

June 1, 1999
Bank of Japan

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

(English translation prepared by the Bank staff based on the Japanese original
released on May 20, 1999)

Monthly Report of Recent Economic and Financial Developments¹

May 1999

The Bank's View²

Japan's economy, at present, has stopped deteriorating, but clear signs of recovery have not been observed yet.

With regard to final demand, business fixed investment has been on a downward trend, and recovery in private consumption continues to be weak on the whole. Net exports (exports minus imports) are leveling off. Meanwhile, housing investment has been recovering. Public works seem to be increasing rapidly against the background of the large increase in orders in early spring.

Reflecting such developments in final demand and continued 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 improvements in the financial environment, including the subsidence of the public's anxiety about the stability of Japan's financial system and the recovery in stock prices. However, corporate profits remain weak, and employment and household income conditions are deteriorating as the unemployment rate has been marking a historical high. Conditions in corporate finance continue to improve, but firms' concern about the availability of funds in the future has not completely disappeared yet.

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 continue to underpin the economy. Improvements in the financial environment are also expected to exert positive effects on the economy gradually. With respect to corporate activities, however, firms have

¹ This report was written based on data and information available when the Bank of Japan Monetary Policy Meeting was held on May 18, 1999.

² The Bank's view on recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on May 18 as the basis of monetary policy decisions.

started taking steps toward full-scale restructuring, facing the continued decline in profits. 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 promote structural reform, while preparing an environment that facilitates such reform, in order to assure 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. Import prices are rising due to the bottoming out of international commodity prices such as crude oil prices. Consumer prices remain weak. In relation to price developments in the future, distinct narrowing in the output gap is still unlikely for the time being even though the economy has stopped deteriorating. Furthermore, the decline in wages is likely to continue exerting downward pressure on prices. Under such circumstances, prices are expected to remain weak.

In the financial markets, the overnight call rate has stayed at nearly zero, and confidence about the availability of liquidity is growing among many financial institutions. Interest rates on term instruments are declining further, reflecting the market's view that monetary easing will continue for some time. Moreover, the Japan premium has almost disappeared.

Long-term interest rates, on the whole, have declined against the background of no clear signs of economic recovery and the decline in term interest rates. Stock prices have been firm reacting to the further rise in U.S. stock prices since March.

The amount outstanding of funds in the call money market has been gradually decreasing. To date, this has not led to any difficulty in funds settlement, but close attention should be paid to future market developments.

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. As a result, credit demand in the private sector has weakened further.

Private banks have basically retained their cautious lending attitude. However, they are no longer constrained by severe fund-raising conditions and insufficient capital base. Under these circumstances, major banks have started to extend loans more actively than before, especially for projects involving relatively small credit risks, and their lending stance is gradually becoming positive.

As a result of these developments, credit conditions, which tightened previously, have eased somewhat.

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.

The Background

1. Japan's Economy

With regard to public investment (Chart 2), the value of public works contracted, which reflects orders, increased greatly in both February and March from the effects of the government's economic stimulus measures. Shipments of public works related goods also remain on an increasing trend, reflecting these developments in orders. While the rate of increase in orders is likely to decelerate, public investment is projected to remain strong for the time being, reflecting the high level of orders to date.

Real exports (Charts 3 to 5) are essentially flat on the whole. Exports rose 1.8 percent in the first quarter of 1999 (on a seasonally adjusted quarter-to-quarter basis), after declining 1.9 percent in the fourth quarter of 1998. While exports to Europe continue to decline, exports to Asia, which had been down sharply through 1998, are now increasing. Exports to the United States remain 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 5.0 percent in the first quarter of 1999. 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 balance³ are presently decreasing because of the increase in imports, but basically remain flat. Meanwhile, the nominal current account surplus swung widely due to non-trade factors.⁴

³ 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).

⁴ The nominal current account surplus reduced significantly in March while the balance on goods and service remained virtually flat. This mainly reflects a temporary large deficit in the unrequited transfers balance, which was caused by the Japanese government's large contribution of 367.5 billion yen to the "Asian Currency Crisis Support Facility" administered by the Asian Development Bank (ADB).

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 private demand in Japan will continue, while 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. However, the outlook for overseas economies continues to warrant careful monitoring, given that the European economies are gradually slowing down, and the present high growth in the United States economy is apparently supported, to a large extent, by the rise in stock prices.

The pace of decline in business fixed investment is presently slowing somewhat, but the underlying trend still shows a continuing decline. Shipments of general capital goods, which reflect the current trend of fixed investment in machinery, posted an increase of 3.3 percent in the first quarter of 1999 on a seasonally adjusted quarter-to-quarter basis after declining 4.1 percent in the fourth quarter of 1998. Leading indicators, such as machinery orders and nonresidential construction starts (Chart 7), are also increasing slightly at present. According to industry forecasts, however, machinery orders are expected to decline once again in the second quarter of 1999 on a seasonally adjusted quarter-to-quarter basis. Furthermore, the Business and Investment Survey of Incorporated Enterprises (Chart 8) shows a substantial decline in the fiscal 1999 investment plans of both large and medium firms compared with the actual level in the previous fiscal year. Thus, a declining trend in business fixed investment apparently remained unchanged.

As for the future environment for business fixed investment, in terms of corporate finance, the perceptions of extremely tight funding, especially among small firms, appear to be easing somewhat (Chart 9), and this may slow the pace of decline in business fixed investment by these firms, which declined significantly during 1998.⁵ Nevertheless, it seems that concerns about the availability of funds in the

⁵ The rise in office equipment investment contributed most to the above-mentioned increase in the shipments of general capital goods in the first quarter of 1999 (a quarter-to-quarter rise of 7.4 percent, accounting for 2.2 percent of the total increase in the shipments from the previous quarter). Based on interviews with firms, this suggests that small firms may have made small-scale investments intensively in cost-saving and information equipment such as photocopiers, which had been postponed due to the concerns over the availability of funds.

future have not yet completely disappeared. Moreover, corporate profits are expected to remain stagnant, and strong perceptions of excess equipment will persist for the time being. Under these conditions, an increasing number of firms, especially large firms, will make full-fledged restructuring efforts to improve their profitability and financial soundness. Judged from these developments, business fixed investment is likely to remain on a declining trend for some time.

The recovery in private consumption as a whole remains weak. With regard to related indicators (Chart 10), sales of household electric appliances remain at a high level, mainly due to firm sales of personal computers. Outlays for travel, which had been on a declining trend, recovered during the first quarter of 1999. The number of passenger car sales (excluding light cars) increased slightly in the first quarter from the introduction of new models, but declined again in April. Including light cars, the number of passenger car sales increased slightly in the first quarter and rose in April as well. Sales at department stores declined in both February and March, and sales at chain stores, which posted a slight increase in February, fell once again in March. Consumer sentiment, which was deteriorating through the end of 1998, is presently improving slightly, although remaining at a low level (Chart 11).⁶

As for future consumption trends, the reduction in personal income taxes is expected to underpin consumption, and 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 as employment and income conditions will continue to be harsh, as described below.

With regard to housing investment (Chart 12), housing starts (on a seasonally adjusted annual basis), which were around 1.15 million units from the latter half of 1998 through to the beginning of 1999, have turned to a large increase, posting 1.19 million units in February and 1.30 million units in March. In detail, construction starts of owner-occupied houses are rising remarkably at present, apparently reflecting

⁶ Some of the confidence indicators show a substantial improvement, and this may be influenced by the rise in stock prices. For the first quarter of 1999, however, the Family Income and Expenditure Survey shows a decline in the propensity to consume. Thus, the extent to which the improvement in consumer confidence leads to an actual increase in expenditures needs to be carefully monitored.

the starts of housing construction financed by loans from the government Housing Loan Corporation, for which applications were up sharply during its third offering period for fiscal 1998 (November 2 – December 25, 1998; an increase of 49.9 percent from the previous year for the construction of private homes). Thus, housing starts have started picking up.

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 on an increasing trend. This sales trend is unlikely to result in a large increase in construction starts immediately as excess inventories continue, but there is a possibility that the declining trend to date will gradually turn to an increase. Construction starts of owner-occupied houses are likely to rise substantially through the summer, owing to the increase in applications for loans from the government Housing Loan Corporation during the third offering period for fiscal 1998 and a further increase during the fourth offering period (January 18 – March 26, 1999; an increase of 75.1 percent from the previous year for the construction of private homes), 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, along with the continued progress of inventory adjustment (Chart 13), industrial production (Chart 14) recorded a slight decrease in the fourth quarter of 1998 (-0.7 percent on a seasonally adjusted quarter-to-quarter basis) and turned to a slight increase in the first quarter of 1999 (+0.4 percent). Thus, industrial production has stopped declining.

As for the future environment for production, in addition to a rise in public investment, housing investment is also expected to increase. On the other hand, business fixed investment is projected to remain on a declining trend, and automobile production, which has a high weight in total production, is also constrained due to the stagnant domestic demand. Thus, firms are apparently maintaining a cautious production stance overall. Judged from these developments and based on interviews with firms, industrial production is likely to be flat during the second quarter of 1999.

Employment and income conditions are still on a deteriorating trend. In the labor market (Chart 15), the unemployment rate (seasonally adjusted) was 4.6 percent in February, which was the highest level since the start of these statistics in 1953, and rose further to 4.8 percent in March. The ratio of job offers to applicants (seasonally adjusted) was 0.49 in March, the same as the February figure and still near the lowest level since the start of these statistics in 1963. The number of regular employees (on a monthly employment statistics basis at establishments with at least five employees) also remains below the previous year's level. As regards wages (Chart 16), overtime compensation remains below the previous year's level, and regular compensation is falling slightly below the previous year's level. Reflecting these employment and wage developments, compensation of employees is on a declining trend. As for the outlook, with the full-scale implementation of corporate restructuring, the employment and income conditions are expected to remain harsh for the time being.

2. Prices

With regard to price developments, import prices on a yen basis (Chart 18(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 presently turned to an increase due to the slight depreciation of the yen and the bottoming out of international commodity prices such as crude oil prices.

As for domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates;⁷ Chart 18(3)), however, the prices of steel, construction-related goods and other materials continue to decline. Thus, domestic wholesale prices overall continue declining. (Domestic wholesale prices declined by a quarter-to-quarter 0.5 percent in the fourth quarter of 1998, 0.5 percent in the first quarter of 1999, and 0.5 percent in April compared to the first-quarter level).

⁷ 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.

Corporate service prices (Chart 19(1)) are weakening overall, particularly those for automobile repairs and leases-and-rentals, 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 1.0 percent in the first quarter of 1999).

Consumer prices (excluding perishables; Chart 19(2)) remain weak overall as the prices of goods remain below the previous year's level. (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 the first quarter of 1999). Including perishables, consumer prices overall had been maintaining a year-to-year increase since autumn 1998 as irregular weather significantly pushed up the prices of perishables. Since the prices of perishables have stabilized recently, however, the year-to-year change in consumer prices overall returned to a decrease from February.

Regarding the future environment for prices overall, although the economy has 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 weak.

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 the overnight call rate (uncollateralized) has stayed near zero, at around 0.03 percent. Under these conditions, confidence about the availability of liquidity is growing among many financial institutions.

Interest rates on term instruments have been declining further, reflecting the market's view that the monetary easing will continue for some time. Three-month Euro-yen interest rates (TIBOR) have fallen to between 0.10 and 0.15 percent, and Euro-yen interest rate futures (on an interest-rate basis) have declined overall. Also,

three-month TB and FB rates have fallen below 0.05 percent with the active investment stance among banks and institutional investors. Moreover, the Japan premium has almost disappeared.

Yields on ten-year government bonds (newly issued; Chart 20(2)) declined to 1.2-1.3 percent in mid-May, against the background of no clear signs of economic recovery and the decline in 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 has narrowed slightly.

Stock prices (Chart 27(1)) recovered the 17,000 yen level in early May reacting to the further rise in U.S. stock prices since March, and have remained around 16,000-17,000 yen thereafter.

The amount outstanding in the call money market has been gradually decreasing as institutional investors continue to shift funds into ordinary deposits, etc. To date, this has not led to any difficulty in funds settlement, but close attention should be paid to future market developments.

On the foreign exchange market (Chart 28), the yen-dollar exchange rate generally moved in a narrow band between 119 and 121 yen to the U.S. dollar amid nervous market sentiment due to the Kosovo crisis and other factors, and the trend has recently been toward a lower yen and higher dollar due to the differential between Japanese and U.S. long-term interest rates.

(2) Monetary Aggregates and Corporate Finance

The year-to-year growth in money stock (Chart 29) in terms of $M_2 + \text{CDs}$ increased by 3.6 percent in the first quarter of 1999, showing slightly lower growth than in the fourth quarter of 1998.⁸ (The year-to-year growth in $M_2 + \text{CDs}$ was 4.0

⁸ 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, 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.

percent in the fourth quarter of 1998, 3.6 percent in the first quarter of 1999 <3.6 percent in January, 3.4 percent in February, and 3.7 percent in March>, and is projected to be around 4.0 percent in the second quarter).

The year-to-year growth in the monetary base (currency in circulation + reserves; Chart 30) declined substantially from the end of 1998 through the beginning of 1999, but has rebounded since February 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;⁹ Chart 31), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, continued to contract gradually in April. Meanwhile, fund-raising from sources other than bank loans (Charts 33 and 34) is slowing down, primarily due to the stagnation of credit demand.

Turning to the funding cost for firms, in February the average contracted interest rates on loans and discounts (Chart 35) decreased slightly for both long- and short-term contracts, reflecting the decline in market interest rates. CP and corporate bond issuance rates have continued declining since February.

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, have now clearly settled down. 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 performance of borrower companies. However, the fund-raising environment for private financial institutions themselves has turned substantially

⁹ 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)

favorable, and their insufficient capital bases have been increased with the injection of public funds. Against this background, major banks have started to extend loans more actively than before, especially for projects involving relatively small credit risks, and their lending stance is gradually becoming positive.

As a result of these developments, credit conditions, which tightened previously, have eased somewhat. 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 36).

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.

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

Charts

Chart 1	Main Economic Indexes
Chart 2	Public Investment
Chart 3	External Balance
Chart 4	Real Exports
Chart 5	Real Imports
Chart 6	Overseas Economic Conditions and Real Effective Exchange Rate
Chart 7	Major Indexes of Business Fixed Investment
Chart 8	Capital Spending Plans
Chart 9	Corporate Finance-Related Indexes
Chart 10	Private Consumption
Chart 11	Consumer Confidence and Propensity to Consume
Chart 12	Major Indexes of Housing Investment
Chart 13	Inventory Cycle
Chart 14	Production, Shipments, and Inventories
Chart 15	Labor
Chart 16	Compensation of Employees
Chart 17	Prices
Chart 18	Import Prices and Domestic Wholesale Prices
Chart 19	Corporate Service Prices and Consumer Prices
Chart 20	Interest Rates
Chart 21	Short-Term Money Market Rates
Chart 22	Euro-Yen Interest Rates Futures (3-Month)
Chart 23	Japan Premium in the Eurodollar Market
Chart 24	Implied Forward Rates (1-year)
Chart 25	Yields of Bank Debentures
Chart 26	Corporate Bond Yields
Chart 27	Stock Prices
Chart 28	Exchange Rates
Chart 29	Money Stock (M2+CDs, Broadly-Defined Liquidity)
Chart 30	Monetary Base
Chart 31	Lending by Domestic Commercial Banks
Chart 32	Lending Attitude of Financial Institutions as perceived by Small Enterprises
Chart 33	Private-Sector Fund Raising in the Capital Markets
Chart 34	Lending by Other Financial Institutions
Chart 35	Lending Rates
Chart 36	Corporate Bankruptcies

Main Economic Indexes (1)

y/y % chg.

	98/Q3	Q4	99/Q1	99/Jan.	Feb.	March	April
Index of expenditure level (all households)	-1.9	0.2	p -0.9	1.9	-3.2	p -1.3	n.a.
Sales of department stores	-4.5	-4.5	p -4.2	-1.9	-2.6	p -7.6	n.a.
Sales of chain stores ¹	-2.5	-1.4	-5.1	-4.2	-2.9	-8.0	n.a.
New passenger-car registrations ² <s.a., ann. 10,000 units>	319	296	305	319	301	297	284
Sales of electric appliances (NEBA)	8.2	10.1	10.4	8.8	15.0	8.3	n.a.
Outlays for travel (50 major travel agencies)	-3.2	-7.0	-2.6	-4.2	-4.4	0.2	n.a.
Housing starts <s.a., ann. 10,000 units>	115	113	122	116	119	130	n.a.
Machinery orders (from private sector ³)	-20.3	-17.8	-14.8	-22.9	-8.9	-13.6	n.a.
Mining & manufacturing	-22.0	-27.2	-21.8	-23.4	-16.0	-24.0	n.a.
Nonmanufacturing ³	-18.9	-10.2	-9.1	-22.7	-3.1	-5.3	n.a.
Construction Starts (private, nonresidential use)	-18.2	-22.9	-12.5	-19.6	-4.4	-14.0	n.a.
Manufacturing	-38.1	-45.5	-37.8	-36.4	-27.8	-48.6	n.a.
Nonmanufacturing ⁴	-10.5	-13.4	-2.5	-12.2	4.7	-1.3	n.a.
Value of public works contracts	4.9	10.4	52.7	0.0	38.8	89.0	n.a.
Real exports <s.a. quarterly (monthly) change>	1.5	-1.9	1.8	7.8	-10.8	4.6	n.a.
Real imports <s.a. quarterly (monthly) change>	2.4	-1.8	5.0	1.9	6.9	-5.1	n.a.
Industrial production <s.a. quarterly (monthly) change>	0.1	-0.7	p 0.4	-0.9	1.3	p 2.2	n.a.
Shipments <s.a. quarterly (monthly) change>	0.1	-0.2	p 1.0	1.4	-2.1	p 2.9	n.a.
Inventories <s.a. quarterly (monthly) change>	-2.2	-3.7	p -2.1	-1.6	0.3	p -0.8	n.a.
Inventories/shipments <s.a. 1995=100>	109.8	108.4	p 105.2	105.0	110.1	p 105.2	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	99/Jan.	Feb.	March	April
Ratio of job offers to applicants <s.a., times>	0.49	0.47	0.49	0.49	0.49	0.49	n.a.
Unemployment rate <s.a., %>	4.26	4.38	4.62	4.43	4.64	4.80	n.a.
Overtime working hours ⁵	-8.7	-7.3	-5.7	-6.2	-6.0	-5.0	n.a.
Number of employees	-0.7	-0.5	-1.1	-0.7	-1.3	-1.2	n.a.
Number of regularly employed ⁵	-0.1	-0.3	-0.2	-0.2	-0.3	-0.1	n.a.
Nominal wage per person ⁵	-2.0	-2.3	-1.5	-3.4	-0.6	-0.5	n.a.
Domestic wholesale price index	-2.1	-2.1	-2.1	-2.3	-2.1	-1.9	-1.9
Consumer price index (nationwide)	-0.2	0.5	-0.1	0.2	-0.1	-0.4	n.a.
Excluding perishables	-0.2	-0.3	-0.1	-0.1	-0.1	-0.1	n.a.
Corporate service price index	-0.4	-0.9	-1.0	-0.9	-1.0	-1.1	n.a.
Monetary aggregates (M2+CDs) <average outstanding, y/y % chg>	3.7	4.0	p 3.6	3.6	3.4	p 3.7	n.a.
Number of suspension of transaction with banks	17.3	-17.5	-42.3	-40.5	-47.7	-39.2	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.

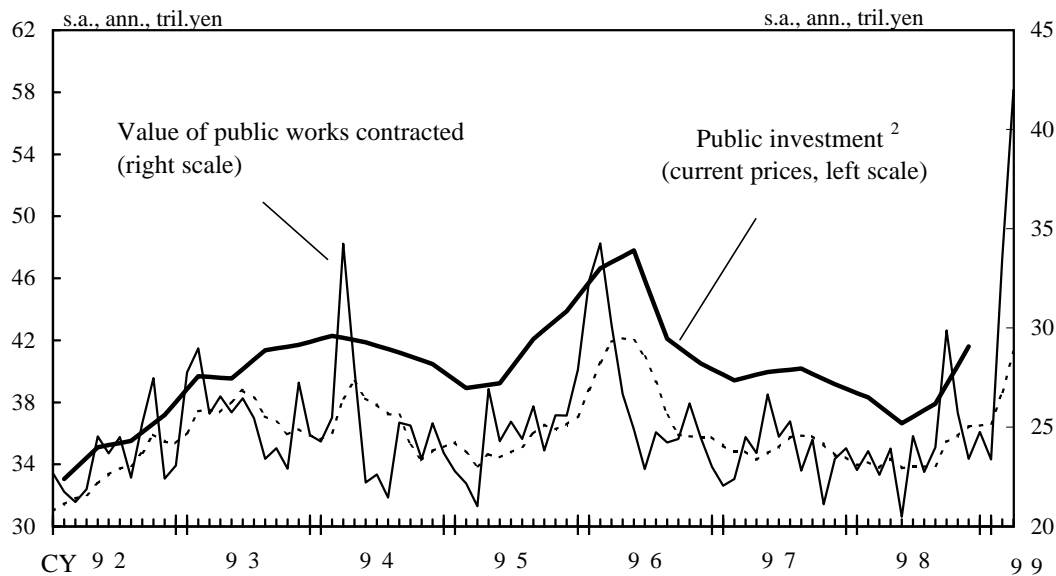
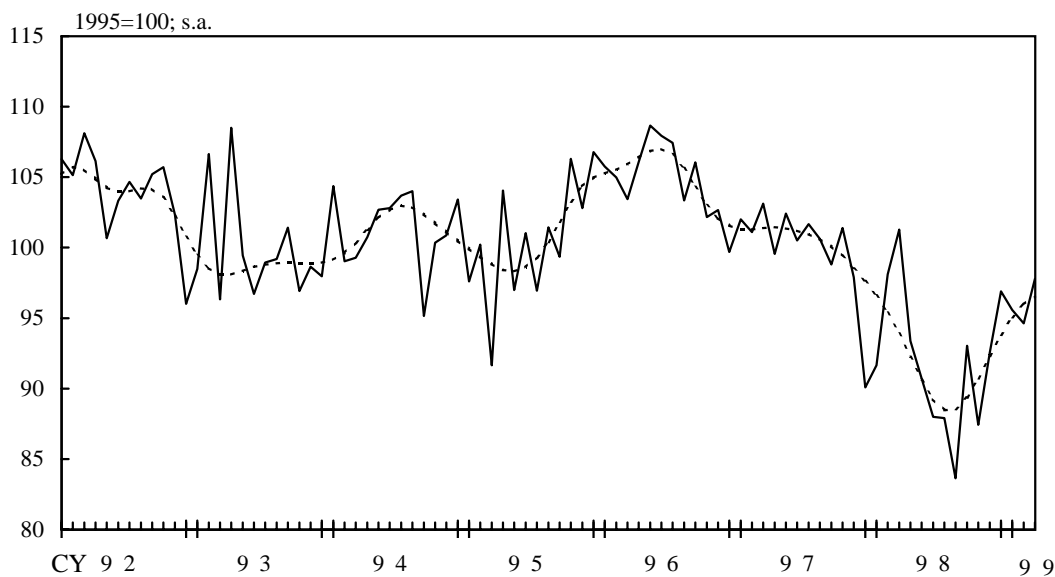
4. Nonmanufacturing=commerce+services+agriculture & fisheries+public utilities industries etc.

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", "Financial and 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).

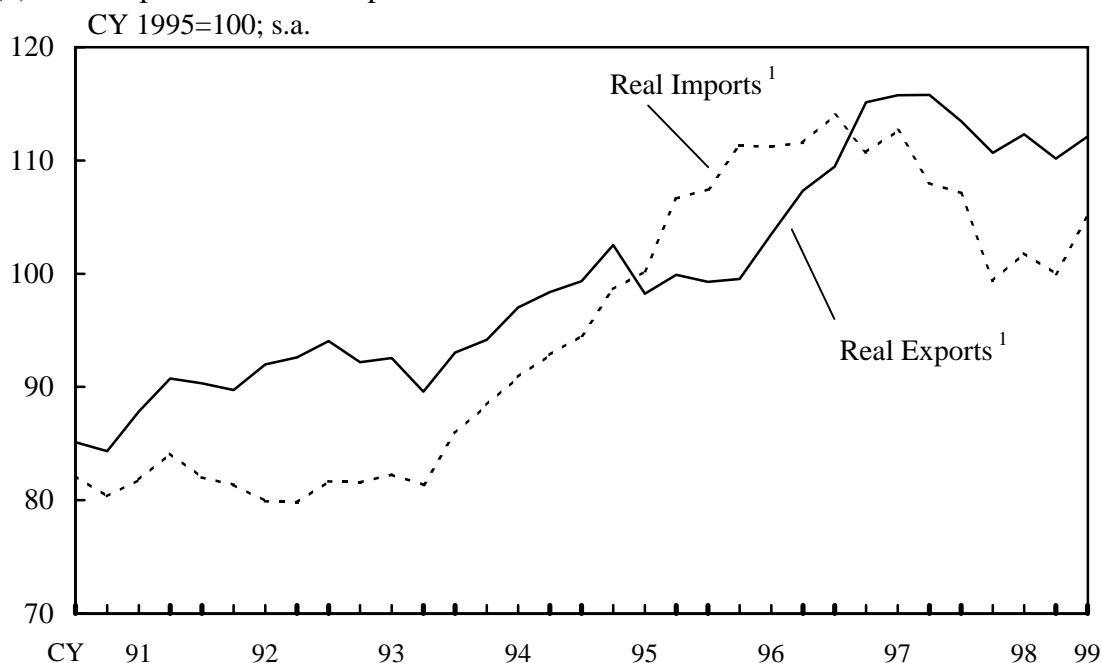
"Public works-related goods" is partly used for private-sector investment.

The data in March 99 are preliminary.

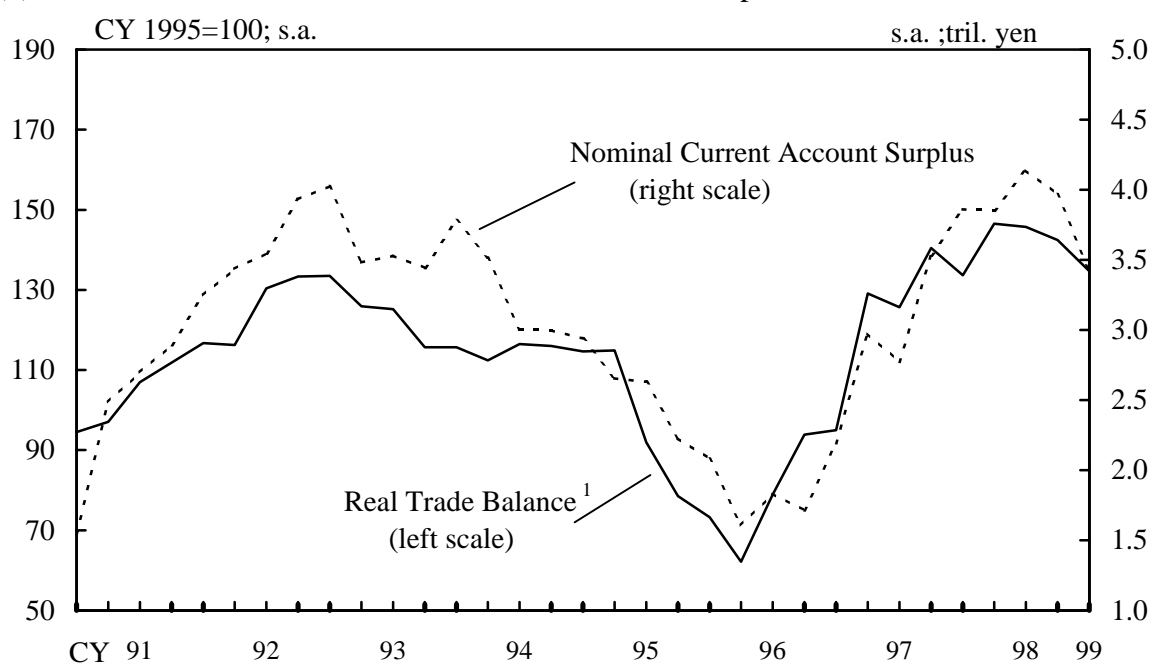
Sources: Economic Planning Agency, "National Income Statistics";
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";
Ministry of International Trade and Industry, "Indices of Industrial Production."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



Note: Seasonally adjusted by X-11.

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

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	99 Jan.	Feb.	Mar.
United States	<30.5>	14.6	6.8	5.8	-1.7	2.2	-2.5	1.4	12.4	-12.0	2.8
EU	<18.4>	13.8	15.6	2.8	5.2	2.8	0.2	-2.3	0.2	-5.0	-0.3
East Asia	<33.2>	8.6	-18.1	-10.5	-6.2	-1.7	-2.3	9.2	16.5	-16.1	9.9
China	<5.2>	8.2	0.5	-3.4	4.0	-0.6	-4.3	20.3	38.6	-23.8	12.7
NIEs	<20.2>	10.5	-16.5	-9.7	-7.5	-3.2	-1.9	6.8	13.4	-17.4	12.7
Korea	<4.0>	-1.5	-35.3	-27.3	-6.3	-2.9	10.5	23.2	18.4	-11.8	13.5
ASEAN ⁴	<7.8>	5.0	-29.2	-15.7	-8.8	1.4	-2.2	8.1	10.7	-7.1	2.1
Thailand	<2.4>	-11.6	-29.4	-8.6	-3.9	-0.2	-2.3	10.9	14.0	-7.2	4.7
Indonesia	<1.1>	22.6	-53.4	-34.1	-24.9	4.1	5.4	0.1	6.9	-11.1	0.7
Real exports		11.2	-2.1	-2.0	-2.5	1.5	-1.9	1.8	7.8	-10.8	4.6

(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	99 Jan.	Feb.	Mar.
Intermediate goods	<14.5>	11.2	2.9	-1.9	1.9	3.2	-1.1	0.1	6.4	-12.2	8.5
Motor vehicles and their related goods	<21.9>	14.6	1.3	-0.9	-1.0	3.2	2.4	-3.5	2.4	-12.7	3.9
Consumer goods ⁴	<7.3>	6.3	5.0	2.8	0.4	-2.3	0.3	1.8	2.2	-1.2	1.1
Information-related goods ⁵	<17.2>	18.1	-7.0	-4.3	-4.2	0.9	-3.4	2.6	1.7	-4.9	6.1
Capital goods and parts ⁶	<28.6>	9.0	-5.4	-4.1	-3.6	0.0	-4.6	2.6	11.0	-9.2	2.9
Real exports		11.2	-2.1	-2.0	-2.5	1.5	-1.9	1.8	7.8	-10.8	4.6

Notes: 1. Seasonally adjusted by X-11.

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

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

4. Excluding motor vehicles.

5. 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	99 Jan.	Feb.	Mar.
United States	<23.9>	1.1	-3.7	-0.3	-4.0	0.3	-3.6	10.0	7.3	27.6	-22.8
EU	<14.0>	-3.6	-6.5	1.8	-6.3	3.3	1.6	3.8	0.3	2.8	6.5
East Asia	<34.9>	0.9	-7.7	0.0	-5.8	0.9	0.5	8.2	-0.7	10.0	-2.5
China	<13.2>	8.8	-4.4	0.7	-4.3	0.6	-0.8	7.2	-2.5	17.5	-16.4
NIEs	<10.2>	-8.1	-10.9	-0.1	-8.5	-0.2	4.3	13.2	0.5	15.8	-1.2
Korea	<4.3>	-3.9	-9.5	3.1	-9.8	-3.3	9.1	14.7	1.2	10.1	10.7
ASEAN4 ³	<11.4>	2.2	-8.1	-0.5	-5.0	2.2	-1.4	5.0	0.3	-2.6	13.4
Thailand	<2.9>	-0.5	-7.1	-3.1	-2.2	2.1	-4.3	5.4	4.9	-2.6	7.3
Indonesia	<3.9>	-2.3	-9.0	-1.0	-4.9	5.1	-1.7	1.7	-2.9	-8.7	26.7
Real imports		0.9	-8.3	-0.8	-7.2	2.4	-1.8	5.0	1.9	6.9	-5.1

(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	99 Jan.	Feb.	Mar.
Raw materials ⁴	<23.2>	-0.5	-6.0	-3.4	-4.7	2.3	-0.3	1.3	3.2	-7.7	12.1
Intermediate goods	<14.0>	2.7	-7.1	-0.5	-8.1	-0.2	0.2	1.8	-6.2	7.0	5.4
Foodstuffs	<14.7>	-3.5	-4.0	1.1	-2.1	2.6	-4.0	5.7	10.0	-3.6	-5.1
Consumer goods	<10.7>	-10.0	-13.8	-0.6	-8.4	5.3	-5.3	2.8	1.5	4.7	-3.4
Information-related goods ⁵	<13.2>	8.0	-5.8	-3.2	-1.4	3.8	-2.0	6.3	4.2	5.1	-3.2
Capital goods and parts ⁶	<13.3>	13.6	2.7	5.4	-8.3	-0.4	0.8	20.5	4.5	63.4	-36.8
Real imports		0.9	-8.3	-0.8	-7.2	2.4	-1.8	5.0	1.9	6.9	-5.1

Notes: 1. Seasonally adjusted by X-11.

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

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

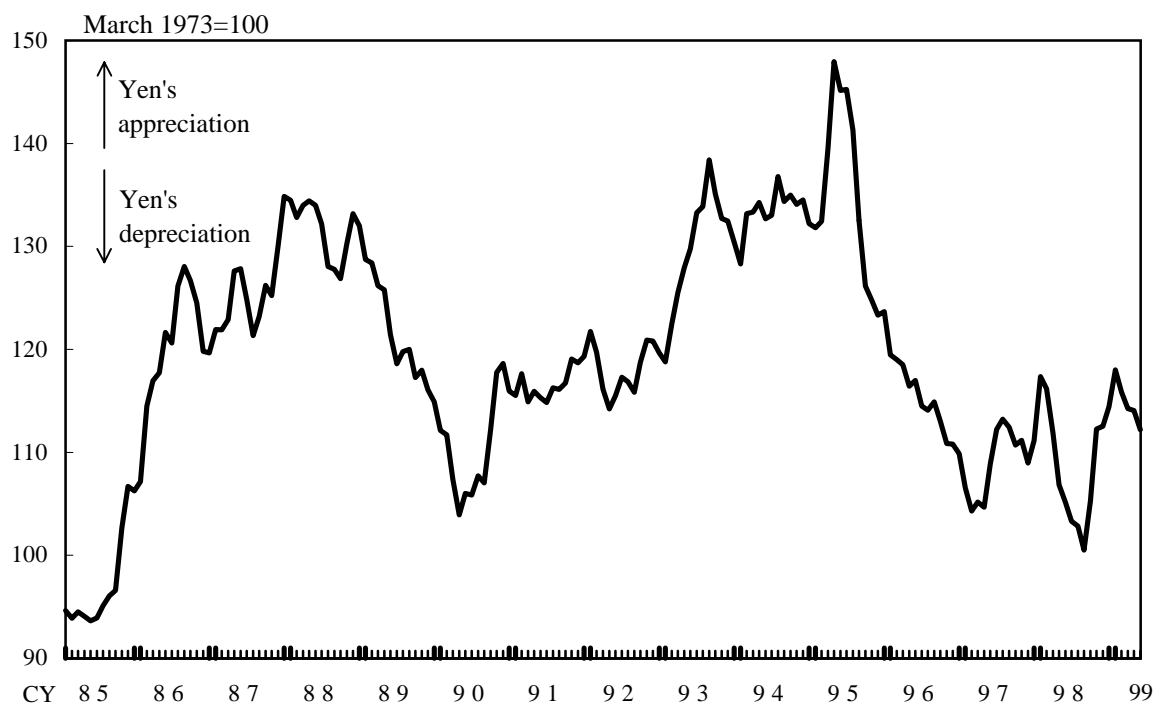
4. Raw materials = woods + ores + mineral fuel, etc.

5. 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 May 1999 is the average of May 1-17. 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 Q2	Q3	Q4	99 Q1	
United States ¹		3.9	3.9	(3.5)	1.8	3.7	6.0	4.5	
European Union ¹		2.7	(2.7)	(1.9)	2.5	2.7	n.a.	n.a.	
	Germany	2.2	2.8	(1.6)	-0.1	3.6	-1.5	n.a.	
	France	2.3	3.2	(2.3)	3.6	1.5	2.9	n.a.	
	United Kingdom	3.5	2.1	(0.6)	1.2	1.1	0.3	0.4	
	China	8.8	7.8	(7.2)	(Jan-Jun) 7.0	(Jan-Sep) 7.2	(Jan-Dec) 7.8	8.3	
East Asia ²	NIEs	Korea	5.0	-5.8	(3.2)	-7.2	-7.1	-5.3	n.a.
		Taiwan	6.8	4.8	(4.3)	5.2	4.7	3.7	n.a.
		Hong Kong	5.3	-5.1	(-1.1)	-5.1	-6.9	-5.7	n.a.
	Singapore	8.0	1.5	(0.9)	1.6	-0.6	-0.8	n.a.	
	4 Countries of ASEAN	Thailand	-1.3	(-8.0)	(0.5)	-12.0	-11.0	n.a.	n.a.
		Indonesia	4.9	-13.7	(-3.8)	-12.3	-18.4	-19.5	-10.3
Malaysia		7.7	-6.7	(0.9)	-6.8	-9.0	-8.1	n.a.	
Philippines	5.2	-0.5	(1.6)	-0.8	-0.7	-1.6	n.a.		

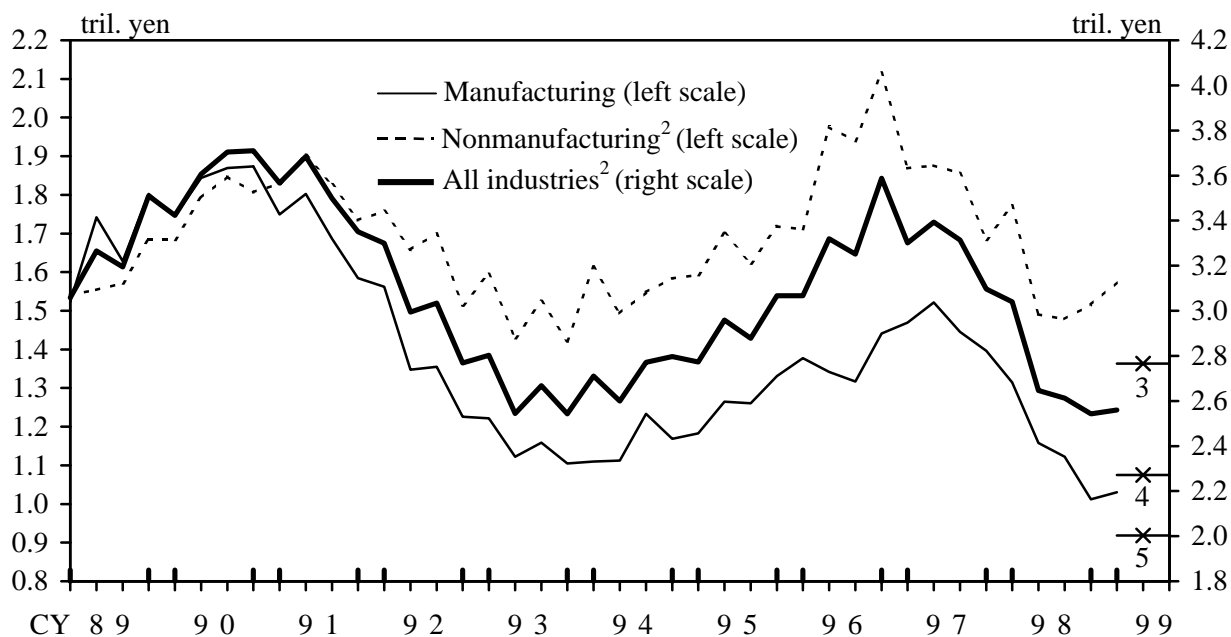
Notes: 1. Quarterly data are quarter-to-quarter percent changes.

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

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

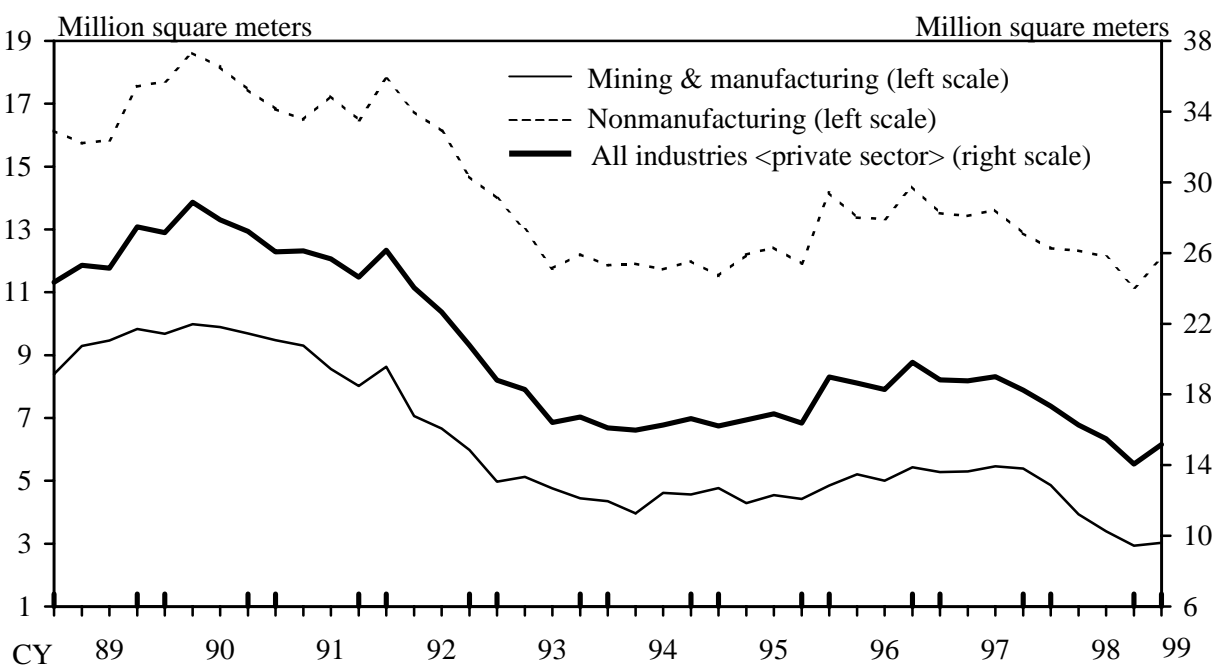
Major Indexes of Business Fixed Investment

(1) Machinery Orders¹



- Notes: 1. Seasonally adjusted data.
 2. Excludes orders from electric power companies and shipbuilding orders.
 3. Forecast of nonmanufacturing industries for 1999/Q2.
 4. Forecast of all industries for 1999/Q2.
 5. Forecast of manufacturing industries for 1999/Q2.

(2) Construction Starts (Nonresidential)

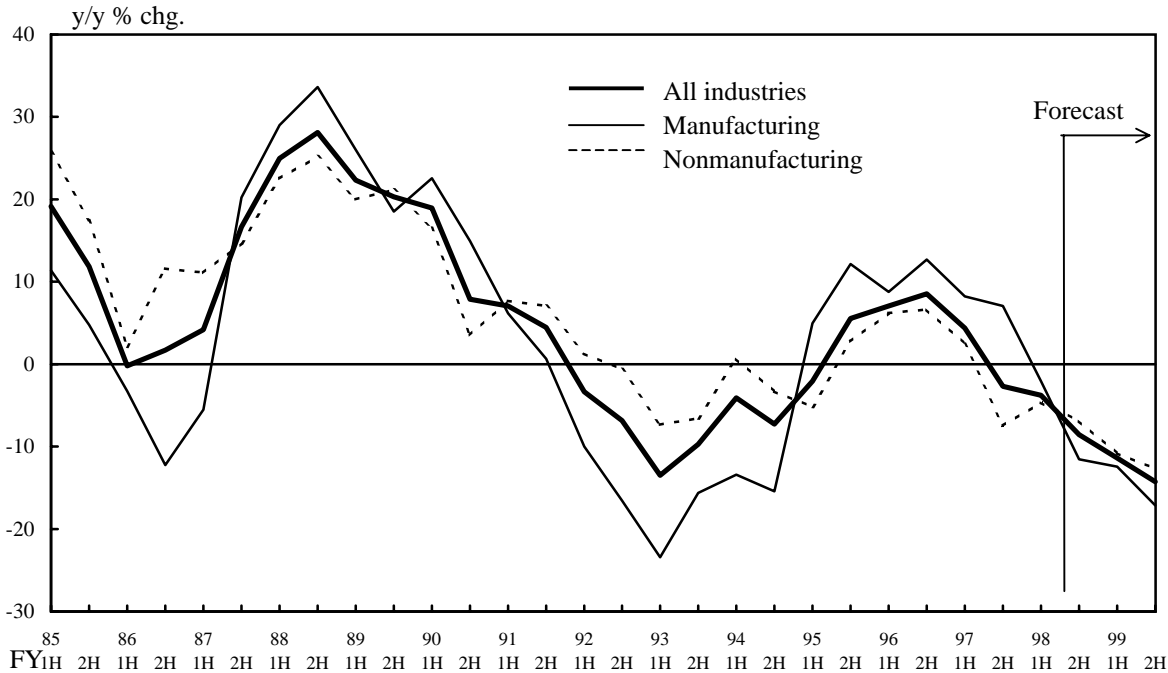


Note: Seasonally adjusted by X-11.

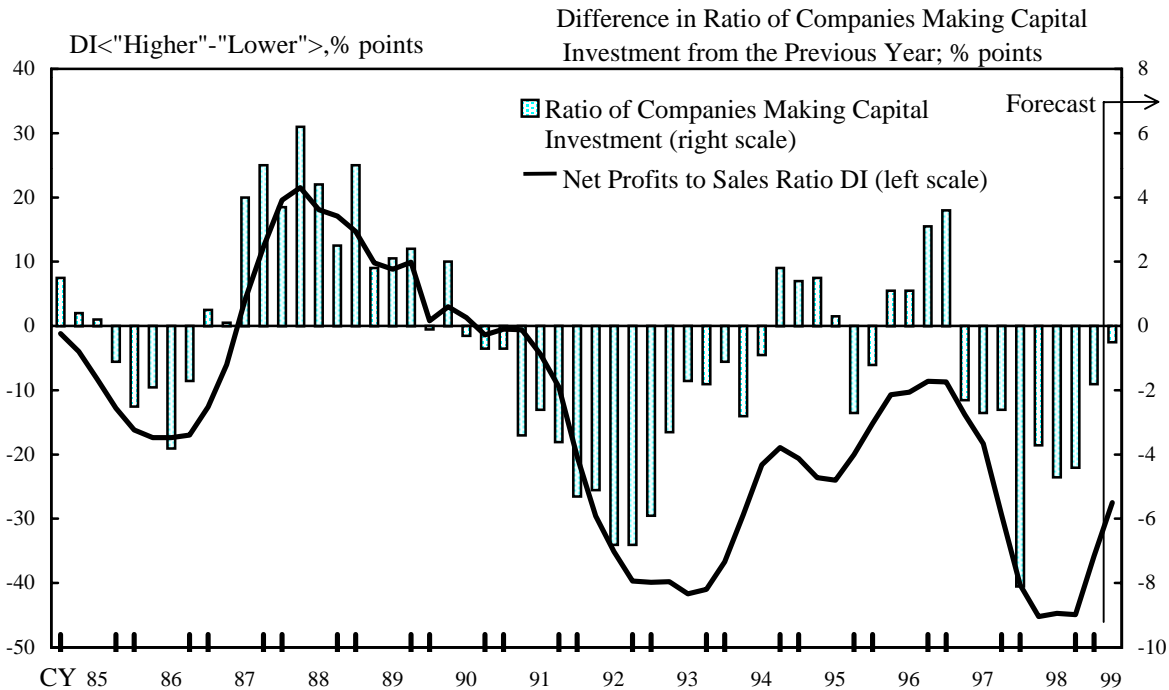
Sources: Economic Planning Agency, "Machinery Orders Statistics";
 Ministry of Construction, "Statistics Building Construction Starts."

Capital Spending Plans

(1) Business and Investment Survey of Incorporated Enterprises¹



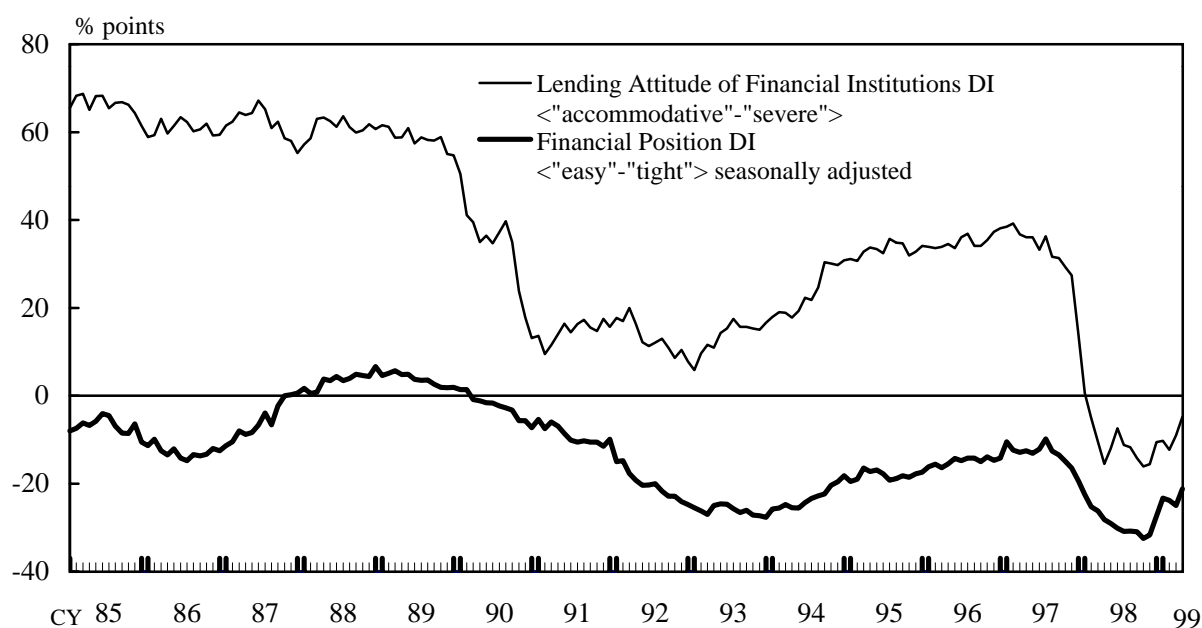
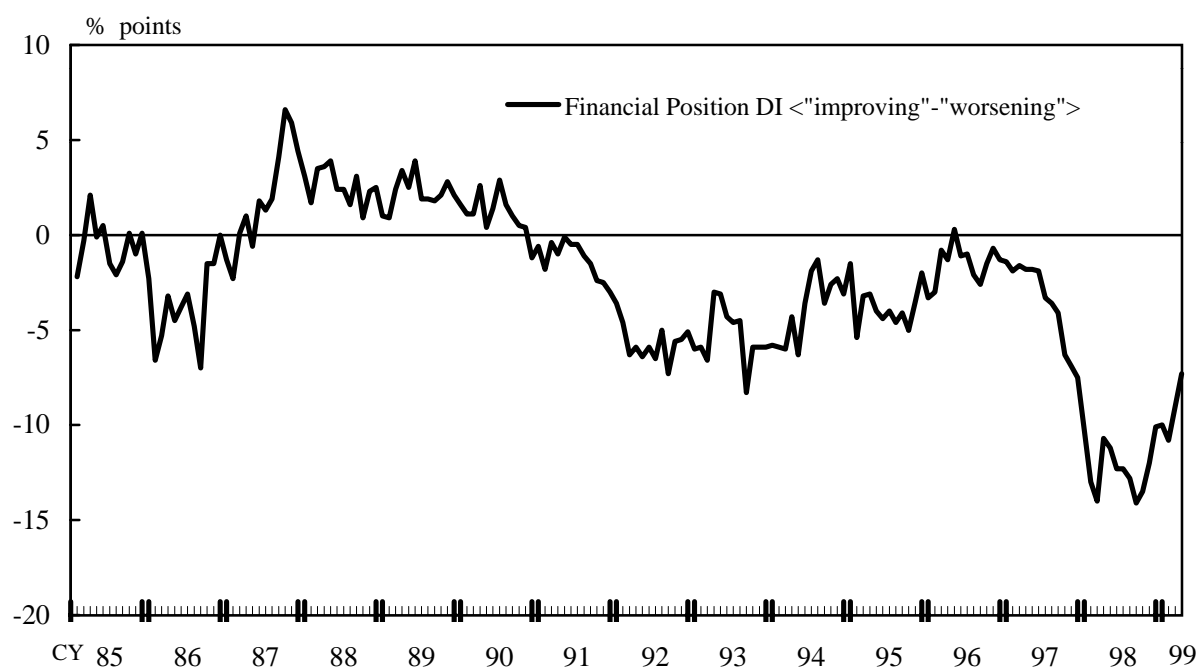
(2) Economic Survey of Small Businesses²



Notes: 1. Sample: 4,528 companies (responses: 4,260 <March 1999 survey>).
 2. Sample: 12,078 companies (responses: 6,206 <March 1999 survey>).

Sources: Economic Planning Agency, "Business and Investment Survey of Incorporated Enterprises";
 Japan Finance Corporation for Small Business, "Economic Survey of Small Businesses."

Corporate Finance-Related Indexes

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

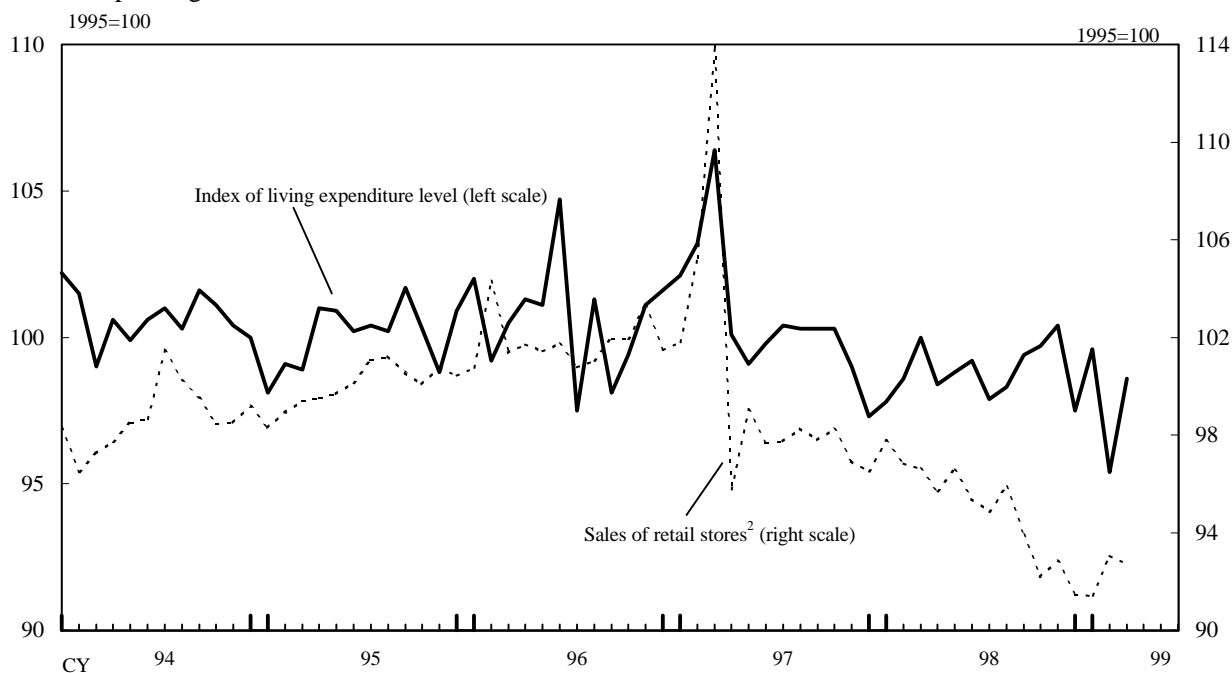
Notes: 1. Sample: 900 companies (valid responses: 655 <April 1999 survey>).

2. Sample: 800 companies (all responses <April 1999 survey>).

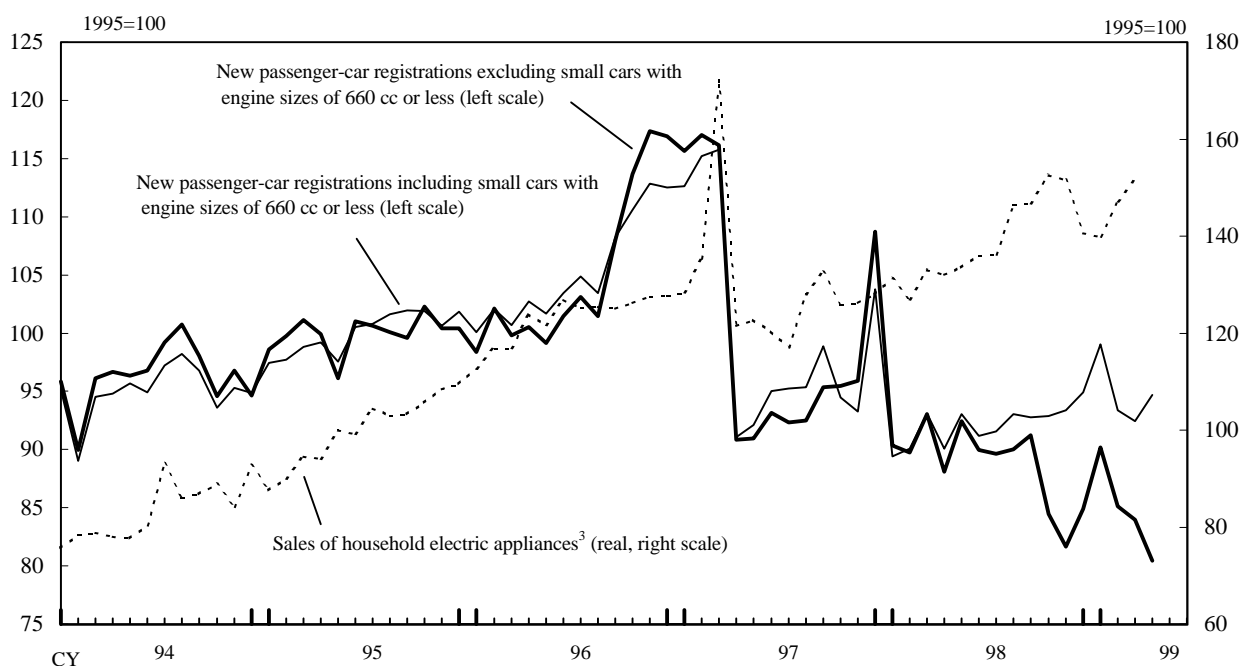
Sources: Japan Finance Corporation for Small Businesses, "Monthly Survey on Trends of Small Businesses"; The Shoko Chukin Bank, "Business Survey Index for Small and Medium-Sized Businesses."

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";

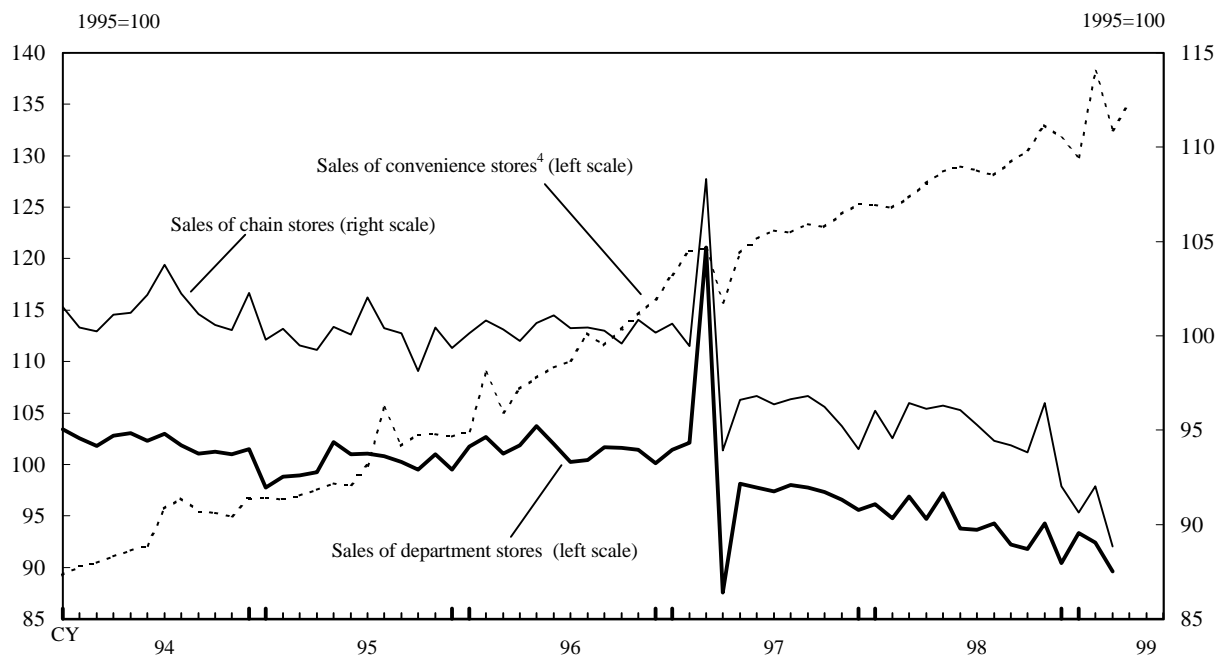
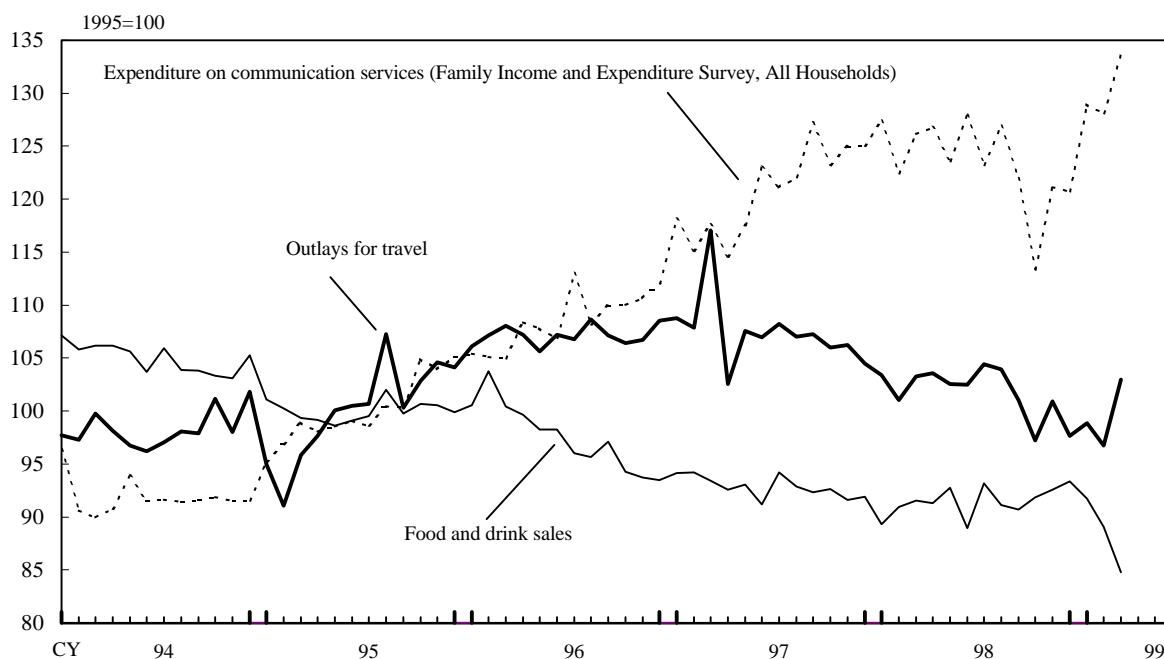
Ministry of International Trade and Industry, "Current Survey of Commerce";

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.

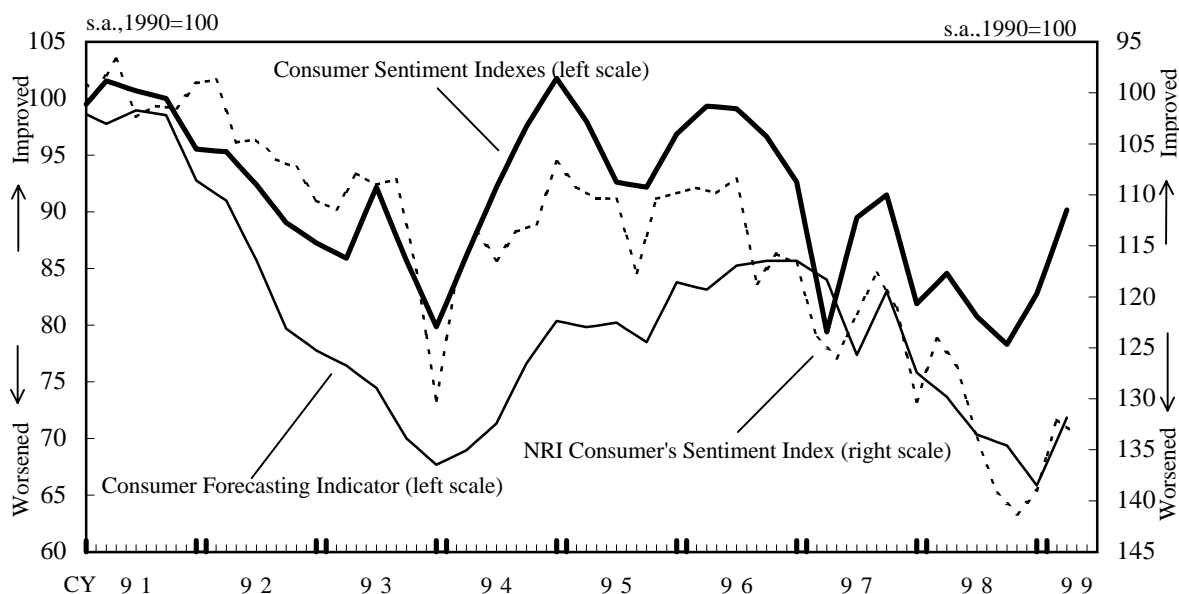
3. Outlays for travel and Food and drink sales are adjusted to exclude the effect of the rise of the consumption tax rate.

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."

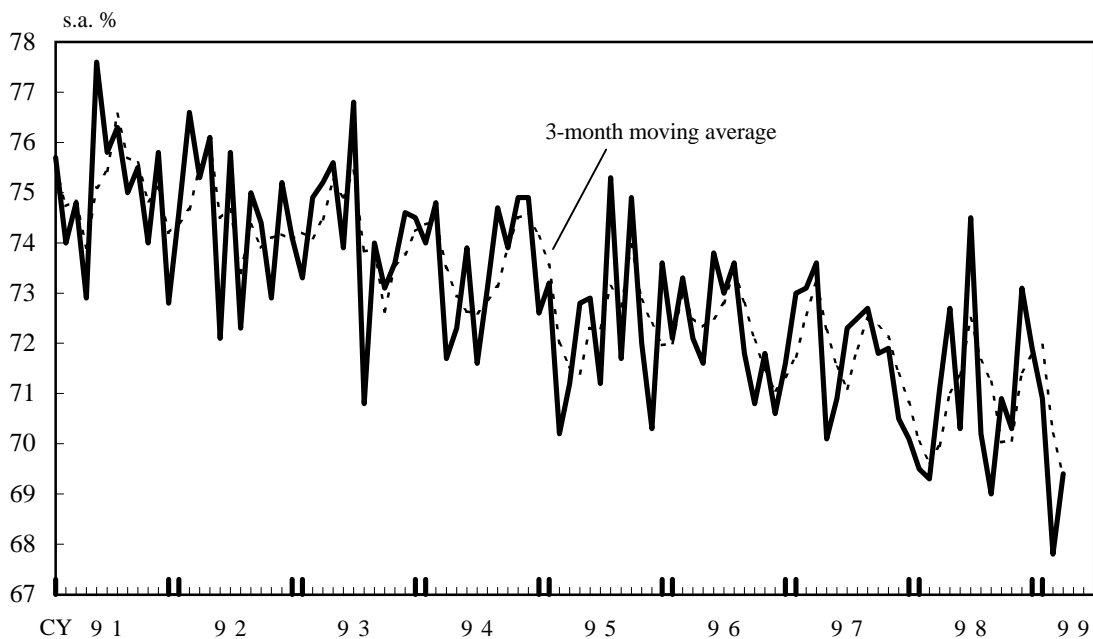
Consumer Confidence and Propensity to Consume

(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.

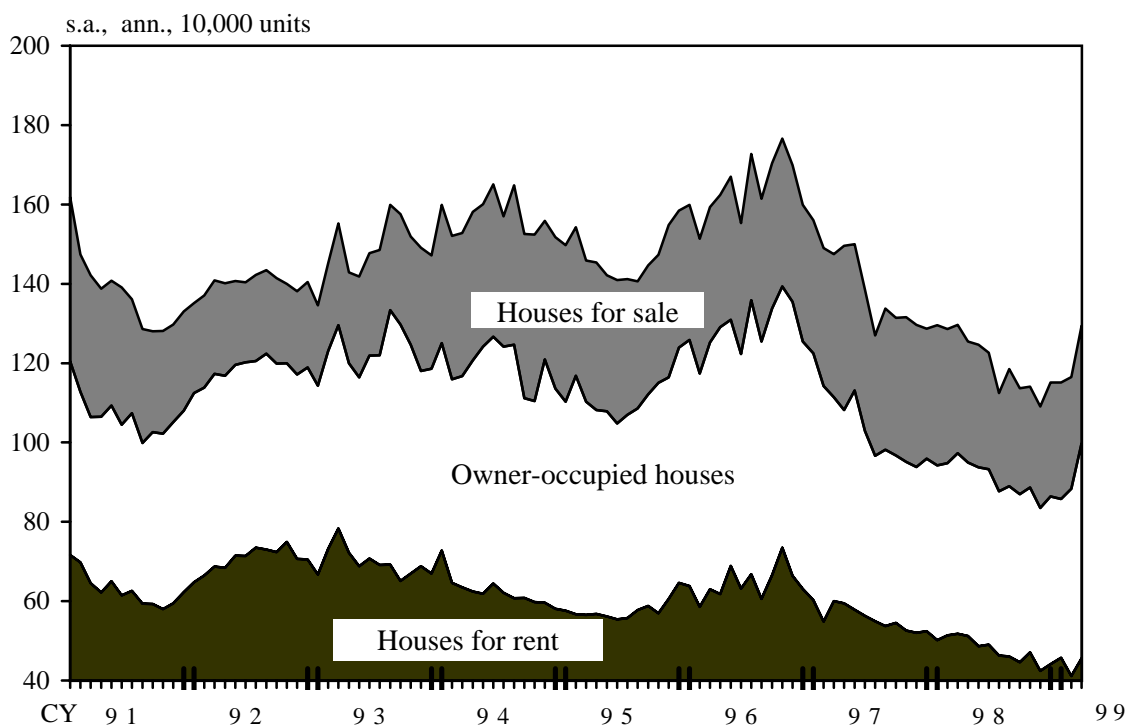
(2) Propensity to consume (Family Income and Expenditure Survey)



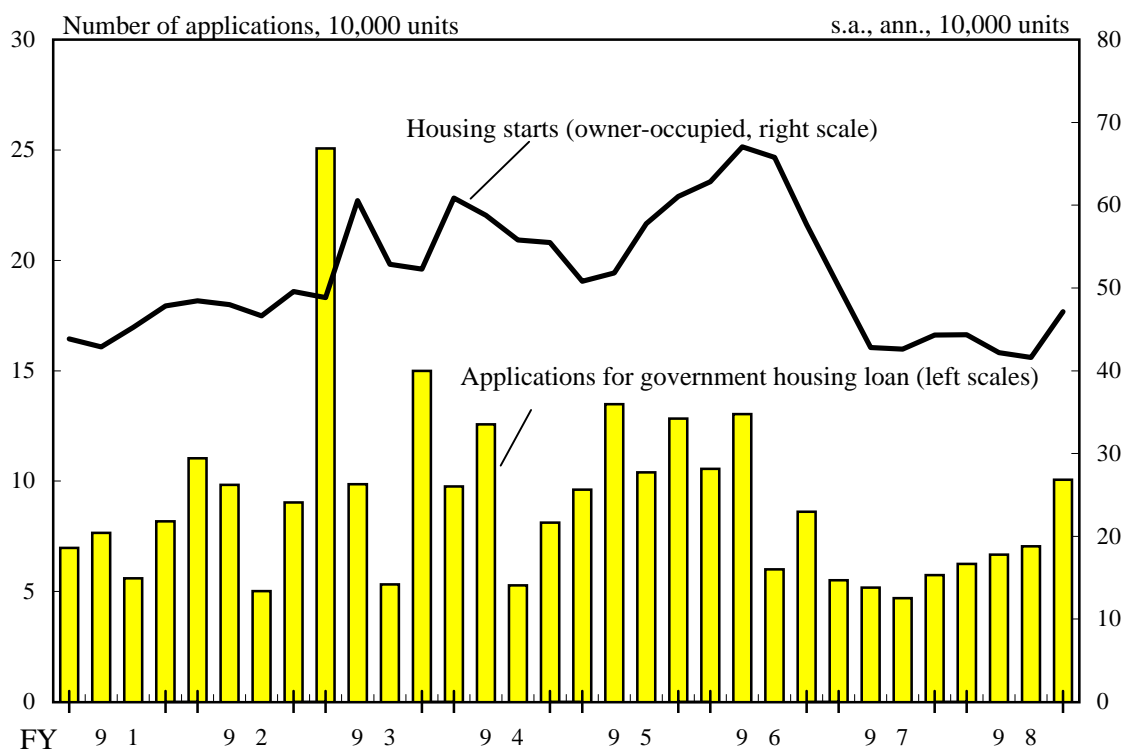
Sources: Economic Planning Agency, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (Nikkei RIM), "Consumption Forecasting Indicator";
 Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey";
 Nippon Research Institute (NRI), "Consumer's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

Major Indexes of Housing Investment

(1) Housing starts

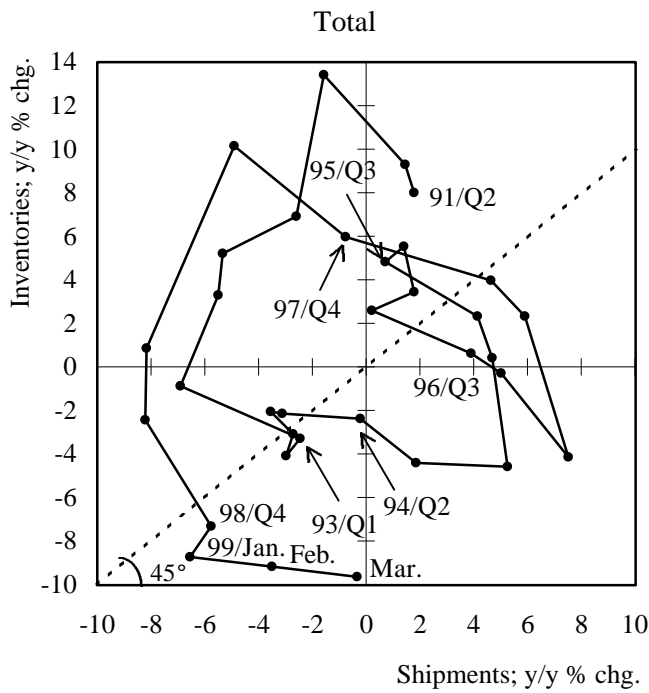


(2) Number of applications for government housing loan (for new owner-occupied homes)

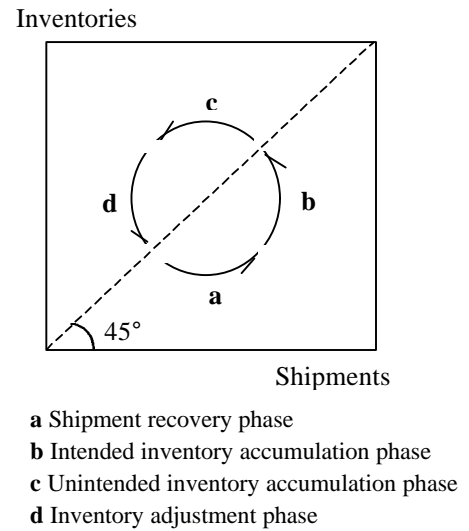


Source: Ministry of Construction, "Monthly of Construction Statistics", etc.

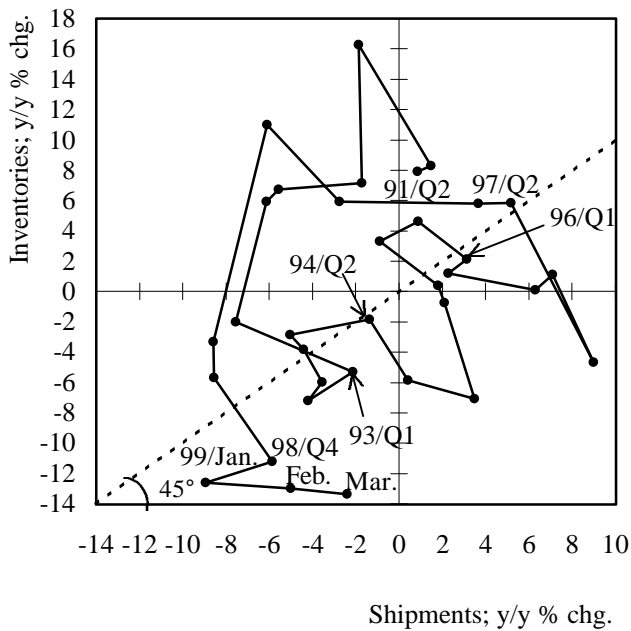
Inventory Cycle



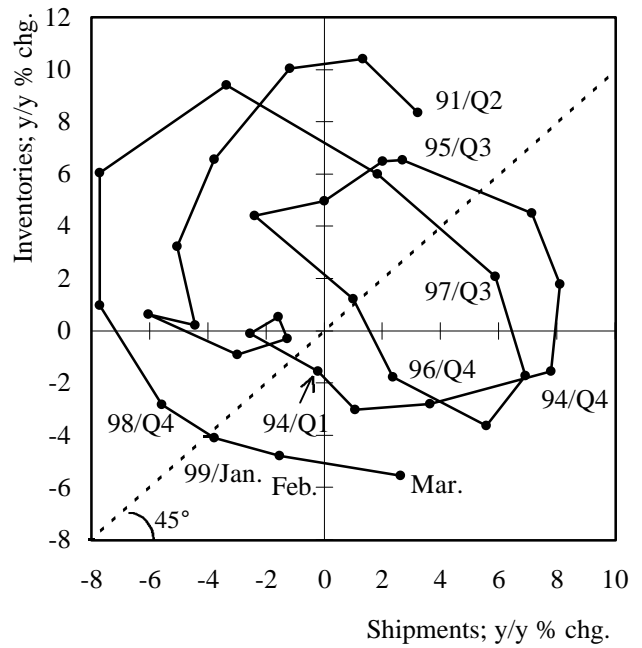
Phases in the Inventory Cycle



Final Demand Goods



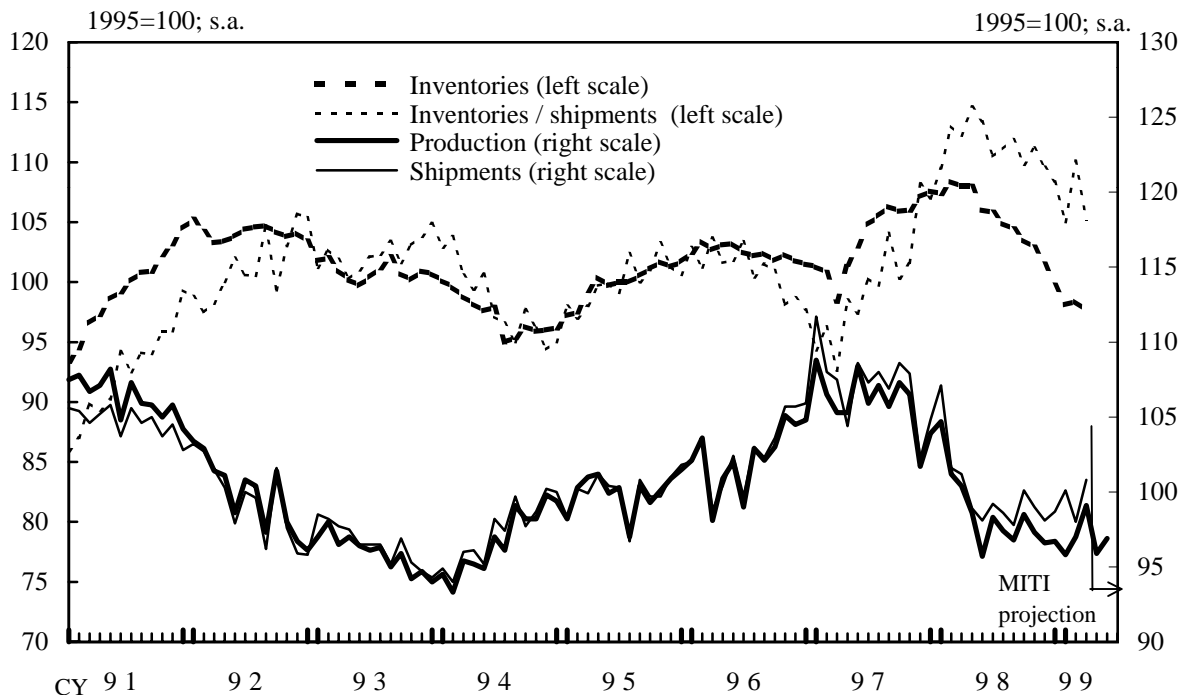
Production Goods



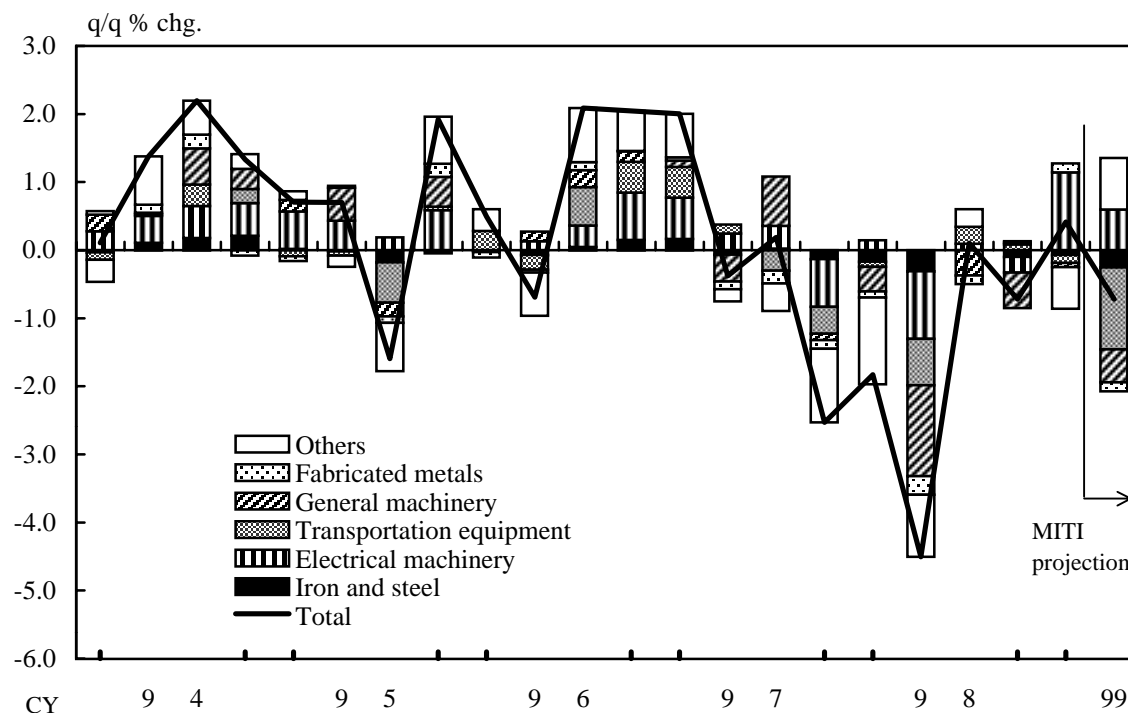
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

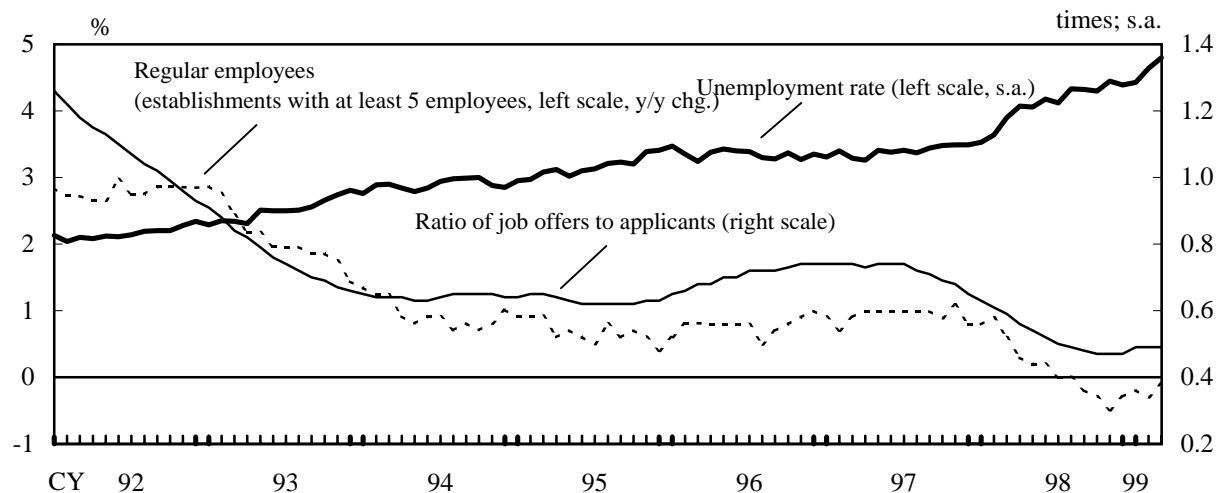


Note: Transportation equipment excludes ships and rolling stock.

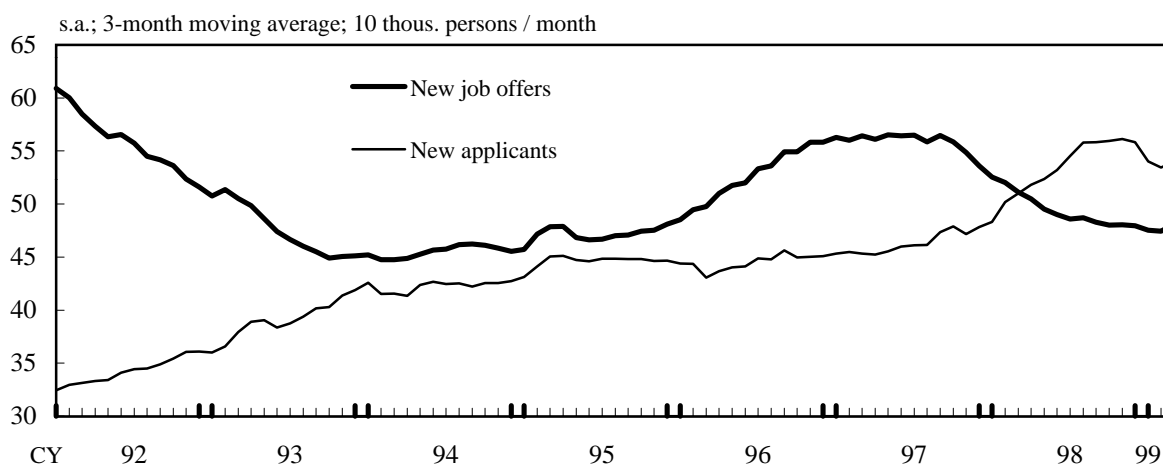
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Labor

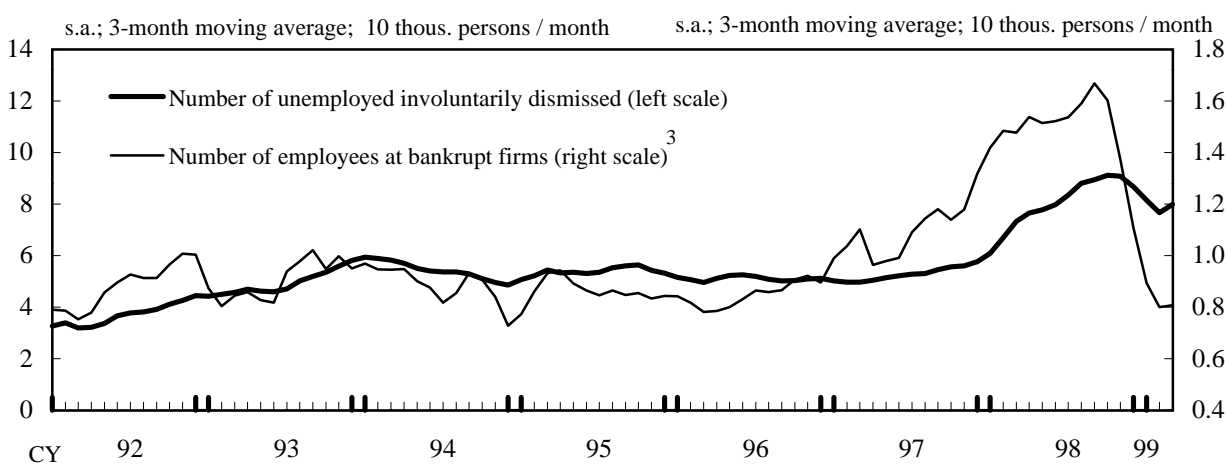
(1) Monthly



(2) New Job Offers and New Applicants¹



(3) Number of Unemployed Involuntarily Dismissed and Employees at Bankrupt Firms²



Notes: 1. Excludes jobs offered to new graduates.

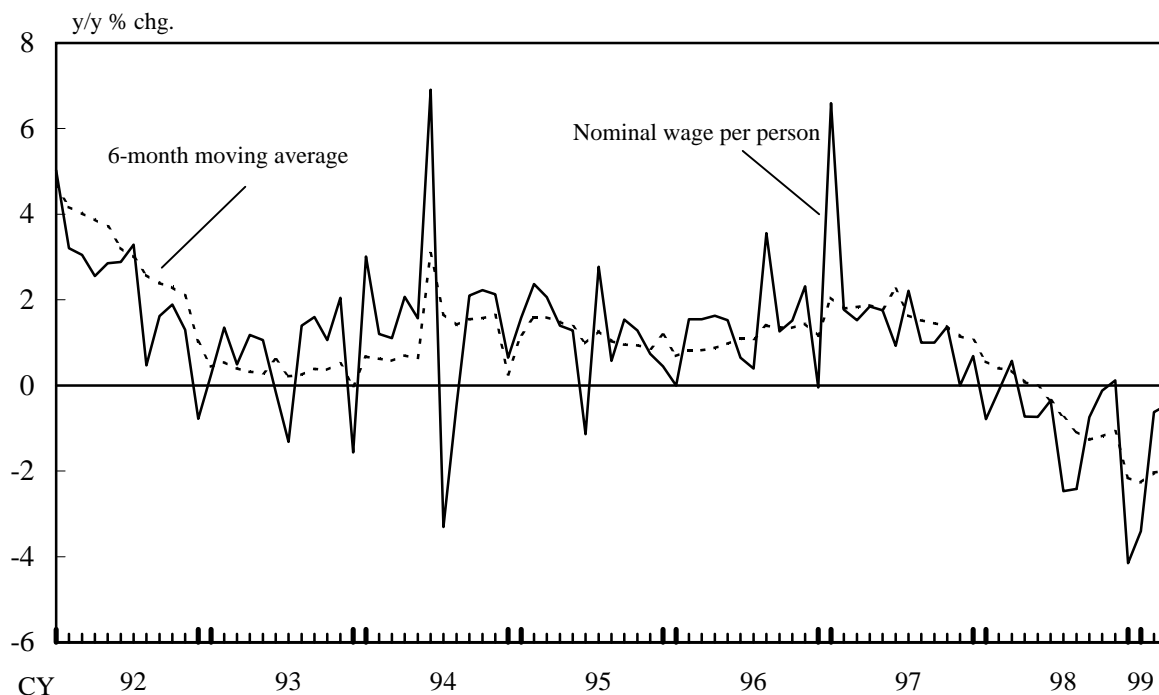
2. Seasonally adjusted by X-11.

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

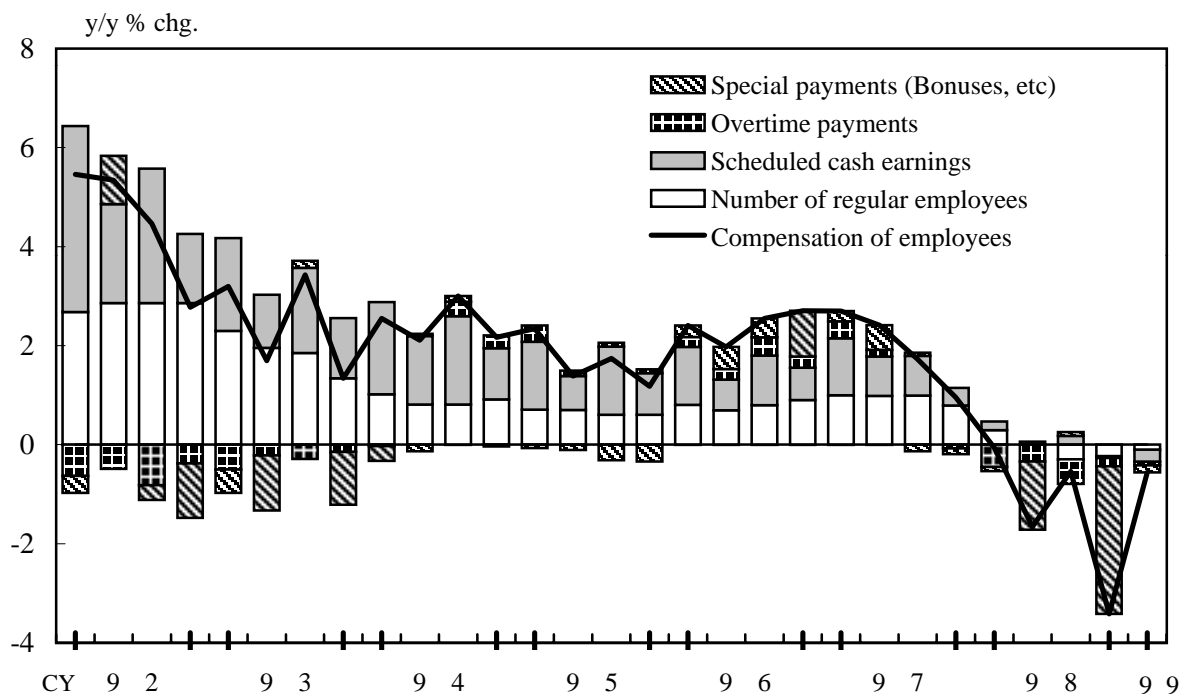
Sources: Ministry of Labor, "Monthly Labor Survey", "Report on Employment Service", "Report on Employment Insurance Service"; Management and Coordination Agency, "Labor Force Survey"; Teikoku Databank Ltd., "Japan's Business Failure."

Compensation of Employees¹

(1) Nominal Wage per Person



(2) Breakdown of Compensation^{2,3}

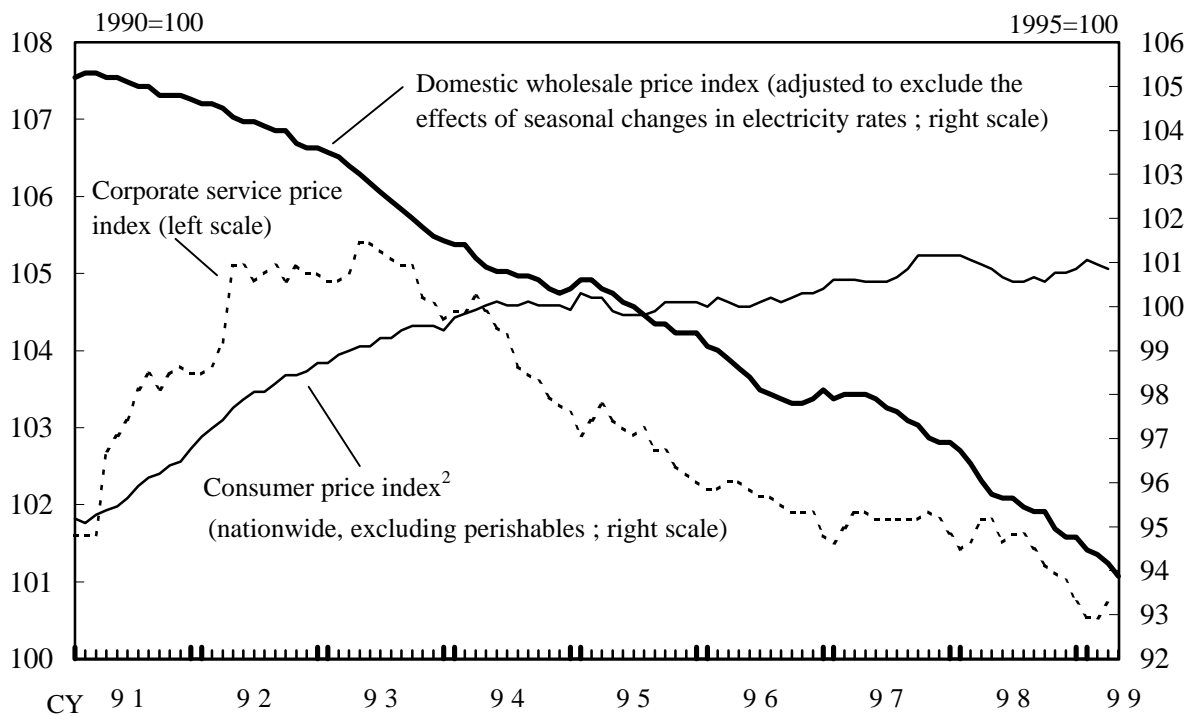


Notes: 1. Data for establishments with at least 5 employees.
 2. Q1= Mar-May, Q2= Jun-Aug, Q3=Sep-Nov, Q4= Dec-Feb.
 3. The data in 99/Q1 are those of March, 99.

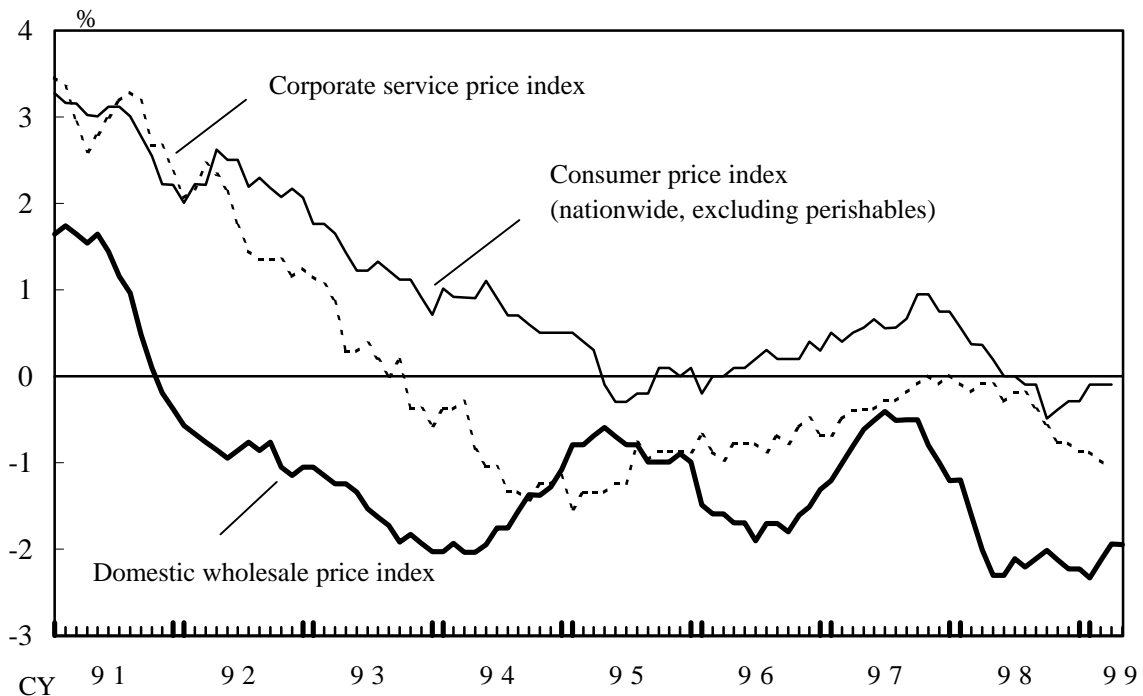
Source: Ministry of Labor, "Monthly Labor Survey."

Prices¹

(1) Level



(2) Changes from a year earlier



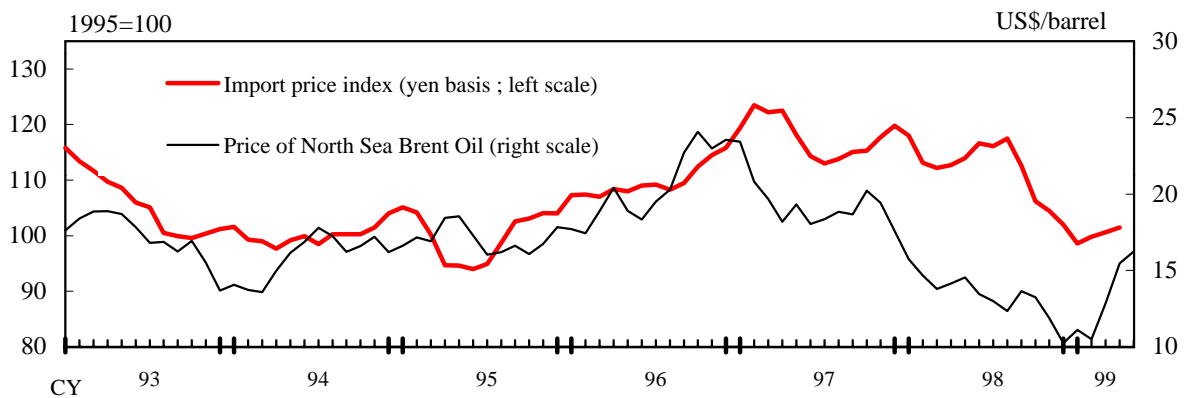
Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.

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.

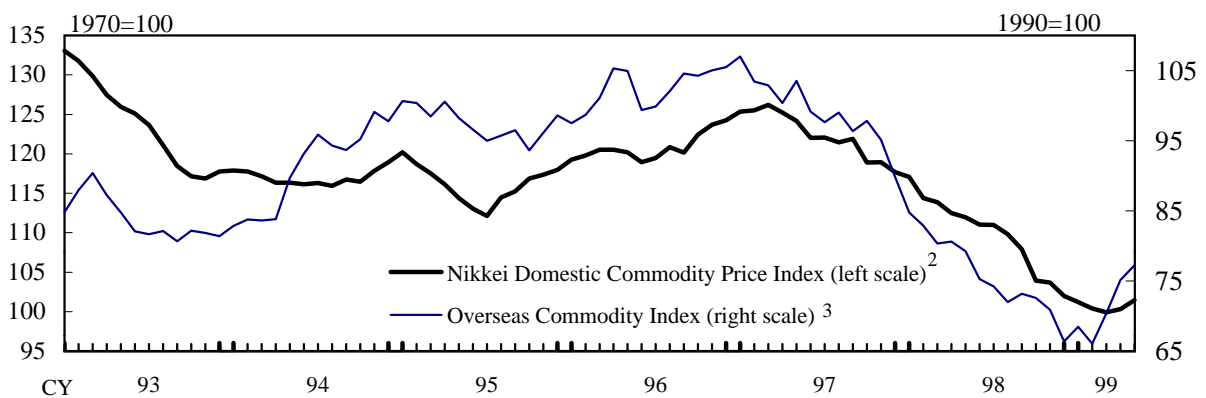
Sources: Management and Coordination Agency, "Consumer Price Index";
Bank of Japan, "Wholesale Price Indexes", "Corporate Service Price Index."

Import Prices and Domestic Wholesale Prices

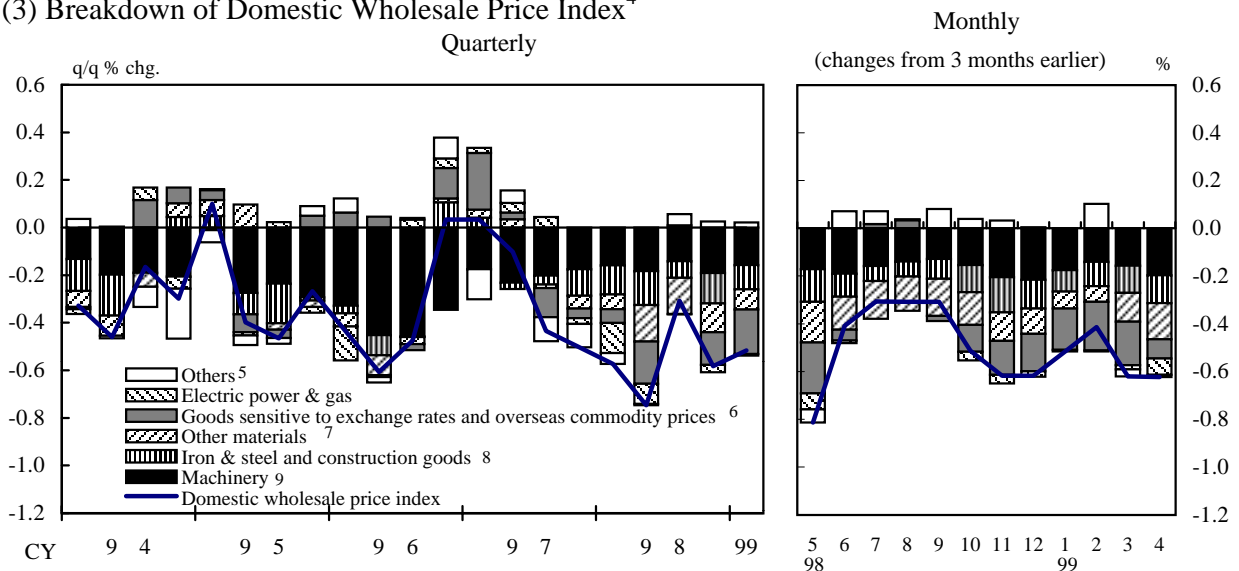
(1) Import Price Index (yen basis) and Crude Oil Price¹



(2) Domestic Commodity Market



(3) Breakdown of Domestic Wholesale Price Index⁴



Notes: 1. Data for May, 1999 are May 1-14 average.

2. Data for May, 1999 are as of May 14.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for May 1999 are May 1-14 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 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.

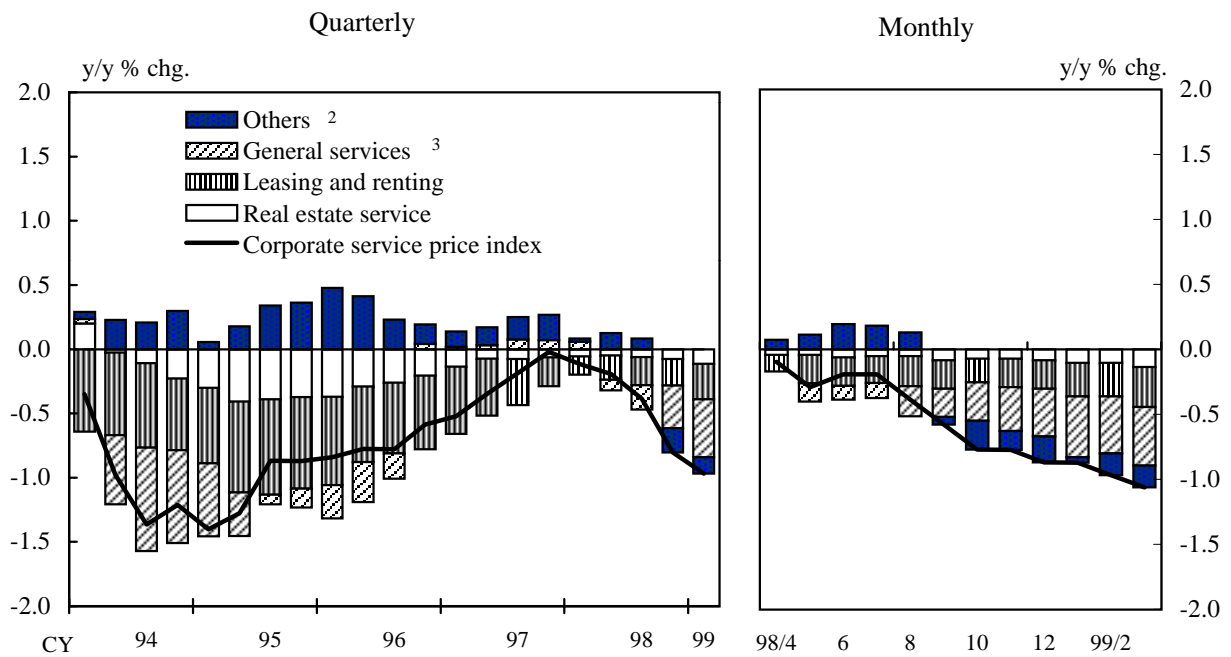
8. Iron & steel and construction goods = iron & steel + metal products + ceramics, stone & clay products + lumber & wood products + scrap & waste.

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

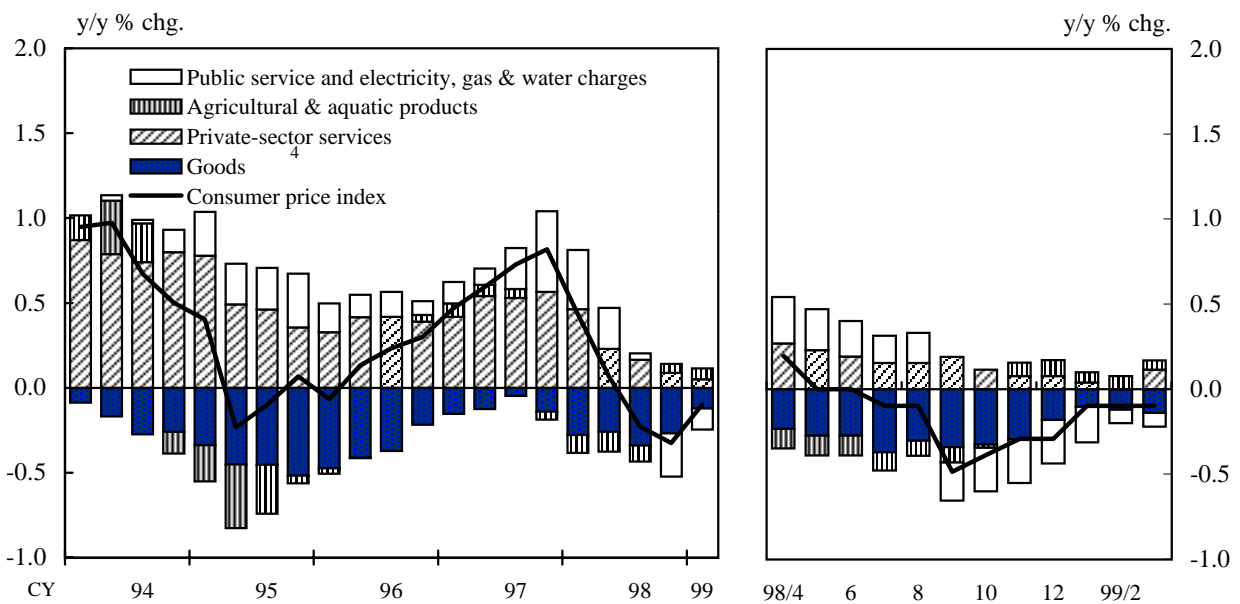
Sources: Bank of Japan, "Wholesale Price Indexes", "Financial and Economic Statistics Monthly", "Nippon Ginko Chousa Geppo (Bank of Japan Monthly Bulletin)"; Nihon Keizai Shimbun Inc., "Nikkei Domestic Commodity Price Index."

Corporate Service Prices and Consumer Prices¹

(1) Breakdown of Corporate Service Price Index



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



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.

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.

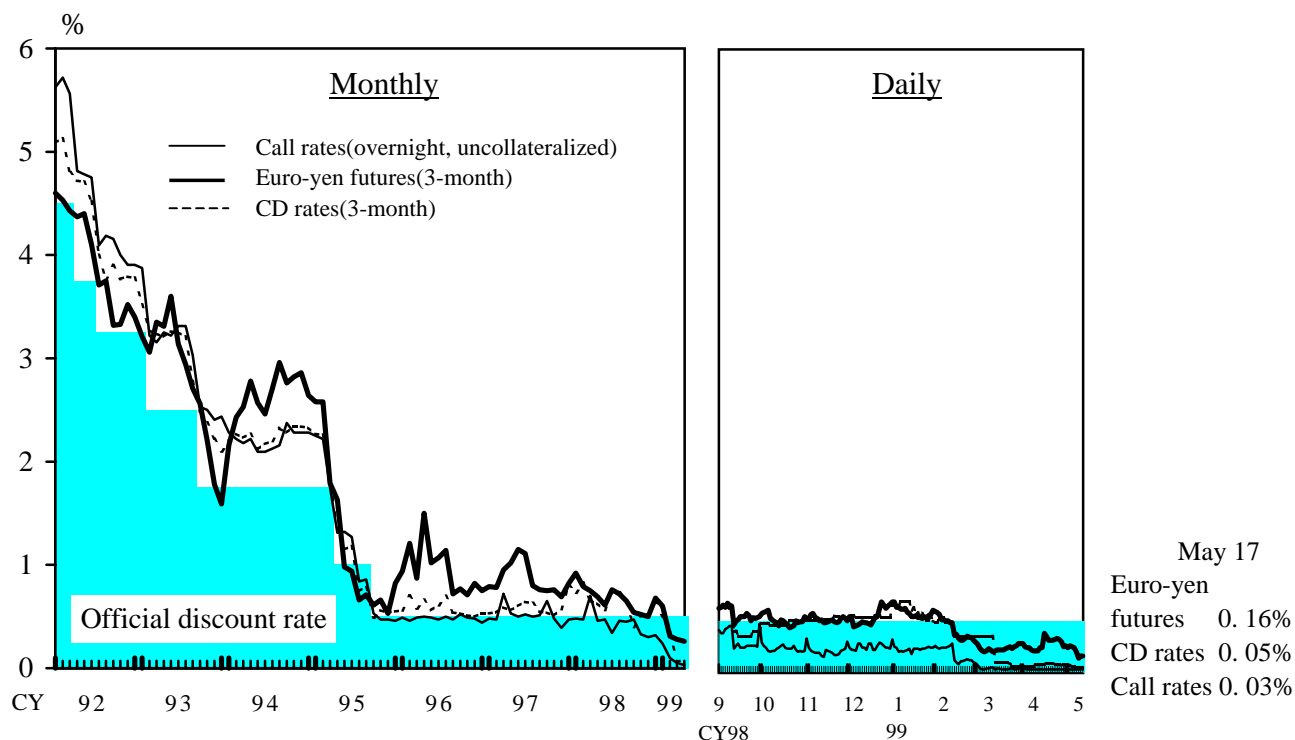
3. General services = finance & insurance + transportation + information services + communications + advertisement + building maintenance & construction planning + temporary worker services + machinery maintenance, etc. (excluding items in "others").

4. Excludes agricultural and aquatic products.

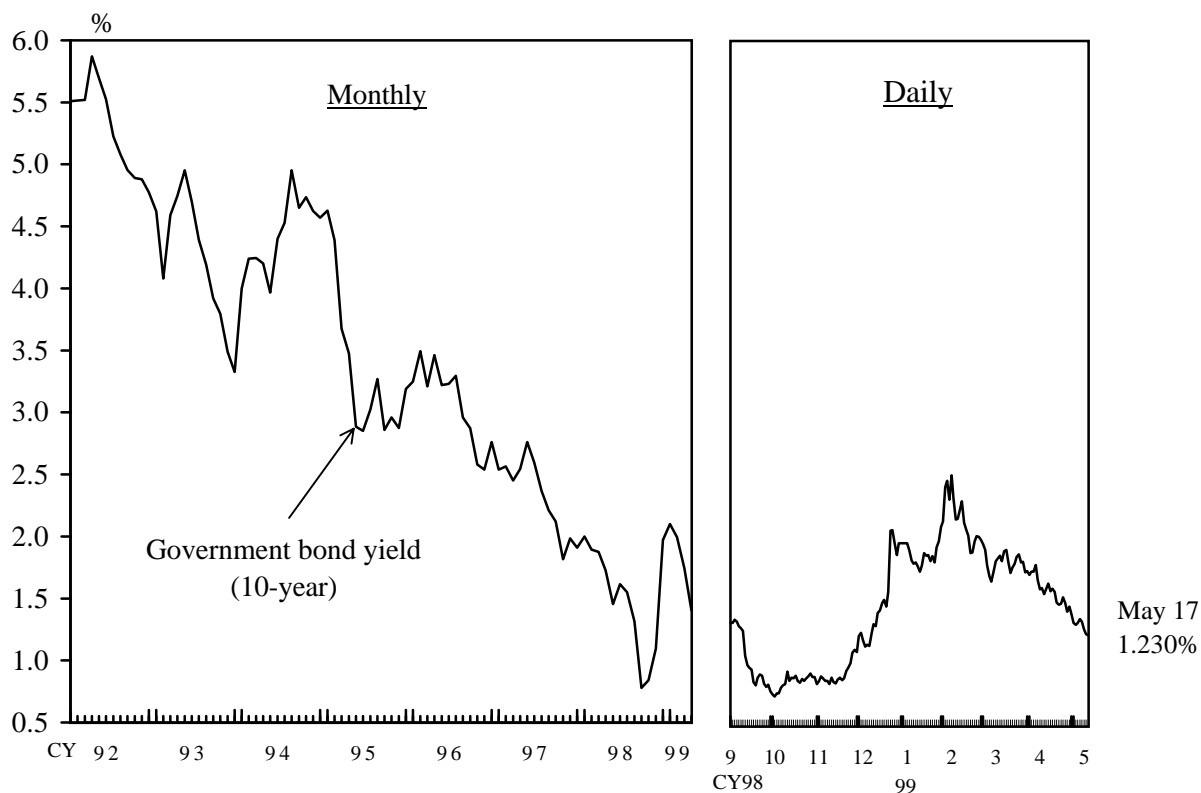
Sources: Management and Coordination Agency, "Consumer Price Index";
Bank of Japan, "Corporate Service Price Index."

Interest Rates

(1) Short-Term



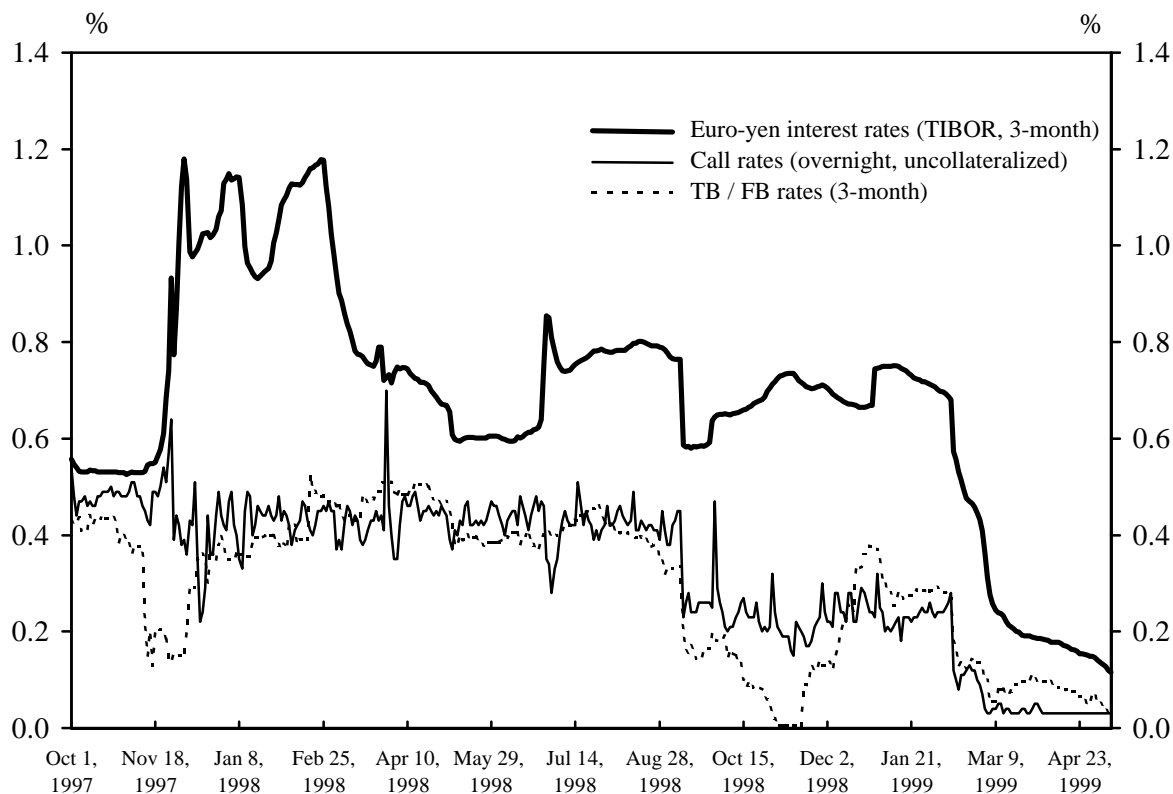
(2) Long-Term



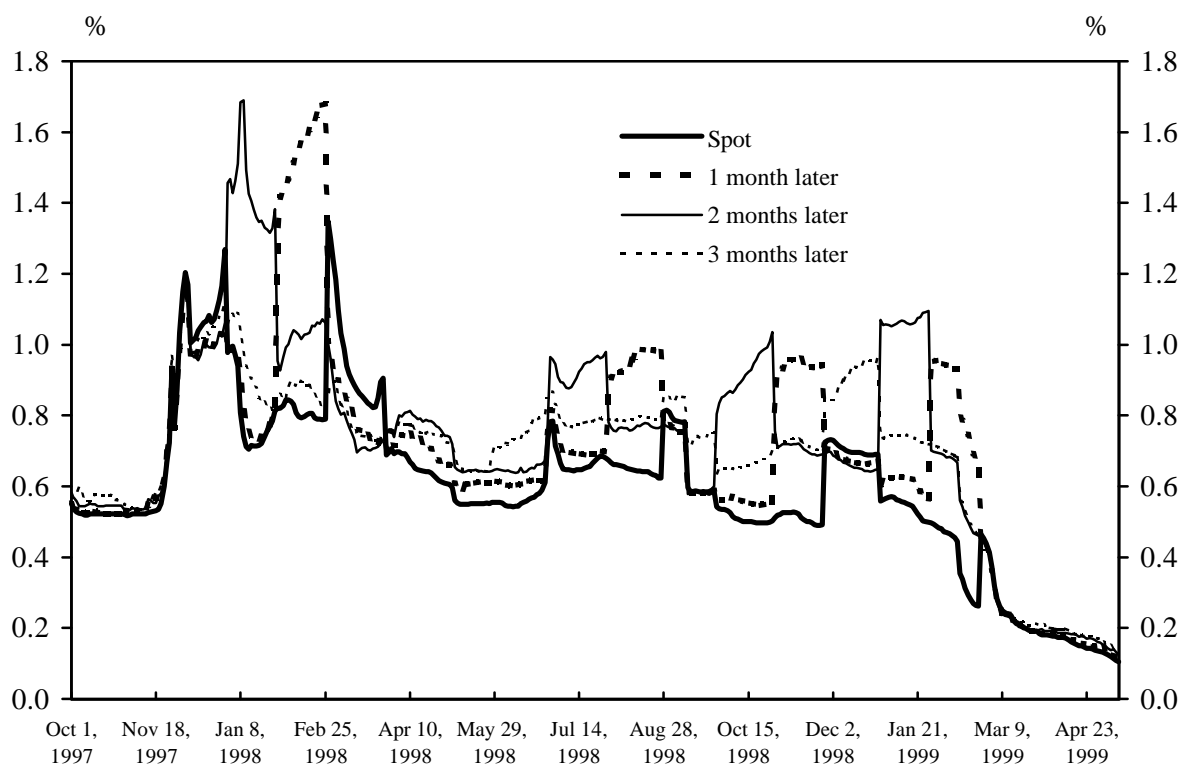
Sources: Bank of Japan, Tokyo International Financial Futures Exchange, Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

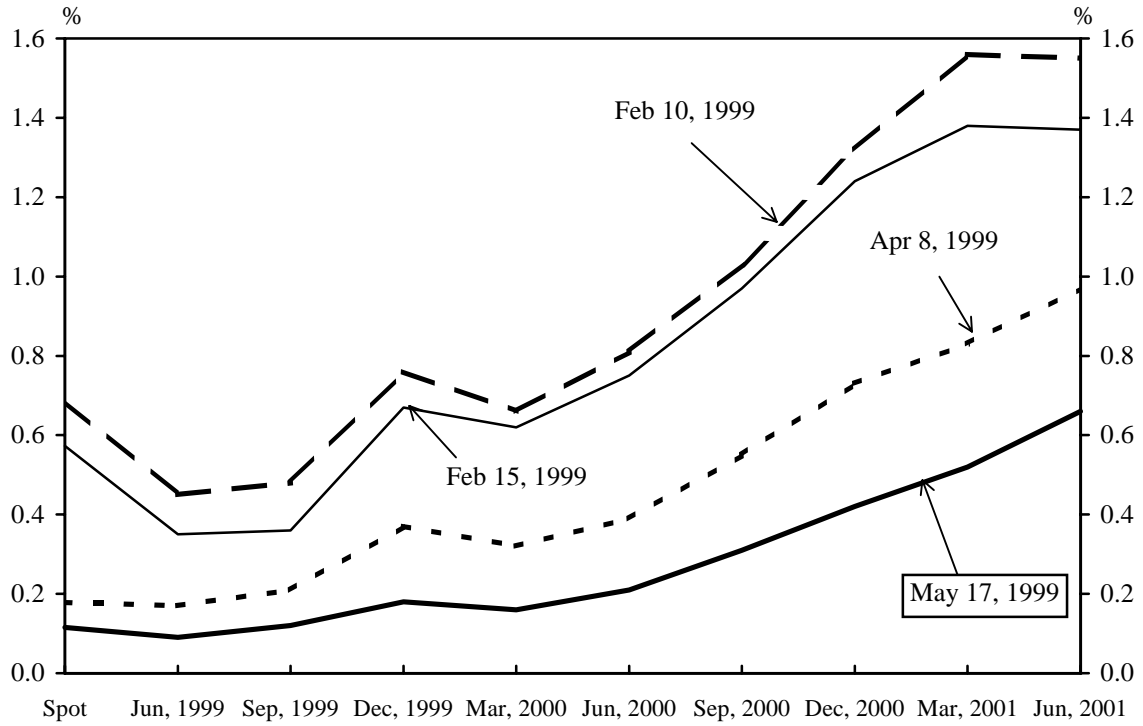


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-yen Interest Rates)



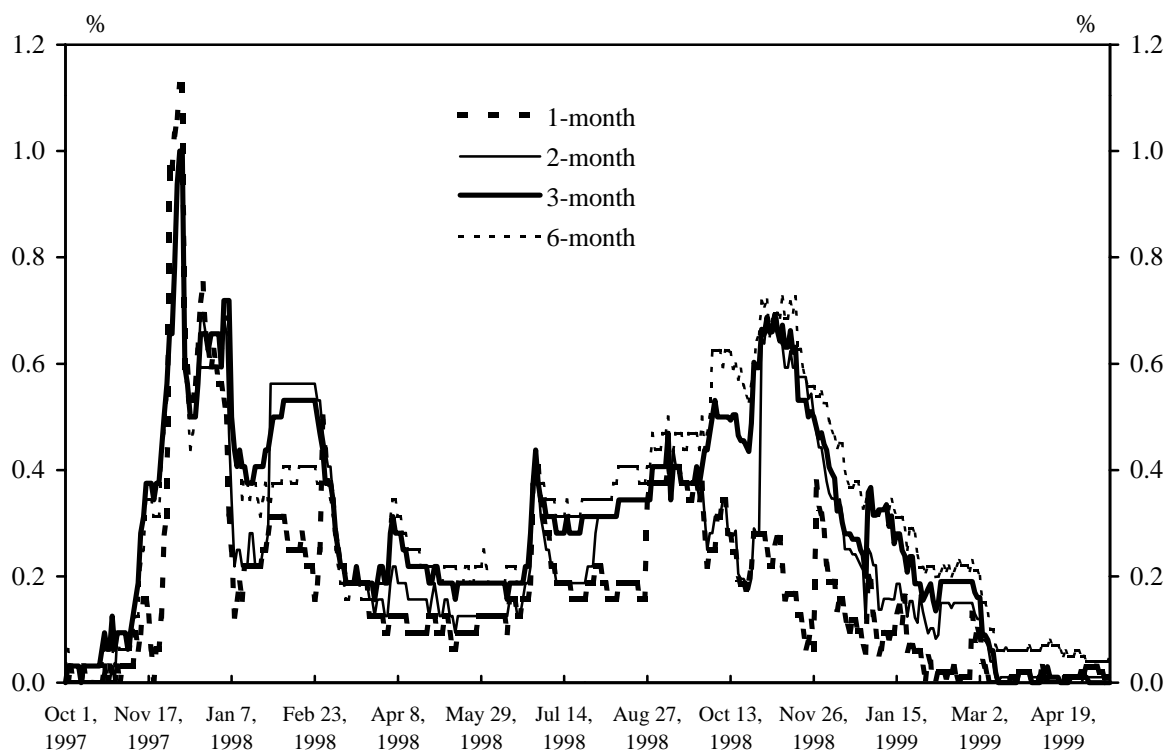
Sources: Bank of Japan, Japanese Bankers Association, Japan Bond Trading Co., Ltd.

Euro-Yen Interest Rates Futures (3-Month)



Source: Tokyo International Financial Futures Exchange.

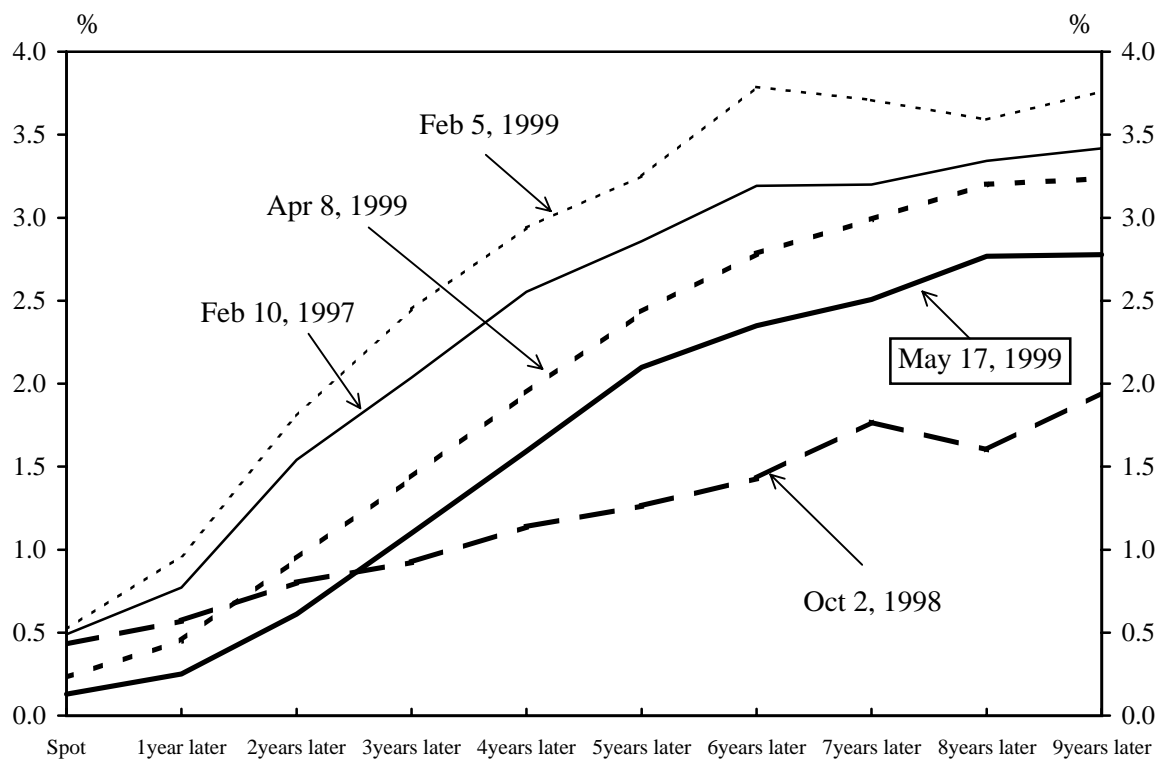
Japan Premium in the Eurodollar Market



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)

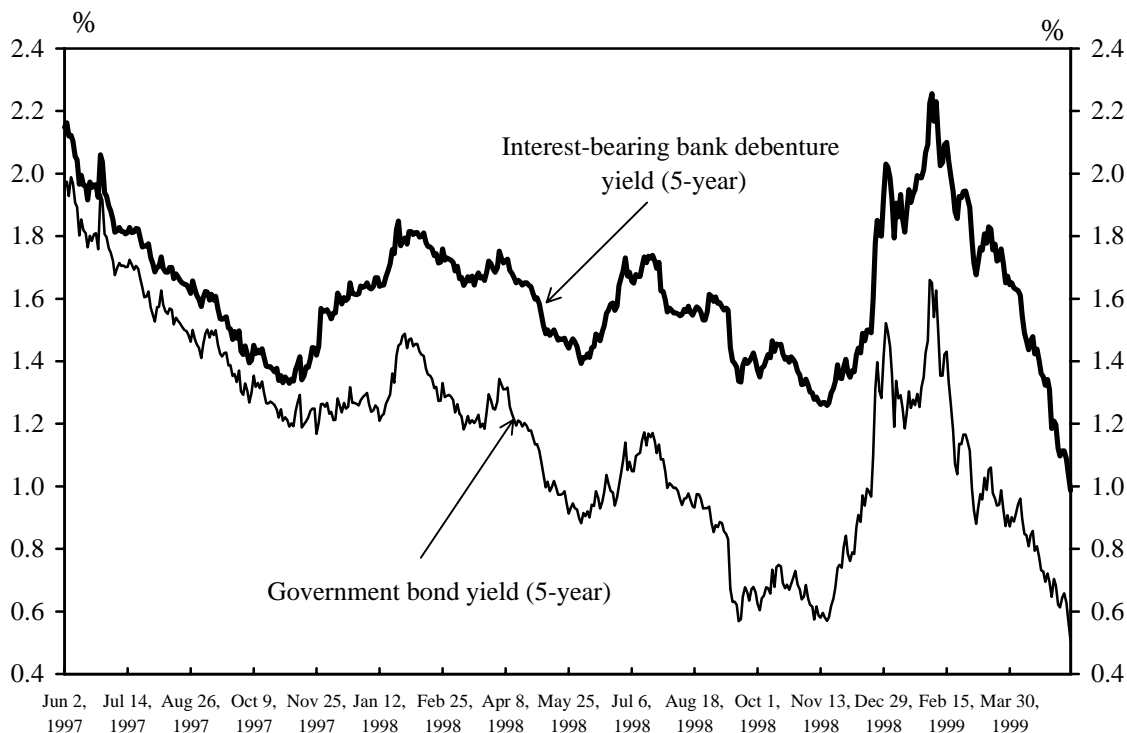


Note: Calculated from yen-yen swap rates.

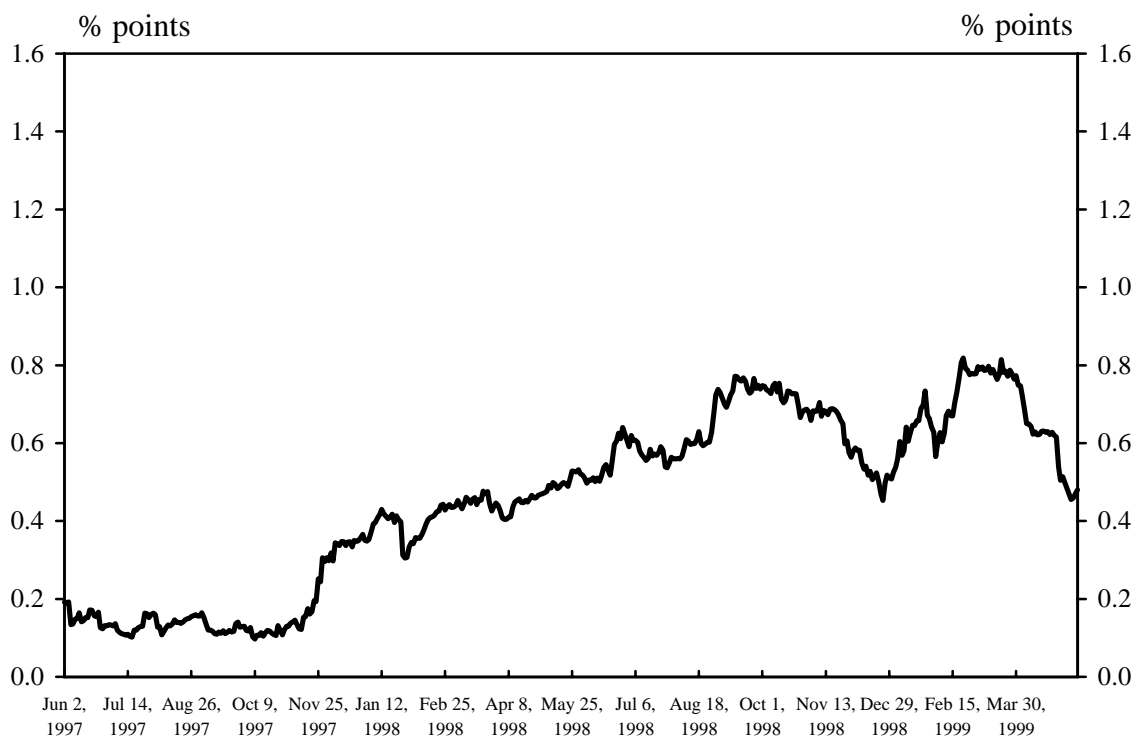
Source: Bank of Japan, "Financial and Economic Statistics Monthly."

Yields of Bank Debentures

(1) Bond Yields



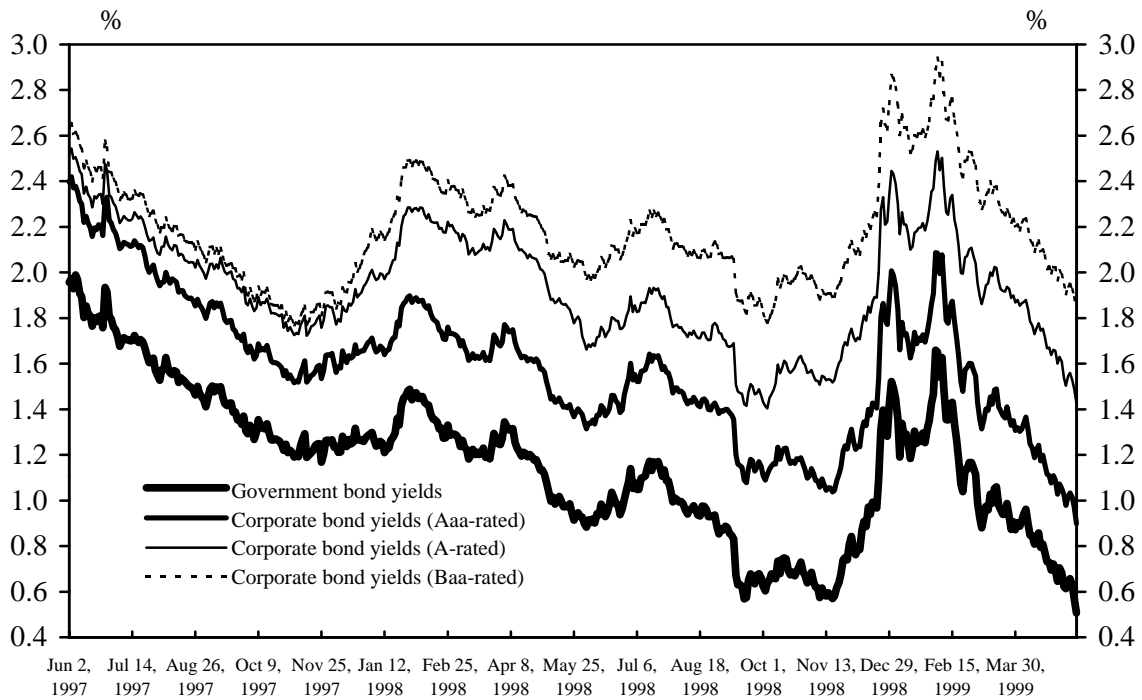
(2) Spread of Bank Debenture and Government Bond Yield



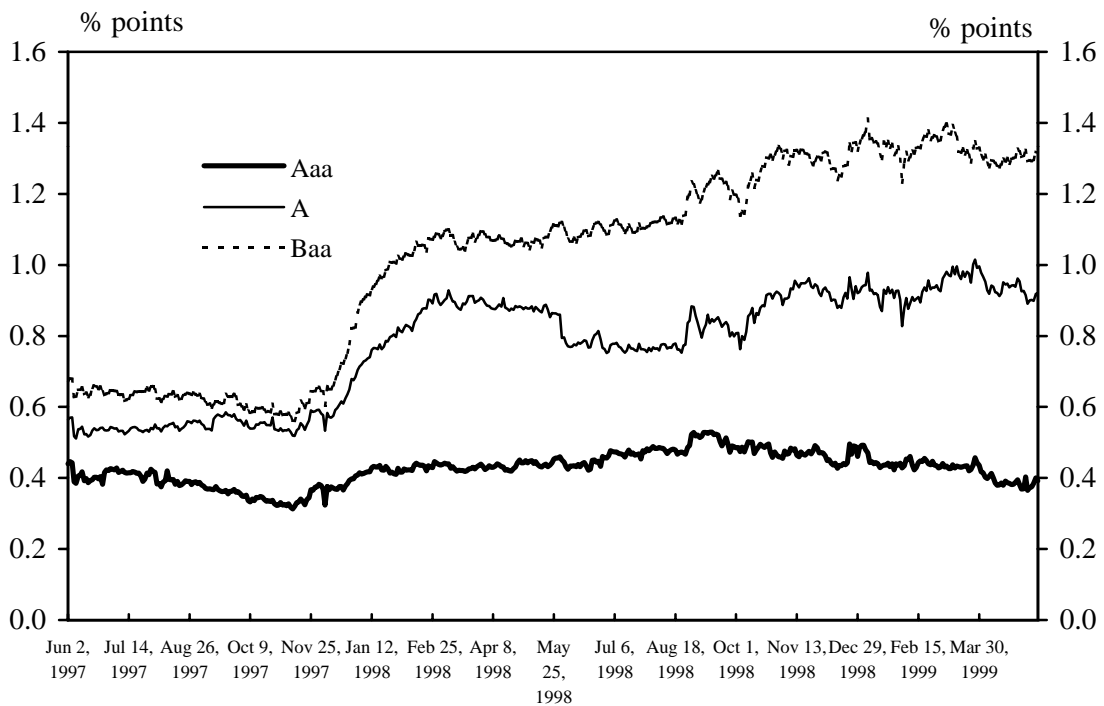
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields

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



(2) Yield Spreads of Public and Corporate Bonds



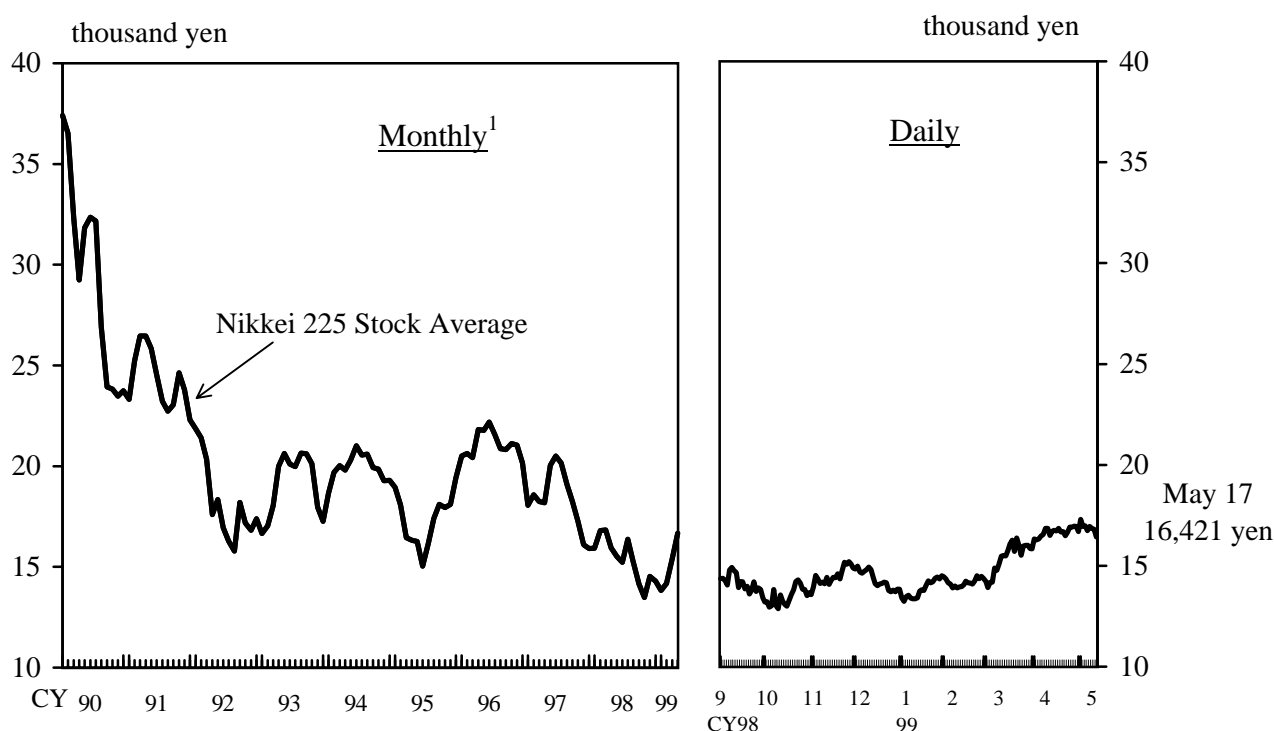
Notes: 1. Yields on bonds with 5-year maturity.

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

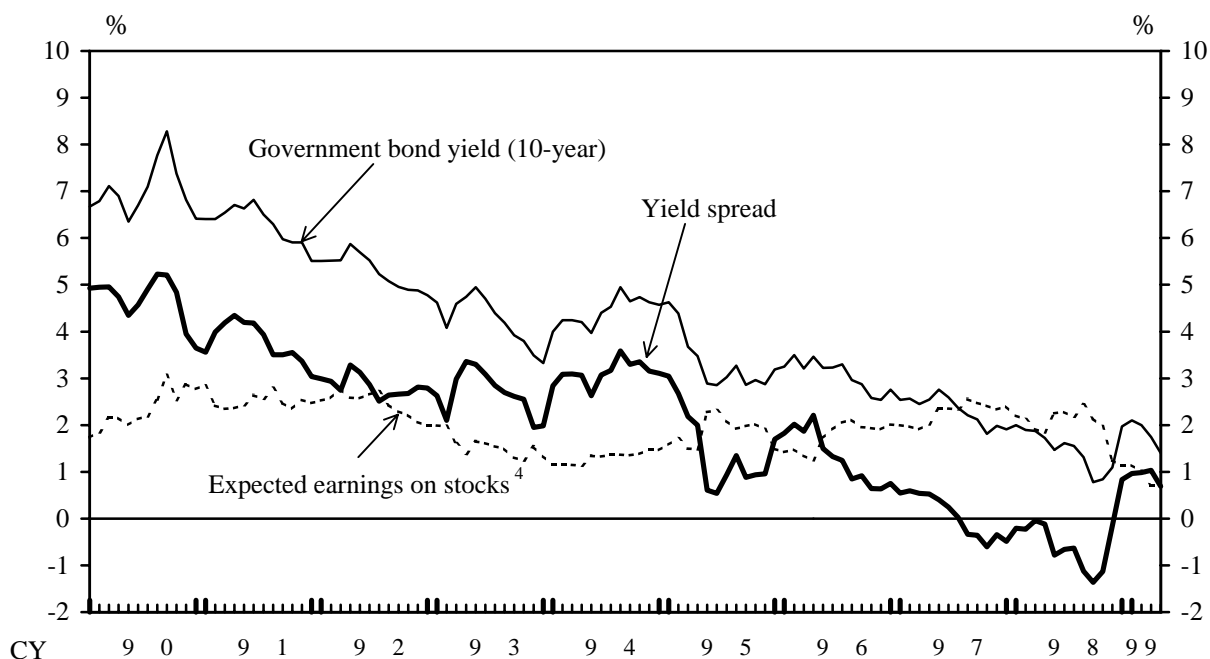
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock prices



(2) Yield Spread^{2, 3}



Notes: 1. Data are monthly averages.

2. Data are at end of period.

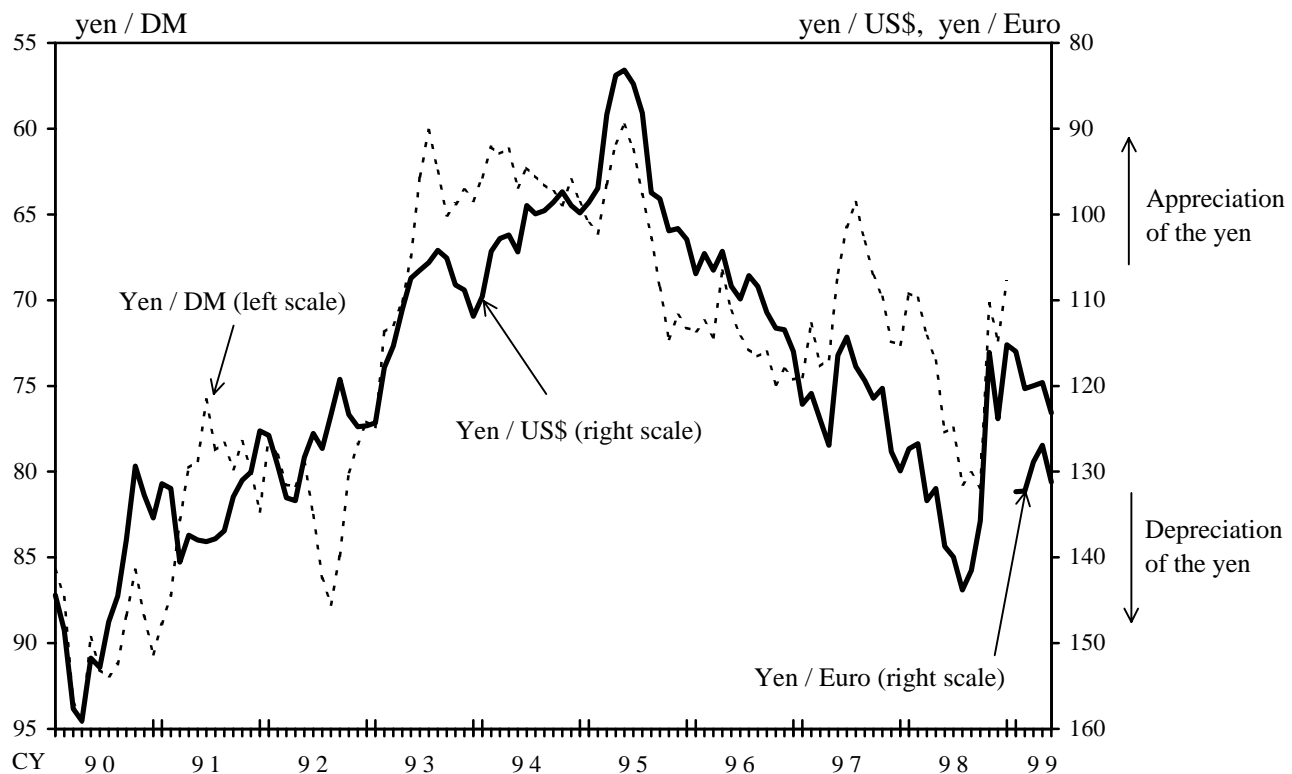
3. Yield spread = government bond yields - expected earnings on stocks, where expected earnings on stocks = 1/expected price earnings ratio.

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

Data are calculated by the Daiwa Research Institute.

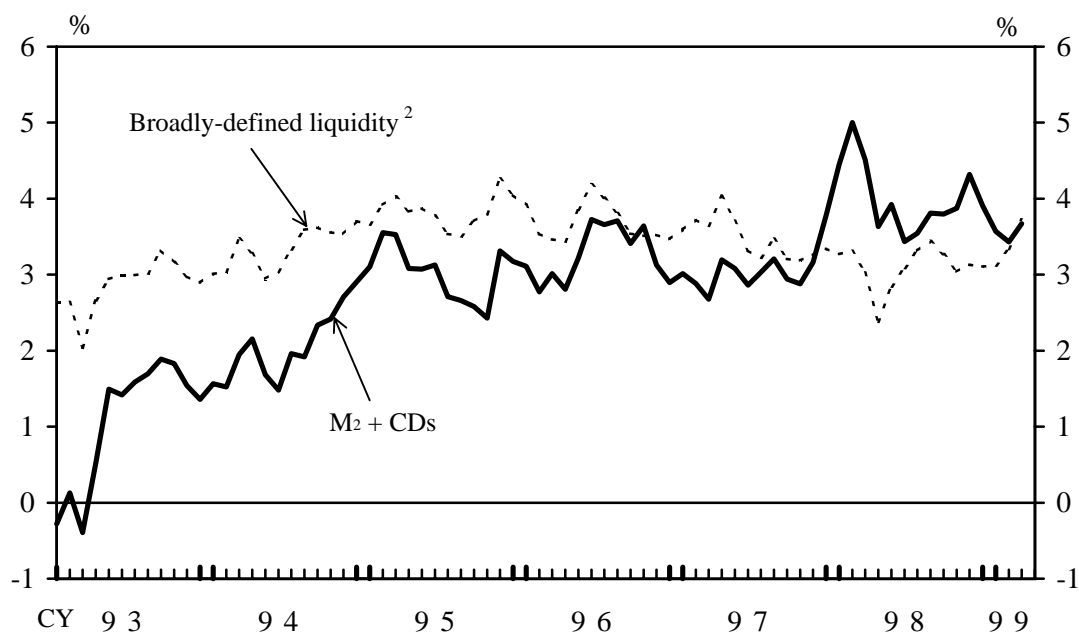
Sources: *The Nihon Keizai Shimbun*; Daiwa Research Institute, "*Daiwa Toushi Shiryou* (Daiwa Investment Information)."

Exchange Rates

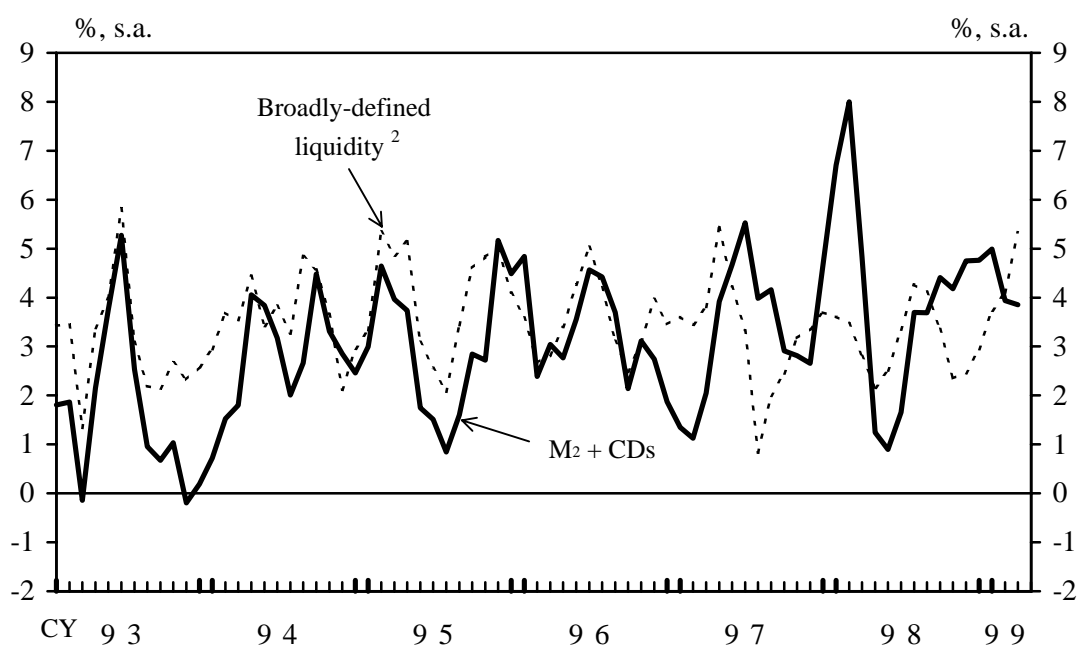


Note: End of month. Data of May 1999 are as of May 17, 1999.
 Source: Bank of Japan.

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

(1) Changes from a Year Earlier ¹

(2) Changes from Three Months Earlier (Annualized)



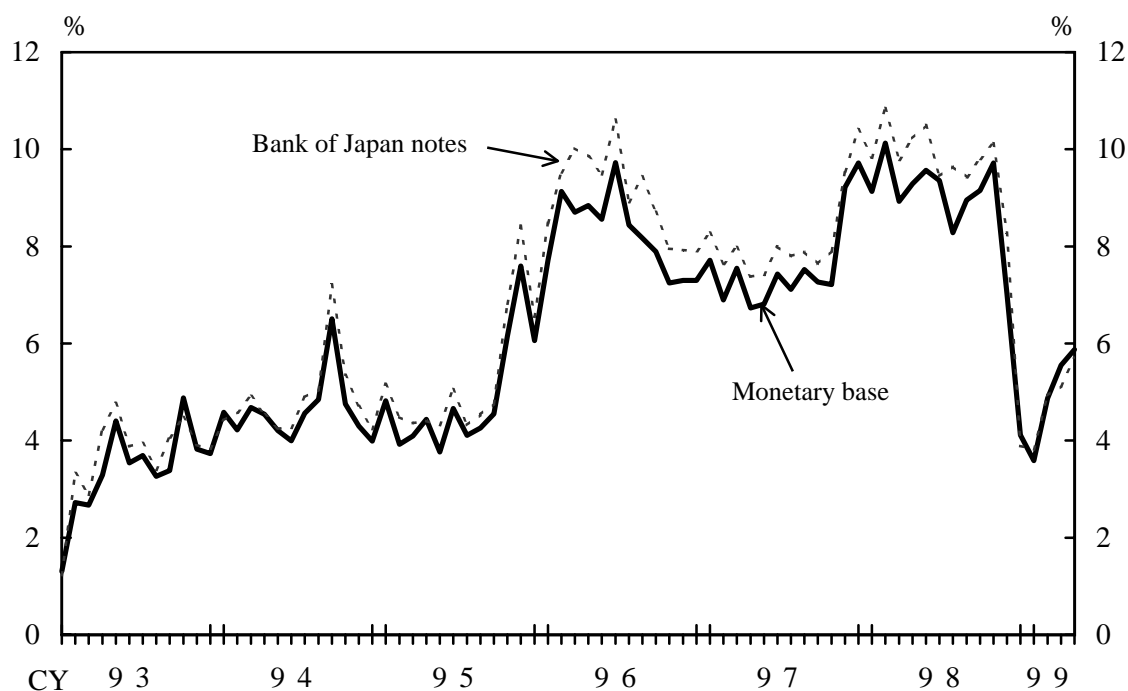
Notes: 1. Percent changes in average amounts outstanding.

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.

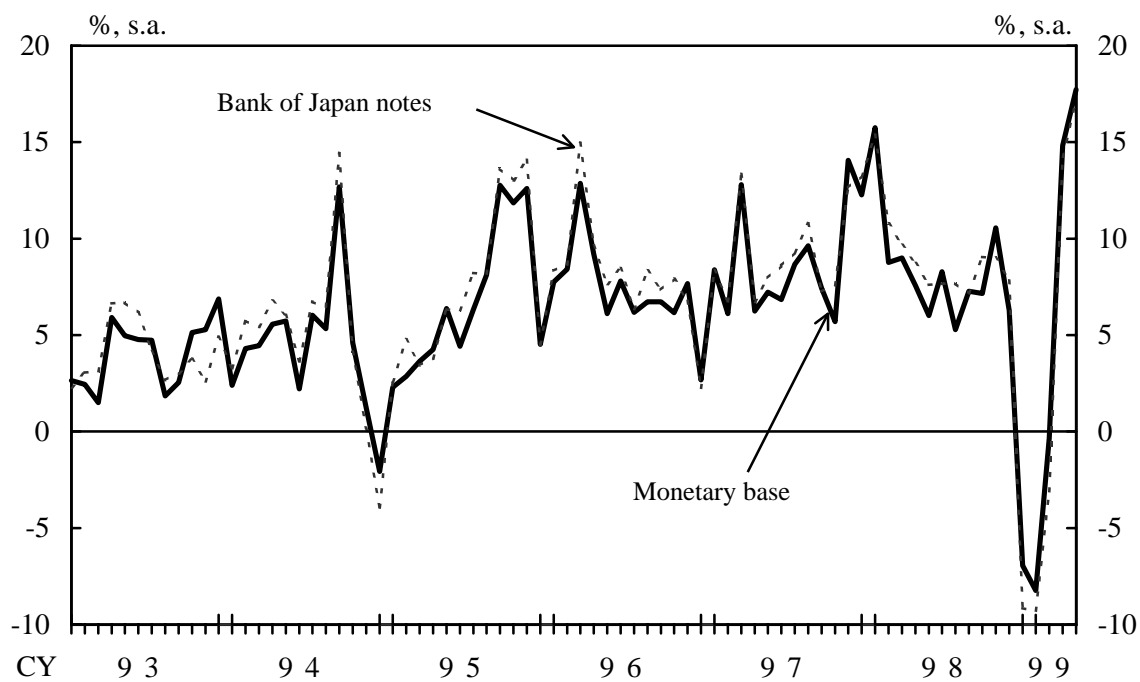
Source: Bank of Japan.

 Monetary Base

(1) Changes from a Year Earlier



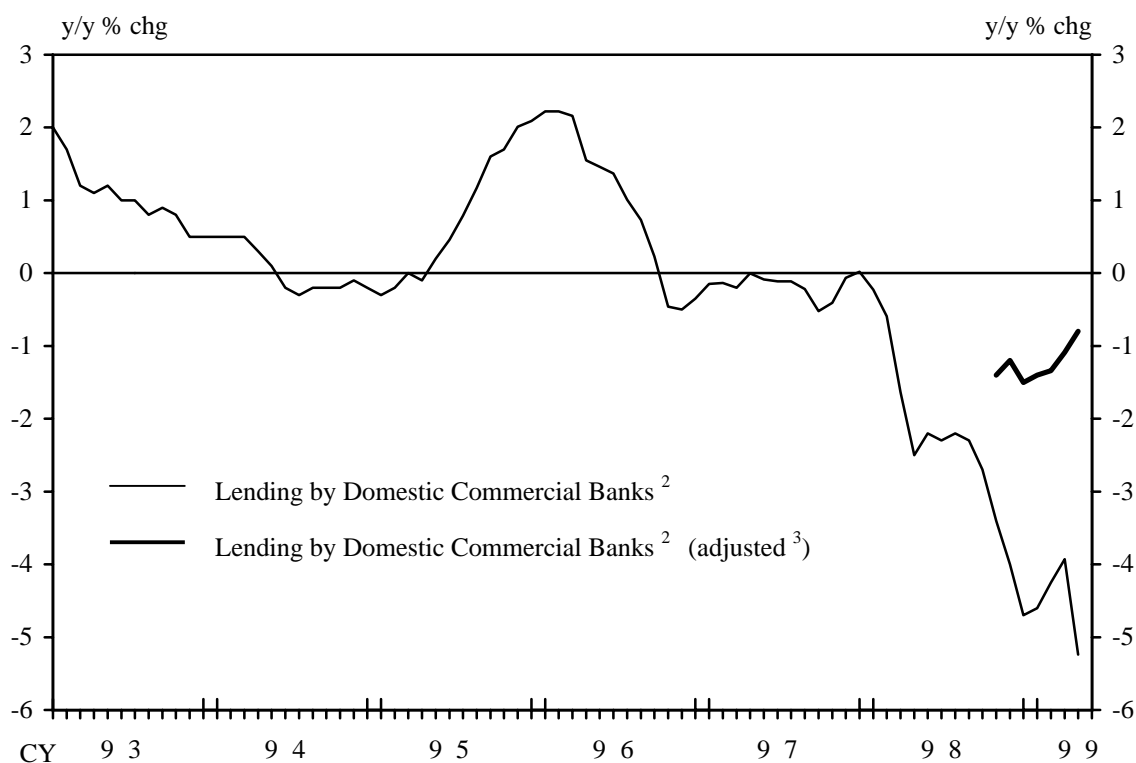
(2) Changes from Three Months Earlier (Annualized)



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.

Lending by Domestic Commercial Banks



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).

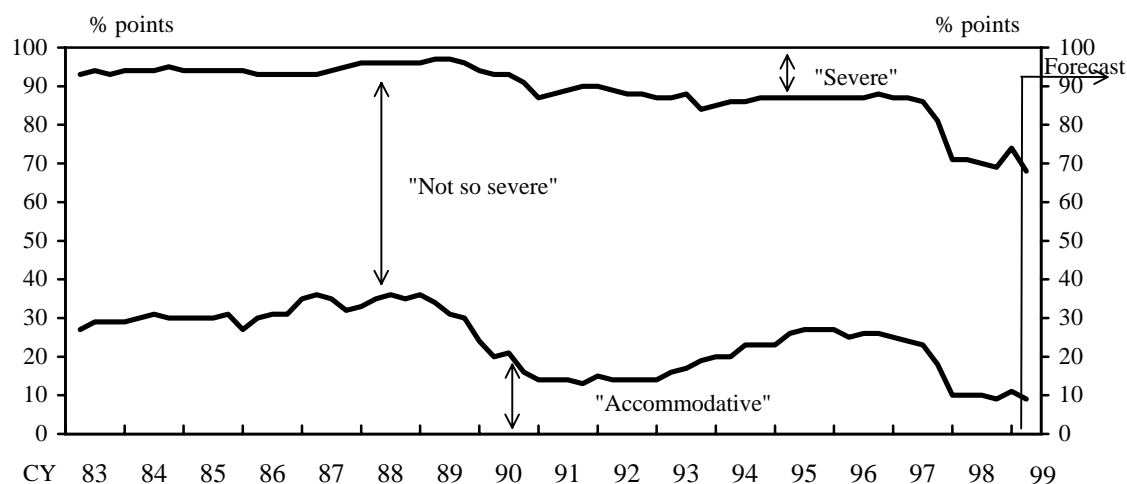
3. Adjusted to exclude

- (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.
- (5) the transfer of loans to the former Housing Loan Administration Corporation to The Resolution and Collection Corporation.

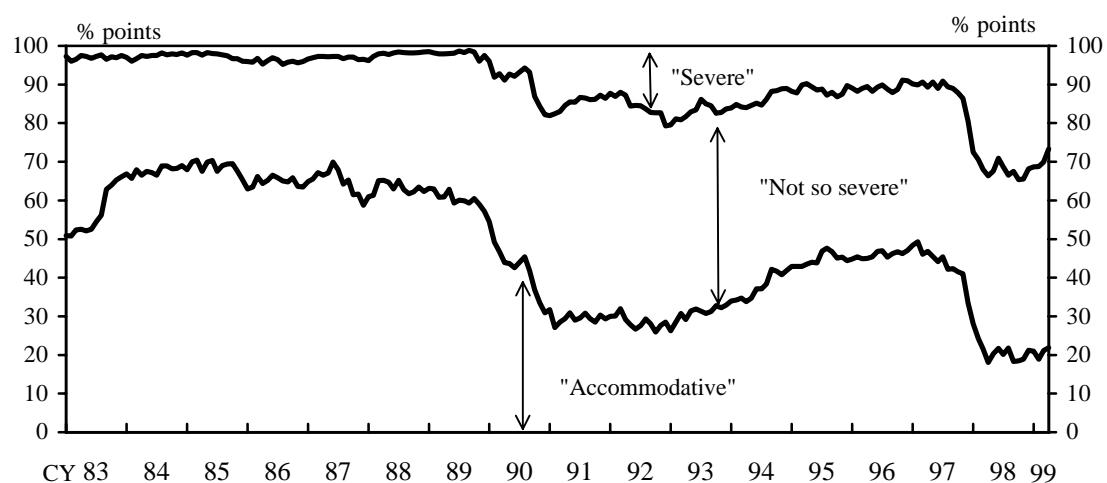
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as perceived by Small Enterprises

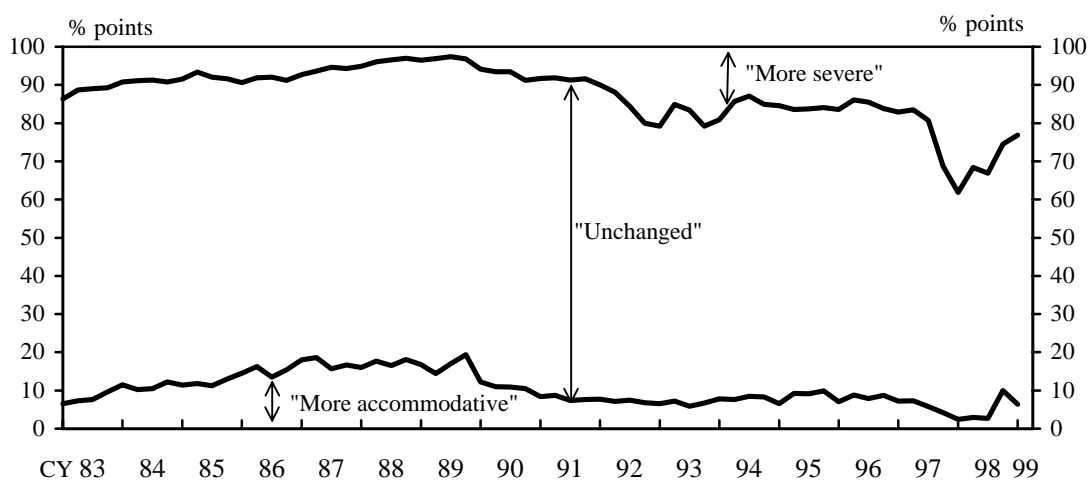
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (March, 1999)



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



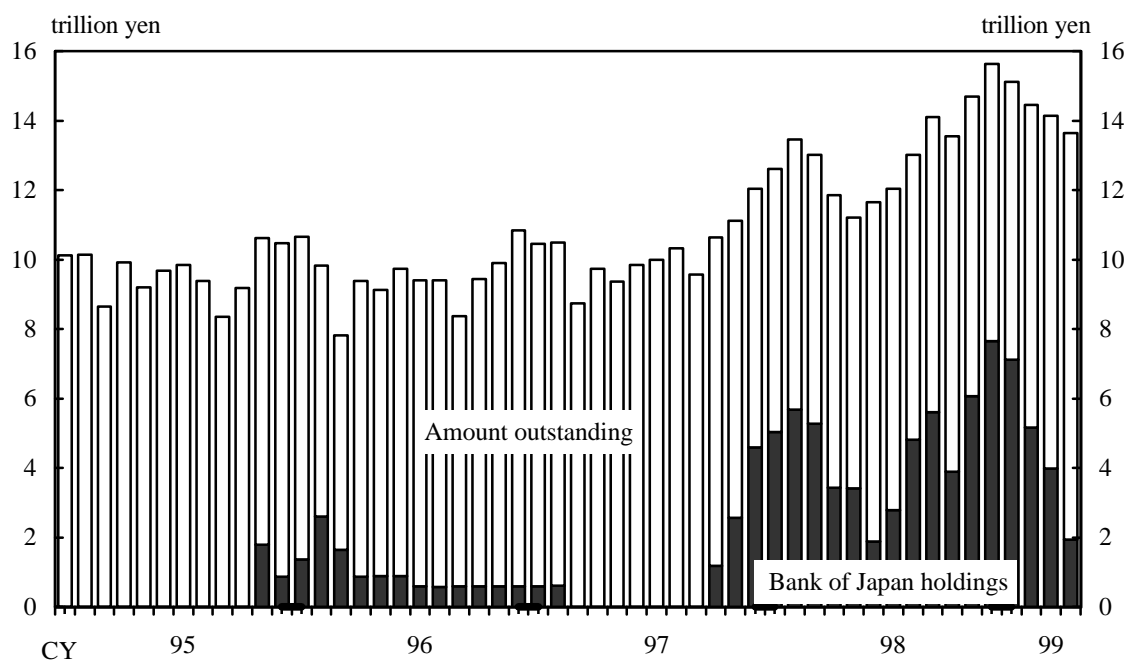
(3) "Quarterly Survey of Small Businesses in Japan" (Mid-March, 1999)



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."

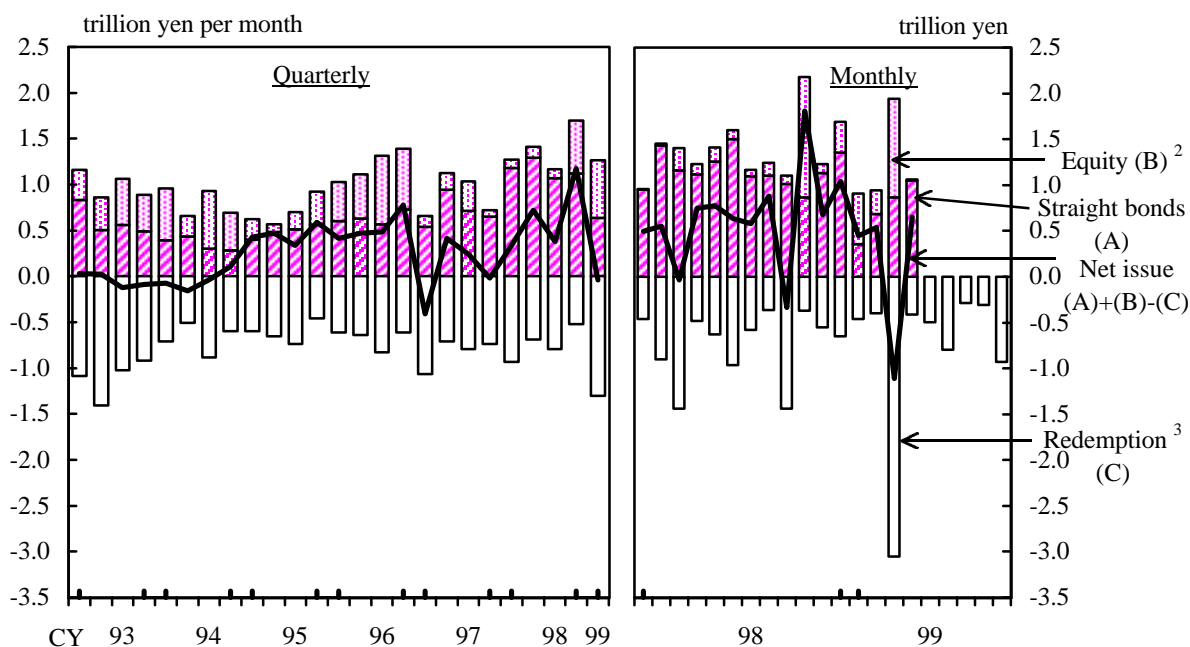
Private-Sector Fund Raising in the Capital Markets

(1) Amount Outstanding of Commercial Papers^{1,2}



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

(2) Issue Volume of Corporate Bonds¹

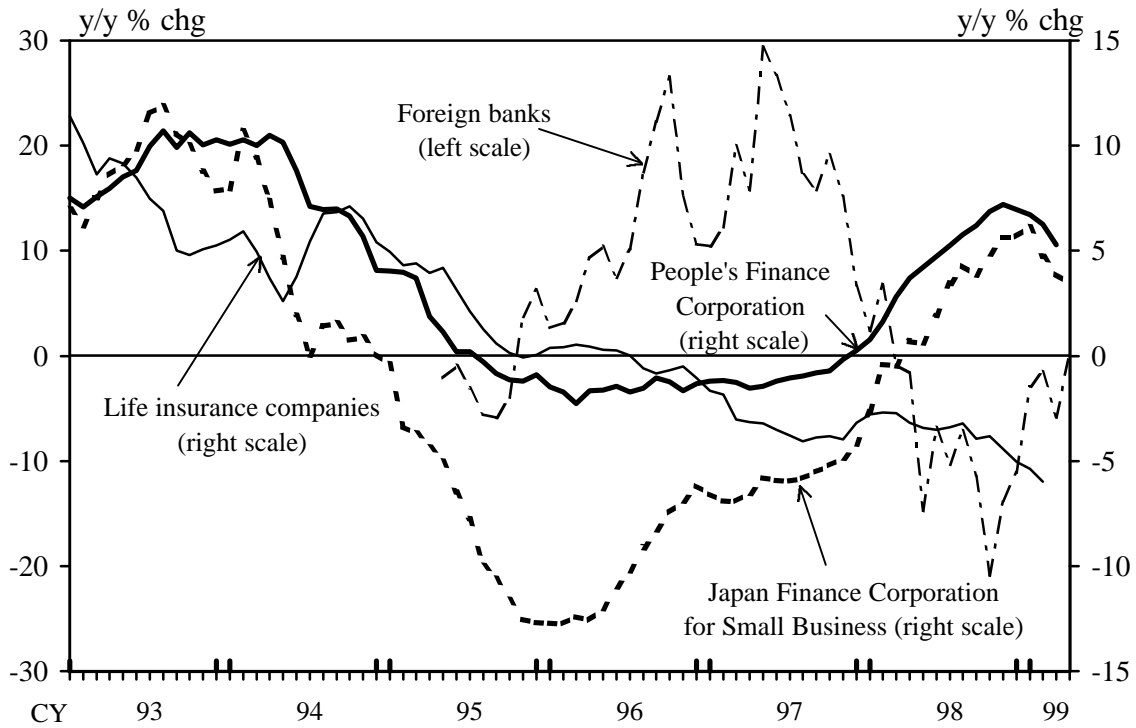


Notes: 1. Includes those issued by banks.
 2. Data for March 1999 exclude the injection of public funds into private banks (6.9 trillion yen).
 3. Data for equity include convertible bonds, bonds with warrants, and new equity issues.
 4. Estimated by the Bank of Japan.

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

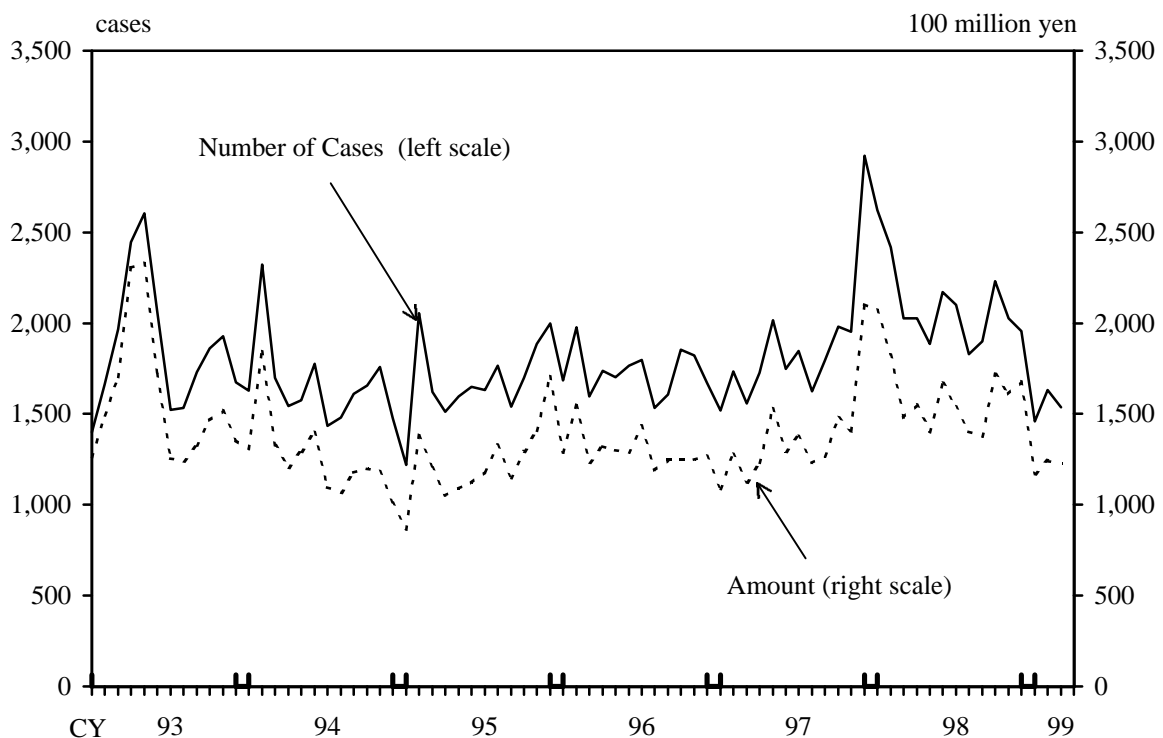
Lending by Other Financial Institutions

(1) Lending Outstanding



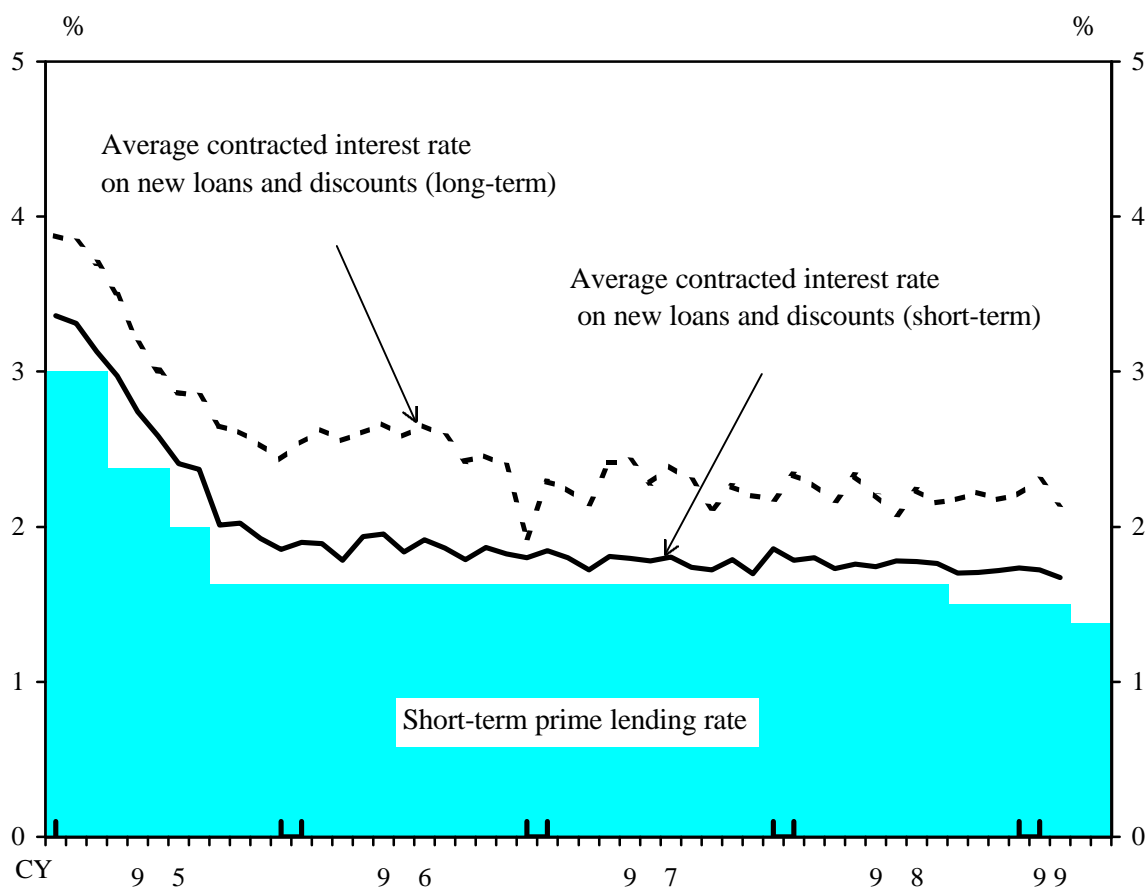
Note: Data are based on amounts outstanding at end of period except for those of foreign banks.

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



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

Lending Rates

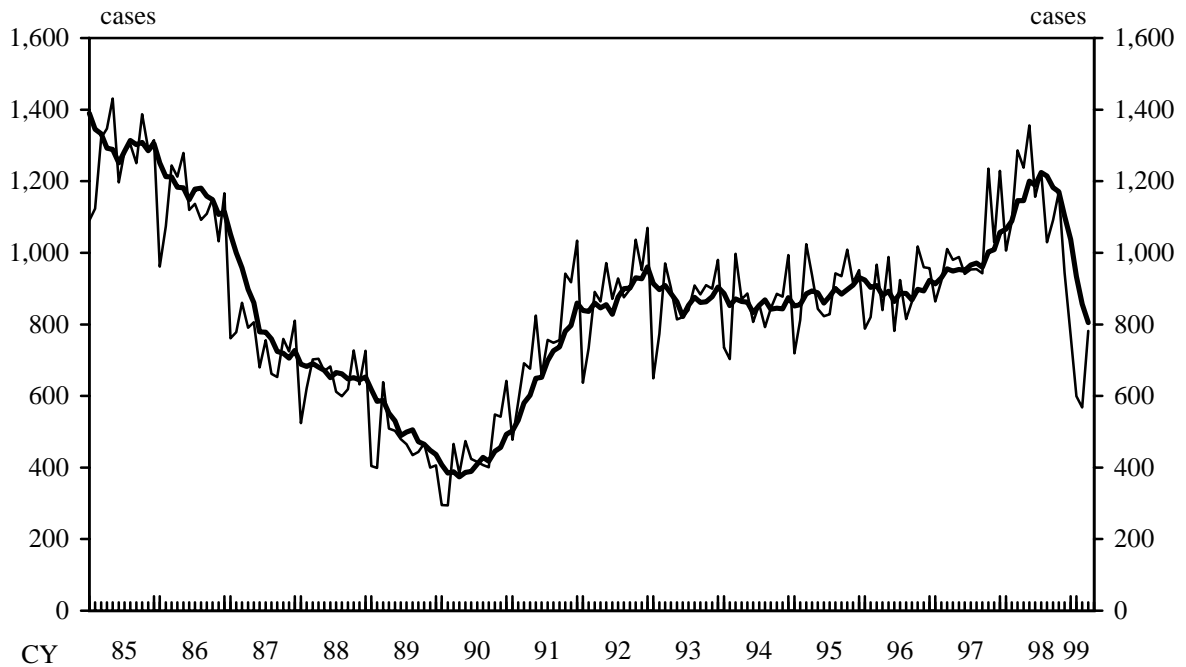


Note: Data for short-term prime lending rate are at end of period.

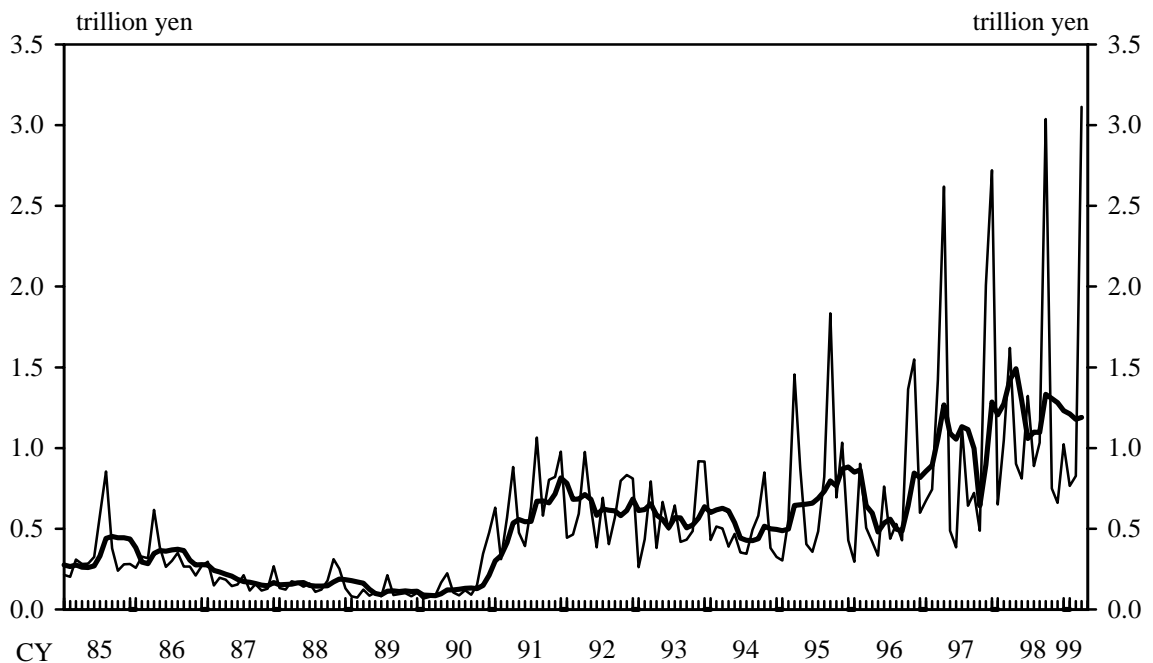
Source: Bank of Japan.

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