	<18.8>	6.4	25.2	5.6	-2.6	5.9	-5.7	-5.8	-1.2	-5.3	-1.4
Capital goods and parts ⁶	<29.7>	1.8	21.0	4.9	1.6	-3.3	-3.2	-8.9	3.1	-12.0	0.5
Real exports		4.5	14.1	3.8	1.0	0.2	-4.7	-4.2	-0.2	-6.8	1.0

Notes: 1. Seasonally adjusted by X-11. 2001/Q2 figures are Apr.-May averages 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. 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 Q2	Q3	Q4	2001 Q1	Q2	2001 Mar.	Apr.	May
United States	<19.0>	-2.9	8.0	8.6	2.4	4.7	-5.5	2.1	-6.2	1.8	8.2
EU	<12.3>	5.8	8.5	1.1	2.1	4.3	2.1	-2.0	-4.5	-5.9	15.8
East Asia	<39.6>	15.8	25.5	4.8	4.8	6.5	-1.1	-1.9	2.2	-7.4	8.7
China	<14.5>	11.9	28.1	3.6	1.4	10.1	5.2	0.3	23.1	-14.7	13.2
NIEs	<12.2>	24.2	28.4	4.9	8.1	4.4	-5.3	-7.1	-9.3	-4.0	4.2
Taiwan	<4.7>	25.6	43.6	8.6	6.3	8.1	-7.7	-10.7	-15.4	-4.1	3.3
Korea	<5.4>	30.8	22.5	1.4	6.3	2.4	-2.6	-5.7	-4.2	-9.0	12.0
ASEAN4 ³	<12.8>	12.6	20.2	6.1	5.3	5.0	-3.8	0.5	-7.7	-0.6	7.7
Thailand	<2.8>	5.4	19.3	8.3	1.6	8.9	-4.1	5.7	1.6	-0.2	6.0
Real imports		6.1	13.3	5.8	1.3	5.0	-3.3	0.9	-0.9	-3.7	11.2

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 99	2000	2000 Q2	Q3	Q4	2001 Q1	Q2	2001 Mar.	Apr.	May
Raw materials ⁴	<26.8>	2.7	1.7	1.7	-1.3	0.6	-1.7	2.3	-4.3	1.0	8.4
Intermediate goods	<13.0>	3.6	8.3	3.9	-1.1	5.6	0.1	-1.1	-6.2	-2.3	12.4
Foodstuffs	<12.1>	2.8	5.4	-1.1	-0.1	2.2	-2.3	0.6	6.5	-9.5	13.9
Consumer goods	<10.5>	8.1	21.3	4.4	1.3	9.3	-2.7	3.5	14.3	-8.1	12.0
IT-related goods ⁵	<16.1>	18.7	43.9	12.8	11.7	7.3	-5.0	-4.5	-9.7	-1.5	5.7
Capital goods and parts ⁶	<11.5>	5.1	12.4	6.7	6.2	7.6	-3.7	1.8	-6.9	-0.6	10.0
excluding aircraft		4.4	21.5	3.9	5.5	8.9	0.5	1.7	-4.2	2.4	5.4
Real imports		6.1	13.3	5.8	1.3	5.0	-3.3	0.9	-0.9	-3.7	11.2

Notes: 1. Seasonally adjusted by X-11. 2001/Q2 figures are Apr.-May averages 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. 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



Notes: 1. Monthly average. The figure for July 2001 is the average of July 1-12. 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 effective exchange rate has been revised retroactively, reflecting changes of price indexes used for compiling the rate (details are shown in following URL; <http://www.boj.or.jp/en/faq/faqrate.htm>).

(2) Real GDP Growth Rates in Overseas Economies

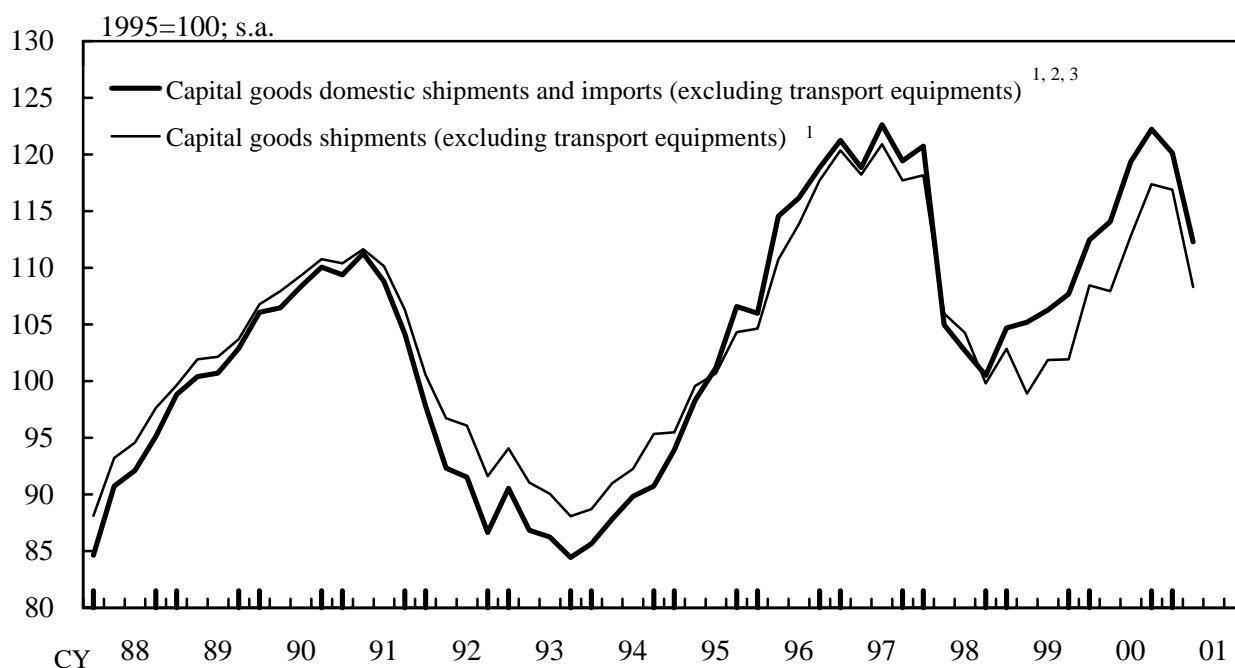
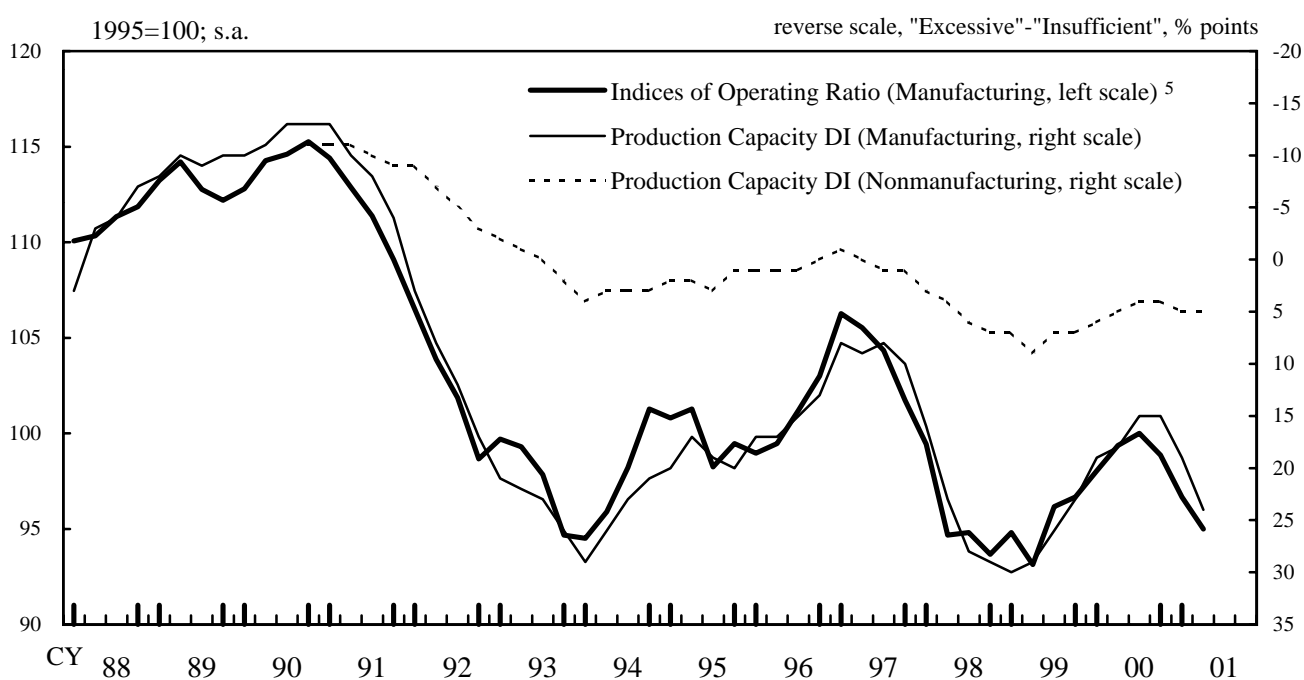
		CY98	99	2000	2000 Q2	Q3	Q4	2001 Q1	
United States ¹		4.4	4.2	5.0	5.6	2.2	1.0	1.2	
European Union ¹		2.9	2.5	3.3	3.2	2.5	2.3	2.2	
	Germany	2.1	1.6	3.0	4.8	1.1	0.8	1.4	
	France	3.5	3.0	3.4	2.9	3.6	3.0	1.9	
	United Kingdom	2.6	2.3	3.1	3.7	3.4	1.8	1.8	
East Asia ²	China	7.8	7.1	8.0	(Jan-Jun) 8.2	(Jan-Sep) 8.2	(Jan-Dec) 8.0	8.1	
	NIEs	Korea	-6.7	10.9	8.8	9.7	9.2	4.6	3.7
		Taiwan	4.6	5.4	6.0	5.4	6.6	4.1	1.1
		Hong Kong	-5.3	3.0	10.5	10.7	10.8	6.9	2.5
		Singapore	0.1	5.9	9.9	8.4	10.3	11.0	4.5
	ASEAN4	Thailand	-10.8	4.2	4.4	6.4	2.9	3.2	1.8
		Indonesia	-13.1	0.8	4.8	5.2	4.4	5.2	4.0
Malaysia		-7.4	6.1	8.3	8.0	7.6	6.3	3.2	
Philippines		-0.6	3.4	4.0	4.3	4.6	3.8	2.5	

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)

(1) Capital goods domestic shipments and imports (excluding transport equipments)

(2) Indices of Operating Ratio and Production Capacity DI⁴

Notes: 1. Figures for 2001/Q2 are those of Apr.-May average.

2. Figure for 2001/Q2 of "Domestic shipments" is calculated from quarterly changes of *Indices of Industrial Production* (excluding effects of exports).

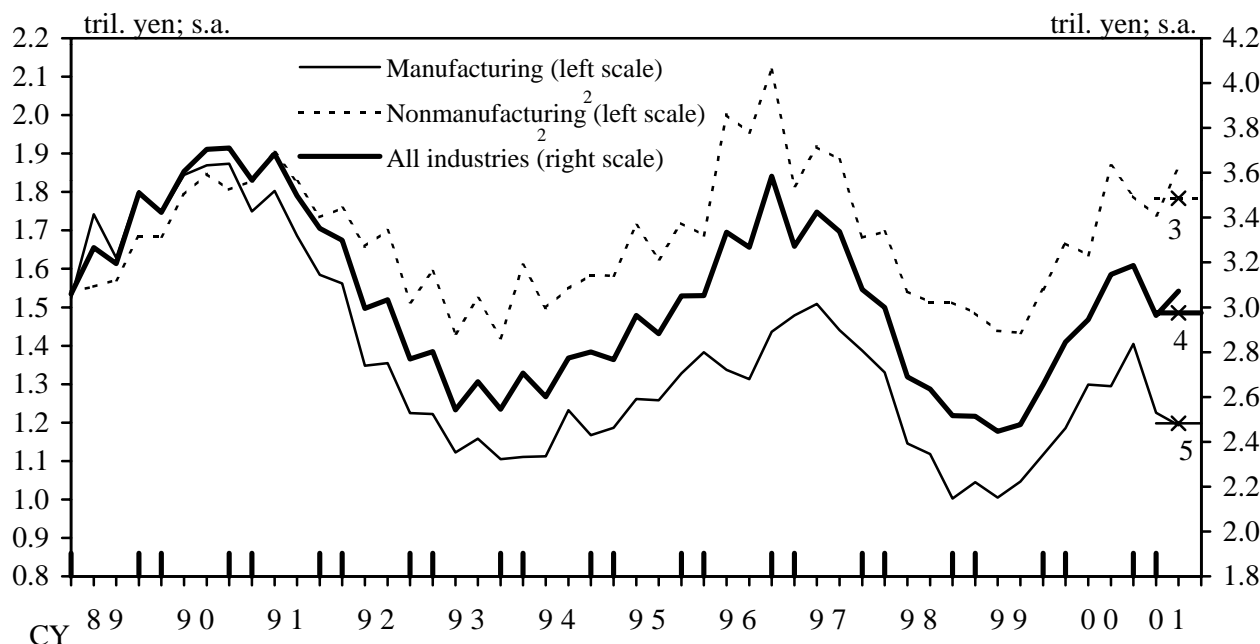
3. Figure for 2001/Q2 of "Capital goods domestic shipments and imports (excluding transport equipments)" is calculated from weighted average of the quarterly changes in "Domestic shipments" and "Imports", based on real imports (see chart 6).

4. All enterprises.

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

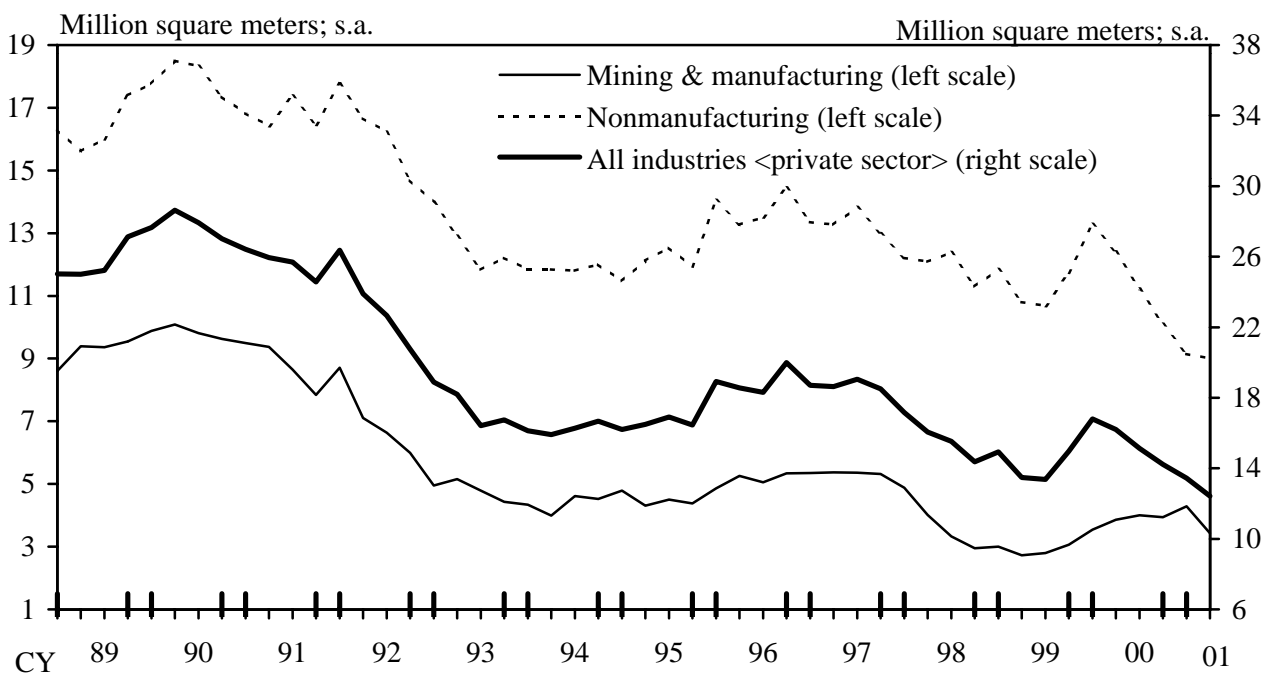
Sources: Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports"; Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes," "Tankan Short-term Economic Survey of Enterprises in Japan."

Indicators for Business Fixed Investment (2)

(1) Machinery Orders¹

- Notes: 1. Figures for 2001/Q2 are average of April and May in terms of quarterly amount.
 2. Excludes orders from electric power companies and shipbuilding orders.
 3. Forecast of nonmanufacturing industries for 2001/Q2.
 4. Forecast of all industries for 2001/Q2.
 5. Forecast of manufacturing industries for 2001/Q2.

(2) Construction Starts (Nonresidential)

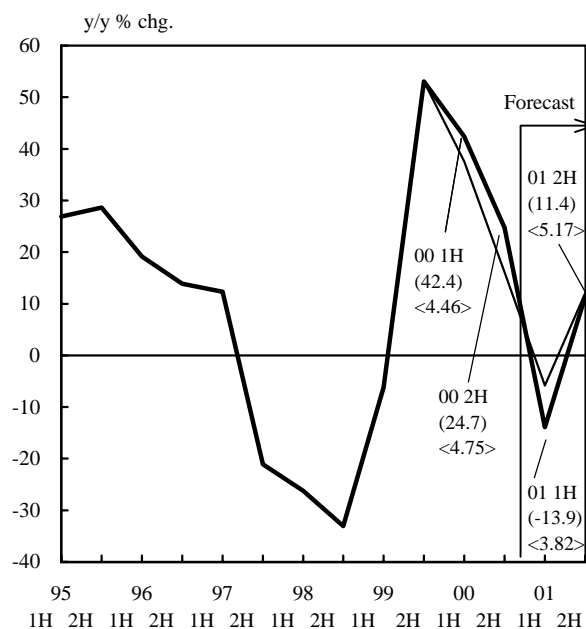


- Notes: 1. Seasonally adjusted by X-12-ARIMA (β version).
 2. Figures for 2001/Q2 are average of April and May in terms of quarterly amount.

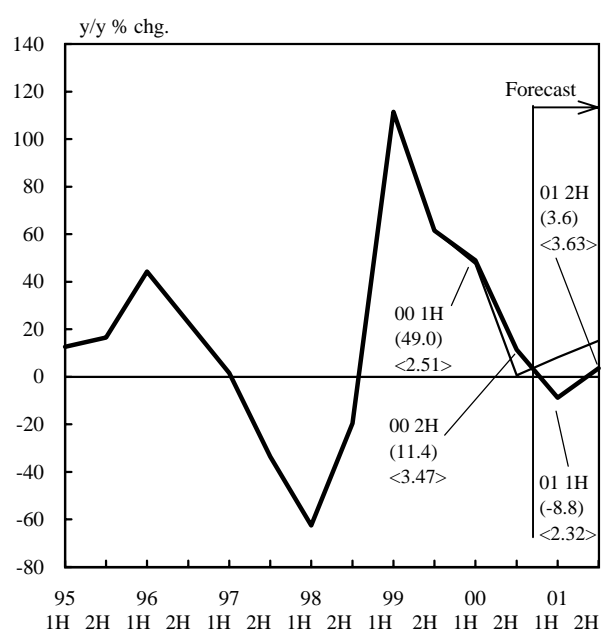
Sources: Cabinet Office, "Machinery Orders Statistics";
 Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

Recurring Profit

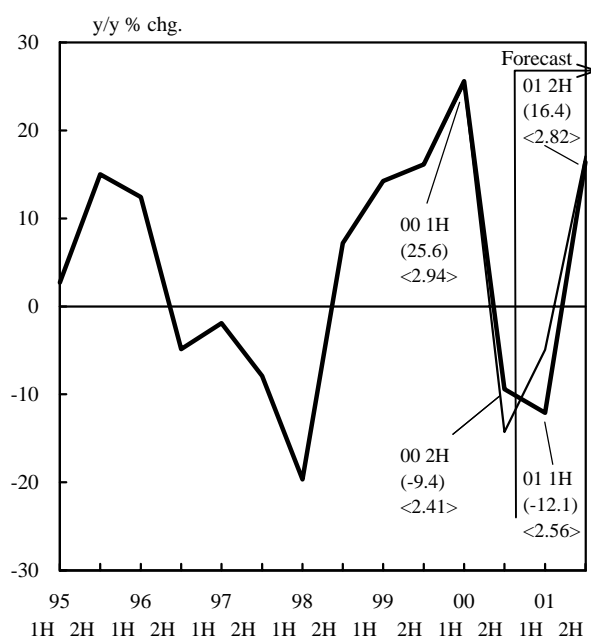
(1) Manufacturing / Large Enterprises



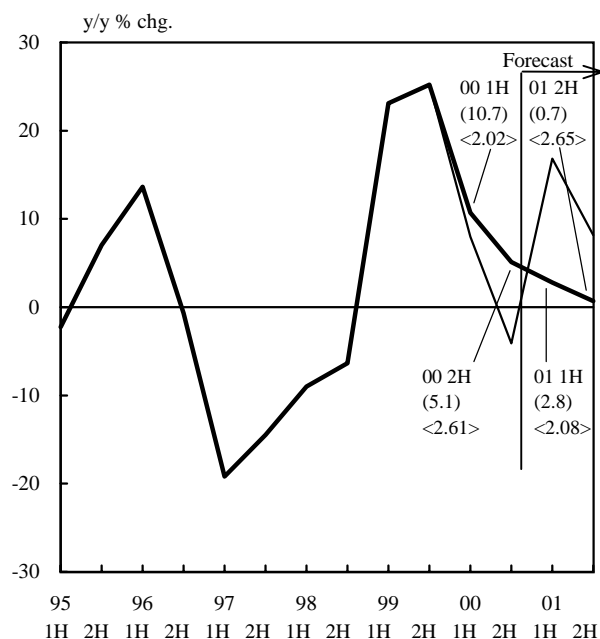
(2) Manufacturing / Small Enterprises



(3) Nonmanufacturing / Large Enterprises



(4) Nonmanufacturing / Small Enterprises



Notes: 1. The thin solid line shows the figures as of the March 2001 survey.

2. Large enterprises: 1,000 employees or more

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

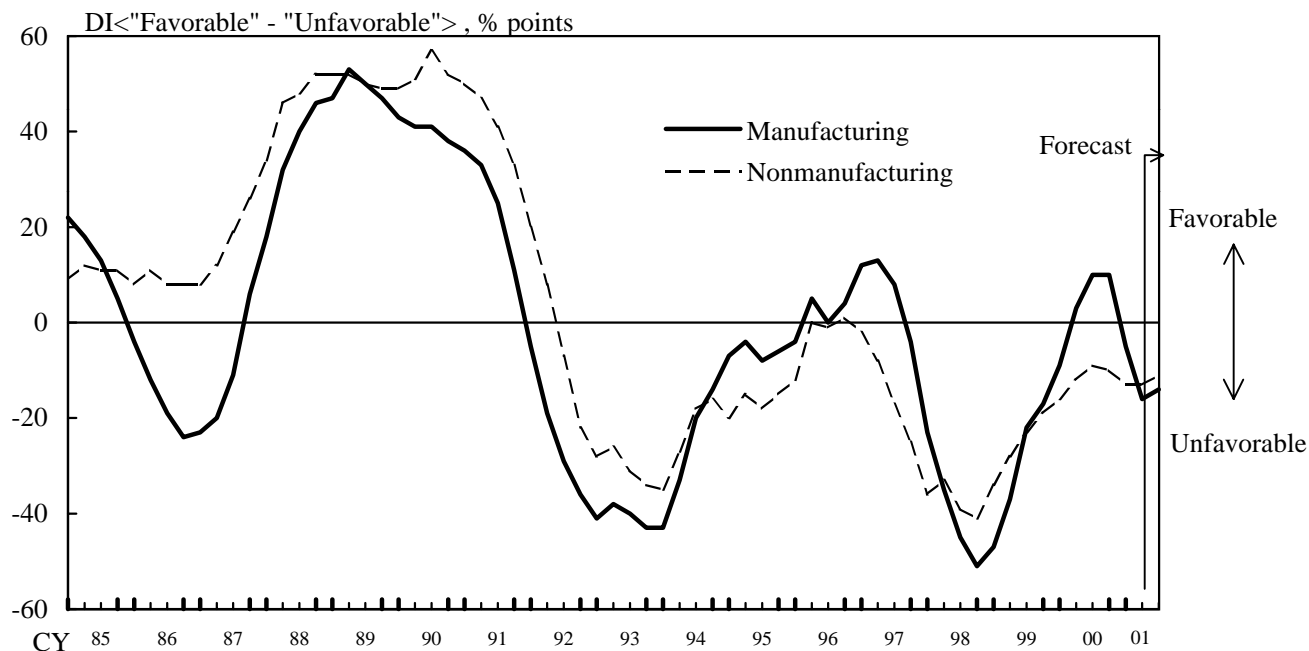
20-49 employees (Retailing, services, and leasing), 50-299 employees (Other industries)

3. (): Recurring Profits (y/y% chg.), < >: Ratio of recurring profit to sales (%).

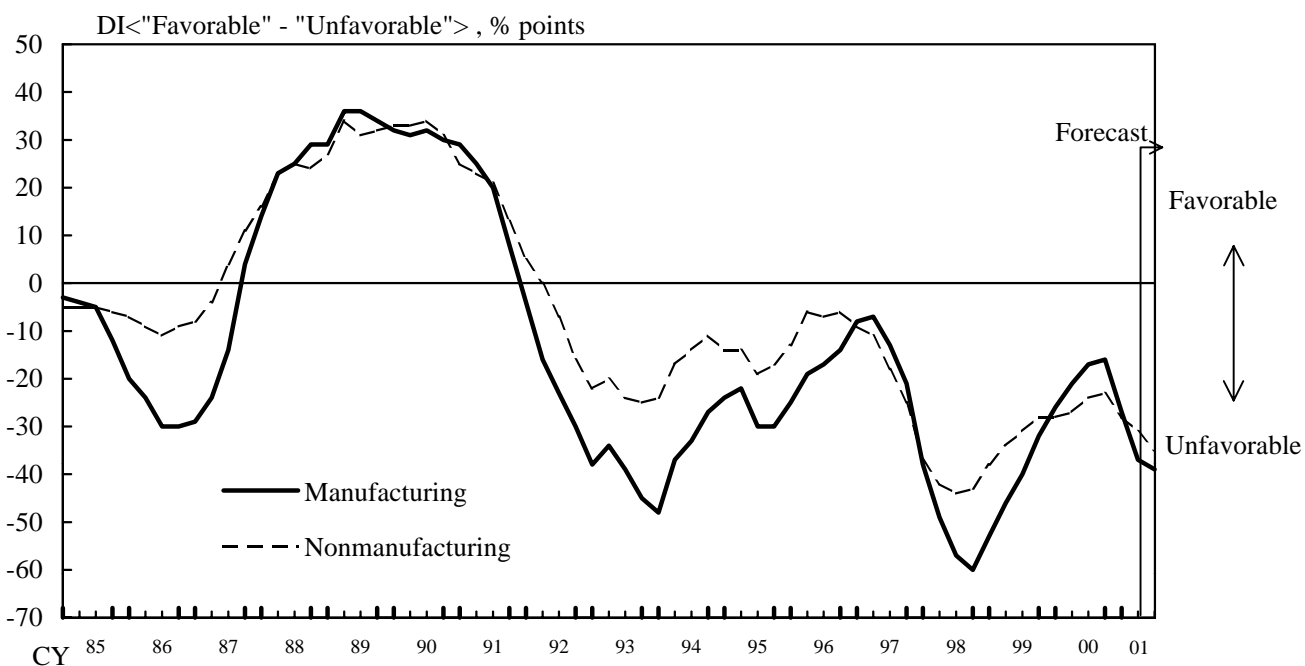
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

Business Conditions

(1) Large Enterprises



(2) Small Enterprises



Note: Large enterprises: 1,000 employees or more

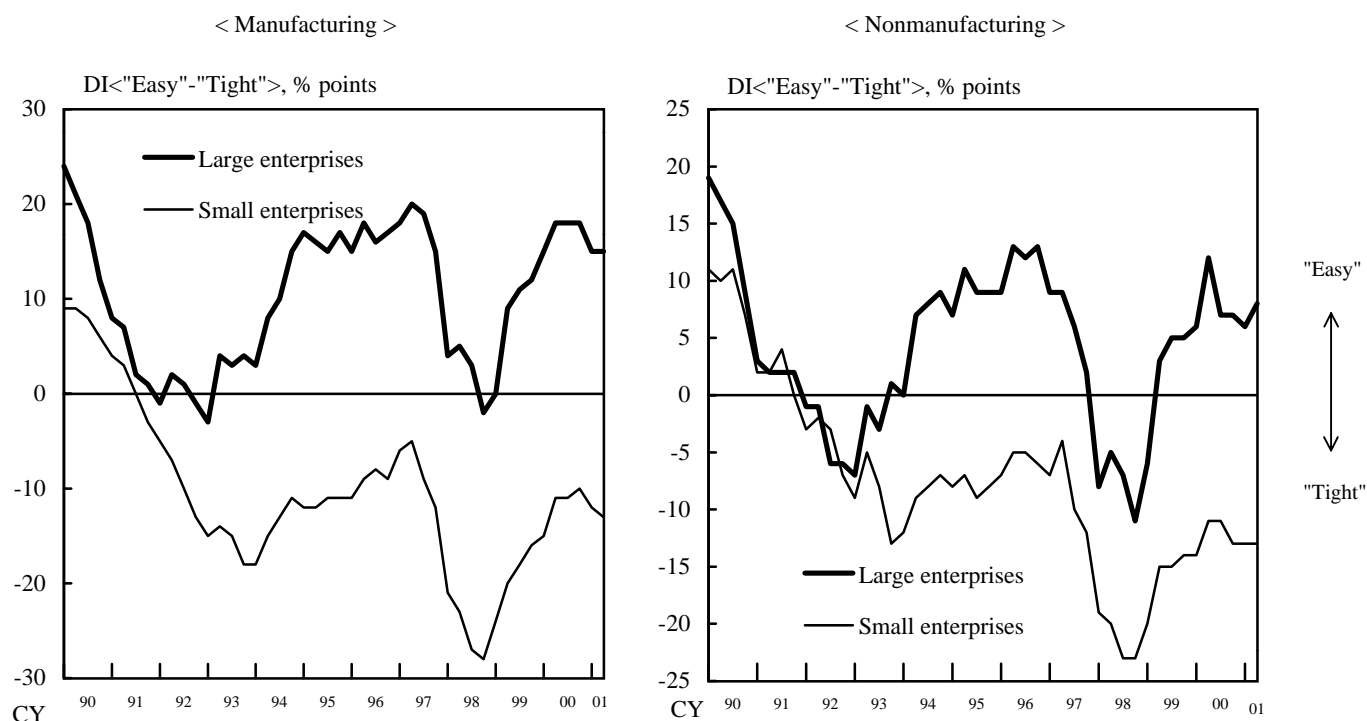
Small enterprises: 50-299 employees (Manufacturing), 20-99 employees (Wholesaling),

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

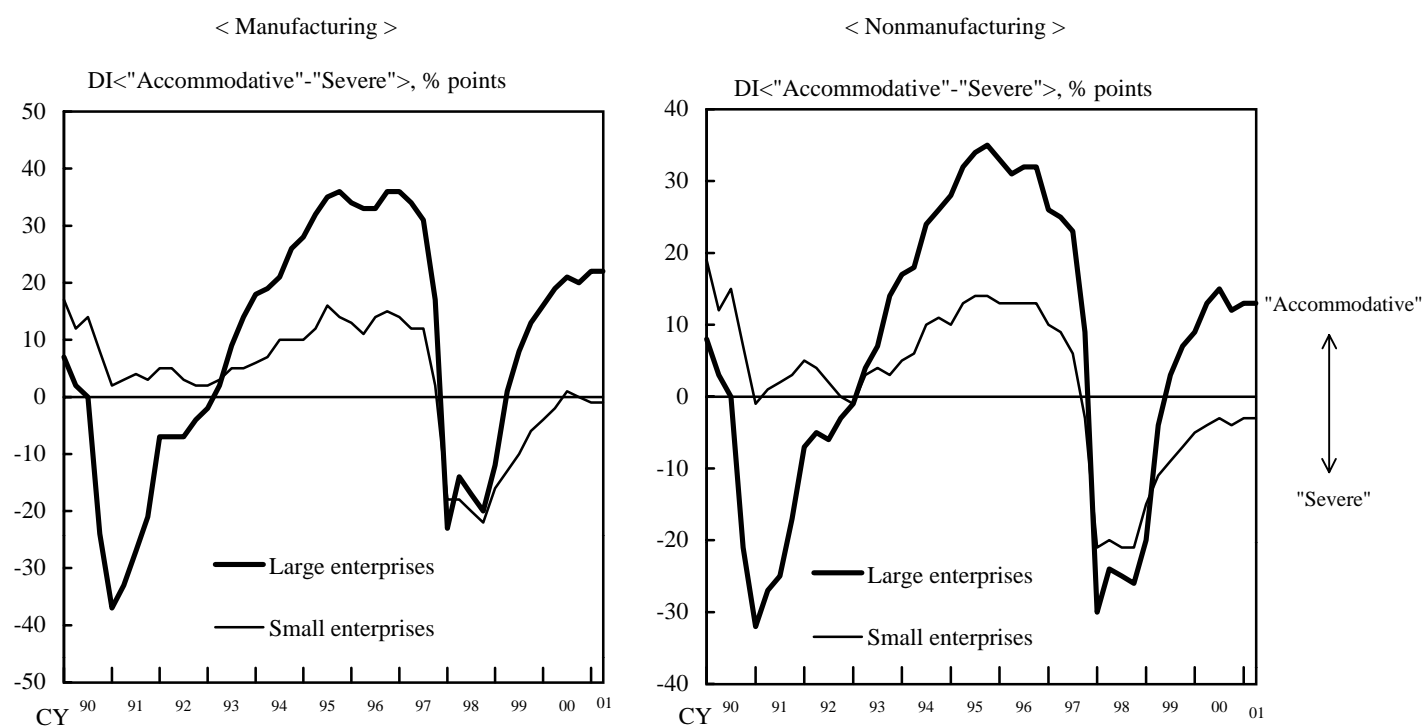
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

Corporate Finance-Related Indicators

(1) Financial Position



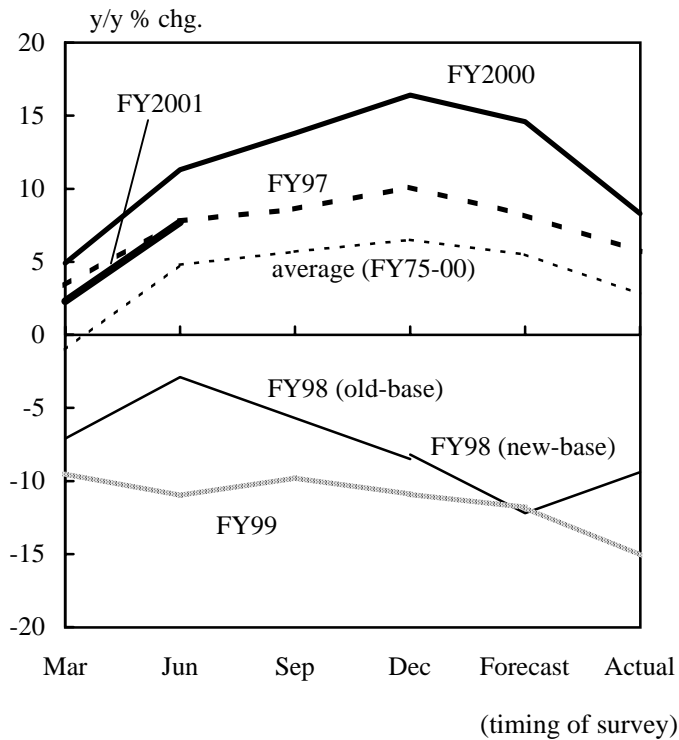
(2) Lending Attitude of Financial Institutions



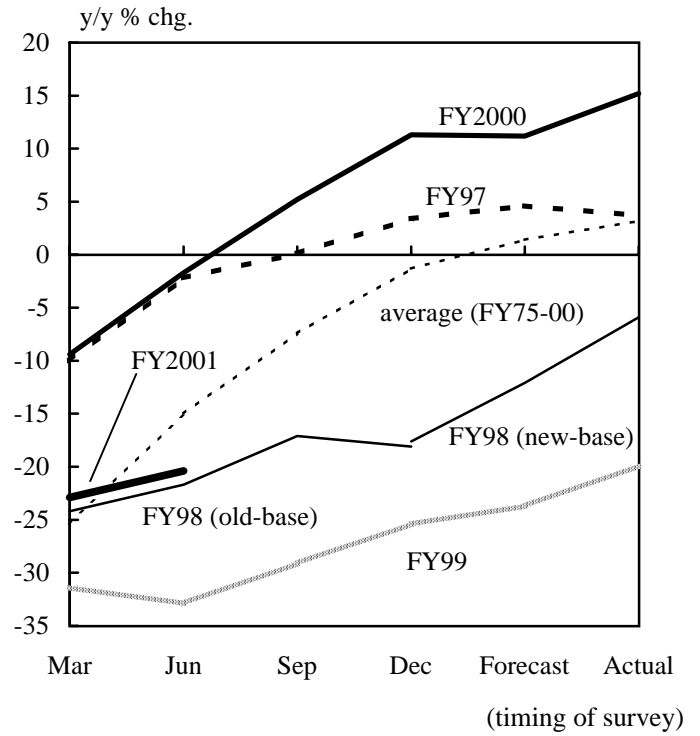
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

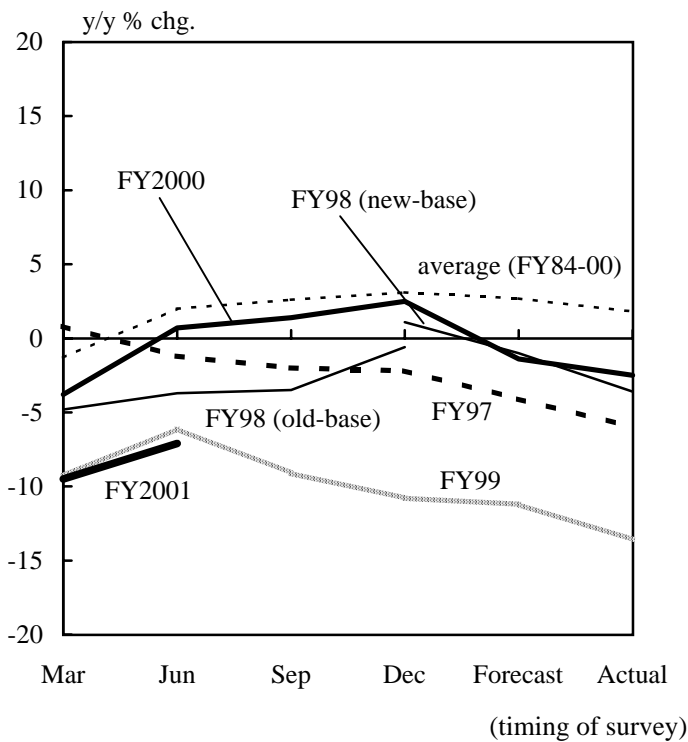
(1) Manufacturing / Large Enterprises



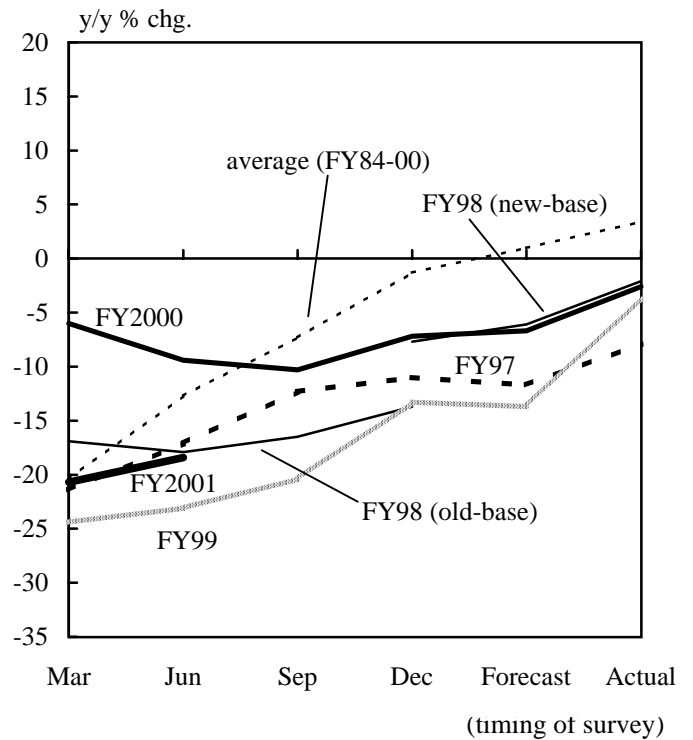
(2) Manufacturing / Small Enterprises



(3) Nonmanufacturing / Large Enterprises



(4) Nonmanufacturing / Small Enterprises



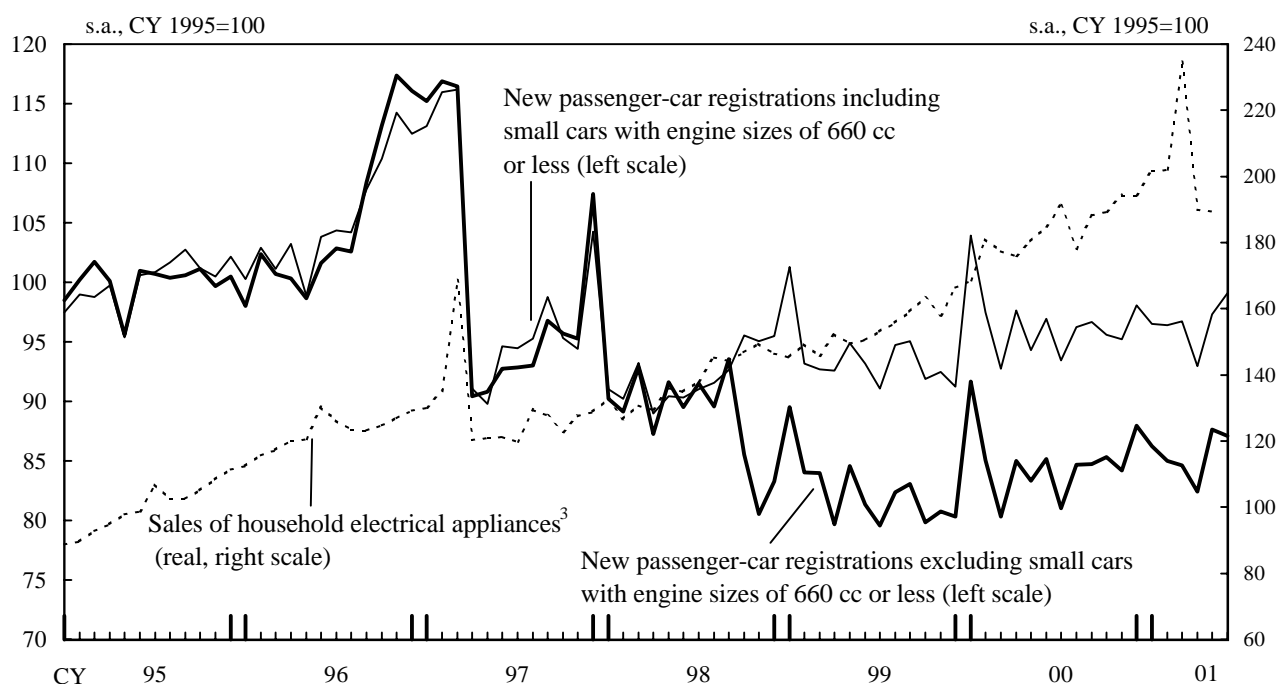
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

Private Consumption¹ (1)

(1) Household Spending



(2) Sales of Durable Goods



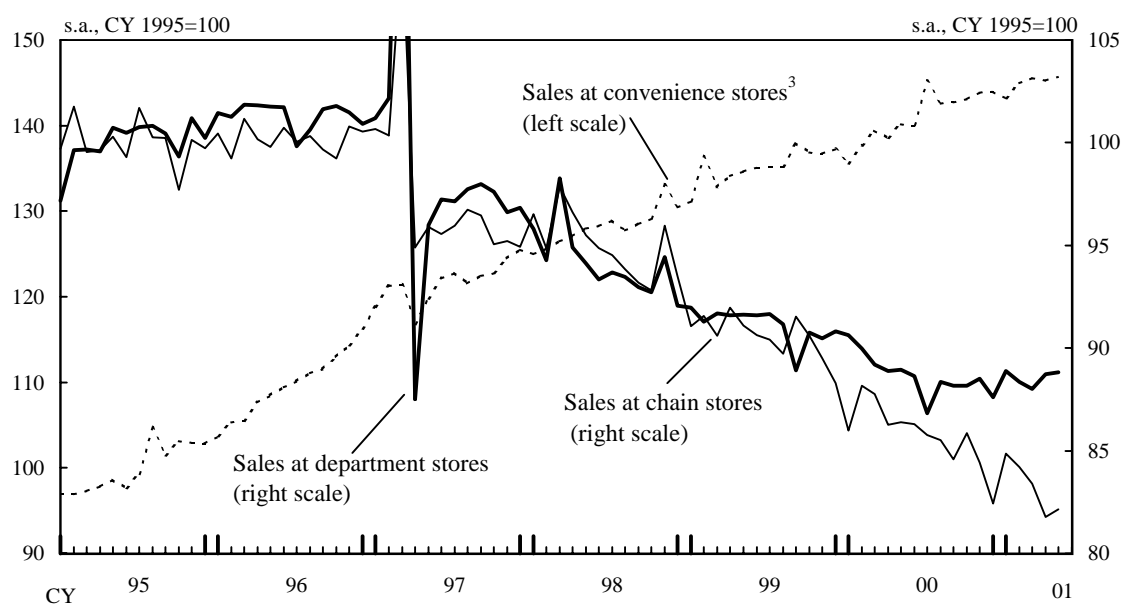
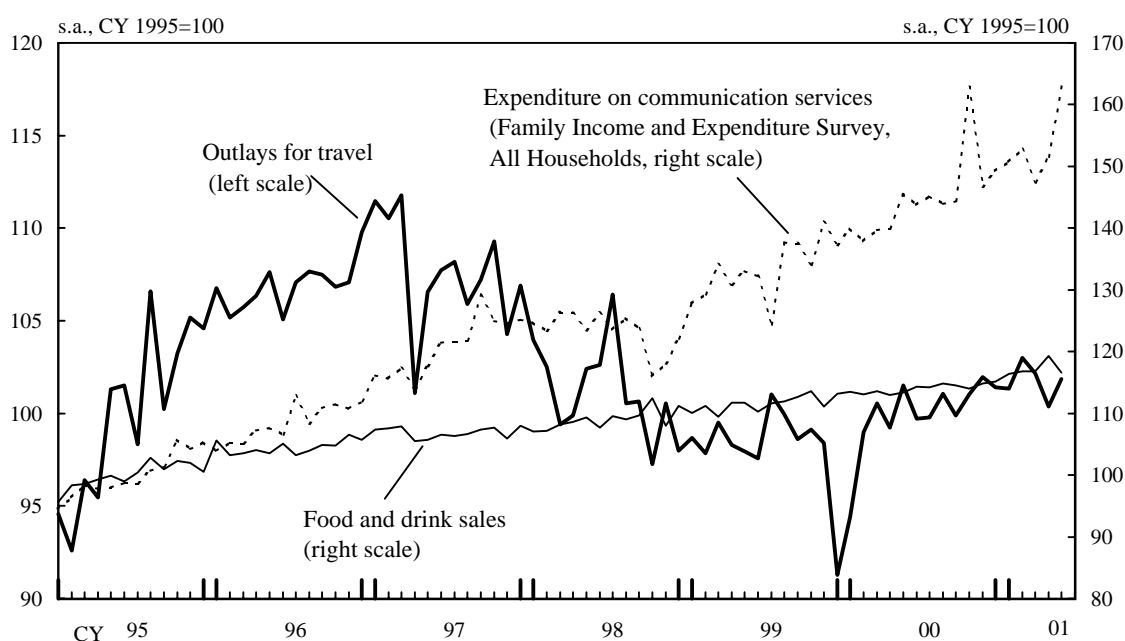
Notes: 1. Seasonally adjusted by X-12-ARIMA (β version).

Index of living expenditure level is seasonally adjusted by the 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 Services⁴

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 until March 1997 are based on the survey conducted by the Bank of Japan.

From April 1997 they are based on the data published by the Ministry of Economy, Trade and Industry.

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

5. For food and drink sales, figures are calculated by the Bank of Japan using both the Japan Foodservice Association's y/y data and the 1993 data of the Foodservice Industry Survey & Research Center as a bench mark.

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";

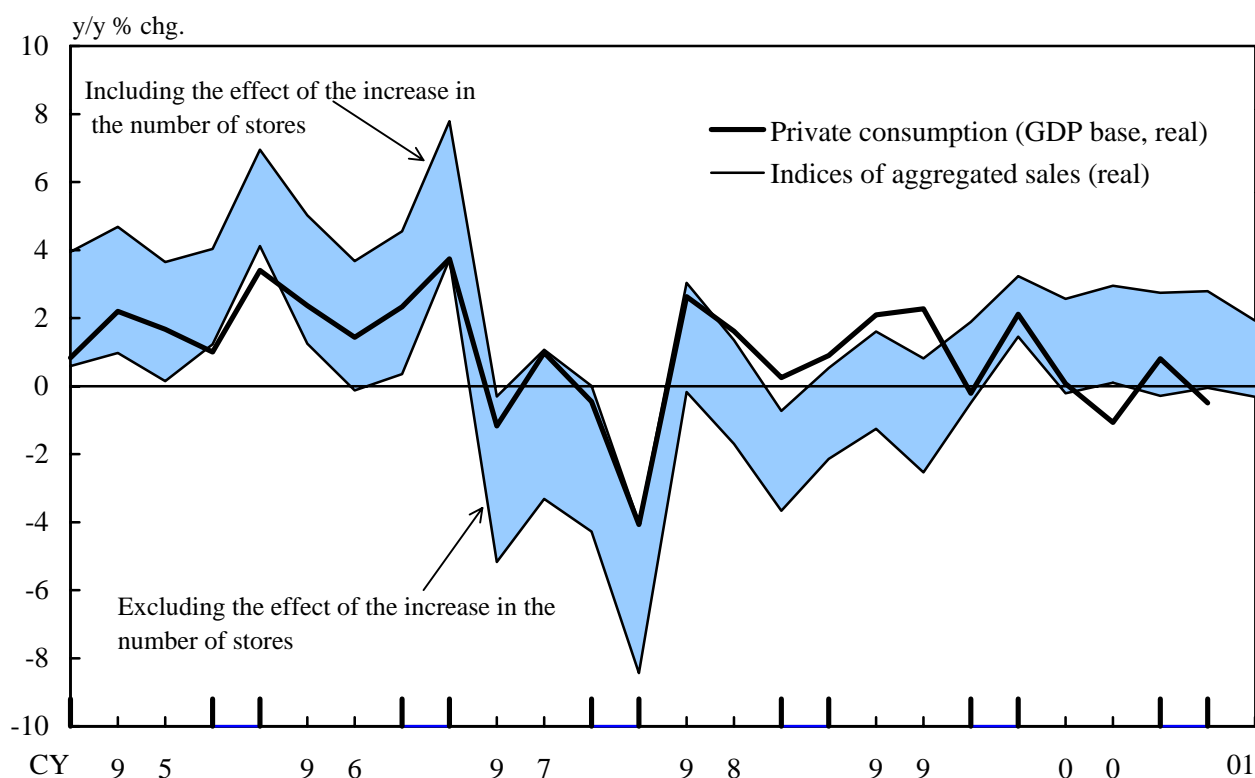
Japan Chain Stores Association, "Sales at Chain Stores";

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

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

Japan Foodservice Association, "The Research of Food and Drink Markets."

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* (until March 1997 surveyed by the Bank of Japan) are also taken into account for the index and include 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 newly opened stores, which may arise from fresh demand they create or demand shifted from existing stores. In contrast, the latter shows ongoing development of consumption at existing stores by excluding sales at 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. 2001/Q2 figures are those of Apr.-May converted to a quarterly basis.

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";

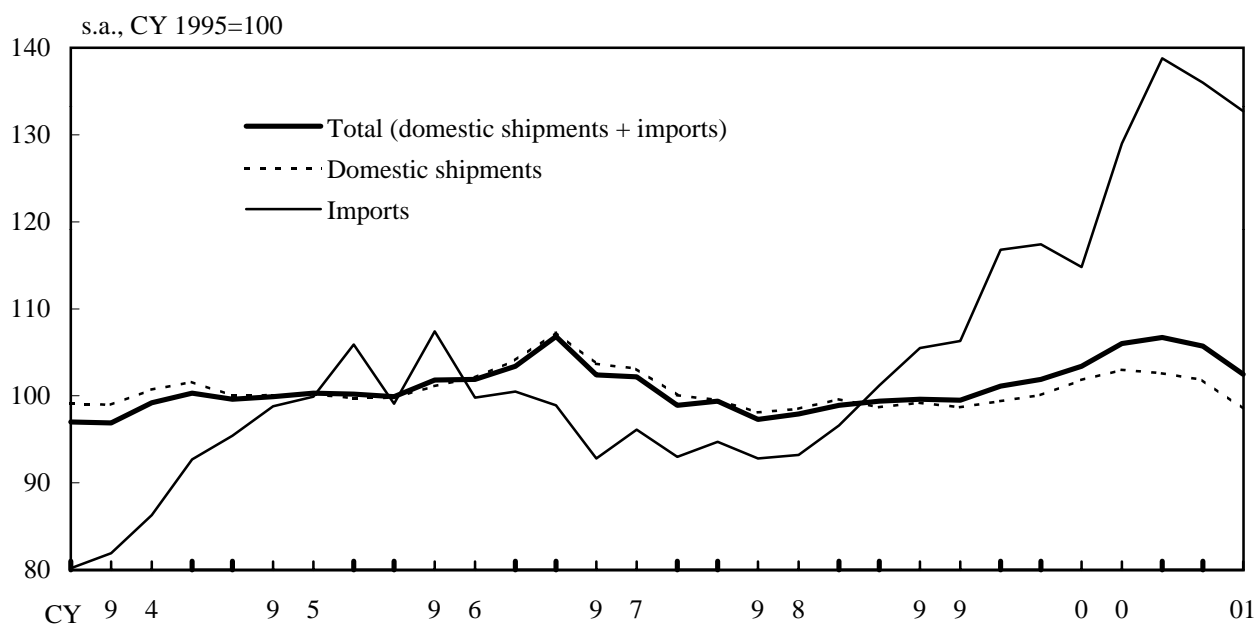
Foodservice Industry Survey & Research Center, "Monthly Survey of Food and Drink Sales";

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

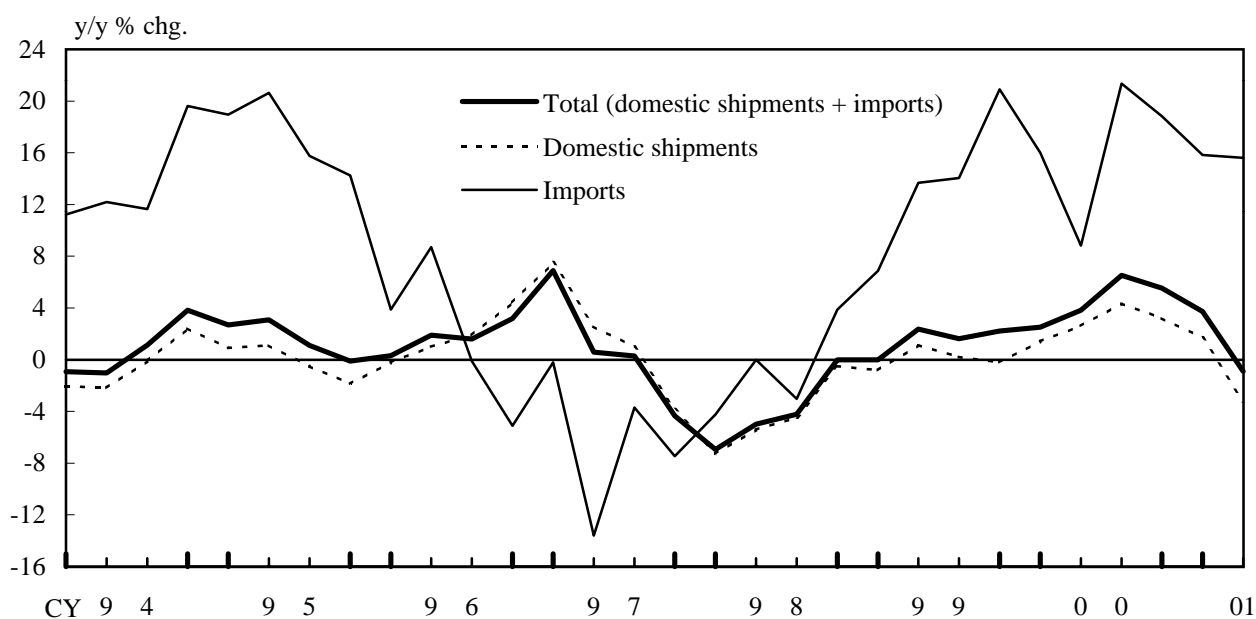
Japan Foodservice Association, "The Research of Food and Drink Markets."

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/Q2 of "Domestic shipments" are calculated from quarterly changes of *Indices of Industrial Production* (excluding the effects of exports).

3. Figures for 2001/Q2 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/Q2 of "Total (domestic shipments + imports)" are calculated from weighted average of the quarterly changes in "Domestic shipments" and "Imports".

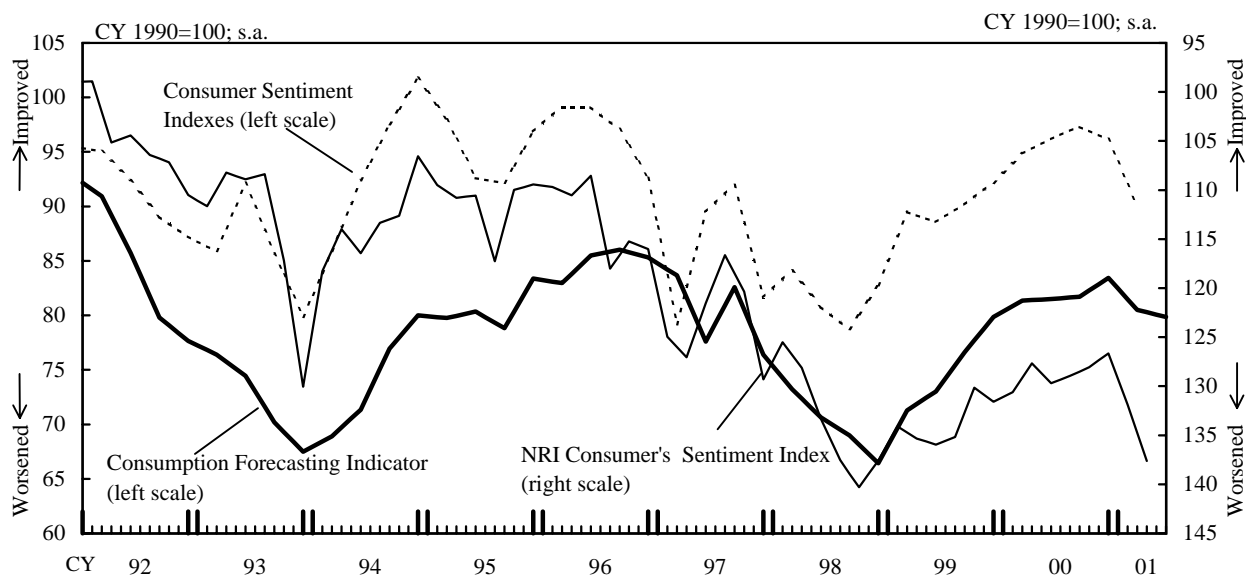
5. Year-on-year changes are calculated from seasonal adjusted series.

6. 2001/Q2 figures are Apr.-May averages in terms of quarterly amount.

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."

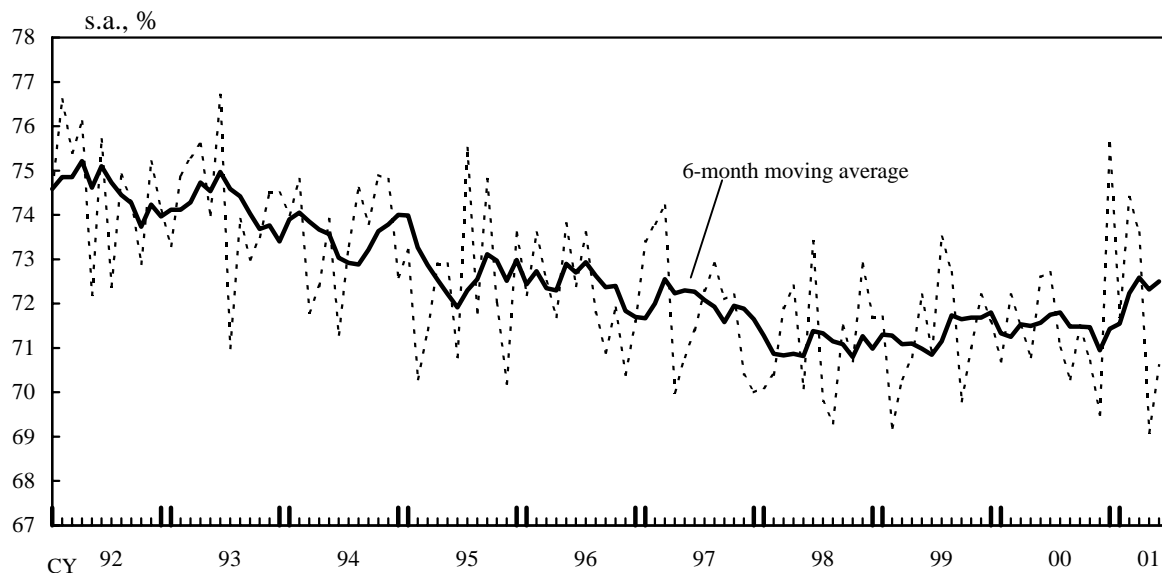
Consumer Confidence and Propensity to Consume

(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.

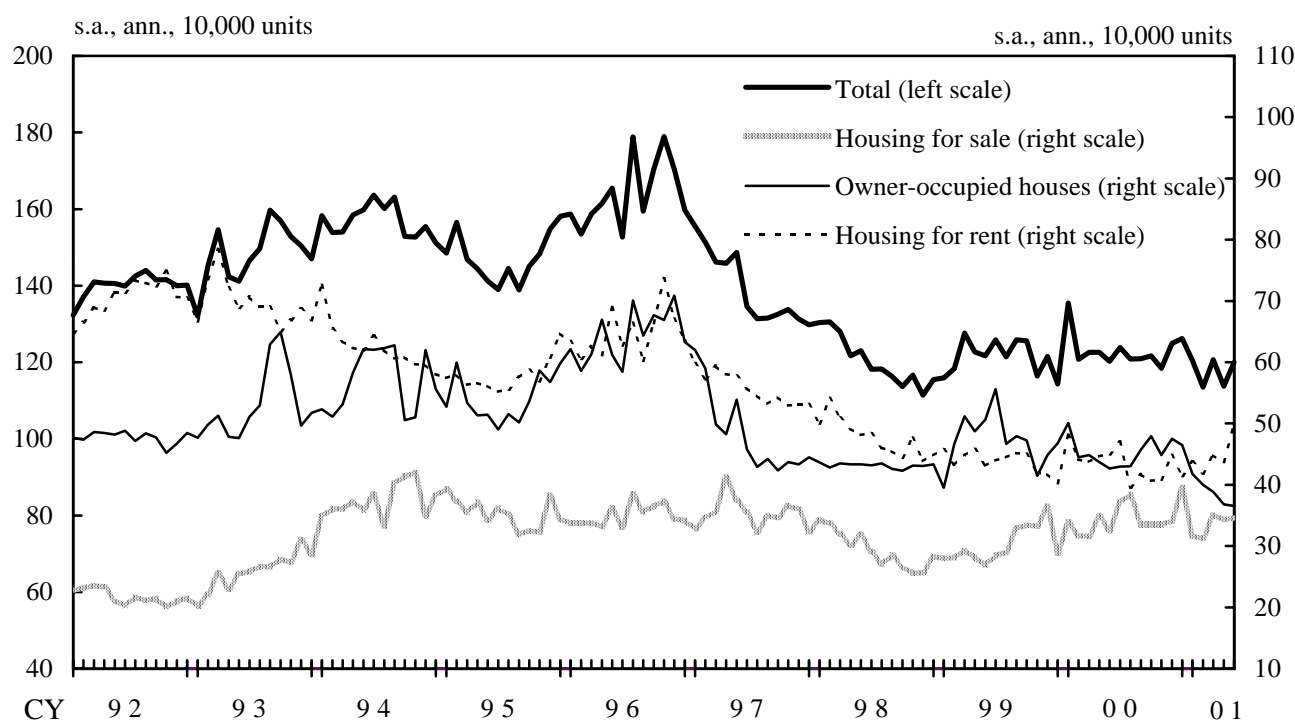
(2) Propensity to Consume (Family Income and Expenditure Survey)



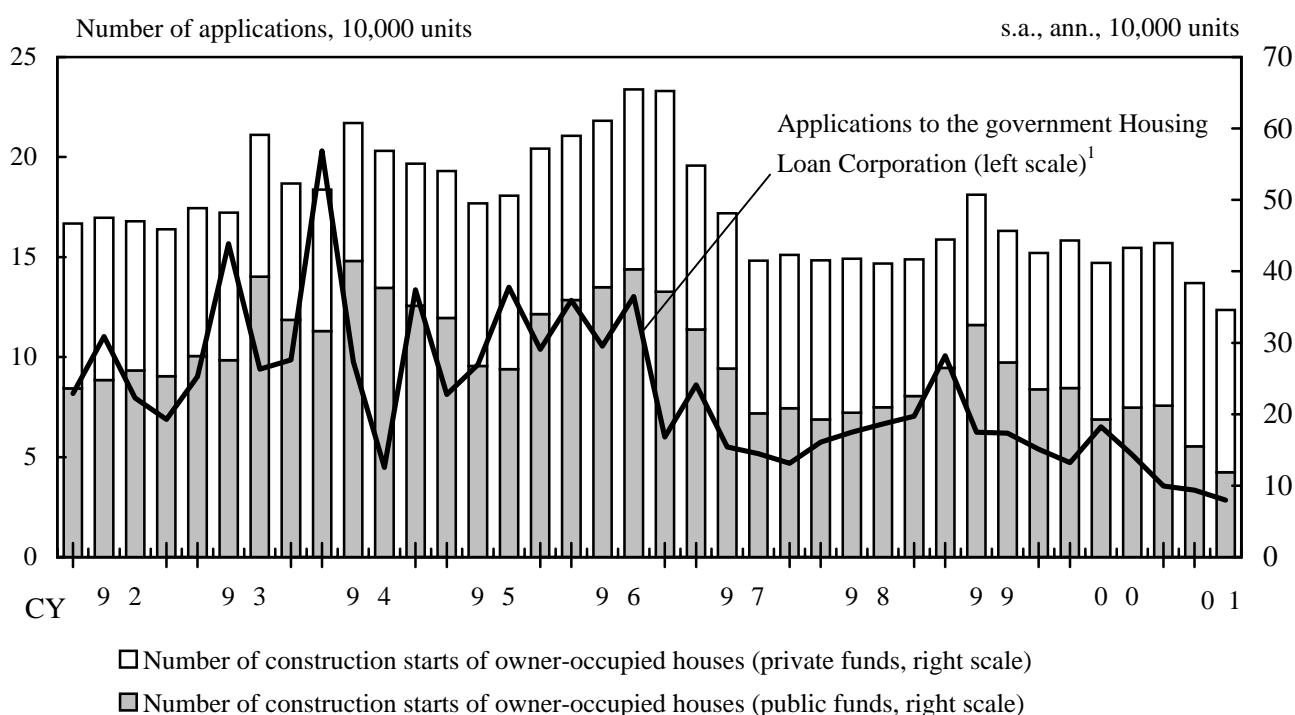
Sources: Cabinet Office, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications,
 "Monthly Report on the Family Income and Expenditure Survey";
 Nippon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



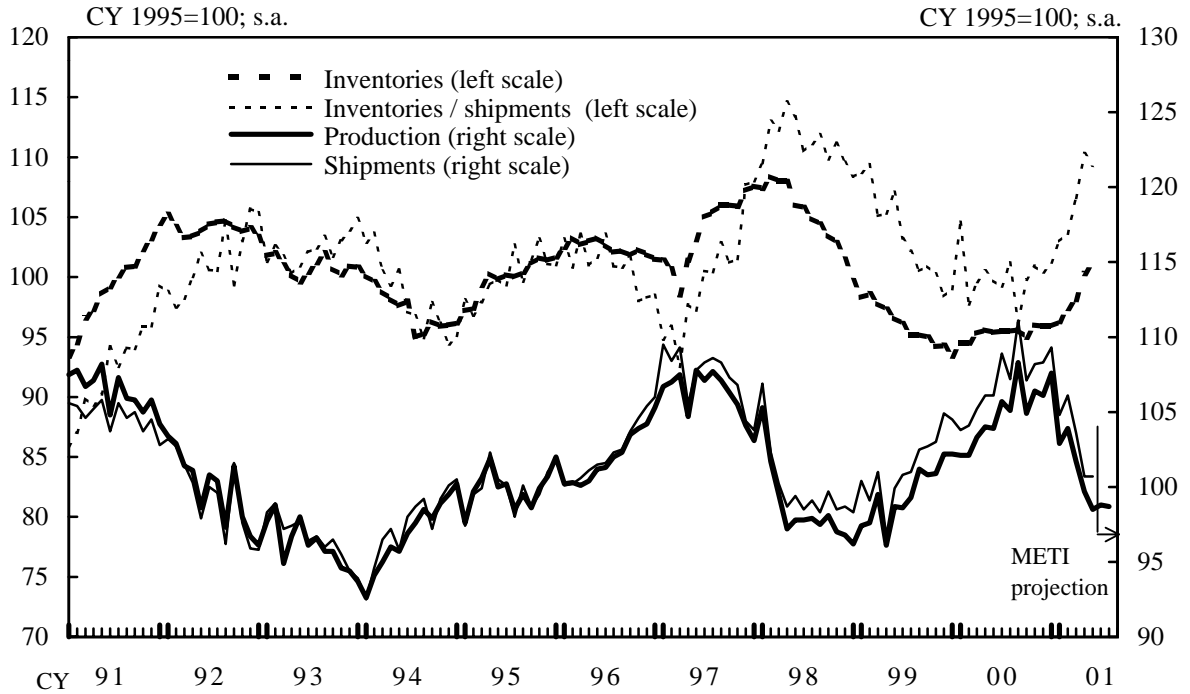
Notes: 1. As of FY2001, the Housing Loan Corporation has increased the offering periods of loan applications from four to six times a year. The number of loan applications for the construction of private houses is divided by the number of days in the application term of each quarter.

2. Figures for the number of construction starts of owner-occupied houses (private funds and public funds) for CY2001/Q2 are those of April-May average.

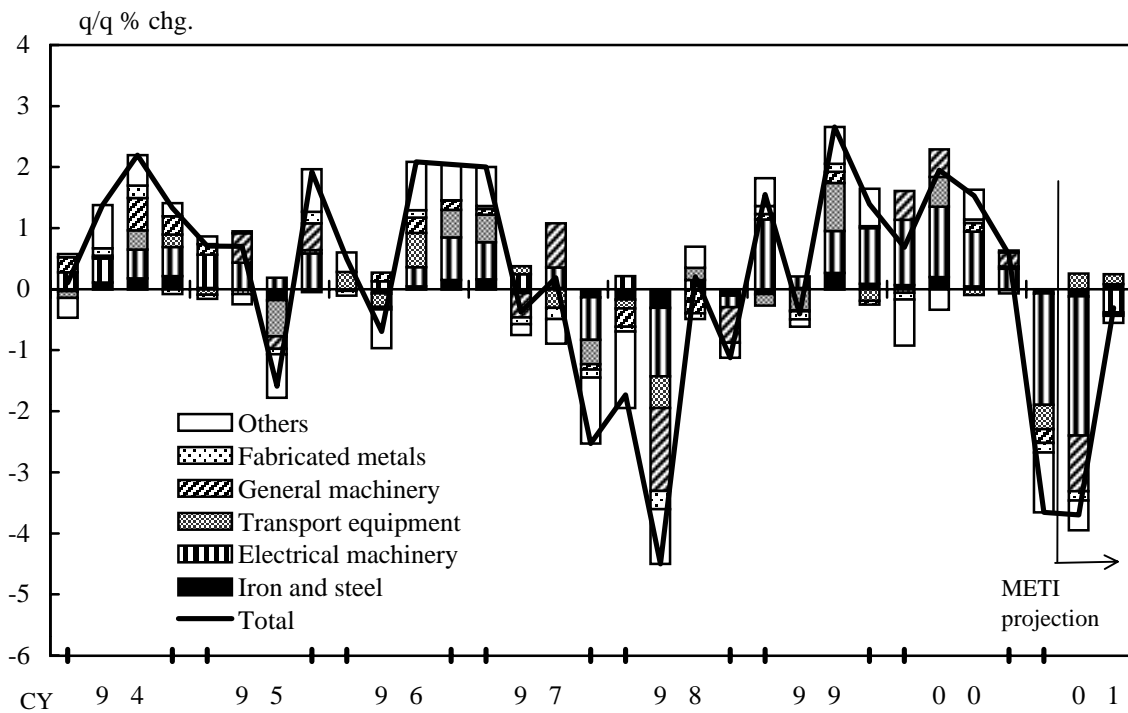
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



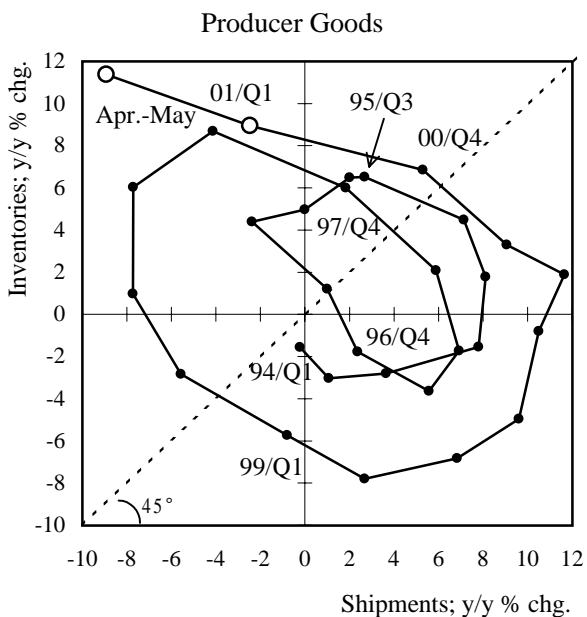
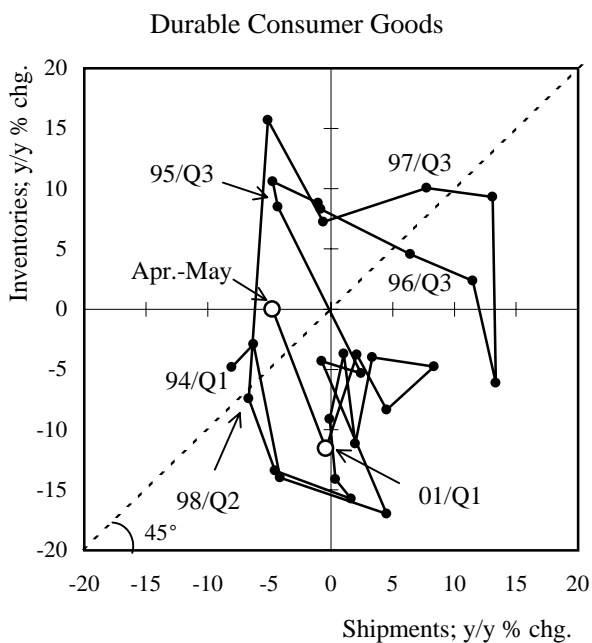
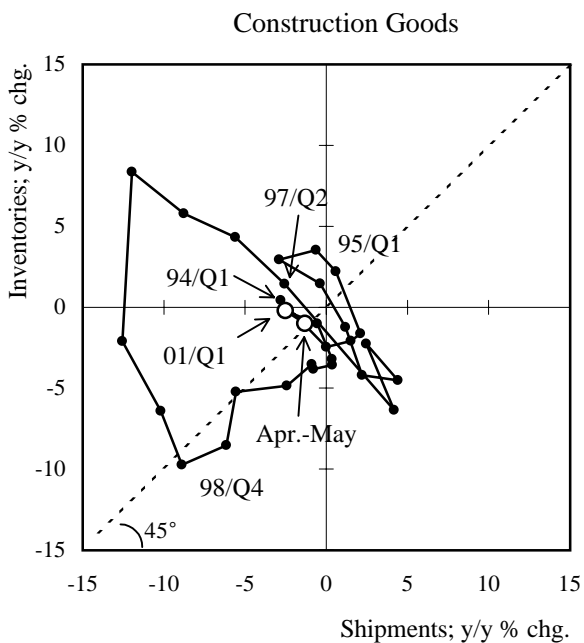
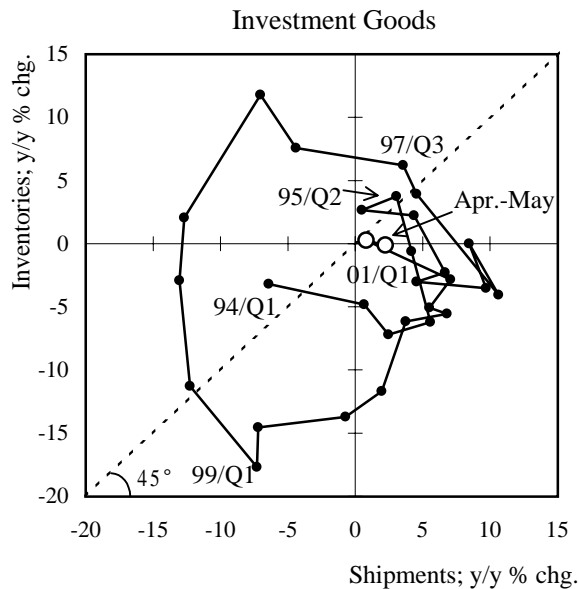
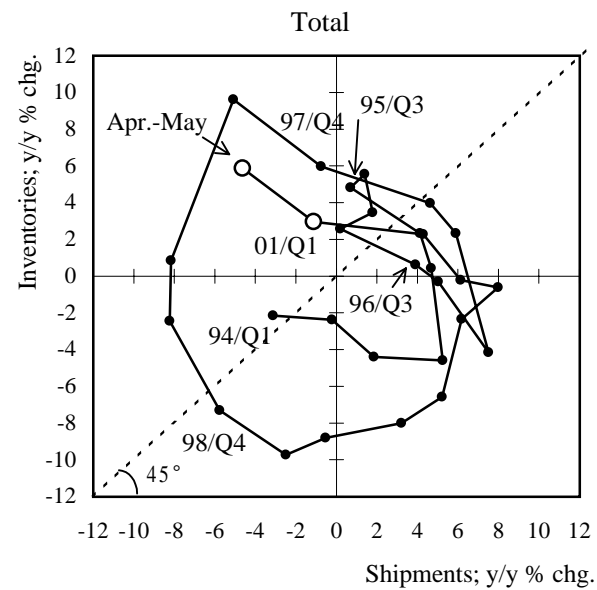
(2) Production by Industries



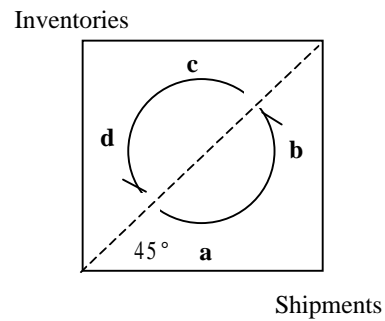
Note: Transport equipment excludes ships and rolling stock.

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

Inventory Cycle



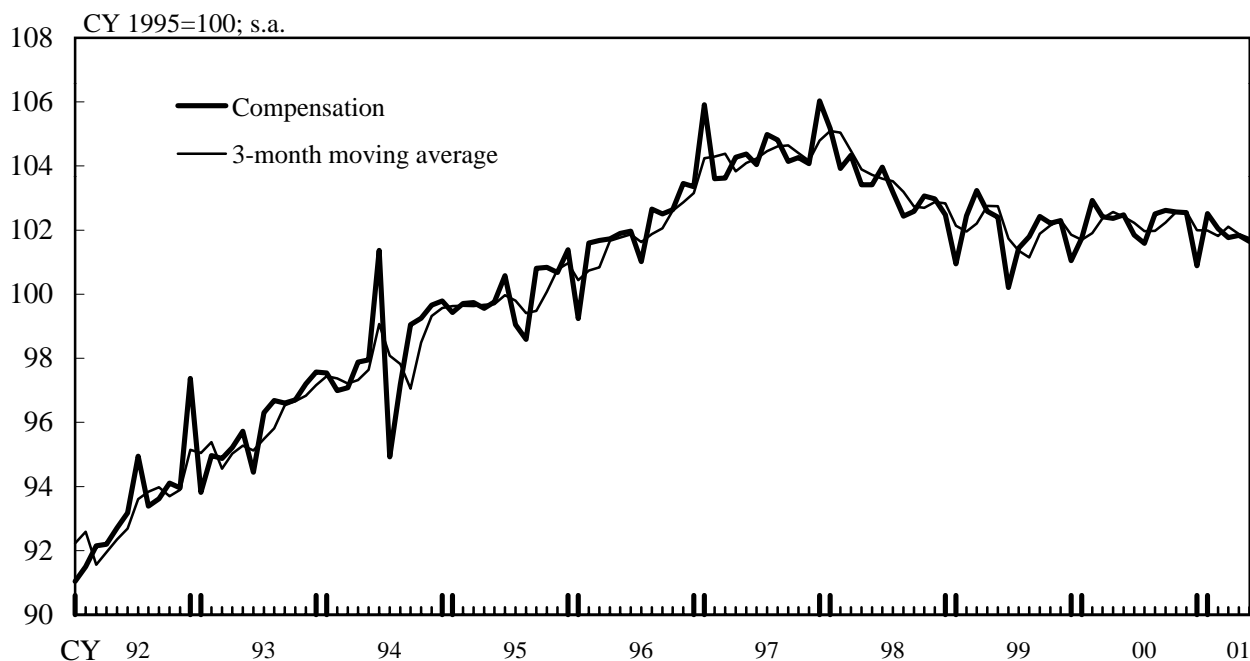
Phases in the Inventory Cycle



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

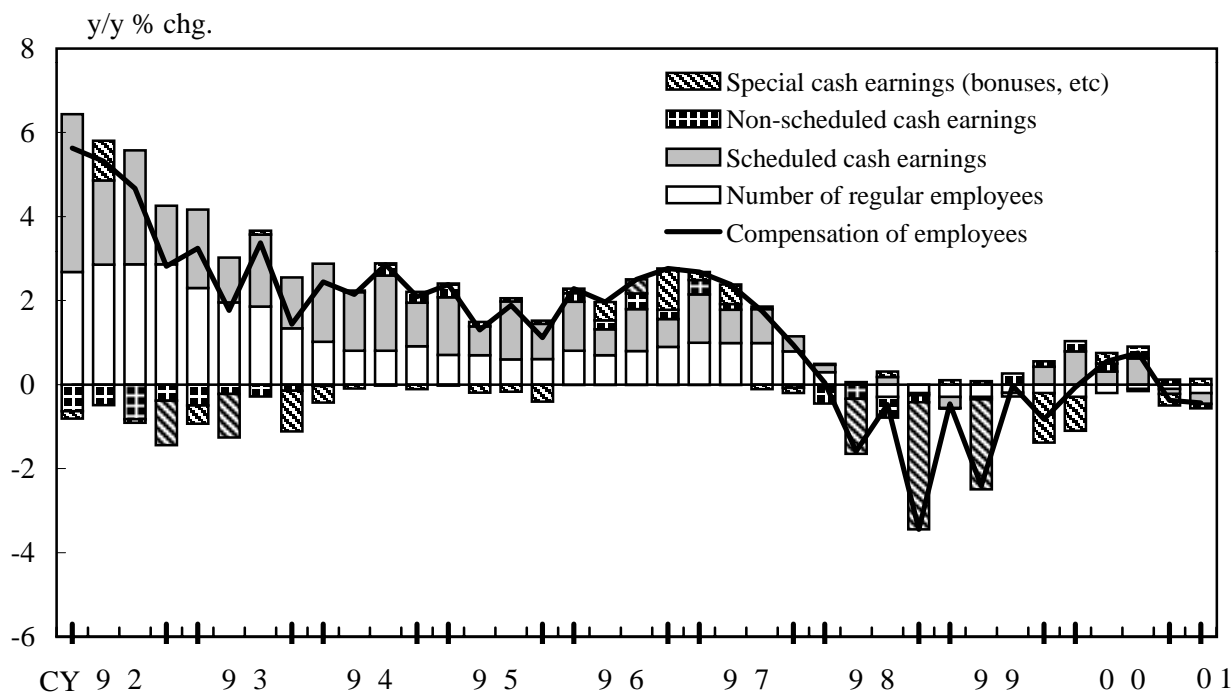
Compensation of Employees

(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. The data for May 2001 are preliminary figures.

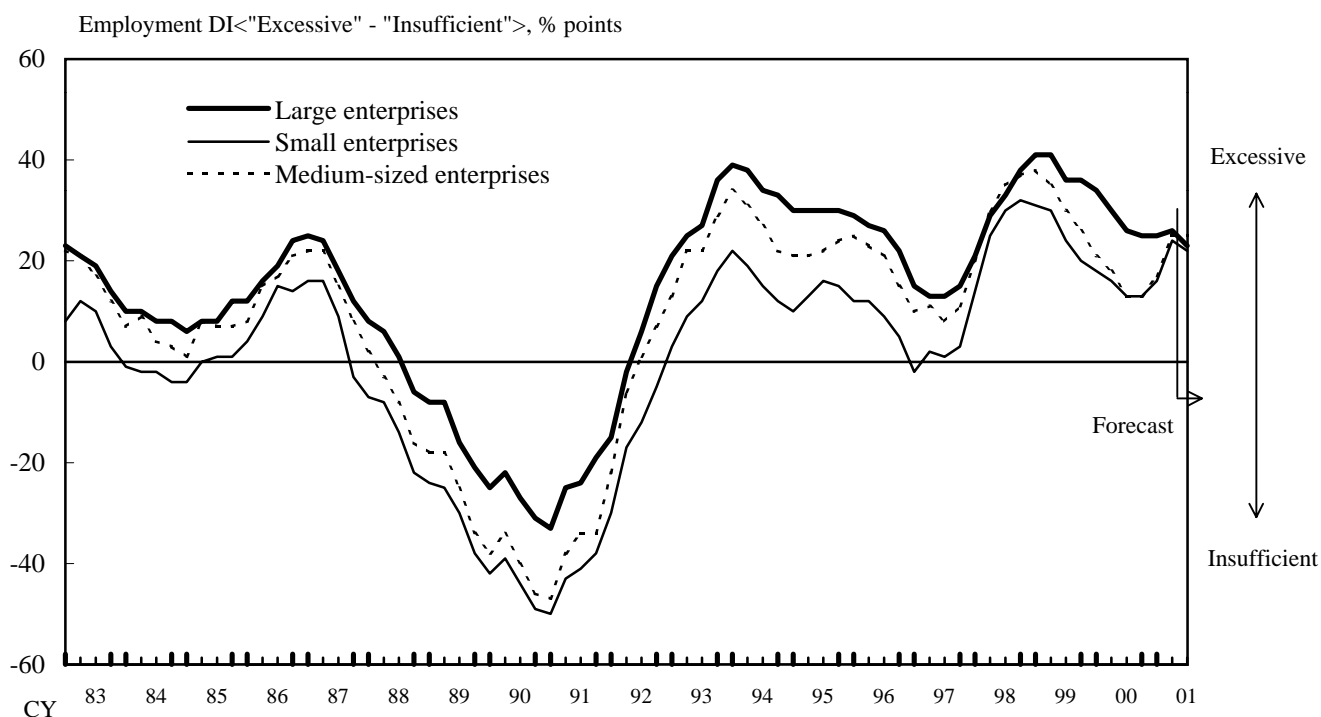
(2) Breakdown of Compensation



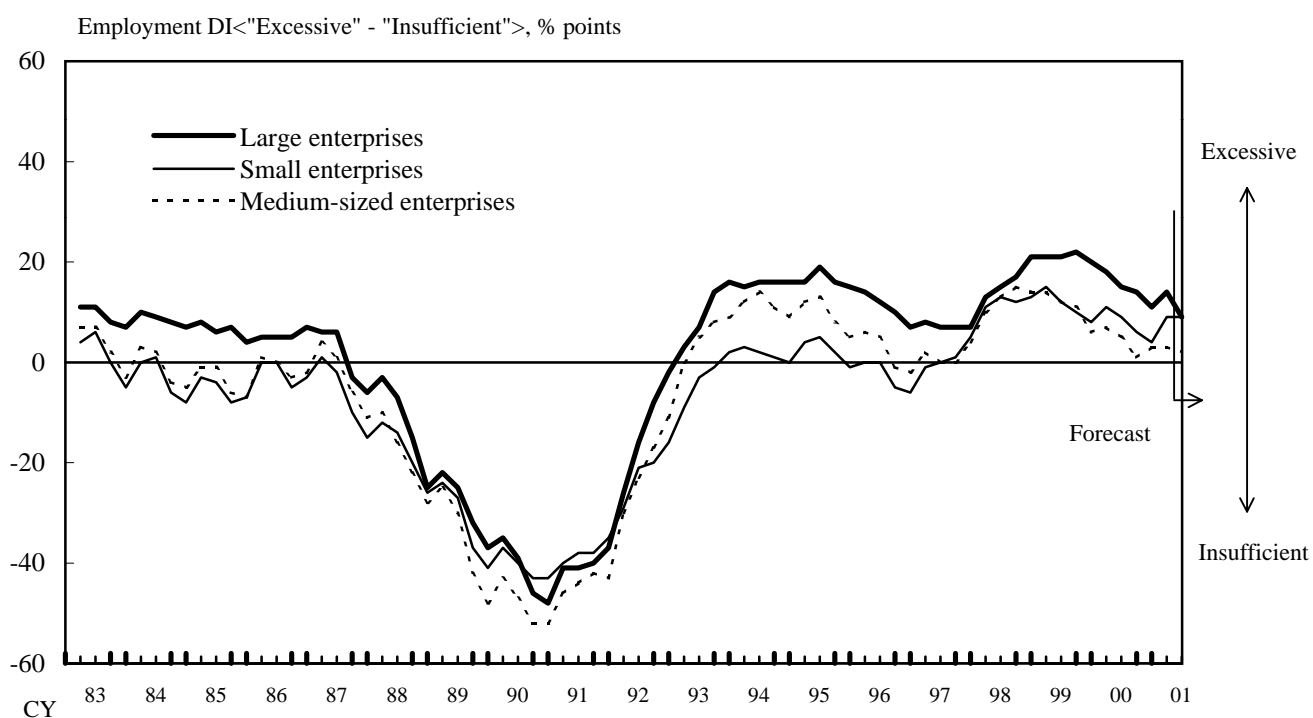
- Notes: 1. Data for establishments with at least 5 employees. The data for May 2001 are preliminary figures.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.

Employment Conditions

(1) Manufacturing



(2) Nonmanufacturing

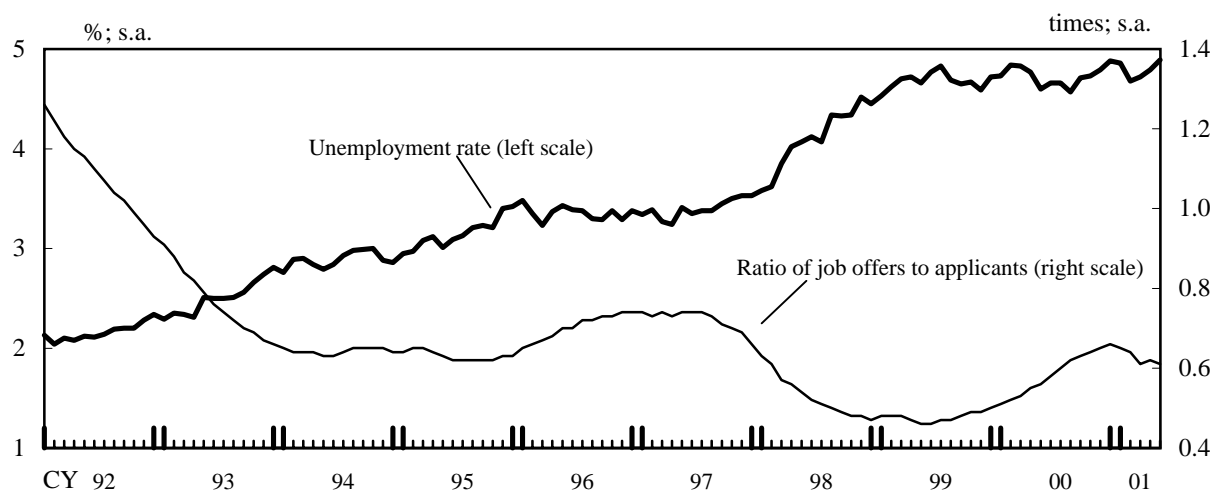
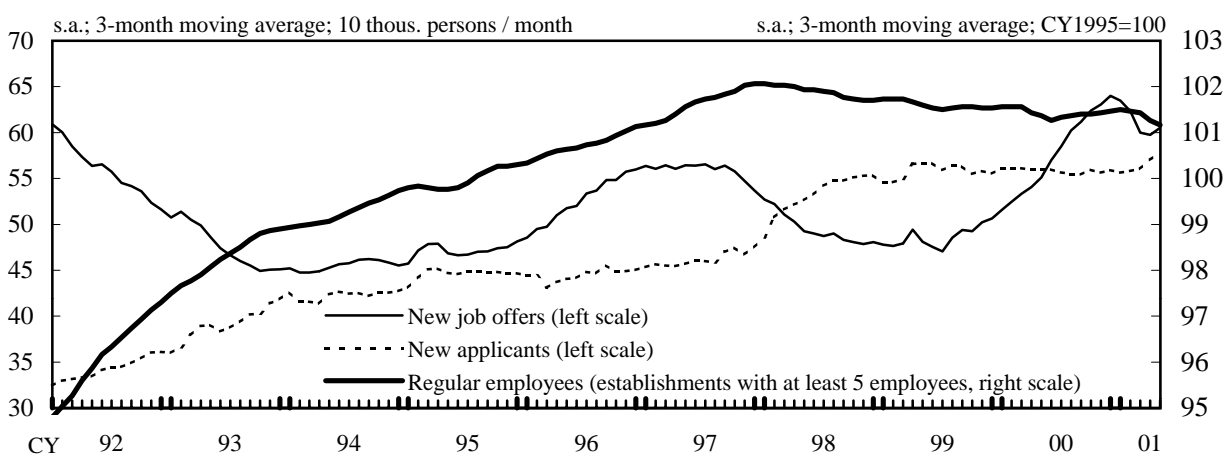
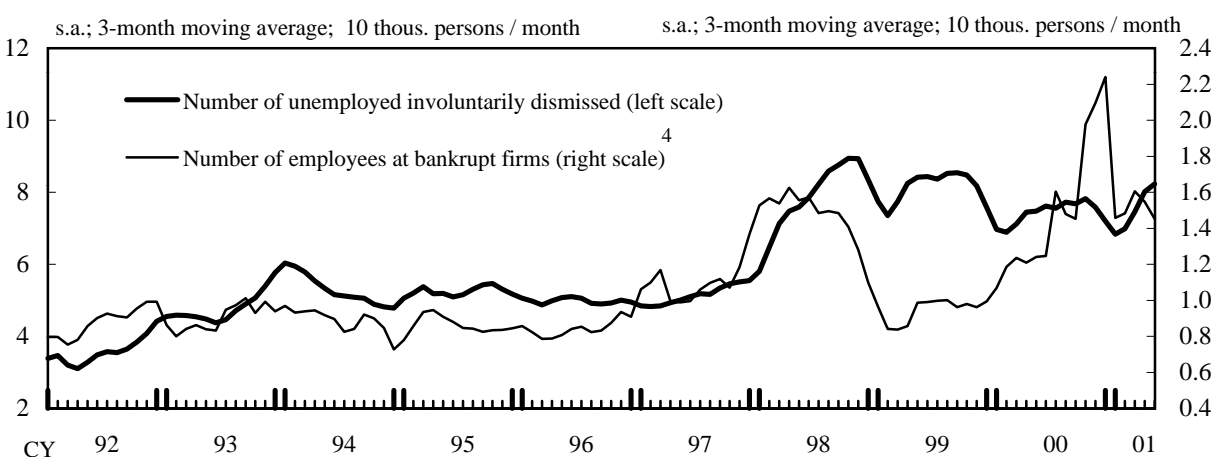


Note: Figures before December 1998 are based on the pre-revision *Tankan*, and those from March 1999 are based on the post-revision *Tankan*.

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

Labor Market

(1) Monthly

(2) New Job Offers, New Applicants¹ and Regular employees²(3) Number of Unemployed Involuntarily Dismissed and Employees at Bankrupt Firms³

Notes: 1. Exclude jobs offered to new graduates.

2. The data of regular employees for May 2001 are preliminary figures.

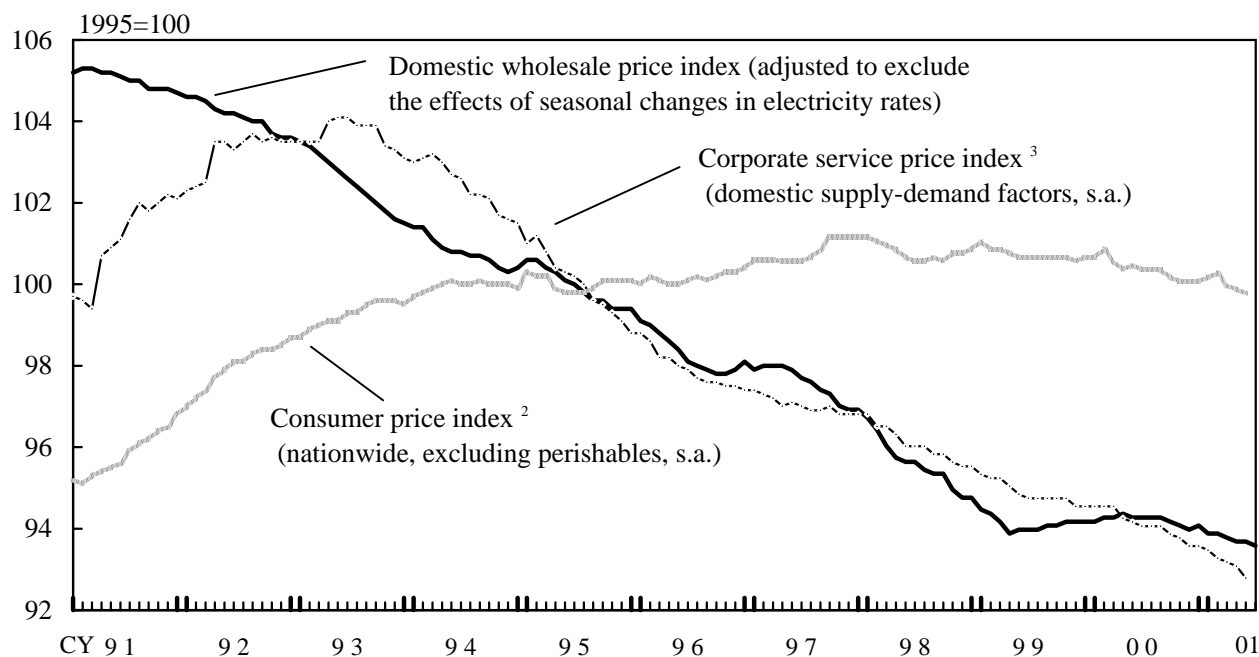
3. Seasonally adjusted by X-11.

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

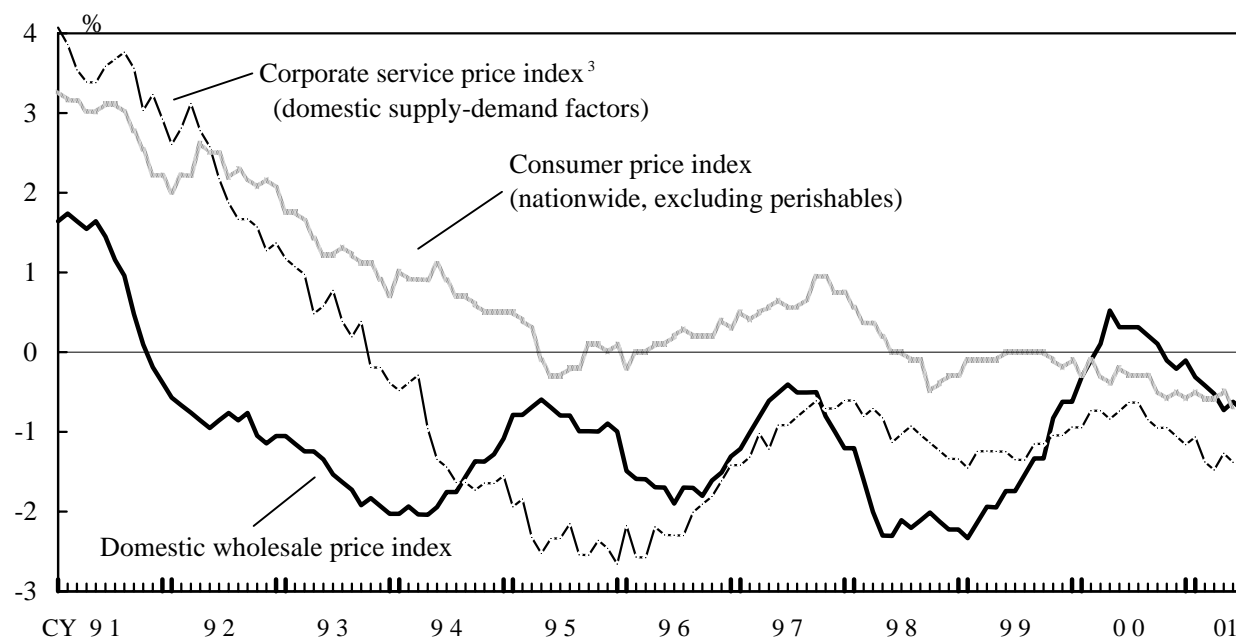
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey," "Report on Employment Service," "Report on Employment Insurance Service"; Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey"; Teikoku Databank Ltd., "Japan's Business Failure."

Prices¹

(1) Level



(2) Changes from a year earlier

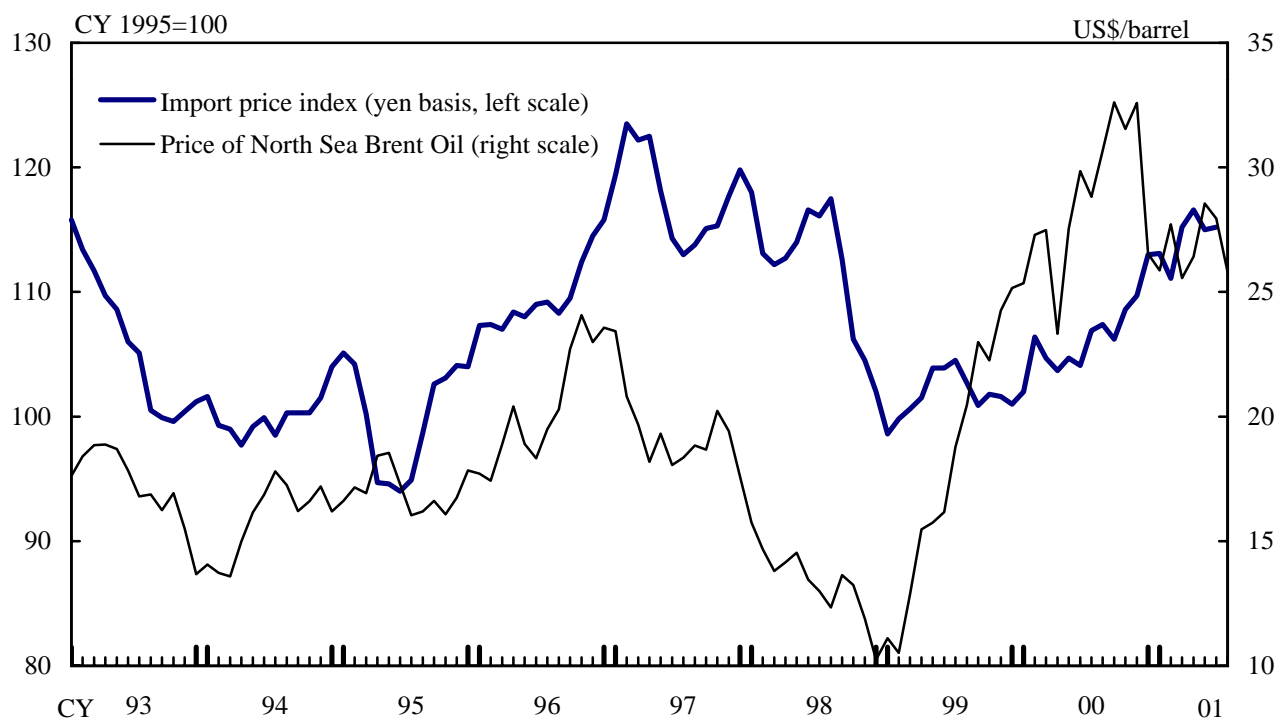


- Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. The 1990-base CPI, seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, is spliced for figures before January 1995.
3. See footnote 4 in Chart 24, for definition of the Corporate service price index (domestic supply-demand factors).

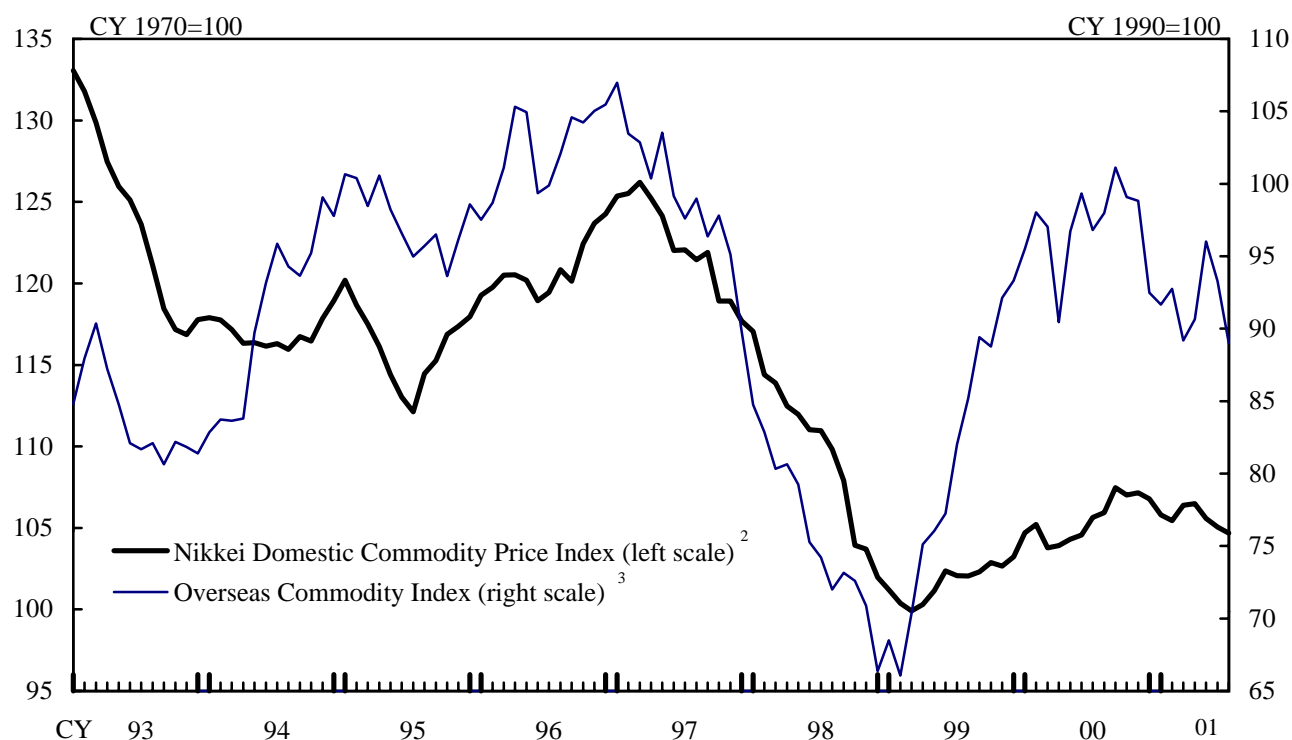
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index."

Import Prices and Domestic Commodity Market

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



(2) Domestic Commodity Market



Notes: 1. Data for July 2001 are July 1-11 average.

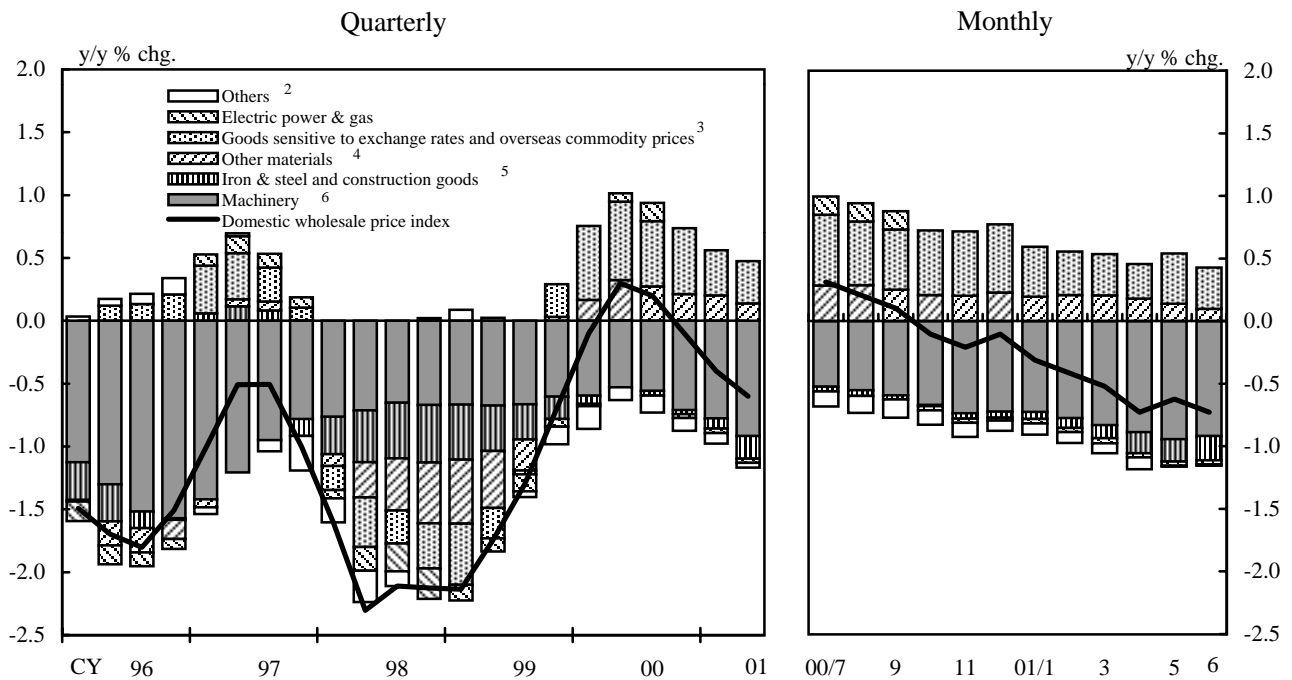
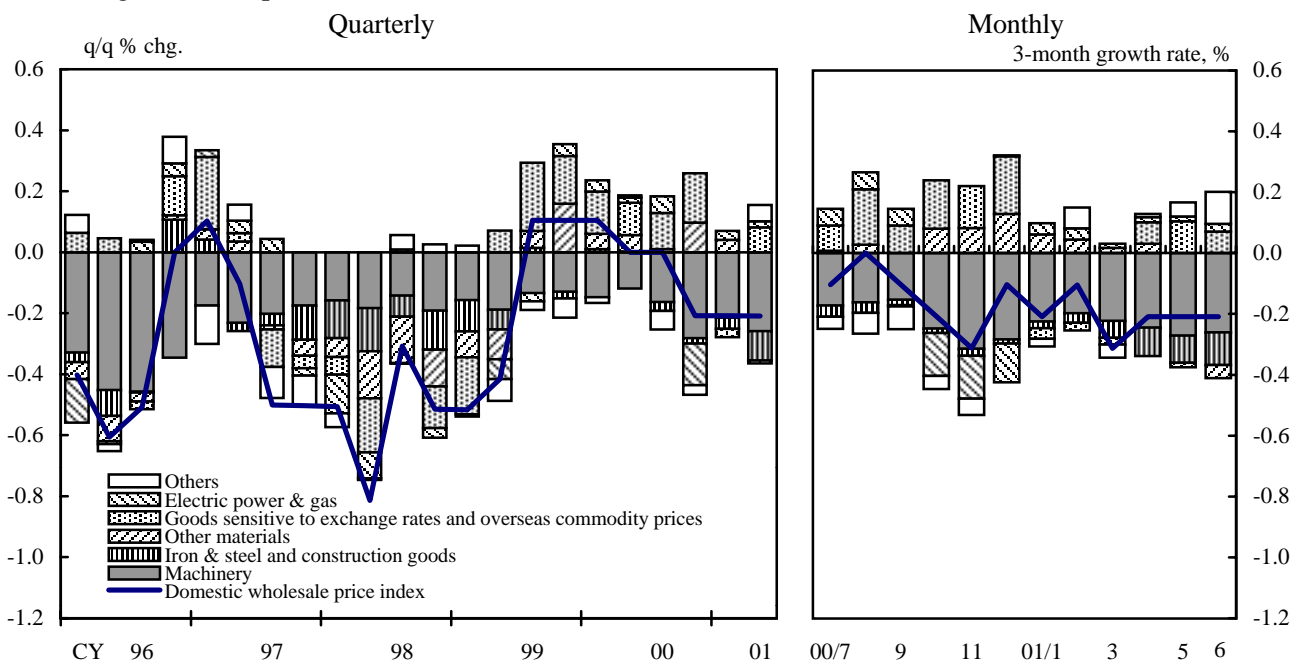
2. Data for July 2001 are as of July 6.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for July 2001 are July 1-11 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.

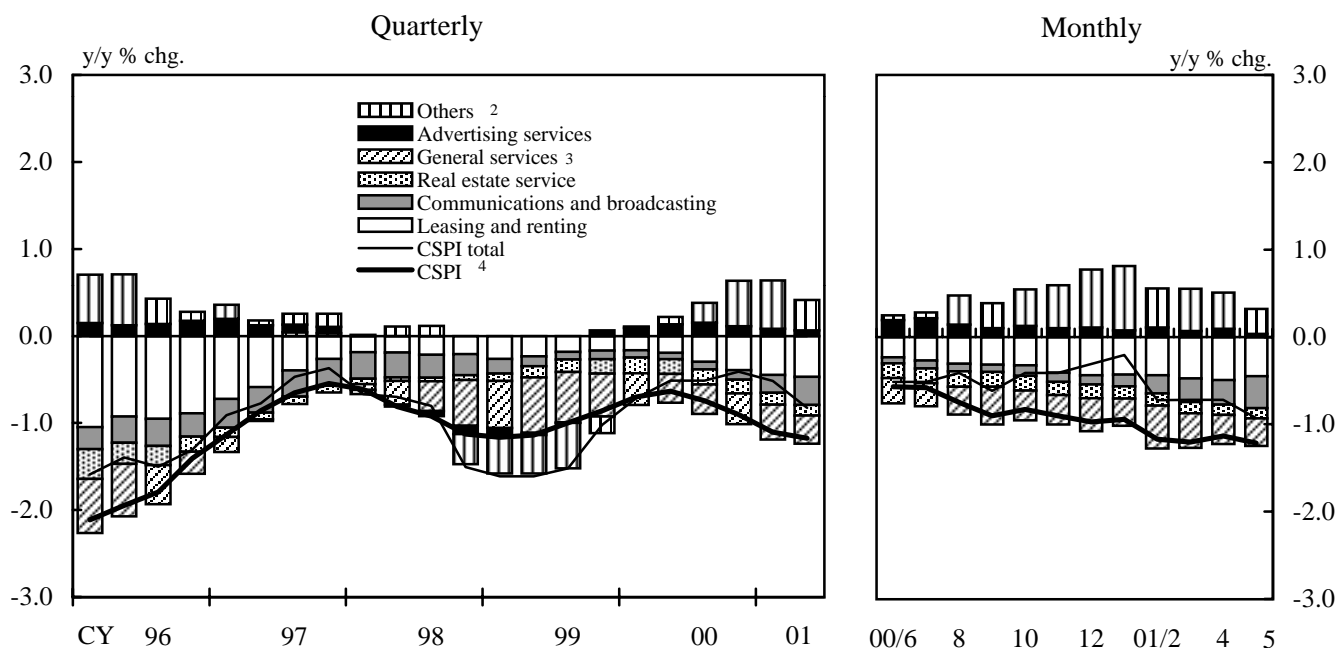
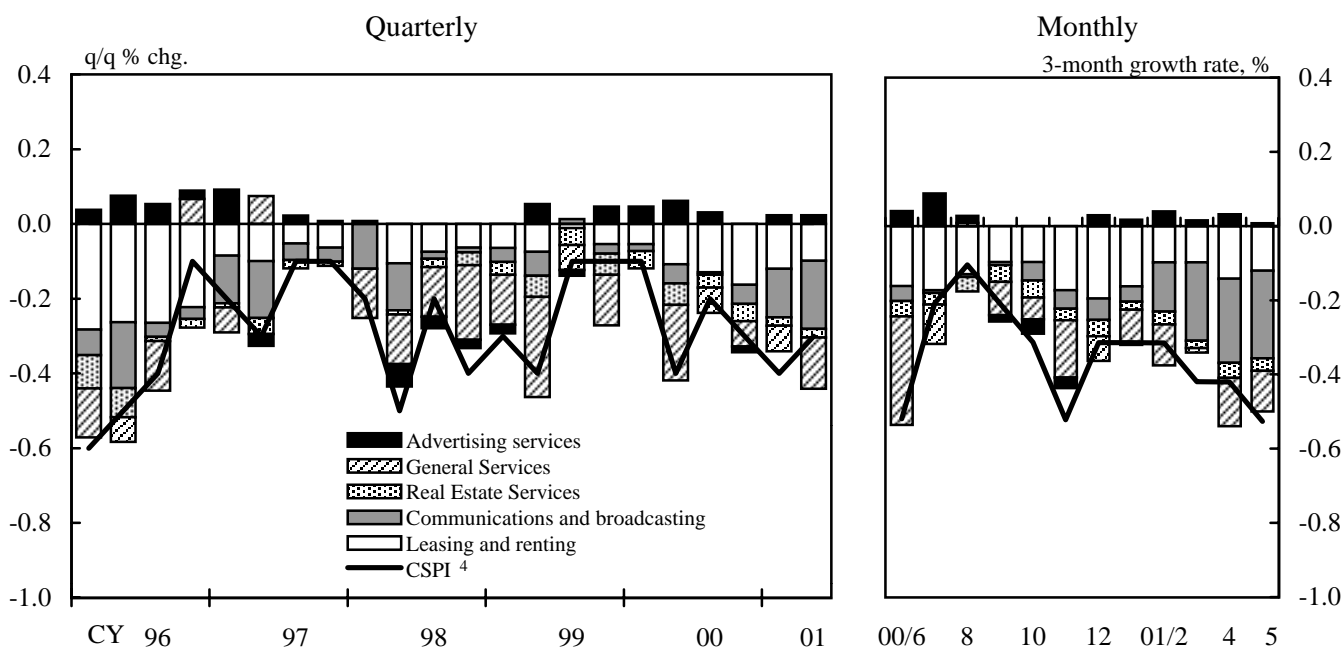
6. Machinery = electrical machinery + general machinery + transportation equipment + precision instruments.

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%.

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' procurator 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).

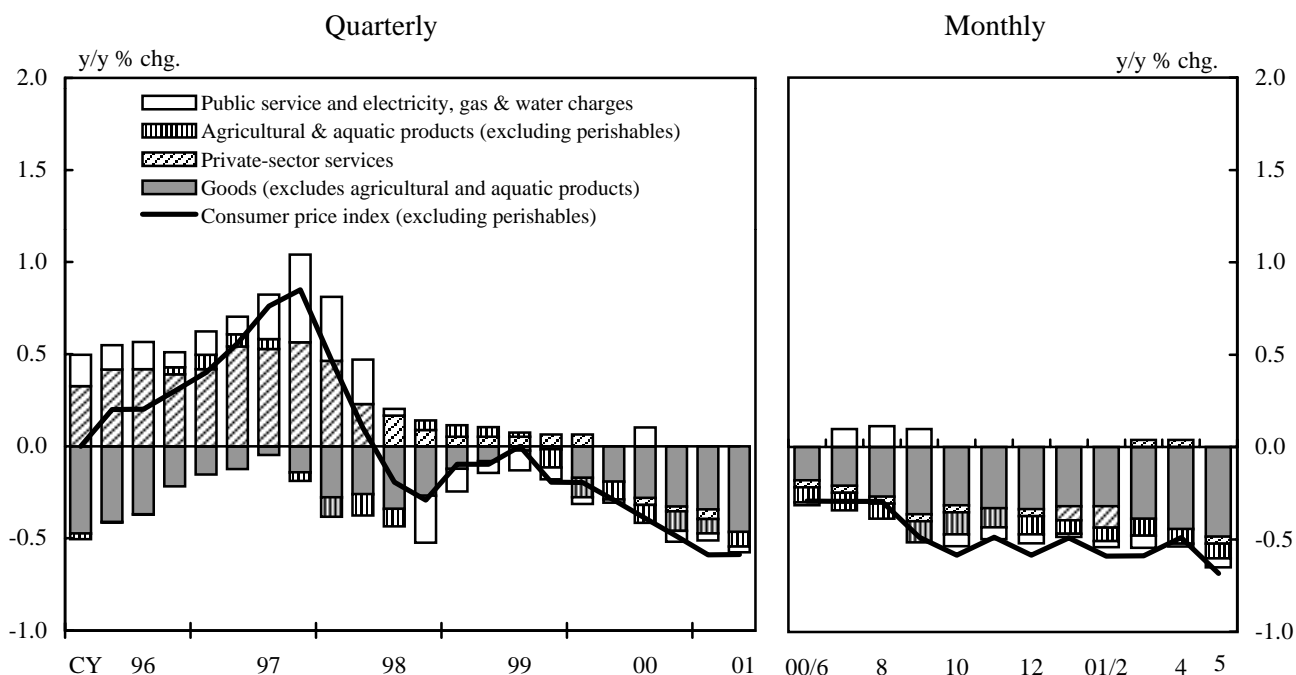
Due to seasonal adjustment every month, the series are revised retroactively every month.

6. Figures for 2001/Q2 are those of April - May average.

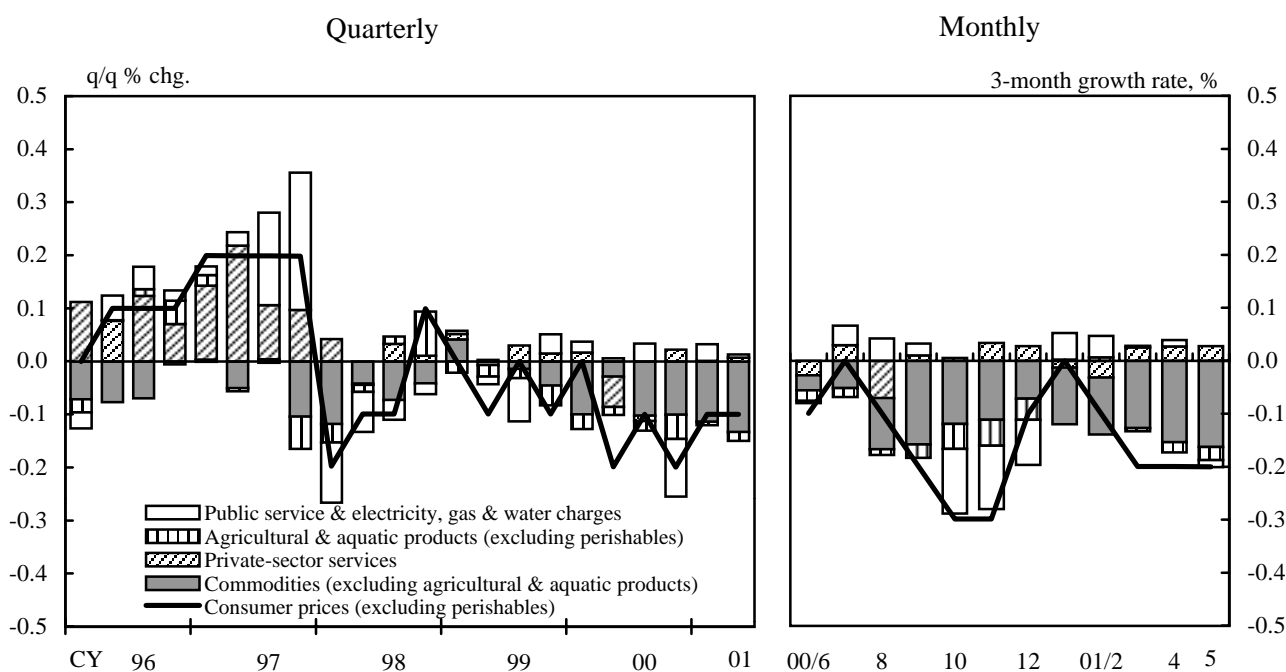
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (excluding perishables)¹

(1) Changes from a year earlier

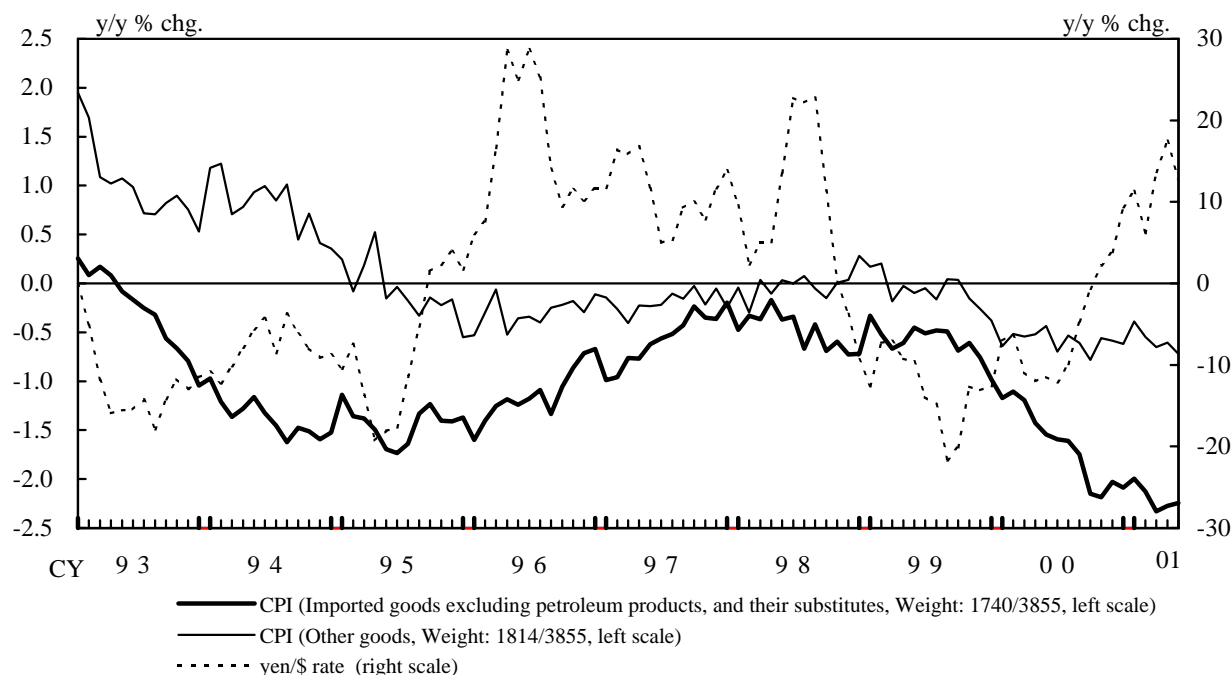


(2) Changes from a quarter earlier and 3 months earlier²



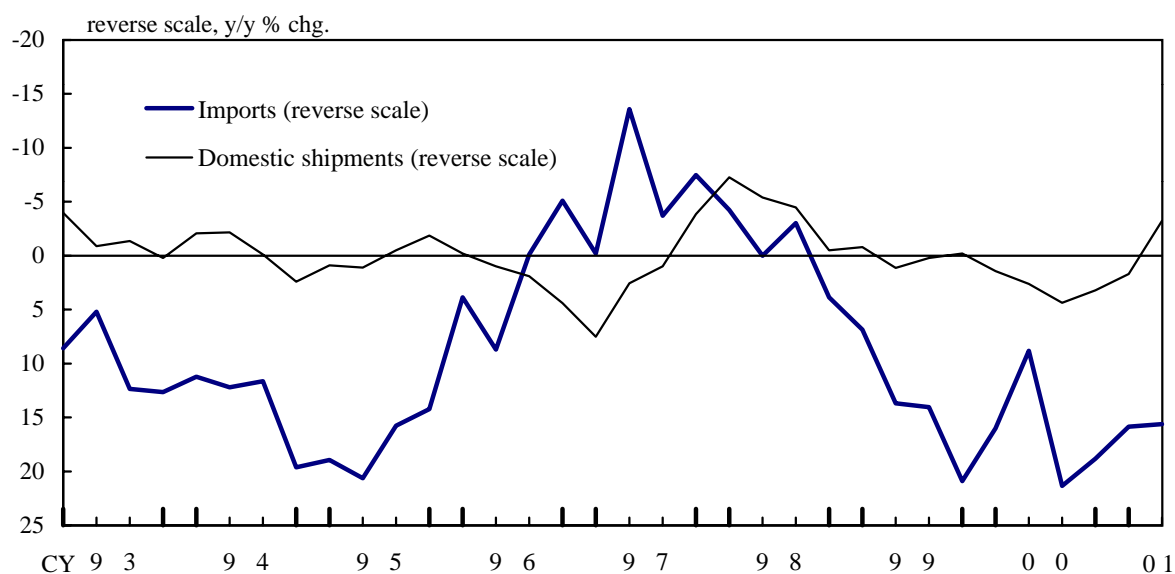
- Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
 2. Seasonally adjusted by X-12-ARIMA (β version). Due to seasonal adjustment every month, the series are revised retroactively every month. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.
 3. Figures for 2001/Q2 are those of April - May average.

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

Consumer Price Index (Imported goods and their substitutes)¹(1) Comparison of Imported goods and other goods in terms of CPI²

- 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)

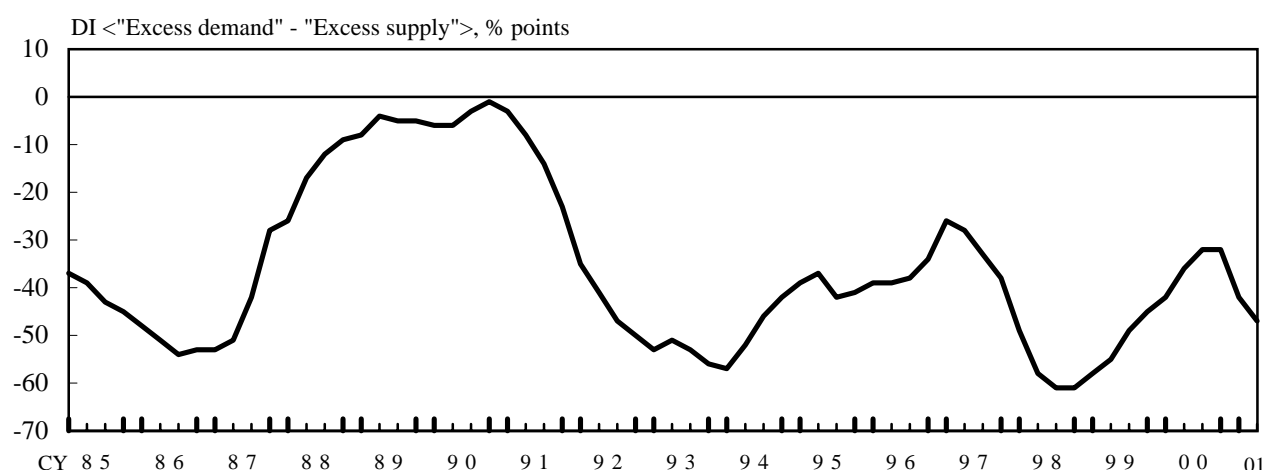
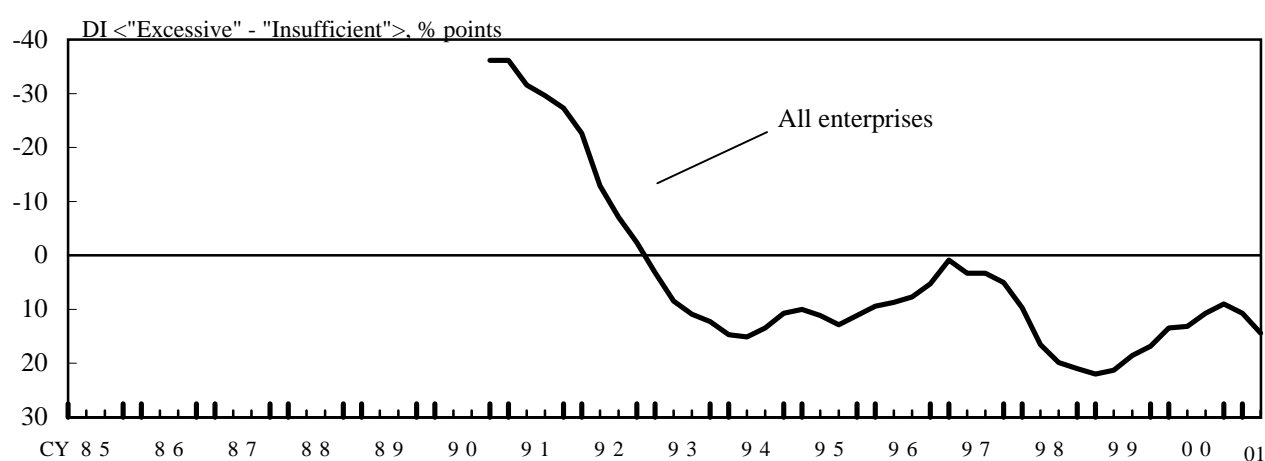


Note: See footnote Chart 13-4, for definition of the consumer goods supply.

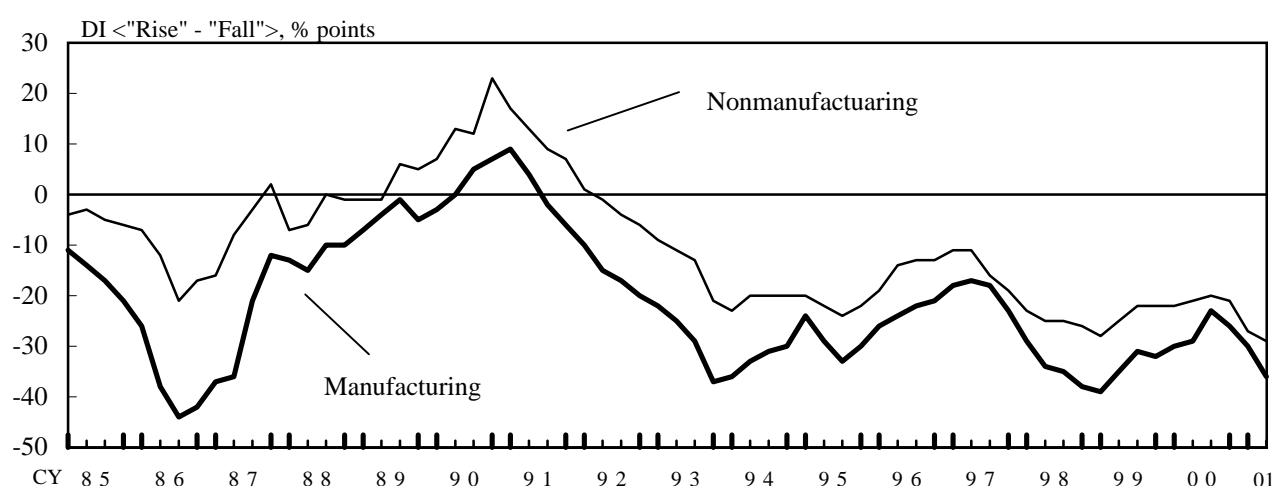
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports";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

Factors Contributing to the Change in Prices¹

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

(2) Utilization of Capital and Labor²

(3) Change in Output Prices (All Enterprises)



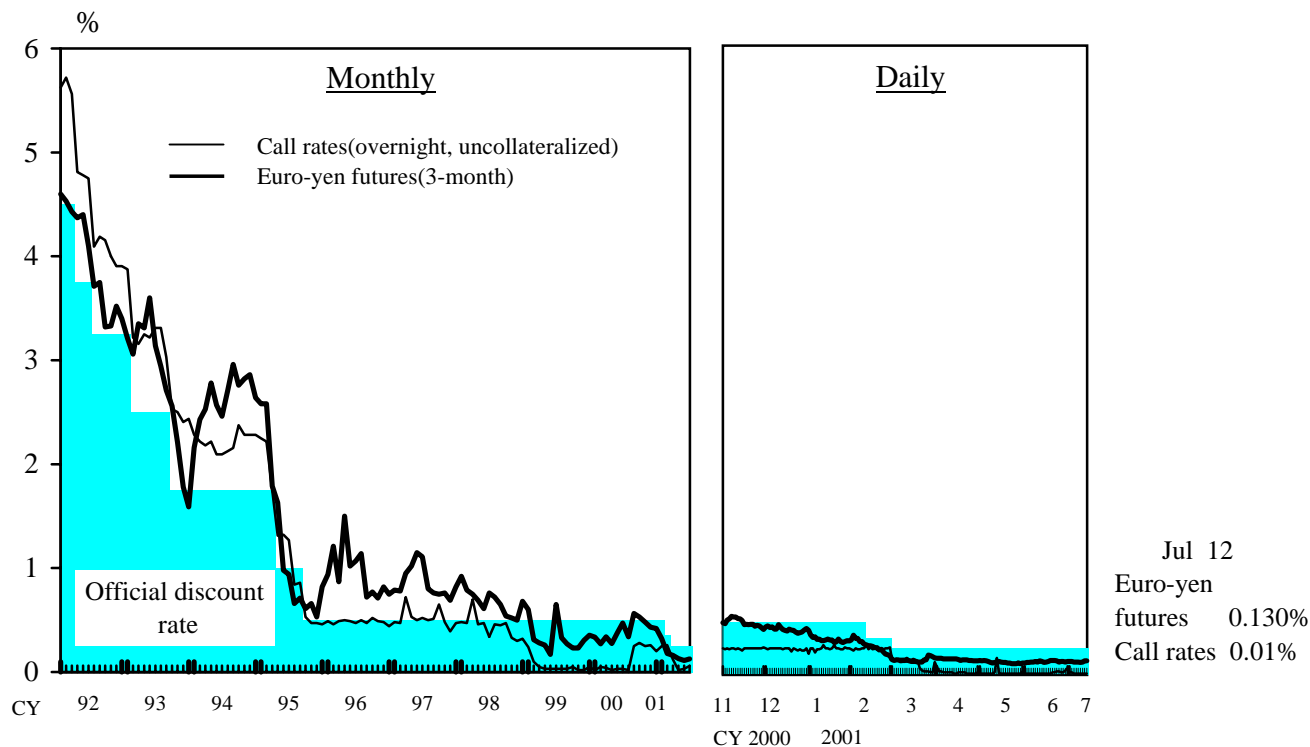
Notes: 1. Figures before December 1998 are based on the pre-revision *Tankan*, and those from March 1999 are based on the post-revision *Tankan*.

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".

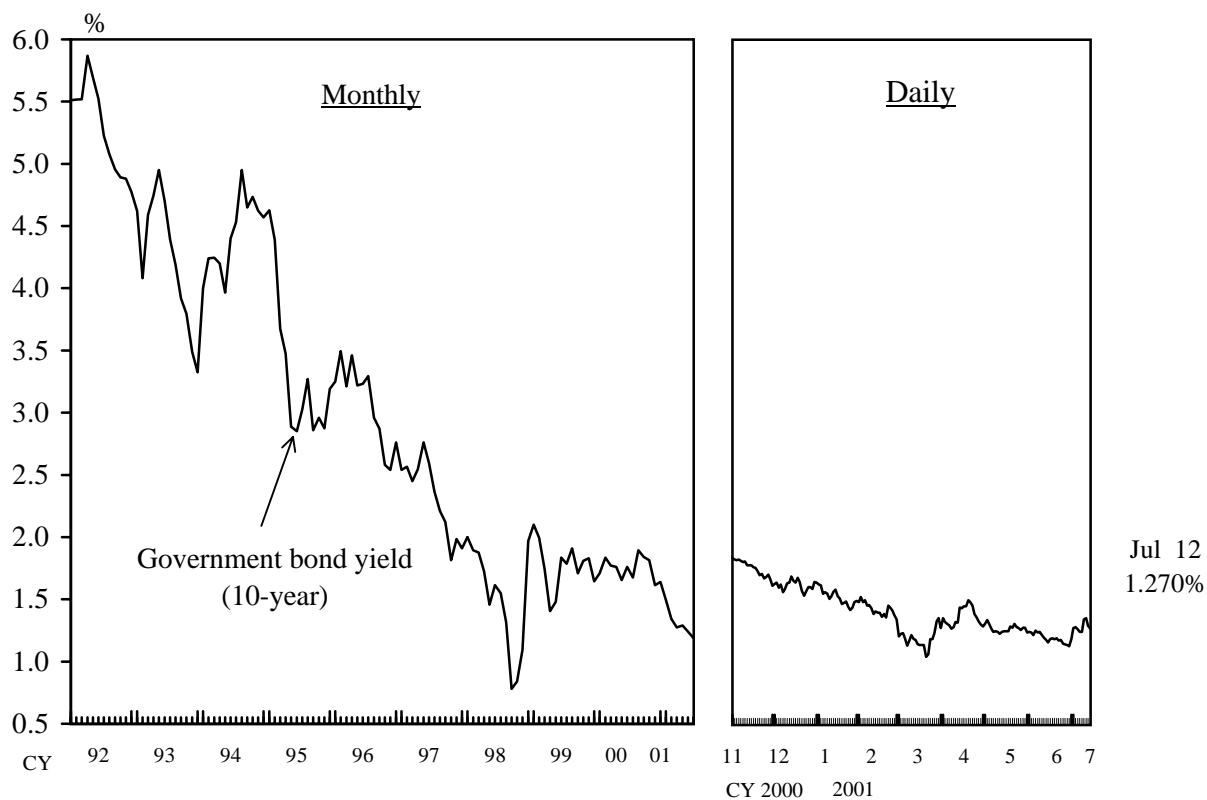
Sources: Cabinet Office, "National Accounts";
Bank of Japan, "*Tankan* Short-term Economic Survey of Enterprises in Japan."

Interest Rates

(1) Short-Term



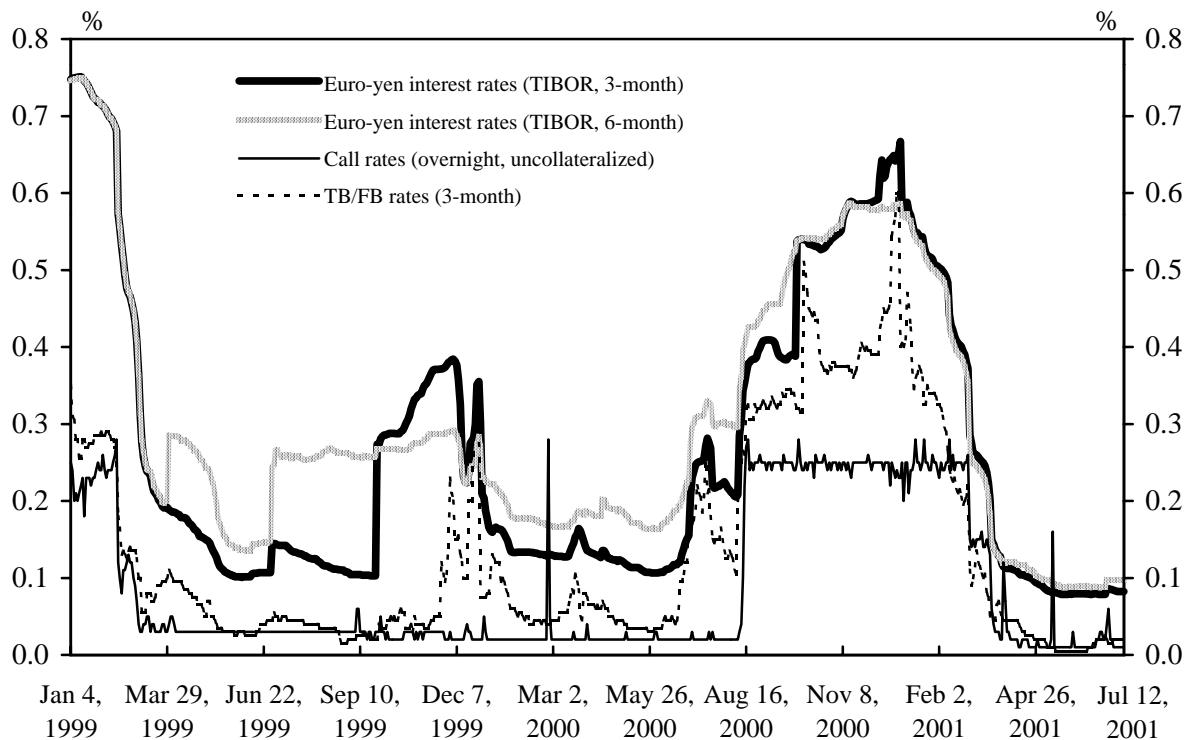
(2) Long-Term



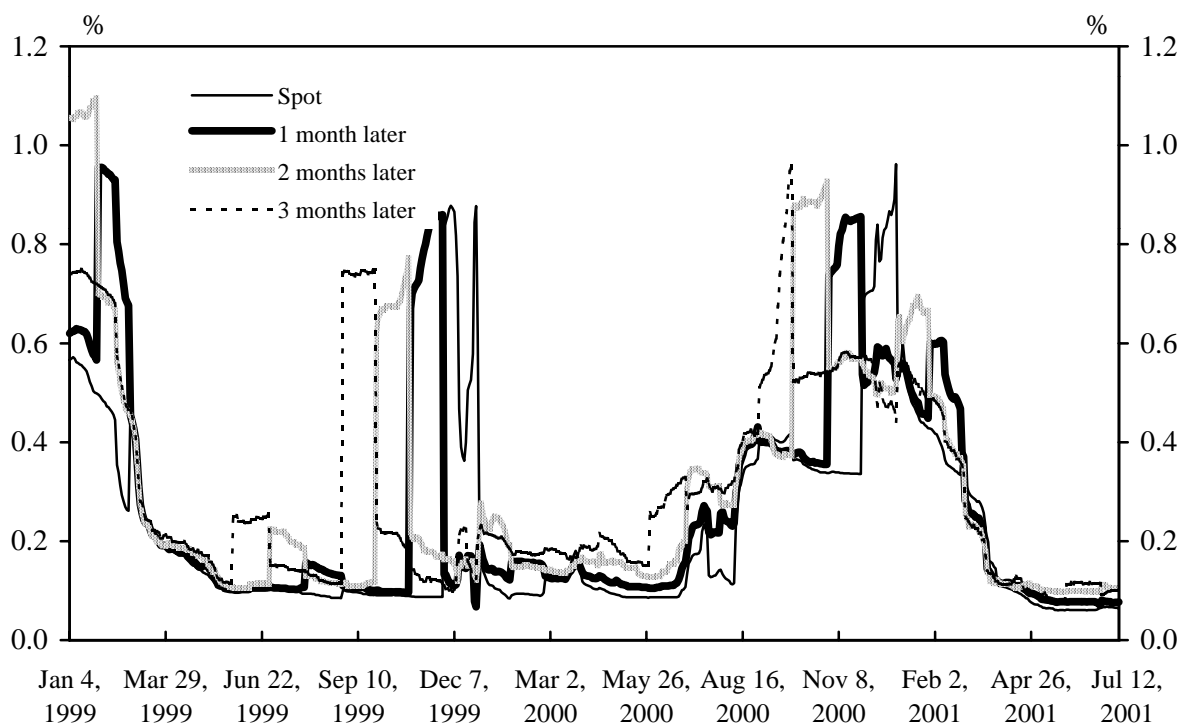
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;
Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

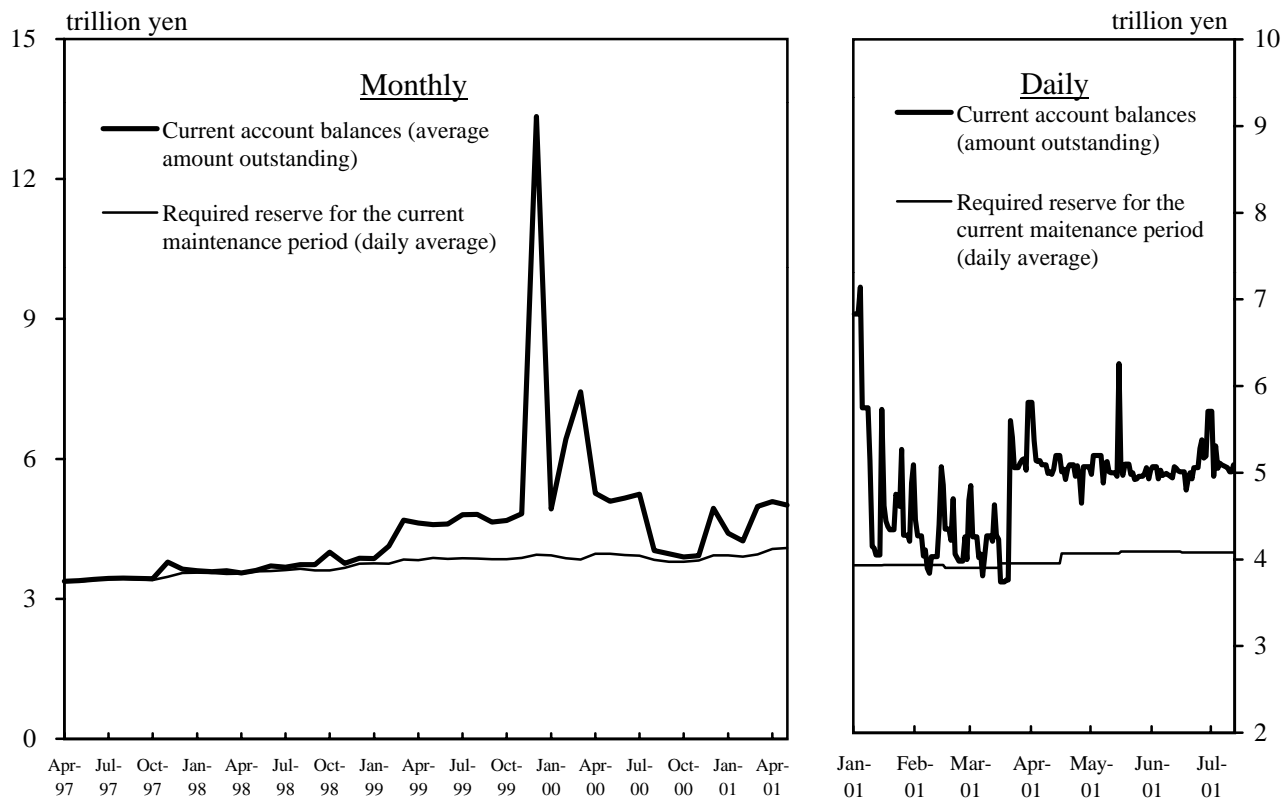


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

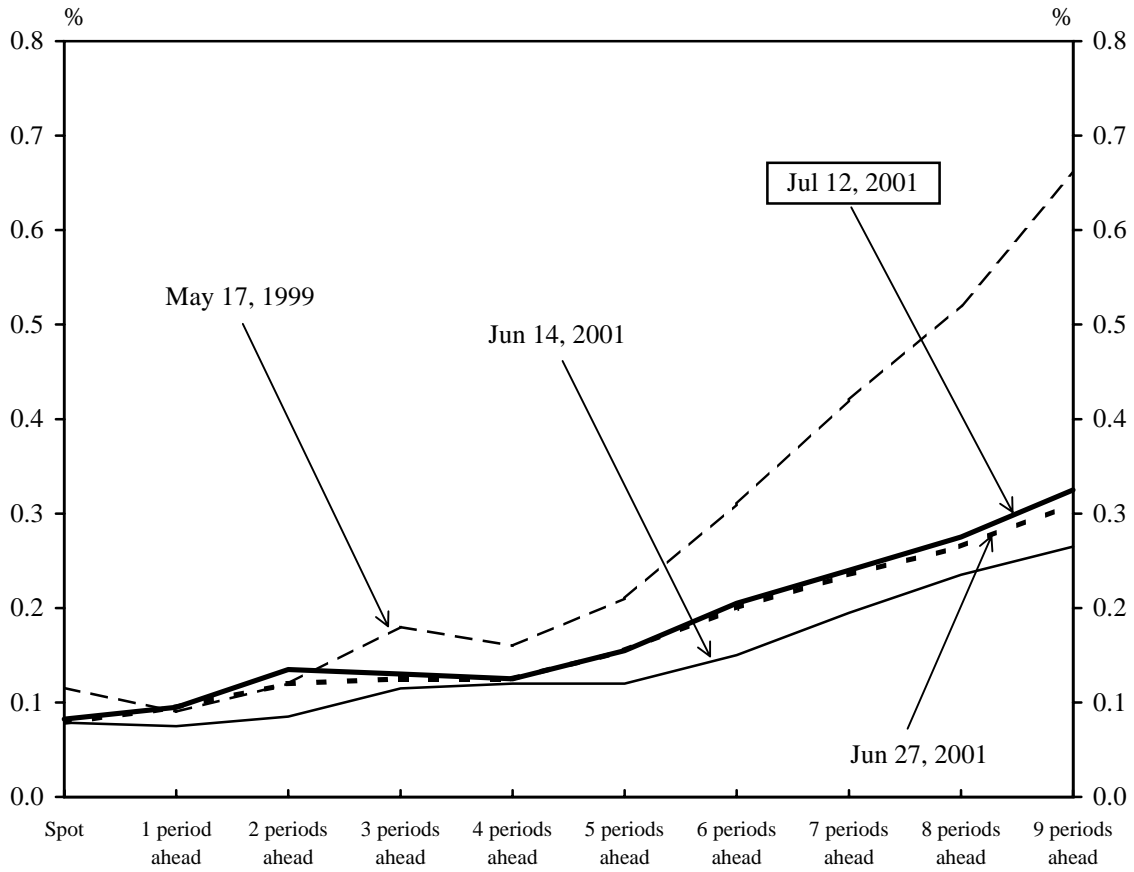


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

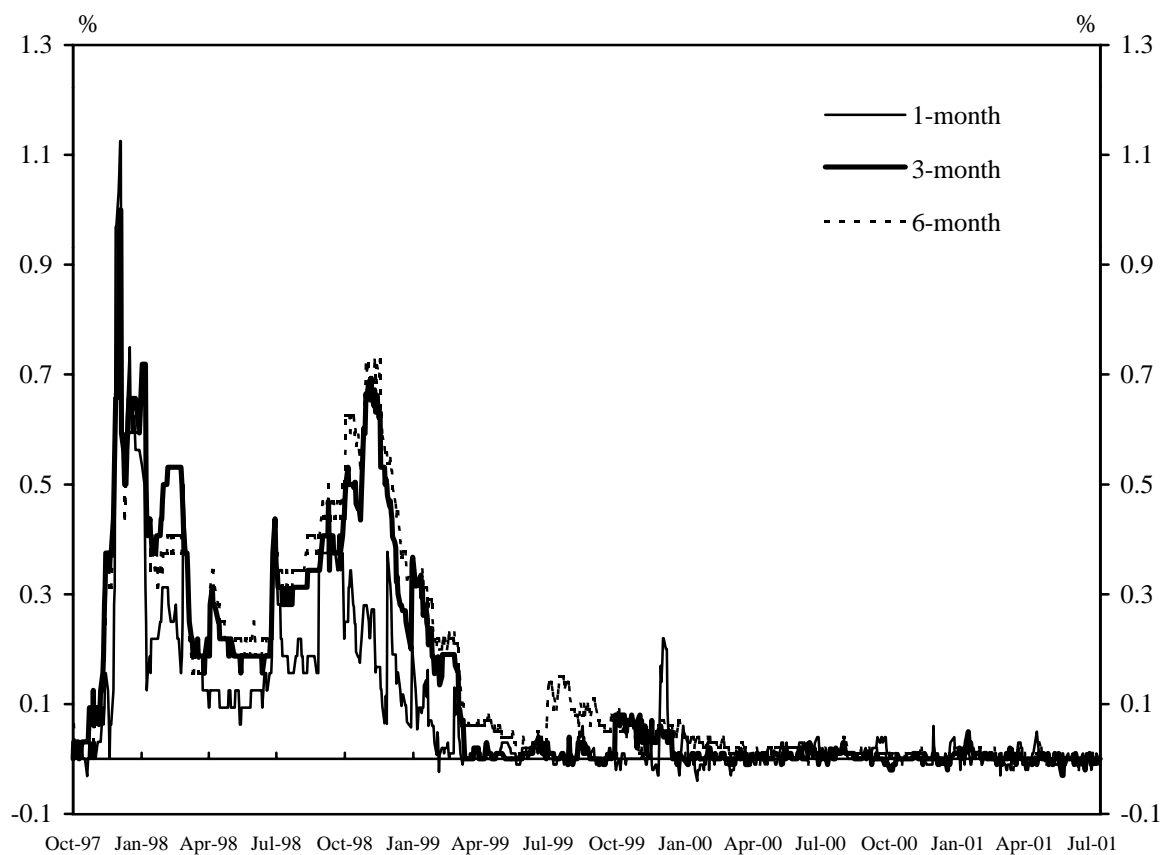
Current Account Balances at the Bank of Japan



Euro-Yen Interest Rates Futures (3-Month)



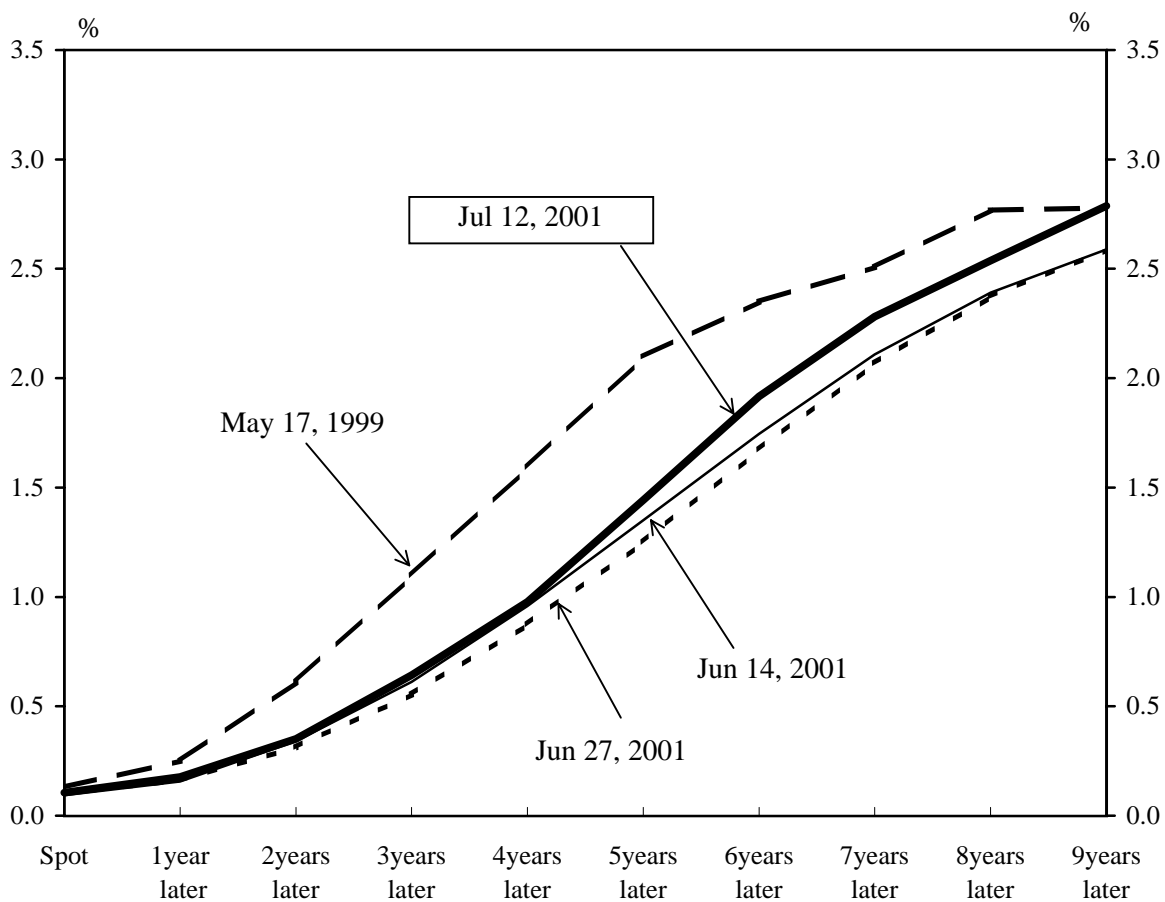
Source: Tokyo International Financial Futures Exchange.

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

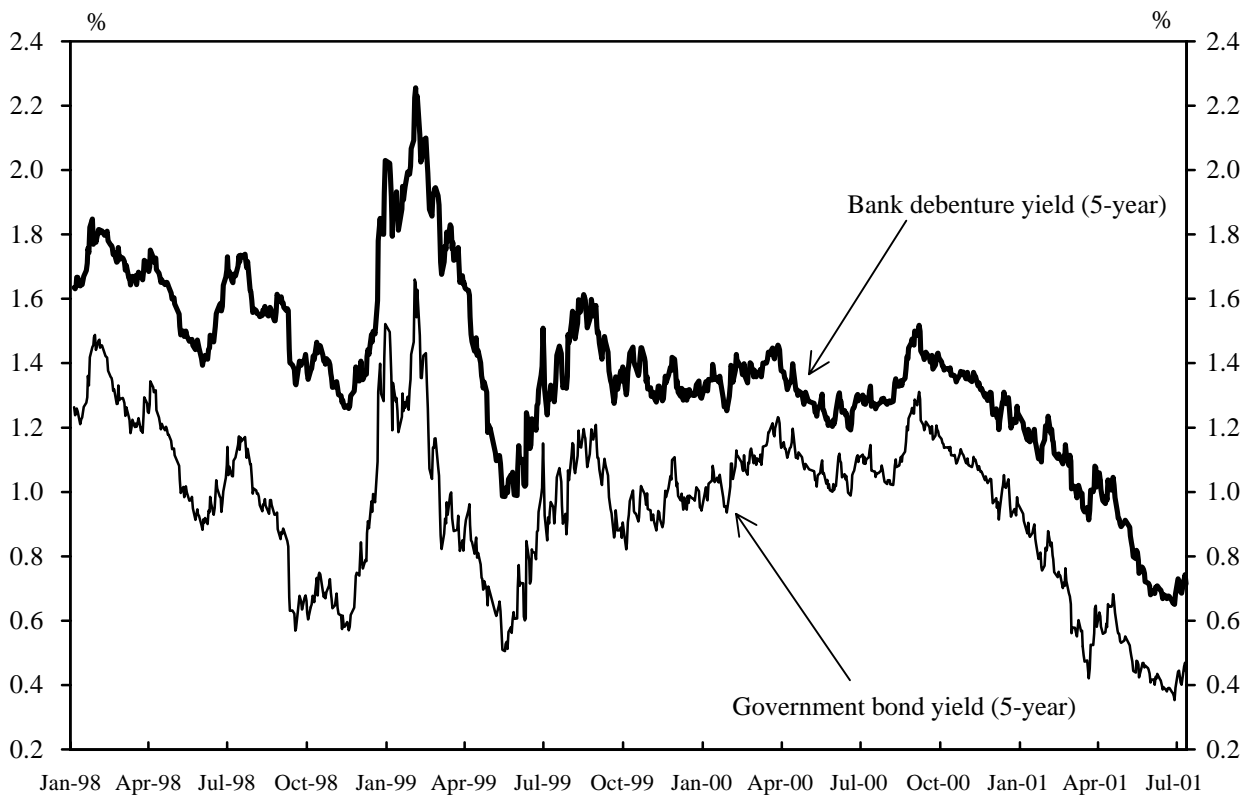


Note :Calculated from yen-yen swap rates.

Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



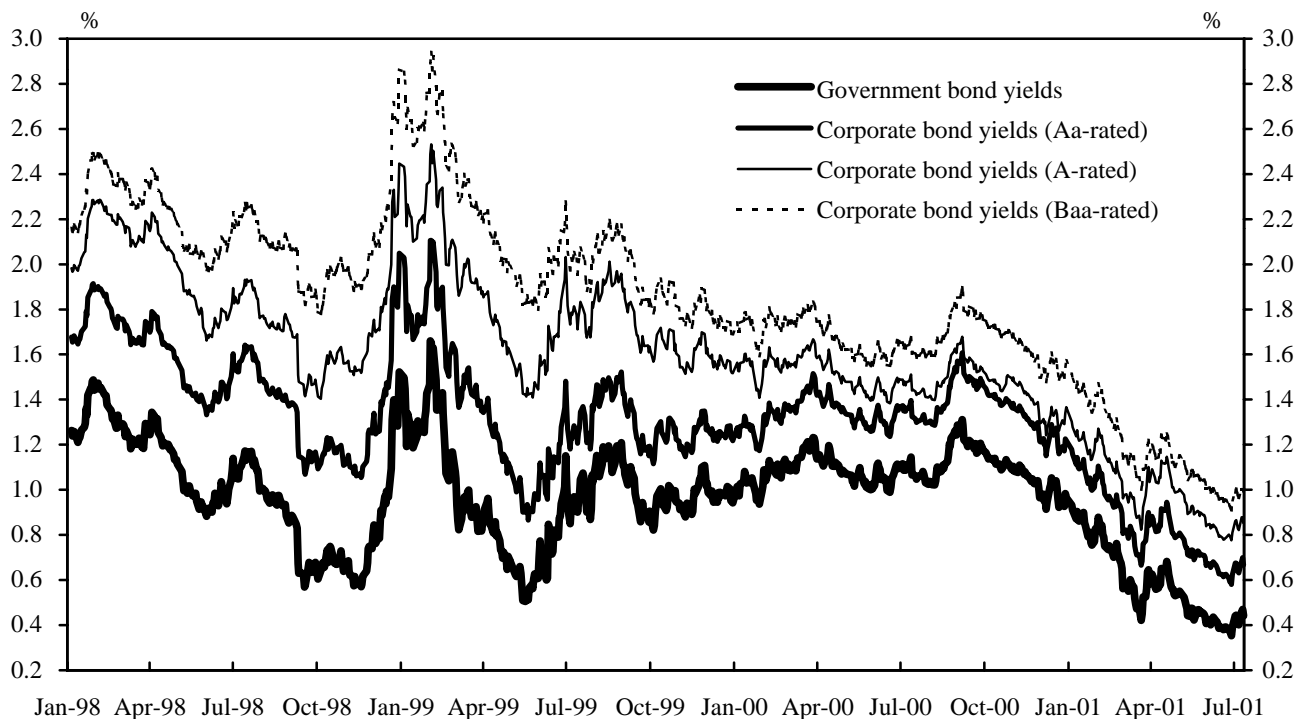
(2) Spread of Bank Debenture and Government Bond Yield



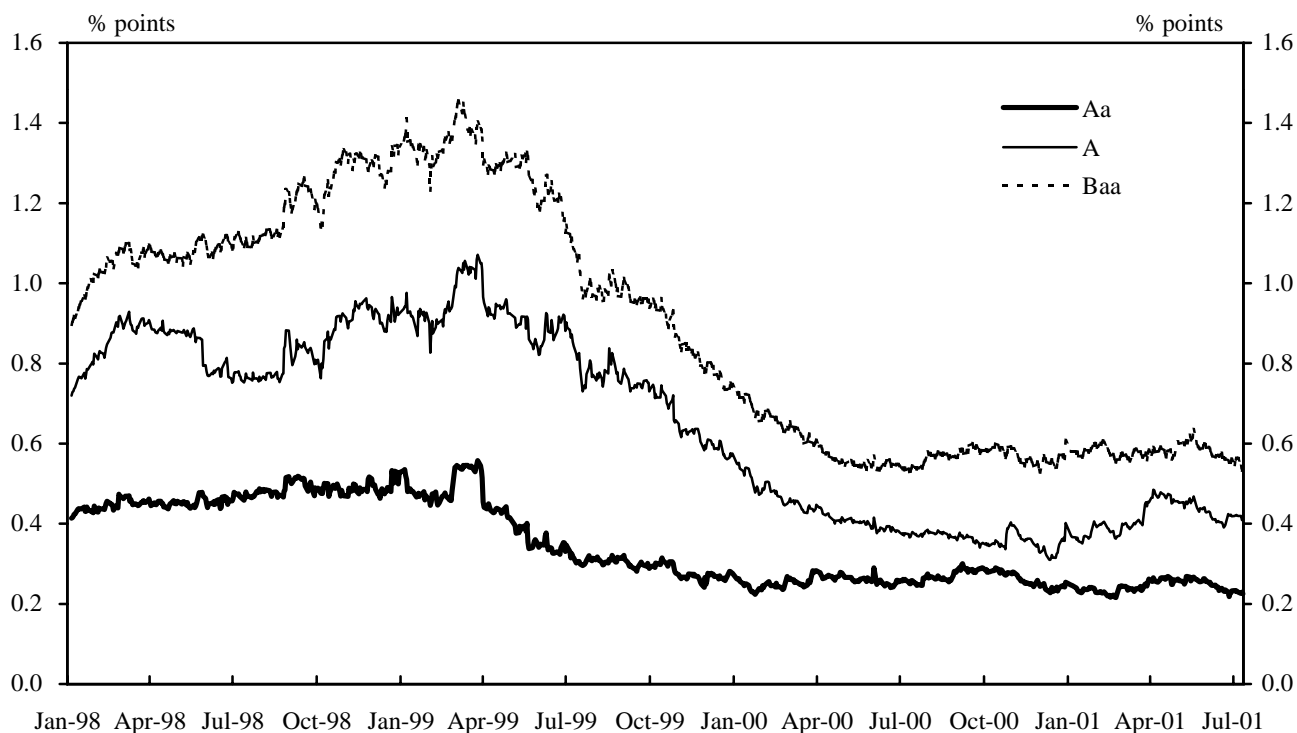
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields ¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



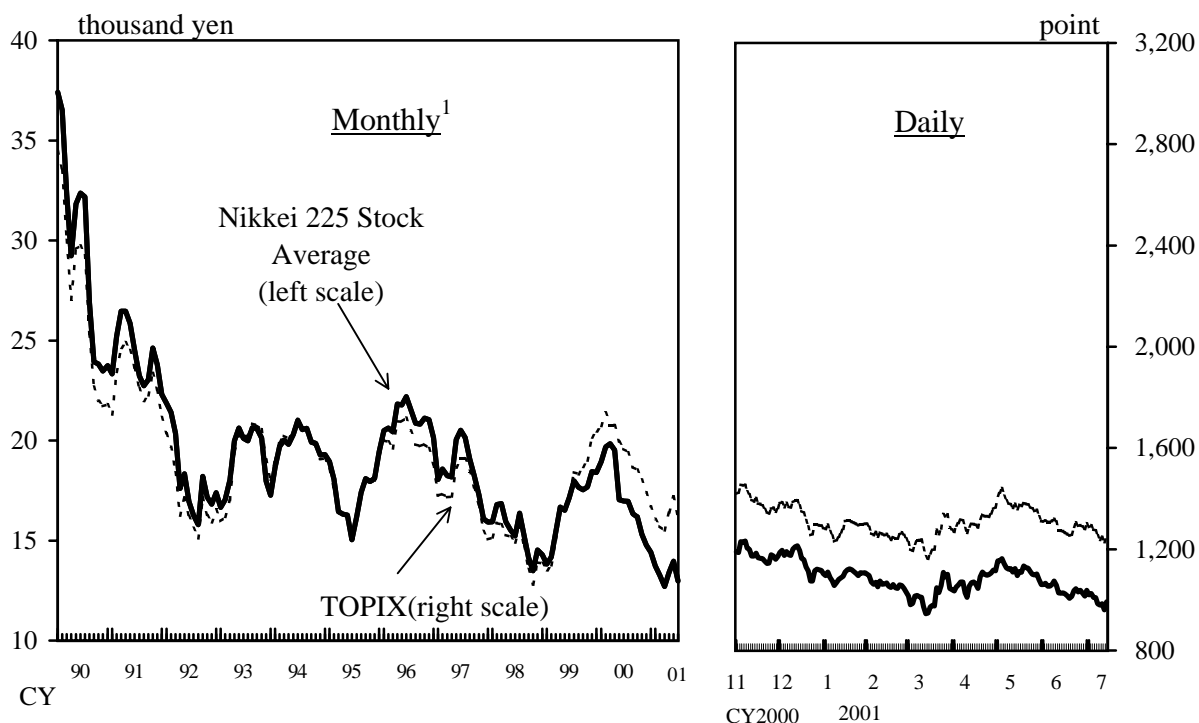
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

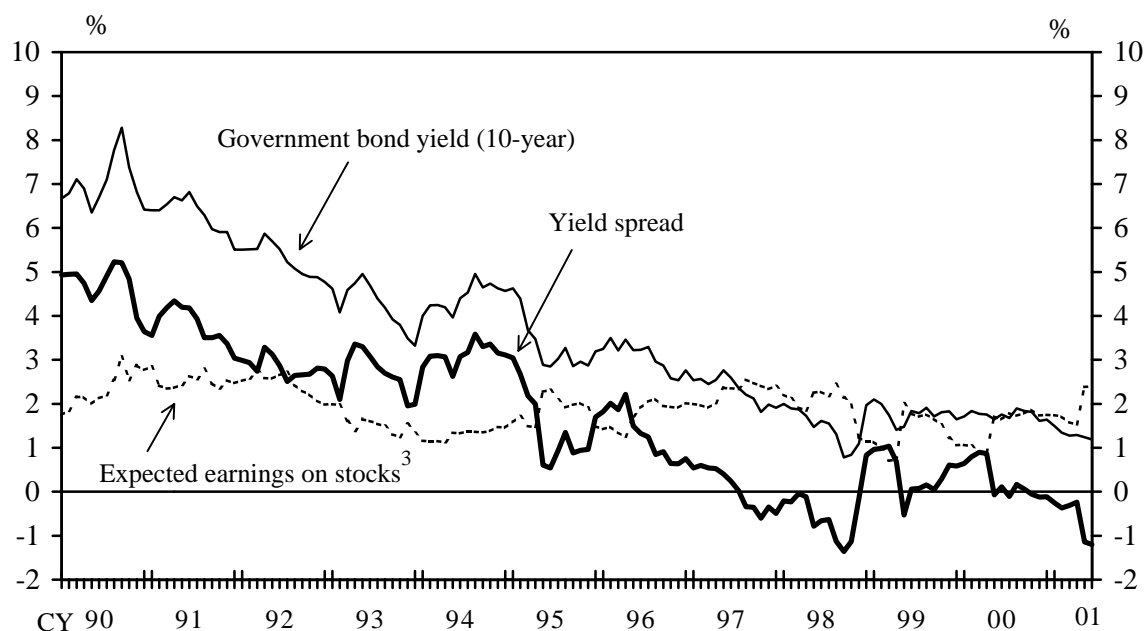
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

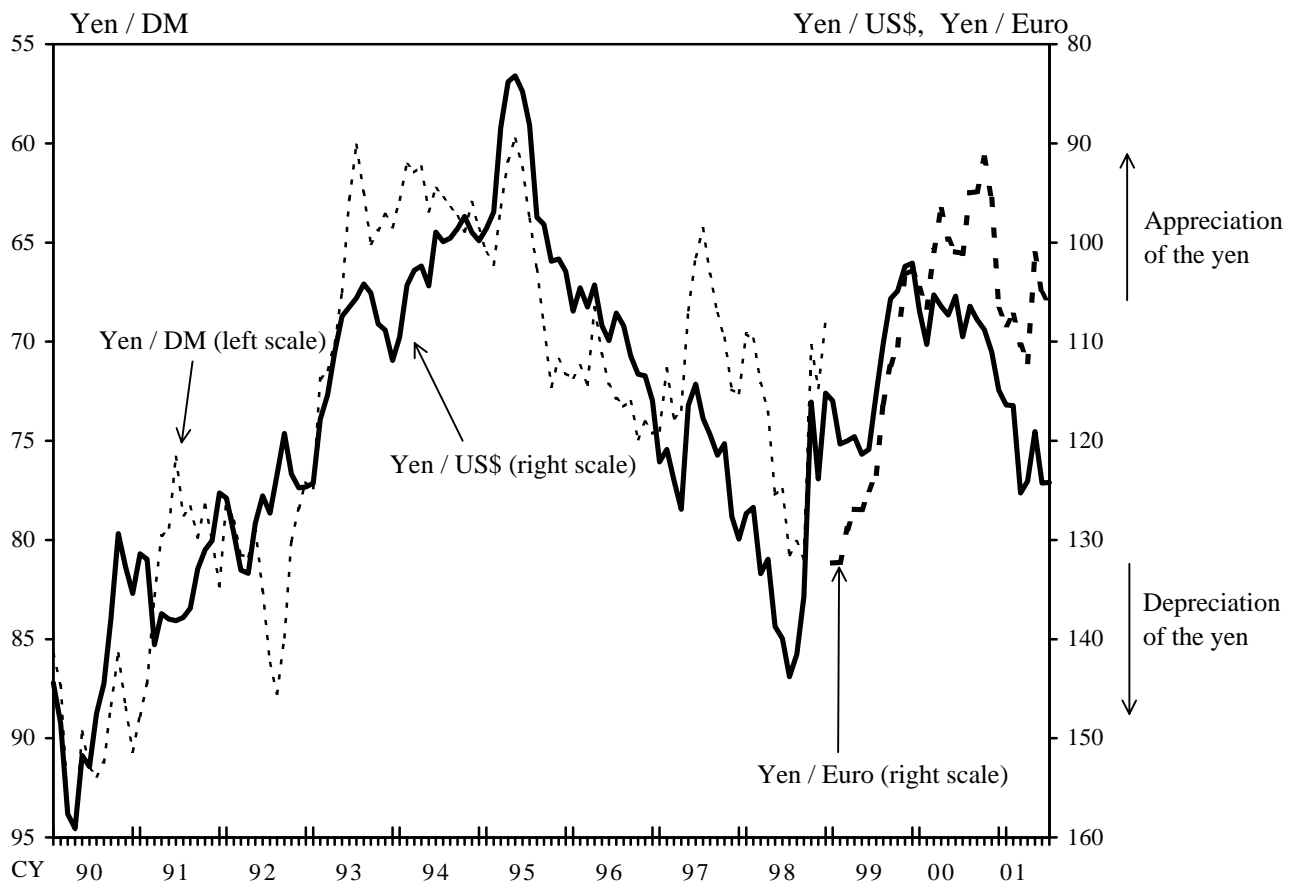
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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

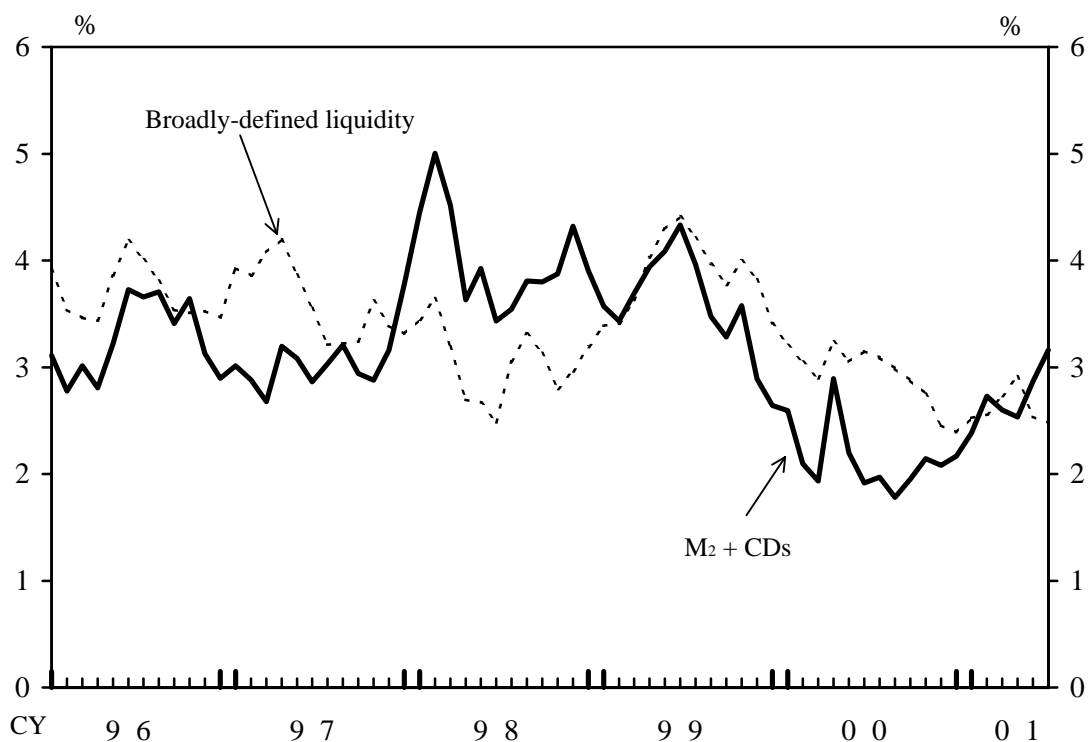


Note: 1. End of month. Data for July 2001 are as of July 12, 2001.

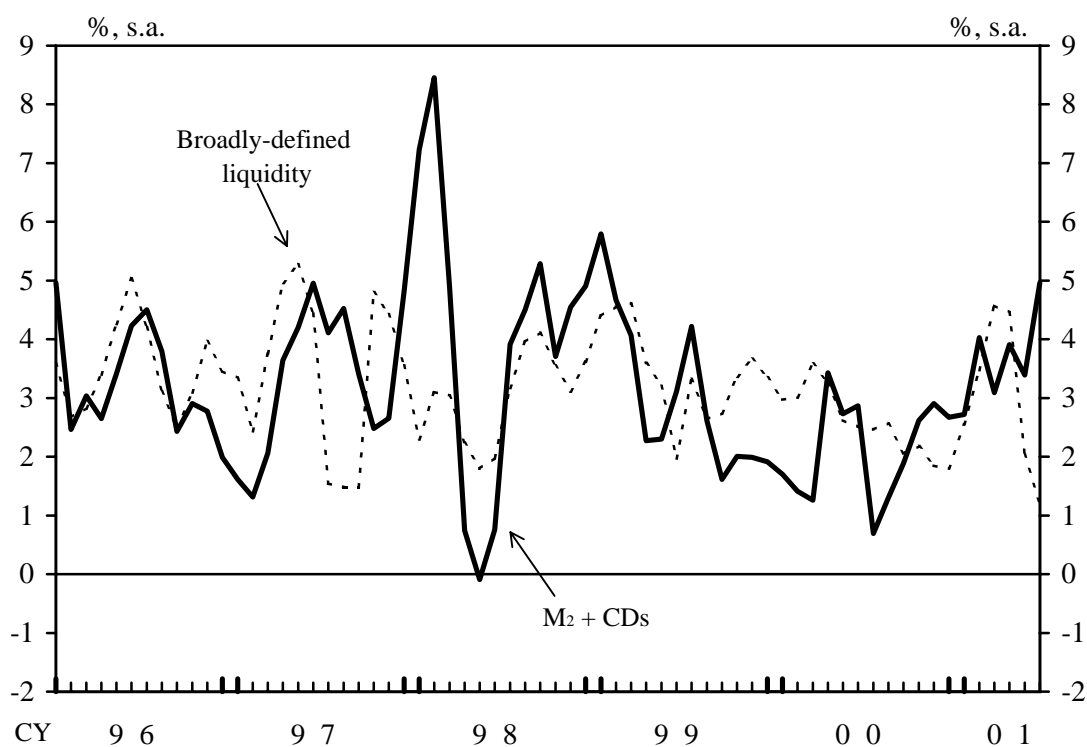
Source: Bank of Japan.

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

(1) Changes from a Year Earlier



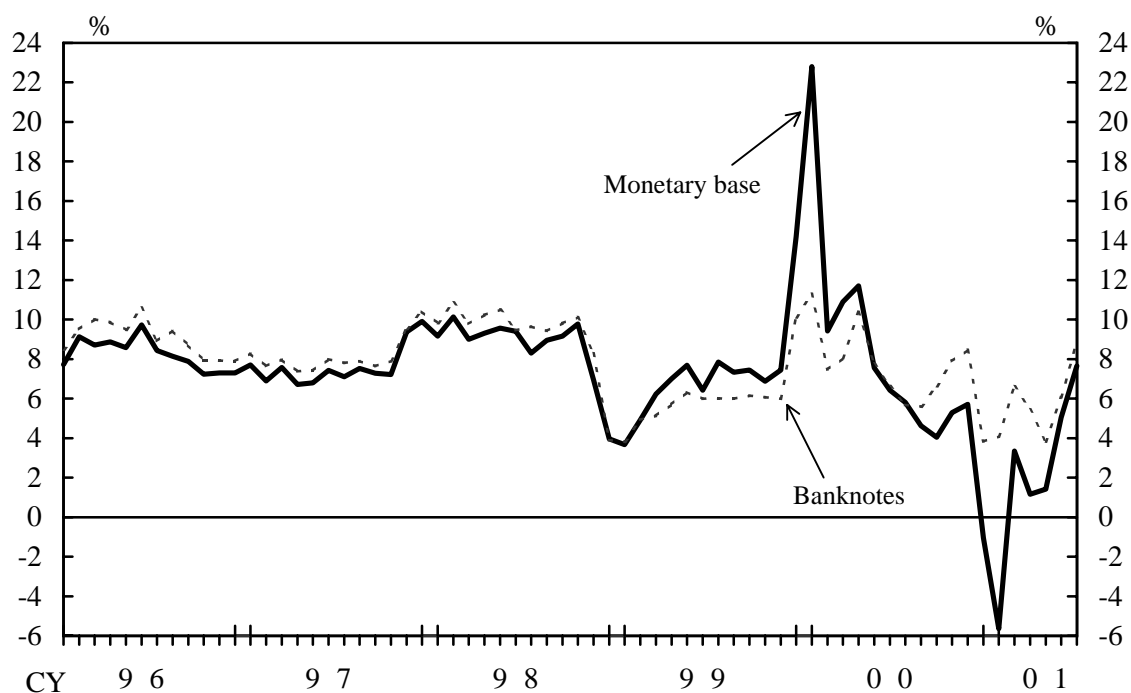
(2) Changes from Three Months Earlier (Annualized)



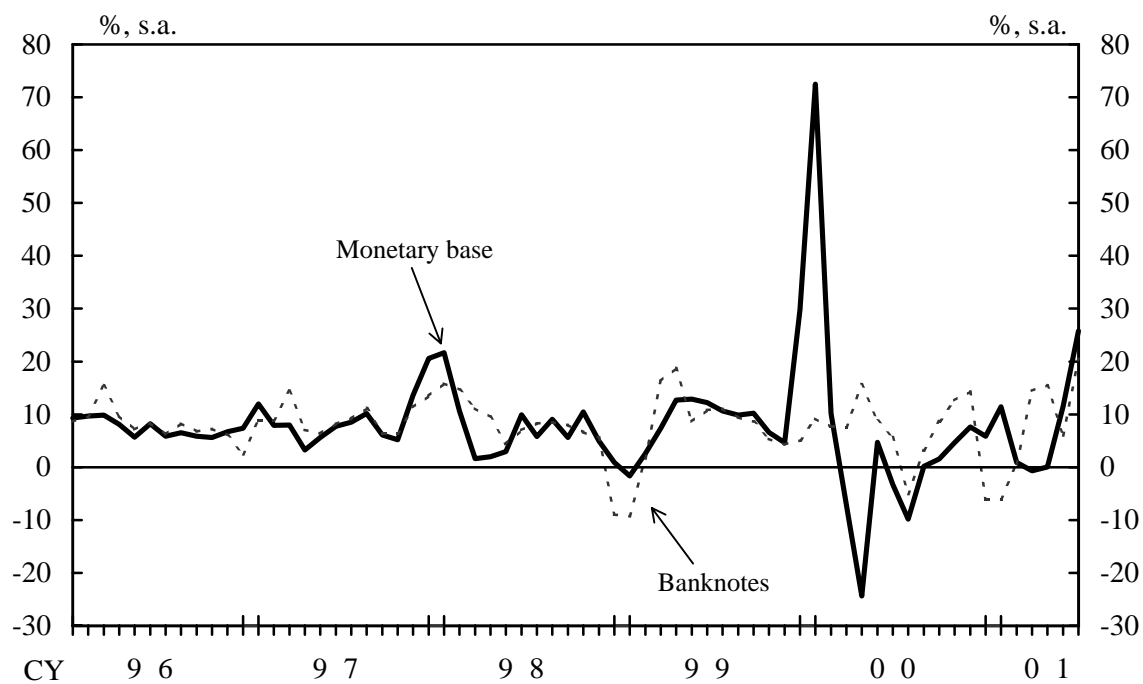
Note: Percent changes in average amounts outstanding.
 Source: Bank of Japan.

 Monetary Base

(1) Changes from a Year Earlier



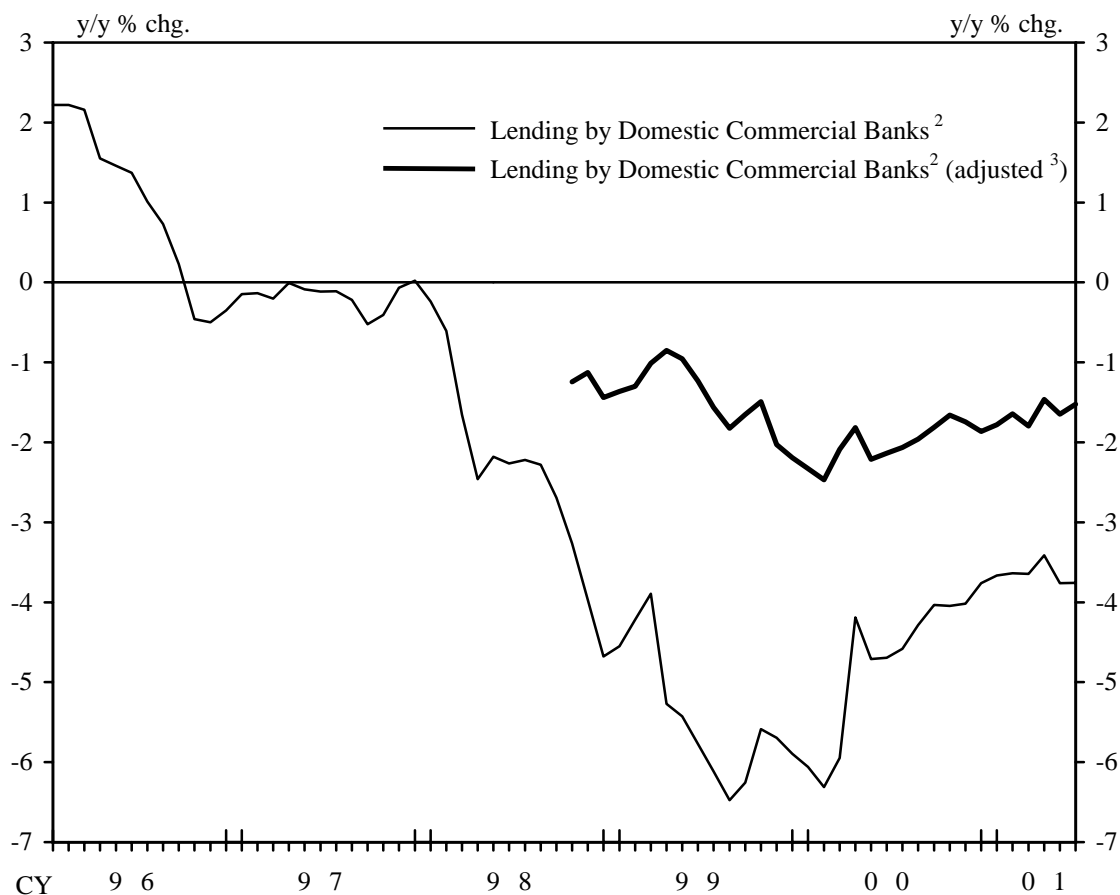
(2) Changes from Three Months Earlier (Annualized)



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.

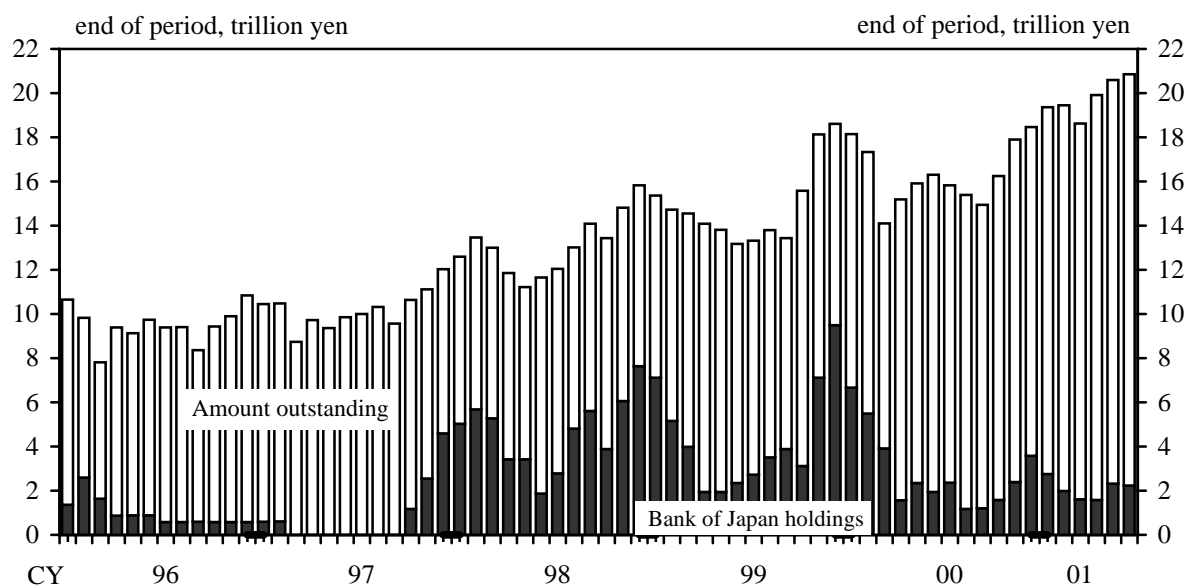
2. "Domestic commercial banks" refers to member banks of the Japanese Bankers Association, which consists of city banks, long-term credit banks, trust banks (excluding foreign-owned trust banks and trust banks that started business after October 1993), the member banks of the Regional Banks Association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

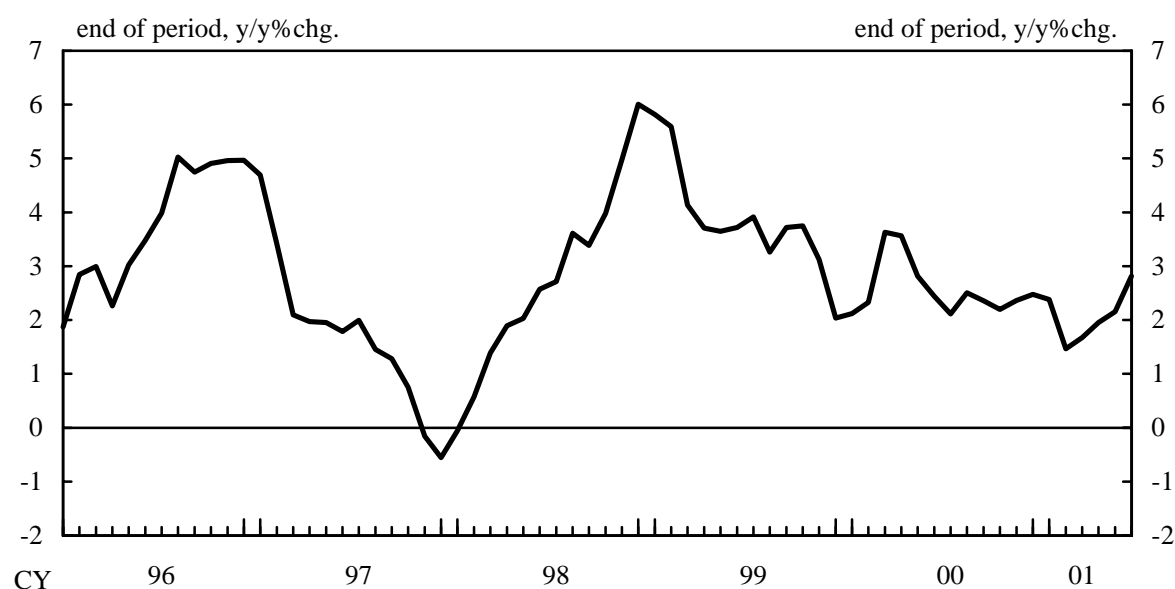
Source: Bank of Japan, "Principal Figures of Financial Institutions."

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/Q4	2001/Q1	Q2	2001/Apr.	May	June
Volume	20,416	22,009	32,941	9,929	8,656	14,356
(previous year)	(21,163)	(24,121)	(21,627)	(6,449)	(5,384)	(9,794)

(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.

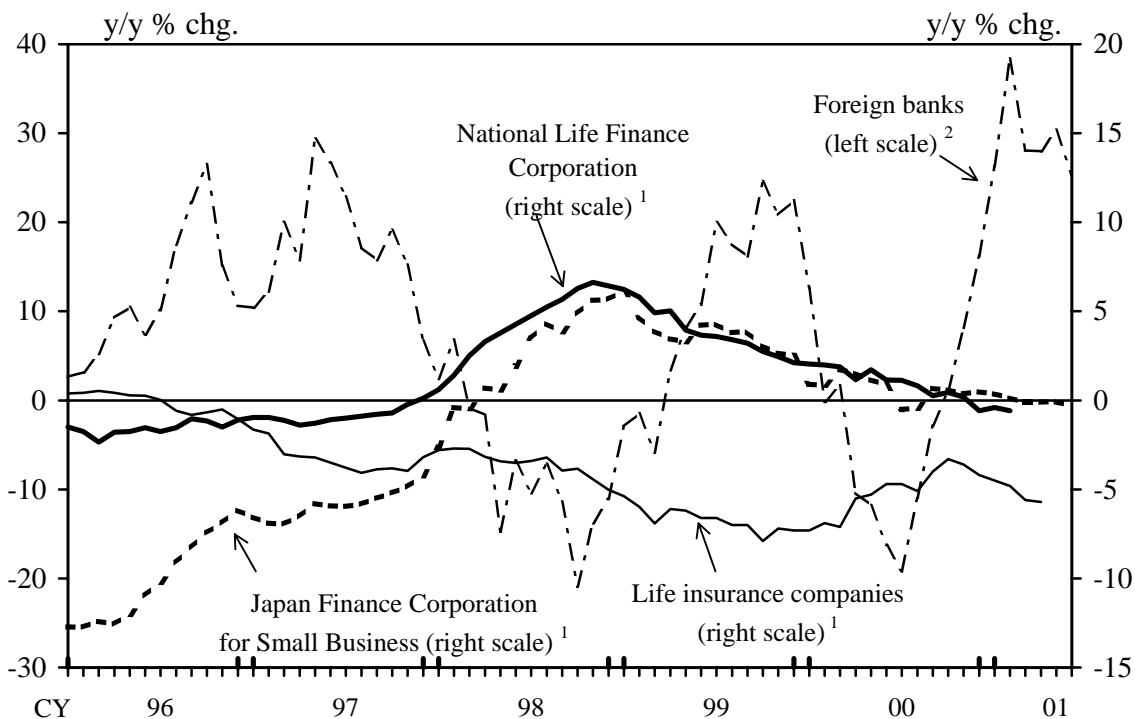
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

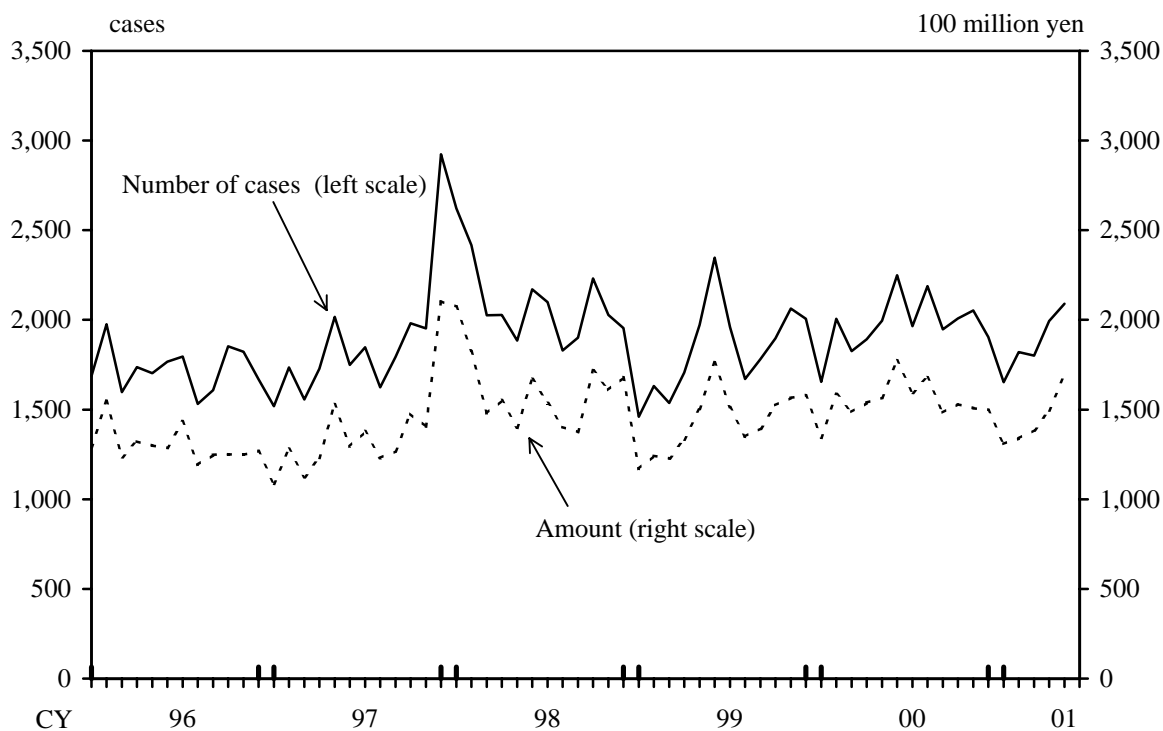
Lending by Other Financial Institutions

(1) Lending Outstanding



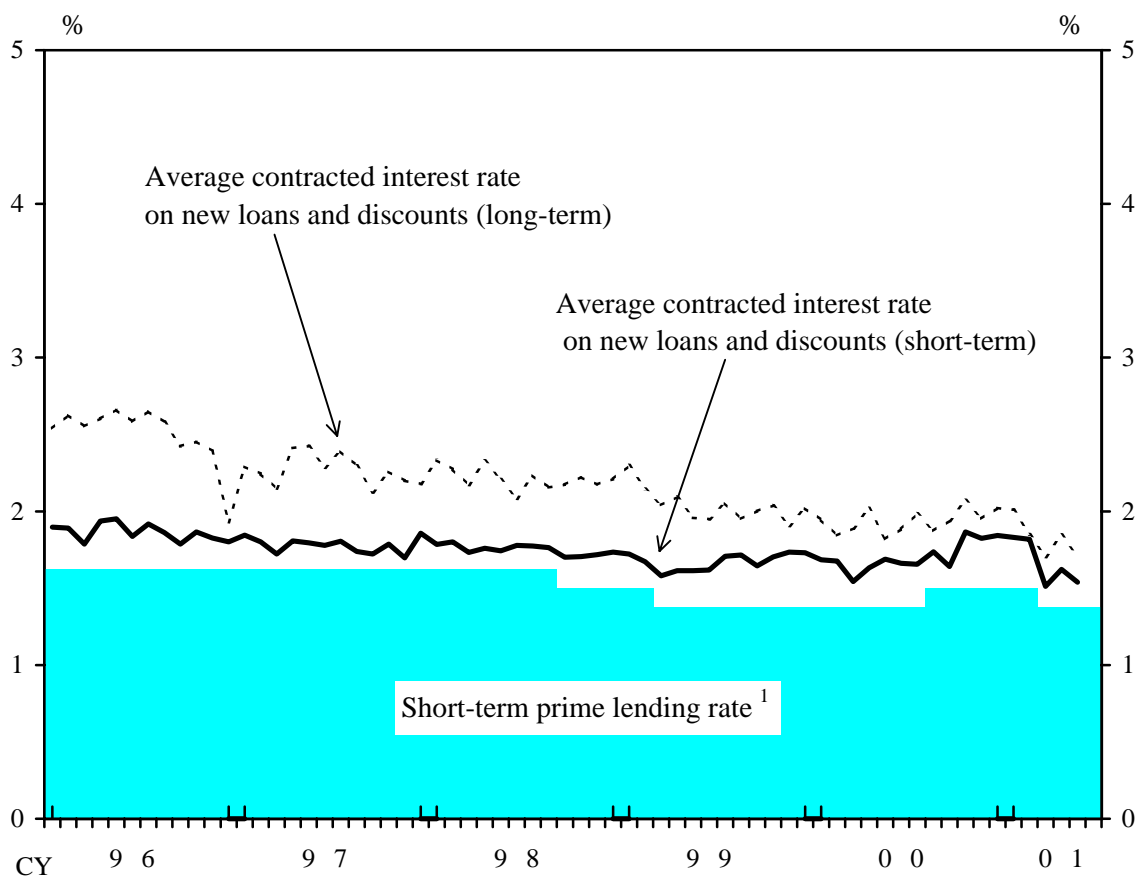
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

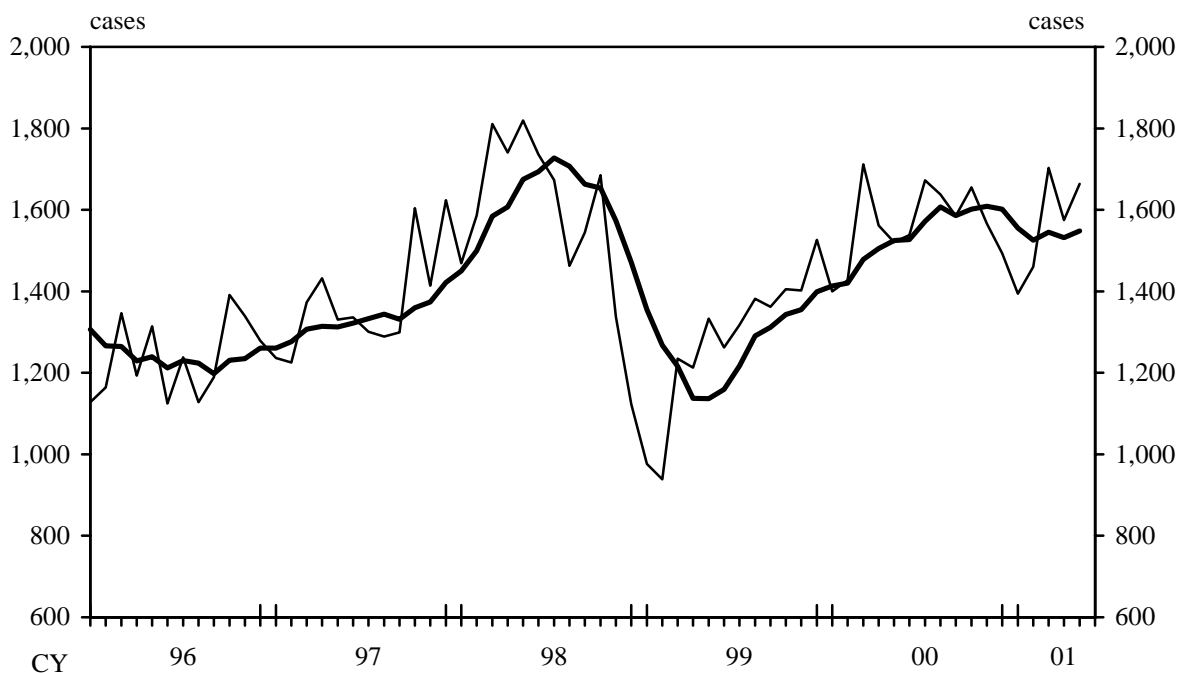


Note: 1. Data are at end of period.

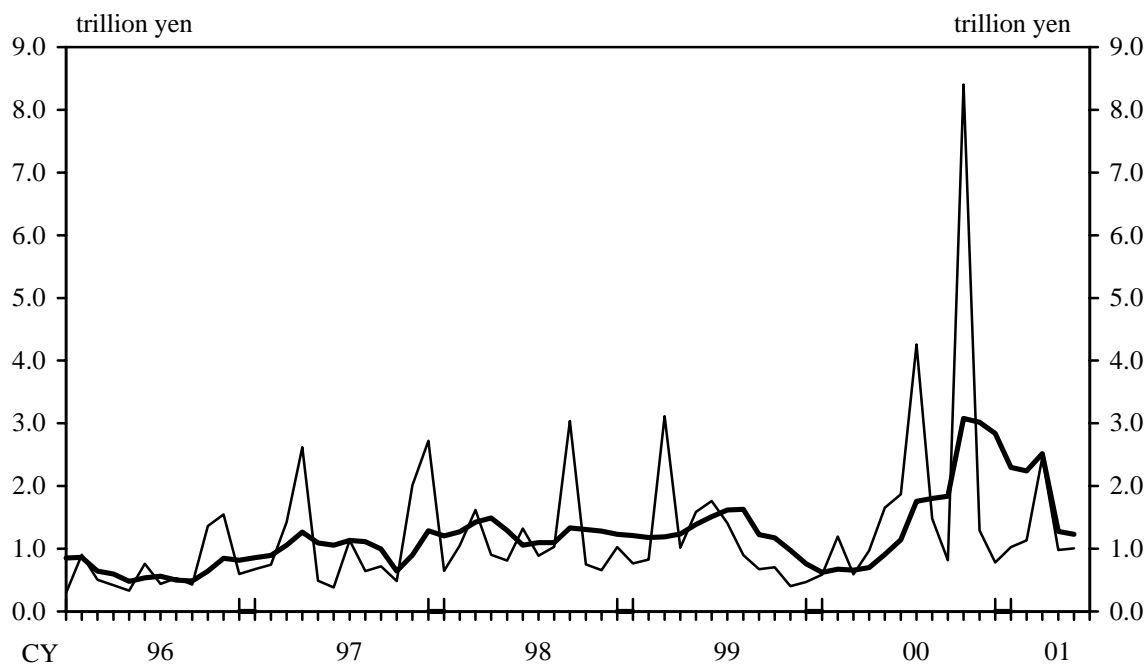
Source: Bank of Japan.

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)."