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Bank of Japan

**Monthly Report of
Recent Economic and Financial Developments**
January 2001

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Monthly Report of Recent Economic and Financial Developments¹

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The Bank's View²

Japan's economy continues to recover gradually, but the pace is slowing due to decelerating export growth.

With regard to final 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, but there are somewhat positive signs in some indicators. As for public investment, the pace of decline is slowing. Meanwhile, net exports (real exports minus real imports) are starting to decrease reflecting a slowdown in overseas economies such as the U.S. and East Asia. Housing investment is declining gradually.

Reflecting such developments in final demand, industrial production remains on a rising trend, but the pace is slowing considerably. Inventories of some materials and electronics parts, of which demand from overseas is declining significantly, become somewhat excessive, but inventories as a whole still remain at a low level. Meanwhile, corporate profits continue to improve. Income conditions of households still remain severe but are not deteriorating as employment conditions are on an improving trend and wages are slightly above the previous year's level.

As for the outlook, public investment is expected to start increasing with the implementation of the new economic stimulus package by the government. In the corporate sector, firms still strongly feel that they have excess capacity 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 to information technology services, will increase as corporate profits continue to recover.

¹ This report was written based on data and information available when the Bank of Japan Monetary Policy Meeting was held on January 19, 2001.

² The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on January 19 as the basis of monetary policy decisions.

Moreover, the 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.

Reflecting the overseas slowing economies, a temporary decline in exports seems to be inevitable. Imports are projected to continue increasing, particularly those of consumer goods, and capital goods and parts. Hence, net exports are expected to decline. Mainly due to these developments in exports, industrial production is expected to slow down and remain at around the current level for a while.

Overall, it is likely that the economy will continue a gradual upward trend led mainly by business fixed investment. In addition, the favorable financial environment created partly by the Bank's continuation of easy monetary stance and the government's new economic stimulus package are expected to underpin the economy. However, risks of downward pressures on the economy induced by the slowdown in overseas economies as well as developments in foreign and domestic capital markets, need more careful monitoring for the time being.

With regard to prices, import prices are rising, mainly reflecting the depreciation of the yen. Domestic wholesale prices are declining somewhat mainly due to the decrease in prices of electrical machinery, although the rise in crude oil prices was passed on to the prices of petroleum products. Consumer prices continue to be somewhat weak owing to the decline in prices of other imported products and their substitutes, despite the increase in prices of petroleum products. Corporate service prices are still falling slowly.

As for the conditions surrounding price developments, the recent yen depreciation is exerting upward pressures on prices. Moreover, 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 at a moderate pace. Recently, however, the pace of recovery seems to be slowing and crude oil prices,

which had been exerting upward pressures on prices, are falling. The declining trend of machinery prices due to technological innovations and the decrease in prices of consumer goods arising from the streamlining of distribution channels will continue to exert downward pressures on prices. Overall, prices are expected to be somewhat weak for the time being.

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

Interest rates on term instruments have declined after the increase towards late December. The Japan premium remains negligible.

Yields on long-term government bonds have been around 1.5-1.7 percent since the end of November and are recently moving in the range of 1.5-1.55 percent. The yield spreads between private bonds (bank debentures and corporate bonds) and government bonds are mostly unchanged or expanding somewhat.

Stock prices continue to be weak and are moving around the lowest level recorded since the beginning of 2000, while having recovered somewhat recently.

In the foreign exchange market, the yen has been depreciating sharply since late December and is currently being traded in the range of 117-120 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. There seem to be no significant changes in the fund-raising conditions of firms in the markets for such instruments as corporate bonds and CP.

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 the 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, although the expansion in the year-on-year decline is ceasing. Meanwhile, the amount outstanding of corporate bonds issued is slightly above the previous year's level. The amount outstanding of CP issued was at a high level as the year-end approached.

Money stock ($M_2 + \text{CDs}$) continues to grow at around 2 percent on a year-on-year basis.

As for funding costs for firms, short-term funding rates basically remain flat but long-term funding rates seem to be declining reflecting the developments in market interest rates.

In this financial environment, the lending attitude of financial institutions and corporate financing conditions remain easy. However, the effects of the decline in stock prices on the fund-raising conditions of firms need to be carefully monitored.

The Background

1. Japan's Economy

As for public investment, the pace of decline is slowing. The value of public works contracted--a metric that reflects orders--slightly increased recently (Chart 2). As for actual implementation of those works, the pace of decline in public investment seems to be slowing, reflecting the recent increase in orders. For the outlook, public investment is projected to start increasing with the implementation of the new economic stimulus package by the government.

Real exports are basically flat due to a slowdown in overseas economies, especially in the U.S. and East Asia (Charts 3[1] and 4). An increase in information technology (IT) related goods, particularly in semiconductors, slowed. Moreover, intermediate goods (such as steel exported to East Asia), and capital goods and parts started to decline. Real imports continue to increase (Charts 3[1] and 5). This reflects the increase in IT-related goods, and capital goods and parts, as well as the rebound of consumer goods from China. As a result of these developments, net exports (real exports minus real imports), in terms of the real trade balance,³ are starting to decrease (Chart 3[2]).

Regarding the future environment for foreign trade, the real effective exchange rate of the yen depreciated recently. (Chart 6[1]). In overseas economies, however, the deceleration in the U.S. and East Asian economies became distinct (Chart 6[2]), and it seems that a temporary decline in exports is inevitable. Meanwhile, imports are projected to continue increasing, particularly those of consumer goods, and capital goods and parts. As a result, net exports are likely to continue declining for the time being.

Business fixed investment remains on a rising trend. Shipments of capital goods (excluding transport equipment), which basically move simultaneously with machinery investment, increased by 5.2 percent in the third quarter of 2000 on a

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 trade in services, while net exports of GDP statistics are on an ownership-transfer basis and include trade in services.)

quarter-to-quarter basis and were virtually unchanged in October-November (a decline of 0.2 percent in October-November compared to the third-quarter level). 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, posting the fifth consecutive quarterly rise, and increased further in October-November by 1.8 percent compared to the third quarter (Chart 7[1]). Meanwhile, nonresidential construction starts decreased by 8.5 percent in the third quarter but increased by 8.6 percent in October-November compared to the third quarter. (Chart 7[2]). As for the outlook, it is very likely that fixed investment, especially in the sector related to information technology services, will increase as corporate profits continue to recover, although firms still strongly feel that they have excess capacity and that they should reduce their debts to restore financial soundness.

The recovery in private consumption remains weak as a whole, but there are somewhat positive signs in some indicators (Chart 8). According to sales indicators, sales of household electrical appliances remained high, and outlays for travel were also steady. The number of passenger car sales increased somewhat recently partly due to the introduction of new models. Meanwhile, sales at department stores and chain stores remained basically stagnant, although sales increased slightly in October-November compared to the third quarter. As for the outlook, since consumer sentiment is relatively steady (Chart 9), 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 10) is declining gradually, particularly in construction starts of housing for owner-occupied houses financed by public funding sources such as the government Housing Loan Corporation. Judged from the number of loan applications to the government Housing Loan Corporation,⁴ housing investment is expected to decline somewhat in the future.

⁴ Loan applications to the government Housing Loan Corporation during its third offering period for fiscal 2000 (construction of private homes; offering period: October 30-December 22, 2000) remained at a low level of 35,000 applications (a decline of 4.5 percent from the third offering period of the previous year).

Reflecting these developments in final demand, industrial production remains on an increasing trend, but the pace is slowing considerably (Chart 11).⁵ Inventories of some producer goods such as steel, demand of which from overseas declined significantly, are piling up rather excessively (Chart 12), but the inventory ratio of the industry as a whole still remains low (Chart 11). For this reason, industrial production is expected to slow down further, reflecting the decrease in exports, and to remain at around the current level for a while. At the moment, judged from the low inventory ratio, however, inventory adjustments for a wide range of products are unlikely to take place.

Employment and income conditions remain severe overall but compensation of employees is not deteriorating as the economy recovers at a moderate pace (Chart 13[1]). In the labor market, the unemployment rate was on a very gradual improving trend and the ratio of job offers to applicants rose moderately (Chart 14). Under these conditions, compensation of employees remained slightly above the previous year's level (Chart 13[2]). The number of regular employees (on a Monthly Labour Survey basis at establishments with at least five employees) was almost at the previous year's level but nominal wages per employee, especially in regular payments, increased gradually. As for the outlook, compensation of employees is projected to rise, while a gradual economic recovery is expected to continue. However, the rate of increase is expected to be very modest as firms' stance toward restricting personnel expenses remains unchanged and firms' perceptions of excess employment persist, although they have eased slightly.⁶

⁵ Industrial production is projected to increase by 0.5 percent in the fourth quarter of 2000 compared to the previous quarter on the condition that figures for December turn out to be the same as those in the production forecast index. According to the production forecast index for January 2001, production is projected to increase by 1.5 percent compared to the previous month.

⁶ According to a survey conducted by the Japan Federation of Employers' Association (*Nikkeiren*), winter bonuses were around the previous year's level (an 0.5 percent year-on-year increase).

2. Prices

Import prices on a yen basis (Chart 16) are rising compared to the level three months earlier,⁷ mainly reflecting the depreciation of the yen.

Domestic wholesale prices (Chart 17) are declining somewhat. The prices of electrical machinery such as semiconductors and household electrical appliances continued to decrease,⁸ although petroleum and chemical product prices rose since the increase in crude oil prices was passed on. (The change in domestic wholesale prices in terms of the three-month growth rate--adjusted to exclude the effects of seasonal changes in electricity rates⁹--was -0.2 percent in October 2000, -0.3 percent in November, and -0.1 percent in December.)

Corporate service prices (domestic supply-demand factors)¹⁰ (Chart 18) continue to decline somewhat overall. The prices for leasing decreased, reflecting the price decline in IT-related goods, and machinery repair charges (general services) were lowered. (The change in corporate service prices in terms of the three-month

⁷ 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.

⁸ 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 of 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 new samples replace the old, the revision has enabled detailed comparisons of the production costs, which tend to capture the larger improvement in quality of the products due to technological innovations (price indexes count the improvement in quality as a decline in prices).

⁹ 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.

¹⁰ 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 18.

On a year-on-year basis, the developments in the overall CSPI in November were similar to those in domestic supply-demand factors as there seemed to be no large fluctuations in items other than domestic supply-demand factors. (The year-on-year change in the overall CSPI was -0.4 percent in October and in November.)

growth rate was -0.2 percent in September 2000, -0.3 percent in October, and -0.5 percent in November.)

Consumer prices (excluding perishables; Chart 19) remain somewhat weak. Prices of imported products and their substitutes declined due to the increase in imports of inexpensive consumer goods (Charts 8-4 and 20) and to the reductions in public utility charges (electricity and telephone), although prices of petroleum products rose, reflecting the increase in crude oil prices. (The change in consumer prices excluding perishables in terms of the three-month growth rate was -0.2 in September 2000, -0.3 percent in October, and -0.2 percent in November.)¹¹

Regarding the conditions surrounding price developments, the recent yen depreciation is exerting upward pressures on prices. Moreover, 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 at a moderate pace. Recently, however, the pace of recovery seems to be slowing and crude oil prices, which had been exerting upward pressures on prices, are falling. The declining trend of machinery prices due to technological innovations and the decrease in prices of consumer goods arising from the streamlining of distribution channels will continue to exert downward pressures on prices. Overall, prices are expected to be somewhat weak for the time being.

3. Financial Developments

(1) Financial Markets

Interest rate developments in short-term money markets (Charts 21[1] and 22) show that the overnight call rate (uncollateralized) is generally moving around 0.25 percent.

¹¹ The prices of perishables remained high in 1999 from typhoon damage in the summer but the effects from this on prices started to alleviate from November 1999. Reflecting these developments, the year-on-year decline in overall consumer prices including perishables slowed recently. (The year-on-year change was -0.9 percent in October and -0.5 percent in November.)

As for interest rates on term instruments, three-month Euro-yen rates (TIBOR) have declined after a slight increase towards late December due to contracts having matured over the year-end. TB and FB rates also have declined after the temporary rise in late December. The Japan premium (Chart 24) remains negligible.

Yields on ten-year government bonds (newly issued; Chart 21[2]) have been moving in the range of 1.5-1.7 percent since the end of November, and have recently declined to around 1.5-1.55 percent due to the rather cautious view of market participants toward the economic outlook while stock prices continue to be weak. Meanwhile, the yield spreads between government and private bonds (bank debentures and corporate bonds; Charts 26 and 27) were mostly unchanged or slightly expanded.

Stock prices (Chart 28[1]) continue to be weak and are moving around the lows of 2000, due to the drop in U.S. stock prices along with concerns over the weakening of business outlook of firms. Stock prices have recovered somewhat recently.

In the foreign exchange market (Chart 29), the yen depreciated further from late December, reflecting the more uncertain view of market participants over Japan's economic recovery and concerns over the negative effect of the drop in stock prices on the financial system. The yen is currently being traded in the range of 117-120 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The year-on-year growth in money stock (Chart 30) in terms of $M_2 + \text{CDs}$ was 2.2 percent in December and continues to grow at around 2 percent. (The year-on-year growth in $M_2 + \text{CDs}$ was 2.0 percent in September 2000, 2.1 percent in October, 2.1 percent in November, and 2.2 percent in December). For the first quarter of 2001, the year-on-year growth is projected to remain around the level posted during the fourth quarter of 2000 as there will be some inflow from postal savings on maturity, while private-sector funds demand will remain sluggish. (The projected year-on-year growth rate for the first quarter is around two percent.)

In December, the monetary base (currency in circulation + current deposits at the Bank of Japan; Chart 31) was below the previous year's level. This was because the level of December 1999 was significantly high, reflecting the Year 2000 problem.

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. In the markets for such instruments as corporate bonds and CP, there seem to be no significant changes in the fund-raising conditions of firms.

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 the cash flow levels of firms, which are currently high, 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;¹² Chart 32), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, remains sluggish, although the expansion in the year-on-year decline is ceasing. (The year-on-year change was -1.8 percent in September 2000, -1.7 percent in October, -1.7 percent in November, and -1.9 percent in December). Meanwhile, the amount outstanding of corporate bonds issued is slightly above the previous year's level. The amount outstanding of CP issued was at a high level as the year-end approached (Chart 34).

As for funding costs for firms, short-term funding rates basically remain flat on the whole but long-term funding rates seem to be declining, reflecting the developments in market interest rates. As for lending rates, the average contracted

¹² 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.

interest rates on new loans and discounts in November (Chart 36) remained steady for both short-term and long-term rates. Meanwhile, the long-term prime lending rate was lowered in December for the third consecutive month. CP issuance rates rose toward mid-December in line with the increase in short-term money market rates extending beyond the year-end, but declined somewhat thereafter. Corporate bond issuance rates continue to be stable.

The number of corporate bankruptcies (Chart 37) has basically leveled off.

In this financial environment, the lending attitude of financial institutions and corporate financing conditions remain easy. However, the effects of the decline in stock prices on the fund-raising conditions of firms need to be carefully monitored.

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2000/Q2	Q3	Q4	2000/September	October	November	December
Index of living expenditure level (all households)	3.8	-2.8	n.a.	2.8	-0.5	p -1.4	n.a.
Sales at department stores	-2.1	-1.1	n.a.	1.4	-2.1	p 1.9	n.a.
Sales at chain stores	-2.4	-0.7	n.a.	0.9	2.8	-4.6	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 304>	< 291>	< 308>	< 287>	< 305>	< 302>	< 316>
Sales of household electrical appliances (real, NEBA)	3.7	2.1	n.a.	8.1	0.7	4.4	n.a.
Outlays for travel (50 major travel agencies)	2.9	-0.3	n.a.	-2.8	0.3	3.1	n.a.
Housing starts <s.a., ann. 10,000 units>	< 124>	< 120>	<n.a.>	< 122>	< 116>	< 123>	<n.a.>
Machinery orders (from private sector ⁴)	3.1	8.2	n.a.	-16.5	8.3	-2.9	n.a.
Manufacturing	11.2	-1.2	n.a.	-15.6	21.7	-6.5	n.a.
Nonmanufacturing ⁴	-5.0	14.9	n.a.	-17.0	-0.4	0.4	n.a.
Construction Starts (private, nonresidential use)	-1.9	-8.5	n.a.	-19.0	-0.5	48.6	n.a.
Mining & manufacturing	11.1	9.0	n.a.	-7.8	-1.7	155.2	n.a.
Nonmanufacturing ⁵	-2.6	-12.4	n.a.	-21.4	-5.1	11.5	n.a.
Value of public works contracted	-24.7	4.1	-0.3	-0.1	-7.4	9.0	3.9
Real exports	3.2	2.1	n.a.	-1.3	-2.3	2.3	n.a.
Real imports	6.3	1.0	n.a.	-4.4	3.3	2.4	n.a.
Industrial production	1.7	1.6	n.a.	-3.4	1.5	-0.8	n.a.
Shipments	1.8	1.6	n.a.	-3.6	0.9	-0.4	n.a.
Inventories	-0.1	-0.8	n.a.	-1.0	1.5	-0.5	n.a.
Inventories/shipments <s.a., 1995=100>	<98.5>	<99.0>	<n.a.>	<99.0>	<101.3>	<99.8>	<n.a.>
Real GDP	0.2	0.2	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	1.8	0.4	n.a.	-1.6	0.0	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2000/Q2	Q3	Q4	2000/September	October	November	December
Ratio of job offers to applicants <s.a., times>	<0.57>	<0.61>	<n.a.>	<0.62>	<0.64>	<0.65>	<n.a.>
Unemployment rate <s.a., %>	<4.70>	<4.64>	<n.a.>	<4.71>	<4.67>	<4.76>	<n.a.>
Overtime working hours ⁶	4.0	4.0	n.a.	4.2	3.1	3.0	n.a.
Number of employees	0.4	0.7	n.a.	0.8	1.0	1.3	n.a.
Number of regular employees ⁶	-0.3	-0.2	n.a.	-0.2	-0.1	0.0	n.a.
Nominal wages per person ⁶	1.1	0.4	n.a.	0.9	0.9	0.7	n.a.
Domestic wholesale price index <q/q % chg.> (3-month growth rate)	0.3 <0.0>	0.2 <0.0>	-0.1 <-0.2>	0.1 <-0.1>	-0.1 <-0.2>	-0.2 <-0.3>	-0.1 <-0.1>
Consumer price index (nationwide) ⁷ <s.a., q/q % chg.> (3-month growth rate)	-0.3 <-0.2>	-0.4 <-0.1>	n.a. <n.a.>	-0.5 <-0.2>	-0.6 <-0.3>	-0.5 <-0.2>	n.a. <n.a.>
Corporate service price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-0.7 <-0.4>	-0.9 <-0.2>	n.a. <n.a.>	-1.0 <-0.2>	-1.0 <-0.3>	-1.0 <-0.5>	n.a. <n.a.>
Monetary aggregates (M ₂ +CDs) <average outstanding, y/y % chg.>	2.3	p 1.9	p 2.1	p 2.0	p 2.1	p 2.1	p 2.2
Number of suspension of transactions with banks	16.2	15.2	n.a.	9.3	5.0	8.9	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.

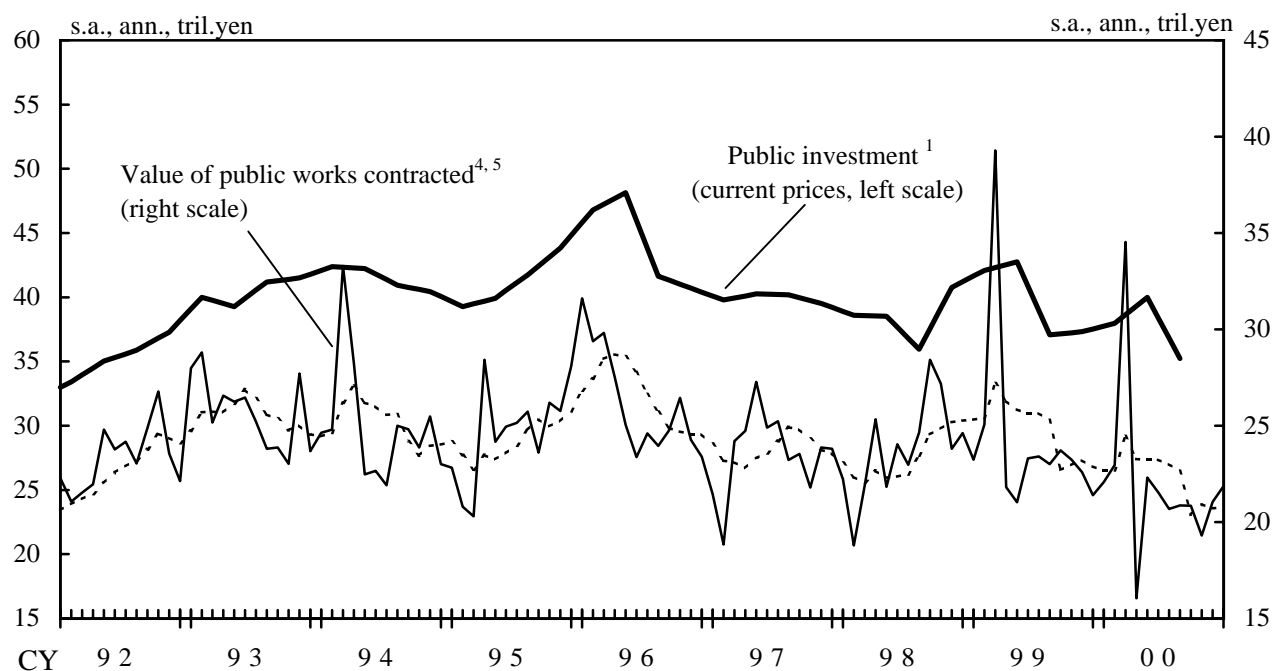
8. Domestic supply-demand factors.

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

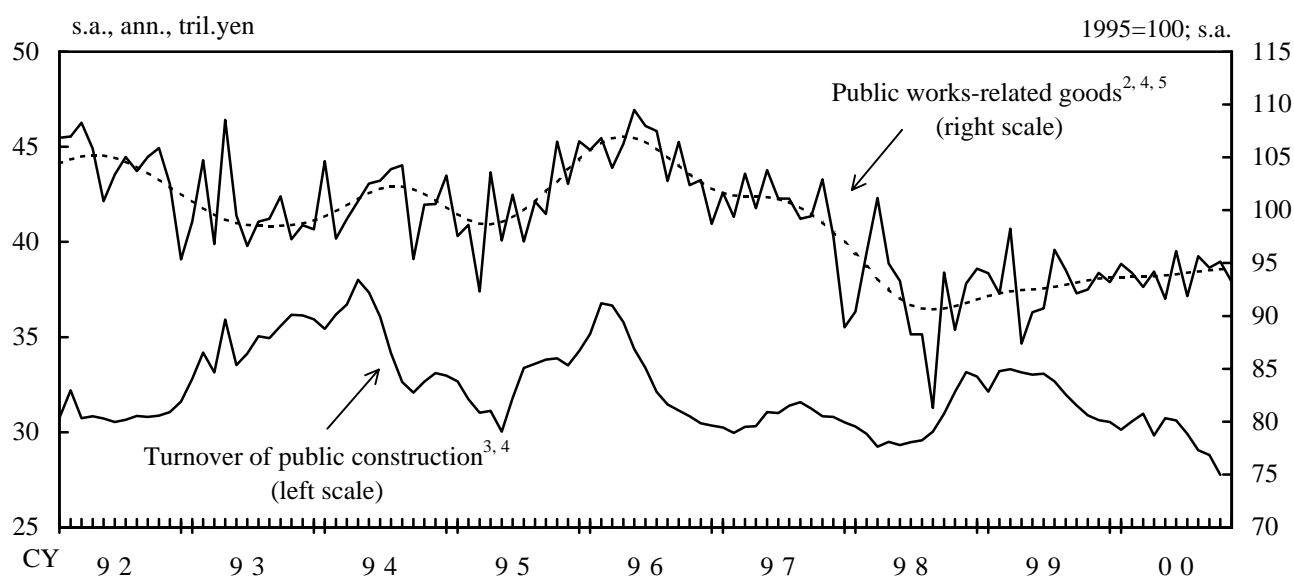
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey," "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production," "Indices 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 Land, Infrastructure and Transport, "Major Travel Agents' Revenue," "Monthly of Construction Statistics"; Ministry of Finance, "The Summary Report on Trade of Japan"; Cabinet Office, "Machinery Orders Statistics," "National Accounts"; Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics"; Ministry of Health, Labour and Welfare, "Report on Employment Service," "Monthly Labour Survey"; Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index," "Financial and Economic Statistics Monthly"; Japanese Bankers Associations, "Suspension of Transaction with Banks."

Public Investment

(1) Value of Public Works Contracted and Public Investment



(2) Shipments of Public Works-related Goods and Turnover of Public Construction



Notes: 1. Quarterly basis public investment is plotted at the middle month of each quarter.

2. 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). Shipments of these goods also include those to the private sector.

3. Turnover of public construction is based on the public sector table in the "Integrated Statistics on Construction Works."

4. Value of public works contracted, public works-related goods, and turnover of public construction are seasonally adjusted by X-12-ARIMA (β version). As the figures of value of public works contracted and public works-related goods are seasonally adjusted on a monthly basis, the data are retroactively revised each month. Seasonal factors of turnover of public construction are calculated by using data until March 2000, and are fixed for FY2000.

5. 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.

Sources: Cabinet Office, "National Accounts";

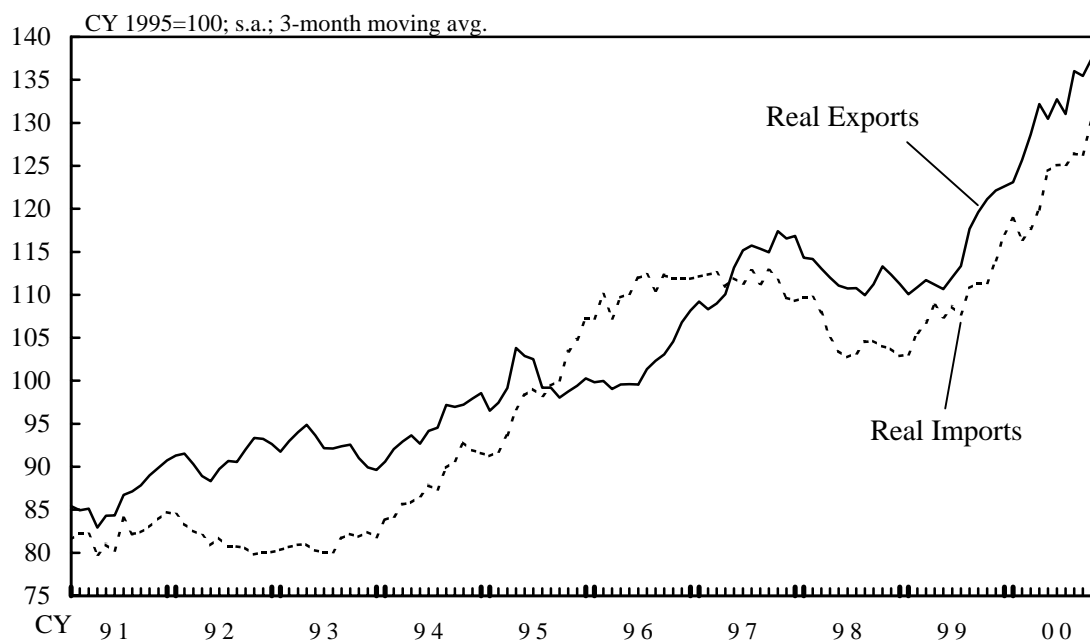
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";

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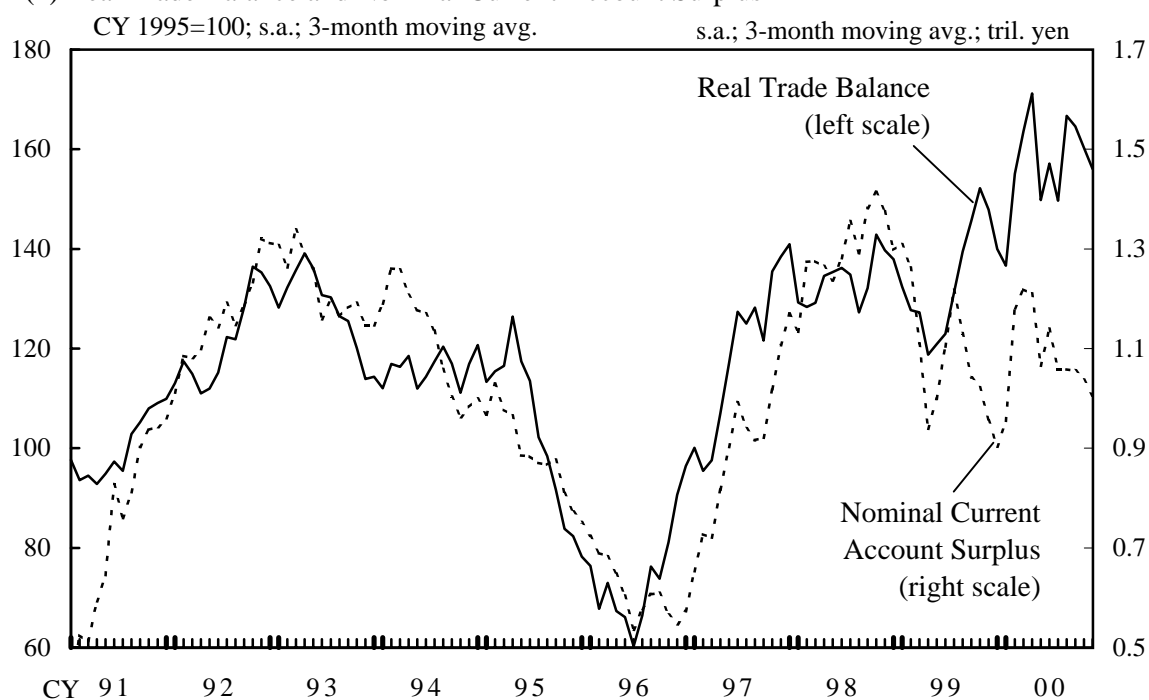
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



Note: Real exports/imports and the real trade balance are 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 Q4	2000 Q1	Q2	Q3	Q4	2000 Sep.	Oct.	Nov.
United States	<30.7>	6.8	4.6	-0.1	3.6	3.6	0.8	4.0	-3.2	-0.3	5.7
EU	<17.8>	15.6	0.9	2.6	4.3	-0.6	0.1	-4.6	-4.4	-8.7	10.0
East Asia	<35.8>	-18.1	12.0	2.3	12.6	5.9	2.7	-2.1	-3.1	-5.8	5.5
China	<5.6>	0.5	12.3	-7.7	19.4	6.3	12.4	-1.4	-6.1	-0.5	-2.6
NIEs	<21.5>	-16.5	11.2	5.0	12.7	3.7	1.2	-1.9	-4.0	-5.9	7.3
Taiwan	<6.9>	-0.4	7.8	6.9	5.8	9.6	2.7	-6.7	-5.9	-10.1	7.3
Korea	<5.5>	-35.3	43.9	9.4	18.8	-3.9	-0.2	-1.2	-6.4	-3.5	6.5
ASEAN4 ³	<8.6>	-29.2	13.6	2.1	8.6	11.3	0.6	-3.0	1.1	-9.1	6.7
Thailand	<2.7>	-29.4	15.3	8.8	-2.0	5.5	6.9	1.6	0.6	-4.5	5.8
Real exports		-2.1	4.5	2.5	4.9	3.2	2.1	0.7	-1.3	-2.3	2.3

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 98	99	99 Q4	2000 Q1	Q2	Q3	Q4	2000 Sep.	Oct.	Nov.
Intermediate goods	<14.2>	2.9	5.4	-2.3	2.8	2.5	0.7	-0.9	-4.0	-3.2	4.7
Motor vehicles and their related goods	<21.5>	1.3	2.8	1.7	-4.0	8.2	5.2	-0.3	-1.3	-3.7	3.8
Consumer goods ⁴	<7.2>	5.0	5.0	4.4	5.1	1.6	-0.4	3.5	5.7	-4.9	9.5
IT-related goods ⁵	<17.6>	-7.0	6.4	2.3	14.7	4.1	-2.0	4.1	-1.4	-2.8	10.7
Capital goods and parts ⁶	<28.4>	-5.4	1.8	1.4	14.1	3.1	2.9	-5.6	2.1	-11.4	4.7
Real exports		-2.1	4.5	2.5	4.9	3.2	2.1	0.7	-1.3	-2.3	2.3

Notes: 1. Seasonally adjusted by X-11. 2000/Q4 are Oct-Nov 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. IT-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 Q4	2000 Q1	Q2	Q3	Q4	2000 Sep.	Oct.	Nov.
United States	<21.7>	-3.7	-2.9	8.8	-5.1	8.3	2.9	6.2	-2.6	9.0	-4.7
EU	<13.8>	-6.5	5.8	3.1	1.0	0.3	2.3	3.5	-4.2	3.5	-1.3
East Asia	<37.6>	-7.7	15.8	7.7	7.1	5.4	4.0	7.0	-4.7	5.1	2.0
China	<13.8>	-4.4	11.9	7.3	12.6	5.6	-1.1	10.0	-5.7	6.7	6.7
NIEs	<11.6>	-10.9	24.2	12.3	5.0	4.1	8.3	7.1	-2.8	6.7	-3.6
Taiwan	<4.1>	-11.1	25.6	12.6	15.0	8.9	4.9	13.0	-2.0	18.9	-15.3
Korea	<5.2>	-9.5	30.8	18.3	0.7	-0.3	5.5	6.4	-3.9	4.6	1.4
ASEAN4 ³	<12.1>	-8.1	12.6	4.0	3.4	6.3	5.5	3.7	-5.5	2.0	3.0
Thailand	<2.9>	-7.1	5.4	4.0	4.8	8.8	0.9	6.2	-0.6	-0.5	5.6
Real imports		-6.2	6.1	5.2	0.4	6.3	1.0	5.2	-4.4	3.3	2.4

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 98	99	99 Q4	2000 Q1	Q2	Q3	Q4	2000 Sep.	Oct.	Nov.
Raw materials ⁴	<23.2>	-6.0	2.7	1.8	-0.3	1.3	-2.1	2.9	-8.0	0.8	6.6
Intermediate goods	<13.5>	-7.1	3.6	1.1	0.6	4.3	-1.4	5.0	-13.9	6.4	5.2
Foodstuffs	<14.3>	-4.0	2.8	2.9	4.1	-2.3	-0.2	1.8	-3.3	-2.6	8.2
Consumer goods	<10.8>	-13.8	8.1	6.5	4.1	7.8	0.0	7.2	-6.5	8.2	-1.8
IT-related goods ⁵	<14.4>	-5.8	18.7	12.4	7.1	13.6	11.4	7.9	1.7	7.3	-4.5
Capital goods and parts ⁶	<12.9>	2.7	5.1	13.6	-5.9	5.1	6.3	10.6	3.7	8.2	-2.0
excluding aircraft		-2.4	4.4	3.9	5.0	3.0	6.3	8.5	-4.0	6.6	2.5
Real imports		-6.2	6.1	5.2	0.4	6.3	1.0	5.2	-4.4	3.3	2.4

Notes: 1. Seasonally adjusted by X-11. 2000/Q4 are Oct-Nov 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. IT-related goods = office machinery + telecommunication machinery + ICs + scientific, medical and optical instruments.

6. Excluding information-related goods.

Real Effective Exchange Rate and Overseas Economic Conditions

(1) Real Effective Exchange Rate



Note: Monthly average. The figure for January 2001 is the average of January 1-18. 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.

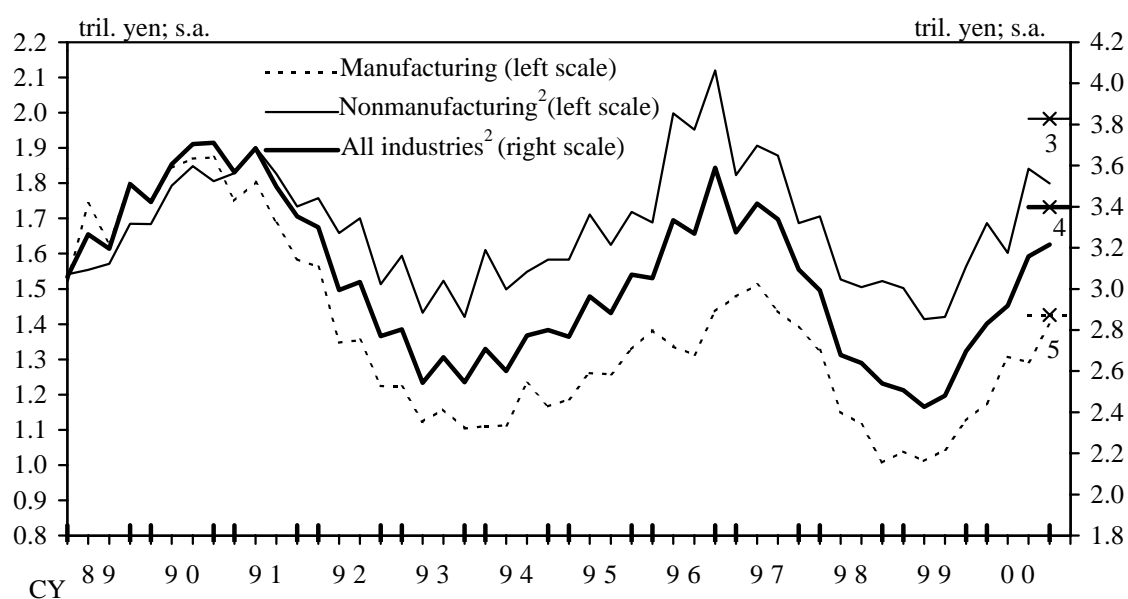
(2) Real GDP Growth Rates in Overseas Economies

		CY98	99	2000	2000 Q1	Q2	Q3	Q4	
United States ¹		4.4	4.2	n.a.	4.8	5.6	2.2	n.a.	
European Union ¹		2.7	2.5	n.a.	3.4	3.5	2.8	n.a.	
	Germany	2.1	1.6	n.a.	3.6	4.7	2.2	n.a.	
	France	3.2	2.9	n.a.	2.2	3.3	2.7	n.a.	
	United Kingdom	2.6	2.3	n.a.	1.6	4.1	2.8	n.a.	
East Asia ²	China	7.8	7.1	8.0	8.1	(Jan-Jun) 8.2	(Jan-Sep) 8.2	(Jan-Dec) 8.0	
	NIEs	Korea	-6.7	10.7	n.a.	12.7	9.6	9.2	n.a.
		Taiwan	4.6	5.4	n.a.	7.9	5.4	6.6	n.a.
		Hong Kong	-5.3	3.1	n.a.	14.2	10.9	10.4	n.a.
		Singapore	0.4	5.4	10.1	10.1	9.0	10.6	10.5
	ASEAN4	Thailand	-10.2	4.2	n.a.	5.1	6.3	2.6	n.a.
		Indonesia	-13.0	0.3	n.a.	4.0	4.5	5.1	n.a.
Malaysia		-7.6	5.8	n.a.	11.9	8.5	7.7	n.a.	
Philippines		-0.5	3.3	n.a.	3.2	4.5	4.8	n.a.	

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

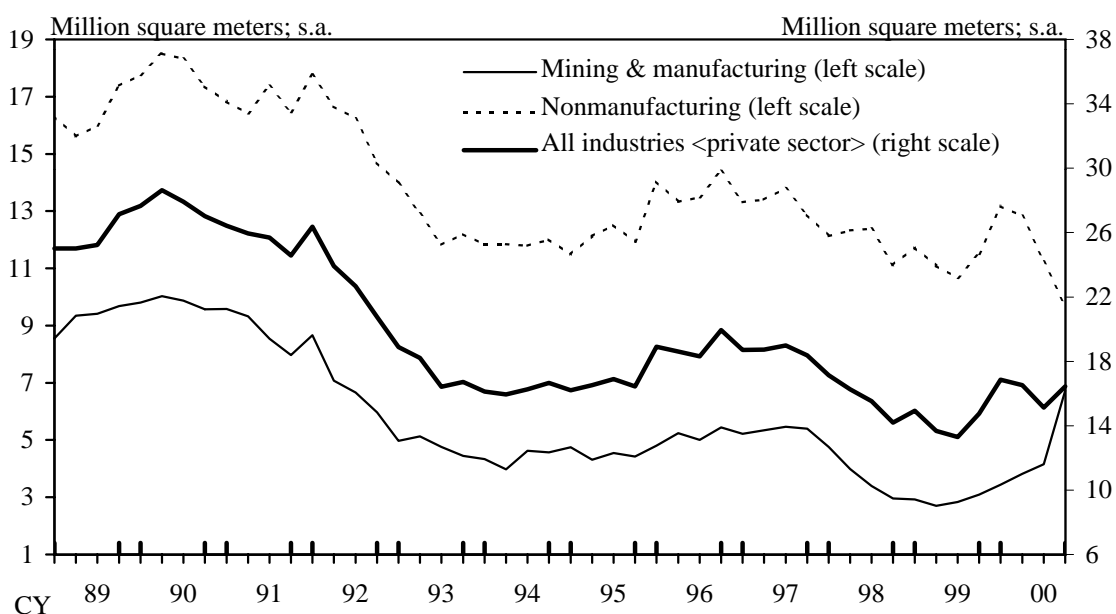
2. Quarterly data are percent changes from a year earlier.

Indicators for Business Fixed Investment

(1) Machinery Orders¹

- Notes: 1. Figures for 2000/Q4 are averages of October and November in terms of quarterly amount.
 2. Excludes orders from electric power companies and shipbuilding orders.
 3. Forecast of nonmanufacturing industries for 2000/Q4.
 4. Forecast of all industries for 2000/Q4.
 5. Forecast of manufacturing industries for 2000/Q4.

(2) Construction Starts (Nonresidential)

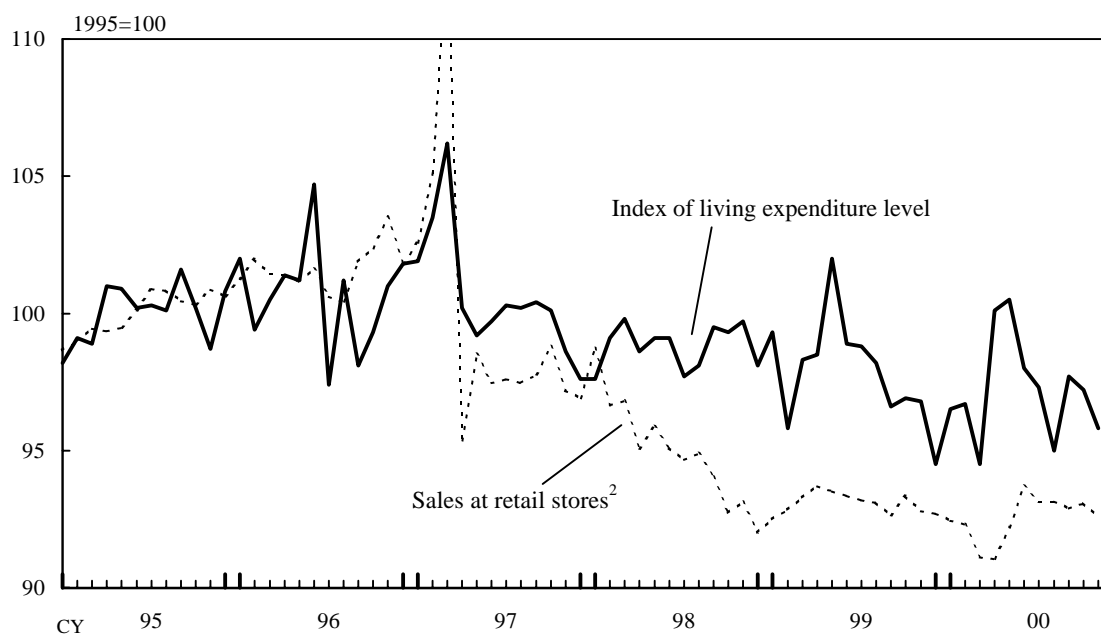


- Notes: 1. Seasonally adjusted by X-11.
 2. Figures for 2000/Q4 are averages of October and November in terms of quarterly amount.

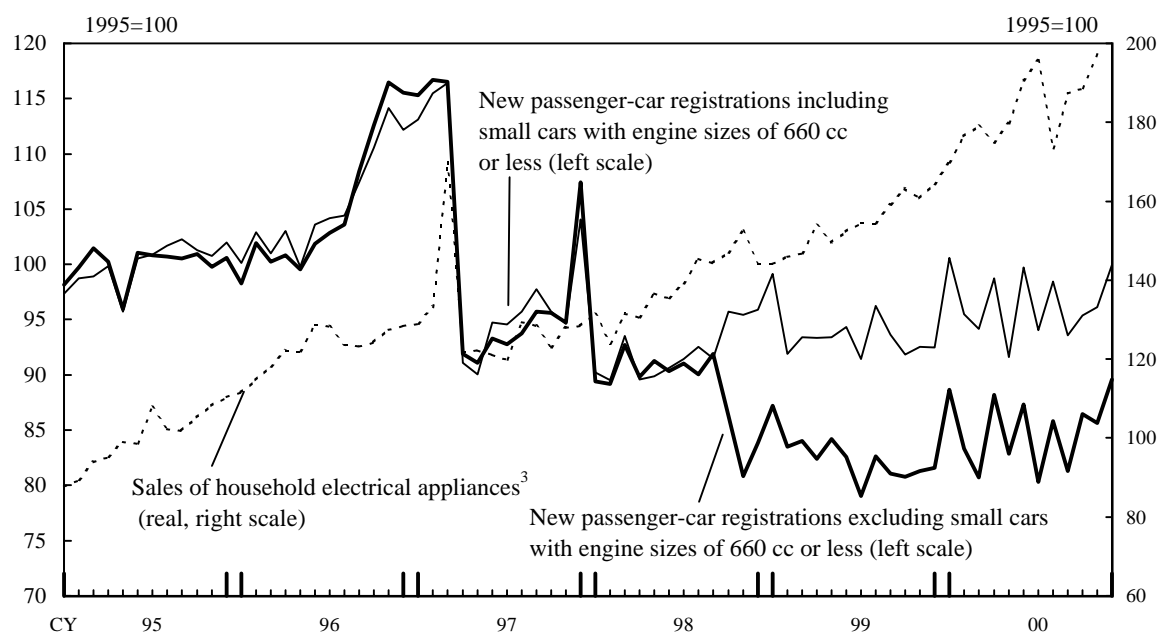
Sources: Cabinet Office, "Machinery Orders Statistics";
 Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

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 Ministry of Public Management, Home Affairs, Posts and Telecommunications.

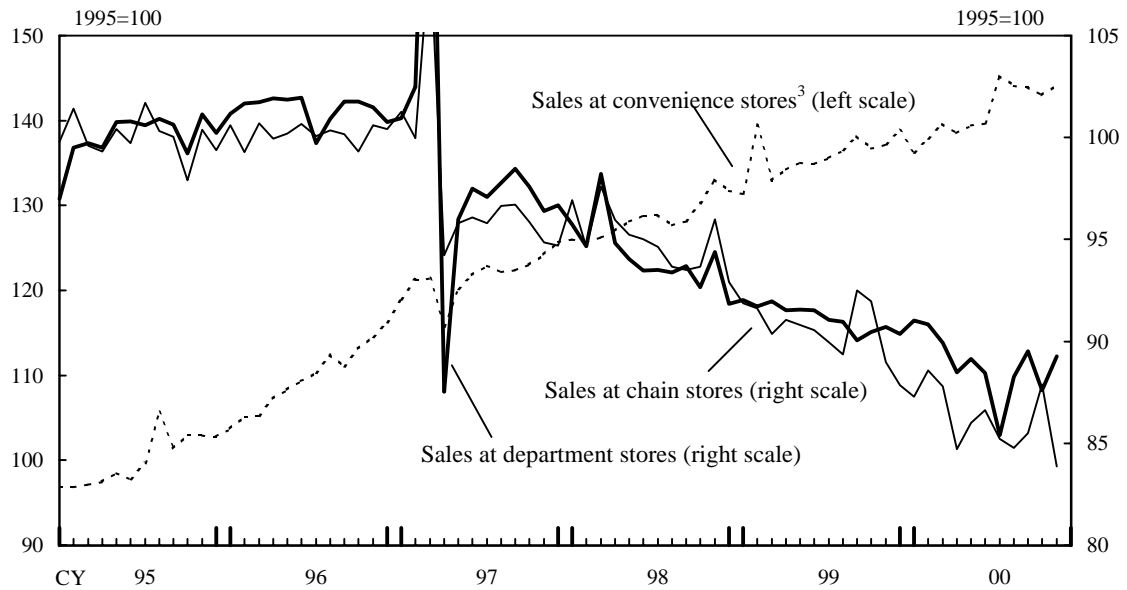
2. Sales at retail stores are deflated by the consumer price index for commodities.

3. Sales of household electrical appliances are deflated by the wholesale price index (for personal computers) and the consumer price index (other electric appliances).

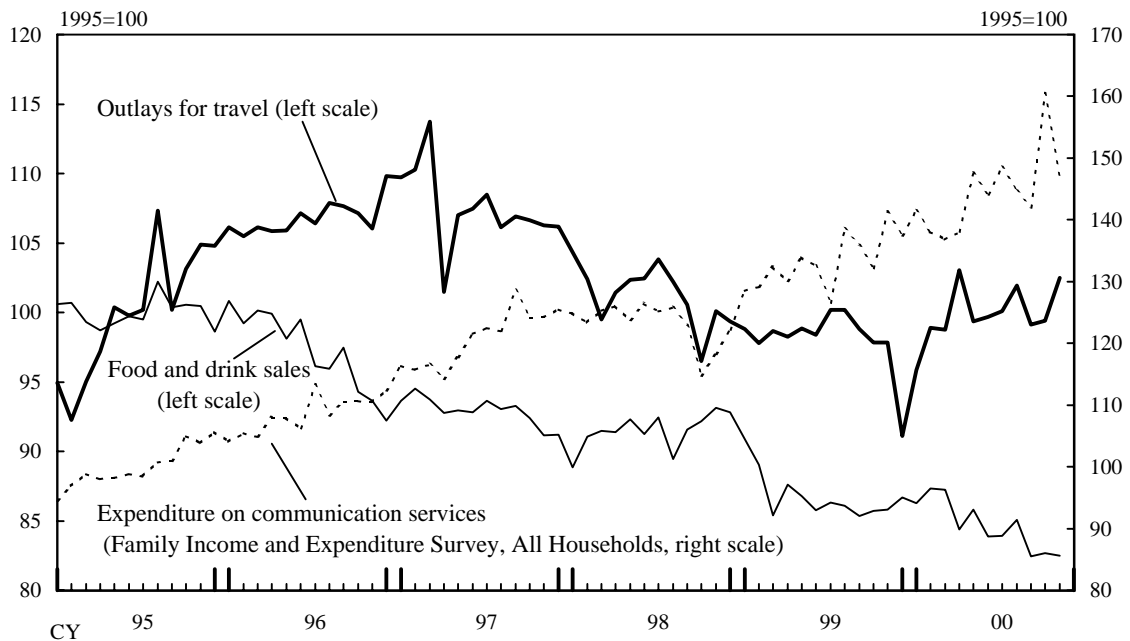
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles"; 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).

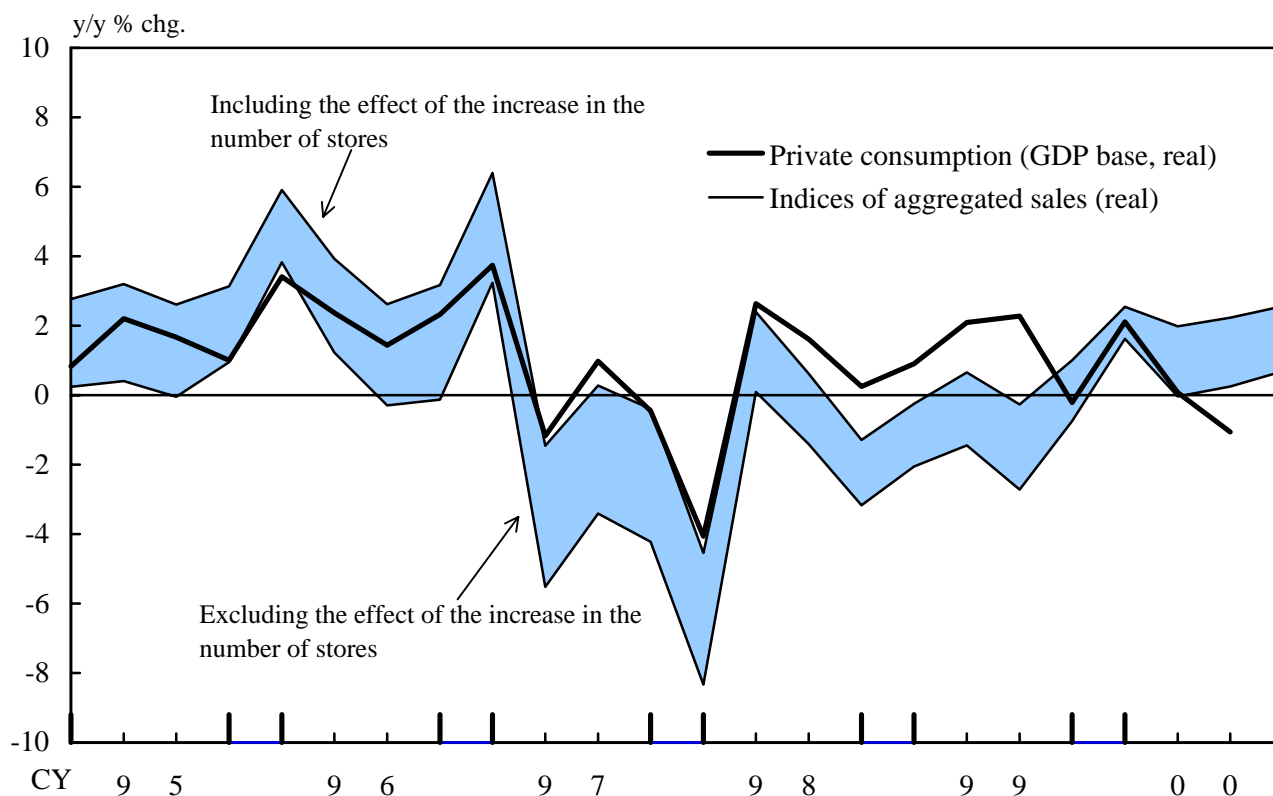
2. Adjusted to exclude the effect of the increase in the number of stores (except convenience stores).
Sales at department stores and sales at chain stores are adjusted to exclude the effect of the rise in the consumption tax rate.

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: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Monthly Report on the Family Income and Expenditure Survey";
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
Japan Chain Stores Association, "Sales at Chain Stores";
Ministry of Land, Infrastructure and Transport, "Major Travel Agents' Revenue";
Foodservice Industry Survey & Research Center, "Monthly Survey of Food and Drink Sales."

Private Consumption (3)

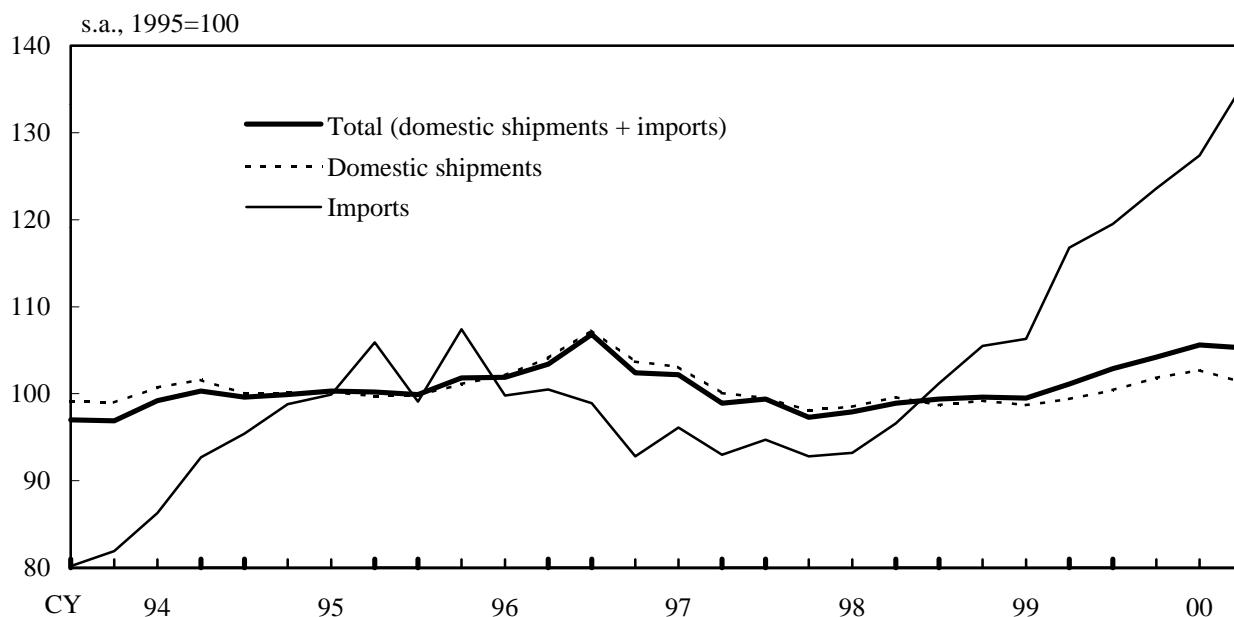


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *Sales at chain stores*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Food and drink sales*, where the weights come from the *Family 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 items of the consumer price index or the wholesale price index.
2. 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.
3. 2000/Q4 figures are those of October-November converted to a quarterly basis.

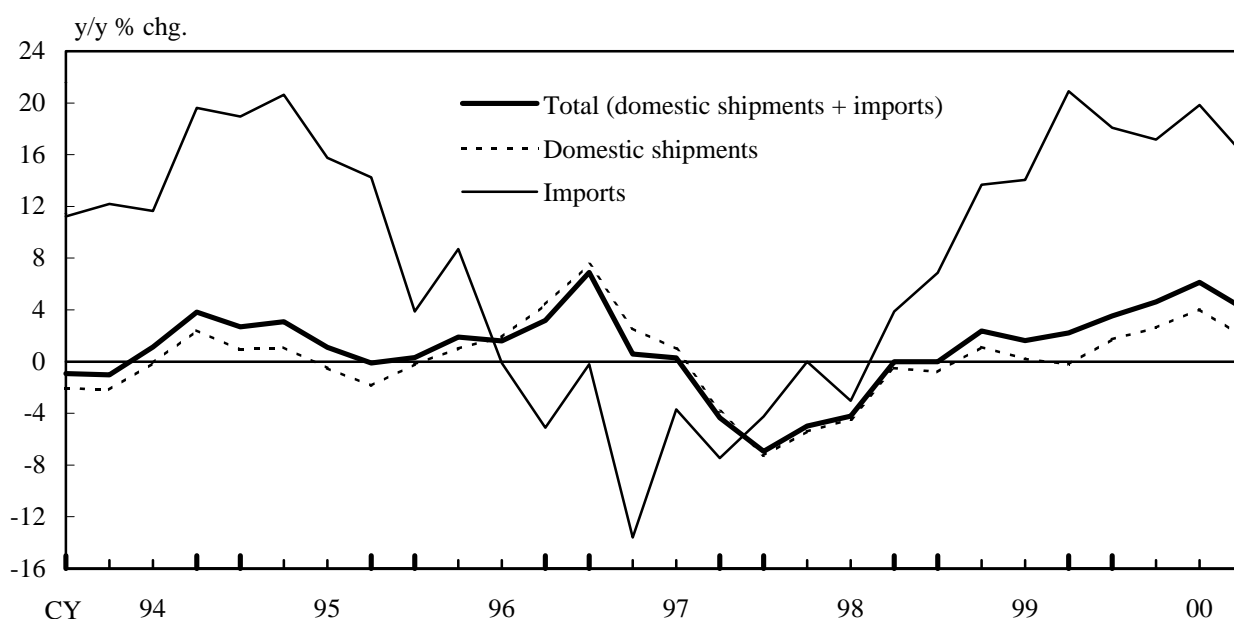
Sources: Cabinet Office, "National Accounts";
 Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index,"
 "Monthly Report on the Family Income and Expenditure Survey";
 Bank of Japan, "Wholesale 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 Land, Infrastructure and 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/Q4 figures are Oct. -Nov. averages in terms of quarterly amount.

3. Figures for 2000/Q4 of "Domestic shipments" are calculated from quarterly changes of *Indices of Industrial Production* (excluding the effects of exports).

4. Figures for 2000/Q4 of "Imports" are calculated from quarterly changes of real imports.

Real imports (consumer goods) = motor vehicles + audio and visual apparatus + office machinery + foodstuffs + textiles.

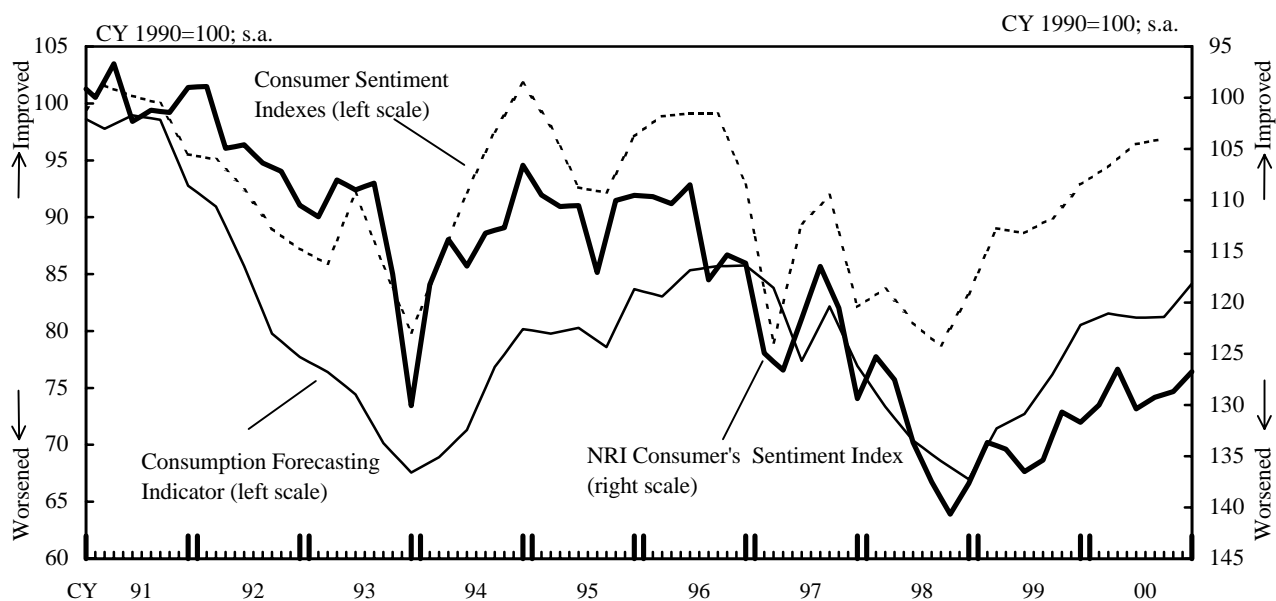
5. Figures for 2000/Q4 of "Total (domestic shipments + imports)" are calculated from weighted average of the quarterly changes in "Domestic shipments" and "Imports".

6. Year-on-year changes are calculated from seasonal adjusted series.

Sources: Ministry of Economy, 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."

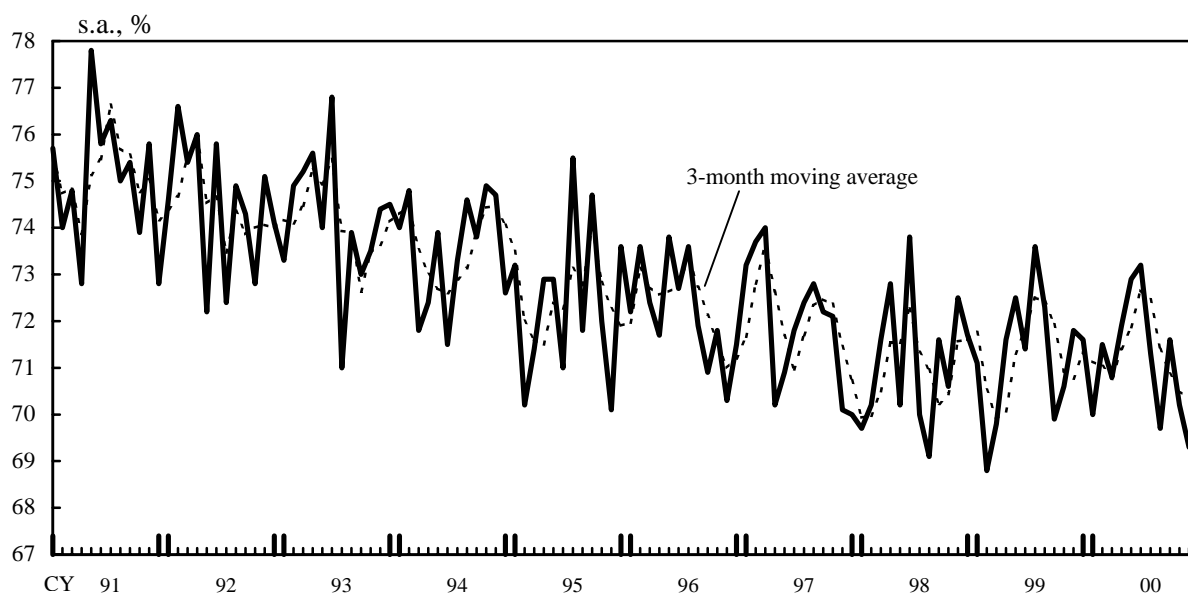
Consumer Confidence and Propensity to Consume

(1) Surveys on Consumer Confidence



- Notes: 1. Seasonally adjusted by X-11. "Consumer Sentiment Indexes" is seasonally adjusted by the Cabinet Office.
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 Cabinet Office, "Consumption Forecasting Indicator" by NIKKEI RIM, and "NRI Consumer's Sentiment Index" by NRI.

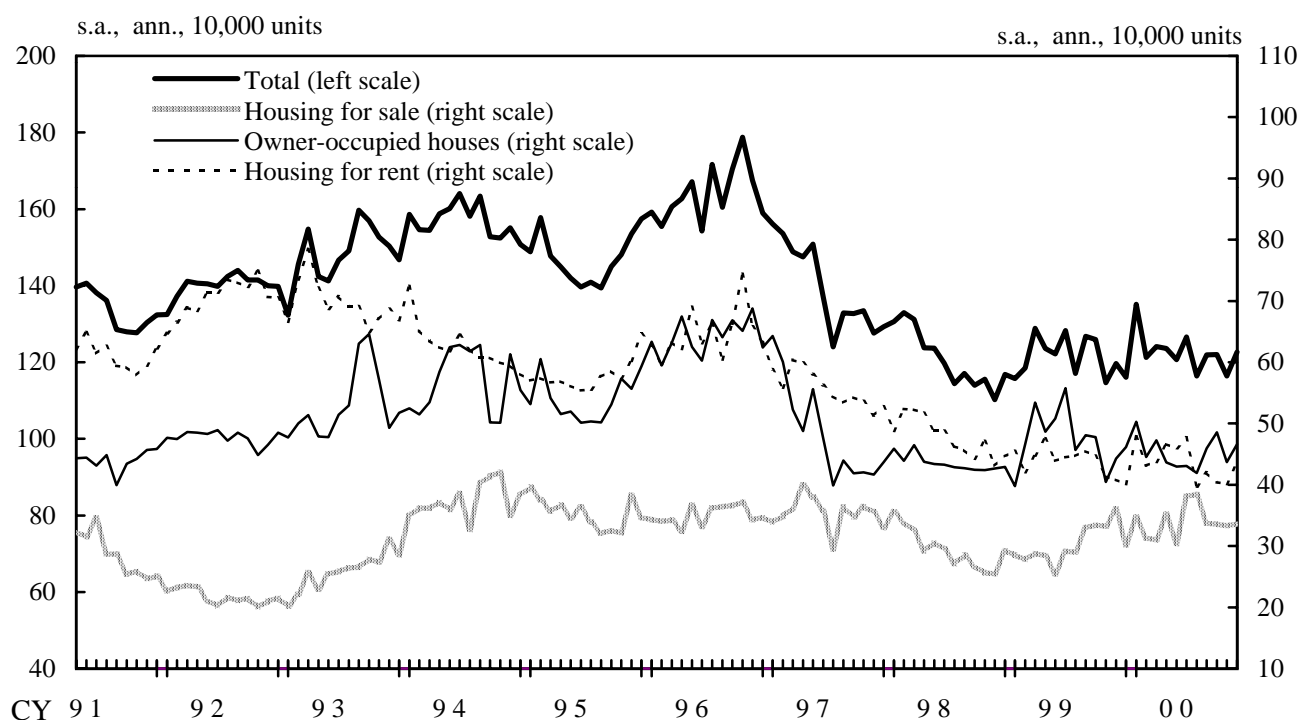
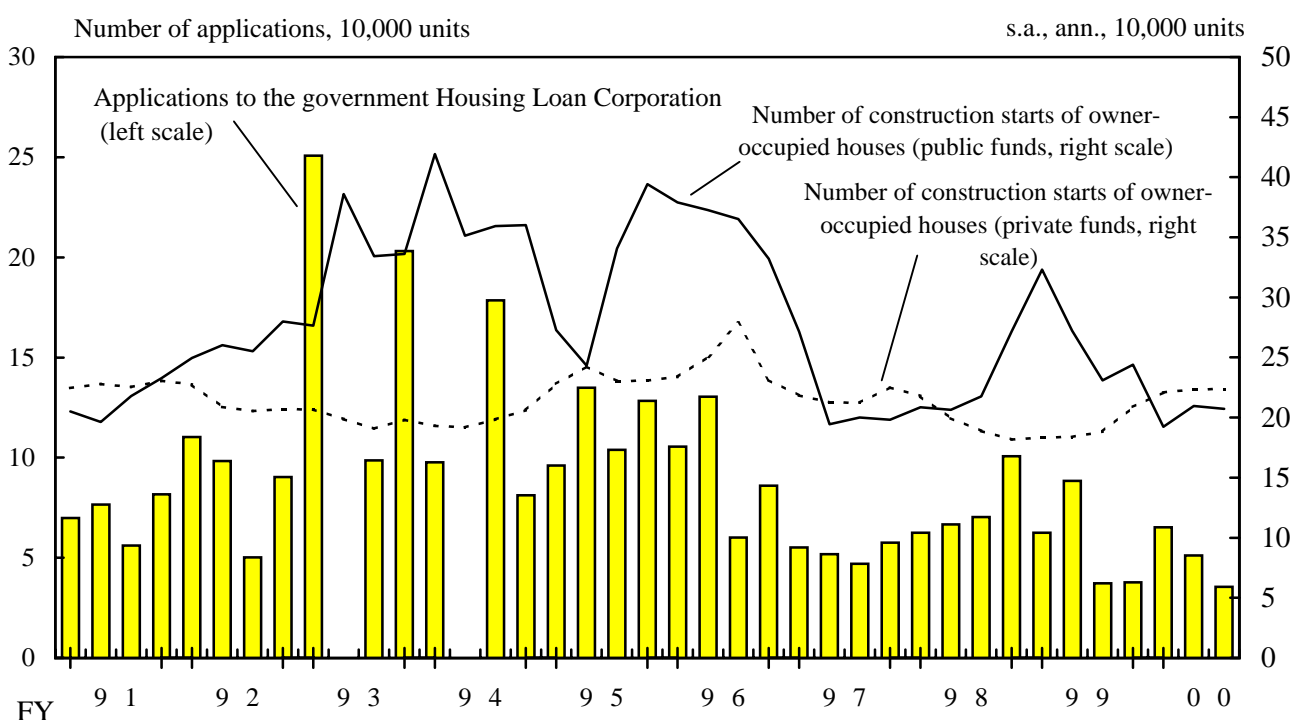
(2) Propensity to Consume (Family Income and Expenditure Survey)



Sources: Cabinet Office, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications,
 "Monthly Report on the Family Income and Expenditure Survey";
 Nippon Research Institute (NRI), "Consumer's Sentiment Survey."

Indicators for Housing Investment

(1) Housing Starts

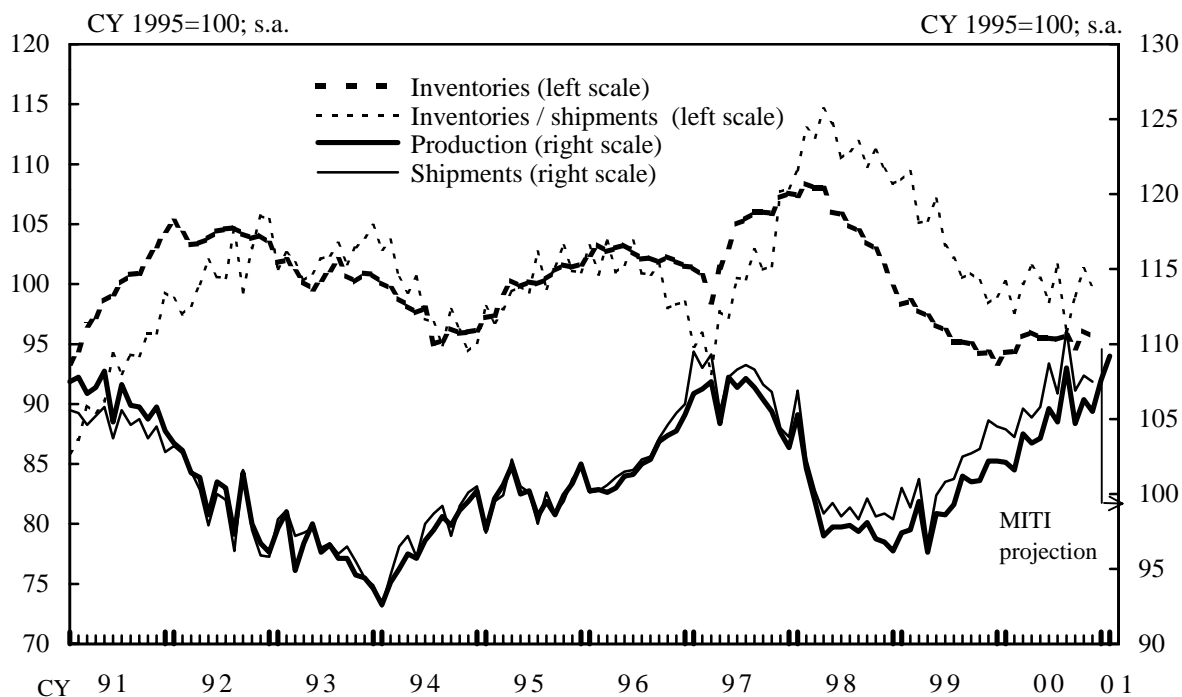
(2) Number of Applications to The Government Housing Loan Corporation
(for new owner-occupied houses)

- Notes: 1. The duration of the loan offering period (the government Housing Loan Corporation) differs and the period may be extended to the following quarter. The number of loan applications for the construction of private homes is placed 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 FY2000/Q3 are October-November average.

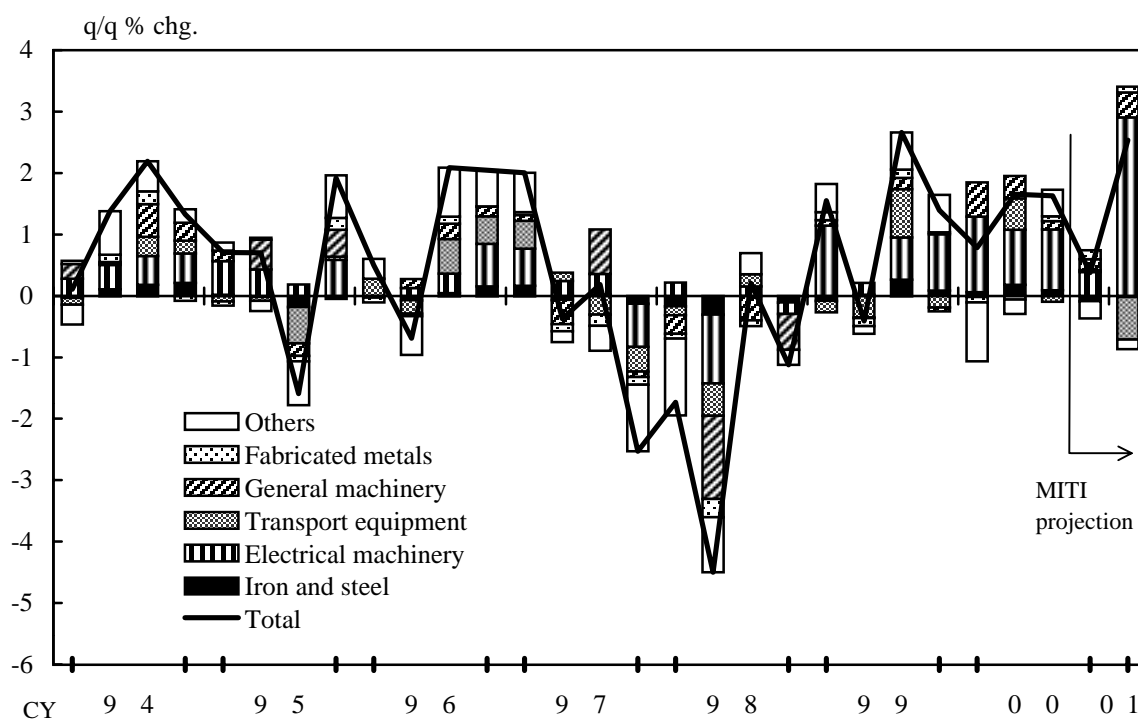
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

 Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



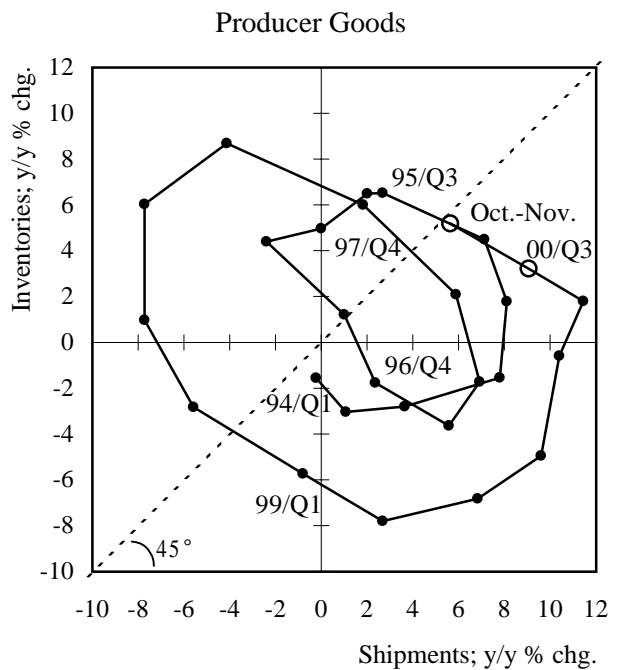
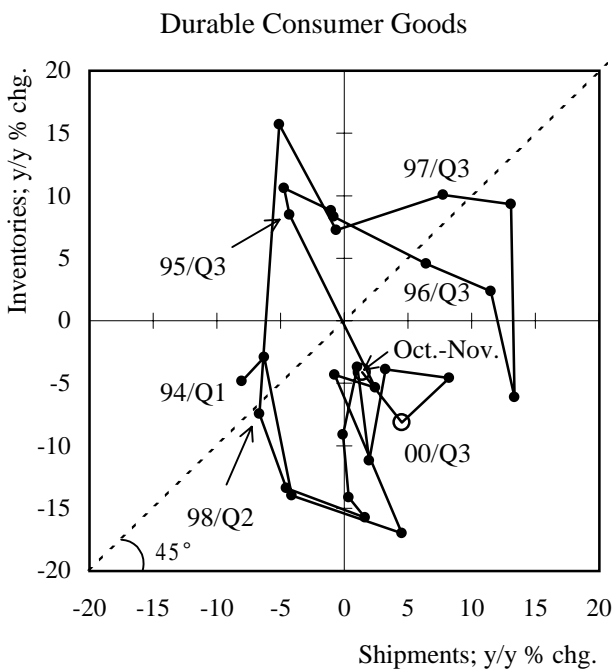
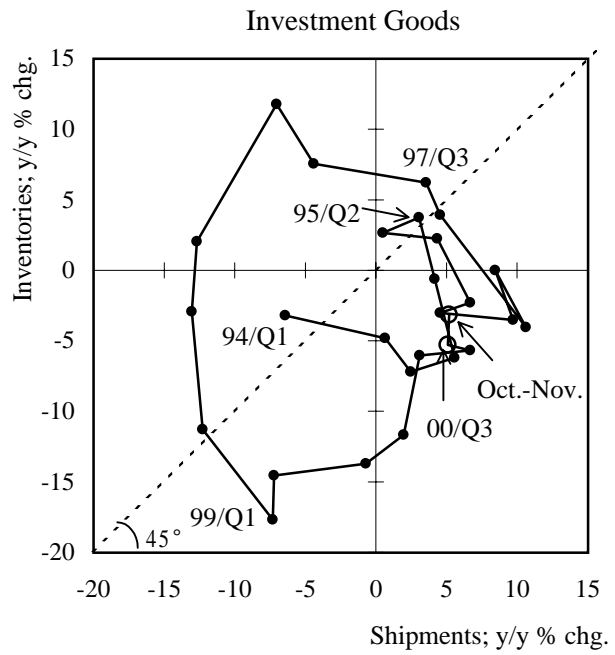
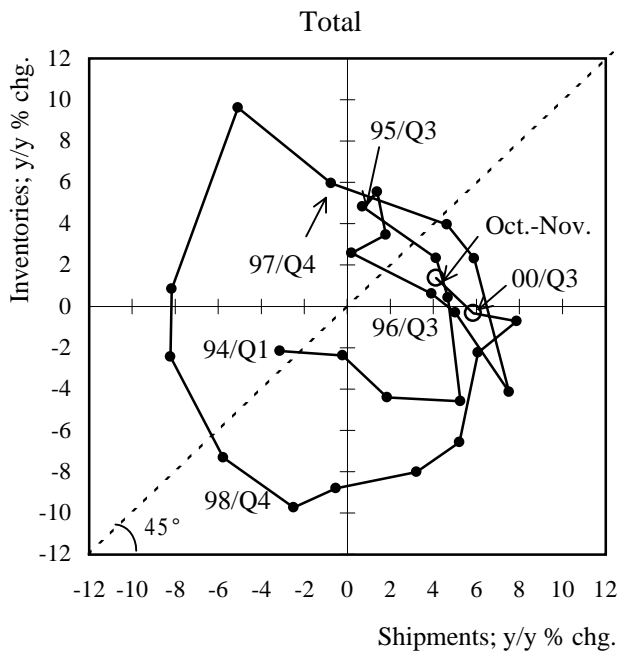
(2) Production by Industries



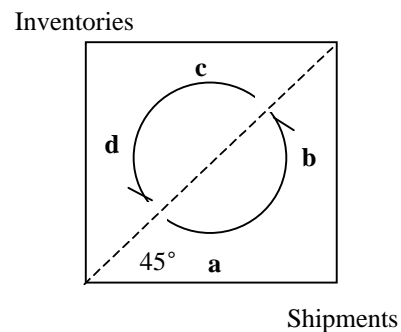
Note: Transport equipment excludes ships and rolling stock.

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

Inventory Cycle



Phases in the Inventory Cycle



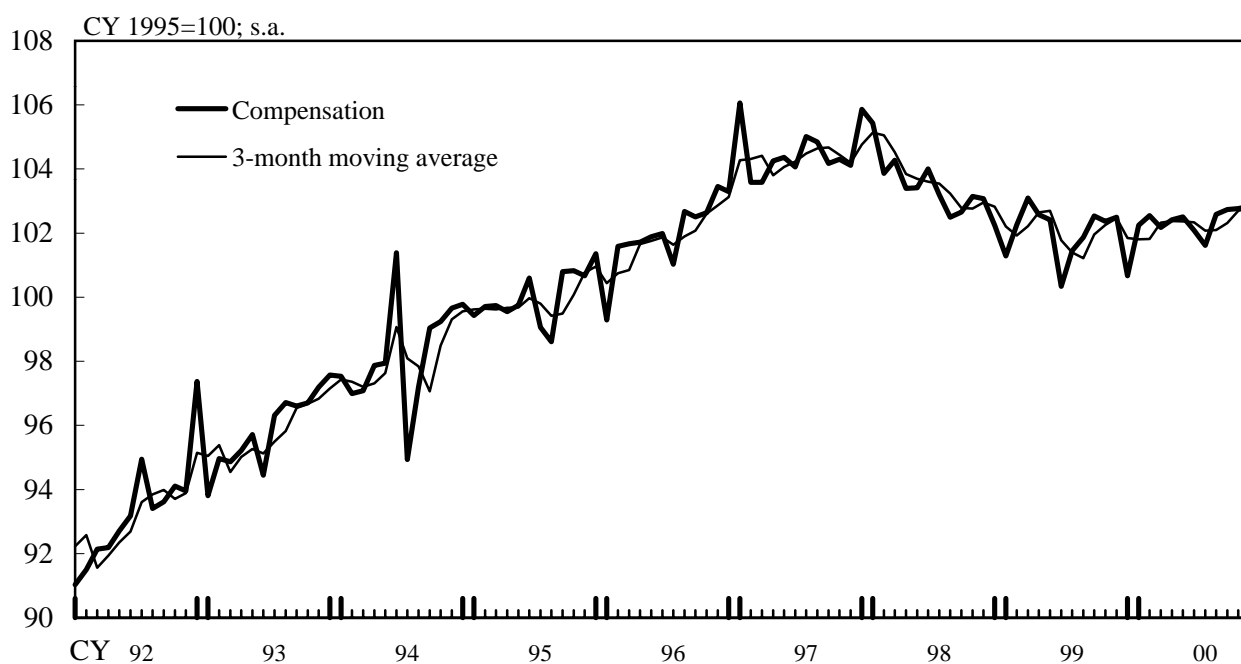
Shipments

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

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

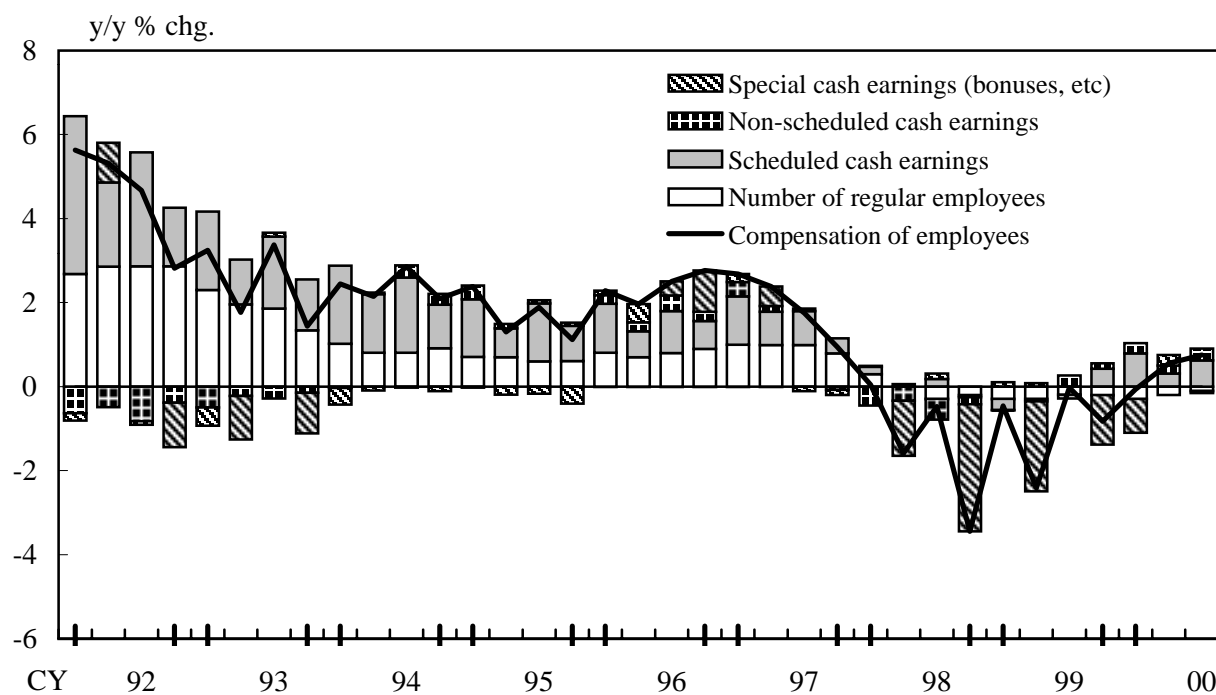
Compensation of Employees

(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.

(2) Breakdown of Compensation

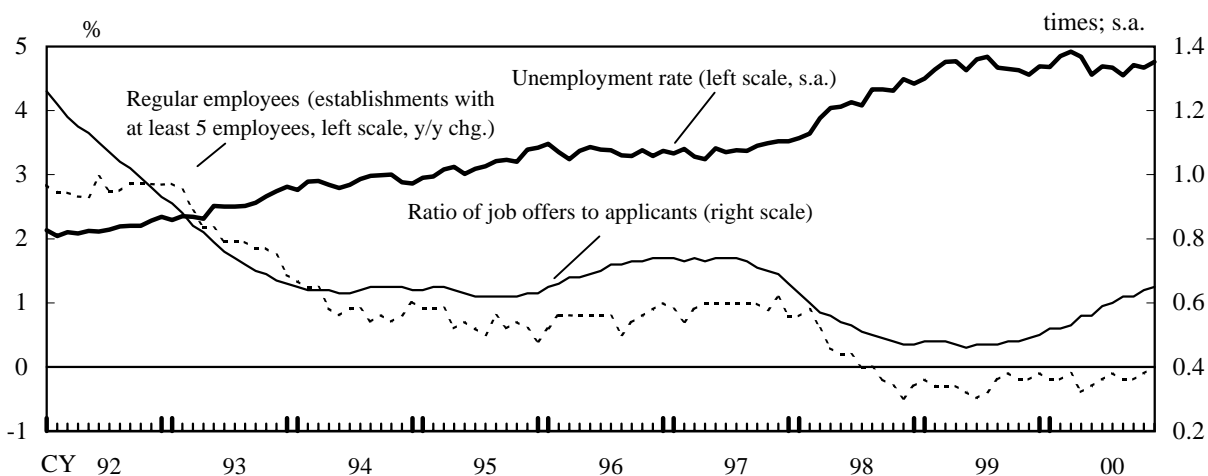


- Notes: 1. Data for establishments with at least 5 employees.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.

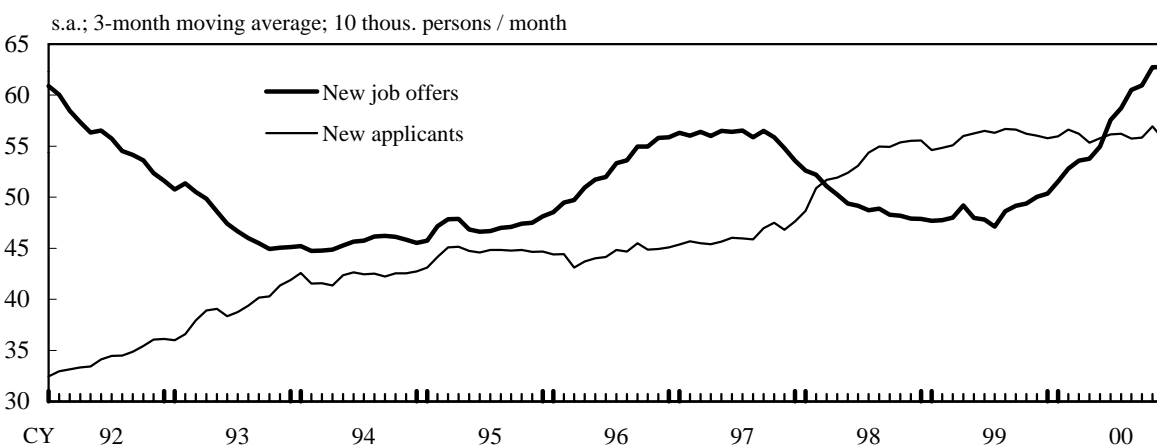
Source: Ministry of Health, Labour and Welfare, "Monthly Labour Survey."

Labor

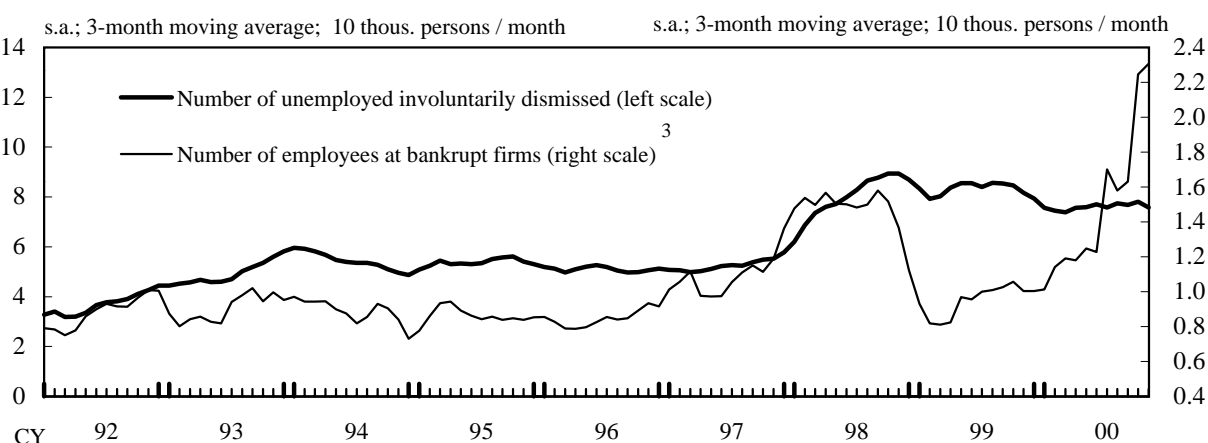
(1) Monthly



(2) New Job Offers and New Applicants¹



(3) Number of Unemployed Involuntarily Dismissed and Employees at Bankrupt Firms²



Notes: 1. Exclude jobs offered to new graduates.

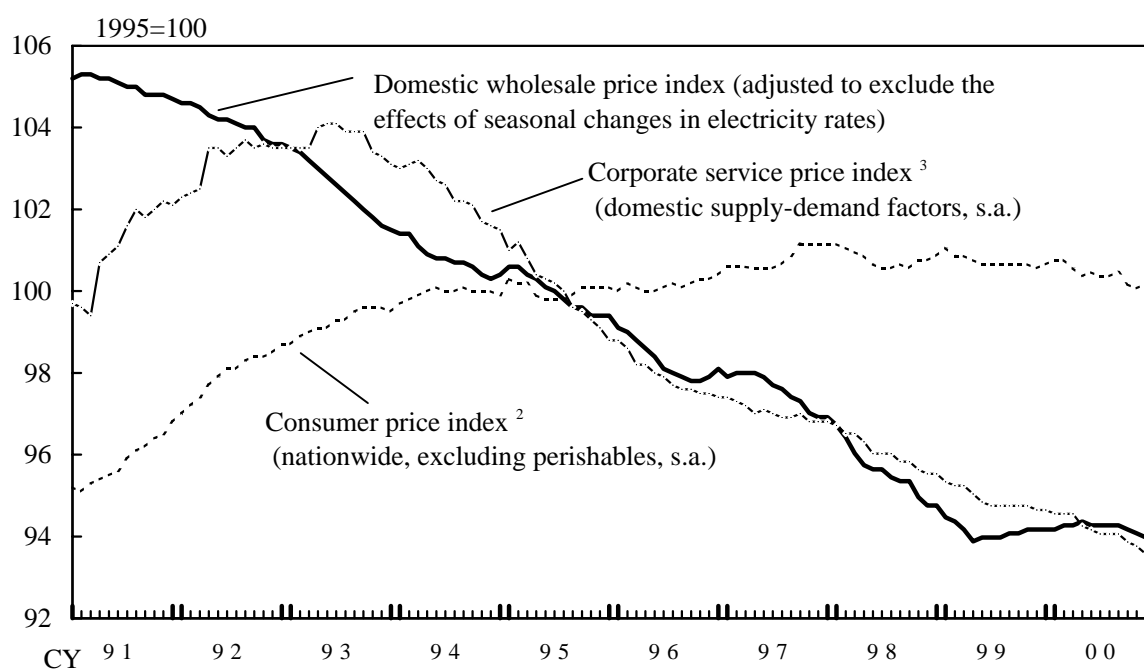
2. Seasonally adjusted by X-11.

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

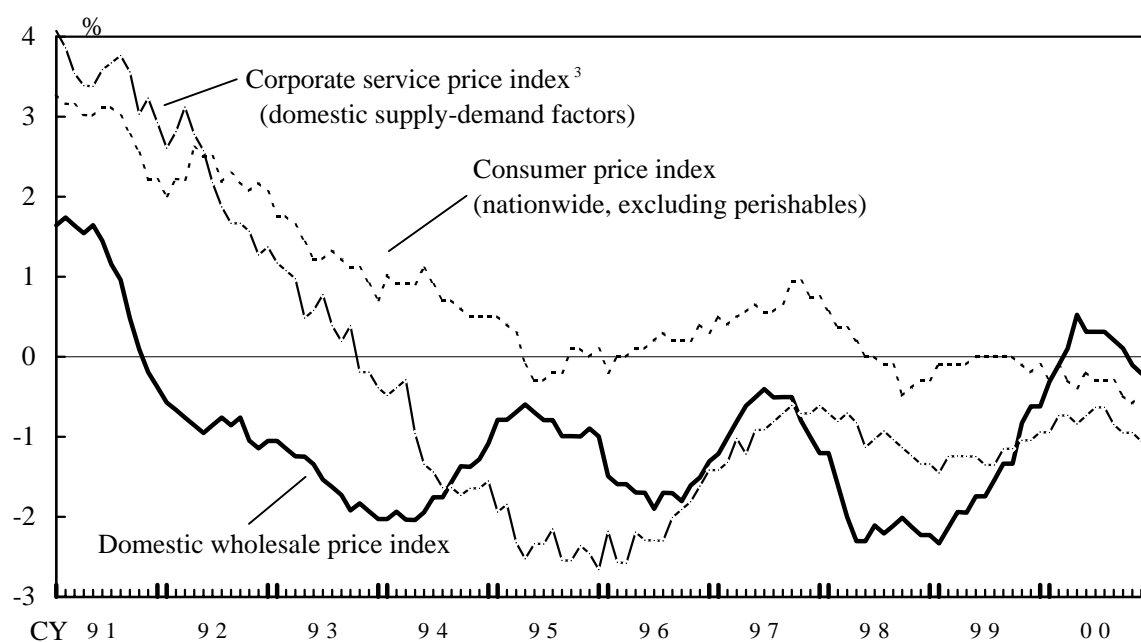
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey," "Report on Employment Service," "Report on Employment Insurance Service";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey";
 Teikoku Databank Ltd., "Japan's Business Failure."

Prices¹

(1) Level



(2) Changes from a year earlier

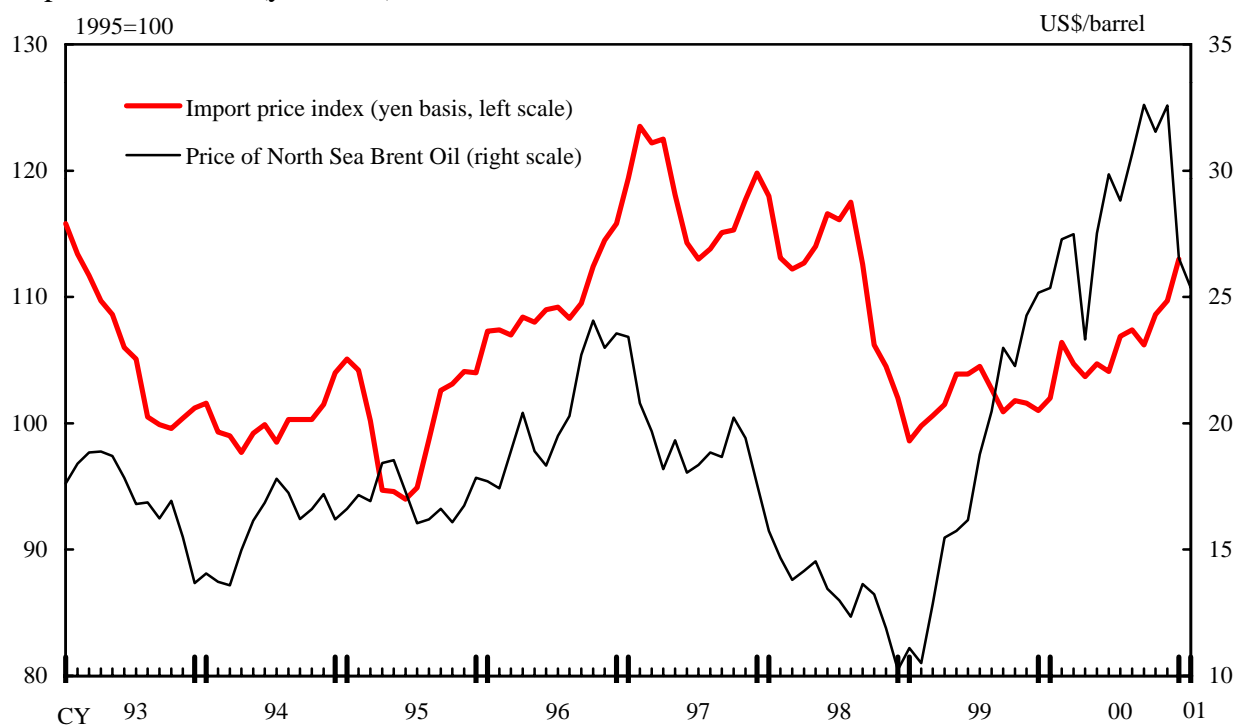


- Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. The 1990-base CPI, seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, is spliced for figures before January 1995.
3. See footnote 4 in Chart 18, for definition of the Corporate service price index (domestic supply-demand factors).

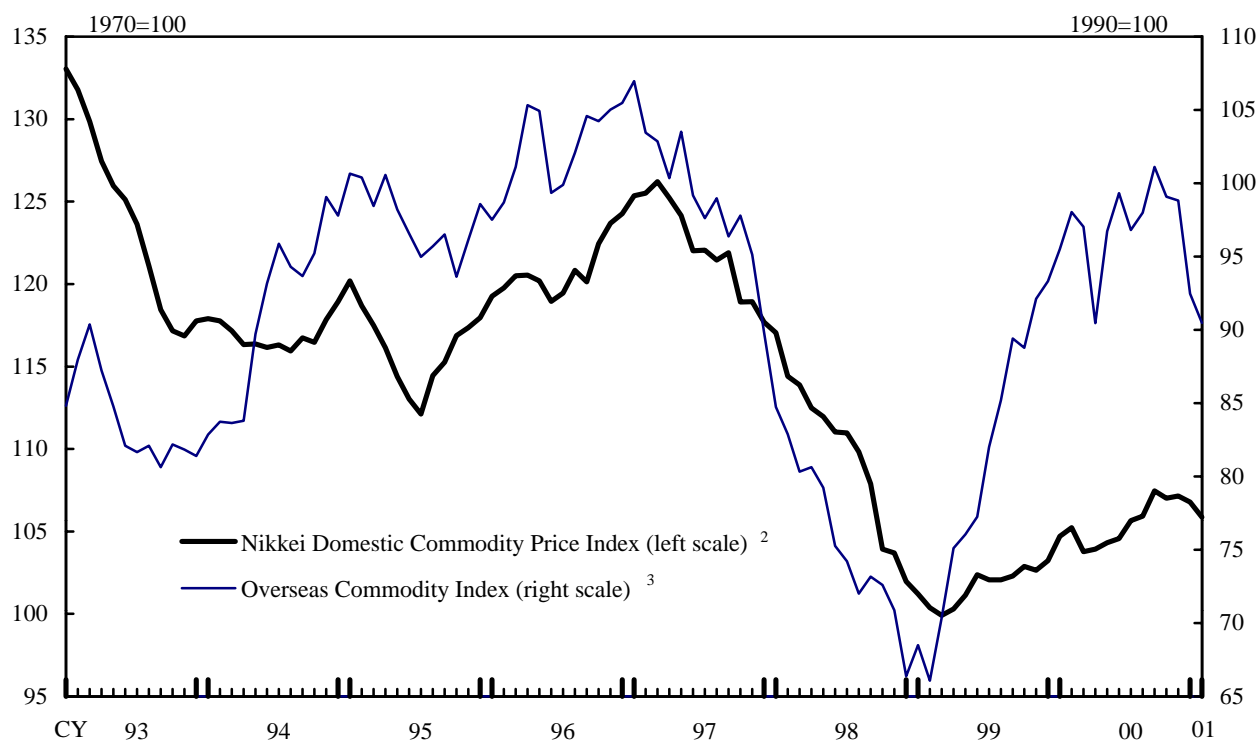
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index."

Import Prices and Domestic Commodity Market

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



(2) Domestic Commodity Market



Notes: 1. Data for January 2001 are January 1-17 average.

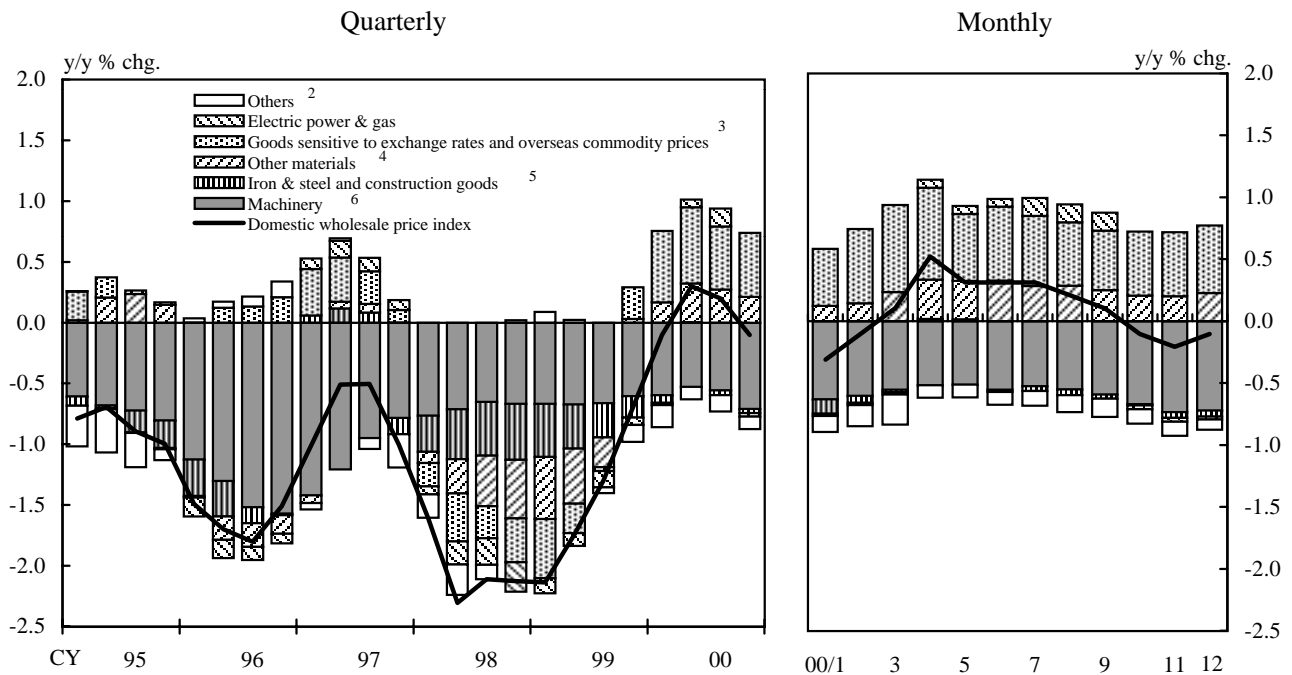
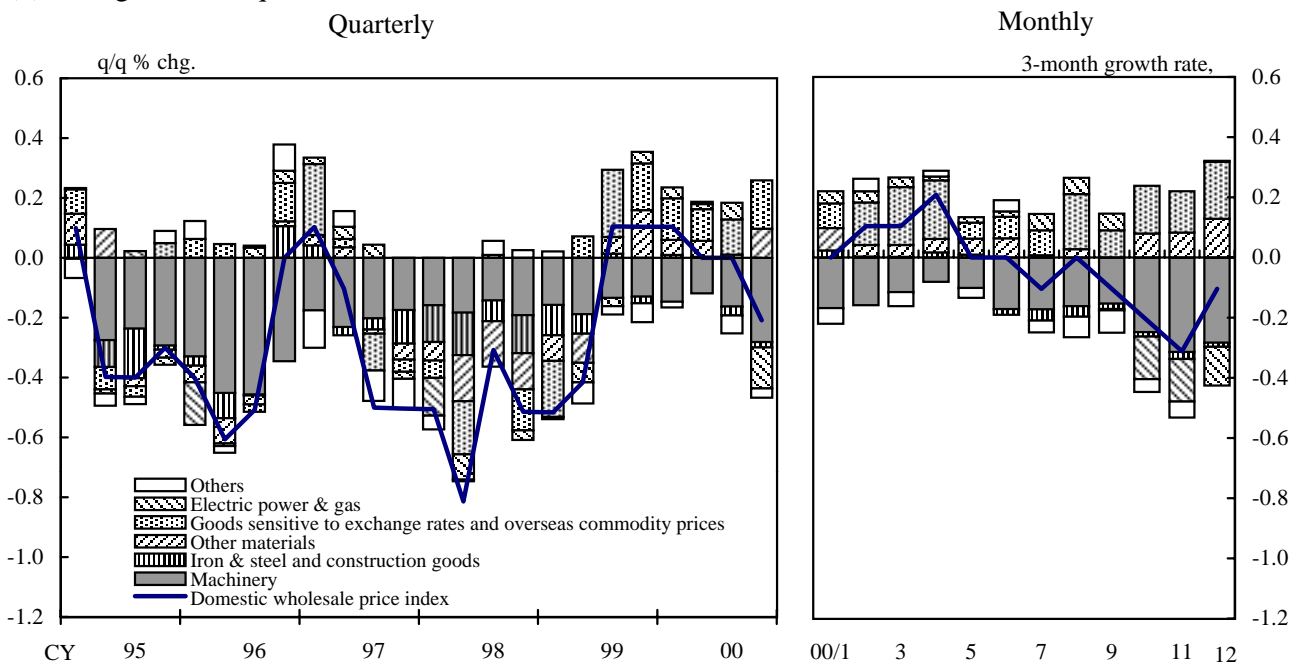
2. Data for January 2001 are as of January 12.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for January 2001 are January 1-17 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.

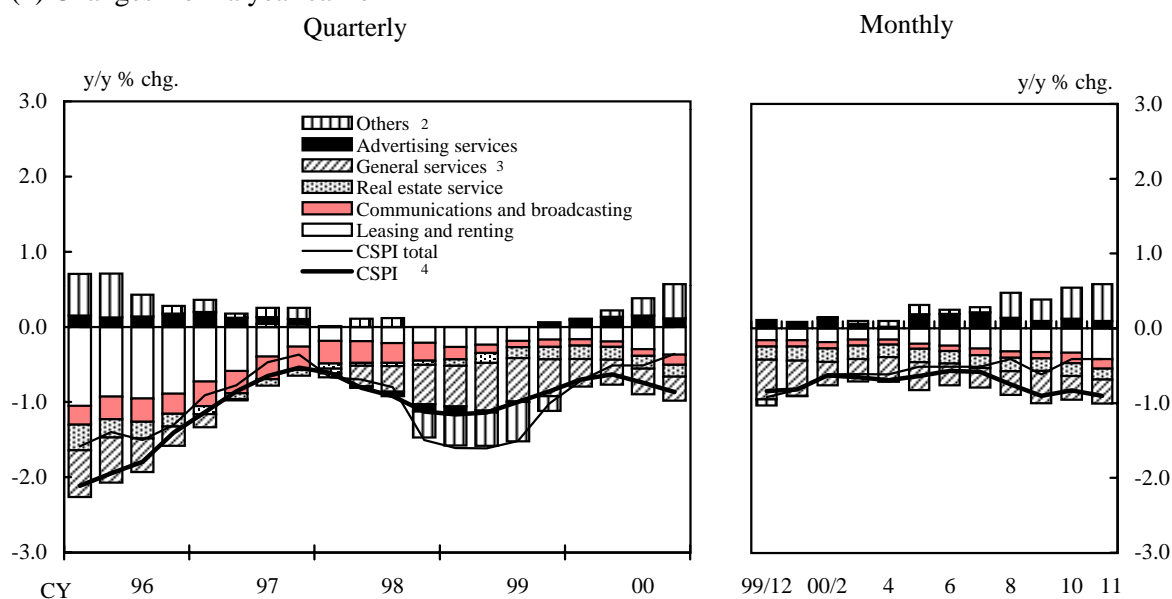
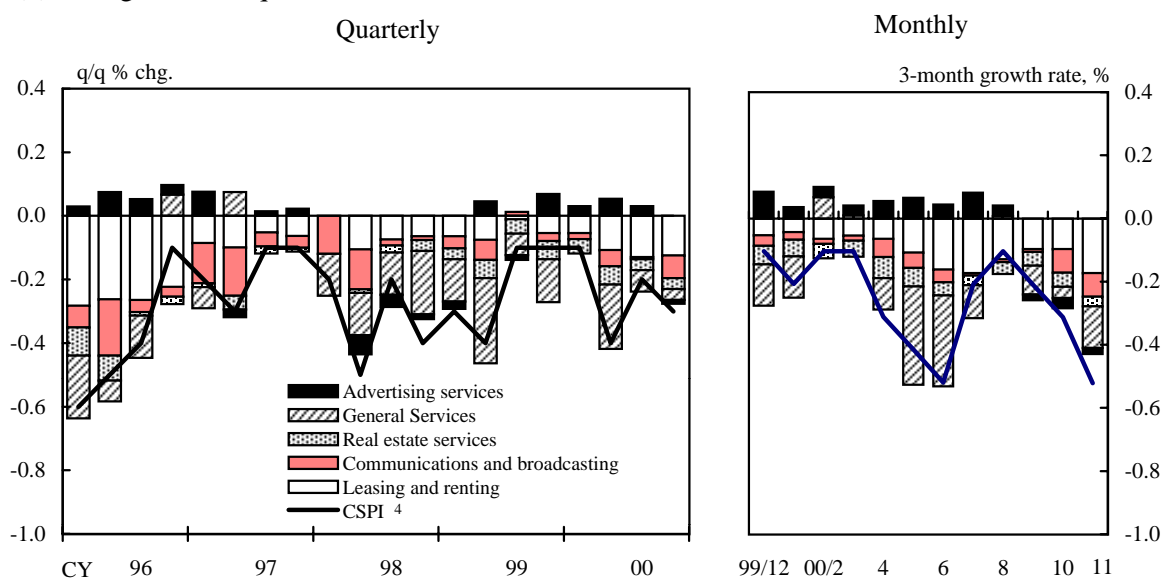
6. Machinery = electrical machinery + general machinery + transportation equipment + precision instruments.

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

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

Corporate Service Price Index¹

(1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier⁵

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 are seasonally adjusted by X-12-ARIMA (β version).

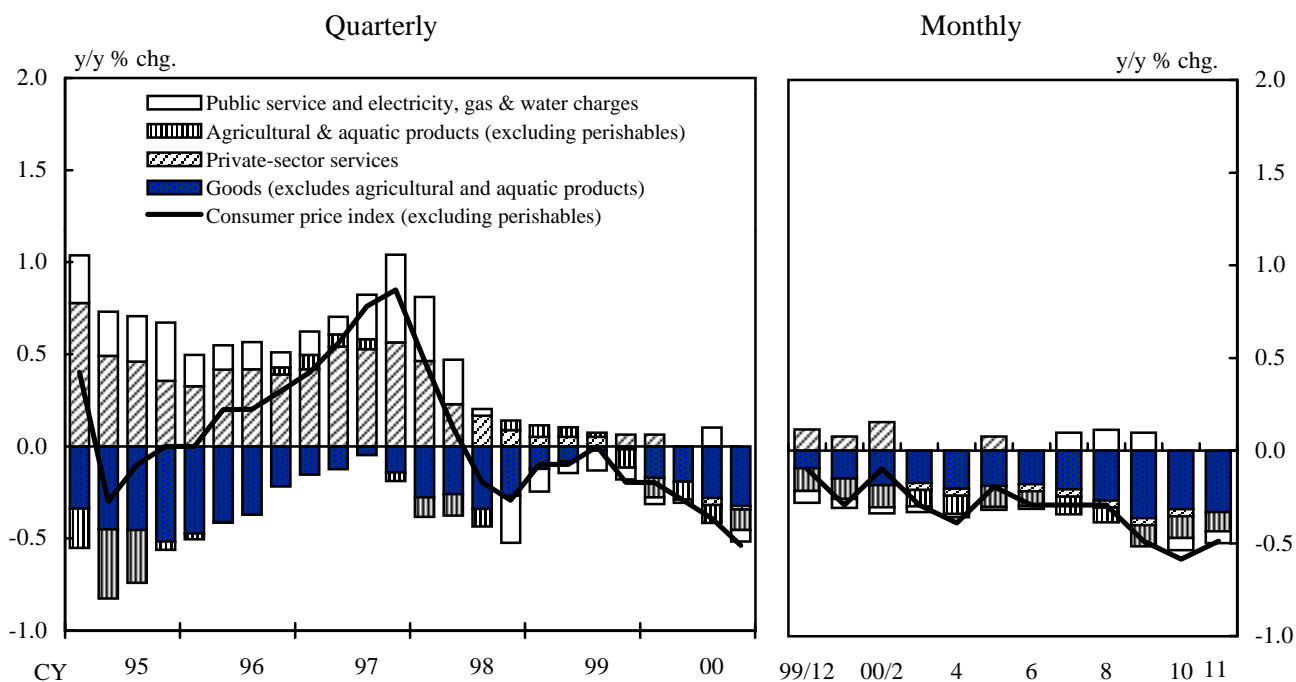
Due to seasonal adjustment every month, these data services are revised retroactively every month.

6. Data for 2000/Q4 are those of the Oct.-Nov. average.

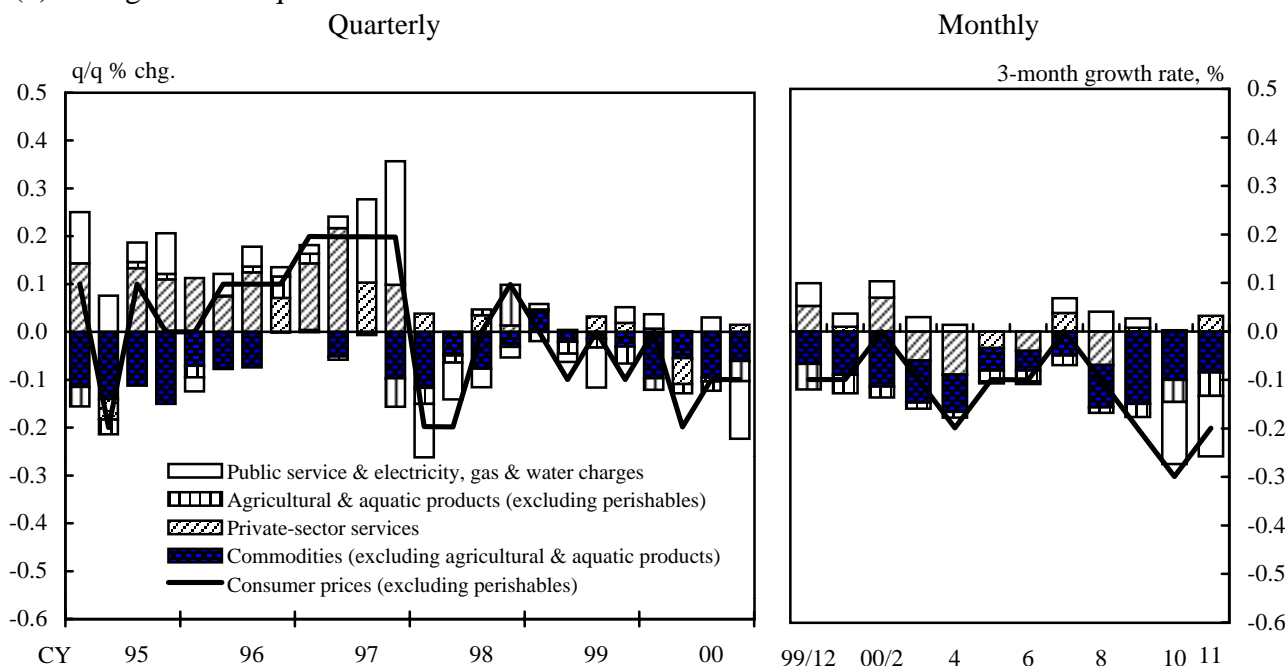
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (excluding perishables)¹

(1) Changes from a year earlier



(2) Changes from a quarter earlier and 3 months earlier²

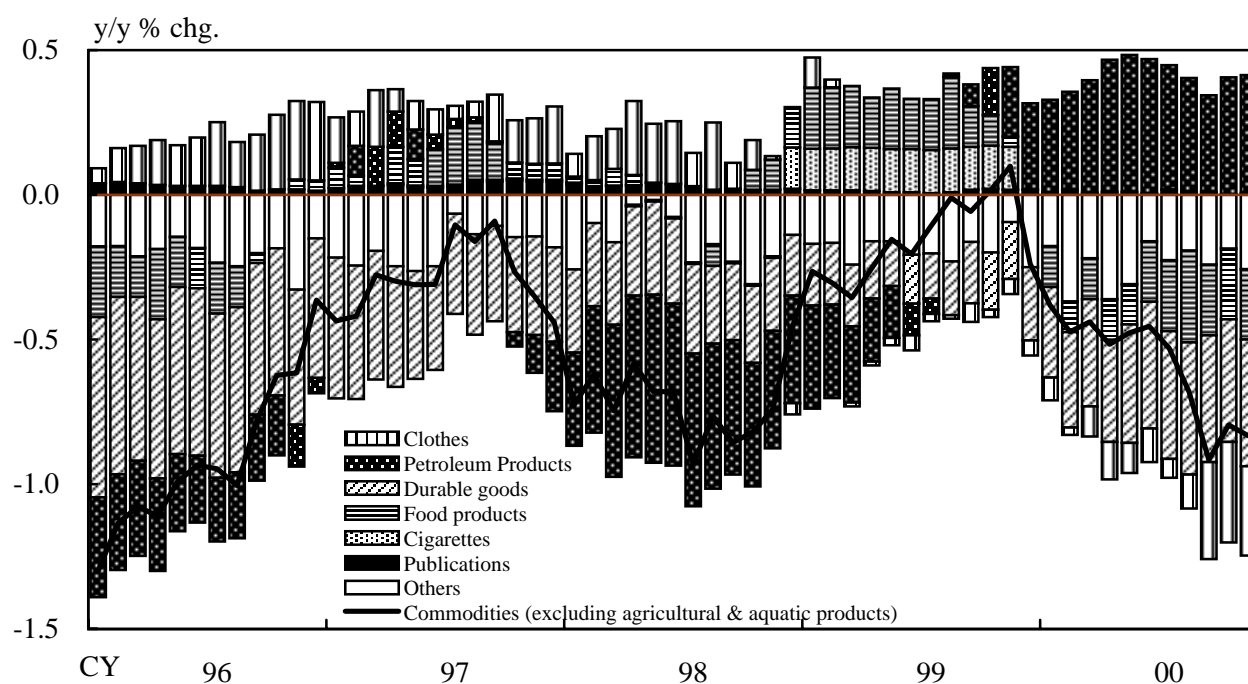
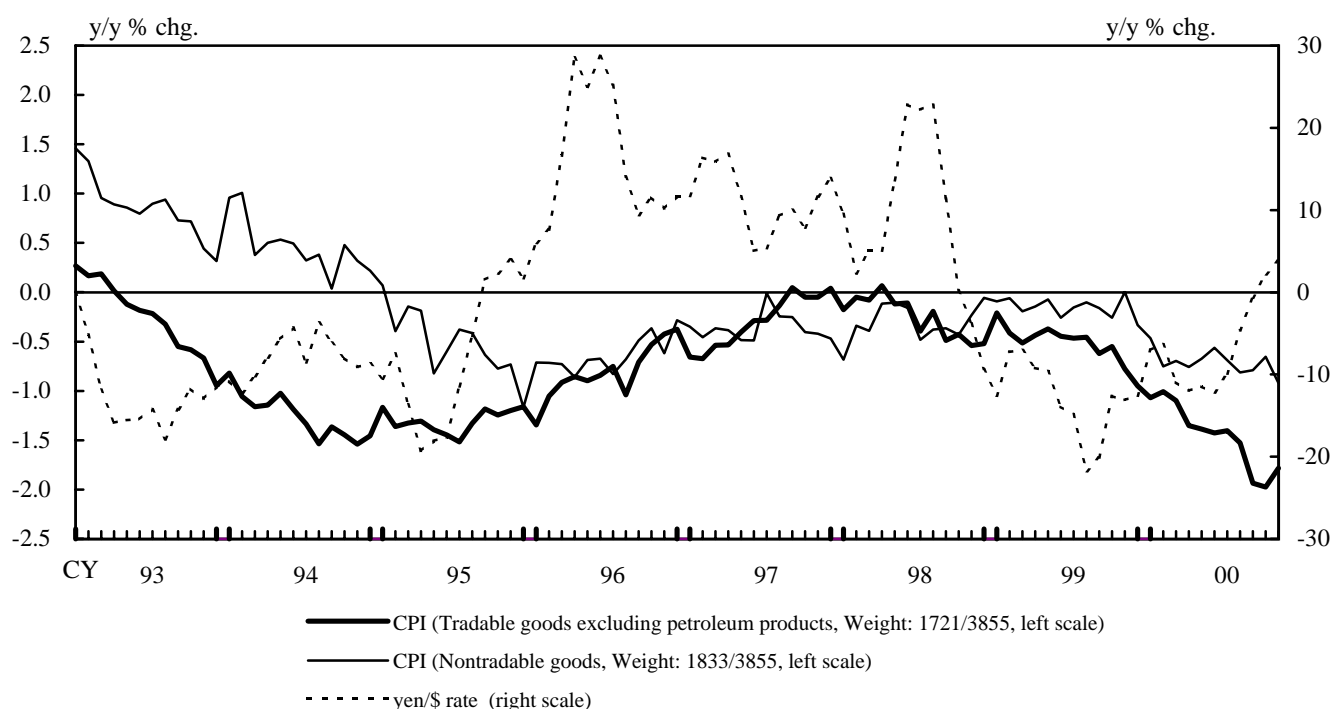


- Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
- 2. Seasonally adjusted. Due to seasonal adjustment every month, these data series are revised retroactively every month. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.
- 3. Data for 2000/Q4 are those of the Oct.-Nov. average.

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "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.

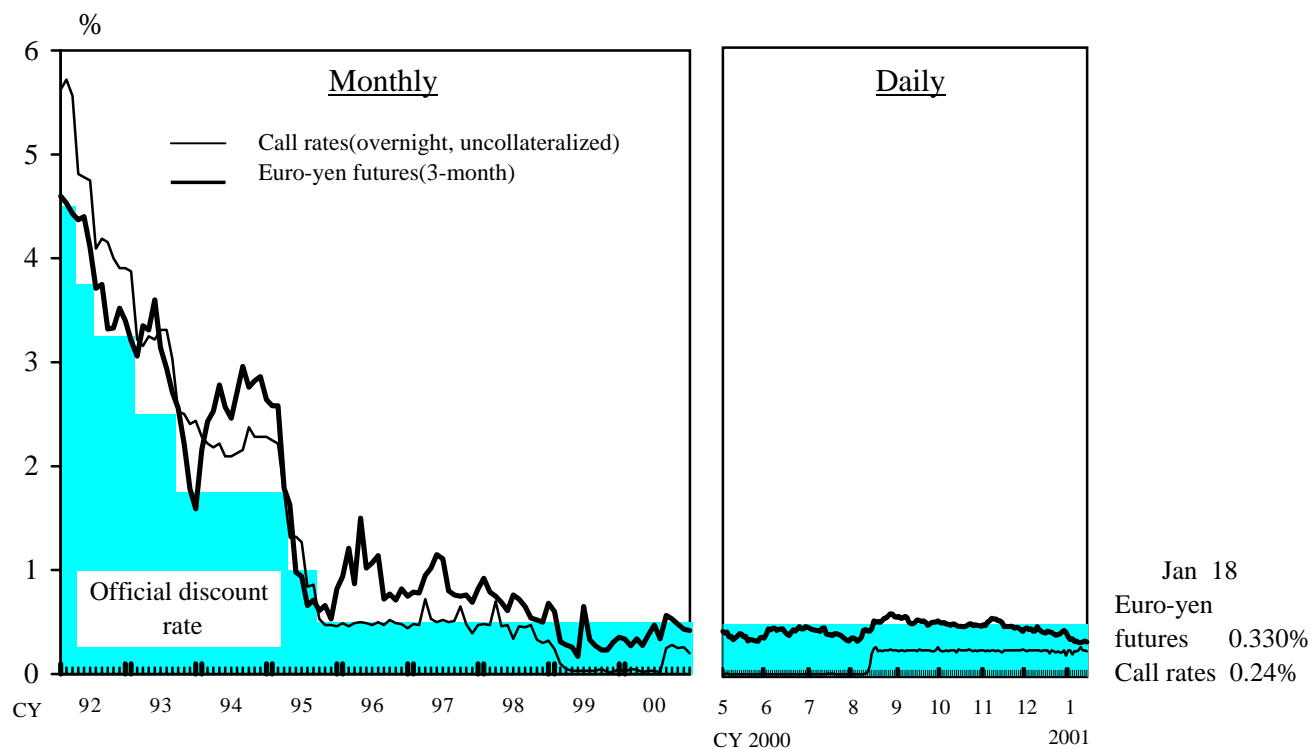
2. Imported goods (excluding petroleum products) consist of items common to both Import Price Index and Consumer Price Index.

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. Weight are shares in commodities (excluding perishables).

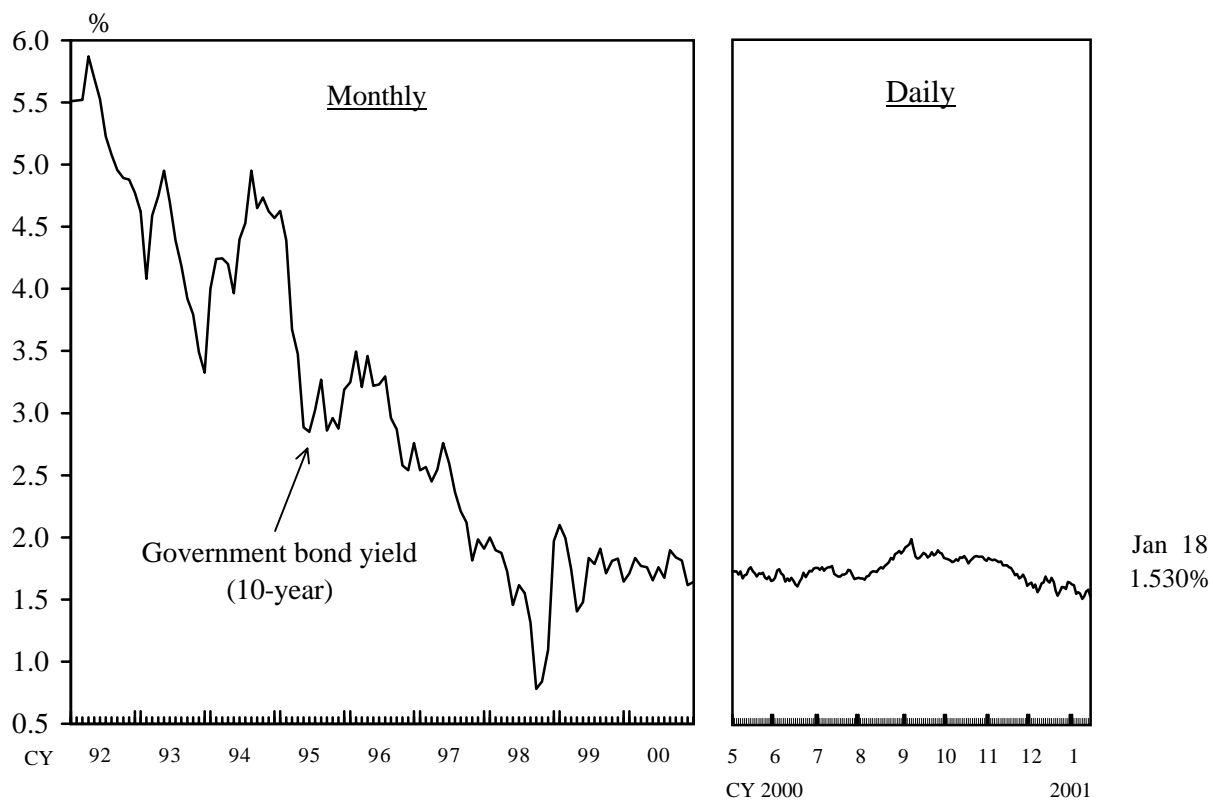
Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index."

Interest Rates

(1) Short-Term



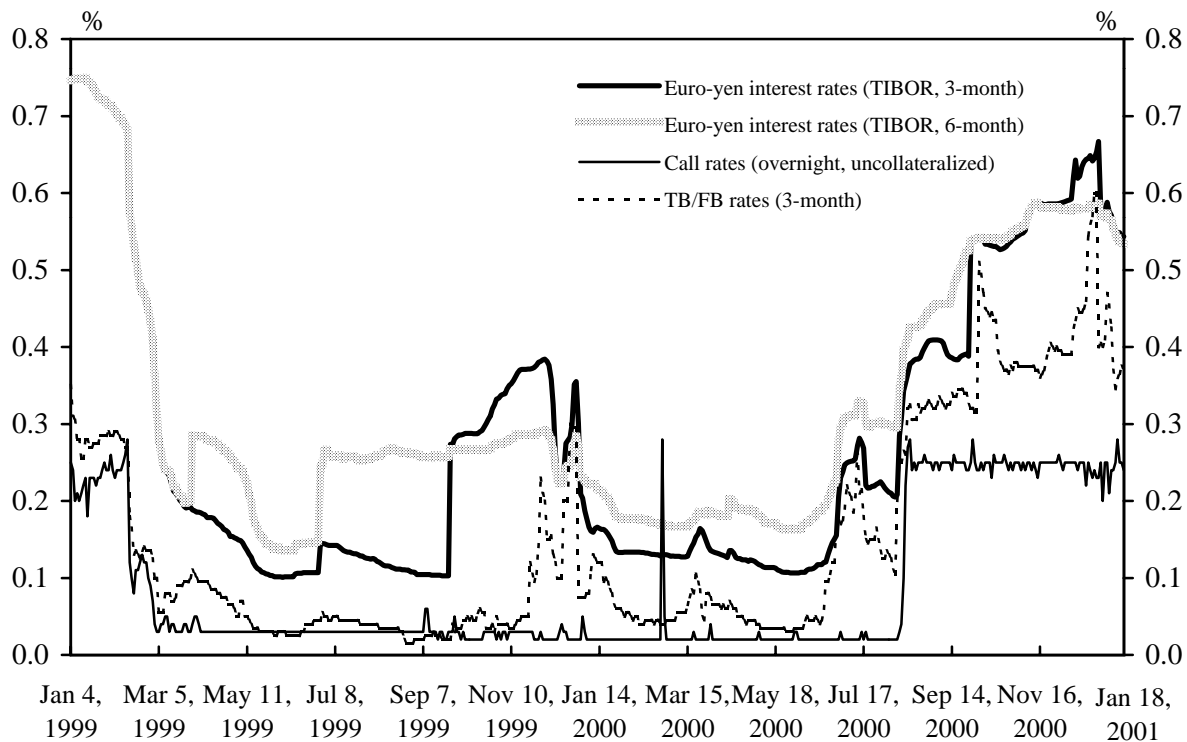
(2) Long-Term



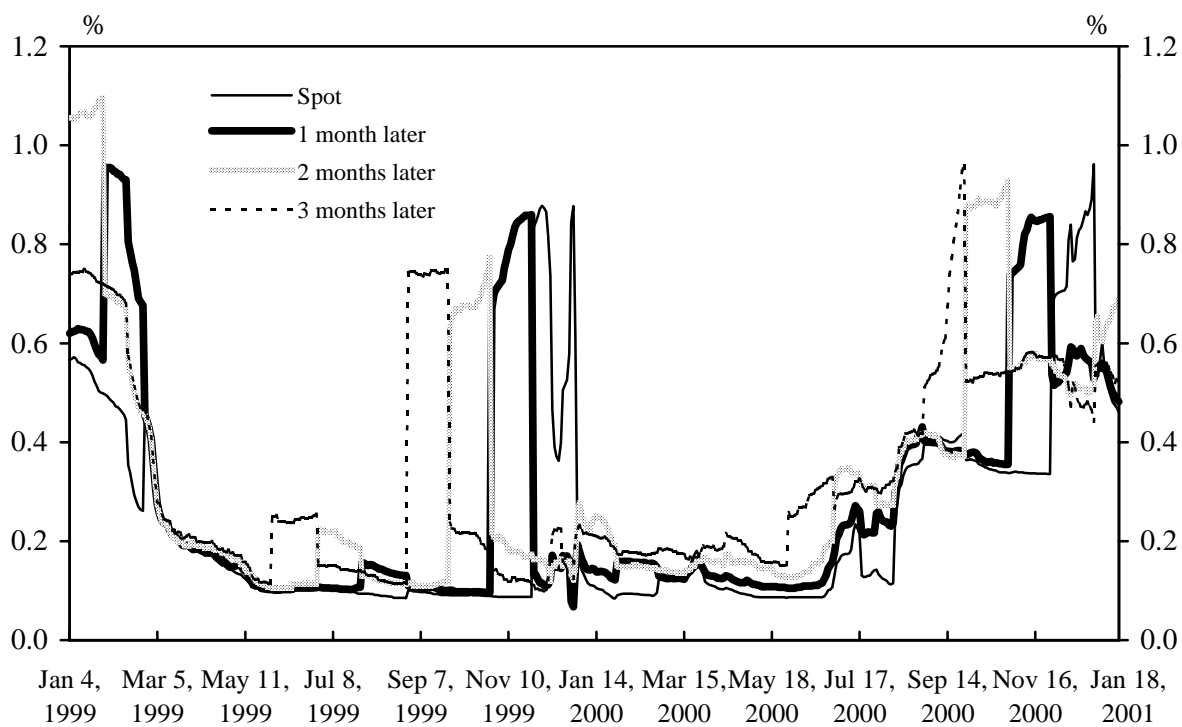
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

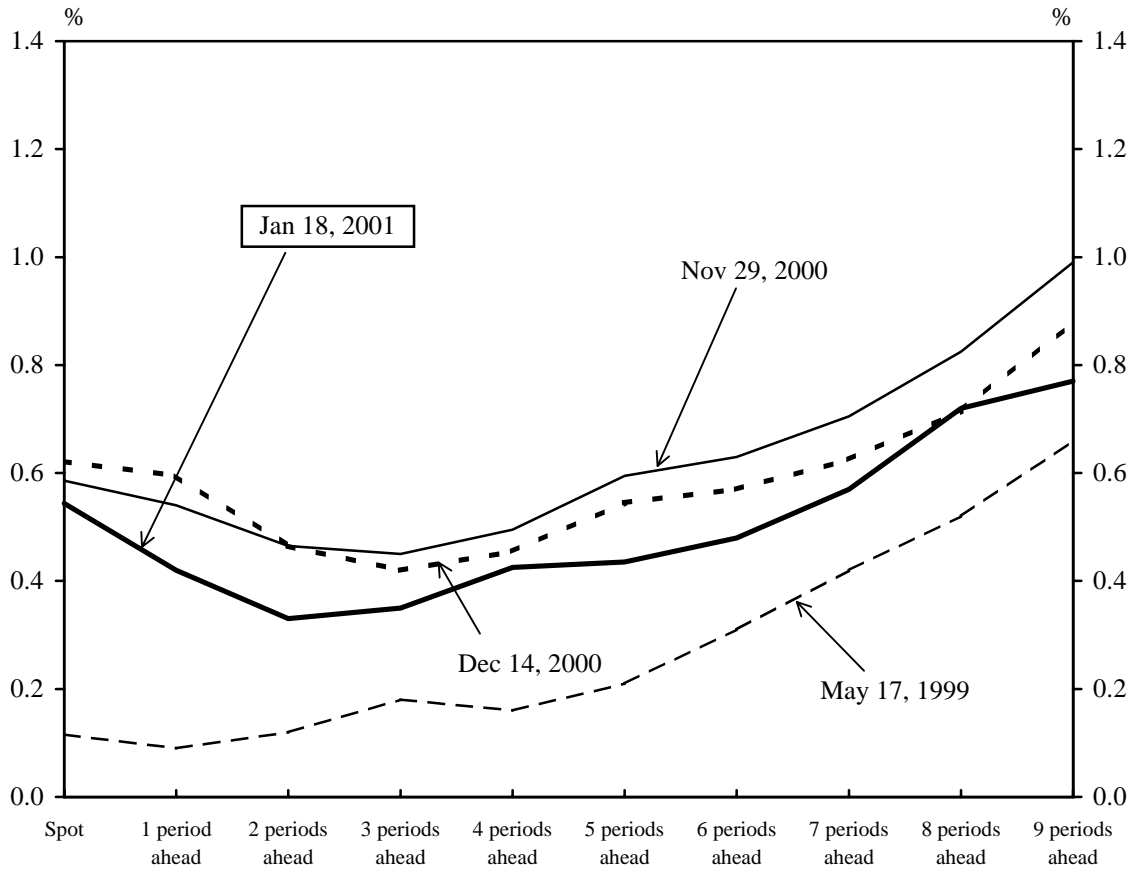


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

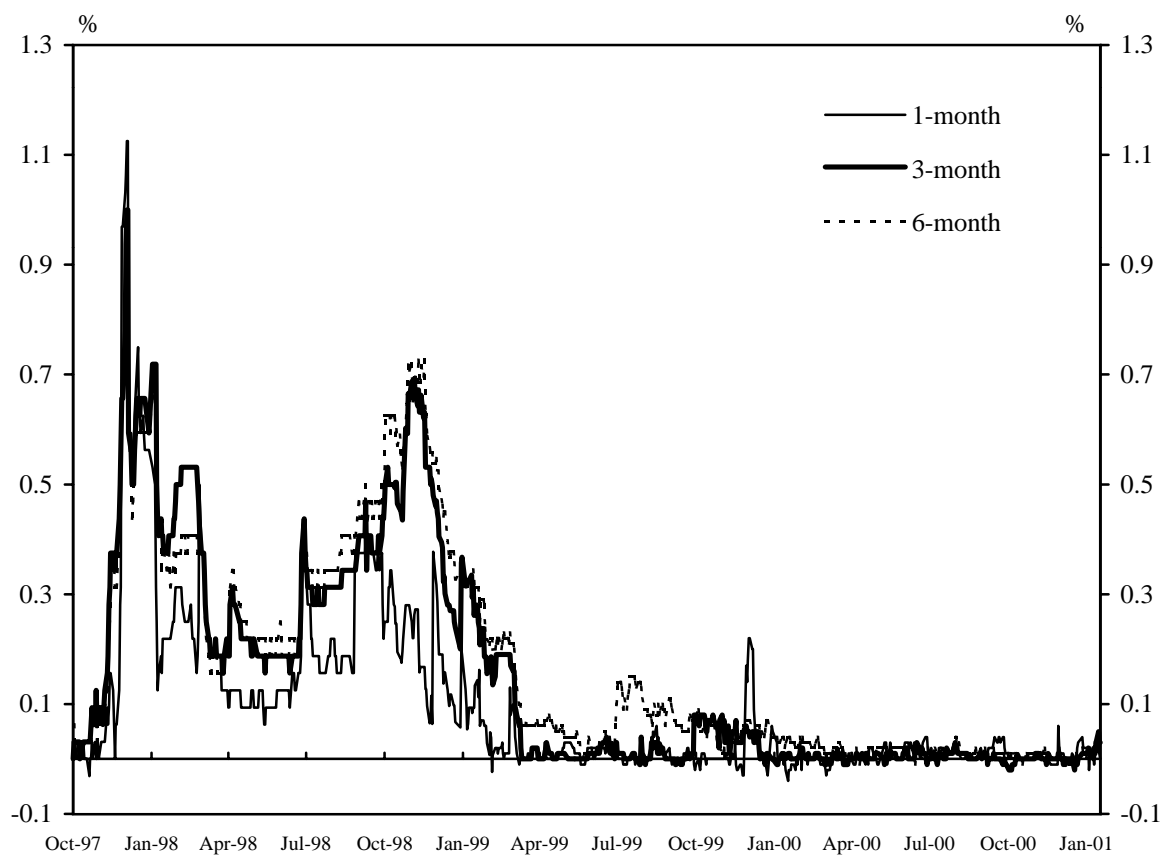


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Euro-Yen Interest Rates Futures (3-Month)



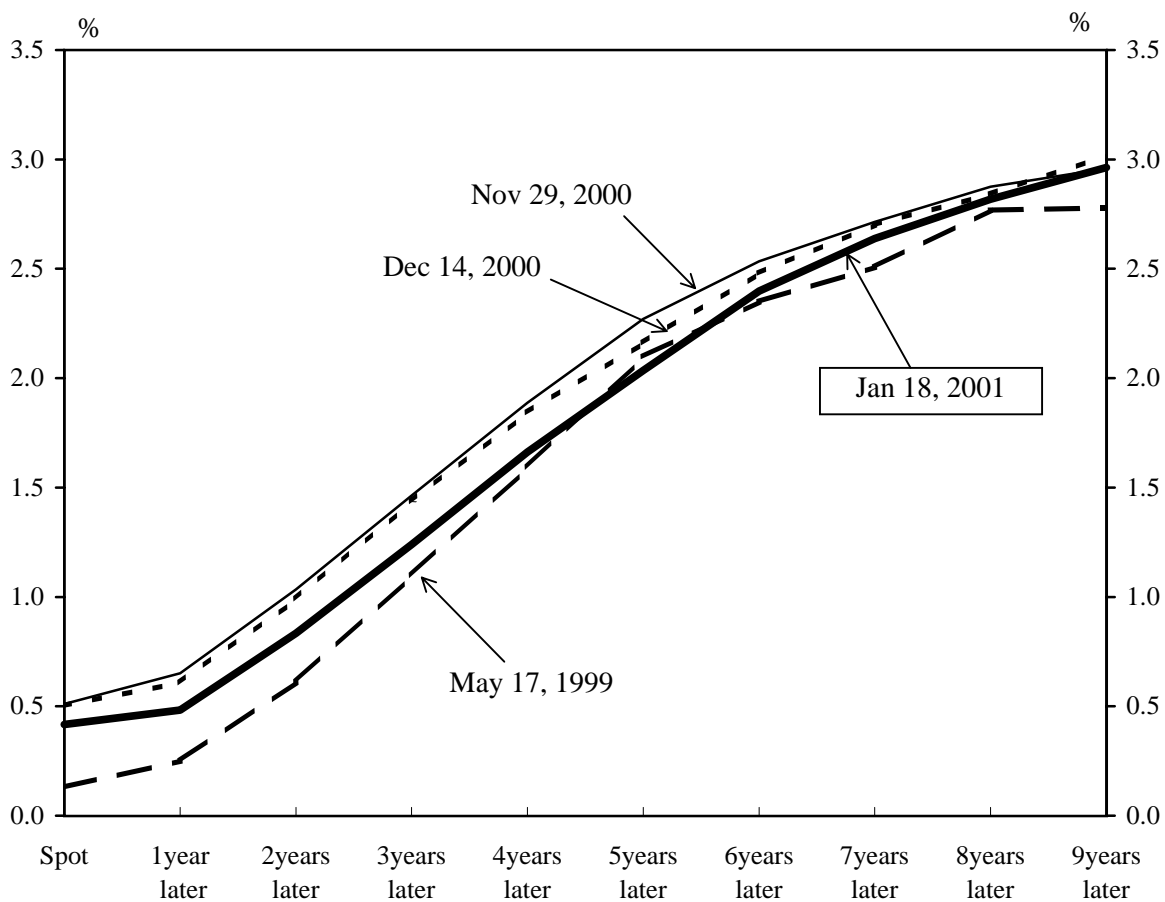
Source: Tokyo International Financial Futures Exchange.

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

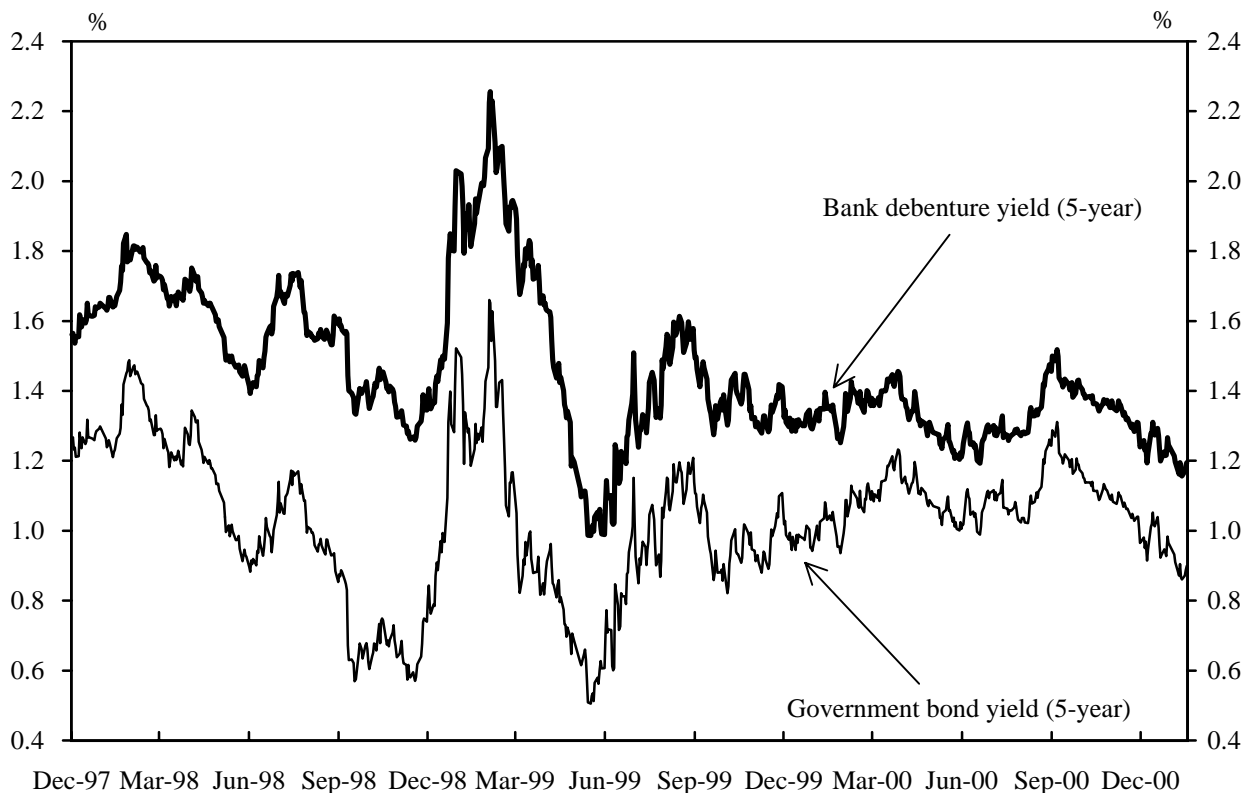


Note: 1. Calculated from yen-yen swap rates.

Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



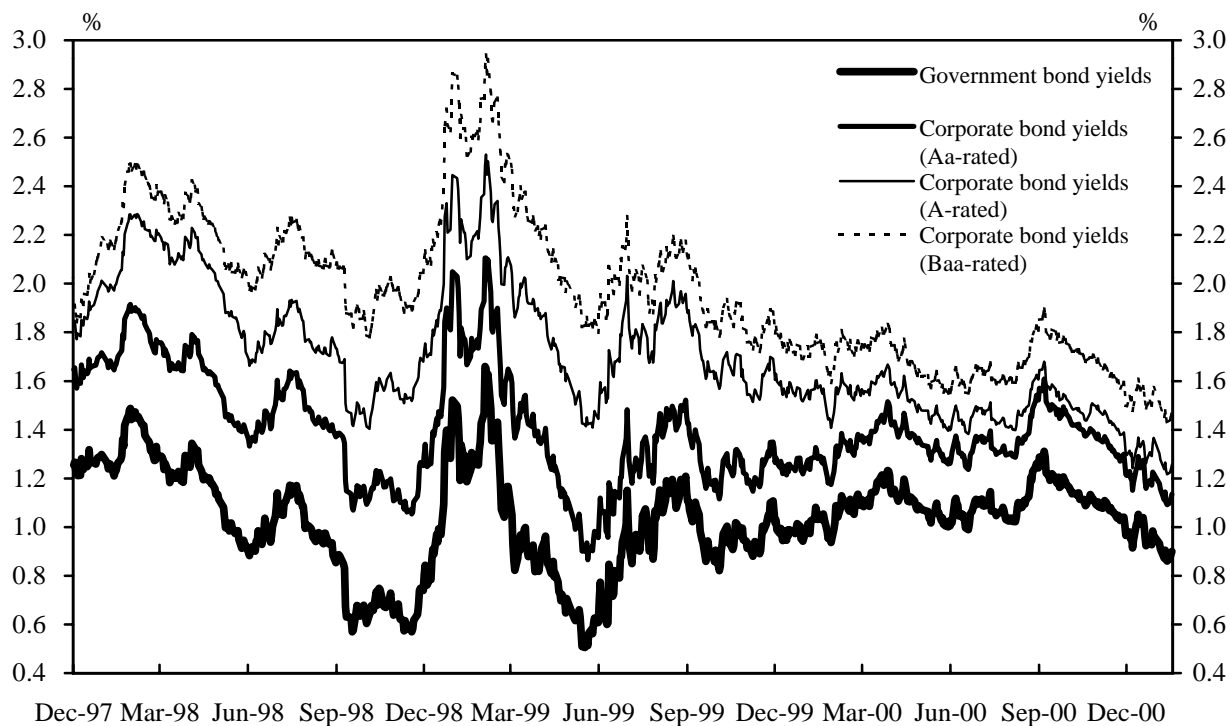
(2) Spread of Bank Debenture and Government Bond Yield



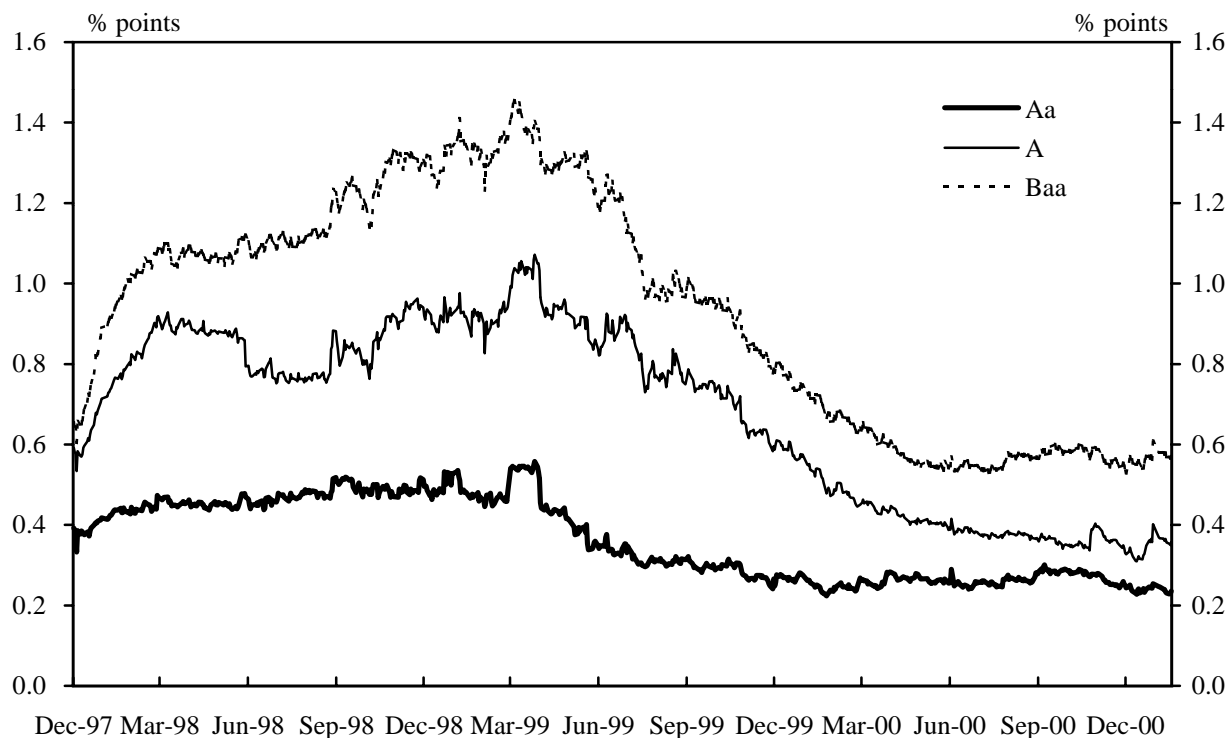
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields ¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



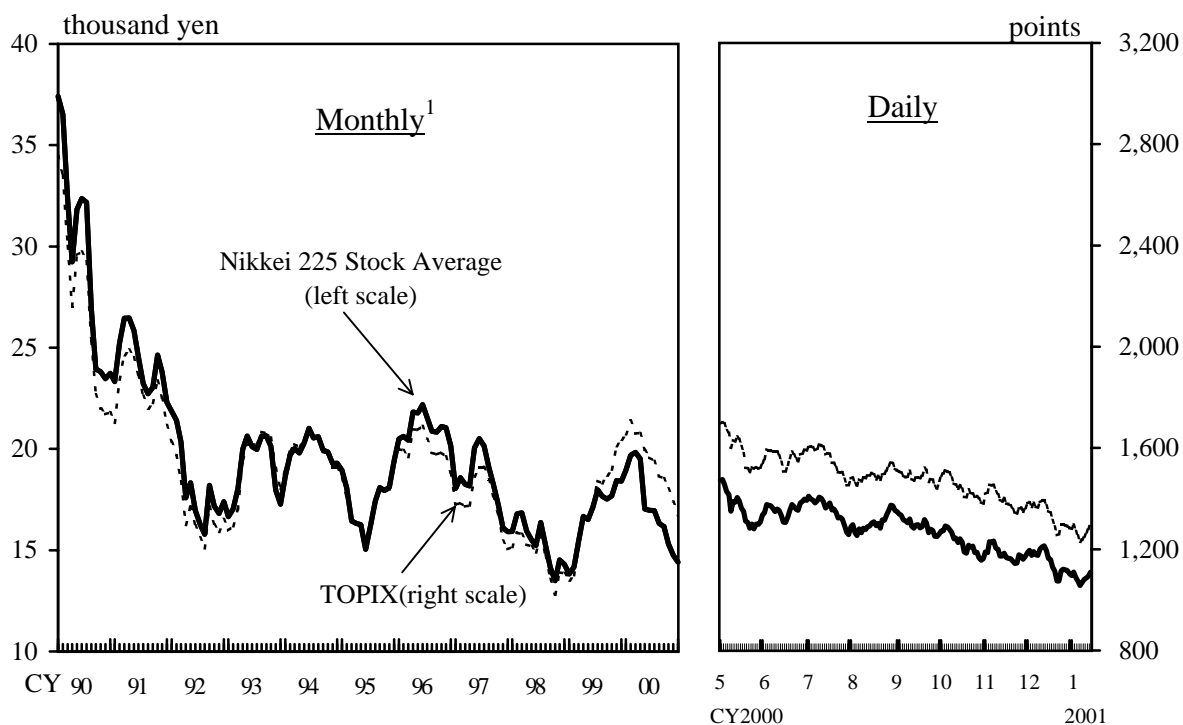
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

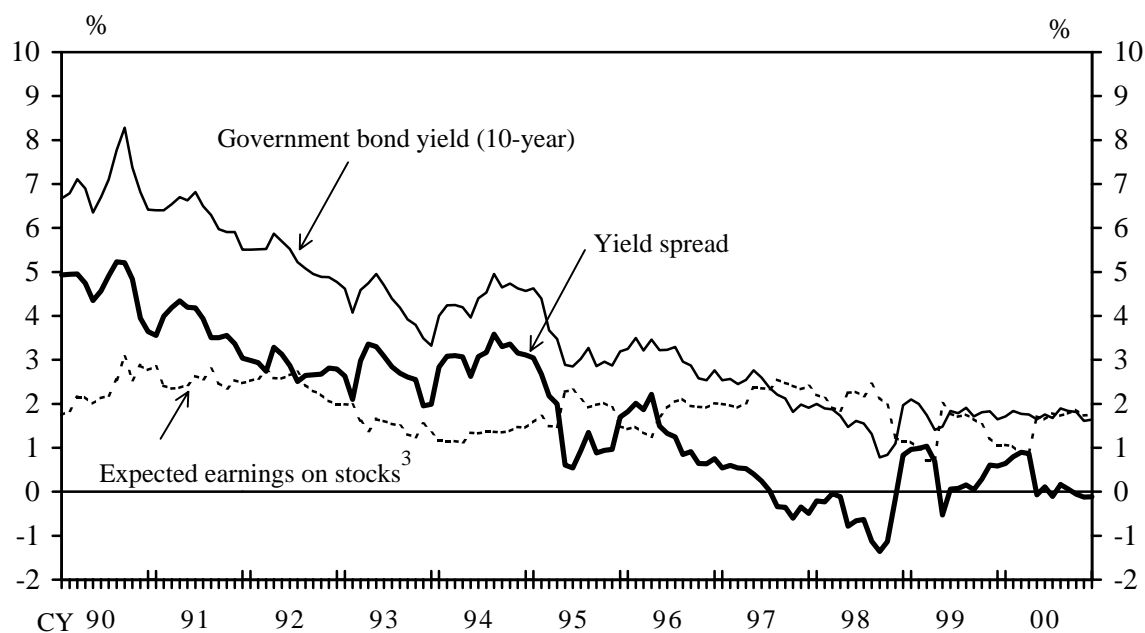
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



(2) Yield Spread ²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

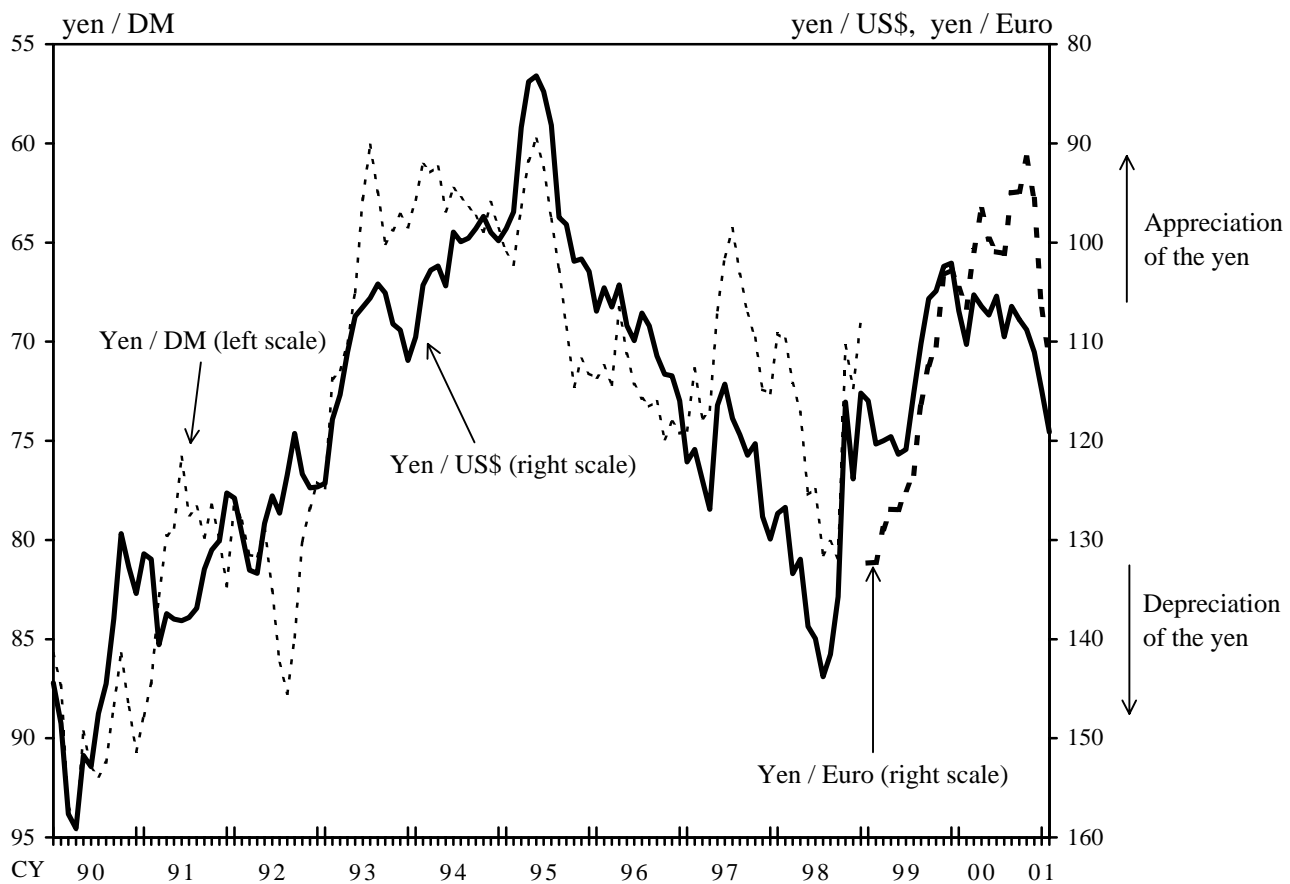
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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

Data (unconsolidated) are calculated by the Daiwa Research Institute.

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

Exchange Rates ¹

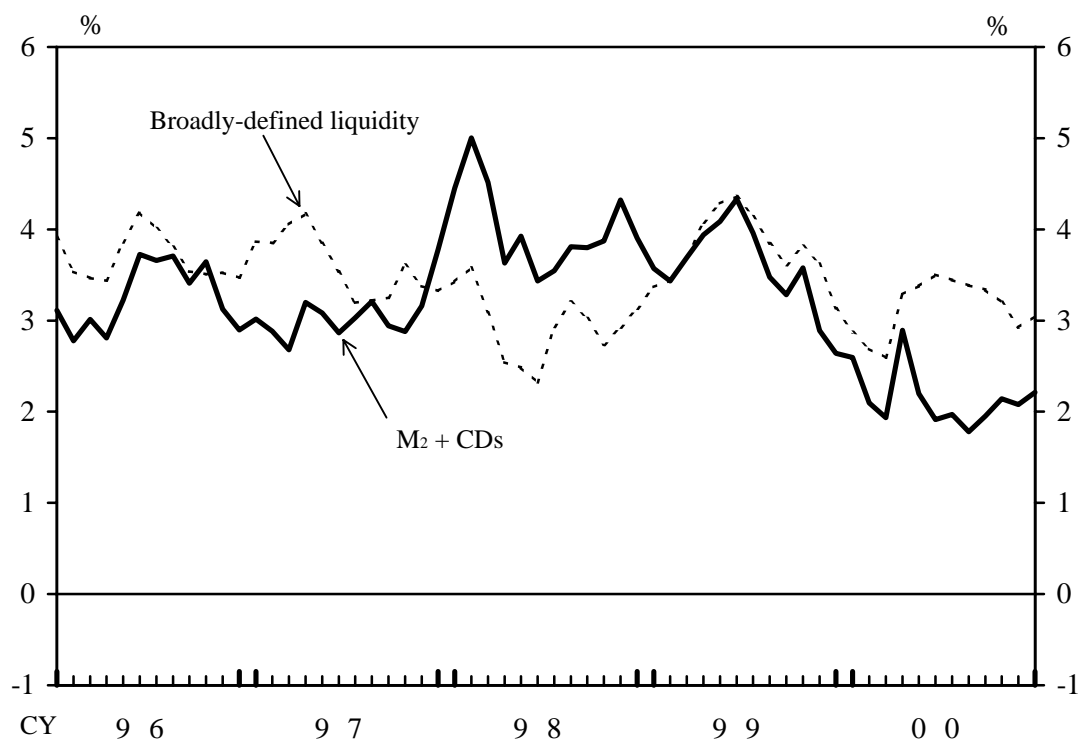


Note: 1. End of month. Data for January 2001 are as of January 18, 2001.

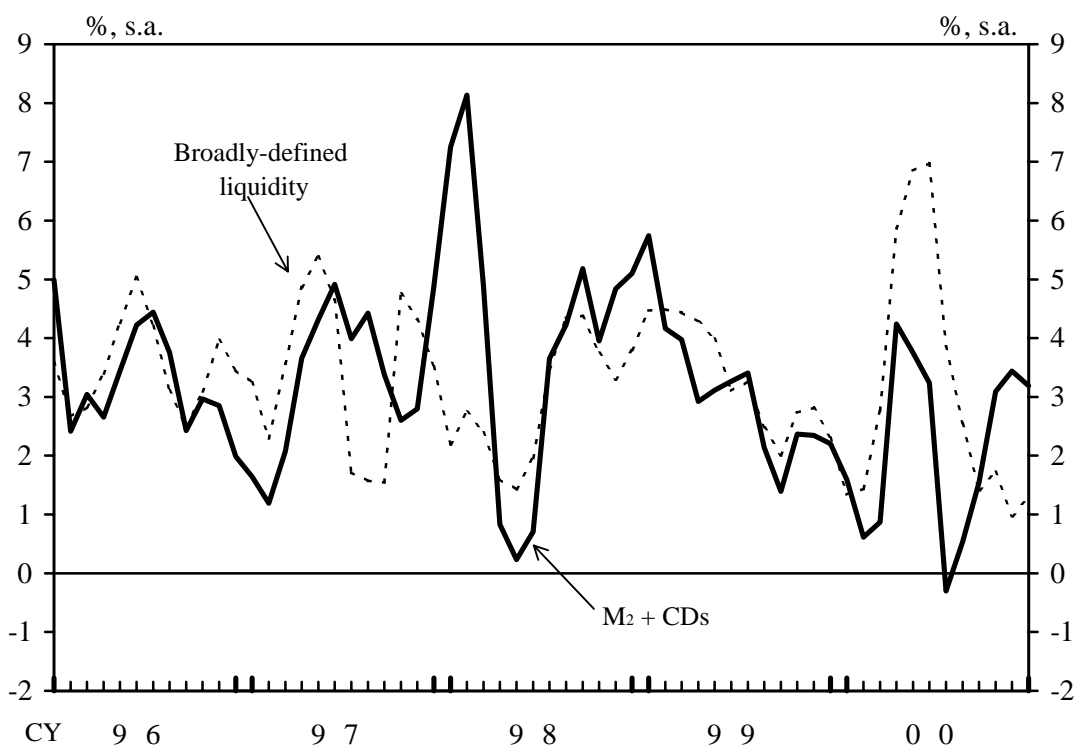
Source: Bank of Japan.

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

(1) Changes from a Year Earlier



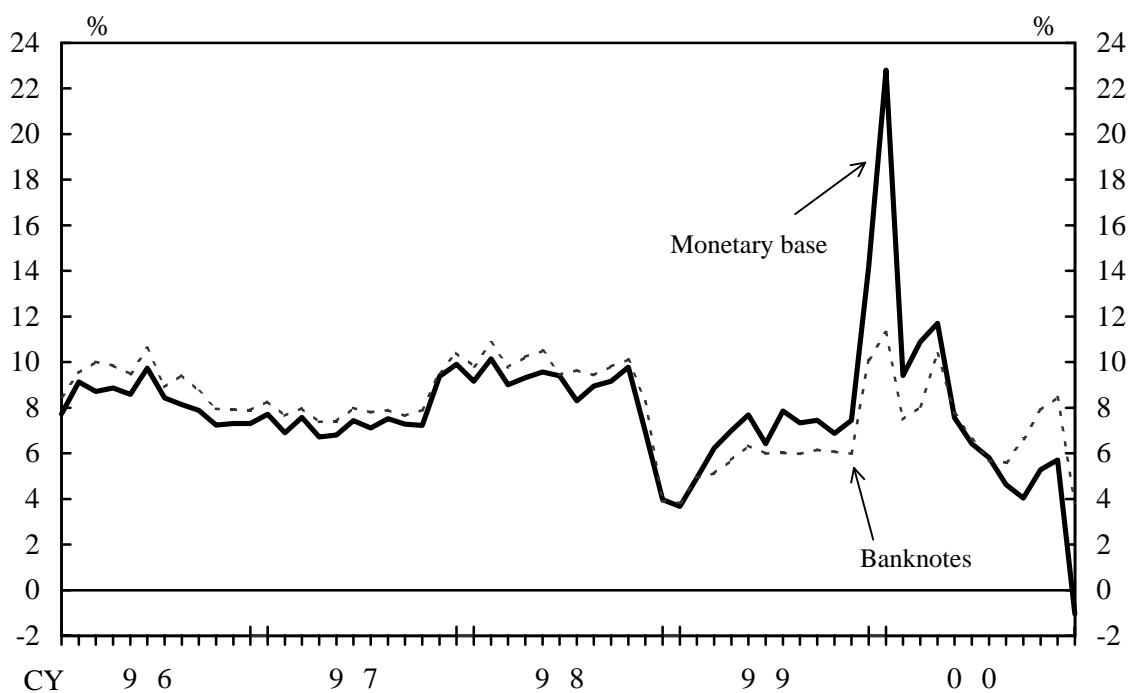
(2) Changes from Three Months Earlier (Annualized)



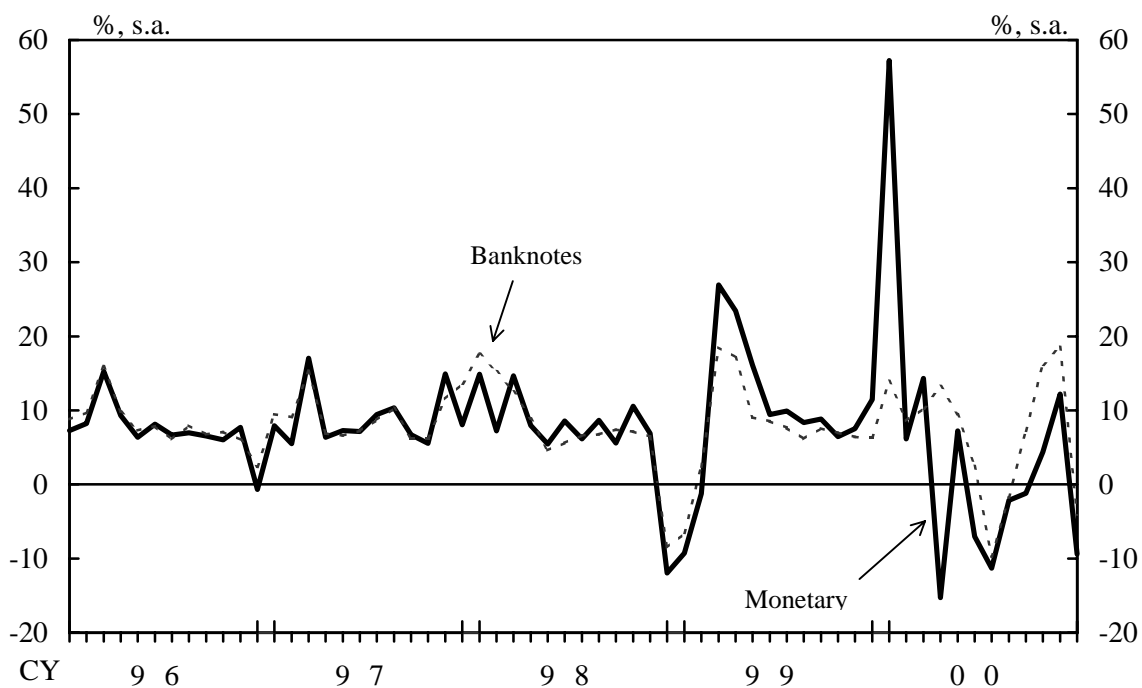
Note: Percent changes in average amounts outstanding.
 Source: Bank of Japan.

 Monetary Base

(1) Changes from a Year Earlier



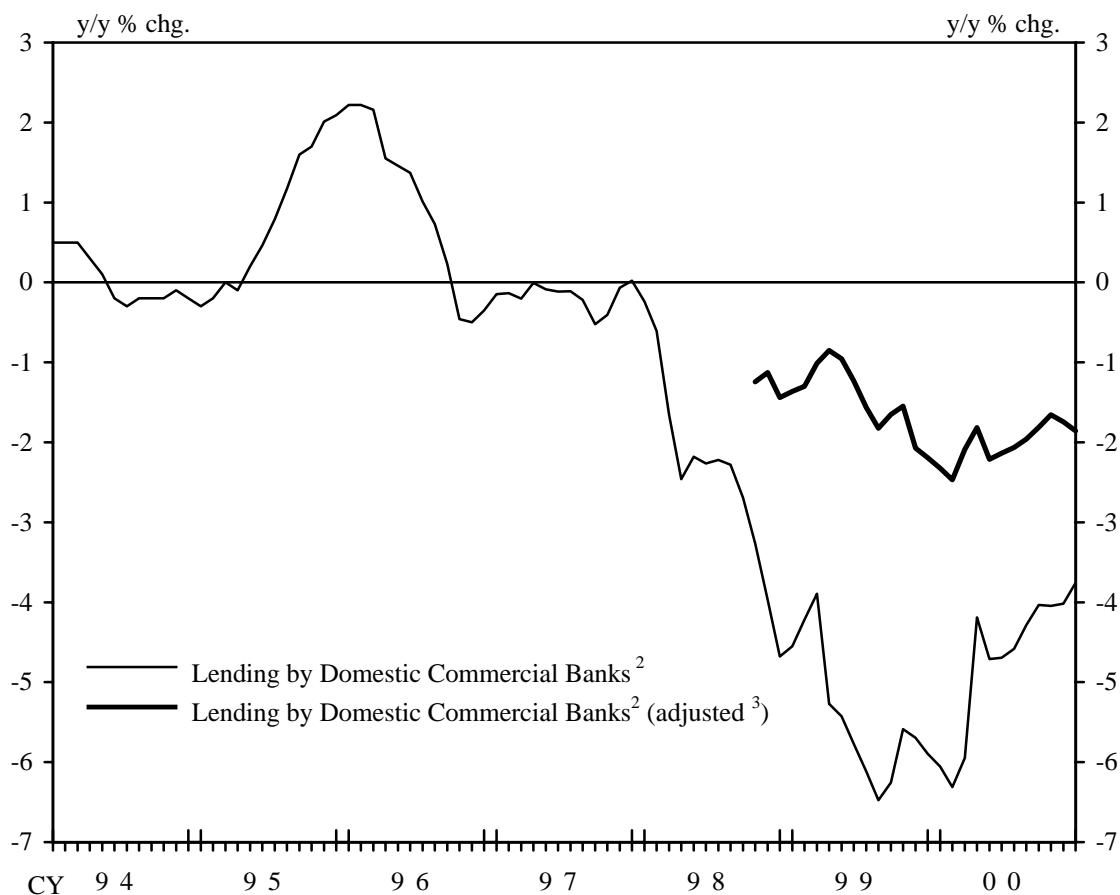
(2) Changes from Three Months Earlier (Annualized)



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).

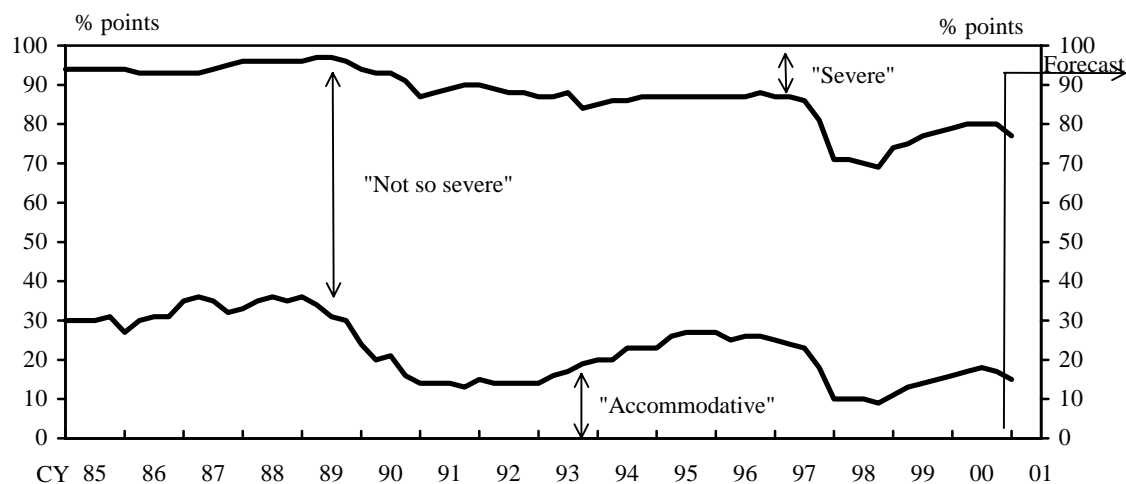
3. Adjusted to exclude

- (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.

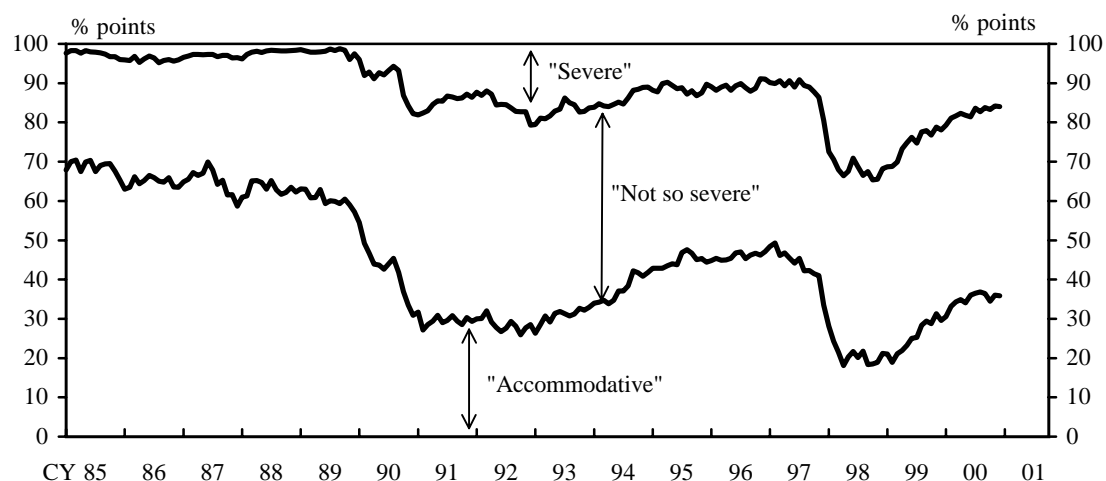
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

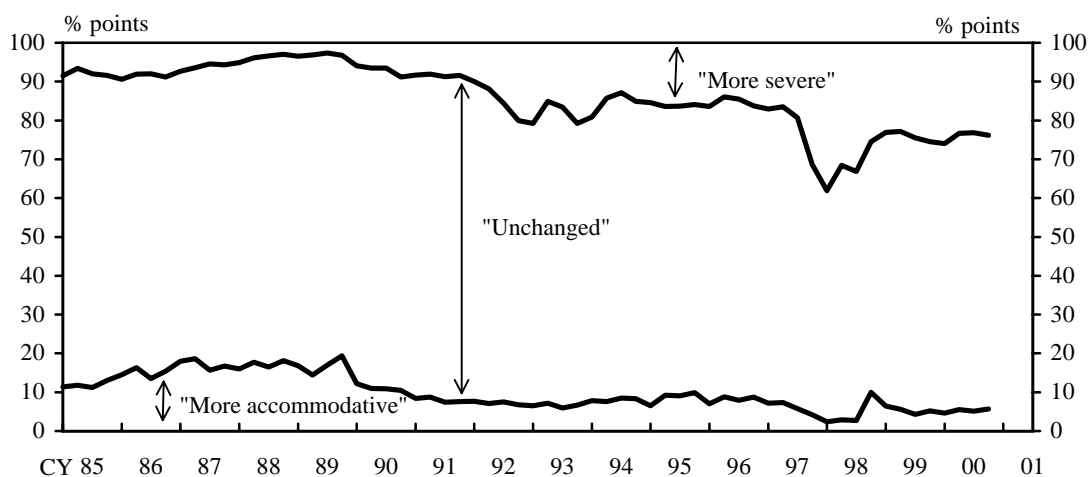
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (December, 2000)



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

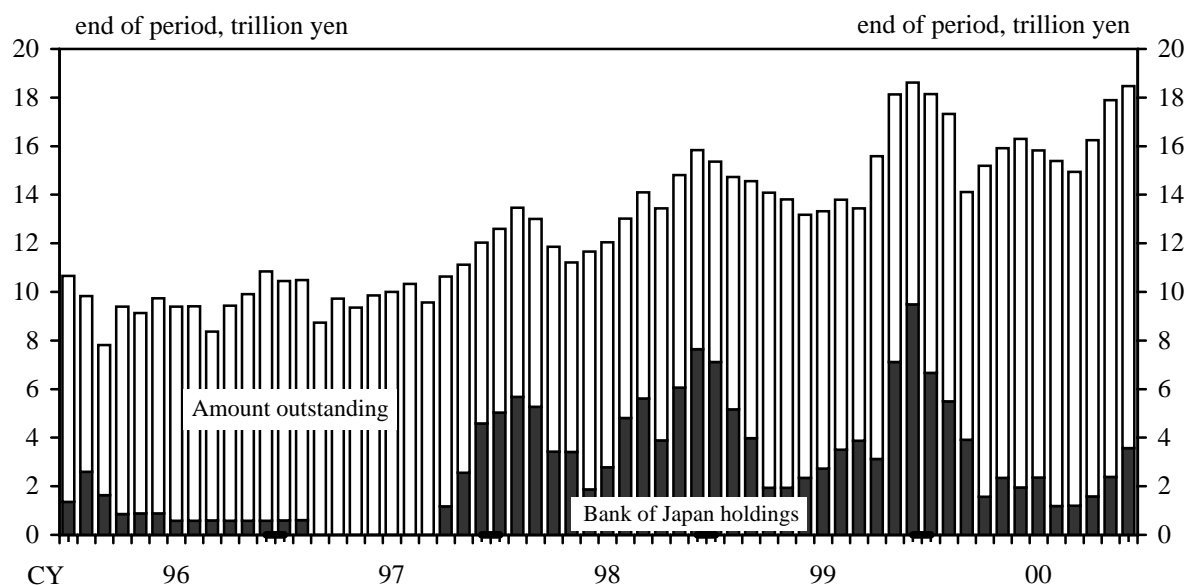


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-December, 2000)



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)

	Jul. 2000	Aug. 2000	Sep. 2000	Oct. 2000	Nov. 2000	Dec. 2000
Volume	4,437	10,485	11,065	5,966	5,373	6,246
(previous year)	(10,358)	(5,417)	(10,485)	(5,456)	(8,684)	(7,023)

(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.

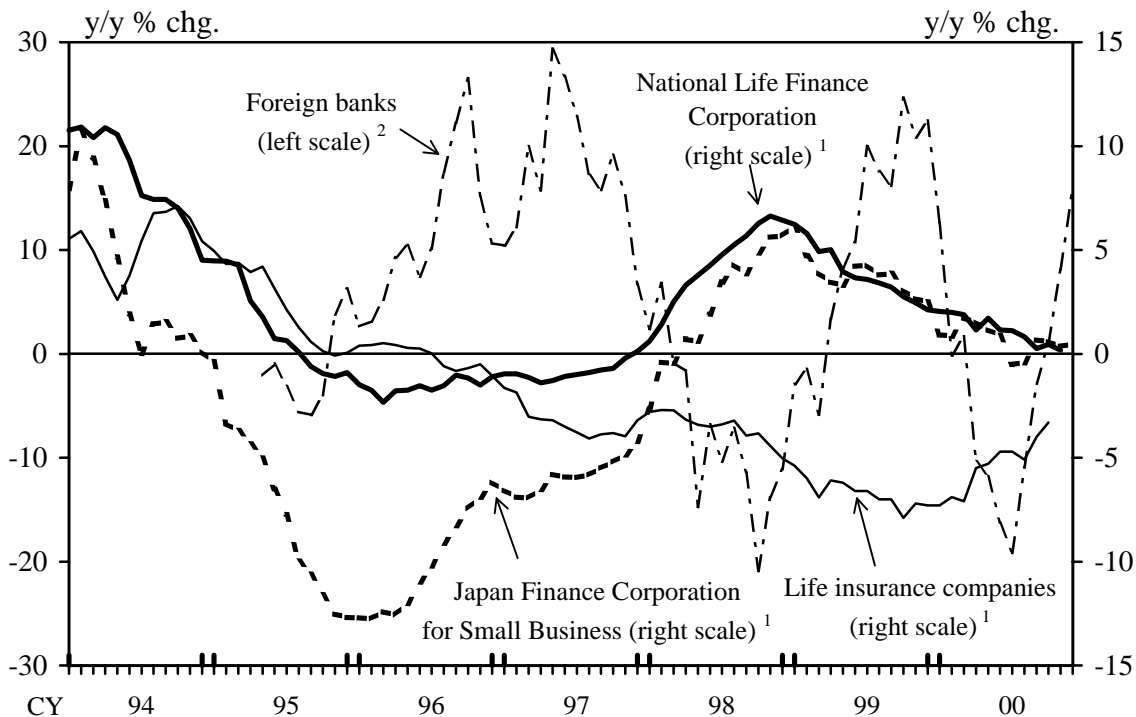
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

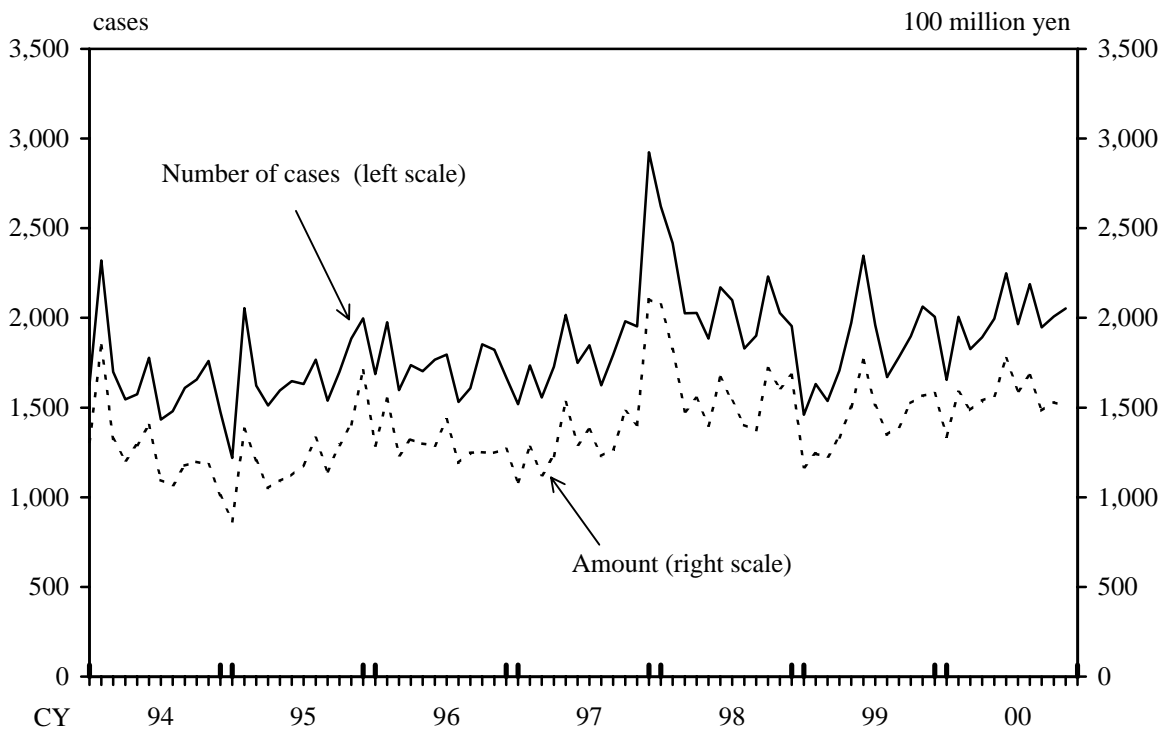
Lending by Other Financial Institutions

(1) Lending Outstanding



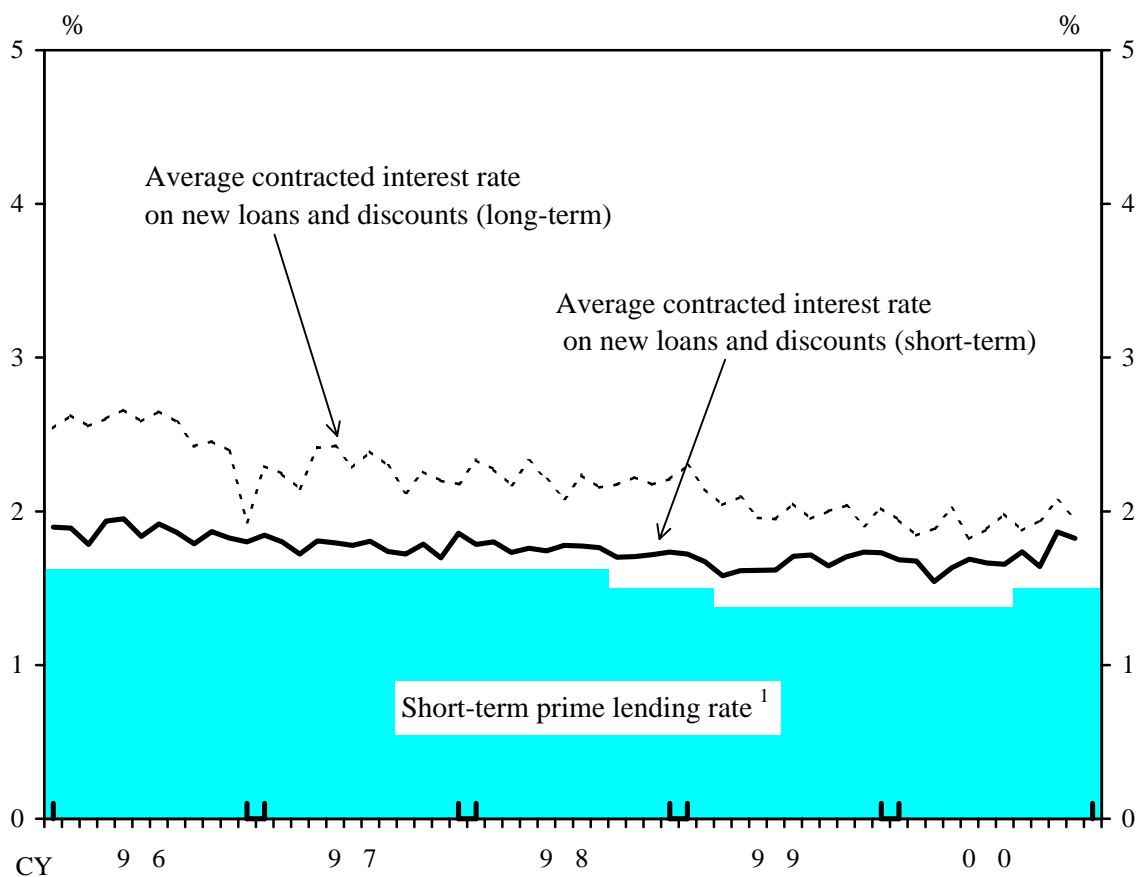
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

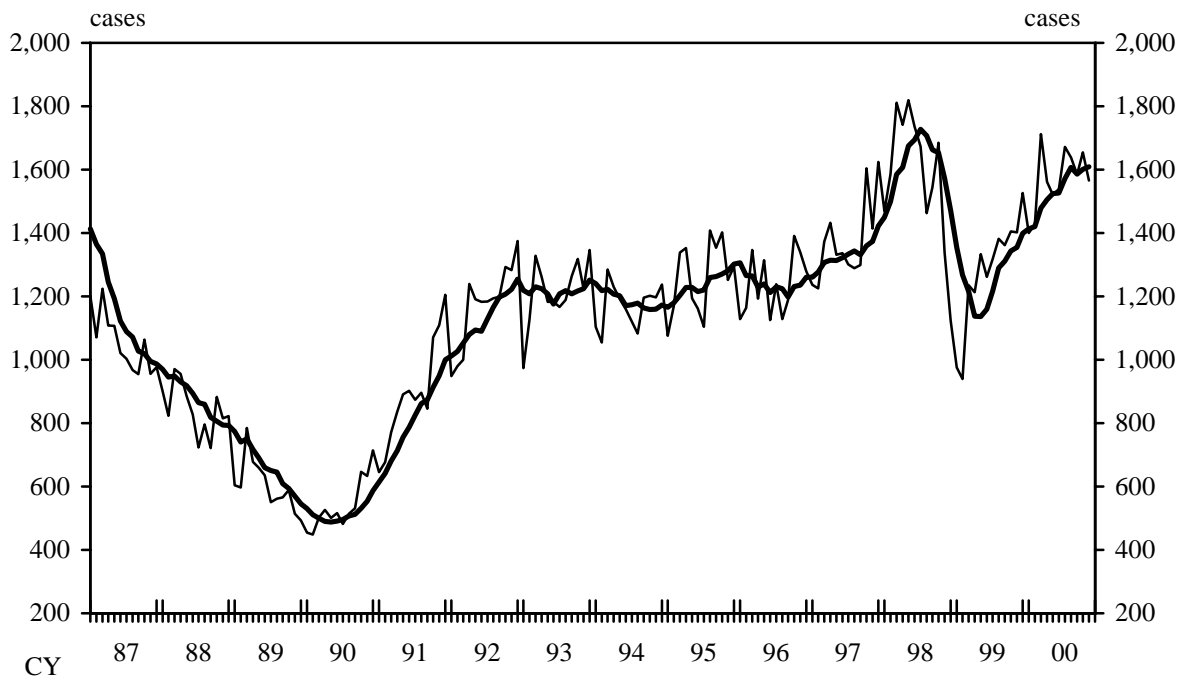


Note: 1. Data are at end of period.

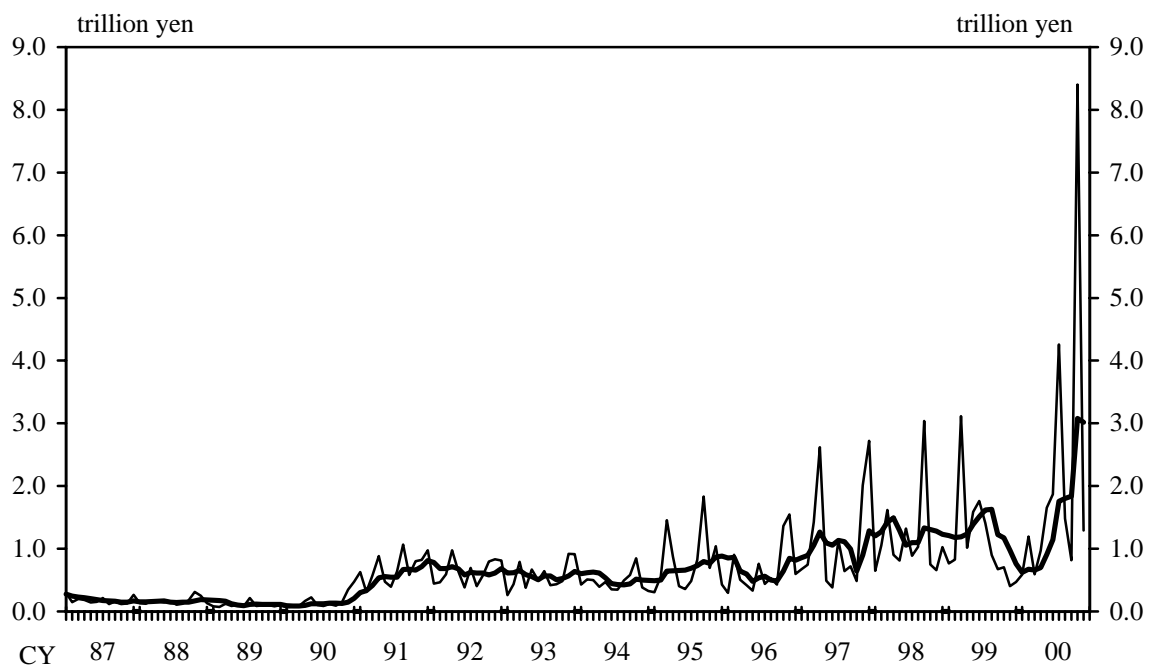
Source: Bank of Japan.

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)."