

November 29, 2000
Bank of Japan

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

(English translation prepared by the Bank staff based on the Japanese original
released on November 20, 2000)

Monthly Report of Recent Economic and Financial Developments¹

November 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 decreasing gradually 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 continue decreasing for the time being. While the U.S. economy is decelerating gradually, the expansion in overseas economies is projected to continue, albeit at a slower pace. In these circumstances, the increase in exports is likely to slow down, as inventories of some raw materials and electronics parts are somewhat excessive at present in Asian

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

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

economies. Meanwhile, imports are projected to continue increasing, particularly for those of consumer goods, and capital goods and parts. Therefore, net exports will level off for a while. In the corporate sector, firms still strongly feel that they have excess equipment and that they should reduce their debts to restore financial soundness. However, it is very likely that fixed investment in high-growth sectors, including those related with information technology services, will increase as corporate profits continue to recover. Moreover, an improvement in corporate profits will increase household income and this in turn is expected to boost private consumption. However, the pace of recovery in household 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. The increase in industrial production is expected to slow down somewhat for a while mainly because of the slower rise in exports. 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 and the new economic stimulus package are expected to underpin 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 electrical machinery. Meanwhile, although prices of petroleum products increased, consumer prices continue to be somewhat weak owing to the decline in prices of other imported products and their substitutes. Corporate service prices are still falling slowly.

As for the condition surrounding price development, the balance between supply and demand in the domestic market is projected to be on a gradual improving trend, while an economic recovery is expected to continue moderately. In these circumstances, 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 and the weakening of semiconductor prices, the decline in prices of consumer goods arising from the streamlining of distribution channels will exert downward pressure on prices. Overall, prices are expected to be stable or weak somewhat for the time being.

In the financial market, the overnight call rate is moving around 0.25 percent.

As for interest rates on term instruments, Euro-yen transactions maturing beyond the year-end are rising somewhat while TB and FB rates are declining slightly. The Japan premium remains negligible.

Yields on long-term government bonds have been declining since mid-October and are recently moving around the level below 1.8 percent. The yield spread between private bonds (bank debentures and corporate bonds) and government bonds remains mostly unchanged as a whole.

Stock prices remain weak overall and are recently moving around the lowest level since the beginning of this year.

In the foreign exchange market, the yen continues to be stable and is currently being traded in the range of 107-110 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.

Meanwhile, issuance of corporate bonds continues to be steady. Issuance of CPs is increasing towards the year-end.

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

Funding costs for firms basically remain unchanged although the short-term funding rates maturing beyond the year-end increased somewhat.

In this financial environment, the lending attitude of financial institutions and corporate financing conditions remain easy.

The Background

1. Japan's Economy

Public investment is decreasing gradually. The value of public works contracted, which reflects orders, remained around the second-quarter level in the third quarter of 2000 but declined in October (Chart 2). As for actual implementation, a substantial amount of the public works under the supplementary budget for fiscal 1999 has already been processed, and thus public investment seems to be decreasing. For the time being, public investment is projected to continue declining but with the implementation of the economic stimulus package decided upon by the Cabinet on October 19 (“A Policy Package for New Economic Development toward the Rebirth of Japan,”) it is expected to start increasing again.

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 capital goods and parts. 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 is recently basically stable (Chart 6[1]). While the U.S. economy is decelerating gradually, the expansion in overseas economies is expected to continue, albeit at a slower pace (Chart 6[2]). In these circumstances, the increase in exports is likely to slow down as inventories of some raw materials and electronics parts are somewhat excessive at present in Asian economies. Meanwhile, imports are projected to continue increasing, particularly those of consumer goods, and capital goods and parts. Reflecting these developments, it is highly probable that net exports will level off for a while. The recent rise in crude oil prices (Chart 17) partially reflects demand factors such as expansion of the global economy, while energy conservation measures have been advancing, especially in the developed

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.)

countries. Hence, this is unlikely to have an immediate destructive effect on global economic conditions. Nevertheless, the 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, increased by 5.2 percent in the third quarter of 2000 on a quarter-to-quarter basis. Among leading indicators, machinery orders (private demand; excluding shipbuilding and electric power equipment) increased on a quarter-to-quarter basis by 8.2 percent in the third quarter of 2000, posting the fifth consecutive quarterly rise, and are projected to rise further in the fourth quarter (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 law regarding large-scale retail stores, but have fallen back thereafter from the second quarter (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, although firms still strongly feel that they have excess equipment and that they should reduce their debts to restore financial soundness.⁴

The recovery in private consumption remains weak as a whole, although there have been somewhat positive signs in some indicators (Chart 9). According to sales indicators, sales of household electrical appliances remain at a high level, and outlays for travel are also steady. The number of passenger car sales generally remains steady. Meanwhile, sales at department stores and chain stores remain basically stagnant.⁵ As for the outlook, since consumer sentiment is relatively steady (Chart 10), consumption is expected to increase along with improvements in

⁴ According to a survey conducted by the Japan Finance Corporation for Small Business, business fixed investment plans of small manufacturing firms for fiscal 2000 (as surveyed in September 2000) are up 13.5 percent compared to the previous year, which is the highest figure for this time of year since fiscal 1990 (Chart 8).

⁵ Sales at department stores in September swelled from the success of large discount sales at major department stores. However, third quarter figures showed a continuing declining trend of -1.0 percent on a quarter-to-quarter basis.

employment and income conditions, but the pace of recovery will likely remain modest for the time being.

Housing investment (Chart 11) is mostly unchanged as construction starts of housing for rent are decreasing, while construction starts of owner-occupied houses financed by public funding sources, such as the government Housing Loan Corporation, are increasing. As for the outlook, housing investment is expected to remain almost unchanged for some time.

Reflecting these developments in final demand, industrial production continues an increasing trend, especially for electrical machinery (Chart 12).⁶ Nevertheless, as for the outlook, the increase in industrial production is expected to slow down somewhat mainly because of the slower rise in exports.⁷

Employment and income conditions remain severe overall but 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). Under these conditions, compensation of employees is slightly above the previous year's level (Chart 14[2]). The number of regular employees (on a Monthly Labour Survey basis at establishments with at least five employees) remains below the previous year's level but nominal wages per employee, particularly in overtime and regular payments, are increasing gradually. 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.

⁶ 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 inventories of non-information related goods continue to be broadly restrained, inventories of information-related producer goods have increased recently. Nevertheless, these higher inventories reflect the front-loading of orders for semiconductors from overseas computer manufacturers for Christmas sales, and this seems to be basically in line with the increase in shipments.

⁷ According to the production forecast index, industrial production rose by 3.4 percent in October on a month-to-month basis and is projected to increase by 0.5 percent in November compared to the October level.

2. Prices

With regard to price developments, import prices on a yen basis (Chart 17) are rising compared to the level three months earlier,⁸ reflecting the increase in international commodity prices such as crude oil prices since April.

Domestic wholesale prices (Chart 18) are almost unchanged as the prices of electrical machinery continue to decline,⁹ although petroleum and chemical product prices are rising due to the increase in crude oil prices. (The change in domestic wholesale prices in terms of the three-month growth rate <adjusted to exclude the effects of seasonal changes in electricity rates¹⁰> was 0.0 percent in August 2000, -0.1 percent in September, and -0.2 percent in October.)

Corporate service prices (domestic supply-demand factors)^{11,12} (Chart 19) continue to decline somewhat mainly due to decreases in the prices for leasing and

⁸ 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.

⁹ The decline in the prices of electrical machinery is partly due to the revision of the surveyed stage of some items, which makes the index more responsive to the effects from technological innovations. From the summer of 1999, as part of the revision of the WPI, the Bank of Japan has shifted the sampling prices of some items, particularly those of household electrical appliances (approximately 20 items), from the wholesale stage to the producer stage. As a result, when samples are replaced from the old products to the new products, the revision has enabled detailed comparison of the production costs, which tends to capture the larger improvement in quality of the products due to technological innovations (price indexes count the improvement in quality as the decline in prices).

¹⁰ 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. In October, in addition to the removal of seasonal surcharges, electricity rates were reduced reflecting improved business efficiency.

¹¹ In accordance with a revision of the item weights of communications items, the figures from fiscal 1999 were retroactively revised.

¹² Corporate service prices (domestic supply-demand factors) only include items whose monthly price changes primarily reflect changes in domestic private demand. Specifically, items with the following properties are removed from the overall CSPI: (1) regulated fees, (2) overseas factors, and (3) fees with a large monthly fluctuation that do not necessarily reflect short-term changes in supply-demand trends. For the detailed calculation, see the note in Chart 19.

The year-to-year decrease of the overall CSPI in September is due to the decline in domestic supply-demand factors as there seemed to be no large fluctuations in items other than domestic supply-demand factors. (The year-to-year change in the overall CSPI was -0.4 percent in August and -0.6 percent in September.)

rentals and for general services. (The change in corporate service prices in terms of the three-month growth rate was -0.2 percent in July 2000, -0.1 percent in August, and -0.2 percent in September.)

Consumer prices (excluding perishables; Chart 20) remain somewhat weak since prices of imported products and their substitutes are declining due to the increase in imports of consumer goods (Charts 9-4 and 21), although prices of petroleum products are rising reflecting the increase in crude oil prices. (The change in consumer prices excluding perishables in terms of the three-month growth rate was 0.0 percent in July 2000, -0.2 percent in August, and -0.2 in September.)¹³

Regarding the future environment for prices, the balance between supply and demand in the domestic market is projected to be on a gradual improving trend, while the economic recovery is expected to continue moderately. In these circumstances, 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 and the weakening of semiconductor prices, the decline in prices of consumer goods arising from the streamlining of distribution channels will exert downward pressure on prices. Overall, prices are expected to be stable or weak somewhat for the time being.

3. Financial Developments

(1) Financial Markets

Interest rate developments in short-term money markets (Charts 22[1] and 23) show that the overnight call rate (uncollateralized) is moving around 0.25 percent.

As for interest rates on term instruments, although the rates on contracts maturing before the year-end are generally steady, three-month Euro-yen (TIBOR)

¹³ 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 -0.8 percent in August and -0.8 percent in September.)

rates rose somewhat from the end of October. On the other hand, TB and FB rates are declining slightly. The Japan premium (Chart 25) remains negligible.

Yields on ten-year government bonds (newly issued; Chart 22[2]) have been declining since mid-October and are recently moving around the level below 1.8 percent. Meanwhile, the yield spread between government and private bonds (bank debentures and corporate bonds; Charts 27 and 28) remains mostly unchanged as a whole.

Stock prices (Chart 29[1]) continue to be weak overall, partly reflecting the substantial drop in U.S. stock prices, and are recently moving around the lowest level recorded this year.

In the foreign exchange market (Chart 30), the yen basically remains stable while the turnover continues to be small as market participants await the outcome of the U.S. presidential election and the developments of U.S. and Japanese stock prices. The yen is currently being traded in the range of 107-110 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

Money stock (Chart 31) in terms of $M_2 + \text{CDs}$ grew faster in October compared with the previous month on a year-to-year basis. (The year-to-year growth in $M_2 + \text{CDs}$ was 2.0 percent in July 2000, 1.8 percent in August, 1.9 percent in September, and 2.2 percent in October).

The year-to-year growth in the monetary base (currency in circulation + current deposits at the Bank of Japan; Chart 32) was faster in October compared with the previous month due to the increase in bank notes although current deposits at the Bank of Japan declined substantially.

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;¹⁴ Chart 33), 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 July 2000, -2.0 percent in August, -1.8 percent in September, and -1.7 percent in October). Meanwhile, issuance of corporate bonds continues to be steady. Issuance of CPs is increasing towards the year-end (Chart 35).

The funding cost for firms basically remain unchanged although the short-term funding rates maturing beyond the year-end increased somewhat. The average contracted interest rates on new loans and discounts (Chart 37) are virtually unchanged. While corporate bond issuance rates have been steady, CP issuance rates on contracts extending beyond the year-end rose somewhat.

The number of corporate bankruptcies in October (Chart 38) increased compared to the previous month.

In this financial environment, the lending attitude of financial institutions and corporate financing conditions remain easy.

¹⁴ 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.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2000/Q1	Q2	Q3	2000/July	August	September	October
Index of living expenditure level (all households)	-0.2	3.8	p -2.8	-0.7	-2.4	p 2.8	n.a.
Sales at department stores	0.1	-2.1	p -1.0	-3.5	3.3	p 1.6	n.a.
Sales at chain stores	-1.9	-2.4	-0.7	-1.6	-0.5	0.9	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 298>	< 304>	< 291>	< 284>	< 303>	< 287>	< 305>
Sales of household electrical appliances (real, NEBA)	7.6	3.7	2.1	2.7	-11.4	8.1	n.a.
Outlays for travel (50 major travel agencies)	2.2	2.9	-0.3	0.4	1.9	-2.8	n.a.
Housing starts <s.a., ann. 10,000 units>	< 127>	< 124>	< 120>	< 116>	< 122>	< 122>	< n.a.>
Machinery orders (from private sector ⁴)	4.9	3.1	8.2	-11.7	26.6	-16.5	n.a.
Manufacturing	4.5	11.2	-1.2	-9.8	10.0	-15.6	n.a.
Nonmanufacturing ⁴	7.9	-5.0	14.9	-13.2	40.7	-17.0	n.a.
Construction Starts (private, nonresidential use)	14.4	-1.9	-8.5	-2.1	4.7	-19.0	n.a.
Mining & manufacturing	10.9	11.1	9.0	3.5	-6.0	-7.8	n.a.
Nonmanufacturing ⁵	14.5	-2.6	-12.4	-2.0	3.5	-21.4	n.a.
Value of public works contracted	17.5	-25.5	4.1	-3.9	1.1	-0.2	-6.6
Real exports	4.9	3.2	2.1	-7.9	8.7	-1.3	n.a.
Real imports	0.4	6.3	1.0	-6.3	11.6	-4.4	n.a.
Industrial production	0.8	1.7	1.6	-0.9	3.4	-3.4	n.a.
Shipments	0.5	1.8	1.6	-1.8	3.9	-3.6	n.a.
Inventories	2.4	-0.1	-0.8	-0.1	0.3	-1.0	n.a.
Inventories/shipments <s.a., 1995=100>	<100.0>	<98.5>	<99.0>	<101.6>	<96.0>	<99.0>	< n.a.>
Real GDP	2.5	1.0	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.3	1.8	n.a.	-1.0	1.3	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2000/Q1	Q2	Q3	2000/July	August	September	October
Ratio of job offers to applicants <s.a., times>	<0.52>	<0.57>	<0.61>	<0.60>	<0.62>	<0.62>	<n.a.>
Unemployment rate <s.a., %>	<4.82>	<4.70>	<4.64>	<4.67>	<4.55>	<4.71>	<n.a.>
Overtime working hours ⁶	3.5	4.0	p 4.0	4.3	3.3	p 4.2	n.a.
Number of employees	-0.4	0.4	0.7	1.0	0.2	0.8	n.a.
Number of regular employees ⁶	-0.2	-0.3	p -0.2	-0.1	-0.2	p -0.2	n.a.
Nominal wages per person ⁶	0.7	1.1	p 0.4	-0.4	1.0	p 1.0	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 <-0.1>	0.2 <0.0>	0.1 <-0.1>	-0.1 <-0.2>
Consumer price index (nationwide) ⁷ <s.a., q/q % chg.> (3-month growth rate)	-0.2 <0.0>	-0.3 <-0.2>	-0.4 <-0.1>	-0.3 <0.0>	-0.3 <-0.2>	-0.5 <-0.2>	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>	-0.9 <-0.2>	-0.7 <-0.2>	-0.8 <-0.1>	-1.0 <-0.2>	n.a. <n.a.>
Monetary aggregates (M ₂ +CDs) <average outstanding, y/y % chg.>	2.2	2.3	p 1.9	2.0	1.8	p 1.9	p 2.2
Number of suspension of transactions with banks	55.4	16.1	15.2	16.0	20.6	9.3	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 on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

10. Hereafter, for continuity of the time series, GDP related data are based on the SNA68, adopted by the United Nations in 1968.

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 Electrical Appliances";

Ministry of Transport, "Major Travel Agents' Revenue";

Ministry of Construction, "Monthly of Construction Statistics";

Economic Planning Agency, "Machinery Orders Statistics," "National Accounts";

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

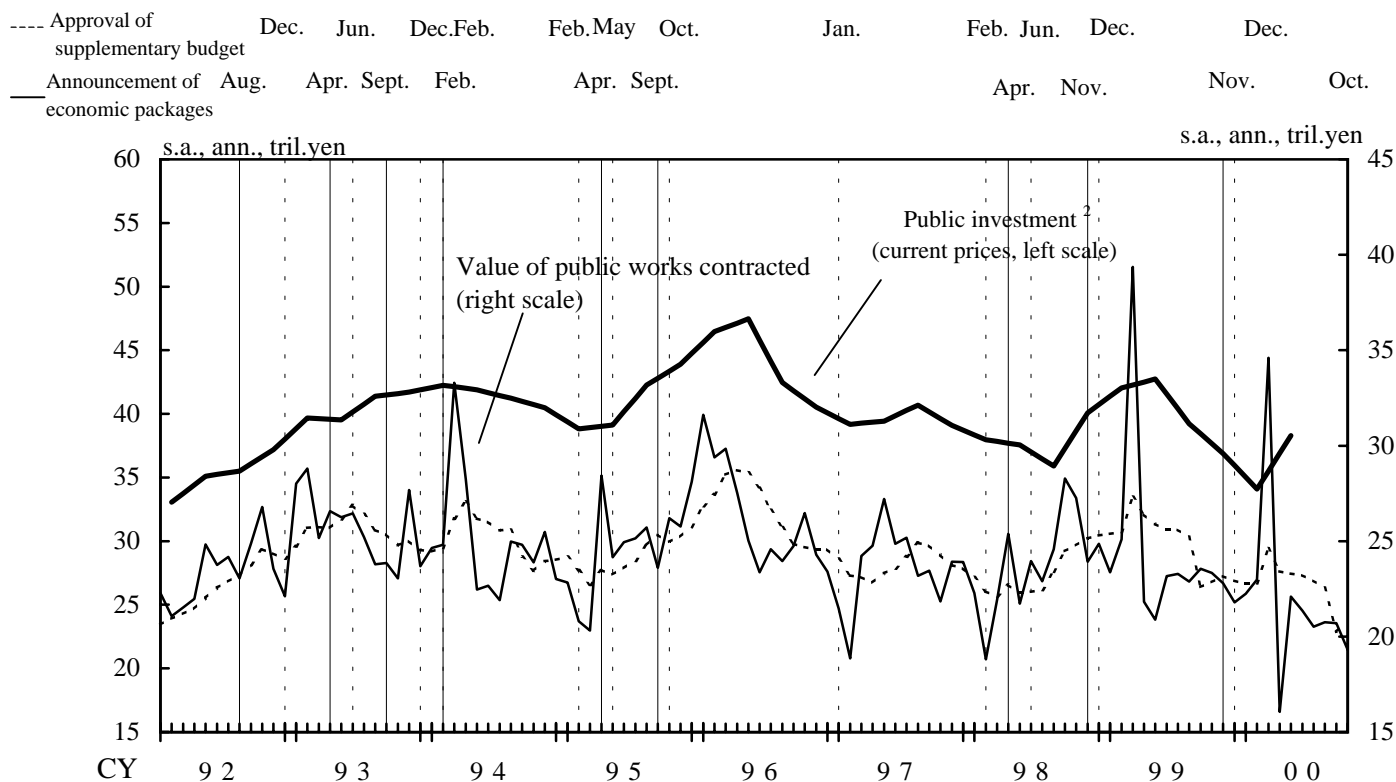
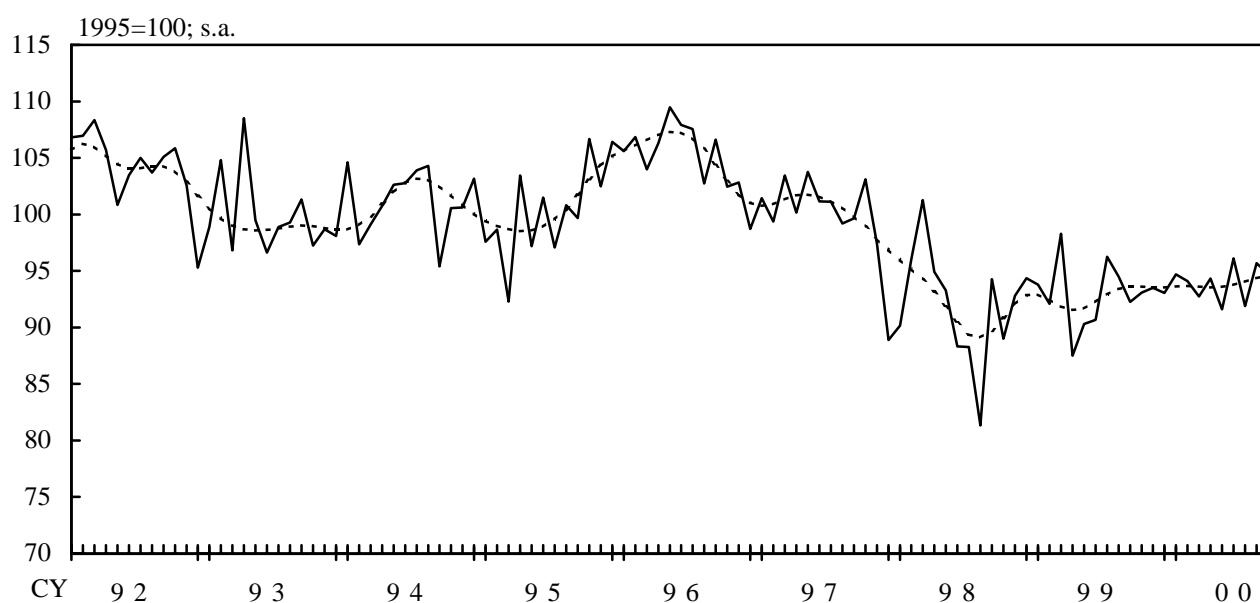
Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Labour, "Report on Employment Service,"

"Monthly Labour Survey"; Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index,"

"Financial and Economic Statistics Monthly"; Japanese Bankers Associations, "Suspension of Transaction with Banks."

Public Investment¹

(1) Value of public works contracted

(2) Shipments of Public Works-related Goods³

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

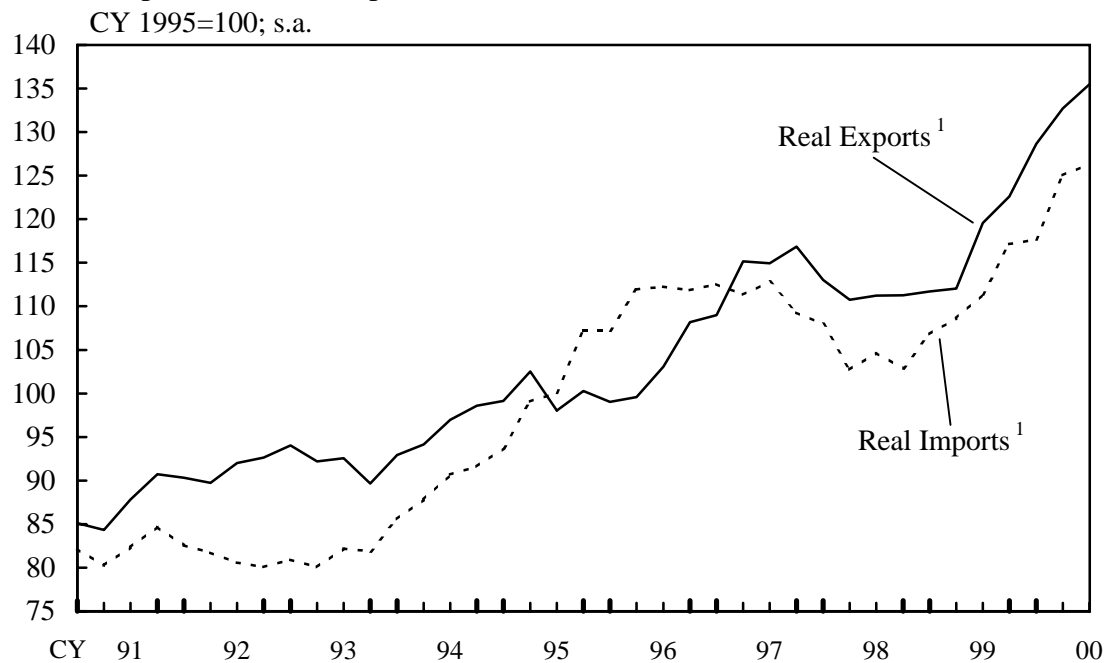
2. Quarterly basis public investment is plotted at the middle month of each quarter.

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

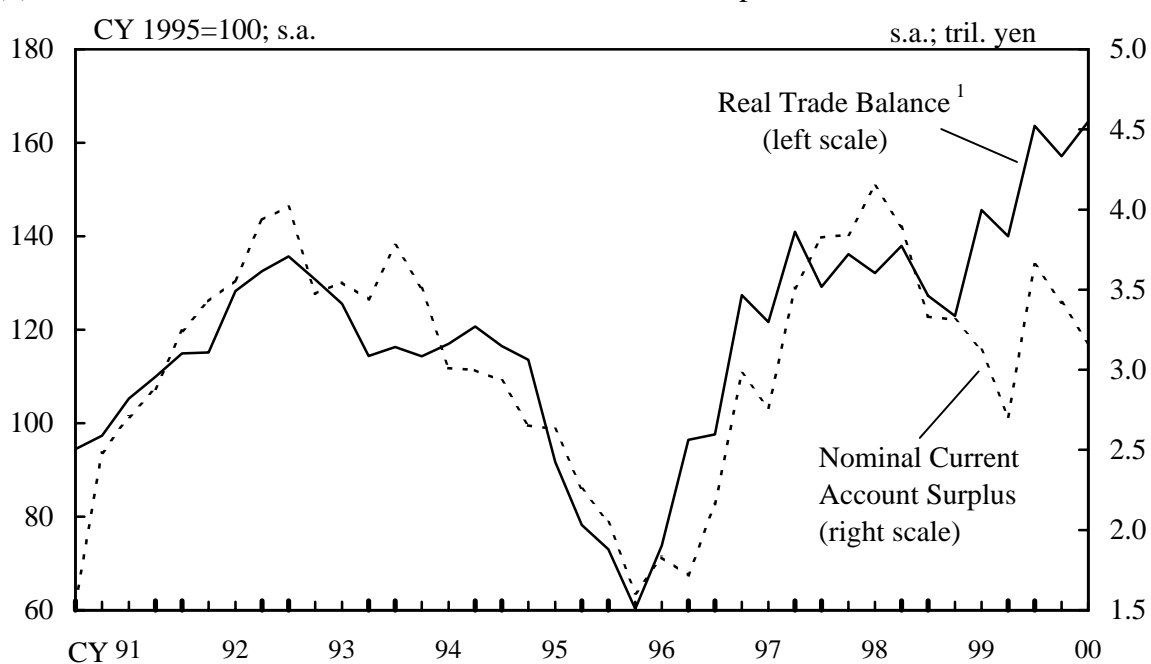
Sources: Economic Planning Agency, "National Accounts";
 Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";
 Ministry of International Trade and Industry, "Indices of Industrial Production."

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 Jul.	Aug.	Sep.
United States	<30.7>	6.8	4.6	5.7	-0.1	3.6	3.6	0.8	-7.3	11.8	-3.2
EU	<17.8>	15.6	0.9	5.2	2.6	4.3	-0.6	0.1	-8.1	7.8	-4.4
East Asia	<35.8>	-18.1	12.0	7.8	2.3	12.6	5.9	2.7	-8.6	10.6	-3.1
China	<5.6>	0.5	12.3	8.4	-7.7	19.4	6.3	12.4	-4.3	15.1	-6.1
NIEs	<21.5>	-16.5	11.2	8.6	5.0	12.7	3.7	1.2	-8.5	10.5	-4.0
Taiwan	<6.9>	-0.4	7.8	7.4	6.9	5.8	9.6	2.7	-7.1	13.8	-5.9
Korea	<5.5>	-35.3	43.9	12.1	9.4	18.8	-3.9	-0.2	-8.9	11.3	-6.4
ASEAN4 ³	<8.6>	-29.2	13.6	5.6	2.1	8.6	11.3	0.6	-11.5	7.8	1.1
Thailand	<2.7>	-29.4	15.3	11.4	8.8	-2.0	5.5	6.9	-1.9	9.5	0.6
Real exports		-2.1	4.5	6.7	2.5	4.9	3.2	2.1	-7.9	8.7	-1.3

(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 Jul.	Aug.	Sep.
Intermediate goods	<14.2>	2.9	5.4	1.9	-2.3	2.8	2.5	0.7	-6.7	8.7	-4.0
Motor vehicles and their related goods	<21.5>	1.3	2.8	8.4	1.7	-4.0	8.2	5.2	-0.2	7.8	-1.3
Consumer goods ⁴	<7.2>	5.0	5.0	6.1	4.4	5.1	1.6	-0.4	-8.5	0.4	5.7
Information-related goods ⁵	<17.6>	-7.0	6.4	7.3	2.3	14.7	4.1	-2.0	-12.7	8.5	-1.4
Capital goods and parts ⁶	<28.4>	-5.4	1.8	7.0	1.4	14.1	3.1	2.9	-10.0	8.5	2.1
Real exports		-2.1	4.5	6.7	2.5	4.9	3.2	2.1	-7.9	8.7	-1.3

Notes: 1. Seasonally adjusted by X-11.

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 Jul.	Aug.	Sep.
United States	<21.7>	-3.7	-2.9	-0.3	8.8	-5.1	8.3	2.9	-1.5	4.8	-2.6
EU	<13.8>	-6.5	5.8	6.2	3.1	1.0	0.3	2.3	1.1	11.3	-4.2
East Asia	<37.6>	-7.7	15.8	2.8	7.7	7.1	5.4	4.0	-6.7	12.8	-4.7
China	<13.8>	-4.4	11.9	0.4	7.3	12.6	5.6	-1.1	-11.5	12.1	-5.7
NIEs	<11.6>	-10.9	24.2	4.5	12.3	5.0	4.1	8.3	-5.0	13.6	-2.8
Taiwan	<4.1>	-11.1	25.6	3.0	12.6	15.0	8.9	4.9	-10.2	13.9	-2.0
Korea	<5.2>	-9.5	30.8	4.6	18.3	0.7	-0.3	5.5	-5.1	12.2	-3.9
ASEAN4 ³	<12.1>	-8.1	12.6	3.7	4.0	3.4	6.3	5.5	-3.0	12.8	-5.5
Thailand	<2.9>	-7.1	5.4	1.3	4.0	4.8	8.8	0.9	-9.2	13.5	-0.6
Real imports		-6.2	6.1	2.6	5.2	0.4	6.3	1.0	-6.3	11.6	-4.4

(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 Jul.	Aug.	Sep.
Raw materials ⁴	<23.2>	-6.0	2.7	0.1	1.8	-0.3	1.3	-2.1	-9.3	14.5	-8.0
Intermediate goods	<13.5>	-7.1	3.6	4.1	1.1	0.6	4.3	-1.4	-9.7	21.2	-13.9
Foodstuffs	<14.3>	-4.0	2.8	0.3	2.9	4.1	-2.3	-0.2	-4.9	8.6	-3.3
Consumer goods	<10.8>	-13.8	8.1	0.5	6.5	4.1	7.8	0.0	-8.8	14.9	-6.5
Information-related goods ⁵	<14.4>	-5.8	18.7	4.4	12.4	7.1	13.6	11.4	3.4	5.2	1.7
Capital goods and parts ⁶	<12.9>	2.7	5.1	1.8	13.6	-5.9	5.1	6.3	-0.4	2.6	3.7
excluding aircraft		-2.4	4.4	8.1	3.9	5.0	3.0	6.3	0.4	10.5	-4.0
Real imports		-6.2	6.1	2.6	5.2	0.4	6.3	1.0	-6.3	11.6	-4.4

Notes: 1. Seasonally adjusted by X-11.

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.

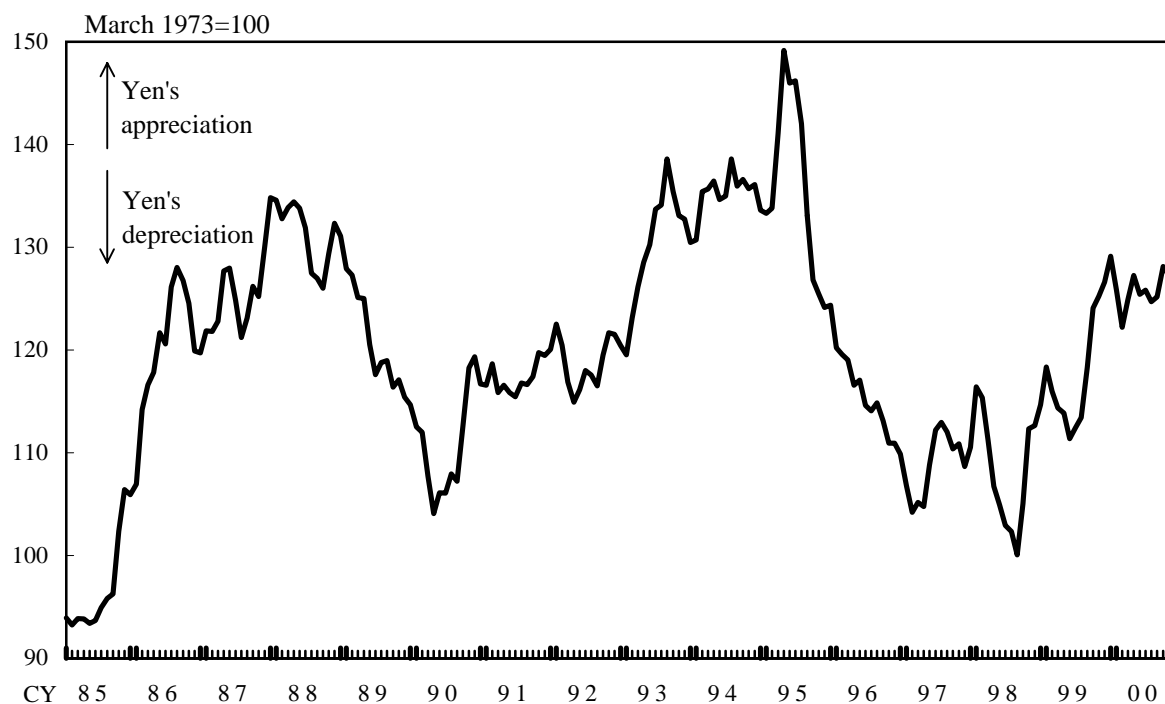
5. Information-related goods = office machinery + telecommunication machinery + ICs + scientific, medical and optical instruments.

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 November 2000 is the average of November 1-16. 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.

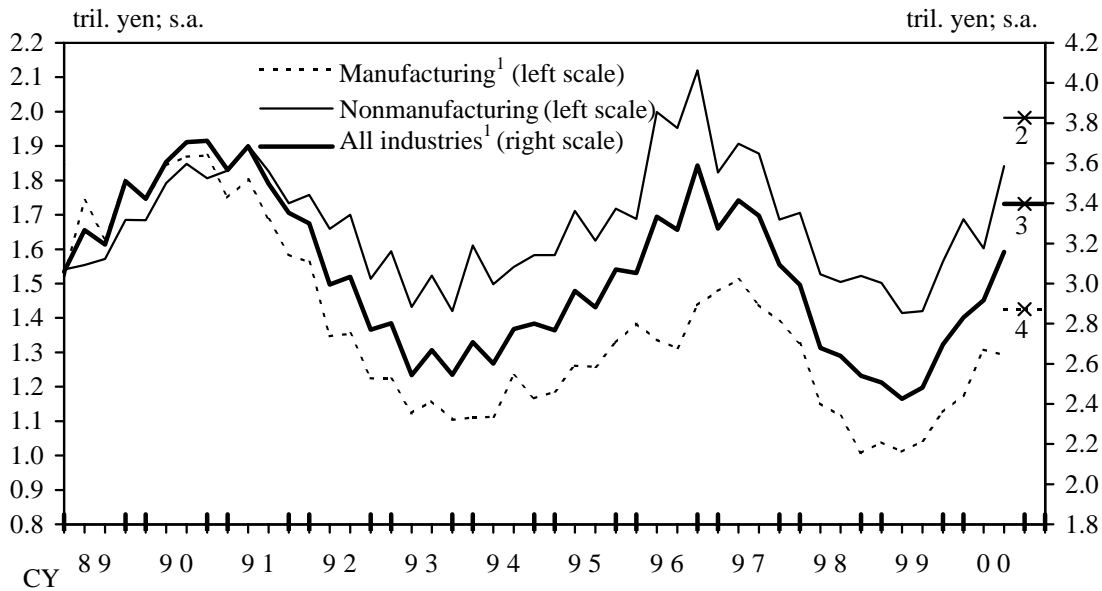
(2) Real GDP Growth Rates in Overseas Economies

		CY98	99	2000	99 Q4	2000 Q1	Q2	Q3	
United States ¹		4.4	4.2	(5.2)	8.3	4.8	5.6	2.7	
European Union ¹		2.7	2.4	(3.3)	3.7	3.4	3.6	n.a.	
	Germany	2.1	1.6	(3.1)	3.0	3.1	4.7	n.a.	
	France	3.2	2.9	(3.4)	4.0	2.6	2.9	n.a.	
	United Kingdom	2.6	2.2	(3.0)	2.8	2.1	3.8	2.8	
East Asia ²	China	7.8	7.1	(7.9)	(Jan-Dec) 7.1	8.1	(Jan-Jun) 8.2	(Jan-Sep) 8.2	
	NIEs	Korea	-6.7	10.7	(8.7)	13.0	12.8	9.6	n.a.
		Taiwan	4.6	5.4	(6.5)	6.4	7.9	5.4	n.a.
		Hong Kong	-5.3	3.1	(8.8)	9.2	14.3	10.8	n.a.
		Singapore	0.4	5.4	(8.4)	7.1	9.8	8.6	10.2
	ASEAN4	Thailand	-10.2	4.2	(5.0)	6.5	5.3	6.6	n.a.
		Indonesia	-13.0	0.3	(4.2)	5.0	3.6	4.1	n.a.
Malaysia		-7.6	5.8	(8.6)	11.0	11.9	8.7	n.a.	
Philippines		-0.5	3.3	(3.7)	4.9	3.2	4.5	n.a.	

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

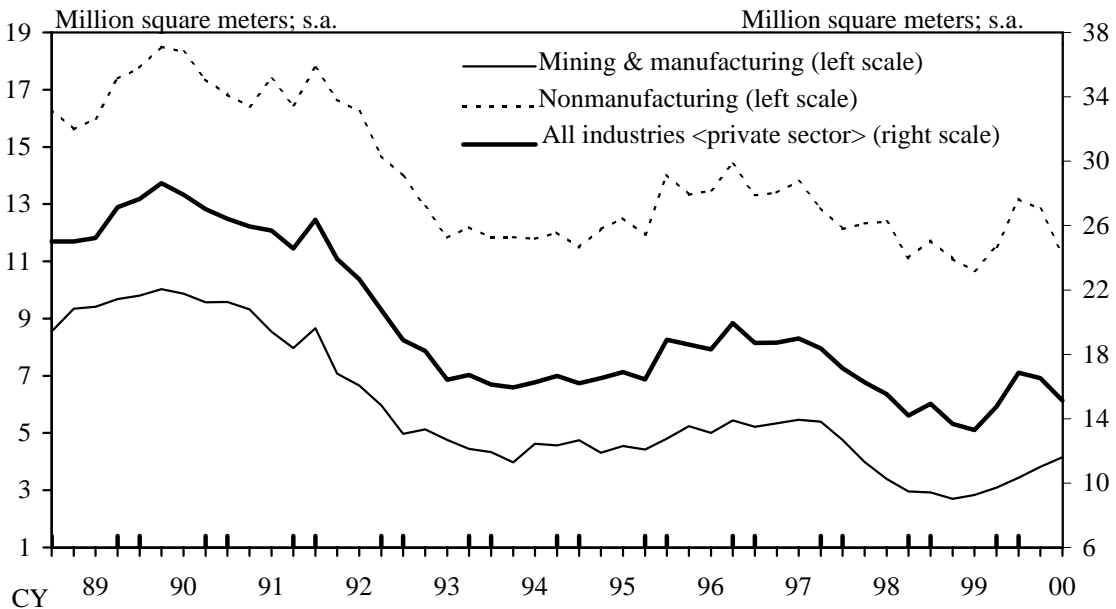
Indicators for Business Fixed Investment

(1) Machinery Orders



- Notes: 1. Excludes orders from electric power companies and shipbuilding orders.
 2. Forecast of nonmanufacturing industries for 2000/Q4.
 3. Forecast of all industries for 2000/Q4.
 4. Forecast of manufacturing industries for 2000/Q4.

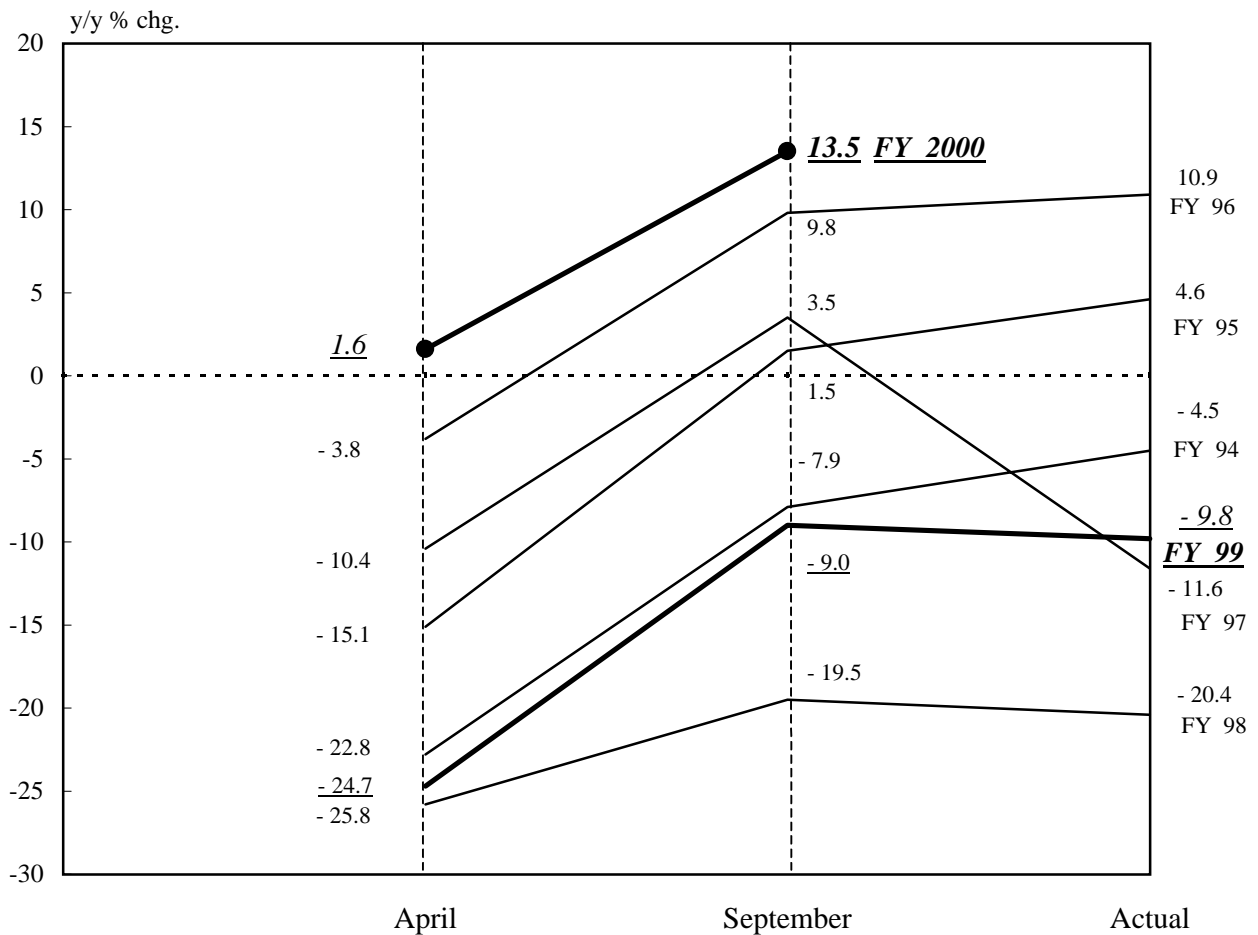
(2) Construction Starts (Nonresidential)



Note: Seasonally adjusted by X-11.

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

Business Fixed Investment Plans of Small Manufacturing Firms



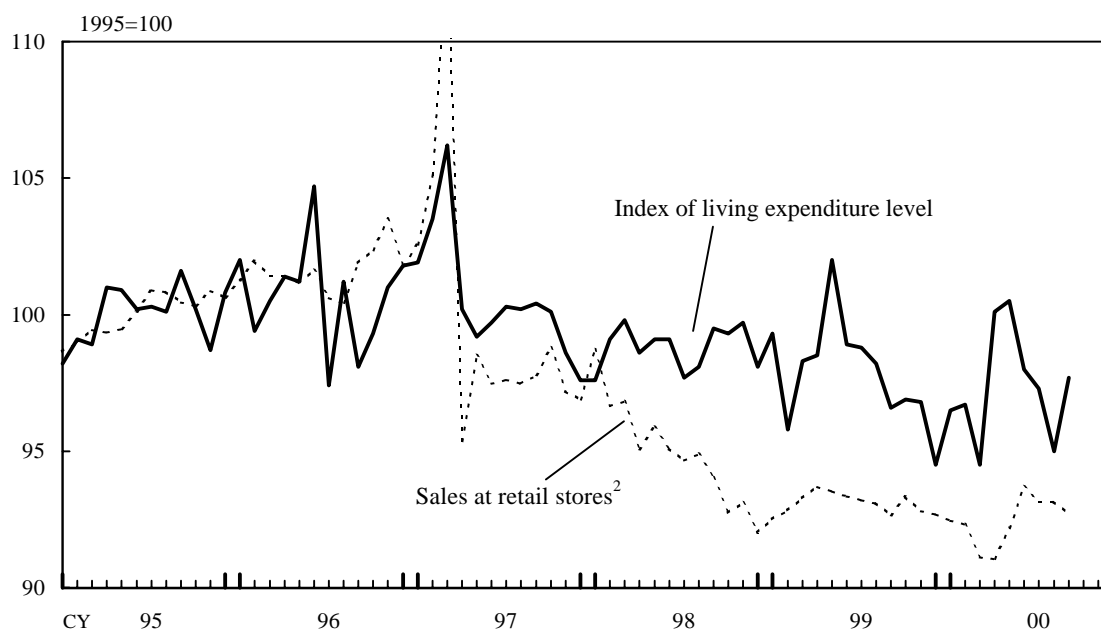
Note: Population: 78,070 enterprises Sample: 11,276 enterprises

Effective responses: 8,324 enterprises (September 2000)

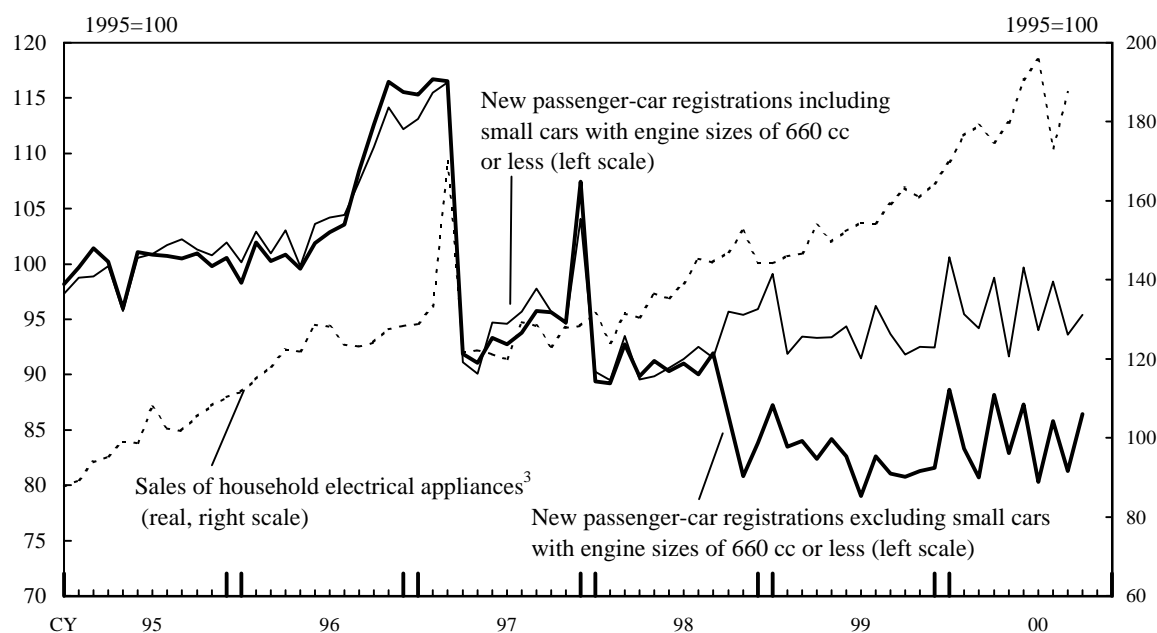
Source: Japan Finance Corporation for Small Business, "Survey on Plant and Equipment Investment of Small Businesses in Manufacturing."

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 electrical 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";

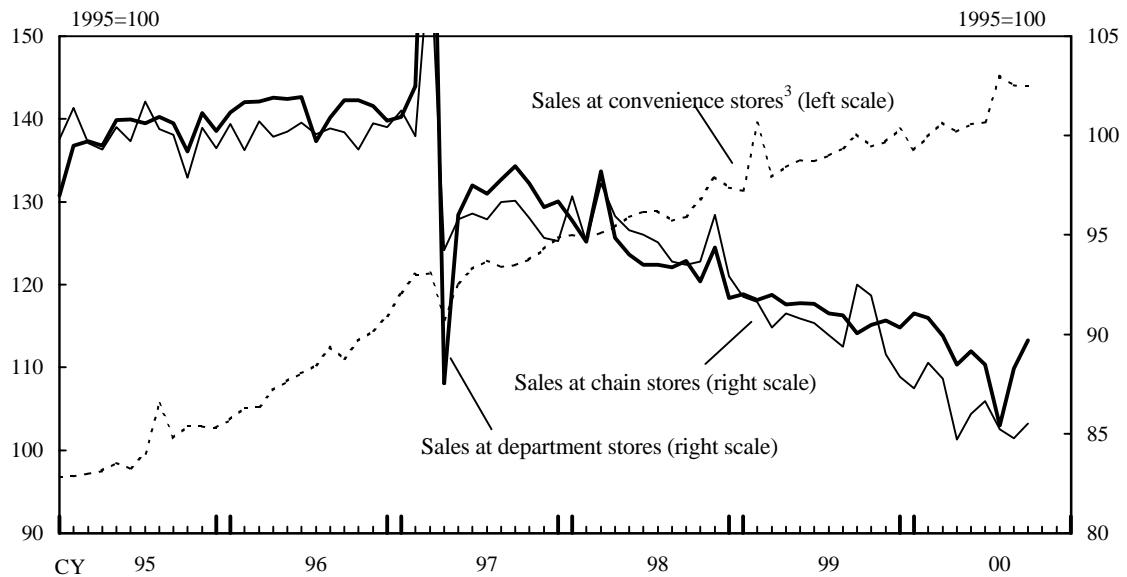
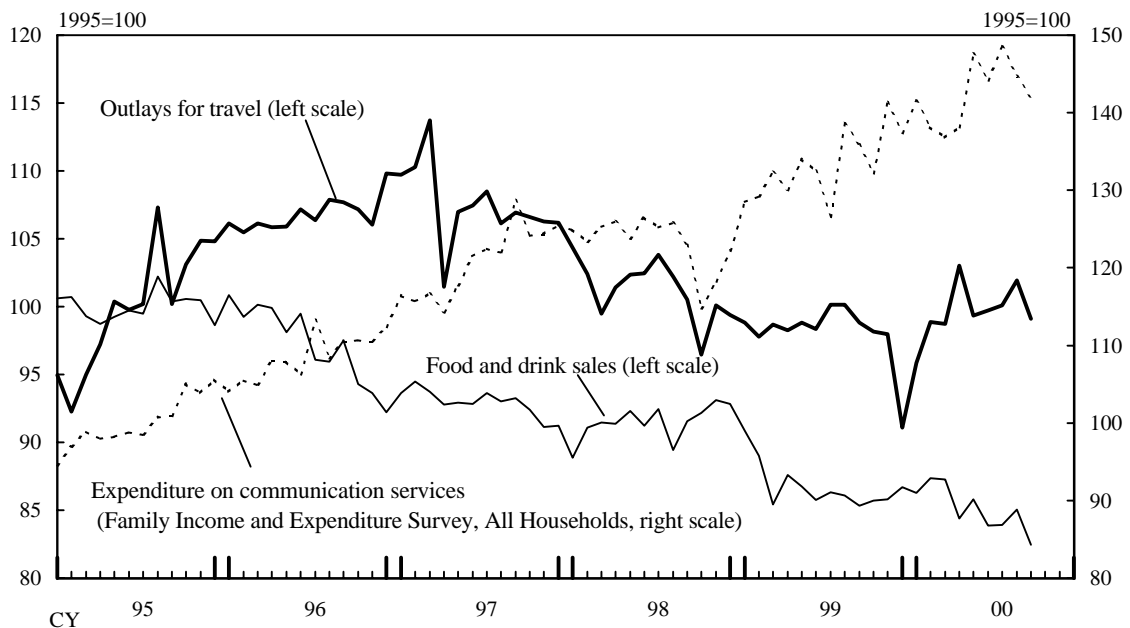
Ministry of International Trade and Industry, "Current Survey of Commerce";

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

Japan Mini Vehicles Association, "Sales of Mini Vehicles";

Nippon Electric Big-Stores Association (NEBA), "Sales of Electrical 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).

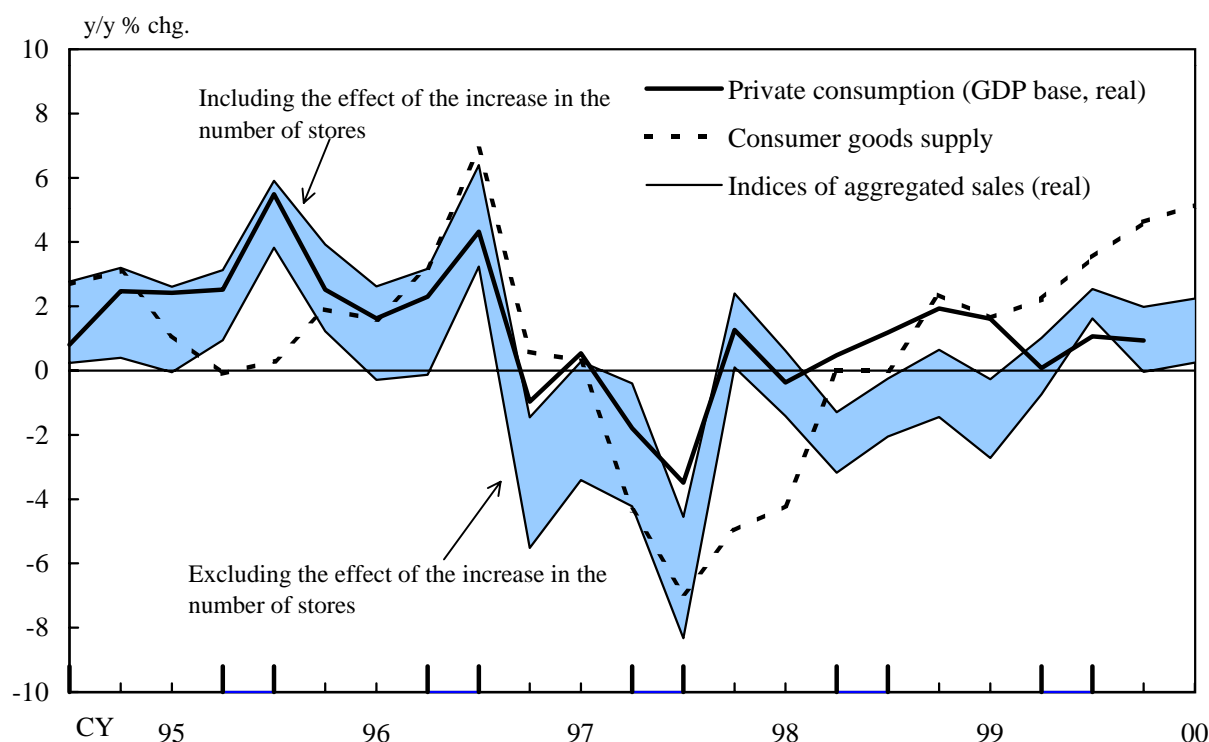
2. Adjusted to exclude the effect of the increase in the number of stores (except convenience stores).
Sales at department stores and sales at chain stores are adjusted to exclude the effect of the rise in the consumption tax rate.

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)

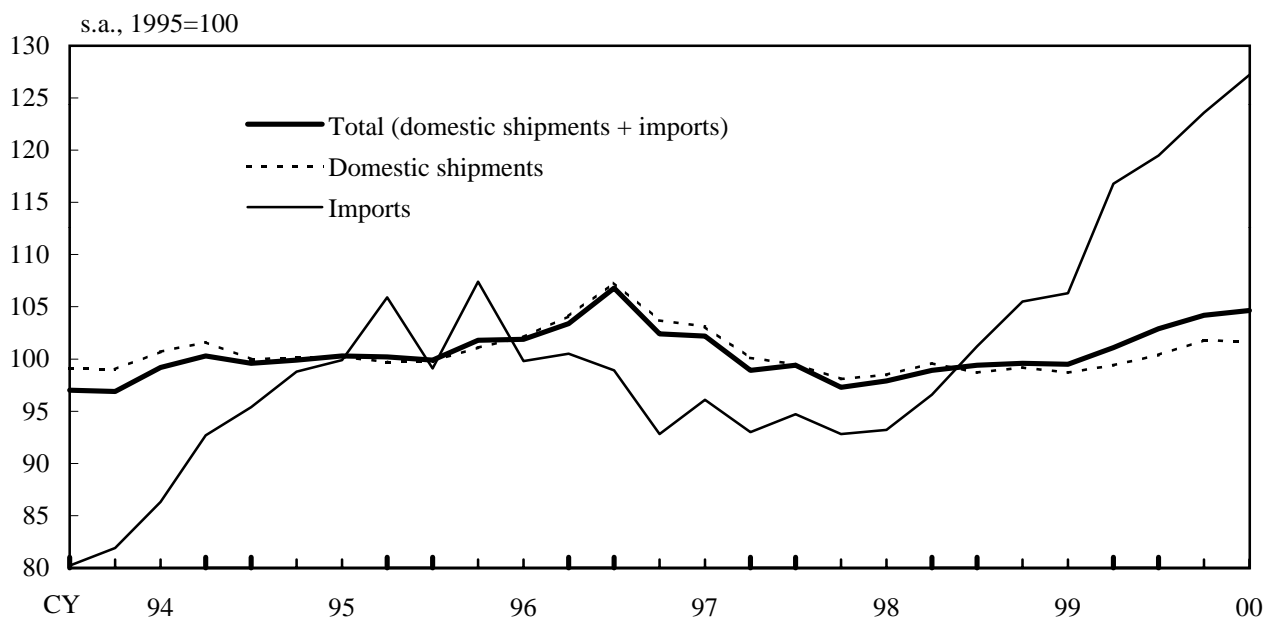


- Notes:
1. See footnotes in Chart 9-4 for details of *Consumer goods supply*.
 2. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *Sales at chain stores*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; 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.
 3. Indices of aggregated sales consist of the series including and excluding the effect of the increase in the number of stores. The former, which tries to cover development of private consumption to the widest extent possible, includes sales at the newly opened stores, which may arise from fresh demand provoked by them or demand shifted from the existing stores. In contrast, the latter shows ongoing development of consumption at the existing stores by excluding sales at the new stores. It is supposed that the truth (i.e., actual development of consumption) is somewhere between the former wide-coverage series and the latter narrow-coverage series, which is shown by the shaded area between the two series.
 4. 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 Indices of aggregated sales, as their coverage of the services sector is limited and they do not comprehensively cover all types of retail stores.

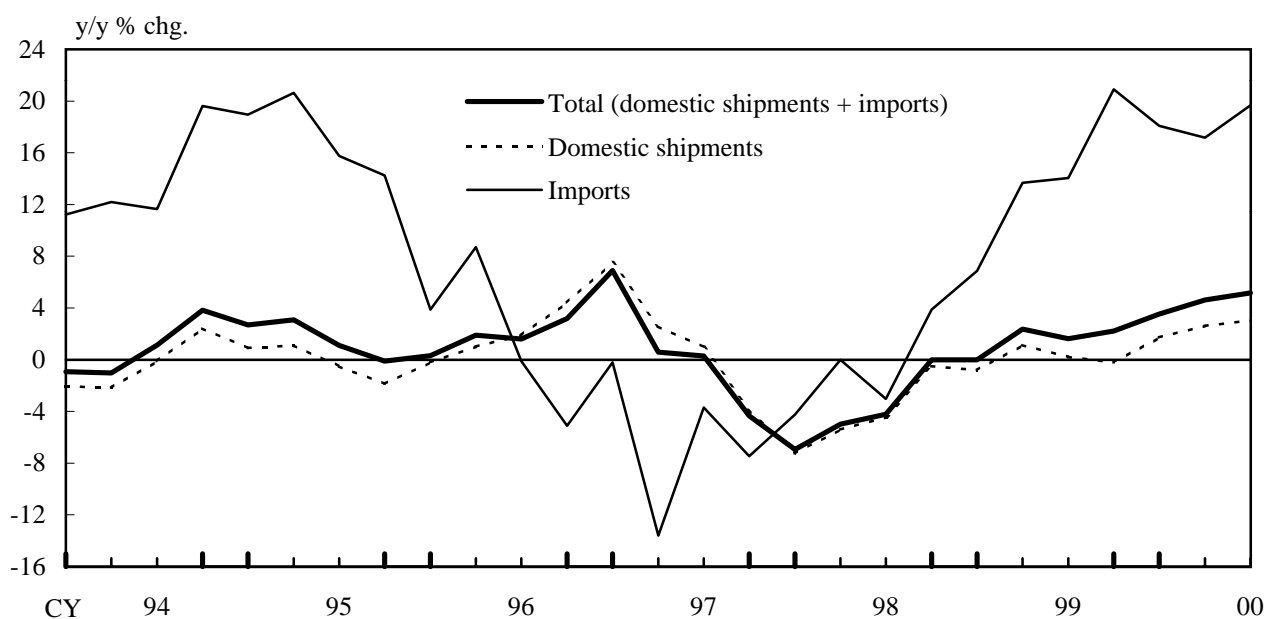
Sources: Economic Planning Agency, "National Accounts";
 Ministry of Finance, "The Summary Report on Trade of Japan";
 Ministry of International Trade and Industry, "Current Survey of Commerce,"
 "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports";
 Management and 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 Electrical 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. Figures for 2000/Q3 of "Domestic shipments" are calculated from quarter-to-quarter changes of *Indices of Industrial Production* (excluding the effects of exports).

3. 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.

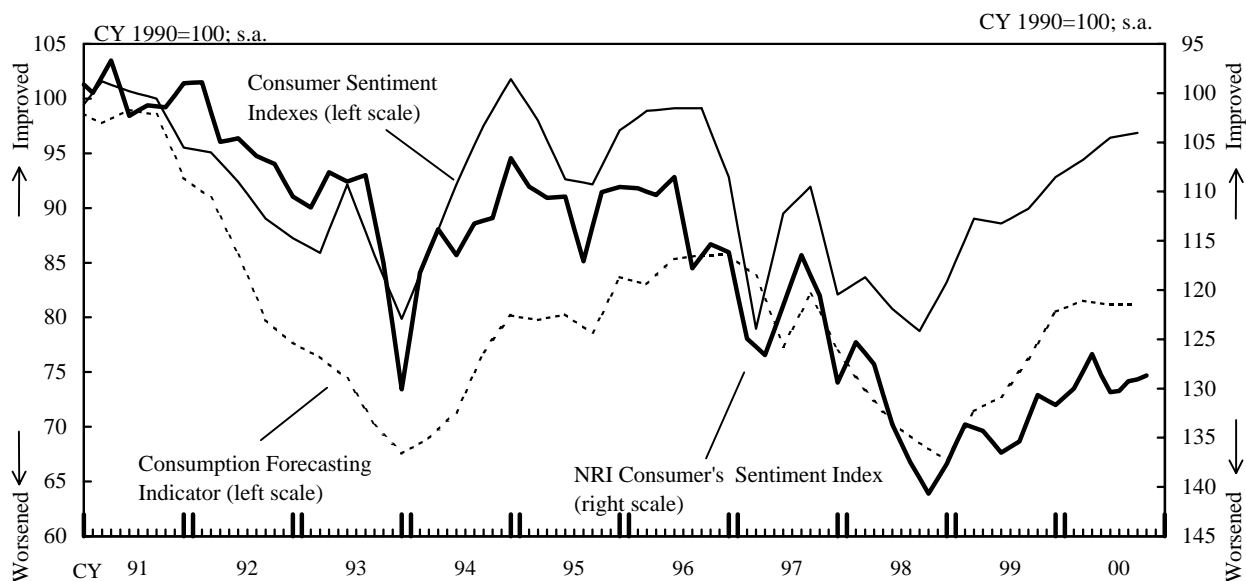
4. Figures for 2000/Q3 of "Total (domestic shipments + imports)" are calculated from weighted average of the quarter-to-quarter changes in "Domestic shipments" and "Imports".

5. 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."

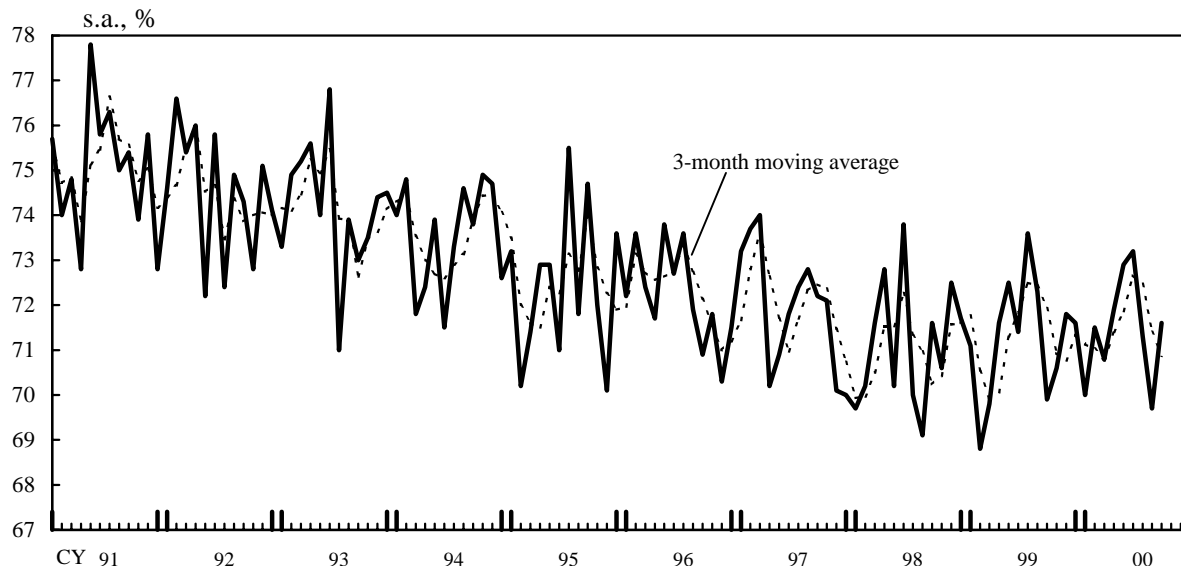
Consumer Confidence and Propensity to Consume

(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.

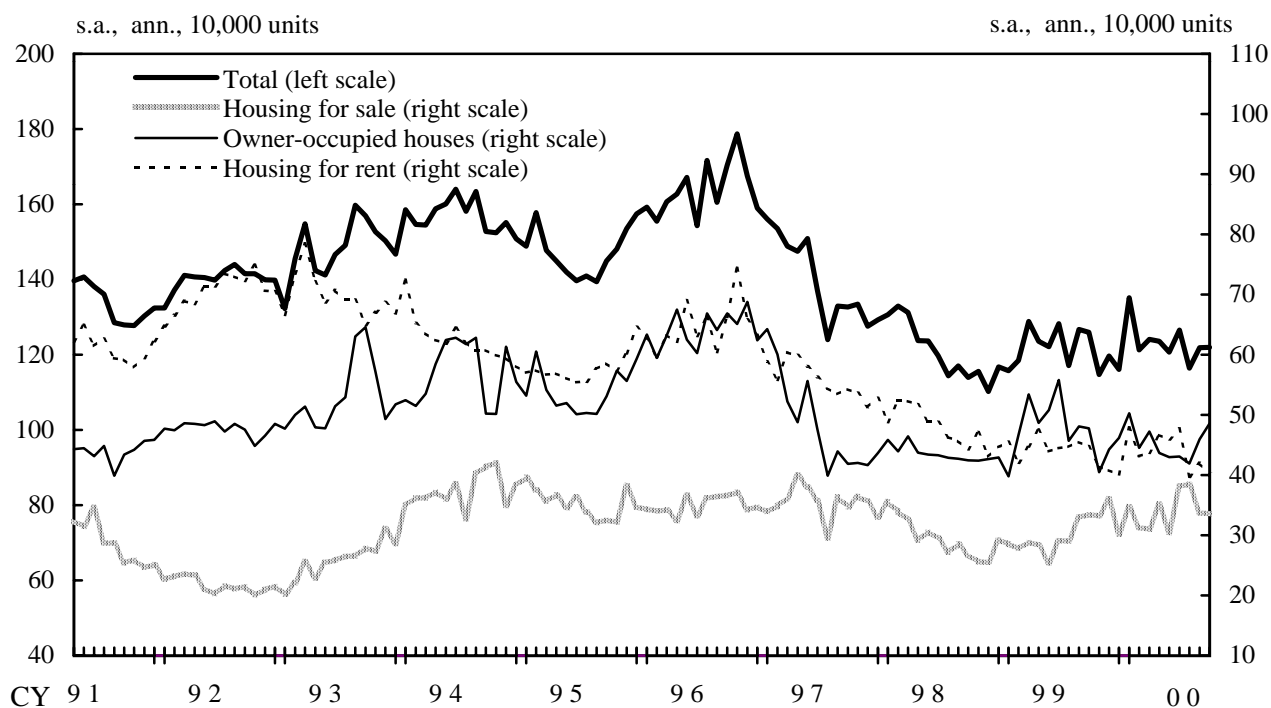
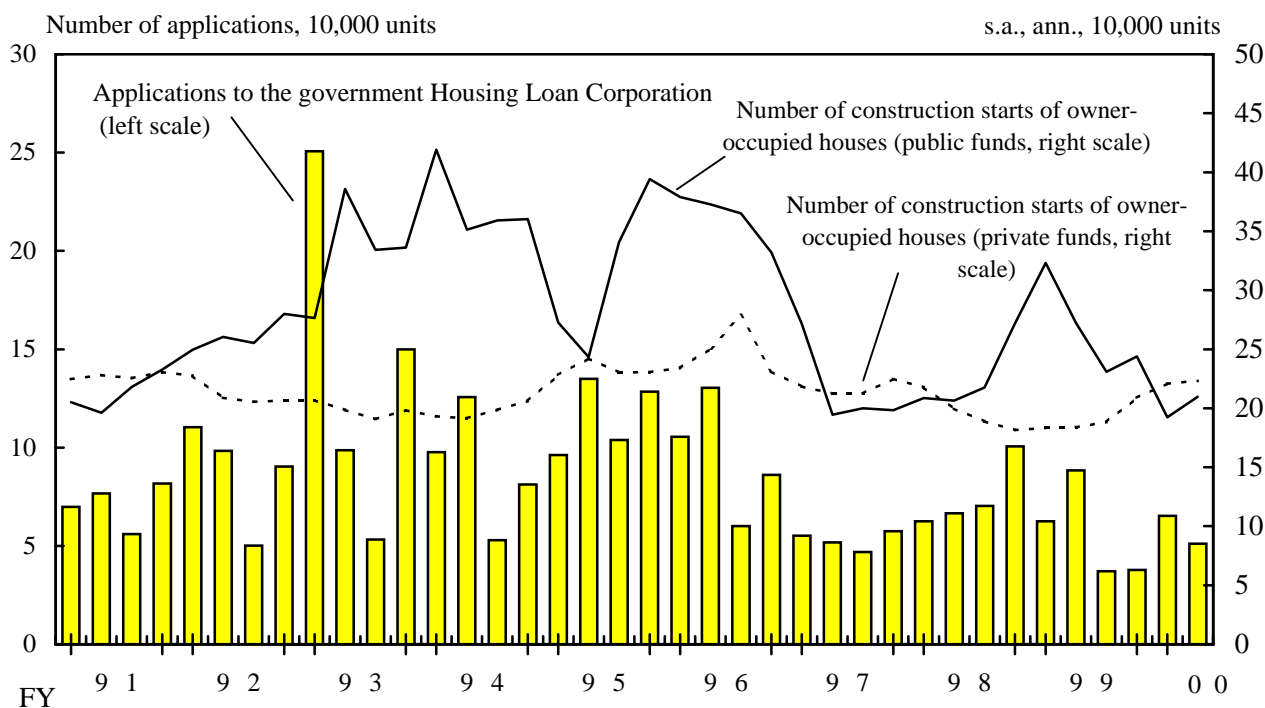
(2) Propensity to consume (Family Income and Expenditure Survey)



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

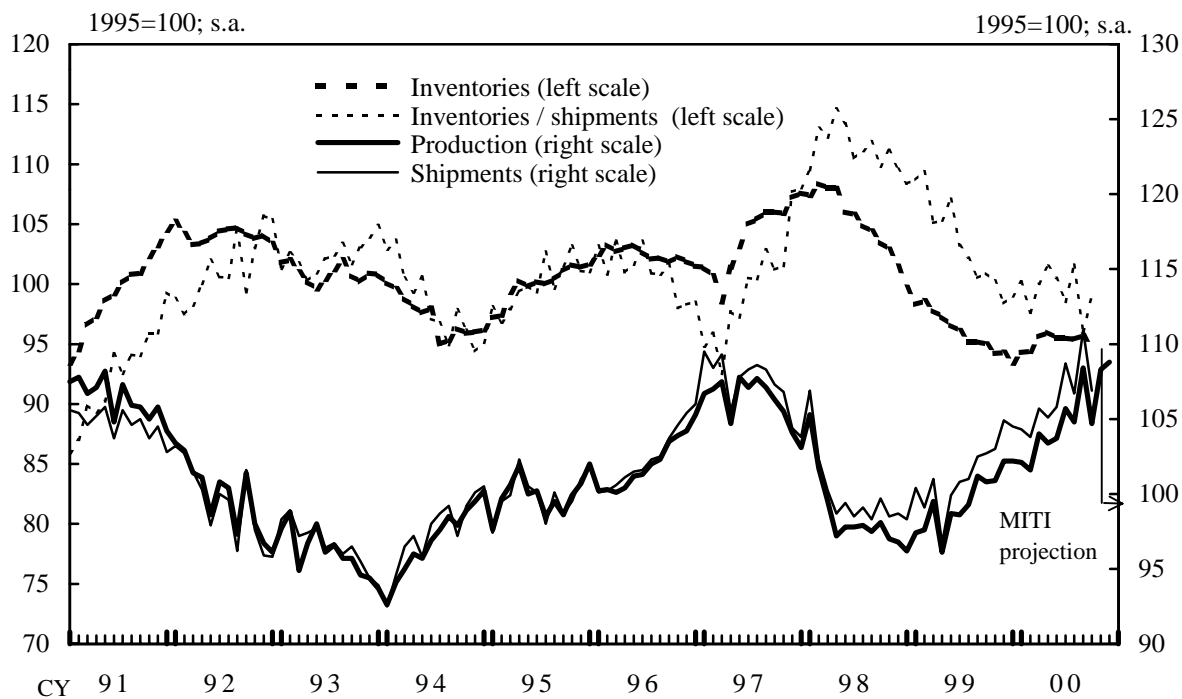
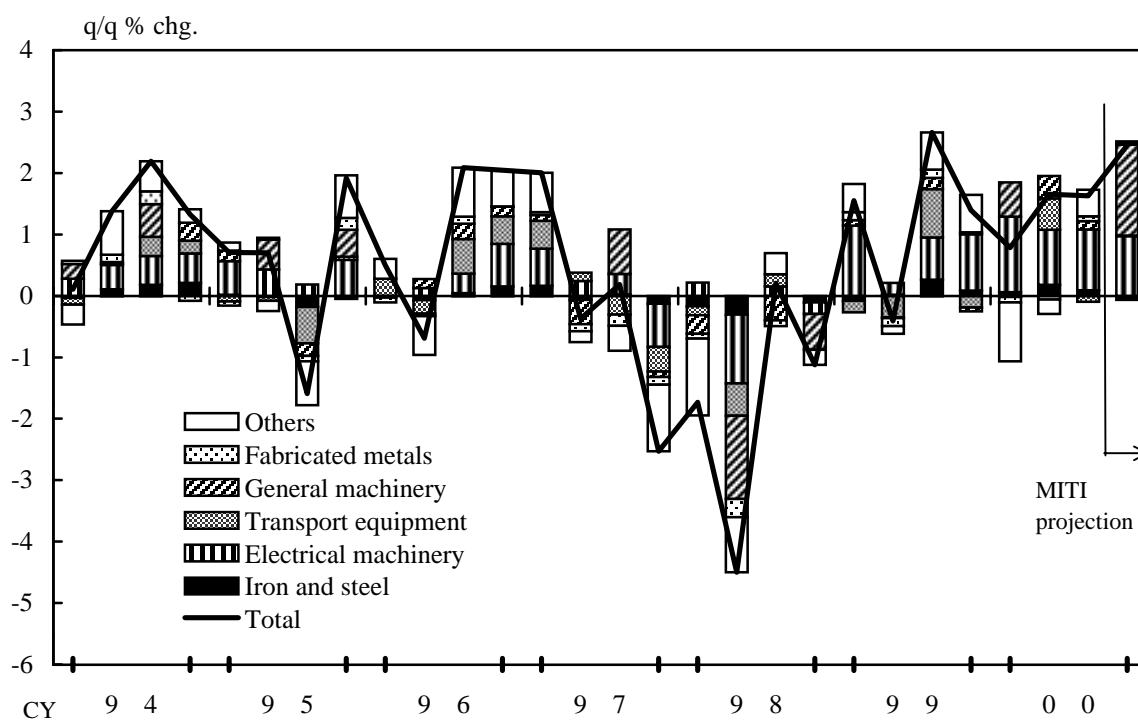
(1) Housing starts

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

Note: The duration of the loan offering period (the government Housing Loan Corporation) differs and the period may be extended to the following quarter. The number of loan applications for the construction of private homes in (2) is placed in accordance with its offering period.

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

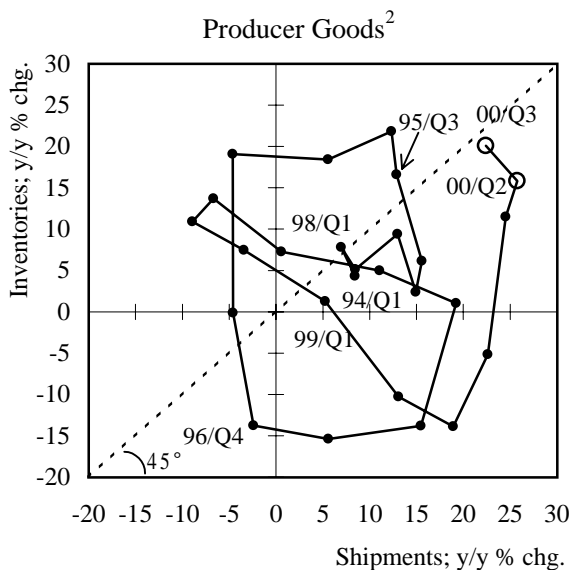
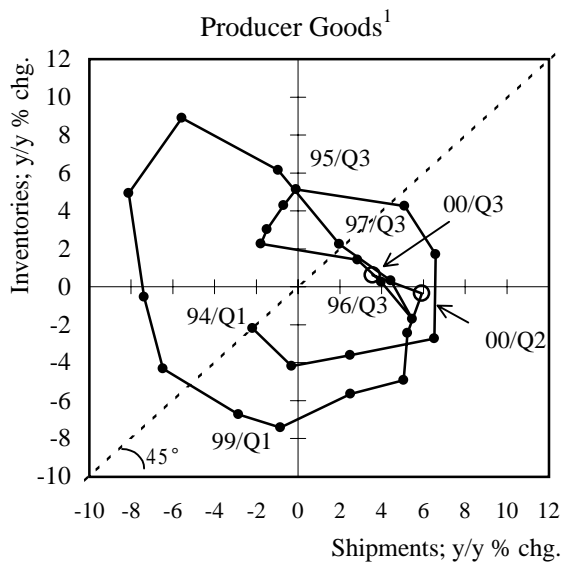
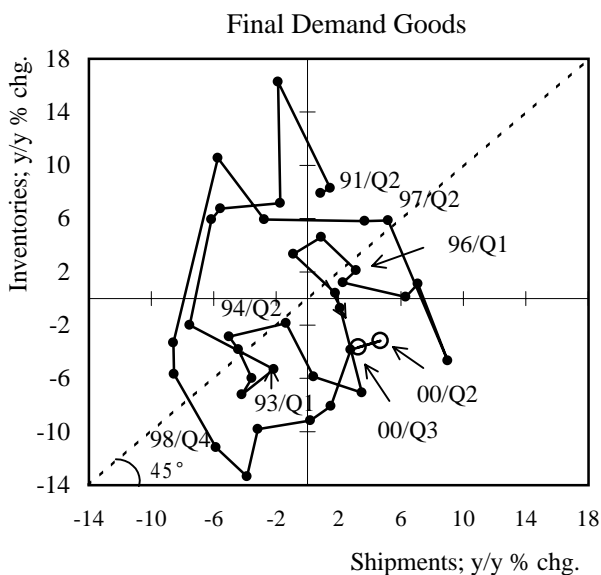
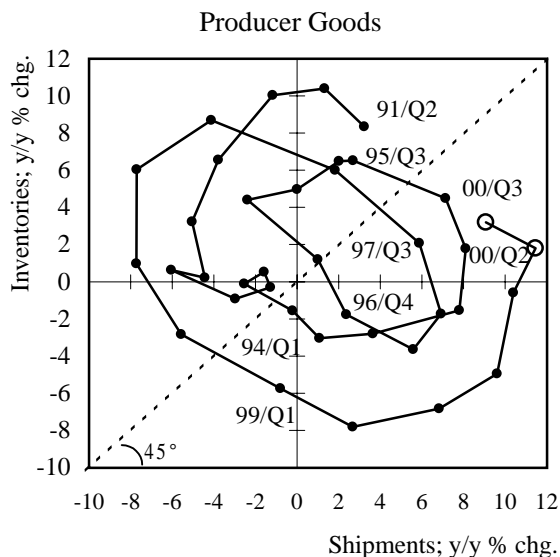
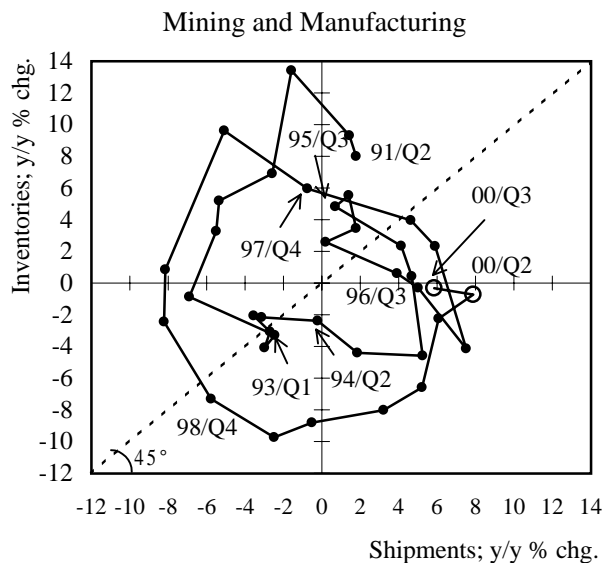
Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories**(2) Production by Industries**

Note: Transport equipment excludes ships and rolling stock.

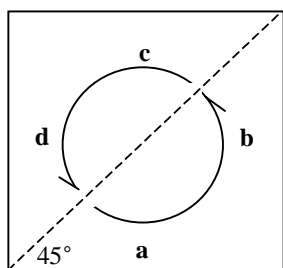
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

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

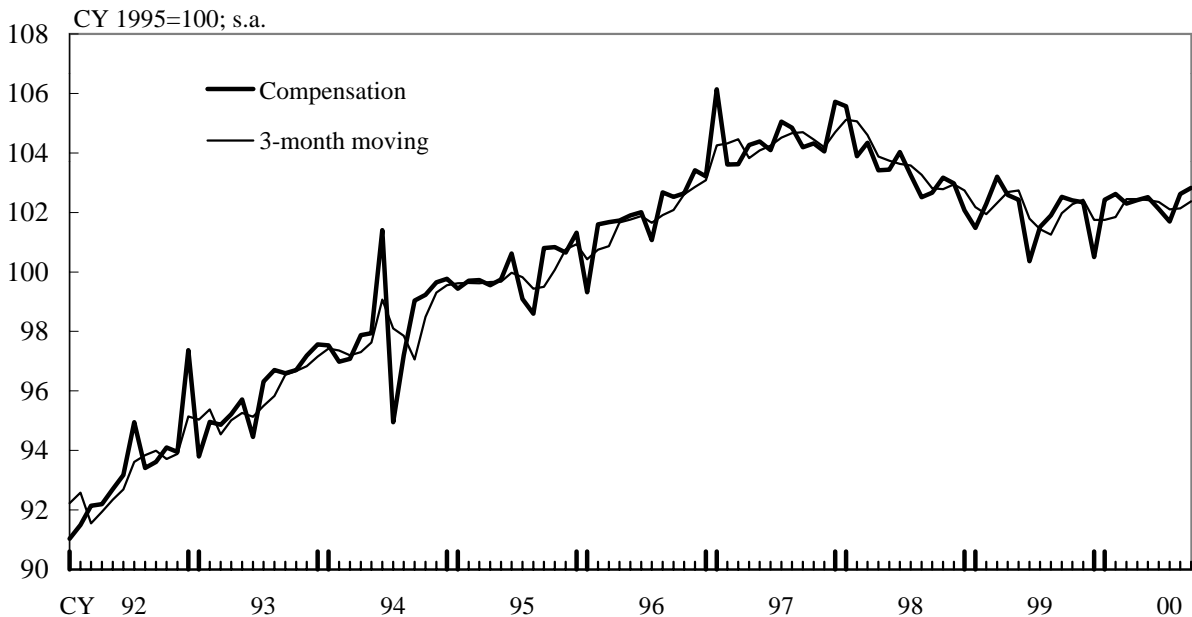
Notes: 1. Producer goods excluding electrical machinery.

2. Producer goods of electrical machinery.

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

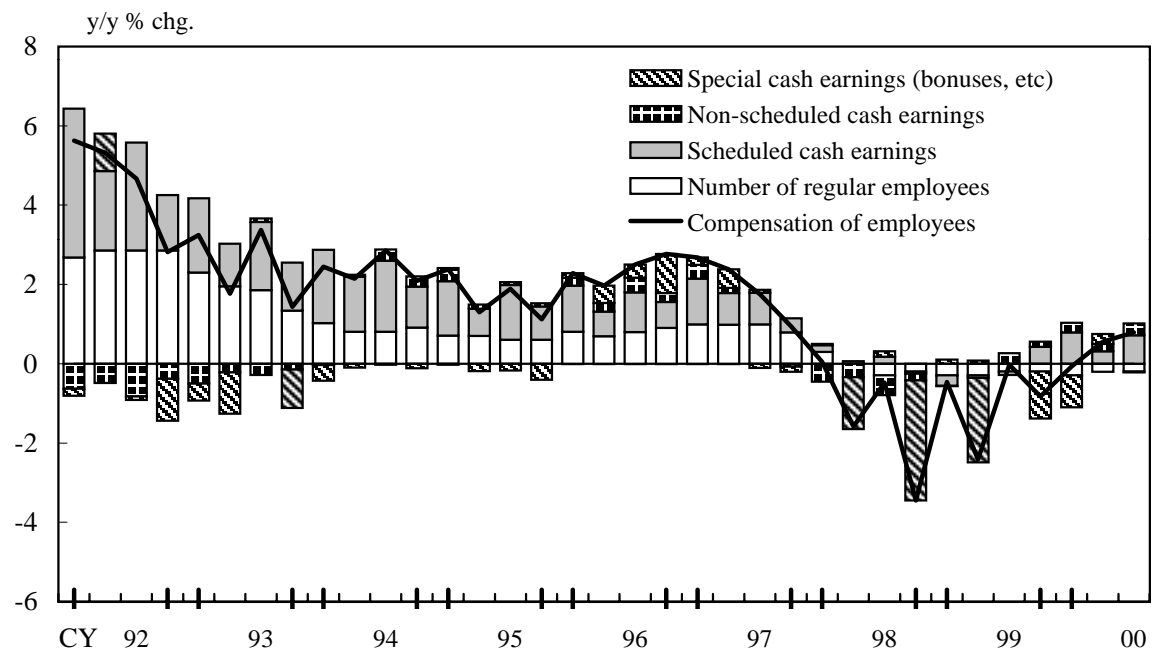
Compensation of Employees

(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 Sept. 2000 are preliminary figures.

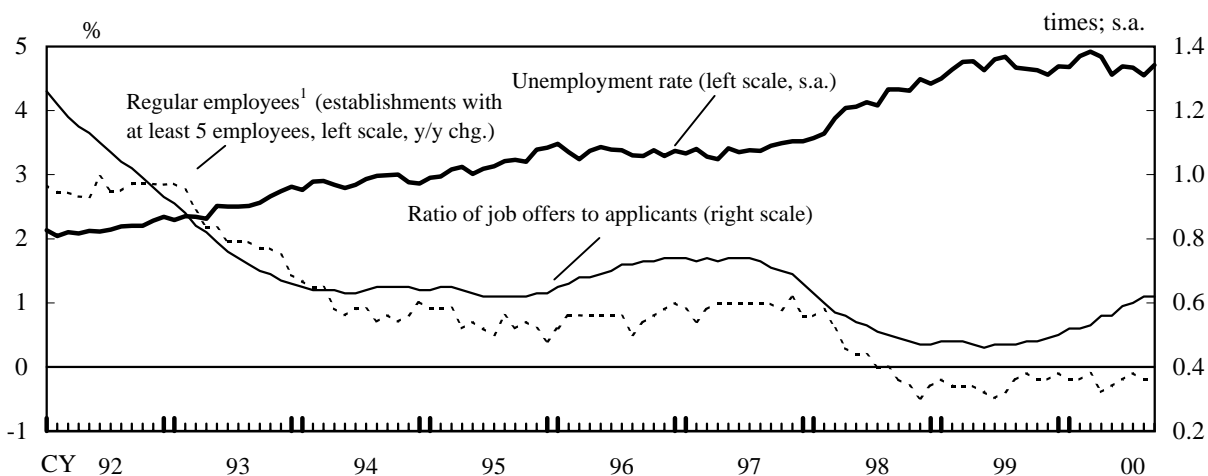
(2) Breakdown of Compensation



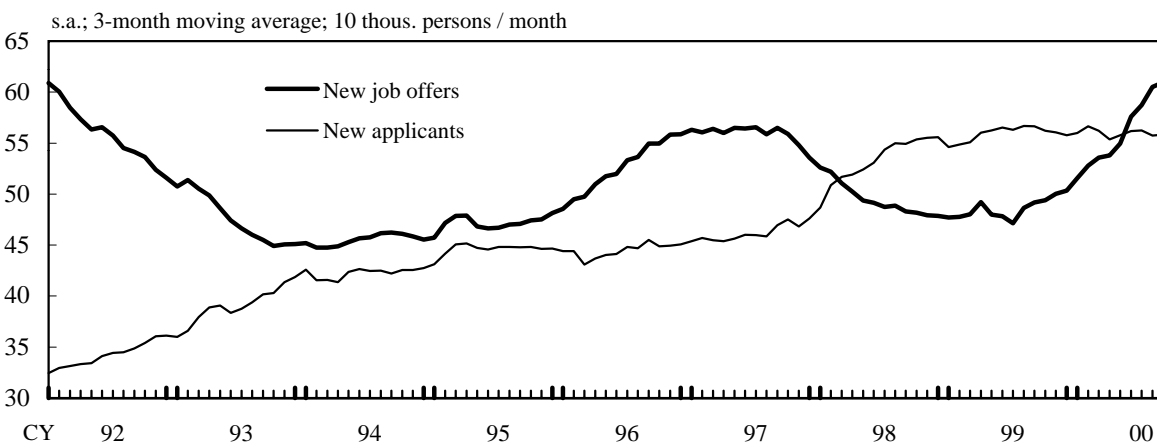
- Notes: 1. Data for establishments with at least 5 employees. The data for Sept. 2000 are preliminary figures.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
 3. The data for 2000/Q3 are those of Sept. 2000.

Labor

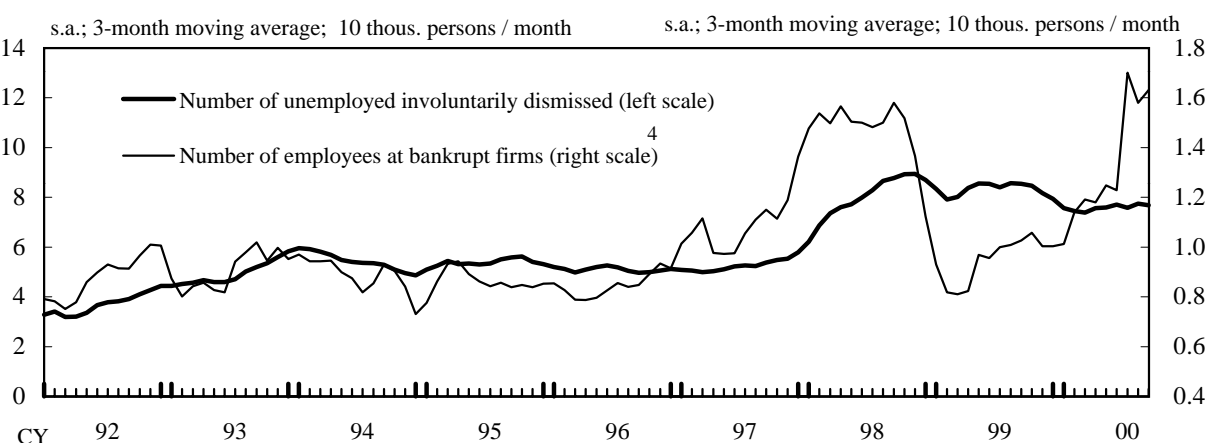
(1) Monthly



(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 September 2000 are preliminary figures.

2. Exclude jobs offered to new graduates.

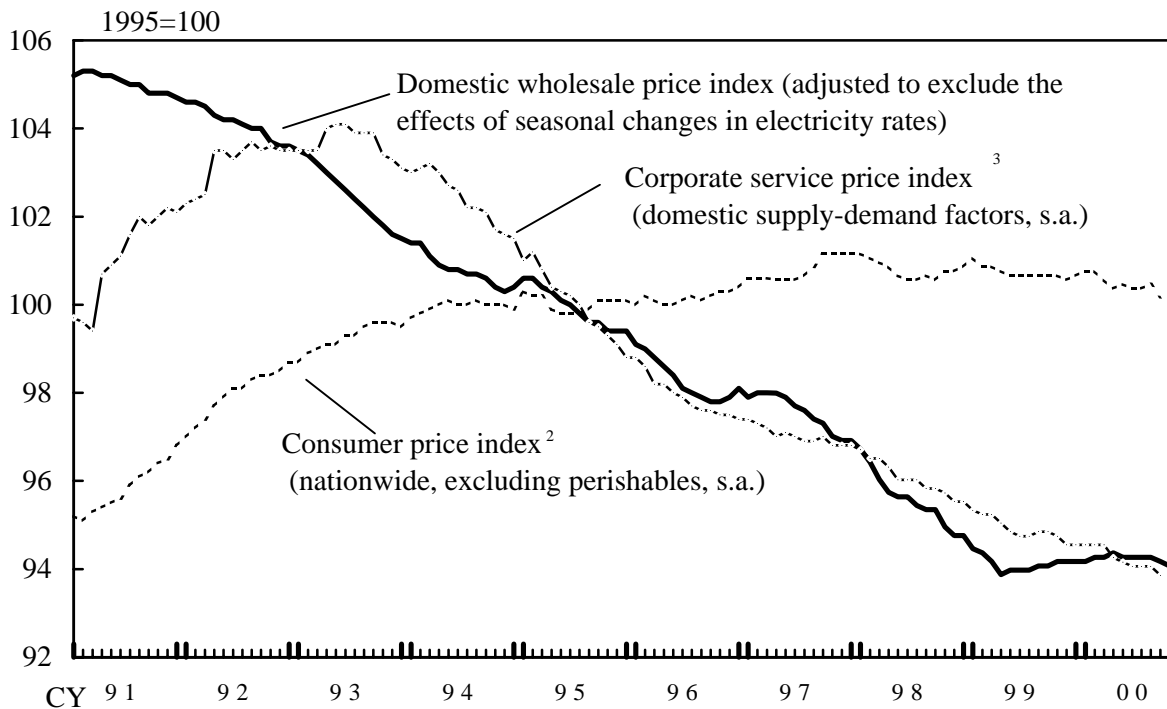
3. Seasonally adjusted by X-11.

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

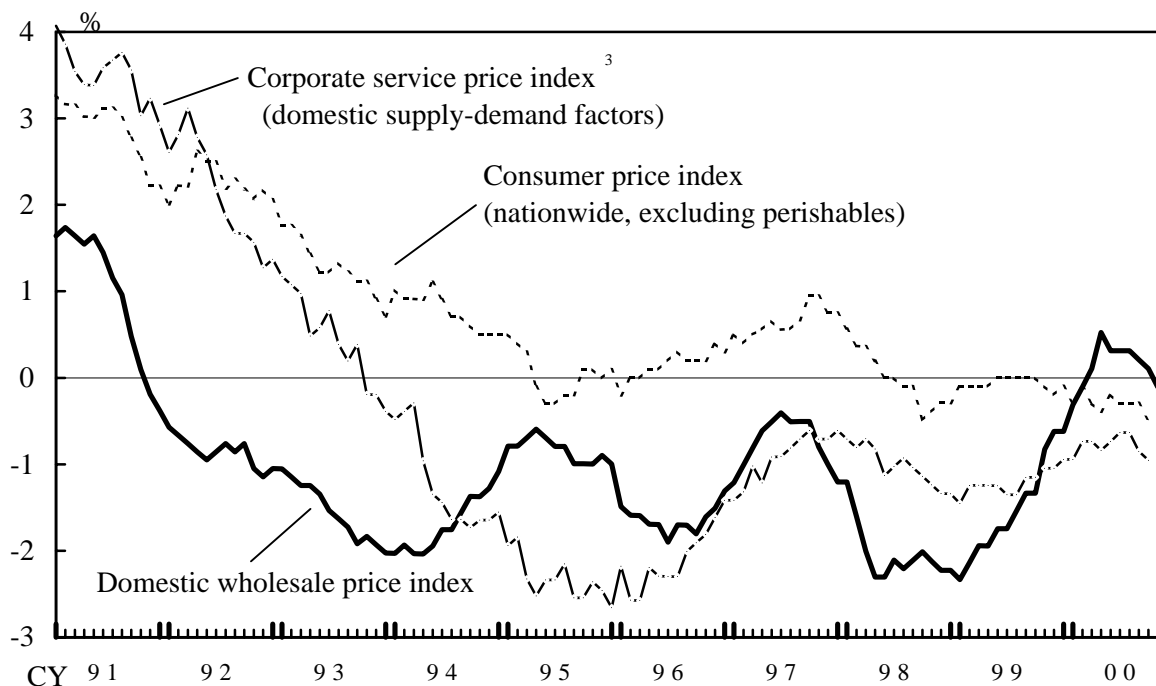
Sources: Ministry of Labour, "Monthly Labour Survey," "Report on Employment Service," "Report on Employment Insurance Service"; Management and Coordination Agency, "Labour Force Survey"; *Teikoku Databank Ltd.*, "Japan's Business Failure."

Prices¹

(1) Level



(2) Changes from a year earlier

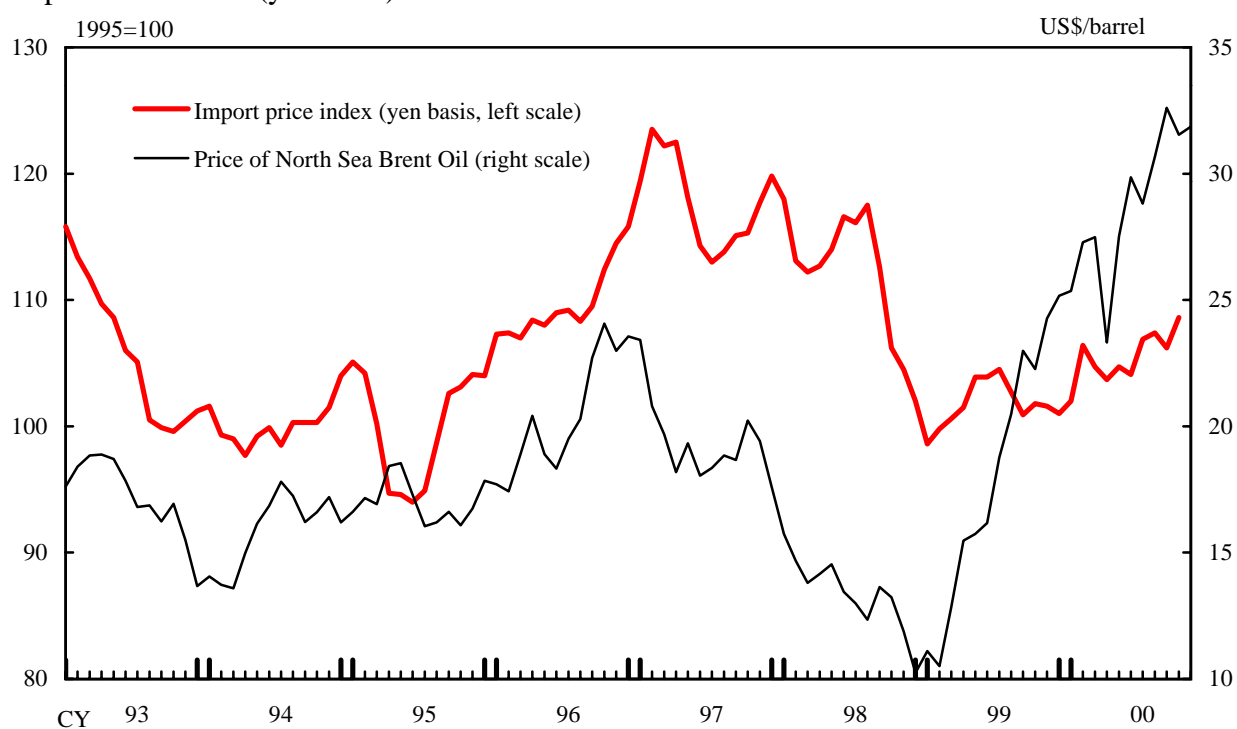


- Notes: 1. Figures before January 1995 are calculated from the CPI whose base period is 1990 in chart (1). This data series is seasonally adjusted by Management and Coordination Agency.
2. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
3. See footnote 4 in Chart19, for definition of the Corporate service price index (domestic supply-demand factors).

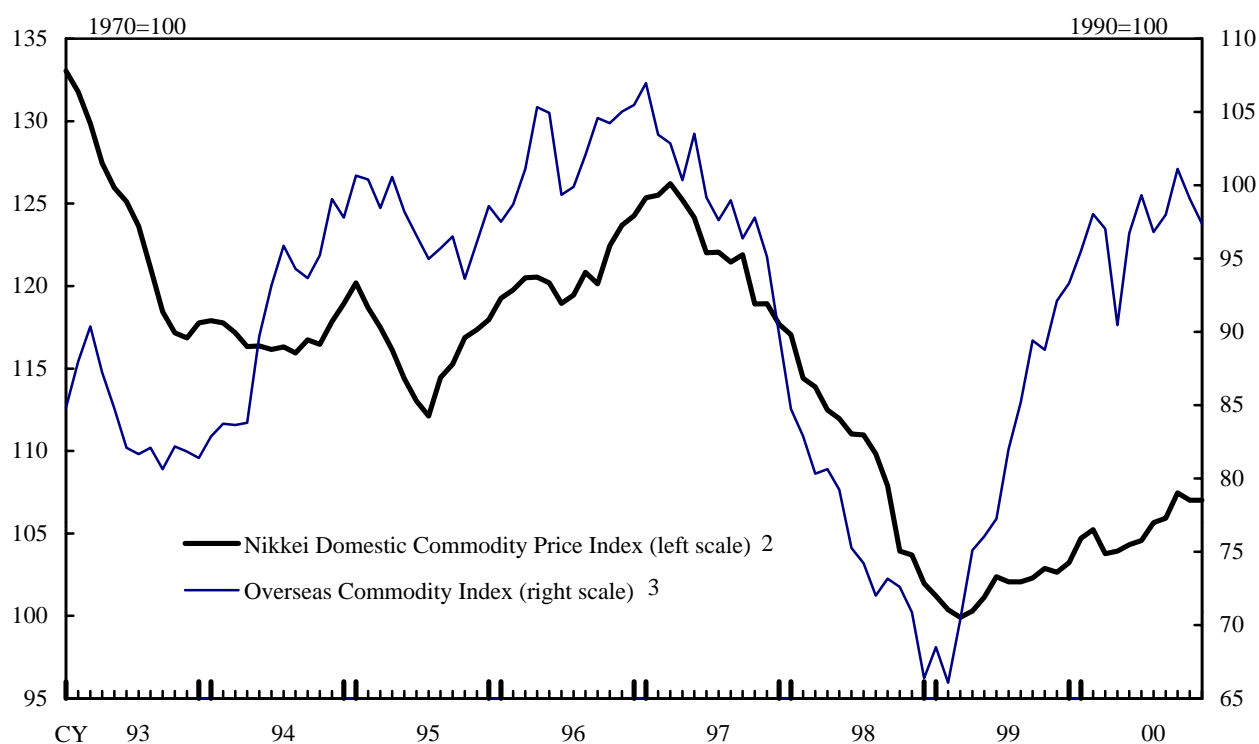
Sources: Management and Coordination Agency, "Consumer Price Index";
Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index."

Import Prices and Domestic Commodity Market

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



(2) Domestic Commodity Market



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

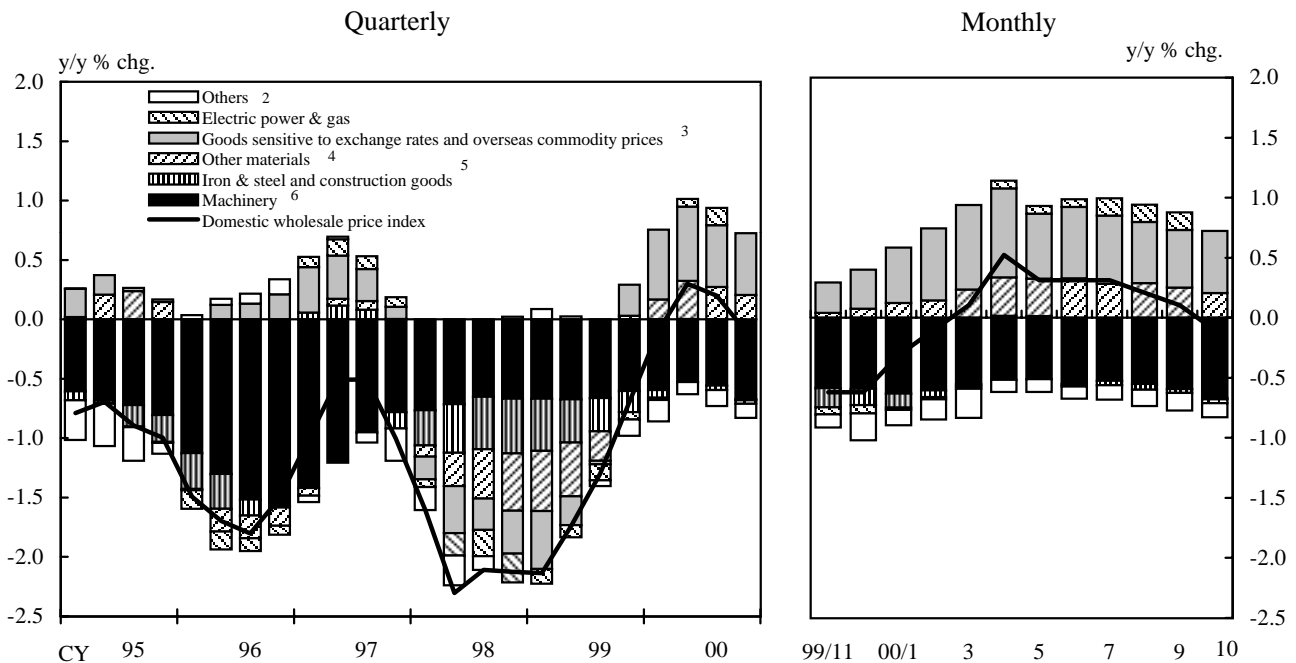
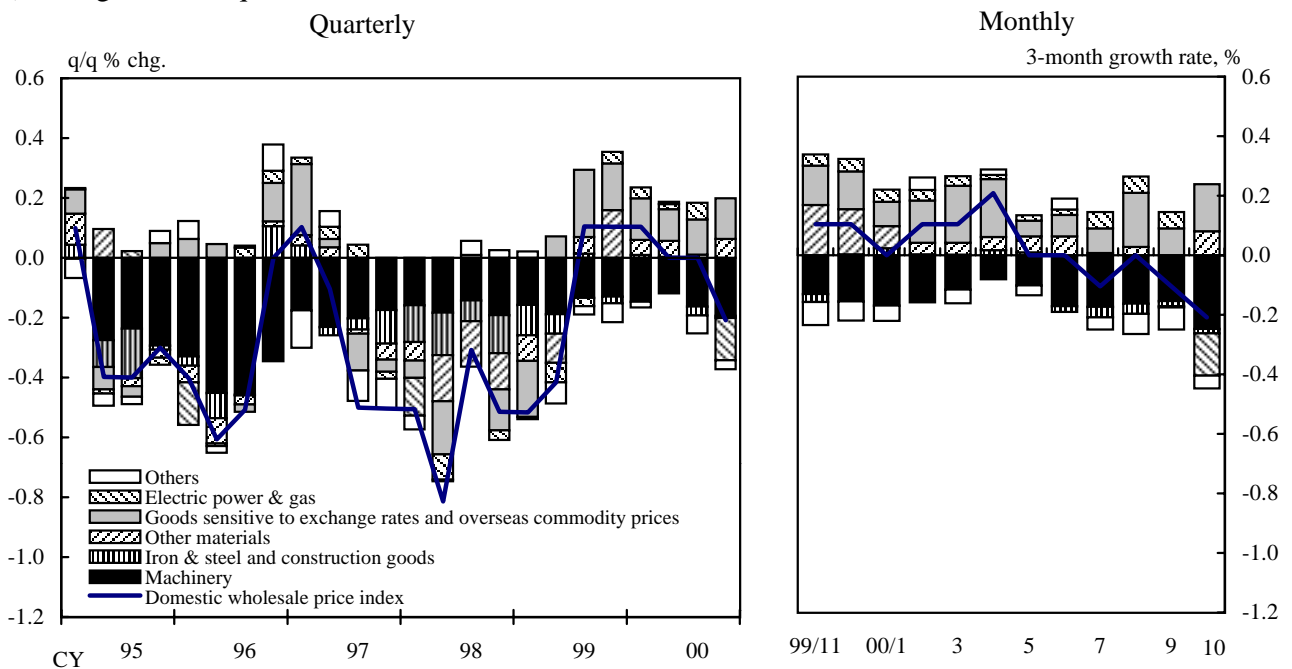
2. Data for November 2000 are as of November 10.

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

Sources: Bank of Japan, "Wholesale Price Indexes," "Financial and Economic Statistics Monthly"; Nihon Keizai Shimbun Inc., "Nikkei Domestic Commodity Price Index."

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 in 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.

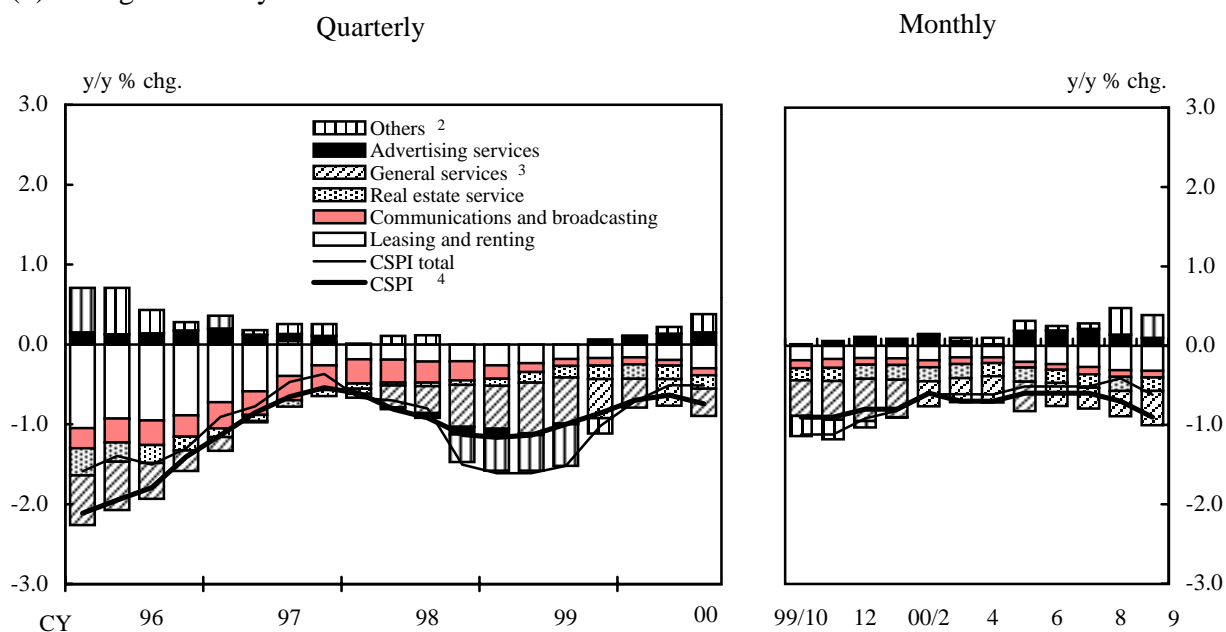
6. Machinery = electrical machinery + general machinery + transportation equipment + precision instruments.

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%.

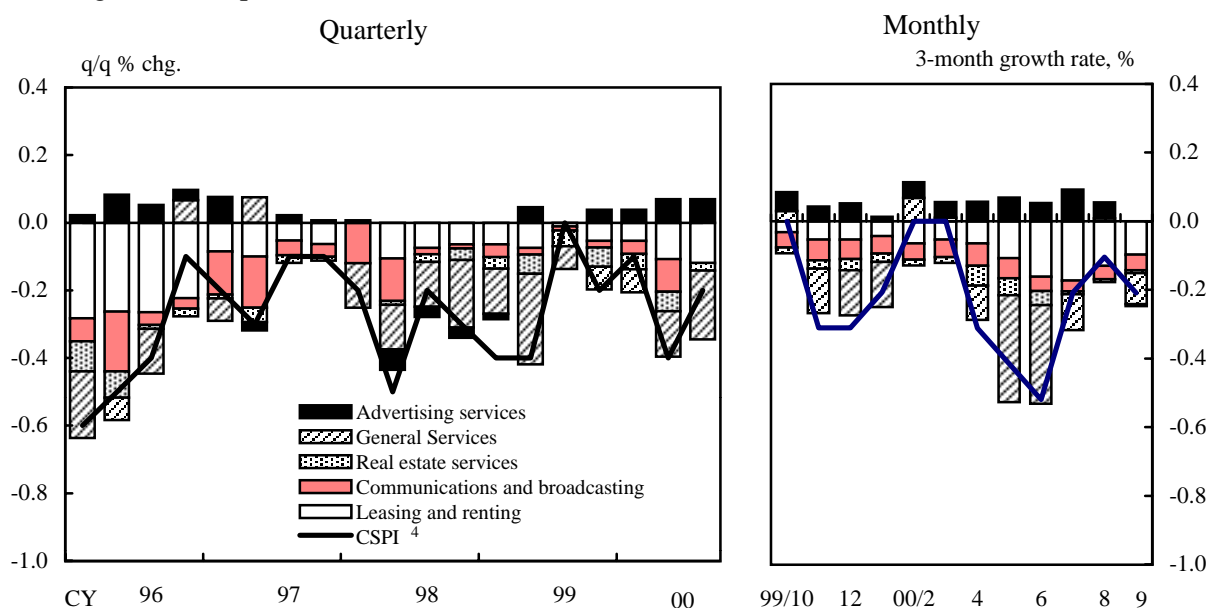
8. Data for 2000/Q4 are as of October.

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 in 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").

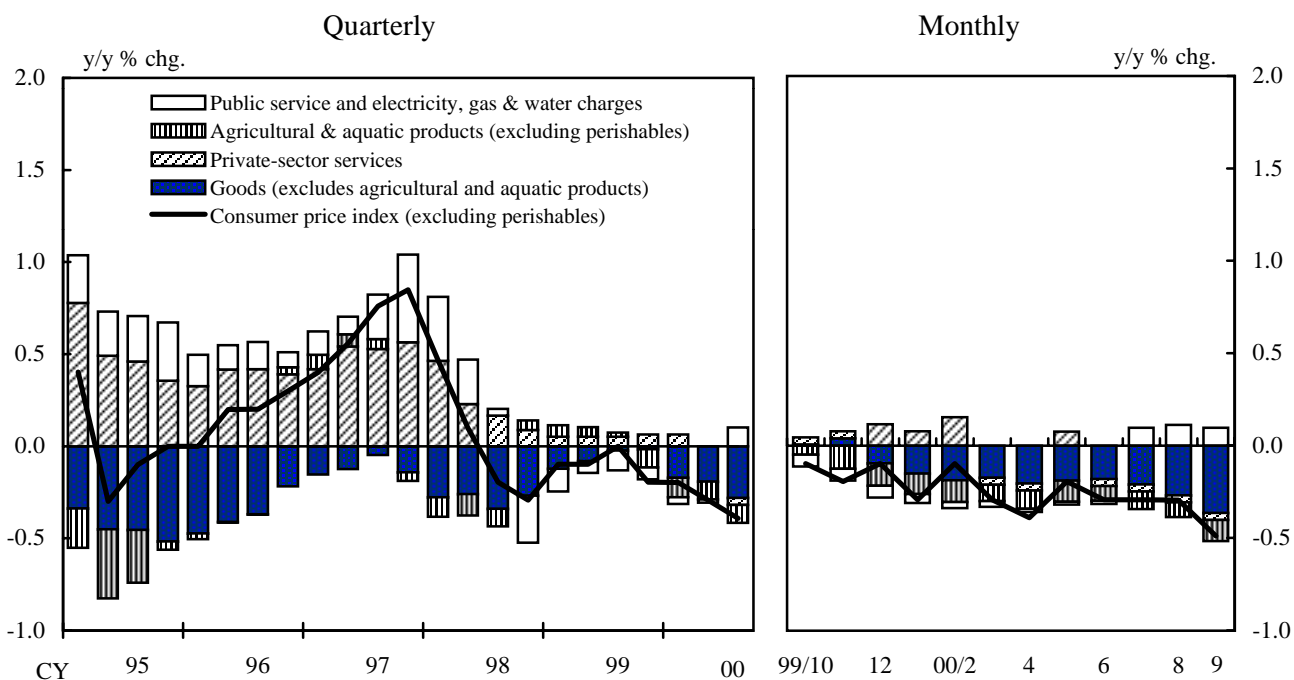
4. CSPI (domestic supply-demand factors) includes all items aside from "others" as defined above. This index mainly reflects the supply and demand conditions in the domestic private sector.

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).

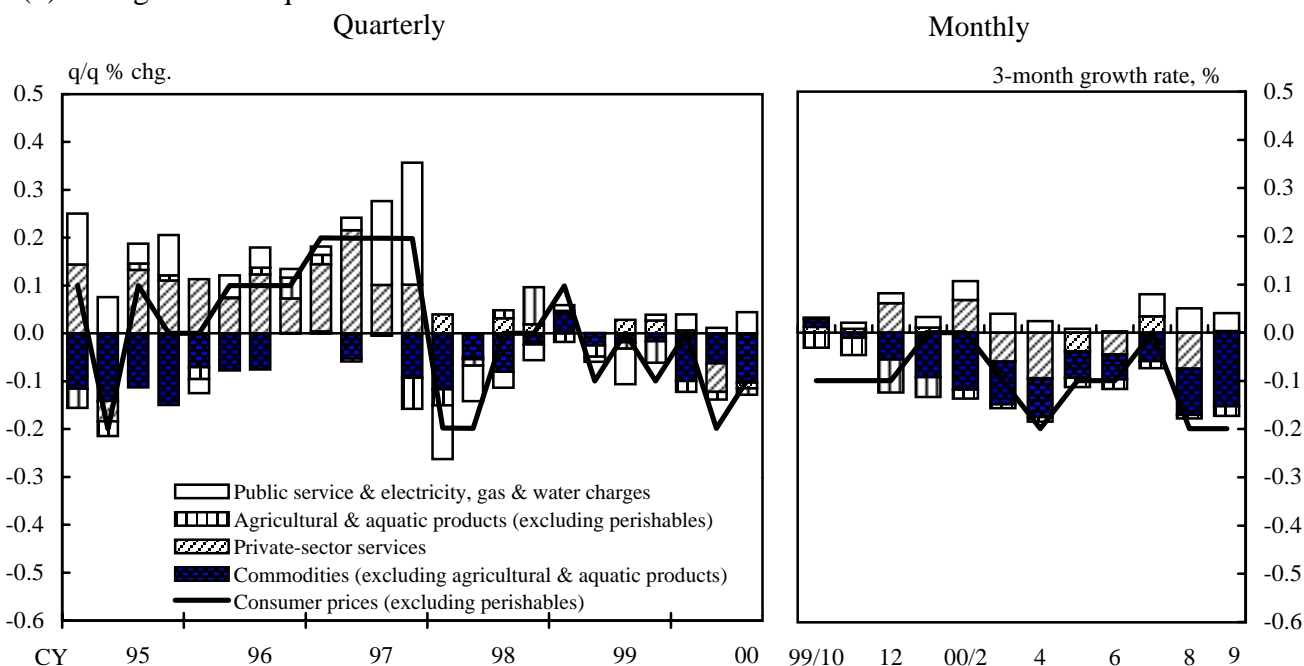
Due to seasonal adjustment every month, these data services are revised retroactively every month.

Consumer Price Index (excluding perishables)

(1) Changes from a year earlier



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



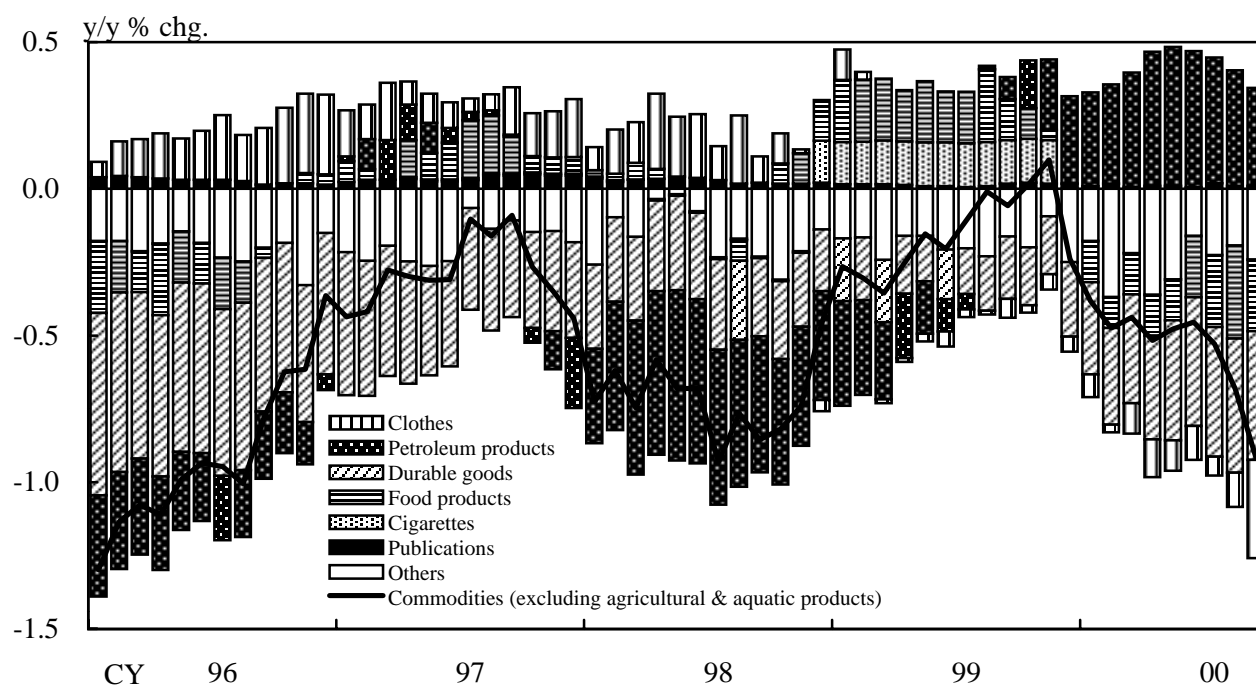
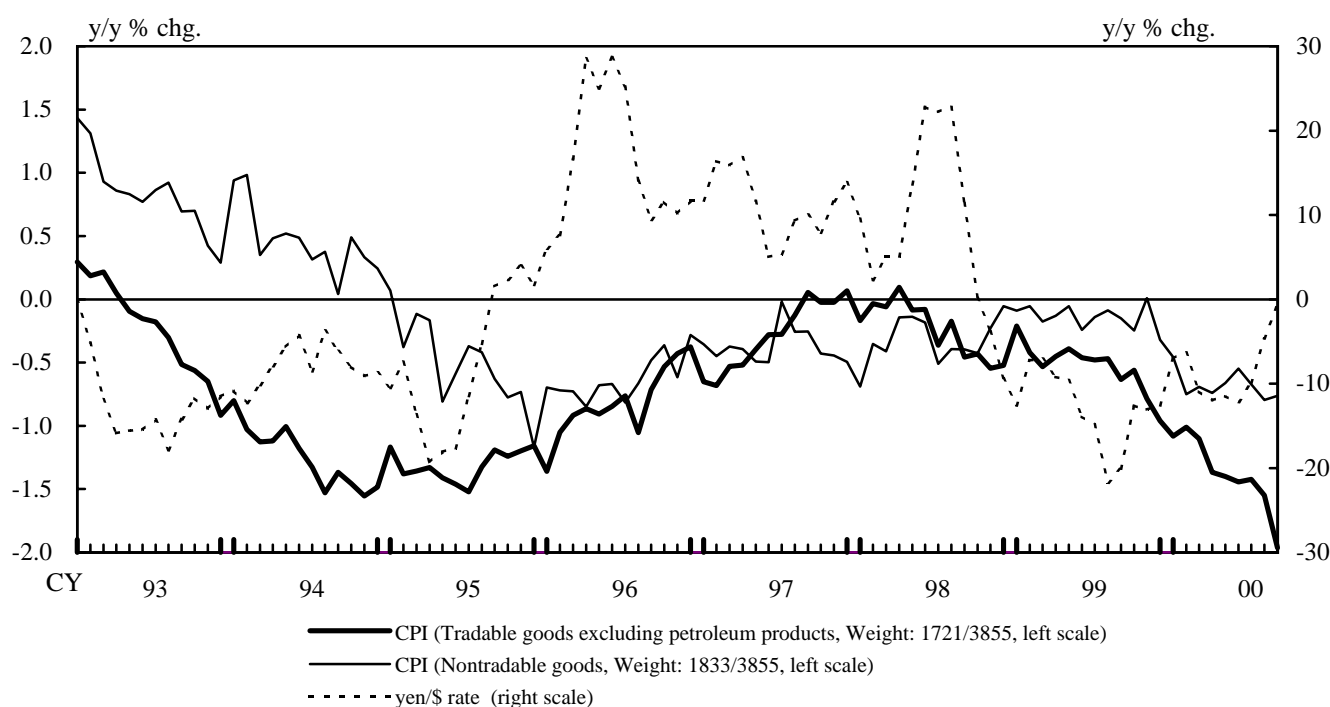
Note: Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

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.

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

Consumer Price Index (Commodities, excluding perishables)¹

(1) Commodities (excluding agricultural & aquatic products)

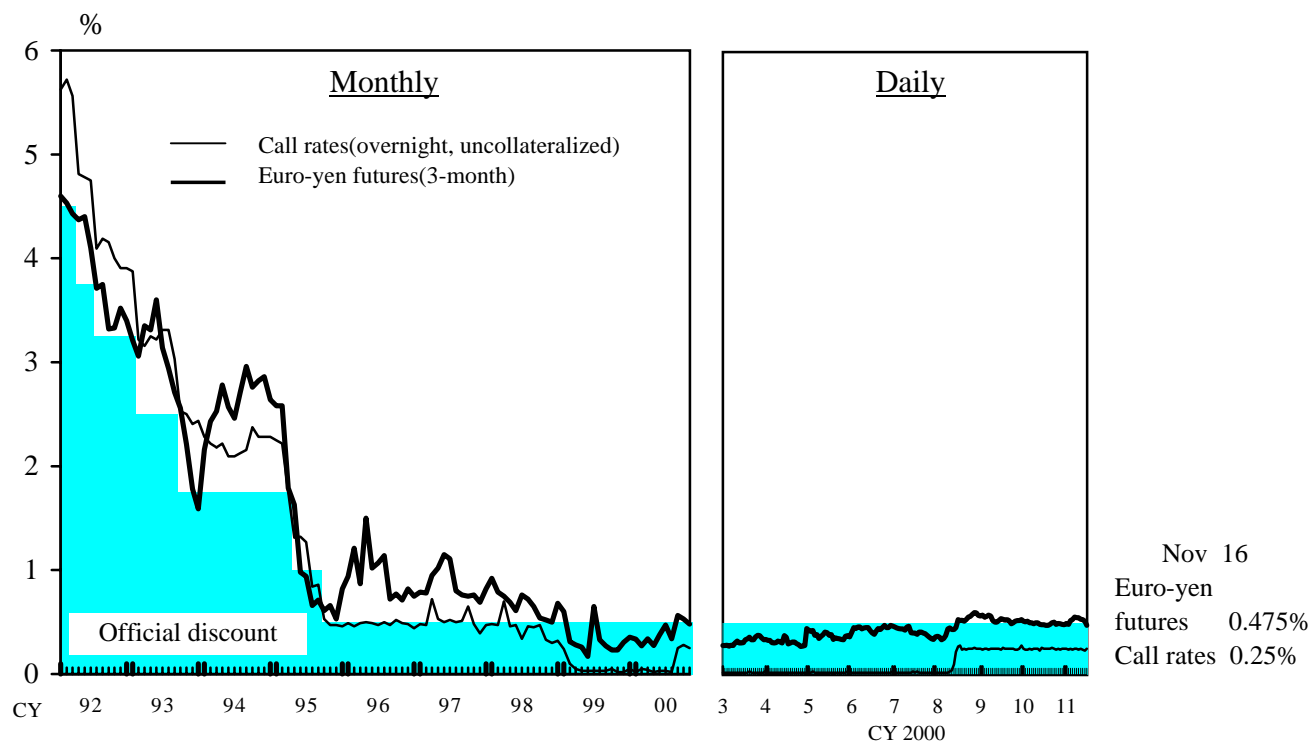
(2) Imported goods (excluding petroleum products)² and Substitutes³

- 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 in the tax rate.
2. Imported goods (excluding petroleum products) consist of items common to both Import Price Index and Consumer Price Index.
3. Adjusted to exclude the effects of the Special Tobacco Tax introduced in December 1998 and Biscuits whose prices were heavily affected from the changes in monitored brands. Weights are shares in commodities (excluding perishables).

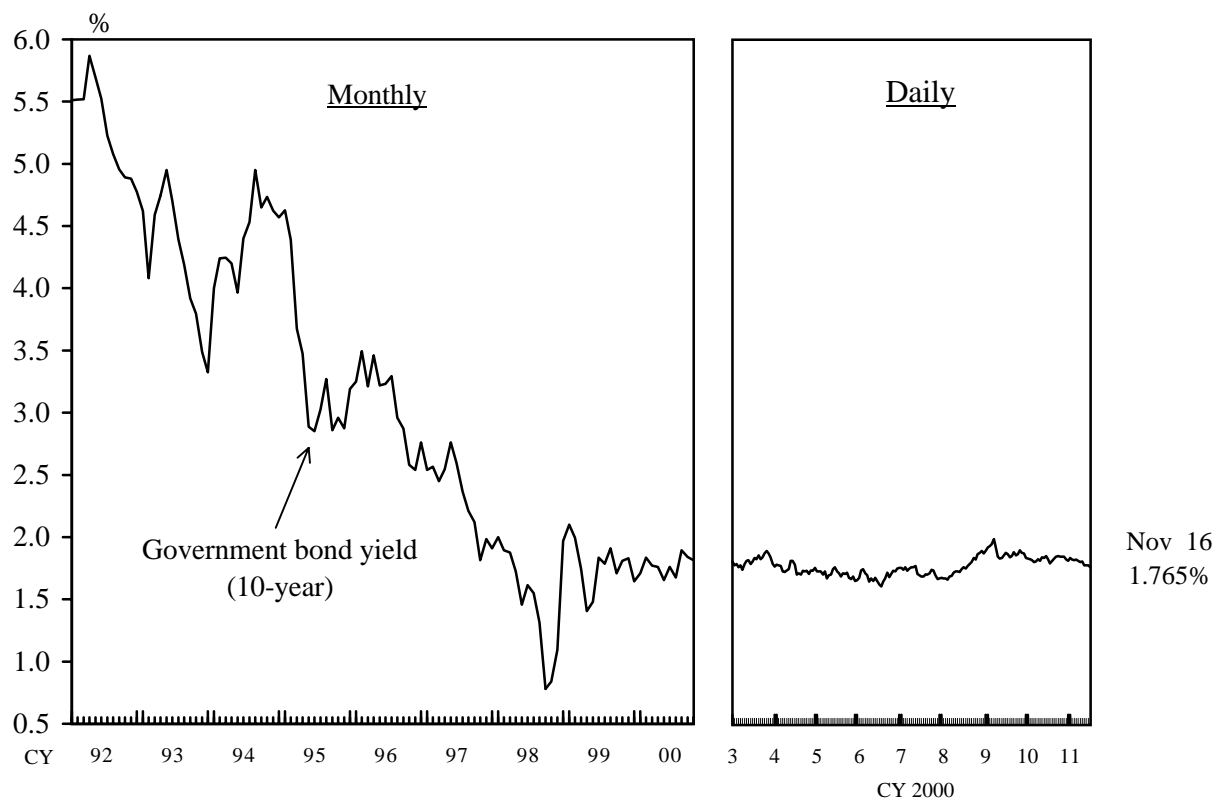
Source: Management and Coordination Agency, "Consumer Price Index."

Interest Rates

(1) Short-Term



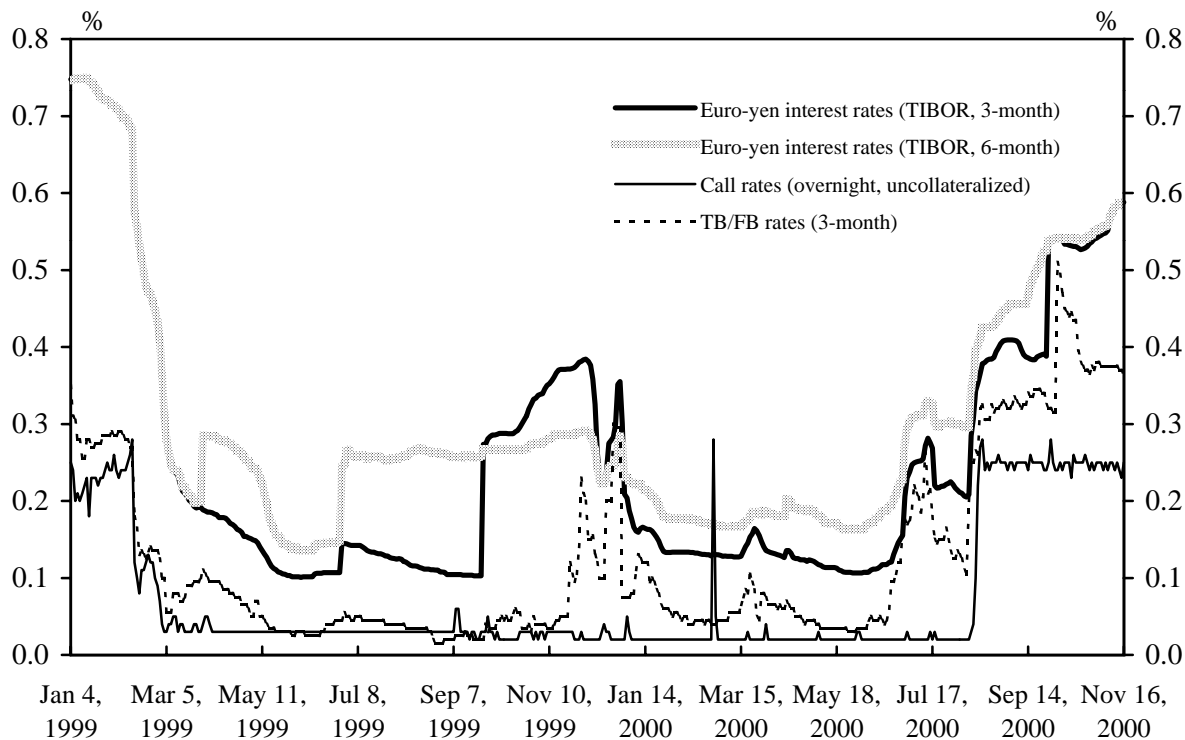
(2) Long-Term



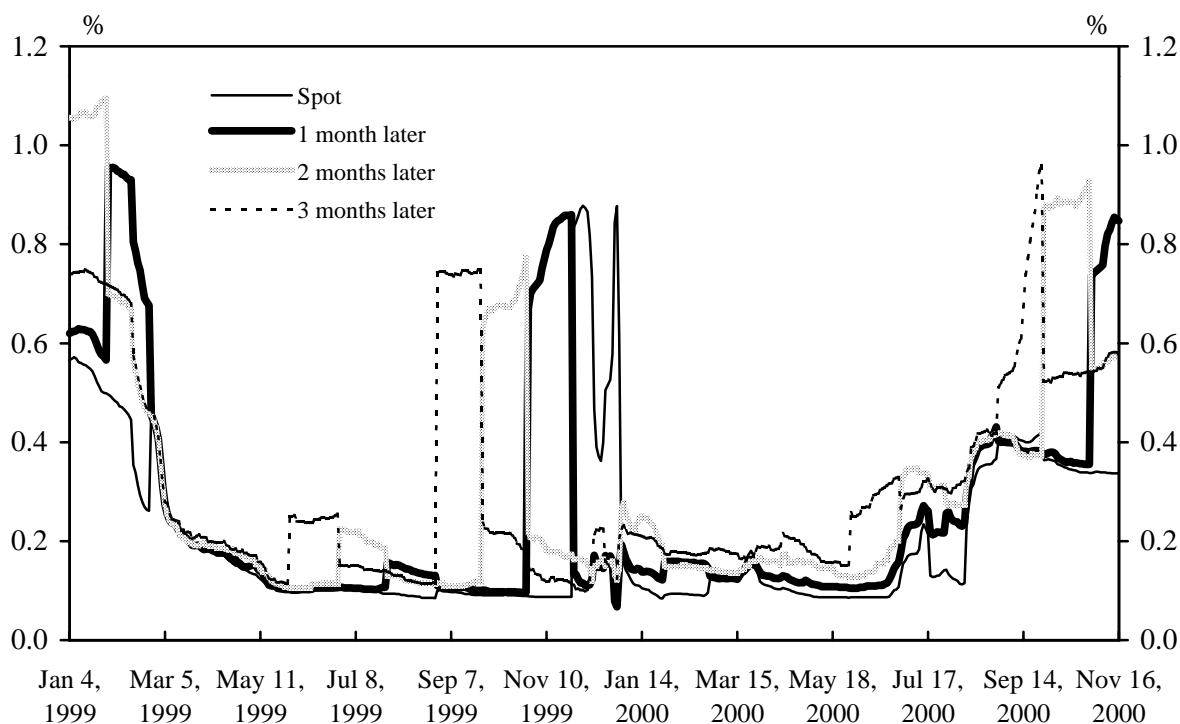
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

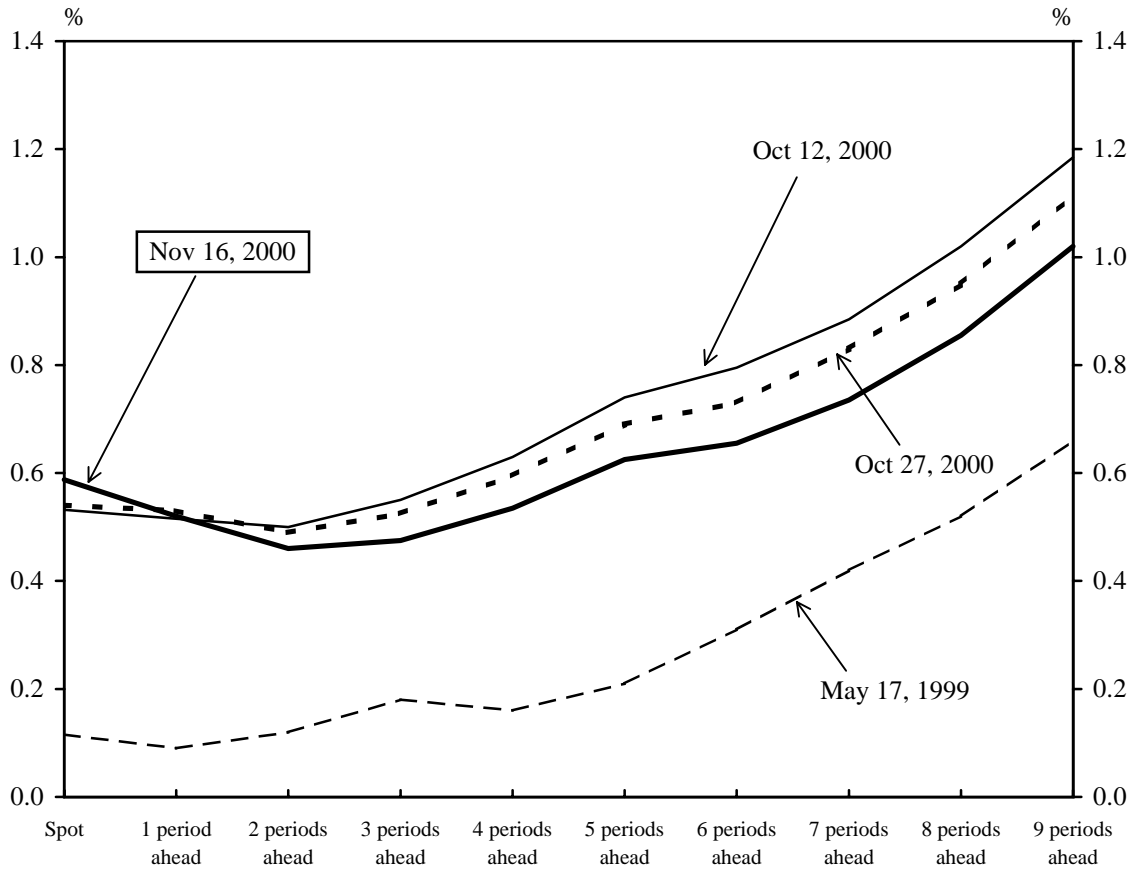


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

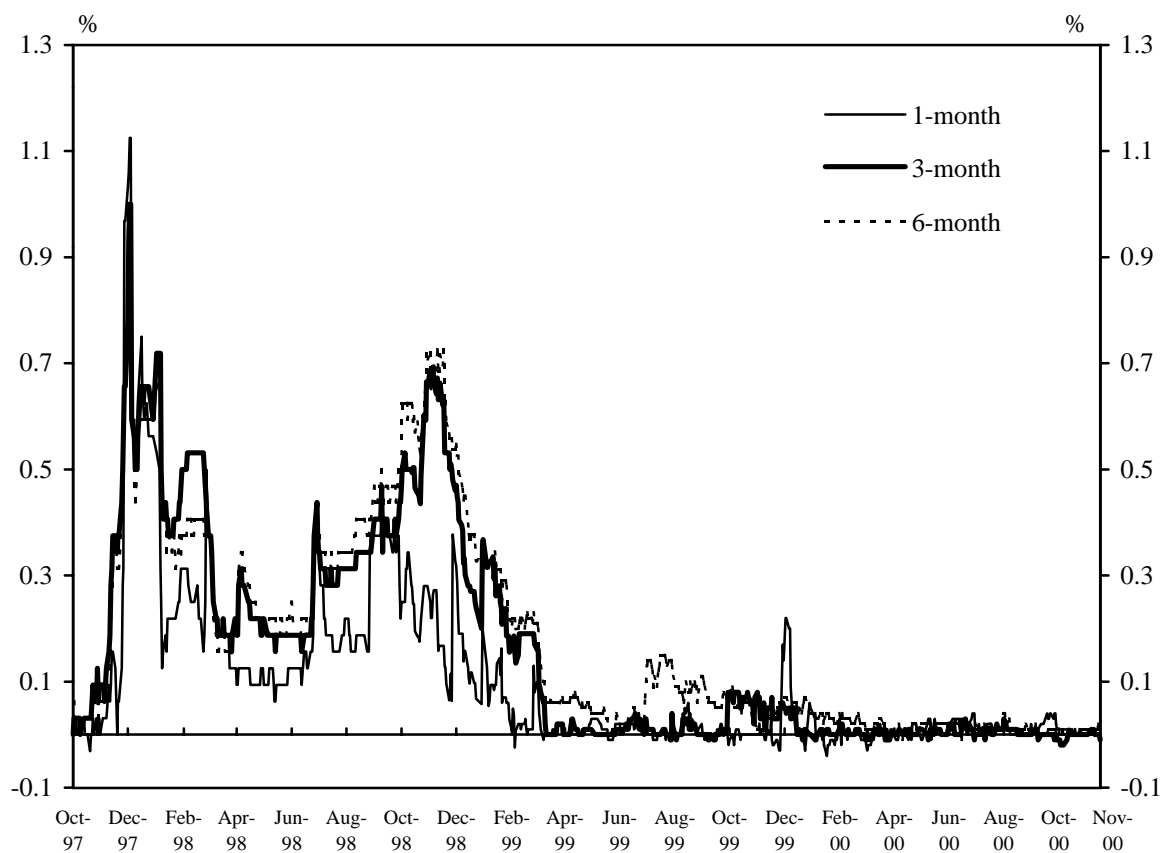


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Euro-Yen Interest Rates Futures (3-Month)



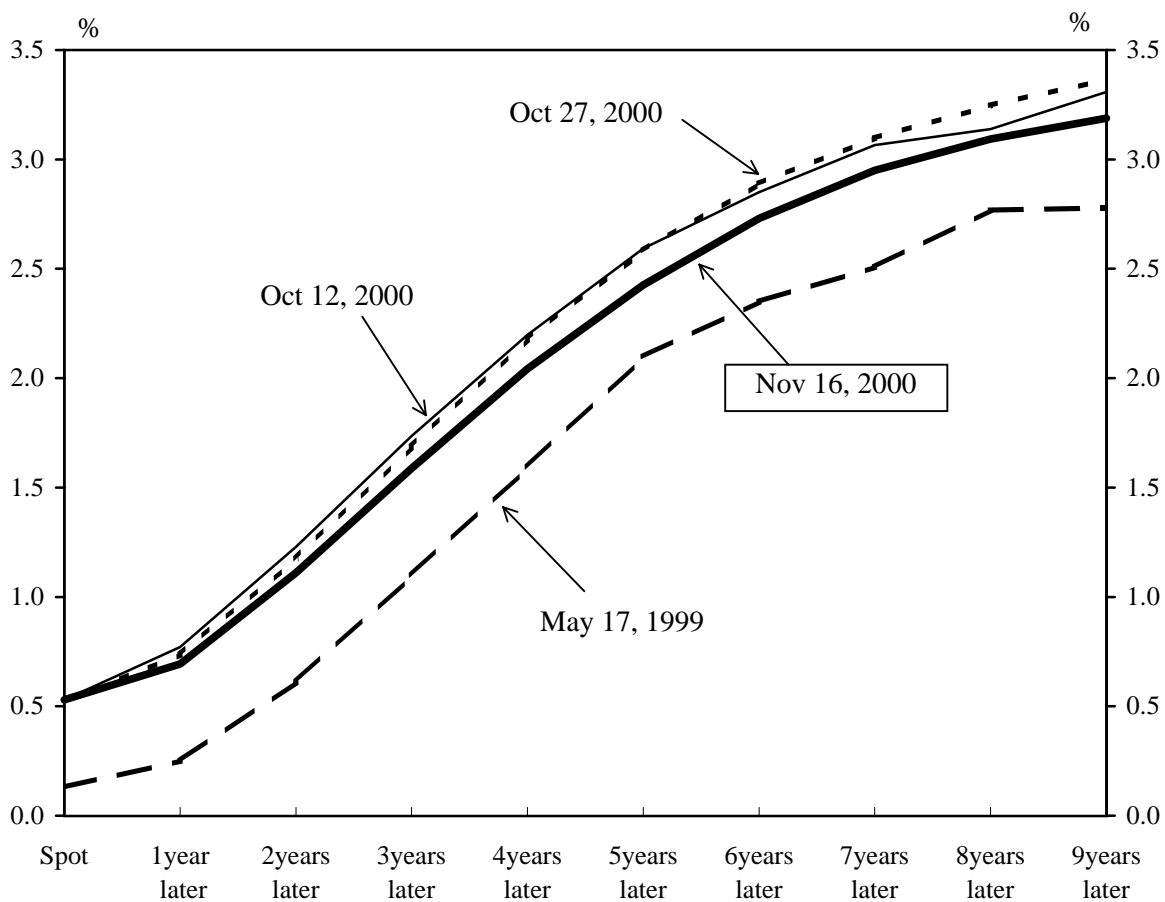
Source: Tokyo International Financial Futures Exchange.

Japan Premium in the Eurodollar Market 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



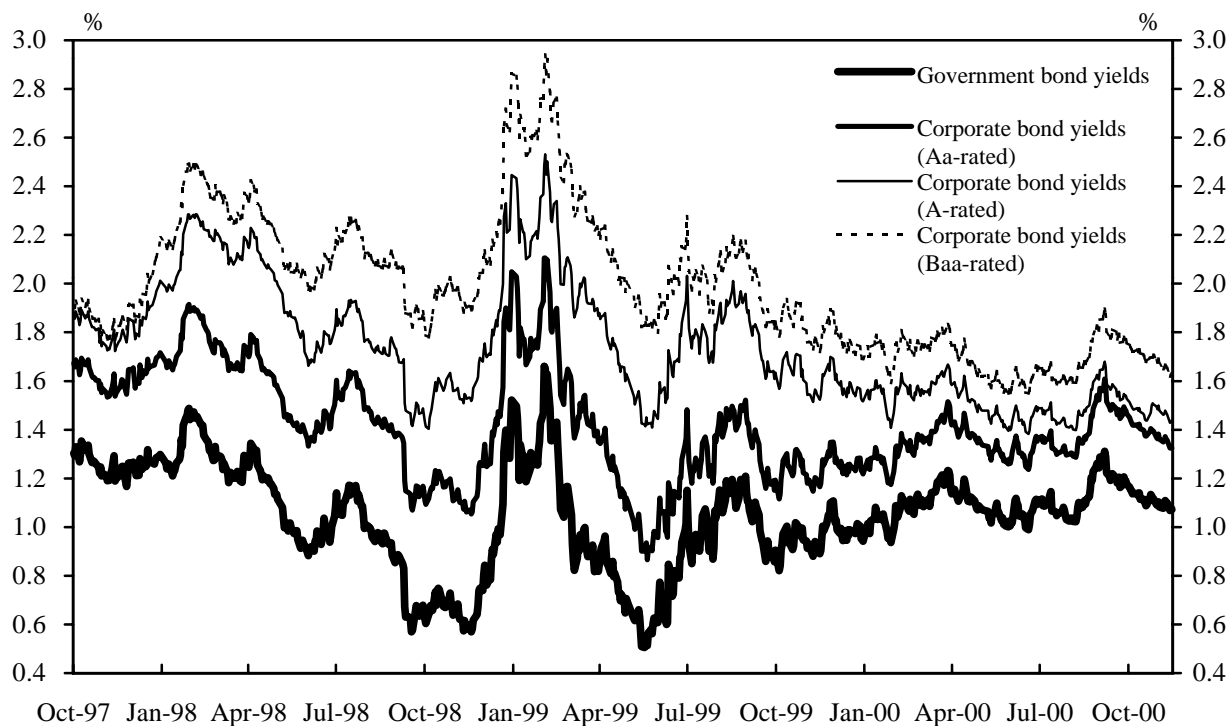
(2) Spread of Bank Debenture and Government Bond Yield



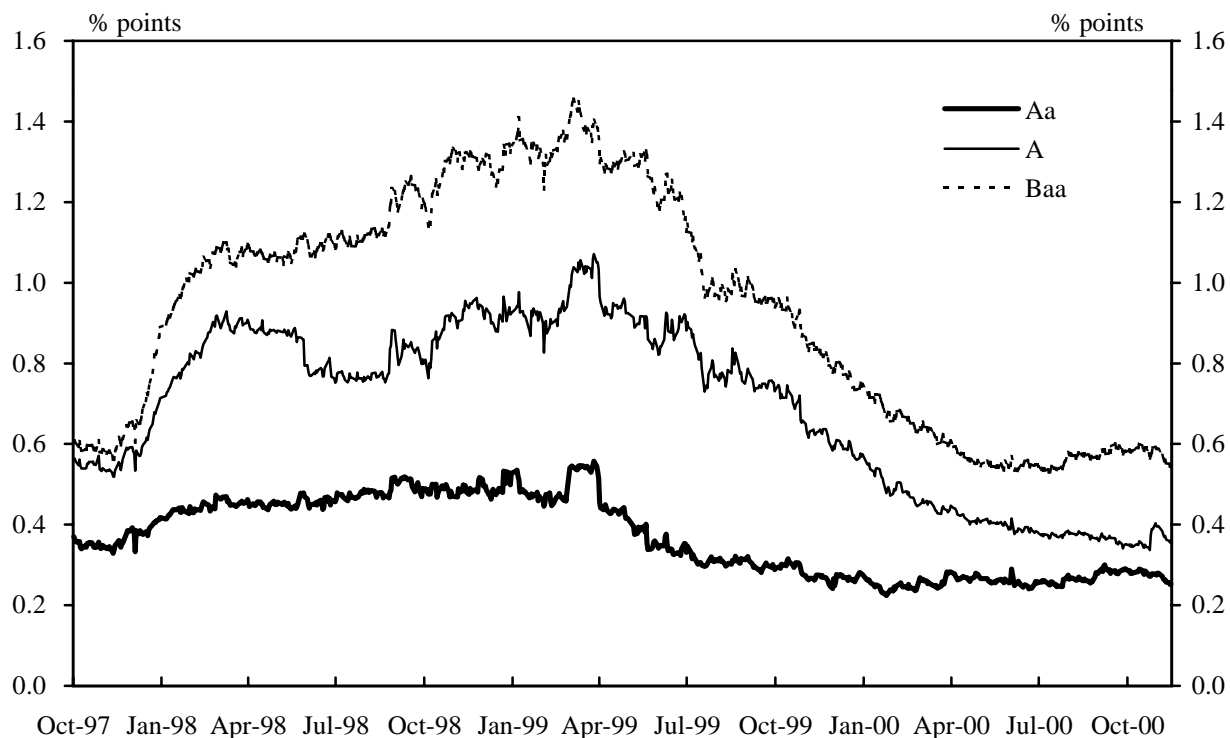
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields ¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



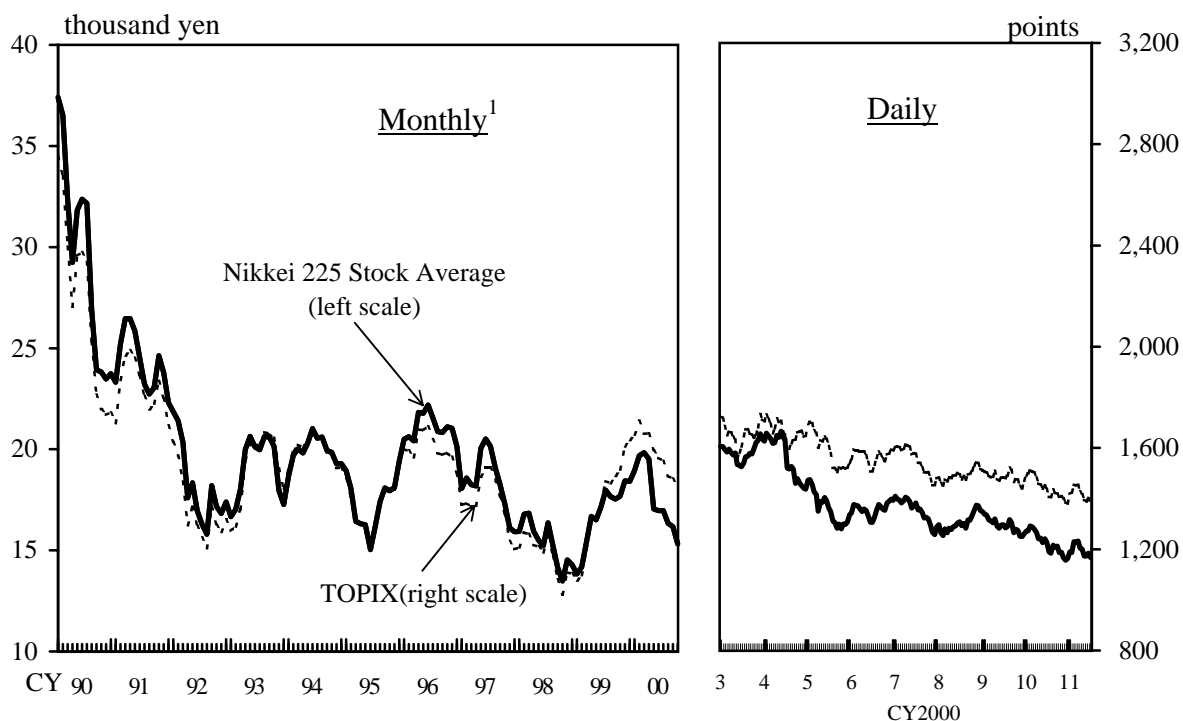
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

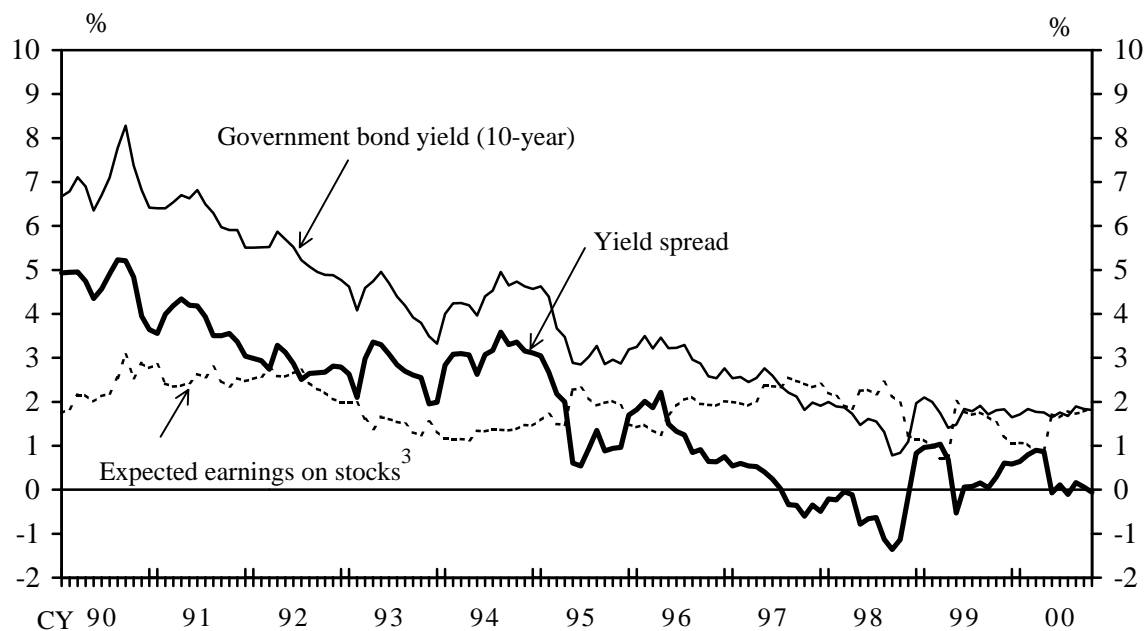
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



(2) Yield Spread ²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

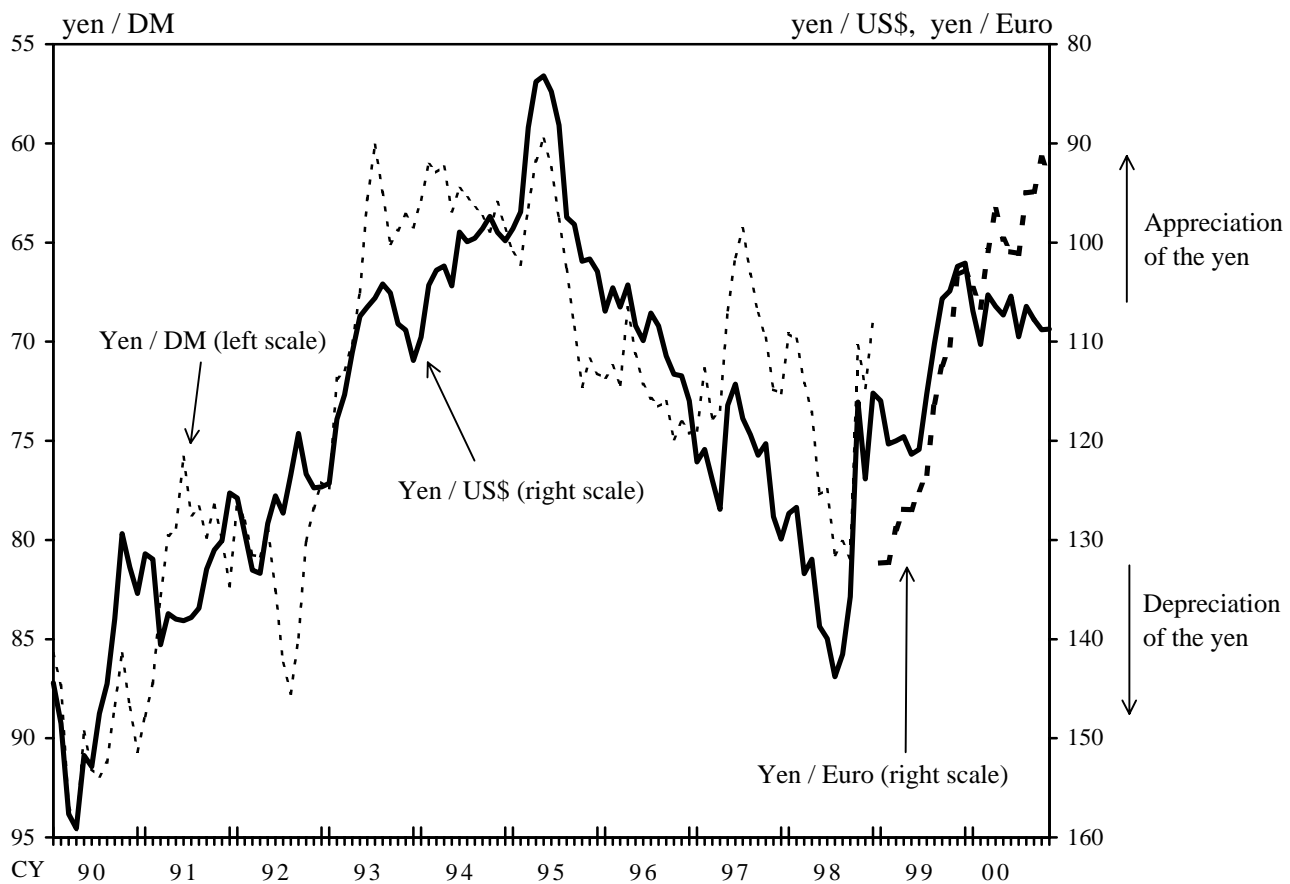
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

3. Based on stocks listed on the TSE First Section. Excludes bank stocks.

Data are calculated by the Daiwa Research Institute.

Sources: *The Nihon Keizai Shimbun* ; Daiwa Research Institute, "*Daiwa Toushi Shiryou* (Daiwa Investment Information)."

Exchange Rates ¹

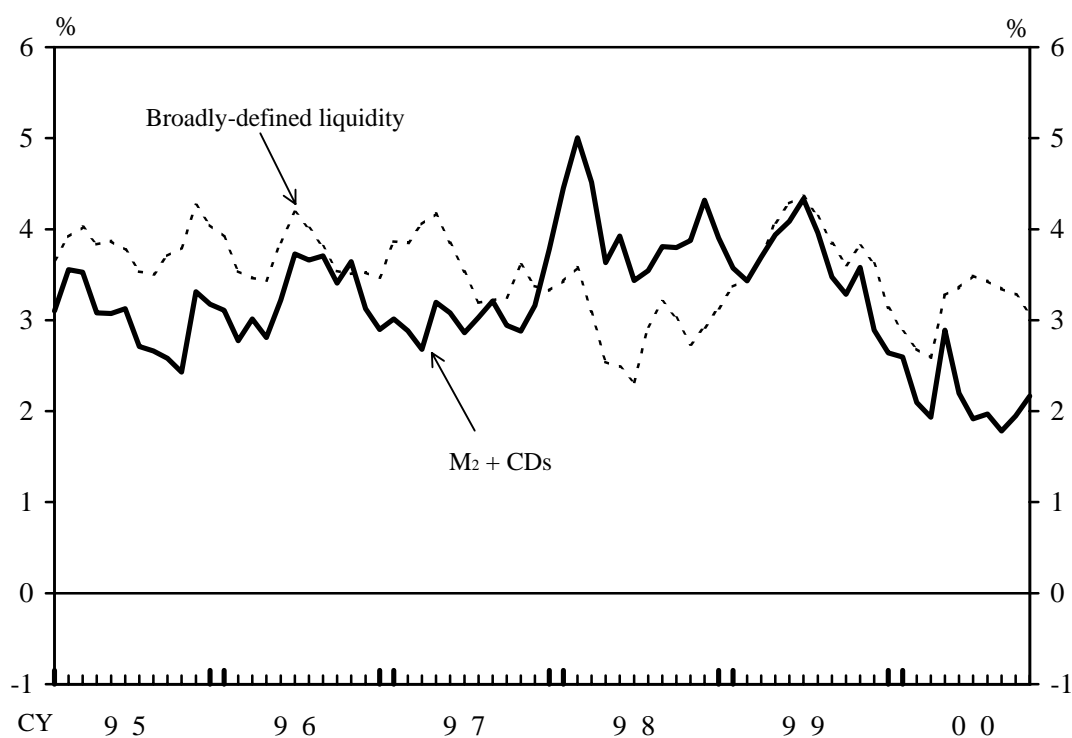


Note: 1. End of month. Data for November 2000 are as of November 16, 2000.

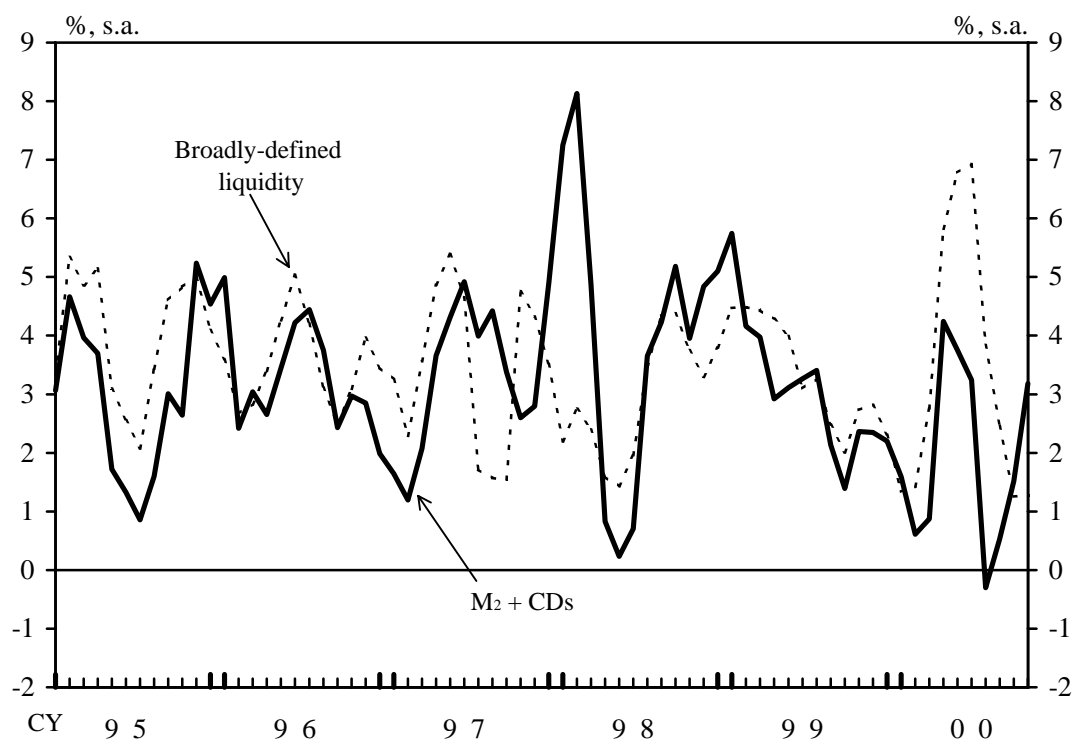
Source: Bank of Japan.

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

(1) Changes from a Year Earlier



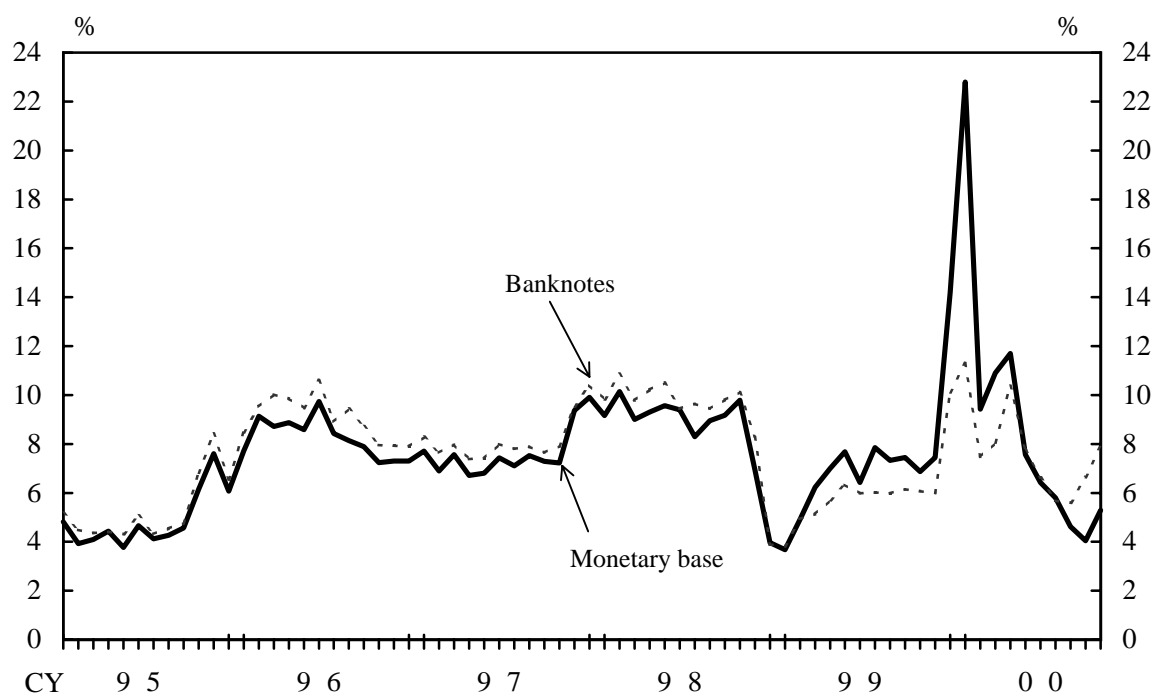
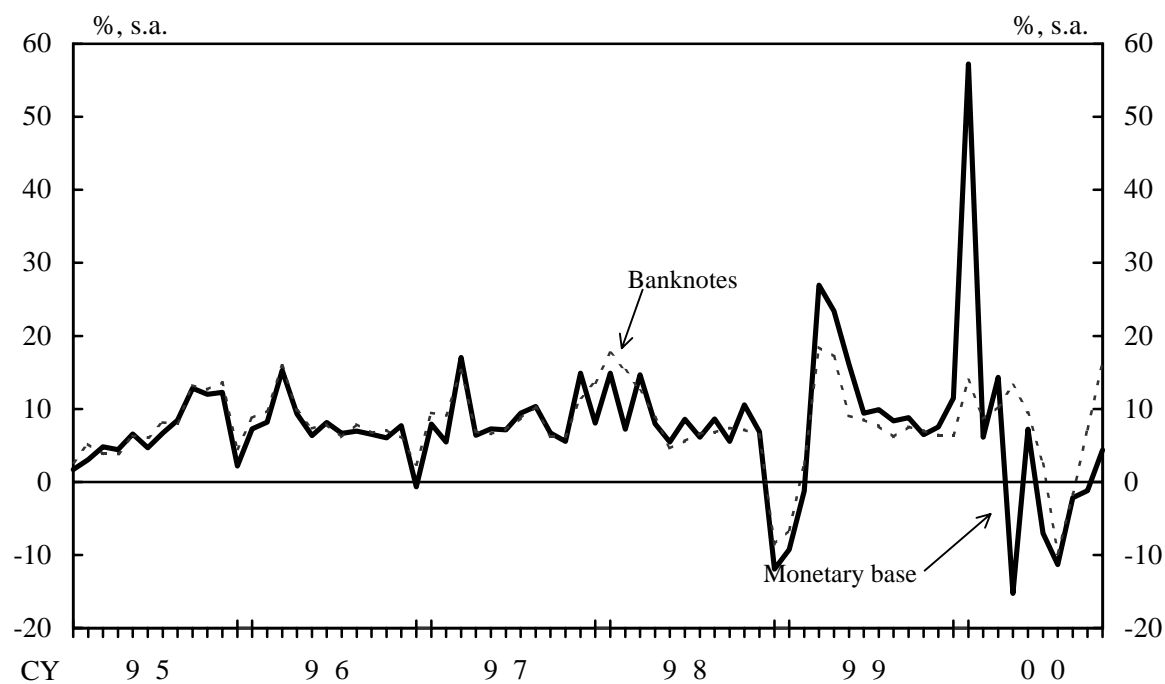
(2) Changes from Three Months Earlier (Annualized)



Note: Percent changes in average amounts outstanding.

Source: Bank of Japan.

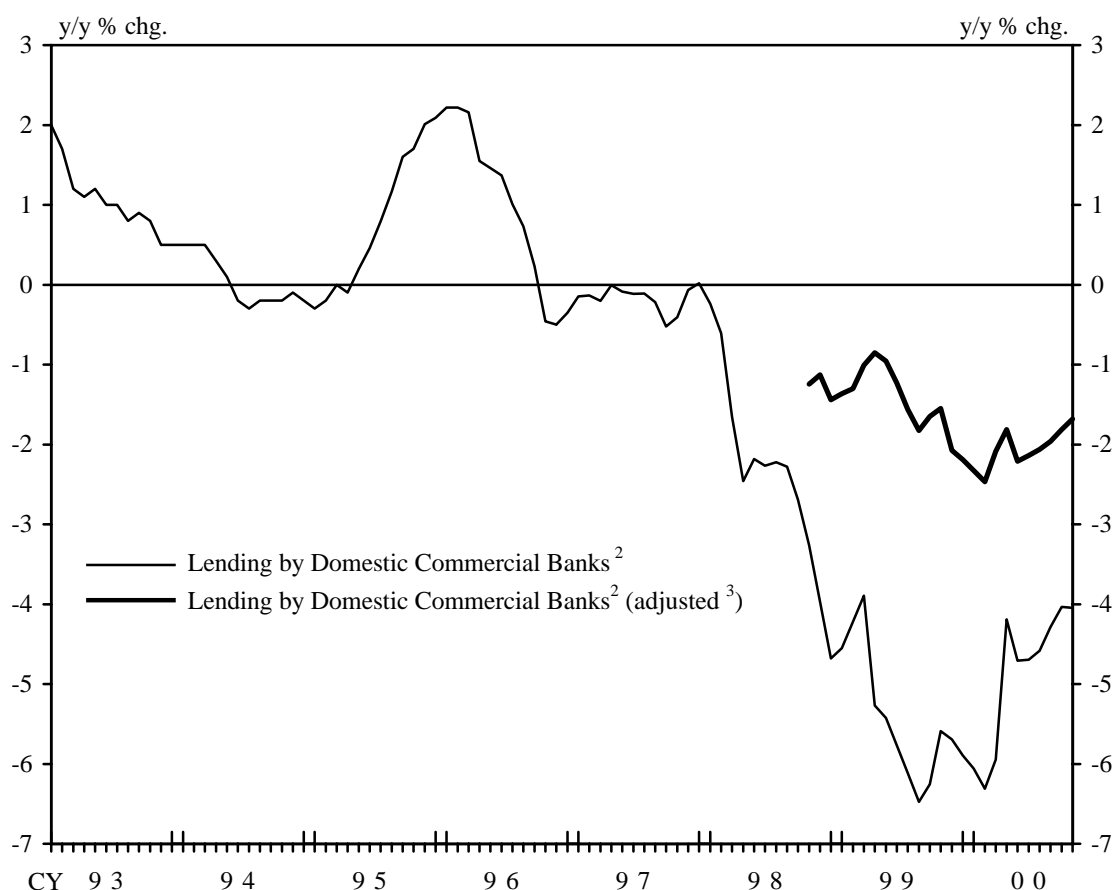
Monetary Base

(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).

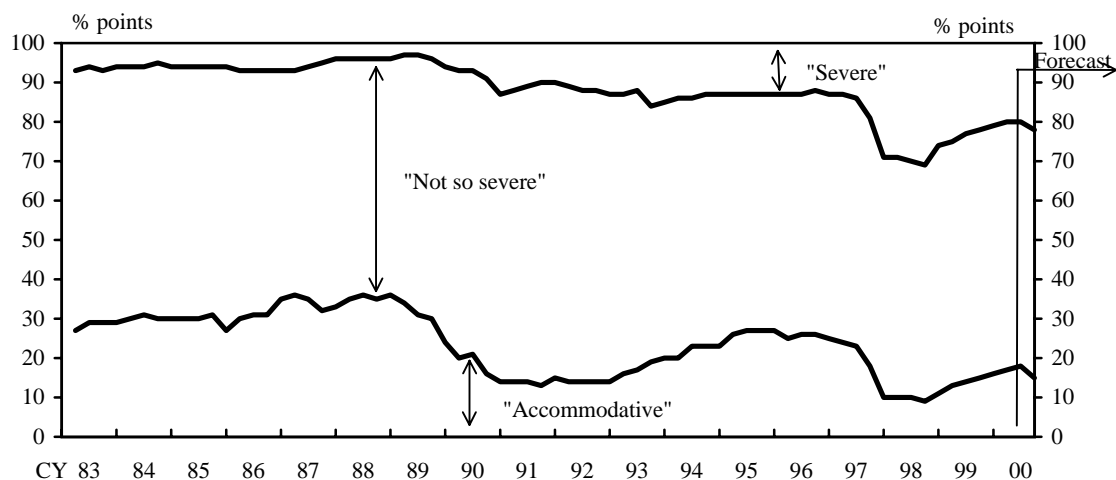
3. Adjusted to exclude

- (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.

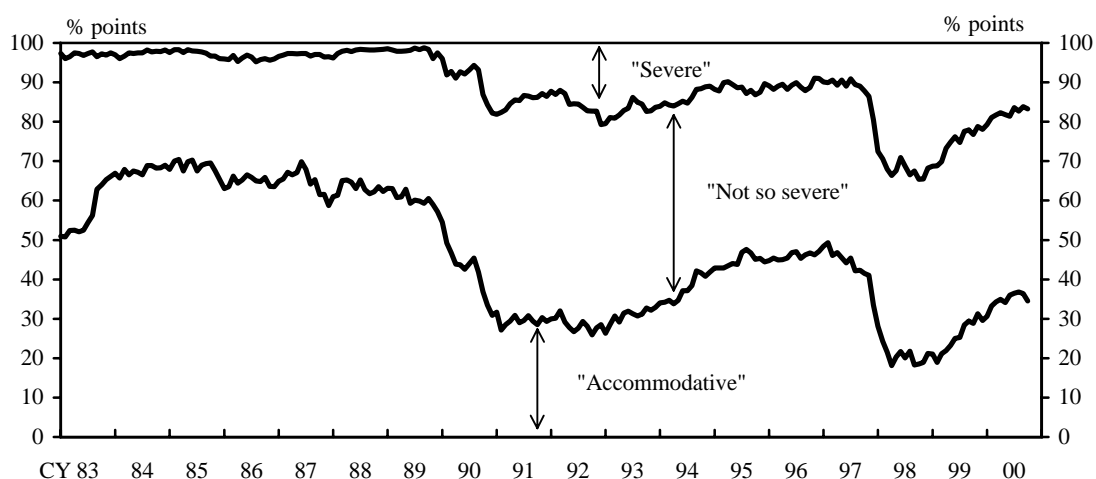
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

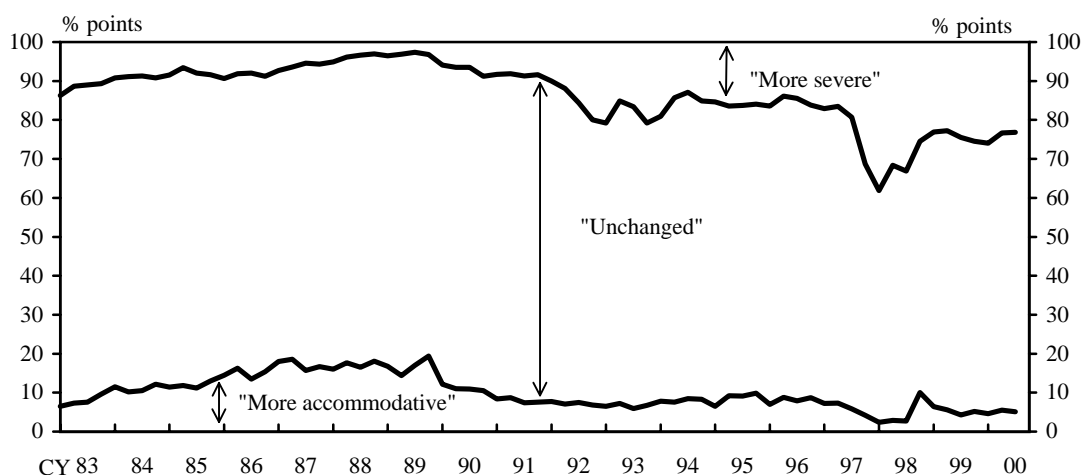
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (September, 2000)



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



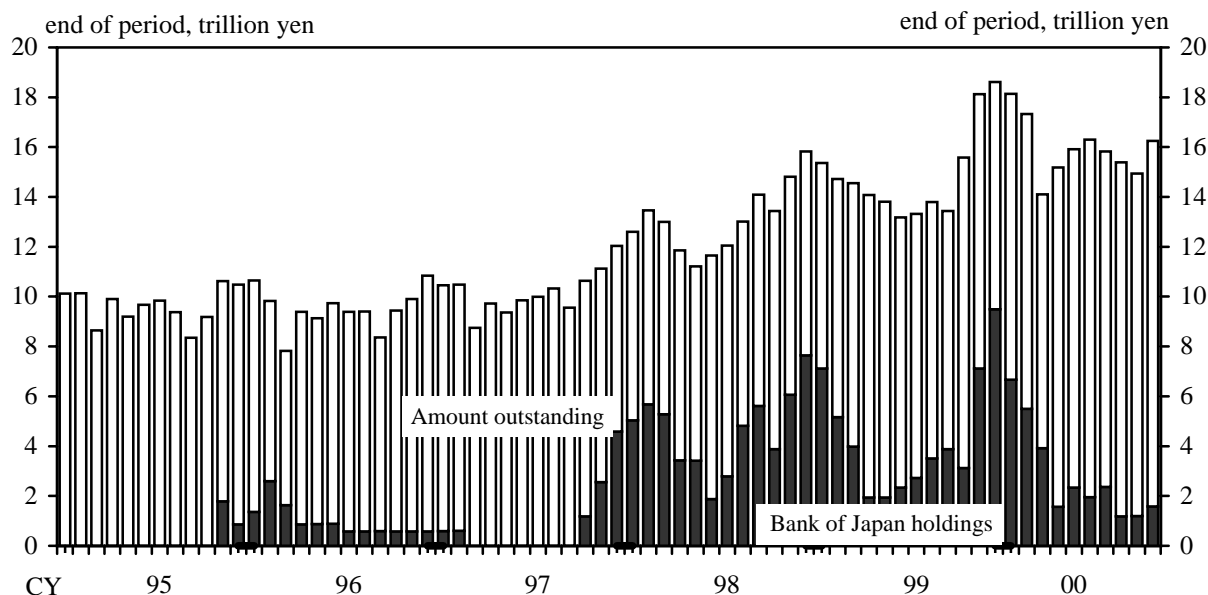
(3) "Quarterly Survey of Small Businesses in Japan" (Mid-September, 2000)



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

Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper ¹



(2) Issue Volume of Corporate Bonds ²

(100 million yen)

	May 2000	Jun. 2000	Jul. 2000	Aug. 2000	Sep. 2000	Oct. 2000
Volume	5,384	9,793	3,812	9,131	7,135	6,325
(previous year)	(10,688)	(14,923)	(10,358)	(5,417)	(10,485)	(5,456)

(3) Amount Outstanding of Corporate Bonds (Changes from a Year Earlier) ^{2,3}

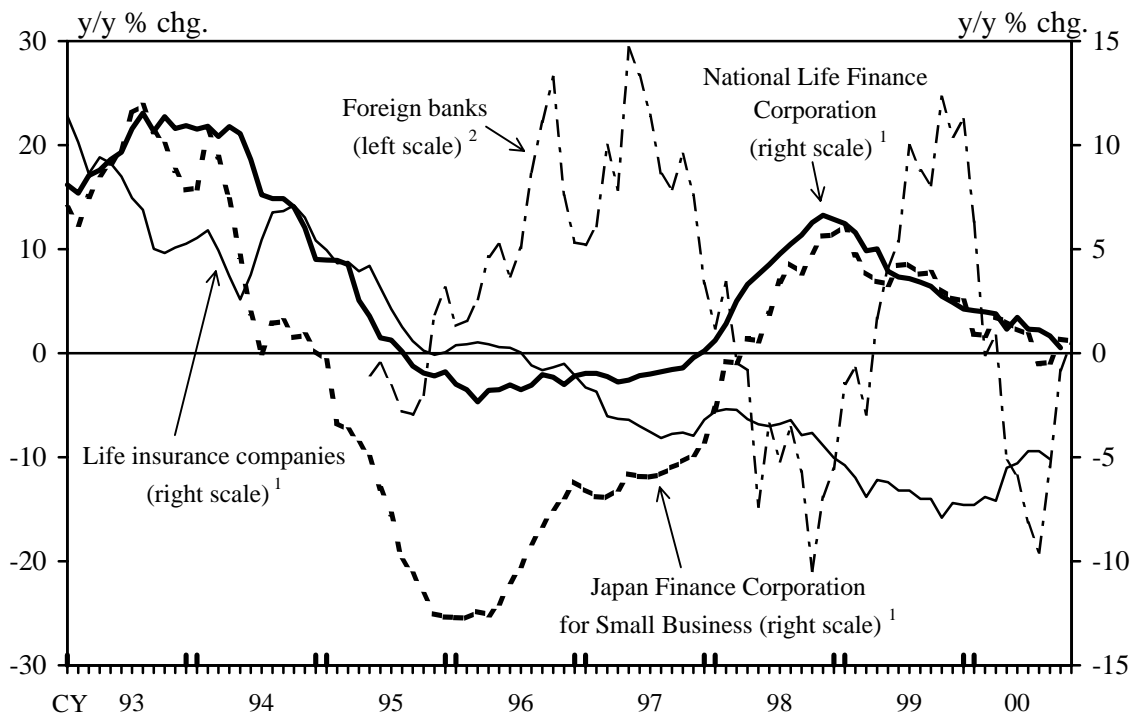


- Notes: 1. Figures are those of the client financial institutions of the Bank of Japan.
 Excludes those issued by banks.
 2. Includes straight bonds, convertible bonds, and bonds with warrants.
 3. Estimated by the Bank of Japan.

Sources: Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Bond Review"; IN Information Center, "Funding Eye."

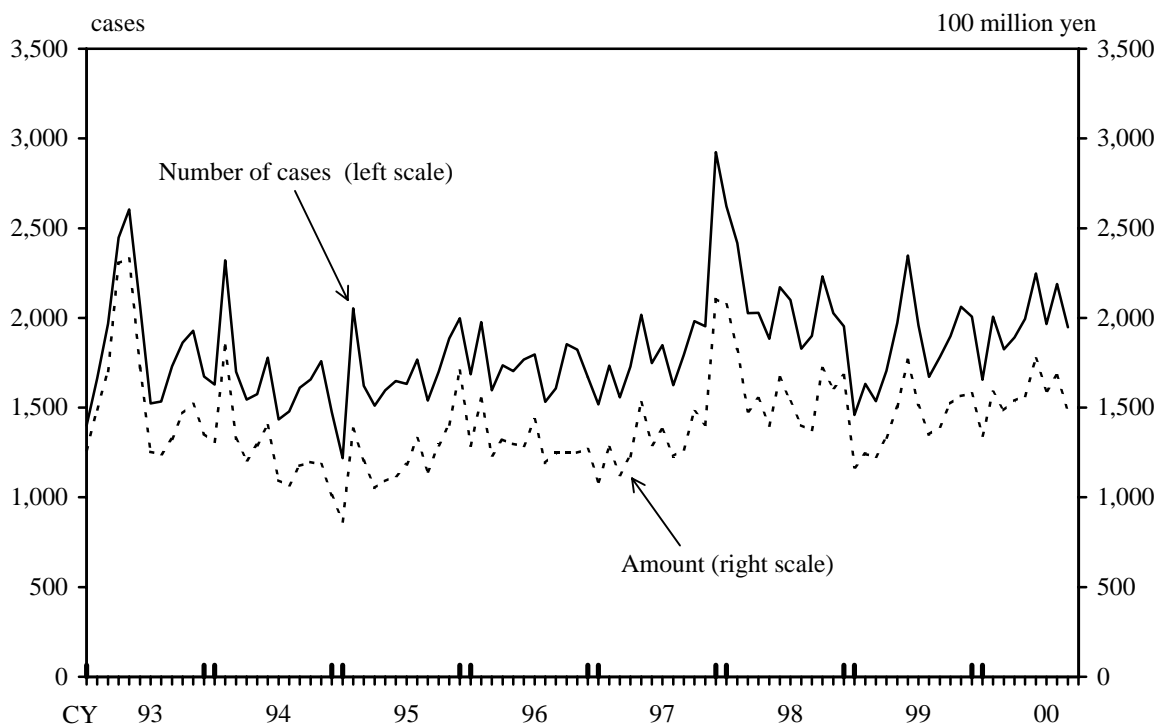
Lending by Other Financial Institutions

(1) Lending Outstanding



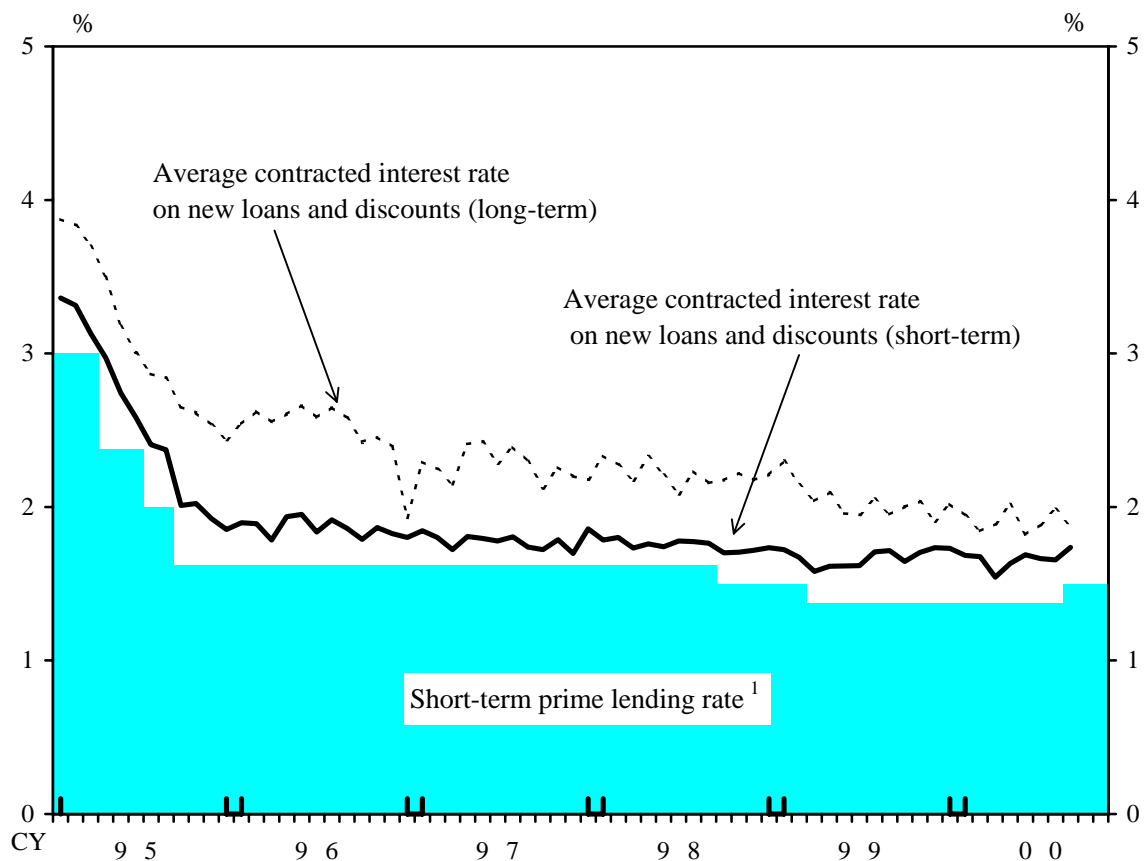
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

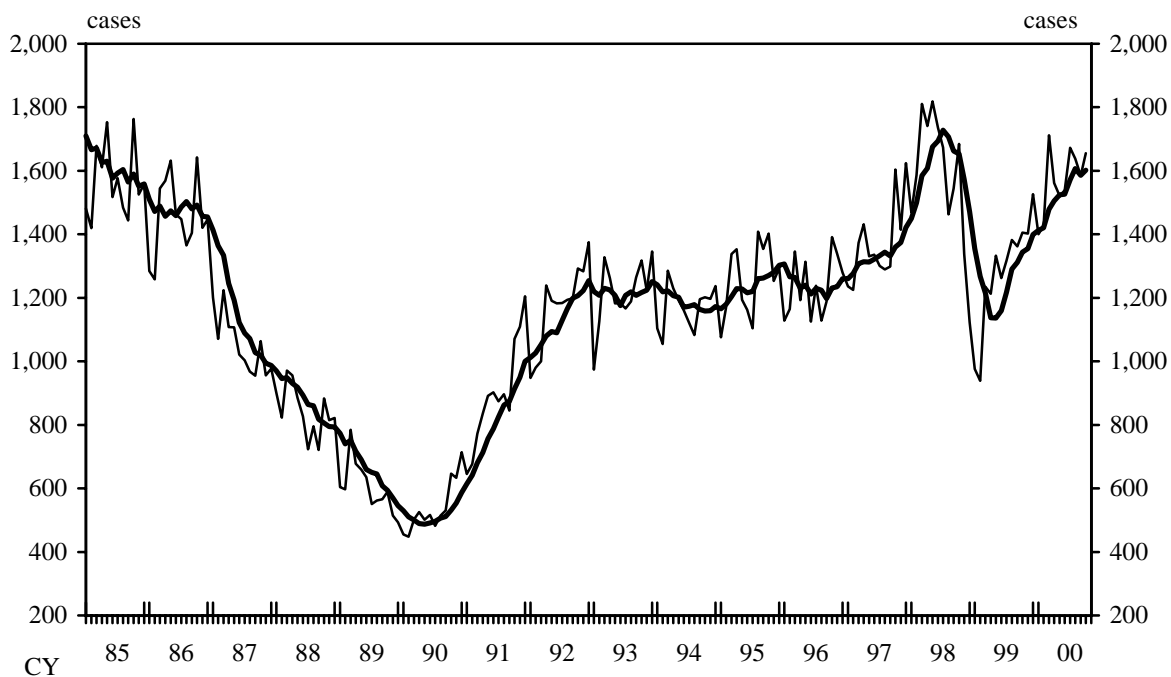


Note: 1. Data are at end of period.

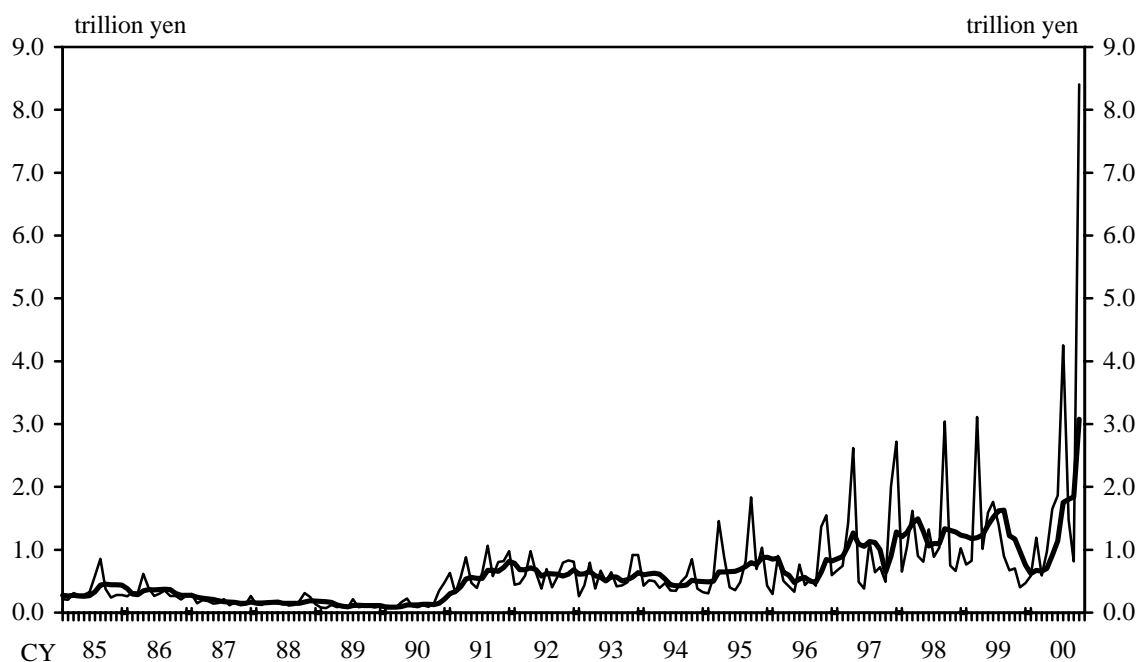
Source: Bank of Japan.

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)."