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Bank of Japan

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

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The Bank's View²

Japan's economy, at present, appears to have stopped deteriorating.

With regard to final demand, business fixed investment has been declining, and recovery in private consumption continues to be weak on the whole. Net exports (exports minus imports) are leveling off. Housing investment has started recovering, and public works orders are increasing considerably.

Reflecting such development of final demand and progress in inventory adjustment, industrial production has stopped decreasing. The deterioration in corporate and consumer sentiment seems to have ceased, due to this economic situation as well as the subsidence of the public's anxiety about the stability of Japan's financial system. However, corporate profits remain weak, and employment and household income conditions continue to deteriorate. In corporate finance, firms' concern about the availability of funds in the future is gradually abating, but has not completely disappeared.

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 will underpin the economy. In addition, the anxiety about the stability of the financial system is easing against the background of the injection of public funds into banks, and stock prices are recovering. These improvements in the financial environment are also expected to exert positive effects on the economy gradually. With respect to corporate activities, however, firms have started taking steps toward full-scale restructuring, facing the continued decline in profits and strongly becoming aware of a need to improve their balance sheet.

¹ This report was written based on data and information available when the Bank of Japan Monetary Policy Meeting was held on April 9, 1999.

² The Bank's view on recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on April 9, as the basis of monetary policy decisions.

Although such corporate restructuring is expected to improve productivity, it may, in the short run, 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. It is also important to prepare an environment for a smooth structural reform that assures the economy's sustained growth in the medium term.

With regard to prices, reflecting the large output gap, domestic wholesale prices are on a downtrend, and corporate service prices are weakening. Consumer prices also 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 is likely to continue exerting downward pressure on prices. Hence, prices are expected to remain on a downtrend.

In the financial markets, the overnight call rate has stayed at nearly zero, and financial institutions' anxiety about the availability of liquidity has rapidly subsided. With the injection of public funds, the Japan premium has almost disappeared, and interest rates on term instruments have been at a low level.

The amount outstanding of funds in the call money market, after showing a recovery toward the previous fiscal-year end, has been decreasing again since the beginning of the new fiscal year, as institutional investors shifted part of their funds to highly-liquid deposits of banks. Although the shrinkage of the market has not led to any difficulty in funds settlement, close attention should be paid to the market development.

Long-term interest rates are declining gradually reflecting sluggish credit demand in the private sector. Stock prices have been firm against the background of the market's appreciation of moves toward corporate restructuring 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.

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 has been increased. Under these circumstances, it seems that banks have started to extend loans more actively than before especially for projects involving relatively small credit risks.

As a result, credit conditions, which tightened previously, are now easing somewhat. It should be noted, however, that firms with relatively low credit ratings remain under severe financing conditions. The situation continues to warrant careful monitoring on the extent to which private banks will ease their lending stance, and how the change will affect firms' propensity to invest.

The Background

1. Japan's Economy

With regard to public investment (Chart 2), because the value of public works contracted, which reflects orders, temporarily declined toward the beginning of 1999, the rise in public works on an actual execution basis may be decelerating slightly at present.³ In February, however, the value of public works contracted increased sharply as works under the third supplementary budget for fiscal 1998 began, and orders under the emergency economic package are also expected to remain at a high level. Hence, public investment is projected to increase further once again.

Real exports (Charts 3 to 5) are essentially flat on the whole. Exports rose 1.5 percent in the third quarter of 1998 (on a seasonally adjusted quarter-to-quarter basis), declined 1.9 percent in the fourth quarter, and rose 2.3 percent in January-February 1999 compared to the fourth-quarter level. While exports to Europe, which had been increasing firmly, are now declining, exports to Asia, which had been down sharply, have now turned to an increase. Exports to the United States are firm on the whole. Meanwhile, real imports declined by a quarter-to-quarter 1.8 percent in the fourth quarter of 1998, and then recorded high growth of 5.7 percent in January-February 1999 compared to the fourth-quarter level. This increase, however, is significantly influenced by the intensive imports of airplanes (in February), which are a temporary factor, and excluding this, the underlying trend is basically level due to the stagnation of domestic private demand.

As a result of these import and export developments, net exports (exports – imports) in terms of the real trade balance⁴ are presently decreasing because of the increase in imports, but are basically level. The nominal current account surplus is also flat on the whole.

³ As shown in Chart 2(2), shipments of public works related goods remain on an increasing trend, but they are presently easing somewhat.

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).

As for the future environment for foreign trade, the appreciation of the yen since autumn 1998 is starting to restrict exports (Chart 6(1)). For the time being, the stagnation of domestic private demand in Japan will continue, the United States economy is expected to remain firm, and Asian economies are moving toward a recovery (Chart 6(2)). Such domestic and foreign economic developments will facilitate an increase in net exports. Nevertheless, Asian economies are still facing many issues for a recovery, and European economies are gradually slowing down. Moreover, the present high growth in the United States economy is apparently supported, to a large extent, by the rise in stock prices. Thus, the outlook for overseas economies continues to warrant careful monitoring.

As for domestic private demand, first looking at trends in the corporate sector in relation to business fixed investment, corporate profits remain stagnant. As for current profits, the Bank of Japan's *Tankan – Short-term Economic Survey of Enterprises* of March 1999 (Chart 7) shows that estimates for the second half of fiscal 1998 (ended March 31, 1999) were revised downward from the December survey, and indicated a substantial decline in profits. While projections for the first half of fiscal 1999 (ending September 30, 1999) show an overall improvement from the effects of restructuring, current profits will still remain at a low level. Also, on a net profit basis, the decline for all of fiscal 1998 was apparently greater than that on a current profit basis due to the disposal of non-performing assets.⁵ The March *Tankan* shows that firms' perceptions of business conditions (Chart 8) are improving somewhat overall compared with the December survey. This improvement may be influenced by the bottoming-out of production activities, as well as the abatement of anxiety about the stability of the financial system and the gradual easing of concerns regarding the future availability of funds due to the various measures taken by the government and the Bank of Japan (Chart 9). The business conditions DI of firms, however, remains at an extremely low level, reflecting the above-mentioned corporate profit trends.

⁵ According to a survey conducted by Nihon Keizai Shimbun, Inc. (released on March 7), the fiscal 1998 net profits of listed firms were expected to decline 54.6 percent versus the previous year, a more substantial decline than that in current profits (24.5 percent).

Under this environment, business fixed investment is still declining. Real business fixed investment on a GDP basis declined by a large 5.7 percent in the fourth quarter of 1998 after falling 4.8 percent in the second quarter and 2.7 percent in the third quarter. The *Financial Statements Statistics of Corporations by Industry, Quarterly* shows an overall declining trend in business fixed investment by industry and scale (Chart 10). Leading indicators, such as machinery orders and nonresidential construction starts (Chart 11), indicate that the present pace of decline in business fixed investment may have eased somewhat from the fourth quarter of 1998,⁶ but the declining trend seems to remain unchanged.

As for the future environment for business fixed investment, corporate profits are expected to remain stagnant, and strong perceptions of excess equipment will persist for the time being (Chart 12). In corporate finance, firms' balance sheets are not necessarily sound, and it seems their concerns about the future prospects have not completely disappeared. Under these conditions, an increasing number of firms are working to improve their balance sheets by reducing financial debts, which are at a high level, while to raise return on capital stock, which is presently at a very low level (Chart 13). Judged from these developments, business fixed investment is likely to remain on a declining trend for some time. Regarding this point, the March *Tankan* shows greatly restricted investment plans for fiscal 1999 (Chart 14) among both large firms (a year-to-year decline of 9.5 percent for manufacturing firms and 9.3 percent for nonmanufacturing firms) and small firms (a year-to-year decline of 31.4 percent for manufacturing firms and 24.4 percent for nonmanufacturing firms).

In the household sector, employment and income conditions are still on a deteriorating trend. In the labor market (Chart 15), the ratio of job offers to applicants (seasonally adjusted) was 0.49 in February, the same as the January figure and still around the lowest level since the start of these statistics in 1963.⁷ The

⁶ Shipments of general capital goods (on a seasonally adjusted basis) also increased in January-February 1999 by 2.1 percent compared with the fourth quarter of 1998 (- 4.0 percent from the previous quarter). Along with the influence from the increase in exports, there is a possibility that the pace of decline in shipments of general capital goods for the domestic market may now be slowing.

⁷ The ratio of job offers to applicants in January-February 1999 showed a slight improvement from the fourth quarter of 1998 (0.47), and this 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

unemployment rate (seasonally adjusted) was 4.4 percent for three consecutive months through January, which was the highest level since the start of these statistics in 1953, and rose further to 4.6 percent in February. 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 (Charts 16(1) and 16(2)), regular compensation is essentially at the previous year's level, overtime compensation remains well below the previous year's level, and special payments have also declined substantially. Reflecting these employment and wage developments, compensation of employees is on a declining trend.

As for the outlook, as firms' perceptions of excess employment are rising further (Chart 17), firms are likely to strengthen their stance toward adjusting employment and restricting wages along with the full-scale implementation of corporate restructuring. For example, this year's annual spring wage negotiations at large firms are apparently concluding with historically low wage increase rates (Chart 16(3)). Judged from these factors, harsh employment and income conditions are expected to continue for the time being.

Under this employment and income environment, the recovery in private consumption as a whole remains weak. With regard to related indicators (Chart 18), sales of household electric appliances remain at a high level, mainly due to firm sales of personal computers. The number of passenger car sales (excluding light cars) dropped sharply in the fourth quarter of 1998 and increased in the first quarter of 1999 from the introduction of new models, but still remained below the level recorded in 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 slightly in the first quarter of 1999. Sales at department stores declined in the fourth quarter of 1998, increased in January 1999 from the effects of a branch-closing sale by a certain department store, but declined again in February. Sales at chain stores declined in the fourth quarter of 1998 and were also down on average in January-February 1999.

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 15(2) and 15(3)).

Moreover, outlays for travel remain on a declining trend. Meanwhile, consumer sentiment remains cautious, although its deterioration seems to be ceasing (Chart 19).⁸

As for future consumption trends, the issuance of the “regional promotion coupons” (shopping vouchers) and the reduction of personal income taxes are expected to underpin consumption. Additionally, the recovery in stock prices and the abatement of anxiety regarding the stability of the financial system are expected to have positive effects. Nevertheless, the recovery is likely to remain weak for the time being amid the harsh employment and income conditions.

With regard to housing investment (Chart 20), 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 have been gradually increasing from the beginning of 1999, posting 1.16 million units in January and 1.19 million units in February (an average of 1.18 million units for January-February 1999, an increase of 4.2 percent compared to the fourth-quarter 1998 level). In detail, construction starts of owner-occupied houses increased conspicuously in February, apparently reflecting the beginning of construction of private homes financed by loan applications to the government Housing Loan Corporation during its third offering period for fiscal 1998 (November 2 – December 25, 1998), which were up sharply (an increase of 49.9 percent from the previous year). Thus, housing starts have started to recover.

As for the outlook, construction starts of houses for rent are expected to remain stagnant due to strong perceptions of excess supply. As for housing for sale, the demand is on the rise as condominium sales are recently increasing. Nevertheless, this sales trend is unlikely to result in an increase in construction starts immediately due to excess inventories, but there is a possibility that the declining trend will cease gradually. Construction starts of owner-occupied houses are likely

⁸ The Family Income and Expenditure Survey shows a large decline in the propensity to consume amid improvements in various confidence indicators. The weakness of consumption in February on the survey basis, however, may have been influenced by several irregular factors, such as a large decline in passenger car purchases. Therefore, the weakness of this statistics must be discounted to some extent.

to rise substantially through the summer, reflecting the increase in applications for loans from the government Housing Loan Corporation during the third offering period for fiscal 1998 and the further increase (a surge of 75.1 percent over the previous year) during the fourth offering period (January 18 – March 26, 1999) against the background of the reduction in the taxes on home purchases and the maintenance of the Corporation's standard interest rate on loans at a low level.

Reflecting these developments in final demand, industrial production (Chart 21) 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 March, industrial production is estimated to post a slight increase (+0.4 percent) in the first quarter of 1999.⁹ In terms of final demand, while business fixed investment continues to decrease, public investment and the demand for some consumer goods are increasing, and inventory adjustments are progressing (Chart 22). Against this background, industrial production has stopped declining.

As for the future environment for production, public investment will continue to increase and housing investment is expected to recover. On the other hand, business fixed investment will remain on a declining trend, and this will continue to restrict production. Moreover, according to interviews with firms, they apparently plan to reduce their inventories further, and are firmly maintaining a cautious production stance. Judged from these developments, industrial production is expected to remain level through the second quarter of 1998, and is unlikely to post a distinct recovery.

⁹ 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 0.0 percent in the first quarter of 1999.

2. Prices

With regard to price developments, import prices on a yen basis (Chart 24(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 slight depreciation of the yen. Very recently, the crude oil market has been rebounding considerably, so import prices may rise.

As for domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates;¹⁰ Chart 24(3)), however, 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 percent in the third quarter of 1998, 0.5 percent in the fourth quarter, and 0.5 percent in the first quarter of 1999).

Corporate service prices (Chart 25(1)) are weakening overall, particularly those for real estate rents and automobile repairs, against the background of a strengthening corporate stance toward reducing costs. (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-February 1999).

Consumer prices (excluding perishables; Chart 25(2)) remain weak overall as the prices of goods remain below the previous year's level and the increase in prices of private-sector services 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-February 1999). Including perishables, consumer prices overall had turned to a year-to-year increase because of the large rise in the prices of perishables due to irregular weather since autumn 1998. However, the prices of perishables have stabilized, so the year-to-year change in consumer prices overall returned to a decrease in February.

¹⁰ 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

As for land prices, based on Land Prices posted by the National Land Agency (Chart 26), the rate of decline in the prices of both commercial and residential land is accelerating slightly.

Regarding the future environment for prices overall (Chart 27), 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 is 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 28(1) and 29 to 31) show that with the continued ample provision of funds by the Bank of Japan the overnight call rate (uncollateralized) has generally been near zero, at around 0.03 to 0.04 percent. Under these conditions, financial institutions' anxiety about the availability of liquidity has rapidly subsided.

Interest rates on term instruments have been holding at a low level, reflecting the abatement of financial market anxiety about the availability of liquidity and the injection of public funds into some private banks. Specifically, three-month Euro-yen interest rates (TIBOR) declined below 0.2 percent in late March, and the three-month TB rate has recently been moving around 0.1 percent. Moreover, the Japan premium has almost disappeared as Japanese banks have reduced their foreign claimable assets.

The one-month implied forward rates on contracts beginning from the present time through those beginning in August (ending in September), which are calculated from Euro-yen interest rates, are at roughly the same level. This fact implies that the market has virtually no concerns about the risk of an upward movement of interest rates during this time period.

the fundamental changes in domestic wholesale prices, adjustments are made to exclude such factors that result in large seasonal fluctuations.

Looking at the amount outstanding in the call money market, toward the end of fiscal 1998 (the end of March 1999) institutional investors shifted back part of their funds from highly liquid-bank deposits, such as ordinary deposits, to call loans, and the market scale temporarily recovered accordingly. From the beginning of fiscal 1999, however, the shift of funds to highly-liquid deposits expanded once again, so the market scale has been contracting. To date, this has not led to any difficulty in funds settlement. However, close attention should be paid to the market developments in as much as major changes are occurring in the flow of funds.

Yields on ten-year government bonds (longest-term bonds listed; Chart 28(2)) have been declining gradually, reflecting the calm tone of short-term interest rates and the stagnation of credit demand in the private sector. Yields on private bonds (Charts 33 and 34) are also declining, more or less in pace with the government bond yields. The yield spread between corporate and government bonds has remained at a high level for bonds issued by corporations with relatively low credit ratings, but has contracted slightly for bonds issued by corporations with high credit ratings.

Stock prices (Chart 35(1)) recovered the 16,000 yen level in mid-March, following announcements of corporate restructuring measures, and have been firm overall thereafter reflecting a range of factors including the rise in U.S. stock prices.

On the foreign exchange market (Chart 36), the yen-dollar exchange rate touched 116 yen to the U.S. dollar as overseas investors purchased Japanese stocks from the beginning through the middle of March. From late March, the rate fell back to around 120-122 yen to the dollar with the dollar's appreciation in reaction to NATO's strikes in Yugoslavia.

(2) Monetary Aggregates and Corporate Finance

The year-to-year growth in money stock (Chart 37) in terms of $M_2 + \text{CDs}$ fell slightly in February.¹¹ (The year-to-year growth in $M_2 + \text{CDs}$ was 3.7 percent in the

¹¹ Reviewing the developments in money stock, 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 and firms' moves to increase their on-hand liquidity strengthened, so the year-to-year growth in $M_2 + \text{CDs}$ increased rapidly. In contrast,

third quarter of 1998, 4.0 percent in the fourth quarter, 3.6 percent in January 1999, and 3.5 percent in February). As for the outlook for the second quarter of 1999, credit demand in the private sector will likely remain weak, but firms' reduction in on-hand liquidity is expected to be less than that during the previous year, so the year-to-year growth rate is expected to be slightly higher than that of the first quarter.¹² (The year-to-year growth in $M_2 + \text{CDs}$ is projected to be around 4.0 percent during the second quarter).

The year-to-year growth in the monetary base (currency in circulation + reserves; Chart 38), declined substantially from the end of 1998 through the beginning of 1999, but then increased somewhat in February and March due to the recovery in the growth of banknotes, which account for most of the monetary base.

The year-to-year decline in lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;¹³ Chart 39), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, has contracted gradually from the beginning of this year due to the increase in loans with credit guarantees. Meanwhile, fund-raising from sources other than bank loans (Charts 40 and 41) has recently been slowing down partly due to the lull in corporate bond issuances to secure funds for the redemption of convertible bonds.

Turning to the funding cost for firms, in February the average contracted interest rates on loans and discounts (Chart 42) decreased slightly for both long- and

there has been no such shift of funds during the first quarter of 1999, so the year-to-year growth of the quarter shows a decline largely due to the developments of the previous year.

¹² During the second quarter of 1998, because the anxiety regarding the financial system temporarily subsided and private banks strengthened their stance toward reducing loan assets, firms' on-hand liquidity declined sharply and thus the year-to-year growth in $M_2 + \text{CDs}$ decreased substantially. This year, firms are also expected to reduce their on-hand liquidity due to the abatement of anxiety regarding the financial system, but private banks' stance toward reducing assets is not expected to be as strong as it was during 1998, so the year-to-year growth rate in the second quarter of 1999 is projected to increase slightly.

¹³ The figures are adjusted for (1) fluctuations from the liquidation of loans, (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates, (3) fluctuations from loan write-offs, and (4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General Account.

short-term contracts, reflecting the decline in market interest rates. Corporate bond issuance rates peaked in February, and CP issuance rates have declined further.

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

Meanwhile, the lending attitude of private financial institutions is still cautious amid the worsening of corporate earnings. However, the fund-raising environment for private financial institutions themselves is turning favorable, and their formerly insufficient capital bases have been increased with the injection of public funds. Under these conditions, it seems that private banks have started to extend loans more actively than before, especially for projects involving relatively small credit risks.

As a result of these developments, credit conditions, which tightened previously, are now easing somewhat.¹⁴

It should be noted, however, that firms with relatively low credit ratings remain under severe financing conditions. The situation continues to warrant careful monitoring on the extent to which private banks will ease their lending stance, and how this change will affect firms' propensity to invest.

¹⁴ From the beginning of this year, the number of corporate bankruptcies has remained far below the previous year's level due to the enhancement of the credit guarantee system and other factors (Chart 43).

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Main Economic Indexes (1)

y/y % chg.

	98/Q3	Q4	99/Q1	98/Dec.	99/Jan.	Feb.	March
Index of expenditure level (all households)	-1.9	0.2	n.a.	-0.2	1.9	p -3.1	n.a.
Sales of department stores	-4.5	-4.5	n.a.	-5.8	-1.9	p -2.6	n.a.
Sales of chain stores ¹	-2.5	-1.4	n.a.	-2.2	-4.2	-2.9	n.a.
New passenger-car registrations ² <s.a., ann. 10,000 units>	325	287	307	296	328	301	290
Sales of electric appliances (NEBA)	8.2	10.1	n.a.	7.3	8.8	15.0	n.a.
Outlays for travel (50 major travel agencies)	-3.2	-7.0	n.a.	-7.3	-4.2	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	115	113	n.a.	115	116	119	n.a.
Machinery orders (from private sector ³)	-20.3	-17.8	n.a.	-14.3	-22.9	n.a.	n.a.
Mining & manufacturing	-22.0	-27.2	n.a.	-22.8	-23.4	n.a.	n.a.
Nonmanufacturing ³	-18.9	-10.2	n.a.	-7.3	-22.7	n.a.	n.a.
Construction Starts (private, nonresidential use)	-18.2	-22.9	n.a.	-24.6	-19.6	-4.4	n.a.
Manufacturing	-38.1	-45.5	n.a.	-46.4	-36.4	-27.7	n.a.
Nonmanufacturing ⁴	-10.5	-13.4	n.a.	-15.7	-12.2	4.7	n.a.
Value of public works contracts	4.9	10.4	n.a.	4.3	0.0	38.8	n.a.
Real exports <s.a. quarterly (monthly) change>	1.5	-1.9	n.a.	5.4	7.8	-10.8	n.a.
Real imports <s.a. quarterly (monthly) change>	2.4	-1.8	n.a.	0.2	1.9	6.9	n.a.
Industrial production <s.a. quarterly (monthly) change>	0.0	-0.4	n.a.	1.3	0.4	p -0.6	n.a.
Shipments <s.a. quarterly (monthly) change>	0.8	0.1	n.a.	1.8	1.4	p -2.3	n.a.
Inventories <s.a. quarterly (monthly) change>	-2.4	-3.6	n.a.	-1.8	-1.8	p 0.5	n.a.
Inventories/shipments <s.a. 1995=100>	109.1	107.4	n.a.	107.4	104.8	p 109.8	n.a.
Real GDP <s.a. quarterly change>	-0.3	-0.8	n.a.	n.a.	n.a.	n.a.	n.a.

Main Economic Indexes (2)

	y/y % chg.						
	98/Q3	Q4	99/Q1	98/Dec.	99/Jan.	Feb.	March
Ratio of job offers to applicants <s.a., times>	0.49	0.47	n.a.	0.47	0.49	0.49	n.a.
Unemployment rate <s.a., %>	4.26	4.38	n.a.	4.39	4.43	4.64	n.a.
Overtime working hours ⁵	-8.7	-7.3	n.a.	-5.8	-6.2	p -6.0	n.a.
Number of employees	-0.7	-0.5	n.a.	-0.8	-0.7	-1.3	n.a.
Number of regularly employed ⁵	-0.1	-0.3	n.a.	-0.3	-0.2	p -0.3	n.a.
Nominal wage per person ⁵	-2.0	-2.3	n.a.	-4.2	-3.4	p -0.6	n.a.
Domestic wholesale price index	-2.1	-2.1	-2.1	-2.2	-2.3	-2.1	-1.9
Consumer price index (nationwide)	-0.2	0.5	n.a.	0.6	0.2	-0.1	n.a.
Excluding perishables	-0.2	-0.3	n.a.	-0.3	-0.1	-0.1	n.a.
Corporate service price index	-0.4	-0.9	n.a.	-0.9	-0.9	-1.0	n.a.
Monetary aggregates (M2+CDs) <average outstanding, y/y % chg>	3.7	4.0	n.a.	3.9	3.6	p 3.5	n.a.
Number of suspension of transaction with banks	17.3	-17.5	n.a.	-37.4	-40.5	-47.7	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.

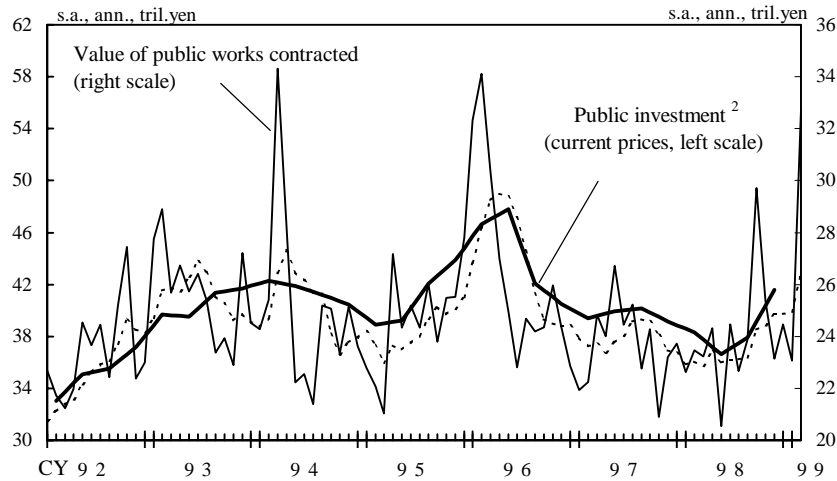
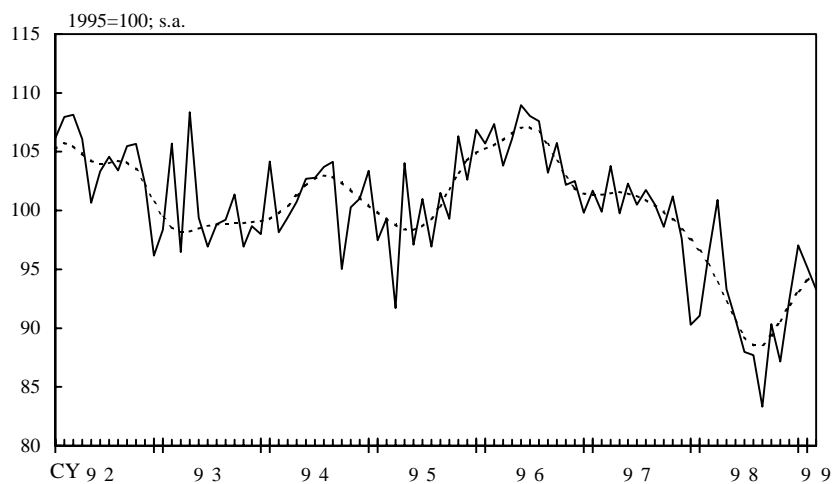
4. Nonmanufacturing=commerce+services+agriculture & fisheries+public utilities industries etc.

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", "National Income 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

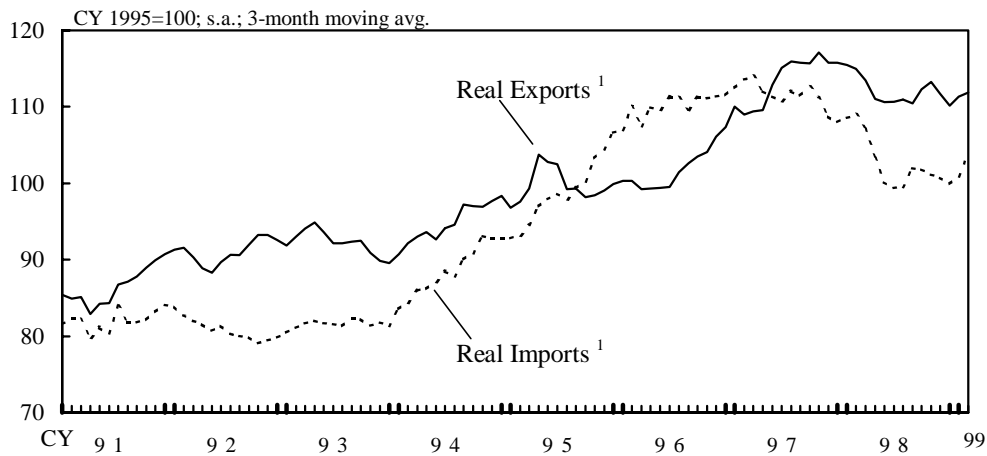
(2) Shipments of Public Works-related Goods³

- 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 February 99 are preliminary.

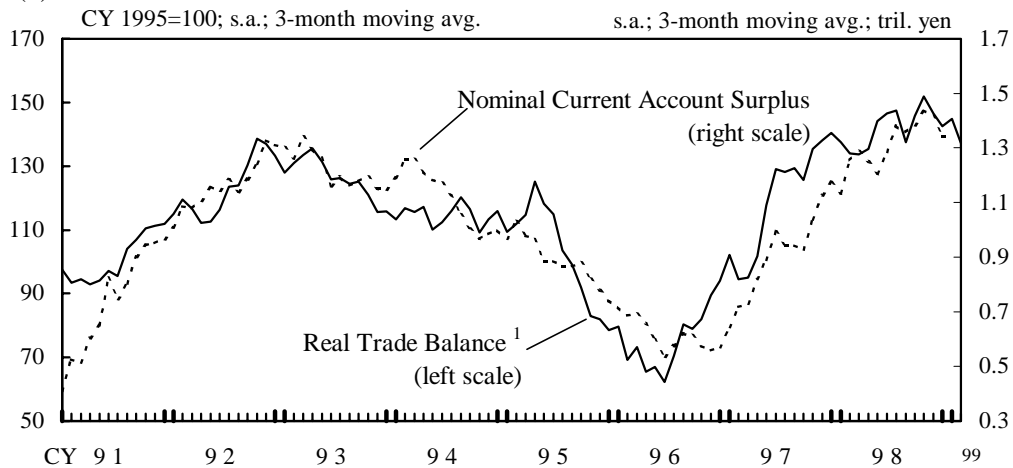
Sources: Economic Planning Agency, "National Income Statistics";
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";
Ministry of International Trade and Industry, "Indices of Industrial Production."

Exports and Imports

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account



(3) Nominal Current Account



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."
 Economic Planning Agency, "National Income Statistics."

Real Exports 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 Dec.	99 Jan.	Feb.
United States	<30.5>	14.6	6.8	5.8	-1.7	2.2	-2.5	2.7	4.2	12.4	-12.0
EU	<18.4>	13.8	15.6	2.8	5.2	2.8	0.2	-1.4	7.3	0.2	-5.0
East Asia	<33.2>	8.6	-18.1	-10.5	-6.2	-1.7	-2.3	9.1	7.1	16.5	-16.1
China	<5.2>	8.2	0.5	-3.4	4.0	-0.6	-4.3	21.3	4.5	38.6	-23.8
NIEs	<20.2>	10.5	-16.5	-9.7	-7.5	-3.2	-1.9	6.1	8.5	13.4	-17.4
Korea	<4.0>	-1.5	-35.3	-27.3	-6.3	-2.9	10.5	20.6	14.6	18.4	-11.8
ASEAN4 ³	<7.8>	5.0	-29.2	-15.7	-8.8	1.4	-2.2	8.7	5.5	10.7	-7.1
Thailand	<2.4>	-11.6	-29.4	-8.6	-3.9	-0.2	-2.3	10.6	5.2	14.0	-7.2
Indonesia	<1.1>	22.6	-53.4	-34.1	-24.9	4.1	5.4	1.9	8.2	6.9	-11.1
Real exports		11.2	-2.1	-2.0	-2.5	1.5	-1.9	2.3	5.4	7.8	-10.8

(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 Dec.	99 Jan.	Feb.
Intermediate goods	<14.5>	11.2	2.9	-1.9	1.9	3.2	-1.1	-0.4	6.8	6.4	-12.2
Motor vehicles and their related goods	<21.9>	14.6	1.3	-0.9	-1.0	3.2	2.4	-2.4	6.4	2.4	-12.7
Consumer goods ⁴	<7.3>	6.3	5.0	2.8	0.4	-2.3	0.3	1.7	4.3	2.2	-1.2
Information-related goods ⁵	<17.2>	18.1	-7.0	-4.3	-4.2	0.9	-3.4	1.4	8.2	1.7	-4.9
Capital goods and parts ⁶	<28.6>	9.0	-5.4	-4.1	-3.6	0.0	-4.6	3.3	1.9	11.0	-9.2
Real exports		11.2	-2.1	-2.0	-2.5	1.5	-1.9	2.3	5.4	7.8	-10.8

Notes: 1. Seasonally adjusted by X-11 and annually revised. 99/Q1 are Jan-Feb averages in terms of 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.

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 Dec.	99 Jan.	Feb.
United States	<23.9>	1.1	-3.7	-0.3	-4.0	0.3	-3.6	15.1	-5.2	7.3	27.6
EU	<14.0>	-3.6	-6.5	1.8	-6.3	3.3	1.6	1.1	-4.3	0.3	2.8
East Asia	<34.9>	0.9	-7.7	0.0	-5.8	0.9	0.5	7.4	2.4	-0.7	10.0
China	<13.2>	8.8	-4.4	0.7	-4.3	0.6	-0.8	10.8	3.9	-2.5	17.5
NIEs	<10.2>	-8.1	-10.9	-0.1	-8.5	-0.2	4.3	11.0	0.6	0.5	15.8
Korea	<4.3>	-3.9	-9.5	3.1	-9.8	-3.3	9.1	8.9	1.3	1.2	10.1
ASEAN4 ³	<11.4>	2.2	-8.1	-0.5	-5.0	2.2	-1.4	1.0	2.3	0.3	-2.6
Thailand	<2.9>	-0.5	-7.1	-3.1	-2.2	2.1	-4.3	3.4	0.9	4.9	-2.6
Indonesia	<3.9>	-2.3	-9.0	-1.0	-4.9	5.1	-1.7	-5.0	1.7	-2.9	-8.7
Real imports		0.9	-8.3	-0.8	-7.2	2.4	-1.8	5.7	0.2	1.9	6.9

(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 Dec.	99 Jan.	Feb.
Raw materials ⁴	<23.2>	-0.5	-6.0	-3.4	-4.7	2.3	-0.3	-1.2	0.0	3.2	-7.7
Intermediate goods	<14.0>	2.7	-7.1	-0.5	-8.1	-0.2	0.2	-1.2	1.6	-6.2	7.0
Foodstuffs	<14.7>	-3.5	-4.0	1.1	-2.1	2.6	-4.0	8.2	-1.7	10.0	-3.6
Consumer goods	<10.7>	-10.0	-13.8	-0.6	-8.4	5.3	-5.3	3.2	-5.4	1.5	4.7
Information-related goods ⁵	<13.2>	8.0	-5.8	-3.2	-1.4	3.8	-2.0	6.6	-0.6	4.2	5.1
Capital goods and parts ⁶	<13.3>	13.6	2.7	5.4	-8.3	-0.4	0.8	29.8	-4.5	4.5	63.4
Real imports		0.9	-8.3	-0.8	-7.2	2.4	-1.8	5.7	0.2	1.9	6.9

Notes: 1. Seasonally adjusted by X-11 and annually revised. 99/Q1 are Jan-Feb averages in terms of 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.

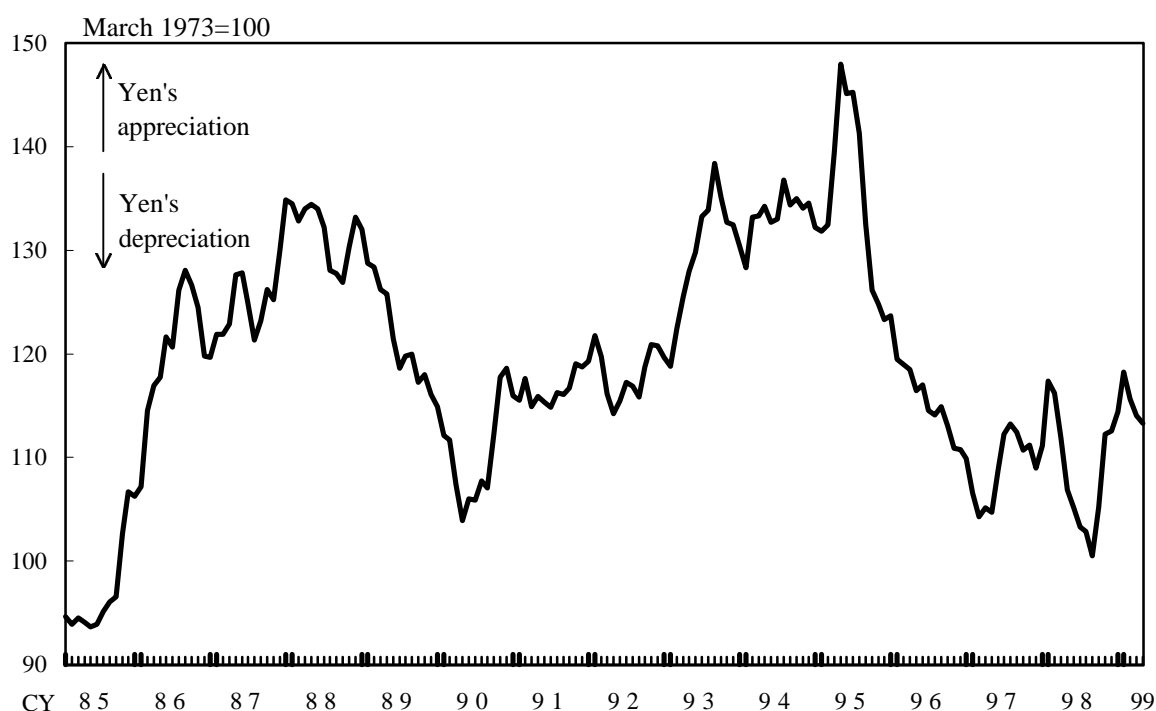
4. Raw materials = woods + ores + mineral fuel, etc.

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

6. Excluding information-related goods.

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 April 1999 is the average of April 1-8. 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	(3.3)	5.5	1.8	3.7	6.0	
European Union ¹		2.7	(2.8)	(1.9)	2.8	2.4	2.8	n.a.	
	Germany	2.2	2.8	(1.7)	5.3	-0.1	3.6	-1.5	
	France	2.3	3.2	(2.3)	3.2	3.6	1.5	2.9	
	United Kingdom	3.5	2.1	(0.6)	1.7	1.2	1.1	0.3	
East Asia ²	China	8.8	7.8	(7.3)	7.2	(Jan-Jun) 7.0	(Jan-Sep) 7.2	(Jan-Dec) 7.8	
	NIEs	Korea	5.0	-5.8	(2.3)	-3.6	-7.2	-7.1	-5.3
		Taiwan	6.8	4.8	(4.3)	5.9	5.2	4.7	3.7
		Hong Kong	5.3	-5.1	(-1.2)	-2.6	-5.1	-6.9	-5.7
		Singapore	8.0	1.5	(0.7)	6.2	1.6	-0.6	-0.8
	4 Countries of ASEAN	Thailand	-1.3	(-7.7)	(0.7)	-5.8	-11.1	n.a.	n.a.
		Indonesia	4.9	-13.7	(-3.3)	-4.0	-12.3	-18.4	-19.5
Malaysia		7.7	-6.7	(0.7)	-2.8	-6.8	-9.0	-8.1	
	Philippines	5.2	-0.5	(1.5)	1.6	-0.8	-0.7	-1.6	

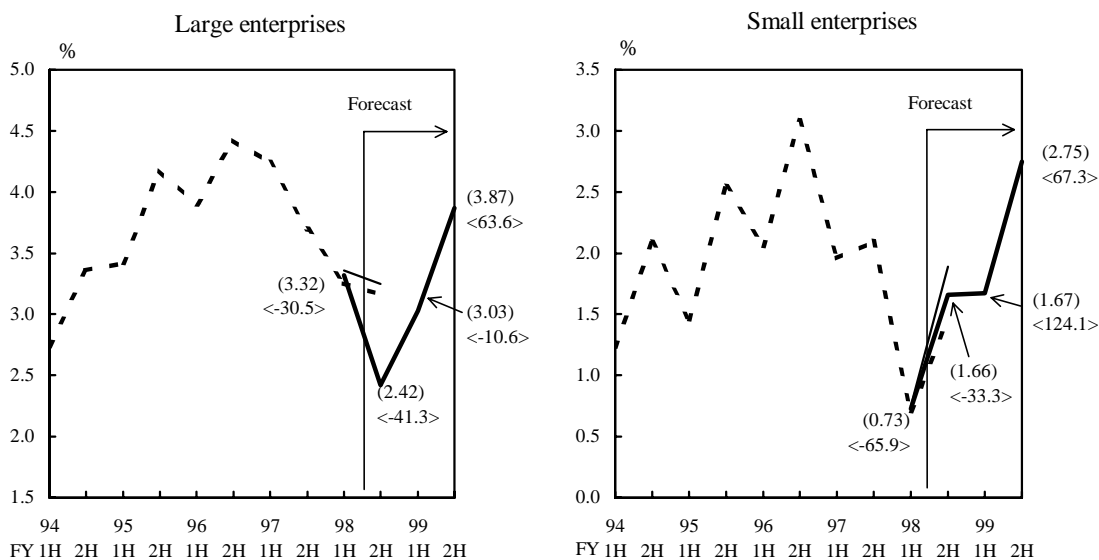
Notes: 1. Quarterly data are quarter-to-quarter percent changes.

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

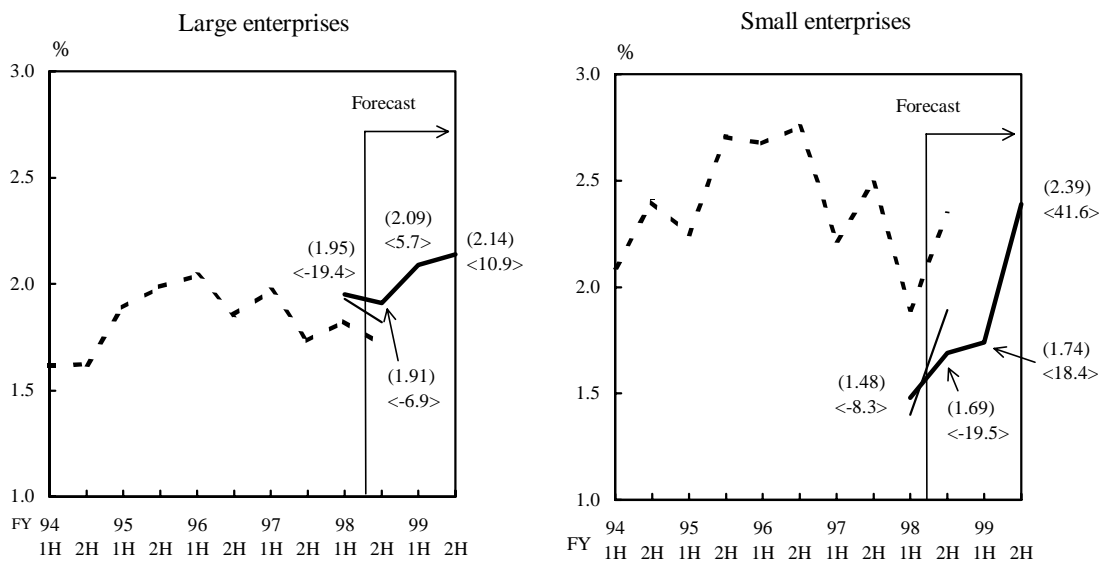
3. Forecasts by "BLUE CHIP ECONOMIC INDICATORS" and "CONSENSUS FORECASTS" are shown in brackets.

Current Profits to Sales Ratio as Surveyed in the *Tankan* (March 1999)

(1) Manufacturing



(2) Nonmanufacturing

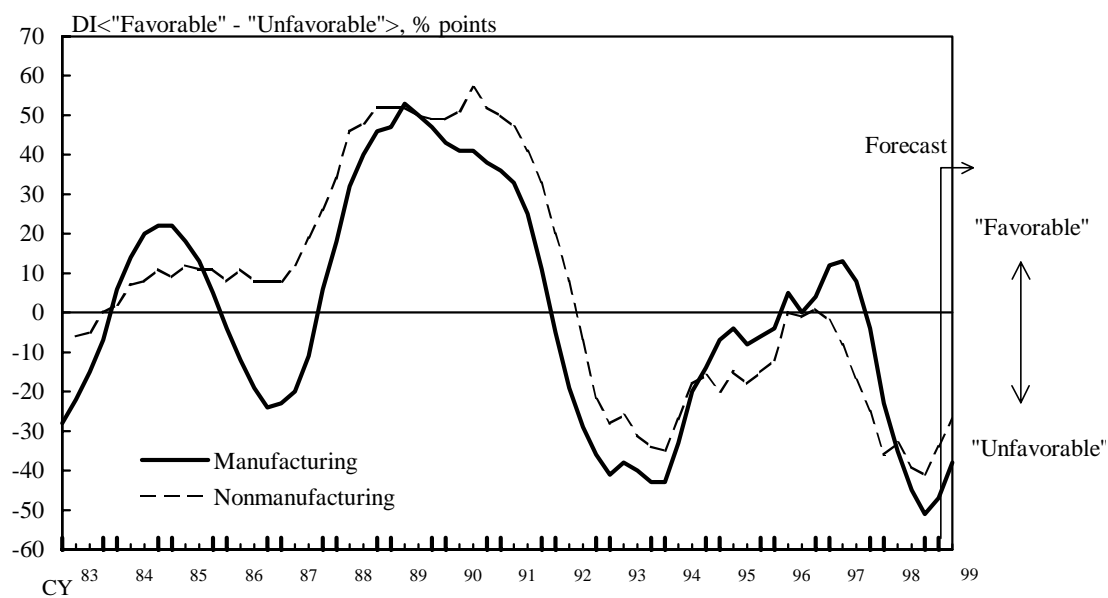


- Notes: 1. The dotted line shows the pre-revision *Tankan*, and the wide solid line shows the post-revision *Tankan* figures (the thin solid line shows the figures as of the December 1998 survey on the pre-revision basis).
 2. Figures in parentheses are the current profits to sales ratio.
 3. Figures in brackets are the percent change in current profits from a year earlier.

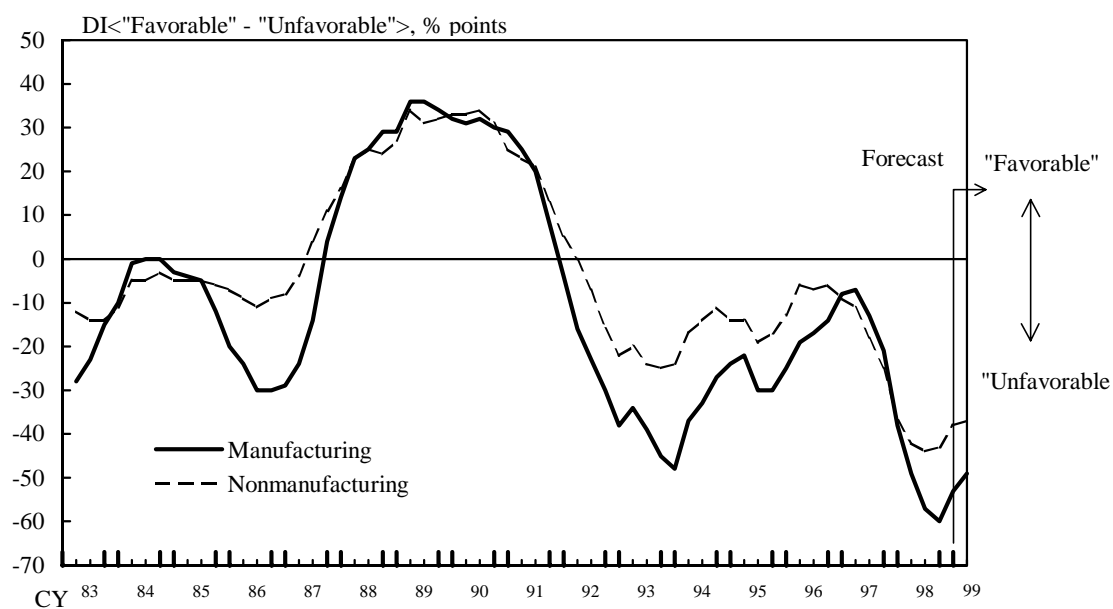
Source: Bank of Japan, "*Tankan* Short-term Economic Survey of Enterprises in Japan."

Business Conditions in the *Tankan* (March 1999)

(1) Large Enterprises



(2) Small Enterprises

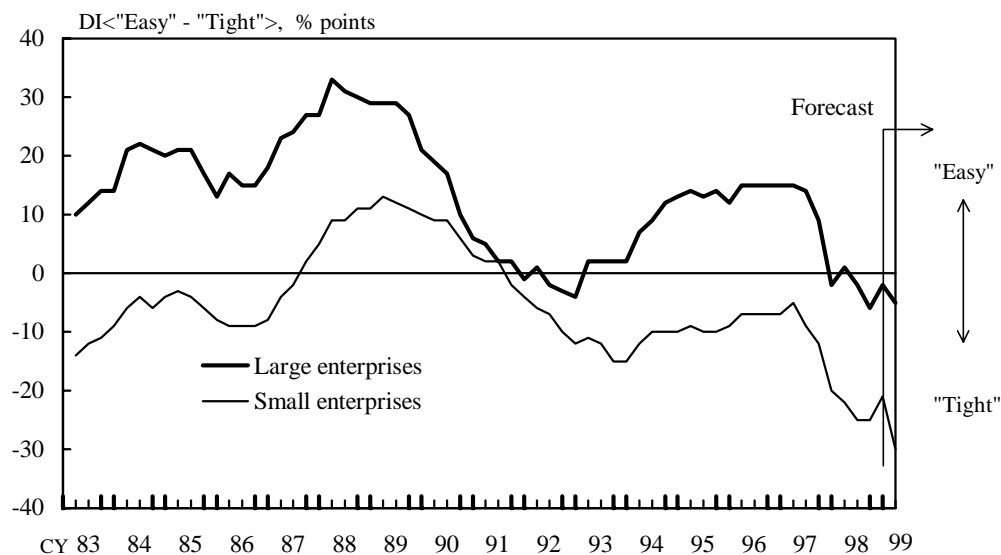


Note: Figures before December 1998 are based on the pre-revision *Tankan*, and those of March 1999 are based on the post-revision *Tankan*.

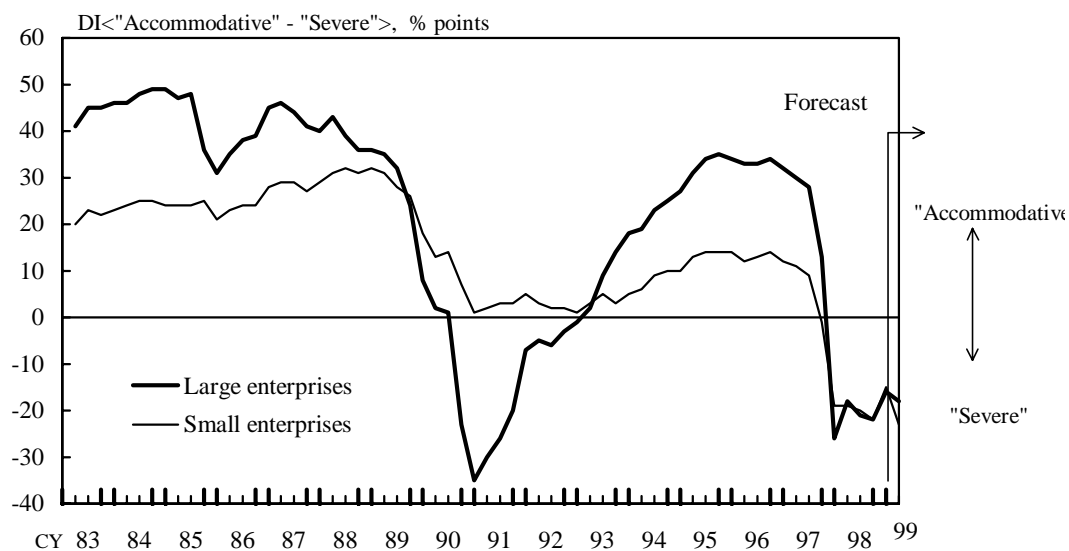
Source: Bank of Japan, "*Tankan* Short-term Economic Survey of Enterprises in Japan."

Corporate Finance-Related Indicators in the *Tankan* (March 1999)

(1) Financial Position



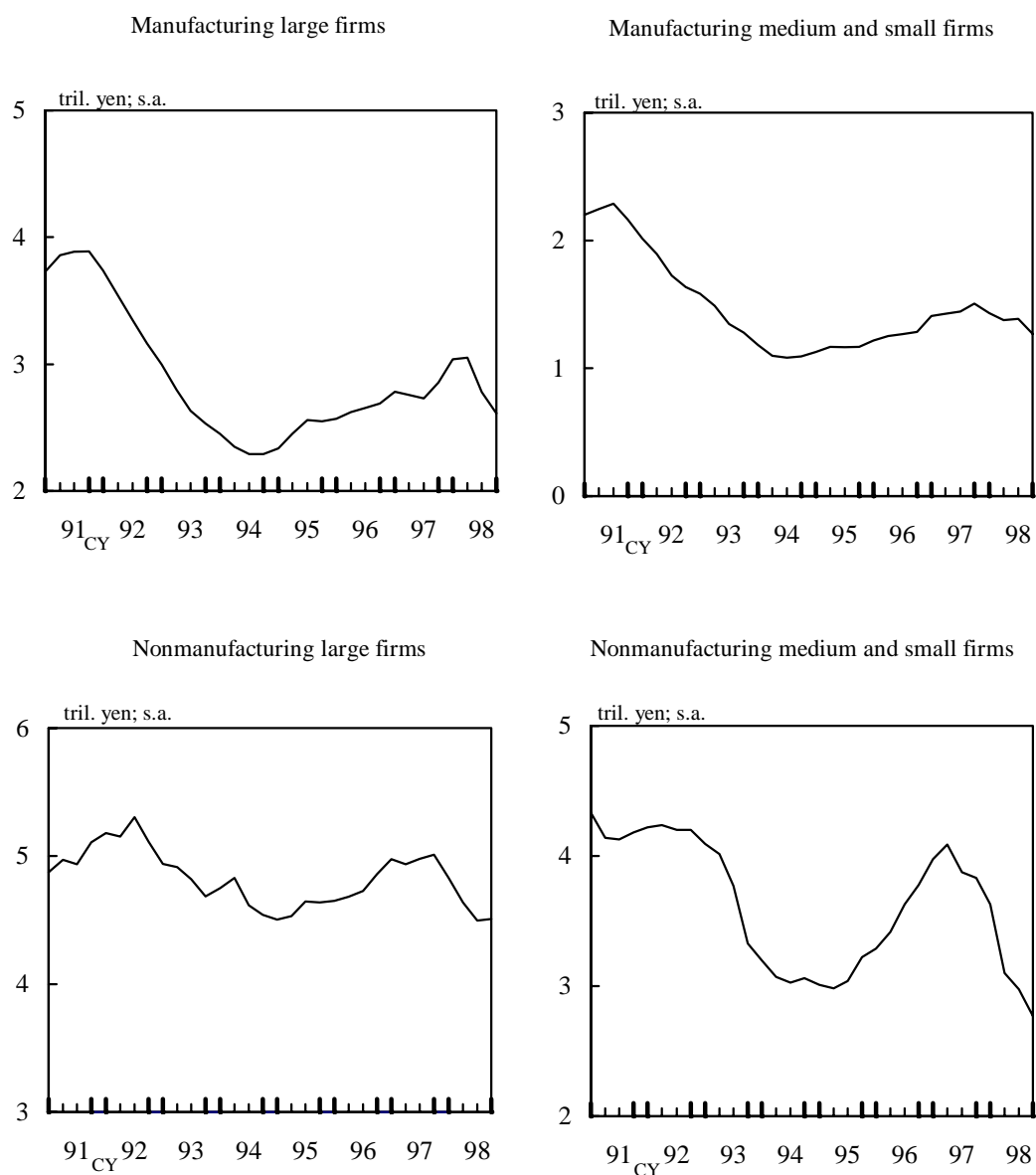
(2) Lending Attitude of Financial Institutions



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

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

 Business Fixed Investments by Industry and Scale



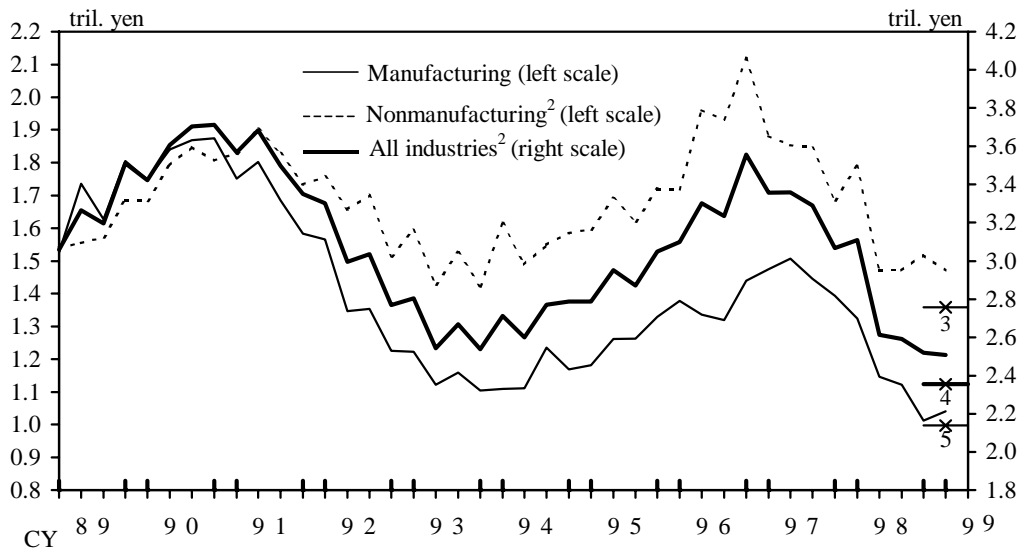
Notes: 1. "Large firms" refers to firms with stockholders' equity of 1 billion yen or more, and "Medium and small firms" refers to firms with stockholders' equity of 10 million or more but less than 1 billion yen.

2. Figures are two quarter's backward moving average.

Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Major Indexes of Business Fixed Investment

(1) Machinery Orders¹



Notes: 1. Seasonally adjusted data.

Figures for 1999/Q1 are averages of January in terms of quarterly amount.

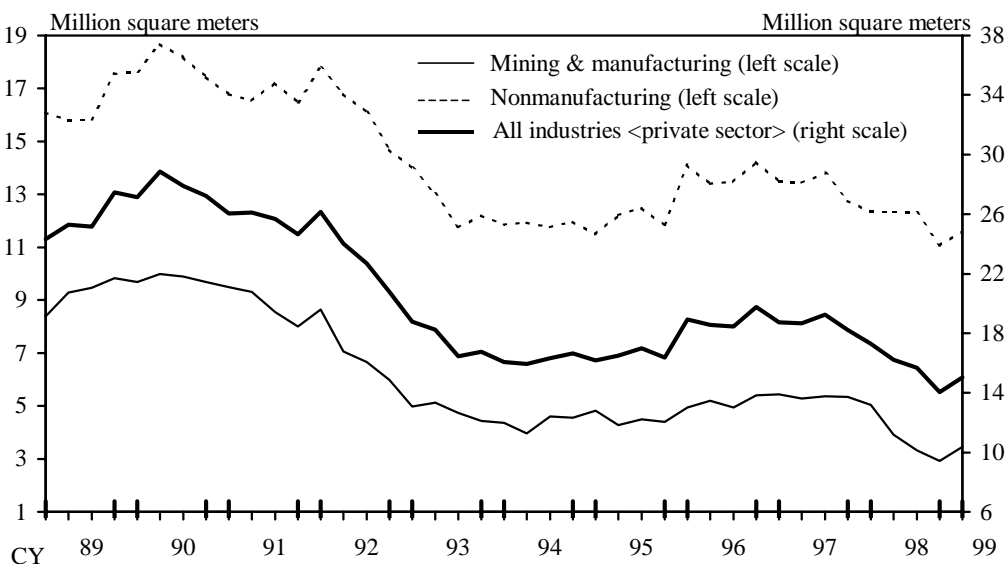
2. Excludes orders from electric power companies and shipbuilding orders.

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)



Notes: Seasonally adjusted by X-11.

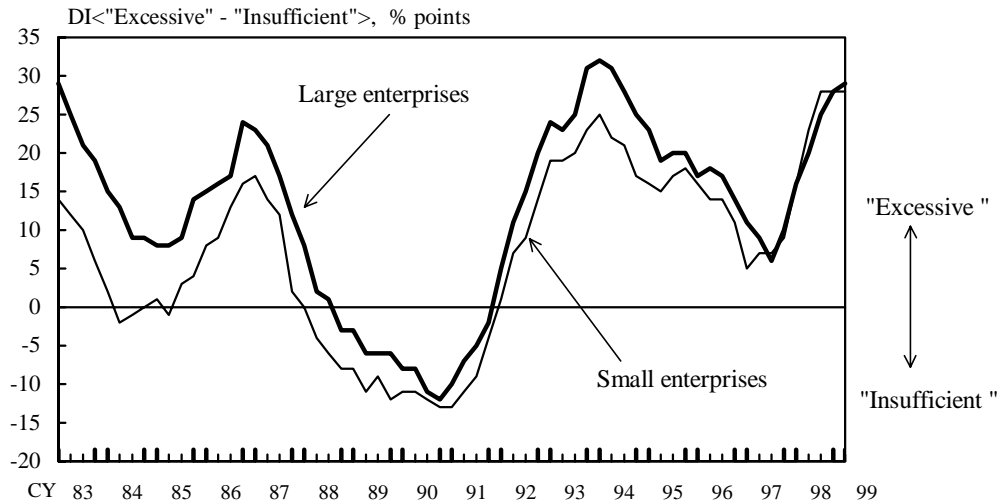
Figures for 1999/Q1 are averages of January and February in terms of quarterly amount.

Sources: Economic Planning Agency, "Machinery Orders Statistics";

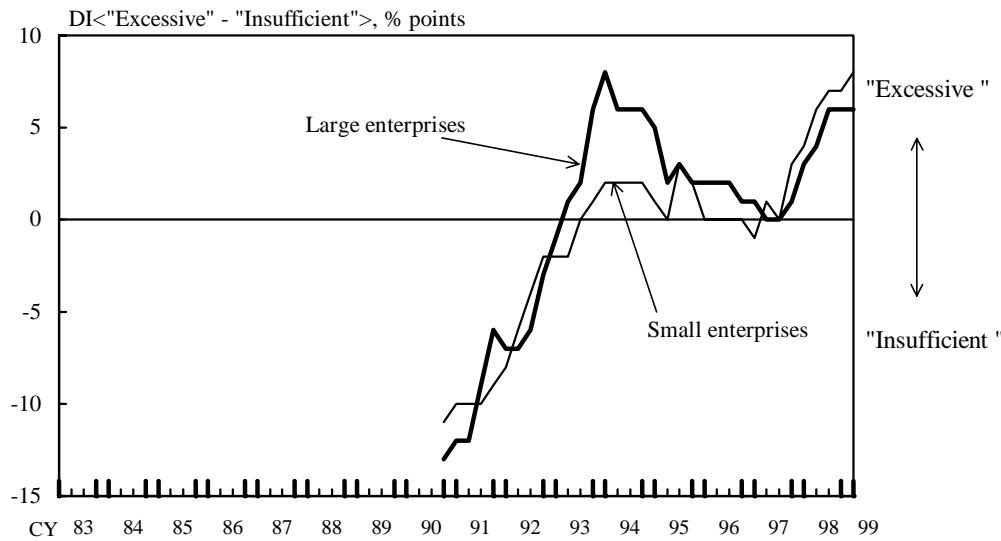
Ministry of Construction, "Building Construction Started."

Production Capacity Indicators in the *Tankan* (March 1999)

(1) Operating Ratio and Production Capacity DI (Manufacturing Industries)



(2) Operating Ratio and Production Capacity DI (Nonmanufacturing Industries)

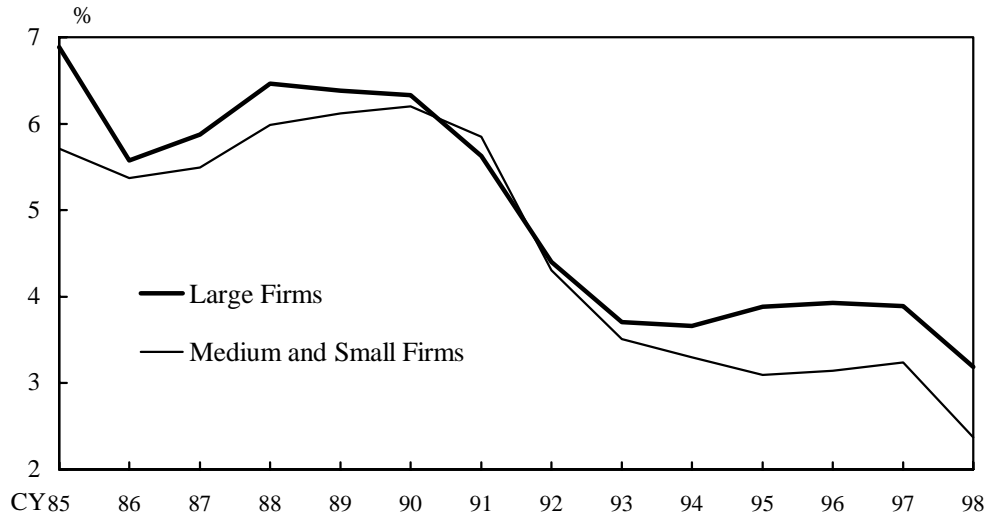


Note: Figures before December 1998 are based on the pre-revision *Tankan* , and those of March 1999 are based on the post-revision *Tankan* .

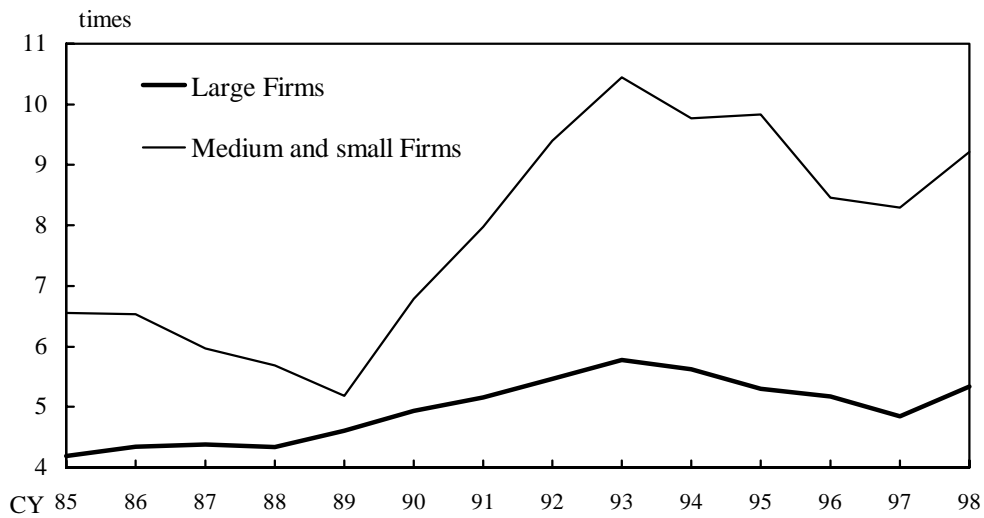
Source: Bank of Japan, "*Tankan* Short-term Economic Survey of Enterprises in Japan."

ROA and Outstanding Debt

(1) ROA



(2) Ratio of Long-Term Debt to Cash Flow (All industries)

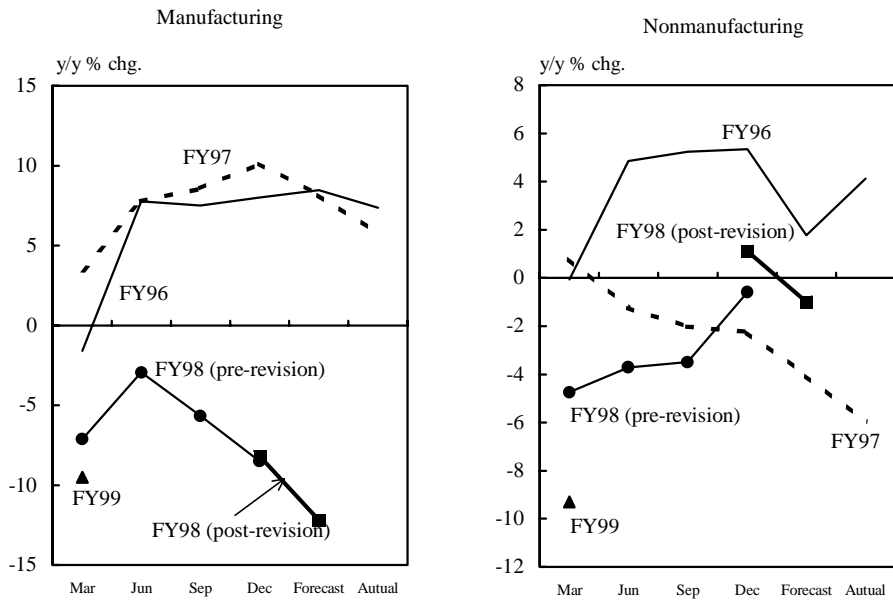


- Notes: 1. "Large firms" refers to firms with stockholders' equity of 1 billion yen or more, and "medium and small firms" refers to firms with stockholders' equity of at least 10 million yen but less than 1 billion yen.
 2. $ROA = (\text{business profits} + \text{interest and dividend revenue}) / \text{total assets}$
 3. $\text{Ratio of long-term debt to cash flow} = \text{long-term debt} / \text{cash flow}$
 4. $\text{Long-term debt} = \text{long-term borrowings} + \text{outstanding bonds}$
 5. $\text{Cash flow} = \text{current profits} / 2 + \text{depreciation}$

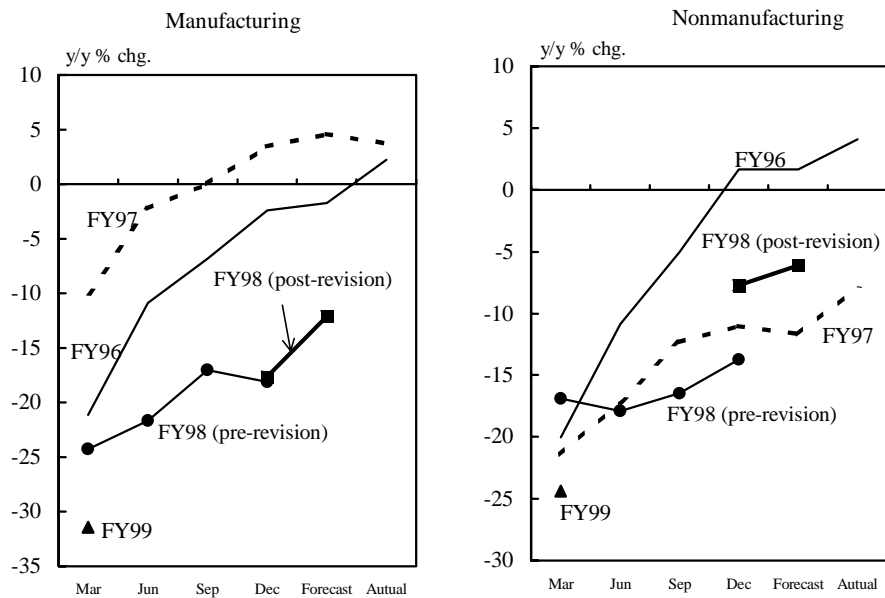
Source: Ministry of Finance, "Financial Statements of Corporations by Industry, Quarterly."

Business Fixed Investment Plans as Surveyed in the *Tankan* (March 1999)

(1) Adjustment of Plans by Large Enterprises



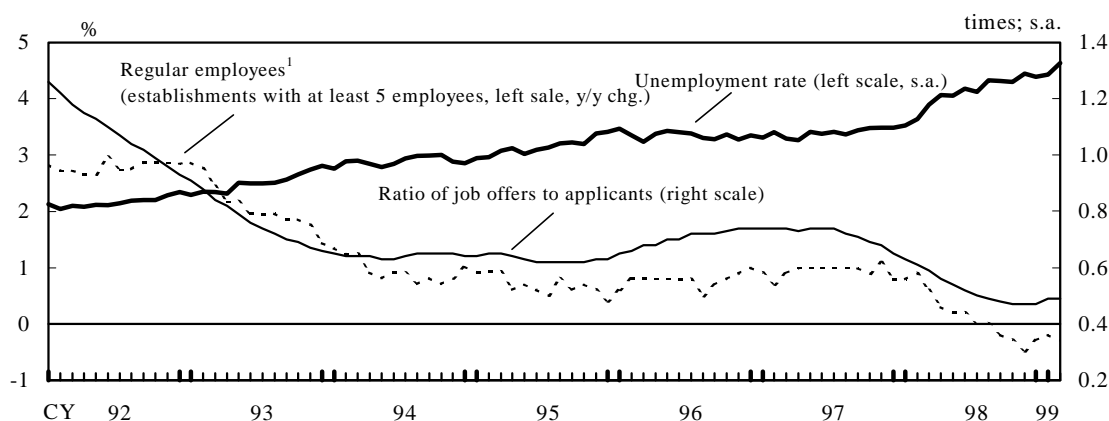
(2) Adjustment of Plans by Small Enterprises



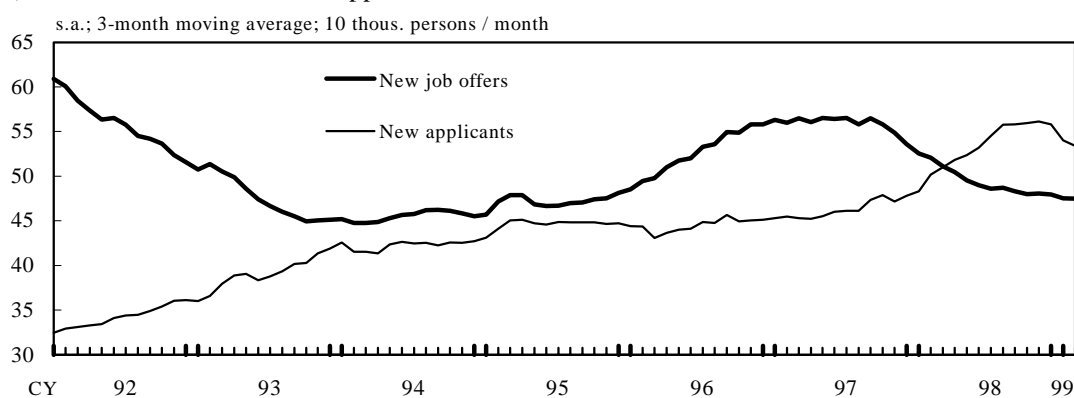
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

Labor

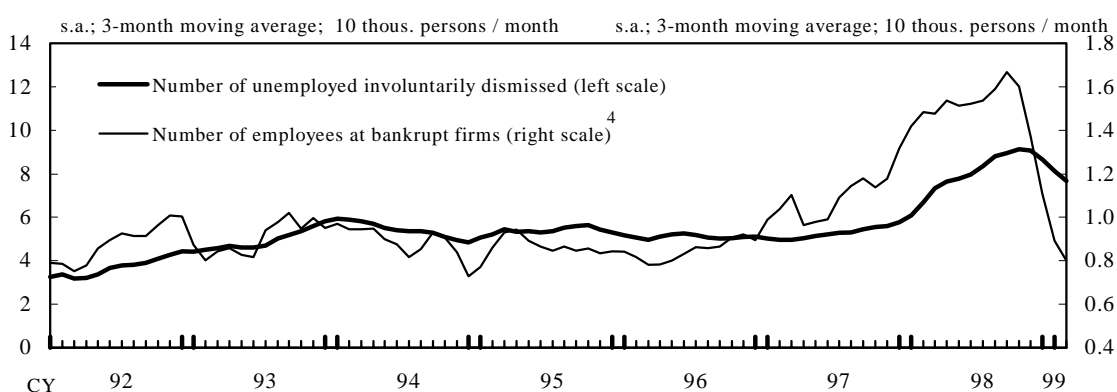
(1) Monthly



(2) New Job Offers and New Applicants²



(3) Number of Unemployed Involuntarily Dismissed and Employees at Bankrupt Firms³



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

2. Excludes jobs offered to new graduates.

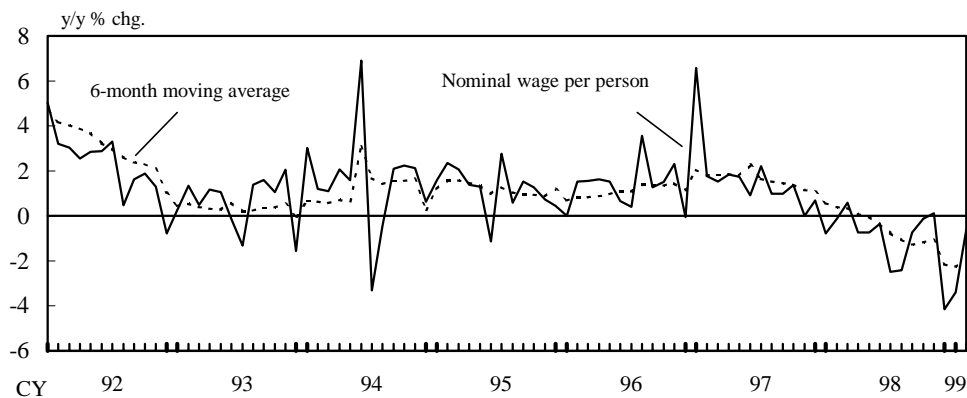
3. Seasonally adjusted by X-11.

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

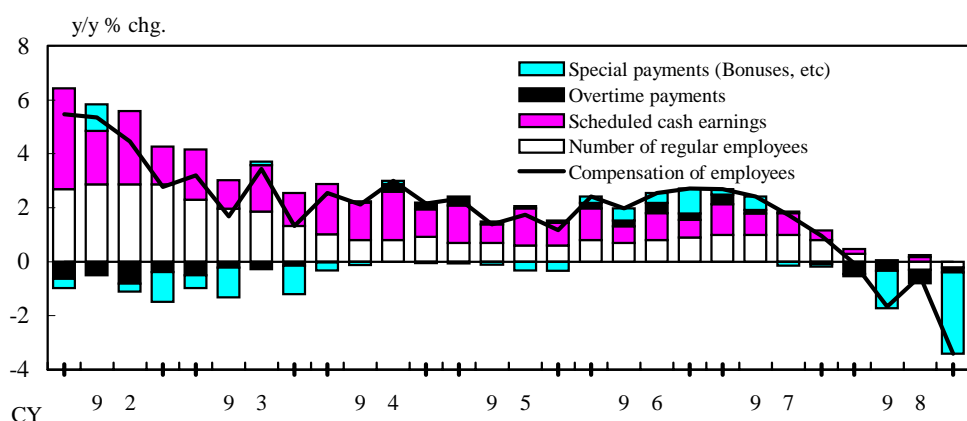
Sources: Ministry of Labor, "Monthly Labor Survey", "Report on Employment Service", "Report on Employment Insurance Service"; Management and Coordination Agency, "Labor Force Survey"; *Teikoku Databank Ltd.*, "Japan's Business Failure."

Compensation of Employees

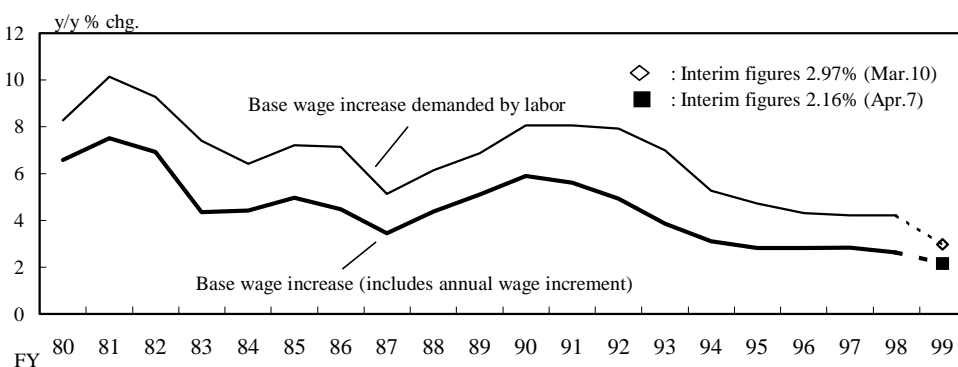
(1) Nominal Wage per Person¹



(2) Breakdown of Compensation^{1,2}



(3) Annual Spring Wage Negotiations³ (Nikkeiren Survey)



Notes: 1. Data for establishments with at least 5 employees. The data for Feb 99 are preliminary figures.

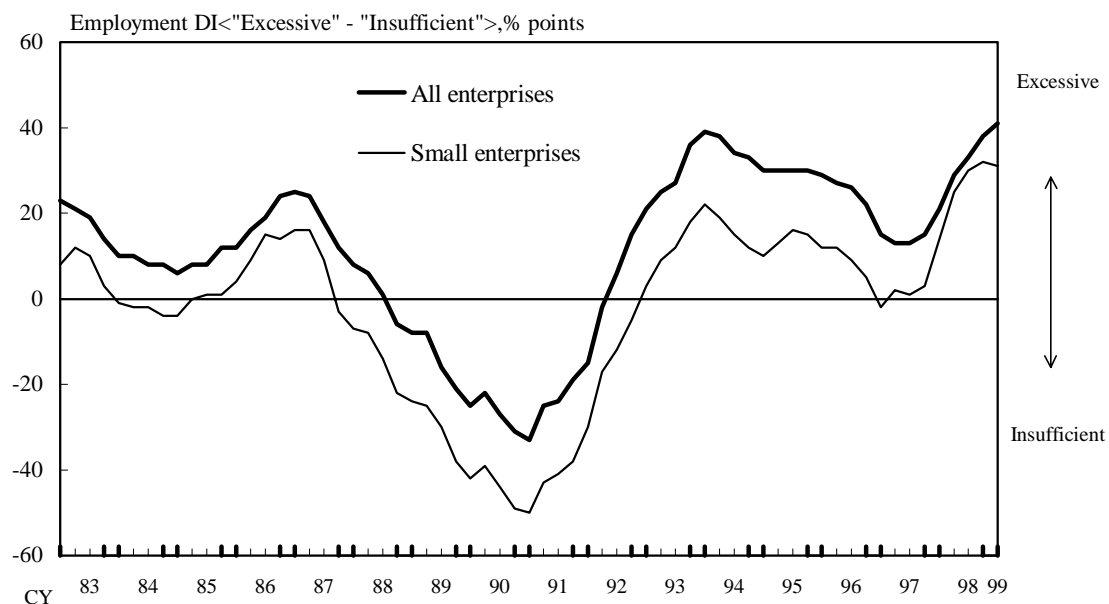
2. Q1= Mar-May, Q2= Jun-Aug, Q3=Sep-Nov, Q4= Dec-Feb.

3. The data are based on a survey conducted by the Japan Federation of Employers' Associations (Nikkeiren), covering principal firms.

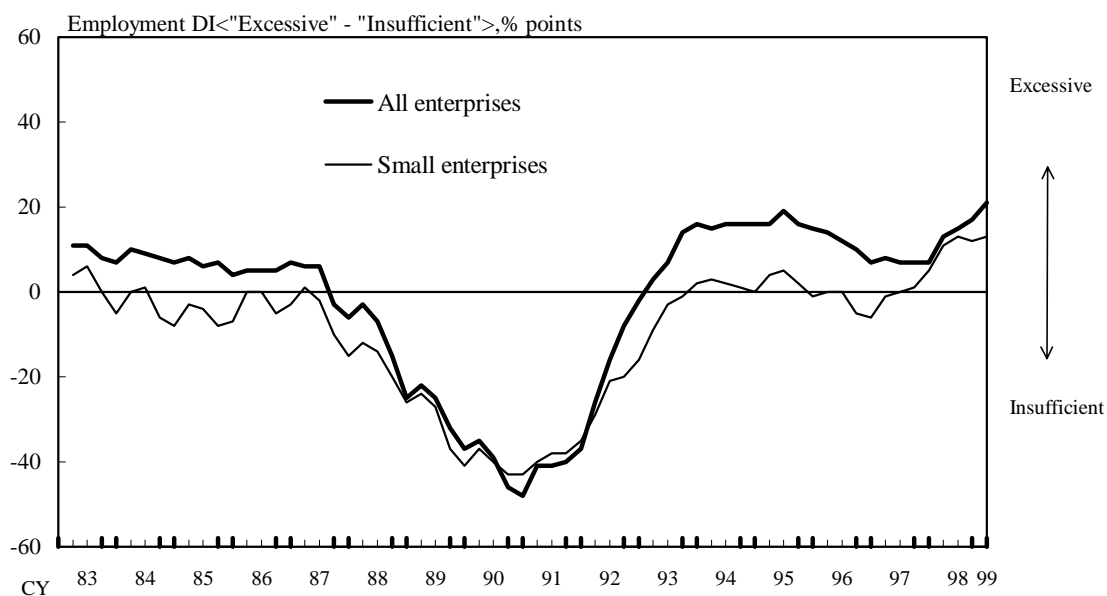
Sources: Ministry of Labor, "Monthly Labor Survey"; Japan Federation of Employers' Associations, "Survey of Annual spring wage negotiations, Summer and Yearend Bonuses."

Employment Conditions in the *Tankan* (March 1999)

(1) Manufacturing



(2) Nonmanufacturing

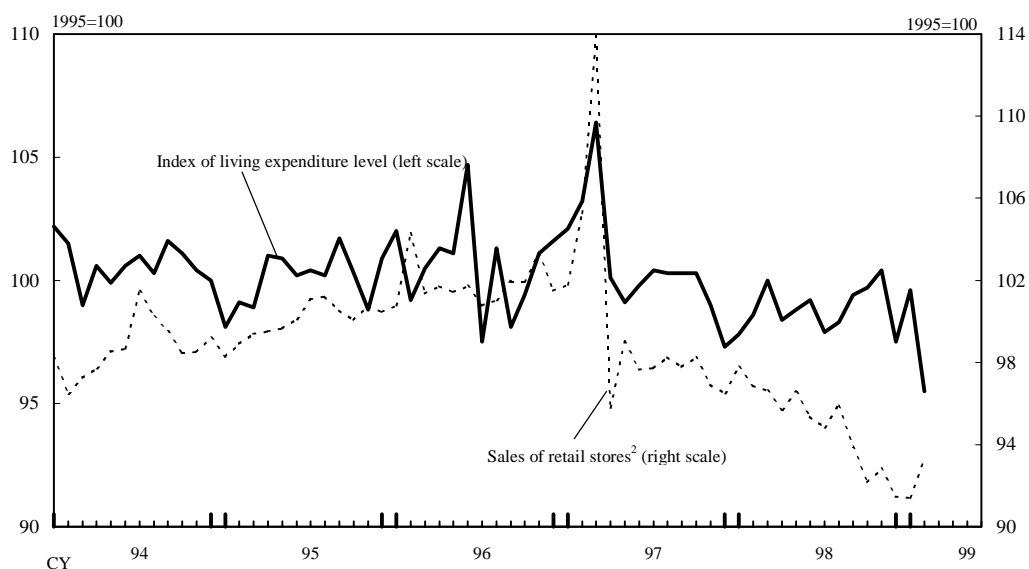


Note: Figures before December 98 are based on the pre-revision *Tankan*, and those of March 99 are based on the post-revision *Tankan*.

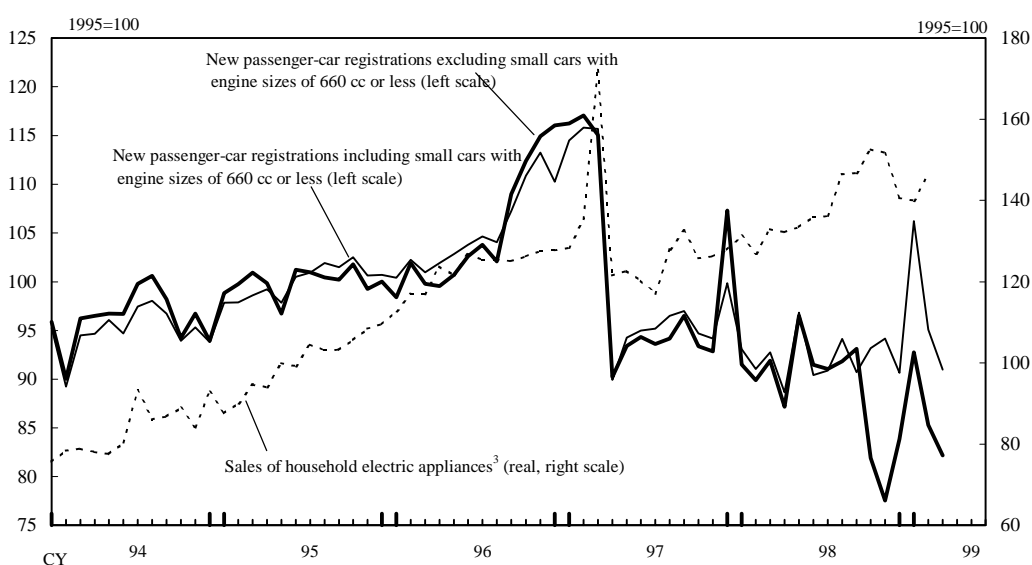
Source: Bank of Japan, "*Tankan* Short-Term Economic Survey of Enterprises in Japan."

 Private Consumption¹ (1)

(1) Household Spending



(2) Sales of Durable Goods



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

Index of living expenditure level is seasonally adjusted by 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";

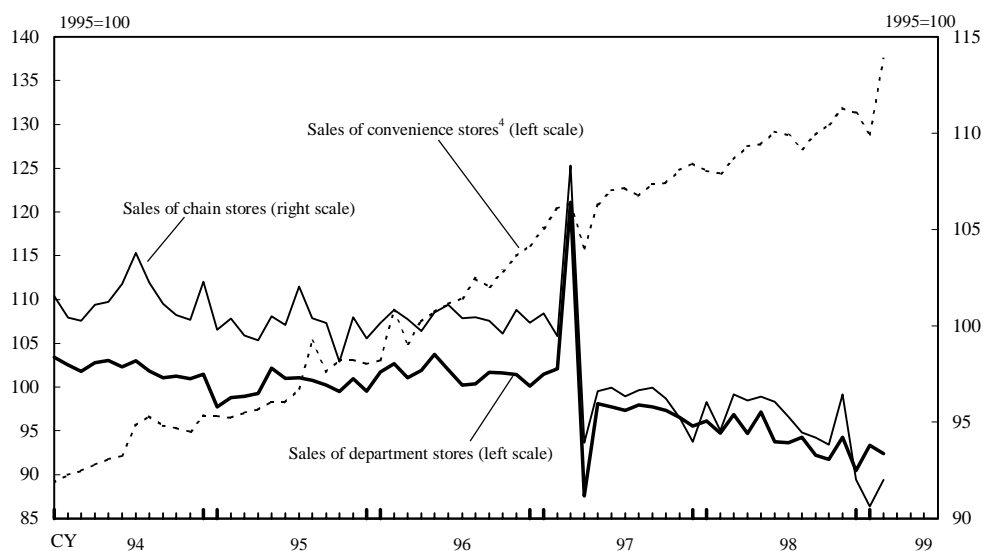
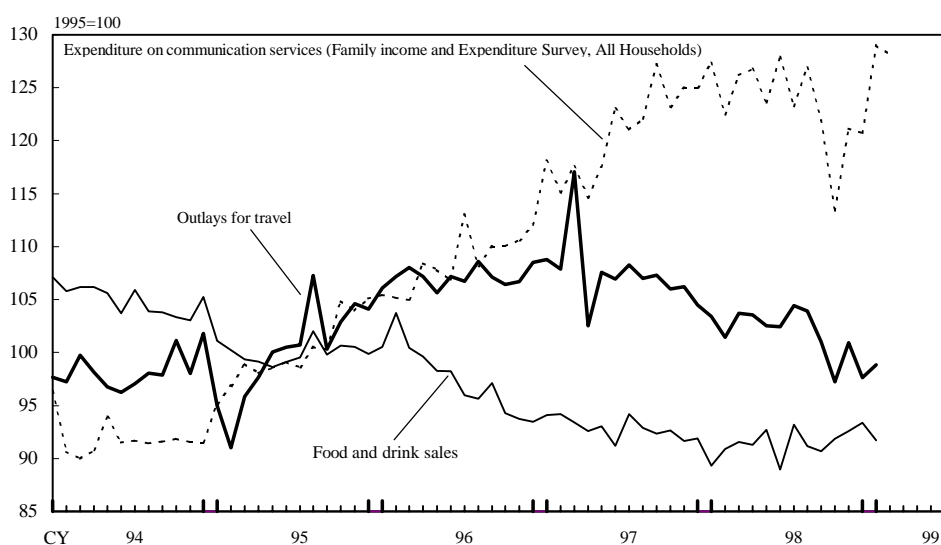
Ministry of International Trade and Industry, "Current Survey of Commerce";

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";

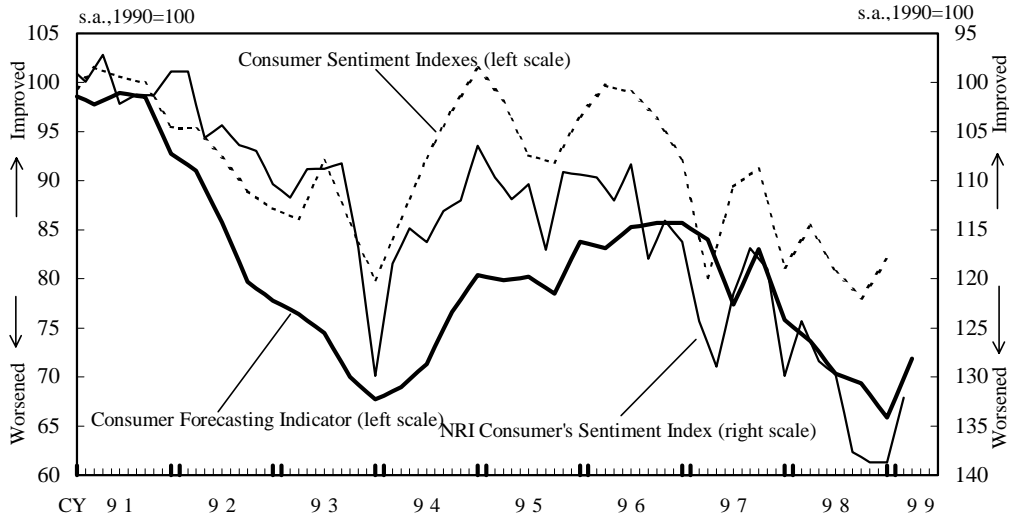
Japan Chain Stores Association, "Sales of Chain Stores";

Ministry of Transport, "Major Travel Agents' Revenue";

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

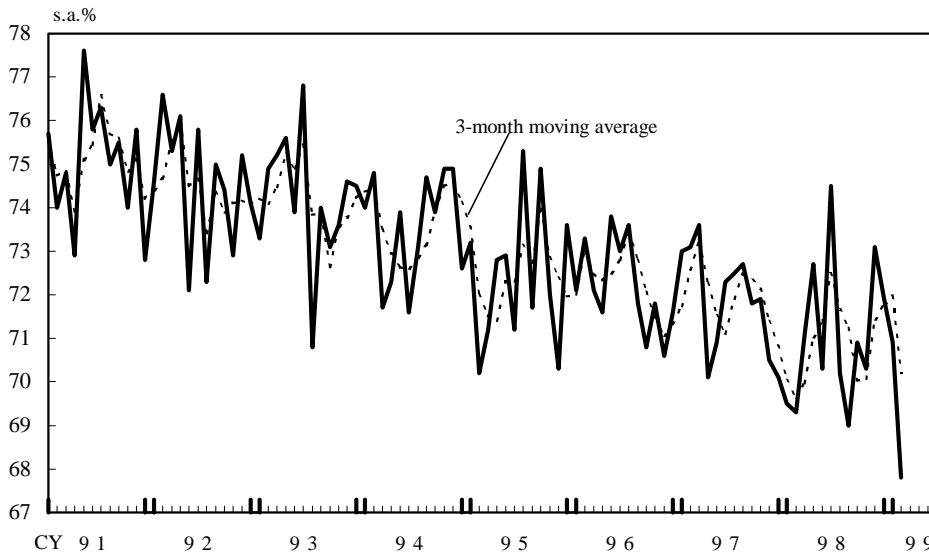
Consumer Confidence and Propensity to Consume

(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.

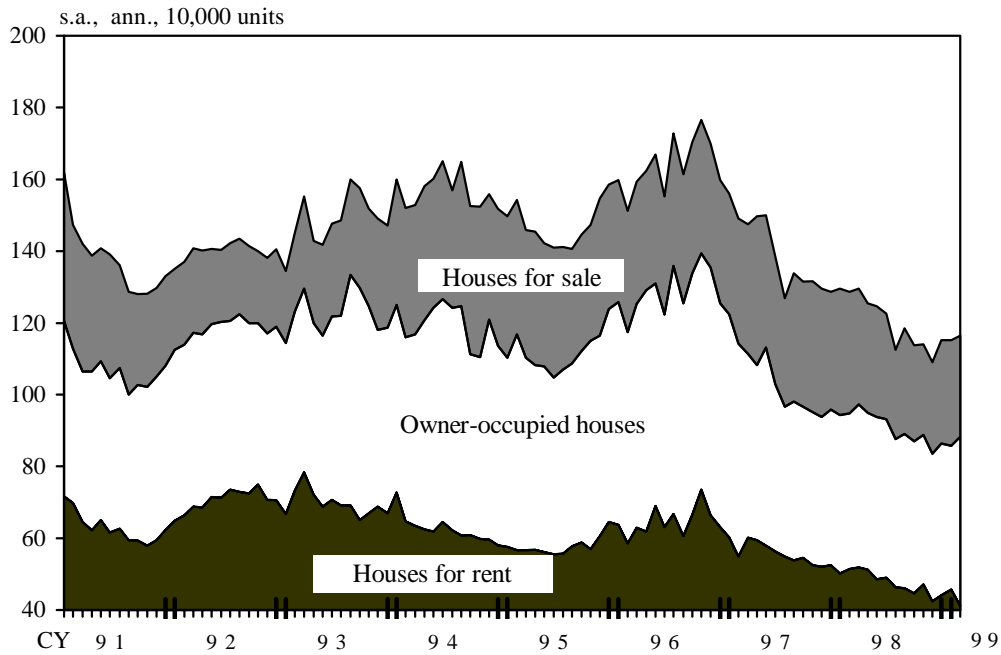
(2) Propensity to consume (Family Income and Expenditure Survey)



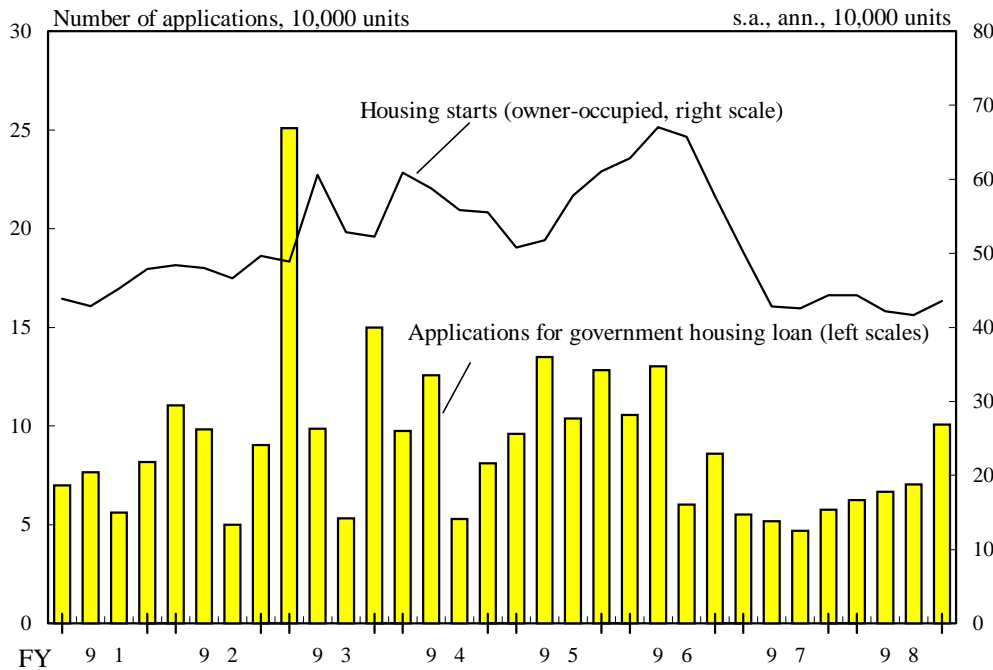
Sources: Economic Planning Agency, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (Nikkei RIM), "Consumption Forecasting Indicator";
 Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey";
 Nippon Research Institute (NRI), "Consumer's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

Major Indexes of Housing Investment

(1) Housing starts



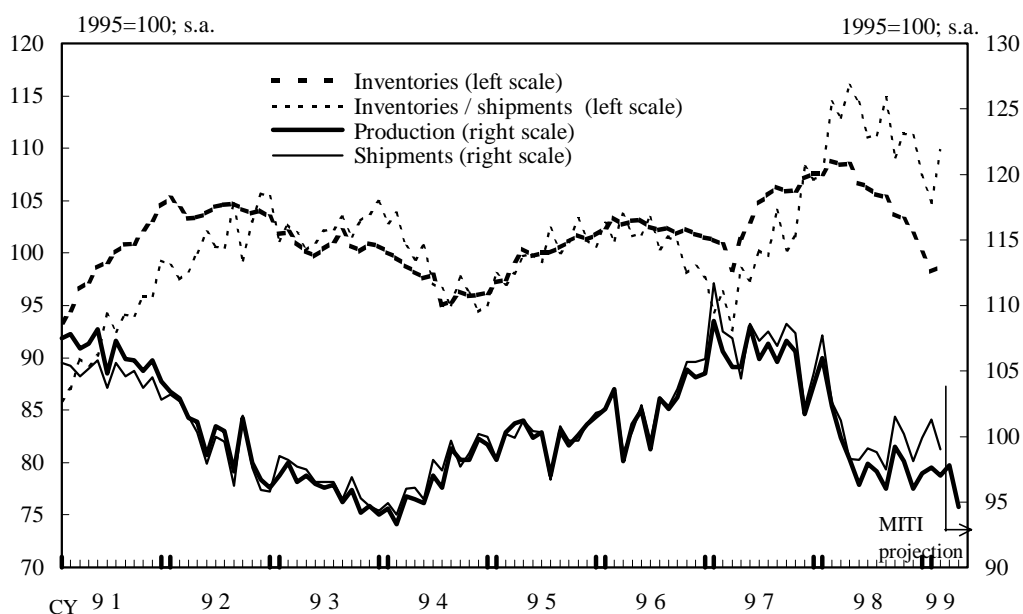
(2) Number of applications for government housing loan (for new owner-occupied homes)



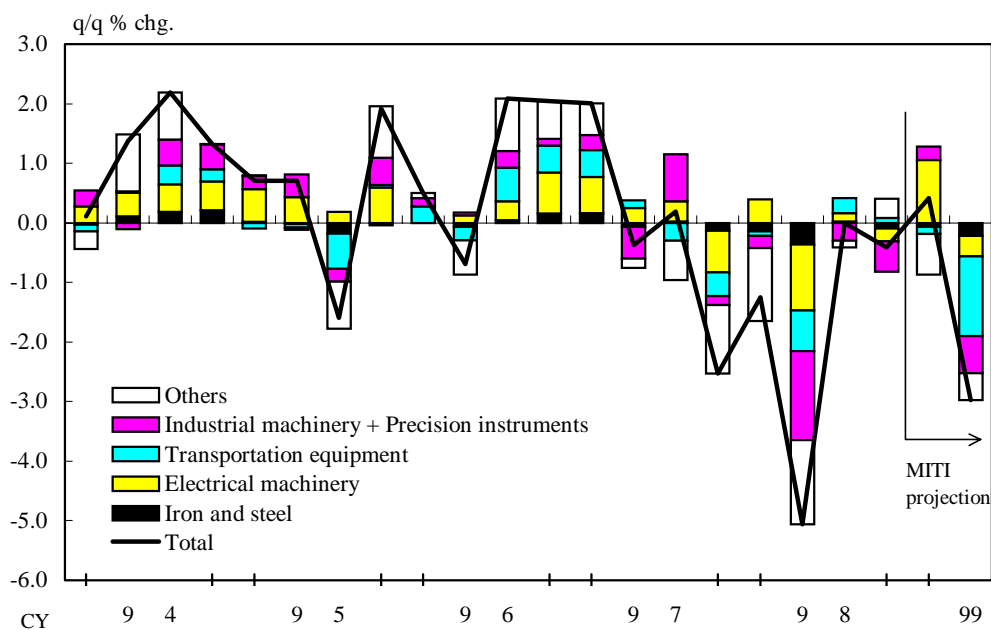
Note: The data for 98/Q4 are January-February averages converted into an annual equivalent.
 Source: Ministry of Construction, "Monthly of Construction Statistics", etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



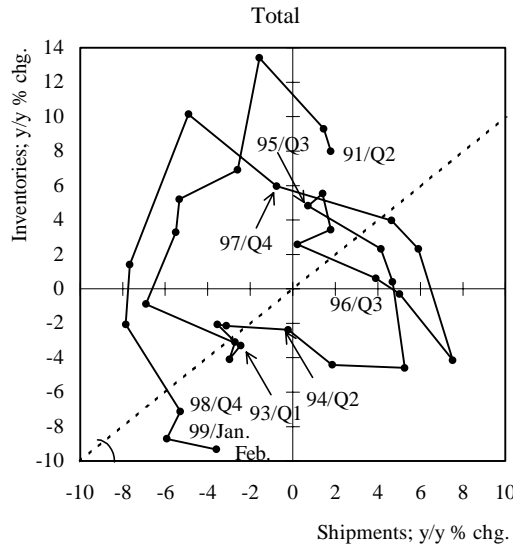
(2) Production by Industries



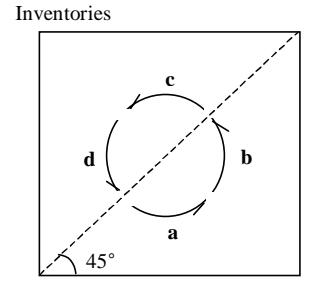
Note: Transportation equipment excludes ships and rolling stock.

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

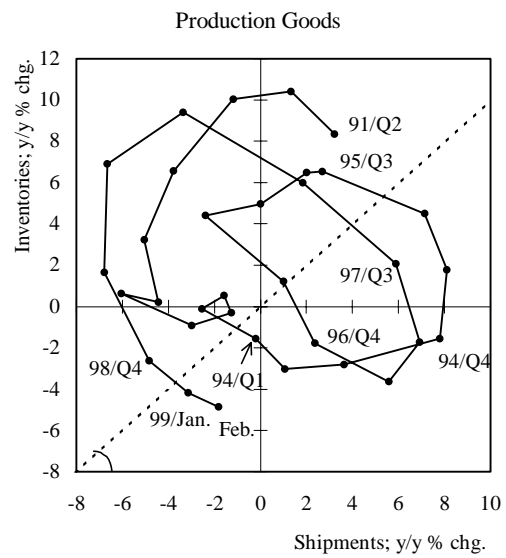
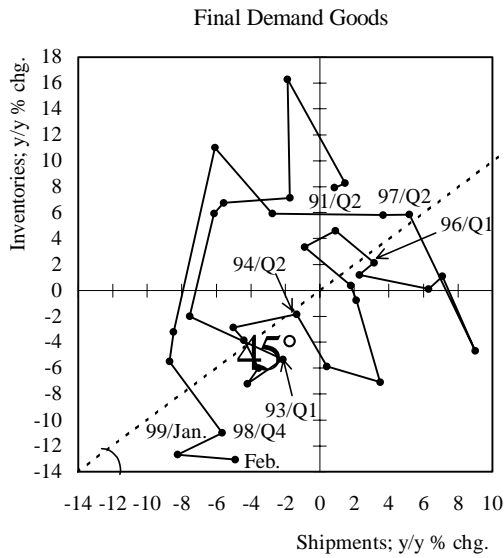
Inventory Cycle



Phases in the Inventory Cycle



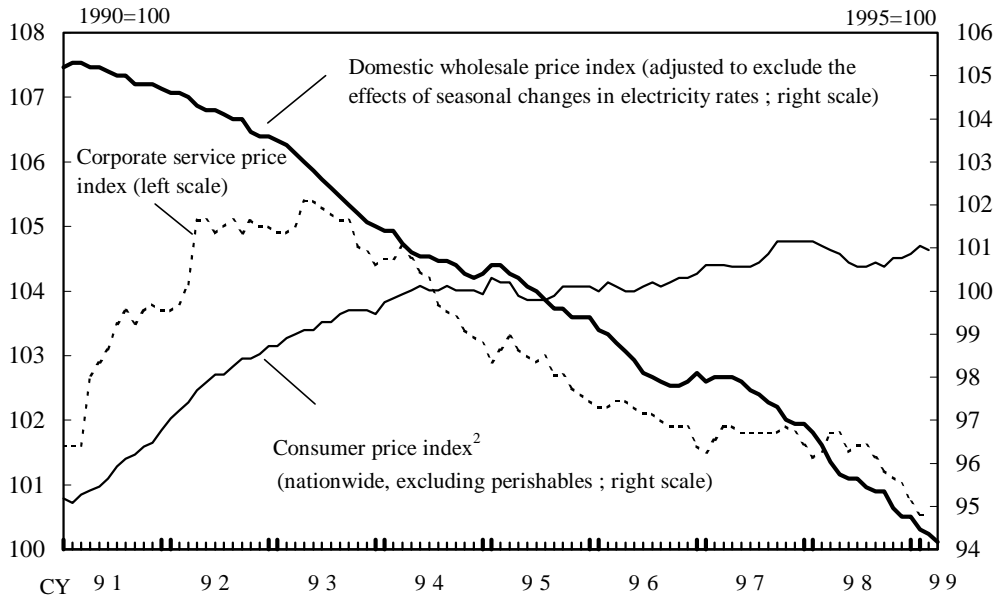
- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



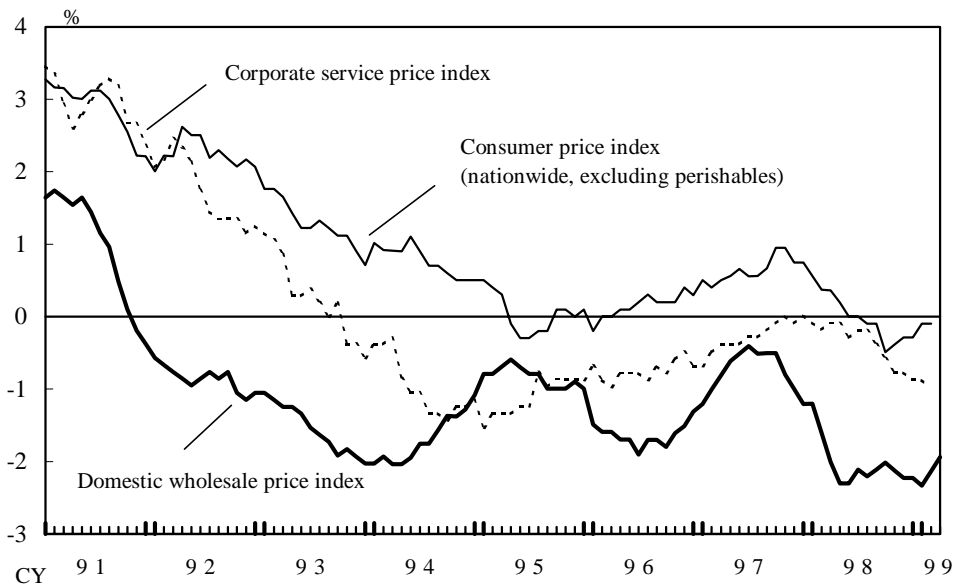
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Prices¹

(1) Level



(2) Changes from a year earlier



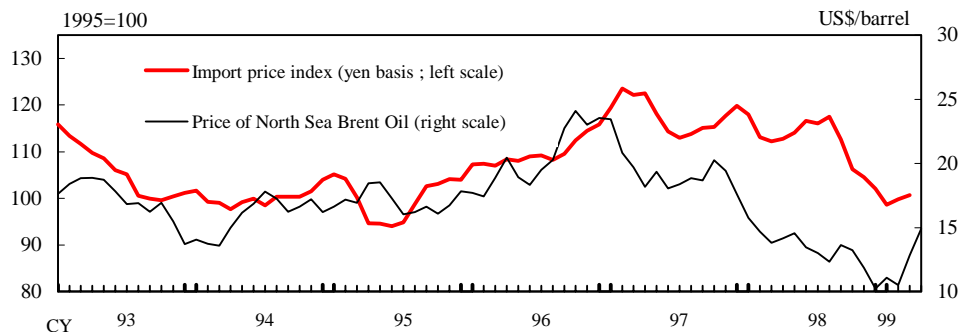
Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.

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.

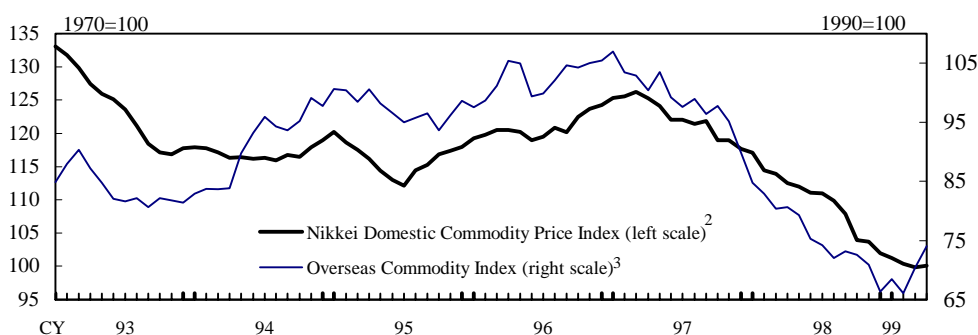
Sources: Management and Coordination Agency, "Consumer Price Index"; Bank of Japan, "Wholesale Price Indexes", "Corporate Service Price Index."

Import Prices and Domestic Wholesale Prices

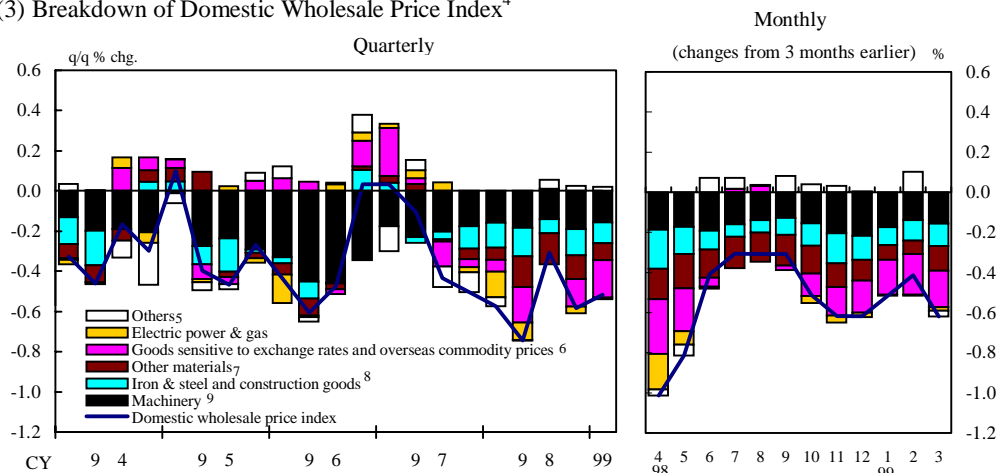
(1) Import Price Index (yen basis) and Crude Oil Price¹



(2) Domestic Commodity Market



(3) Breakdown of Domestic Wholesale Price Index⁴



Notes: 1. Data for Apr. 1999 are Apr. 1-7 average.

2. Data for Apr. 1999 are as of Apr. 2.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for Apr. 1999 are Apr. 1-7 average.

4. Adjusted to exclude the effects of seasonal changes in 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 the tax rate.

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.

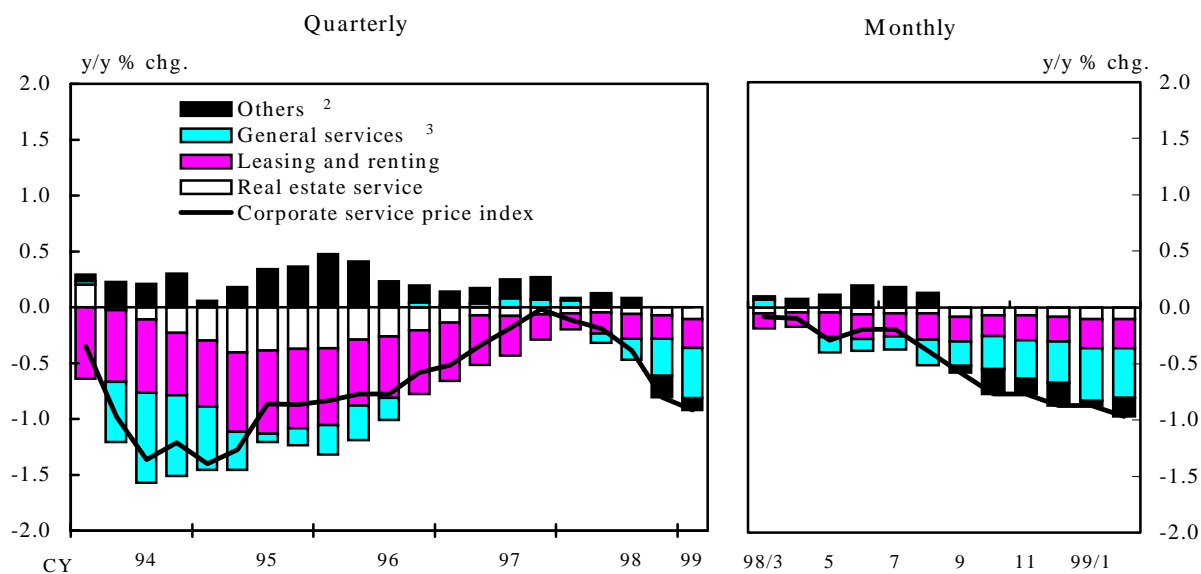
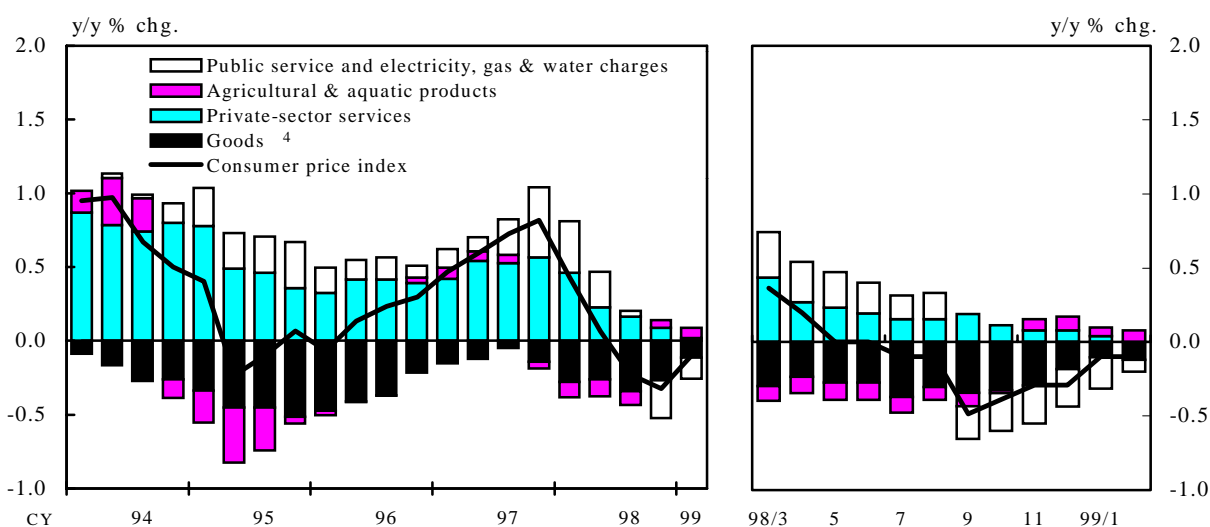
7. Other materials = chemicals + plastic products + textile products + pulp, paper & related products.

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 the tax rate.

Data for 99/Q1 are those of Jan - Feb average.

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").

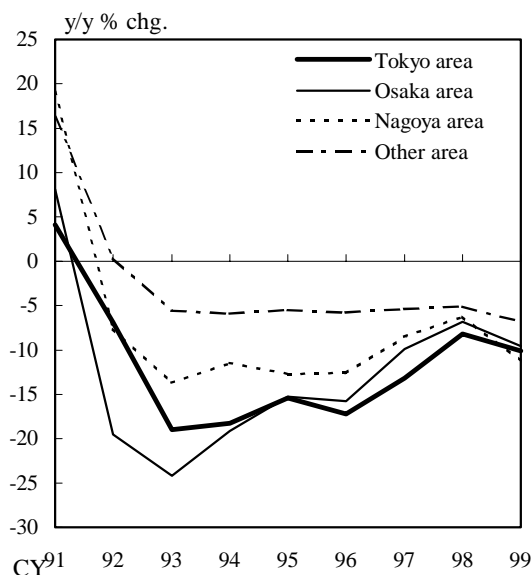
4. Excludes agricultural and aquatic products.

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

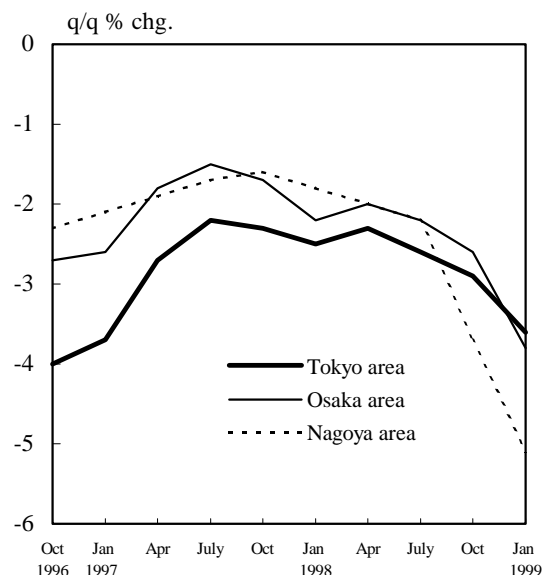
Land Prices Posted by the National Land Agency

(1) Commercial land

(1-1) Average change (as of January 1st)

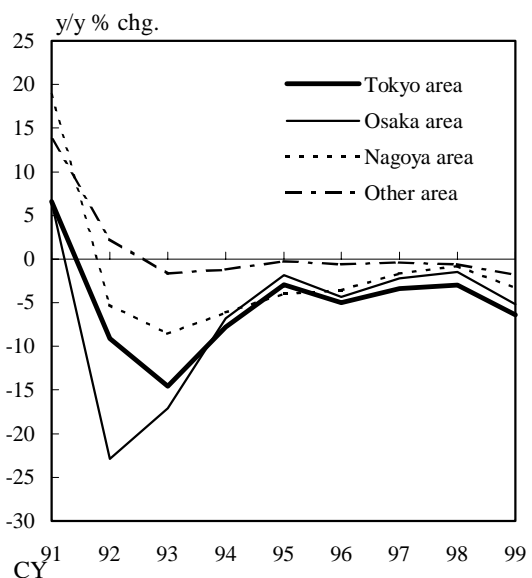


(1-2) Average change at representative locations

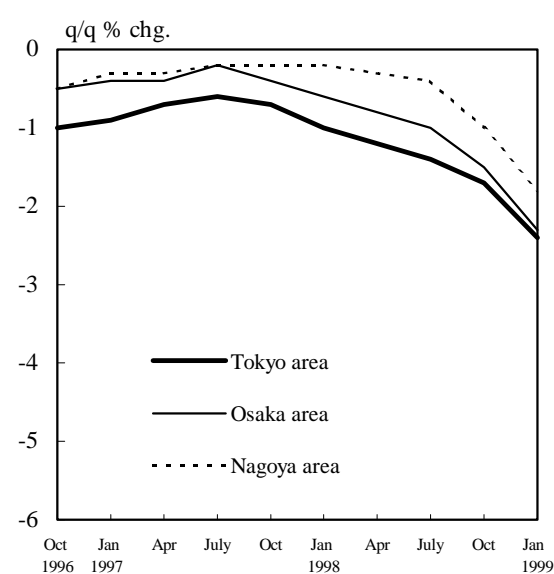


(2) Residential land

(2-1) Average change (as of January 1st)



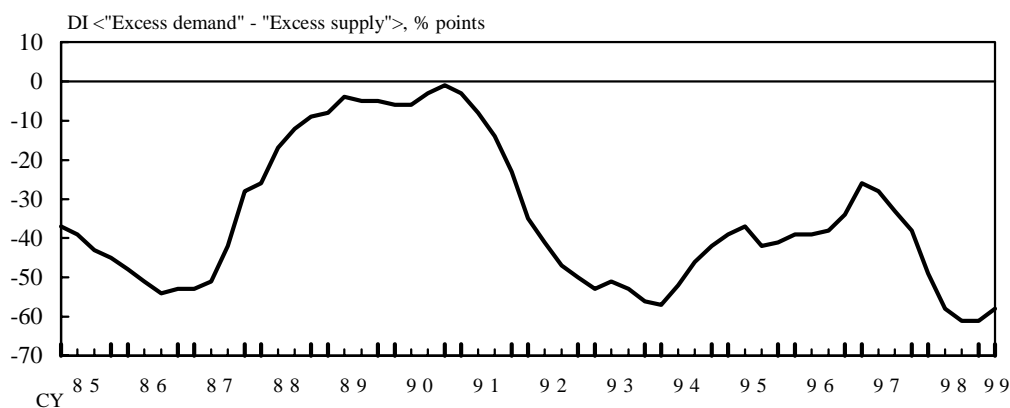
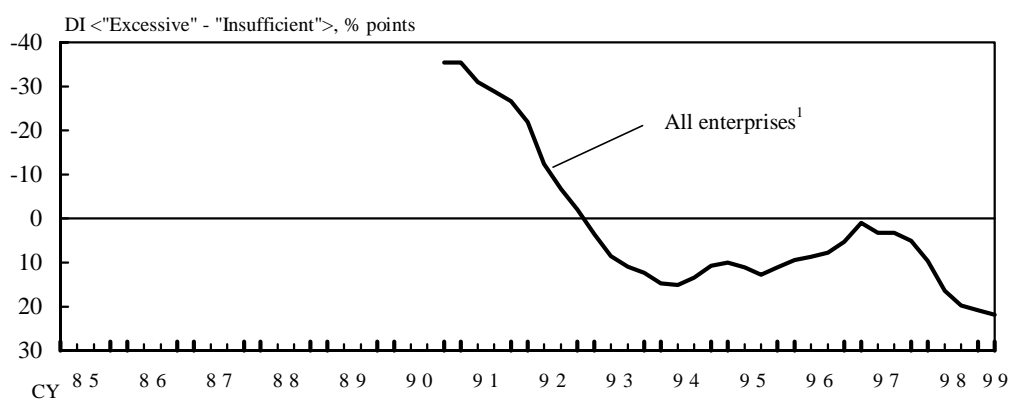
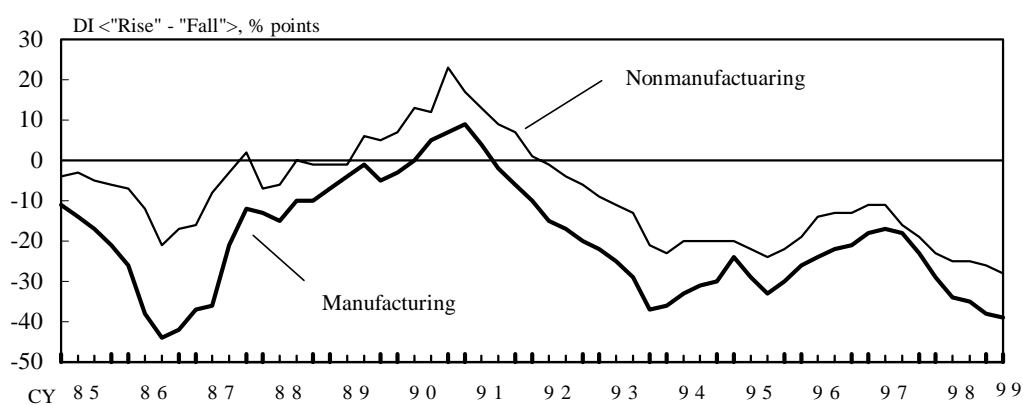
(2-2) Average change at representative locations



Note: "Representative locations" are the standard points for "Land prices posted by the National Land Agency" and "Land prices survey by the administrative divisions."

Sources: The National Land Agency, "Land prices posted by the National Land Agency", "Land prices survey by the administrative divisions."

 Factors Contributing to the Change in Prices

(1) Supply and Demand Conditions for Products (All Enterprises¹, Manufacturing)(2) Utilization of Capital and Labor²(3) Change in Output Prices (All Enterprises¹)

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

2. Figures are calculated by adding Production Capacity DI and Employment DI which are weighted by the relative share of capital and labor based on 1975-97 average.

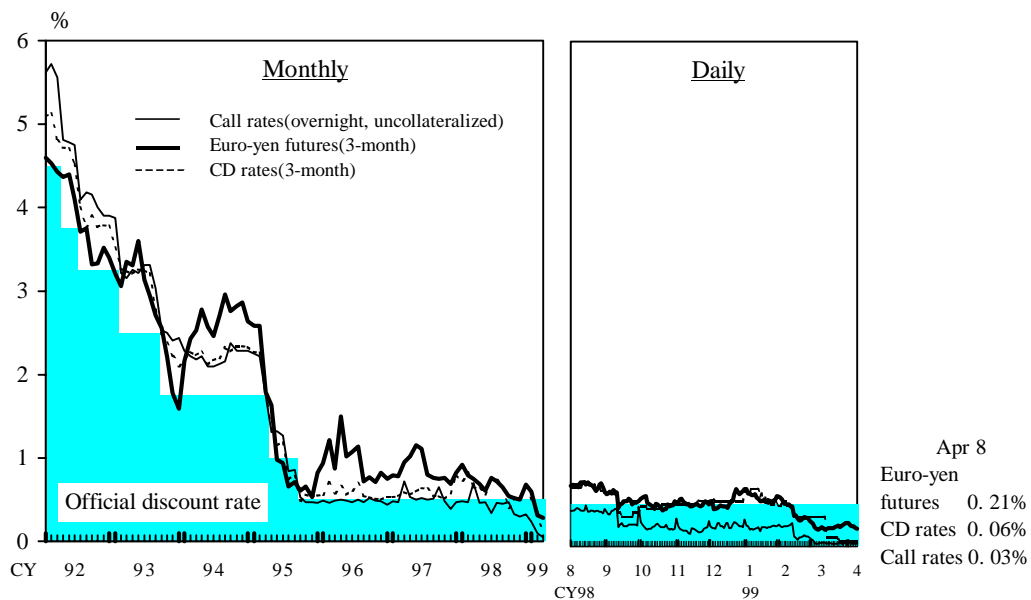
Production Capacity DI and Employment DI are calculated as "Excessive" minus "Insufficient".

Sources: Economic Planning Agency, "National Income Statistics";

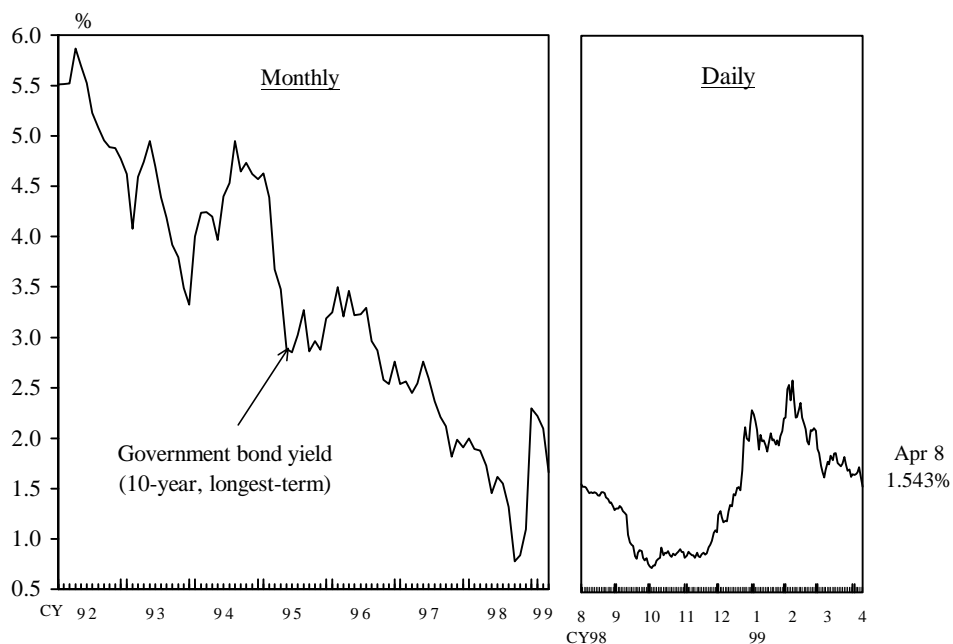
Bank of Japan, "*Tankan* Short-Term Economic Survey of Enterprises in Japan."

Interest Rates

(1) Short-Term



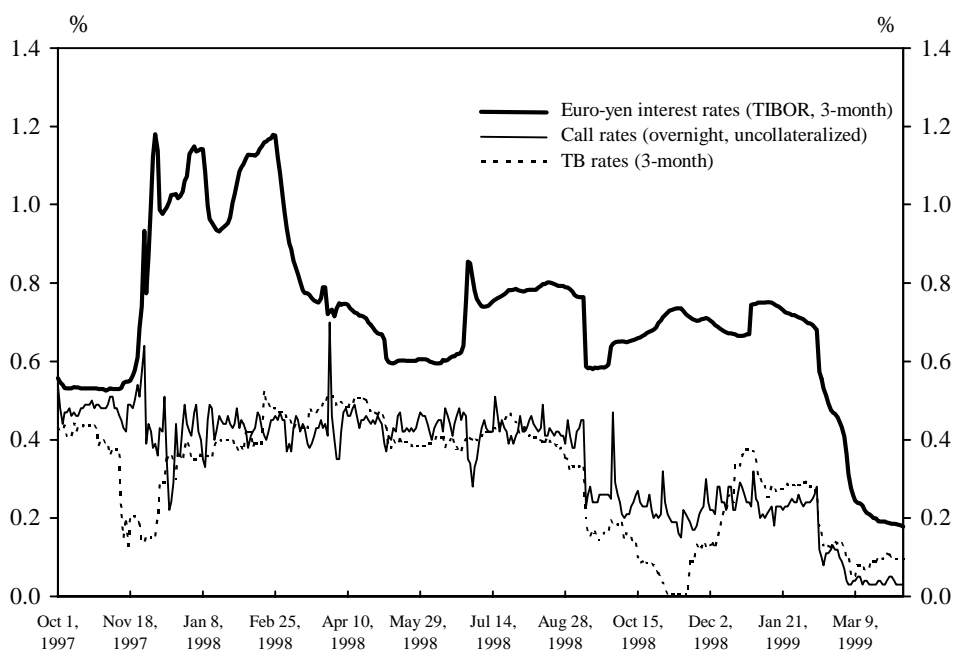
(2) Long-Term



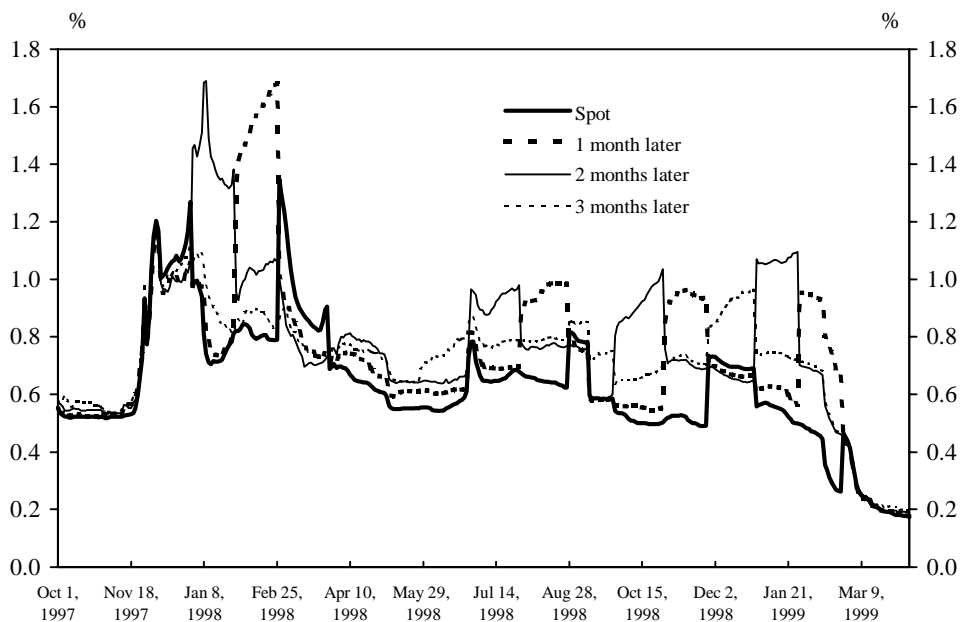
Source: Bank of Japan, "Economic Statistics Monthly."

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

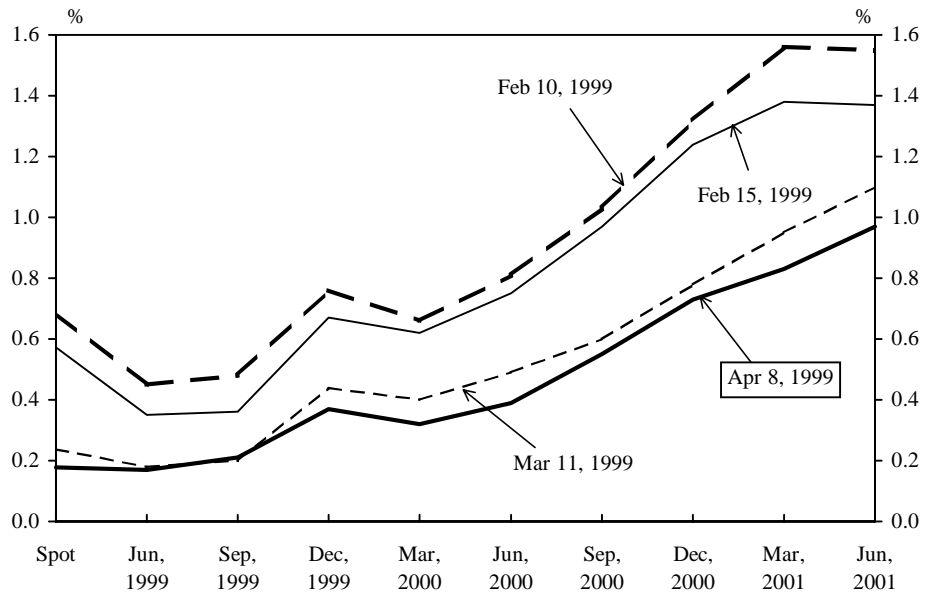


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-yen Interest Rates)



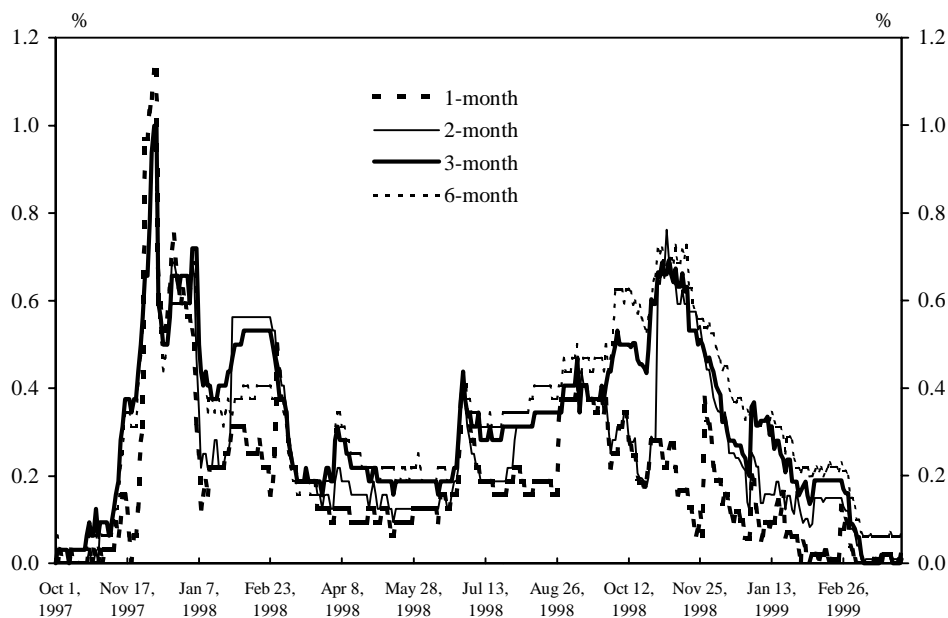
Sources: Bank of Japan, "Economic Statistics Monthly" ; *The Nikkei Financial Daily* .

Euro-Yen Interest Rates Futures (3-Month)



Source: *The Nikkei Financial Daily*.

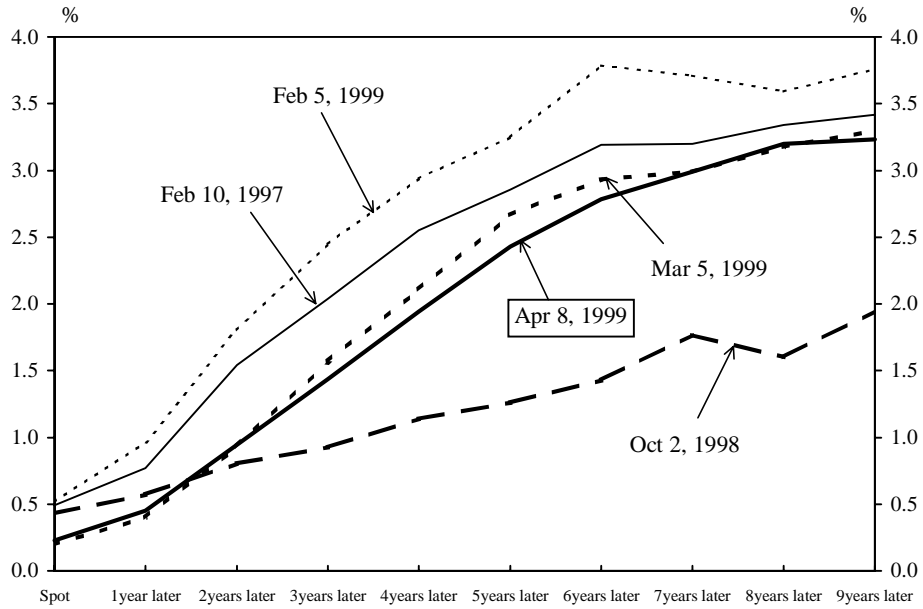
Japan Premium in the Eurodollar Market



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).

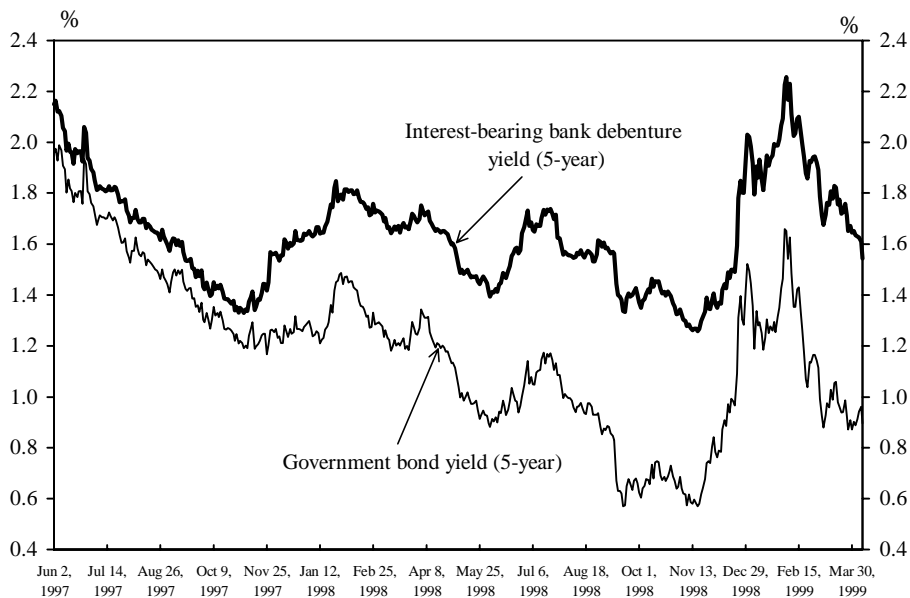
Implied Forward Rates (1-year)



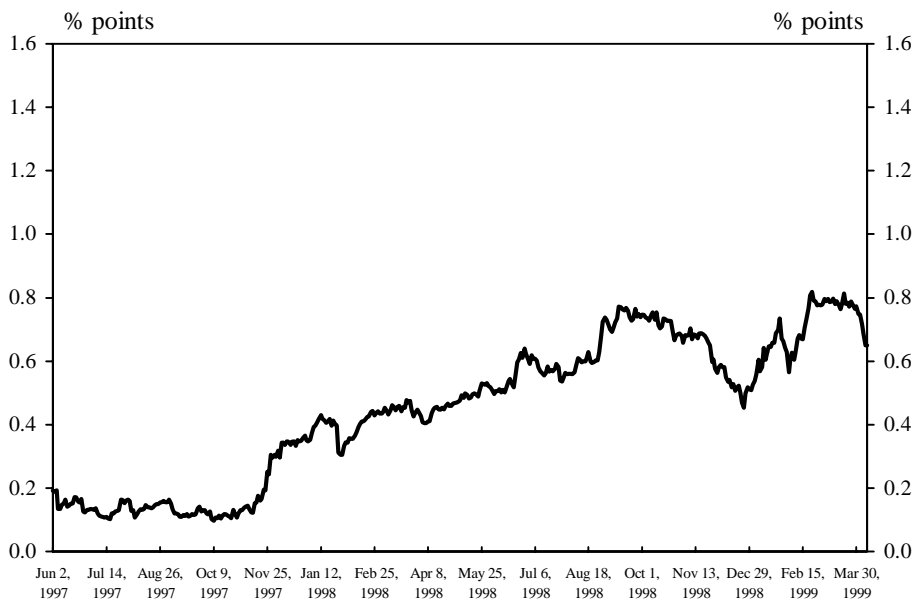
Note: Calculated from yen-yen swap rates.
 Source: *The Nikkei Financial Daily*.

Yields of Bank Debentures

(1) Bond Yields



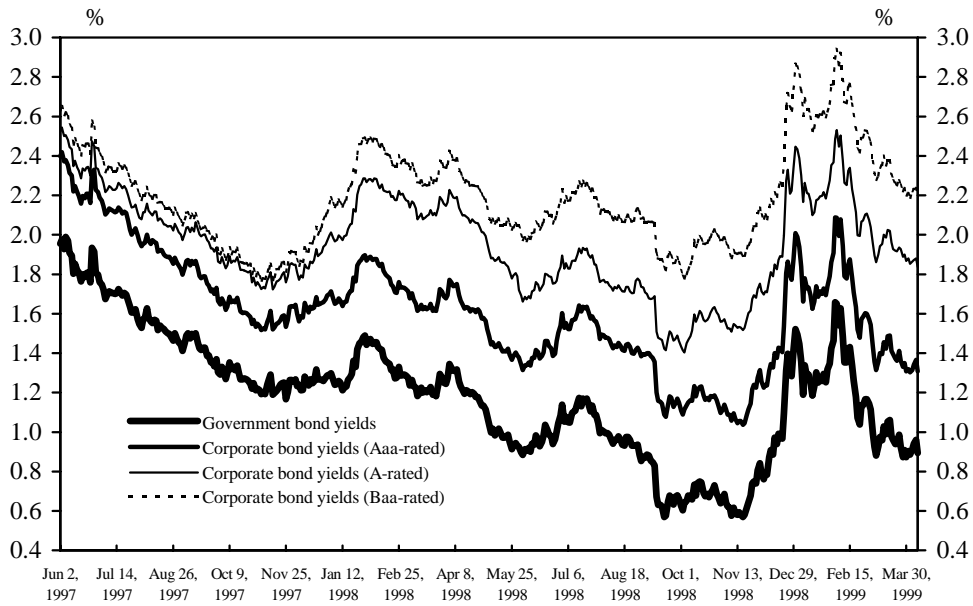
(2) Spread of Bank Debenture and Government Bond Yield



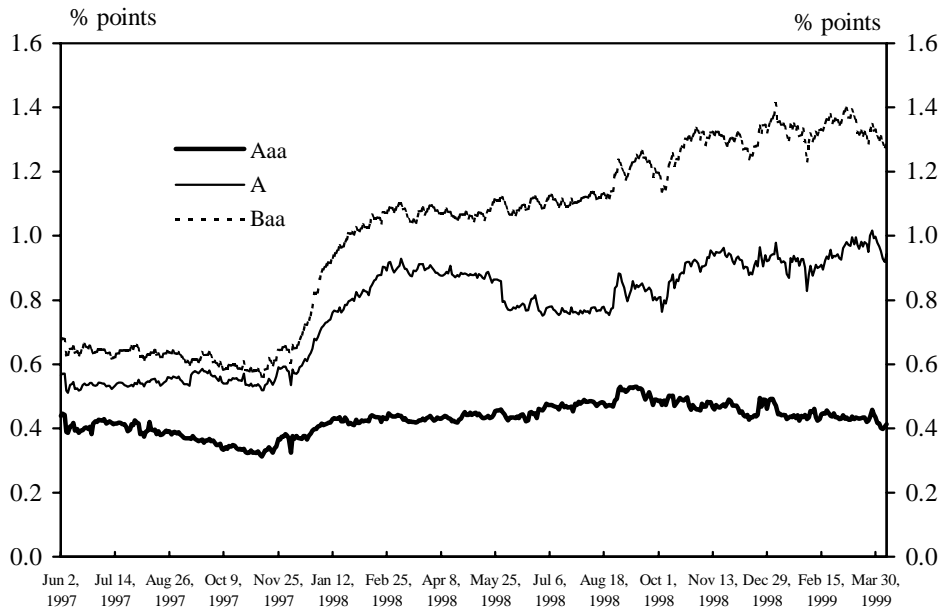
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields

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



(2) Yield Spreads of Public and Corporate Bonds



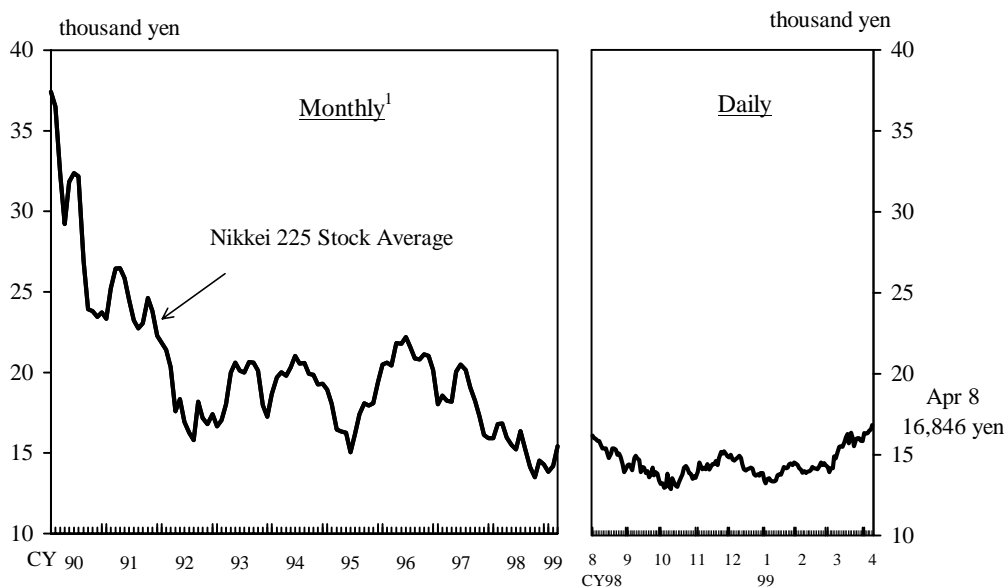
Notes: 1. Yields on bonds with 5-year maturity.

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

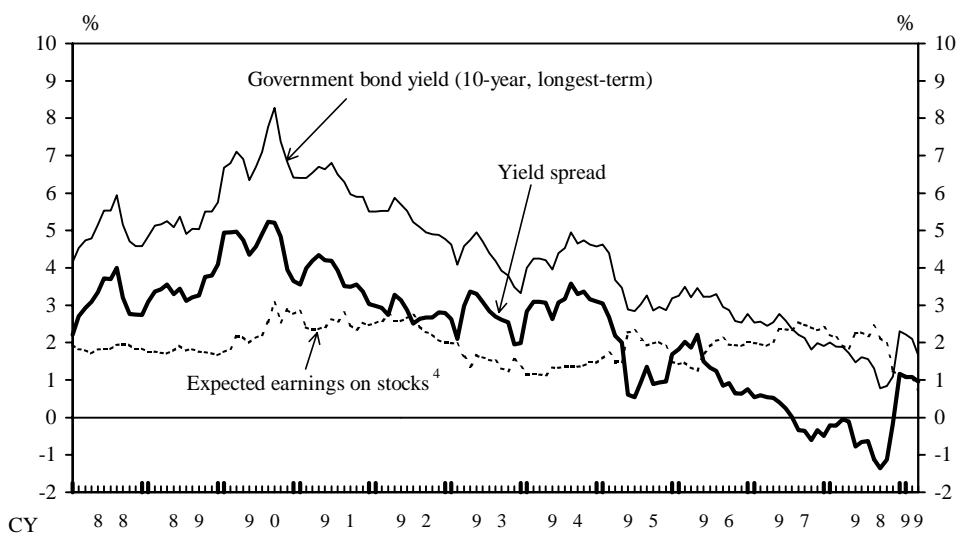
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock prices



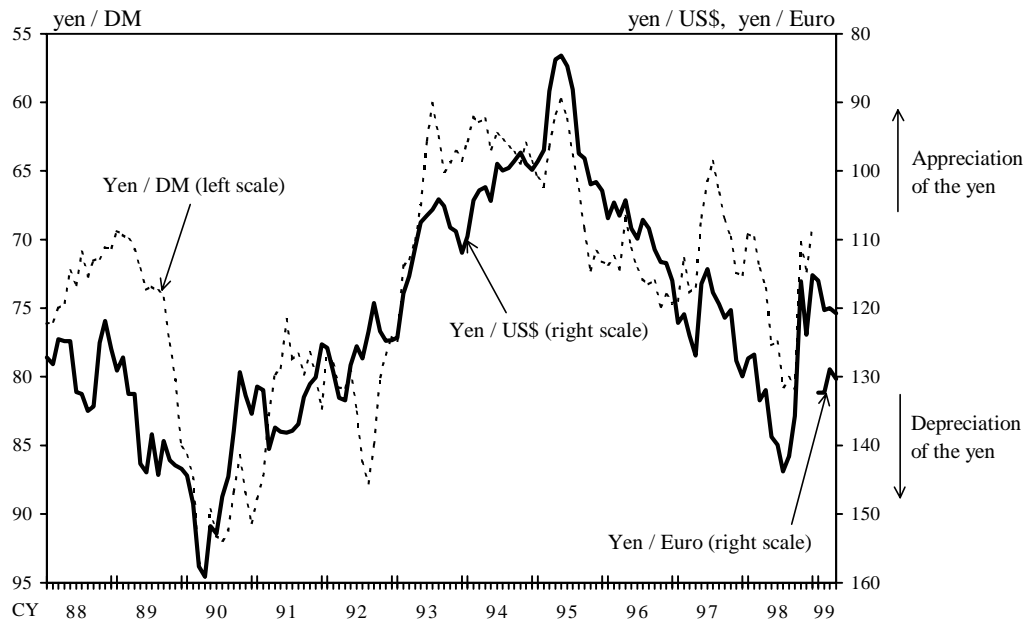
(2) Yield Spread^{2,3}



- 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.

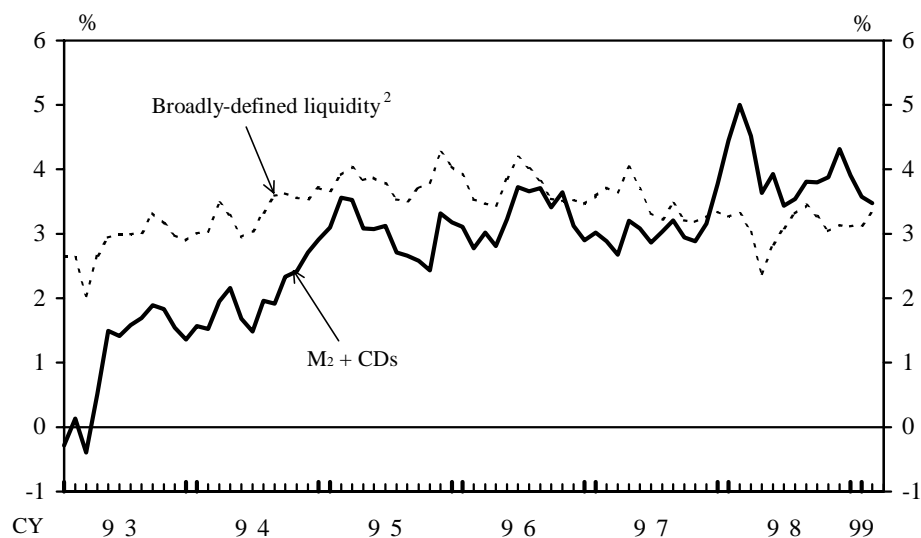
Sources: *The Nihon Keizai Shimbun* ; Daiwa Research Institute, "*Daiwa Toushi Shiryou* (Daiwa Investment Information)."

Exchange Rates

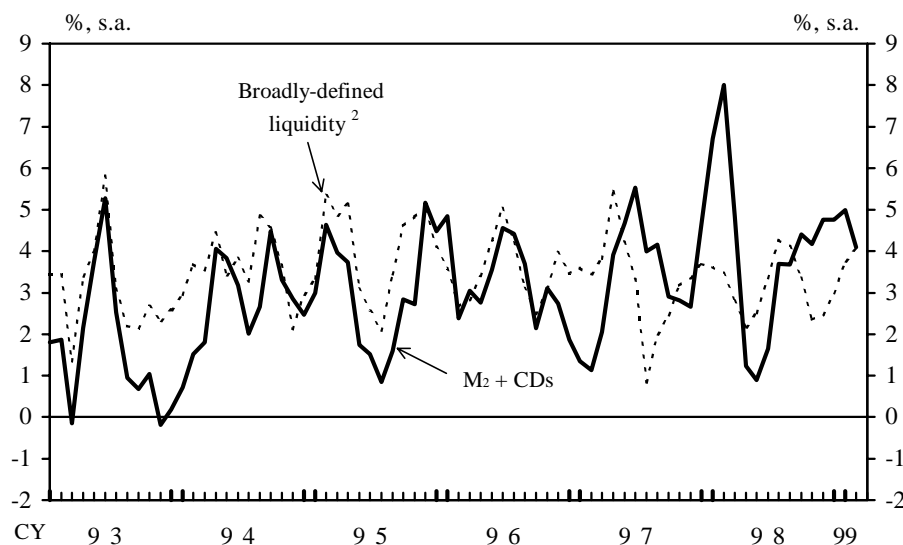


Note: End of month. Data of Apr 1999 are as of Apr 8, 1999.
 Source: Bank of Japan, "Economic Statistics Monthly."

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

(1) Changes from a Year Earlier ¹

(2) Changes from Three Months Earlier (Annualized)



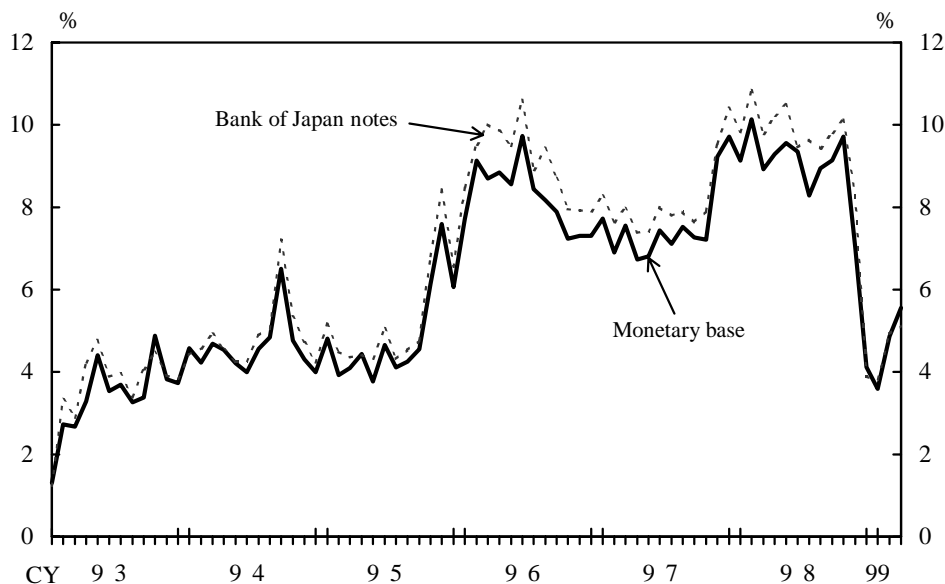
Notes: 1. Percent changes in average amounts outstanding.

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.

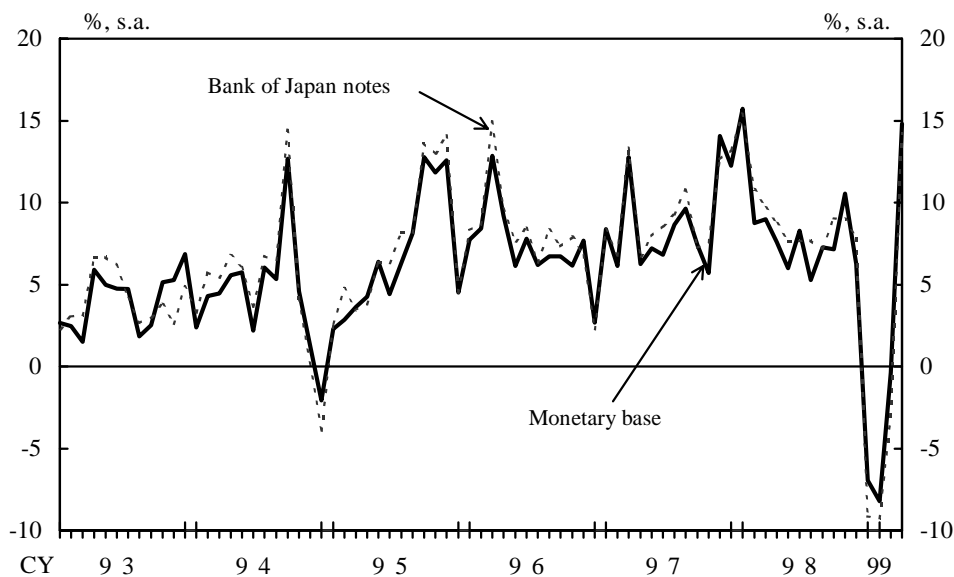
Source: Bank of Japan, "Economic Statistics Monthly."

Monetary Base

(1) Changes from a Year Earlier



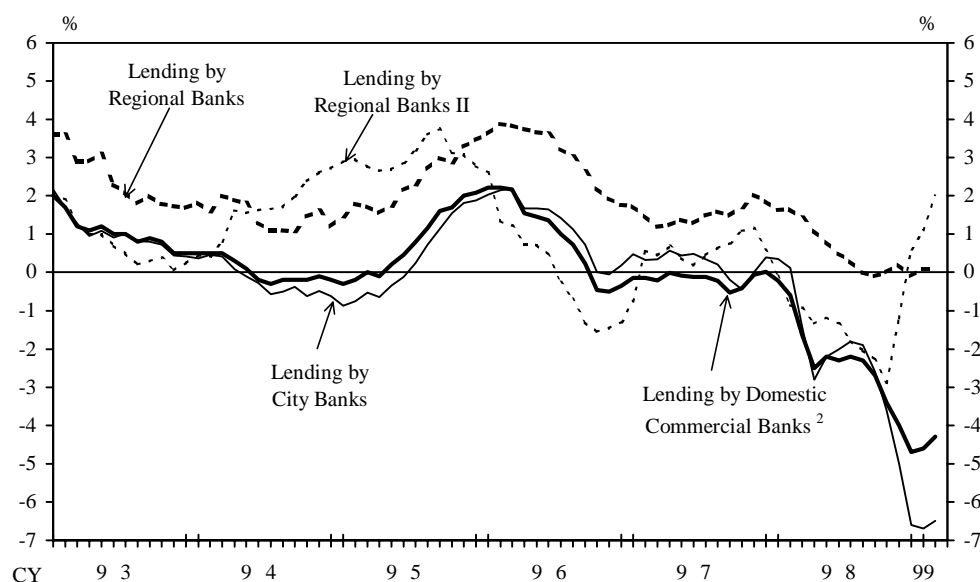
(2) Changes from Three Months Earlier (Annualized)



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	- 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)

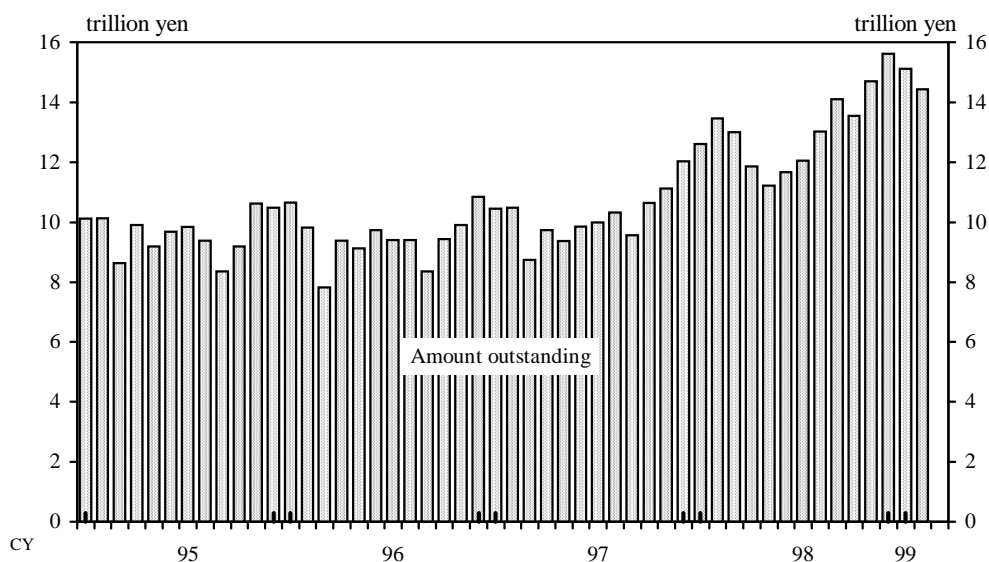
Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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."

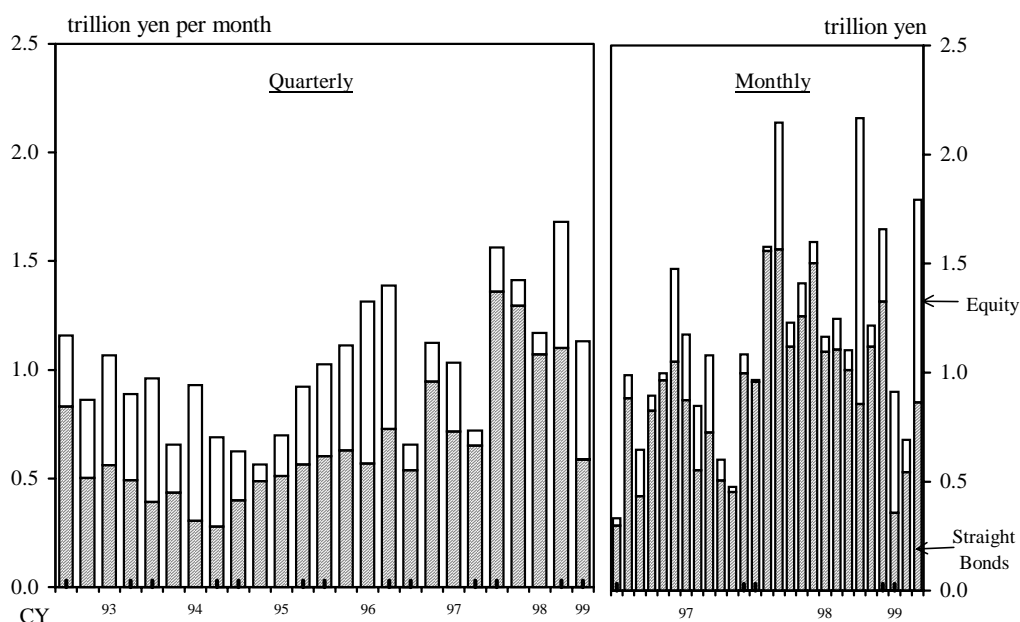
Private-Sector Fund Raising in the Capital Markets

(1) C P



Notes: 1. Figures are those of the client financial institutions of Bank of Japan.
 2. Excludes those issued by banks.

(2) Bond and Equity

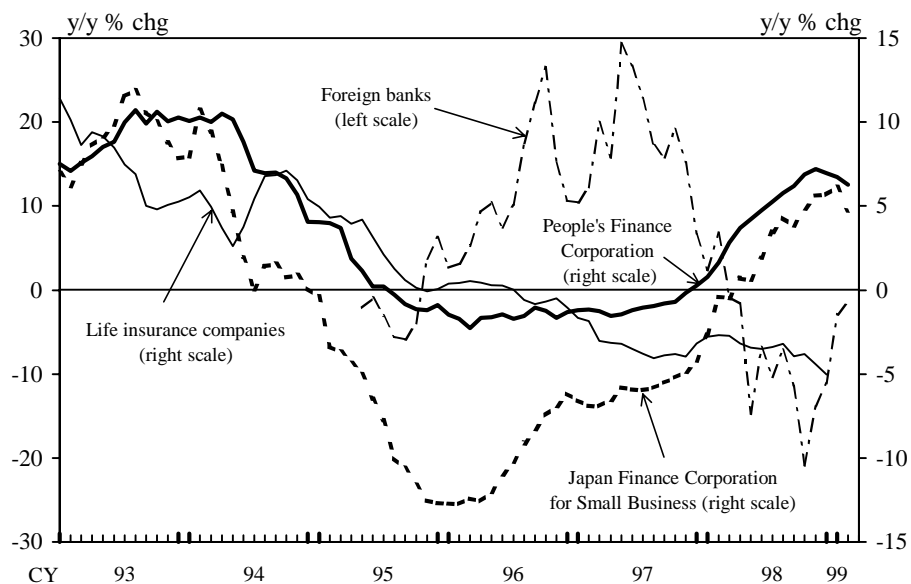


Notes: 1. Data for equity include convertible bonds, bonds with warrants, and new equity issues.
 2. Includes those issued by banks.

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

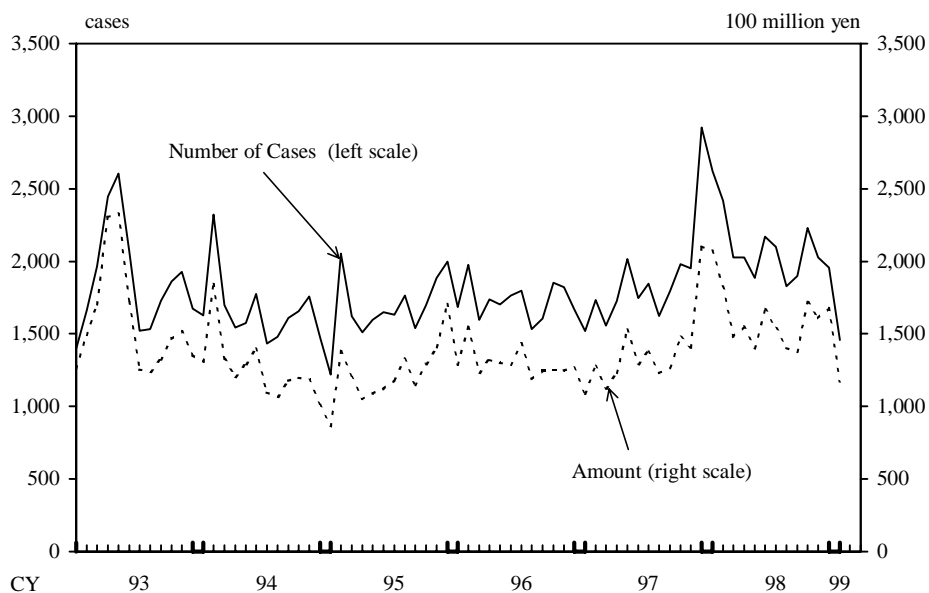
Lending by Other Financial Institutions

(1) Lending Outstanding



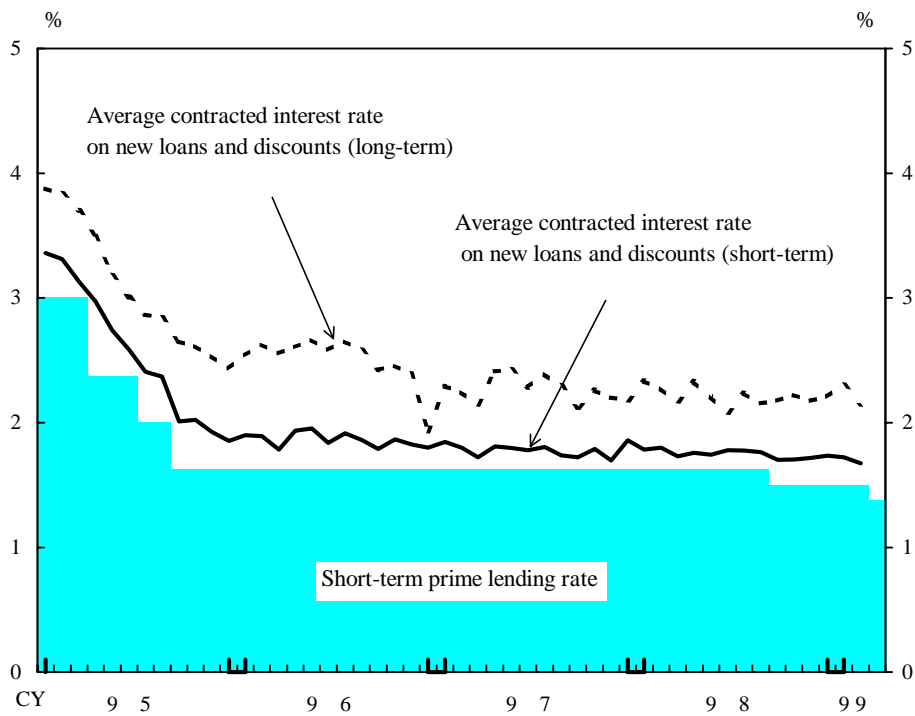
Note: Data are based on amounts outstanding at end of period except for those of foreign banks.

(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

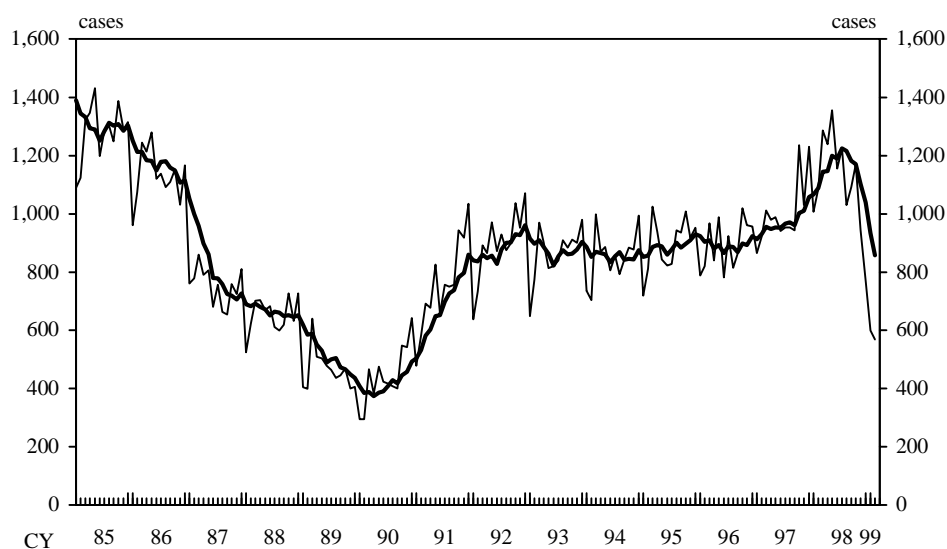


Note: Data for short-term prime lending rate are at end of period.

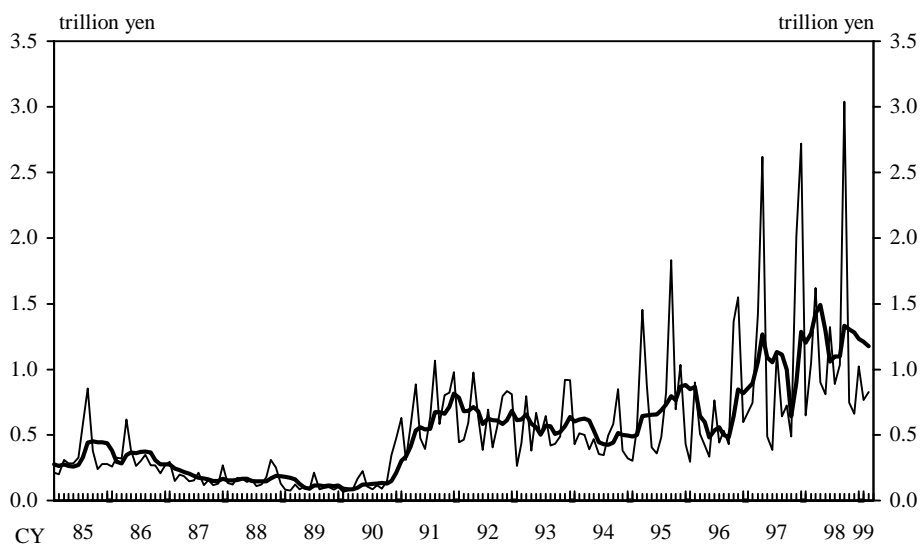
Source: Bank of Japan, "Economic Statistics Monthly."

 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)."