

November 29, 1999
Bank of Japan

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

(English translation prepared by the Bank staff based on the Japanese original
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Monthly Report of Recent Economic and Financial Developments¹

November 1999

The Bank's View²

Japan's economy, which had stopped deteriorating, is currently turning to improve, with exports and production increasing. 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, although the pace of its decline is slowing. Recovery in private consumption continues to be weak through lack of notable improvements in employment and income conditions. Housing investment has recently peaked out, and public investment seems to have stopped rising. Meanwhile, net exports (real exports minus real imports) have increased further due to an upturn in overseas economies.

Reflecting such developments in final demand and continued progress in inventory adjustment, industrial production is increasing. Additionally, corporate profits have started picking up. In this situation, corporate sentiment continues to improve. Regarding the employment condition, there are some indicators that suggest a slowdown of decrease in the number of employees. The positive developments in corporate profits and sentiment, however, have not necessarily stimulated business activities, because firms still strongly feel that they have excess capacity and employees and that they should reduce their debts to restore financial soundness. In addition, efforts by firms to reduce personnel expenses have prolonged the severity of households' income conditions.

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 including those announced recently, are expected to continue

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

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

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, it is highly probable that housing investment will remain flat for the time being. In addition, under cautious sales outlook, firms are expected to continue corporate restructuring to improve their profitability. Such restructuring is unavoidable to enhance medium-term growth of the corporate sector and thereby that of the overall economy. In the short run, however, it reduces fixed investment, and also delays an improvement in employment and income conditions, thereby discouraging household expenditure. 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, even though an upturn in economic activities, such as production, is expected to give favorable effects to corporate and household income gradually. Consequently, economic developments still require careful monitoring, although the economy is turning to improve. Further, it is important to promote structural reform in order to encourage a recovery in private demand.

With regard to prices, import prices are increasing somewhat due to the rise to date in international commodity prices, such as crude oil prices. Domestic wholesale prices, notwithstanding the fall in prices of electric machinery, are flat due to an increase in prices of some products closely related to international commodities, such as those of petroleum products. Consumer prices remain unchanged. Corporate service prices are still falling slowly. As regards the movements of overall prices in the future, they are likely to be flat despite the continued fall in prices of some goods and services, as the rise in crude oil prices to date will continue to be passed on to prices of other products for a while. However, substantial narrowing in the output gap led by a recovery in private demand is unlikely for the time being, and wages continue to follow a declining trend. 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. The amount outstanding of funds in the call money market has remained generally stable since the middle of June.

As for interest rates on term instruments, short-term rates maturing before the year-end have remained at a historically low level. Meanwhile, rates maturing beyond the year-end are rising due to market participants' concern over the Year 2000 problem.

The Japan premium has continued to be nearly zero for short-term transactions, but there remains a small premium for transactions maturing beyond the year-end.

Yields on long-term government bonds rose to around 1.9 percent in late October. They declined somewhat thereafter and are presently moving between 1.7 and 1.8 percent again. The yield spread between private bonds (bank debentures and corporate bonds) and government bonds once stopped contracting. However, there has recently been a conspicuous narrowing in the spread, primarily between private bonds with relatively low credit ratings and government bonds.

Stock prices, after having declined in October against the background of the weak tone in U.S. stock prices, rebounded reacting to the recovery in U.S. stock prices, and are currently moving around 18,000-18,500 yen.

In the foreign exchange market, the yen has recently been traded at around 104-107 yen to the U.S. dollar.

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 are gradually becoming more active 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 been trying to reduce debts using their on-hand liquidity. As a result, credit demand in the private sector has continued to be basically stagnant, and thus private banks' lending has remained

sluggish. Corporate bond issuance has been steady. Meanwhile, CP issuance has been increasing with the year-end approaching.

The year-to-year growth rate of money stock (M_2 +CDs) has declined to 3.0-3.5 percent mainly due to the weakness in credit demand in the private sector.

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 the third quarter of 1999 after it declined substantially in the second quarter as a result of the concentration of orders under the government's economic stimulus measures in the first quarter. Judged from these developments in orders as well as the fact that shipments of public works related goods, which had been increasing since May, are leveling off, public investment seems to have stopped rising.

Real exports (Charts 3 to 5) are on an increasing trend. During the third quarter of 1999, exports to the NIEs and ASEAN countries maintained high levels of growth, and those to the United States continued to rise. Exports to Europe, which had been declining through the second quarter, turned to an increase. Meanwhile, real imports are on a rising trend, especially for information-related goods.

As a result of these import and export developments, net exports (real exports – real imports) in terms of the real trade balance³ continue to increase. The nominal current account surplus, however, has contracted slightly due to the rise in crude oil prices and the reduction in the income balance surplus.

As for the future environment for foreign trade, the recent appreciation of the yen is likely to exert downward pressure on export profitability and thereby restrict exports (Chart 6(1)). Regarding the foreign demand conditions, however, the U.S. economy is expected to remain firm, there are increasing signs that suggest a recovery of the European economy, and the recovery in the NIEs and ASEAN economies are becoming more distinct (Chart 6(2)). Reflecting these 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

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).

continued expansion of the U.S. economy is apparently supported, to a large extent, by high stock prices.

Business fixed investment still remains on a declining trend, although the rate of decline is decelerating. 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 by 5.2 percent in the third quarter. Among leading indicators (Chart 7), machinery orders increased by 3.1 percent in the third quarter on a seasonally adjusted quarter-to-quarter basis, while nonresidential construction starts continued to decline.

As for the outlook, the pace of decline in business fixed investment is likely to decelerate further, as the financing conditions have improved (Chart 8) and firms are regaining profitability. However, firms still have strong perceptions of excess equipment and are expected to continue corporate restructuring. Accordingly, business fixed investment is likely to remain on a declining trend for some time. In this regard, various surveys report that both large and small firms are so cautious that their investment plans for fiscal 1999 will fall below those of the previous fiscal year (Chart 9).⁴

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, and outlays for travel are almost flat. On the other hand, sales at department stores and chain stores, which were basically flat during the second quarter of 1999, have been declining slowly since July.⁵ The number of passenger car sales excluding light cars has continued to decline, and the number of passenger car sales including light cars has also decreased.

⁴ The *Survey on Plant and Equipment Investment of Small Businesses in Manufacturing* conducted in September by the Japan Finance Corporation for Small Business shows that the investment plans of small manufacturing firms for fiscal 1999 are still below the previous year's level, but have been revised upwards largely, compared to the April survey.

⁵ Sales of chain stores in September were up sharply from the previous month due to special discount sales by some stores, which is a temporary factor effective only in September.

As for future consumption trends, the recovery is likely to remain weak for the time being because consumer confidence remains almost flat (Chart 11) and there are no remarkable improvements in employment and income conditions.

With regard to housing investment (Chart 12), housing starts, which had been on a rising trend since the fourth quarter of 1998, have recently peaked out. (On a seasonally adjusted annual basis, housing starts declined from 1.26 million units in the second quarter of 1999 to 1.23 million units in the third quarter). In detail, construction starts of owner-occupied houses turned to a decline, but construction starts of housing for sale were up sharply.

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 also expected to follow a moderate downward trend.⁶ With respect to housing for sale, there are signs of an increase in new supply against the background of strong condominium sales, so construction starts are expected to remain firm for the time being.⁷

Reflecting these developments in final demand, along with the continued progress of inventory adjustments (Chart 13), industrial production (Chart 14) is still increasing.⁸

Regarding the environment surrounding future production, business fixed investment is projected to remain on a declining trend, and housing investment, which

⁶ Loan applications to the government Housing Loan Corporation during its second offering period for fiscal 1999 (July 26 – October 29, 1999; 88,000 applications for the construction of private homes) increased substantially by 32.6 percent from the previous year. This increase may be attributed to the extension of the application period by about one month and the public announcement that the Corporation's standard interest rates would rise during the subsequent application period. The number of applications increased compared with the first offering period for fiscal 1999 (62,000 applications), but decreased compared with the fourth offering period for fiscal 1998 (101,000 applications).

⁷ The expiration of the measure for reduced taxes on home purchases at the end of 2000 may have also contributed to the recent increase in construction starts of housing for sale.

⁸ Following a decline of 1.0 percent during the second quarter of 1999 on a seasonally adjusted quarter-to-quarter basis, industrial production increased by a large 3.8 percent during the third quarter.

had been on a rising trend, is expected to be sluggish. Meanwhile, inventory adjustment pressures are weakening and exports should continue to rise for some time, reflecting the recovery in overseas economies, especially in Asia. Overall, industrial production is expected to maintain a moderate increase for the rest of 1999.

Employment and income conditions remain harsh overall, although there are some indicators that suggest a slowdown of the decrease in the number of employees, accompanying the increase in production. In the labor market (Chart 15), the unemployment rate (seasonally adjusted) was 4.6 percent and the ratio of job offers to applicants (seasonally adjusted) was 0.47 in September, both improving slightly from the August levels (4.7 percent and 0.46, respectively). Meanwhile, 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, despite a deceleration in the rate of decline. Wages (Chart 16) increased slightly from the previous year, as overtime payments picked up along with the increase in production. Reflecting these employment and wage developments, compensation of employees was slightly above the previous year's level. As for the outlook, although overtime payments are expected to increase and the decline in the number of regular employees is to slow down along with the increase in production, the trend of employment and income conditions is likely to remain harsh, as winter bonuses will likely be below the previous year's level due to firms' strong stance toward restricting personnel expenses.

2. Prices

With regard to price developments, import prices on a yen basis (Chart 18(1)) are presently rising somewhat due to the increase in international commodity prices to date 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

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

previous month. This is because petroleum product prices are rising and some raw material prices have stopped falling, while the prices of electric machinery continue to decline. (The month-to-month change in domestic wholesale prices was +0.1 percent in August, 0.0 percent in September, and +0.1 percent in October).

Corporate service prices (Chart 19(1)) continue to decline slowly, mainly due to decreases in the prices for general services. (The year-to-year decline in corporate service prices was 1.2 percent in the second quarter of 1999 and 1.1 percent in the third quarter).

Consumer prices (excluding perishables; Chart 19(2)) overall remain at the same level as recorded in the previous year, because the prices of both goods and services are essentially flat. (The year-to-year change in consumer prices was 0.0 percent in July, 0.0 percent in August, and 0.0 percent in September).¹⁰

As for land prices, according to the Urban Land Price Index (Chart 20), the prices of both commercial and residential land continue to decline.

Regarding the future environment for prices overall, the movement of prices overall is likely to be flat for the time being. While the prices of some goods and services are still declining, the rise in crude oil prices to date will continue to be passed on to the prices of other products for a while. However, a substantial narrowing in the output gap led by a recovery in private demand is unlikely for the time being, and wages remain on a declining trend. Judged from these developments, the downward pressure on prices is expected to remain.

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

¹⁰ In September, overall consumer prices including perishables declined from the previous year's level as the prices of fresh vegetables turned to a decrease due to favorable weather (the year-to-year changes were +0.3 percent in August and -0.2 percent in September).

3. Financial Developments

(1) Financial Markets

Interest rate developments in short-term money markets (Charts 21(1) 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 0.02-0.03 percent, and financial institutions have been confident about the availability of overnight funds.

The amount outstanding in the call money market has remained generally stable since mid-June.

As for interest rates on term instruments, short-term rates maturing before the end of the calendar year have been moving at a historically low level. Meanwhile, longer-term rates maturing beyond the year-end are rising due to the influence from the Year 2000 problem. Three-month Euro-yen interest rates (TIBOR) rose at the end of September, when contracts maturing beyond the year-end began to be traded, and have been rising further from mid-October on stronger market concerns regarding the Year 2000 problem. Three-month TB and FB rates were at a level slightly below the overnight call rate through the end of September, but have recently been at a level slightly above it.

The Japan premium (Chart 24) has continued to be nearly zero for short-term transactions, but there remains a small premium for transactions maturing beyond the year-end.

Yields on ten-year government bonds (newly issued; Chart 21(2)) rose to around 1.9 percent in late October on speculations regarding the fiscal 1999 supplementary budget, but then fell back and are presently moving around 1.7-1.8 percent. The yield spread between government and private bonds (bank debentures and corporate bonds; Charts 26 and 27) had stopped contracting, but there has been a conspicuous narrowing recently, primarily for bonds with relatively low ratings. This apparently indicates that market participants have adopted a more positive stance toward taking on credit risks.

Stock prices (Chart 28(1)) declined in October against the background of the weak tone in U.S. stock prices, but subsequently rebounded, reacting to the recovery in U.S. stock prices, and are presently moving around 18,000 – 18,500 yen.

In the foreign exchange market (Chart 29), from mid-October the yen has generally been traded at around 104-107 yen to the U.S. dollar, with some fluctuations, reflecting the trends on U.S. and Japanese stock markets and other factors.

(2) Monetary Aggregates and Corporate Finance

The year-to-year growth in money stock (Chart 30) in terms of $M_2 + \text{CDs}$ has slowed somewhat, reflecting the stagnant private credit demand. (The year-to-year growth in $M_2 + \text{CDs}$ was 4.3 percent in June, 3.9 percent in July, 3.5 percent in August, and 3.3 percent in September).

The year-to-year growth in the monetary base (currency in circulation + reserves; Chart 31) has recently been in the range of 5.5-7.0 percent.

The lending attitude of private financial institutions is still fundamentally cautious. However, the constraint that had been caused by severe fund-raising conditions and insufficient capital bases has eased considerably. Against this background, major banks are gradually becoming more active 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 been trying to reduce debts using their on-hand liquidity. As a result, the overall credit demand of private firms has continued to be basically stagnant.

Consequently, the tone of lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;¹¹ Chart 32),

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)

consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, essentially remains sluggish (-1.0 percent in May, -1.3 percent in June, -1.6 percent in July, -1.9 percent in August, -1.7 percent in September, and -1.6 percent in October). Corporate bond issuance (Charts 34(2) and 34(3)) has been stable. Meanwhile, CP issuance (Chart 34(1)) has been increasing with the year-end approaching.

Turning to the funding cost for firms, the average contracted interest rates on new loans and discounts (Chart 36) are presently rising slightly for short-term contracts, but falling gradually for long-term contracts. CP and corporate bond issuance rates are declining further as institutional investors remain eager to invest in such instruments.

In this financial environment, credit conditions have eased somewhat. From the beginning of this year, the number of corporate bankruptcies (Chart 37) has remained 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.

| | 99/Q1 | Q2 | Q3 | 99/July | August | September | October |
|---|-------|-------|---------|---------|--------|-----------|---------|
| Index of expenditure level (all households) | -0.9 | 0.8 | p -0.5 | 1.1 | 0.1 | p -3.0 | n.a. |
| Sales of department stores | -4.2 | -2.6 | p -3.2 | -2.1 | -2.7 | p -5.3 | n.a. |
| Sales of chain stores ¹ | -5.1 | -4.7 | -3.9 | -5.1 | -4.9 | -1.4 | n.a. |
| New passenger-car registrations ² <s.a., ann. 10,000 units> | 304 | 295 | 281 | 269 | 294 | 279 | 279 |
| Sales of electric appliances (NEBA) | 10.4 | 9.7 | 5.0 | 6.7 | 2.5 | 5.9 | n.a. |
| Outlays for travel (50 major travel agencies) | -2.6 | -3.6 | -2.0 | -4.9 | 0.4 | -1.6 | n.a. |
| Housing starts <s.a., ann. 10,000 units> | 122 | 126 | 123 | 115 | 128 | 126 | n.a. |
| Machinery orders (from private sector ³) | -14.8 | -9.9 | -6.2 | -7.5 | -4.1 | -6.7 | n.a. |
| Mining & manufacturing | -21.8 | -12.2 | -7.0 | -7.8 | -1.5 | -9.8 | n.a. |
| Nonmanufacturing ³ | -9.1 | -7.9 | -5.5 | -7.3 | -6.1 | -4.2 | n.a. |
| Construction Starts (private, nonresidential use) | -12.5 | -15.4 | -14.6 | -30.0 | -3.2 | -8.0 | n.a. |
| Manufacturing | -37.8 | -32.2 | -16.8 | -32.5 | -2.9 | -12.1 | n.a. |
| Nonmanufacturing ⁴ | -2.5 | -9.8 | -14.0 | -29.3 | -3.2 | -6.9 | n.a. |
| Value of public works contracts | 52.7 | -8.1 | -8.2 | -0.9 | -6.6 | -15.3 | n.a. |
| Real exports <s.a. quarterly (monthly) change> | 1.8 | 0.0 | 7.9 | 0.5 | 2.4 | 3.6 | n.a. |
| Real imports <s.a. quarterly (monthly) change> | 5.0 | -0.5 | 3.9 | -3.8 | 9.0 | -3.5 | n.a. |
| Industrial production <s.a. quarterly (monthly) change> | 0.6 | -1.0 | p 3.8 | -0.6 | 4.4 | p -0.8 | n.a. |
| Shipments <s.a. quarterly (monthly) change> | 1.3 | -1.9 | p 3.9 | -1.1 | 3.8 | p -0.3 | n.a. |
| Inventories <s.a. quarterly (monthly) change> | -2.3 | -1.0 | p -1.2 | -1.3 | 0.3 | p -0.2 | n.a. |
| Inventories/shipments <s.a. 1995=100> | 104.0 | 102.9 | p 100.7 | 101.7 | 100.5 | p 100.7 | n.a. |
| Real GDP <s.a. quarterly change> | 2.0 | 0.1 | n.a. | n.a. | n.a. | n.a. | n.a. |

Main Economic Indexes (2)

| | y/y % chg. | | | | | | |
|---|------------|-------|--------|---------|--------|-----------|---------|
| | 99/Q1 | Q2 | Q3 | 99/July | August | September | October |
| Ratio of job offers to applicants <s.a., times> | 0.49 | 0.47 | 0.47 | 0.46 | 0.46 | 0.47 | n.a. |
| Unemployment rate <s.a., %> | 4.62 | 4.77 | 4.74 | 4.90 | 4.67 | 4.64 | n.a. |
| Overtime working hours ⁵ | -5.7 | -2.7 | p -0.3 | -2.0 | 0.0 | p 1.1 | n.a. |
| Number of employees | -1.1 | -0.9 | -0.4 | -1.2 | -0.3 | 0.1 | n.a. |
| Number of regularly employed ⁵ | -0.3 | -0.4 | p -0.2 | -0.4 | -0.2 | p -0.1 | n.a. |
| Nominal wage per person ⁵ | -1.5 | -1.5 | p -0.9 | -2.1 | -0.4 | p 0.6 | n.a. |
| Domestic wholesale price index | -2.1 | -1.7 | -1.3 | -1.5 | -1.3 | -1.3 | -0.8 |
| Consumer price index (nationwide) | -0.1 | -0.3 | 0.0 | -0.1 | 0.3 | -0.2 | n.a. |
| Excluding perishables | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | n.a. |
| Corporate service price index | -1.0 | -1.2 | -1.1 | -1.1 | -1.1 | -1.0 | n.a. |
| Monetary aggregates (M2+CDs) ⁶ <average outstanding, y/y % chg> | 3.6 | 4.1 | p 3.6 | 3.9 | 3.5 | p 3.3 | n.a. |
| Number of suspension of transaction with banks | -42.3 | -30.7 | -18.5 | -25.7 | -14.3 | -14.5 | n.a. |

Notes: 1. Adjusted to exclude consumption tax.

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

3. Excludes ships and demand from electric power companies.

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

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

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";

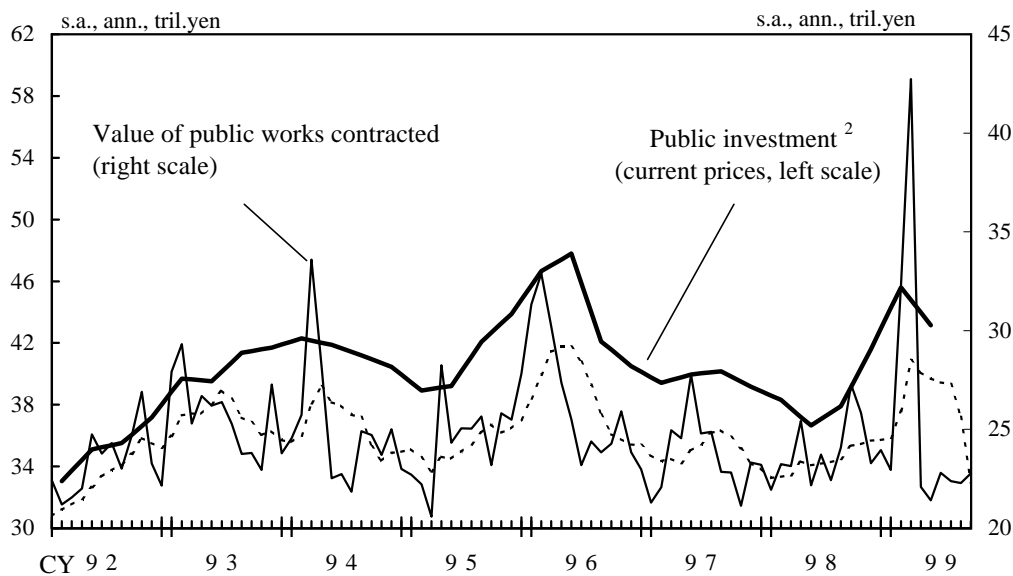
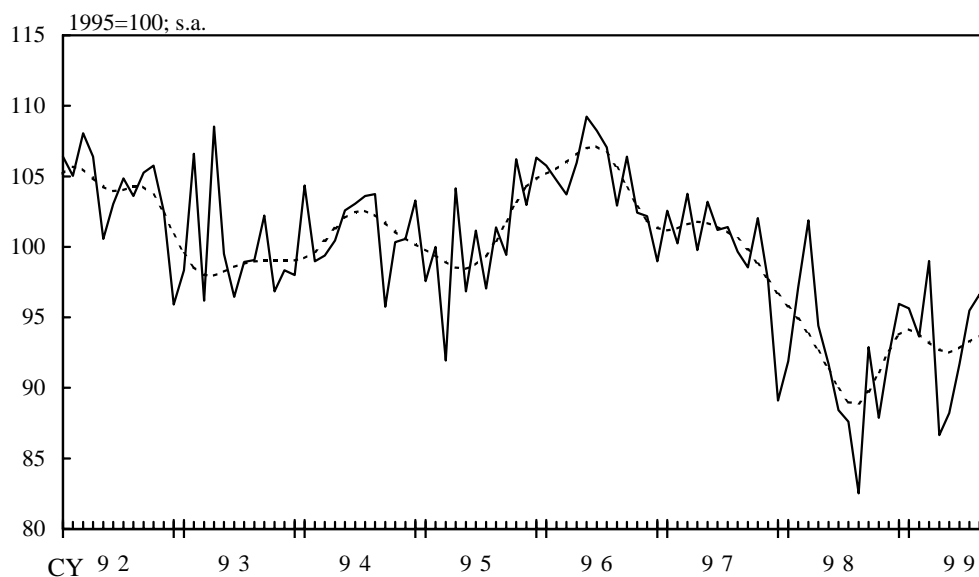
Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Labor, "Report on Employment Service",

"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

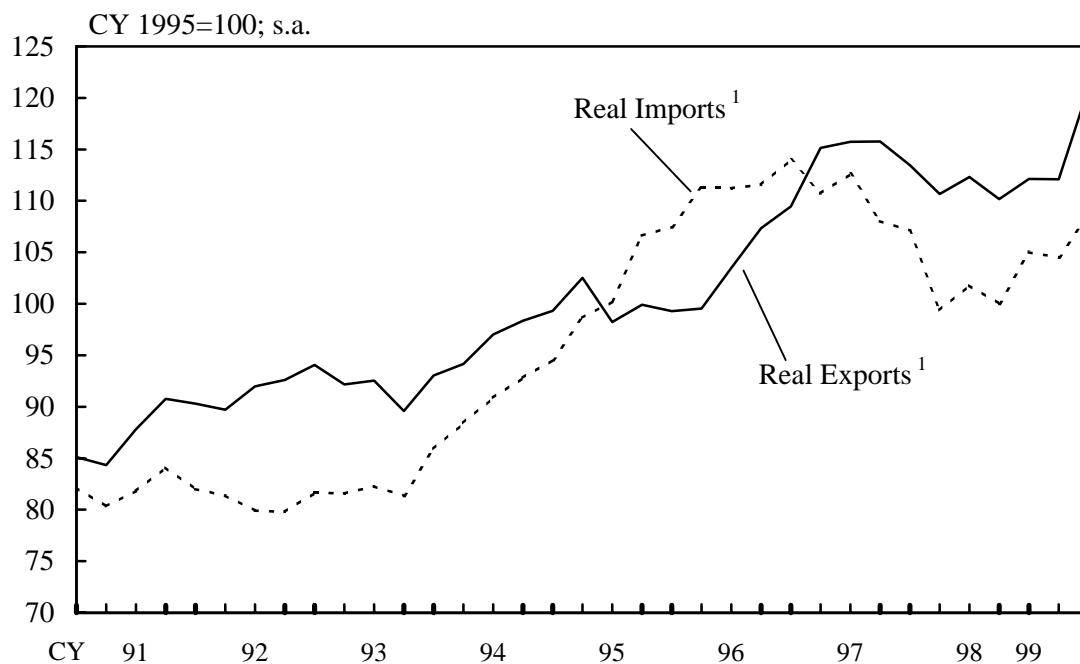
(2) Shipments of Public Works-related Goods^{3,4}

- 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 September 99 are preliminary.

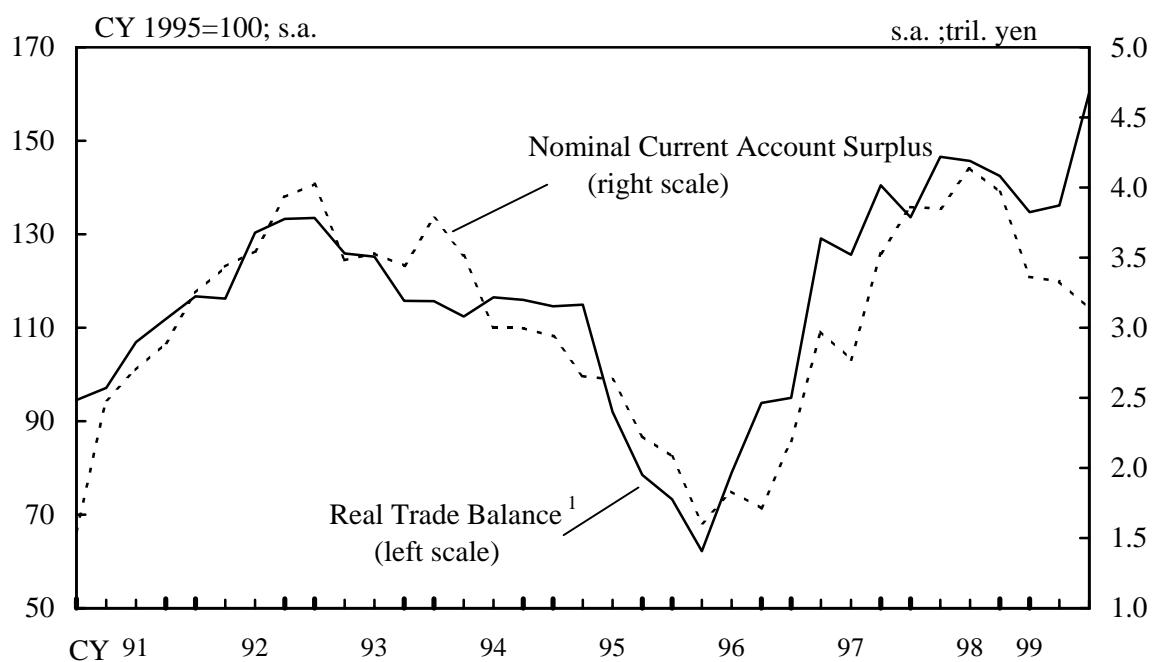
Sources: Economic Planning Agency, "National Income Statistics";
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";
Ministry of International Trade and Industry, "Indices of Industrial Production."

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 | 99 Q2 | 99 Q3 | 99 Jul. | 99 Aug. | 99 Sep. |
| United States | <30.5> | 14.6 | 6.8 | 2.2 | -2.5 | 1.4 | 2.4 | 6.3 | 0.0 | 5.8 | -0.5 |
| EU | <18.4> | 13.8 | 15.6 | 2.8 | 0.2 | -2.3 | -4.3 | 6.6 | 4.0 | -3.0 | 6.4 |
| East Asia | <33.2> | 8.6 | -18.1 | -1.7 | -2.3 | 9.2 | 2.6 | 9.7 | 2.7 | 1.4 | 3.9 |
| China | <5.2> | 8.2 | 0.5 | -0.6 | -4.3 | 20.3 | -6.5 | 9.6 | 3.6 | 3.5 | 4.2 |
| NIEs | <20.2> | 10.5 | -16.5 | -3.2 | -1.9 | 6.8 | 4.5 | 9.4 | 0.7 | 1.4 | 4.4 |
| Taiwan | <6.6> | 17.4 | -0.4 | 0.7 | -2.0 | 2.8 | 3.7 | 7.2 | -3.2 | 3.2 | 2.4 |
| Korea | <4.0> | -1.5 | -35.3 | -2.9 | 10.5 | 23.2 | 3.9 | 12.3 | 3.8 | 2.1 | 9.0 |
| ASEAN4 ³ | <7.8> | 5.0 | -29.2 | 1.4 | -2.2 | 8.1 | 4.5 | 10.2 | 7.1 | 0.1 | 2.4 |
| Thailand | <2.4> | -11.6 | -29.4 | -0.2 | -2.3 | 10.9 | -1.7 | 13.0 | -0.3 | 3.3 | 6.2 |
| Real exports | | 11.2 | -2.1 | 1.5 | -1.9 | 1.8 | 0.0 | 7.9 | 0.5 | 2.4 | 3.6 |

(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 Jul. | 99 Aug. | 99 Sep. |
| Intermediate goods | <14.5> | 11.2 | 2.9 | 3.2 | -1.1 | 0.1 | 4.5 | 3.1 | -0.1 | 0.5 | -0.2 |
| Motor vehicles and their related goods | <21.9> | 14.6 | 1.3 | 3.2 | 2.4 | -3.5 | -2.4 | 10.1 | -0.4 | 8.1 | 6.4 |
| Consumer goods ⁴ | <7.3> | 6.3 | 5.0 | -2.3 | 0.3 | 1.8 | -0.6 | 6.5 | 5.5 | -0.7 | 0.9 |
| Information-related goods ⁵ | <17.2> | 18.1 | -7.0 | 0.9 | -3.4 | 2.6 | 2.9 | 8.9 | 3.4 | 0.4 | 3.0 |
| Capital goods and parts ⁶ | <28.7> | 9.0 | -5.4 | 0.0 | -4.6 | 2.6 | -1.1 | 7.6 | 2.3 | -2.5 | 4.7 |
| Real exports | | 11.2 | -2.1 | 1.5 | -1.9 | 1.8 | 0.0 | 7.9 | 0.5 | 2.4 | 3.6 |

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 Q3 | 99 Q4 | 99 Q1 | 99 Q2 | 99 Q3 | 99 Jul. | 99 Aug. | 99 Sep. |
| United States | <23.9> | 1.1 | -3.7 | 0.3 | -3.6 | 10.0 | -12.3 | -0.2 | -5.0 | 13.7 | -7.9 |
| EU | <13.9> | -3.6 | -6.5 | 3.3 | 1.6 | 3.8 | -4.8 | 10.2 | 3.7 | -2.0 | 2.9 |
| East Asia | <34.9> | 0.9 | -7.7 | 0.9 | 0.5 | 8.2 | 6.1 | 2.1 | -4.1 | 7.0 | -5.5 |
| China | <13.2> | 8.8 | -4.4 | 0.6 | -0.8 | 7.2 | 5.8 | -0.1 | -5.1 | 6.9 | -7.3 |
| NIEs | <10.2> | -8.1 | -10.9 | -0.2 | 4.3 | 13.2 | 4.8 | 3.4 | -4.1 | 6.0 | -1.1 |
| Taiwan | <3.6> | -10.4 | -11.1 | 1.5 | 3.2 | 13.9 | 5.0 | 3.5 | 2.9 | 3.4 | -8.2 |
| Korea | <4.3> | -3.9 | -9.5 | -3.3 | 9.1 | 14.7 | 6.1 | 4.4 | -5.9 | 9.7 | 3.8 |
| ASEAN4 ³ | <11.4> | 2.2 | -8.1 | 2.2 | -1.4 | 5.0 | 7.8 | 3.2 | -3.0 | 8.0 | -7.5 |
| Thailand | <2.9> | -0.5 | -7.1 | 2.1 | -4.3 | 5.4 | 1.3 | 2.9 | -1.8 | 5.6 | -1.3 |
| Real imports | | 0.9 | -8.3 | 2.4 | -1.8 | 5.0 | -0.5 | 3.9 | -3.8 | 9.0 | -3.5 |

(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 | 99 Q2 | 99 Q3 | 99 Jul. | 99 Aug. | 99 Sep. |
| Raw materials ⁴ | <23.2> | -0.5 | -6.0 | 2.3 | -0.3 | 1.3 | 1.4 | -0.5 | -10.0 | 13.8 | -8.1 |
| Intermediate goods | <14.0> | 2.7 | -7.1 | -0.2 | 0.2 | 1.8 | 1.4 | 4.6 | -6.5 | 10.7 | -6.1 |
| Foodstuffs | <14.8> | -3.5 | -4.0 | 2.6 | -4.0 | 5.7 | -1.7 | -0.2 | -2.6 | 1.2 | -0.3 |
| Consumer goods | <10.7> | -10.0 | -13.8 | 5.3 | -5.3 | 2.8 | 9.5 | 1.2 | -5.6 | 9.6 | -10.4 |
| Information-related goods ⁵ | <13.2> | 8.0 | -5.8 | 3.8 | -2.0 | 6.3 | 7.8 | 5.6 | -0.7 | 7.4 | -7.8 |
| Capital goods and parts ⁶ | <13.3> | 13.6 | 2.7 | -0.4 | 0.8 | 20.5 | -17.7 | 2.8 | 2.0 | 4.9 | 5.7 |
| Real imports | | 0.9 | -8.3 | 2.4 | -1.8 | 5.0 | -0.5 | 3.9 | -3.8 | 9.0 | -3.5 |

Notes: 1. Seasonally adjusted by X-11.

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

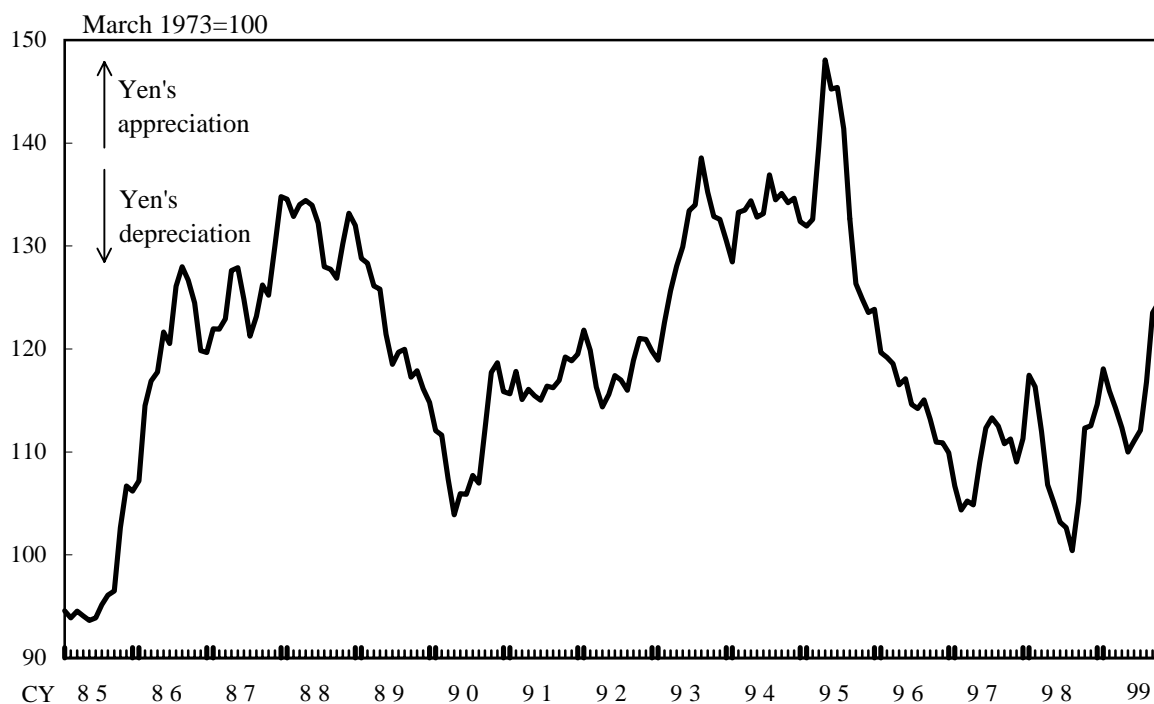
3. Data for four members: Thailand, Malaysia, the Philippines, and Indonesia.

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.

Overseas Economic Conditions and Real Effective Exchange Rate

(1) Real Effective Exchange Rate ¹

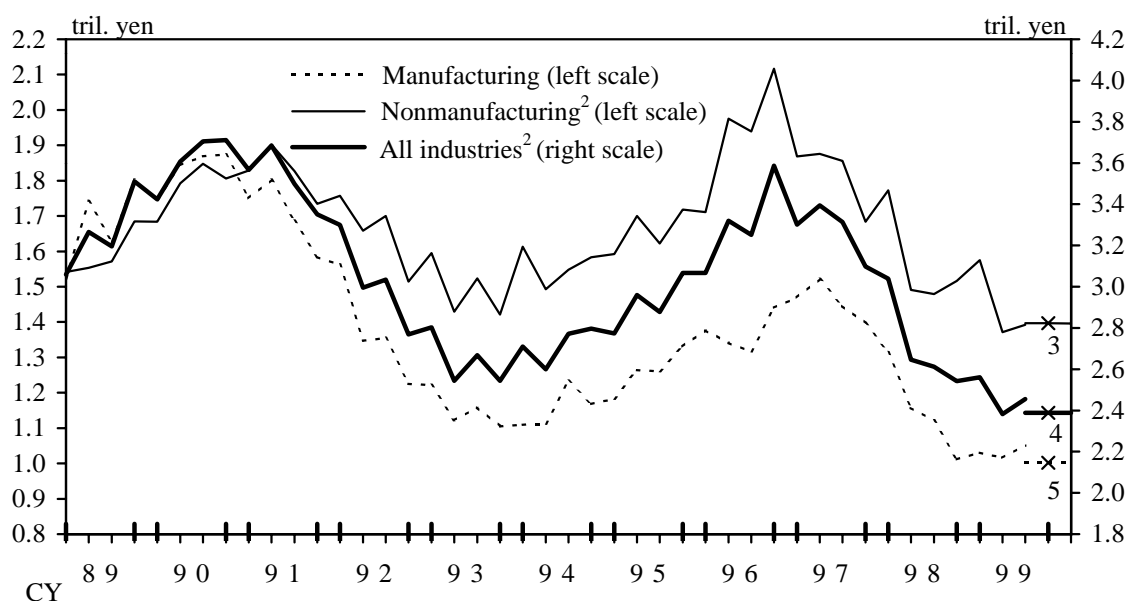
Notes: 1. Monthly average. The figure for November 1999 is the average of November 1-11. Calculated by the Bank of Japan. Figures are the index of weighted average of the yen's real exchange rates versus 24 major currencies which are calculated from exchange rates and price indexes of the respective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

(2) Real GDP Growth Rates in Overseas Economies

| | | CY97 | 98 | 99 | 98 Q4 | 99 Q1 | Q2 | Q3 | |
|-----------------------------|----------------------------|-----------|------|--------|------------------|----------|------------------|------------------|------|
| United States ¹ | | 4.5 | 4.3 | (3.8) | 5.9 | 3.7 | 1.9 | 4.8 | |
| European Union ¹ | | 2.6 | 2.7 | (2.0) | 0.8 | 1.7 | n.a. | n.a. | |
| | Germany | 1.5 | 2.2 | (1.5) | -1.1 | 1.8 | 0.2 | n.a. | |
| | France | 2.0 | 3.4 | (2.5) | 2.6 | 1.4 | 2.5 | n.a. | |
| | United Kingdom | 3.5 | 2.2 | (1.7) | 0.2 | 0.9 | 2.6 | 3.7 | |
| East Asia ² | China | 8.8 | 7.8 | (7.2) | (Jan-Dec) 7.8 | 8.3 | (Jan-Jun) 7.6 | (Jan-Sep) 7.4 | |
| | NIEs | Korea | 5.0 | -5.8 | (8.0) | -5.3 | 4.6 | 9.8 | n.a. |
| | | Taiwan | 6.8 | 4.7 | (5.5) | 3.7 | 4.3 | 6.5 | n.a. |
| | | Hong Kong | 5.0 | -5.1 | (0.6) | -5.6 | -3.2 | 0.7 | n.a. |
| | | Singapore | 9.0 | 0.3 | (5.2) | -1.1 | 0.6 | 6.7 | n.a. |
| | 4 Countries of ASEAN | Thailand | -1.8 | -10.0 | (3.2) | -5.8 | 0.8 | 3.5 | n.a. |
| | | Indonesia | 4.7 | -13.2 | (0.3) | -17.7 | -9.4 | 1.8 | n.a. |
| Malaysia | | 7.5 | -7.5 | (4.1) | -10.3 | -1.3 | 4.1 | n.a. | |
| | Philippines | 5.2 | -0.5 | (2.6) | -2.0 | 1.2 | 3.6 | 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.

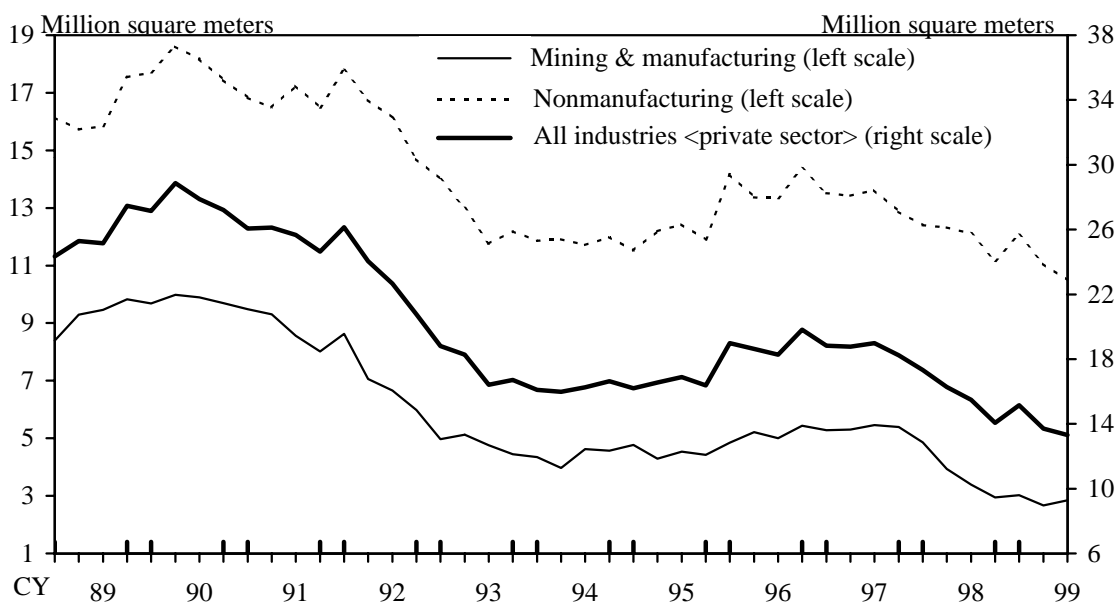
2. Excludes orders from electric power companies and shipbuilding orders.

3. Forecast of nonmanufacturing industries for 1999/Q4.

4. Forecast of all industries for 1999/Q4.

5. Forecast of manufacturing industries for 1999/Q4.

(2) Construction Starts (Nonresidential)



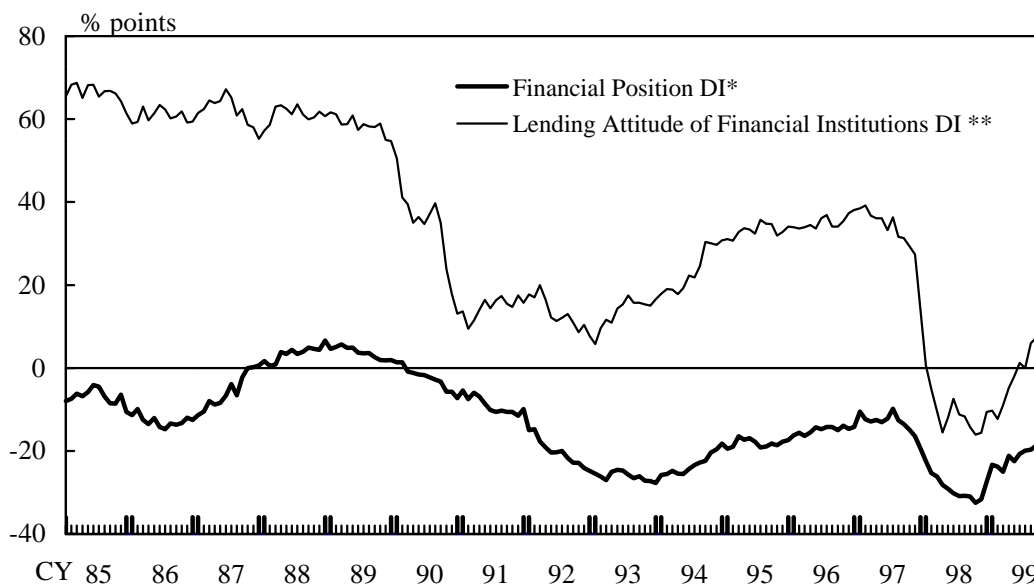
Note: Seasonally adjusted by X-11.

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

Ministry of Construction, "Statistics Building Construction Starts."

Corporate Finance-Related Indexes

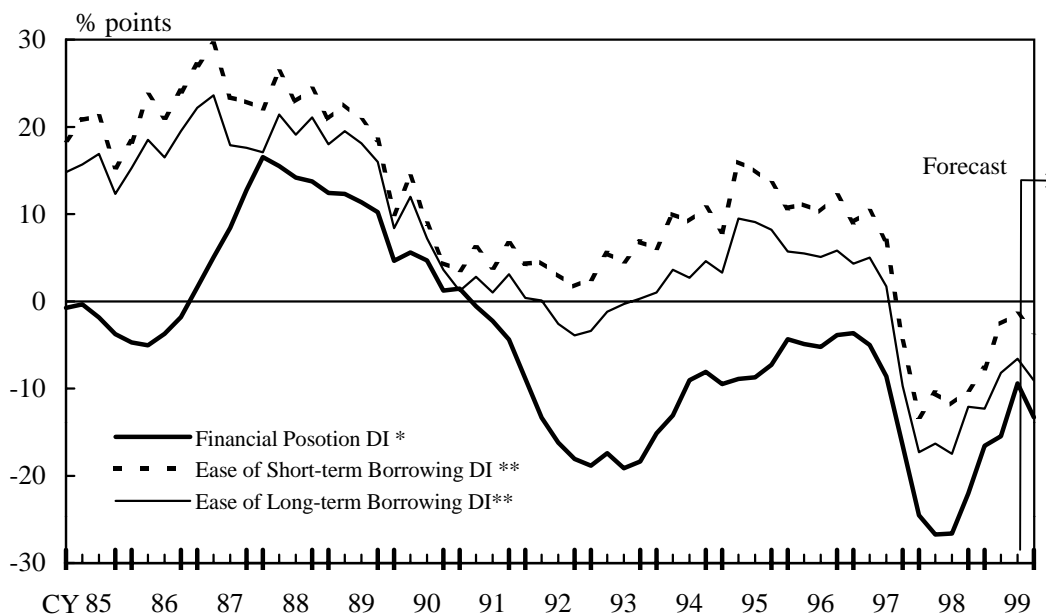
(1) Monthly Survey on Trends of Small Businesses¹



* Change from a year ago, "Easy"- "Tight" seasonally adjusted.

** Change from a year ago, "Accommodative"- "Severe."

(2) Economic Survey of Small Businesses²



* Change from a year ago, "Improving"- "Worsening" seasonally adjusted.

** Change from a year ago, "Easy"- "Difficult."

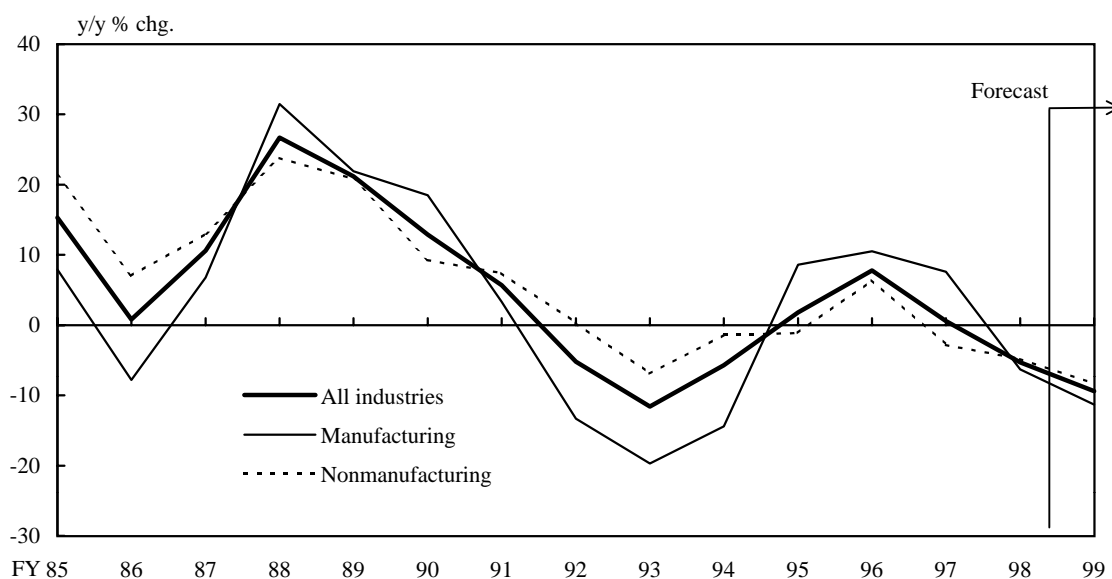
Notes: 1. Sample: 900 Companies (Responses: 676 <October 1999 Survey>).

2. Sample: 12,558 Companies (Responses: 6,596 <September 1999 Survey>).

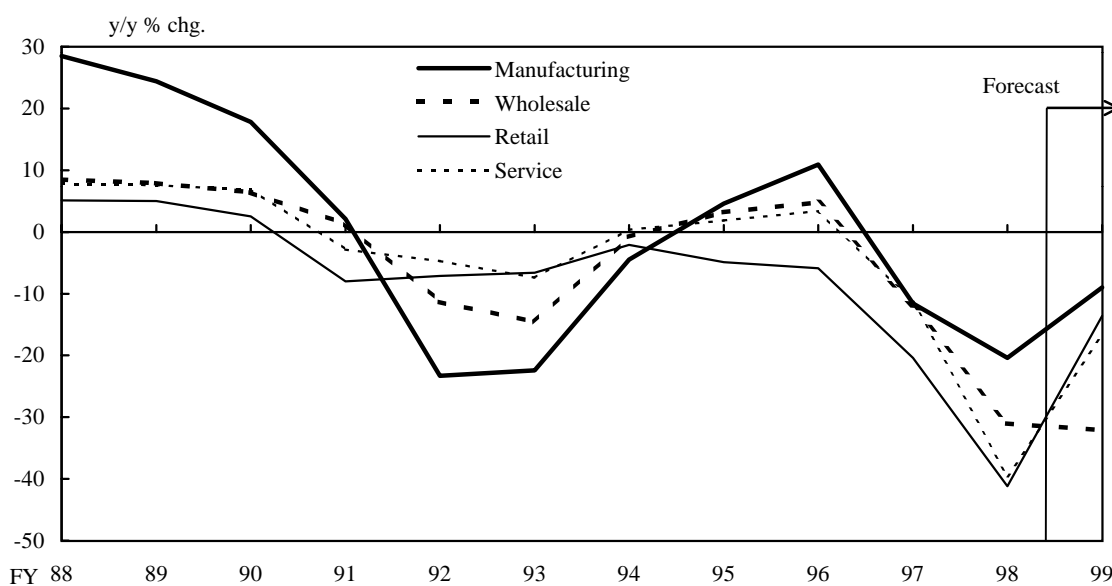
Sources: Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses",
"Economic Survey of Small Businesses."

Capital Spending Plans

(1) Large and Medium Firms



(2) Small Firms



Note: Business and Investment Survey of Incorporated Enterprises:

Sample: 4,528 companies (responses: 4,307 <September 1999 survey>).

Survey on Plant and Equipment Investment of Small Business in Commerce and Service Businesses:

Sample: 27,000 companies (responses: 10,317 <June 1999 survey>).

Survey on Plant and Equipment Investment of Small Businesses in Manufacturing

Sample: 11,047 companies (responses: 8,417 <September 1999 survey>).

Sources: Economic Planning Agency, "Business and Investment Survey of Incorporated Enterprises";

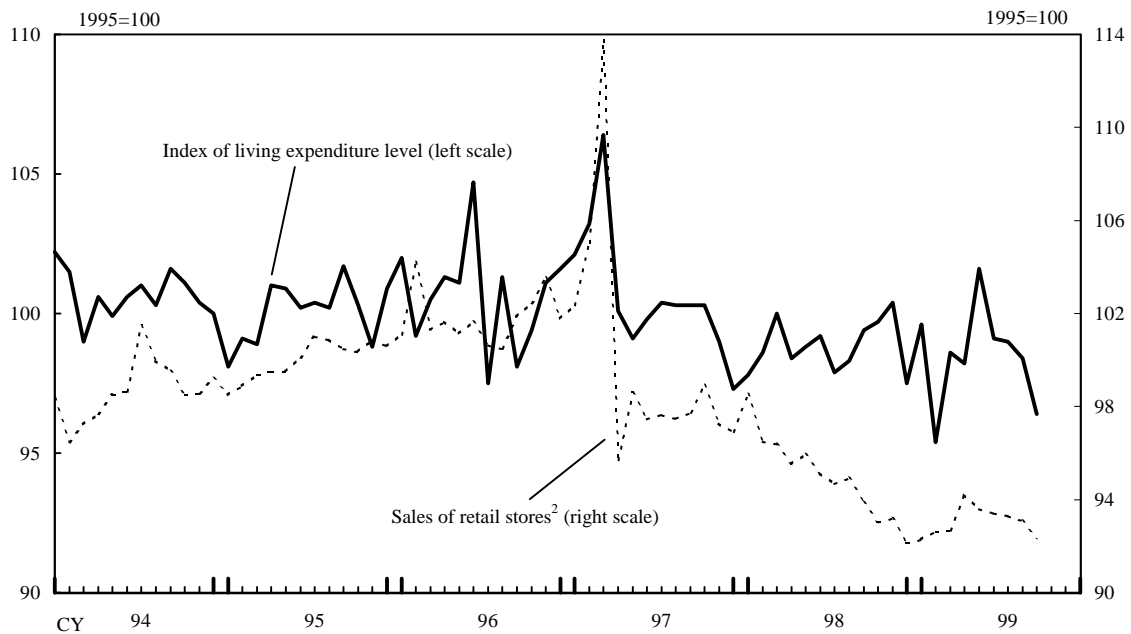
The Small and Medium Enterprise Agency and the Japan Finance Corporation for Small Businesses, "Survey on Plant and Equipment Investment of Small Business in Commerce and Service Businesses";

The Japan Finance Corporation for Small Business,

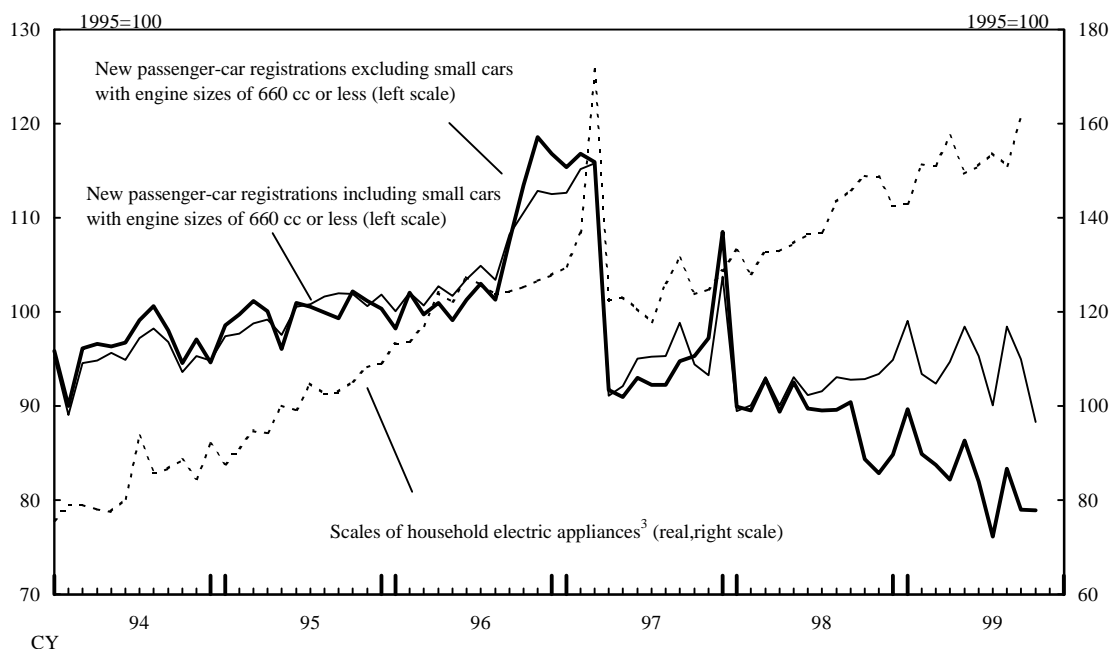
"Survey on Plant and Equipment Investment of Small Businesses in Manufacturing."

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 Management and Coordination Agency.

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";

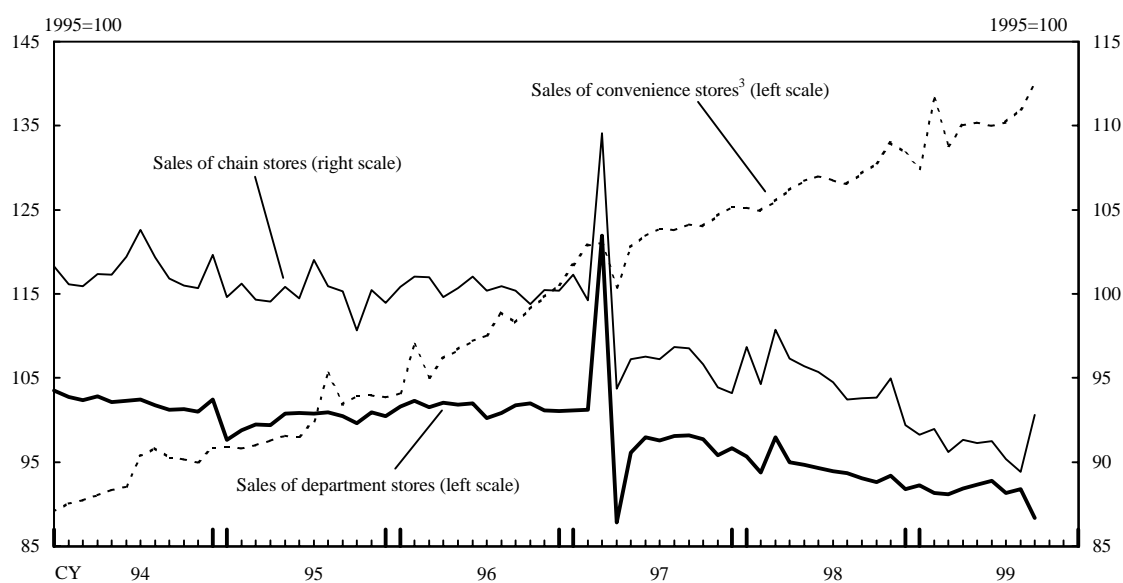
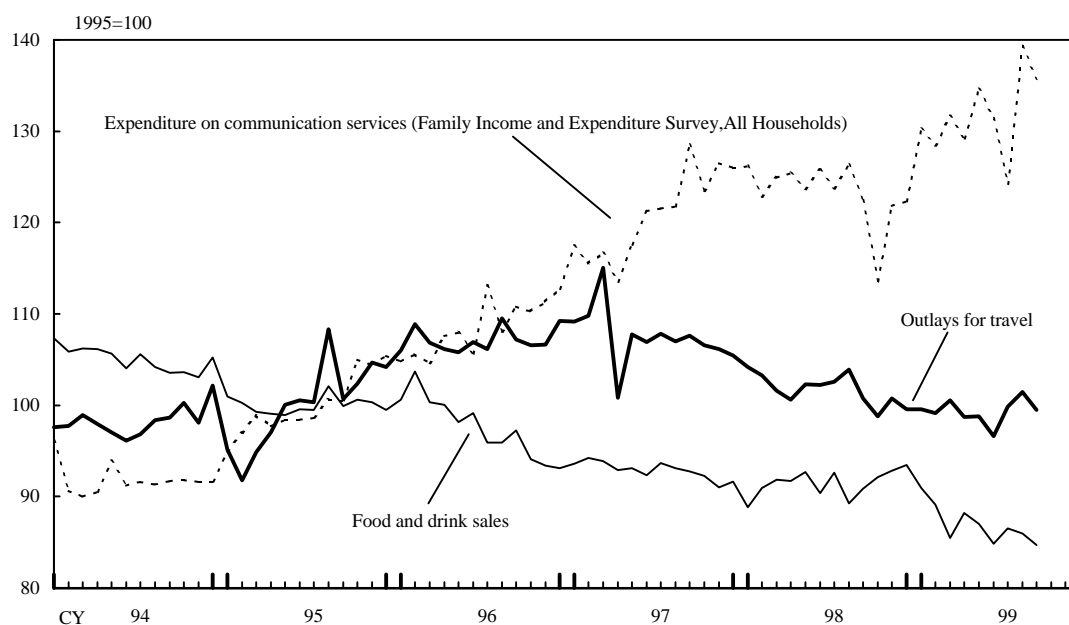
Ministry of International Trade and Industry, "Current Survey of Commerce";

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 Appliance";

Bank of Japan, "Wholesale Price Indexes."

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

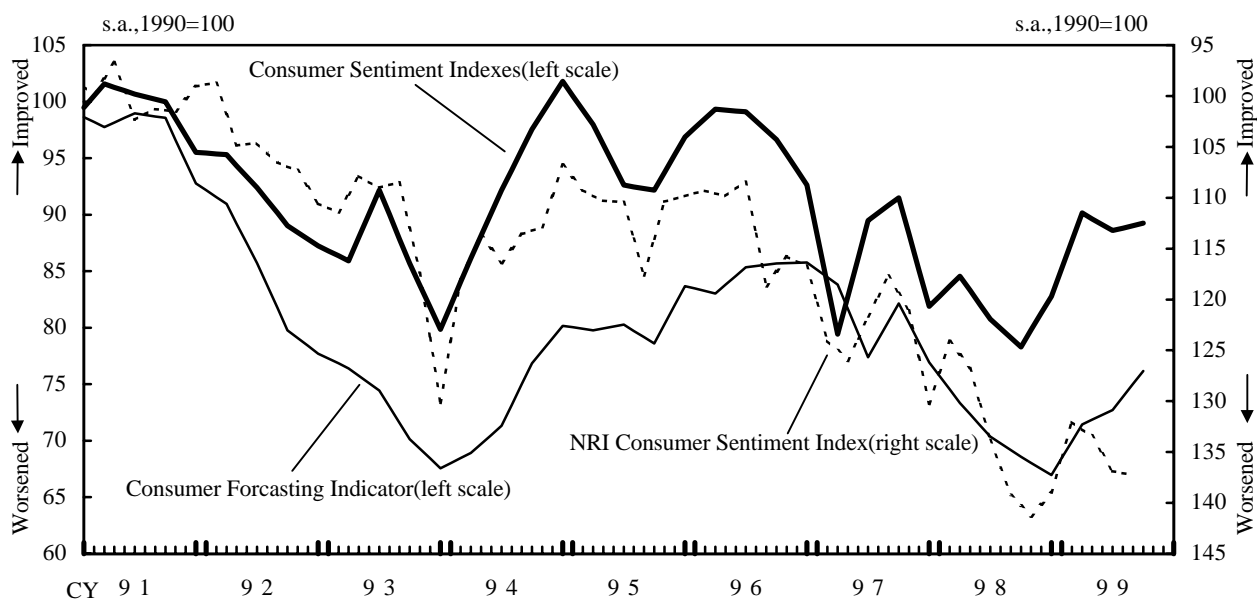
Notes: 1. Seasonally adjusted by X-12-ARIMA (β version).

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."

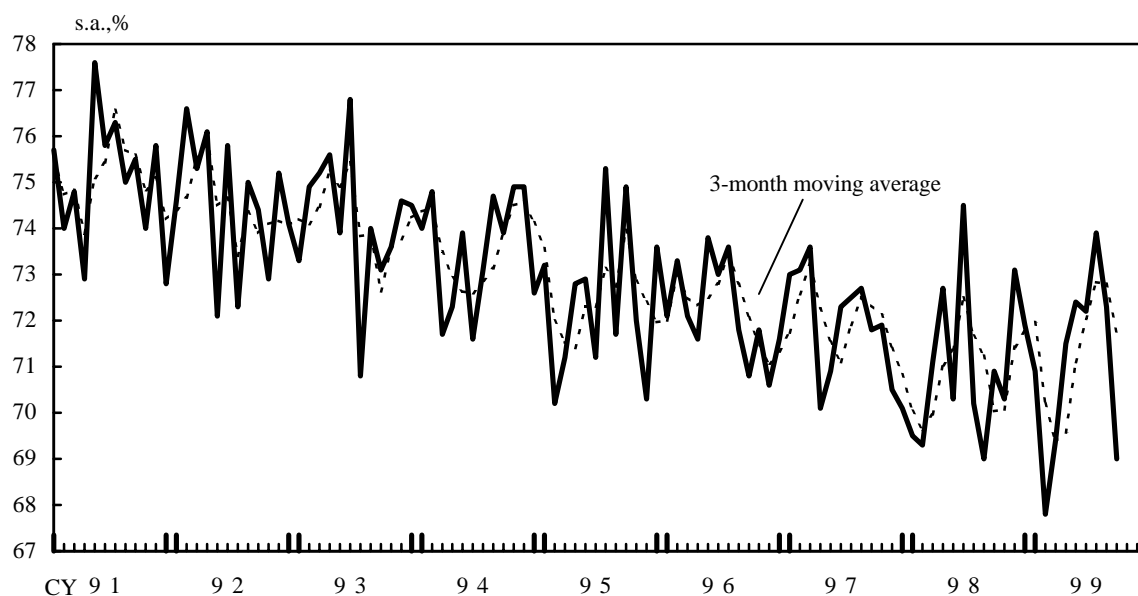
Consumer Confidence and Propensity to Consume

(1) Surveys on consumer confidence



- Notes:
1. Seasonally adjusted by X-11. "Consumer Sentiment Indexes" is seasonally adjusted by Economic Planning Agency.
 2. Consumer Sentiment Indexes, Consumer Forecasting Indicator, and NRI Consumer's Sentiment Index are based on surveys on consumer confidence.
 3. Data are plotted at the months of each survey.
 4. Consumer Sentiment Indexes is surveyed by 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)



Note: Seasonally adjusted by Management and Coordination Agency.

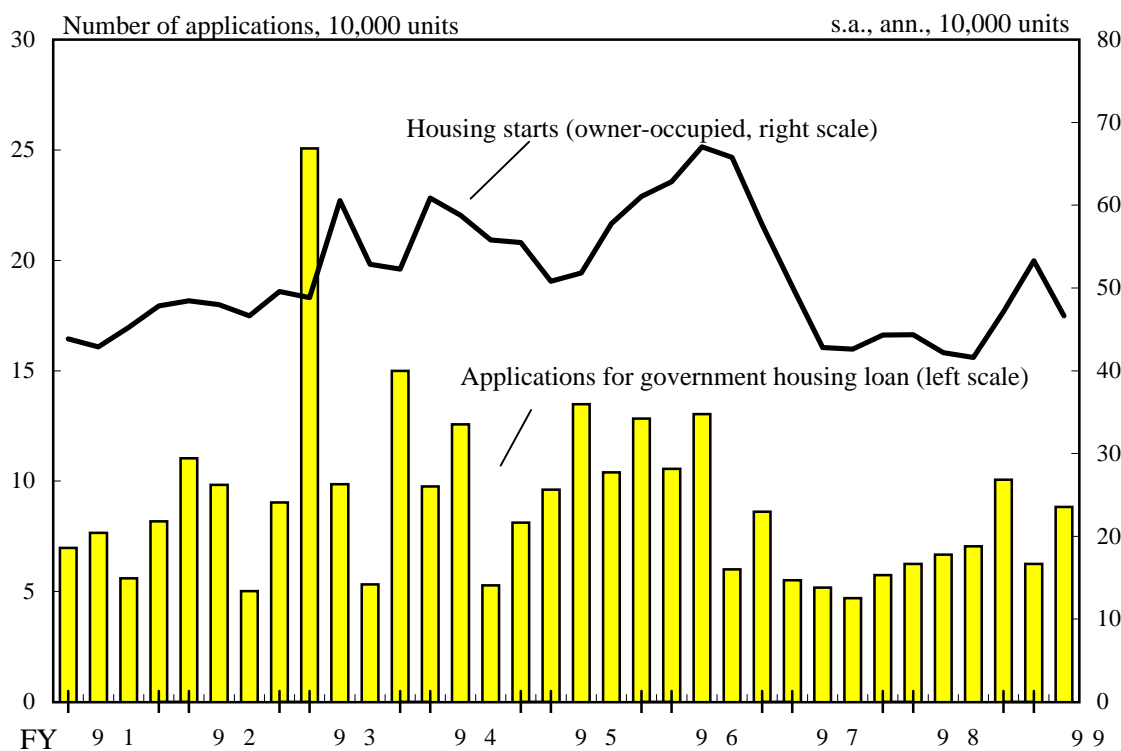
Sources: Economic Planning Agency, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (Nikkei RIM), "Consumption Forecasting Indicator";
 Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey";
 Nippon Research Institute (NRI), "Consumer's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

Major Indexes of Housing Investment

(1) Housing starts

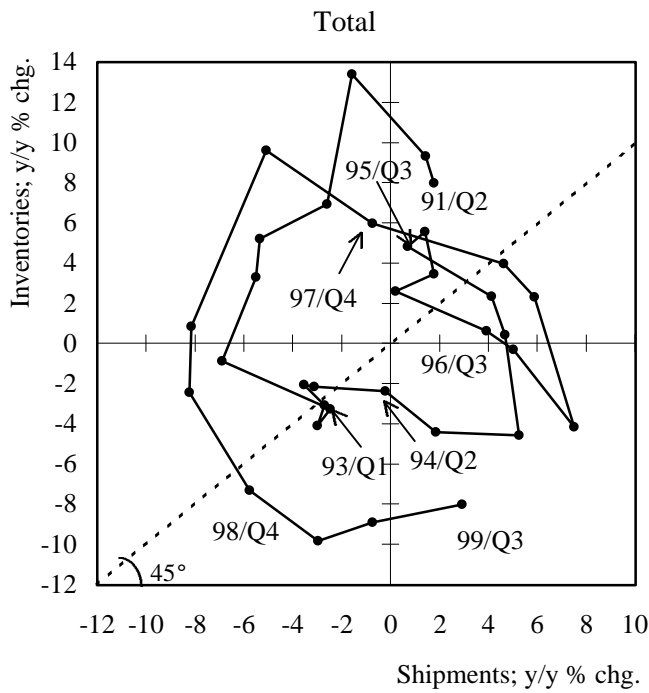


(2) Number of applications for government housing loan (for new owner-occupied homes)

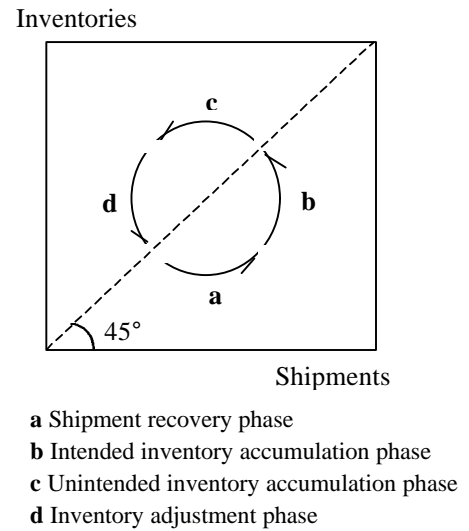


Source: Ministry of Construction, "Monthly of Construction Statistics", etc.

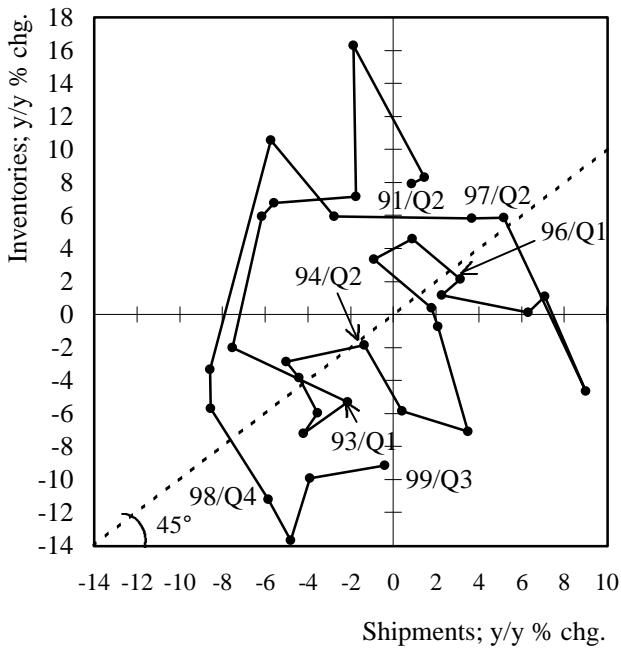
Inventory Cycle



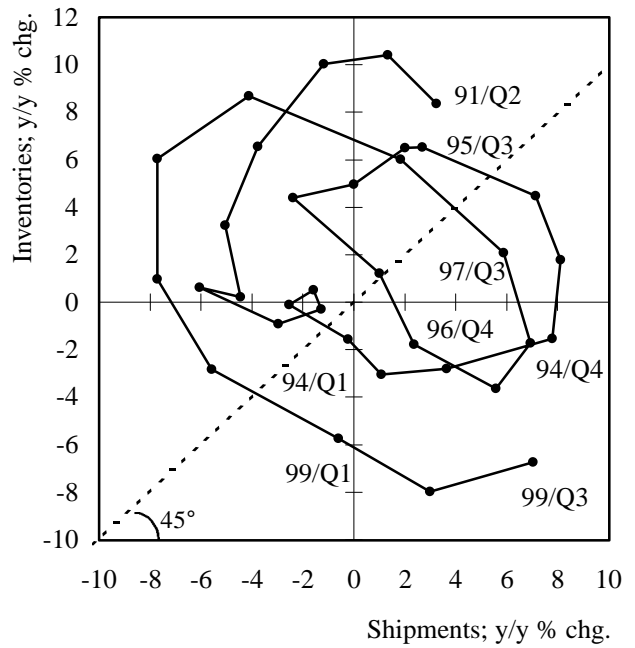
Phases in the Inventory Cycle



Final Demand Goods



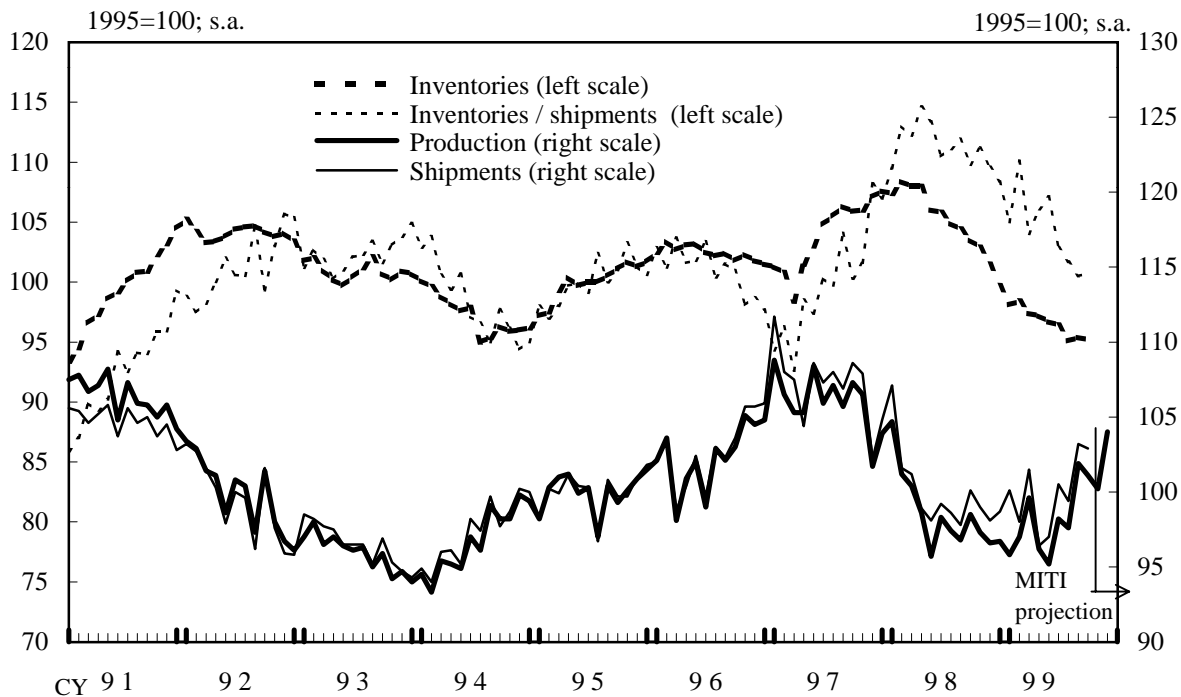
Production Goods



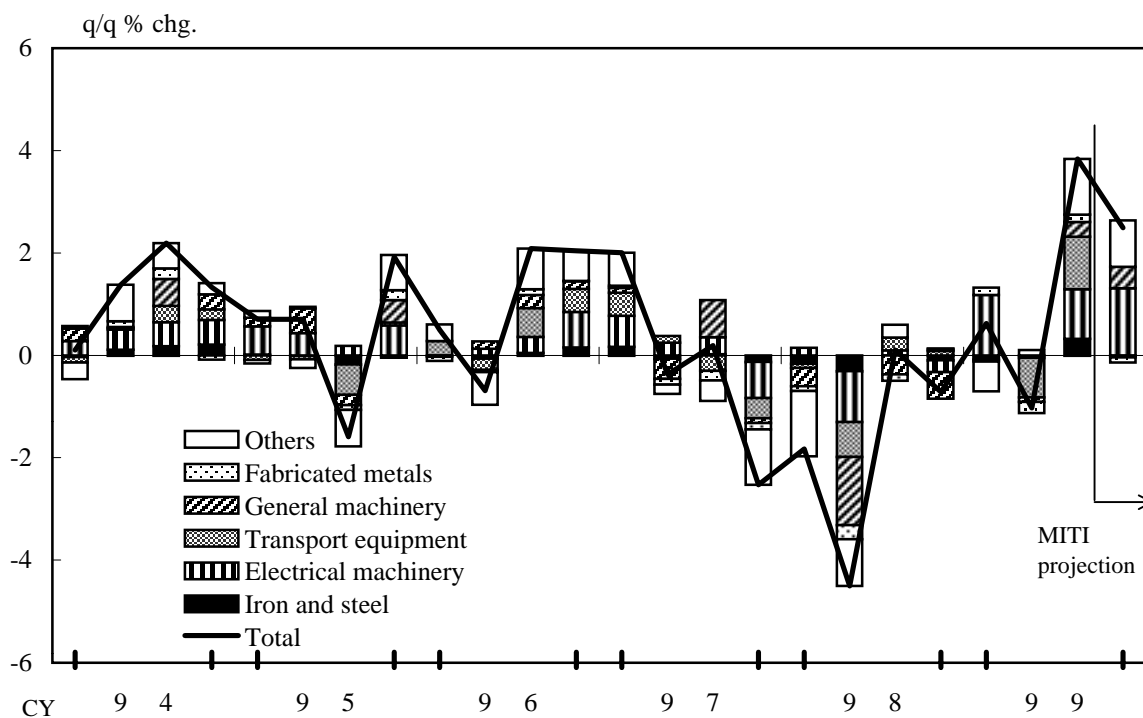
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

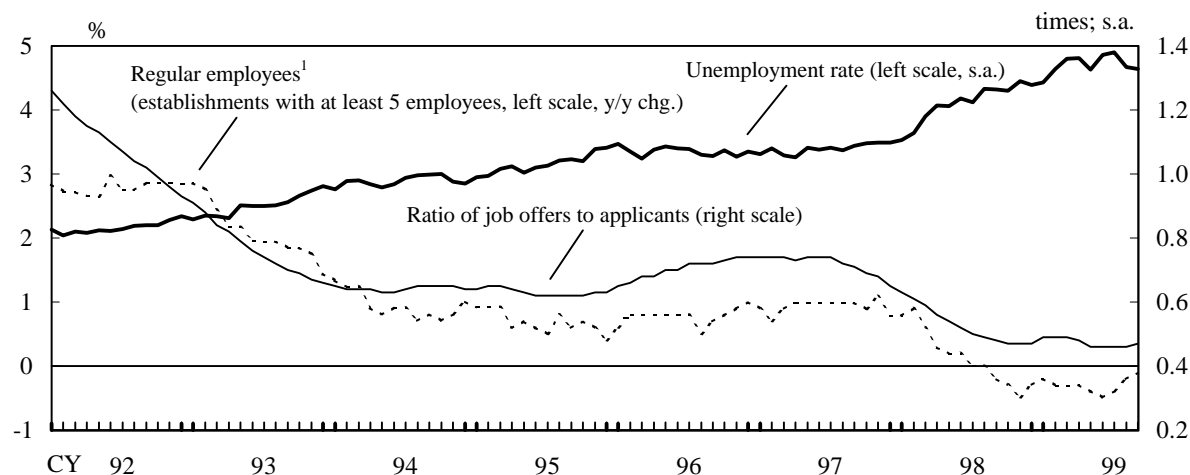
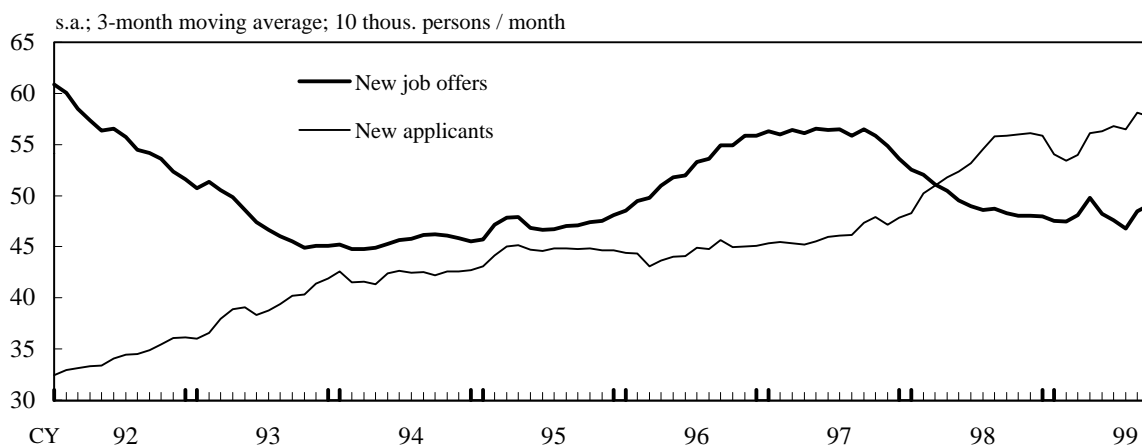
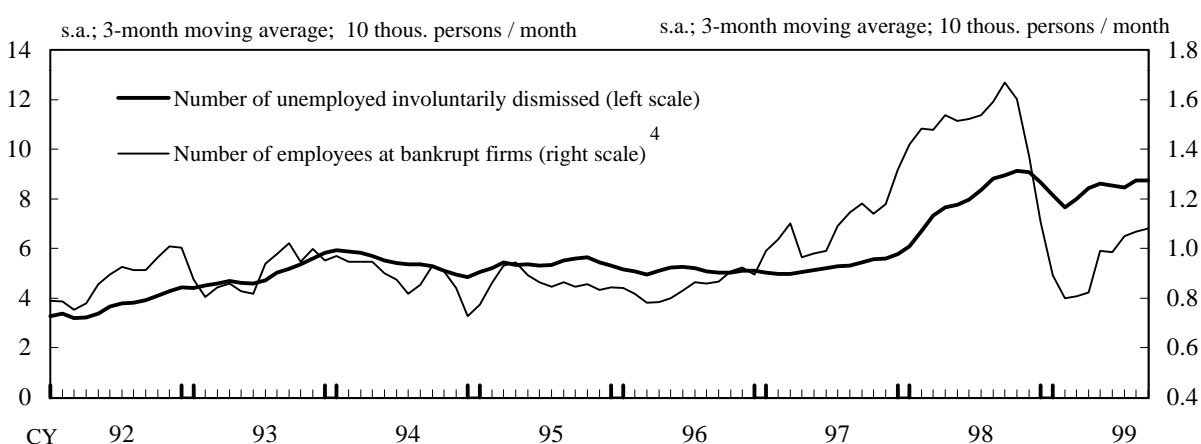


Note: Transport equipment excludes ships and rolling stock.

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 Sept. 1999 are preliminary figures.

2. Excludes jobs offered to new graduates.

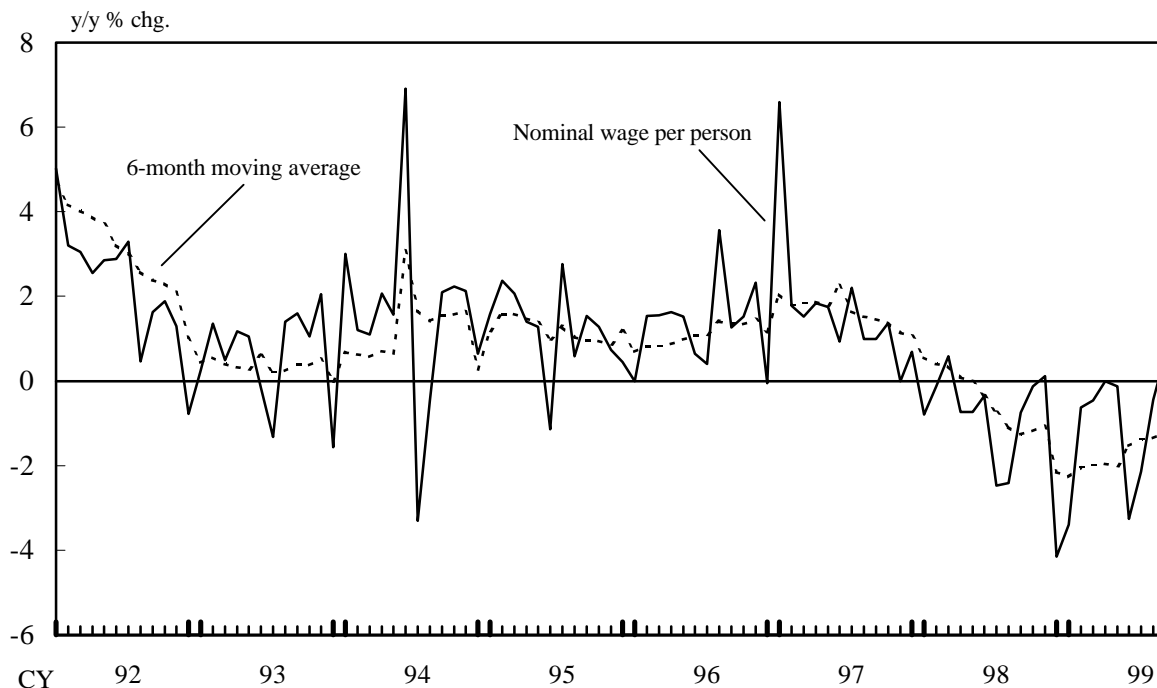
3. Seasonally adjusted by X-11.

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

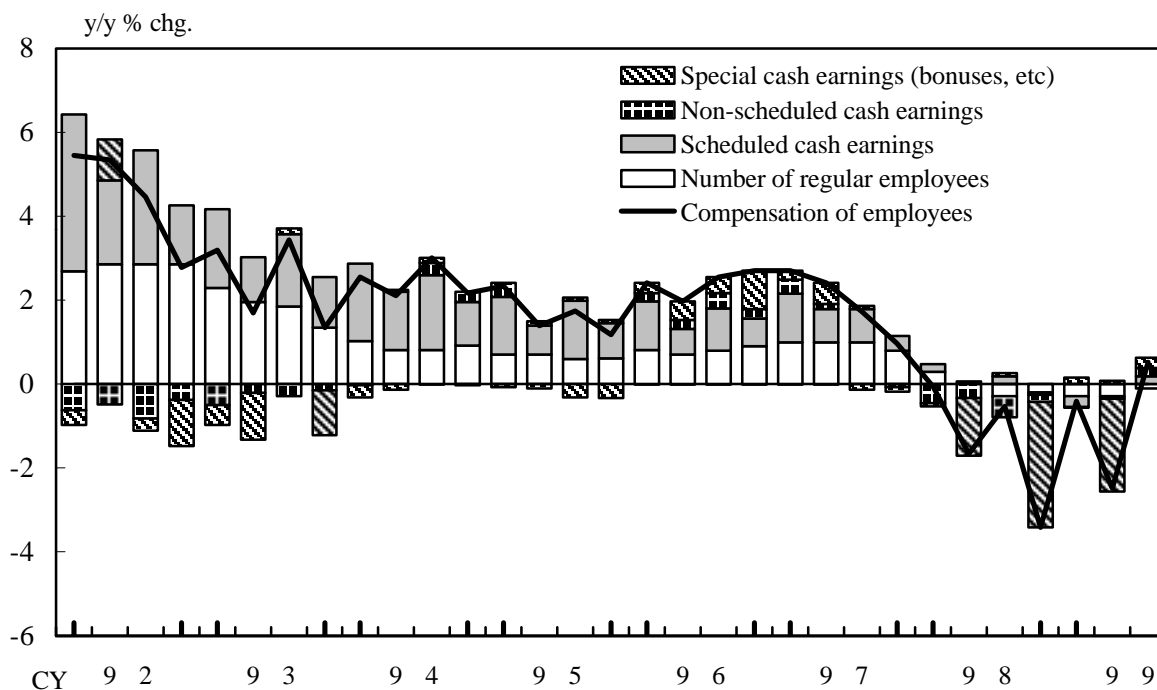
Sources: Ministry of Labor, "Monthly Labor Survey", "Report on Employment Service", "Report on Employment Insurance Service"; Management and Coordination Agency, "Labor Force Survey"; Teikoku Databank Ltd., "Japan's Business Failure."

Compensation of Employees ¹

(1) Nominal Wage per Person



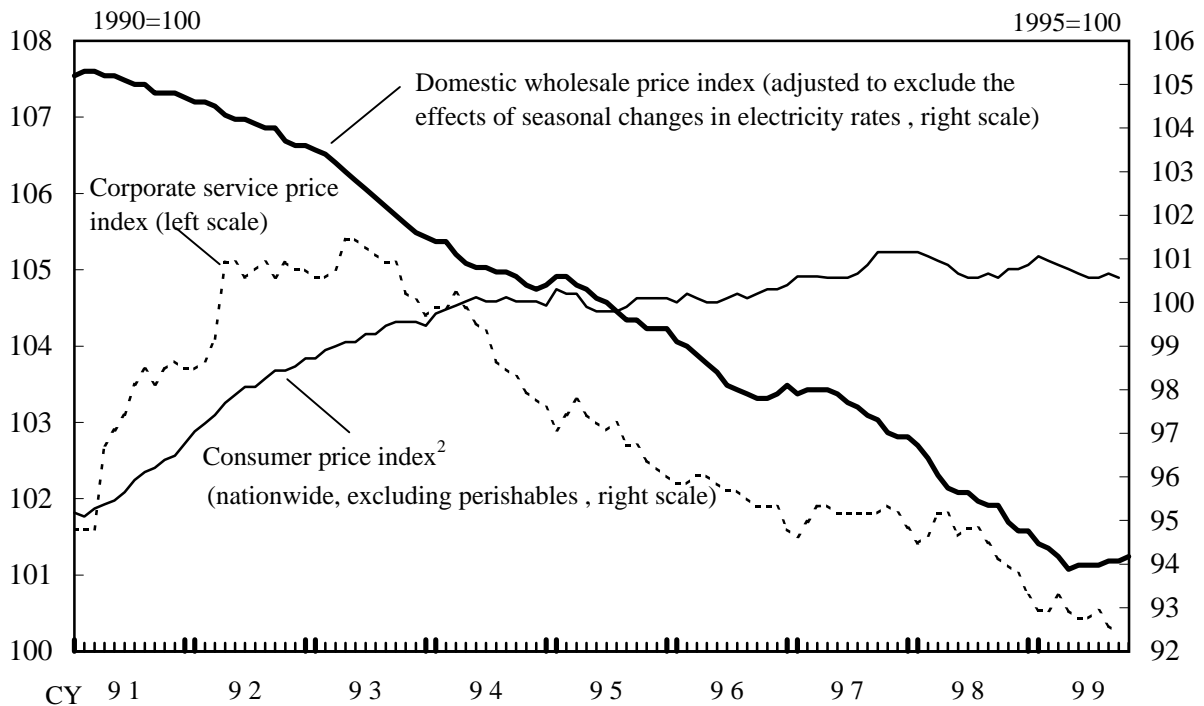
(2) Breakdown of Compensation ^{2,3}



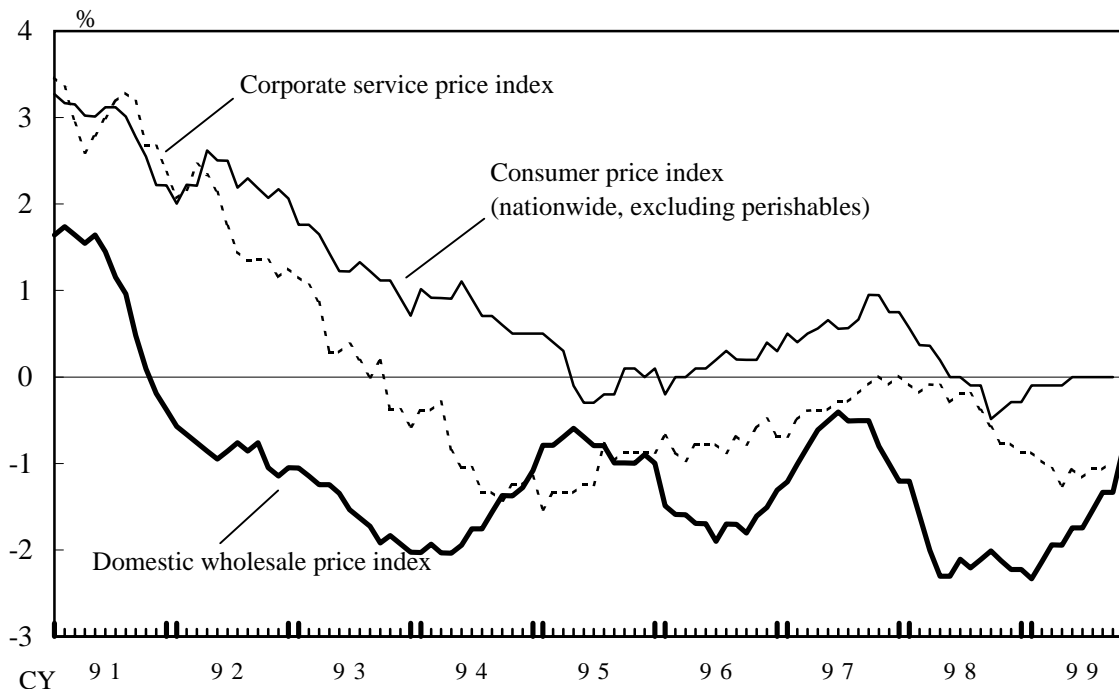
Notes : 1. Data for establishments with at least 5 employees. The data for Sept. 1999 are preliminary figures.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
 3. The data for 99/Q3 are those of Sept. 1999.

Prices¹

(1) Level



(2) Changes from a year earlier



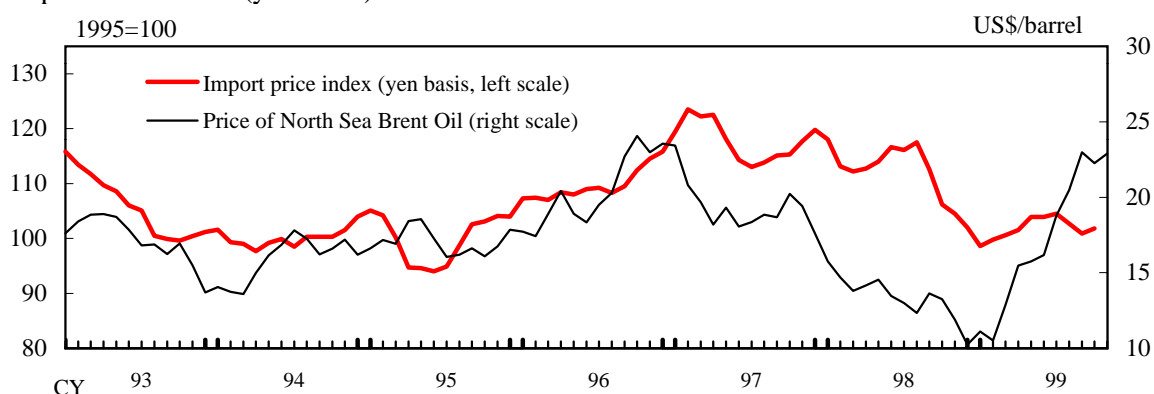
Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.

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.

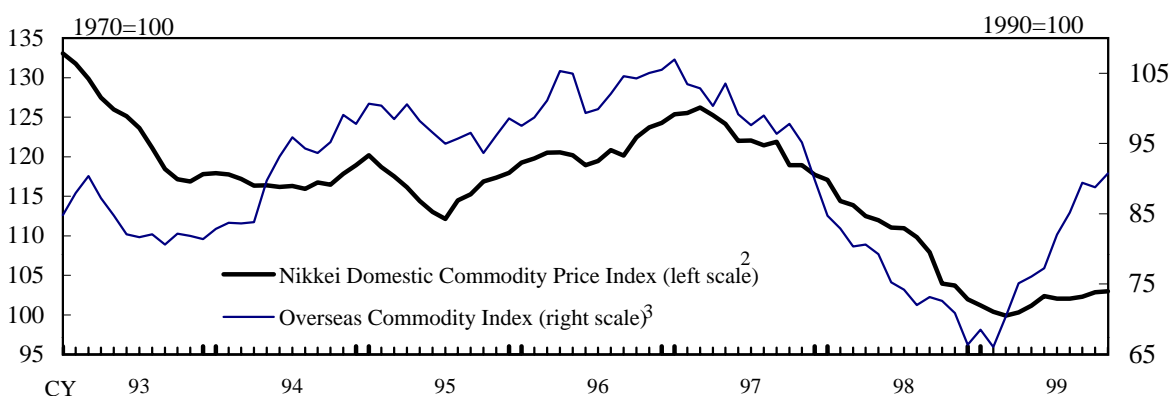
Sources: Management and Coordination Agency, "Consumer Price Index";
Bank of Japan, "Wholesale Price Indexes", "Corporate Service Price Index."

Import Prices and Domestic Wholesale Prices

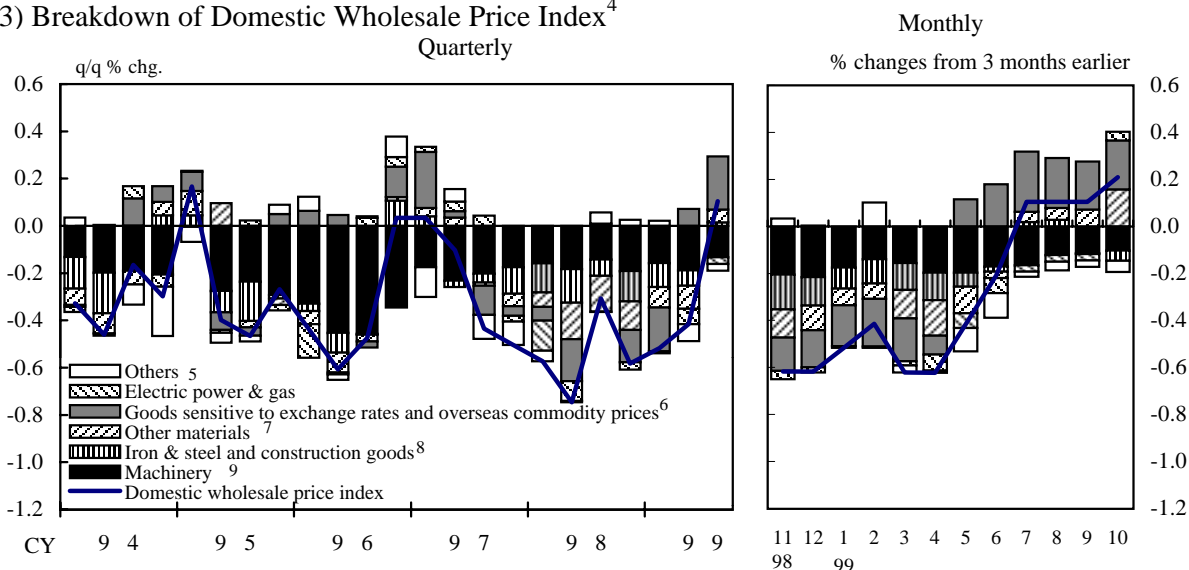
(1) Import Price Index (yen basis) and Crude Oil Price¹



(2) Domestic Commodity Market



(3) Breakdown of Domestic Wholesale Price Index⁴



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

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

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

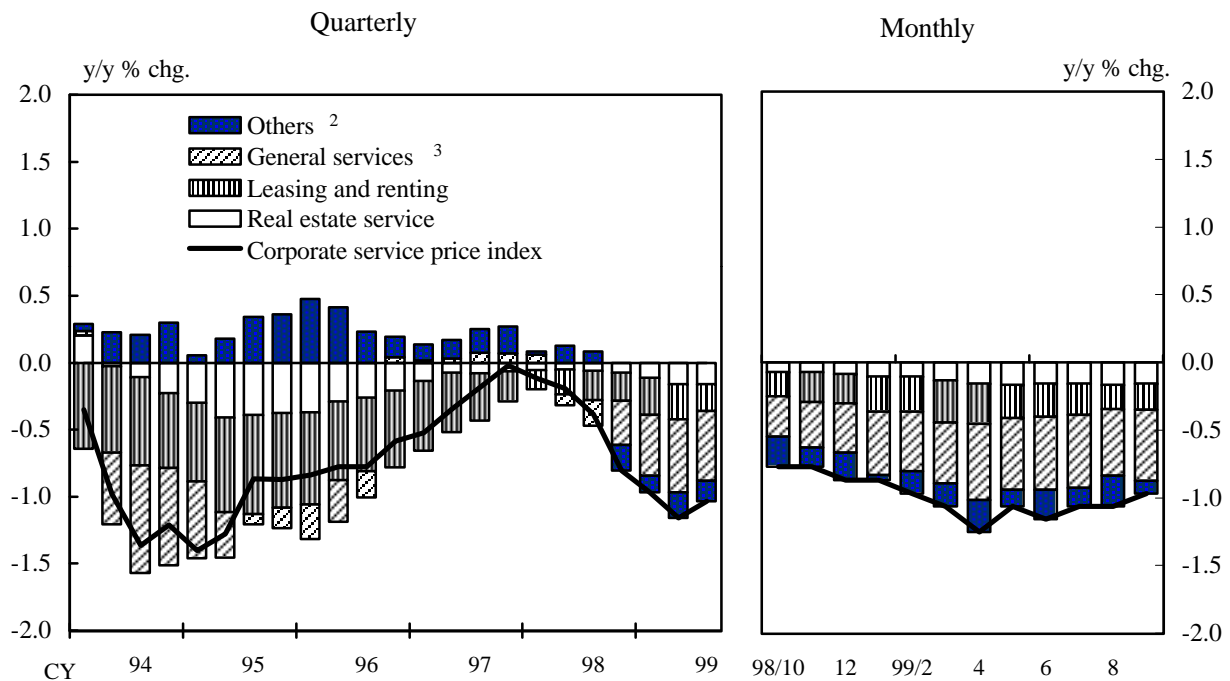
8. Iron & steel and construction goods = iron & steel + metal products + ceramics, stone & clay products + lumber & wood products + scrap & waste.

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

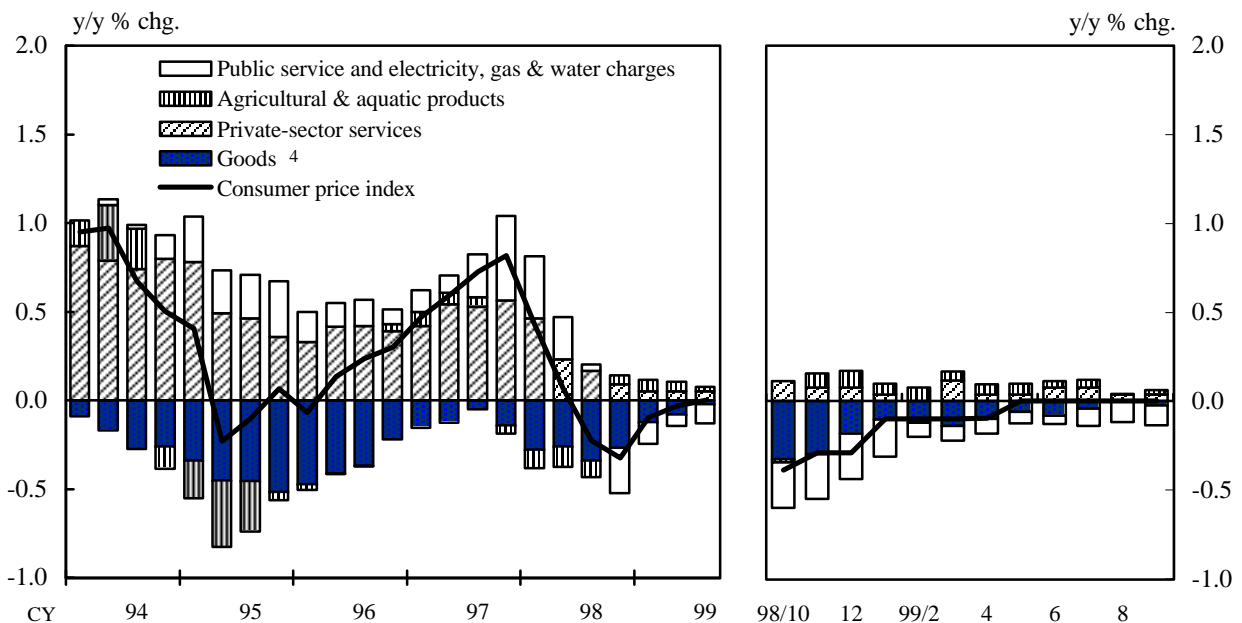
Sources: Bank of Japan, "Wholesale Price Indexes", "Financial and Economic Statistics Monthly", "Nippon Ginko Chousa Geppo (Bank of Japan Monthly Bulletin)"; Nihon Keizai Shimbun Inc., "Nikkei Domestic Commodity Price Index."

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

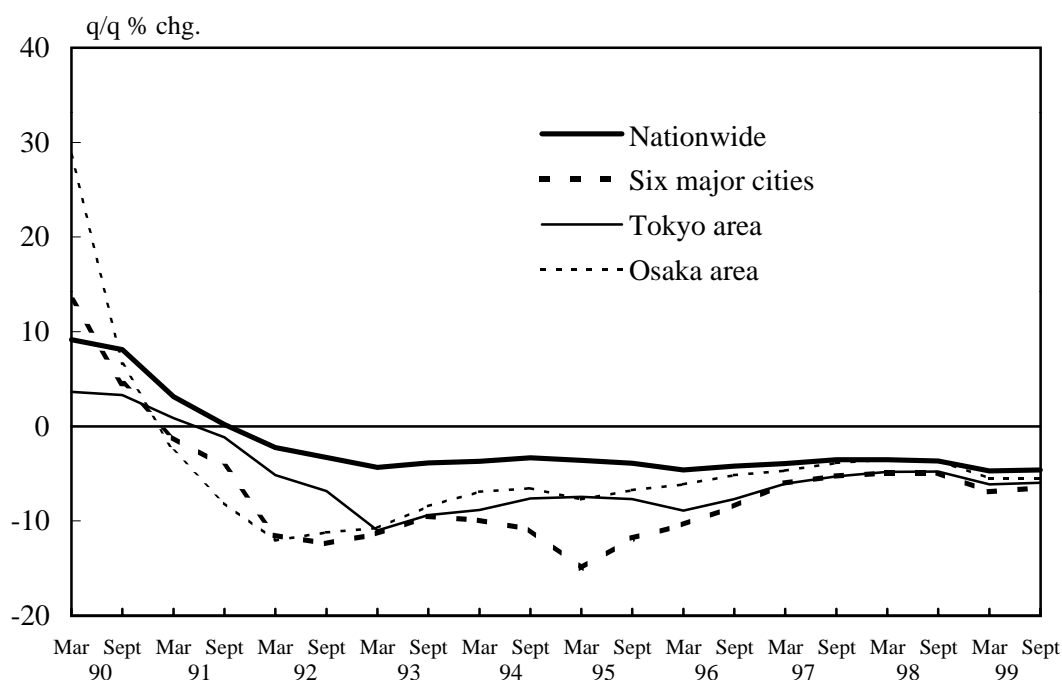
3. General services = finance & insurance + transportation + information services + communications + advertisement + building maintenance & construction planning + temporary worker services + machinery maintenance, etc. (excluding items in "others").

4. Excludes agricultural and aquatic products.

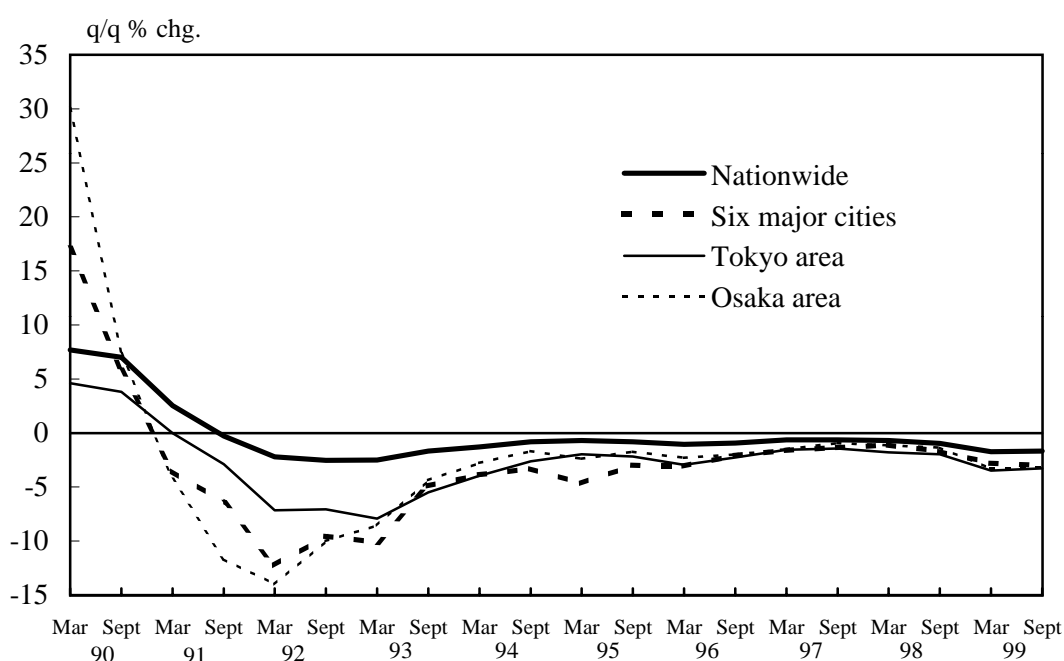
Sources: Management and Coordination Agency, "Consumer Price Index";
Bank of Japan, "Corporate Service Price Index."

 Urban Land Price Index

(1) Commercial land



(2) Residential land



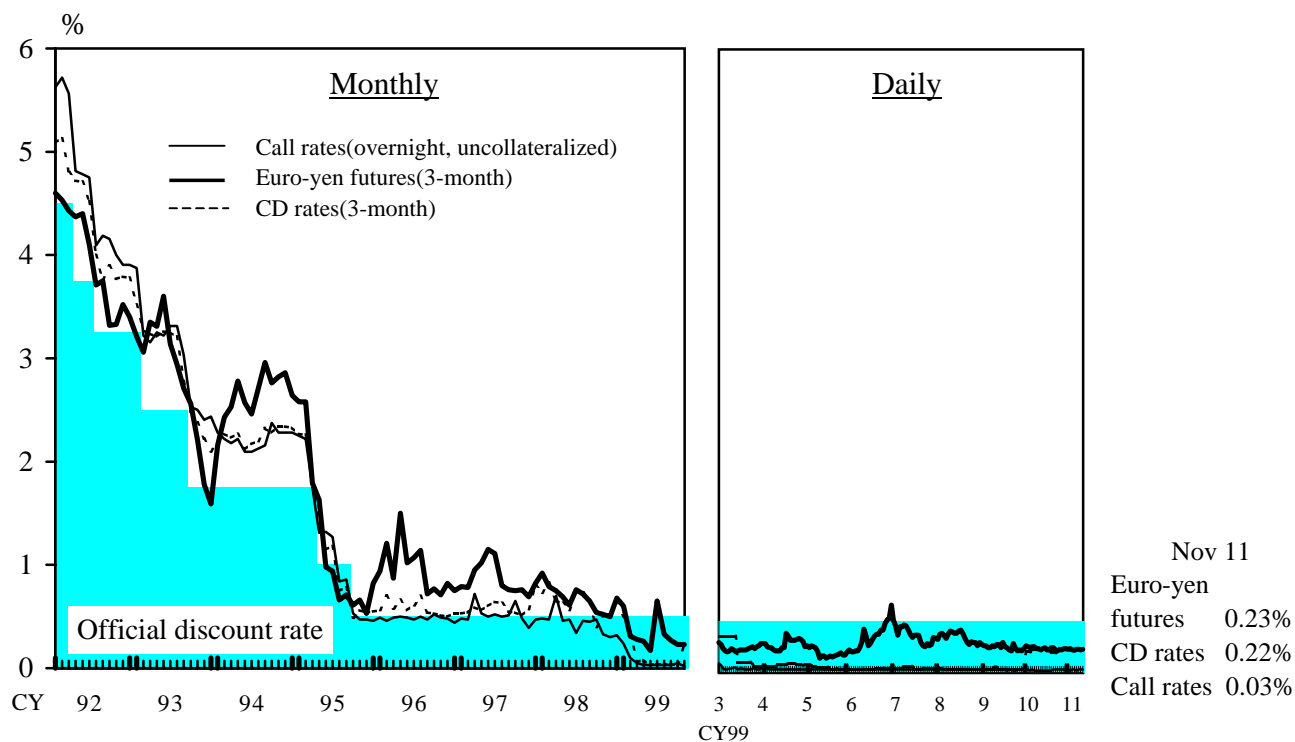
Notes: 1. The Urban Land Price Index is based on surveys conducted at the end of March and September each year.

2. Six major cities include Tokyo (23 wards only), Yokohama, Nagoya, Kyoto, Osaka and Kobe.

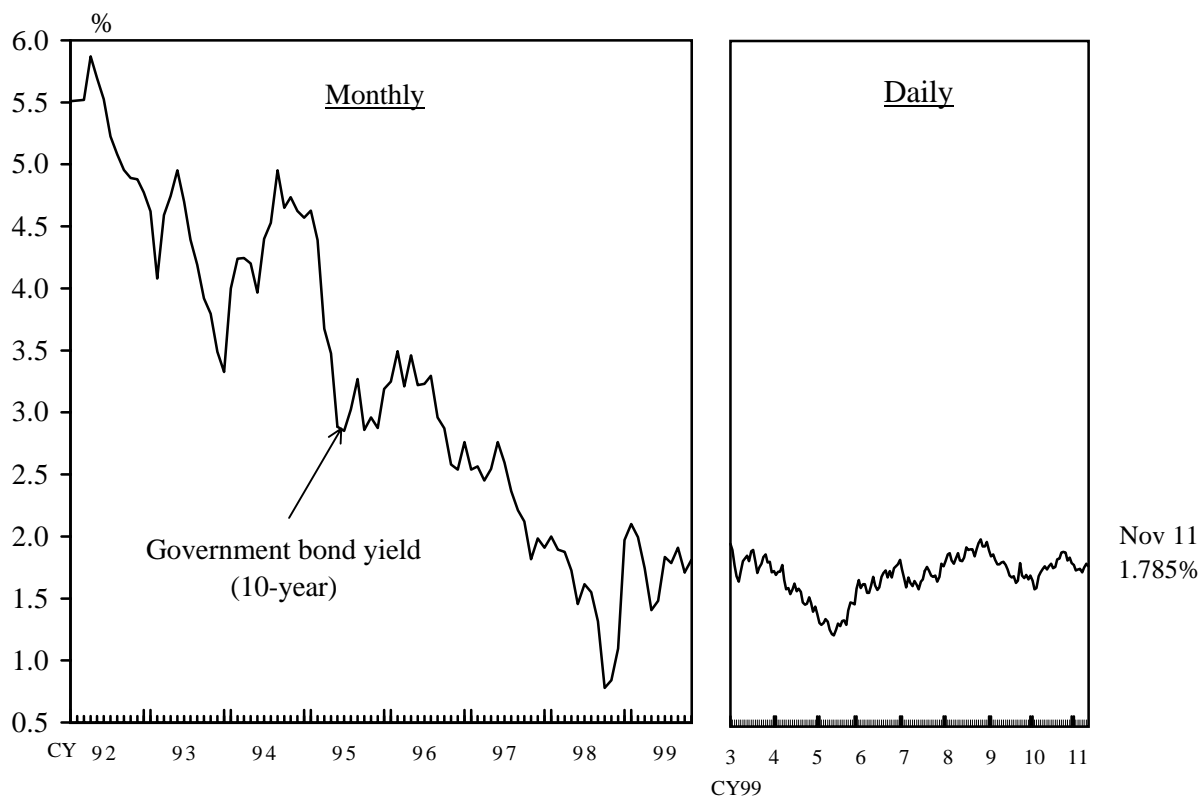
Source: Japan Real Estate Institute, "Urban Land Price Index".

Interest Rates

(1) Short-Term



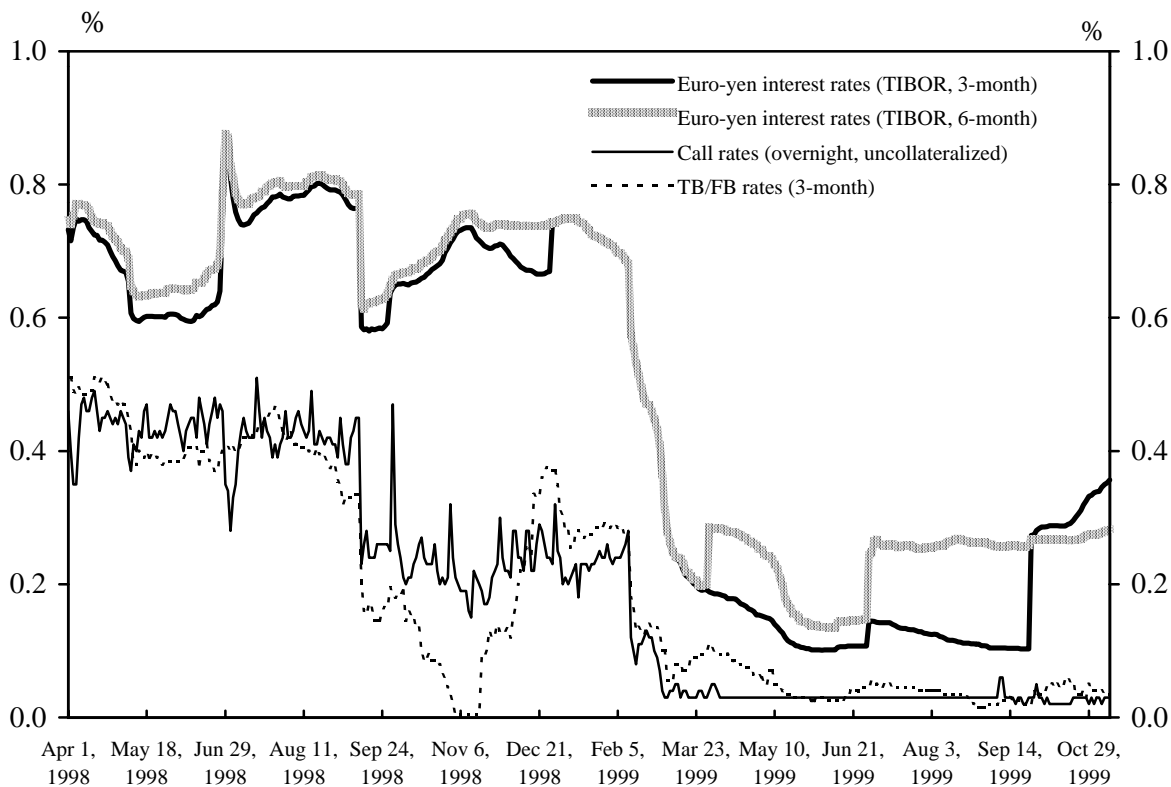
(2) Long-Term



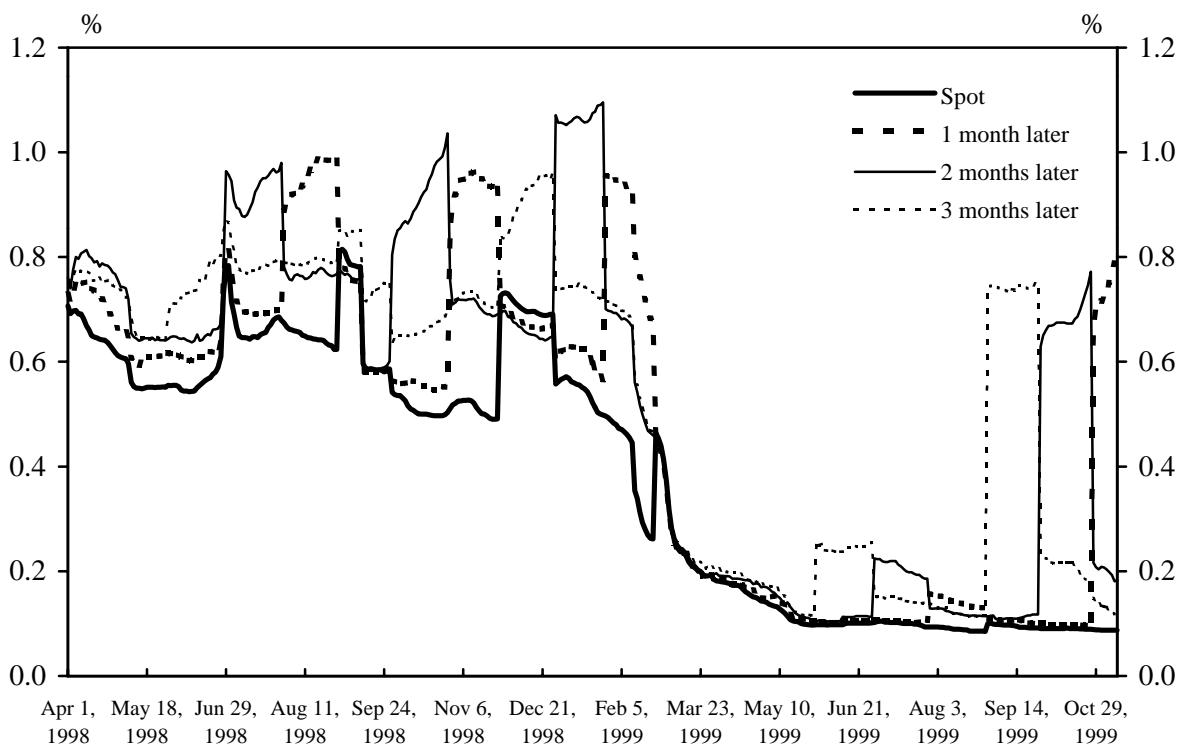
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

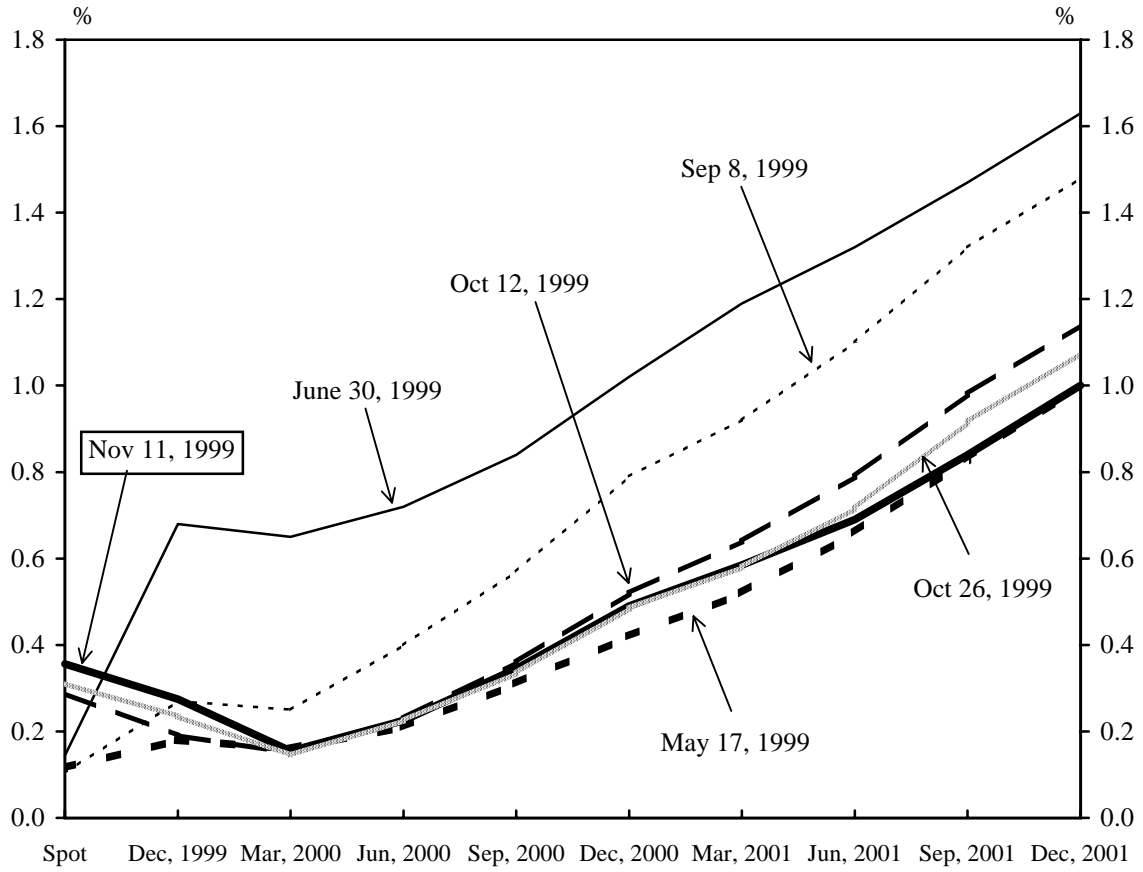


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

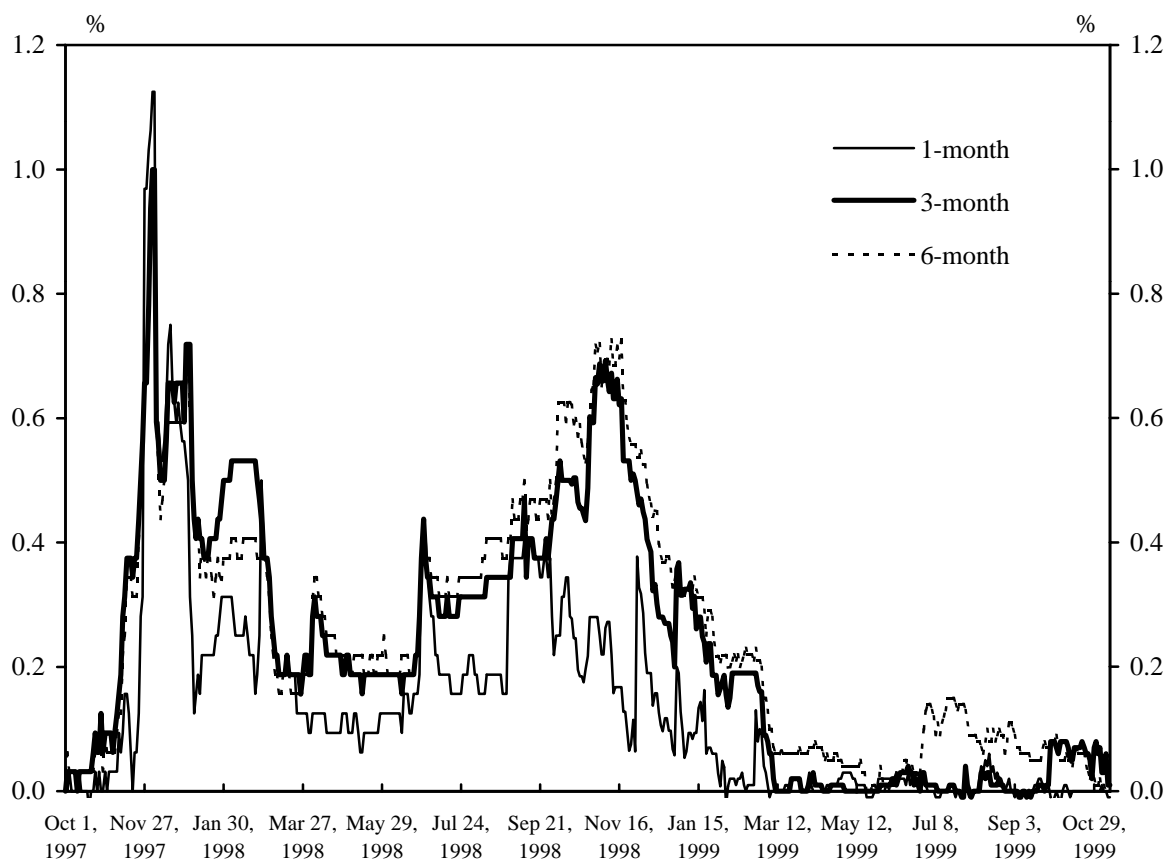


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Euro-Yen Interest Rates Futures (3-Month)



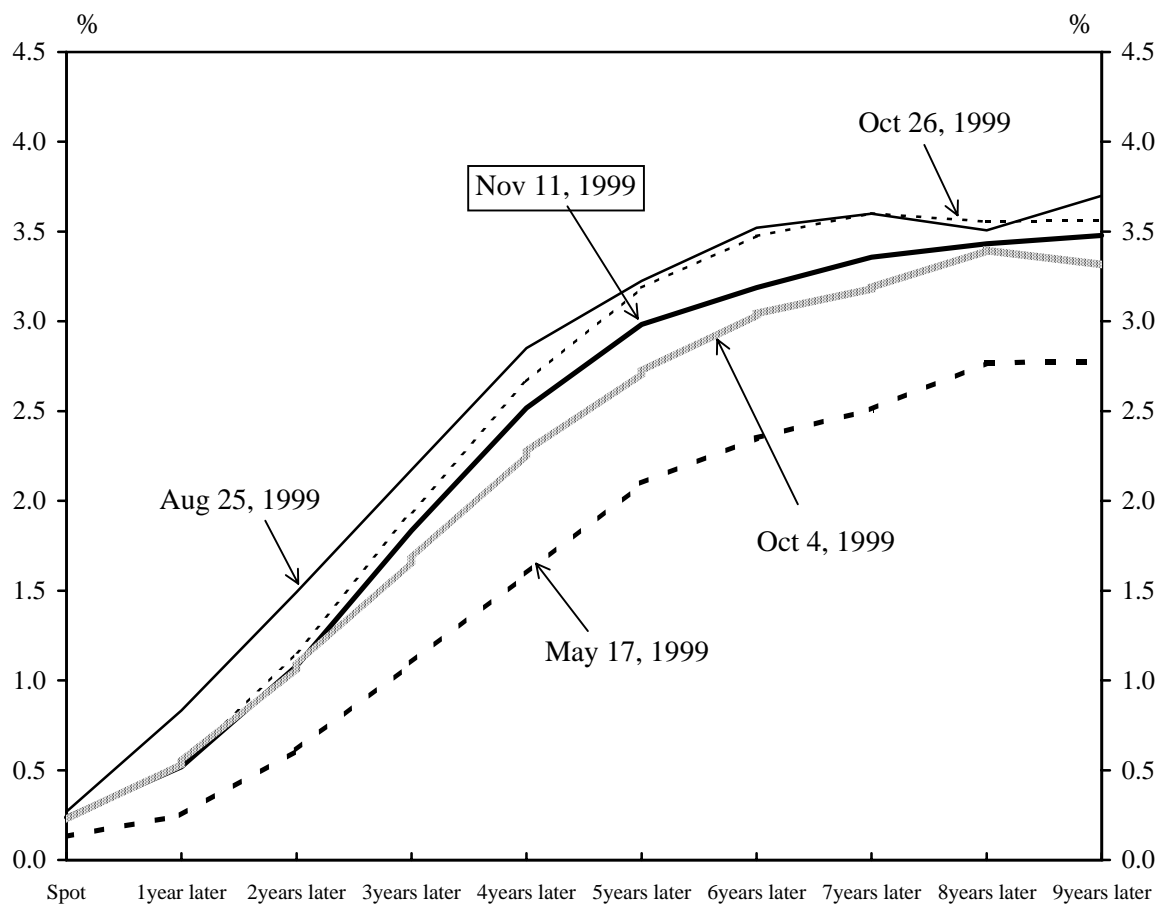
Source: Tokyo International Financial Futures Exchange.

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

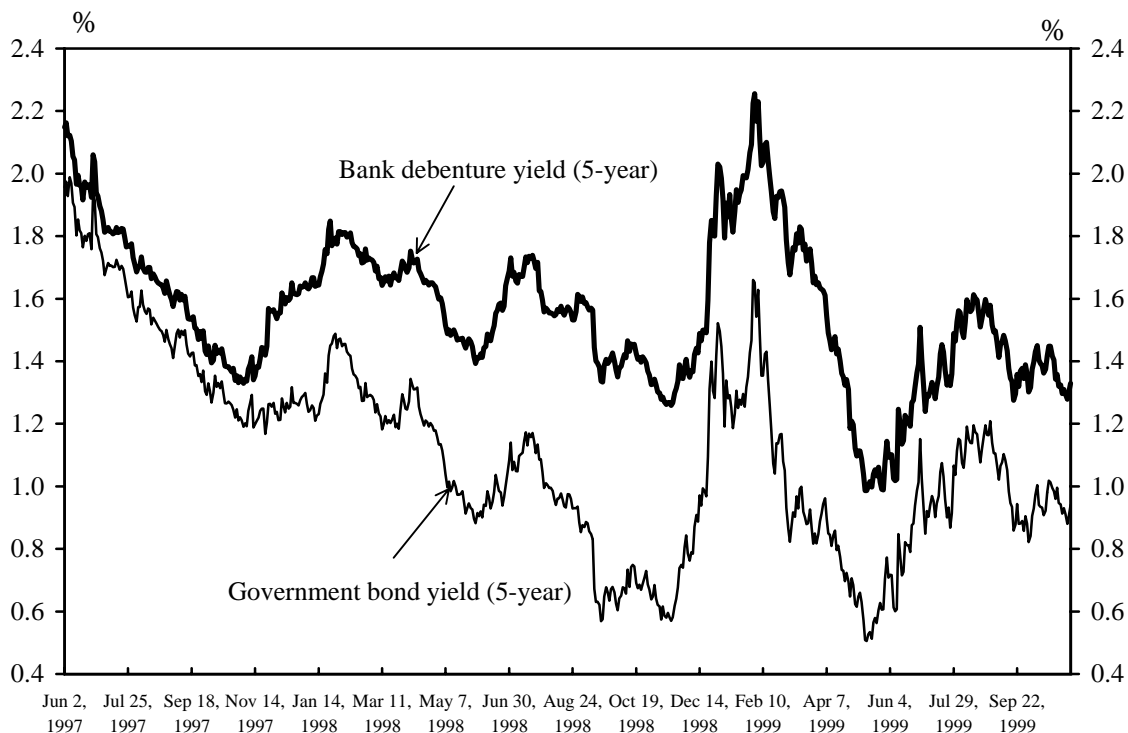


Note: 1. Calculated from yen-yen swap rates.

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

Yields of Bank Debentures

(1) Bond Yields



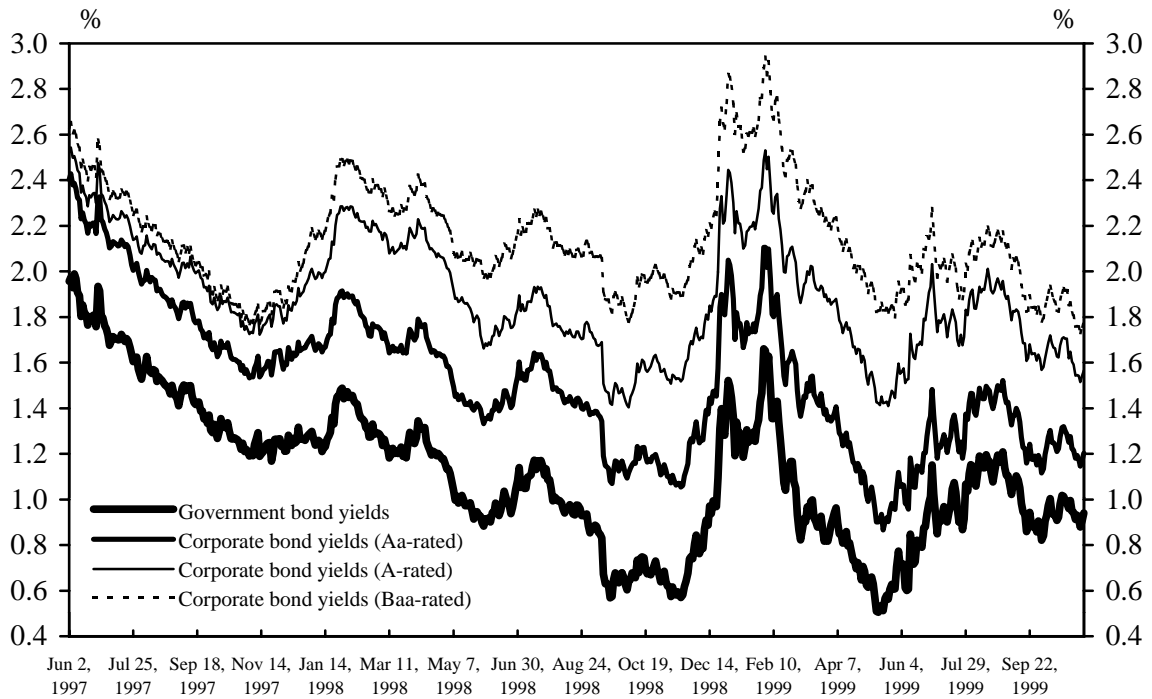
(2) Spread of Bank Debenture and Government Bond Yield



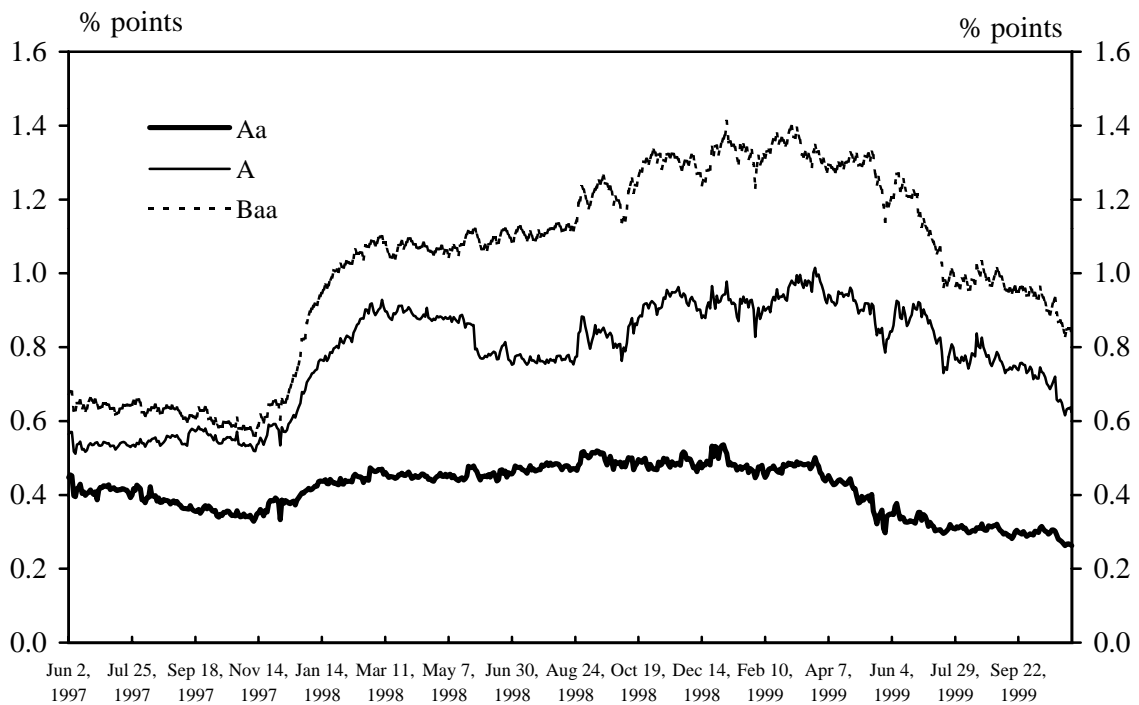
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



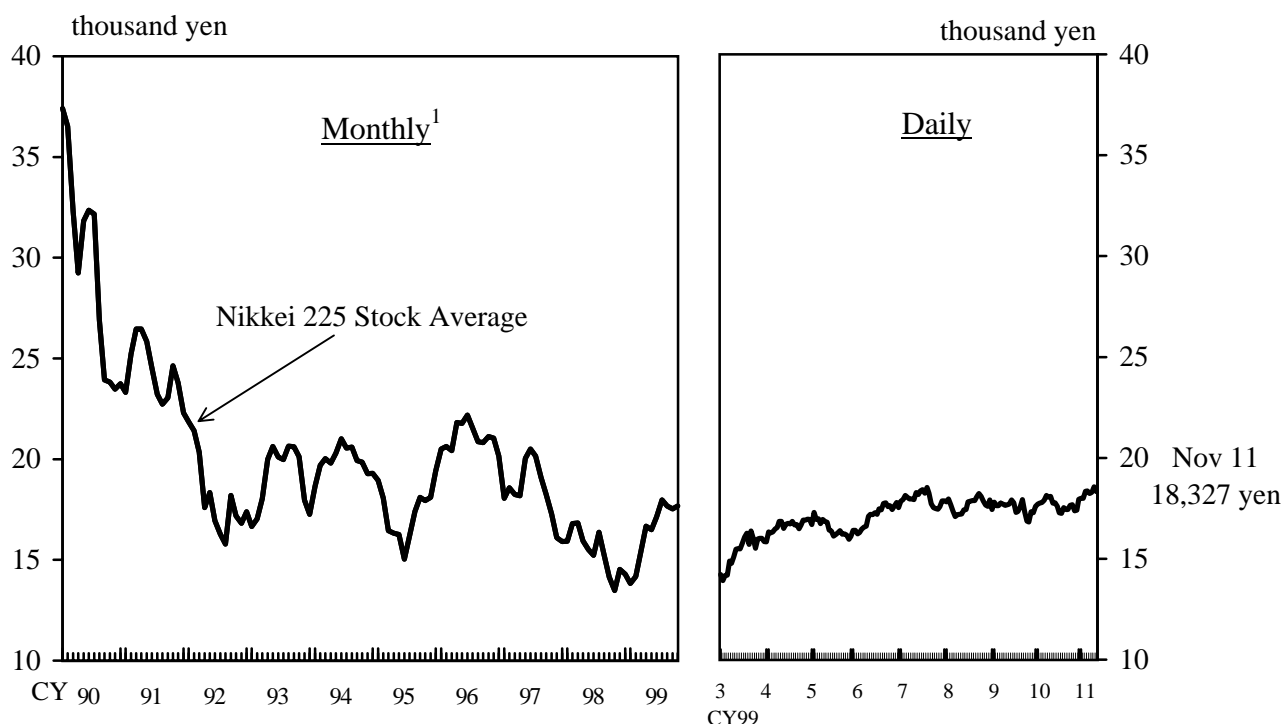
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

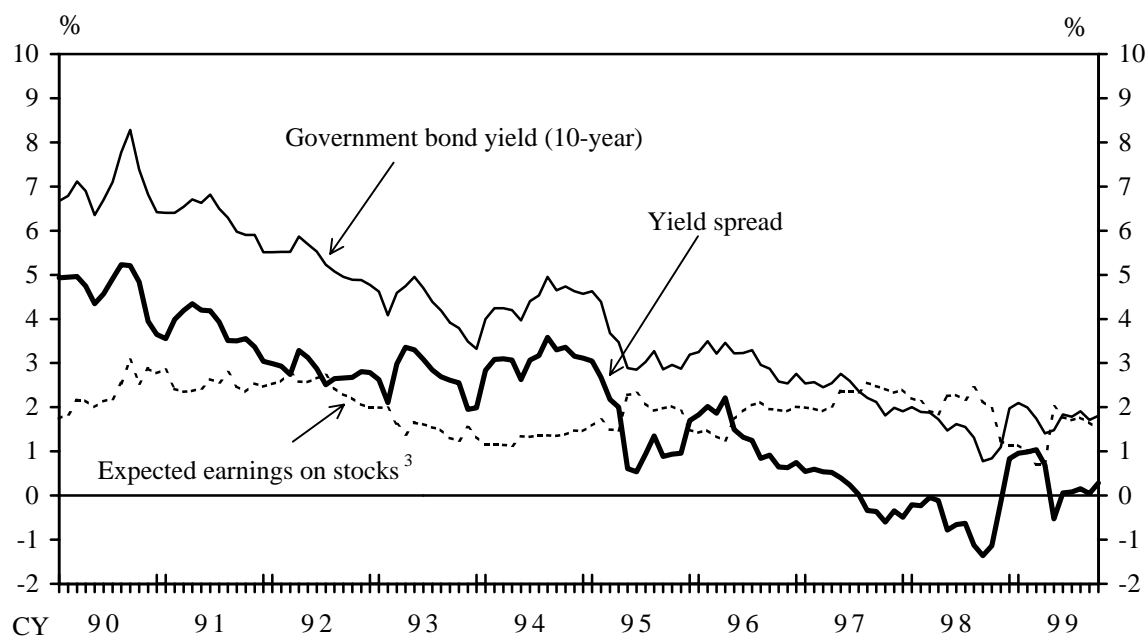
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

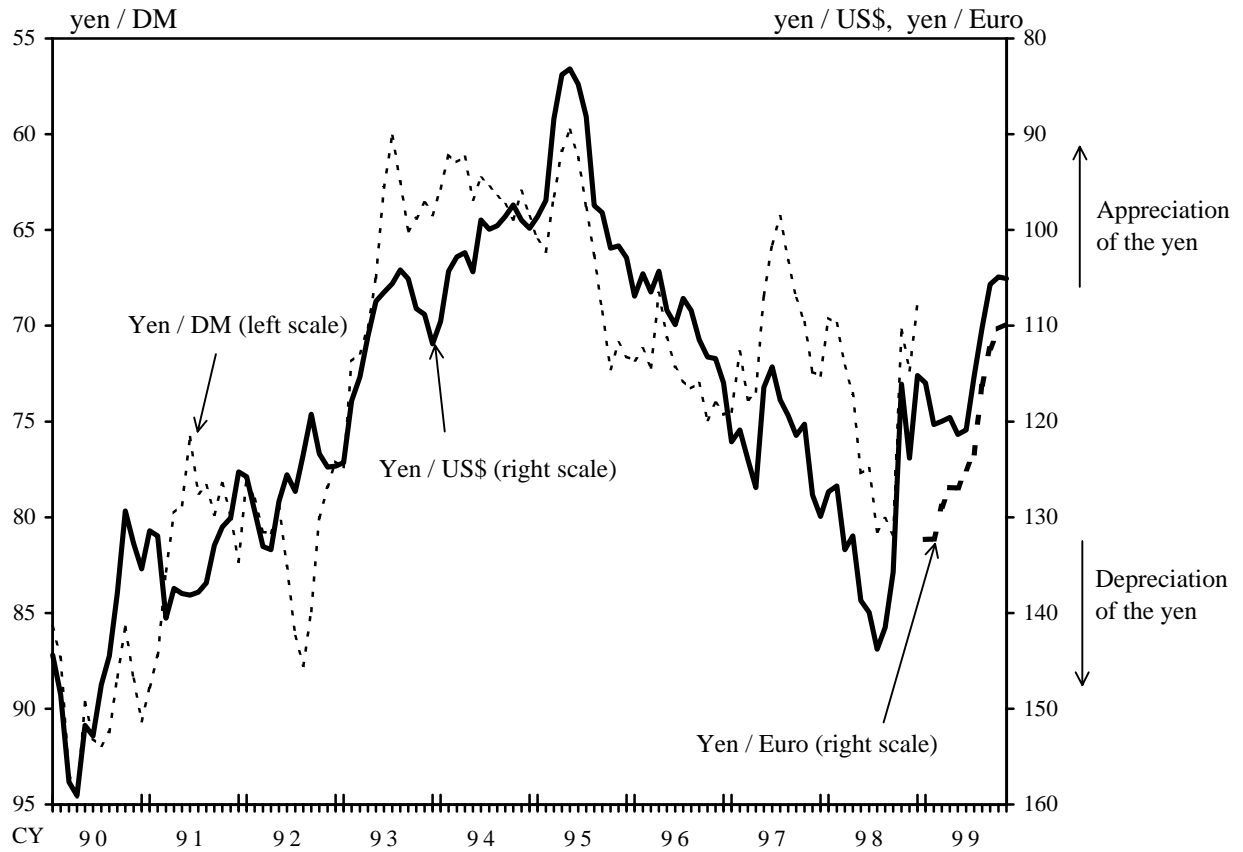
Yield spread = government bond yields - expected earnings on stocks,
where expected earnings on stocks = 1/expected price earnings ratio.

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 ¹

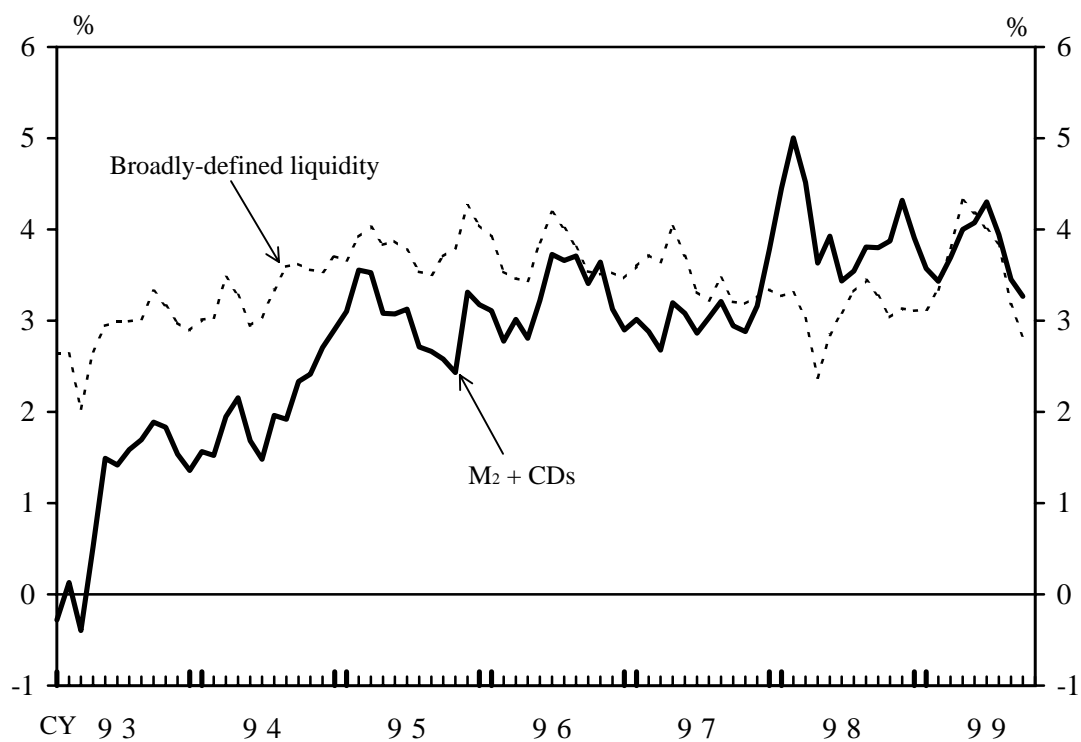


Note: 1. End of month. Data for November 1999 are as of November 11, 1999.

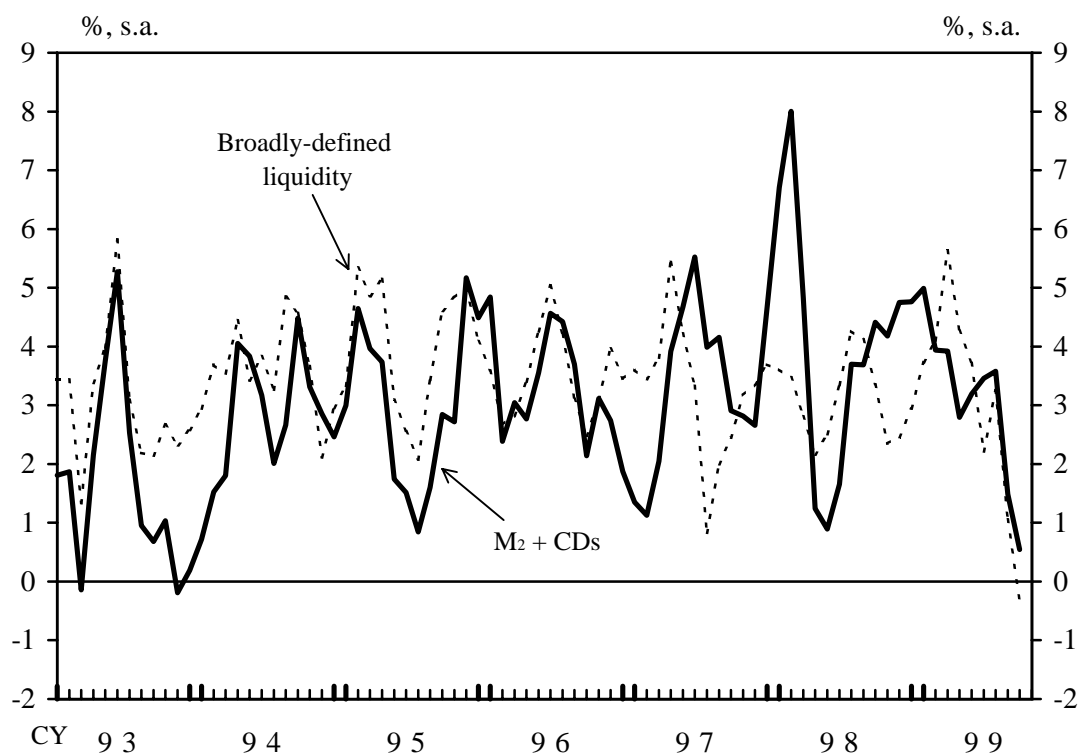
Source: Bank of Japan.

Money Stock (M2+CDs, Broadly-Defined Liquidity)¹

(1) Changes from a Year Earlier



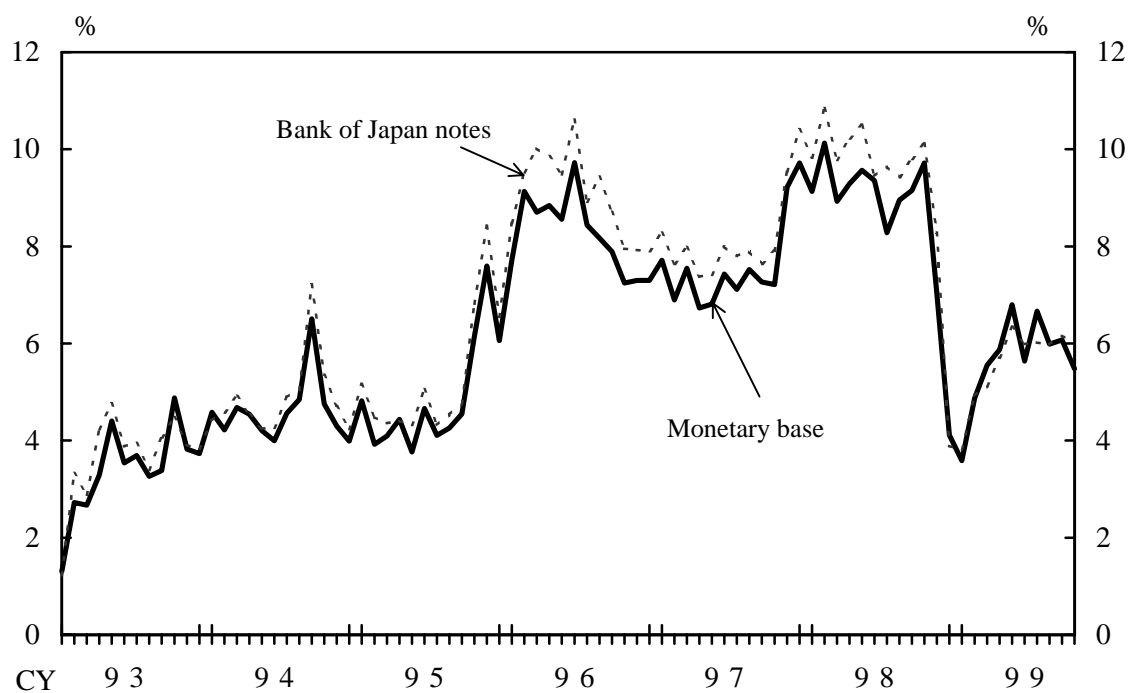
(2) Changes from Three Months Earlier (Annualized)



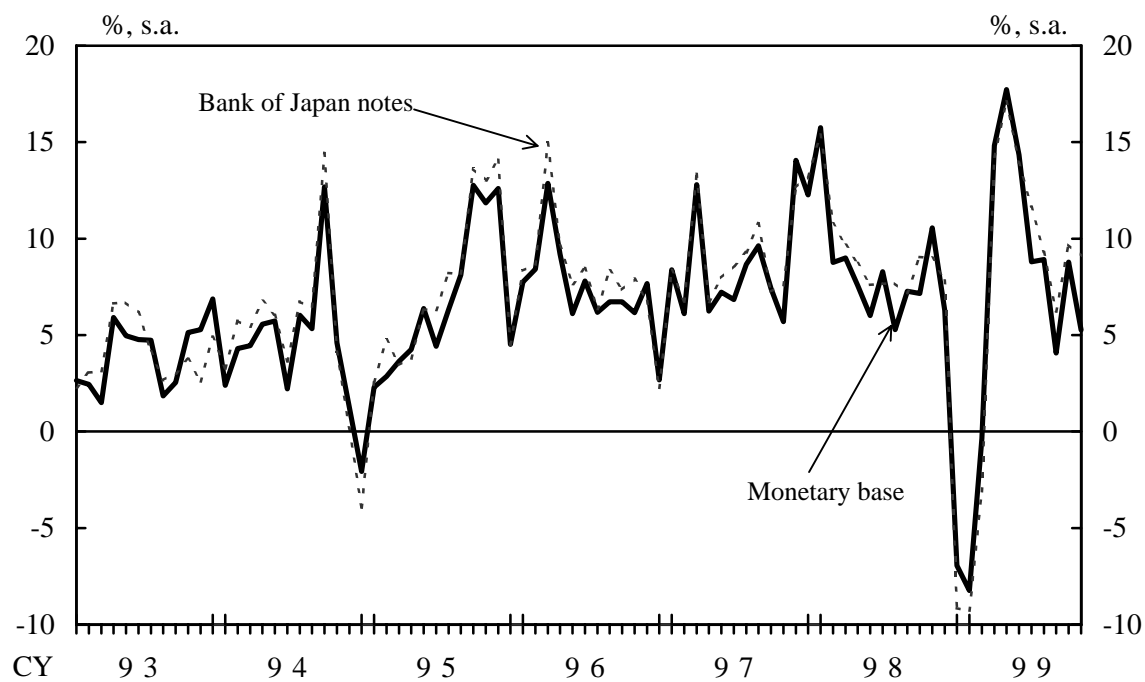
Note: 1. Percent changes in average amounts outstanding.
 Source: Bank of Japan.

 Monetary Base ¹

(1) Changes from a Year Earlier

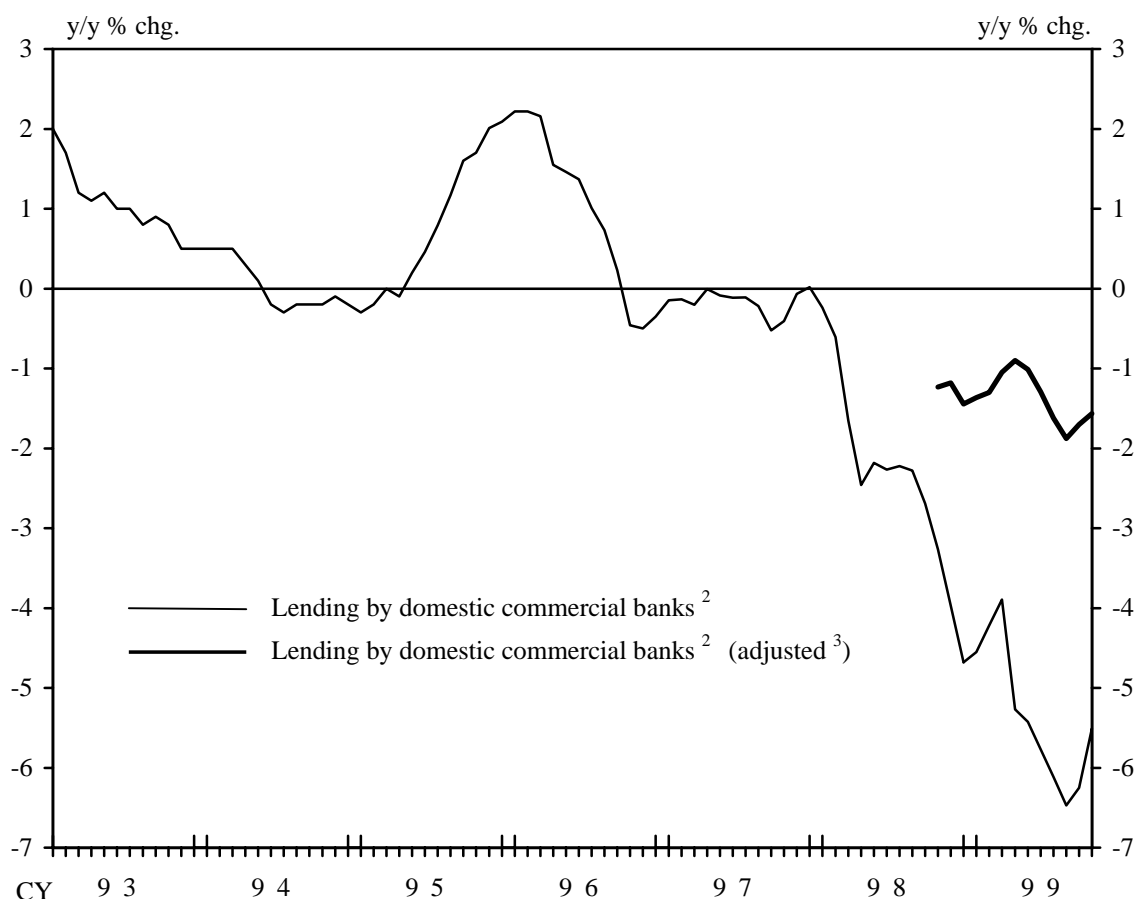


(2) Changes from Three Months Earlier (Annualized)



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 ¹

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).

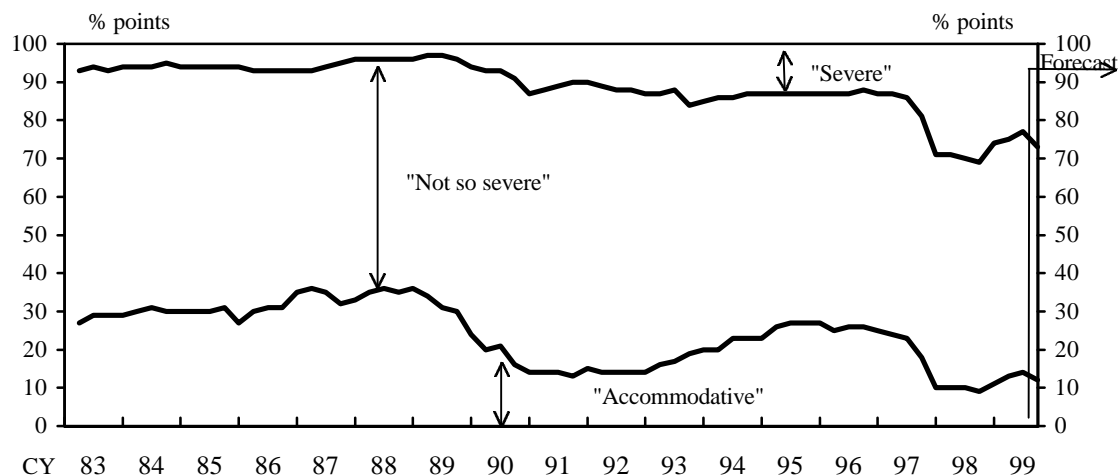
3. Adjusted to exclude

- (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.

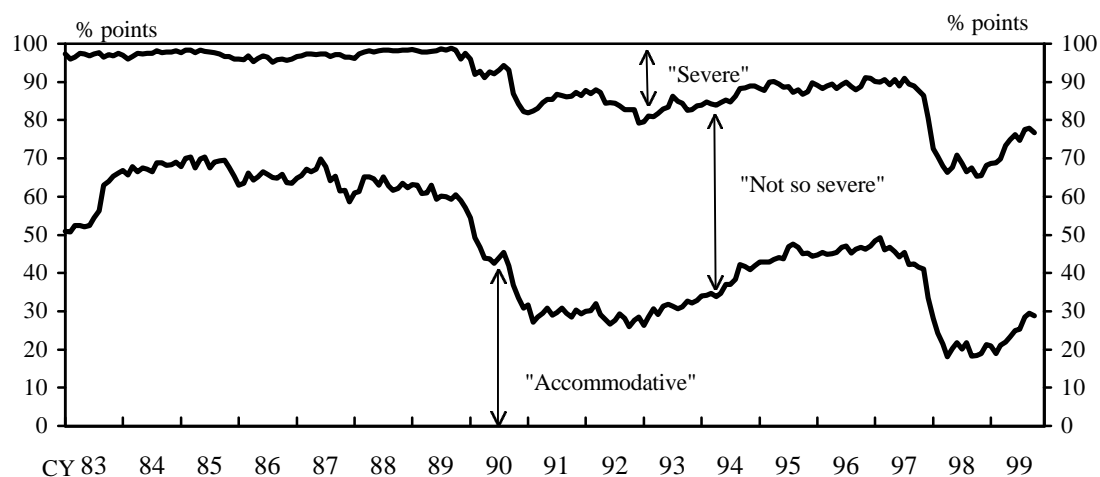
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

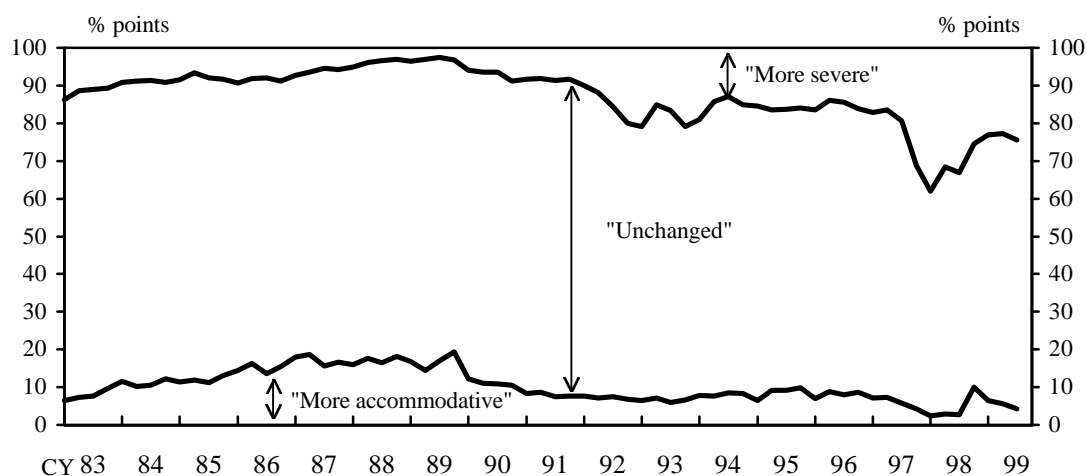
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (September, 1999)



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

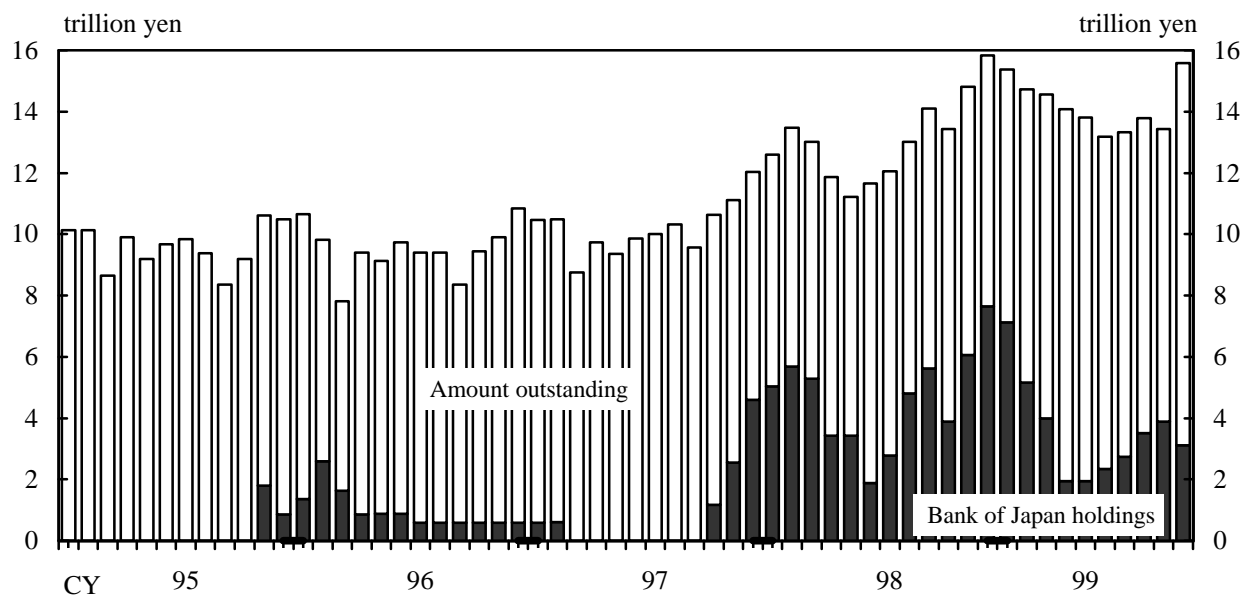


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-September, 1999)



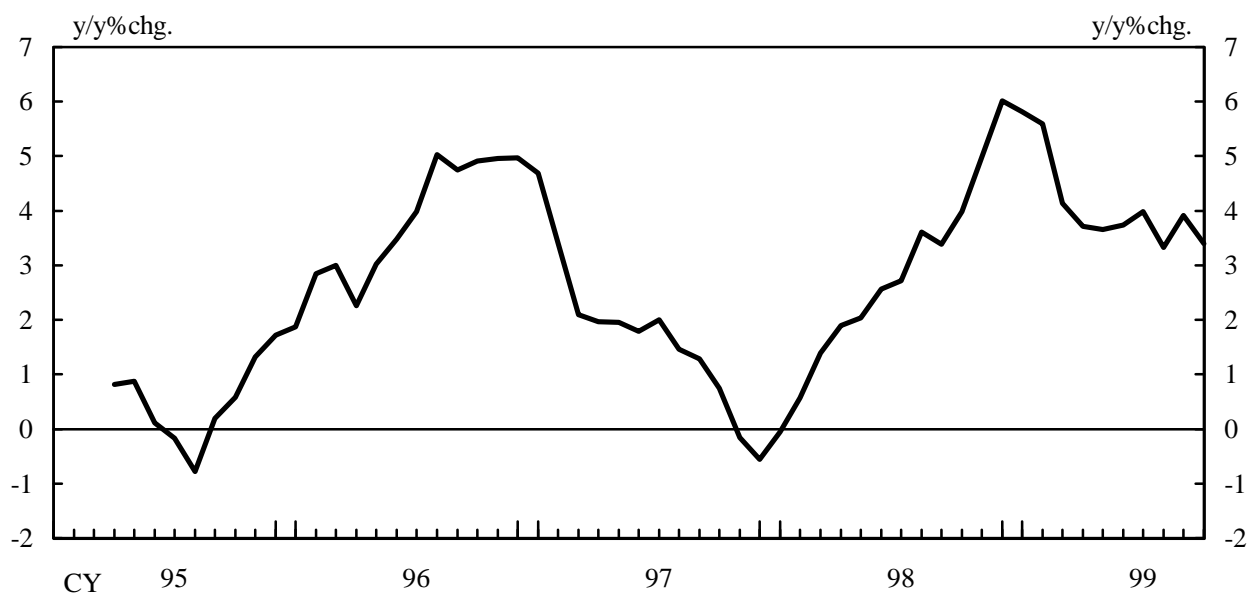
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ;
 Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses";
 People's Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

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)

| | May, 1999 | Jun, 1999 | Jul, 1999 | Aug, 1999 | Sep, 1999 | Oct, 1999 |
|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Volume | 10,688 | 14,923 | 10,334 | 4,918 | 10,730 | 4,074 |
| (last year) | (12,578) | (15,378) | (11,046) | (11,148) | (10,824) | (8,946) |

(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.

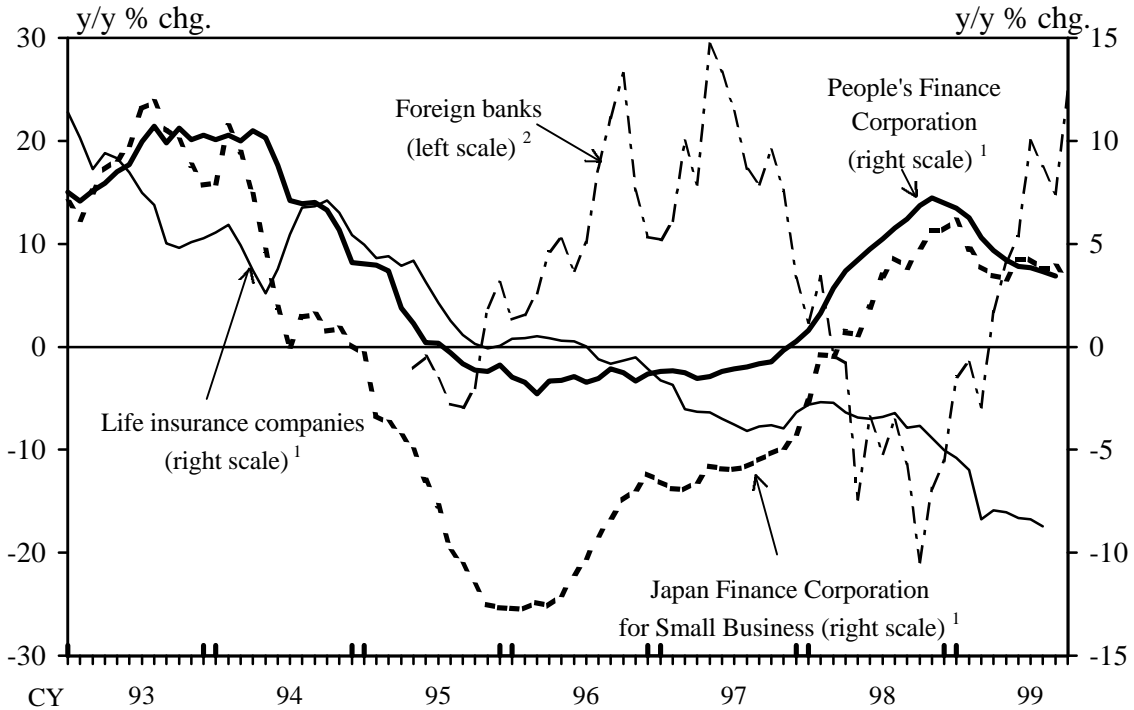
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

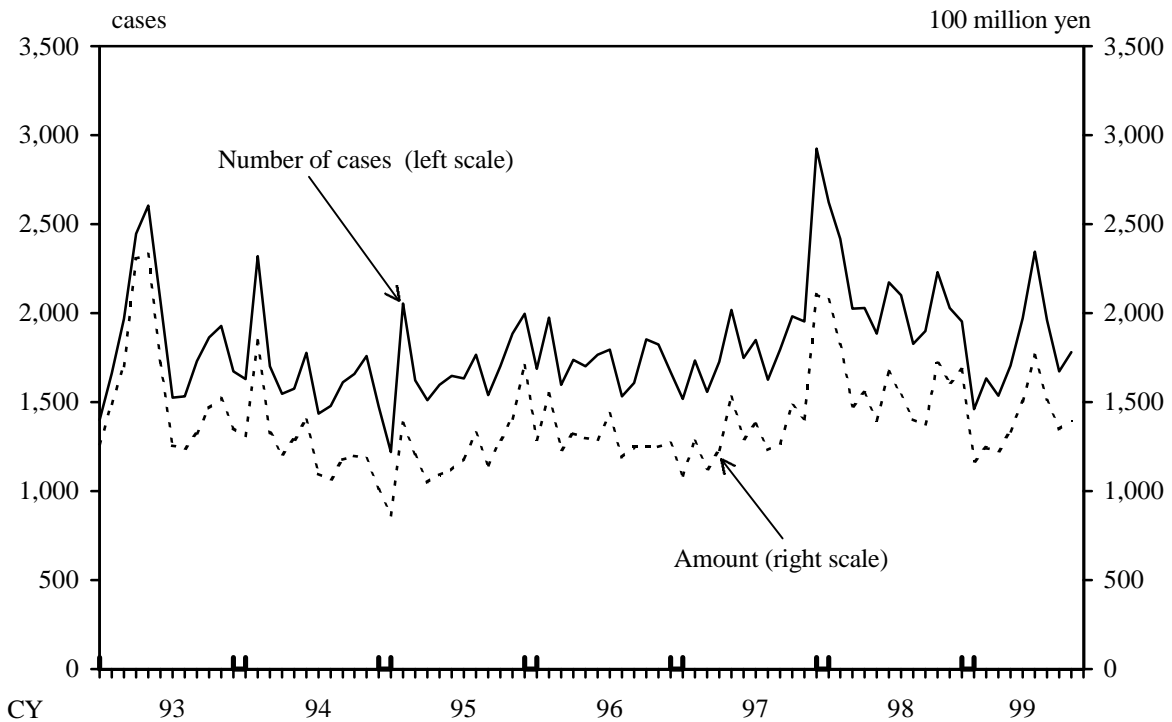
Lending by Other Financial Institutions

(1) Lending Outstanding



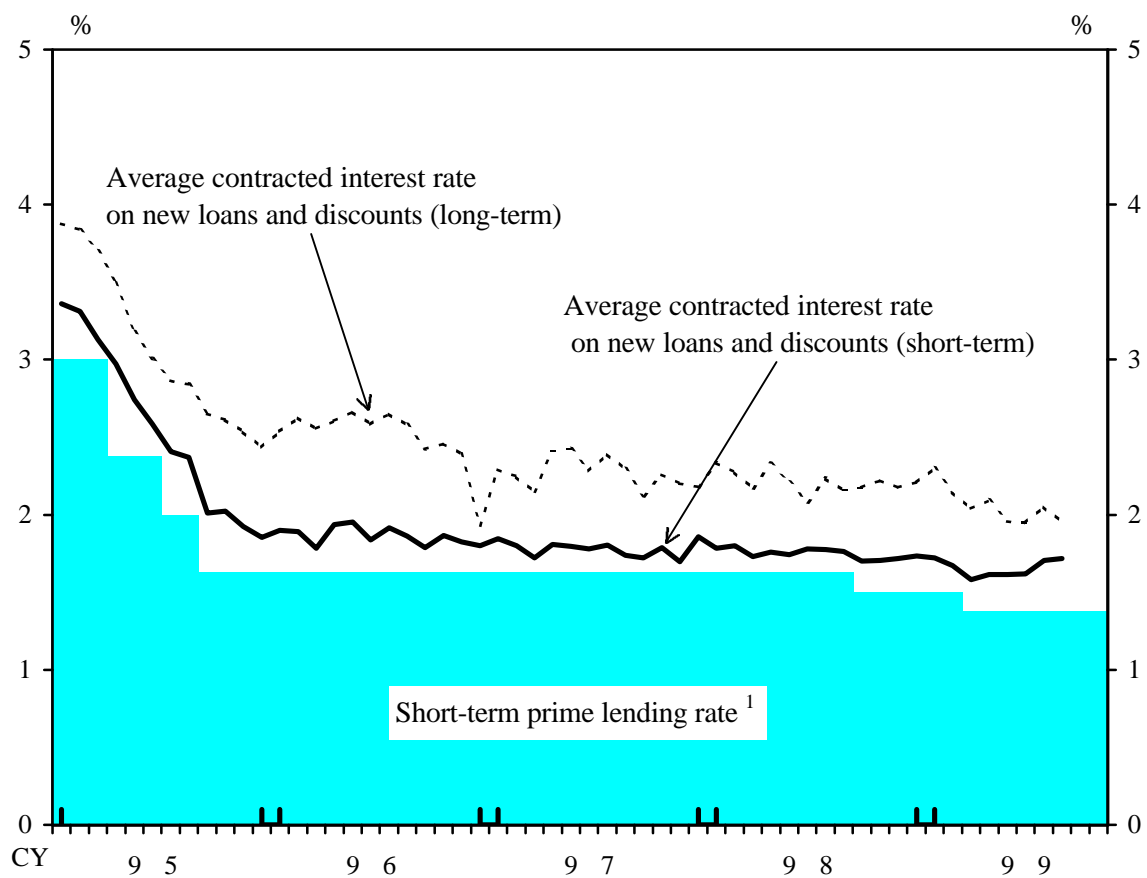
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

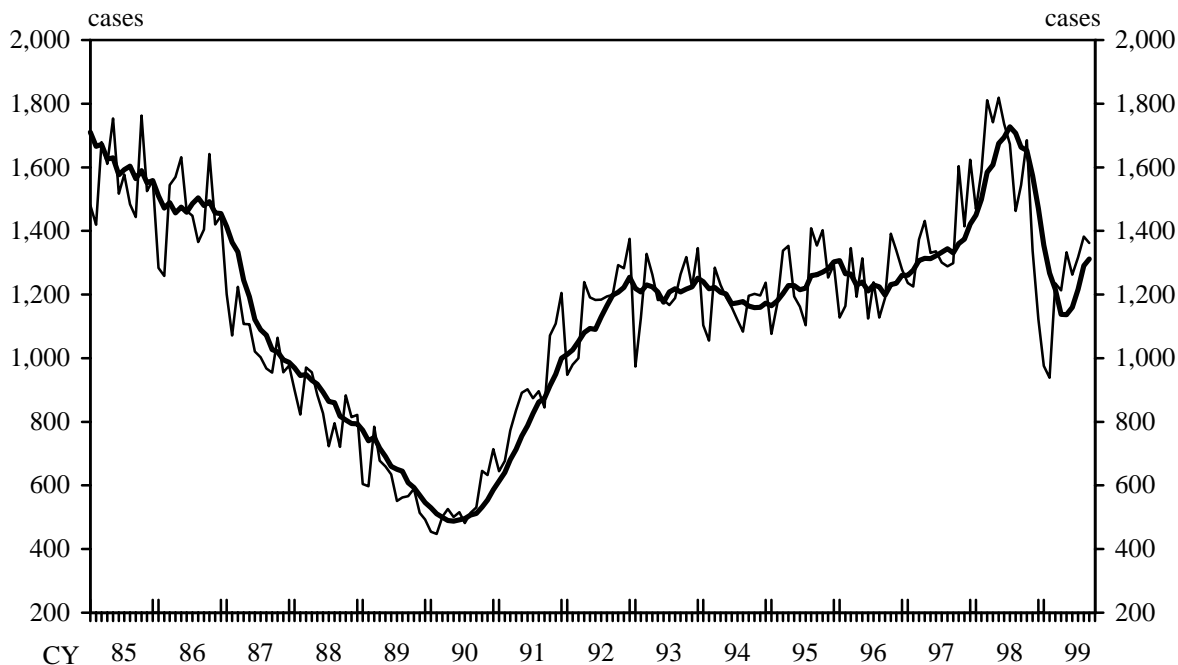


Note: 1. Data are at end of period.

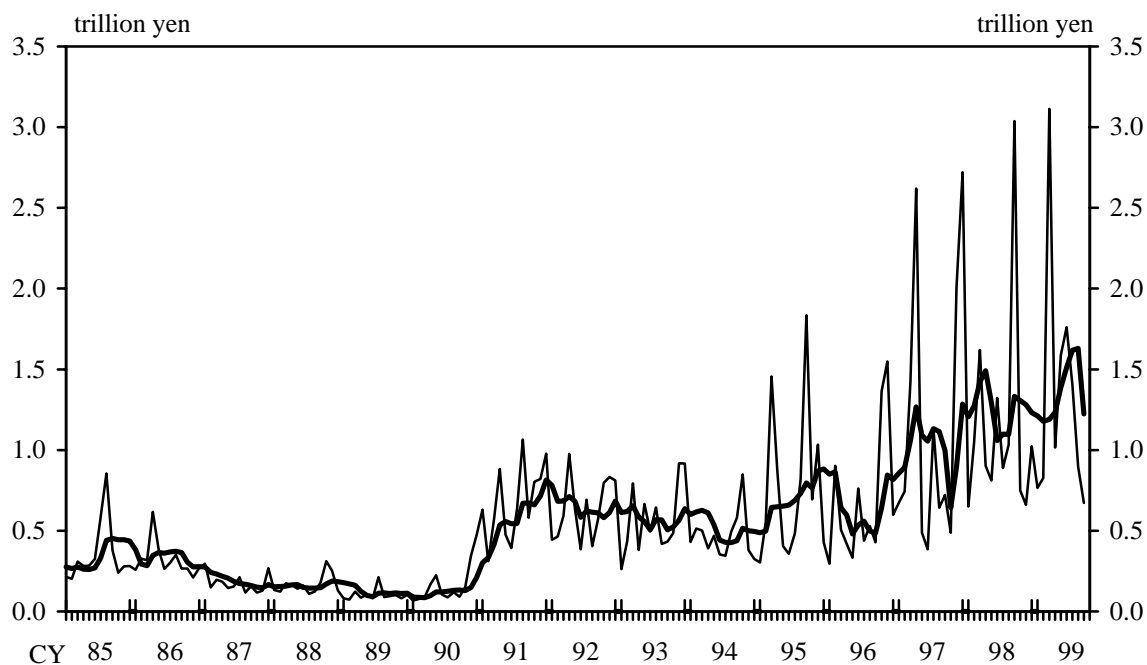
Source: Bank of Japan.

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)."