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Bank of Japan

**Monthly Report of  
Recent Economic and Financial Developments**  
January 2002

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

January 2002

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

Japan's economy is deteriorating broadly, as private consumption is weakening in addition to a decline in exports and business fixed investment.

With regard to final demand, net exports (real exports minus real imports) keep on a declining trend and business fixed investment is also decreasing. Housing investment remains sluggish and public investment is on a downward trend. Moreover, private consumption is weakening.

As for inventories, although the adjustment is progressing in many industries including electronic parts, a strong excessiveness in inventories still exists, mainly in materials. Under this situation, industrial production continues to decline considerably. Corporate profits are falling and business sentiment keeps on worsening. The weakness in household income is becoming noticeable amid the decrease in the hours worked and the rise in unemployment, and consumers are becoming cautious.

Turning to the outlook, as for exporting conditions, even though final demand for IT-related goods still remains stagnant, the view that inventory adjustments in IT-related goods worldwide will be mostly completed around this spring has become dominant. Furthermore, the yen's depreciation is expected to underpin exports. Still, the world economy continues to decelerate and there is considerable uncertainty about future economic developments especially in the U.S. Therefore, such concern still exists that downward pressure may be exerted on Japan's exports and production once again depending on the developments in overseas economies such as the U.S.

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<sup>1</sup> This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on January 15 and 16, 2002.

<sup>2</sup> The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on January 15 and 16 as the basis for monetary policy decisions.

Meanwhile, with respect to domestic demand, business fixed investment is expected to follow a downtrend amid the fall in corporate profits. Private consumption will also continue to be weak with deteriorating employment and income conditions and the more cautious consumer sentiment. Government spending is basically projected to follow a downward trend while domestic private demand generally weakens on top of the strong uncertainty about exporting conditions. Consequently, it may take quite a while for economic activity as a whole to stop declining, even though the decrease in industrial production may moderate somewhat in line with the progress in inventory adjustments such as of IT-related goods.

Overall, Japan's economy will inevitably continue to deteriorate for a while. In this situation, continuous attention should be paid to the risk of a negative impact on the economy induced by developments in foreign and domestic financial markets.

With regard to prices, import prices are starting to rise with the decline in international commodity prices coming to an end and the yen weakening. Domestic wholesale prices continue to decline as a whole mainly in machinery and chemical products, although the decrease in the prices such as of electronic parts seems to have ceased. Consumer prices are weakening reflecting the decline in prices of imported products and their substitutes. Corporate service prices continue to decrease.

As for the conditions surrounding price developments, the effects of the past decline in crude oil prices are likely to continue for a time. On the other hand, the recent yen's depreciation is regarded as a factor to support prices in the period ahead. However, as the economy continues to deteriorate, the balance between supply and demand in the domestic market will increasingly 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 follow a gradual declining trend 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 continues to move around zero percent as the Bank of Japan provided further ample liquidity to the money market by aiming at maintaining the outstanding balance of the current accounts at the Bank at around 10 to 15 trillion yen due to the changes in the guideline for money market operations decided at the Monetary Policy Meeting held on December 19.

Interest rates on term instruments are declining on the whole reflecting additional monetary easing measures. The Japan premium remains negligible.

Yields on long-term government bonds rose slightly and are mainly moving around 1.40-1.45 percent recently. As for the yield spreads between private bonds (bank debentures and corporate bonds) and government bonds, while spreads between bonds with relatively high credit ratings and government bonds remain mostly unchanged, those between bonds with low credit ratings and government bonds tend to expand.

Stock prices rebounded somewhat towards the start of the year, but are weakening recently.

In the foreign exchange market, the yen depreciated further towards the start of the year, and is currently being traded above 130 yen to the U.S. dollar.

With regard to corporate finance, private banks appear to be more cautious in extending loans to firms with high credit risks while they continue to be more active in extending loans to blue-chip companies. The lending attitudes of financial institutions as perceived by firms are gradually becoming more severe. In corporate bonds and CP markets, the fund-raising conditions continue to be generally favorable particularly for firms with high credit ratings as seen in a slight decline in CP issuance rates, but the issuing environment for those with low credit ratings is deteriorating on the whole.

Credit demand in the private sector continues to follow a downtrend mainly because firms are decreasing their business fixed investment while continuously reducing their debts.

Amid these developments, private banks' lending continues to decline at about 2 percent on a year-on-year basis. As for the amount outstanding of corporate bonds issued, the year-on-year growth rate has been slowing due to a decrease in the issuance of corporate bonds with low credit ratings. The year-on-year growth rate of the amount outstanding of CP issued is declining recently, although the amount is still well above the previous year's level.

The year-on-year growth rate of money stock ( $M_2 + \text{CDs}$ ) continues to be around three to four percent.

Funding costs for firms continue to be at extremely low levels on the whole, although market funding costs for some firms and the long-term prime lending rate are rising somewhat.

Overall, the recent financial environment remains extremely easy on the whole in terms of money market conditions and interest rate levels: additional monetary easing measures by the Bank have increased liquidity in the money market and prompted declines in interest rates on term instruments and the issuance rate of CP with high credit ratings. However, the fund-raising conditions of firms with high credit risks, especially of small firms, are becoming severe as private banks and investors are becoming more cautious in taking credit risks against the background of a growing number of corporate bankruptcies. Hence, the developments in the behavior of financial institutions and corporate financing need closer monitoring.

## The Background

### 1. Japan's Economy

Public investment is on a downward trend. The value of public works contracted—a metric that reflects orders—remains at low levels, and the actual implementation of those works has also been decreasing (Chart 2). Public investment is basically expected to follow a declining trend.<sup>3</sup>

Real exports are declining slowly in line with the progress in inventory adjustments of IT-related goods worldwide, although it has not yet been confirmed that exports have stopped declining (Charts 3[1] and 4). Real exports in October-November rose slightly vis-à-vis the level in the third quarter due not only to the easing of the negative contribution from IT-related parts, but also to the increase in automobile-related exports to the U.S.

Real imports are on a declining trend, albeit with monthly fluctuations, while exports and production are basically decreasing (Charts 3[1] and 5). Real imports in October-November increased somewhat in reaction to the substantial decline in the third quarter. By type of goods, consumer goods surged mainly in textile products from China, and foodstuffs (pork, etc.) also increased considerably in October-November. Moreover, imports of IT-related goods such as PCs, which dropped in the third quarter, increased, although they were still at low levels.

Net exports (real exports minus real imports), in terms of the real trade balance,<sup>4</sup> are decreasing at a somewhat slower pace<sup>5</sup> (Chart 3[2]).

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<sup>3</sup> The passage and materialization of the government's second supplementary budget composed of expenditures related to public works and facilities are expected to underpin public investment. However, not only is the public-investment-related expenditures reduced by about 10 percent in the government's budget draft for fiscal 2002, but public investment funded by local governments themselves is also likely to decline. Judged from available information at this stage, public investment is basically expected to follow a declining trend even though it may rise temporarily at some phases.

<sup>4</sup> Strictly speaking, the real trade balance presented in Chart 3[2] differs from net exports on a GDP basis, but the changes in the real trade balance are broadly in line with those of net exports. (The real trade balance is on a customs-clearance basis and does not include trade in services, while net exports of GDP statistics are on an ownership-transfer basis and include trade in services.)

Regarding the future environment for foreign trade, the real effective exchange rate of the yen continues its recent depreciating trend (Chart 6-1[1]). As for overseas economies, following the third quarter, when many countries including the U.S. recorded negative growth (Chart 6-1[2]), the synchronized deceleration in the U.S., East Asian, and European economies has continued with some effects from the terrorist attacks of September 11 added. With regard to factors affecting Japan's exports, the dominant view is that inventory adjustments in IT-related goods worldwide since the start of last year will be mostly completed around this spring (Chart 6-2). However, since final demand for IT-related goods still remains stagnant, a distinct recovery in exports of these goods is unlikely for the time being. On the other hand, as for the circumstances surrounding exports other than for the IT-related sector, the uncertainty of the U.S. economic outlook in particular is strong (Chart 6-3). As regards U.S. private consumption, even as a slump in Christmas sales was apparently avoided despite concerns prior to the season, employment conditions still continue to worsen. Under this situation, there is a concern that sales of automobiles in the U.S. will drop in reaction to the upsurge in sales since October due to the zero-percent financing campaigns.<sup>6</sup> Moreover, business fixed investment in the U.S. continues to decline for IT-related equipment as well as for other equipment.

In this environment, the decline in exports is likely to wane due to the abatement of the downward pressure from the IT-related sector and to the effects of the yen's depreciation. Still, there remain some risks that the downtrend may persist

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<sup>5</sup> The surplus of the nominal balance on goods and services (Chart 3[2]), which had been on a declining trend since the start of 2000, is recently expanding, due not only to the remarkable decrease in the number of people leaving for overseas since the terrorist attacks, but also to the fall in crude oil prices.

<sup>6</sup> Sales of automobiles in the U.S. (Chart 6-3[2]), which had been following a mild downtrend toward the beginning of last fall, have been maintaining a relatively high level since November, following a conspicuous increase in October owing to the most aggressive promotion ever done by U.S. vehicle makers such as the zero-percent financing after the terrorist attacks. As for the outlook, there is a concern that sales will drop in line with the termination of the campaign. Still, as new incentives are launched by some companies, there are uncertainties about how much and when the anticipated drop will occur.

or even intensify again depending on global economic developments such as in the U.S.<sup>7</sup>

Imports are projected to follow a downward trend due to weakening domestic demand, while exports and production are projected to basically continue declining for the time being. Under these conditions, the decline in net exports is expected to cease gradually.

Business fixed investment continues to decrease, particularly in manufacturing, while corporate profits and the capacity utilization rate keep on declining. As for investment-related indicators (Chart 7), aggregate supply of capital goods<sup>8</sup> (excluding transport equipment)—which basically moves simultaneously with machinery investment—continued to decline. Among leading indicators, machinery orders (private demand, excluding shipbuilding and electric power equipment) dropped in October-November compared to the third quarter. By industry, nonmanufacturing, which had been relatively steady, decreased in October-November in addition to the continuous substantial decline in manufacturing. Meanwhile, construction starts (nonresidential) have recently posted small increases, owing mainly to large-scale construction starts related to redevelopment projects and public utilities (such as electricity and transportation) in nonmanufacturing since the third quarter, although those in mining and manufacturing kept declining.

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<sup>7</sup> In mid-December, the IMF released the interim-updates of its latest *World Economic Outlook* (published in October 2001) in order to incorporate the effects from the terrorist attacks. According to this report, the recovery of the world economy is likely to be postponed until mid-2002 and onward. Based on these projections, the growth rates for 2002 in most countries and regions including the U.S. were lowered substantially compared to what had been expected. (Growth rate of the world economy <prior to revision/after revision>: 2001=2.6 percent/2.4 percent; 2002=3.5 percent/2.4 percent.)

<sup>8</sup> 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 the import volume based on *Foreign Trade Statistics*. Charts 7-1(1) and 8-4 show the developments in aggregate supply of capital goods (excluding transport equipment) and consumer goods. Figures for the fourth quarter of 2001 (October-November) are calculated by the Bank of Japan using indices of industrial shipments and real imports and exports.



Turning to the outlook, business fixed investment is expected to follow a declining trend while corporate profits continue to worsen, judged from investment plans and the weakness in leading indicators.

Private consumption is weakening, reflecting the increasingly harsh employment and income conditions (Chart 8). With regard to sales indicators, department stores sales remained firm, particularly for accessories and foodstuffs. On the other hand, chain store sales continued to be sluggish. Sales of household electrical appliances basically remained weak, even though in November there was a small pick-up in sales of personal computers due to the introduction of new products installed with new basic software. In addition, passenger car sales recovered somewhat in December but were still at low levels compared to those of last summer. Moreover, outlays for travel remained depressed, with individuals continuing to refrain from travelling overseas after the terrorist attacks in the U.S. Reflecting the developments in those indicators, indices of aggregated sales<sup>9</sup> are recently below last year's level. Moreover, the level of aggregate supply of consumer goods remained below that of the previous year since domestic shipments were stagnant in addition to the modest increase in imports. Meanwhile, according to the latest consumer survey (Chart 9[1]), consumers continued to be more cautious due to the deterioration in employment and income conditions. Private consumption will continue to be lackluster, mainly reflecting the worsening of employment and income conditions.

Housing investment remains sluggish (Chart 10). Construction starts fell slightly in October-November compared to the third quarter due to the drop in construction starts of built for sale, which has a tendency to fluctuate, while those of owner-occupied houses remained low. Housing investment is likely to remain sluggish for the time being amid the increasingly severe employment and income conditions of households, although construction starts of large condominiums are expected to contribute to some extent as an underpinning factor.<sup>10</sup>

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<sup>9</sup> 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 8-3.

<sup>10</sup> Construction starts of built for sale are underpinned by the relatively high-level sales of large-scale high-rise buildings, especially in the Tokyo metropolitan area (Chart 10[3]).

Reflecting these developments in final demand, industrial production continues to decline considerably (Chart 11). By industry, although the rate of decline in electrical machinery has been slowing substantially, production of materials continued to decrease sharply. Furthermore, production of transport equipment is recently decreasing in line with sluggish domestic sales. With regard to inventories (Chart 12), those in electronic parts among production goods were reduced further as a result of large production cutbacks, and this suggested that inventory adjustments were progressing steadily in this sector. Moreover, the further accumulation of inventories of other production goods such as iron and steel has stopped. However, a strong excessiveness persists while the inventory ratio still remained high against the background of sluggish final demand. Under this situation, although industrial production will inevitably continue to decrease for the time being, the decline in industrial production is likely to moderate compared to the last three consecutive quarters in line with the progress in inventory adjustments of IT-related goods and materials.

As for employment and income conditions, while the economy is deteriorating broadly, household income is weakening more evidently, with the supply-demand condition in the labor market continuing to ease, particularly in manufacturing and wages being on a declining trend (Chart 13). Among labor-market-related indicators (Chart 14), the unemployment rate rose considerably due mainly to the increase in the number of those involuntarily unemployed. Moreover, the ratio of job offers to applicants kept on declining, since the number of job seekers recently surged while that of job offers followed a downtrend, mainly in manufacturing. Regarding the number of regular employees (*Monthly Labour Survey* basis at establishments with five employees or more), the rate of decline expanded slightly in November (preliminary) against the background of a decrease in relatively small manufacturing firms, but the decline remained modest compared to that of employees in the *Labor Force Survey*.<sup>11</sup>

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<sup>11</sup> With respect to the developments in the *Labor Force Survey* (Chart 14-2[1]), the number of employees, which had been rising until mid-2001, has recently started a noticeable decrease. In this survey, “employees” include those excluded from the *Monthly Labour Survey* such as workers on short-term contracts with few monthly working days (for example, some part-time workers etc.). Hence, the current employment adjustment is apparently conducted mainly among workers on short-term contracts.

Meanwhile, nominal wages per employee kept on declining, influenced by the decrease in hours worked. Compensation of employees is projected to decline somewhat faster while the economy continues to deteriorate for the time being.

## **2. Prices**

Import prices on a yen basis turned up compared to levels three months earlier with the decline in international commodity prices such as nonferrous metals and crude oil coming to an end and the yen weakening (Chart 16).

Domestic wholesale prices continue to decline. As for domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates<sup>12</sup>) in December vis-à-vis three months earlier, the decline in prices of electronic parts and some materials diminished owing to the progress in inventory adjustments. On the other hand, in addition to the fall in prices of petroleum and chemical products, reflecting the past decline in crude oil prices, prices of machinery (electrical machinery such as color televisions) continued to decrease (Chart 17).

Corporate service prices continue to decrease. In November, corporate service prices (domestic supply-demand factors<sup>13</sup>) declined compared to levels three months earlier (Chart 18). The decrease was mainly because prices for advertising services continued to decline influenced by sluggish demand, in addition to the reduction in charges for leasing, reflecting the price decline in IT-related equipment.

Consumer prices are weakening. In November, consumer prices (excluding fresh food) continued to decline compared to levels three months earlier, reflecting the decreases in prices of clothes and durable consumer goods, which were influenced by

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<sup>12</sup> 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 a large seasonal fluctuation.

<sup>13</sup> Corporate service prices (domestic supply-demand factors) only include items whose monthly price changes primarily reflect changes in domestic private demand. Specifically, items with the following properties are removed from the overall CSPI: (1) regulated fees, (2) overseas factors, and (3) fees with a large monthly fluctuation that do not necessarily reflect short-term changes in supply-demand trends. For the detailed calculation, see the note in Chart 18.

the increases in imports of inexpensive consumer goods (Charts 19 and 20). The overall year-to-year rate of decline in November (excluding fresh food) expanded slightly compared to the previous month mainly because the rate of decline in petroleum products expanded. (The year-to-year change was -0.8 percent in September, -0.7 percent in October, and -0.8 percent in November.<sup>14</sup>)

Regarding the conditions surrounding price developments, the effects of the past decline in crude oil prices are likely to continue for a time. On the other hand, the recent yen's depreciation is regarded as a factor to support prices in the period ahead. However, as the economy continues to deteriorate, the balance between supply and demand in the domestic market will increasingly 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 follow a gradual declining trend for the time being.

### **3. Financial Developments**

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

As for interest rate developments in short-term money markets (Charts 21[1] and 22), the overnight call rate (uncollateralized) continues to move around zero percent as the Bank of Japan provided further ample liquidity to the money market by aiming at maintaining the outstanding balance of the current accounts at the Bank at around 10 to 15 trillion yen due to changes in the guidelines for money market operations decided at the Monetary Policy Meeting held on December 19 (Chart 23).

As for interest rates on term instruments (Chart 22), three-month Euro-yen rates (TIBOR) rose somewhat due to fiscal-year-end factors, but TB and FB rates decreased, reflecting additional monetary easing measures. The Japan premium (Chart 25) remains negligible.

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<sup>14</sup> The rate of decline of consumer prices including fresh food in November expanded as prices of both vegetables and fruit dropped. (The year-to-year change was -0.8 percent in September, -0.8 percent in October, and -1.0 percent in November.)

Yields on ten-year government bonds (newly issued; Chart 21[2]) are mainly moving around 1.40-1.45 percent recently, reflecting market anxieties toward a further depreciation of the yen. As for the yield spreads between government and private bonds (bank debentures and corporate bonds; Charts 27 and 28), while spreads between bonds with relatively high credit ratings and government bonds remain mostly unchanged, those between bonds with low credit ratings and government bonds tend to expand due to the more cautious views of investors toward taking credit risks and other considerations.

Stock prices (Chart 29[1]) rebounded somewhat toward the start of the year due to relatively firm movement in U.S. stocks and depreciation of the yen, but are recently weakening as the U.S. stocks are starting to weaken slightly.

In the foreign exchange market (Chart 30), the yen declined further toward the start of the year in thin trading during the holiday season partly due to the increasingly accentuated gap between the U.S. and Japanese economic outlook. The yen is currently being traded mainly in the range of 131-133 yen to the U.S. dollar.

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

The year-on-year growth rate of money stock ( $M_2$  + CDs; Chart 31) continues to be around three to four percent. (The year-on-year change was 3.0 percent in October, 3.2 percent in November, and 3.4 percent in December.) The growth rate in December increased slightly from the previous month. As for the first quarter, the year-on-year growth rate is projected to slow down slightly compared to the fourth quarter as credit demand of private firms is expected to decline further, while the inflow from postal savings is peaking out. (The projected year-on-year growth rate for the first quarter is around three percent.)

The year-on-year growth rate of monetary base (currency in circulation + current account balances at the Bank of Japan; Chart 32) has been increasing mainly due to a large increase in the current account balances at the Bank of Japan. (The year-on-year change was 14.3 percent in October, 15.5 percent in November, and 16.9 percent in December.)

As for the lending attitudes of private financial institutions, financial institutions appear to be more cautious in extending loans to firms with high credit risks, while they continue to be more active in extending loans to blue-chip companies. The lending attitudes of financial institutions as perceived by firms are gradually becoming more severe. In corporate bonds and CP markets, the fund-raising conditions continue to be generally favorable particularly for firms with high credit ratings as seen in a slight decline in CP issuance rates, but the issuing environment for those with low credit ratings is deteriorating on the whole.

Credit demand in the private sector continues to follow a downtrend mainly because firms are decreasing their business fixed investment while continuously reducing their debts.

Amid these developments, lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;<sup>15</sup> Chart 33), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, continues to decline at about 2 percent on a year-on-year basis. (The year-on-year change was -1.9 percent in October, -2.0 percent in November, and -2.1 percent in December.) As for the amount outstanding of corporate bonds issued (Chart 35), the year-on-year growth rate has been slowing due to a decrease in the issuance of corporate bonds with low credit ratings. The year-on-year growth rate of the amount outstanding of CP issued is declining recently, although the amount is still well above the previous year's level.

Funding costs for firms continue to be at extremely low levels on the whole, although market funding costs for some firms and the long-term prime lending rate are rising somewhat. The average contracted interest rates on new loans and discounts (Chart 37) continue to be more or less unchanged. The long-term prime lending rate was raised by 0.15 percent to 2.0 percent on January 10. In the capital market, corporate bond issuance rates are recently rising slightly. CP issuance rates

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<sup>15</sup> The figures are adjusted for (1) fluctuations from the liquidation of loans, (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates, and (3) fluctuations from loan write-offs.

are declining somewhat mainly in CP with high credit ratings, as the Bank increased the purchase of CP under repurchase agreements.

The number of corporate bankruptcies (Chart 38) is recently increasing substantially.

Overall, the recent financial environment remains extremely easy on the whole in terms of money market conditions and interest rate levels: additional monetary easing measures by the Bank have increased liquidity in the money market and prompted declines in interest rates on term instruments and the issuance rate of CP with high credit ratings. However, the fund-raising conditions of firms with high credit risks, especially of small firms, are becoming severe as private banks and investors are becoming more cautious in taking credit risks against the background of a growing number of corporate bankruptcies. Hence, the developments in the behavior of financial institutions and corporate financing need closer monitoring.

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## Main Economic Indicators (1)

s.a., q/q (m/m) % chg.<sup>1</sup>

	2001/Q2	Q3	Q4	2001/September	October	November	December
Index of living expenditure level (all households)	-3.2	-0.7	n.a.	-0.1	4.1	-0.2	n.a.
Sales at department stores	0.8	-1.2	n.a.	2.5	-3.2	3.7	n.a.
Sales at chain stores	-2.6	-1.1	n.a.	-1.1	-3.4	4.7	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	<303>	<317>	<288>	<307>	<278>	<283>	<305>
Sales of household electrical appliances (real, NEBA)	-7.4	0.4	n.a.	4.9	-2.0	9.2	n.a.
Outlays for travel (50 major travel agencies)	-1.2	-3.1	n.a.	-16.1	-8.5	0.0	n.a.
Housing starts <s.a., ann. 10,000 units>	<115>	<121>	<n.a.>	<118>	<115>	<124>	<n.a.>
Machinery orders (from private sector <sup>4</sup> )	1.1	-5.7	n.a.	-13.2	-10.1	14.9	n.a.
Manufacturing	-6.6	-9.7	n.a.	-18.4	-8.7	12.9	n.a.
Nonmanufacturing <sup>4</sup>	5.7	-1.4	n.a.	-15.6	-9.4	17.5	n.a.
Construction Starts (private, nonresidential use)	-7.2	11.6	n.a.	1.7	5.4	-4.1	n.a.
Mining & manufacturing	-18.5	-6.9	n.a.	-9.3	4.1	-17.8	n.a.
Nonmanufacturing <sup>5</sup>	-1.1	18.4	n.a.	4.8	7.9	-2.0	n.a.
Value of public works contracted	-17.8	5.2	-1.8	-1.8	-0.6	1.3	0.9
Real exports	-4.9	-4.0	n.a.	-4.3	1.7	0.7	n.a.
Real imports	-1.5	-4.7	n.a.	-6.9	8.2	0.6	n.a.
Industrial production	-4.1	-4.3	n.a.	-2.9	-0.2	p -1.8	n.a.
Shipments	-3.9	-3.6	n.a.	-3.2	-0.5	p -1.4	n.a.
Inventories	2.4	-2.4	n.a.	-1.3	-1.3	p -1.5	n.a.
Inventories/shipments <s.a., 1995=100>	<112.5>	<116.6>	<n.a.>	<116.6>	<114.2>	<p 113.9>	<n.a.>
Real GDP	-1.2	-0.5	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	-1.9	-1.7	n.a.	-0.9	-0.5	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2001/Q2	Q3	Q4	2001/September	October	November	December
Ratio of job offers to applicants <s.a., times>	<0.61>	<0.59>	<n.a.>	<0.57>	<0.55>	<0.53>	<n.a.>
Unemployment rate <s.a., %>	<4.87>	<5.09>	<n.a.>	<5.30>	<5.36>	<5.45>	<n.a.>
Overtime working hours <sup>6</sup>	-2.8	-6.2	n.a.	-8.1	-8.1	p -10.7	n.a.
Number of employees	0.9	0.0	n.a.	-1.0	-1.2	-1.0	n.a.
Number of regular employees <sup>6</sup>	-0.2	-0.2	n.a.	-0.2	-0.1	p -0.4	n.a.
Nominal wages per person <sup>6</sup>	-0.4	-1.2	n.a.	-1.2	-1.2	p -2.0	n.a.
Domestic wholesale price index <q/q % chg.> (3-month growth rate)	-0.6 <-0.2>	-1.0 <-0.3>	-1.3 <-0.5>	-1.1 <-0.4>	-1.1 <-0.5>	-1.4 <-0.6>	-1.4 <-0.4>
Consumer price index <sup>7</sup> <s.a., q/q % chg.> (3-month growth rate)	-0.9 <-0.2>	-0.8 <-0.2>	n.a. <n.a.>	-0.8 <-0.2>	-0.7 <-0.2>	-0.8 <-0.2>	n.a. <n.a.>
Corporate service price index <sup>8</sup> <s.a., q/q % chg.> (3-month growth rate)	-1.3 <-0.5>	-1.4 <-0.2>	n.a. <n.a.>	-1.5 <-0.3>	-1.5 <-0.4>	-1.4 <-0.3>	n.a. <n.a.>
Monetary aggregates (M <sub>2</sub> +CDs) <average outstanding, y/y % chg.>	2.7	3.1	3.2	3.3	3.0	3.2	3.4
Number of suspension of transactions with banks	-3.4	-8.5	n.a.	-4.8	16.7	1.9	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 fresh food.

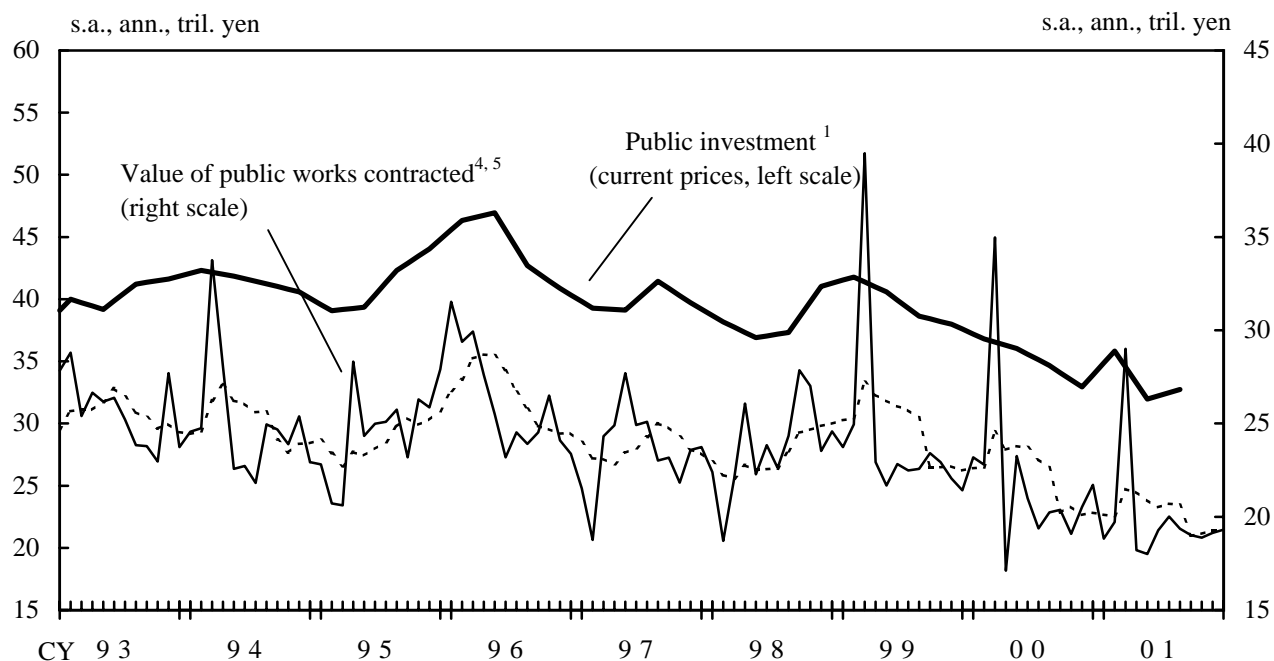
8. Domestic supply-demand factors.

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

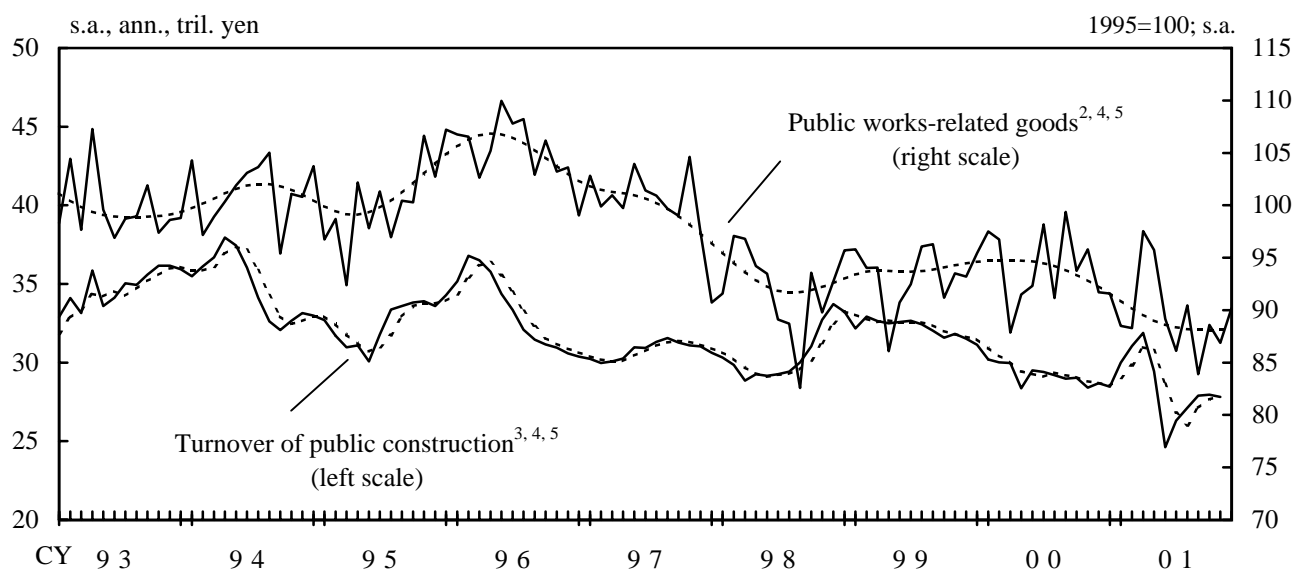
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey," "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production," "Indices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

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

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

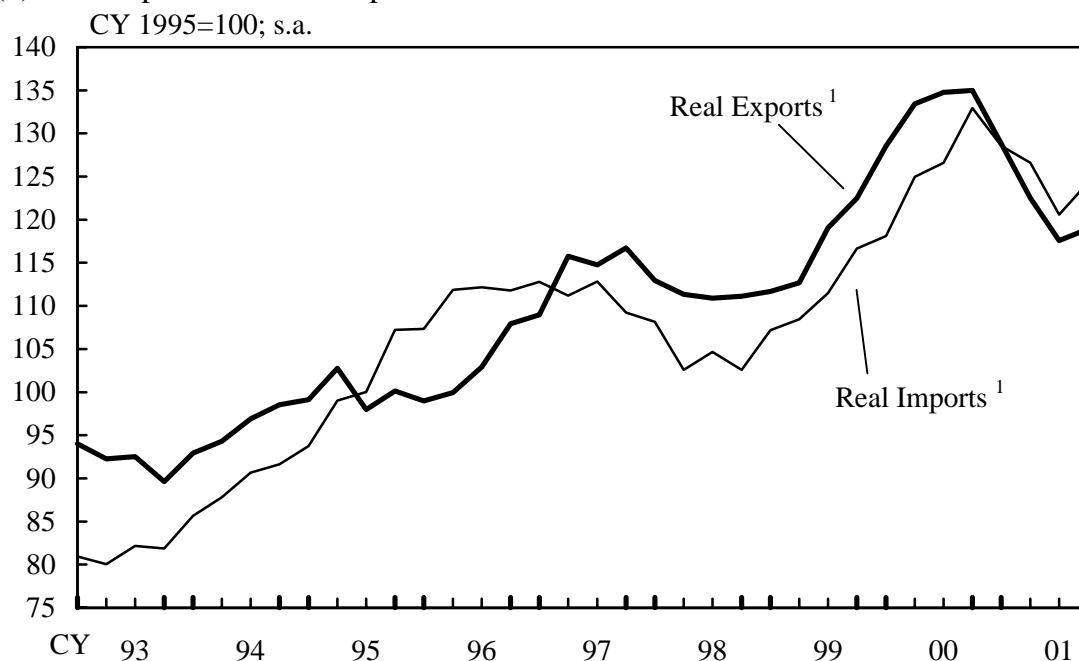
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";

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

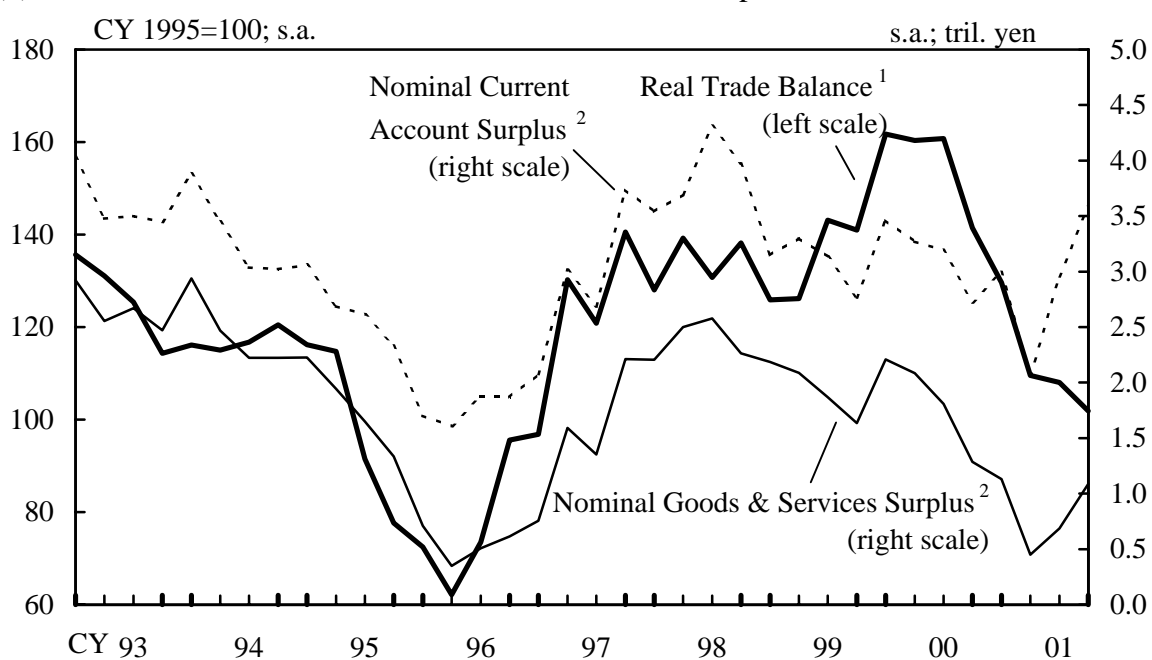
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

## External Balance

## (1) Real Exports and Real Imports



## (2) Real Trade Balance and Nominal Current Account Surplus



Notes: 1. Real exports/imports and the real trade balance are seasonally adjusted by X-11.

2001/Q4 figures are Oct.-Nov. averages converted into quarterly amount.

2. 2001/Q4 figures are October figures 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."

Real Exports <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 99	2000	2000 Q4	2001 Q1	Q2	Q3	Q4	2001 Sep.	Oct.	Nov.
United States	<29.7>	4.6	11.7	6.0	-6.6	-6.7	-3.0	0.7	-10.2	5.4	0.9
EU	<16.3>	0.8	6.4	-2.2	1.3	-10.1	-6.4	3.5	-2.0	-1.3	5.0
East Asia	<39.7>	12.0	25.7	-1.7	-4.3	-5.8	-4.1	0.6	-4.9	-0.7	3.6
China	<6.3>	12.3	27.8	1.3	10.2	-5.4	-2.0	2.7	-12.9	8.8	-1.6
NIEs	<23.9>	11.2	25.8	-2.3	-9.4	-6.3	-3.5	0.0	-2.4	-3.8	6.2
Taiwan	<7.5>	7.8	22.5	-9.2	-16.5	-3.2	-12.1	5.0	3.9	-1.9	6.6
Korea	<6.4>	43.8	30.4	-0.8	-5.4	-8.3	7.1	1.4	1.6	-4.2	5.1
ASEAN4 <sup>3</sup>	<9.5>	13.6	24.0	-2.3	-1.7	-5.0	-6.8	0.1	-4.1	-0.6	1.9
Thailand	<2.8>	15.3	19.0	1.6	-5.1	-4.7	-0.9	1.9	-0.9	-0.2	0.9
Real exports		4.5	14.1	0.2	-4.6	-4.9	-4.0	1.1	-4.3	1.7	0.7

## (2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 99	2000	2000 Q4	2001 Q1	Q2	Q3	Q4	2001 Sep.	Oct.	Nov.
Intermediate goods	<14.1>	5.3	5.3	0.8	-1.8	-4.8	-0.8	5.6	-0.2	3.5	-0.1
Motor vehicles and their related goods	<20.2>	2.8	9.2	-1.1	-7.8	3.5	5.2	3.4	-7.7	4.5	2.4
Consumer goods <sup>4</sup>	<7.0>	5.0	13.0	2.6	-6.0	-0.4	-2.7	0.8	5.0	-6.1	7.7
IT-related goods <sup>5</sup>	<18.8>	6.4	25.2	5.9	-5.7	-6.4	-9.5	-2.0	-4.7	-3.7	6.5
Capital goods and parts <sup>6</sup>	<29.7>	1.8	21.1	-3.3	-3.2	-10.2	-6.9	-2.0	-3.3	-4.3	5.2
Real exports		4.5	14.1	0.2	-4.6	-4.9	-4.0	1.1	-4.3	1.7	0.7

Notes: 1. Seasonally adjusted by X-11. 2001/Q4 figures are Oct.-Nov. 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 <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 99	2000	2000 Q4	2001 Q1	Q2	Q3	Q4	2001 Sep.	Oct.	Nov.
United States	<19.0>	-2.9	7.9	4.8	-5.5	-0.3	-9.8	0.3	-4.8	8.5	-6.4
EU	<12.3>	5.8	8.5	4.4	2.2	-4.7	-1.3	5.2	-2.5	8.5	-1.9
East Asia	<39.6>	15.8	25.5	6.6	-1.1	-3.9	-5.6	4.2	-9.7	11.9	0.1
China	<14.5>	11.9	28.1	10.1	5.2	-1.2	-4.2	10.5	-7.8	13.3	5.2
NIEs	<12.2>	24.2	28.4	4.4	-5.2	-9.7	-7.5	-3.9	-13.9	9.2	-3.6
Taiwan	<4.7>	25.6	43.6	8.1	-7.6	-12.7	-12.6	0.7	-15.8	17.5	-7.8
Korea	<5.4>	30.8	22.5	2.4	-2.6	-7.2	-7.3	-2.2	-9.6	7.8	-3.6
ASEAN4 <sup>3</sup>	<12.8>	12.6	20.2	5.0	-3.8	-1.4	-5.5	3.5	-8.3	12.4	-3.1
Thailand	<2.8>	5.5	19.3	8.9	-4.1	4.3	-6.0	4.7	-8.8	8.7	1.4
Real imports		6.1	13.3	5.0	-3.3	-1.5	-4.7	3.1	-6.9	8.2	0.6

## (2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 99	2000	2000 Q4	2001 Q1	Q2	Q3	Q4	2001 Sep.	Oct.	Nov.
Raw materials <sup>4</sup>	<26.8>	2.7	1.7	0.6	-1.7	-2.1	-3.0	0.8	-8.3	6.6	-0.3
Intermediate goods	<13.0>	3.6	8.2	5.7	0.3	-3.8	-3.9	0.8	-7.4	7.8	-2.6
Foodstuffs	<12.1>	2.8	5.3	2.4	-2.3	-1.1	-3.3	8.7	-1.2	9.7	3.5
Consumer goods	<10.5>	8.2	21.4	9.3	-2.7	1.3	-2.9	6.4	-6.3	11.7	-3.3
IT-related goods <sup>5</sup>	<16.1>	18.7	43.9	7.3	-5.0	-6.1	-13.0	3.9	-4.6	7.5	4.6
Capital goods and parts <sup>6</sup>	<11.5>	5.1	12.4	7.6	-3.7	-0.3	-4.4	1.5	-8.4	8.4	-3.4
excluding aircraft		4.4	21.5	8.9	0.5	-0.9	-7.2	2.0	-13.5	13.7	-2.5
Real imports		6.1	13.3	5.0	-3.3	-1.5	-4.7	3.1	-6.9	8.2	0.6

Notes: 1. Seasonally adjusted by X-11. 2001/Q4 figures are Oct.-Nov. 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.

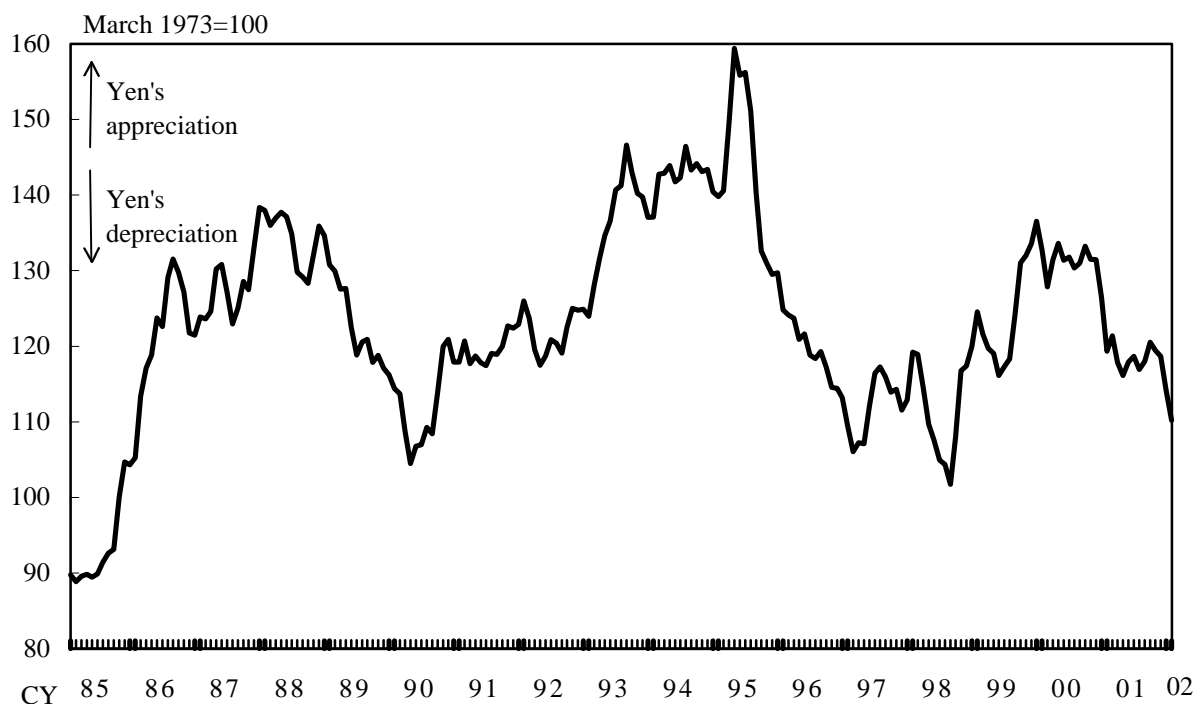
4. Raw materials = woods + ores + mineral fuel, etc.

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

6. Excluding IT-related goods.

## Exporting Conditions (1)

## (1) Real Effective Exchange Rate



Note: Monthly average. The figure for January 2002 is the average of January 1-15. 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

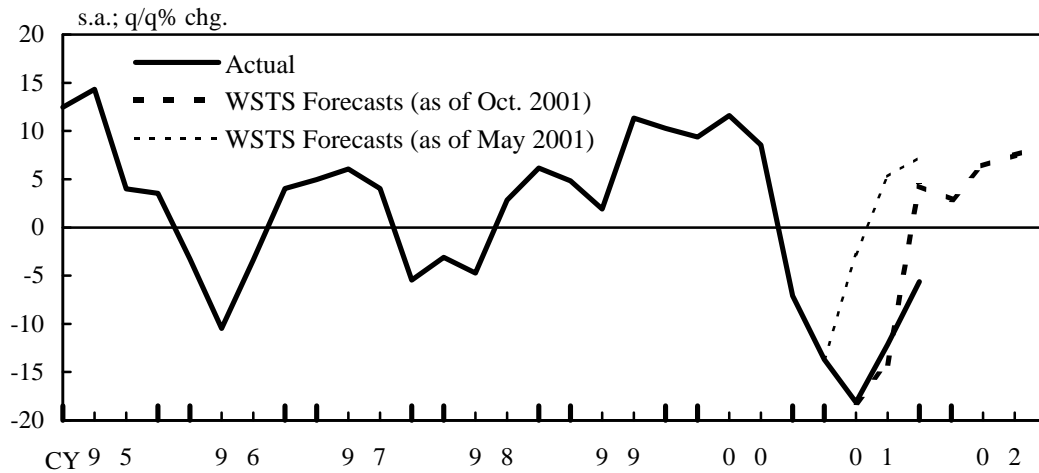
		CY99	2000	2001	2001 Q1	Q2	Q3	Q4	
United States <sup>1</sup>		4.1	4.1	n.a.	1.3	0.3	-1.3	n.a.	
European Union <sup>1</sup>		2.6	3.3	n.a.	2.2	0.5	0.7	n.a.	
Germany		1.8	3.0	n.a.	1.6	-0.1	-0.6	n.a.	
France		3.0	3.5	n.a.	1.7	0.8	1.8	n.a.	
United Kingdom		2.1	3.0	n.a.	2.9	2.0	1.8	n.a.	
East Asia <sup>2</sup>	China	7.1	8.0	7.3	8.1	(Jan-Jun) 7.9	(Jan-Sep) 7.6	(Jan-Dec) 7.3	
	NIEs	Korea	10.9	8.8	n.a.	3.7	2.7	1.8	n.a.
		Taiwan	5.4	5.9	n.a.	0.9	-2.4	-4.2	n.a.
		Hong Kong	3.0	10.5	n.a.	2.2	0.8	-0.3	n.a.
		Singapore	5.9	9.9	-2.2	4.8	-0.4	-5.5	-7.0
	ASEAN4	Thailand	4.2	4.4	n.a.	1.8	1.9	1.5	n.a.
		Indonesia	0.8	4.8	n.a.	3.1	3.3	3.5	n.a.
Malaysia		6.1	8.3	n.a.	3.1	0.5	-1.3	n.a.	
	Philippines	3.4	4.0	n.a.	3.2	3.2	2.9	n.a.	

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

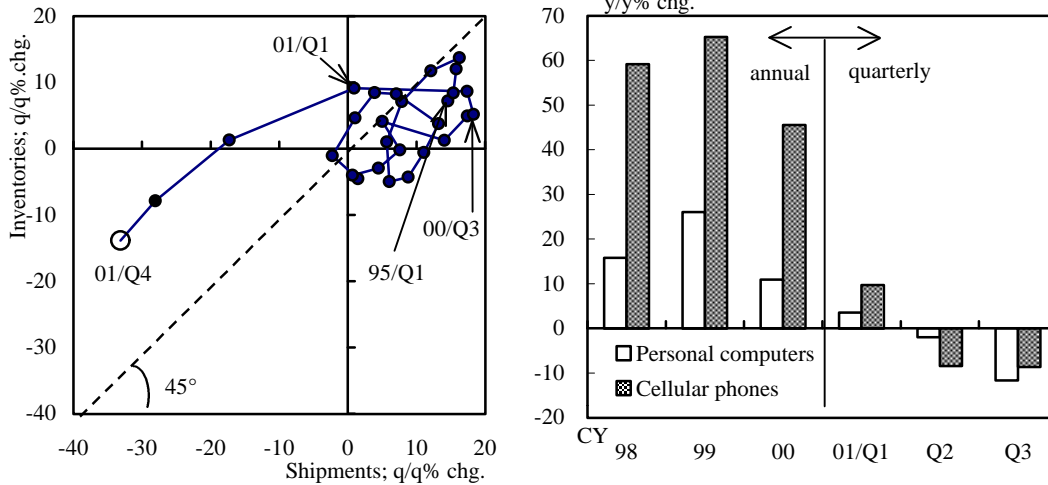
2. Quarterly data are percent changes from a year earlier.

Exporting Conditions (2)

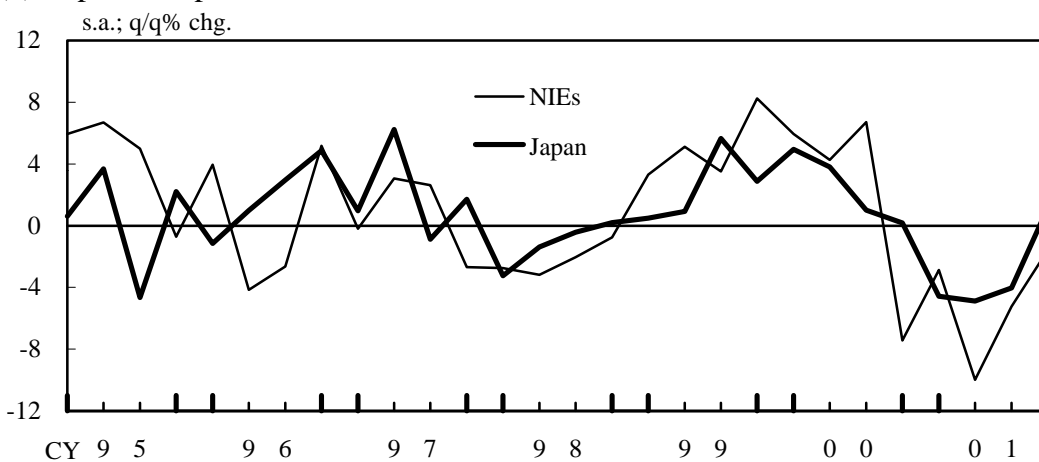
(1) World Semiconductor Shipments<sup>1</sup>



(2) Inventory Cycle for U.S. Computers and Electronic Products<sup>2</sup> (3) World Shipments of Personal Computers and Cellular Phones



(4) Exports - Japan and NIEs<sup>3</sup>



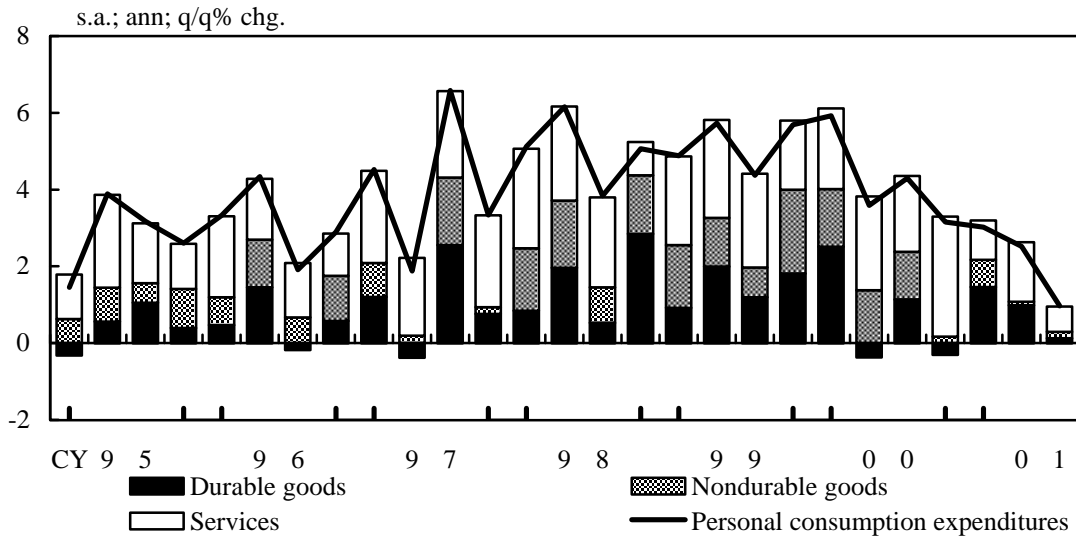
- Notes: 1. Actual figures are on a real basis deflated by U.S. PPI electronic devices. Forecasts are on a nominal basis. 2001/Q4 figures are Oct.-Nov. averages converted into quarterly amount.  
 2. A way of reading figure (2) is shown in Chart 12. 2001/Q4 figures are Oct.-Nov.  
 3. NIEs exports are the weighted sum of Korea, Taiwan, and Singapore where weights come from real GDP. NIEs exports are in nominal (U.S. dollar) terms. 2001/Q4 figures are Oct.-Dec. averages (Korea and Taiwan) and Oct.-Nov. averages (Singapore) converted into quarterly amount.  
 4. Data for (1), (2), and (4) are seasonally adjusted by X-11.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes"; WSTS (World Semiconductor Trade Statistics), "Semiconductor Forecasts"; CEIC Data Company; Gartner Group Press Releases; IDC Press Releases.

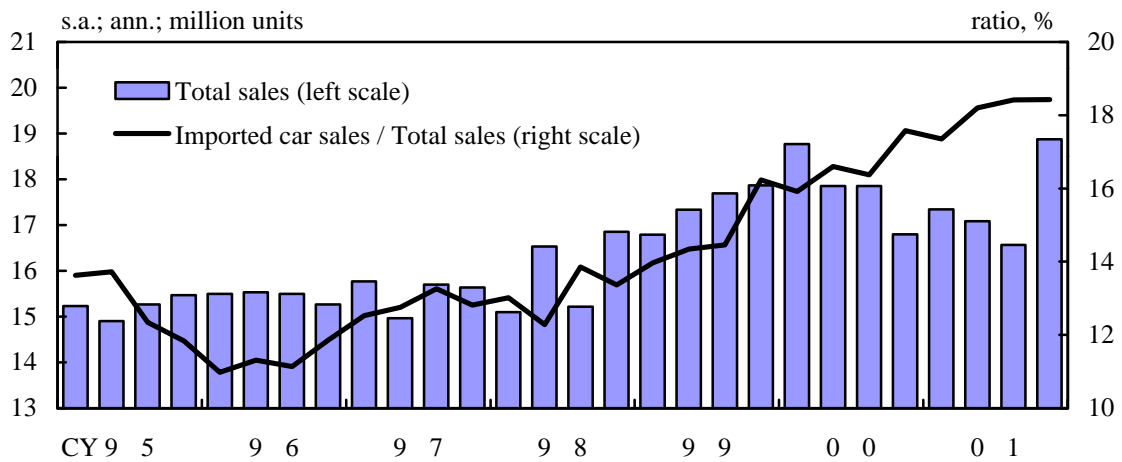


Exporting Conditions (3)

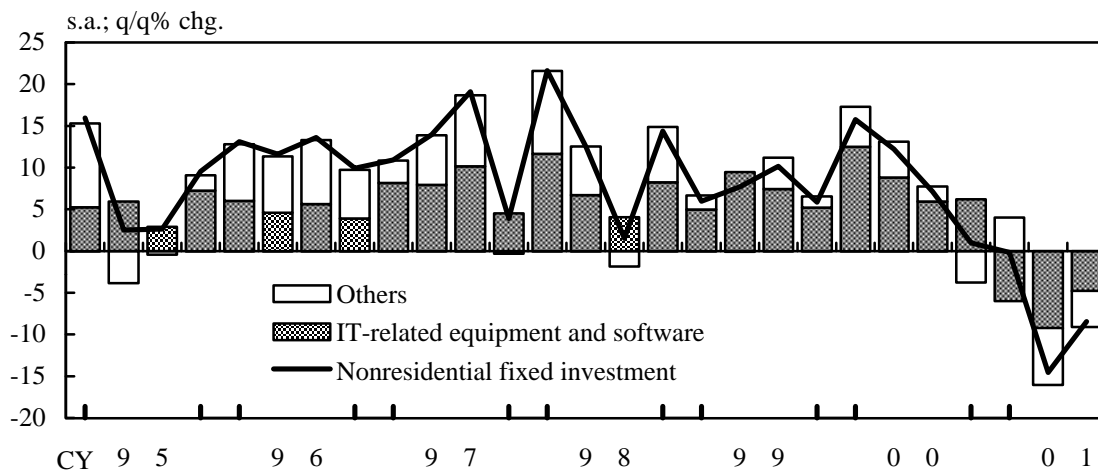
(1) U.S. Personal Consumption Expenditures



(2) Sales of Automobiles in the U.S.



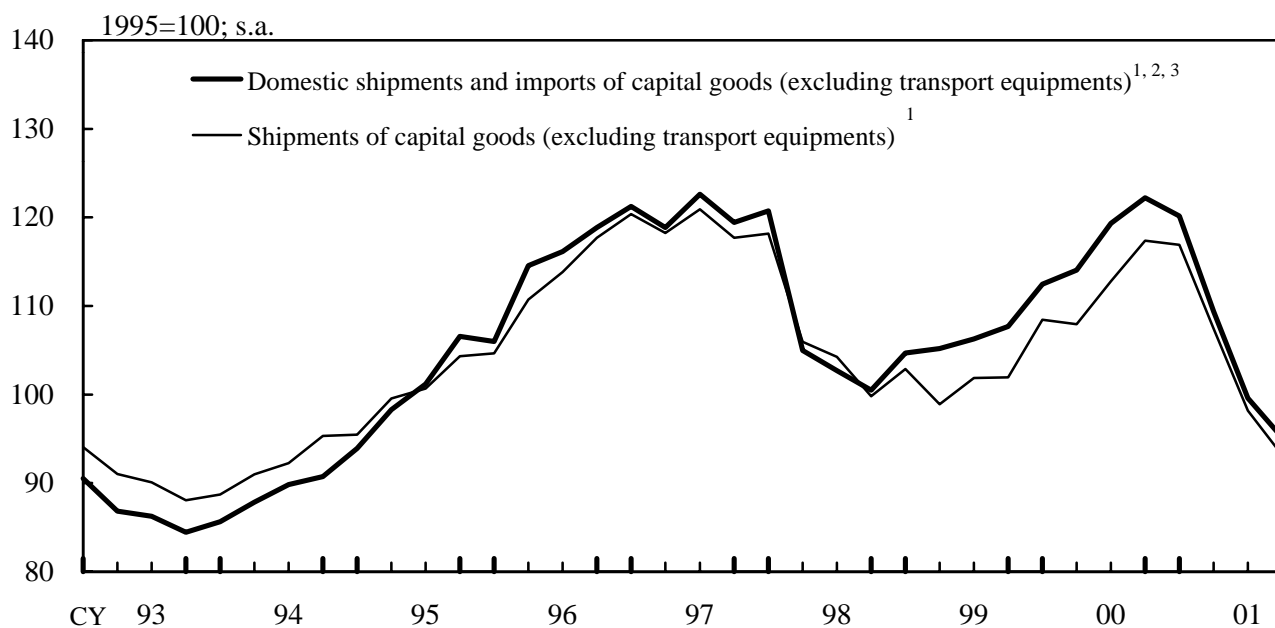
(3) U.S. Nonresidential Fixed Investment



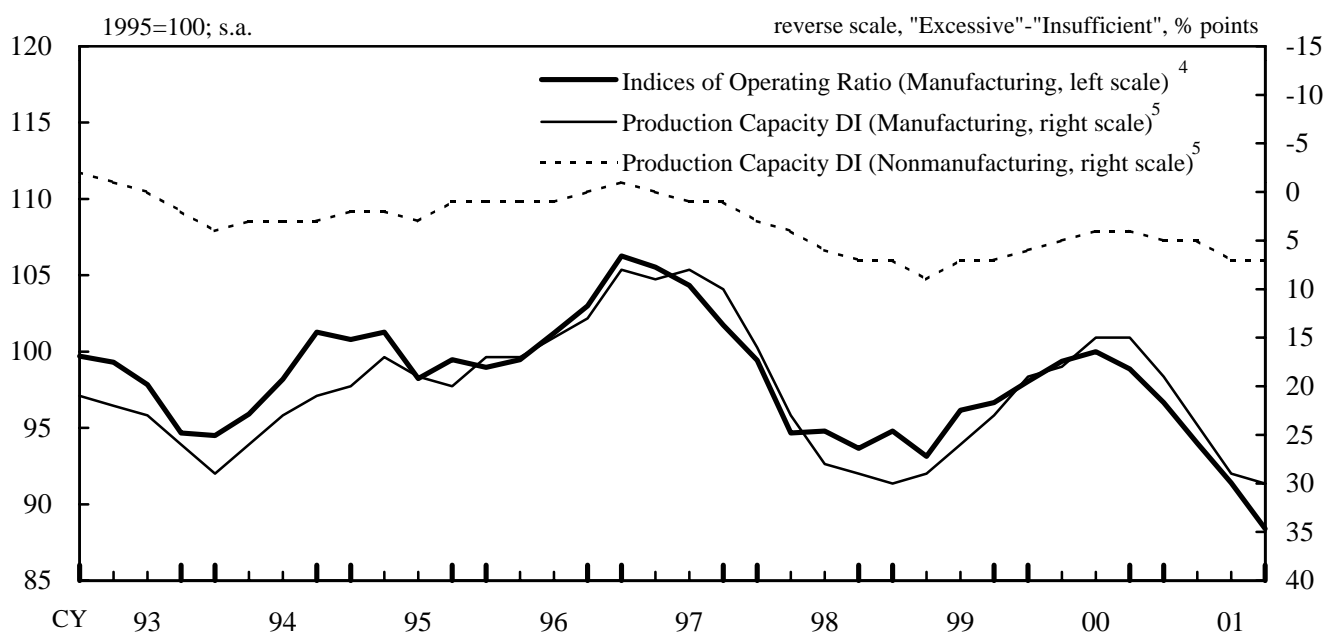
Sources: U.S. Department of Commerce, "National Income and Product Accounts"; WEFA; CEIC Data Company.

## Indicators for Business Fixed Investment (1)

## (1) Domestic shipments and imports of capital goods (excluding transport equipments)



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



Notes: 1. Figures for 2001/Q4 are those of Oct.-Nov. averages.

2. The figure for 2001/Q4 of "Domestic shipments" is calculated using Indices of Industrial Production and real exports (see chart 5).

3. The figure for 2001/Q4 of "Domestic shipments and imports of capital goods (excluding transport equipments)" is calculated from the weighted average of the quarterly changes in "Imports" based on real imports and "Domestic shipments."

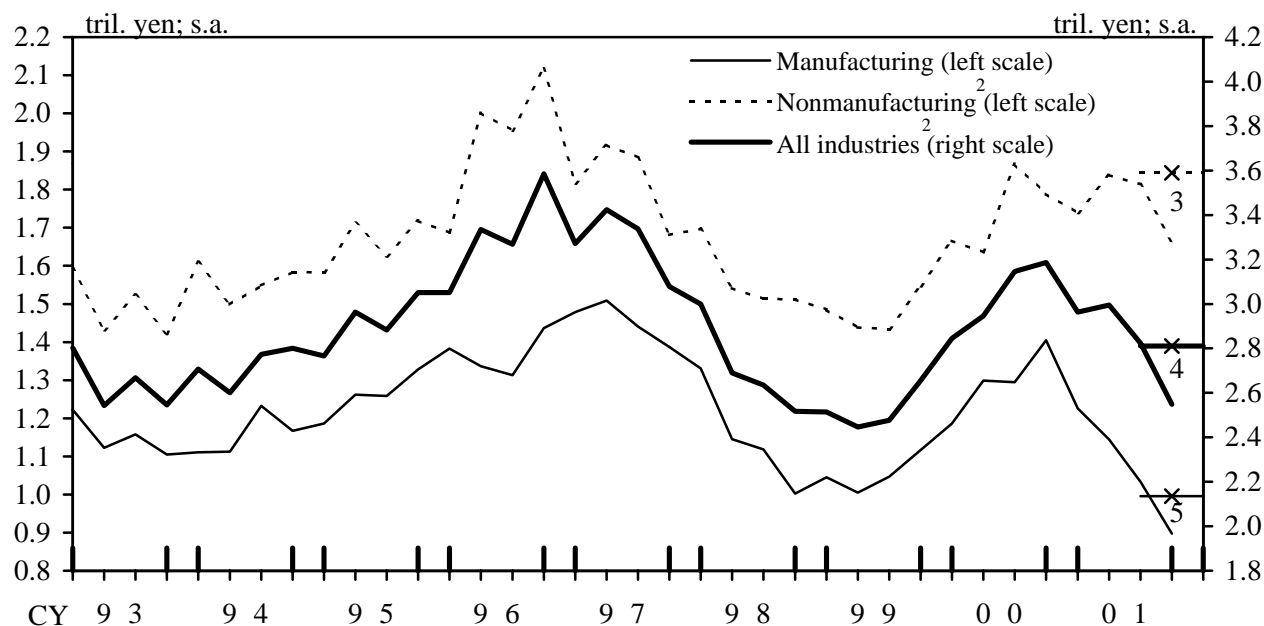
4. The figure for 2001/Q4 is that of October.

5. All enterprises.

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."

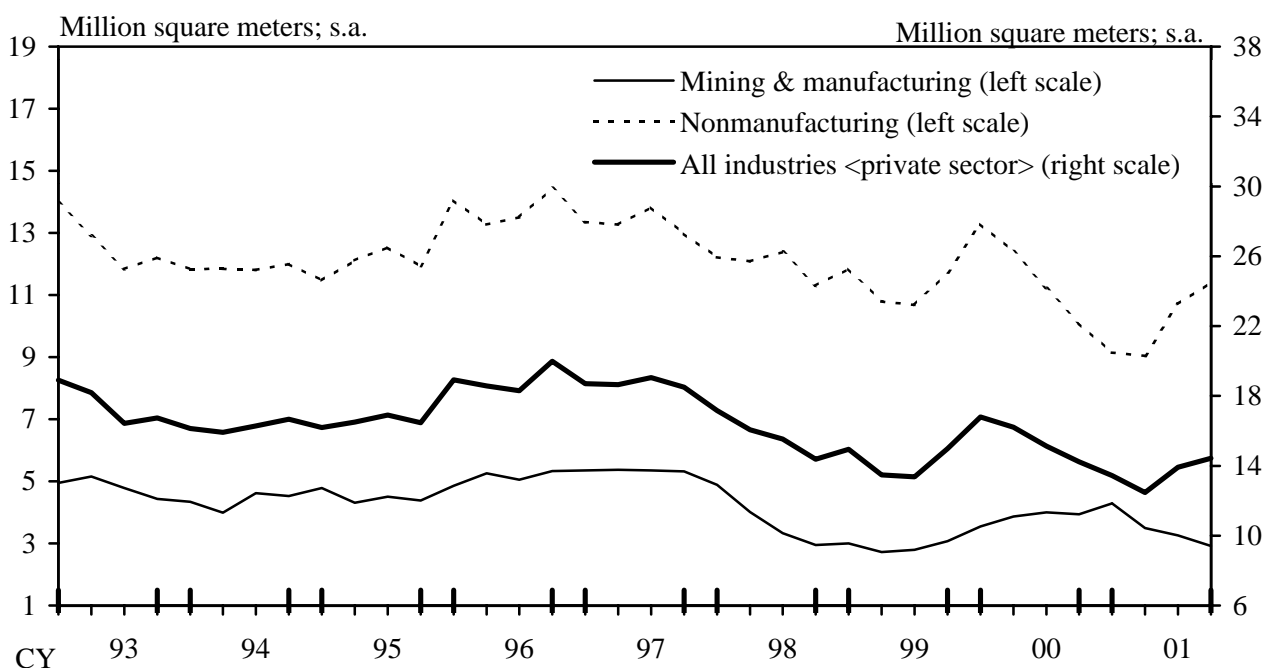
## Indicators for Business Fixed Investment (2)

## (1) Machinery Orders



- Notes: 1. Figures for 2001/Q4 are average of October and November in terms of quarterly amount.  
 2. Excludes orders from electric power companies and shipbuilding orders.  
 3. Forecast of nonmanufacturing industries for 2001/Q4.  
 4. Forecast of all industries for 2001/Q4.  
 5. Forecast of manufacturing industries for 2001/Q4.

## (2) Construction Starts (Nonresidential)

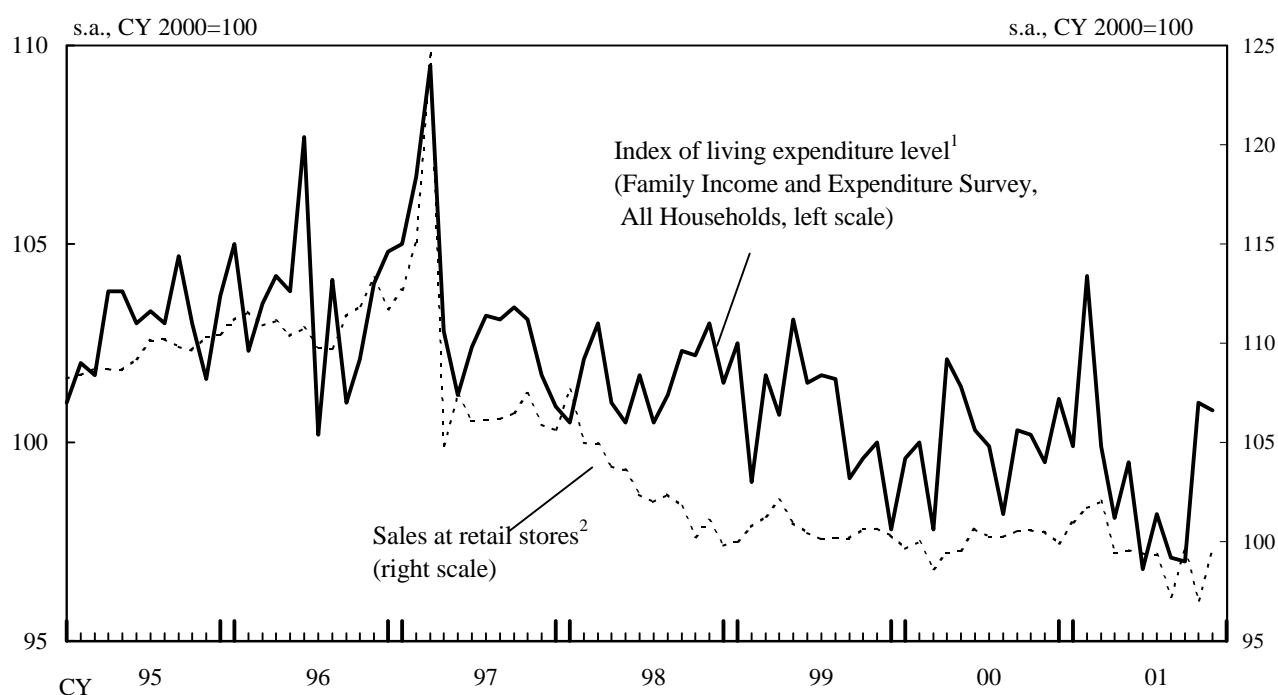


- Notes: 1. Seasonally adjusted by X-12-ARIMA ( $\beta$  version).  
 2. Figures for 2001/Q4 are average of October and November in terms of quarterly amount.

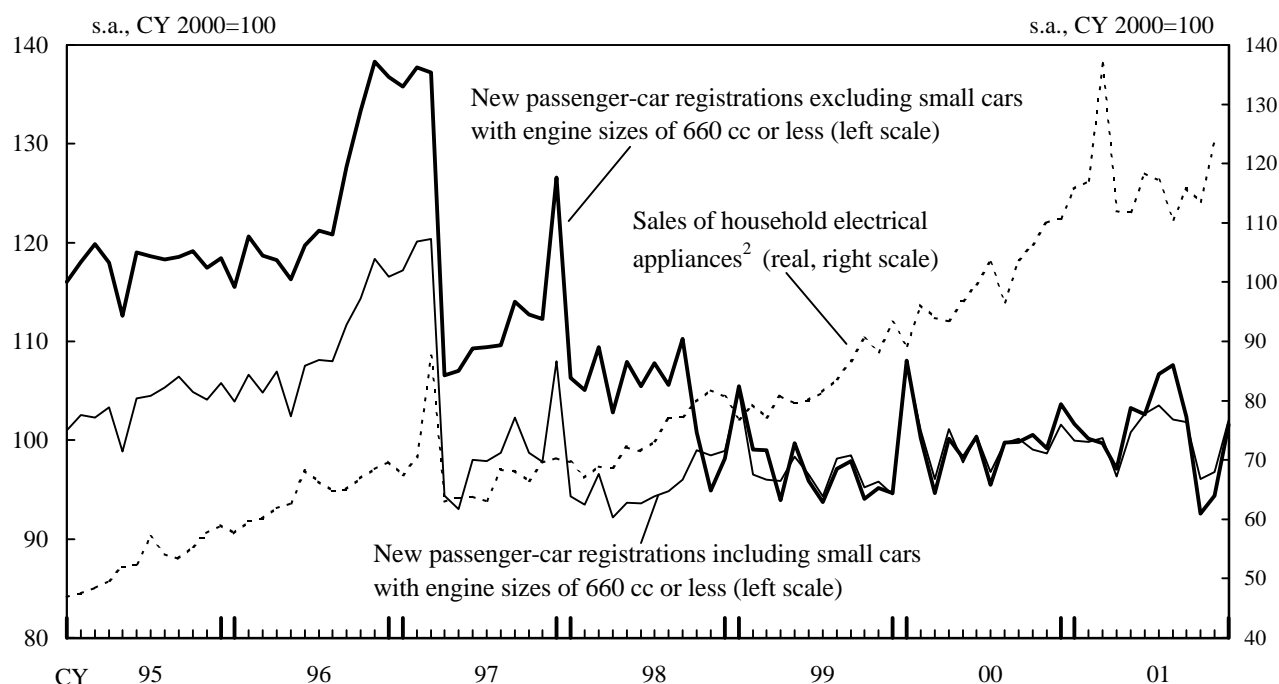
Sources: Cabinet Office, "Machinery Orders Statistics";  
 Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

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

## (1) Household Spending

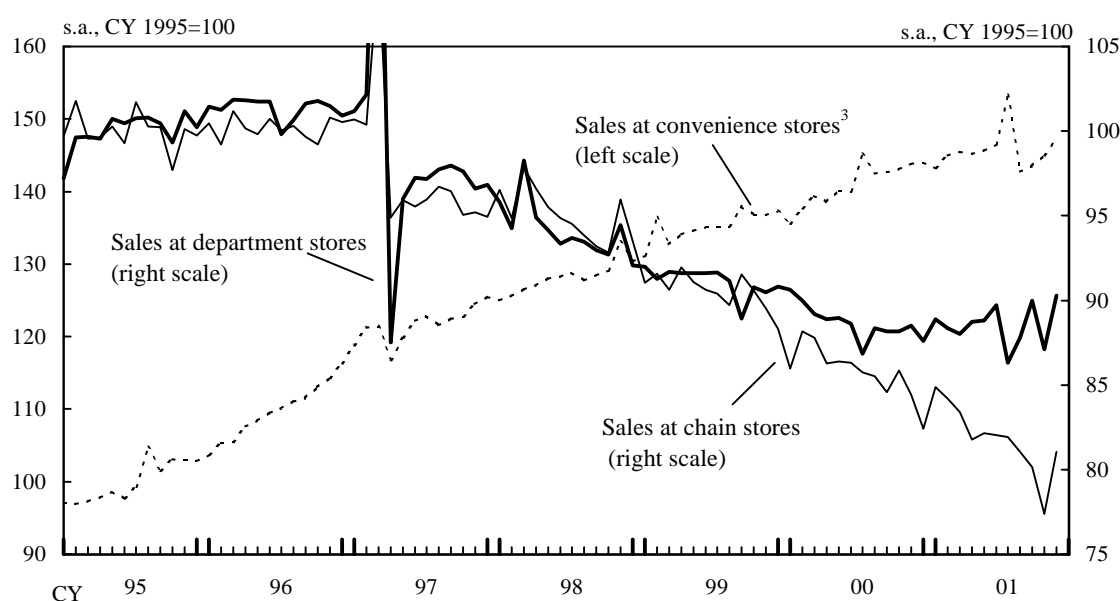
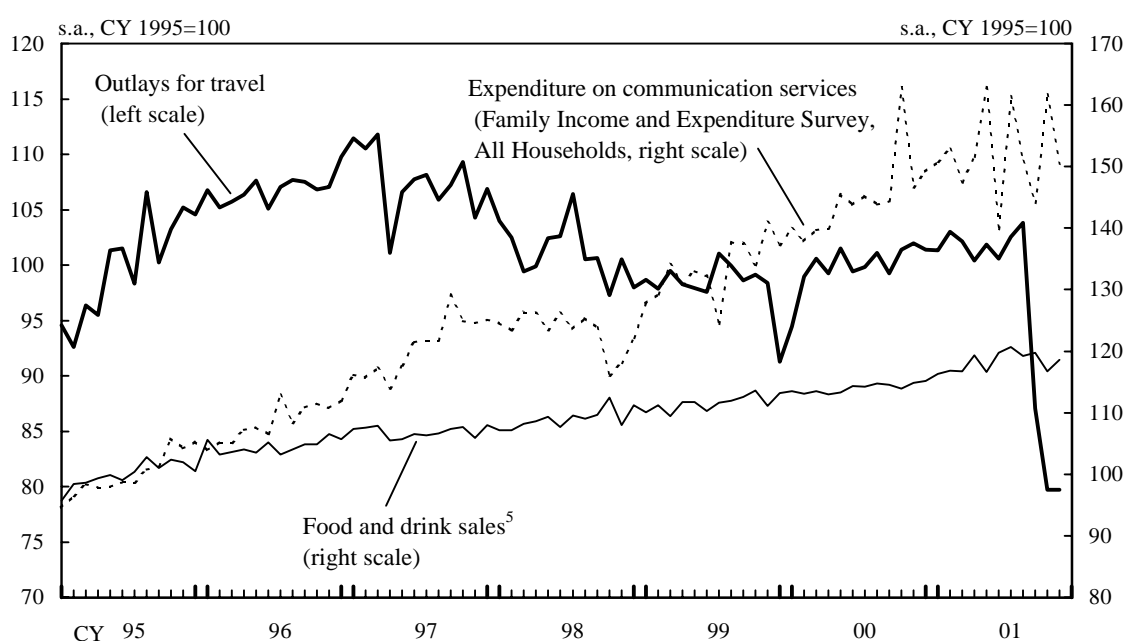


## (2) Sales of Durable Goods



- Notes: 1. Seasonally adjusted by X-12-ARIMA ( $\beta$  version). Index of living expenditure level is seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications.
2. Sales at retail stores are deflated by the consumer price index for goods. Sales of household electrical appliances are the sum of its components deflated by the consumer price index (or the wholesale price index for personal computers before 1999).

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

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

2. Adjusted to exclude the effect of the increase in the number of stores (except convenience stores).  
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";

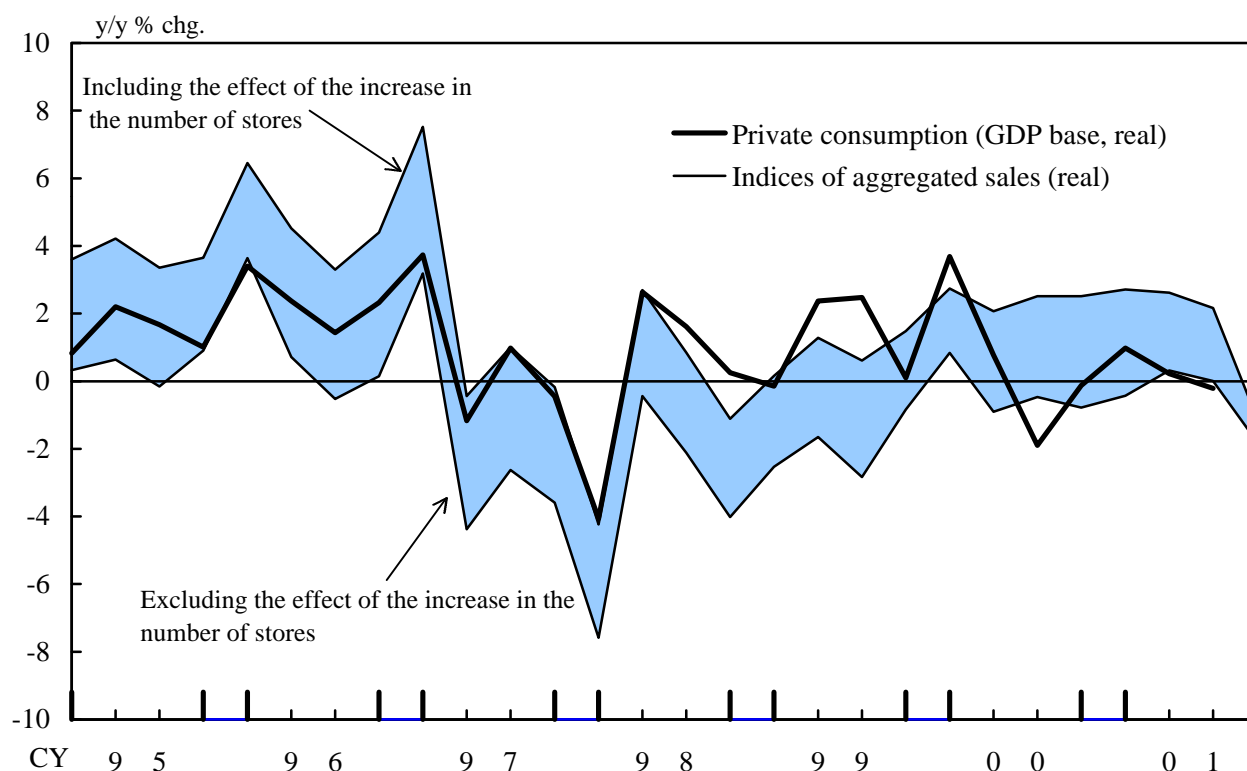
Japan Chain Stores Association, "Sales at Chain Stores";

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 the fresh demand they create or from 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/Q4 figures are those of Oct.-Nov. 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";

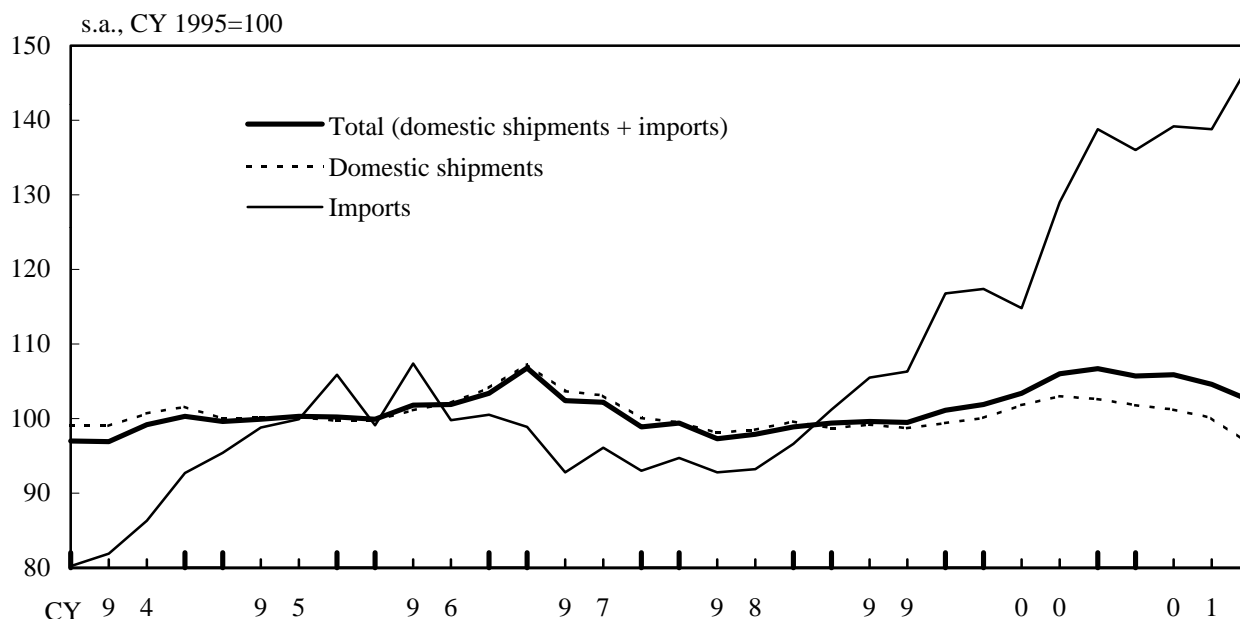
Foodservice Industry Survey & Research Center, "Monthly Survey of Food and Drink Sales";

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

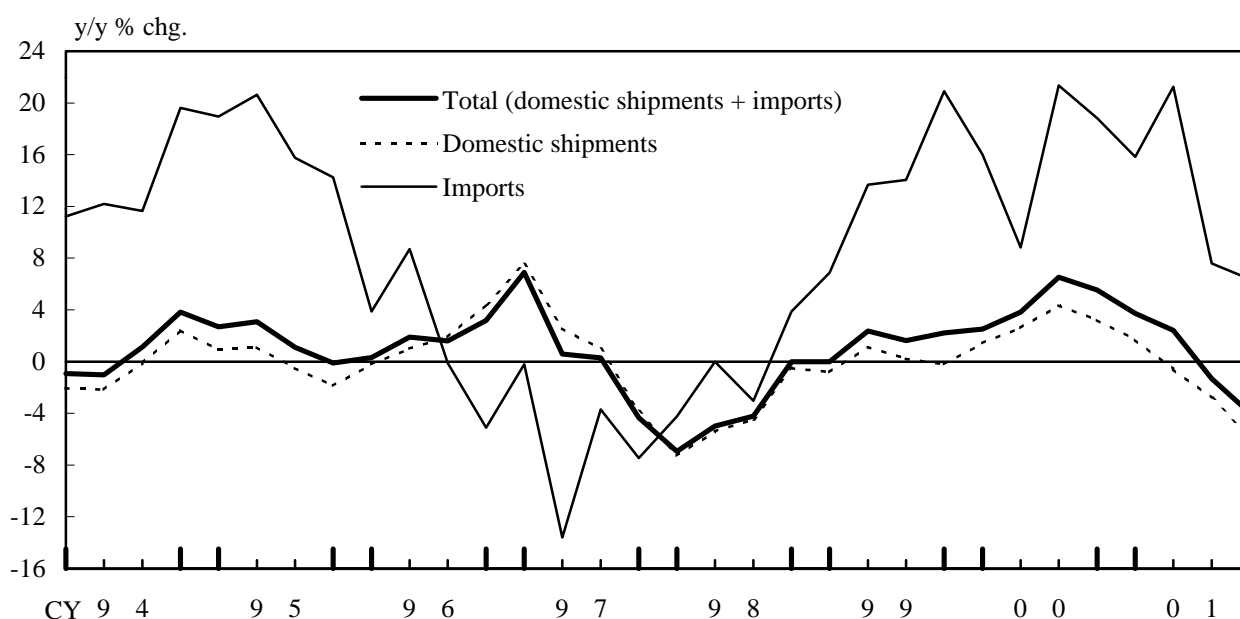
Japan Foodservice Association, "The Research of Food and Drink Markets."

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

## (1) Level



## (2) Changes from a year earlier

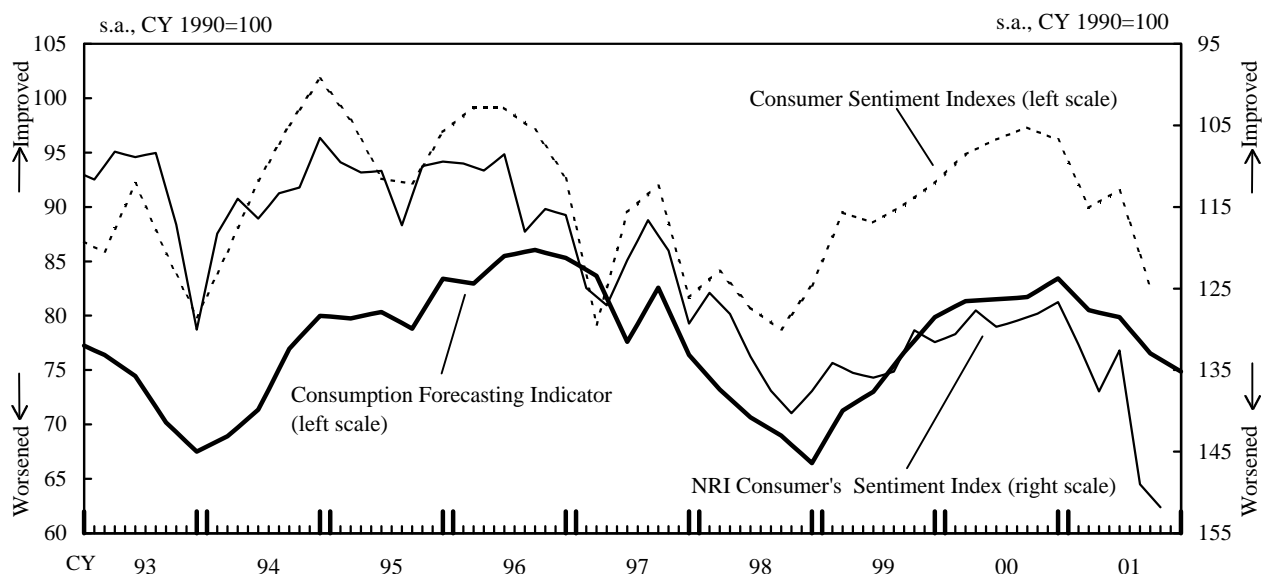


- Notes: 1. "Domestic shipments" and "Imports" are components of "consumer goods" in the *Indices of Industrial Domestic Shipments and Imports*. (The definition for "consumer goods" is the same as that in the *Indices of Industrial Production*.)
2. Figures for 2001/Q4 of "Domestic shipments" are calculated from quarterly changes of *Indices of Industrial Production* (excluding the effects of exports).
3. Figures for 2001/Q4 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/Q4 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/Q4 figures are Oct.-Nov. 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."

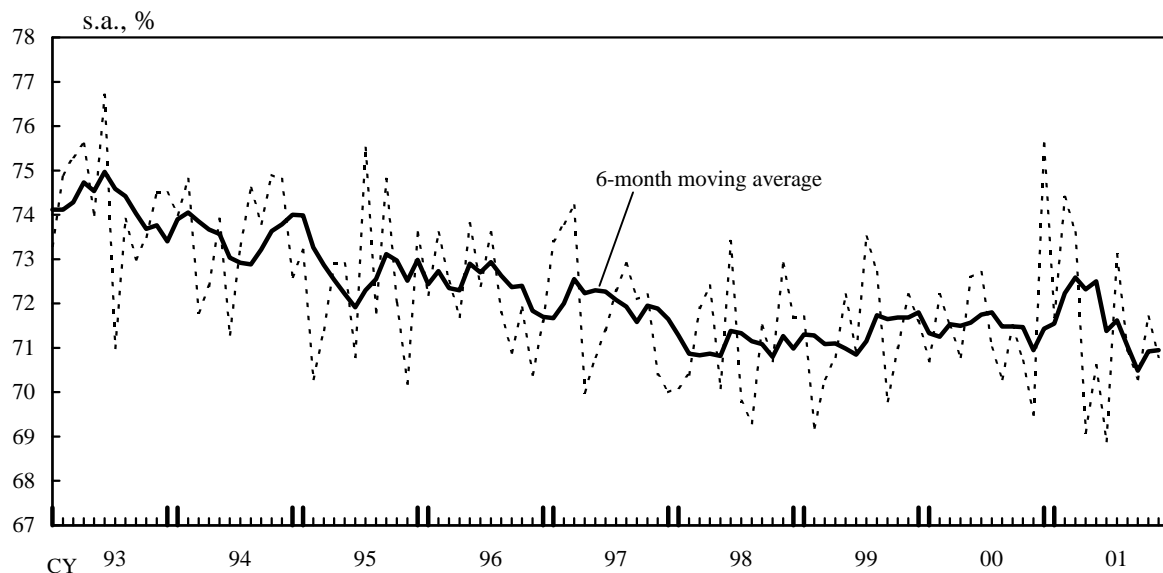
Consumer Confidence and Propensity to Consume

(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, Workers' Households)

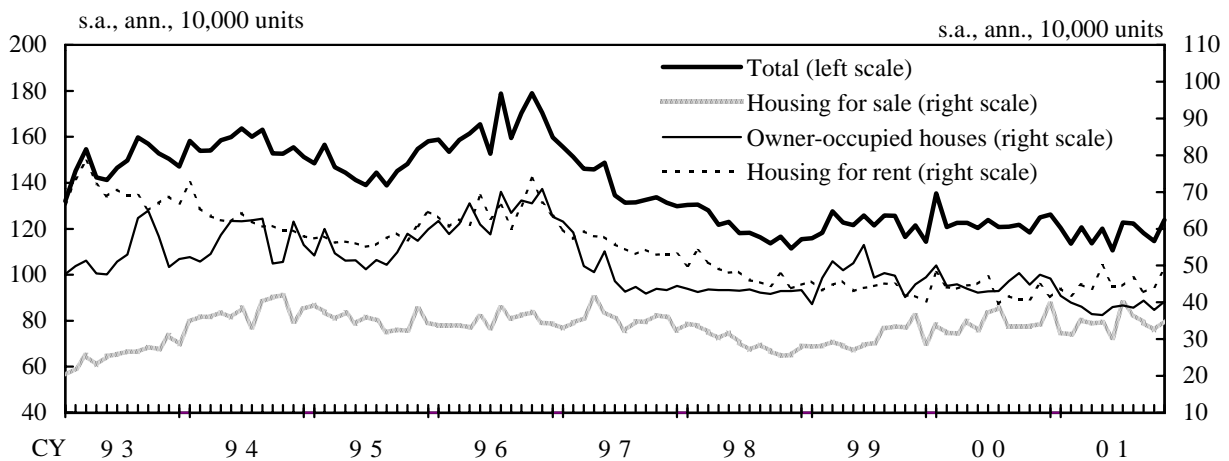


Sources: Cabinet Office, "Consumer Behavior Survey";  
 Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator";  
 Ministry of Public Management, Home Affairs, Posts and Telecommunications,  
 "Monthly Report on the Family Income and Expenditure Survey"; 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

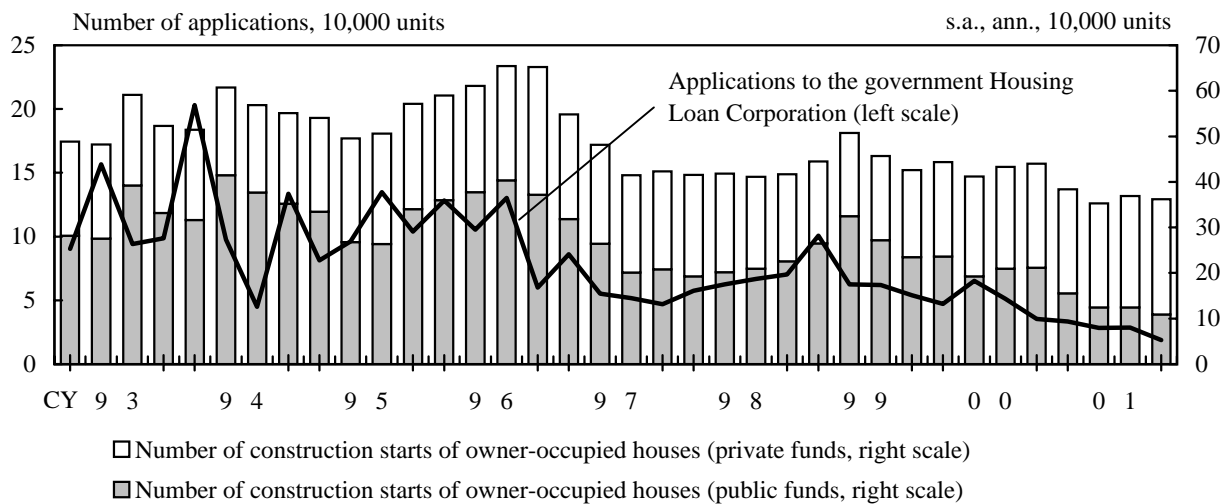


Indicators for Housing Investment

(1) Housing Starts

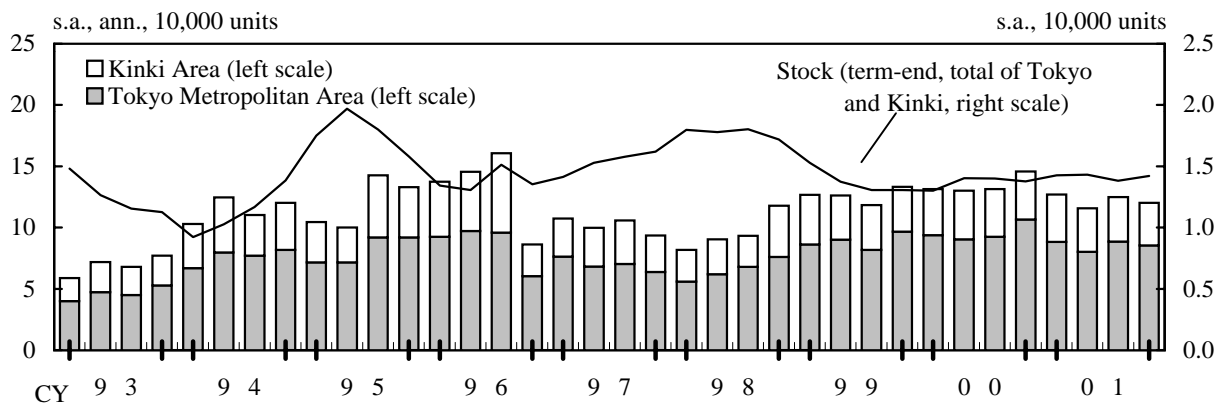


(2) Number of Applications to the Government Housing Loan Corporation (for new owner-occupied houses)



Notes: 1. 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/Q4 are those of October-November averages.

(3) Sales of Condominiums

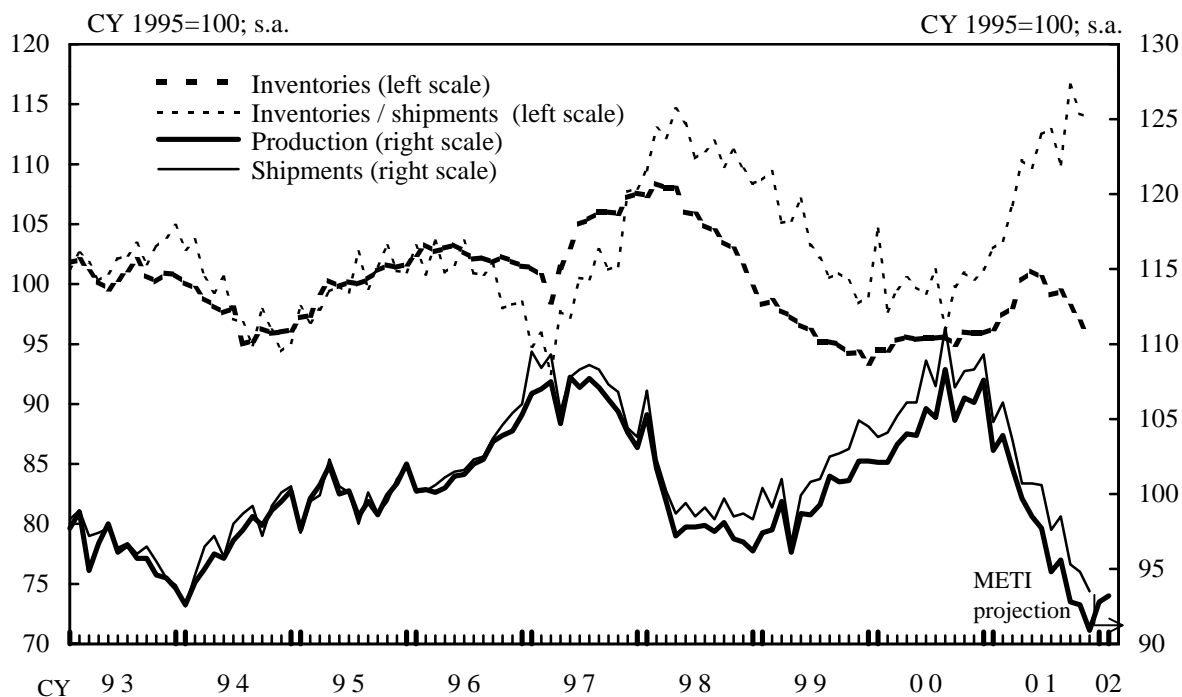


Note: Figures of total condominiums sales for CY2001/Q4 are those of October-November averages.  
 Term-end stocks are those of November.

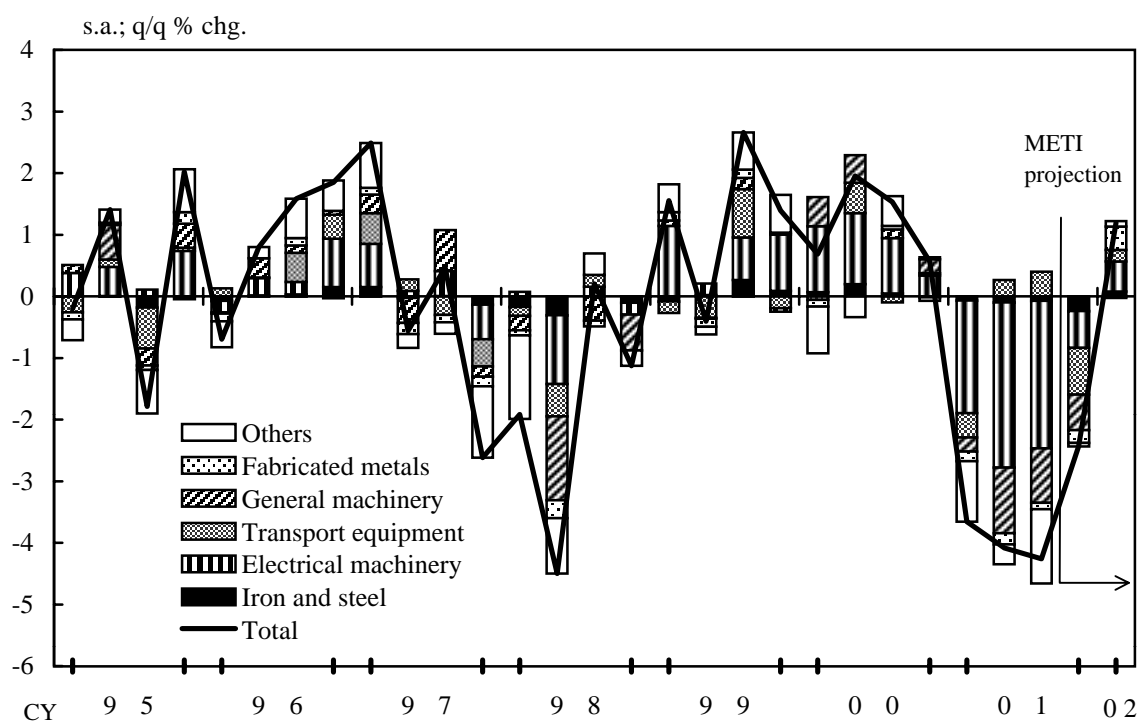
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



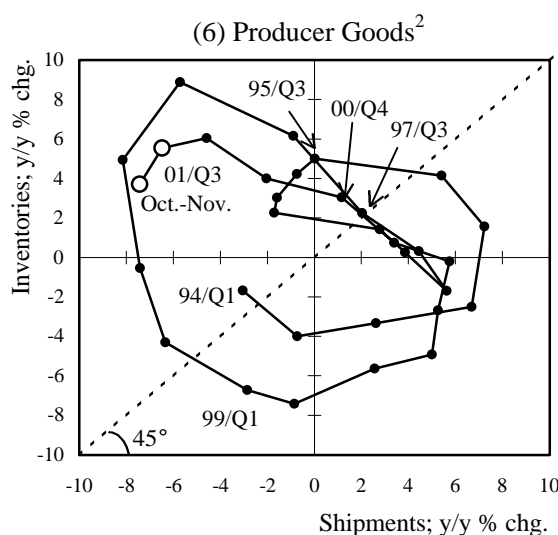
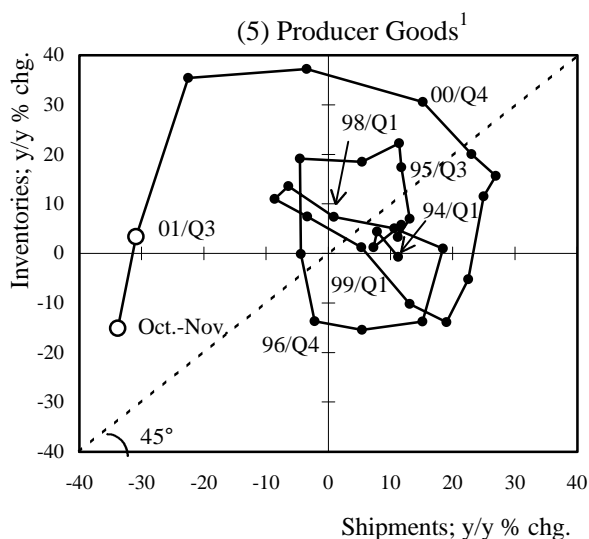
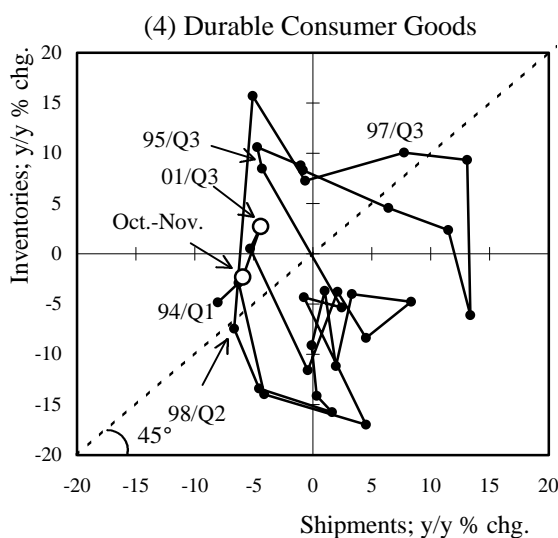
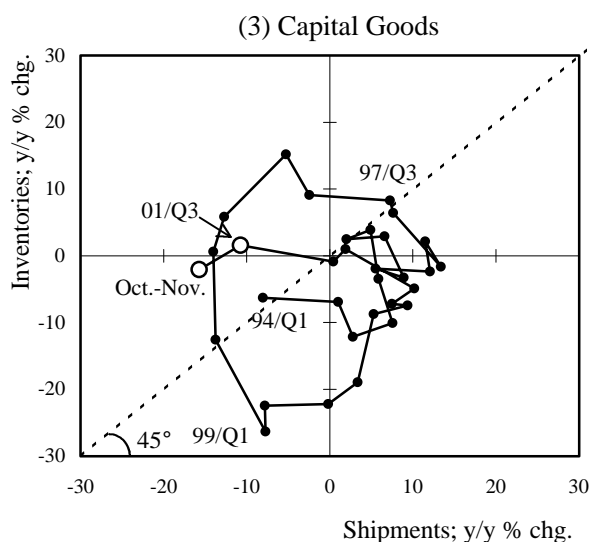
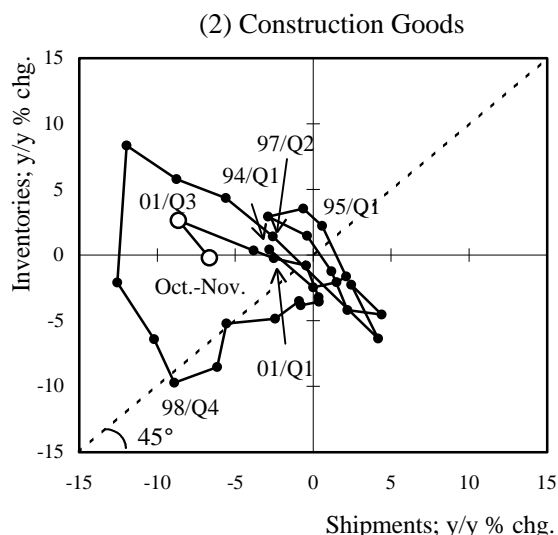
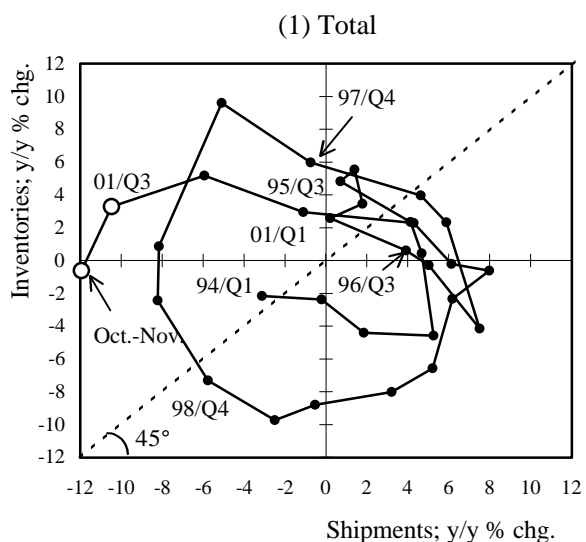
(2) Production by Industries



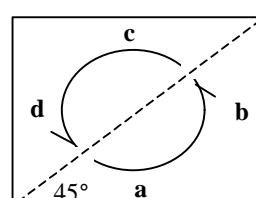
Note: Transport equipment excludes ships and rolling stock.

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



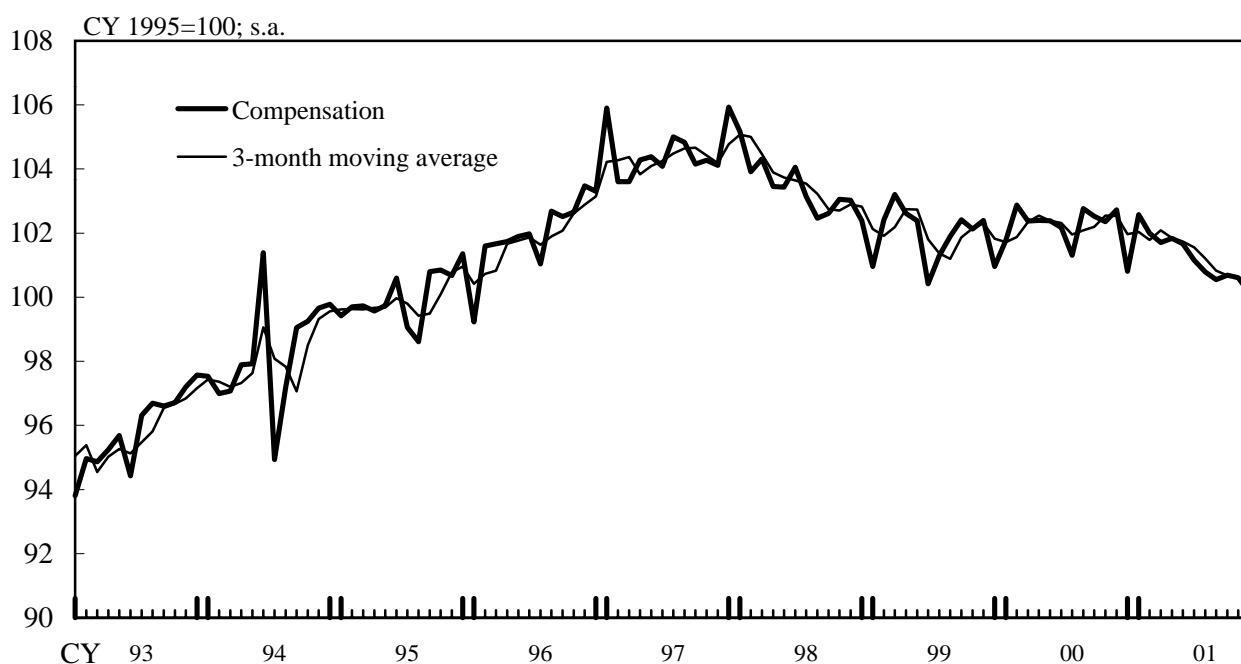
Notes: 1. Producer goods of electrical machinery.

2. Producer goods excluding electrical machinery.

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

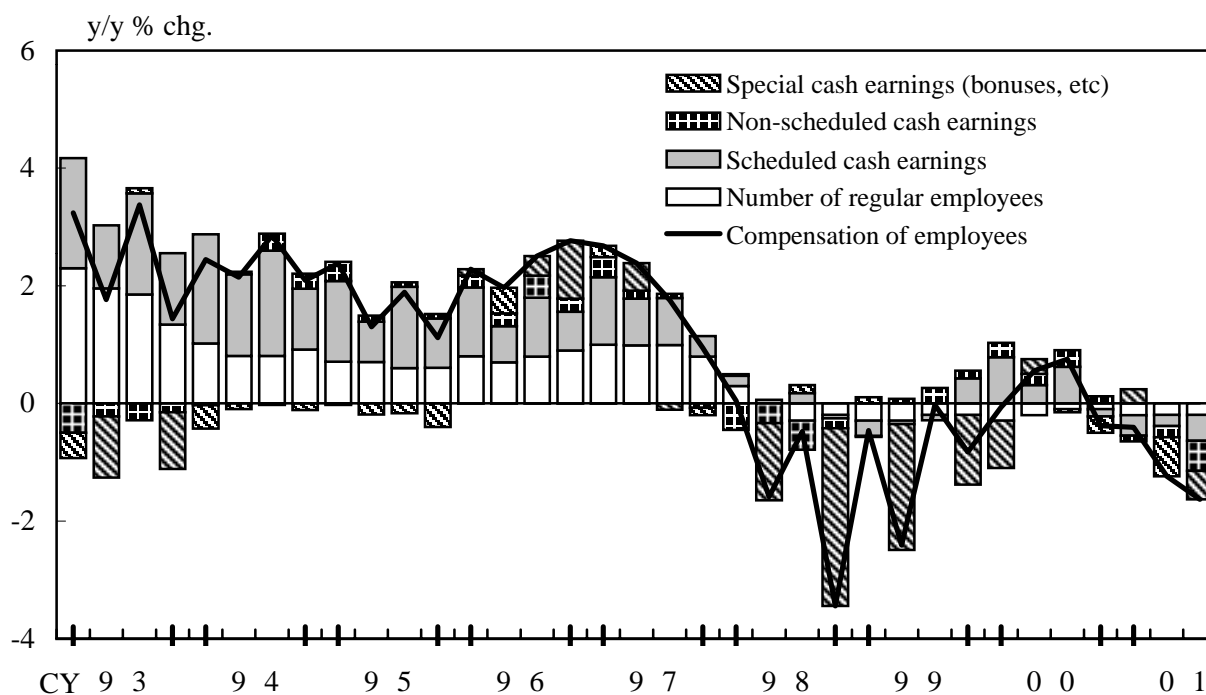
## Compensation of Employees

### (1) Compensation



- Notes: 1. Compensation = the index of total cash earnings  $\times$  the index of regular employees / 100 (calculated by the Bank of Japan).  
 2. Seasonally adjusted by X-12-ARIMA ( $\beta$  version).  
 3. Data for establishments with at least 5 employees. The data for Nov. 2001 are preliminary figures.

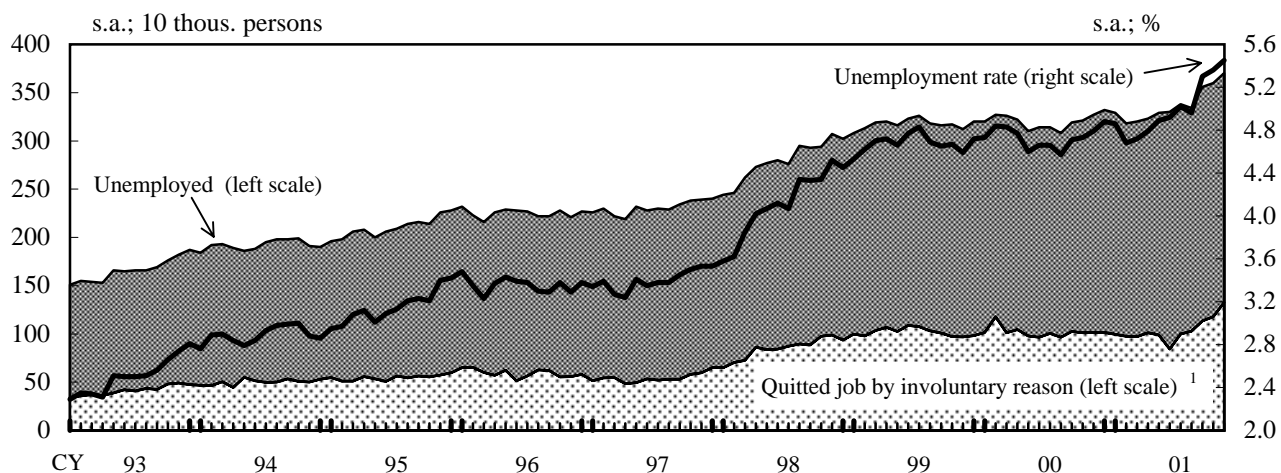
### (2) Breakdown of Compensation



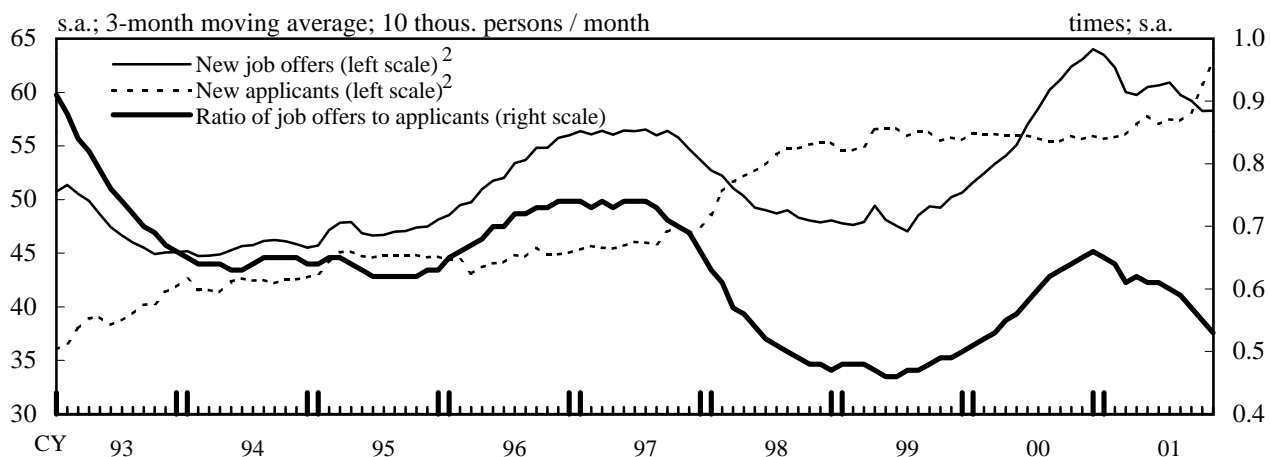
- Notes: 1. Data for establishments with at least 5 employees. The data for Nov. 2001 are preliminary figures.  
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.

Labor Market (1)

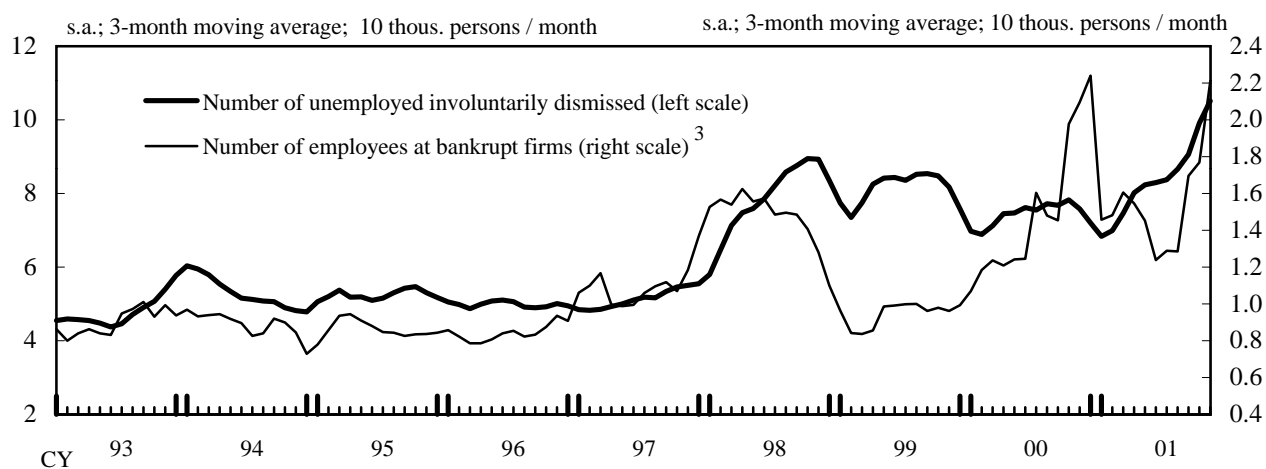
(1) The Unemployed and Unemployment Rate



(2) Ratio of Job Offers to Applicants



(3) Number of Unemployed Involuntarily Dismissed and Employees at Bankrupt Firms<sup>1</sup>



Notes: 1. Seasonally adjusted by X-11.

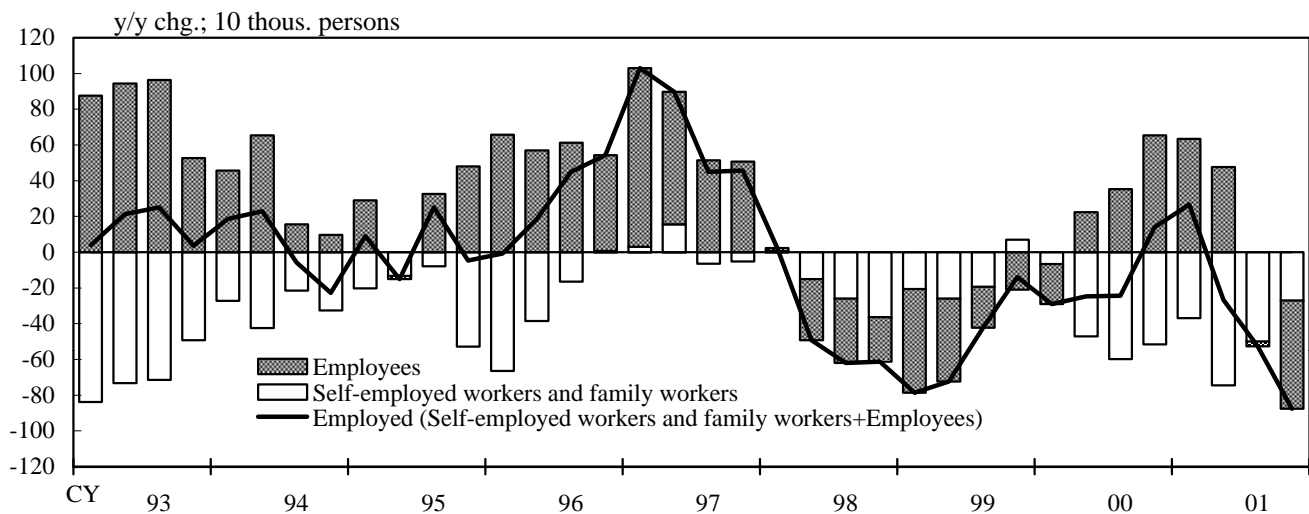
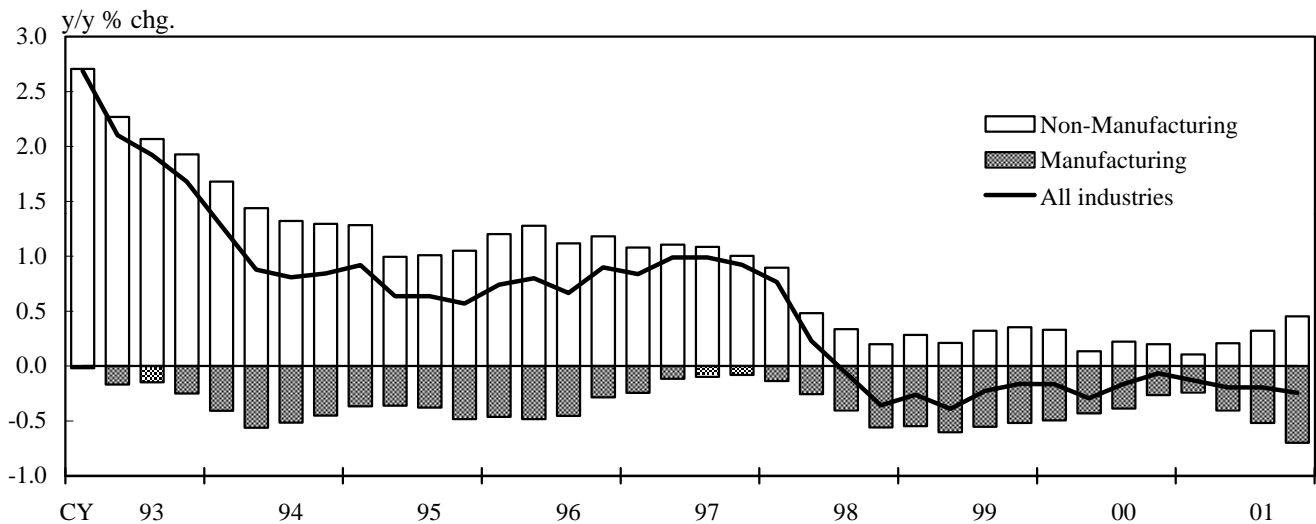
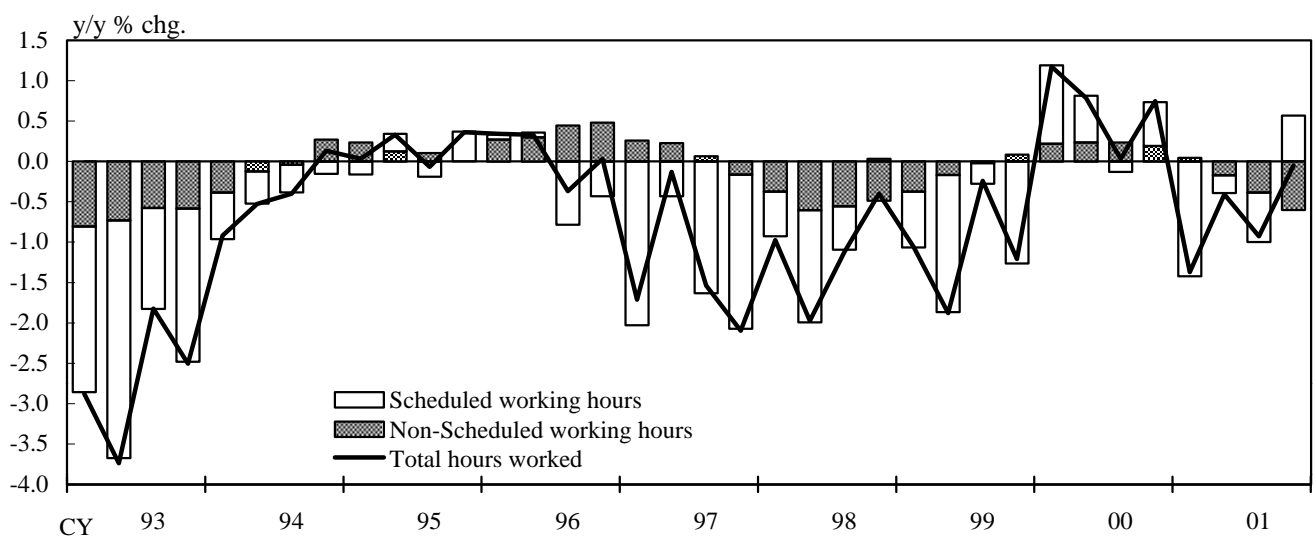
2. Exclude jobs offered to new graduates.

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

Sources: Ministry of Health, Labour and Welfare, "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."

Labor Market<sup>1</sup> (2)

## (1) The Employed (Labour Force Survey)

(2) Number of Regular Employees<sup>2</sup> (Monthly Labour Survey)(3) Actual Hours Worked<sup>2</sup> (Monthly Labour Survey)

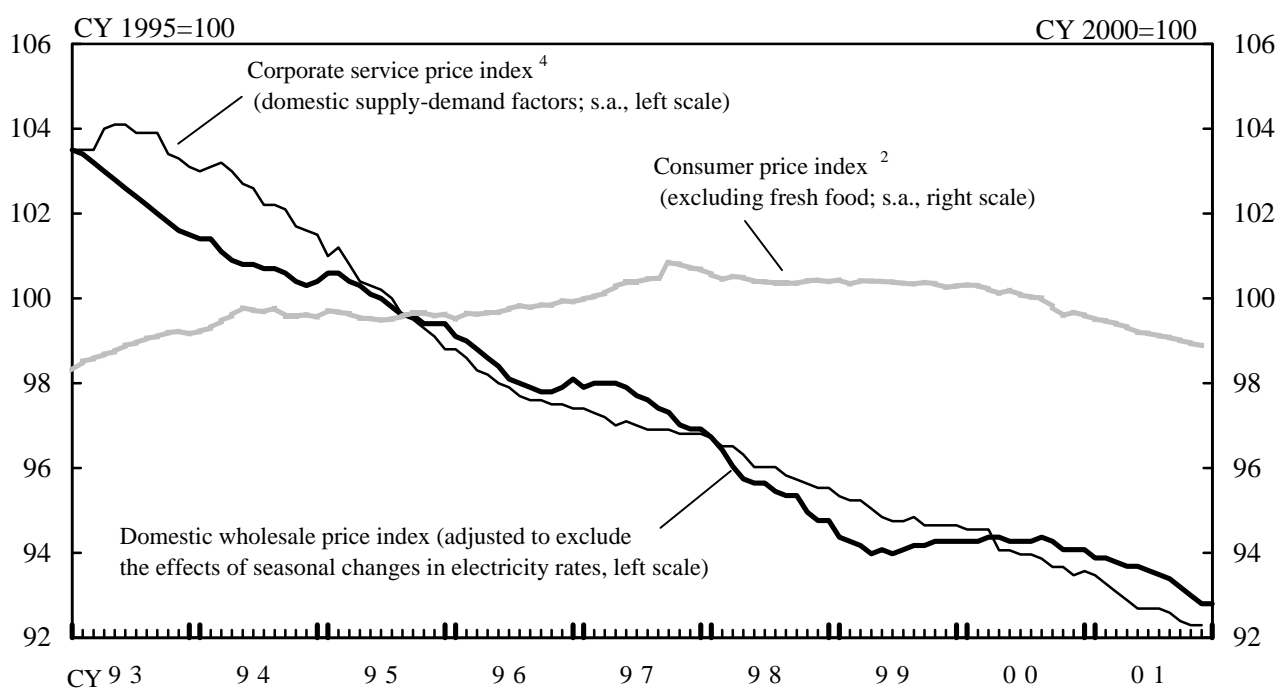
Notes: 1. Figures for 01/Q4 are those of the Oct.-Nov. averages.

2. Data for establishments with at least 5 employees. The data for Nov. 2001 are preliminary figures.

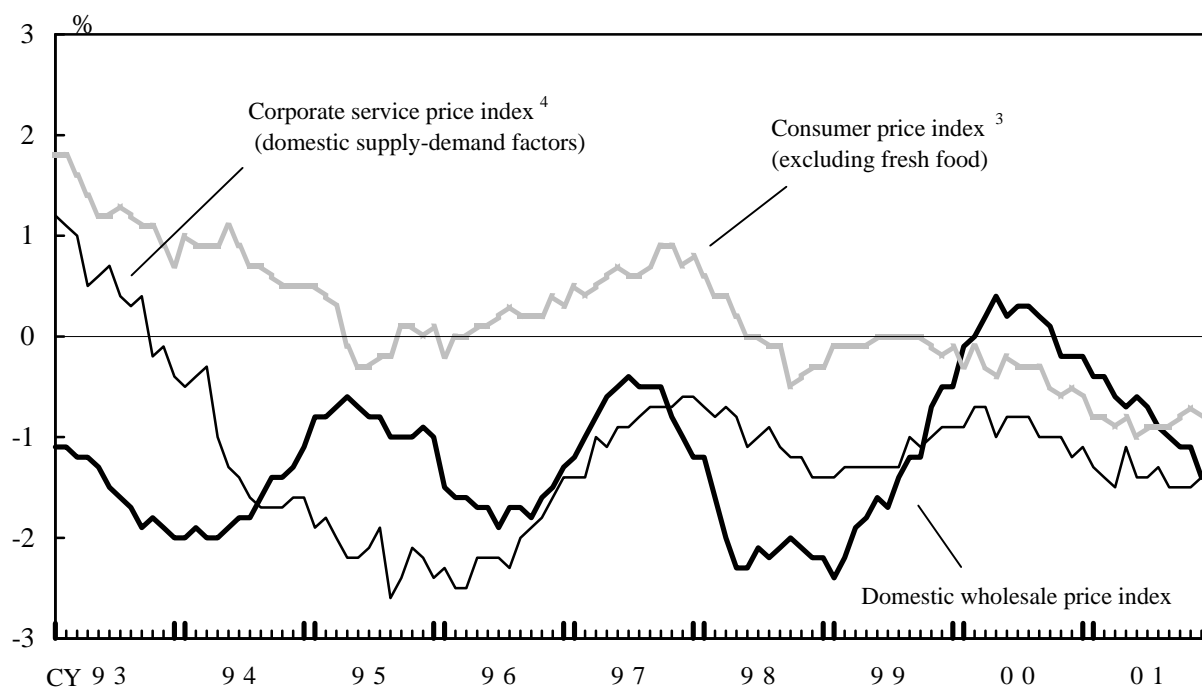
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey";  
Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey."

Prices<sup>1</sup>

## (1) Level



## (2) Changes from a year earlier

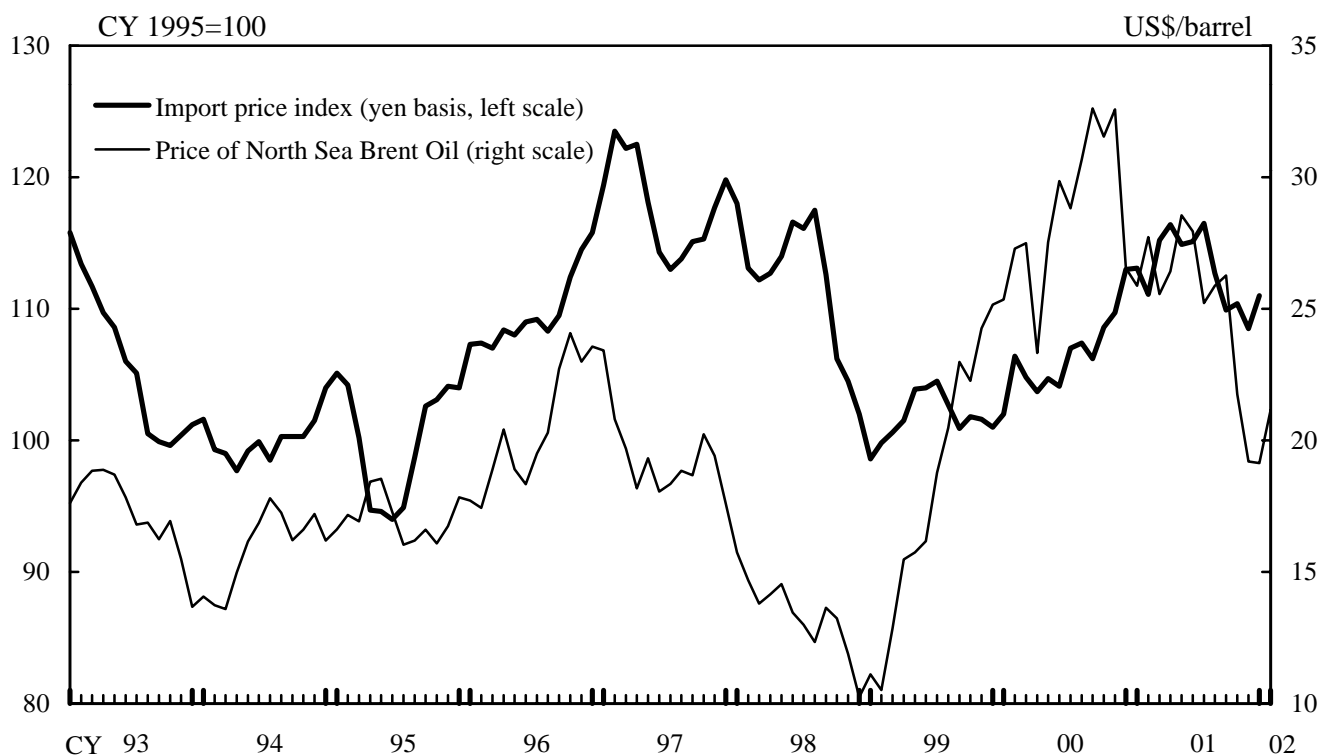


- Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. Seasonally adjusted by X-12-ARIMA ( $\beta$  version), based on the original series excluding package tours to overseas.
3. Data before Dec. 2000 are on the 1995 base CPI.
4. See footnote 4 in Chart 18, for definition of the Corporate service price index (domestic supply-demand factors).

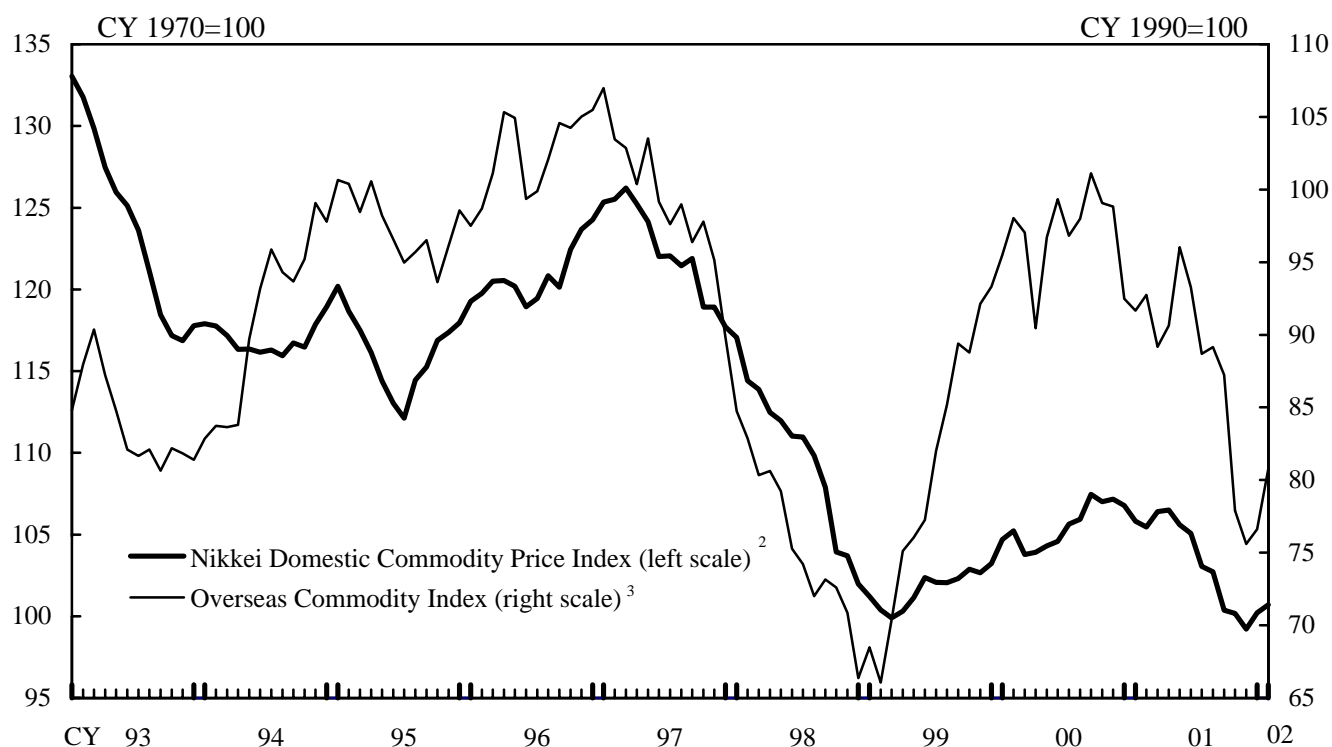
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index."

## Import Prices and Commodity Prices

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



### (2) Commodity Prices



Notes: 1. Data for January 2002 is the January 1-14 average.

2. Data for January 2002 are as of January 11.

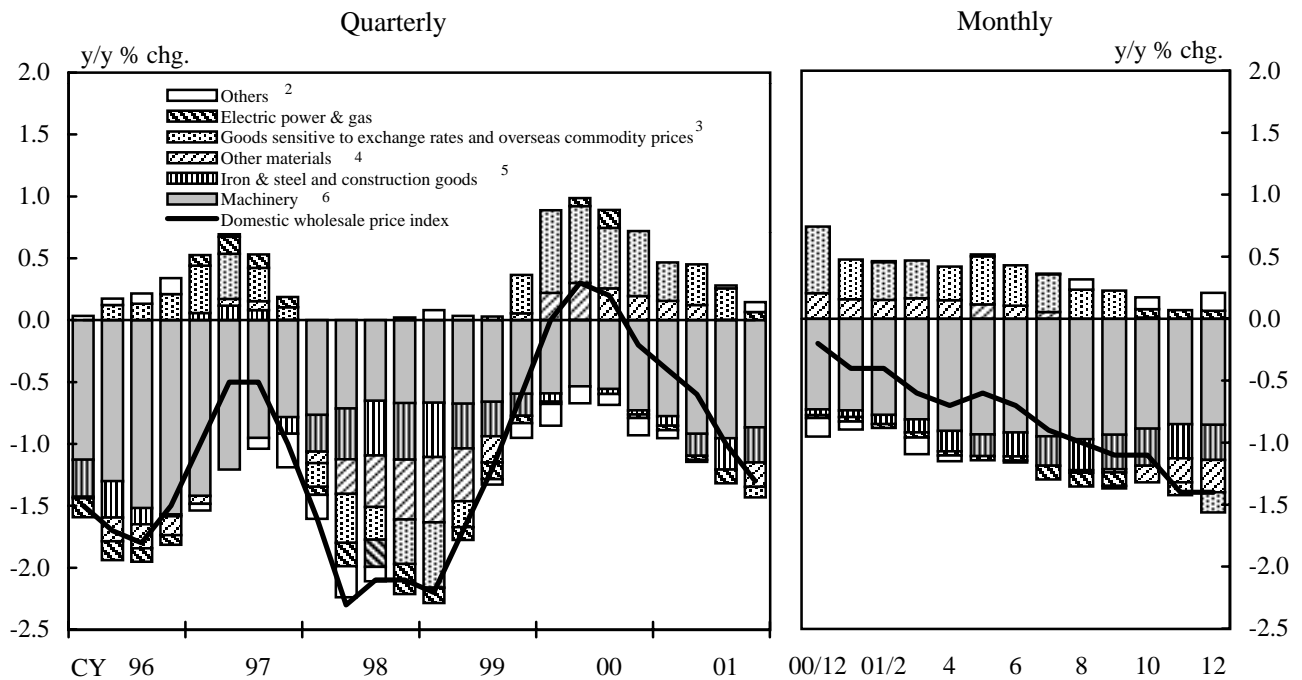
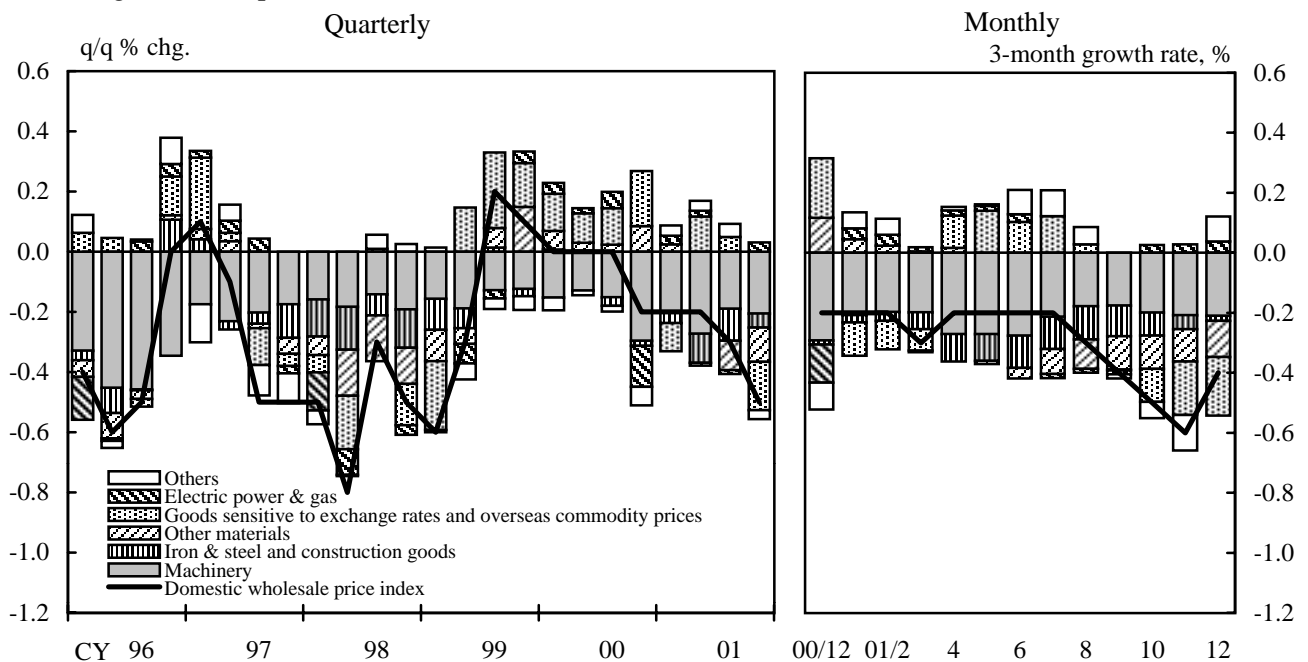
3. Calculated by the Research and Statistics Department, Bank of Japan. Data for January 2002 is the January 1-14 average.

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



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

## (1) Changes from a year earlier

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

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

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

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

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

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

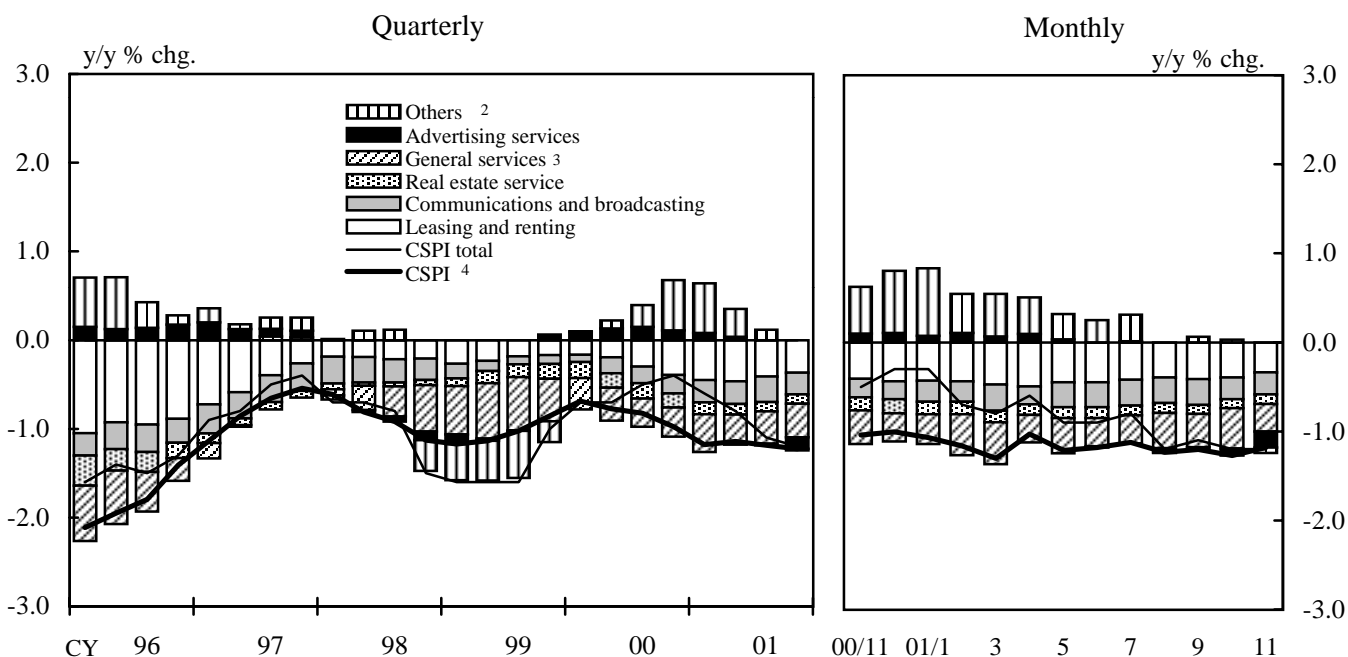
6. Machinery = electrical machinery + general machinery + transportation equipment + precision instruments.

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

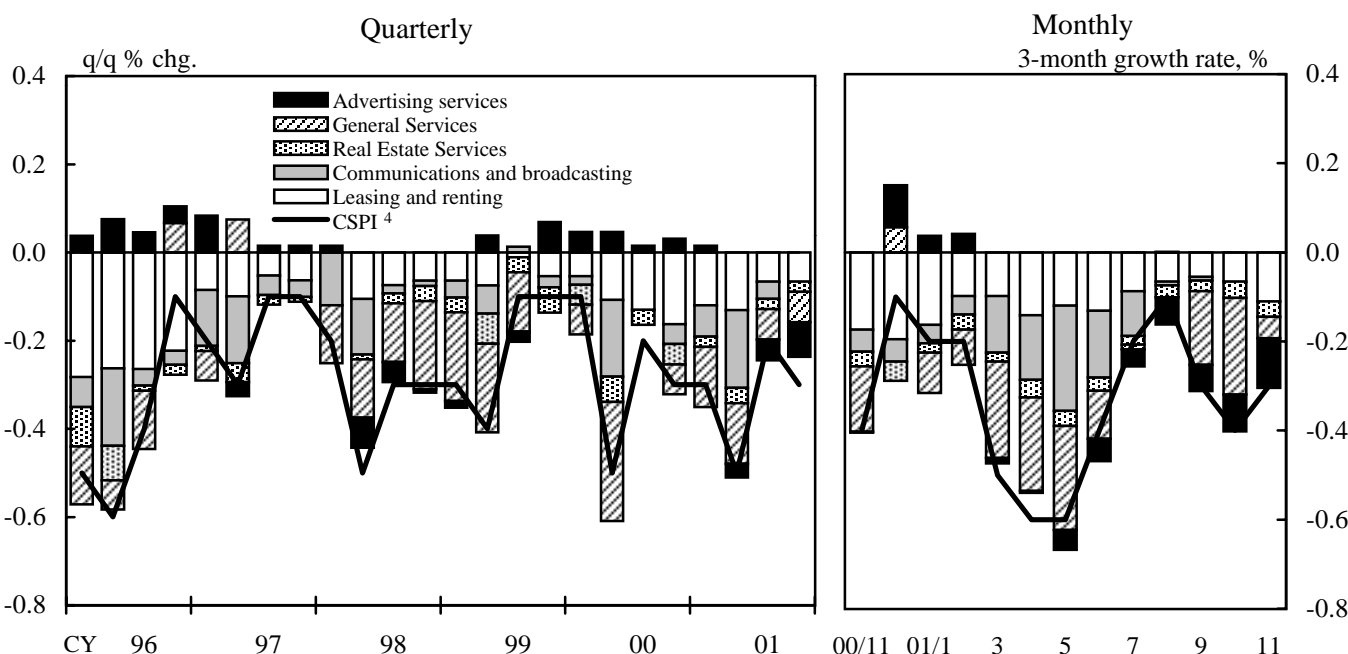
This effect causes the Domestic Wholesale Price Index to rise by about 0.2%.

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

(1) Changes from a year earlier



(2) Changes from a quarter earlier and 3 months earlier<sup>5</sup>



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

2. Others = 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 ( $\beta$  version).

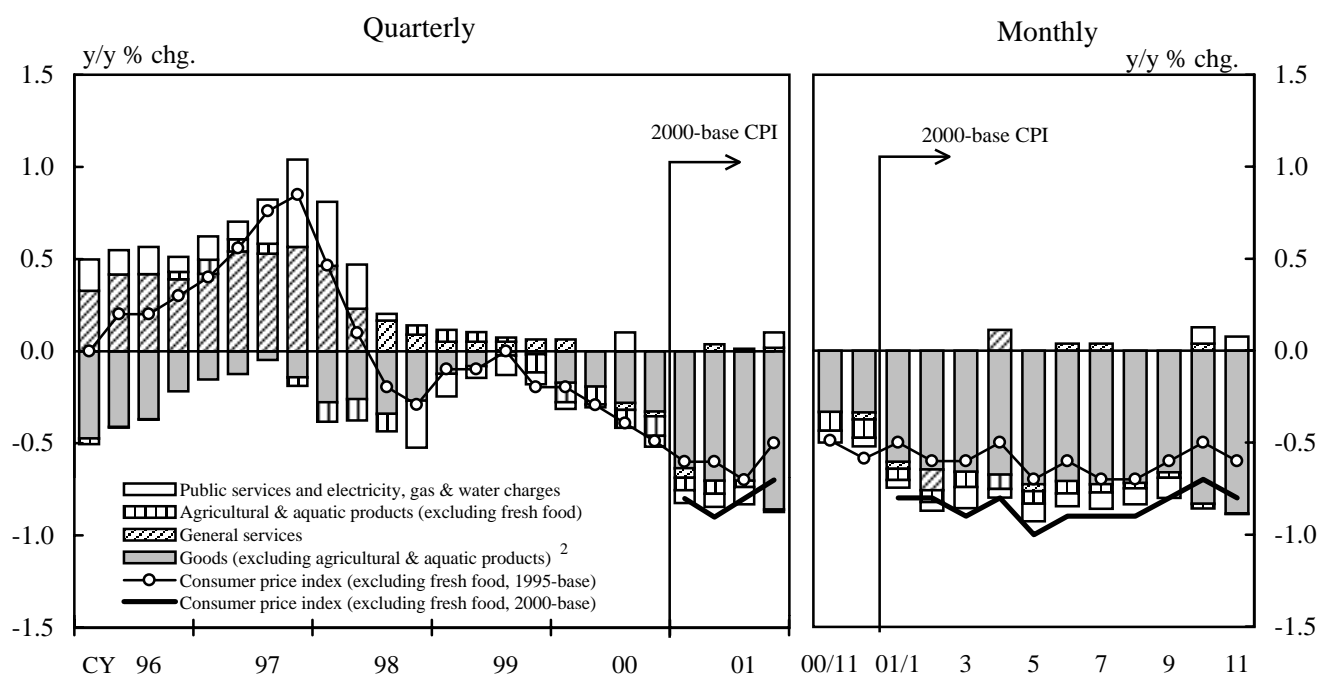
Due to seasonal adjustment every month, the series are revised retroactively every month.

6. Figures for 2001/Q4 are those of Oct.-Nov. averages.

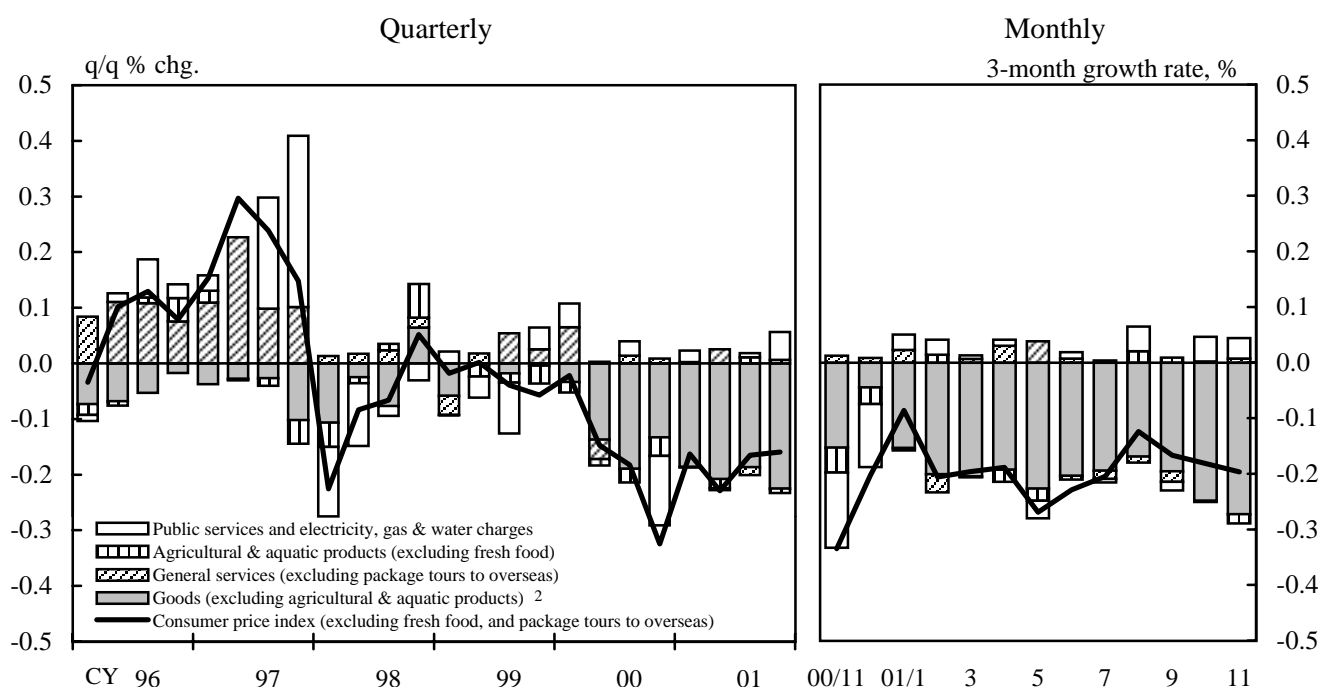
Source: Bank of Japan, "Corporate Service Price Index."

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

## (1) Changes from a year earlier

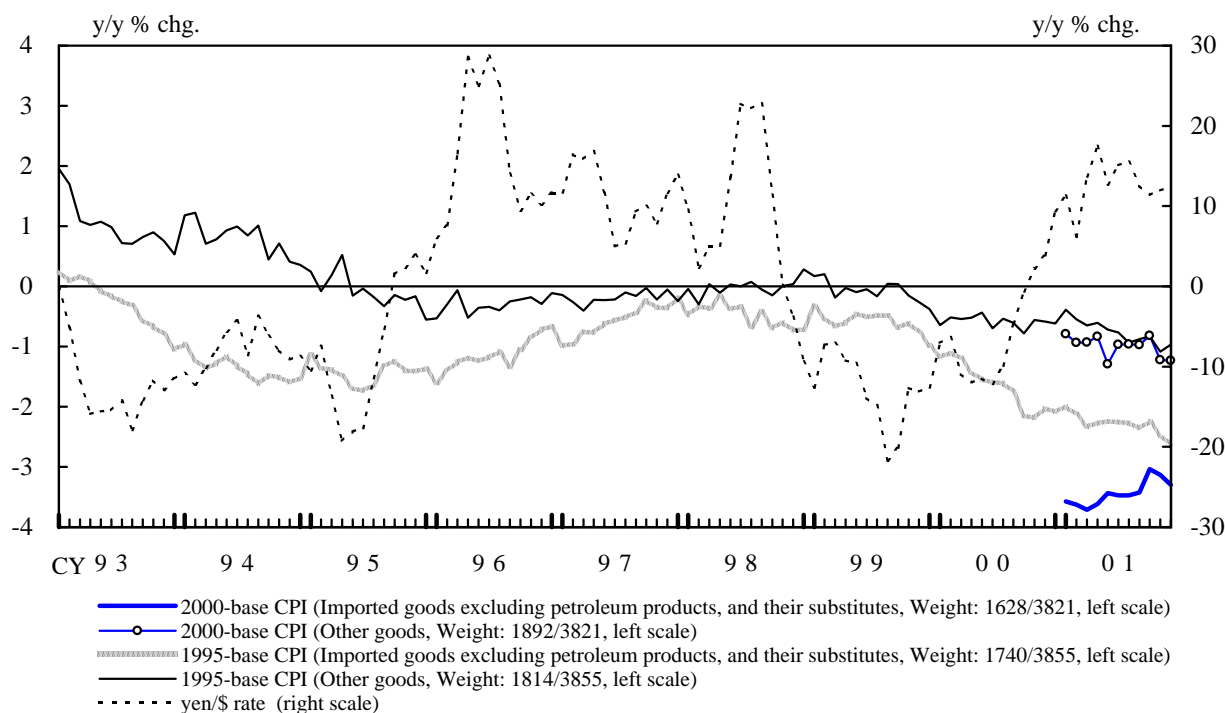


## (2) Changes from a quarter earlier and 3 months earlier (2000-base CPI)<sup>3</sup>



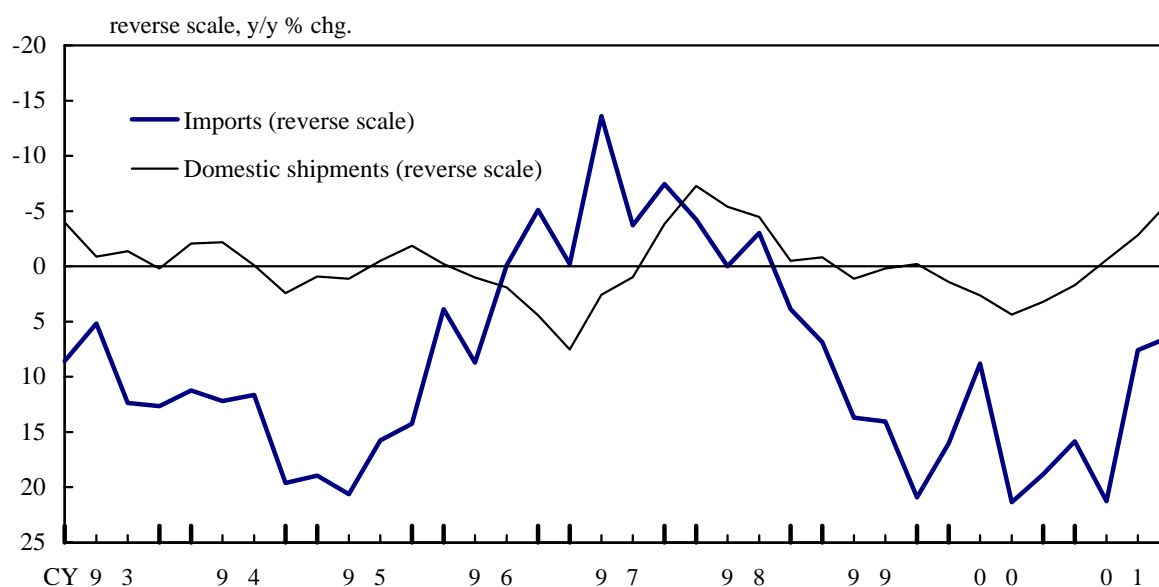
- Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.  
 2. The Items are basically the same as the definition published by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, however electricity, gas & water charges is excluded from goods.  
 3. Seasonally adjusted by X-12-ARIMA ( $\beta$  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.  
 4. Figures for 2001/Q4 are those of Oct.-Nov. averages.

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

Consumer Price Index (Imported goods and their substitutes)<sup>1</sup>(1) Comparison of imported goods and other goods in terms of CPI<sup>2</sup>

- Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. Imported goods (excluding petroleum products) consist of items common to both 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 Goods (excluding agricultural & aquatic products).

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

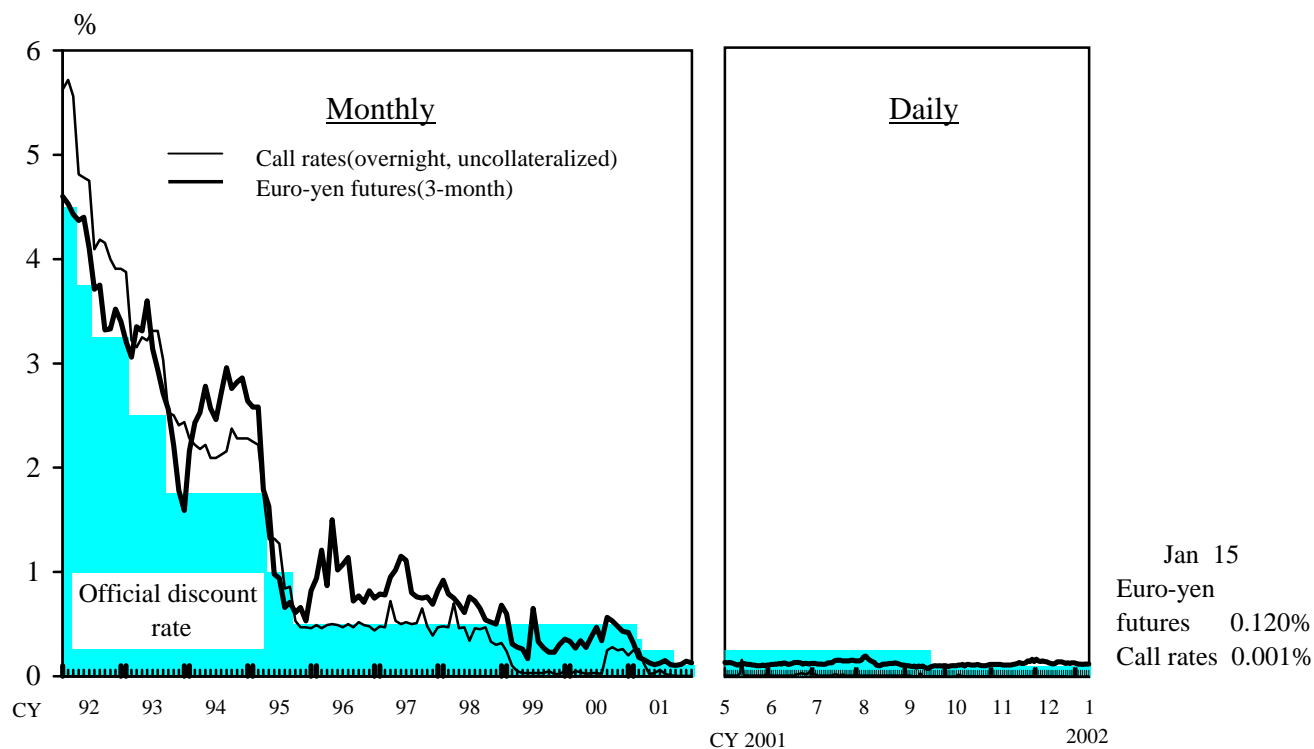


Note: See footnote Chart 8-4, for definition of the consumer goods supply.

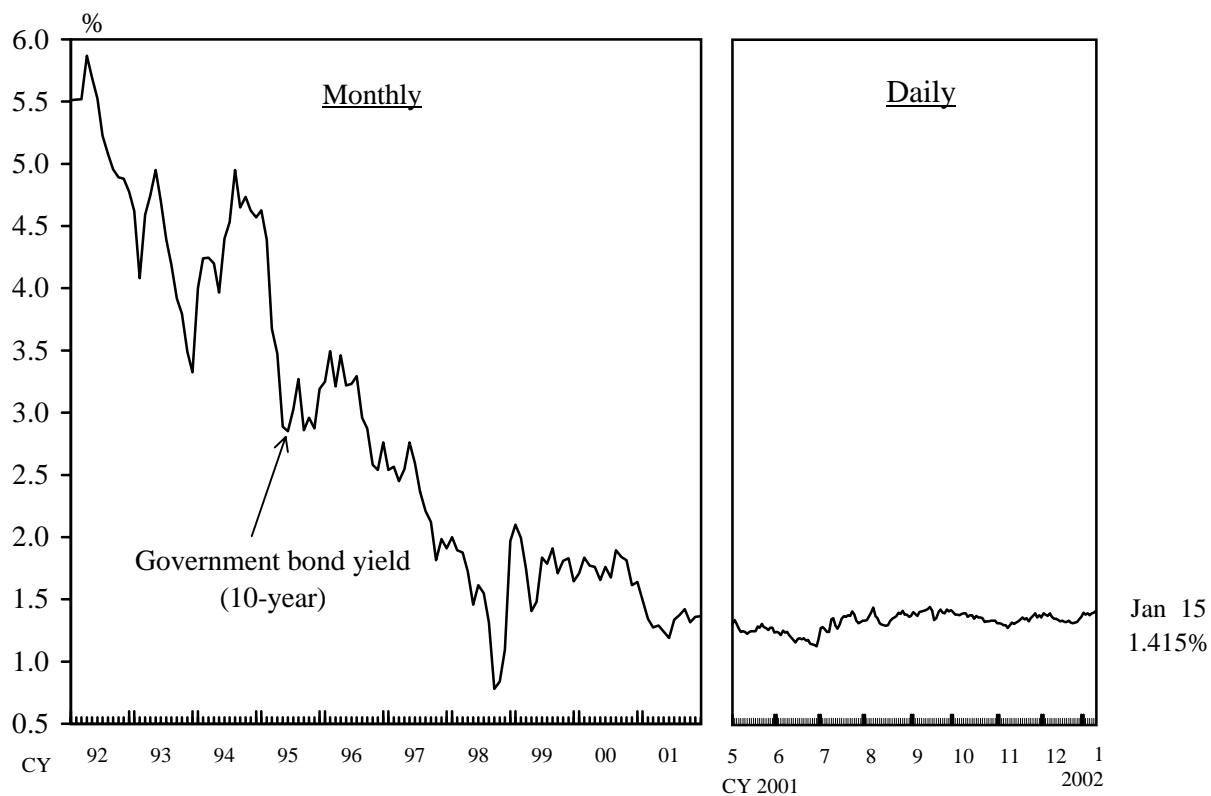
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports";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

Interest Rates

(1) Short-Term



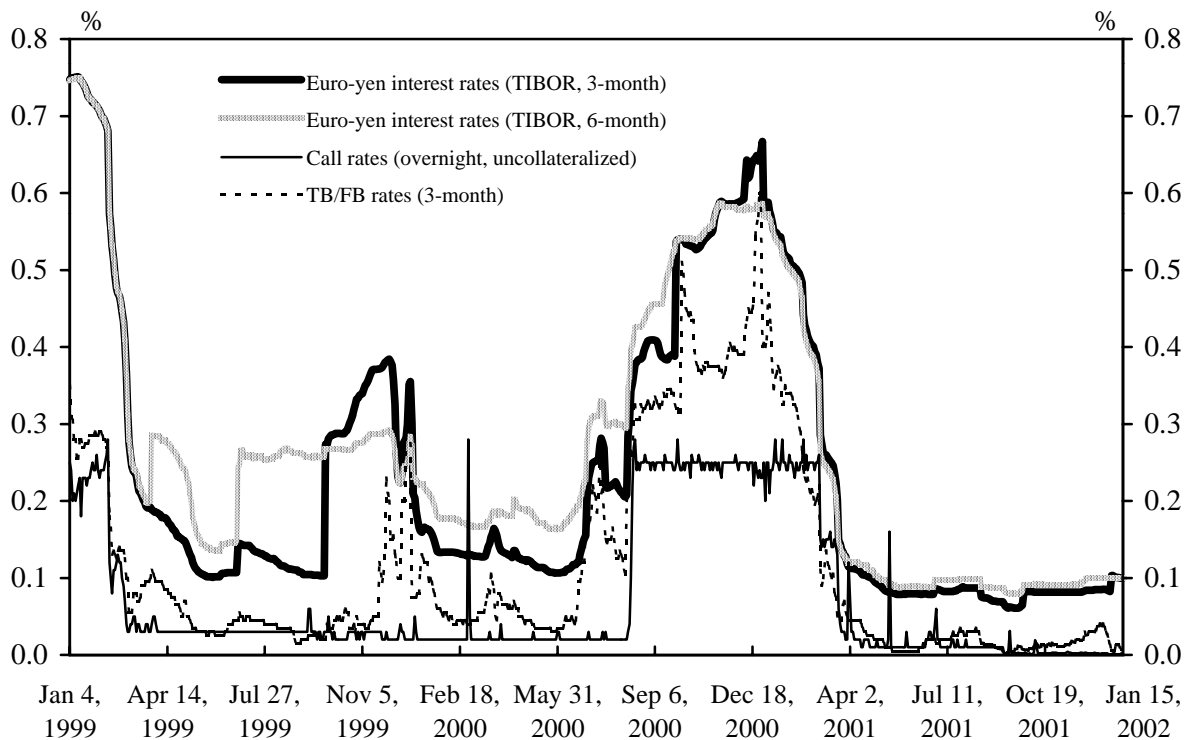
(2) Long-Term



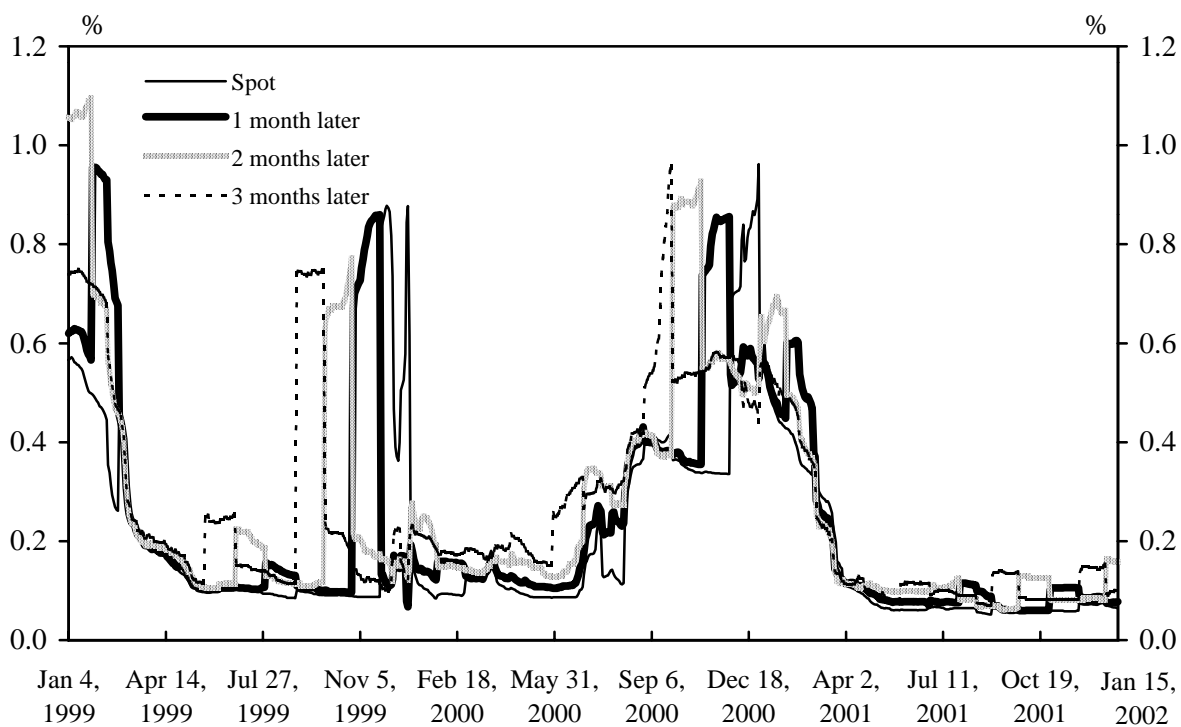
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

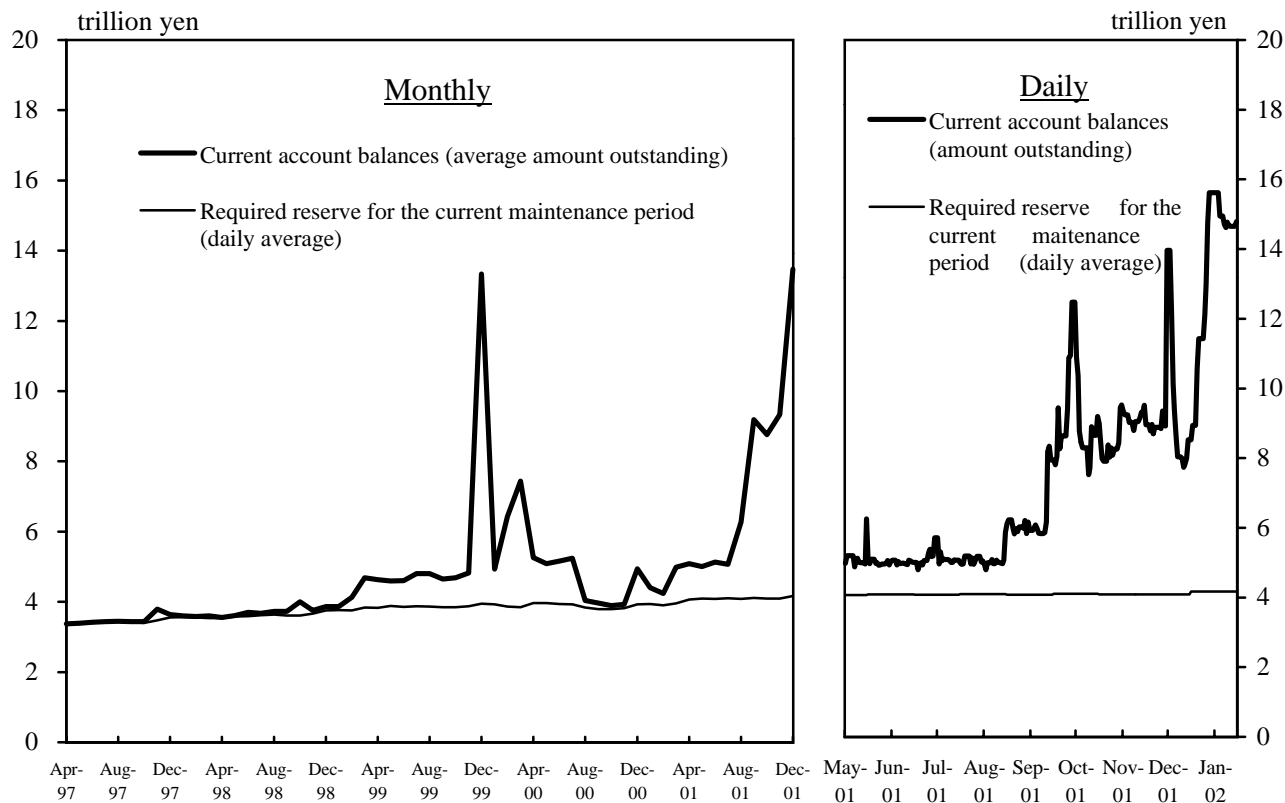


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

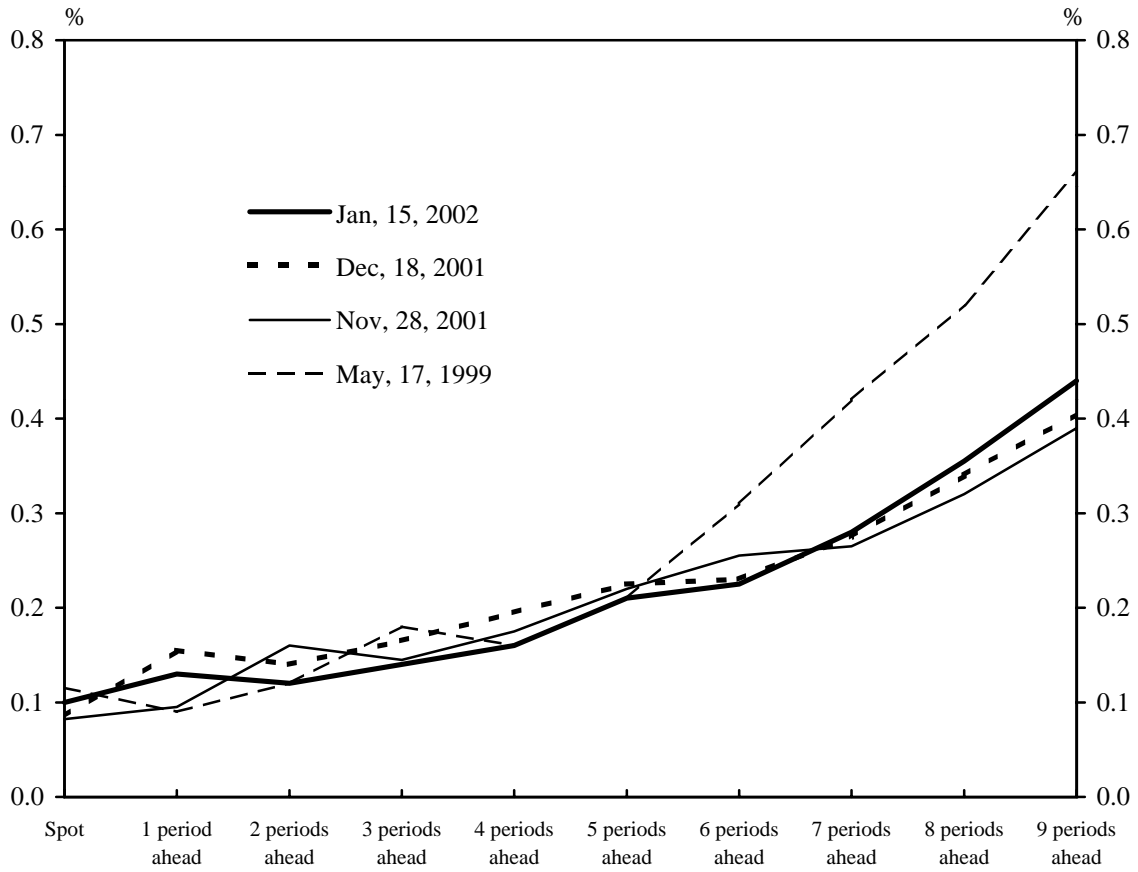


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Current Account Balances at the Bank of Japan

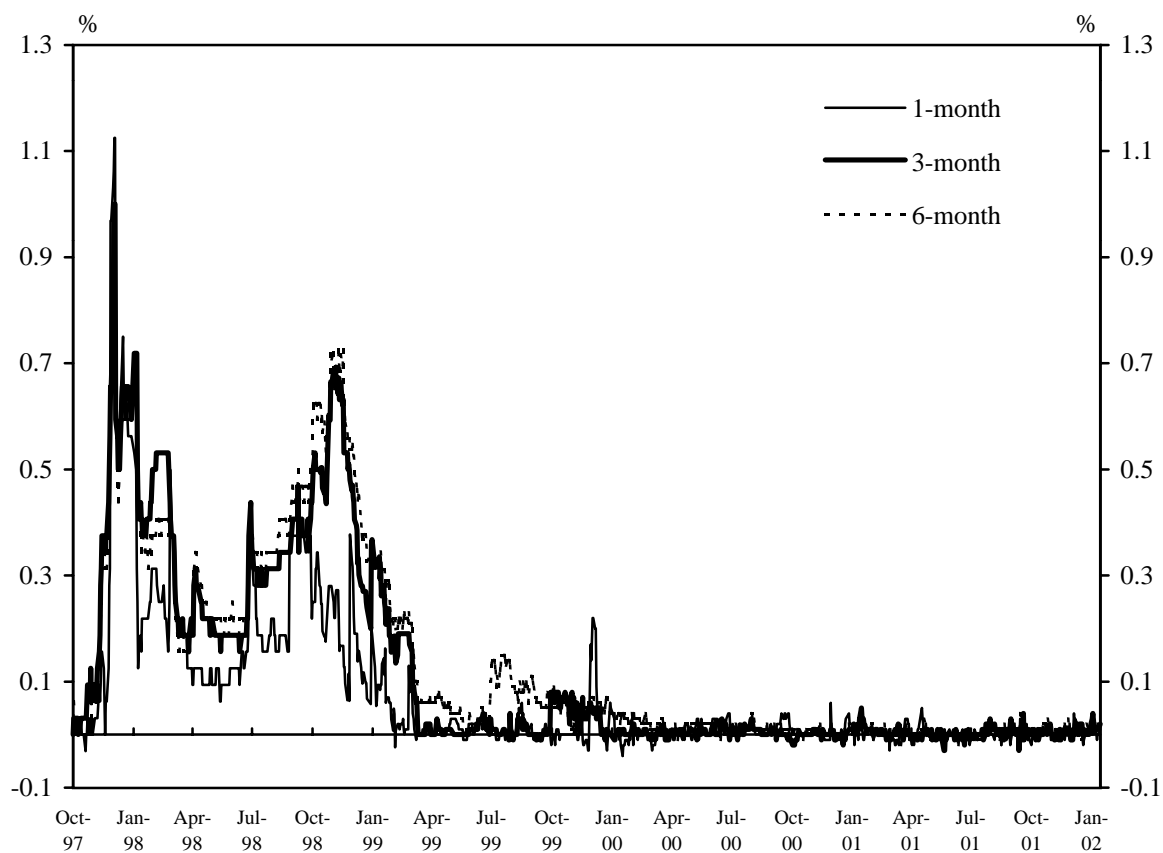


Euro-Yen Interest Rates Futures (3-Month)



Source: Tokyo International Financial Futures Exchange.

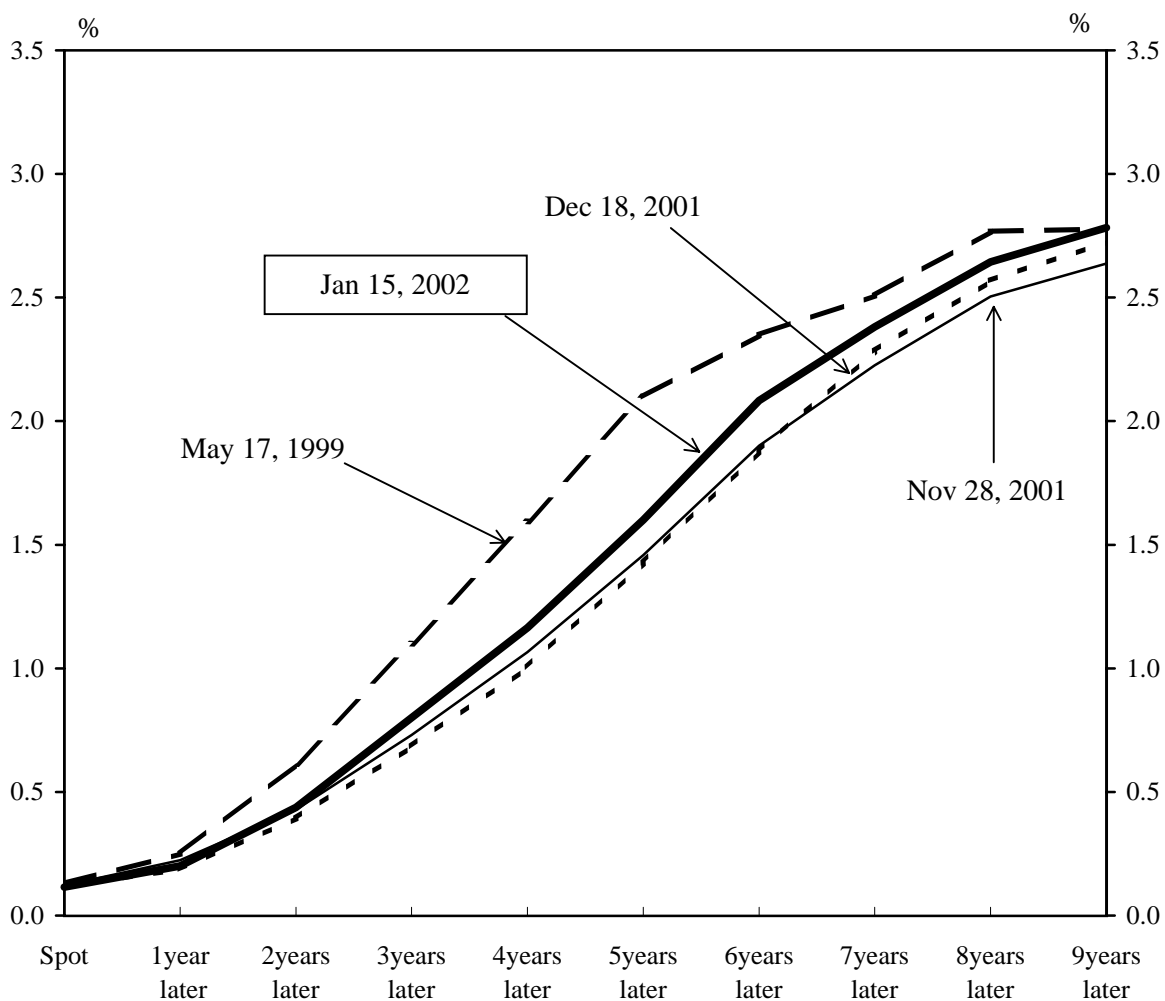


Japan Premium in the Eurodollar Market <sup>1</sup>

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

Source: British Bankers' Association (BBA).

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

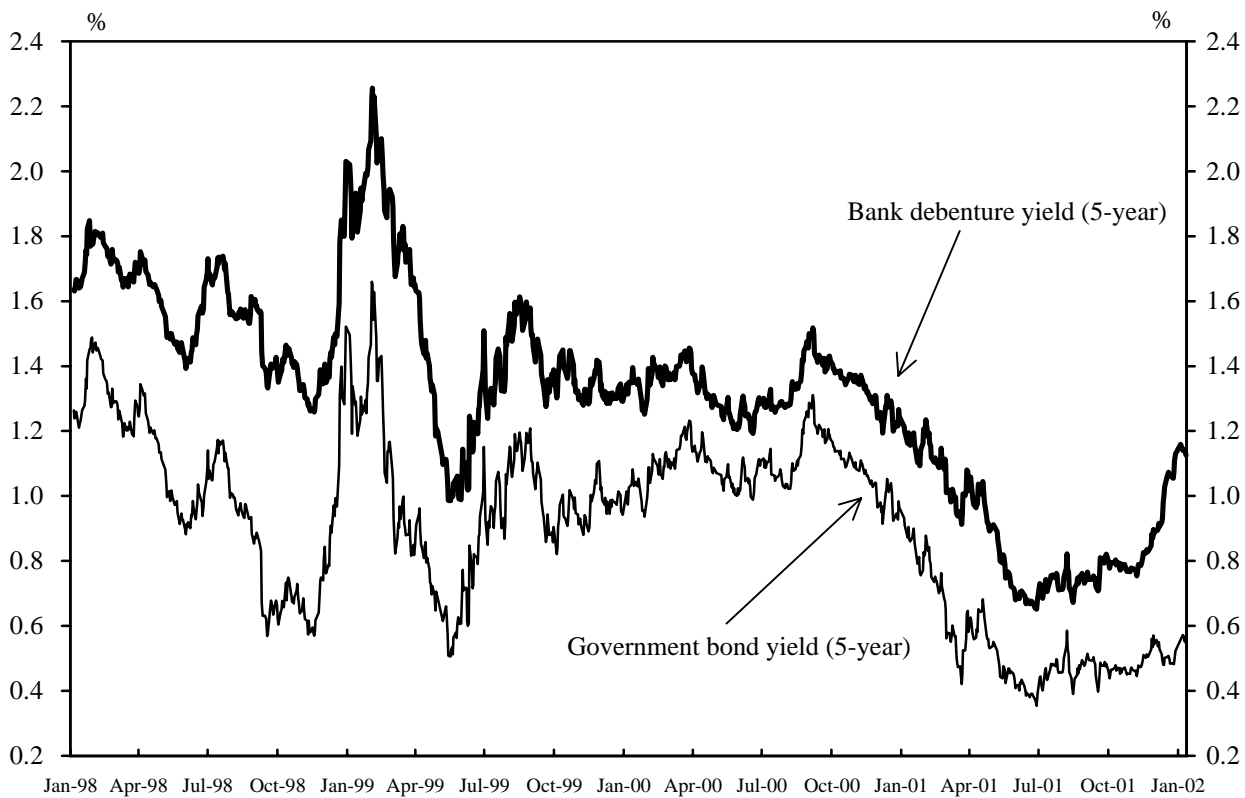


Note :Calculated from yen-yen swap rates.

Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



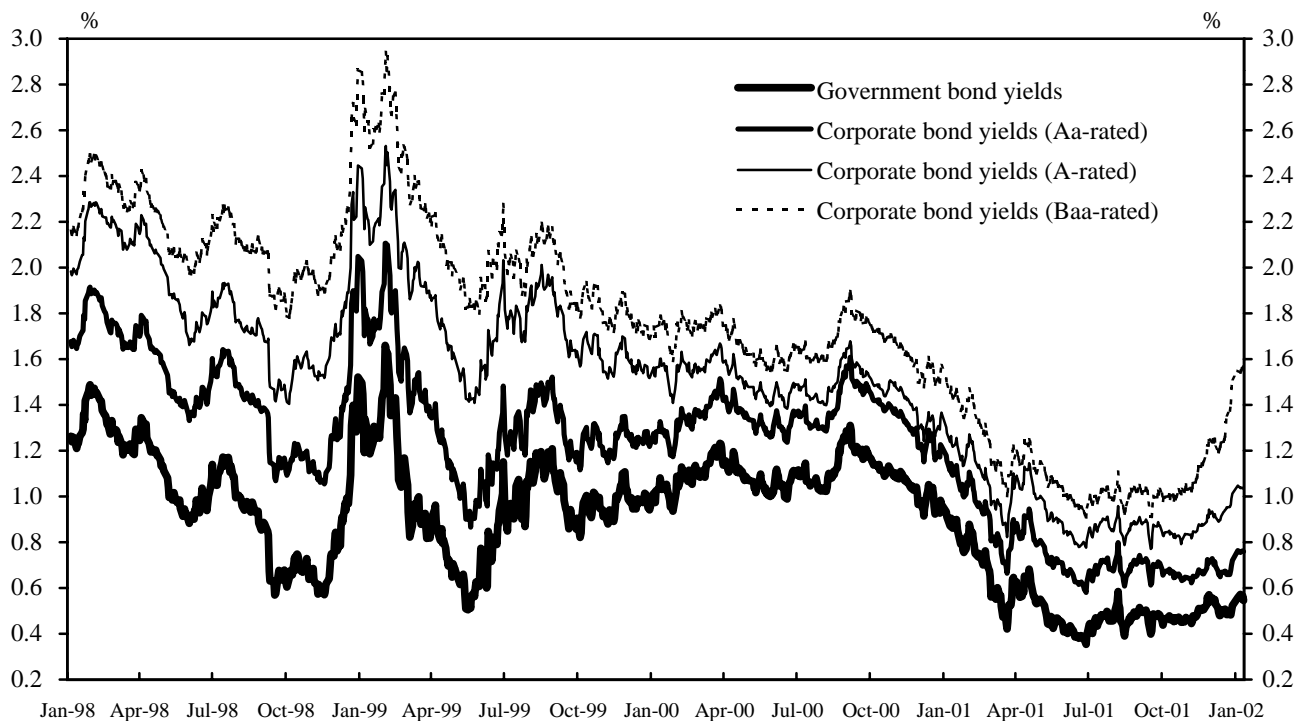
(2) Spread of Bank Debenture and Government Bond Yield



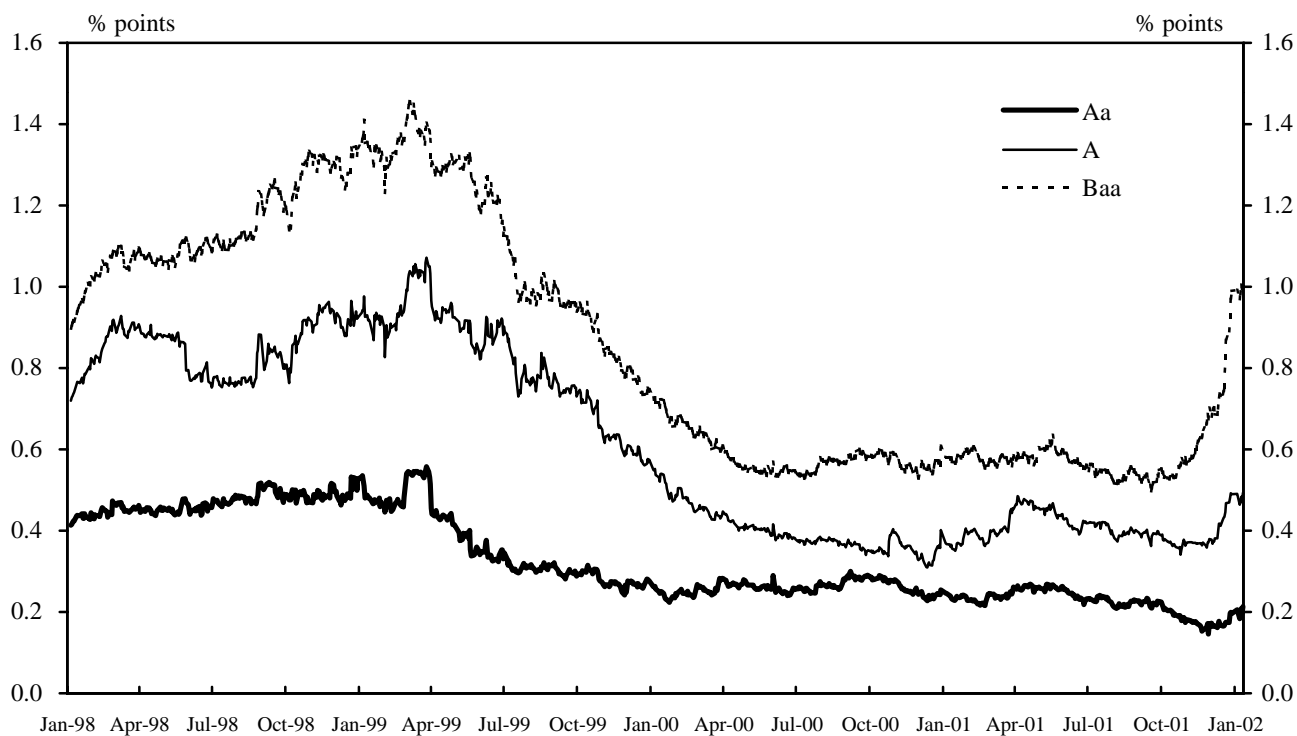
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields <sup>1</sup>

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



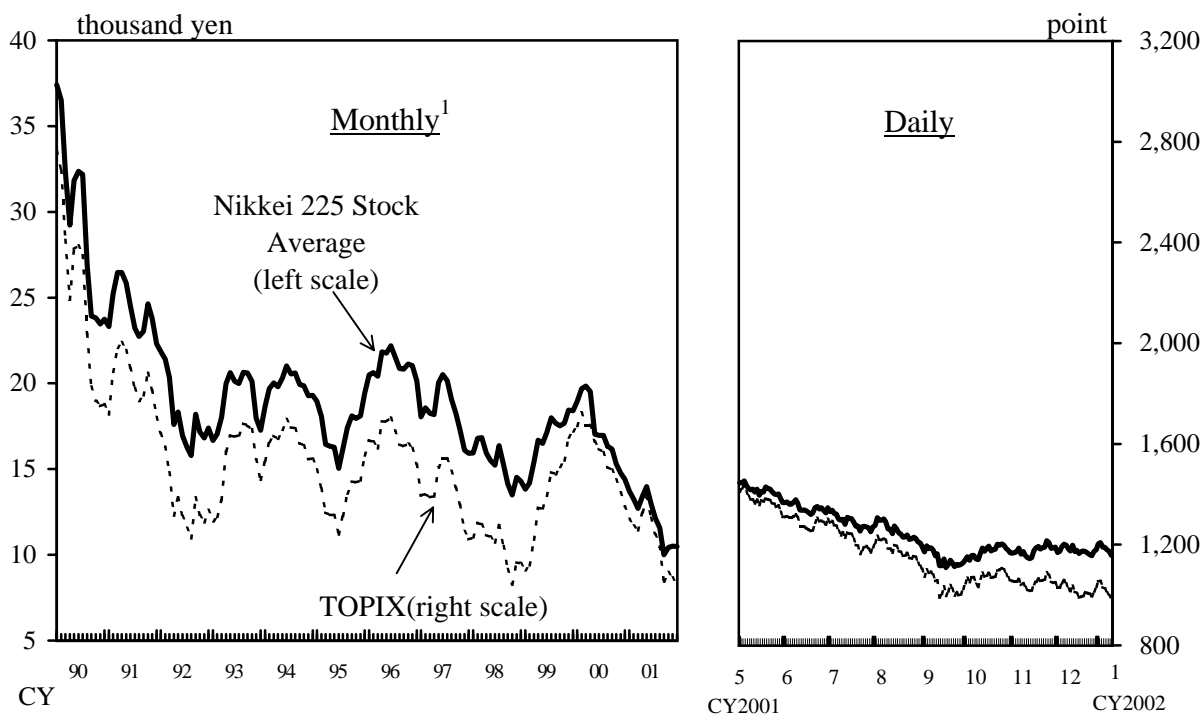
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

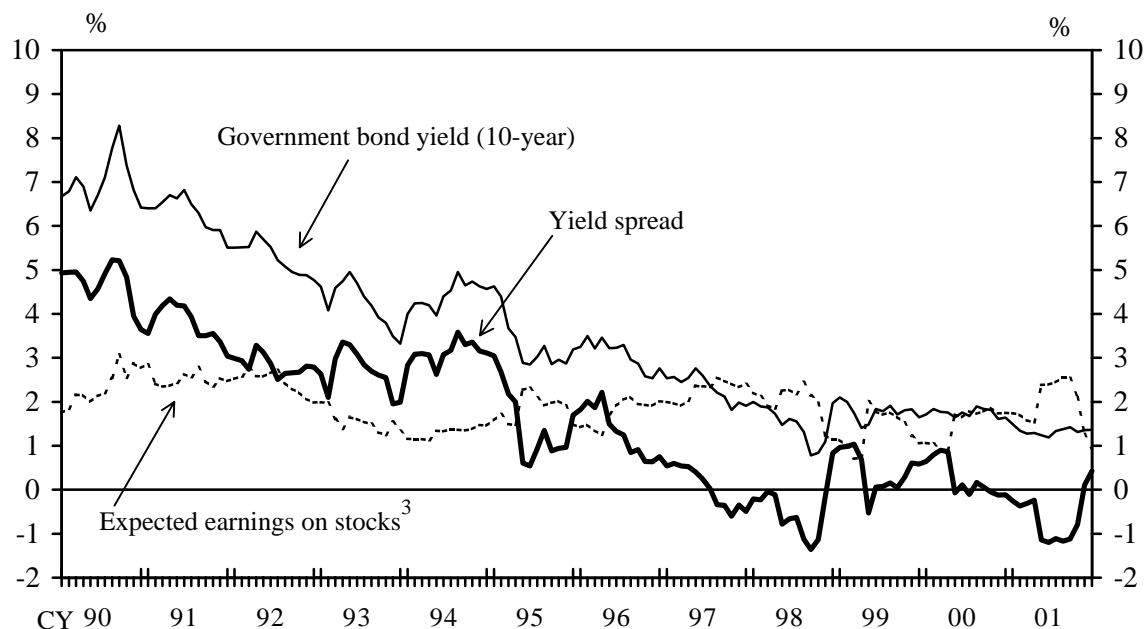
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



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



Notes: 1. Data are monthly averages.

2. Data are at end of period.

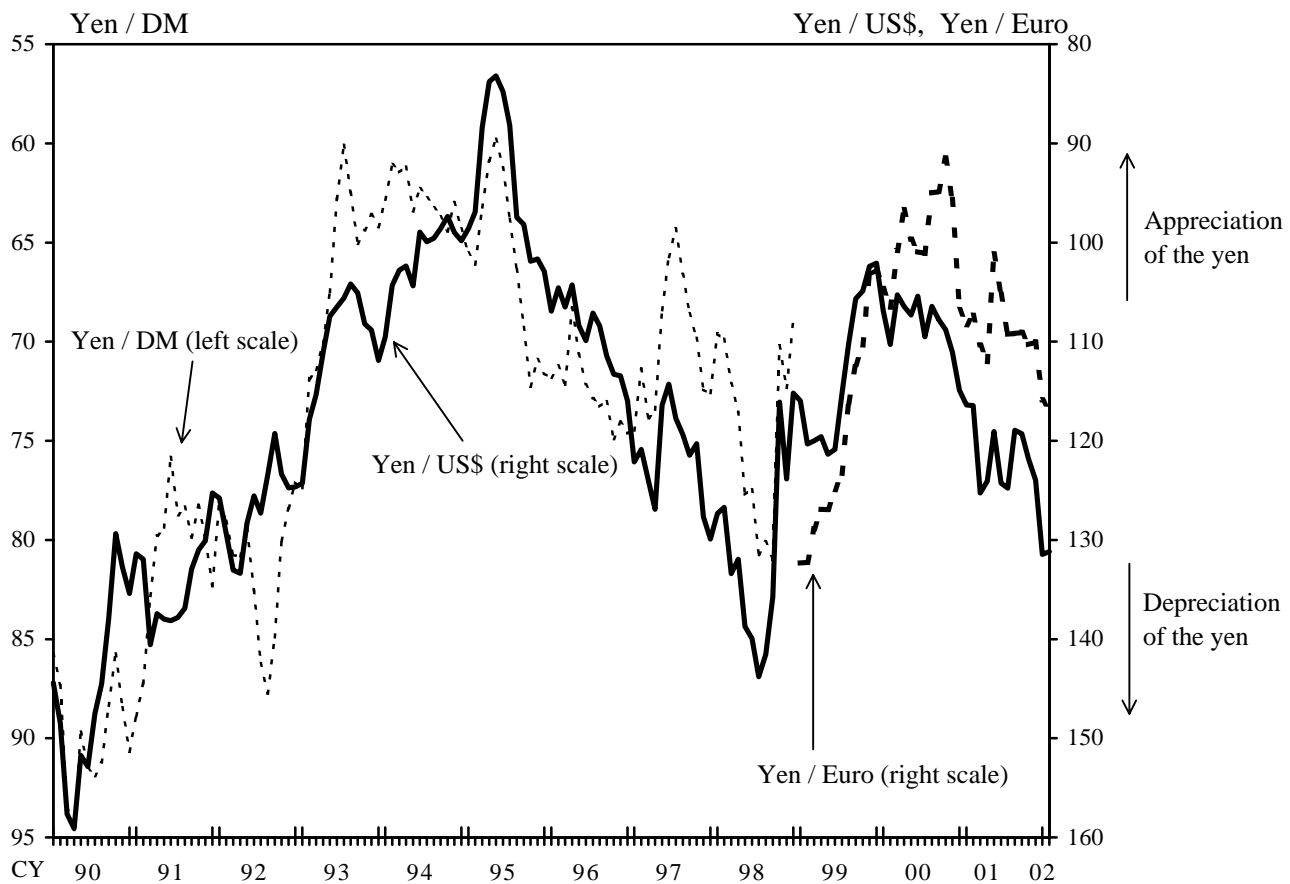
Yield spread = government bond yields - expected earnings on stocks,  
 where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

Exchange Rates <sup>1</sup>

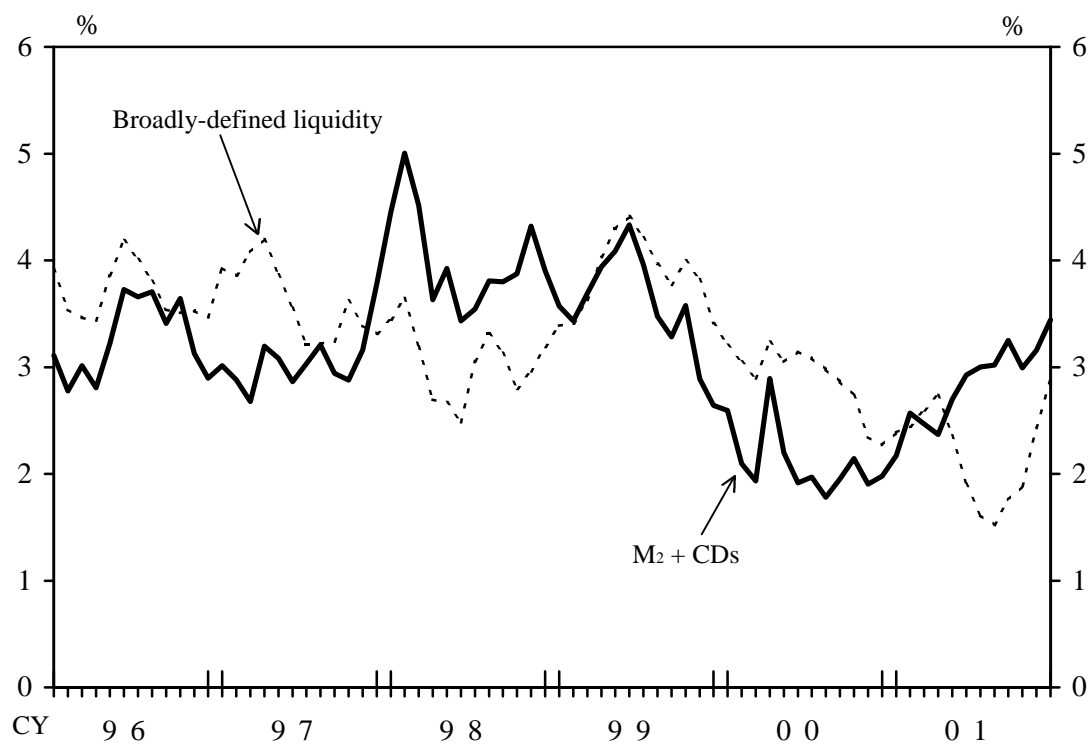


Note: 1. End of month. Data for January 2002 are as of January 15, 2002.

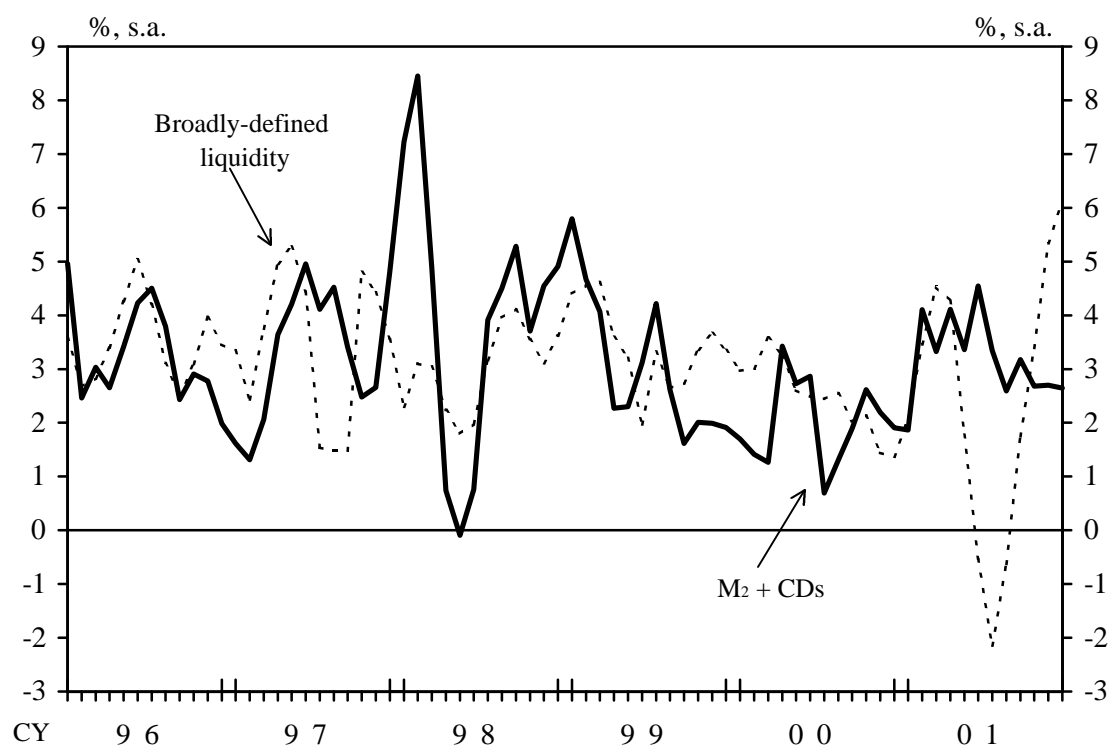
Source: Bank of Japan.

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

## (1) Changes from a Year Earlier



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



Note: Percent changes in average amounts outstanding.

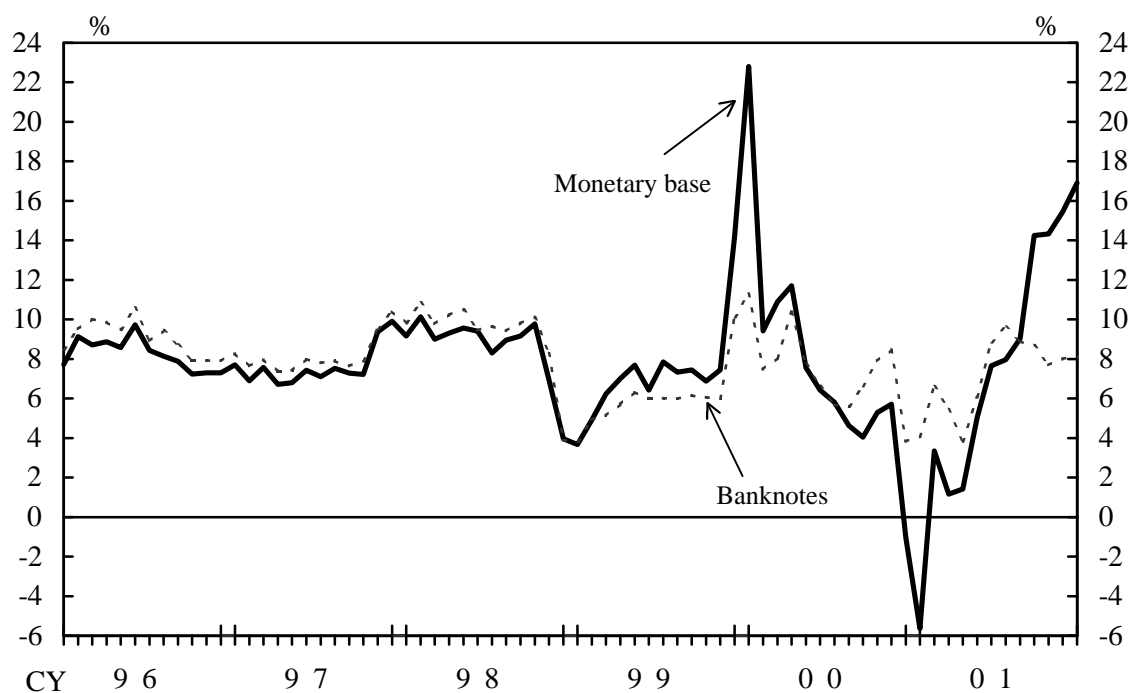
Source: Bank of Japan.

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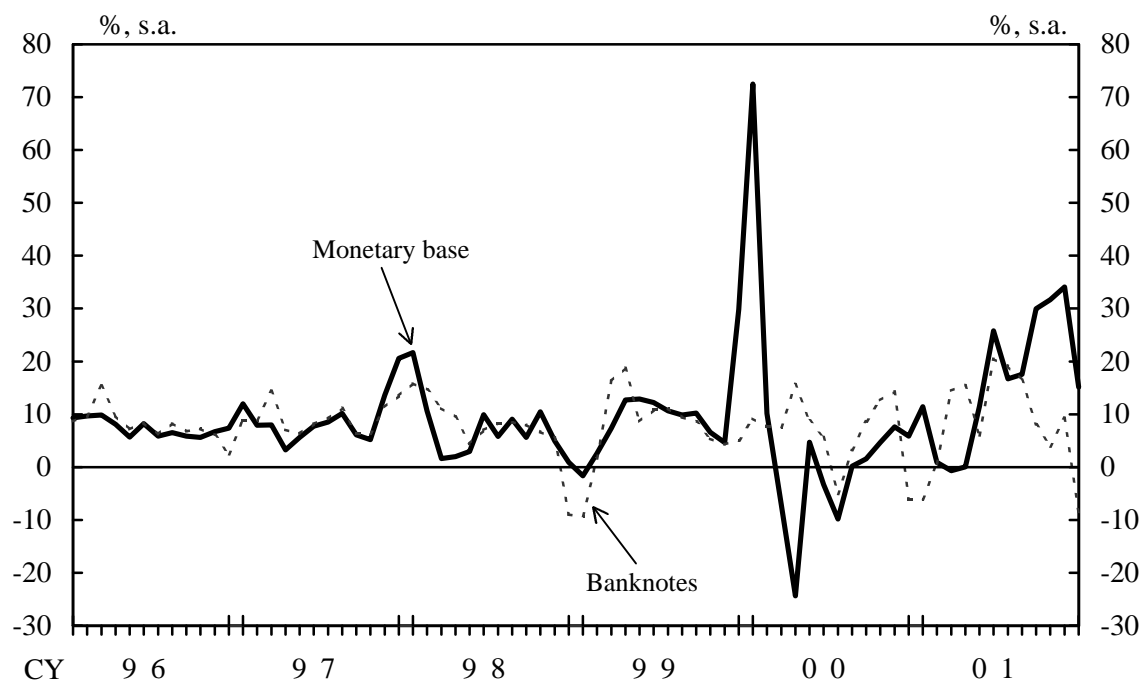
 Monetary Base
 

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## (1) Changes from a Year Earlier



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

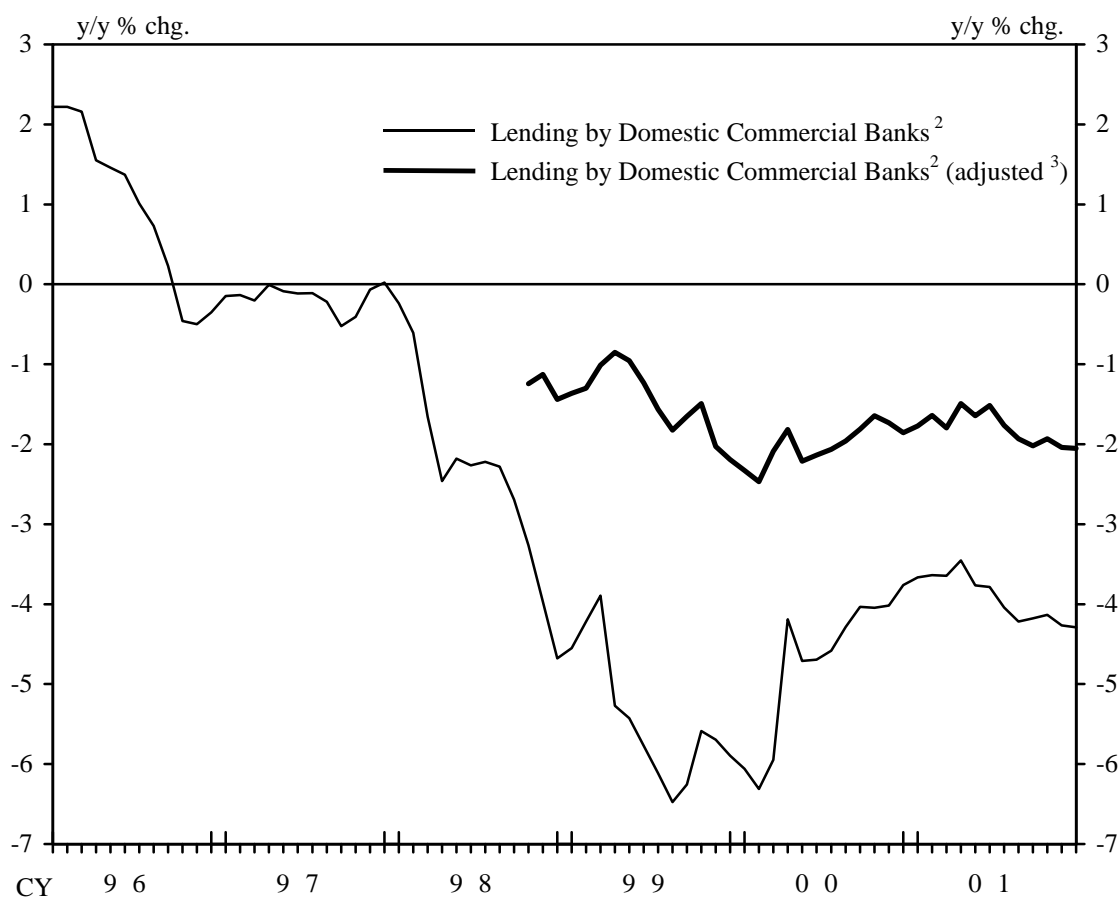


Note: Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

Data for currency in circulation include holdings of financial institutions.

Source: Bank of Japan.



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

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

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

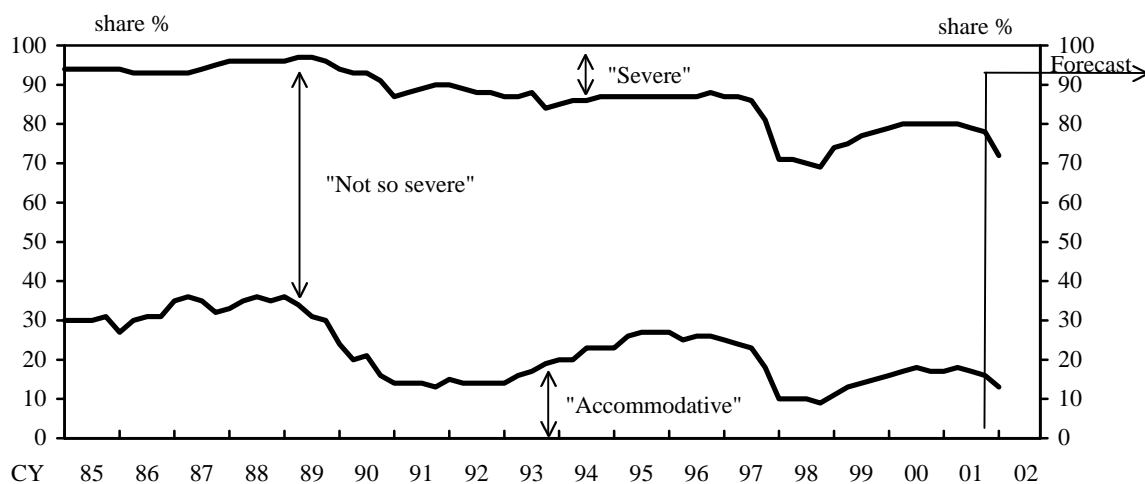
3. Adjusted to exclude

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

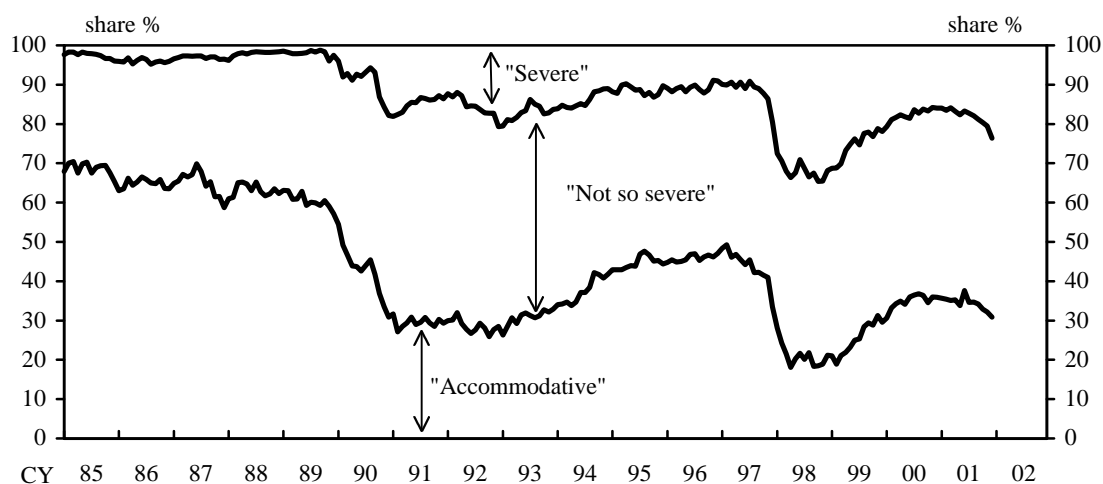
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

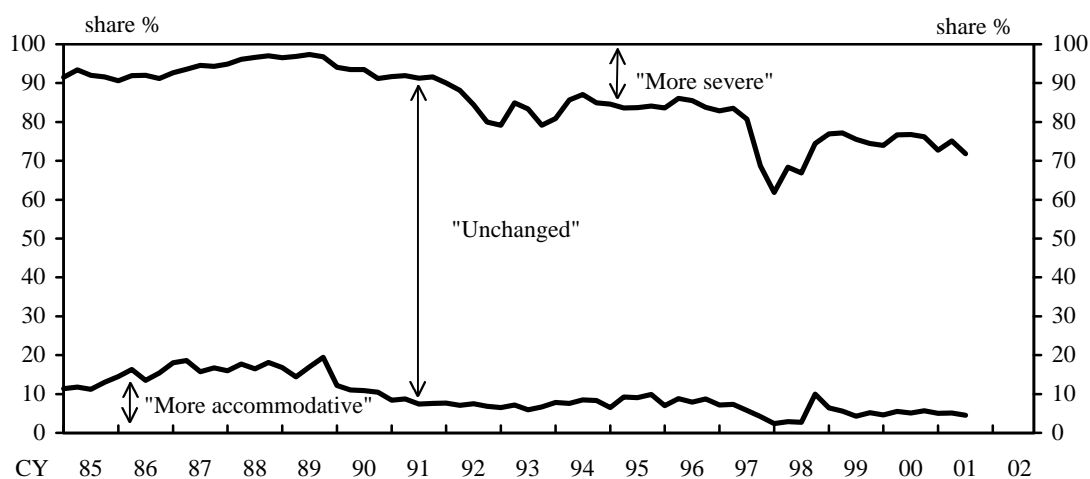
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (December, 2001)



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

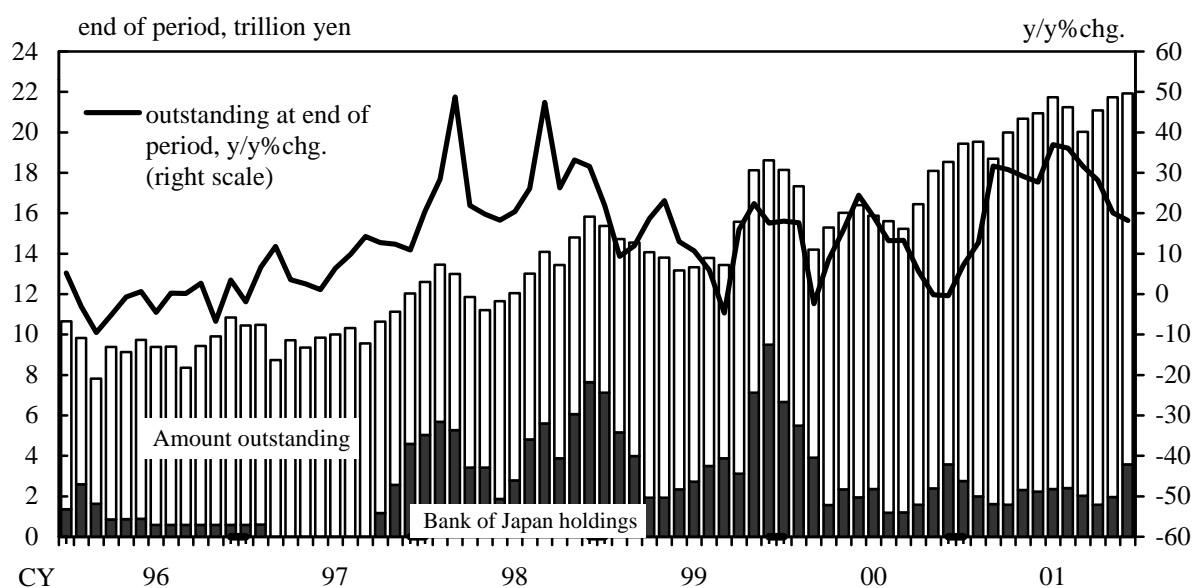


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-September, 2001)



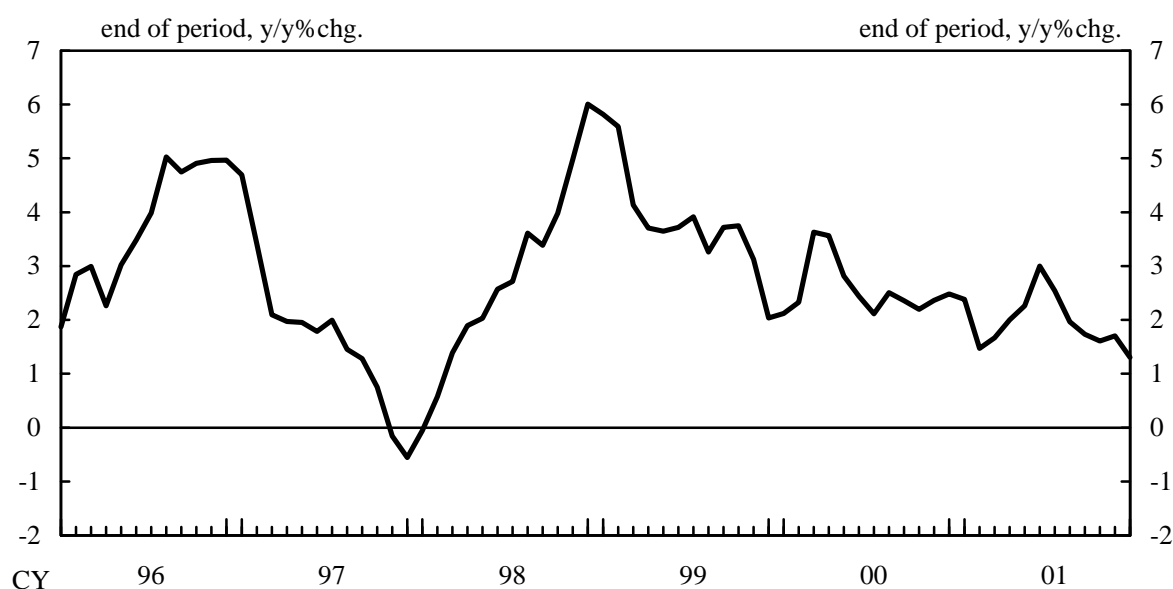
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ; Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses"; National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

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

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

(100 million yen)

	2001/Q2	Q3	Q4	2001/Oct.	Nov.	Dec.
Volume	35,223	23,779	22,858	4,937	11,585	6,336
(previous year)	(21,627)	(25,985)	(20,416)	(6,062)	(6,793)	(7,561)

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

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

Excludes those issued by banks.

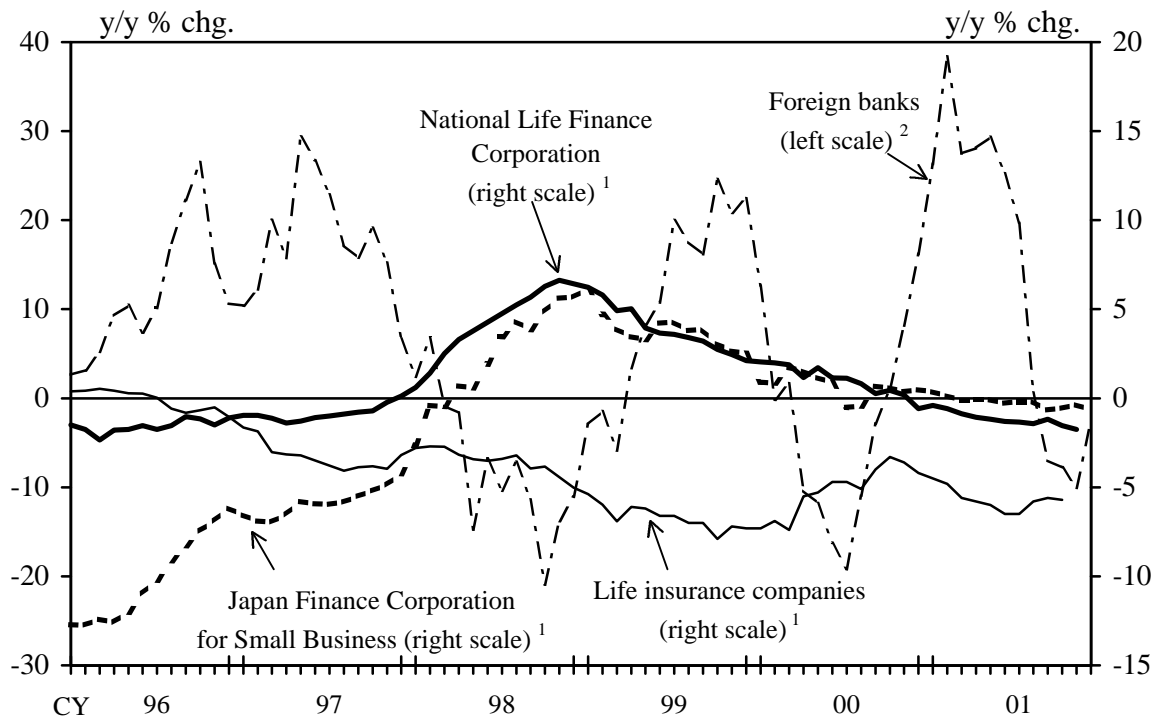
2. Includes straight bonds, convertible bonds, and bonds with warrants.

3. Estimated by the Bank of Japan.

Sources: Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Bond Review"; IN Information Center, "Funding Eye."

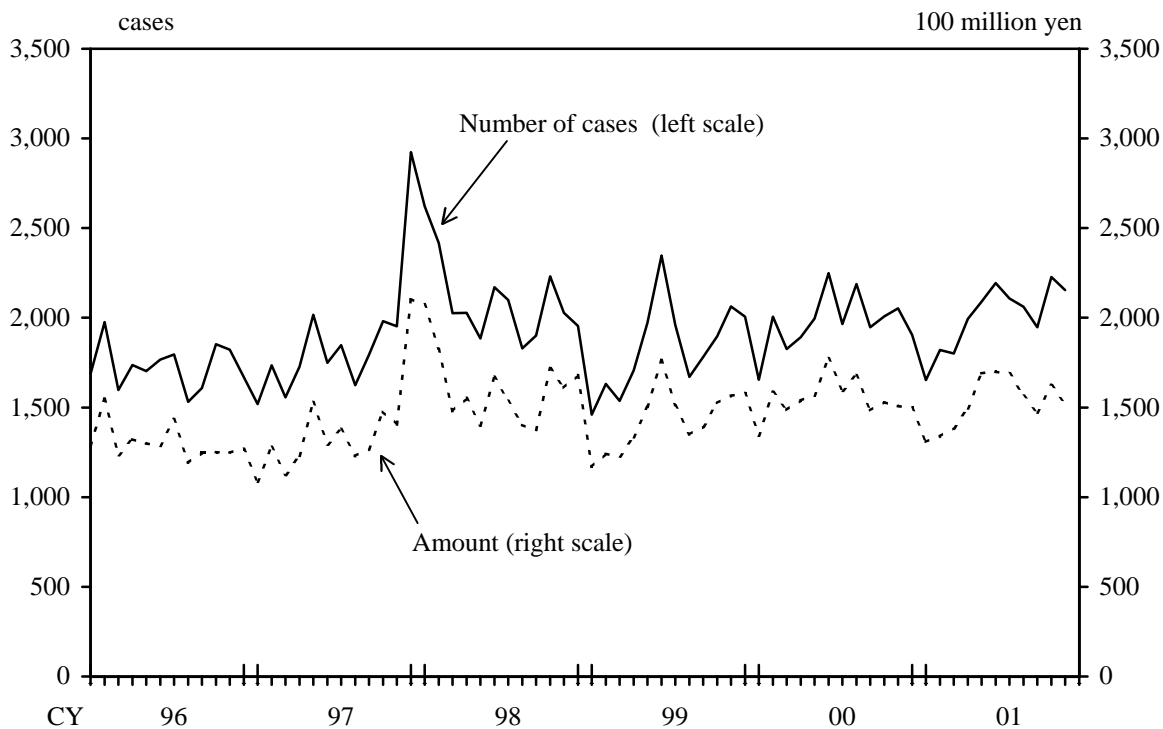
Lending by Other Financial Institutions

(1) Lending Outstanding



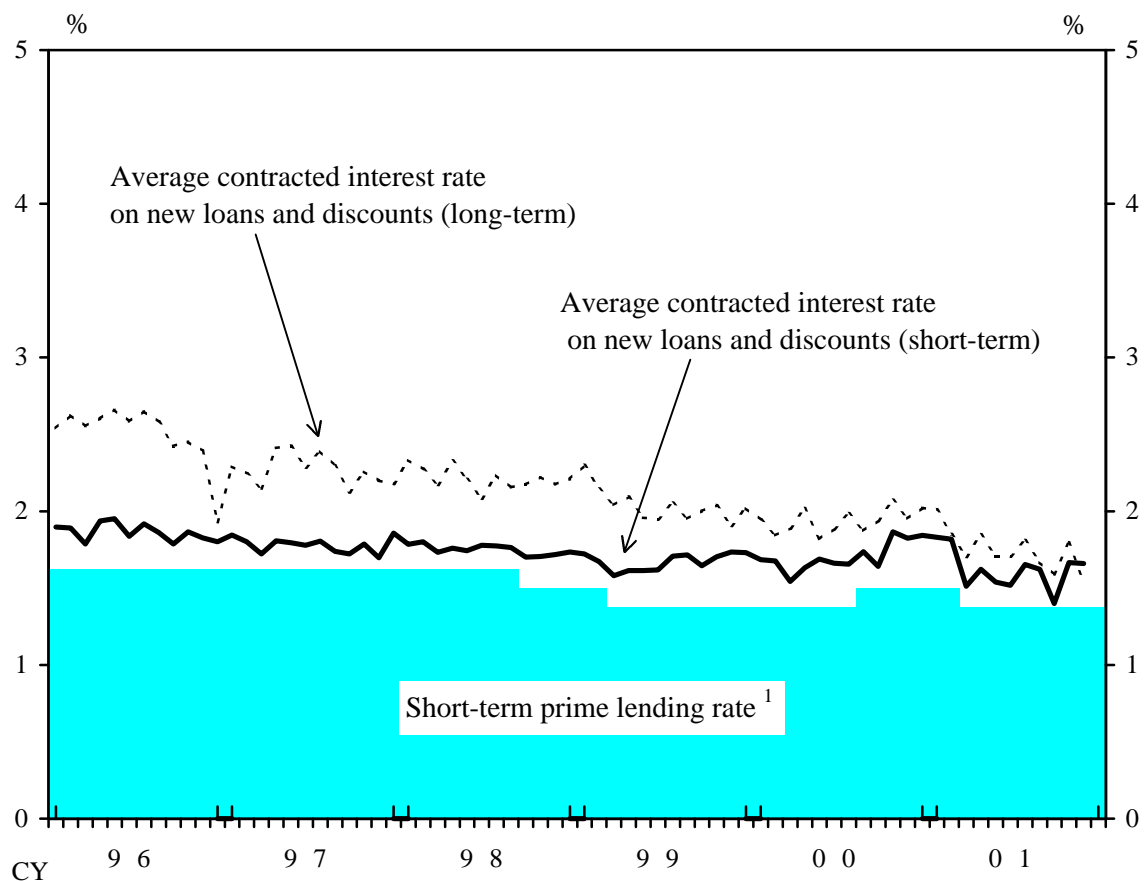
Notes: 1. Data are based on amounts outstanding at end of period.  
 2. Data are based on average amounts outstanding.

(2) Application for a Loan from Japan Finance Corporation for Small Business



Sources: Bank of Japan, "Financial and Economic Statistics Monthly"; Japan Finance Corporation for Small Business, "Gyoumu Gaikyo (Business Outline)."

Lending Rates

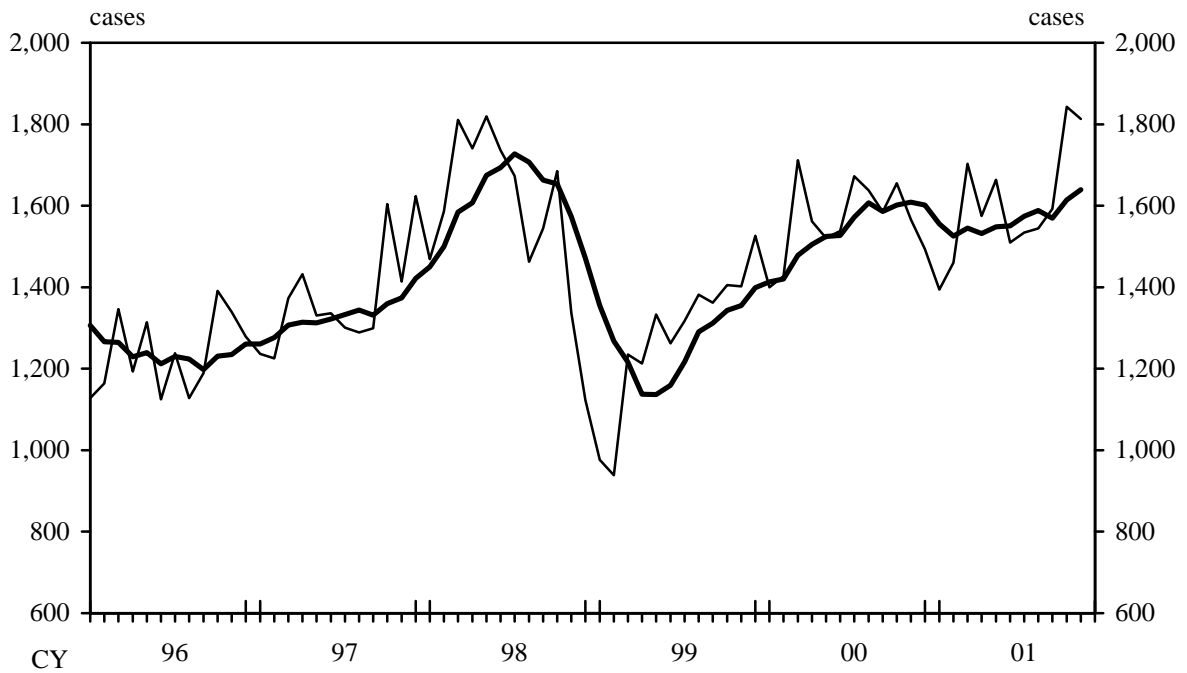


Note: 1. Data are at end of period.

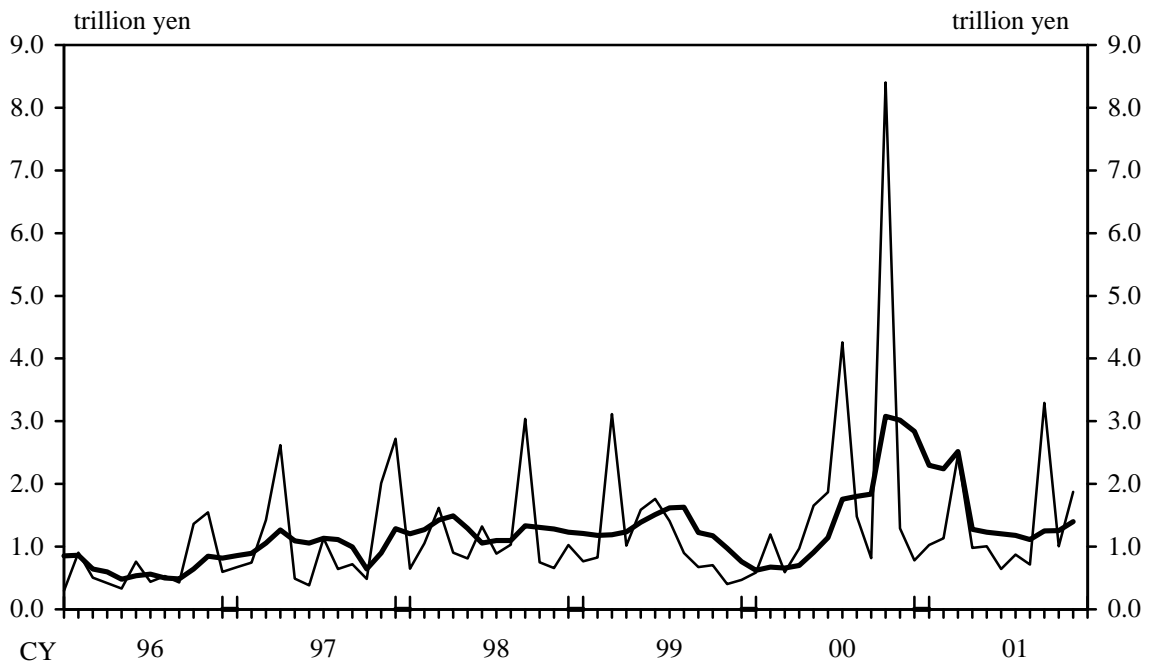
Source: Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

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