

March 22, 2001  
Bank of Japan

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

(English translation prepared by the Bank staff based on the Japanese original  
released on March 21, 2001)

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

March 2001

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

The recovery in Japan's economy has recently come to a pause, reflecting a decrease in exports.

With regard to domestic demand, business fixed investment is increasing. The recovery in private consumption continues to be weak as a whole, but there are somewhat positive signs in some indicators. Housing investment is virtually unchanged. Public investment is bottoming out.

While domestic demand remains steady, net exports (real exports minus real imports) are plummeting reflecting a sharp slowdown in overseas economies such as in the U.S. and East Asia. Mainly due to these developments, industrial production is starting to decline, and inventories of some materials and electronics parts are becoming excessive. Corporate profits continue to improve but the pace is thought to be slowing significantly, particularly in the manufacturing industries, as exports and production are recently weakening. Income conditions of households have not deteriorated but the effects of the decline in production are starting to be observed in new job offers and overtime working hours.

As for the outlook, public investment is expected to start increasing with the advance in the implementation of the supplementary budget for fiscal 2000. Net exports, however, are likely to continue decreasing for a while, as adjustments in overseas economies will take some time. Leading indicators suggest that business fixed investment is likely to peak out gradually, although there will be a backlog of orders to be implemented for a while. In addition, the need for inventory adjustments, although not to a large extent, is heightening for some goods. Thus,

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<sup>1</sup> This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on March 19, 2001.

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

industrial production is expected to follow a declining trend. In these circumstances, the increase in corporate profits is likely to be subdued, and recoveries in household income and consumption are projected to be sluggish.

Overall, the economy will likely remain stagnant for some time. Meanwhile, it is generally thought that overseas economies, particularly the U.S., will follow a gradual recovery trend from the latter half of 2001. In this case, together with the effects from the depreciation of the yen, exports are expected to underpin the economy once again. However, attention should still be paid to the possibility of a prolonging deceleration of overseas economies and risks of a negative impact on the economy induced by developments in foreign and domestic capital markets through corporate and household confidence.

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. Consumer prices continue to be somewhat weak owing to the decline in prices of imported products and their substitutes. Corporate service prices are falling slowly.

As for the conditions surrounding price developments, the recent yen depreciation is exerting upward pressures on prices. However, given the pausing economy as well as the heightening excessiveness of inventories, albeit the latter is observed only for some goods, the balance between supply and demand in the domestic market is likely to exert downward pressures on prices. In addition, the declining trend of machinery prices caused by technological innovations, the decrease in prices of consumer goods arising from the streamlining of distribution channels, and the reduction in communications fees aided by deregulation will continue to restrain price developments. Overall, prices are expected to be somewhat weak for the time being. Moreover, given the high uncertainties regarding future economic developments, possibilities that weak demand will intensify downward pressures on prices warrant careful monitoring.

In the financial market, the overnight call rate generally moved around 0.25 percent in February, and is moving around 0.15 percent from March in response to the

decision at the Monetary Policy Meeting held on February 28 to change the guideline of money market operations.<sup>3</sup>

Interest rates on term instruments are declining substantially due to the announcement of the improvements in the way of liquidity provision and monetary easing by the Bank. The Japan premium remains negligible.

Yields on long-term government bonds have declined to 1.1-1.2 percent due to the even more cautious view of market participants towards the economic outlook. The yield spreads between private bonds (bank debentures and corporate bonds) and government bonds are mostly unchanged or expanding somewhat.

Stock prices dropped substantially reflecting the decline in U.S. stock prices and the downward revision of the outlook on firms' profits.

In the foreign exchange market, the yen depreciated again from the end of February. The yen is currently being traded in the range of 122-124 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, credit demand of private firms continues to lack momentum as corporate demand for external funds is subdued, since firms' cash flow is at a high level. 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 year-on-year rate of decrease moderated somewhat in January and

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<sup>3</sup> "The Bank of Japan will encourage the uncollateralized overnight call rate to move on average around 0.15 percent."

February. Meanwhile, the amount outstanding of corporate bonds issued continues to be slightly above the previous year's level. The amount outstanding of CP issued remains at a high level.

Recently, the growth rate of money stock ( $M_2 + \text{CDs}$ ) is increasing reflecting the inflow from postal savings.

As for funding costs for firms, both short- and long-term funding rates are declining reflecting the decrease 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 behavior of financial institutions and the fund-raising conditions of firms need to be carefully monitored.

## The Background

### 1. Japan's Economy

Public investment is bottoming out. The value of public works contracted--a metric that reflects orders--has been increasing somewhat recently (Chart 2). Actual implementation of those works seems to be bottoming out, reflecting the recent rise in orders. Public investment is projected to increase with the advance in the implementation of the supplementary budget for fiscal 2000.

Real exports are starting to decline, reflecting a sharp slowdown in overseas economies, especially those of the United States and East Asia (Charts 3[1], 4, and 5). In January, real exports plunged compared to the fourth quarter of 2000--information technology (IT) related goods (semiconductor parts and computers) decreased, reflecting inventory adjustments overseas, and automobiles (exported to Europe and the U.S.) dropped. Real imports have been increasing substantially but the pace of increase has slowed recently (Charts 3[1] and 6). In January, real imports declined due to a fall in airplane imports, imports of which tend to fluctuate substantially, while the increases in personal computers and apparel have come to a pause. As a result of these developments, net exports (real exports minus real imports), in terms of the real trade balance,<sup>4</sup> are plummeting (Chart 3[2]).

Regarding the future environment for foreign trade, the real effective exchange rate of the yen has been depreciating from the end of 2000 (Chart 7[1]). In overseas economies, however, the deceleration in the U.S. and East Asian economies became distinct (Chart 7[2]); exports are thus expected to continue declining for some time. Meanwhile, the increase in imports is projected to slow down from the effects of the decline in production and the depreciation of the yen. As a result, net exports are likely to continue declining for the time being.

Business fixed investment is increasing. According to the *Financial Statements Statistics of Corporations by Industry, Quarterly*, business fixed

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<sup>4</sup> Strictly speaking, the real trade balance presented in Chart 3[2] differs from net exports on a GDP basis, but the changes in the real trade balance are broadly in line with those of net exports. (The real trade balance is on a customs-clearance basis and does not include trade in services, while net exports of GDP statistics are on an ownership-transfer basis and include trade in services.)

investment declined somewhat in the third quarter of 2000 on a quarter-to-quarter basis but increased significantly in the fourth quarter (Chart 8). Shipments of capital goods (excluding transport equipment), which basically move simultaneously with machinery investment, continued to rise. Meanwhile, among leading indicators, machinery orders (private demand; excluding shipbuilding and electric power equipment) increased on a quarter-to-quarter basis for six consecutive quarters until the fourth quarter but recently started to decline (Chart 10[1]). Nonresidential construction starts had continued to decrease after a temporary surge in the construction of stores prior to the revision of the law regarding large-scale retail stores, but were basically flat in January compared to the fourth quarter (Chart 10[2]). Although a backlog of orders will continue to be implemented for a while, judged from the recent developments in leading indicators, fixed investment is likely to peak out gradually. The increase in corporate profits is also projected to be subdued, mainly from the effects of the decline in production and exports.

The recovery in private consumption remains weak as a whole, but there are somewhat positive signs in some indicators (Chart 11). According to sales indicators, sales of household electrical appliances remained at a high level, partly due to the surge in demand before the law regarding the recycling of home electronic appliances<sup>5</sup> comes into effect in April. Outlays for travel remained steady. The number of passenger car sales generally continued to be flat, with some fluctuations. Meanwhile, sales at department stores and chain stores remained basically stagnant, but sales surged in January compared to the previous month from the pick-up in sales of winter apparel due to cold weather. Since consumer sentiment has been relatively steady (Chart 12), consumption is expected to remain almost flat for the time being, reflecting employment and income conditions.

Housing investment (Chart 13) is virtually unchanged. While construction starts of housing for owner-occupied houses financed by public funding sources such as the government Housing Loan Corporation declined, those financed by private

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<sup>5</sup> The official name of the law is “Law for Recycling of Specified Kinds of Home Appliances.” From April 2001, consumers will be obliged to pay recycling charges on renewal purchases of household electrical appliances such as TVs, refrigerators, air conditioners, and washing machines.

funding sources increased. Judged from the number of loan applications to the government Housing Loan Corporation, housing investment is expected to decline somewhat in the future.

Reflecting these developments in final demand, industrial production is starting to decrease due to a fall in exports, particularly those of IT-related goods and automobiles (Chart 14).<sup>6</sup> The inventory ratio of the industry as a whole still remains low, but inventories of some goods such as material and electronics parts, demand for which from overseas declined significantly, have piled up excessively (Chart 15). Under these circumstances, industrial production is expected to continue declining for some time mainly due to the decrease in exports. At the moment, judged from the low inventory ratio as a whole, however, inventory adjustments for a wide range of products are unlikely to take place.

As for employment and income conditions, compensation of employees has not yet deteriorated, but the improvement in the balance between supply and demand in the labor markets seems to be pausing (Chart 16). Labor-market-related indicators show that while the unemployment rate remained at a high level, particularly among the younger generation, the improvement in the ratio of job offers to applicants has come to a pause since the growth in new job offers, which had been increasing, has slowed. The number of regular employees (on a Monthly Labour Survey basis at establishments with at least five employees) was basically unchanged (Chart 17). Meanwhile, nominal wages per employee had been slightly above the previous year's level, especially in regular payments, but was recently around the year-ago level since the growth in overtime payments slowed and special payments during this winter were below the previous year's level.<sup>7</sup> As the economic recovery has come to a pause, the improvement in compensation of employees is projected to be sluggish.

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<sup>6</sup> If the growth rates of production for February and March are the same as those of production forecast indices, production for the first quarter of 2001 will decrease by 2.0 percent on a quarter-to-quarter basis.

<sup>7</sup> The Monthly Labour Survey shows that special payments (bonuses, etc.) during this winter was below the previous year's level, especially in medical and other health services, social insurance and social welfare, and educational services.



## 2. Prices

Import prices on a yen basis (Chart 19) rose compared to the level three months earlier,<sup>8</sup> mainly reflecting the depreciation of the yen, although crude oil prices dropped.

Domestic wholesale prices (Chart 20) are declining somewhat. In February, domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates<sup>9</sup>) dropped slightly compared to the level three months earlier. This was because the prices of electrical machinery such as semiconductors and household electrical appliances continued to decrease, although electricity and gas charges rose as the past increase in crude oil prices was passed on.

Corporate service prices (Chart 21) are falling slowly. In January, corporate service prices (domestic supply-demand factors<sup>10</sup>) declined compared to the level three months earlier. The decline was due to the reduction in the prices for leasing that reflected the price decline in IT-related goods and long-term interest rates; the lower telephone charges for inter-city calls; and the decrease in prices for general services.

Consumer prices (Chart 22) remain somewhat weak. In January, consumer prices (excluding perishables<sup>11</sup>) were unchanged compared to the level three-months

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<sup>8</sup> 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.

<sup>9</sup> Industrial and commercial electric power consumption charges are set relatively high during July-September, when the consumption volume increases substantially. To view the underlying changes in domestic wholesale prices, adjustments are made to exclude such factors that result in large seasonal fluctuations.

<sup>10</sup> Corporate service prices (domestic supply-demand factors) only include items whose monthly price changes primarily reflect changes in domestic private demand. Specifically, items with the following properties are removed from the overall CSPI: (1) regulated fees, (2) overseas factors, and (3) fees with a large monthly fluctuation that do not necessarily reflect short-term changes in supply-demand trends. For the detailed calculation, see the note in Chart 21. The overall CSPI in January was virtually flat as the rise in ocean freight (overseas factor) offset the decline in domestic supply and demand factors. (The change in the overall CSPI in terms of the three-month growth rate was -0.5 in November 2000, -0.1 percent in December, and 0.0 percent in January 2001.)

<sup>11</sup> Overall consumer prices including perishable goods recently increased, mainly due to the poor vegetable harvest that was adversely affected by irregular weather. (The change in terms of the

earlier. While prices rose for public utility charges (medical fees,<sup>12</sup> and electricity and gas charges), prices of imported products and their substitutes declined due to the increase in imports of inexpensive consumer goods (Chart 23).

Regarding the conditions surrounding price developments, the recent yen depreciation is exerting upward pressures on prices. However, given the pausing economy as well as the heightening excessiveness of inventories, albeit the latter is observed only for some goods, the balance between supply and demand in the domestic market is likely to exert downward pressures on prices. In addition, the declining trend of machinery prices caused by technological innovations, the decrease in prices of consumer goods arising from the streamlining of distribution channels, and the reduction in communications fees aided by deregulation will continue to restrain price developments. 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 24[1] and 25) show that the overnight call rate (uncollateralized) generally moved around 0.25 percent in February, and is moving around 0.15 percent from March in response to the decision at the Monetary Policy Meeting held on February 28 to change the guideline of money market operations.

As for interest rates on term instruments, three-month Euro-yen rates (TIBOR), TB and FB rates are declining significantly due to the announcement of the improvements in the way of liquidity provision and monetary easing by the Bank. The Japan premium (Chart 27) remains negligible.

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three-month growth rate was -0.1 percent in November 2000, +0.1 percent in December, and +0.4 percent in January 2001.)

<sup>12</sup> Since the revised Health Insurance Law came into effect in January 2001, medical and other health services fees on those of 70 years old and above have increased.

Yields on ten-year government bonds (newly issued; Chart 24[2]) have declined to 1.1-1.2 percent due to the even more cautious view of market participants toward the economic outlook as well as monetary easing by the Bank. As for the yield spreads between government and private bonds (bank debentures and corporate bonds; Charts 29 and 30), those for corporate bonds were mostly unchanged, while those for bank debentures expanded somewhat.

Stock prices (Chart 31[1]) dropped substantially, mainly reflecting the decline in U.S. stock prices along with the downward revision of the outlook on firms' profits and the worsening of domestic economic indicators.

In the foreign exchange market (Chart 32), the yen depreciated again from the end of February, reflecting the more uncertain view of market participants regarding Japan's economy. The yen is currently being traded in the range of 122-124 yen to the U.S. dollar.

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

Recently, the growth rate of money stock ( $M_2 + \text{CDs}$ ; Chart 33) is increasing, reflecting the inflow from postal savings. The year-on-year growth in  $M_2 + \text{CDs}$  was 2.7 percent in February. (It was 2.2 percent in December 2000, 2.4 percent in January 2001, and 2.7 percent in February.)

In February, the monetary base (currency in circulation + current deposits at the Bank of Japan; Chart 34) was above the previous year's level for the first time in three months as the effects on the year-on-year change of monetary base from the Year 2000 problem that was present from the end of 1999 to the beginning of 2000 disappeared. (The year-on-year change was +5.7 percent in November 2000, -1.1 percent in December, -5.6 percent in January 2001, and +3.4 percent in February.)

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.

While the cash flow levels of firms remain high, the credit demand of private firms continues to lack momentum as the demand for external funds is subdued, since the level of business fixed investment and other expenditures is presently below the cash flow levels. In addition, many firms continue to reduce debts as part of their balance-sheet restructuring measures. As a result, the overall credit demand of private firms has continued to be basically stagnant.

Amid these developments, the underlying tone of lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;<sup>13</sup> Chart 35), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, remains sluggish, although the year-on-year rate of decrease moderated somewhat in January and February. (The year-on-year change was -1.9 percent in December 2000, -1.8 percent in January 2001, and -1.6 percent in February). Meanwhile, the amount outstanding of corporate bonds issued continues to be slightly above the previous year's level. The amount outstanding of CP issued remains at a high level (Chart 37).

As for funding costs for firms, both short- and long-term funding rates are declining, reflecting the decrease in market interest rates. As for lending rates, the average contracted interest rates on new loans and discounts in January (Chart 39) decreased somewhat for both short- and long-term rates. Moreover, the long-term prime lending rate was lowered by 0.15 percent to 1.90 percent on March 9. In the capital market, corporate bond issuance rates are decreasing somewhat. CP issuance rates are also declining further.

The number of corporate bankruptcies (Chart 40) is recently at around the previous year's level.

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

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<sup>13</sup> The figures are adjusted for (1) fluctuations from the liquidation of loans, (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates, and (3) fluctuations from loan write-offs.

stock prices on the behavior of financial institutions and 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.<sup>1</sup>

	2000/Q2	Q3	Q4	2000/November	December	2001/January	February
Index of living expenditure level (all households)	2.2	-1.8	0.4	-0.8	1.8	-1.1	n.a.
Sales at department stores	-2.1	-1.1	0.0	1.5	-2.6	3.7	n.a.
Sales at chain stores	-2.4	-0.7	-0.9	-4.6	-3.0	6.4	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 304>	< 291>	< 308>	< 302>	< 316>	< 292>	< 294>
Sales of household electrical appliances (real, NEBA)	3.7	2.1	3.3	4.4	-4.0	9.4	n.a.
Outlays for travel (50 major travel agencies)	3.0	-0.3	1.4	3.1	0.9	-3.1	n.a.
Housing starts <s.a., ann. 10,000 units>	< 122>	< 121>	< 123>	< 125>	< 126>	< 120>	<n.a.>
Machinery orders (from private sector <sup>4</sup> )	3.1	8.2	2.6	-2.9	3.8	-11.8	n.a.
Manufacturing	11.2	-1.2	9.4	-6.5	6.7	-15.0	n.a.
Nonmanufacturing <sup>4</sup>	-5.0	14.9	-1.6	0.4	2.0	-9.3	n.a.
Construction Starts (private, nonresidential use)	-1.9	-8.5	-7.9	7.3	1.6	-2.9	n.a.
Mining & manufacturing	11.1	9.0	-4.3	7.3	0.8	5.3	n.a.
Nonmanufacturing <sup>5</sup>	-2.6	-12.4	-12.6	11.5	-0.5	-8.5	n.a.
Value of public works contracted	-27.3	3.8	0.0	7.6	3.0	-11.9	8.1
Real exports	3.8	1.0	0.2	1.1	-2.4	-7.9	n.a.
Real imports	5.8	1.3	5.0	2.1	-0.5	-3.0	n.a.
Industrial production	1.7	1.6	0.4	-0.8	1.8	-4.2	n.a.
Shipments	1.8	1.6	0.0	-0.4	1.7	-3.7	n.a.
Inventories	-0.1	-0.8	0.8	-0.5	-0.1	0.4	n.a.
Inventories/shipments <s.a., 1995=100>	<98.5>	<99.0>	<100.8>	<99.8>	<100.8>	<103.0>	<n.a.>
Real GDP	0.2	-0.6	0.8	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	1.8	0.4	0.0	0.3	1.3	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2000/Q2	Q3	Q4	2000/November	December	2001/January	February
Ratio of job offers to applicants <s.a., times>	<0.57>	<0.62>	<0.65>	<0.65>	<0.66>	<0.65>	<n.a.>
Unemployment rate <s.a., %>	<4.68>	<4.65>	<4.80>	<4.79>	<4.88>	<4.86>	<n.a.>
Overtime working hours <sup>6</sup>	4.0	4.0	3.0	3.0	3.0	2.2	n.a.
Number of employees	0.4	0.7	1.2	1.3	1.3	0.9	n.a.
Number of regular employees <sup>6</sup>	-0.3	-0.2	-0.1	0.0	-0.1	-0.1	n.a.
Nominal wages per person <sup>6</sup>	1.1	0.4	-0.1	0.7	-0.9	1.3	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>	-0.2 <-0.3>	-0.1 <-0.1>	-0.3 <-0.2>	-0.4 <-0.1>
Consumer price index (nationwide) <sup>7</sup> <s.a., q/q % chg.> (3-month growth rate)	-0.3 <-0.2>	-0.4 <-0.1>	-0.5 <-0.2>	-0.5 <-0.3>	-0.6 <-0.1>	-0.5 <0.0>	n.a. <n.a.>
Corporate service price index <sup>8</sup> <s.a., q/q % chg.> (3-month growth rate)	-0.7 <-0.4>	-0.9 <-0.2>	-1.0 <-0.3>	-1.0 <-0.5>	-1.1 <-0.3>	-1.3 <-0.4>	n.a. <n.a.>
Monetary aggregates (M <sub>2</sub> +CDs) <average outstanding, y/y % chg.>	2.3	1.9	2.1	2.1	2.2	2.4	p 2.7
Number of suspension of transactions with banks	16.2	15.2	-0.1	8.9	-12.7	-12.7	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.

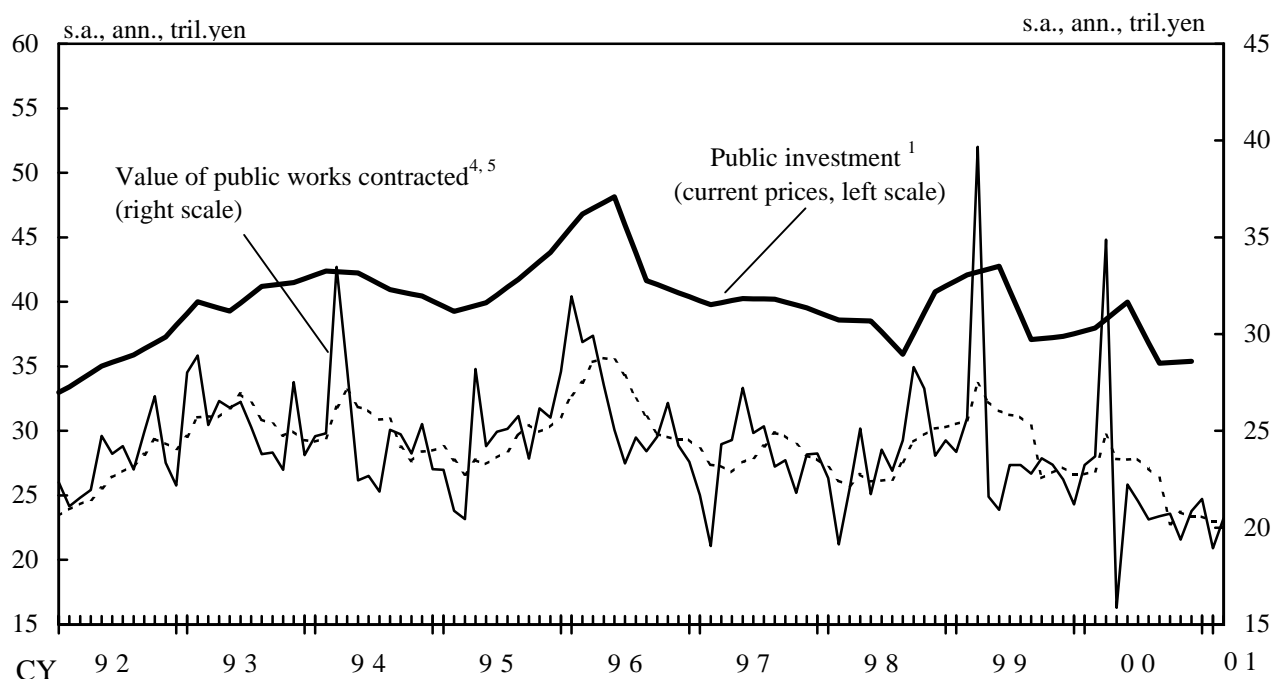
9. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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."

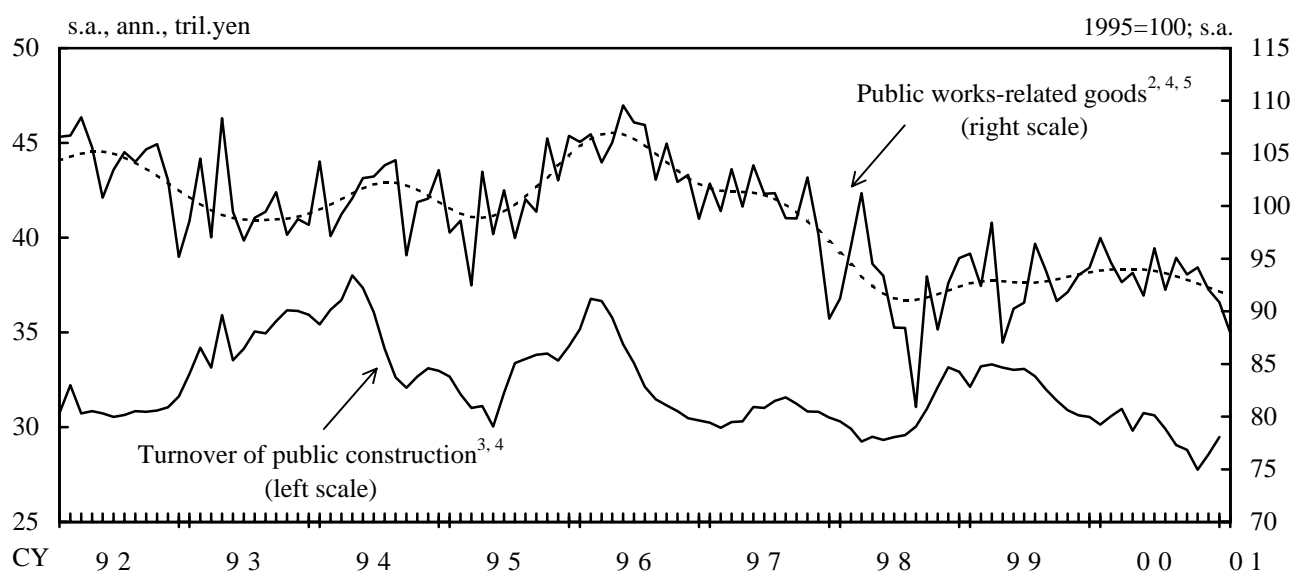


## Public Investment

## (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 ( $\beta$  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";

Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works";

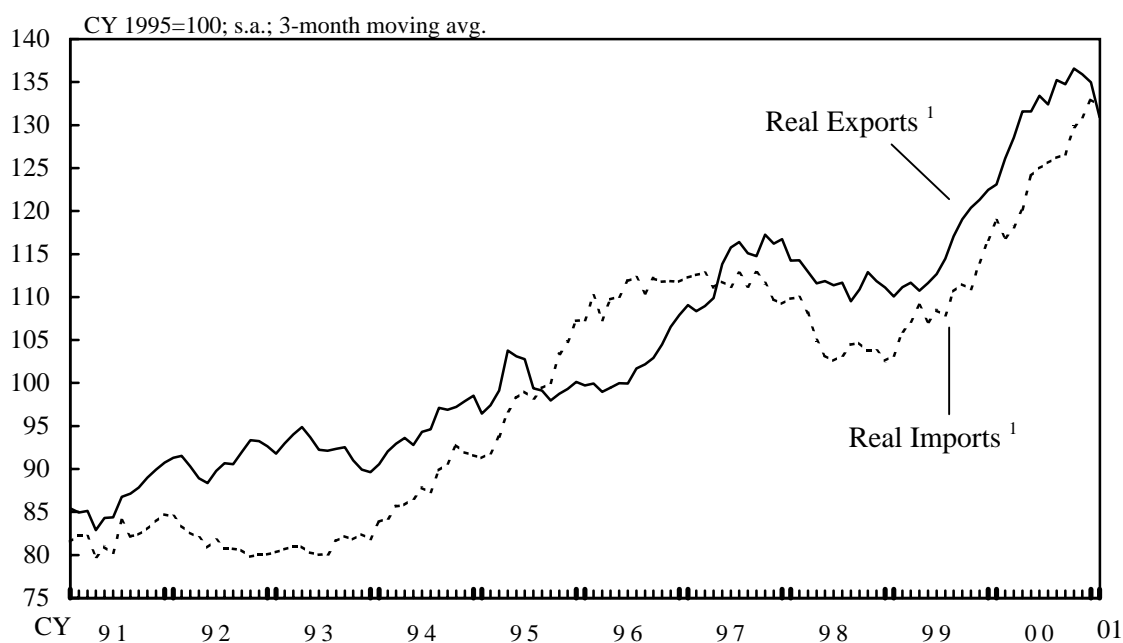
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

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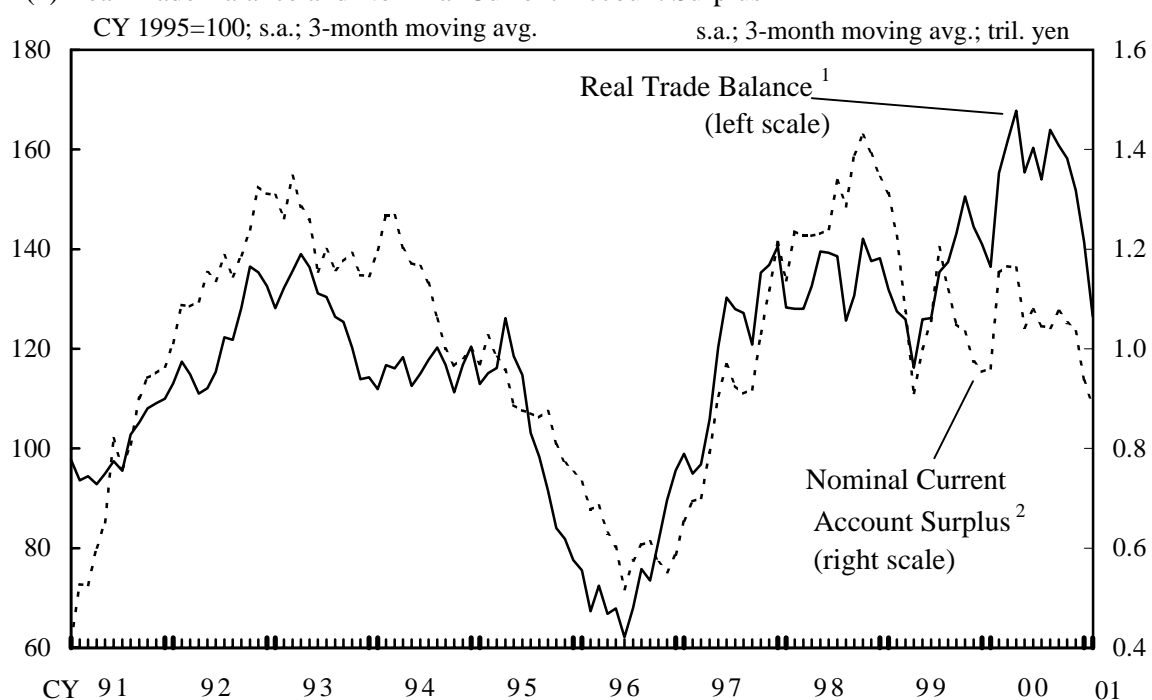
 External Balance
 

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## (1) Real Exports and Real Imports



## (2) Real Trade Balance and Nominal Current Account Surplus



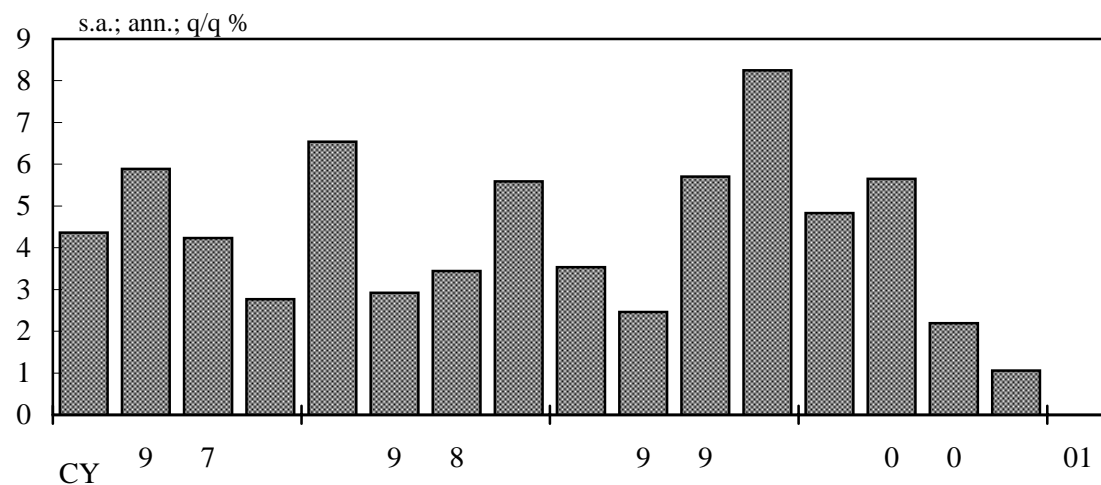
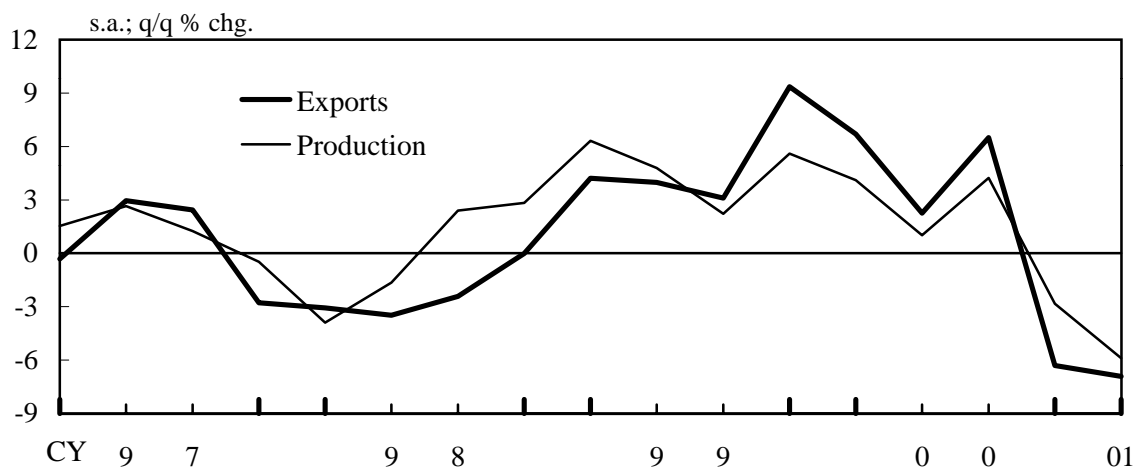
Notes: 1. Seasonally adjusted by X-11. Annual revision of seasonal factors is conducted by using revised data up to December 2000.

2. Annual revision of seasonal factors is conducted by using data up to December 2000 (preliminary).

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

## Influences of U.S. Slowdown

## (1) United States - Real GDP

(2) NIEs3 - Exports and Production <sup>1,2</sup>(3) Japan - Exports and Production <sup>1,3</sup>

Notes: 1. 2001/Q1 figures are January converted into quarterly amount.

2. Data for three members: Korea, Taiwan, and Singapore. Figures are the weighted sum of those three members, where weights come from real GDP. Exports are in nominal terms (U.S. dollar basis).

3. Exports are in real terms (seasonally adjusted by X-11).

Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production"; U.S. Department of Commerce, "National Income and Product Accounts"; CEIC Data Company.

Real Exports <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 99	2000	2000 Q1	Q2	Q3	Q4	2001 Q1	2000 Nov.	Dec.	2001 Jan.
United States	<29.7>	4.6	11.7	3.7	2.9	0.8	6.0	-9.1	4.2	0.9	-10.9
EU	<16.3>	0.9	6.4	3.2	-0.1	-0.1	-2.3	-5.0	9.6	-2.0	-6.5
East Asia	<39.7>	12.0	25.6	11.1	5.5	2.7	-1.7	-4.2	4.9	-5.1	-2.3
China	<6.3>	12.3	27.7	14.0	6.9	11.5	1.3	12.2	-0.5	-1.6	13.6
NIEs	<23.9>	11.2	25.7	11.3	3.6	1.4	-2.3	-10.5	6.5	-7.0	-8.0
Taiwan	<7.5>	7.8	22.5	5.8	9.6	2.7	-10.1	-20.8	7.3	-13.9	-14.4
Korea	<6.4>	43.9	30.4	18.8	-3.9	-0.2	-0.4	-1.9	6.5	-0.7	-3.4
ASEAN4 <sup>3</sup>	<9.5>	13.6	24.0	9.0	9.4	0.8	-2.3	0.1	4.7	-2.7	0.4
Thailand	<2.8>	15.3	18.9	-2.0	5.5	6.9	1.6	-5.3	5.8	-2.6	-5.3
Real exports		4.5	14.1	4.9	3.8	1.0	0.2	-9.0	1.1	-2.4	-7.9

## (2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 99	2000	2000 Q1	Q2	Q3	Q4	2001 Q1	2000 Nov.	Dec.	2001 Jan.
Intermediate goods	<14.1>	5.4	5.1	2.1	1.5	0.7	0.7	-2.5	1.0	-2.3	-1.3
Motor vehicles and their related goods	<20.2>	2.8	9.2	-2.4	8.2	4.2	-1.1	-18.7	2.5	-1.6	-18.4
Consumer goods <sup>4</sup>	<7.0>	5.0	13.0	3.9	2.5	-0.3	2.6	-8.6	8.7	-7.5	-6.3
IT-related goods <sup>5</sup>	<18.8>	6.4	25.2	12.0	5.6	-2.6	5.9	-7.0	9.5	-5.1	-6.5
Capital goods and parts <sup>6</sup>	<29.7>	1.8	21.0	10.2	4.9	1.6	-3.3	-6.4	5.0	-3.0	-6.1
Real exports		4.5	14.1	4.9	3.8	1.0	0.2	-9.0	1.1	-2.4	-7.9

Notes: 1. Seasonally adjusted by X-11. 2001/Q1 figures are January figures converted into quarterly amount.

2. Shares of each region and type of goods (based on CY2000 revised figures) 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 IT-related goods, power generating machinery and parts of motor vehicles.

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

Real Imports <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 99	2000	2000 Q1	Q2	Q3	Q4	2001 Q1	2000 Nov.	Dec.	2001 Jan.
United States	<19.0>	-2.9	8.0	-3.0	8.6	2.4	4.7	-4.7	-2.7	1.5	-4.8
EU	<12.3>	5.8	8.5	1.4	1.1	2.1	4.3	4.6	-2.4	5.1	2.0
East Asia	<39.6>	15.8	25.5	7.2	4.8	4.8	6.5	-1.8	-0.7	-1.5	-0.6
China	<14.5>	11.9	28.1	12.9	3.6	1.4	10.1	5.2	2.3	0.7	3.9
NIEs	<12.2>	24.2	28.4	4.7	4.9	8.1	4.4	-4.7	-5.2	-5.9	1.1
Taiwan	<4.7>	25.6	43.6	15.0	8.9	4.9	8.0	-7.8	-15.3	-5.3	1.5
Korea	<5.4>	30.8	22.5	0.7	-0.3	5.5	4.8	-1.8	1.4	-5.3	1.4
ASEAN4 <sup>3</sup>	<12.8>	12.6	20.2	3.8	6.1	5.3	5.0	-6.7	0.7	0.3	-7.1
Thailand	<2.8>	5.4	19.3	4.8	8.8	0.9	8.2	-6.8	5.6	3.1	-10.3
Real imports		6.1	13.3	1.2	5.8	1.3	5.0	-2.7	2.1	-0.5	-3.0

## (2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 99	2000	2000 Q1	Q2	Q3	Q4	2001 Q1	2000 Nov.	Dec.	2001 Jan.
Raw materials <sup>4</sup>	<26.8>	2.7	1.7	-0.8	1.7	-1.3	0.6	-0.4	3.9	-5.2	2.0
Intermediate goods	<13.0>	3.6	8.3	1.9	3.9	-1.1	5.6	3.3	2.5	2.3	0.9
Foodstuffs	<12.1>	2.8	5.4	3.8	-1.1	-0.1	2.2	-3.9	4.4	0.1	-5.3
Consumer goods	<10.5>	8.1	21.3	6.0	4.4	1.3	9.3	-1.8	-1.7	5.0	-4.4
IT-related goods <sup>5</sup>	<16.1>	18.7	43.9	7.5	12.8	11.7	7.3	-3.6	-1.4	-0.7	-2.8
Capital goods and parts <sup>6</sup>	<11.5>	5.1	12.4	-3.3	6.7	6.2	7.6	-6.1	-1.9	3.4	-7.5
excluding aircraft		4.4	21.5	5.6	3.9	5.5	8.9	2.7	1.8	2.3	0.5
Real imports		6.1	13.3	1.2	5.8	1.3	5.0	-2.7	2.1	-0.5	-3.0

Notes: 1. Seasonally adjusted by X-11. 2000/Q1 figures are January figures converted into quarterly amount.

2. Shares of each region and type of goods (based on CY2000 revised figures) 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 IT-related goods.

## Real Effective Exchange Rate and Overseas Economic Conditions

### (1) Real Effective Exchange Rate



Note: Monthly average. The figure for March 2001 is the average of March 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

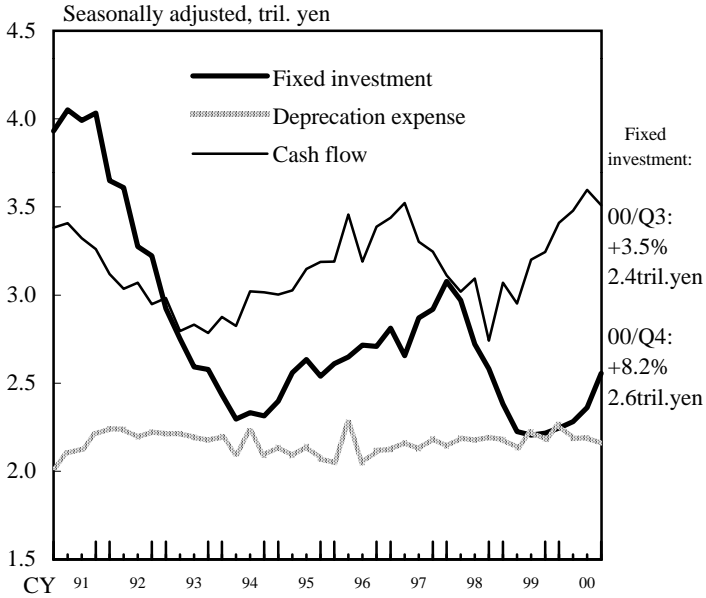
		CY98	99	2000	2000 Q1	Q2	Q3	Q4	
United States <sup>1</sup>		4.4	4.2	5.0	4.8	5.6	2.2	1.1	
European Union <sup>1</sup>		2.8	2.5	3.3	3.3	3.3	2.3	2.7	
Germany		2.1	1.6	3.0	3.9	4.8	1.1	0.8	
France		3.3	3.2	3.2	2.2	2.8	2.4	3.9	
United Kingdom		2.6	2.3	3.0	1.2	4.2	3.3	1.3	
East Asia <sup>2</sup>	China	7.8	7.1	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	6.0	7.9	5.4	6.6	4.1
		Hong Kong	-5.3	3.1	10.5	14.1	10.8	10.8	6.8
		Singapore	0.4	5.9	9.9	9.8	8.4	10.3	11.0
	ASEAN4	Thailand	-10.8	4.2	n.a.	5.1	6.3	2.6	n.a.
		Indonesia	-13.1	0.8	4.8	4.2	5.2	4.4	5.2
Malaysia		-7.4	5.8	8.5	11.8	8.4	7.8	6.5	
Philippines		-0.6	3.3	3.9	3.2	4.5	4.6	3.6	

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

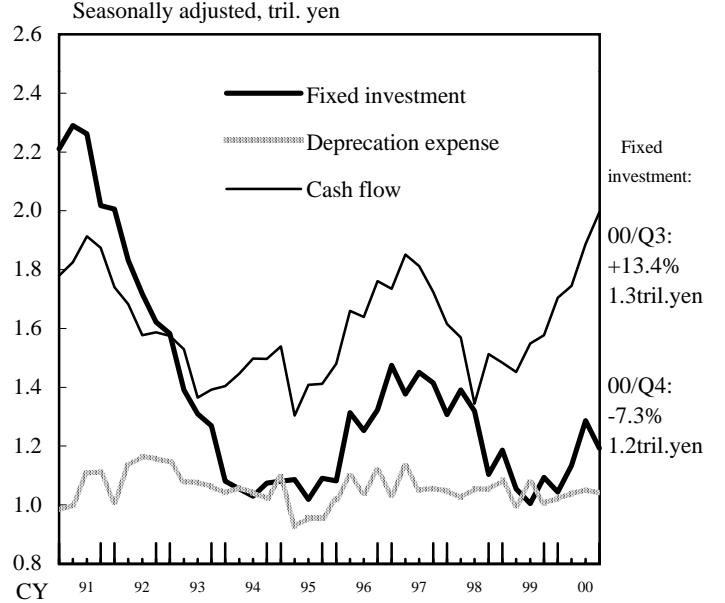
2. Quarterly data are percent changes from a year earlier.

Business Fixed Investment

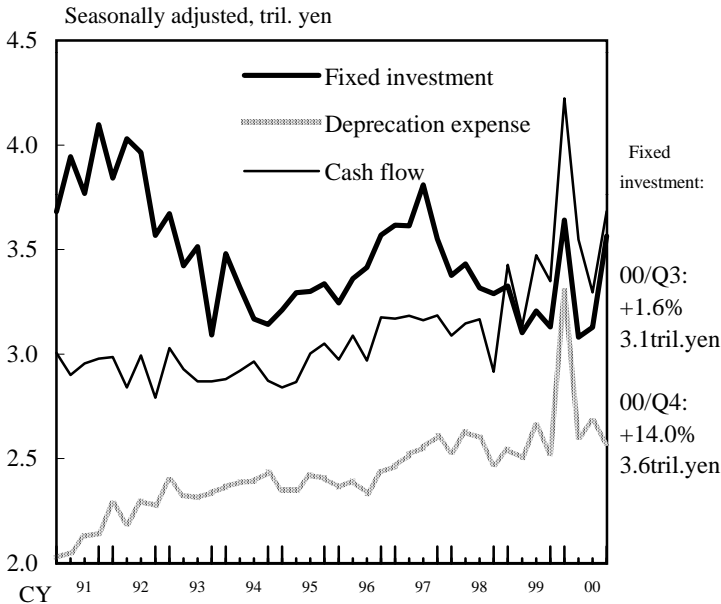
(1) Manufacturing large firms



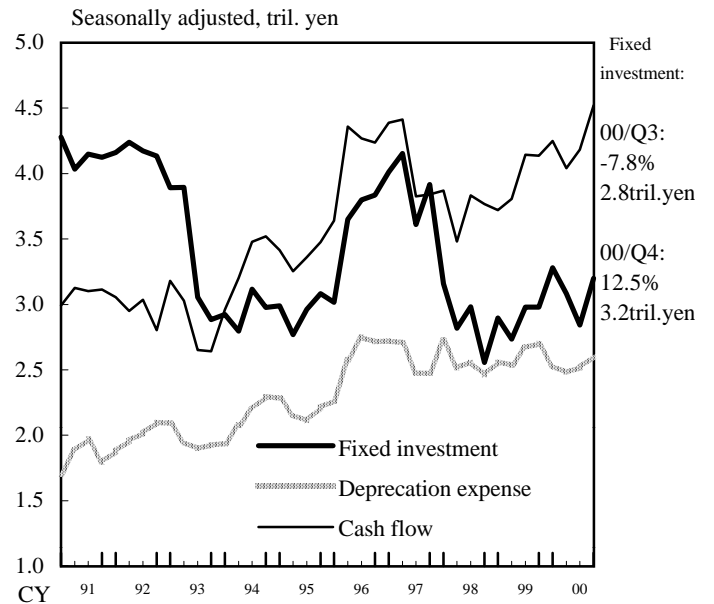
(2) Manufacturing medium and small firms



(3) Nonmanufacturing large firms



(4) Nonmanufacturing medium and small firms

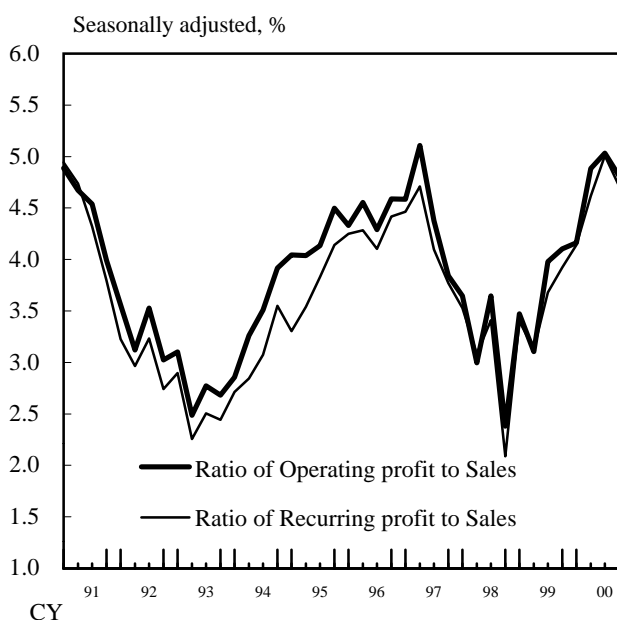


- Notes: 1. Electric, gas, and other service industries are excluded from nonmanufacturing large firms.  
 2. "Large firms" refers to firms with stockholders' equity of 1 billion yen or more, and "medium and small firms" refers to firms with stockholders' equity of 10 million or more but less than 1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

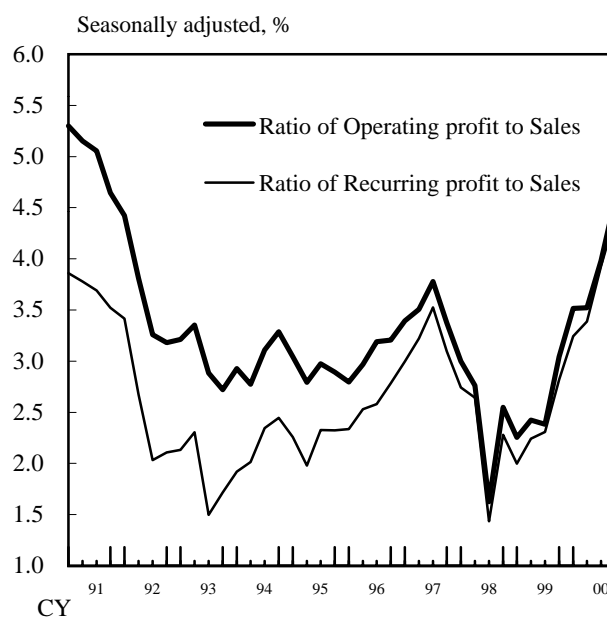
Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

## Corporate Profit ( Ratio of Profit to Sales )

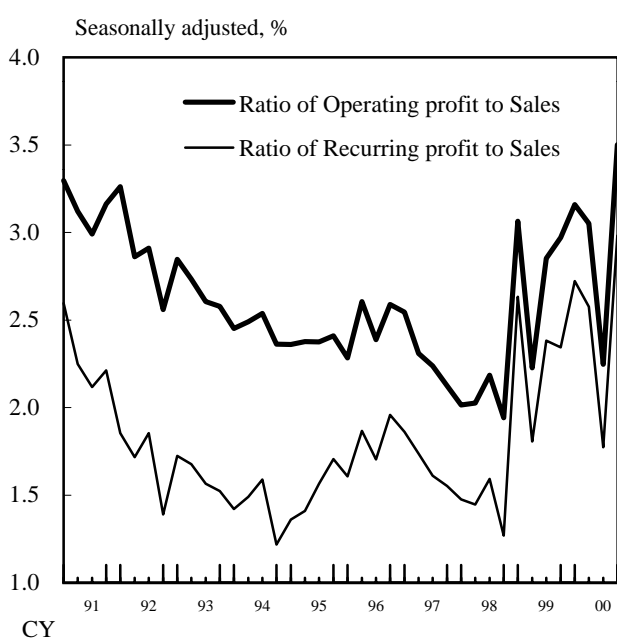
(1) Manufacturing large firms



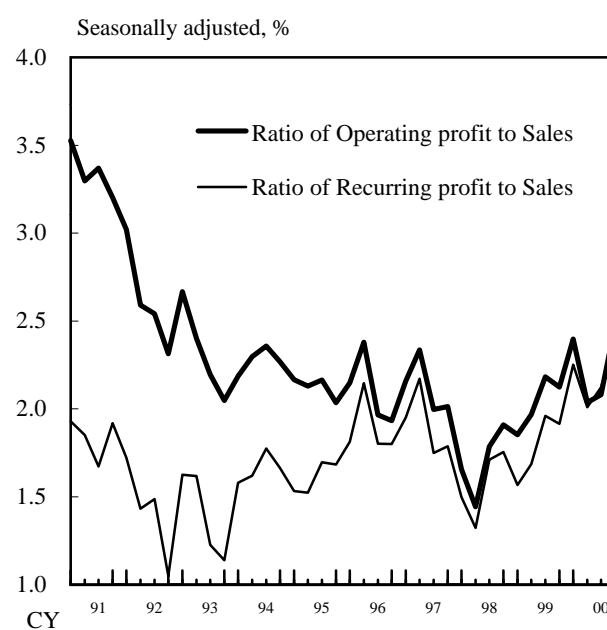
(2) Manufacturing medium and small firms



(3) Nonmanufacturing large firms



(4) Nonmanufacturing medium and small firms



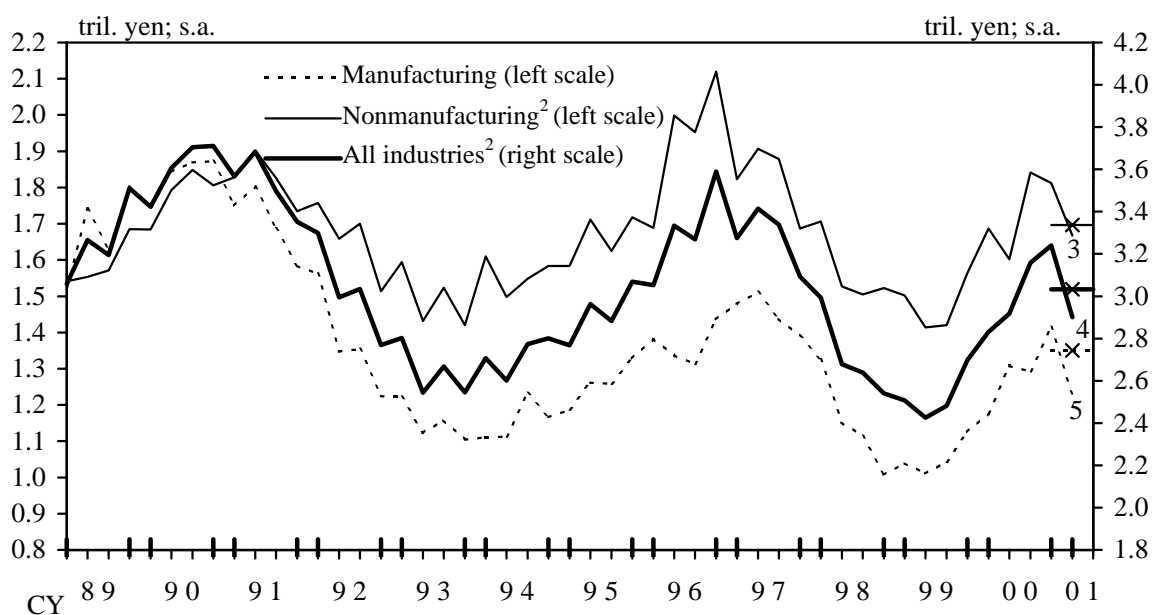
Notes: 1. Electric, gas, and other service industries are excluded from nonmanufacturing large firms.

2. "Large firms" refers to firms with stockholders' equity of 1 billion yen or more, and "medium and small firms" refers to firms with stockholders' equity of 10 million or more but less than 1 billion yen.

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

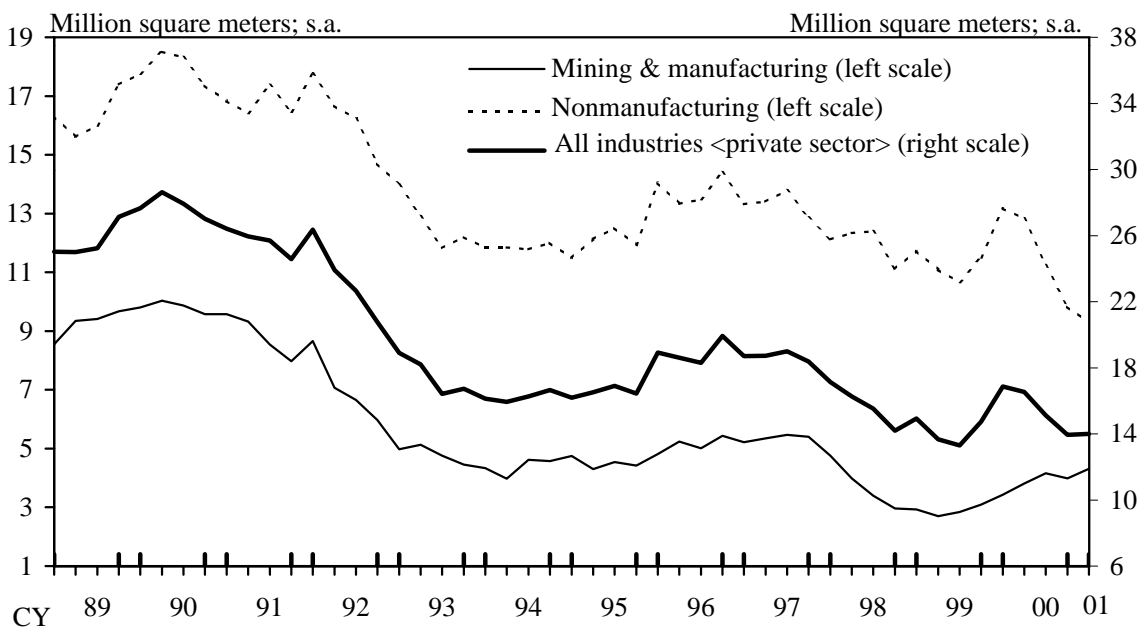


## Indicators for Business Fixed Investment

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

- Notes: 1. Figures for 2001/Q1 are averages of January in terms of quarterly amount.  
 2. Excludes orders from electric power companies and shipbuilding orders.  
 3. Forecast of nonmanufacturing industries for 2001/Q1.  
 4. Forecast of all industries for 2001/Q1.  
 5. Forecast of manufacturing industries for 2001/Q1.

## (2) Construction Starts (Nonresidential)



- Notes: 1. Seasonally adjusted by X-11.  
 2. Figures for 2001/Q1 are averages of January in terms of quarterly amount.

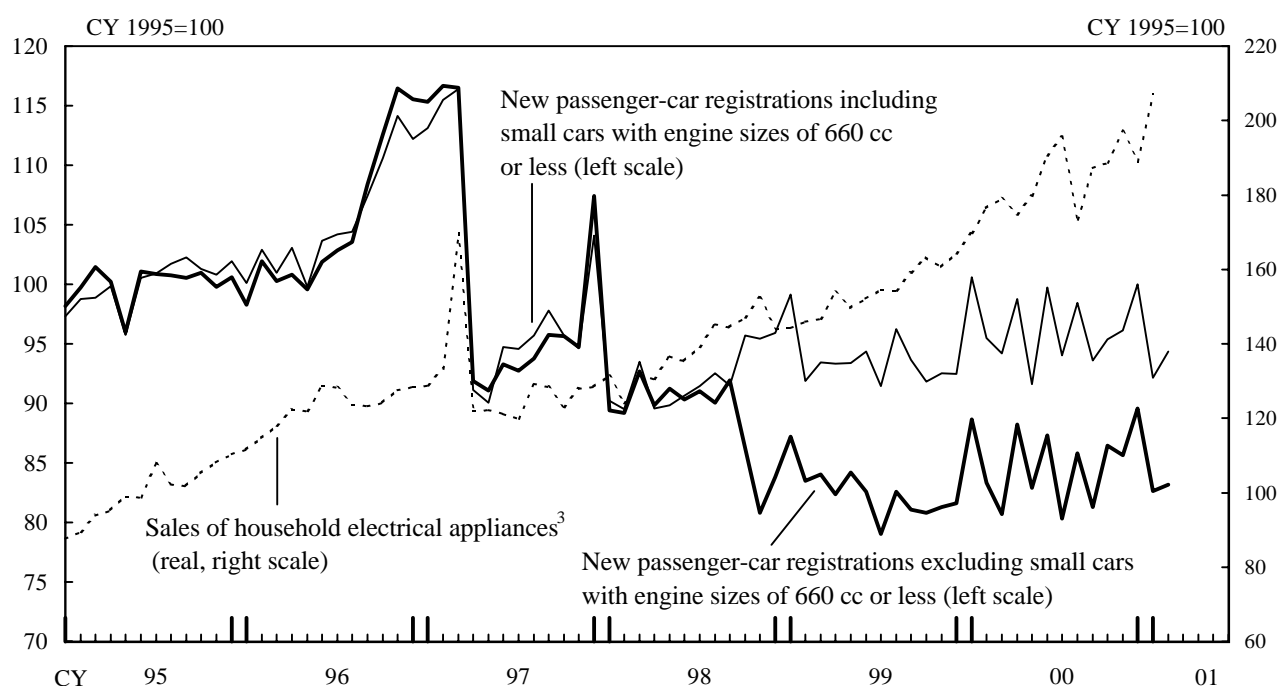
Sources: Cabinet Office, "Machinery Orders Statistics";  
 Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

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

## (1) Household Spending



## (2) Sales of Durable Goods



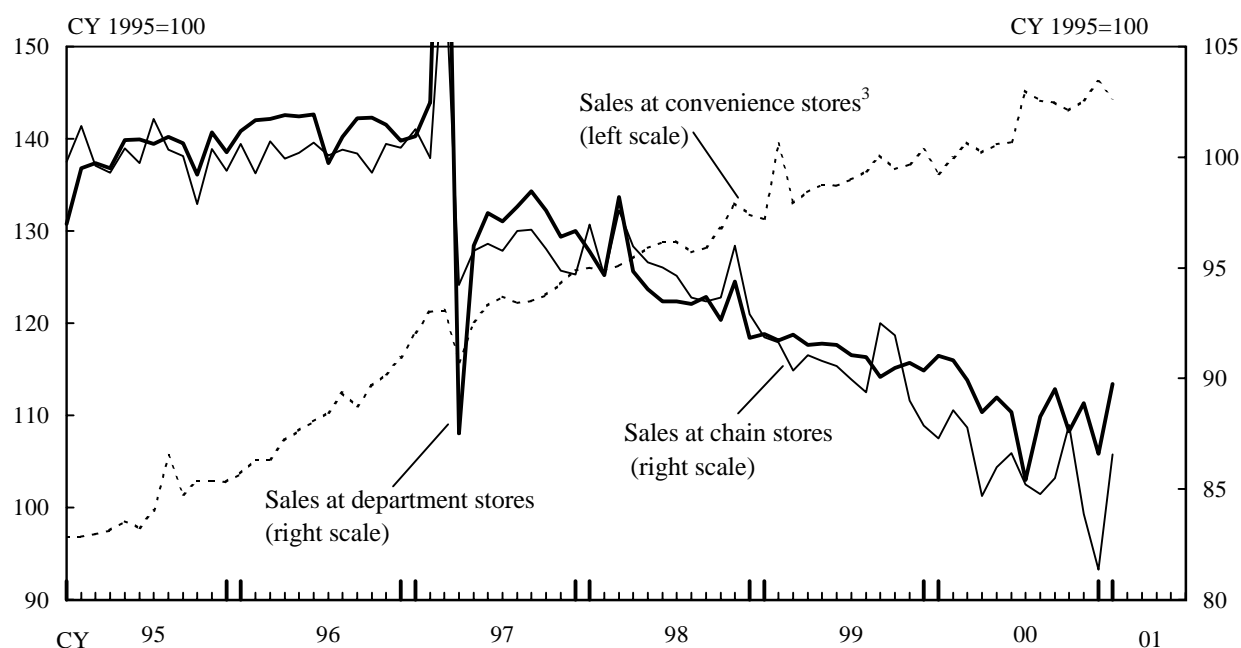
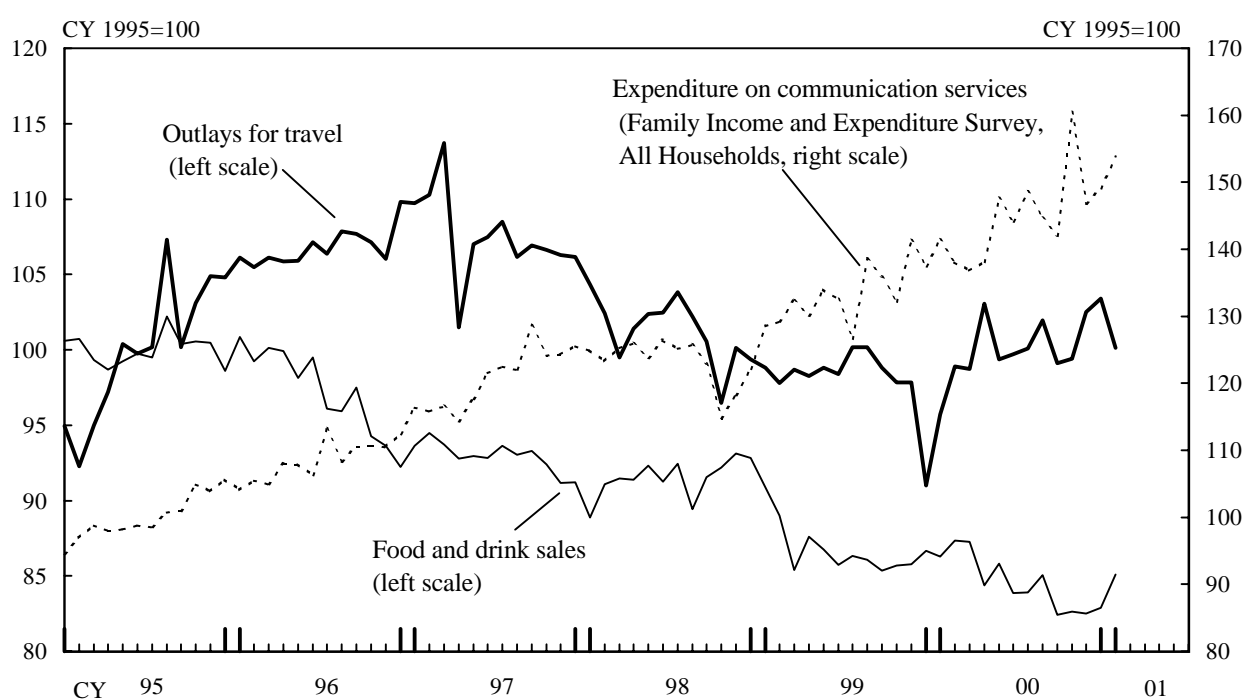
Notes: 1. Seasonally adjusted by X-12-ARIMA ( $\beta$  version).

Index of living expenditure level is seasonally adjusted by the 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 Consumption<sup>1</sup> (2)(3) Sales of Retail Stores<sup>2</sup>(4) Consumption of Service<sup>4</sup>

Notes: 1. Seasonally adjusted by X-12-ARIMA ( $\beta$  version).

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

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

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

Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications,

"Monthly Report on the Family Income and Expenditure Survey,";

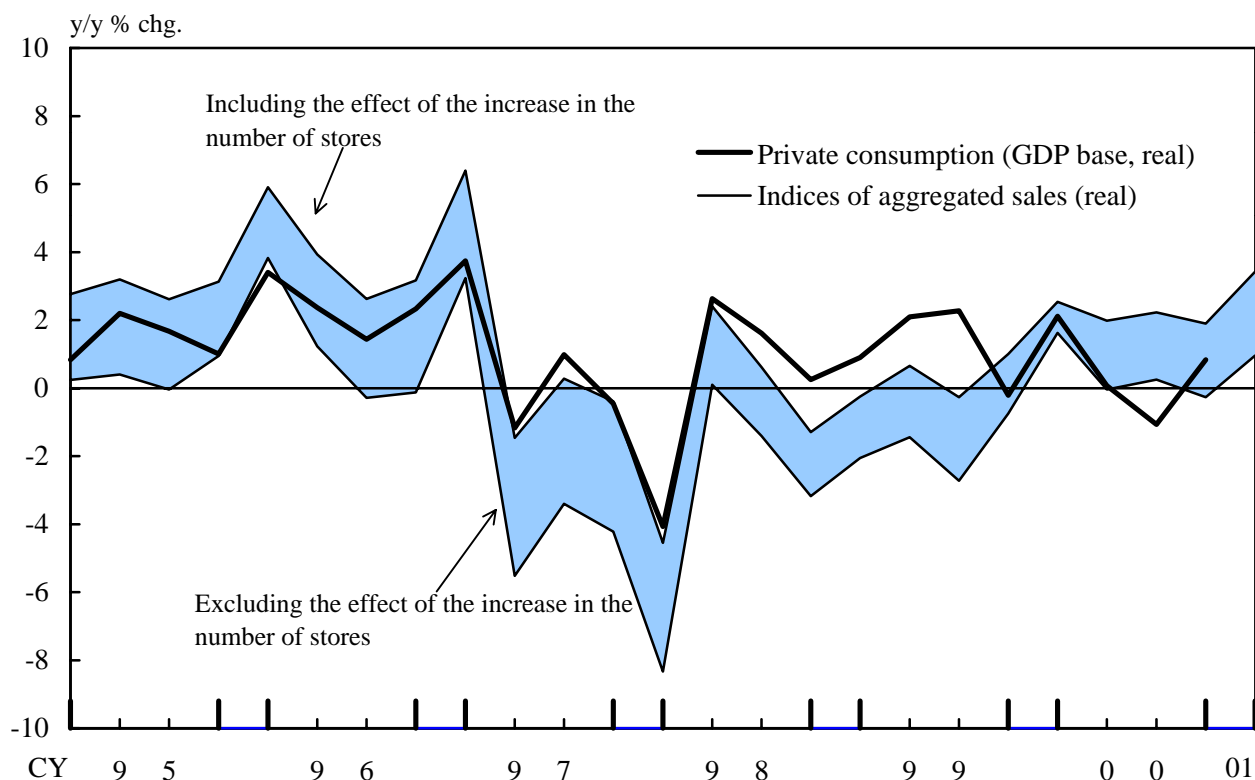
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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)

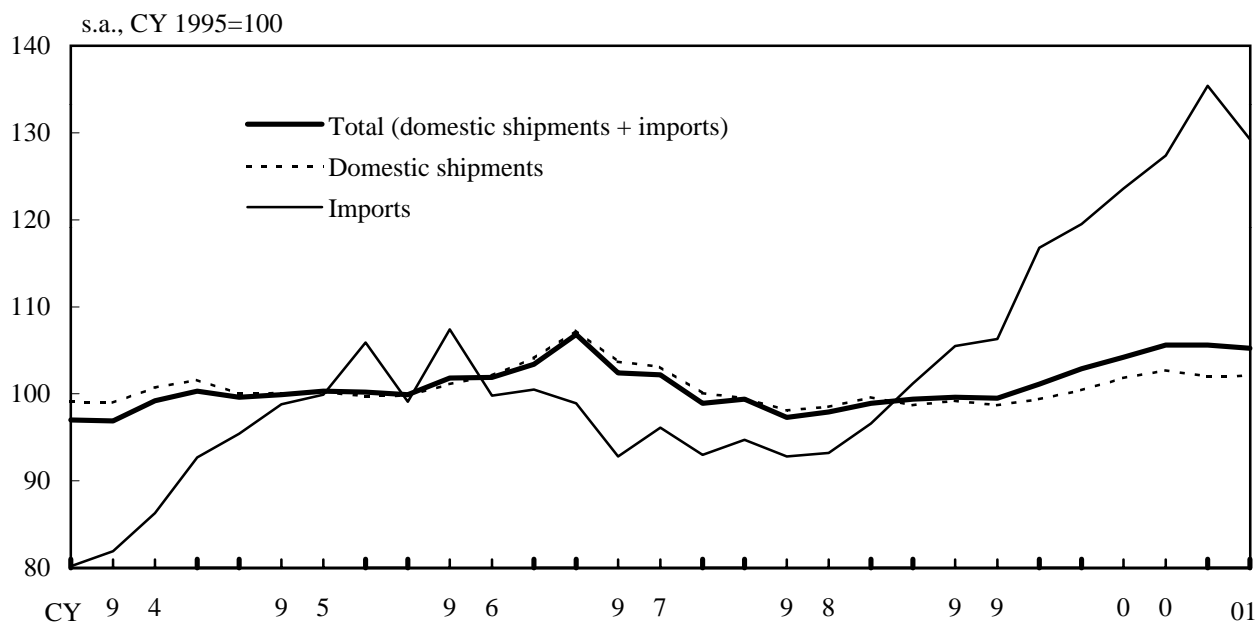


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *Sales at chain stores*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Food and drink sales*, where the weights come from the *Family 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. 2001/Q1 figures are those of January converted to a quarterly basis.

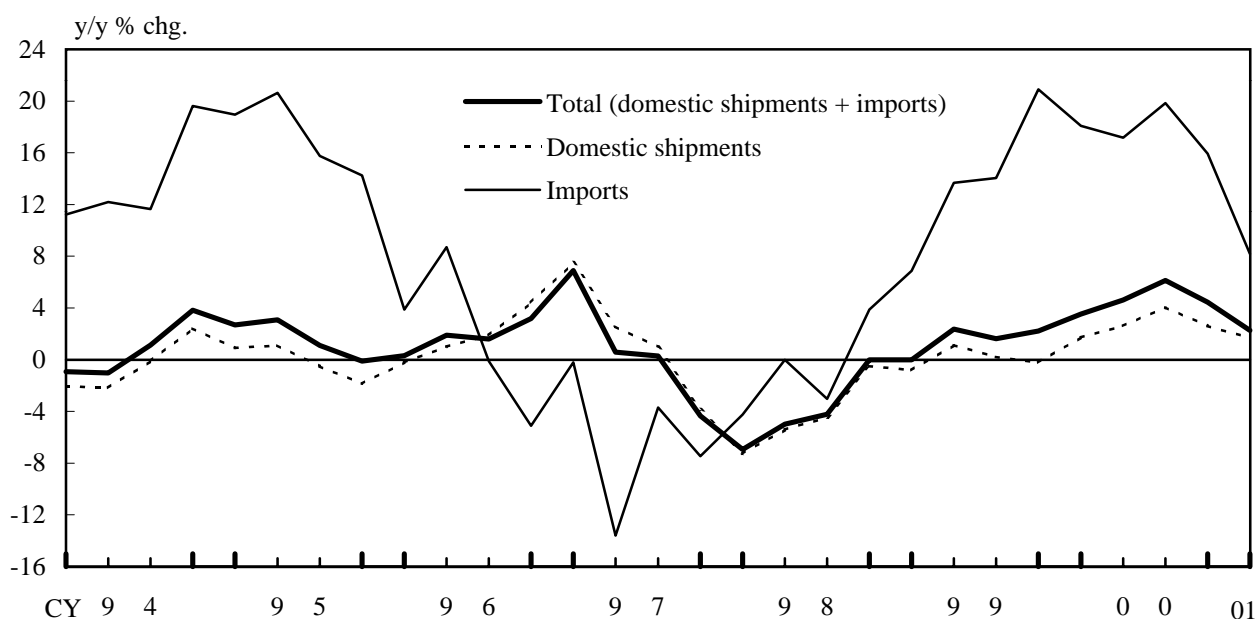
Sources: Cabinet Office, "National Accounts";  
 Ministry of Economy, Trade and Industry, "Current Survey of Commerce";  
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index,"  
 "Monthly Report on the Family Income and Expenditure Survey";  
 Bank of Japan, "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. 2001/Q1 figures are those of January in terms of quarterly amount.

3. Figures for 2001/Q1 of "Domestic shipments" are calculated from quarterly changes of *Indices of Industrial Production* (excluding the effects of exports).

4. Figures for 2001/Q1 of "Imports" are calculated from quarterly changes of real imports.

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

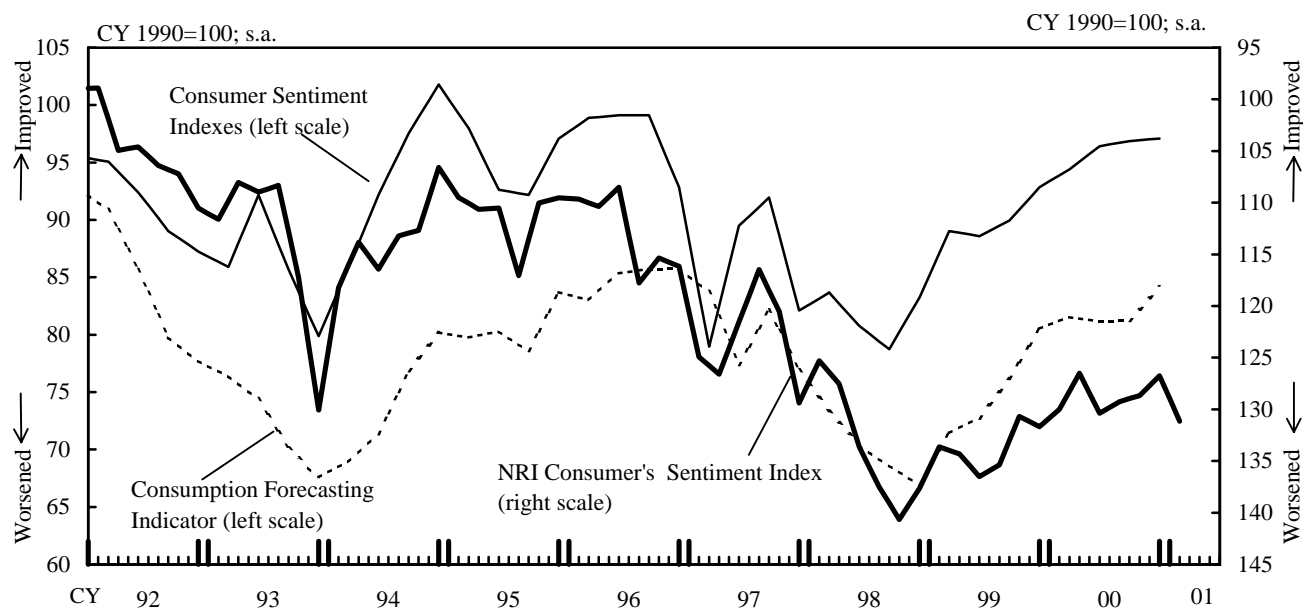
5. Figures for 2001/Q1 of "Total (domestic shipments + imports)" are calculated from weighted average of the quarterly changes in "Domestic shipments" and "Imports".

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



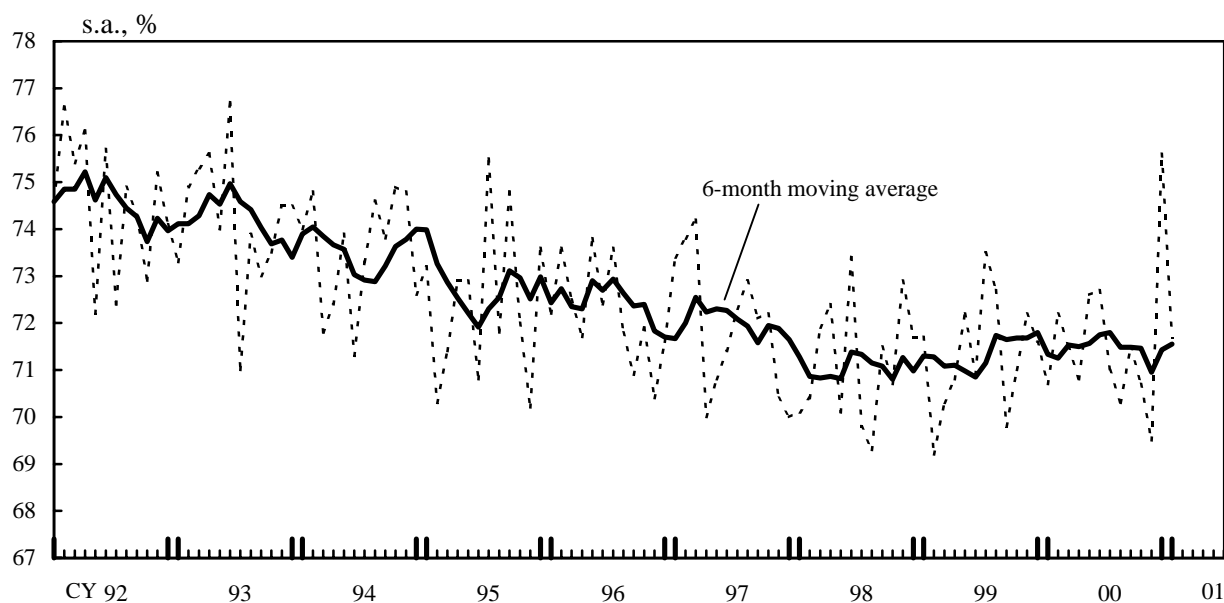
Notes: 1. Seasonally adjusted by X-11. "Consumer Sentiment Indexes" is seasonally adjusted by the Cabinet Office.

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";

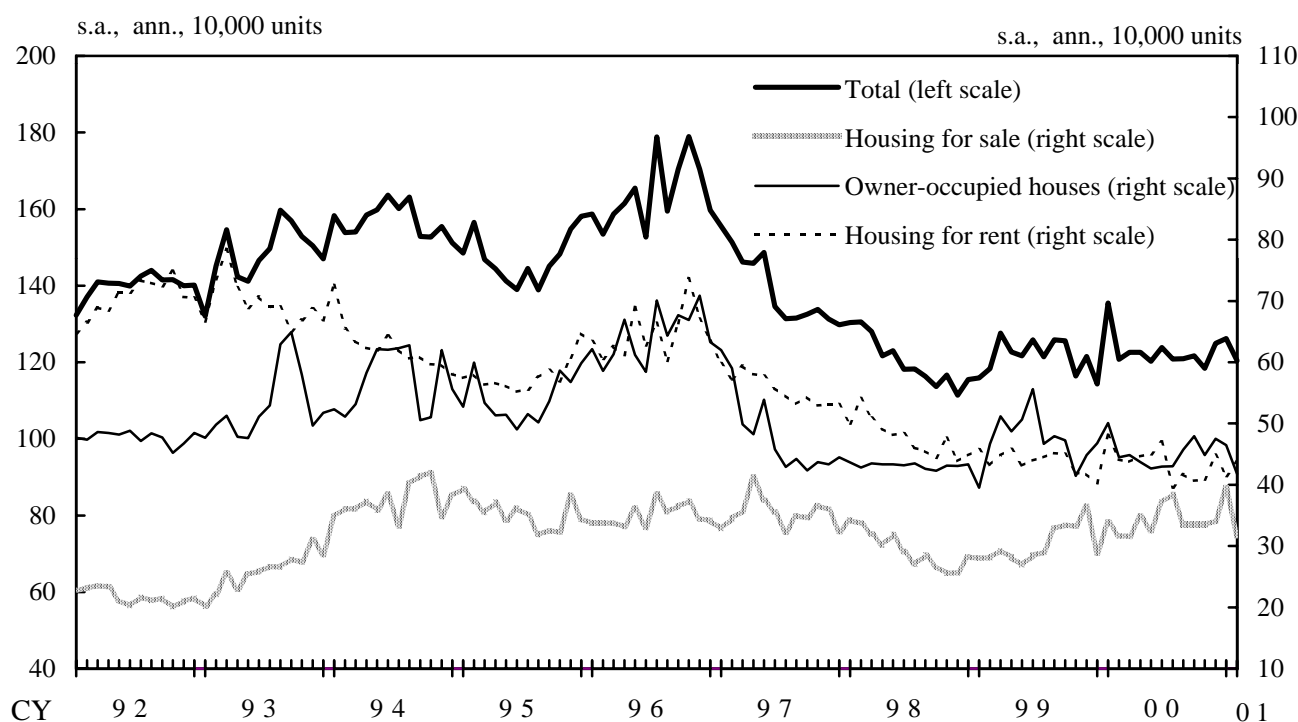
Ministry of Public Management, Home Affairs, Posts and Telecommunications,

"Monthly Report on the Family Income and Expenditure Survey";

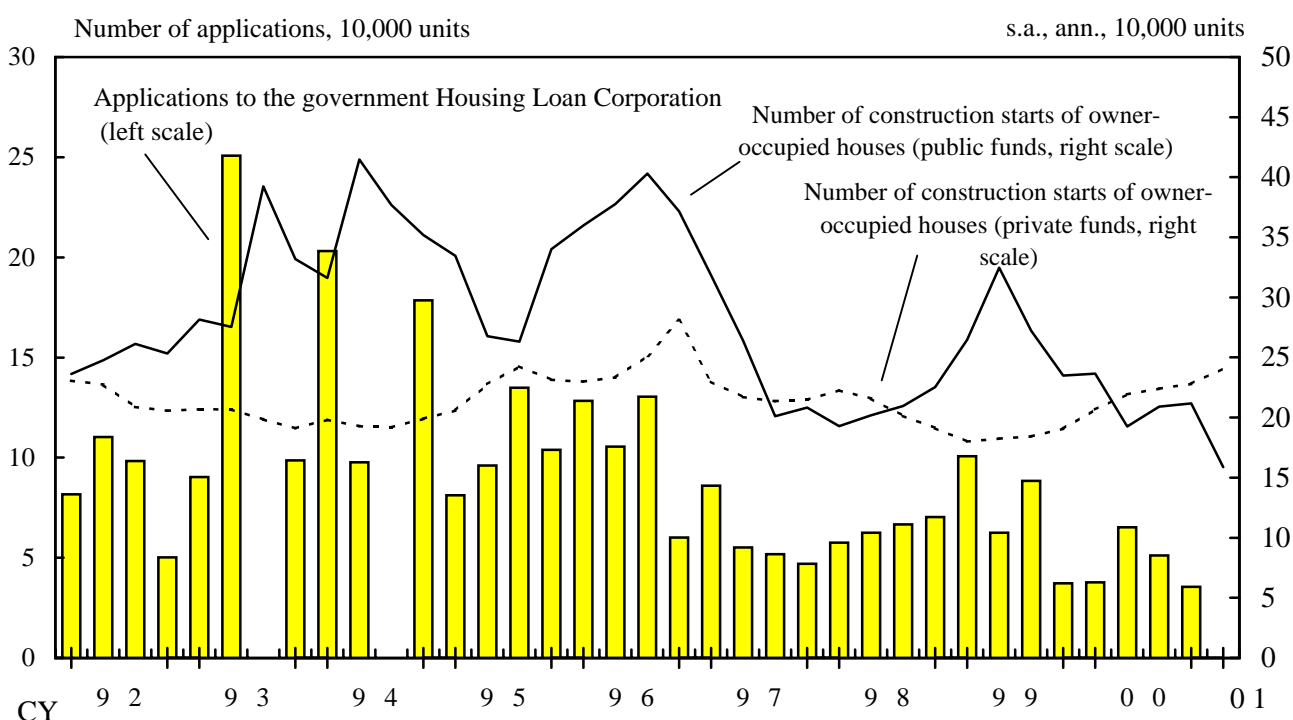
Nippon Research Institute (NRI), "Consumer's Sentiment Survey."

Indicators for Housing Investment

(1) Housing Starts



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



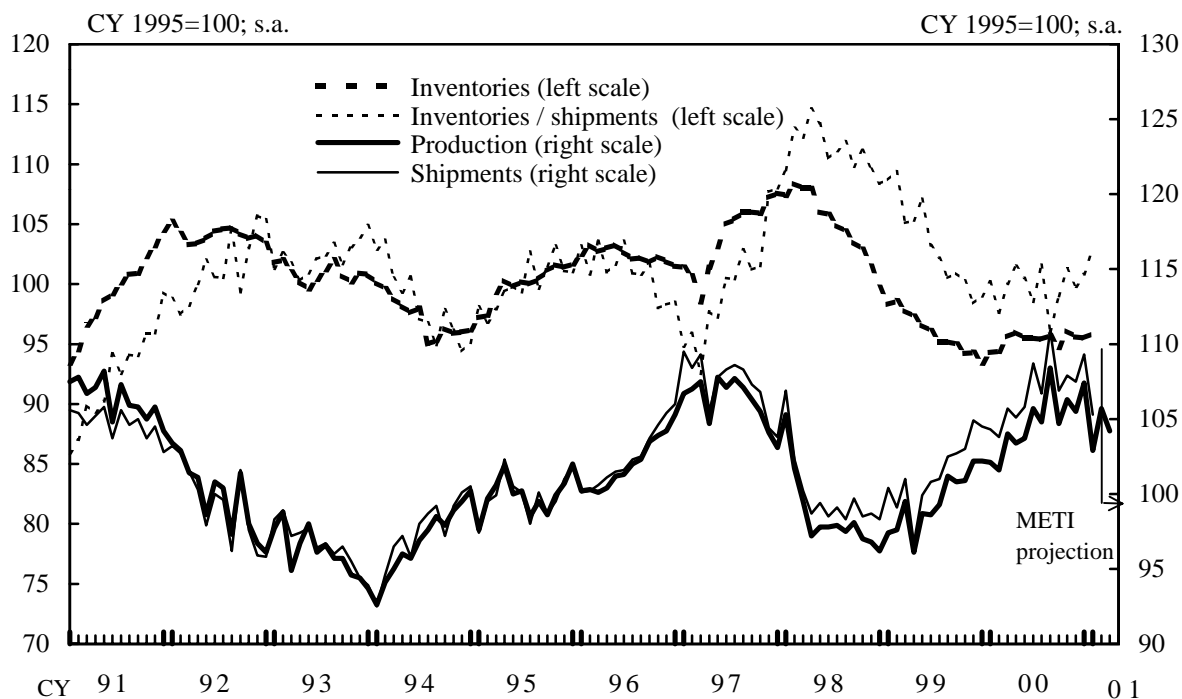
Notes: 1. The duration of the loan offering period (the government Housing Loan Corporation) differs and the period may be extended to the following quarter. The number of loan applications for the construction of private homes is placed in the quarter that includes most of the offering period.

2. Figures for the number of construction starts of owner-occupied houses (private funds and public funds) for CY2001/Q1 are those of January in terms of quarter amount.

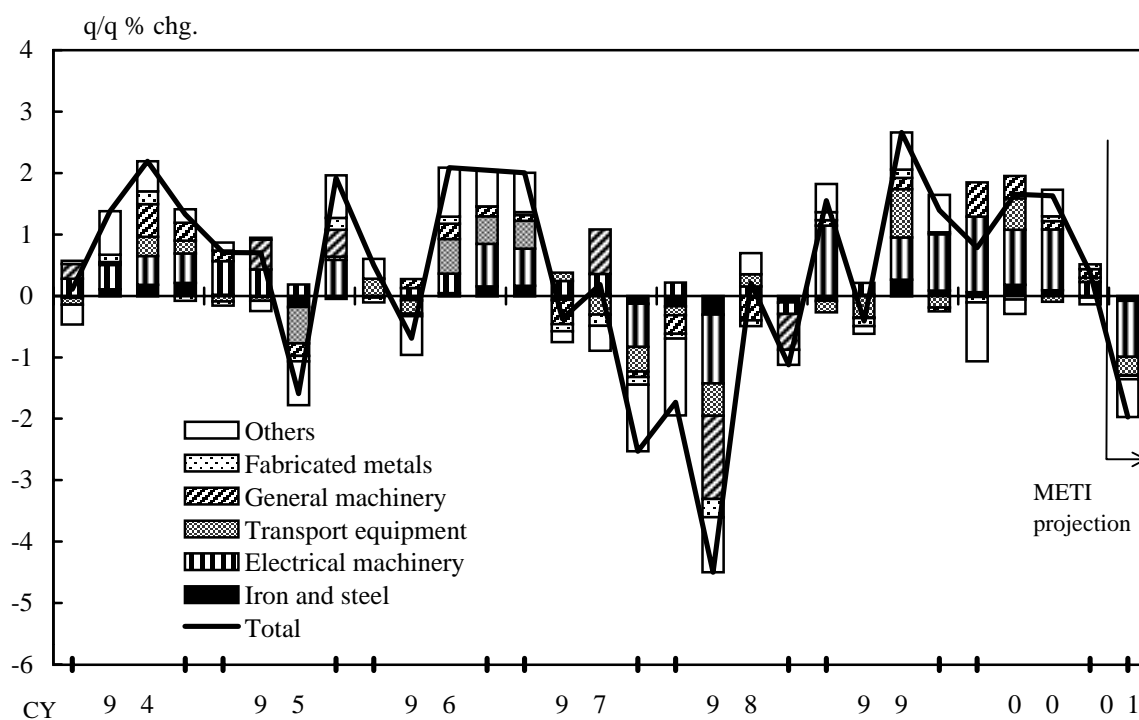
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

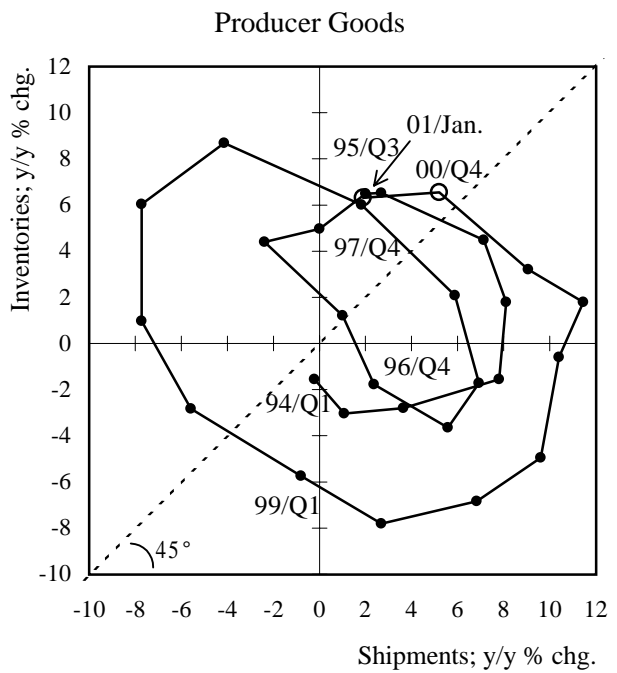
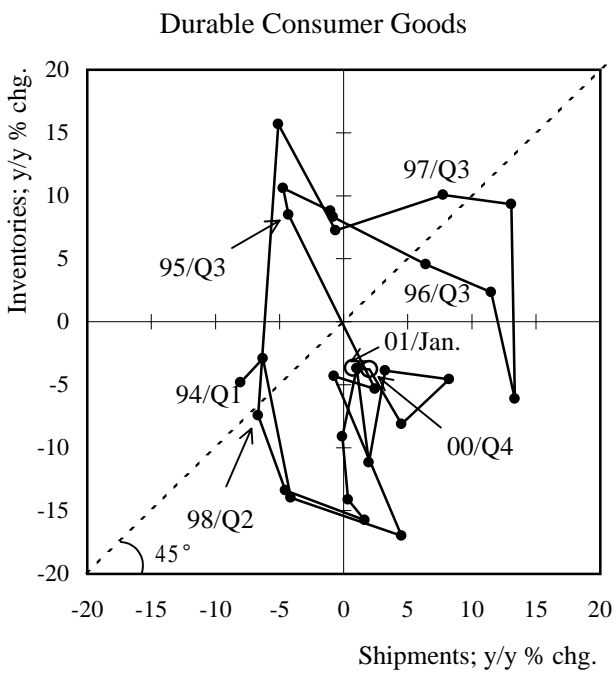
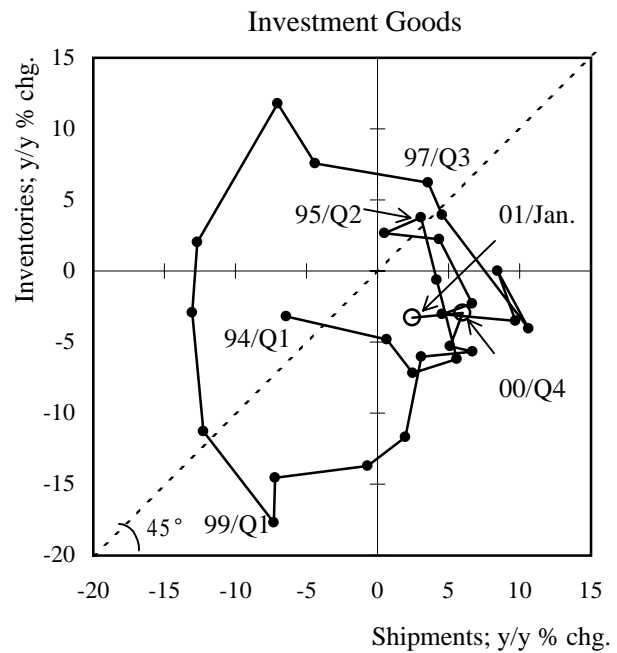
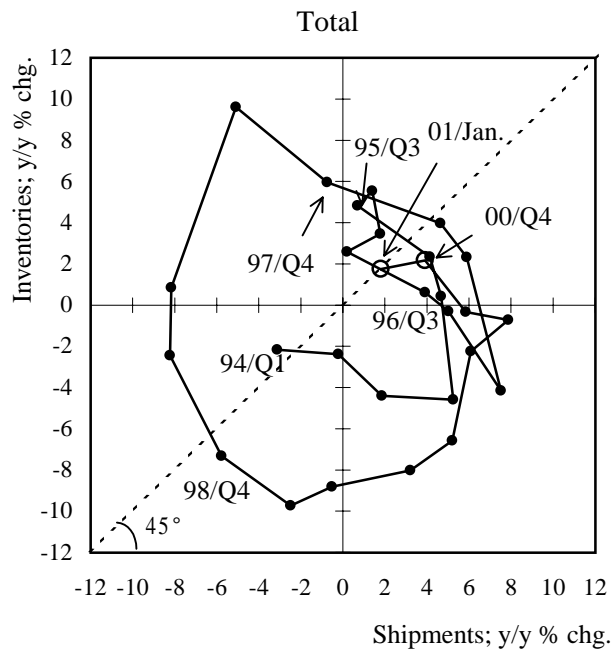


Note: Transport equipment excludes ships and rolling stock.

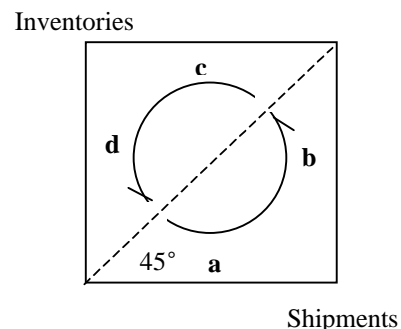
Source: Ministry of Economy, Trade and Industry, "Indices of Industrial Production."



Inventory Cycle



Phases in the Inventory Cycle



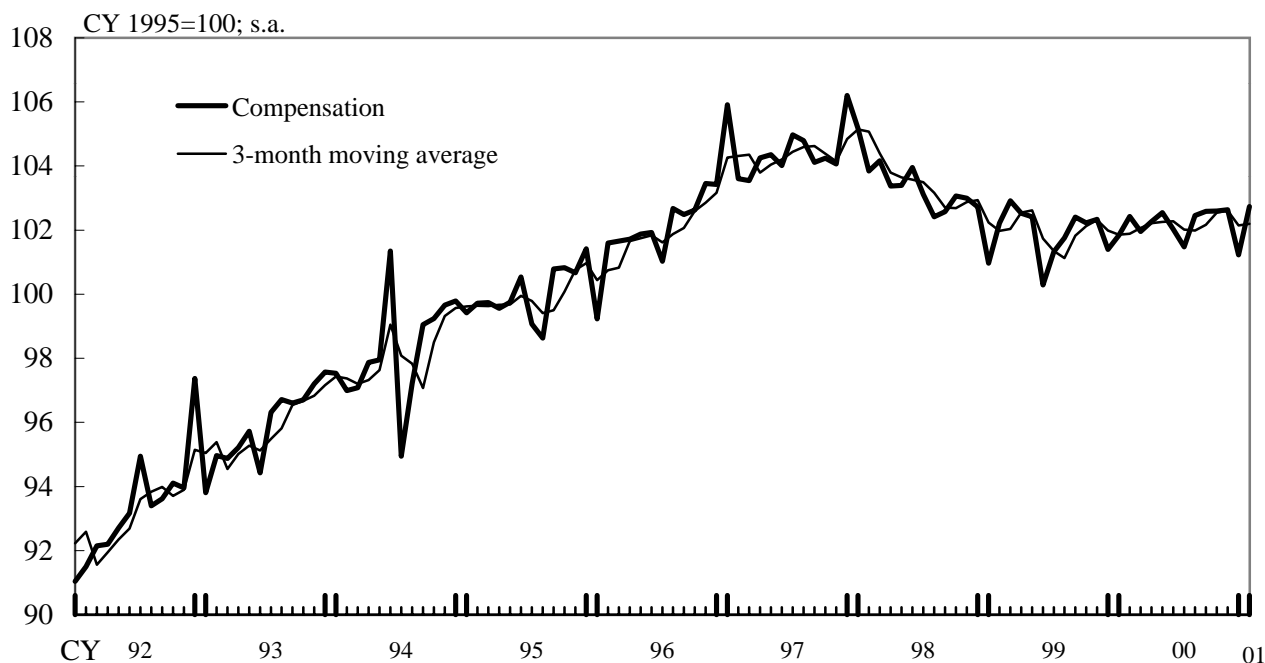
Shipments

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

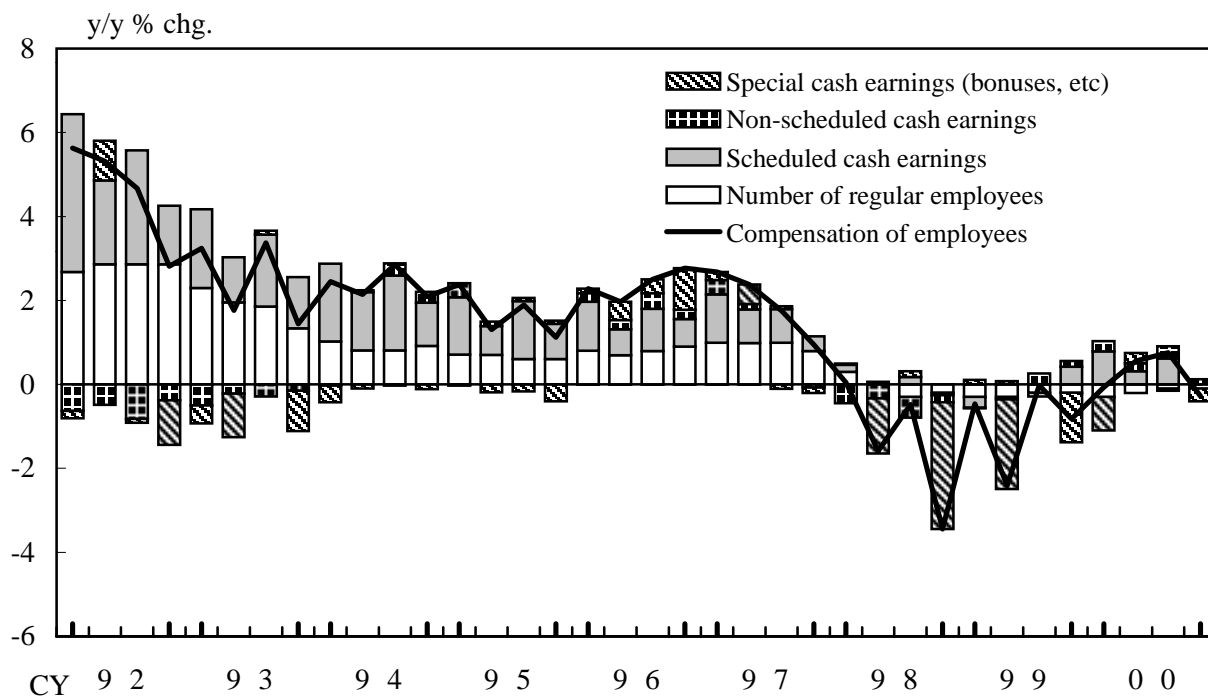
## Compensation of Employees

### (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 ( $\beta$  version).  
 3. Data for establishments with at least 5 employees.

### (2) Breakdown of Compensation

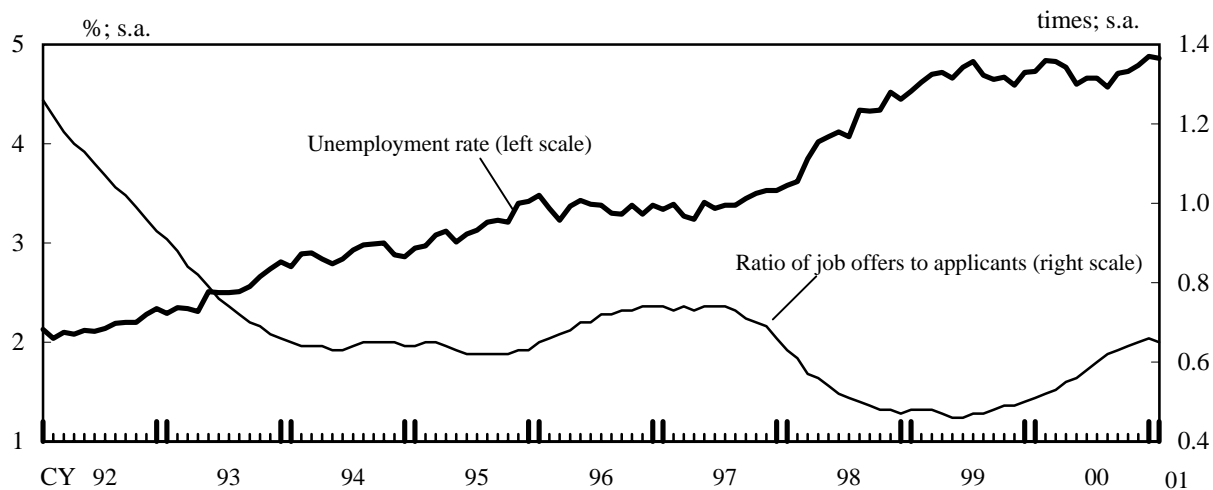


- Notes: 1. Data for establishments with at least 5 employees.  
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.  
 3. Figures for 2000/Q4 are those of the Dec.-Jan. average.

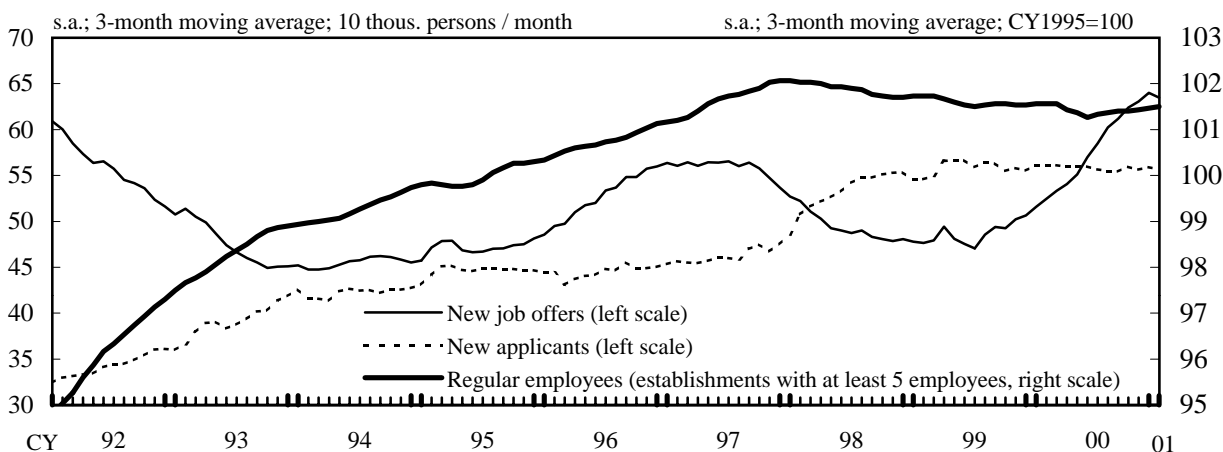
Source: Ministry of Health, Labour and Welfare, "Monthly Labour Survey."

Labor

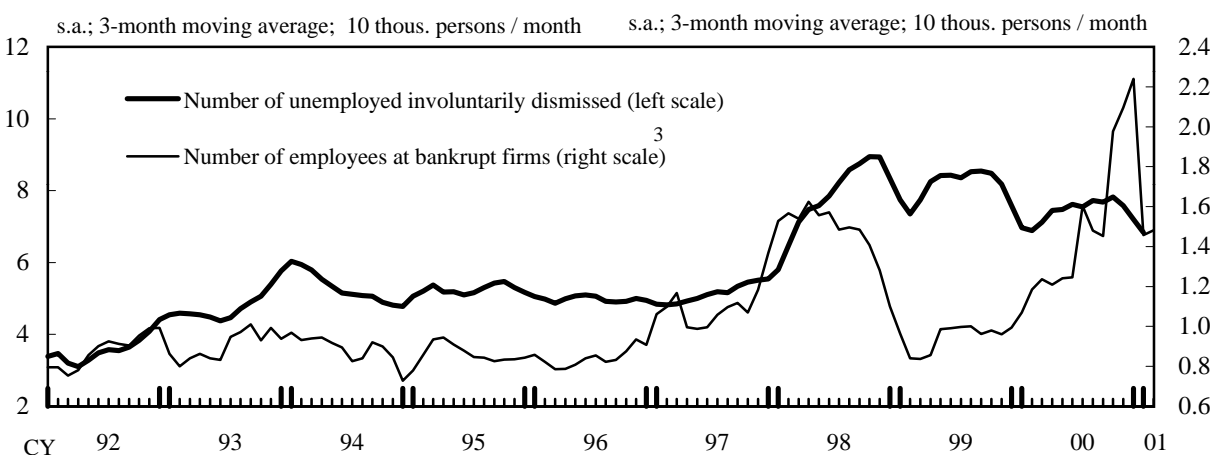
(1) Monthly



(2) New Job Offers and New Applicants<sup>1</sup>



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



Notes: 1. Seasonally adjusted by X-11.

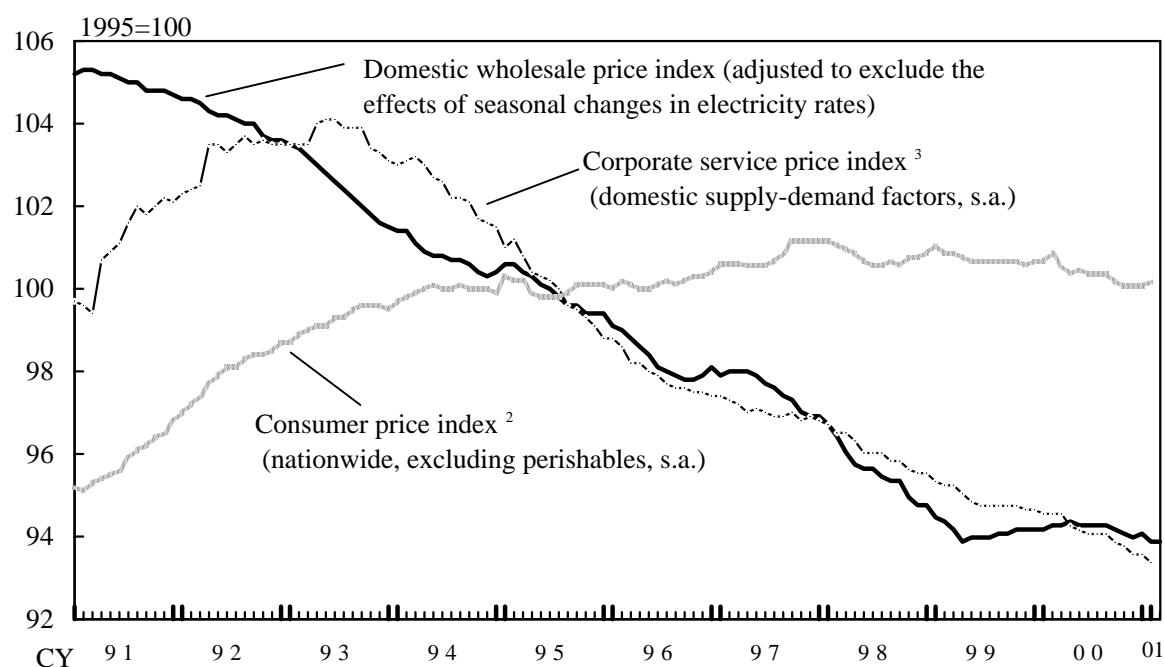
2. Exclude jobs offered to new graduates.

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

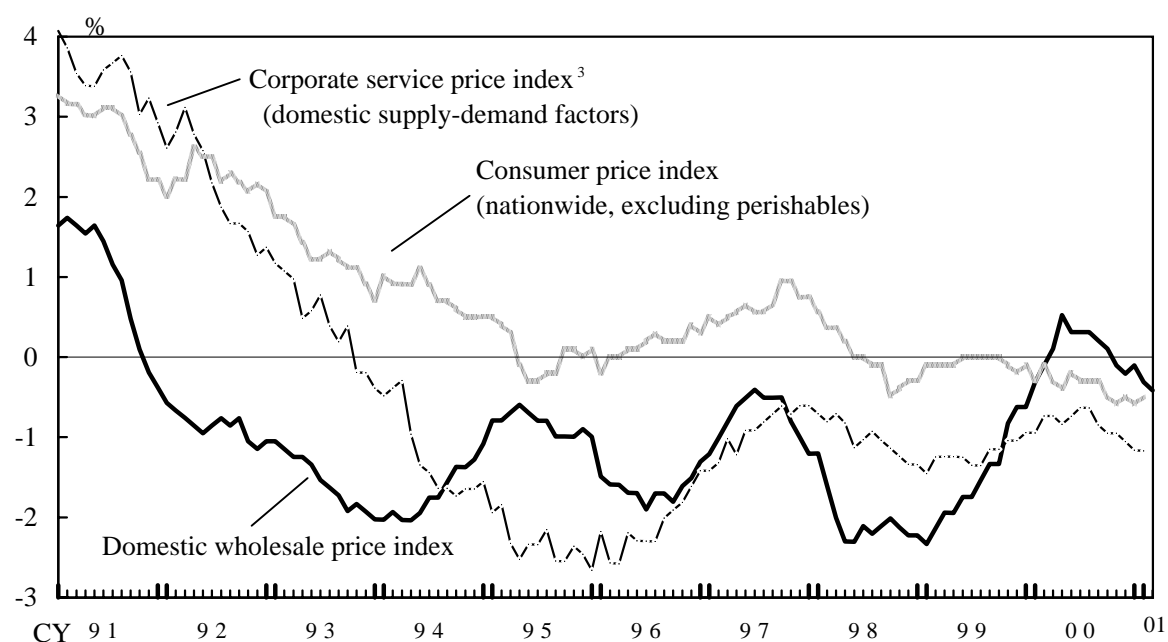
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey," "Report on Employment Service," "Report on Employment Insurance Service"; Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey"; Teikoku Databank Ltd., "Japan's Business Failure."

Prices<sup>1</sup>

## (1) Level



## (2) Changes from a year earlier

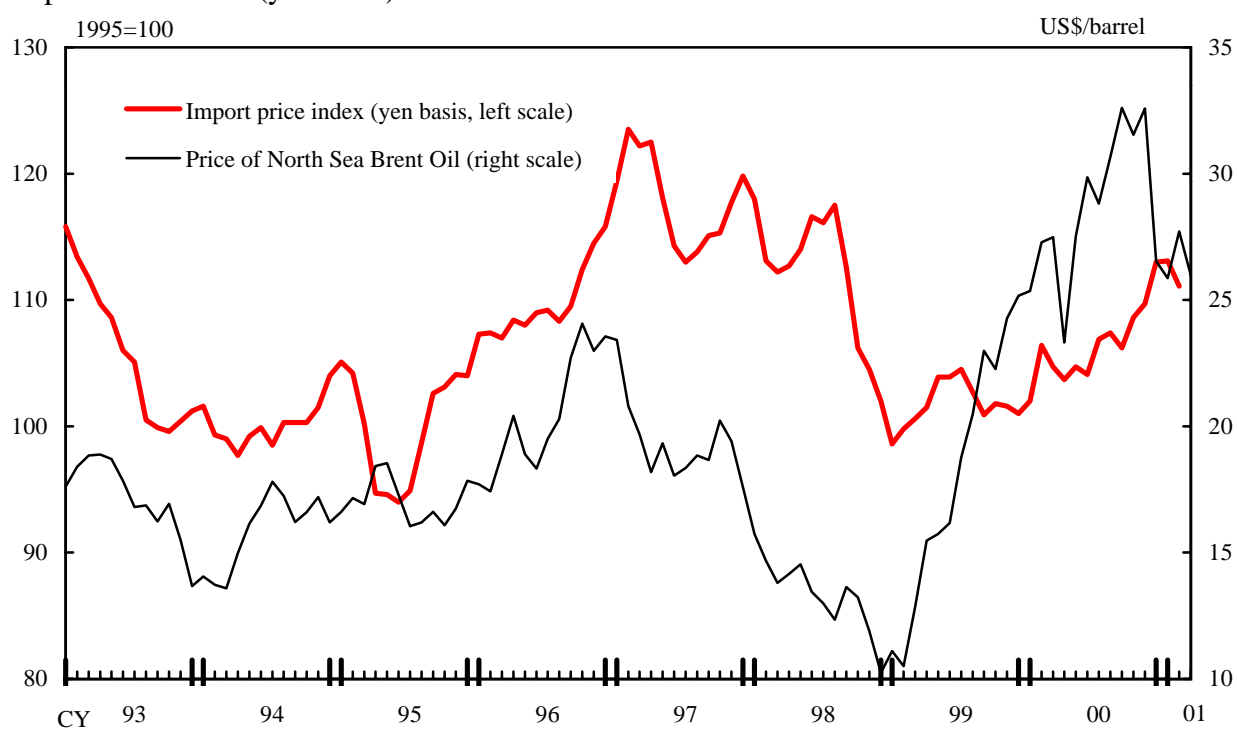


- Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. The 1990-base CPI, seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, is spliced for figures before January 1995.
3. See footnote 4 in Chart 21, for definition of the Corporate service price index (domestic supply-demand factors).

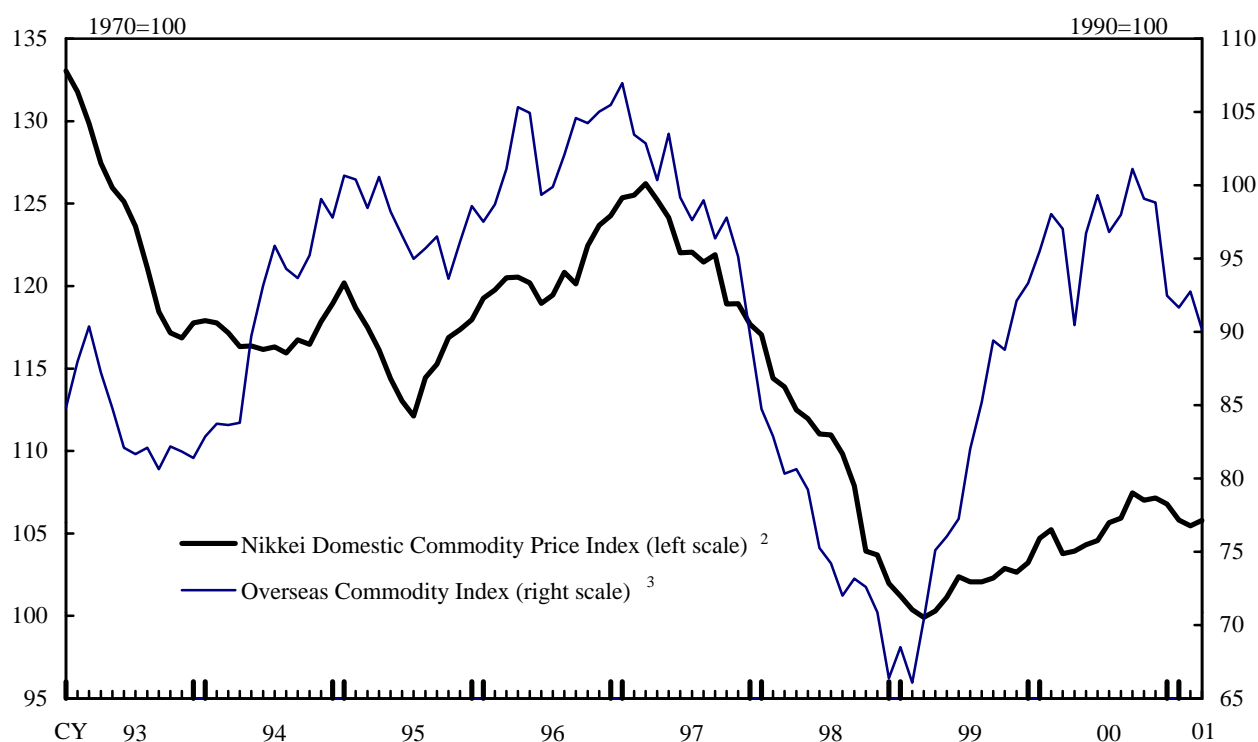
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index."

## Import Prices and Domestic Commodity Market

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



### (2) Domestic Commodity Market



Notes: 1. Data for March 2001 are March 1-15 average.

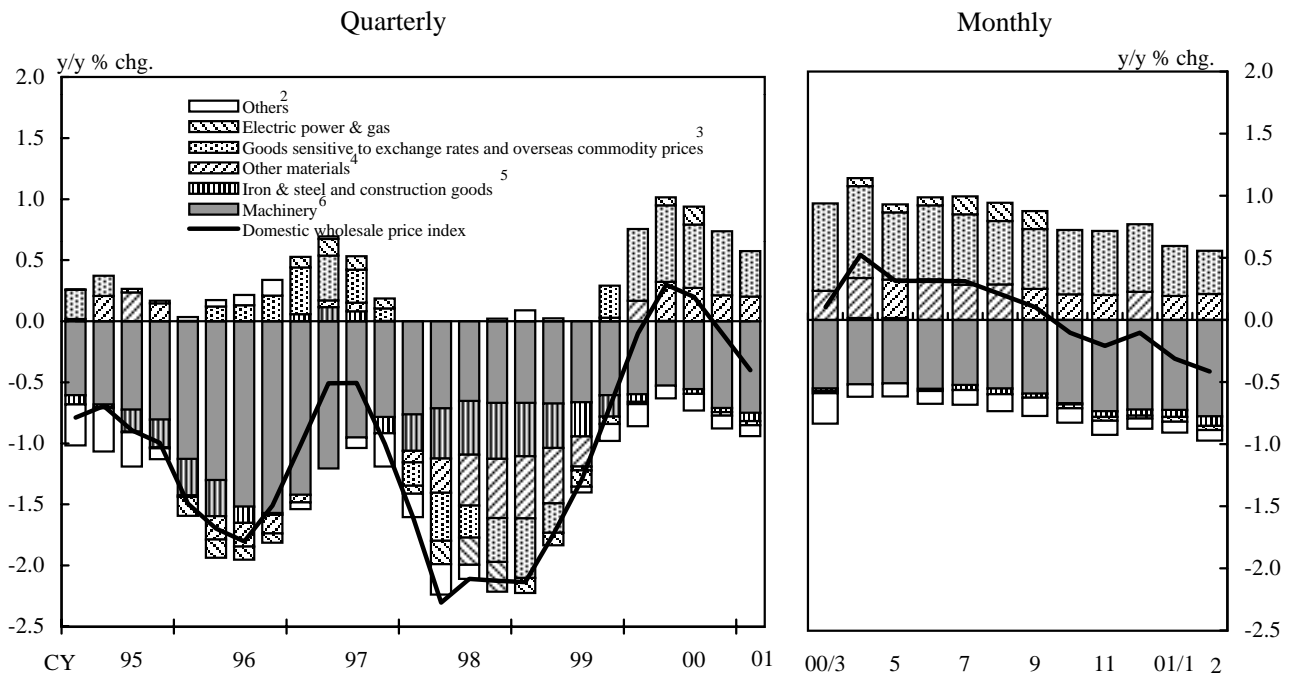
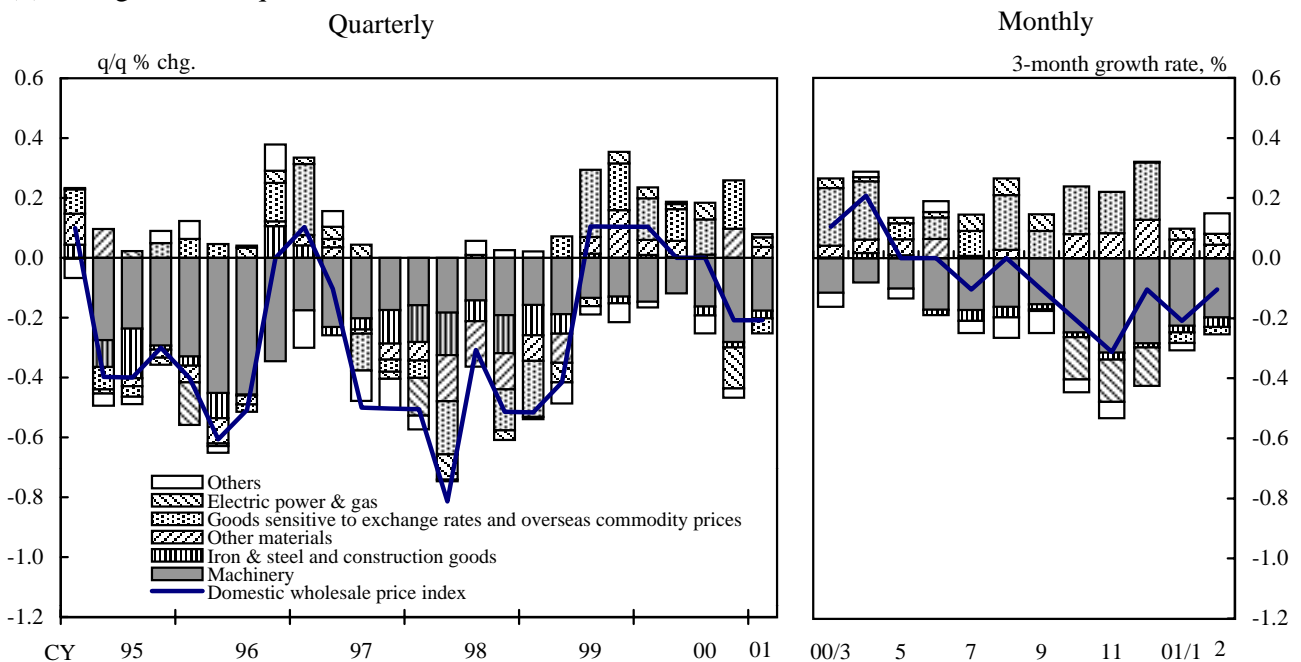
2. Data for March 2001 are as of March 9.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for March 2001 are March 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 Index<sup>1</sup>

## (1) Changes from a year earlier

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

Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise 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.

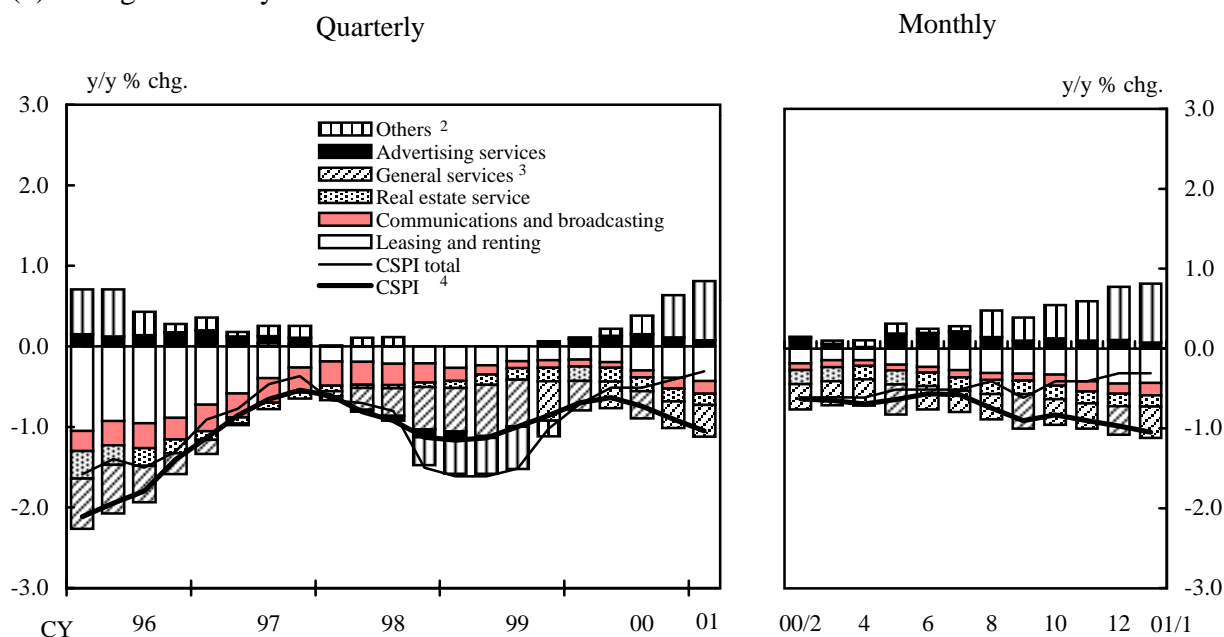
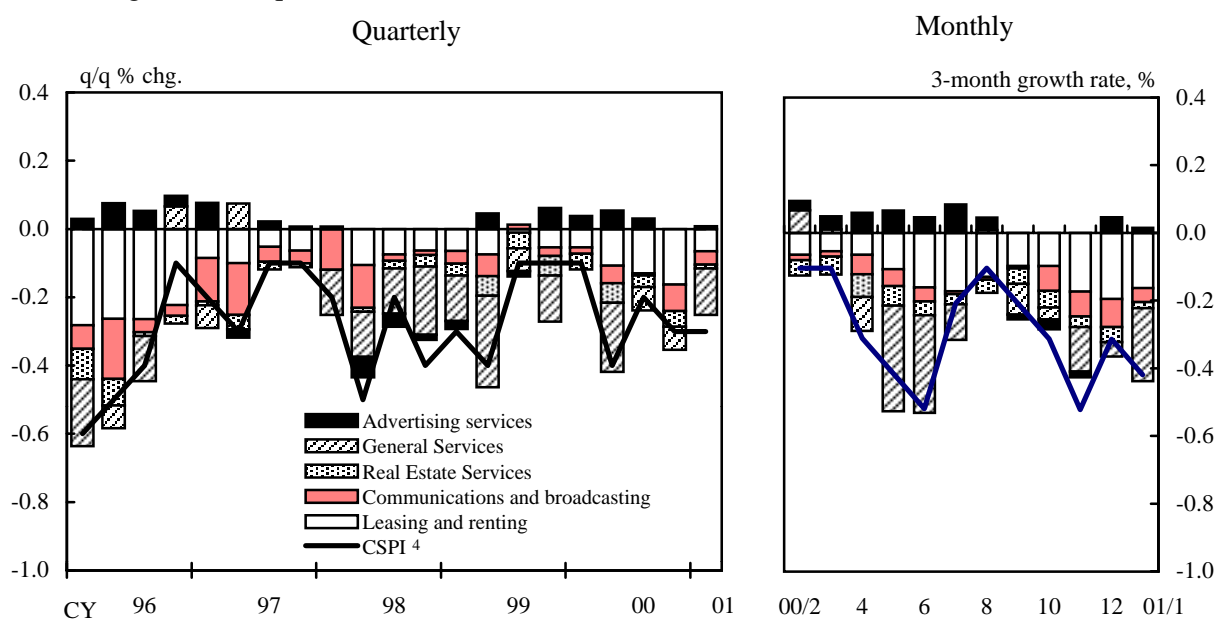
7. Adjusted to exclude the effects of the summer-time (from July to September) hike in electricity rates.

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

8. Figures for 2001/Q1 are those of the Jan. - Feb. average.

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

## (1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier<sup>5</sup>

Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise 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 ( $\beta$  version).

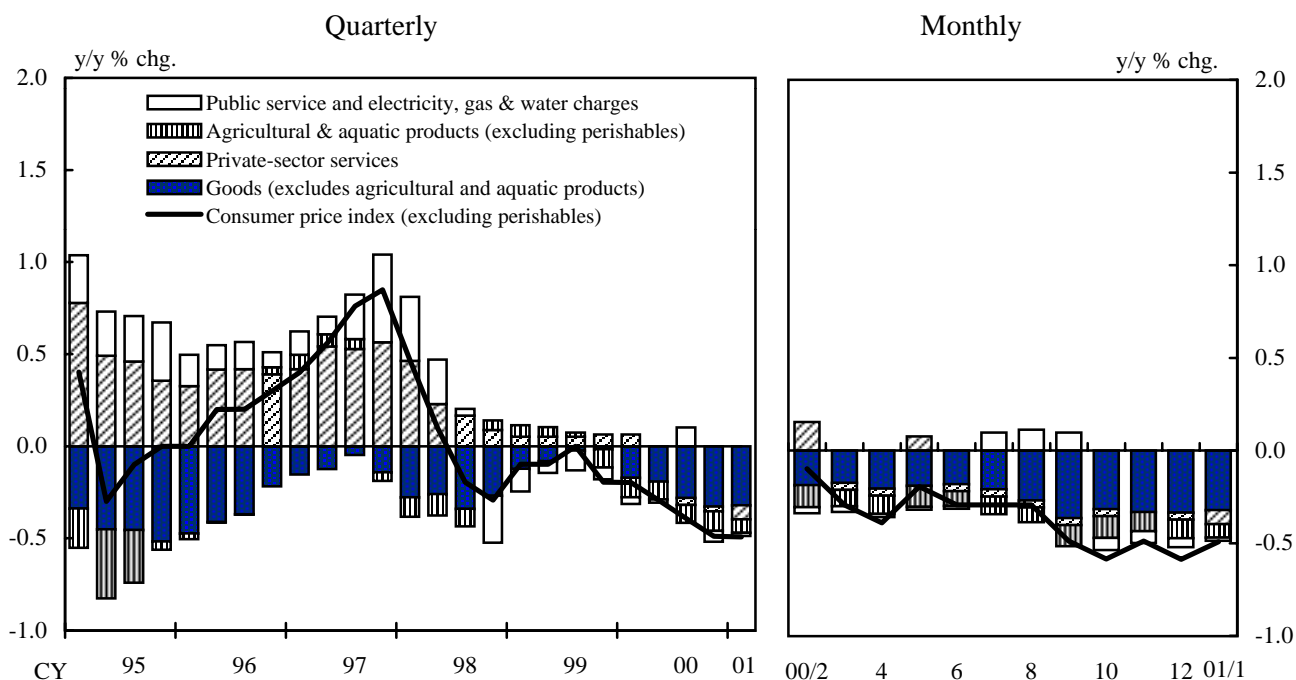
Due to seasonal adjustment every month, the series are revised retroactively every month.

6. Figures for 2001/Q1 are those of January.

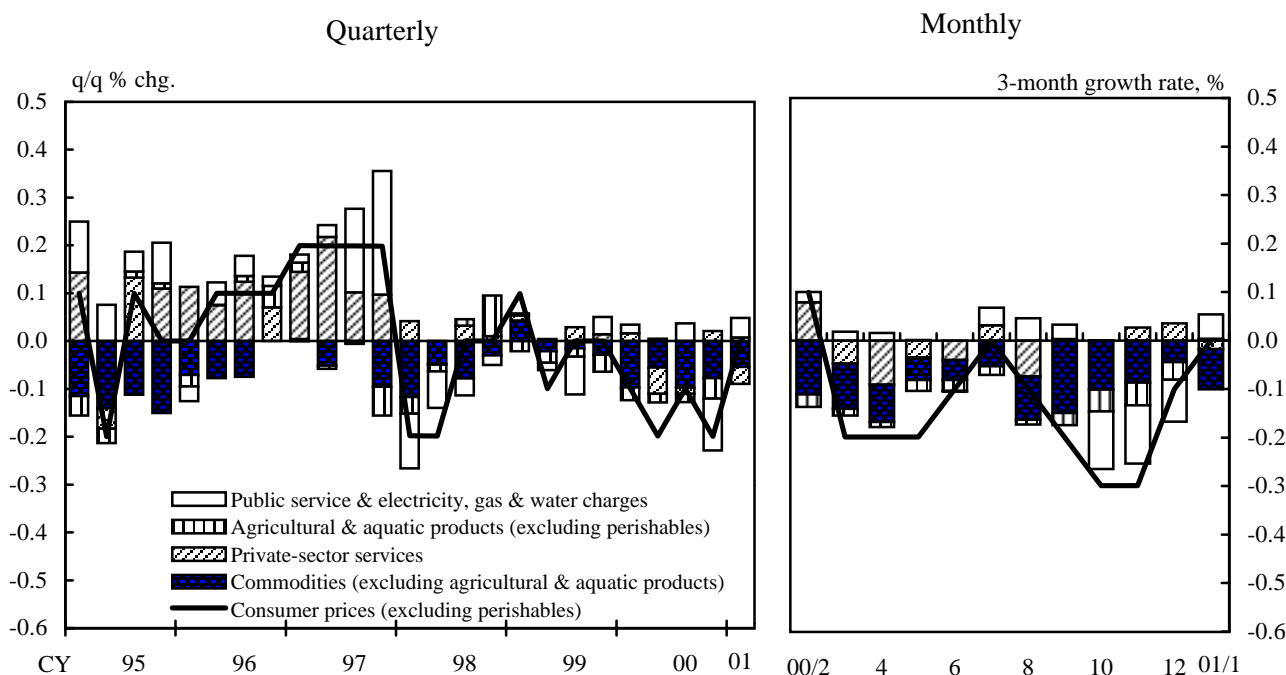
Source: Bank of Japan, "Corporate Service Price Index."

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

## (1) Changes from a year earlier



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



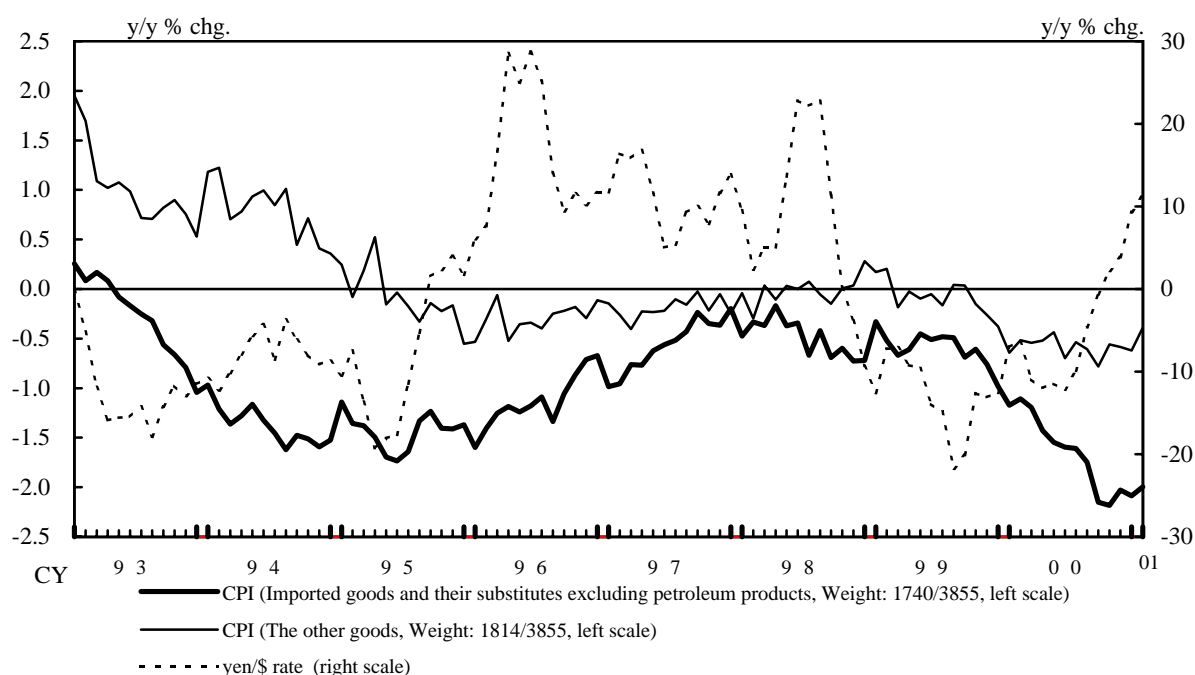
Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

2. Seasonally adjusted. Due to seasonal adjustment every month, the series are revised retroactively every month. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.

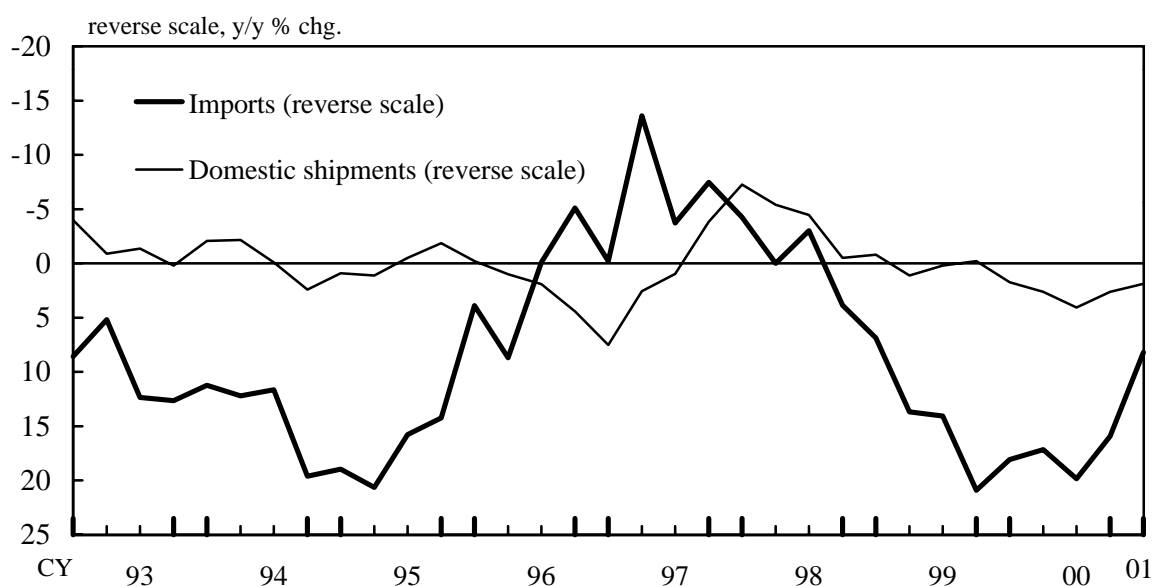
3. Figures for 2001/Q1 are those of January.

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



Consumer Price Index (Imported goods and Consumer goods (imported))<sup>1</sup>(1) Imported goods (excluding petroleum products)<sup>2</sup> and Substitutes<sup>3</sup>

## (2) Consumer goods (imported)

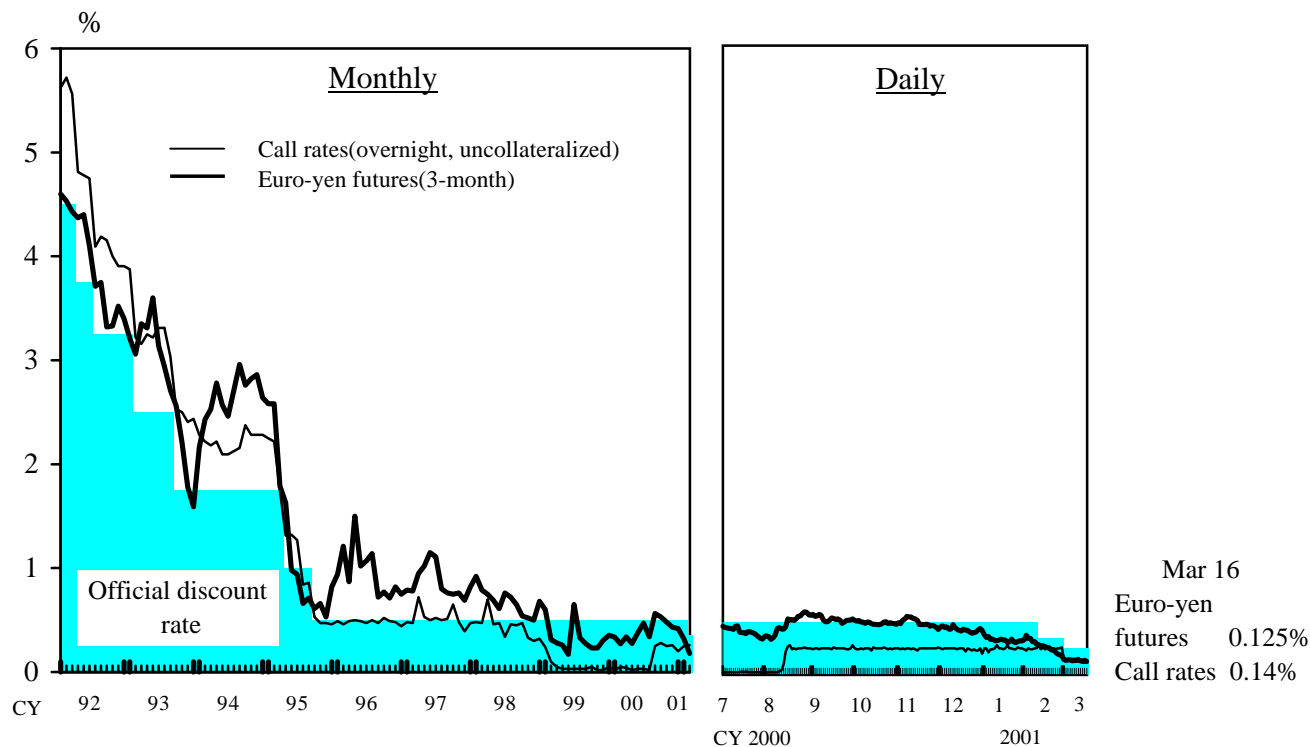


- Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. Imported goods (excluding petroleum products) consist of items common to both the Import Price Index and the Consumer Price Index, and their substitutes consist of items considered to be substitutable to import products but not covered by the Import Price Index.
3. The series were retroactively revised due to changes in definitions regarding compositions of these products, based on the trade data and views of merchant experts in private firms.
4. Adjusted to exclude the effects of the special tobacco tax introduced in December 1998, and biscuits, prices of which were heavily affected by changes in monitored brands. Weight is shares in commodities (excluding perishables).

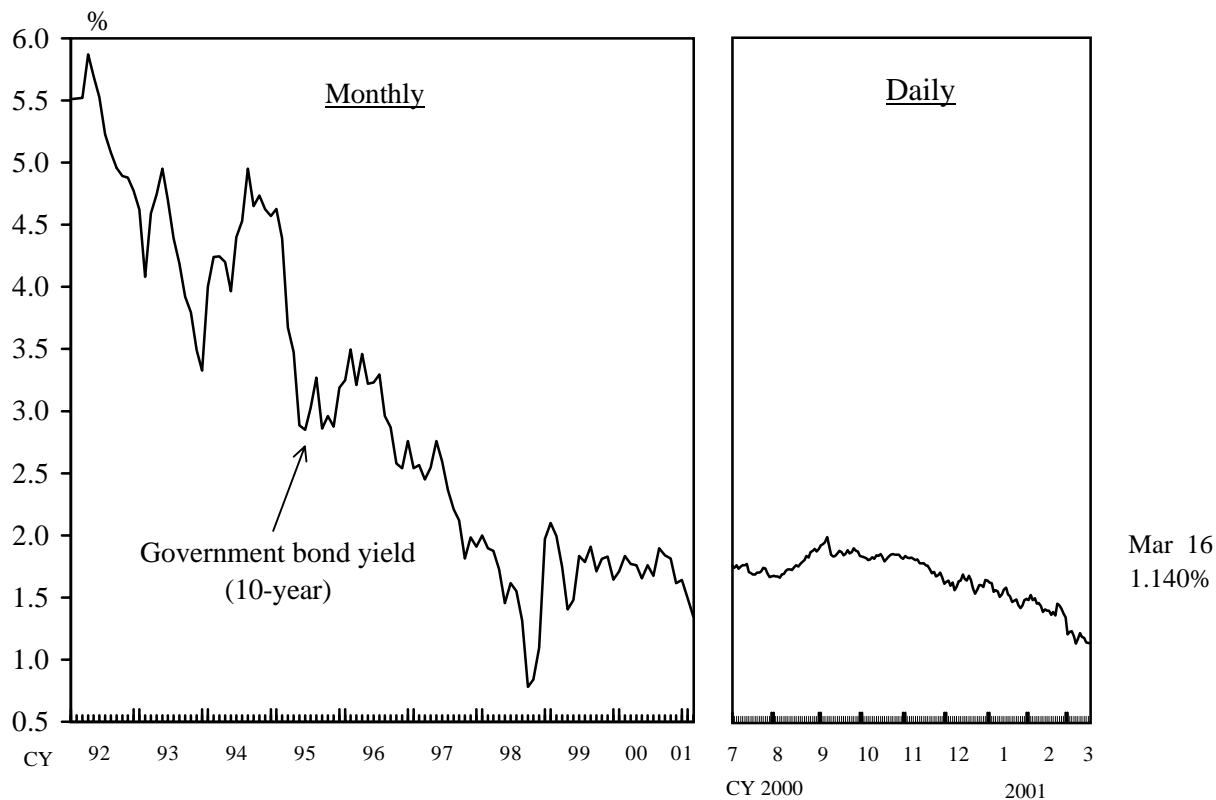
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports"; Bank of Japan, "Wholesale Price Indexes."

Interest Rates

(1) Short-Term



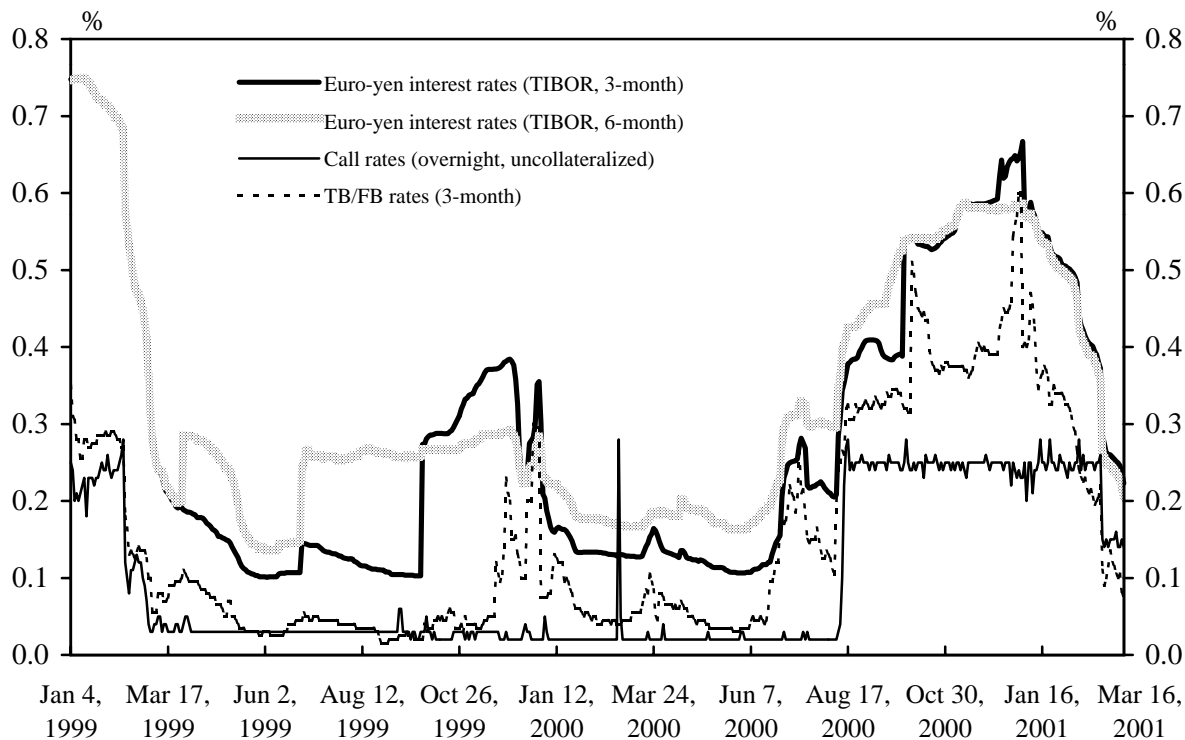
(2) Long-Term



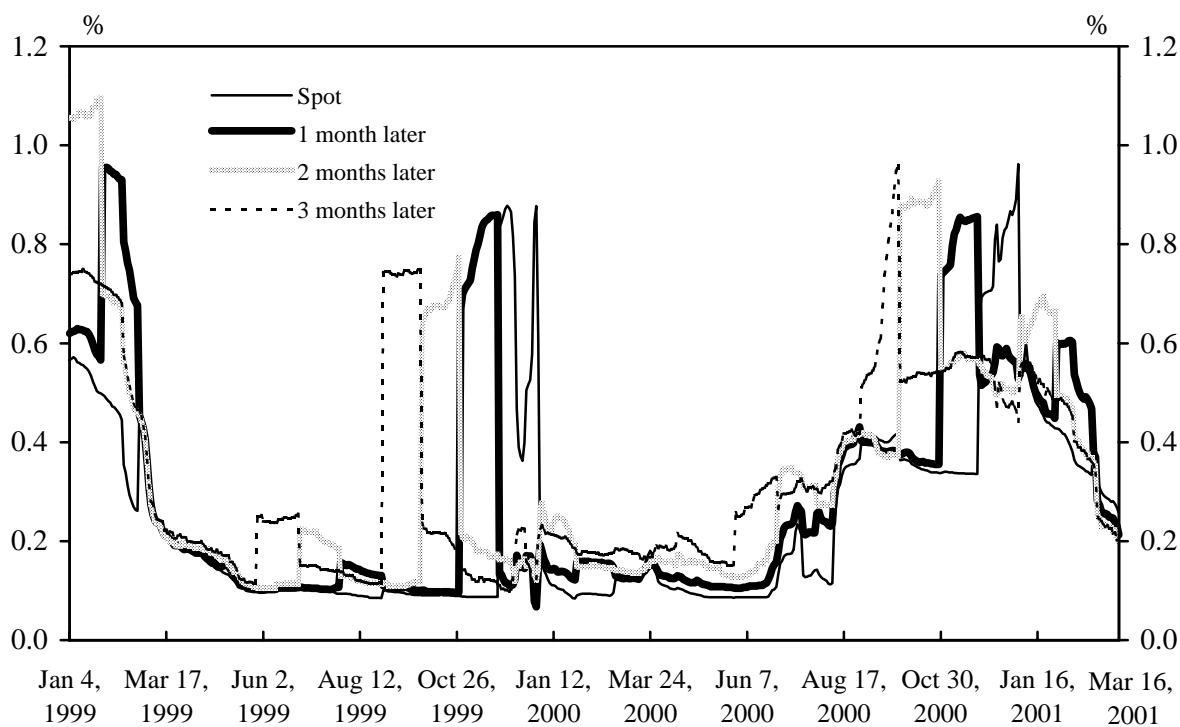
Sources: Bank of Japan; Tokyo International Financial Futures Exchange;  
Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

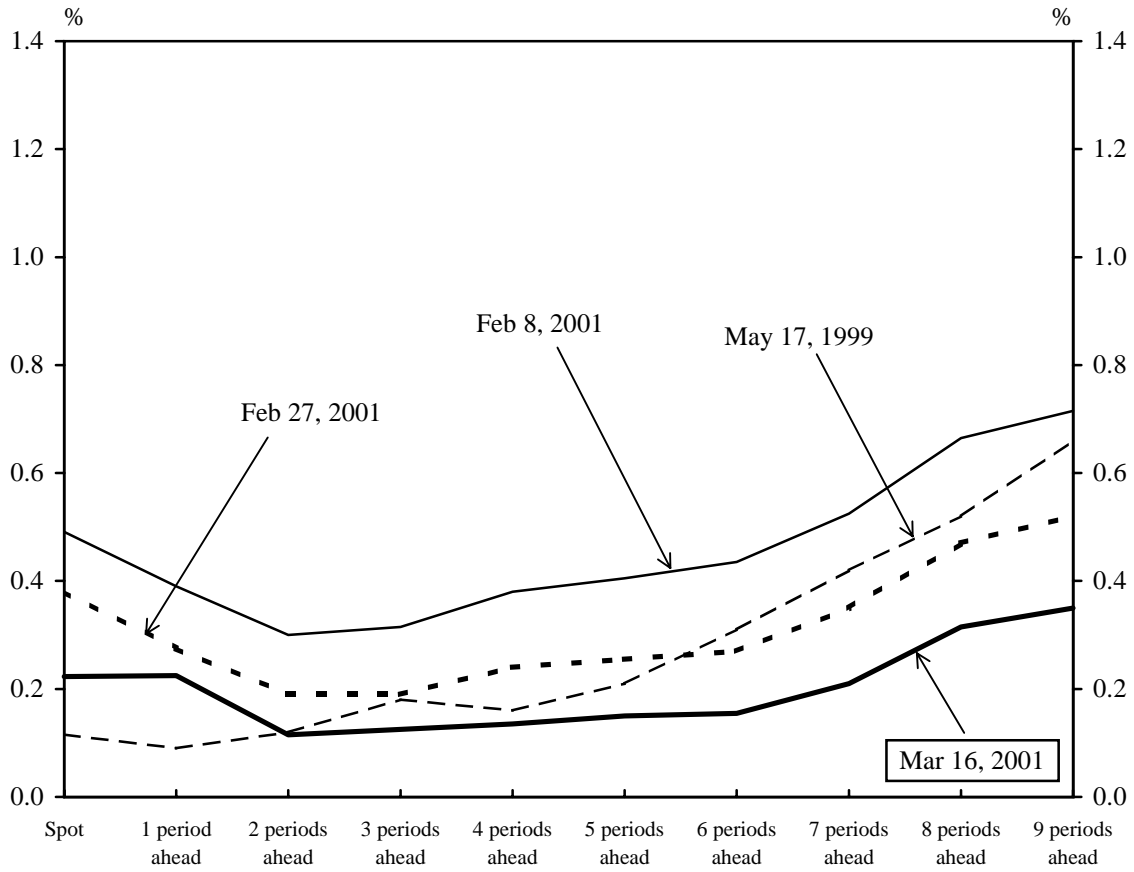


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

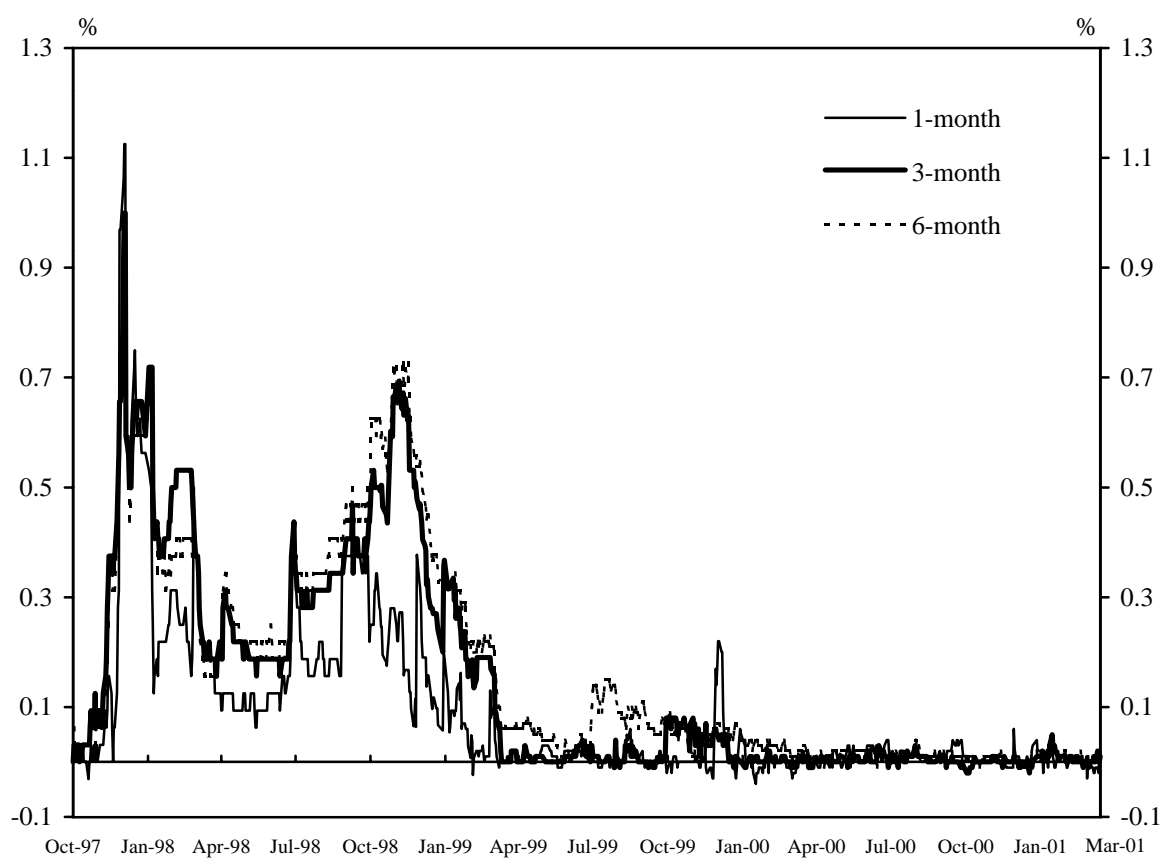


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Euro-Yen Interest Rates Futures (3-Month)



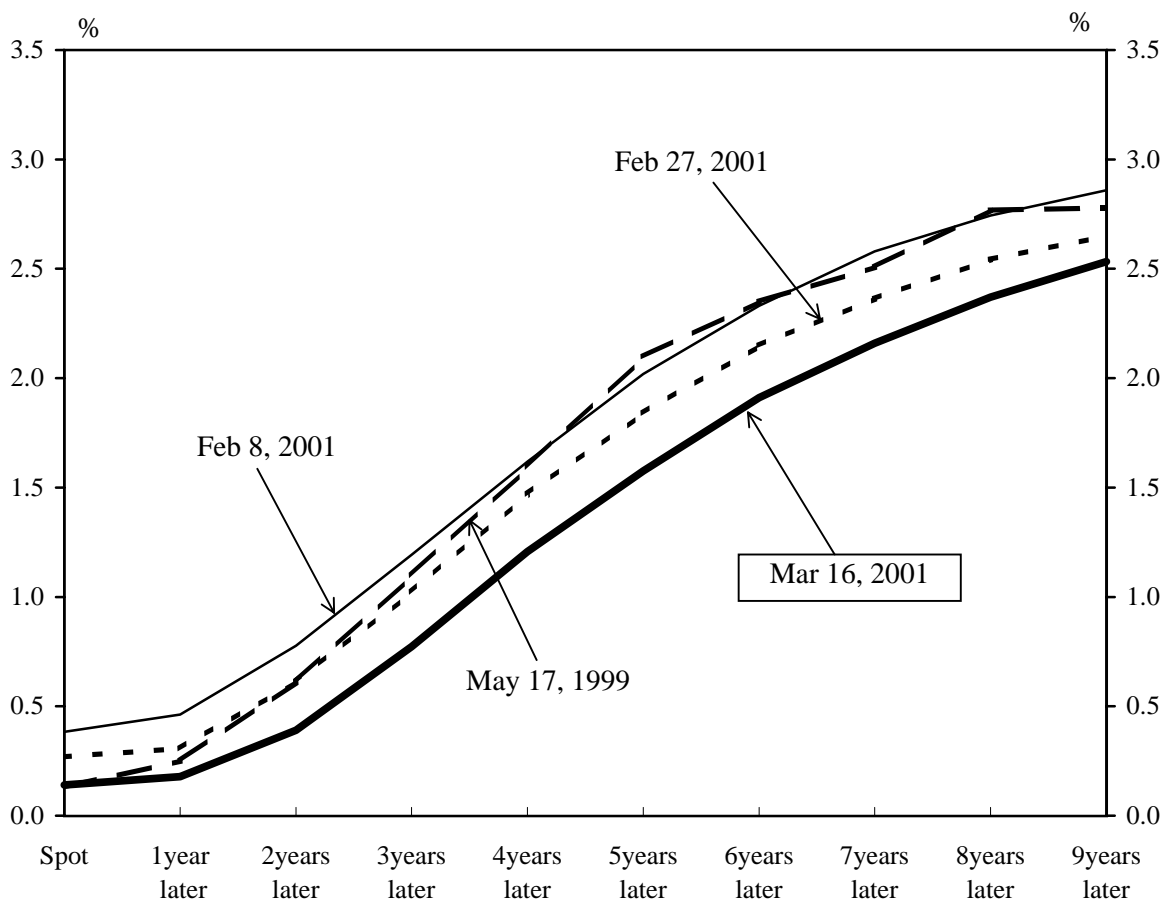
Source: Tokyo International Financial Futures Exchange.

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

Note: 1. Japan premium is an extra expense Japanese banks must pay for raising funds in overseas financial markets. Japan premium in this chart is calculated as follows:  
Japan premium = interest rate quoted by Bank of Tokyo-Mitsubishi - interest rate quoted by Barclays Bank in the Eurodollar market (London).

Source: British Bankers' Association (BBA).

Implied Forward Rates (1-year)<sup>1</sup>

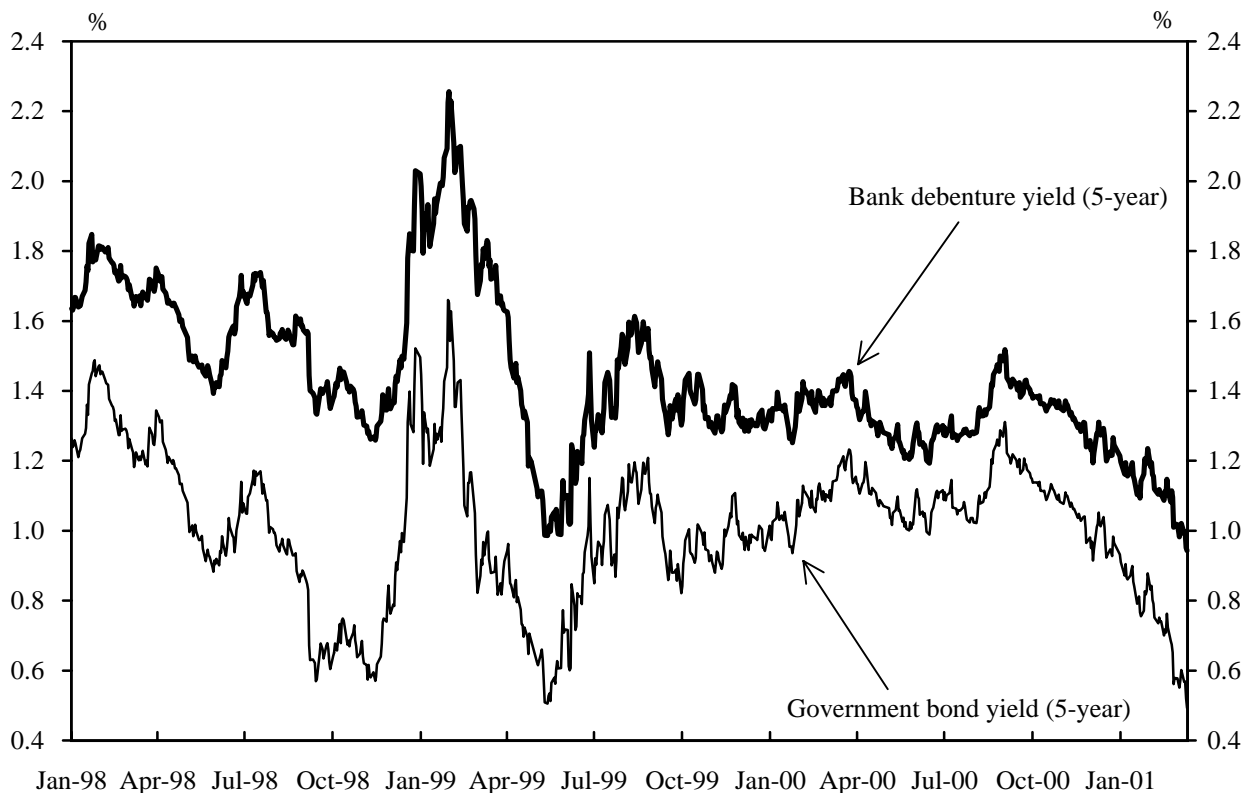


Note: 1. Calculated from yen-yen swap rates.

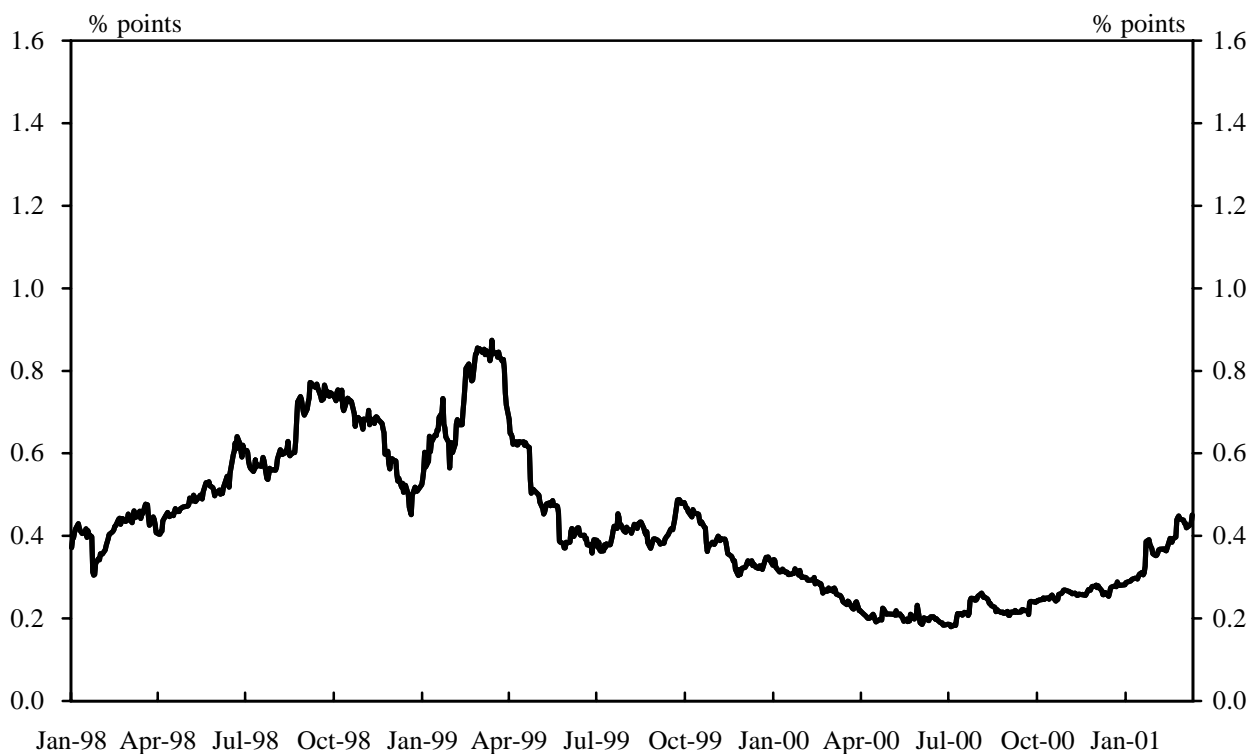
Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



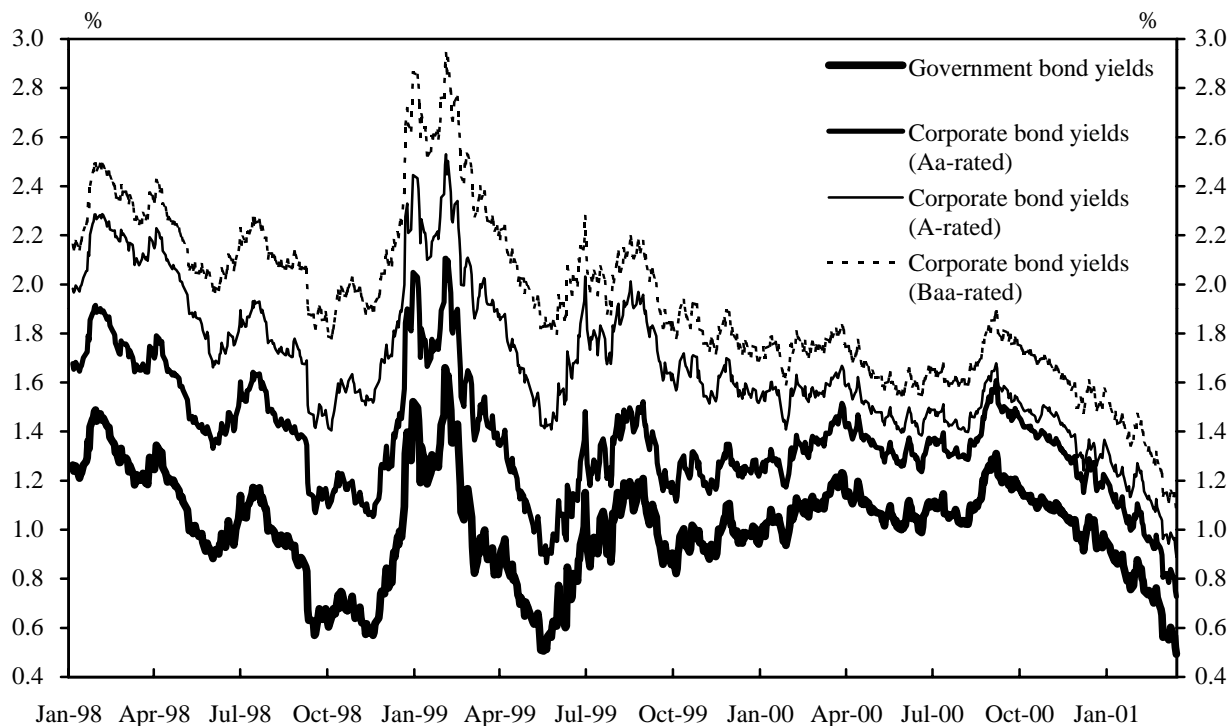
(2) Spread of Bank Debenture and Government Bond Yield



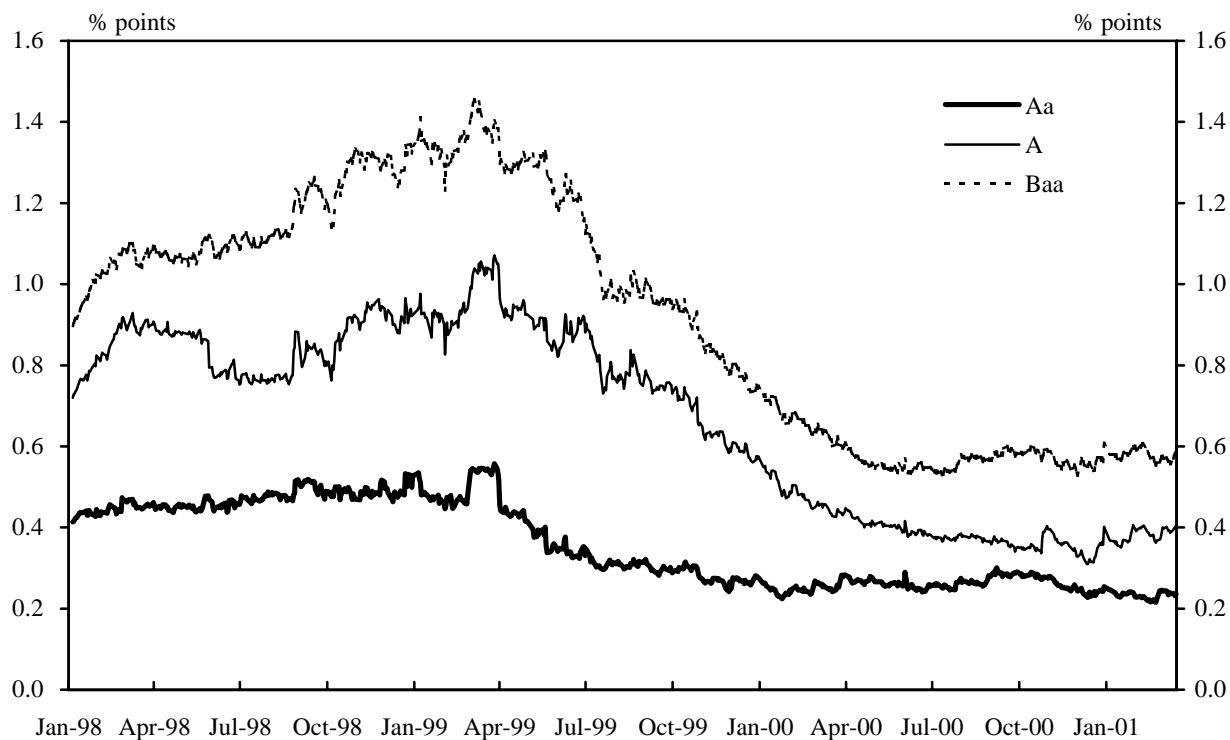
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields <sup>1</sup>

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



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

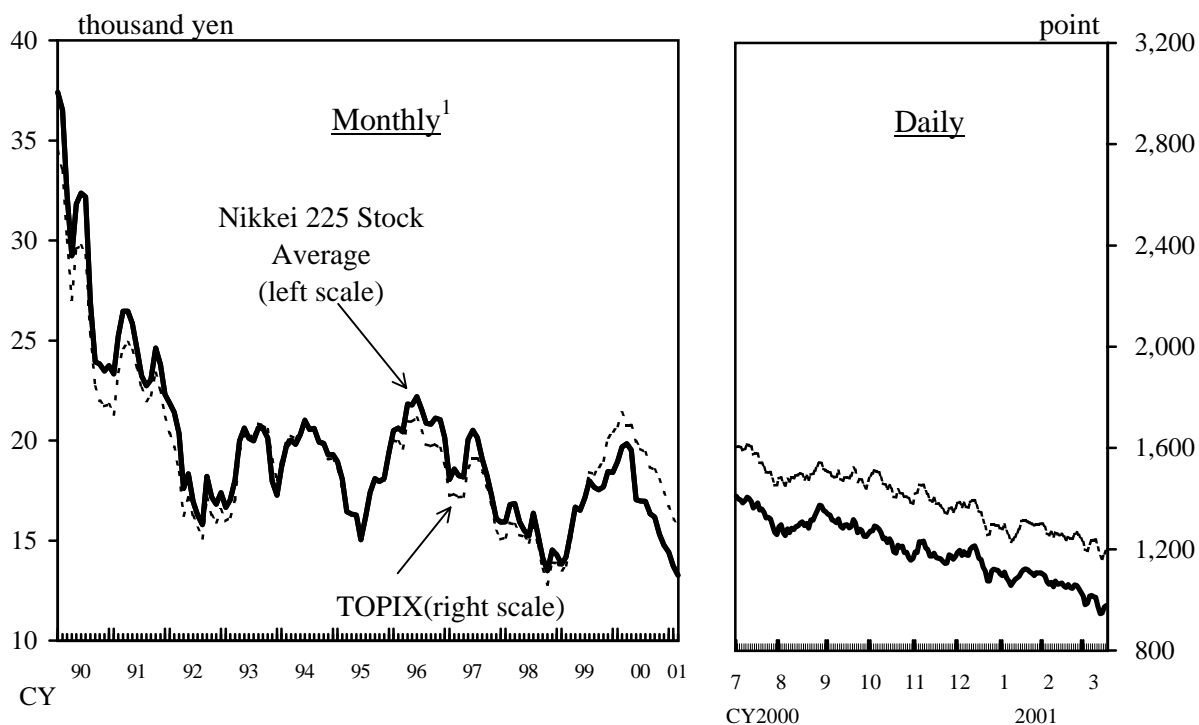
The indicated ratings are of Moody's.

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

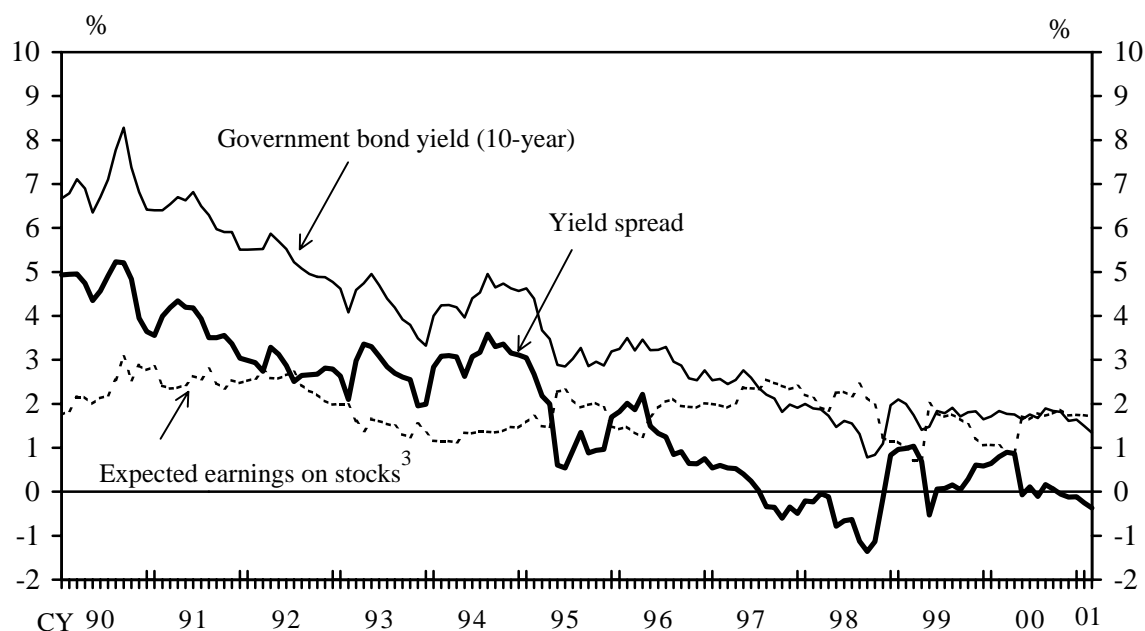


Stock Prices

(1) Stock Prices



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



Notes: 1. Data are monthly averages.

2. Data are at end of period.

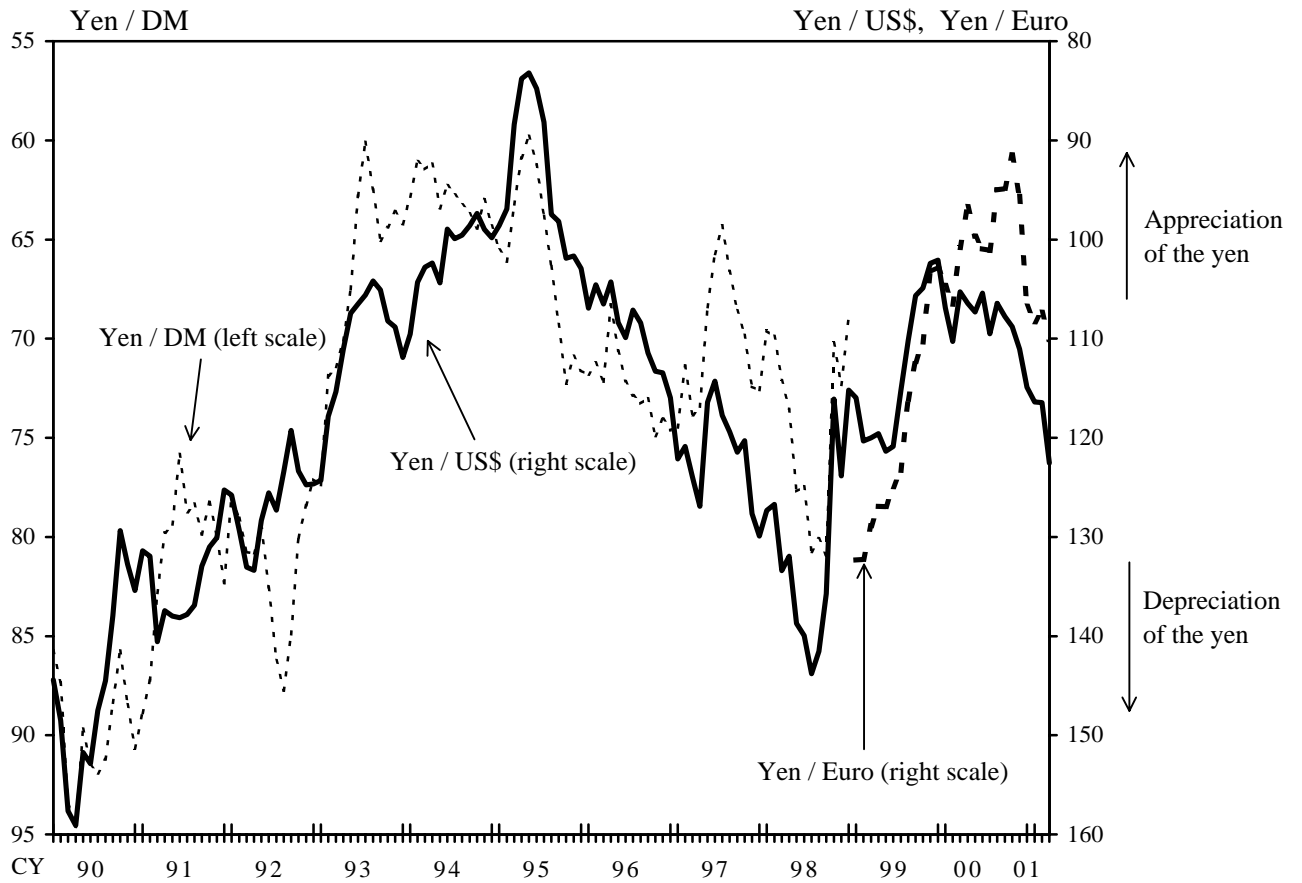
Yield spread = government bond yields - expected earnings on stocks,  
 where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

Exchange Rates <sup>1</sup>

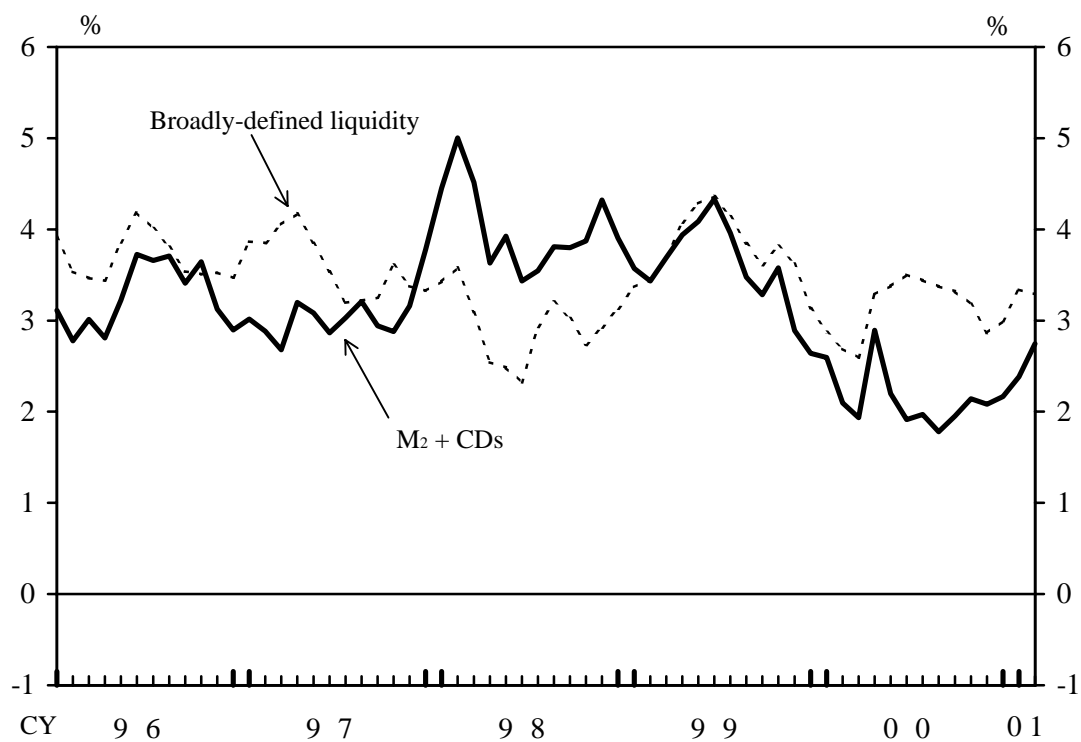


Note: 1. End of month. Data for March 2001 are as of March 16, 2001.

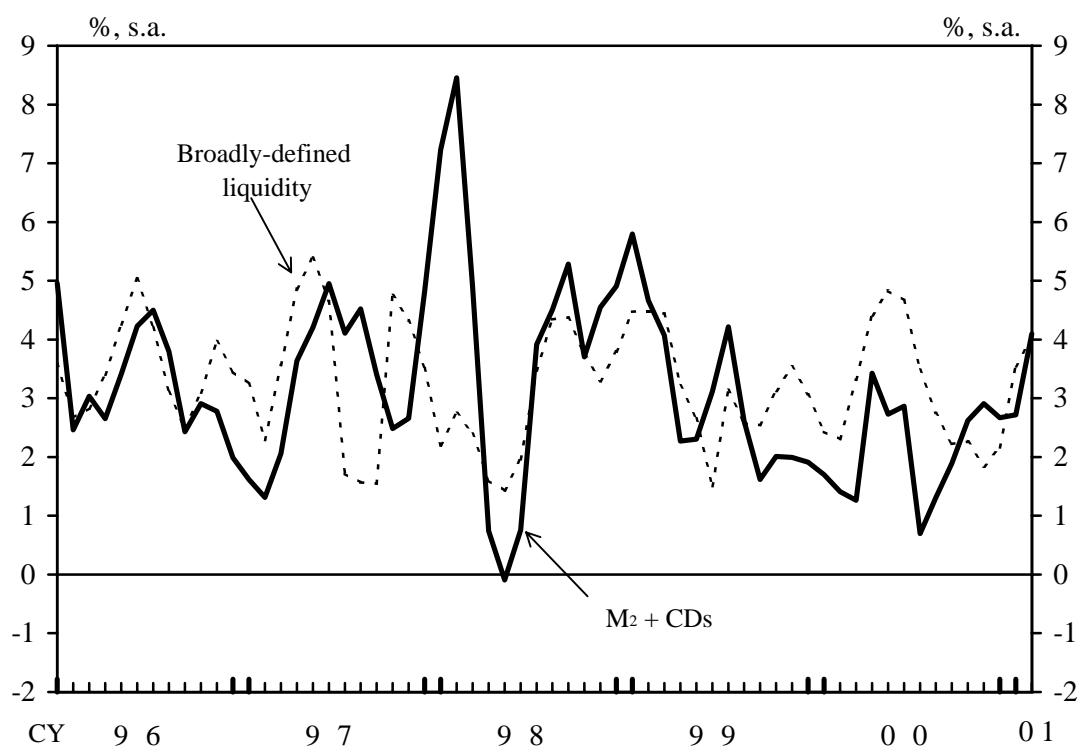
Source: Bank of Japan.

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

## (1) Changes from a Year Earlier



## (2) Changes from Three Months Earlier (Annualized)



Note: Percent changes in average amounts outstanding.

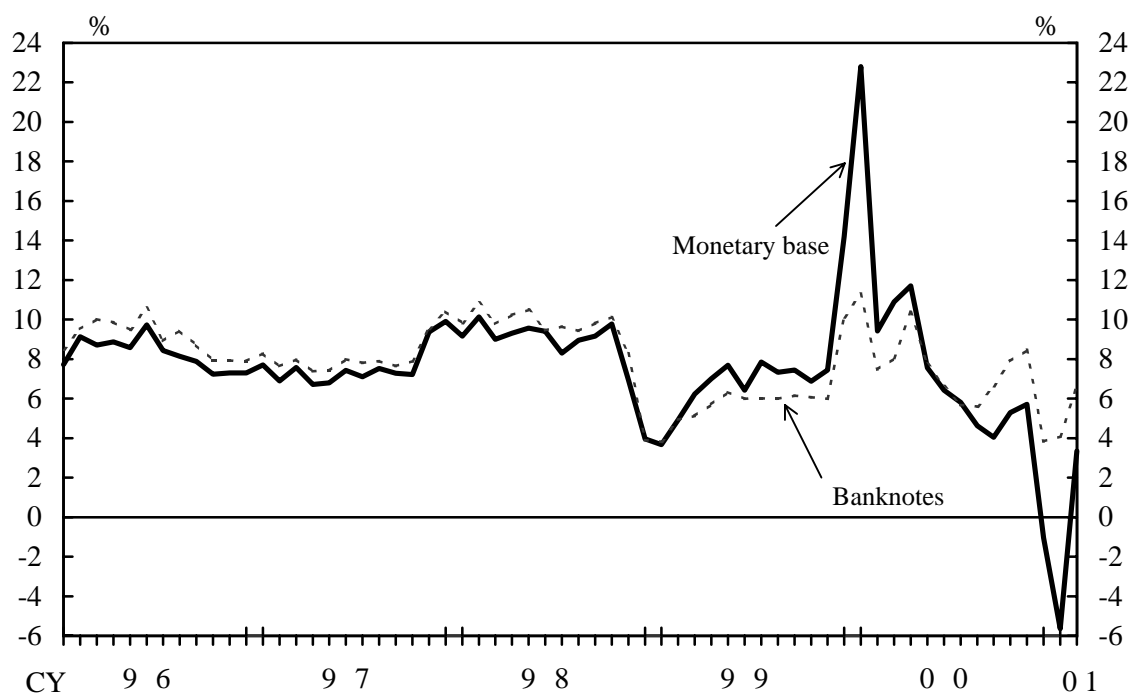
Source: Bank of Japan.

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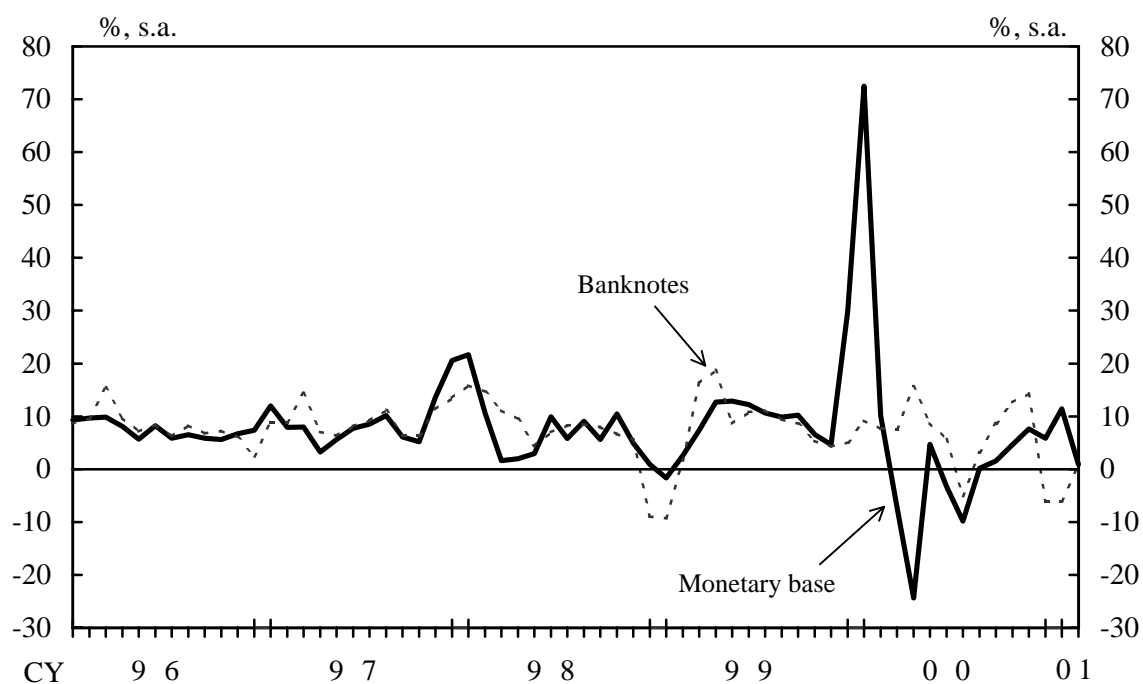
 Monetary Base
 

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## (1) Changes from a Year Earlier



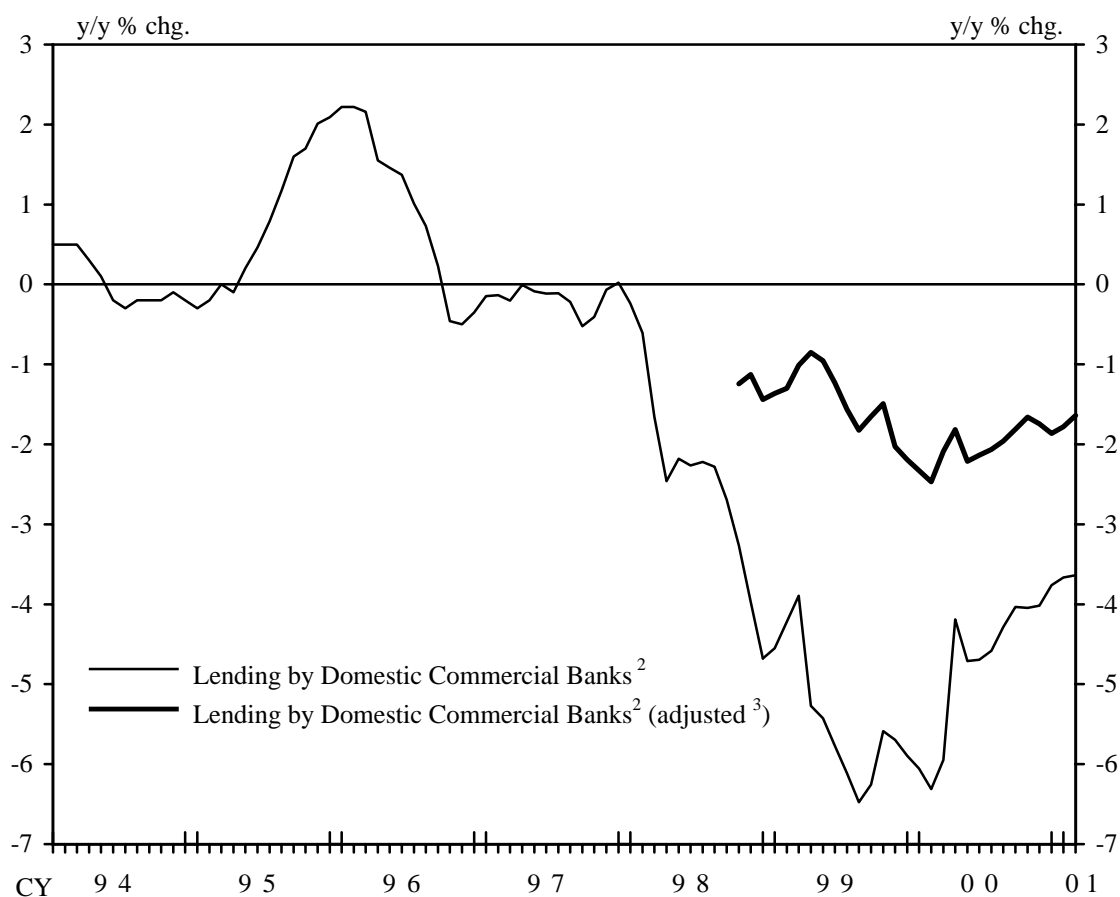
## (2) Changes from Three Months Earlier (Annualized)



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

Data for currency in circulation include holdings of financial institutions.

Source: Bank of Japan.

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

Notes: 1. Percent changes in average amounts outstanding from a year earlier.

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

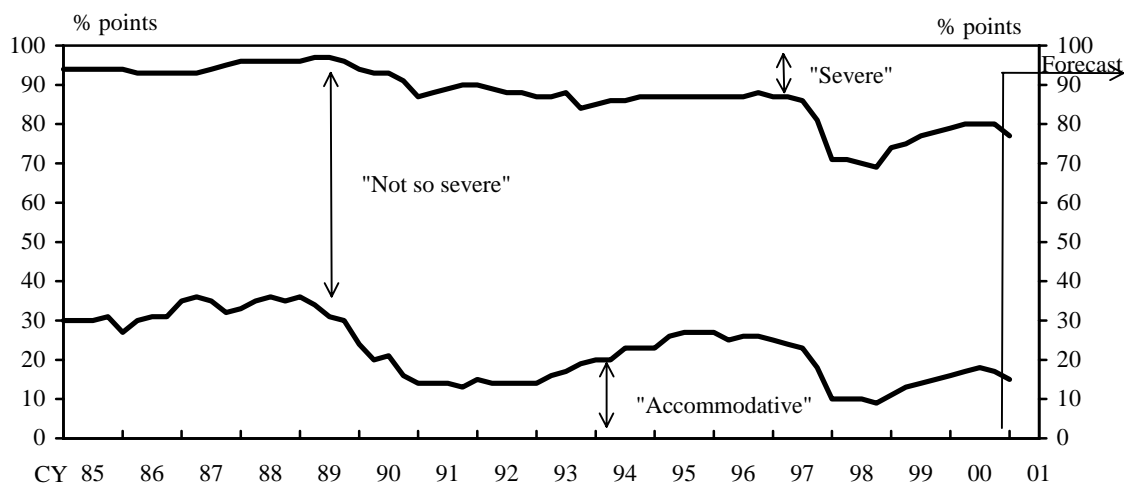
3. Adjusted to exclude

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

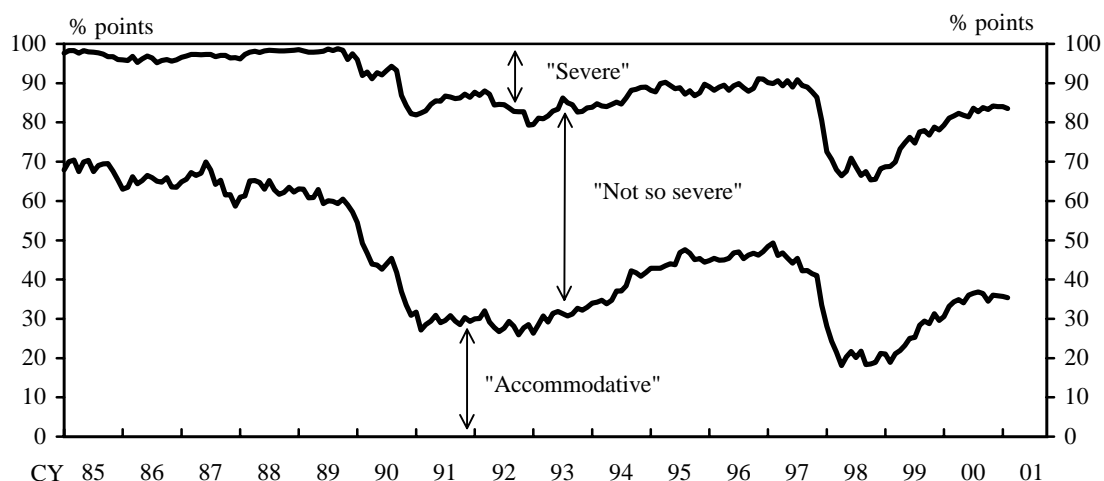
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

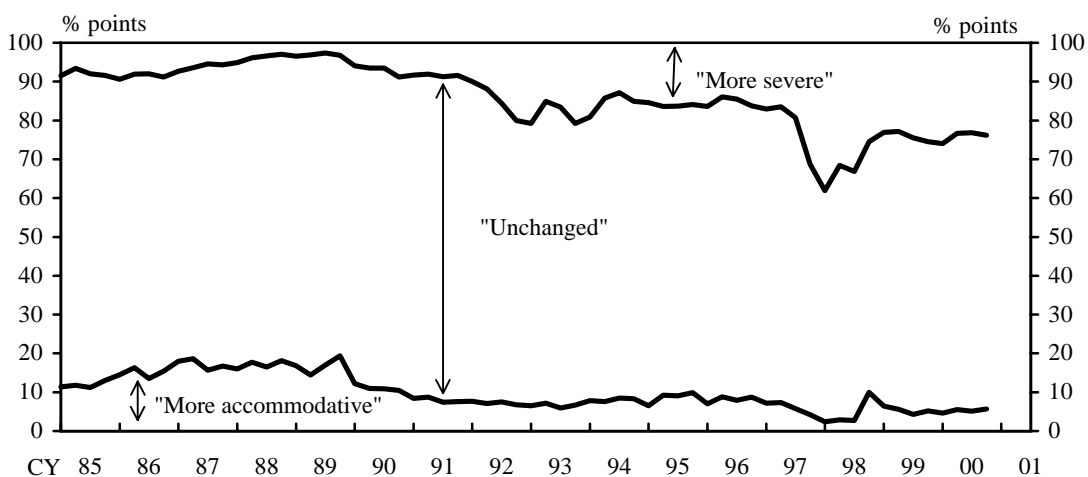
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (December, 2000)



(2) "Monthly Survey on Trends of Small Businesses" (Mid-February, 2001)

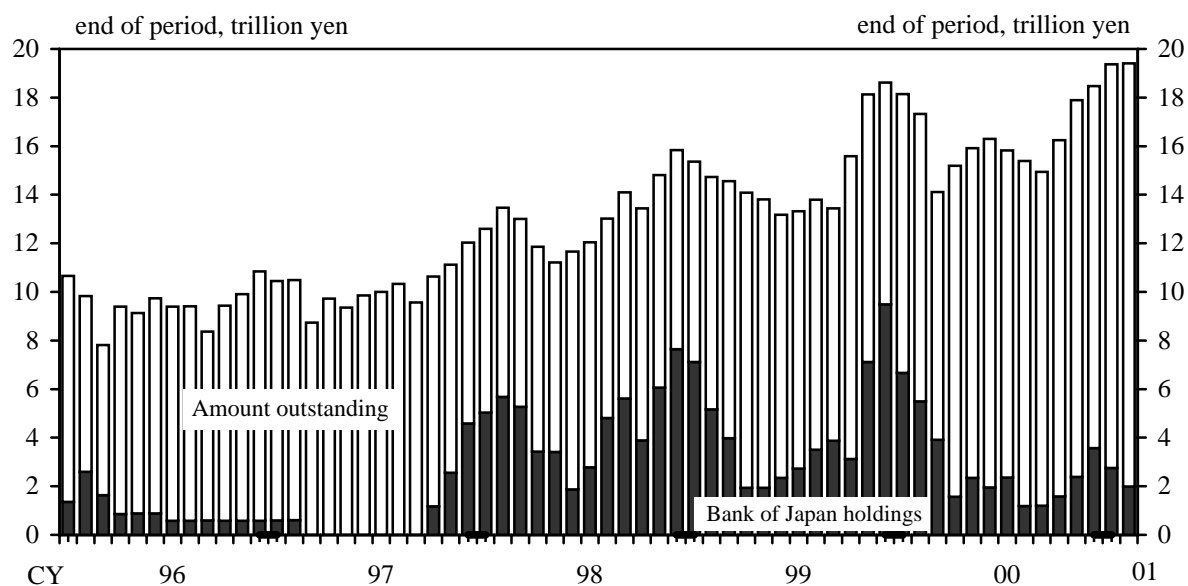


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-December, 2000)



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 <sup>1</sup>(2) Issue Volume of Corporate Bonds <sup>2</sup>

(100 million yen)

	2000/Q2	Q3	Q4	Dec.	2001/Jan.	Feb.
Volume	21,627	25,985	20,386	7,532	1,208	8,430
(previous year)	(34,418)	(26,260)	(21,163)	(7,023)	(3,426)	(12,405)

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

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

Excludes those issued by banks.

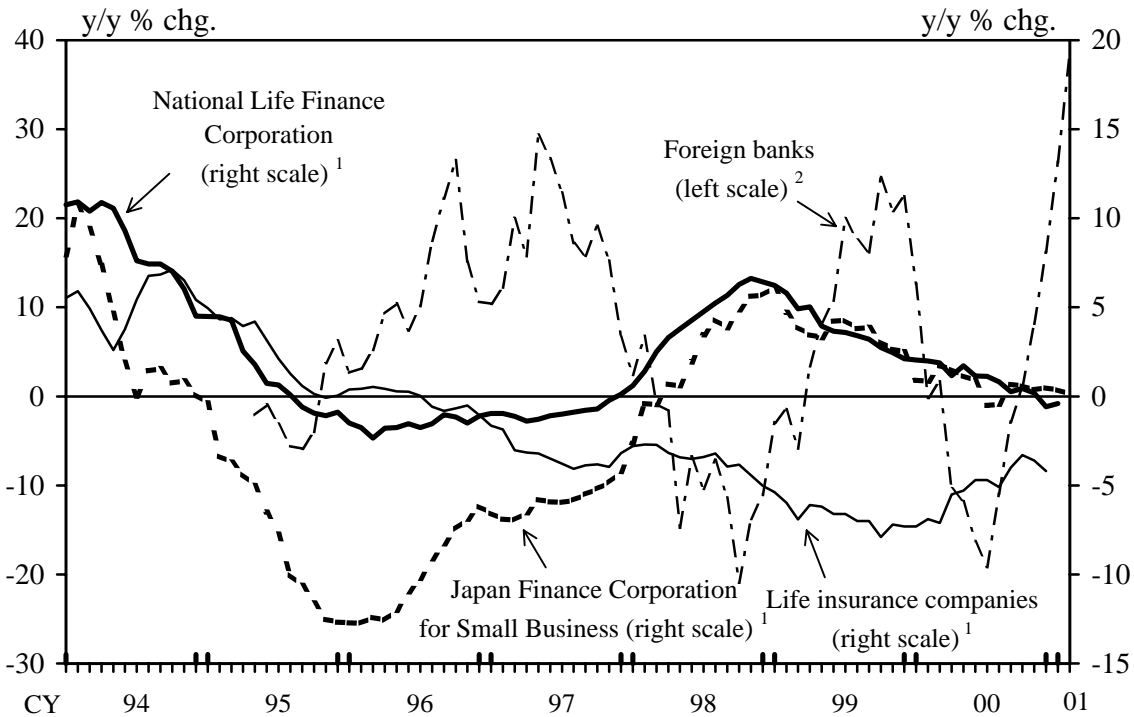
2. Includes straight bonds, convertible bonds, and bonds with warrants.

3. Estimated by the Bank of Japan.

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

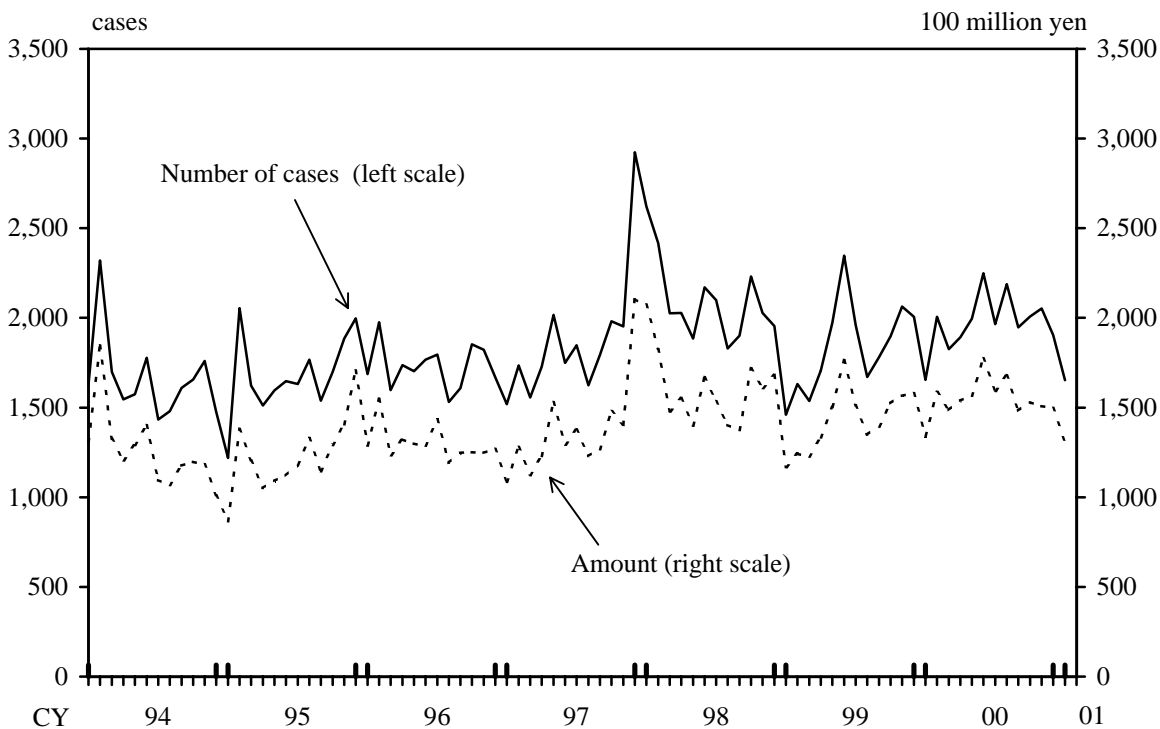
Lending by Other Financial Institutions

(1) Lending Outstanding



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

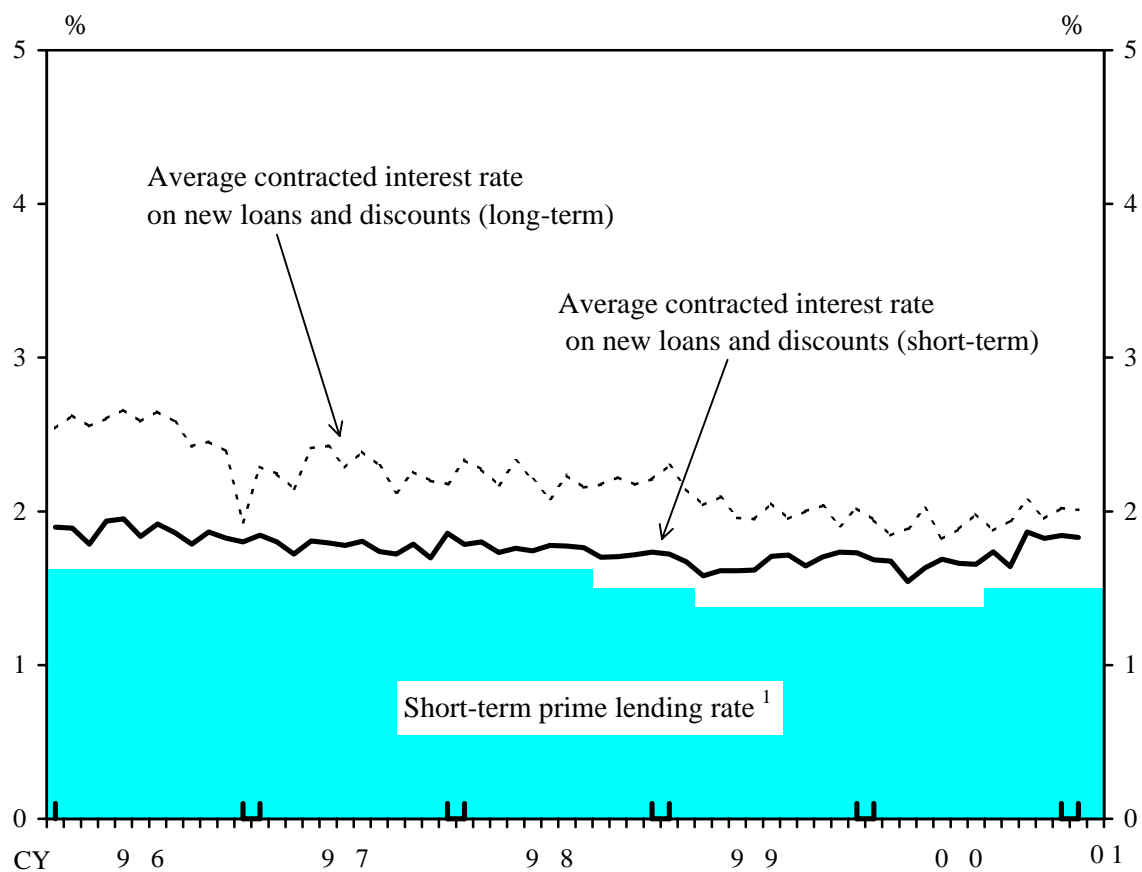
(2) Application for a Loan from Japan Finance Corporation for Small Business



Sources: Bank of Japan, "Financial and Economic Statistics Monthly"; Japan Finance Corporation for Small Business, "Gyoumu Gaikyo (Business Outline)."



Lending Rates

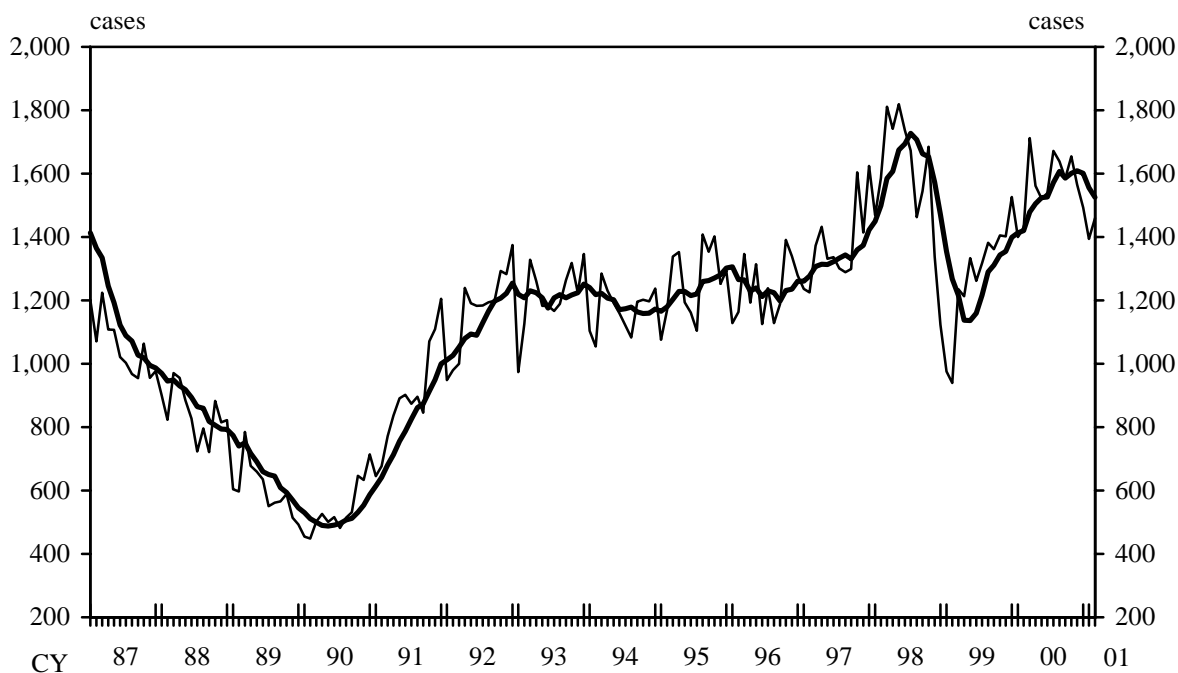


Note: 1. Data are at end of period.

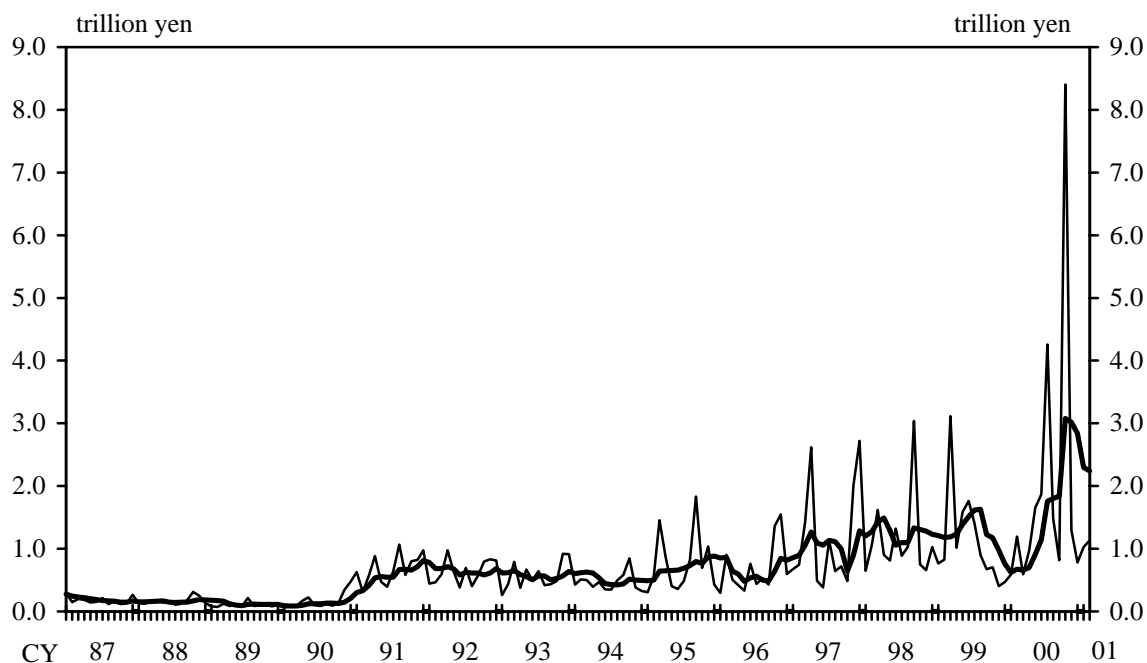
Source: Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

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