

March 23, 2000
Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
March 2000

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

March 2000

The Bank's View²

Japan's economy has recently started to improve. The economic environment surrounding private demand continues to improve, as seen in the 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 and public investment are decreasing moderately. Recovery in private consumption continues to be weak through lack of notable improvements in employment and income conditions. Meanwhile, business fixed investment, which had been on a downward trend, seems to have almost leveled off. Net exports (real exports minus real imports) continue to follow an upward trend due to an upturn in overseas economies.

Reflecting such developments in final demand, industrial production continues to rise, and an increase in corporate profits is becoming distinct. In this situation, corporate sentiment continues to improve. Regarding the employment condition, the decrease in the number of employees is slowing. However, the improvements in corporate profits and sentiment have not stimulated business activities of many firms, because these 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, public investment is likely to pick up reflecting the progress in the implementation of the supplementary budget for fiscal 1999. This, along with the favorable financial environment created partly by the Bank's monetary

¹ This report was written based on data and information available when the Bank of Japan Monetary Policy Meeting was held on March 8, 2000.

² The Bank's view on recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on March 8 as the basis of monetary policy decisions.

easing, is expected to continue underpinning the economy. Moreover, the positive impact on domestic production of the recovery of overseas economies is likely to continue for some time, having favorable effects on corporate profits and spending, and then on household income and consumption. By contrast, it is highly probable that housing investment will continue to decline moderately. In the corporate sector, restructuring is gradually improving profitability to some extent, and some firms in high-growth sectors are inclining toward increasing capital spending. Many firms, however, are expected to maintain a cautious stance toward fixed investment based on their modest prospects for sales. It seems that the appreciation of the yen since the summer of 1999 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 continued improvements 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 rising due to the increase in international commodity prices such as crude oil prices, along with the recent depreciation 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. Meanwhile, consumer prices are somewhat weak due to a decline in prices of imported products reflecting the past appreciation of the yen. Corporate service prices are still falling slowly. As for the outlook, upward pressure on prices is likely to arise from the gradual improvement in domestic supply-demand balance, as shown in the decline in inventories, and from the rise in crude oil prices. On the other hand, downward pressure is expected from the long-term declining trend of machinery prices due to technological innovations and from the fall in prices of imported products reflecting the past appreciation of the yen. On balance, overall prices are likely to remain unchanged for the time being. However, attention should still be paid to the downward pressure on prices stemming from weak demand, 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 generally stayed near zero, except for a temporary rise reflecting concerns about the possible computer problems related to the leap year, and financial institutions have been confident about the availability of overnight funds. The amount outstanding of funds in the call money market increased slightly in late February, and decreased thereafter.

Interest rates on term instruments have generally been stable at an extremely low level. The Japan premium remains negligible.

Yields on long-term government bonds were generally above 1.8 percent in February, but declined somewhat from the beginning of March, and are recently ranging between 1.7 and 1.8 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 have been firm on the whole, and are currently moving around 20,000 yen.

In the foreign exchange market, the yen weakened against the U.S. dollar for most part of February. However, the trend was reversed late in the month, and the yen is recently being traded in the range of 106-108 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 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, firms continue to reduce debts as part of their balance-sheet restructuring measures. As a result, credit demand in the private sector has continued to be basically stagnant, and thus private banks' lending has remained sluggish. Issuance of corporate bonds and CP has been steady.

The growth in money stock (M_2 +CDs) continues to slow reflecting the above-mentioned situation.

In this financial environment, corporate financing conditions are easing, and the lending attitude of financial institutions is perceived by firms as 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), because the value of public works contracted, which reflects orders, turned to a slight decline from early autumn 1999, public investment seems to be gradually declining.³

As for the outlook, public investment is expected to turn to an increase gradually along with the orders of the supplementary budget becoming full-scale.

Real exports⁴ (Charts 3 to 5) in January 2000 remained almost at the same level as during the fourth quarter of 1999, as automobile exports to Europe and the Middle East declined due to the effects from the past appreciation of the yen. Nonetheless, they essentially remain on an increasing trend because of the recovery in overseas economies and the expansion of global demand for information-related goods. Meanwhile, real imports, especially those of crude oil, declined in January 2000 from the fourth-quarter level, following a large increase through the end of 1999.

As a result of these import and export developments, net exports (real exports – real imports) in terms of the real trade balance⁵ seem to remain on an increasing trend.

As for the future environment for foreign trade, the appreciation of the yen since the summer of 1999 is likely to exert downward pressure on export profitability

³ Shipments of public works related goods during January 2000 increased somewhat from the fourth quarter of 1999 due to the shipments of large items such as materials for bridges. The Labor Force Survey shows, however, that the number of workers employed in the construction industry (seasonally adjusted) has been declining substantially after peaking in October 1999 (at 6.74 million). (The average number of workers employed in the construction industry declined from 6.57 million in the fourth quarter of 1999 to 6.25 million in January 2000).

⁴ Annual revisions for the Trade Statistics are conducted in February each year, and along with the consequent seasonal adjustments, the export and import statistics are revised retroactively.

⁵ 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).

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 the wealth effect from the rise in stock prices.

The decline in business fixed investment seems to have almost leveled off. Shipments of general capital goods, which move almost simultaneously with machinery investment, declined slightly by 1.3 percent in the fourth quarter of 1999 on a seasonally adjusted quarter-to-quarter basis partly because some firms decided to postpone computer purchases due to concerns about the Year 2000 problem, but then posted a relatively large increase of 6.2 percent in January 2000 compared to the fourth-quarter level. Among leading indicators (Chart 7), nonresidential construction starts increased by 9.7 percent in the fourth quarter of 1999 compared to the third-quarter level, and then surged by 26.8 percent in January compared to the fourth-quarter level, partially due to large-scale redevelopment projects in the nonmanufacturing industries. Machinery orders (private demand; excluding shipbuilding and electric power equipment) increased by 3.1 percent in the third quarter of 1999 on a seasonally adjusted quarter-to-quarter basis and then rose by 9.9 percent in the fourth quarter compared to the third-quarter level.

As for the outlook, the environment surrounding business fixed investment is expected to continue improving as the financing conditions of firms have improved (Chart 8) and the improvement in firms' profitability is expected to continue amid production increases and progress in corporate restructuring. Reflecting these developments, an increasing number of firms have recently started to expand their capacity in the industries enjoying an extremely strong increase in demand, such as electronics parts. Many firms, however, are expected to maintain a cautious stance toward business fixed investment for the time being, based on their modest prospects for sales.

The recovery in private consumption remains weak as a whole. According to sales indices (Chart 9), sales of household electric appliances remain at a high level mainly due to firm sales of personal computers and large household electric appliances. Sales at department stores and the number of passenger car sales have also been recovering somewhat since the beginning of the year. Sales at chain stores, however, remain on a declining trend, and outlays for travel declined substantially through the end of 1999, as individuals refrained from traveling overseas due to concerns about the Year 2000 problem.

As for future consumption trends, while consumer sentiment, which had been flat since the early spring of 1999, is improving gradually again (Chart 10), the recovery in private consumption is likely to remain weak for the time being amid the lack of notable improvements in employment and income conditions.

Housing investment (Chart 11) remains on a gradual declining trend, although it posted a large increase in January. (On a seasonally adjusted annual basis, housing starts totaled 1.23 million units in the third quarter of 1999, 1.17 million units in the fourth quarter, and 1.35 million units in January 2000). In January, construction starts of owner-occupied houses increased from what are considered to be temporary factors,⁶ and those of housing for sale also increased.

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, judged from the number of loan applications to the government Housing Loan

⁶ Construction starts of owner-occupied houses in January increased due to the rush of demand in loan applications to the government Housing Loan Corporation at the end of its second offering period for fiscal 1999 (July 26 – October 29, 1999; 88,000 applications for the construction of private homes) because of the public announcement that the Corporation's standard interest rates would rise during the subsequent application period, and many of the housing starts financed by these loans and by loans arranged during the Corporation's third offering period for fiscal 1999 (November 15, 1999 – January 14, 2000; 37,000 applications for the construction of private homes) apparently took place in January.

Corporation.⁷ Furthermore, housing for sale is also likely to turn to a decrease gradually.

Reflecting these developments in final demand and also because inventory adjustments are probably mostly completed (Chart 12), industrial production (Chart 13) remains on an increasing trend⁸ and is expected to remain firm for the time being.

Employment and income conditions still remain harsh overall, although there is a slowdown of the decrease in the number of regular employees accompanying the increase in production. In the labor market (Chart 14), the ratio of job offers to applicants (seasonally adjusted) was 0.52 in January 2000, improving slightly from the previous month (0.50), and the unemployment rate (seasonally adjusted) was 4.7 percent, at the same level as during the previous month. The number of regular employees (on a Monthly Labour Survey basis at establishments with at least five employees) essentially remained flat, slightly below the previous year's level. As for wages (Chart 15), nominal wages per employee in January turned to an increase compared to the previous year due to a recovery in overtime payments along with the increase in production and also due to an increase in regular payments.⁹ Reflecting these employment and wage developments, compensation of employees in January was also above the previous year's level. As for the outlook, the recovery in production activities is expected to have favorable effects on overtime payments and labor demand. Nevertheless, overall employment and income conditions are likely to remain harsh due to firms' strong stance toward restricting personnel expenses.

⁷ Loan applications to the government Housing Loan Corporation during its third offering period for fiscal 1999 declined substantially by 47.2 percent from the previous year in reaction to the rush of demand during the previous offering period.

⁸ Following an increase of 0.8 percent during the fourth quarter of 1999 on a seasonally adjusted quarter-to-quarter basis, industrial production continued to rise by 0.9 percent during January 2000 compared to the previous month.

⁹ Nominal wages per employee during January 2000 may be biased by the following temporary factors: (1) working hours were longer than during a normal year as a result of concerns about the Year 2000 problem, and (2) some samples for the Monthly Labour Survey were changed. Thus, the January figures alone are not sufficient to conclude that a change has occurred in the wage trend.

2. Prices

With regard to price developments, import prices on a yen basis (Chart 17(1)) turned to an increase due to the effects from the recent depreciation of the yen along with the rise in international commodity prices such as crude oil prices. (The month-to-month change in import prices on a yen basis was -0.6 percent in December 1999, +2.2 percent in January 2000¹⁰, and +4.3 percent in February).

Domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates;¹¹ Chart 17(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 December 1999, 0.0 percent in January 2000, and +0.1 percent in February).

Corporate service prices (domestic supply-demand factors)¹² (Chart 18(1)) continue to decline slowly, mainly due to decreases in the prices for general services. (The year-to-year change in corporate service prices was -1.0 percent in the fourth quarter of 1999 and -0.9 percent in January 2000).

¹⁰ The Bank of Japan has revised the treatment of foreign exchange rates in compiling the Wholesale Price Index from January 2000. Formerly, upon converting each price datum, a market exchange rate was revised only when transactions of the commodity were made during that period. Otherwise, a market exchange rate was fixed at the level in the last transaction (in this case, not only the contract currency basis but also the yen basis index remained unchanged). From January 2000, the exchange rate of each survey period will be used for all data, regardless of the presence of transactions during the period. However, as the December 1999 index is compiled only on the old basis, the January 2000 index is also compiled on the old basis to calculate the month-to-month change from December to January.

¹¹ 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.

¹² Corporate service prices (domestic supply-demand factors) only 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 January 2000 because in addition to the movements in domestic-demand factors, transport prices increased along with the recent depreciation of the yen. (The year-to-year change in the overall CSPI was -1.0 percent in the fourth quarter of 1999 and -0.8 percent in January 2000).

Consumer prices (excluding perishables; Chart 18(2)) overall decreased somewhat from the previous year, as the rise in the prices of private-sector services contracted, while the prices of imported products continued to decline due to the past appreciation of the yen. (The year-to-year change in consumer prices was -0.2 percent in November 1999, -0.1 percent in December, and -0.3 percent in January 2000).¹³

Regarding the future environment for prices, upward pressure on prices is likely to arise from the gradual improvement in the domestic supply-demand balance, as shown in the decline in inventories and from the rise in crude oil prices. On the other hand, downward pressure is expected from the long-term declining trend of machinery prices due to technological innovations and from the fall in the prices of imported products reflecting the past appreciation of the yen. On balance, overall prices are likely to remain unchanged for the time being.¹⁴ However, attention should still be paid to the downward pressure on prices stemming from weak demand, 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 19(1) and 20) show that with the continued ample provision of funds by the Bank of Japan the overnight call rate (uncollateralized) has generally stayed near zero, at 0.02 percent, except for a temporary rise reflecting concerns about possible computer problems related to the leap year, and financial institutions have been confident about the

¹³ The year-to-year decline in overall consumer prices including perishables remained larger than 1.0 percent through the end of 1999 because the prices of fresh vegetables rose sharply during the fourth quarter of 1998 but declined during 1999. However, as the influence from this factor is subsiding, the amount of the year-to-year decline is gradually contracting (the year-to-year change was -1.1 percent in December 1999 and -0.9 percent in January 2000).

¹⁴ In greater detail, differences in the price index characteristics may lead to different movements of product price indices. While the Domestic Wholesale Price Index, which gives a relatively high weighting to petroleum products, is rising slightly, the Consumer Price Index (excluding agricultural, livestock and fishery products), which gives a high weighting to imported products, is likely to decline slightly due to the influence from the past appreciation of the yen.

availability of overnight funds. The amount outstanding in the call money market increased slightly in late February, and decreased thereafter.

As for interest rates on term instruments, three-month Euro-yen (TIBOR), TB, and FB rates have generally been stable at an extremely low level. The Japan premium (Chart 22) remains negligible.

Yields on ten-year government bonds (newly issued; Chart 19(2)) were generally above 1.8 percent in February, but declined somewhat from the beginning of March as the yen began to appreciate slightly once again, and are presently ranging between 1.7 and 1.8 percent. The yield spread between government and private bonds (bank debentures and corporate bonds; Charts 24 and 25) continues narrowing, primarily for bonds with relatively low ratings.

Stock prices (Chart 26(1)) have been firm on the whole, and are currently moving around 20,000 yen.

In the foreign exchange market (Chart 27), the yen weakened against the U.S. dollar for most of February due to the growing gap between interest rates at home and abroad and the prospects that Japan's GDP figures for the fourth quarter of 1999 would show a decline from the previous quarter. However, the trend was reversed late in the month on concerns regarding the sale of foreign-currency denominated assets by Japanese institutional investors toward the end of the fiscal year. At present, the yen is being traded in the range of 106-108 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The year-to-year growth in money stock (Chart 28) in terms of $M_2 + CDs$ continued to slow, reflecting the stagnant private credit demand. (The year-to-year growth in $M_2 + CDs$ was 3.6 percent in October 1999, 2.9 percent in November, 2.6 percent in December, and 2.6 percent in January 2000).

The year-to-year growth in the monetary base (currency in circulation + reserves; Chart 29) had generally been in the range of 5.5-7.0 percent through

November 1999, and then rose sharply in December-January in connection with concerns regarding the Year 2000 problem. In February 2000, the growth fell back to the 7 percent level.

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 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, many firms continue to reduce debts as part of their balance-sheet restructuring measures. 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;¹⁵ Chart 30), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, remains sluggish. (The year-to-year change was -1.6 percent in October 1999, -2.1 percent in November, -2.2 percent in December, -2.4 percent in January 2000, and -2.5 percent in February). Corporate bond and CP issuance (Chart 32) has been steady.

Turning to the funding cost for firms, in January the average contracted interest rates on new loans and discounts (Chart 34) remained generally steady for both short-term and long-term contracts. Corporate bond issuance rates have been holding at a low level. CP issuance rates have been at an extremely low level, near the historical low.

¹⁵ The figures are adjusted for (1) fluctuations from the liquidation of loans, (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates, (3) fluctuations from loan write-offs, (4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General Account, etc.

The number of corporate bankruptcies (Chart 35) in January declined slightly from the previous month.

In this financial environment, corporate financing conditions are 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.

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Main Economic Indexes (1)

	y/y % chg.						
	99/Q2	Q3	Q4	99/November	December	2000/January	February
Index of expenditure level (all households)	0.8	-0.5	-3.1	-2.7	-4.1	p -2.8	n.a.
Sales of department stores	-2.6	-3.1	-2.6	-4.6	-2.1	p -0.7	n.a.
Sales of chain stores ¹	-4.7	-3.9	-4.9	-8.2	-5.9	-5.8	n.a.
New passenger-car registrations ² <s.a., ann. 10,000 units>	295	281	288	293	292	327	305
Sales of electric appliances (NEBA)	9.7	5.0	4.9	-0.8	6.1	9.4	n.a.
Outlays for travel (50 major travel agencies)	-3.6	-2.0	-2.0	-2.1	-6.7	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	125	123	117	120	116	135	n.a.
Machinery orders (from private sector ³)	-9.9	-6.2	6.1	-1.8	14.7	n.a.	n.a.
Mining & manufacturing	-12.2	-7.0	11.7	6.1	16.9	n.a.	n.a.
Nonmanufacturing ³	-7.9	-5.5	2.6	-7.2	13.2	n.a.	n.a.
Construction Starts (private, nonresidential use)	-15.4	-14.6	3.7	10.0	6.2	33.7	n.a.
Manufacturing	-32.2	-16.8	4.4	-5.9	-1.3	12.8	n.a.
Nonmanufacturing ⁴	-9.8	-14.0	3.5	14.1	8.2	40.3	n.a.
Value of public works contracts	-8.1	-8.2	-12.7	-2.5	-12.7	-6.1	n.a.
Real exports <s.a. quarterly (monthly) change>	0.3	6.7	2.5	0.6	1.3	-0.9	n.a.
Real imports <s.a. quarterly (monthly) change>	1.7	2.6	5.2	15.4	-1.4	-7.9	n.a.
Industrial production <s.a. quarterly (monthly) change>	-1.0	3.9	0.8	4.5	-1.2	p 0.9	n.a.
Shipments <s.a. quarterly (monthly) change>	-1.9	4.1	1.4	4.0	-1.0	p 2.3	n.a.
Inventories <s.a. quarterly (monthly) change>	-1.0	-1.2	-2.2	0.9	-1.5	p 1.1	n.a.
Inventories/shipments <s.a. 1995=100>	102.9	100.1	98.7	98.3	98.7	p 99.3	n.a.
Real GDP <s.a. quarterly change>	1.0	-1.0	n.a.	n.a.	n.a.	n.a.	n.a.

Main Economic Indexes (2)

	y/y % chg.						
	99/Q2	Q3	Q4	99/November	December	2000/January	February
Ratio of job offers to applicants <s.a., times>	0.47	0.47	0.49	0.49	0.50	0.52	n.a.
Unemployment rate <s.a., %>	4.73	4.72	4.63	4.56	4.69	4.68	n.a.
Overtime working hours ⁵	-2.7	-0.3	1.4	3.1	1.0	p 3.3	n.a.
Number of employees	-0.9	-0.4	-0.4	-0.4	-0.7	-0.7	n.a.
Number of regularly employed ⁵	-0.4	-0.2	-0.2	-0.2	-0.1	p -0.2	n.a.
Nominal wage per person ⁵	-1.5	-0.9	-1.2	0.1	-2.3	p 1.8	n.a.
Domestic wholesale price index	-1.7	-1.3	-0.7	-0.6	-0.6	-0.3	-0.1
Consumer price index (nationwide)	-0.3	0.0	-1.0	-1.2	-1.1	-0.9	n.a.
Excluding perishables	-0.1	0.0	-0.2	-0.2	-0.1	-0.3	n.a.
Corporate service price index	-1.5	-1.5	-1.0	-1.0	-0.9	-0.8	n.a.
Monetary aggregates (M ₂ +CDs) <average outstanding, y/y % chg>	4.1	3.6	3.0	2.9	2.6	p 2.6	n.a.
Number of suspension of transaction with banks	-30.7	-18.5	3.2	0.5	39.7	56.1	n.a.

Notes: 1. Adjusted to exclude consumption tax.

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

3. Excludes ships and demand from electric power companies.

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

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

Sources: Management and Coordination Agency, "Monthly Report on Family Income and Expenditure Survey",

"Labor Force Survey", "Consumer Price Index";

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

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

Japan Automobile Dealers association, "Domestic Sales of Automobiles";

Nippon Electric Big-stores Association (NEBA), "Sales of Electric 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";

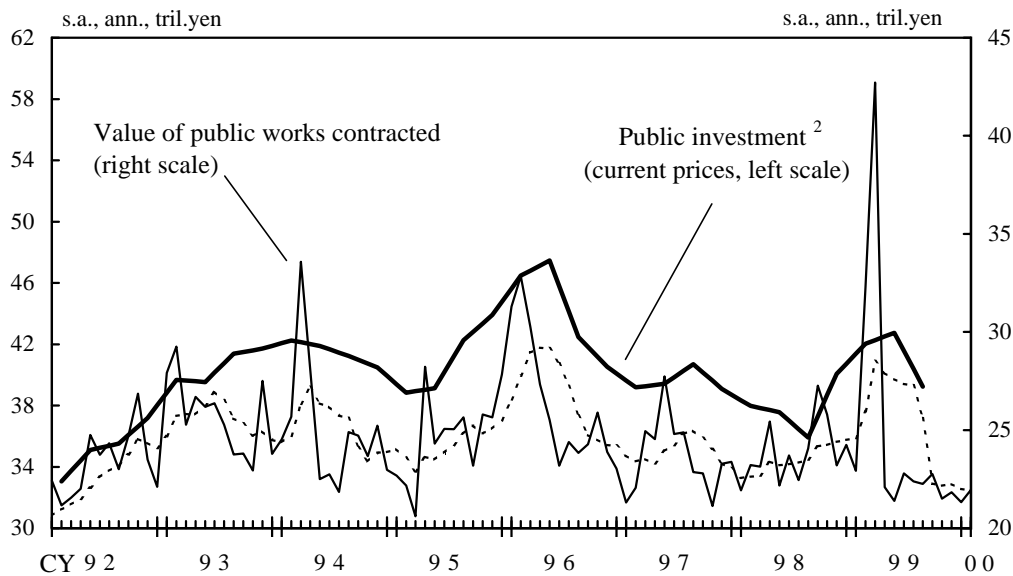
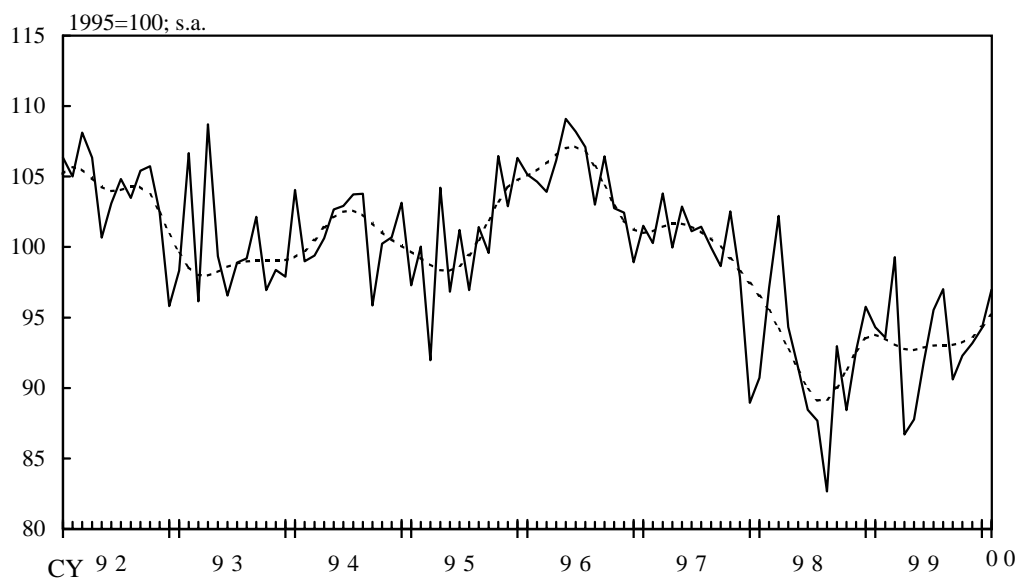
Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Labor, "Report on Employment Service",

"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

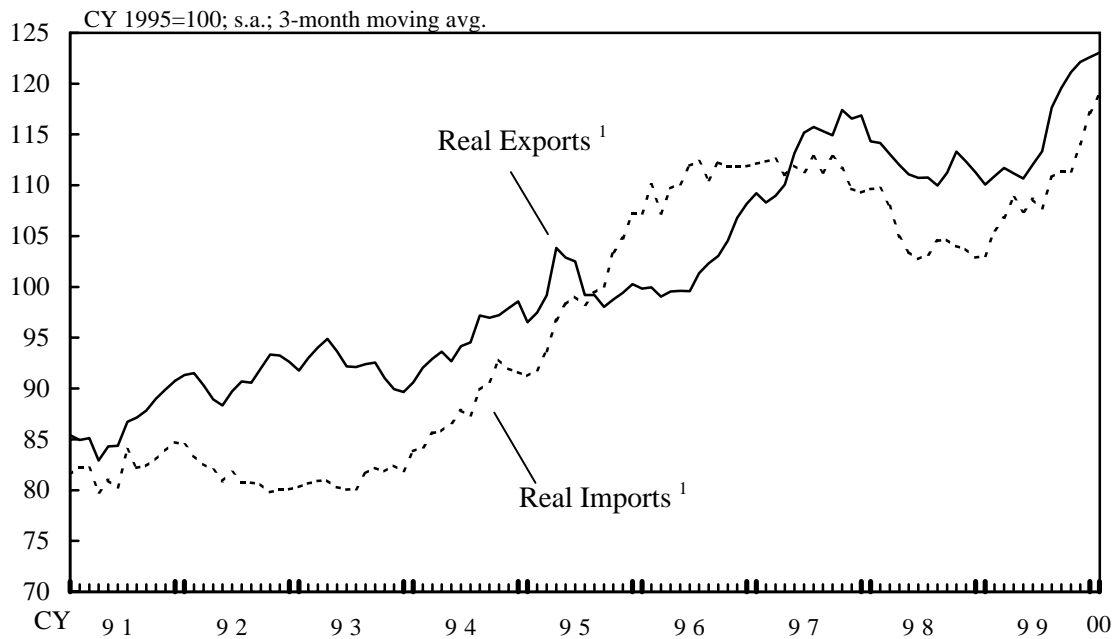
(2) Shipments of Public Works-related Goods^{3,4}

- 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 January 2000 are preliminary.

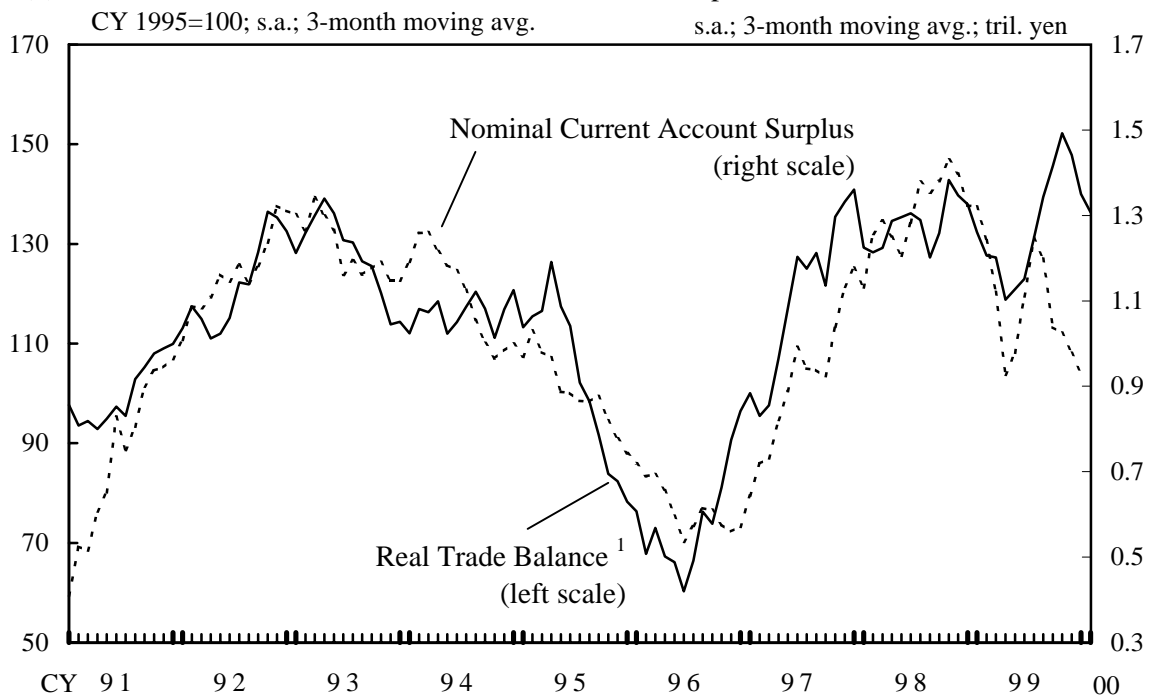
Sources: Economic Planning Agency, "National Income Statistics";
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";
Ministry of International Trade and Industry, "Indices of Industrial Production."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



Note: 1. Seasonally adjusted by X-11 and annually revised.

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 98	99	99 Q1	Q2	Q3	Q4	2000 Q1	99 Nov.	2000 Dec.	2000 Jan.
United States	<30.7>	6.8	4.6	0.5	2.1	5.7	-0.1	-0.8	5.3	2.0	-3.7
EU	<17.8>	15.6	0.9	-1.5	-4.5	5.2	2.6	-0.8	3.0	0.9	-2.4
East Asia	<35.8>	-18.1	12.0	7.9	3.9	7.8	2.3	12.3	2.6	2.9	9.2
China	<5.6>	0.5	12.3	17.2	-6.3	8.4	-7.7	10.7	2.1	-3.5	12.6
NIEs	<21.5>	-16.5	11.2	5.7	5.6	8.6	5.0	13.9	2.4	4.8	9.6
Taiwan	<6.9>	-0.4	8.1	2.8	3.7	7.2	8.2	3.4	4.2	3.8	-0.5
Korea	<5.5>	-35.3	44.0	23.2	3.9	12.3	7.8	26.9	-0.5	12.1	18.0
ASEAN4 ³	<8.6>	-29.2	13.6	7.5	7.0	5.6	2.1	9.1	3.2	2.0	6.5
Thailand	<2.7>	-29.4	15.5	10.9	-1.7	13.0	7.7	4.2	3.1	-2.1	4.6
Real exports		-2.1	4.5	0.4	0.3	6.7	2.5	0.2	0.6	1.3	-0.9

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 98	99	99 Q1	Q2	Q3	Q4	2000 Q1	99 Nov.	2000 Dec.	2000 Jan.
Intermediate goods	<14.2>	2.9	5.4	0.8	4.2	1.9	-2.3	-1.4	3.1	1.4	-3.3
Motor vehicles and their related goods	<21.5>	1.3	2.8	-1.5	-3.0	8.4	1.7	-14.6	7.4	-2.7	-15.1
Consumer goods ⁴	<7.2>	5.0	5.0	1.3	-0.9	6.1	4.4	6.8	1.8	1.7	5.0
Information-related goods ⁵	<17.6>	-7.0	6.4	1.9	3.2	7.3	2.3	9.3	1.7	6.3	4.4
Capital goods and parts ⁶	<28.4>	-5.4	1.8	3.8	-1.5	7.0	1.4	15.5	2.1	1.8	13.3
Real exports		-2.1	4.5	0.4	0.3	6.7	2.5	0.2	0.6	1.3	-0.9

Notes: 1. Seasonally adjusted by X-11. 2000/Q1 figures are January 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.

7. Data for Taiwan, Korea, and Thailand are before annual revision. The others are after annual revision.

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 98	99	99 Q1	Q2	Q3	Q4	2000 Q1	99 Nov.	2000 Dec.	2000 Jan.
United States	<21.7>	-3.7	-2.9	9.2	-9.2	-0.3	8.8	-5.1	7.7	0.7	-7.8
EU	<13.8>	-6.5	5.8	2.6	-2.4	6.2	3.1	-2.2	11.5	-4.5	-2.6
East Asia	<37.6>	-7.7	15.7	7.6	5.8	2.8	7.7	-1.1	17.0	-0.4	-5.7
China	<13.8>	-4.4	11.9	7.6	4.7	0.4	7.3	1.8	17.9	0.3	-3.6
NIEs	<11.6>	-10.9	24.2	11.7	5.3	4.5	12.3	-0.1	16.4	0.1	-4.9
Taiwan	<4.1>	-11.1	25.5	13.9	5.0	3.5	11.6	4.5	19.8	-4.5	1.8
Korea	<5.2>	-9.5	30.6	14.7	6.1	4.4	16.9	4.2	23.0	-3.9	0.3
ASEAN4 ³	<12.1>	-8.1	12.6	4.1	7.5	3.7	4.0	-5.0	16.7	-1.7	-8.6
Thailand	<2.9>	-7.1	5.4	5.4	1.3	2.9	1.9	4.5	8.8	1.4	0.8
Real imports		-6.2	6.1	3.8	1.7	2.6	5.2	-4.5	15.4	-1.4	-7.9

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 98	99	99 Q1	Q2	Q3	Q4	2000 Q1	99 Nov.	2000 Dec.	2000 Jan.
Raw materials ⁴	<23.2>	-6.0	2.7	1.6	1.4	0.1	1.8	-6.3	20.4	-7.8	-6.8
Intermediate goods	<13.5>	-7.1	3.6	3.3	1.7	4.1	1.1	-5.6	15.0	1.8	-10.7
Foodstuffs	<14.3>	-4.0	2.8	4.8	-0.3	0.3	2.9	1.4	17.5	0.5	-4.0
Consumer goods	<10.8>	-13.8	8.1	1.9	10.2	0.5	6.5	-3.3	12.2	-1.9	-5.6
Information-related goods ⁵	<14.4>	-5.8	18.7	6.7	6.2	4.4	12.4	1.4	16.4	-3.3	-1.3
Capital goods and parts ⁶	<12.9>	2.7	5.0	15.3	-11.4	1.8	13.6	-8.1	10.2	-1.3	-10.1
Real imports		-6.2	6.1	3.8	1.7	2.6	5.2	-4.5	15.4	-1.4	-7.9

Notes: 1. Seasonally adjusted by X-11. 2000/Q1 figures are January 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.

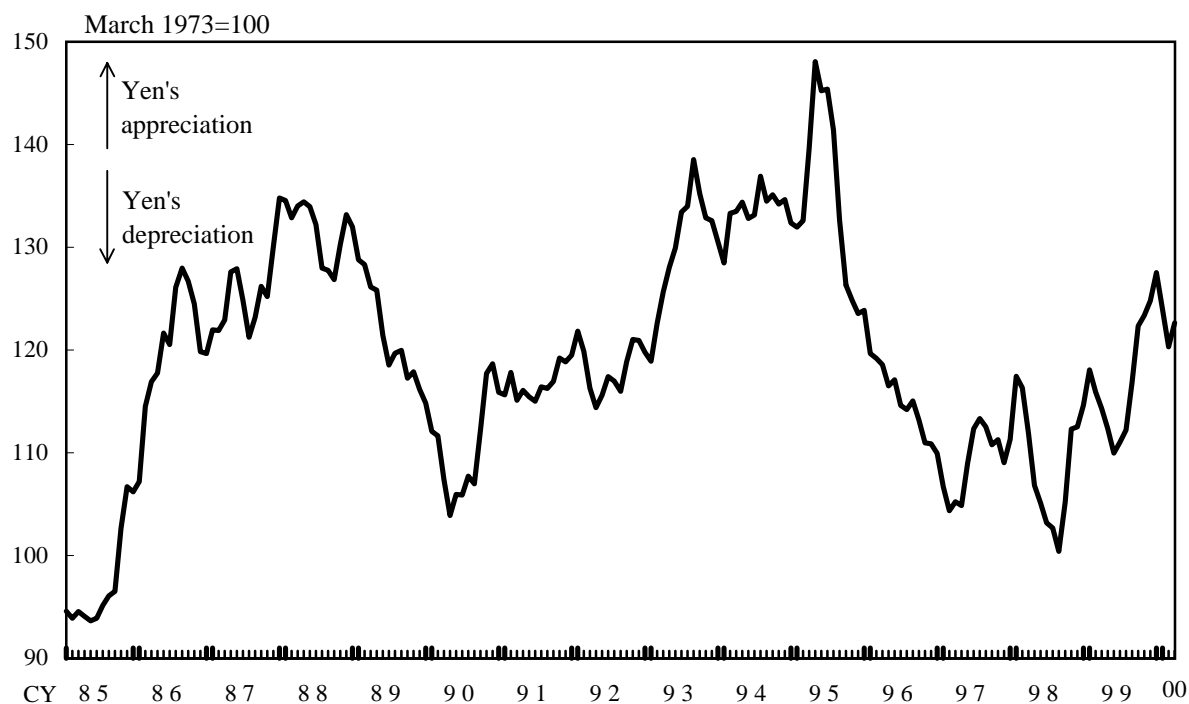
5. Information-related goods = office machinery + telecommunication machinery + ICs + scientific, medical and optical instruments.

6. Excluding information-related goods.

7. Data for Taiwan, Korea, and Thailand are before annual revision. The others are after annual revision.

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

Overseas Economic Conditions and Real Effective Exchange Rate

(1) Real Effective Exchange Rate ¹

Notes: 1. Monthly average. The figure for March 2000 is the average of March 1-7. 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.

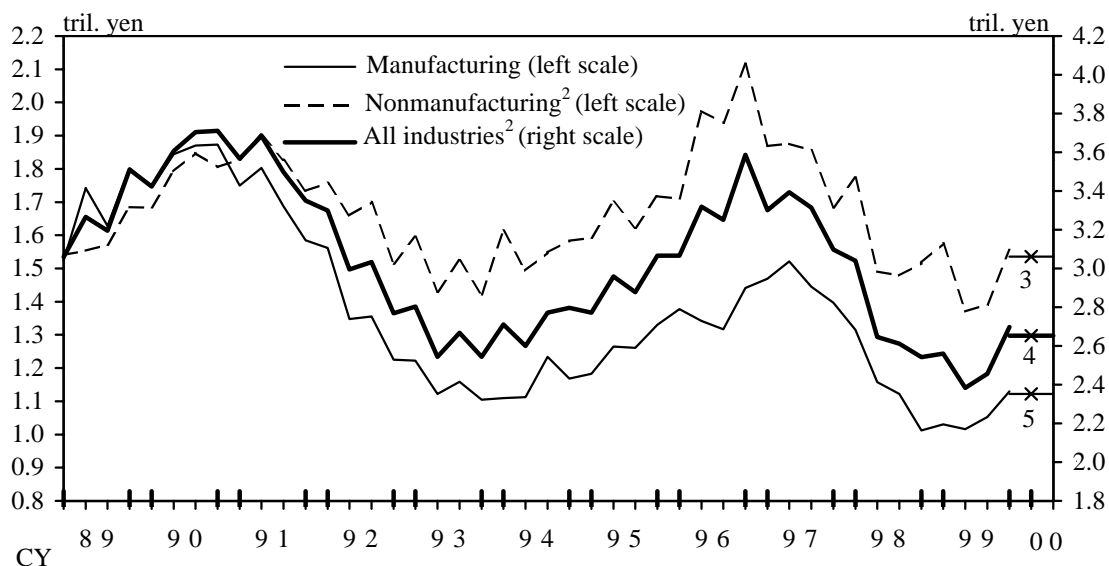
(2) Real GDP Growth Rates in Overseas Economies

		CY98	99	2000	99 Q1	Q2	Q3	Q4	
United States ¹		4.3	4.1	(3.8)	3.7	1.9	5.7	6.9	
European Union ¹		2.7	(2.2)	(3.1)	2.0	2.2	3.7	n.a.	
East Asia ²	Germany	2.2	1.5	(2.8)	2.7	0.3	3.5	2.7	
	France	3.4	2.7	(3.4)	1.8	3.4	3.9	3.6	
	United Kingdom	2.2	2.0	(3.1)	1.5	3.0	3.9	3.1	
	China	7.8	7.1	(7.4)	8.3	(Jan-Jun) 7.6	(Jan-Sep) 7.4	(Jan-Dec) 7.1	
	NIEs	Korea	-5.8	(9.8)	(7.2)	4.5	9.9	12.3	n.a.
		Taiwan	4.6	5.7	(6.3)	4.2	6.6	5.1	6.8
		Hong Kong	-5.1	(2.0)	(4.1)	-3.0	1.1	4.5	n.a.
Singapore	-0.2	5.4	(6.0)	0.8	6.6	6.9	7.1		
4 Countries of ASEAN	Thailand	-10.4	(4.3)	(5.2)	0.9	3.3	7.7	n.a.	
	Indonesia	-13.2	0.2	(3.9)	-8.0	3.1	0.5	5.8	
	Malaysia	-7.5	5.4	(6.2)	-1.3	4.1	8.2	10.6	
	Philippines	-0.5	3.2	(3.8)	1.2	3.6	3.4	4.6	

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

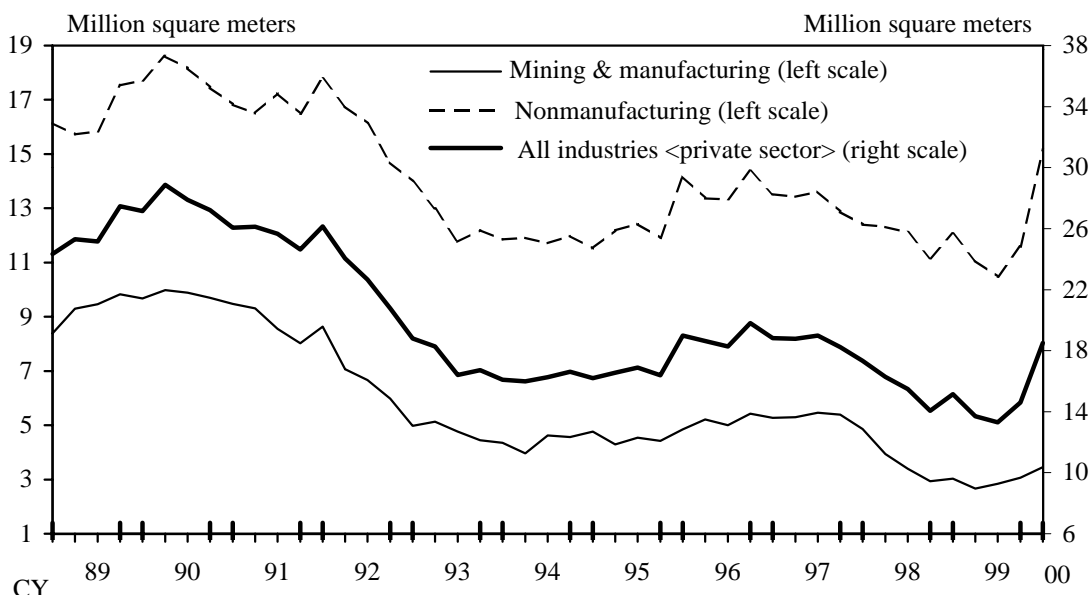
Major Indexes of Business Fixed Investment

(1) Machinery Orders¹



- Notes: 1. Seasonally adjusted data.
 2. Excludes orders from electric power companies and shipbuilding orders.
 3. Forecast of nonmanufacturing industries for 2000/Q1.
 4. Forecast of all industries for 2000/Q1.
 5. Forecast of manufacturing industries for 2000/Q1.

(2) Construction Starts (Nonresidential)

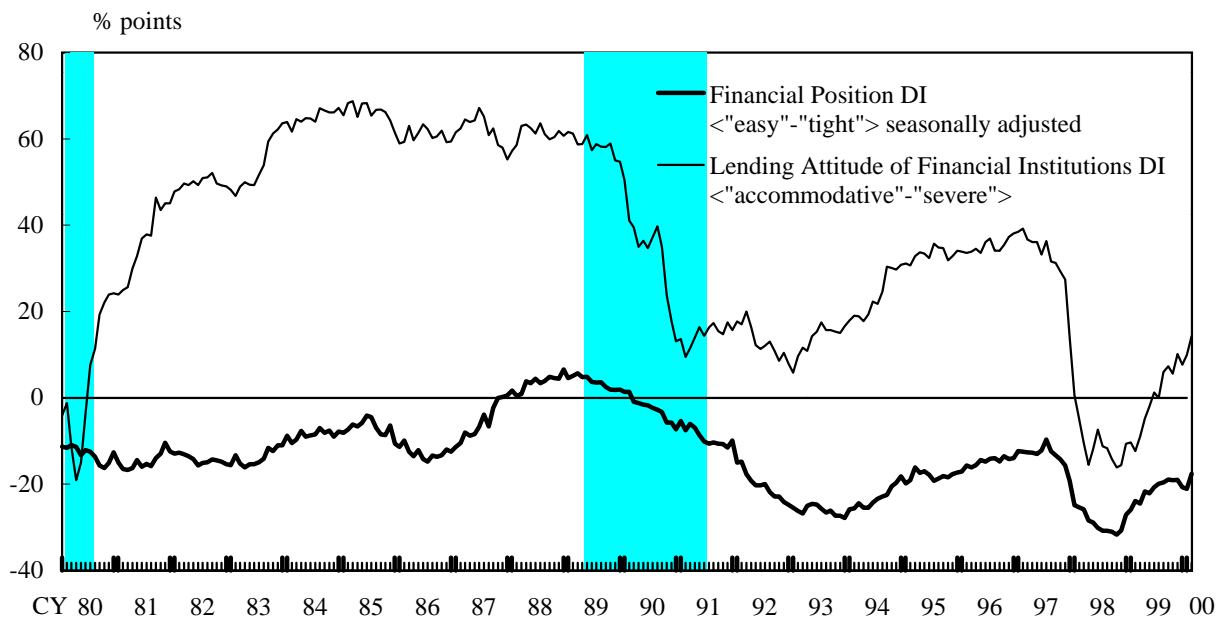
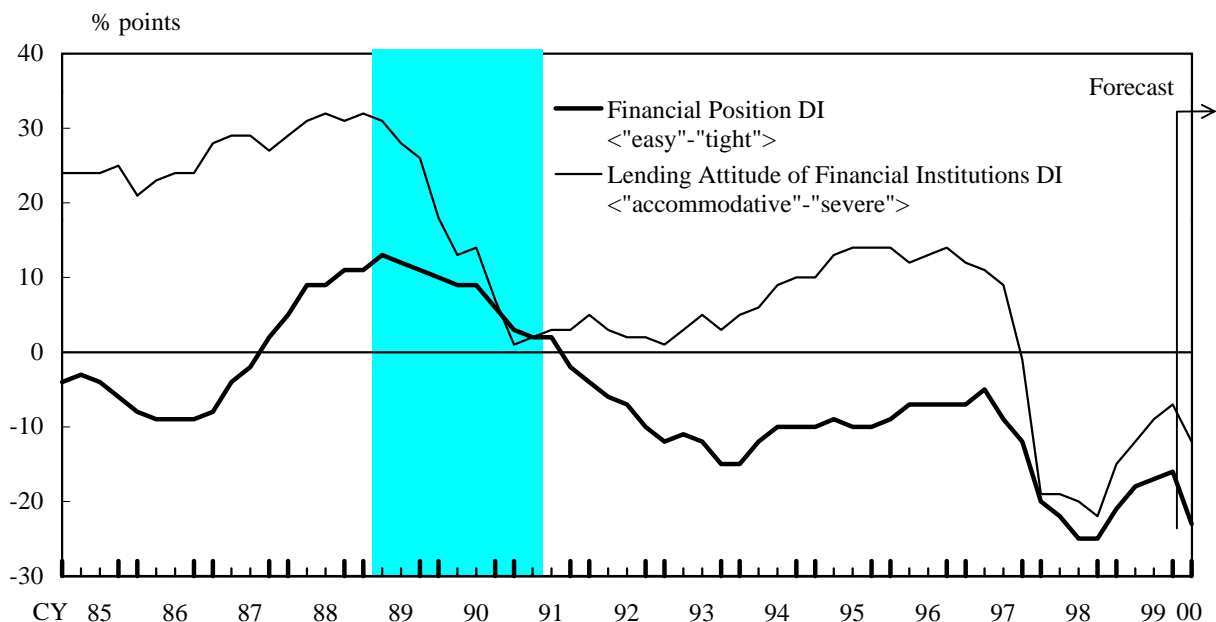


- Notes: 1. Seasonally adjusted by X-11.
 2. Figures for 2000/Q1 are averages of January in terms of quarterly amount.

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

Corporate Finance-Related Indexes

(1) Monthly Survey on Trends of Small Businesses

(2) *Tankan* (Small Enterprises)

Notes: 1. Shaded areas indicate periods when the official discount rate was on an uptrend.

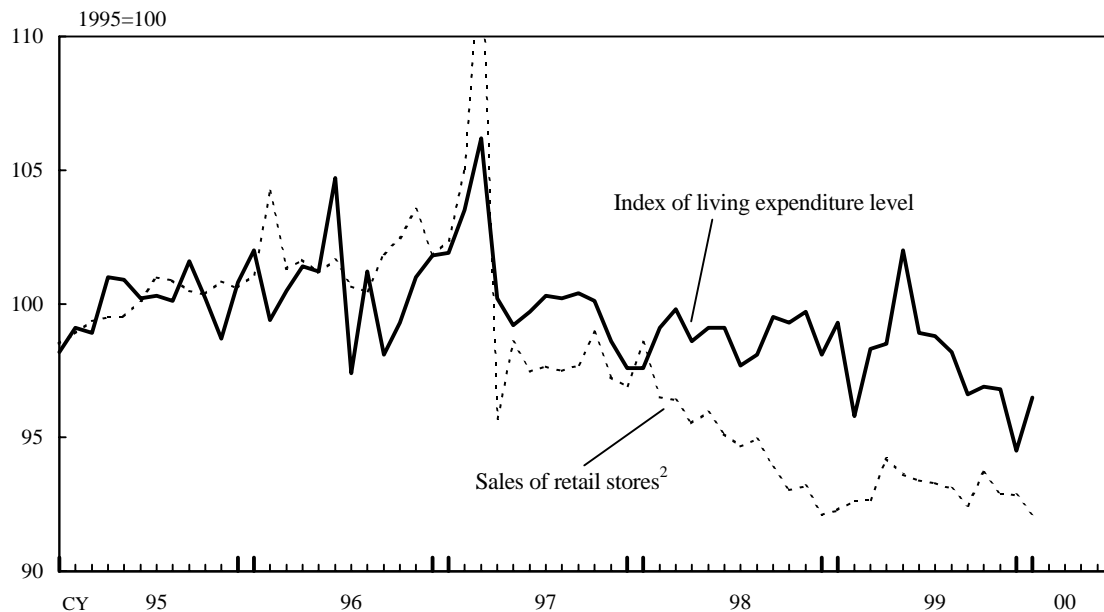
2. Sample: 900 companies (valid responses: 693 <February 2000 survey>).

Sample: 4,864 companies (valid responses: 4,573 <December 1999 survey>).

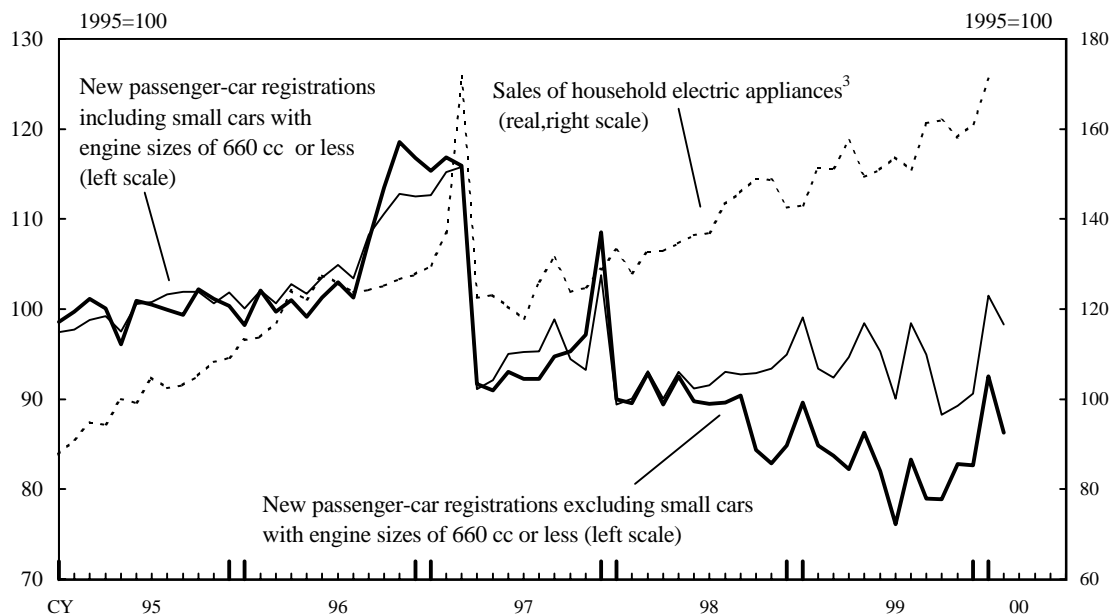
Sources: Japan Finance Corporation for Small Businesses, "Monthly Survey on Trends of Small Businesses";
Bank of Japan, "*Tankan* Short-term Economic Survey of Enterprises in Japan."

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 the 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 the Wholesale Price Index (for personal computers) and the Consumer Price Index (other electric appliances).

Sources: Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey", "Consumer Price Index";

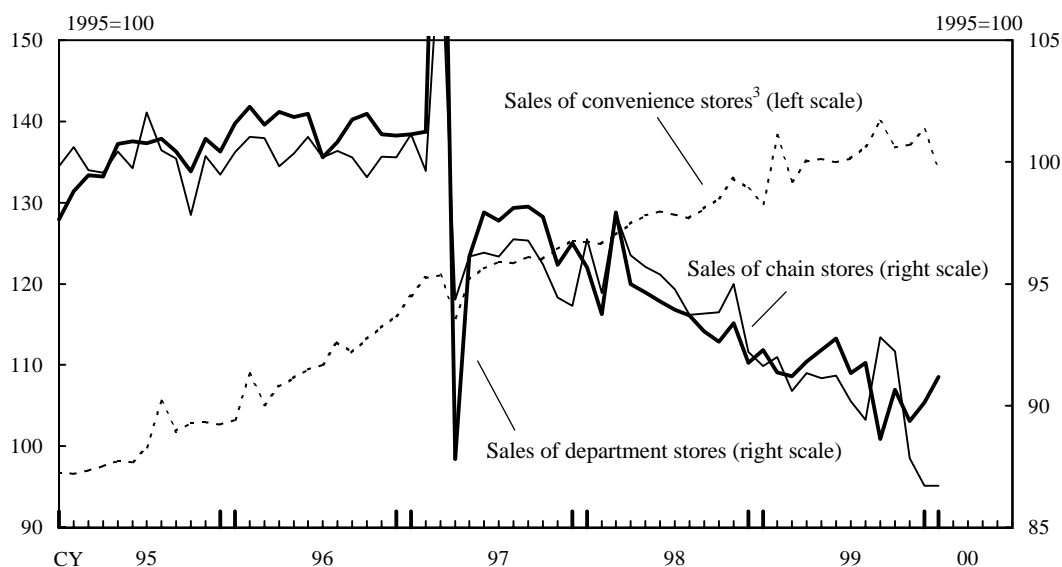
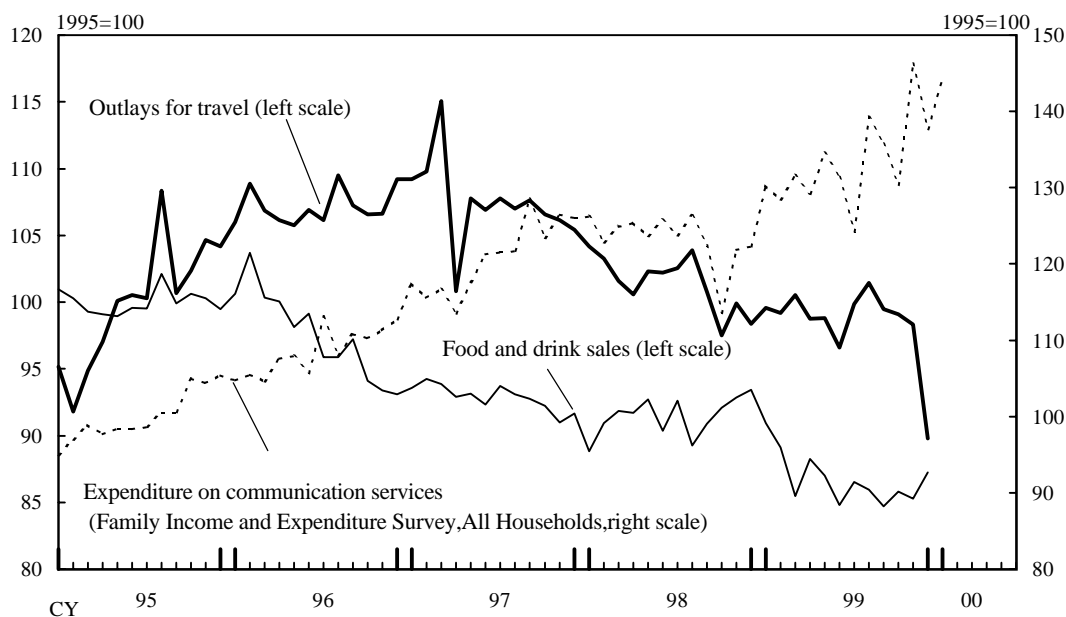
Ministry of International Trade and Industry, "Current Survey of Commerce";

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.

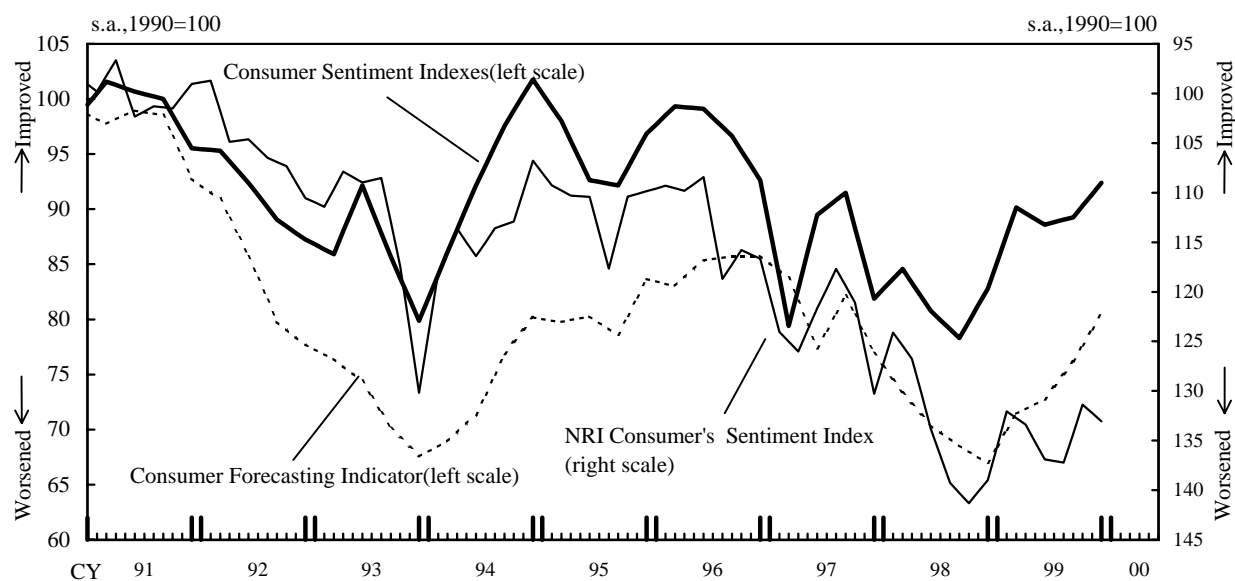
3. Sales of convenience stores are surveyed by the Bank of Japan.

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."

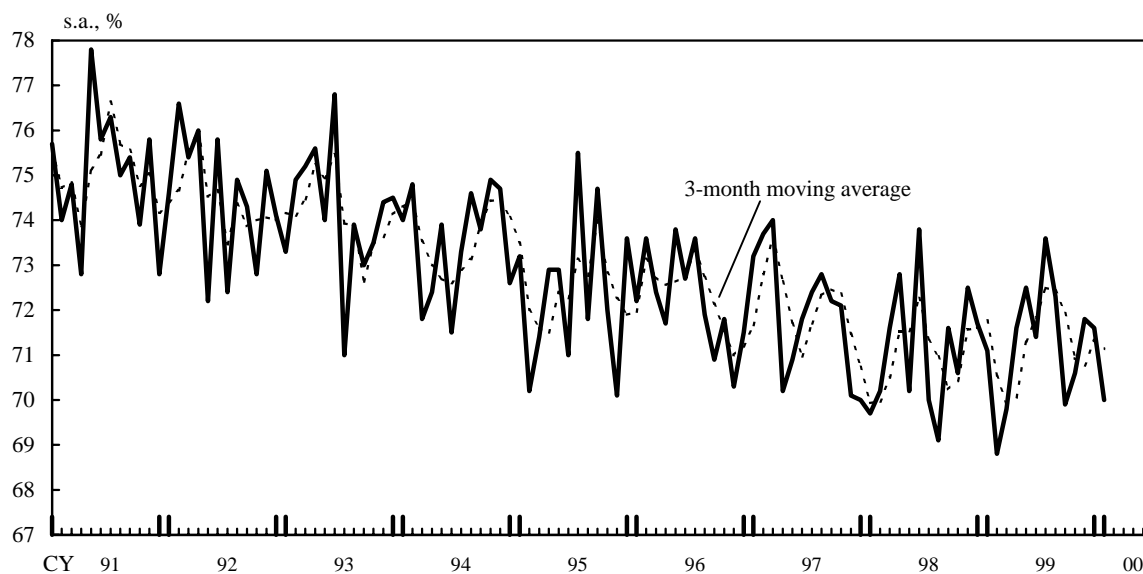
Consumer Confidence and Propensity to Consume

(1) Surveys on consumer confidence



- Notes: 1. Seasonally adjusted by X-11. "Consumer Sentiment Indexes" is seasonally adjusted by the 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 the Economic Planning Agency, "Consumer Forecasting Indicator" by Nikkei RIM, and "NRI Consumer's Sentiment Index" by NRI.

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

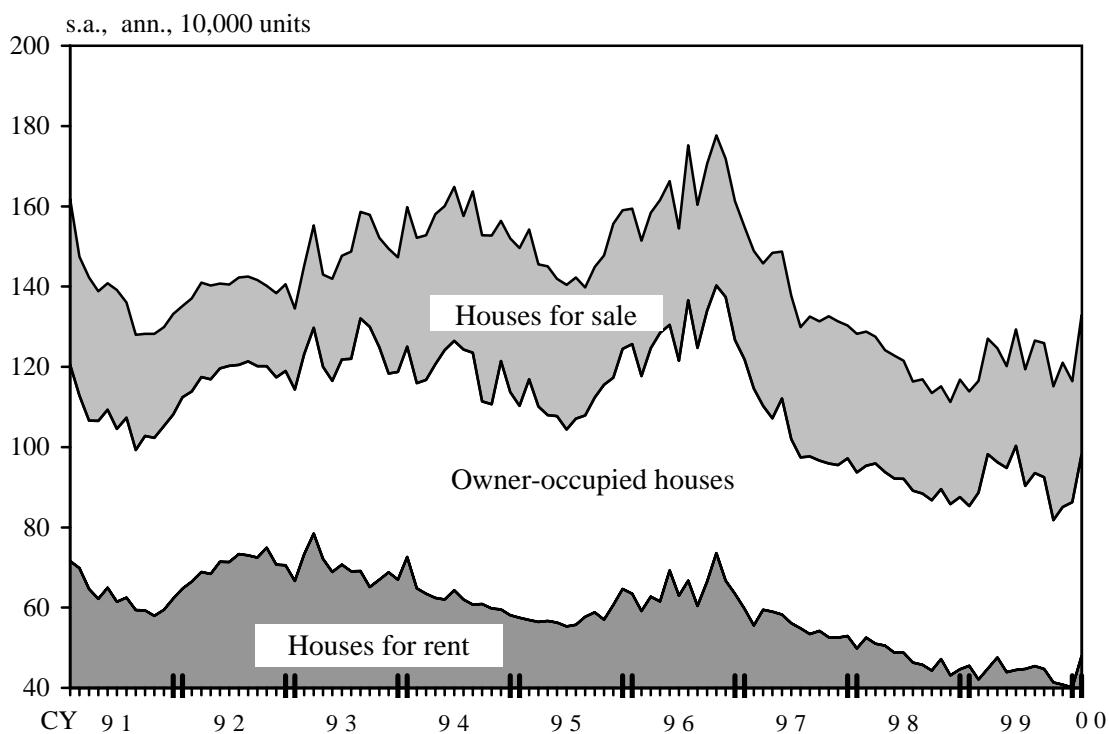


Note: Seasonally adjusted by the Management and Coordination Agency.

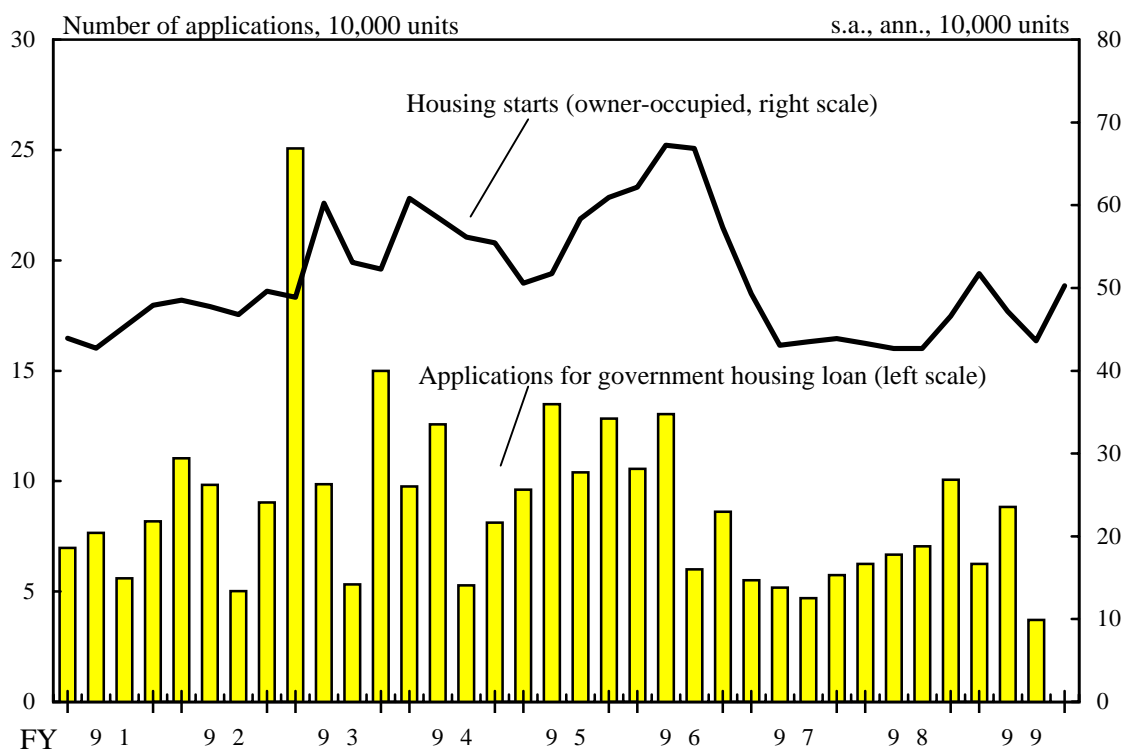
Sources: Economic Planning Agency, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (Nikkei RIM), "Consumption Forecasting Indicator";
 Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey";
 Nippon Research Institute (NRI), "Consumer's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

Major Indexes of Housing Investment

(1) Housing starts

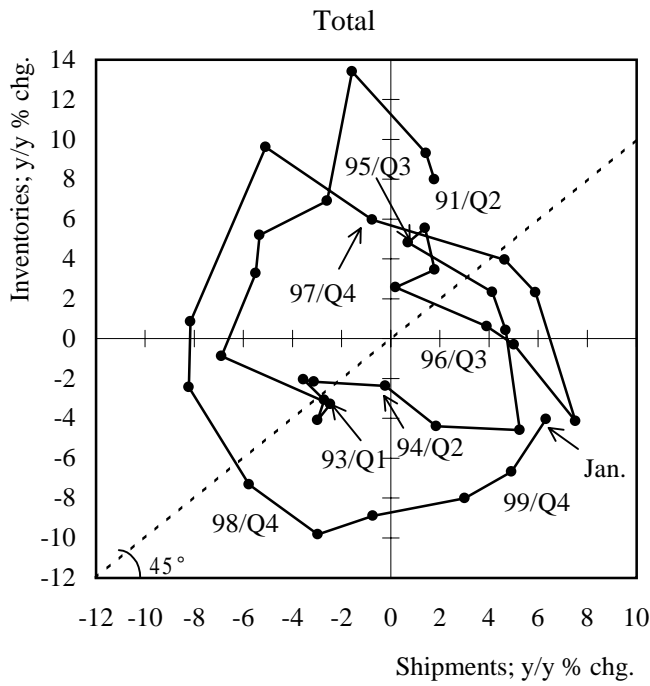


(2) Number of applications for government housing loan (for new owner-occupied homes)

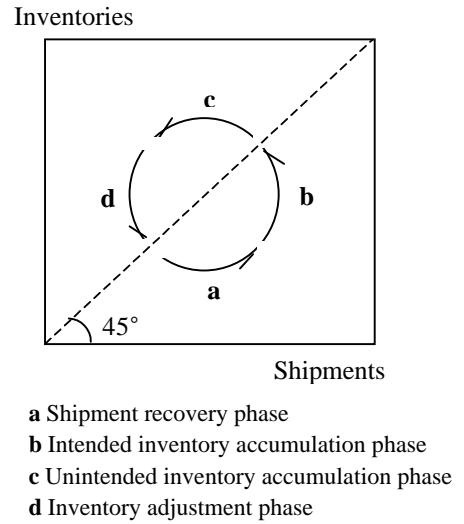


Note: The data for 99/Q4 are January 2000 converted into an annual equivalent.
 Source: Ministry of Construction, "Monthly of Construction Statistics", etc.

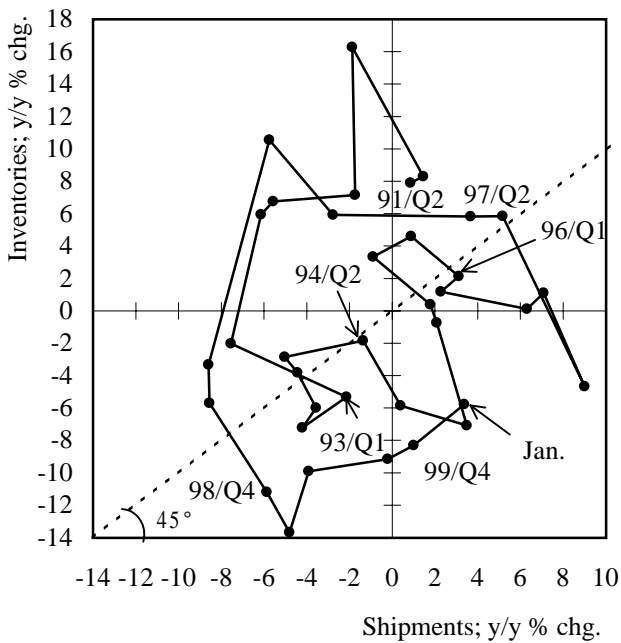
Inventory Cycle



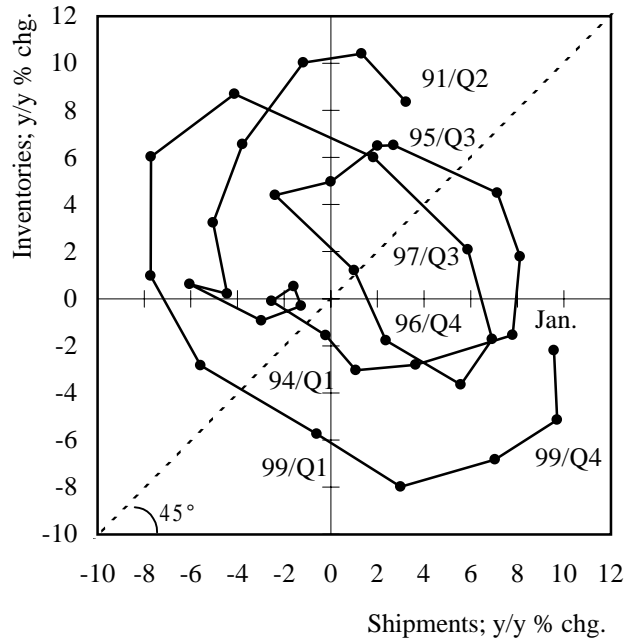
Phases in the Inventory Cycle



Final Demand Goods



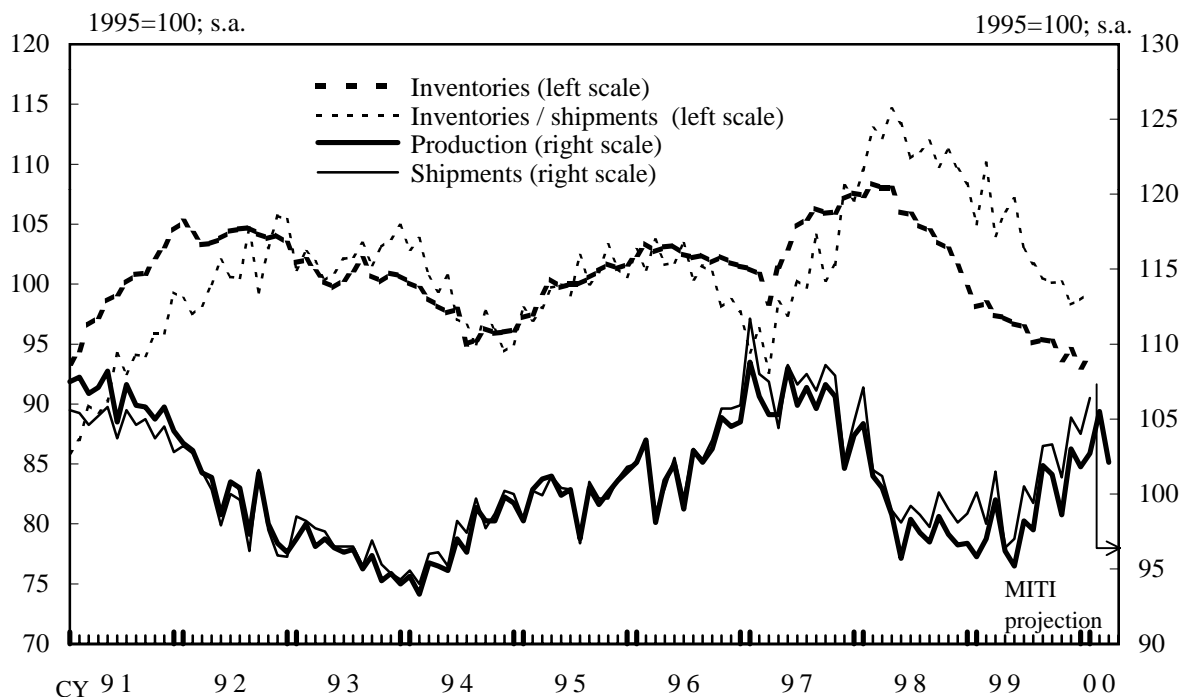
Production Goods



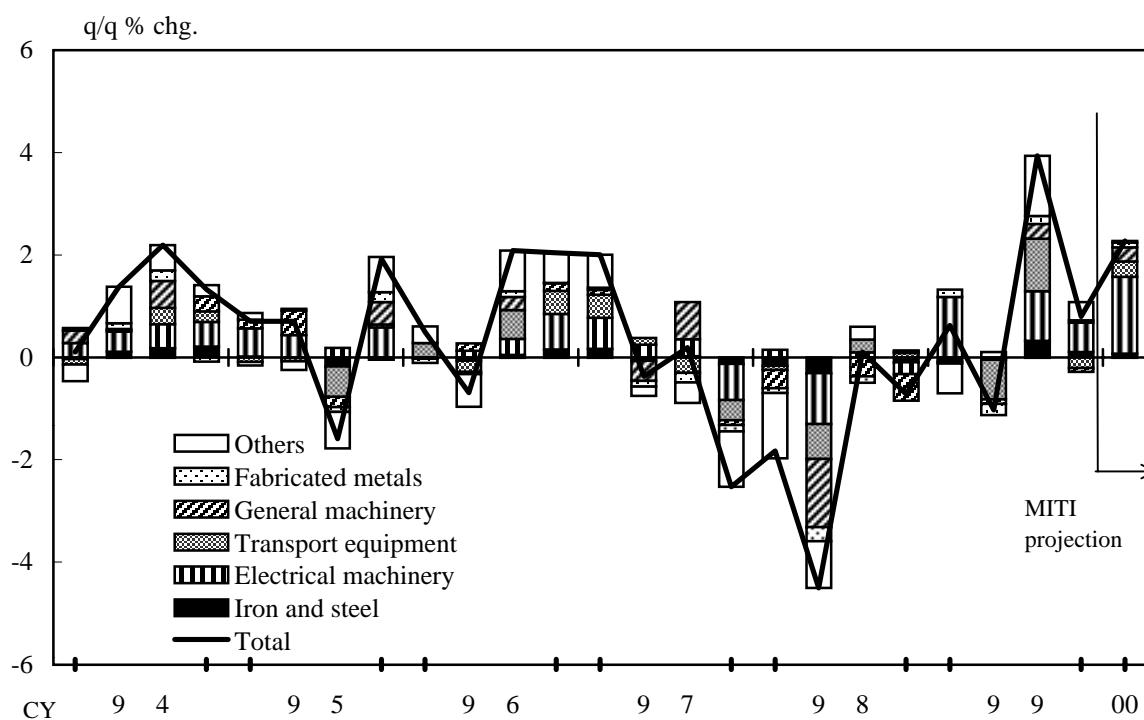
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

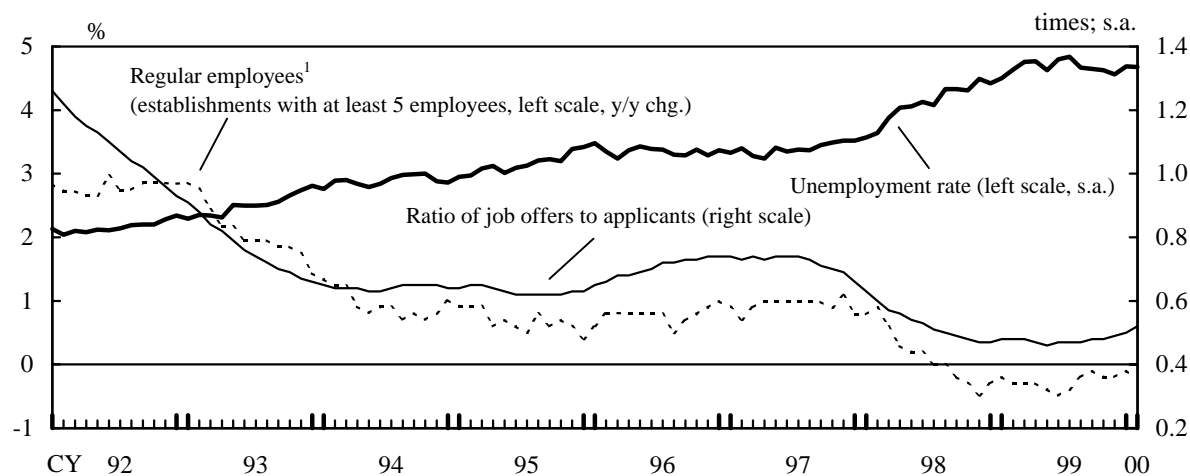
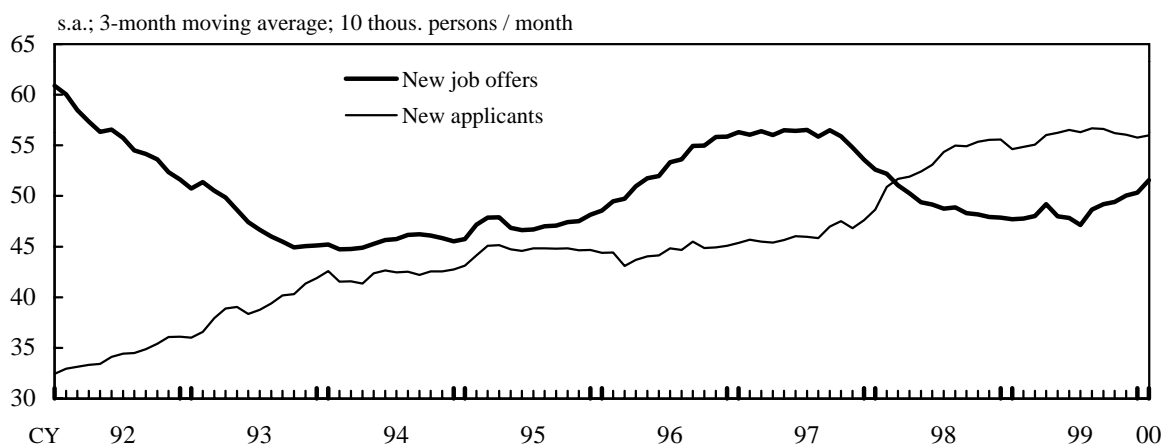
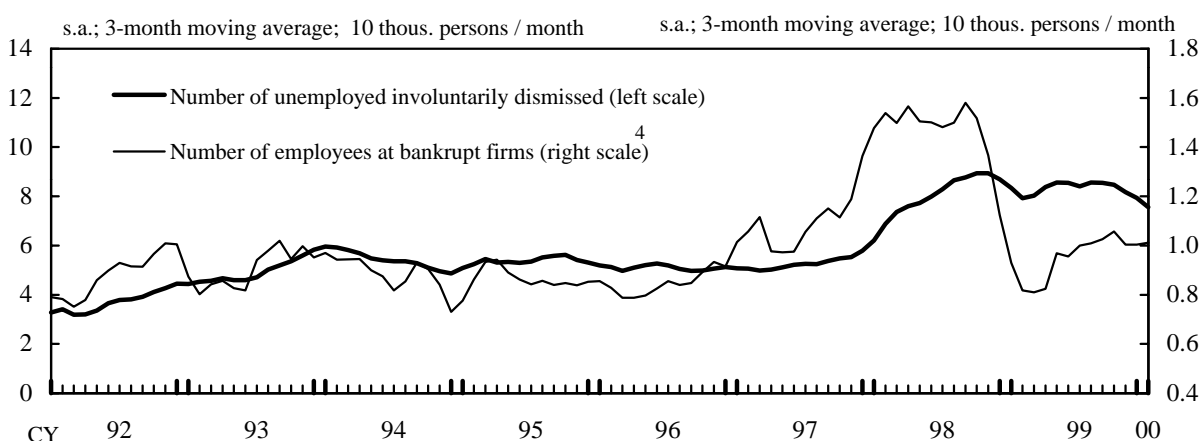


Note: Transport equipment excludes ships and rolling stock.

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

Labor

(1) Monthly

(2) New Job Offers and New Applicants²(3) Number of Unemployed Involuntarily Dismissed and Employees at Bankrupt Firms³

Notes: 1. The data of regular employees for Jan. 2000 are preliminary figures.

2. Excludes jobs offered to new graduates.

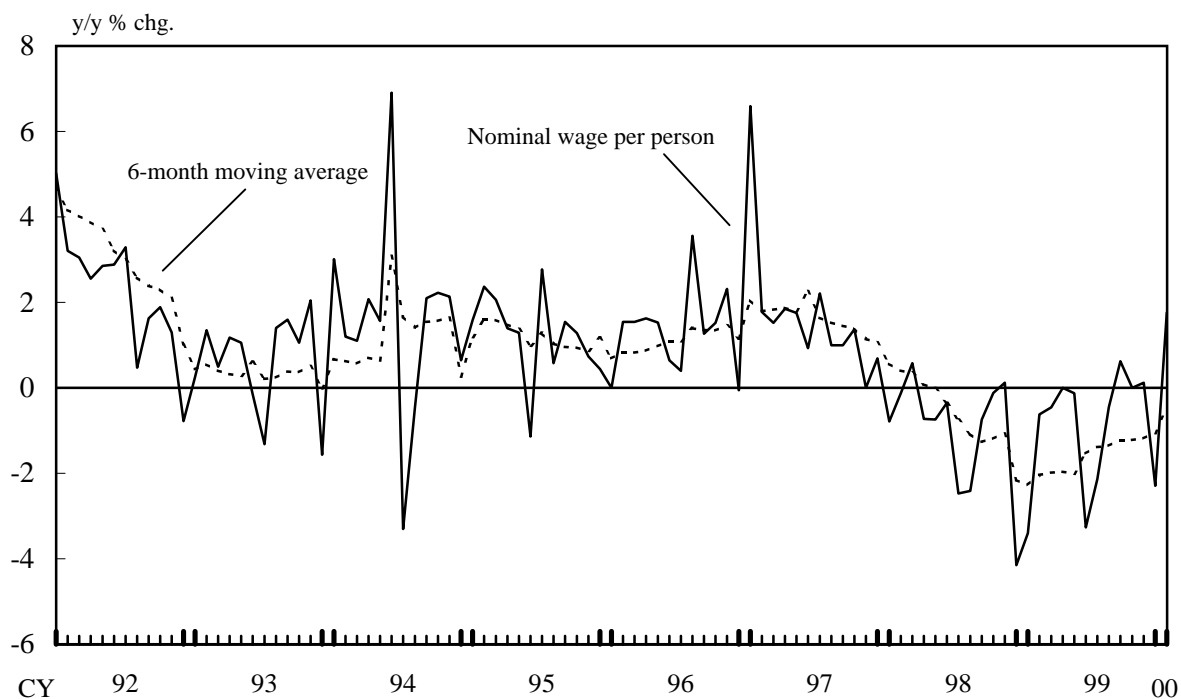
3. Seasonally adjusted by X-11.

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

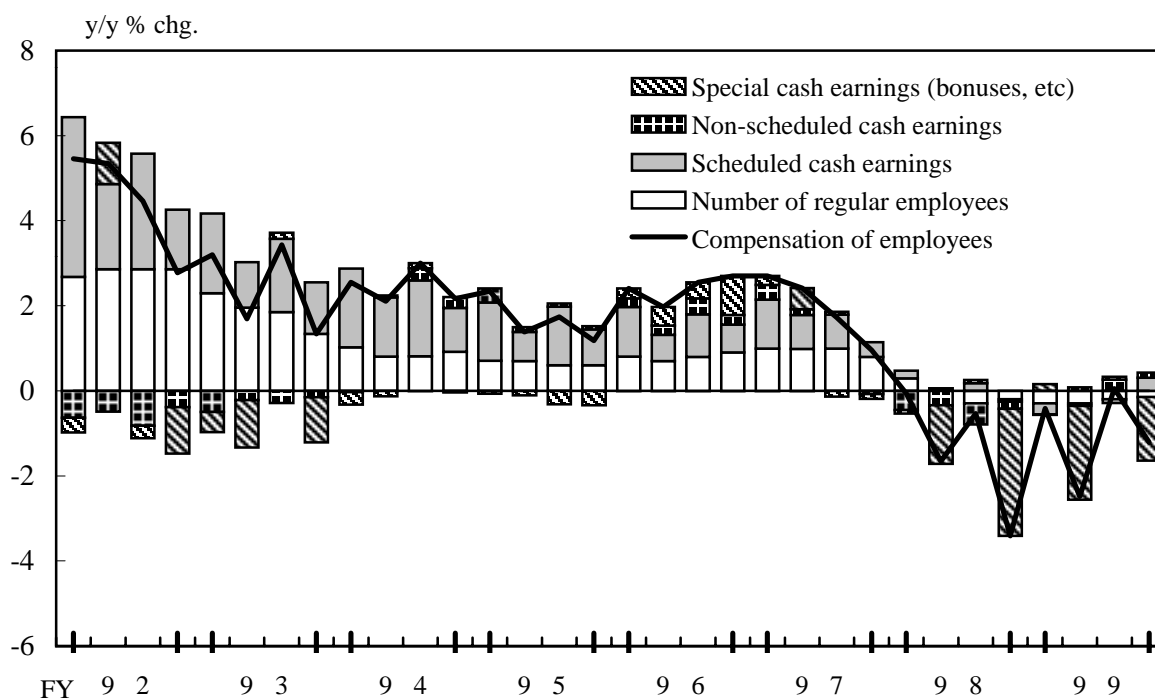
Sources: Ministry of Labour, "Monthly Labour Survey", "Report on Employment Service", "Report on Employment Insurance Service"; Management and Coordination Agency, "Labour Force Survey"; *Teikoku Databank Ltd.*, "Japan's Business Failure."

Compensation of Employees ¹

(1) Nominal Wage per Person



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



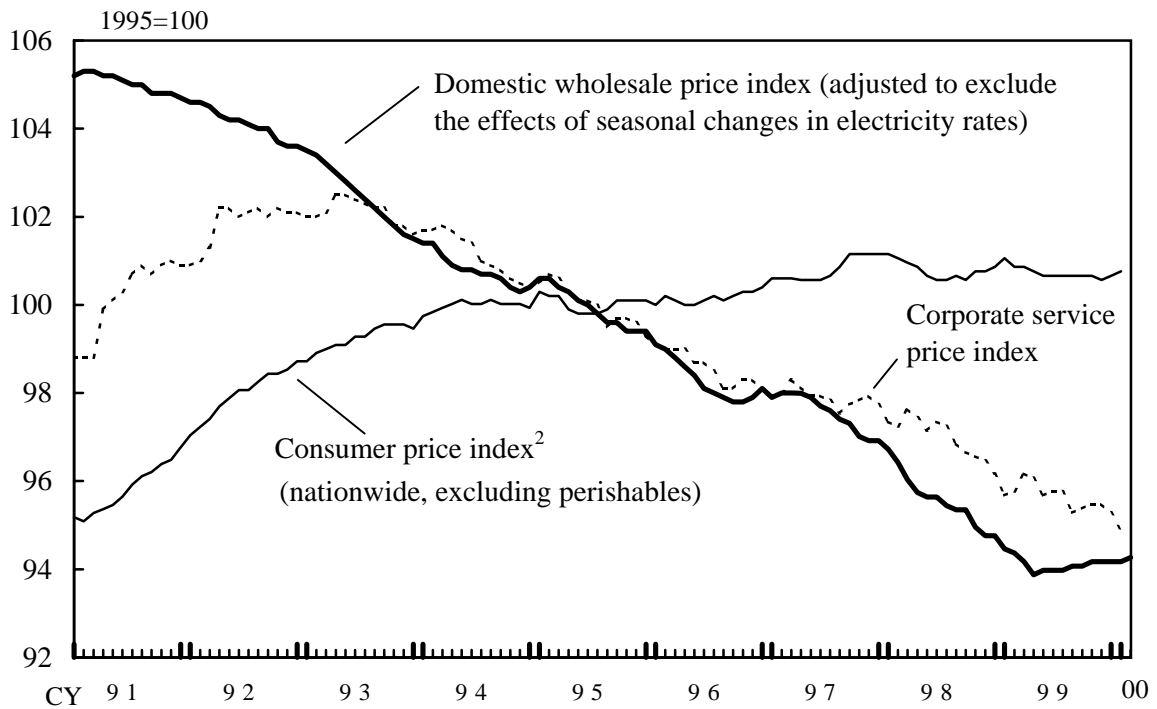
Notes : 1. Data for establishments with at least 5 employees. The data for Jan.2000 are preliminary figures.

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

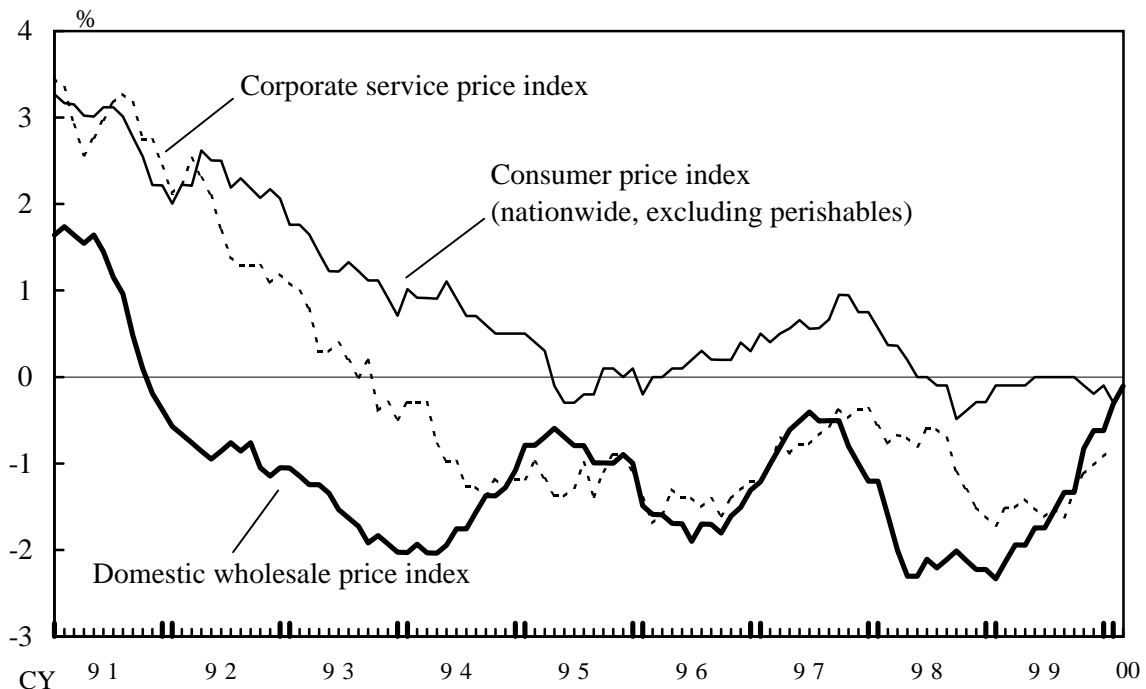
3. The data for 99/Q4 are the Dec.1999 -Jan.2000 average.

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.

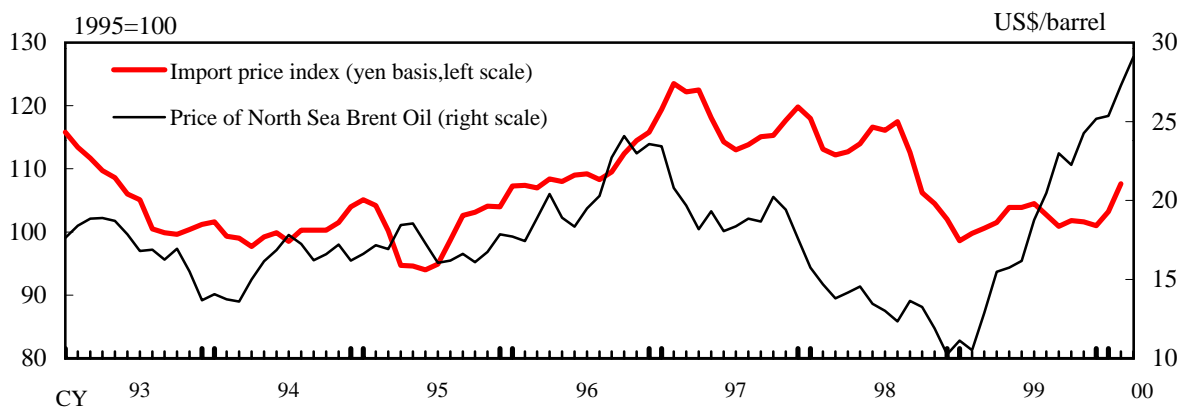
2. Based on seasonally adjusted data of the CPI whose base period is 1995, although the figures before January 1995 are calculated from the CPI whose base period is 1990.

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

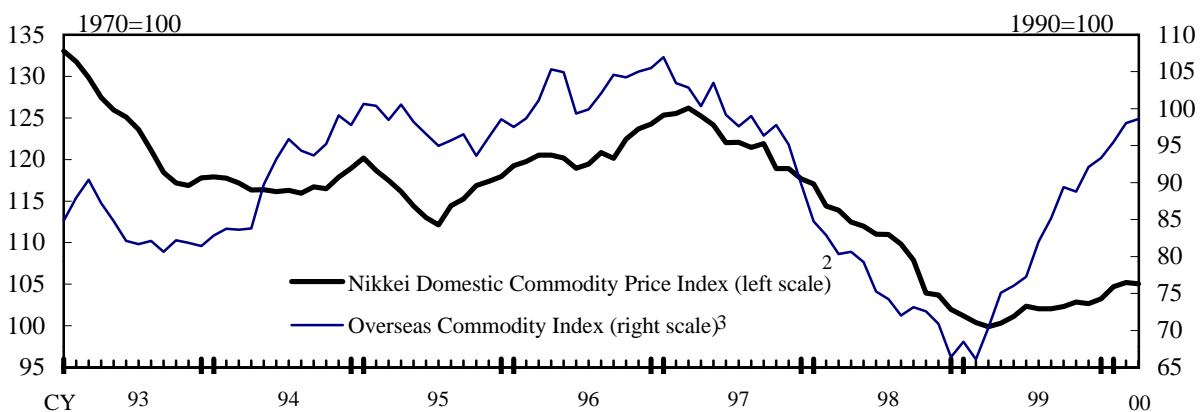
Bank of Japan, "Wholesale Price Indexes", "Corporate Service Price Index."

Import Prices and Domestic Wholesale Prices

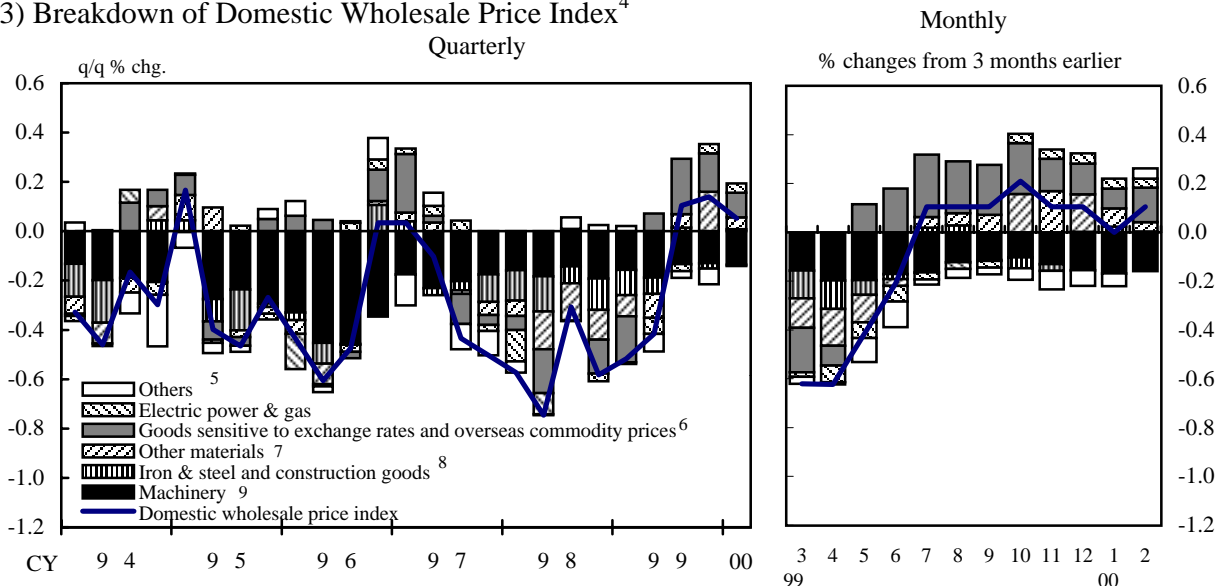
(1) Import Price Index (yen basis) and Crude Oil Price¹



(2) Domestic Commodity Market



(3) Breakdown of Domestic Wholesale Price Index⁴



Notes: 1. Data for March 2000 are March 1-6 average.

2. Data for March 2000 are as of March 3.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for March 2000 are March 1-6 average.

4. Adjusted to exclude the effects of seasonal changes in electricity rates, and of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of tax rate. Data for 2000/Q1 are those of the Jan. - Feb. average.

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

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

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

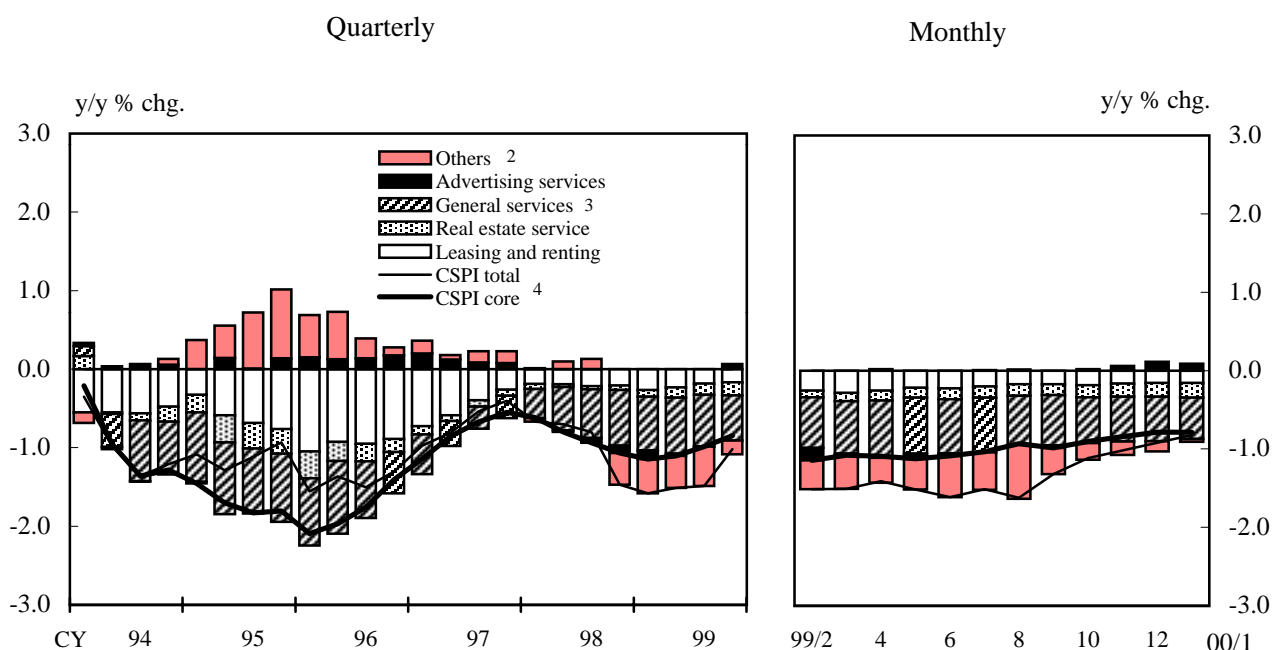
8. Iron & steel and construction goods = iron & steel + metal products + ceramics, stone & clay products + lumber & wood products + scrap & waste.

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

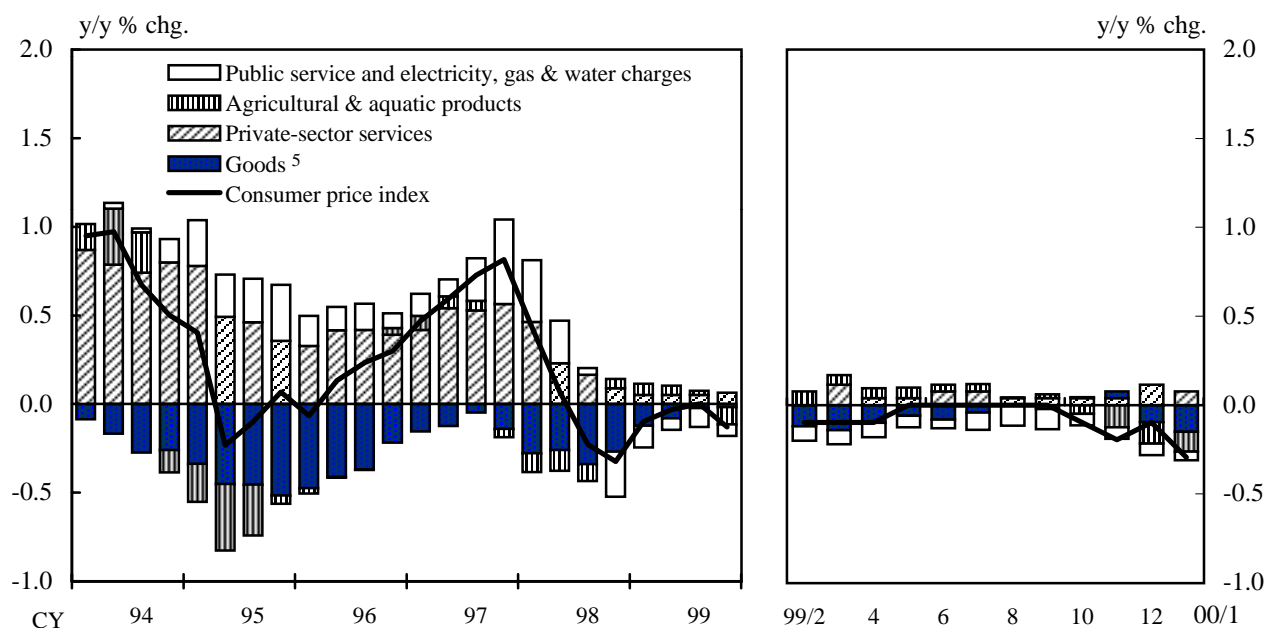
Sources: Bank of Japan, "Wholesale Price Indexes", "Financial and Economic Statistics Monthly", "Nippon Ginko Chousa Geppo (Bank of Japan Monthly Bulletin)"; Nihon Keizai Shimbun Inc., "Nikkei Domestic Commodity Price Index."

Corporate Service Prices and Consumer Prices¹

(1) Breakdown of Corporate Service Price Index (CSPI)



(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 the 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 + securities issuance and related services (banks' procurement services for issuing debentures <excluding underwriting services>).

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

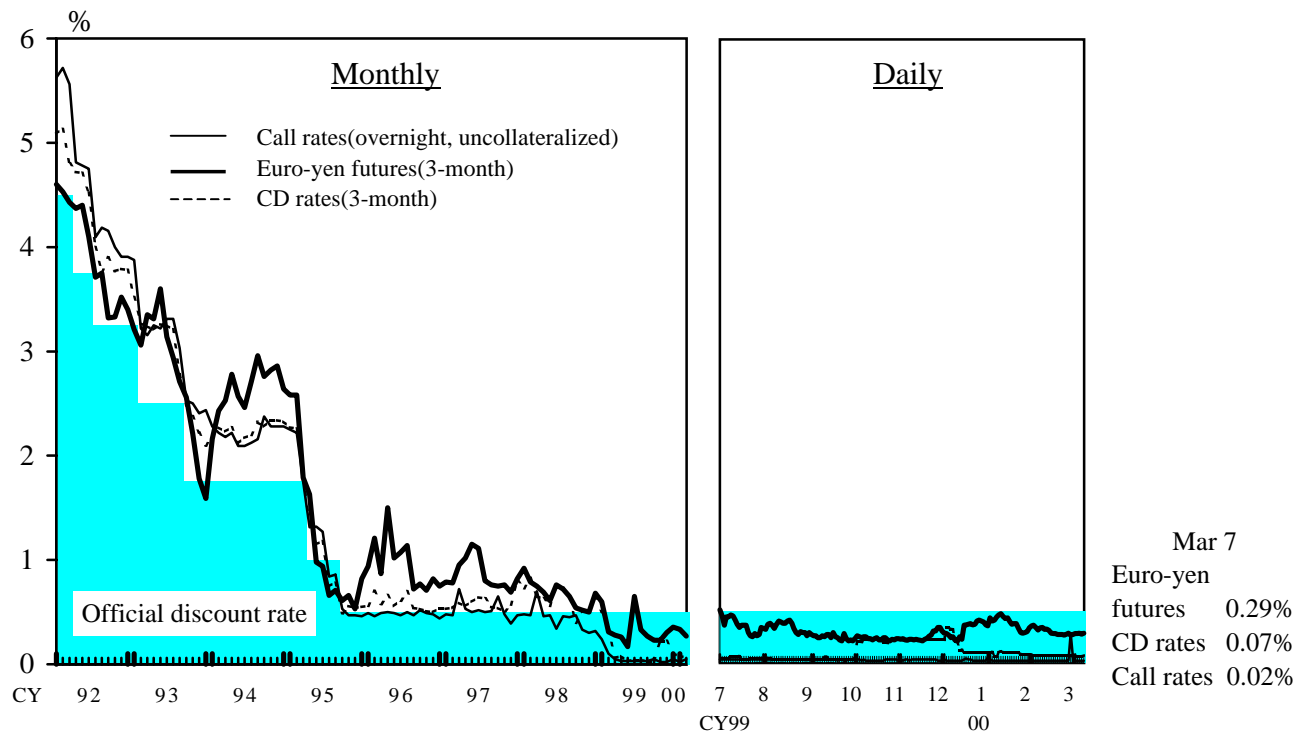
4. CSPI core includes all items less "others" defined above. This index mainly reflects the supply and demand conditions in domestic private sector.

5. Excludes agricultural and aquatic products.

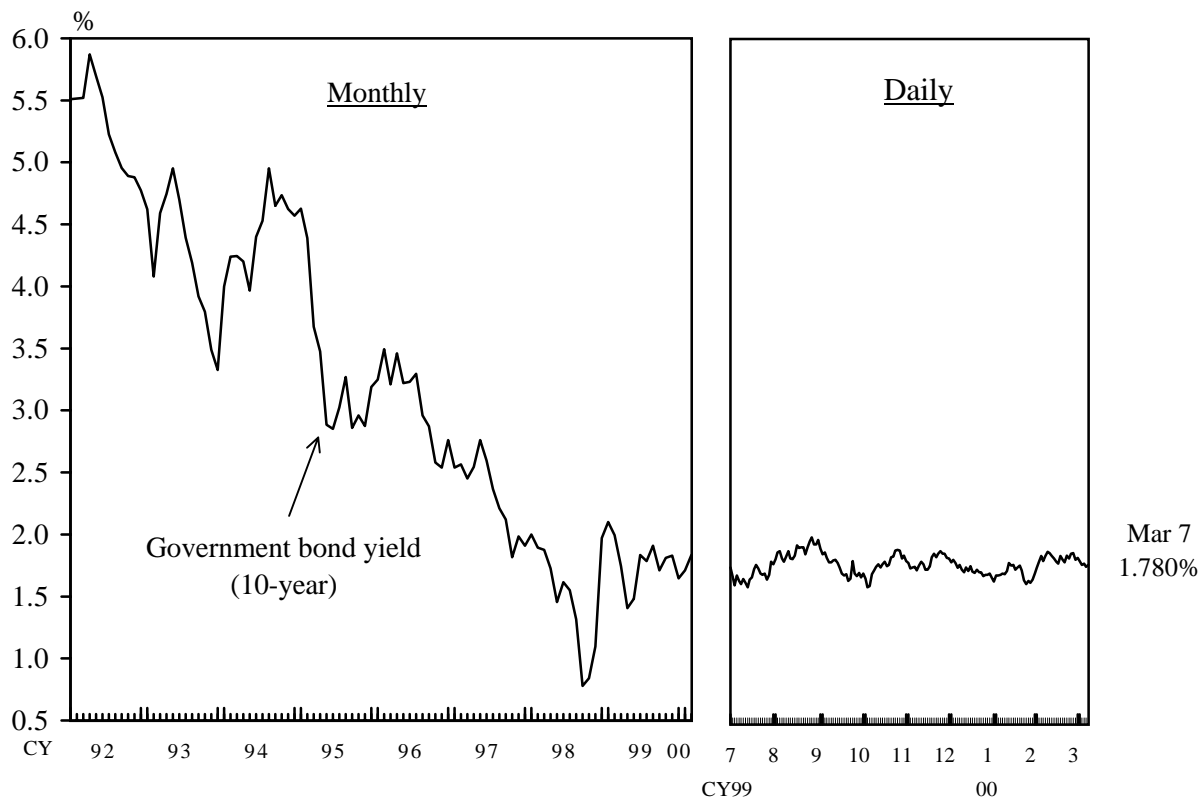
Sources: Management and Coordination Agency, "Consumer Price Index";
Bank of Japan, "Corporate Service Price Index."

Interest Rates

(1) Short-Term



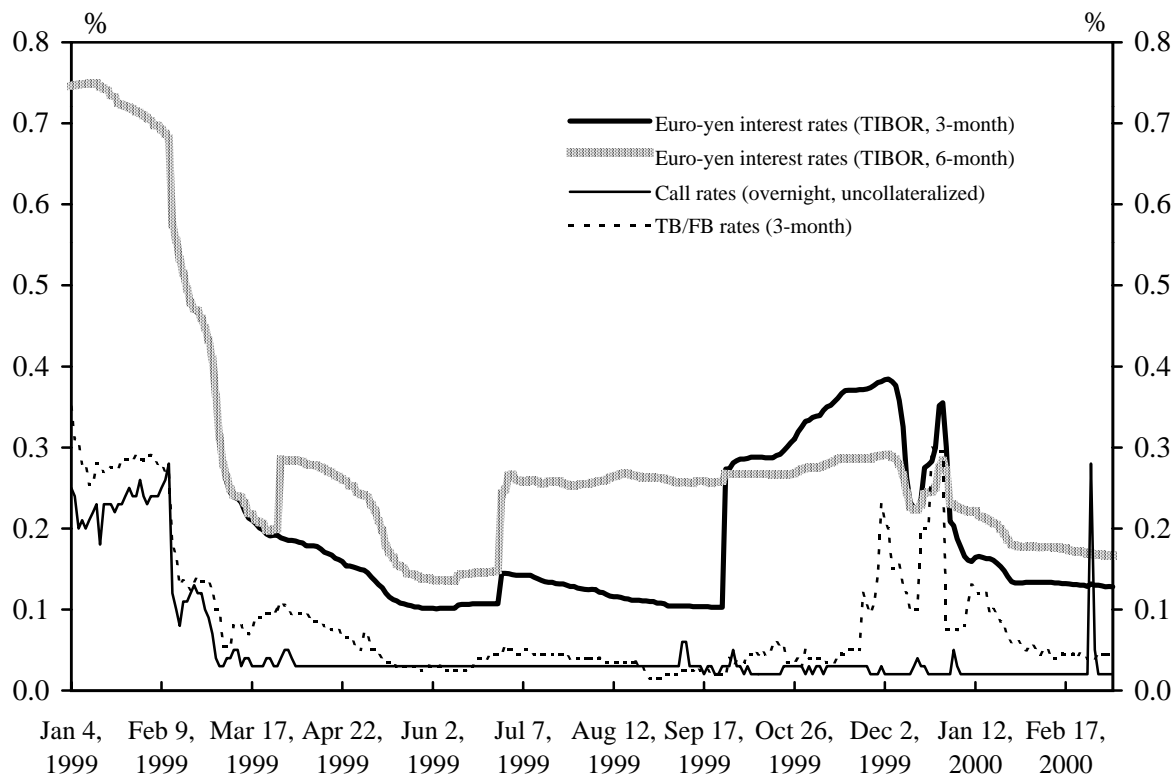
(2) Long-Term



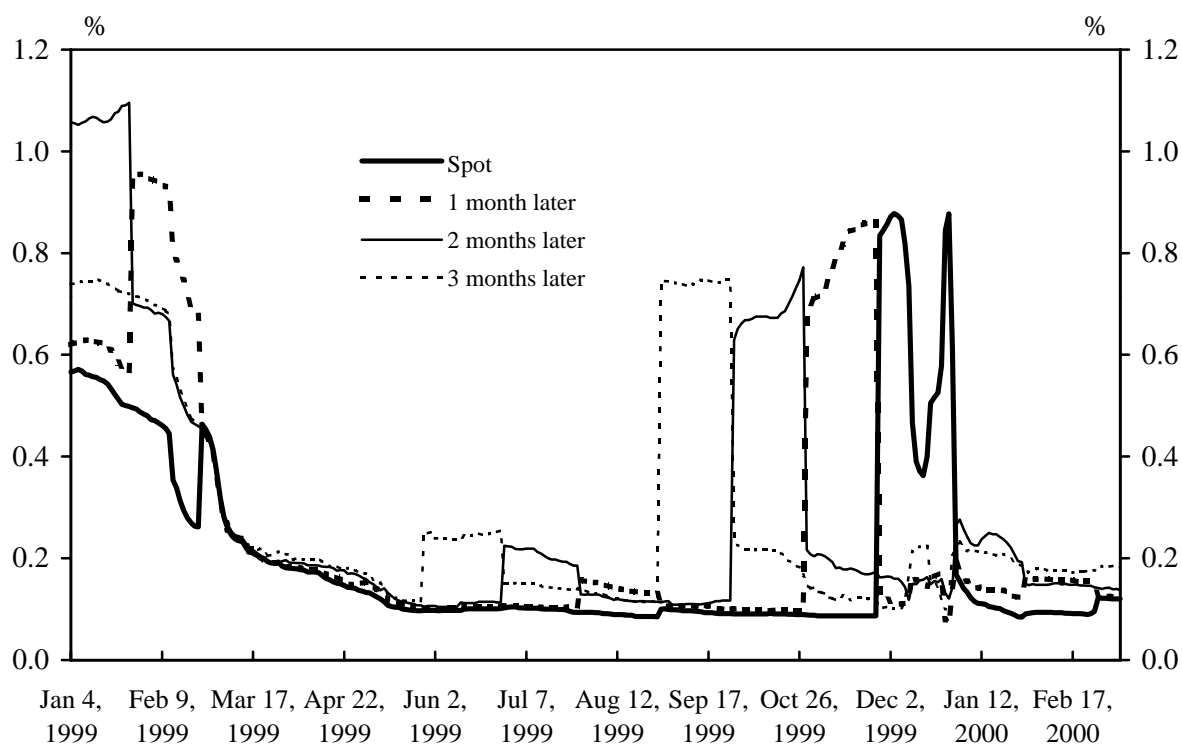
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

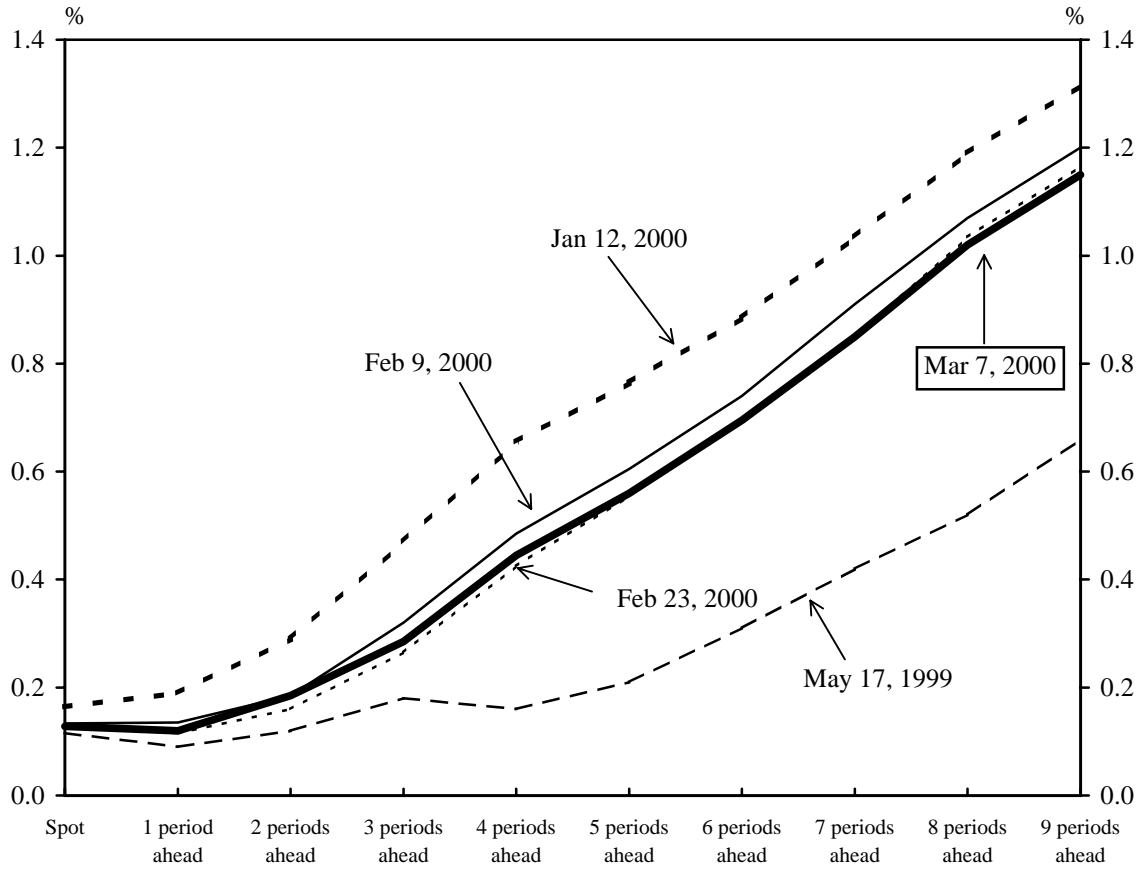


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

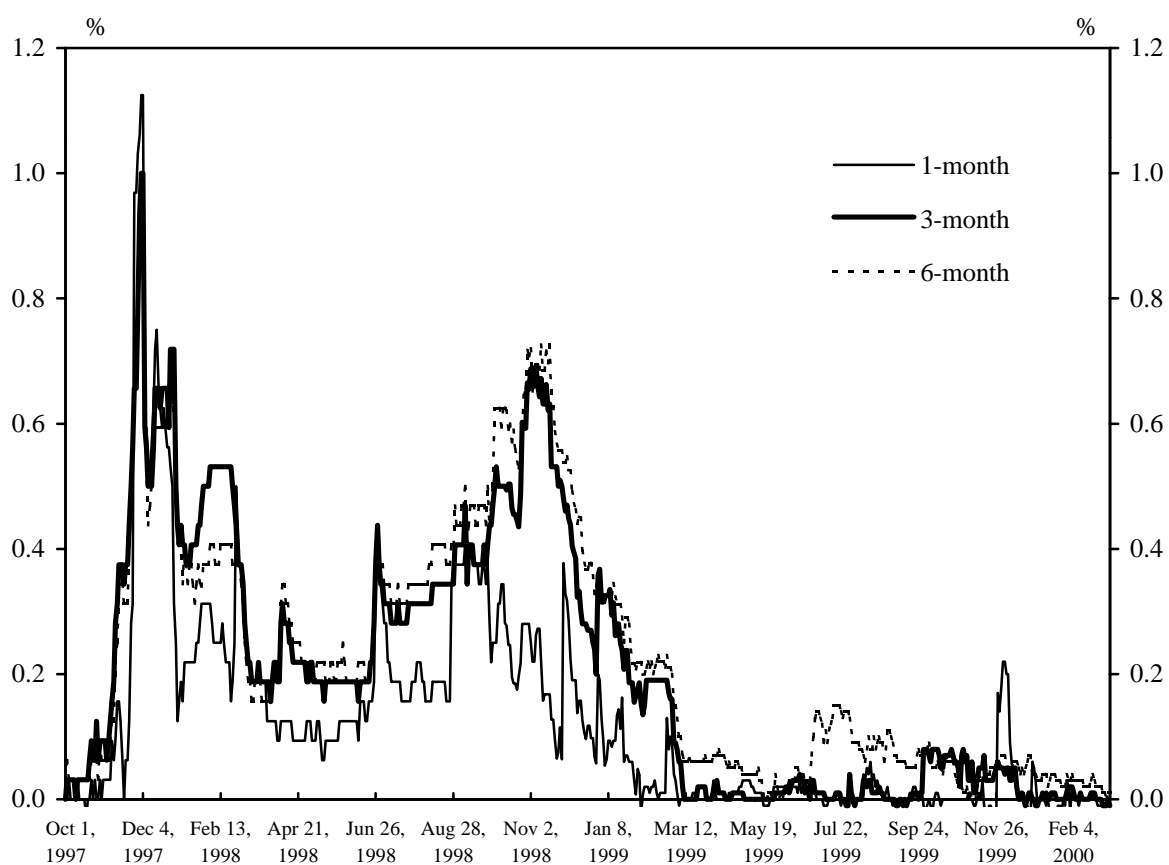


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Euro-Yen Interest Rates Futures (3-Month)



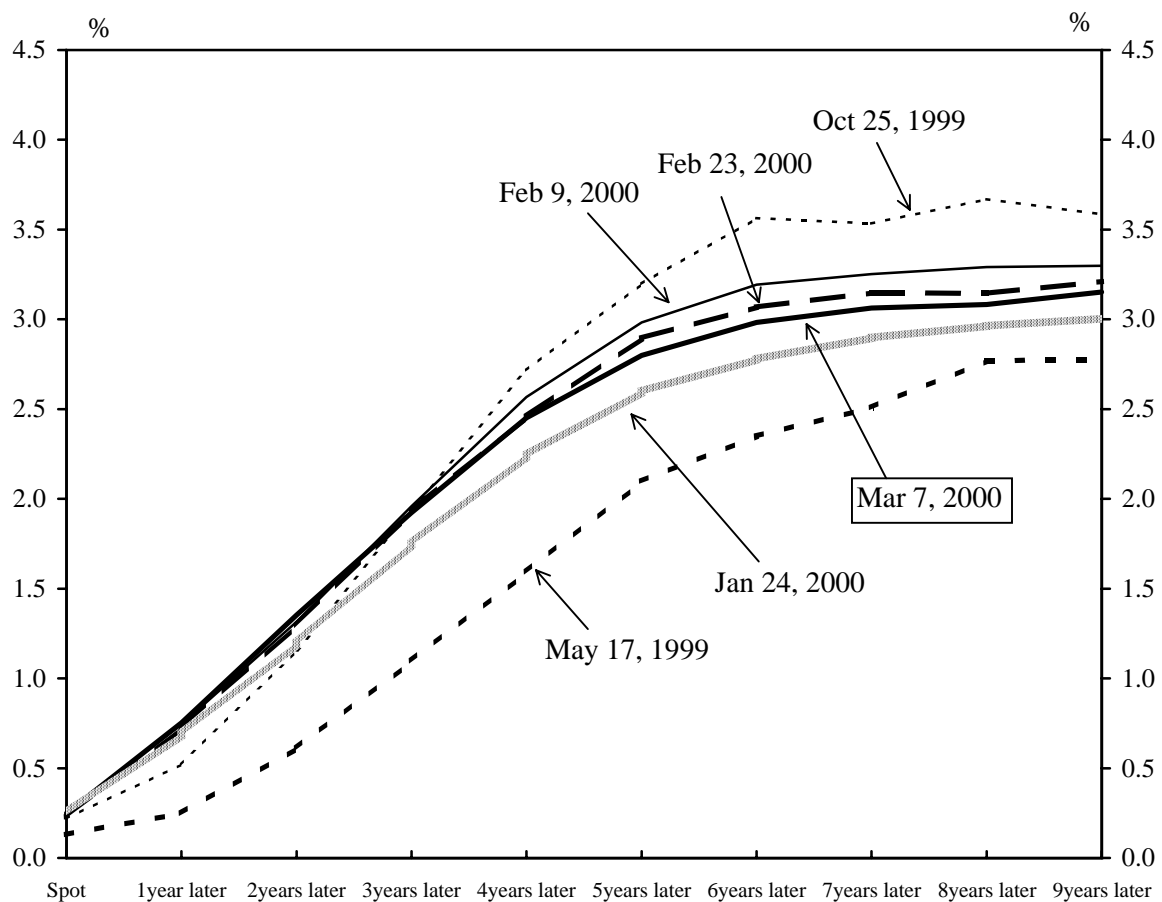
Source: Tokyo International Financial Futures Exchange.

Japan Premium in the Eurodollar Market ¹

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

Source: British Bankers' Association (BBA).

Implied Forward Rates (1-year)¹

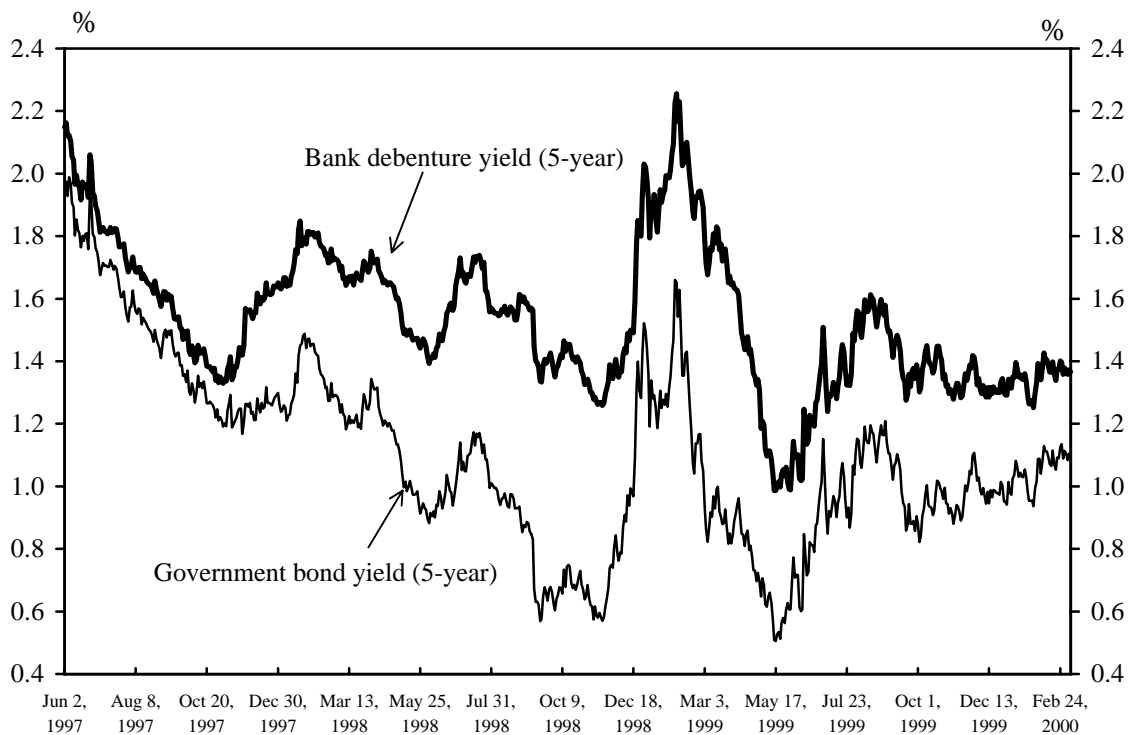


Note: 1. Calculated from yen-yen swap rates.

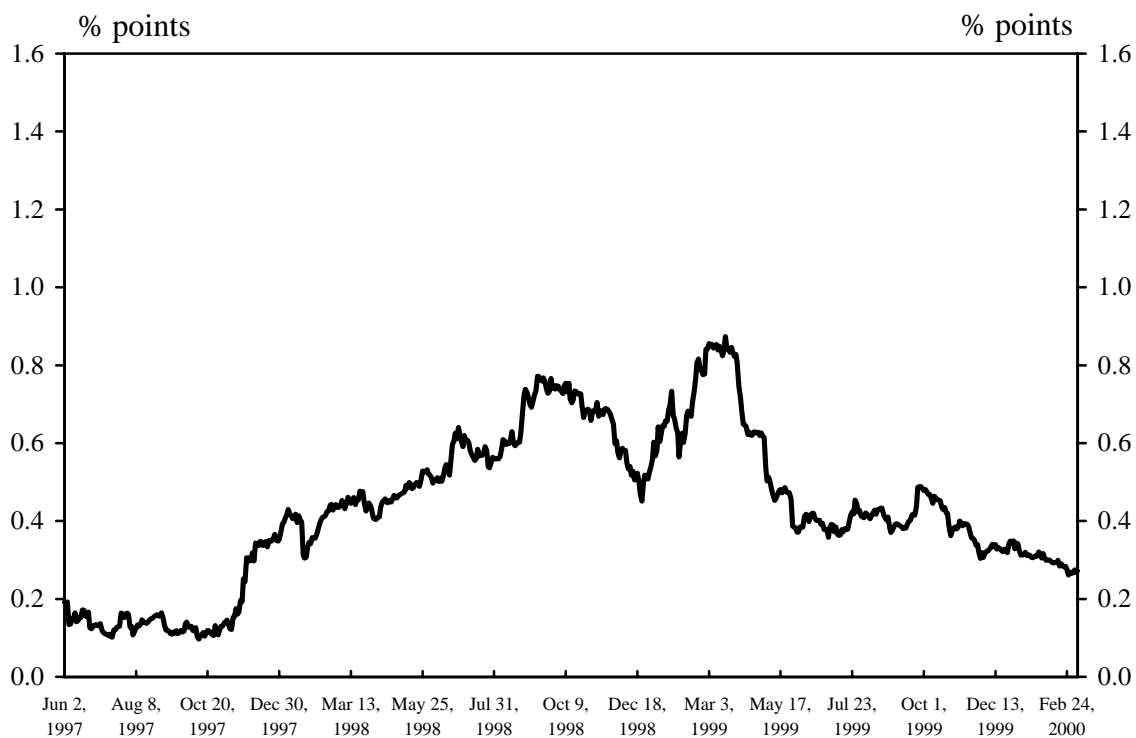
Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



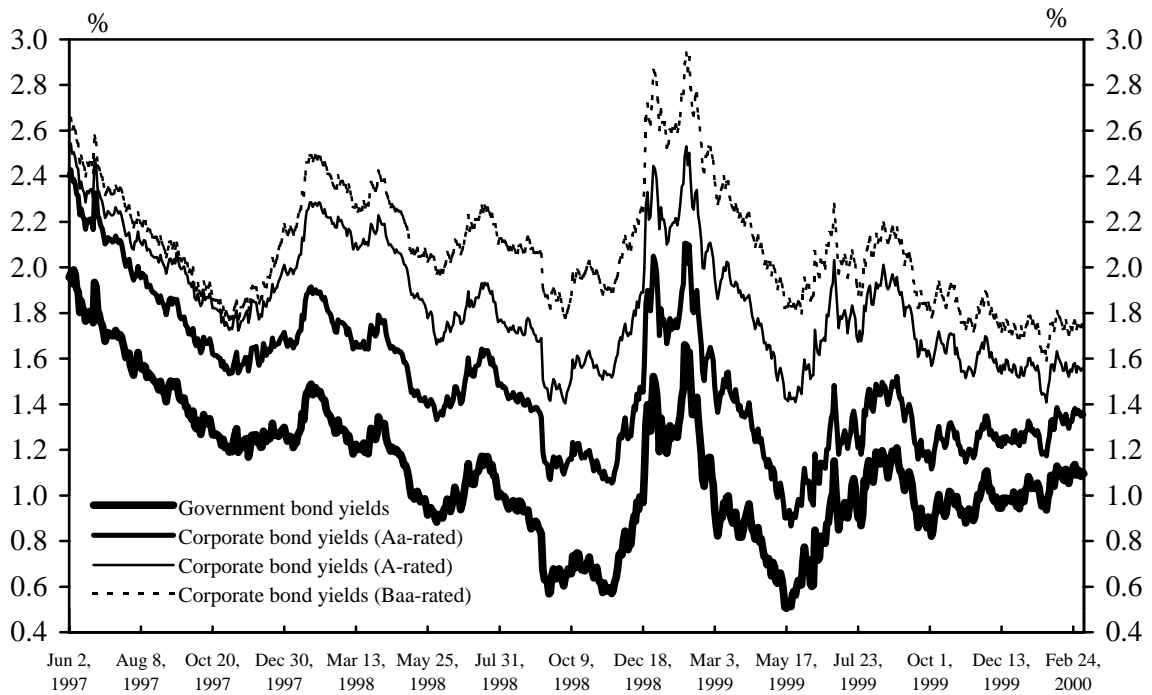
(2) Spread of Bank Debenture and Government Bond Yield



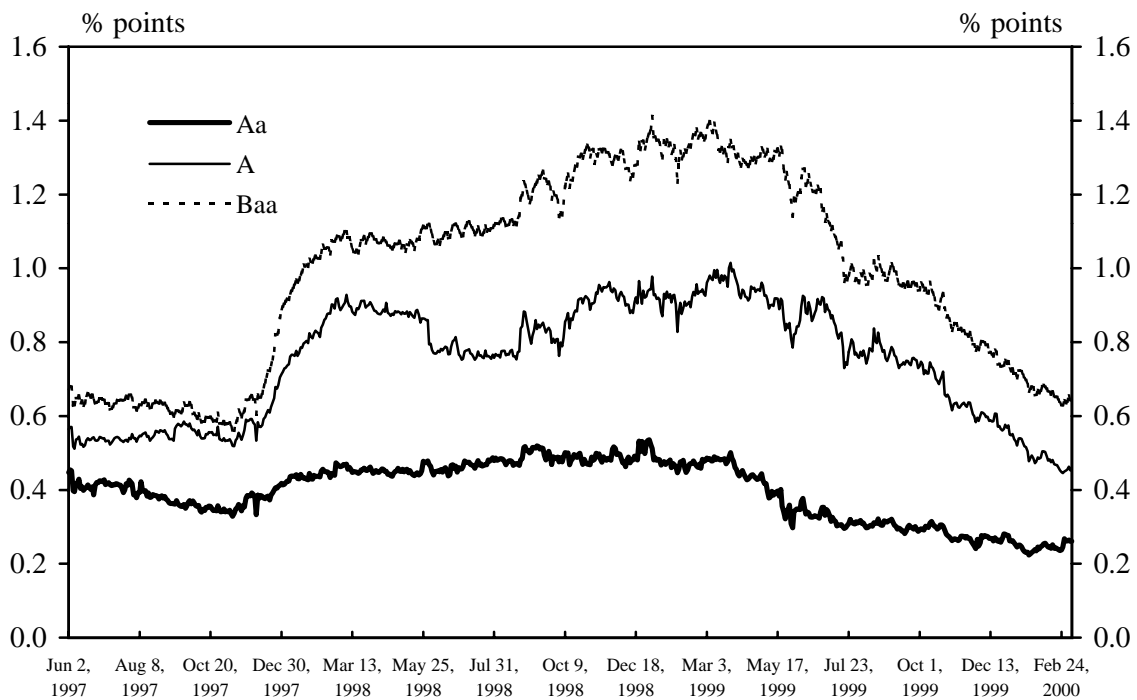
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields ¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



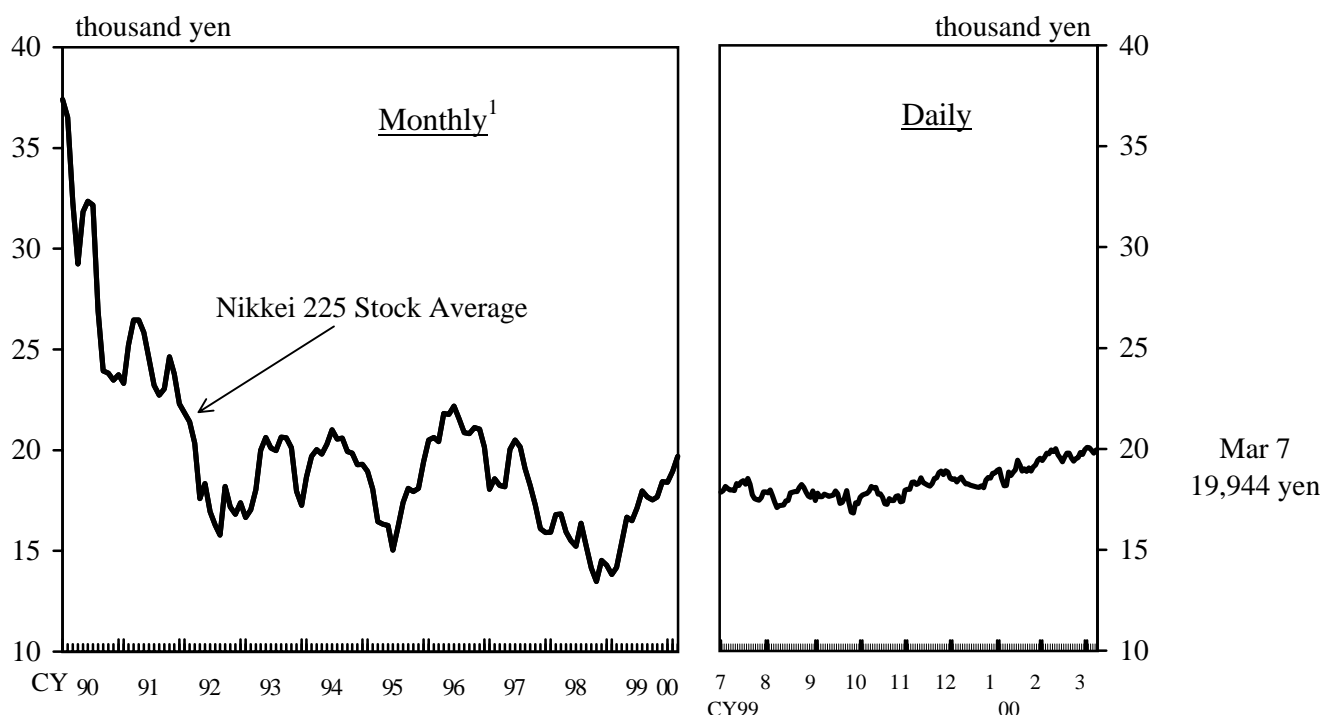
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

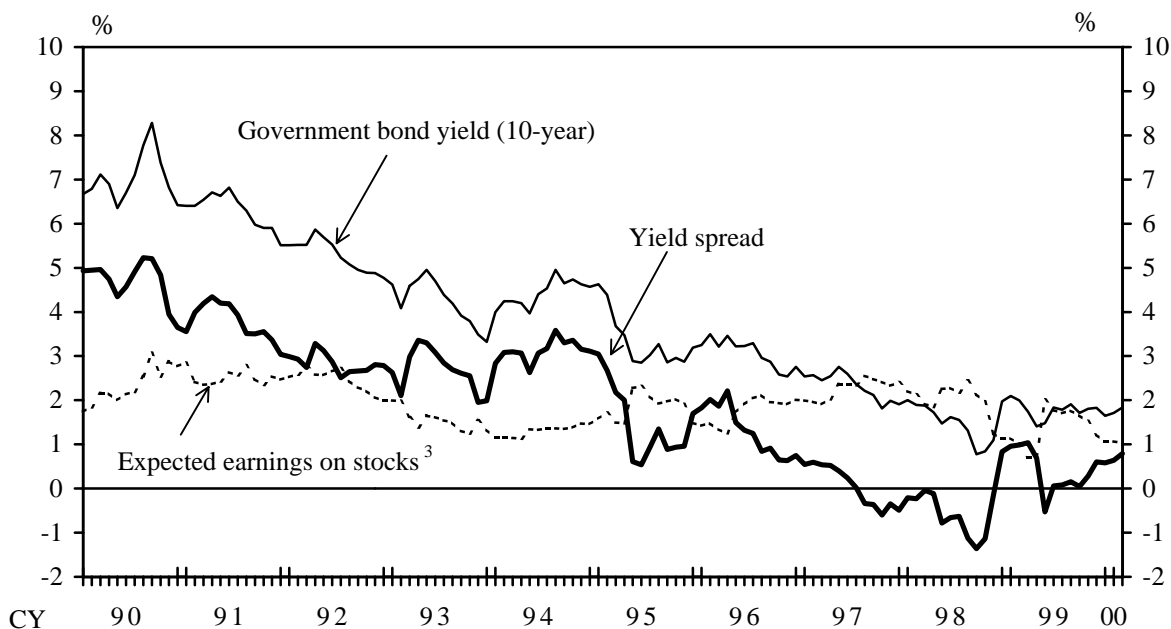
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

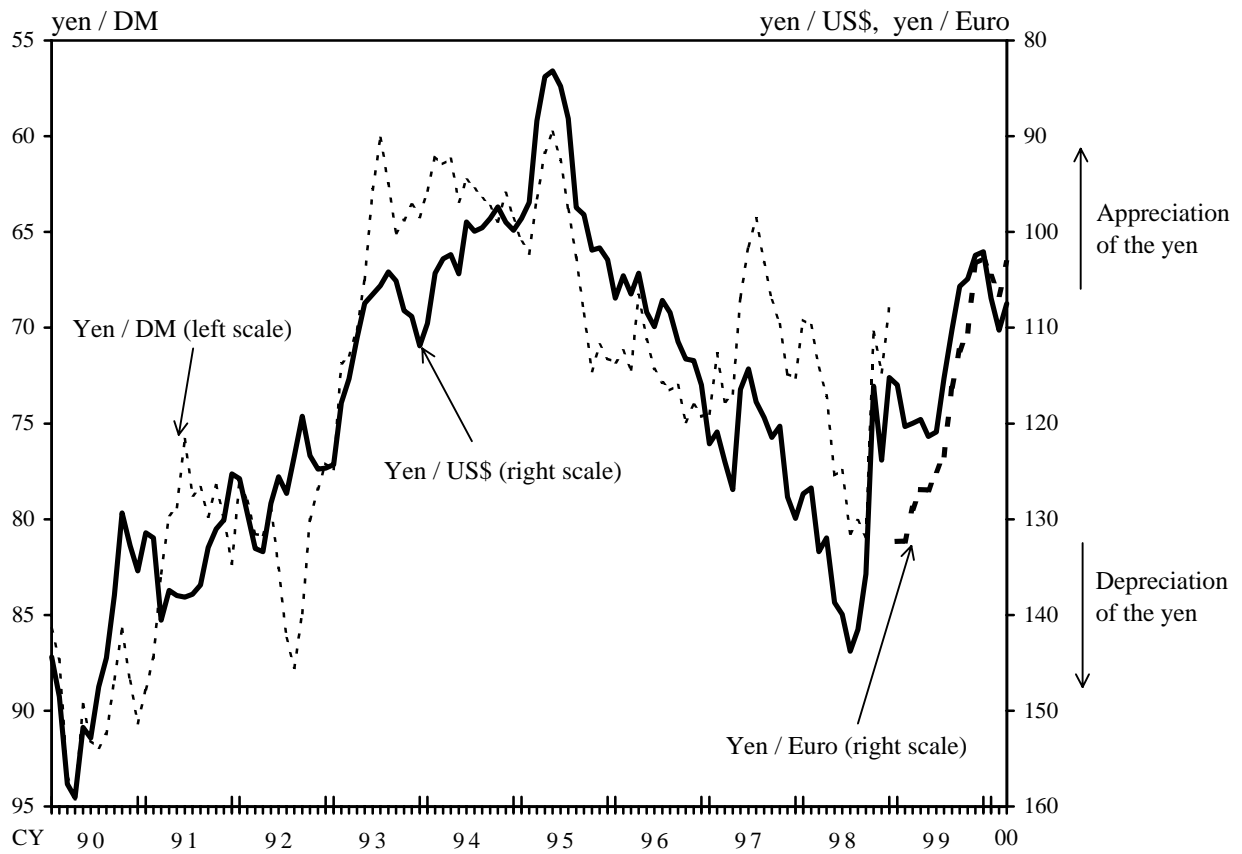
Yield spread = government bond yields - expected earnings on stocks,
where expected earnings on stocks = 1/expected price earnings ratio.

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

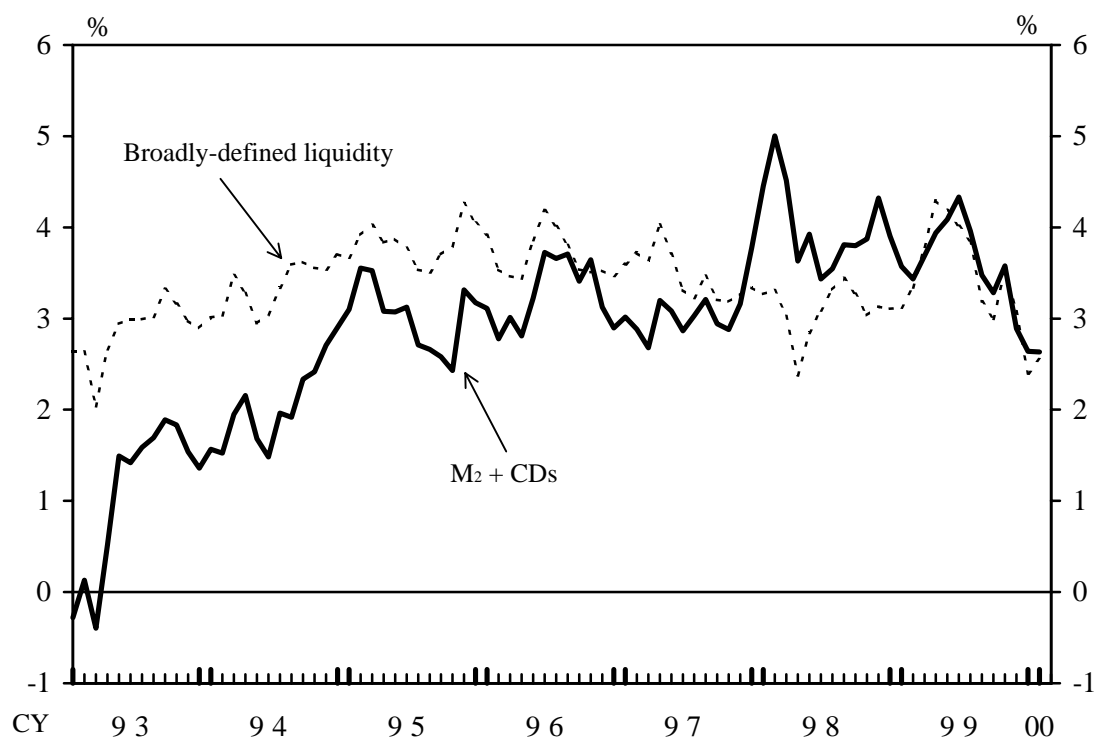


Note: 1. End of month. Data for March 2000 are as of March 7, 2000.

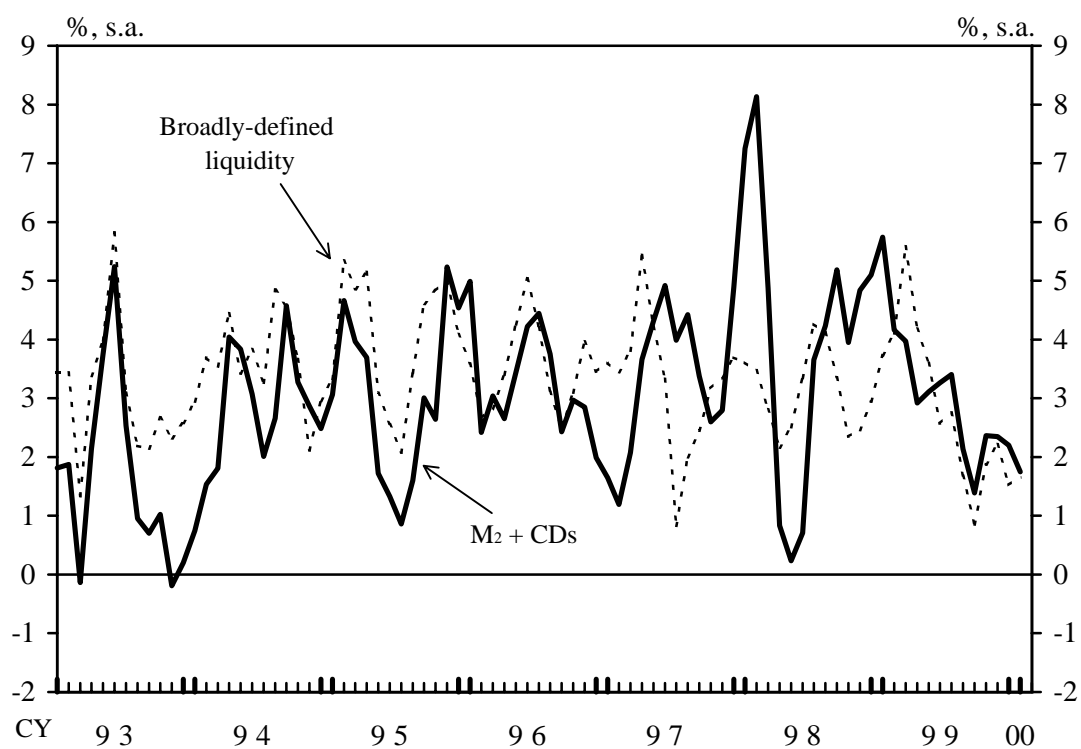
Source: Bank of Japan.

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

(1) Changes from a Year Earlier



(2) Changes from Three Months Earlier (Annualized)

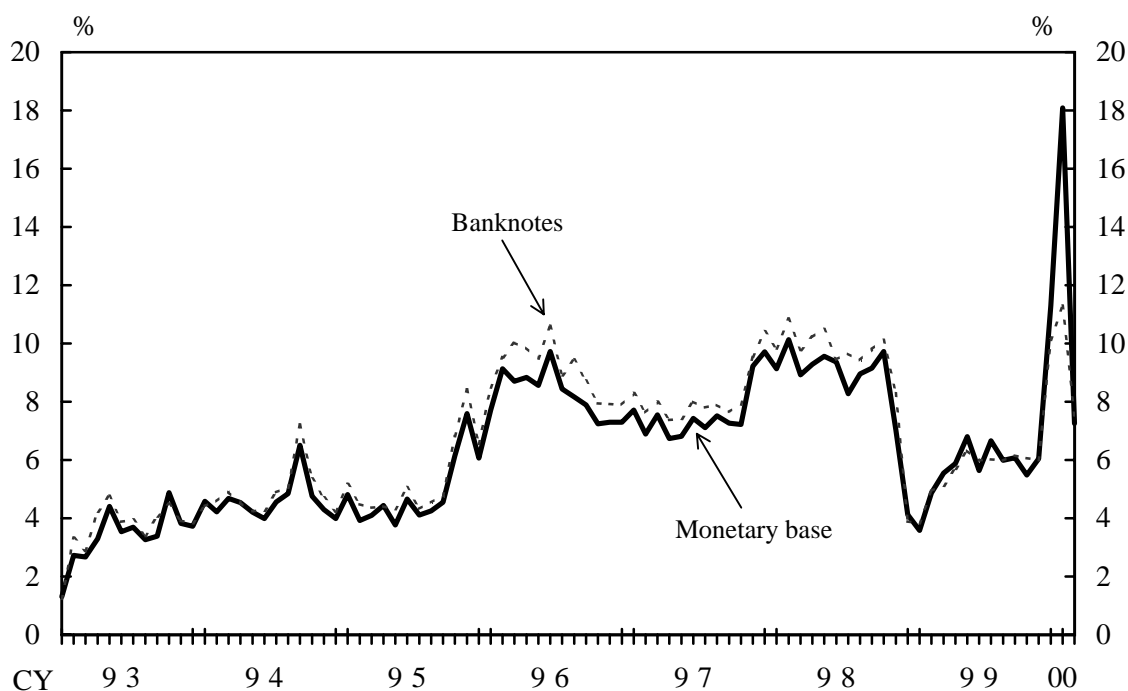


Note: 1. Percent changes in average amounts outstanding.

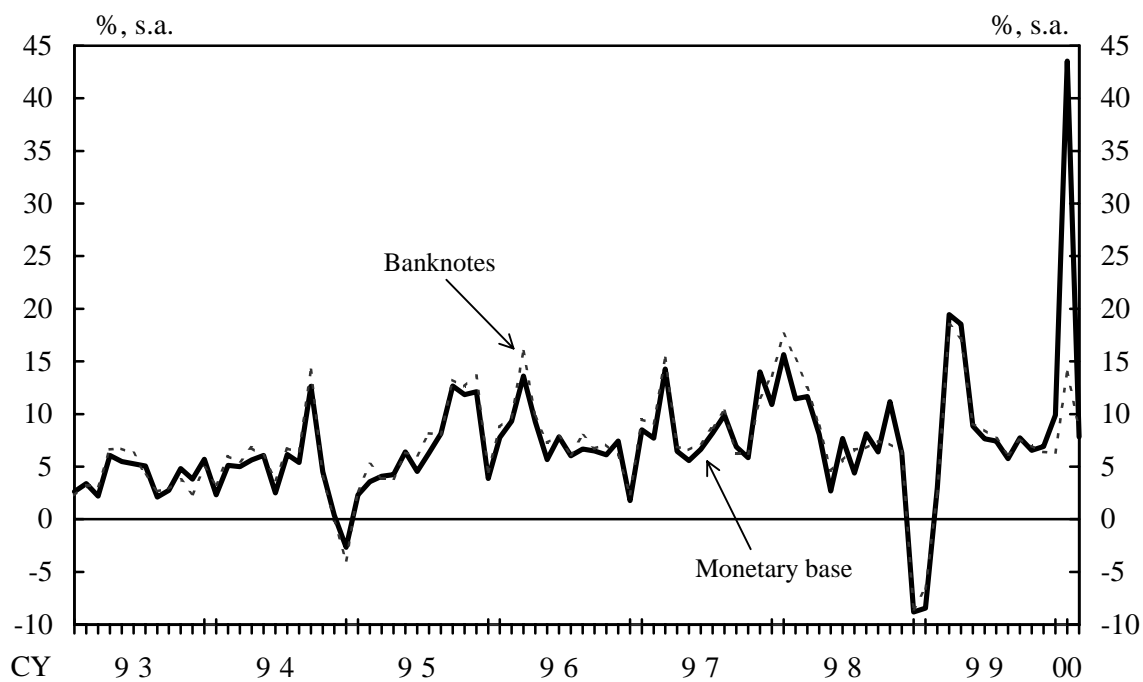
Source: Bank of Japan.

 Monetary Base ¹

(1) Changes from a Year Earlier

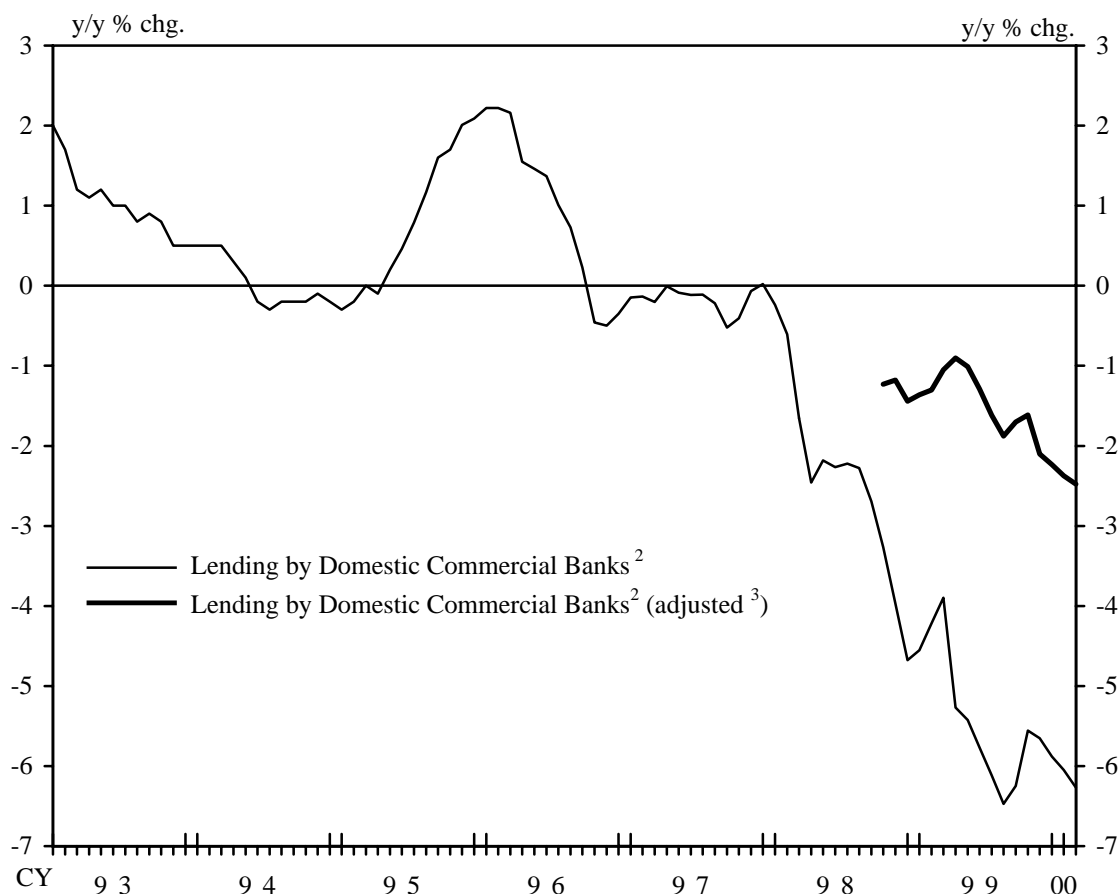


(2) Changes from Three Months Earlier (Annualized)



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).

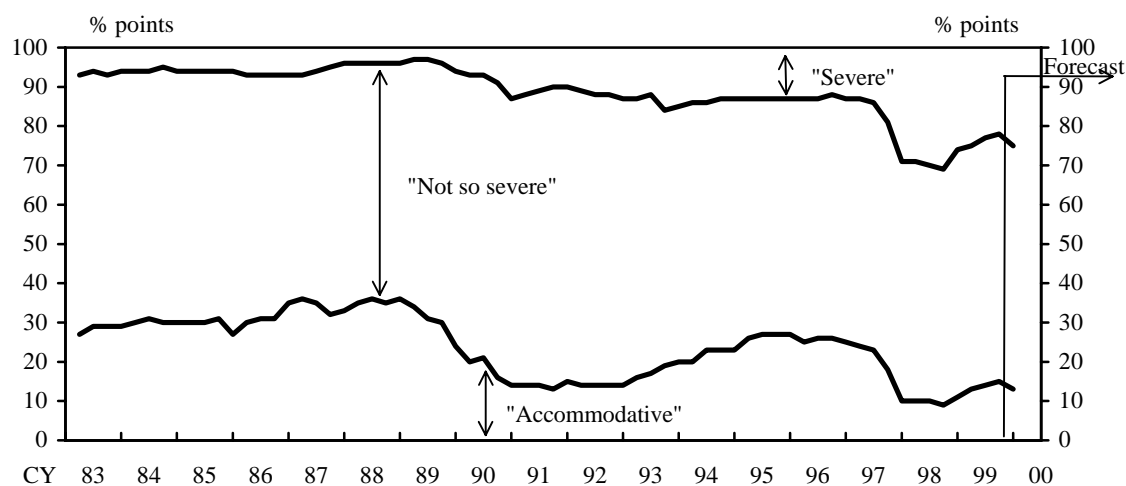
3. Adjusted to exclude

- (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.

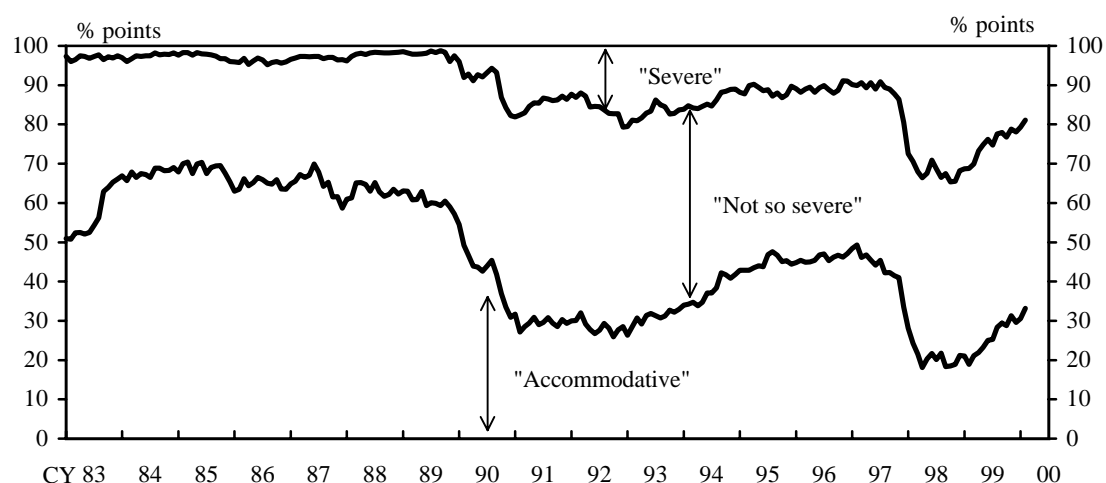
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

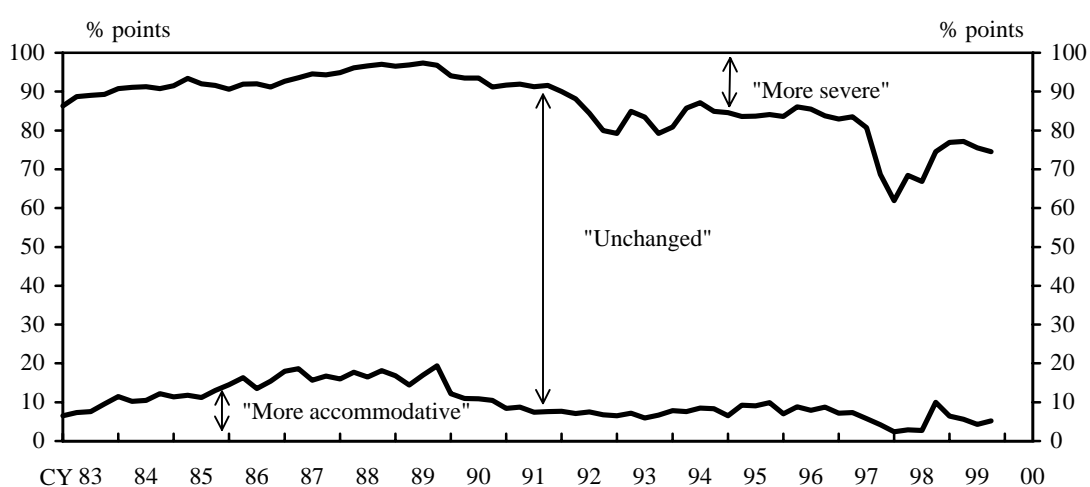
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (December, 1999)



(2) "Monthly Survey on Trends of Small Businesses" (Mid-February, 2000)

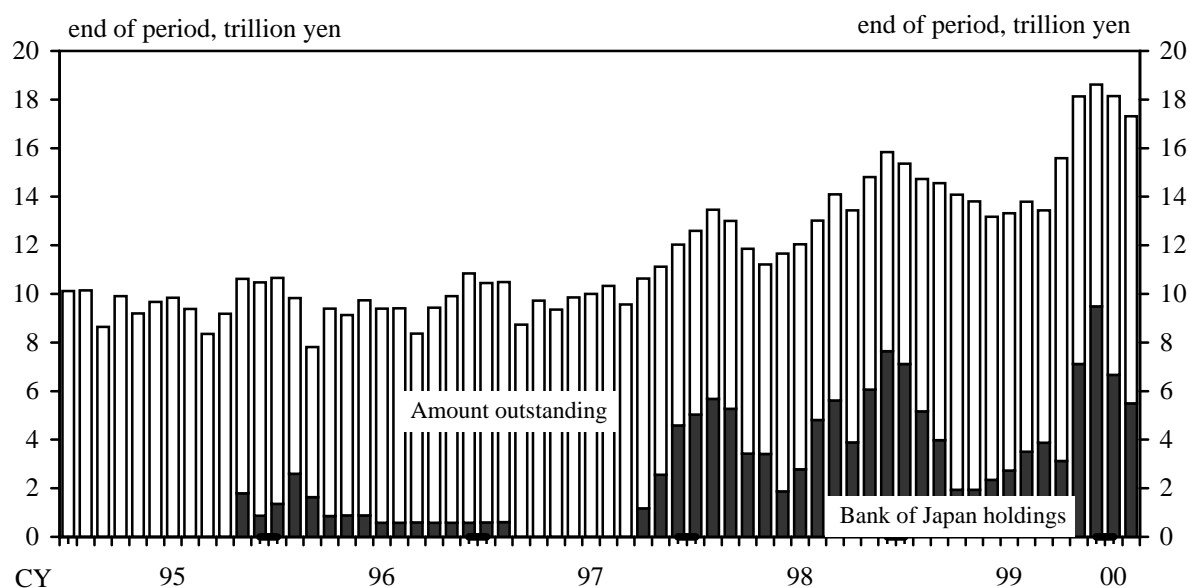


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-December, 1999)



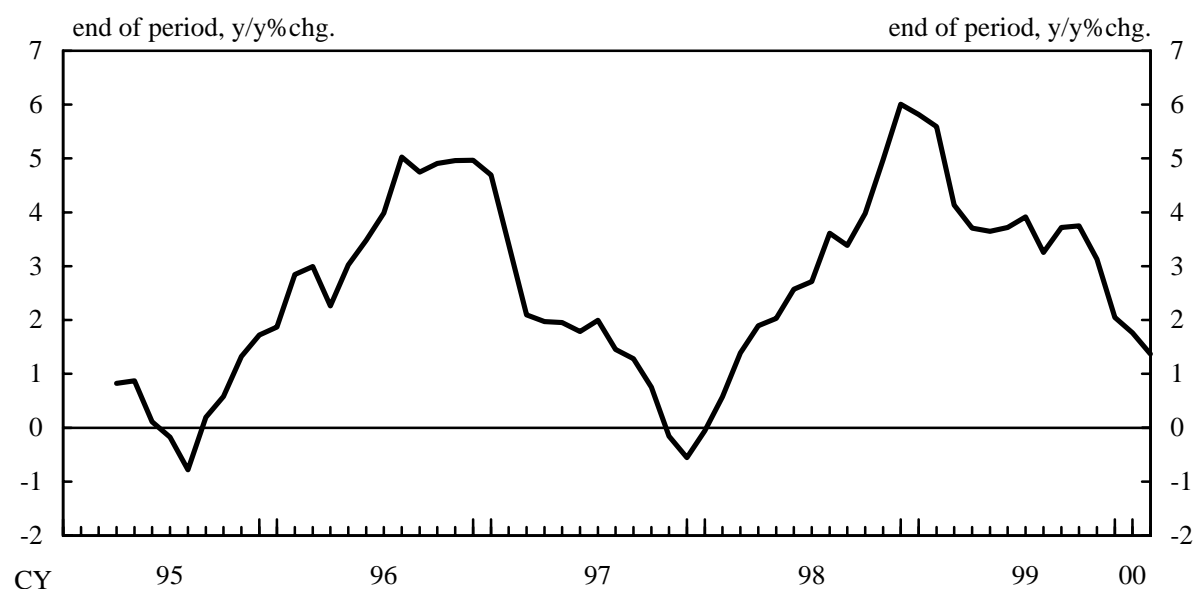
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan";
 Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses";
 National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Private-Sector Fund Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper¹(2) Issue Volume of Corporate Bonds²

(100 million yen)

	Sep, 1999	Oct, 1999	Nov, 1999	Dec, 1999	Jan, 2000	Feb, 2000
Volume	10,475	5,446	8,653	7,023	2,442	8,882
(last year)	(10,824)	(8,946)	(11,803)	(14,764)	(4,909)	(10,706)

(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.

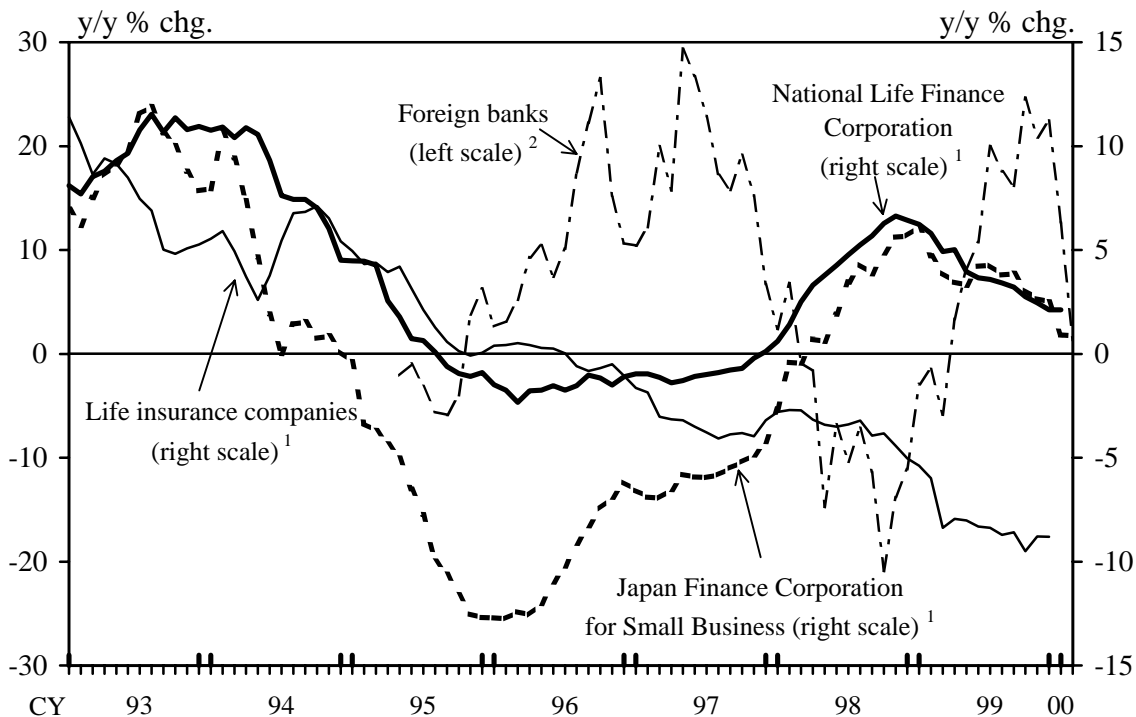
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

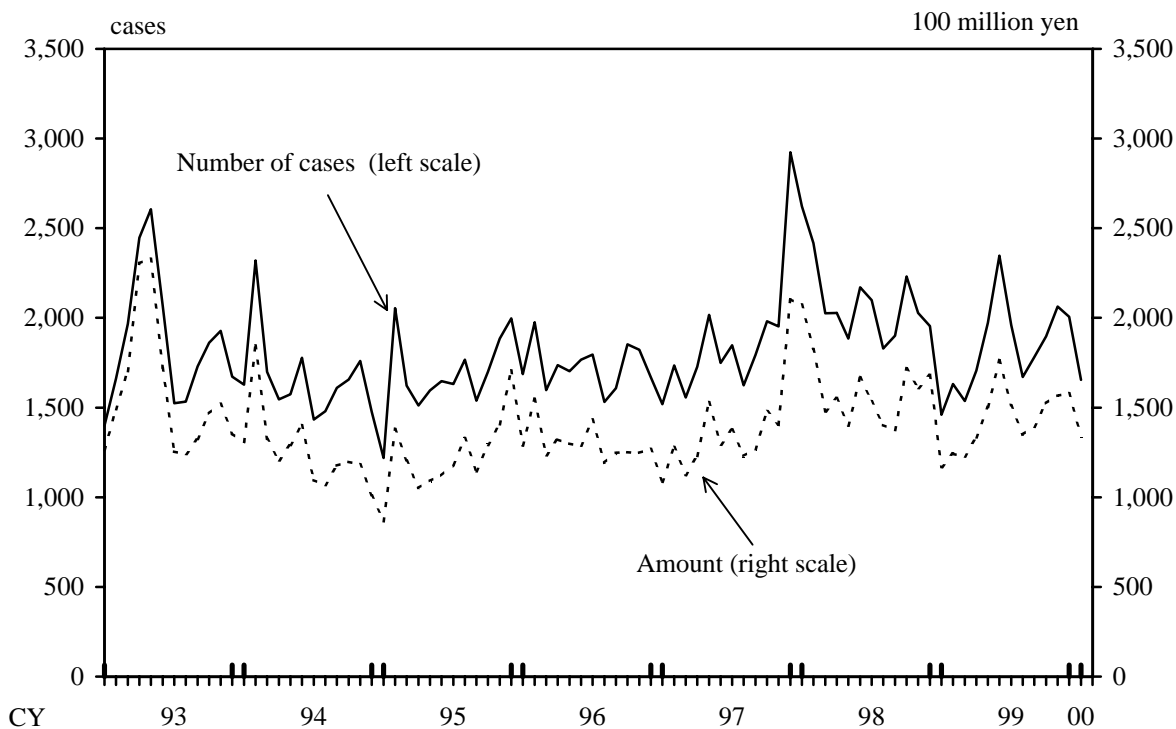
Lending by Other Financial Institutions

(1) Lending Outstanding



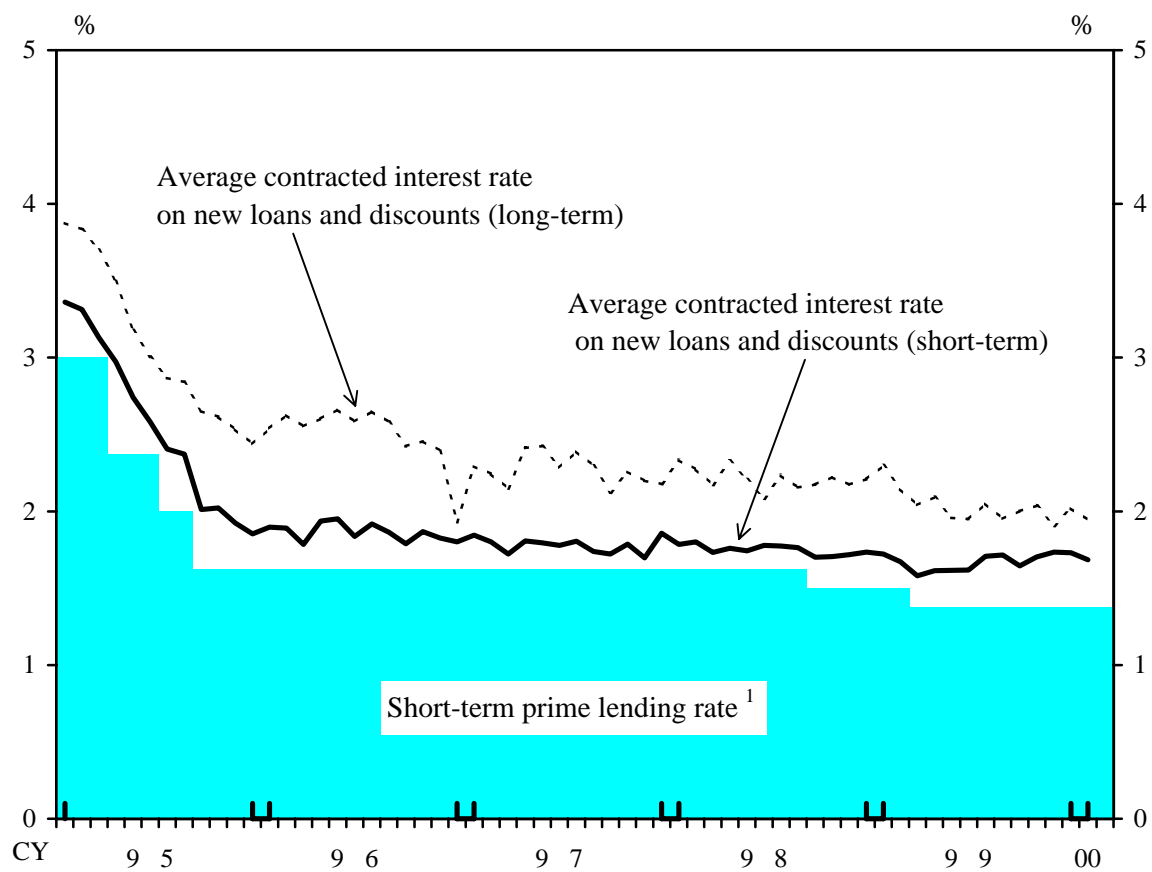
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

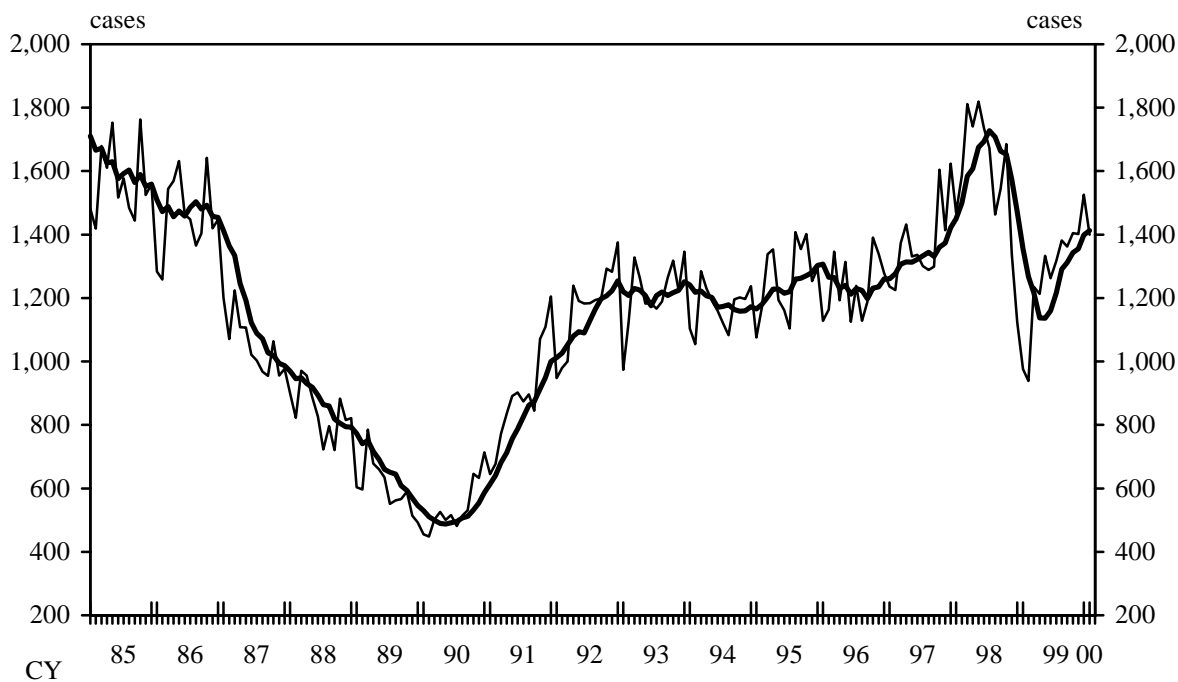


Note: 1. Data are at end of period.

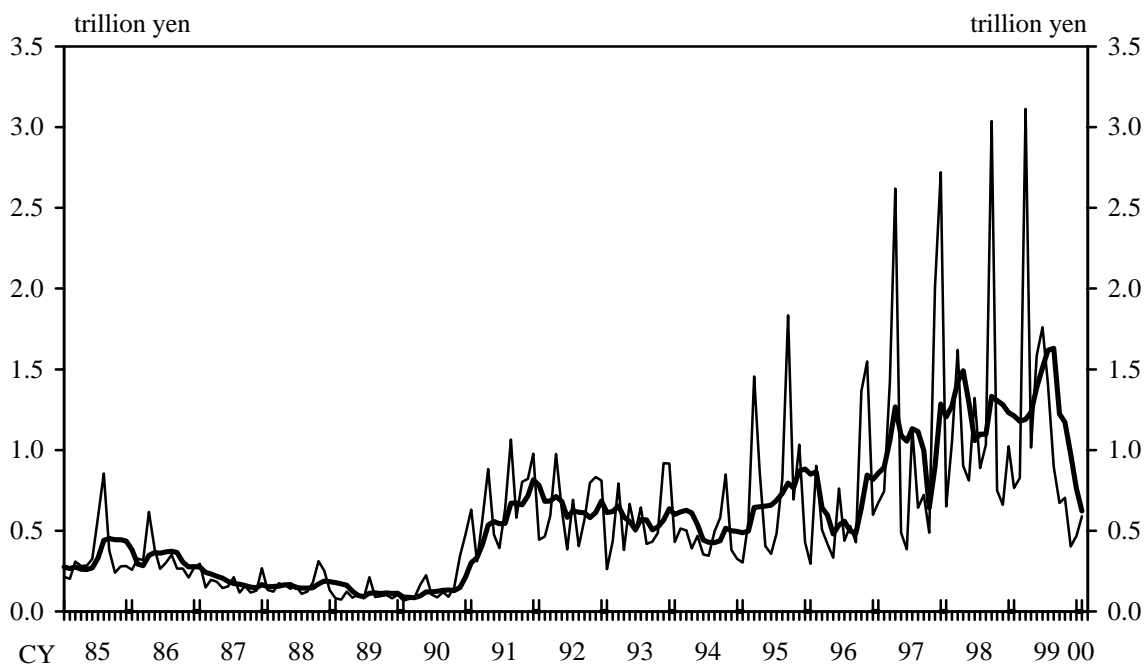
Source: Bank of Japan.

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)."