

September 26, 2000  
Bank of Japan

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

(English translation prepared by the Bank staff based on the Japanese original  
released on September 18, 2000)

# Monthly Report of Recent Economic and Financial Developments<sup>1</sup>

September 2000

## The Bank's View<sup>2</sup>

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

With regard to exogenous demand, public investment is about to decrease since the implementation of the supplementary budget for fiscal 1999 has peaked out. Net exports (real exports minus real imports) continue to follow a moderate upward trend due to steady developments in overseas economies. As regards domestic private demand, business fixed investment is on an increasing trend. 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 regular and overtime payments as well as new job offers continue to increase in line with the recovery in corporate activities, and compensation of employees has stopped decreasing.

As for the outlook, public investment will decrease, 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

---

<sup>1</sup> This report was written based on data and information available when the Bank of Japan Monetary Policy Meeting was held on September 14, 2000.

<sup>2</sup> The Bank's view on recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on September 14 as the basis of monetary policy decisions.

corporate profits will increase household income and this in turn is expected to boost private consumption. However, the pace of recovery in household 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 sustaining easy monetary stance is expected to continue underpinning the economy.

With regard to prices, import prices are rising, reflecting an increase in international commodity prices such as crude oil prices since April. Domestic wholesale prices, notwithstanding the rise in prices of petroleum products reflecting the increase in crude oil prices, are mostly unchanged mainly due to the decrease in prices of electric machinery. Meanwhile, consumer prices continue to be somewhat weak owing to the decline in prices of imported products reflecting the past appreciation of the yen, although prices of petroleum products and electricity increased from the rise in crude oil prices. 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 rose in response to the decision at the Monetary Policy Meeting held on August 11 to change the guideline for money market operations,<sup>3</sup> and is generally moving around 0.25 percent. The amount of funds outstanding in the call money market has increased.

---

<sup>3</sup> "The Bank of Japan will encourage the uncollateralized overnight call rate to move on average around 0.25%."

Interest rates on term instruments increased towards the end of August, reflecting the termination of the zero interest rate policy, and have been mostly stable thereafter. The Japan premium remains negligible.

Yields on long-term government bonds followed an upward trend from the second half of August and rose temporarily to 1.95-2.0 percent, but is recently moving in the range of 1.8-1.9 percent. The yield spread between private bonds (bank debentures and corporate bonds) and government bonds remains mostly unchanged as a whole.

Stock prices rose from mid-to-end-August but started to fall from late August and are recently moving around the level observed during mid-August.

In the foreign exchange market, the yen-dollar exchange rate rose temporarily to around 109-110 yen in mid-August, but the yen appreciated thereafter. The yen is currently being traded in the range of 106-108 yen to the U.S. dollar.

With regard to corporate finance, private banks continue to be more active in extending loans mainly to blue-chip companies, 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 at a high level in parallel with recovery in profits. Moreover, firms continue to reduce their 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. Recently, however, the expansion in the year-to-year decline seems to be ceasing. Issuance of corporate bonds and CPs has been steady.

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

Recently, funding costs for firms are increasing, albeit gradually, due to the rise in money market rates after the termination of the zero interest rate policy.

In this financial environment, there seem to be no substantial changes in the lending attitude of financial institutions and easing of corporate financing conditions.

## The Background

### 1. Japan's Economy

Public investment is about to decrease (Chart 2). The value of public works contracted, which reflects orders, declined sharply by 25.1 percent in the second quarter of 2000 compared to the first-quarter level and remained around the second-quarter level in July, as the contracts related to the supplementary budget for fiscal 1999 concentrated in March. As for actual implementation, a substantial amount of public works under the supplementary budget has already been processed. Therefore, public investment is expected to start decreasing.

Real exports (Charts 3 to 5) are on a rising trend, mostly due to increases in exports of information-related goods. Real imports are also on an increasing trend, especially those of information-related goods, and capital goods and parts.

As a result of these import and export developments, net exports (real exports minus real imports) in terms of the real trade balance<sup>4</sup> are on a moderate upward trend.

As for the future environment for foreign trade, the real effective exchange rate of the yen has recently been rising slightly (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, including developments in the U.S. economy, where risks of higher inflation still remain despite emerging signs of slower growth.

Business fixed investment remains on a rising trend. Shipments of capital goods (excluding transport equipment), which move almost simultaneously with machinery investment, declined by 1.9 percent in the second quarter of 2000 on a quarter-to-quarter basis, but then rose by 1.0 percent in July compared to the second-quarter level. According

---

<sup>4</sup> 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.)

to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 7), overall business fixed investment decreased on a quarter-to-quarter basis in the second quarter of 2000, as investment by large and small nonmanufacturing firms decreased in reaction to a large rise during the previous quarter, although that by large and small manufacturing firms increased. Among leading indicators, machinery orders (private demand; excluding shipbuilding and electric power equipment) increased on a quarter-to-quarter basis by 3.1 percent in the second quarter of 2000, posting the fourth consecutive quarterly rise, but then declined by 2.3 percent in July compared to the second-quarter level (Chart 8[1]). Meanwhile, nonresidential construction starts increased sharply through the end of fiscal 1999, in part due to a temporary surge in constructing stores prior to the revision of the Large-Scale Retail Store Law, but have fallen back slightly thereafter from the second quarter. (Nonresidential construction starts declined on a quarter-to-quarter basis by 1.9 percent in the second quarter of 2000, and by 5.1 percent in July compared to the second-quarter level; Chart 8[2]). As for the outlook, 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.

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 9), sales of household electric appliances continue to increase, especially those of personal computers and air conditioners, and outlays for travel are also steady. The number of passenger car sales is almost unchanged. Meanwhile, sales at department stores and chain stores remain stagnant, reflecting depressed sales during the summer bonus and traditional mid-summer gift-giving season. As for the outlook, since consumer sentiment is relatively steady (Chart 10), 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 11) is almost unchanged, as construction starts of housing for rent, especially those ordered by the public sector, are decreasing, while construction starts of owner-occupied houses and condominiums financed by private funding sources

remain firm. 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.<sup>5</sup>

Reflecting these developments in final demand, industrial production continues an increasing trend, especially for electric machinery (Chart 12),<sup>6</sup> and is expected to remain firm for the time being.<sup>7</sup>

Employment and income conditions remain severe overall, although compensation of employees has stopped decreasing as the economy is gradually recovering (Chart 14[1]). In the labor market, the ratio of job offers to applicants is rising moderately, and the unemployment rate is also on an improving trend (Chart 15). As for compensation of employees (Chart 14[2]), the number of regular employees (on a Monthly Labour Survey basis at establishments with at least five employees) remains slightly below the previous year's level. However, nominal wages per employee in June and July on average, when summer bonuses are paid,<sup>8</sup> remained above the previous year's level because both overtime and regular payments increased gradually and summer bonuses, especially at small firms, were slightly above the previous year's level. As for the outlook, compensation of employees is projected to rise reflecting the growth in production activities, but the rate of increase is expected to be very moderate as firms' stance toward restricting personnel expenses remains unchanged.

---

<sup>5</sup> 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.

<sup>6</sup> In terms of the inventory cycle, there is a large difference in the current cyclical positions between information-related goods and other goods (Chart 13). 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.

<sup>7</sup> Industrial production is expected to post a quarter-to-quarter increase of 2.1 percent in the third quarter of 2000, based on the premises that the actual production in August and September matches the production forecast indices.

<sup>8</sup> Summer bonuses are considered to be normally paid from June through August, but in fact, approximately 90 percent of summer bonuses are paid in June and July (according to the average for 1996-1999).



## 2. Prices

With regard to price developments, import prices on a yen basis (Chart 17) are rising compared to the level three months earlier<sup>9</sup>, reflecting the increase in international commodity prices such as crude oil prices since April.

Domestic wholesale prices (Chart 18) are increasing somewhat compared to the previous year because of the rise in petroleum and chemical product prices due to the increase in crude oil prices. In terms of the three-month growth rate (adjusted to exclude the effects of seasonal changes in electricity rates)<sup>10</sup>, domestic wholesale prices are generally flat as the prices of electric machinery are declining although petroleum product prices have risen. (The change in domestic wholesale prices in terms of the three-month growth rate was 0.0 percent in June 2000, -0.1 percent in July, and 0.0 percent in August.)

Corporate service prices (domestic supply-demand factors)<sup>11</sup> (Chart 19) continue to decline slightly on both a year-to-year basis and in terms of the three-month growth rate, mainly due to decreases in the prices for leasing and rentals and for general services. (The change in corporate service prices in terms of the three-month growth rate was -0.4 percent in May 2000, -0.4 percent in June, and -0.2 percent in July.)

Consumer prices (excluding perishables; Chart 20) decreased from the previous year, mainly because the prices of imported products continued to decline owing to the past

---

<sup>9</sup> Price indices sometimes show volatile changes month by month, while comparisons with levels three months earlier smooth out these temporary fluctuations to some extent and make it easier to grasp price trends.

<sup>10</sup> 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.

<sup>11</sup> 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, see the note in Chart 19.

The year-to-year decrease in the overall CSPI expanded slightly in July due to changes in the prices of securities commissions, which tend to show a large fluctuation. (The year-to-year change in the overall CSPI was -0.6 percent in June and -0.7 percent in July.)

appreciation of the yen.<sup>12</sup> In terms of the three-month growth rate, consumer prices remain somewhat weak because the prices of imported products continue to decline while the prices of petroleum products and electricity are rising due to the increase in crude oil prices. (The change in consumer prices excluding perishables in terms of the three-month growth rate was -0.1 percent in May 2000, -0.1 percent in June, and 0.0 percent in July.)

Regarding the future environment for prices, downward pressure on prices stemming from weak demand is declining significantly while the 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 the 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 somewhat weak.

### **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) rose in response to the decision at the Monetary Policy Meeting held on August 11 to change the guideline for money market operations, and is generally moving around 0.25 percent. The amount of funds outstanding in the call money market has increased along with a shift of funds from ordinary deposits to uncollateralized call money transactions, following the termination of the zero interest rate policy.

As for interest rates on term instruments, three-month Euro-yen (TIBOR), TB and FB rates rose toward the end of August, reflecting the termination of the zero interest rate policy, and have been mostly stable thereafter. The Japan premium (Chart 24) remains negligible.

---

<sup>12</sup> The prices of perishables remain well below the previous year's level partly due to the increased influx of low-priced imported perishables after the sharp price rise in 1999 from typhoon damage. Thus, overall consumer prices including perishables continue to decline substantially. (The year-to-year change was -0.7 percent in June and -0.5 percent in July.)

Yields on ten-year government bonds (newly issued; Chart 21[2]) showed an upward trend from the second half of August due to improvements in the economic outlook and concerns regarding the future supply-demand balance for government bonds, and temporarily rose to 1.95-2.0 percent, but recently declined to the range of 1.8-1.9 percent following the release of somewhat weak economic indices. The yield spread between government and private bonds (bank debentures and corporate bonds; Charts 26 and 27) remains mostly unchanged as a whole.

Stock prices (Chart 28[1]) rose during mid-to-end-August on expectations of a recovery in corporate profits and reflecting the rise in U.S. stock prices, but have declined from late August in conjunction with sales of cross-holding shares prior to the interim settlement of accounts, and are recently moving around the mid-August level.

In the foreign exchange market (Chart 29), the yen weakened against the U.S. dollar in mid-August, and the yen-dollar exchange rate temporarily rose to 109-110 yen. The yen subsequently rebounded as the outlook for the Japanese economy improved, and the depreciation of the Euro also had the effect of supporting yen buying. The yen is currently being traded in the range of 106-108 yen to the U.S. dollar.

## **(2) Monetary Aggregates and Corporate Finance**

Money stock (Chart 30) in terms of  $M_2 + \text{CDs}$  grew slower in August compared with the previous month on a year-to-year basis. (The year-to-year growth in  $M_2 + \text{CDs}$  was 2.2 percent in May 2000, 1.9 percent in June, 2.0 percent in July, and 1.7 percent in August.)

The year-to-year growth in the monetary base (currency in circulation + current deposits at the Bank of Japan; Chart 31) decreased in August compared with the previous month due to a large decline in current deposits at the Bank of Japan.

As for the lending attitude of private financial institutions, financial institutions continue to be more active in extending loans mainly to blue-chip companies, 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 at a high level in parallel with recovery in profits. 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;<sup>13</sup> Chart 32), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, remains sluggish. Recently, however, the expansion in the year-to-year decline seems to be ceasing. (The year-to-year change was -2.2 percent in May 2000, -2.1 percent in June, -2.0 percent in July, and -2.0 percent in August). 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) in July remained generally steady. However, corporate funding costs are presently rising, albeit gradually, due to the rise in money market rates after the termination of the zero interest rate policy. Specifically, major banks have raised their short-term prime lending rates, and corporate bond issuance rates and CP issuance rates are both rising slightly.

The number of corporate bankruptcies in July (Chart 37) increased from the previous month.

In this financial environment, there seem to be no substantial changes in the lending attitude of financial institutions and easing of corporate financing conditions.

---

<sup>13</sup> 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 Indicators
Chart 2	Public Investment
Chart 3	External Balance
Chart 4	Real Exports
Chart 5	Real Imports
Chart 6	Real Effective Exchange Rate and Overseas Economic Conditions
Chart 7	Business Fixed Investment
Chart 8	Indicators for Business Fixed Investment
Chart 9	Private Consumption
Chart 10	Consumer Confidence and Propensity to Consume
Chart 11	Indicators for Housing Investment
Chart 12	Production, Shipments, and Inventories
Chart 13	Inventory Cycle
Chart 14	Compensation of Employees
Chart 15	Labor
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 Price Index
Chart 20	Breakdown of Consumer Price 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 Indicators (1)

	s.a., q/q (m/m) % chg. <sup>1</sup>						
	99/Q4	2000/Q1	Q2	2000/May	June	July	August
Index of expenditure level (all households)	-1.8	-0.2	3.8	0.4	-2.5	p -0.7	n.a.
Sales at department stores	-0.2	0.1	-2.1	0.7	-0.8	p -3.3	n.a.
Sales at chain stores	-1.1	-1.9	-2.4	1.5	0.7	-1.6	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 287>	< 298>	< 304>	< 293>	< 308>	< 284>	< 303>
Sales of electric appliances (real, NEBA)	4.3	7.6	3.7	2.8	6.0	2.7	n.a.
Outlays for travel (50 major travel agencies)	-4.1	2.2	2.9	-3.6	0.3	0.4	n.a.
Housing starts <s.a., ann. 10,000 units>	< 117>	< 127>	< 124>	< 121>	< 127>	< 116>	<n.a.>
Machinery orders (from private sector <sup>4</sup> )	8.7	4.9	3.1	4.5	14.4	-11.7	n.a.
Manufacturing	7.9	4.5	11.2	3.0	11.6	-9.8	n.a.
Nonmanufacturing <sup>4</sup>	10.1	7.9	-5.0	3.3	15.7	-13.2	n.a.
Construction Starts (private, nonresidential use)	10.8	14.4	-1.9	7.5	-7.9	-2.1	n.a.
Mining & manufacturing	9.1	10.9	11.1	3.7	18.0	3.5	n.a.
Nonmanufacturing <sup>5</sup>	7.9	14.5	-2.6	3.3	-10.0	-2.0	n.a.
Value of public works contracts	-6.0	22.8	-25.1	37.7	-4.1	-4.0	n.a.
Real exports	2.5	4.9	3.2	-6.6	11.8	-7.9	n.a.
Real imports	5.2	0.4	6.3	8.8	-1.7	-6.3	n.a.
Industrial production	1.4	0.8	1.7	0.3	1.9	p -0.7	n.a.
Shipments	2.0	0.5	1.8	0.7	2.7	p -1.7	n.a.
Inventories	-1.7	2.4	-0.1	-0.5	0.0	p -0.1	n.a.
Inventories/shipments <s.a., 1995=100>	<99.0>	<100.0>	<98.5>	<100.5>	<98.5>	<p 101.2>	<n.a.>
Real GDP	-1.6	2.5	1.0	n.a.	n.a.	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	99/Q4	2000/Q1	Q2	2000/May	June	July	August
Ratio of job offers to applicants <s.a., times>	<0.49>	<0.52>	<0.57>	<0.56>	<0.59>	<0.60>	<n.a.>
Unemployment rate <s.a., %>	<4.63>	<4.82>	<4.70>	<4.56>	<4.69>	<4.67>	<n.a.>
Overtime working hours <sup>6</sup>	1.4	3.5	4.0	3.3	4.4	p 3.2	n.a.
Number of employees	-0.4	-0.4	0.4	0.6	1.1	1.0	n.a.
Number of regularly employed <sup>6</sup>	-0.2	-0.2	-0.3	-0.3	-0.2	p -0.1	n.a.
Nominal wages per person <sup>6</sup>	-1.2	0.7	1.1	0.7	1.8	p -0.1	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>	0.3 <0.0>	0.3 <0.0>	0.3 <-0.1>	0.2 <0.0>
Consumer price index (nationwide) <sup>7</sup> <s.a., q/q % chg.> (3-month growth rate)	-0.2 <-0.1>	-0.2 <0.0>	-0.3 <-0.2>	-0.2 <-0.1>	-0.3 <-0.1>	-0.3 <0.0>	n.a. <n.a.>
Corporate service price index <sup>8</sup> <s.a., q/q % chg.> (3-month growth rate)	-0.9 <-0.2>	-0.8 <-0.1>	-0.9 <-0.4>	-0.8 <-0.4>	-0.8 <-0.4>	-0.8 <-0.2>	n.a. <n.a.>
Monetary aggregates (M <sub>2</sub> +CDs) <average outstanding, y/y % chg.>	3.0	2.2	2.3	2.2	1.9	p 2.0	p 1.7
Number of suspension of transactions with banks	3.3	55.4	16.1	5.9	17.0	16.0	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.

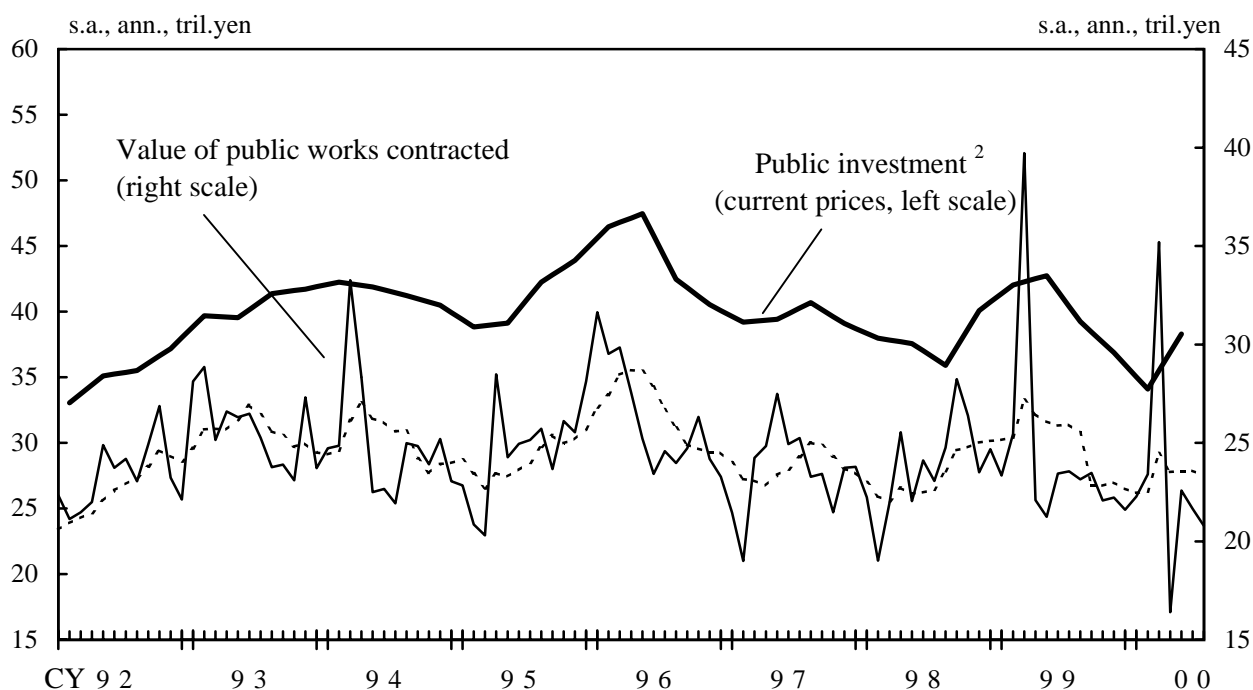
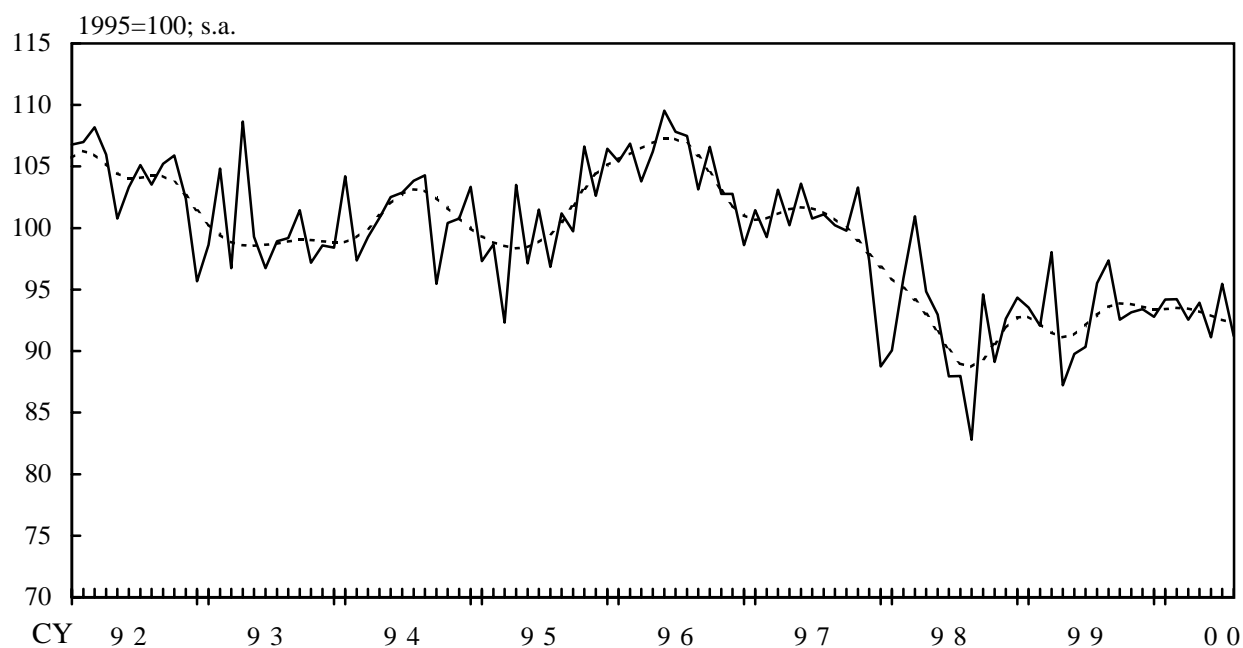
8. Domestic supply-demand factors.

9. For details of seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see footnotes of respective charts.

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 Investment<sup>1</sup>

## (1) Value of public works contracted

(2) Shipments of Public Works-related Goods<sup>3,4</sup>

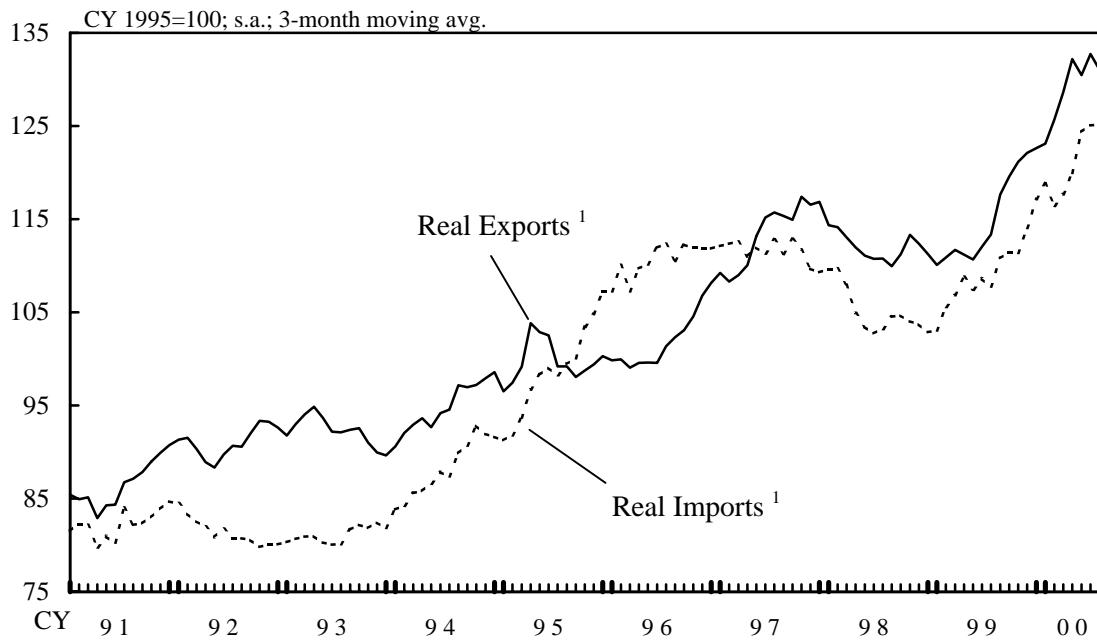
- Notes: 1. Seasonally adjusted by X-12-ARIMA ( $\beta$  version). As the figures are seasonally adjusted on a monthly basis, the data are retroactively revised each month. The dotted line of "value of public works contracted" is the 6 months moving average. The dotted line of "public works-related goods" 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).
4. The data for July 2000 are preliminary.

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

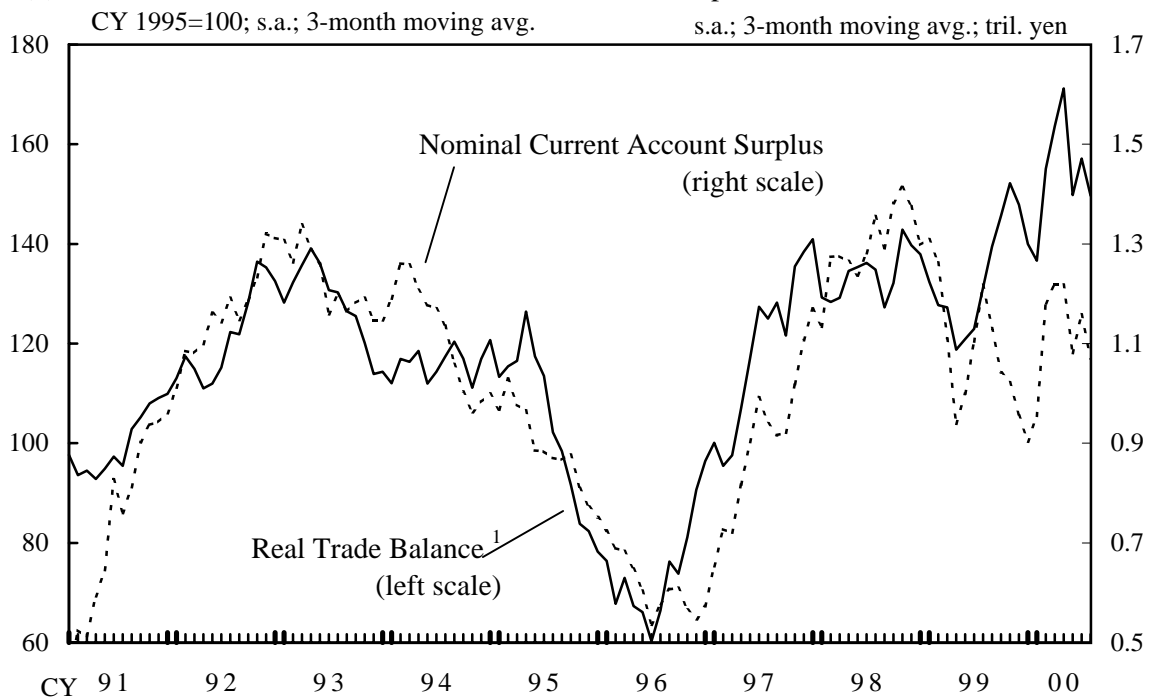


External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



Note: 1. Seasonally adjusted by X-11.

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

Real Exports <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 98	99	99 Q3	2000 Q4	2000 Q1	Q2	Q3	2000 May	Jun.	Jul.
United States	<30.7>	6.8	4.6	5.7	-0.1	3.6	3.6	-5.5	-6.4	6.4	-7.3
EU	<17.8>	15.6	0.9	5.2	2.6	4.3	-0.6	-3.4	-10.6	14.2	-8.1
East Asia	<35.8>	-18.1	12.0	7.8	2.3	12.6	5.9	-3.1	-1.6	10.3	-8.6
China	<5.6>	0.5	12.3	8.4	-7.7	19.4	6.3	4.3	10.4	8.8	-4.3
NIEs	<21.5>	-16.5	11.2	8.6	5.0	12.7	3.7	-4.1	-3.6	9.2	-8.5
Taiwan	<6.9>	-0.4	7.8	7.4	6.9	5.8	9.6	-3.9	2.4	4.0	-7.1
Korea	<5.5>	-35.3	43.9	12.1	9.4	18.8	-3.9	-5.1	-6.8	10.1	-8.9
ASEAN4 <sup>3</sup>	<8.6>	-29.2	13.6	5.6	2.1	8.6	11.3	-4.8	-3.3	13.8	-11.5
Thailand	<2.7>	-29.4	15.3	11.4	8.8	-2.0	5.5	0.3	-11.7	10.2	-1.9
Real exports		-2.1	4.5	6.7	2.5	4.9	3.2	-3.1	-6.6	11.8	-7.9

## (2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 98	99	99 Q3	2000 Q4	2000 Q1	Q2	Q3	2000 May	Jun.	Jul.
Intermediate goods	<14.2>	2.9	5.4	1.9	-2.3	2.8	2.5	-3.5	0.9	4.8	-6.7
Motor vehicles and their related goods	<21.5>	1.3	2.8	8.4	1.7	-4.0	8.2	0.4	-8.1	5.4	-0.2
Consumer goods <sup>4</sup>	<7.2>	5.0	5.0	6.1	4.4	5.1	1.6	-2.5	-1.3	10.8	-8.5
Information-related goods <sup>5</sup>	<17.6>	-7.0	6.4	7.3	2.3	14.7	4.1	-6.8	-6.8	14.5	-12.7
Capital goods and parts <sup>6</sup>	<28.4>	-5.4	1.8	7.0	1.4	14.1	3.1	-3.3	-7.4	16.0	-10.0
Real exports		-2.1	4.5	6.7	2.5	4.9	3.2	-3.1	-6.6	11.8	-7.9

Notes: 1. Seasonally adjusted by X-11. 2000/Q3 figures are July figures converted into quarterly amount.

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

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

4. Excluding motor vehicles.

5. Information-related 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 <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		99			2000			s.a. m/m % chg.		
		CY 98	99	Q3	Q4	Q1	Q2	Q3	2000 May	Jun.	Jul.	
United States	<21.7>	-3.7	-2.9	-0.3	8.8	-5.1	8.3	0.6	12.2	-2.4	-1.5	
EU	<13.8>	-6.5	5.8	6.2	3.1	1.0	0.3	-3.5	3.6	-8.3	1.1	
East Asia	<37.6>	-7.7	15.8	2.8	7.7	7.1	5.4	-2.6	9.2	2.3	-6.7	
China	<13.8>	-4.4	11.9	0.4	7.3	12.6	5.6	-6.6	5.4	5.7	-11.5	
NIEs	<11.6>	-10.9	24.2	4.5	12.3	5.0	4.1	0.2	8.9	4.2	-5.0	
Taiwan	<4.1>	-11.1	25.6	3.0	12.6	15.0	8.9	-3.3	5.9	8.9	-10.2	
Korea	<5.2>	-9.5	30.8	4.6	18.3	0.7	-0.3	-1.1	16.2	-1.0	-5.1	
ASEAN4 <sup>3</sup>	<12.1>	-8.1	12.6	3.7	4.0	3.4	6.3	-0.9	13.8	-3.0	-3.0	
Thailand	<2.9>	-7.1	5.4	1.3	4.0	4.8	8.8	-7.2	9.6	-1.2	-9.2	
Real imports		-6.2	6.1	2.6	5.2	0.4	6.3	-4.8	8.8	-1.7	-6.3	

## (2) Breakdown by type of goods

		y/y % chg.		99			2000			s.a. m/m % chg.		
		CY 98	99	Q3	Q4	Q1	Q2	Q3	2000 May	Jun.	Jul.	
Raw materials <sup>4</sup>	<23.2>	-6.0	2.7	0.1	1.8	-0.3	1.3	-8.1	4.6	-0.3	-9.3	
Intermediate goods	<13.5>	-7.1	3.6	4.1	1.1	0.6	4.3	-9.1	7.7	-2.6	-9.7	
Foodstuffs	<14.3>	-4.0	2.8	0.3	2.9	4.1	-2.3	-4.5	5.0	-1.7	-4.9	
Consumer goods	<10.8>	-13.8	8.1	0.5	6.5	4.1	7.8	-7.0	4.6	0.7	-8.8	
Information-related goods <sup>5</sup>	<14.4>	-5.8	18.7	4.4	12.4	7.1	13.6	7.0	13.9	-1.1	3.4	
Capital goods and parts <sup>6</sup>	<12.9>	2.7	5.1	1.8	13.6	-5.9	5.1	3.2	10.7	0.4	-0.4	
excluding aircrafts		-2.4	4.4	8.1	3.9	5.0	3.0	0.7	5.8	-2.3	0.4	
Real imports		-6.2	6.1	2.6	5.2	0.4	6.3	-4.8	8.8	-1.7	-6.3	

Notes: 1. Seasonally adjusted by X-11. 2000/Q3 figures are July figures converted into quarterly amount.

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

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

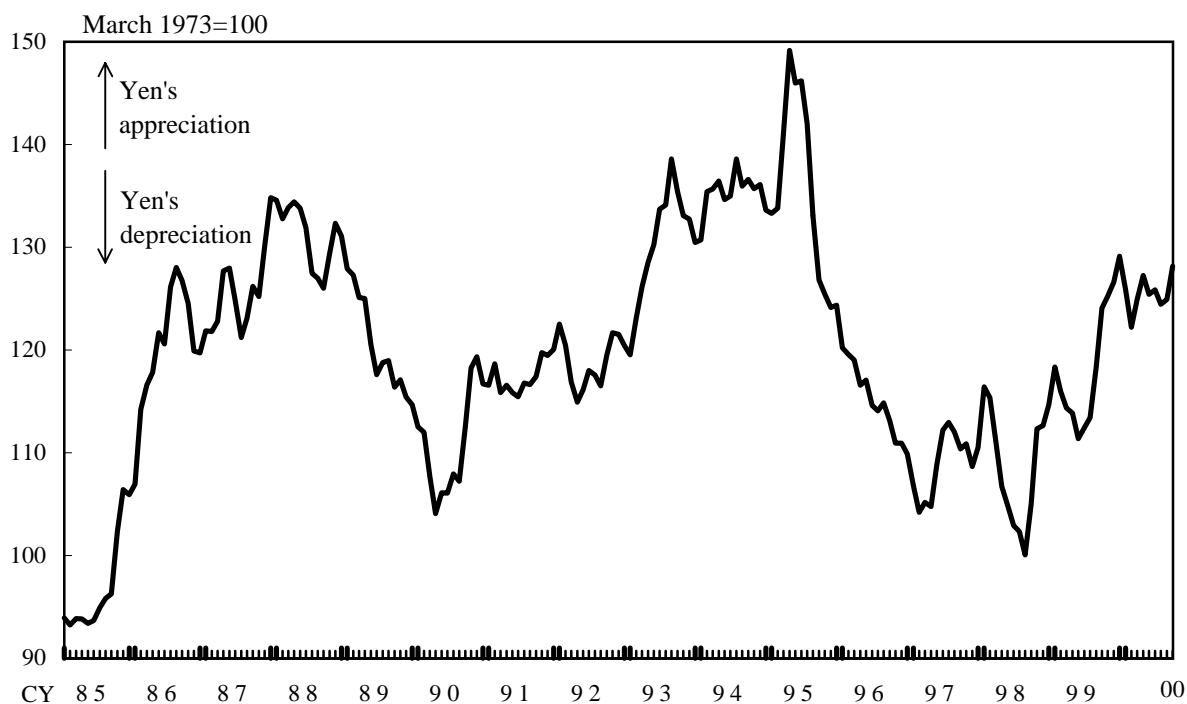
4. Raw materials = woods + ores + mineral fuel, etc.

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

6. Excluding information-related goods.

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

## Real Effective Exchange Rate and Overseas Economic Conditions

(1) Real Effective Exchange Rate <sup>1</sup>

Notes: 1. Monthly average. The figure for September 2000 is the average of September 1-13. Calculated by the Bank of Japan. Figures are the index of 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.

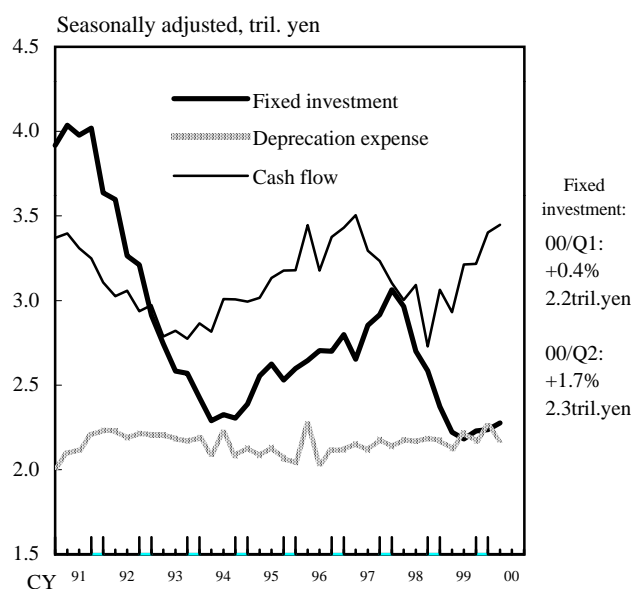
## (2) Real GDP Growth Rates in Overseas Economies

		CY98	99	2000	99 Q3	Q4	2000 Q1	Q2	
United States <sup>1</sup>		4.4	4.2	( 5.1)	5.7	8.3	4.8	5.3	
European Union <sup>1</sup>		2.7	2.4	( 3.4)	4.0	3.4	3.3	n.a.	
	Germany	2.1	1.6	( 3.0)	3.5	3.0	3.1	4.7	
	France	3.2	2.9	( 3.7)	4.0	4.2	2.6	2.7	
	United Kingdom	2.6	2.1	( 3.0)	4.1	2.8	2.0	3.6	
East Asia <sup>2</sup>	China	7.8	7.1	( 7.9)	(Jan-Sep) 7.4	(Jan-Dec) 7.1	8.1	(Jan-Jun) 8.2	
	NIEs	Korea	-6.7	10.7	( 8.5)	12.8	13.0	12.8	9.6
		Taiwan	4.6	5.4	( 6.9)	4.7	6.4	7.9	5.4
		Hong Kong	-5.3	3.1	( 8.2)	4.4	9.2	14.3	10.8
		Singapore	0.4	5.4	( 7.3)	6.9	7.1	9.8	8.0
	ASEAN4	Thailand	-10.2	4.2	( 5.2)	7.8	6.5	5.2	n.a.
		Indonesia	-13.0	0.3	( 3.9)	1.2	5.0	3.6	4.1
Malaysia		-7.4	5.6	( 8.1)	8.5	10.8	11.7	8.8	
	Philippines	-0.5	3.3	( 3.4)	3.8	4.9	3.2	4.5	

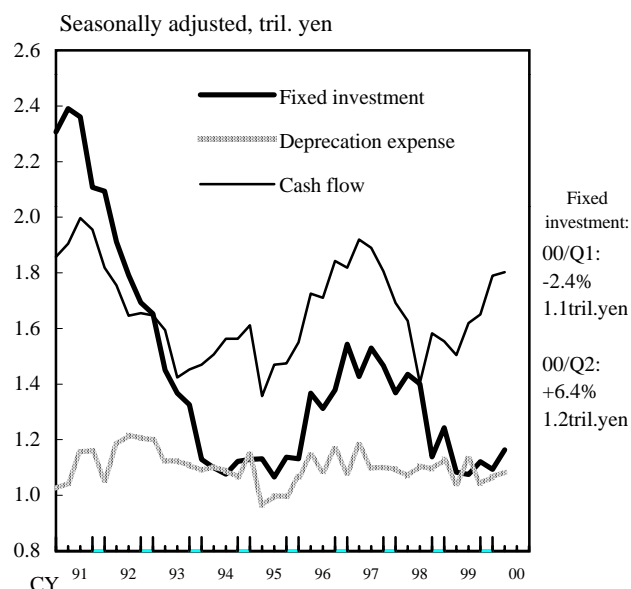
Notes: 1. Quarterly data are quarter-to-quarter percent changes.  
 2. Quarterly data are percent changes from a year earlier.  
 3. Forecasts by "BLUE CHIP ECONOMIC INDICATORS" and "CONSENSUS FORECASTS" are shown in brackets.

## Business Fixed Investment

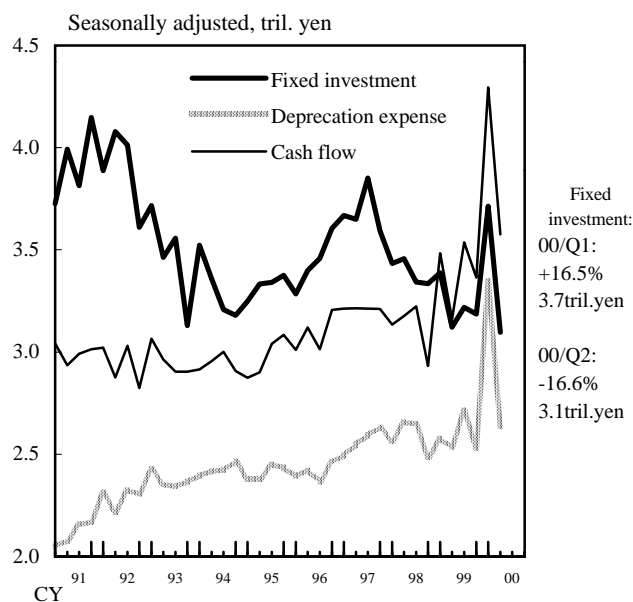
Manufacturing large firms



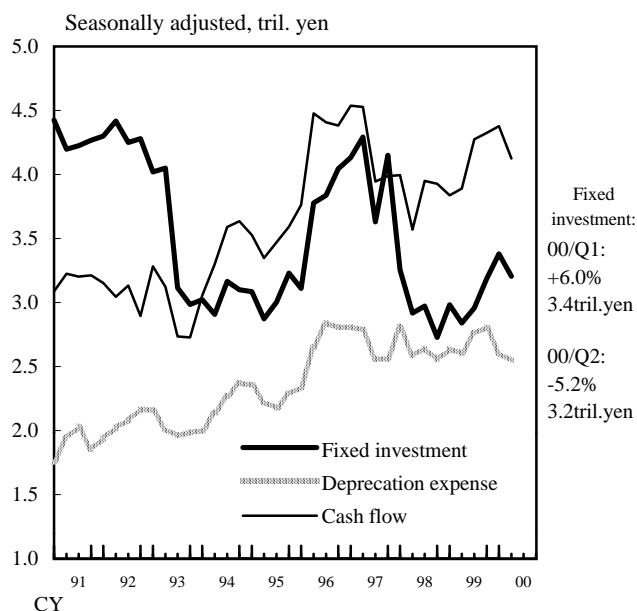
Manufacturing medium and small firms



Nonmanufacturing large firms



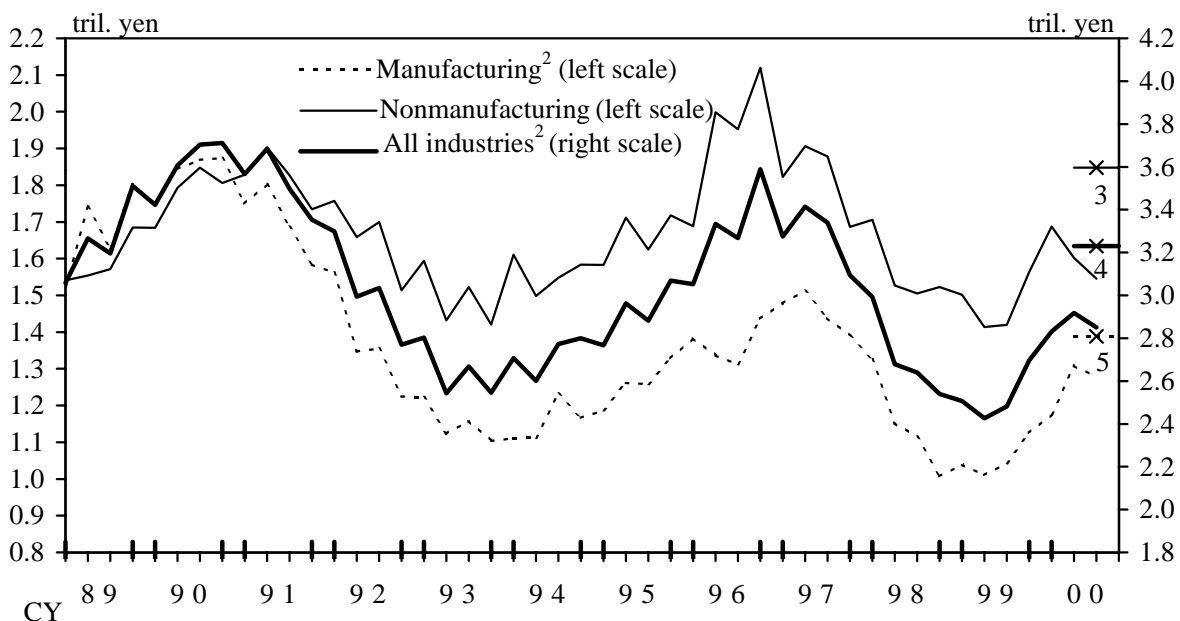
Nonmanufacturing medium and small firms



- Notes: 1. Electric, gas, and other service industries are excluded from nonmanufacturing large firms.  
2. "Large firms" refers to firms with stockholders' equity of 1 billion yen or more, and "medium and small firms" refers to firms with stockholders' equity of 10 million or more but less than 1 billion yen.  
3. Cash Flow = Recurring profit  $\div$  2 + Depreciation expense.

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

## Indicators for Business Fixed Investment

(1) Machinery Orders<sup>1</sup>

Notes: 1. Seasonally adjusted data.

Figures for 2000/Q3 are data of July in terms of quarterly amount.

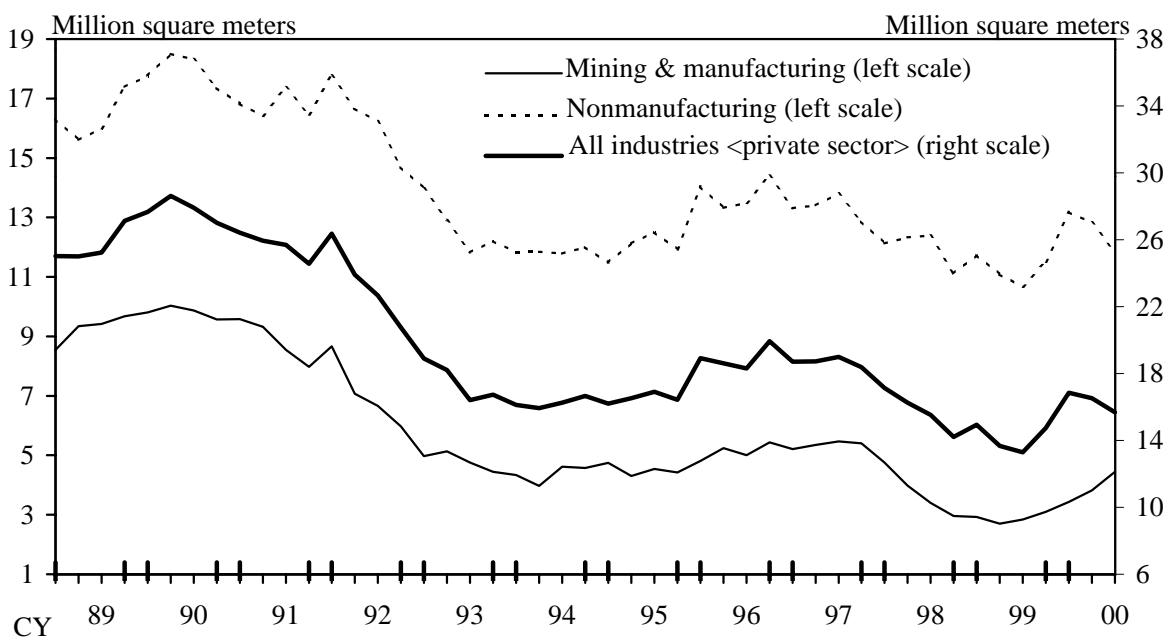
2. Excludes orders from electric power companies and shipbuilding orders.

3. Forecast of nonmanufacturing industries for 2000/Q3.

4. Forecast of all industries for 2000/Q3.

5. Forecast of manufacturing industries for 2000/Q3.

## (2) Construction Starts (Nonresidential)



Notes: 1. Seasonally adjusted by X-11.

2. Figures for 2000/Q3 are data of July in terms of quarterly amount.

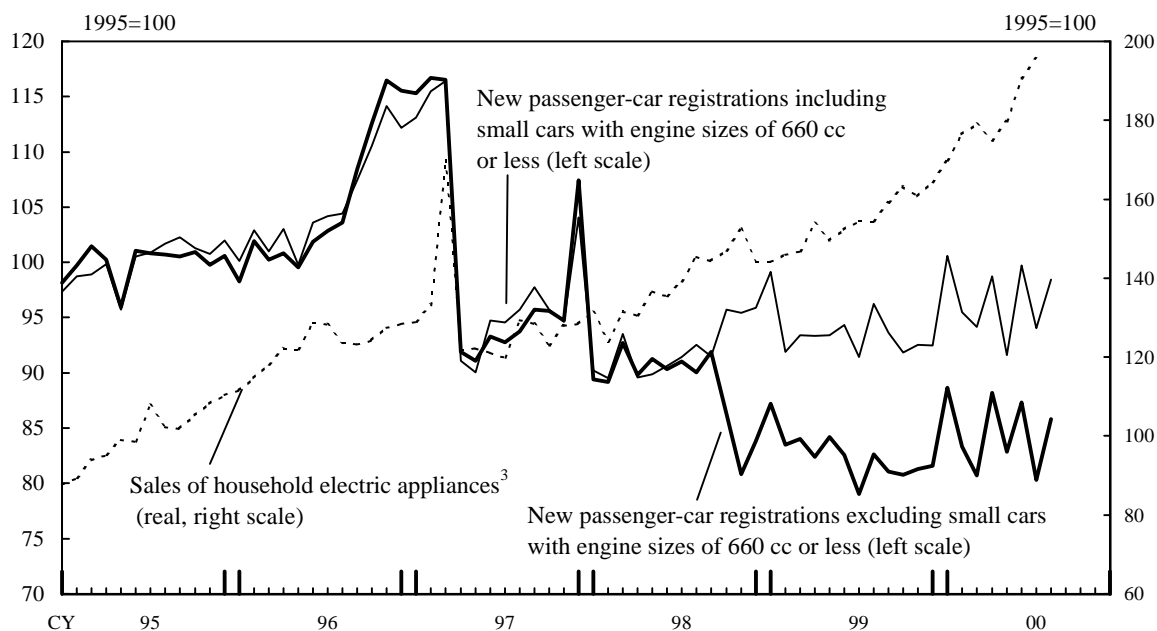
Sources: Economic Planning Agency, "Machinery Orders Statistics";  
 Ministry of Construction, "Statistics Building Construction Starts."

## Private Consumption<sup>1</sup> (1)

### (1) Household Spending



### (2) Sales of Durable Goods



Notes: 1. Seasonally adjusted by X-12-ARIMA ( $\beta$  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";

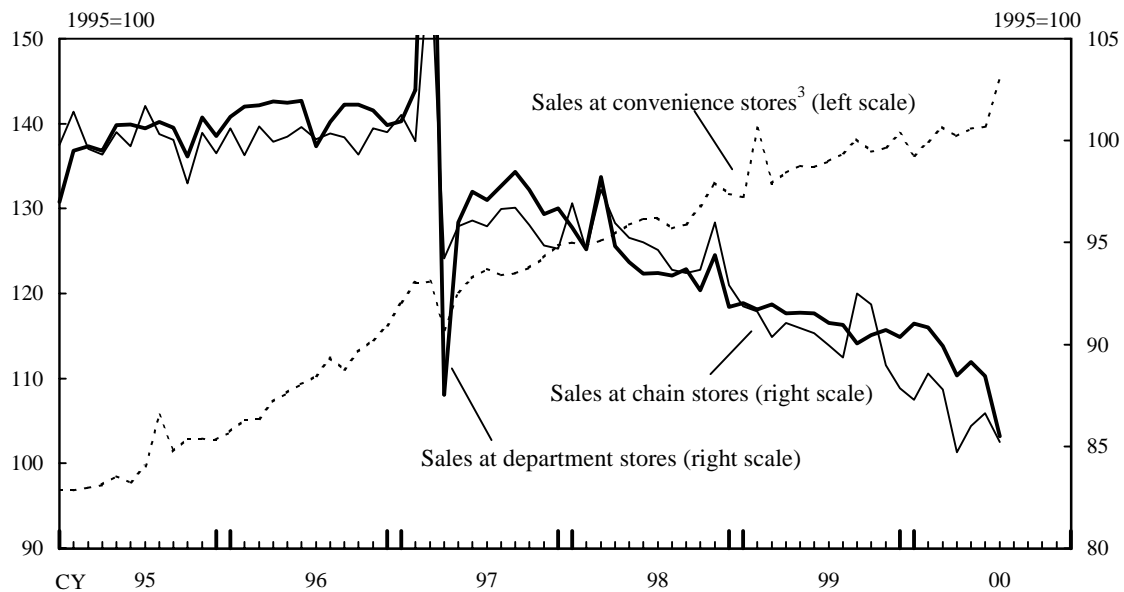
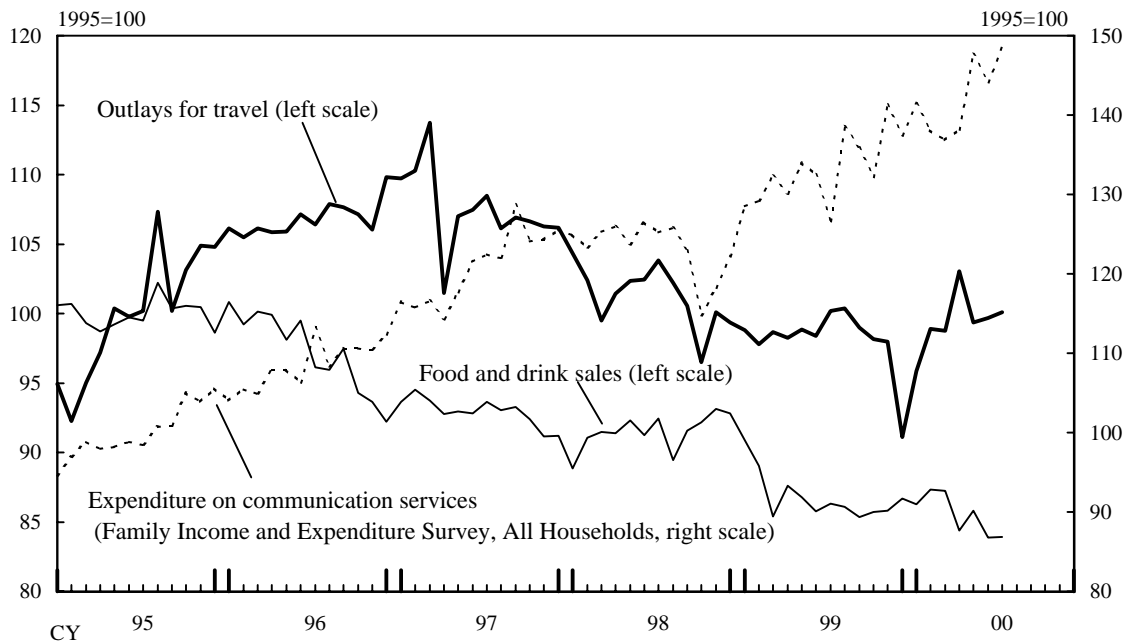
Ministry of International Trade and Industry, "Current Survey of Commerce";

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 Consumption<sup>1</sup> (2)(3) Sales of retail stores<sup>2</sup>(4) Consumption of service<sup>4</sup>

Notes: 1. Seasonally adjusted by X-12-ARIMA ( $\beta$  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 in the consumption tax rate.

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

4. Outlays for travel and sales of food and drink are adjusted to exclude the effect of the rise in 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."

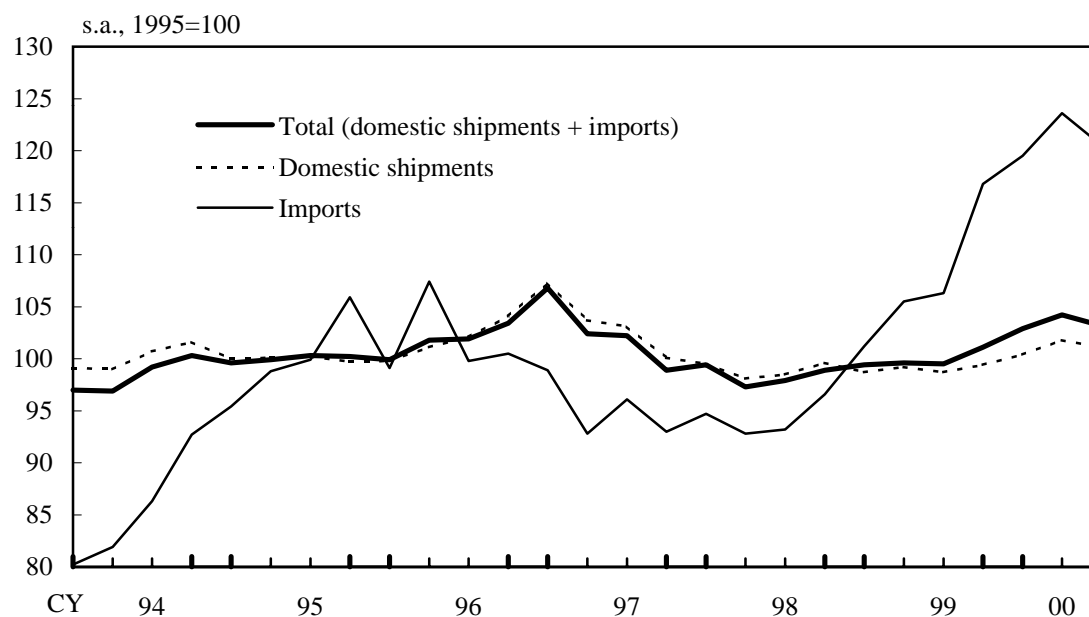


---

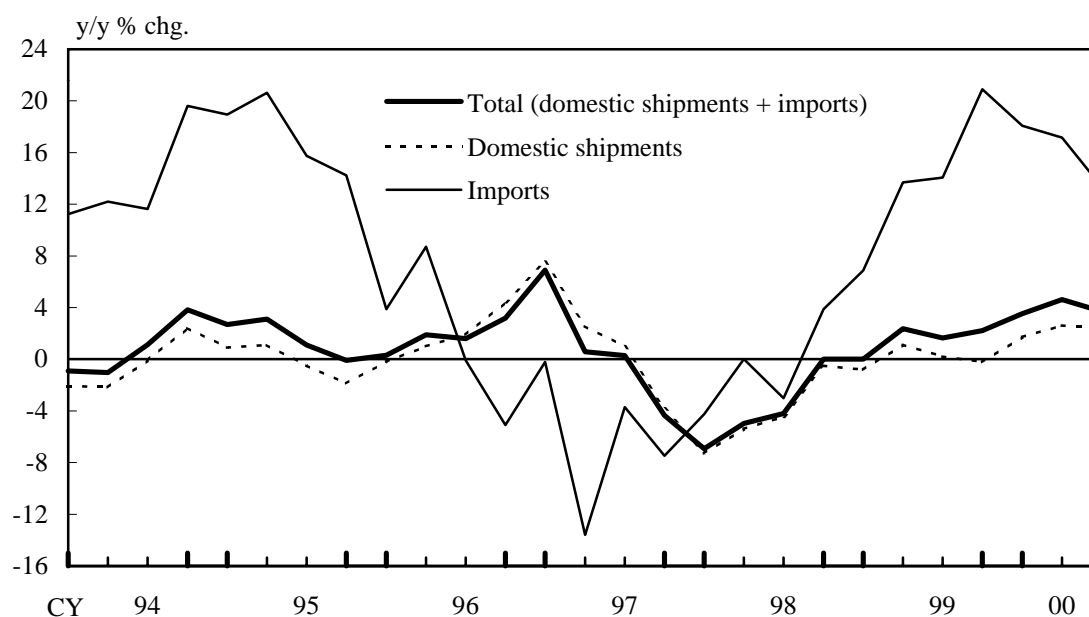
 Private Consumption (3) - Estimation of consumer goods supply
 

---

## (1) Level (1995=100)



## (2) Changes from a year earlier

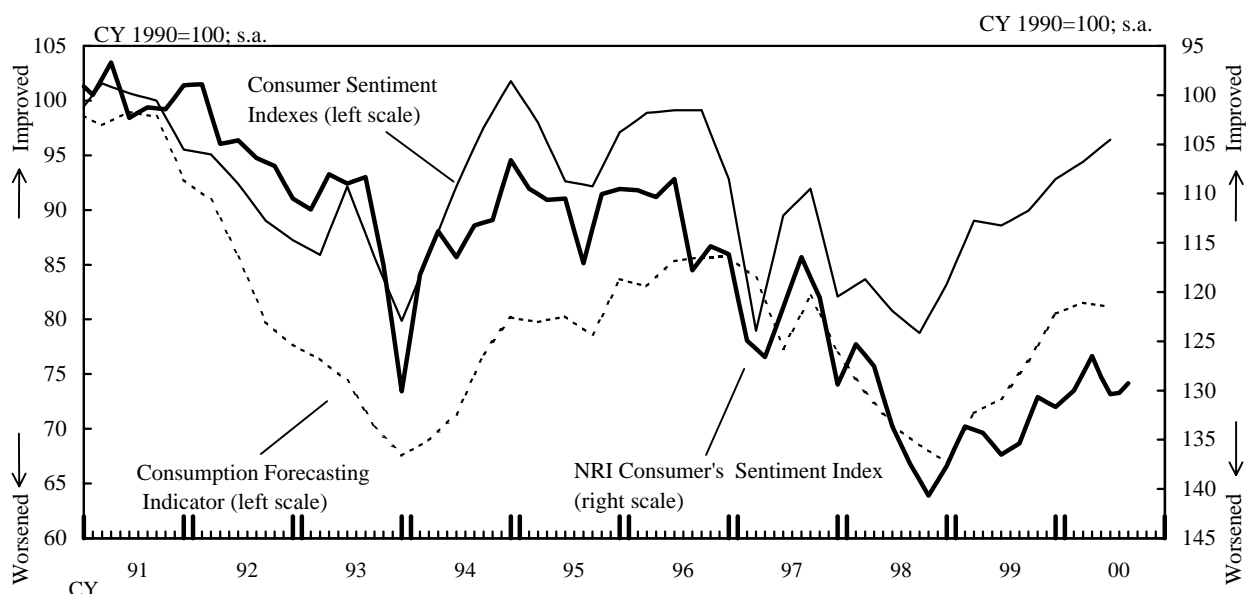


- Notes: 1. "Domestic shipments" and "Imports" are categories of "consumer goods" in the *Indices of Industrial Domestic Shipments and Imports*. (The definition for "consumer goods" is the same as that in the *Indices of Industrial Production*).
2. 2000/Q3 figures are those of July in terms of quarterly amount.
3. Figures for 2000/Q3 of "Domestic shipments" are calculated from quarter-to-quarter changes of *Indices of Industrial Production* (excluding the effects of exports).
4. Figures for 2000/Q3 of "Imports" are calculated from quarter-to-quarter changes of real imports. Real imports (consumer goods) = motor vehicles + audio and visual apparatus + office machinery + foodstuff + textile.
5. Figures for 2000/Q3 of "Total (domestic shipments + imports)" are calculated from weighted average of the quarter-to-quarter changes in "Domestic shipments" and "Imports".
6. Year-to-year changes are calculated from seasonal adjusted series.

Sources: Ministry of International Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports"; Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes."

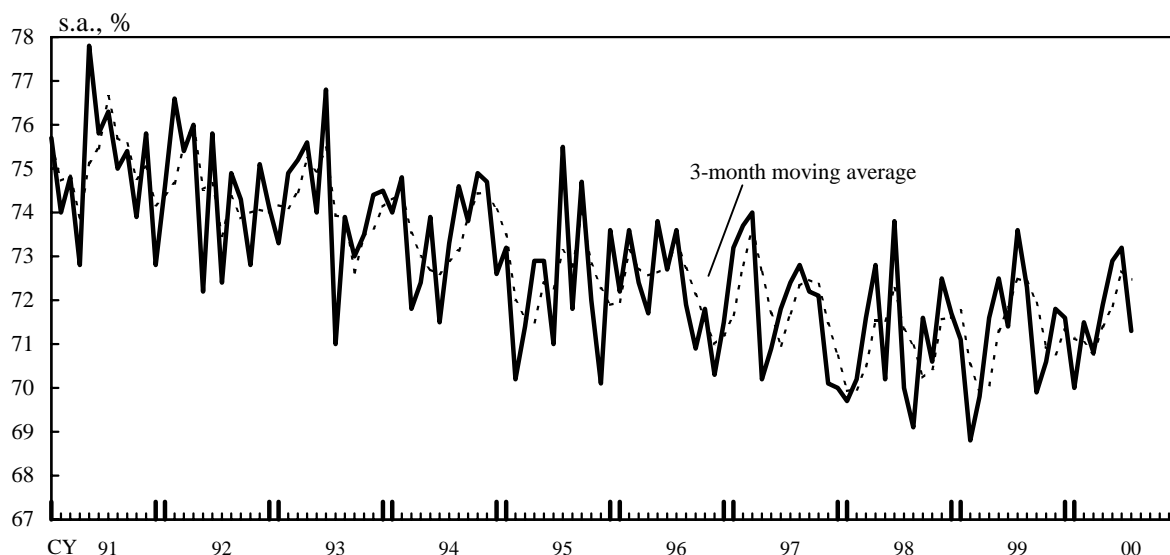
Consumer Confidence and Propensity to Consume

(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, Consumption 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, "Consumption Forecasting Indicator" by NIKKEI RIM, and "NRI Consumer's Sentiment Index" by NRI.

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

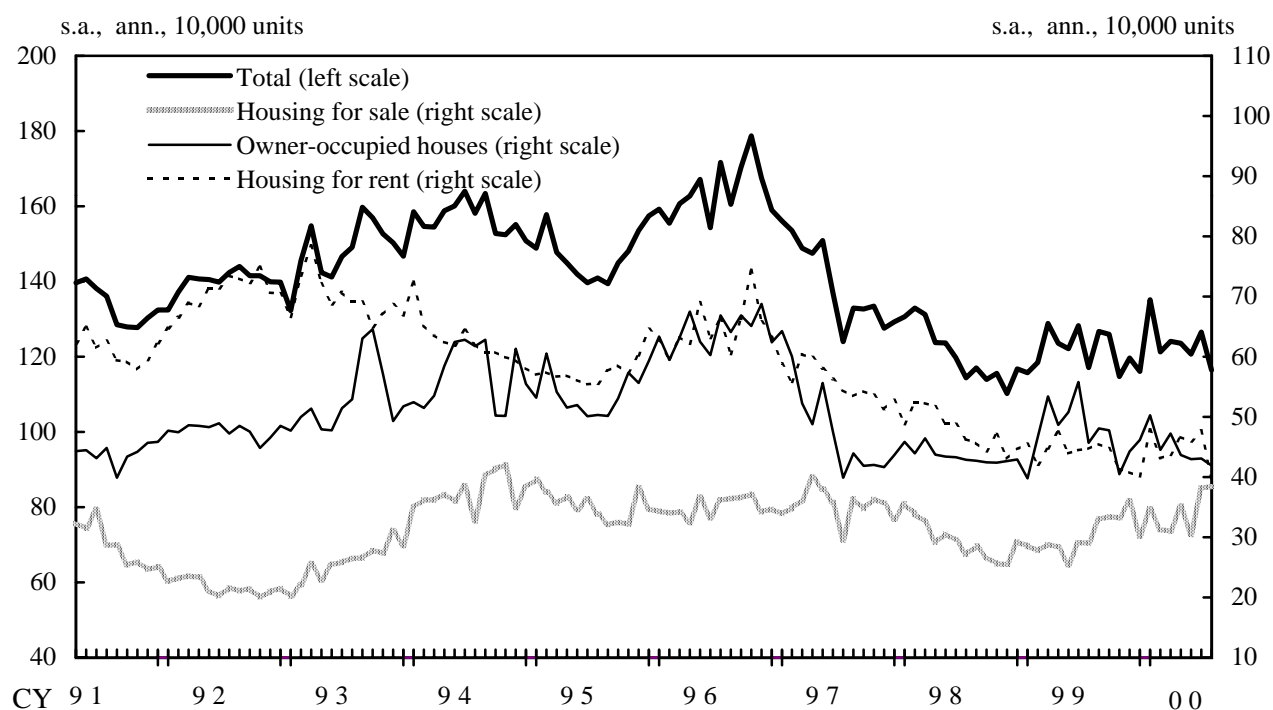
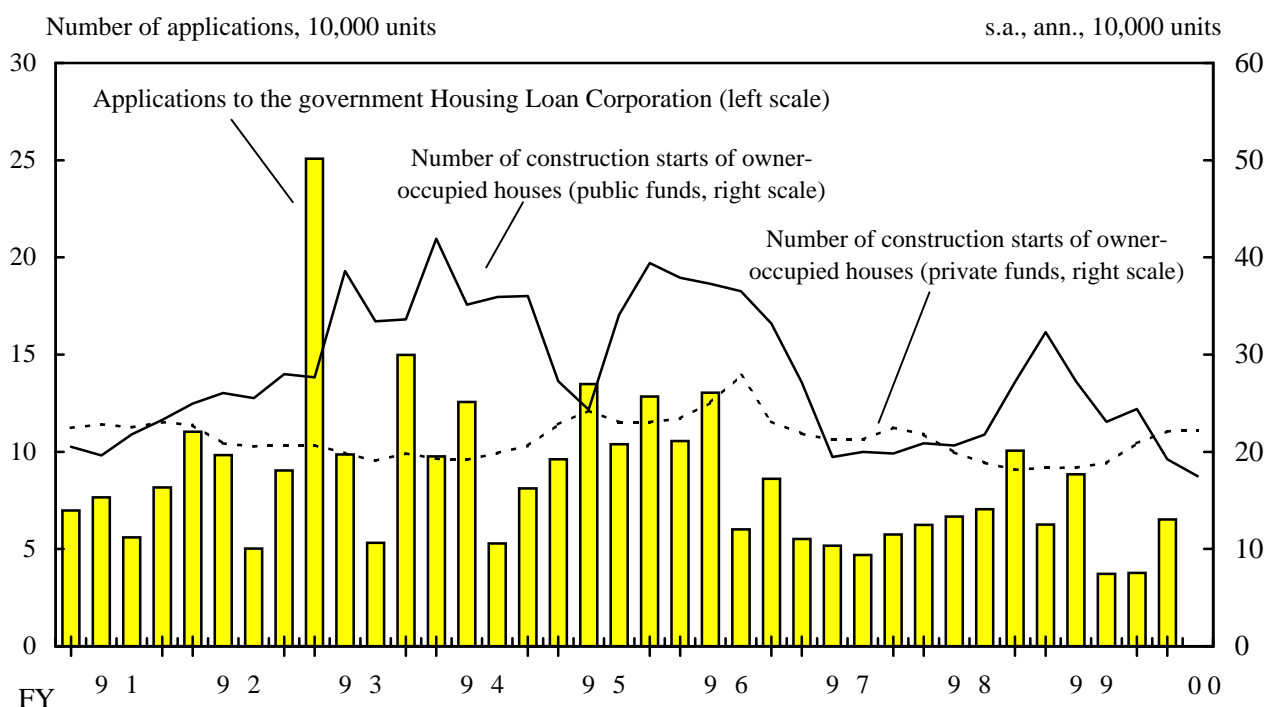


Note: Seasonally adjusted by the Management and Coordination Agency.

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."

## Indicators for Housing Investment

## (1) Housing starts

(2) Number of applications to the government Housing Loan Corporation  
(for new owner-occupied houses)

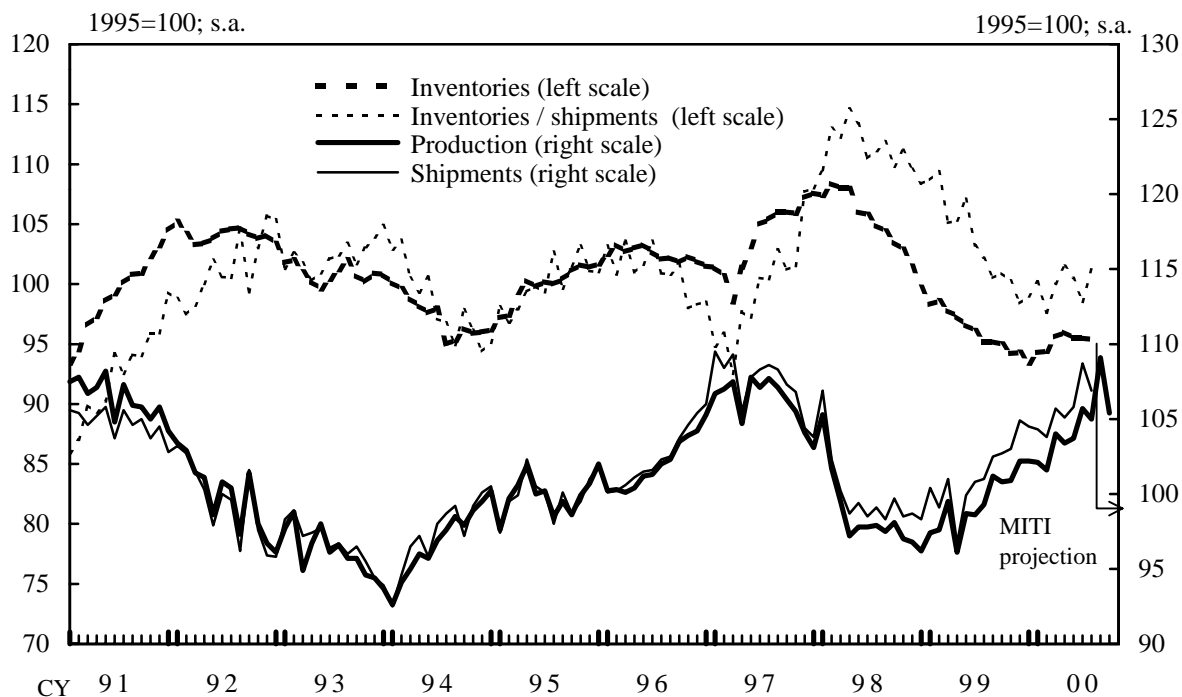
Notes: 1. The duration of the loan offering period (the government Housing Loan Corporation) differs according to the period. In addition, the period may expand to the following quarter. As for the number of loan applications for the construction of private homes in (2), even if the offering period expands to the following quarter, it is included in the quarter that includes most of the offering period.

2. Figures for the number of construction starts of owner-occupied houses (private funds and public funds) for 2000/Q2 are data of July in terms of quarterly amount.

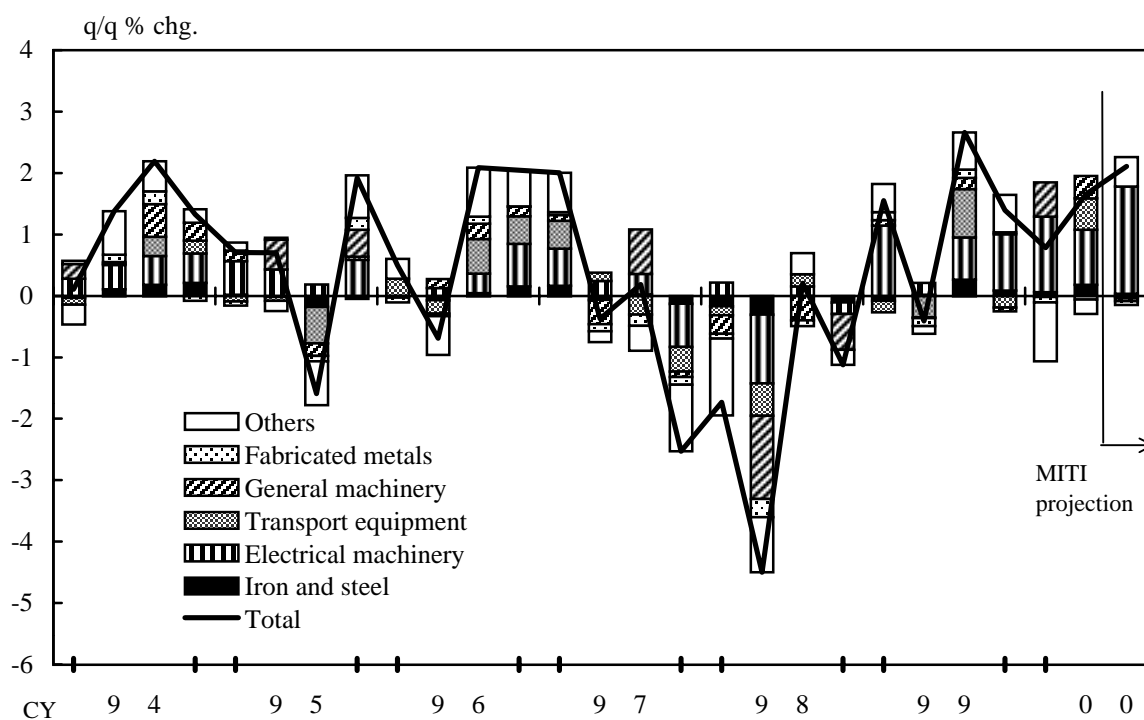
Sources: Ministry of Construction, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



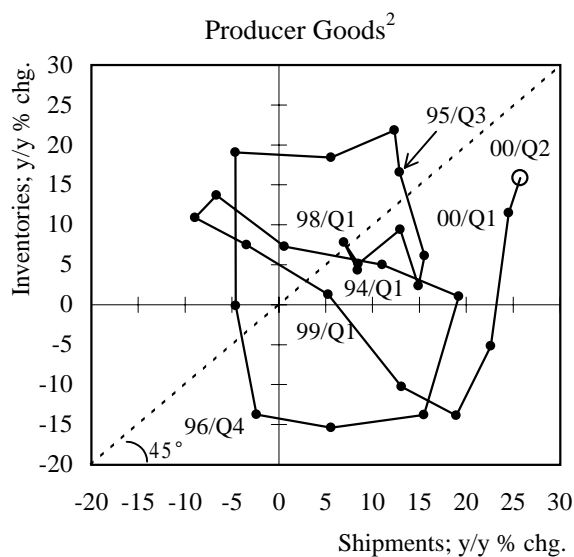
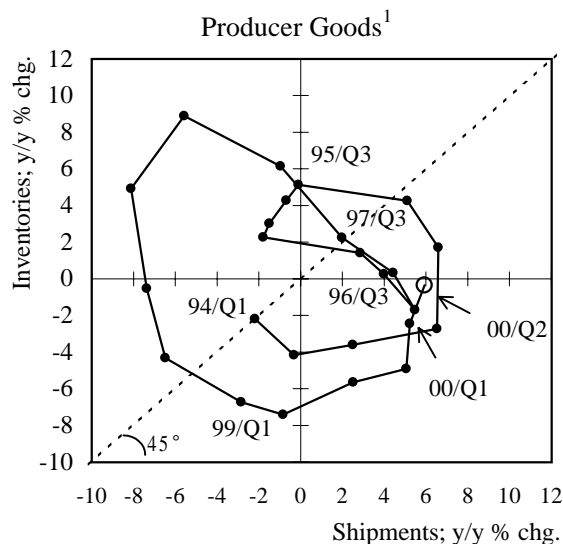
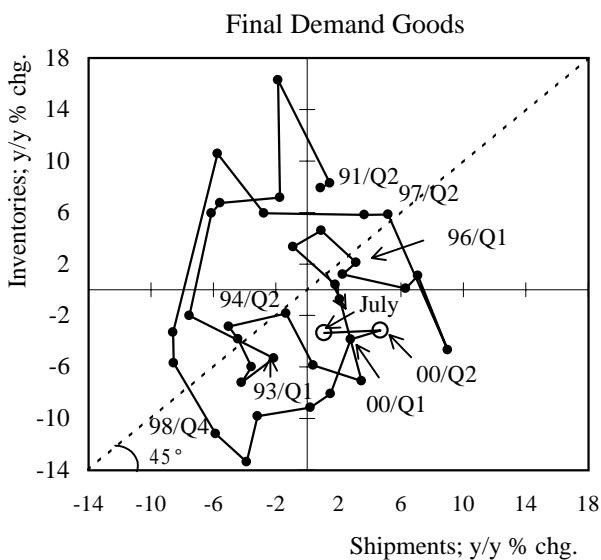
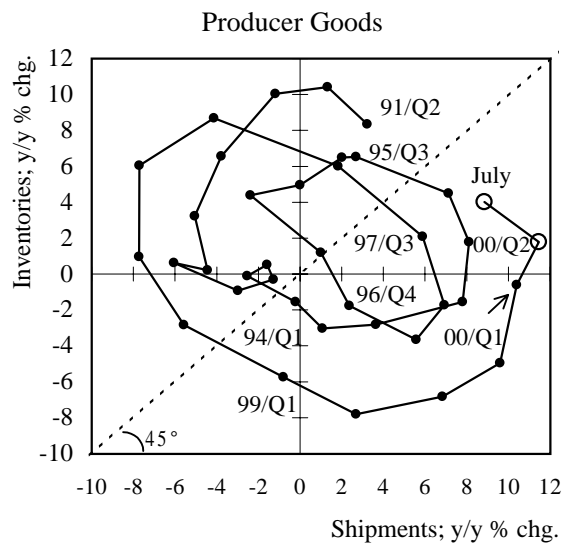
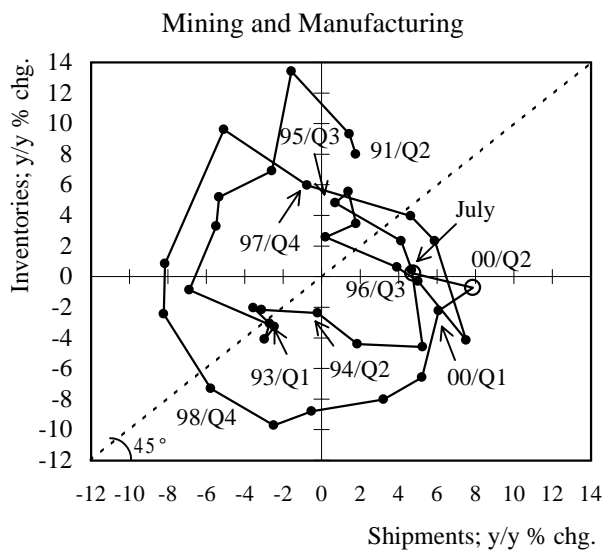
(2) Production by Industries



Note: Transport equipment excludes ships and rolling stock.

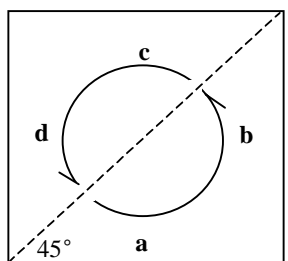
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

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

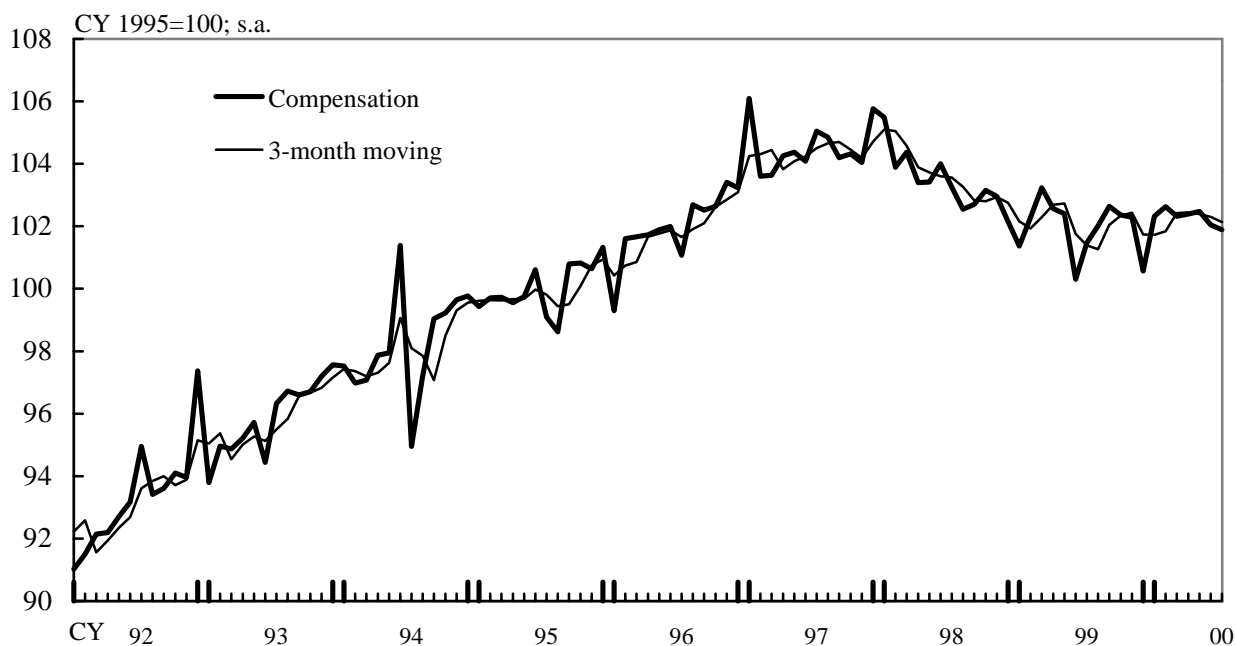
Notes: 1. Producer goods excluding electrical machinery.

2. Producer goods of electrical machinery.

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

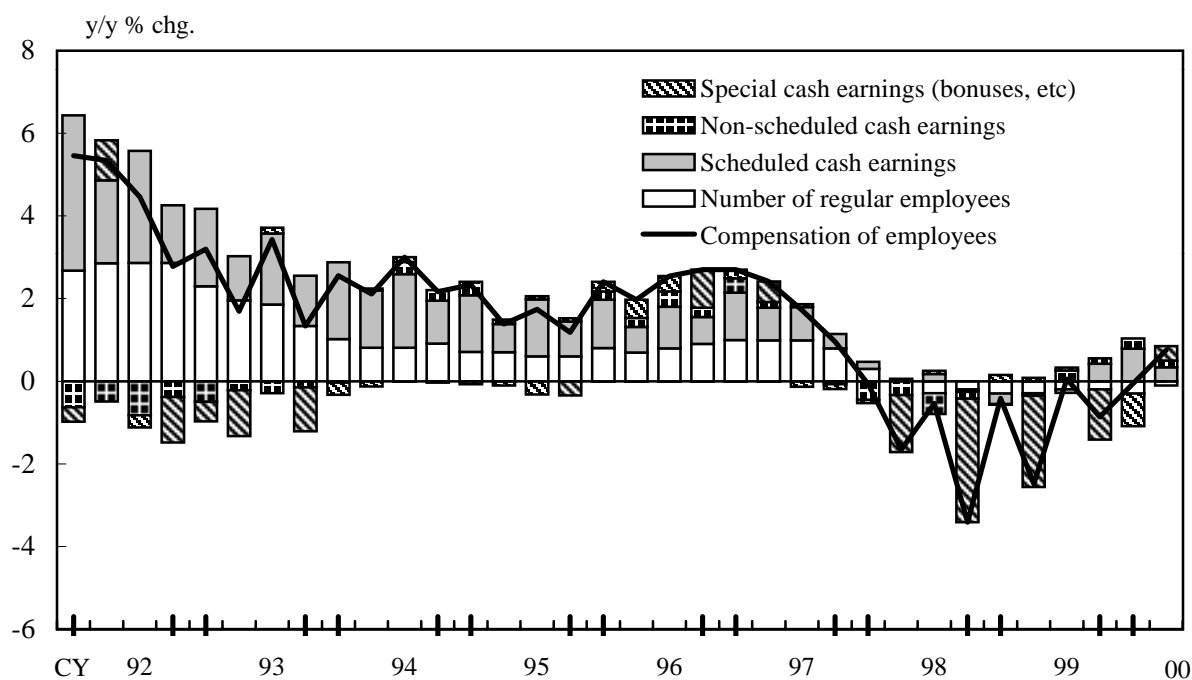
## Compensation of Employees

### (1) Compensation



- Notes: 1. Compensation = The index of total cash earnings  $\times$  the index of regular employees / 100 (calculated by the Bank of Japan).  
 2. Seasonally adjusted by X-12-ARIMA ( $\beta$  version).  
 3. Data for establishments with at least 5 employees. The data for July 2000 are preliminary figures.

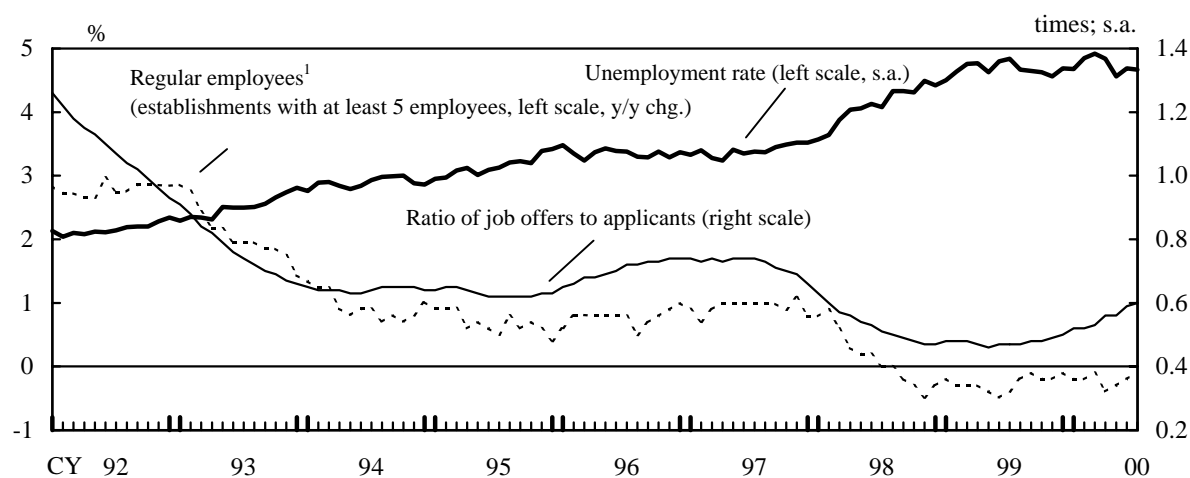
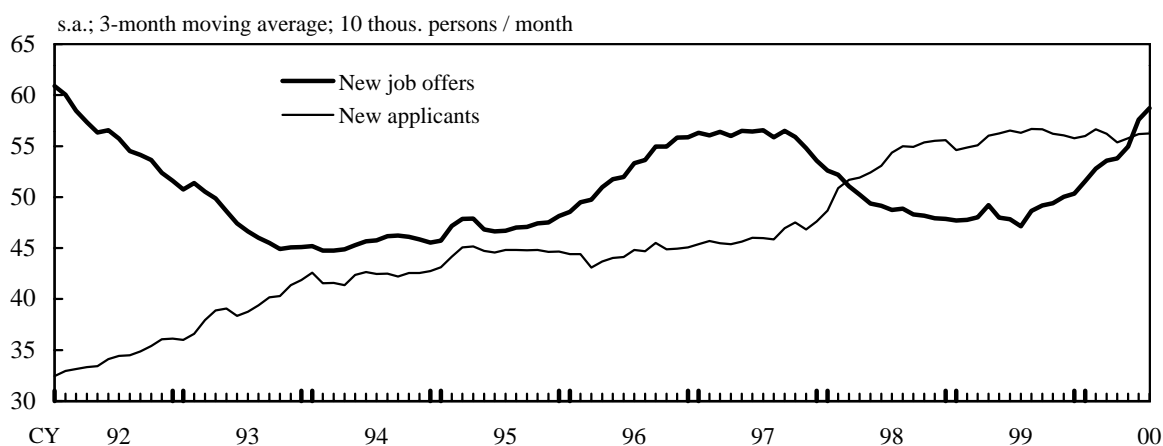
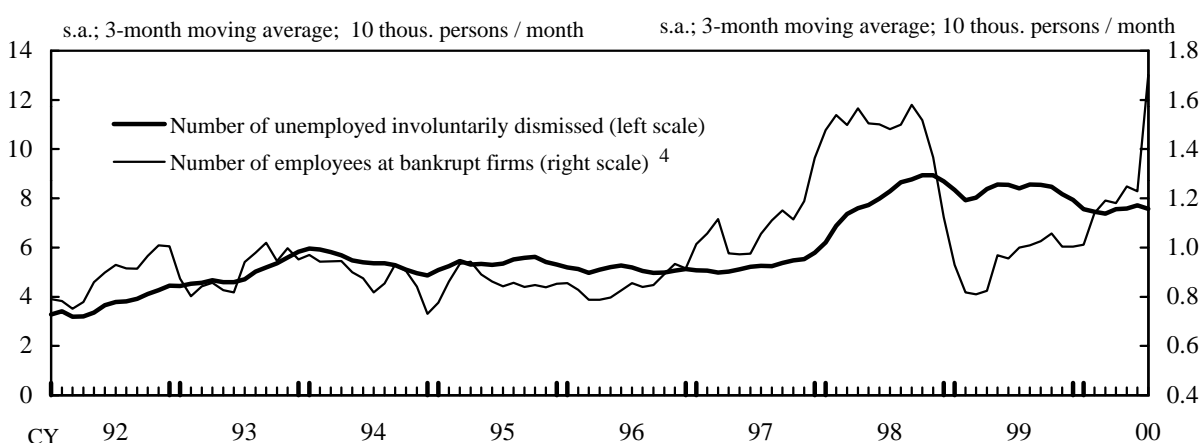
### (2) Breakdown of Compensation



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

## Labor

## (1) Monthly

(2) New Job Offers and New Applicants<sup>2</sup>(3) Number of Unemployed Involuntarily Dismissed and Employees at Bankrupt Firms<sup>3</sup>

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

2. Excludes jobs offered to new graduates.

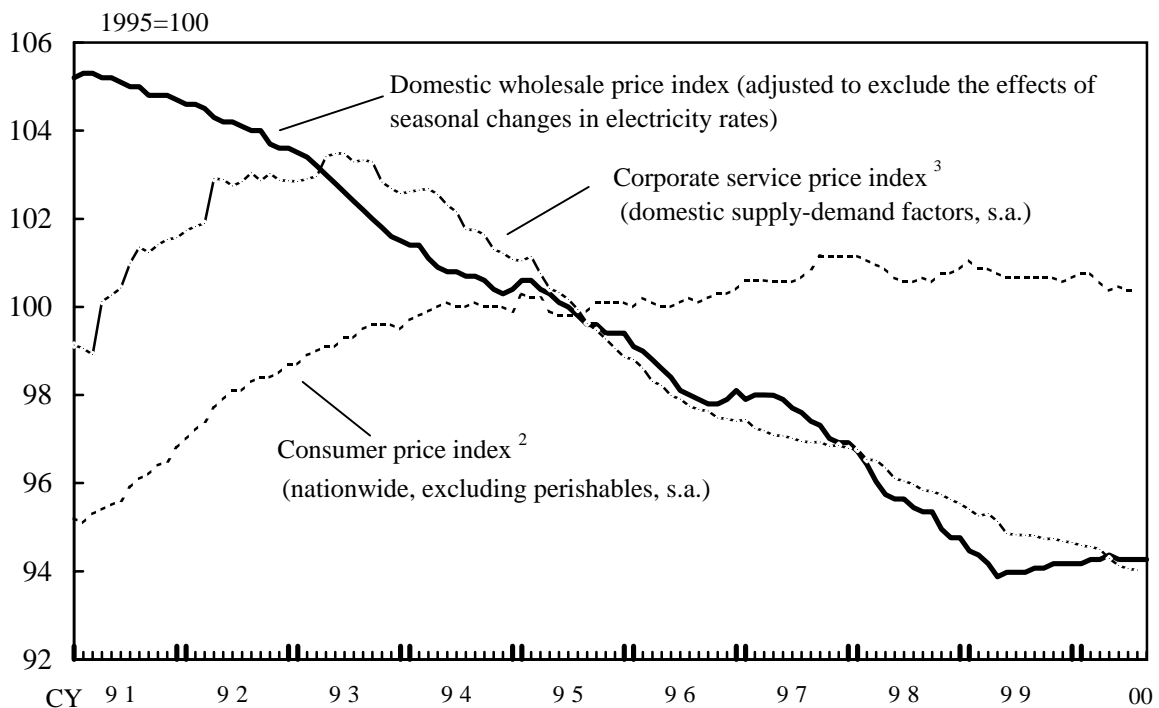
3. Seasonally adjusted by X-11.

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

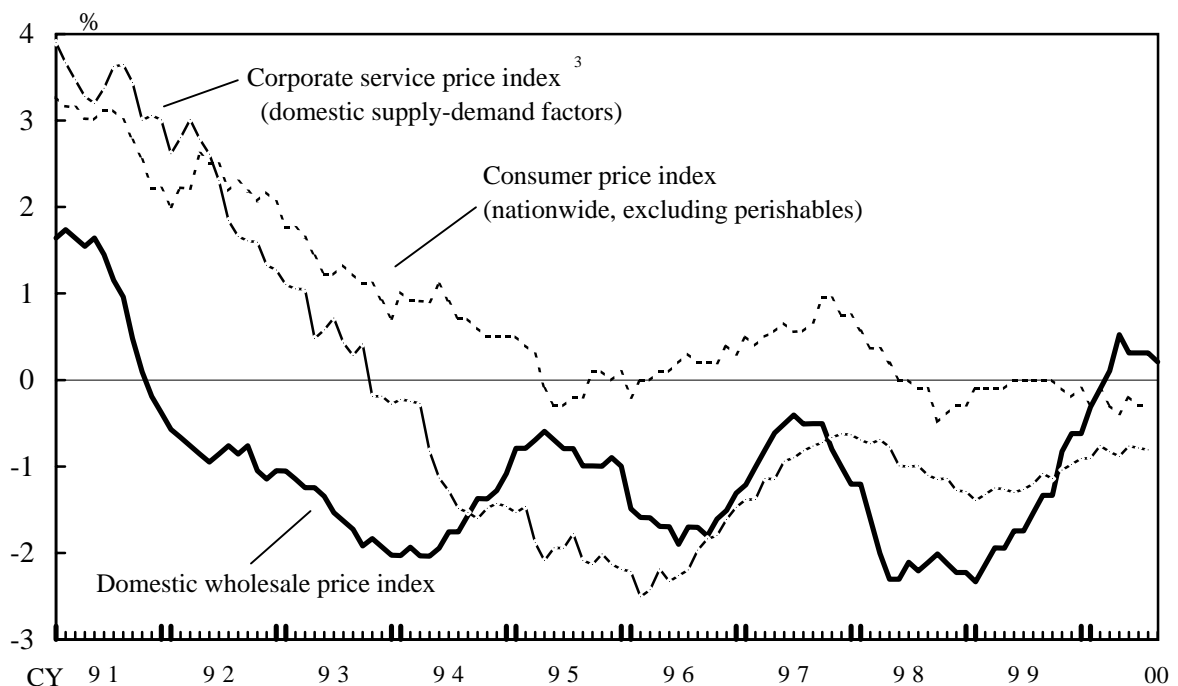
Sources: Ministry of Labour, "Monthly Labour Survey," "Report on Employment Service," "Report on Employment Insurance Service"; Management and Coordination Agency, "Labour Force Survey"; *Teikoku Databank Ltd.*, "Japan's Business Failure."

Prices<sup>1</sup>

(1) Level



(2) Changes from a year earlier



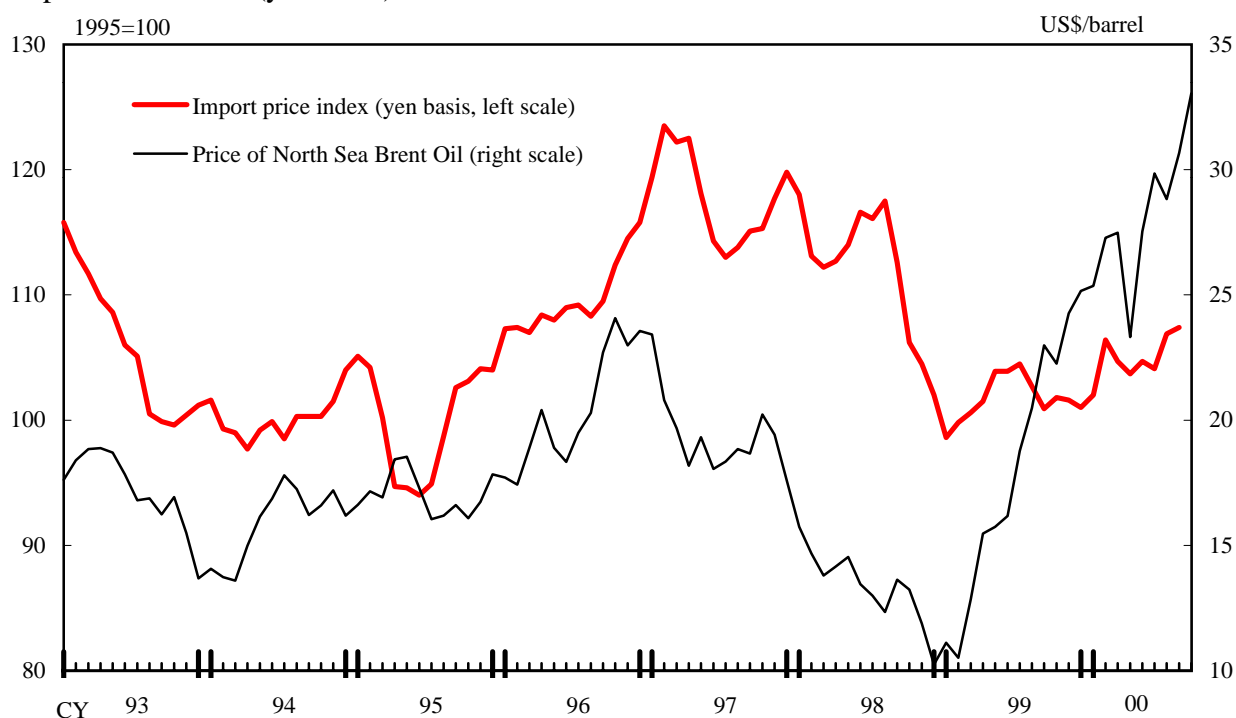
- Notes: 1. Figures before January 1995 are calculated from the CPI whose base period is 1990 in chart (1). This data series is seasonally adjusted by Management and Coordination Agency.
2. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.
3. See footnote 4 in Chart 19, for definition of 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."

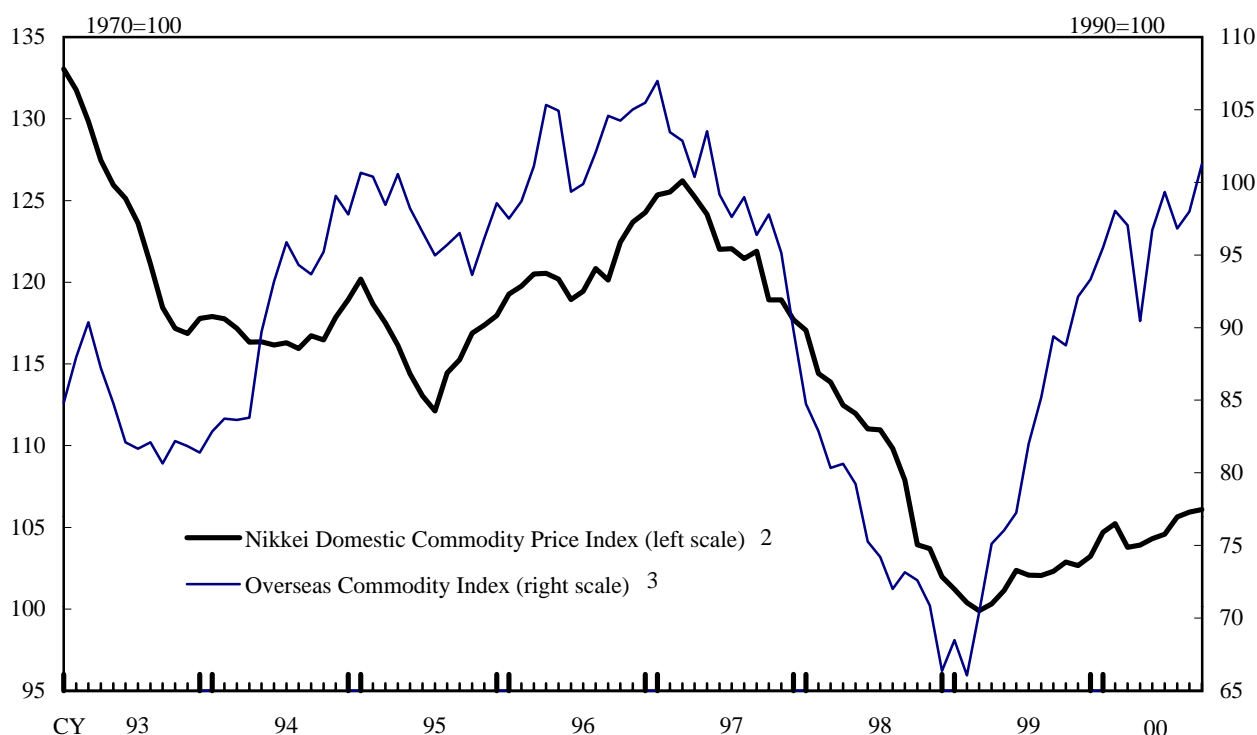


## Import Prices and Domestic Commodity Market

### (1) Import Price Index (yen basis) and Crude Oil Price<sup>1</sup>



### (2) Domestic Commodity Market



Notes: 1. Data for September 2000 are September 1-12 average.

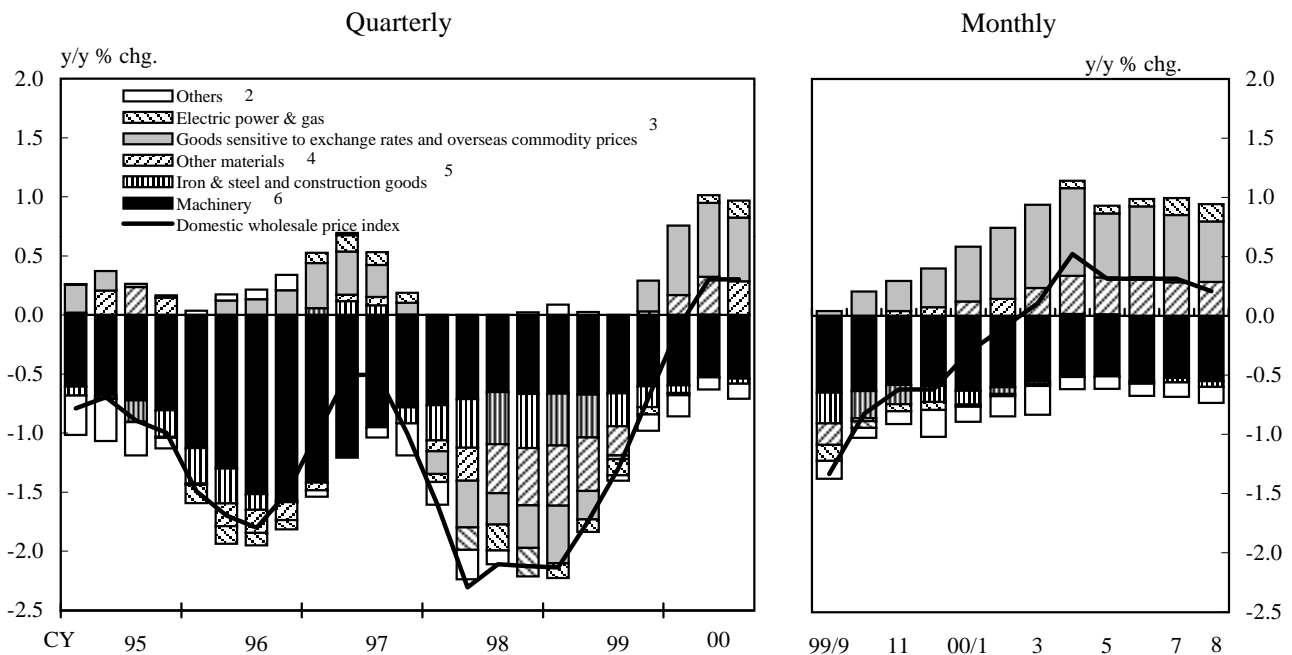
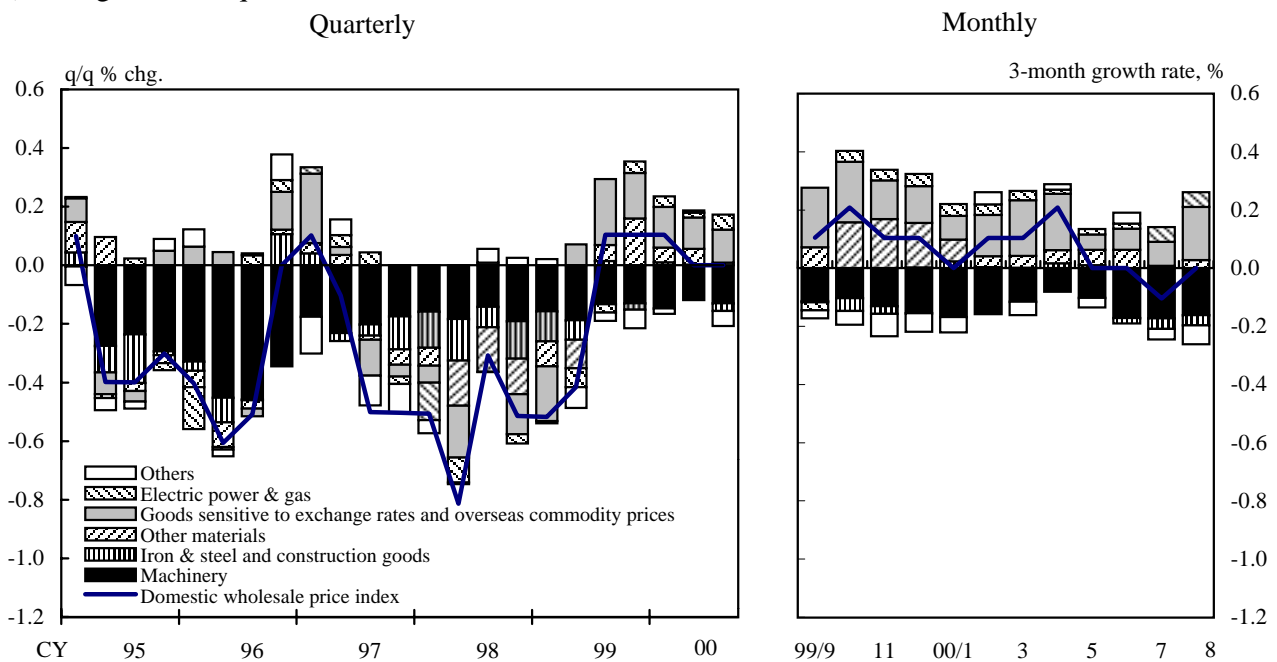
2. Data for September 2000 are as of September 8.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for September 2000 are September 1-12 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 Index<sup>1</sup>

## (1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier<sup>7</sup>

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.

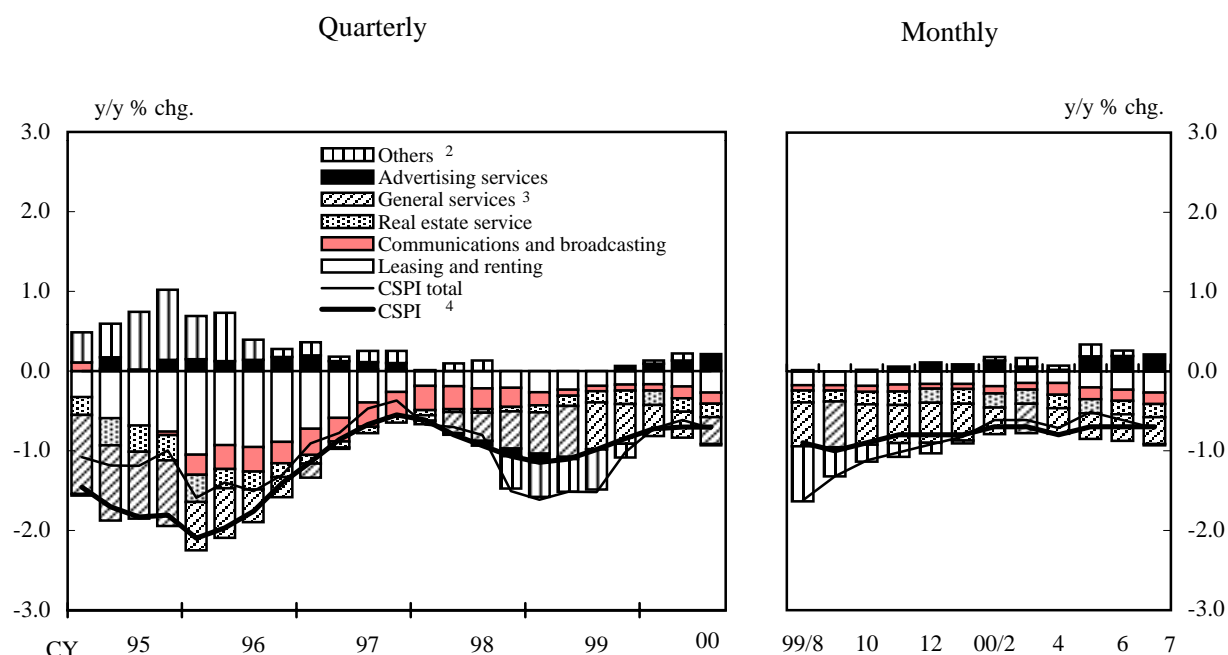
7. Adjusted to exclude the effects of the summer-time (from July to September) hike in electricity rates in chart (2).

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

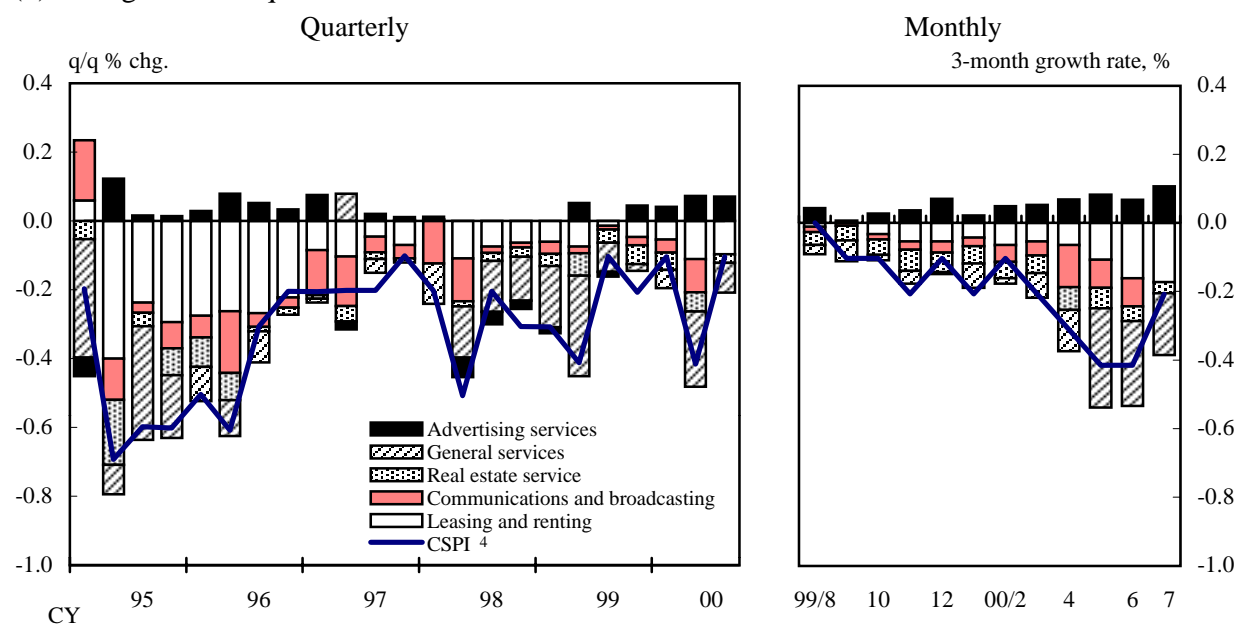
8. Data for 2000/Q3 are those of the Jul. - Aug. average.

Breakdown of Corporate Service Price Index<sup>1</sup>

## (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 ( $\beta$  version).

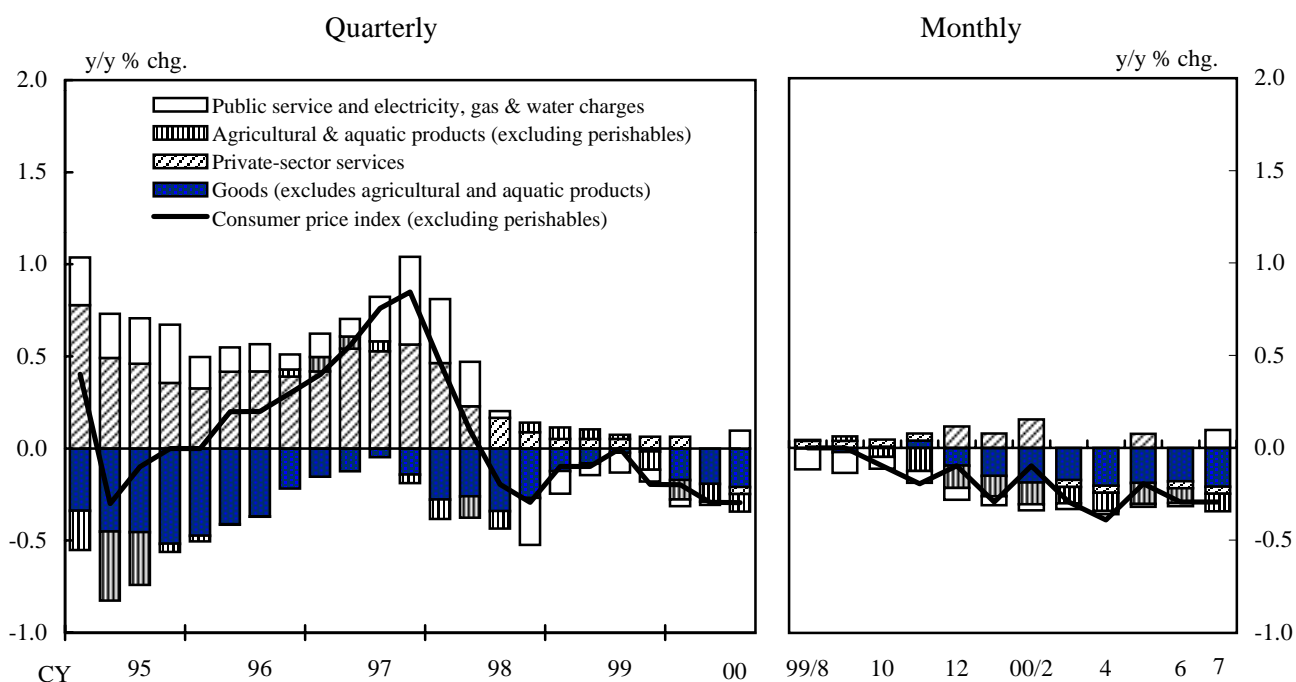
Due to seasonal adjustment every month, these data services are revised retroactively every month.

6. Data for 2000/Q3 are as of July.

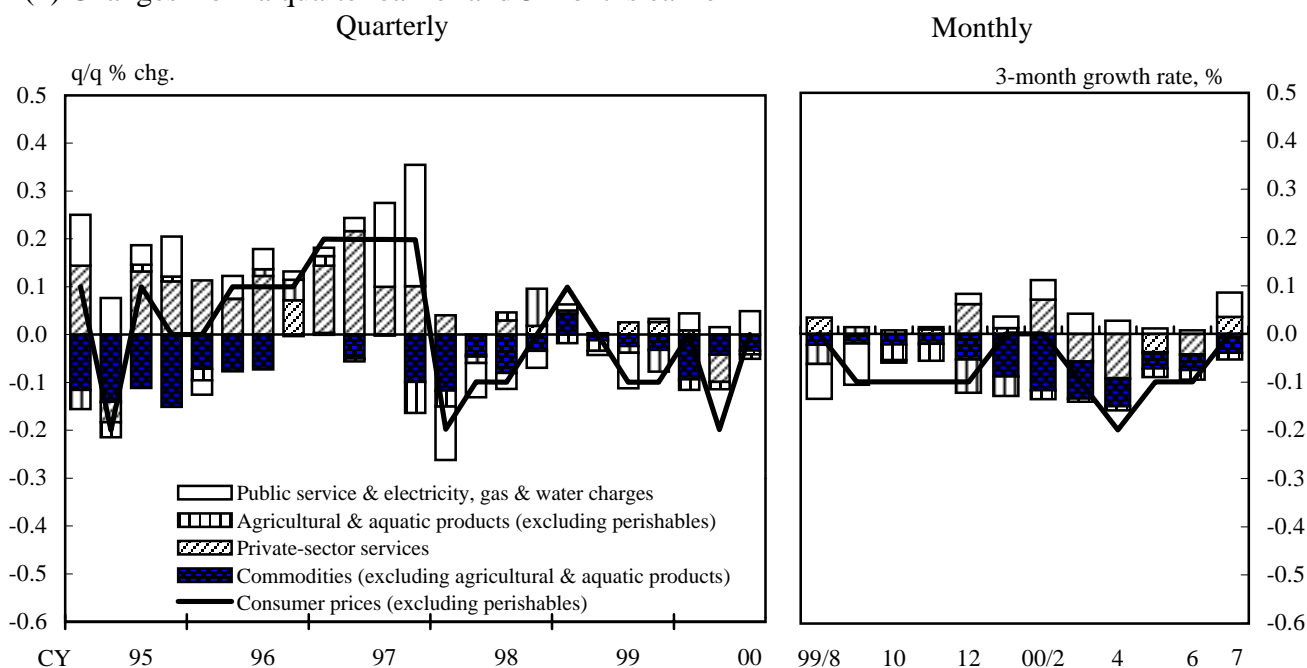
Source: Bank of Japan, "Corporate Service Price Index."

# Breakdown of Consumer Price Index (excluding perishables)<sup>1</sup>

## (1) Changes from a year earlier



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



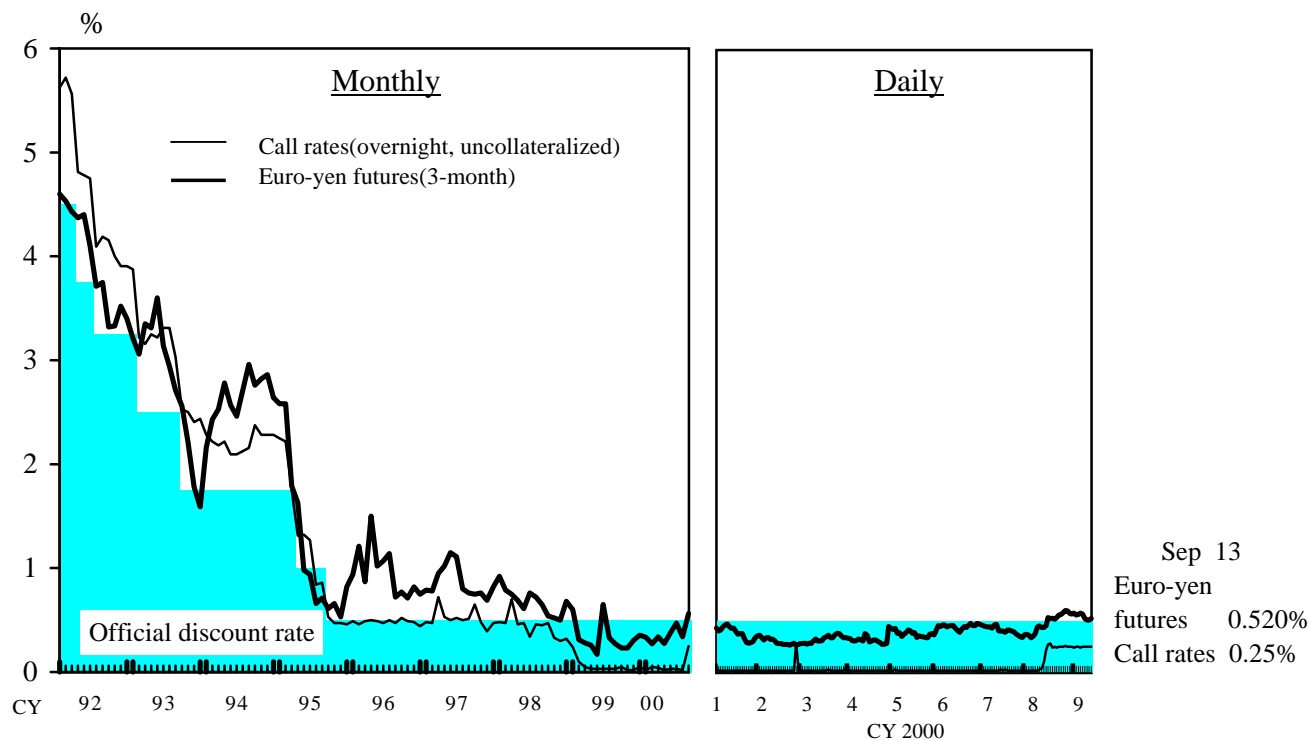
Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.  
 Data in chart (2) are seasonally adjusted. Due to seasonal adjustment every month, these data series are revised retroactively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

2. Data for 2000/Q3 are those of July.

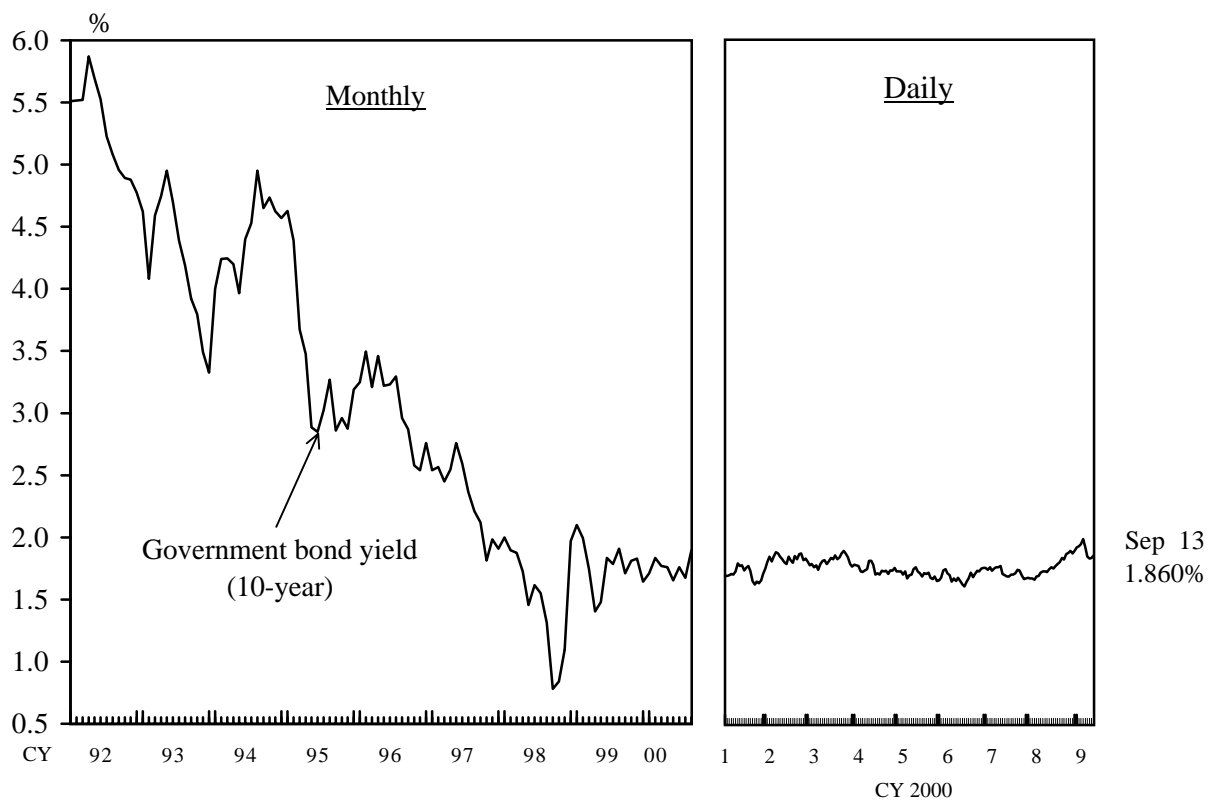
Source: Management and Coordination Agency, "Consumer Price Index."

Interest Rates

(1) Short-Term



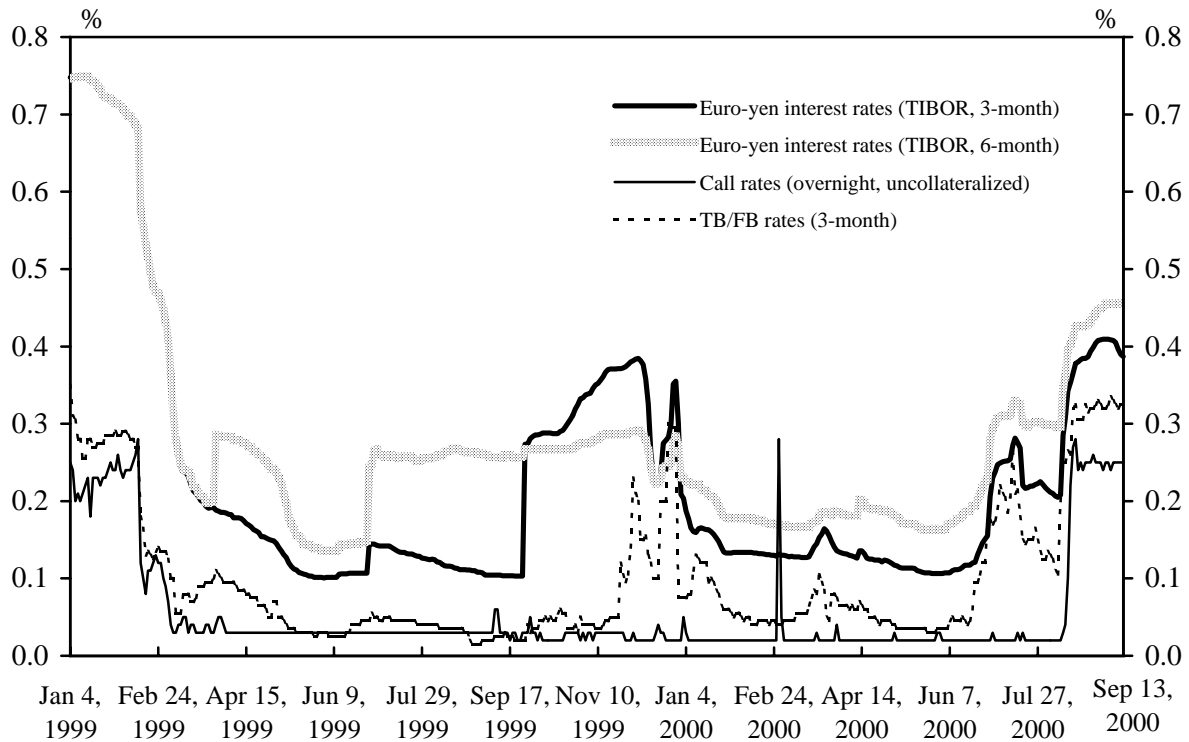
(2) Long-Term



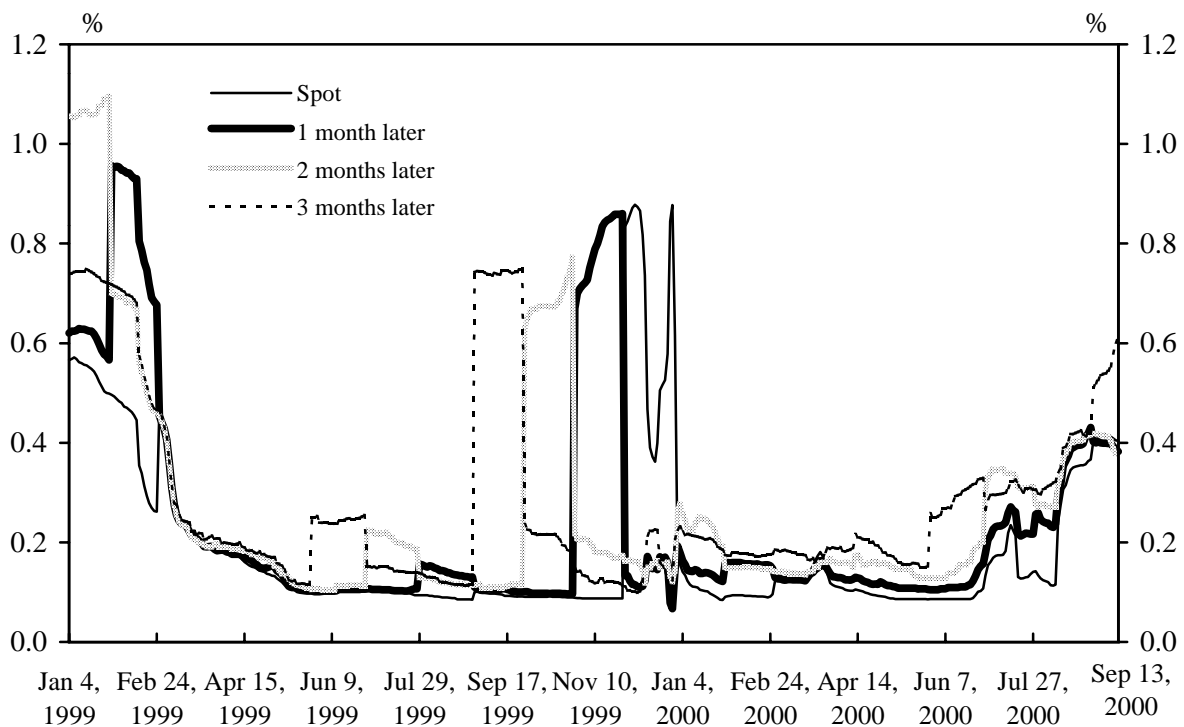
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

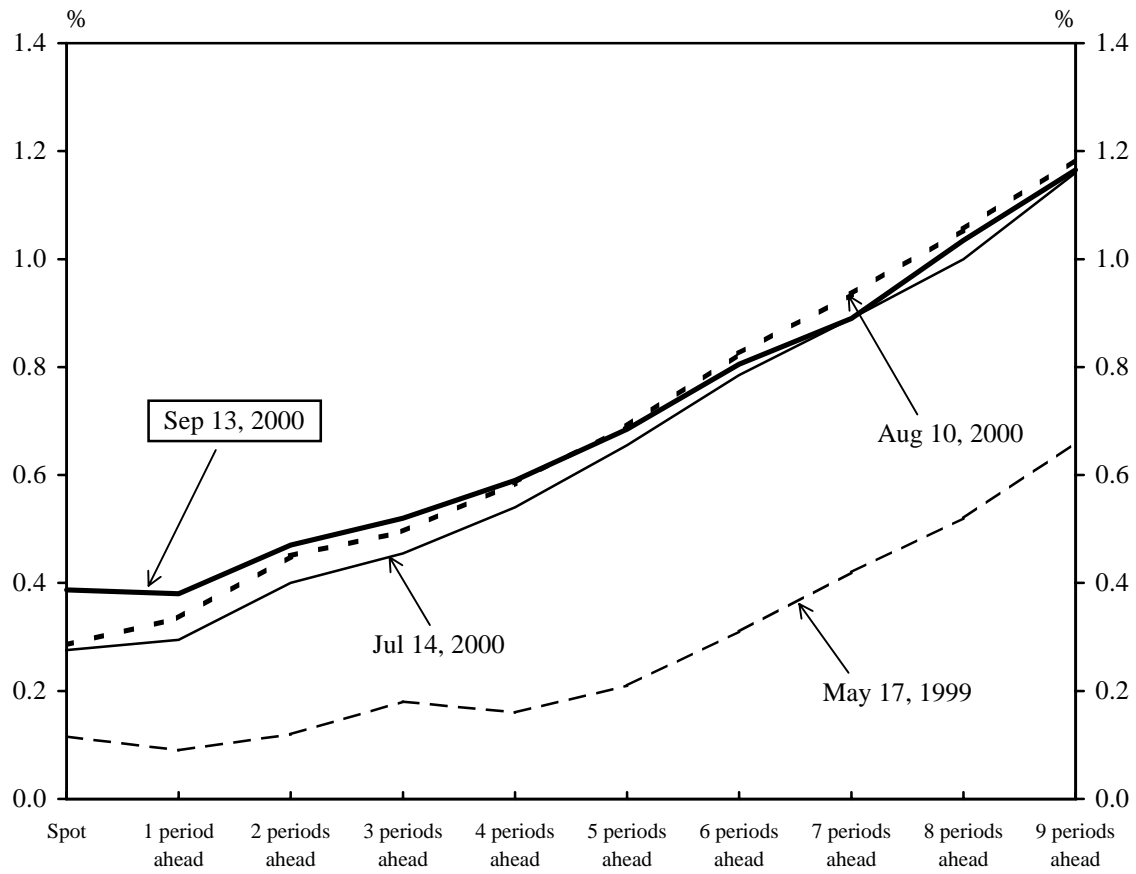


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

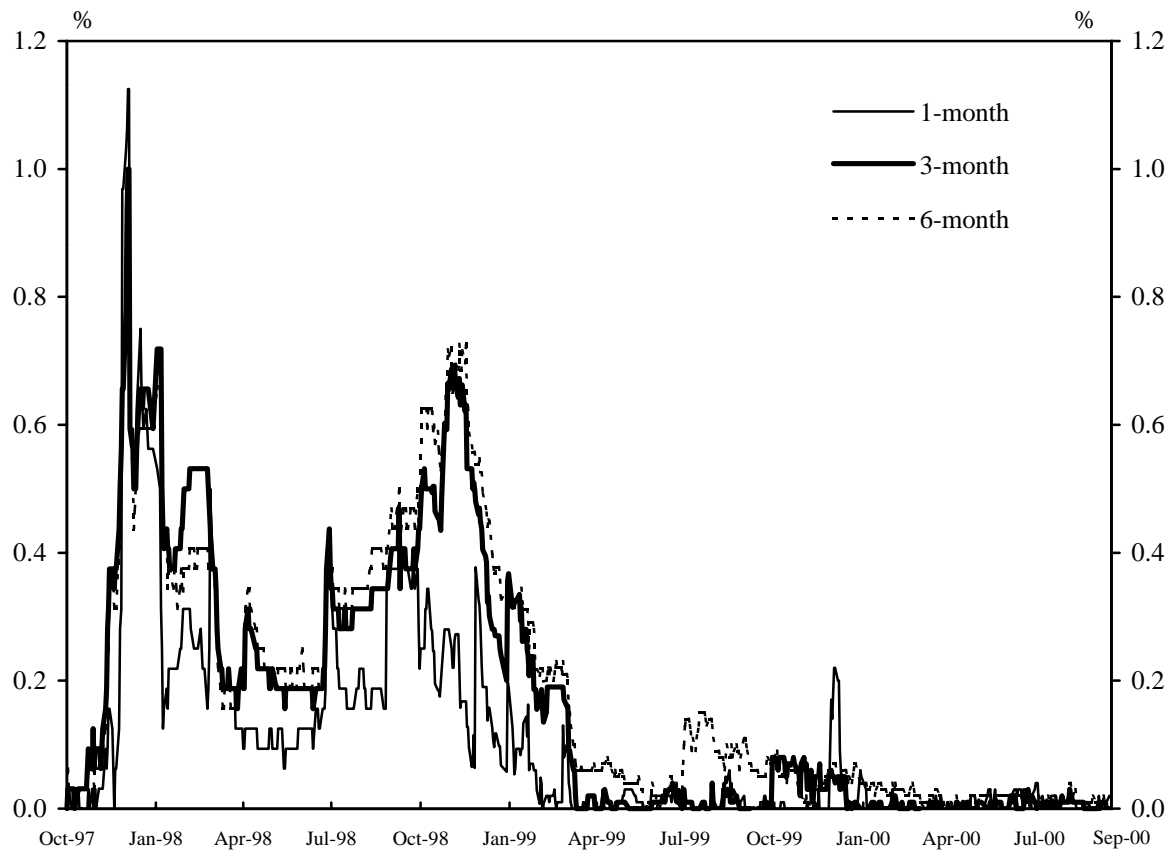


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Euro-Yen Interest Rates Futures (3-Month)



Source: Tokyo International Financial Futures Exchange.

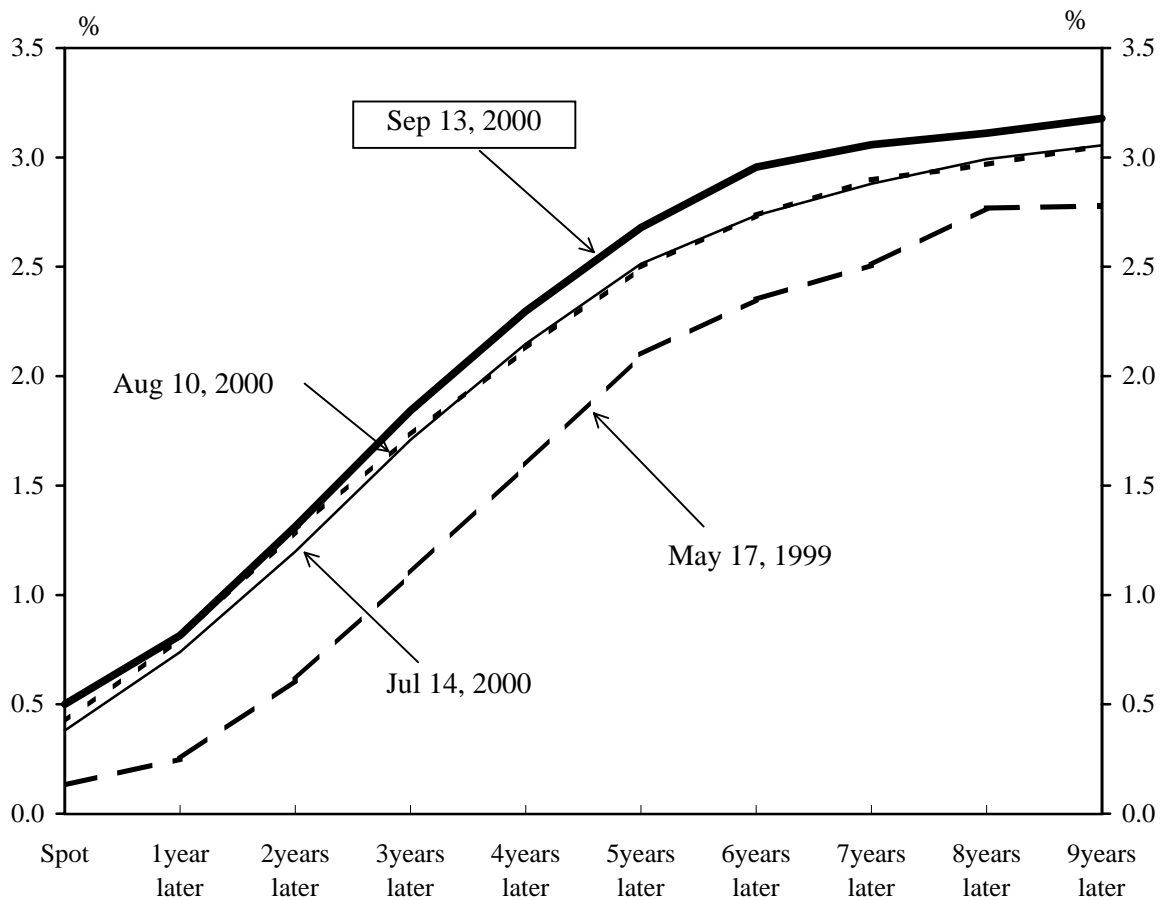
Japan Premium in the Eurodollar Market <sup>1</sup>

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)<sup>1</sup>

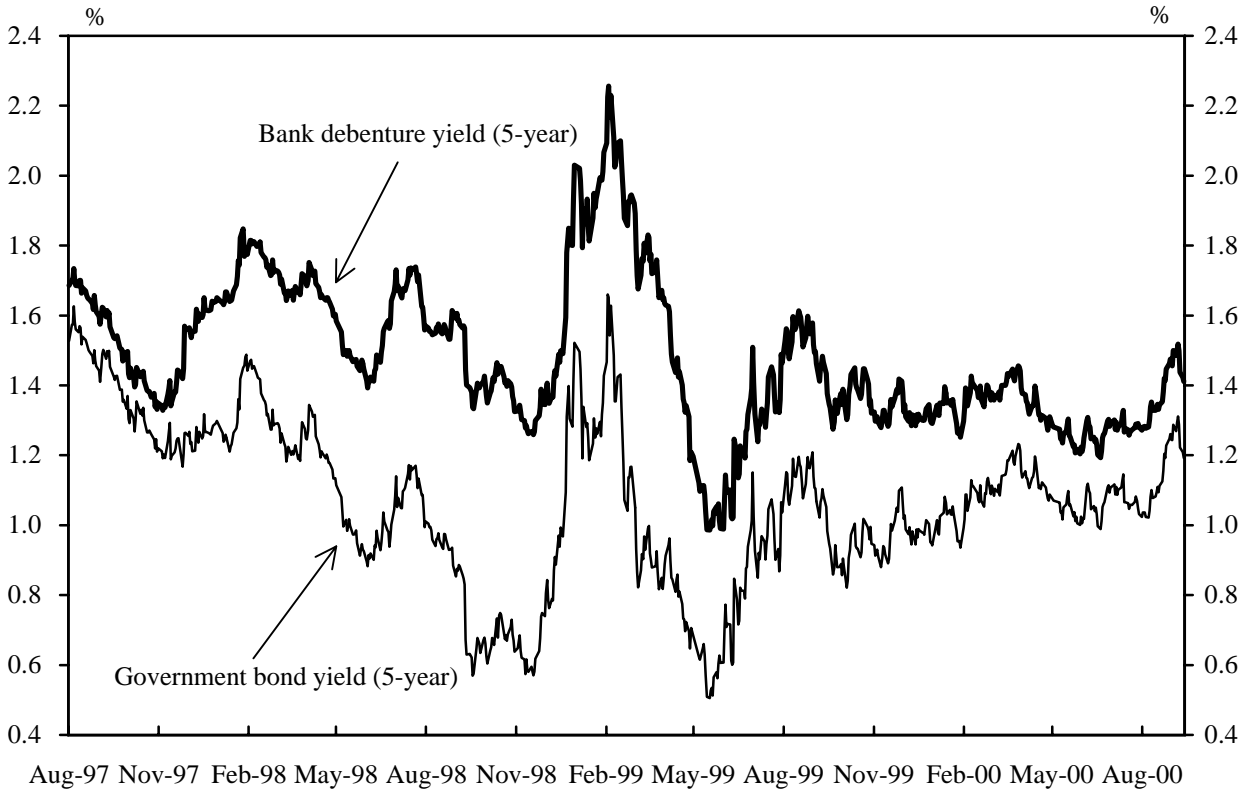


Note: 1. Calculated from yen-yen swap rates.

Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



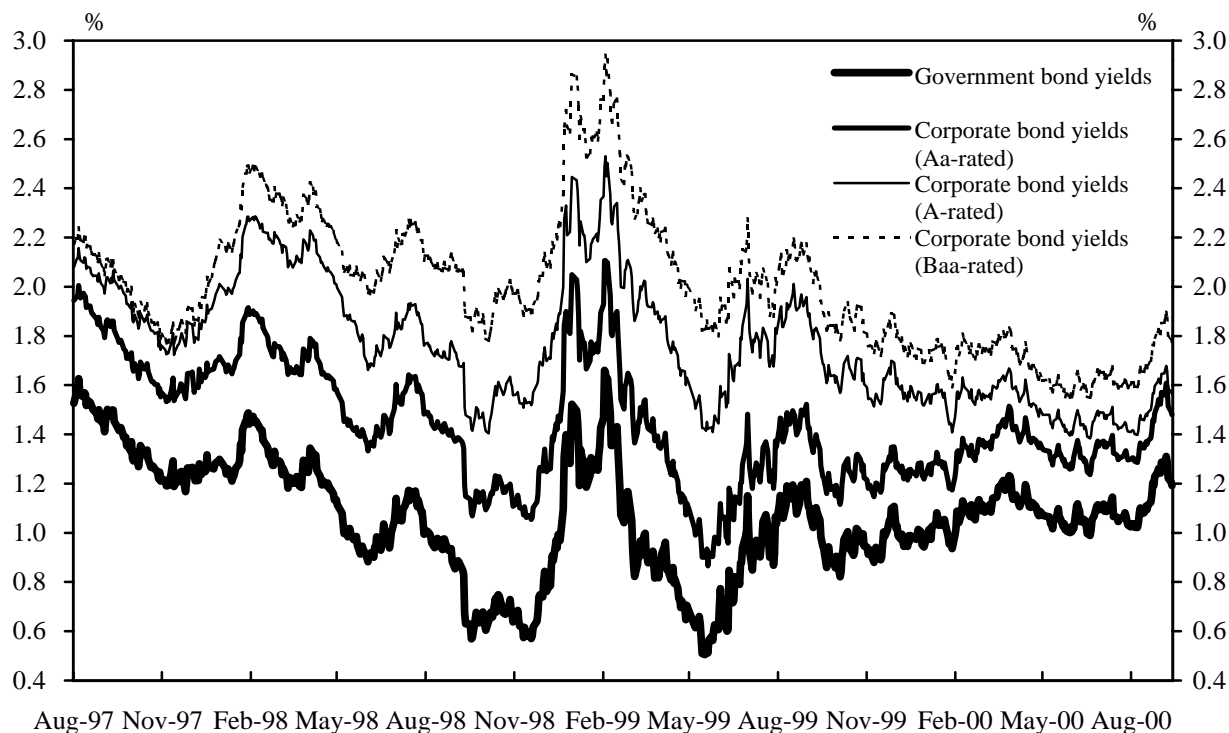
(2) Spread of Bank Debenture and Government Bond Yield



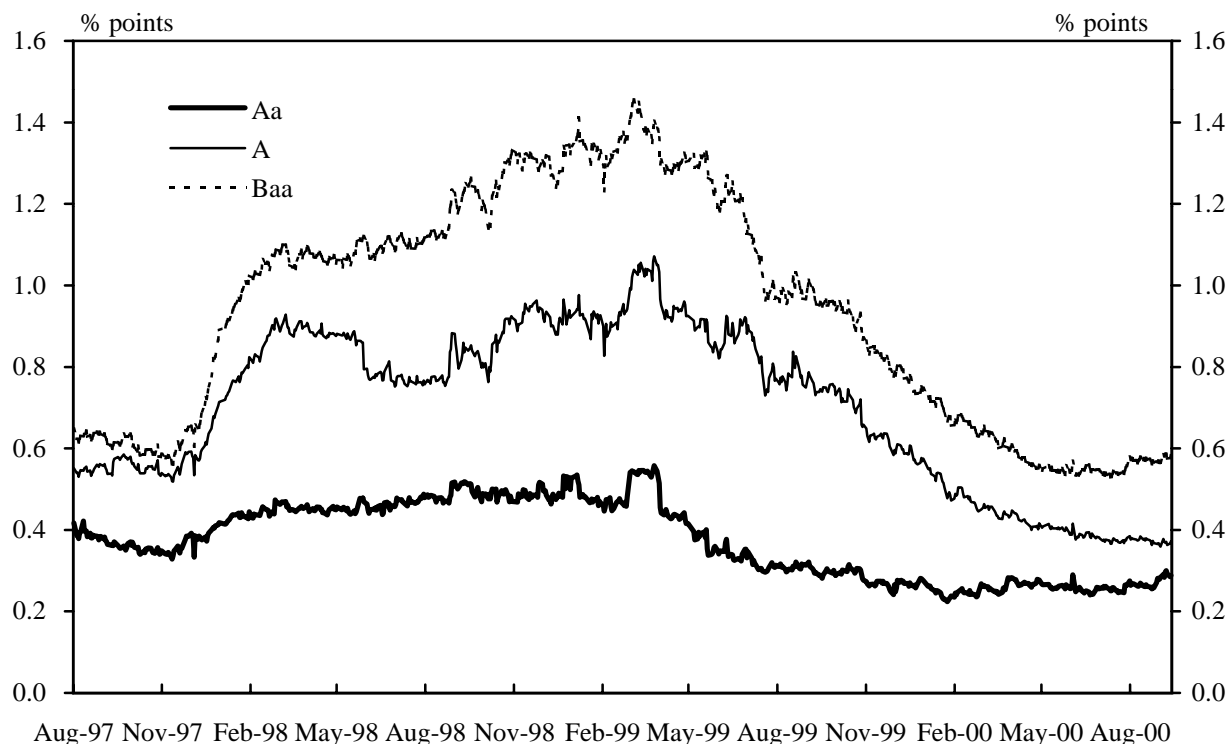
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields <sup>1</sup>

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



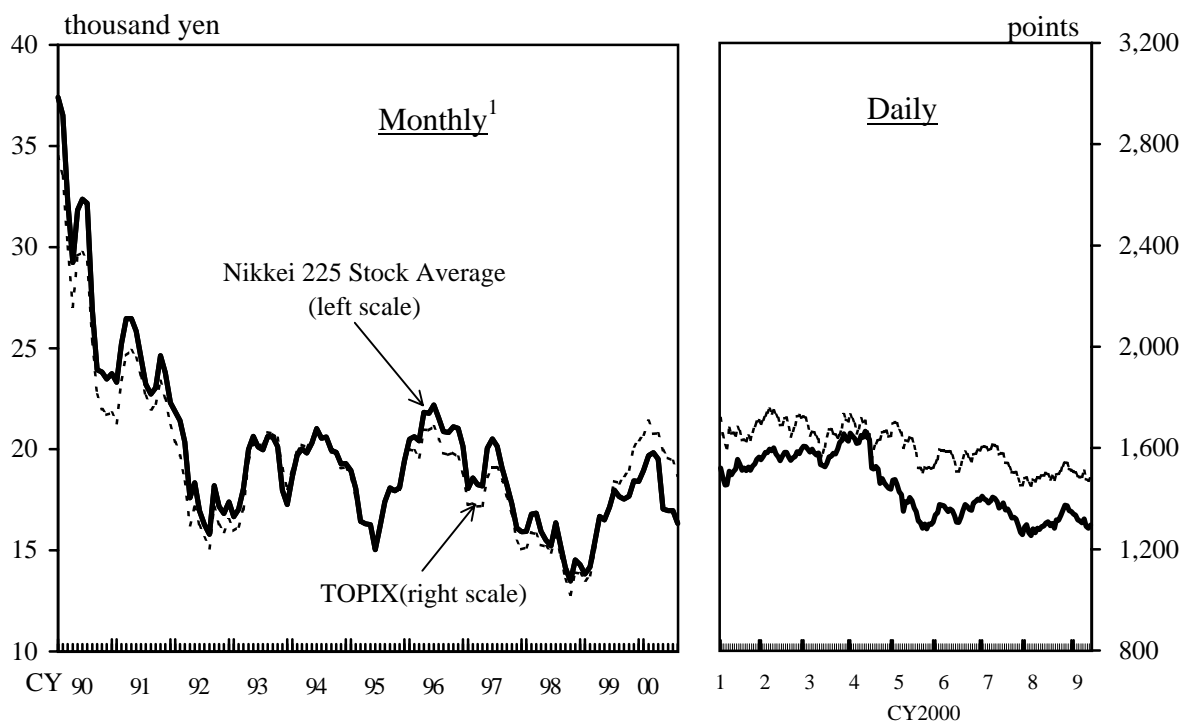
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

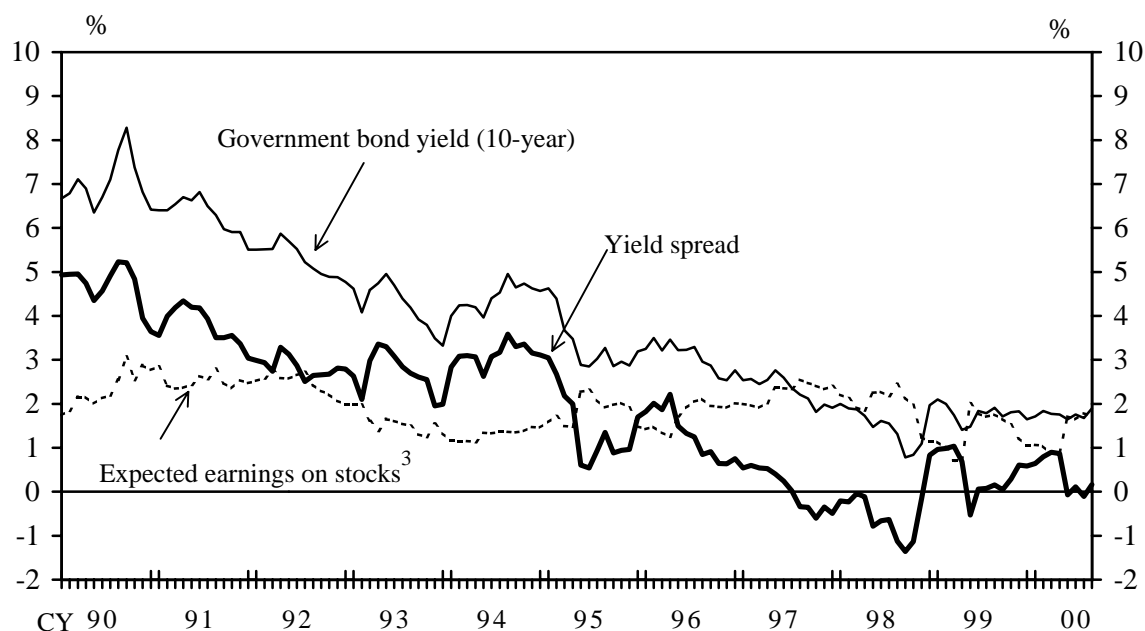
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



(2) Yield Spread<sup>2</sup>



Notes: 1. Data are monthly averages.

2. Data are at end of period.

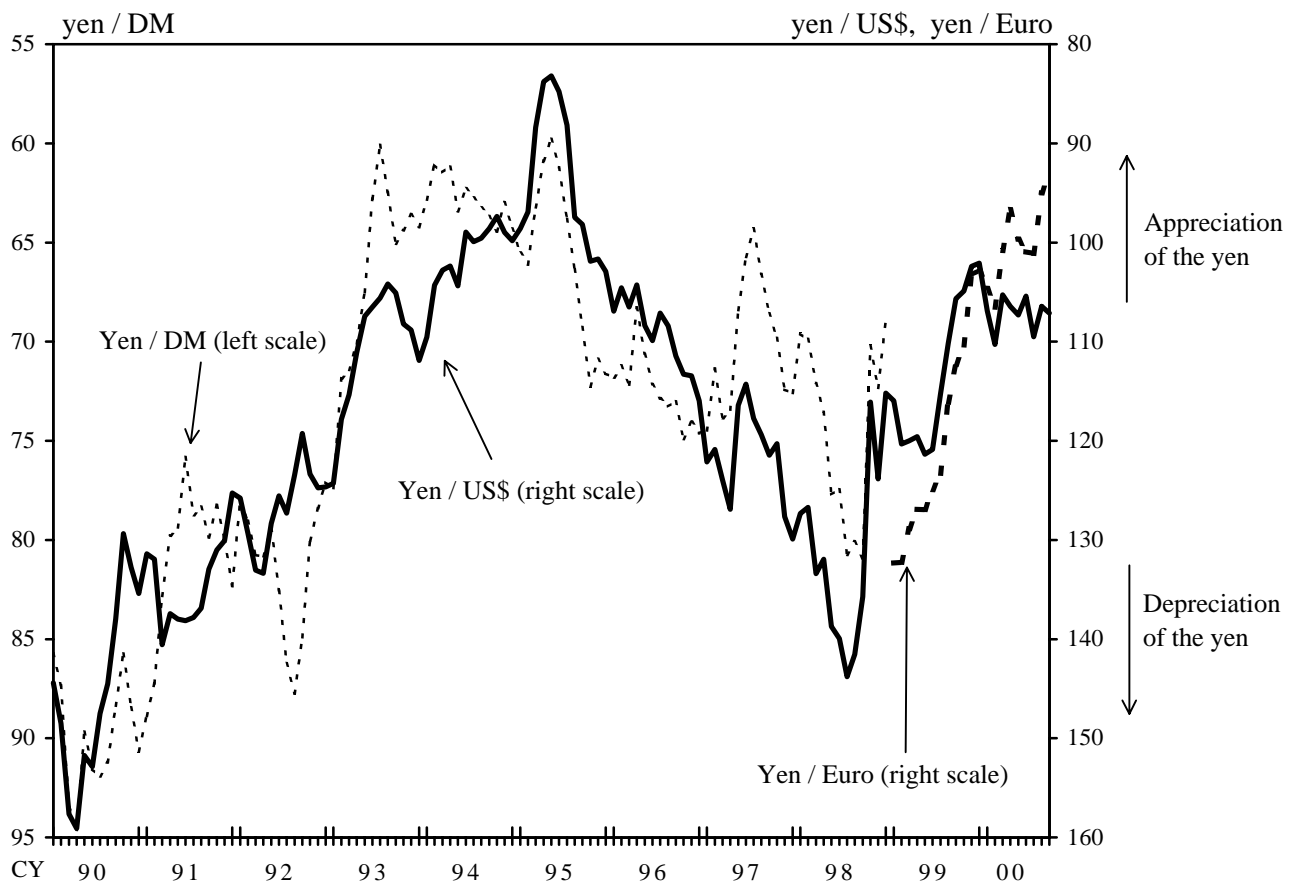
Yield spread = government bond yields - expected earnings on stocks,  
 where expected earnings on stocks = 1/expected price earnings ratio.

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 <sup>1</sup>

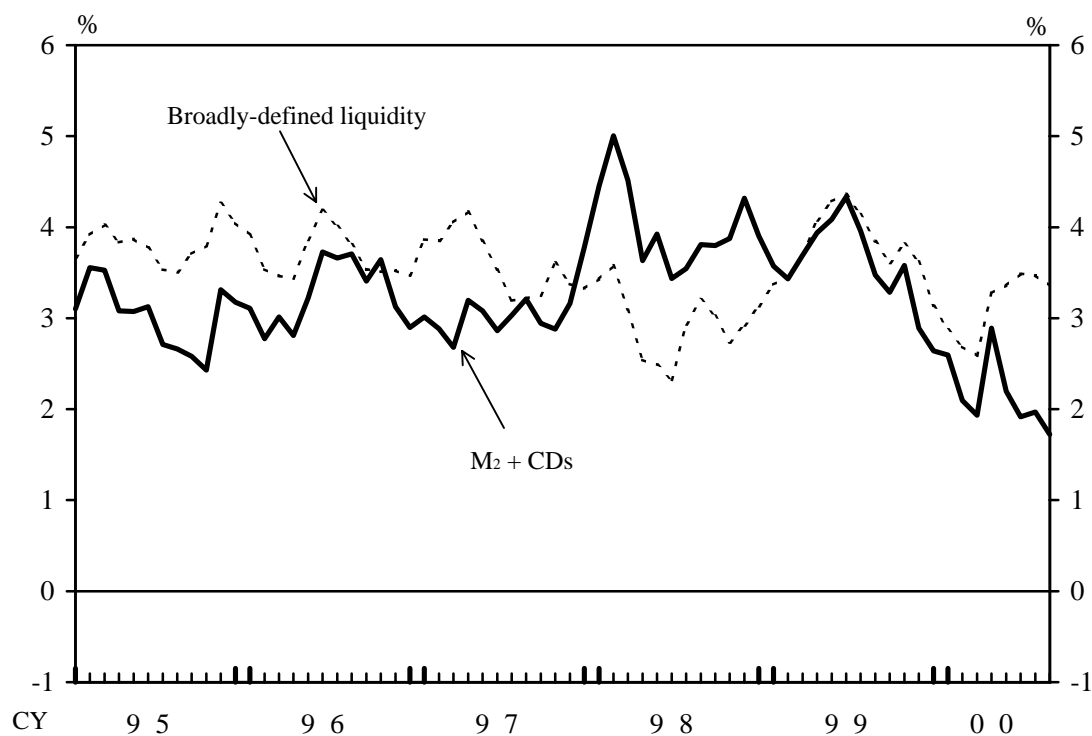


Note: 1. End of month. Data for September 2000 are as of September 13, 2000.

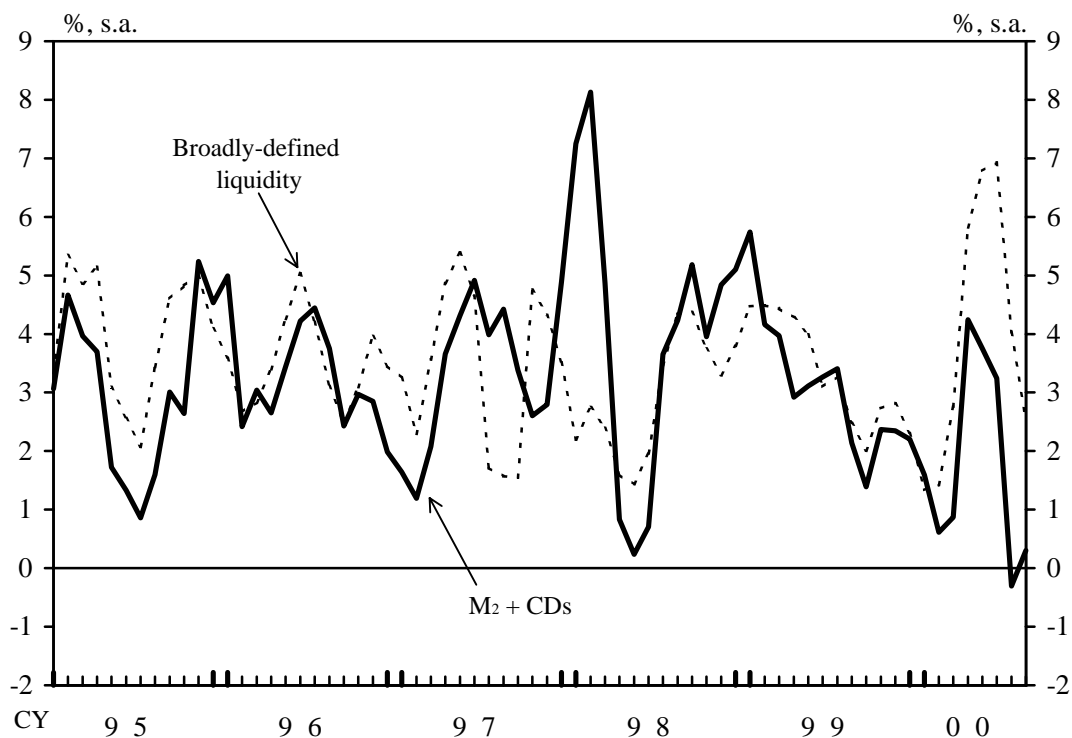
Source: Bank of Japan.

Money Stock (M<sub>2</sub>+CDs, Broadly-Defined Liquidity)

(1) Changes from a Year Earlier



(2) Changes from Three Months Earlier (Annualized)

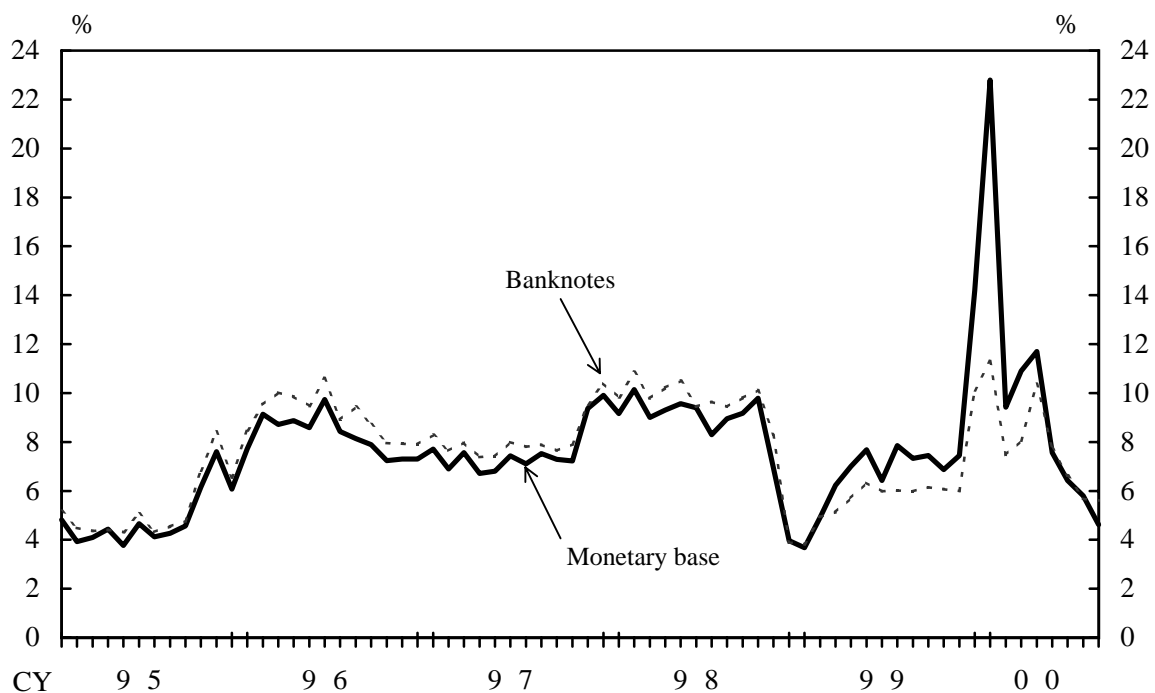


Note: Percent changes in average amounts outstanding.

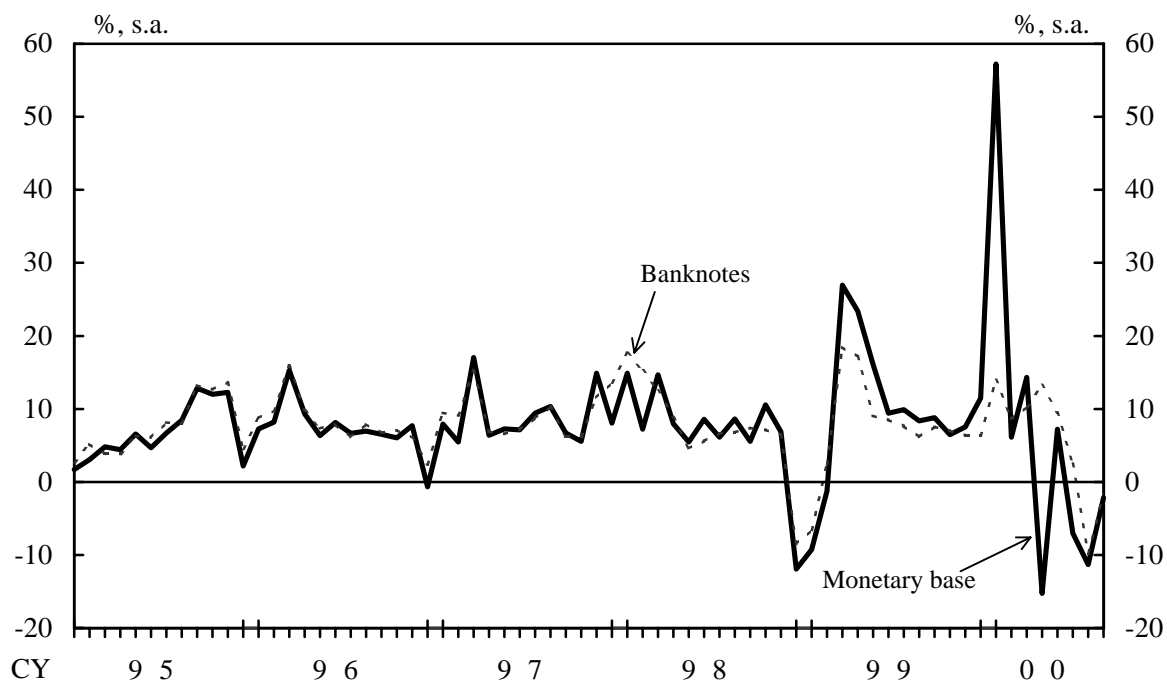
Source: Bank of Japan.

Monetary Base

(1) Changes from a Year Earlier



(2) Changes from Three Months Earlier (Annualized)

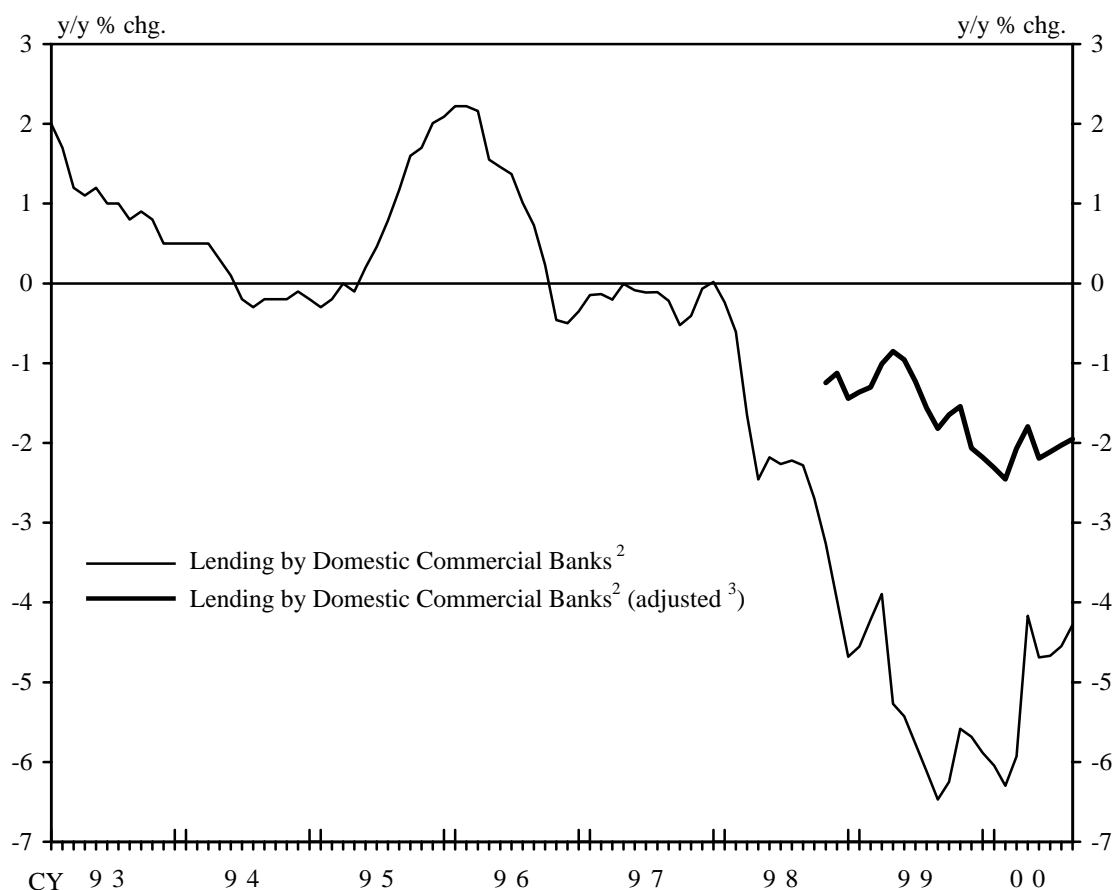


Note: Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.

Data for currency in circulation include holdings of financial institutions.

Source: Bank of Japan.

## Lending by Domestic Commercial Banks <sup>1</sup>



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

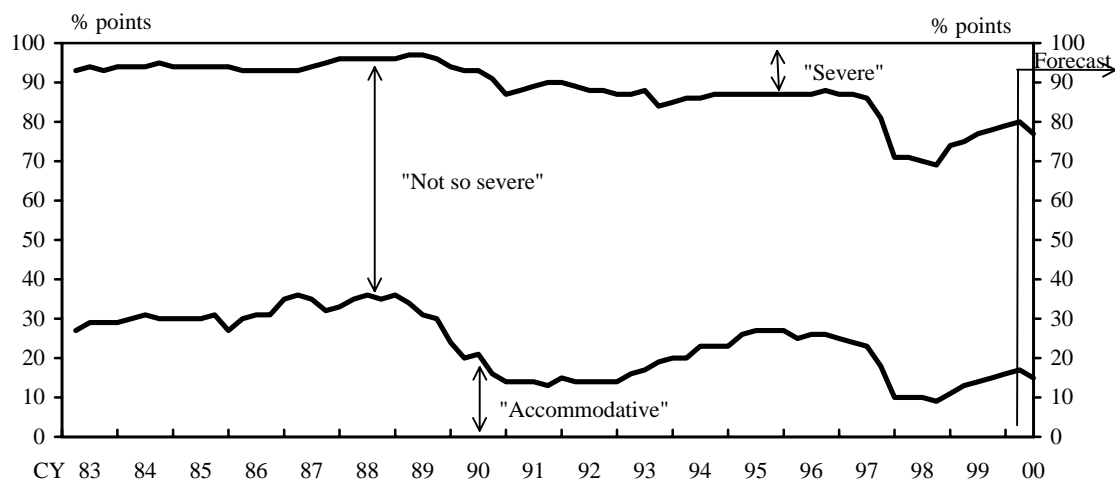
- (1) fluctuations from the liquidation of loans,
- (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,
- (3) fluctuations from loan write-offs,
- (4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General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

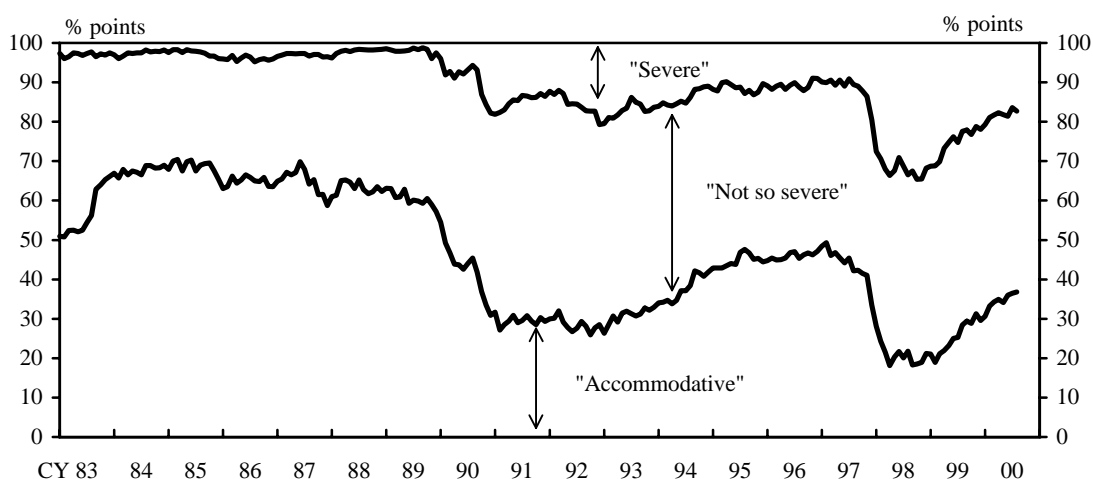


Lending Attitude of Financial Institutions as Perceived by Small Enterprises

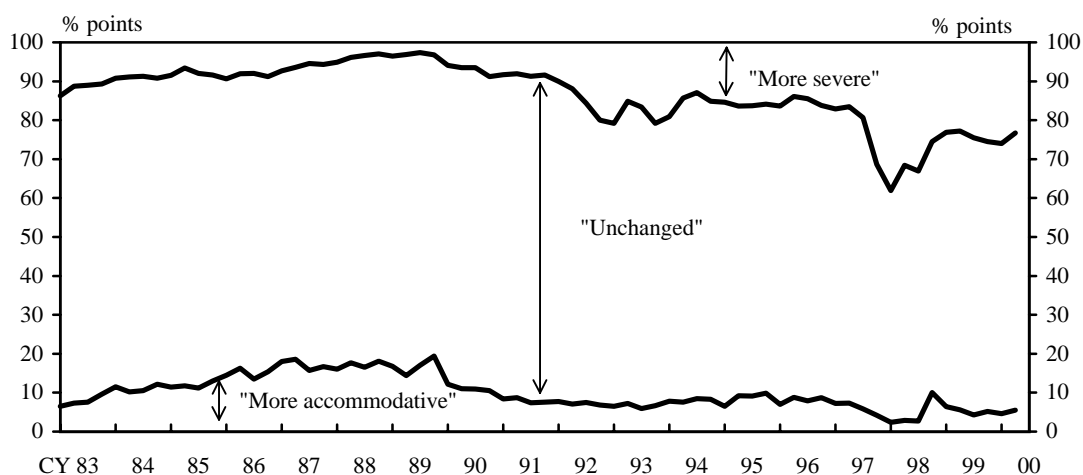
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (June, 2000)



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



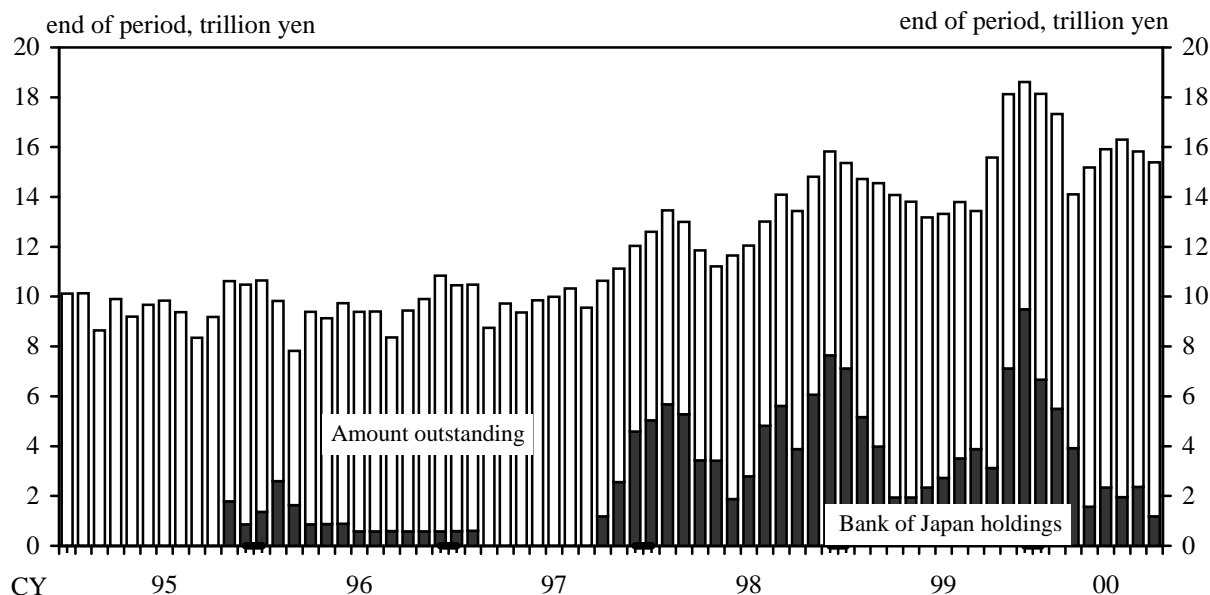
(3) "Quarterly Survey of Small Businesses in Japan" (Mid-June, 2000)



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 <sup>1</sup>

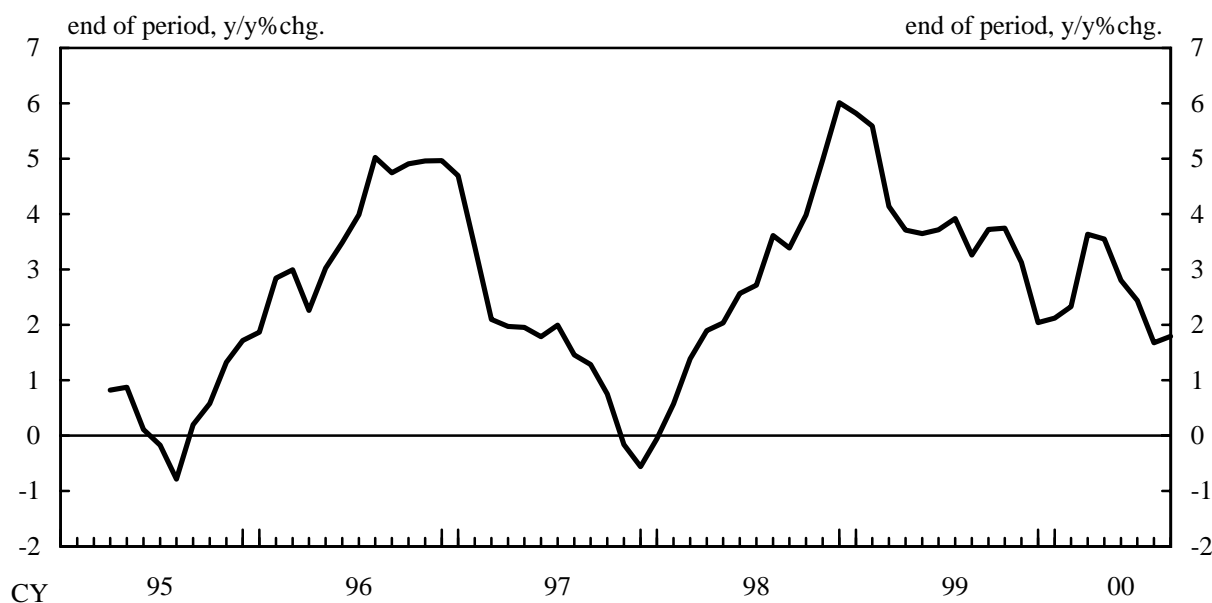


(2) Issue Volume of Corporate Bonds <sup>2</sup>

(100 million yen)

	Mar. 2000	Apr. 2000	May 2000	Jun. 2000	Jul. 2000	Aug. 2000
Volume	8,290	6,429	5,384	9,793	3,594	8,417
(previous year)	(11,556)	(8,807)	(10,688)	(14,923)	(10,358)	(5,417)

(3) Amount Outstanding of Corporate Bonds (Changes from a Year Earlier) <sup>2,3</sup>



Notes: 1. Figures are those of the client financial institutions of the Bank of Japan.

Excludes those issued by banks.

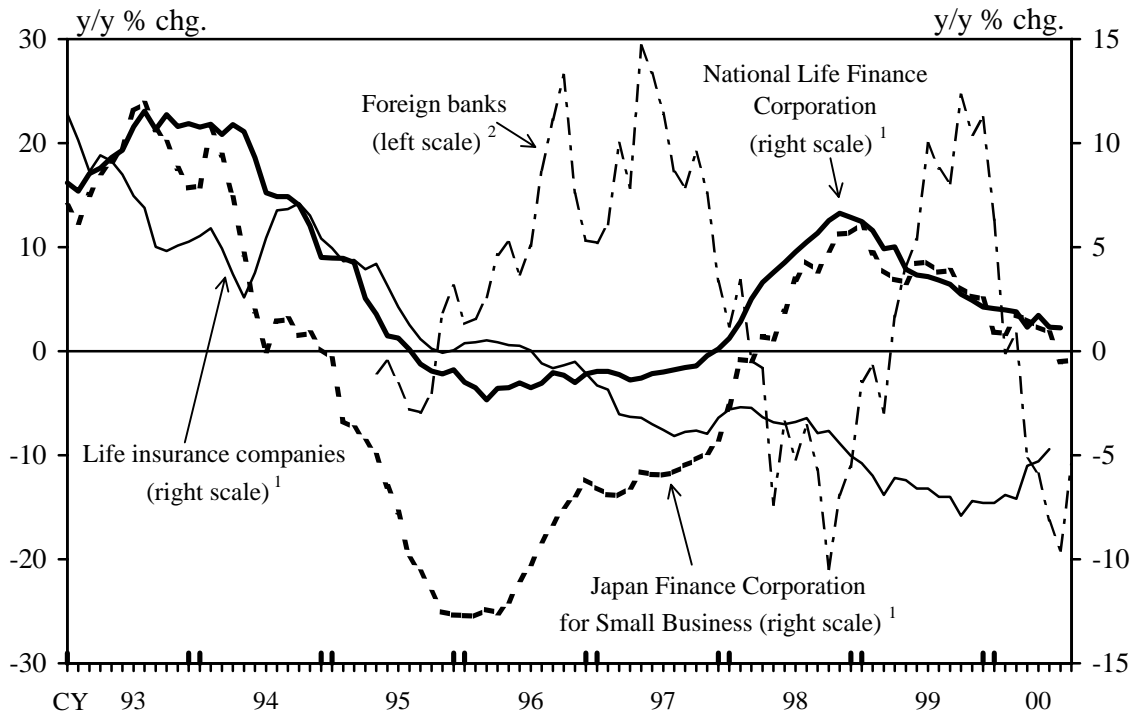
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

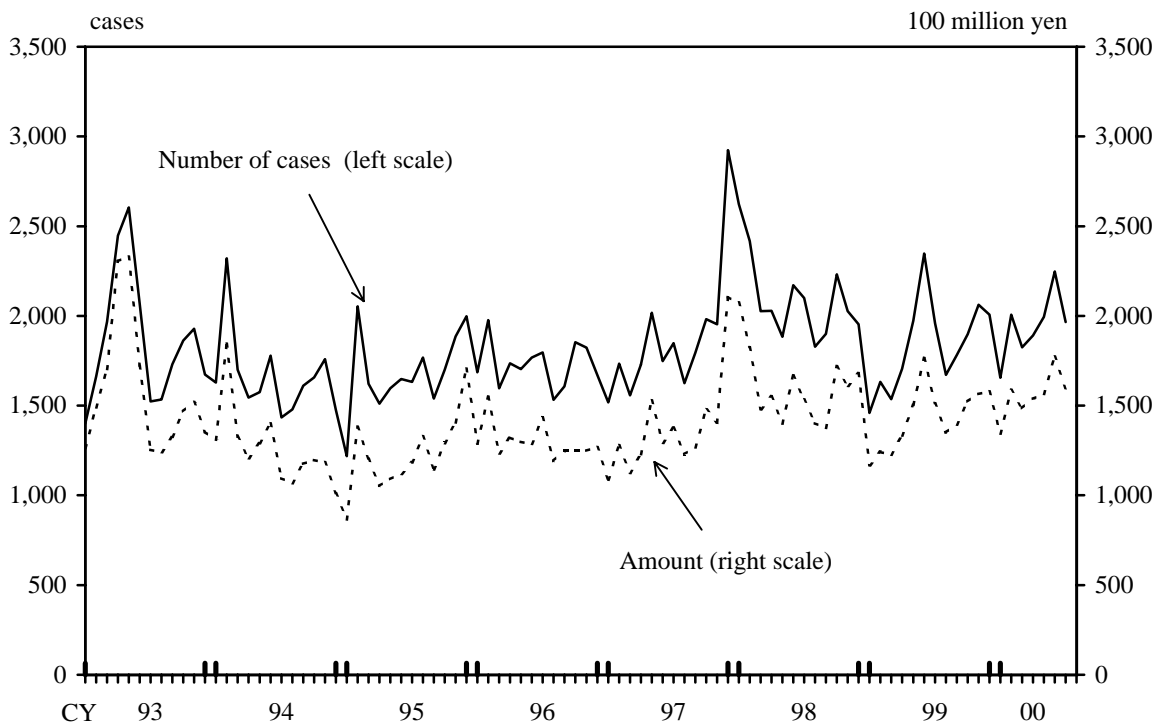
Lending by Other Financial Institutions

(1) Lending Outstanding



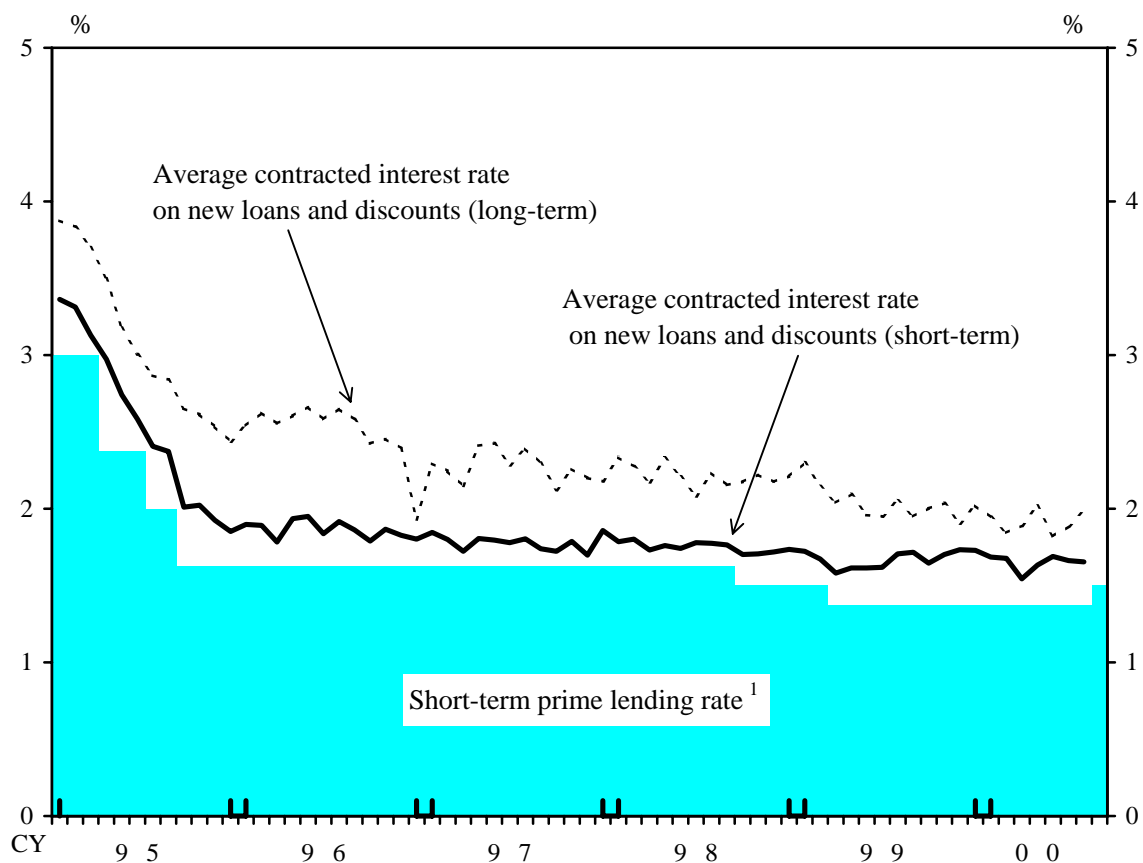
Notes: 1. Data are based on amounts outstanding at end of period.  
 2. Data are based on average amounts outstanding.

(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

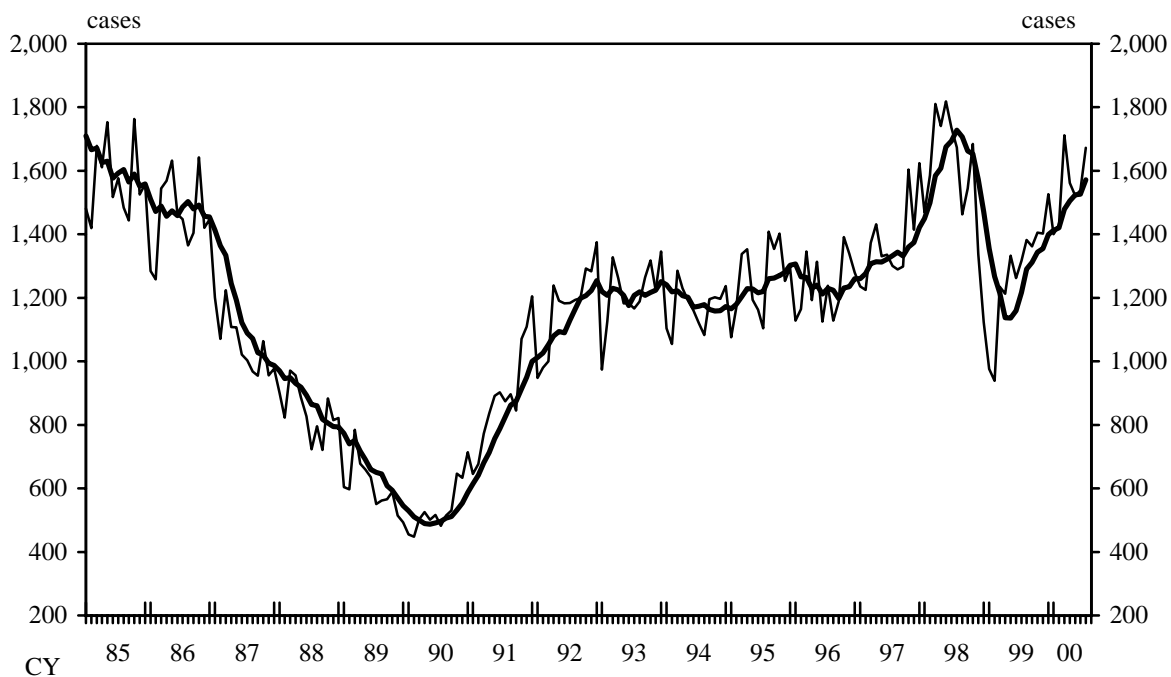


Note: 1. Data are at end of period.

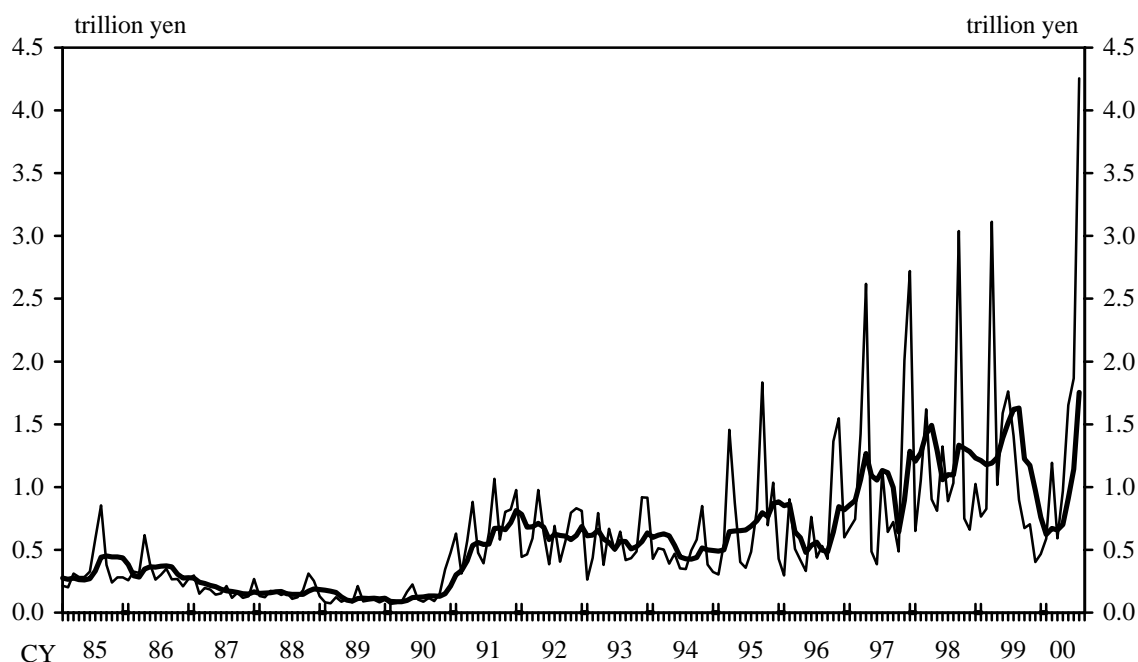
Source: Bank of Japan.

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)."