

March 29, 1999
Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
March 1999

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Monthly Report of Recent Economic and Financial Developments¹

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The Bank's View²

Japan's economy, at present, appears to have stopped deteriorating. With the increase in public investment underpinning final demand, inventory adjustment has made further progress and production has stopped decreasing.

With regard to final demand, business fixed investment has been declining significantly. Recovery in private consumption continues to be weak on the whole, although partial improvement in sales of goods has been observed. Housing investment remains at a low level but has obviously bottomed out. Net exports (exports minus imports) are leveling off, and public investment is growing considerably. Reflecting this development of final demand and further progress in inventory adjustment, industrial production has stopped decreasing. However, corporate profits have been declining, and employment and household income conditions continue to deteriorate. Although conditions in corporate finance are improving, firms apparently cannot remove their concern about the availability of funds in the future. Consequently, corporate and household sentiment remains cautious.

As for the outlook, with the progress in inventory adjustment gradually paving the way for a recovery in production, the government's economic measures and the monetary easing by the Bank would underpin the economy. In addition, measures to restore the stability of the Japanese financial system—especially the injection of public funds into banks—are expected to exert positive effects on the economy gradually. With respect to corporate activities, however, large firms in particular appear to take steps to full-scale restructuring over fiscal 1999, facing the continued decline in profits and the remaining concern about their financing. In the

¹ This report was written based on data and information available when the Bank of Japan Monetary Policy Meeting was held on March 12, 1999.

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

short run, such corporate restructuring may reduce fixed investment and discourage household expenditure through the resulting deterioration in employment and income conditions. Under such circumstances, it is still difficult to expect an immediate, self-sustained recovery in private demand. Overall economic developments require careful monitoring in consideration of the above points.

With regard to prices, reflecting the large output gap, domestic wholesale prices are on a downtrend, and corporate service prices are weakening. Consumer prices basically remain weak. In relation to price developments in the future, distinct narrowing in the output gap is unlikely for the time being even though the economy appears to have stopped deteriorating. Furthermore, the decline in wages and the appreciation of the yen since autumn 1998 are likely to continue exerting downward pressure on prices. Hence, prices are expected to remain on a downtrend.

In the financial markets, the additional monetary easing by the Bank on February 12 has lowered interest rates both on overnight call money and term instruments. In addition, the markets' anxiety about liquidity and credit risks of Japanese banks seems to have subsided—as reflected in a rapid contraction in the Japan premium—partly due to the progress in preparation for public funds injection.

Meanwhile, the amount outstanding of funds in the call money market has decreased, partly because some institutional investors have shifted a part of their funds from the market to ordinary deposits. The shrinkage of the market has not led to any difficulty in funds settlement. However, close attention should be paid to developments in the flow of funds as unexpected changes may occur.

Long-term interest rates have, amid nervous market sentiment, declined following the fall in short-term rates. Stock prices have turned to be firm against the background of the recent depreciation of the yen and the rise in U.S. stock prices.

With regard to corporate finance, credit demand for economic activities such as fixed investment remains weak. Firms' moves to increase their on-hand liquidity in the face of difficult fund-raising conditions are settling down. Meanwhile, private banks have basically retained their cautious lending stance, facing the worsening

performance of borrower companies. However, severity in their fund-raising conditions has been alleviated, and their insufficient capital base is about to be increased. Under these circumstances, banks continue to actively utilize the credit guarantee system.

As a result, the previously tightened credit conditions are easing somewhat. Nevertheless, the market is still cautious of credit risk, and thus firms with relatively low credit ratings seem to remain under severe fund-raising conditions.

The situation continues to warrant careful monitoring, particularly with regard to how corporate finance develops toward the turn of the fiscal year.

The Background

1. Japan's Economy

With regard to public investment (Chart 2), the value of public works contracted, which reflects orders, increased rapidly in autumn 1998, but then declined toward the beginning of this year because the orders placed under the first supplementary budget for fiscal 1998 had run their course. On an actual execution basis, however, public works continue to rise, reflecting the high level of orders to date.³ For the outlook, as public investment is projected to be on an increasing trend, public works contracts are expected to increase once again reflecting the implementation of the third supplementary budget for fiscal 1998, based on the emergency economic package.

Real exports (Charts 3 to 5) are essentially flat on the whole, with some fluctuations. The growth in exports to Europe, which had been increasing firmly, is decelerating, and the decline in exports to Asia, which had been down sharply, is leveling off. Exports to the United States are firm on the whole. Meanwhile, real imports are basically becoming level, with some fluctuations, while domestic demand and production activities seem to have stopped declining.

As a result of these import and export developments, net exports (exports – imports) in terms of the real trade balance⁴ and the nominal current account surplus are generally flat on the whole.

As for the future environment for foreign trade, the appreciation of the yen since autumn 1998 is likely to restrict exports gradually towards fiscal 1999 (Chart 6(1)). For the time being, the stagnation of private demand in Japan is likely to continue, the United States economy is expected to remain firm, and Asian economies are expected to move toward a recovery compared to 1998 (Chart 6(2)). Such

³ As shown in Chart 2(2), shipments of public works related goods also remain on an increasing trend.

⁴ It should be noted that 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 basically equivalent to those of net exports. (The real trade balance is on a customs-clearance basis and does not include the trade in services, while net exports are on an ownership-transfer basis and include the trade in services).

domestic and foreign economic developments will facilitate an increase in net exports. European economies, however, are gradually slowing down, and there are still uncertain aspects regarding the trends of economic adjustments in Asia. Additionally, the United States economy, presently recording high growth, is expected to decelerate gradually in the future, and there is a risk that this deceleration may be reinforced depending on developments in Latin American economies, which are recently showing signs of intensifying adjustments.

Business fixed investment has been declining significantly. Shipments of general capital goods, which reflect the current trend of fixed investment in machinery, declined 4.0 percent in the fourth quarter of 1998 on a seasonally adjusted quarter-to-quarter basis and then posted a slight increase of 1.2 percent in January 1999 compared to the fourth-quarter level, but remain on a declining trend on the whole. Leading indicators, such as machinery orders and nonresidential construction starts (Chart 7), also continue to decline. Thus, business fixed investment is still in a serious adjustment phase.

As for the future environment for business fixed investment, corporate profits are on a declining trend, and the perceptions of excess equipment are substantial. As for corporate finance (Chart 8), although the conditions are currently improving, firms still feel anxious regarding the availability of funds in the future because firms' balance sheets are deteriorating and private financial institutions are maintaining a cautious lending attitude. Under these conditions, a growing number of large firms in particular are apparently moving to implement full-scale restructuring over fiscal 1999 to improve profitability and recover financial soundness. Judged from these developments, business fixed investment is likely to remain on a declining trend for some time.⁵

With regard to private consumption (Chart 9), sales of household electric appliances are decelerating slightly, but still remain at a high level mainly due to firm sales of personal computers. Sales at department stores, after declining in the fourth

⁵ According to a survey on business fixed investment plans conducted by Nihon Keizai Shimbun, Inc. in February 1999 (covering large non-financial firms such as listed firms; interim aggregate

quarter of 1998, increased in January 1999 from the effects of a branch-closing sale by a certain department store, but remain stagnant excluding this factor. Sales at chain stores declined in the fourth quarter of 1998 and were down in January 1999 as well due to weak sales of apparel. The number of passenger car sales (excluding light cars) dropped sharply in the fourth quarter of 1998 and increased from the fourth-quarter level in January-February 1999 on average from the introduction of new models, but still remained at a low level below that of the third quarter of 1998. Including light cars, the number of passenger car sales was essentially flat in the fourth quarter of 1998, and increased in January-February 1999. Outlays for travel remain on a declining trend.

Thus, although some improvements in sales of goods have been observed from the introduction of new products, there are also many indicators showing weak developments. Consequently, the recovery in private consumption as a whole remains weak. Meanwhile, consumer sentiment remains cautious, although its deterioration seems to be ceasing (Chart 10). As for future consumption trends, although the issuance of the “regional promotion coupons” (shopping vouchers) and the reduction of personal income taxes are expected to underpin consumption, the recovery is likely to remain weak for the time being amid the harsh employment and income conditions.

With regard to housing investment (Chart 11), housing starts (on a seasonally adjusted annual basis) were declining at a rapid pace, posting 1.15 million units in the third quarter of 1998 (-6.7 percent from the previous quarter). In the fourth quarter, however, they recorded only a slight decline, falling to 1.13 million units (-1.8 percent), and increased somewhat to 1.16 million units in January 1999 (+2.6 percent compared to the fourth-quarter level). Thus, housing starts have clearly bottomed out, albeit at a low level.

As for the outlook, construction starts of houses for rent are expected to remain stagnant due to strong perceptions of excess supply. As for houses for sale, the demand is on the increase as condominium sales are recently picking up.

results), the projections for fiscal 1998 are for a year-to-year decline of 4.6 percent, and the plans for fiscal 1999 are for a substantial decline of 8.0 percent.

Nevertheless, the sales trend is unlikely to result in an increase in construction starts immediately due to excess inventories,⁶ but there is a possibility that the declining trend will cease gradually. Construction starts of owner-occupied houses are expected to turn to an increase as applications for loans from the government Housing Loan Corporation increased greatly at the end of 1998 (the number of applications received for the construction of private homes for the third offering period for fiscal 1998 surged up 49.9 percent year to year). While employment and income conditions continue to deteriorate, the reduction in taxes on home purchases launched by the government and other factors are expected to stimulate housing demand, so the future developments in housing starts overall should be closely monitored.⁷

Reflecting these developments in final demand, industrial production (Chart 12) decreased considerably in the second quarter of 1998 (-5.1 percent on a seasonally adjusted quarter-to-quarter basis), remained unchanged in the third quarter (0.0 percent), and declined only slightly in the fourth quarter (-0.4 percent). Based on production forecast indices for February and March, industrial production is projected to post an increase (+1.5 percent) in the first quarter of 1999.⁸ Thus, industrial production has stopped declining. This may be because while business fixed investment continues to decrease, public investment and the demand for some consumer goods are increasing, and inventory adjustments are progressing further (Chart 13).

Employment and income conditions are still on a deteriorating trend. In the labor market (Chart 14), the ratio of job offers to applicants was 0.49 in January 1999, a slight improvement from the fourth quarter of 1998 (0.47), but still around the

⁶ For condominiums, there seems to be a considerably high level of inventories for which construction has begun but which have not yet been supplied to the markets. Such inventories do not appear in the statistics.

⁷ In this regard, the result of applications to the government Housing Loan Corporation for the fourth offering period for fiscal 1998 (January 18 through March 26, 1999), during which it was decided to keep the standard interest rate on loans for the construction of private homes at a low 2.2 percent, needs to be carefully monitored.

⁸ After accounting for calendar factors by using X-12-ARIMA, the seasonally adjusted quarter-to-quarter change in industrial production was -3.5 percent in the second quarter of 1998, -1.7 percent in the third quarter, 0.0 percent in the fourth quarter, and is projected to be +1.1 percent in the first quarter of 1999.

lowest level since the start of these statistics in 1963.⁹ The unemployment rate was 4.4 percent in January 1999, the same level recorded in the fourth quarter of 1998, which is the highest level since the start of these statistics in 1953. The number of regular employees (on a monthly employment statistical basis at establishments with at least five employees) also remains below the previous year's level. As regards wages (Chart 15), the growth of regular compensation continues to be weak, and overtime compensation remains well below the previous year's level. As for special payments, winter bonuses declined substantially.¹⁰ Reflecting these employment and wage developments, compensation of employees is on a declining trend. As for the outlook, given the projected full-scale implementation of corporate restructuring, harsh employment and income conditions are expected to continue for the time being.

2. Prices

With regard to price developments, import prices on a yen basis (Chart 17(1)) had been falling at a rapid pace since autumn 1998 owing to the decline in international commodity prices, particularly crude oil prices, and the appreciation of the yen, but have stopped declining at present influenced by the recent slight depreciation of the yen. As for domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates;¹¹ Chart 17(3)), the prices of steel and machinery continue to decline, and the prices of petroleum products are dropping due to the prior appreciation of the yen. Thus, domestic wholesale prices overall continue declining. (Domestic wholesale prices declined by a quarter-to-quarter 0.3

⁹ The present increase in the ratio of job offers to applicants is mainly due to a decrease in the number of job seekers. From the end of 1998 the number of corporate bankruptcies has been declining greatly due to the government's measures to enhance the credit guarantee system, and the accompanying decline in the number of workers losing their jobs may be responsible for this decrease in the number of job seekers (Charts 14(2) and 14(3)).

¹⁰ According to the *Monthly Labor Statistics Survey*, Ministry of Labor, special payments from November through January, which is when most winter bonuses are paid, were down by a sharp 6.9 percent from the previous year. This surpassed the decline in special payments recorded from June through August (a year-to-year decline of 3.9 percent), which is when most summer bonuses are paid.

¹¹ Industrial and commercial electric power consumption charges are set relatively high during July-September, when the consumption volume increases substantially. Here, in order to view the fundamental changes in domestic wholesale prices, adjustments are made to exclude such factors that result in large seasonal fluctuations.

percent in the third quarter of 1998, 0.5 percent in the fourth quarter, and 0.4 percent in January-February 1999 compared to the fourth-quarter level).

Corporate service prices (Chart 18(1)) are weakening overall, particularly those for real estate rents, advertising, and machine repairs, against the background of stagnant corporate activities. (The year-to-year decline in corporate service prices was 0.4 percent in the third quarter of 1998, 0.9 percent in the fourth quarter, and 0.9 percent in January 1999).

Consumer prices (excluding perishables; Chart 18(2)) remain weak overall as the prices of goods remain below the previous year's level and the increase in service-related prices is slowing. (The year-to-year decline in consumer prices excluding perishables was 0.2 percent in the third quarter of 1998, 0.3 percent in the fourth quarter, and 0.1 percent in January 1999). On the other hand, including perishables, consumer prices overall turned to a year-to-year increase because of the large rise in the prices of perishables due to irregular weather since autumn 1998. Recently, however, the prices of perishables have begun to stabilize, so the year-to-year increase in consumer prices overall is now decelerating. (The year-to-year changes in consumer prices overall were -0.2 percent in the third quarter of 1998, +0.5 percent in the fourth quarter, and +0.2 percent in January 1999).

As for land prices, according to the Quarterly Land Price Index (Chart 19), the rate of decline in the prices of both commercial and residential land is accelerating slightly.

Regarding the future environment for prices overall, although the economy appears to have stopped deteriorating, distinct narrowing of the output gap is unlikely for the time being. Furthermore, the decline in wages and the appreciation of the yen since autumn 1998 are expected to exert downward pressure on prices. Judged from these developments, prices are likely to remain on a downtrend.

3. Financial Developments

(1) Financial Markets

Interest rate developments in short-term money markets (Charts 20(1) and 21 to 23) show that with the continued ample provision of funds by the Bank of Japan in line with the additional monetary easing measures (implemented on February 12),¹² the overnight call rate (uncollateralized) dropped and has generally been moving between 0.03 and 0.05 percent since the beginning of March.

Reflecting the Bank of Japan's decisive stance on providing ample funds as well as the progress in preparation for the infusion of public funds to private financial institutions, the decline of term interest rates is larger than that of the overnight call rate. Specifically, Euro-yen interest rates (three-month contracts) declined to 0.2-0.3 percent, and the three-month TB yield dropped below 0.1 percent. Moreover, the Japan premium has contracted to nil for the first time since autumn 1997.

Analyzing Euro-yen interest rates in terms of the one-month implied forward rate, the rates on contracts extending beyond the fiscal year-end are falling to roughly the same level as the rates on contracts beginning in and after April. This implies that the market anxiety regarding the fund-raising of Japanese financial institutions beyond the fiscal year-end has largely abated.

The amount of outstanding funds in the call money market has recently declined sharply, in part because some institutional investors have shifted a portion of their funds from the market to ordinary deposits. The shrinkage of the market has not led to any difficulty in funds settlement. However, close attention should be paid to developments in the flow of funds as unexpected changes may occur.

¹² At the Monetary Policy Meeting held on February 12, 1999, the Bank of Japan Policy Board decided to change the guideline for money market operations as follows:

“The Bank of Japan will provide more ample funds and encourage the uncollateralized overnight call rate to move as low as possible.

To avoid excessive volatility in the short-term financial markets, the Bank of Japan will, by paying due consideration to maintaining market function, initially aim to guide the above call rate to move around 0.15%, and subsequently induce further decline in view of the market developments.”

The trend toward increasing yields on ten-year government bonds (benchmark) (Chart 20(2)) is decelerating in response to the Bank of Japan's additional monetary easing measures and the Ministry of Finance's decisions, including a review of the issuance amounts of government bonds with different terms. From the beginning of March, the yields declined further, following the fall in short-term interest rates. Yields on private bonds (Charts 25 and 26) are also declining, more or less in pace with the government bond yields. The yield spread between corporate and government bonds expanded in autumn 1998, especially for bonds issued by corporations with low credit ratings, and has remained at a high level ever since.

Stock prices (Chart 27(1)) have recovered to around 15,500 yen, that is, to the highest levels posted this year, on favorable market sentiment toward the recent depreciation of the yen, the progress in preparation for the infusion of public funds to private financial institutions, the announcements of corporate restructuring measures, and the rise in U.S. stock prices.

On the foreign exchange market (Chart 28), the trend is toward a lower yen and higher dollar because of a range of factors including the strength of the U.S. economy and the developments in U.S. and Japanese long-term interest rates. The yen-dollar exchange rate has recently been moving around 119-122 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The year-to-year growth in money stock (Chart 29) in terms of $M_2 + \text{CDs}$ shows no major underlying changes, although it decreased somewhat to the middle three-percent range in January due to a "statistical reverse" from the previous year's level.¹³ (The year-to-year growth in $M_2 + \text{CDs}$ was 3.7 percent in the third quarter of 1998, 4.0 percent in the fourth quarter, and 3.6 percent in January 1999).

¹³ During the first quarter of 1998, there was a large shift of funds from trusts, investment trusts, and other instruments to cash deposits reflecting increasing anxiety regarding the financial system. This shift of financial assets later subsided along with the abatement of the anxiety. As a result, the year-to-year growth in $M_2 + \text{CDs}$ in January shows a slight decline due to this "statistical reverse."

Meanwhile, the year-to-year growth in the monetary base (currency in circulation + reserves) (Chart 30), declined substantially in December and January. This may be attributed to the sudden deceleration of the growth in the issuance of Bank of Japan notes, which account for the majority of the monetary base, reflecting the following factors: ① the settling down of firms' moves to increase their on-hand liquidity along with the abatement of anxiety regarding the financial system; ② the decline in winter bonuses; and ③ the brevity of this year's New Year's holidays. The issuance volume of Bank of Japan notes has been gradually recovering since February.

The year-to-year decline in lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;¹⁴ Chart 31), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, contracted gradually in February. Meanwhile, fund-raising from sources other than bank loans (Charts 33 and 34) has recently been slowing down slightly due to the decline in corporate bond and CP issuance.

Turning to the funding cost for firms, in January the average contracted interest rates on loans and discounts (Chart 35) increased only slightly, despite the increase in long-term market interest rates from the end of 1998. In February, corporate bond issuance rates remained essentially flat, and CP issuance rates declined further following the implementation of additional monetary easing measures.

In relation to these monetary aggregate and corporate funding cost developments, regarding the credit demand of private firms, as a result of the significant decline in business fixed investment, the credit demand for economic activities remains depressed. Also, firms' moves to increase their on-hand liquidity, which were strengthening from autumn 1998, are gradually settling down along with the abatement of anxiety regarding the financial system.

¹⁴ 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, (3)

Meanwhile, the lending attitude of private financial institutions is still fundamentally cautious amid the worsening of corporate earnings. However, severity in their fund-raising conditions has been alleviated, and their insufficient capital base is about to be increased. Under these conditions, banks continue to actively utilize the credit guarantee system.

As a result of these developments, the previously tightened credit conditions are easing somewhat, and the number of corporate bankruptcies has recently fallen below the previous year's level (Chart 36).

Nevertheless, the market is still cautious of credit risk, and thus firms with relatively low credit ratings seem to remain under a severe fund-raising environment.

The situation continues to warrant careful monitoring, particularly with regard to how corporate finance conditions develop toward the turn of the fiscal year.

fluctuations from loan write-offs, and (4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General Account.

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Main Economic Indexes (1)

y/y % chg.

	98/Q2	Q3	Q4	98/Nov.	Dec.	99/Jan.	Feb.
Index of expenditure level (all households)	-0.8	-1.9	0.2	1.5	-0.2	p 1.9	n.a.
Sales of department stores	0.6	-4.5	-4.5	-2.4	-5.8	p -2.0	n.a.
Sales of chain stores ¹	0.3	-2.5	-1.4	0.5	-2.2	-4.2	n.a.
New passenger-car registrations ² <s.a., ann. 10,000 units>	324	325	287	274	296	328	301
Sales of electric appliances (NEBA)	3.6	8.2	10.1	11.3	7.3	8.8	n.a.
Outlays for travel (50 major travel agencies)	-2.8	-3.2	-7.0	-2.7	-7.3	-4.2	n.a.
Housing starts <s.a., ann. 10,000 units>	123	115	113	109	115	116	n.a.
Machinery orders (from private sector ³)	-21.7	-20.3	-17.8	-12.2	-14.3	-22.9	n.a.
Mining & manufacturing	-23.7	-22.0	-27.2	-26.3	-22.8	-23.4	n.a.
Nonmanufacturing ³	-20.1	-18.9	-10.2	0.5	-7.3	-22.7	n.a.
Construction Starts (private, nonresidential use)	-13.8	-18.2	-22.9	-20.4	-24.6	-19.6	n.a.
Manufacturing	-25.9	-38.1	-45.5	-48.5	-46.4	-36.3	n.a.
Nonmanufacturing ⁴	-8.9	-10.5	-13.4	-7.1	-15.7	-12.2	n.a.
Value of public works contracts	-6.2	4.9	10.4	-1.5	4.3	0.0	n.a.
Real exports <s.a. quarterly (monthly) change>	-2.5	1.5	-1.9	-9.2	5.4	7.8	n.a.
Real imports <s.a. quarterly (monthly) change>	-7.2	2.4	-1.8	0.5	0.2	1.9	n.a.
Industrial production <s.a. quarterly (monthly) change>	-5.1	0.0	-0.4	-2.1	1.3	p 0.8	n.a.
Shipments <s.a. quarterly (monthly) change>	-5.1	0.8	0.1	-2.1	1.8	p 1.2	n.a.
Inventories <s.a. quarterly (monthly) change>	-1.9	-2.4	-3.6	-1.4	-1.8	p -1.7	n.a.
Inventories/shipments <s.a. 1995=100>	111.0	109.1	107.4	111.2	107.4	p 104.3	n.a.

Main Economic Indexes (2)

	y/y % chg.						
	98/Q2	Q3	Q4	98/Nov.	Dec.	99/Jan.	Feb.
Ratio of job offers to applicants <s.a., times>	0.54	0.49	0.47	0.47	0.47	0.49	n.a.
Unemployment rate <s.a., %>	4.10	4.26	4.38	4.45	4.39	4.43	n.a.
Overtime working hours ⁵	-9.3	-8.7	-7.3	-8.6	-5.8	p -6.3	n.a.
Number of employees	-0.6	-0.7	-0.5	-0.4	-0.8	-0.7	n.a.
Number of regularly employed ⁵	0.1	-0.2	-0.4	-0.6	-0.4	p -0.4	n.a.
Nominal wage per person ⁵	-0.6	-2.0	-2.3	0.1	-4.2	p -2.0	n.a.
Domestic wholesale price index	-2.3	-2.1	-2.1	-2.2	-2.2	-2.3	-2.1
Consumer price index (nationwide)	0.4	-0.2	0.5	0.8	0.6	0.2	n.a.
Excluding perishables	0.1	-0.2	-0.3	-0.3	-0.3	-0.1	n.a.
Corporate service price index	-0.2	-0.4	-0.9	-0.8	-0.9	-0.9	n.a.
Monetary aggregates (M2+CDs) <average outstanding, y/y % chg>	3.7	3.7	4.0	4.3	3.9	p 3.6	n.a.
Number of suspension of transaction with banks	28.9	17.3	-17.5	-8.3	-37.4	-40.5	n.a.

Notes: 1. Adjusted to exclude consumption tax.

2. Excludes small cars with engine sizes of 660cc or less. Seasonally adjusted by X-12-ARIMA (β version).

3. Excludes ships and demand from electric power companies.

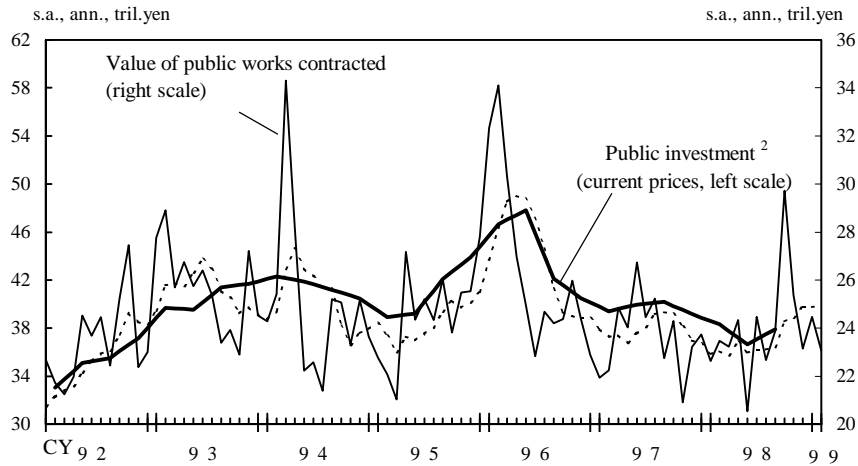
4. Nonmanufacturing=commerce+services+agriculture & fisheries+public utilities industries etc.

5. Data for establishments with at least five regular employees.

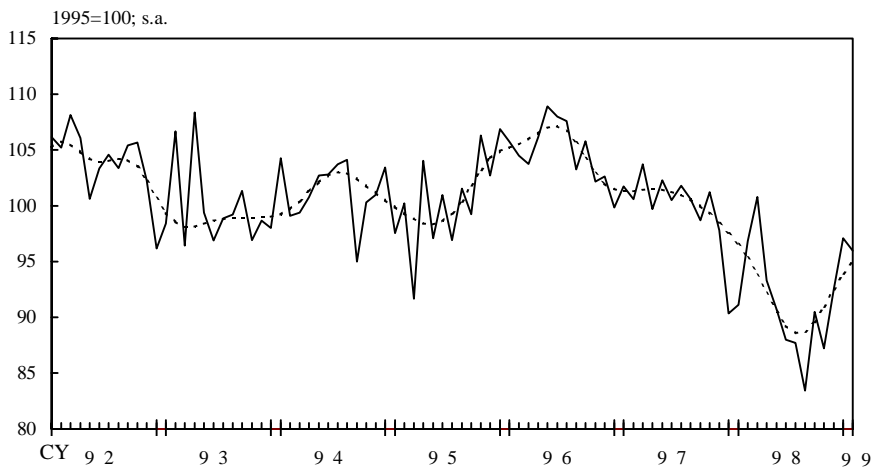
Sources: Management and Coordination Agency, "Monthly Report on Family Income and Expenditure Survey", "Labor Force Survey", "Consumer Price Index";
 Ministry of International Trade and Industry, "Current Survey of Commerce", "Indices of Industrial Production";
 Japan Chain Stores Association, "Sales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

Public Investment¹

(1) Value of public works contracted



(2) Shipments of Public Works-related Goods³



- Notes:
1. Seasonally adjusted by X-12-ARIMA (β version). The dotted line of "value of public works contracted" is 6 months moving average. The dotted line of "public works-related goods" is the trend cycle factor.
 2. Quarterly basis public investment is plotted at the middle month of each quarter.
 3. In order to follow the monthly movement of public investment, we have compiled the data of shipments of "public works-related goods" by selecting some goods used for public works from "Indices of Industrial Production."

The basket of goods used to calculate "public works-related goods" was changed just after the base year of "Indices of Industrial Production" was revised from 1990 to 1995. The goods presently used are asphalt, concrete products for roads, bridges, and cement.

"Public works-related goods" only covers construction investment excluding buildings (which comprises two-thirds of public investment), and does not cover building and machinery investment (which comprises one-third of public investment).

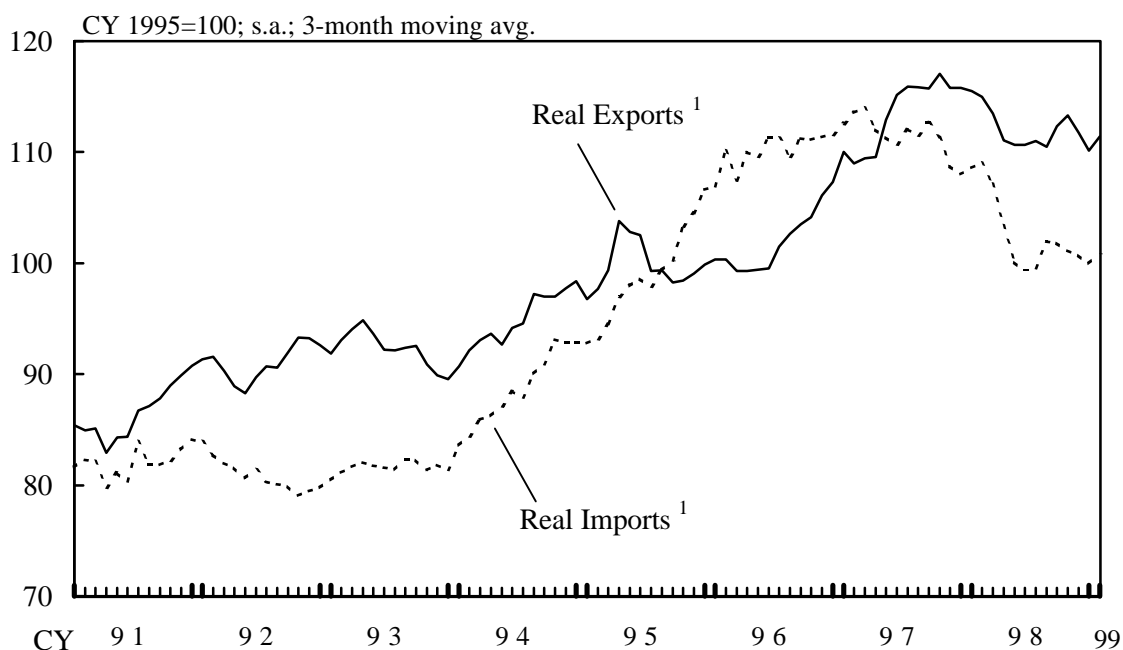
"Public works-related goods" is partly used for private-sector investment.

The data in January 99 are preliminary.

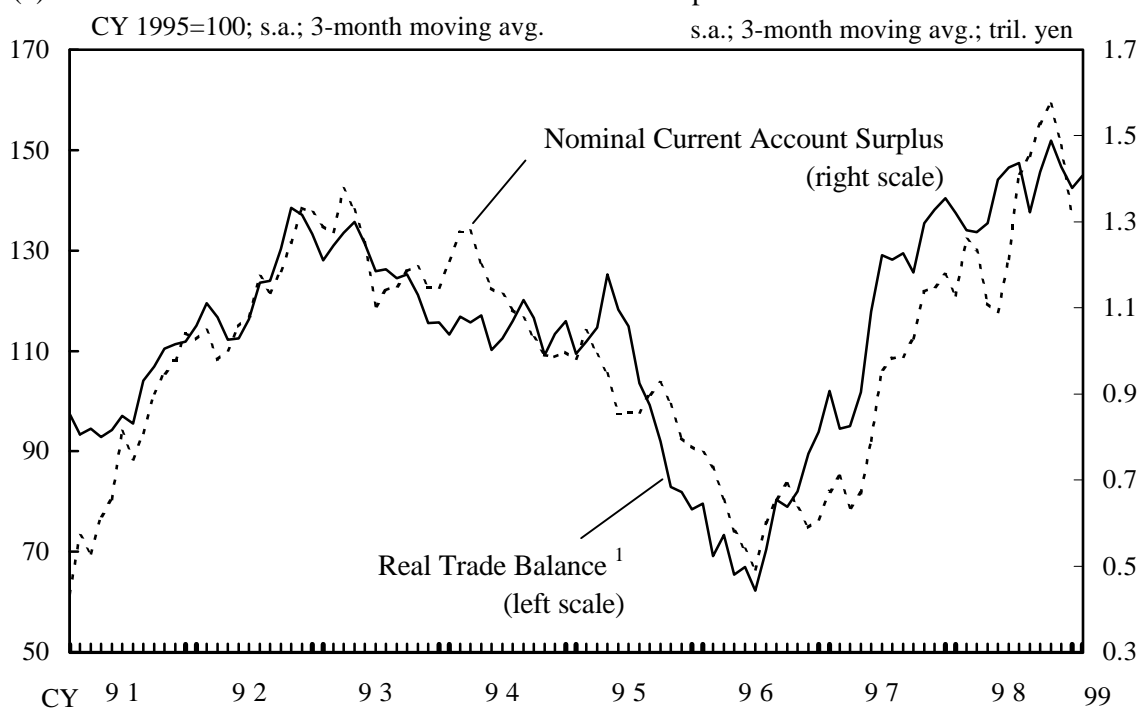
Sources: Economic Planning Agency, "National Income Statistics";
 Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";
 Ministry of International Trade and Industry, "Indices of Industrial Production."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



Note: 1. Seasonally adjusted by X-11 and annually revised.

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

Real Exports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 97	98 98	98 Q1	Q2	Q3	Q4	99 Q1	98 Nov.	99 Dec.	99 Jan.
United States	<30.5>	14.6	6.8	5.8	-1.7	2.2	-2.5	9.3	-15.0	4.2	12.4
EU	<18.4>	13.8	15.6	2.8	5.2	2.8	0.2	1.1	-10.4	7.3	0.2
East Asia	<33.2>	8.6	-18.1	-10.5	-6.2	-1.7	-2.3	18.6	-7.7	7.1	16.5
China	<5.2>	8.2	0.5	-3.4	4.0	-0.6	-4.3	37.8	-9.7	4.5	38.6
NIEs	<20.2>	10.5	-16.5	-9.7	-7.5	-3.2	-1.9	16.2	-8.2	8.5	13.4
Korea	<4.0>	-1.5	-35.3	-29.8	-7.0	-1.4	13.5	23.4	-5.1	14.6	14.9
ASEAN4 ³	<7.8>	5.0	-29.2	-15.7	-8.8	1.4	-2.2	12.7	-5.1	5.5	10.7
Thailand	<2.4>	-11.6	-29.4	-9.6	-2.3	-0.4	-3.2	14.2	-11.6	4.2	16.0
Indonesia	<1.1>	22.6	-53.4	-36.0	-26.9	8.7	5.7	8.4	-9.4	7.4	6.9
Real exports		11.2	-2.1	-2.0	-2.5	1.5	-1.9	8.1	-9.2	5.4	7.8

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 97	98 98	98 Q1	Q2	Q3	Q4	99 Q1	98 Nov.	99 Dec.	99 Jan.
Intermediate goods	<14.5>	11.2	2.9	-1.9	1.9	3.2	-1.1	6.1	-12.7	6.8	6.4
Motor vehicles and their related goods	<21.9>	14.6	1.3	-0.9	-1.0	3.2	2.4	4.2	-6.8	6.4	2.4
Consumer goods ⁴	<7.3>	6.3	5.0	2.8	0.4	-2.3	0.3	2.3	-7.7	4.3	2.2
Information-related goods ⁵	<17.2>	18.1	-7.0	-4.3	-4.2	0.9	-3.4	4.0	-8.5	8.2	1.7
Capital goods and parts ⁶	<28.7>	9.0	-5.4	-4.1	-3.6	0.0	-4.6	8.3	-10.3	1.9	11.0
Real exports		11.2	-2.1	-2.0	-2.5	1.5	-1.9	8.1	-9.2	5.4	7.8

Notes: 1. Seasonally adjusted by X-11.1999/Q1 is Jan. figure converted into quarterly amount.

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

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

4. Excluding motor vehicles.

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

6. Excluding information-related goods and power generating machinery and parts of motor vehicles.

7. Data for Korea, Thailand, and Indonesia are before annual revision. The others are after annual revision.

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 97	98	98 Q1	Q2	Q3	Q4	99 Q1	98 Nov.	Dec.	99 Jan.
United States	<23.9>	1.1	-3.7	-0.3	-4.0	0.3	-3.6	1.2	-6.5	-5.2	7.3
EU	<13.9>	-3.6	-6.5	1.8	-6.3	3.3	1.6	-0.3	7.4	-4.3	0.3
East Asia	<34.9>	0.9	-7.7	0.0	-5.8	0.9	0.5	2.3	4.4	2.4	-0.7
China	<13.2>	8.8	-4.4	0.7	-4.3	0.6	-0.8	1.9	5.8	3.9	-2.5
NIEs	<10.2>	-8.1	-10.9	-0.1	-8.5	-0.2	4.3	2.8	6.0	0.6	0.5
Korea	<4.3>	-3.9	-9.3	3.7	-10.1	-3.7	9.8	3.5	5.6	2.7	-0.1
ASEAN4 ³	<11.4>	2.2	-8.1	-0.5	-5.0	2.2	-1.4	2.3	1.6	2.3	0.3
Thailand	<2.9>	-0.5	-7.1	-3.5	-2.7	2.9	-4.2	4.7	-3.0	1.8	4.5
Indonesia	<3.9>	-2.3	-10.0	0.1	-4.1	5.8	-5.4	-6.4	2.2	2.4	-8.5
Real imports		0.9	-8.3	-0.8	-7.2	2.4	-1.8	2.2	0.5	0.2	1.9

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 97	98	98 Q1	Q2	Q3	Q4	99 Q1	98 Nov.	Dec.	99 Jan.
Raw materials ⁴	<23.2>	-0.5	-6.0	-3.4	-4.7	2.3	-0.3	2.7	-1.3	0.0	3.2
Intermediate goods	<14.0>	2.7	-7.1	-0.5	-8.1	-0.2	0.2	-4.5	2.1	1.6	-6.2
Foodstuffs	<14.8>	-3.5	-4.0	1.1	-2.1	2.6	-4.0	10.2	4.0	-1.7	10.0
Consumer goods	<10.7>	-10.0	-13.8	-0.6	-8.4	5.3	-5.3	0.8	9.7	-5.4	1.5
Information-related goods ⁵	<13.2>	8.0	-5.8	-3.2	-1.4	3.8	-2.0	3.9	0.5	-0.6	4.1
Capital goods and parts ⁶	<13.3>	13.6	2.7	5.4	-8.3	-0.4	0.8	-1.4	-7.7	-4.5	4.6
Real imports		0.9	-8.3	-0.8	-7.2	2.4	-1.8	2.2	0.5	0.2	1.9

Notes: 1. Seasonally adjusted by X-11. 1999/Q1 is Jan. figure converted into quarterly amount.

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

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

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

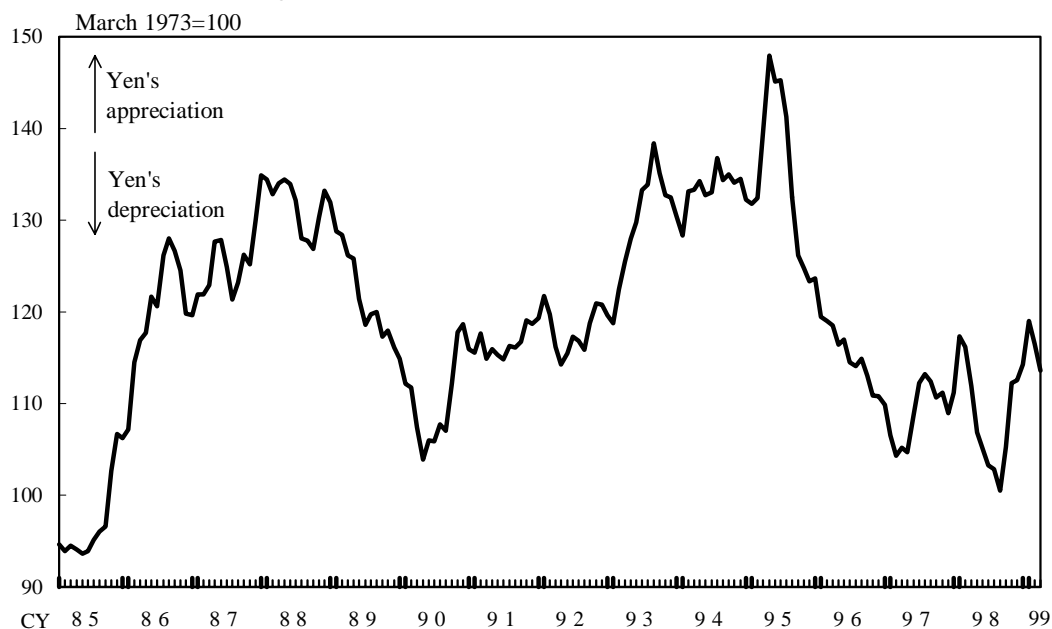
5. Information-related goods = office machinery + telecommunication machinery + ICs + scientific, medical and optical instruments.

6. Excluding information-related goods.

7. Data for Korea, Thailand, and Indonesia are before annual revision. The others are after annual revision.

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

Overseas Economic Conditions and Real Effective Exchange Rate

(1) Real Effective Exchange Rate ¹

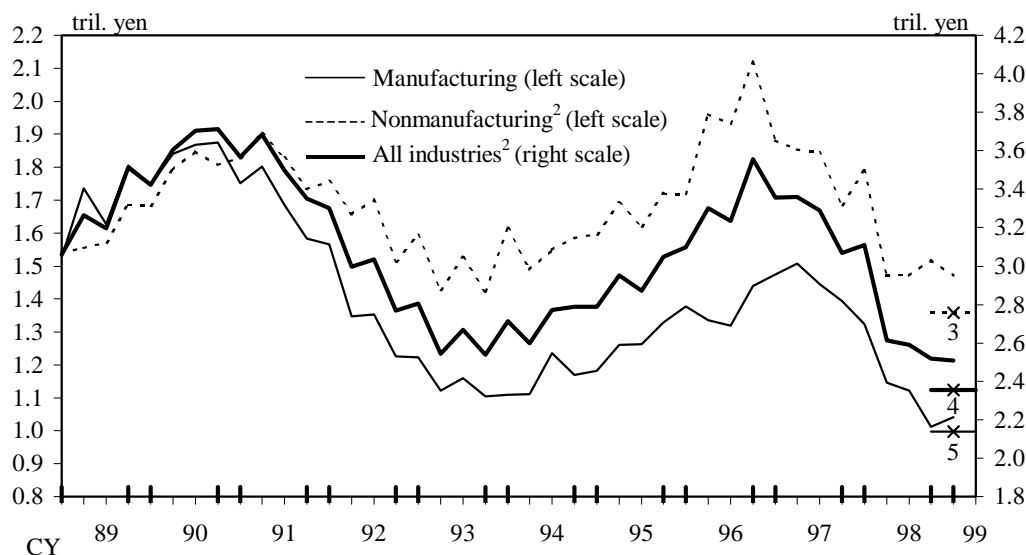
Notes: 1. Monthly average. The figure for March 1999 is the average of March 1-11. Calculated by the Bank of Japan.
 Figures are the index of weighted average of the yen's real exchange rates versus 24 major currencies which are calculated from exchange rates and price indexes of the respective countries.

(2) Real GDP Growth Rates in Overseas Economies

		CY97	98	99	98 Q1	Q2	Q3	Q4	
United States ¹		3.9	3.9	(2.9)	5.5	1.8	3.7	6.1	
European Union ¹		2.7	(2.8)	(1.9)	2.8	2.4	2.8	n.a.	
	Germany	2.2	2.8	(1.8)	5.9	0.2	3.5	-1.8	
	France	2.3	3.2	(2.2)	3.2	3.6	1.5	2.9	
	United Kingdom	3.5	2.3	(0.5)	1.4	2.1	1.0	0.7	
	China	8.8	7.8	(7.3)	7.2	(Jan-Jun) 7.0	(Jan-Sep) 7.2	(Jan-Dec) 7.8	
East Asia ²	NIEs	Korea	5.5	(-6.1)	(2.2)	-3.9	-6.8	-6.8	n.a.
		Taiwan	6.8	4.8	(4.4)	5.9	5.2	4.7	3.7
	4 Countries of ASEAN	Hong Kong	5.3	-5.1	(-1.5)	-2.6	-5.1	-7.1	n.a.
		Singapore	8.0	1.5	(0.0)	6.2	1.6	-0.6	-0.8
	Thailand	-0.4	(-7.9)	(0.7)	n.a.	n.a.	n.a.	n.a.	
	Indonesia	4.9	-13.7	(-3.9)	-6.2	-16.6	-16.9	-19.5	
Malaysia	7.7	(-6.4)	(0.2)	-2.8	-6.8	-8.6	n.a.		
Philippines	5.2	-0.5	(1.5)	1.6	-0.8	-0.7	-1.9		

Notes: 1. Quarterly data are quarter-to-quarter percent changes.
 2. Quarterly data are percent changes from a year earlier.
 3. Forecasts by "BLUE CHIP ECONOMIC INDICATORS" and "CONSENSUS FORECASTS" are shown in brackets.

Major Indexes of Business Fixed Investment

(1) Machinery Orders¹

Notes: 1. Seasonally adjusted data.

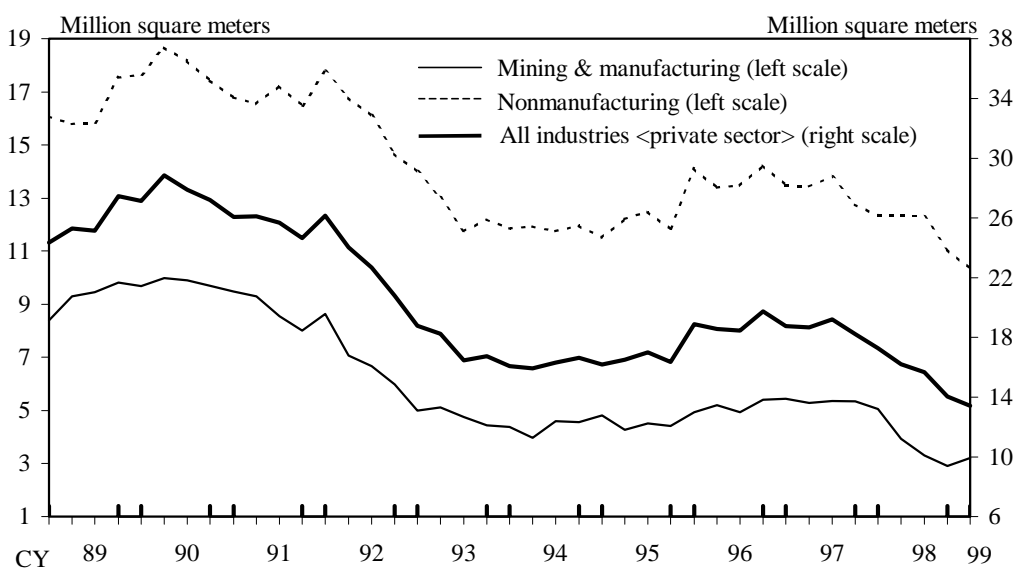
Figures for 1999/Q1 are those of January 99.

2. Excludes orders from electric power companies, and shipbuilding orders.

3. Forecast of nonmanufacturing industries for 1999/Q1.

4. Forecast of all industries for 1999/Q1.

5. Forecast of manufacturing industries for 1999/Q1.

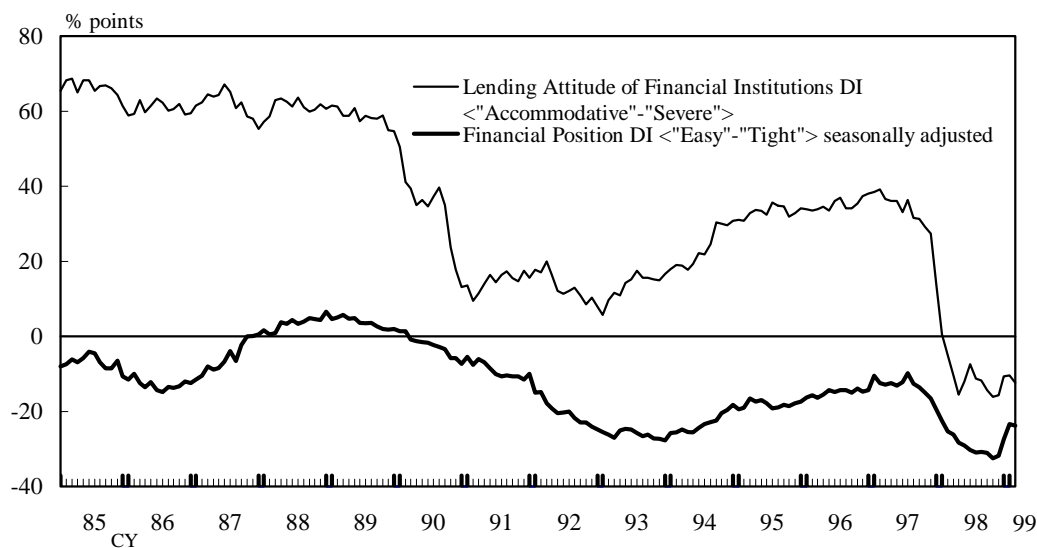
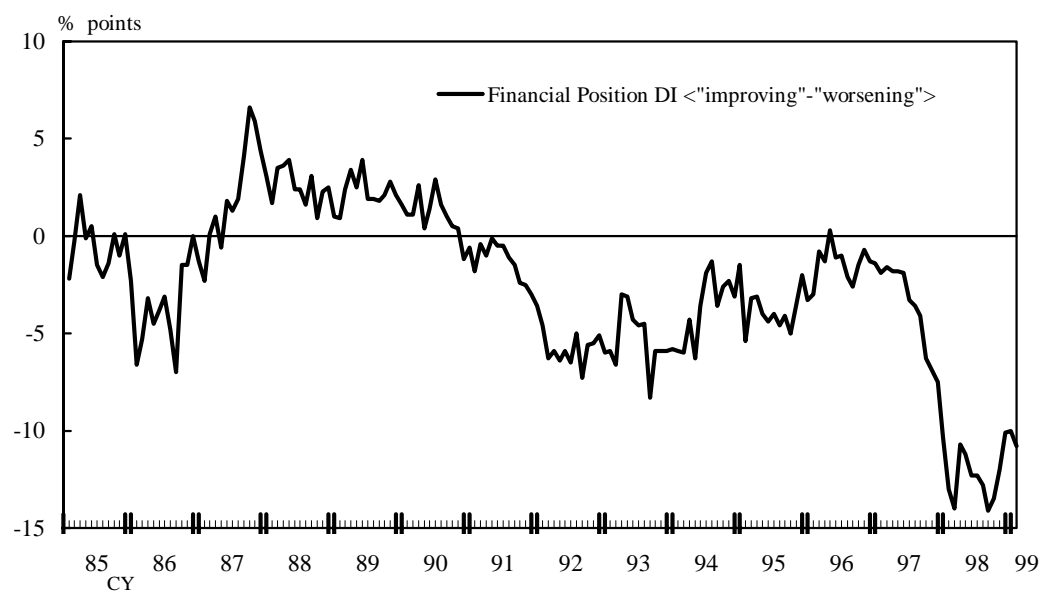
(2) Construction Starts (Nonresidential)^{1,2}

Notes: 1. Seasonally adjusted by X-11.

2. Figures for 1999/Q1 are those of January 99.

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

Corporate Finance-Related Indexes

(1) Monthly Survey on Trends of Small Businesses¹(2) Business Survey Index for Small and Medium-Sized Businesses²

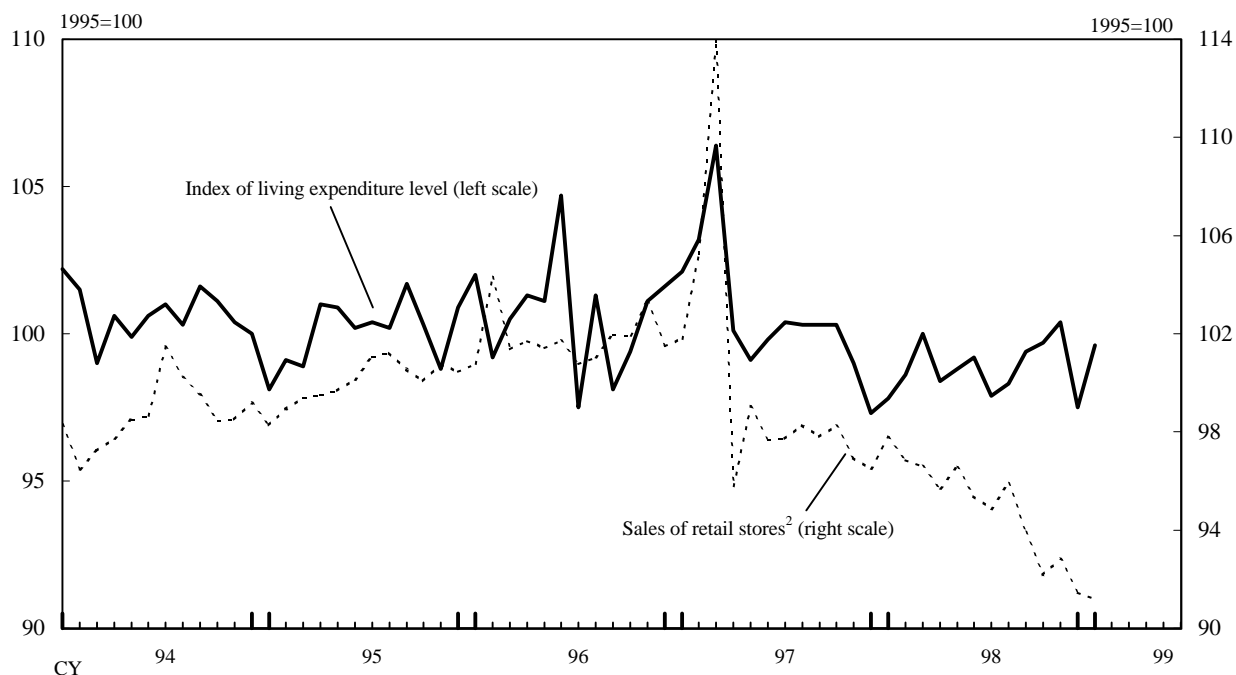
Notes: 1. Sample: 900 Companies (Valid responses: 666 <February 1999 Survey>).

2. Sample: 800 Companies (All responded <February 1999 Survey>).

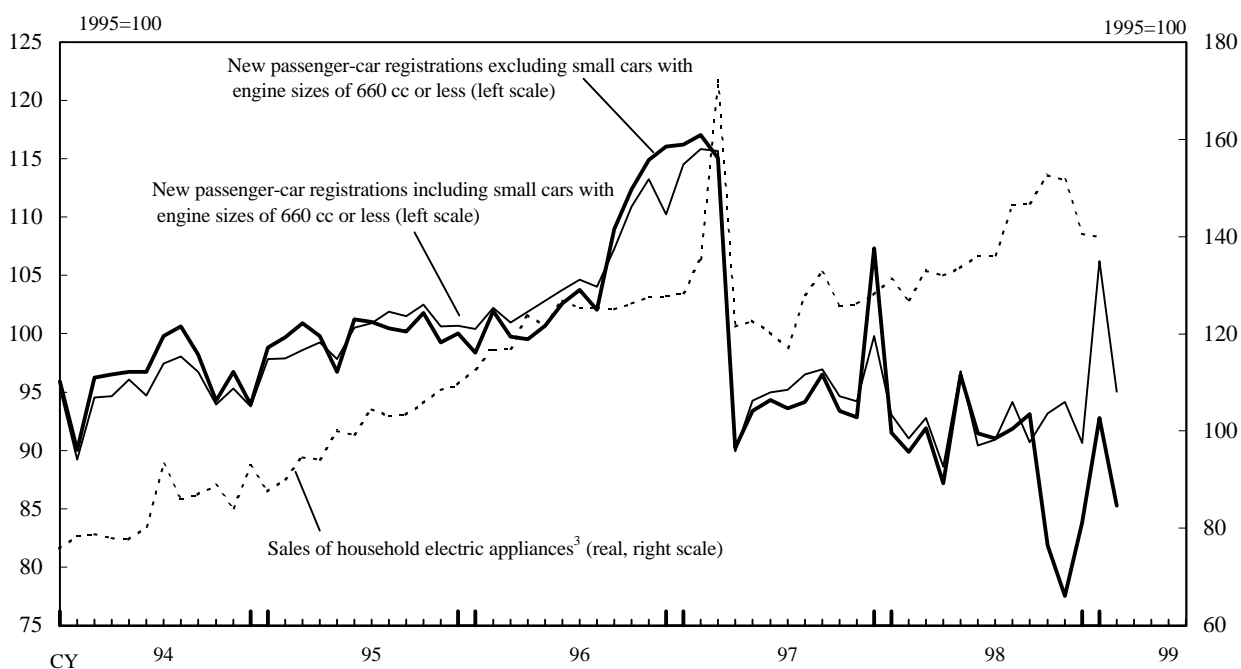
Sources: Japan Finance Corporation for Small Businesses, "Monthly Survey on Trends of Small Businesses";
The Shoko Chukin Bank, "Business Survey Index for Small and Medium-Sized Businesses."

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 X-11.

2. Sales of retail stores is deflated by the Consumer Price Index for commodities.

3. Sales of household electric appliances is deflated by Wholesale Price Index (for personal computers) and Consumer Price Index (other electric appliances).

Sources: Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey", "Consumer Price Index";

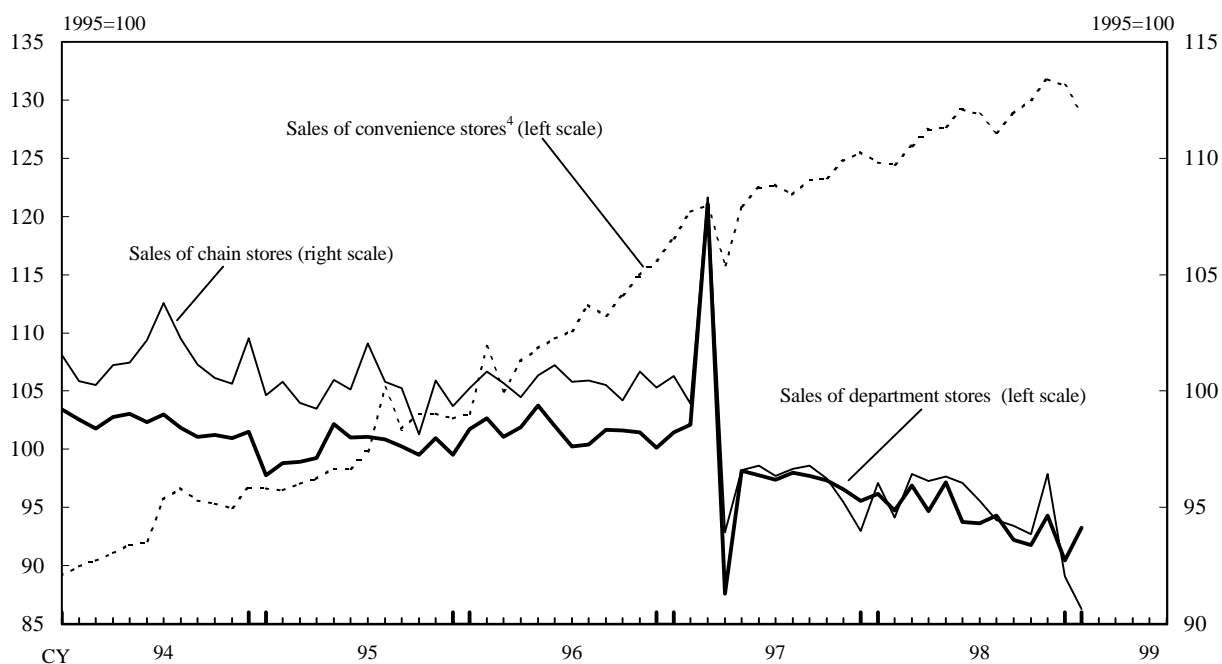
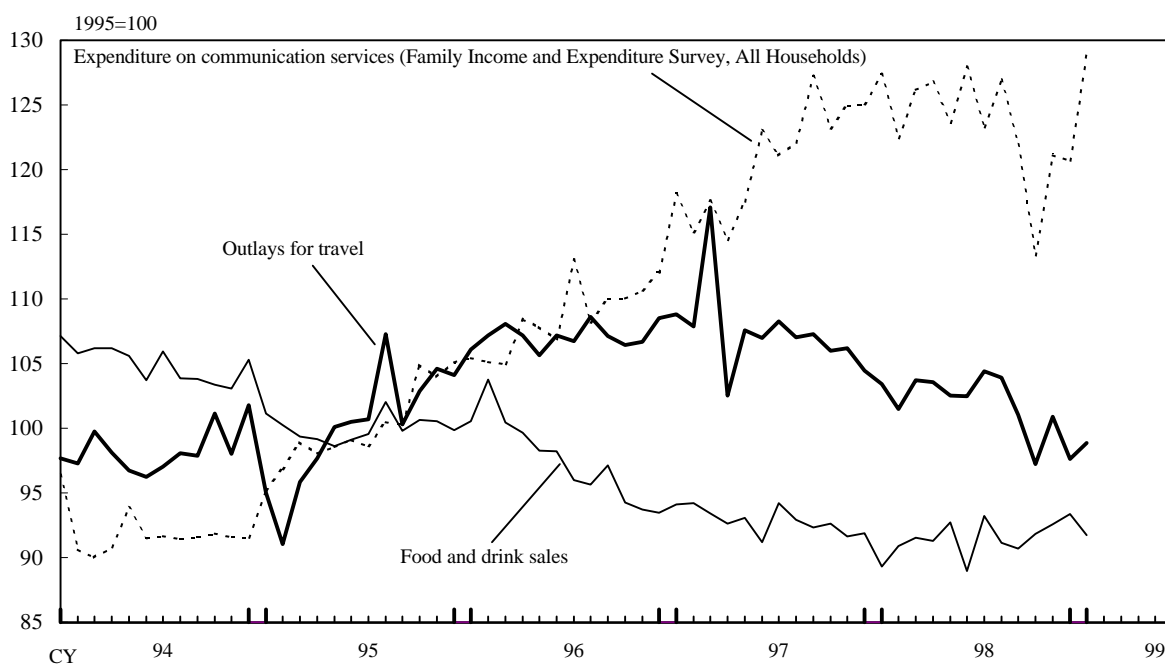
Ministry of International Trade and Industry, "Current Survey of Commerce";

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

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

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

Bank of Japan, "Wholesale Price Indexes."

Private Consumption¹ (2)(3) Sales of retail stores²(4) Consumption of service³

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 of department stores and sales of chain stores are adjusted to exclude the effect of the rise of the consumption tax rate.

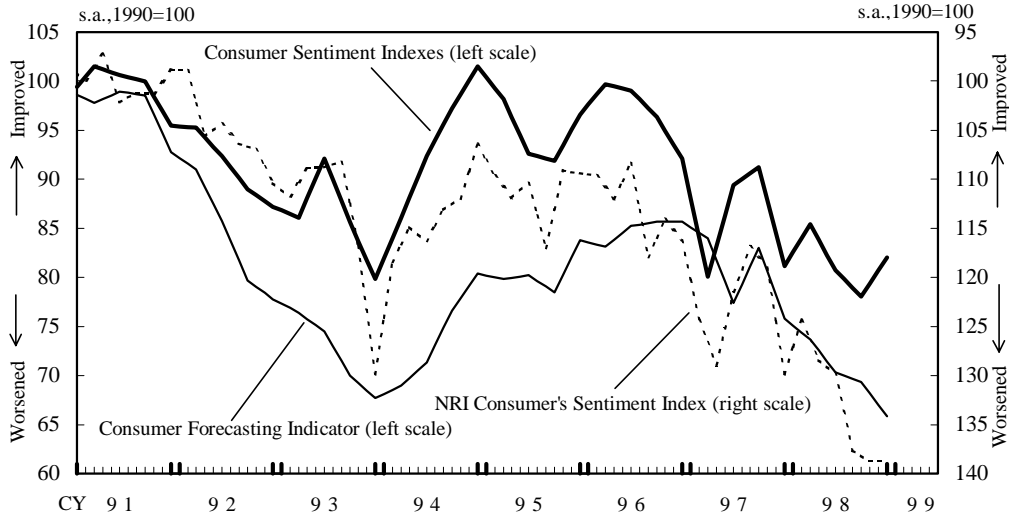
3. Outlays for travel and Food and drink sales are adjusted to exclude the effect of the rise of the consumption tax rate.

4. Sales of convenience stores is surveyed by Bank of Japan.

Sources: Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey";
Ministry of International Trade and Industry, "Current Survey of Commerce";
Japan Chain Stores Association, "Sales of Chain Stores";
Ministry of Transport, "Major Travel Agents' Revenue";
Foodservice Industry Survey & Research Center, "Monthly Survey of Food and Drink Sales."

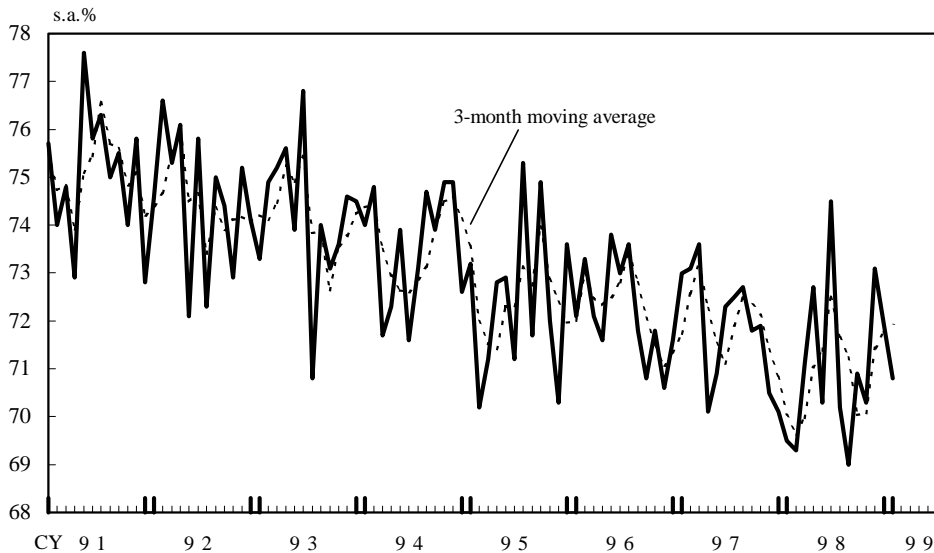
Consumer Confidence and Propensity to Consume

(1) Surveys on consumer confidence



- Notes: 1. Consumer Sentiment Indexes, Consumer Forecasting Indicator, and NRI Consumer's Sentiment Index are based on surveys on consumer confidence.
- 2. Data are plotted at the months of each survey.
- 3. "Consumer Sentiment Indexes" is surveyed by Economic Planning Agency, "Consumer Forecasting Indicator" by NIKKEI RIM, "NRI Consumer's Sentiment Index" by NRI.

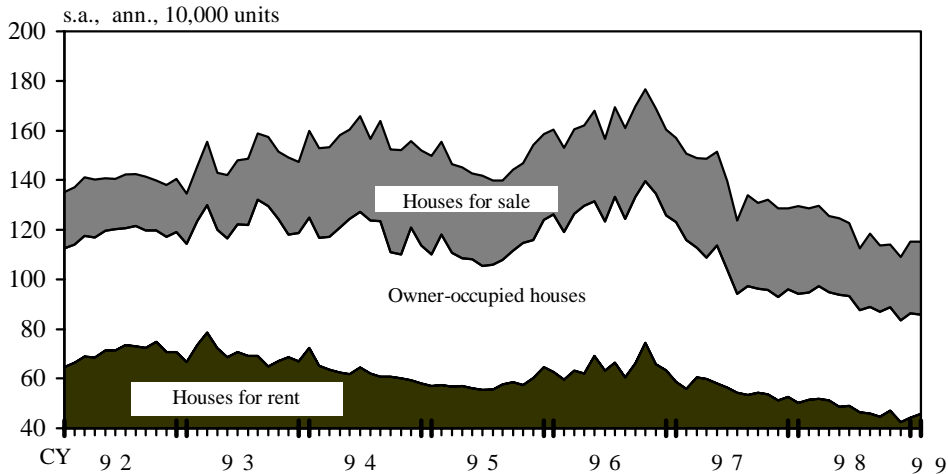
(2) Propensity to consume (Family Income and Expenditure Survey)



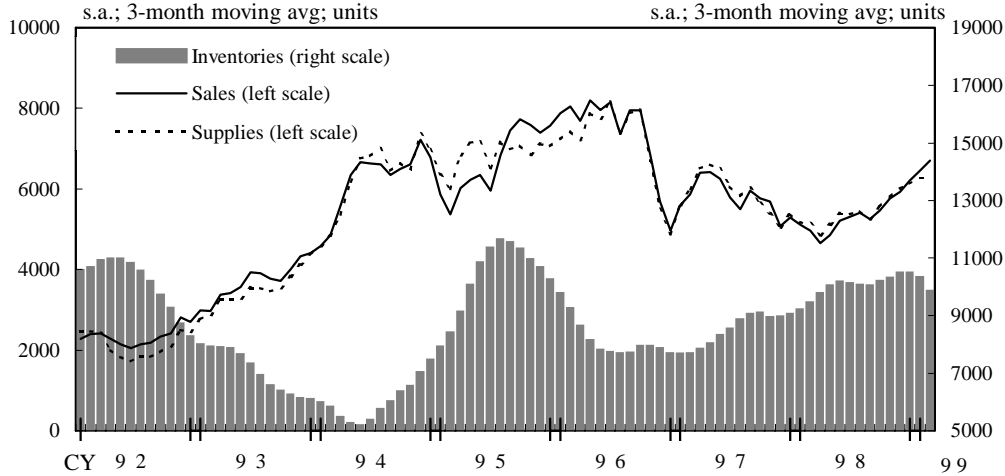
Sources: Economic Planning Agency, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (Nikkei RIM), "Consumption Forecasting Indicator";
 Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey";
 Nippon Research Institute (NRI), "Consumer's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

Major Indexes of Housing Investment

(1) Housing Starts



(2) Supplies, Sales, and Inventories of Condominiums in the Metropolitan District¹

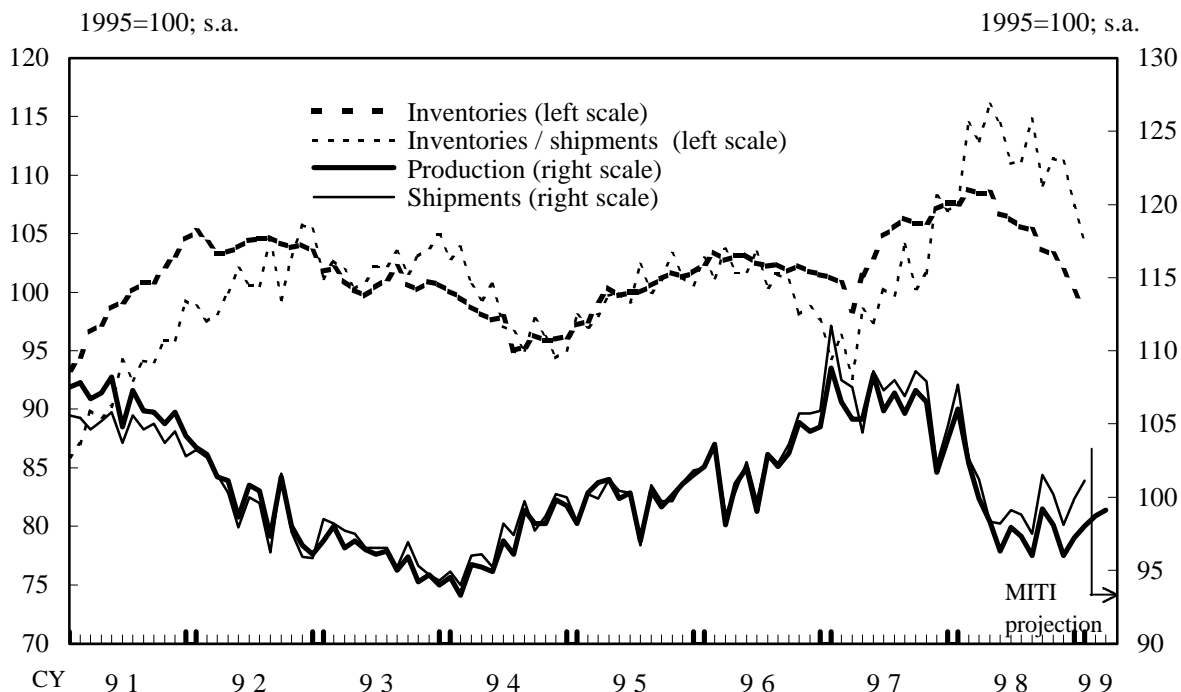


Note: 1. Seasonally adjusted by X-12-ARIMA (R version).
 Supplies = number of new units supplied throughout the month.
 Sales = number of contracts signed throughout the month.
 Inventories = number of inventories at the end of the month.

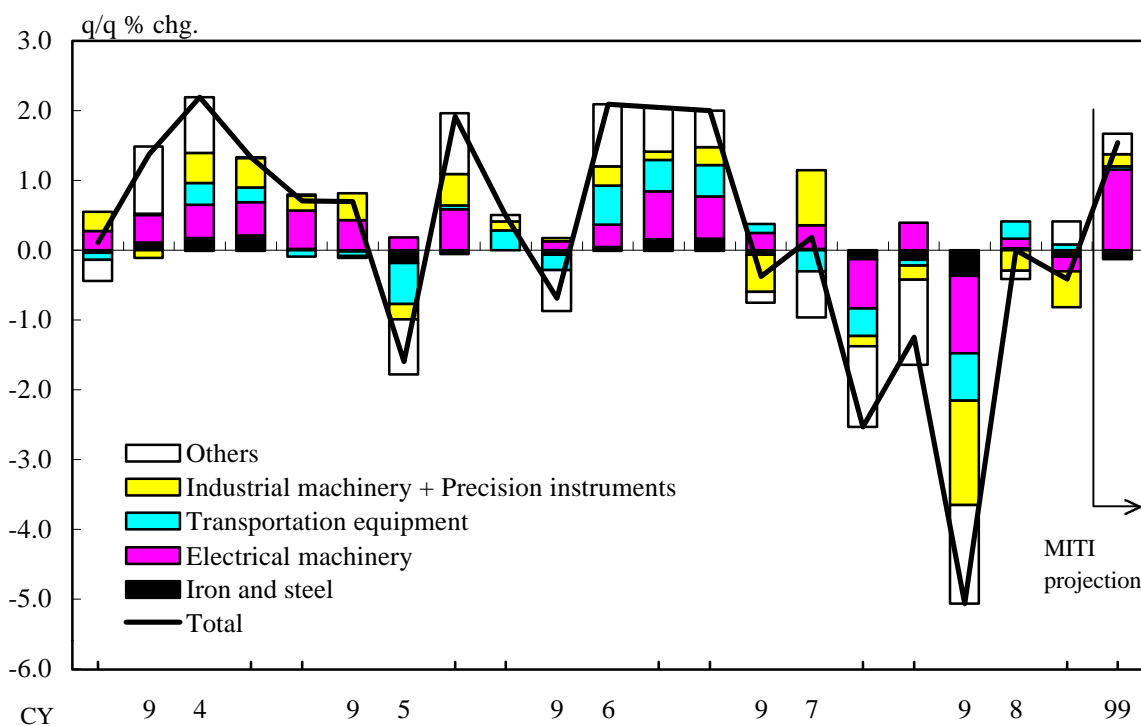
Sources: Ministry of Construction, "Monthly Construction Statistics";
 Real Estate Economic Institute Company Limited,
 "Market Trends of Condominiums in the Metropolitan District."

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



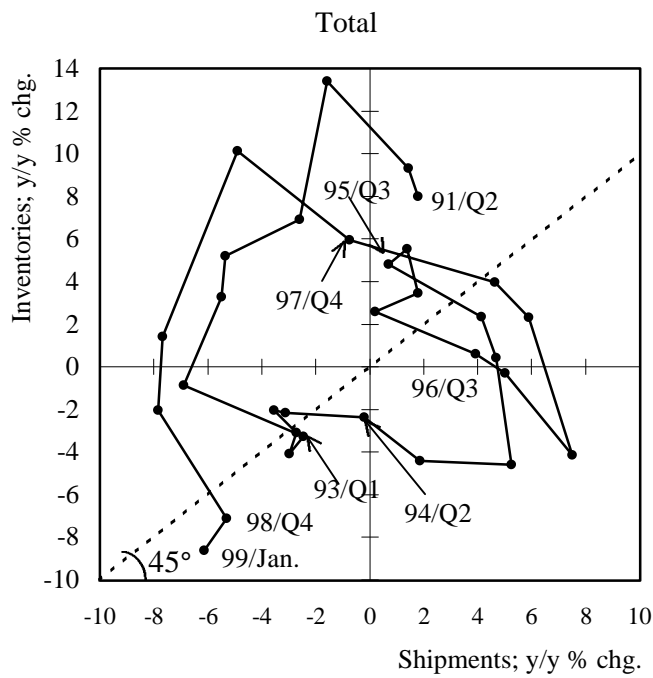
(2) Production by Industries



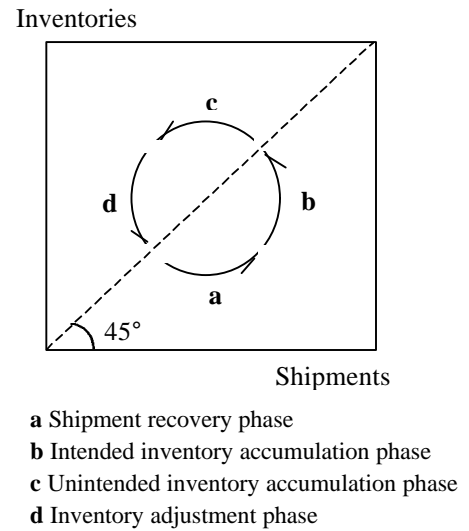
Note: Transportation equipment excludes ships and rolling stock.

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

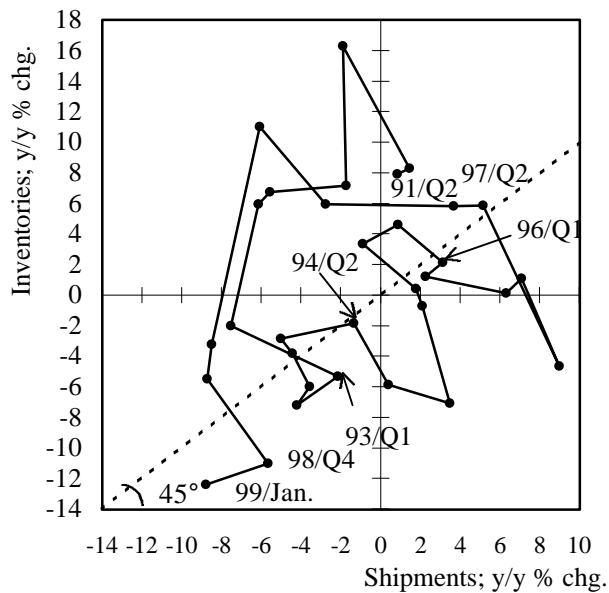
Inventory Cycle



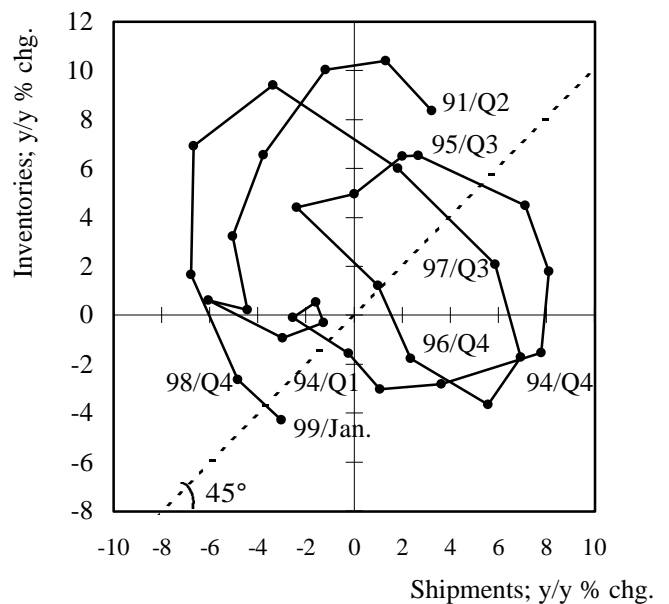
Phases in the Inventory Cycle



Final Demand Goods



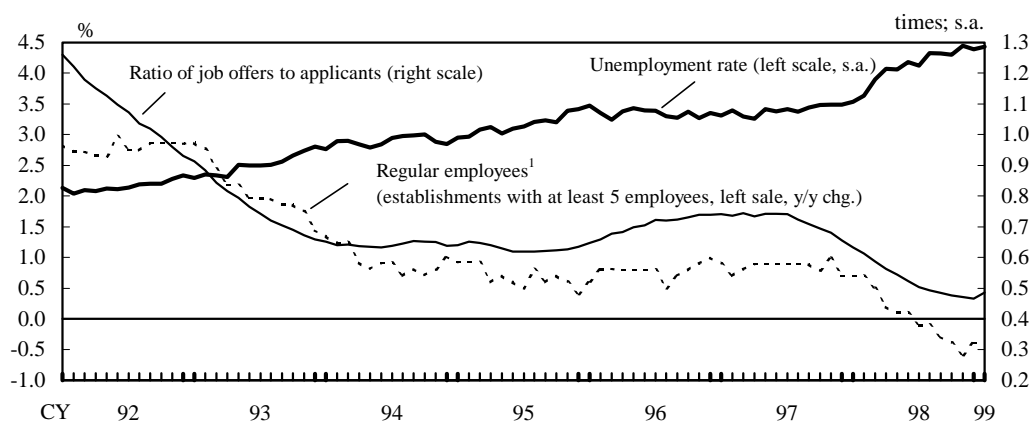
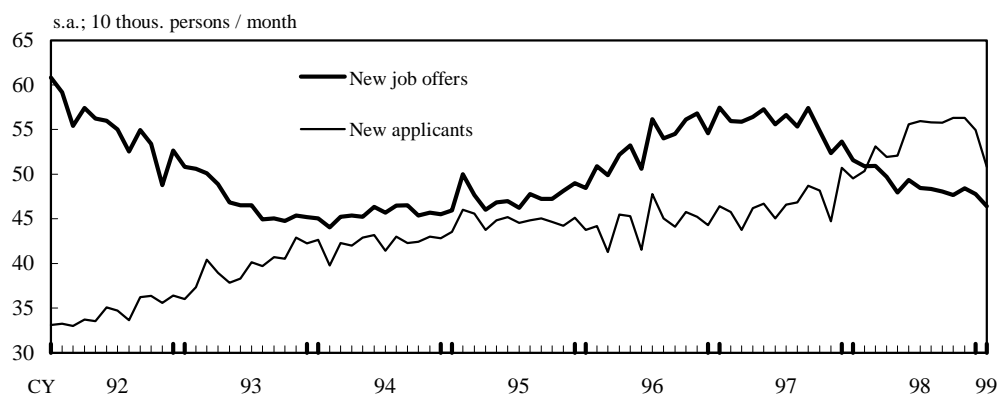
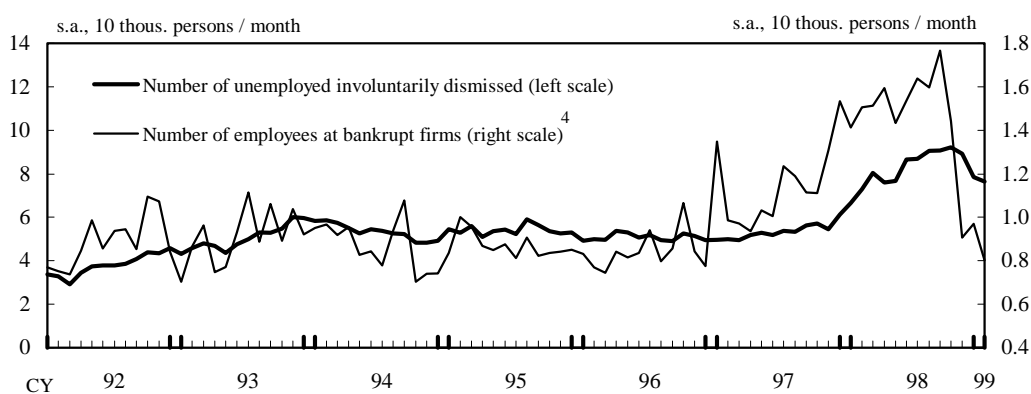
Production Goods



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

Labor

(1) Monthly

(2) New Job Offers² and New Applicants(3) Number of Unemployed Involuntarily Dismissed and Employees at Bankrupt Firms³

Notes: 1. The data of regular employees for January 99 are preliminary figures.

2. Excludes jobs offered to new graduates.

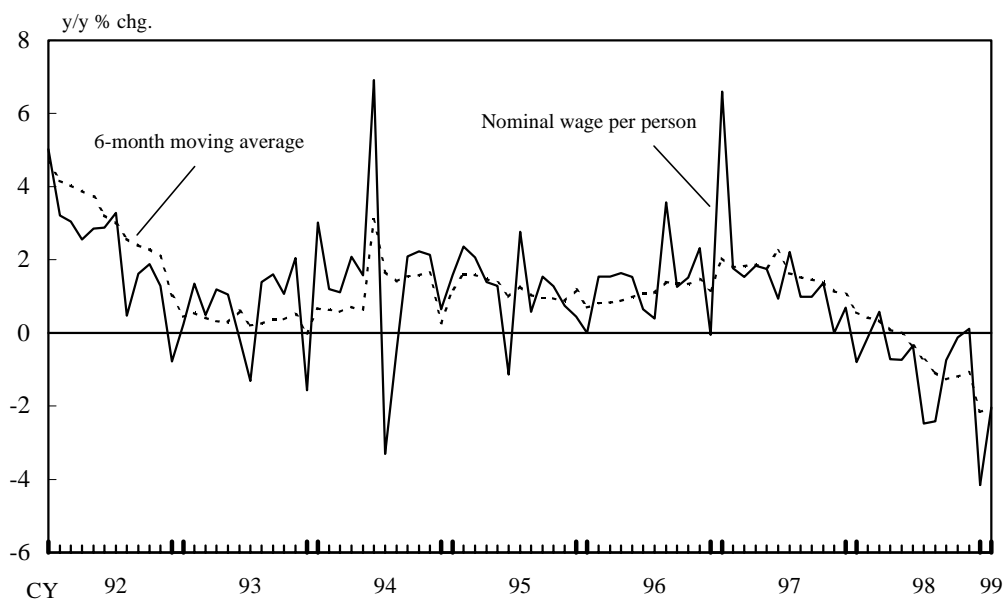
3. Seasonally adjusted by X-11.

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

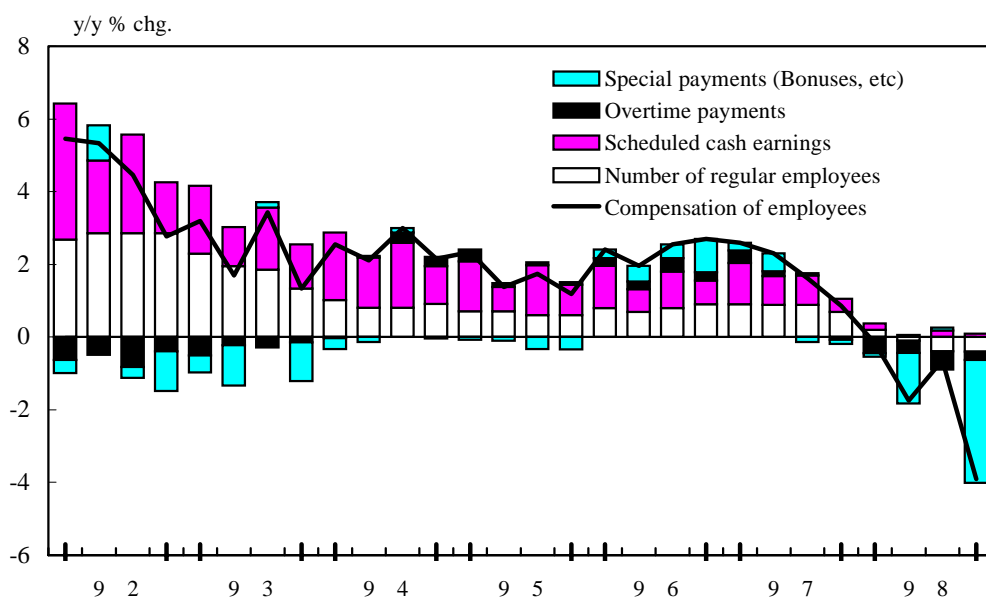
Sources: Ministry of Labor, "Monthly Labor Survey", "Report on Employment Service", "Report on Employment Insurance Service"; Management and Coordination Agency, "Labor Force Survey"; *Teikoku Databank Ltd.*, "Japan's Business Failure."

Compensation of Employees¹

(1) Nominal Wage per Person



(2) Breakdown of Compensation²

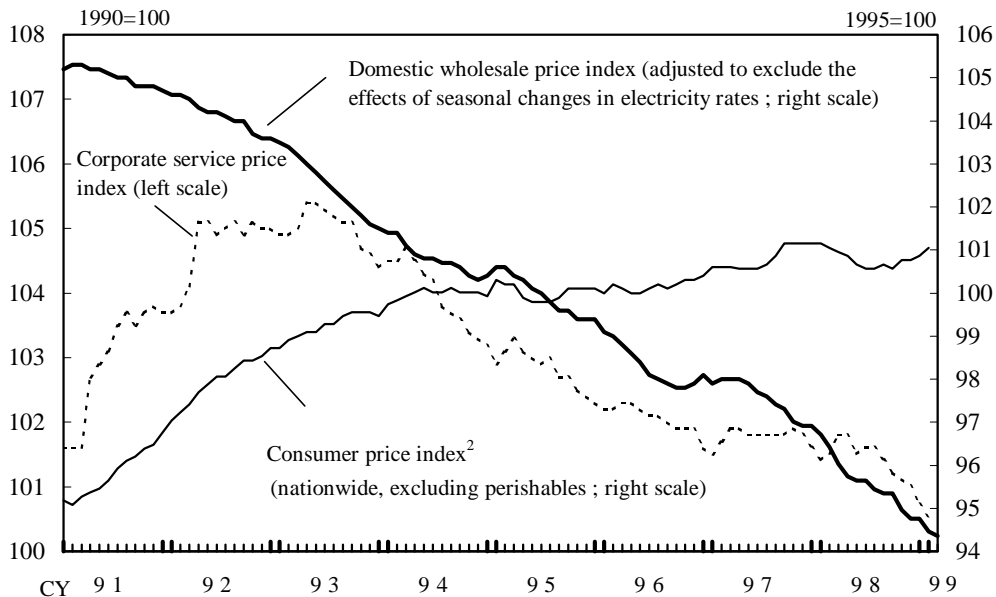


Notes: 1. Data for establishments with at least 5 employees. The data for Jan 99 are preliminary figures.
 2. Q1= Mar-May, Q2= Jun-Aug, Q3=Sep-Nov, Q4= Dec-Feb. The data for 98/Q4 are the Dec-Jan average.

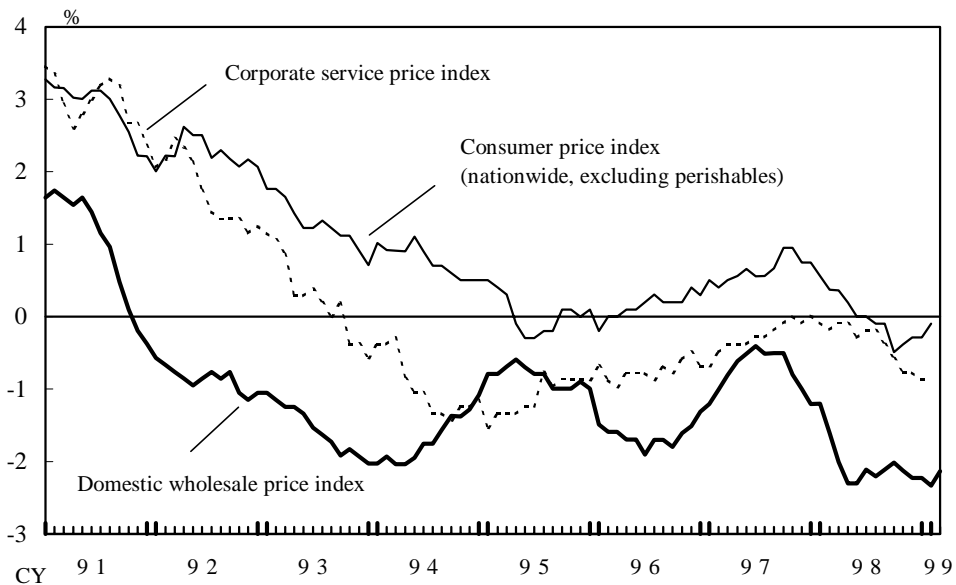
Source: Ministry of Labor, "Monthly Labor Survey."

Prices¹

(1) Level



(2) Changes from a year earlier



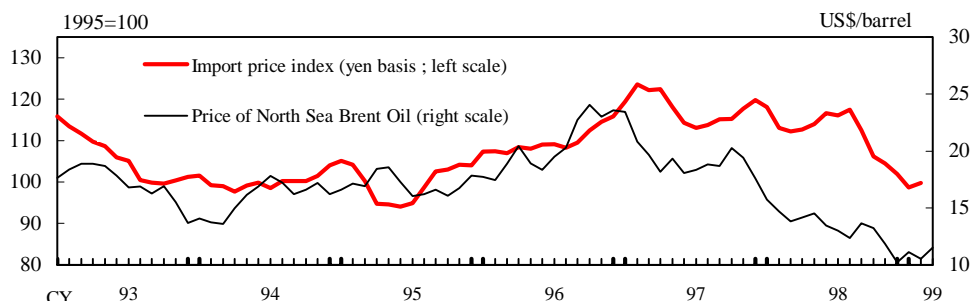
Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.

2. Based on seasonally adjusted data of CPI whose base period is 1995, although the figures before January 1995 are calculated from CPI whose base period is 1990.

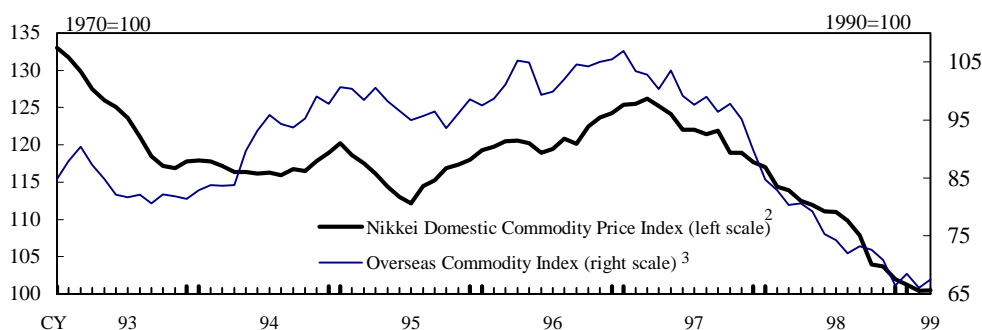
Sources: Management and Coordination Agency, "Consumer Price Index";
Bank of Japan, "Wholesale Price Indexes", "Corporate Service Price Index."

Import Prices and Domestic Wholesale Prices

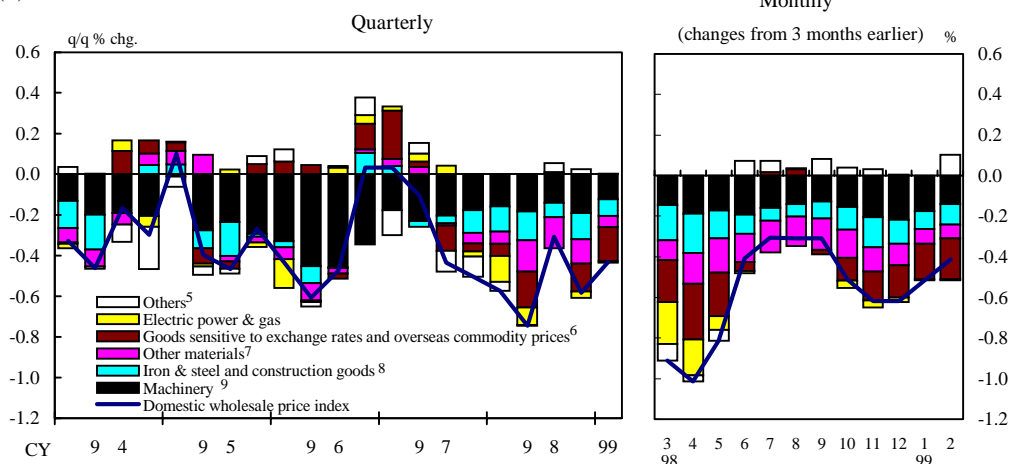
(1) Import Price Index (yen basis) and Crude Oil Price¹



(2) Domestic Commodity Market



(3) Breakdown of Domestic Wholesale Price Index⁴



Notes: 1. Data for Mar. 1999 are Mar. 1-10 average.

2. Data for Mar. 1999 are as of Mar. 5.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for Mar. 1999 are Mar. 1-10 average.

4. Adjusted to exclude the effects of seasonal changes of electricity rates, and of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of tax rate. Data for 99/Q1 are those of Jan. - Feb. average.

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

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

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

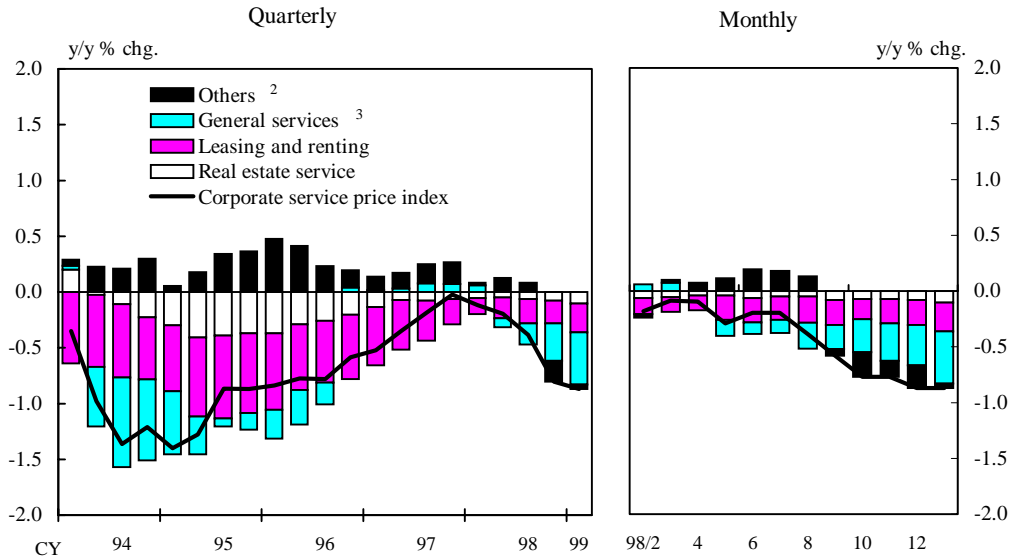
8. Iron & steel and construction goods = iron & steel + metal products + ceramics, stone & clay products + lumber & wooden products + scrap & waste.

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

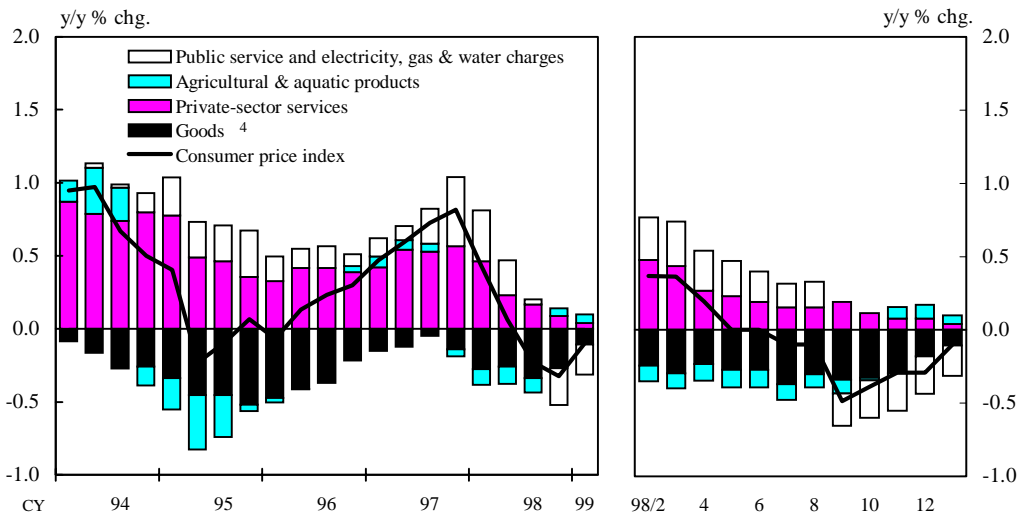
Sources: Bank of Japan, "Wholesale Price Indexes", "Economic Statistics Monthly", "Nippon Ginko Chousa Geppo (Bank of Japan Monthly Bulletin)"; Nihon Keizai Shimbun Inc., "Nikkei Domestic Commodity Price Index."

Corporate Service Prices and Consumer Prices

(1) Breakdown of Corporate Service Price Index¹



(2) Breakdown of Consumer Price Index (excluding perishables)¹



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 of tax rate.
Data for 99/Q1 are those of January.

2. Others = automobile insurance (compulsory automobile) + railroad fares + bus fares + domestic air fares + tolls + postal services + sewerage disposal + ocean freight + international air freight + international air fares.

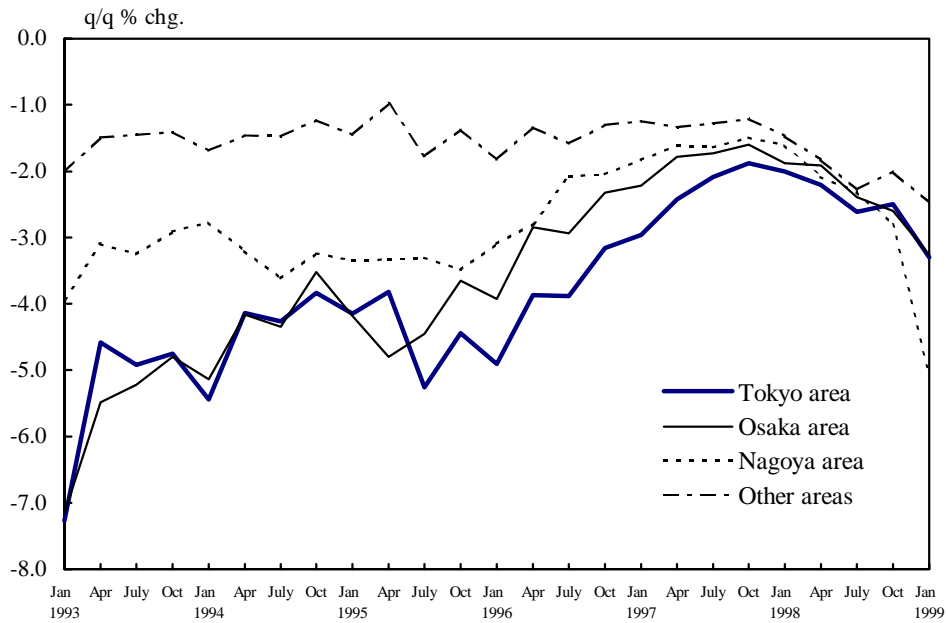
3. General services = finance & insurance + transportation + information services + communications + advertisement + building maintenance & construction planning + temporary worker services + machinery maintenance etc. (excluding items in "others").

4. Excludes agricultural and aquatic products.

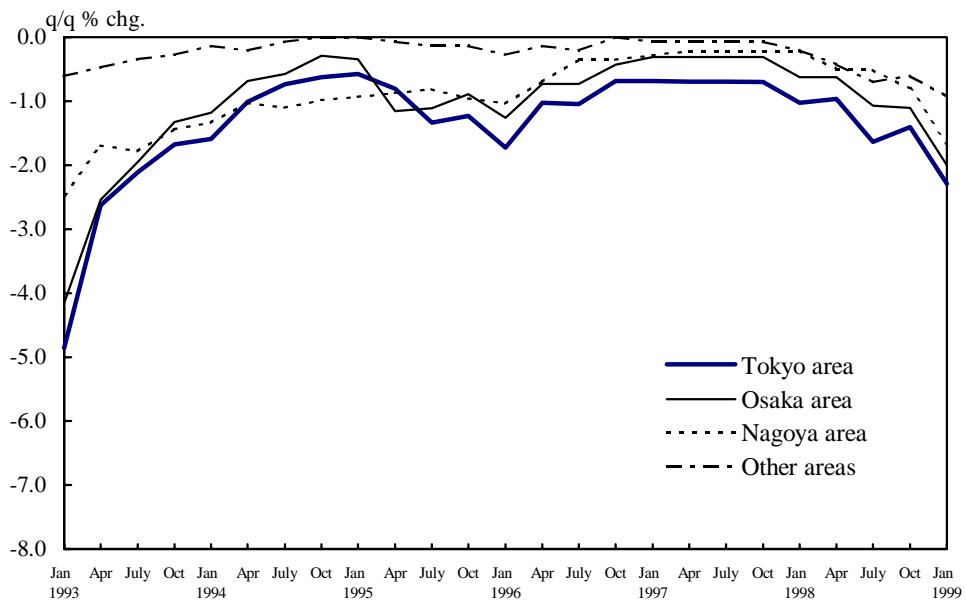
Sources: Management and Coordination Agency, "Consumer Price Index";
Bank of Japan, "Corporate Service Price Index."

Quarterly Land Price Index

(1) Commercial land



(2) Residential land

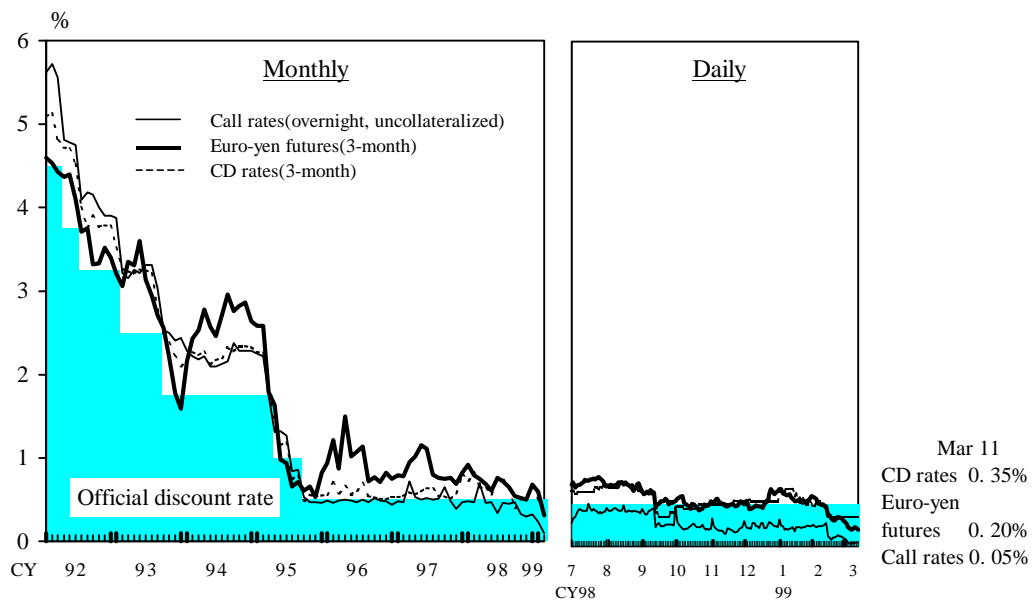


Note: The figures after Apr. 98 are preliminary figures.

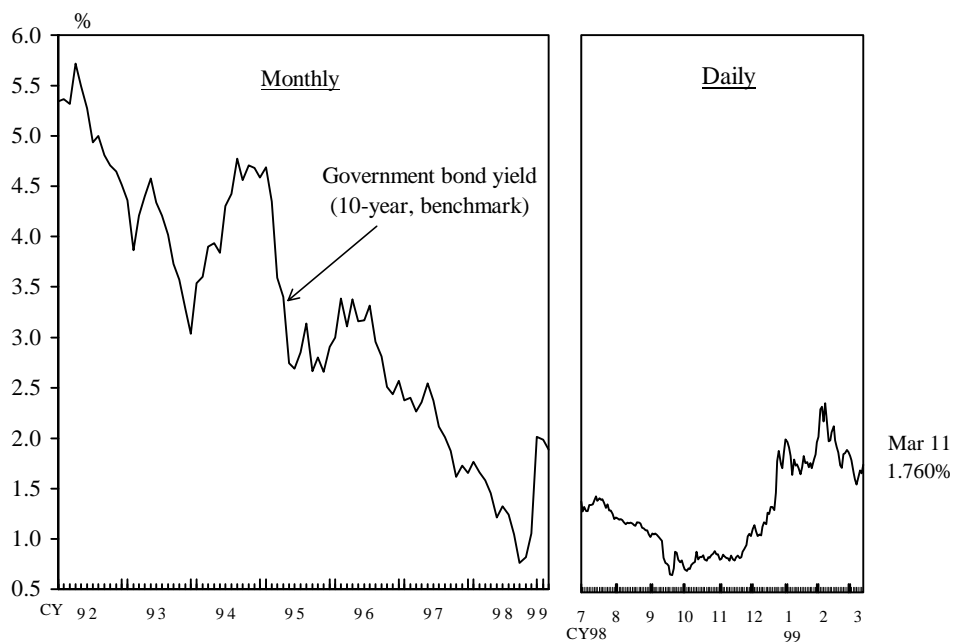
Source: The Land Institute of Japan, "A Quarterly Land Price Index."

Interest Rates

(1) Short-Term



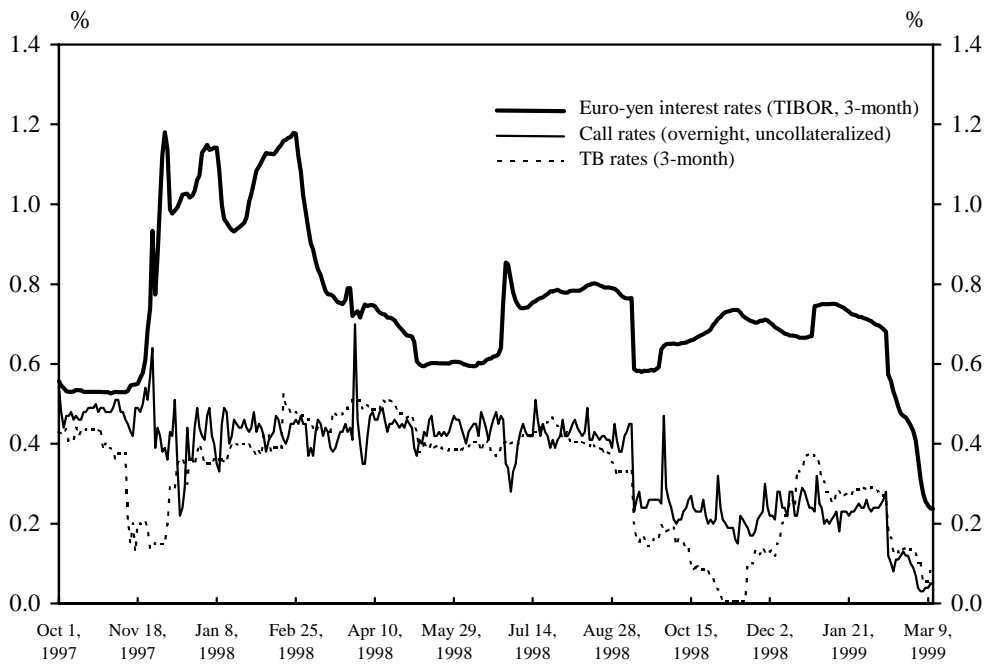
(2) Long-Term



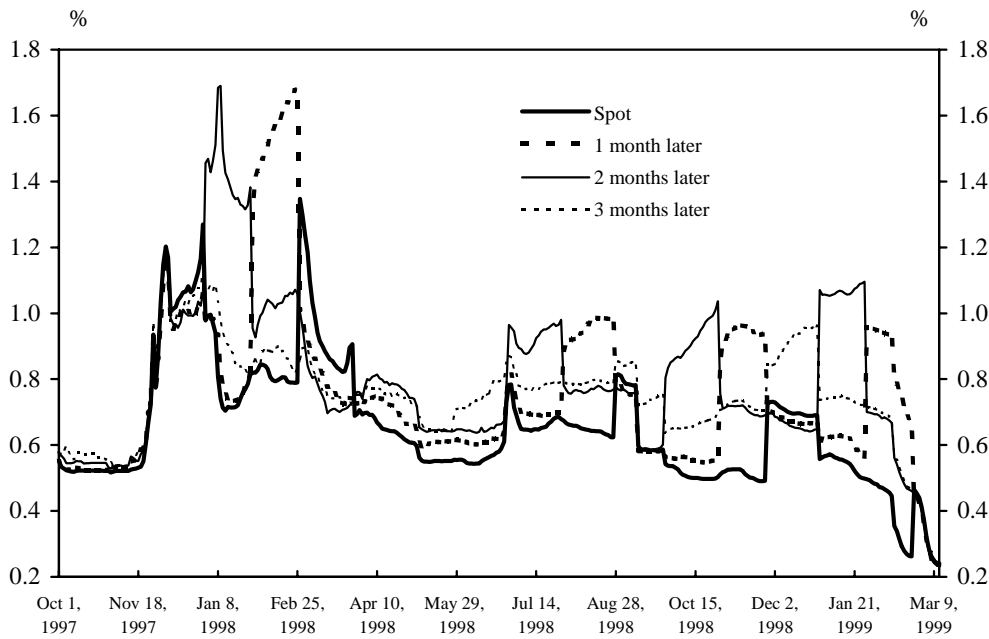
Source: Bank of Japan, "Economic Statistics Monthly."

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

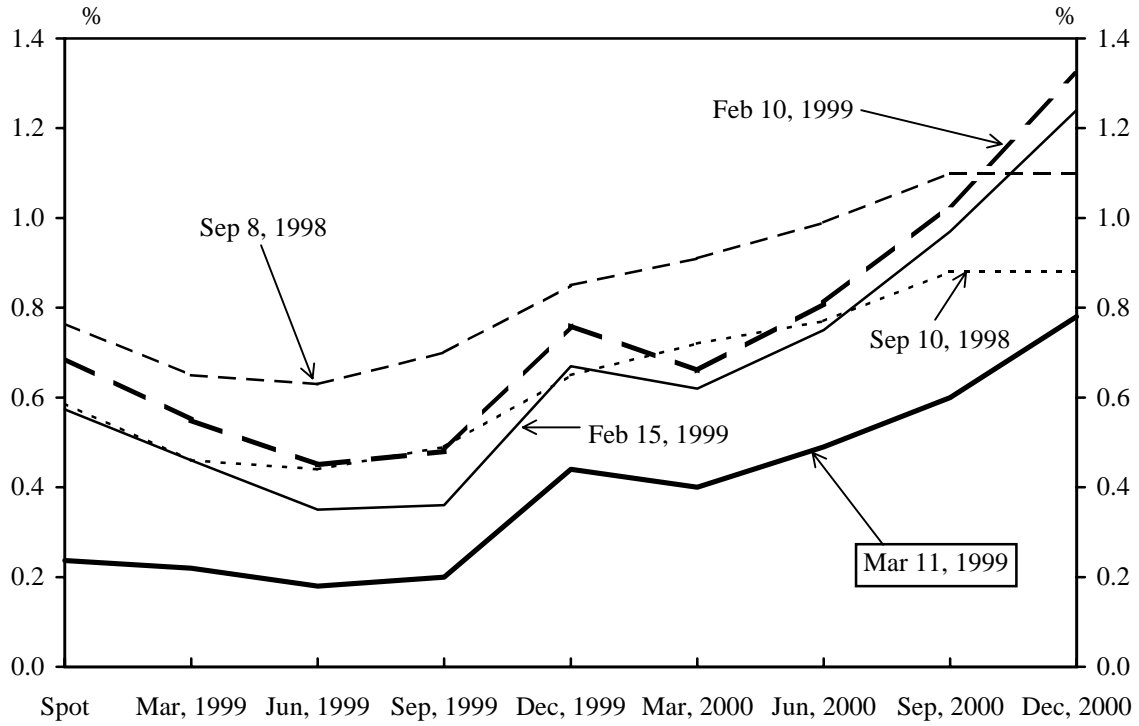


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-yen Interest Rates)



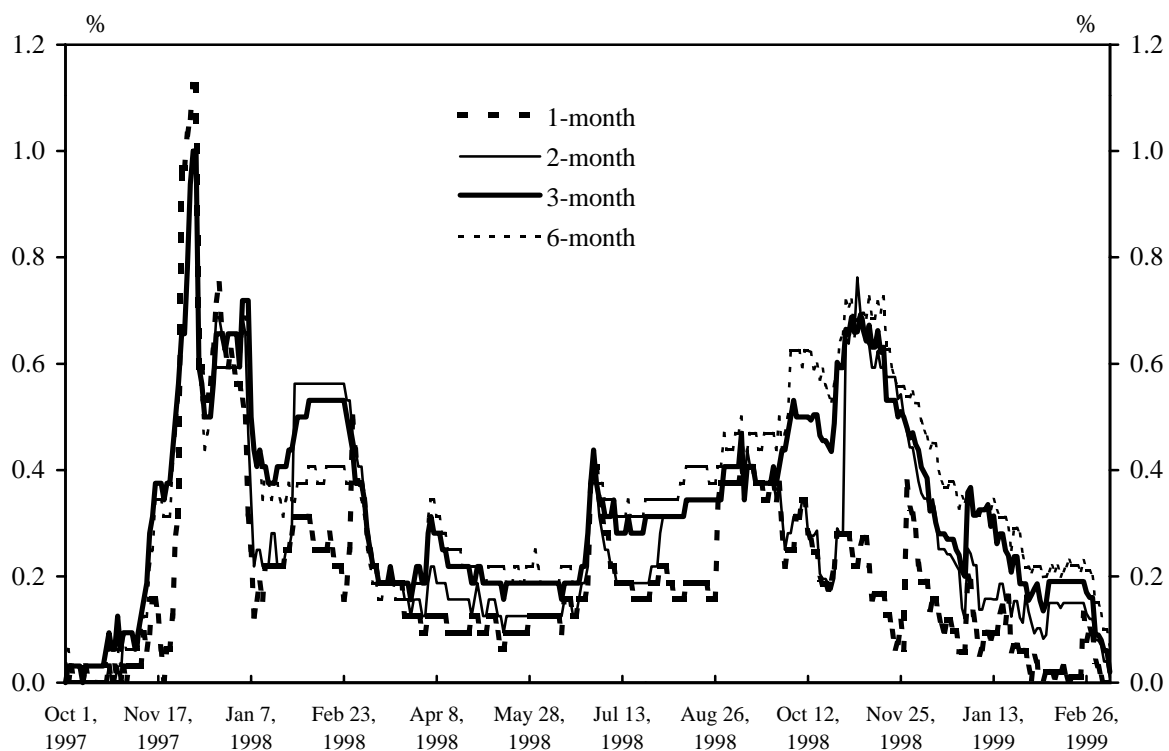
Sources: Bank of Japan, "Economic Statistics Monthly" ; *The Nikkei Financial Daily* .

Euro-Yen Interest Rates Futures (3-Month)



Source: *The Nikkei Financial Daily*.

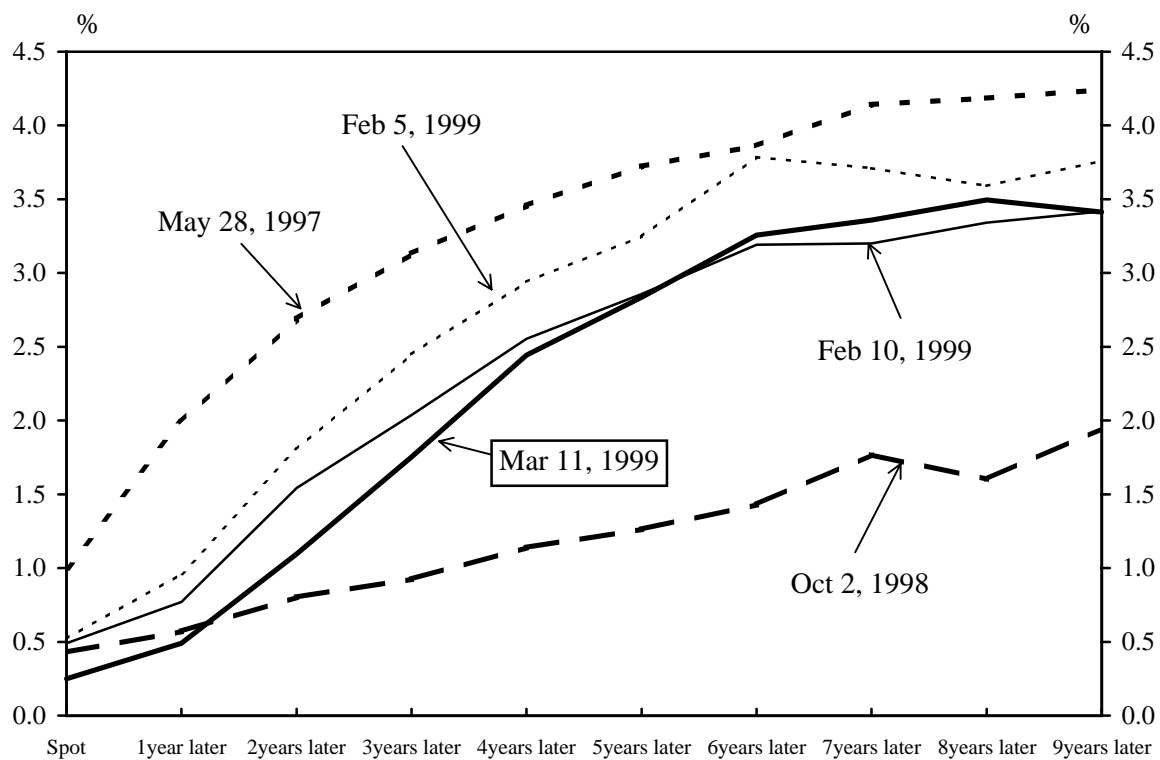
Japan Premium in the Eurodollar Market



Note: 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)

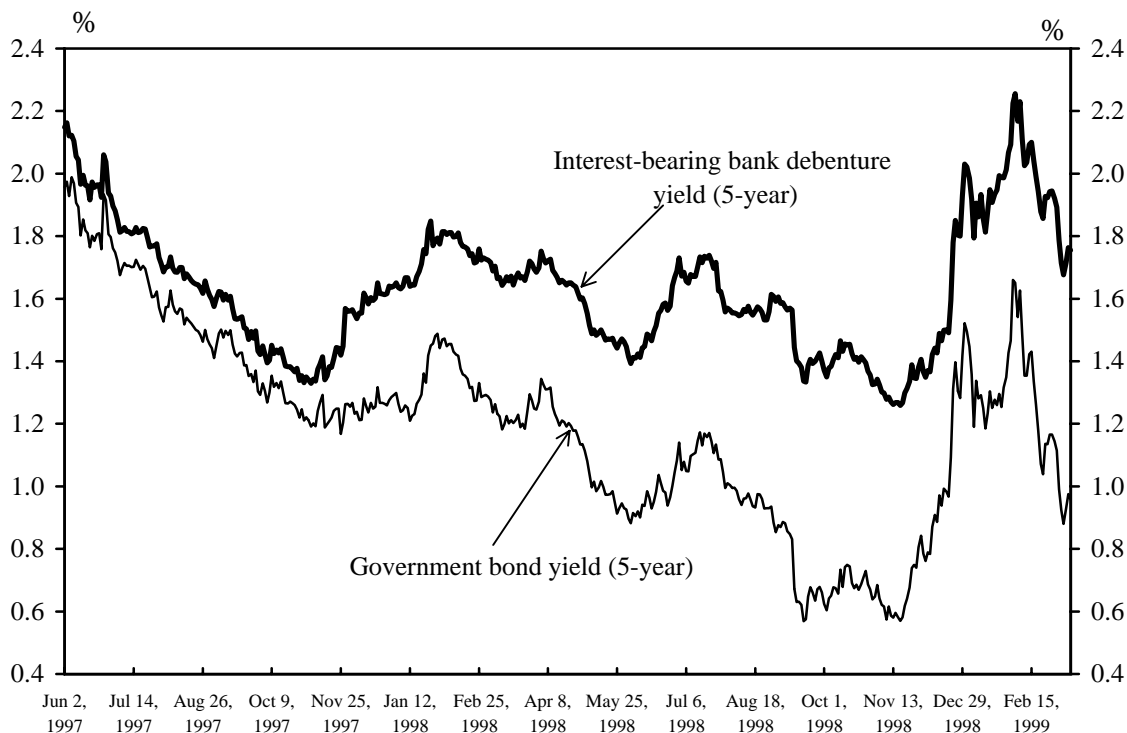


Note: Calculated from yen-yen swap rates.

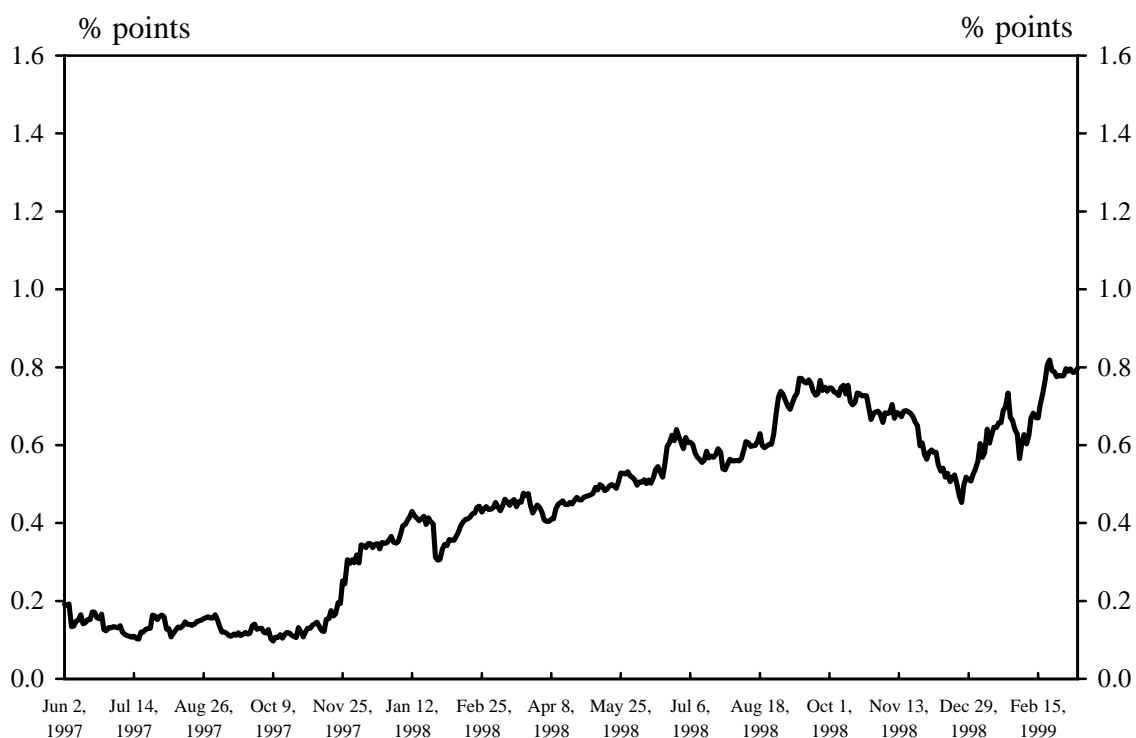
Source: *The Nikkei Financial Daily*.

Yields of Bank Debentures

(1) Bond Yields



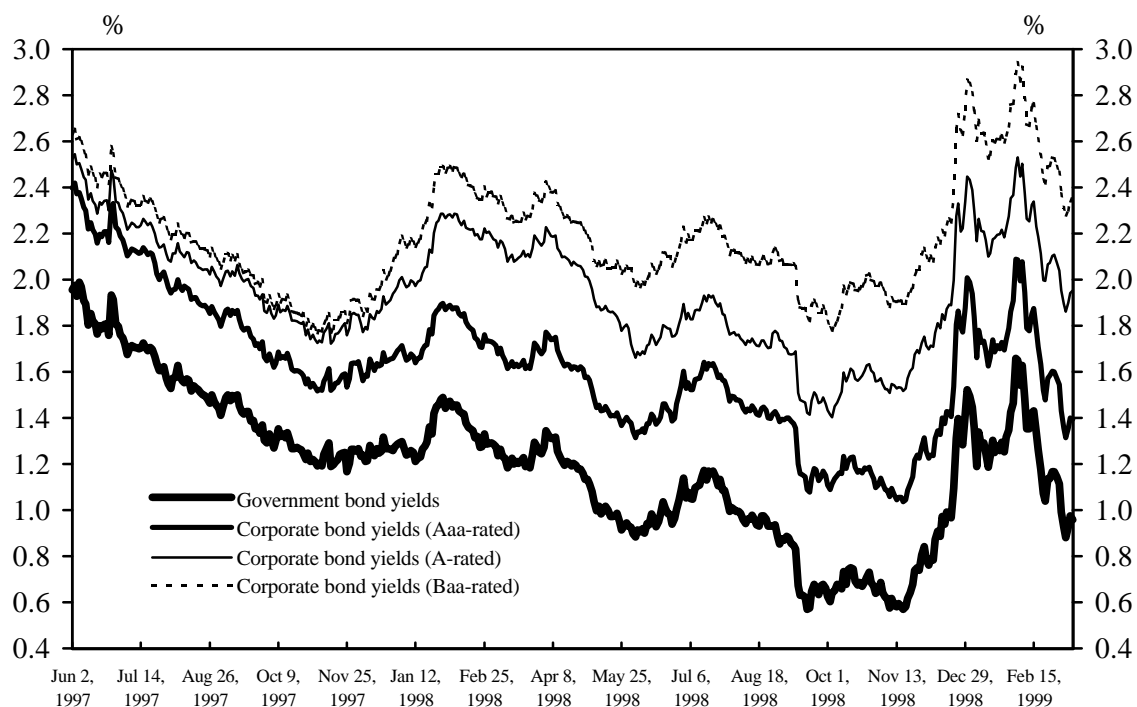
(2) Spread of Bank Debenture and Government Bond Yield



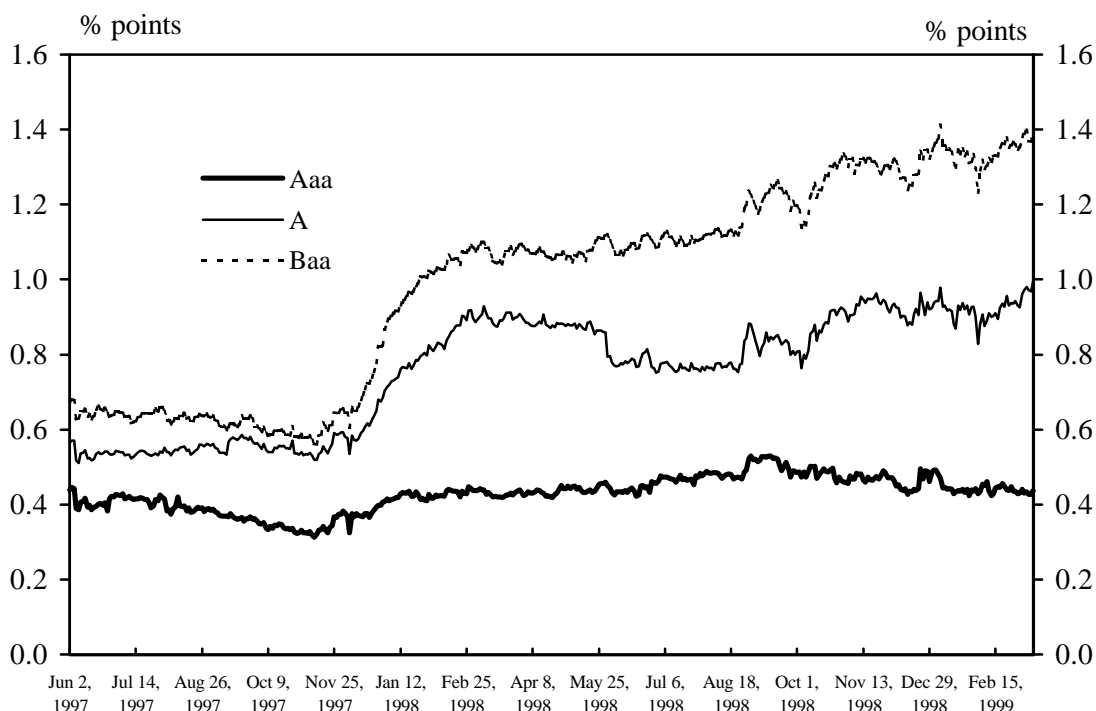
Source: Securities Dealers Association of Japan, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields

(1) Yields of Government and Corporate Bonds by Rating ^{1,2}



(2) Yield Spreads of Public and Corporate Bonds



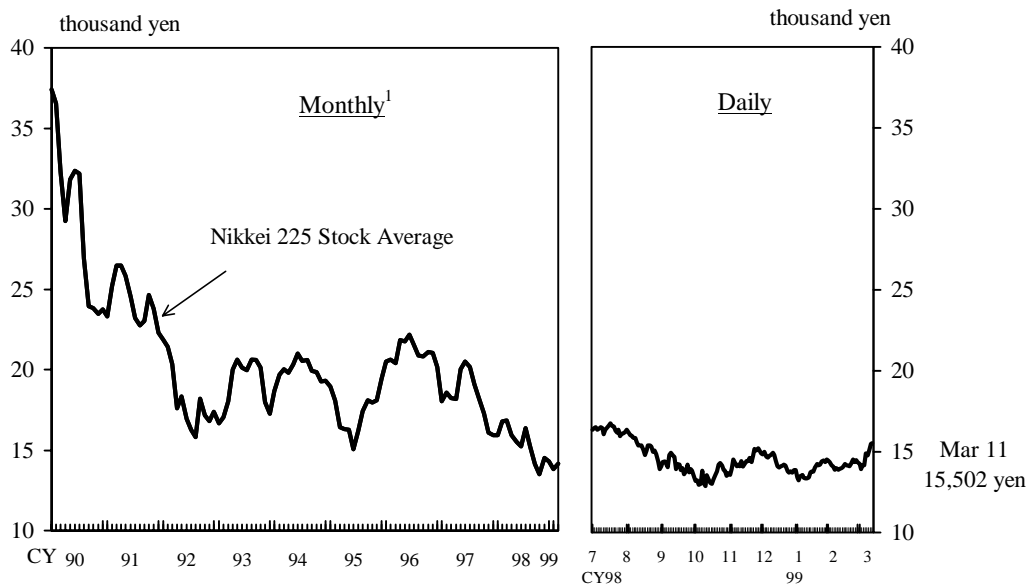
Notes: 1. Yields on bonds with 5-year maturity.

2. The indicated ratings are of Moody's Japan K.K.

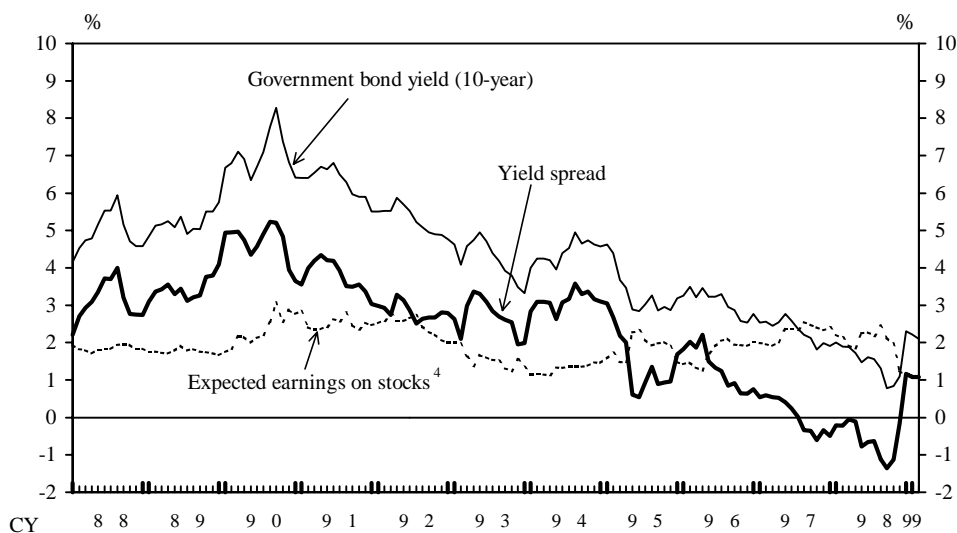
Source: Securities Dealers Association of Japan, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock prices



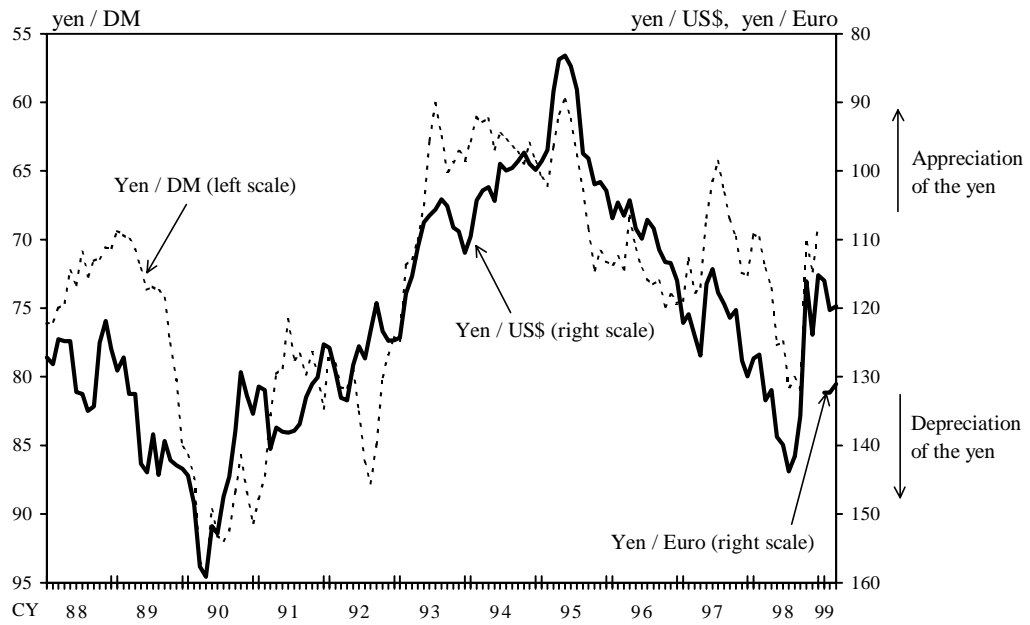
(2) Yield Spread^{2,3}



- Notes: 1. Data are monthly averages.
 2. Data are at end of period.
 3. Yield spread = government bond yields - expected earnings on stocks, where expected earnings on stocks = 1/expected price earnings ratio.
 4. Based on stocks listed on the TSE First Section. Excludes bank stocks.
 Data are calculated by the Daiwa Research Institute.

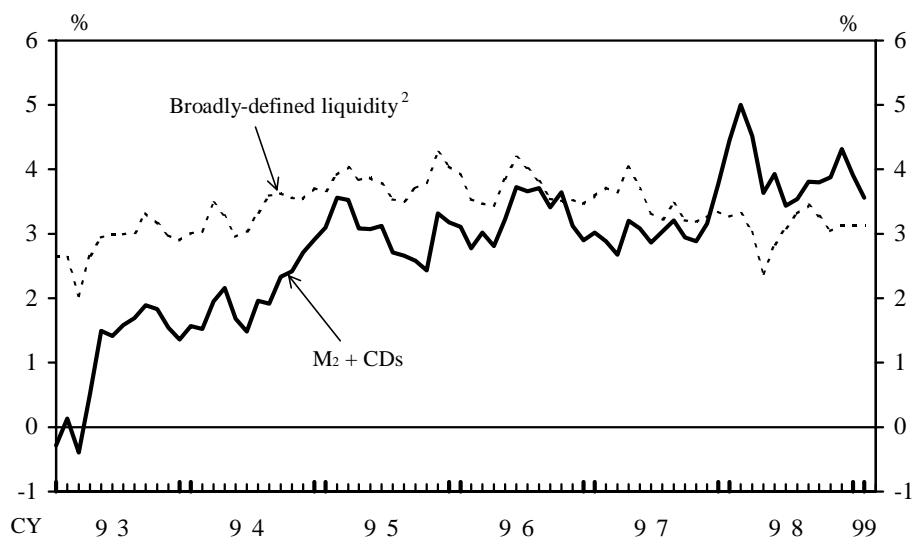
Sources: *The Nihon Keizai Shimbun* ; Daiwa Research Institute, "*Daiwa Toushi Shiryou* (Daiwa Investment Information)."

Exchange Rates

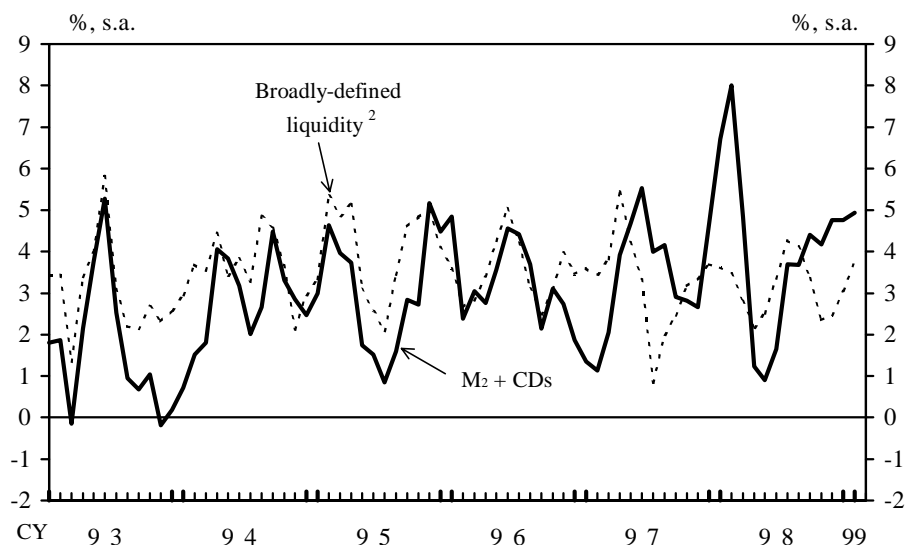


Note: End of month. Data of Mar 1999 are as of Mar 11, 1999.
 Source: Bank of Japan, "Economic Statistics Monthly."

 Money Stock (M_2 +CDs, Broadly-Defined Liquidity)

(1) Changes from a Year Earlier ¹

(2) Changes from Three Months Earlier (Annualized)



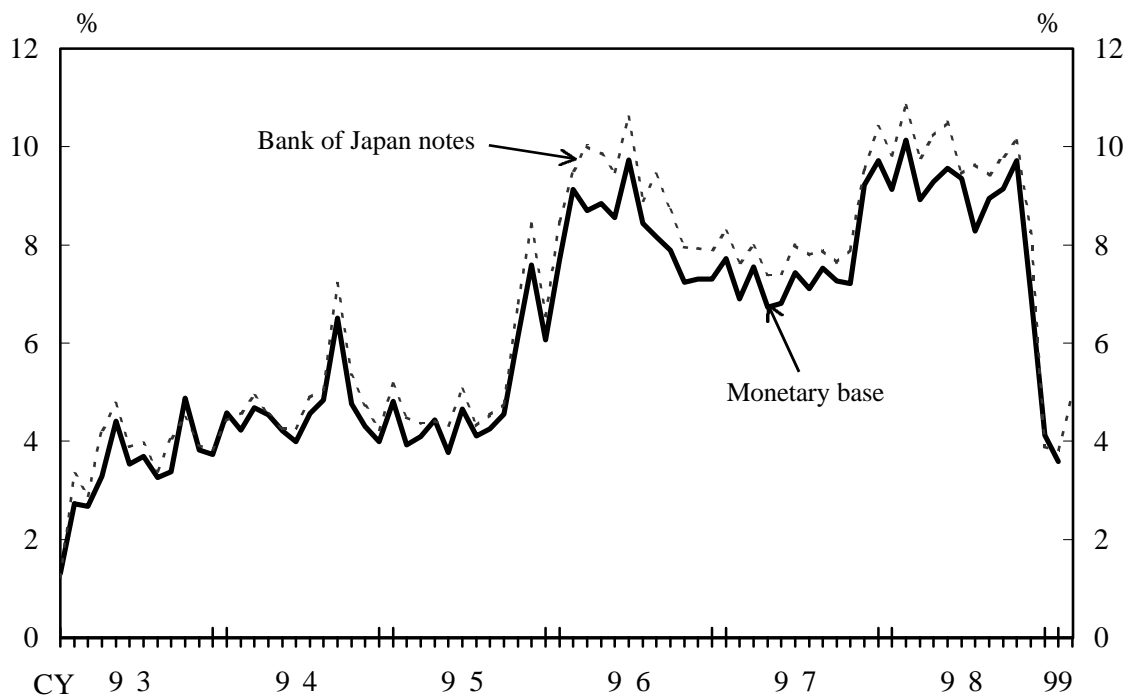
Notes: 1. Percent changes in average amounts outstanding.

2. Broadly-defined liquidity = M_2 +CDs + deposits (including CDs) of Post Offices, Agricultural Cooperatives, Fishery Cooperatives, Credit Cooperatives, and Labor Credit Associations + money trusts and loan trusts of Domestically Licensed Banks (excluding Foreign Trust Banks) + bonds with repurchase agreement + bank debentures + government bonds + investment trusts + money deposited other than money in trust (money trust with returns in the form of investment assets) + foreign bonds. Domestically Licensed Banks are the banks which are established and licensed under Japanese legislation.

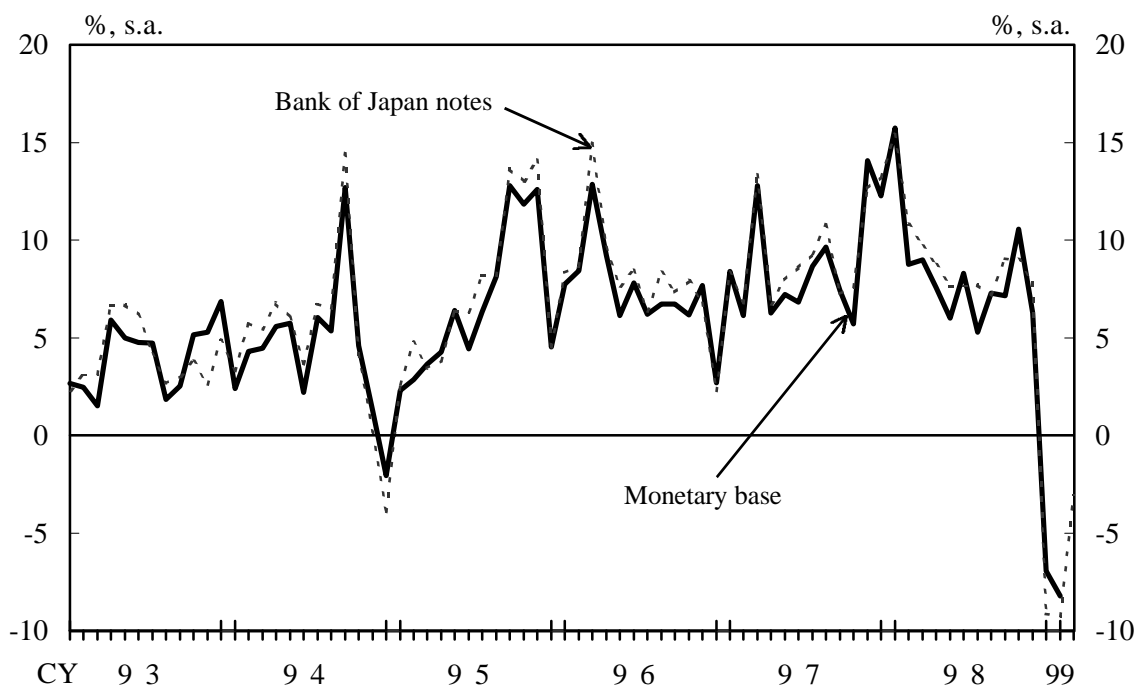
Source: Bank of Japan, "Economic Statistics Monthly."

Monetary Base

(1) Changes from a Year Earlier



(2) Changes from Three Months Earlier (Annualized)

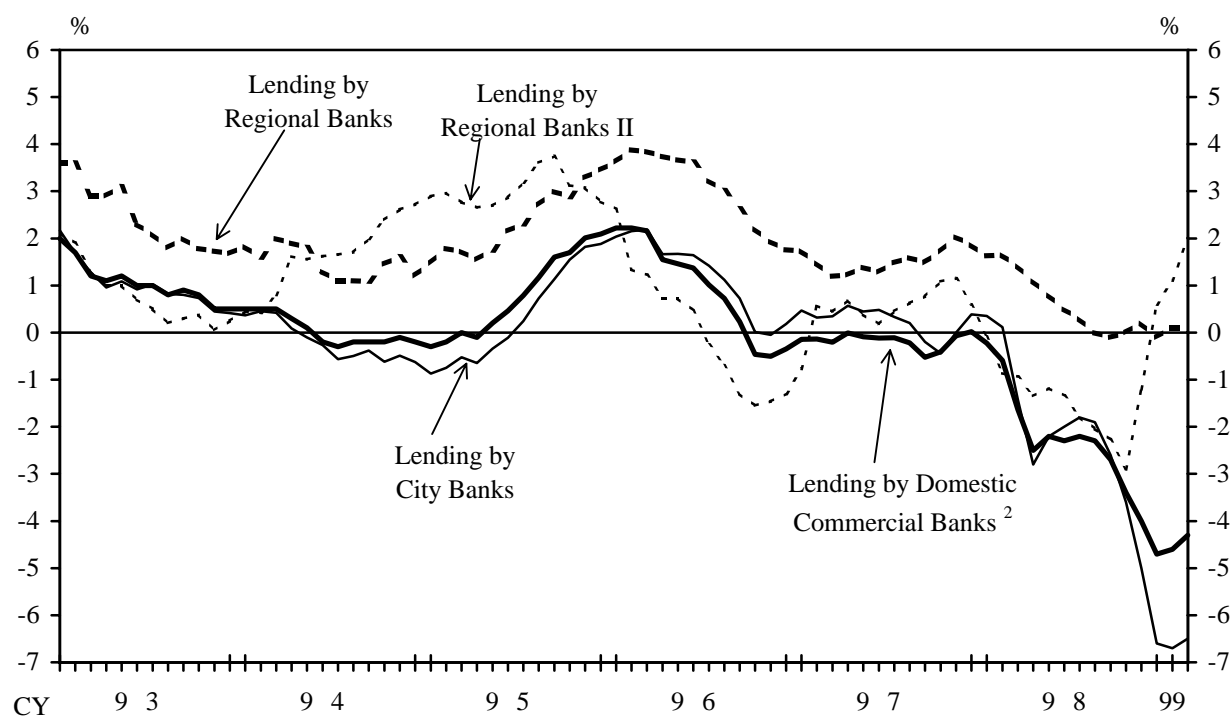


Notes: 1. Monetary base = Currency in circulation (Banknotes + Coins) + Reserves
Data for currency in circulation include holdings of financial institutions.

2: Reserve requirement rate change unadjusted.

Source: Bank of Japan, "Economic Statistics Monthly."

Lending by Domestic Commercial Banks



(Reference)

The following figures are adjusted for

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

Figures in parentheses are the original data.

	October, 1998	November, 1998	December, 1998	January, 1999	February, 1999
Domestic commercial banks	- 1.4 (- 3.4)	- 1.2 (- 4.0)	- 1.5 (- 4.7)	- 1.4 (- 4.6)	- 1.3 (- 4.3)
City Banks, Long-term Credit Banks and Trust Banks	- 2.3 (- 4.9)	- 2.4 (- 6.1)	- 3.1 (- 7.4)	- 3.2 (- 7.4)	- 3.1 (- 7.0)
Regional Banks	0.7 (- 0.0)	1.0 (0.2)	0.7 (- 0.1)	1.0 (0.1)	0.9 (0.1)
Regional Banks II	- 1.1 (- 2.9)	0.9 (- 1.2)	3.2 (0.6)	3.8 (1.1)	4.0 (2.0)

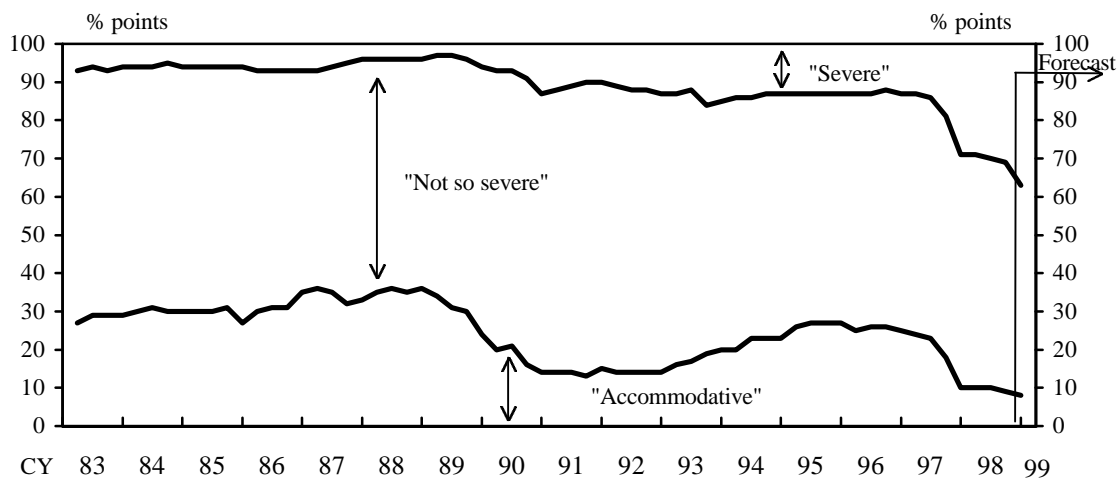
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

2. Domestic Commercial Banks refers to member banks of the Federation of Bankers Associations of Japan 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).

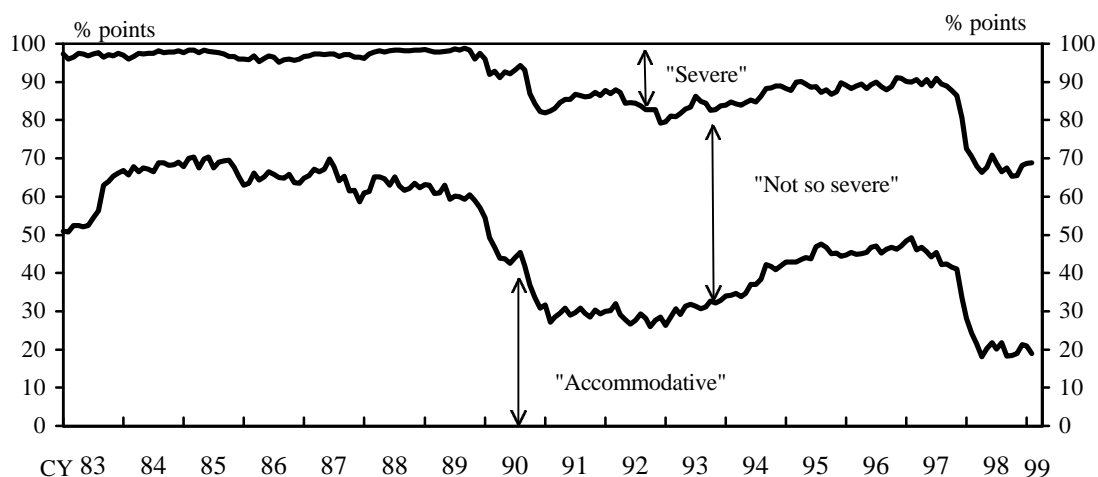
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as perceived by Small Enterprises

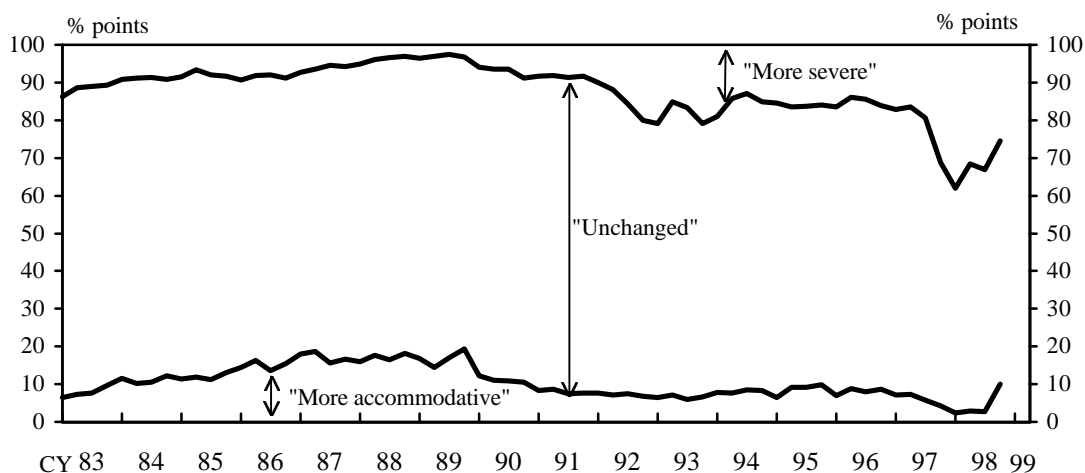
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (December, 1998)



(2) "Monthly Survey on Trends of Small Businesses" (Mid-February, 1999)



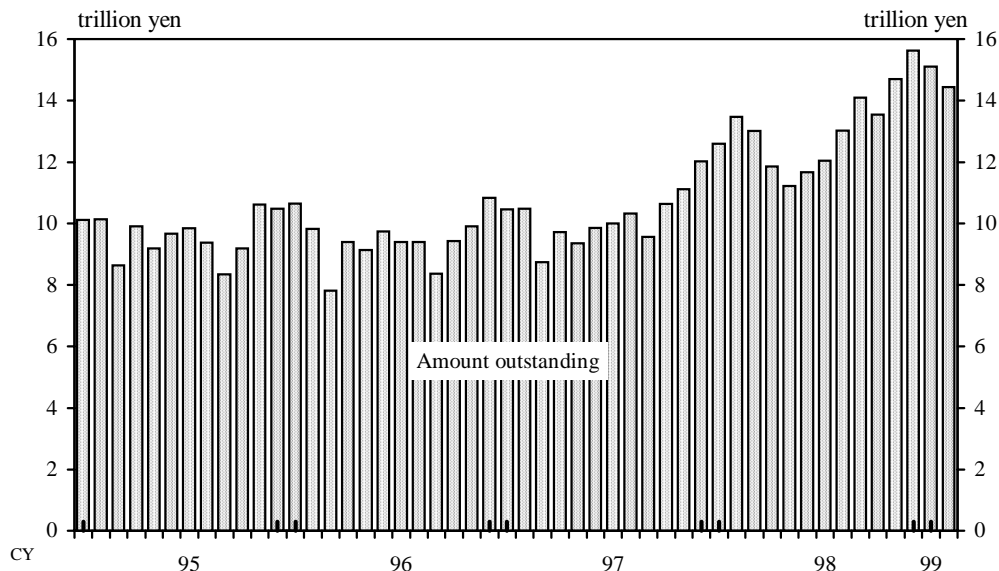
(3) "Quarterly Survey of Small Businesses in Japan" (Mid-December, 1998)



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";
 People's Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

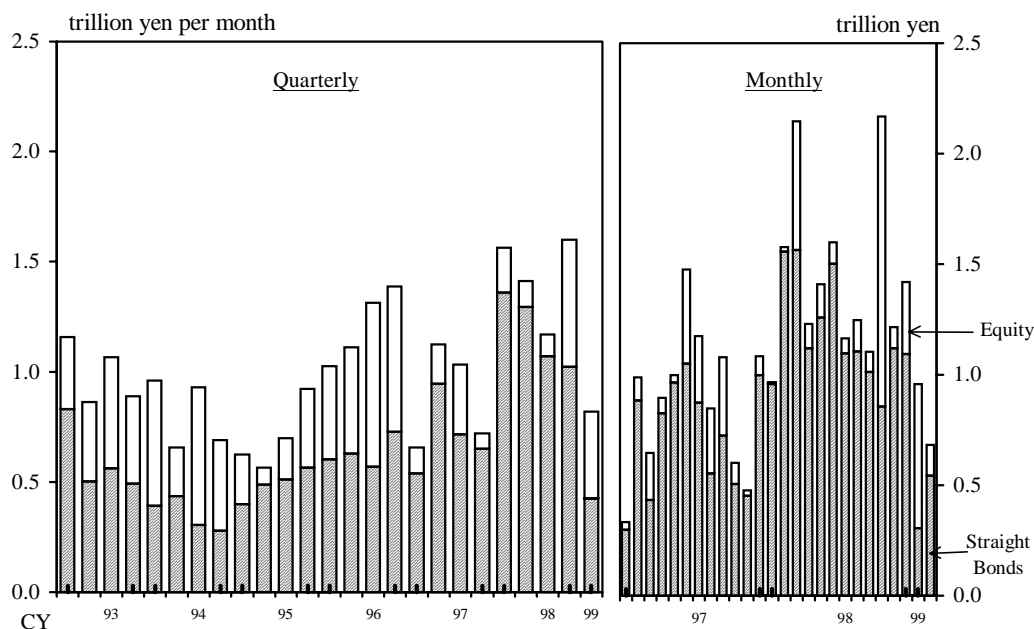
Private-Sector Fund Raising in the Capital Markets

(1) C P



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

(2) Bond and Equity

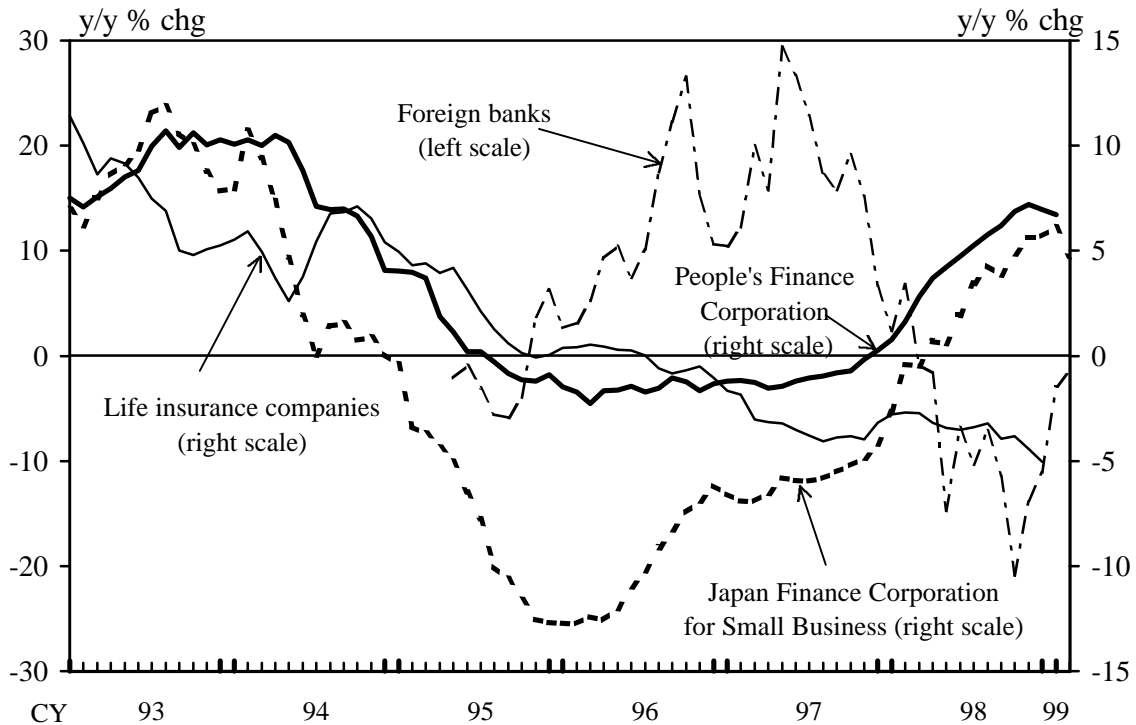


Notes: 1. Data for equity include convertible bonds, bonds with warrants, and new equity issues.
 2. Figures for 1999/Q1 are January - February average.

Sources: Bank of Japan, "Principal Figures of Financial Institutions"; The Bond Underwriters Association of Japan, "Bond Review."

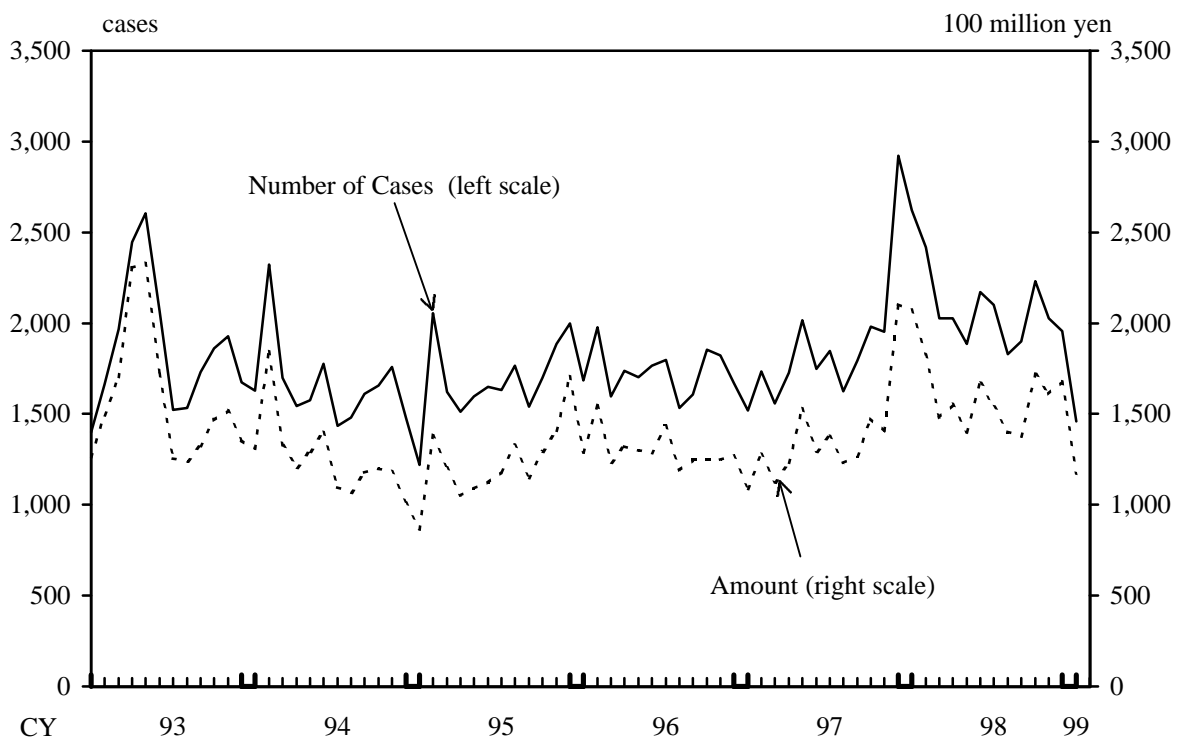
Lending by Other Financial Institutions

(1) Lending Outstanding



Note: Data are based on amounts outstanding at end of period except for those of foreign banks.

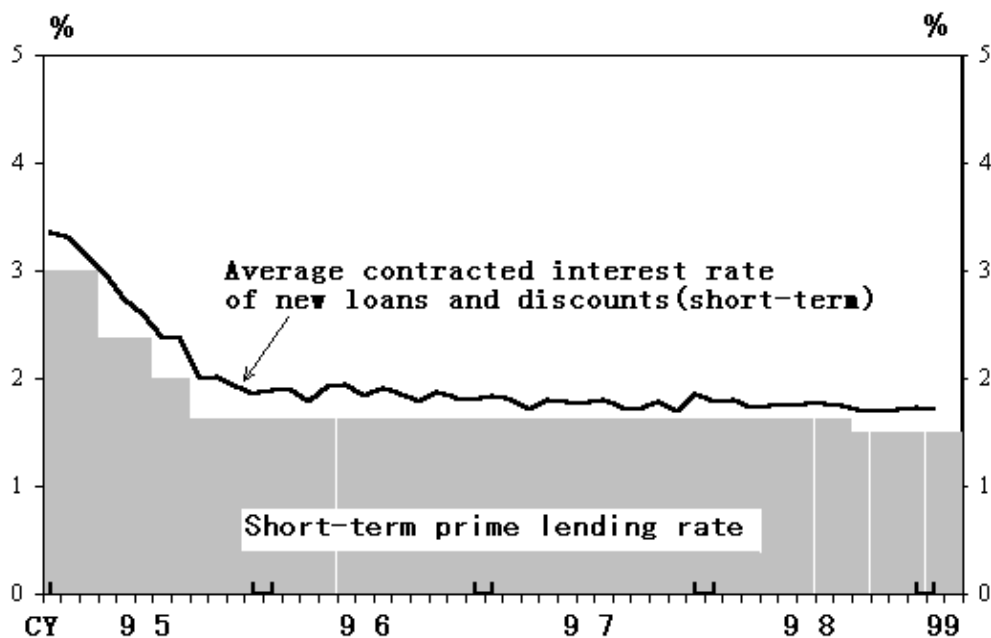
(2) Application for a Loan from Japan Finance Corporation for Small Business



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

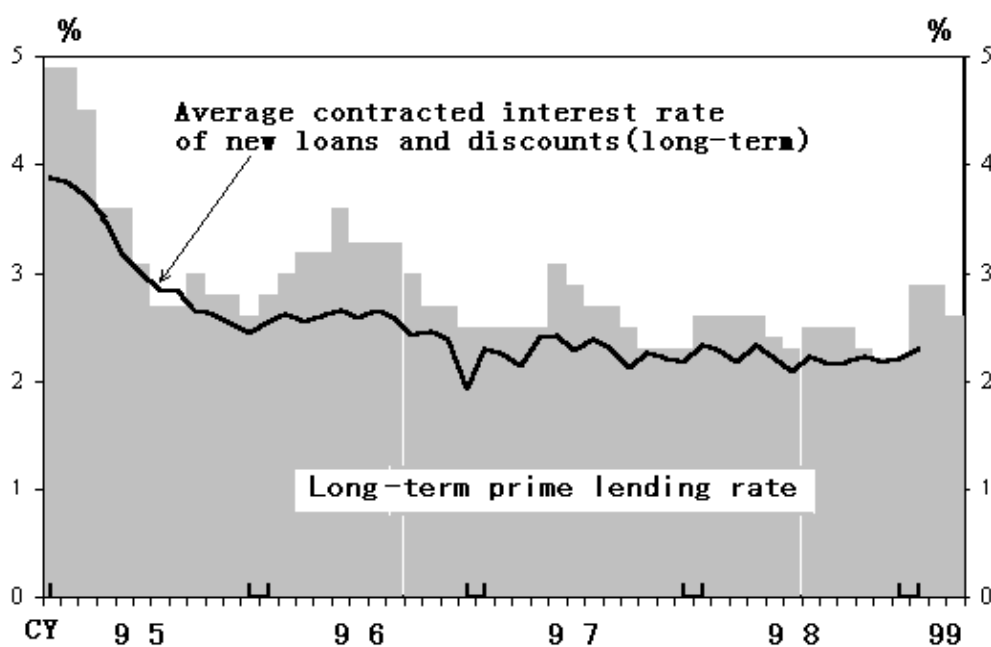
Lending Rates

(1) Short-Term



Note: Data for short-term prime lending rate are at end of period.

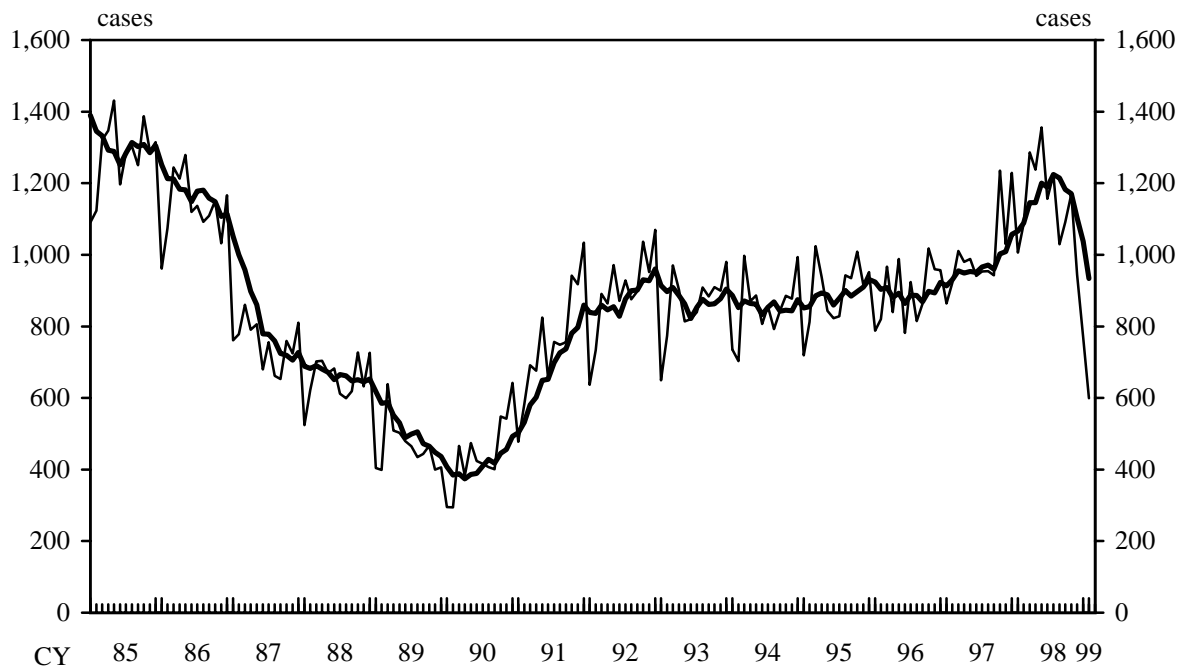
(2) Long-Term



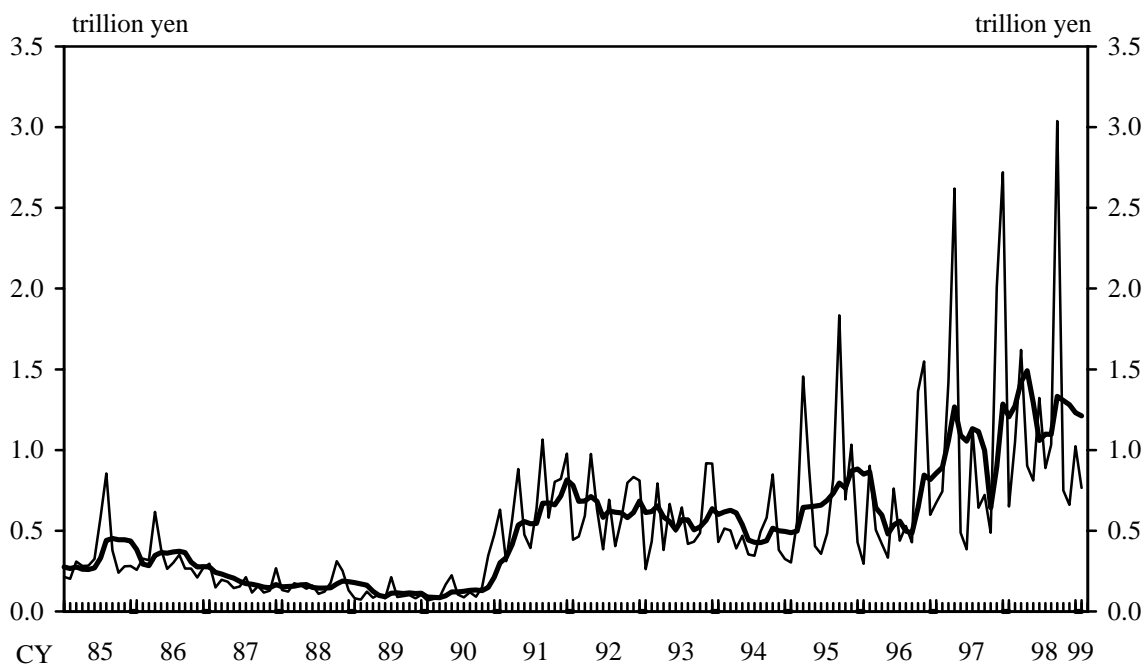
Source: Bank of Japan, "Economic Statistics Monthly."

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



- Notes: 1. Data for the number of cases exclude types of bankruptcies other than suspension of business transaction with banks.
 2. The bold line is six-month moving average.

Sources: Federation of Bankers Associations of Japan, "Suspension of Business Transaction with Banks"; Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly Review of Corporate Bankruptcies)."