

September 27, 1999
Bank of Japan

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

(English translation prepared by the Bank staff based on the Japanese original
released on September 13, 1999)

Monthly Report of Recent Economic and Financial Developments¹

September 1999

The Bank's View²

Japan's economy has stopped deteriorating, and there are some activities improving such as exports and production. However, clear signs of a self-sustained recovery in private demand have not been observed yet.

With regard to final demand, business fixed investment has been on a downward trend. Recovery in private consumption continues to be weak on the whole. Housing investment, which had been recovering, has recently peaked out. Meanwhile, public works have been rising, and net exports (exports minus imports) have started growing due to an increase in exports.

Reflecting such developments in final demand and continued progress in inventory adjustment, industrial production is turning to an increase. Against this background, corporate and consumer sentiment has seen an improvement. The improvement in corporate sentiment, however, has not necessarily stimulated business activities, because firms strongly feel that they have excess capacity and employees and their profits remain weak. Meanwhile, the improvement in consumer sentiment is underpinning household expenditure even under the worsening employment and income conditions, but is not strong enough to push up overall private consumption.

As for the outlook, improvements in the overall financial environment partly due to the monetary easing by the Bank, along with a series of economic measures taken by the government, are expected to continue underpinning the economy. Moreover, the positive impact on domestic production of the recovery of overseas economies, especially of Asian economies, is likely to continue for some time. By contrast, leading indicators suggest a high probability of a moderate decrease in housing investment from this autumn. In addition, under cautious sales plans, firms

¹ This report was written based on data and information available when the Bank of Japan Monetary Policy Meeting was held on September 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 September 9 as the basis of monetary policy decisions.

are implementing further restructuring to improve their profitability. Although such corporate restructuring is expected to improve productivity, it is likely, in the short run, to reduce fixed investment and discourage household expenditure through the resulting deterioration in employment and income conditions. Moreover, it seems that the recent appreciation of the yen will have an adverse effect on corporate profits in the near term. 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 in order to assure the economy's sustained growth in the medium term.

With regard to prices, import prices have recently fallen slightly due to the appreciation of the yen, despite the rise in international commodity prices such as crude oil prices. Domestic wholesale prices are leveling off due to the progress in inventory adjustment as well as an increase in prices of some products closely related to international commodities, such as those of petroleum products. Consumer prices continue to be unchanged. Corporate service prices are still falling, although the pace of the decline is slowing. For a while, movements of overall prices are likely to be flat, as the decline in domestic commodity prices has come to a halt reflecting the rise in import prices to date. However, substantial narrowing in the output gap led by a recovery in private demand is unlikely for the time being, and wages continue to decline. Thus, downward pressure on prices is expected to remain.

In the financial market, the overnight call rate has stayed at nearly zero, and financial institutions have been confident about the availability of overnight funds. As for interest rates on term instruments, short-term rates such as those of three months have weakened. However, longer-term rates maturing beyond the year-end continue to be relatively high partly due to market participants' concern over the Year 2000 problem.

The Japan premium has continued to be nearly zero for short-term transactions.

Yields on long-term government bonds rose to 2.0 percent in late August, but have recently fallen to 1.8-1.9 percent. The yield spread between government bonds and private bonds (bank debentures and corporate bonds) has stopped narrowing.

Stock prices recovered the 18,000 yen level in late August, but subsequently declined against the background of the appreciation of the yen and the weak tone in U.S. stock prices. Currently, the prices are around 17,500-18,000 yen.

The yen has appreciated further against the U.S. dollar since mid-August to the current level of around 110 yen.

The amount outstanding of funds in the call money market has remained generally stable since the middle of June. 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, private banks have basically retained their cautious lending attitude. However, constraint that had been caused by severe fund-raising conditions and insufficient capital base has eased considerably. Under these circumstances, major banks have gradually become more active than before in extending loans, while carefully evaluating the credit risks involved.

However, credit demand for economic activities such as business fixed investment remains weak. In addition, some firms have recently been repaying their loans using their on-hand liquidity. As a result, credit demand in the private sector has continued to be weak, and thus private banks' lending has remained sluggish. Furthermore, the pace of issuance of corporate bonds and CP has generally been slowing.

Money stock (M_2 +CDs) has shown a year-to-year increase of about 4 percent partly due to an increase in fiscal expenditure.

In this financial environment, credit conditions have eased somewhat.

The following continue to warrant careful monitoring: how actively investors will take risks; how far private banks will ease their lending stance; and how these changes will affect economic activities.

The Background

1. Japan's Economy

With regard to public investment (Chart 2), the value of public works contracted, which reflects orders, was basically flat in July after the substantial decline in the second quarter of 1999, as a result of the concentration of orders under the government's economic stimulus measures in the first quarter. Meanwhile, shipments of public works related goods are currently increasing, and are expected to remain firm for the time being.

Real exports (Charts 3 to 5) are turning to an increase. Exports to the NIEs and ASEAN countries are still on a recovery trend, and those to the United States remain firm. Exports to Europe, which had been declining, have bottomed out. Meanwhile, real imports are presently level due to the temporary decrease in imports of raw materials such as crude oil, but apparently remain on a rising trend, especially for information-related goods.

As a result of these import and export developments, net exports (exports – imports) in terms of the real trade balance³ have turned to an increase.

As for the future environment for foreign trade, the present appreciation of the yen is likely to exert downward pressure on export profitability and thereby restrict exports (Chart 6(1)). Regarding the domestic and foreign demand conditions, private demand in Japan has stopped falling, but there are no clear signs of a self-sustained recovery. Meanwhile, the U.S. economy is expected to remain firm, and the recovery in the NIEs and ASEAN economies is becoming more distinct (Chart 6(2)). Reflecting these domestic and foreign economic developments, there is a high probability that net exports will continue rising for some time. Nevertheless, the outlook for overseas economies continues to warrant careful monitoring, as the Chinese economy is showing signs of deceleration and the continued expansion of the U.S. economy is apparently supported, to a large extent, by the rise in stock prices.

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).

Business fixed investment remains on a declining trend on the whole, despite signs of improvement in some related indicators. Shipments of general capital goods, which reflect the current trend of machinery investment, declined by 6.6 percent in the second quarter of 1999 on a seasonally adjusted quarter-to-quarter basis, and then rose slightly in July compared to the second-quarter level.⁴ According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 7), large firms, particularly manufacturing firms, continued to decrease fixed investment in the second quarter, and medium-sized and small firms also reduced fixed investment after a temporary increase during the first quarter. Leading indicators, such as machinery orders and nonresidential construction starts (Chart 8), continue to decline.⁵

As for the future environment for business fixed investment, corporate finance conditions have improved (Chart 9), but corporate profits remain sluggish, and there are still strong perceptions of excess equipment.⁶ Under these conditions, many firms are proceeding with full-fledged restructuring to improve their profitability and financial soundness. Accordingly, business fixed investment is likely to remain on a declining trend for some time.

The recovery in private consumption remains weak as a whole. According to sales indices (Chart 10), sales of household electric appliances remain at a high level, mainly due to firm sales of personal computers. On the other hand, sales at department stores and chain stores, which were basically flat during the second quarter of 1999, have been declining somewhat since July.⁷ Outlays for travel have also been falling slightly. The number of passenger car sales (excluding light cars)

⁴ Some of the increase in the shipments of general capital goods in July was due to an increase in exports, and thus did not reflect an increase in domestic investment.

⁵ For the third quarter, however, industry projections of machinery orders (private demand; excluding shipbuilding and electric power equipment) are for a seasonally adjusted quarter-to-quarter increase of 4.0 percent.

⁶ Facilities for the production of electronic parts and related items, however, seem to be running at near full capacity, reflecting strong domestic and foreign demand.

⁷ The decline in sales at department stores in July was mainly due to a decrease in the corporate demand for traditional midsummer gifts. Meanwhile, sales to consumers, such as apparel and accessories, seemed to be relatively firm, thanks to the good weather conditions.

has continued to decline, though with some fluctuations. Including light cars, the number of passenger car sales also decreased slightly during July and August on average compared to the second quarter level.

As for future consumption trends, the reduction in personal income taxes is expected to underpin consumption. Nevertheless, the recovery is likely to remain weak for the time being, as employment and income conditions will continue to be harsh.

With regard to housing investment (Chart 12), housing starts (on a seasonally adjusted annual basis), which had once recovered to around 1.30 million units in June, dropped sharply to around 1.15 million units in July. Thus, housing starts, which had been on a recovery trend, have recently peaked out. In detail, construction starts of owner-occupied houses fell sharply, although this was mostly attributed to temporary delays in the progress of construction starts.⁸

As for the outlook, construction starts of houses for rent are expected to remain stagnant due to strong perceptions of excess supply. Construction starts of owner-occupied houses are expected to decline gradually, as the number of loan applications to the government Housing Loan Corporation during its first offering period for fiscal 1999 (April 26 – June 18, 1999; 62,000 applications for the construction of private homes, an increase of 0.0 percent from the previous year) decreased from those during the previous offering period (the fourth offering period for fiscal 1998; January 18 – March 26, 1999; 101,000 applications for the construction of private homes; an increase of 75.1 percent from the previous year). With respect to housing for sale, there are signs of an increase in new supply against the background of firm condominium sales, so construction starts, which had been on a declining trend, may now gradually turn to an increase.

Reflecting these developments in final demand, along with the continued progress of inventory adjustment (Chart 13), industrial production (Chart 14) is

⁸ The decline in construction starts of owner-occupied houses in July was partially due to temporary factors, such as a delay in housing design works, and construction starts may recover somewhat after this factor disappears.

turning to an increase (+0.6 percent in the first quarter of 1999; -1.0 percent in the second quarter; +4.4 percent in the third quarter <based on the production forecast indices for August and September>).

As for the production outlook, although business fixed investment is projected to remain on a declining trend, inventory adjustment pressures are weakening. Moreover, public investment, which has been on an increasing trend, will exert full-fledged effects on production, and exports should continue to rise for some time, mainly reflecting the recovery in overseas economies, especially in Asia. Thus, industrial production is likely to continue increasing through to the beginning of autumn.

Employment and income conditions are still on a deteriorating trend. In the labor market (Chart 15), the unemployment rate (seasonally adjusted) remained at 4.9 percent in July for the second consecutive month, which was the highest level since the start of these statistics in 1953. The ratio of job offers to applicants (seasonally adjusted) remained at 0.46 in July for the third consecutive month, 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) remains below the previous year's level. Wages are still on a declining trend (Chart 16), as special payments were down sharply due to the decline in summer bonuses. Reflecting these employment and wage developments, compensation of employees is on a declining trend. As for the outlook, the employment and income conditions are expected to remain harsh for the time being with the full-scale implementation of corporate restructuring.

2. Prices

With regard to price developments, import prices on a yen basis (Chart 18(1)) are presently declining slightly due to the appreciation of the yen, despite the increase in international commodity prices such as crude oil prices.

Domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates;⁹ Chart 18(3)) are almost at the same level as recorded in the previous month. This is because petroleum product prices are rising and some raw material prices have stopped falling, while the prices of electrical machinery continue to decline. (The month-to-month change in domestic wholesale prices was 0.0 percent in June 1999, 0.0 percent in July, and 0.1 percent in August).

Corporate service prices (Chart 19(1)) continue to decline, mainly due to a decrease in prices for machinery repairs, although the rate of the decline is decelerating. (The year-to-year decline in corporate service prices was 1.2 percent in the second quarter of 1999 and 1.1 percent in July).

Consumer prices (excluding perishables; Chart 19(2)) remain at the same level as recorded in the previous year. The rate of the year-to-year decline in the prices of goods decreased due to the rise in petroleum product prices, but the rate of the decline in public utility charges increased due to the decline in electricity and gas prices. (The year-to-year change in consumer prices was 0.0 percent in May 1999, 0.0 percent in June, and 0.0 percent in July).¹⁰

As for the outlook, movements of prices overall are likely to be flat for the time being, as the decline in domestic commodity prices has come to a halt reflecting the rise in import prices to date. However, a substantial narrowing in the output gap led by a recovery in private demand is unlikely for the time being, and wages continue to decline. Judged from these developments, the downward pressure on prices is expected to remain.

⁹ 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.

¹⁰ In July, the rate of decline in overall consumer prices including perishables contracted as the prices of perishables rose due to unseasonable weather (year-to-year declines of 0.3 percent in June 1999 and 0.1 percent in July).

3. Financial Developments

(1) Financial Markets

Interest rate developments in short-term money markets (Charts 20(1), 21 and 22) 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, and financial institutions have been confident about the availability of overnight funds.

As for interest rates on term instruments, short-term rates such as those for three months are declining as market concerns over funding beyond the end of September (the end of the half-year accounting period) are receding further. Three-month TB and FB rates were at a level slightly above the overnight call rate in mid-August, but have recently fallen to a level below it. Three-month Euro-yen interest rates (TIBOR) have also declined, and are presently around the record low level (0.10 percent; posted from late May through early June). On the other hand, longer-term rates maturing beyond the end of the calendar year remain relatively high, partly due to market concerns over the Year 2000 problem.

The Japan premium (Chart 23) has continued to be nearly zero for short-term transactions.

Yields on ten-year government bonds (newly issued; Chart 20(2)) rose to 2.0 percent in late August with improved perceptions of business conditions, but subsequently declined and have recently been moving between 1.8 and 1.9 percent. The yield spread between government and private bonds (bank debentures and corporate bonds; Charts 25 and 26) has recently stopped narrowing, but is smaller than it was previously, and it seems that market participants are maintaining a positive stance toward taking on credit risks.

Stock prices (Chart 27(1)) recovered the 18,000 yen level in late August, following the agreement among three leading Japanese banks to form a new financial services group, but subsequently declined against the background of the further appreciation of the yen and the weak tone in U.S. stock prices, and are presently mostly moving between 17,500 and 18,000 yen.

The amount outstanding in the call money market has remained generally stable since mid-June. 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 trend toward a stronger yen in the yen-dollar exchange rate has been advancing further since mid-August, reflecting the improved prospects for Japan's economy and the increasingly uncertain outlook for the U.S. economy. The rate is presently moving around 110 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The year-to-year growth in money stock (Chart 29) in terms of $M_2 + \text{CDs}$ has remained around 4.0 percent, in part due to an increase in fiscal expenditures. (The year-to-year growth in $M_2 + \text{CDs}$ was 4.0 percent in April, 4.1 percent in May, 4.3 percent in June, and 4.0 percent in July).

The year-to-year growth in the monetary base (currency in circulation + reserves; Chart 30) has recently been in the range of 5.5-7.0 percent.

The lending attitude of private financial institutions is still fundamentally cautious. However, constraint that had been caused by severe fund-raising conditions and insufficient capital bases has eased considerably. Against this background, major banks have gradually become more active than before in extending loans, while carefully evaluating the credit risks involved.

However, the credit demand of private firms for economic activities such as business fixed investment remains weak. In addition, some firms have recently been repaying their loans using their on-hand liquidity. As a result, the overall credit demand of private firms is weakening further.

Consequently, the year-to-year decline in lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;¹¹ Chart

¹¹ 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)

31), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, has been gradually expanding (-0.8 percent in April, -0.9 percent in May, -1.2 percent in June, -1.6 percent in July, and -1.8 percent in August). Meanwhile, fund-raising from sources other than bank loans (Charts 33 and 34) remains sluggish.

Turning to the funding cost for firms, in July the average contracted interest rates on new loans and discounts (Chart 35) rose slightly for both long-term and short-term contracts. CP and corporate bond issuance rates remained at a low level as institutional investors' eagerness to invest in such instruments continued to be strong while firms' desire to issue such instruments is sluggish.

In this financial environment, credit conditions have eased somewhat. From the beginning of this year, the number of corporate bankruptcies (Chart 36) has remained far below the previous year's level due to the enhancement of the credit guarantee system and other factors.

The following factors continue to warrant careful monitoring: how actively investors will take risks; how far private banks will ease their lending stance; and how these changes will affect economic activities.

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

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Main Economic Indexes (1)

y/y % chg.

	98/Q4	99/Q1	Q2	99/May	June	July	August
Index of expenditure level (all households)	0.2	-0.9	0.8	2.8	-0.1	p 1.1	n.a.
Sales of department stores	-4.5	-4.2	-2.6	-2.5	-2.0	p -2.0	n.a.
Sales of chain stores ¹	-1.4	-5.1	-4.7	-5.0	-3.6	-5.1	n.a.
New passenger-car registrations ² <s.a., ann. 10,000 units>	297	304	295	305	290	269	294
Sales of electric appliances (NEBA)	10.1	10.4	9.7	5.3	11.2	6.7	n.a.
Outlays for travel (50 major travel agencies)	-7.0	-2.6	-3.6	-4.5	-5.1	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	113	122	126	123	131	115	n.a.
Machinery orders (from private sector ³)	-17.8	-14.8	-9.9	-7.5	-7.7	n.a.	n.a.
Mining & manufacturing	-27.2	-21.8	-12.2	-5.2	-12.6	n.a.	n.a.
Nonmanufacturing ³	-10.2	-9.1	-7.9	-9.0	-3.3	n.a.	n.a.
Construction Starts (private, nonresidential use)	-22.9	-12.5	-15.4	-29.8	-10.2	-30.0	n.a.
Manufacturing	-45.5	-37.8	-32.2	-31.1	-26.9	-32.5	n.a.
Nonmanufacturing ⁴	-13.4	-2.5	-9.8	-29.4	-4.3	-29.3	n.a.
Value of public works contracts	10.4	52.7	-8.1	-6.7	-2.7	-0.9	n.a.
Real exports <s.a. quarterly (monthly) change>	-1.9	1.8	0.0	-5.5	9.8	0.5	n.a.
Real imports <s.a. quarterly (monthly) change>	-1.8	5.0	-0.5	-6.4	8.4	-3.8	n.a.
Industrial production <s.a. quarterly (monthly) change>	-0.7	0.6	-1.0	-1.0	3.2	p -0.6	n.a.
Shipments <s.a. quarterly (monthly) change>	-0.2	1.3	-1.9	0.6	3.6	p -1.0	n.a.
Inventories <s.a. quarterly (monthly) change>	-3.7	-2.3	-1.0	-0.5	-0.3	p -1.6	n.a.
Inventories/shipments <s.a. 1995=100>	108.4	104.0	102.9	107.1	102.9	p 101.3	n.a.
Real GDP <s.a. quarterly change>	-0.8	2.0	0.2	n.a.	n.a.	n.a.	n.a.

Main Economic Indexes (2)

	y/y % chg.						
	98/Q4	99/Q1	Q2	99/May	June	July	August
Ratio of job offers to applicants <s.a., times>	0.47	0.49	0.47	0.46	0.46	0.46	n.a.
Unemployment rate <s.a., %>	4.38	4.62	4.77	4.63	4.86	4.90	n.a.
Overtime working hours ⁵	-7.3	-5.7	-2.7	-2.1	-2.1	p -2.0	n.a.
Number of employees	-0.5	-1.1	-0.9	-0.6	-1.3	-1.2	n.a.
Number of regularly employed ⁵	-0.3	-0.3	-0.4	-0.4	-0.5	p -0.4	n.a.
Nominal wage per person ⁵	-2.3	-1.5	-1.5	-0.1	-3.3	p -1.3	n.a.
Domestic wholesale price index	-2.1	-2.1	-1.7	-1.7	-1.7	-1.5	-1.3
Consumer price index (nationwide)	0.5	-0.1	-0.3	-0.4	-0.3	-0.1	n.a.
Excluding perishables	-0.3	-0.1	-0.1	0.0	0.0	0.0	n.a.
Corporate service price index	-0.9	-1.0	-1.2	-1.1	-1.2	-1.1	n.a.
Monetary aggregates (M2+CDs) ⁶ <average outstanding, y/y % chg>	4.0	3.6	4.1	4.1	4.3	p 4.0	n.a.
Number of suspension of transaction with banks	-17.5	-42.3	-30.7	-32.2	-24.1	-25.7	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.

6. Figures of M2+CDs and Broadly-defined Liquidity are calculated on current basis from April 1999.

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 Appliances";

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";

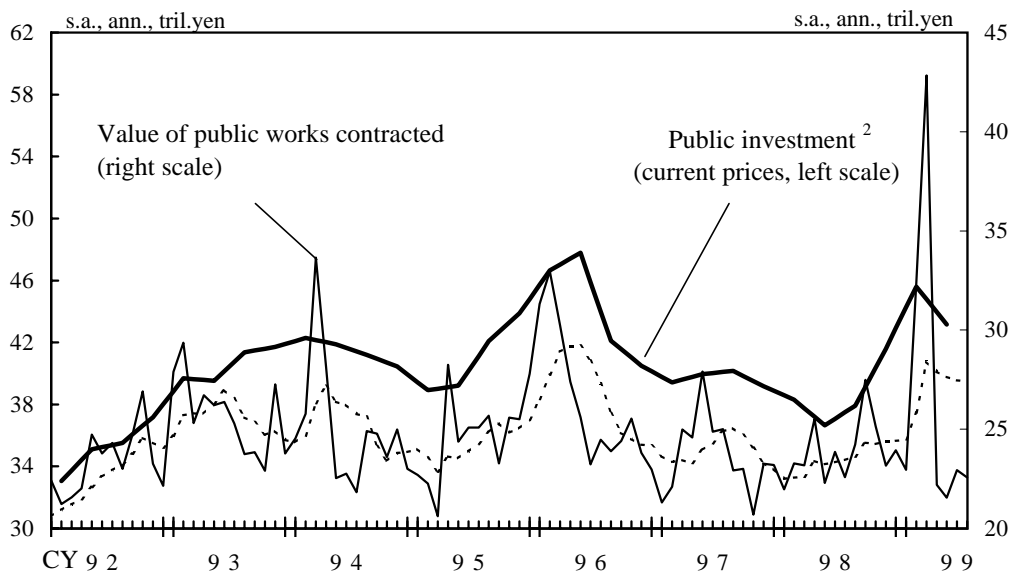
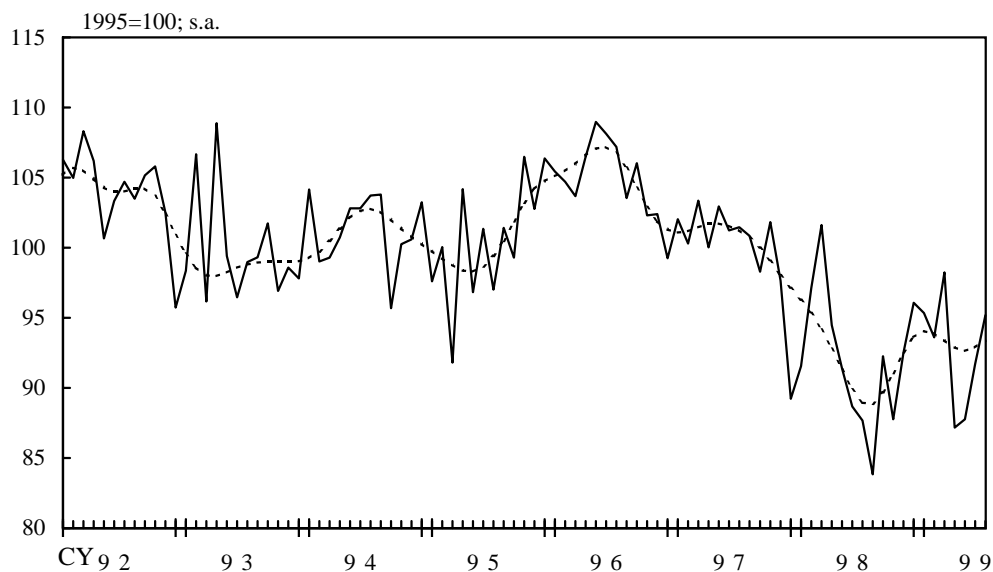
Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Labor, "Report on Employment Service",

"Monthly Labor Survey"; Bank of Japan, "Wholesale Price Indexes", "Corporate Service Price Index",

"Financial and Economic Statistics Monthly"; Japanese Bankers Associations, "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.

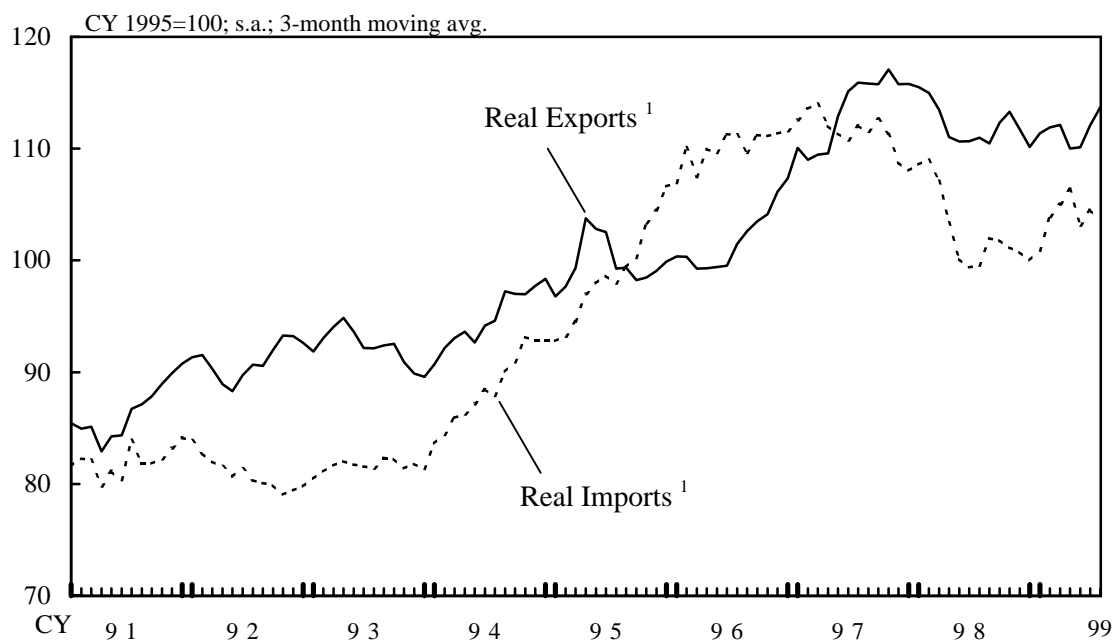
"Public works-related goods" only covers construction investment excluding buildings (which comprises two-thirds of public investment), and does not cover building and machinery investment (which comprises one-third of public investment).

"Public works-related goods" is partly used for private-sector investment.
 4. The data in July 99 are preliminary.

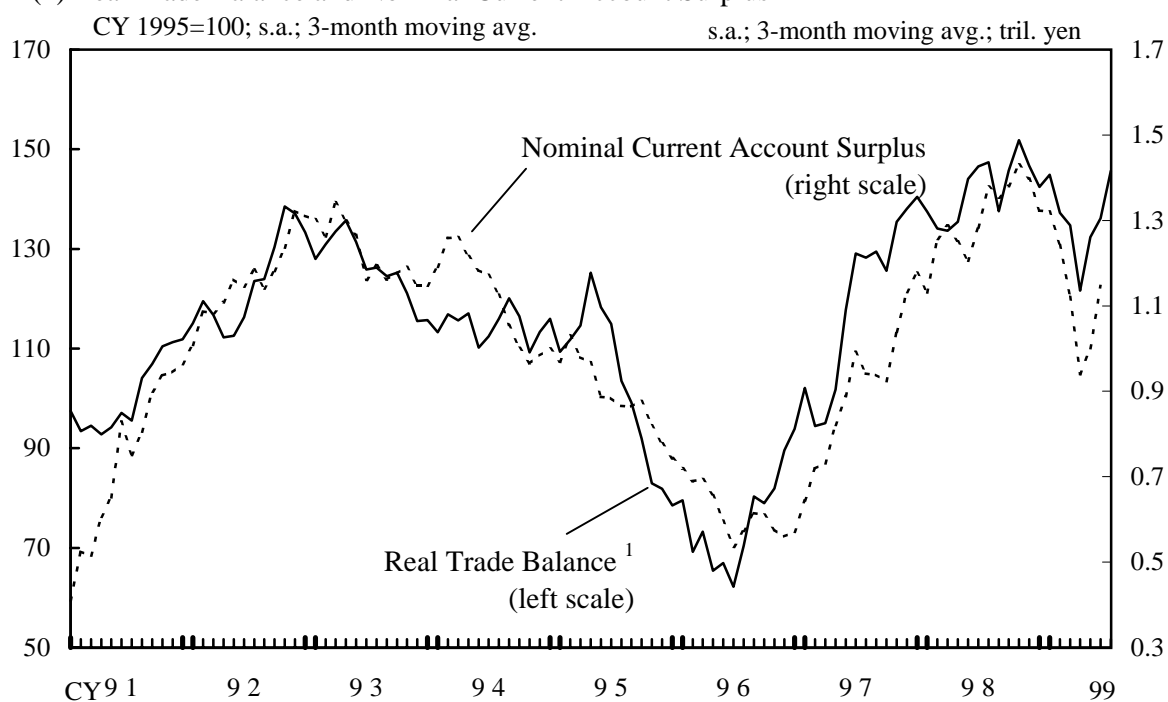
Sources: Economic Planning Agency, "National Income Statistics";
 Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";
 Ministry of International Trade and Industry, "Indices of Industrial Production."

 External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



Note: 1. Seasonally adjusted by X-11.

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 Q3	99 Q4	99 Q1	Q2	Q3	99 May	Jun.	Jul.
United States	<30.5>	14.6	6.8	2.2	-2.5	1.4	2.4	2.6	-4.3	6.2	0.0
EU	<18.4>	13.8	15.6	2.8	0.2	-2.3	-4.3	6.6	-8.4	8.5	4.0
East Asia	<33.2>	8.6	-18.1	-1.7	-2.3	9.2	2.6	7.3	-5.3	9.8	2.7
China	<5.2>	8.2	0.5	-0.6	-4.3	20.3	-6.5	5.6	-14.9	12.0	3.6
NIEs	<20.2>	10.5	-16.5	-3.2	-1.9	6.8	4.5	6.9	-4.0	11.8	0.7
Taiwan	<6.6>	17.4	-0.4	0.7	-2.0	2.8	3.7	4.1	0.2	11.6	-3.2
Korea	<4.0>	-1.5	-35.3	-2.9	10.5	23.2	3.9	7.4	-8.9	10.6	3.8
ASEAN4 ³	<7.8>	5.0	-29.2	1.4	-2.2	8.1	4.5	9.3	-2.2	4.2	7.1
Thailand	<2.4>	-11.6	-29.4	-0.2	-2.3	10.9	-1.7	8.3	-6.4	17.4	-0.3
Real exports		11.2	-2.1	1.5	-1.9	1.8	0.0	4.9	-5.5	9.8	0.5

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.			s.a. m/m % chg.				
		CY 97	98	98 Q3	99 Q4	99 Q1	Q2	Q3	99 May	Jun.	Jul.
Intermediate goods	<14.5>	11.2	2.9	3.2	-1.1	0.1	4.5	2.8	-4.6	6.8	-0.1
Motor vehicles and their related goods	<21.9>	14.6	1.3	3.2	2.4	-3.5	-2.4	2.2	-1.9	5.0	-0.4
Consumer goods ⁴	<7.3>	6.3	5.0	-2.3	0.3	1.8	-0.6	6.6	-8.0	5.9	5.5
Information-related goods ⁵	<17.2>	18.1	-7.0	0.9	-3.4	2.6	2.9	7.6	-3.0	7.9	3.4
Capital goods and parts ⁶	<28.6>	9.0	-5.4	0.0	-4.6	2.6	-1.1	7.8	-5.8	11.7	2.3
Real exports		11.2	-2.1	1.5	-1.9	1.8	0.0	4.9	-5.5	9.8	0.5

Notes: 1. Seasonally adjusted by X-11. 99/Q3 figures are July figures converted into quarterly amount.

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

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

4. Excluding motor vehicles.

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

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

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 Q3	99 Q4	99 Q1	99 Q2	99 Q3	99 May	99 Jun.	99 Jul.
United States	<23.9>	1.1	-3.7	0.3	-3.6	10.0	-12.3	-6.0	-12.3	5.3	-5.0
EU	<13.9>	-3.6	-6.5	3.3	1.6	3.8	-4.8	10.6	-4.5	12.9	3.7
East Asia	<34.9>	0.9	-7.7	0.9	0.5	8.2	6.1	-0.6	-3.1	7.3	-4.1
China	<13.2>	8.8	-4.4	0.6	-0.8	7.2	5.8	-2.0	-4.4	7.4	-5.1
NIEs	<10.2>	-8.1	-10.9	-0.2	4.3	13.2	4.8	-0.2	-6.3	9.8	-4.1
Taiwan	<3.6>	-10.4	-11.1	1.5	3.2	13.9	5.0	4.1	2.0	0.8	2.9
Korea	<4.3>	-3.9	-9.5	-3.3	9.1	14.7	6.1	-3.2	-11.9	11.5	-5.9
ASEAN4 ³	<11.4>	2.2	-8.1	2.2	-1.4	5.0	7.8	0.5	1.2	5.0	-3.0
Thailand	<2.9>	-0.5	-7.1	2.1	-4.3	5.4	1.3	-0.4	-1.3	2.8	-1.8
Real imports		0.9	-8.3	2.4	-1.8	5.0	-0.5	-0.8	-6.4	8.4	-3.8

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.			s.a. m/m % chg.				
		CY 97	98	98 Q3	99 Q4	99 Q1	99 Q2	99 Q3	99 May	99 Jun.	99 Jul.
Raw materials ⁴	<23.2>	-0.5	-6.0	2.3	-0.3	1.3	1.4	-6.3	-6.4	10.0	-10.0
Intermediate goods	<14.0>	2.7	-7.1	-0.2	0.2	1.8	1.4	-0.3	-1.6	11.3	-6.5
Foodstuffs	<14.8>	-3.5	-4.0	2.6	-4.0	5.7	-1.7	-0.9	-11.7	9.4	-2.6
Consumer goods	<10.7>	-10.0	-13.8	5.3	-5.3	2.8	9.5	-1.4	-5.6	9.9	-5.6
Information-related goods ⁵	<13.2>	8.0	-5.8	3.8	-2.0	6.3	7.8	3.4	2.3	5.1	-0.7
Capital goods and parts ⁶	<13.3>	13.6	2.7	-0.4	0.8	20.5	-17.7	-2.4	-14.9	2.0	2.0
Real imports		0.9	-8.3	2.4	-1.8	5.0	-0.5	-0.8	-6.4	8.4	-3.8

Notes: 1. Seasonally adjusted by X-11. 99/Q3 figures are July figures converted into quarterly amount.

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

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

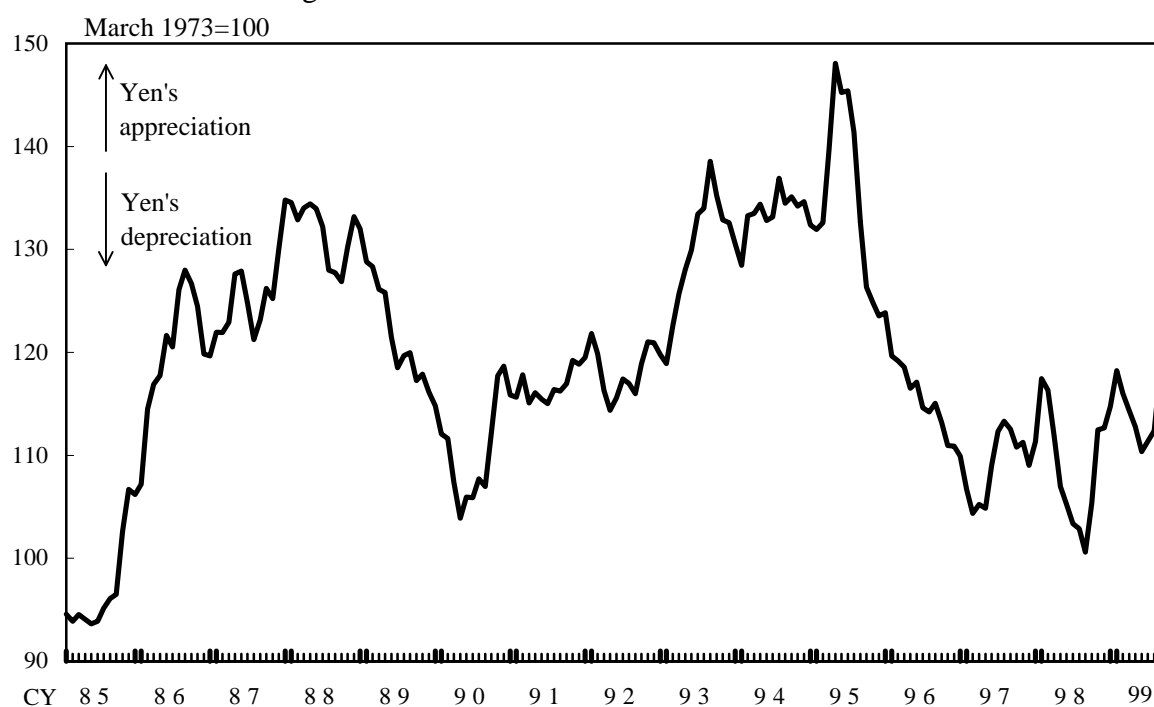
4. Raw materials = woods + ores + mineral fuel, etc.

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

6. Excluding information-related goods.

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

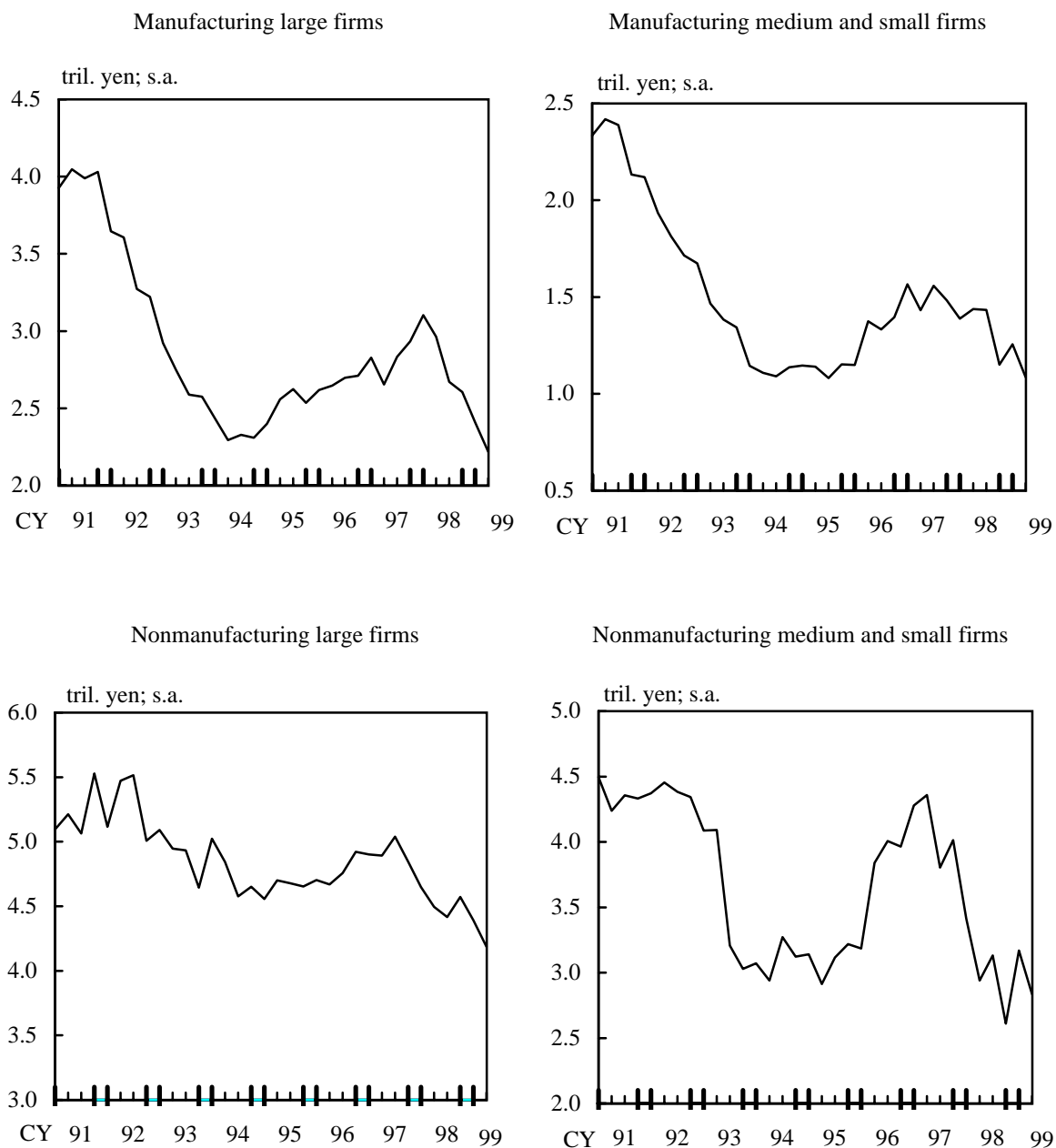
Notes: 1. Monthly average. The figure for September 1999 is the average of September 1-8. Calculated by the Bank of Japan. Figures are the index of weighted average of the yen's real exchange rates versus 24 major currencies which are calculated from exchange rates and price indexes of the respective countries.

(2) Real GDP Growth Rates in Overseas Economies

		CY97	98	99	98 Q3	Q4	99 Q1	Q2	
United States ¹		3.9	3.9	(3.9)	3.7	6.0	4.3	1.8	
European Union ¹		2.6	2.7	(2.0)	2.5	0.8	1.7	n.a.	
	Germany	1.8	2.3	(1.6)	1.8	-0.6	1.8	n.a.	
	France	2.0	3.3	(2.4)	1.9	2.4	1.6	2.4	
	United Kingdom	3.5	2.2	(1.2)	2.2	0.2	0.5	2.0	
East Asia ²	China	8.8	7.8	(7.3)	(Jan-Sep) 7.2	(Jan-Dec) 7.8	8.3	(Jan-Jun) 7.6	
	NIEs	Korea	5.0	-5.8	(6.6)	-7.1	-5.3	4.6	9.8
		Taiwan	6.8	4.8	(5.1)	4.7	3.7	4.3	6.5
		Hong Kong	5.3	-5.1	(-0.4)	-6.8	-5.7	-3.4	n.a.
		Singapore	9.0	0.3	(4.2)	-1.9	-1.1	0.6	6.7
	4 Countries of ASEAN	Thailand	-1.3	-9.4	(2.5)	-12.5	-5.0	0.9	n.a.
Indonesia		4.7	-13.2	(0.2)	-16.1	-17.7	-9.4	1.8	
Malaysia		7.5	-7.5	(3.0)	-10.9	-10.3	-1.3	4.1	
Philippines		5.2	-0.5	(2.5)	-0.1	-2.0	1.2	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.

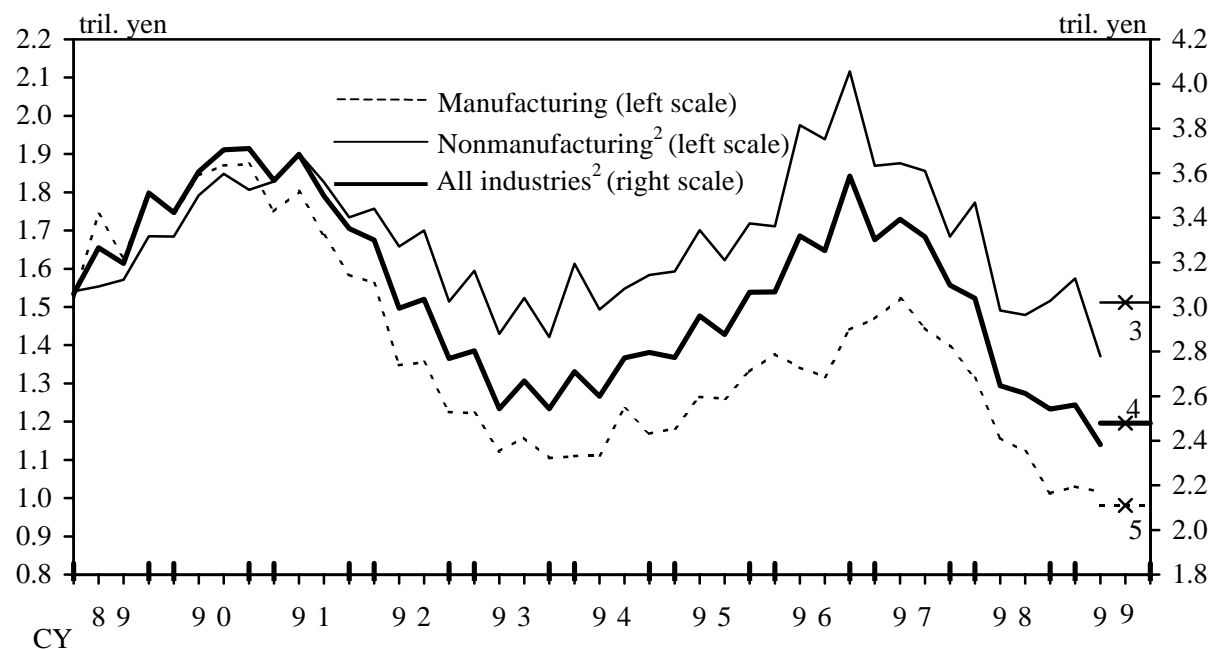
 Business Fixed Investments by Industry and Scale



Note: "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.

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.

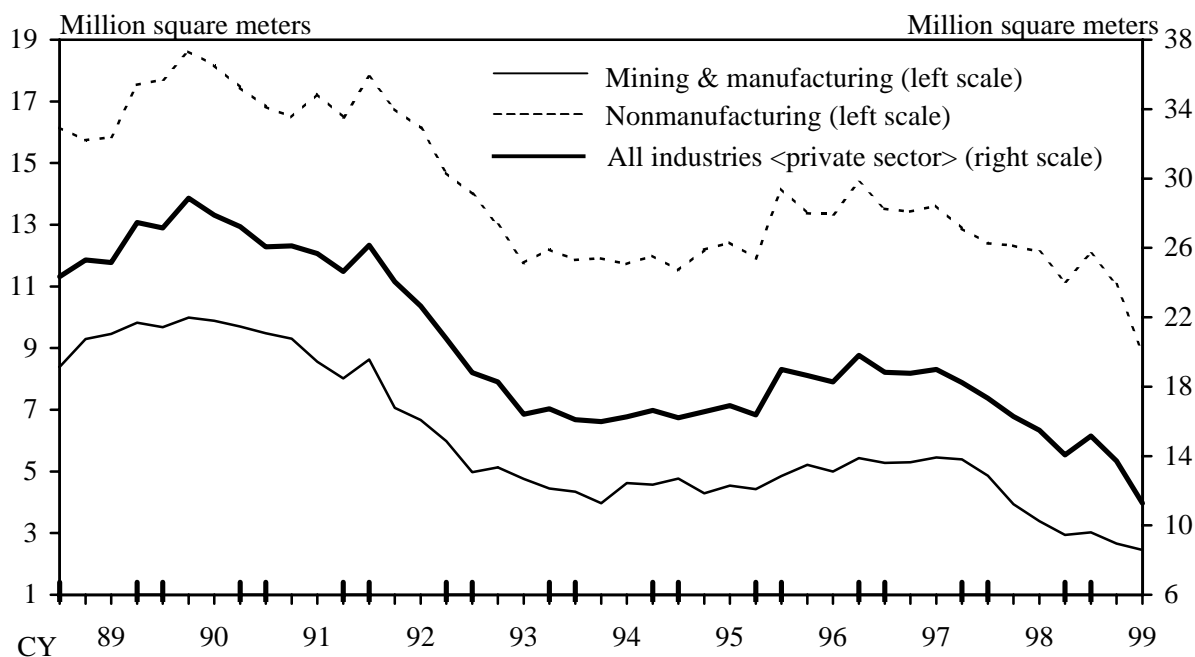
2. Excludes orders from electric power companies and shipbuilding orders.

3. Forecast of nonmanufacturing industries for 1999/Q3.

4. Forecast of all industries for 1999/Q3.

5. Forecast of manufacturing industries for 1999/Q3.

(2) Construction Starts (Nonresidential)

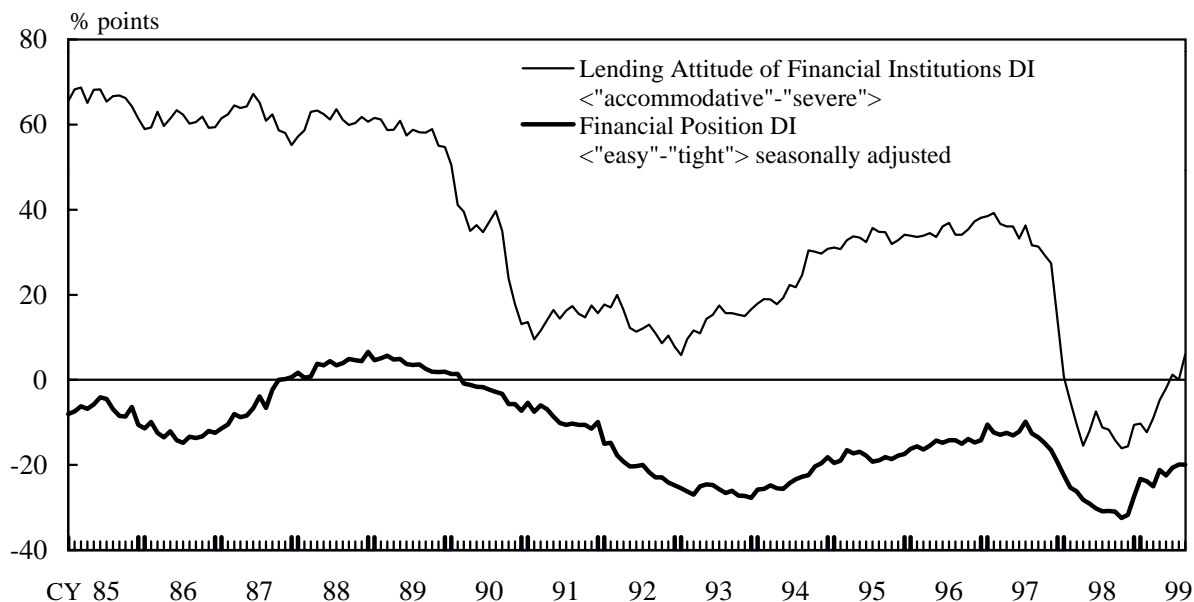
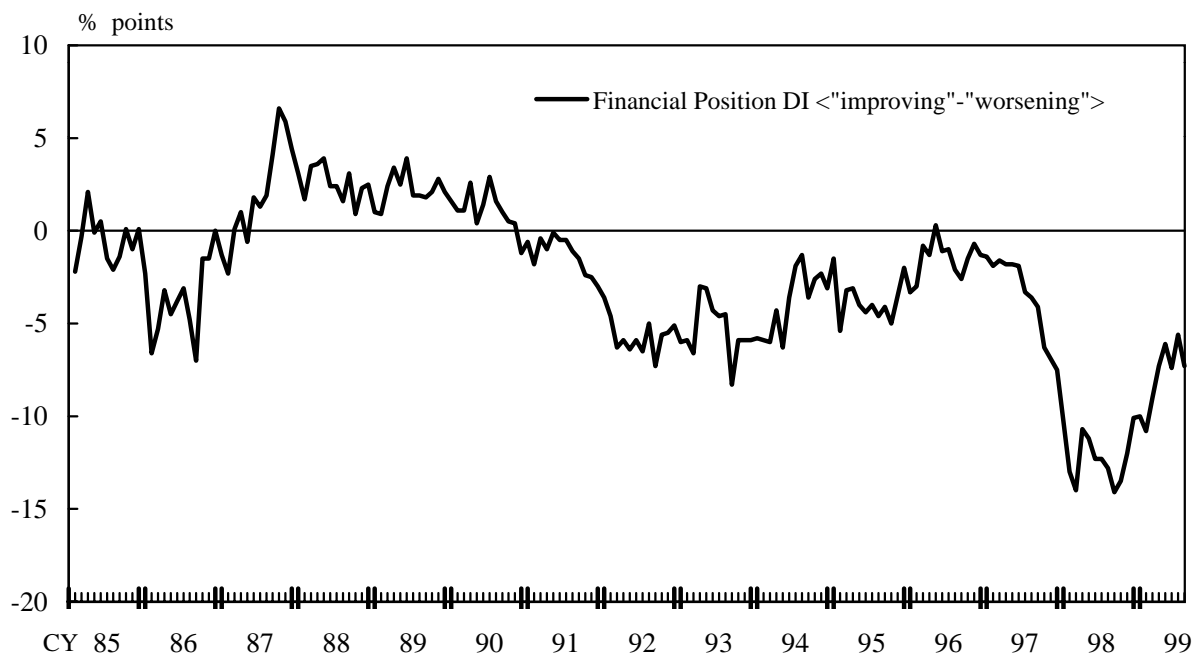


Notes: 1. Seasonally adjusted by X-11.

2. Figures for 1999/Q3 are averages of July in terms of quarterly amount.

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

Corporate Finance-Related Indexes

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

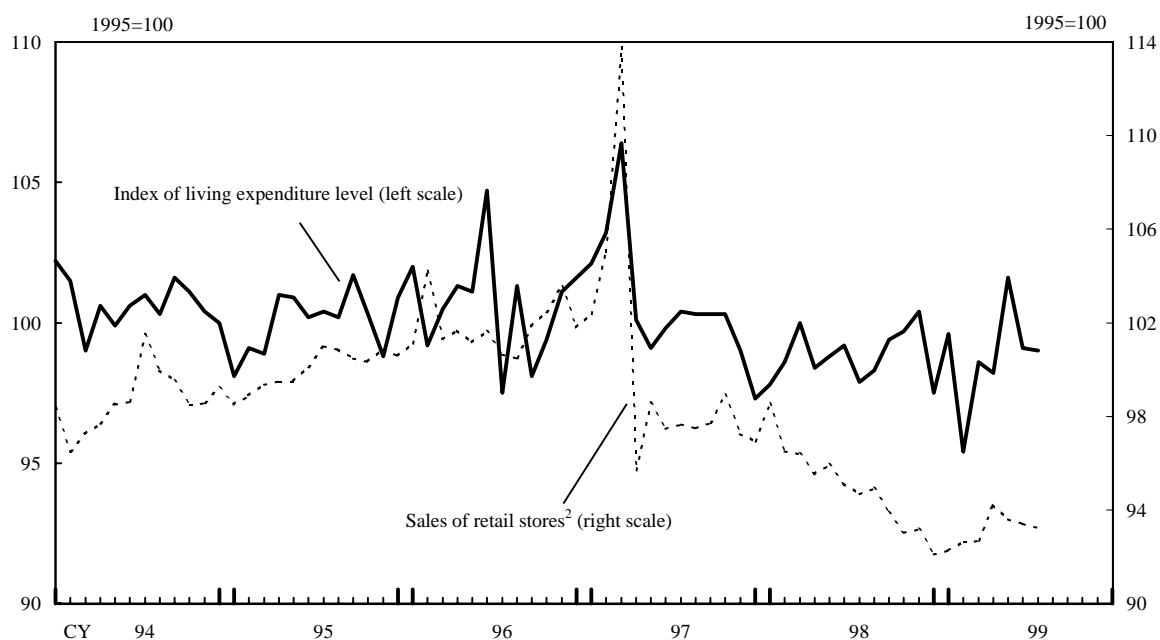
Notes: 1. Sample: 900 companies (valid responses: 634 <August 1999 survey>).

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

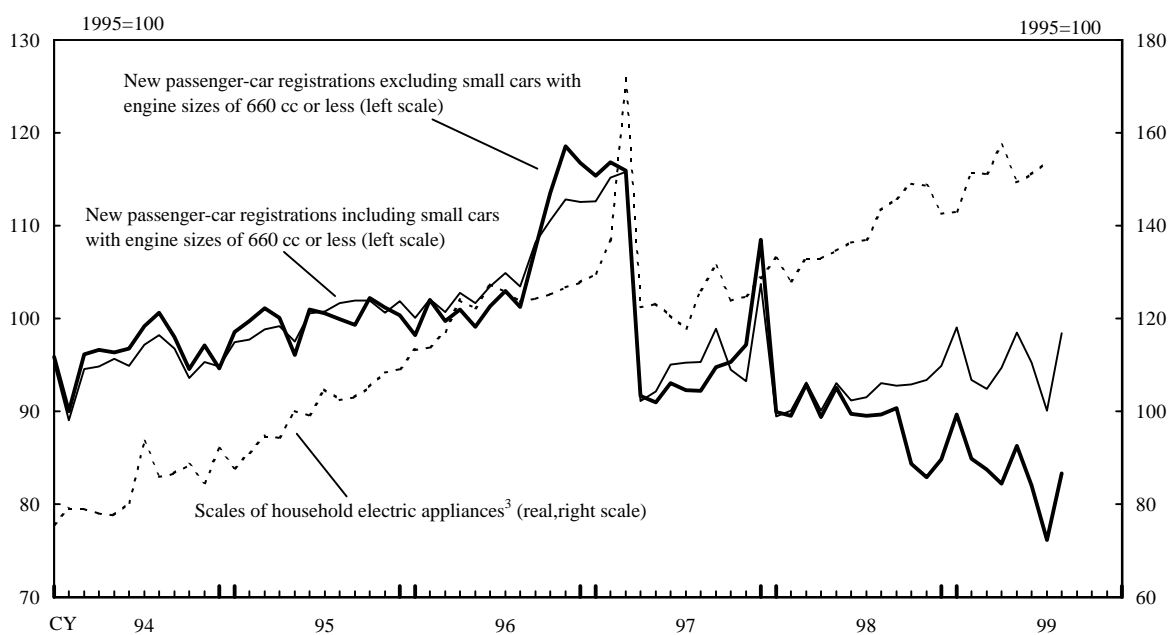
Sources: Japan Finance Corporation for Small Businesses, "Monthly Survey on Trends of Small Businesses"; The Shoko Chukin Bank, "Business Survey Index for Small and Medium-Sized Businesses."

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 are deflated by the Consumer Price Index for commodities.

3. Sales of household electric appliances are 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";

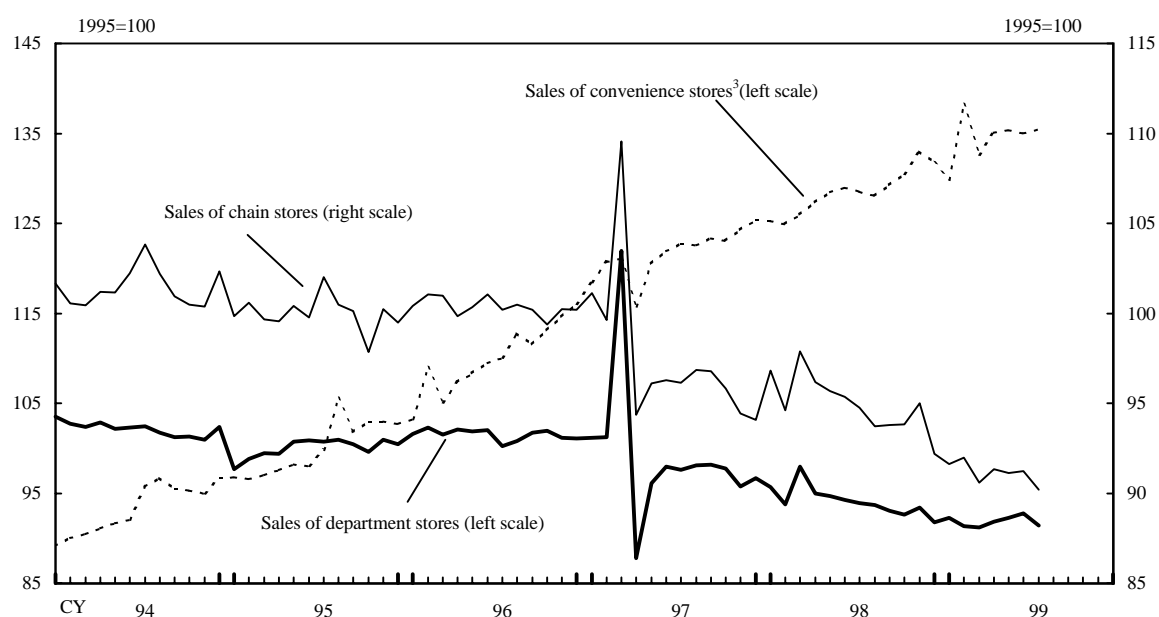
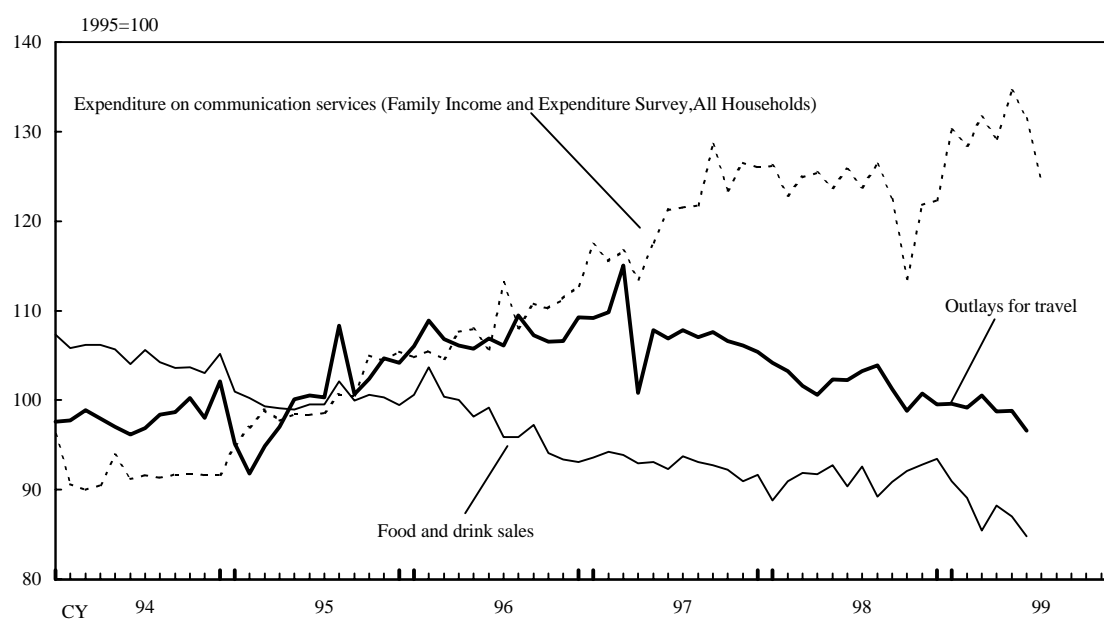
Ministry of International Trade and Industry, "Current Survey of Commerce";

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 Appliances";

Bank of Japan, "Wholesale Price Indexes."

Private Consumption¹ (2)(3) Sales of retail stores²(4) Consumption of service⁴

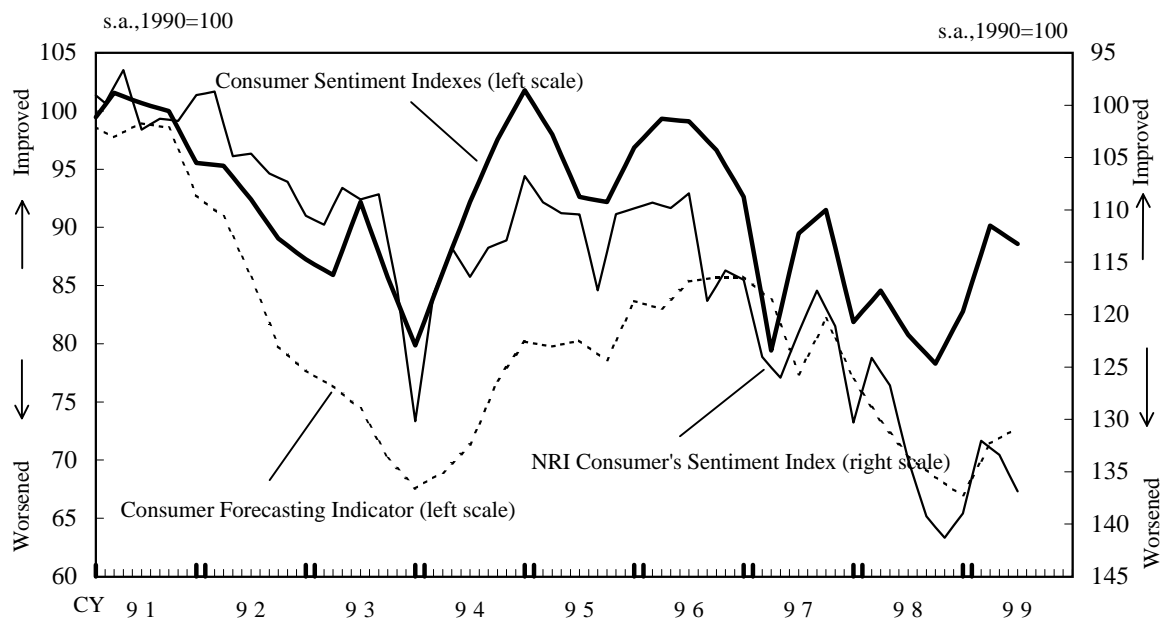
Notes: 1. Seasonally adjusted by X-12-ARIMA (β version).

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. Sales of convenience stores are surveyed by the Bank of Japan.
4. Outlays for travel and Food and drink sales are adjusted to exclude the effect of the rise of the consumption tax rate.

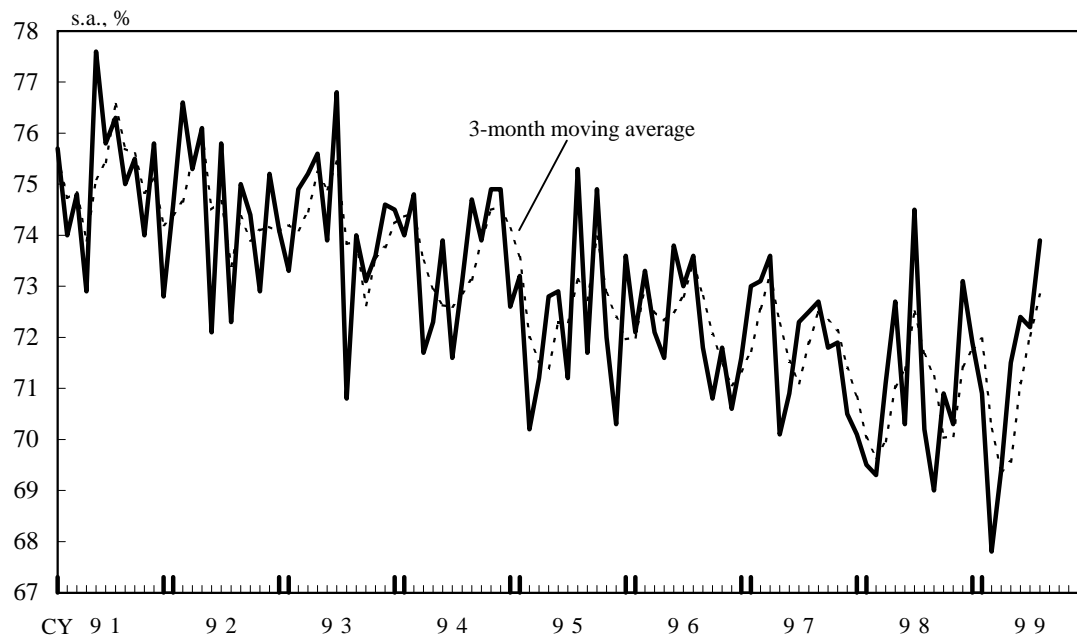
Sources: Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey"; Ministry of International Trade and Industry, "Current Survey of Commerce"; Japan Chain Stores Association, "Sales of Chain Stores"; Ministry of Transport, "Major Travel Agents' Revenue"; Foodservice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

Consumer Confidence and Propensity to Consume

(1) Surveys on consumer confidence



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

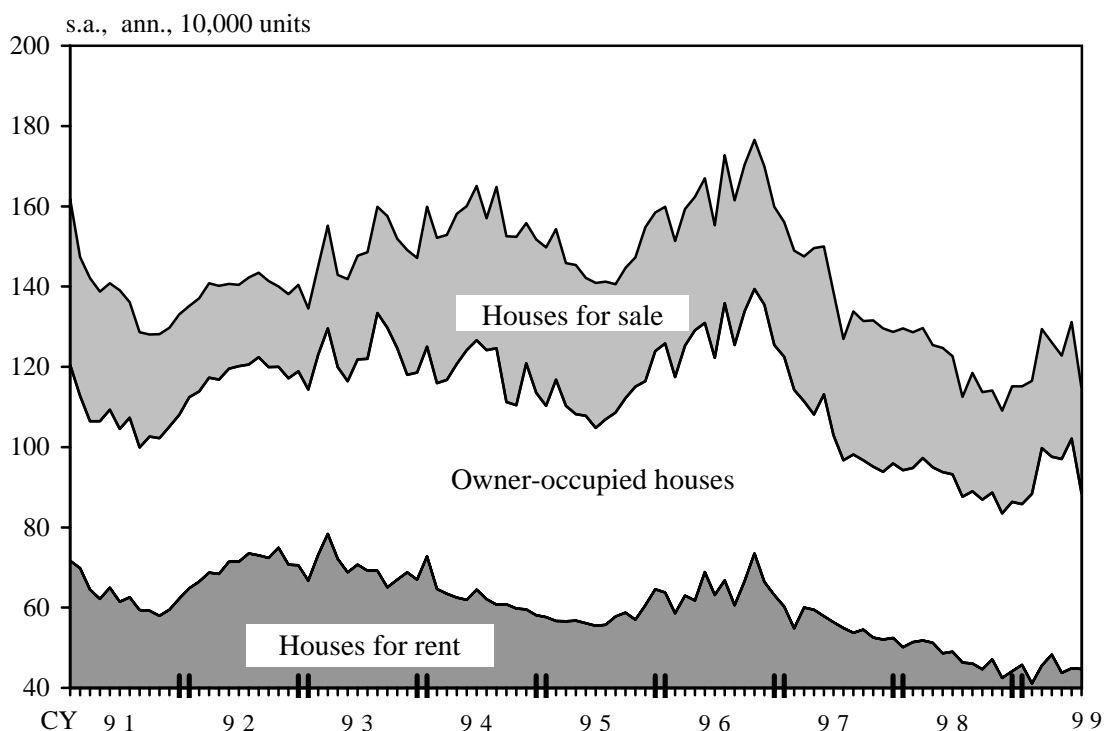


- Notes:1. Consumer Sentiment Indexes, Consumer Forecasting Indicator, and NRI Consumer's Sentiment Index are based on surveys on consumer confidence.
 2. Data are plotted at the months of each survey.
 3. "Consumer Sentiment Indexes" is surveyed by Economic Planning Agency, "Consumer Forecasting Indicator"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

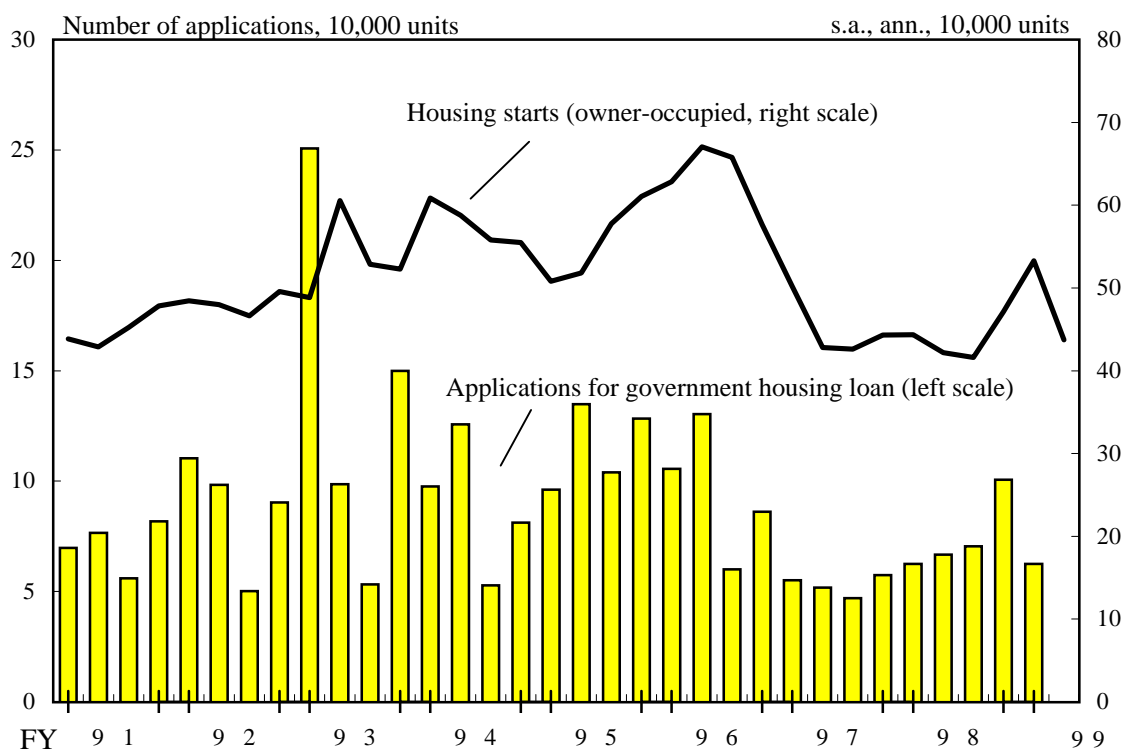
Sources: Economic Planning Agency, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (Nikkei RIM), "Consumption Forecasting Indicator";
 Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey";
 Nippon Research Institute (NRI), "Consumer's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

Major Indexes of Housing Investment

(1) Housing starts



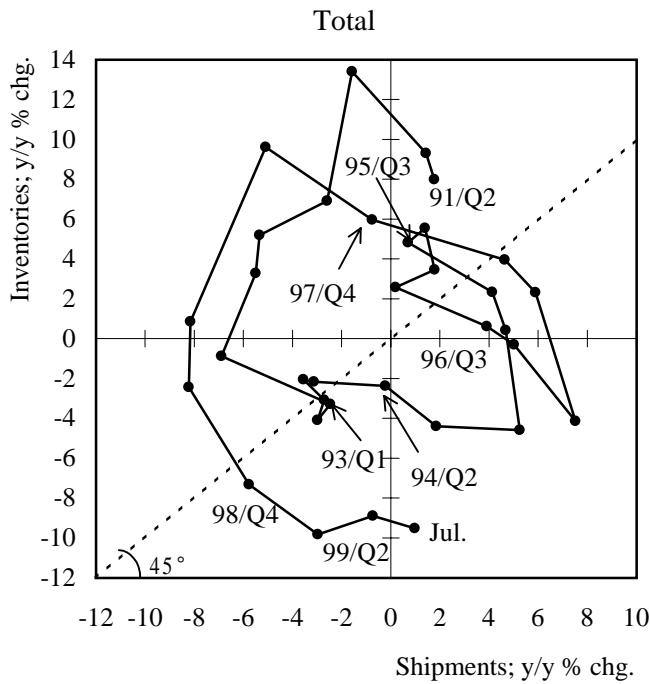
(2) Number of applications for government housing loan (for new owner-occupied homes)



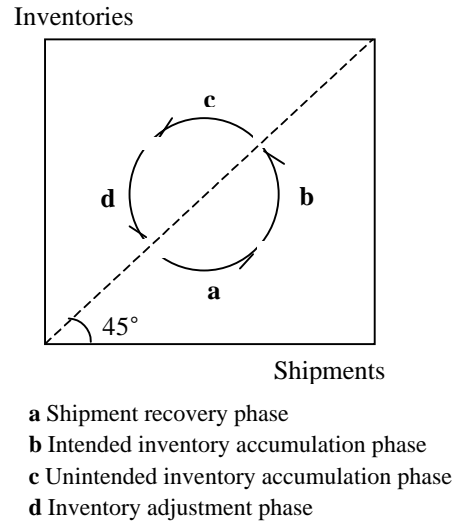
Note: The data for 99/Q2 are July converted into an annual equivalent.

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

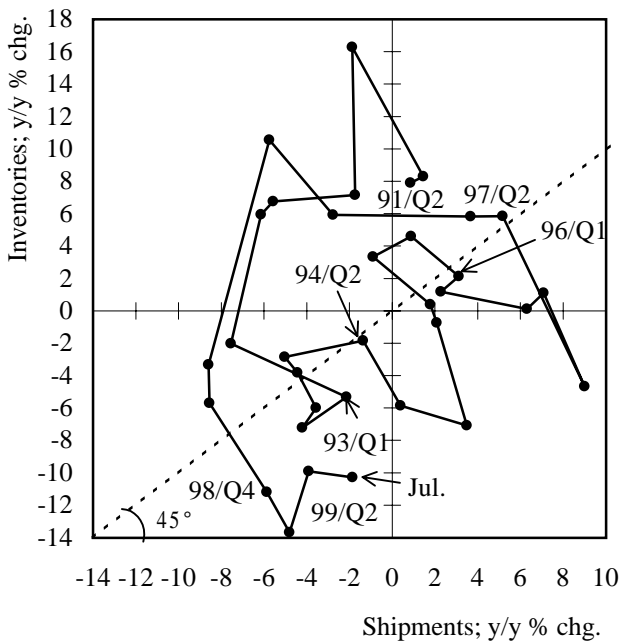
Inventory Cycle



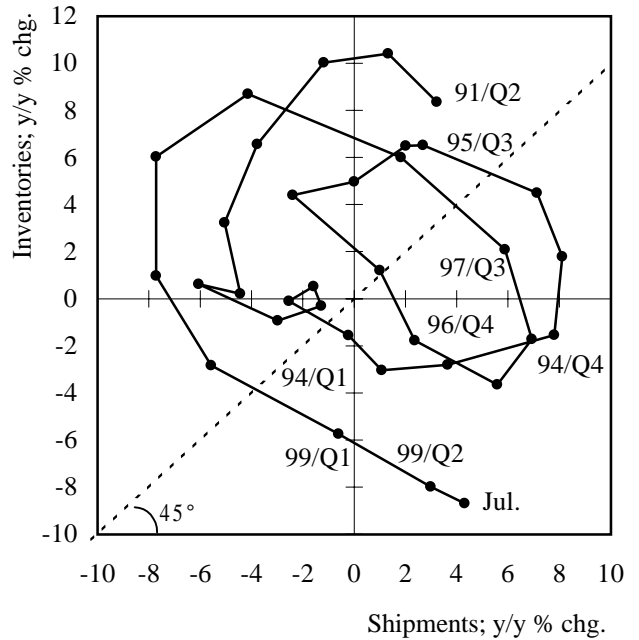
Phases in the Inventory Cycle



Final Demand Goods



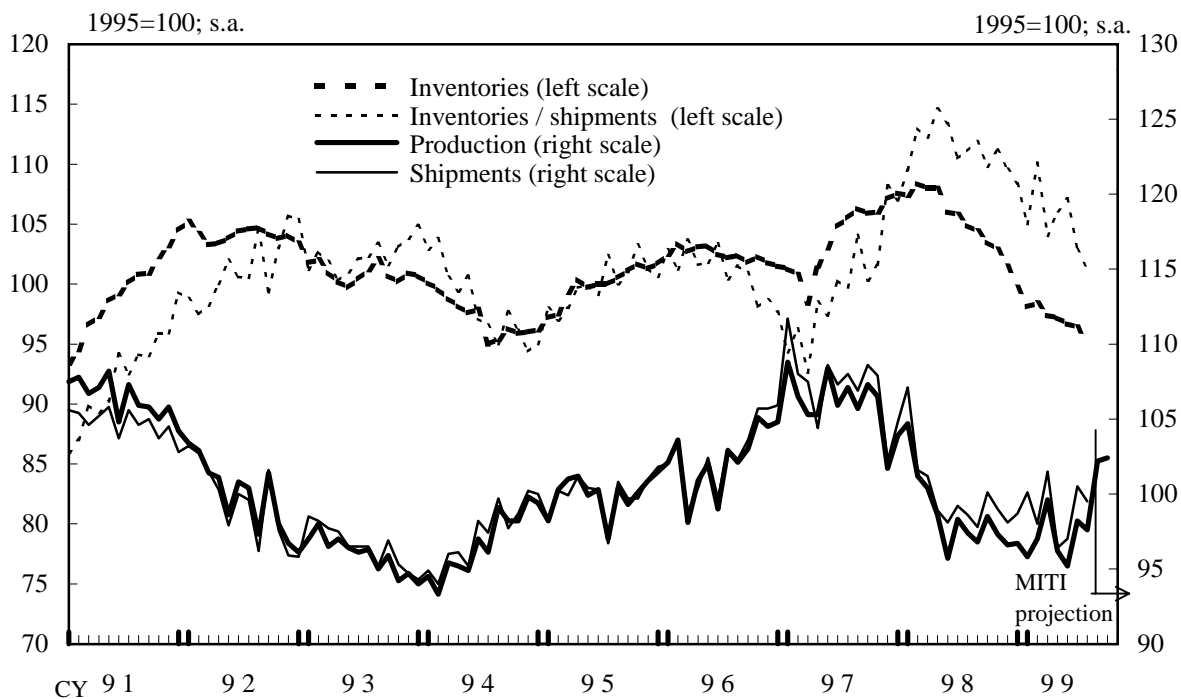
Production Goods



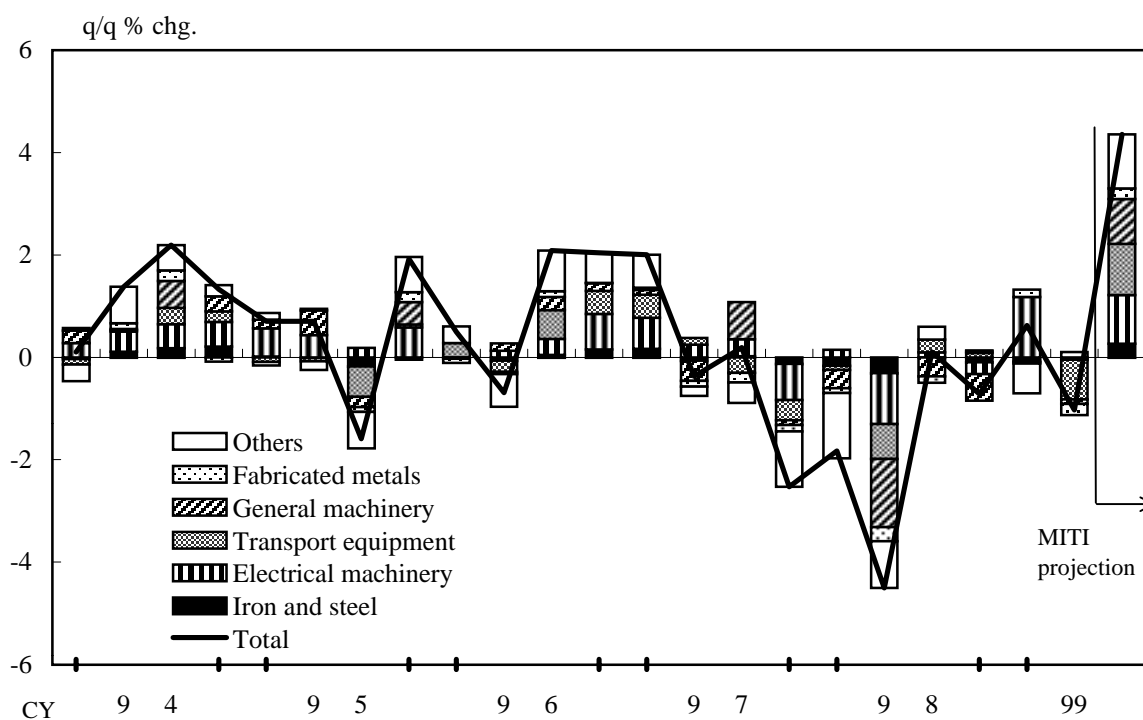
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

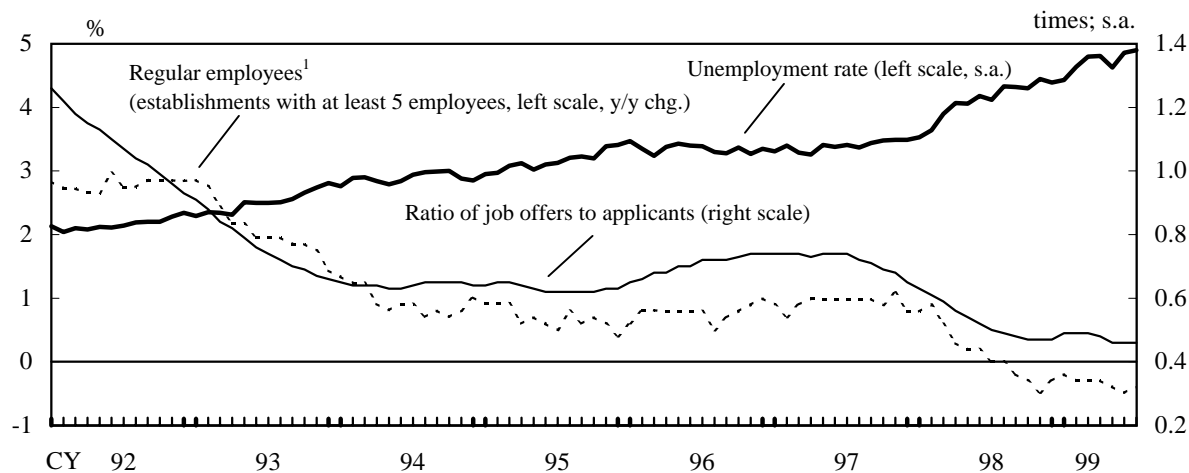


Note: Transport equipment excludes ships and rolling stock.

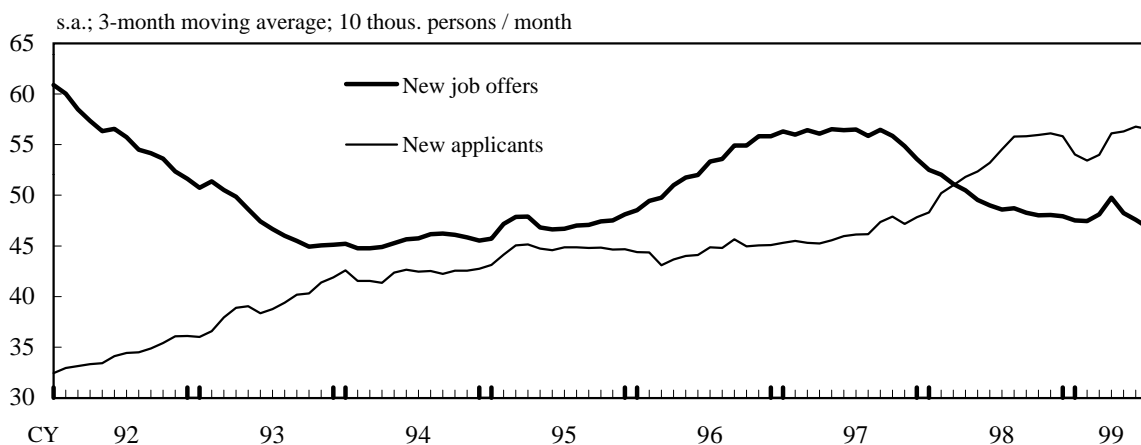
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Labor

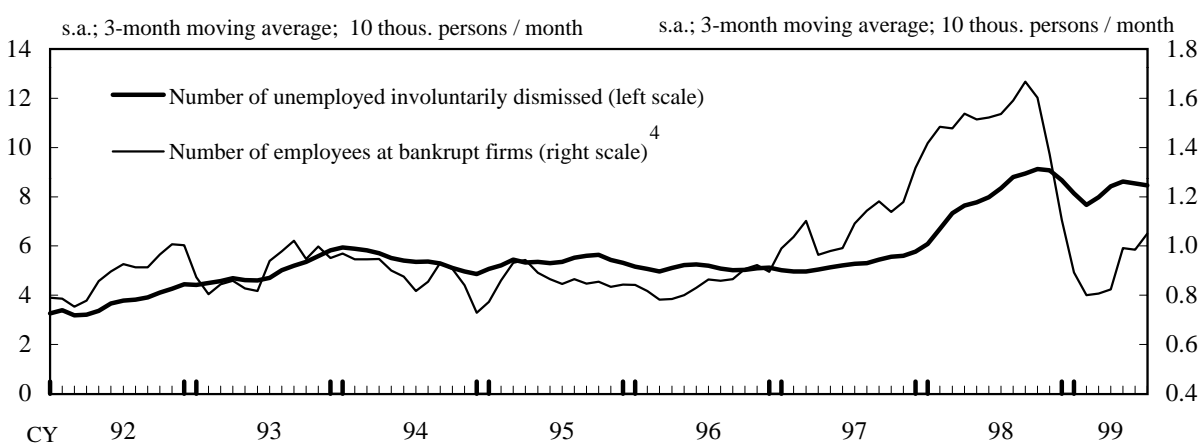
(1) Monthly



(2) New Job Offers and New Applicants²



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



Notes: 1. The data of regular employees for July 1999 are preliminary figures.

2. Excludes jobs offered to new graduates.

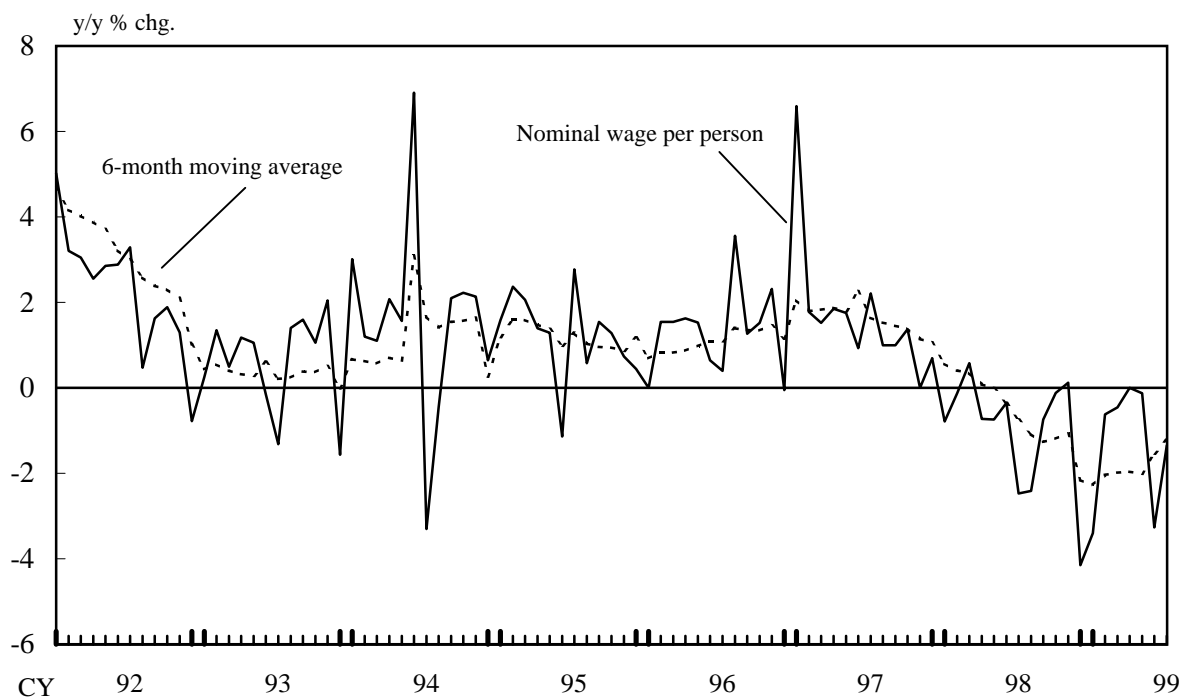
3. Seasonally adjusted by X-11.

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

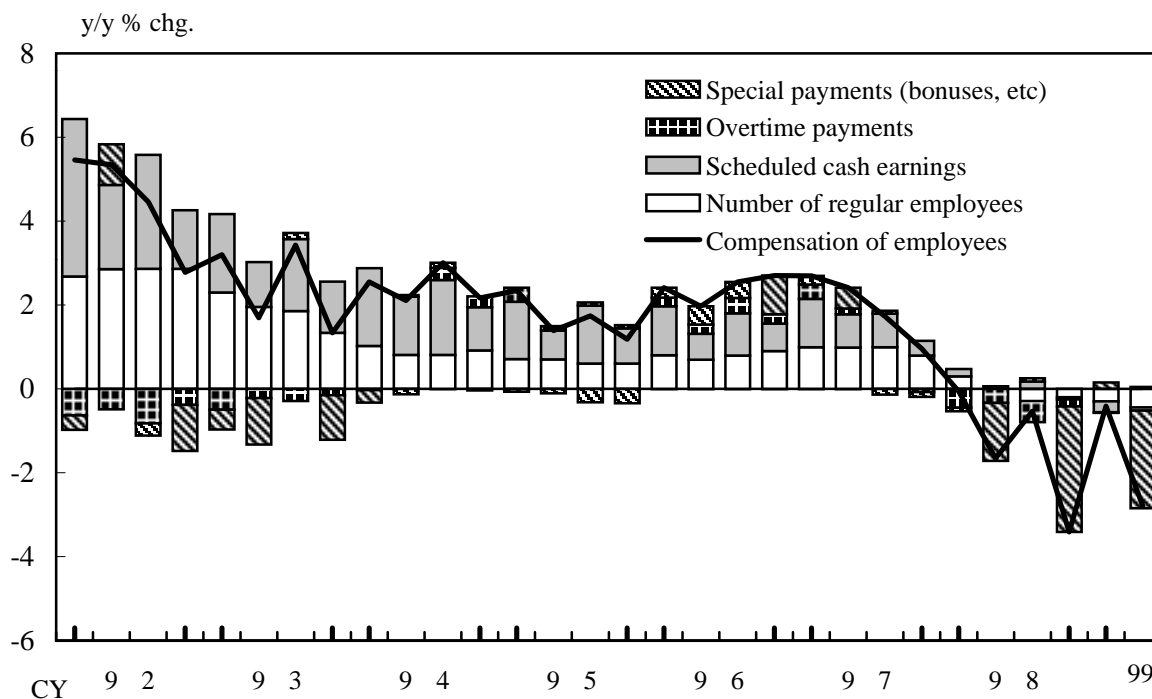
Sources: Ministry of Labor, "Monthly Labor Survey", "Report on Employment Service", "Report on Employment Insurance Service"; Management and Coordination Agency, "Labor Force Survey"; *Teikoku Databank Ltd.*, "Japan's Business Failure."

Compensation of Employees¹

(1) Nominal Wage per Person



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

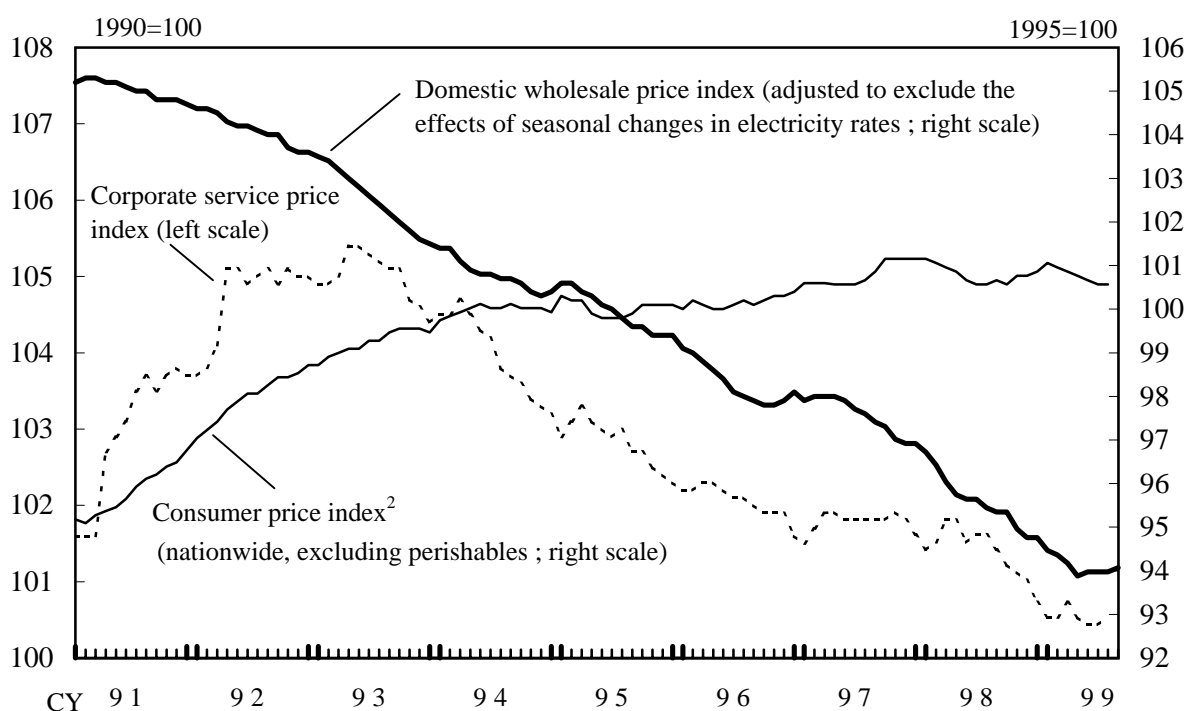


- Notes : 1. Data for establishments with at least 5 employees. The data for July 1999 are preliminary figures.
 2. Q1= Mar-May, Q2= Jun-Aug, Q3=Sep-Nov, Q4= Dec-Feb.
 3. The data of 99/Q2 are the June-July average.

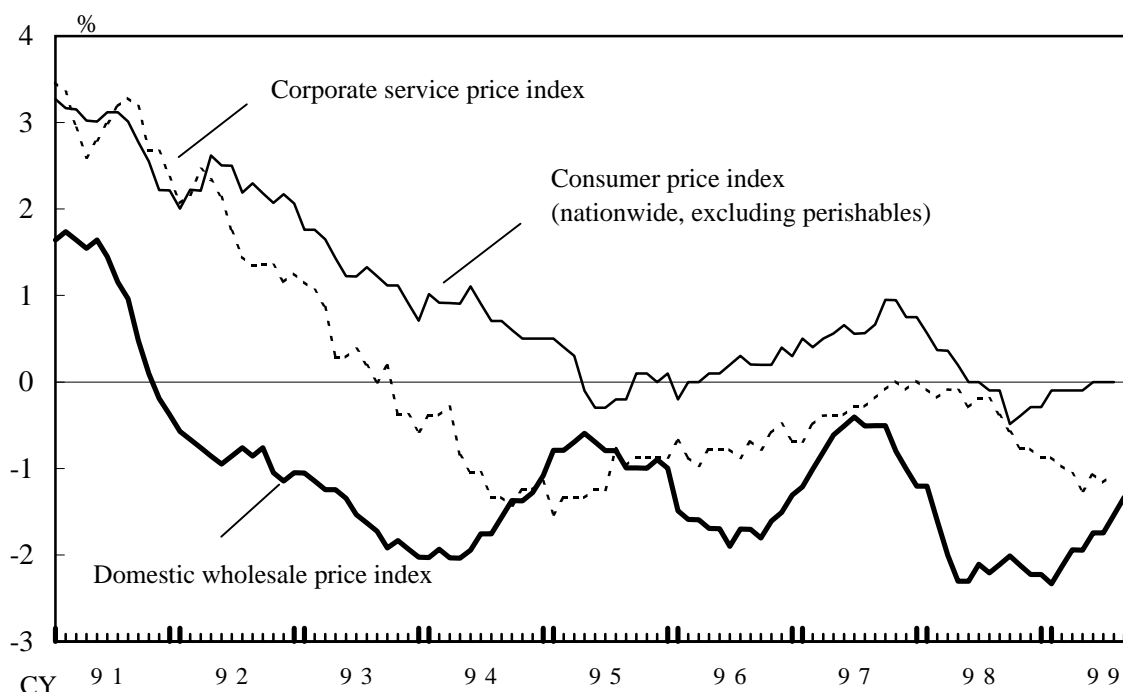
Source: Ministry of Labor, "Monthly Labor Survey."

Prices¹

(1) Level



(2) Changes from a year earlier



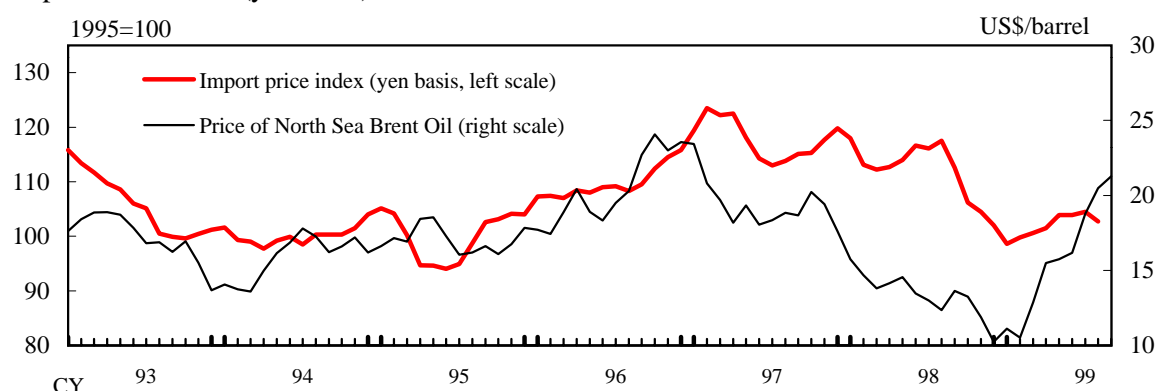
Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.

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

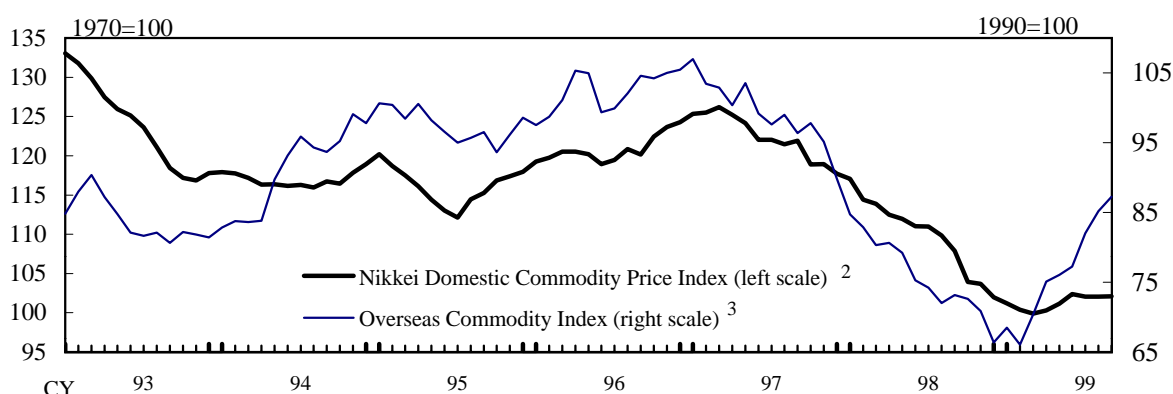
Sources: Management and Coordination Agency, "Consumer Price Index";
Bank of Japan, "Wholesale Price Indexes", "Corporate Service Price Index."

Import Prices and Domestic Wholesale Prices

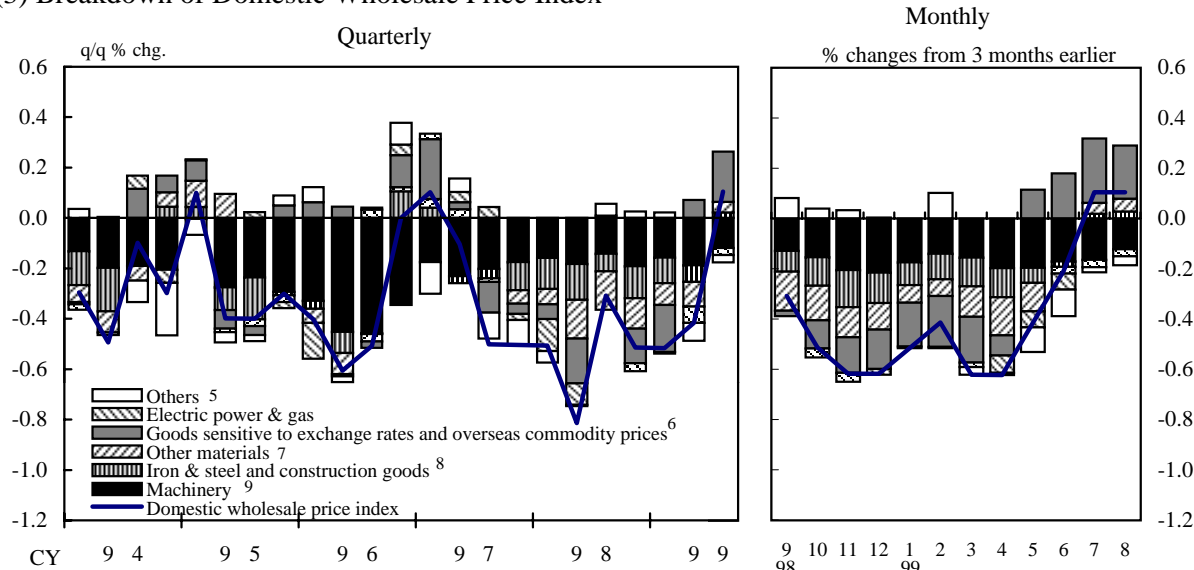
(1) Import Price Index (yen basis) and Crude Oil Price¹



(2) Domestic Commodity Market



(3) Breakdown of Domestic Wholesale Price Index⁴



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

2. Data for Sept. 1999 are as of Sept. 3.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for Sept. 1999 are Sept. 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 tax rate. Data for 99/Q3 are those of the July - Aug. average.

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

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

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

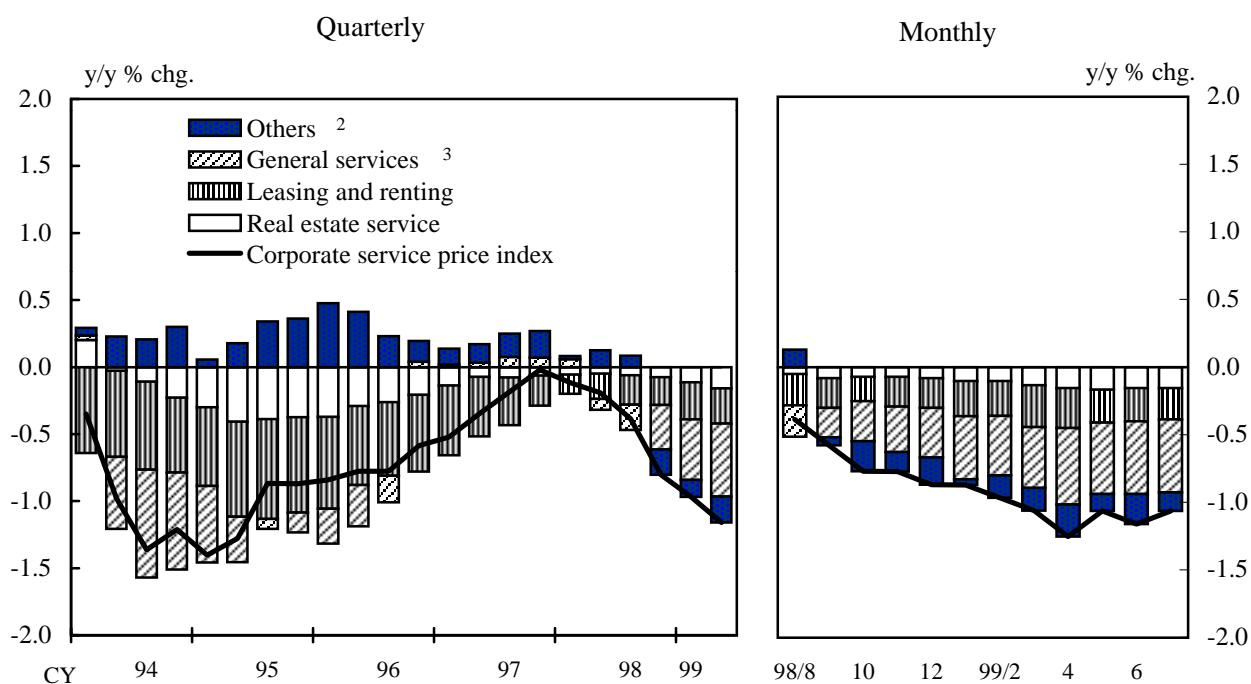
8. Iron & steel and construction goods = iron & steel + metal products + ceramics, stone & clay products + lumber & wood products + scrap & waste.

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

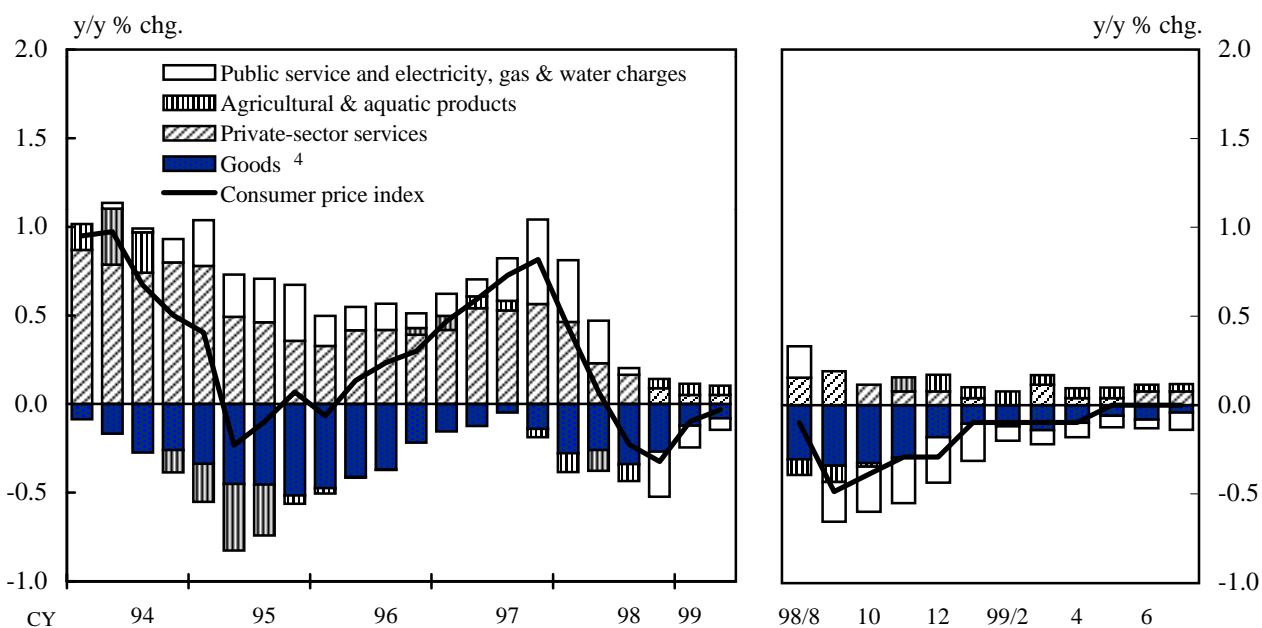
Sources: Bank of Japan, "Wholesale Price Indexes", "Financial and Economic Statistics Monthly", "Nippon Ginko Chousa Geppo (Bank of Japan Monthly Bulletin)"; Nihon Keizai Shimbun Inc., "Nikkei Domestic Commodity Price Index."

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) + railroad fares + bus fares + taxi fares + domestic air fares + tolls + postal services + sewerage disposal + ocean freight + international air freight + international air fares.

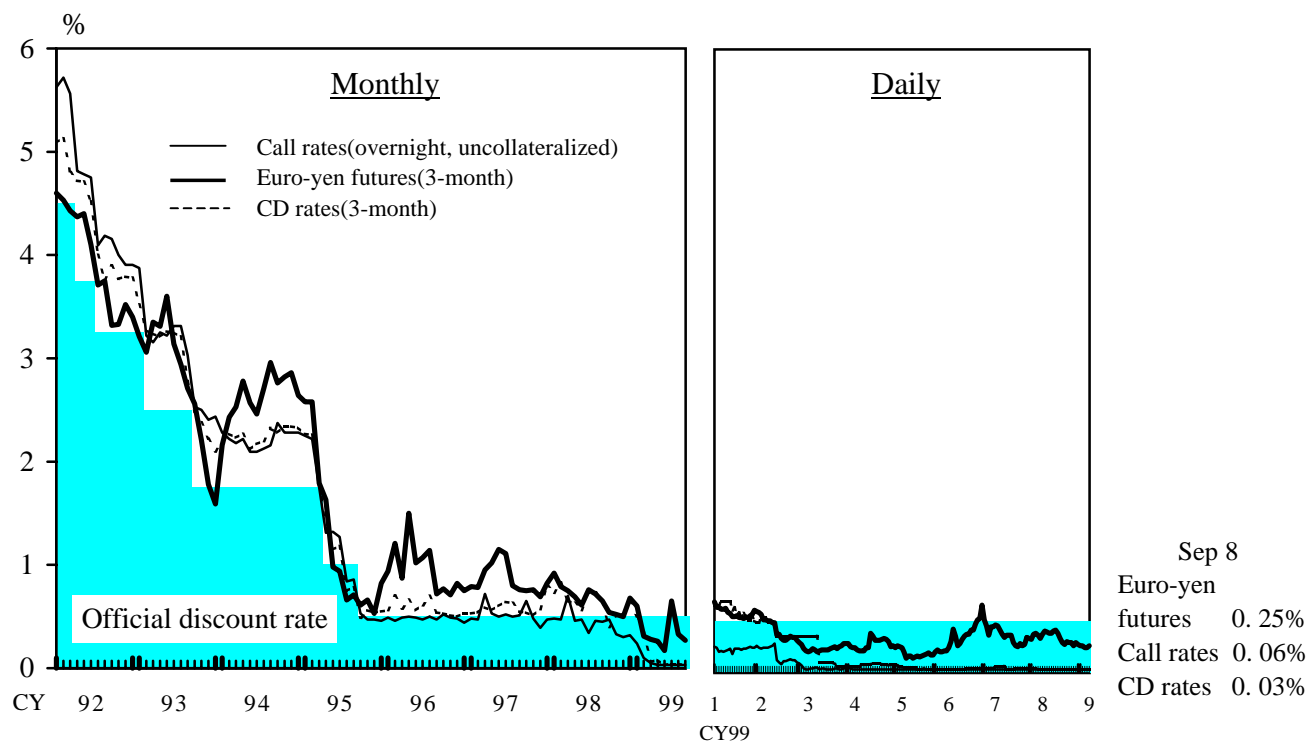
3. General services = finance & insurance + transportation + information services + communications + advertisement + building maintenance & construction planning + temporary worker services + machinery maintenance, etc. (excluding items in "others").

4. Excludes agricultural and aquatic products.

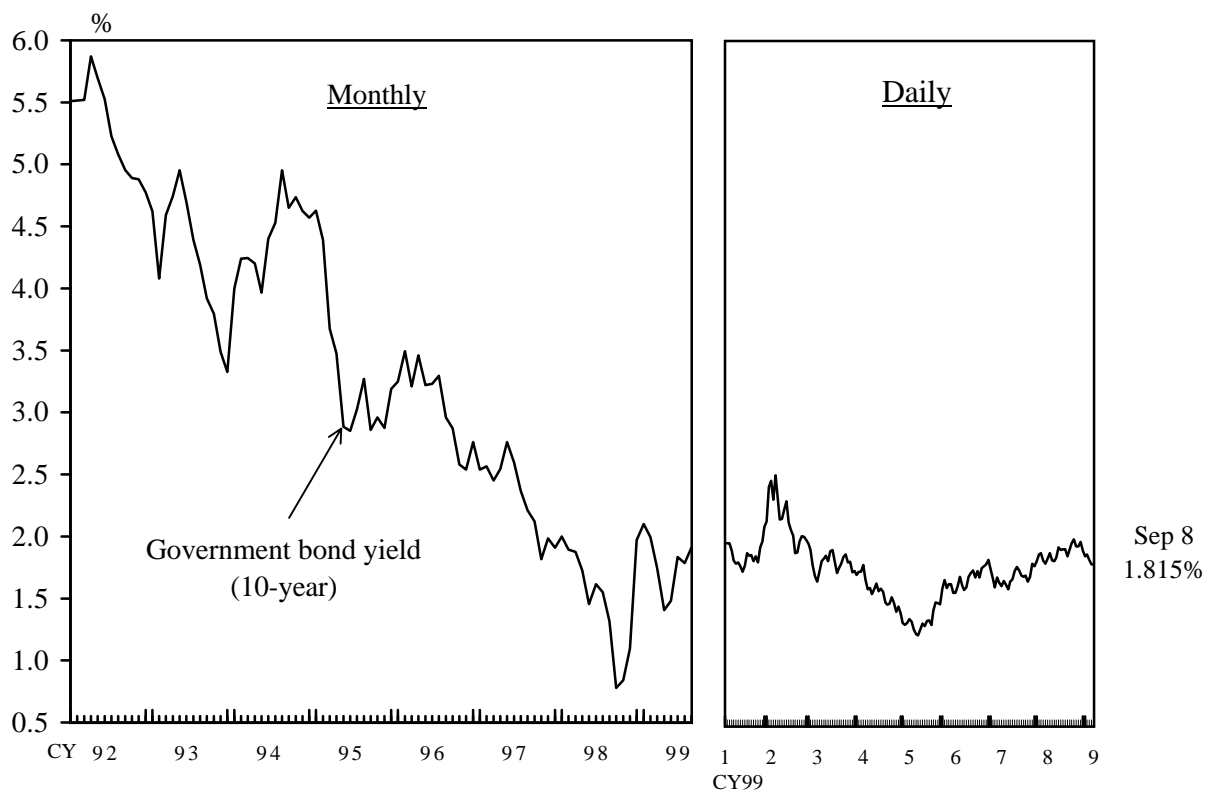
Sources: Management and Coordination Agency, "Consumer Price Index";
Bank of Japan, "Corporate Service Price Index."

Interest Rates

(1) Short-Term



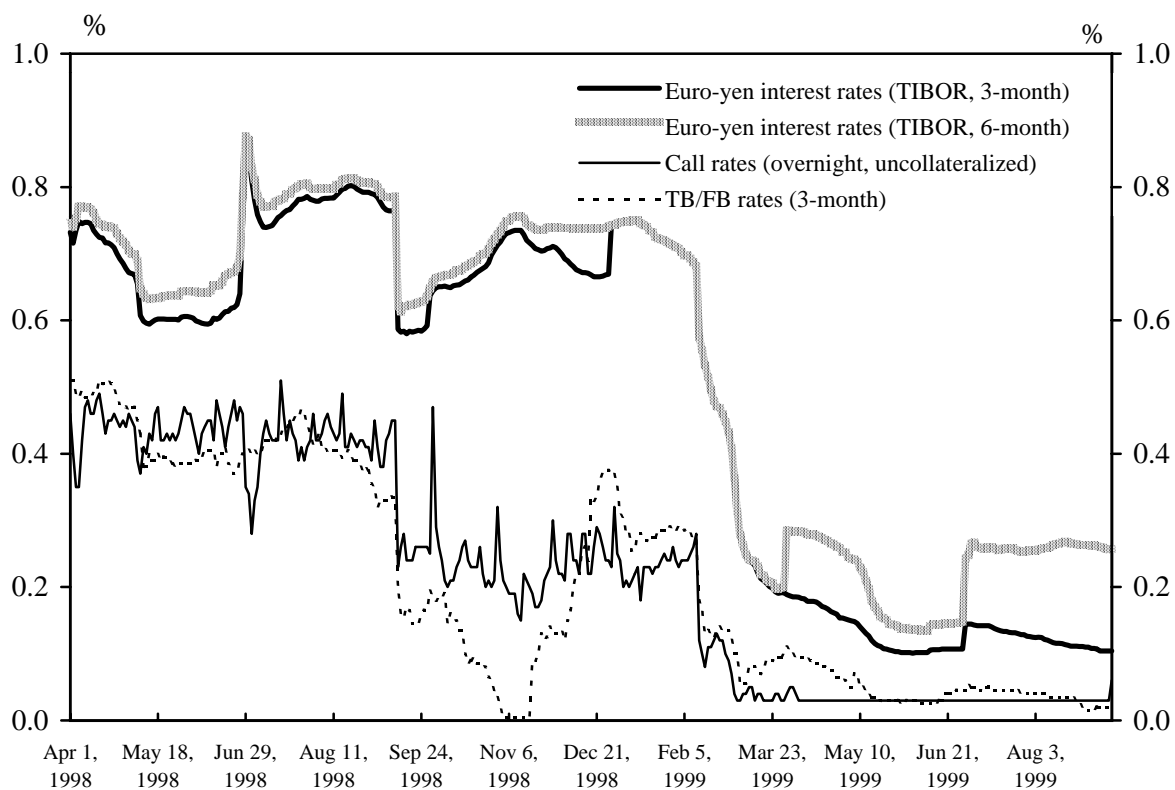
(2) Long-Term



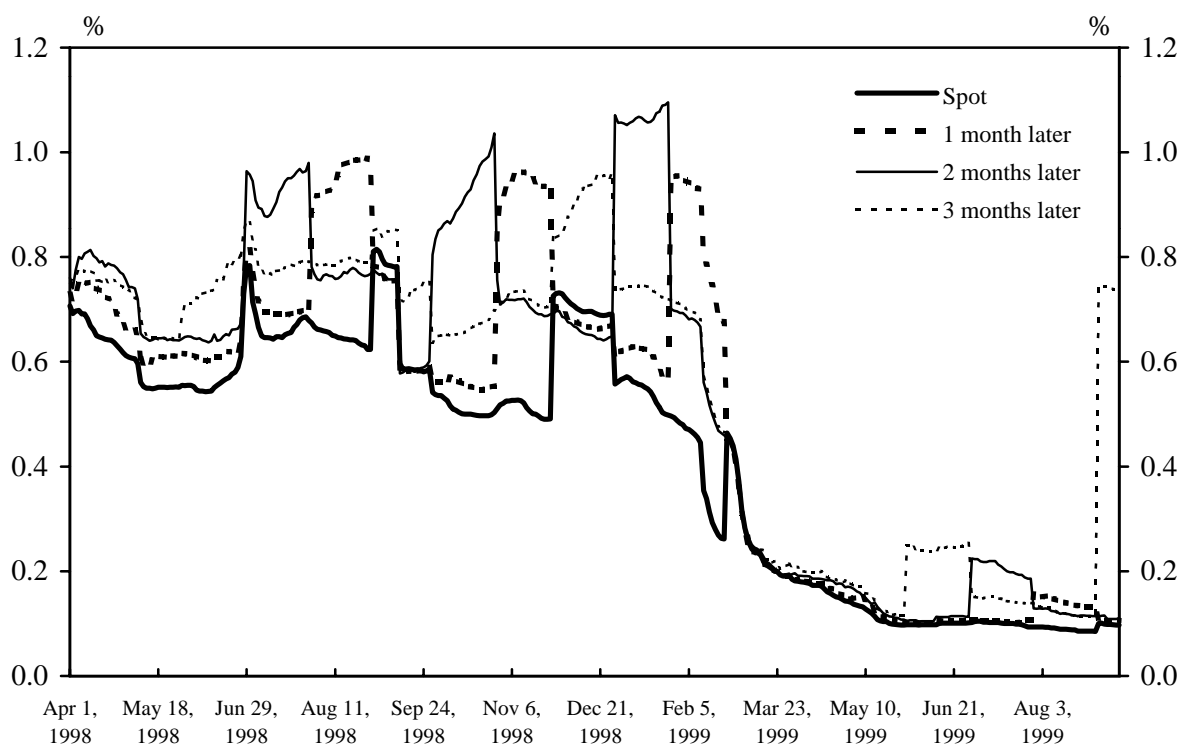
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

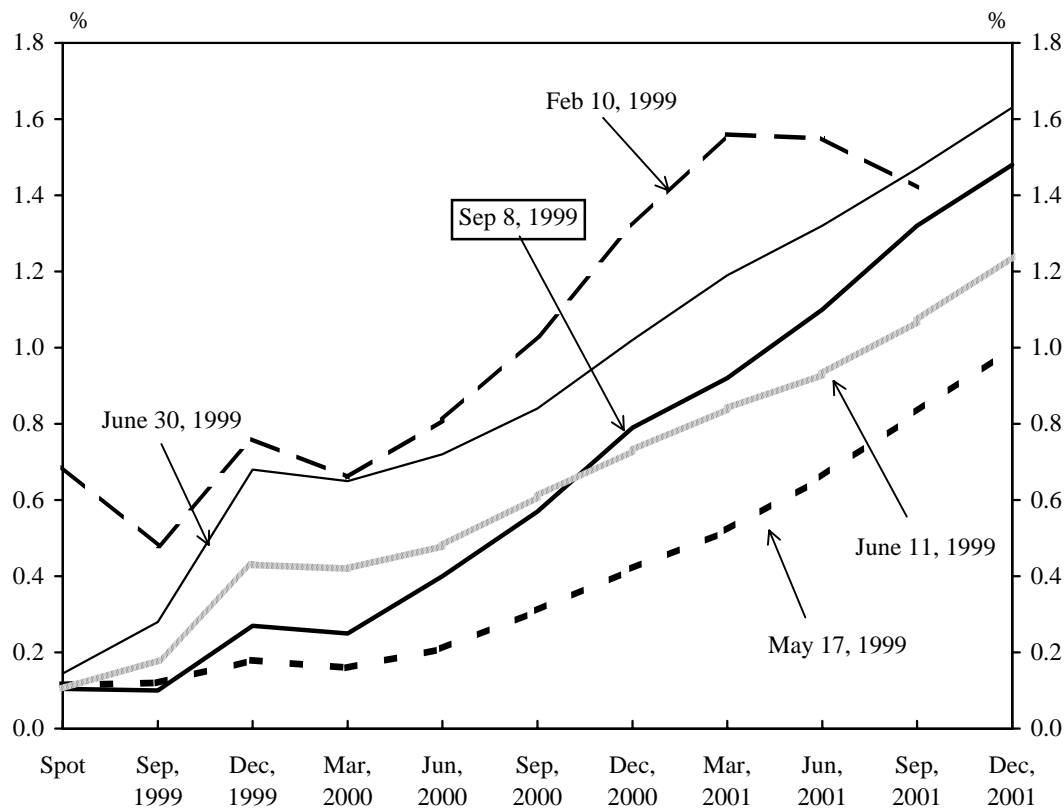


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

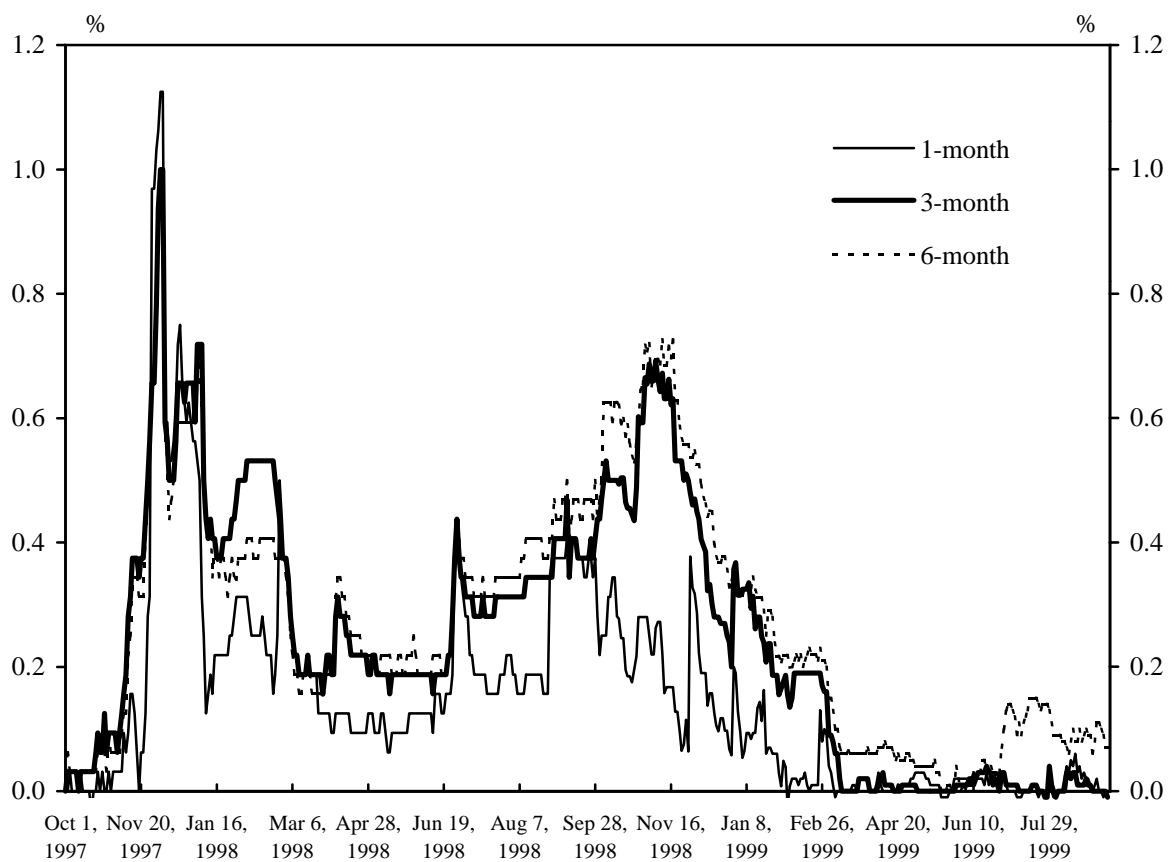


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Euro-Yen Interest Rates Futures (3-Month)



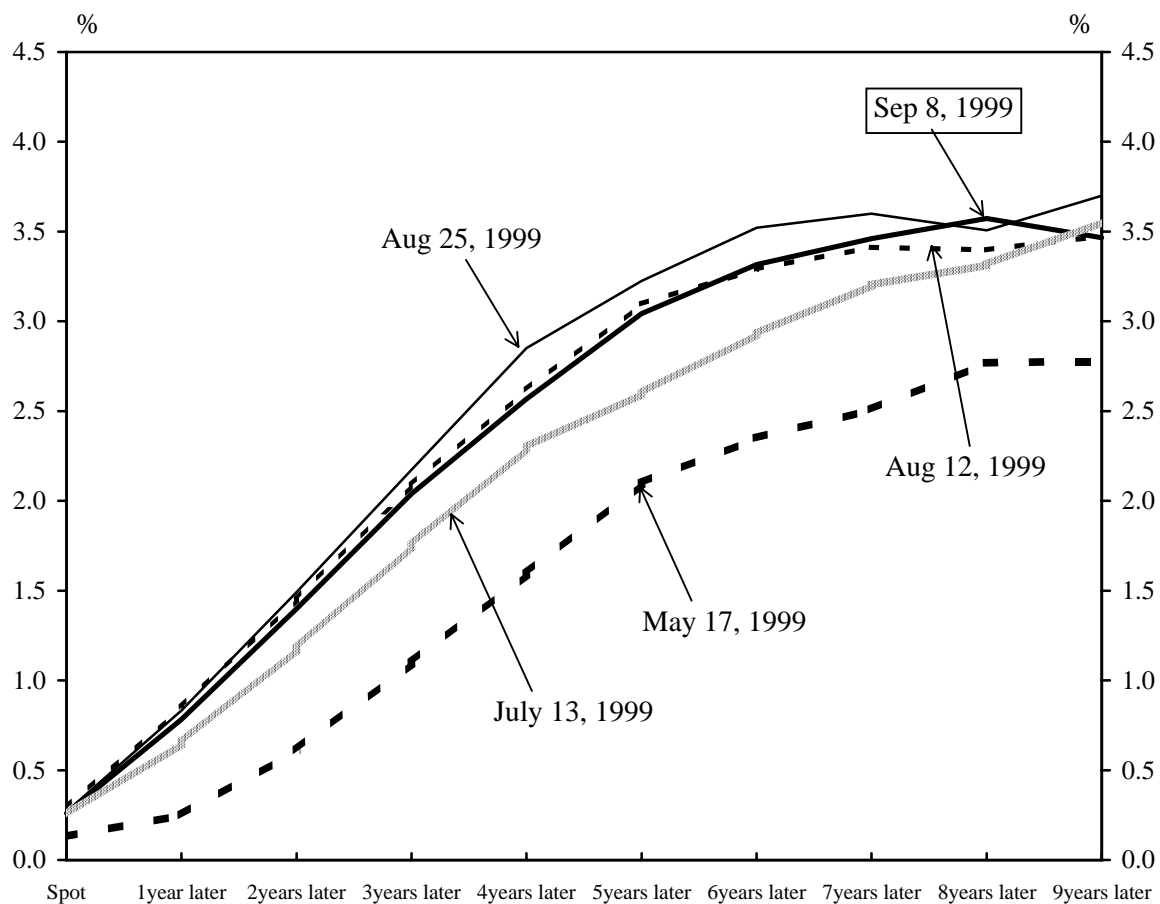
Source: Tokyo International Financial Futures Exchange.

Japan Premium in the Eurodollar Market ¹

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

Source: British Bankers' Association (BBA).

Implied Forward Rates (1-year)¹

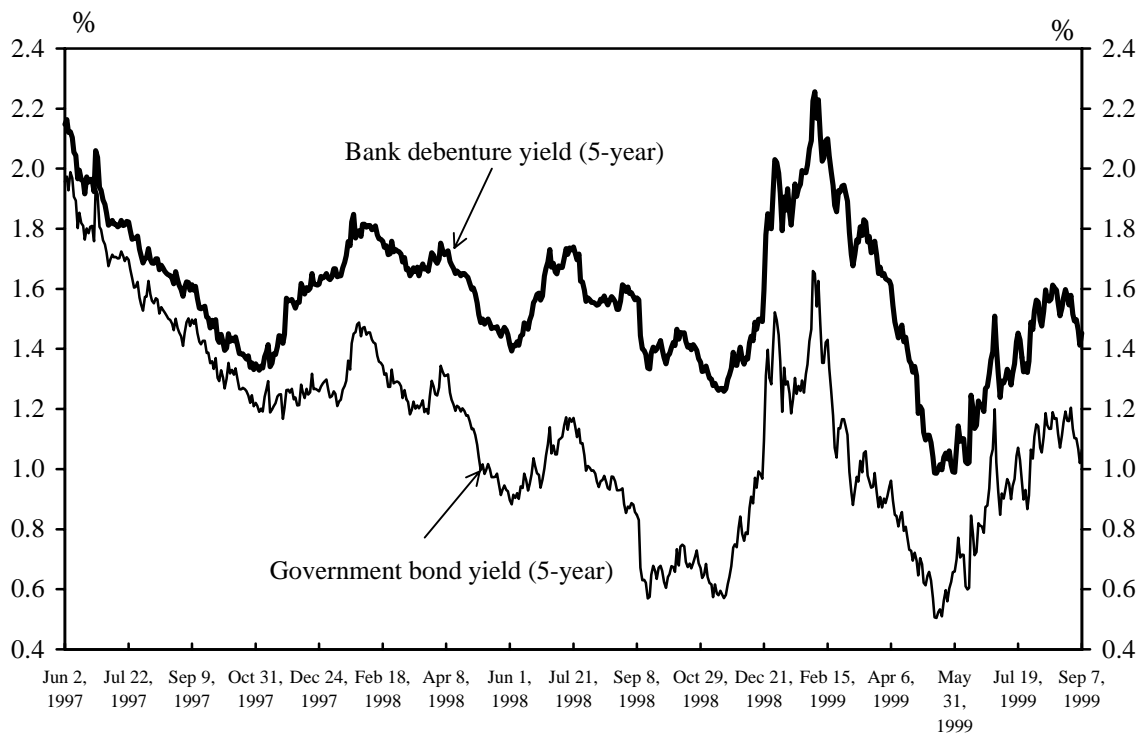


Note: 1. Calculated from yen-yen swap rates.

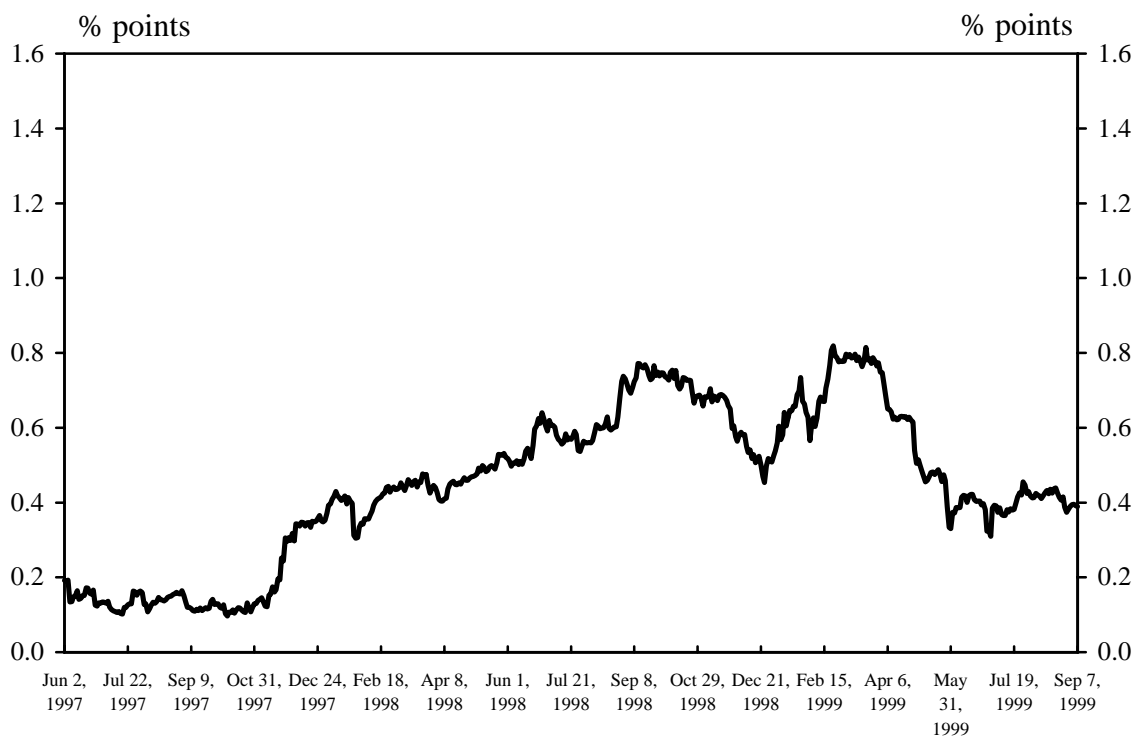
Source: Bank of Japan, "Financial and Economic Statistics Monthly."

Yields of Bank Debentures

(1) Bond Yields



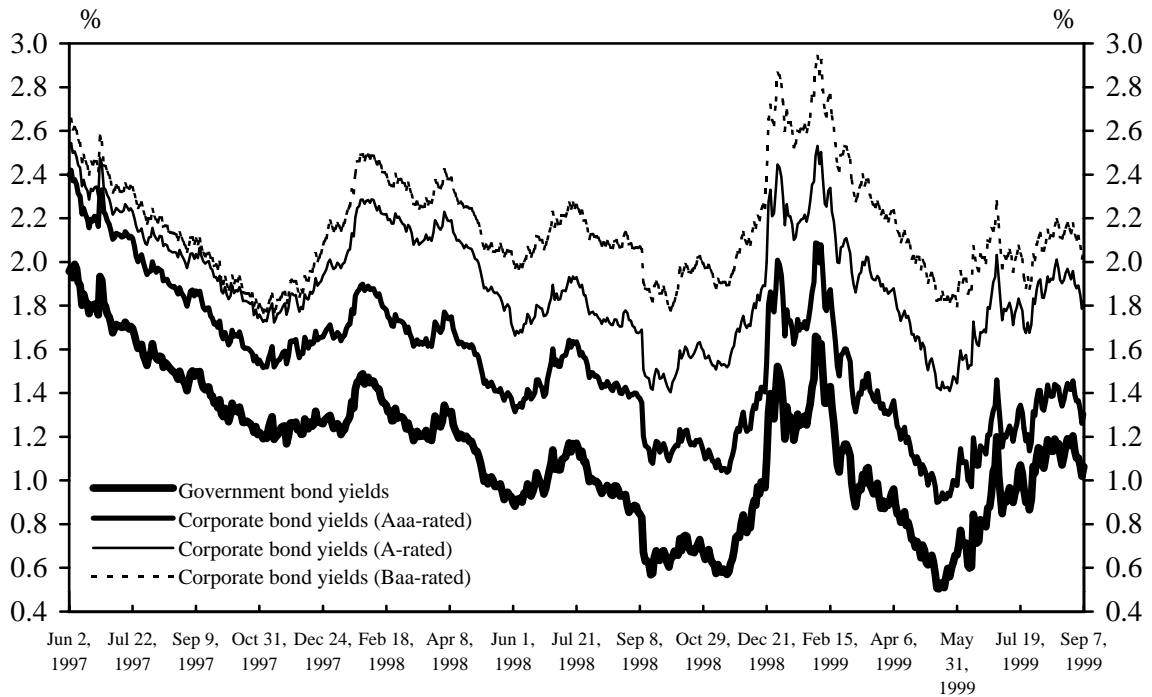
(2) Spread of Bank Debenture and Government Bond Yield



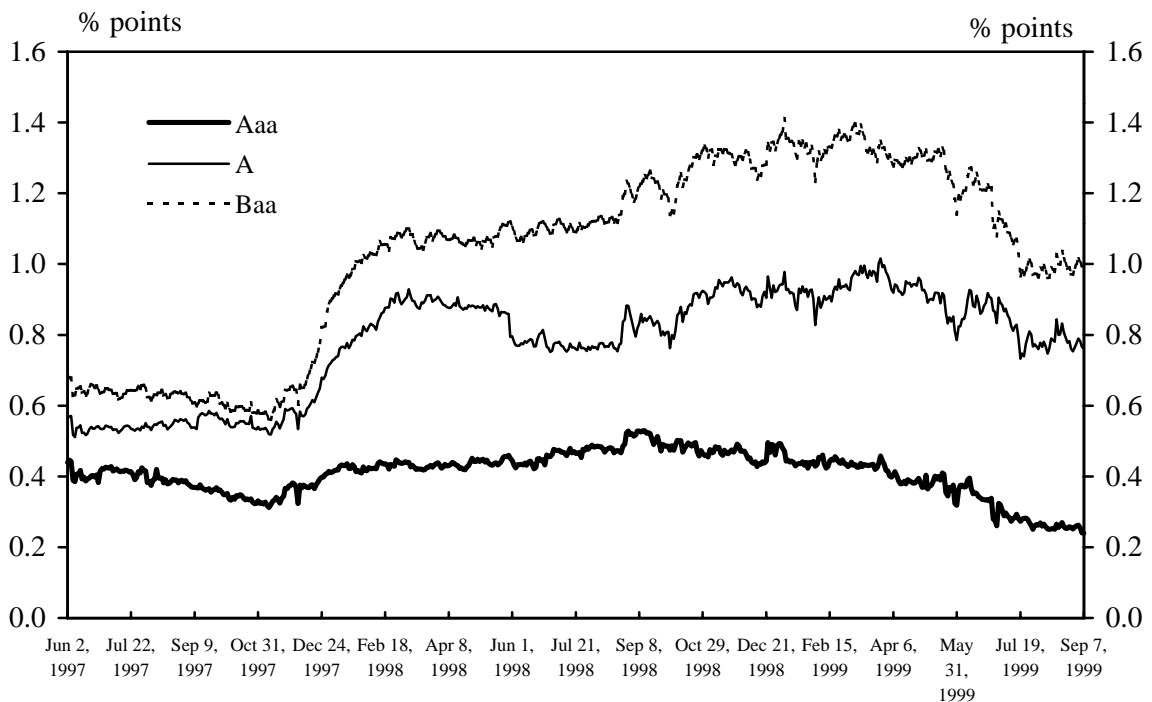
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



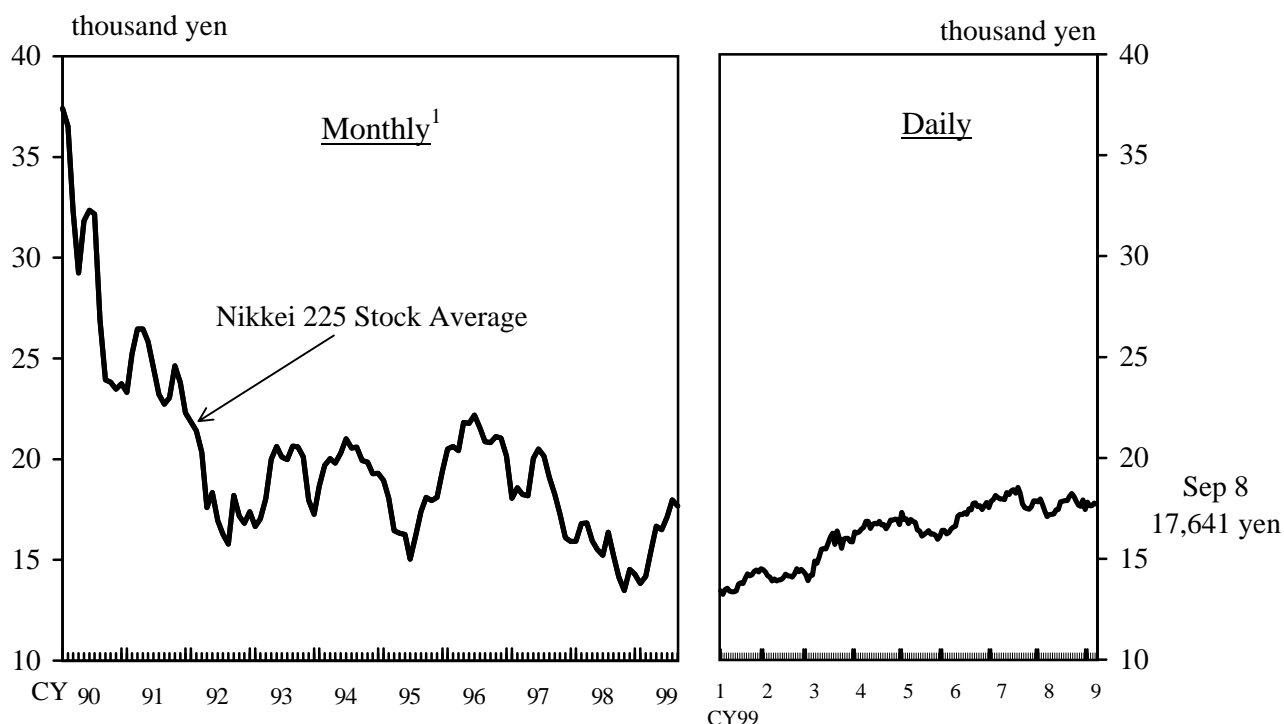
Note: 1. Yields on bonds with 5-year maturity.

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

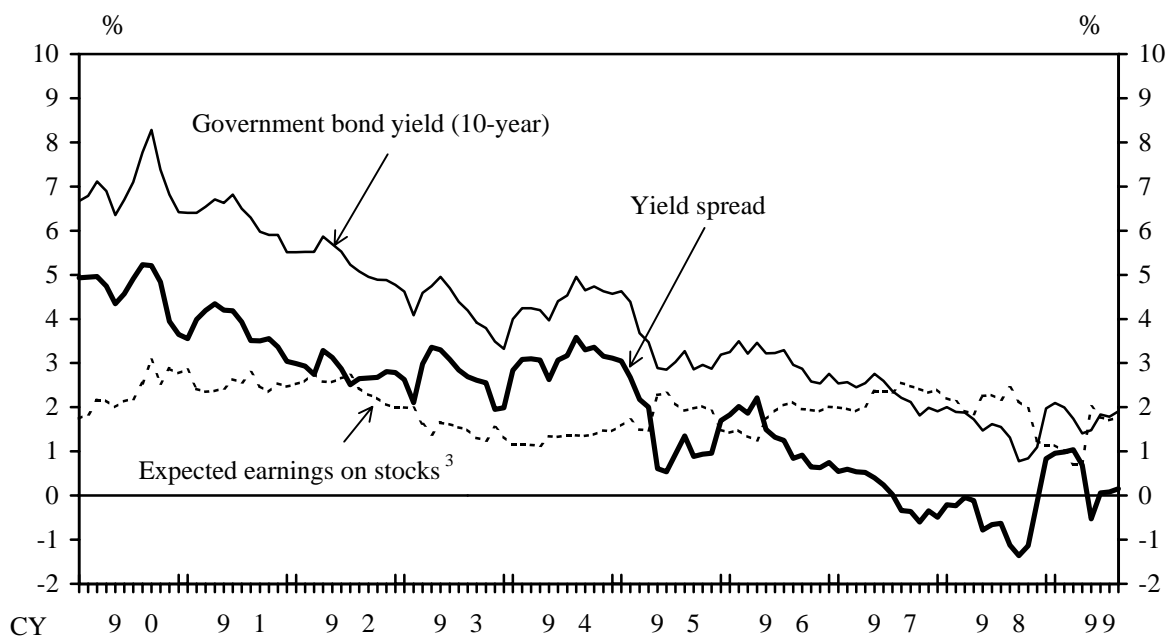
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

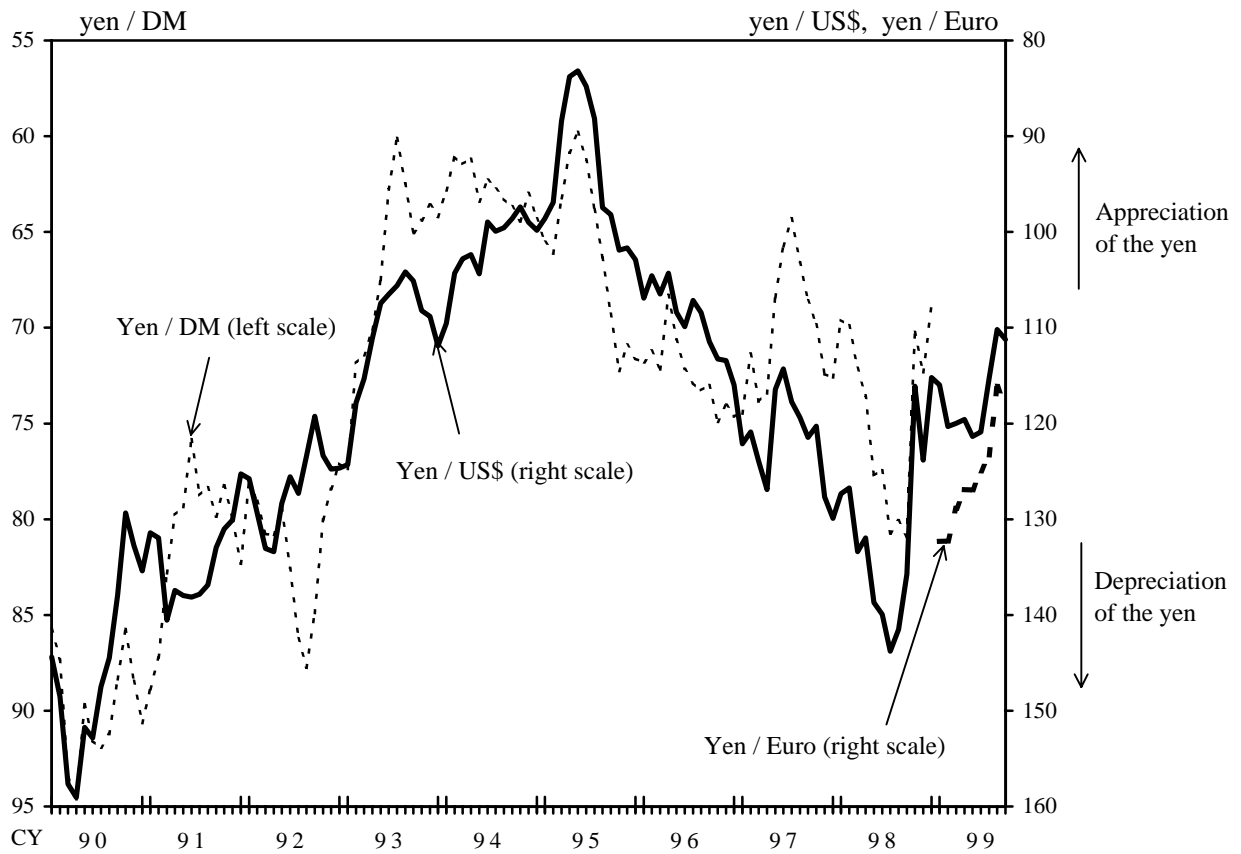
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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

Data are calculated by the Daiwa Research Institute.

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

Exchange Rates

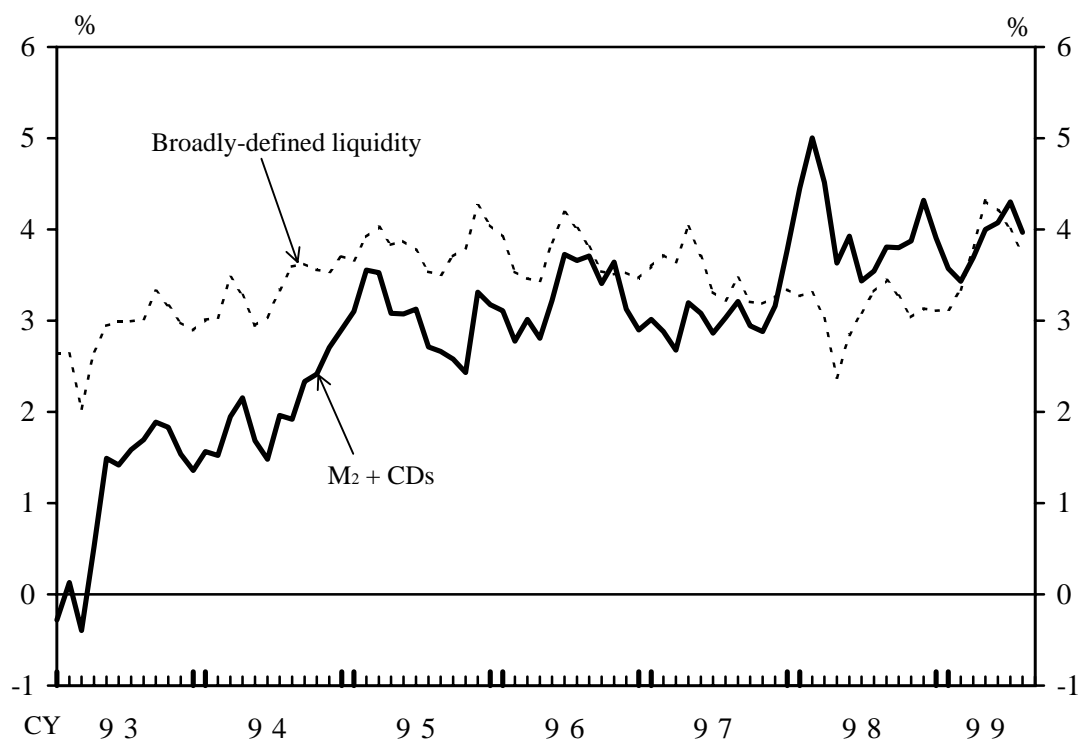


Note: 1. End of month. Data for September 1999 are as of September 8, 1999.

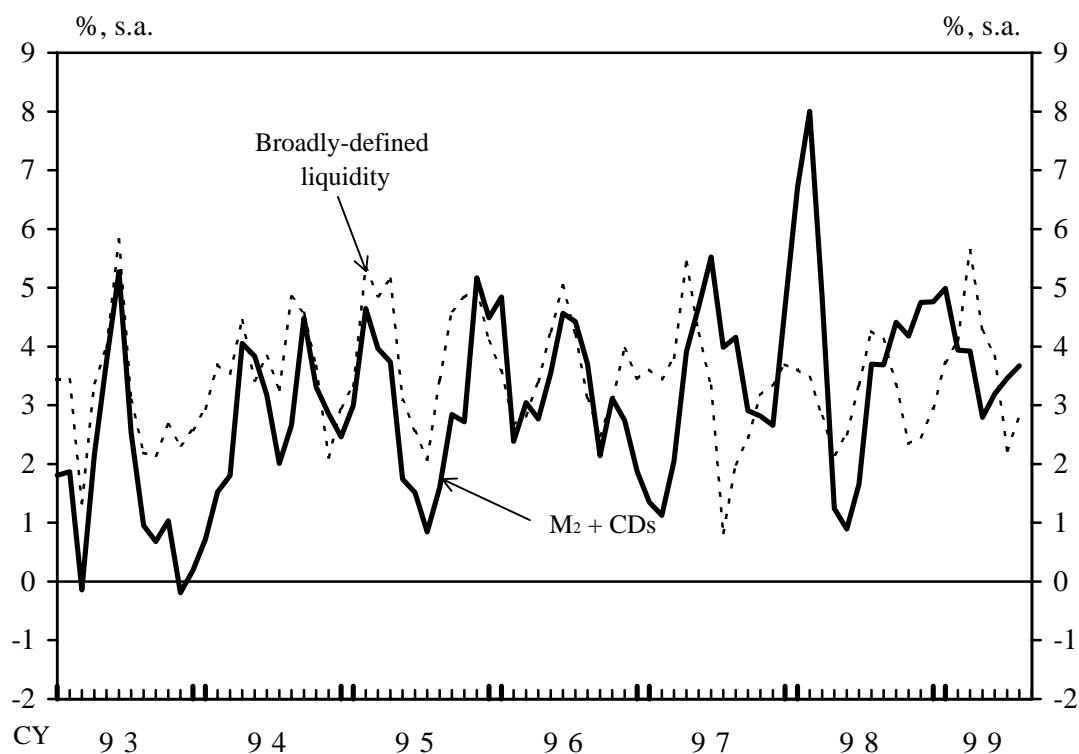
Source: Bank of Japan.

 Money Stock (M_2 +CDs, Broadly-Defined Liquidity)¹

(1) Changes from a Year Earlier



(2) Changes from Three Months Earlier (Annualized)

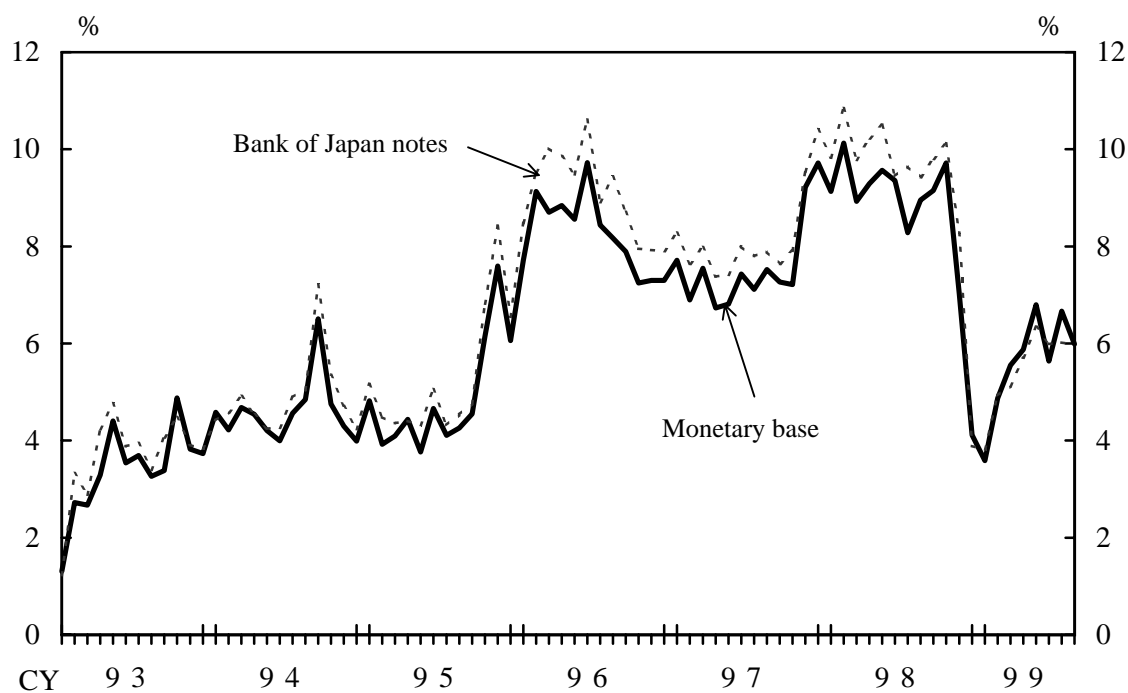


Note: 1. Percent changes in average amounts outstanding.

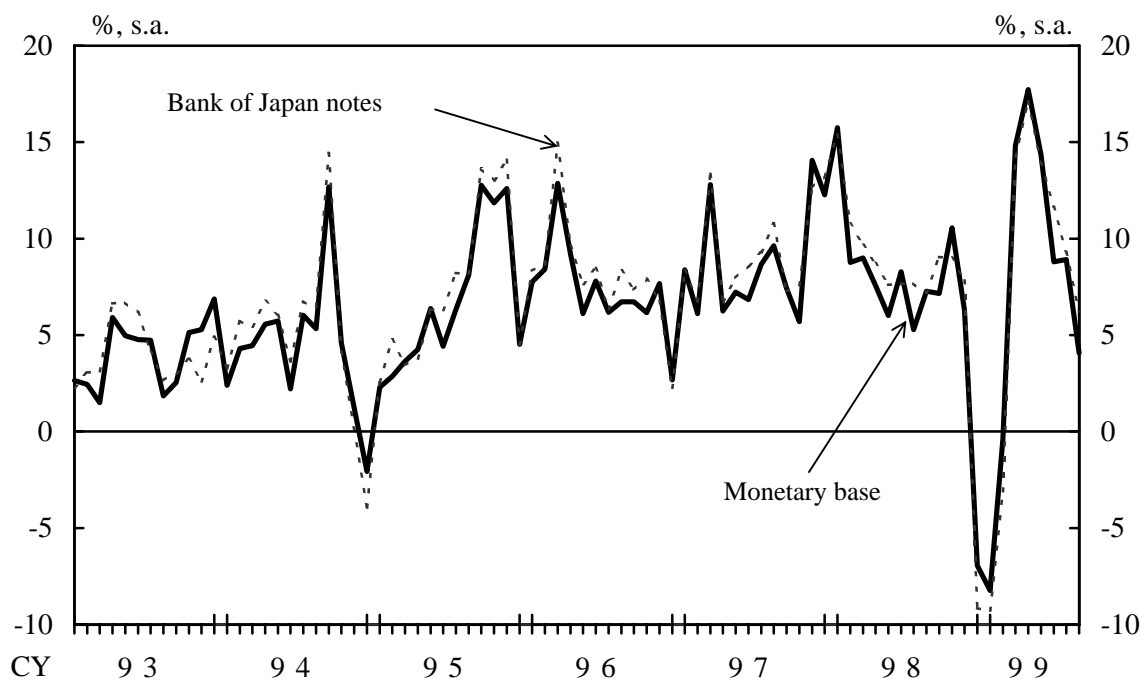
Source: Bank of Japan.

 Monetary Base ¹

(1) Changes from a Year Earlier



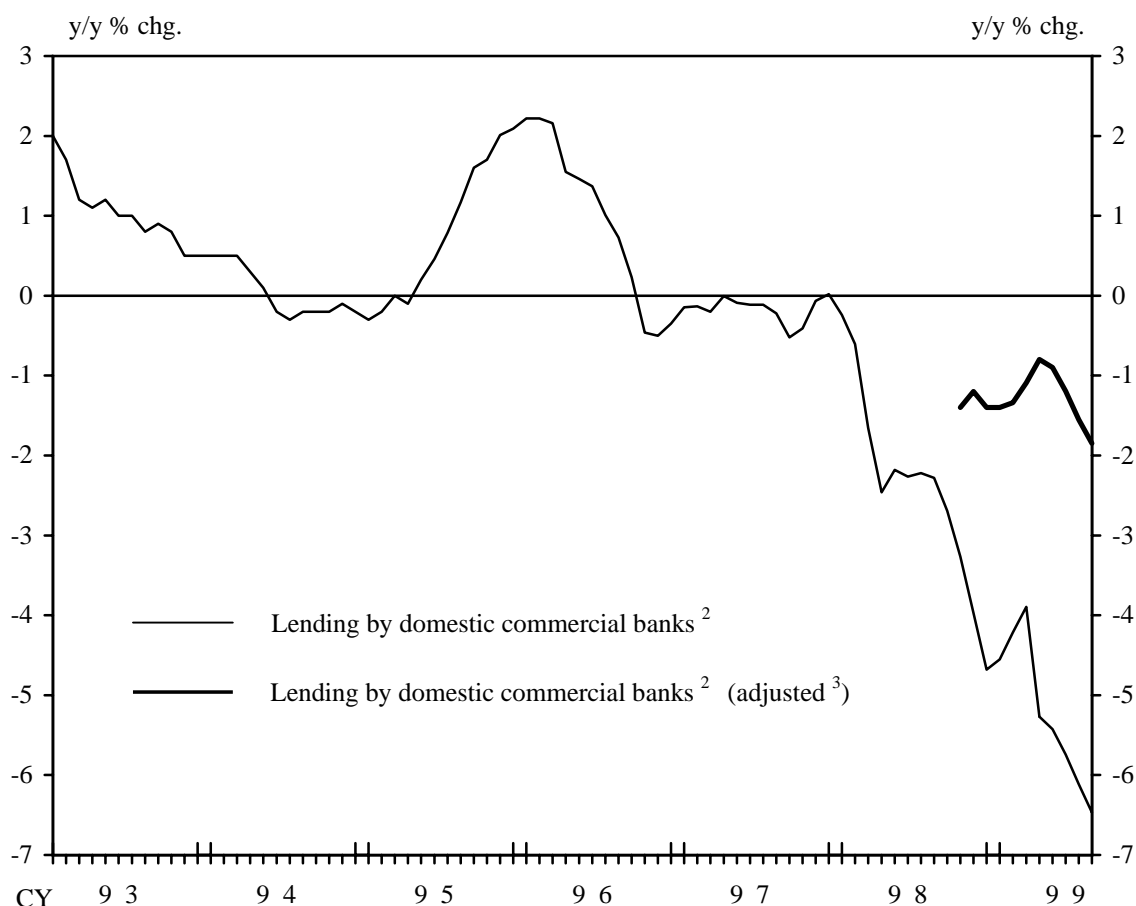
(2) Changes from Three Months Earlier (Annualized)



Note: 1. Monetary base = currency in circulation (banknotes + coins) + reserves.
 Data for currency in circulation include holdings of financial institutions.
 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 Japanese Bankers Association which consists of city banks, long-term credit banks, trust banks (excluding foreign-owned trust banks and trust banks that started business after October 1993), the member banks of the Regional Banks Association of Japan (regional banks) and the member banks of the Second Association of Regional Banks (regional banks II).

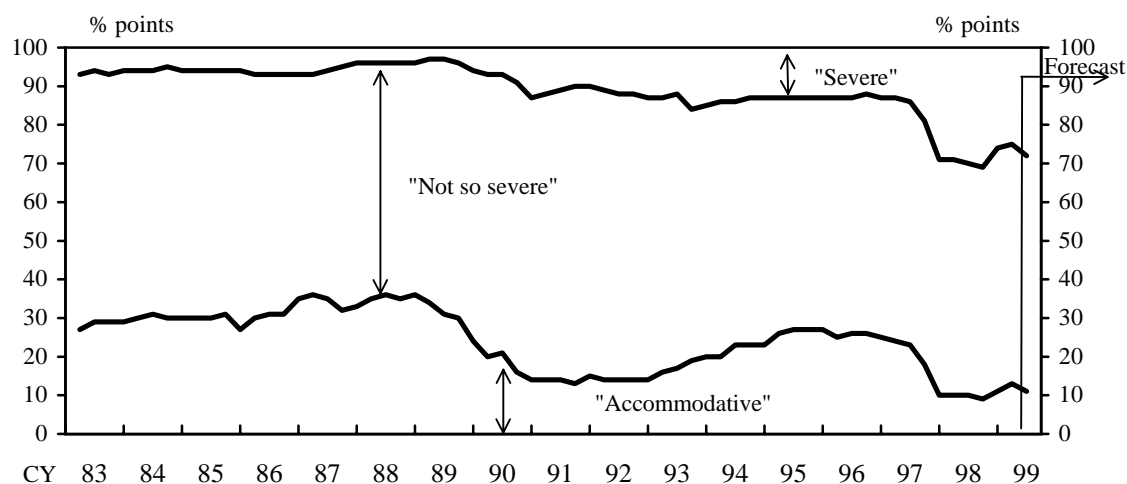
3. Adjusted to exclude

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

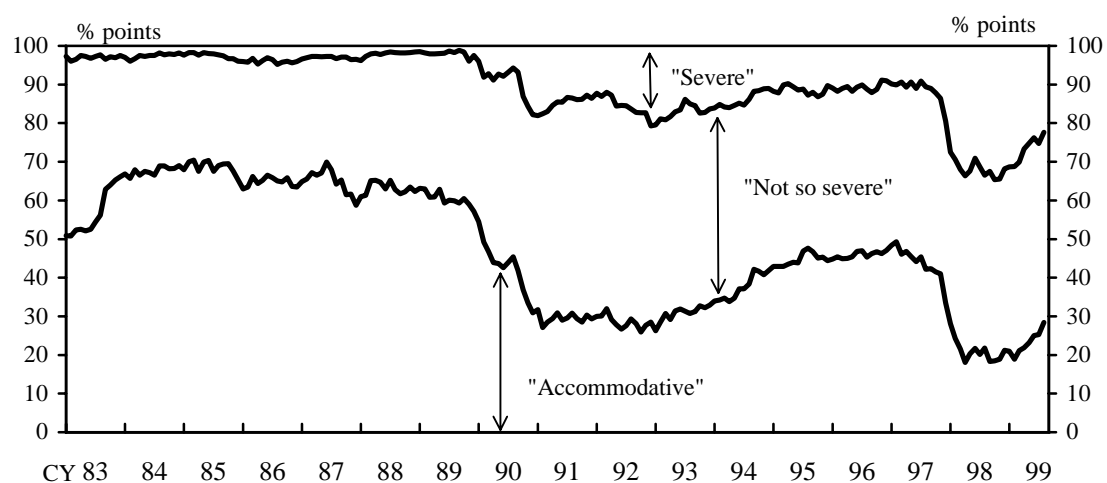
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

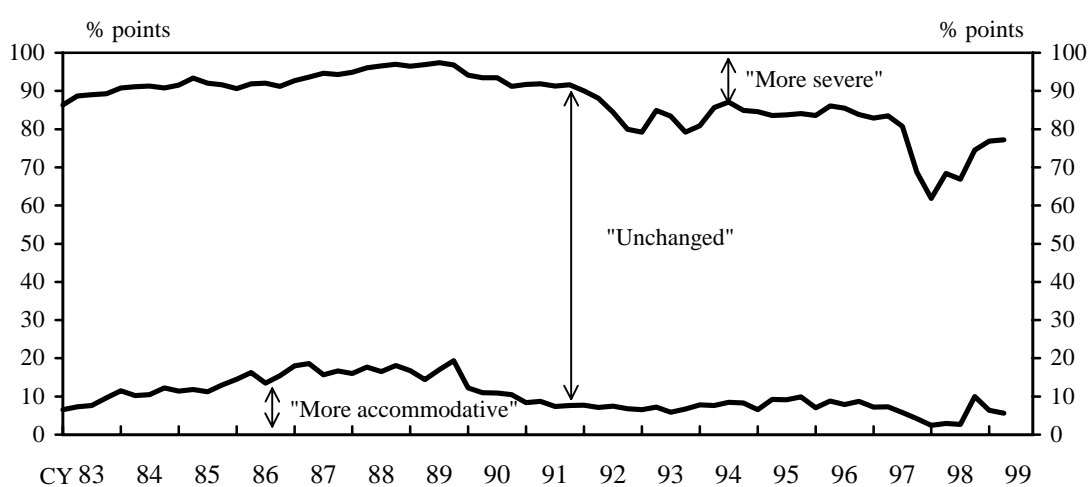
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (June, 1999)



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

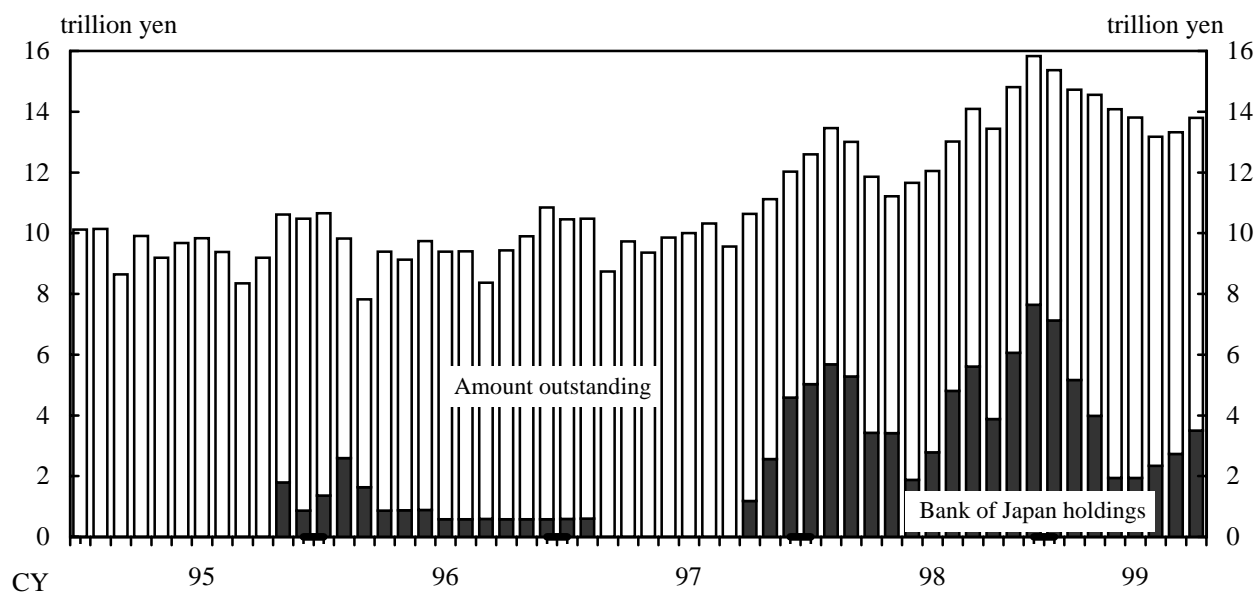


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-June, 1999)



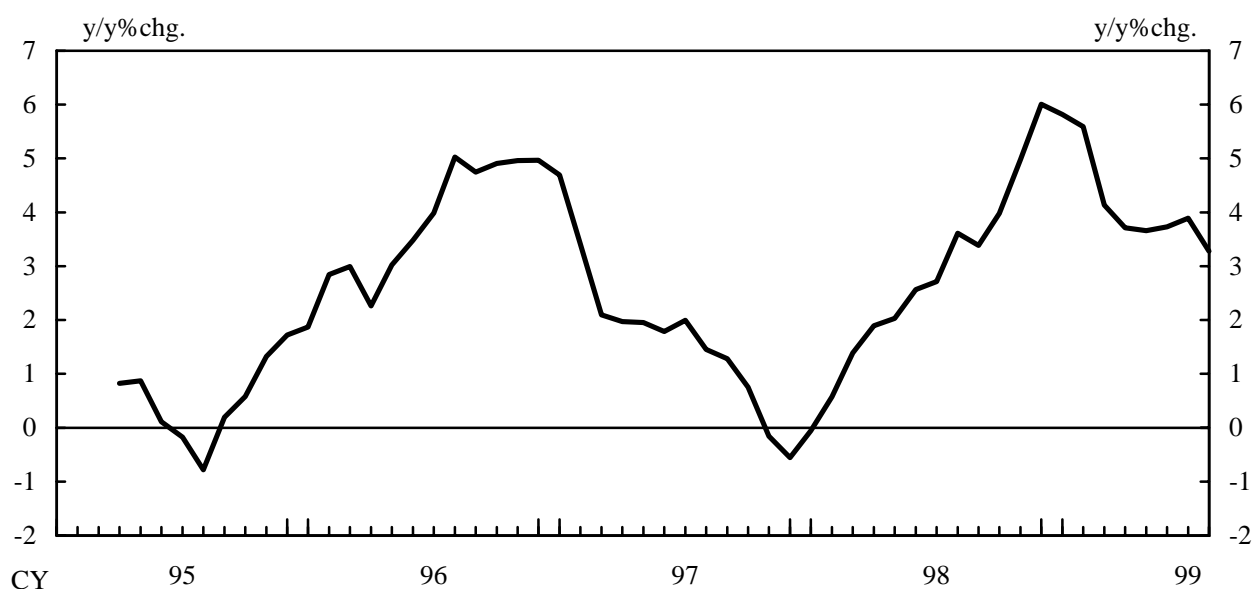
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan";
 Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses";
 People's Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Private-Sector Fund Raising in the Capital Markets

(1) Amount Outstanding of Commercial Papers ¹(2) Issue Volume of Corporate Bonds ²

(100 million yen)

	Mar, 1999	Apr, 1999	May, 1999	Jun, 1999	Jul, 1999	Aug, 1999
Volume	11,556	8,807	10,688	14,923	9,678	5,334
(last year)	(15,862)	(11,493)	(12,578)	(15,378)	(11,046)	(11,148)

(3) Amount Outstanding of Corporate Bonds (Changes from a Year Earlier) ^{2,3}

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

Excludes those issued by banks.

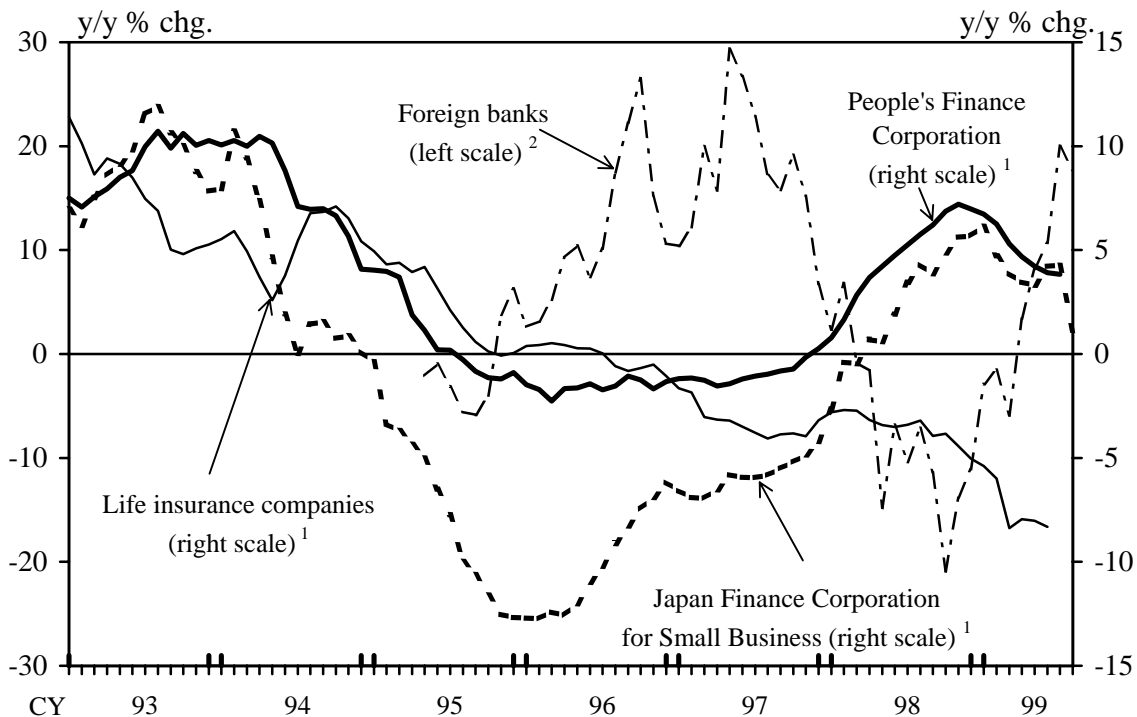
2. Includes straight bonds, convertible bonds, and bonds with warrants.

3. Estimated by the Bank of Japan.

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

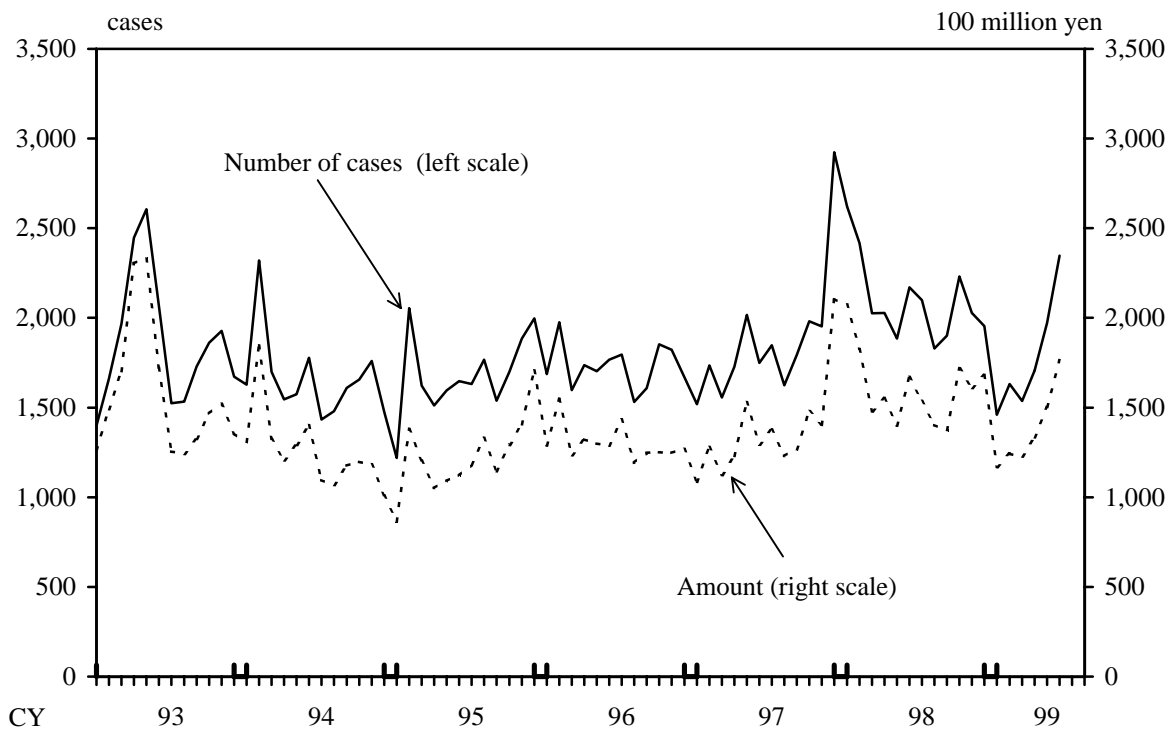
Lending by Other Financial Institutions

(1) Lending Outstanding



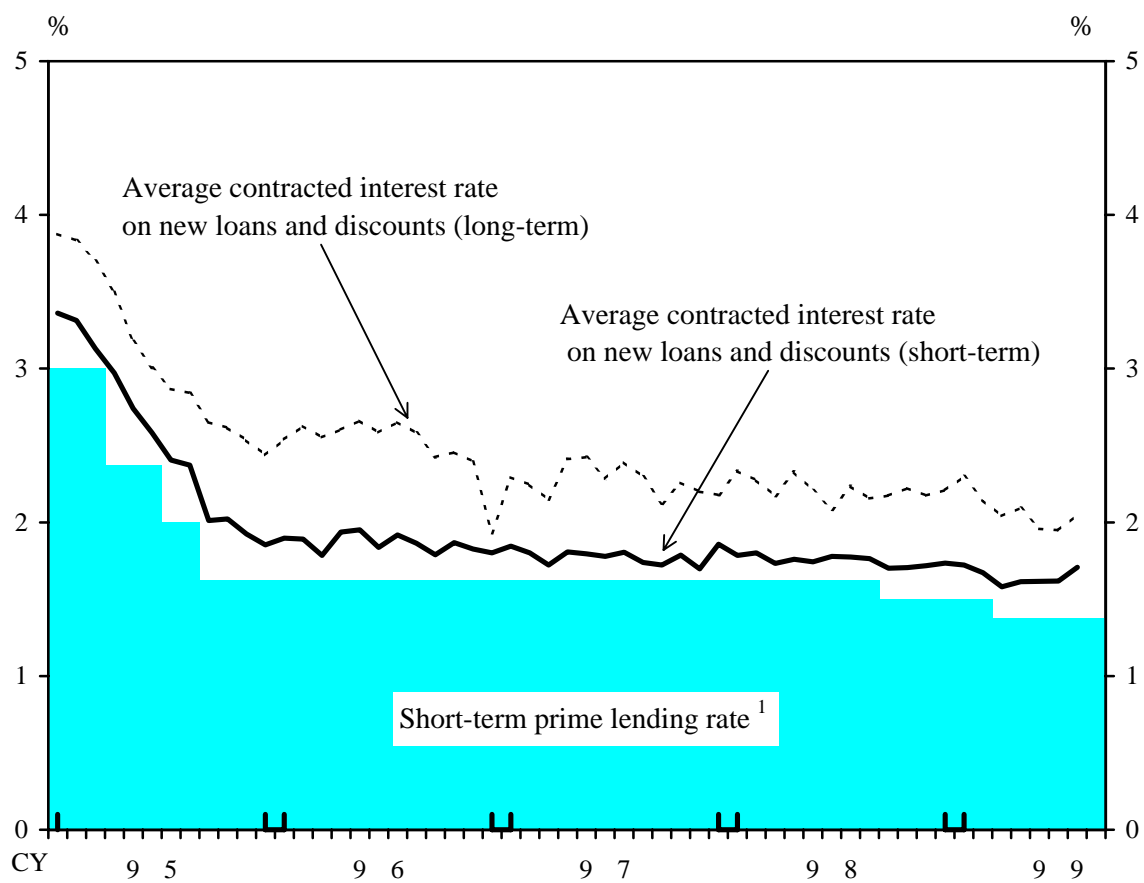
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

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



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

Lending Rates

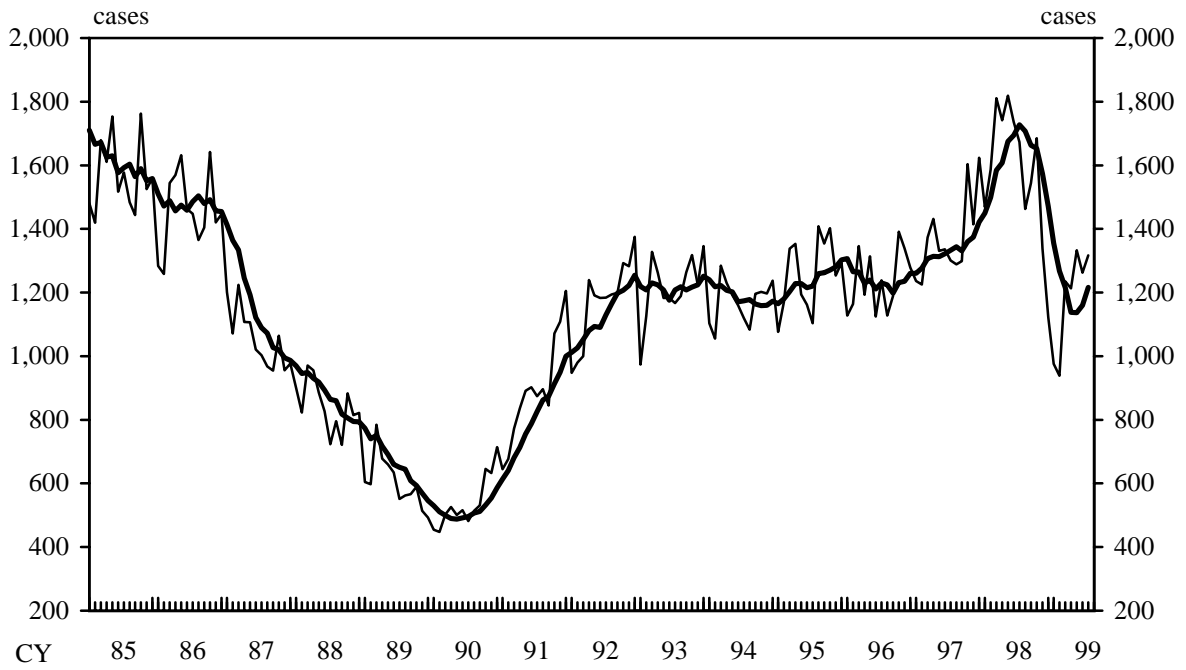


Note: 1. Data are at end of period.

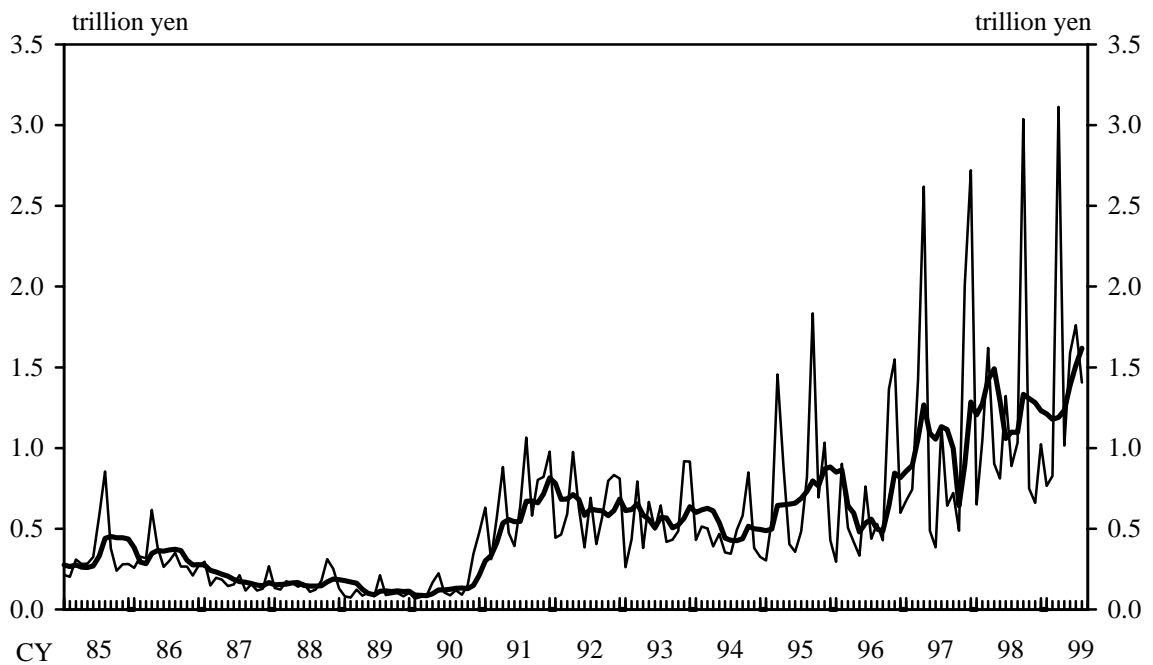
Source: Bank of Japan.

Corporate Bankruptcies ¹

(1) Number of Cases



(2) Amount of Liabilities



Note: 1. The bold line is the six-month moving average.

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