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Bank of Japan

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

(English translation prepared by the Bank staff based on the Japanese original
released on October 16, 2000)

Monthly Report of Recent Economic and Financial Developments¹

October 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, public investment is starting 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 is expected to decrease. While the expansion in overseas economies is likely to continue, the increase in exports is likely to slow down as restocking activity in Asian economies has peaked out. Meanwhile, imports are projected to continue increasing, particularly for those of information-related goods. Therefore, real exports will level off for a while. In the corporate

¹ This report was written based on data and information available when the Bank of Japan Monetary Policy Meeting was held on October 13, 2000.

² The Bank's view on recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on October 13 as the basis of monetary policy decisions.

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 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, while the developments in crude oil prices as well as foreign and domestic capital markets, along with their effects on the economy, need careful monitoring. 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 is generally moving around 0.25 percent. The amount of funds outstanding in the call money market has increased slightly.

As for interest rates on term instruments, those on contracts maturing beyond the year-end have risen somewhat. The Japan premium remains negligible.

Yields on long-term government bonds are generally 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 dropped from early October and are recently moving around the lowest levels since the beginning of this year.

In the foreign exchange market, the yen depreciated gradually from the end of September and the yen-dollar exchange rate temporarily rose to 109-110 yen. The yen is currently being traded in the range of 107-109 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 faster in September compared with the previous month on a year-on-year basis.

Recently, funding costs for firms are somewhat increasing, 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 starting to decrease (Chart 2). The value of public works contracted, which reflects orders, declined sharply by 25.0 percent in the second quarter of 2000 compared to the first-quarter level, as the contracts related to the supplementary budget for fiscal 1999 concentrated in March, and remained around the second-quarter level in July-August. As for actual implementation, a substantial amount of the public works under the supplementary budget has already been processed, and thus public investment is expected to decrease for the time being.

Real exports (Charts 3 to 5) are on a rising trend, mostly due to increases in exports of automobiles to the U.S. and Europe and of information-related goods. Real imports are also increasing, 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 balance³ are on a moderate upward trend.

As for the future environment for foreign trade, the real effective exchange rate of the yen rose slightly in September, but has subsequently declined somewhat (Chart 6[1]). While foreign economies are expected to maintain rather high growth, the U.S. economy is showing signs of slower growth and the tempo of recovery in East Asian economies, which had been recovering rapidly, is slowing somewhat as inventory restocking activity has peaked out (Chart 6[2]), and hence the increase in exports is likely to slow down. Meanwhile, imports are projected to continue increasing, particularly those of information-related goods. Reflecting these developments, it is highly probable that net exports will level off for a while. The recent rise in crude oil prices partially reflects demand factors such as the accelerated growth in the global economy, while energy conservation measures have been advancing, especially in the developed nations. Hence, this is unlikely to have an immediate destructive effect on global economic conditions. Nevertheless, the

³ 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.)

outlook for overseas economies continues to warrant careful monitoring, including the influence from the rise in crude oil prices on inflation expectations in the U.S., European, and Asian economies.

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 4.9 percent in July-August compared to the second-quarter level. 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, and then rose by 10.7 percent in July-August compared to the second-quarter level (Chart 7[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 2.9 percent in July-August compared to the second-quarter level; Chart 7[2]).

As for the outlook, it is very likely that fixed investment, particularly in the sector related with information technology services, will increase as corporate profits and business sentiment continue to recover (Charts 8 and 9), although firms still strongly feel that they have excess equipment and that they should reduce their debts to restore financial soundness. According to the business fixed investment plans reported in the Bank of Japan's *Tankan – Short-term Economic Survey of Enterprises* of September 2000 (Chart 10), large firms, especially those in the manufacturing sector, are planning to increase their fixed investment compared with the previous fiscal year (a six percent increase for large firms as a whole). While small nonmanufacturing firms have revised their plans somewhat downwards from the June *Tankan*, small manufacturing firms have revised their plans substantially upwards.

The recovery in private consumption remains weak as a whole, although there have been somewhat positive signs in some indicators (Chart 12).⁴ According to sales indicators, sales of household electric appliances remain at a high level,⁵ 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 basically stagnant. As for the outlook, since consumer sentiment is relatively steady (Chart 13), 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 14) is mostly 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 for some time, judged from the number of loan applications to the government Housing Loan Corporation.⁶

⁴ Chart 12-3 shows private final consumption expenditure on a GDP basis as well as (1) the quantity of consumer goods supply (domestic shipments + imports) and (2) a weighted sum of various sales indicators (for the detailed calculation, see Chart 12-3). The quantity of consumer goods supply has drawbacks in that it takes account of neither changes in inventory or the demand for services. There are also problems with the weighted sum of various sales indicators, as its coverage of the services sector is limited and it does not comprehensively cover all types of retail stores. Nevertheless, in conjunction with the Monthly Report on the Family Income and Expenditure Survey, which presents survey statistics from the consumers' side, these types of statistics are considered useful for gauging the underlying trend of consumption.

⁵ Sales of household electric appliances in August declined by more than 10 percent from the July level in reaction to the surge in air conditioner sales in July due to hot weather. This also reflects the low levels of personal computer inventories caused by restricted production of existing models prior to the introduction of new models.

⁶ 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 (an increase of 4.3 percent compared with the previous year), and 51,000 such applications were submitted during its second offering period for fiscal 2000 (a decrease of 42.1 percent compared with the previous year). The extent of the year-to-year decline during the second offering period was exaggerated because the length of the offering period was reduced by half compared to the previous year.

Reflecting these developments in final demand, industrial production continues an increasing trend, especially for electric machinery (Chart 15),⁷ and is expected to remain firm for the time being.⁸

Employment and income conditions remain severe overall, although compensation of employees has stopped decreasing as the economy is gradually recovering (Chart 17[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 18). Under these conditions, compensation of employees is slightly above the previous year's level (Chart 17[2]). The number of regular employees (on a Monthly Labour Survey basis at establishments with at least five employees) declined slightly by 0.2 percent from the previous year's level in June-August.⁹ As for nominal wages per employee, however, both overtime and regular payments increased gradually while bonuses (special payments), which had been posting substantial year-to-year declines, remained around the previous year's level during this summer. 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 and firms' perceptions of excess employment persist, although they have eased slightly (Chart 19).

⁷ In terms of the inventory cycle, there is a large difference in the current cyclical positions between information-related goods and other goods (Chart 16). While many firms in non-information industries have been maintaining a stance toward restricting inventories, firms producing information-related producer goods have been moving to increase their inventories to a certain level to keep pace with the increase in shipments due to the vigorous demand.

⁸ Industrial production is expected to post a quarter-to-quarter increase of 1.8 percent in the third quarter of 2000, based on the premises that the actual production in September matches the production forecast index for that month. In October, industrial production is expected to increase by 1.7 percent from the September level.

⁹ Chart 17 presents the average figures for June-August as the second quarter level and the average figures for December-February as the fourth quarter level for alignment with the periods when biannual bonuses are paid.

2. Prices

With regard to price developments, import prices on a yen basis (Chart 21) are rising compared to the level three months earlier,¹⁰ reflecting the increase in international commodity prices such as crude oil prices since April.¹¹

Domestic wholesale prices (Chart 22) are almost unchanged. Compared to the previous year, domestic wholesale prices are increasing somewhat 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),¹² 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 -0.1 percent in July 2000, 0.0 percent in August, and -0.1 percent in September.)

Corporate service prices (domestic supply-demand factors)¹³ (Chart 23) 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 -0.5 percent in June 2000, -0.3 percent in July, and -0.2 percent in August.)

¹⁰ Price indices show volatile changes month by month. Comparisons with levels three months earlier smooth out these temporary fluctuations to some extent and make it easier to grasp price trends.

¹¹ Regarding crude oil prices, on September 18 the (spot) price of North Sea Brent posted \$35.20 per barrel, the highest level since October 17, 1990 (\$38.05/barrel).

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 large monthly fluctuation that do not necessarily reflect short-term changes in supply-demand trends. For the detailed calculation, see the note in Chart 23. The year-to-year decrease of the overall CSPI expanded slightly in August 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 -0.7 percent in July and -0.5 percent in August.)

Consumer prices (excluding perishables; Chart 24) remain somewhat weak. Consumer prices 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 are generally flat because the prices of petroleum products and electricity are rising due to the increase in crude oil prices while the prices of imported products continue to decline. (The change in consumer prices excluding perishables in terms of the three-month growth rate was 0.0 percent in June 2000, +0.1 percent in July, and -0.1 percent in August.)

As for land prices (Chart 25), the prices of both commercial and residential land continue to decline.

Regarding the future environment for prices, downward pressure on prices stemming from weak demand is declining significantly (Chart 26) 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 weak somewhat.

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) is generally moving around 0.25 percent. The amount of funds outstanding in the call money market has increased slightly.

¹⁴ 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 -0.5 percent in July and -0.8 percent in August.)

As for interest rates on term instruments, while the rates on contracts maturing before the year-end are generally steady, three-month Euro-yen (TIBOR), TB and FB rates rose somewhat from the end of September, when the maturity dates on these contracts moved beyond the year-end. The Japan premium (Chart 30) remains negligible.

Yields on ten-year government bonds (newly issued; Chart 27[2]) temporarily rose to 1.9-2.0 percent in early September, but have subsequently been holding in the range of 1.8-1.9 percent. The yield spread between government and private bonds (bank debentures and corporate bonds; Charts 32 and 33) remains mostly unchanged as a whole.

Stock prices (Chart 34[1]) have declined since early October, reflecting the substantial drop in U.S. stock prices, and are recently moving around the lowest levels recorded this year.

In the foreign exchange market (Chart 35), the yen weakened gradually against the U.S. dollar as Japanese institutional investors purchased dollars and the recovery of the Euro also had the effect of pushing down the yen. In early October, the yen-dollar exchange rate temporarily rose to 109-110 yen, and 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 faster in September 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 June 2000, 2.0 percent in July, 1.8 percent in August, and 1.9 percent in September). For the fourth quarter of 2000, the year-to-year growth is projected to remain around the level posted during the third quarter as there will be some inflow from postal savings on maturity, while private-sector funds demand will remain sluggish. (The projected year-to-year growth rate for the fourth 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 September 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 the 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;¹⁵ Chart 38), 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 -2.1 percent in June 2000, -2.1 percent in July, -2.0 percent in August, and -1.8 percent in September). Corporate bond and CP issuance (Chart 39) has been steady.

Recently, the funding cost for firms are somewhat rising due to the rise in money market rates after the termination of the zero interest rate policy. The average contracted interest rates on new loans and discounts (Chart 41) in August rose for short-term contracts, declined for long-term contracts, and was steady overall. While corporate bond issuance rates have been steady, CP issuance rates on contracts extending beyond the year-end are rising.

¹⁵ The figures are adjusted for (1) fluctuations from the liquidation of loans, (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates, and (3) fluctuations from loan write-offs.

The number of corporate bankruptcies in August (Chart 42) remained around the same level 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.

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Main Economic Indicators (1)

	s.a., q/q (m/m) % chg. ¹						
	2000/Q1	Q2	Q3	2000/June	July	August	September
Index of living expenditure level (all households)	-0.2	3.8	n.a.	-2.5	-0.7	p -2.4	n.a.
Sales at department stores	0.1	-2.1	n.a.	-0.8	-3.5	p 3.1	n.a.
Sales at chain stores	-1.9	-2.4	n.a.	0.7	-1.6	-0.5	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 298>	< 304>	< 291>	< 308>	< 284>	< 303>	< 287>
Sales of household electric appliances (real, NEBA)	7.6	3.7	n.a.	6.0	2.7	-11.4	n.a.
Outlays for travel (50 major travel agencies)	2.2	2.9	n.a.	0.3	0.4	1.9	n.a.
Housing starts <s.a., ann. 10,000 units>	< 127>	< 124>	< n.a.>	< 127>	< 116>	< 122>	< n.a.>
Machinery orders (from private sector ⁴)	4.9	3.1	n.a.	14.4	-11.7	26.6	n.a.
Manufacturing	4.5	11.2	n.a.	11.6	-9.8	10.0	n.a.
Nonmanufacturing ⁴	7.9	-5.0	n.a.	15.7	-13.2	40.7	n.a.
Construction Starts (private, nonresidential use)	14.4	-1.9	n.a.	-7.9	-2.1	4.7	n.a.
Mining & manufacturing	10.9	11.1	n.a.	18.0	3.5	-6.0	n.a.
Nonmanufacturing ⁵	14.5	-2.6	n.a.	-10.0	-2.0	3.5	n.a.
Value of public works contracted	22.7	-25.0	n.a.	-4.1	-4.0	1.6	n.a.
Real exports	4.9	3.2	n.a.	11.8	-7.9	8.7	n.a.
Real imports	0.4	6.3	n.a.	-1.7	-6.3	11.6	n.a.
Industrial production	0.8	1.7	n.a.	1.9	-0.9	p 3.3	n.a.
Shipments	0.5	1.8	n.a.	2.7	-1.8	p 3.7	n.a.
Inventories	2.4	-0.1	n.a.	0.0	-0.1	p 0.1	n.a.
Inventories/shipments <s.a., 1995=100>	<100.0>	<98.5>	< n.a.>	<98.5>	<101.6>	<p 95.6>	< n.a.>
Real GDP	2.5	1.0	n.a.	n.a.	n.a.	n.a.	n.a.
Indices of industry activity	0.3	1.8	n.a.	1.3	-1.0	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2000/Q1	Q2	Q3	2000/June	July	August	September
Ratio of job offers to applicants <s.a., times>	<0.52>	<0.57>	<n.a.>	<0.59>	<0.60>	<0.62>	<n.a.>
Unemployment rate <s.a., %>	<4.82>	<4.70>	<n.a.>	<4.69>	<4.67>	<4.55>	<n.a.>
Overtime working hours ⁶	3.5	4.0	n.a.	4.4	4.3	p 4.4	n.a.
Number of employees	-0.4	0.4	n.a.	1.1	1.0	0.2	n.a.
Number of regular employees ⁶	-0.2	-0.3	n.a.	-0.2	-0.1	p -0.2	n.a.
Nominal wages per person ⁶	0.7	1.1	n.a.	1.8	-0.4	p -0.3	n.a.
Domestic wholesale price index <q/q % chg.> (3-month growth rate)	-0.1 <0.1>	0.3 <0.0>	0.2 <0.0>	0.3 <0.0>	0.3 <-0.1>	0.2 <0.0>	0.1 <-0.1>
Consumer price index (nationwide) ⁷ <s.a., q/q % chg.> (3-month growth rate)	-0.2 <-0.1>	-0.3 <0.0>	n.a. <n.a.>	-0.3 <0.0>	-0.3 <0.1>	-0.3 <-0.1>	n.a. <n.a.>
Corporate service price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-0.7 <-0.1>	-0.7 <-0.4>	n.a. <n.a.>	-0.7 <-0.5>	-0.9 <-0.3>	-0.9 <-0.2>	n.a. <n.a.>
Monetary aggregates (M ₂ +CDs) <average outstanding, y/y % chg.>	2.2	2.3	p 1.9	1.9	2.0	p 1.8	p 1.9
Number of suspension of transactions with banks	55.4	16.1	n.a.	17.0	16.0	20.6	n.a.

Notes: 1. Excludes the cases indicated inside angle brackets in 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.

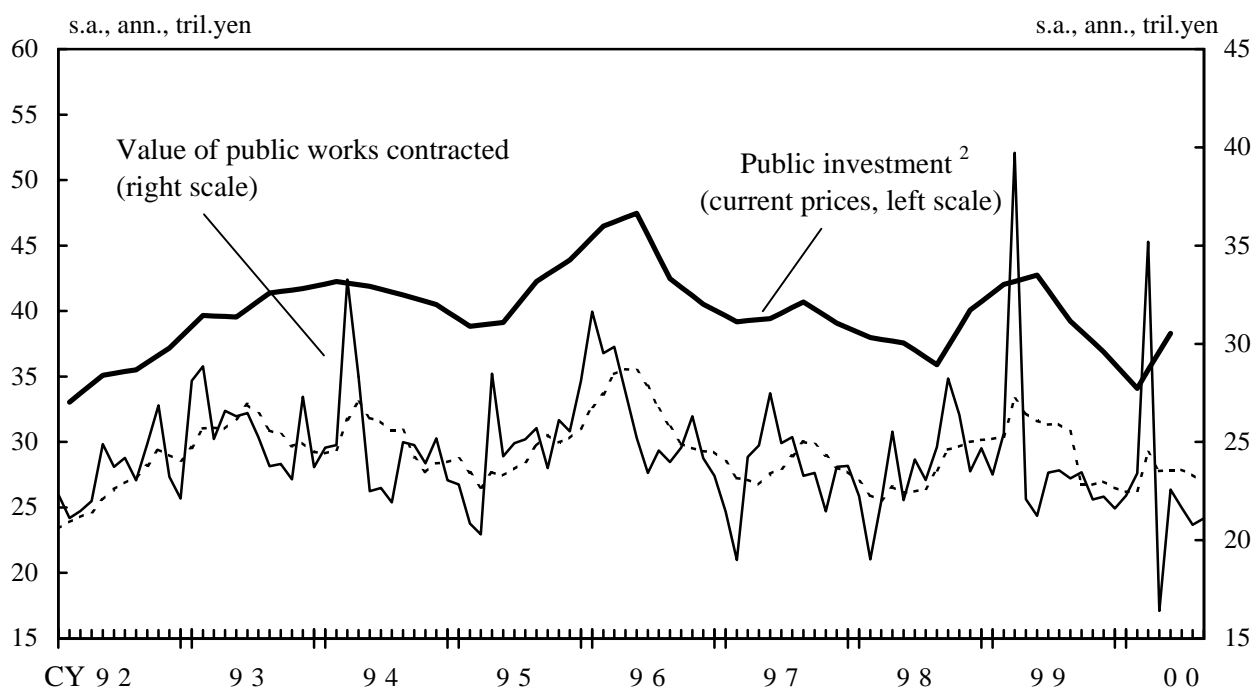
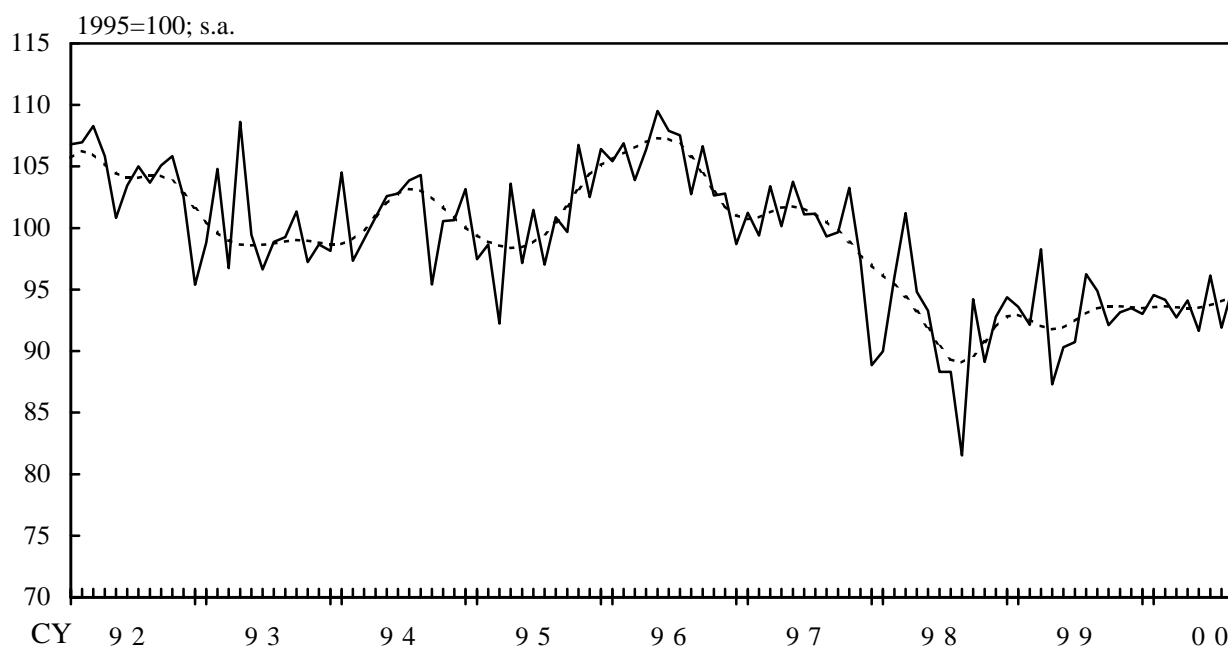
8. Domestic supply-demand factors.

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

Sources: Management and Coordination Agency, "Monthly Report on the 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," "Indices of Tertiary Industry Activity"; Japan Chain Stores Association, "Sales at Chain Stores"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles"; Nippon Electric Big-Stores Association (NEBA), "Sales of Electric Appliances"; Ministry of Transport, "Major Travel Agents' Revenue"; Ministry of Construction, "Monthly of Construction Statistics"; Economic Planning Agency, "Machinery Orders Statistics," "National Income Statistics"; Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics"; Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Labour, "Report on Employment Service," "Monthly Labour Survey"; Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index," "Financial and Economic Statistics Monthly"; Japanese Bankers Associations, "Suspension of Transaction with Banks."

Public Investment¹

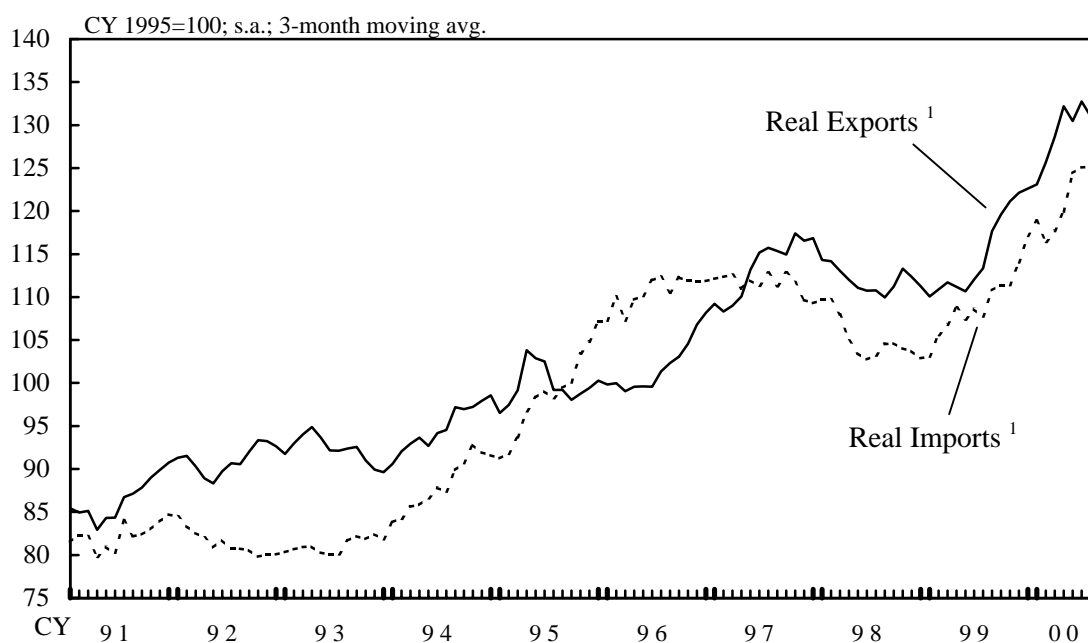
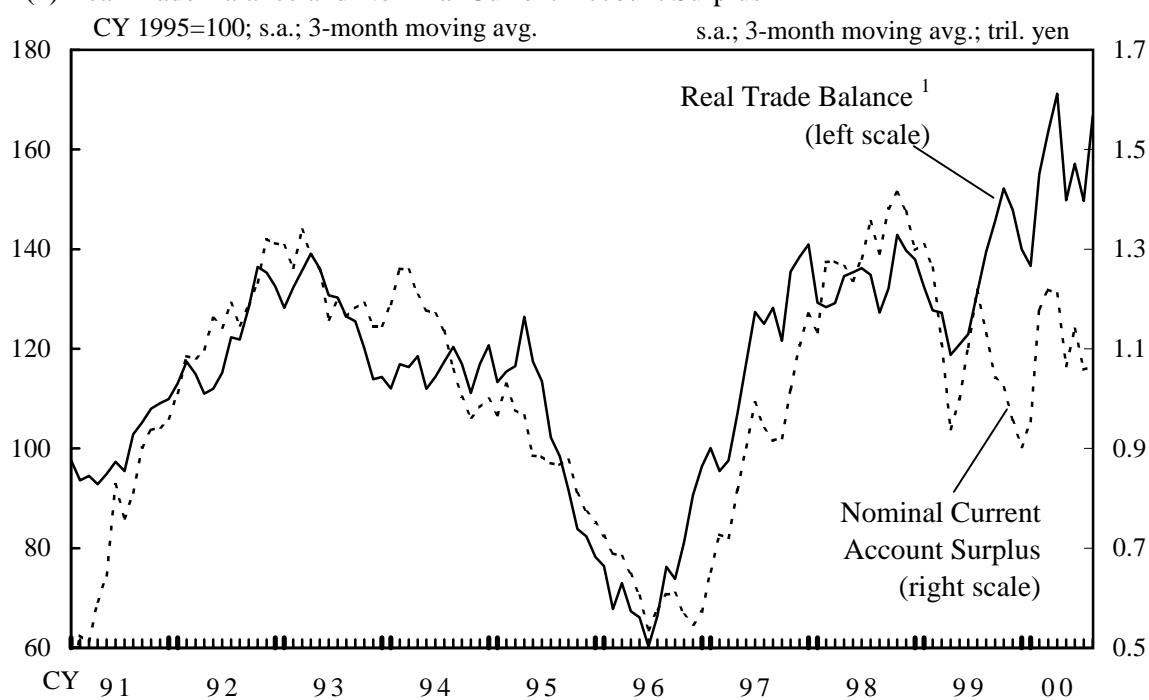
(1) Value of public works contracted

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

- Notes: 1. Seasonally adjusted by X-12-ARIMA (β version). As the figures are seasonally adjusted on a monthly basis, the data are retroactively revised each month. The dotted line of "value of public works contracted" is the 6 months moving average. The dotted line of "public works-related goods" is the trend cycle factor.
2. Quarterly basis public investment is plotted at the middle month of each quarter.
3. 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 August 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 ¹

(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 Jun.	Jul.	Aug.
United States	<30.7>	6.8	4.6	5.7	-0.1	3.6	3.6	0.1	6.4	-7.3	11.8
EU	<17.8>	15.6	0.9	5.2	2.6	4.3	-0.6	0.4	14.2	-8.1	7.8
East Asia	<35.8>	-18.1	12.0	7.8	2.3	12.6	5.9	2.0	10.3	-8.6	10.6
China	<5.6>	0.5	12.3	8.4	-7.7	19.4	6.3	12.2	8.8	-4.3	15.1
NIEs	<21.5>	-16.5	11.2	8.6	5.0	12.7	3.7	0.9	9.2	-8.5	10.5
Taiwan	<6.9>	-0.4	7.8	7.4	6.9	5.8	9.6	2.7	4.0	-7.1	13.8
Korea	<5.5>	-35.3	43.9	12.1	9.4	18.8	-3.9	0.2	10.1	-8.9	11.3
ASEAN4 ³	<8.6>	-29.2	13.6	5.6	2.1	8.6	11.3	-1.1	13.8	-11.5	7.8
Thailand	<2.7>	-29.4	15.3	11.4	8.8	-2.0	5.5	5.1	10.2	-1.9	9.5
Real exports		-2.1	4.5	6.7	2.5	4.9	3.2	1.1	11.8	-7.9	8.7

(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 Jun.	Jul.	Aug.
Intermediate goods	<14.2>	2.9	5.4	1.9	-2.3	2.8	2.5	0.7	4.8	-6.7	8.7
Motor vehicles and their related goods	<21.5>	1.3	2.8	8.4	1.7	-4.0	8.2	4.3	5.4	-0.2	7.8
Consumer goods ⁴	<7.2>	5.0	5.0	6.1	4.4	5.1	1.6	-2.3	10.8	-8.5	0.4
Information-related goods ⁵	<17.6>	-7.0	6.4	7.3	2.3	14.7	4.1	-2.9	14.5	-12.7	8.5
Capital goods and parts ⁶	<28.4>	-5.4	1.8	7.0	1.4	14.1	3.1	0.8	16.0	-10.0	8.5
Real exports		-2.1	4.5	6.7	2.5	4.9	3.2	1.1	11.8	-7.9	8.7

Notes: 1. Seasonally adjusted by X-11. 2000/Q3 are Jul-Aug averages in terms of 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 ¹

(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 Jun.	Jul.	Aug.
United States	<21.7>	-3.7	-2.9	-0.3	8.8	-5.1	8.3	3.0	-2.4	-1.5	4.8
EU	<13.8>	-6.5	5.8	6.2	3.1	1.0	0.3	2.0	-8.3	1.1	11.3
East Asia	<37.6>	-7.7	15.8	2.8	7.7	7.1	5.4	3.6	2.3	-6.7	12.8
China	<13.8>	-4.4	11.9	0.4	7.3	12.6	5.6	-1.0	5.7	-11.5	12.1
NIEs	<11.6>	-10.9	24.2	4.5	12.3	5.0	4.1	7.1	4.2	-5.0	13.6
Taiwan	<4.1>	-11.1	25.6	3.0	12.6	15.0	8.9	3.4	8.9	-10.2	13.9
Korea	<5.2>	-9.5	30.8	4.6	18.3	0.7	-0.3	4.9	-1.0	-5.1	12.2
ASEAN4 ³	<12.1>	-8.1	12.6	3.7	4.0	3.4	6.3	5.4	-3.0	-3.0	12.8
Thailand	<2.9>	-7.1	5.4	1.3	4.0	4.8	8.8	-1.0	-1.2	-9.2	13.5
Real imports		-6.2	6.1	2.6	5.2	0.4	6.3	0.7	-1.7	-6.3	11.6

(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 Jun.	Jul.	Aug.
Raw materials ⁴	<23.2>	-6.0	2.7	0.1	1.8	-0.3	1.3	-1.5	-0.3	-9.3	14.5
Intermediate goods	<13.5>	-7.1	3.6	4.1	1.1	0.6	4.3	0.5	-2.6	-9.7	21.2
Foodstuffs	<14.3>	-4.0	2.8	0.3	2.9	4.1	-2.3	-0.4	-1.7	-4.9	8.6
Consumer goods	<10.8>	-13.8	8.1	0.5	6.5	4.1	7.8	0.0	0.7	-8.8	14.9
Information-related goods ⁵	<14.4>	-5.8	18.7	4.4	12.4	7.1	13.6	9.8	-1.1	3.4	5.2
Capital goods and parts ⁶	<12.9>	2.7	5.1	1.8	13.6	-5.9	5.1	4.6	0.4	-0.4	2.6
excluding aircraft		-2.4	4.4	8.1	3.9	5.0	3.0	6.0	-2.3	0.4	10.5
Real imports		-6.2	6.1	2.6	5.2	0.4	6.3	0.7	-1.7	-6.3	11.6

Notes: 1. Seasonally adjusted by X-11. 2000/Q3 are Jul-Aug averages in terms of 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 ¹



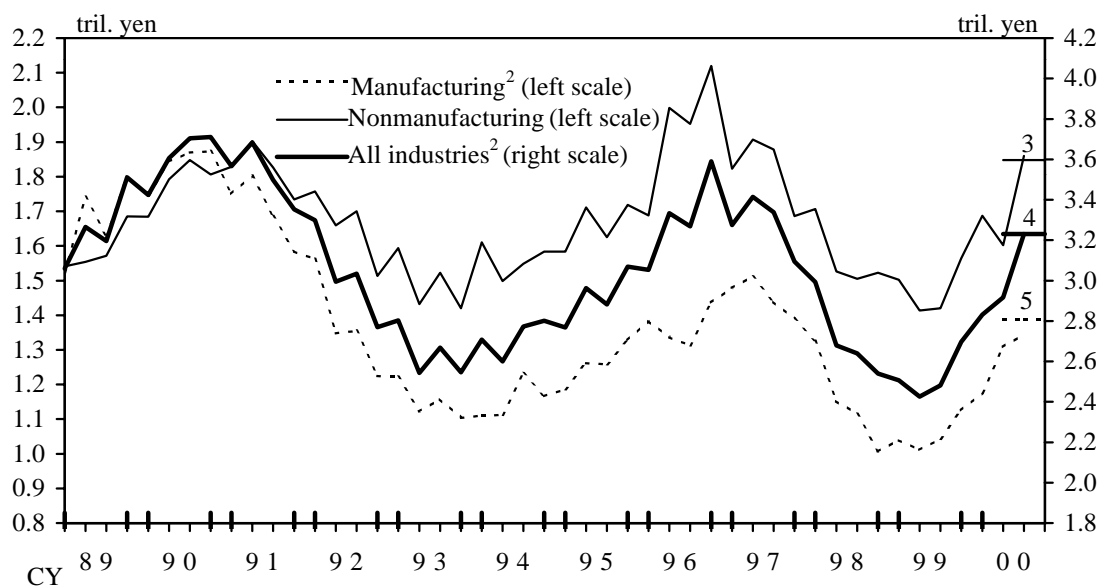
Notes: 1. Monthly average. The figure for October 2000 is the average of October 1-12. Calculated by the Bank of Japan. Figures are the index of weighted average of the yen's real exchange rates versus 25 major currencies which are calculated from exchange rates and price indexes of the respective countries.

(2) Real GDP Growth Rates in Overseas Economies

		CY98	99	2000	99 Q3	Q4	2000 Q1	Q2	
United States ¹		4.4	4.2	(5.2)	5.7	8.3	4.8	5.6	
European Union ¹		2.7	2.4	(3.4)	4.1	3.6	3.4	3.8	
	Germany	2.1	1.6	(3.1)	3.5	3.0	3.1	4.7	
	France	3.2	2.9	(3.6)	4.0	4.2	2.6	2.7	
	United Kingdom	2.6	2.2	(3.0)	4.1	2.8	2.1	3.8	
East Asia ²	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	(8.7)	12.8	13.0	12.8	9.6
		Taiwan	4.6	5.4	(6.6)	4.7	6.4	7.9	5.4
		Hong Kong	-5.3	3.1	(8.7)	4.4	9.2	14.3	10.8
		Singapore	0.4	5.4	(8.1)	6.9	7.1	9.8	8.0
	ASEAN4	Thailand	-10.2	4.2	(5.1)	7.8	6.5	5.3	6.6
		Indonesia	-13.0	0.3	(3.8)	1.2	5.0	3.6	4.1
Malaysia		-7.4	5.8	(8.6)	8.6	11.0	11.9	8.8	
	Philippines	-0.5	3.3	(3.6)	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.

Indicators for Business Fixed Investment

(1) Machinery Orders¹

Notes: 1. Seasonally adjusted data.

Figures for 2000/Q3 are averages of July and August in terms of quarterly amount.

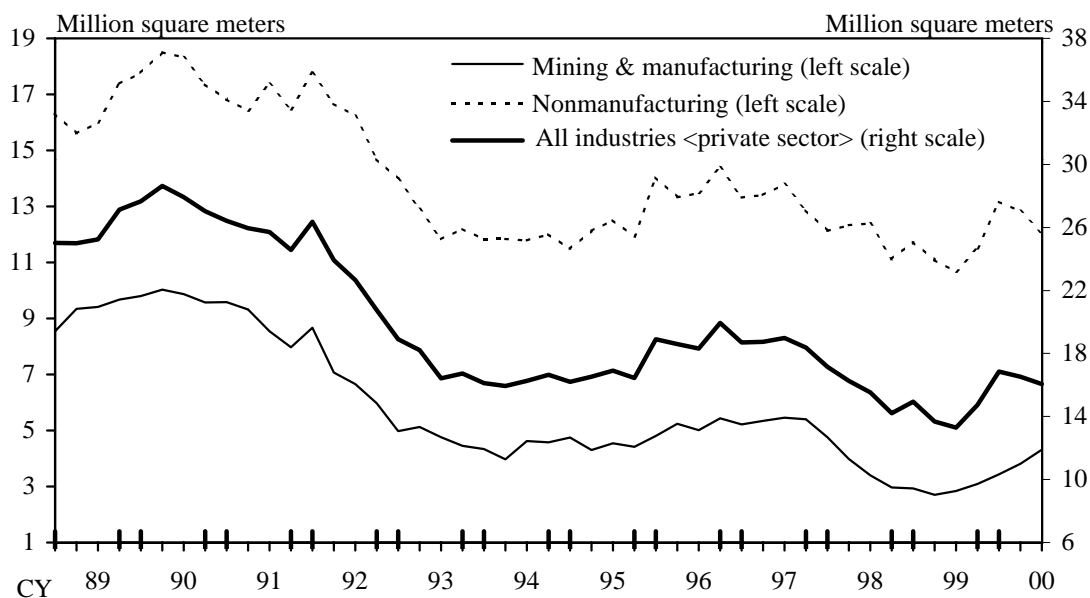
2. Excludes orders from electric power companies and shipbuilding orders.

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.

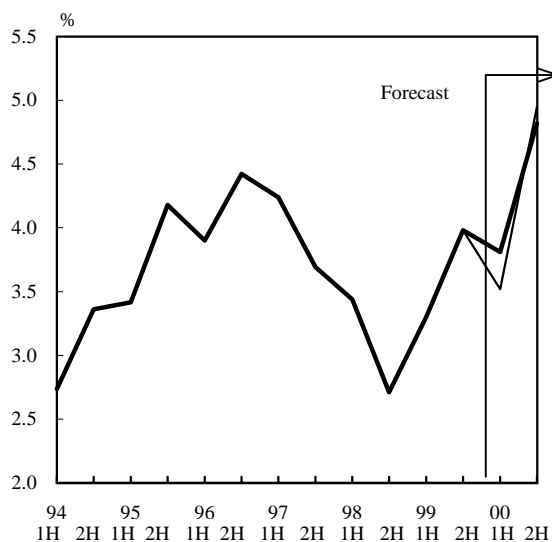
2. Figures for 2000/Q3 are averages of July and August in terms of quarterly amount.

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

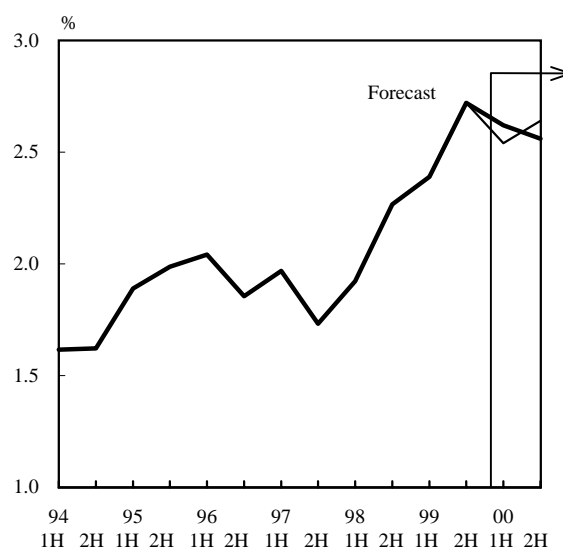
Ratio of Recurring Profit to Sales in the *Tankan* (September 2000)

(1) Large Enterprises

Manufacturing

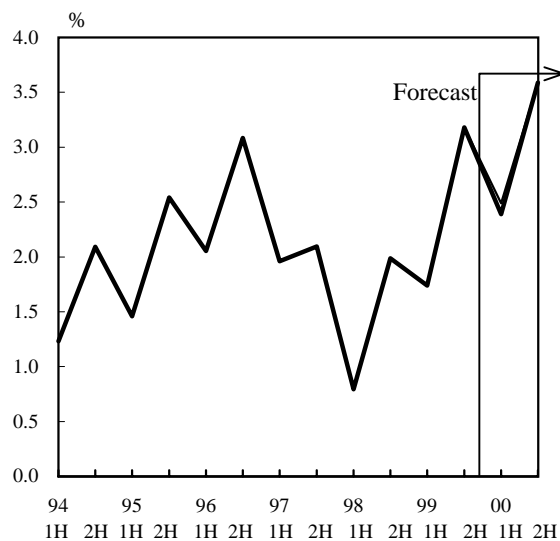


Nonmanufacturing

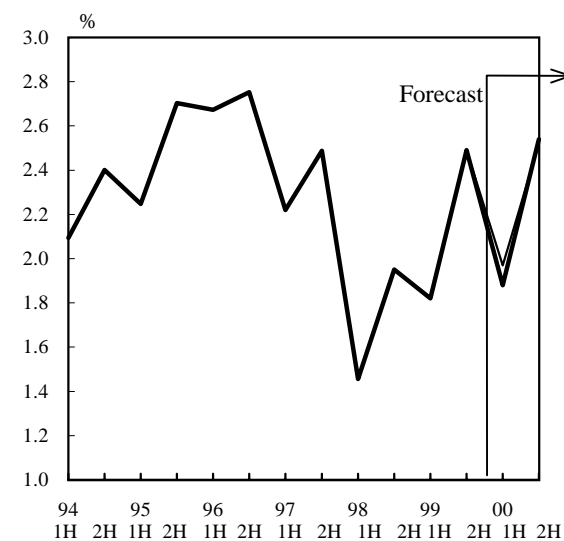


(2) Small Enterprises

Manufacturing



Nonmanufacturing



Notes: 1. The thin solid line shows the figures as of the June 2000 survey.

2. Large enterprises: 1,000 employees or more

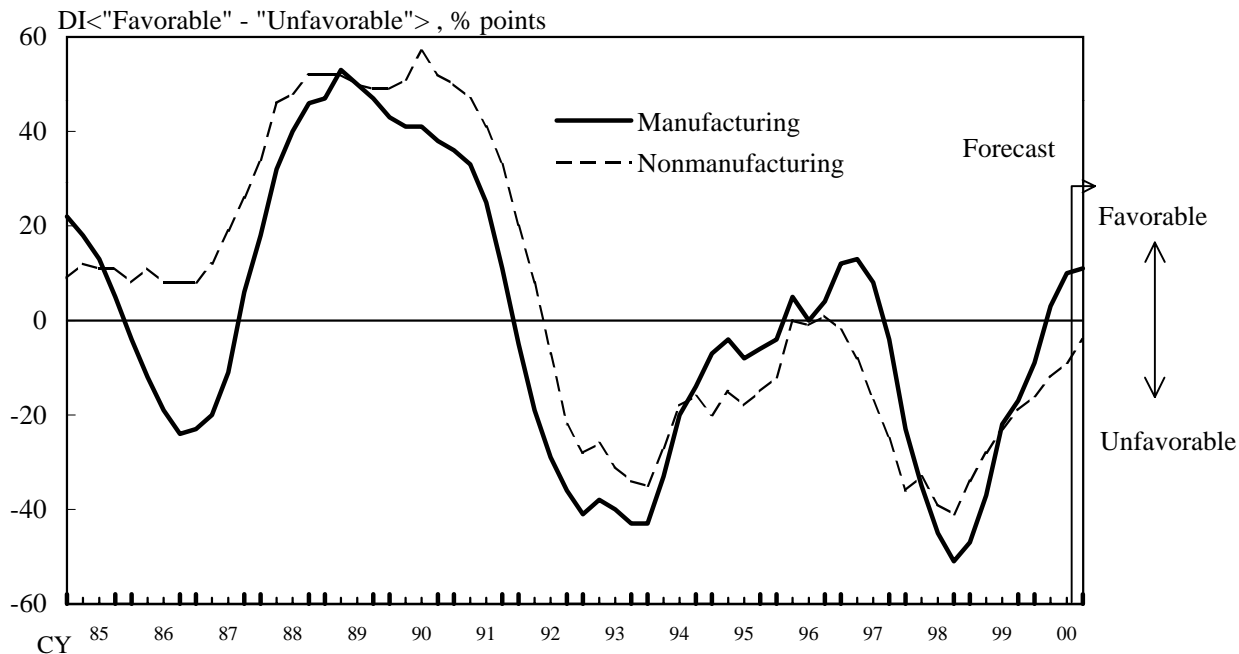
Small enterprises: 50-299 employees (Manufacturing), 20-99 employees (Wholesaling),

20-49 employees (Retailing, services, and leasing), 50-299 employees (Other industries)

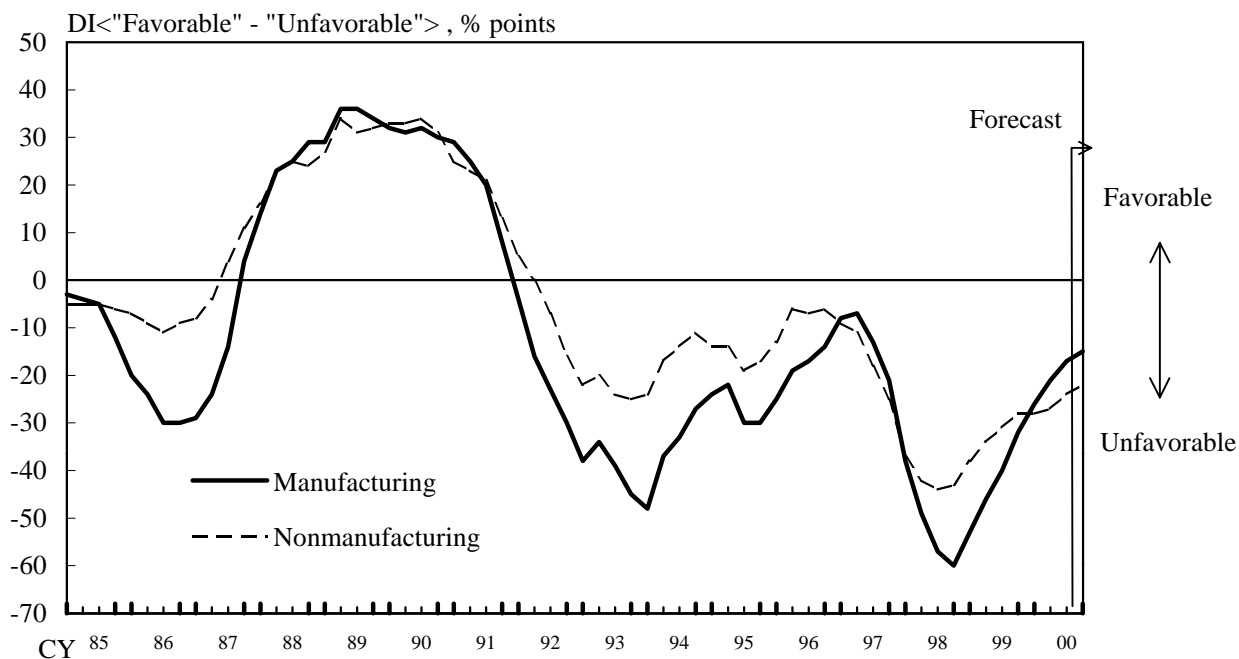
Source: Bank of Japan, "*Tankan* Short-term Economic Survey of Enterprises in Japan."

Business Conditions in the *Tankan* (September 2000)

(1) Large Enterprises



(2) Small Enterprises



Note: Large enterprises: 1,000 employees or more

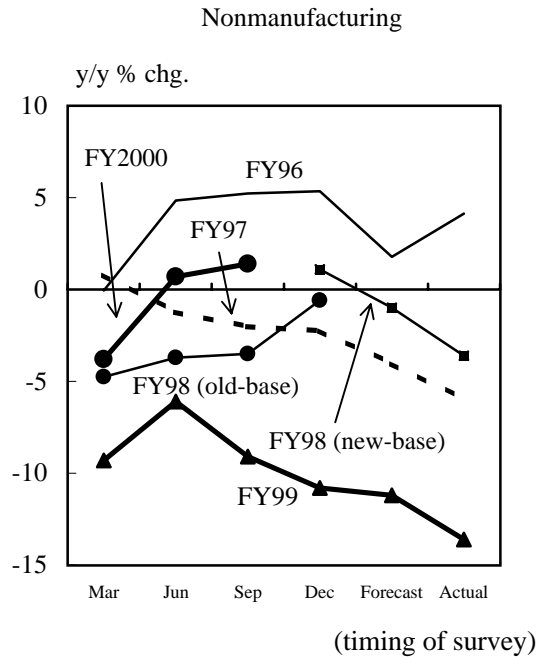
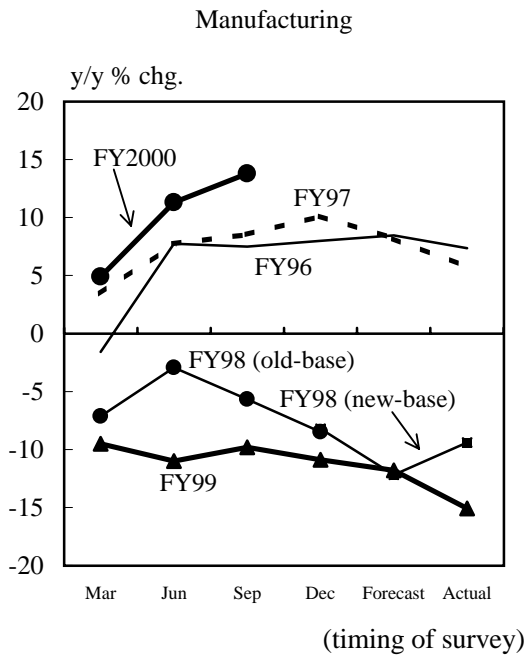
Small enterprises: 50-299 employees (Manufacturing), 20-99 employees (Wholesaling),

20-49 employees (Retailing, services, and leasing), 50-299 employees (Other industries)

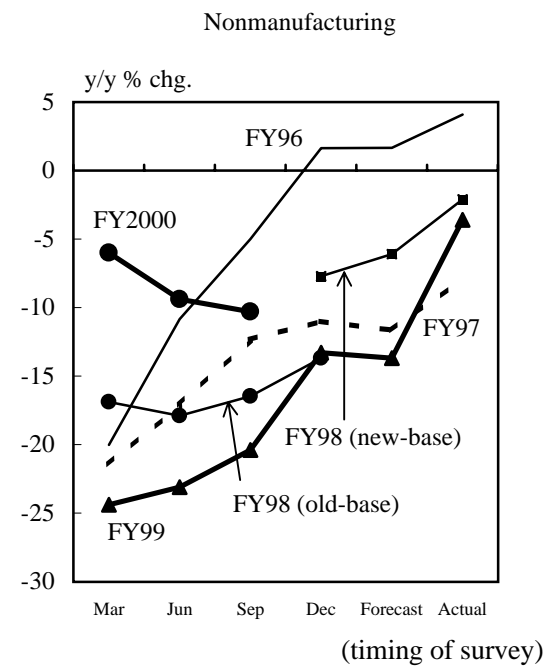
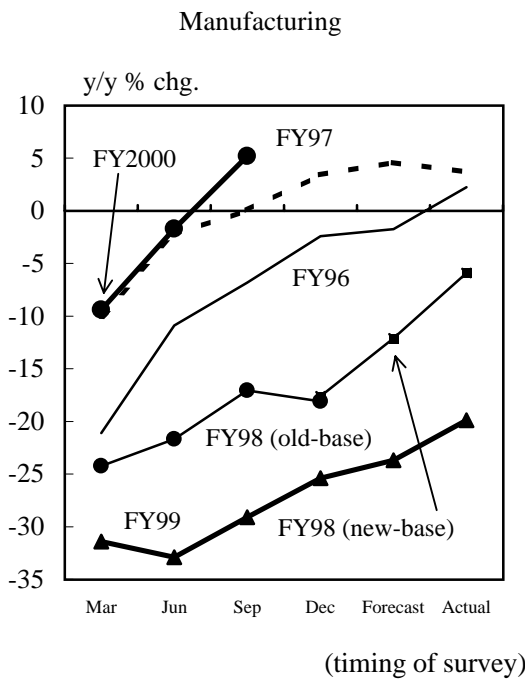
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

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

(1) Large Enterprises



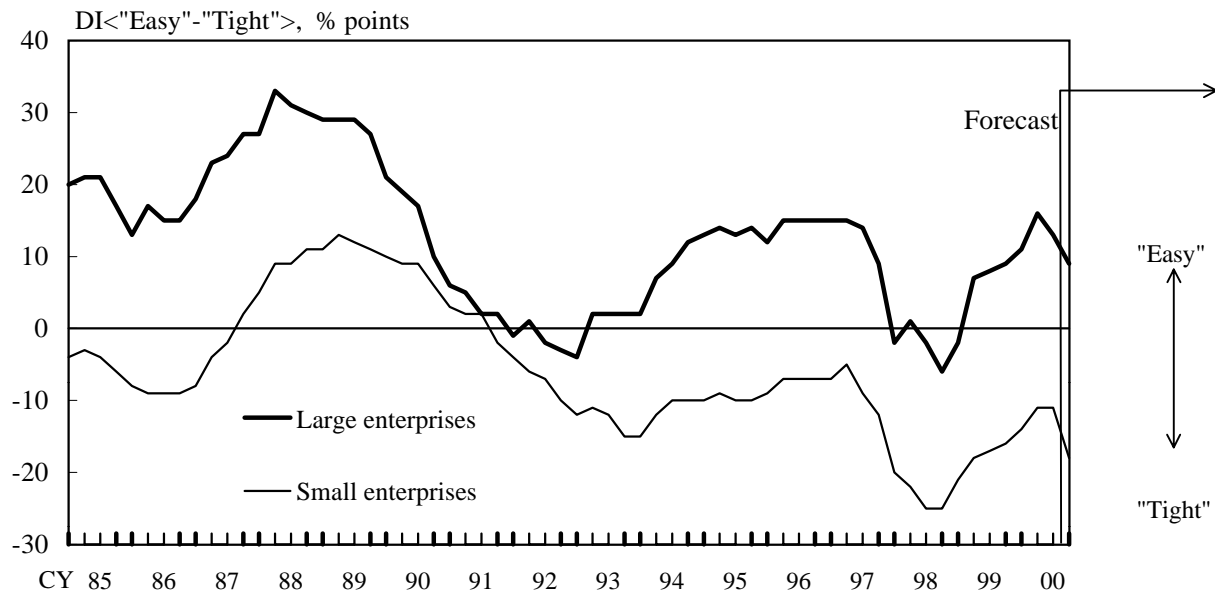
(2) Small Enterprises



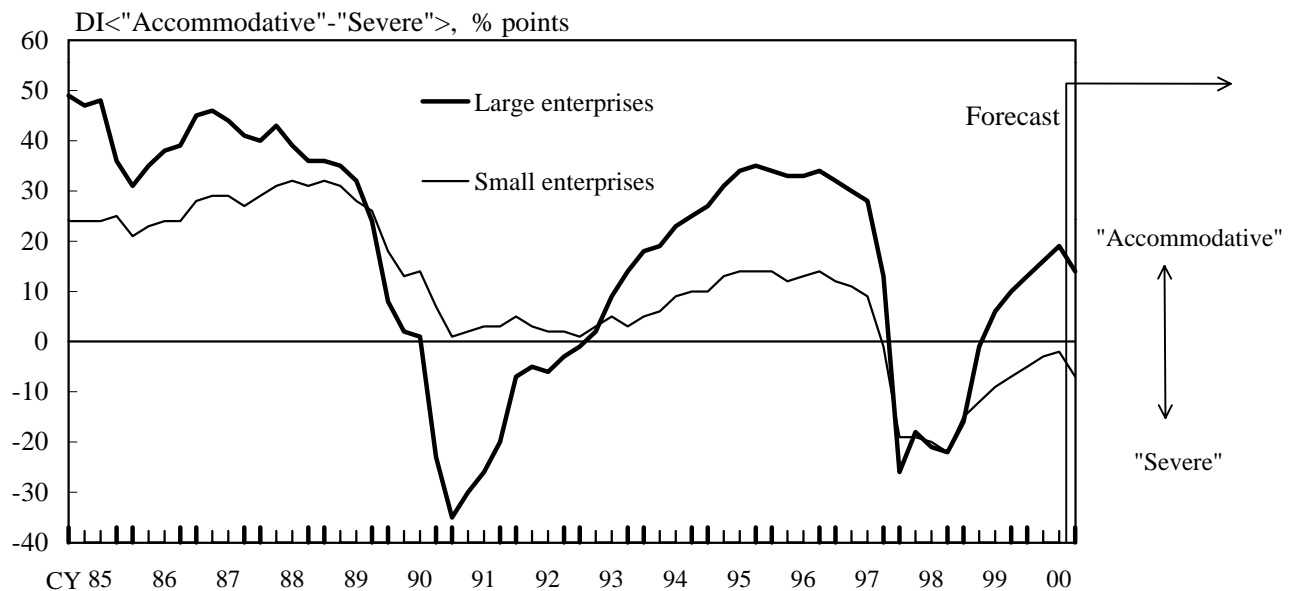
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

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

(1) Financial Position



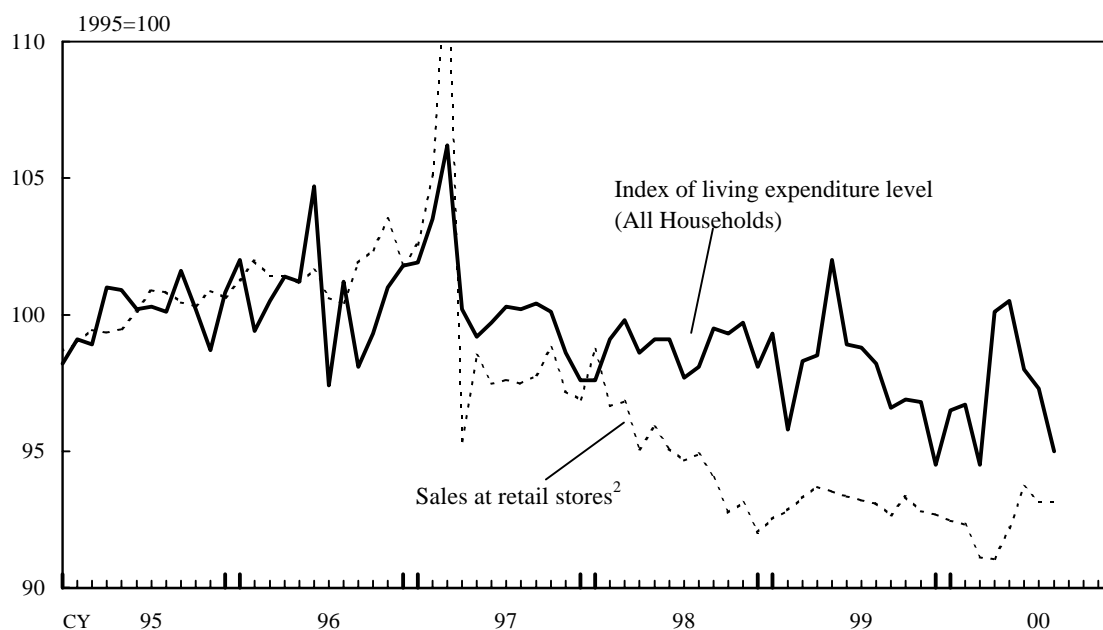
(2) Lending Attitude of Financial Institutions



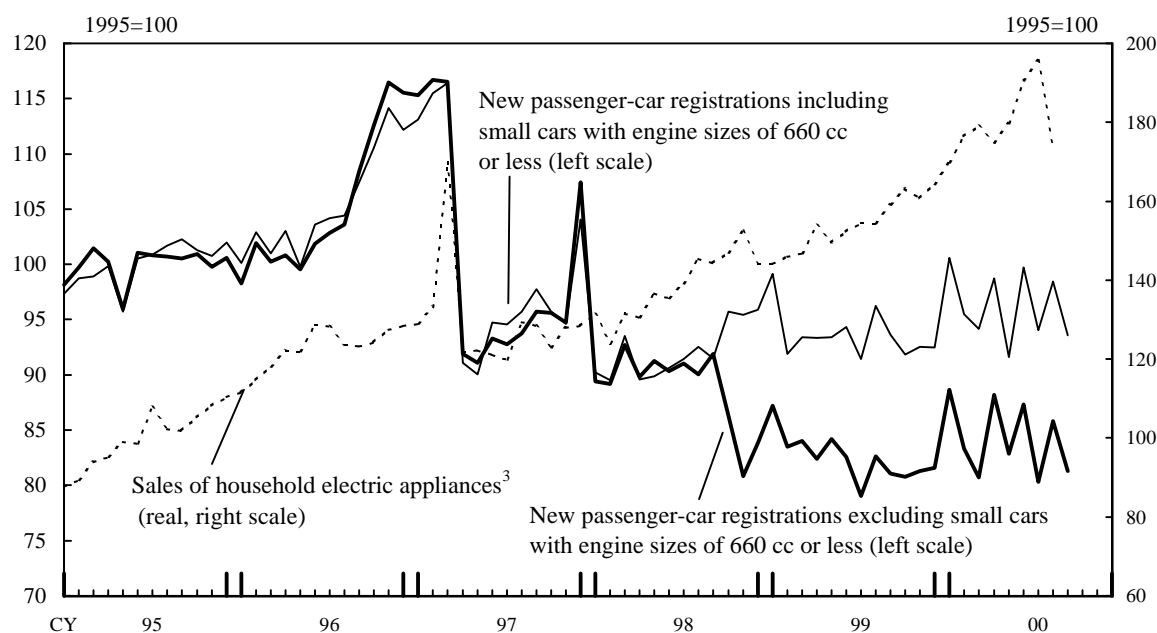
Source: Bank of Japan, "*Tankan* Short-term Economic Survey of Enterprises in Japan."

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";

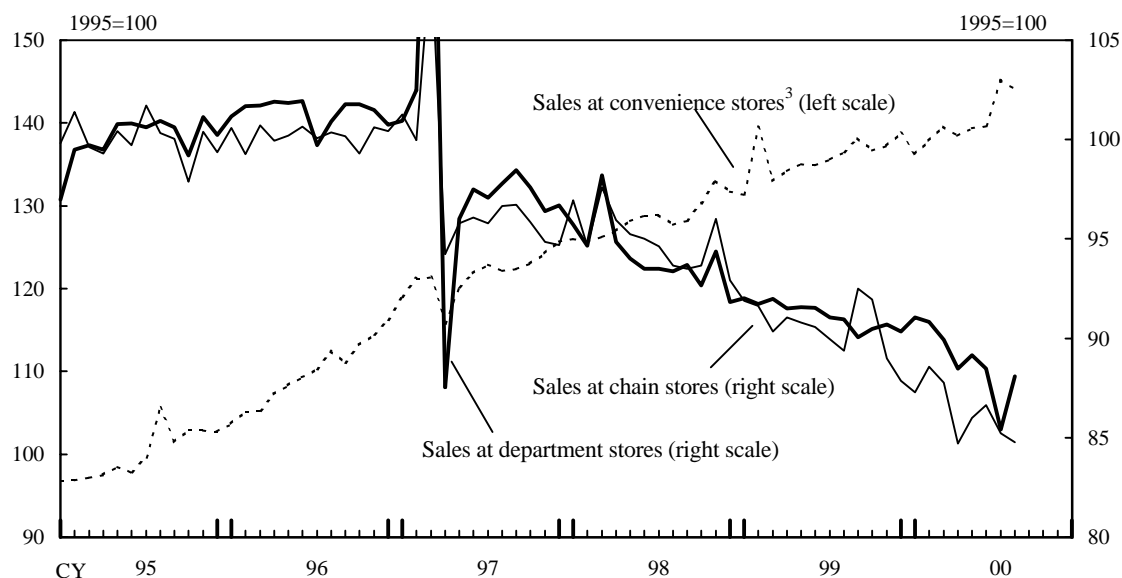
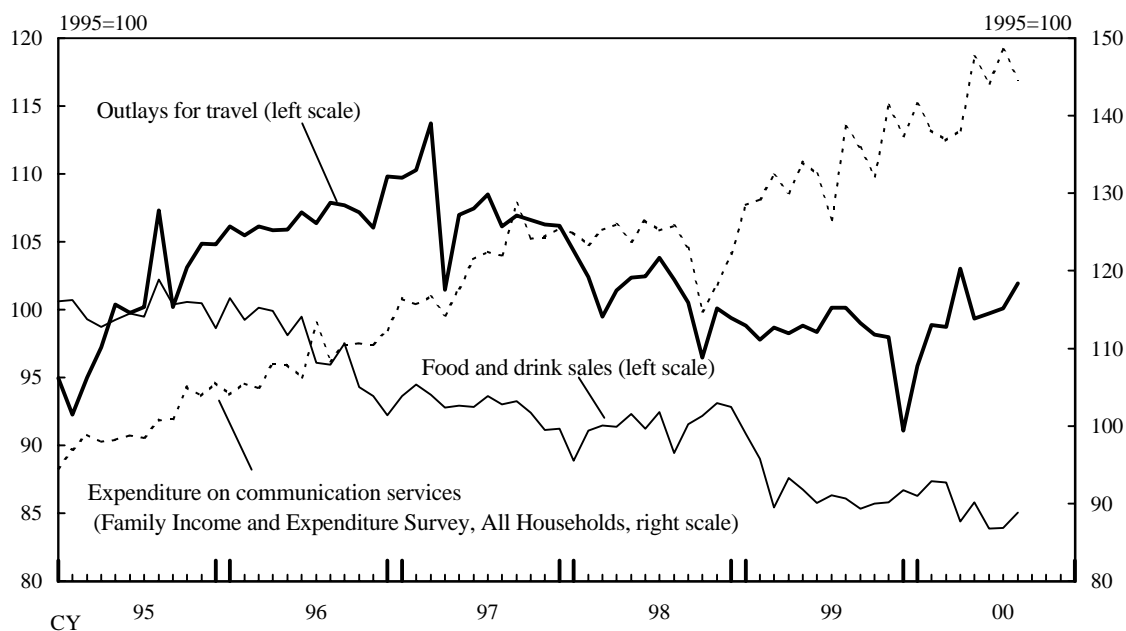
Ministry of International Trade and Industry, "Current Survey of Commerce";

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).

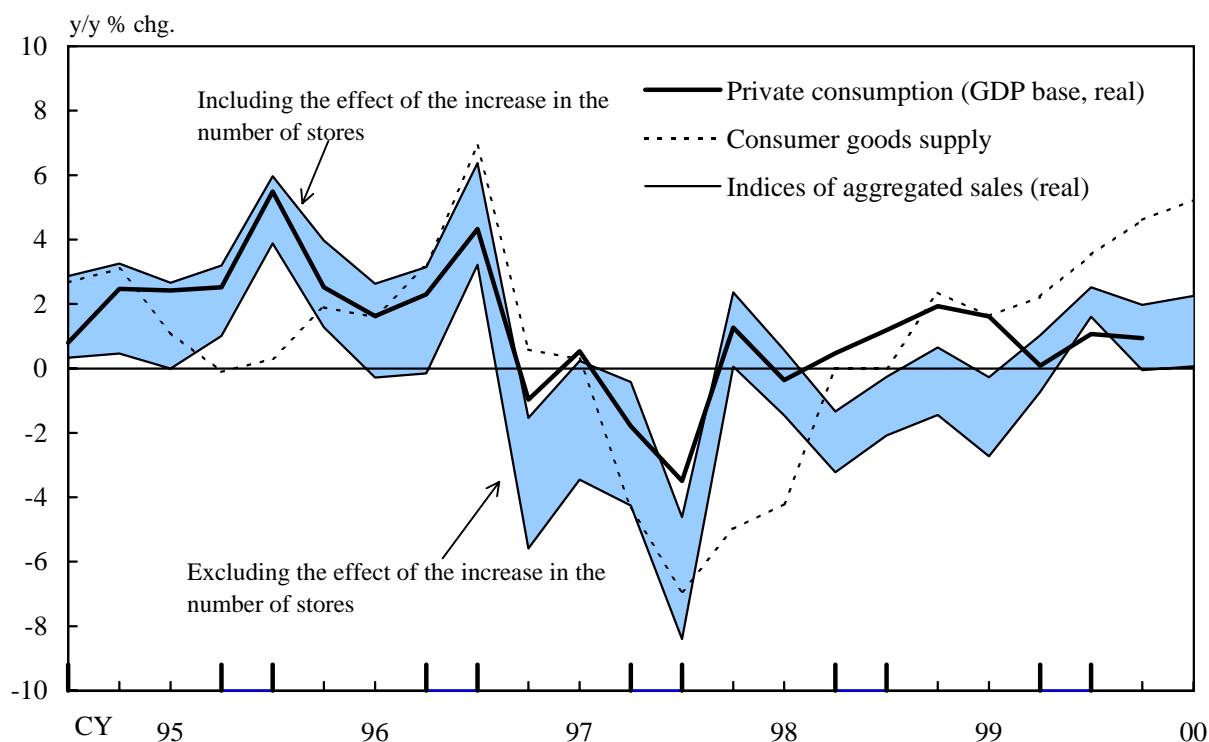
2. Adjusted to exclude the effect of the increase in the number of stores (except convenience stores).
Sales at department stores and sales at chain stores are adjusted to exclude the effect of the rise in the consumption tax rate.

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)

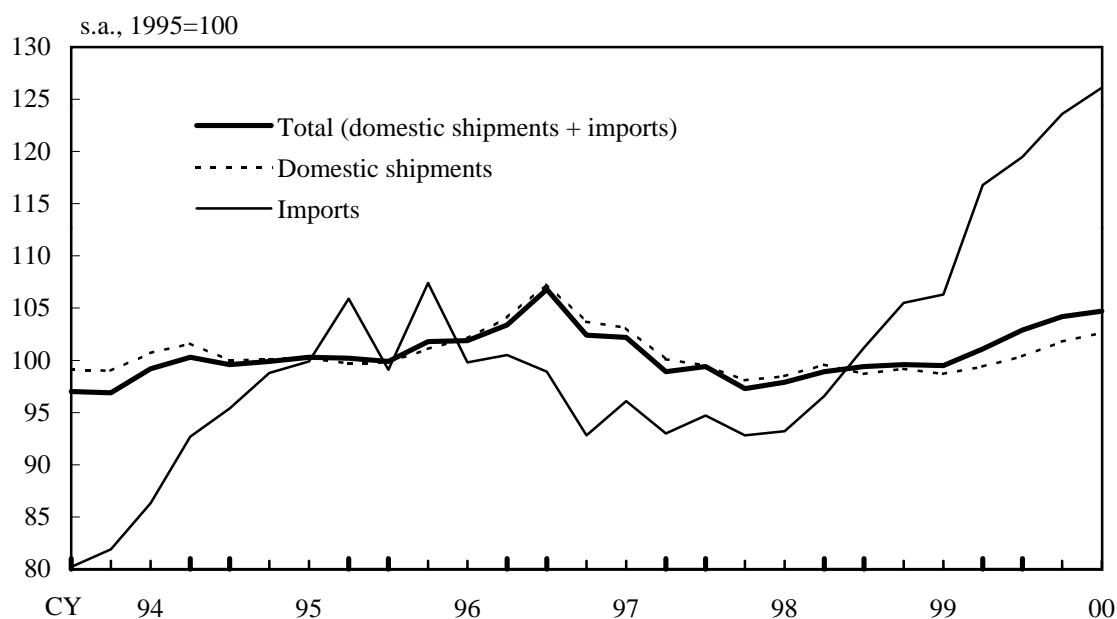


- Notes: 1. 2000/Q3 figures are those of July-August converted to a quarterly basis.
 2. See footnotes in Chart 12-4 for details of *Consumer goods supply*.
 3. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *Sales at chain stores*; *New passenger-car registrations*; *Sales of household electric appliances*; *Outlays for travel*; and *Food and drink sales*, where the weights come from the *Family Income and Expenditure Survey*. *Sales at convenience stores* are also taken into account for the index including the effect of the increase in the number of stores. Sales indicators in nominal terms are deflated by the corresponding consumer price index or the wholesale price index.

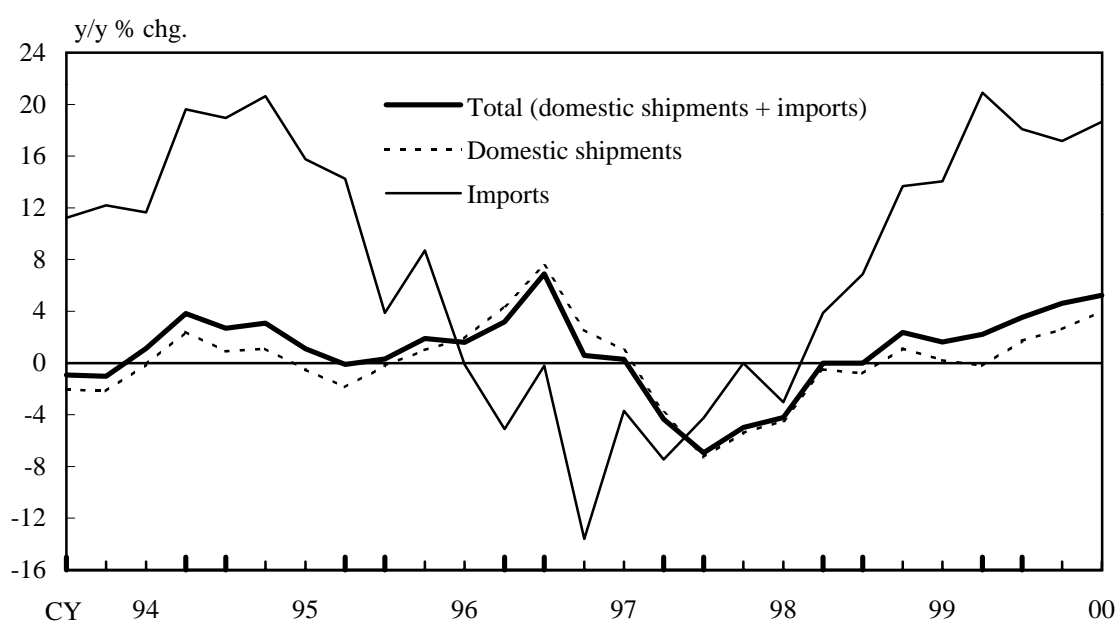
Sources: Economic Planning Agency, "National Income Statistics";
 Ministry of Finance, "The Summary Report on Trade of Japan";
 Ministry of International Trade and Industry, "Current Survey of Commerce,"
 "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports";
 Management and Coordination Agency, "Consumer Price Index,"
 "Monthly Report on the Family Income and Expenditure Survey";
 Bank of Japan, "Wholesale Price Indexes";
 Japan Chain Stores Association, "Sales at Chain Stores";
 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";
 Foodservice Industry Survey & Research Center, "Monthly Survey of Food and Drink Sales";
 Ministry of Transport, "Major Travel Agents' Revenue."

Private Consumption (4) - 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 Jul-Aug averages 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 + foodstuffs + textiles.

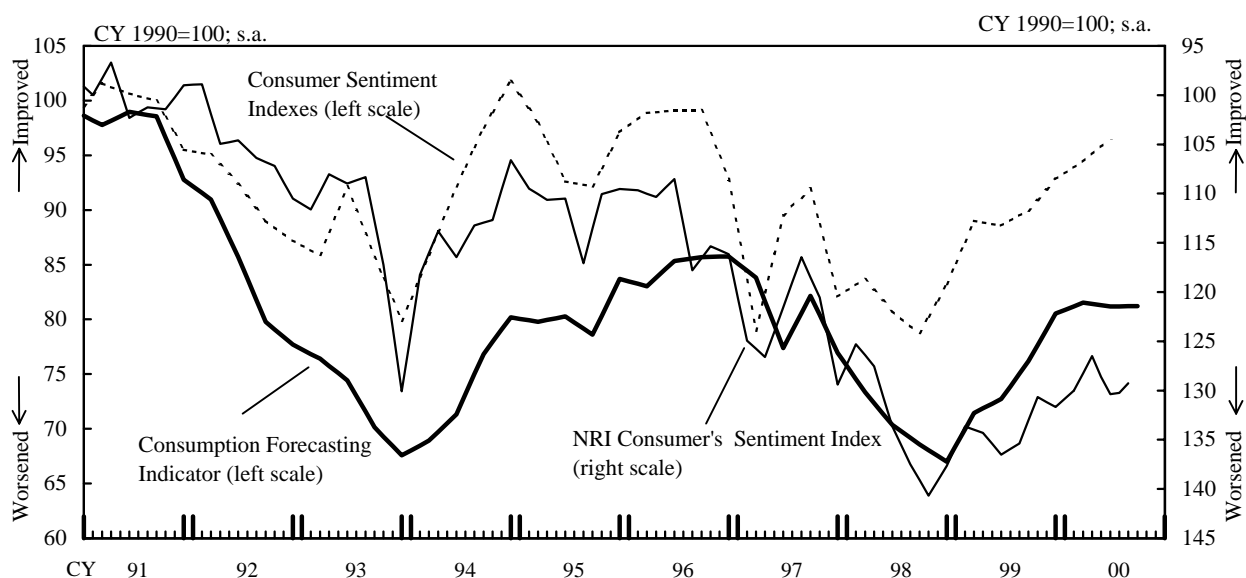
5. Figures for 2000/Q3 of "Total (domestic shipments + imports)" are calculated from weighted average of the quarter-to-quarter changes in "Domestic shipments" and "Imports".

6. Year-to-year changes figures 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."

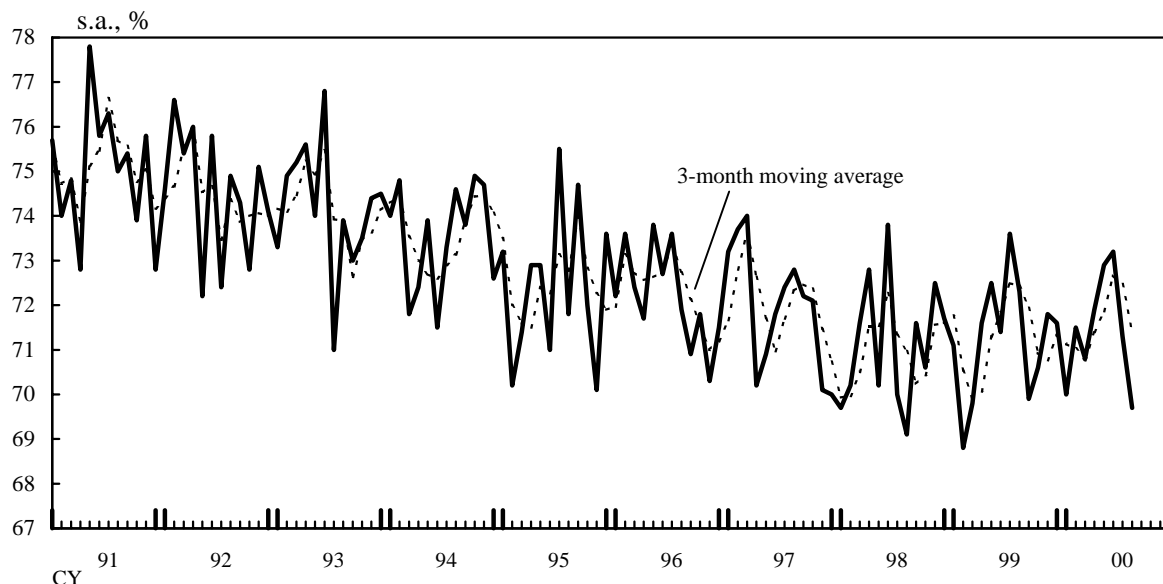
Consumer Confidence and Propensity to Consume

(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)

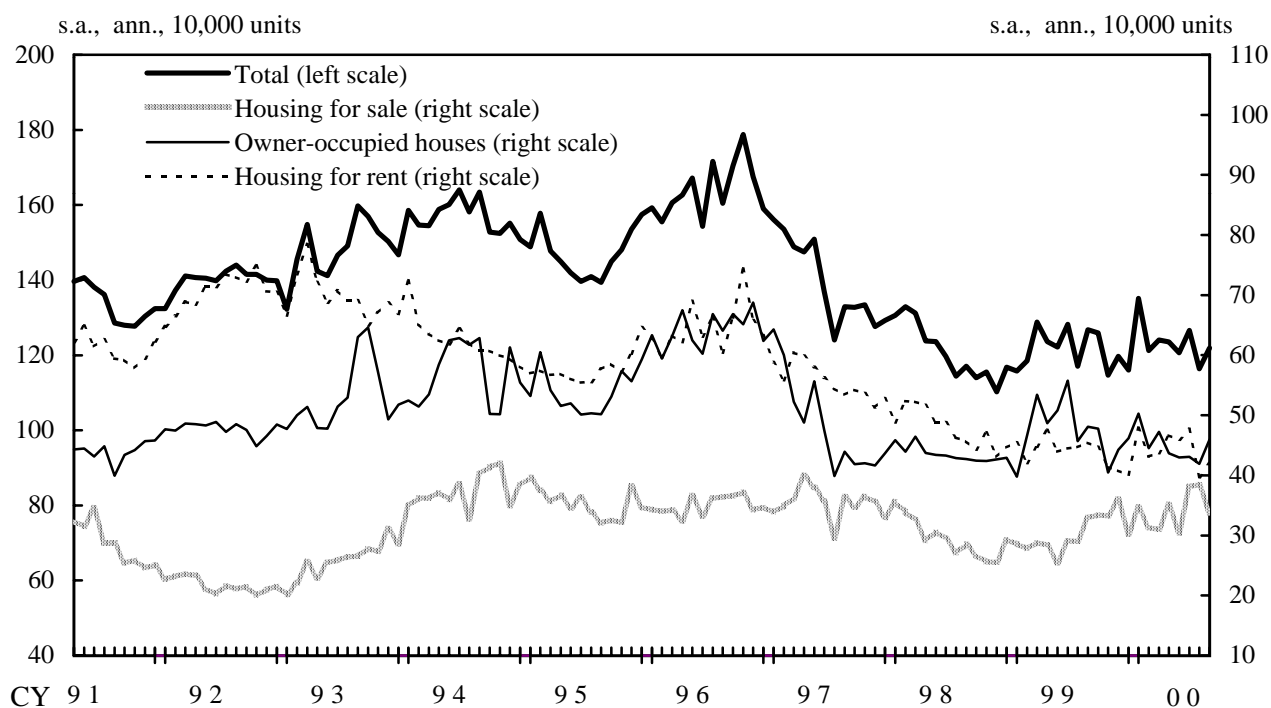
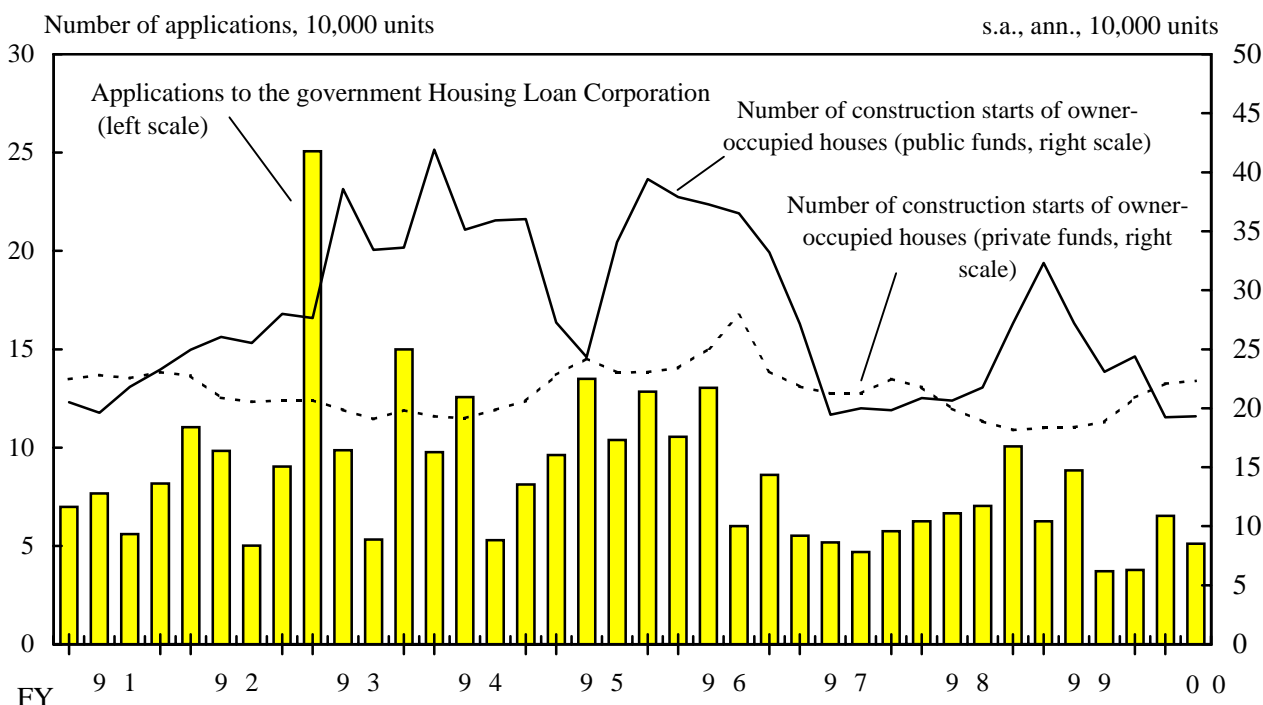


Note: Seasonally adjusted by the Management and Coordination Agency.

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)

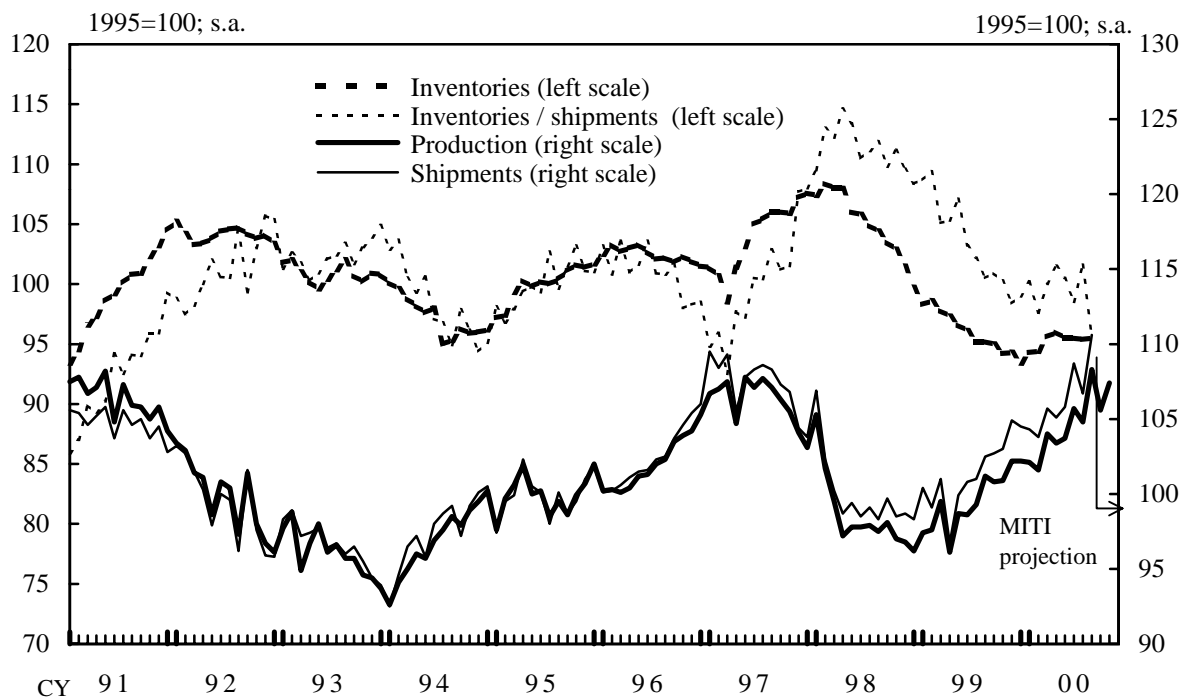
Notes: 1. The duration of the loan offering period (the government Housing Loan Corporation) differs according to the period. In addition, the period may expand to the following quarter. As for the number of loan applications for the construction of private homes in (2), even if the offering period expands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

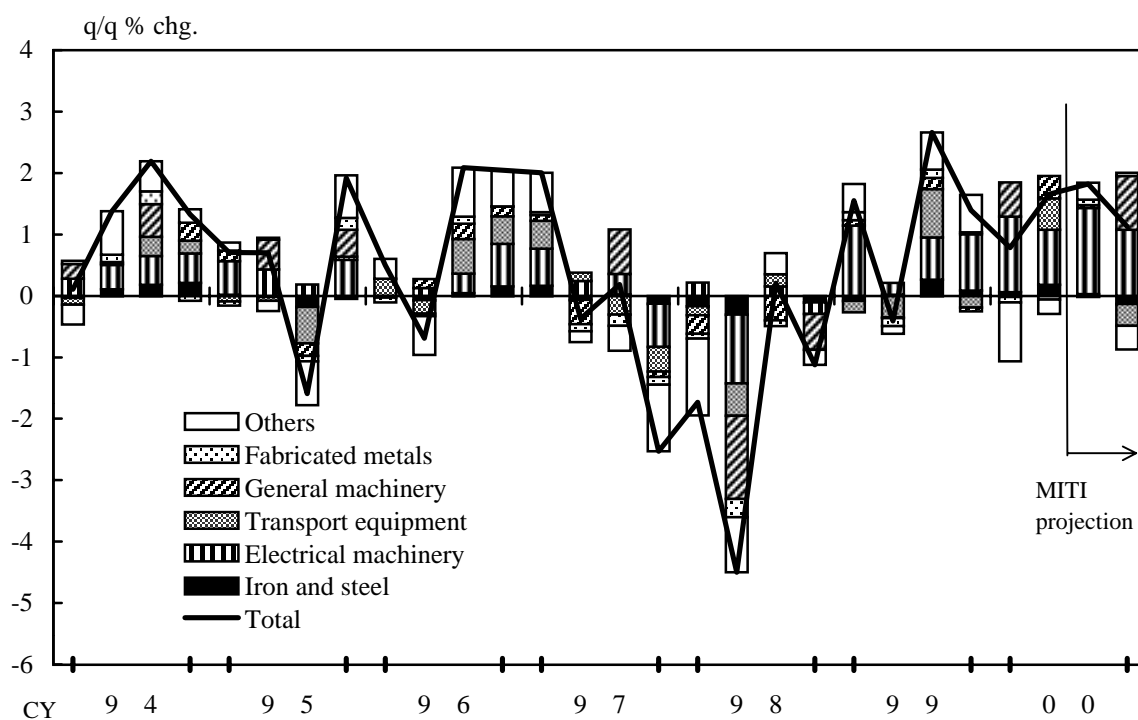
Sources: Ministry of Construction, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



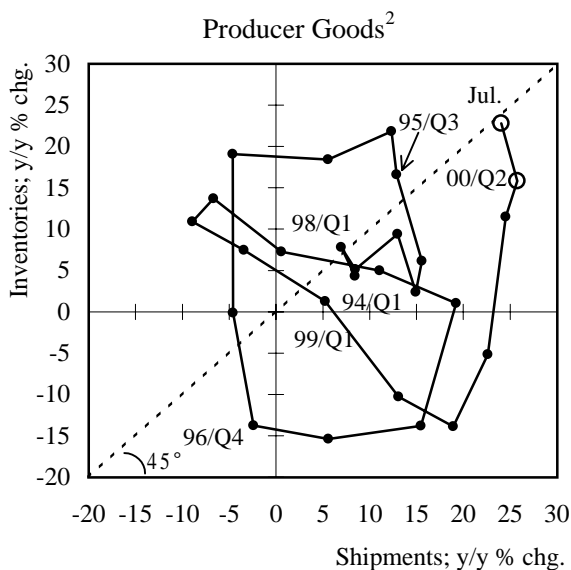
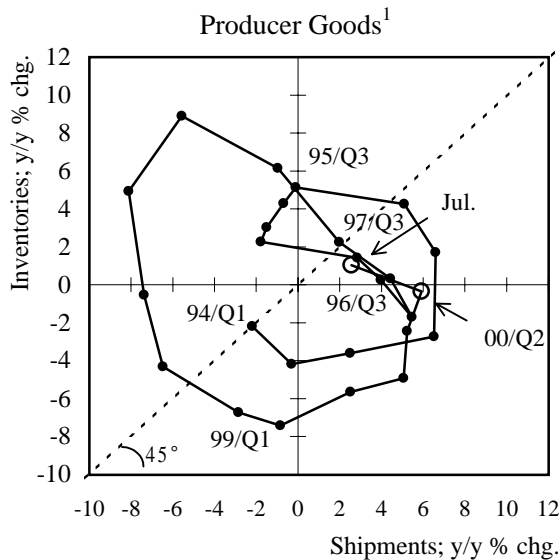
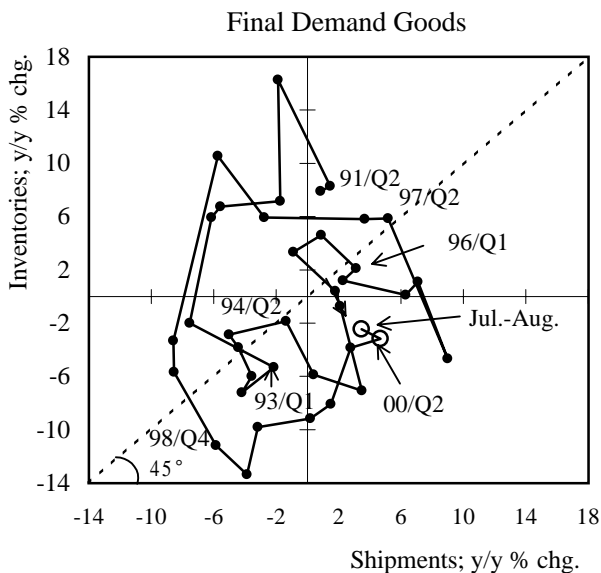
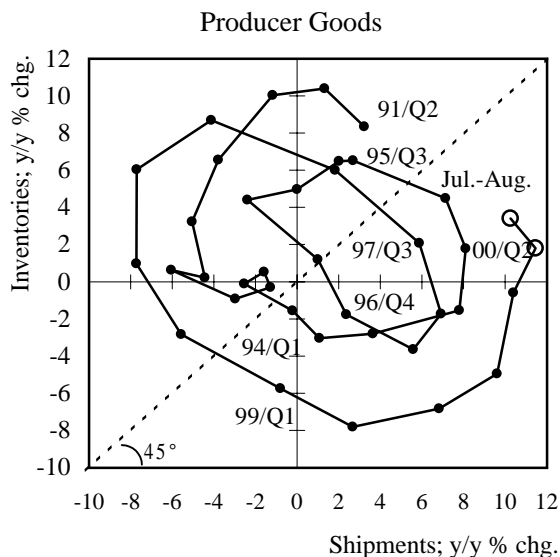
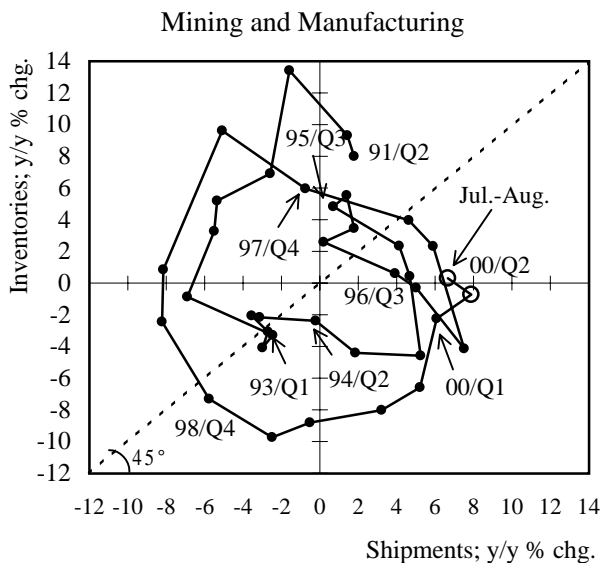
(2) Production by Industries



Note: Transport equipment excludes ships and rolling stock.

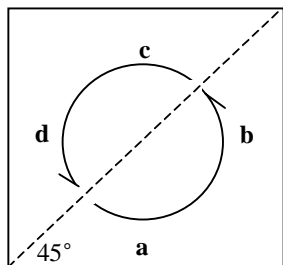
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

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

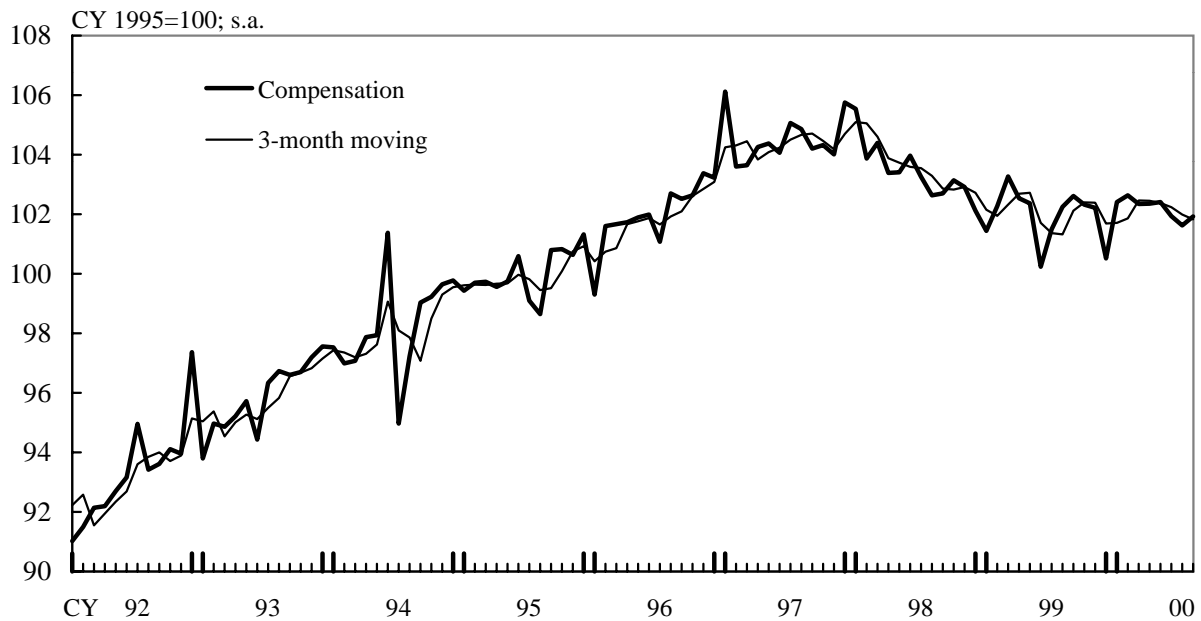
Notes: 1. Producer goods excluding electrical machinery.

2. Producer goods of electrical machinery.

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

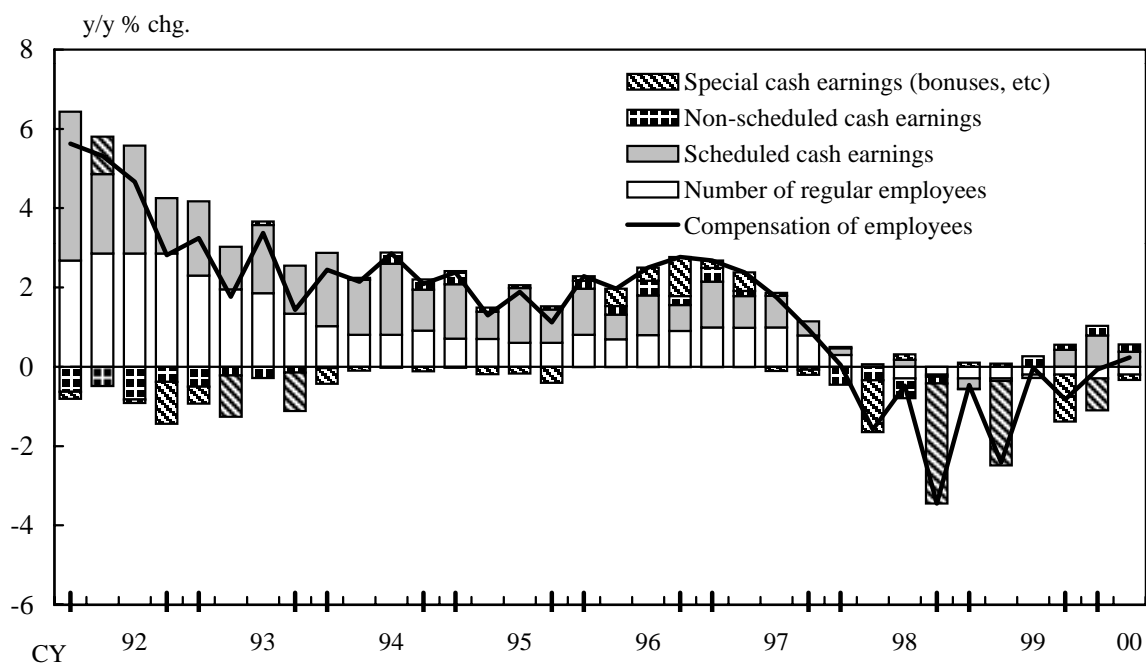
Compensation of Employees

(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 (β version).
 3. Data for establishments with at least 5 employees. The data for August 2000 are preliminary figures.

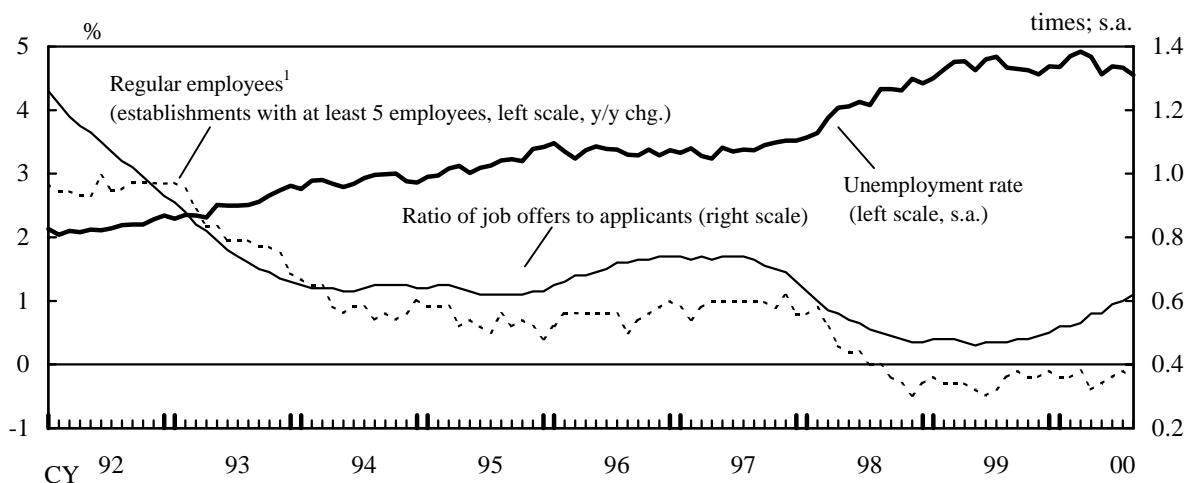
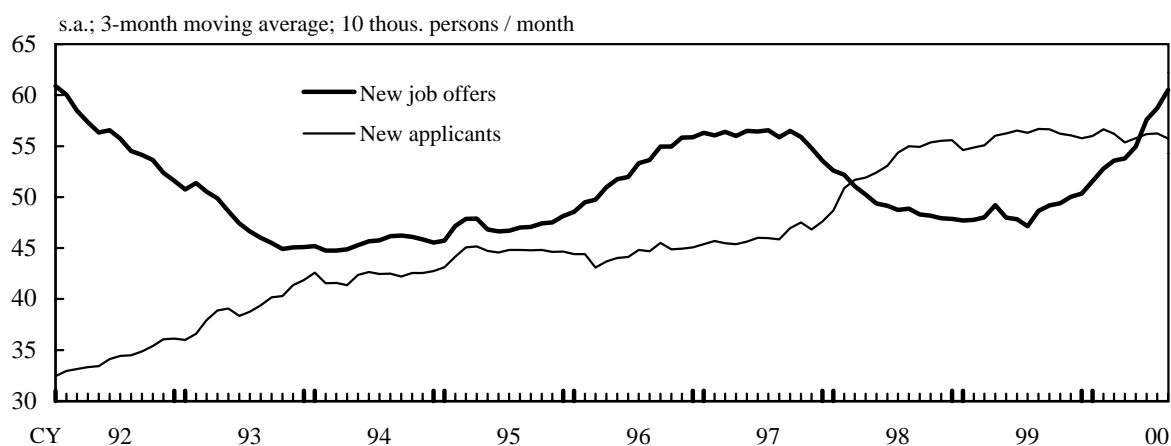
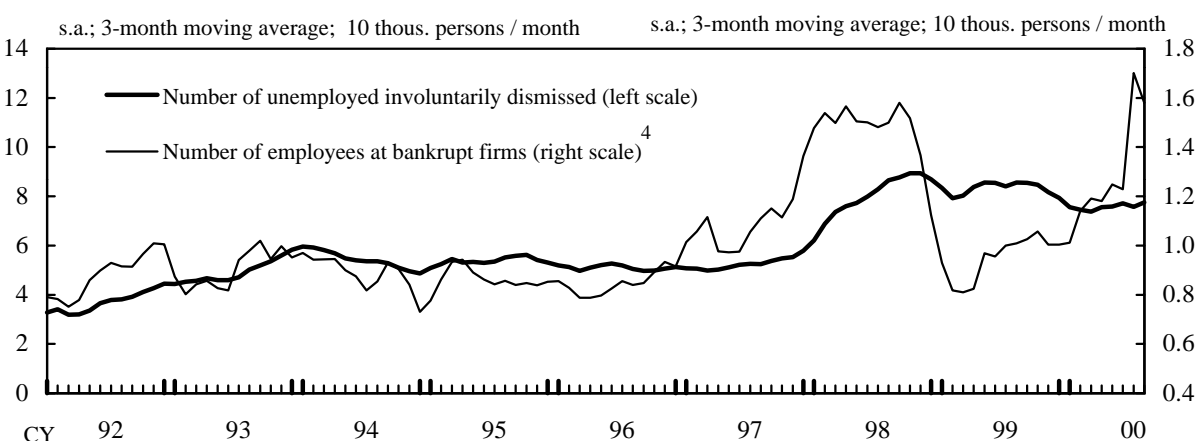
(2) Breakdown of Compensation



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

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 August 2000 are preliminary figures.

2. Excludes jobs offered to new graduates.

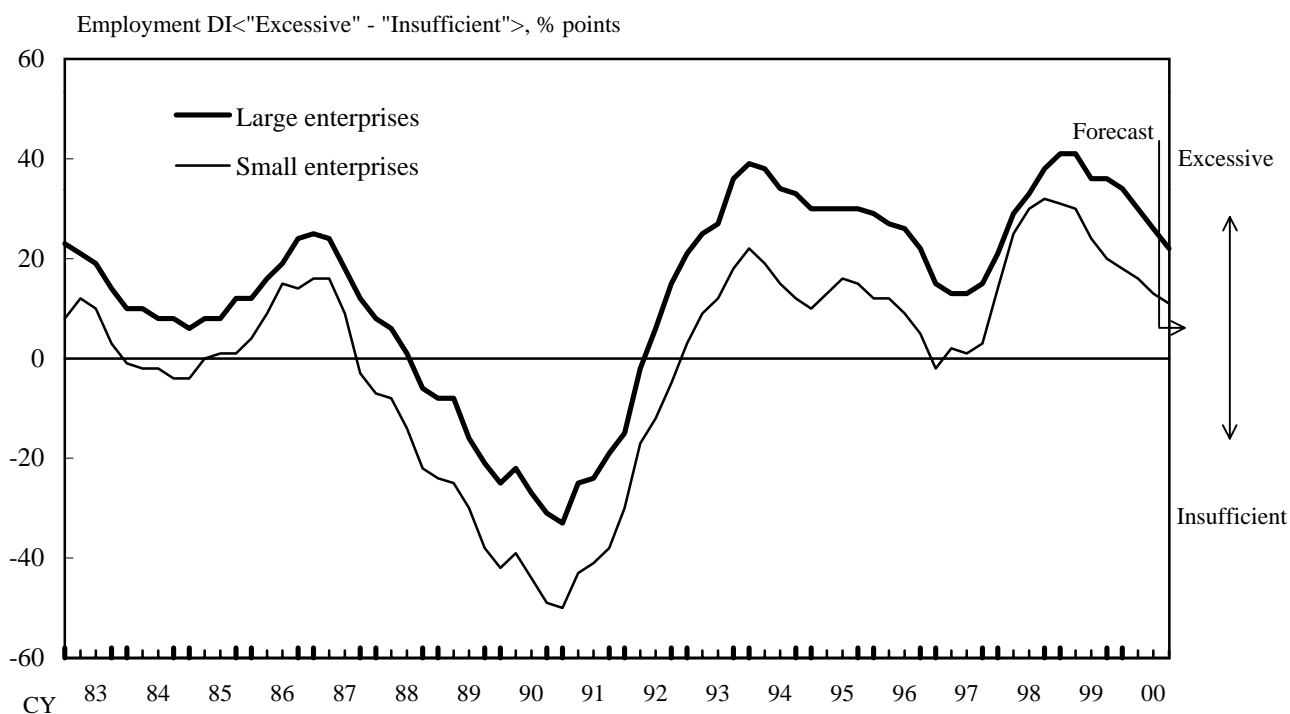
3. Seasonally adjusted by X-11.

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

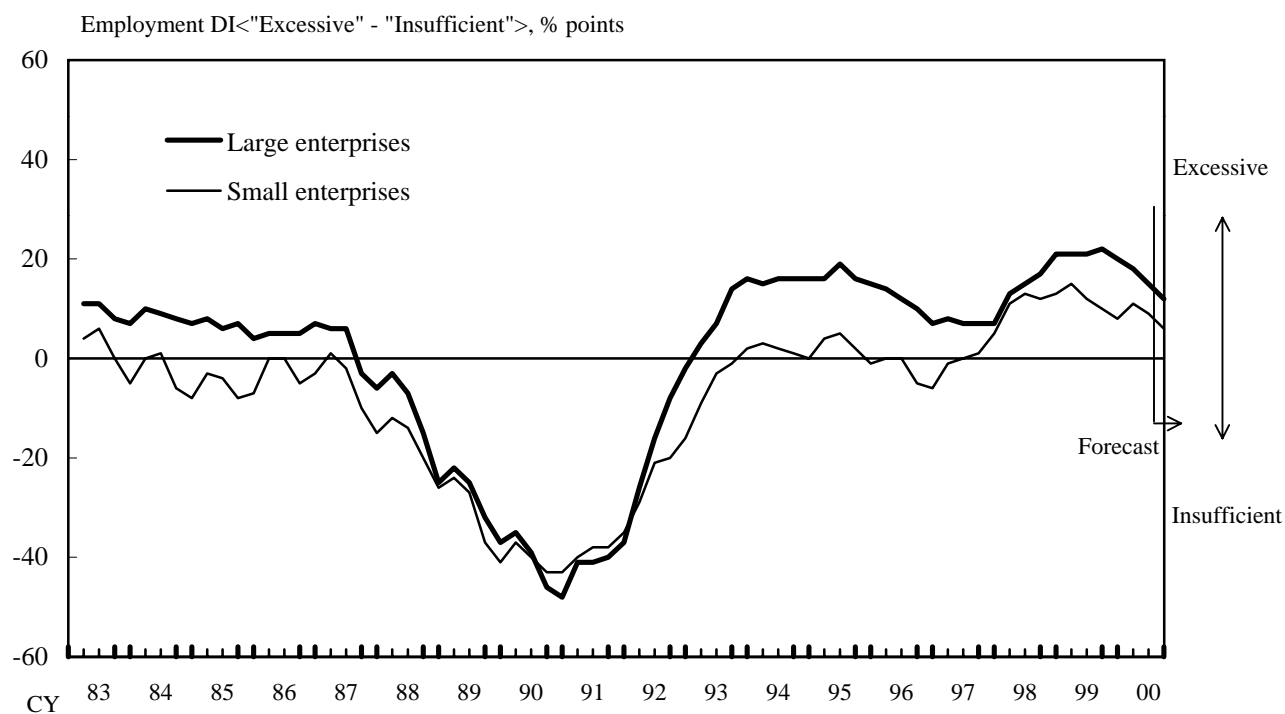
Sources: Ministry of Labour, "Monthly Labour Survey," "Report on Employment Service," "Report on Employment Insurance Service"; Management and Coordination Agency, "Labour Force Survey"; *Teikoku Databank Ltd.*, "Japan's Business Failure."

Employment Conditions in the *Tankan* (September 2000)

(1) Manufacturing



(2) Nonmanufacturing

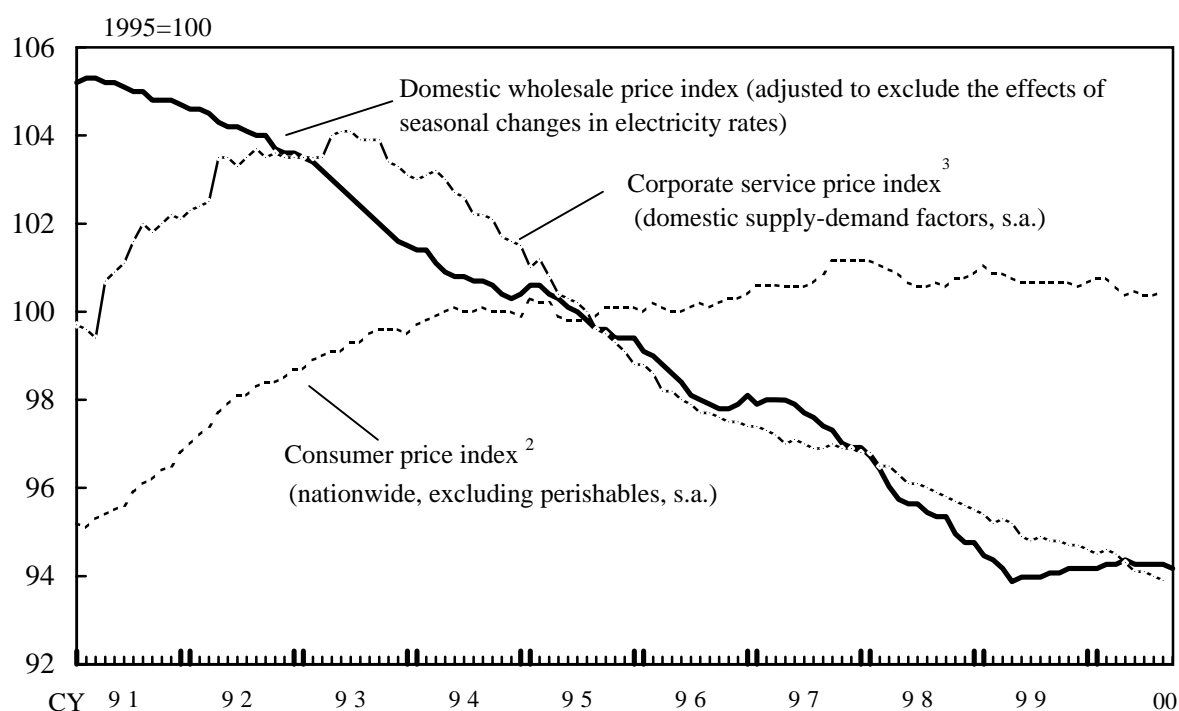


Note: Figures before December 1998 are based on the pre-revision *Tankan*, and those of March 1999 are based on the post-revision *Tankan*.

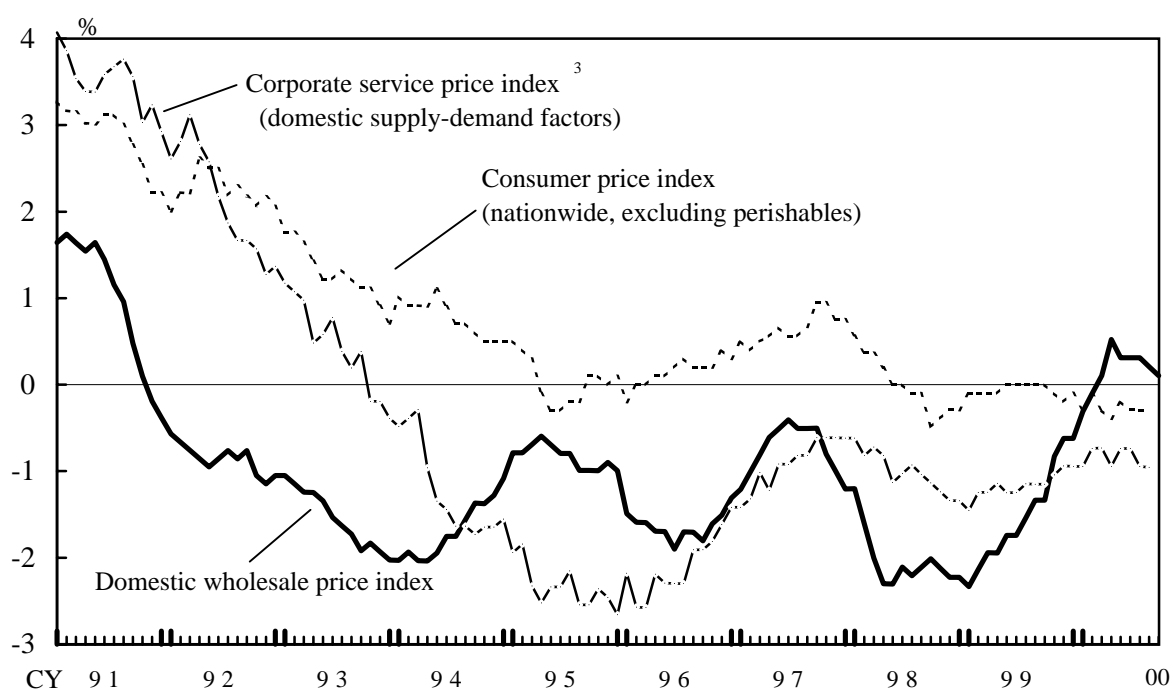
Source: Bank of Japan, "*Tankan* Short-Term Economic Survey of Enterprises in Japan."

Prices¹

(1) Level



(2) Changes from a year earlier

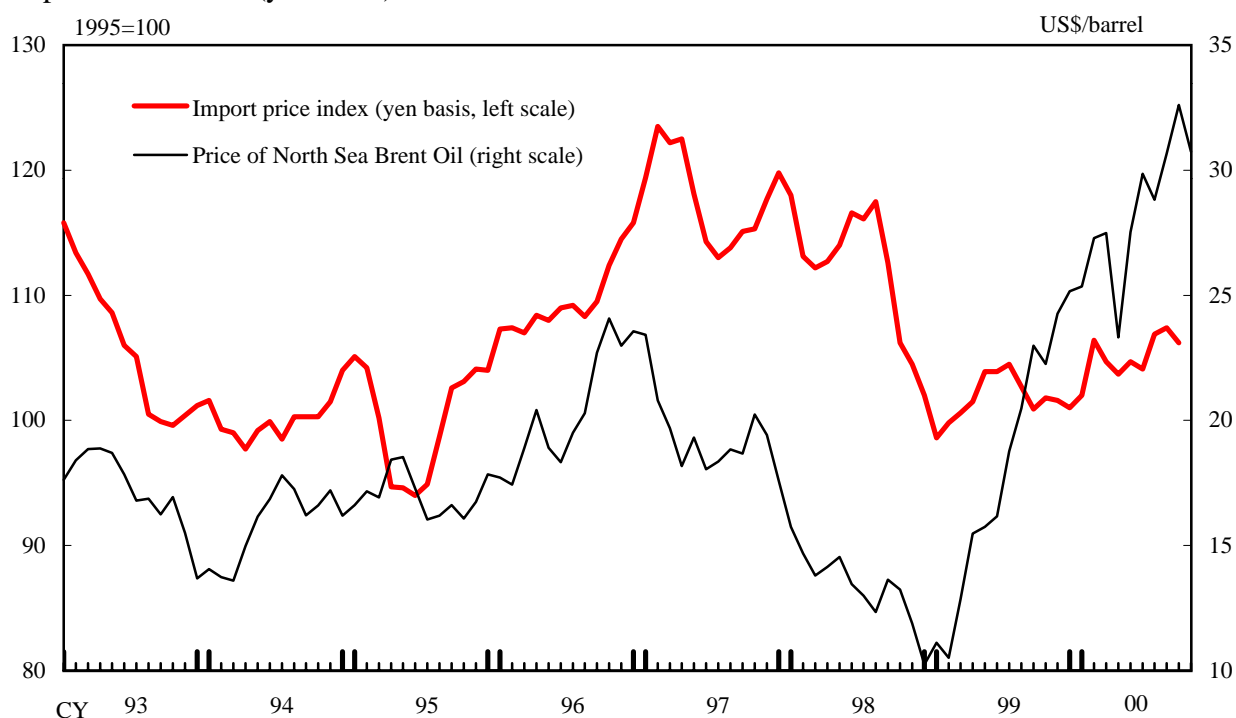


- Notes: 1. Figures before January 1995 are calculated from the CPI whose base period is 1990 in chart (1). This data series is seasonally adjusted by Management and Coordination Agency.
2. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.
3. See footnote 4 in Chart 23, for definition of the Corporate service price index (domestic supply-demand factors).

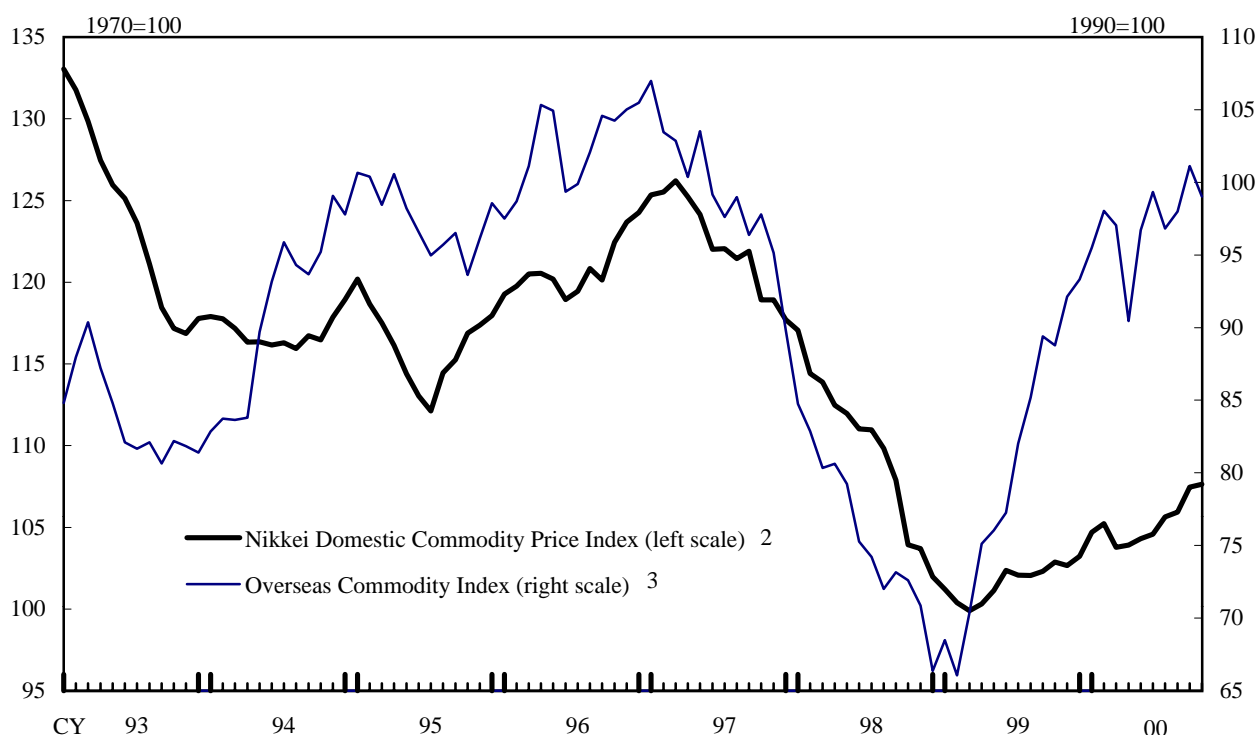
Sources: Management and Coordination Agency, "Consumer Price Index";
Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index."

Import Prices and Domestic Commodity Market

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



(2) Domestic Commodity Market



Notes: 1. Data for October 2000 are October 1-11 average.

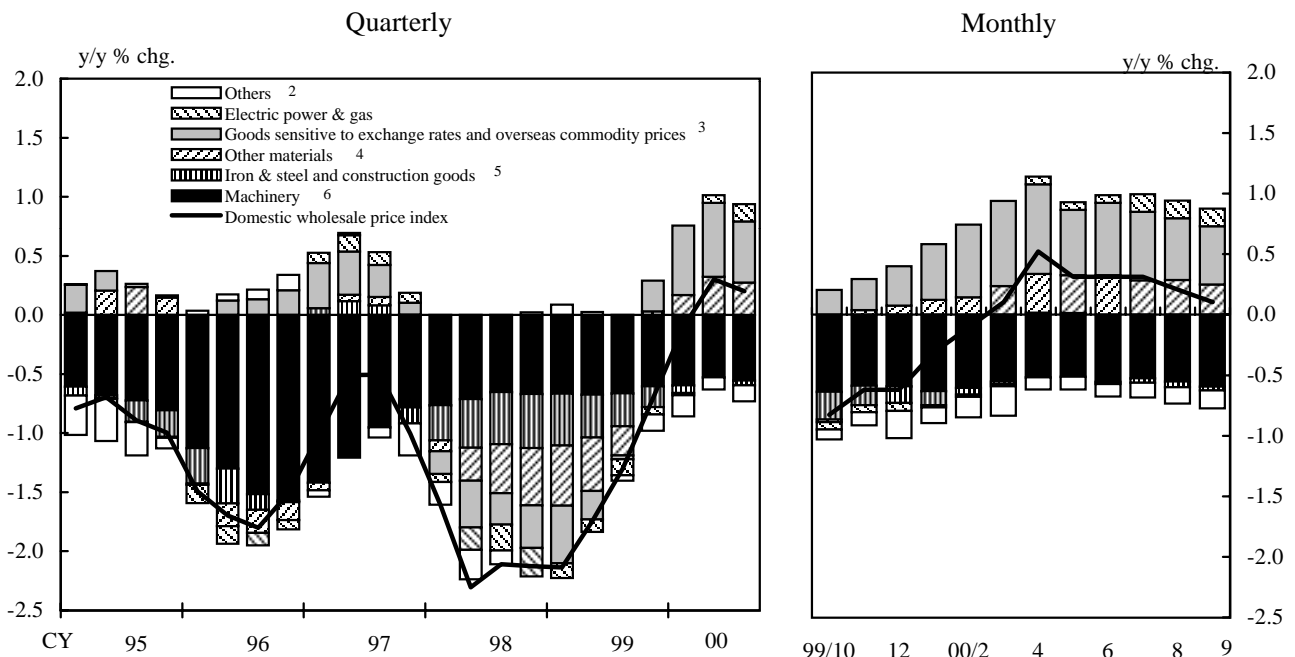
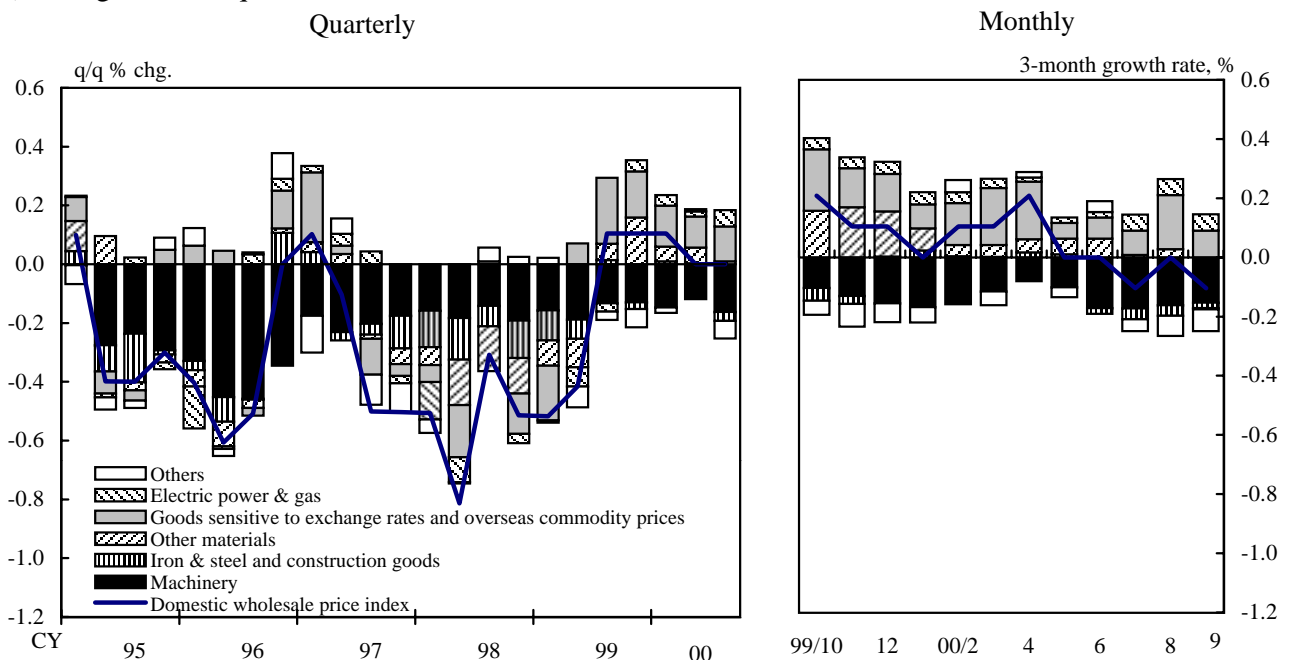
2. Data for October 2000 are as of October 6.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for October 2000 are October 1-11 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.

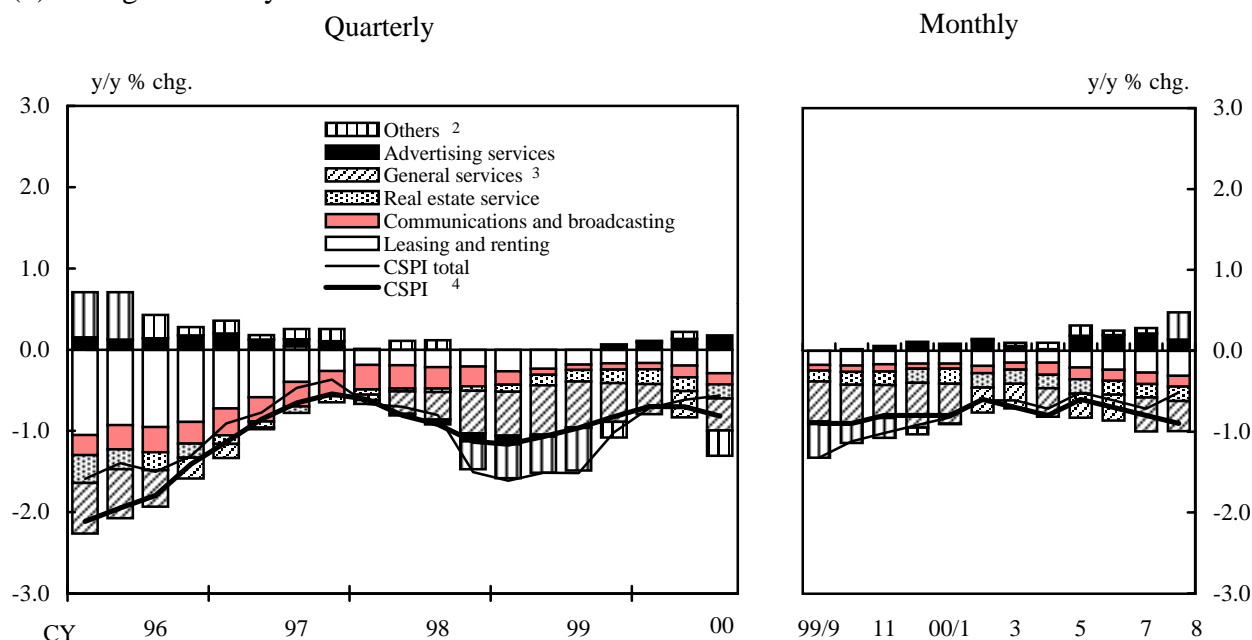
6. Machinery = electrical machinery + general machinery + transportation equipment + precision instruments.

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

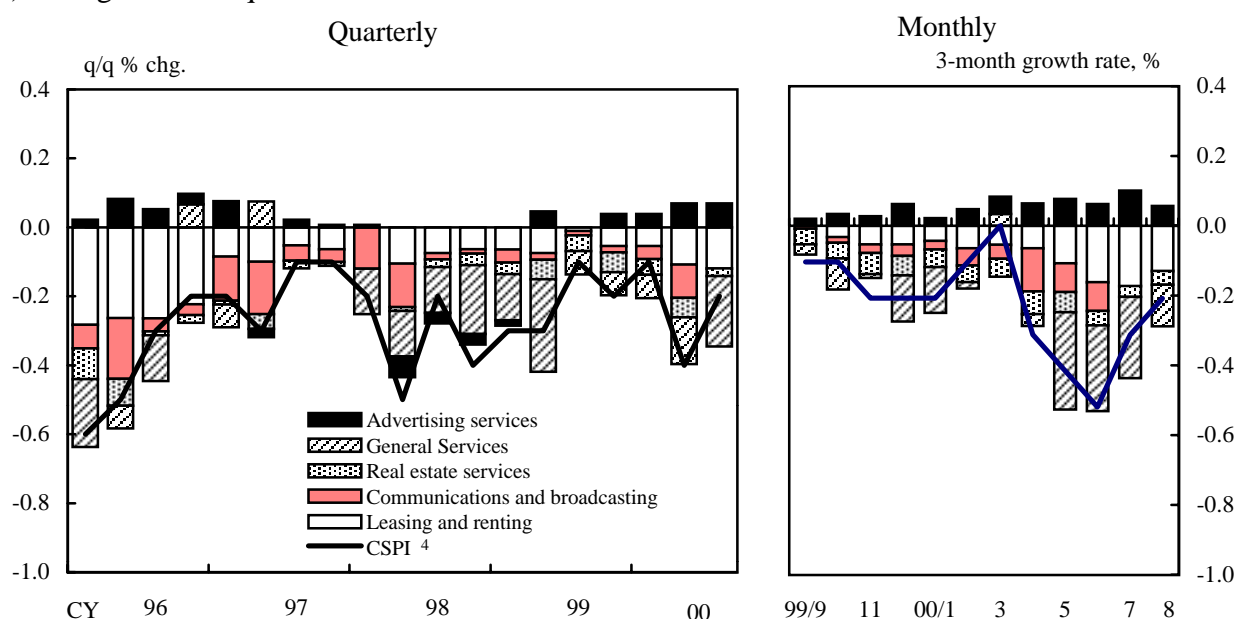
This effect causes the Domestic Wholesale Price Index to rise by about 0.2%.

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).

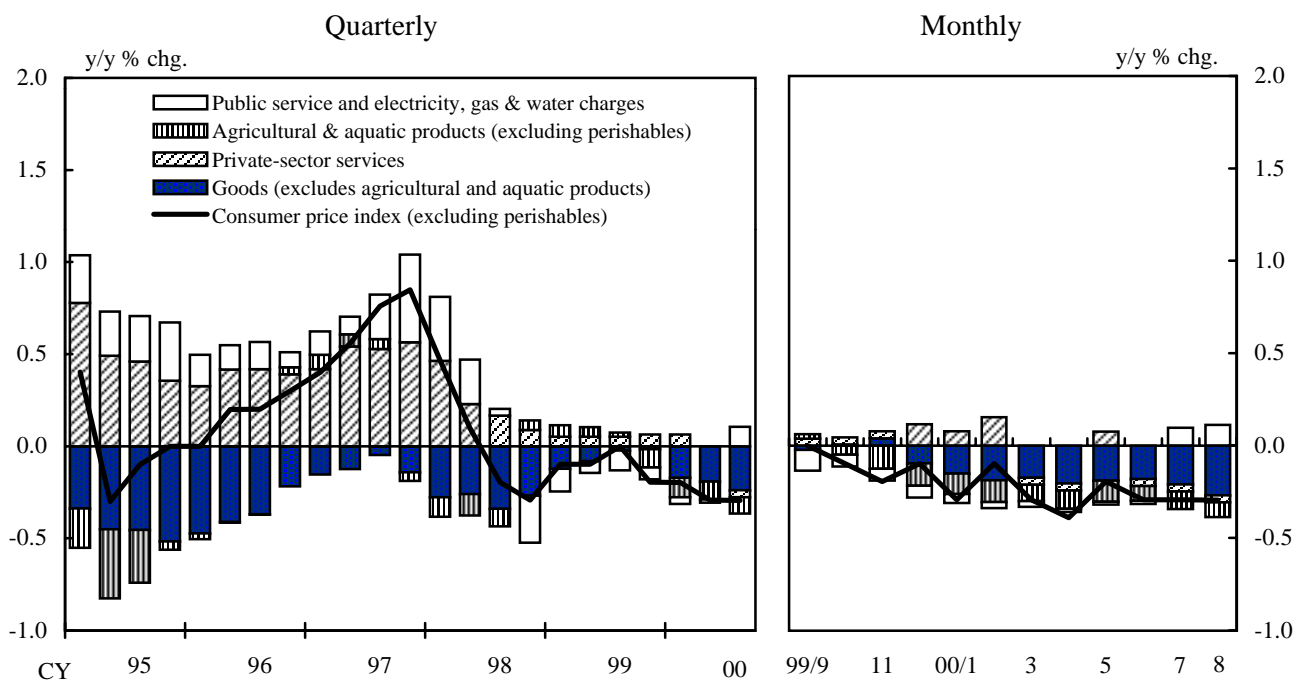
Due to seasonal adjustment every month, these data services are revised retroactively every month.

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

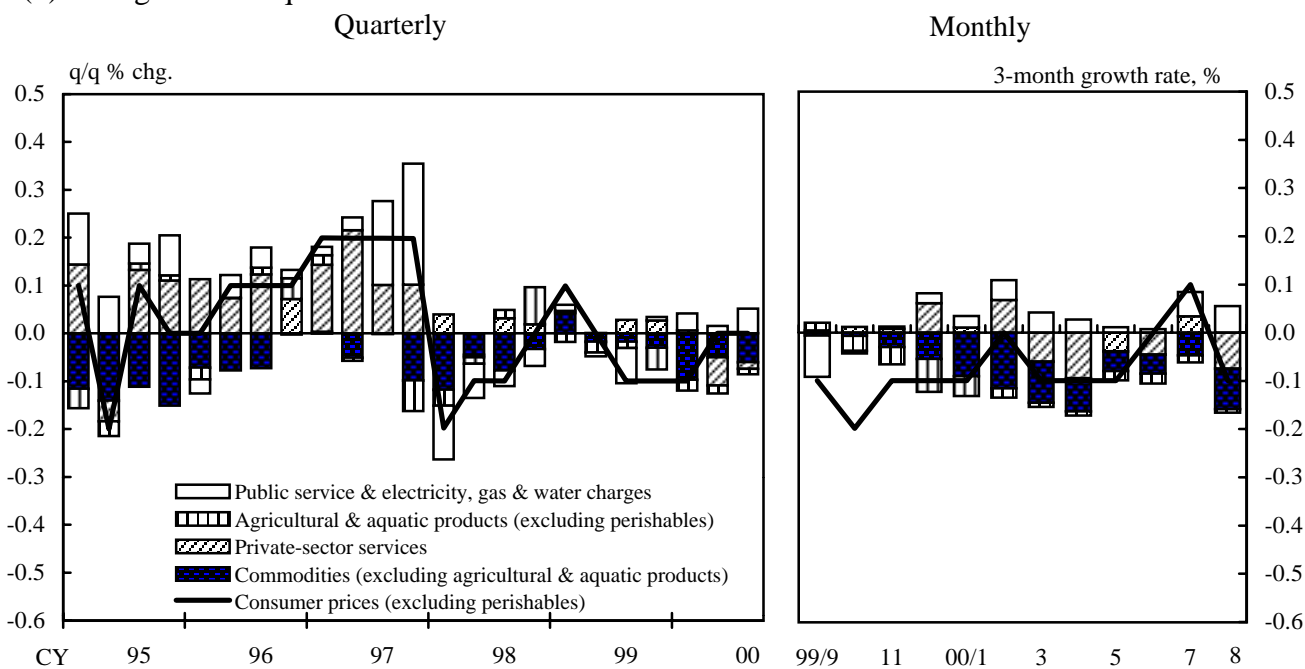
Source: Bank of Japan, "Corporate Service Price Index."

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.

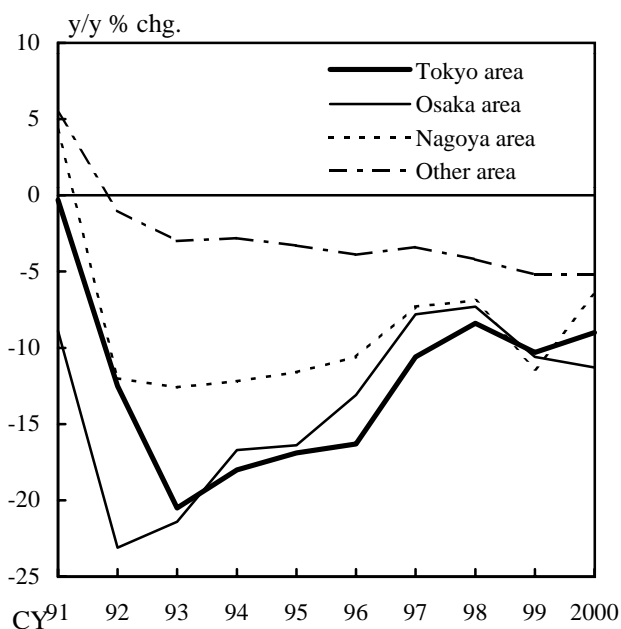
2. Data for 2000/Q3 are those of the Jul.-Aug. average.

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

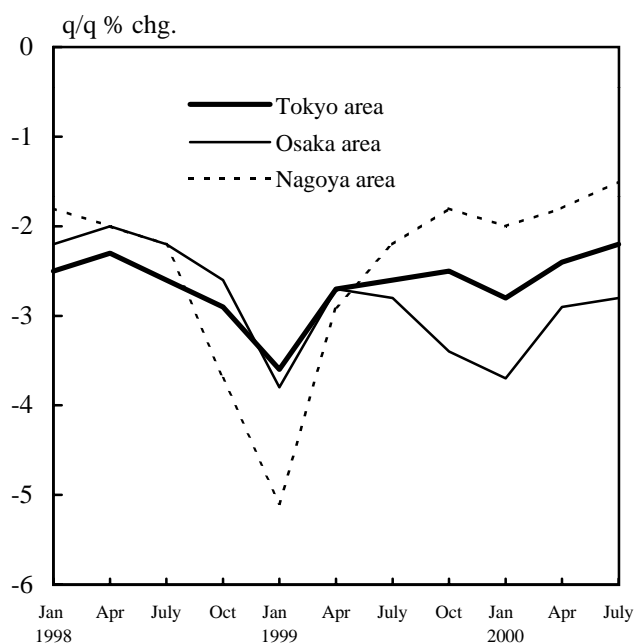
Land Prices Posted by the National Land Agency

(1) Commercial land

(1-1) Average change (as of July 1st)

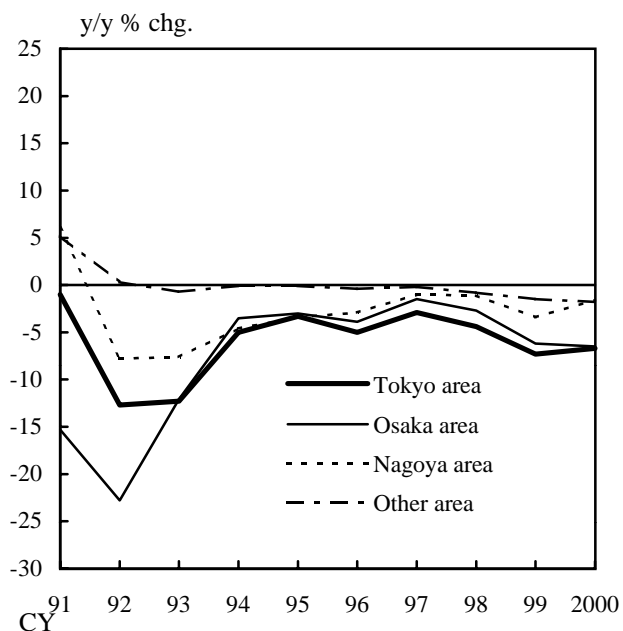


(1-2) Average change at representative locations

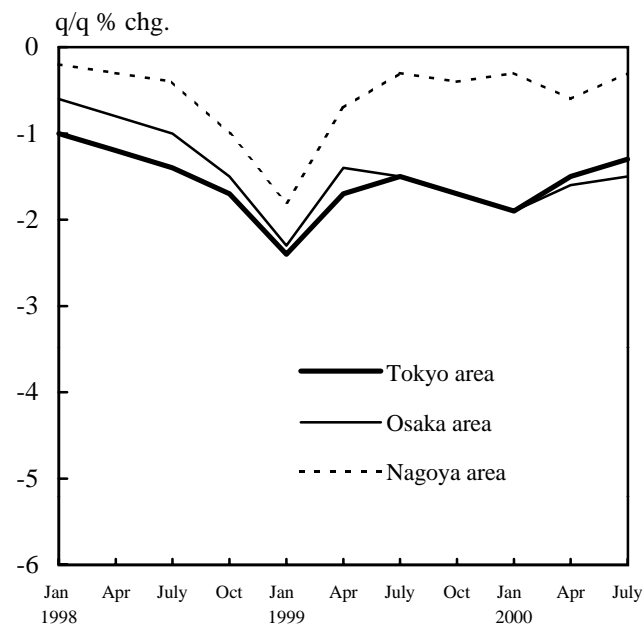


(2) Residential land

(2-1) Average change (as of July 1st)



(2-2) Average change at representative locations

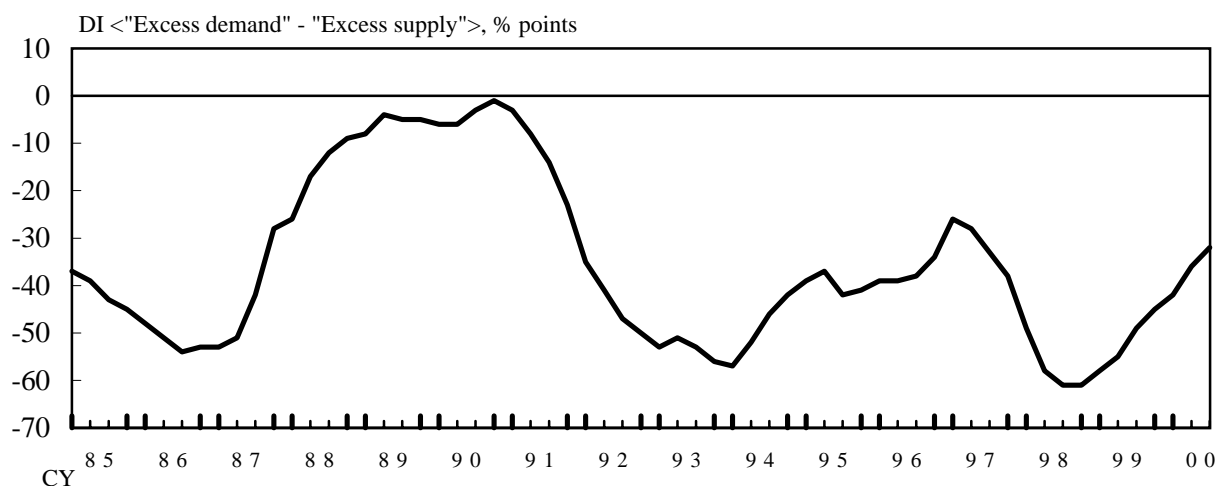
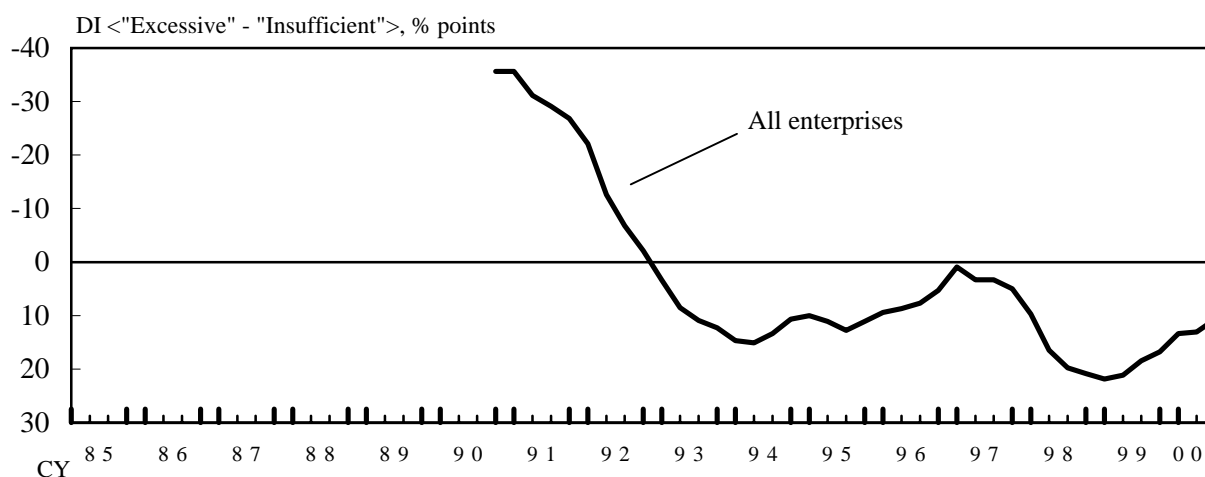


Note: "Representative locations" are the standard locations for "Land prices posted by the National Land Agency" and "Land prices survey by the administrative divisions," which are largely regarded as identical locations between two statistics.

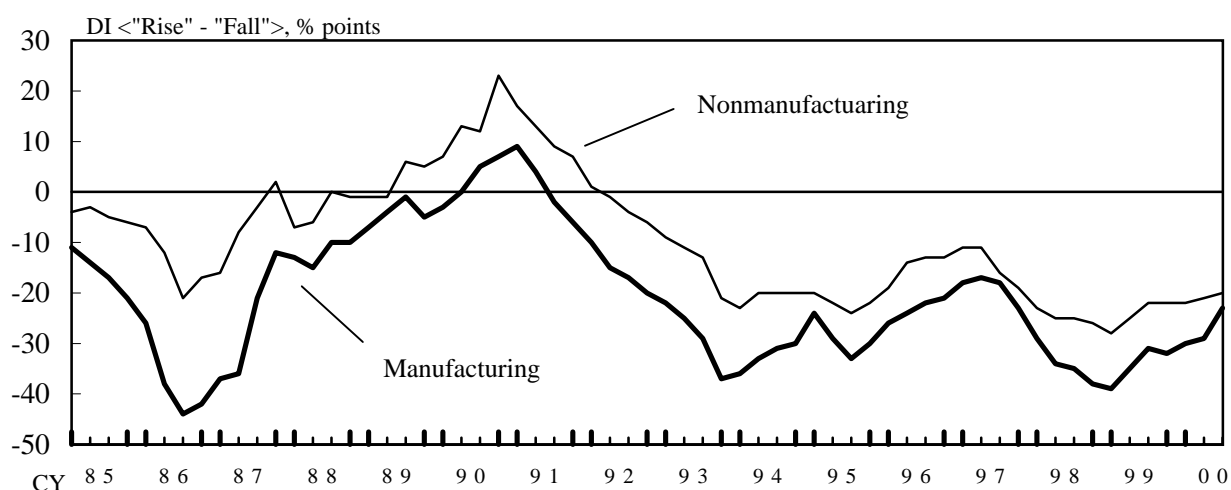
Sources: The National Land Agency, "Land prices posted by the National Land Agency,"
"Land prices survey by the administrative divisions."

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.

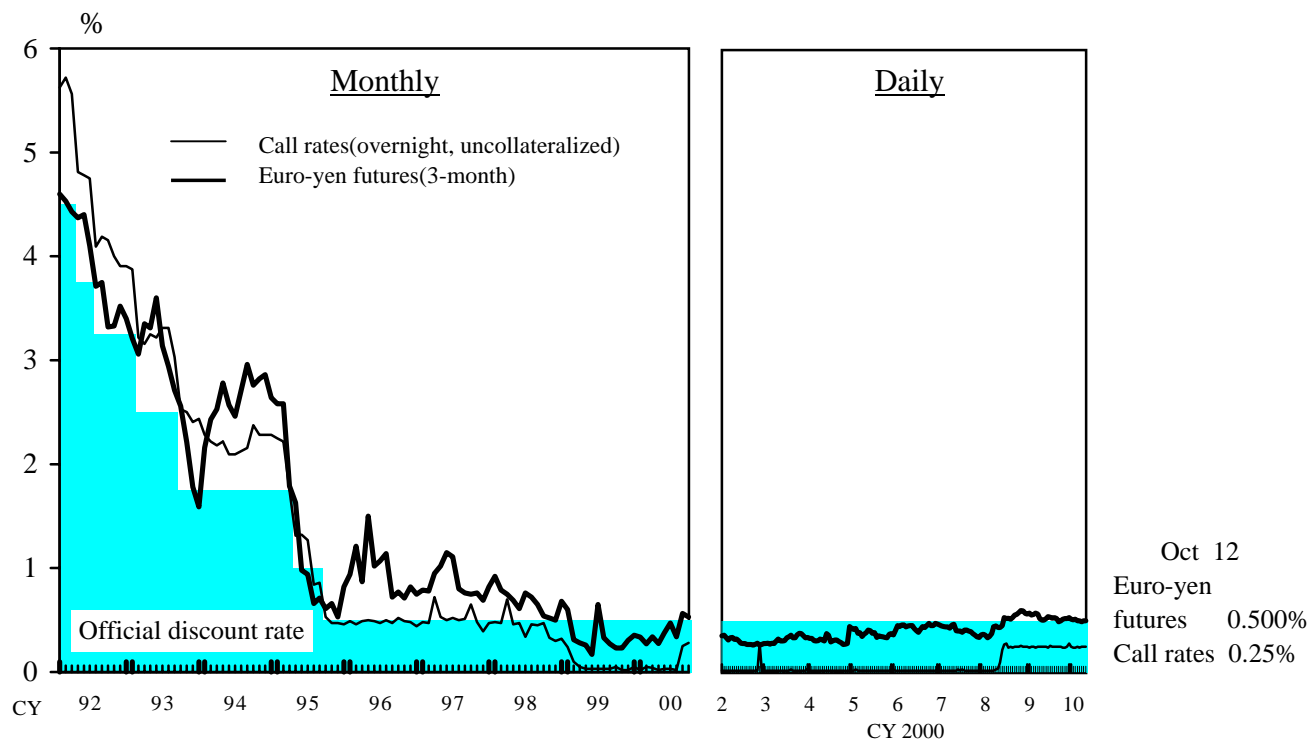
Production Capacity DI and Employment DI are calculated as "Excessive" minus "Insufficient".

Sources: Economic Planning Agency, "National Income Statistics";

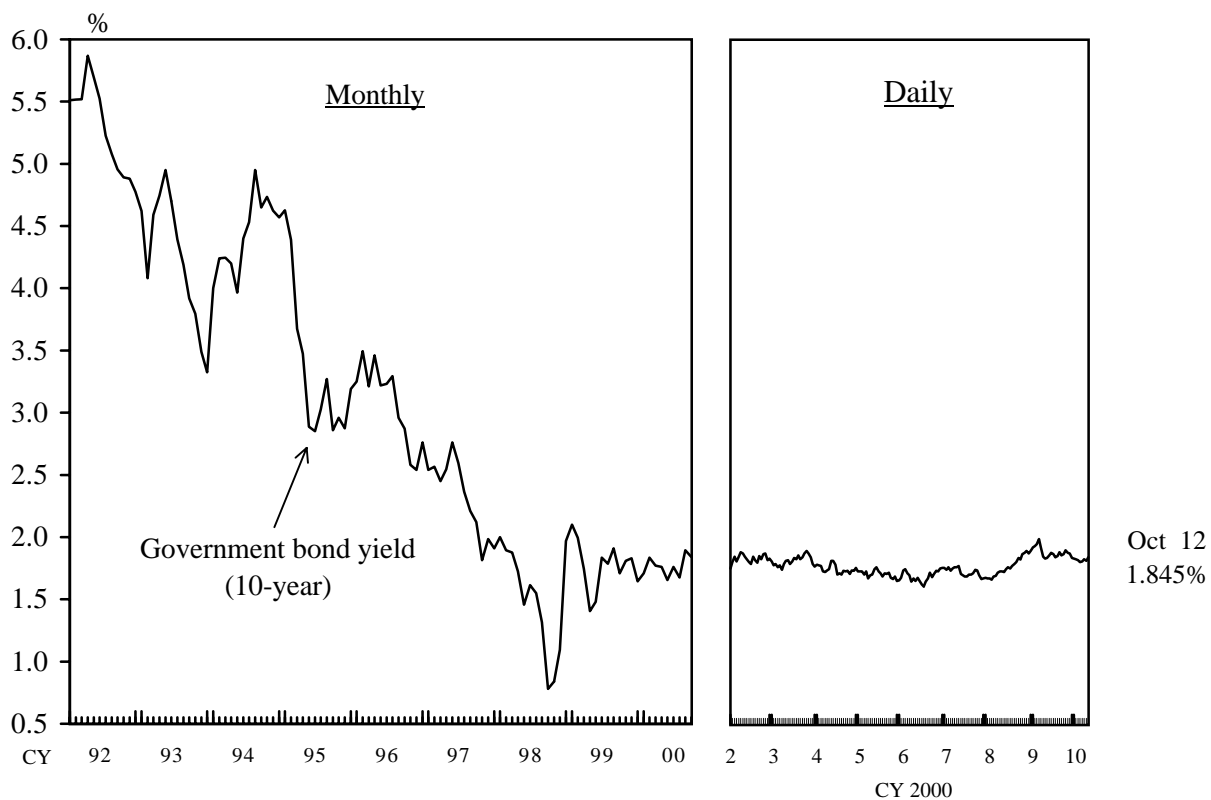
Bank of Japan, "Tankan Short-Term Economic Survey of Enterprises in Japan."

Interest Rates

(1) Short-Term



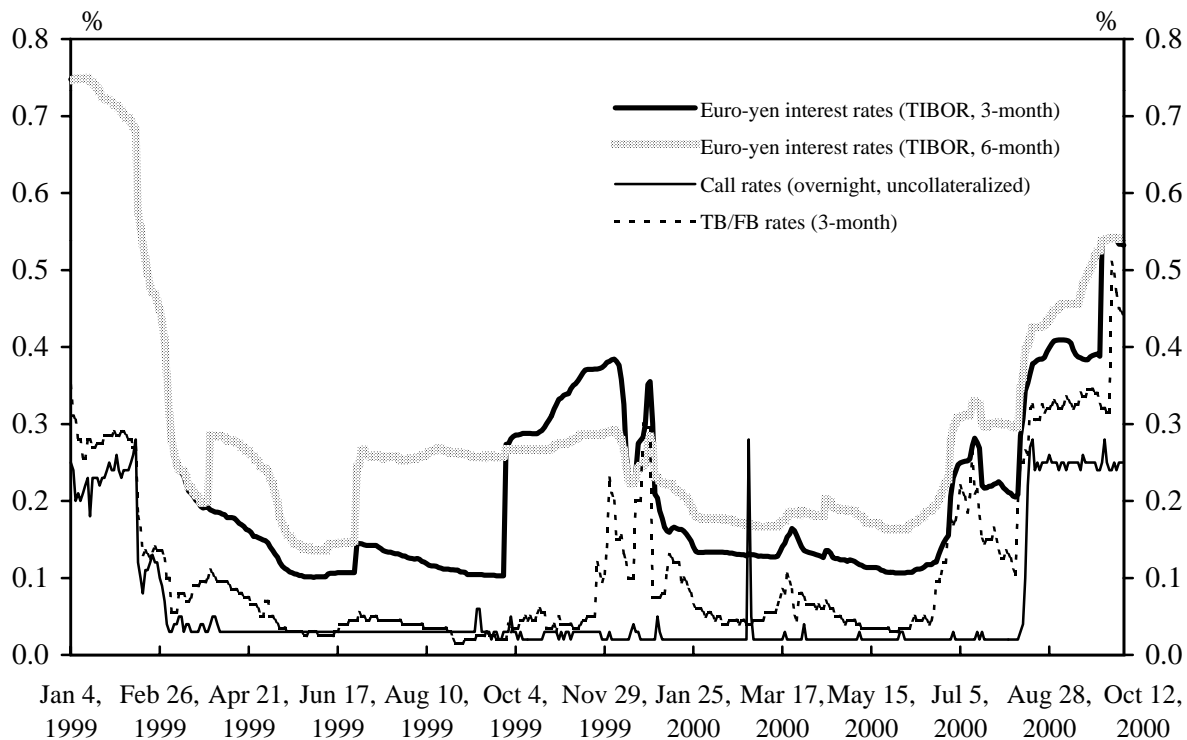
(2) Long-Term



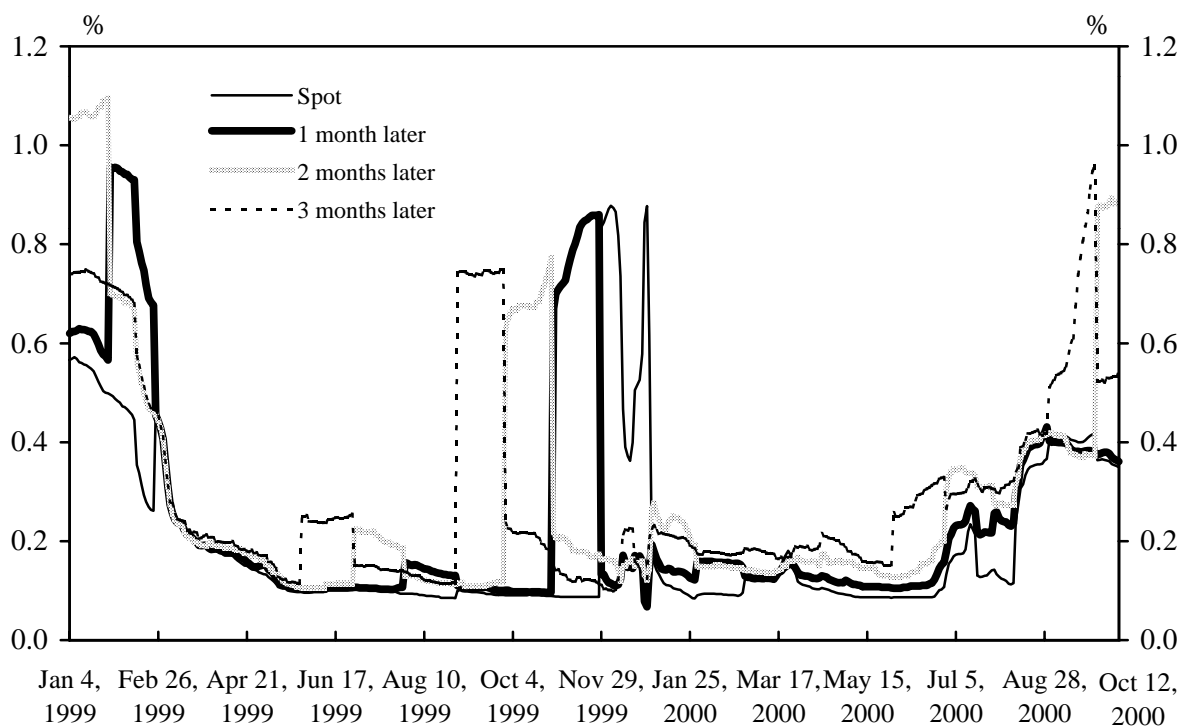
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

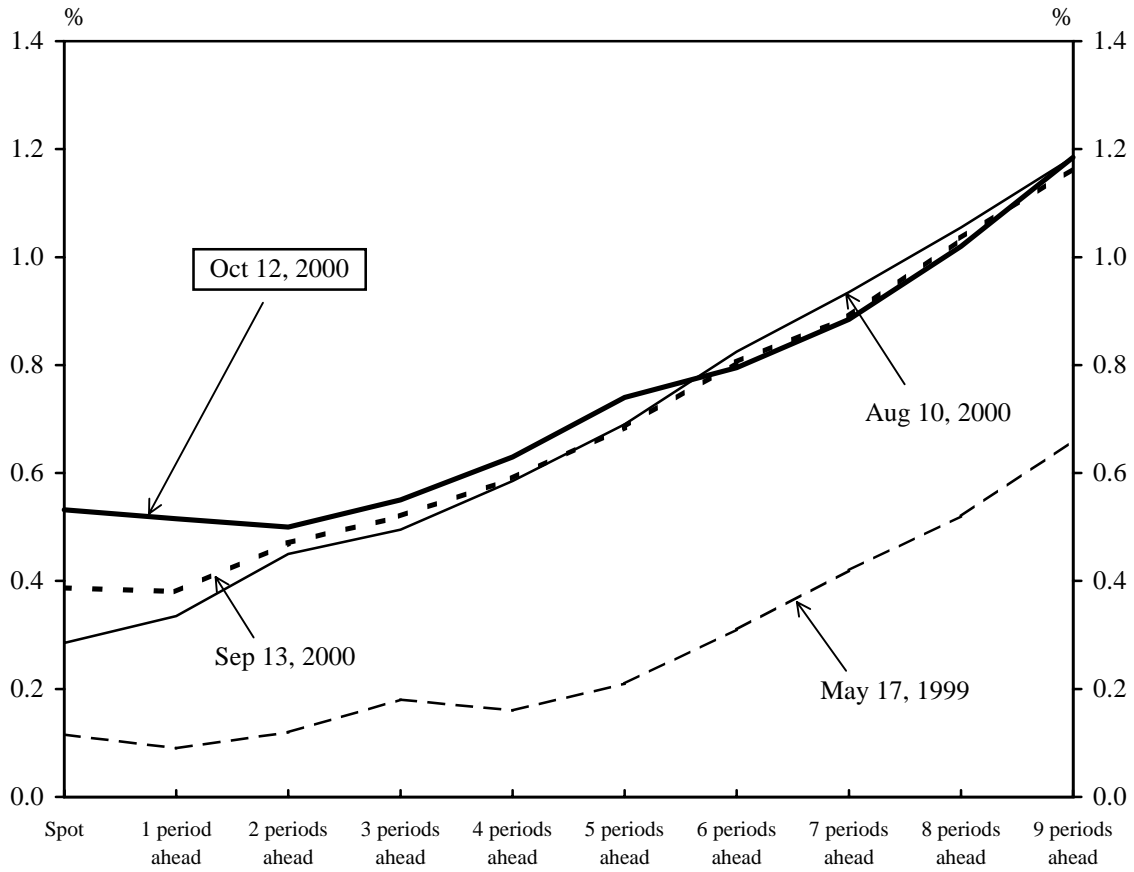


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

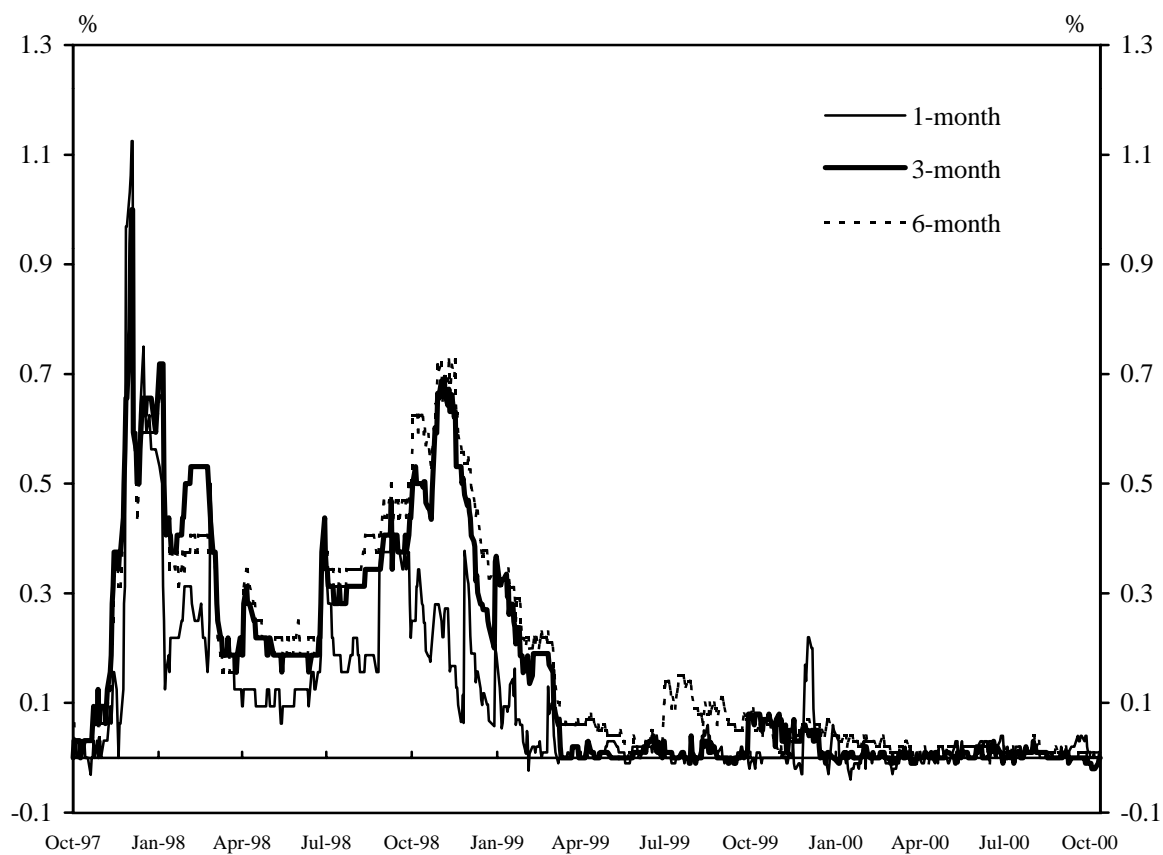


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Euro-Yen Interest Rates Futures (3-Month)



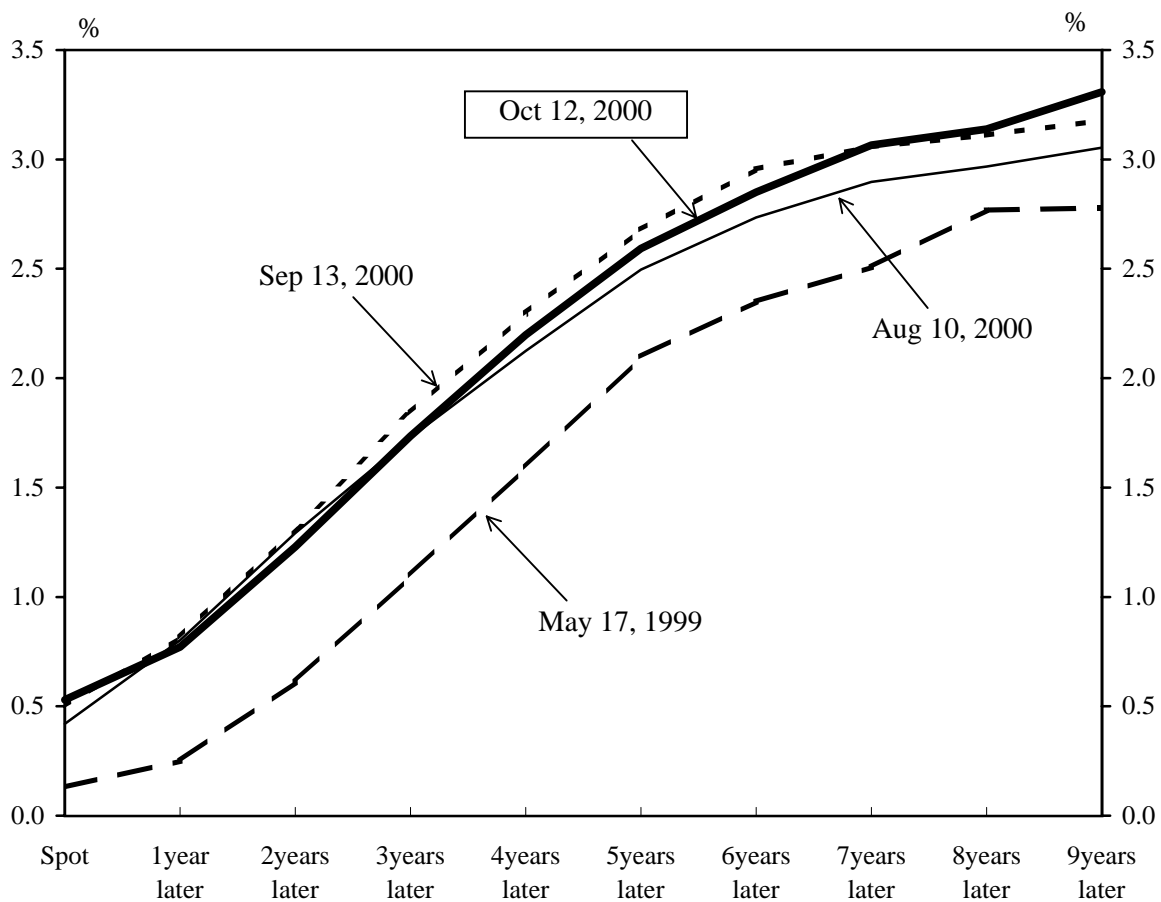
Source: Tokyo International Financial Futures Exchange.

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



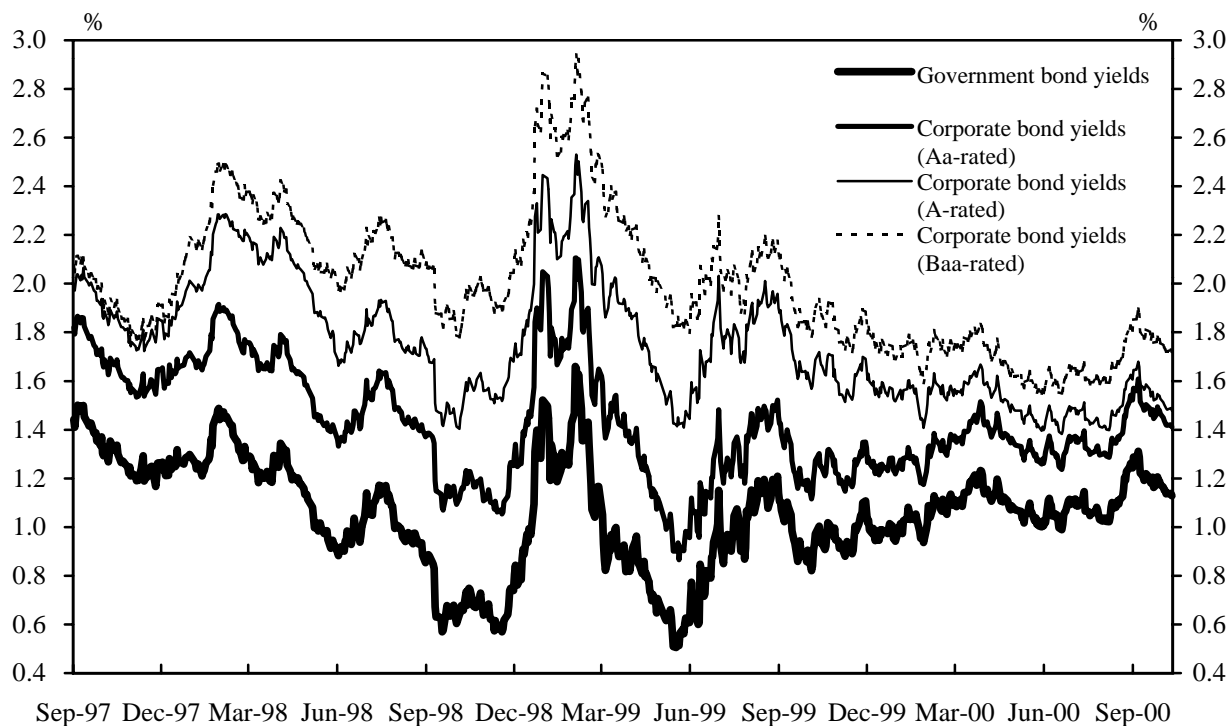
(2) Spread of Bank Debenture and Government Bond Yield



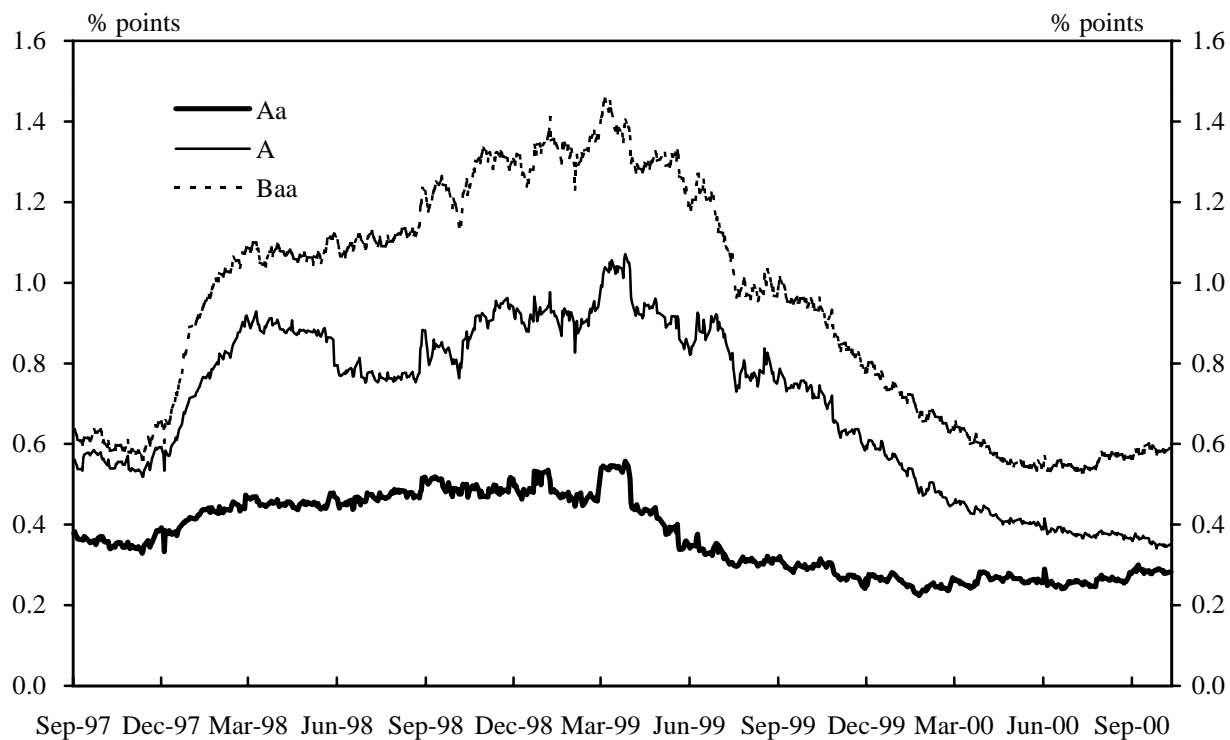
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields ¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



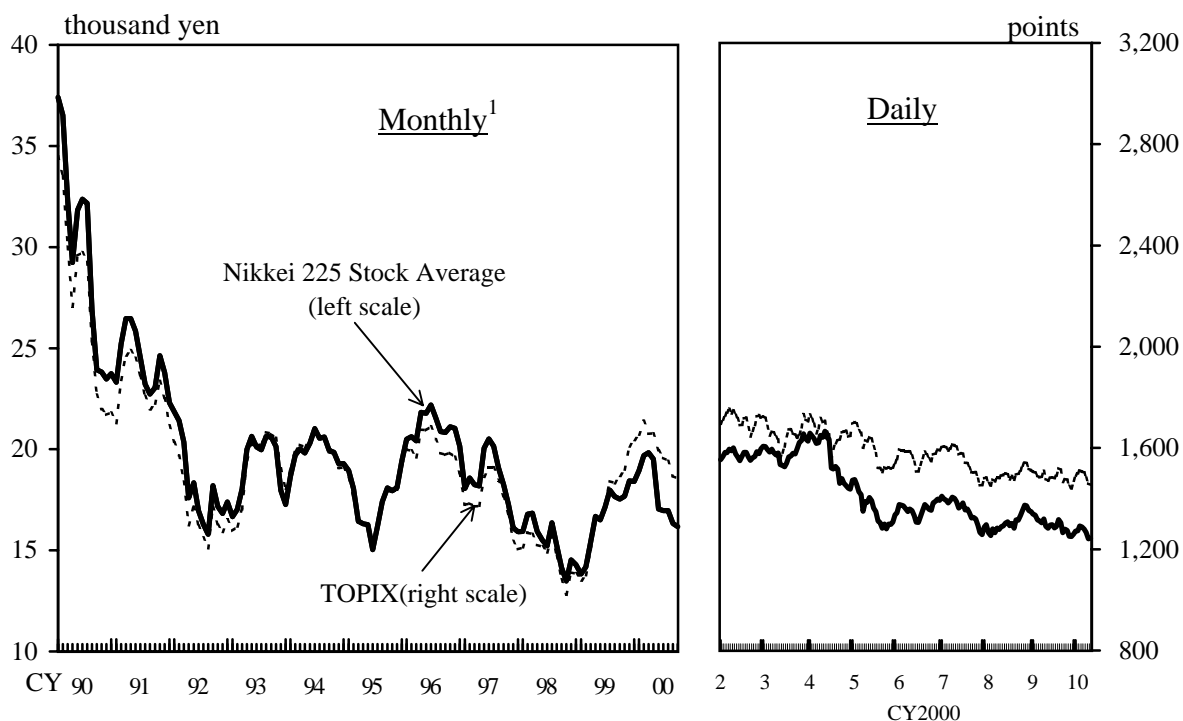
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

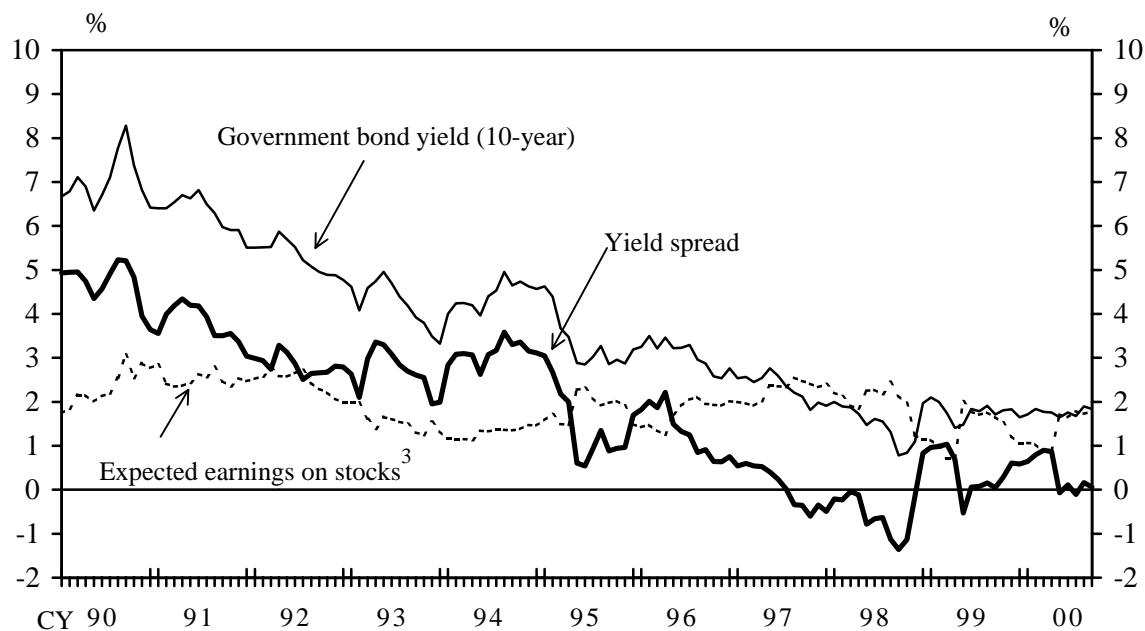
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

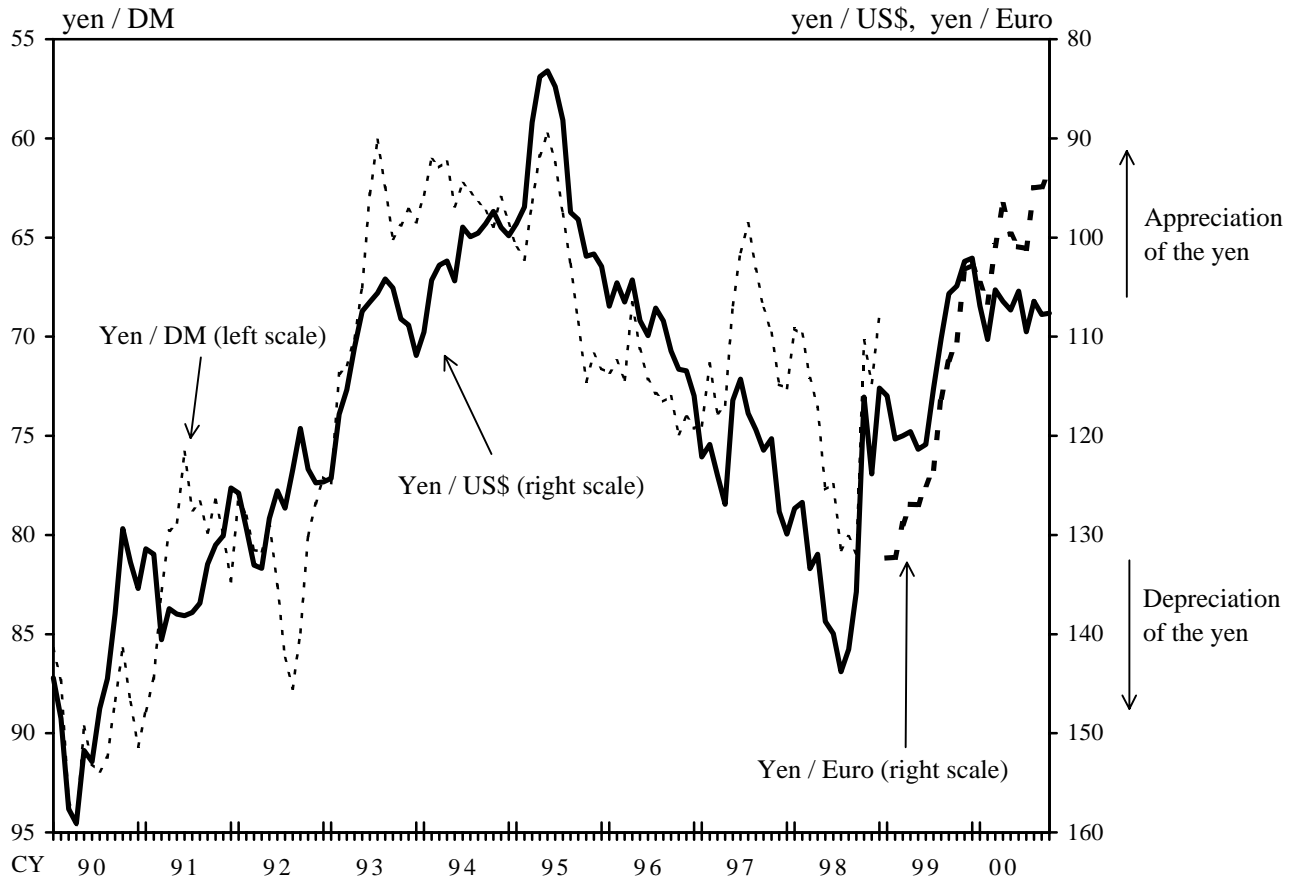
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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

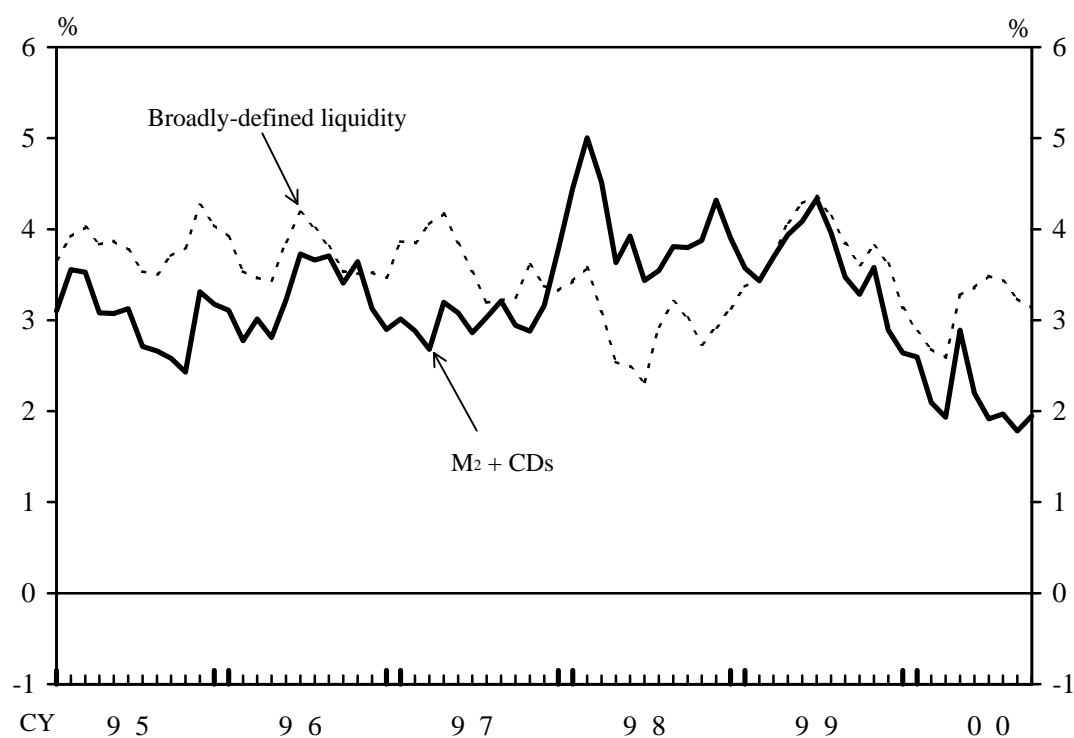


Note: 1. End of month. Data for October 2000 are as of October 12, 2000.

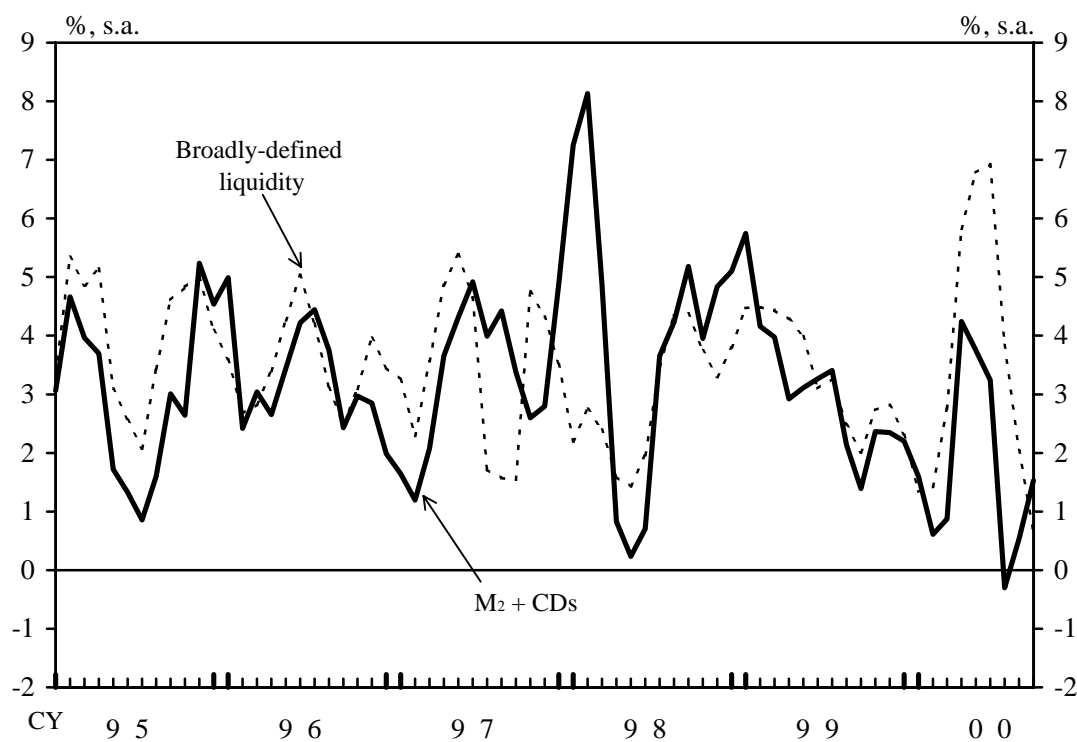
Source: Bank of Japan.

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

(1) Changes from a Year Earlier



(2) Changes from Three Months Earlier (Annualized)

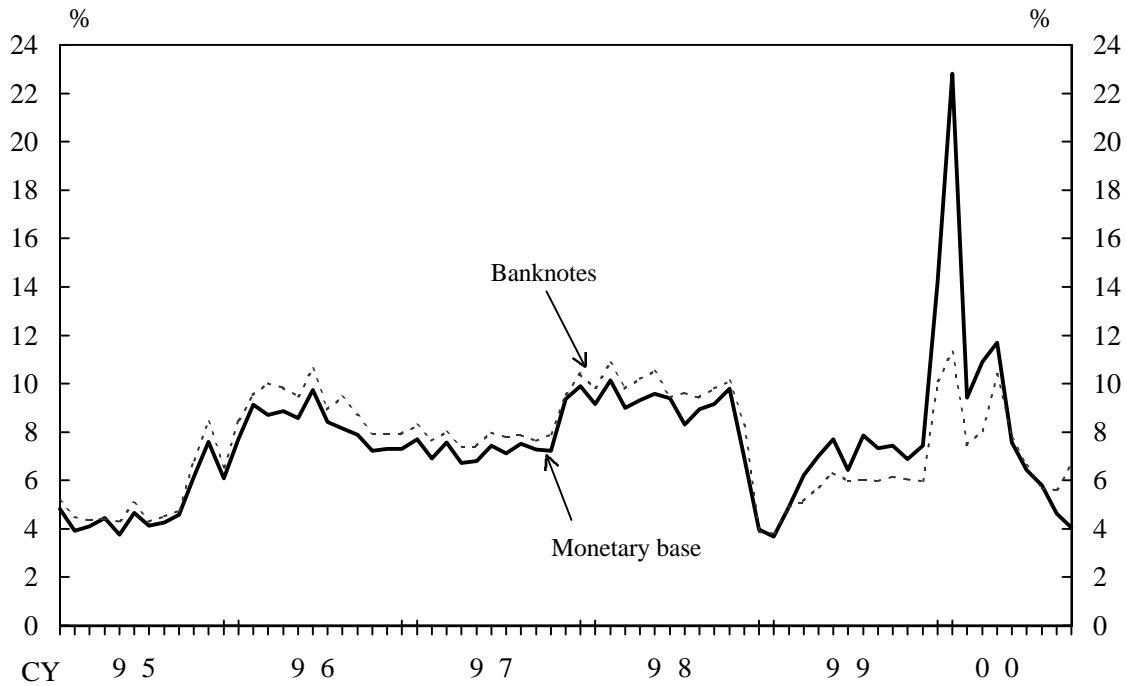


Note: Percent changes in average amounts outstanding.

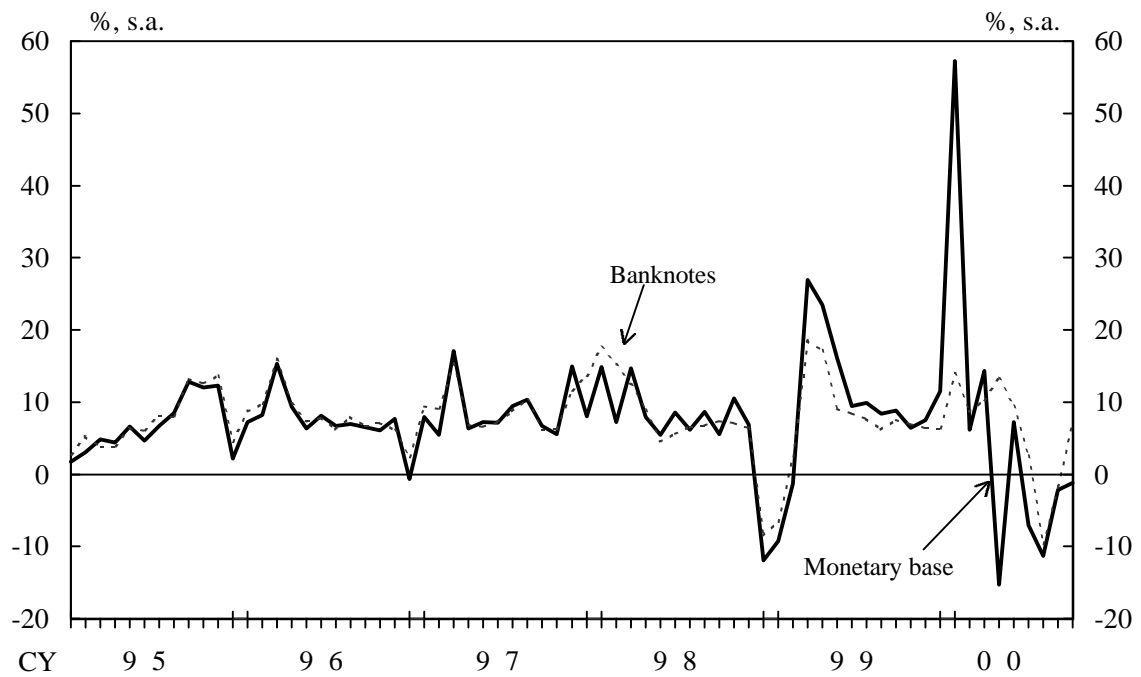
Source: Bank of Japan.

Monetary Base

(1) Changes from a Year Earlier



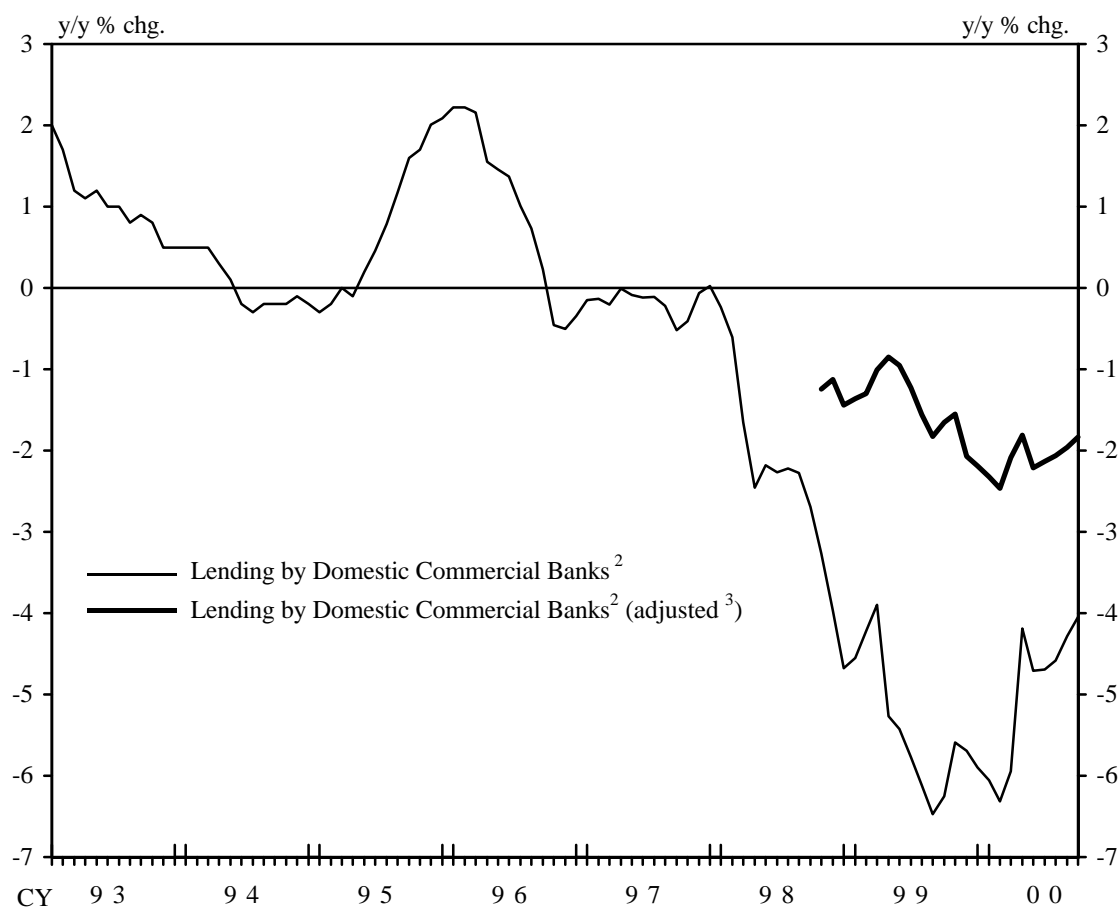
(2) Changes from Three Months Earlier (Annualized)



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

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.

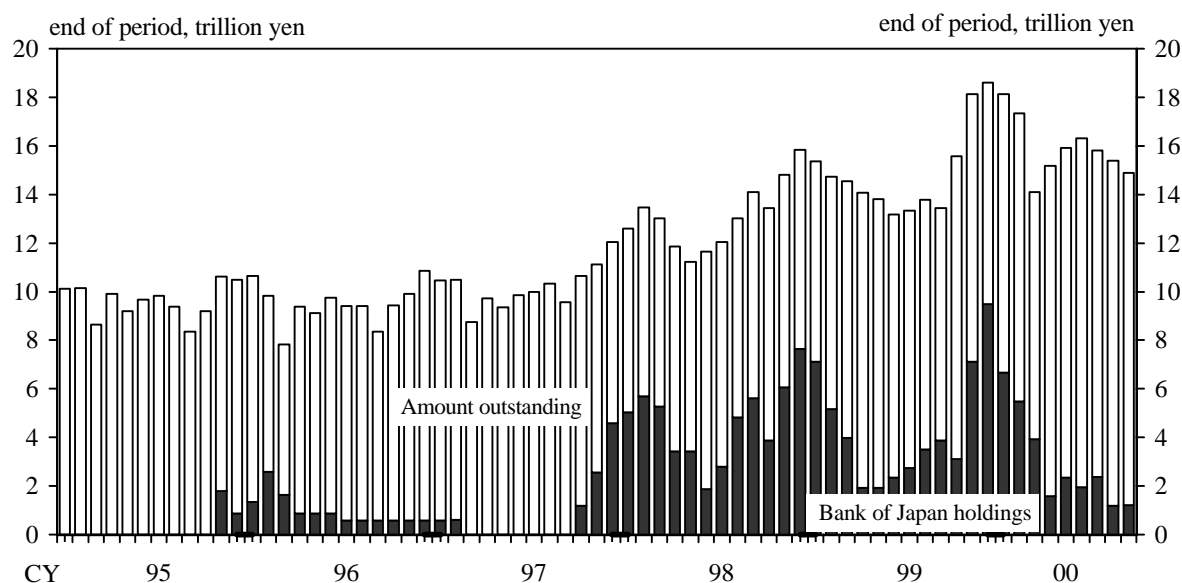
2. "Domestic commercial banks" refers to member banks of the Japanese Bankers Association, which consists of city banks, long-term credit banks, trust banks (excluding foreign-owned trust banks and trust banks that started business after October 1993), the member banks of the Regional Banks Association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

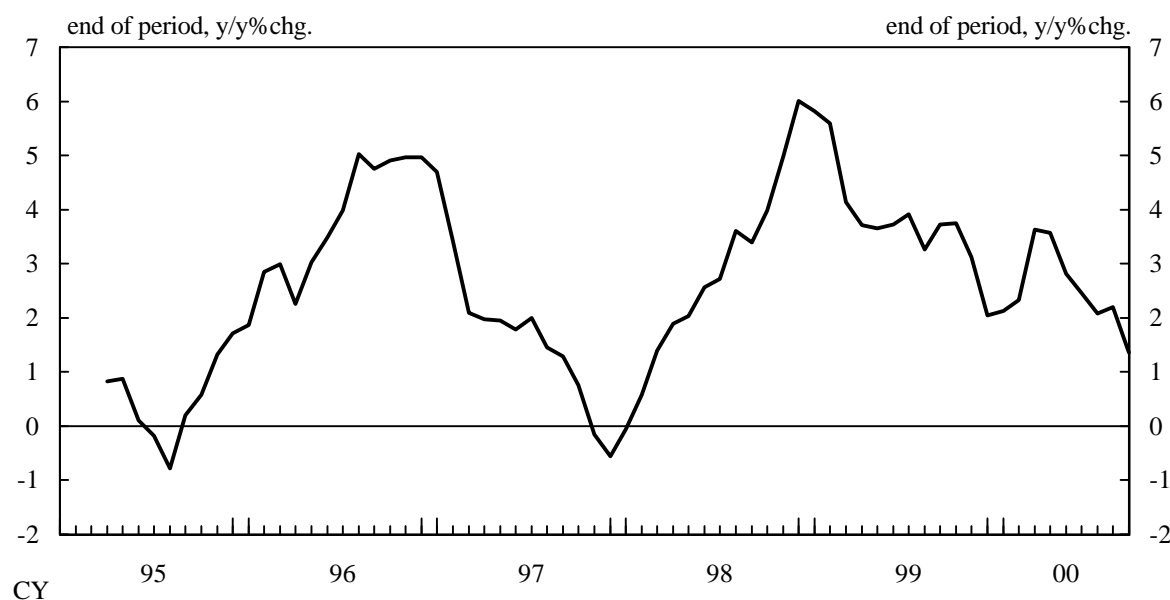
Source: Bank of Japan, "Principal Figures of Financial Institutions."

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)

	Apr. 2000	May 2000	Jun. 2000	Jul. 2000	Aug. 2000	Sep. 2000
Volume	6,429	5,384	9,793	3,811	8,427	6,645
(previous year)	(8,807)	(10,688)	(14,923)	(10,358)	(5,417)	(10,485)

(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.

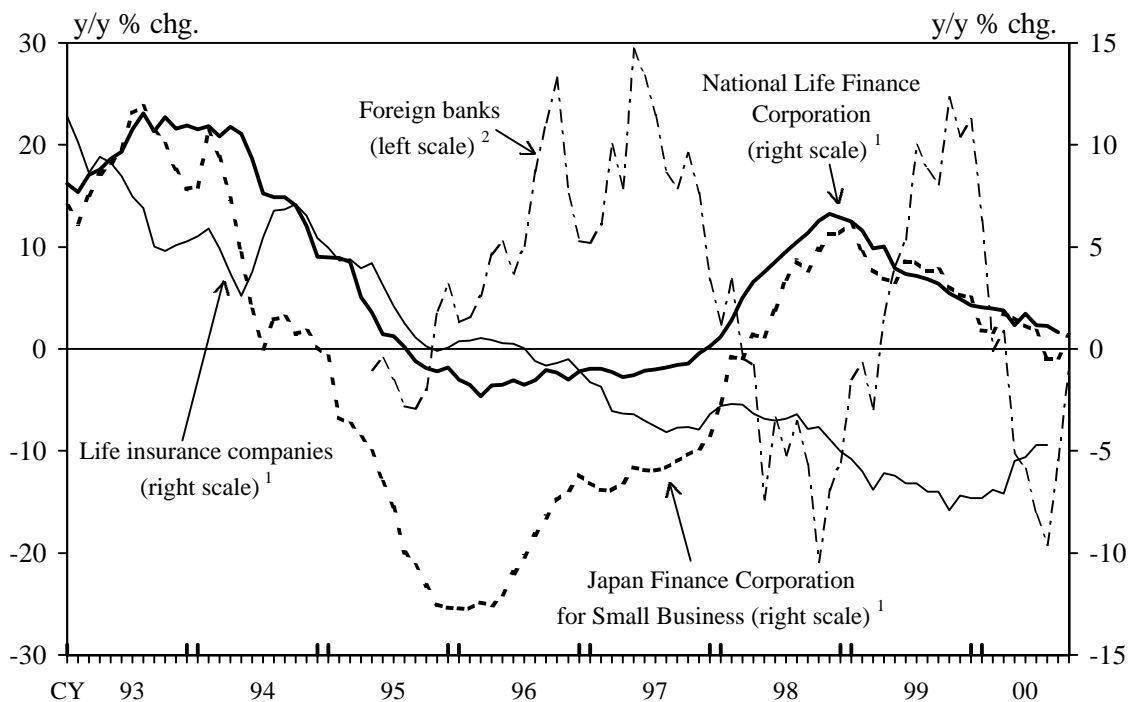
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

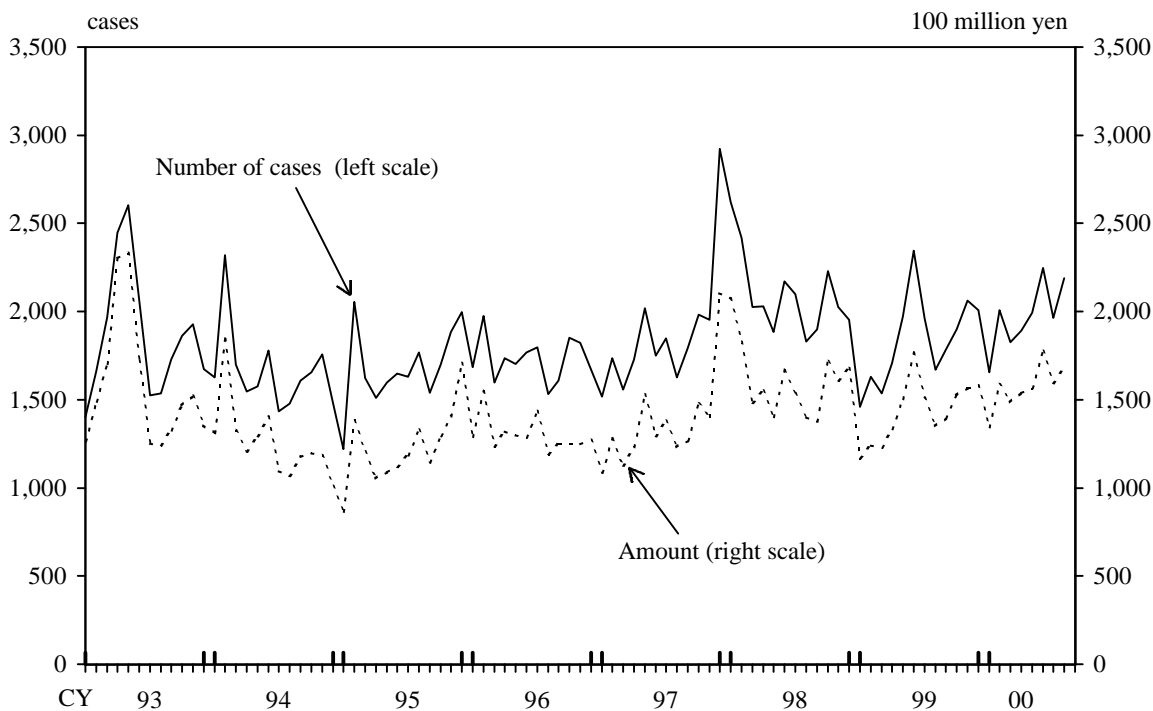
Lending by Other Financial Institutions

(1) Lending Outstanding



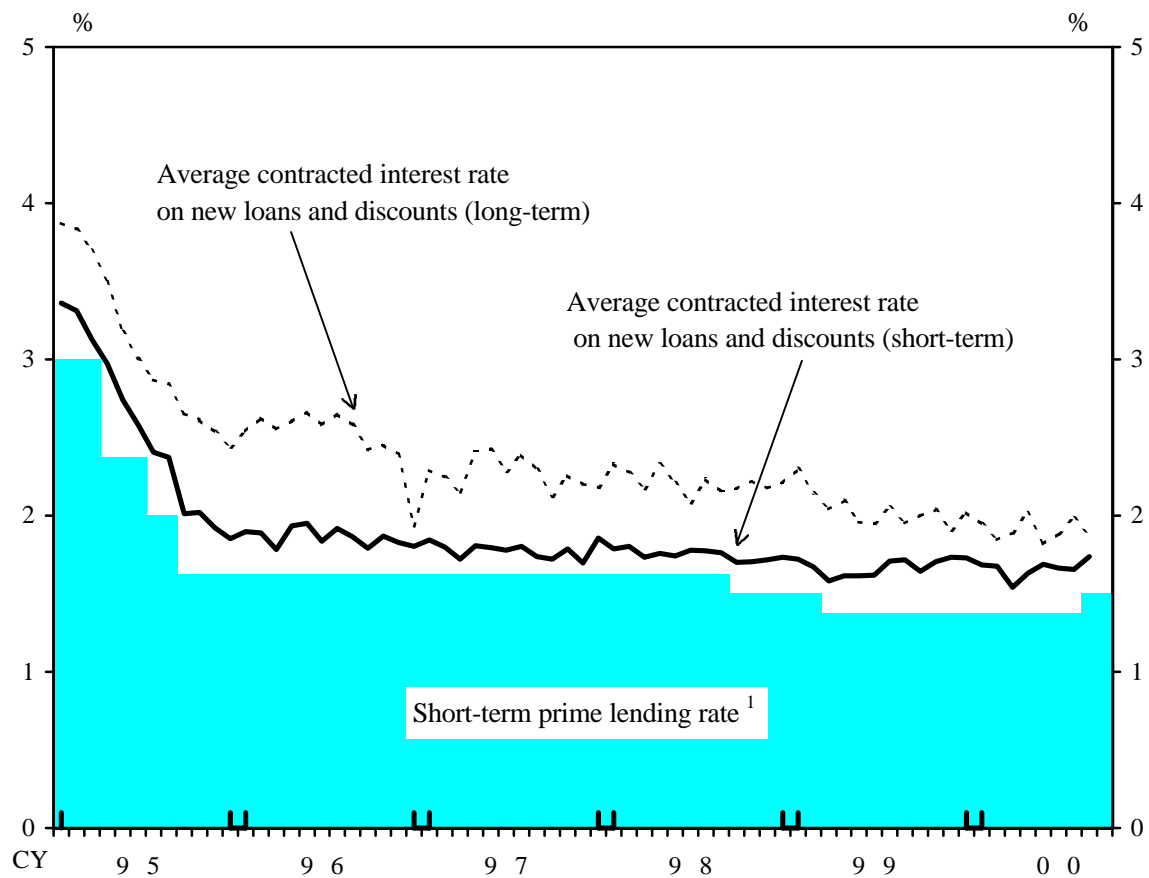
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

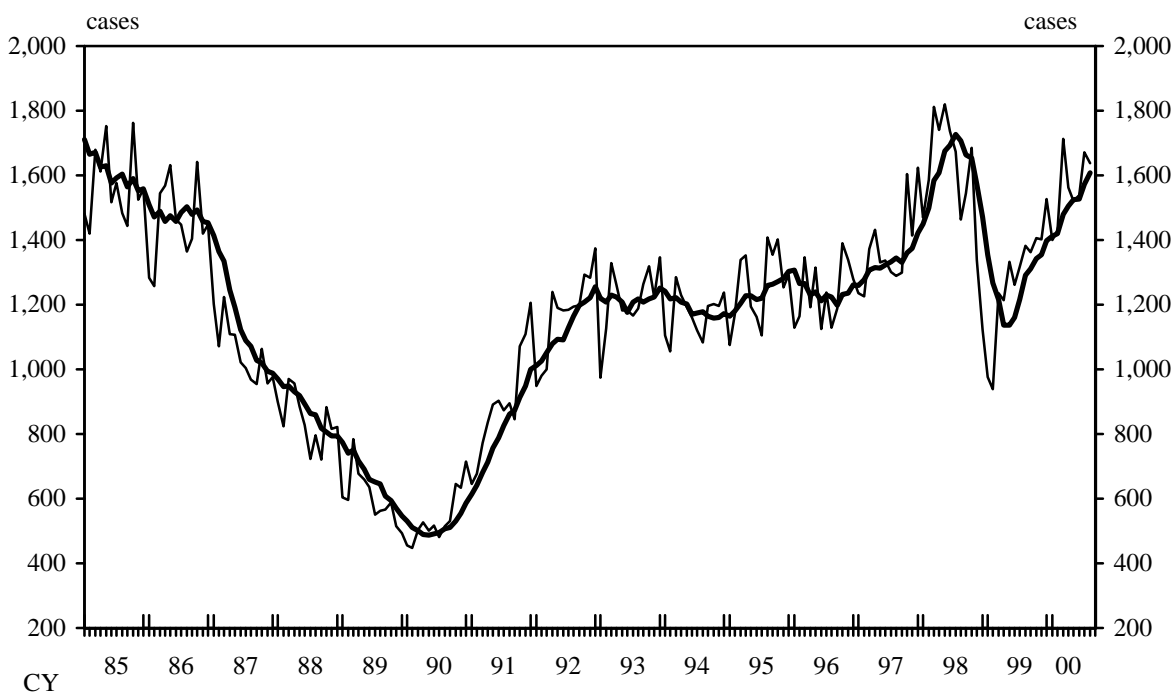


Note: 1. Data are at end of period.

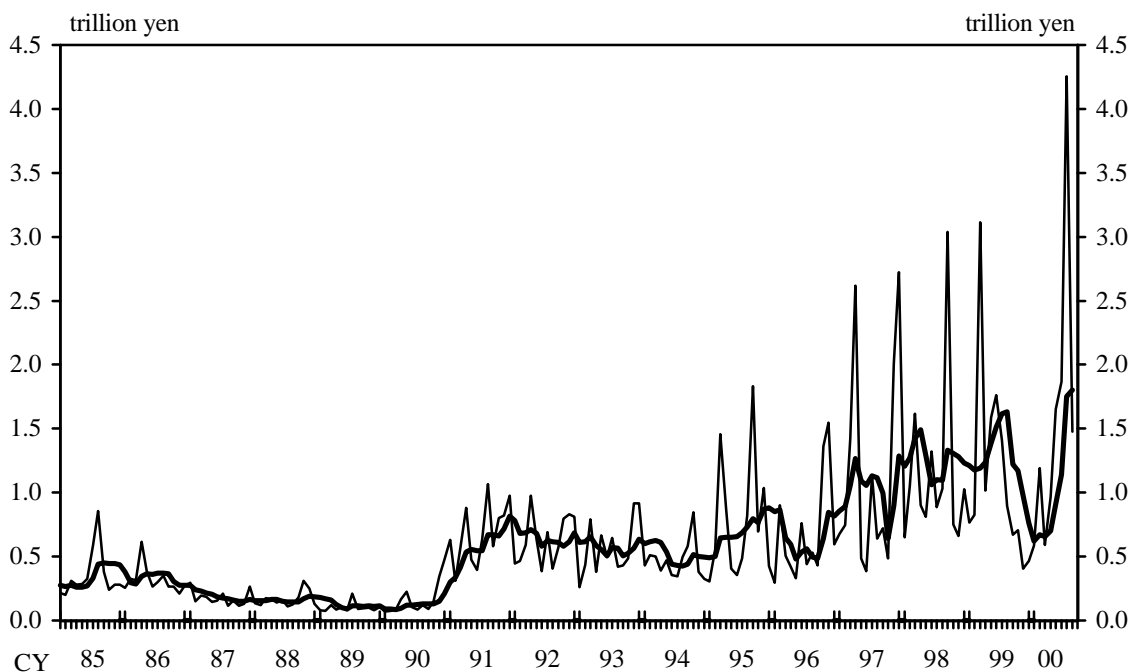
Source: Bank of Japan.

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)."