

July 31, 2000
Bank of Japan

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

The Bank's View²

Japan's economy is recovering gradually, with corporate profits and business fixed investment continuing to increase.

With regard to exogenous demand, net exports (real exports minus real imports) continue to follow a moderate upward trend due to steady developments in overseas economies, and public investment is picking up reflecting the progress in the implementation of the supplementary budget for fiscal 1999. As regards domestic private demand, business fixed investment is increasing. The recovery in private consumption continues to be weak as a whole through lack of notable improvements in employment and income conditions, although there are somewhat positive signs in some indicators. Housing investment is mostly unchanged.

Reflecting such developments in final demand, industrial production is increasing. Corporate profits and sentiment continue to improve, and the number of firms that take positive action, such as increasing the amount of fixed investment, is increasing, especially in high-growth sectors. Income conditions of households still remain severe, but the decreases in the number of employees and in wages are slowing, while regular and overtime payments as well as new job offers are increasing in line with the recovery in corporate activities.

As for the outlook, public investment is likely to start decreasing in the near future, but net exports are expected to continue increasing gradually, reflecting the expansion in overseas economies. In the corporate sector, firms still strongly feel that they have excess equipment and that they should reduce their debts to restore financial soundness. However, it is very likely that fixed investment in high-growth sectors, including those related with information technology services, will increase as corporate profits continue to recover. Moreover, an improvement in corporate profits will increase household income and this in turn is expected to boost private consumption. However, the pace of recovery in household

¹ This report was written based on data and information available when the Bank of Japan Monetary Policy Meeting was held on July 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 July 17, 2000 as the basis of monetary policy decisions.

income will be modest for the time being, since firms' perceptions of excess employment still persist, and thus significant changes have not been observed in their efforts to reduce personnel expenses. Overall, the economy is likely to recover gradually led mainly by business fixed investment, unless there are major adverse external shocks. In addition, the favorable financial environment created partly by the Bank's monetary easing is expected to continue underpinning the economy.

With regard to prices, import prices are decreasing slightly, 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 unchanged 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 owing 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 on prices, downward pressure on prices stemming from weak demand is declining significantly while an economic recovery is expected to continue moderately. Upward pressure on prices is likely to arise temporarily from the increase in crude oil prices. On the other hand, in addition to the declining trend of machinery prices due to technological innovations, the decline in prices of consumer goods arising from the past appreciation of the yen and the streamlining of distribution channels will exert downward pressure on prices. Thus, prices overall are expected to be stable or weak somewhat.

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 of funds outstanding in the call money market has increased slightly.

Interest rates on term instruments have been increasing from mid-June reflecting a possible termination of the zero interest rate policy. The Japan premium remains negligible.

Yields on long-term government bonds increased somewhat from mid-June and are recently moving around 1.7 percent. The yield spread between private bonds (bank debentures and corporate bonds) and government bonds remains mostly unchanged.

Stock prices fell towards mid-June, but have recovered thereafter along with the rise in U.S. stocks.

In the foreign exchange market, the yen temporarily rose to around 104 yen in late June against the U.S. dollar, but then started to decline. The yen is currently being traded in the range of 107-109 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 remains sluggish. Issuance of corporate bonds and CPs has been steady.

Money stock ($M_2 + \text{CDs}$) grew slower in June compared with the previous month on a year-on-year basis.

In this financial environment, the lending attitude of financial institutions is perceived by firms as less severe, and corporate financing conditions are easing.

The Background

1. Japan's Economy

Public investment is picking up (Chart 2). The value of public works contracted, which reflects orders, declined in April-May 2000 compared to the first quarter since the contracts for the implementation of the supplementary budget for fiscal 1999 concentrated in March. Nevertheless, the actual implementation of public works is apparently increasing due to the high level of orders to date. As for the outlook, public investment is likely to start decreasing in the near future.

Real exports (Charts 3 to 5) are on a rising trend, mostly due to increases in exports of automobiles to the U.S. and of information-related goods.³ Real imports are also gradually increasing, especially those of information-related goods and consumer goods.

As a result of these import and export developments, net exports (real exports – real imports) in terms of the real trade balance⁴ are on a moderate upward trend.

As for the future environment for foreign trade, the real effective exchange rate of the yen⁵ has recently been basically steady (Chart 6[1]). Foreign economies are maintaining high growth, as the U.S. economy remains firm and the recoveries in the European, NIEs and ASEAN economies are becoming more distinct (Chart 6[2]). Reflecting these developments, it is highly probable that net exports will continue rising moderately for some time. Nevertheless, the outlook for overseas economies continues to warrant careful monitoring, as the expansion of the U.S. economy is apparently supported, to a large extent, by the wealth effect from the rise in stock prices.

³ An increase in real exports slowed in April-May 2000, following a sharp rebound in exports of information-related goods in the first quarter, after such exports were reduced at the end of 1999 by concerns regarding the Year 2000 problem.

⁴ Strictly speaking, 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 broadly in line with 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 of GDP statistics are on an ownership-transfer basis and include the trade in services).

⁵ From this *Monthly Report*, the Chinese Yuan (RMB) has been added to the calculation base for the real effective exchange rate of the yen, increasing the number of currencies used from 24 to 25.

Business fixed investment continues to increase. Shipments of capital goods (excluding transport equipment), which move almost simultaneously with machinery investment, rebounded sharply by 7.5 percent in the first quarter of 2000 on a quarter-to-quarter basis after computer purchases had been postponed in late 1999 due to concerns about the Year 2000 problem, but then fell back by 3.9% in April-May compared to the first-quarter level. Among leading indicators, machinery orders (private demand; excluding shipbuilding and electric power equipment) increased on a quarter-to-quarter basis by 4.9 percent in the first quarter of 2000, but then declined slightly by 2.4 percent in April-May compared to the first-quarter level, because of fluctuations in orders for telecommunications machinery (Chart 7[1]). Meanwhile, nonresidential construction starts surged by 14.4 percent in the first quarter on a quarter-to-quarter basis, in part owing to large-scale redevelopment projects in the nonmanufacturing industries, and remained almost unchanged thereafter posting a 0.4 percent decline in April-May compared to the first-quarter level (Chart 7[2]).

As for the outlook, business fixed investment is expected to continue increasing as corporate profits continue to improve (Chart 8). According to the business fixed investment plans reported in the Bank of Japan's *Tankan – Short-term Economic Survey of Enterprises* of June 2000 (Chart 9), large manufacturing firms are projecting a double-digit increase in their fixed investment compared with the previous year, reflecting the surging worldwide demand for information-related goods (Chart 10). In part due to the spillover from these investment plans, small manufacturing firms⁶ have also made relatively large upward revisions to their investment plans, and small nonmanufacturing firms have also revised their investment plans upwards as corporate profits are improving and firms' anxiety regarding the availability of funds is easing (Chart 12).⁷

The recovery in private consumption remains weak as a whole, although there have been somewhat positive signs in some indicators. According to sales indicators (Chart 13),

⁶ According to a survey conducted by the Japan Finance Corporation for Small Business, business fixed investment plans of small manufacturing firms (as surveyed in April 2000) are up 1.6 percent compared to the previous year, which is an exceptionally strong figure for this time of year (Chart 11).

⁷ According to the June *Tankan*, business fixed investment plans of small nonmanufacturing firms are projecting a nearly 10 percent year-to-year decline, but this is because the actual investment in fiscal 1999 was revised substantially upwards by an unprecedented 11.8 percent compared to the previous survey. (Incidentally, the average revision rate over the past 15 years has been +2.5 percent). In fact, the fiscal 2000 investment plans of small nonmanufacturing firms in the June *Tankan* have been revised upwards by 7.7 percent over the March *Tankan* figures.

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 has also been recovering compared to the level at the end of 1999. Outlays for travel are firm, reflecting the increase in the number of passengers traveling during the Golden Week holidays. Meanwhile, sales at department stores and chain stores remain stagnant. As for the outlook, with consumer sentiment on a gradual recovery trend (Chart 14), consumption is expected to increase along with improvements in employment and income conditions, but the pace of recovery will likely remain modest for the time being.

Housing investment (Chart 15) is mostly unchanged as construction starts of owner-occupied houses financed by public funds such as the government Housing Loan Corporation are decreasing whereas construction starts financed using other funding sources are rising. As for the outlook, housing investment is expected to remain almost unchanged, judged from the number of loan applications to the government Housing Loan Corporation.⁸

Reflecting these developments in final demand and also because inventory adjustments appear to be mostly completed (Chart 16),⁹ industrial production continues an increasing trend (Chart 17), and is expected to remain firm for the time being.¹⁰

Employment and income conditions remain severe overall, although the decreases in both the number of regular employees and wages to date are slowing as the economy is gradually recovering. In the labor market (Chart 18), the ratio of job offers to applicants is on a gradual rising trend, and the unemployment rate is also improving slightly. Firms' perceptions of excess employment remain at a high level, but are broadly on an improving trend (Chart 19). The number of regular employees in May (on a Monthly Labour Survey

⁸ Some 65,000 applications for the construction of private homes were submitted to the government Housing Loan Corporation during its first offering period for fiscal 2000, which was about the same level as that in the previous year (a year-to-year increase of 4.3 percent).

⁹ In terms of the inventory cycle, there is a large difference in the current cyclical positions between information-related goods and other goods. While many firms in non-information industries have been maintaining a stance toward restricting inventories, firms in information-related industries have been moving to increase their inventories to a certain level to keep pace with the increase in shipments due to the vigorous demand for information-related producer goods.

¹⁰ Industrial production is expected to post a quarter-to-quarter increase of 1.5 percent in the second quarter of 2000, based on the production forecast index for June. In July, industrial production is projected to rise by 0.4 percent compared with the previous month.

basis at establishments with at least five employees) was slightly below the previous year's level. As for wages (Chart 20), nominal wages per employee in May were above the previous year's level due to a recovery in overtime payments along with the increase in production and also due to a rise in regular payments. Reflecting these employment and wage developments, compensation of employees in May was above the previous year's level. As for the outlook, even though significant increases in bonus payments cannot be expected as firms are maintaining a stance toward restricting personnel expenses,¹¹ compensation of employees is projected to rise very gradually, reflecting production activities, particularly in overtime and regular payments.

2. Prices

With regard to price developments, import prices on a yen basis (Chart 22) are decreasing slightly compared to the level three months earlier, reflecting the temporary decline in international commodity prices, such as crude oil prices.

Domestic wholesale prices (Chart 23) are increasing somewhat compared to the previous year because of 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 (adjusted to exclude the effects of seasonal changes in electricity rates¹²), domestic wholesale prices are flat, 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 +0.2 percent in April 2000, 0.0 percent in May, and 0.0 percent in June.)

Corporate service prices (domestic supply-demand factors)¹³ (Chart 24) continue to decline slightly on both a year-to-year basis and in terms of the three-month growth rate,

¹¹ The summer bonus survey conducted by the Japan Federation of Employers' Associations (Nikkeiren) (figures collected up to early July) indicates that summer bonuses this year will decline by 0.6 percent from the previous year's level.

¹² 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 underlying changes in domestic wholesale prices, adjustments are made to exclude such factors that result in large seasonal fluctuations.

¹³ 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

mainly due to decreases in the prices for leasing and rentals and for telecommunications and broadcasting services. (The change in corporate service prices in terms of the three-month growth rate was -0.2 percent in March 2000, -0.3 percent in April, and -0.4 percent in May.)

Consumer prices (excluding perishables; Chart 25) decreased from the previous year, mainly because the prices of imported products continued to decline owing to the past appreciation of the yen.¹⁴ In terms of the three-month growth rate, consumer prices remain somewhat weak because the prices of eating out, which is categorized as a private-sector service price, declined, although the decrease in the prices of goods decelerated somewhat from the rise in petroleum-product prices.¹⁵ (The change in consumer prices excluding perishables in terms of the three-month growth rate was -0.1 percent in March 2000, -0.2 percent in April, and 0.0 percent in May.)

Regarding the future environment for prices (Chart 26), downward pressure on prices stemming from weak demand is declining significantly while an economic recovery is expected to continue moderately. Upward pressure on prices is likely to arise temporarily from the increase in crude oil prices. On the other hand, in addition to the declining trend of machinery prices due to technological innovations, the decline in prices of consumer goods arising from the past appreciation of the yen and the streamlining of distribution channels will exert downward pressure on prices. Thus, prices overall are expected to be stable or weak somewhat.

large monthly fluctuation that do not necessarily reflect short-term changes in supply-demand trends. For the detailed calculation, see the note in Chart 24.

Incidentally, the year-to-year movement of the overall CSPI in May was similar to that of CSPI for only domestic supply-demand factors because there were no substantial fluctuations in the items mentioned above. (The year-to-year change in the overall CSPI was -0.7 percent in April and -0.5 percent in May.)

¹⁴ The prices of perishables, which rose sharply in the fourth quarter of 1998, have remained well below the previous year's level since 1999. Thus, a substantial decline in overall consumer prices including perishables has also been continuing. (The year-to-year change was -0.8 percent in April and -0.7 percent in May.)

¹⁵ One of the main reasons that consumer prices in May (excluding perishables) in terms of the three-month growth rate were unchanged was that the dates when hotel charges were surveyed overlapped with the Golden Week holidays, resulting in an apparent temporary increase in hotel charges.

3. Financial Developments

(1) Financial Markets

Interest rate developments in short-term money markets (Charts 27[1]) and 28) 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 of funds outstanding in the call money market has increased slightly, especially for term instruments' transactions.

As for interest rates on term instruments, TB rates rose from early June, and three-month Euro-yen (TIBOR) and FB rates also rose from mid-June, reflecting a possible termination of the zero interest rate policy. The Japan premium (Chart 30) remains negligible.

Yields on ten-year government bonds (newly issued; Chart 27[2]) increased somewhat from mid-June, and are recently moving around 1.7 percent. The yield spread between government and private bonds (bank debentures and corporate bonds; Charts 32 and 33) remains mostly unchanged.

Stock prices (Chart 34[1]) fell towards mid-June, but have recovered thereafter along with the rise in U.S. stocks.

In the foreign exchange market (Chart 35), the yen-dollar exchange rate temporarily fell to around 104 yen in late June on projections of a termination of the zero interest rate policy, but the yen then weakened against the U.S. dollar on expectations of a lowering of the credit ratings of Japanese government bonds. The yen is currently being traded in the range of 107-109 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

Money stock (Chart 36) in terms of $M_2 + \text{CDs}$ grew slower in June compared with the previous month on a year-to-year basis. (The year-to-year growth in $M_2 + \text{CDs}$ was 1.9 percent in March 2000, 2.9 percent in April, 2.2 percent in May, and 1.9 percent in June.) During the third quarter, the year-to-year growth rate is projected to be somewhat lower than that during the second quarter (2.3 percent) because private-sector funds demand is expected to remain stagnant. (The projected year-to-year growth rate for the third quarter is around two percent).

The year-to-year growth in the monetary base (currency in circulation + current deposits at the Bank of Japan; Chart 37) decreased in June compared with the previous month.

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 underlying tone of lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;¹⁶ Chart 38), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, remains sluggish. (The year-to-year change was -2.1 percent in March 2000, -1.8 percent in April, -2.2 percent in May, and -2.1 percent in June). Corporate bond and CP issuance (Chart 39) has been steady.

Turning to the funding cost for firms, the average contracted interest rates on new loans and discounts (Chart 41) remained generally steady. Corporate bond issuance rates have been holding at a low level. CP issuance rates remain at a low level, but are recently rising slightly.

The number of corporate bankruptcies in June (Chart 42) increased slightly from the previous month.

¹⁶ 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.

In this financial environment, the lending attitude of financial institutions is perceived by firms as becoming less severe, and corporate financing conditions are easing.

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Main Economic Indexes (1)

s.a., q/q (m/m) % chg.¹

	99/Q4	2000/Q1	Q2	2000/March	April	May	June
Index of expenditure level (all households)	-1.8	-0.2	n.a.	-2.3	5.9	p 0.4	n.a.
Sales at department stores	-0.2	0.1	n.a.	-1.0	-1.6	p 0.8	n.a.
Sales at chain stores	-1.1	-1.9	n.a.	-0.9	-3.5	1.5	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 287>	< 298>	< 304>	< 285>	< 312>	< 293>	< 308>
Sales of electric appliances (real, NEBA)	4.3	7.6	n.a.	1.5	-2.4	2.8	n.a.
Outlays for travel (50 major travel agencies)	-4.3	2.2	n.a.	-0.1	4.4	-3.6	n.a.
Housing starts <s.a., ann. 10,000 units>	< 117>	< 127>	< n.a.>	< 124>	< 124>	< 121>	< n.a.>
Machinery orders (from private sector ⁴)	8.7	4.9	n.a.	-4.9	-1.1	4.5	n.a.
Manufacturing	7.9	4.5	n.a.	-8.5	9.3	3.0	n.a.
Nonmanufacturing ⁴	10.1	7.9	n.a.	1.7	-11.6	3.3	n.a.
Construction Starts (private, nonresidential use)	10.8	14.4	n.a.	-4.3	3.6	7.5	n.a.
Mining & manufacturing	9.1	10.9	n.a.	-6.2	4.1	3.7	n.a.
Nonmanufacturing ⁵	7.9	14.5	n.a.	-1.0	7.6	3.3	n.a.
Value of public works contracts	-3.7	23.8	n.a.	48.0	-53.4	39.2	n.a.
Real exports	2.5	4.9	n.a.	2.1	0.7	-6.6	n.a.
Real imports	5.2	0.4	n.a.	7.9	-5.1	8.8	n.a.
Industrial production	1.4	0.8	n.a.	2.4	-0.6	0.3	n.a.
Shipments	2.0	0.5	n.a.	1.8	-0.6	0.7	n.a.
Inventories	-1.7	2.4	n.a.	1.3	0.4	-0.5	n.a.
Inventories/shipments <s.a., 1995=100>	< 99.0>	< 100.0>	< n.a.>	< 100.0>	< 101.5>	< 100.5>	< n.a.>
Real GDP	-1.6	2.4	n.a.	n.a.	n.a.	n.a.	n.a.

Main Economic Indexes (2)

	y/y % chg. ¹						
	99/Q4	2000/Q1	Q2	2000/March	April	May	June
Ratio of job offers to applicants <s.a., times>	<0.49>	<0.52>	< n.a.>	<0.53>	<0.56>	<0.56>	<n.a.>
Unemployment rate <s.a., %>	<4.63>	<4.82>	< n.a.>	<4.92>	<4.84>	<4.56>	<n.a.>
Overtime working hours ⁶	1.4	3.5	n.a.	5.1	4.2	p 3.3	n.a.
Number of employees	-0.4	-0.4	n.a.	-0.4	-0.4	0.6	n.a.
Number of regularly employed ⁶	-0.2	-0.2	n.a.	-0.1	-0.4	p -0.2	n.a.
Nominal wages per person ⁶	-1.2	0.7	n.a.	-0.6	0.6	p 0.7	n.a.
Domestic wholesale price index <q/q % chg.> (3-month growth rate)	-0.7 <0.1>	-0.1 <0.1>	0.3 <0.0>	0.1 <0.1>	0.5 <0.2>	0.3 <0.0>	0.3 <0.0>
Consumer price index (nationwide) ⁷ <s.a., q/q % chg.> (3-month growth rate)	-0.2 <-0.1>	-0.2 <0.0>	n.a. < n.a.>	-0.3 <-0.1>	-0.4 <-0.2>	-0.2 <0.0>	n.a. <n.a.>
Corporate service price index core ⁸ <s.a., q/q % chg.> (3-month growth rate)	-0.9 <-0.2>	-0.8 <-0.1>	n.a. < n.a.>	-0.8 <-0.2>	-0.9 <-0.3>	-0.8 <-0.4>	n.a. <n.a.>
Monetary aggregates (M ₂ +CDs) <average outstanding, y/y % chg.>	3.0	p 2.2	p 2.3	p 1.9	p 2.9	p 2.2	p 1.9
Number of suspension of transactions with banks	3.3	55.4	n.a.	51.9	26.8	5.9	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. Domestic supply-demand factors.

9. 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";

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Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";

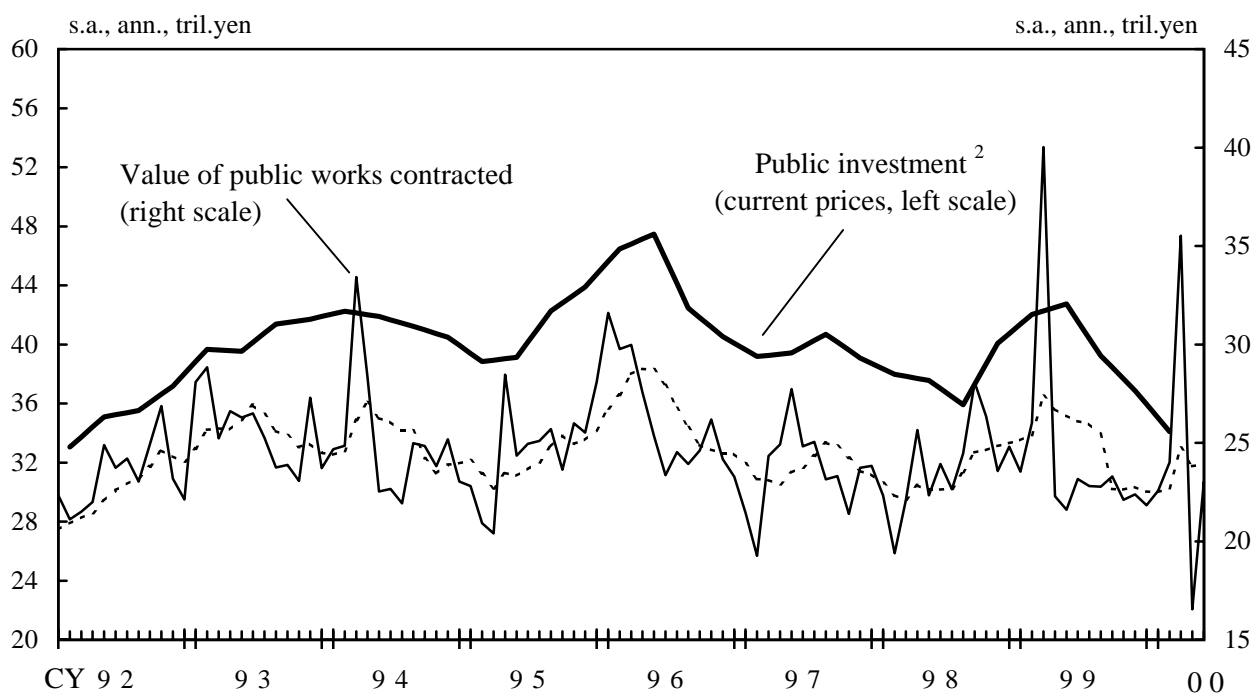
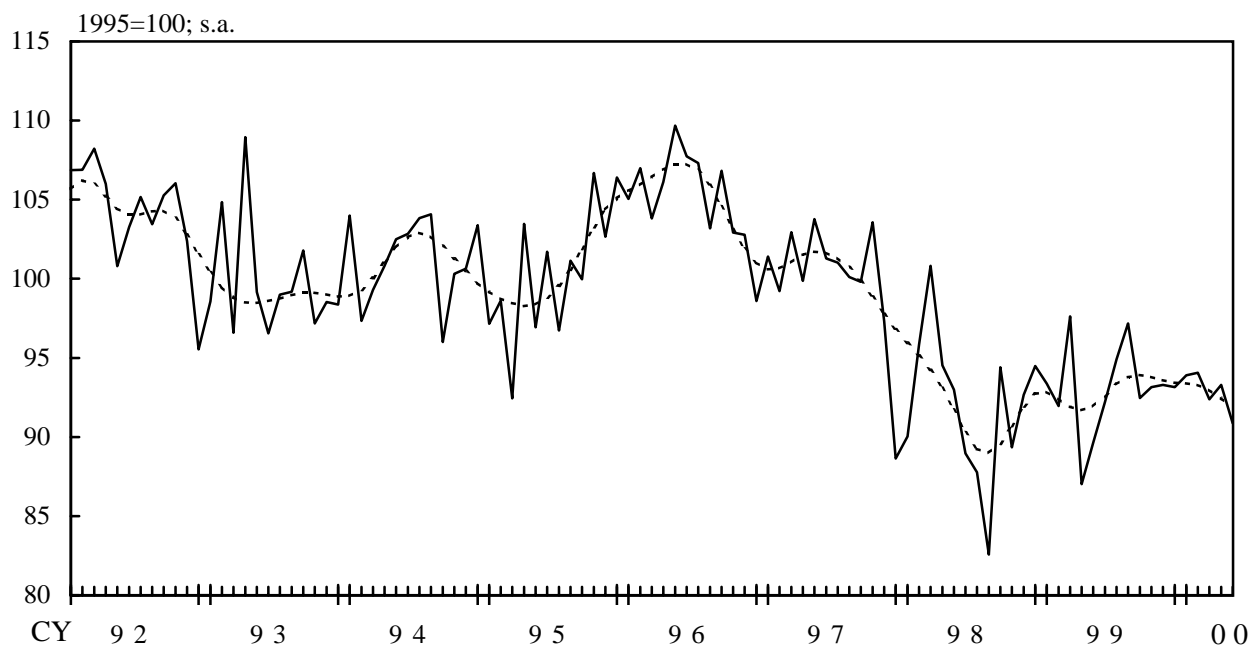
Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Labour, "Report on Employment Service,"

"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

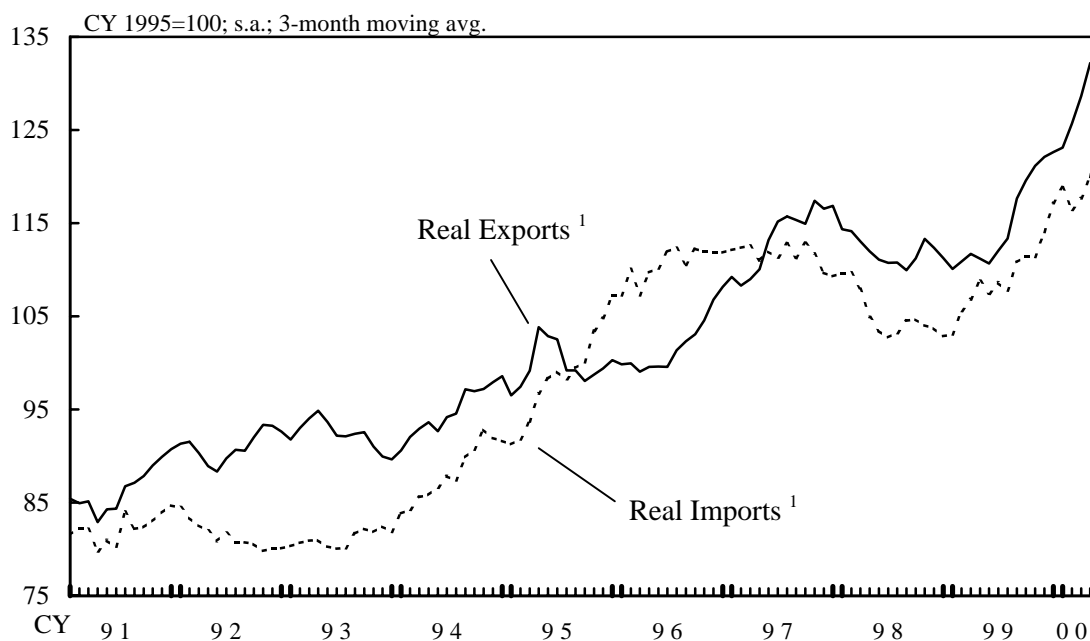
(2) Shipments of Public Works-related Goods³

- 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. "Public works-related goods" are weighted average of asphalt, concrete products for roads, bridges, and cement, where weights are based on 1995-basis IIP (shipment).

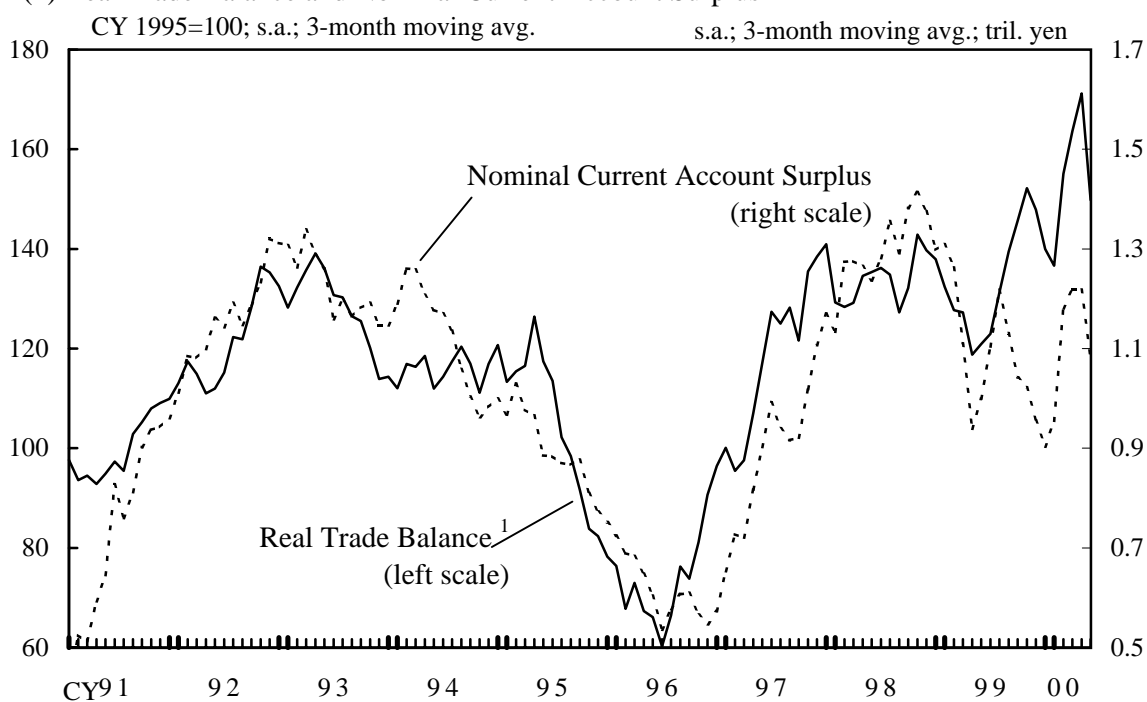
Sources: Economic Planning Agency, "National Income Statistics";
 Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";
 Ministry of International Trade and Industry, "Indices of Industrial Production."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



Note: 1. Seasonally adjusted by X-11.

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

Real Exports ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 98	99	99 Q2	Q3	Q4	2000 Q1	Q2	2000 Mar.	Apr.	May
United States	<30.7>	6.8	4.6	2.1	5.7	-0.1	3.6	2.6	2.1	2.8	-6.4
EU	<17.8>	15.6	0.9	-4.5	5.2	2.6	4.3	-3.1	4.3	-2.2	-10.6
East Asia	<35.8>	-18.1	12.0	3.9	7.8	2.3	12.6	2.7	3.6	1.6	-1.6
China	<5.6>	0.5	12.3	-6.3	8.4	-7.7	19.4	1.5	-0.2	-6.9	10.4
NIEs	<21.5>	-16.5	11.2	5.6	8.6	5.0	12.7	1.2	2.6	2.3	-3.6
Taiwan	<6.9>	-0.4	7.8	3.7	7.4	6.9	5.8	7.7	1.0	4.1	2.4
Korea	<5.5>	-35.3	43.9	4.4	12.1	9.4	18.8	-5.9	2.2	-4.1	-6.8
ASEAN4 ³	<8.6>	-29.2	13.6	7.0	5.6	2.1	8.6	7.1	8.3	5.0	-3.3
Thailand	<2.7>	-29.4	15.3	0.2	11.4	8.8	-2.0	4.4	-0.2	12.4	-11.7
Real exports		-2.1	4.5	0.3	6.7	2.5	4.9	0.5	2.1	0.7	-6.6

(2) Breakdown by type of good

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 98	99	99 Q2	Q3	Q4	2000 Q1	Q2	2000 Mar.	Apr.	May
Intermediate goods	<14.2>	2.9	5.4	4.2	1.9	-2.3	2.8	0.7	4.5	-3.8	0.9
Motor vehicles and their related goods	<21.5>	1.3	2.8	-3.0	8.4	1.7	-4.0	7.8	0.5	6.6	-8.1
Consumer goods ⁴	<7.2>	5.0	5.0	-0.9	6.1	4.4	5.1	-1.7	-1.7	0.7	-1.3
Information-related goods ⁵	<17.6>	-7.0	6.4	3.2	7.3	2.3	14.7	0.6	6.0	-1.1	-6.8
Capital goods and parts ⁶	<28.4>	-5.4	1.8	-1.5	7.0	1.4	14.1	-0.7	4.0	1.7	-7.4
Real exports		-2.1	4.5	0.3	6.7	2.5	4.9	0.5	2.1	0.7	-6.6

Notes: 1. Seasonally adjusted by X-11. 2000/Q2 are Apr-May averages in terms of quarterly amount.

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 Q2	Q3	Q4	2000 Q1	Q2	2000 Mar.	Apr.	May
United States	<21.7>	-3.7	-2.9	-9.2	-0.3	8.8	-5.1	7.1	0.5	0.7	12.2
EU	<13.8>	-6.5	5.8	-2.4	6.2	3.1	1.0	2.6	7.5	-4.3	3.6
East Asia	<37.6>	-7.7	15.8	5.8	2.8	7.7	7.1	3.0	11.2	-9.9	9.2
China	<13.8>	-4.4	11.9	4.7	0.4	7.3	12.6	2.7	24.3	-13.9	5.4
NIEs	<11.6>	-10.9	24.2	5.3	4.5	12.3	5.0	1.2	9.1	-9.4	8.9
Taiwan	<4.1>	-11.1	25.6	5.0	3.0	12.6	15.0	4.7	8.4	-6.0	5.9
Korea	<5.2>	-9.5	30.8	8.6	4.6	18.3	0.7	-2.4	3.0	-10.7	16.2
ASEAN4 ³	<12.1>	-8.1	12.6	7.5	3.7	4.0	3.4	5.2	0.1	-5.5	13.8
Thailand	<2.9>	-7.1	5.4	2.0	1.3	4.0	4.8	7.6	4.8	-1.0	9.6
Real imports		-6.2	6.1	1.7	2.6	5.2	0.4	5.4	7.9	-5.1	8.8

(2) Breakdown by type of good

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 98	99	99 Q2	Q3	Q4	2000 Q1	Q2	2000 Mar.	Apr.	May
Raw materials ⁴	<23.2>	-6.0	2.7	1.4	0.1	1.8	-0.3	0.7	8.7	-8.3	4.6
Intermediate goods	<13.5>	-7.1	3.6	1.7	4.1	1.1	0.6	4.0	6.5	-5.8	7.7
Foodstuffs	<14.3>	-4.0	2.8	-0.3	0.3	2.9	4.1	-2.5	1.2	-6.7	5.0
Consumer goods	<10.8>	-13.8	8.1	10.2	0.5	6.5	4.1	6.7	22.1	-8.3	4.6
Information-related goods ⁵	<14.4>	-5.8	18.7	6.2	4.4	12.4	7.1	11.6	7.0	-1.7	13.9
Capital goods and parts ⁶	<12.9>	2.7	5.1	-11.4	1.8	13.6	-5.9	3.2	8.9	-7.0	10.7
excluding aircrafts		-2.4	4.4	0.0	8.1	3.9	5.0	2.9	4.3	-4.6	5.8
Real imports		-6.2	6.1	1.7	2.6	5.2	0.4	5.4	7.9	-5.1	8.8

Notes: 1. Seasonally adjusted by X-11. 2000/Q2 are Apr-May averages in terms of quarterly amount.

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

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

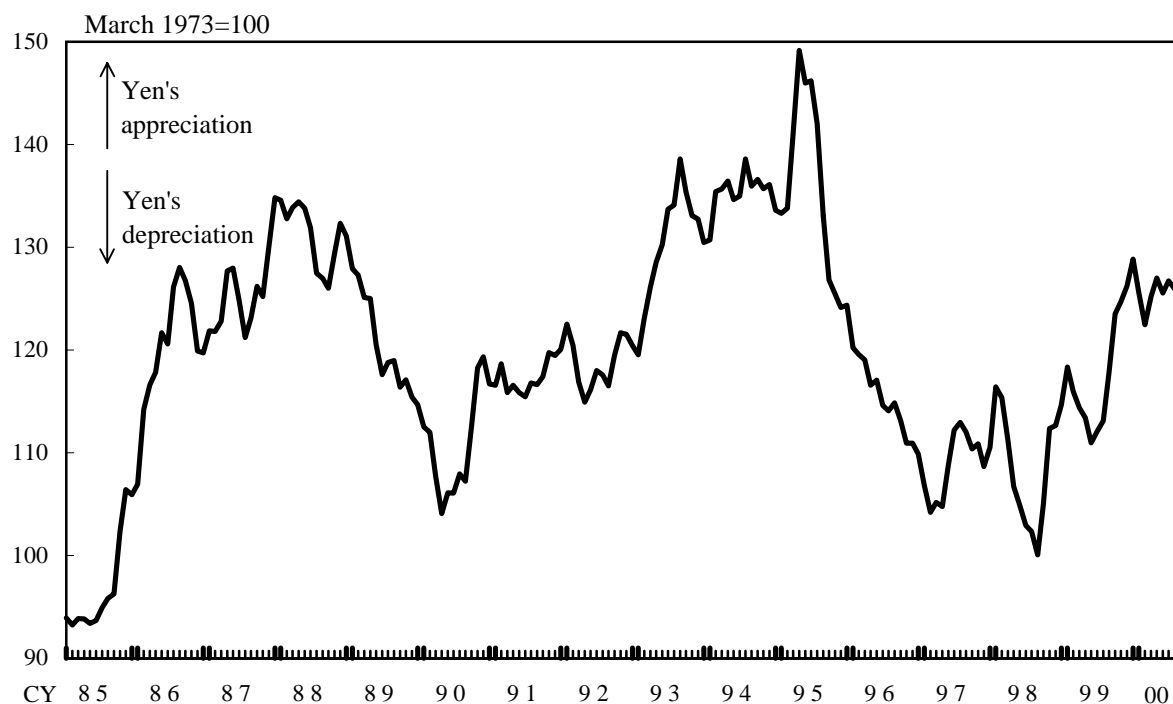
4. Raw materials = woods + ores + mineral fuel, etc.

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 ^{1,2}

Notes: 1. Monthly average. The figure for July 2000 is the average of July 1-14. Calculated by the Bank of Japan.

Figures are the index of the weighted average of the yen's real exchange rates versus 25 major currencies which are calculated from exchange rates and price indexes of the respective countries.

2. From this *Monthly Report*, the Chinese Yuan (RMB) has been added to the calculation base for the real effective exchange rate of the yen, increasing the number of currencies used from 24 to 25.

(2) Real GDP Growth Rates in Overseas Economies

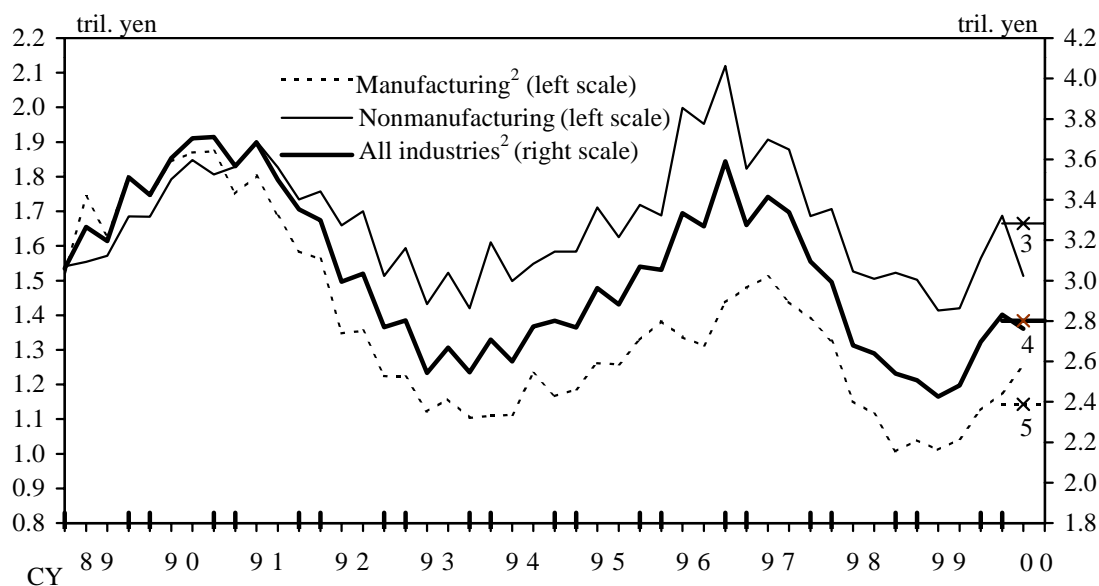
		CY98	99	2000	99 Q2	Q3	Q4	2000 Q1	
United States ¹		4.3	4.2	(4.8)	1.9	5.7	7.3	5.5	
European Union ¹		2.7	2.3	(3.3)	2.5	4.0	3.4	2.9	
	Germany	2.2	1.5	(2.9)	0.5	3.1	2.9	2.7	
	France	3.2	2.9	(3.7)	3.2	3.9	3.5	2.9	
	United Kingdom	2.6	2.1	(3.0)	3.2	4.1	2.8	2.0	
	China	7.8	7.1	(7.5)	(Jan-Jun) 7.6	(Jan-Sep) 7.4	(Jan-Dec) 7.1	8.1	
East Asia ²	NIEs	Korea	-6.7	10.7	(8.3)	10.8	12.8	13.0	12.8
		Taiwan	4.6	5.7	(6.7)	6.6	5.1	6.8	7.9
	ASEAN ⁴	Hong Kong	-5.1	3.0	(6.7)	1.1	4.4	9.2	14.3
		Singapore	0.4	5.4	(6.5)	6.6	6.9	7.1	9.2
		Thailand	-10.2	4.2	(5.3)	2.5	7.8	6.5	5.2
	ASEAN ⁴	Indonesia	-13.0	0.3	(3.8)	3.7	1.2	5.0	3.2
		Malaysia	-7.4	5.6	(7.4)	4.8	8.5	10.8	11.7
Philippines		-0.5	3.3	(3.4)	3.6	3.8	4.9	3.4	

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.

Figures for 2000/Q2 are averages of April and May in terms of quarterly amount.

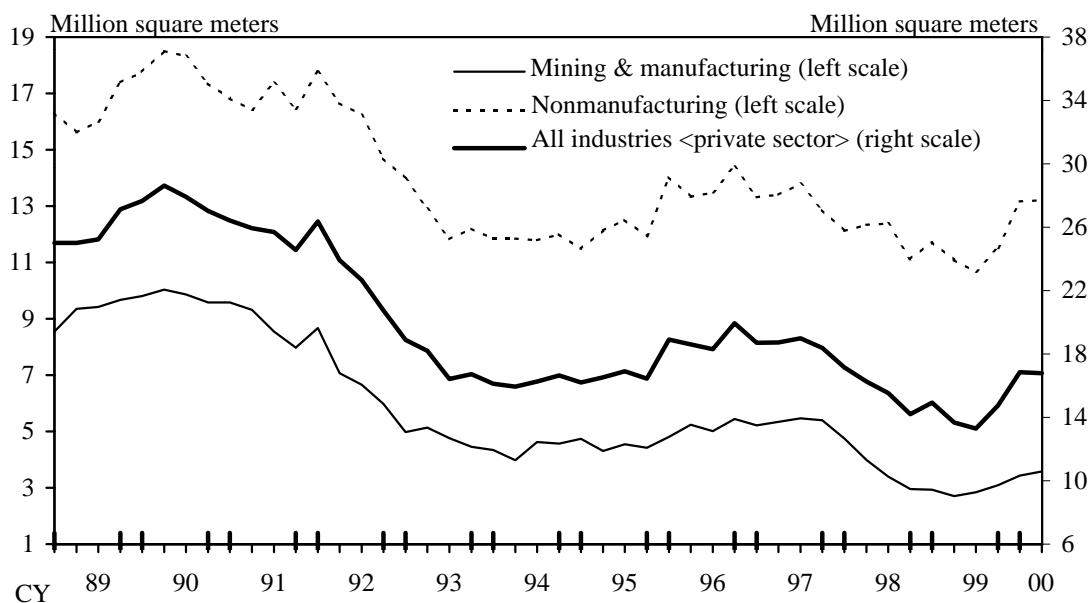
2. Excludes orders from electric power companies and shipbuilding orders.

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)



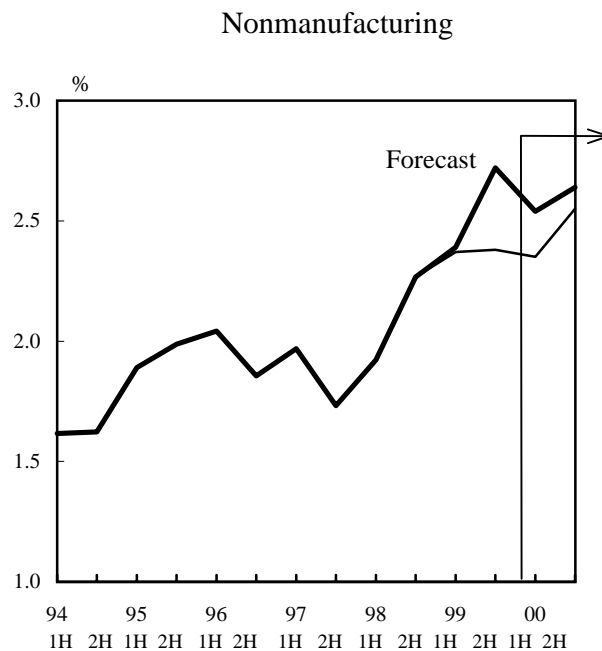
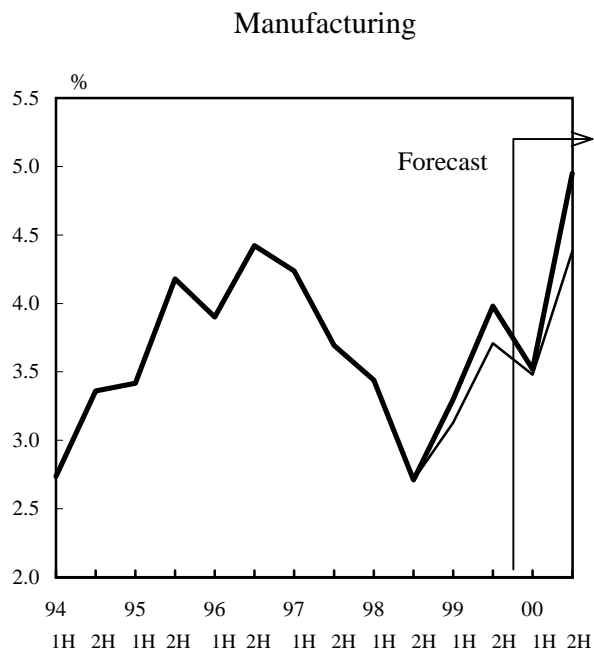
Notes: 1. Seasonally adjusted by X-11.

2. Figures for 2000/Q2 are averages of April and May in terms of quarterly amount.

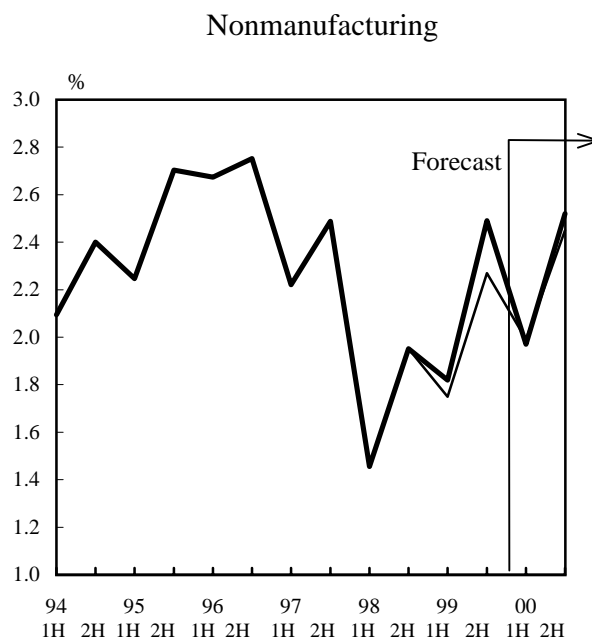
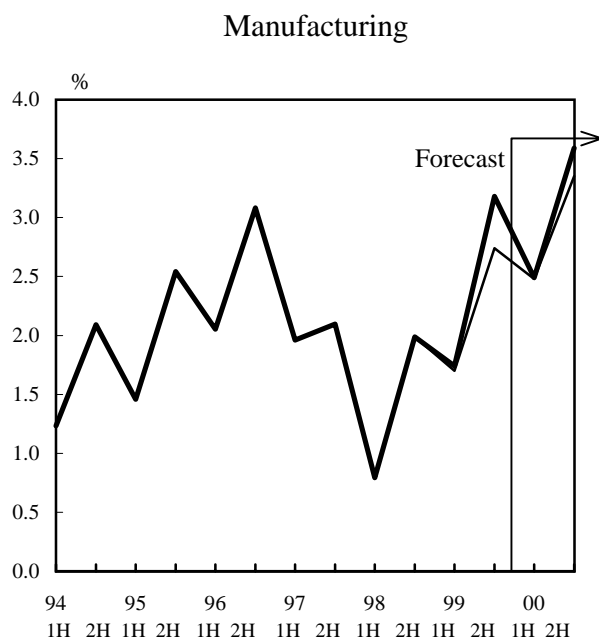
Sources: Economic Planning Agency, "Machinery Orders Statistics";
Ministry of Construction, "Statistics Building Construction Starts."

Ratio of Current Profit to Sales in the Tankan (June 2000)

(1) Large Enterprises



(2) Small Enterprises

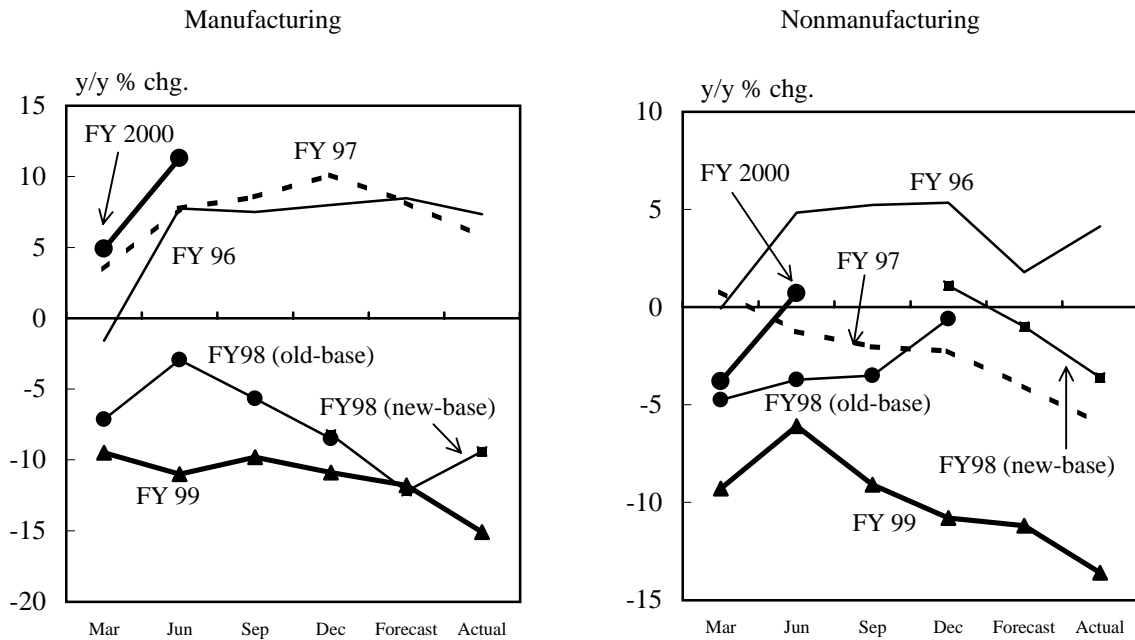


Note: The thin solid line shows the figures as of the March 2000 survey.

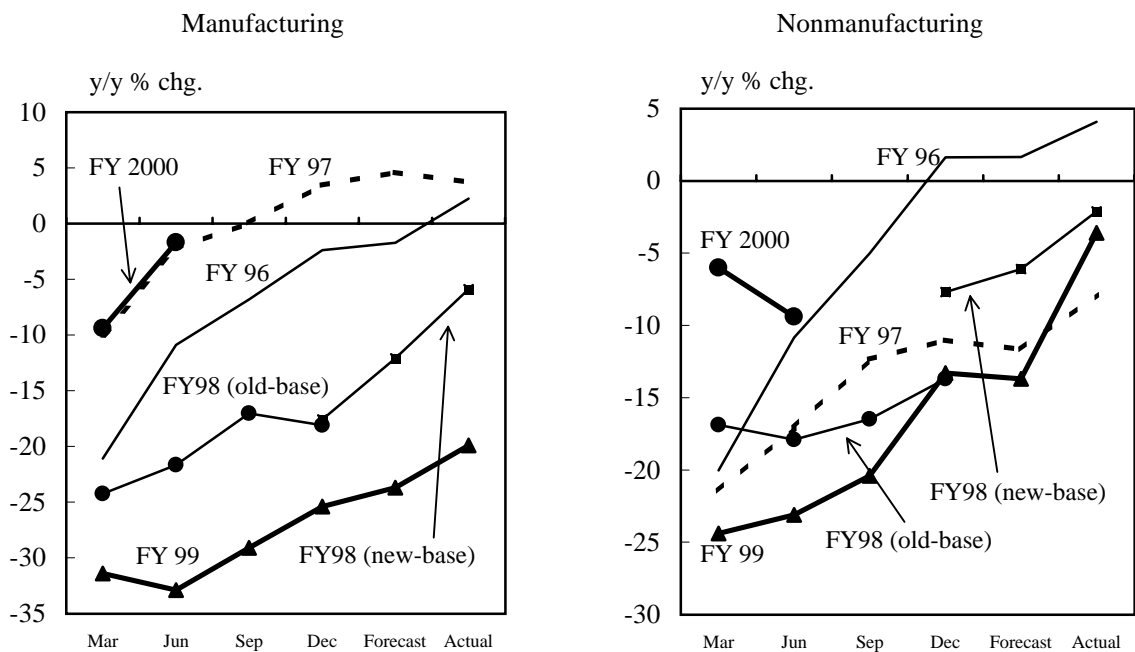
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed in the *Tankan* (June 2000)

(1) Adjustment of Plans by Large Enterprises



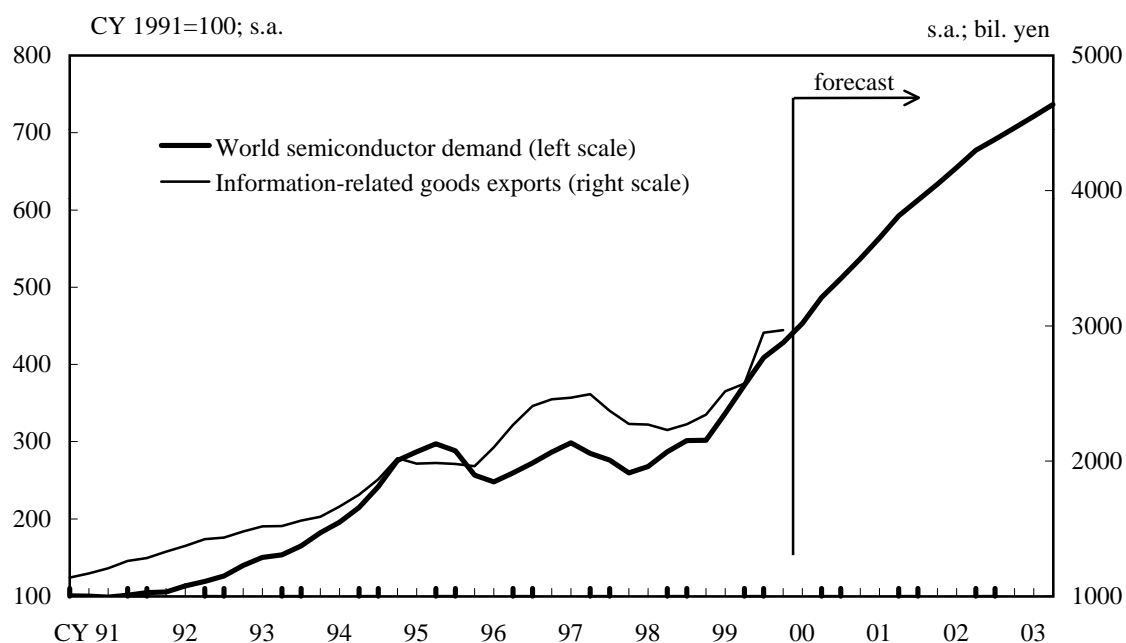
(2) Adjustment of Plans by Small Enterprises



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

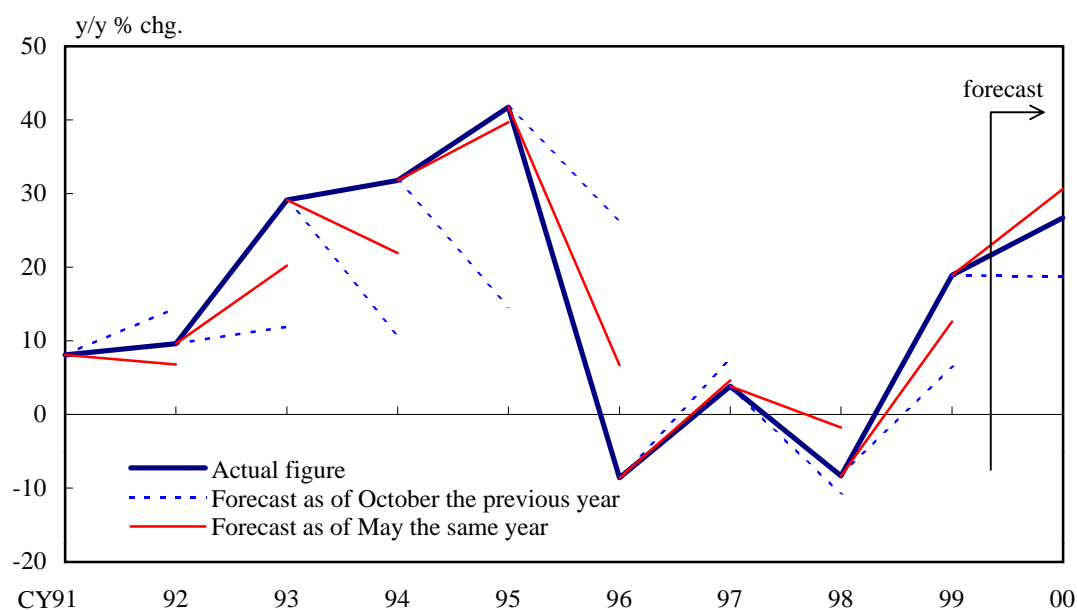
World Semiconductor Demand and Information-related Goods Exports

(1) World Semiconductor Demand Forecasts and Information-related Goods Exports



- Notes: 1. Seasonally adjusted by X-11.
 2. 2000/Q2 figure for world semiconductor demand is the April figure converted into a quarterly amount. 2000/Q2 figure for information-related goods exports is the April-May average in terms of a quarterly amount.
 3. Figure of world semiconductor demand is deflated by U.S. PPI (electric devices).
 4. Forecasts of world semiconductor demand are based on WSTS Semiconductor Forecast (May 2000).

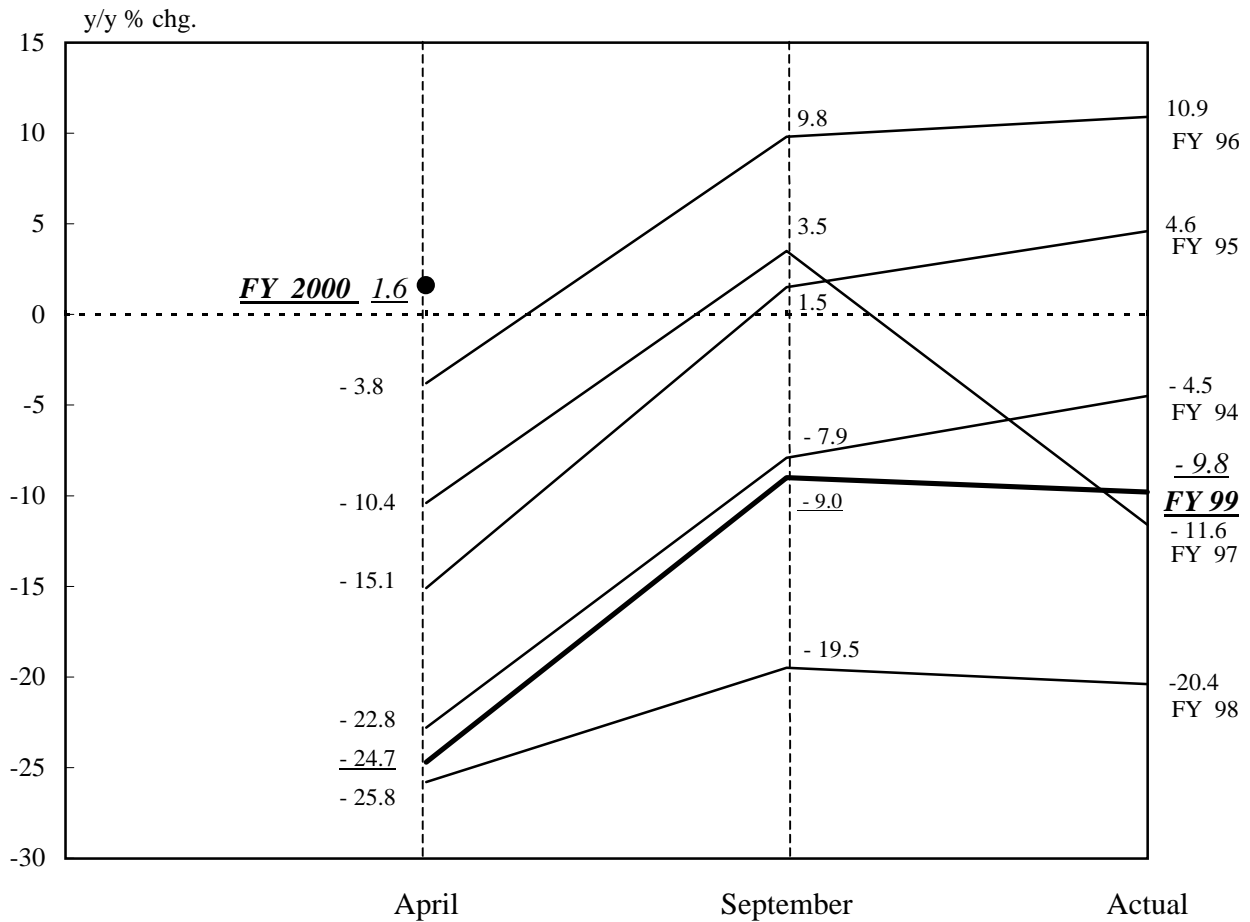
(2) Forecasts and Actual Figures of World Semiconductor Demand



Note: Actual figure of CY2000 are annualized from January-April figures.

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

Recent Revisions of Business Fixed Investment Plans



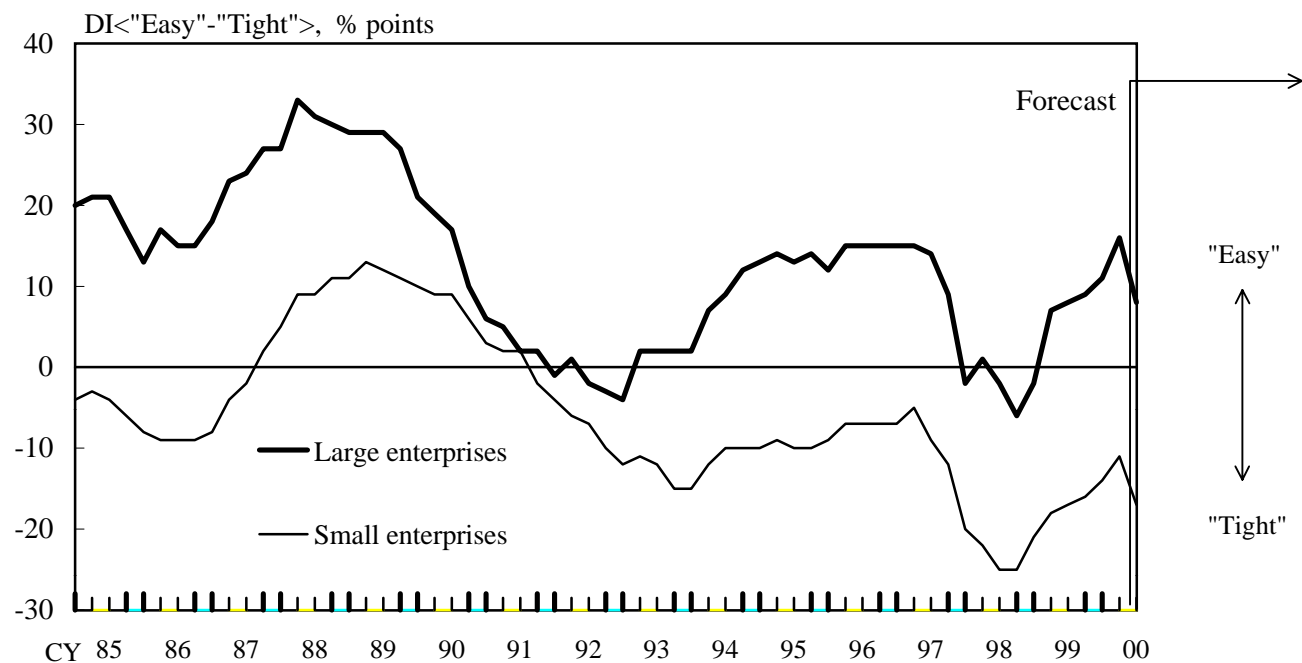
Note: Survey by Japan Financial Corporation for Small Businesses; Population: 78,070 enterprises

Sample: 30,000 enterprises (Effective responses: 11,276 <April 2000>)

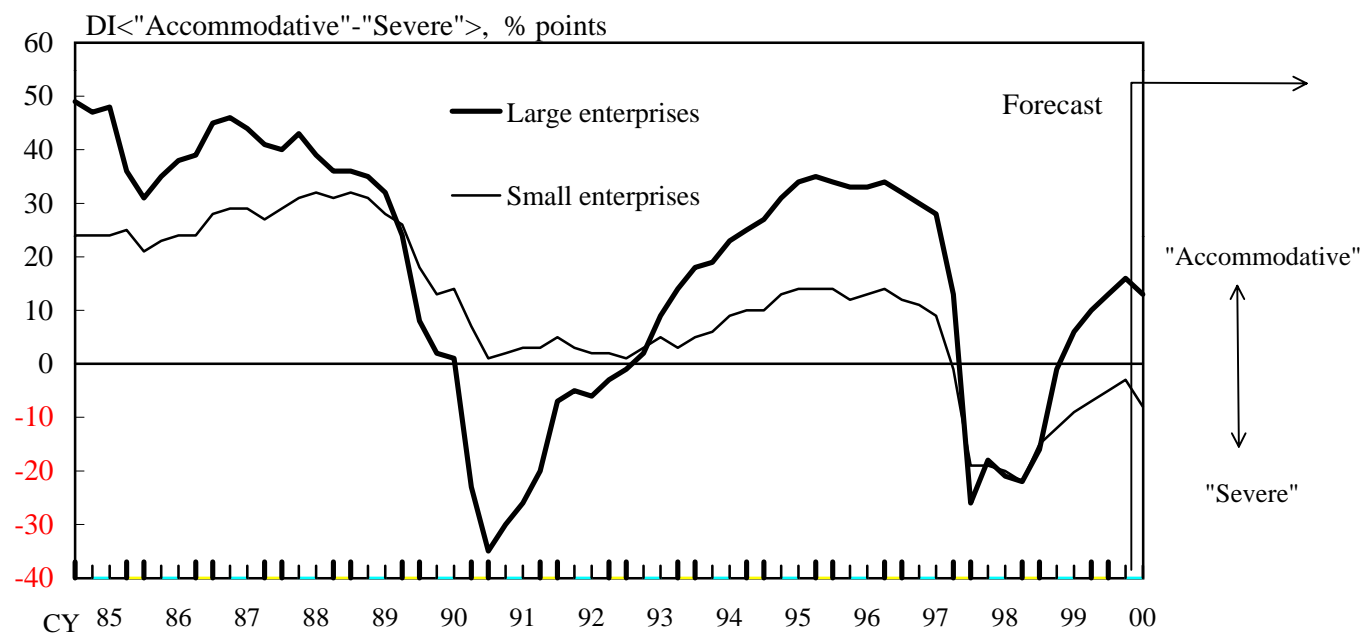
Source: Japan Finance Corporation for Small Business, "Survey on Plant and Equipment Investment of Small Businesses in Manufacturing."

Corporate Finance-Related Indicators in the *Tankan* (June 2000)

(1) Financial Position



(2) Lending Attitude of Financial Institutions



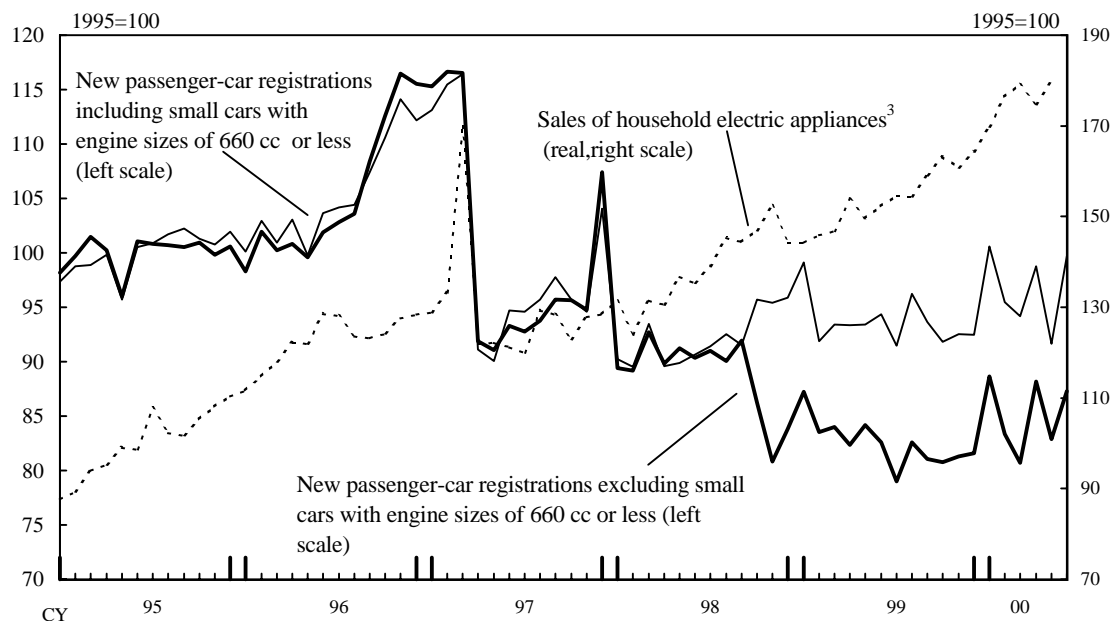
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

Private Consumption¹ (1)

(1) Household Spending



(2) Sales of Durable Goods



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

Index of living expenditure level is seasonally adjusted by 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";

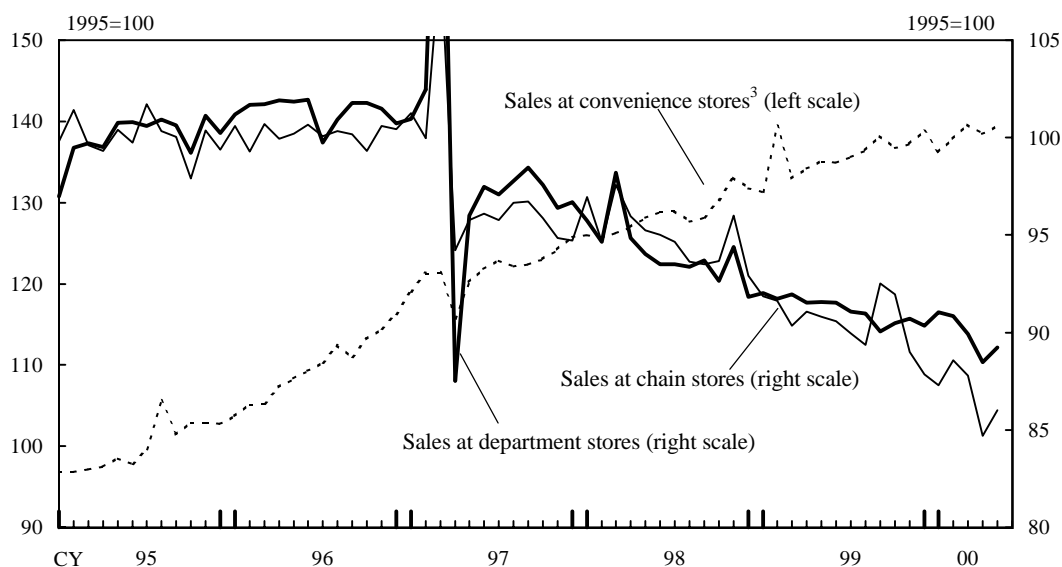
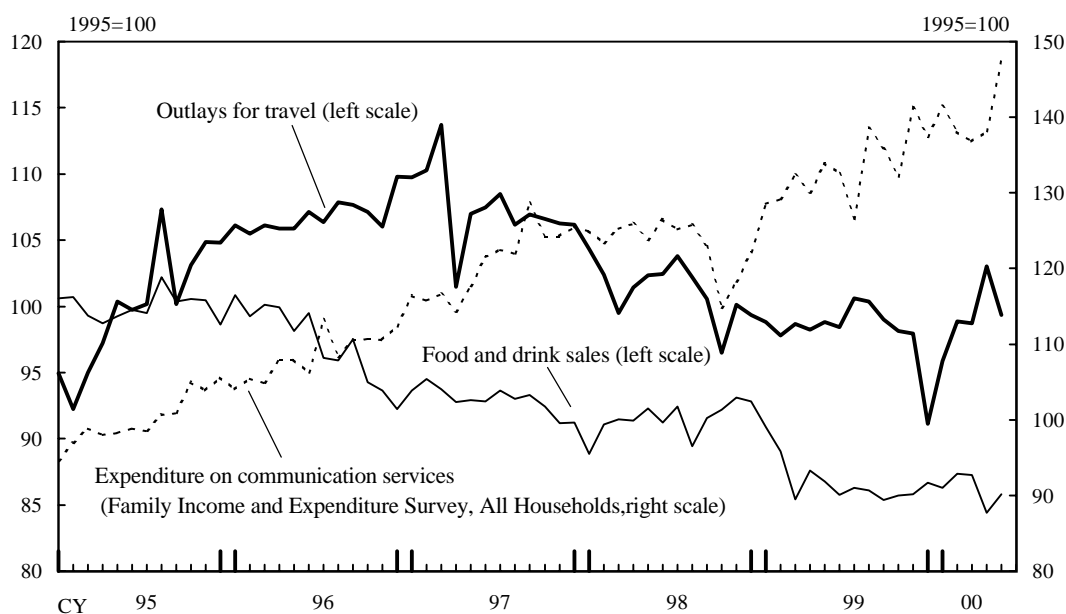
Ministry of International Trade and Industry, "Current Survey of Commerce";

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 Appliances";

Bank of Japan, "Wholesale Price Indexes."

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

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

2. Adjusted to exclude the effect of the increase in the number of stores (except convenience stores).
Sales at department stores and sales at chain stores are adjusted to exclude the effect of the rise of the consumption tax rate.

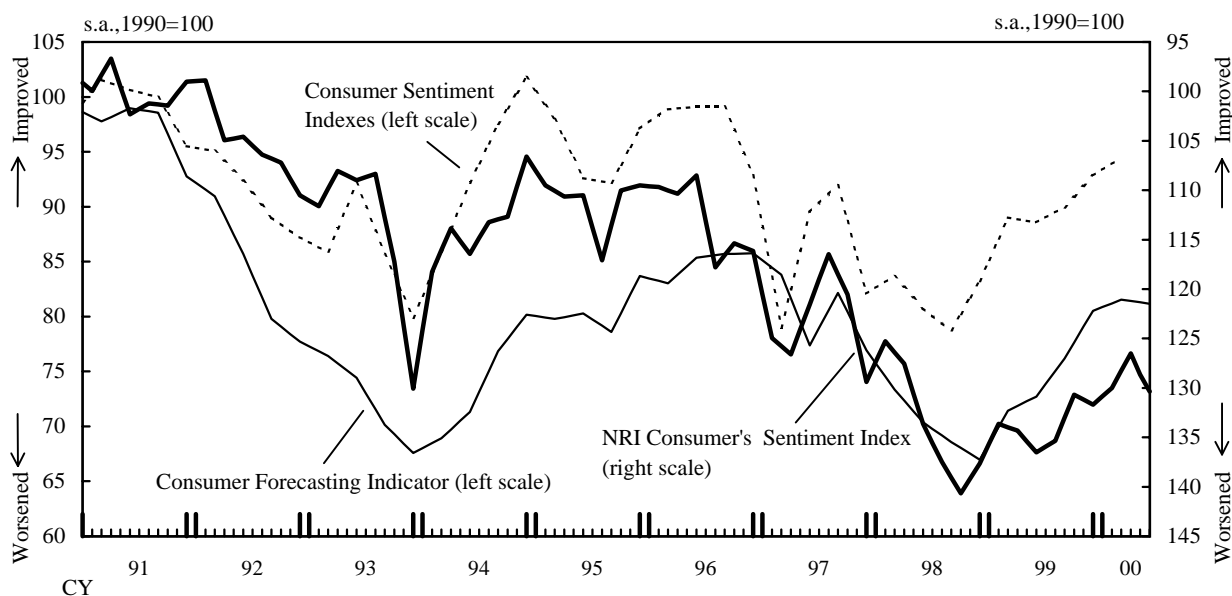
3. Sales at convenience stores are surveyed by the Bank of Japan.

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."

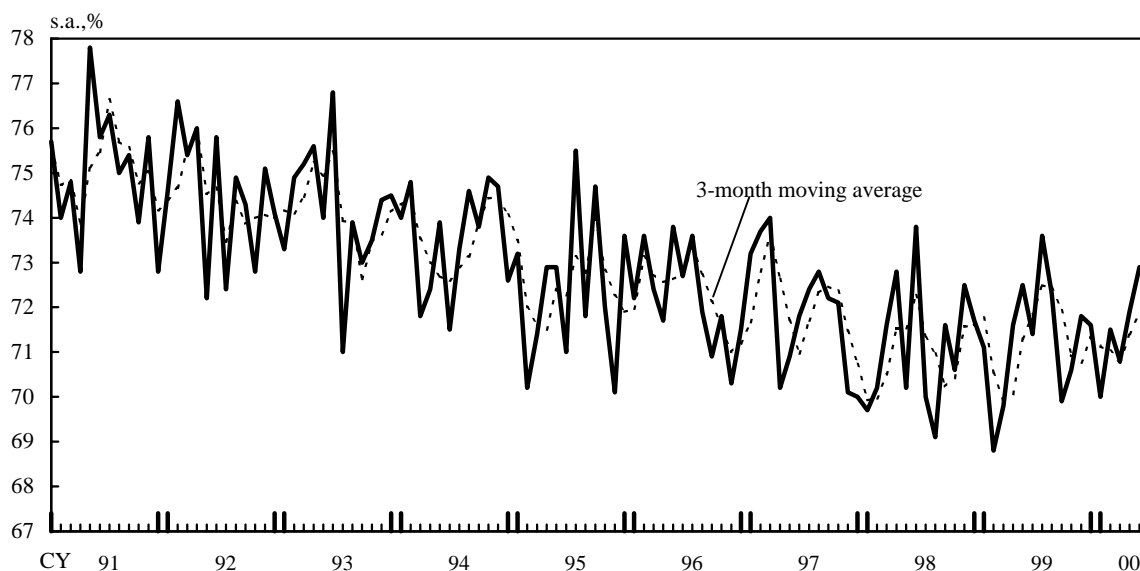
Consumer Confidence and Propensity to Consume

(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)

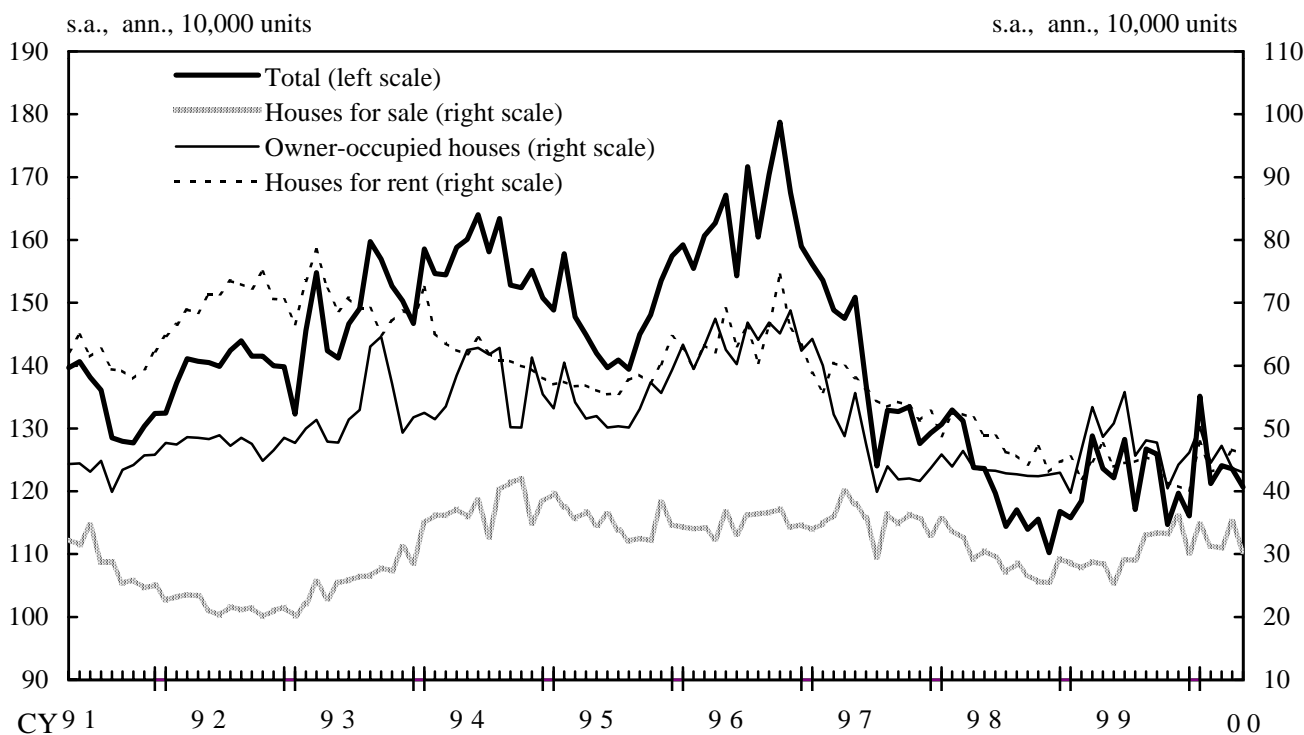


Note: Seasonally adjusted by the Management and Coordination Agency.

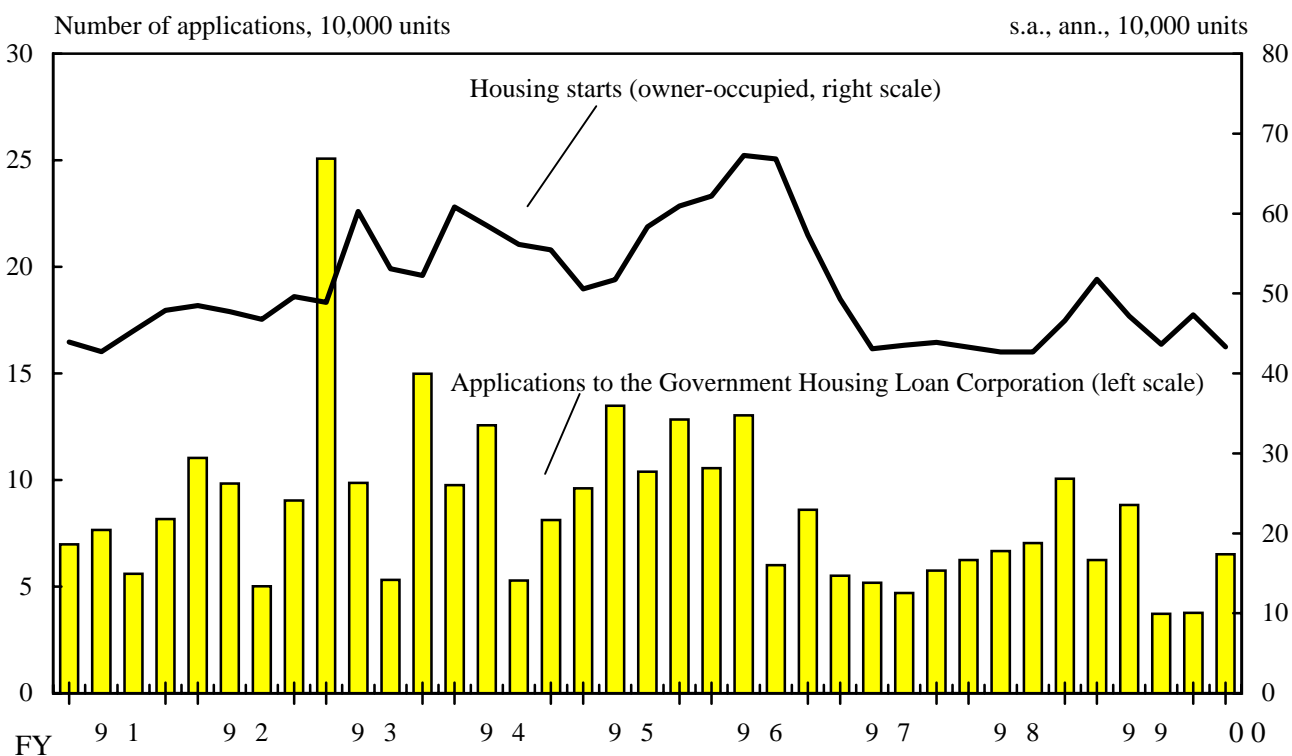
Sources: Economic Planning Agency, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator";
 Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey";
 Nippon Research Institute (NRI), "Consumer's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

Major Indexes of Housing Investment

(1) Housing starts



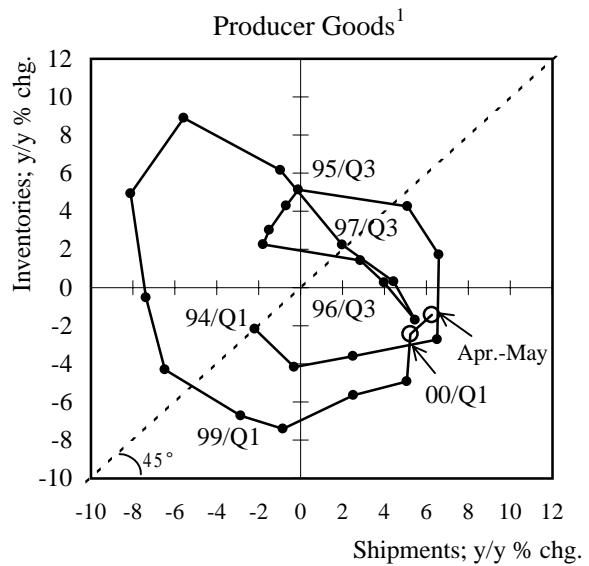
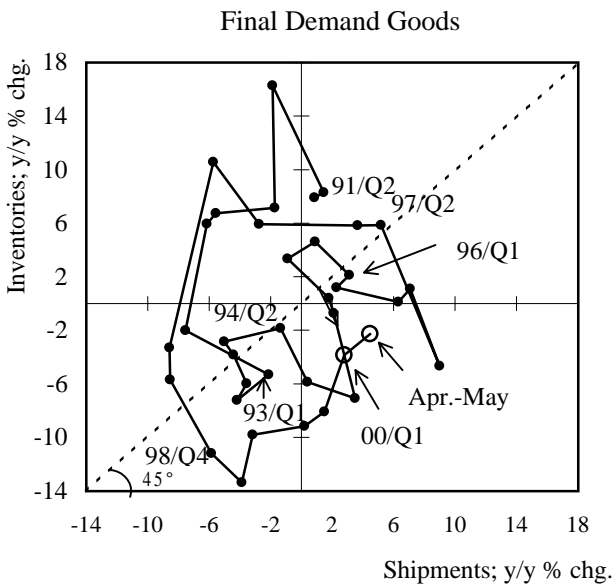
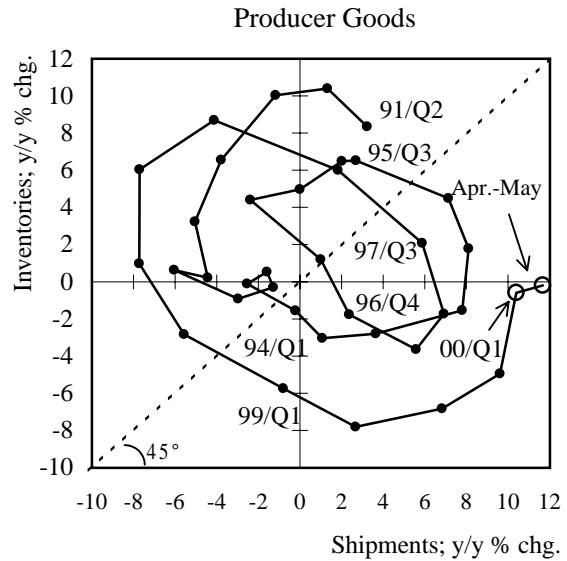
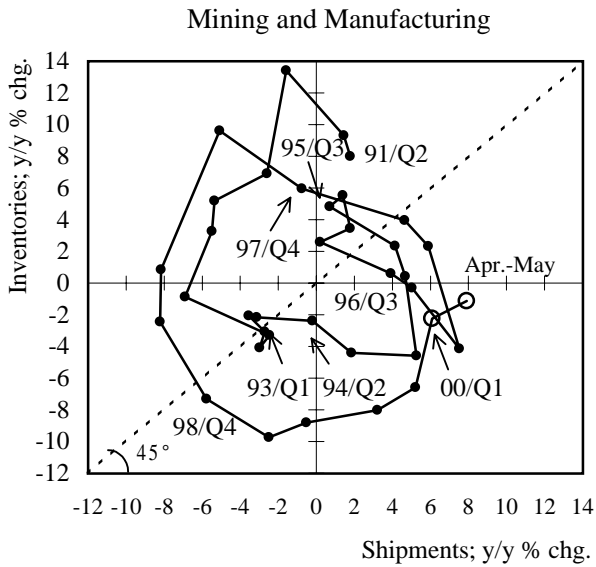
(2) Number of applications for government housing loan (for new owner-occupied homes)



Note: The data for 2000/Q1 are April-May averages converted into an annual equivalent.

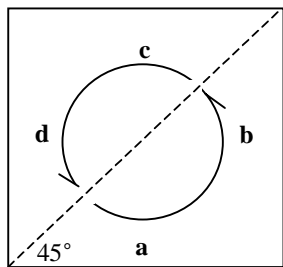
Source: Ministry of Construction, "Monthly of Construction Statistics", etc.

Inventory Cycle



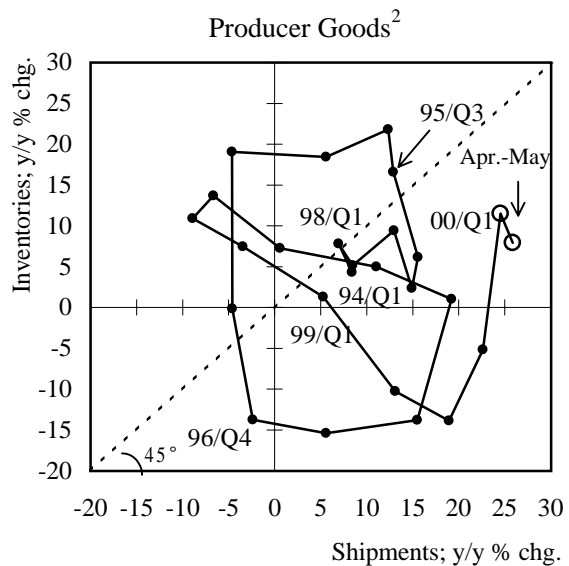
Phases in the Inventory Cycle

Inventories



Shipments

- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase



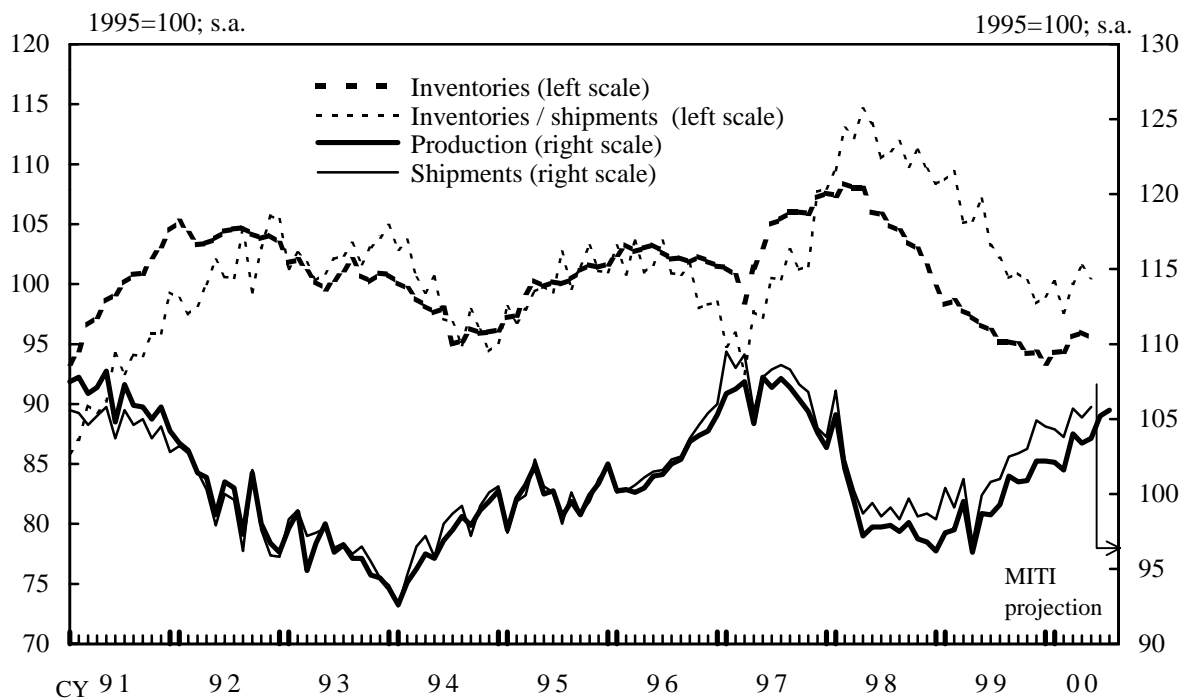
Notes: 1. Producer goods excluding electrical machinery.

2. Producer goods of electrical machinery.

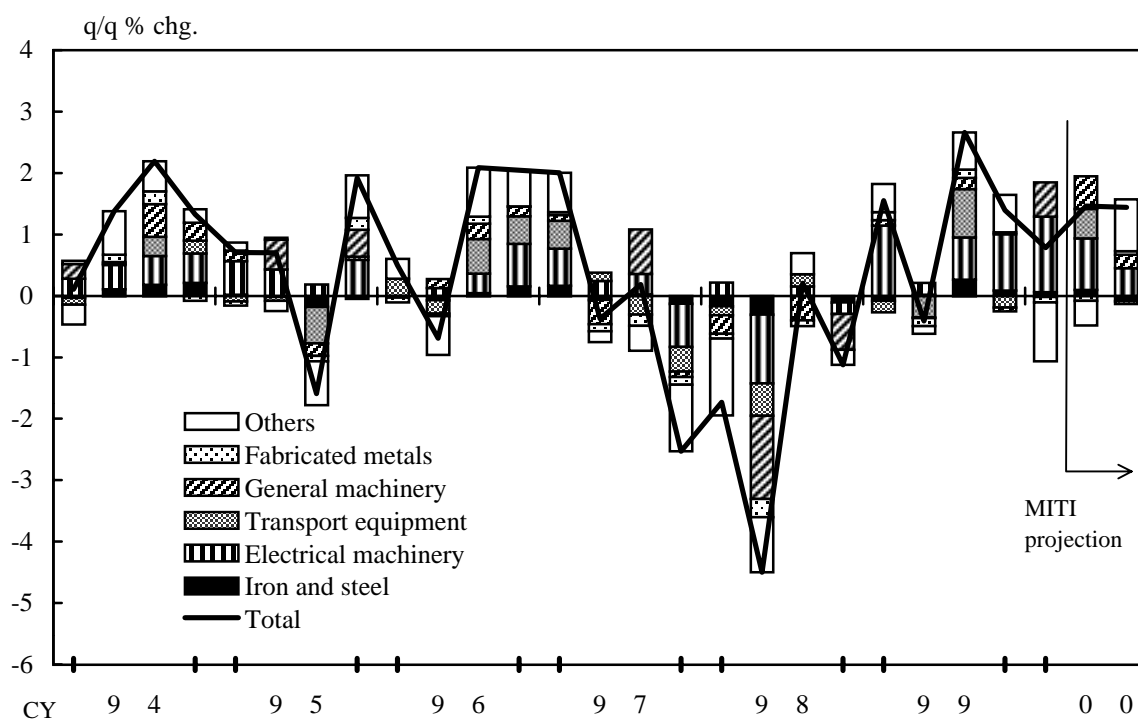
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

 Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

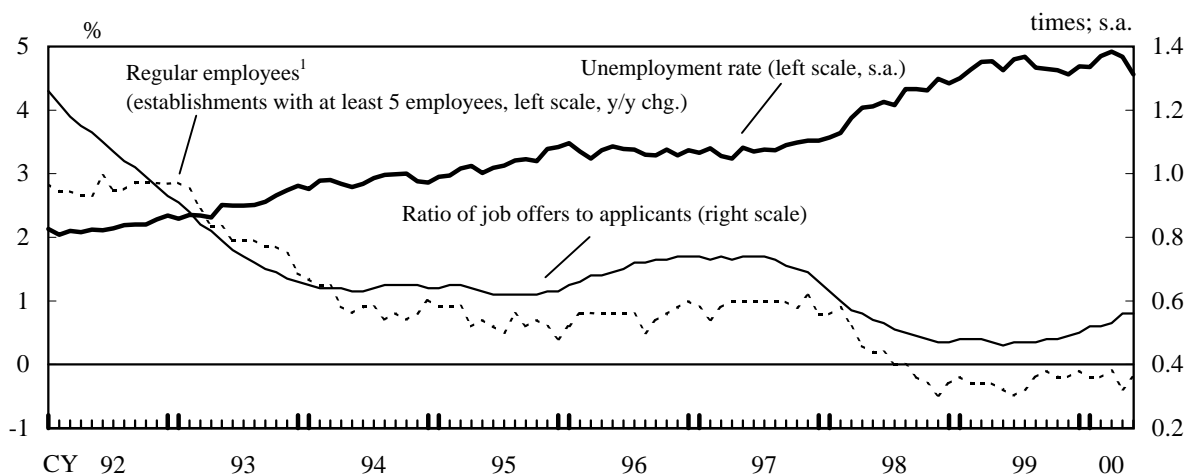


Note: Transport equipment excludes ships and rolling stock.

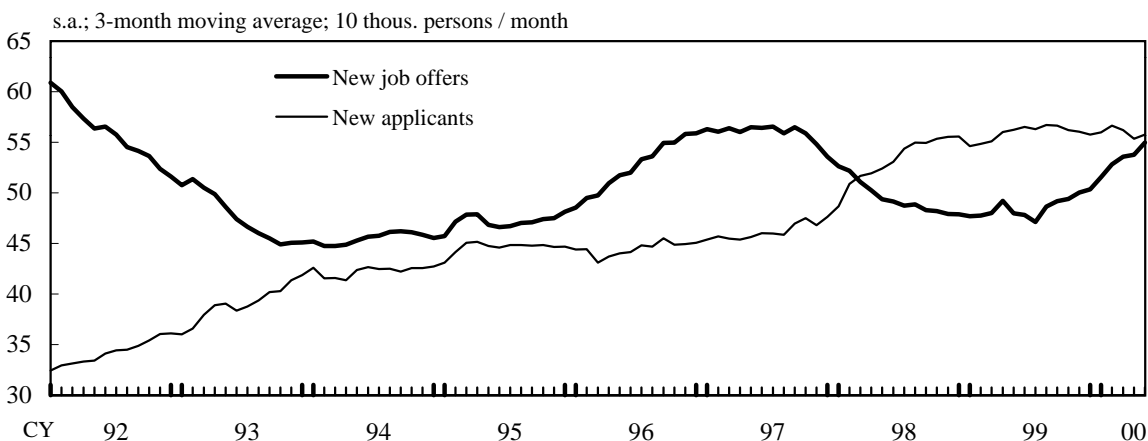
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Labor

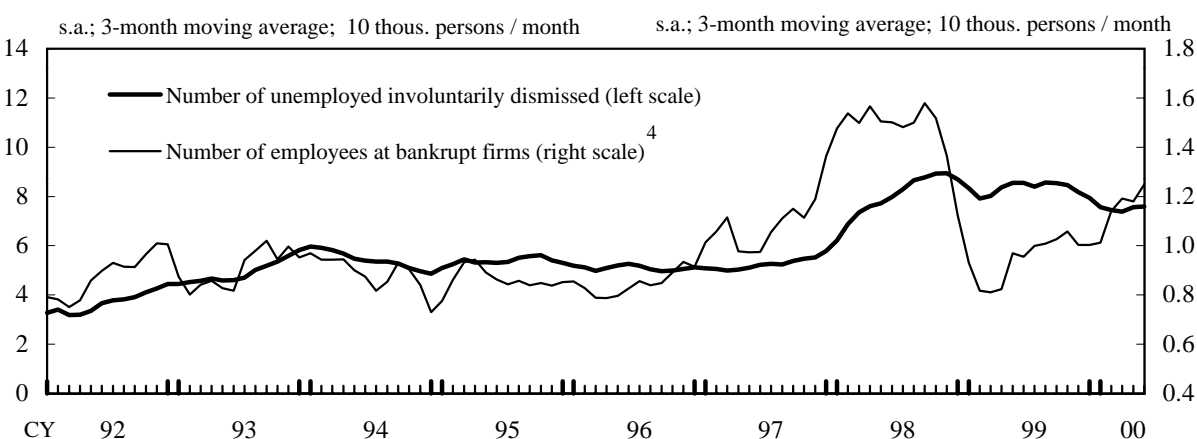
(1) Monthly



(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 May 2000 are preliminary figures.

2. Excludes jobs offered to new graduates.

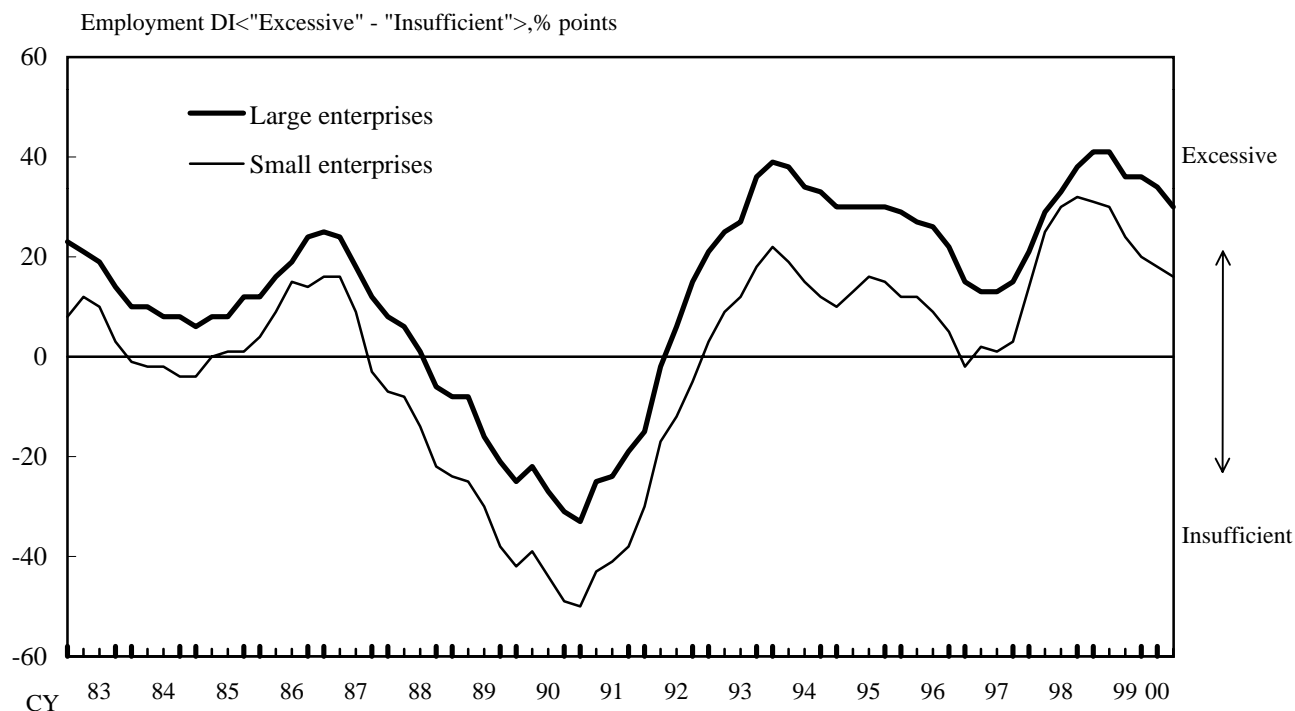
3. Seasonally adjusted by X-11.

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

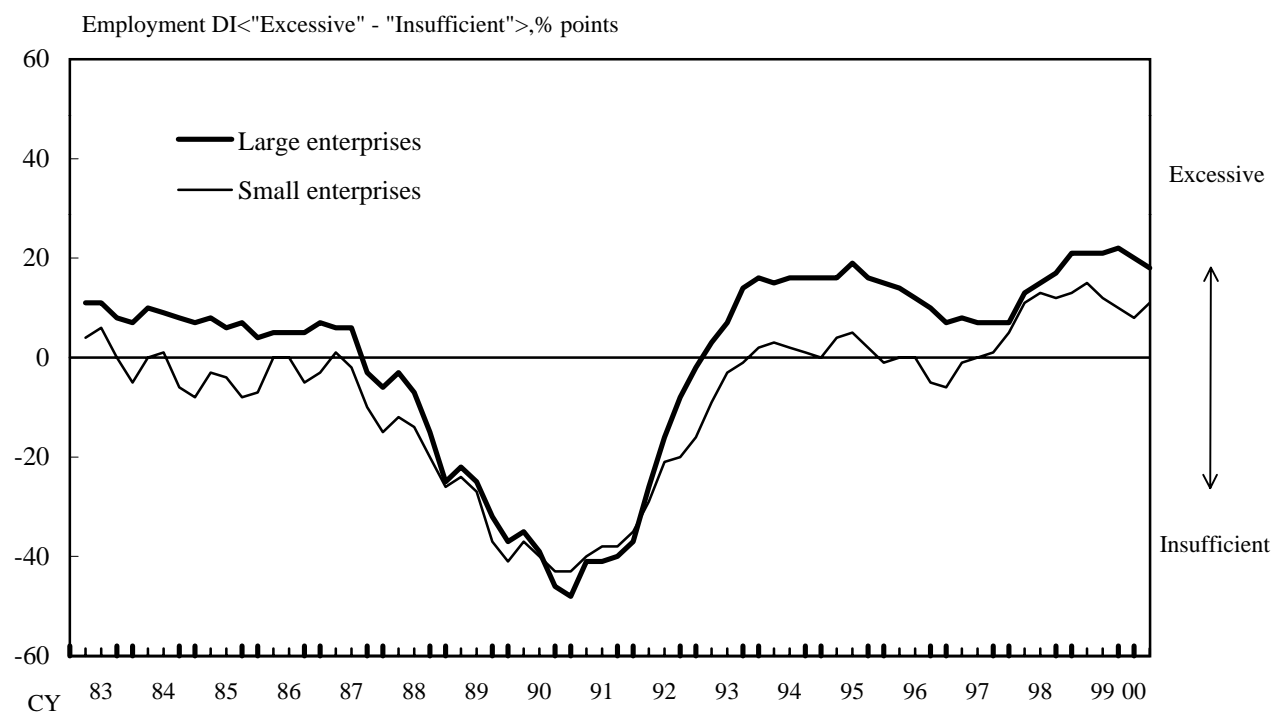
Sources: Ministry of Labour, "Monthly Labour Survey", "Report on Employment Service", "Report on Employment Insurance Service"; Management and Coordination Agency, "Labour Force Survey"; *Teikoku Databank Ltd.*, "Japan's Business Failure."

Employment Conditions in the *Tankan* (June 2000)

(1) Manufacturing



(2) Nonmanufacturing

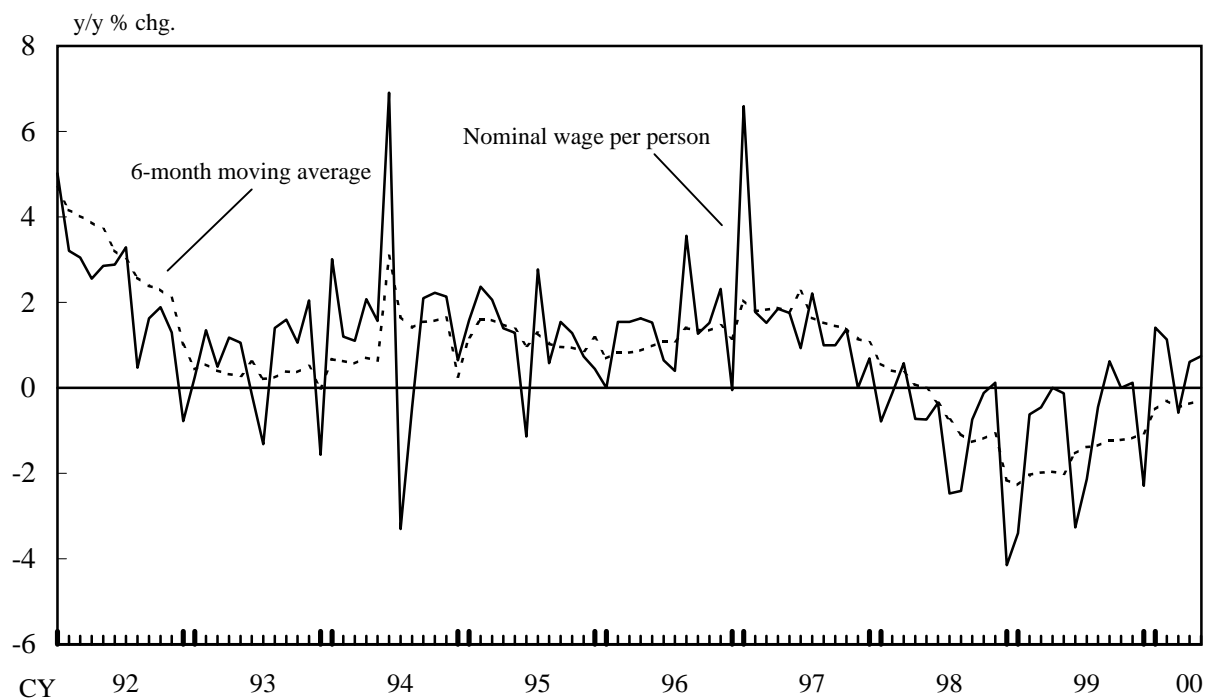


Note: Figures before December 1998 are based on the pre-revision *Tankan*, and those of March 1999 are based on the post-revision *Tankan*.

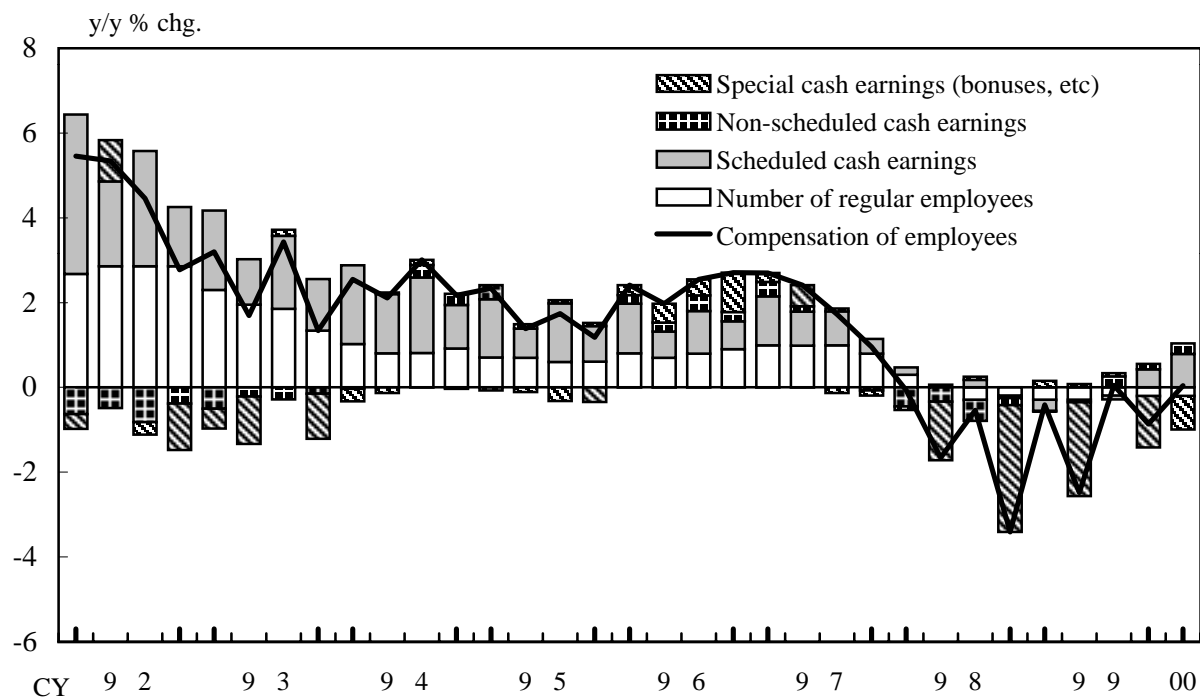
Source: Bank of Japan, "*Tankan* Short-Term Economic Survey of Enterprises in Japan."

Compensation of Employees ¹

(1) Nominal Wage per Person



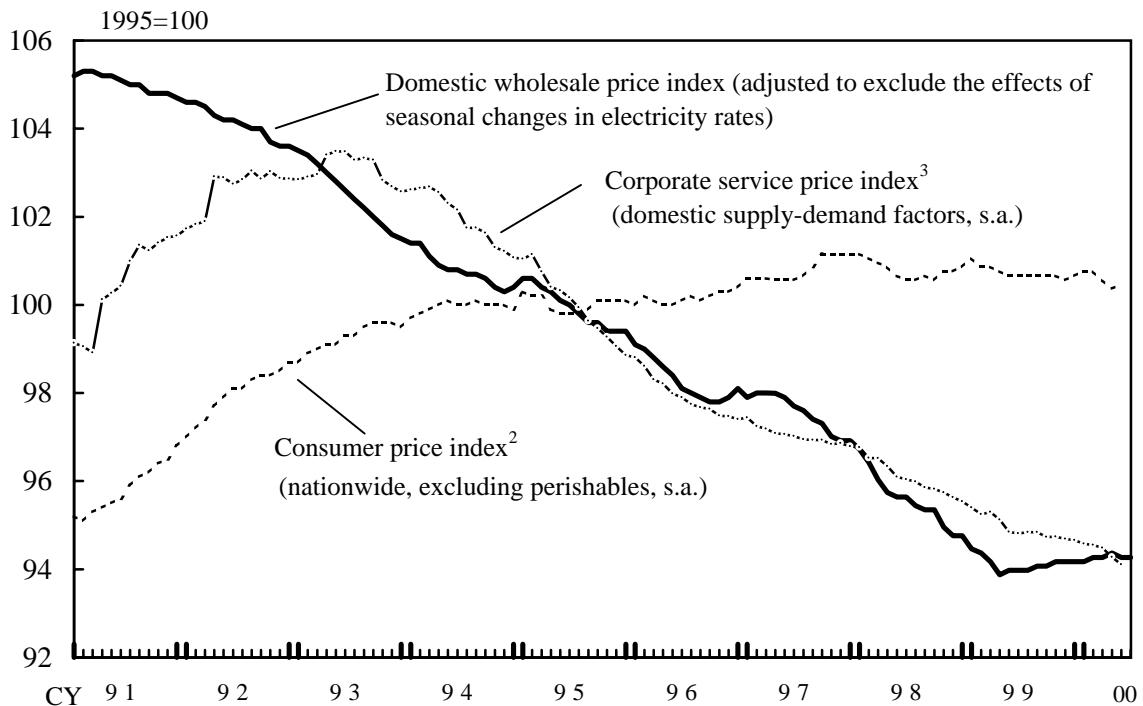
(2) Breakdown of Compensation ²



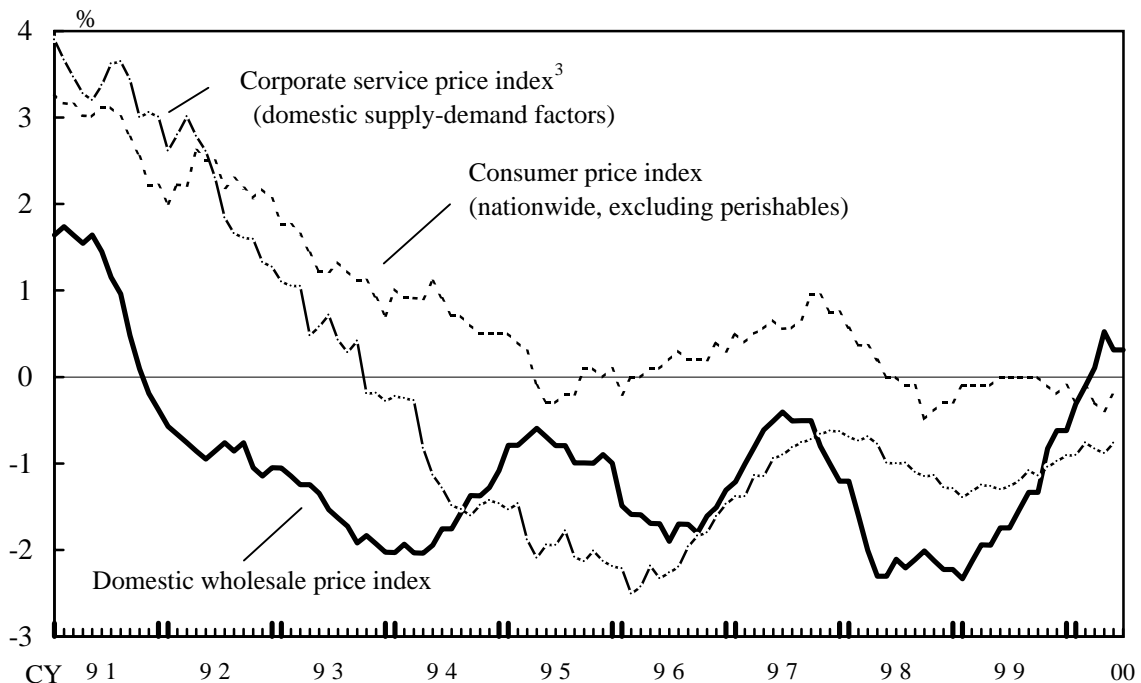
- Notes : 1. Data for establishments with at least 5 employees. The data for May 2000 are preliminary figures.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.

Prices¹

(1) Level



(2) Changes from a year earlier

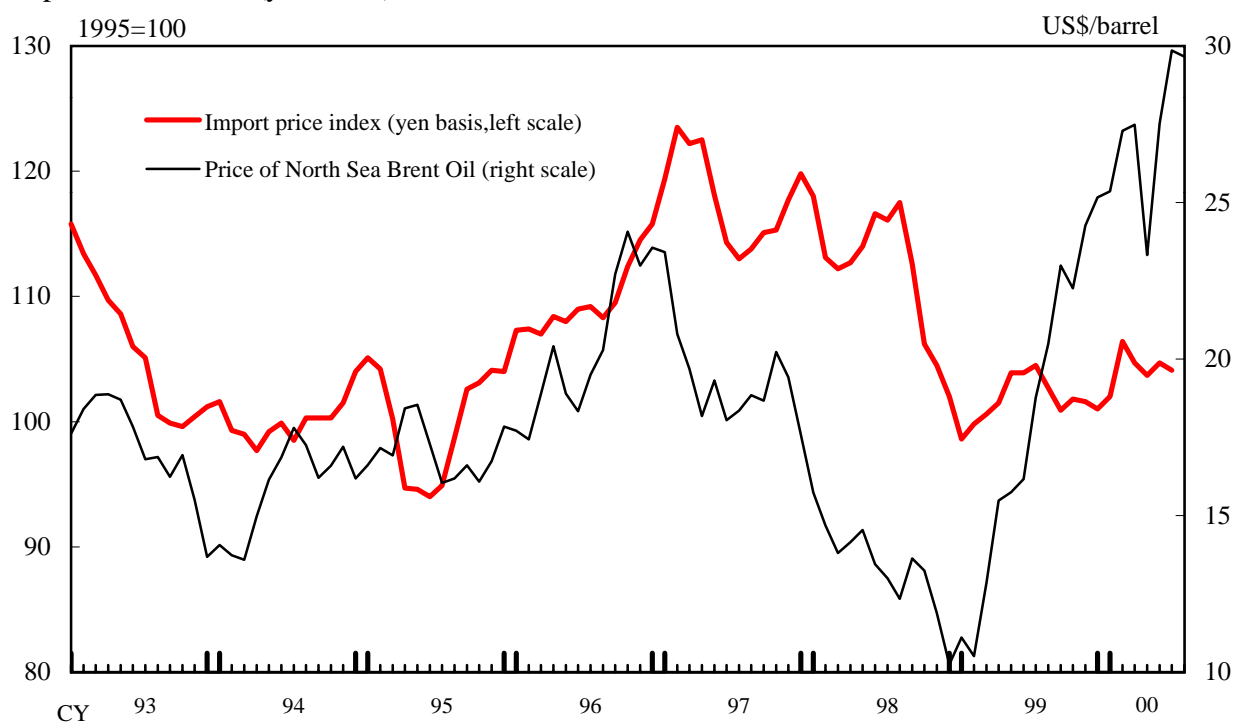


- Notes: 1. Figures before January 1995 are calculated from the CPI whose base period is 1990 in chart (1). This data series is seasonally adjusted by Management and Coordination Agency.
2. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.
3. See footnote 4 in Chart 24, for an explanation about the Corporate service price index (domestic supply-demand factors).

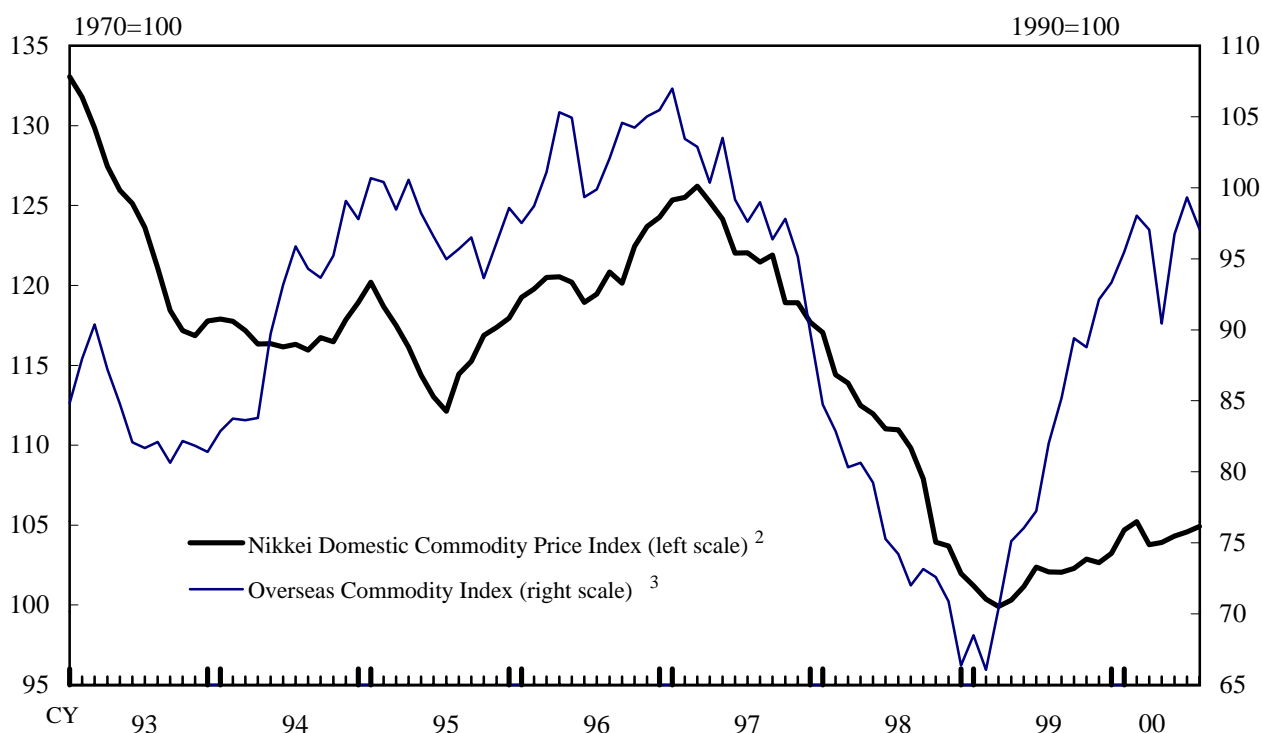
Sources: Management and Coordination Agency, "Consumer Price Index";
Bank of Japan, "Wholesale Price Indexes", "Corporate Service Price Index."

Import Prices and Domestic Commodity Market

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



(2) Domestic Commodity Market



Notes: 1. Data for July 2000 are July 1-14 average.

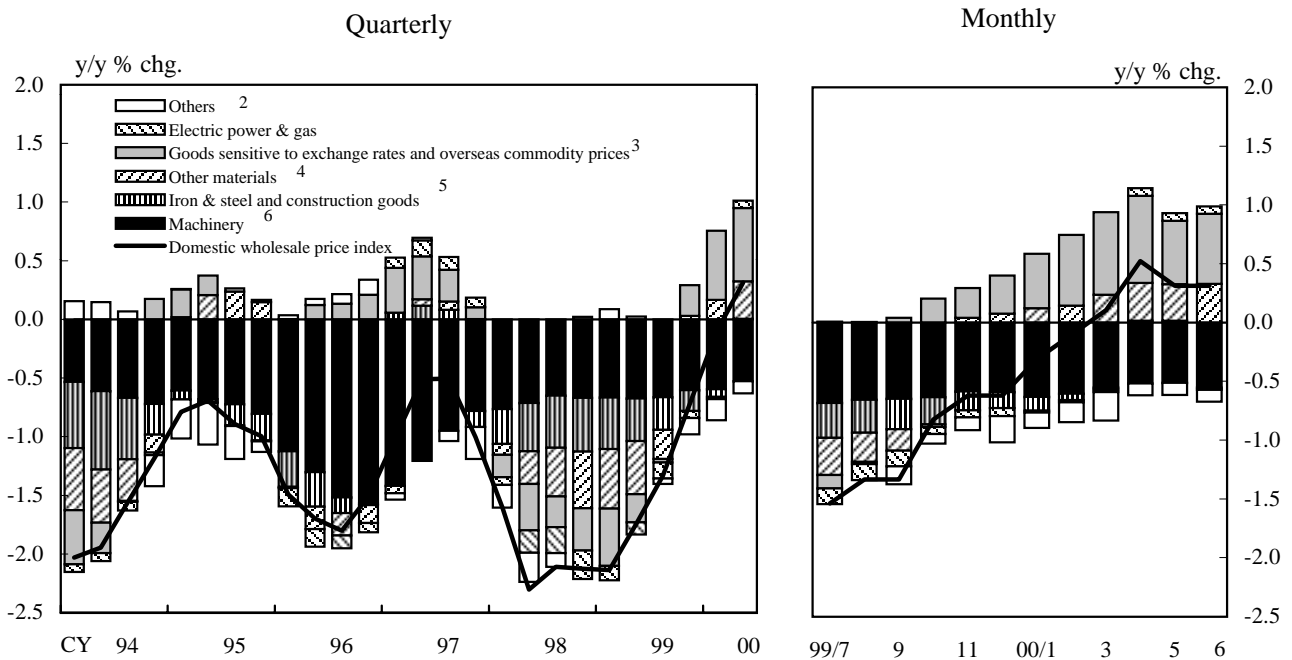
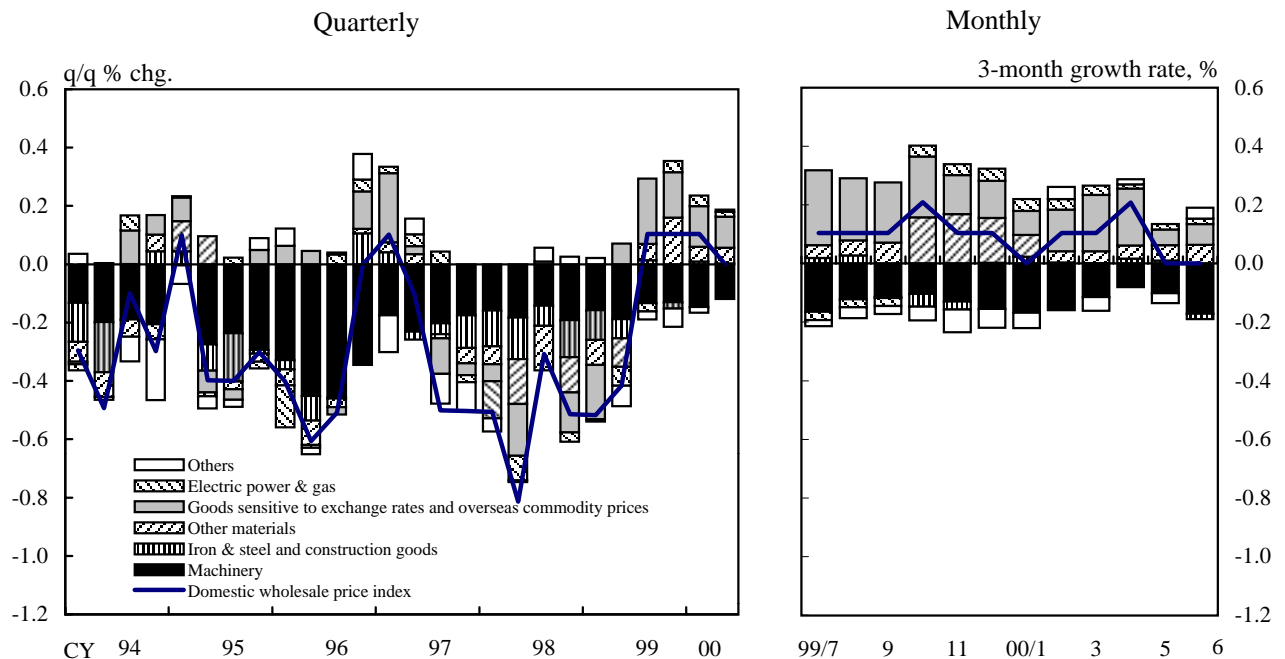
2. Data for July 2000 are as of July 14.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for July 2000 are July 1-14 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.

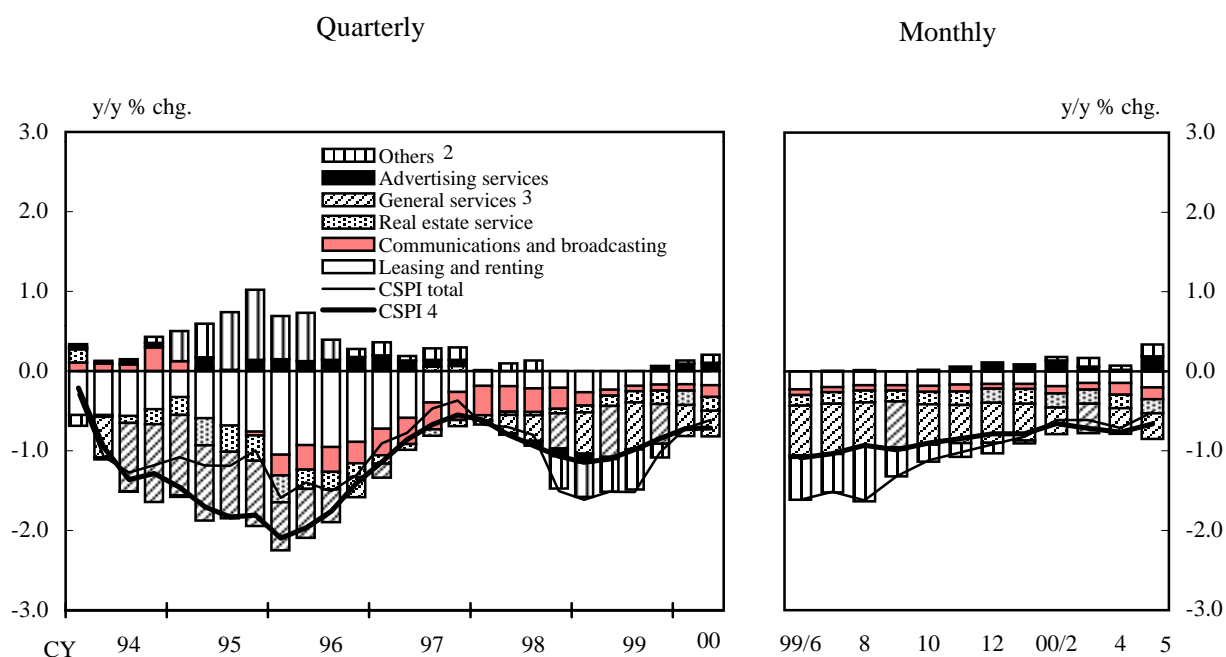
6. Machinery = electrical machinery + general machinery + transportation equipment + precision instruments.

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 by about 0.2%.

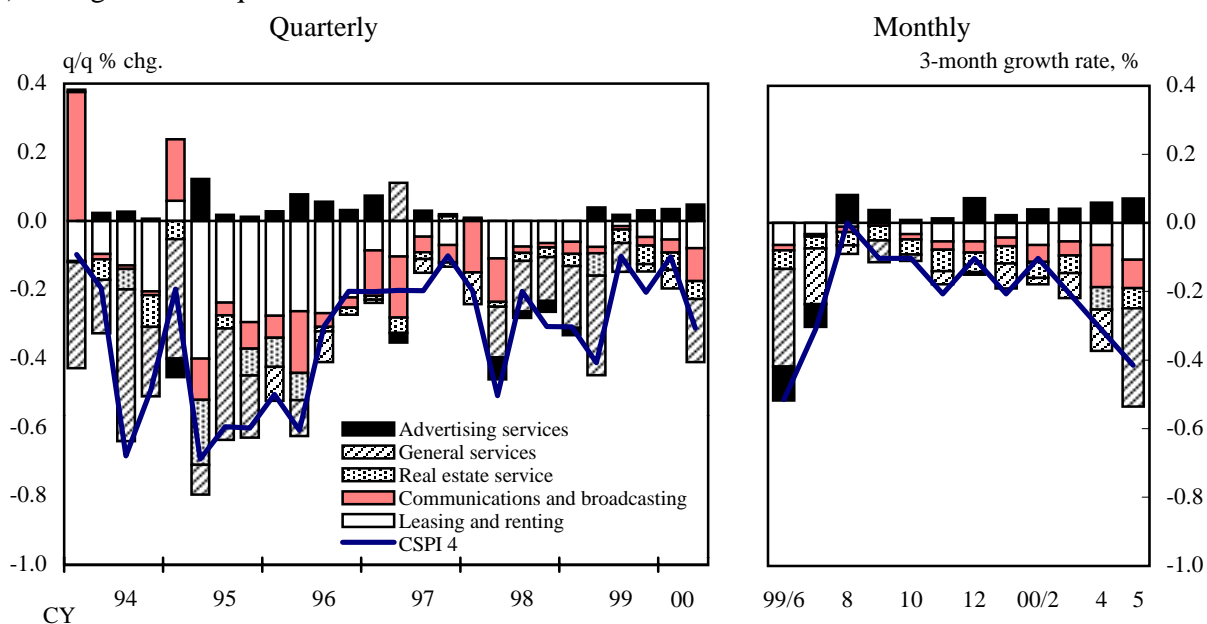
Source: Bank of Japan, "Wholesale Price Indexes."

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 + building maintenance services + temporary worker services + machinery maintenance, etc. (excluding items in "others").

4. CSPI (domestic supply-demand factors) 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).

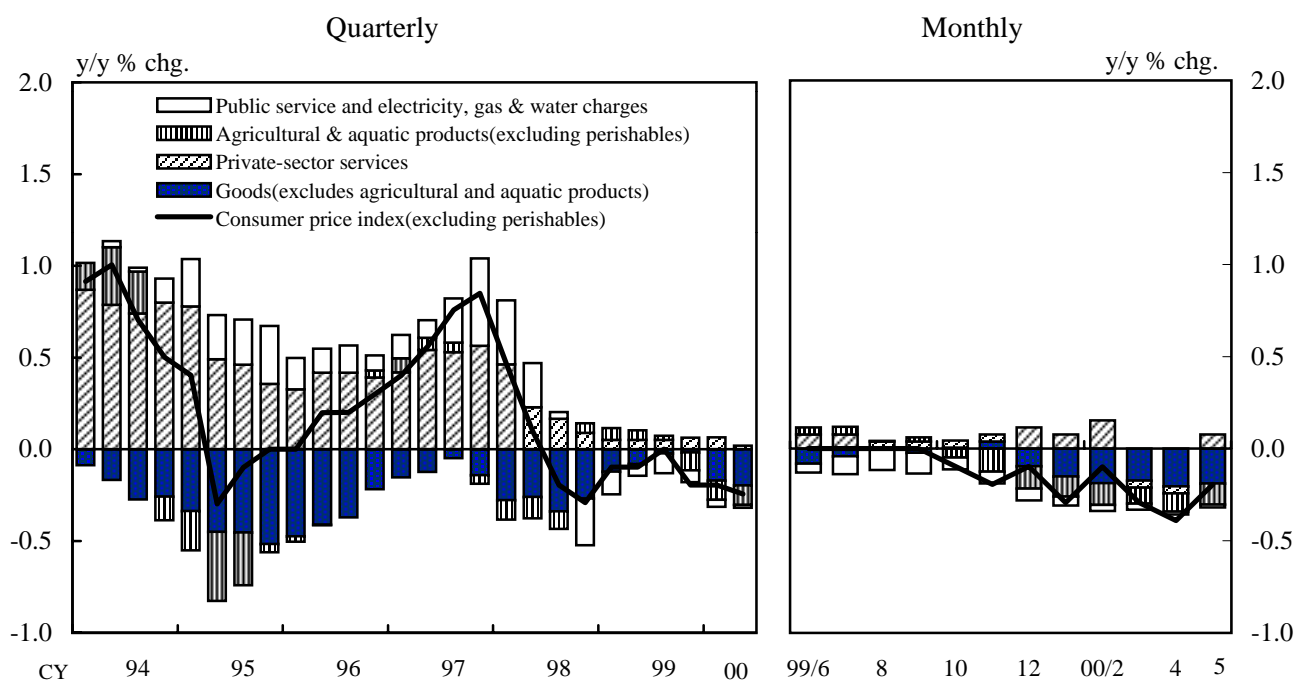
Due to seasonal adjustment every month, these data services are revised retroactively every month.

6. Data for 2000/Q2 are those of the Apr.-May average.

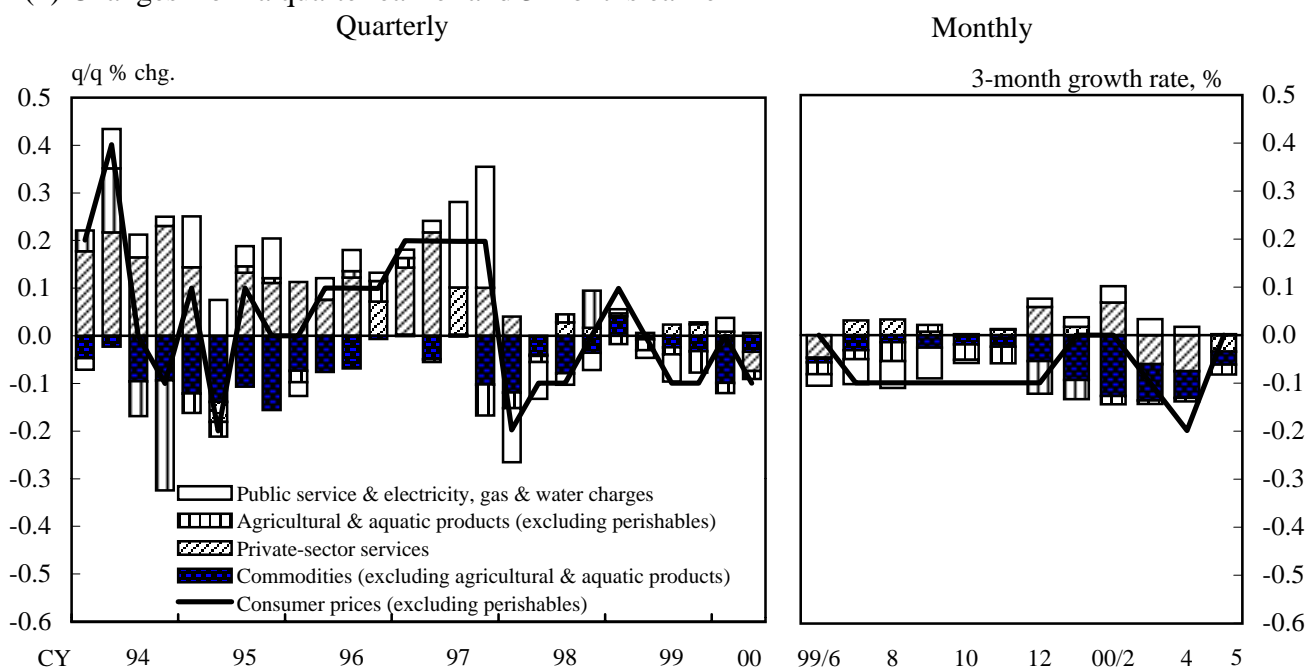
Source: Bank of Japan, "Corporate Service Price Index."

Breakdown of Consumer Price Index (excluding perishables)¹

(1) Changes from a year earlier



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



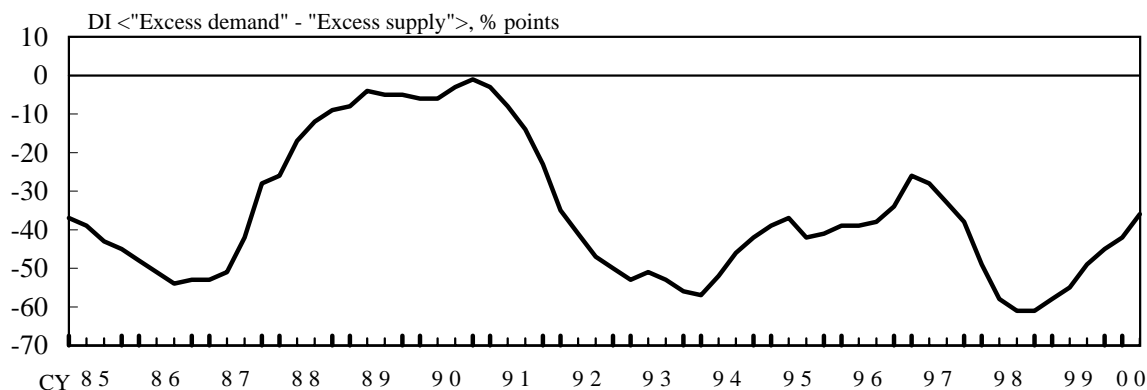
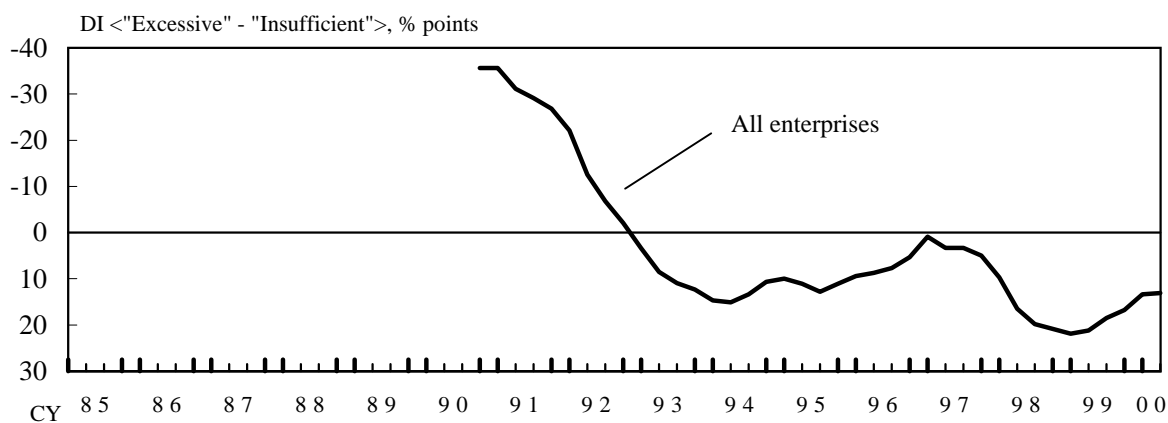
Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.
 Data in chart (2) are seasonally adjusted. Due to seasonal adjustment every month, these data series are revised retroactively every month. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.

2. Data for 2000/Q2 are those of the Apr.-May average.

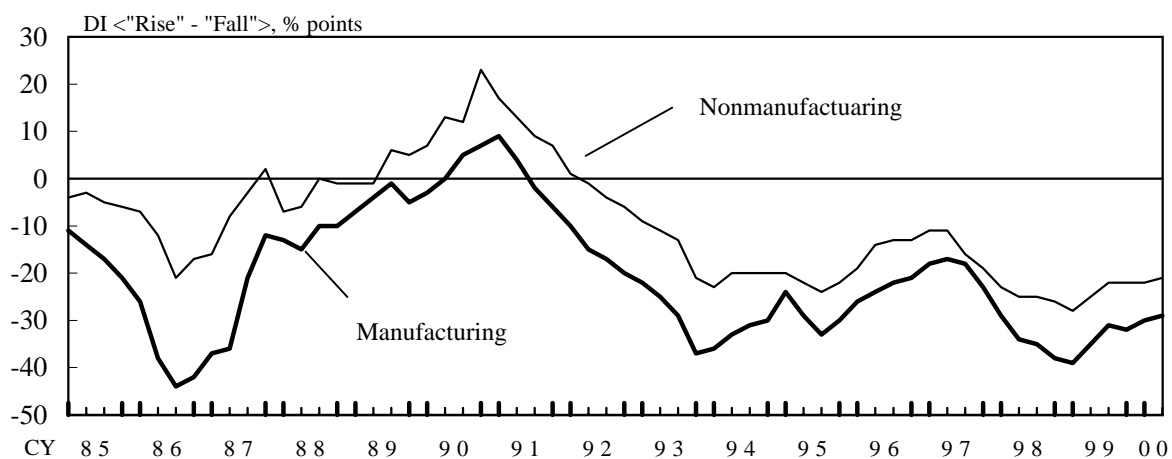
Source: Management and Coordination Agency, "Consumer Price Index."

Factors Contributing to the Change in Prices¹

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

(2) Utilization of Capital and Labor²

(3) Change in Output Prices (All Enterprises)



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

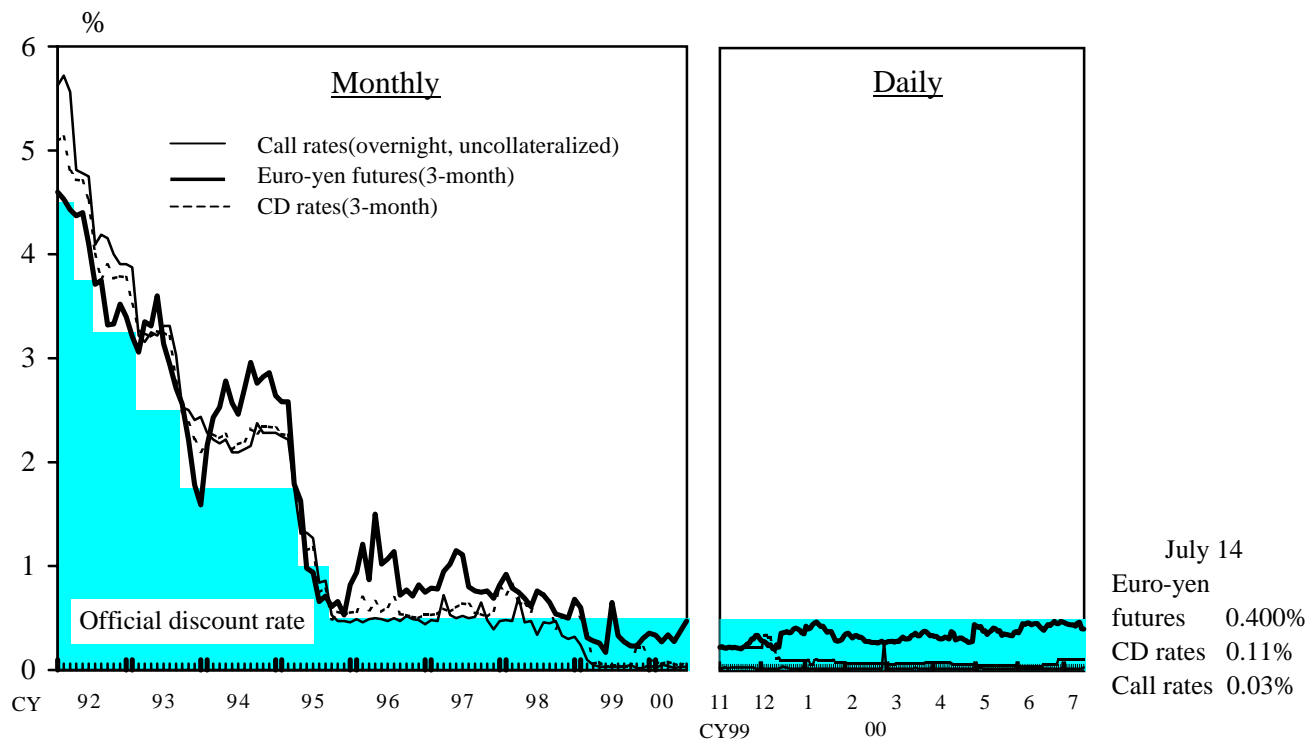
2. Figures are calculated by adding Production Capacity DI and Employment DI which are weighted by the relative share of capital and labor based on 1975-98 average.

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

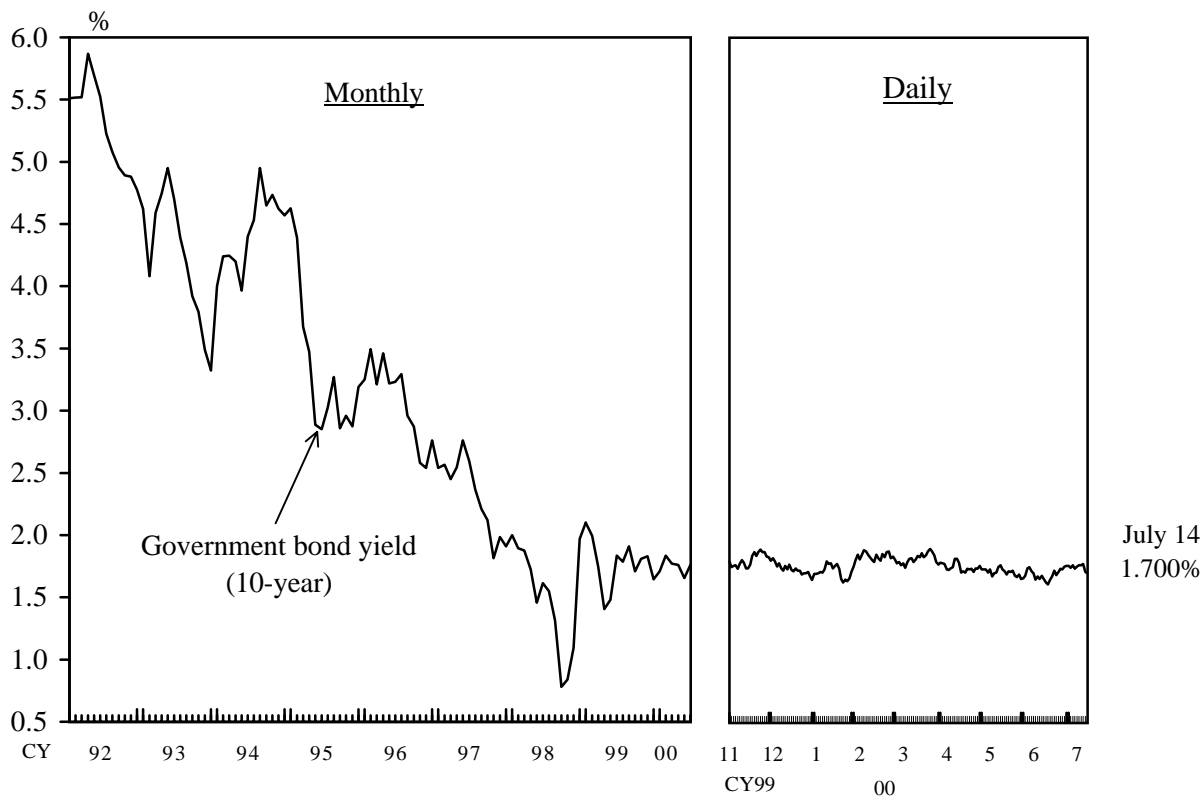
Sources: Economic Planning Agency, "National Income Statistics";
Bank of Japan, "*Tankan* Short-Term Economic Survey of Enterprises in Japan."

Interest Rates

(1) Short-Term



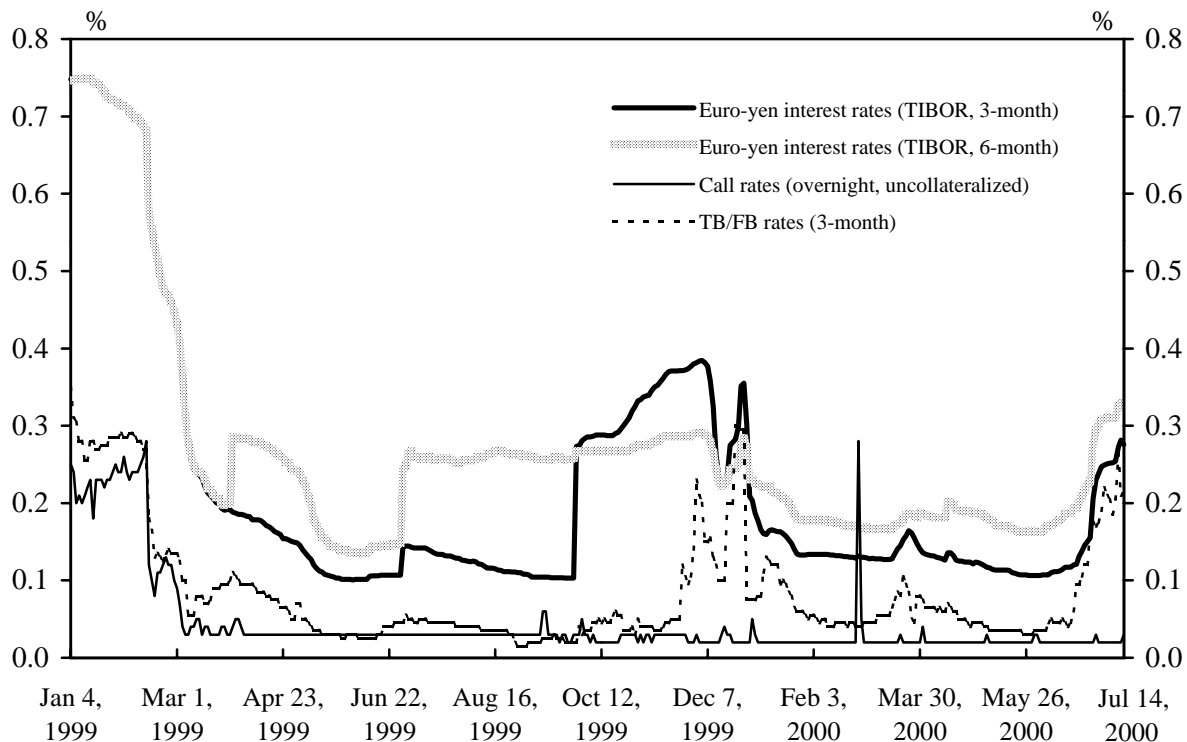
(2) Long-Term



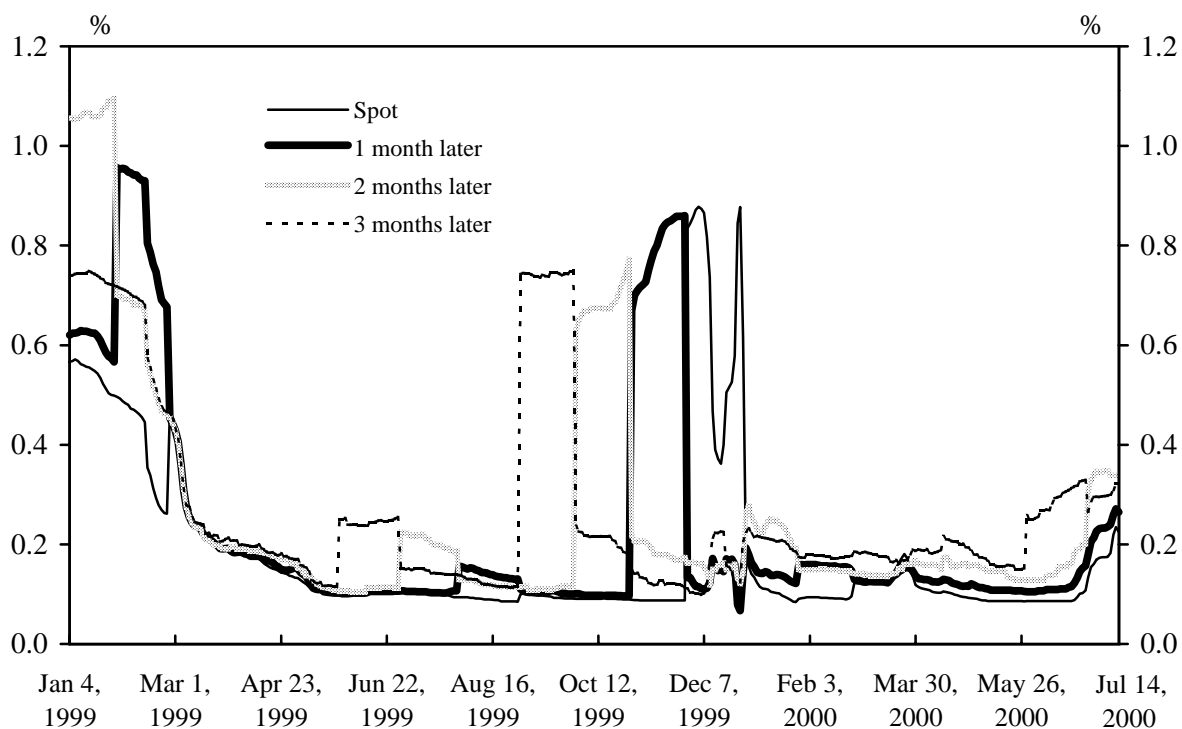
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

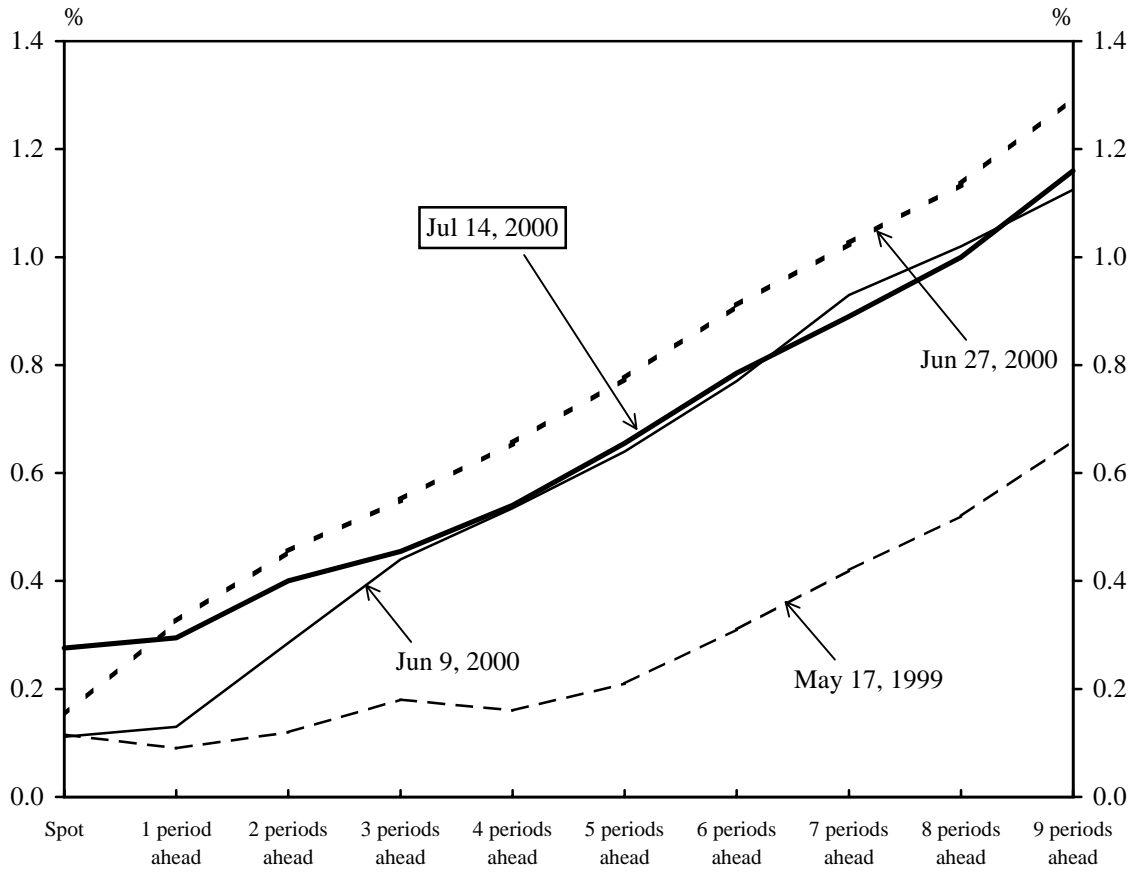


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

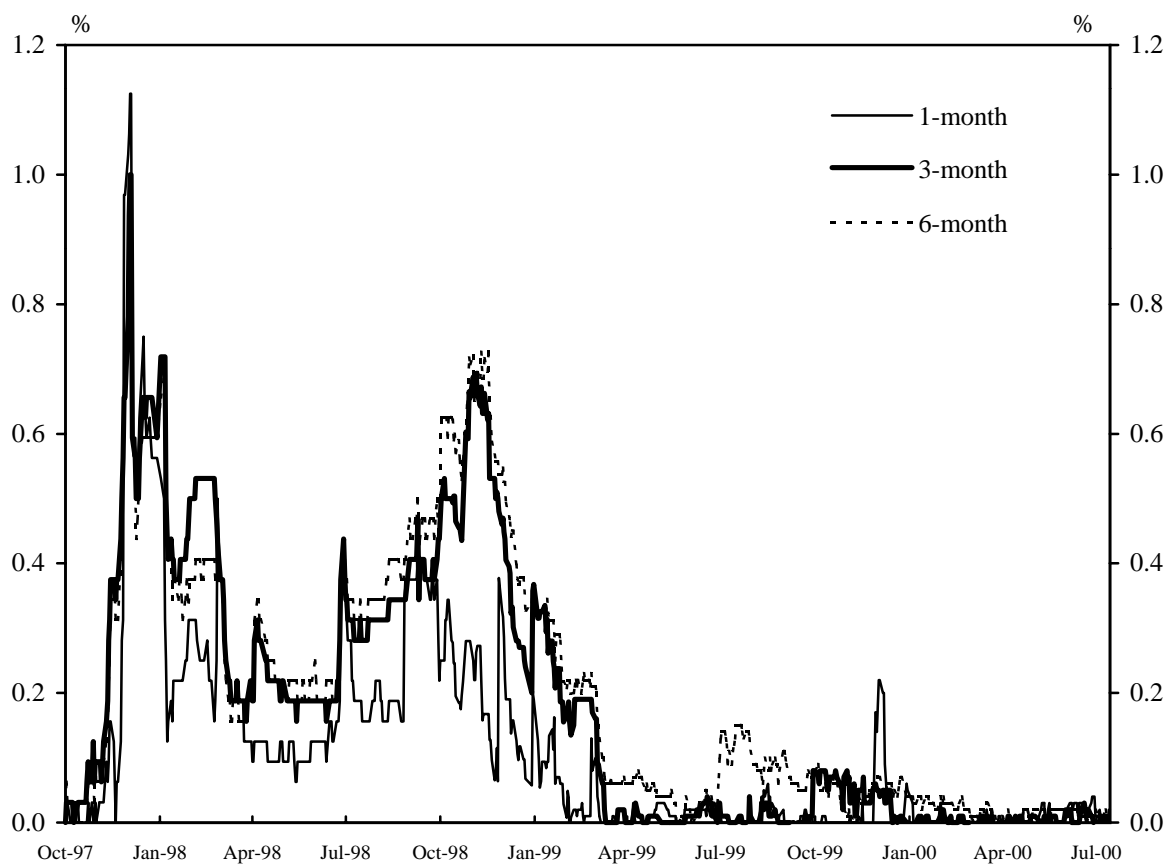


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Euro-Yen Interest Rates Futures (3-Month)



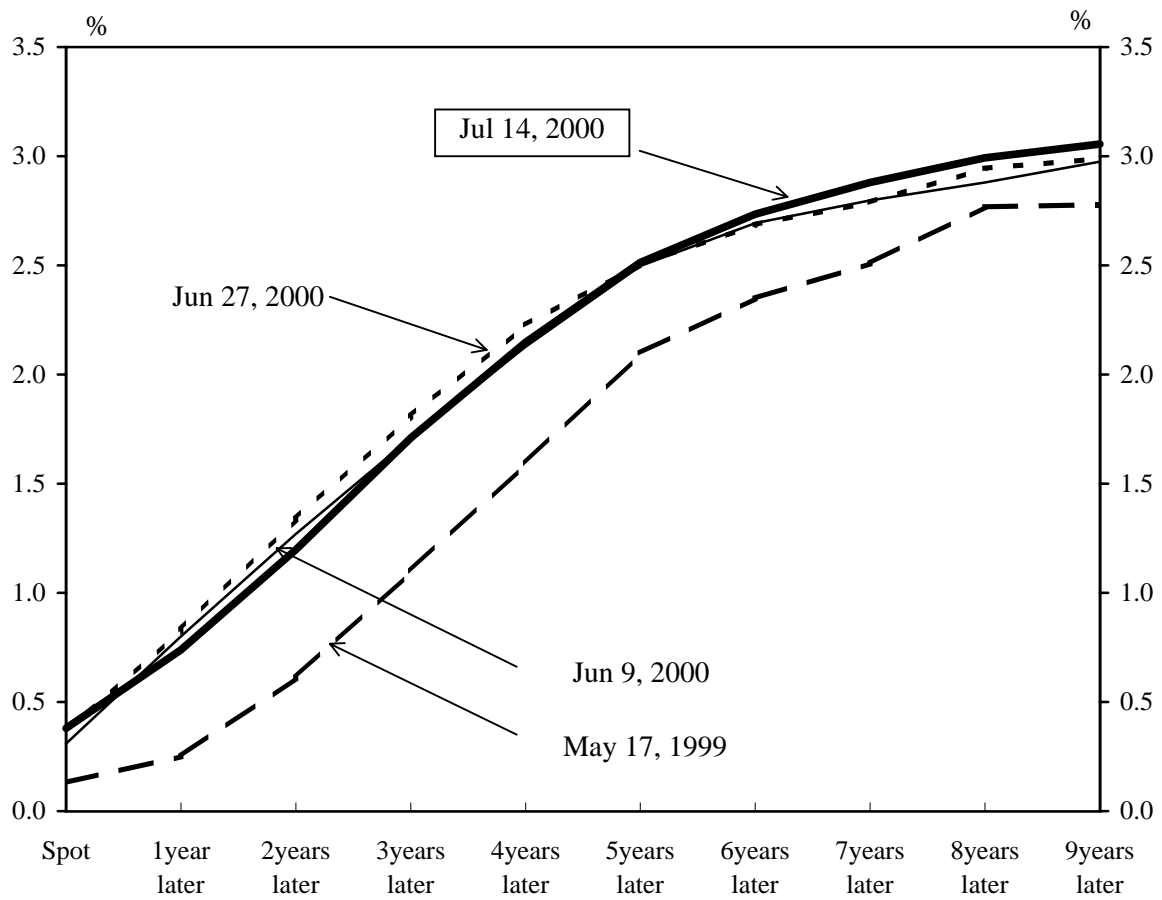
Source: Tokyo International Financial Futures Exchange.

Japan Premium in the Eurodollar 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

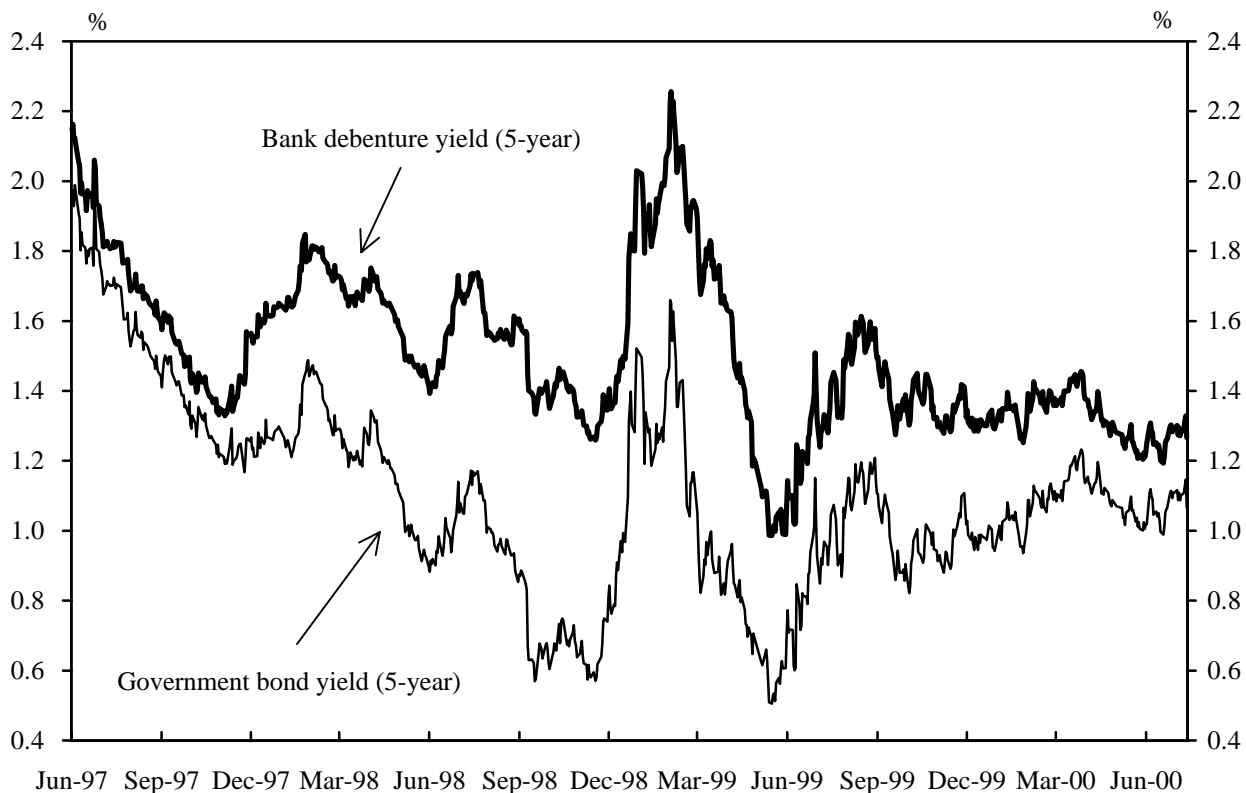


Note: 1. Calculated from yen-yen swap rates.

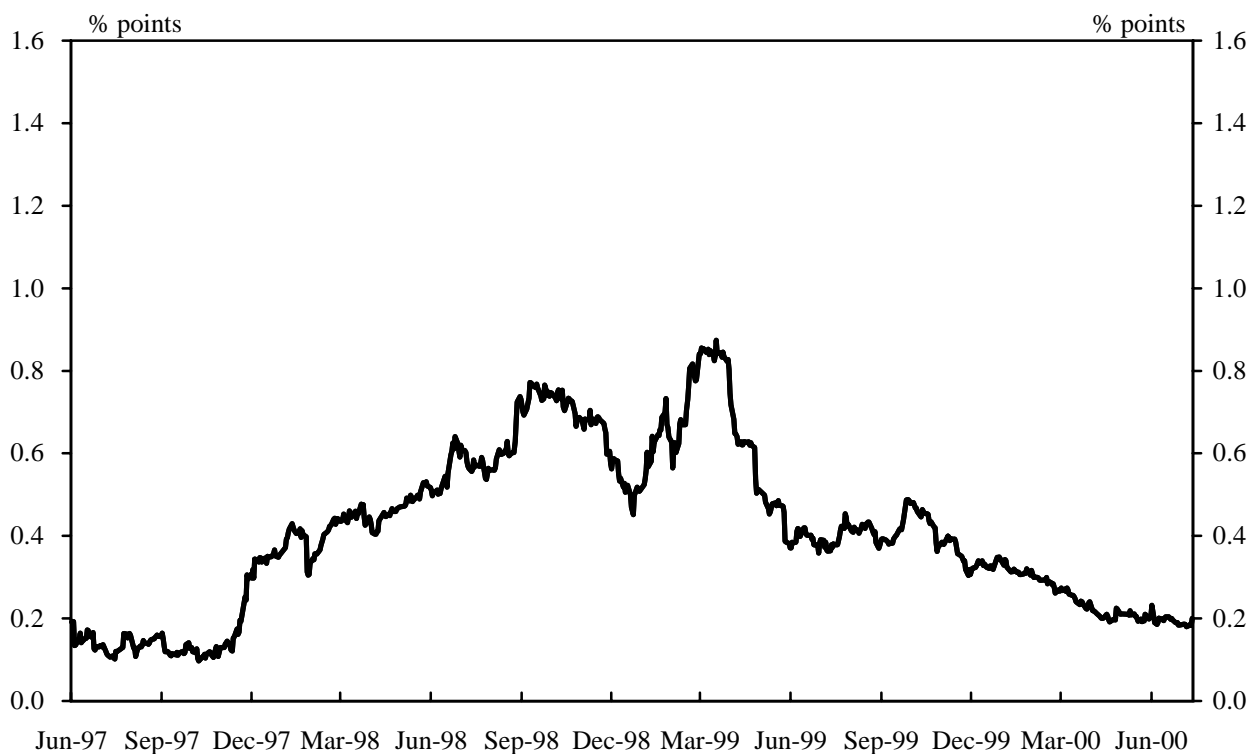
Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



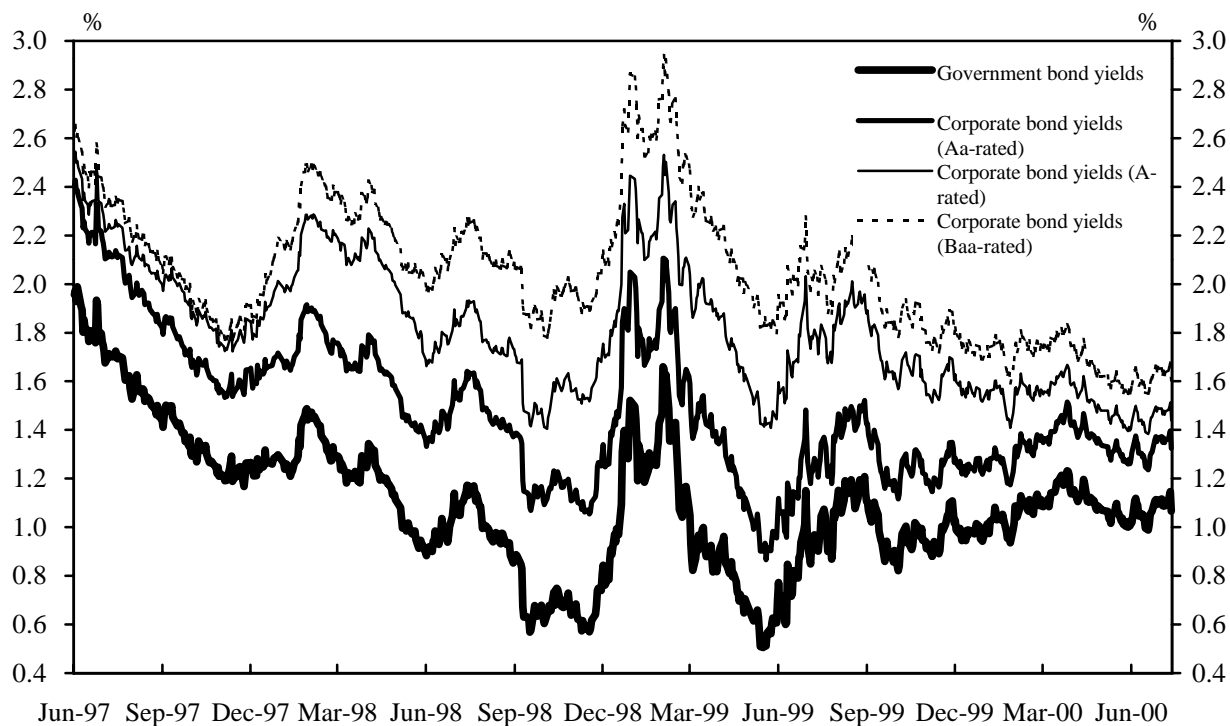
(2) Spread of Bank Debenture and Government Bond Yield



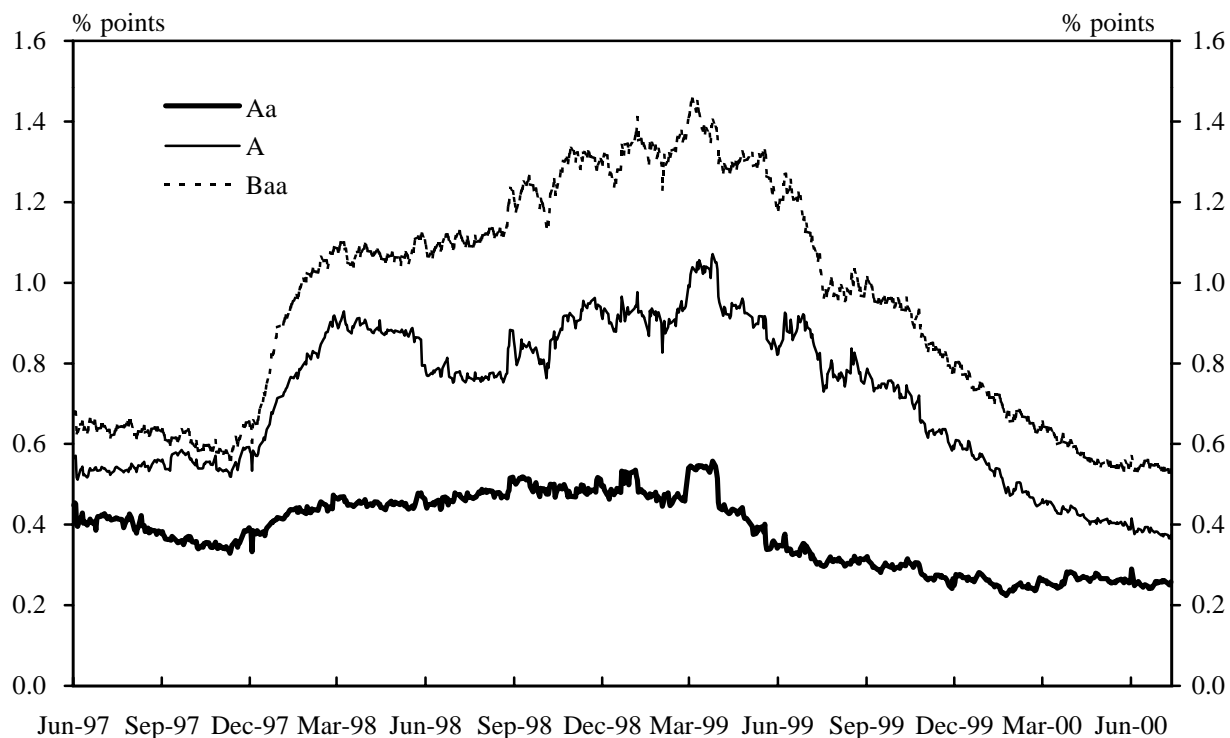
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields ¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



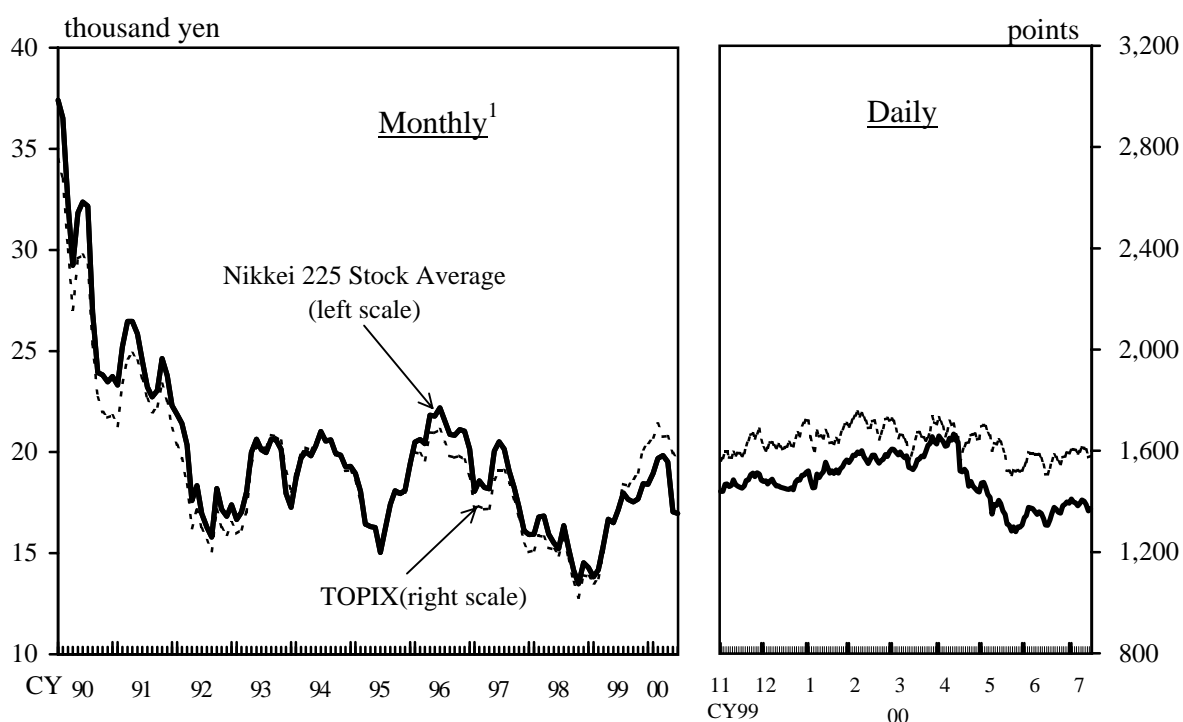
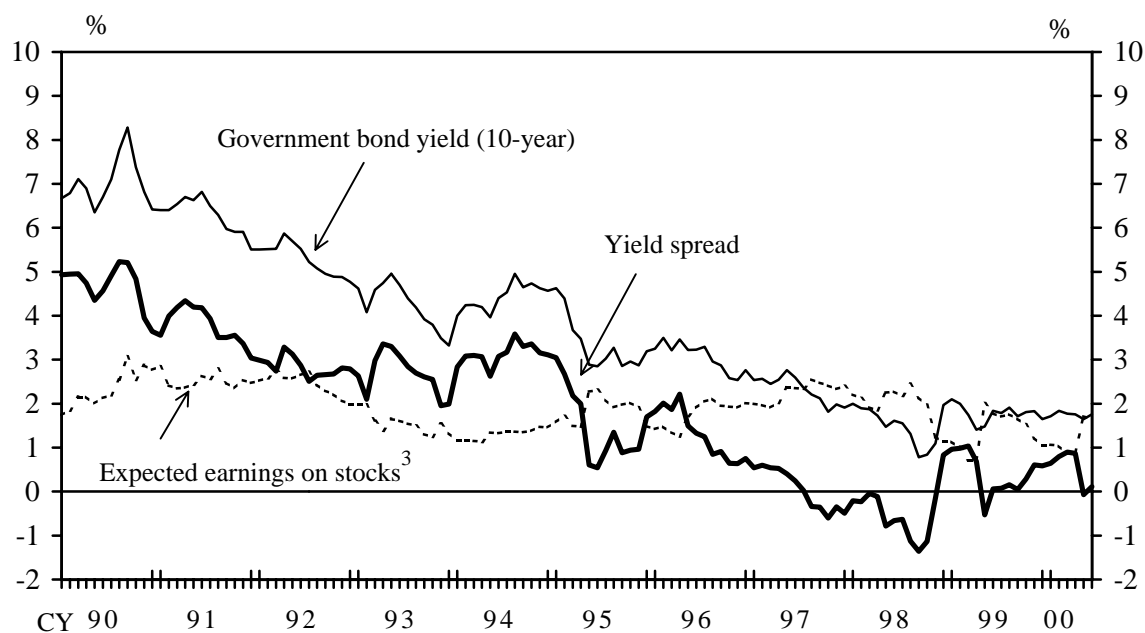
Note: 1. Yields on bonds with 5-year maturity.

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.

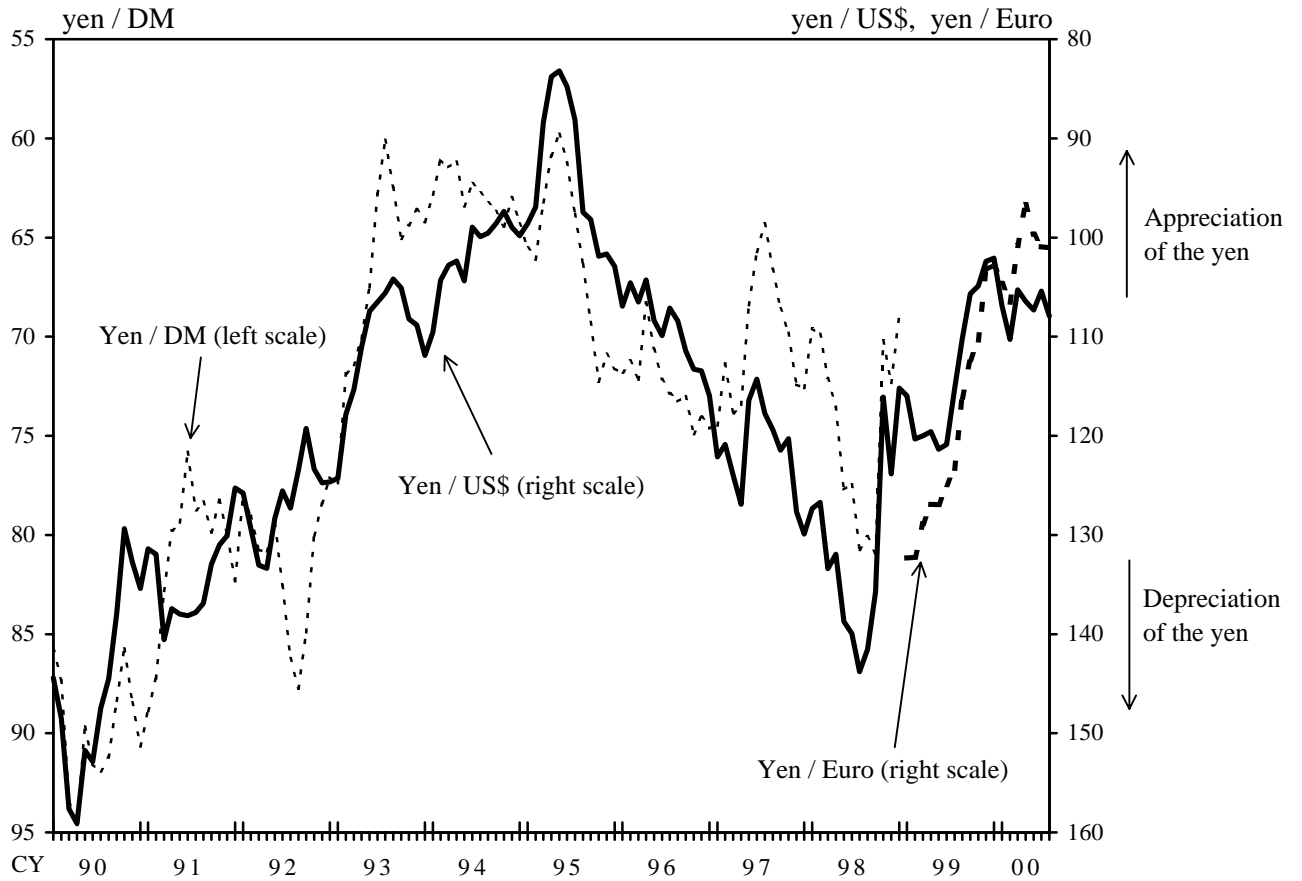
Yield spread = government bond yields - expected earnings on stocks,
where expected earnings on stocks = $1/\text{expected price earnings ratio}$.

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

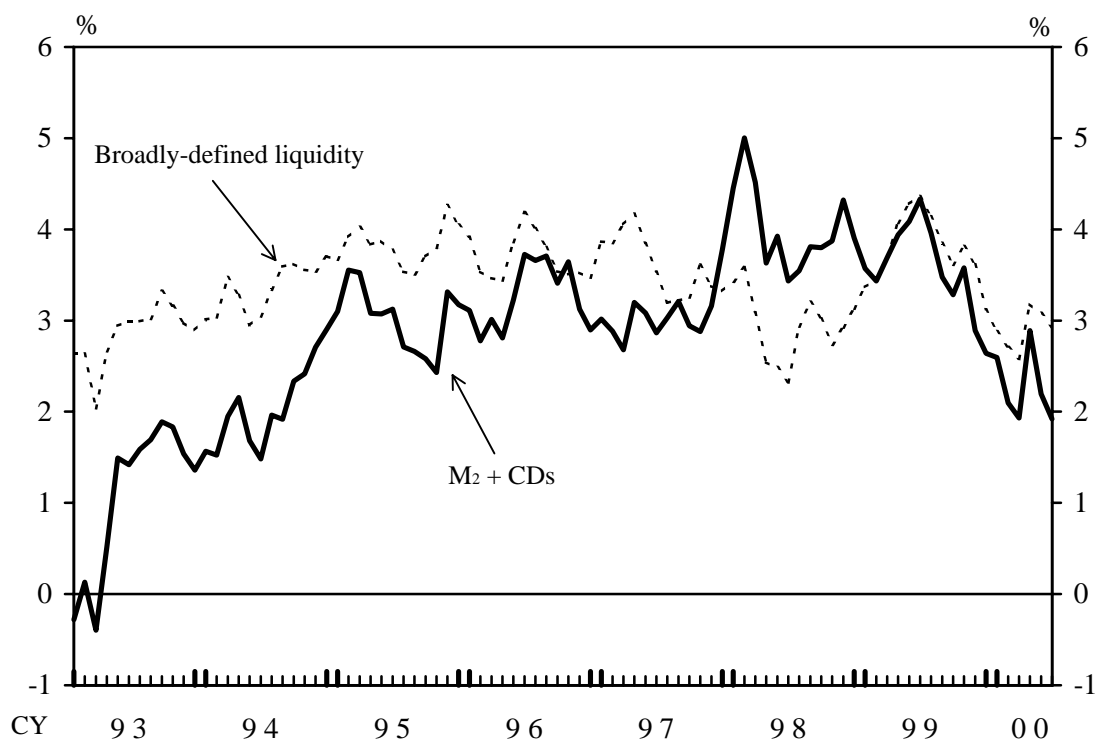


Note: 1. End of month. Data for July 2000 are as of July 14, 2000.

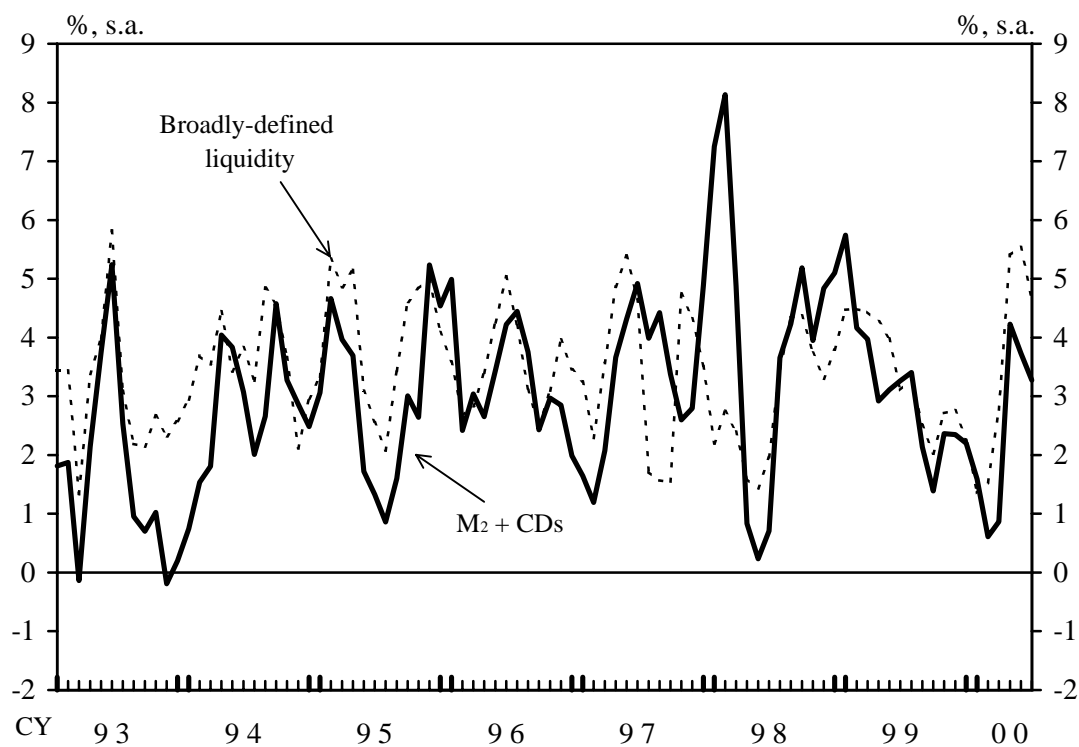
Source: Bank of Japan.

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

(1) Changes from a Year Earlier



(2) Changes from Three Months Earlier (Annualized)

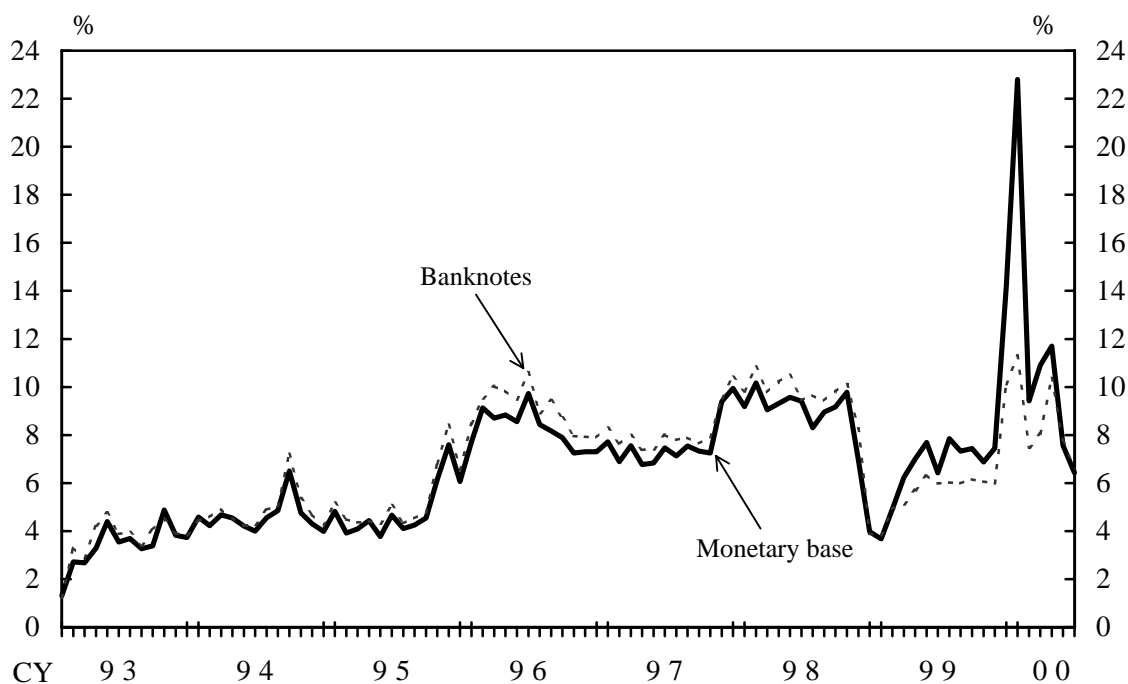


Note: Percent changes in average amounts outstanding.

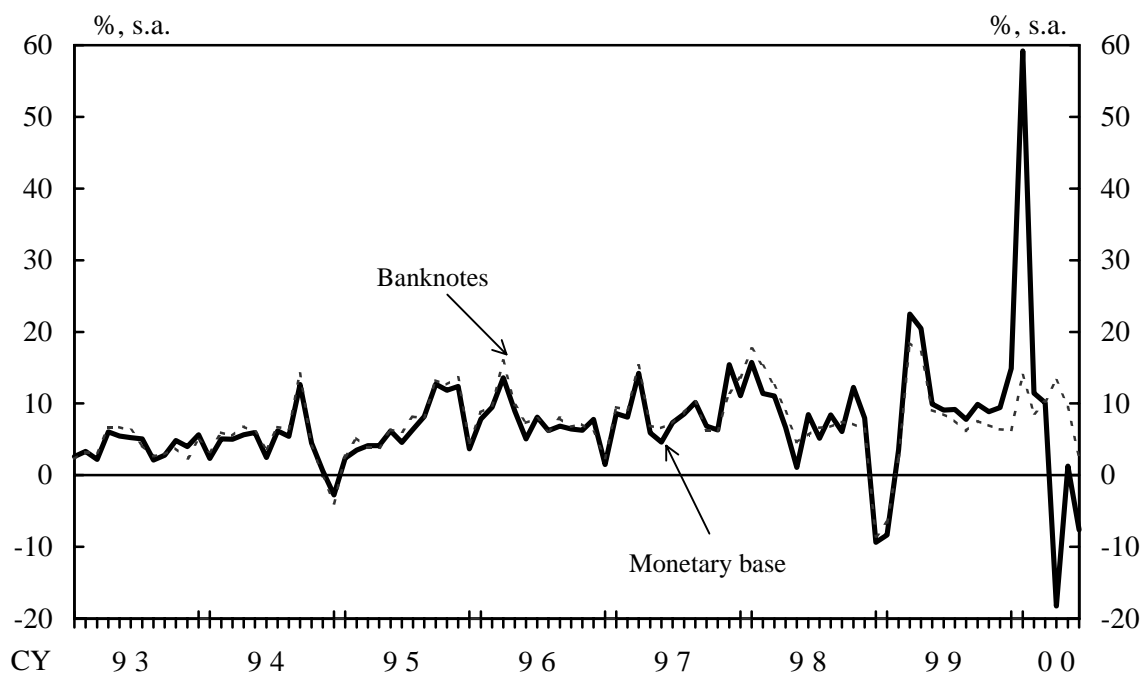
Source: Bank of Japan.

 Monetary Base

(1) Changes from a Year Earlier



(2) Changes from Three Months Earlier (Annualized)

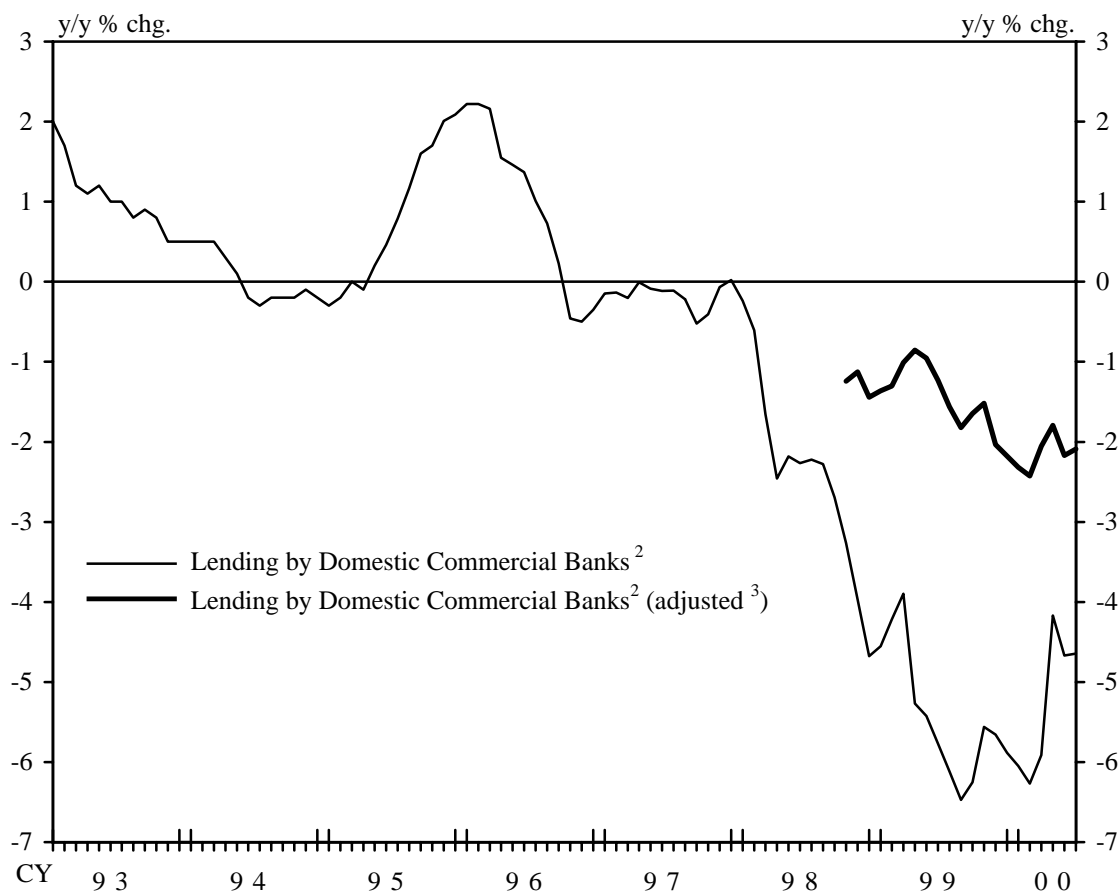


Note: Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

Prior to March 1997, monetary base = currency in circulation (banknotes + coins) + reserves.

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.

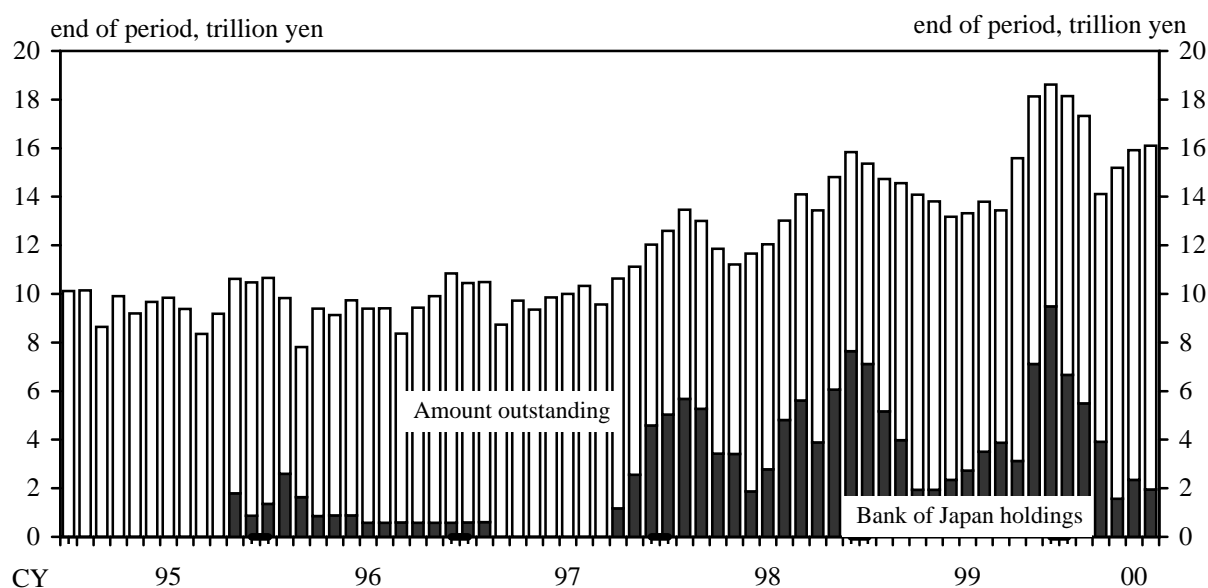
2. "Domestic commercial banks" refers to member banks of the Japanese Bankers Association, which consists of city banks, long-term credit banks, trust banks (excluding foreign-owned trust banks and trust banks that started business after October 1993), the member banks of the Regional Banks Association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

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)

	Jan. 2000	Feb. 2000	Mar. 2000	Apr. 2000	May. 2000	Jun. 2000
Volume	3,426	12,285	8,290	6,324	4,361	8,747
(previous year)	(4,909)	(10,706)	(11,556)	(8,807)	(10,688)	(14,923)

(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.

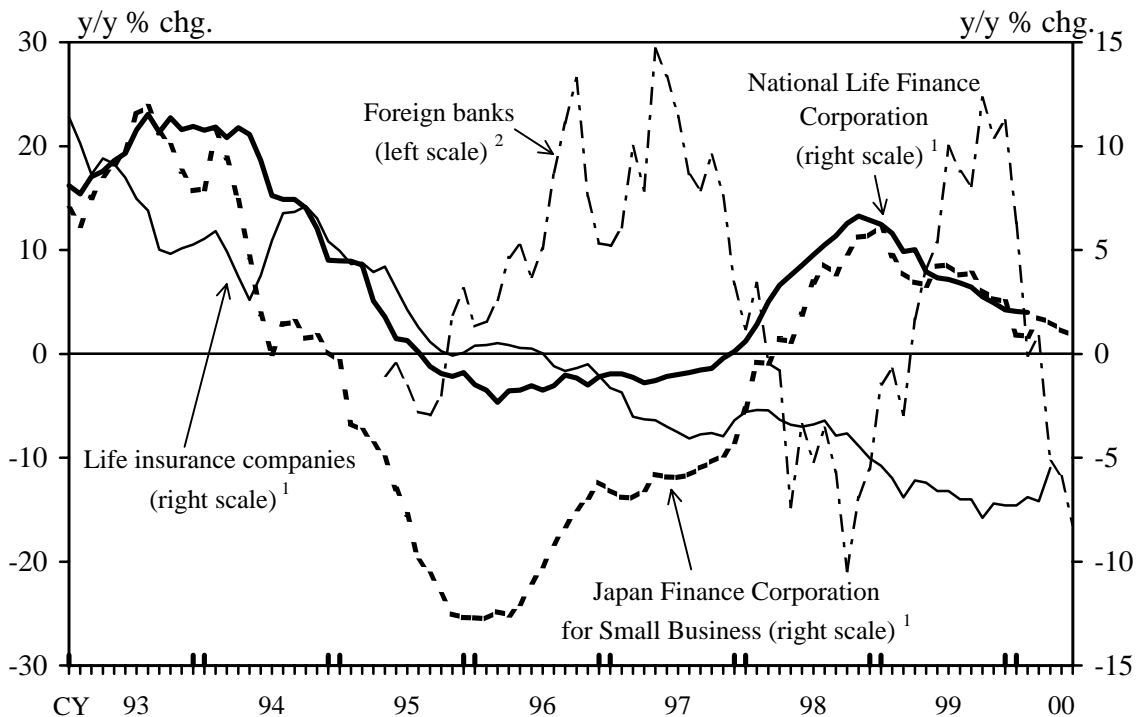
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

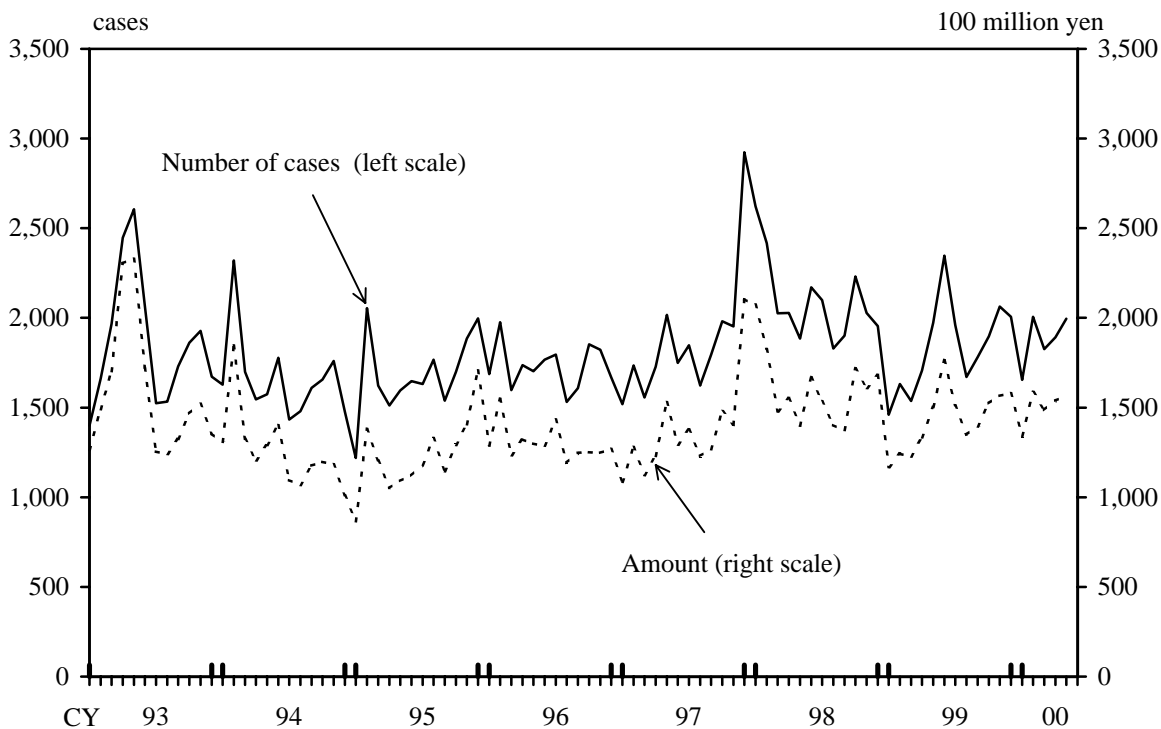
Lending by Other Financial Institutions

(1) Lending Outstanding



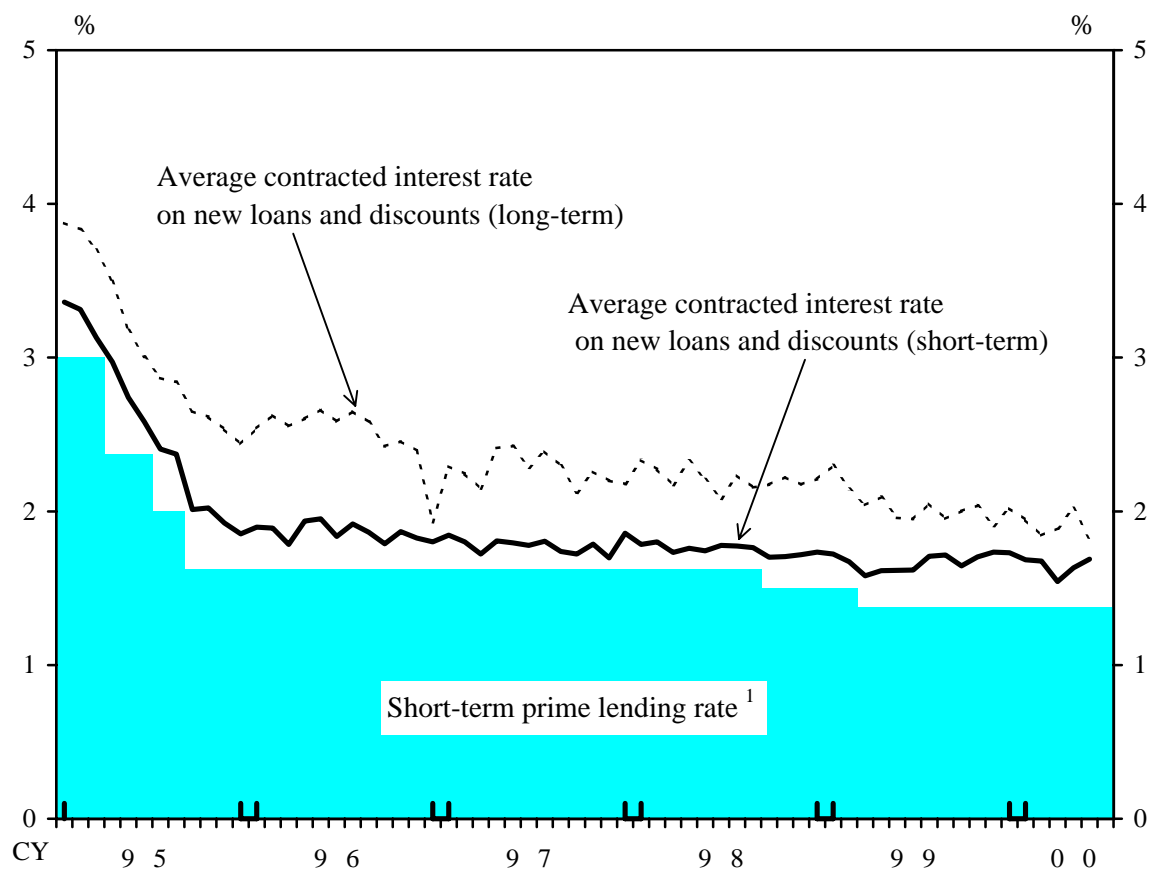
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

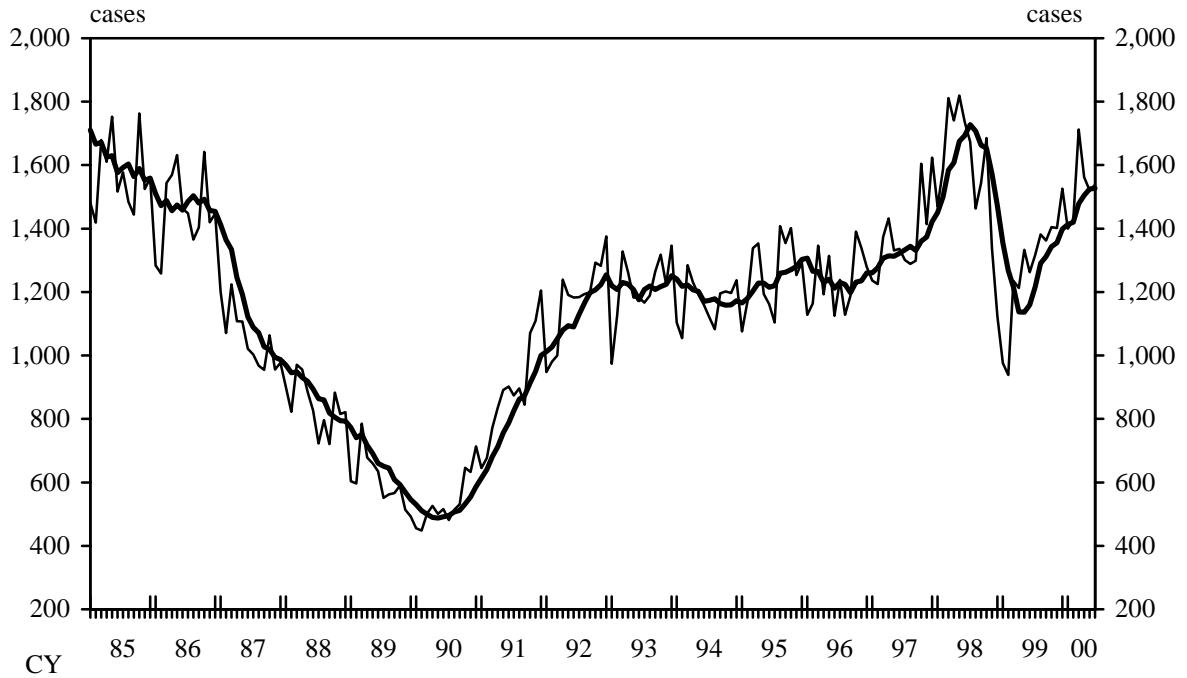


Note: 1. Data are at end of period.

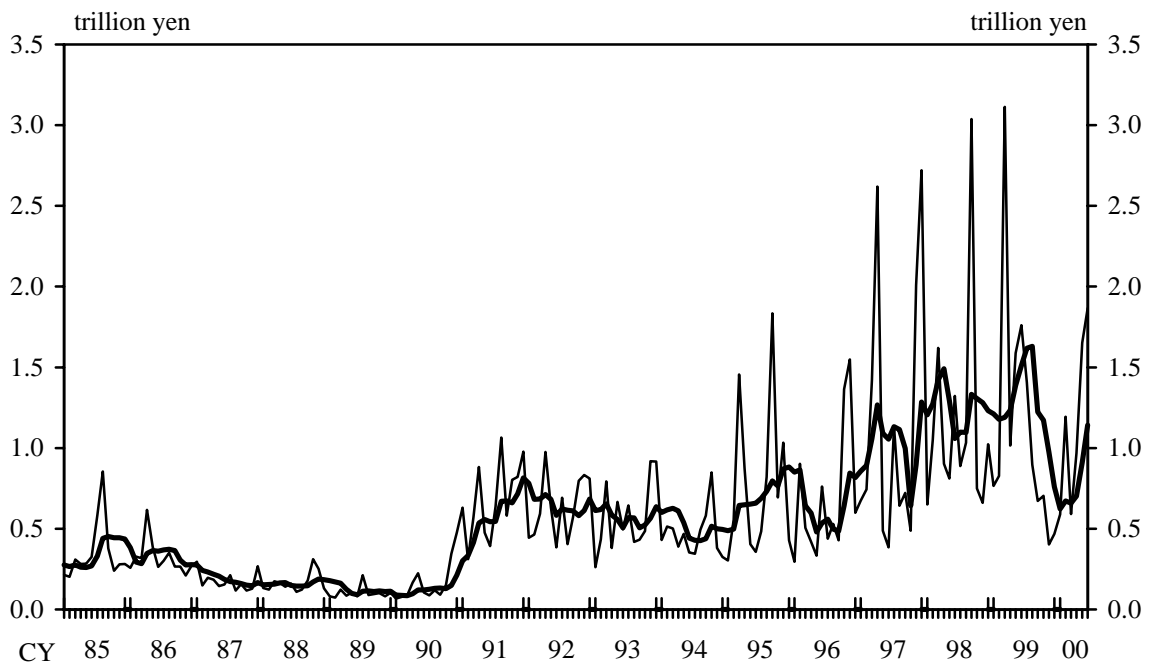
Source: Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

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