

August 16, 2001
Bank of Japan

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

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Monthly Report of Recent Economic and Financial Developments¹

August 2001

The Bank's View²

Adjustments in economic activities are intensifying further, reflecting a substantial decline in exports and production.

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

Industrial production continues to decline sharply, reflecting such developments in final demand and strong excessiveness in inventories of electronic parts and some materials. Corporate profits and business sentiment are also worsening particularly in manufacturing. Affected by such developments, household income seems to be weakening gradually.

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.

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on August 13 and 14, 2001.

² The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on August 13 and 14 as the basis for monetary policy decisions.

There still exist such general views that around the end of this year, ongoing inventory adjustments in IT-related goods worldwide are likely to peak out and overseas economies, particularly the United States, will start to recover. Based on these preconditions, exports are expected to pick up sometime in the future and thus underpin industrial production. However, cautious views on global demand in IT-related goods and developments in overseas economies for both their timing and pace of recovery are recently growing. At home, under the prolonged adjustments in economic activities particularly in production, household income, which is the basis of private consumption, is likely to be weakening gradually along with the decline in corporate profits.

Overall, it seems to be inevitable that adjustments in economic activities, starting from the decrease in exports, will continue for the time being. Moreover, the substantial decline in production would cause domestic demand to decrease and in turn generate the risk of adjustments in economic activities to spread even further. Also, attention should be paid to the risk 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 and materials. 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 further 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 temporarily to 1.40-1.45 percent, but are recently moving around the range of 1.30-1.35 percent. The yield spreads between private bonds (bank debentures and corporate bonds) and government bonds are contracting somewhat.

Stock prices are declining to around the lowest level since the start of the year.

In the foreign exchange market, the yen is currently being traded in the range of 121-124 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. However, there are some signs indicating that the lending attitudes of financial institutions perceived by small firms are 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 a decline in market interest rates and the more active stance of investors to take credit risks.

On the other hand, credit demand in the private sector seems to be declining slightly faster due to a decrease in business fixed investment while firms continue to reduce their debts.

In view of this, private banks' lending remains sluggish. Meanwhile, the growth rate of amount outstanding of corporate bonds issued is on the gradually rising

trend, reflecting the favorable environment for issuing corporate bonds. The amount outstanding of CP issued is well above that of the previous year and marking the highest level to date.

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

Funding costs for firms continue to be at extremely low levels.

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 starting 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 recently been at low levels. Actual implementation of those works is starting to decline as most of the orders of the supplementary budget have been implemented considerably (Chart 2). Public investment is projected to follow a declining trend.

Real exports continue to decline 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 the second quarter of 2001 decreased significantly, following the substantial decline in the first quarter—IT-related goods (semiconductor parts) and capital goods and parts (semiconductor fabrication machines and equipment, and industrial machinery) declined substantially, and intermediate goods (chemicals and steel) also dropped due mainly to the easing supply-demand conditions in the East Asian markets. Real imports are also declining, reflecting a continued substantial decline in exports and production (Charts 3[1] and 6). As for real imports in the second quarter, in addition to the noticeable decreases in IT-related parts, intermediate goods, and materials, imports of personal computers declined, owing to weak domestic sales. Net exports (real exports minus real imports), in terms of the real trade balance,³ continue to decline since the pace of decrease in exports is faster than that of imports (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 deceleration in the East Asian and European economies has become more distinct, reflecting the continued adjustments in the U.S. economy. Furthermore, views that inventory adjustments of

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.)

IT-related goods will prolong until around the end of this year are growing, while the demand dropped by more than had been projected by the IT industries (Chart 8).⁴ Considering these developments, exports are expected to continue declining for some time. Imports are projected to follow a downward trend for the time being due to a decline in production and the past depreciation of the yen. Under these circumstances, net exports are likely to continue decreasing for a while.

Business fixed investment is declining while the demand forecast of the IT-related sector has been revised downward. Aggregate supply of capital goods⁵ (excluding transport equipment)—which basically moves simultaneously with machinery investment—continued to decline (Chart 9-1[1])). Among leading indicators (Chart 9-2), machinery orders (private demand, excluding shipbuilding and electric power equipment) increased somewhat in the second quarter after the relatively large decline in the first quarter.⁶ Meanwhile, construction starts (nonresidential) continued to follow a declining trend since construction starts in mining and manufacturing have started to decline in addition to those in nonmanufacturing.

⁴ According to global developments in semiconductor shipments, the actual results for the second quarter were well below figures projected by the semiconductor industry as of May (Chart 8[1]). Against this background is, for instance, the large depression in IT-related investment in the U.S. corporate sector (Chart 8[2]) and continuing lackluster sales of cellular phones and personal computers worldwide. At home, exports of IT-related goods continued to decline substantially and thus the actual production of firms (electrical machinery) was below their most recent production plans (Chart 8[3]). In these circumstances, fewer firms view that inventory adjustments of IT-related goods will have nearly come to an end by early fall and hence an increasing number of firms believe that this will materialise around the end of this year.

⁵ 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 9-1(1) and 10-4 show the developments in aggregate supply of capital goods (excluding transport equipment) and consumer goods. Figures for the second quarter of 2001 are calculated by the Bank of Japan using indices of industrial shipments and real imports and exports.

⁶ Machinery orders in the third quarter (surveyed as of June-end) are projected to decline again by 5.1 percent in private demand (excluding shipbuilding and electric power equipment). Among these, manufacturing is expected to continue declining from the first quarter by marking a decrease of 1.8 percent. In addition, nonmanufacturing (excluding shipbuilding and electric power equipment) is projected to decrease once again by 6.0 percent after the increase in the second quarter.

As for the outlook, business fixed investment is projected to follow a downward trend, judged not only from deteriorating corporate profits and the recent developments in leading indicators, but also the further cautious stance on fixed investment of IT-related manufacturing firms.

Private consumption remains flat on the whole while related indicators were mixed, showing both strong and weak signs (Chart 10). According to sales indicators, passenger car sales increased recently due to the introduction of new models. 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. As for sales of household electrical appliances, the drop in sales in reaction to the surge in demand before the implementation of the law regarding the recycling of home electronic appliances⁷ has mostly finished. Sales of personal computers remained weak while those of air conditioners apparently increased due to very hot weather. The level of indices of aggregated sales⁸ were flat-to-up compared to that of the previous year. On the other hand, the level of aggregate supply of consumer goods overall was 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 improved somewhat after consumers became more cautious from around the start of this year (Chart 11[1]). Private consumption is expected to be flat or weak slightly for the time being, mainly reflecting employment and income conditions.

Housing investment is declining, with some monthly fluctuations. Construction starts in the second quarter continued to decrease again following the first quarter. This was because construction starts of owner-occupied houses dropped, while those of housing for rent increased (Chart 12). Judged from the

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 side. For the detailed calculation method, see notes in Chart 10-3.

number of loan applications to the government Housing Loan Corporation,⁹ housing investment is likely to remain 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 of IT-related parts, semiconductor fabrication machines and equipment, and intermediate goods, but also to a decrease in domestic business fixed investment (Chart 13). As for inventories, those of final demand goods are still broadly contained. Among producer goods, however, the inventory level of electronics parts, demand for which from overseas declined significantly, remains high despite production cutbacks. Moreover, inventories of materials such as steel and chemicals have accumulated further. Thus, inventories as a whole are on a rising trend (Chart 14). Under these circumstances, industrial production is expected to follow a declining trend for some time due to the decreases in exports and business fixed investment.¹⁰

As for employment and income conditions, amid ongoing adjustments in economic activities, household income seems to be weakening gradually along with the easing supply-demand condition in the labor market, particularly in manufacturing (Chart 15). Among labor-market-related indicators (Chart 16), the unemployment rate rose somewhat.¹¹ 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. The number of new job offers in nonmanufacturing continued to be firm while it continued to follow a

⁹ The number of loan applications to the government Housing Loan Corporation during its first offering period for fiscal 2001 (construction of private houses; 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. The second offering period is from July 16 to August 27.

¹⁰ According to the survey of production forecasts, production in July will decrease further (-2.3 percent compared to the June level) and will increase thereafter in August (+3.4 percent on a month-to-month basis). If the growth rates of production for July and August are the same as those of the production forecast indices and if production in September remains unchanged from the previous month, the rate of decline in production for the third quarter (-0.9 percent on a quarter-to-quarter basis) will diminish sharply compared to the second quarter. However, judged from recent developments that actual production of electrical machinery firms has been significantly below their most recent production plans (see note 3), the rate of decline is expected to be larger than the number projected.

¹¹ With respect to those unemployed by reason of job-seeking, voluntary separation has been increasing, particularly among the younger generation.

downward trend in manufacturing. The number of regular employees (on a Monthly Labour Survey basis at establishments with five employees or more) was basically unchanged, but firms in manufacturing are slightly reducing the number of workers, particularly in marginal workers such as part-time workers. Nominal wages per employee were recently somewhat sluggish. In detail, overtime payments continued to decrease and regular payments remained around the previous year's level, reflecting the decline in production activities. As for summer bonuses, special payments paid during June (preliminary figures) were also below the year-ago level.¹² Amid the ongoing adjustments in economic activities, compensation of employees is projected to be weak 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 18).

Domestic wholesale prices are weak (Chart 19). In July, 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 in addition to the price decline of machinery (electrical machinery and transportation equipment), prices of iron and steel, construction goods, and other materials continued to decrease.

¹² In detail by type of industry, while manufacturing increased very slightly, nonmanufacturing, of which the weight is high, was below the previous year's level mainly in services (medical and other health services, educational services, and social insurance and welfare), wholesaling and retailing, and construction. However, as for special payments, in addition to the tendency of this statistics that figures change relatively large when the revised figures are released, the overall figures of this year's summer bonuses should also take those paid from July and onward into account.

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.

Corporate service prices are decreasing (Chart 20). In June, corporate service prices (domestic supply-demand factors¹⁴) declined compared to the levels three months earlier. The decrease was mainly due to lower prices for leasing and communications charges, and also the reduction in prices of machinery repairs and insurance rates (general services).

Consumer prices remain somewhat weak (Chart 21). In June, consumer prices (excluding perishables) declined compared to the levels three months earlier. This was mainly because prices of imported products and their substitutes continued to decline due to the increase in imports of inexpensive consumer goods (Chart 22). The overall year-to-year rate of decline in June contracted slightly, since the rate of decline in recreational services (hotel charges) diminished.¹⁵ (The year-to-year change was -0.5 percent in April 2001, -0.7 percent in May, and -0.6 percent in June.)

Regarding 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 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 23[1] and 24), the overnight call rate (uncollateralized) is basically moving around zero

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 20.

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

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 25).

As for interest rates on term instruments (Chart 24), three-month Euro-yen rates (TIBOR) continue to be basically level on the whole. The Japan premium (Chart 27) remains negligible.

Yields on ten-year government bonds (newly issued; Chart 23[2]) rose temporarily to 1.40-1.45 percent due mainly to uncertainties toward the future supply-demand balance for government bonds, but are recently moving around the range of 1.30-1.35 percent. Yield spreads between government and private bonds (bank debentures and corporate bonds; Charts 29 and 30) are contracting somewhat.

Stock prices (Chart 31[1]) are declining to around the lowest level since the start of the year, reflecting the more cautious views on the business outlook for firms.

In the foreign exchange market (Chart 32), the depreciation of the yen has come to a halt as the perceived uncertainties regarding the outlook for the U.S. economy increased somewhat. The yen is currently being traded in the range of 121-124 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The growth rate of money stock (M_2 + CDs; Chart 33) in July was slightly higher than that of the previous month due mainly to the inflow from postal savings. (The year-on-year change was 2.9 percent in May, 3.2 percent in June, and 3.3 percent in July.)

In July, the year-on-year growth rate of monetary base (currency in circulation + current deposits at the Bank of Japan; Chart 34) continued to be at high level primarily due to an increase in currency in circulation. (The year-on-year change was 5.1 percent in May, 7.6 percent in June, and 8.0 percent in July.)

As for the lending attitudes 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 attitudes of financial institutions perceived by small firms are 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 a decline in market interest rates and the more active stance of investors to take credit risks.

On the other hand, credit demand in the private sector seems to be declining slightly faster due to a decrease in business fixed investment while firms continue to reduce their debts.

Amid these developments, lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;¹⁶ Chart 35), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, remains sluggish. (The year-on-year change was -1.7 percent in May, -1.5 percent in June, and -1.8 percent in July.) Meanwhile, the growth rate of amount outstanding of corporate bonds issued is on the gradually rising trend, reflecting the favorable environment for issuing corporate bonds. The amount outstanding of CP issued is well above that of the previous year and marking the highest level to date (Chart 37).

Funding costs for firms continue to be at extremely low levels. As for lending rates, the average contracted interest rates on new loans and discounts in June (Chart 39) remained more or less unchanged for both short- and long-term rates. 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 40) is basically flat.

In this financial environment, the lending attitudes of financial institutions and corporate financing conditions remain easy as a whole. For the time being, attention

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.

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.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2000/Q4	2001/Q1	Q2	2001/April	May	June	July
Index of living expenditure level (all households)	0.4	1.0	-3.1	-1.7	1.5	-2.6	n.a.
Sales at department stores	0.3	0.4	0.8	0.8	0.1	1.1	n.a.
Sales at chain stores	-1.2	-0.1	-2.6	-1.9	0.4	-0.1	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 303>	< 301>	< 303>	< 291>	< 310>	< 308>	< 320>
Sales of household electrical appliances (real, NEBA)	3.6	10.4	-9.5	-19.0	-0.2	4.4	n.a.
Outlays for travel (50 major travel agencies)	1.2	0.7	-1.2	-1.7	1.5	-1.3	n.a.
Housing starts <s.a., ann. 10,000 units>	< 123>	< 118>	< 115>	< 114>	< 120>	< 111>	<n.a.>
Machinery orders (from private sector ⁴)	1.3	-7.0	1.1	6.3	-2.1	-6.6	n.a.
Manufacturing	8.5	-12.8	-6.6	-0.4	-0.8	-12.0	n.a.
Nonmanufacturing ⁴	-4.2	-2.8	5.7	8.8	-2.3	-2.7	n.a.
Construction Starts (private, nonresidential use)	-6.0	-5.6	-7.2	-6.7	1.6	0.0	n.a.
Mining & manufacturing	-1.5	9.0	-18.5	-25.4	7.3	2.6	n.a.
Nonmanufacturing ⁵	-10.0	-9.4	-1.1	0.7	0.2	1.2	n.a.
Value of public works contracted	-1.9	13.4	-16.2	-36.7	-0.9	7.9	n.a.
Real exports	0.2	-4.7	-4.8	-6.8	1.0	-2.3	n.a.
Real imports	5.0	-3.3	-1.6	-3.7	11.2	-12.2	n.a.
Industrial production	0.6	-3.7	p -4.0	-2.0	-1.2	p -0.7	n.a.
Shipments	0.1	-3.5	p -3.9	-2.8	0.0	p 0.1	n.a.
Inventories	0.9	2.3	p 2.4	2.2	0.8	p -0.6	n.a.
Inventories/shipments <s.a., 1995=100>	<101.2>	<106.6>	<p 112.3>	<110.3>	<109.7>	<p 112.3>	<n.a.>
Real GDP	0.6	-0.2	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.4	0.9	n.a.	-2.3	-0.9	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2000/Q4	2001/Q1	Q2	2001/April	May	June	July
Ratio of job offers to applicants <s.a., times>	<0.65>	<0.63>	<0.61>	<0.62>	<0.61>	<0.61>	<n.a.>
Unemployment rate <s.a., %>	<4.80>	<4.75>	<4.87>	<4.79>	<4.89>	<4.92>	<n.a.>
Overtime working hours ⁶	3.0	0.7	p -2.8	-2.9	-2.2	p -3.2	n.a.
Number of employees	1.2	1.2	0.9	1.3	0.7	0.6	n.a.
Number of regular employees ⁶	-0.1	-0.1	p -0.2	-0.2	-0.2	p -0.2	n.a.
Nominal wages per person ⁶	-0.1	0.1	p -0.8	0.0	-0.1	p -1.7	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>	-0.7 <-0.2>	-0.6 <-0.2>	-0.7 <-0.2>	-0.8 <-0.2>
Consumer price index (nationwide) ⁷ <s.a., q/q % chg.> (3-month growth rate)	-0.5 <-0.2>	-0.6 <-0.1>	-0.6 <-0.2>	-0.5 <-0.2>	-0.7 <-0.2>	-0.6 <-0.1>	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>	-1.5 <-0.4>	-1.2 <-0.4>	-1.4 <-0.5>	-1.6 <-0.5>	n.a. <n.a.>
Monetary aggregates (M ₂ +CDs) <average outstanding, y/y % chg.>	2.1	2.6	2.8	2.5	2.9	3.2	p 3.3
Number of suspension of transactions with banks	-0.1	-9.0	-3.4	-8.4	7.8	-9.3	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.

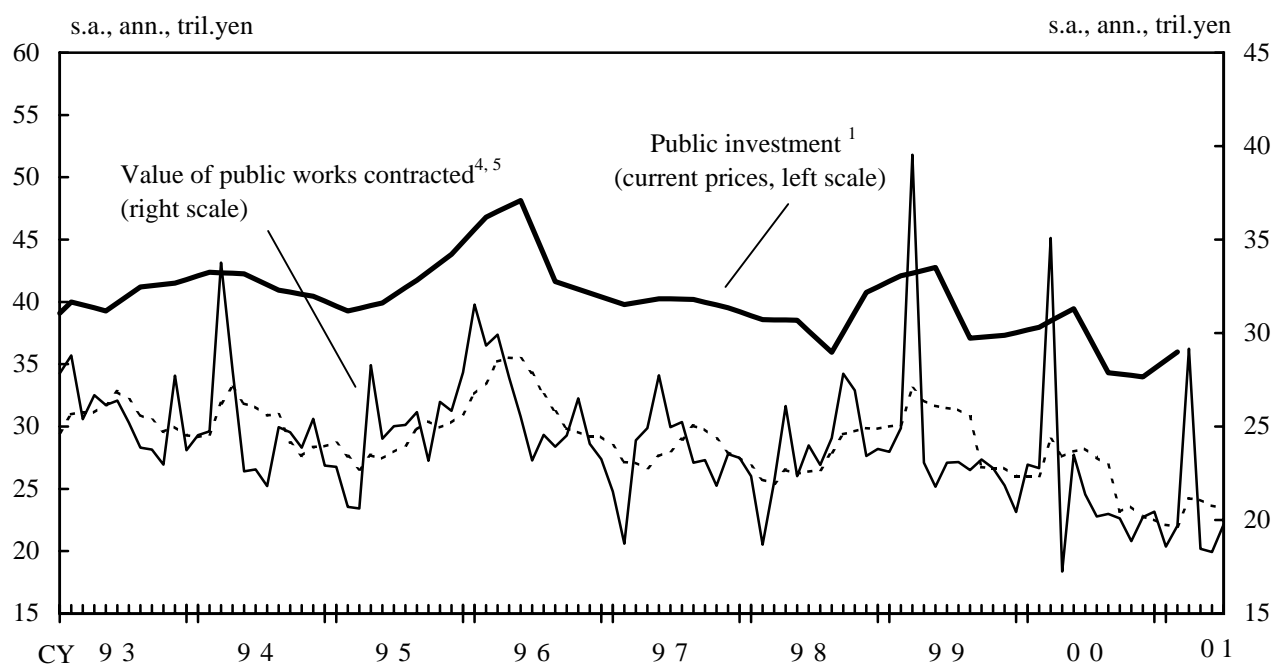
8. Domestic supply-demand factors.

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

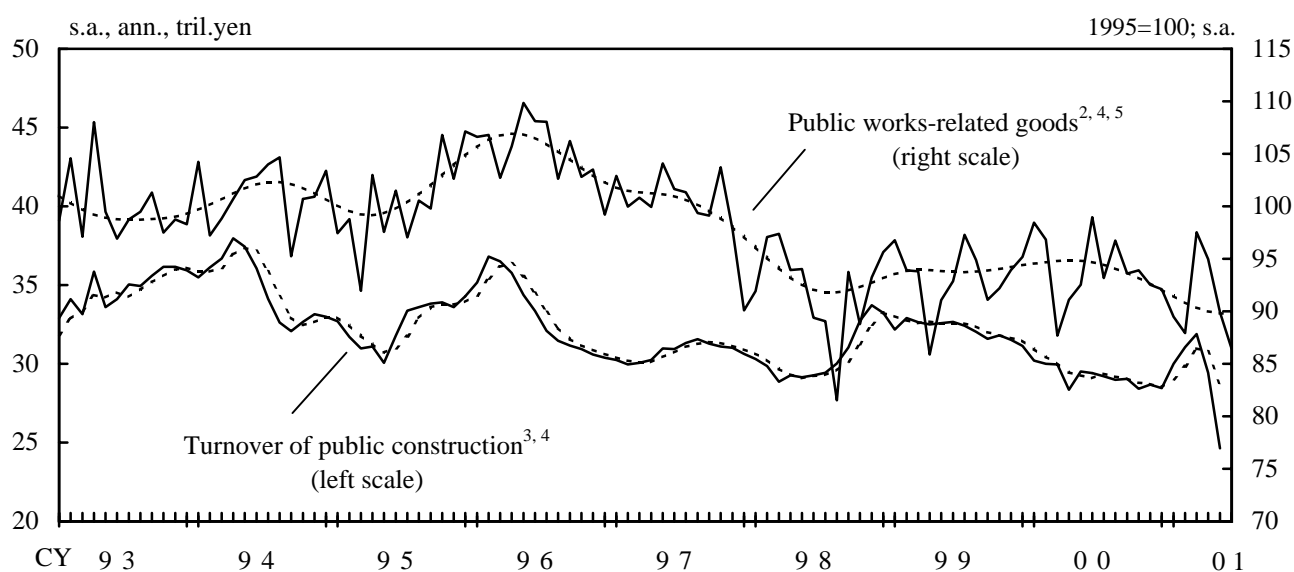
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey," "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production," "Indices 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 June 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. Among the dotted lines, the line for value of public works contracted is the 6 months moving average, the line for public works-related goods is the trend cycle factor, and the line for turnover of public construction is the 3 months moving average.

Sources: Cabinet Office, "National Accounts";

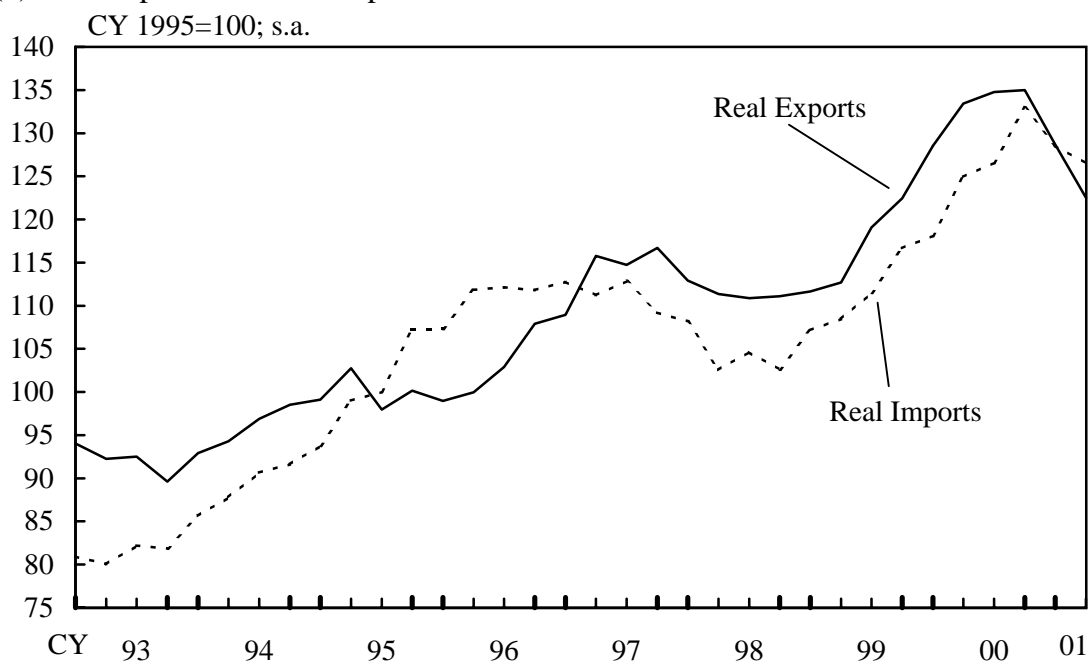
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";

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

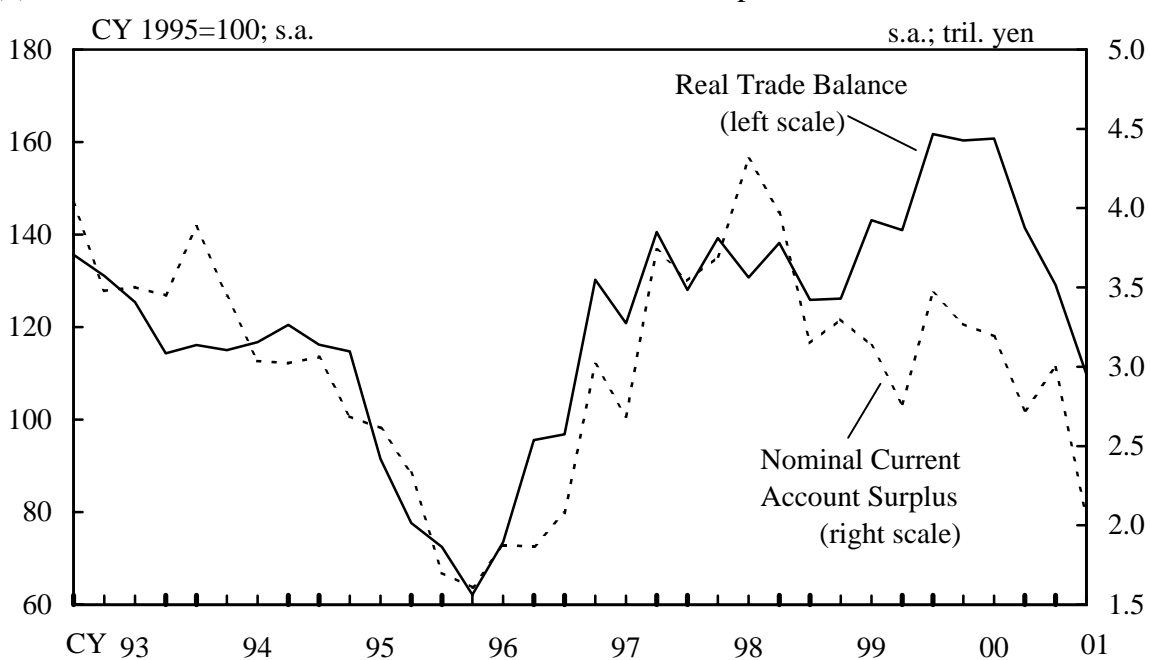
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

 External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus

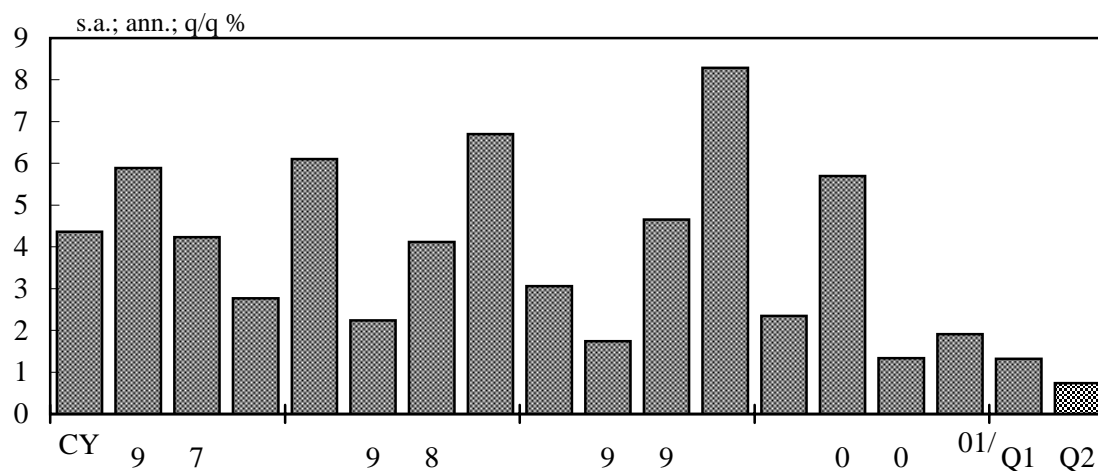


Note: Real exports/imports and the real trade balance are seasonally adjusted by X-11.

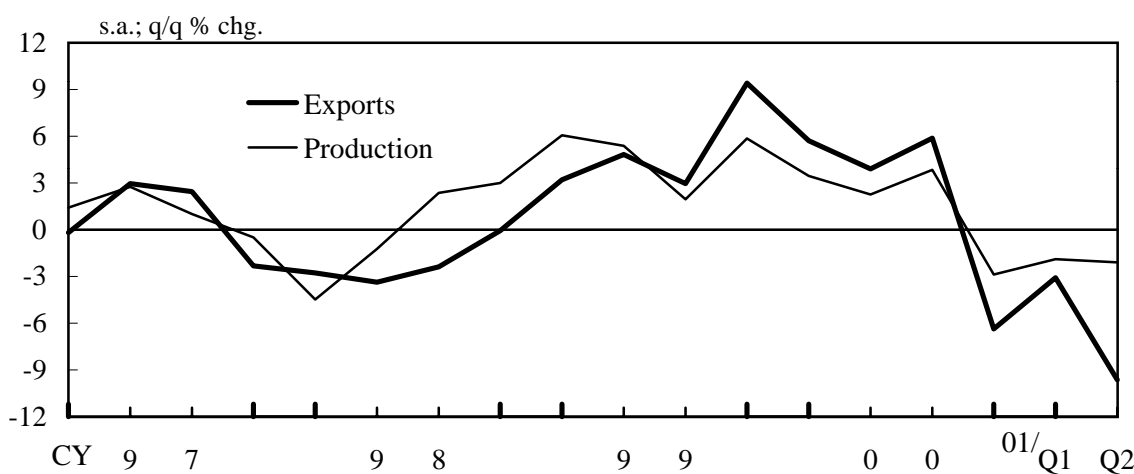
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
 Bank of Japan, "Balance of Payments Monthly," "Wholesale Price Indexes."

Impacts of the U.S. Slowdown

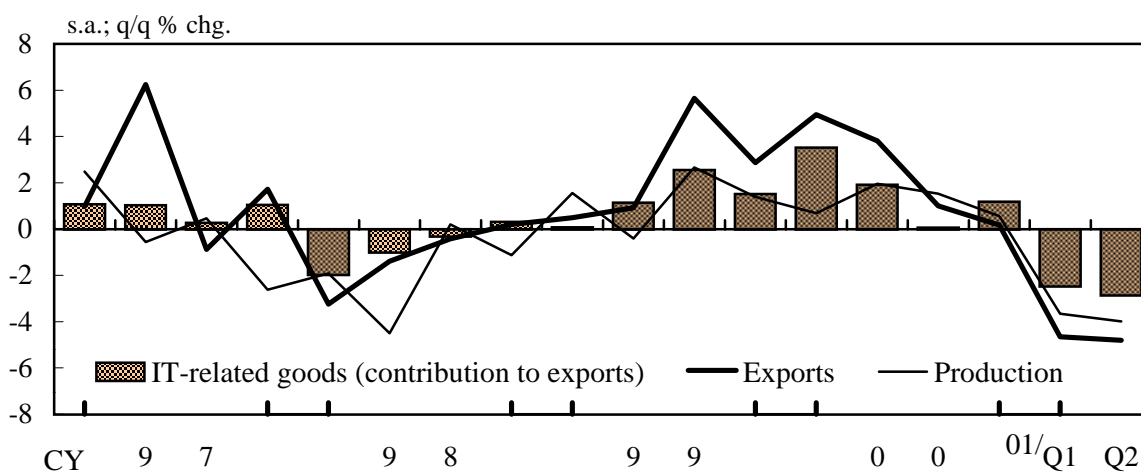
(1) United States - Real GDP



(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 Q2	Q3	Q4	2001 Q1	Q2	2001 Apr.	May	Jun.
United States	<29.7>	4.6	11.7	2.9	0.8	6.0	-6.7	-6.6	-4.4	-3.0	-0.1
EU	<16.3>	0.9	6.4	-0.1	-0.1	-2.3	1.2	-10.0	-12.4	-2.6	-0.8
East Asia	<39.7>	12.0	25.6	5.5	2.7	-1.7	-4.4	-5.7	-5.6	3.8	-3.0
China	<6.3>	12.3	27.7	6.9	11.5	1.3	10.1	-5.3	-4.7	14.2	-9.0
NIEs	<23.9>	11.2	25.7	3.6	1.4	-2.3	-9.5	-6.2	-5.9	0.8	-2.0
Taiwan	<7.5>	7.8	22.4	8.1	2.8	-9.2	-16.6	-3.1	-7.2	3.7	-7.1
Korea	<6.4>	43.9	30.3	-0.5	1.1	-0.8	-5.4	-8.2	-10.5	7.1	4.0
ASEAN4 ³	<9.5>	13.6	24.0	9.4	0.8	-2.3	-1.8	-4.9	-5.4	3.2	-0.3
Thailand	<2.8>	15.3	18.9	6.4	4.7	1.6	-5.2	-4.6	-1.5	-1.8	-1.5
Real exports		4.5	14.1	3.8	1.0	0.2	-4.7	-4.8	-6.8	1.0	-2.3

(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 Apr.	May	Jun.
Intermediate goods	<14.1>	5.4	5.1	1.5	0.7	0.7	-2.1	-4.2	-7.6	7.6	-5.3
Motor vehicles and their related goods	<20.2>	2.8	9.2	8.2	4.2	-1.1	-7.8	3.5	-0.9	-0.5	2.9
Consumer goods ⁴	<7.0>	5.0	13.0	2.5	-0.3	2.6	-6.0	-0.4	-0.3	-4.2	4.6
IT-related goods ⁵	<18.8>	6.4	25.2	5.6	-2.6	5.9	-5.7	-6.4	-5.3	-1.4	-1.1
Capital goods and parts ⁶	<29.7>	1.8	21.0	4.9	1.6	-3.3	-3.2	-10.2	-12.0	0.5	-4.4
Real exports		4.5	14.1	3.8	1.0	0.2	-4.7	-4.8	-6.8	1.0	-2.3

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 Q2	Q3	Q4	2001 Q1	Q2	2001 Apr.	May	Jun.
United States	<19.0>	-2.9	8.0	8.6	2.4	4.7	-5.5	-0.4	1.8	8.2	-10.9
EU	<12.3>	5.8	8.5	1.1	2.1	4.3	2.1	-4.8	-5.9	15.8	-15.0
East Asia	<39.6>	15.8	25.5	4.8	4.8	6.5	-1.1	-3.9	-7.4	8.8	-10.1
China	<14.5>	11.9	28.1	3.6	1.4	10.1	5.2	-1.3	-14.7	13.2	-10.3
NIEs	<12.2>	24.2	28.4	4.9	8.1	4.4	-5.3	-9.8	-4.0	4.2	-10.6
Taiwan	<4.7>	25.6	43.6	8.6	6.3	8.1	-7.7	-12.7	-4.1	3.3	-8.4
Korea	<5.4>	30.8	22.5	1.4	6.3	2.4	-2.6	-7.3	-9.0	12.0	-10.0
ASEAN4 ³	<12.8>	12.6	20.2	6.1	5.3	5.0	-3.8	-1.5	-0.6	7.8	-9.4
Thailand	<2.8>	5.4	19.3	8.3	1.6	8.9	-4.1	4.2	-0.2	6.0	-6.7
Real imports		6.1	13.3	5.8	1.3	5.0	-3.3	-1.6	-3.7	11.2	-12.2

(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 Apr.	May	Jun.
Raw materials ⁴	<26.8>	2.7	1.7	1.7	-1.3	0.6	-1.7	-2.1	1.0	8.5	-16.5
Intermediate goods	<13.0>	3.6	8.3	3.9	-1.1	5.6	0.1	-4.1	-2.3	12.5	-14.2
Foodstuffs	<12.1>	2.8	5.4	-1.1	-0.1	2.2	-2.3	-1.2	-9.5	13.9	-11.1
Consumer goods	<10.5>	8.1	21.3	4.4	1.3	9.3	-2.7	1.2	-8.1	12.0	-11.5
IT-related goods ⁵	<16.1>	18.7	43.9	12.8	11.7	7.3	-5.0	-6.1	-1.5	5.7	-7.5
Capital goods and parts ⁶	<11.5>	5.1	12.4	6.7	6.2	7.6	-3.7	-0.3	-0.6	10.0	-10.4
excluding aircraft		4.4	21.5	3.9	5.5	8.9	0.5	-0.9	2.4	5.4	-10.1
Real imports		6.1	13.3	5.8	1.3	5.0	-3.3	-1.6	-3.7	11.2	-12.2

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

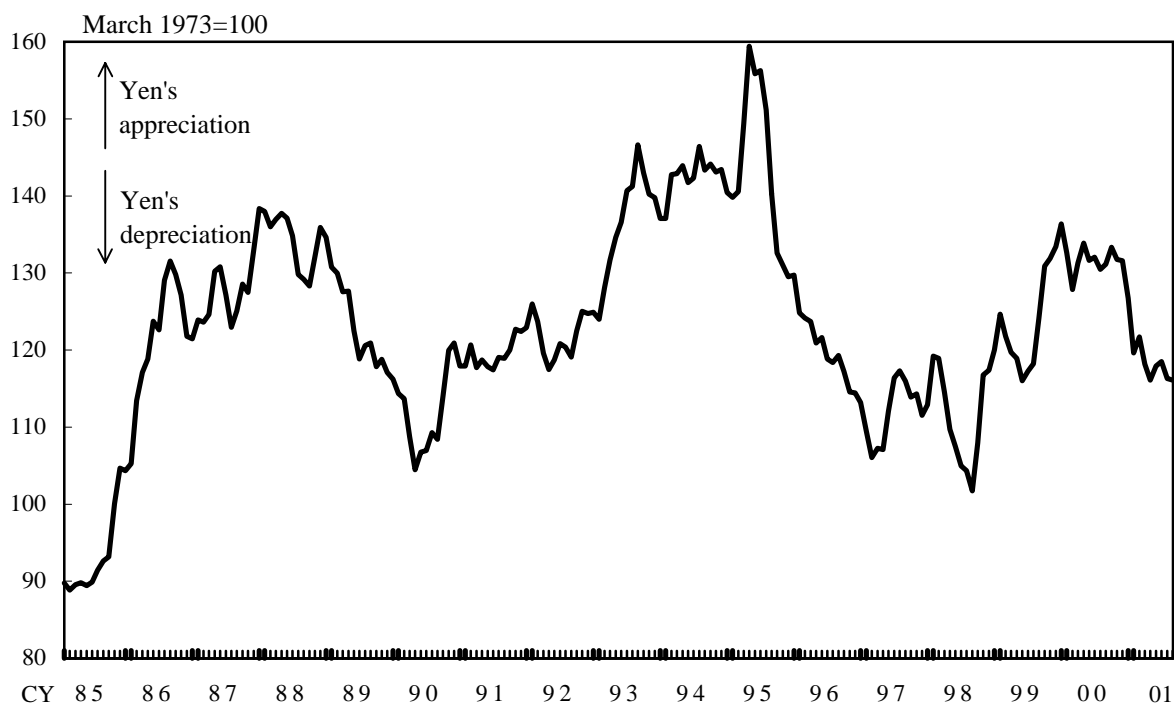
5. IT-related goods = office machinery + telecommunication machinery + ICs + scientific, medical and optical instruments.

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 August 2001 is the average of August 1-13. 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

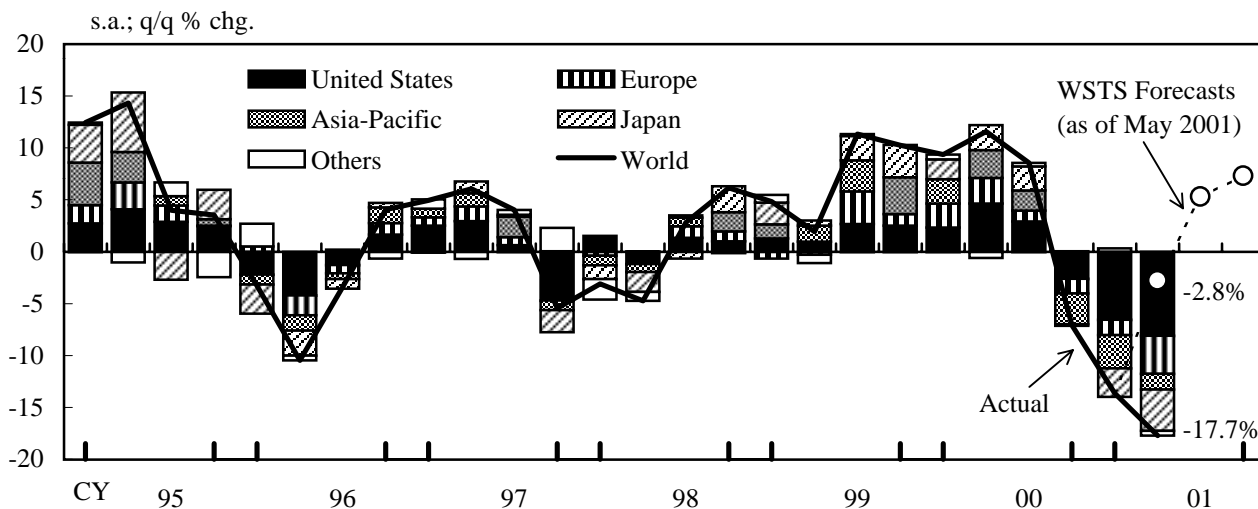
		CY98	99	2000	2000 Q3	Q4	2001 Q1	Q2
United States ¹		4.3	4.1	4.1	1.3	1.9	1.3	0.7
European Union ¹		2.9	2.5	3.3	2.5	2.3	1.9	n.a.
Germany		2.1	1.6	3.0	1.1	0.8	1.4	n.a.
France		3.5	3.0	3.4	3.6	3.0	1.9	n.a.
United Kingdom		2.6	2.3	3.1	3.4	1.8	1.8	1.0
China		7.8	7.1	8.0	(Jan-Sep) 8.2	(Jan-Dec) 8.0	8.1	(Jan-Jun) 7.9
East Asia ²	Korea	-6.7	10.9	8.8	9.2	4.6	3.7	n.a.
	NIEs							
	Taiwan	4.6	5.4	6.0	6.6	4.1	1.1	n.a.
	Hong Kong	-5.3	3.0	10.5	10.8	6.9	2.5	n.a.
	Singapore	0.1	5.9	9.9	10.3	11.0	4.7	-0.9
	ASEAN4							
Thailand	-10.8	4.2	4.4	2.9	3.2	1.8	n.a.	
Indonesia	-13.1	0.8	4.8	4.4	5.2	4.0	n.a.	
Malaysia	-7.4	6.1	8.3	7.6	6.3	3.2	n.a.	
Philippines	-0.6	3.4	4.0	4.6	3.8	2.5	n.a.	

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

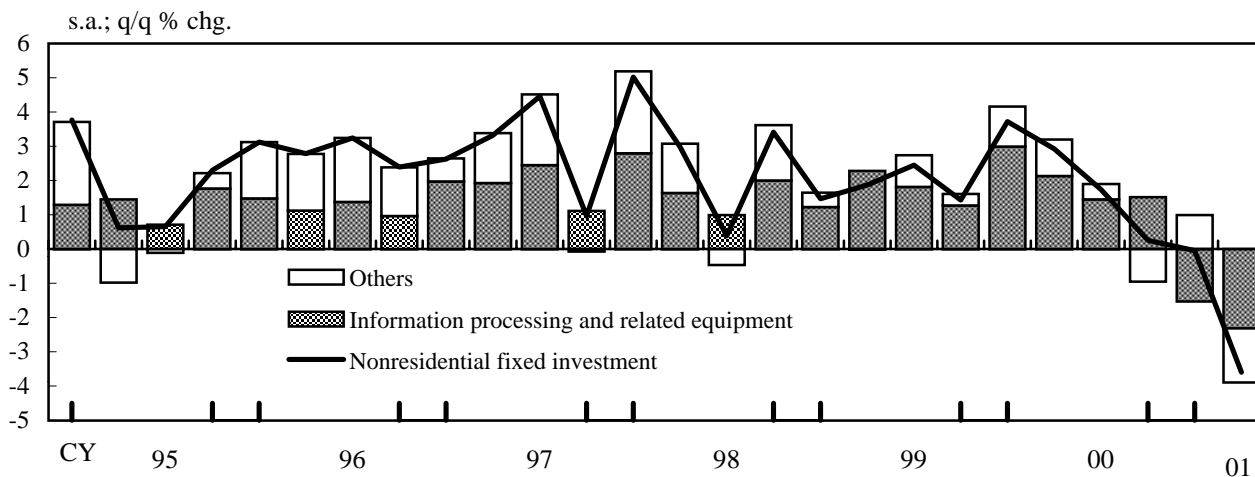
2. Quarterly data are percent changes from a year earlier.

Impacts of Worldwide Slowdown in IT-related Demand

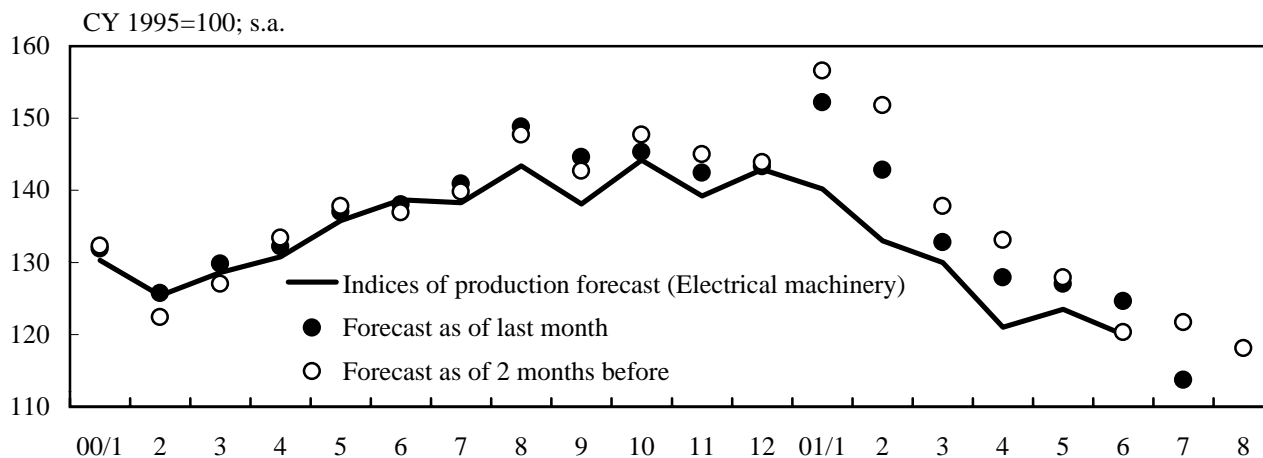
(1) World - Semiconductor Shipments (Real, Breakdown by region)



(2) US - Nonresidential Fixed Investment (Real)



(3) Japan - Production (Electrical machinery)

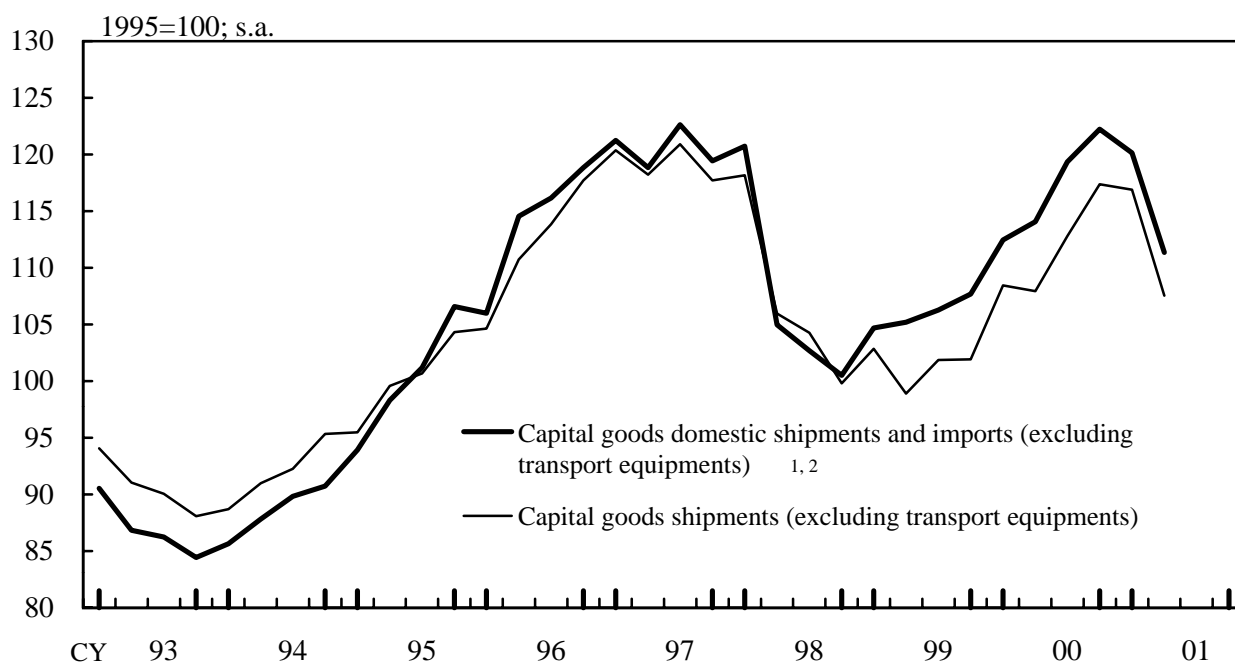
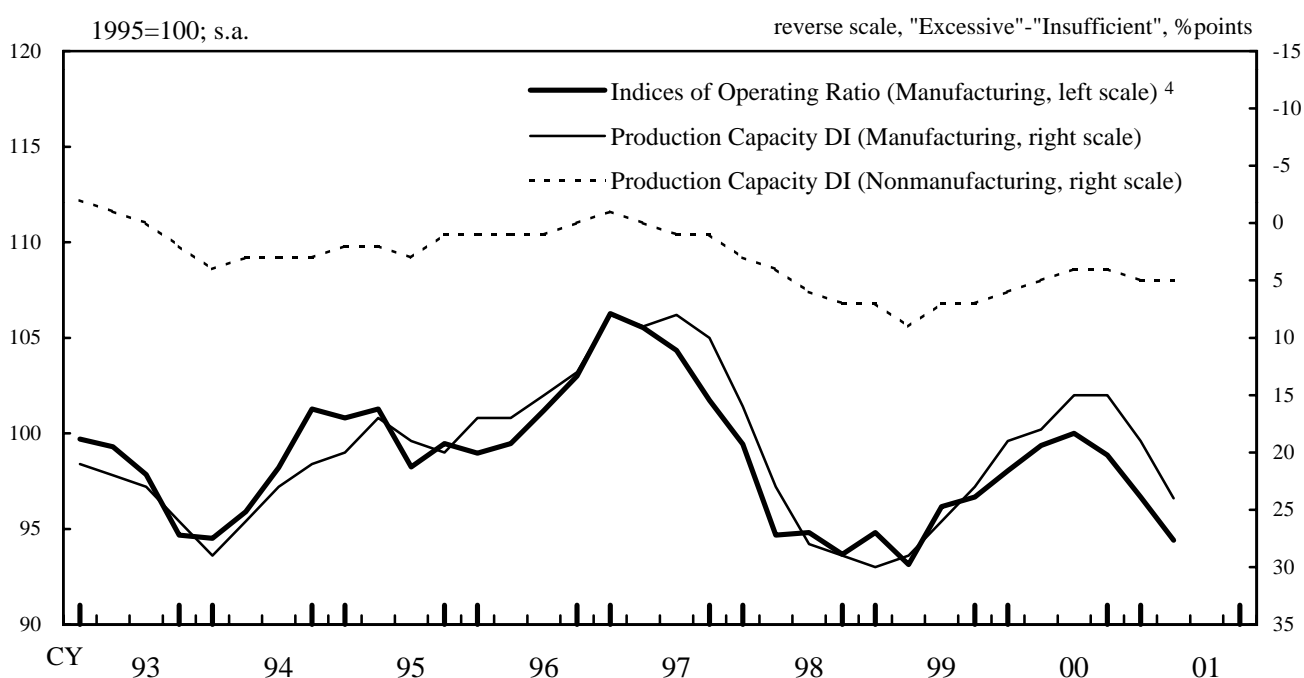


Notes: 1. "WSTS Forecasts" in (1) are on a nominal basis.
 2. In (2), "Others" = Structures + Industrial equipment + Transportation equipment, etc.
 3. In (3), the coverage of "Indices of production forecast" differs from Indices of industrial production.

Sources: WSTS (World Semiconductor Trade Statistics), "Semiconductor Forecasts";
 U.S. Department of Commerce, "National Income and Product Accounts";
 Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Indicators for Business Fixed Investment (1)

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

(2) Indices of Operating Ratio and Production Capacity DI ³

Notes: 1. Figure for 2001/Q2 of "Domestic shipments" is calculated from quarterly changes of *Indices of Industrial Production* (excluding effects of exports).

2. 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).

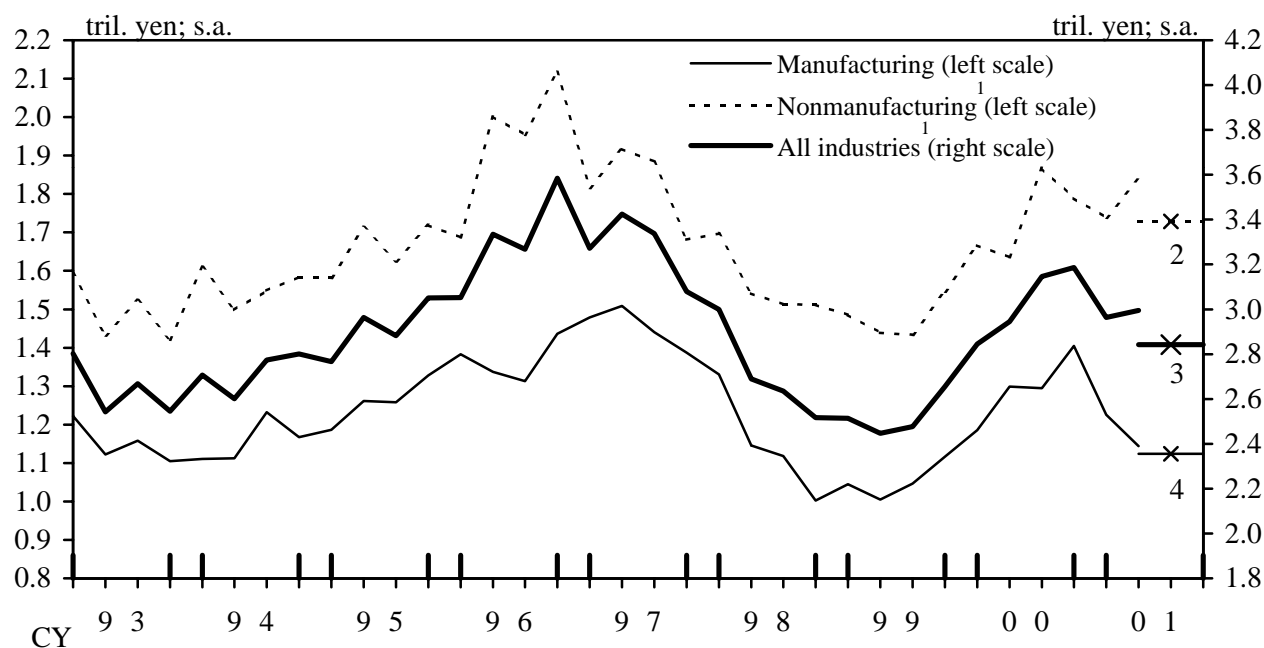
3. All enterprises.

4. Figure for 2001/Q2 is that of Apr.-May average.

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."

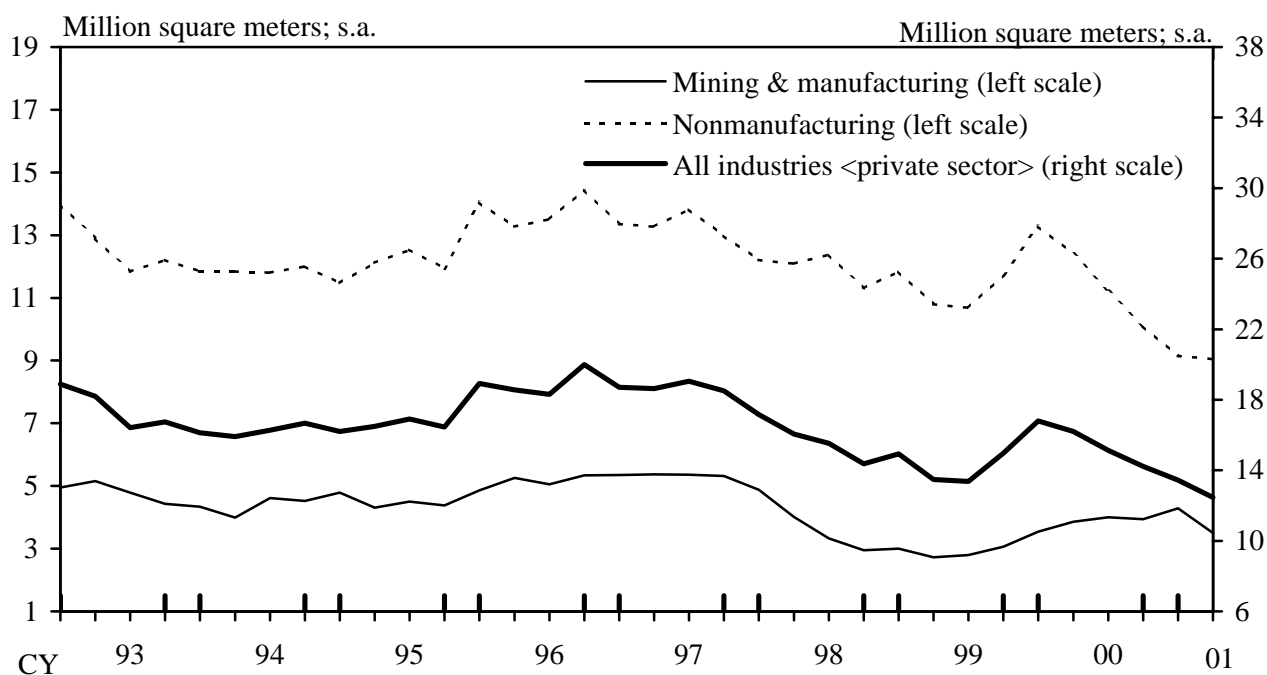
Indicators for Business Fixed Investment (2)

(1) Machinery Orders



- Notes: 1. Excludes orders from electric power companies and shipbuilding orders.
 2. Forecast of nonmanufacturing industries for 2001/Q3.
 3. Forecast of all industries for 2001/Q3.
 4. Forecast of manufacturing industries for 2001/Q3.

(2) Construction Starts (Nonresidential)



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

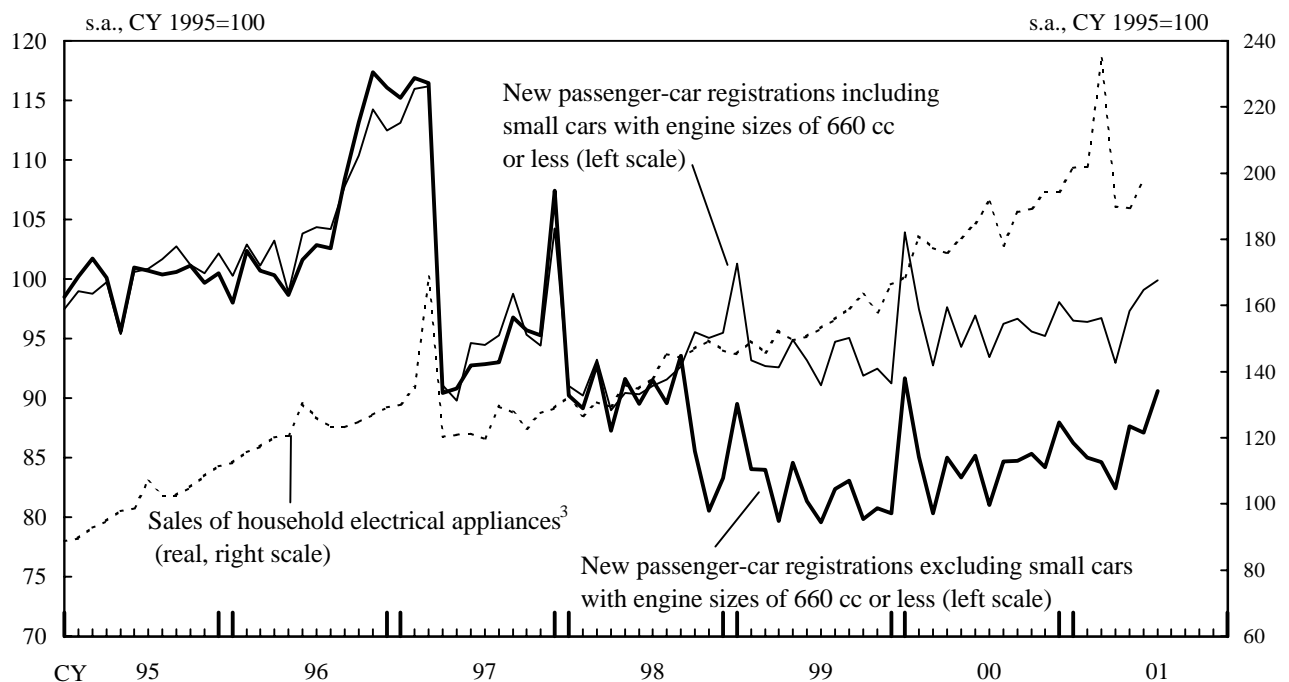
Sources: Cabinet Office, "Machinery Orders Statistics";
 Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

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";

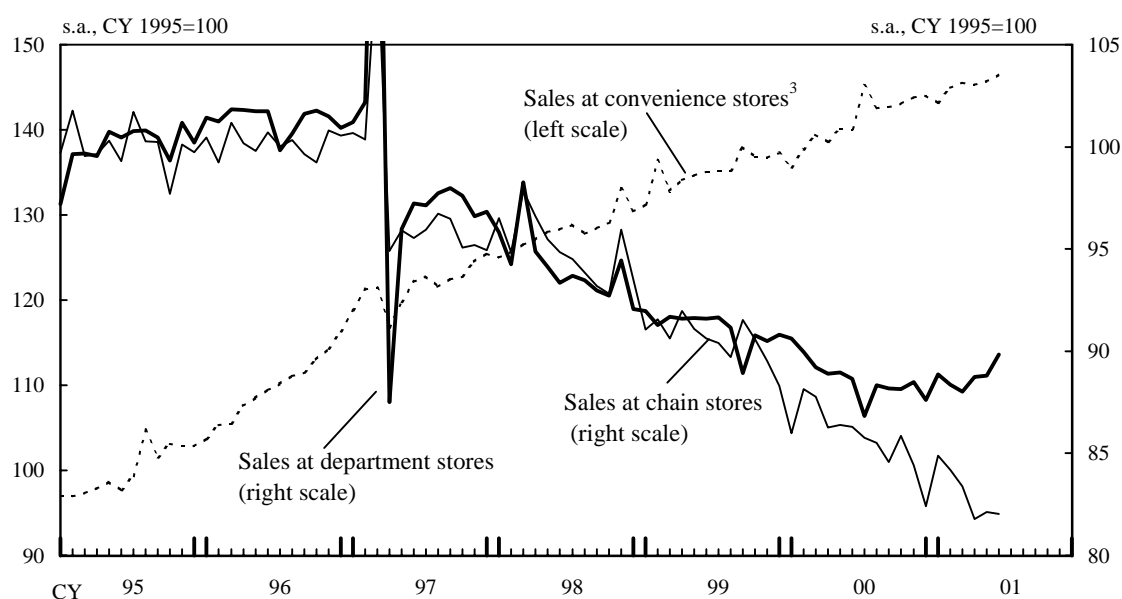
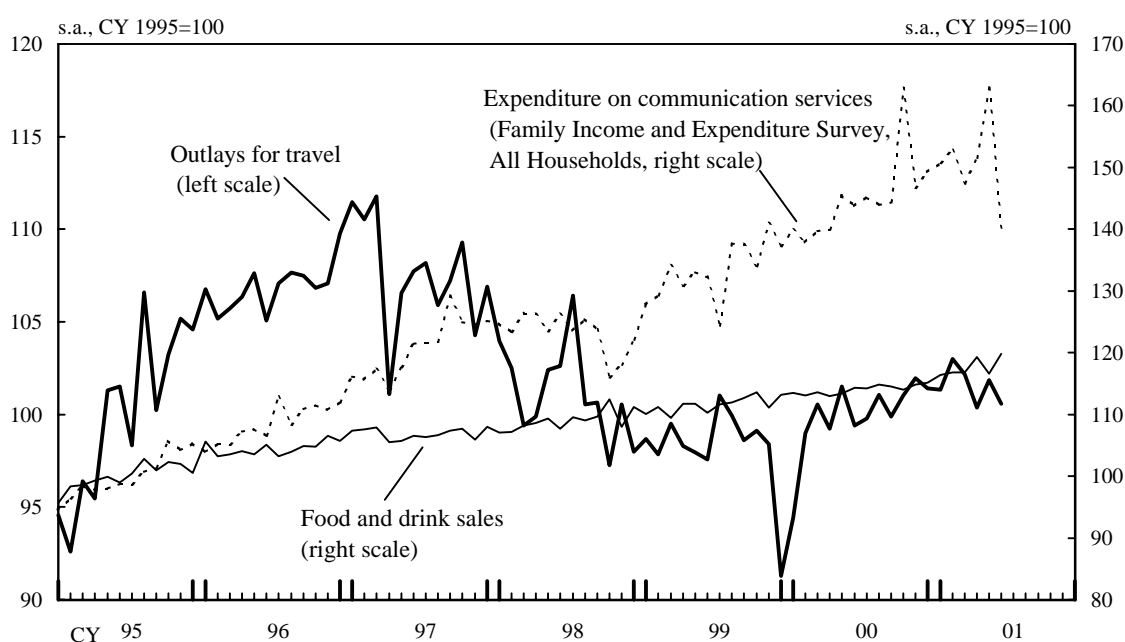
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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 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";

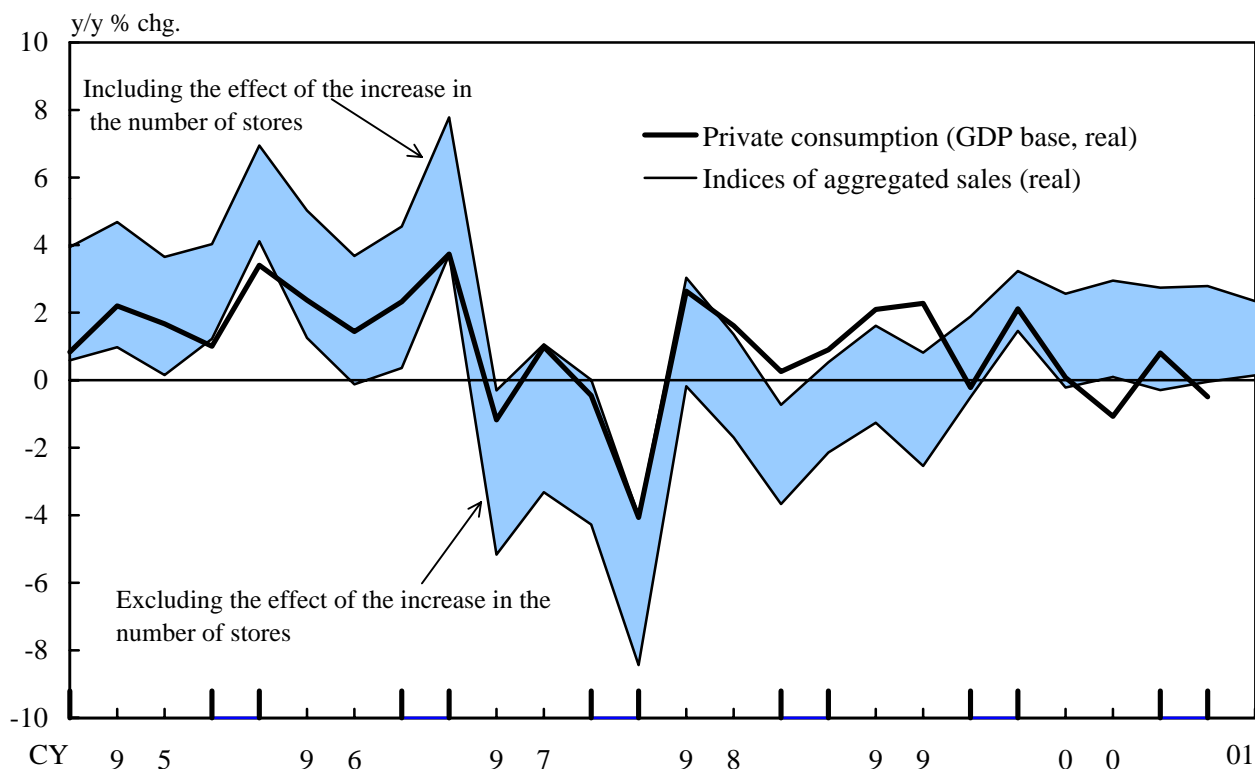
Japan Chain Stores Association, "Sales at Chain Stores";

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.

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";

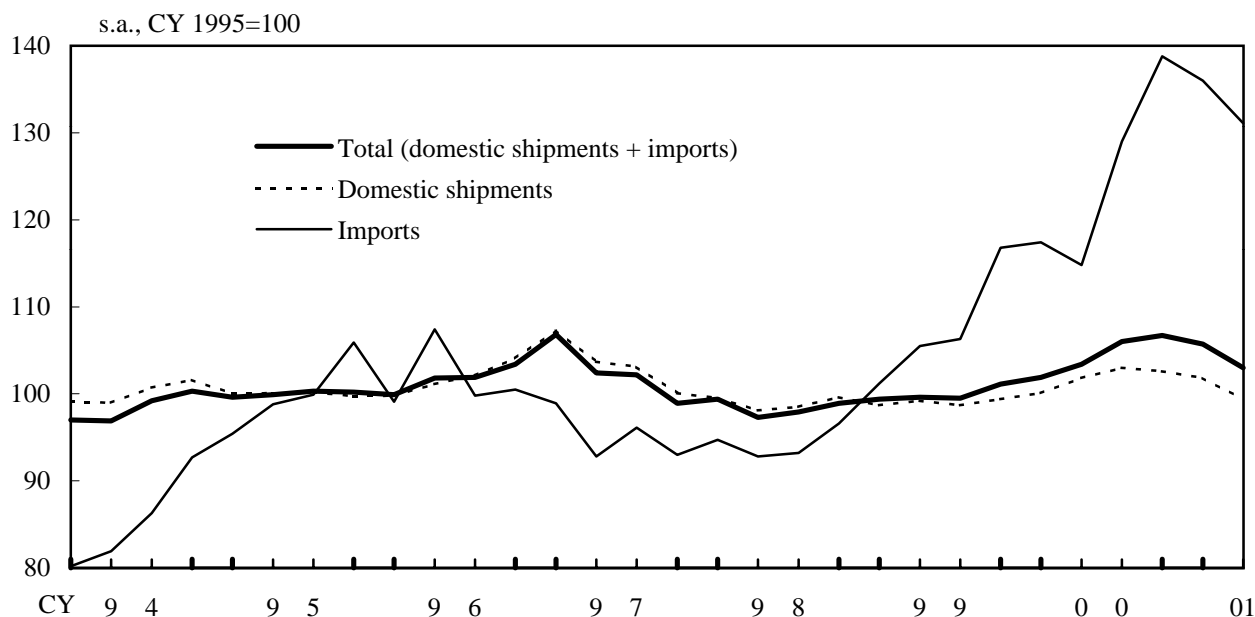
Foodservice Industry Survey & Research Center, "Monthly Survey of Food and Drink Sales";

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

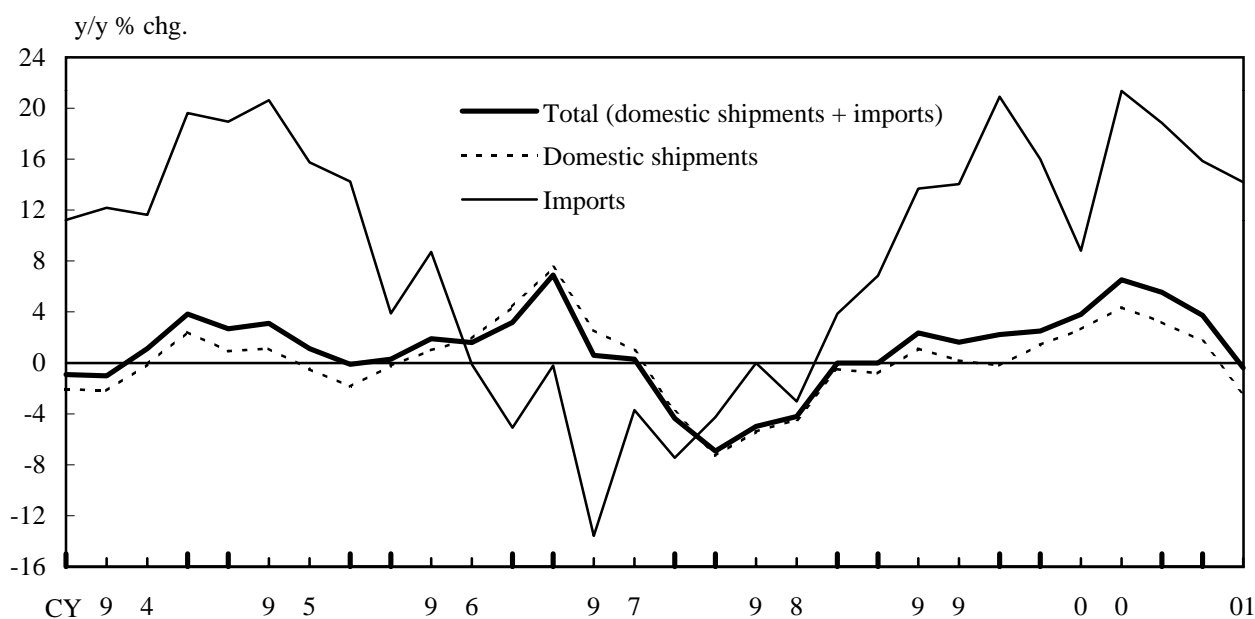
Japan Foodservice Association, "The Research of Food and Drink Markets."

Private Consumption (4) - Estimation of consumer goods supply

(1) Level



(2) Changes from a year earlier

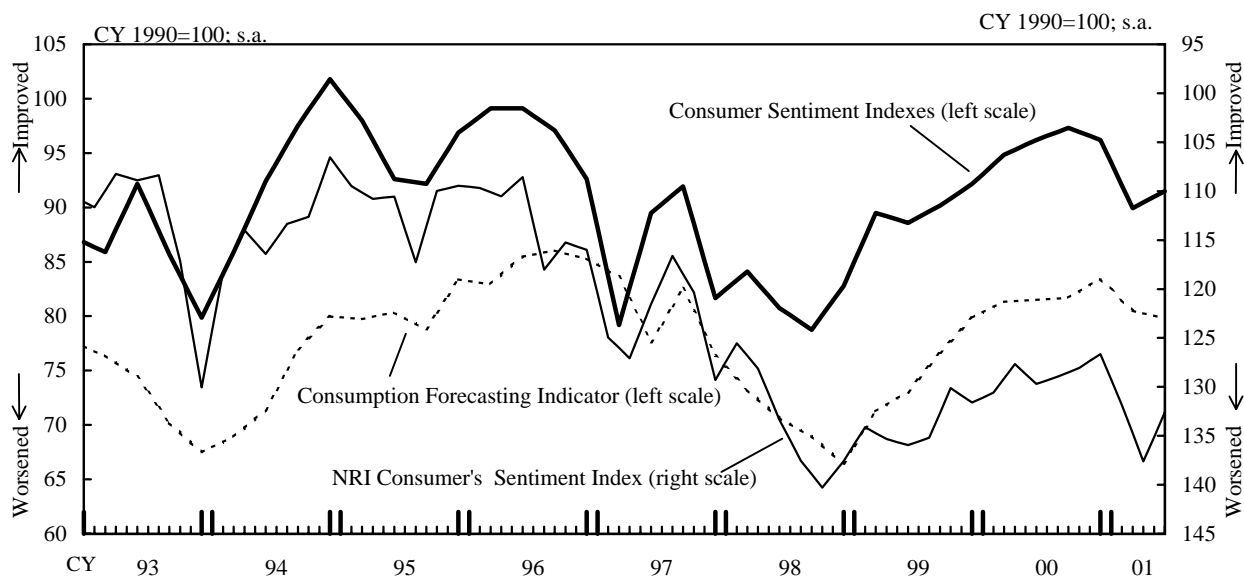


- Notes: 1. "Domestic shipments" and "Imports" are components of "consumer goods" in the *Indices of Industrial Domestic Shipments and Imports*. (The definition for "consumer goods" is the same as that in the *Indices of Industrial Production*.)
2. Figures for 2001/Q2 of "Domestic shipments" are calculated 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.

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."

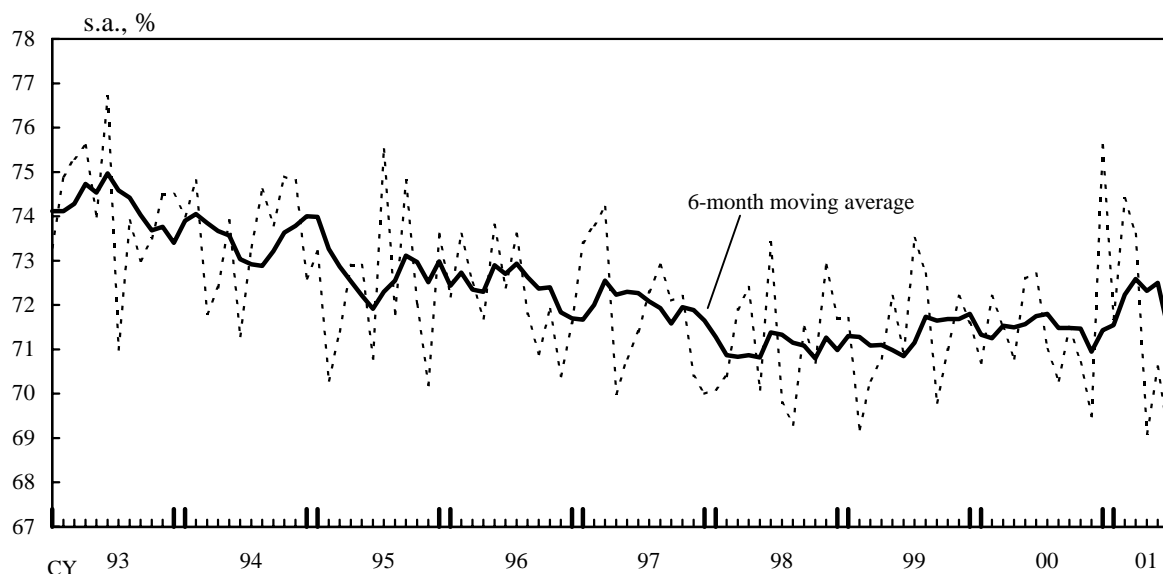
Consumer Confidence and Propensity to Consume

(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.

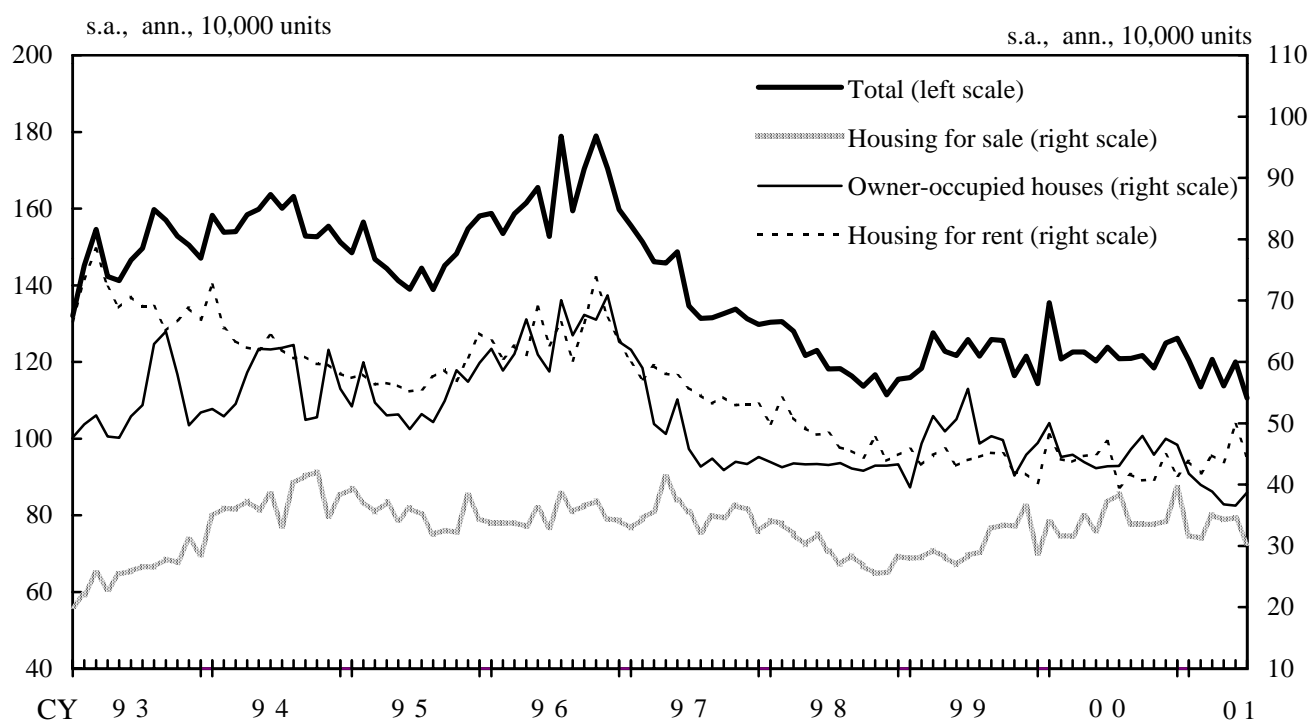
(2) Propensity to Consume (Family Income and Expenditure Survey)



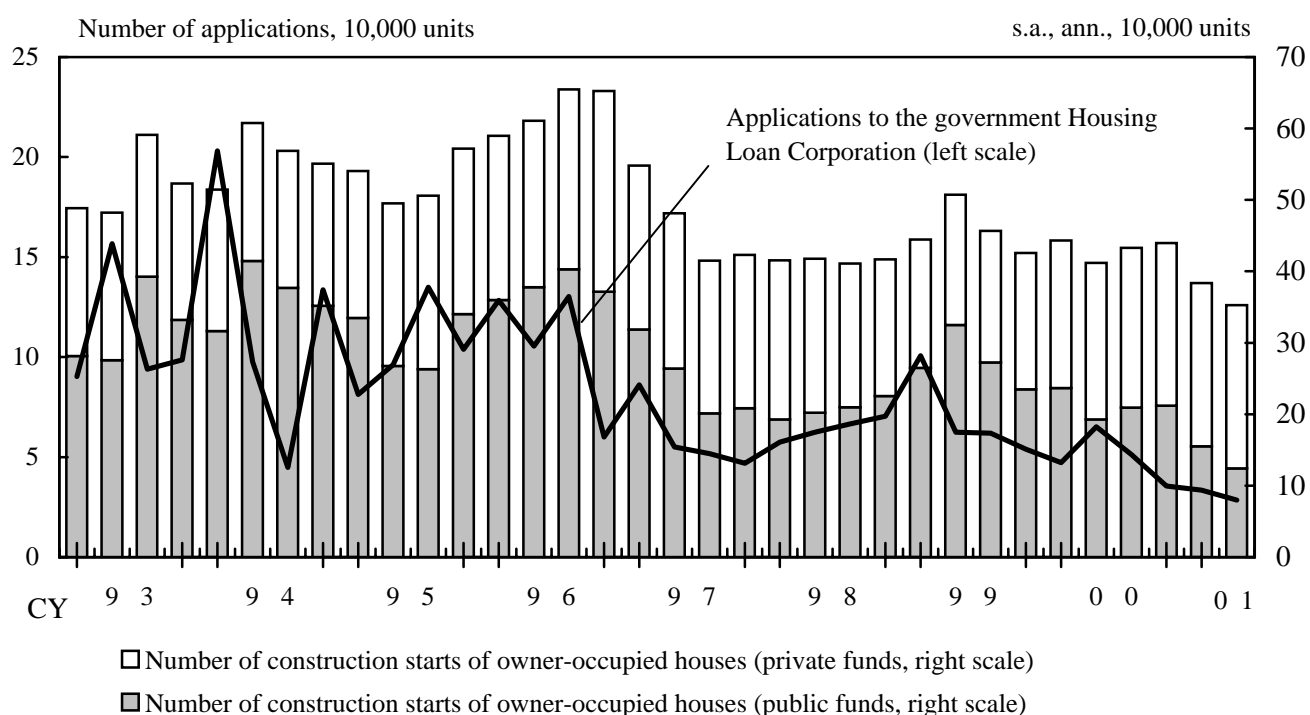
Sources: Cabinet Office, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications,
 "Monthly Report on the Family Income and Expenditure Survey";
 Nippon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

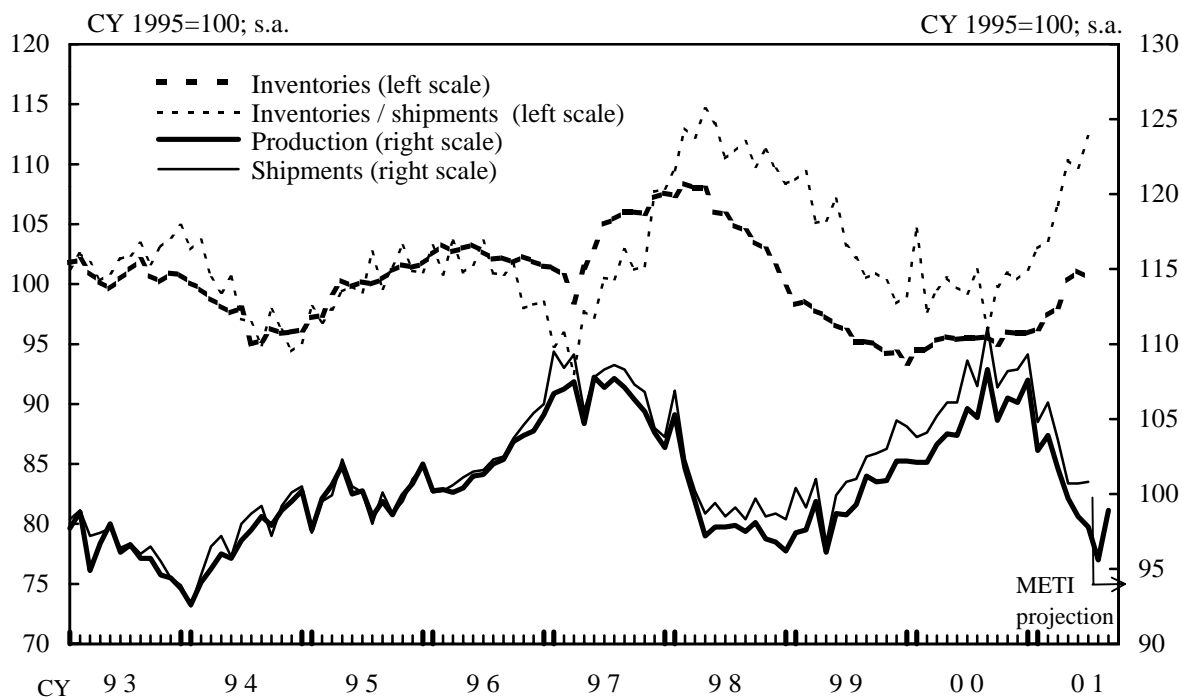


Note: As of FY2001, the Housing Loan Corporation has increased the offering periods of loan applications from four to six times a year. The number of loan applications for the construction of private houses is divided by the number of days in the application term of each quarter.

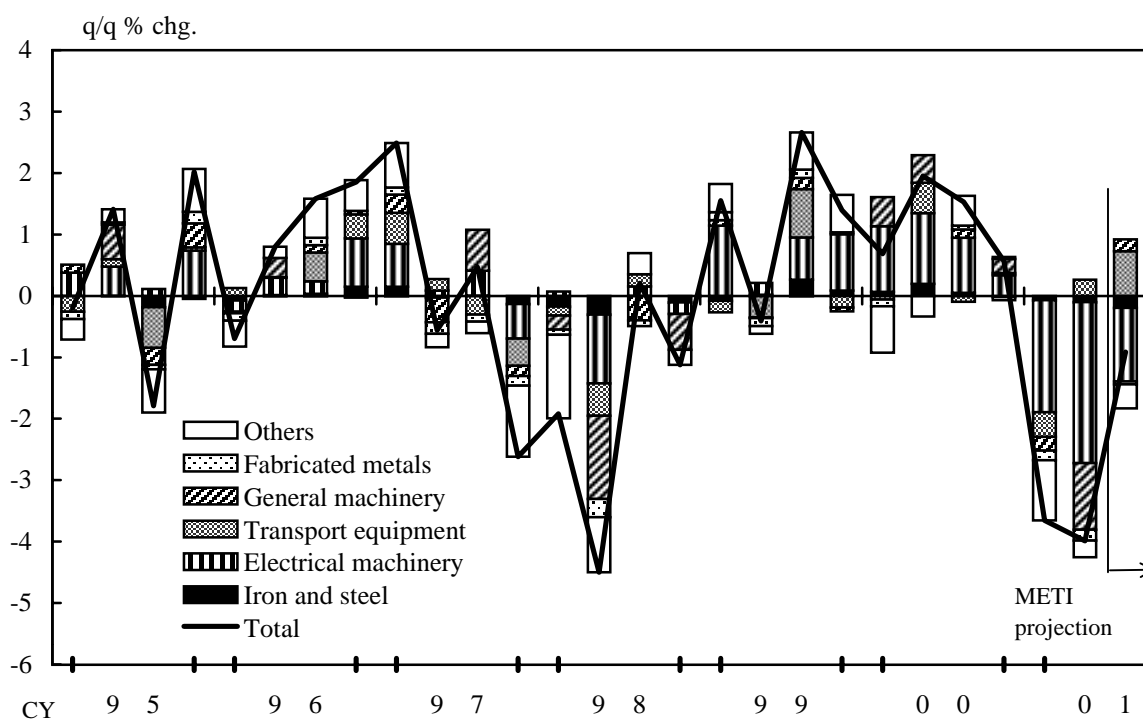
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



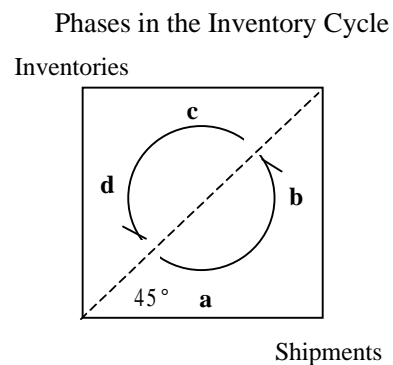
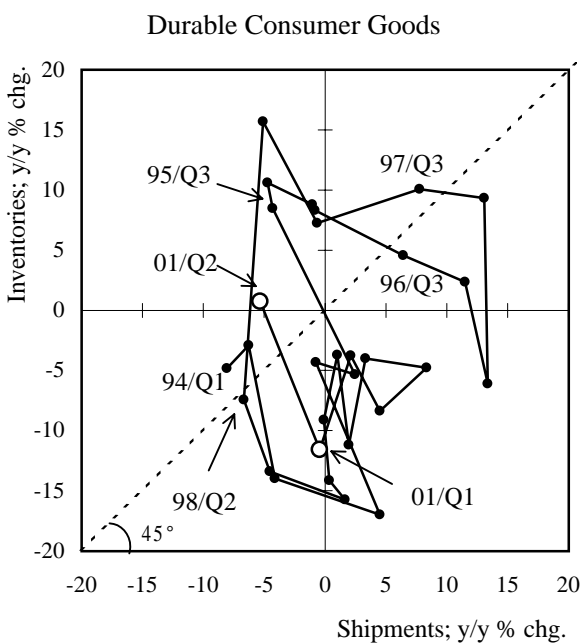
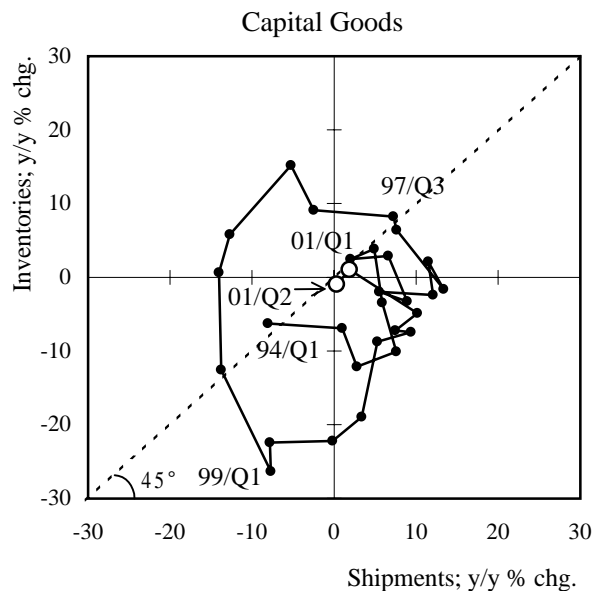
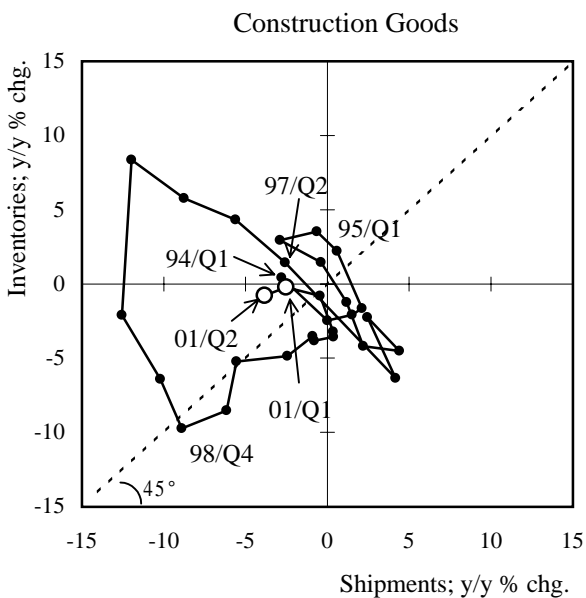
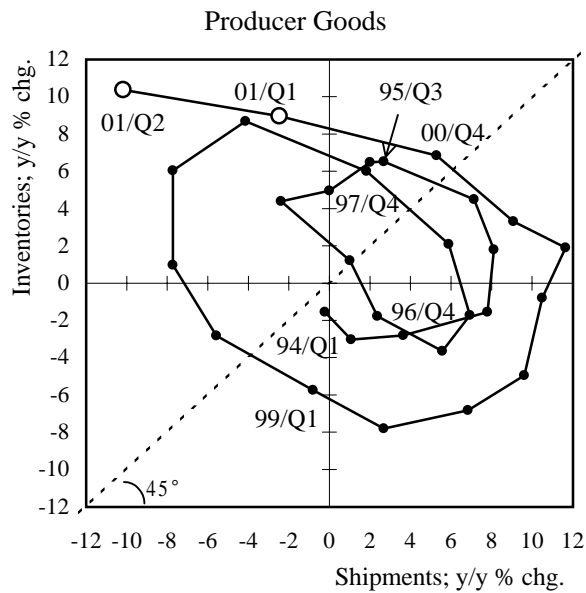
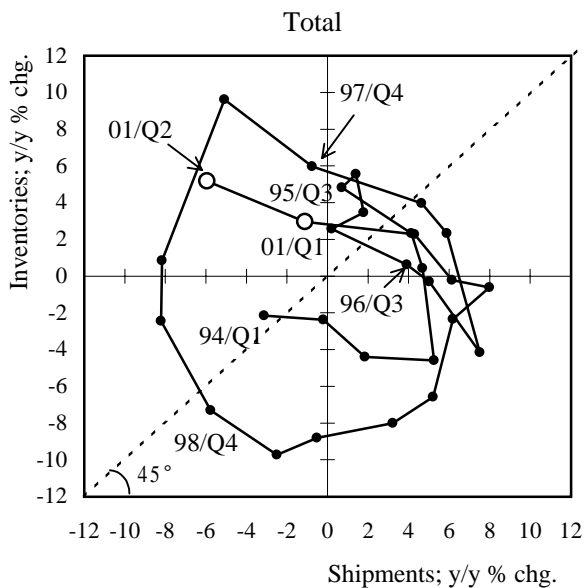
(2) Production by Industries



Note: Transport equipment excludes ships and rolling stock.

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

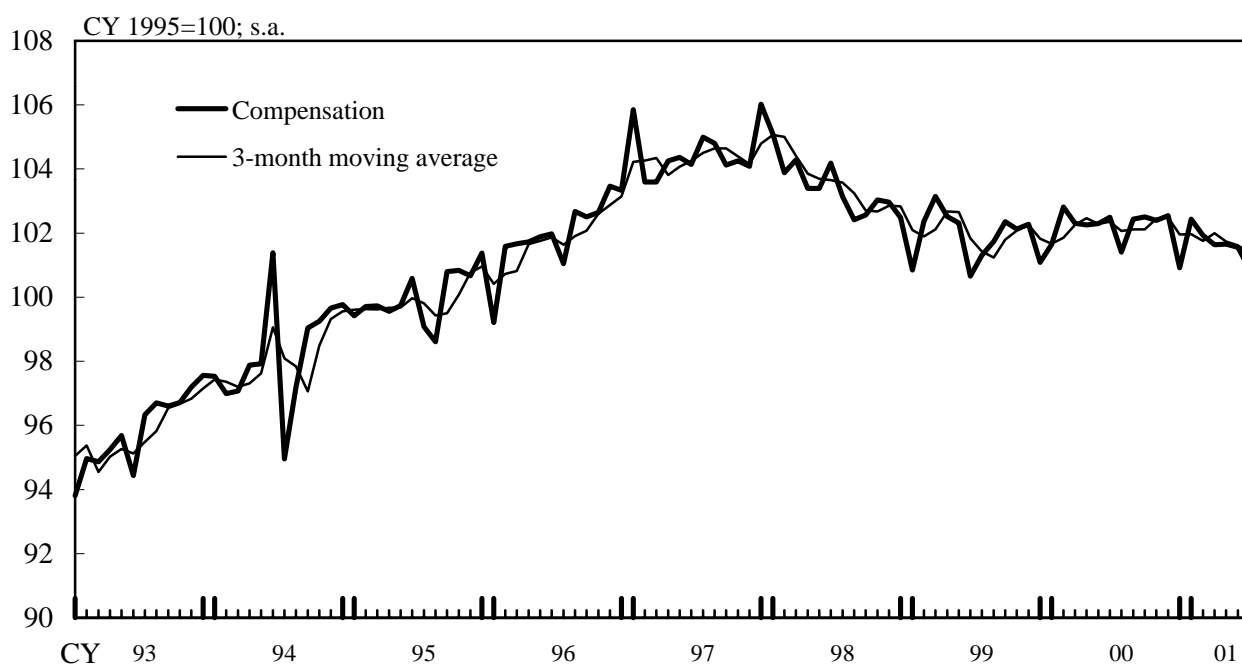
Inventory Cycle



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

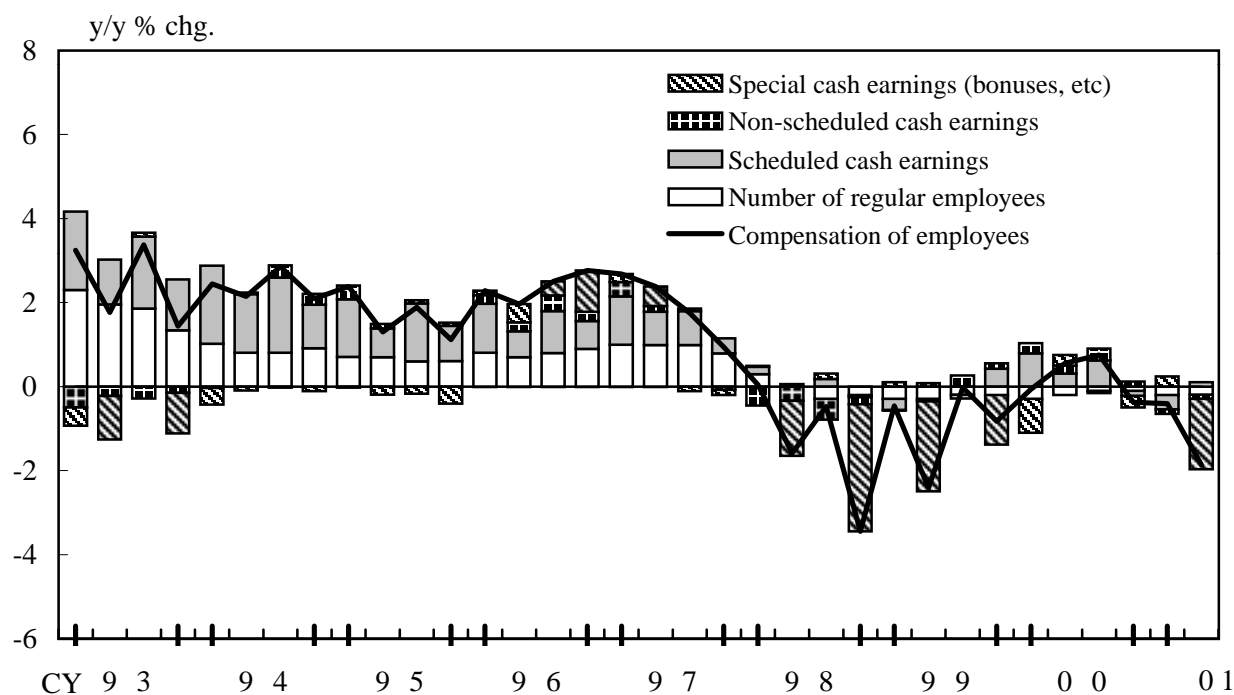
Compensation of Employees

(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 June 2001 are preliminary figures.

(2) Breakdown of Compensation

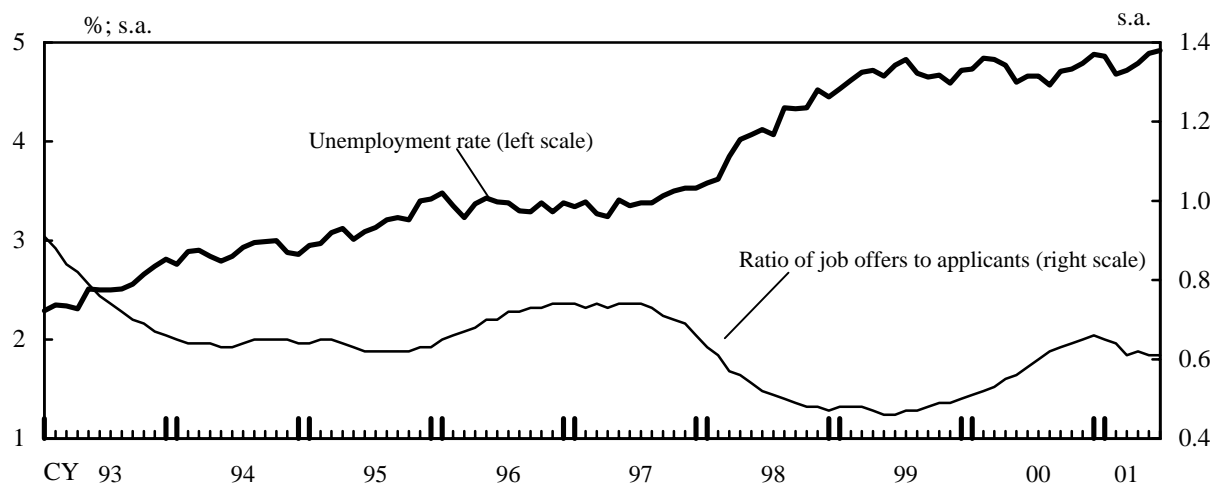
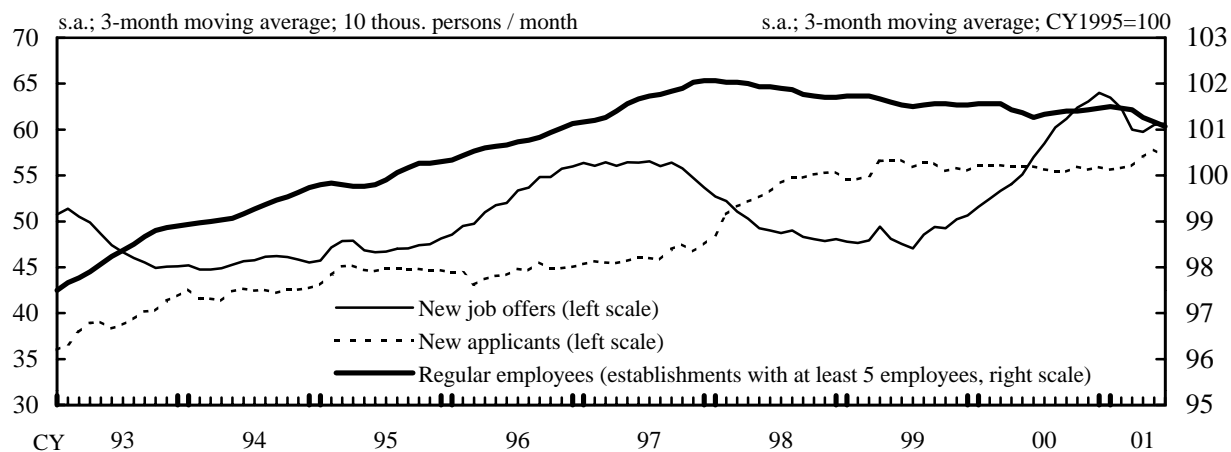
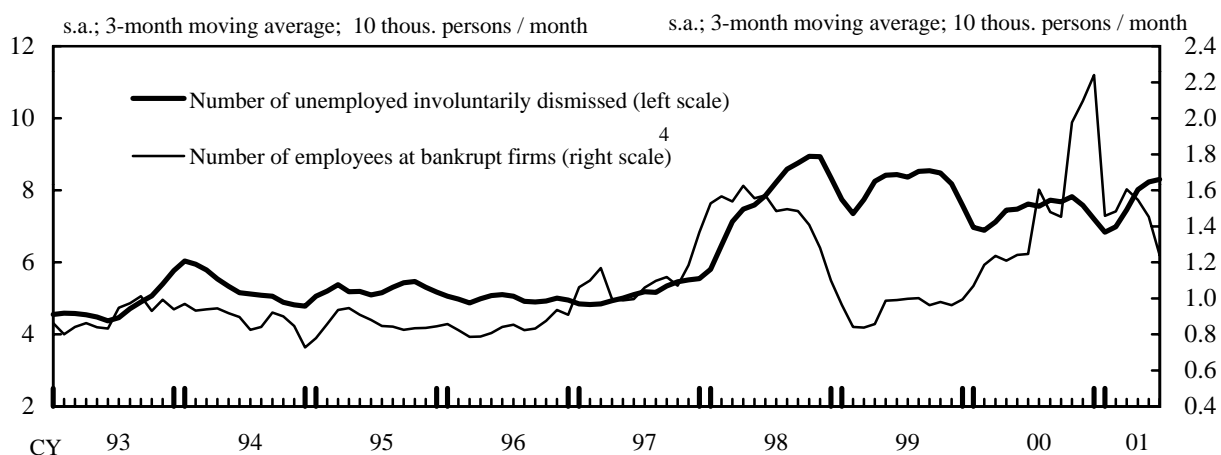


- Notes: 1. Data for establishments with at least 5 employees. The data for June 2001 are preliminary figures.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
 3. Figures for 2001/Q2 are those of the June 2001.

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

Labor Market

(1) Unemployment Rate and Job Offering

(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.

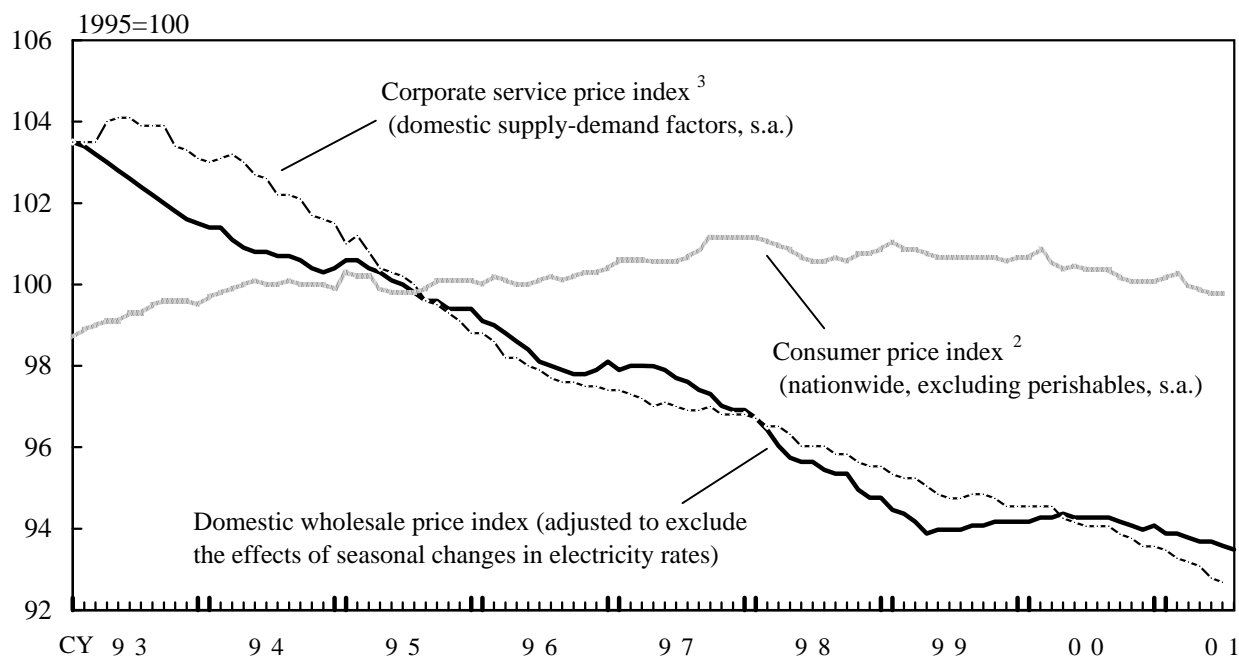
2. The data of regular employees for June 2001 are preliminary figures.

3. Seasonally adjusted by X-11.

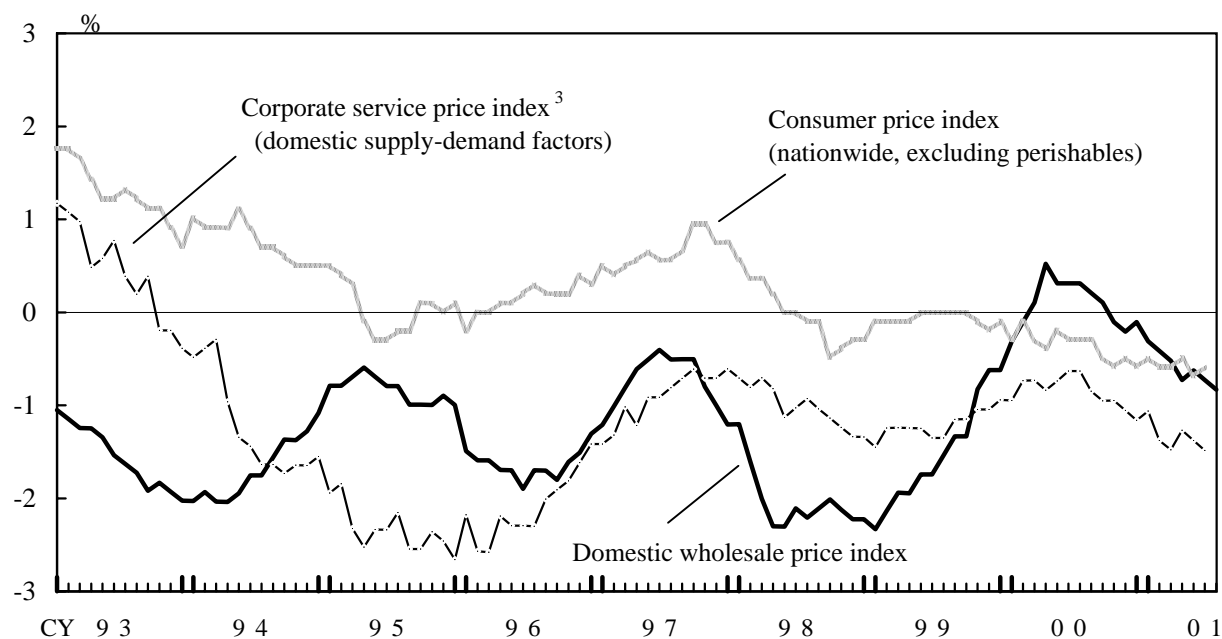
4. The data are based on a survey conducted by Teikoku Databank Ltd. Bankruptcies with liabilities of ten million yen or more.

Prices¹

(1) Level



(2) Changes from a year earlier

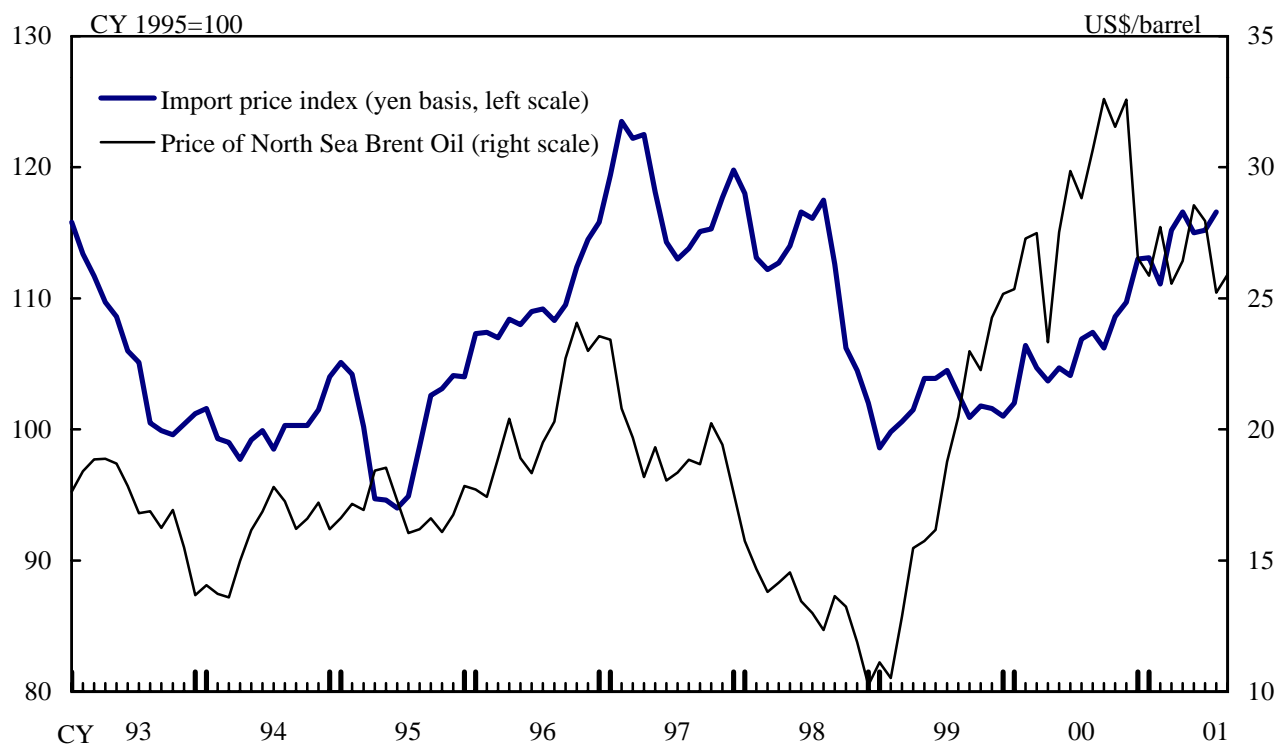


- Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. The 1990-base CPI, seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, is spliced for figures before January 1995.
3. See footnote 4 in Chart 20, for definition of the Corporate service price index (domestic supply-demand factors).

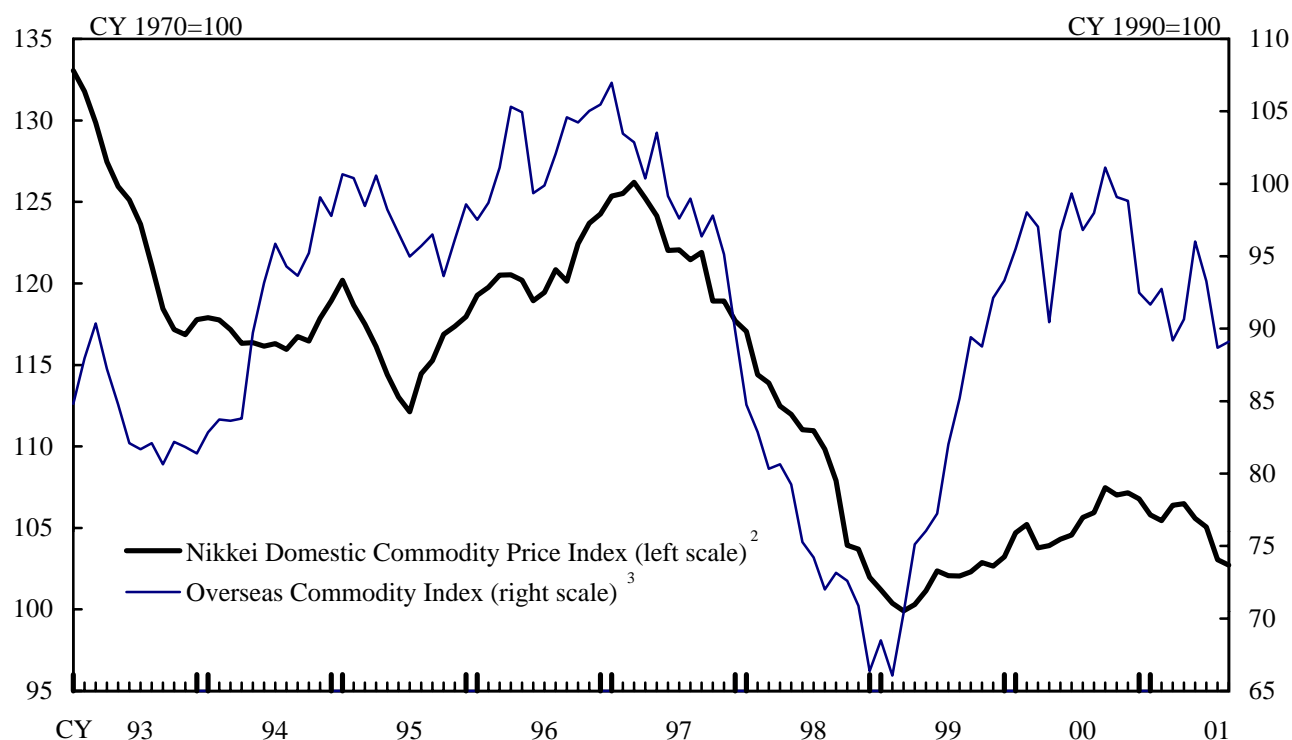
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index."

Import Prices and Commodity Market

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



(2) Commodity Market



Notes: 1. Data for August 2001 are August 1-10 average.

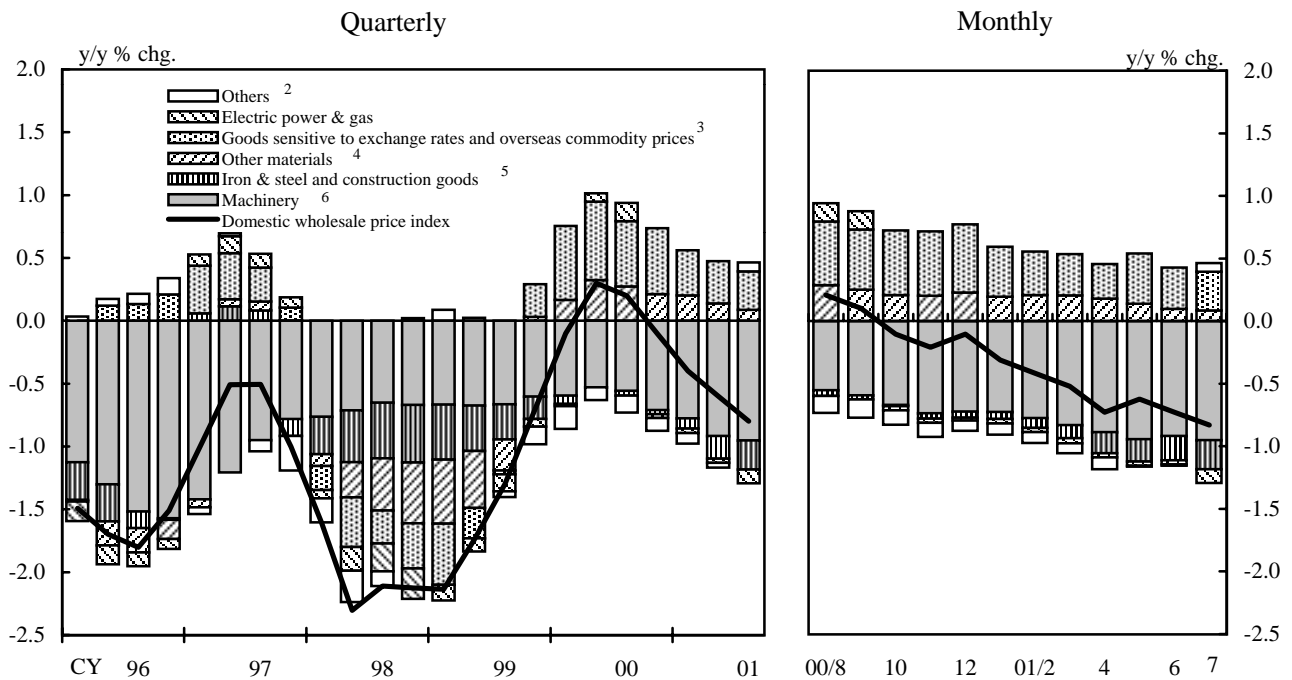
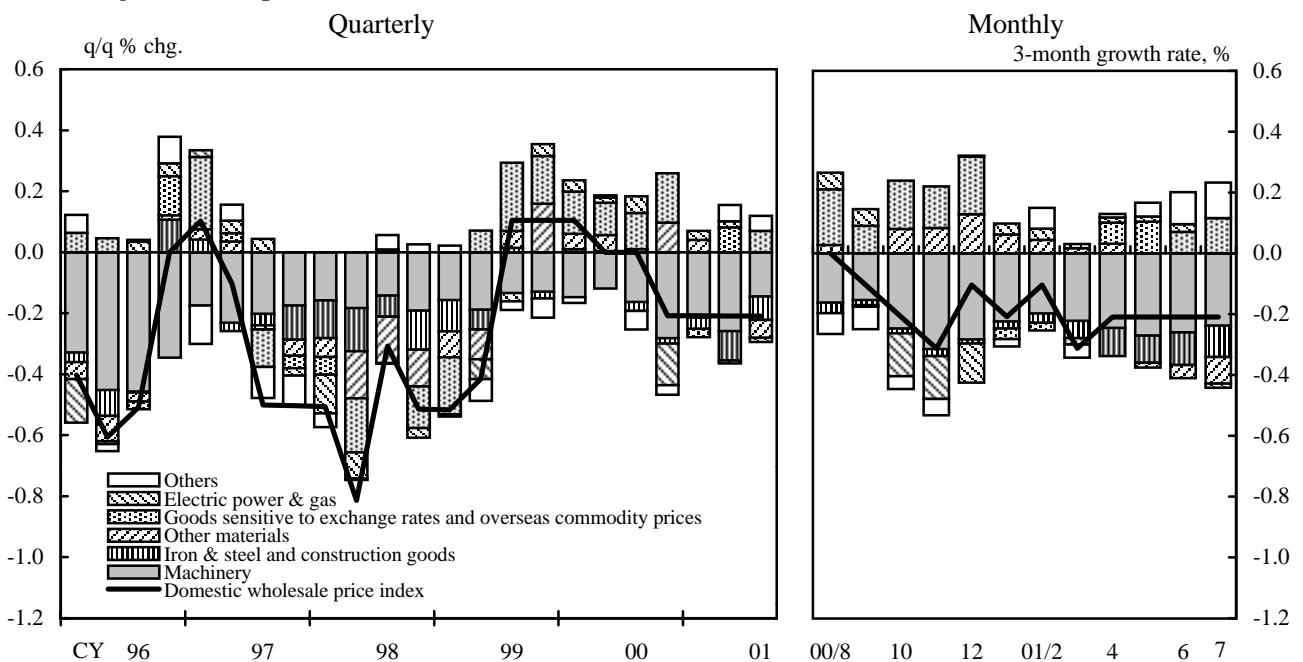
2. Data for August 2001 are as of August 10.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for August 2001 are August 1-10 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.

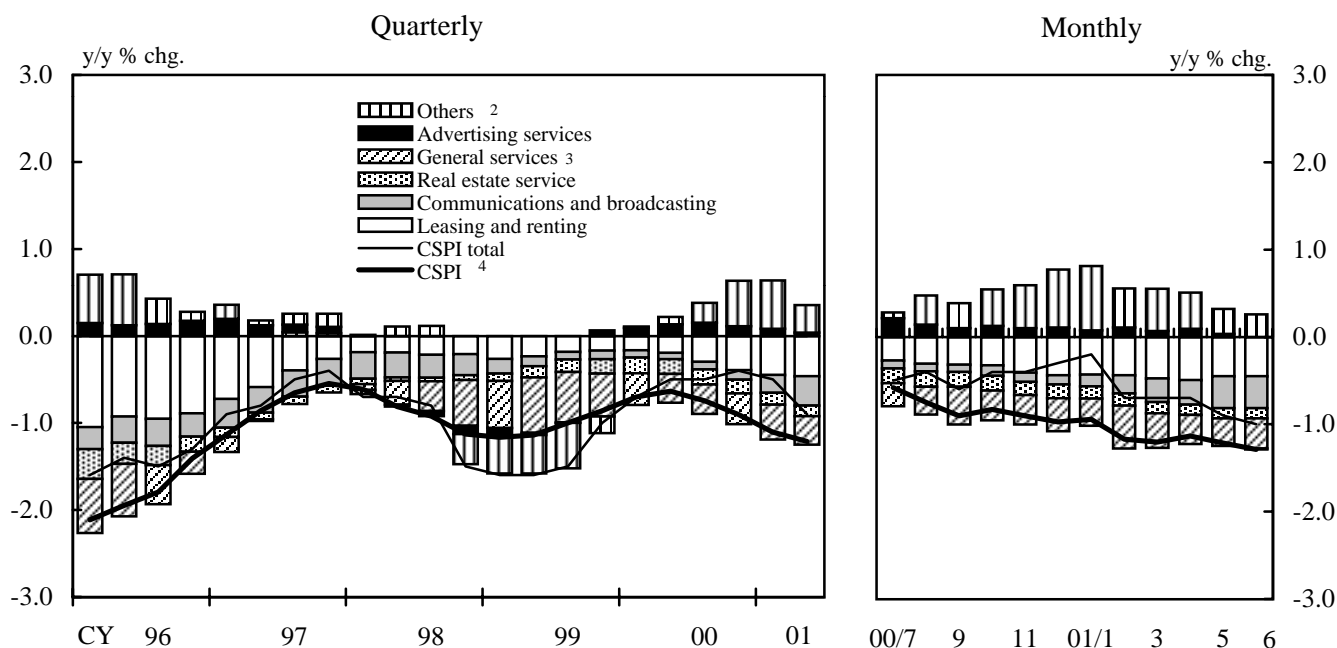
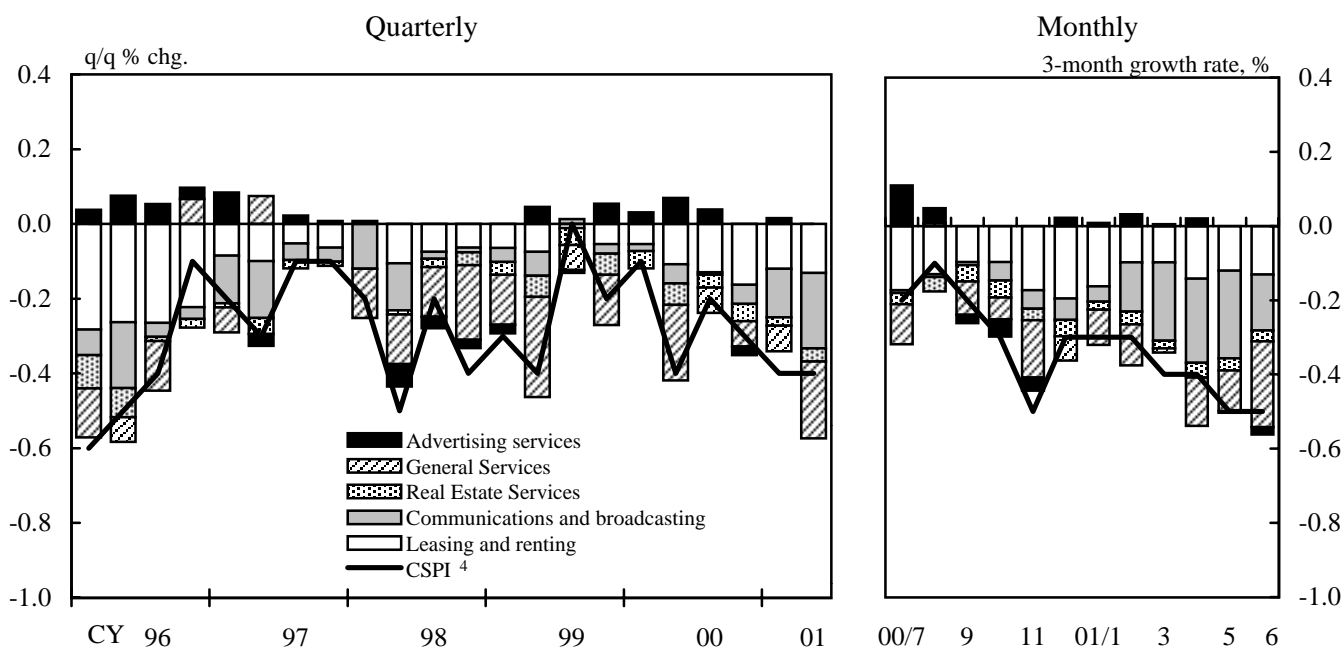
This effect causes the Domestic Wholesale Price Index to rise by about 0.2%.

8. Figures for 2001/Q3 are those of July.

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

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").

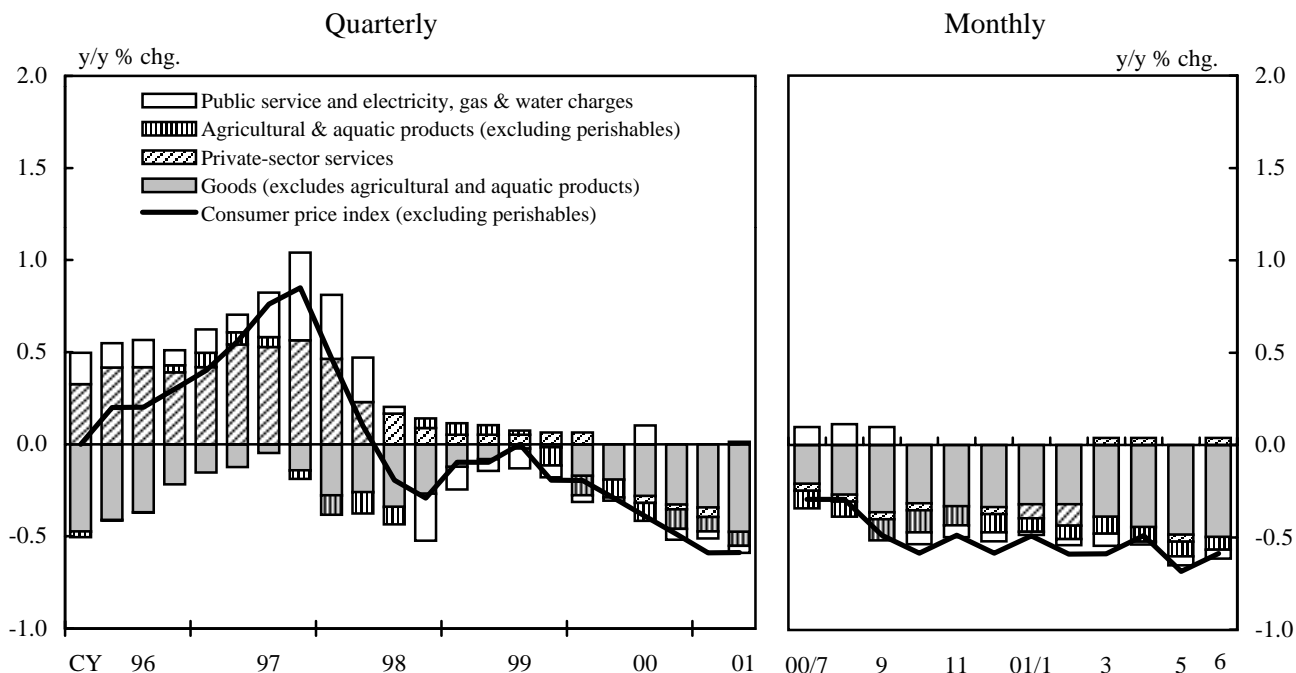
4. CSPI (domestic supply-demand factors) includes all items aside from "others" as defined above. This index mainly reflects the supply and demand conditions in the domestic private sector.

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).

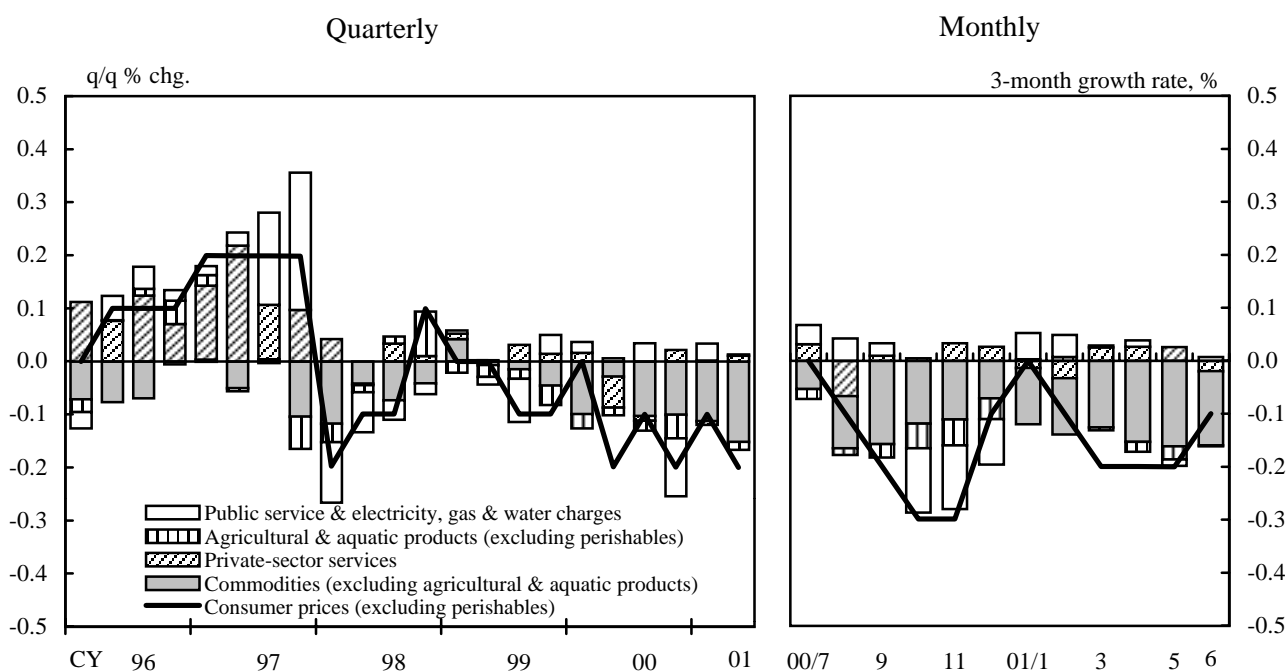
Due to seasonal adjustment every month, the series are revised retroactively every month.

Consumer Price Index (excluding perishables)¹

(1) Changes from a year earlier



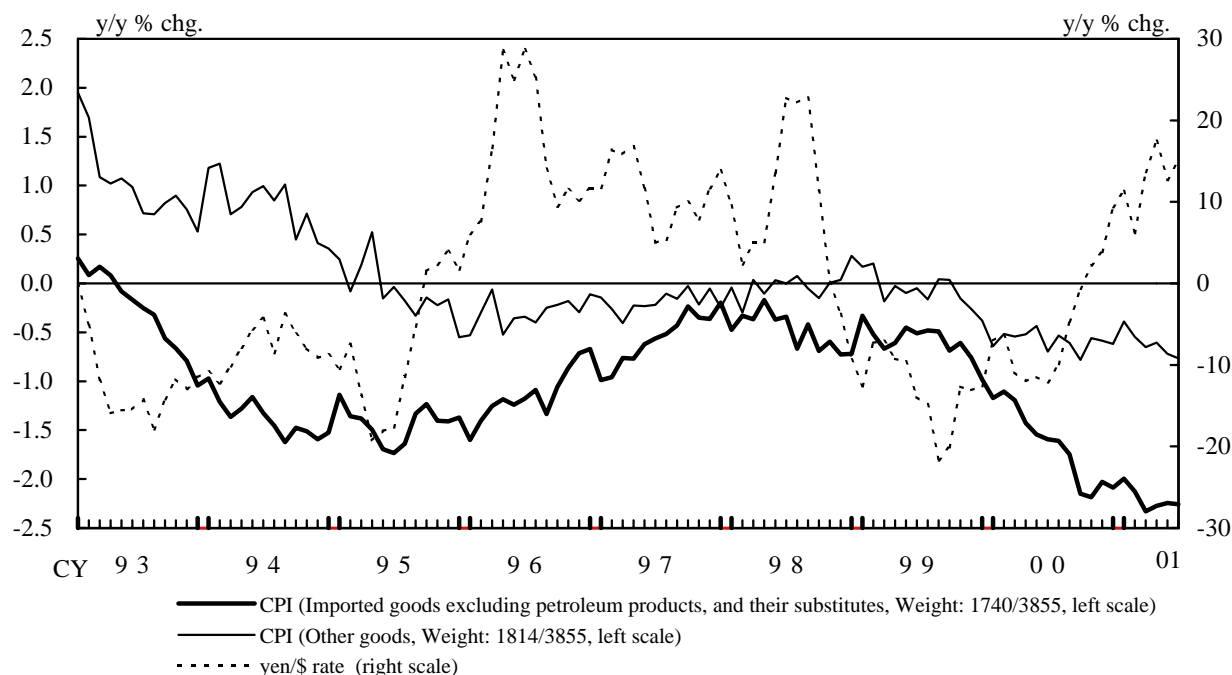
(2) Changes from a quarter earlier and 3 months earlier²



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.

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

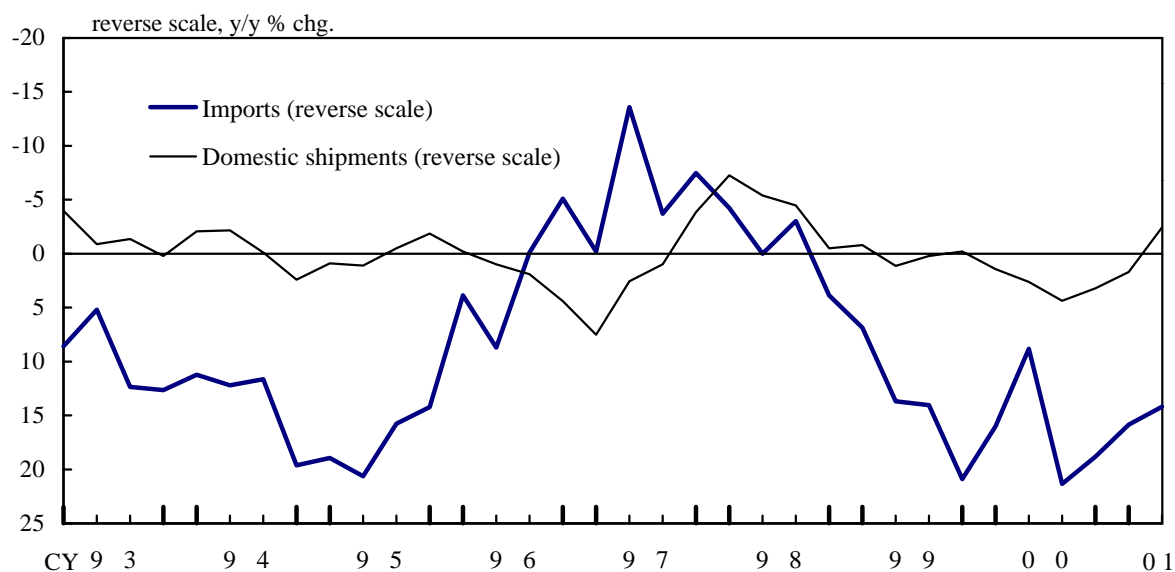
Consumer Price Index (Imported goods and their substitutes)¹(1) Comparison of Imported goods and other goods in terms of CPI²

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)

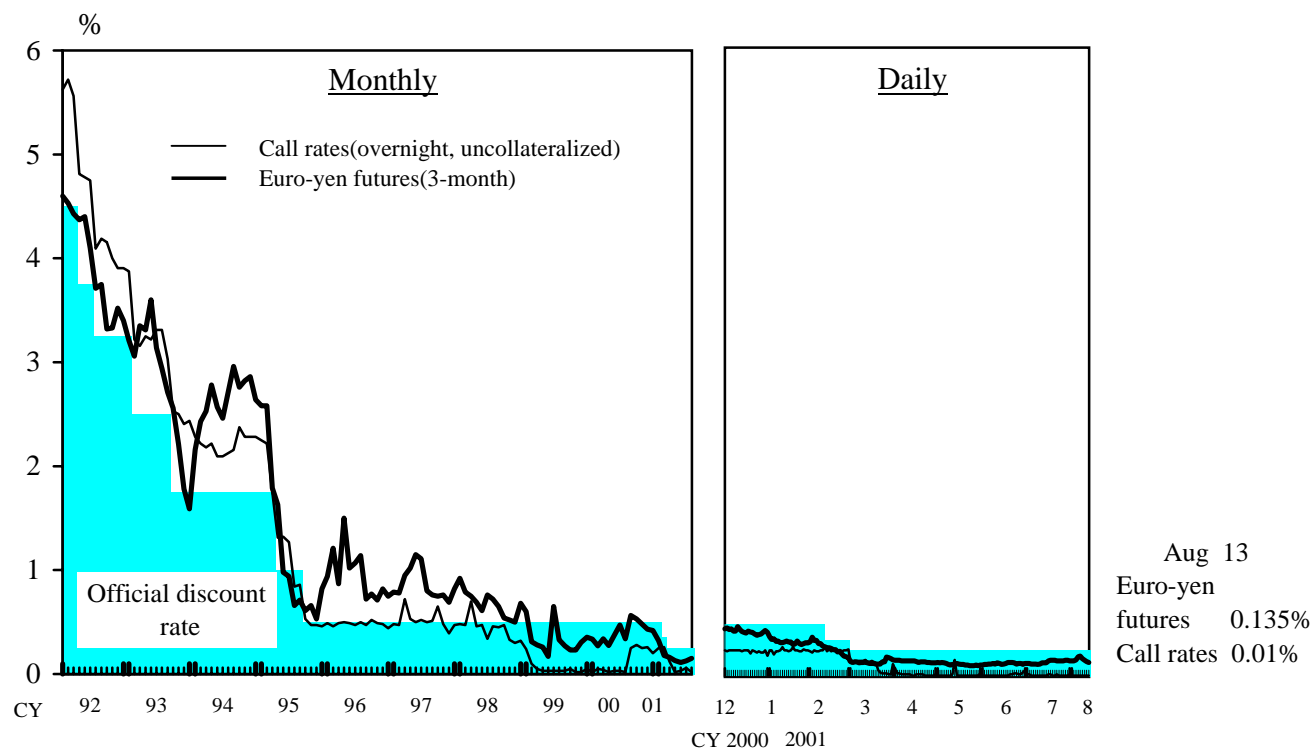


Note: See footnote Chart 10-4, for definition of the consumer goods supply.

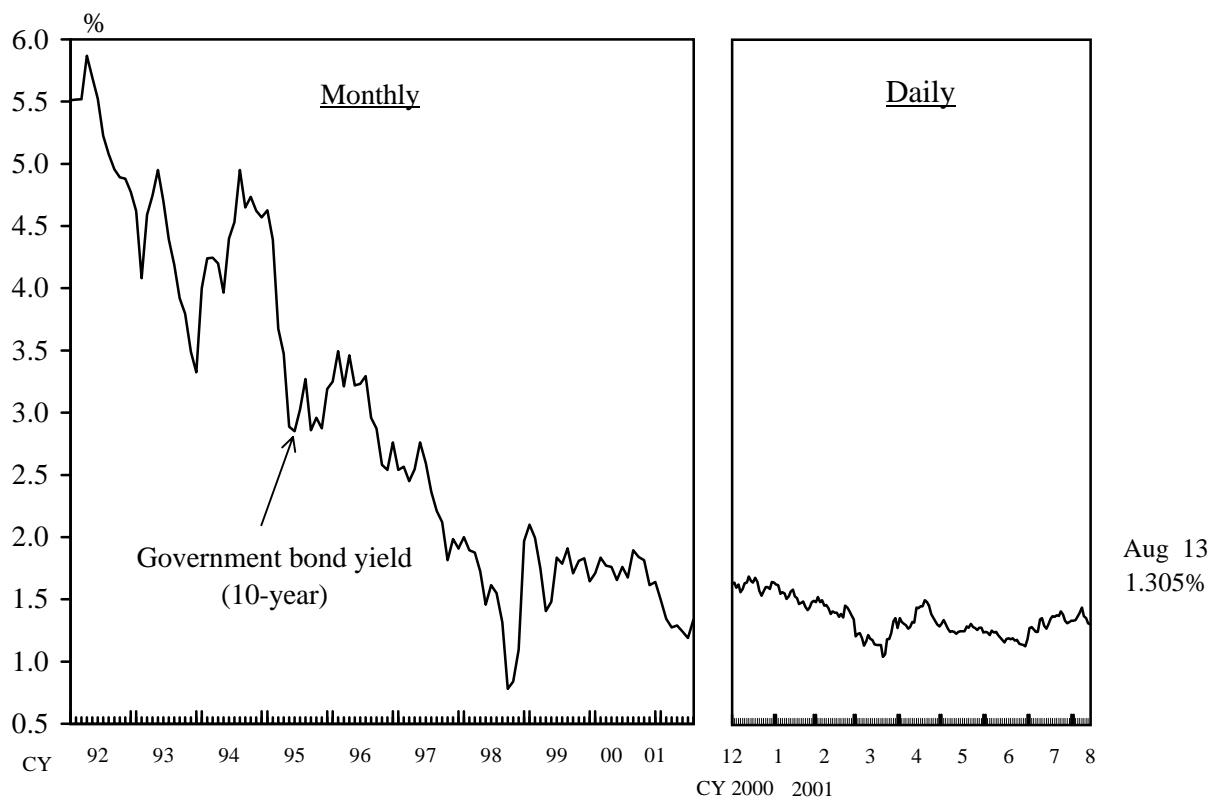
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports";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

Interest Rates

(1) Short-Term



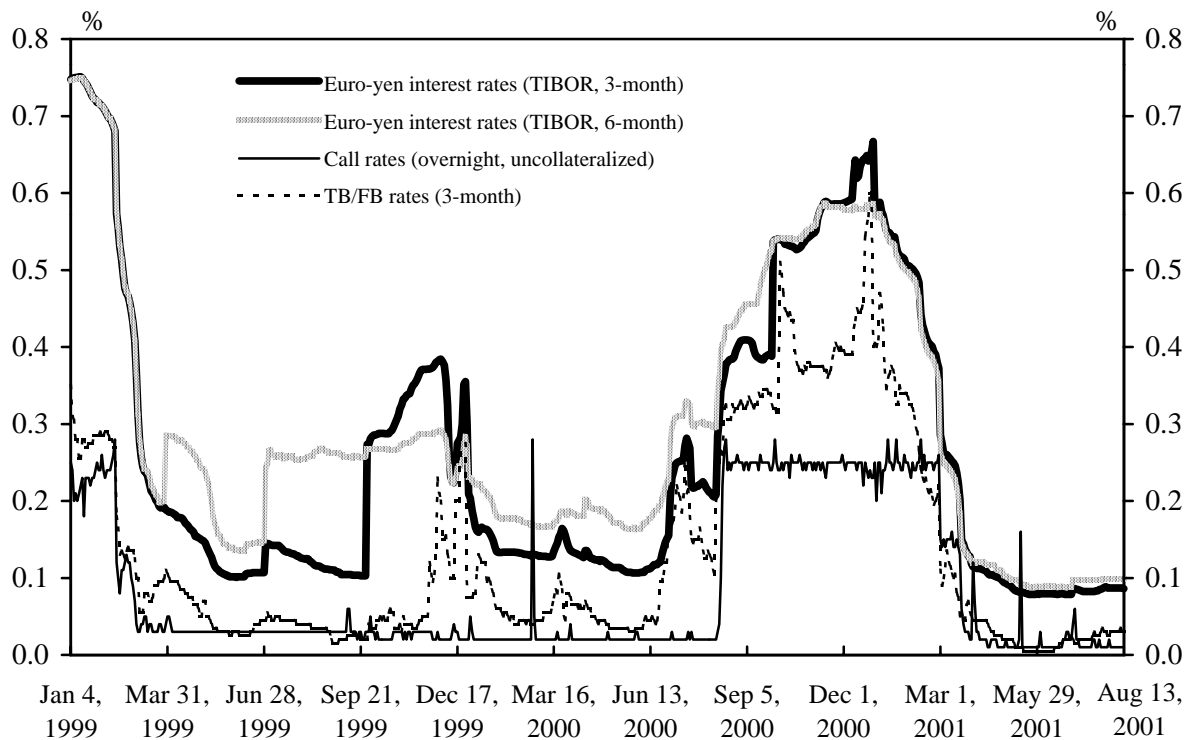
(2) Long-Term



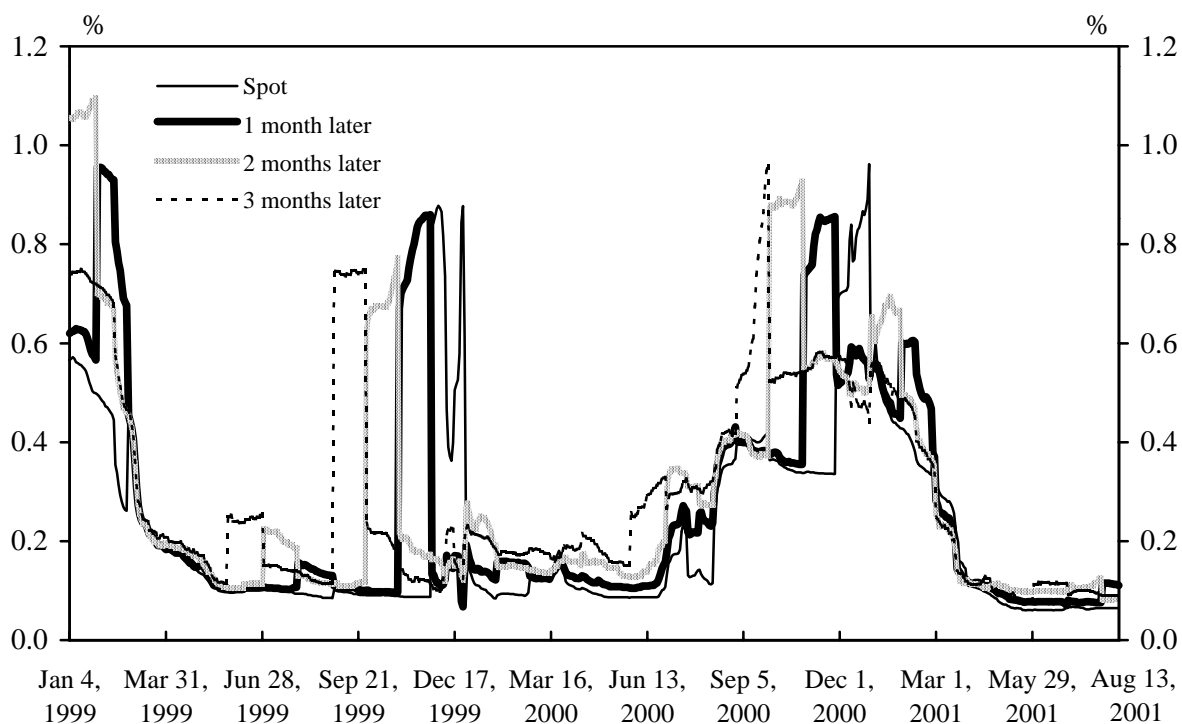
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

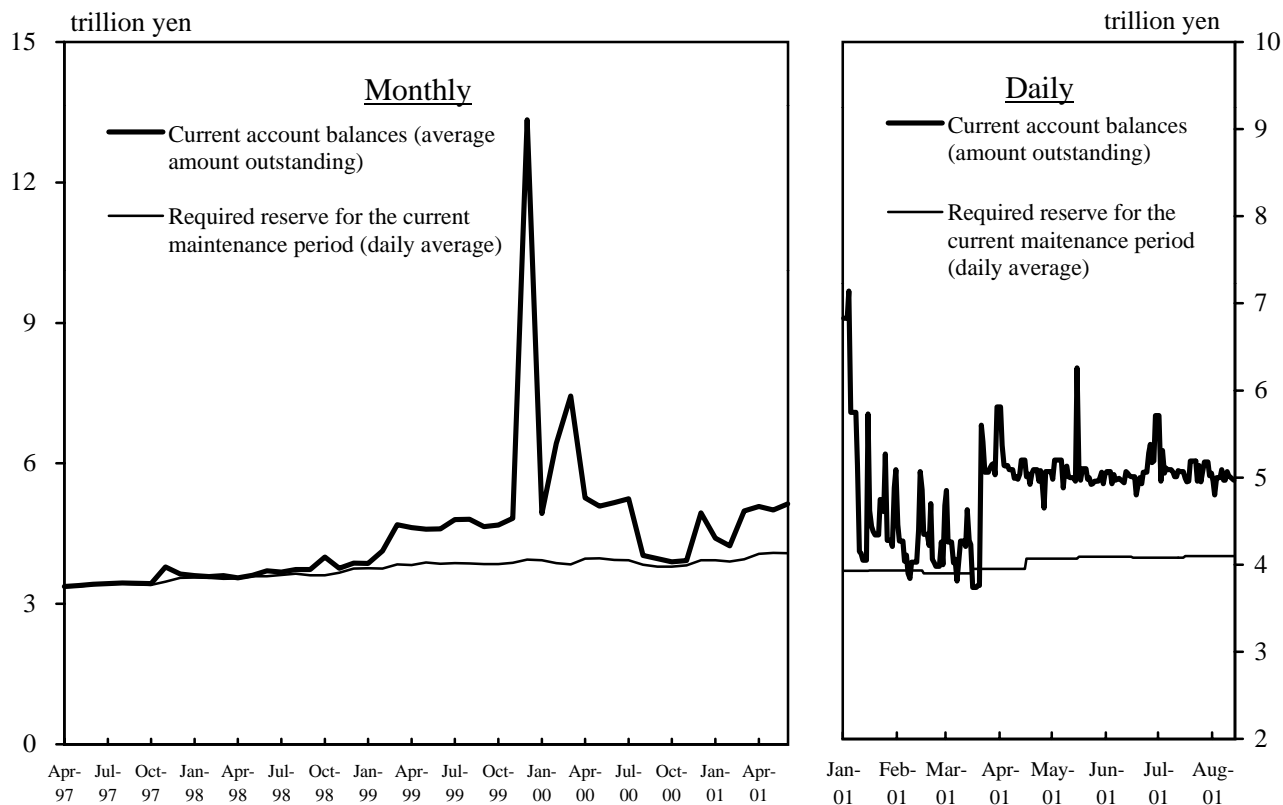


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

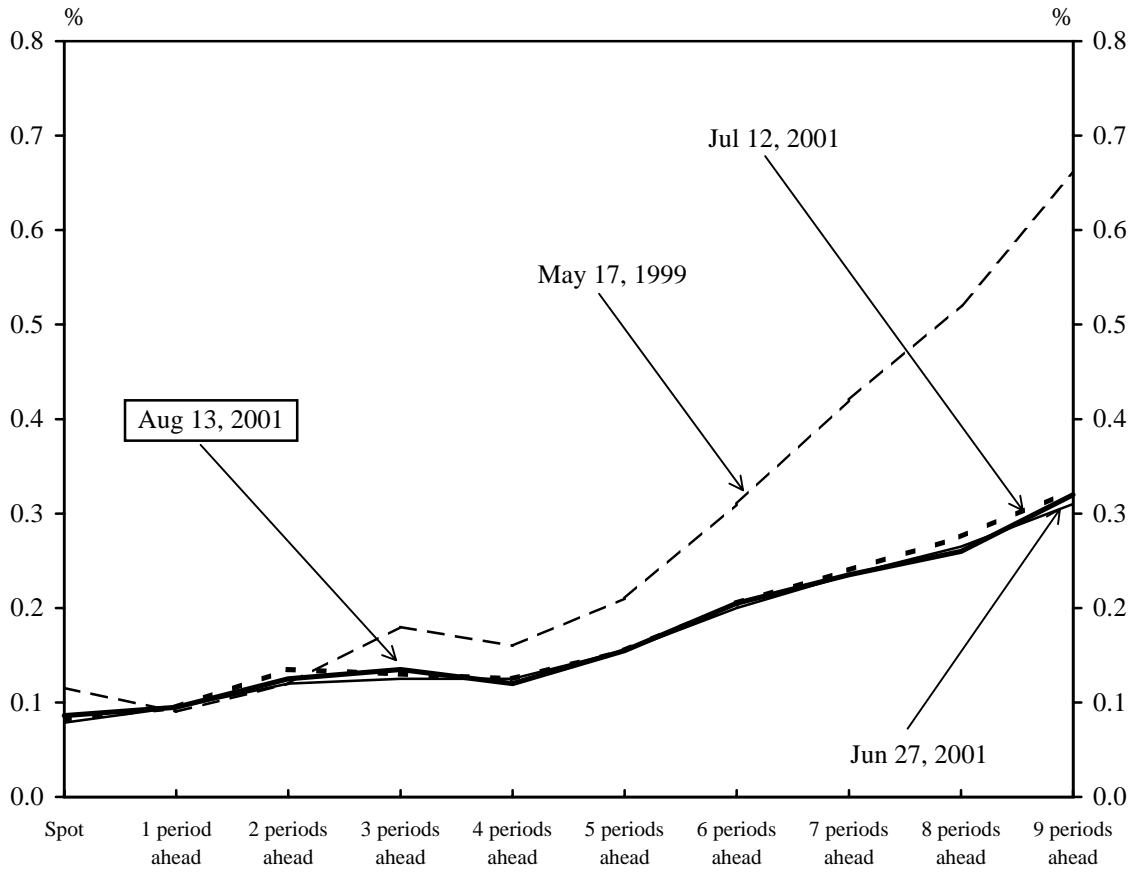


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Current Account Balances at the Bank of Japan

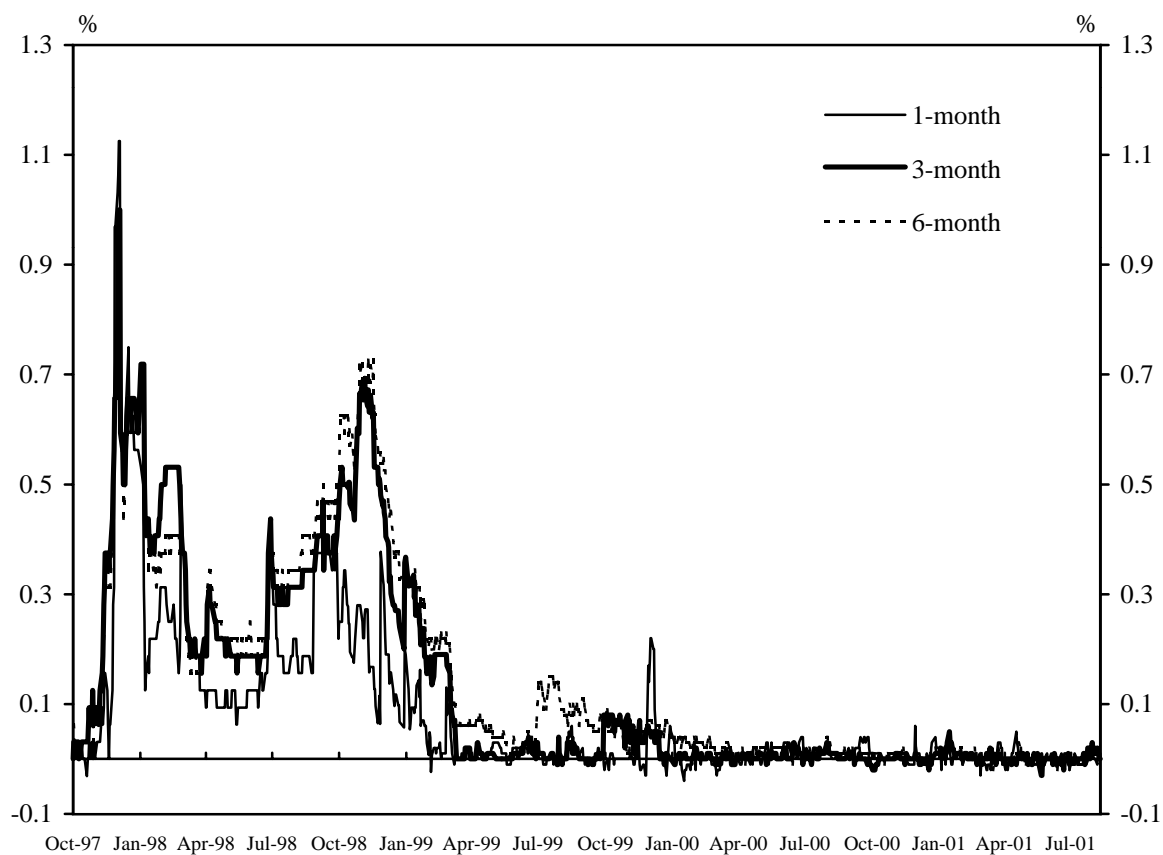


Euro-Yen Interest Rates Futures (3-Month)



Source: Tokyo International Financial Futures Exchange.

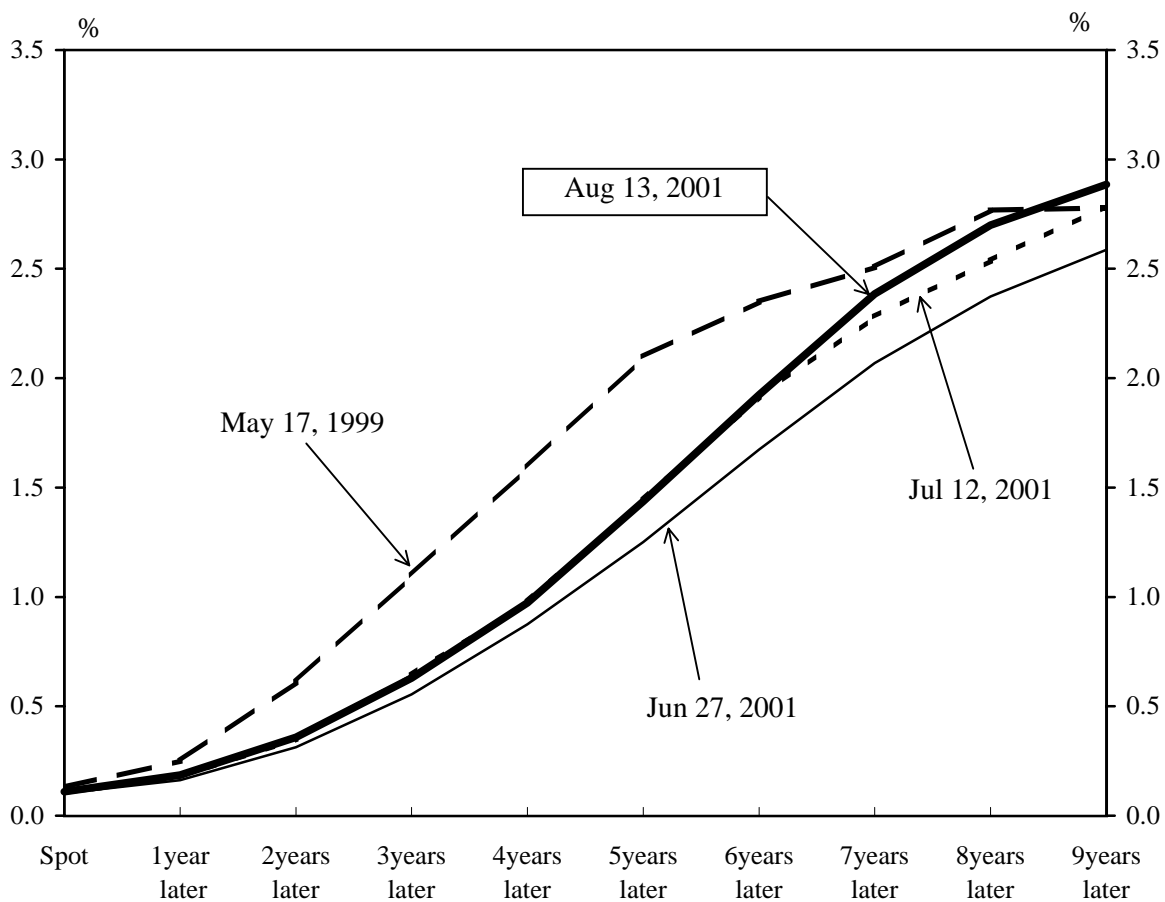
Japan Premium in the Eurodollar Market ¹



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

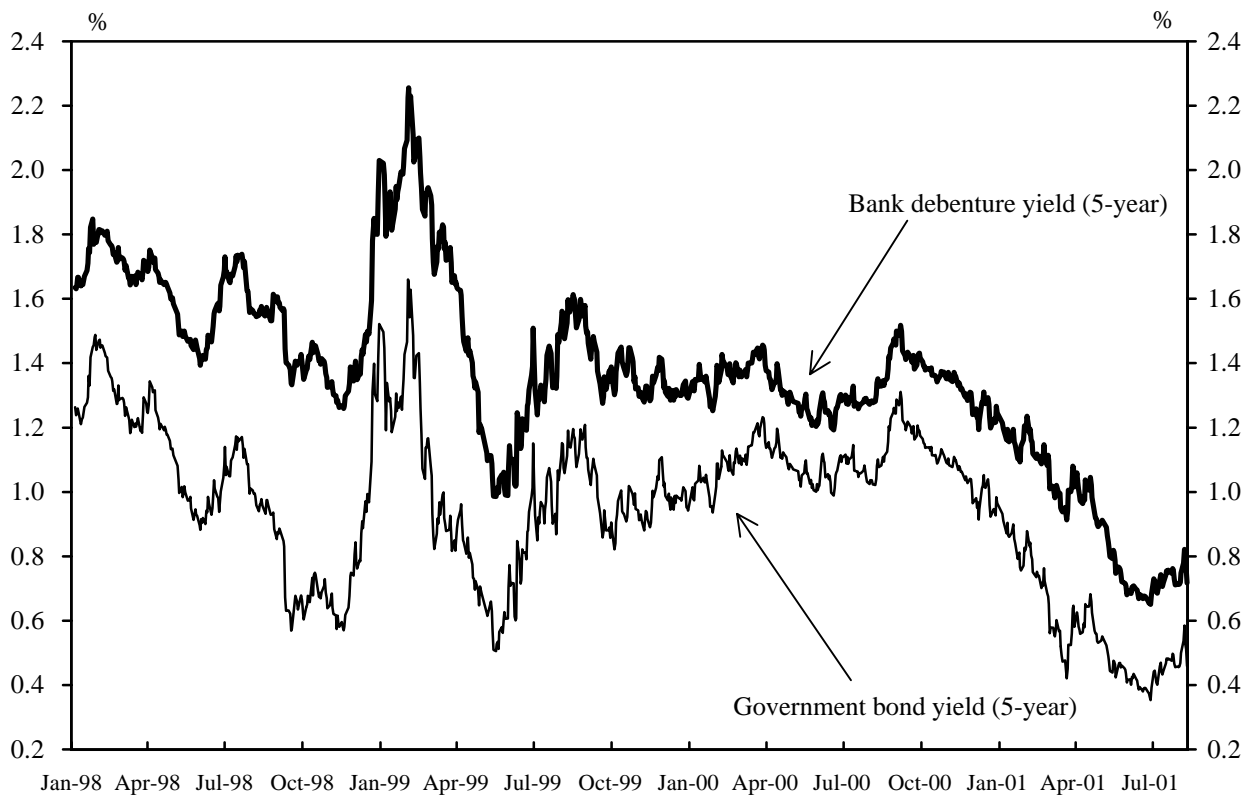


Note :Calculated from yen-yen swap rates.

Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



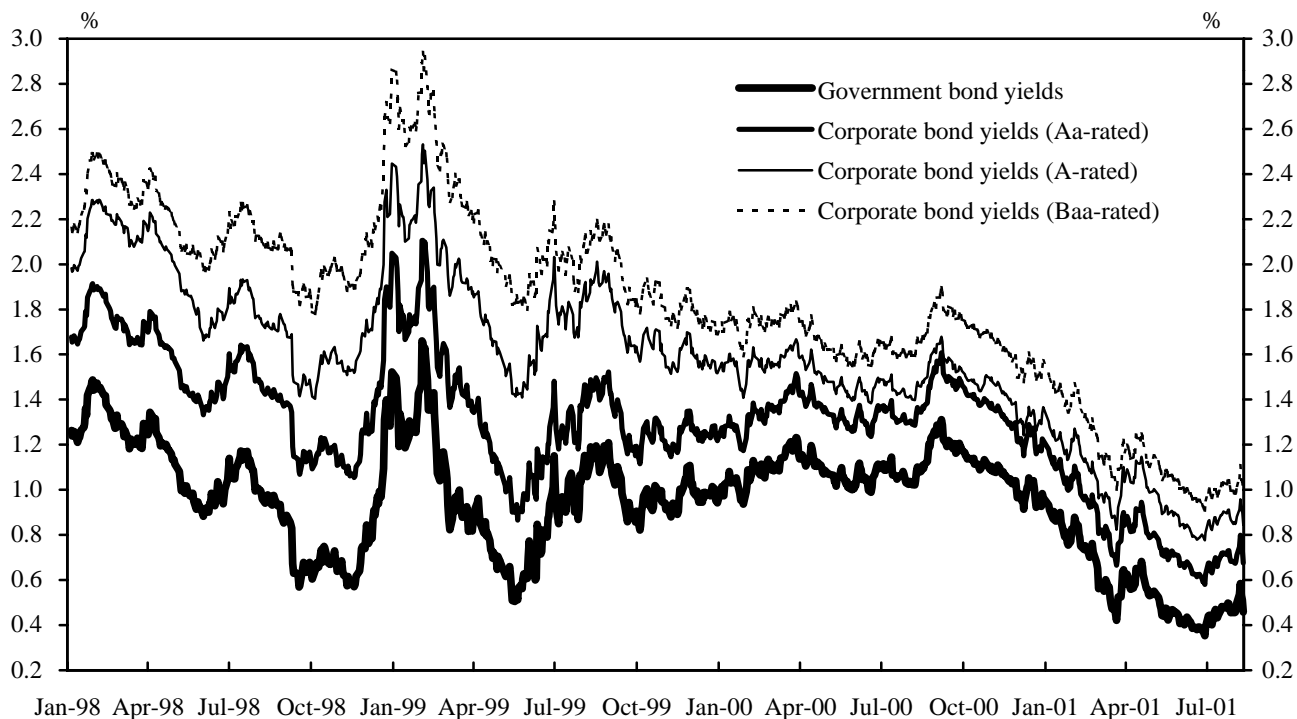
(2) Spread of Bank Debenture and Government Bond Yield



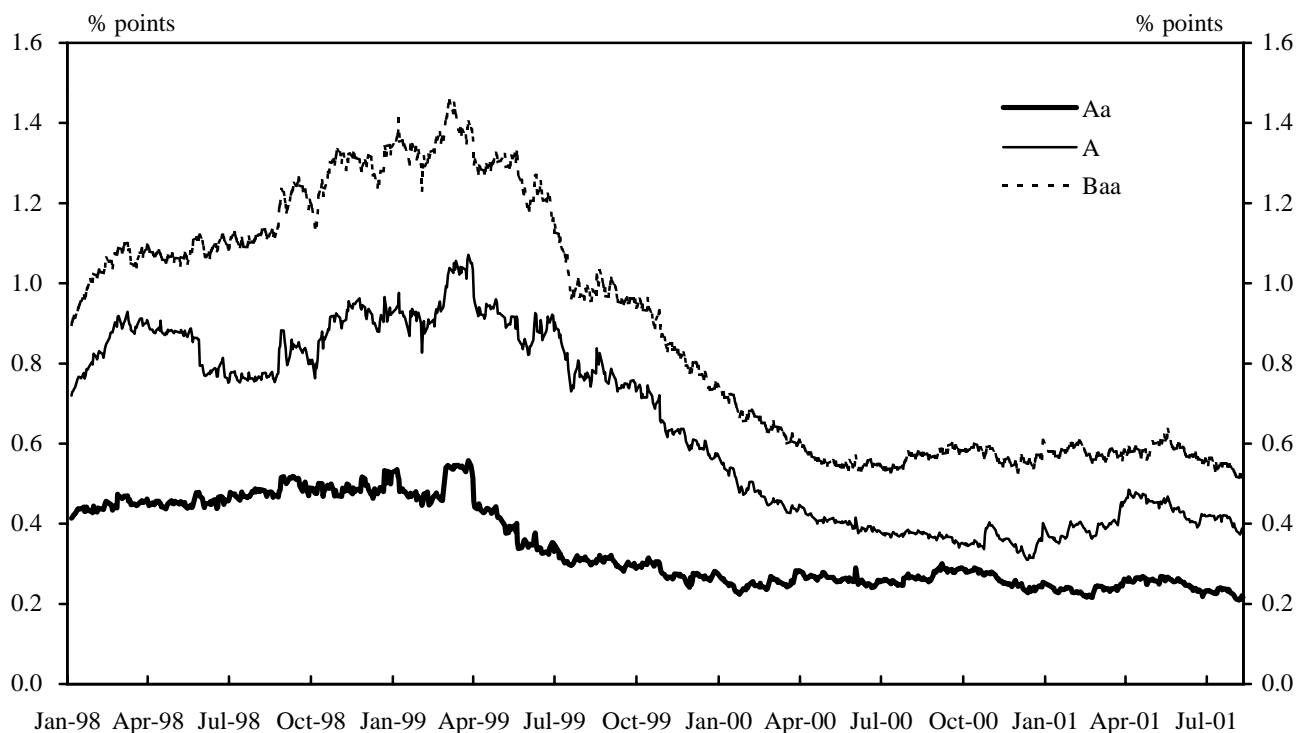
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields ¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



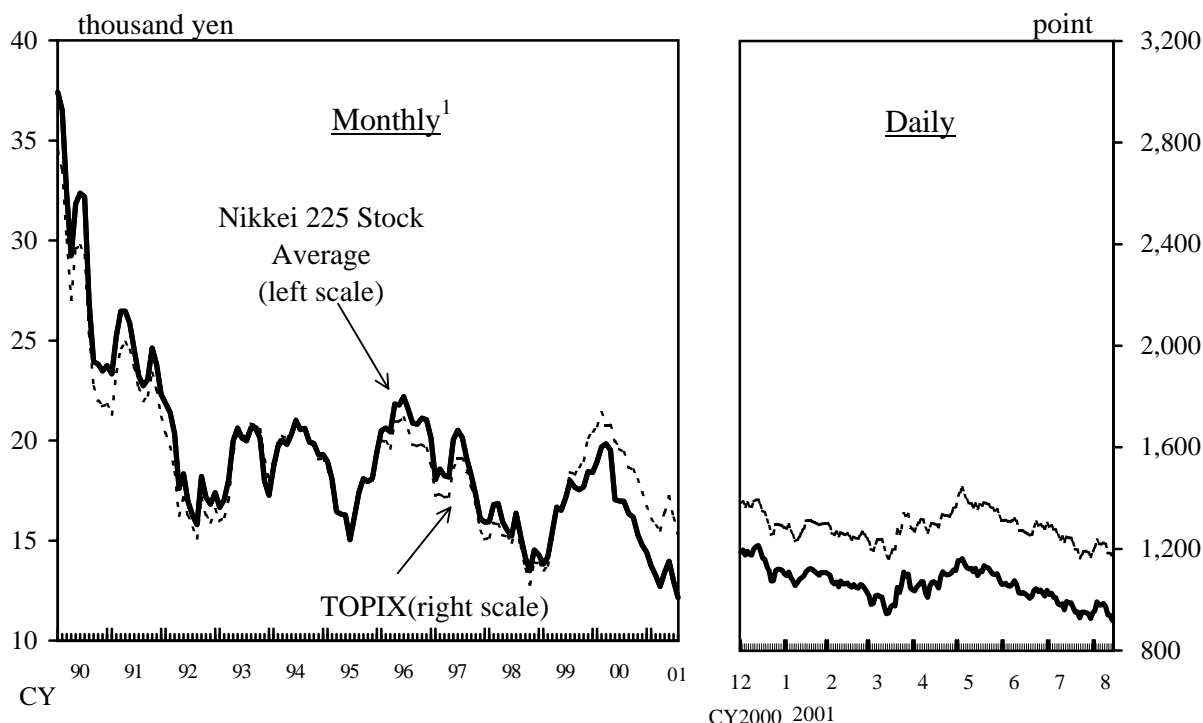
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

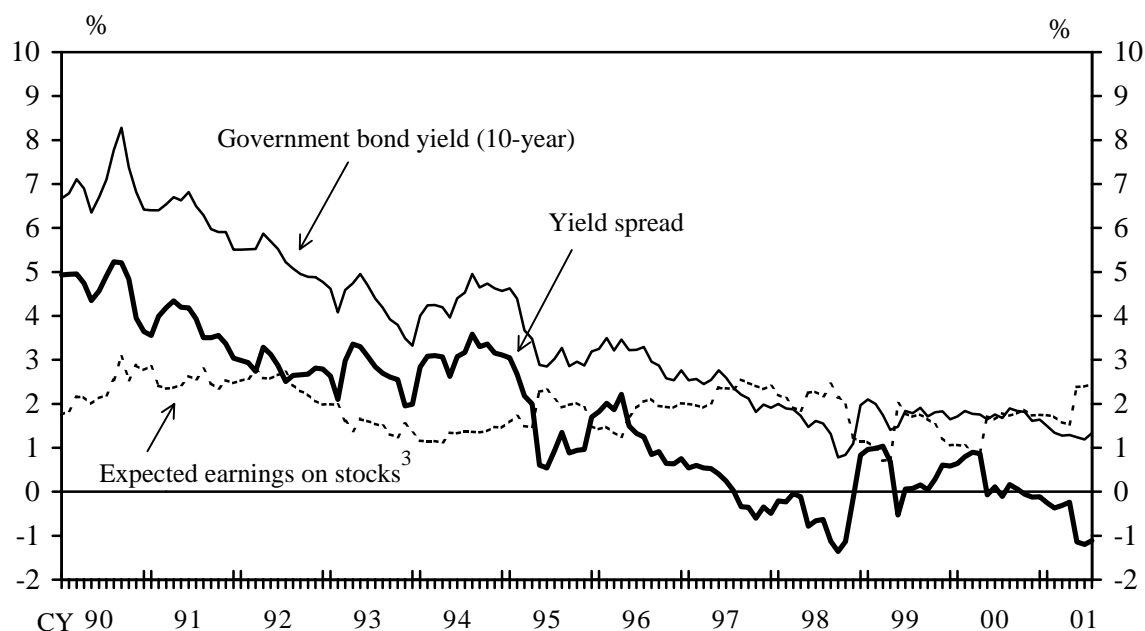
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

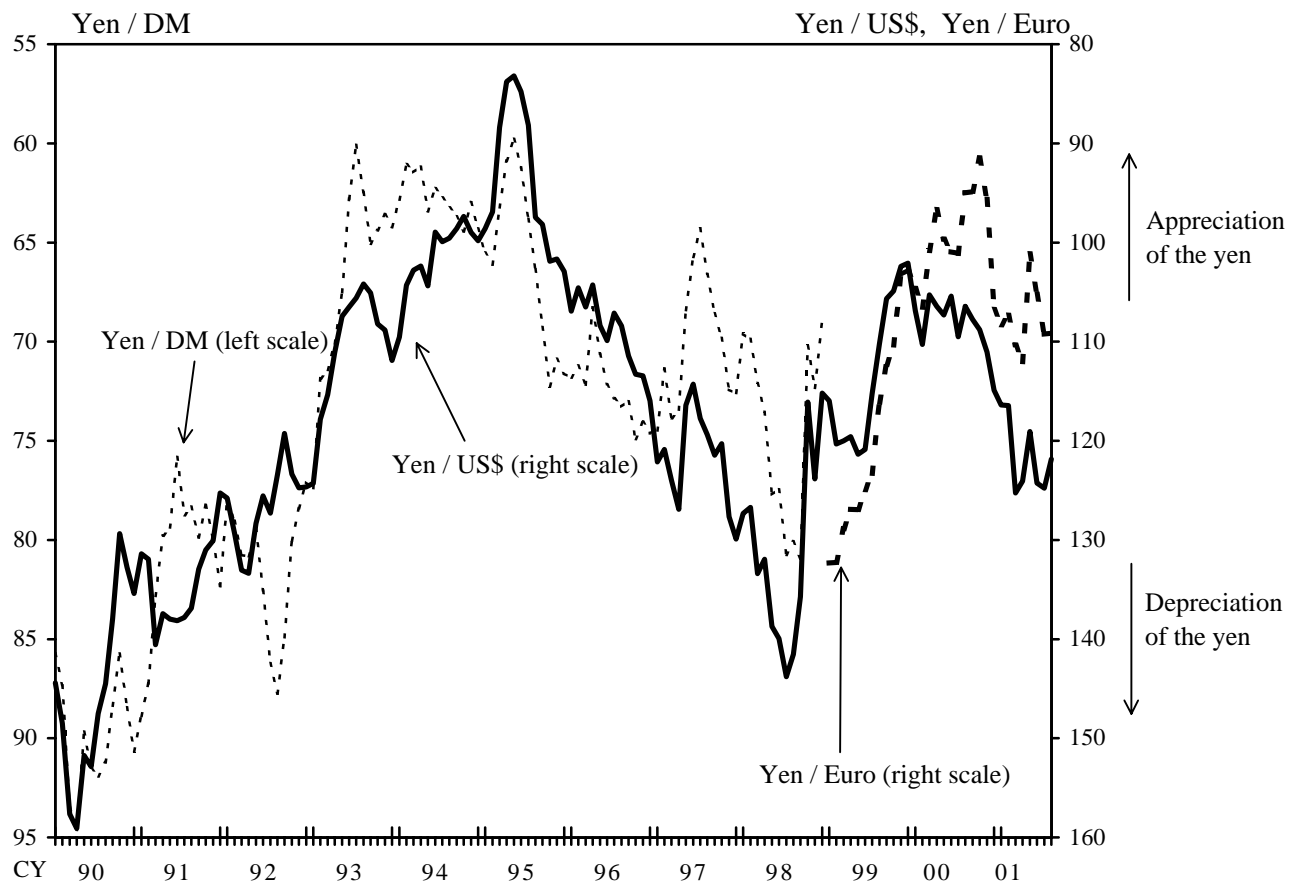
Yield spread = government bond yields - expected earnings on stocks, where expected earnings on stocks = 1/expected price earnings ratio.

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 Tousei Shiryou* (Daiwa Investment Information)."

Exchange Rates ¹

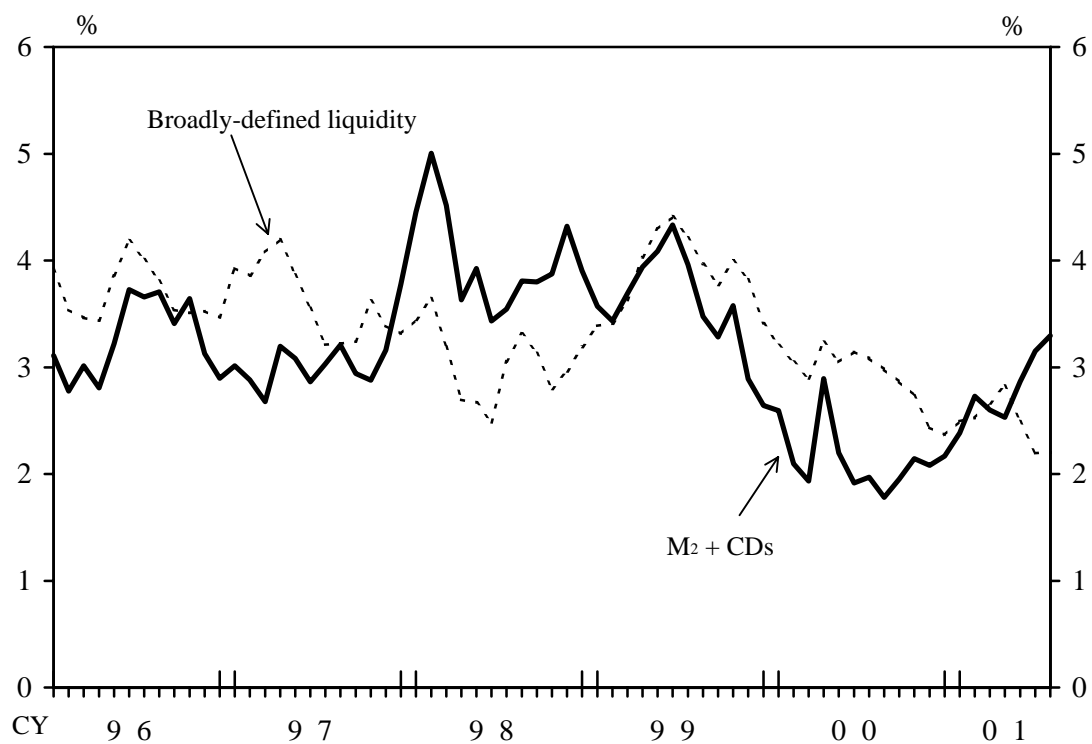


Note: 1. End of month. Data for August 2001 are as of August 13, 2001.

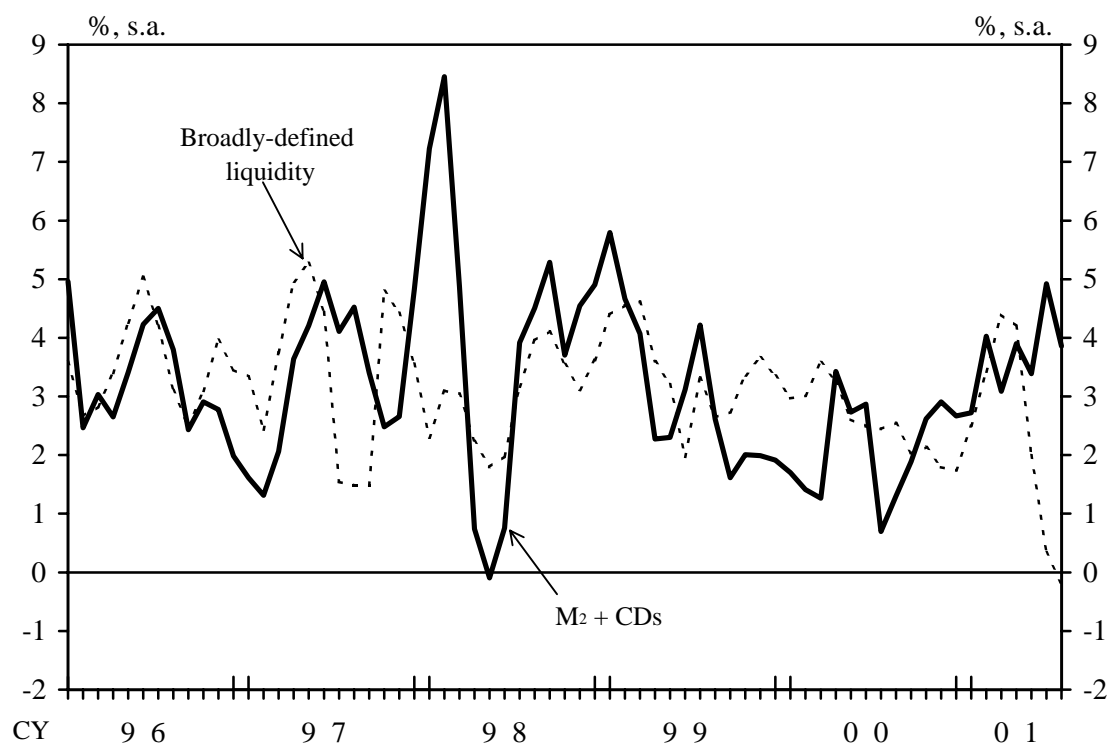
Source: Bank of Japan.

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

(1) Changes from a Year Earlier



(2) Changes from Three Months Earlier (Annualized)

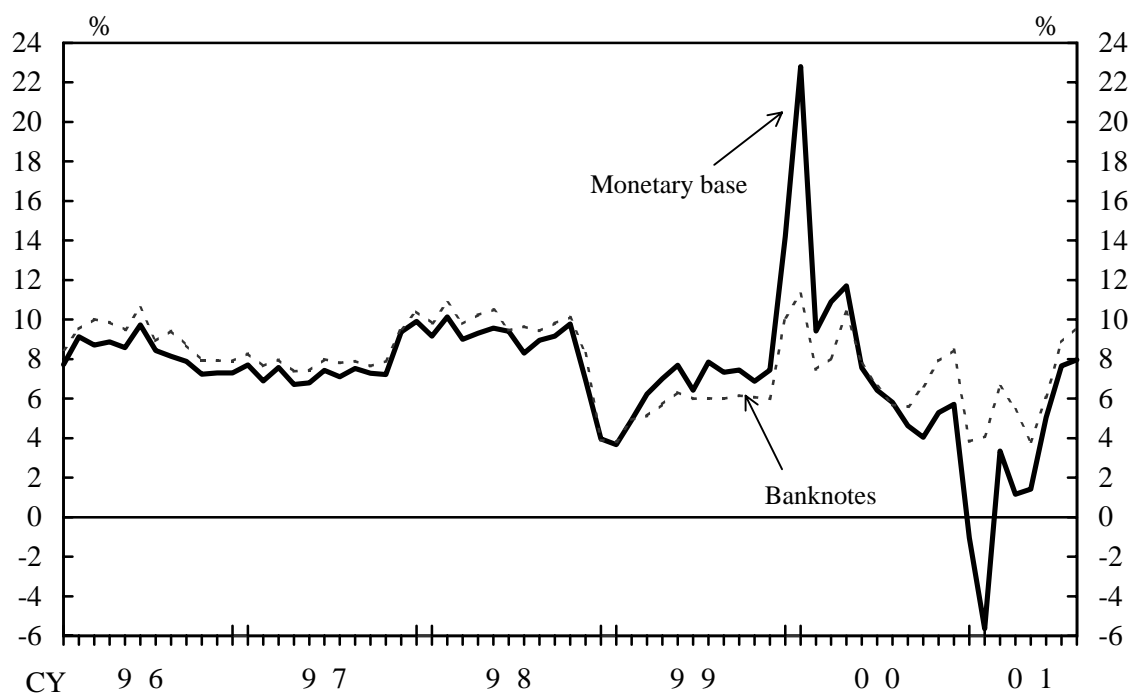


Note: Percent changes in average amounts outstanding.

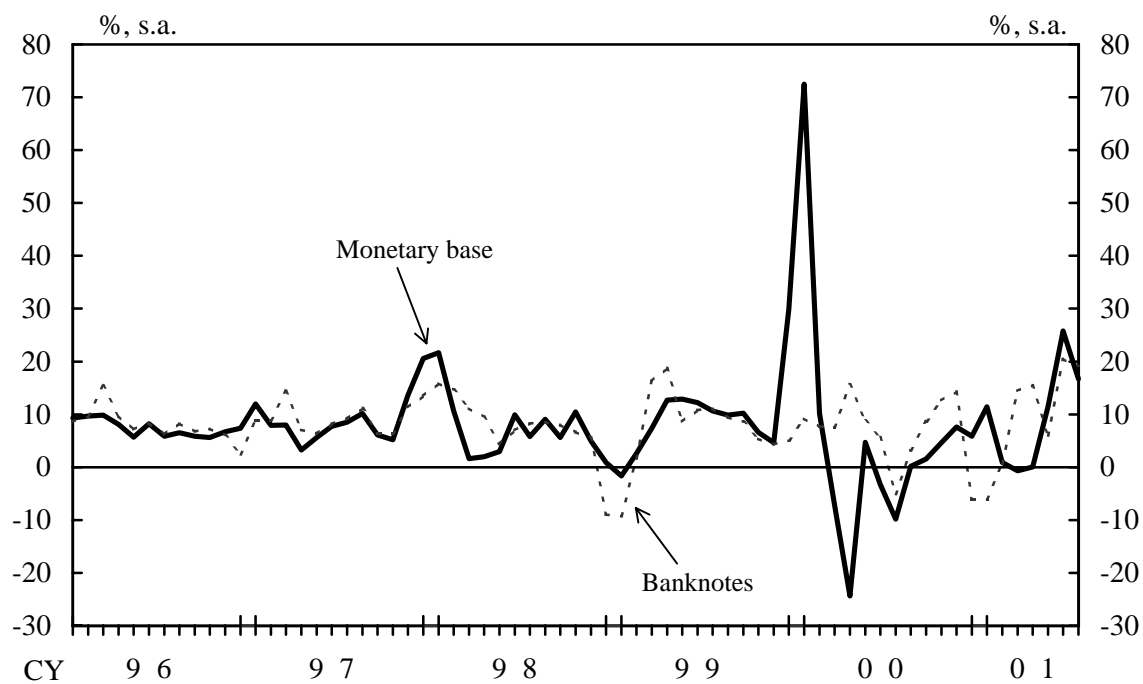
Source: Bank of Japan.

 Monetary Base

(1) Changes from a Year Earlier



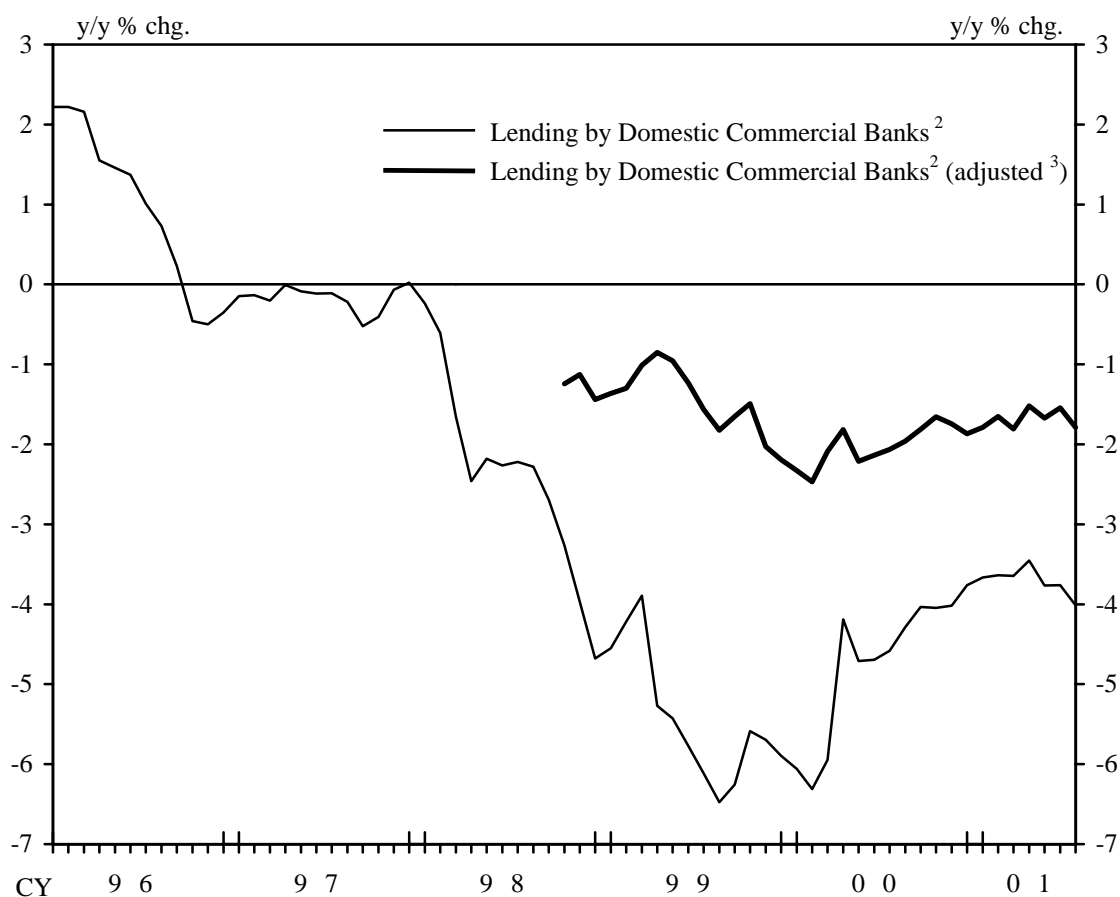
(2) Changes from Three Months Earlier (Annualized)



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).

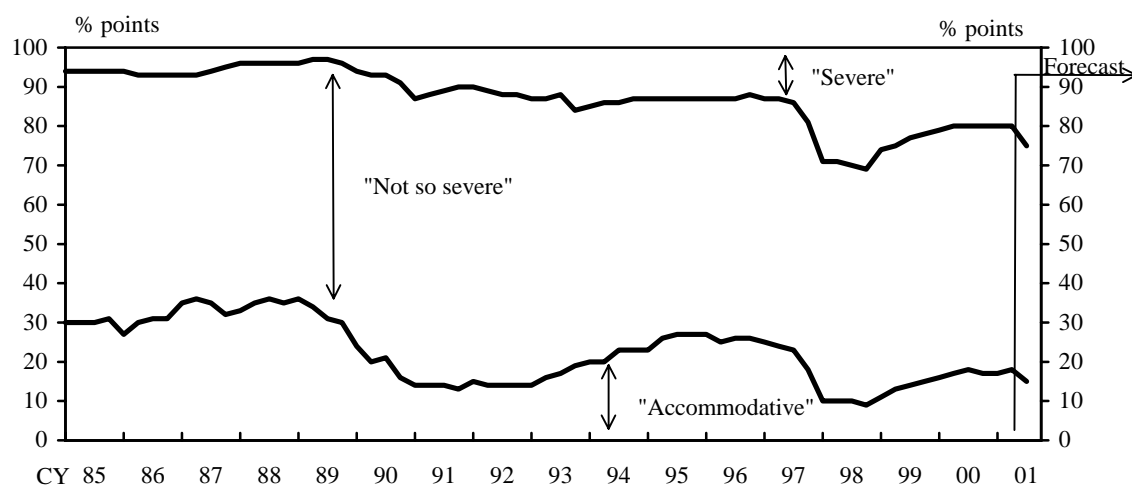
3. Adjusted to exclude

- (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.

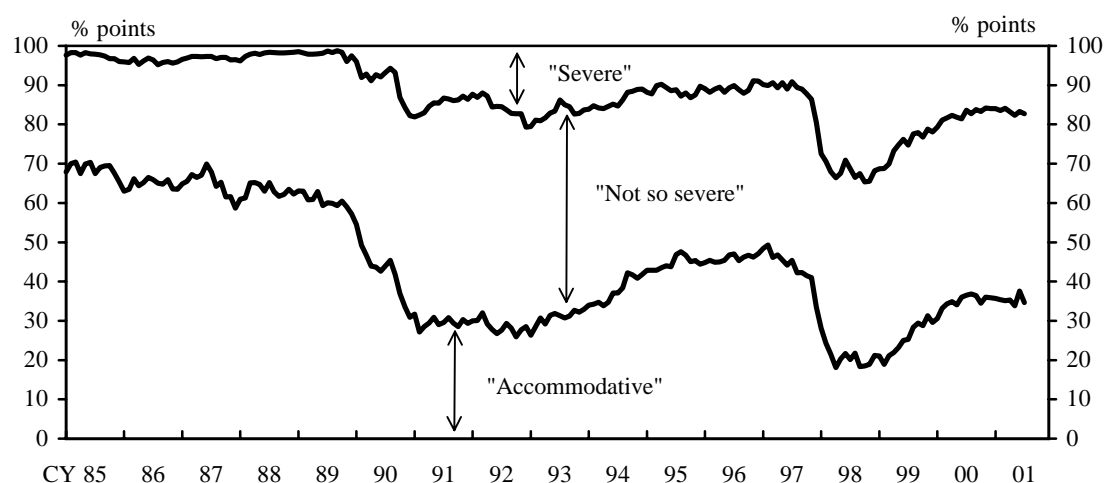
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

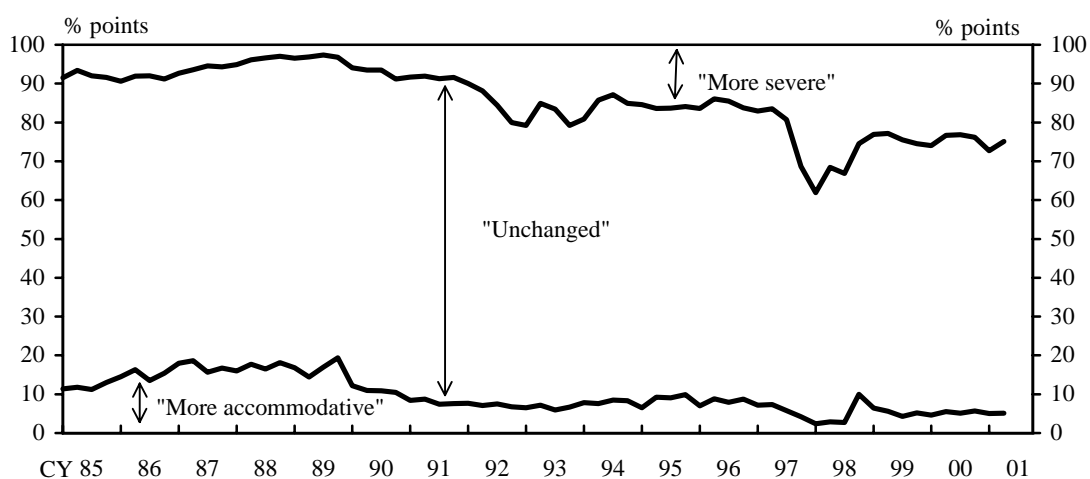
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (June, 2001)



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

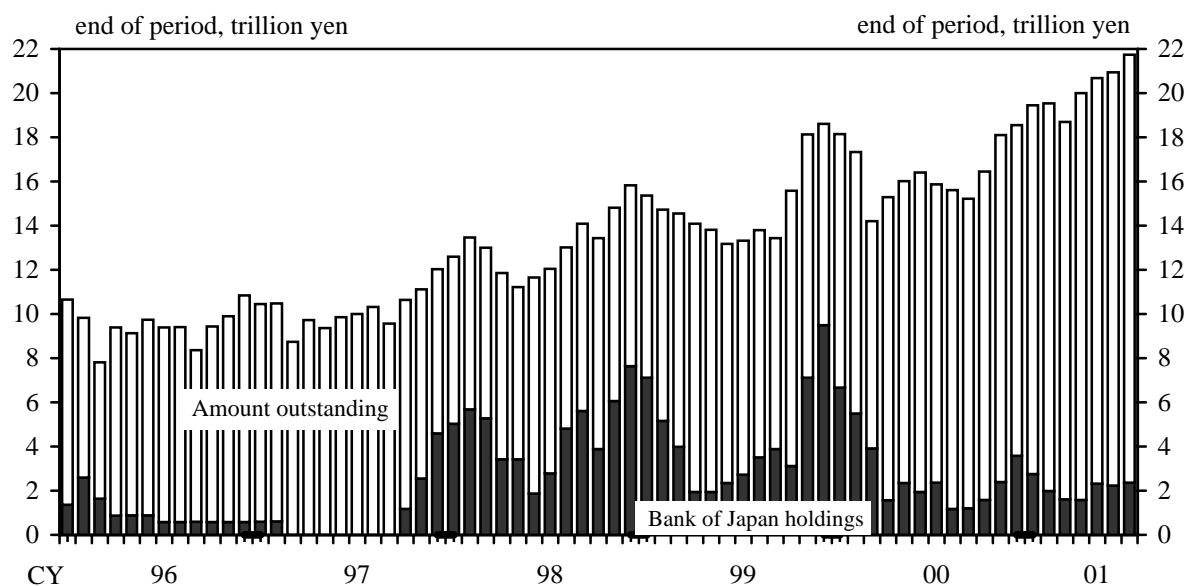


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-June, 2001)



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/Q4	2001/Q1	Q2	2001/May	June	July
Volume	20,416	22,009	33,993	9,708	14,356	3,559
(previous year)	(21,163)	(24,121)	(21,627)	(5,384)	(9,794)	(4,437)

(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.

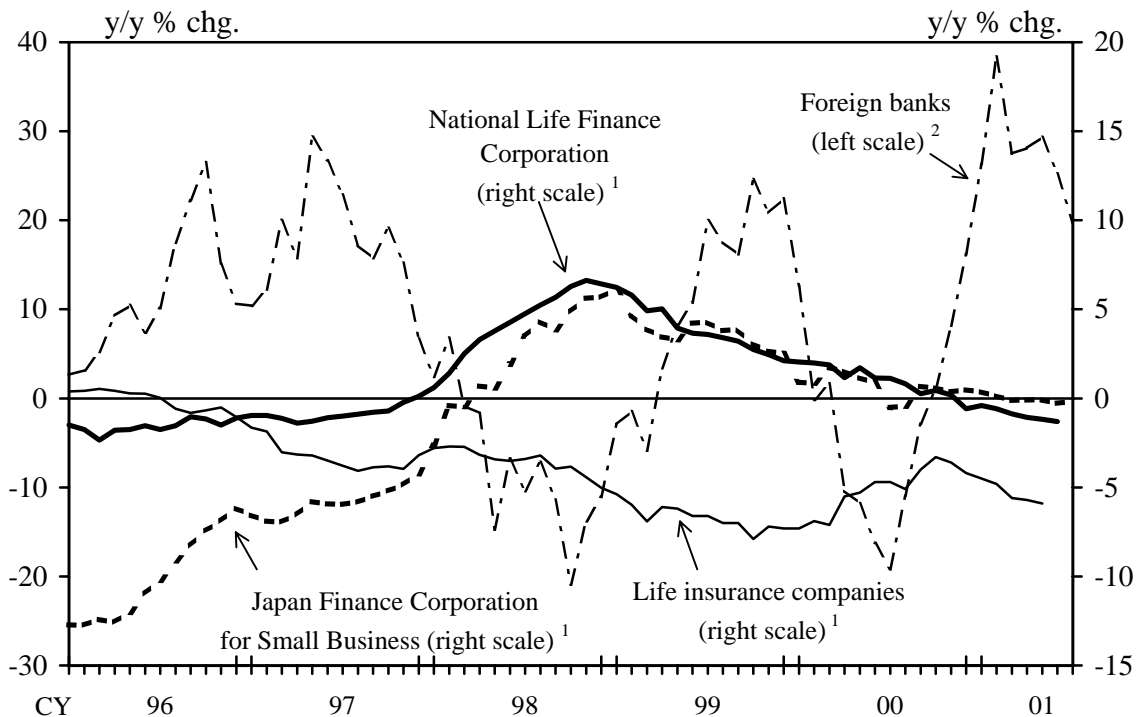
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

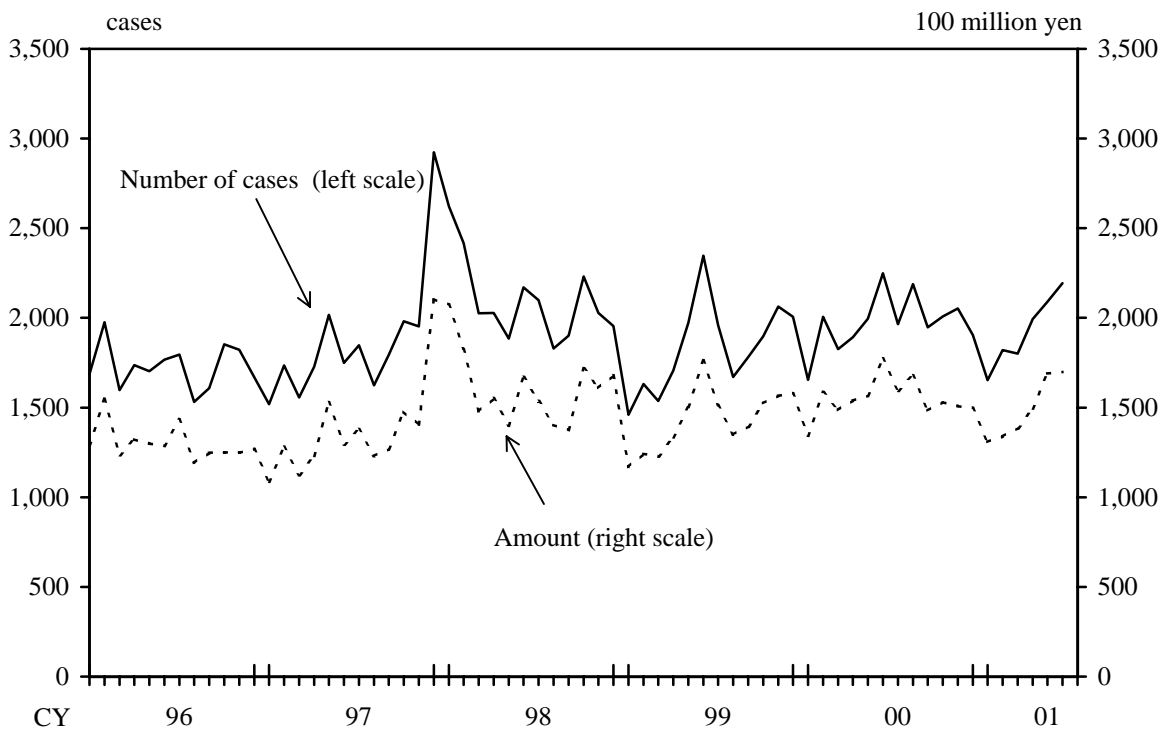
Lending by Other Financial Institutions

(1) Lending Outstanding



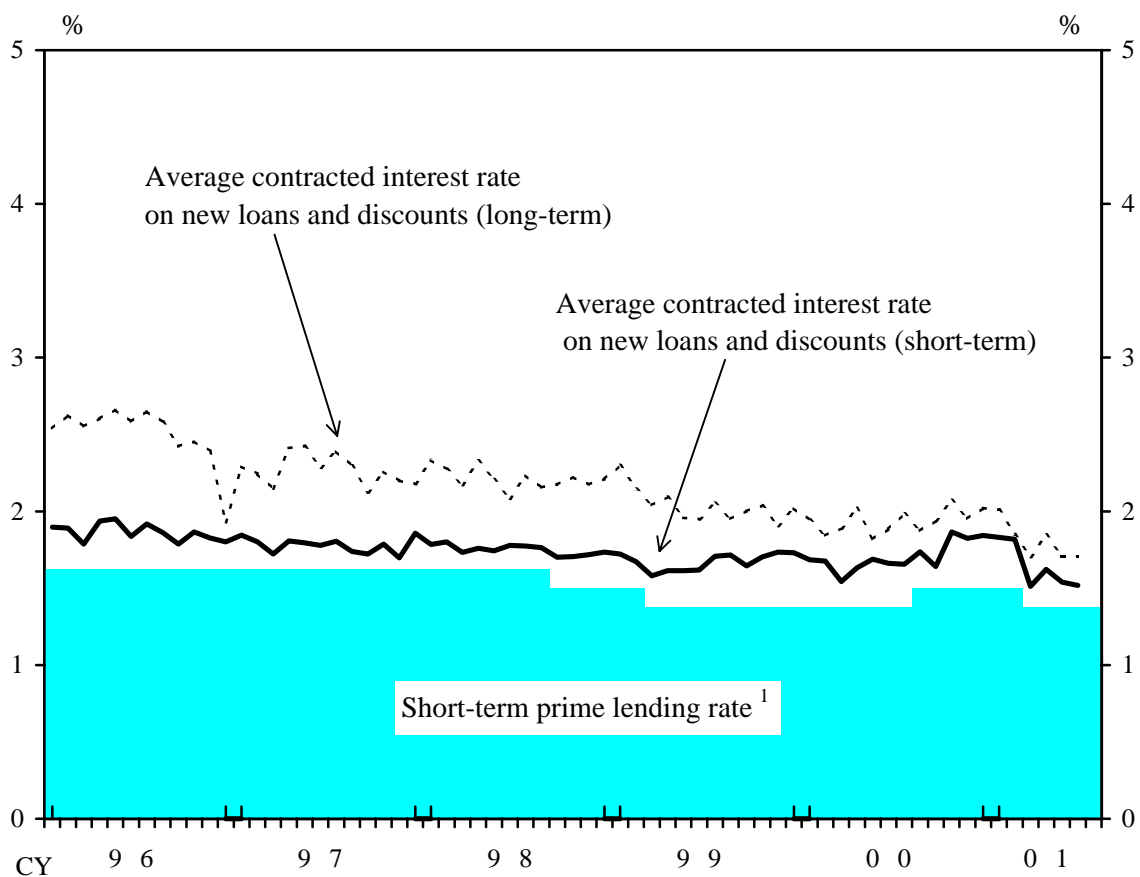
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

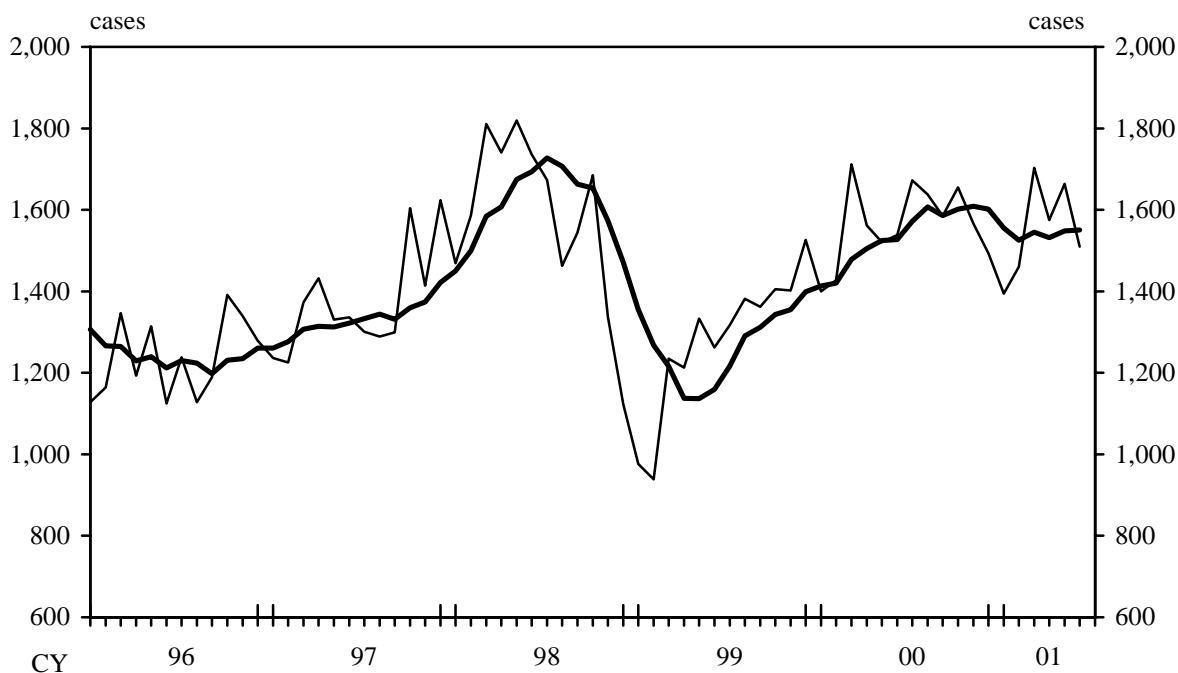


Note: 1. Data are at end of period.

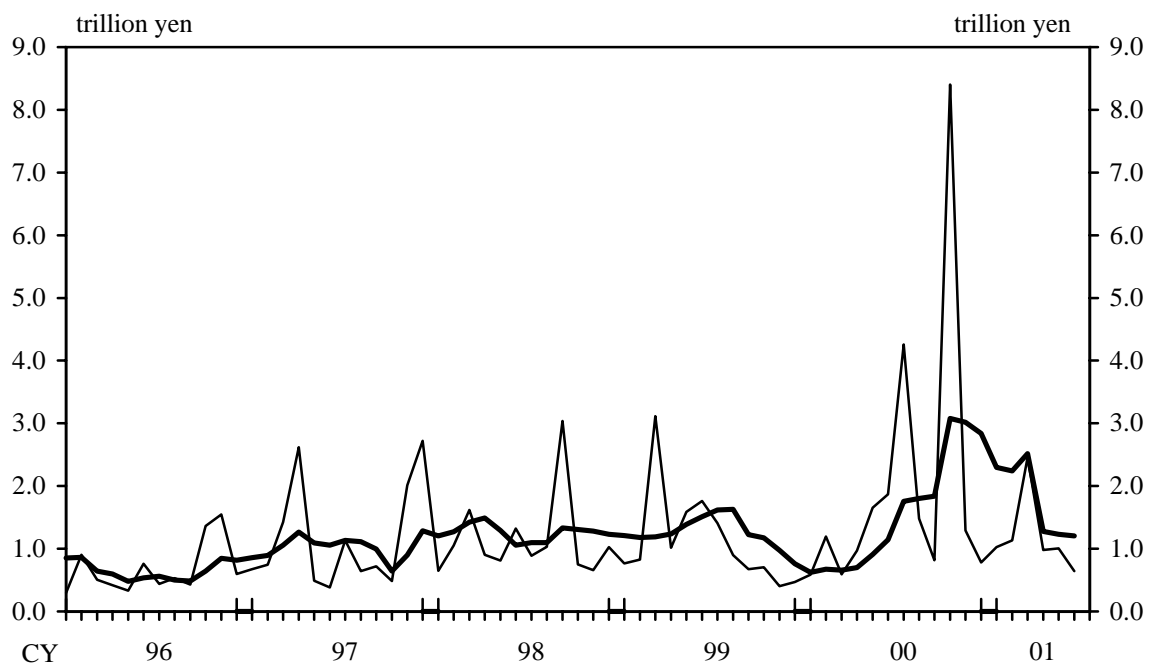
Source: Bank of Japan.

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)."