

December 28, 1999
Bank of Japan

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

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Monthly Report of Recent Economic and Financial Developments¹

December 1999

The Bank's View²

Japan's economy, which had stopped deteriorating, has recently started to improve, with exports and production increasing. The economic environment surrounding private demand is gradually improving, as seen in the continuing increase in corporate profits. However, clear signs of a self-sustained recovery in private demand have not been observed yet.

With regard to final demand, housing investment has recently peaked out, and public investment seems to have stopped rising. Recovery in private consumption continues to be weak through lack of notable improvements in employment and income conditions. Business fixed investment, which had been on a downward trend, shows signs of leveling off. Meanwhile, net exports (real exports minus real imports) continue to expand due to an upturn in overseas economies.

Reflecting such developments in final demand and continued progress in inventory adjustment, industrial production remains on an uptrend and an increase in corporate profits is becoming distinct. 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

¹ This report was written based on data and information available when the Bank of Japan Monetary Policy Meeting was held on December 17, 1999.

² The Bank's view on recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on December 17 as the basis of monetary policy decisions.

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 and have favorable effects on corporate profits and then on household income. By contrast, it is highly probable that housing investment will remain flat for the time being. In addition, firms are expected to maintain a cautious stance toward business fixed investment based on their modest prospects for sales, although corporate restructuring is improving profitability to some extent. Moreover, it seems that the appreciation of the yen since the summer will have an adverse effect on corporate profits in the near term. In these circumstances, future economic developments still require careful monitoring in spite of the gradual recovery in the environment for private demand. Furthermore, it is important to promote structural reform in order to facilitate a recovery in private demand.

With regard to prices, import prices are declining somewhat due to the appreciation of the yen. Domestic wholesale prices, notwithstanding the fall in prices of electric machinery, are flat mainly due to the rise in prices of petroleum and chemical products reflecting an increase in crude oil prices. Consumer prices remain unchanged. Corporate service prices are still falling slowly. As for the outlook, overall prices are likely to be flat for the time being despite the continued fall expected in prices of some machinery. This is because the supply-demand balance is improving gradually, as shown in the decline in inventories, and because the rise in crude oil prices to date will continue to be passed on to prices of other products for a while. However, attention should still be paid to the downward pressure on prices, as clear signs of a self-sustained recovery in private demand have not yet been observed and wages continue to fall.

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 increased slightly as transactions are becoming active with the year-end approaching.

As for interest rates on term instruments, rates maturing beyond the year-end rose until the beginning of December mainly due to the influence of the Year 2000

problem, but plunged subsequently as financial institutions made progress in securing year-end funds amid ample funds provision by the Bank of Japan.

The Japan premium has almost disappeared even for transactions maturing beyond the year-end.

Yields on long-term government bonds rose slightly to nearly 1.9 percent from the middle of to late November reflecting improved confidence in the economy, but then fell back due to the yen's appreciation and other factors, and are presently ranging between 1.70-1.75 percent. The yield spread between private bonds (bank debentures and corporate bonds) and government bonds continues narrowing, primarily that between private bonds with relatively low credit ratings and government bonds.

Stock prices, after rising in November against the background of improved confidence in the economy and firmness of U.S. stock prices, weakened slightly due to the strengthening of the yen and other factors, and are currently moving around 18,000-18,500 yen.

In the foreign exchange market, the yen appreciated further against the U.S. dollar in late November, and is currently being traded in the range of 102-104 yen.

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 is increasing with the year-end approaching.

The growth of money stock (M_2 +CDs) has slowed somewhat mainly due to the weakness in credit demand in the private sector.

In this financial environment, the financial position of firms is easing, and the lending attitude of financial institutions as perceived by firms is becoming less severe. It continues to warrant careful monitoring how these favorable developments in corporate financing environment 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 and then declined slightly from October. 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) declined slightly in October compared to the third-quarter level, primarily due to a temporary decrease in automobile exports to the United States, but essentially remain on an increasing trend. Real imports also declined somewhat in October compared to the third-quarter level, but basically remain 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.

As for the future environment for foreign trade, the appreciation of the yen since the summer 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 clear signs that indicate a recovery in the European economy, and the recoveries 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 moderately for some time. Nevertheless, the outlook for overseas economies continues to warrant careful monitoring, as the continued expansion of the U.S. economy is apparently supported, to a large extent, by high 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).

As for domestic private demand, first regarding the trends in the corporate sector in relation to business fixed investment, corporate profits are improving. The Bank of Japan's *Tankan – Short-term Economic Survey of Enterprises* of December 1999 (Chart 7) indicates that current profits increased in the first half of fiscal 1999 on a year-to-year basis at nonmanufacturing firms and small manufacturing firms, and are projected to improve substantially in the second half of fiscal 1999, especially among manufacturing firms. Consequently, large and small manufacturing and nonmanufacturing firms are all projecting increased profits for the full fiscal year. Regarding corporate finance conditions, the December *Tankan* (Chart 8) reports continued improvements in both the financial position DI and the lending attitude of financial institutions DI at both large and small firms. Along with these favorable profit and corporate finance developments, the business conditions DI (Chart 9) has been on an improving trend since the end of 1998. Besides, perceptions of excess equipment have recently been easing gradually, although they are still strong (Chart 10).

Under this environment, business fixed investment shows signs of leveling off. Shipments of general capital goods, which reflect the current trend of machinery investment, rose by 5.4 percent in the third quarter of 1999 on a seasonally adjusted quarter-to-quarter basis, and then declined slightly in October compared to the third-quarter level. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 11), during the third quarter fixed investment increased slightly at medium-sized and small nonmanufacturing firms, and the rate of decline decelerated at all manufacturing firms and large nonmanufacturing firms, resulting in a slight quarter-to-quarter increase in total. Among leading indicators (Chart 12), nonresidential construction starts, which had been on a declining trend, increased slightly in October compared to the third-quarter level, and machinery orders (private demand; excluding shipbuilding and electric power equipment) increased by 3.1 percent in the third quarter on a seasonally adjusted quarter-to-quarter basis and then rose by 5.9 percent in October compared to the third-quarter level.

As for the outlook, while the financing conditions of firms have improved and business fixed investment has already declined to around the depreciation expense level (Chart 13), the improvement in firms' profitability is expected to continue.

Additionally, corporate restructuring has gradually succeeded in slashing costs such as personnel expenses. Firms, however, are likely to maintain a cautious stance toward business fixed investment for the time being, based on their modest prospects for sales. In this regard, the December *Tankan* shows that investment plans for fiscal 1999 are still restricted and fall short of the previous fiscal year's level (Chart 14) among both large firms (a year-to-year decline of 10.9 percent for manufacturing firms and 10.8 percent for nonmanufacturing firms) and small firms (a year-to-year decline of 25.4 percent for manufacturing firms and 13.3 percent for nonmanufacturing firms).⁴

Regarding the household sector, employment and income conditions remain harsh overall, although there are some indicators that suggest a slowdown of the decrease in the number of regular employees, accompanying the increase in production. In the labor market (Chart 16), the ratio of job offers to applicants (seasonally adjusted) was 0.48 in October, showing a slight improvement from the previous month (0.47), while the unemployment rate (seasonally adjusted) remained unchanged at 4.6 percent. The number of regular employees (on a monthly employment statistics basis at establishments with at least five employees) remained slightly below the previous year's level. Wages (Chart 17) decreased slightly in October compared to the previous year, as regular compensation declined, although overtime payments picked up along with the increase in production. Reflecting these employment and wage developments, compensation of employees was slightly below 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.

⁴ Despite its low level, however, business fixed investment by small nonmanufacturing firms has been revised upwards more than is usual at this time of year. Moreover, according to various surveys, small firms have recently made substantial upward revisions in their business fixed investments for fiscal 1999 (Chart 15).

Under this employment and income environment, the recovery in private consumption remains weak as a whole. According to sales indices (Chart 19), 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. Sales at department stores and chain stores, which declined slightly during the third quarter of 1999, rose somewhat in October compared to the third-quarter level. The number of passenger car sales excluding light cars is rising somewhat, while the number of passenger car sales including light cars remains weak.

As for future consumption trends, while consumer sentiment, which was flat since the early spring, is resuming to show signs of a gradual improvement (Chart 20), the recovery in private consumption is likely to remain weak for the time being due to lack of notable improvements in employment and income conditions.

With regard to housing investment (Chart 21), housing starts have recently peaked out. (On a seasonally adjusted annual basis, housing starts declined from 1.23 million units in the third quarter of 1999 to 1.14 million units in October). In detail, while construction starts of owner-occupied houses followed a moderate declining trend, construction starts of housing for sale held at a high level.

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.⁵ With respect to housing for sale, there are signs of an increase in new supply against

⁵ 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). Meanwhile, the reason for the large decline in the number of housing starts in October may be that a large number of applications were made in the latter half of the second offering period, following the announcement that the Corporation's standard interest rates would rise, and thus most of the loan applications could not lead to a start of construction works until October. If this is the case, housing starts from November are expected to outnumber those in October.

the background of strong condominium sales, so construction starts are expected to remain firm for the time being.

Reflecting these developments in final demand, along with the continued progress in inventory adjustments (Chart 22), industrial production (Chart 23) is increasing basically.⁶

Regarding the environment surrounding future production, housing investment is expected to be sluggish for the time being. Meanwhile, inventory adjustment pressures are weakening and exports should continue to rise gradually for some time, reflecting the recovery in overseas economies, especially in Asia, and there are signs that business fixed investment is leveling off. Overall, industrial production is expected to remain firm for the time being.

2. Prices

With regard to price developments, import prices on a yen basis (Chart 25(1)) are presently declining somewhat due to the effects from the appreciation of the yen.

Domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates;⁷ Chart 25(3)) are almost at the same level as recorded in the previous month. This is mainly because petroleum and chemical product prices are rising due to the increase in crude oil prices, while the prices of electric machinery continue to decline. (The month-to-month change in domestic wholesale prices was 0.0 percent in September, +0.1 percent in October, and 0.0 percent in November).

⁶ Following a large increase of 3.9 percent during the third quarter of 1999 on a seasonally adjusted quarter-to-quarter basis, industrial production decreased slightly in October, but is projected to rise during the fourth quarter, based on the production forecast indices for November and December.

⁷ Industrial and commercial electric power consumption charges are set relatively high during July-September, when the consumption volume increases substantially. Here, in order to view the fundamental changes in domestic wholesale prices, adjustments are made to exclude such factors that result in large seasonal fluctuations.

Corporate service prices (domestic supply-demand factors)⁸ (Chart 26(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 1.1 percent in the third quarter of 1999 and 1.0 percent in October).

Consumer prices (excluding perishables; Chart 26(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 August, 0.0 percent in September, and -0.1 percent in October).⁹

Regarding the future environment for prices, overall prices are likely to be flat for the time being despite the continued fall expected in the prices of some machinery. This is because the supply-demand balance is improving gradually as shown in the decline in inventories, and because the rise in crude oil prices to date will continue to be passed on to the prices of other products for a while. However, attention should still be paid to the downward pressure on prices, as clear signs of a self-sustained recovery in private demand have not yet been observed and wages continue to fall.

3. Financial Developments

(1) Financial Markets

Interest rate developments in short-term money markets (Charts 28(1) and 29) show that with the continued ample provision of funds by the Bank of Japan the

⁸ On December 7, 1999, the Bank of Japan announced that it has revised the Corporate Service Price Index (CSPI) base year and weight calculations to the 1995 base, and simultaneously revised the items and groupings to increase the accuracy of these statistics. Because the CSPI was retroactively revised, the new revised CSPI figures are adopted from this month. Domestic supply-demand factors mentioned above, include items whose monthly price changes primarily reflect changes in domestic private demand. Specifically, items with the following properties are removed from the overall CSPI: (1) regulated fees, (2) overseas factors, and (3) fees with a large monthly fluctuation that do not necessarily reflect short-term changes in supply-demand trends. Incidentally, the year-to-year decline in the overall CSPI contracted in October because of an increase in securities-related commissions. (The year-to-year decline in the overall CSPI was 1.5 percent in the third quarter of 1999 and 1.1 percent in October).

⁹ In October, the year-to-year decline in overall consumer prices including perishables expanded because the prices of fresh vegetables rose sharply during the fourth quarter of 1998, but have been declining this year. (The year-to-year decline was 0.2 percent in September and 0.7 percent in October).

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 increased slightly as transactions are becoming active with the year-end approaching.

As for interest rates on term instruments, three-month Euro-yen (TIBOR) and other rates maturing beyond the year-end rose until the beginning of December mainly due to the influence of the Year 2000 problem, but plunged subsequently as financial institutions made progress in securing year-end funds amid ample funds provision by the Bank of Japan. TB and FB rates rose as the demand for TB and FB as collateral for funds procurement beyond the year-end subsided.

The Japan premium (Chart 31) has almost disappeared even for transactions maturing beyond the year-end.

Yields on ten-year government bonds (newly issued; Chart 28(2)) rose slightly to nearly 1.9 percent from the middle to late November reflecting improved confidence in the economy, but then fell back due to the appreciation of the yen and the announcement of Japan's GDP figures for the third quarter of 1999 (on December 6), and are presently ranging between 1.70-1.75 percent. The yield spread between government and private bonds (bank debentures and corporate bonds; Charts 33 and 34) continues narrowing, primarily for bonds with relatively low ratings.

Stock prices (Chart 35(1)) were rising in November reflecting improved confidence in the economy and the firm tone in U.S. stock prices, but subsequently weakened slightly due to the strengthening of the yen and other factors, and are presently moving around 18,000 – 18,500 yen.

In the foreign exchange market (Chart 36), in late November the yen appreciated further against the U.S. dollar on improved confidence in the economy and uncertainty regarding the economic outlook of the Euro area, and at one point the exchange rate fell below 102 yen to the U.S. dollar with the yen posting a new high

for the year. From the end of November, the yen is generally being traded at around 102-104 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The year-to-year growth in money stock (Chart 37) 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 3.9 percent in July, 3.5 percent in August, 3.3 percent in September, 3.6 percent in October, and 3.0 percent in November).

The year-to-year growth in the monetary base (currency in circulation + reserves; Chart 38) 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;¹⁰ Chart 39), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, remains sluggish. (-1.6 percent in July, -1.9 percent in August, -1.7 percent in September, -1.6 percent in October, and -2.1 percent in November). Corporate bond issuance (Charts 40(2) and 40(3)) has been steady. Meanwhile, CP issuance (Chart 40(1)) is increasing with the year-end approaching.

¹⁰ 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)

Turning to the funding cost for firms, the average contracted interest rates on new loans and discounts (Chart 42) are generally steady. Corporate bond issuance rates are holding at a low level. CP issuance rates are rising slightly as the volume of CP issuance is increasing.

The number of corporate bankruptcies (Chart 43) remains basically level.

In this financial environment, the financial position of firms is easing, and the lending attitude of financial institutions is perceived by firms as becoming less severe. How these favorable developments in corporate financing will affect economic activities continues to warrant careful monitoring.

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/August	September	October	November
Index of expenditure level (all households)	-0.9	0.8	-0.5	0.1	-3.0	p -2.3	n.a.
Sales of department stores	-4.2	-2.6	-3.1	-2.7	-5.0	p -1.3	n.a.
Sales of chain stores ¹	-5.1	-4.7	-3.9	-4.9	-1.4	-0.3	n.a.
New passenger-car registrations ² <s.a., ann. 10,000 units>	304	295	281	294	279	279	293
Sales of electric appliances (NEBA)	10.4	9.7	5.0	2.5	5.9	9.7	n.a.
Outlays for travel (50 major travel agencies)	-2.6	-3.6	-2.0	0.4	-1.6	1.9	n.a.
Housing starts <s.a., ann. 10,000 units>	122	126	123	128	126	114	n.a.
Machinery orders (from private sector ³)	-14.8	-9.9	-6.2	-4.1	-6.7	5.5	n.a.
Mining & manufacturing	-21.8	-12.2	-7.0	-1.5	-9.8	12.0	n.a.
Nonmanufacturing ³	-9.1	-7.9	-5.5	-6.1	-4.2	1.9	n.a.
Construction Starts (private, nonresidential use)	-12.5	-15.4	-14.6	-3.2	-8.0	-4.8	n.a.
Manufacturing	-37.8	-32.2	-16.8	-2.9	-12.1	19.6	n.a.
Nonmanufacturing ⁴	-2.5	-9.8	-14.0	-3.2	-6.9	-11.2	n.a.
Value of public works contracts	52.7	-8.1	-8.2	-6.6	-15.3	-18.4	-2.5
Real exports <s.a. quarterly (monthly) change>	1.8	0.0	7.9	2.4	3.6	-4.9	n.a.
Real imports <s.a. quarterly (monthly) change>	5.0	-0.5	3.9	9.0	-3.5	-4.7	n.a.
Industrial production <s.a. quarterly (monthly) change>	0.6	-1.0	3.9	4.4	-0.6	-2.7	n.a.
Shipments <s.a. quarterly (monthly) change>	1.3	-1.9	4.1	3.8	0.1	-2.1	n.a.
Inventories <s.a. quarterly (monthly) change>	-2.3	-1.0	-1.2	0.3	-0.2	-1.6	n.a.
Inventories/shipments <s.a. 1995=100>	104.0	102.9	100.1	100.5	100.1	100.2	n.a.
Real GDP <s.a. quarterly change>	1.5	1.0	-1.0	n.a.	n.a.	n.a.	n.a.

Main Economic Indexes (2)

	y/y % chg.						
	99/Q1	Q2	Q3	99/August	September	October	November
Ratio of job offers to applicants <s.a., times>	0.49	0.47	0.47	0.46	0.47	0.48	n.a.
Unemployment rate <s.a., %>	4.62	4.77	4.74	4.67	4.64	4.61	n.a.
Overtime working hours ⁵	-5.7	-2.7	-0.3	0.0	1.1	p 0.0	n.a.
Number of employees	-1.1	-0.9	-0.4	-0.3	0.1	-0.1	n.a.
Number of regularly employed ⁵	-0.3	-0.4	-0.2	-0.2	-0.1	p -0.2	n.a.
Nominal wage per person ⁵	-1.5	-1.5	-0.9	-0.4	0.6	p -0.1	n.a.
Domestic wholesale price index	-2.1	-1.7	-1.3	-1.3	-1.3	-0.8	-0.6
Consumer price index (nationwide)	-0.1	-0.3	0.0	0.3	-0.2	-0.7	n.a.
Excluding perishables	-0.1	-0.1	0.0	0.0	0.0	-0.1	n.a.
Corporate service price index ⁷	-1.6	-1.5	-1.5	-1.6	-1.3	-1.1	n.a.
Monetary aggregates (M2+CDs) ⁶ <average outstanding, y/y % chg>	3.6	4.1	p 3.6	3.5	p 3.3	p 3.6	p 3.0
Number of suspension of transaction with banks	-42.3	-30.7	-18.5	-14.3	-14.5	-18.5	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.

7. The base period of Corporate Service Price index is 1995.

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";

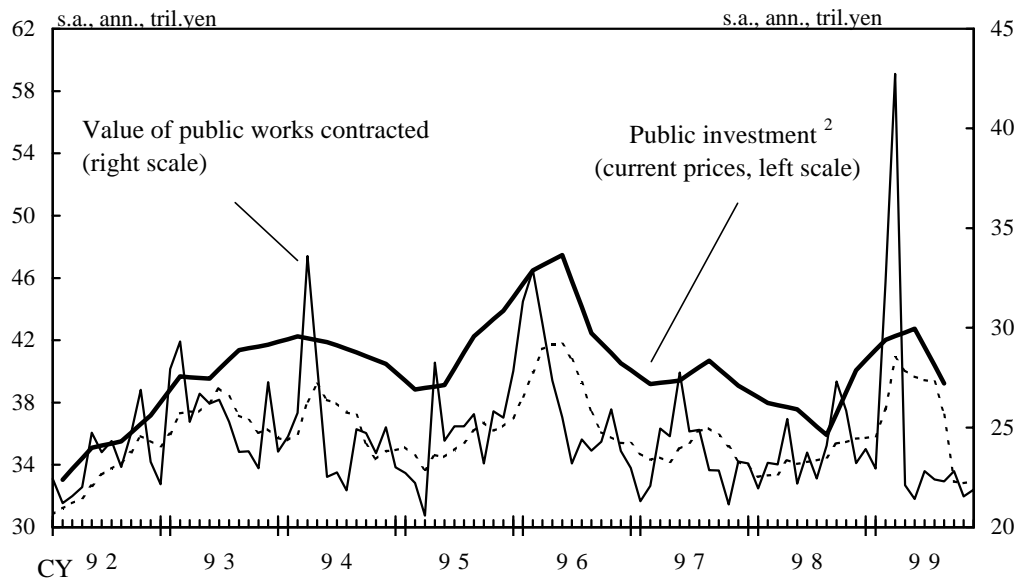
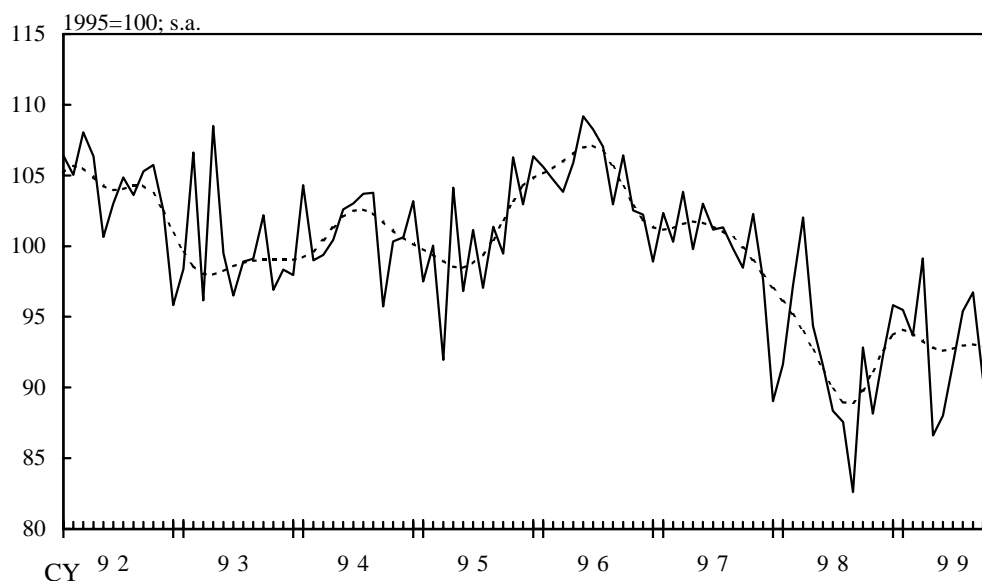
Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Labor, "Report on Employment Service",

"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

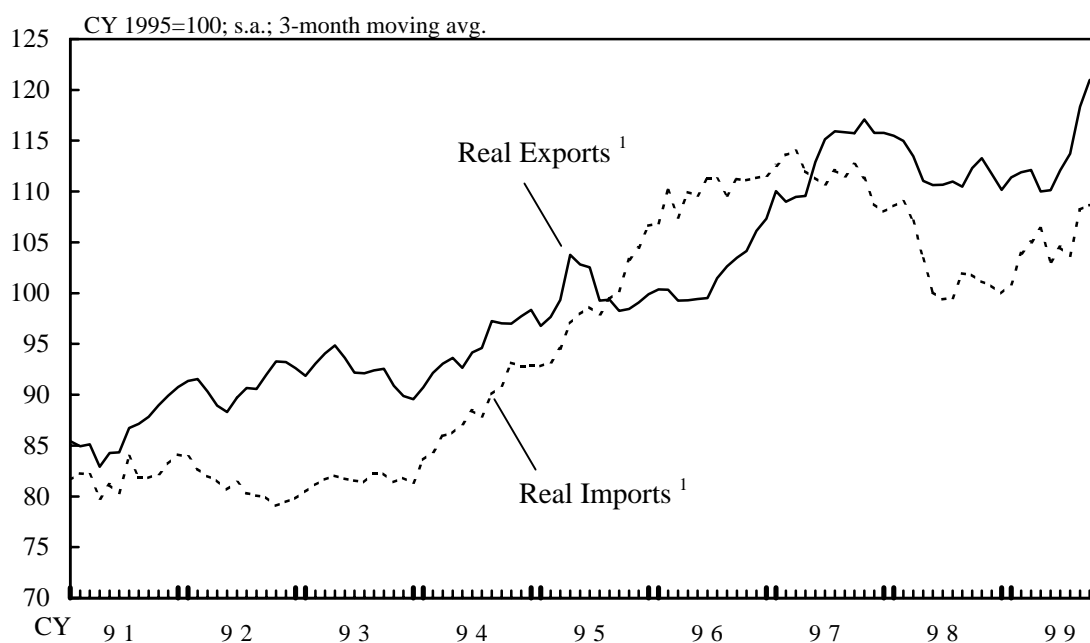
(2) Shipments of Public Works-related Goods³

- 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.

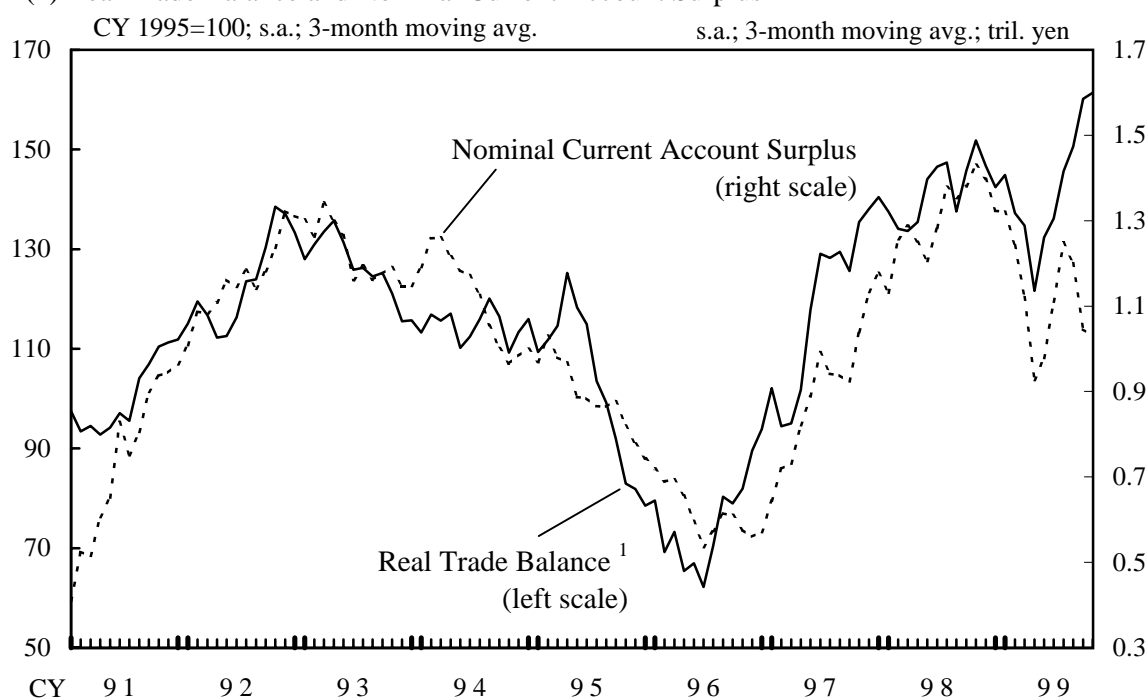
Sources: Economic Planning Agency, "National Income Statistics";
 Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";
 Ministry of International Trade and Industry, "Indices of Industrial Production."

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 Q4	99 Q1	Q2	Q3	Q4	99 Aug.	Sep.	Oct.
United States	<30.5>	14.6	6.8	-2.5	1.4	2.4	6.3	-5.1	5.8	-0.5	-6.5
EU	<18.4>	13.8	15.6	0.2	-2.3	-4.3	6.6	0.7	-3.0	6.4	-2.4
East Asia	<33.2>	8.6	-18.1	-2.3	9.2	2.6	9.7	-0.2	1.4	3.9	-3.1
China	<5.2>	8.2	0.5	-4.3	20.3	-6.5	9.6	-10.4	3.5	4.2	-13.7
NIEs	<20.2>	10.5	-16.5	-1.9	6.8	4.5	9.4	2.7	1.4	4.4	-0.7
Taiwan	<6.6>	17.4	-0.4	-2.0	2.8	3.7	7.2	3.9	3.2	2.4	1.3
Korea	<4.0>	-1.5	-35.3	10.5	23.2	3.9	12.3	4.0	2.1	9.0	-2.4
ASEAN4 ³	<7.8>	5.0	-29.2	-2.2	8.1	4.5	10.2	-0.7	0.1	2.4	-2.3
Thailand	<2.4>	-11.6	-29.4	-2.3	10.9	-1.7	13.0	6.2	3.3	6.2	1.0
Real exports		11.2	-2.1	-1.9	1.8	0.0	7.9	-1.9	2.4	3.6	-4.9

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 97	98	98 Q4	99 Q1	Q2	Q3	Q4	99 Aug.	Sep.	Oct.
Intermediate goods	<14.5>	11.2	2.9	-1.1	0.1	4.5	3.1	-4.2	0.5	-0.2	-4.3
Motor vehicles and their related goods	<21.9>	14.6	1.3	2.4	-3.5	-2.4	10.1	-2.1	8.1	6.4	-8.3
Consumer goods ⁴	<7.3>	6.3	5.0	0.3	1.8	-0.6	6.5	-0.8	-0.7	0.9	-1.2
Information-related goods ⁵	<17.2>	18.1	-7.0	-3.4	2.6	2.9	8.9	-1.7	0.4	3.0	-3.7
Capital goods and parts ⁶	<28.7>	9.0	-5.4	-4.6	2.6	-1.1	7.6	2.6	-2.5	4.7	0.4
Real exports		11.2	-2.1	-1.9	1.8	0.0	7.9	-1.9	2.4	3.6	-4.9

Notes: 1. Seasonally adjusted by X-11. 99/Q4 figures are October 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 Q4	99 Q1	Q2	Q3	Q4	99 Aug.	Sep.	Oct.
United States	<23.9>	1.1	-3.7	-3.6	10.0	-12.3	-0.2	6.1	13.7	-7.9	7.5
EU	<13.9>	-3.6	-6.5	1.6	3.8	-4.8	10.2	-6.9	-2.0	2.9	-8.1
East Asia	<34.9>	0.9	-7.7	0.5	8.2	6.1	2.1	-5.0	7.0	-5.5	-3.6
China	<13.2>	8.8	-4.4	-0.8	7.2	5.8	-0.1	-7.1	6.9	-7.3	-4.3
NIEs	<10.2>	-8.1	-10.9	4.3	13.2	4.8	3.4	0.2	6.0	-1.1	-0.9
Taiwan	<3.6>	-10.4	-11.1	3.2	13.9	5.0	3.5	0.2	3.4	-8.2	5.0
Korea	<4.3>	-3.9	-9.5	9.1	14.7	6.1	4.4	2.8	9.7	3.8	-2.6
ASEAN4 ³	<11.4>	2.2	-8.1	-1.4	5.0	7.8	3.2	-7.8	8.0	-7.5	-5.3
Thailand	<2.9>	-0.5	-7.1	-4.3	5.4	1.3	2.9	-4.2	5.6	-1.3	-5.1
Real imports		0.9	-8.3	-1.8	5.0	-0.5	3.9	-4.3	9.0	-3.5	-4.7

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 97	98	98 Q4	99 Q1	Q2	Q3	Q4	99 Aug.	Sep.	Oct.
Raw materials ⁴	<23.2>	-0.5	-6.0	-0.3	1.3	1.4	-0.5	-6.2	13.8	-8.1	-4.9
Intermediate goods	<14.0>	2.7	-7.1	0.2	1.8	1.4	4.6	-8.4	10.7	-6.1	-7.6
Foodstuffs	<14.8>	-3.5	-4.0	-4.0	5.7	-1.7	-0.2	-8.7	1.2	-0.3	-8.9
Consumer goods	<10.7>	-10.0	-13.8	-5.3	2.8	9.5	1.2	-6.8	9.6	-10.4	-2.7
Information-related goods ⁵	<13.2>	8.0	-5.8	-2.0	6.3	7.8	5.6	0.0	7.4	-7.8	3.2
Capital goods and parts ⁶	<13.3>	13.6	2.7	0.8	20.5	-17.7	2.8	9.6	4.9	5.7	4.0
Real imports		0.9	-8.3	-1.8	5.0	-0.5	3.9	-4.3	9.0	-3.5	-4.7

Notes: 1. Seasonally adjusted by X-11. 99/Q4 figures are October figures converted into quarterly amount.

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

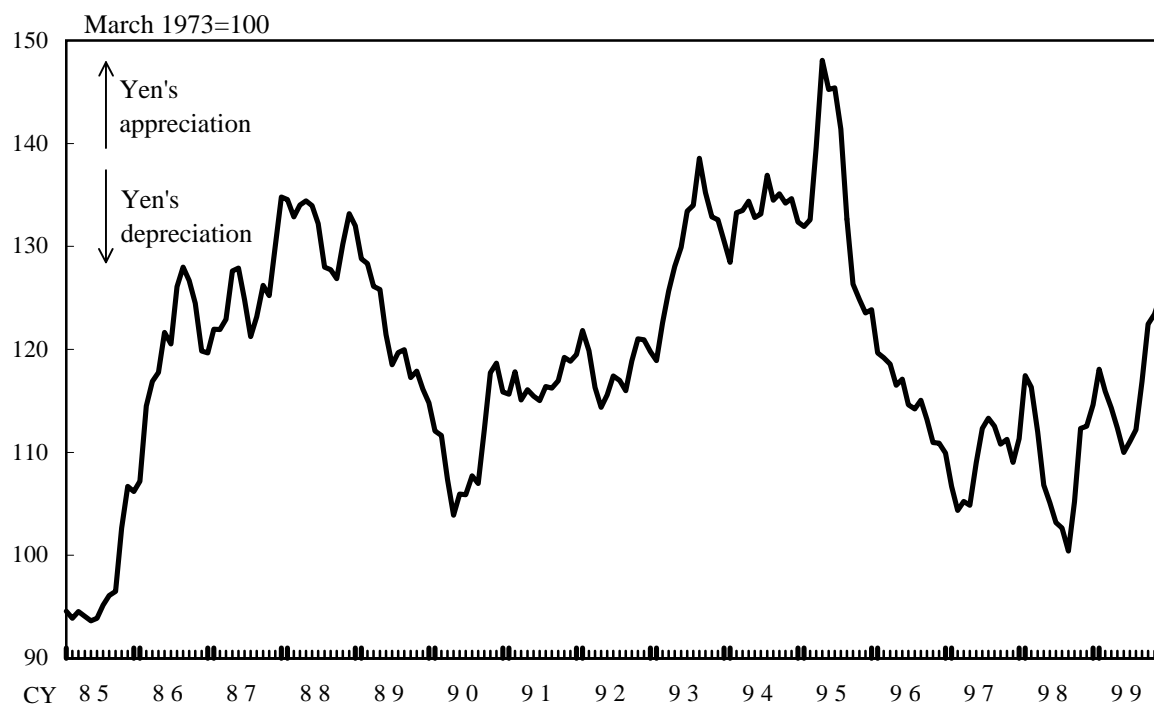
3. Data for four members: Thailand, Malaysia, the Philippines, and Indonesia.

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.

Overseas Economic Conditions and Real Effective Exchange Rate

(1) Real Effective Exchange Rate ¹

Notes: 1. Monthly average. The figure for December 1999 is the average of December 1-16. 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.

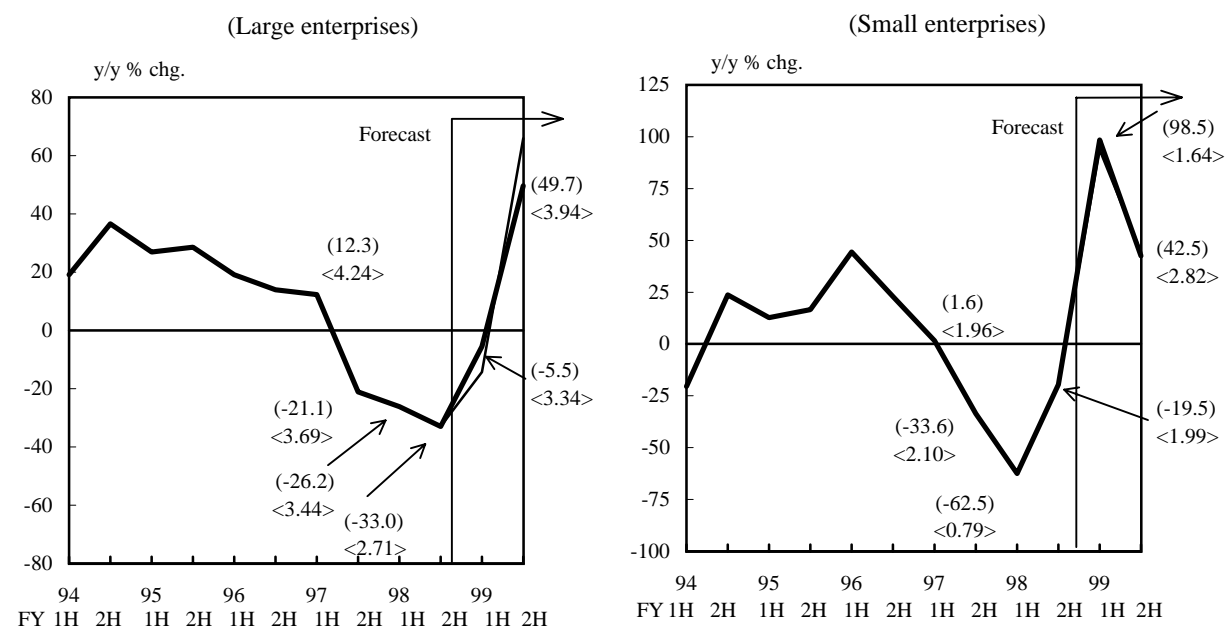
(2) Real GDP Growth Rates in Overseas Economies

		CY97	98	99	98 Q4	99 Q1	Q2	Q3	
United States ¹		4.5	4.3	(3.9)	5.9	3.7	1.9	6.5	
European Union ¹		2.4	2.7	(2.1)	0.6	1.6	2.2	n.a.	
	Germany	1.5	2.2	(1.5)	-0.8	2.5	0.5	2.9	
	France	2.0	3.4	(2.5)	3.0	1.7	3.1	4.2	
	United Kingdom	3.5	2.2	(1.7)	0.2	0.9	2.6	3.6	
East Asia ²	China	8.8	7.8	(7.3)	(Jan-Dec) 7.8	8.3	(Jan-Jun) 7.6	(Jan-Sep) 7.4	
	NIEs	Korea	5.0	-5.8	(8.6)	-5.3	4.5	9.9	12.3
		Taiwan	6.7	4.6	(5.4)	3.4	4.2	6.6	5.1
		Hong Kong	5.0	-5.1	(0.9)	-5.6	-3.2	0.7	n.a.
	Singapore	9.0	0.3	(5.4)	-1.1	0.6	6.7	n.a.	
	4 Countries of ASEAN	Thailand	-1.8	-10.0	(4.1)	-5.8	0.8	3.5	n.a.
Indonesia	4.7	-13.2	(0.1)	-17.7	-8.0	3.1	0.5		
Malaysia	7.5	-7.5	(4.5)	-10.3	-1.3	4.1	8.1		
Philippines	5.2	-0.5	(2.9)	-2.0	1.2	3.6	n.a.		

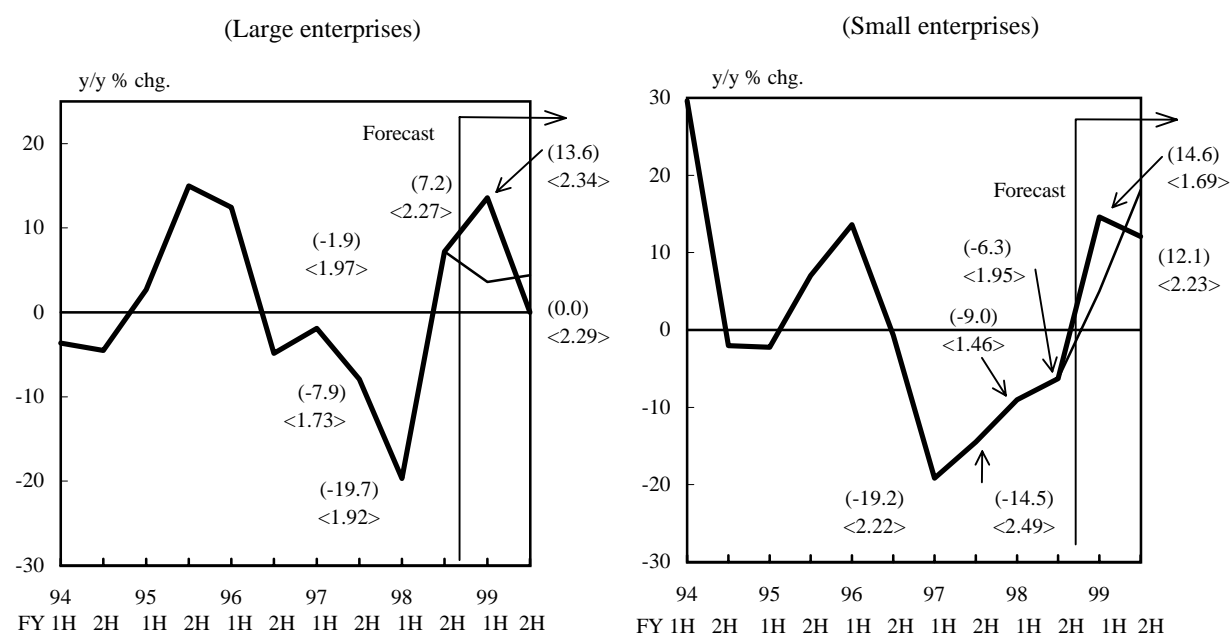
Notes: 1. Quarterly data are quarter-to-quarter percent changes.
 2. Quarterly data are percent changes from a year earlier.
 3. Forecasts by "BLUE CHIP ECONOMIC INDICATORS" and "CONSENSUS FORECASTS" are shown in brackets.

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

(1) Manufacturing



(2) Nonmanufacturing



Notes: 1. The dotted line shows the pre-revision *Tankan*, and the wide solid line shows the post-revision *Tankan* figures (the thin solid line shows the figures as of the September 1999 survey).

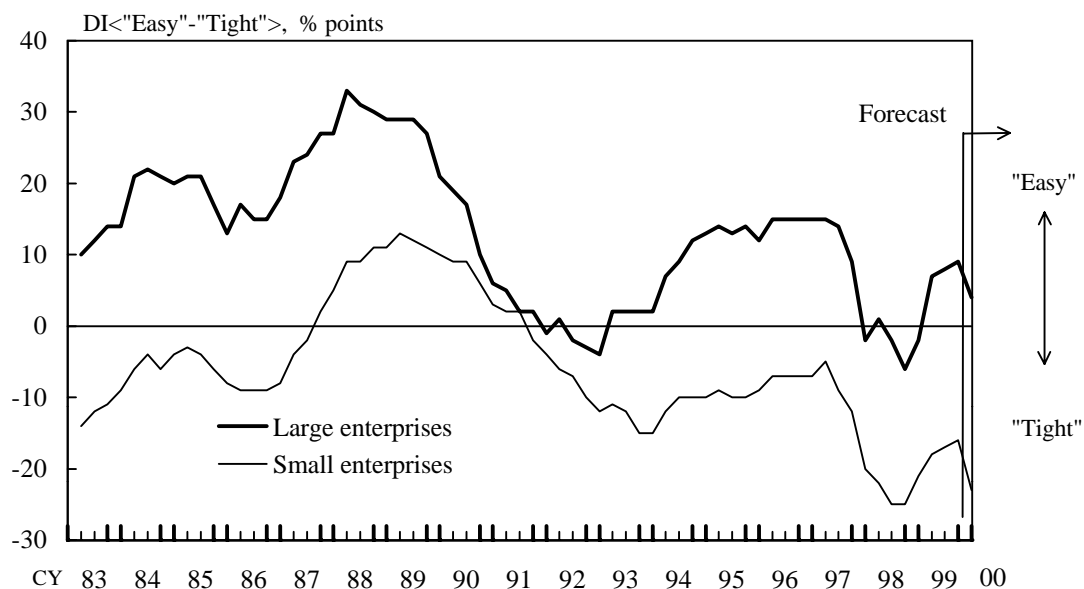
2. Figures in brackets are the current profits to sales ratio.

3. Figures in parentheses are the percent change in current profits from a year earlier.

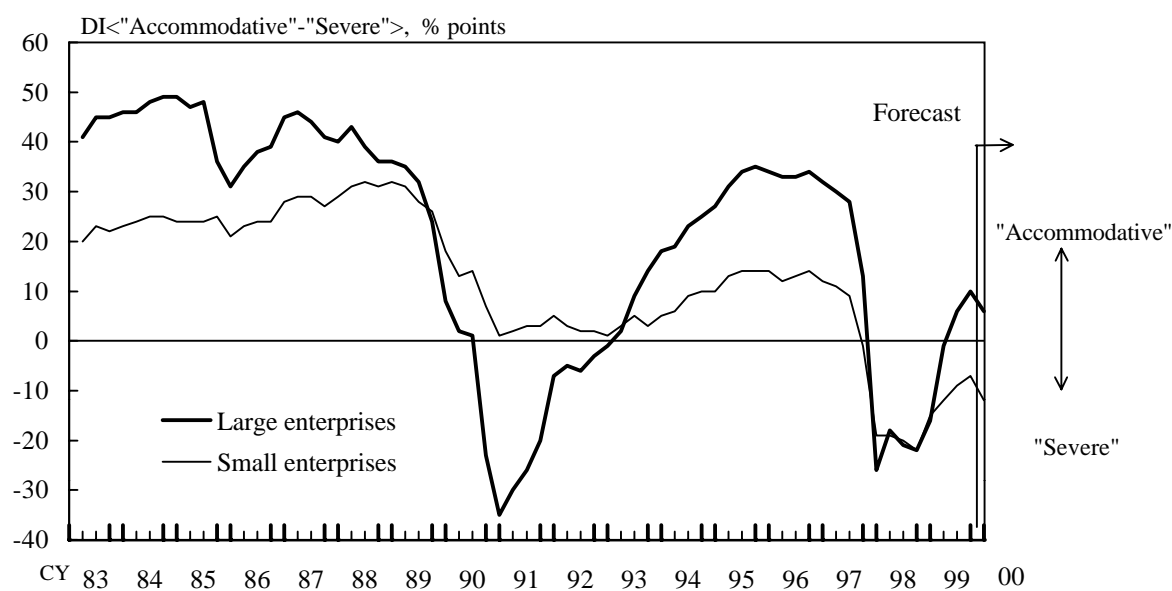
Source: Bank of Japan, "*Tankan* Short-term Economic Survey of Enterprises in Japan."

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

(1) Financial Position



(2) Lending Attitude of Financial Institutions

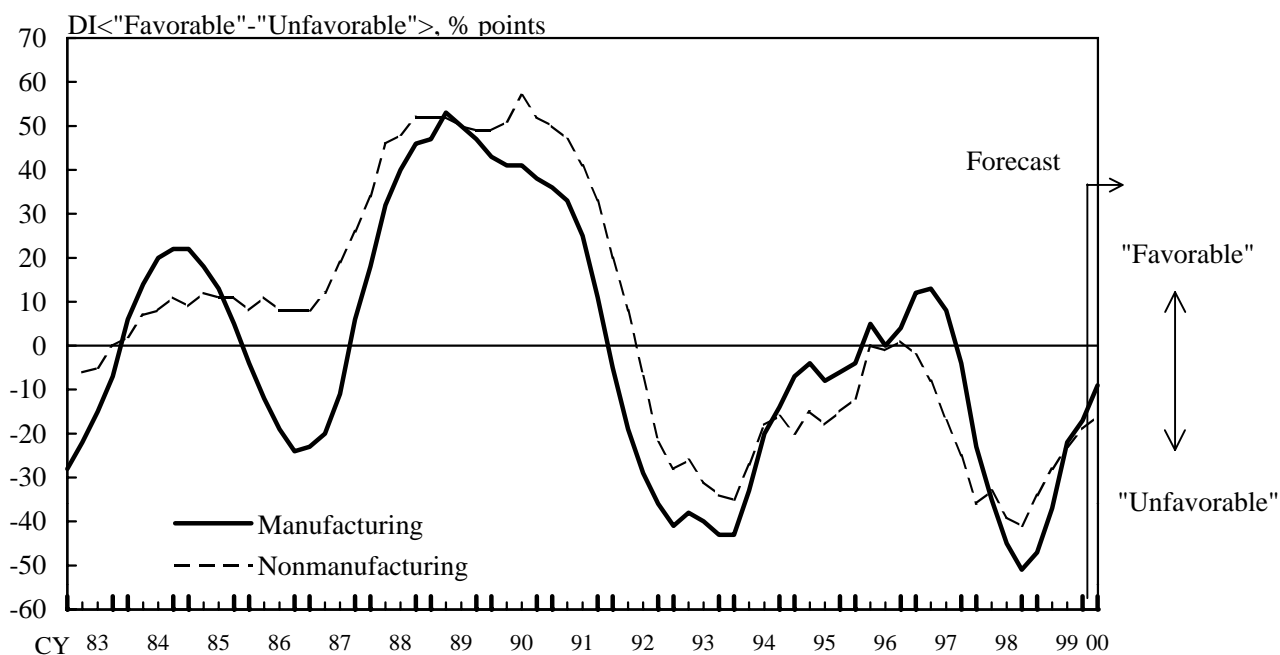


Note: Figures before December 1998 are based on the pre-revision *Tankan*, and those of March 1999 are based on the post-revision *Tankan*.

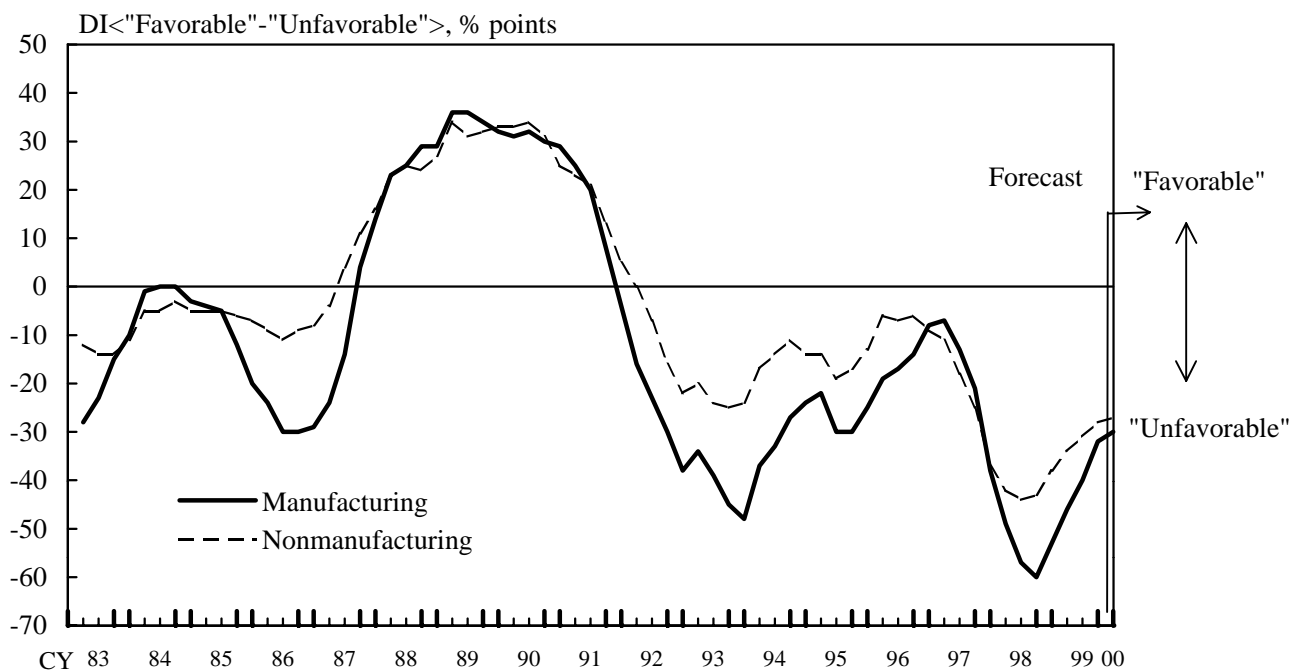
Source: Bank of Japan, "*Tankan* Short-term Economic Survey of Enterprises in Japan."

Business Conditions in the *Tankan* (December 1999)

(1) Large Enterprises



(2) Small Enterprises

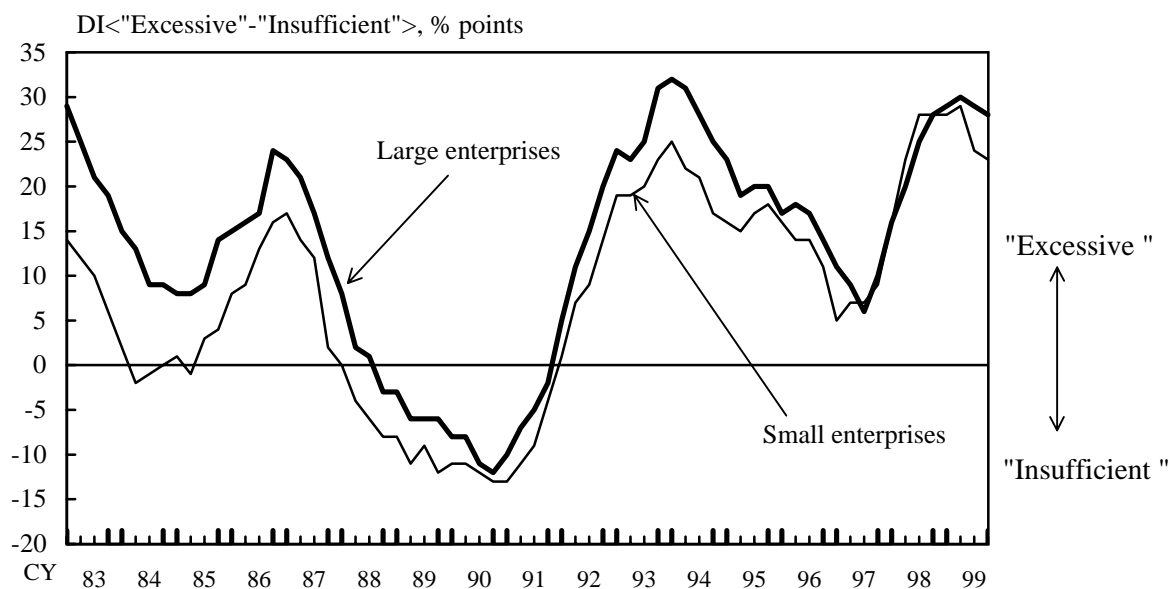


Note: Figures before December 1998 are based on the pre-revision *Tankan*, and those of March 1999 are based on the post-revision *Tankan*.

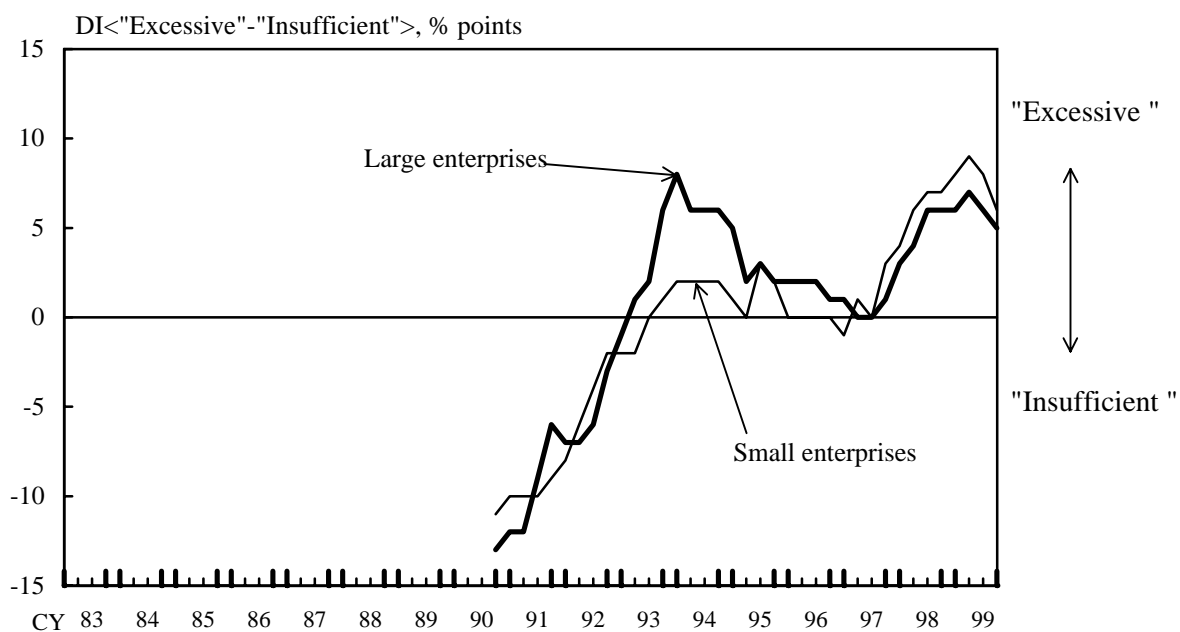
Source: Bank of Japan, "*Tankan* Short-term Economic Survey of Enterprises in Japan."

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

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



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

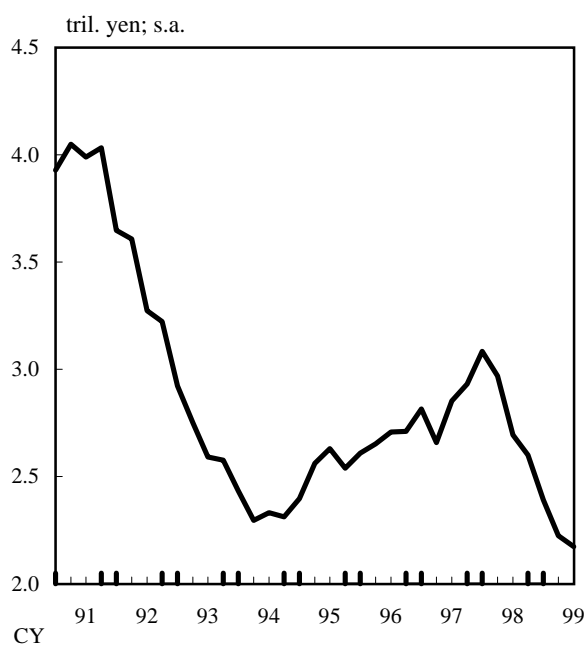


Note: Figures before December 1998 are based on the pre-revision *Tankan* , and those of March 1999 are based on the post-revision *Tankan* .

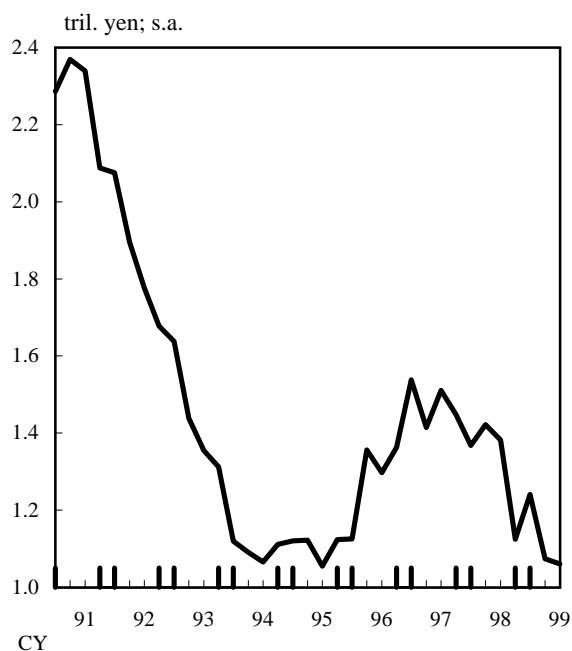
Source: Bank of Japan, "*Tankan* Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investments by Industry and Scale

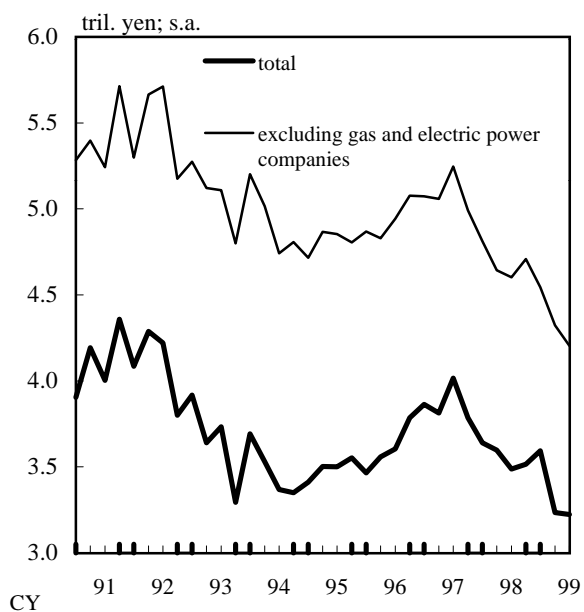
Manufacturing large firms



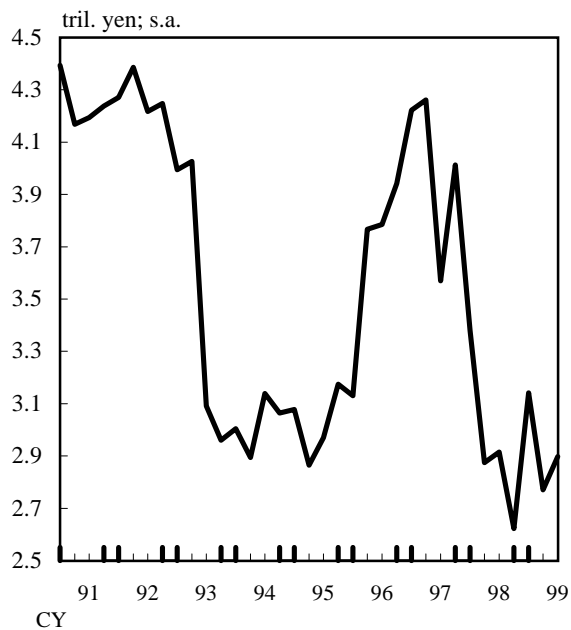
Manufacturing medium and small firms



Nonmanufacturing large firms

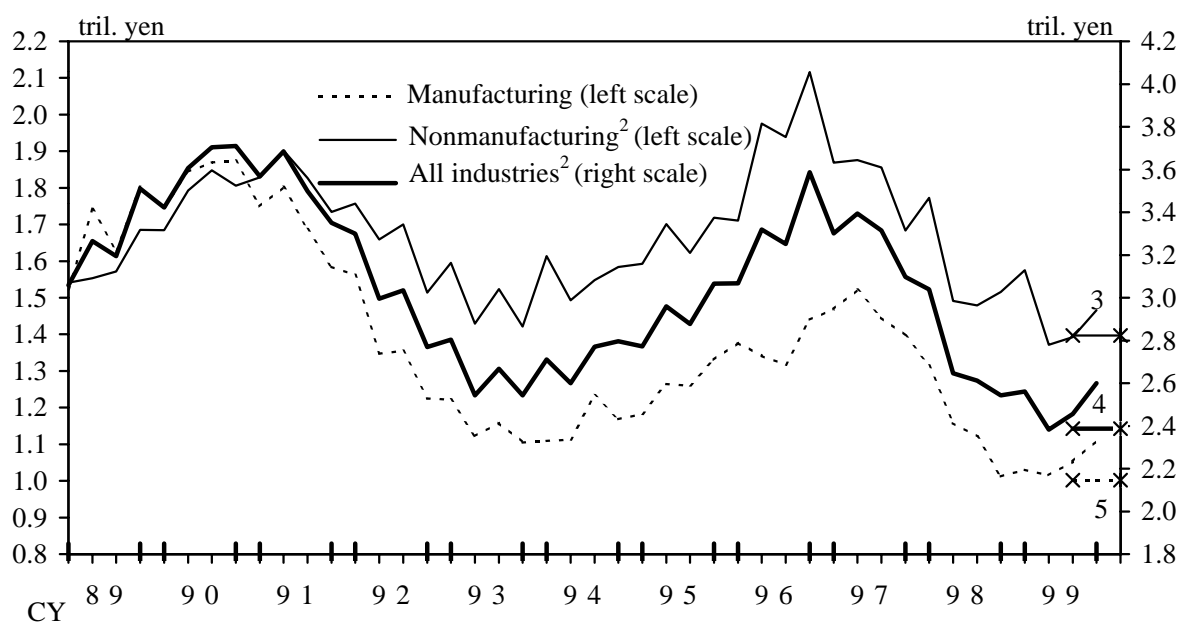


Nonmanufacturing medium and small firms



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

Major Indexes of Business Fixed Investment

(1) Machinery Orders¹

Notes: 1. Seasonally adjusted data.

Figures for 1999/Q4 are averages of October in terms of quarterly amount.

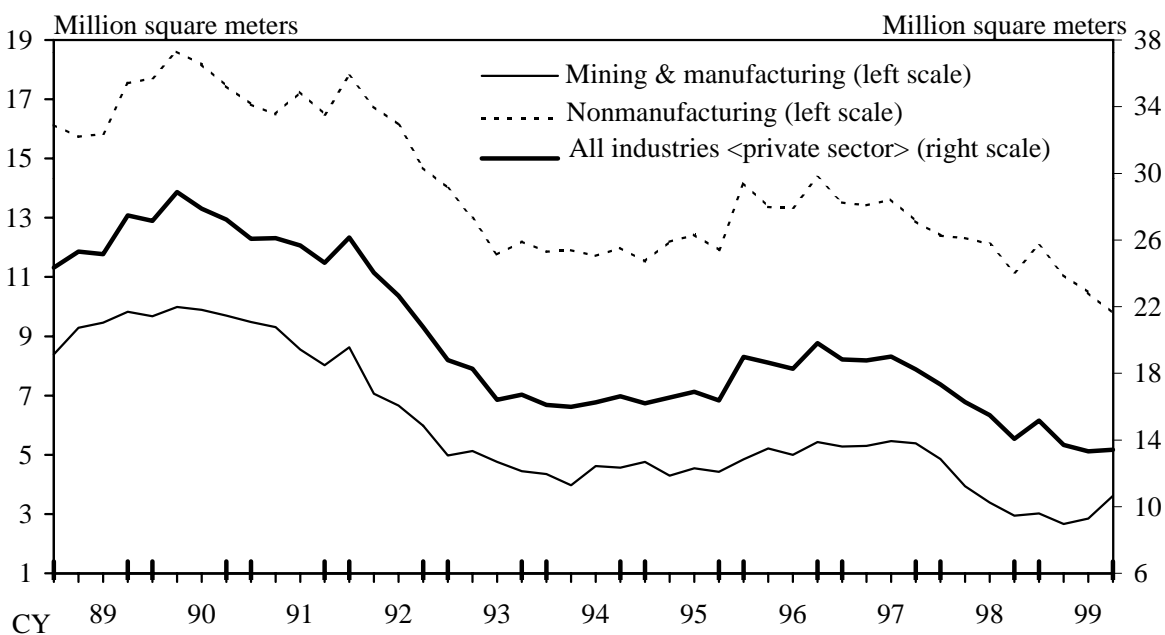
2. Excludes orders from electric power companies and shipbuilding orders.

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)



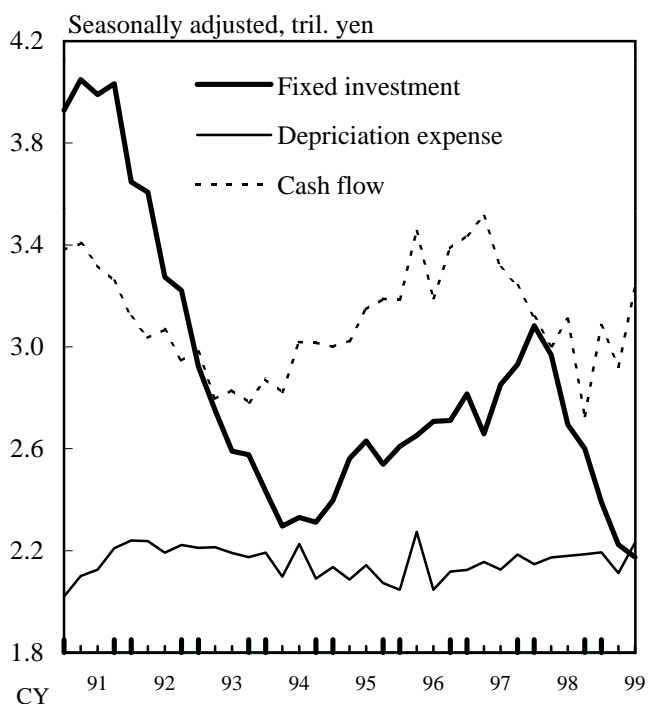
Notes: 1. Seasonally adjusted by X-11.

2. Figures for 1999/Q4 are averages of October in terms of quarterly amount.

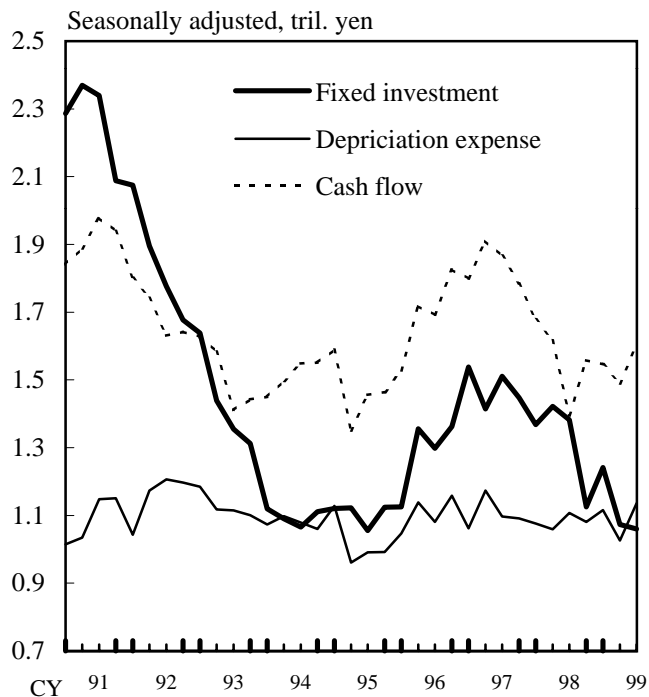
Sources: Economic Planning Agency, "Machinery Orders Statistics";
 Ministry of Construction, "Statistics Building Construction Starts."

Fixed Investment, Depreciation Expense, Cash Flow

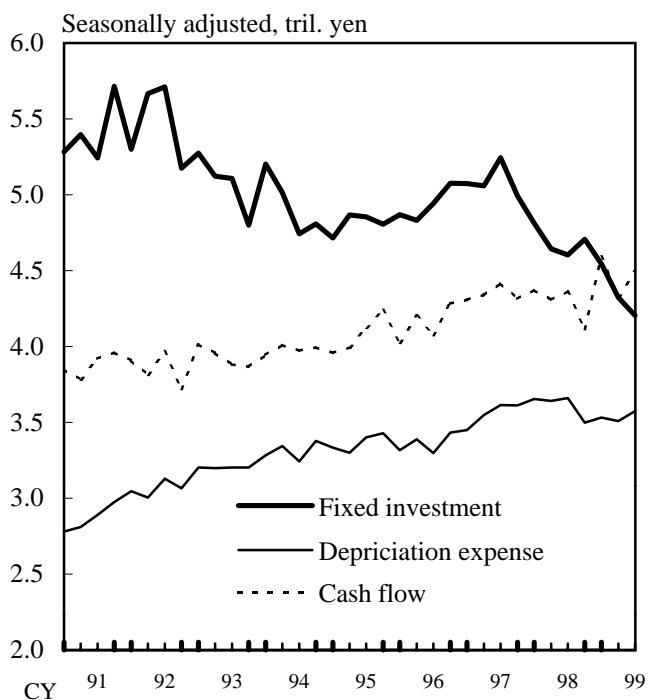
Manufacturing large firms



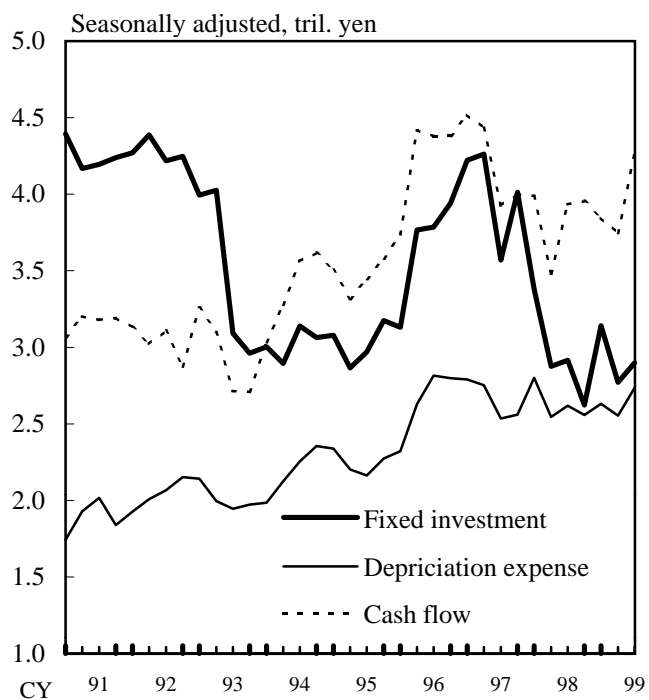
Manufacturing medium and small firms



Nonmanufacturing large firms



Nonmanufacturing medium and small firms

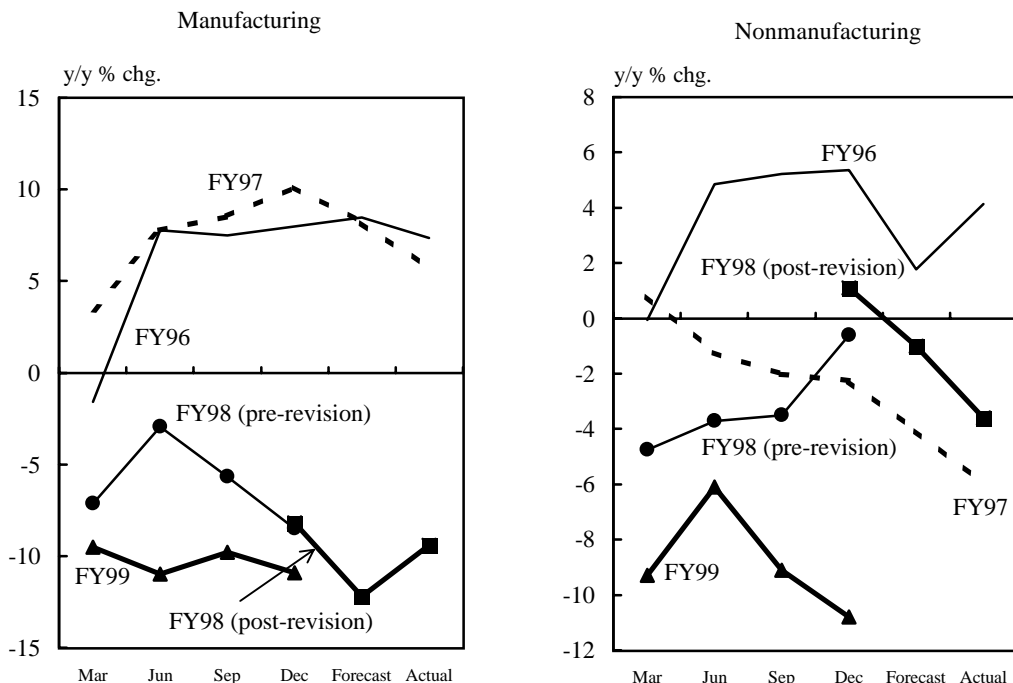


Note: Cash Flow = Ordinary profit ÷ 2 + Depreciation expense

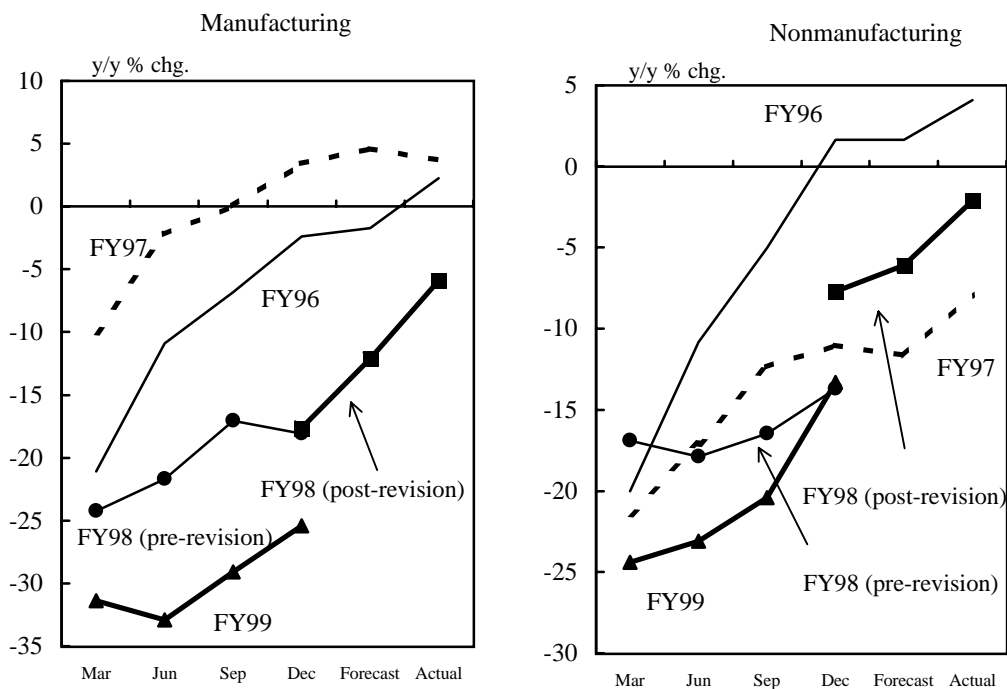
Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

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

(1) Adjustment of Plans by Large Enterprises

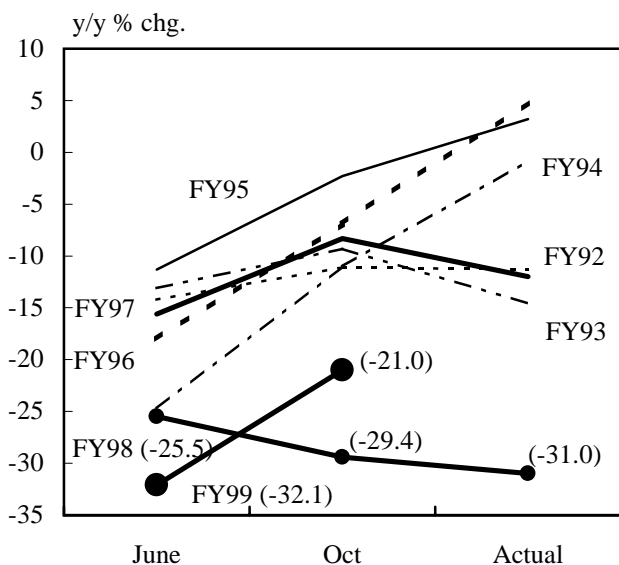


(2) Adjustment of Plans by Small Enterprises

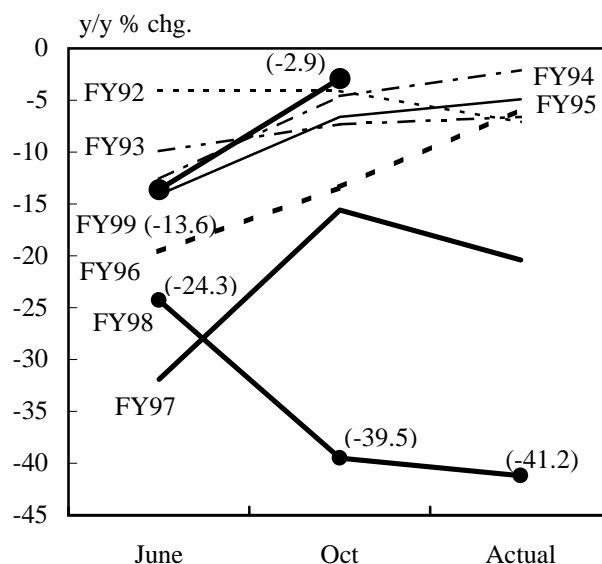


Fixed Investment Plans of Small Firms

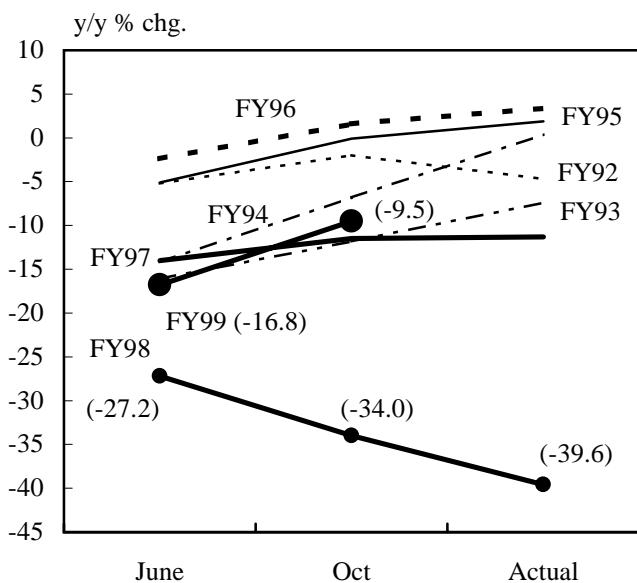
Wholesale



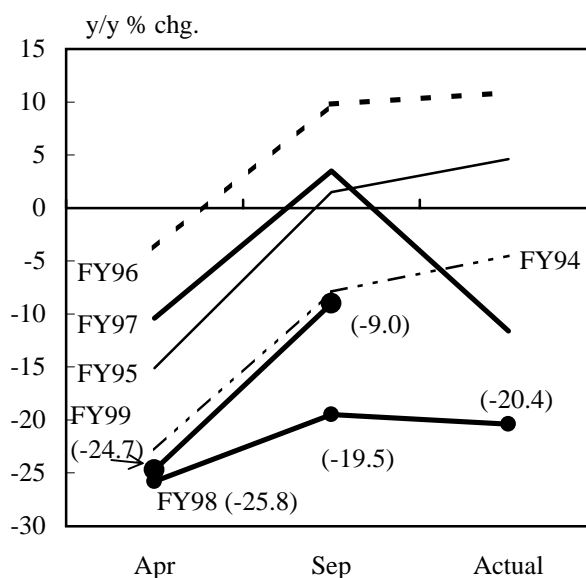
Retail



Service



Manufacturing

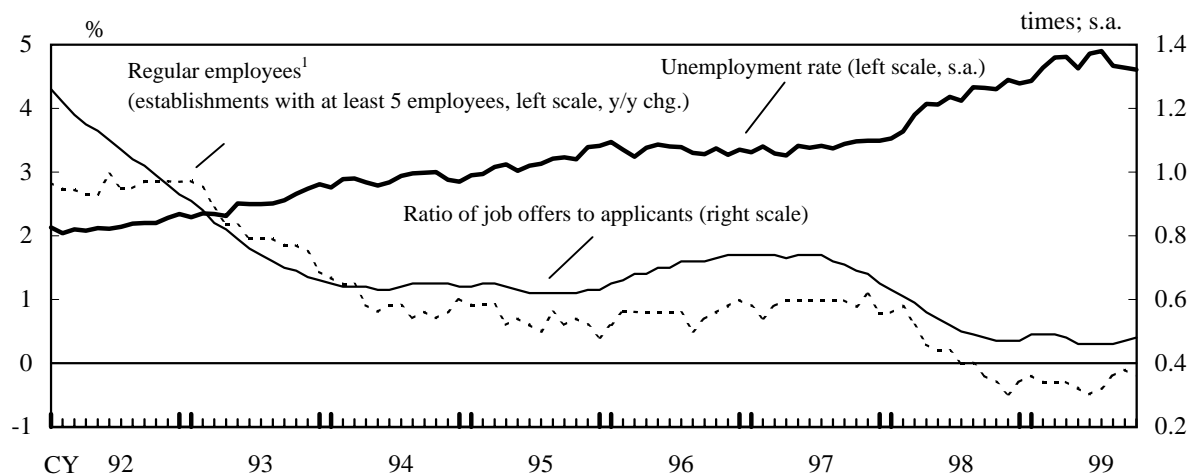


- Notes: 1. Wholesale: Sample 5,000 companies (responses 2,454<Oct. 1999 survey>)
 2. Retail: Sample 8,500 companies (responses 3,365<Oct. 1999 survey>)
 3. Service: 13,500 companies (responses 4,831<Oct. 1999 survey>)
 4. Manufacturing: 11,047 companies (responses 8,417<Sept. 1999 survey>)

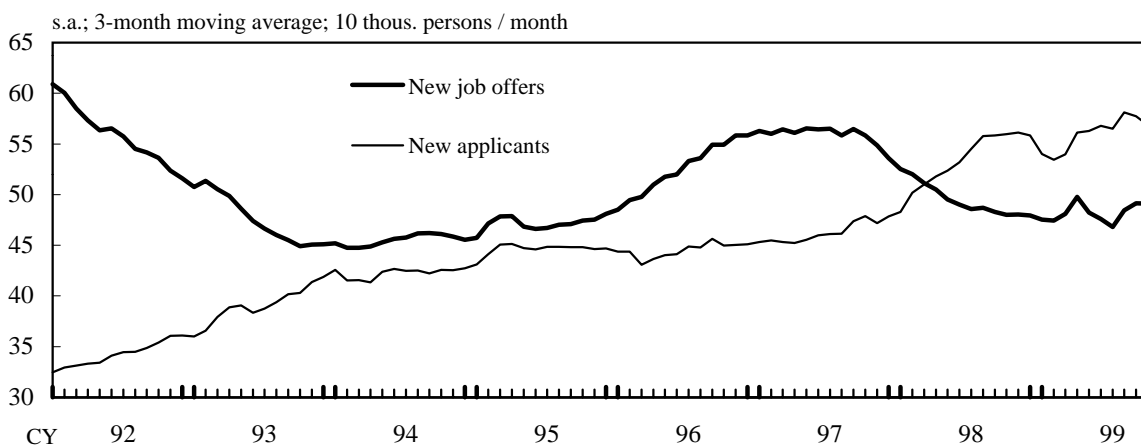
Sources: Small and Medium Enterprise Agency and Japan Finance Corporation for Small Business, "Survey on Plant and Equipment Investment of Small Business in Commerce and Service Businesses"; Japan Finance Corporation for Small Business, "Survey on Plant and Equipment Investment of Small Business in Manufacturing."

Labor

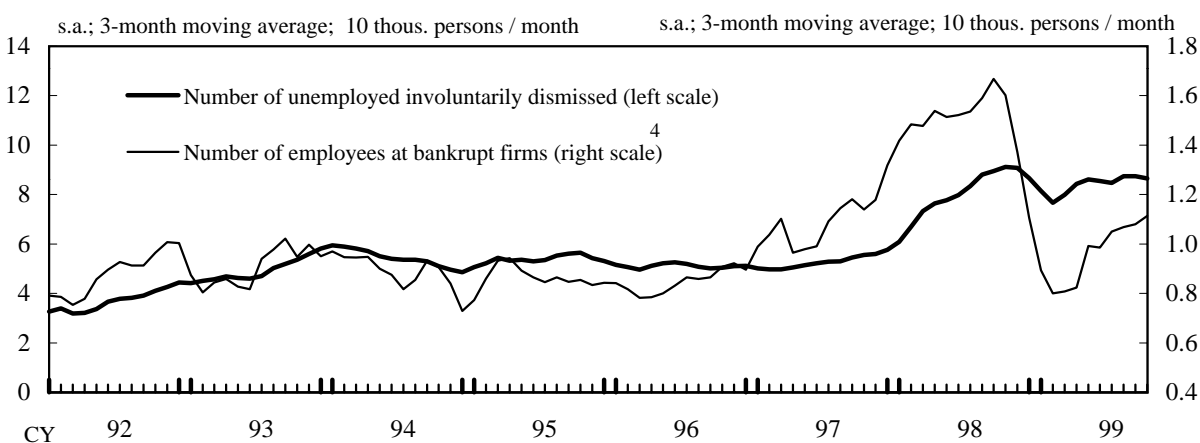
(1) Monthly



(2) New Job Offers and New Applicants²



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

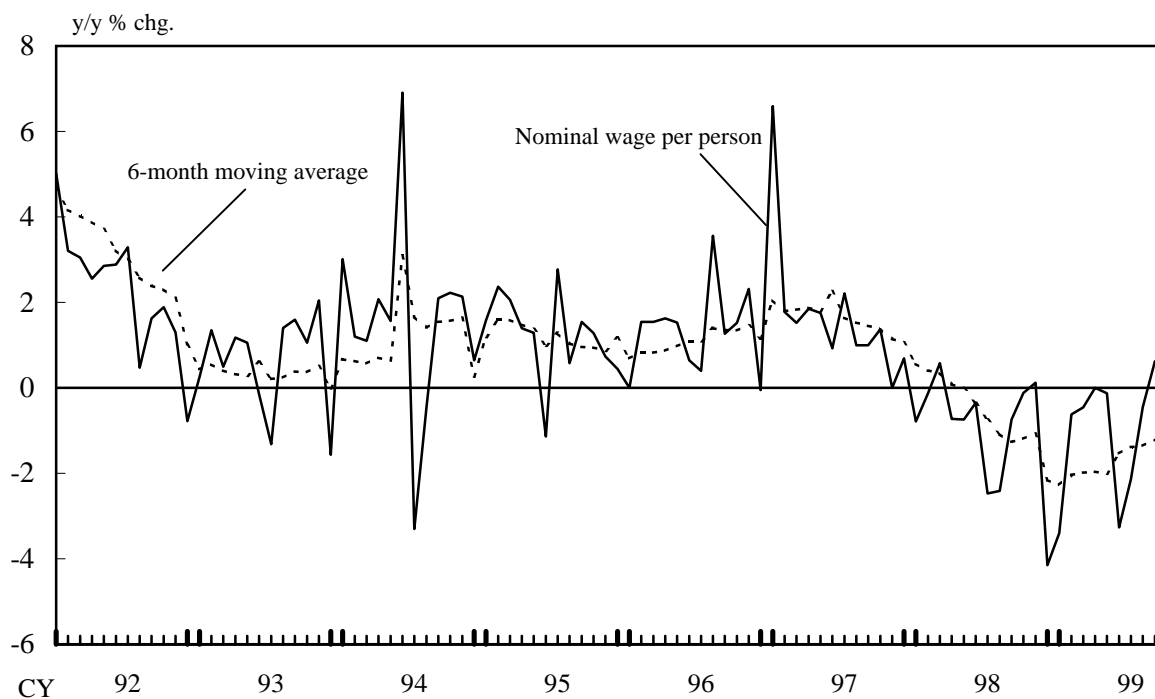


- Notes: 1. The data of regular employees for Oct. 1999 are preliminary figures.
 2. Excludes jobs offered to new graduates.
 3. Seasonally adjusted by X-11.
 4. The data are based on a survey conducted by *Teikoku Databank Ltd.* . Bankruptcies with liabilities of ten million yen or more.

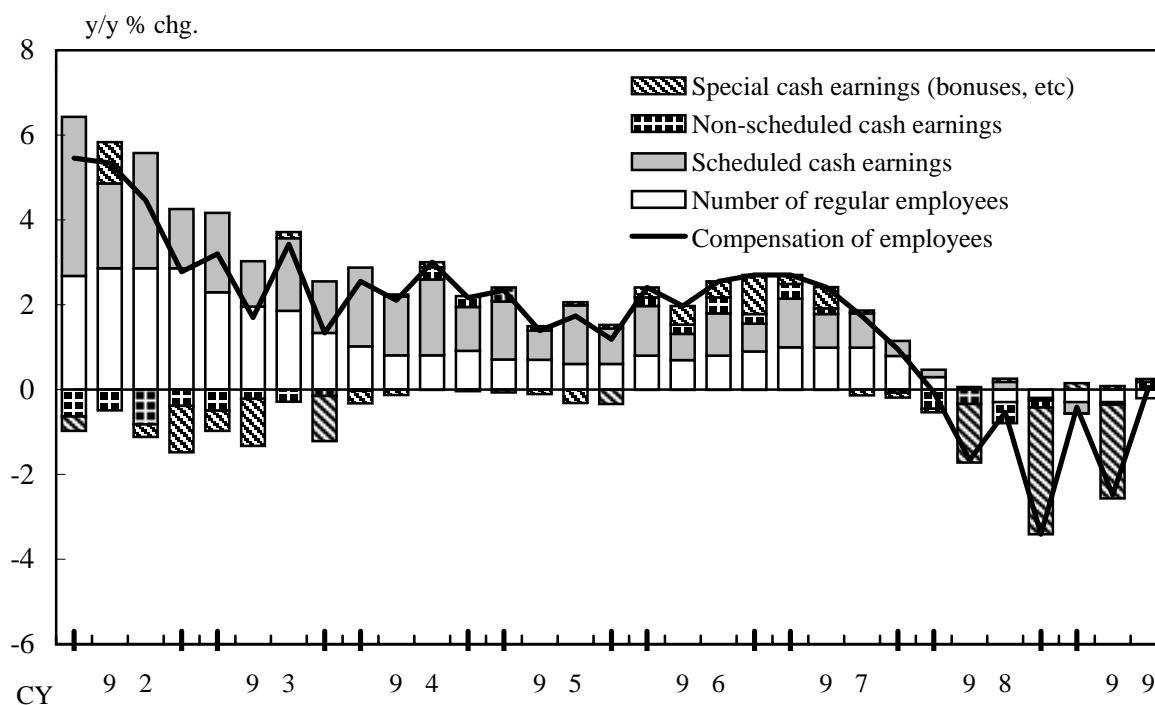
Sources: Ministry of Labor, "Monthly Labor Survey", "Report on Employment Service", "Report on Employment Insurance Service"; Management and Coordination Agency, "Labor Force Survey"; Teikoku Databank Ltd., "Japan's Business Failure."

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 Oct.1999 are preliminary figures.

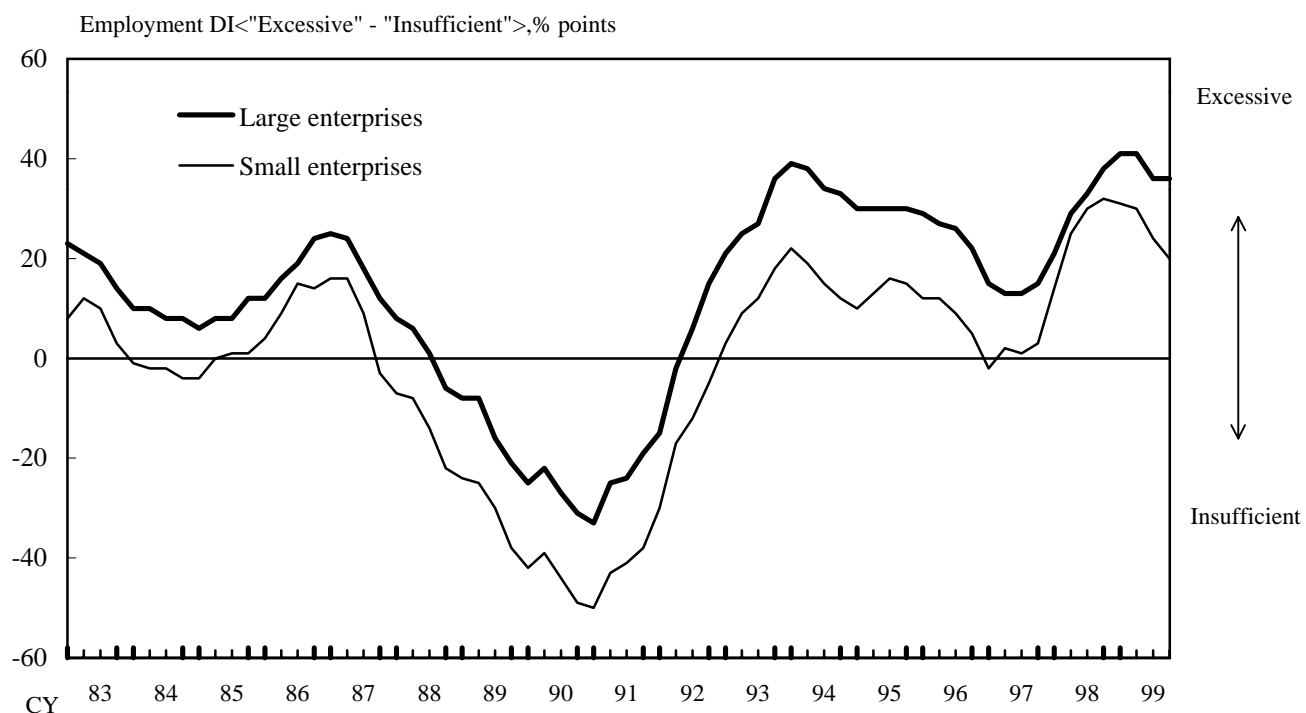
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.

3. The data for 99/Q3 are those of the Sep.-Oct. average.

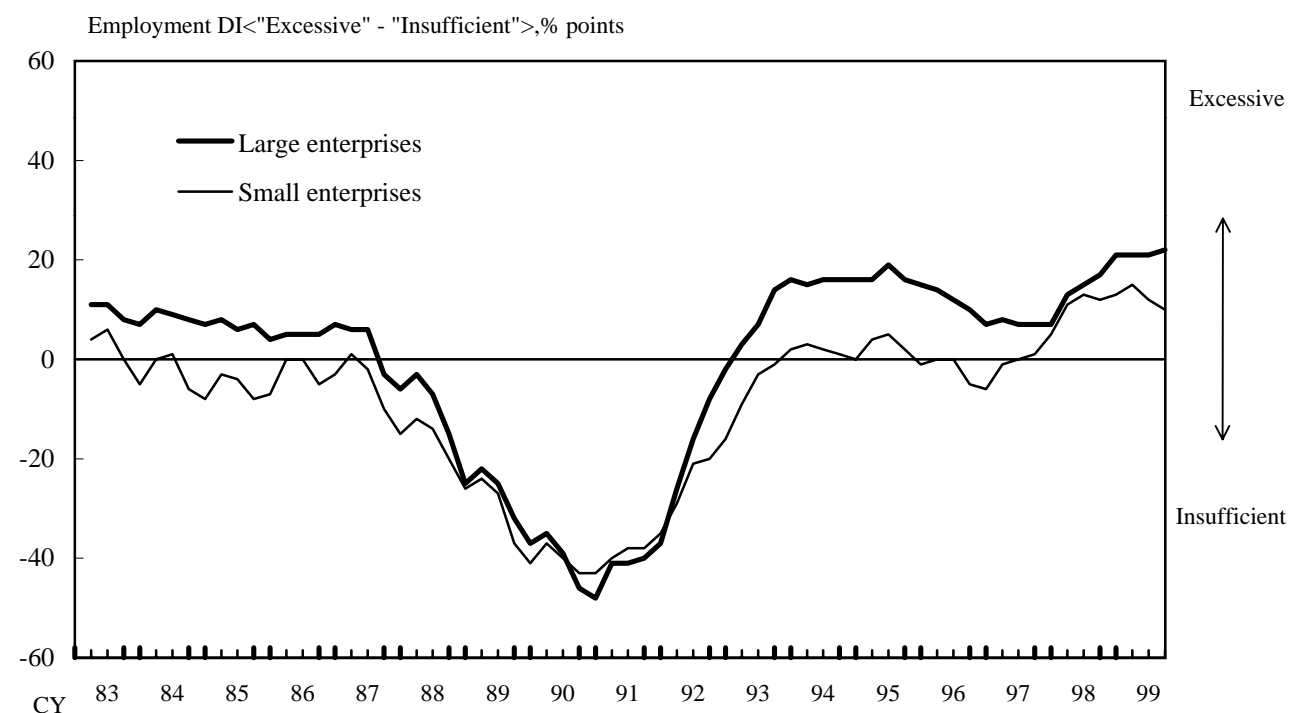
Source: Ministry of Labor, "Monthly Labor Survey."

Employment Conditions in the *Tankan* (December 1999)

(1) Manufacturing



(2) Nonmanufacturing

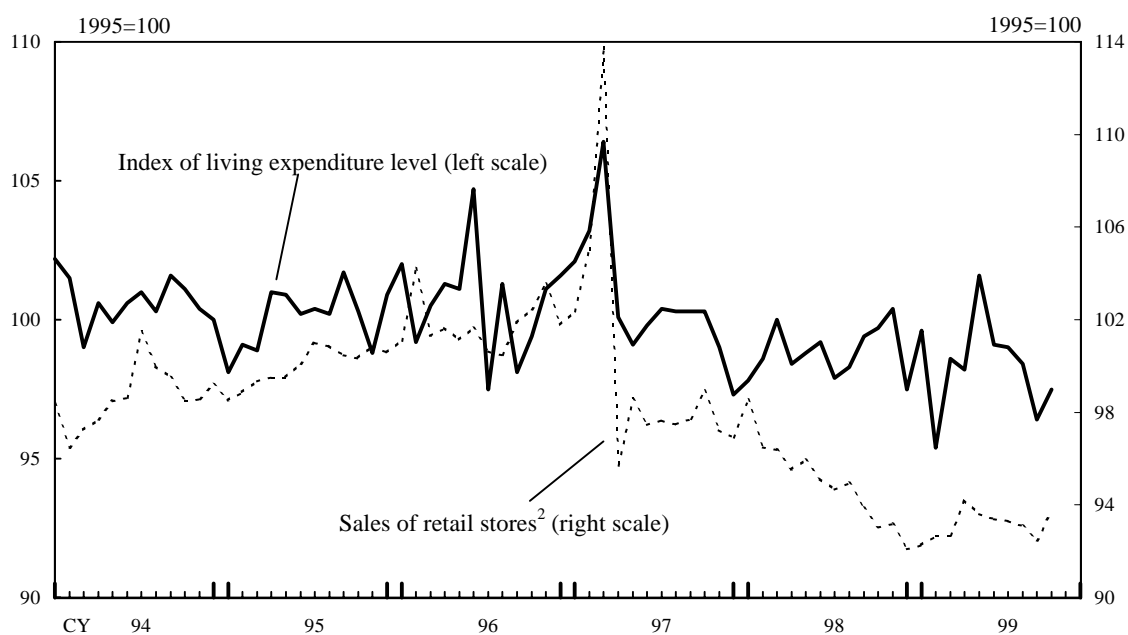


Note: Figures before December 1998 are based on the pre-revision *Tankan*, and those of March 1999 are based on the post-revision *Tankan*.

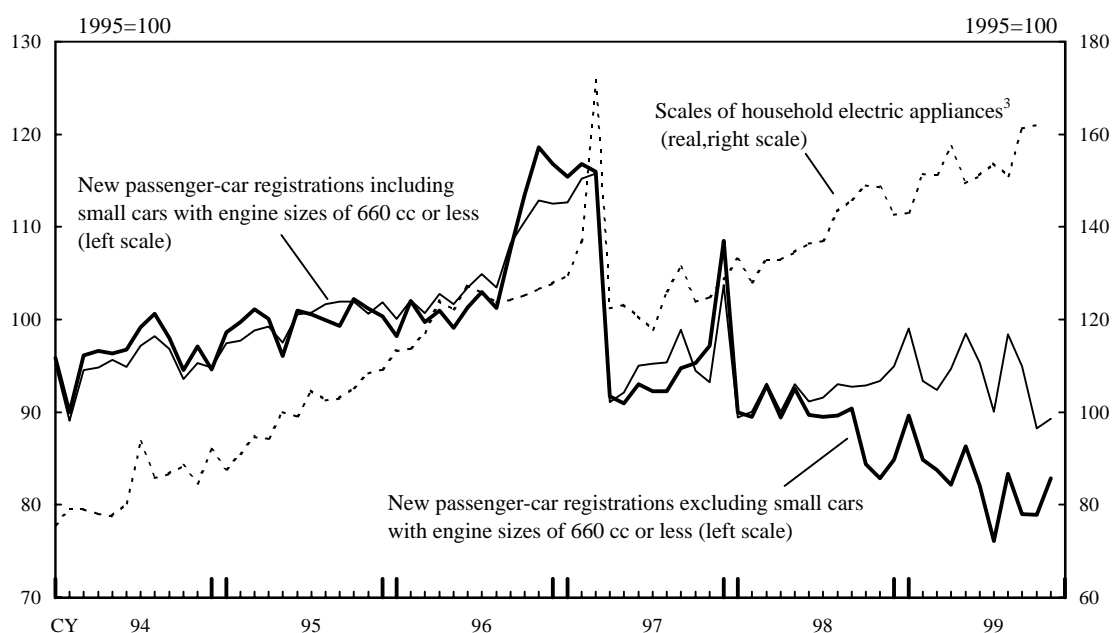
Source: Bank of Japan, "*Tankan* Short-Term Economic Survey of Enterprises in Japan."

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";

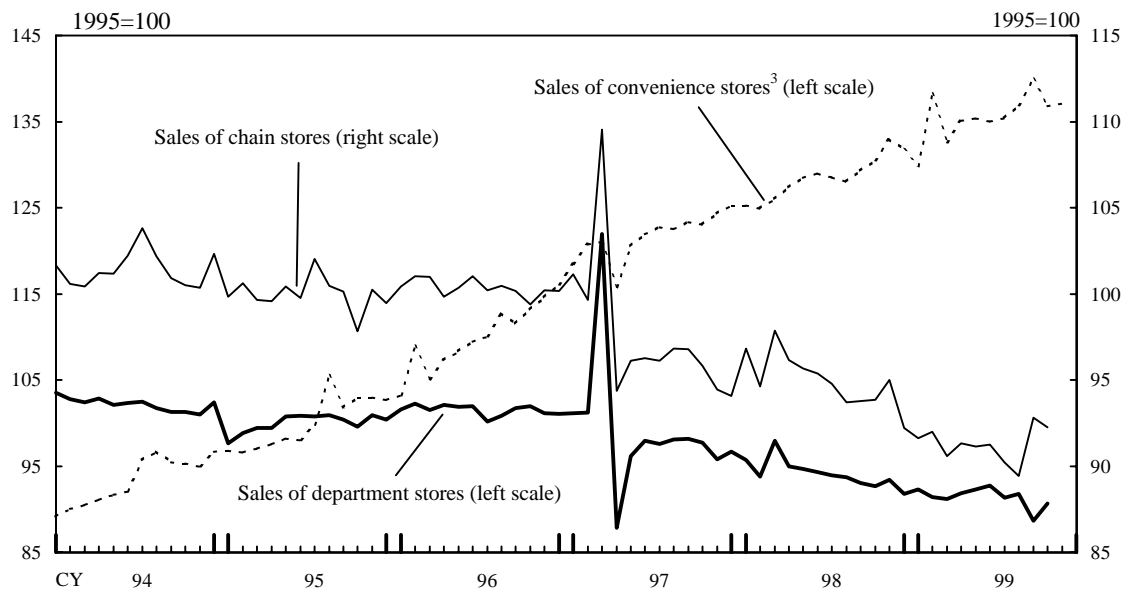
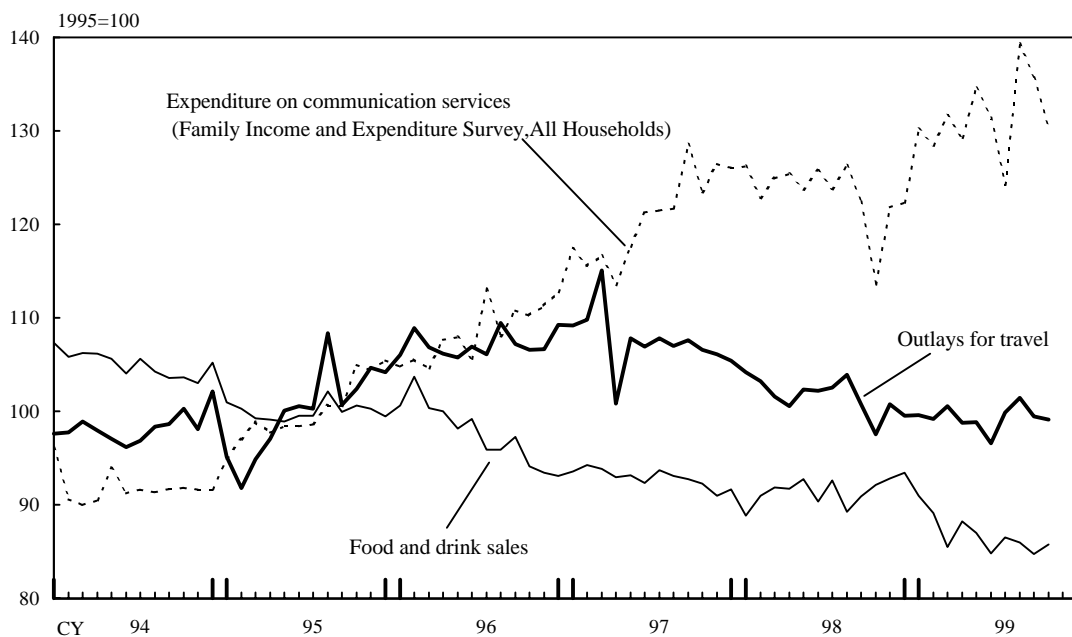
Ministry of International Trade and Industry, "Current Survey of Commerce";

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 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.

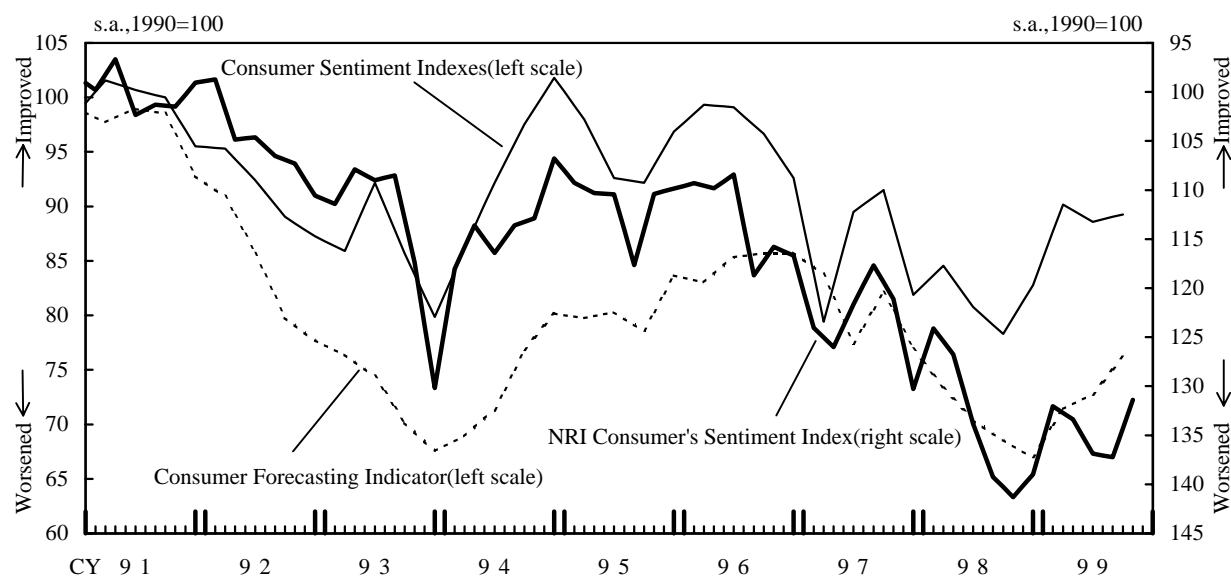
3. Sales of convenience stores are surveyed by the Bank of Japan.

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."

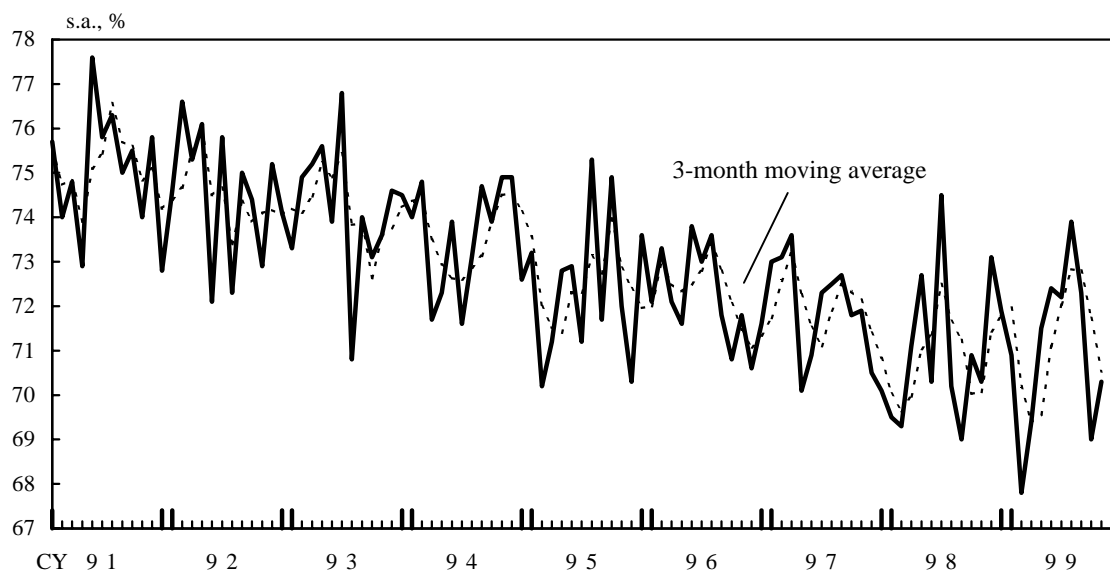
Consumer Confidence and Propensity to Consume

(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)

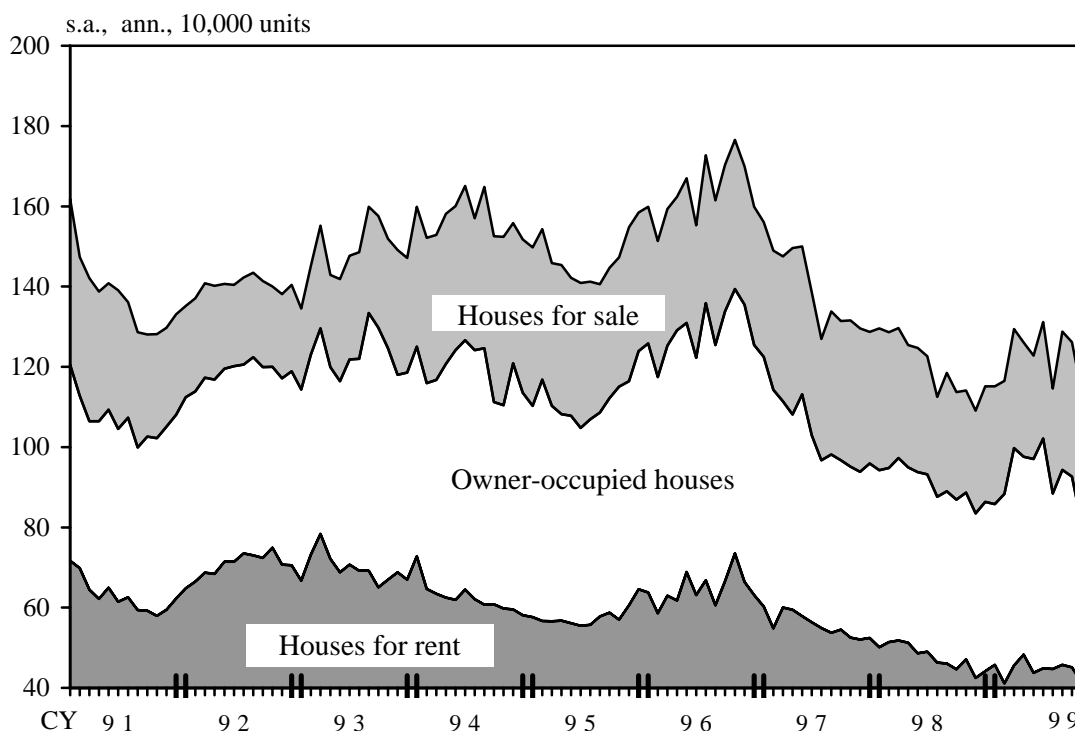


Note: Seasonally adjusted by Management and Coordination Agency.

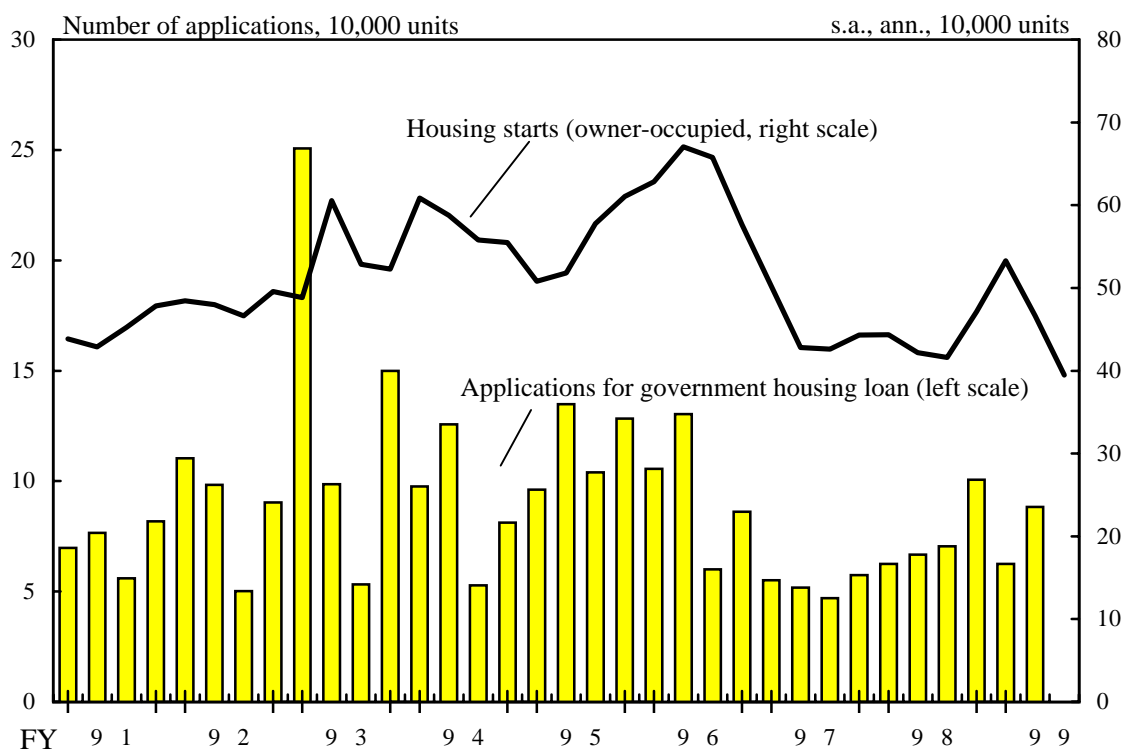
Sources: Economic Planning Agency, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (Nikkei RIM), "Consumption Forecasting Indicator";
 Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey";
 Nippon Research Institute (NRI), "Consumer's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

Major Indexes of Housing Investment

(1) Housing starts



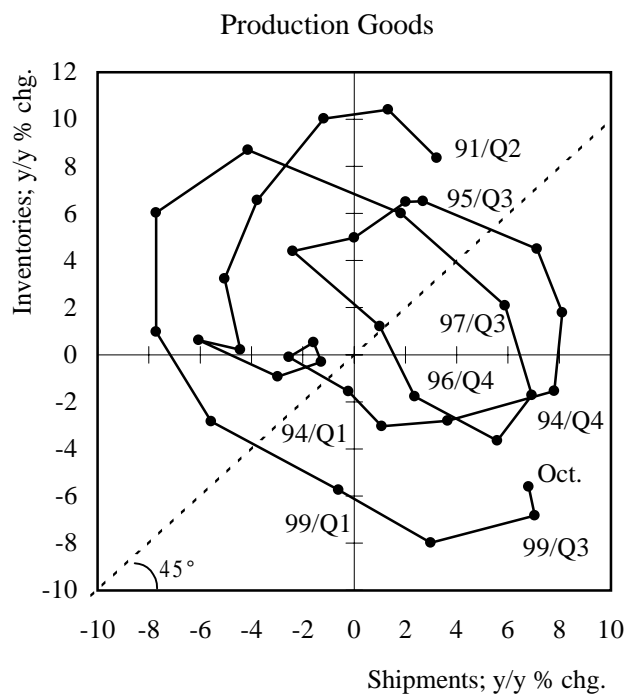
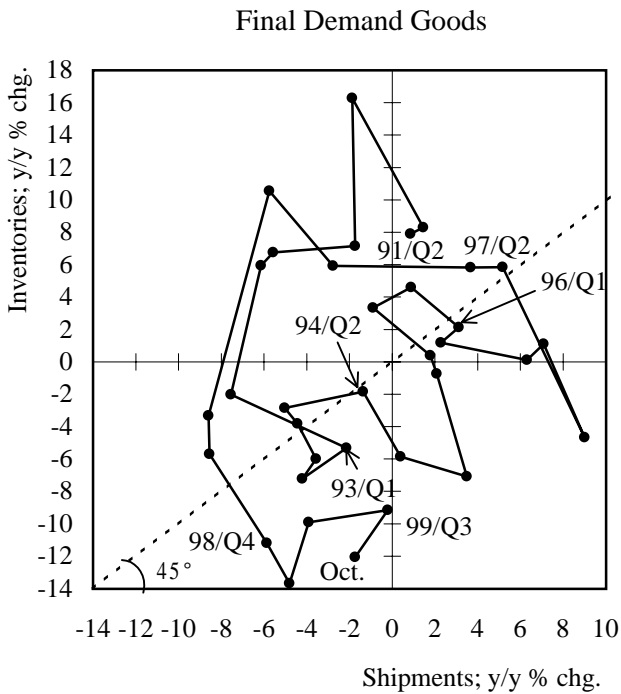
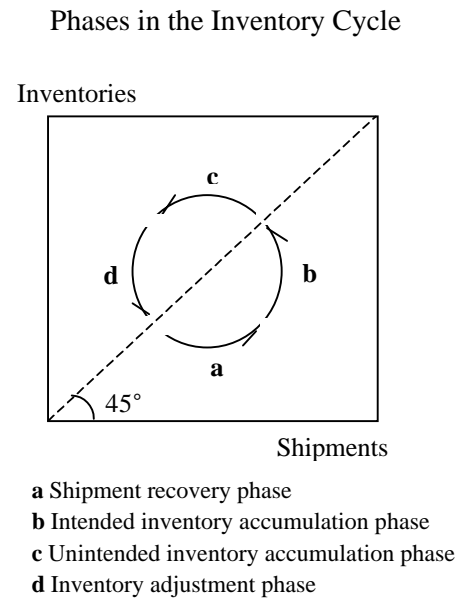
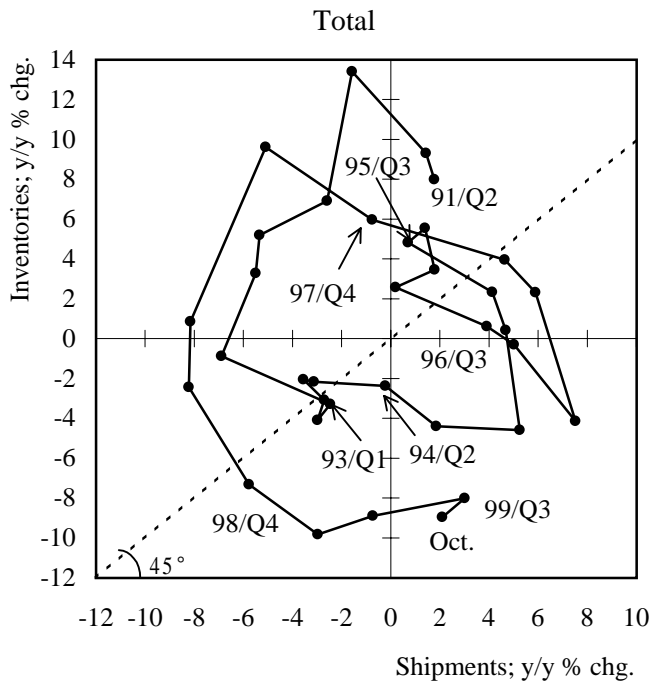
(2) Number of applications for government housing loan (for new owner-occupied homes)



Note: The data for 99/Q3 are October converted into an annual equivalent.

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

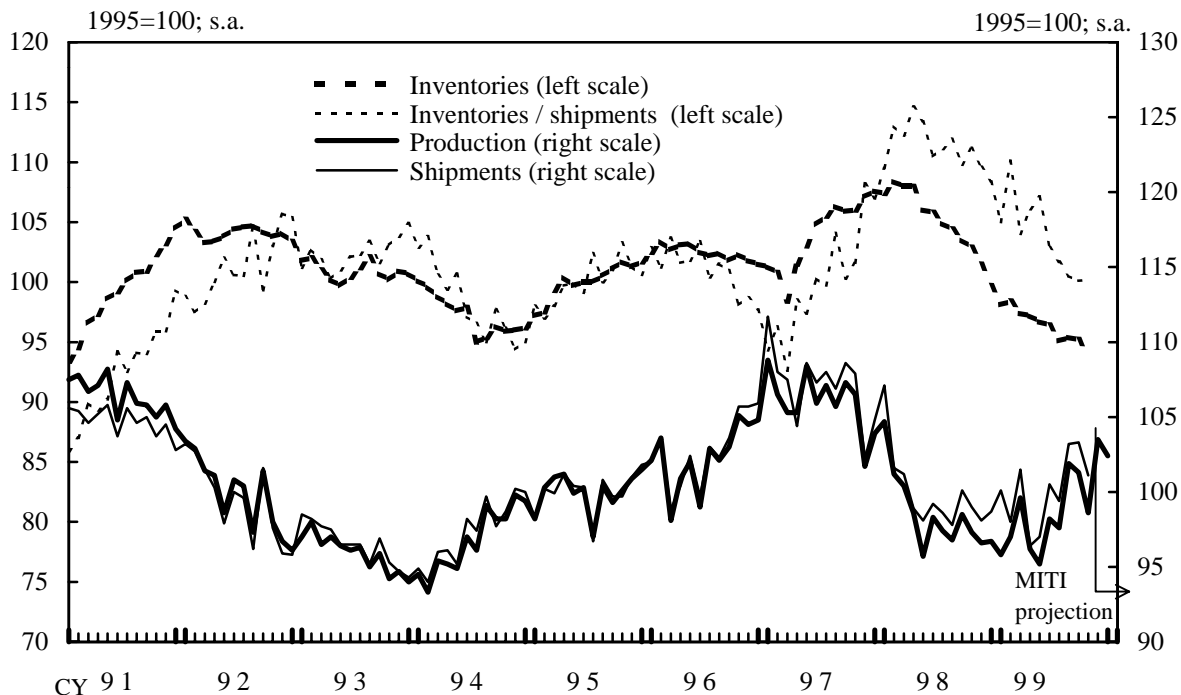
Inventory Cycle



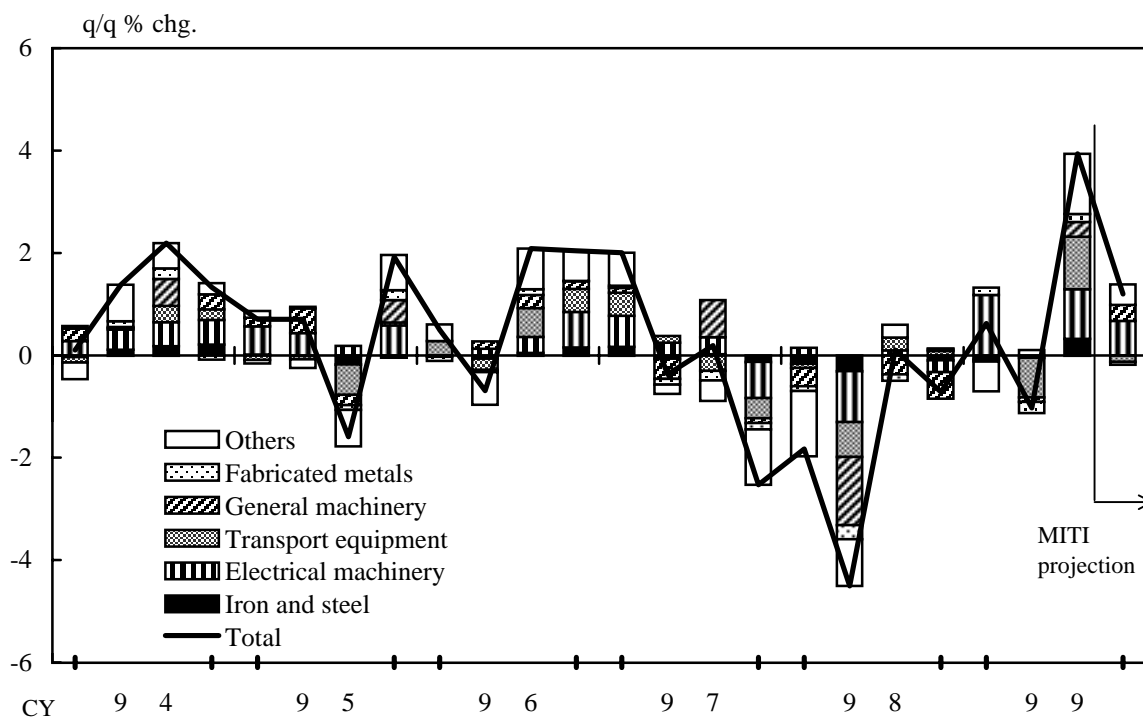
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

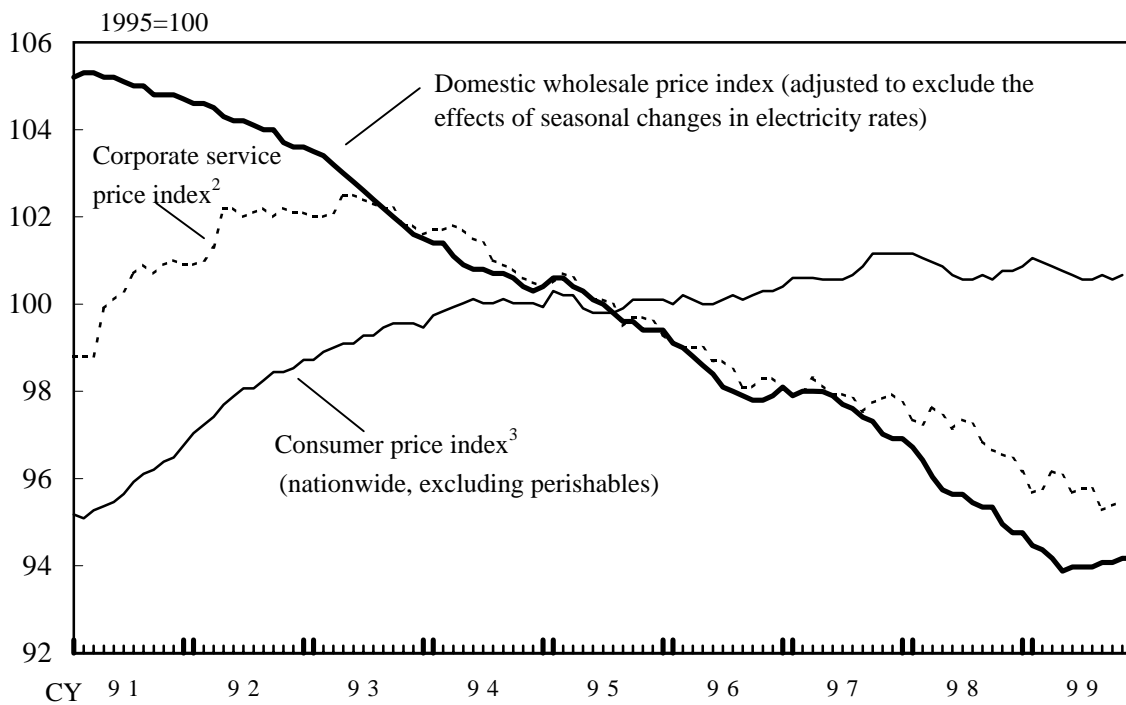


Note: Transport equipment excludes ships and rolling stock.

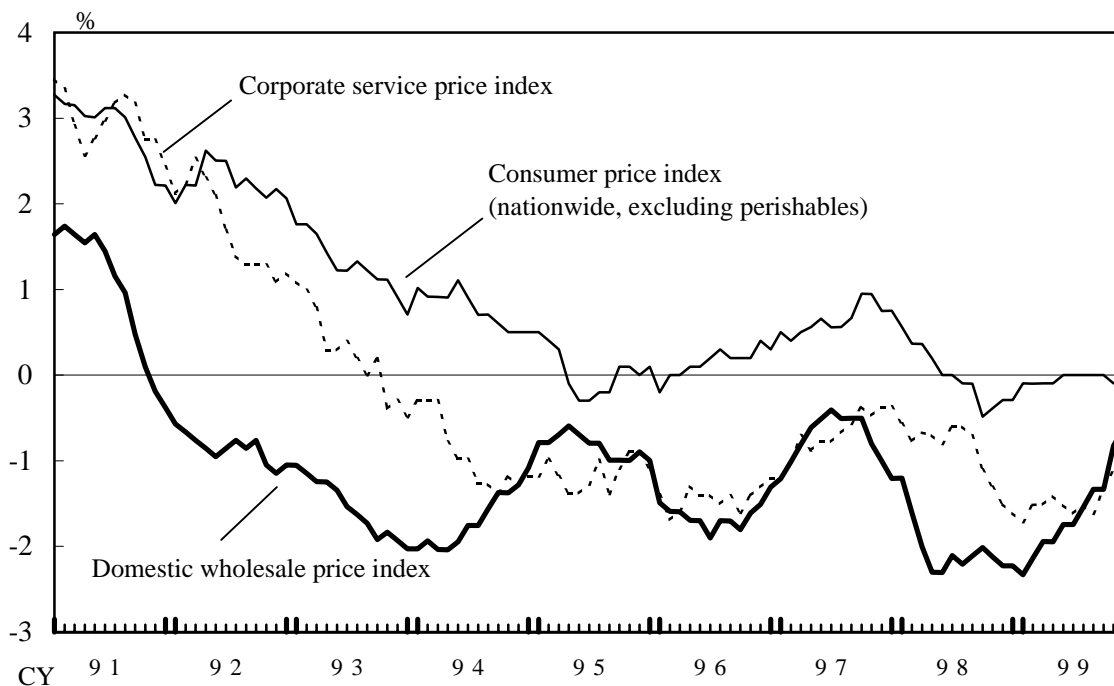
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

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. The base period of Corporate service price index is 1995. The figures before January 1995 are calculated from 1990 base index.

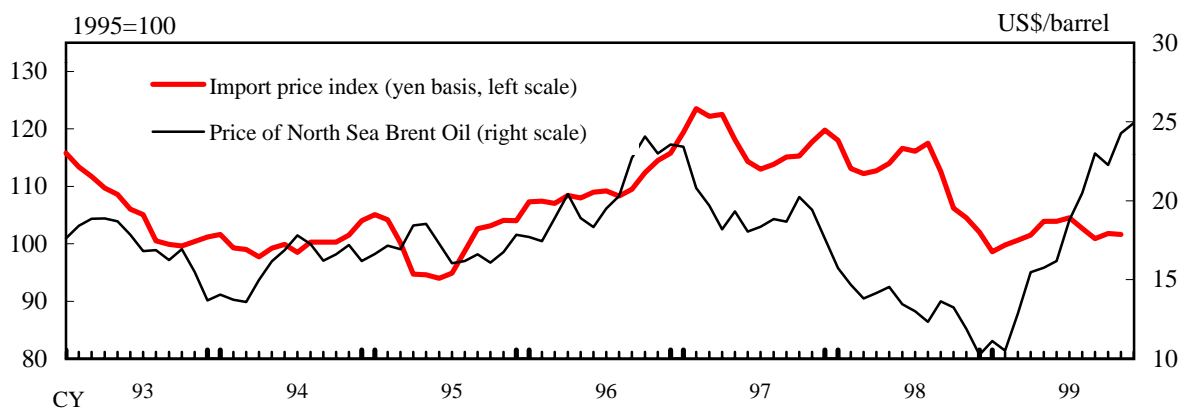
3. Based on seasonally adjusted data of CPI whose base period is 1995, although the figures before January 1995 are calculated from CPI whose base period is 1990.

Sources: Management and Coordination Agency, "Consumer Price Index";

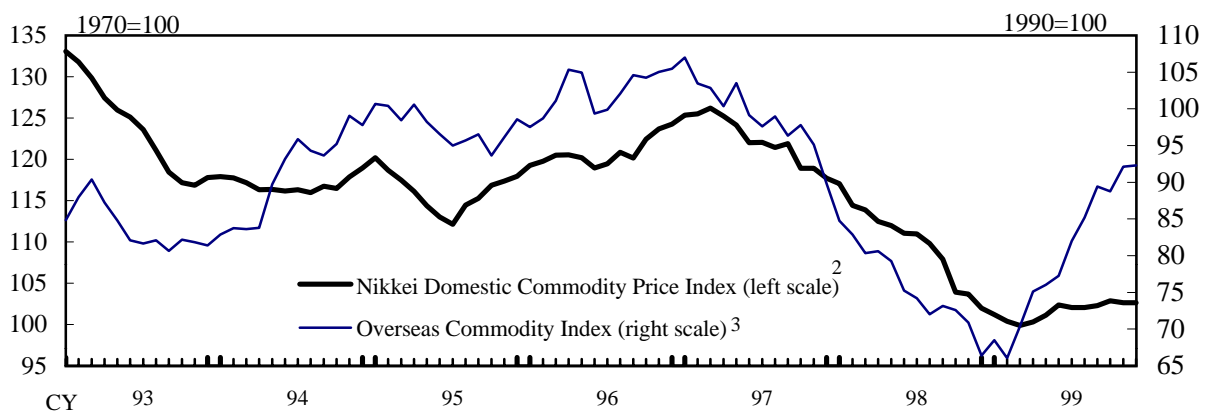
Bank of Japan, "Wholesale Price Indexes", "Corporate Service Price Index."

Import Prices and Domestic Wholesale Prices

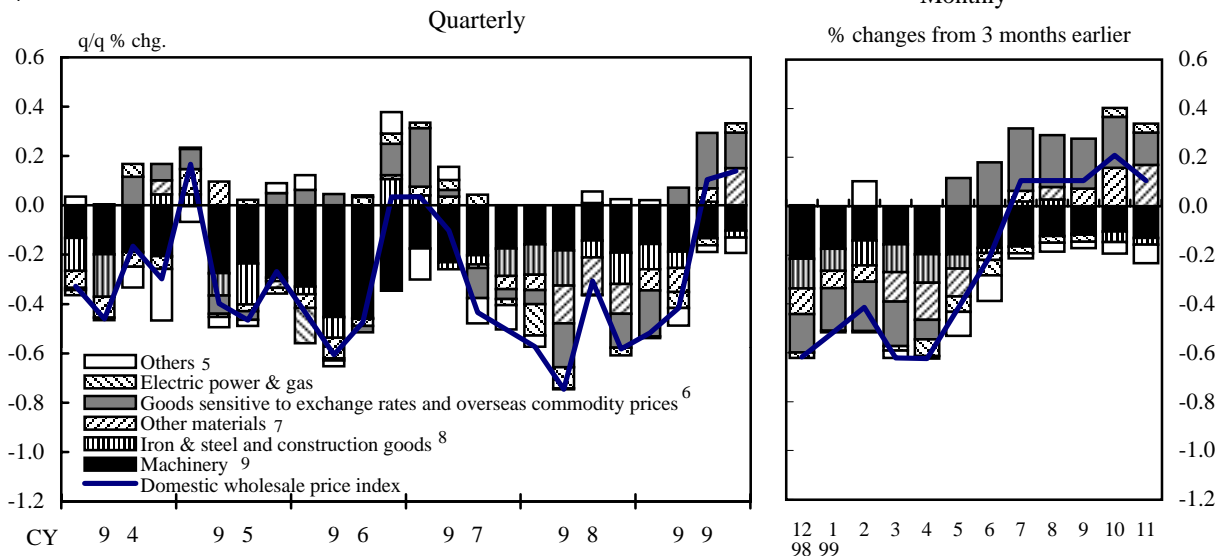
(1) Import Price Index (yen basis) and Crude Oil Price¹



(2) Domestic Commodity Market



(3) Breakdown of Domestic Wholesale Price Index⁴



Notes: 1. Data for Dec. 1999 are Dec. 1-15 average.

2. Data for Dec. 1999 are as of Dec. 10.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for Dec. 1999 are Dec. 1-15 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.

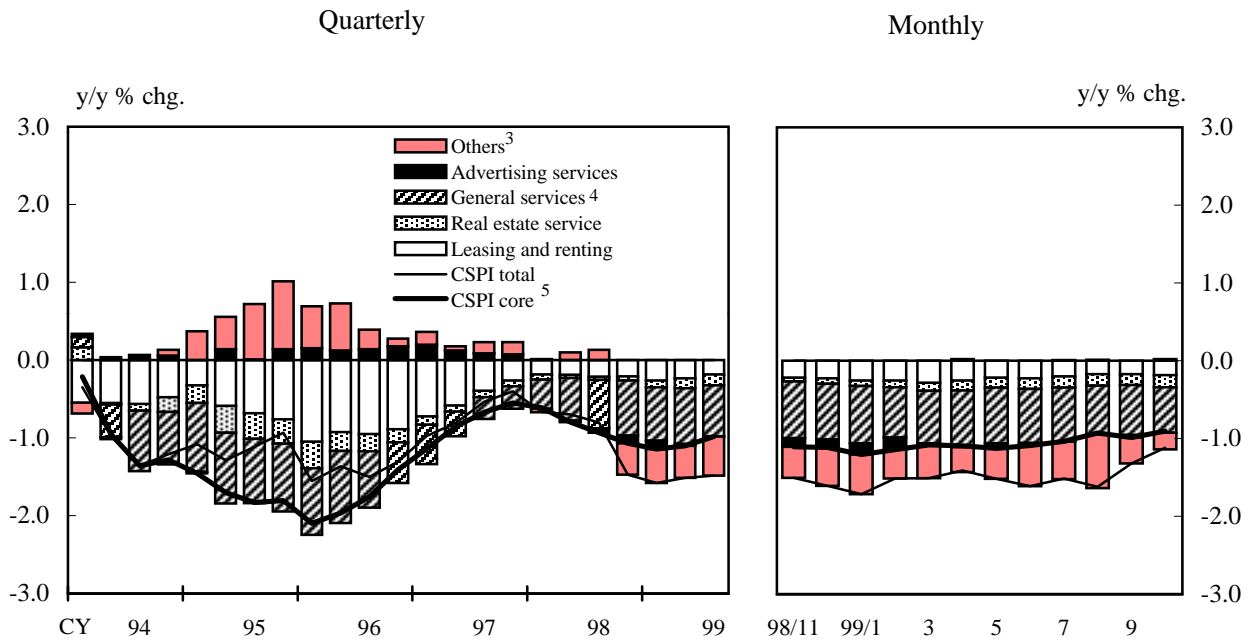
6. Goods sensitive to exchange rates and overseas commodity prices = petroleum & coal products + nonferrous metal.

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

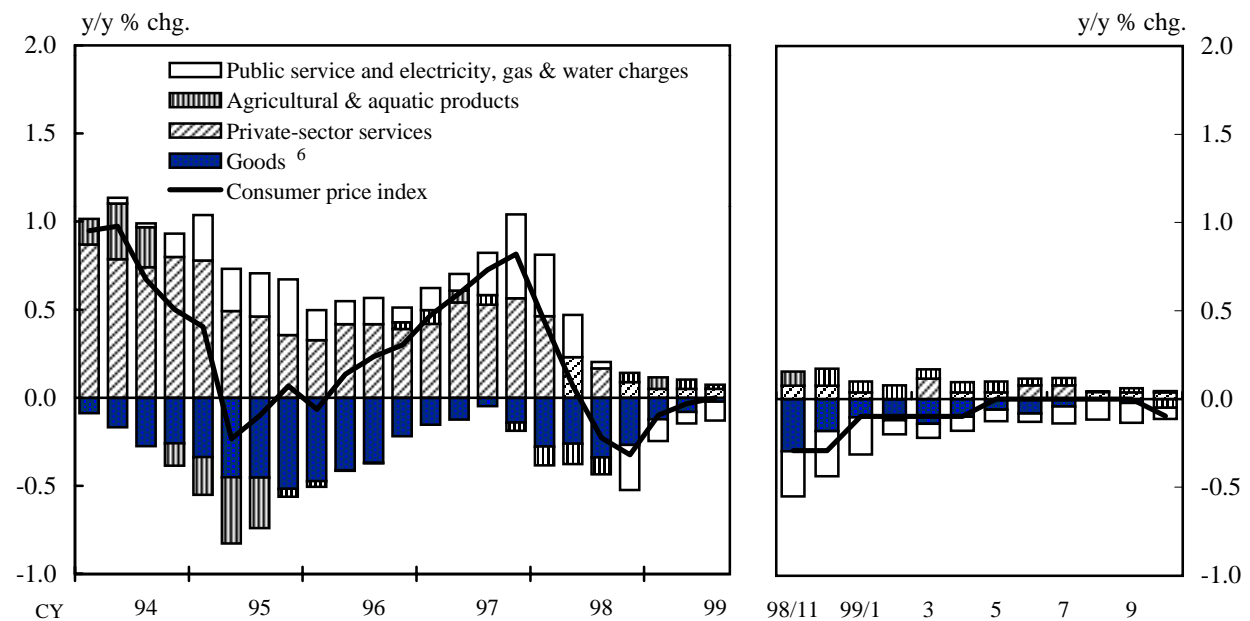
8. Iron & steel and construction goods = iron & steel + metal products + ceramics, stone & clay products + lumber & wood products + scrap & waste.

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 (CSPI)²

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

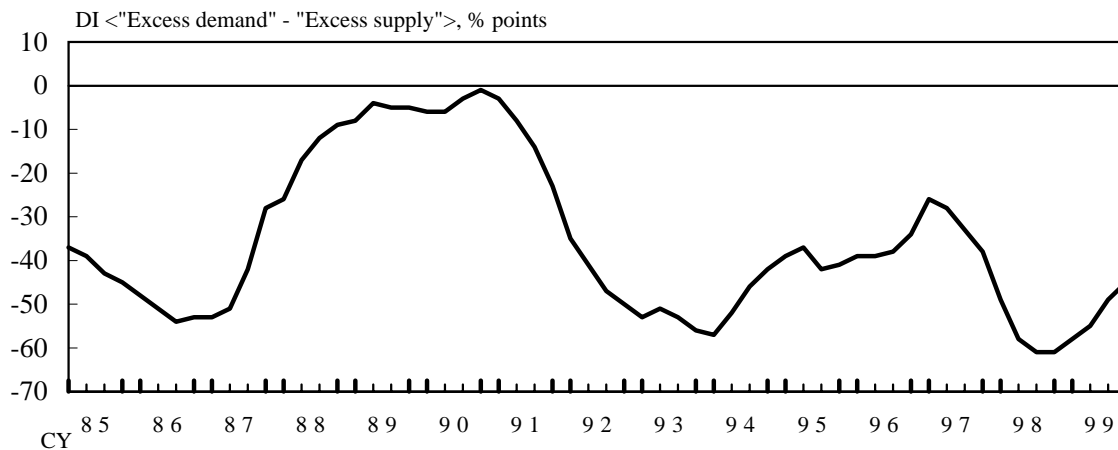
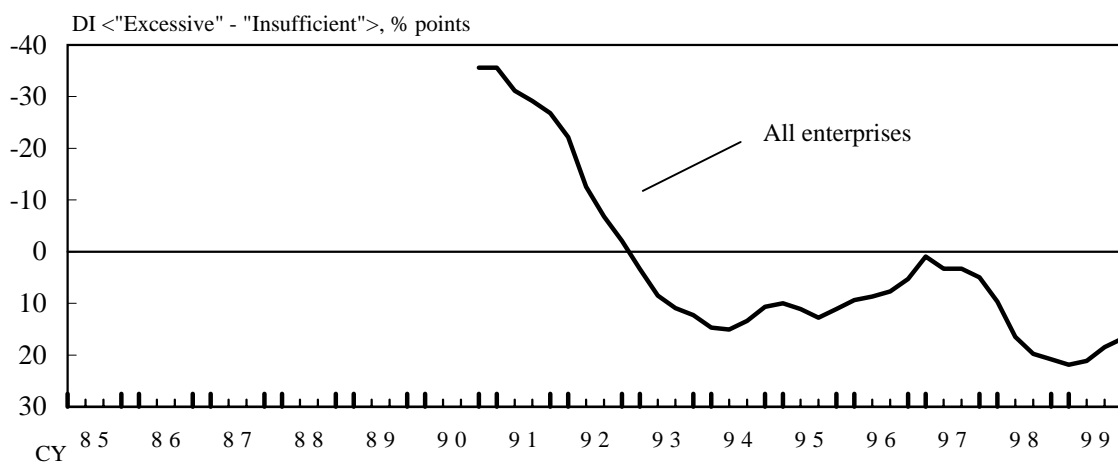


- Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of tax rate.
 2. The base period of Corporate service price index is 1995. 1990 base index are linked by link coefficients before January 1995.
 3. 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 + securities issuance and related services.
 4. General services = finance & insurance + transportation + information services + Communications & broadcasting + building maintenance services + Temporary worker services + machinery maintenance, etc. (excluding items in "others").
 5. CSPI core includes all items less "others" defined above. This index mainly reflects the supply and demand conditions in domestic private sector.
 6. Excludes agricultural and aquatic products.

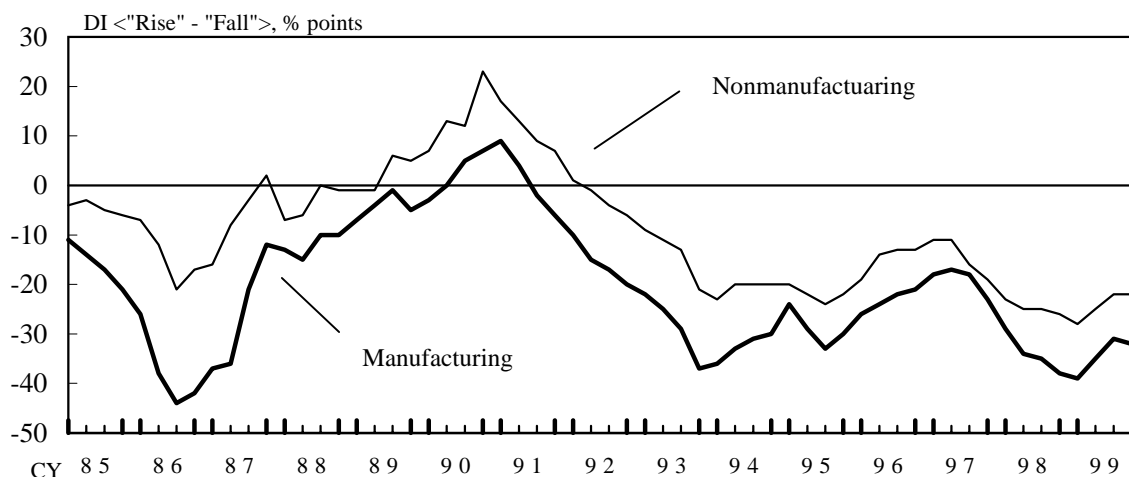
Sources: Management and Coordination Agency, "Consumer Price Index"; Bank of Japan, "Corporate Service Price Index."

Factors Contributing to the Change in Prices¹

(1) Supply and Demand Conditions for Products (All Enterprises, Manufacturing)

(2) Utilization of Capital and Labor²

(3) Change in Output Prices (All Enterprises)



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

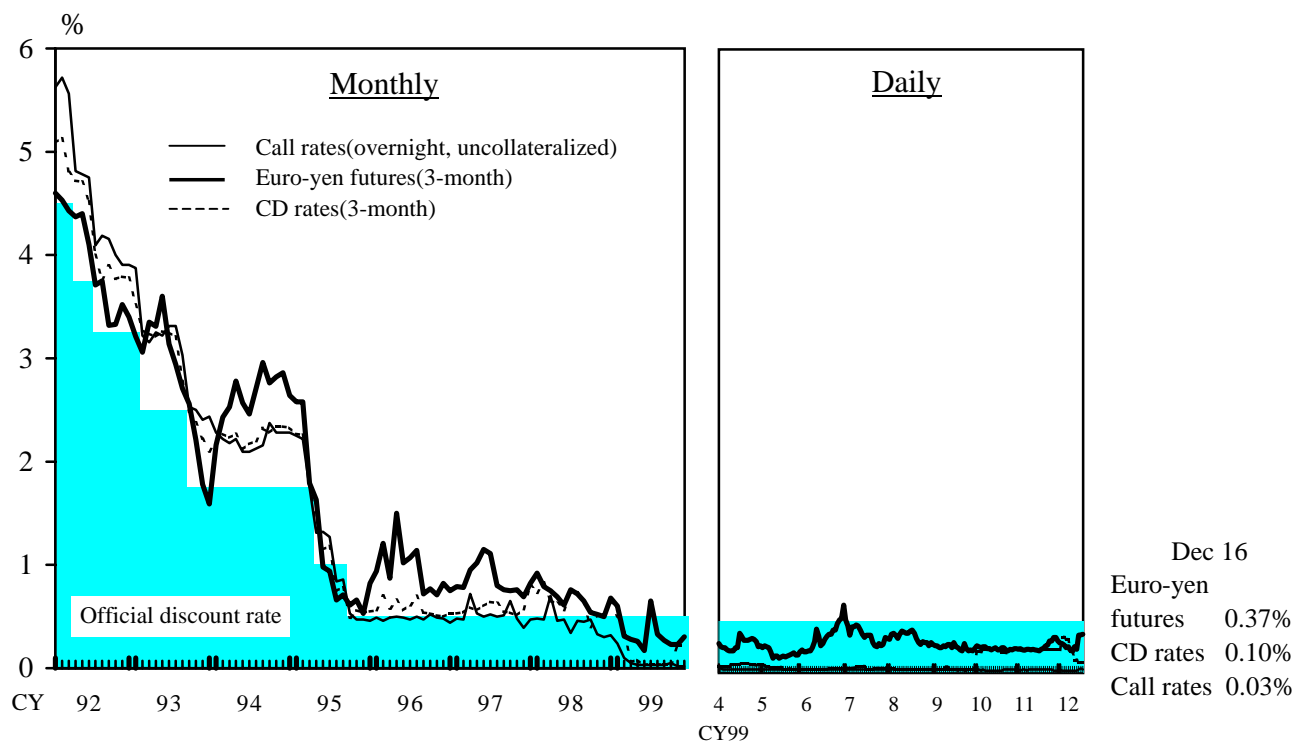
2. Figures are calculated by adding Production Capacity DI and Employment DI which are weighted by the relative share of capital and labor based on 1975-97 average.

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

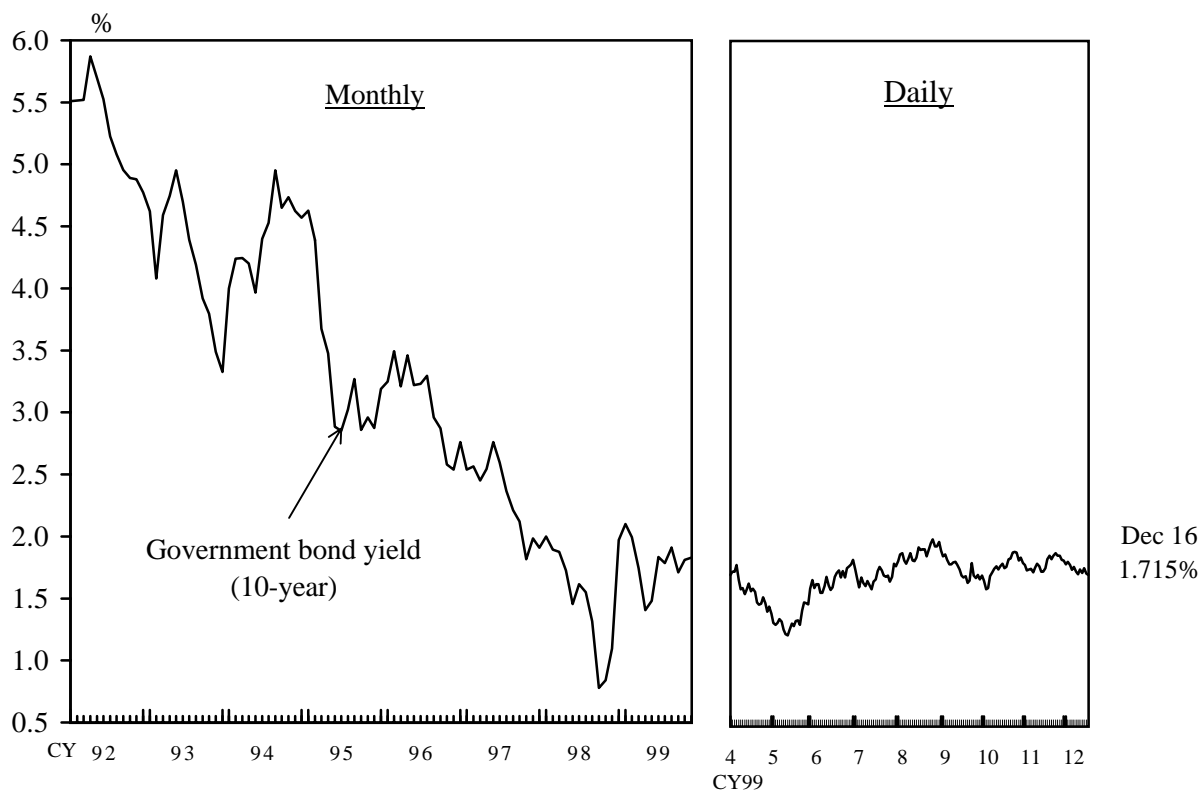
Sources: Economic Planning Agency, "National Income Statistics";
Bank of Japan, "*Tankan* Short-Term Economic Survey of Enterprises in Japan."

Interest Rates

(1) Short-Term



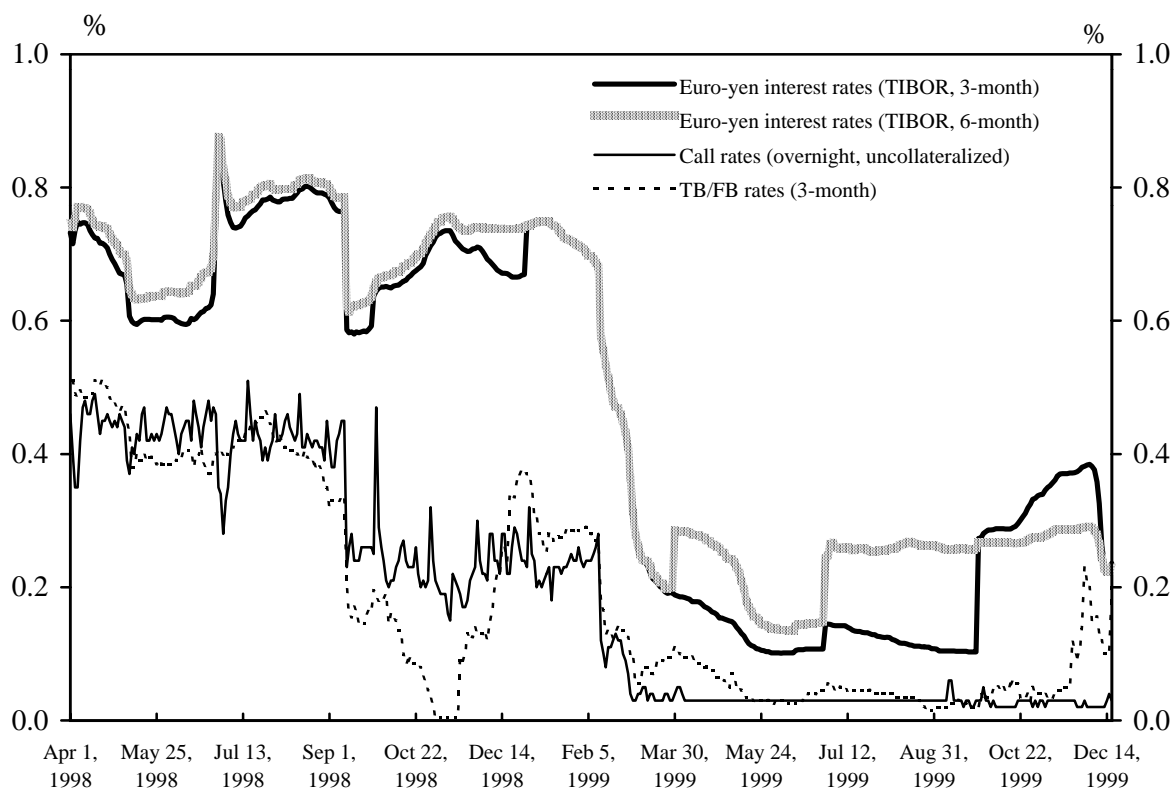
(2) Long-Term



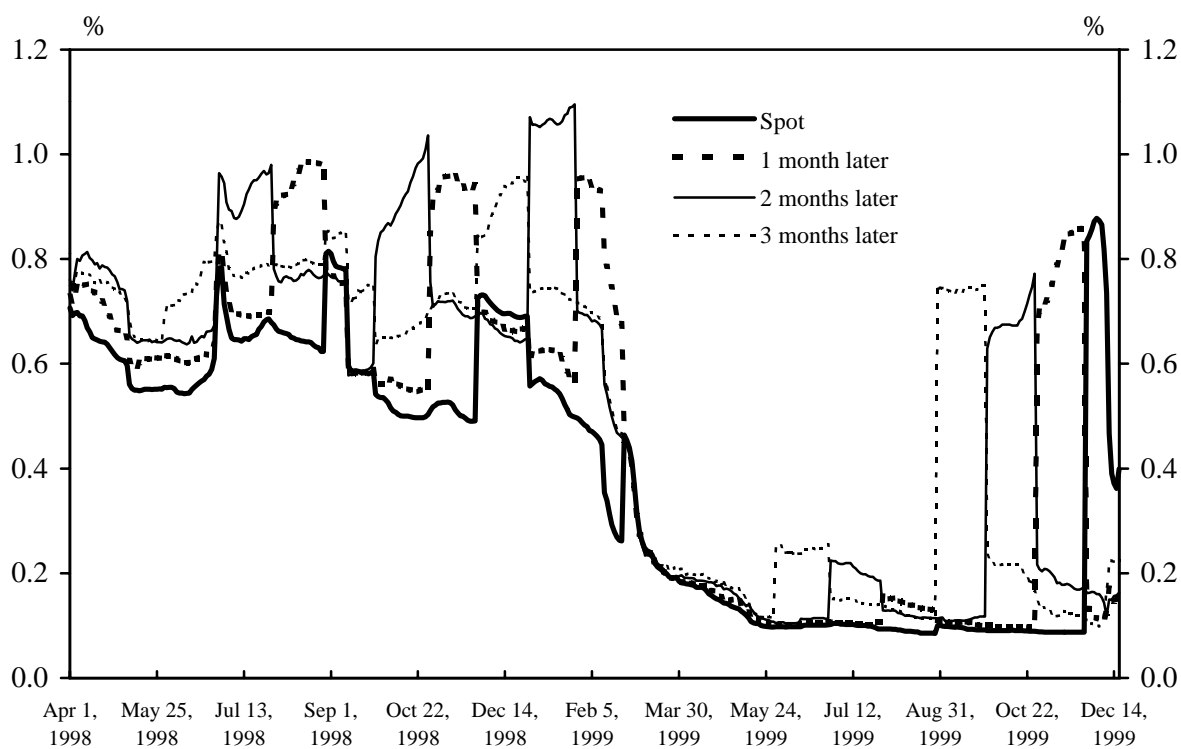
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

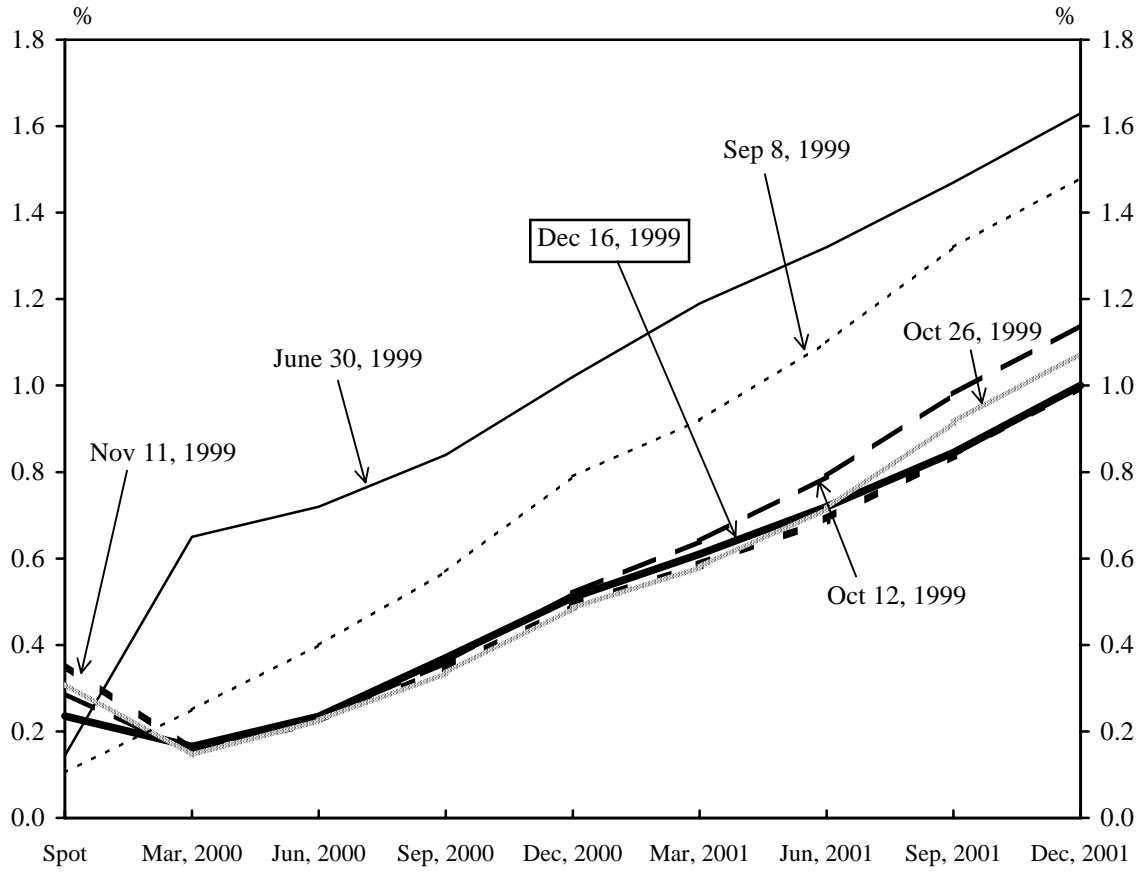


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

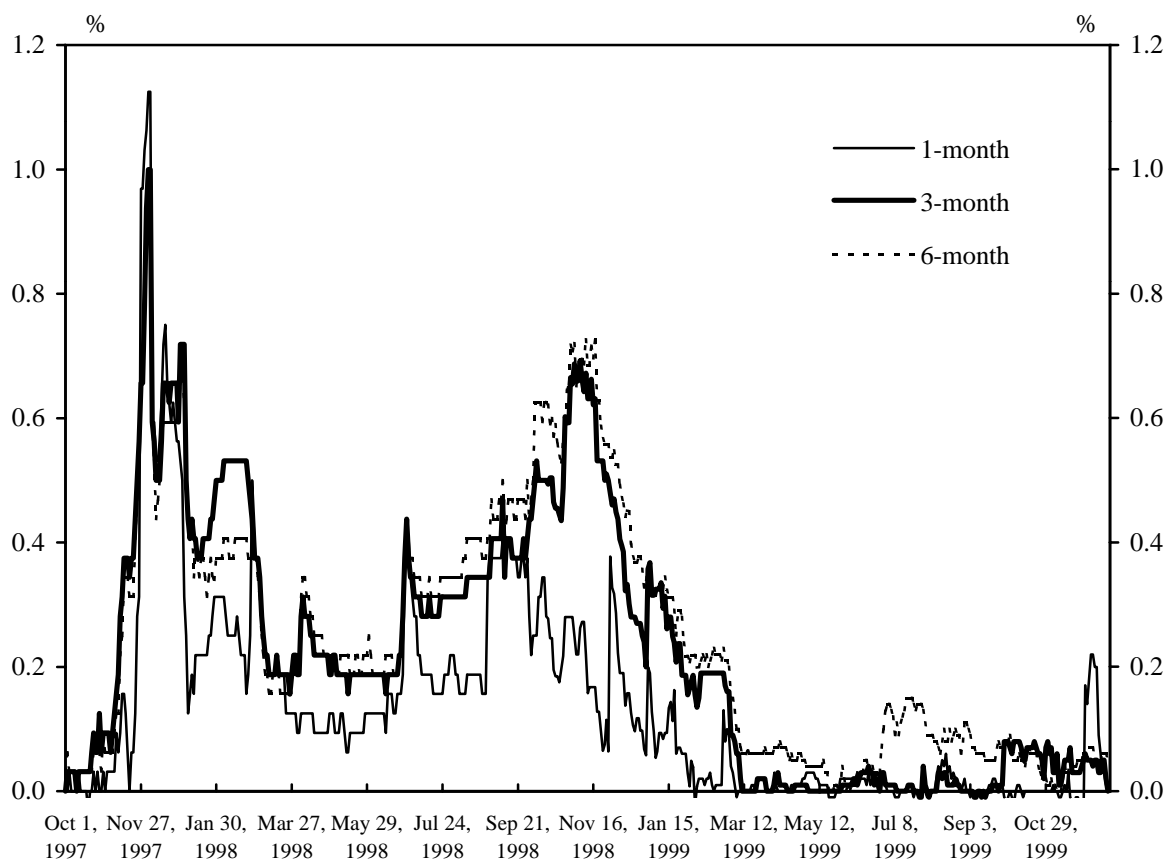


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Euro-Yen Interest Rates Futures (3-Month)



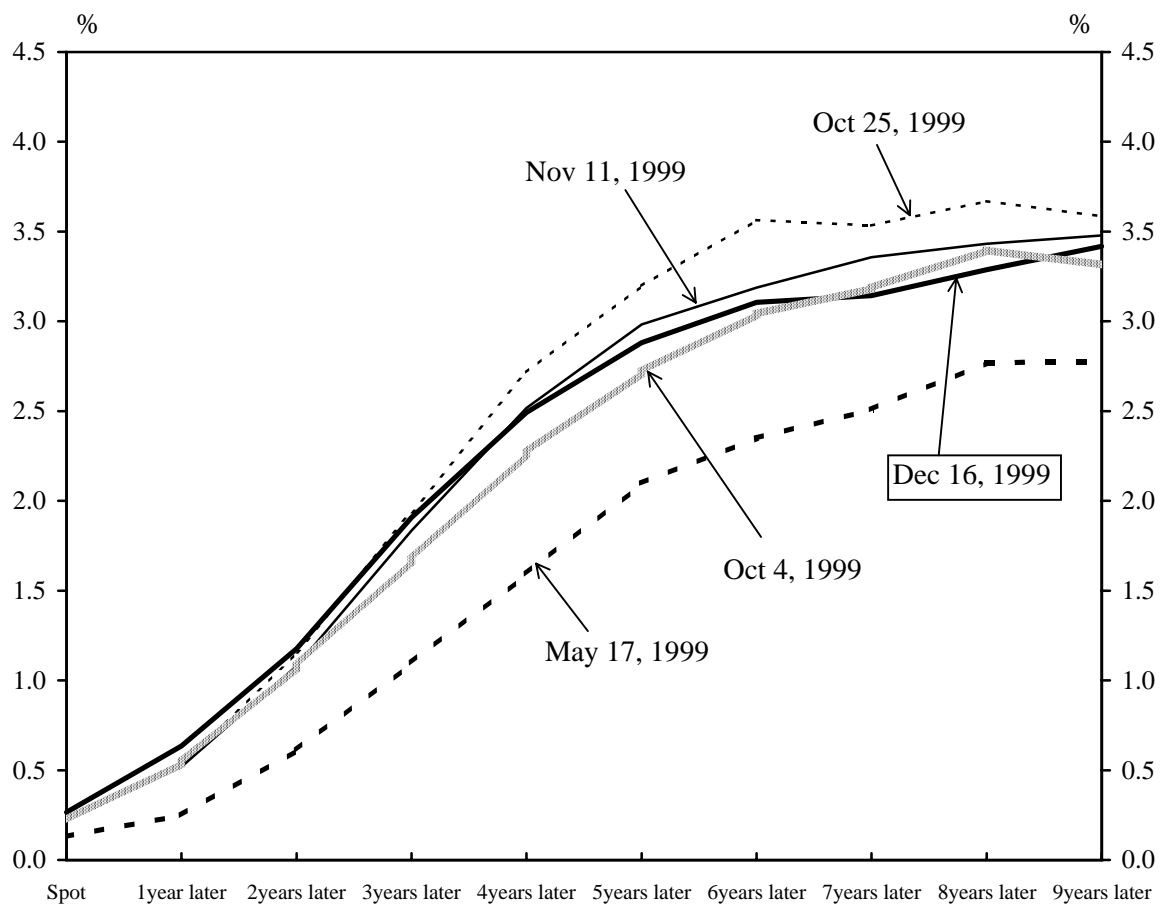
Source: Tokyo International Financial Futures Exchange.

Japan Premium in the Eurodollar Market¹

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

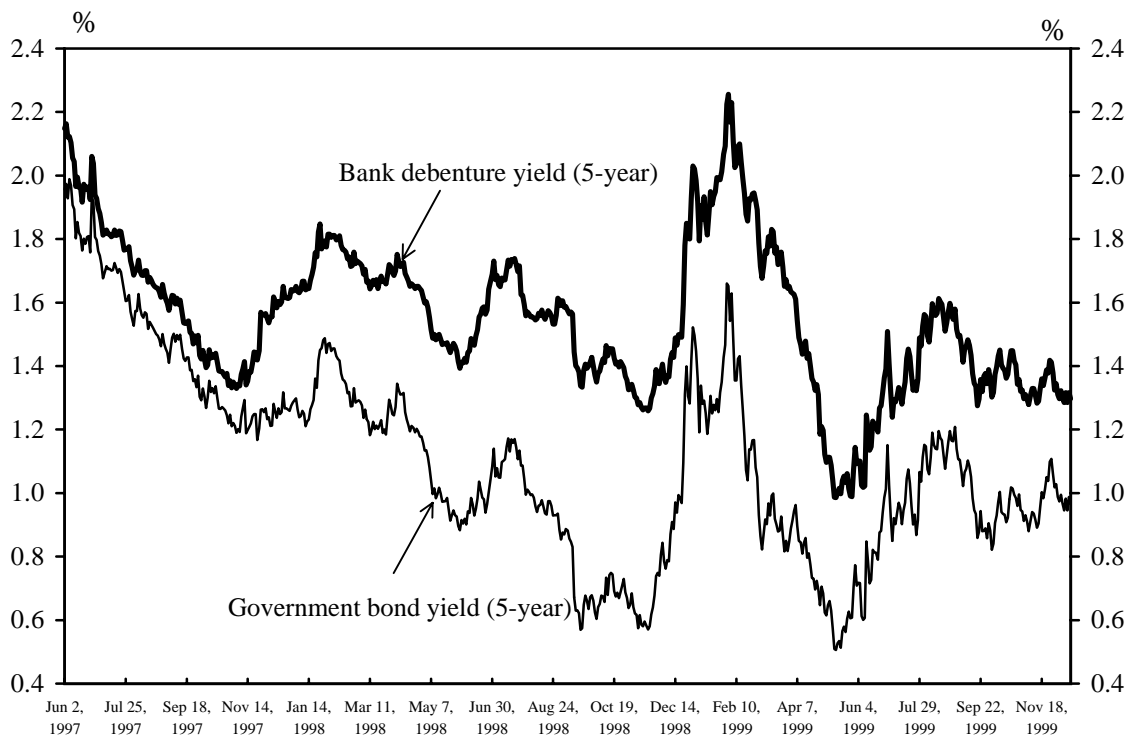


Note: 1. Calculated from yen-yen swap rates.

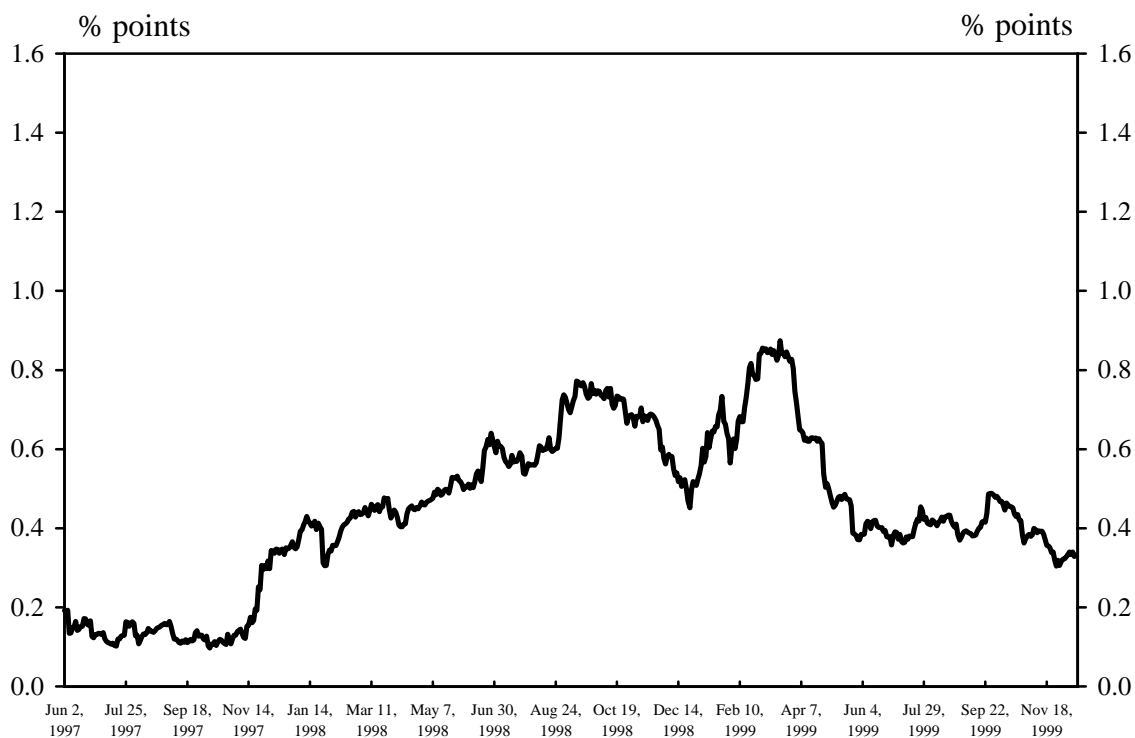
Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



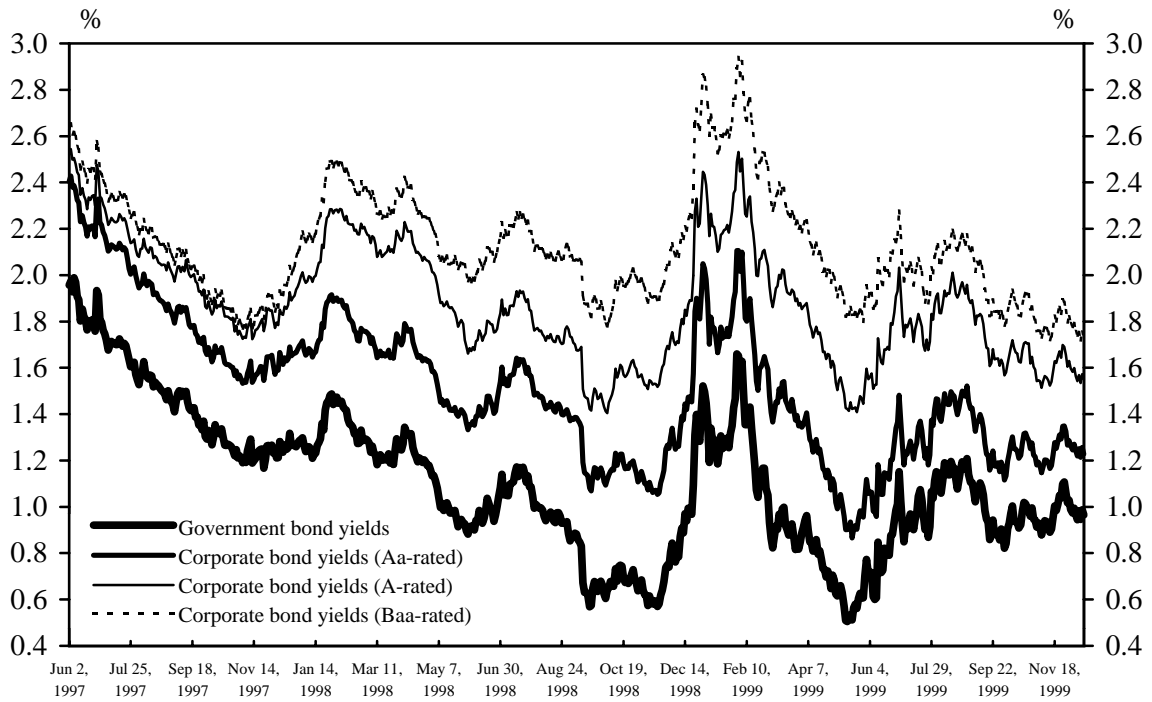
(2) Spread of Bank Debenture and Government Bond Yield



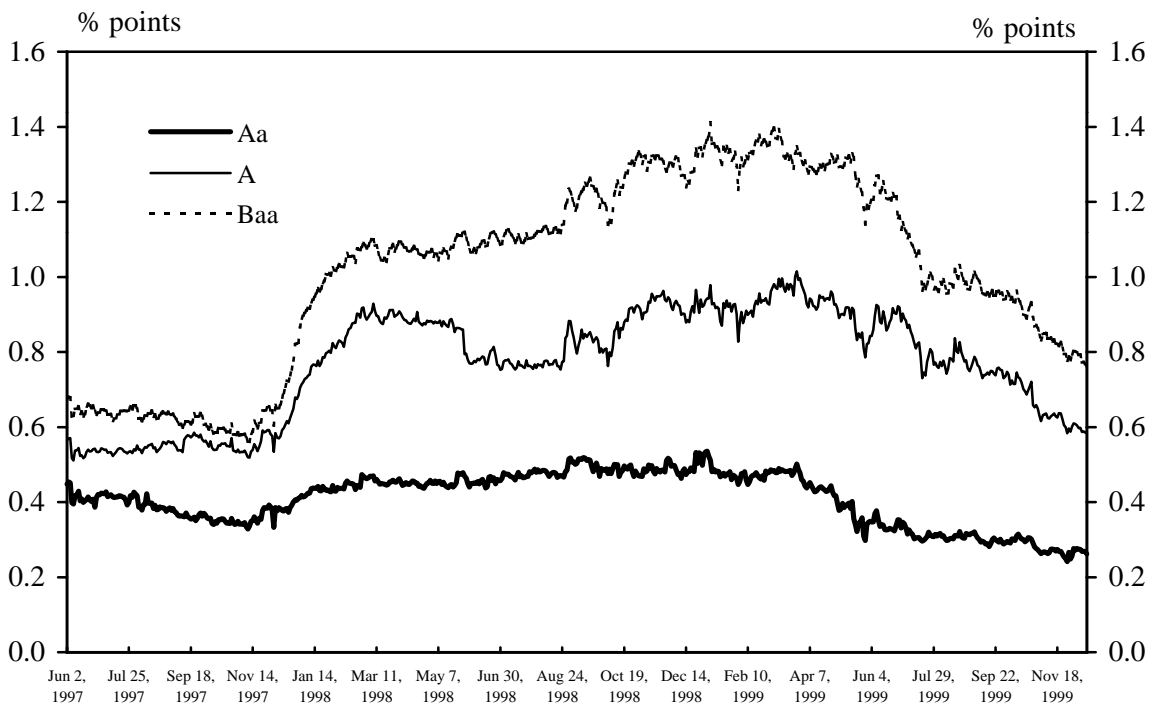
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields ¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



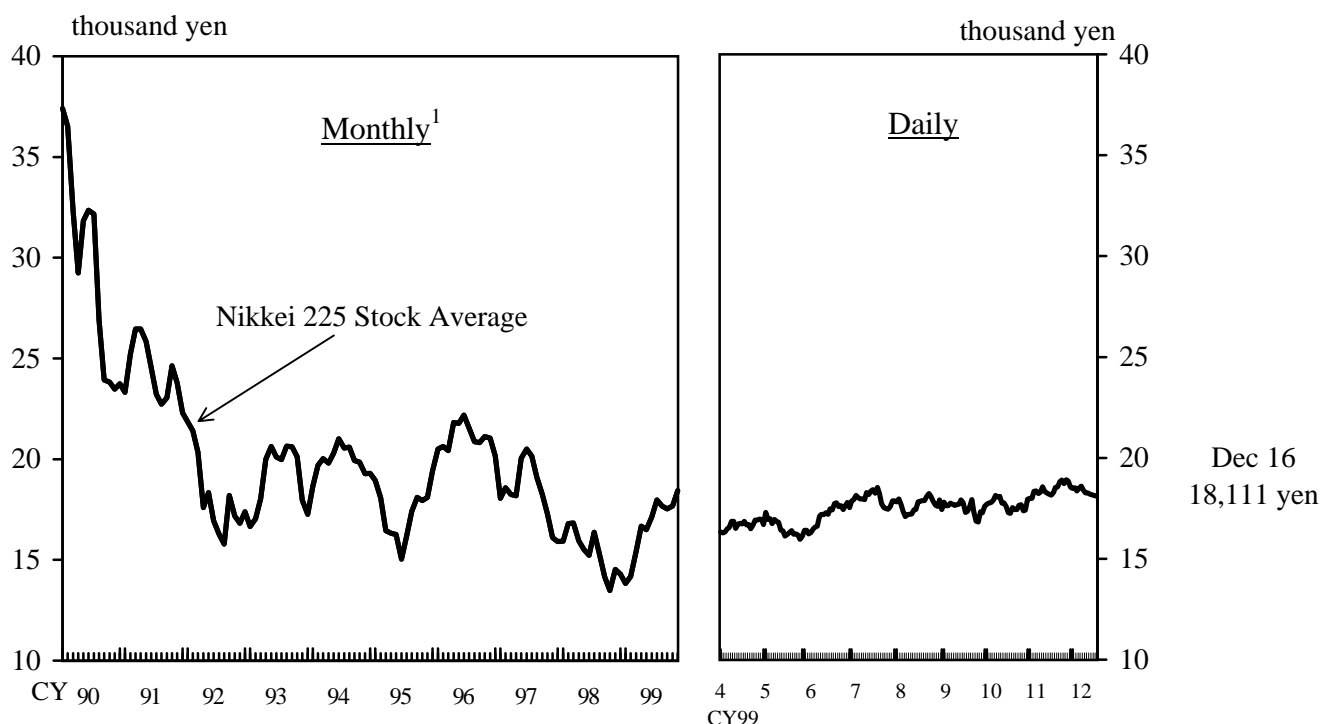
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

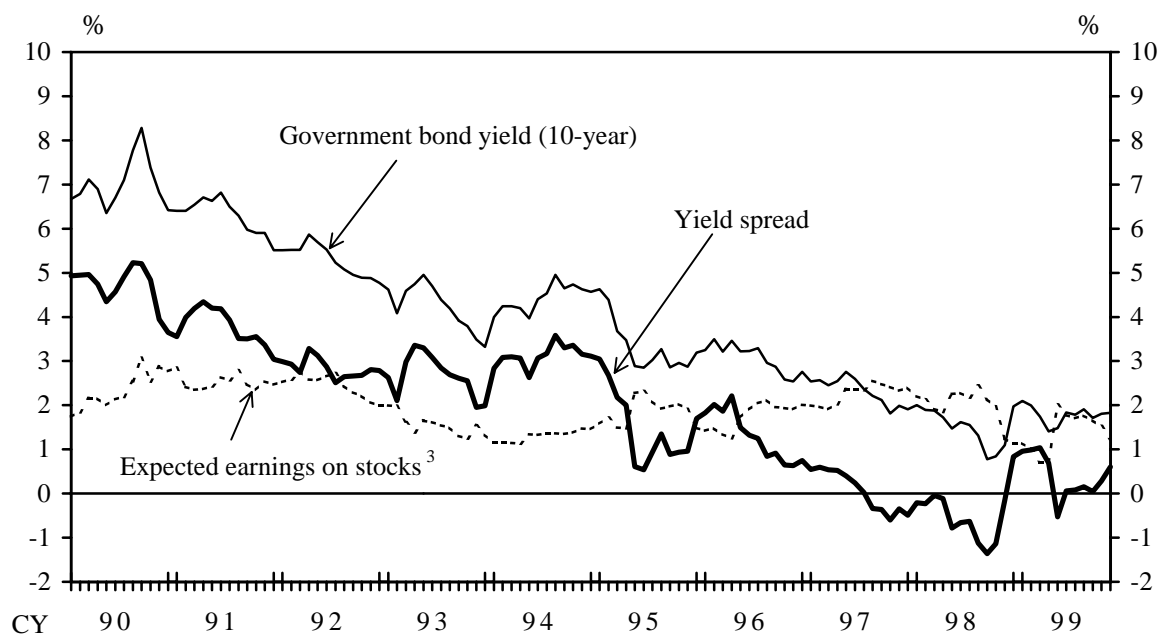
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

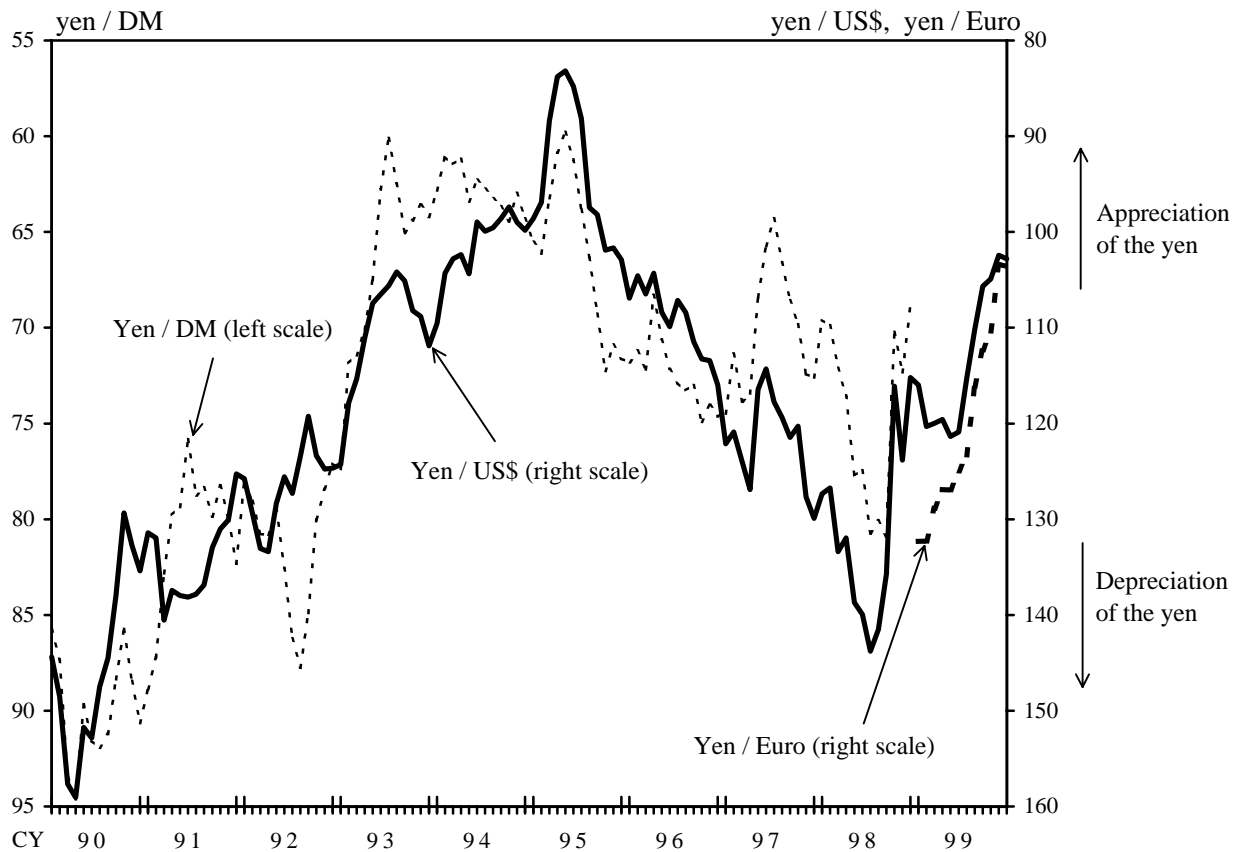
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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

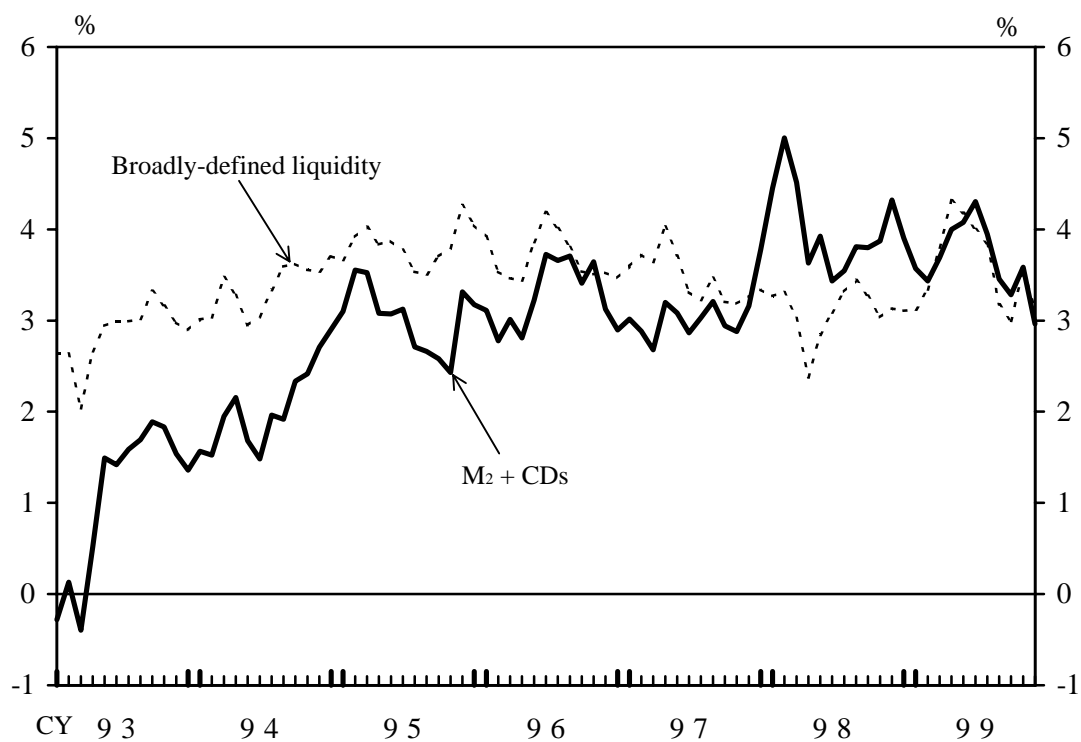


Note: 1. End of month. Data for December 1999 are as of December 16, 1999.

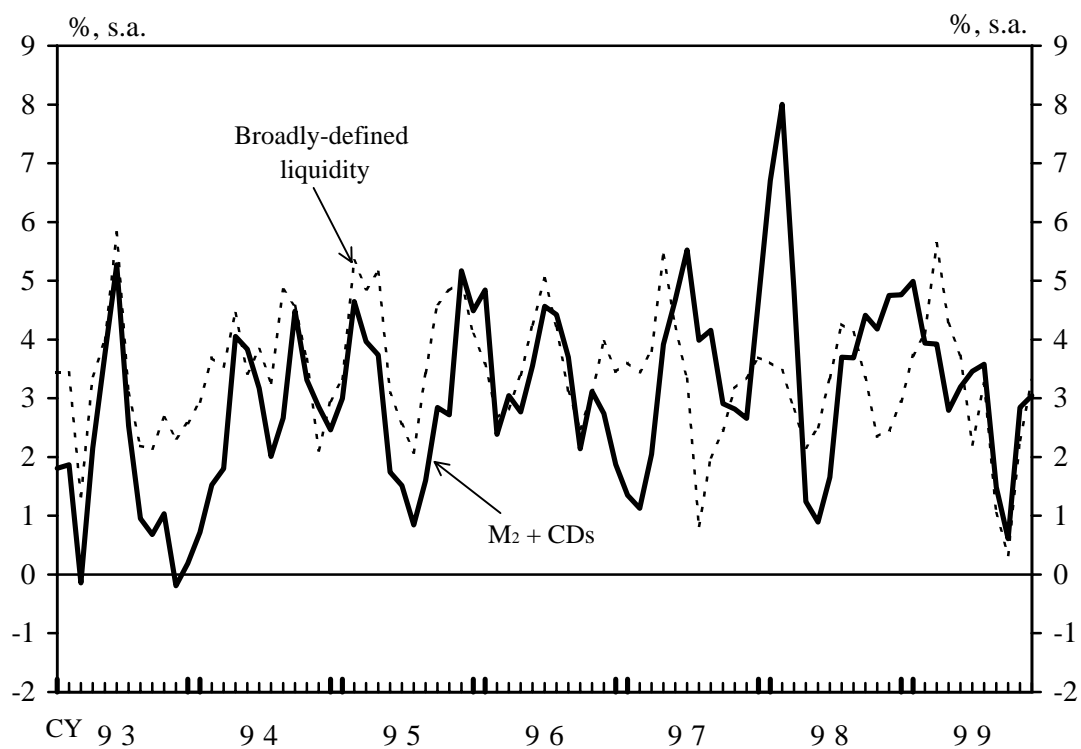
Source: Bank of Japan.

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

(1) Changes from a Year Earlier



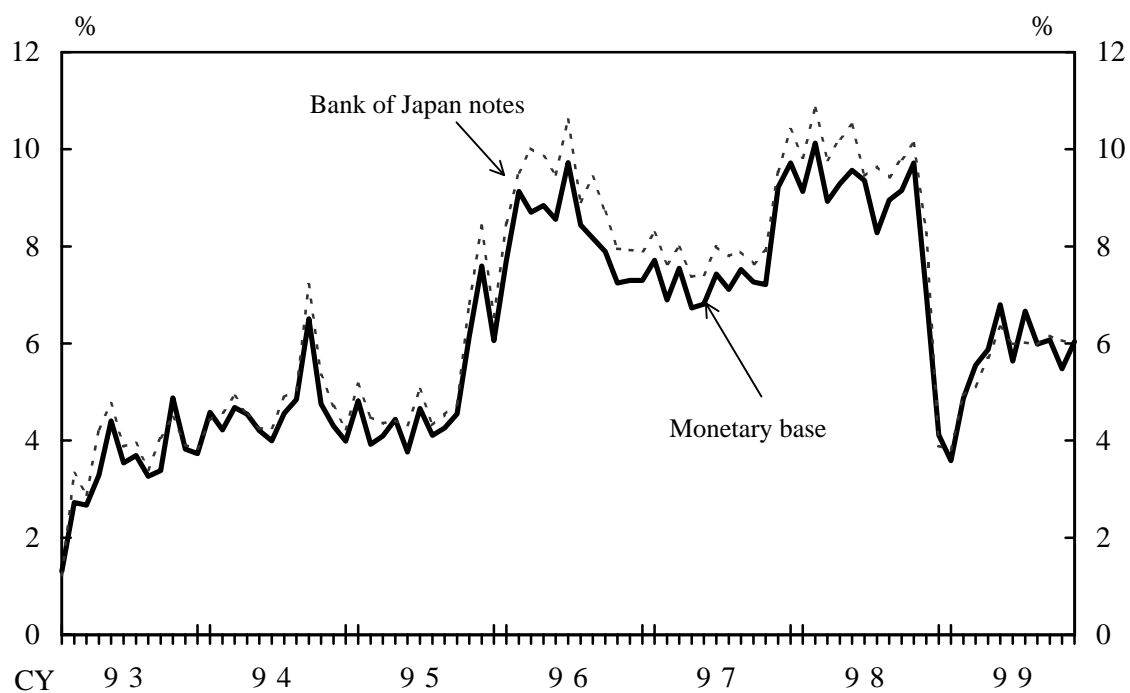
(2) Changes from Three Months Earlier (Annualized)



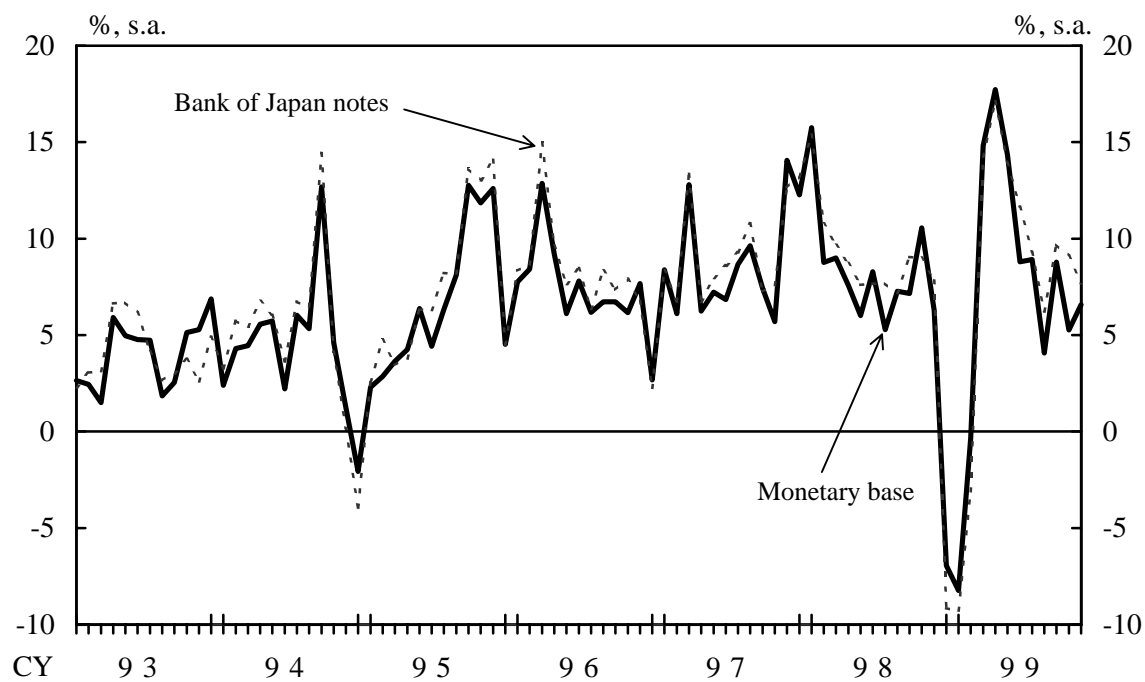
Note: 1. Percent changes in average amounts outstanding.
Source: Bank of Japan.

 Monetary Base ¹

(1) Changes from a Year Earlier

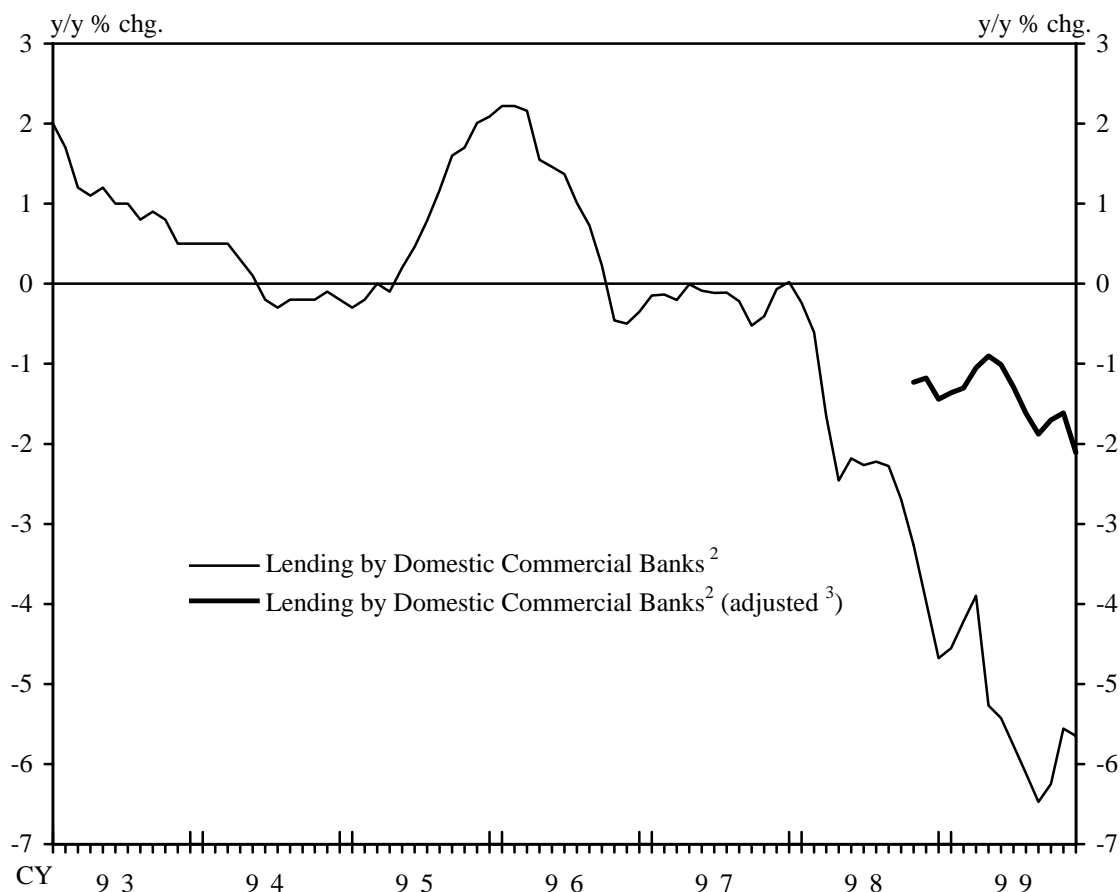


(2) Changes from Three Months Earlier (Annualized)



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.

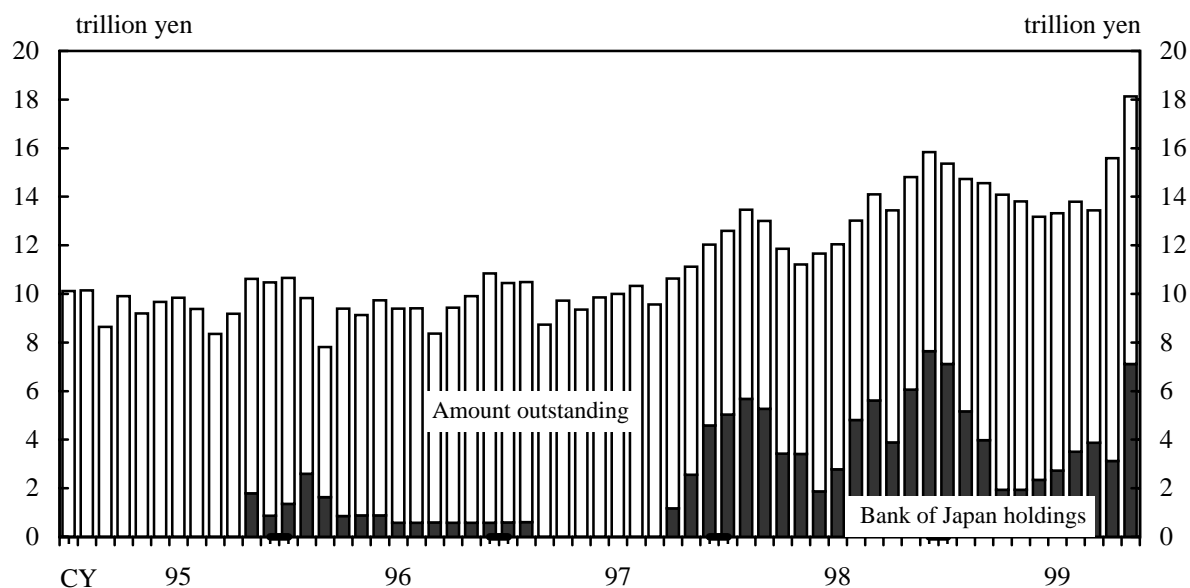
2. "Domestic commercial banks" refers to member banks of the Japanese Bankers Association, which consists of city banks, long-term credit banks, trust banks (excluding foreign-owned trust banks and trust banks that started business after October 1993), the member banks of the Regional Banks Association 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.

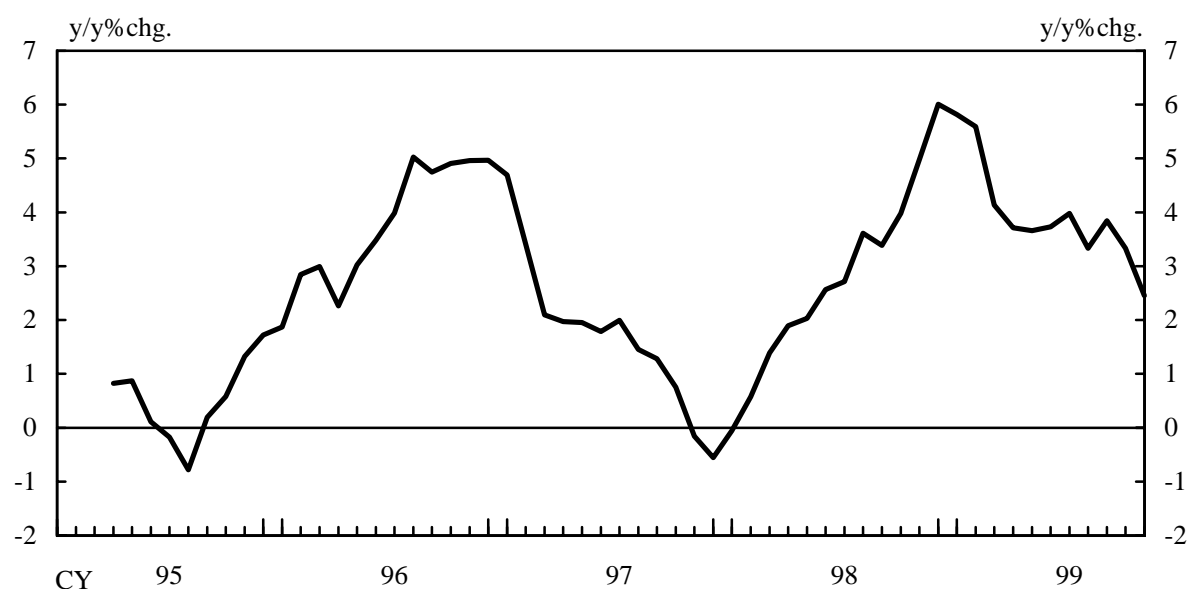
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Private-Sector Fund Raising in the Capital Markets

(1) Amount Outstanding of Commercial Papers¹(2) Issue Volume of Corporate Bonds²

(100 million yen)

	Jun, 1999	Jul, 1999	Aug, 1999	Sep, 1999	Oct, 1999	Nov, 1999
Volume	14,923	10,334	4,918	10,143	4,074	7,199
(last year)	(15,378)	(11,046)	(11,148)	(10,824)	(8,946)	(11,803)

(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.

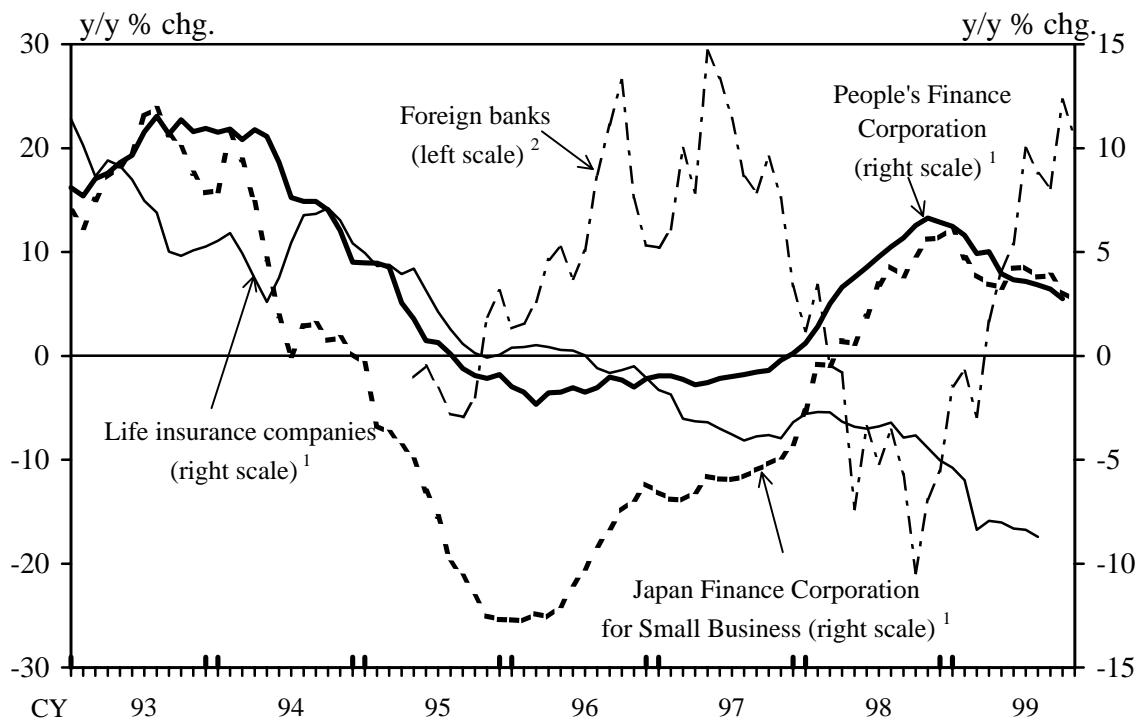
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

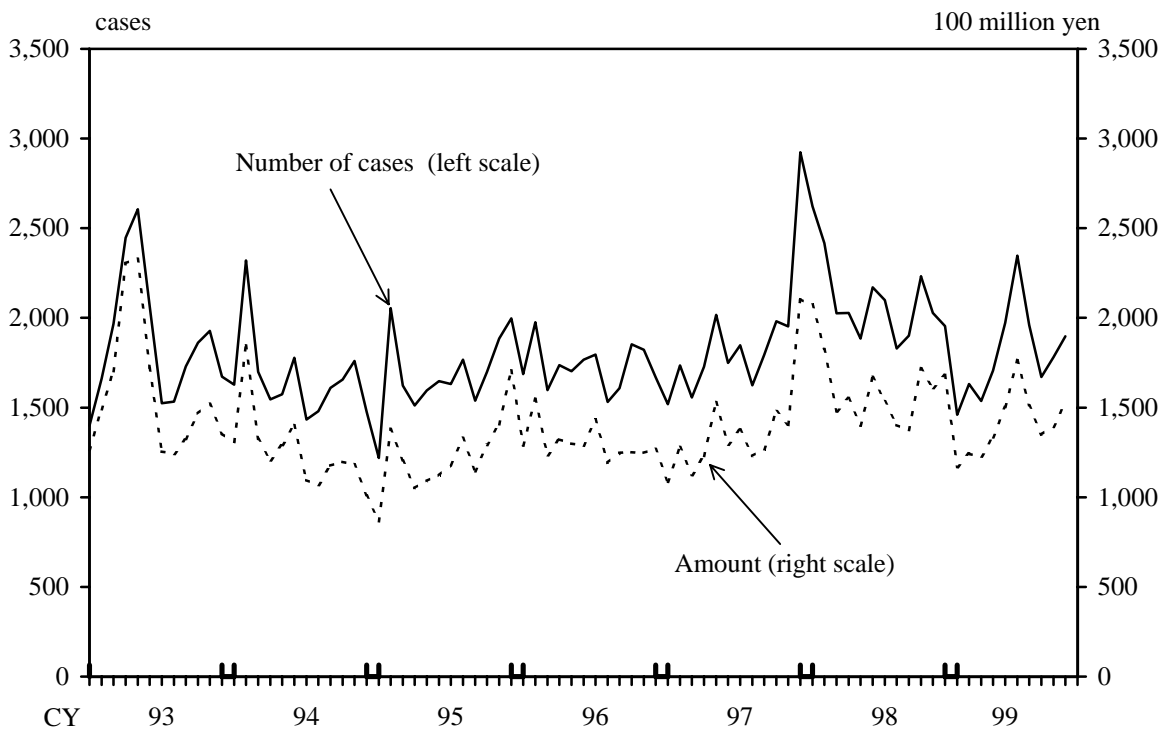
Lending by Other Financial Institutions

(1) Lending Outstanding



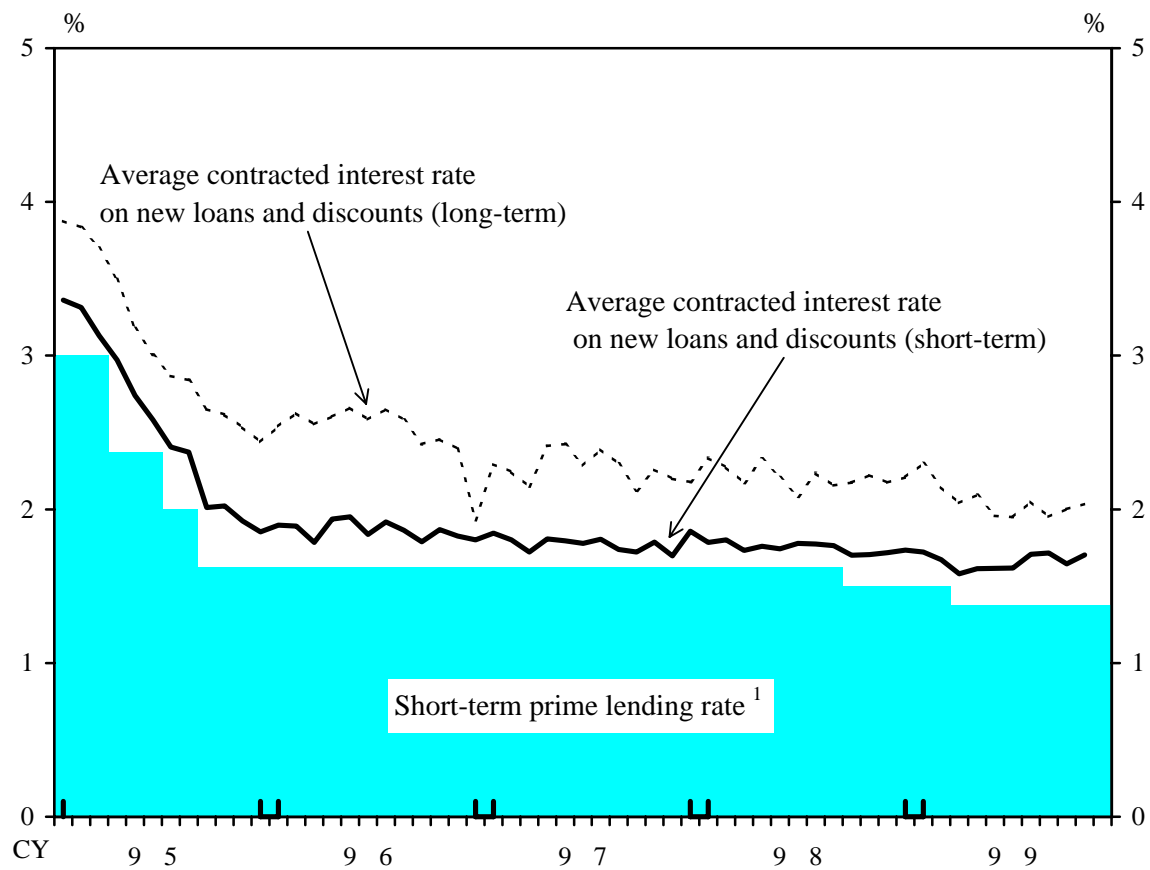
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

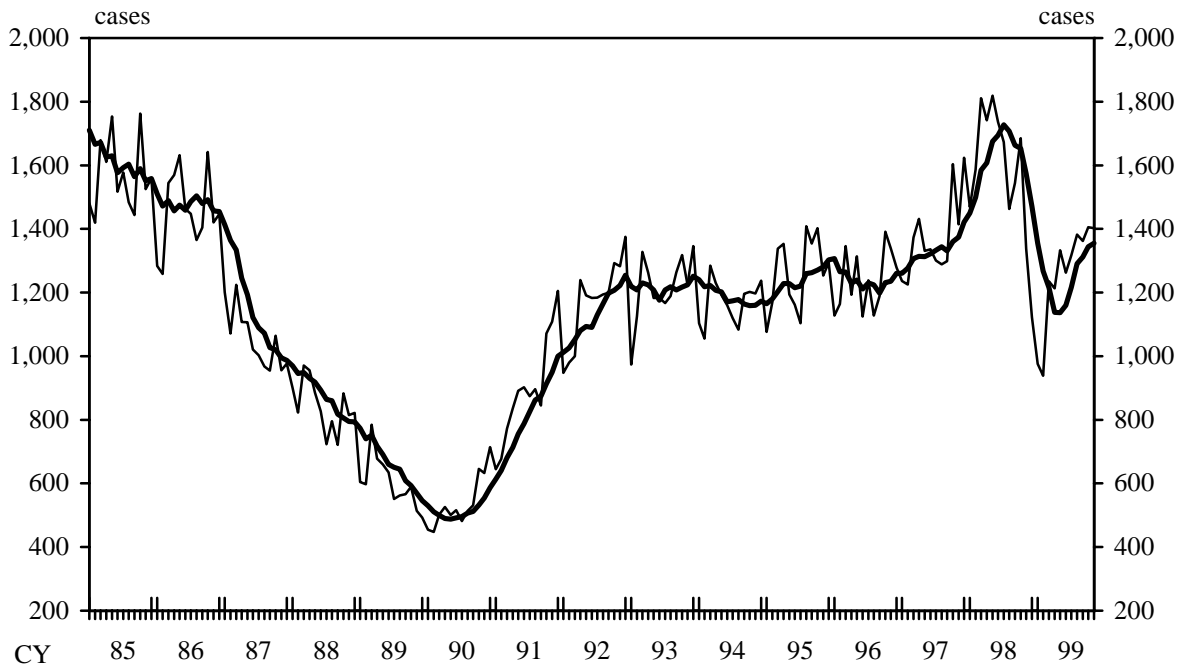


Note: 1. Data are at end of period.

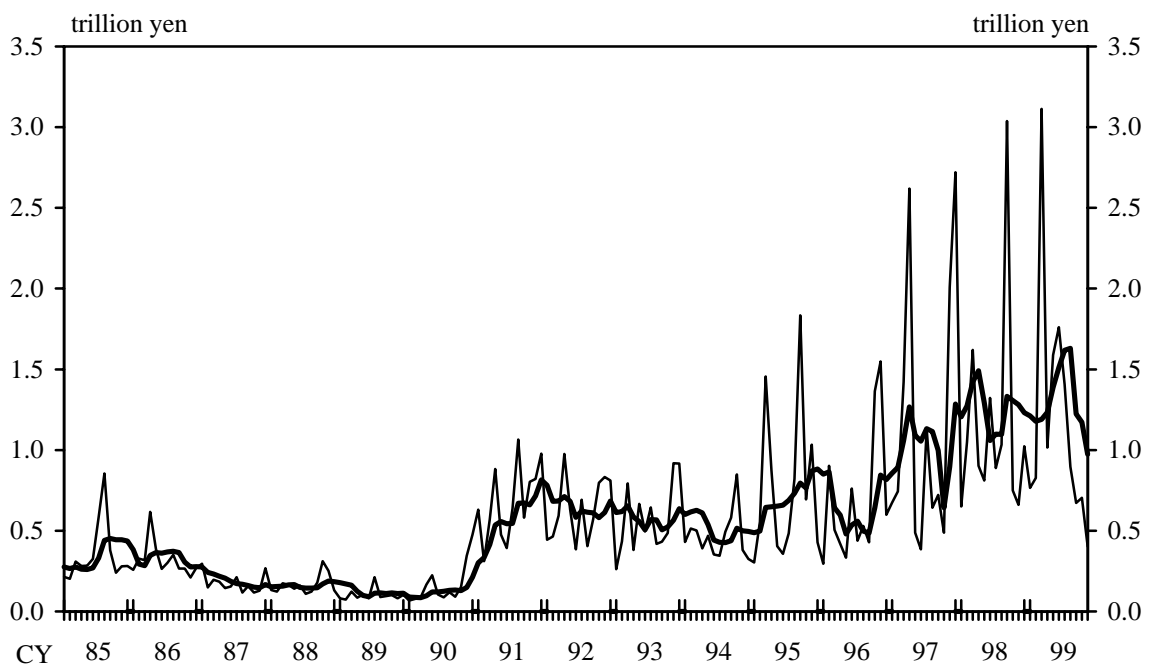
Source: Bank of Japan.

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)."