

May 31, 2000
Bank of Japan

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

May 2000

(English translation prepared by the Bank staff based on the Japanese original
released on May 19, 2000)

Monthly Report of Recent Economic and Financial Developments¹

May 2000

The Bank's View²

The improvement in Japan's economy is becoming distinct. Recovery has been observed in some areas of private demand, with business fixed investment continuing to increase gradually.

With regard to exogenous demand, net exports (real exports minus real imports) continue to follow an upward trend due to steady developments in overseas economies, and public investment has started to pick up reflecting the progress in the implementation of the supplementary budget for fiscal 1999. As regards domestic private demand, housing investment is on a moderate declining trend, and recovery in private consumption continues to be weak through lack of notable improvements in employment and income conditions. Meanwhile, business fixed investment continues to increase gradually.

Reflecting such developments in final demand, industrial production is increasing, and corporate profits and sentiment continue to improve. Firms as a whole still strongly feel that they have excess capacity and employees, and that they should reduce their debts to restore financial soundness. Nevertheless, the number of firms that take positive action, such as increasing the amount of fixed investment, is increasing gradually, especially in high-growth sectors. Regarding employment conditions, although the decrease in the number of employees and in wages is slowing, efforts by firms to reduce personnel expenses have prolonged the severity of households' income conditions.

As for the outlook, public investment is likely to increase for some time. This, along with the favorable financial environment created partly by the Bank's monetary easing, is expected to continue underpinning the economy. Moreover, net exports are likely to follow an upward trend reflecting the recovery of overseas

¹ This report was written based on data and information available when the Bank of Japan Monetary Policy Meeting was held on May 17, 2000.

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

economies, and it is also highly probable that business fixed investment will increase gradually with an improvement in corporate profits and sentiment. However, housing investment is expected to continue declining moderately, and there seems to be no substantial change in firms' stance to reduce personnel expenses. Hence, it may take some time for households' income conditions to improve and, in turn, for private consumption to recover. In addition, since firms' prospects for sales remain modest, careful monitoring is still required to determine whether the recovery in business fixed investment is sustainable and whether it is likely to spread to a wider range of industries.

With regard to prices, the rise in import prices is slowing, reflecting a temporary decline in international commodity prices such as crude oil prices. Domestic wholesale prices, notwithstanding the fall in prices of electric machinery, are somewhat strong mainly due to the rise in prices of petroleum and chemical products reflecting the increase in crude oil prices to date. Meanwhile, consumer prices continue to be somewhat weak due to the slight decrease in the prices of private-sector services and the 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 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. However, attention should still be paid to the downward pressure on prices stemming from weak demand, although the pressure has weakened given some recovery in private demand.

In the financial market, the overnight call rate has generally stayed near zero, and financial institutions have been confident about the availability of overnight funds. The amount outstanding of funds in the call money market has remained generally stable.

Interest rates on term instruments have weakened somewhat. The Japan premium remains negligible.

Yields on long-term government bonds once rose above 1.8 percent in mid-April but then declined and are recently moving in the range of 1.7-1.8 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 on the whole recovered from a plunge triggered by a drop in U.S. stocks although they showed divergent movements by index.

In the foreign exchange market, the yen strengthened slightly against the U.S. dollar in mid-April but generally weakened thereafter. The yen is currently being traded in the range of 108-110 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. Given this, major banks are becoming more active in extending loans, while carefully evaluating the credit risks involved.

On the other hand, the improvement in economic activities has not stimulated corporate demand for external funds, since firms' cash flow is increasing in parallel with a recovery in profits. Moreover, 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.

In view of this, the underlying tone of private banks' lending seems to remain sluggish although its year-on-year rate of decline slowed in April for the second consecutive month. Issuance of corporate bonds and CP has been steady.

Money stock (M_2 +CDs) grew faster in April compared with the previous month on a year-on-year basis.

In this financial environment, corporate financing conditions are easing, and the lending attitude of financial institutions is perceived by firms as 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, is recently rising along with the implementation of the supplementary budget for fiscal 1999, public investment appears to have turned to an increase. As for the outlook, public investment is expected to continue increasing gradually.

Real exports (Charts 3 to 5) are on a rising trend, mostly due to an increase in exports of information-related goods to Asia. Meanwhile, real imports were essentially flat in the first quarter of 2000 compared to the previous quarter, since imports, especially those of information-related goods and consumer goods, rose after declining temporarily at the beginning of the year mostly due to a decrease in crude oil imports.

As a result of these import and export developments, net exports (real exports – real imports) in terms of the real trade balance³ seem to remain on an increasing trend.

As for the future environment for foreign trade, the real effective exchange rate of the yen has recently been basically steady (Chart 6(1)). Regarding the foreign demand conditions, however, the U.S. economy is expected to remain firm, and the recoveries in the European, 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.

³ It should be noted that the real trade balance presented in Chart 3(2) differs from net exports on a GDP basis, but the changes in the real trade balance are basically equivalent to those of net exports. (The real trade balance is on a customs-clearance basis and does not include the trade in services, while net exports are on an ownership-transfer basis and include the trade in services.)

Business fixed investment continues to increase moderately. Shipments of general capital goods, which move almost simultaneously with machinery investment, posted a large seasonally adjusted quarter-to-quarter increase of 10.7 percent in the first quarter of 2000, partially in reaction to some firms' decisions to postpone computer purchases at the end of 1999 due to concerns about the Year 2000 problem. Among leading indicators (Chart 7), nonresidential construction starts increased by 9.7 percent in the fourth quarter of 1999 on a seasonally adjusted quarter-to-quarter basis, and then surged by 17.1 percent in the first quarter of 2000, in part due to large-scale redevelopment projects in the nonmanufacturing industries. Machinery orders (private demand; excluding shipbuilding and electric power equipment) increased by 8.7 percent in the fourth quarter of 1999 on a seasonally adjusted quarter-to-quarter basis, and then rose by 4.9 percent in the first quarter of 2000.

As for the outlook, the environment surrounding business fixed investment is expected to continue improving in terms of firms' profitability and financing conditions (Chart 8). In these circumstances, an increasing number of firms have recently started to expand their capacities in the industries enjoying an extremely strong increase in demand, such as electronics parts.⁴ At many firms, however, prospects for sales remain modest, and there are still strong perceptions of excess equipment in the corporate sector overall. Under these conditions, careful monitoring is still required to determine whether the recovery in business fixed investment is sustainable and whether it is likely to spread to a wider range of industries.

The recovery in private consumption remains weak as a whole, although there have been somewhat positive developments in certain areas. 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 the number of passenger car sales have also been recovering compared to the level at the end of 1999. Outlays for travel are also on a recovery trend, after the slump caused by the Year 2000 problem. Sales at

⁴ According to company interviews, some firms in electronics parts-related fields are front-loading their business fixed investment and making upward revisions to their investment plans, reflecting strong demand.

department stores, however, have recently been stagnant, and sales at chain stores also remain on a declining trend.

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) has been increasing since the beginning of the year, mostly due to a concentration of construction starts of owner-occupied houses, which is considered to be a temporary factor. Disregarding such fluctuations, housing investment apparently remains on a gradual declining trend. (On a seasonally adjusted annual basis, housing starts totaled 1.17 million units in the fourth quarter of 1999, and 1.27 million units in the first quarter of 2000.)

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 Corporation.⁵ Housing for sale is likely to remain basically flat for the time being.

Reflecting these developments in final demand and also because inventory adjustments are probably mostly completed (Chart 12), industrial production remains on an increasing trend (Chart 13), with seasonally adjusted quarter-to-quarter increases of 0.8 percent in the fourth quarter of 1999 and 2.8 percent in the first quarter of 2000. As for the outlook, industrial production is expected to remain firm for the time being.

Employment and income conditions remain harsh overall, although the decreases in both the numbers of regular employees and wages to date are slowing as

⁵ Loan applications to the government Housing Loan Corporation during its fourth offering period for fiscal 1999 remained at a low level (38,000 applications for the construction of private homes; a decline of 62.5 percent from the previous year), following the low figures during the previous offering period (37,000 applications for the construction of private homes; a decline of 47.2 percent from the previous year).

the economic improvement is becoming more distinct. In the labor market (Chart 14), the ratio of job offers to applicants (seasonally adjusted) in March 2000 was 0.53, improving slightly from 0.52 in the previous month, while the unemployment rate in March (seasonally adjusted) remained at 4.9 percent for the second consecutive month, which is the highest level recorded since these statistics were first compiled in 1953.⁶ The number of regular employees (on a Monthly Labour Survey basis at establishments with at least five employees) remained flat at a level slightly below the previous year's level. As for wages (Chart 15), nominal wages per employee in March temporarily fell below the previous year's level, despite the recovery in overtime payments along with the increase in production and the rise in regular payments. This was because of a large decline in special payments, mainly due to a decrease in bonuses paid to local government employees. Reflecting these employment and wage developments, compensation of employees in March was also below 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. Firms' perceptions of excess employment, however, still remain strong though they are easing, and firms are maintaining a strong stance toward restricting personnel expenses. Hence, it seems that the improvement in the household income environment will take some time.

2. Prices

With regard to price developments, the rise in import prices on a yen basis (Chart 17) is slowing, reflecting the temporary decline in international commodity prices, such as crude oil prices.

Domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates;⁷ Chart 18) are increasing compared to the previous year because of

⁶ The phenomenon whereby the unemployment rate held at a historical high even though the number of regular employees remained steady and the number of new employees increased may be due to the intensified mismatch between workers' abilities and firms' needs amid the structural changes in the economy.

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

the rise in petroleum and chemical product prices due to the prior increase in crude oil prices. In terms of the three-month growth rate, domestic wholesale prices are rising somewhat, as petroleum and chemical product prices continue to rise, while the prices of electric machinery are declining. (The change in domestic wholesale prices in terms of the three-month growth rate was +0.1 percent in February 2000, +0.1 percent in March, and +0.2 percent in April.)

Corporate service prices (domestic supply-demand factors)⁸ (Chart 19) continue to decline slowly on both a year-to-year basis and in terms of the three-month growth rate, mainly due to decreases in the prices for general services. (The change in corporate service prices in terms of the three-month growth rate was -0.2 percent in January 2000, -0.1 percent in February, and -0.2 percent in March.)

Consumer prices (excluding perishables; Chart 20) decreased somewhat from the previous year, because the prices of imported products continued to decline due to the past appreciation of the yen and because, among private-sector service prices, the prices of eating out declined.⁹ On the other hand, in terms of the three-month growth rate, the underlying tone is toward a slight weakening, as house rents, which have a large fluctuation among private-sector services, rose, while the prices of eating out declined and the prices of goods were on a long-term declining trend. (The change in consumer prices excluding perishables in terms of the three-month growth rate was 0.0 percent in January 2000, 0.0 percent in February, and -0.1 percent in March.)

factors that result in large seasonal fluctuations. For the detailed calculation method, see the footnote in Chart 18.

⁸ 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. For the detailed calculation method, see the footnote in Chart 19. Incidentally, the year-to-year movement of the overall CSPI in March 2000 was similar to that of CSPI for only domestic supply-demand factors because there were no substantial fluctuations in items other than domestic supply-demand factors. (The year-to-year change in the overall CSPI was -0.6 percent in February 2000 and -0.6 percent in March.)

⁹ 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 -0.6 percent in February 2000 and -0.5 percent in March.)

Regarding the future environment for prices, upward pressure on prices is likely to arise from the gradual improvement in domestic supply-demand balance and from the prior 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.¹⁰ However, attention should still be paid to the downward pressure on prices stemming from weak demand, although the pressure has weakened given some recovery in private demand.

3. Financial Developments

(1) Financial Markets

Interest rate developments in short-term money markets (Charts 21(1) and 22) show that the overnight call rate (uncollateralized) has generally stayed near zero, at around 0.02 percent, and financial institutions have been confident about the availability of overnight funds. The amount outstanding in the call money market has remained generally stable.

As for interest rates on term instruments, three-month Euro-yen (TIBOR), TB, and FB have weakened somewhat. The Japan premium (Chart 24) remains negligible.

Yields on ten-year government bonds (newly issued; Chart 21(2)) once rose above 1.8 percent in mid-April, but then declined and are recently moving in the range of 1.7-1.8 percent. The yield spread between government and private bonds (bank debentures and corporate bonds; Charts 26 and 27) continues narrowing, primarily for bonds with relatively low ratings.

¹⁰ 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.

Stock prices (Chart 28(1)) on the whole recovered from a plunge triggered by a drop in U.S. stocks although they showed divergent movements by index. The TOPIX (Tokyo Stock Price Index), TSE Second Section Index and Nikkei OTC Stock Price Index have all more or less recovered the levels posted prior to the large decline in mid-April.

In the foreign exchange market (Chart 29), the yen strengthened slightly against the U.S. dollar in mid-April, but generally weakened thereafter. The yen is currently being traded in the range of 108-110 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

Money stock (Chart 30) in terms of $M_2 + \text{CDs}$ grew faster in April compared with the previous month on a year-to-year basis. (The year-to-year growth in $M_2 + \text{CDs}$ was 2.6 percent in December 1999, 2.6 percent in January 2000, 2.1 percent in February, 1.9 percent in March, and 2.9 percent in April).

The year-to-year growth in the monetary base (currency in circulation + current deposits at the Bank of Japan; Chart 31) increased slightly from the previous month in April.

The lending attitude of private financial institutions is still fundamentally cautious. Nevertheless, the constraint that had been caused by severe fund-raising conditions and insufficient capital bases has eased considerably, and major banks are becoming more active in extending loans, while carefully evaluating the credit risks involved.

As for the credit demand of private firms, the improvement in economic activities has not stimulated corporate demand for external funds, since the level of business fixed investment and other expenditures is presently below firms' cash flow, which is improving along with the profit recovery. 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.

Amid these developments, the year-to-year rate of decline in lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;¹¹ Chart 32), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, slowed in April for the second consecutive month, reflecting private banks' efforts to implement their plans for restoring sound management submitted to the Financial Reconstruction Commission (FRC). Nevertheless, the underlying tone of lending by private banks seems to remain sluggish. (The year-to-year change was -2.2 percent in December 1999, -2.3 percent in January 2000, -2.4 percent in February, -2.1 percent in March, and -1.8 percent in April). Corporate bond and CP issuance (Chart 34) has been steady.

Turning to the funding cost for firms, the average contracted interest rates on new loans and discounts (Chart 36) remained generally steady. 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.

The number of corporate bankruptcies in March (Chart 37) increased slightly, partially due to factors related to the end of the fiscal year.

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.

¹¹ The figures are adjusted for (1) fluctuations from the liquidation of loans, (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates, and (3) fluctuations from loan write-offs.

Charts

Chart 1	Main Economic Indexes
Chart 2	Public Investment
Chart 3	External Balance
Chart 4	Real Exports
Chart 5	Real Imports
Chart 6	Overseas Economic Conditions and Real Effective Exchange Rate
Chart 7	Major Indexes of Business Fixed Investment
Chart 8	Corporate Finance-Related Indexes
Chart 9	Private Consumption
Chart 10	Consumer Confidence and Propensity to Consume
Chart 11	Major Indexes of Housing Investment
Chart 12	Inventory Cycle
Chart 13	Production, Shipments, and Inventories
Chart 14	Labor
Chart 15	Compensation of Employees
Chart 16	Prices
Chart 17	Import Prices and Domestic Commodity Market
Chart 18	Breakdown of Domestic Wholesale Price Index
Chart 19	Breakdown of Corporate Service Prices Index
Chart 20	Breakdown of Consumer Prices Index (excluding perishables)
Chart 21	Interest Rates
Chart 22	Short-Term Money Market Rates
Chart 23	Euro-Yen Interest Rates Futures (3-Month)
Chart 24	Japan Premium in the Eurodollar Market
Chart 25	Implied Forward Rates (1-year)
Chart 26	Yields of Bank Debentures
Chart 27	Corporate Bond Yields
Chart 28	Stock Prices
Chart 29	Exchange Rates
Chart 30	Money Stock (M2+CDs, Broadly-Defined Liquidity)
Chart 31	Monetary Base
Chart 32	Lending by Domestic Commercial Banks
Chart 33	Lending Attitude of Financial Institutions as Perceived by Small Enterprises
Chart 34	Private-Sector Fund Raising in the Capital Markets
Chart 35	Lending by Other Financial Institutions
Chart 36	Lending Rates
Chart 37	Corporate Bankruptcies

Main Economic Indexes (1)

s.a., q/q (m/m) % chg.¹

	99/Q3	Q4	2000/Q1	2000/January	February	March	April
Index of expenditure level (all households)	-1.9	-1.8	p -0.2	2.1	0.2	p -2.3	n.a.
Sales at department stores	-1.8	-0.6	p -0.3	1.4	-1.0	p -3.3	n.a.
Sales at chain stores	-0.5	-2.1	-1.0	0.0	2.8	-1.1	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 286>	< 287>	< 298>	< 313>	< 294>	< 285>	< 312>
Sales of electric appliances (real, NEBA)	1.8	3.3	10.6	6.2	3.4	4.1	n.a.
Outlays for travel (50 major travel agencies)	2.2	-4.5	2.8	4.7	7.0	0.0	n.a.
Housing starts <s.a., ann. 10,000 units>	< 123>	< 117>	< 127>	< 135>	< 121>	< 124>	< n.a.>
Machinery orders (from private sector ⁴)	2.3	8.7	4.9	-0.3	-0.5	-4.9	n.a.
Mining & manufacturing	3.1	7.9	4.5	-2.3	6.0	-8.5	n.a.
Nonmanufacturing ⁴	0.4	10.1	7.9	1.2	-3.8	1.7	n.a.
Construction Starts (private, nonresidential use)	-2.9	9.7	17.1	27.4	-9.3	-4.9	n.a.
Manufacturing	6.7	7.9	15.8	27.5	11.2	-12.4	n.a.
Nonmanufacturing ⁵	-5.3	10.6	16.4	27.4	-16.4	-0.2	n.a.
Value of public works contracts	2.1	-3.2	25.3	3.0	8.5	46.9	n.a.
Real exports	6.7	2.5	4.9	-0.7	5.7	2.1	n.a.
Real imports	2.6	5.2	0.4	-7.9	3.6	7.9	n.a.
Industrial production	3.9	0.8	p 2.8	0.2	3.3	p -1.0	n.a.
Shipments	4.1	1.4	p 3.0	1.9	1.0	p -0.7	n.a.
Inventories	-1.2	-2.2	p 1.8	0.8	0.3	p 0.7	n.a.
Inventories/shipments <s.a., 1995=100>	< 100.1>	< 98.7>	<p 98.6>	< 99.4>	< 98.2>	<p 98.6>	< n.a.>
Real GDP	-1.0	-1.4	n.a.	n.a.	n.a.	n.a.	n.a.

Main Economic Indexes (2)

	y/y % chg. ¹						
	99/Q3	Q4	2000/Q1	2000/January	February	March	April
Ratio of job offers to applicants <s.a., times>	<0.47>	<0.49>	<0.52>	<0.52>	<0.52>	<0.53>	< n.a.>
Unemployment rate <s.a., %>	<4.72>	<4.63>	<4.82>	<4.68>	<4.85>	<4.92>	< n.a.>
Overtime working hours ⁶	-0.3	1.4	p 3.5	3.3	2.2	p 5.1	n.a.
Number of employees	-0.4	-0.4	-0.4	-0.7	-0.1	-0.4	n.a.
Number of regularly employed ⁶	-0.2	-0.2	p -0.2	-0.2	-0.2	p -0.2	n.a.
Nominal wages per person ⁶	-0.9	-1.2	p 0.6	1.4	1.1	p -0.9	n.a.
Domestic wholesale price index <q/q % chg.> (3-month growth rate)	-1.3 <0.1>	-0.7 <0.1>	-0.1 <0.1>	-0.3 <0.0>	-0.1 <0.1>	0.1 <0.1>	0.5 <0.2>
Consumer price index (nationwide) ⁷ <s.a., q/q % chg.> (3-month growth rate)	0.0 <-0.1>	-0.2 <-0.1>	-0.2 <0.0>	-0.3 <0.0>	-0.1 <0.0>	-0.3 <-0.1>	n.a. < n.a.>
Corporate service price index core <s.a., q/q % chg.> (3-month growth rate)	-1.1 <-0.1>	-0.9 <-0.2>	-0.8 <-0.1>	-0.8 <-0.2>	-0.7 <-0.1>	-0.8 <-0.2>	n.a. < n.a.>
Monetary aggregates (M ₂ +CDs) <average outstanding, y/y % chg.>	3.6	3.0	p 2.2	2.6	2.1	p 1.9	p 2.9
Number of suspension of transactions with banks	-18.5	3.3	55.4	56.1	59.3	51.9	n.a.

Notes: 1. Excludes the cases indicated inside angle-brackets at the index section.

2. P indicates preliminary figures.

3. Excludes small cars with engine sizes of 660cc or less.

4. Excludes ships and demand from electric power companies.

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

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

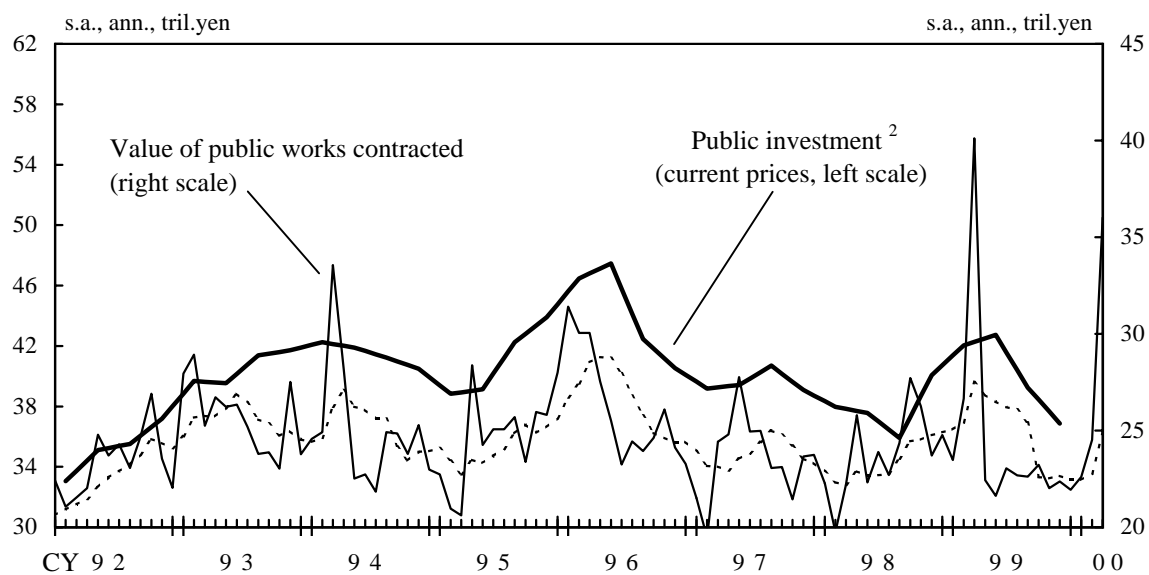
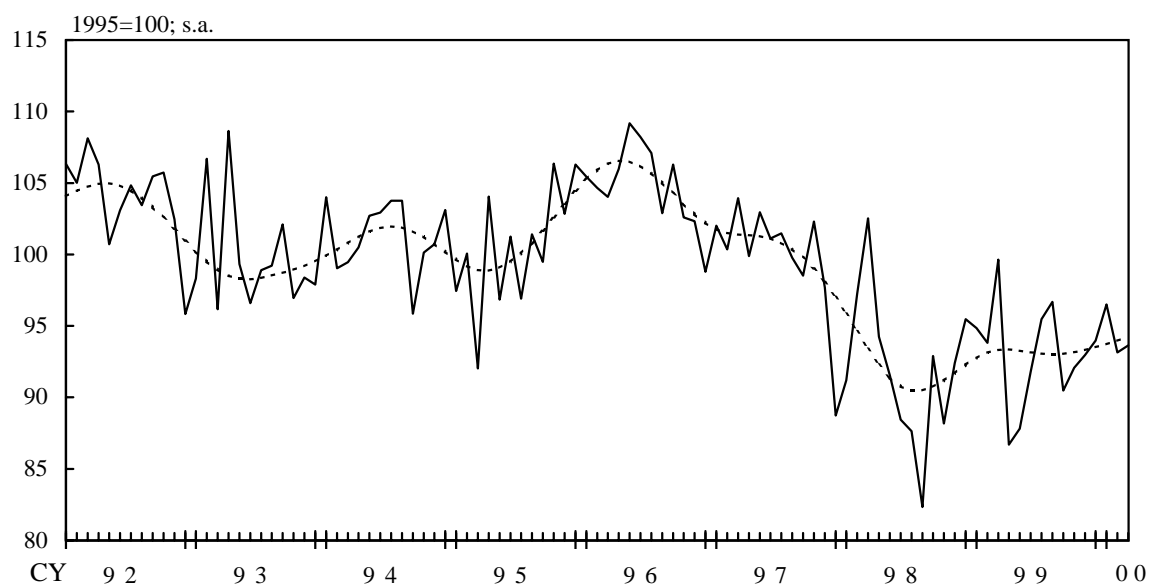
7. Excludes perishables.

8. For calculation methods of both figures that are seasonally adjusted and indexes processed and compiled by the Bank of Japan, refer to the footnotes of each chart.

Sources: Management and Coordination Agency, "Monthly Report on Family Income and Expenditure Survey", "Labour 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 Labour, "Report on Employment Service", "Monthly Labour 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). As the figures are seasonally adjusted on a monthly basis, the data are retroactively revised each month. The dotted line of "value of public works contracted" is the 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.

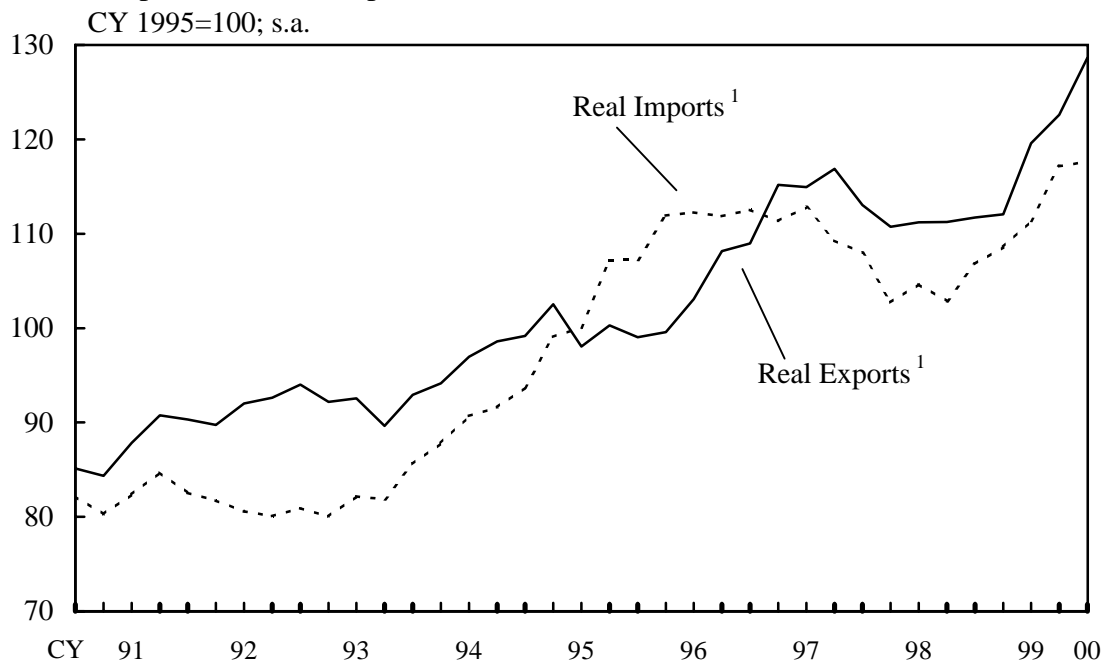
"Public works-related goods" only covers construction investment excluding buildings (which comprises two-thirds of public investment), and does not cover building and machinery investment (which comprises one-third of public investment).

"Public works-related goods" is partly used for private-sector investment.
 4. The data for March 2000 are preliminary.

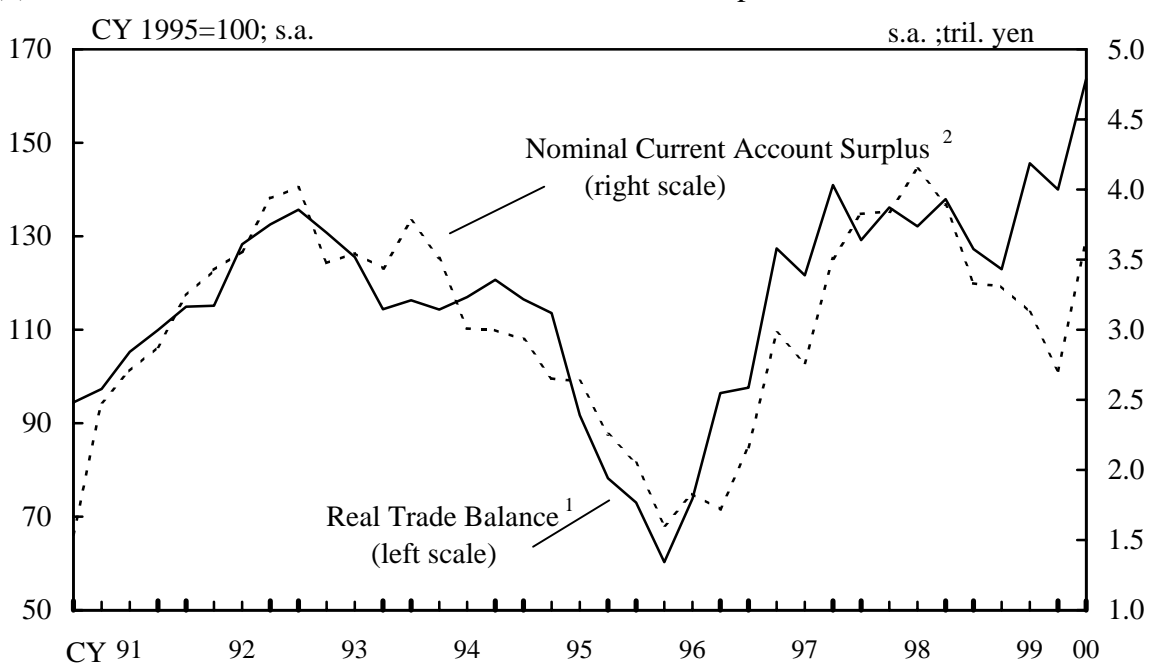
Sources: Economic Planning Agency, "National Income Statistics";
 Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";
 Ministry of International Trade and Industry, "Indices of Industrial Production."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



Notes:1. Seasonally adjusted by X-11.

2. Annually revised on May.

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	2000 Jan.	Feb.	Mar.
United States	<30.7>	6.8	4.6	0.5	2.1	5.7	-0.1	3.6	-3.5	5.3	2.1
EU	<17.8>	15.6	0.9	-1.5	-4.5	5.2	2.6	4.3	-2.3	5.4	4.3
East Asia	<35.8>	-18.1	12.0	7.9	3.9	7.8	2.3	12.6	9.3	-1.3	3.6
China	<5.6>	0.5	12.3	17.2	-6.3	8.4	-7.7	19.4	12.6	11.9	-0.2
NIEs	<21.5>	-16.5	11.2	5.7	5.6	8.6	5.0	12.7	9.6	-2.9	2.6
Taiwan	<6.9>	-0.4	7.8	3.4	3.7	7.4	6.9	5.8	-2.0	4.7	1.0
Korea	<5.5>	-35.3	43.9	20.8	4.4	12.1	9.4	18.8	10.4	0.4	2.2
ASEAN4 ³	<8.6>	-29.2	13.6	7.5	7.0	5.6	2.1	8.6	6.6	-4.7	8.3
Thailand	<2.7>	-29.4	15.3	8.7	0.2	11.4	8.8	-2.0	-1.0	-3.5	-0.2
Real exports		-2.1	4.5	0.4	0.3	6.7	2.5	4.9	-0.7	5.7	2.1

(2) Breakdown by type of good

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 98	99	99 Q1	Q2	Q3	Q4	2000 Q1	2000 Jan.	Feb.	Mar.
Intermediate goods	<14.2>	2.9	5.4	0.8	4.2	1.9	-2.3	2.8	-3.3	4.1	4.5
Motor vehicles and their related goods	<21.5>	1.3	2.8	-1.5	-3.0	8.4	1.7	-4.0	-14.5	17.3	0.5
Consumer goods ⁴	<7.2>	5.0	5.0	1.3	-0.9	6.1	4.4	5.1	5.0	-1.6	-1.7
Information-related goods ⁵	<17.6>	-7.0	6.4	1.9	3.2	7.3	2.3	14.7	4.4	4.3	6.0
Capital goods and parts ⁶	<28.4>	-5.4	1.8	3.8	-1.5	7.0	1.4	14.1	13.3	-3.7	4.0
Real exports		-2.1	4.5	0.4	0.3	6.7	2.5	4.9	-0.7	5.7	2.1

Notes: 1. Seasonally adjusted by X-11.

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

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

4. Excluding motor vehicles.

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

6. Excluding information-related goods, 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 98	99	99 Q1	Q2	Q3	Q4	2000 Q1	2000 Jan.	Feb.	Mar.
United States	<21.7>	-3.7	-2.9	9.2	-9.2	-0.3	8.8	-5.1	-7.8	-0.3	0.5
EU	<13.8>	-6.5	5.8	2.6	-2.4	6.2	3.1	1.0	-2.6	1.0	7.5
East Asia	<37.6>	-7.7	15.8	7.6	5.8	2.8	7.7	7.1	-5.7	6.5	11.2
China	<13.8>	-4.4	11.9	7.6	4.7	0.4	7.3	12.6	-3.6	3.4	24.3
NIEs	<11.6>	-10.9	24.2	11.7	5.3	4.5	12.3	5.0	-4.9	3.0	9.1
Taiwan	<4.1>	-11.1	25.6	13.5	5.0	3.0	12.6	15.0	1.7	8.8	8.4
Korea	<5.2>	-9.5	30.8	11.2	8.6	4.6	18.3	0.7	-2.5	-2.5	3.0
ASEAN4 ³	<12.1>	-8.1	12.6	4.1	7.5	3.7	4.0	3.4	-8.6	13.4	0.1
Thailand	<2.9>	-7.1	5.4	4.3	2.0	1.3	4.0	4.8	-2.4	1.8	4.8
Real imports		-6.2	6.1	3.8	1.7	2.6	5.2	0.4	-7.9	3.6	7.9

(2) Breakdown by type of good

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 98	99	99 Q1	Q2	Q3	Q4	2000 Q1	2000 Jan.	Feb.	Mar.
Raw materials ⁴	<23.2>	-6.0	2.7	1.6	1.4	0.1	1.8	-0.3	-6.8	5.1	8.7
Intermediate goods	<13.5>	-7.1	3.6	3.3	1.7	4.1	1.1	0.6	-10.7	6.3	6.5
Foodstuffs	<14.3>	-4.0	2.8	4.8	-0.3	0.3	2.9	4.1	-4.0	3.5	1.2
Consumer goods	<10.8>	-13.8	8.1	1.9	10.2	0.5	6.5	4.1	-5.6	0.3	22.1
Information-related goods ⁵	<14.4>	-5.8	18.7	6.7	6.2	4.4	12.4	7.1	-1.3	4.7	7.0
Capital goods and parts ⁶	<12.9>	2.7	5.1	15.3	-11.4	1.8	13.6	-5.9	-10.1	-0.9	8.9
Real imports		-6.2	6.1	3.8	1.7	2.6	5.2	0.4	-7.9	3.6	7.9

Notes: 1. Seasonally adjusted by X-11.

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

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

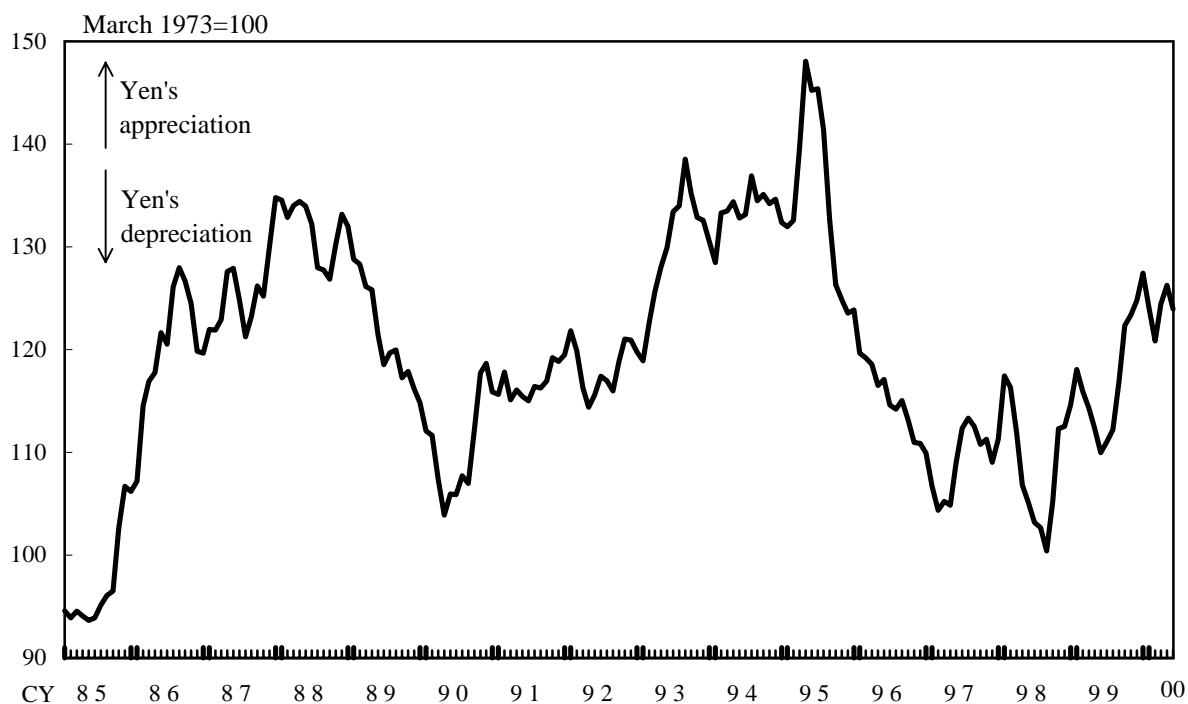
4. Raw materials = woods + ores + mineral fuel, etc.

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

6. Excluding information-related goods.

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

Overseas Economic Conditions and Real Effective Exchange Rate

(1) Real Effective Exchange Rate ¹

Notes: 1. Monthly average. The figure for May 2000 is the average of May 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

		CY98	99	2000	99 Q2	Q3	Q4	2000 Q1	
United States ¹		4.3	4.2	(4.5)	1.9	5.7	7.3	5.4	
European Union ¹		2.7	2.4	(3.2)	2.4	4.1	3.2	n.a.	
	Germany	2.2	1.5	(2.8)	0.3	3.5	2.7	n.a.	
	France	3.2	2.9	(3.7)	3.2	3.9	3.0	n.a.	
	United Kingdom	2.2	2.1	(3.2)	3.0	4.1	3.1	1.8	
East Asia ²	China	7.8	7.1	(7.4)	(Jan-Jun) 7.6	(Jan-Sep) 7.4	(Jan-Dec) 7.1	8.1	
	NIEs	Korea	-6.7	10.7	(7.8)	10.8	12.8	13.0	n.a.
		Taiwan	4.6	5.7	(6.7)	6.6	5.1	6.8	n.a.
		Hong Kong	-5.1	2.9	(5.8)	1.1	4.4	8.7	n.a.
		Singapore	0.4	5.4	(6.1)	6.6	6.9	7.1	n.a.
	4 Countries of ASEAN	Thailand	-10.2	4.2	(5.3)	2.6	7.4	6.5	n.a.
		Indonesia	-13.2	0.2	(4.2)	3.3	0.7	5.8	n.a.
Malaysia		-7.5	5.4	(6.6)	4.1	8.2	10.6	n.a.	
	Philippines	-0.5	3.2	(3.8)	3.6	3.4	4.6	n.a.	

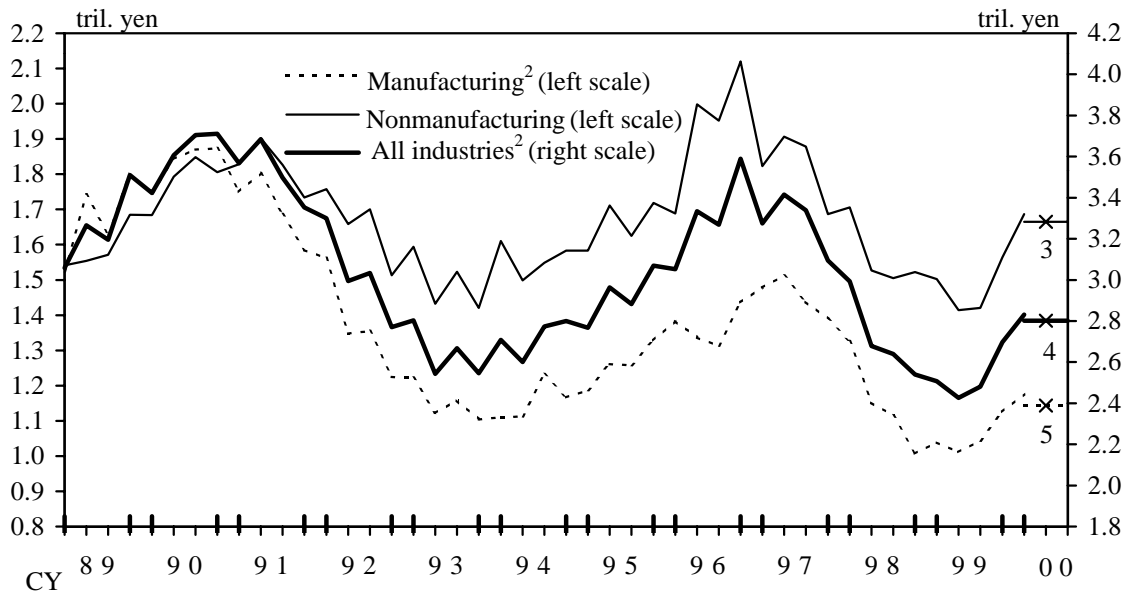
Notes: 1. Quarterly data are quarter-to-quarter percent changes.

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

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

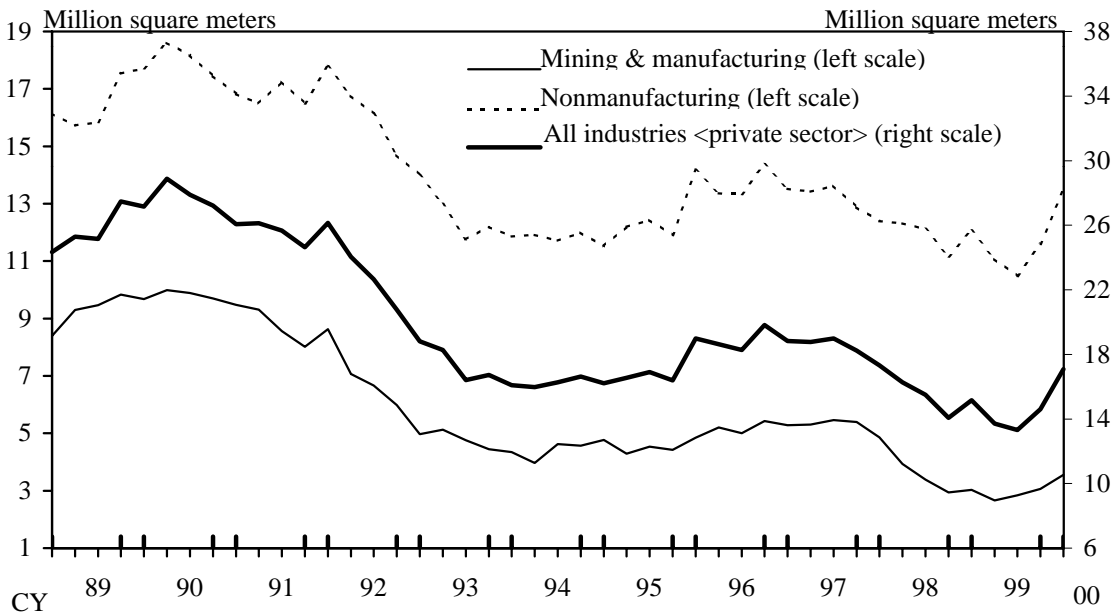
Major Indexes of Business Fixed Investment

(1) Machinery Orders¹



- Notes: 1. Seasonally adjusted data.
 2. Excludes orders from electric power companies and shipbuilding orders.
 3. Forecast of nonmanufacturing industries for 2000/Q2.
 4. Forecast of all industries for 2000/Q2.
 5. Forecast of manufacturing industries for 2000/Q2.

(2) Construction Starts (Nonresidential)

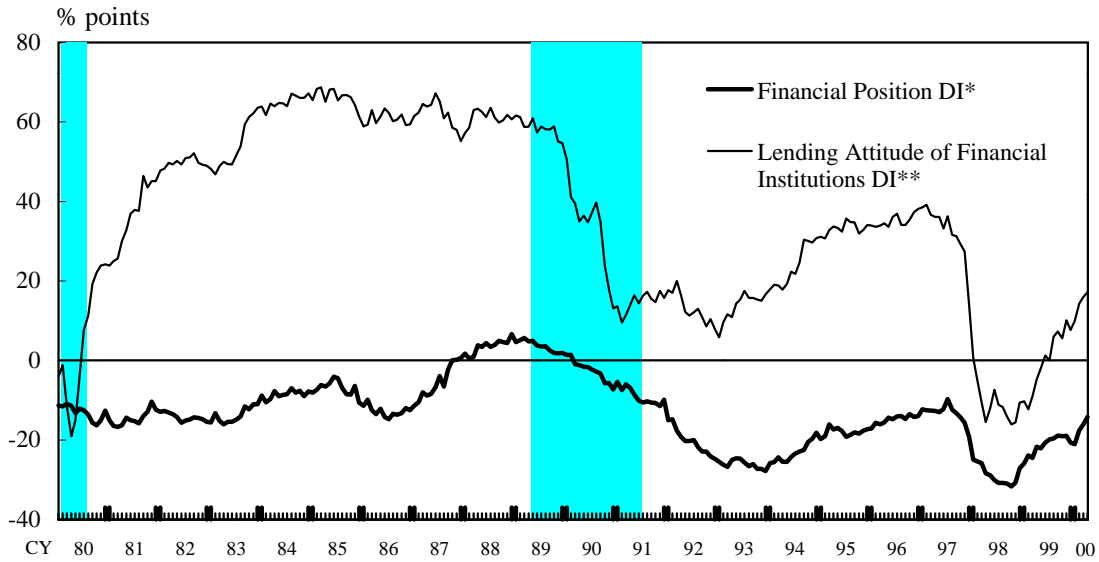


Note: Seasonally adjusted by X-11.

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

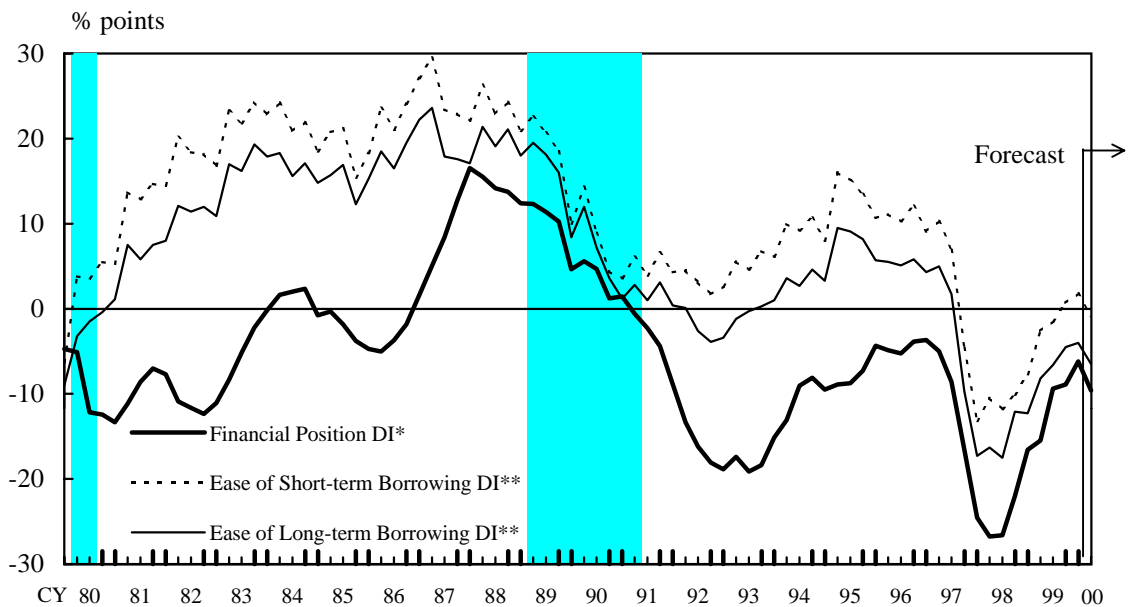
Corporate Finance-Related Indexes

(1) Monthly Survey on Trends of Small Businesses¹



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

(2) Economic Survey of Small Businesses²



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

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

2. Sample: 900 Companies (Responses: 652 <April 2000 Survey>).

3. Sample: 12,495 Companies (Responses: 6,200 <March 2000 Survey>).

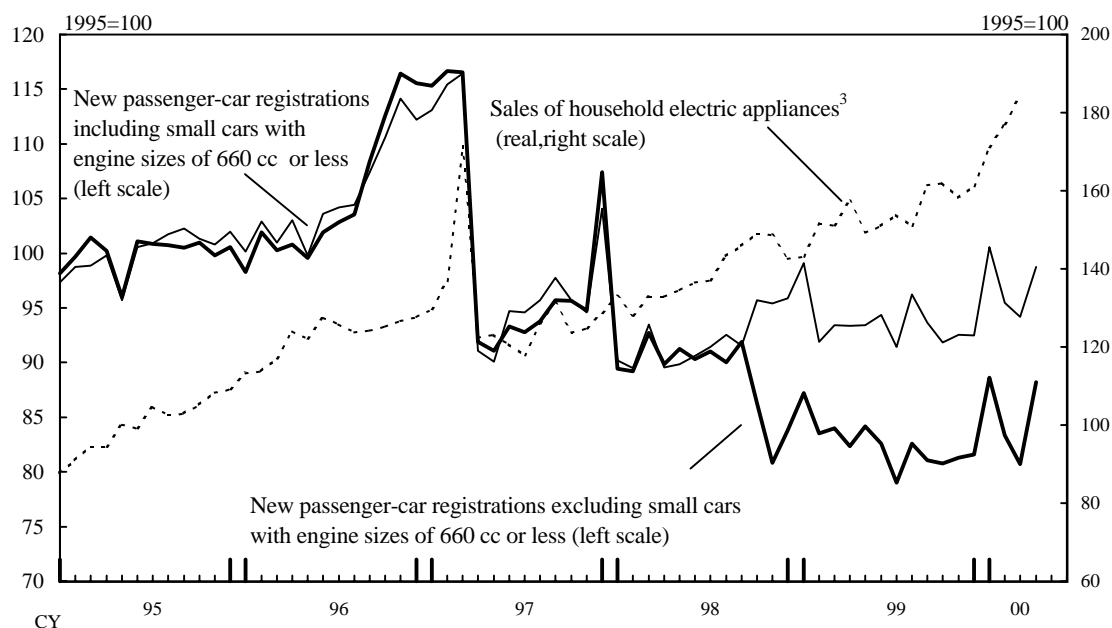
Sources: Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses",
 "Economic Survey of Small Businesses."

Private Consumption¹ (1)

(1) Household Spending



(2) Sales of Durable Goods



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

Index of living expenditure level is seasonally adjusted by the Management and Coordination Agency.

2. Sales at 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";

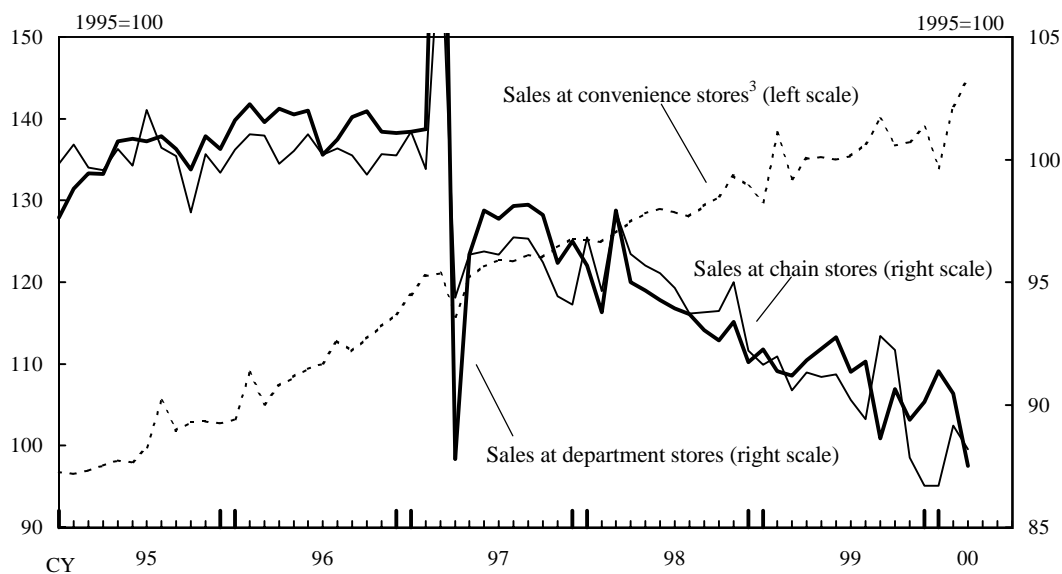
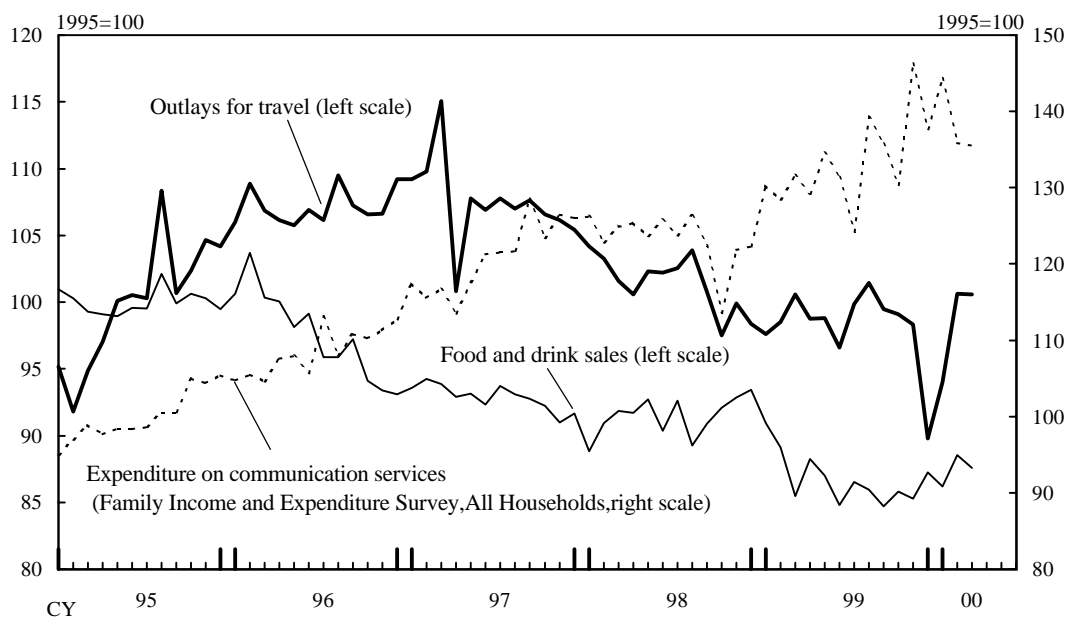
Ministry of International Trade and Industry, "Current Survey of Commerce";

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 at department stores and sales at chain stores are adjusted to exclude the effect of the rise of the consumption tax rate.

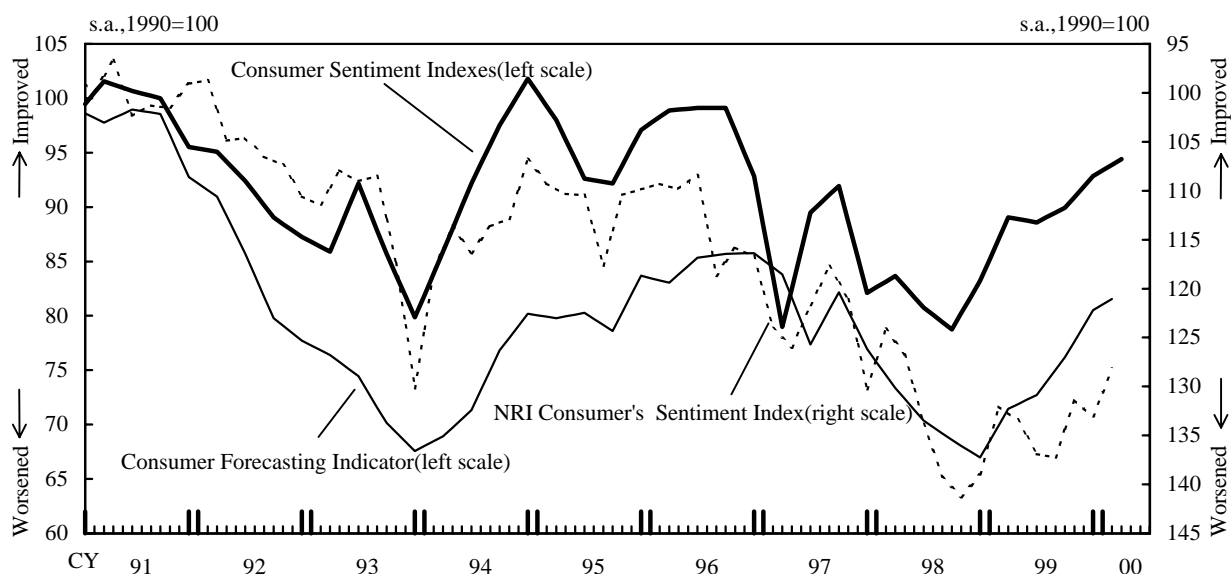
3. Sales at convenience stores are surveyed by the Bank of Japan.

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 at Chain Stores";
Ministry of Transport, "Major Travel Agents' Revenue";
Foodservice Industry Survey & Research Center, "Monthly Survey of Food and Drink Sales."

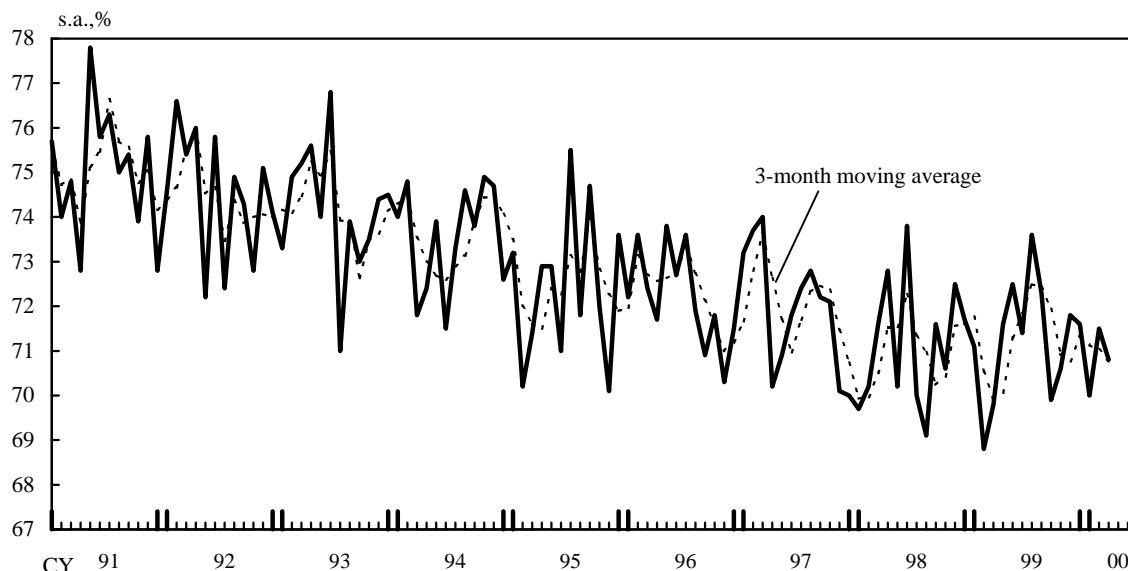
Consumer Confidence and Propensity to Consume

(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)

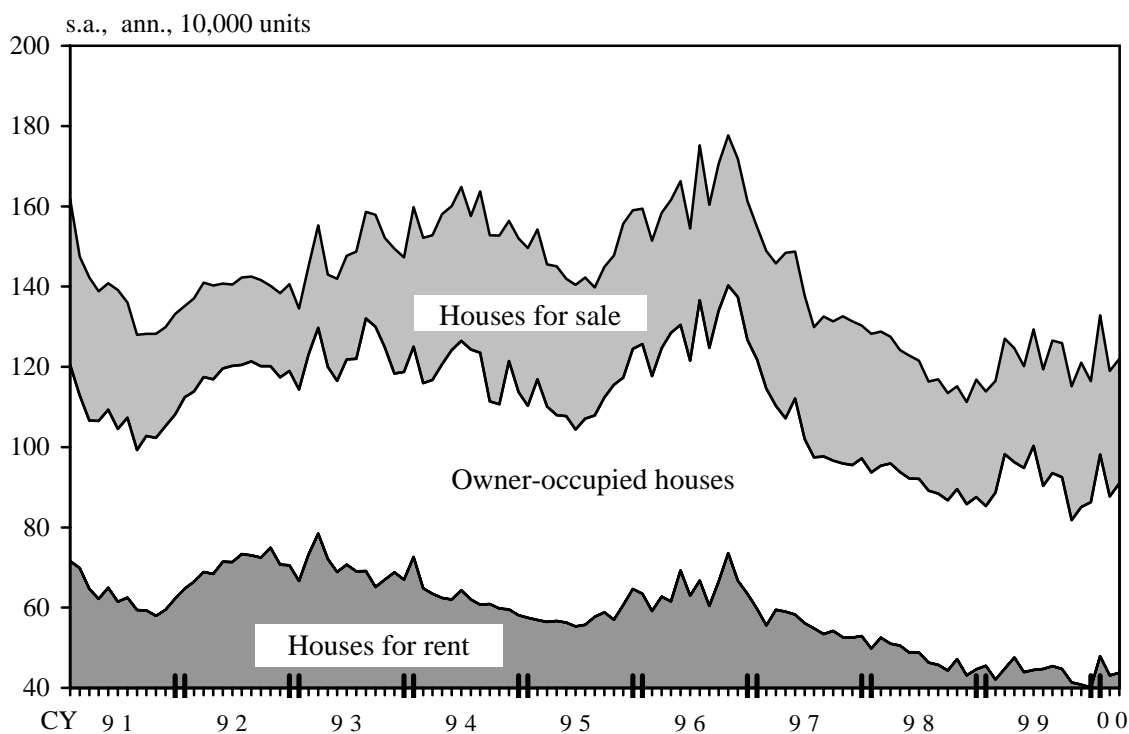


Note: Seasonally adjusted by the Management and Coordination Agency.

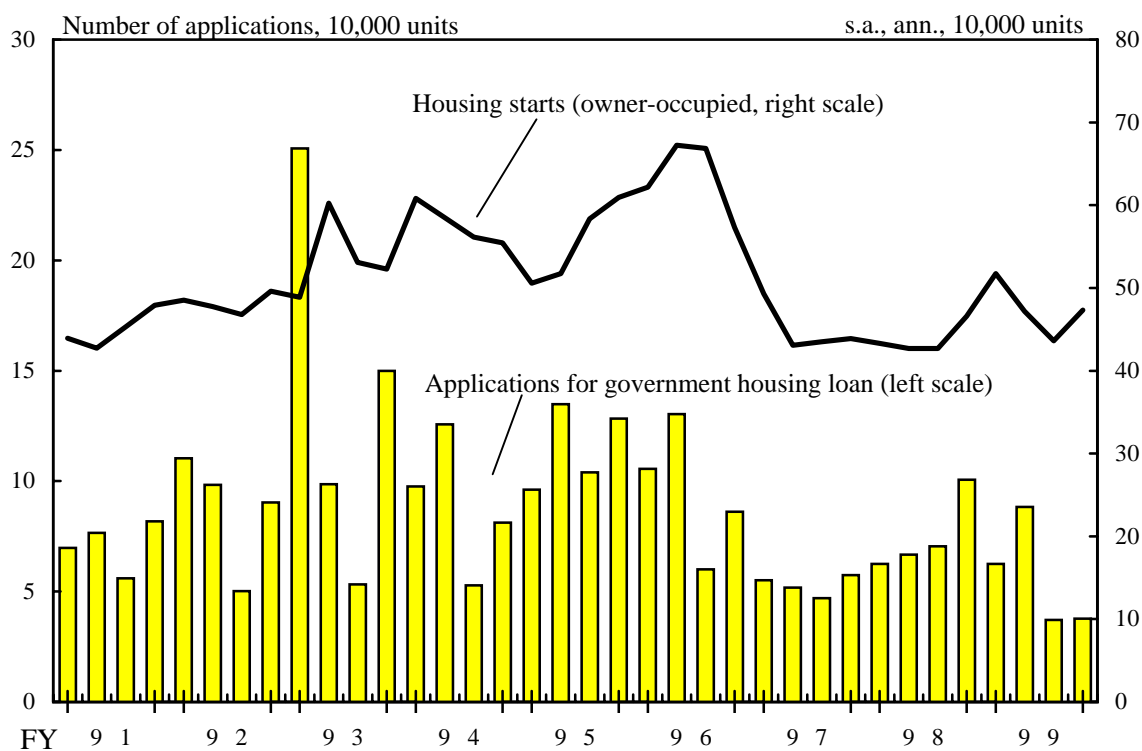
Sources: Economic Planning Agency, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (Nikkei RIM), "Consumption Forecasting Indicator";
 Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey";
 Nippon Research Institute (NRI), "Consumer's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

Major Indexes of Housing Investment

(1) Housing starts

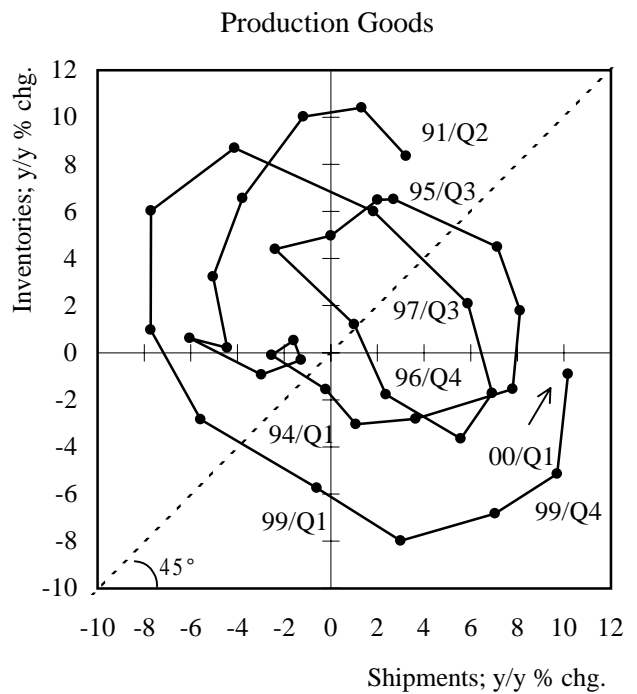
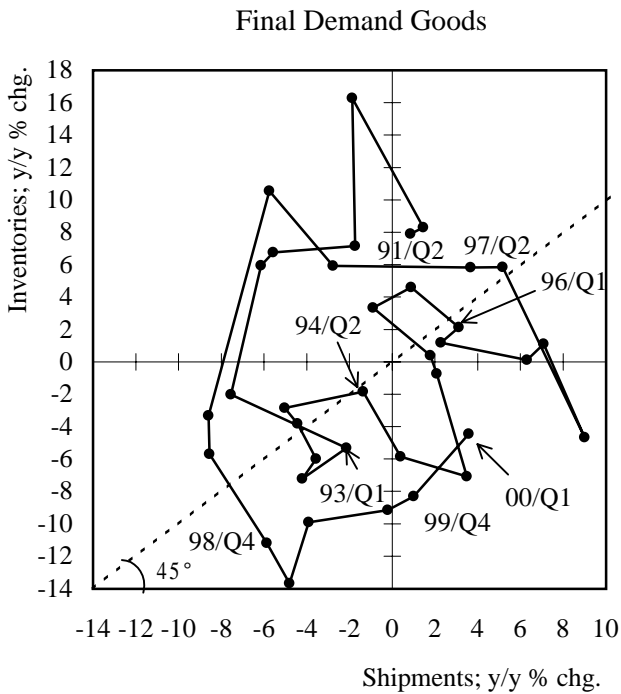
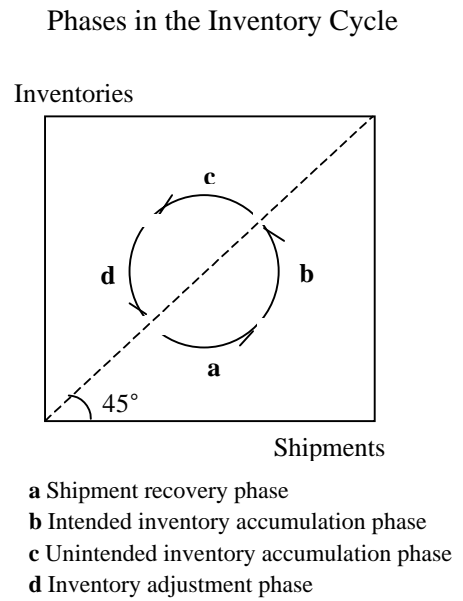
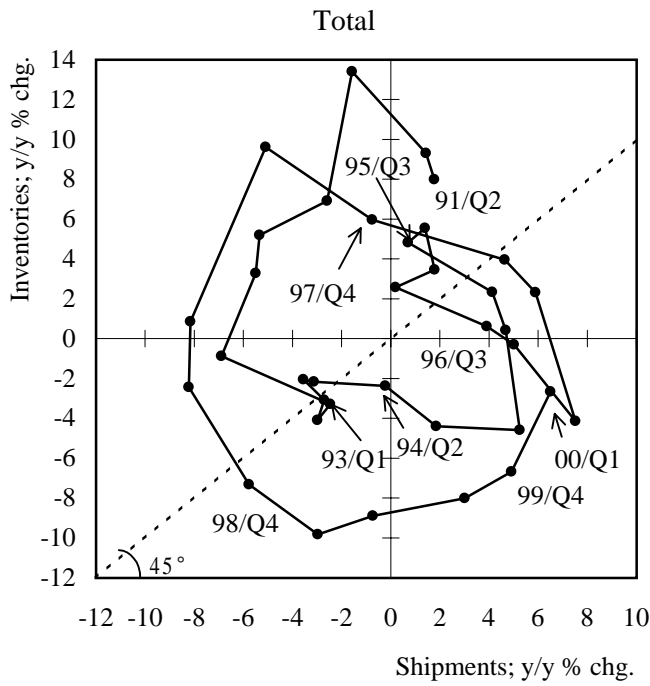


(2) Number of applications for government housing loan (for new owner-occupied homes)



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

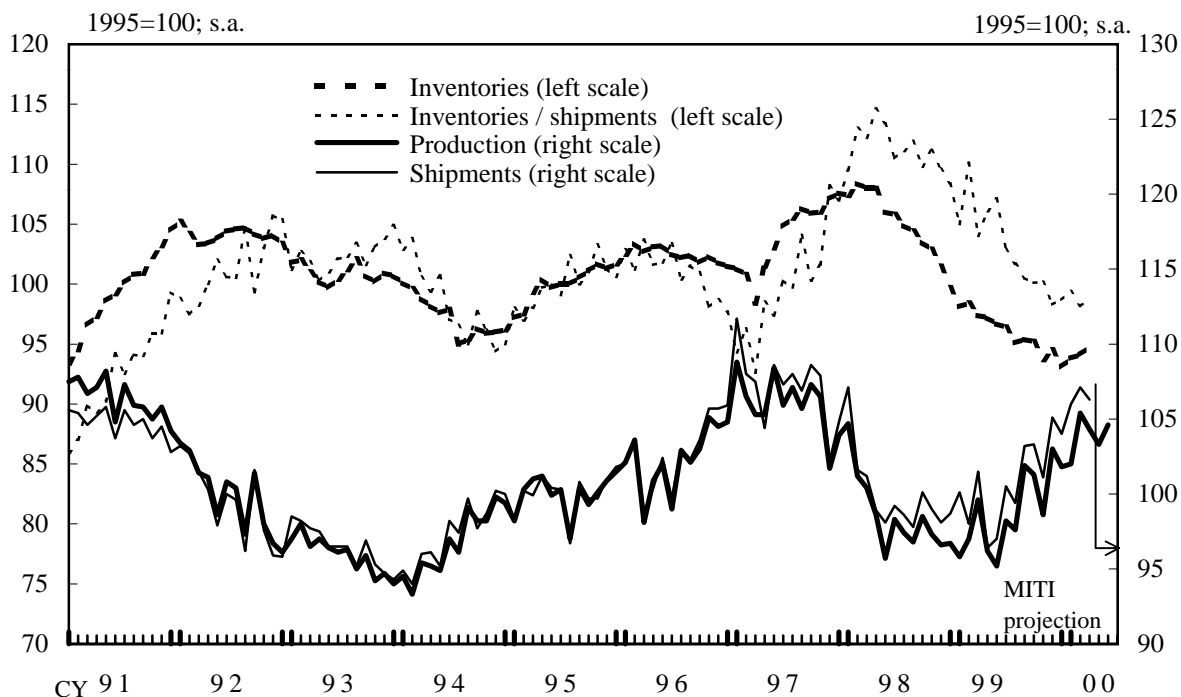
Inventory Cycle



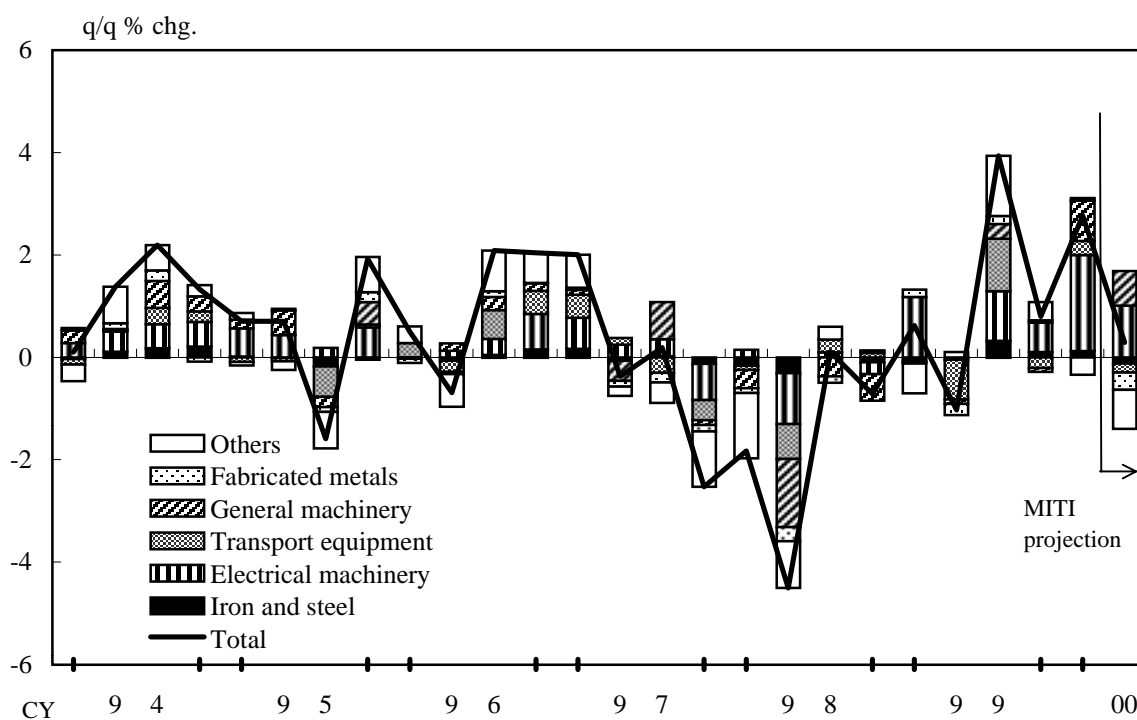
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

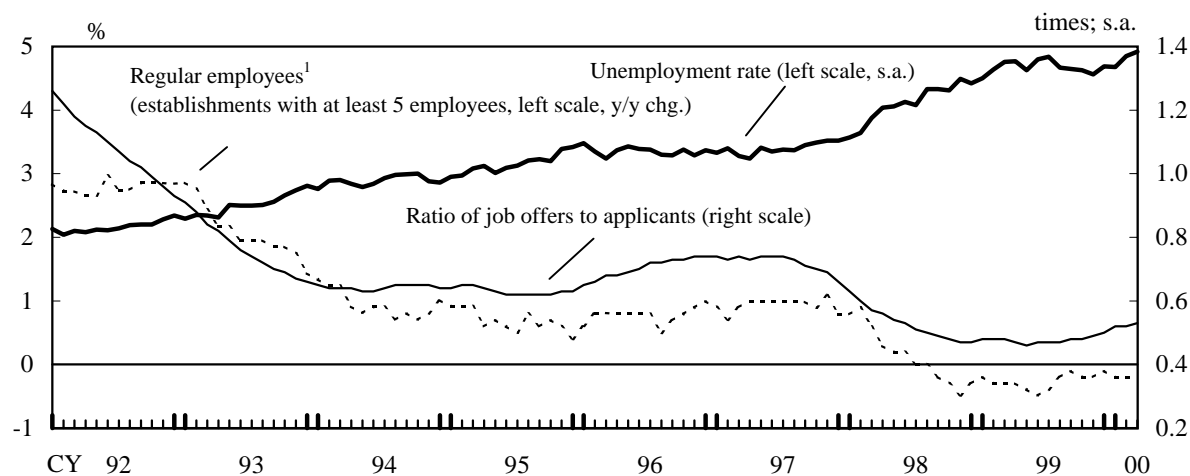
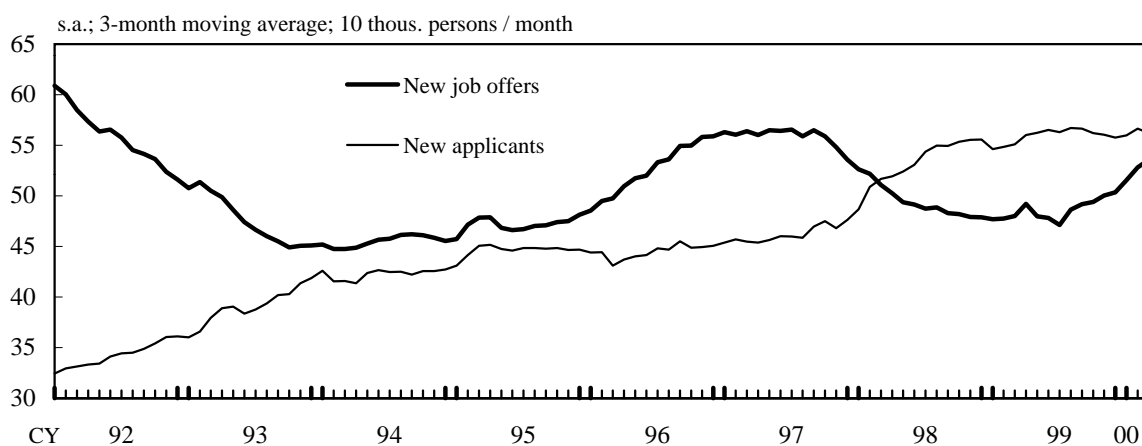
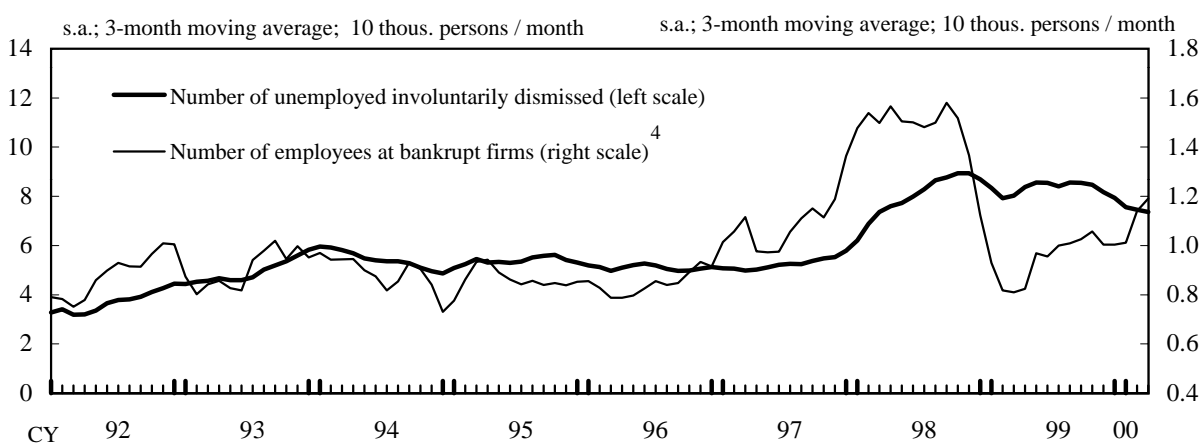


Note: Transport equipment excludes ships and rolling stock.

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

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 March 2000 are preliminary figures.

2. Excludes jobs offered to new graduates.

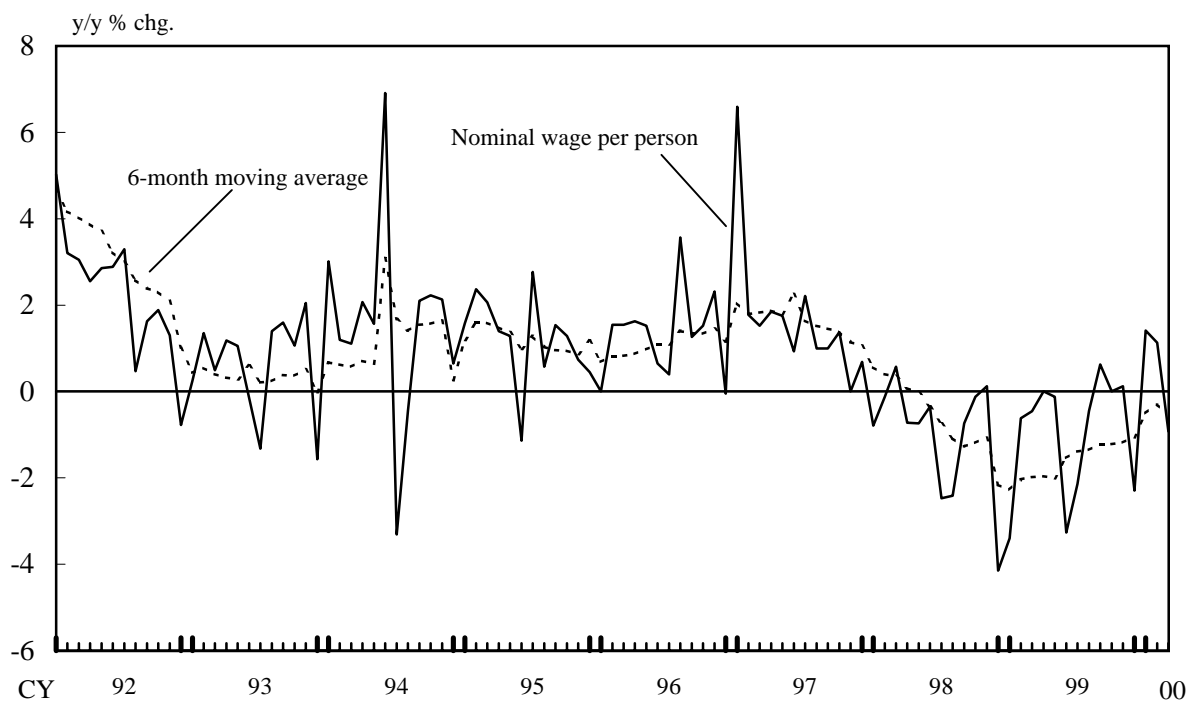
3. Seasonally adjusted by X-11.

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

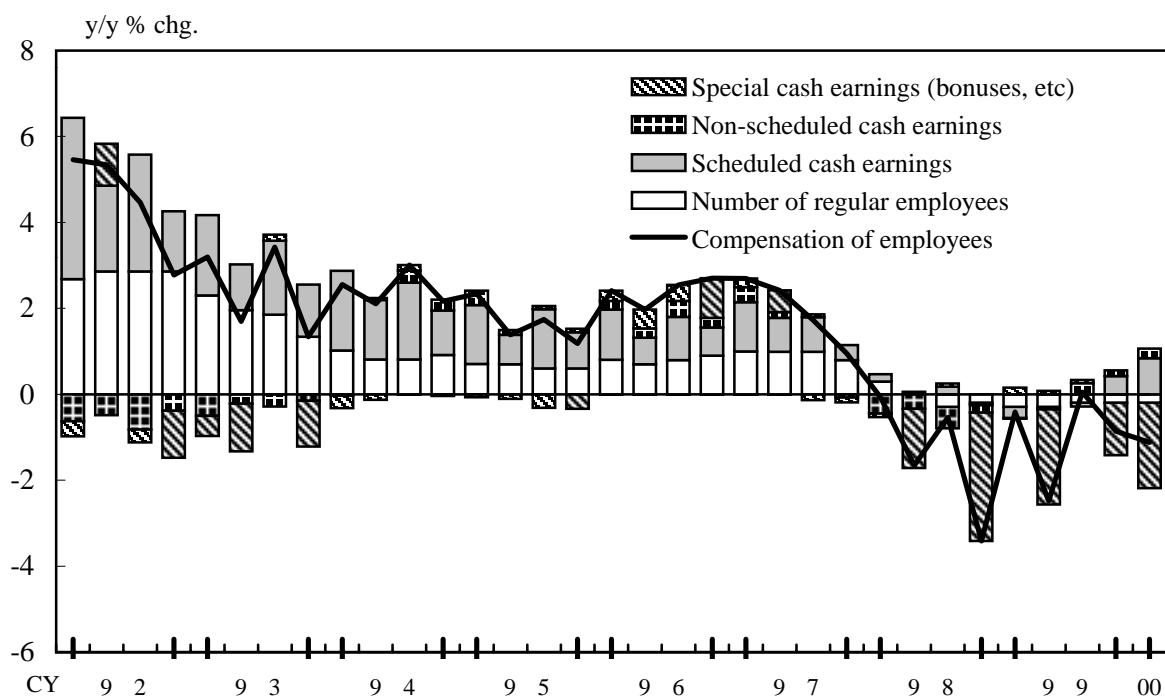
Sources: Ministry of Labour, "Monthly Labour Survey", "Report on Employment Service", "Report on Employment Insurance Service"; Management and Coordination Agency, "Labour Force Survey"; *Teikoku Databank Ltd.*, "Japan's Business Failure."

Compensation of Employees¹

(1) Nominal Wage per Person



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



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

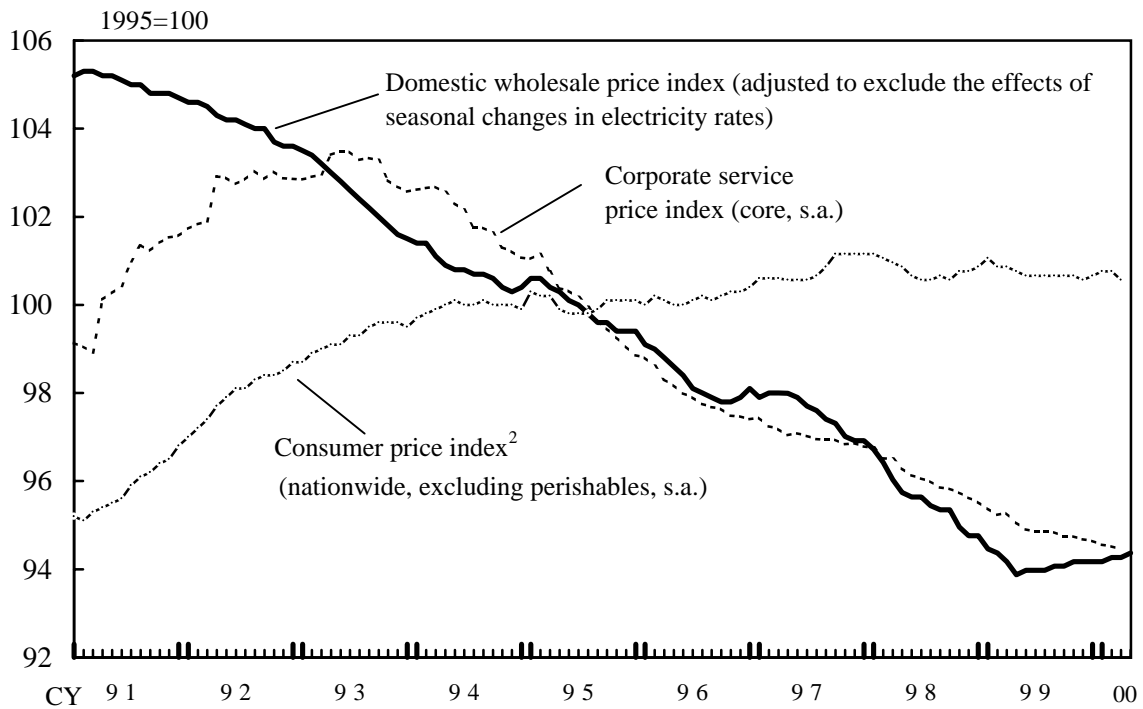
2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.

3. The data for 2000/Q1 are those of the March.

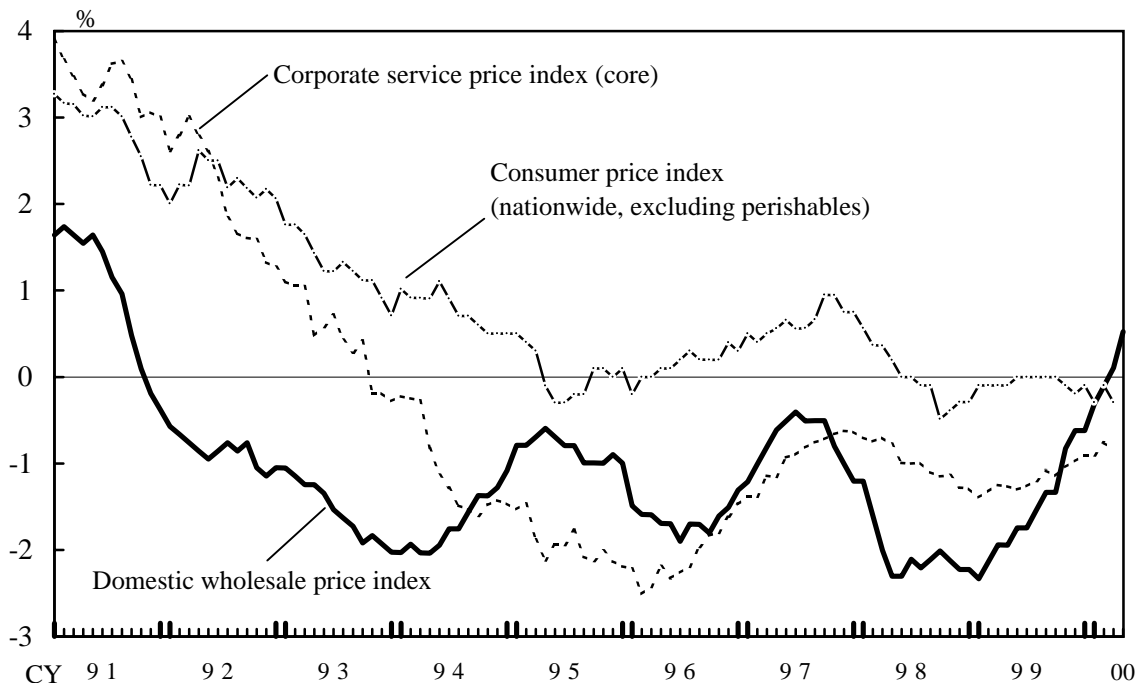
Source: Ministry of Labour, "Monthly Labour Survey."

Prices¹

(1) Level



(2) Changes from a year earlier



Notes: 1. Figures before January 1995 are calculated from the CPI whose base period is 1990 in chart(1).

This data series is seasonally adjusted by Management and Coordination Agency.

2. 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.

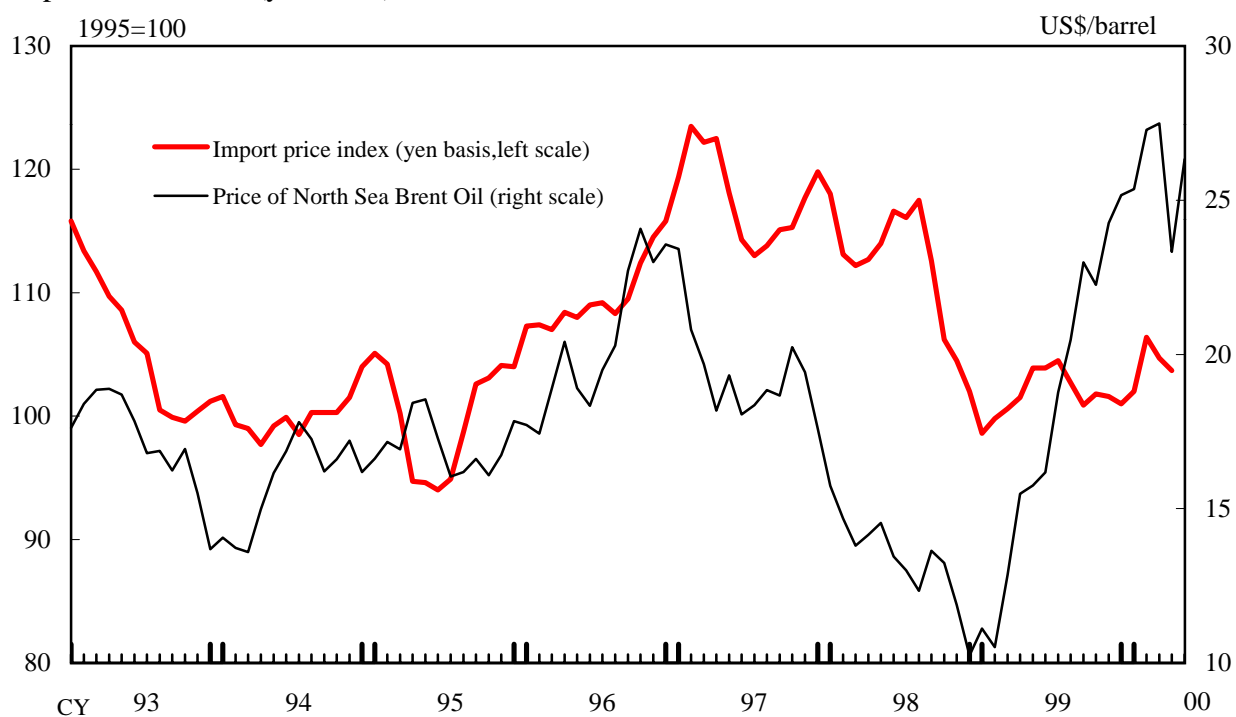
3. See footnote 4 in Chart 19, for an explanation about the Corporate service price index core.

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

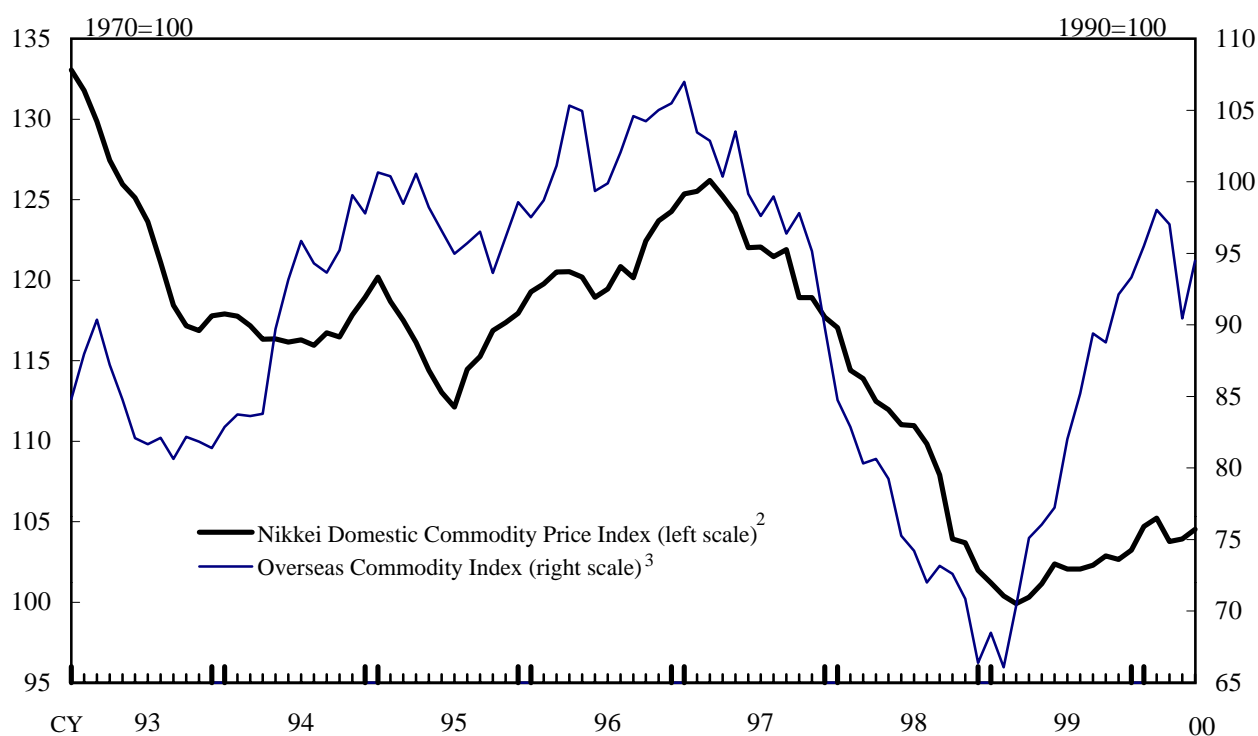
Bank of Japan, "Wholesale Price Indexes", "Corporate Service Price Index."

Import Prices and Domestic Commodity Market

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



(2) Domestic Commodity Market



Notes: 1. Data for May 2000 are May 1-15 average.

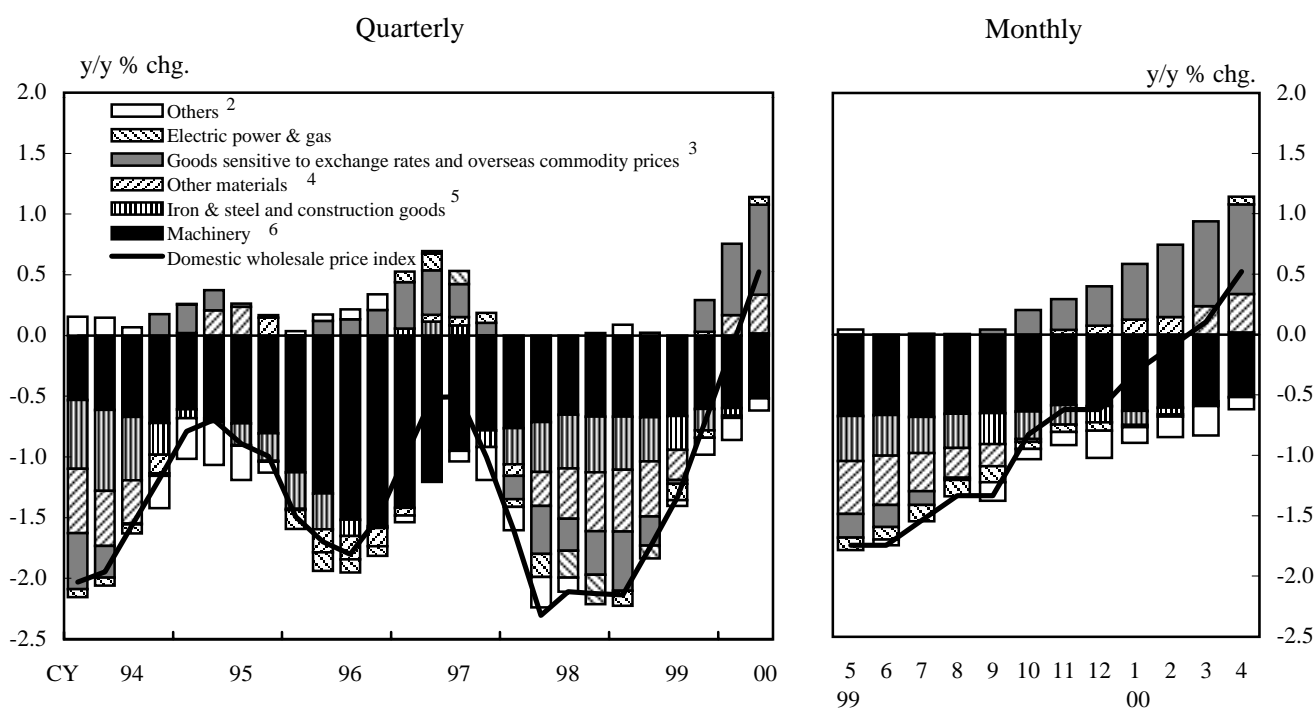
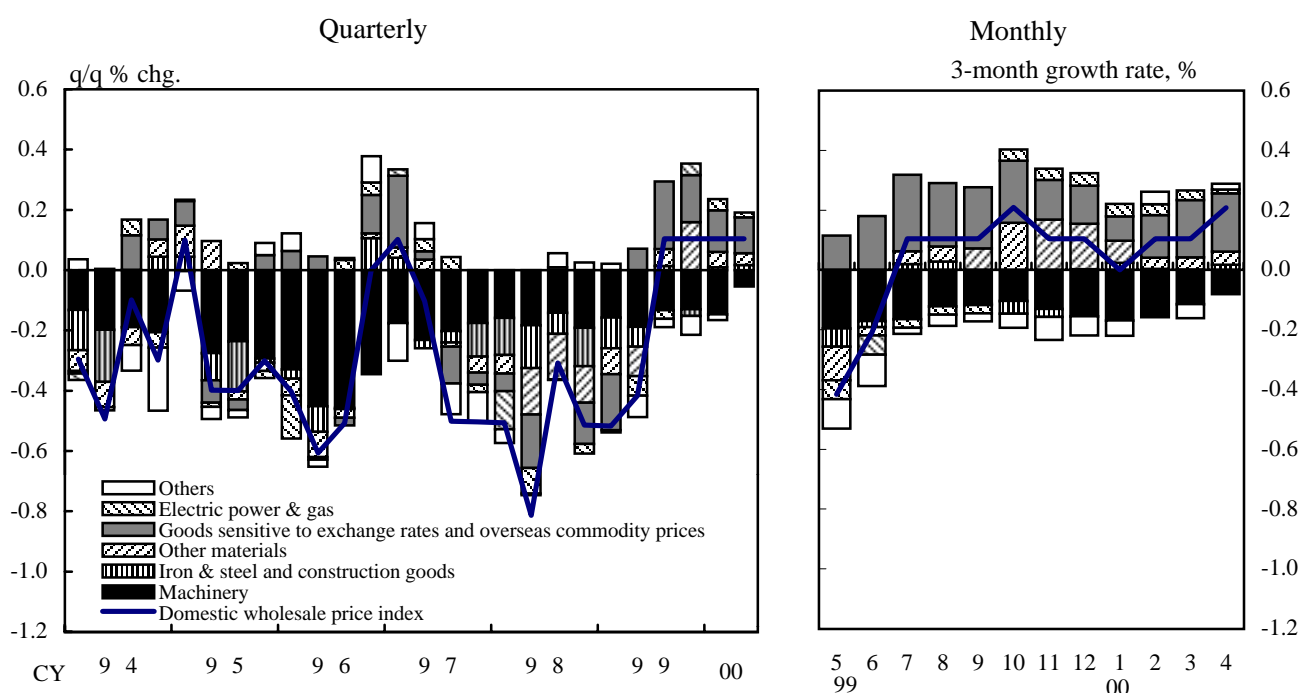
2. Data for May 2000 are as of May 12.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for May 2000 are May 1-15 average.

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."

Breakdown of Domestic Wholesale Price Index¹

(1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier⁷

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

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

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

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

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

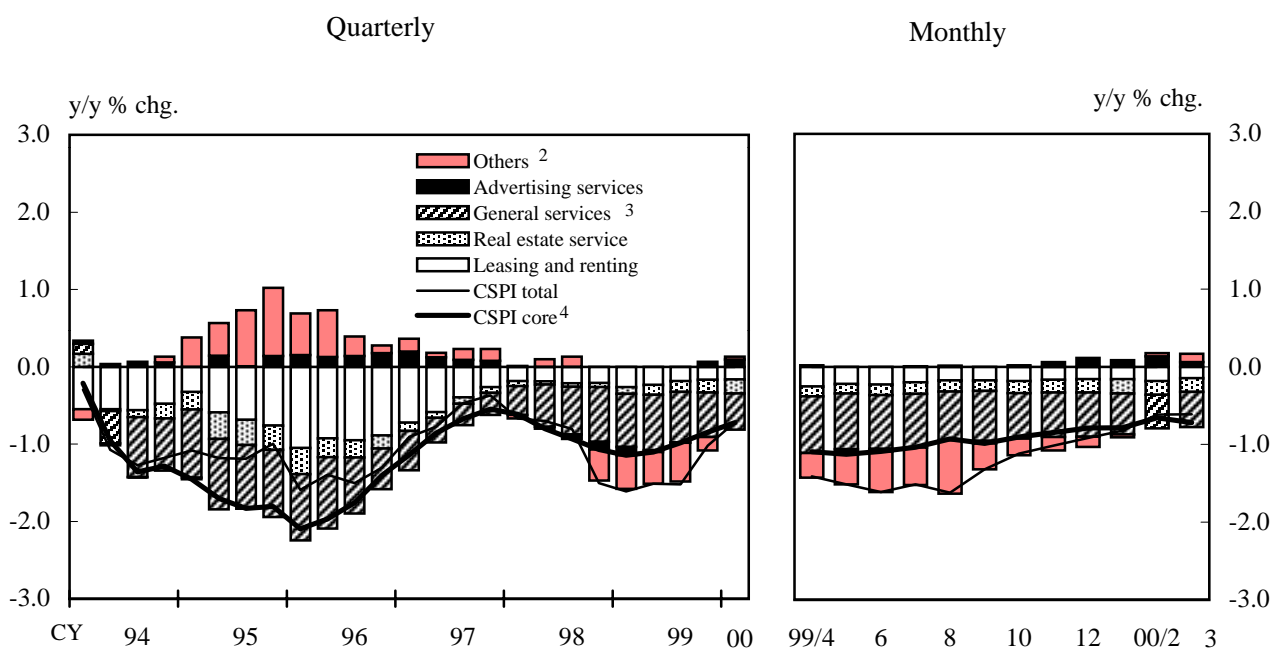
7. Adjusted to exclude the effects of the summer-time (from July to September) hike in electricity rates in chart(2).

This effect causes the Domestic Wholesale Price Index to rise about 0.2%.

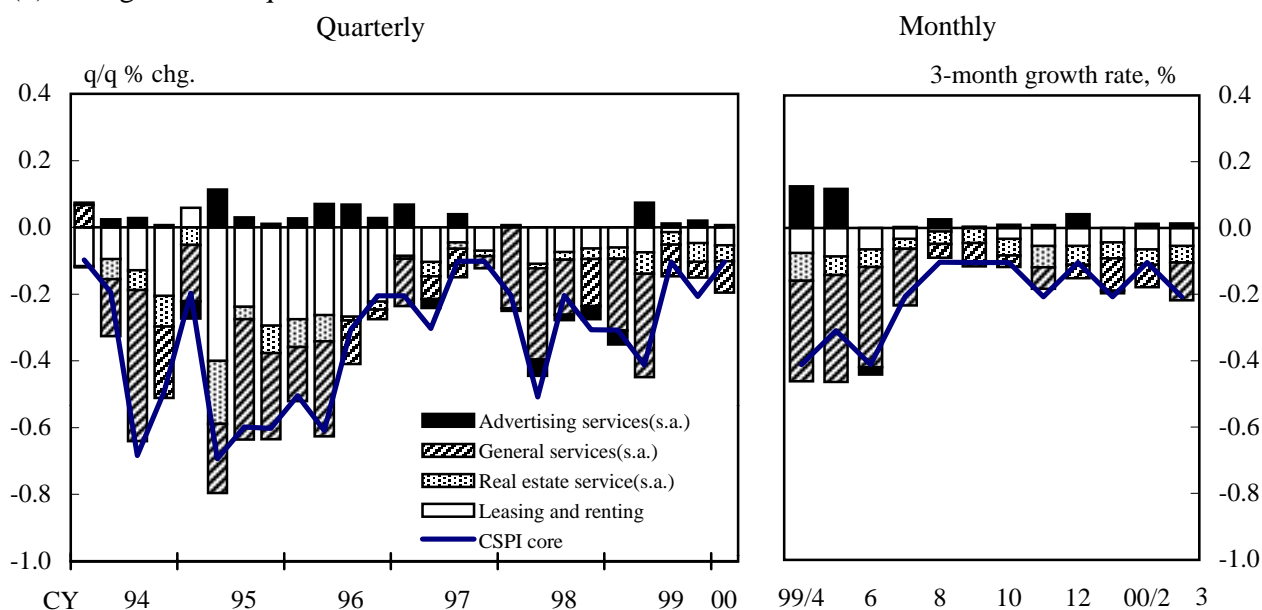
8. Data for 2000/Q1 are as of April.

Breakdown of Corporate Service Price Index¹

(1) Changes from a year earlier



(2) Changes from a quarter earlier and 3 months earlier



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 service 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").

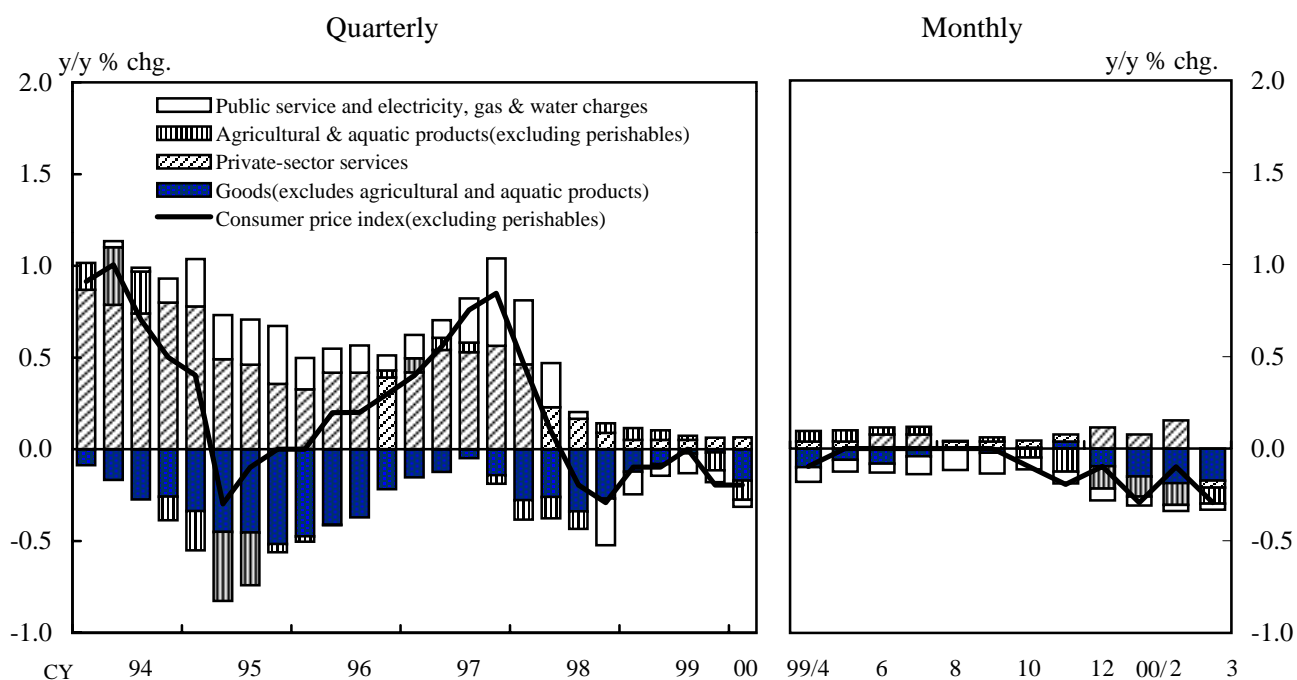
4. CSPI core includes all items aside from "others" as defined above. This index mainly reflects the supply and demand conditions in the domestic private sector.

5. Television commercials in Advertising services, Sales space rental in Real estate services and General warehousing and storage in Transportation in chart(2) are seasonally adjusted by X-12-ARIMA(β version).

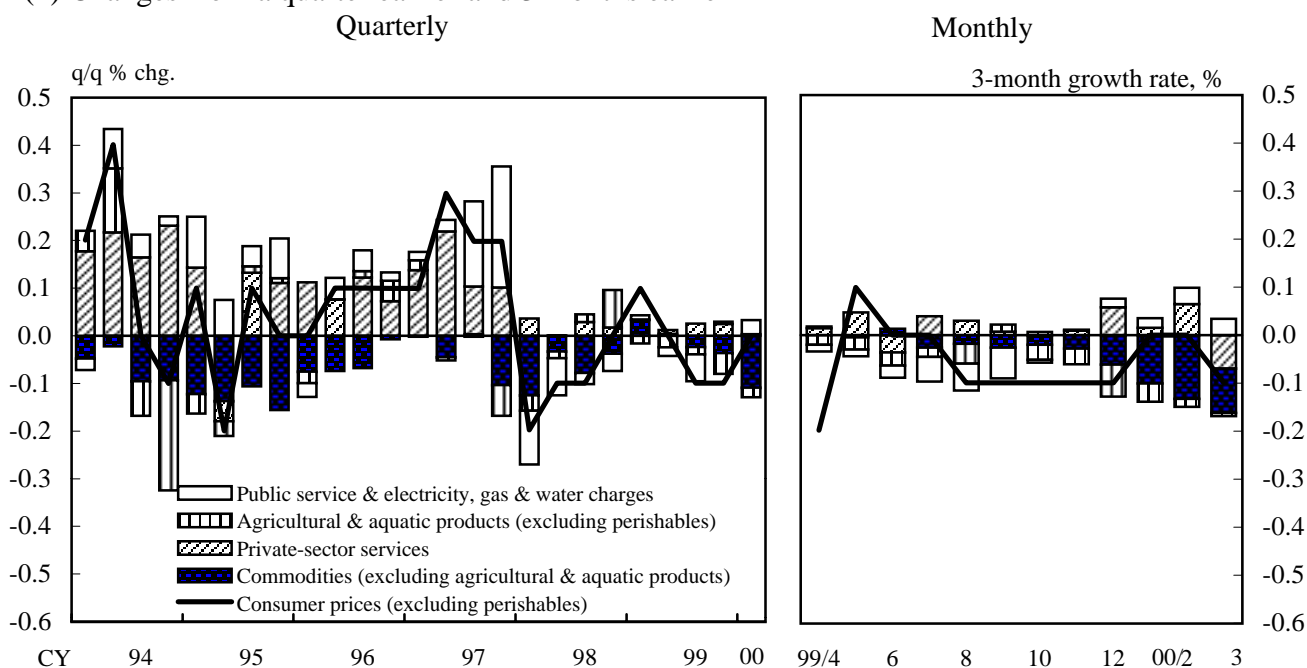
Due to seasonal adjustment every month, these data services are revised retroactively every month.

Breakdown of Consumer Price Index (excluding perishables)¹

(1) Changes from a year earlier



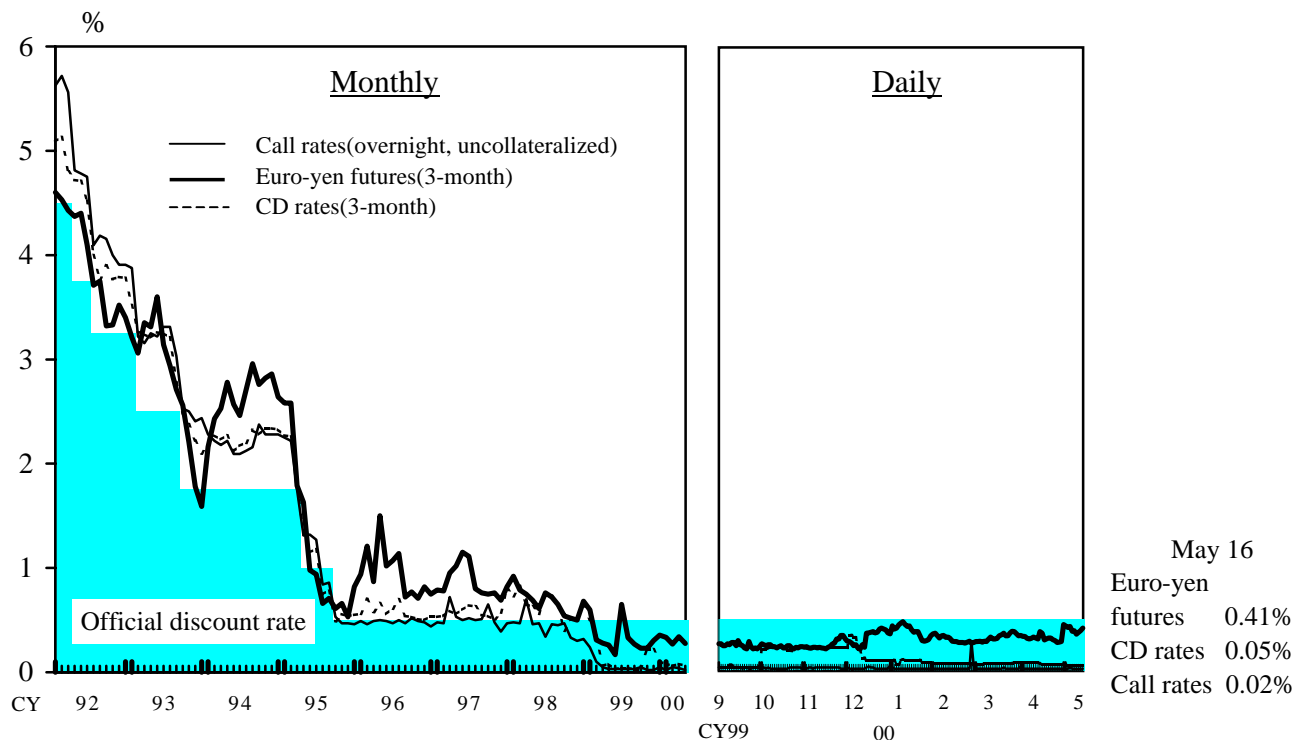
(2) Changes from a quarter earlier and 3 months earlier



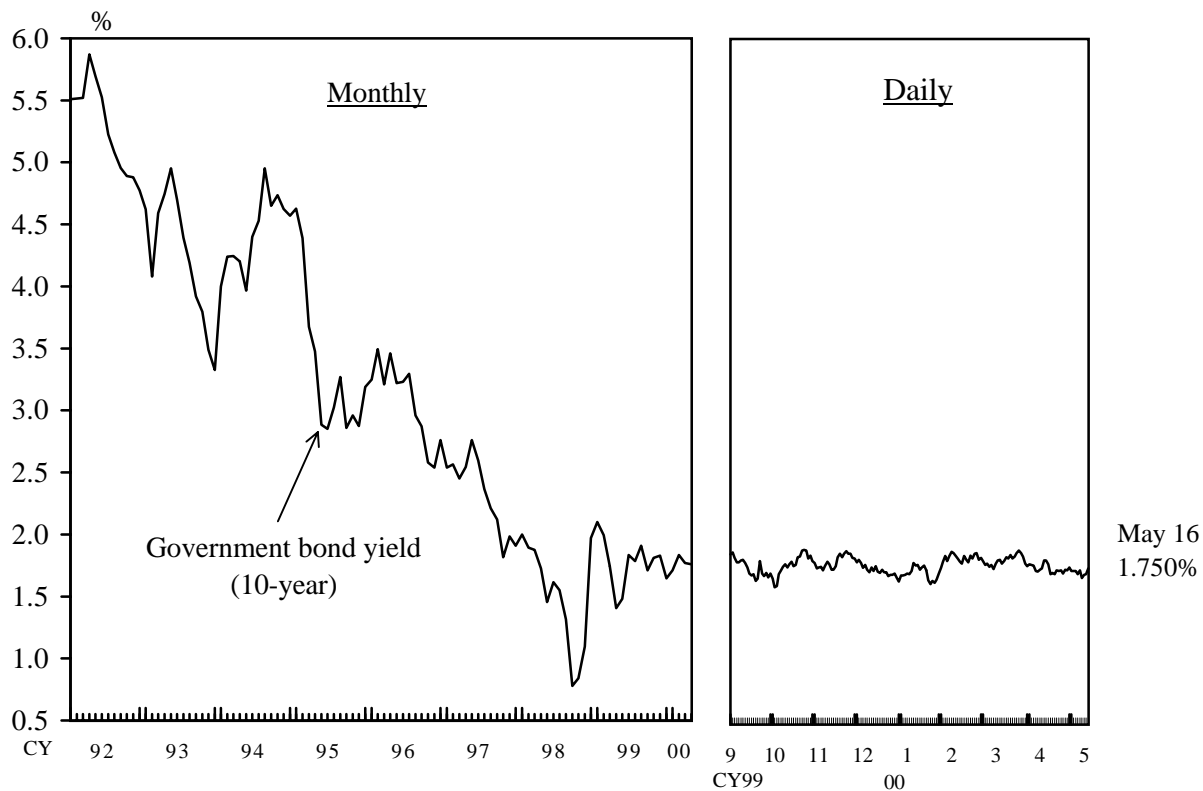
Notes: Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.
 Data in chart(2) are seasonally adjusted. Due to seasonal adjustment every month, these data series are revised retroactively every month. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.

Interest Rates

(1) Short-Term



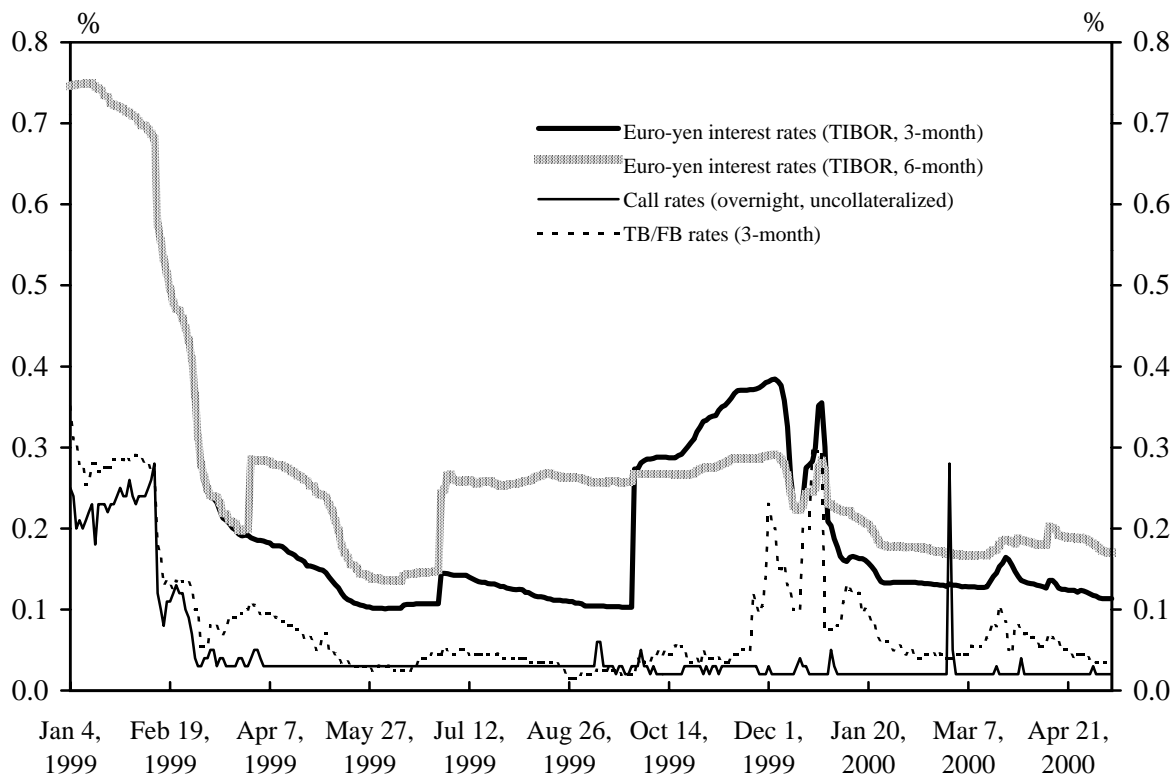
(2) Long-Term



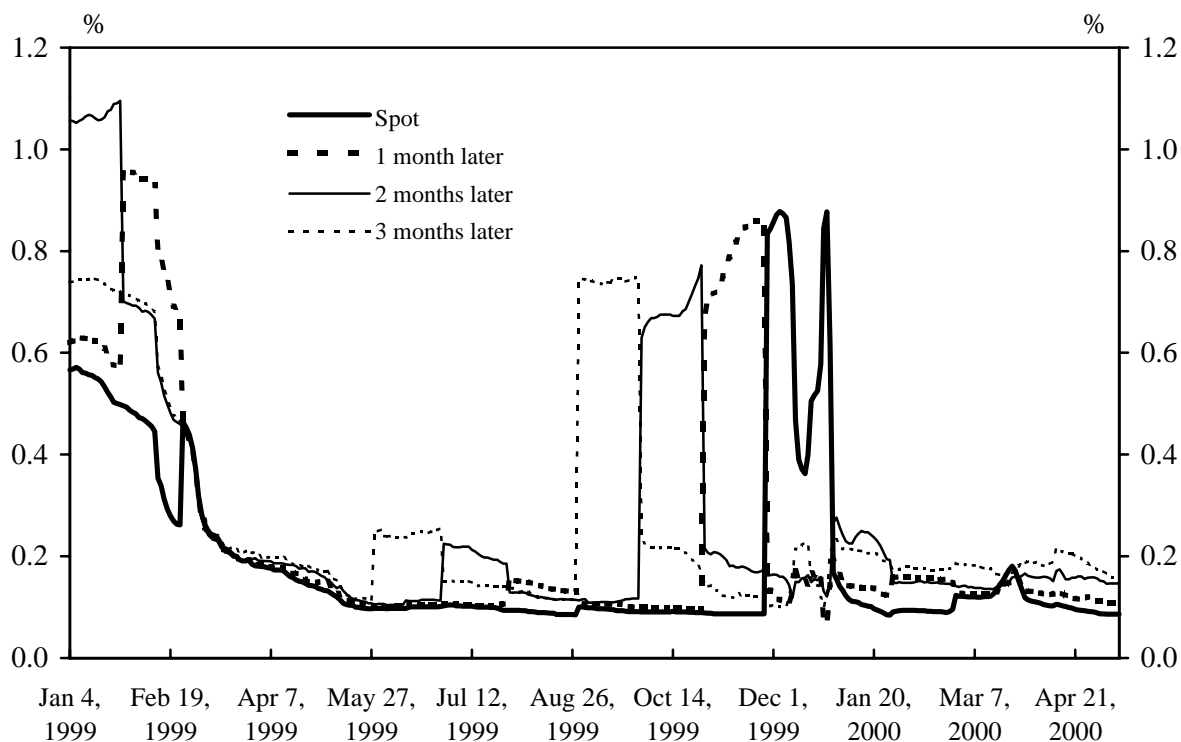
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

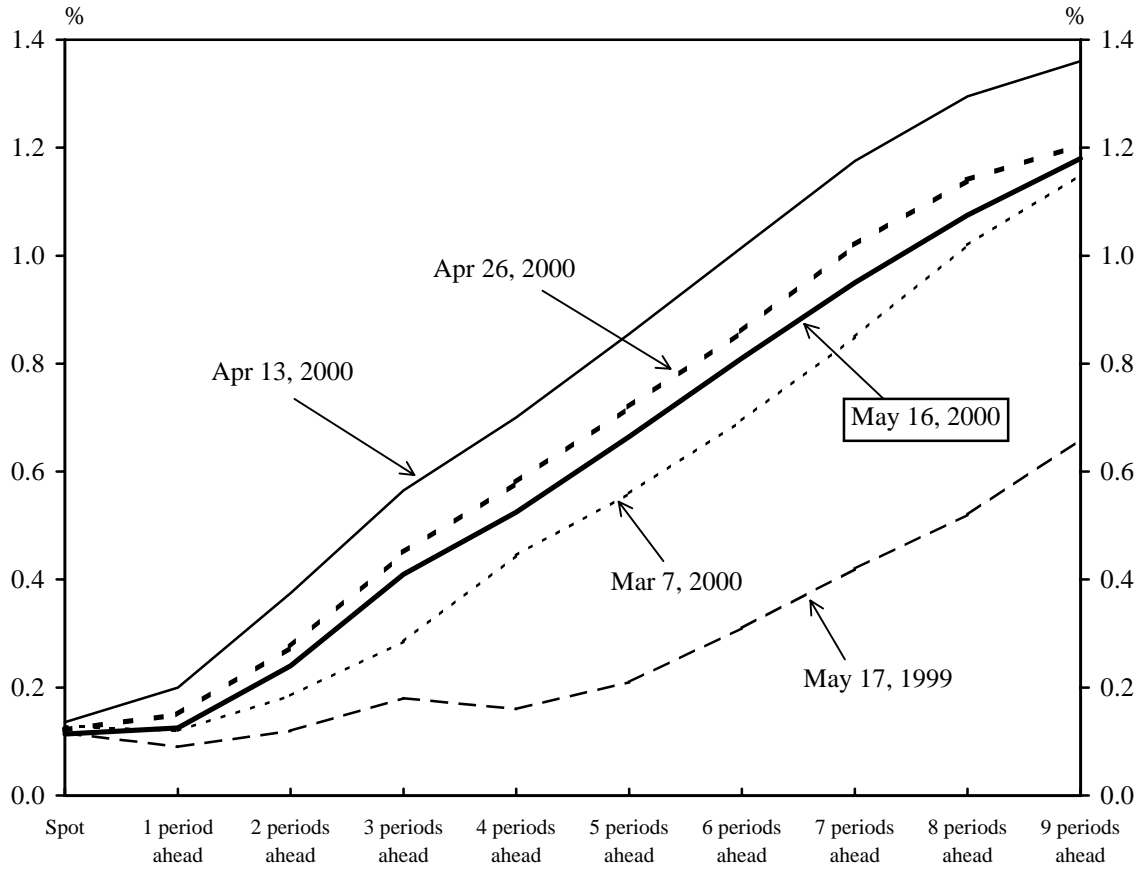


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

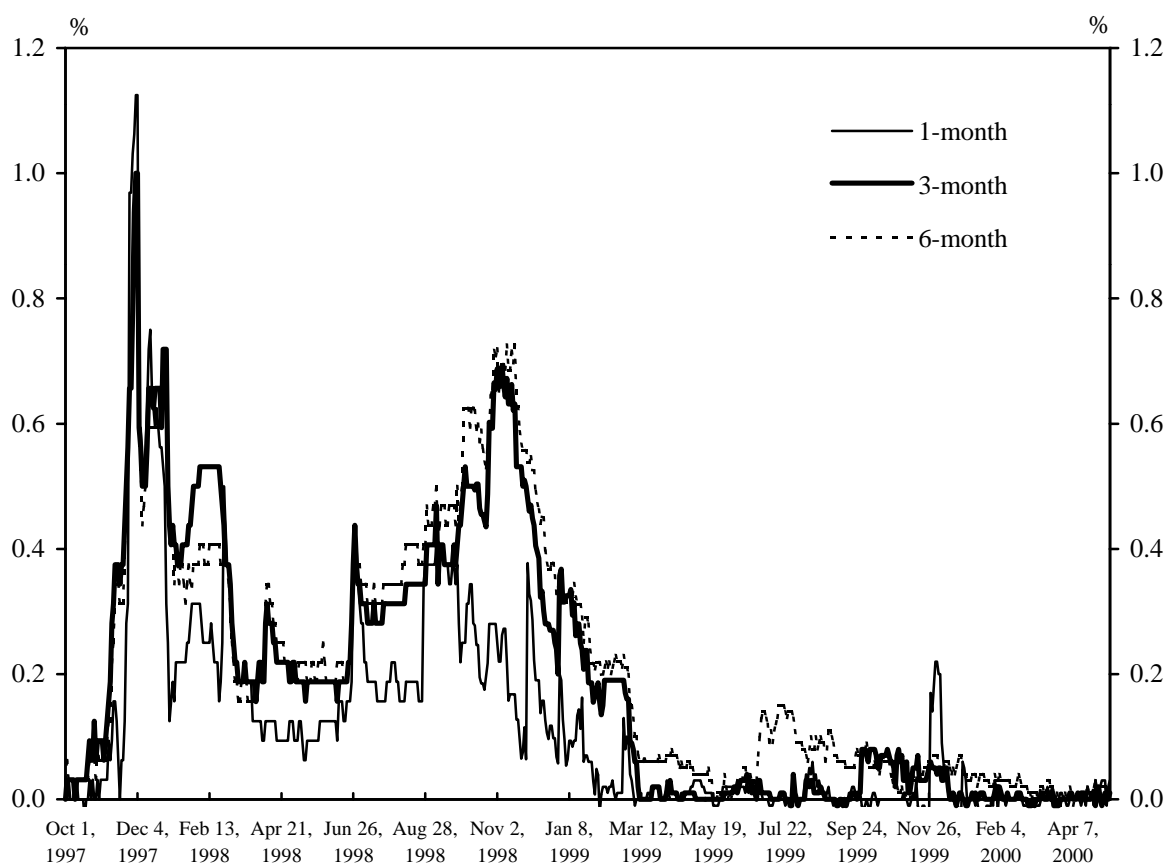


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Euro-Yen Interest Rates Futures (3-Month)



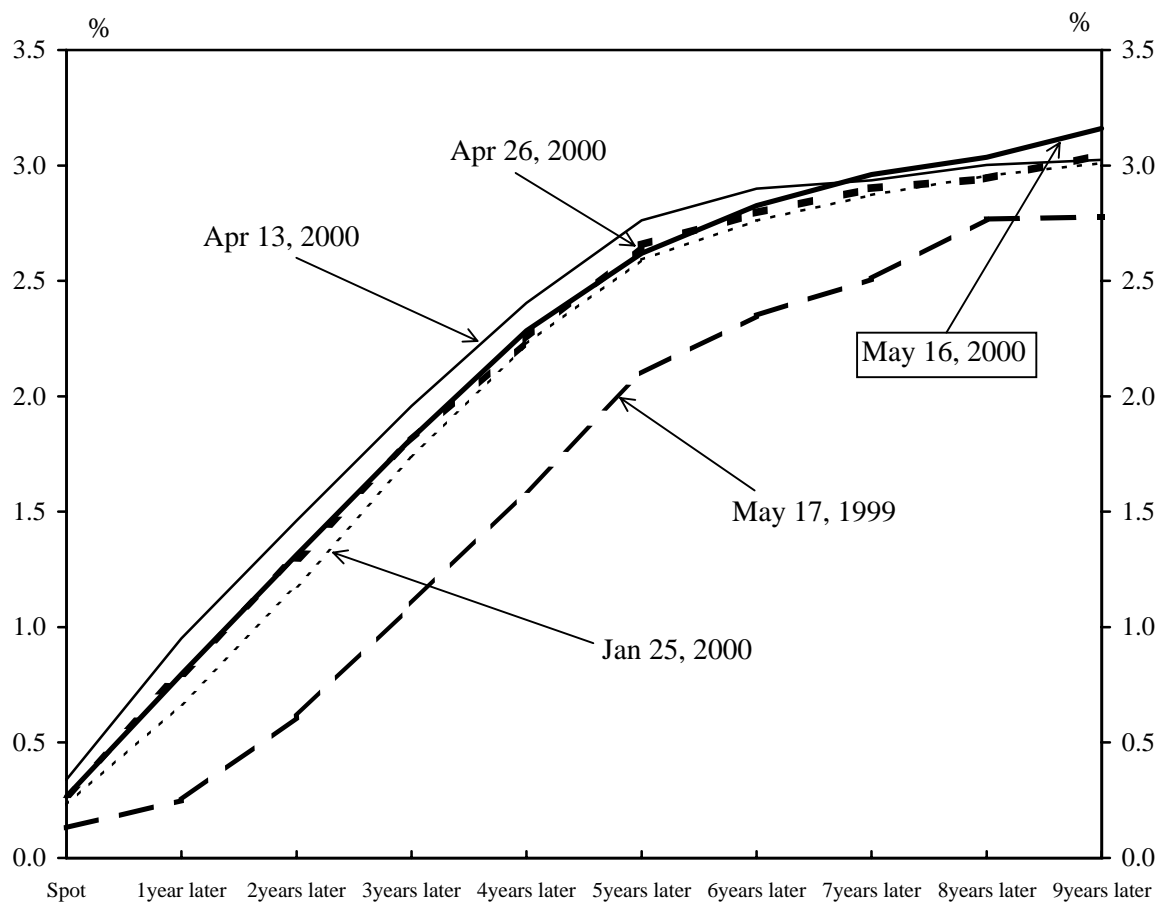
Source: Tokyo International Financial Futures Exchange.

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

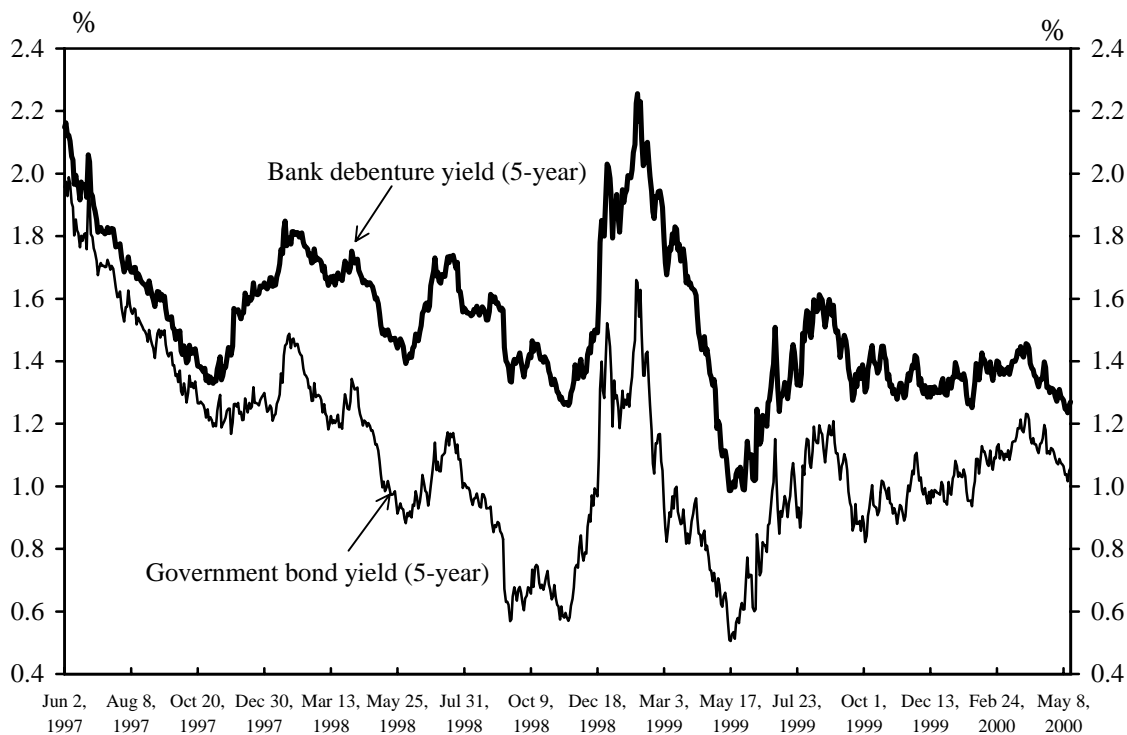


Note: 1. Calculated from yen-yen swap rates.

Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



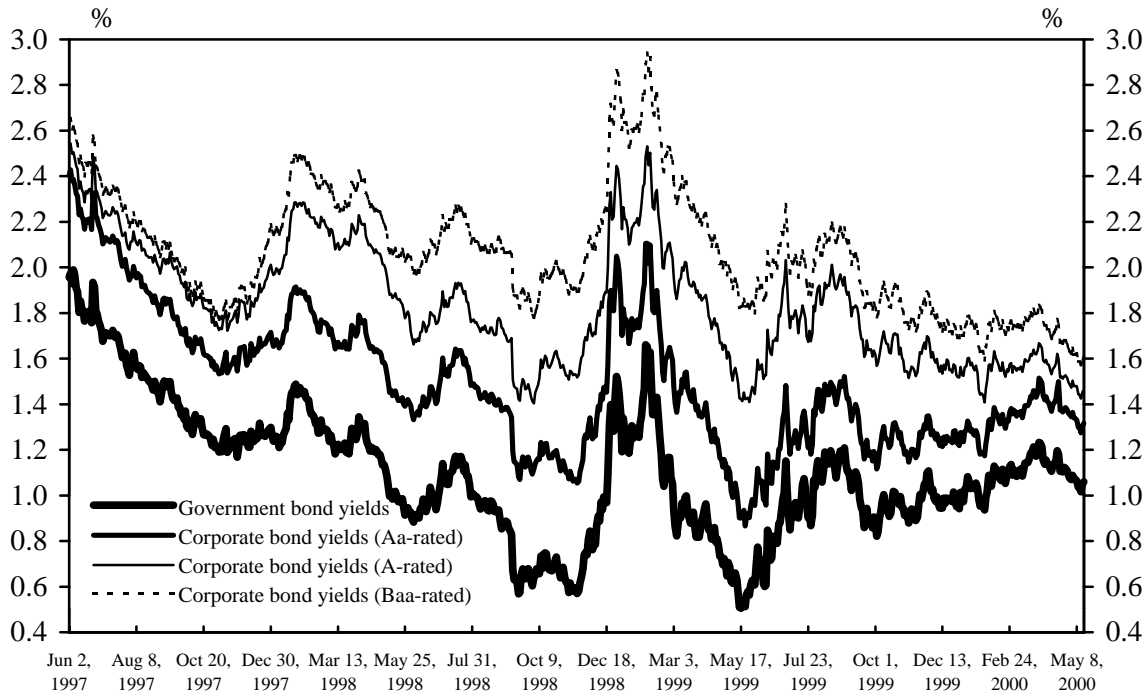
(2) Spread of Bank Debenture and Government Bond Yield



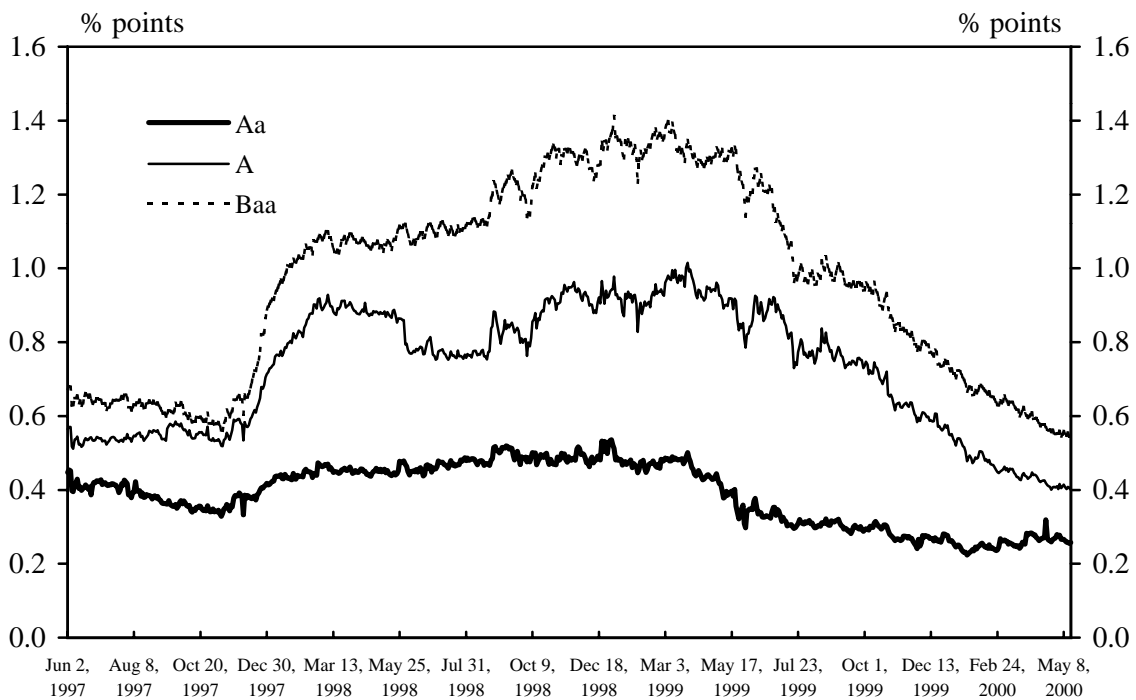
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



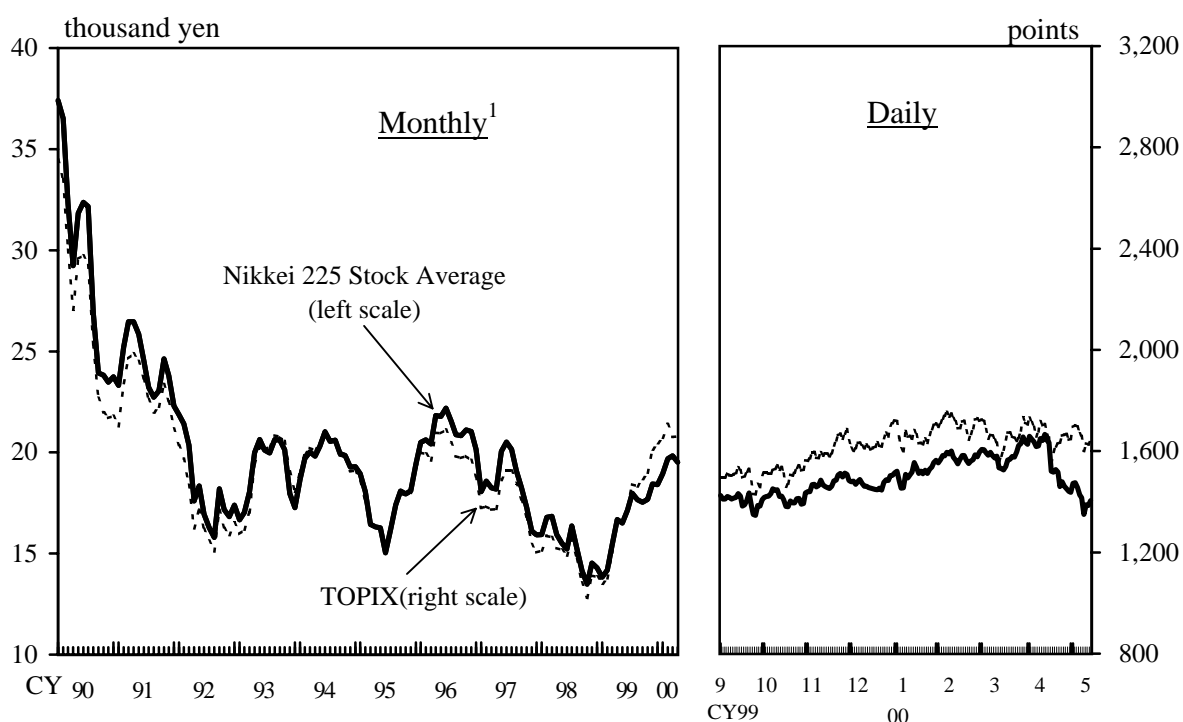
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

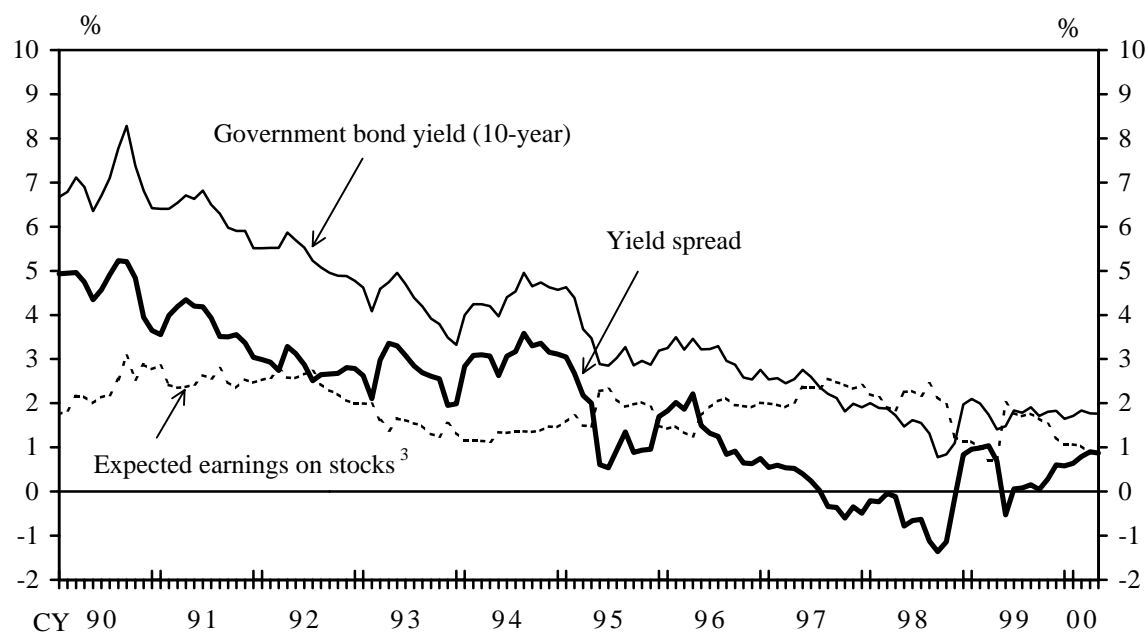
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



(2) Yield Spread ²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

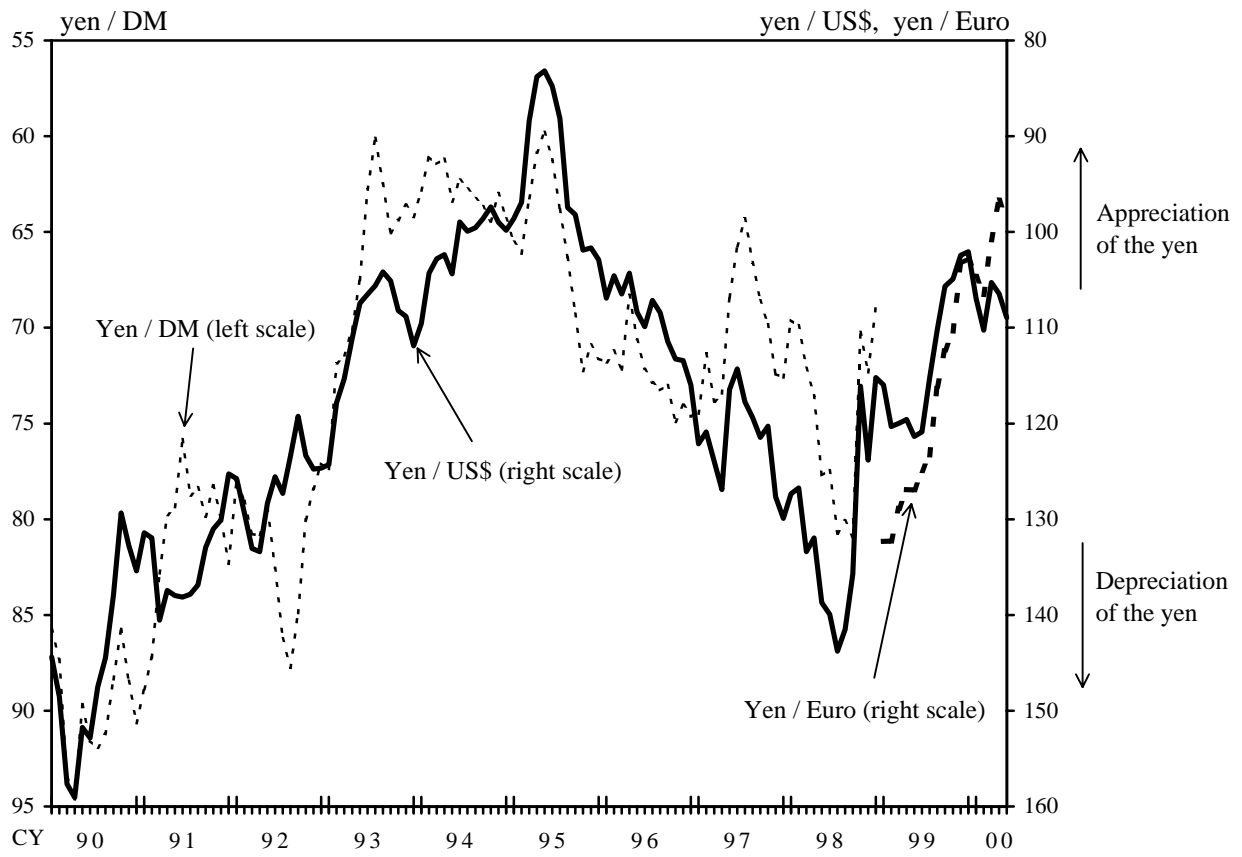
Yield spread = government bond yields - expected earnings on stocks,
where expected earnings on stocks = 1/expected price earnings ratio.

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

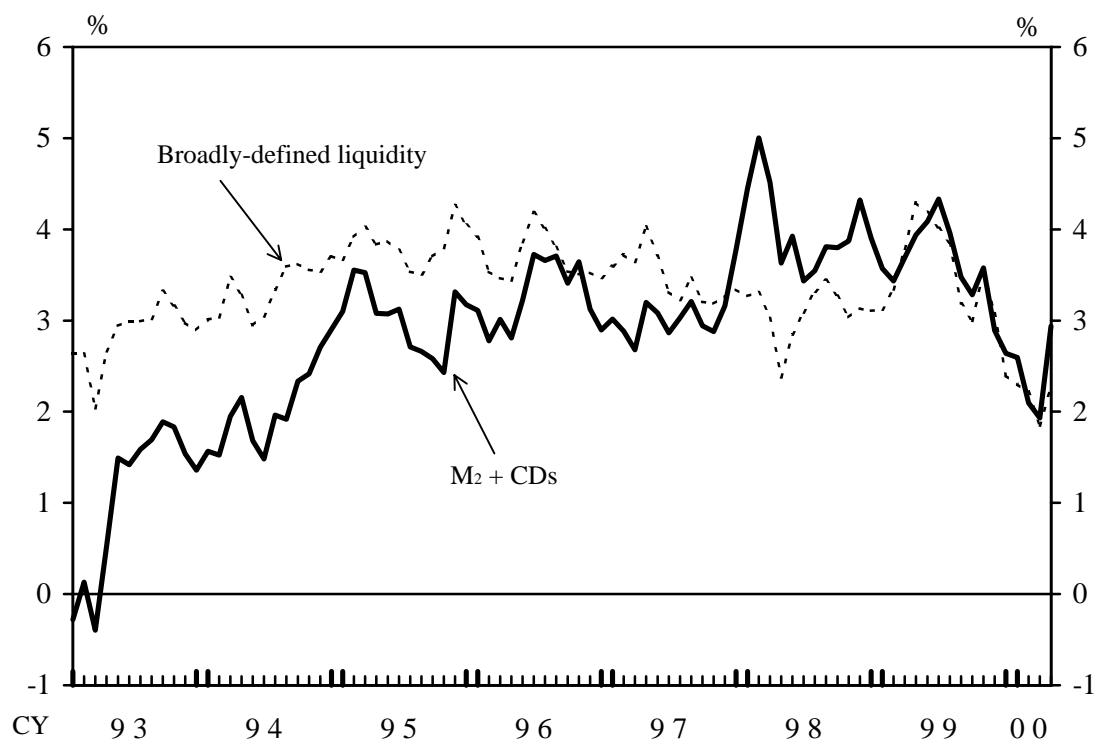


Note: 1. End of month. Data for May 2000 are as of May 16, 2000.

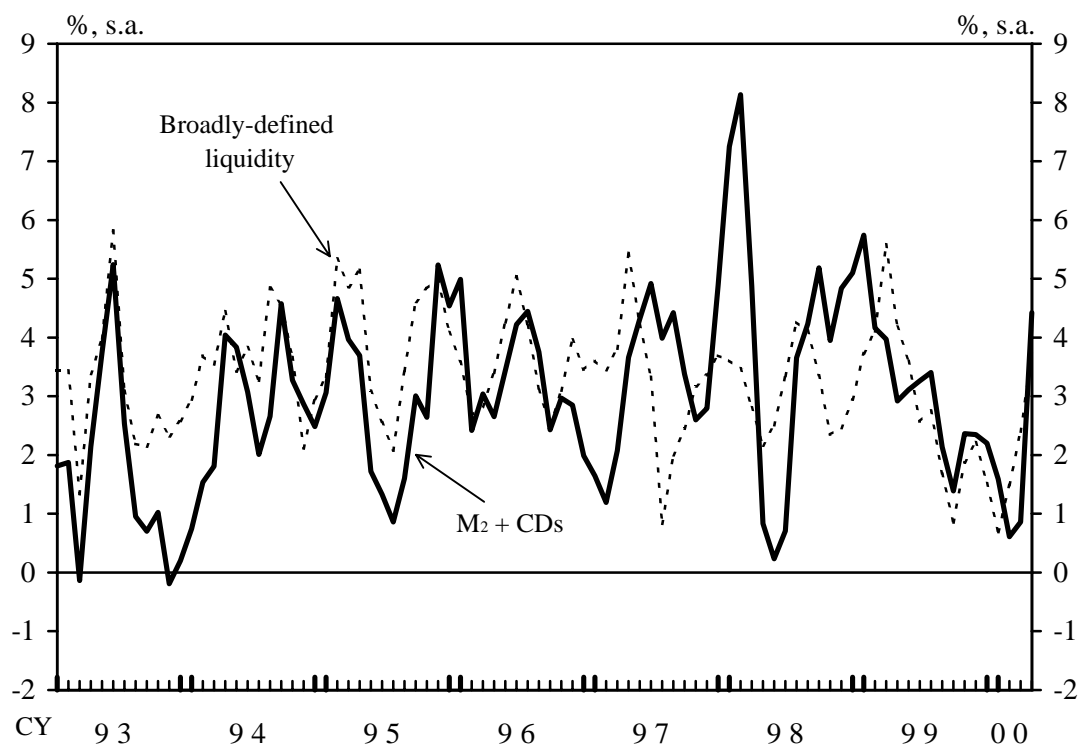
Source: Bank of Japan.

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

(1) Changes from a Year Earlier



(2) Changes from Three Months Earlier (Annualized)

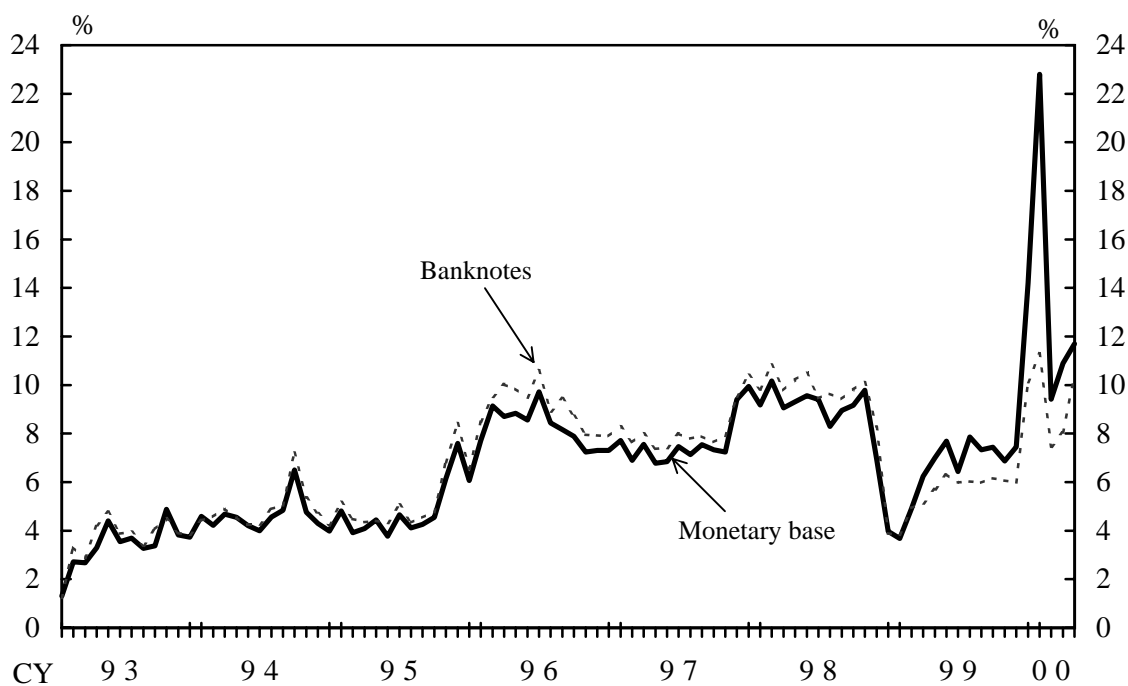


Note: 1. Percent changes in average amounts outstanding.

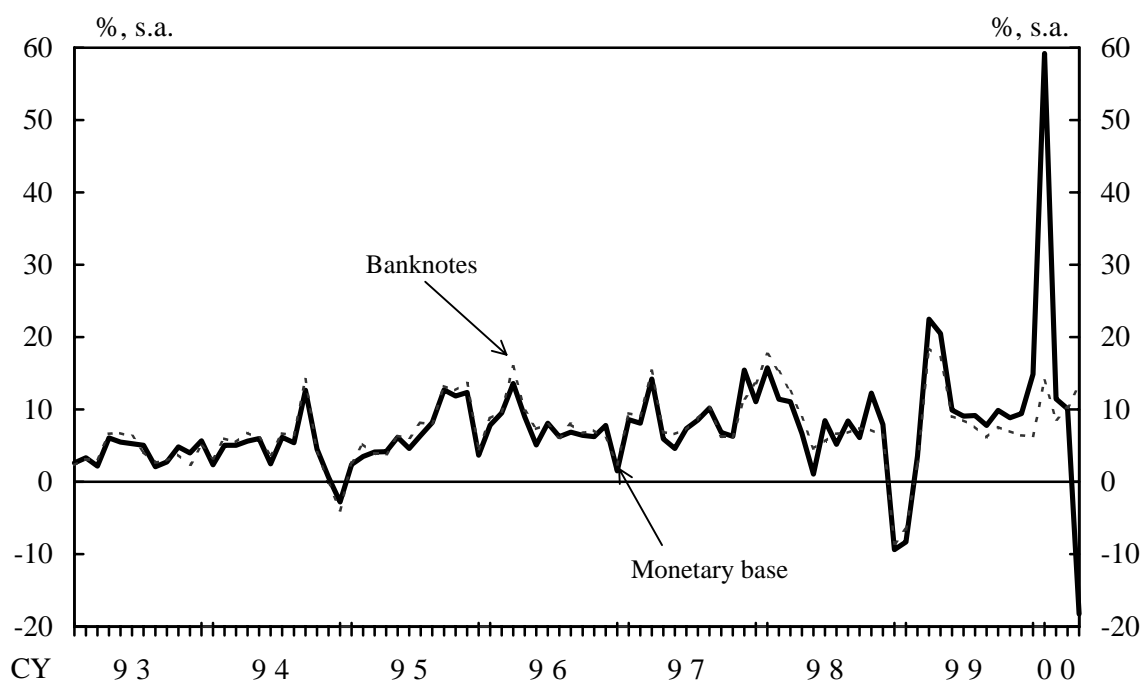
Source: Bank of Japan.

 Monetary Base ¹

(1) Changes from a Year Earlier



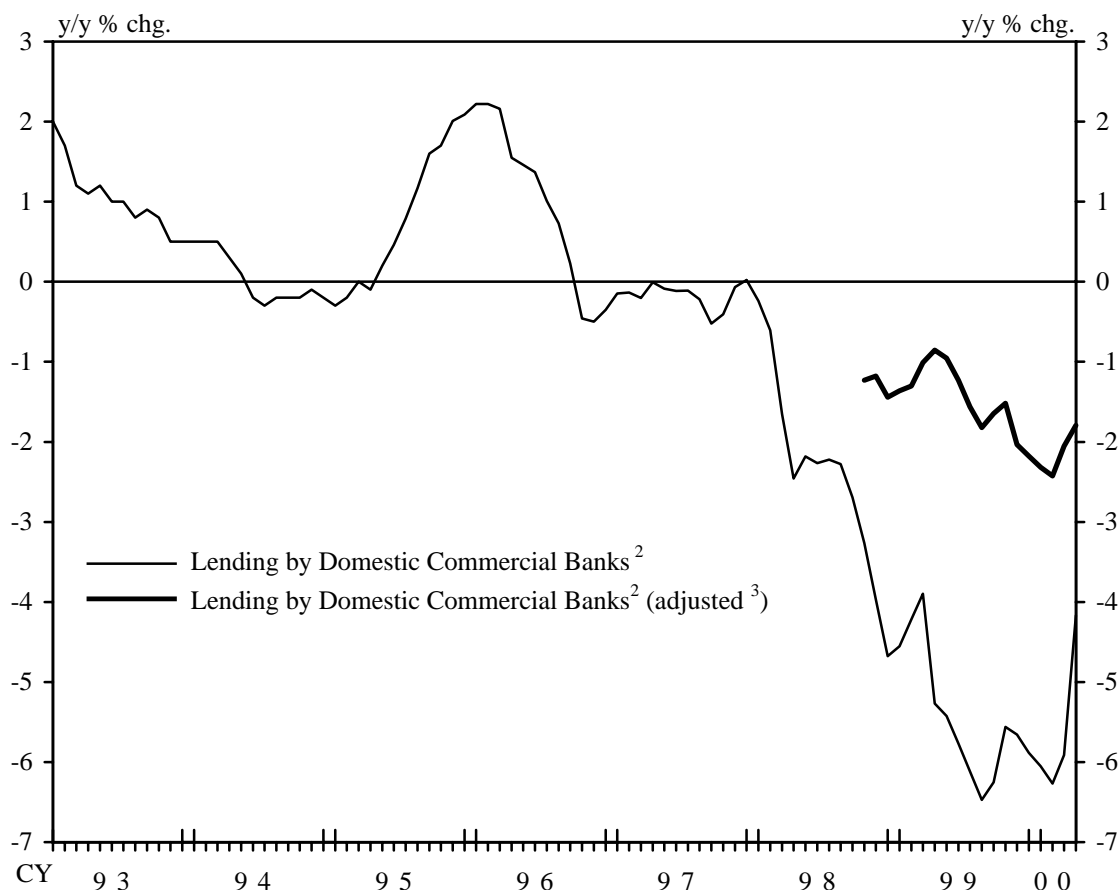
(2) Changes from Three Months Earlier (Annualized)



Note: 1. Monetary base

= currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.
Data for currency in circulation include holdings of financial institutions.

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).

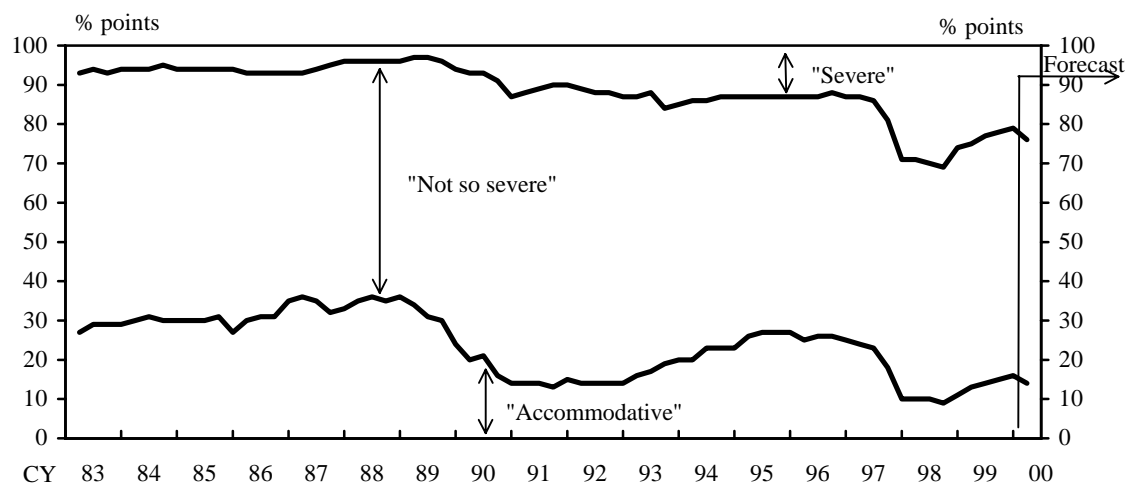
3. Adjusted to exclude

- (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.

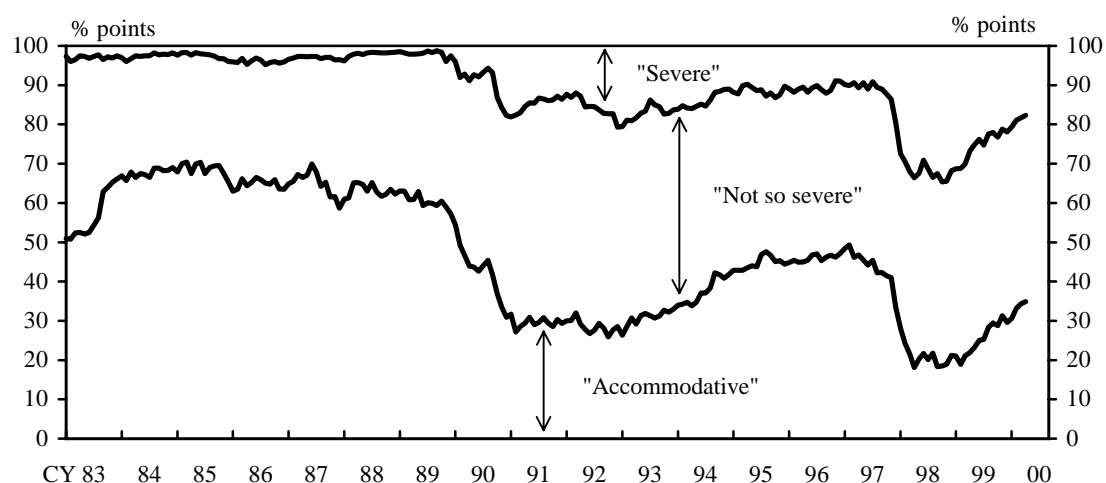
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

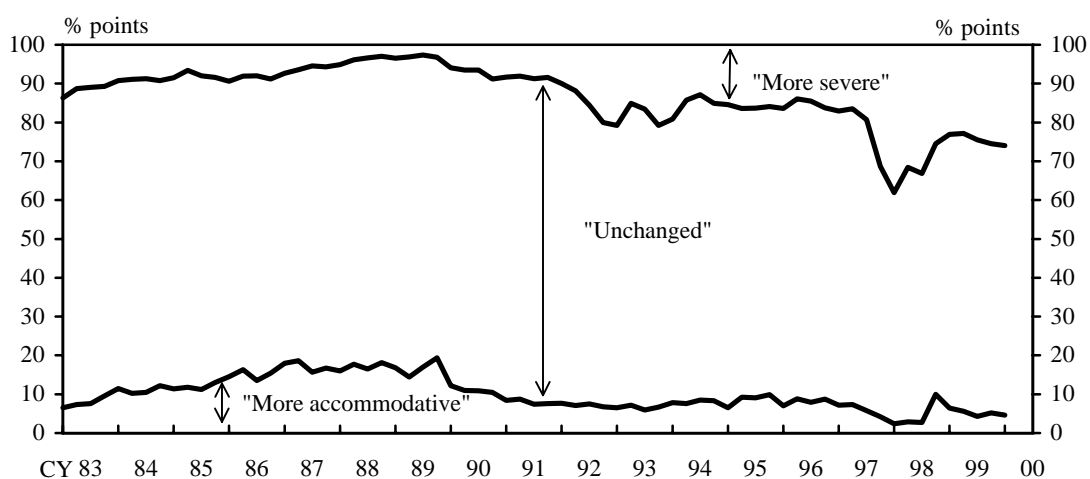
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (March, 2000)



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

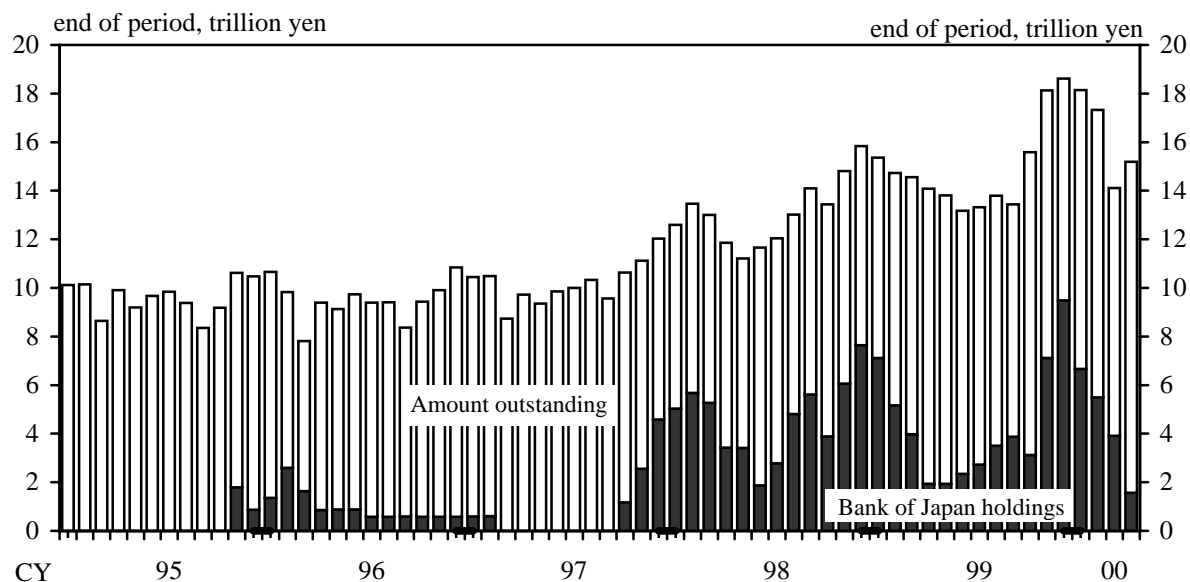


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-March, 2000)



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 Paper ¹(2) Issue Volume of Corporate Bonds ²

(100 million yen)

	Nov, 1999	Dec, 1999	Jan, 2000	Feb, 2000	Mar, 2000	Apr, 2000
Volume	8,654	7,023	3,056	11,765	7,176	4,883
(last year)	(11,803)	(14,764)	(4,909)	(10,706)	(11,556)	(8,807)

(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.

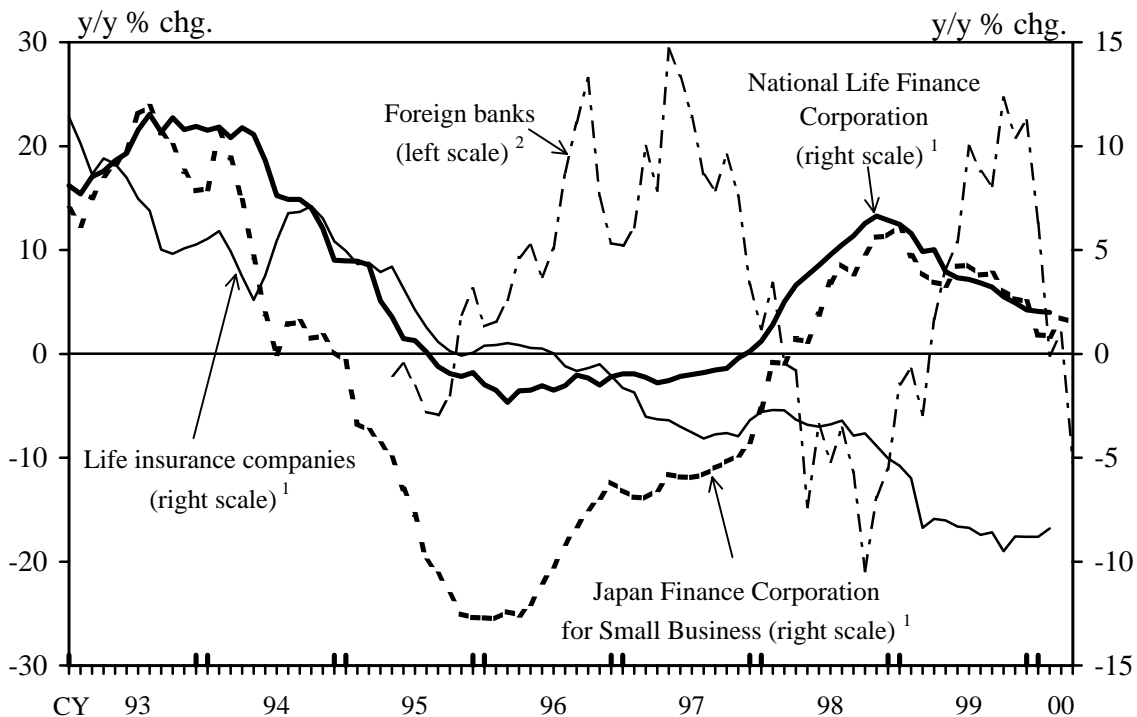
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

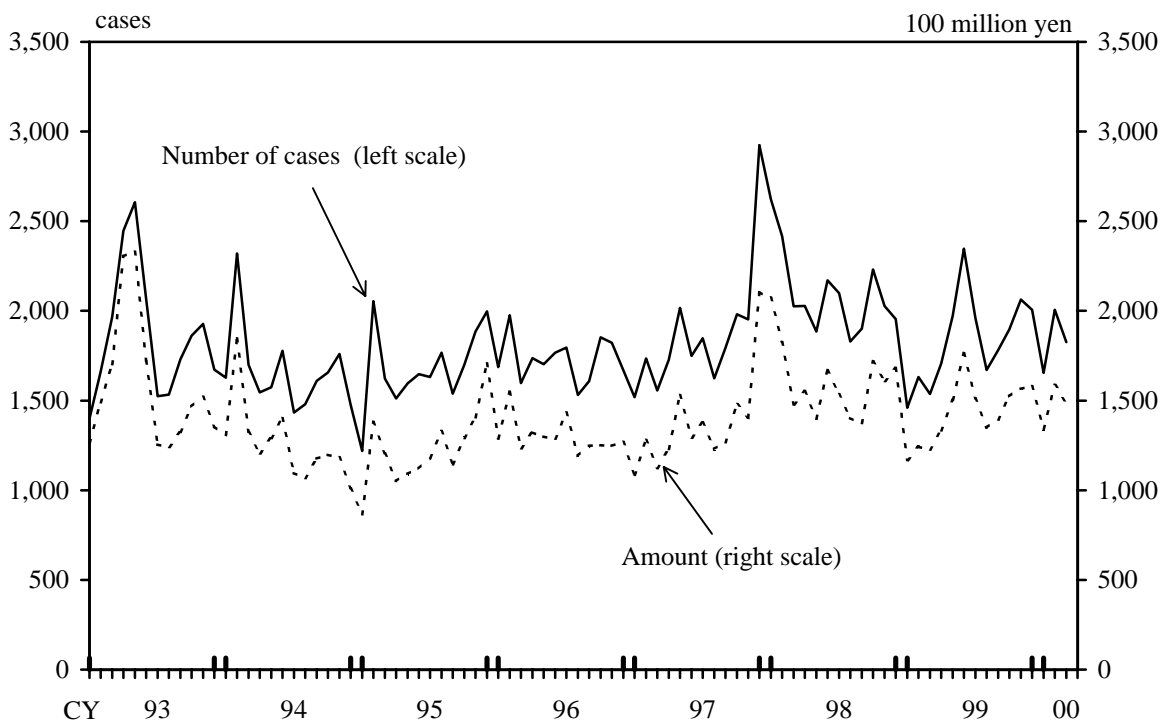
Lending by Other Financial Institutions

(1) Lending Outstanding



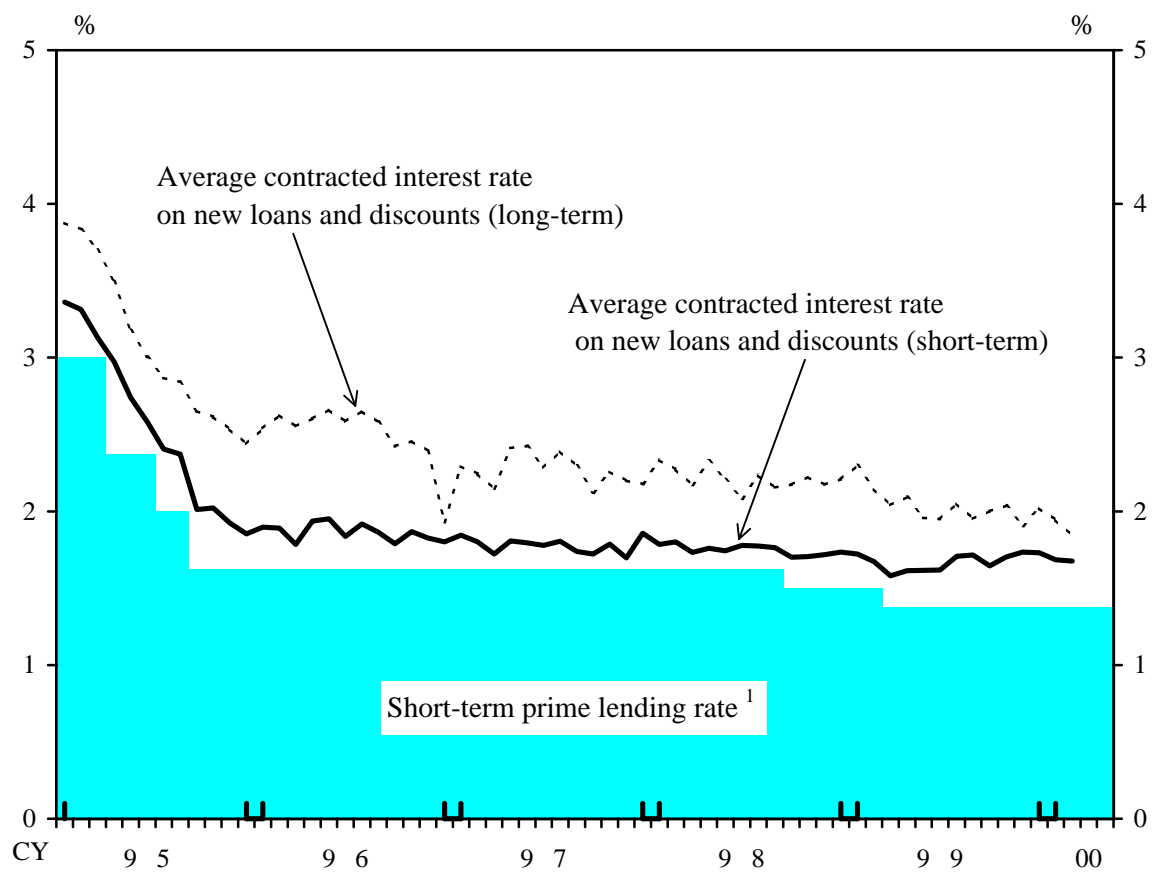
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

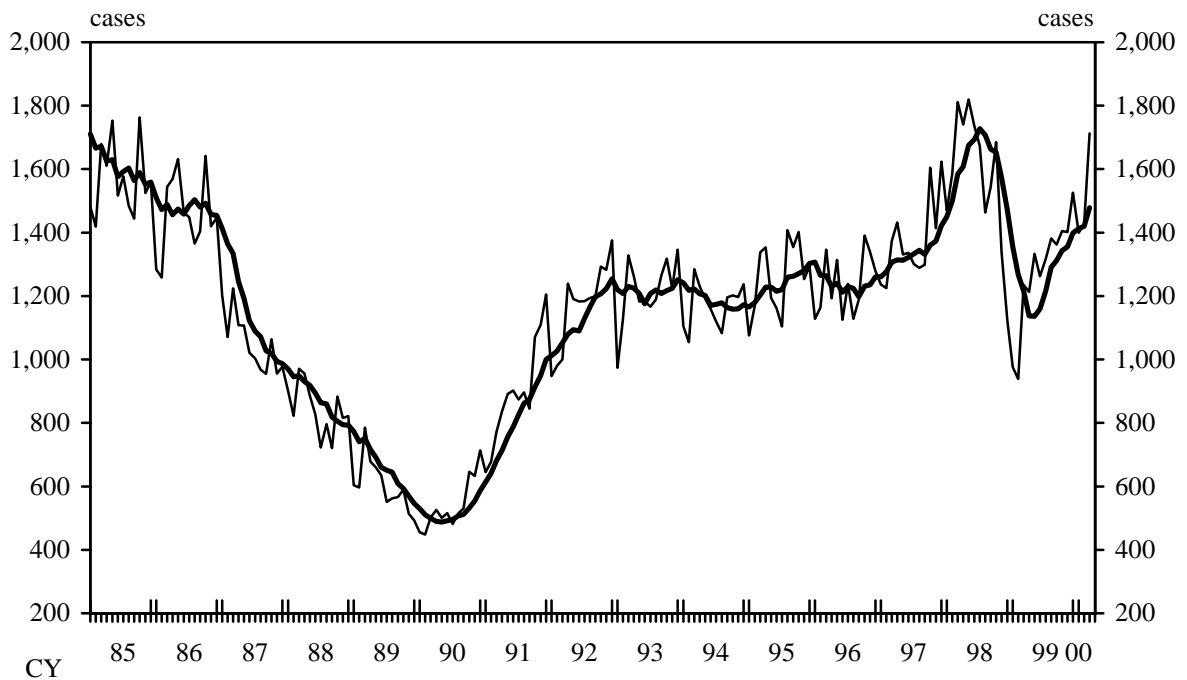


Note: 1. Data are at end of period.

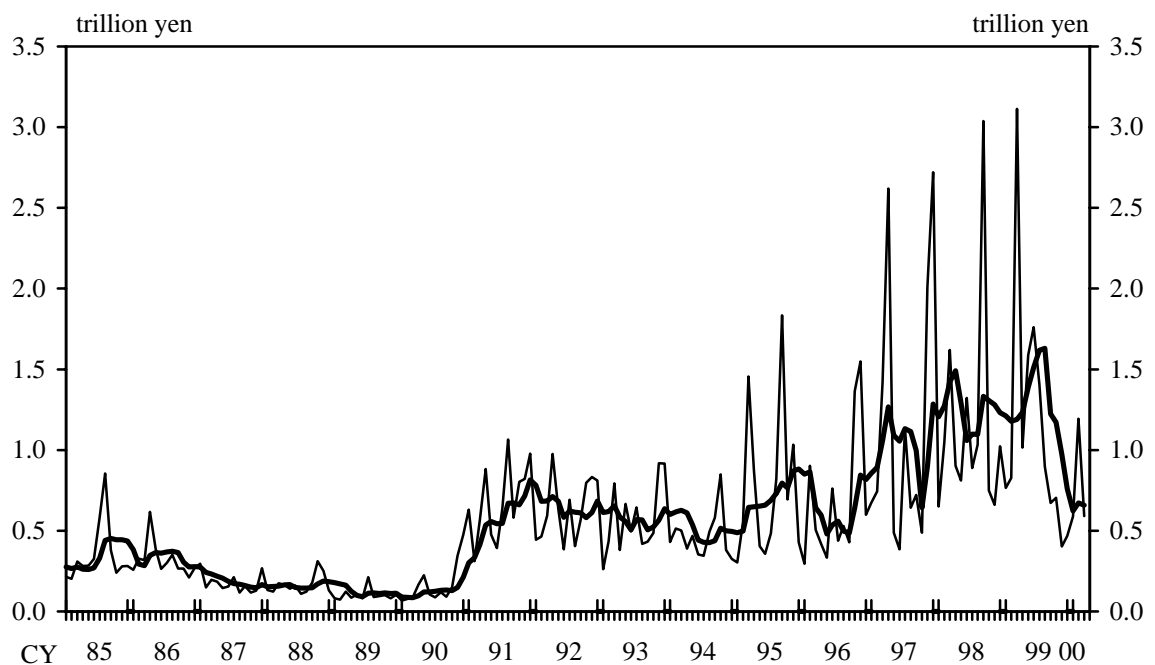
Source: Bank of Japan.

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)."