

April 17, 2001  
Bank of Japan

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

(English translation prepared by the Bank staff based on the Japanese original  
released on April 16, 2001)

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

April 2001

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

Adjustments in economic activities have been under way, as production is declining reflecting a fall 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 declining slightly. On the other hand, public investment is starting an upturn.

While domestic demand remains steady, net exports (real exports minus real imports) are falling rapidly reflecting a sharp slowdown in overseas economies such as in the U.S. and East Asia. Mainly due to these developments, industrial production is declining more sharply, and excessive inventories of electronic parts and some materials are building up. The pace of improvement in corporate profits seems to be slowing significantly as exports and production are recently declining, and business sentiment of firms are worsening particularly in the manufacturing industries. Income conditions of households have not yet 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 continue increasing for the time being. Net exports, however, are likely to continue decreasing for a while, reflecting the ongoing adjustments in overseas economies. Leading indicators suggest that business fixed investment is likely to peak out gradually, although the implementation of a backlog of orders is expected to sustain investment. In addition, the need for inventory adjustments, although not to a large extent, is intensifying for

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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 April 12 and 13, 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 April 12 and 13 as the basis for monetary policy decisions.

some goods. Thus, 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 adjustments are expected to continue for some time, mainly in production. 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, helped also by 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 prolonged deceleration of overseas economies and risks of a negative impact on the economy induced by developments in foreign and domestic capital markets via corporate and household confidence.

With regard to prices, import prices are rising, mainly reflecting the depreciation of the yen. Domestic wholesale prices are declining 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 pressure on prices. However, with the ongoing adjustments, the balance between supply and demand in the domestic market is likely to exert downward pressure 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 charges aided by deregulation will continue to restrain price developments. Overall, prices are expected to be weak for the time being. Moreover, given the high degree of uncertainty regarding future economic developments, the possibility that weak demand will intensify downward pressures on prices warrants careful monitoring.

In the financial market, the overnight call rate has declined reflecting the increase in the current-account balance at the Bank of Japan to around 5 trillion yen, following the decision at the Monetary Policy Meeting held on March 19 to adopt

new procedures for money market operations, and is currently moving around zero percent.

Interest rates on term instruments are declining further mainly due to the monetary easing by the Bank. The Japan premium remains negligible.

Yields on long-term government bonds increased to 1.4-1.5 percent. The yield spreads between private bonds (bank debentures and corporate bonds) and government bonds are mostly unchanged or expanding somewhat.

Stock prices are rising reflecting the above-mentioned monetary easing and expectations toward the progress in disposal of non-performing bank assets.

In the foreign exchange market, the yen has depreciated and is currently being traded in the range of 123-126 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 firms' perception on the lending attitude of financial institutions and 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. The amount outstanding of corporate bonds issued continues to be above the previous year's level but the growth rate is slowing somewhat. Meanwhile, 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.

Funding costs for firms continue to decline as both short- and long-term prime lending rates were lowered, reflecting the decrease in market interest rates.

In this financial environment, the lending attitude of financial institutions and corporate financing conditions remain easy. For the time being, attention should be paid to the effects of the additional monetary easing measures taken by the Bank, while careful monitoring is still required for the effects of stock price developments on the behavior of financial institutions and the fund-raising conditions of firms.

## The Background

### 1. Japan's Economy

Public investment is starting an upturn. The value of public works contracted--a metric that reflects orders--has been increasing recently as the orders based on the supplementary budget for fiscal 2000 have been stepped up, and actual implementation of those works also seems to have begun rising (Chart 2). Public investment is projected to continue increasing for a while.

Real exports are starting to decline, reflecting a sharp slowdown in overseas economies, especially those of the U.S. and East Asia (Charts 3[1], 4, and 5). Real exports in January-February plunged compared to the fourth quarter of 2000--information technology (IT) related goods (semiconductor parts and computers) and capital goods and parts (semiconductor fabrication machines and equipment) decreased, reflecting inventory adjustments overseas, and automobiles (exported to Europe and the U.S.) dropped. Real imports had been increasing substantially but declined in January-February compared to the fourth quarter (Charts 3[1] and 6): while the increases in personal computers and apparel have come to a pause, airplane imports--which tend to fluctuate substantially--fell. As a result of these developments, net exports (real exports minus real imports), in terms of the real trade balance,<sup>3</sup> are falling rapidly (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 considerably 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.

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<sup>3</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.)

Business fixed investment is increasing. Shipments of capital goods (excluding transport equipment), which basically move simultaneously with machinery investment, are on a rising trend. 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 of 2000 but recently started to decline (Chart 8[1]). Nonresidential construction starts by and large continued to decrease (Chart 8[2]). According to the Bank of Japan's *Tankan--Short-term Economic Survey of Enterprises--* of March 2001, current profits continued to increase throughout fiscal 2000 but the pace of improvement in corporate profits seems to be slowing significantly due to declining exports and production from the start of 2001 (Chart 9). In these circumstances, although corporate financing remained easy, business sentiment of firms, which had been improving since 1999, started to deteriorate particularly in the manufacturing industries, and firms' perception of excess equipment also intensified slightly (Charts 10 and 11).

As for the outlook for business fixed investment, although the implementation of a backlog of orders is likely to sustain investment for a while, judged from the recent developments in leading indicators and corporate confidence, fixed investment is likely to peak out gradually. The business fixed investment plans for fiscal 2001 reported in the March *Tankan* show that among large firms, those in the manufacturing sector have planned to increase investment to the level slightly above the previous fiscal year, while firms in the nonmanufacturing sector, especially among electric power, and wholesaling and retailing firms, have planned to decrease investment by about 10 percent compared to the previous fiscal year's level (Chart 12). Moreover, plans of small firms, both in the manufacturing and nonmanufacturing sectors, were basically the same as those usually observed at this time of year.<sup>4</sup>

The recovery in private consumption remains weak as a whole, but somewhat positive signs can be seen in some indicators (Chart 13). According to sales

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<sup>4</sup> Business fixed investment plans of small firms in the *Tankan* are compared at the time of each survey since they tend to be revised upward during the course of the fiscal year.

indicators, sales of household electrical appliances appeared to have increased toward the end of March, partly due to the surge in demand before the law regarding the recycling of home electronic appliances<sup>5</sup> came into effect in April. Outlays for travel remained firm. Passenger car sales generally continued to be flat, with some fluctuations. Meanwhile, sales at department stores and chain stores remained basically stagnant, but sales increased in January-February compared to the fourth quarter of 2000 from the pick-up in sales of winter apparel. Since consumer sentiment has been relatively steady (Chart 14), consumption is expected to remain almost flat for the time being, reflecting employment and income conditions.

Housing investment is declining somewhat. In January-February, construction starts of housing, particularly for owner-occupied houses and condominiums, decreased compared to the fourth quarter level (Chart 15). Judged from the number of loan applications to the government Housing Loan Corporation,<sup>6</sup> housing investment is likely to decline in the future.

Reflecting these developments in final demand, industrial production is decreasing more sharply due to a fall in exports, particularly those of IT-related goods and automobiles (Chart 16).<sup>7</sup> The rise in the inventory ratio of the industry as a whole remains relatively small as increases in inventories of final goods are still broadly contained. However, inventories of some goods such as electronics parts and material, demand for which from overseas declined significantly, have piled up excessively (Chart 17). Under these circumstances, industrial production is expected to continue declining for some time mainly due to the decrease in exports.

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

<sup>6</sup> The number of loan applications to the government Housing Loan Corporation during its fourth offering period for fiscal 2000 (construction of private homes; offering period: January 22-March 23, 2001) remained at a low level of 33,000 applications (a decline of 11.5 percent from the fourth offering period of the previous year).

<sup>7</sup> If the growth rate of production for March is the same as that of the production forecast index, production for the first quarter of 2001 will decrease by 3.3 percent on a quarter-to-quarter basis. The production forecast index in April is projected to increase by 0.6 percent compared to the previous month.



As for employment and income conditions, compensation of employees has not yet deteriorated (Chart 18), but the improvement in the balance between supply and demand in the labor markets seems to be pausing. 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 started to decline (Chart 19). In these circumstances, the March *Tankan* indicates that there was a slight increase in the number of small manufacturing firms perceiving employment as being excessive (Chart 20). The number of regular employees (on a Monthly Labour Survey basis at establishments with at least five employees) was basically unchanged. Meanwhile, nominal wages per employee had been slightly above the previous year's level, especially in regular payments, but were 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>8</sup> Amid the ongoing adjustments, the improvement in compensation of employees is projected to be sluggish.<sup>9</sup>

## 2. Prices

Import prices on a yen basis rose compared to the level three months earlier,<sup>10</sup> mainly reflecting the depreciation of the yen, although crude oil prices dropped (Chart 22).

Domestic wholesale prices are declining (Chart 23). In March, domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity

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<sup>8</sup> The Monthly Labour Survey shows that special payments (bonuses, etc.) during this winter were below the previous year's level, especially in medical and other health services, social insurance and social welfare, and educational services.

<sup>9</sup> According to the Japan Federation of Employers' Association (*Nikkeiren*) survey (interim aggregates as of April 4), the average wage increase (includes regular pay increases) was 1.96 percent, about the same as the previous year (2.01 percent).

<sup>10</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.

rates<sup>11</sup>) decreased compared to the level three months earlier. This was because the prices of steel and 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 are falling slowly (Chart 24). In February, corporate service prices (domestic supply-demand factors<sup>12</sup>) declined compared to the level three months earlier. The decline was due to: (1) the reduction in the prices for leasing that reflected the price decline in IT-related goods and long-term interest rates; (2) lower communications charges (network connection charges among telecommunications businesses); and (3) the decrease in prices for general services.

Consumer prices remain somewhat weak (Chart 25). In February, consumer prices (excluding perishables<sup>13</sup>) were unchanged compared to the level three-months earlier. While prices rose for public utility charges (medical fees, and electricity and gas charges), prices of imported products and their substitutes declined due to the increase in imports of inexpensive consumer goods (Chart 26).

As for land prices, the prices of both commercial and residential land continue to decline (Chart 27).

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<sup>11</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>12</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 24.

The overall CSPI in February dropped as prices of securities commissions were lowered in addition to the decline in domestic supply and demand factors. (The change in the overall CSPI in terms of the three-month growth rate was +0.2 percent in December 2000, -0.5 percent in January 2001, and -0.5 percent in February.)

<sup>13</sup> Overall consumer prices including perishable goods increased, mainly due to the poor vegetable harvest that was adversely affected by irregular weather. (The change in terms of the three-month growth rate was +0.1 percent in December 2000, +0.5 percent in January 2001, and +0.2 percent in February.)

Regarding the conditions surrounding price developments, the recent yen depreciation is exerting upward pressure on prices. However, with the ongoing adjustments, the balance between supply and demand in the domestic market is likely to exert downward pressure on prices (Chart 28). 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 charges aided by deregulation will continue to restrain price developments. Overall, prices are expected to be weak for the time being.

### **3. Financial Developments**

#### **(1) Financial Markets**

Interest rate developments in short-term money markets (Charts 29[1] and 30) show that the overnight call rate (uncollateralized) has declined, reflecting the increase in the current-account balance at the Bank of Japan to around 5 trillion yen, following the decision at the Monetary Policy Meeting held on March 19 to adopt new procedures for money market operations, and is currently moving around zero percent.

As for interest rates on term instruments, three-month Euro-yen rates (TIBOR), TB and FB rates are declining further due to the monetary easing by the Bank. The Japan premium (Chart 32) remains negligible.

Yields on ten-year government bonds (newly issued; Chart 29[2]) increased to 1.4-1.5 percent mainly due to profit-taking by investors. As for the yield spreads between government and private bonds (bank debentures and corporate bonds; Charts 34 and 35), those for corporate bonds were mostly unchanged, while those for bank debentures expanded somewhat.

Stock prices (Chart 36[1]) are rising, reflecting the above-mentioned monetary easing and expectations toward the progress in disposal of non-performing bank assets and the emergency economic package.

In the foreign exchange market (Chart 37), the yen depreciated throughout late March to early April as domestic investors purchased dollars actively. Thereafter, the yen rebounded slightly and is currently being traded in the range of 123-126 yen to the U.S. dollar.

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

Recently, the growth rate of money stock ( $M_2$  + CDs; Chart 38) is increasing, reflecting the inflow from postal savings. The year-on-year growth in  $M_2$  + CDs was 2.6 percent in March. (It was 2.4 percent in January, 2.7 percent in February, and 2.6 percent in March.) As for the second quarter, the year-on-year growth is projected to remain around the level posted during the first quarter 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 second quarter is 2.0-3.0 percent.)

In March, the growth in monetary base (currency in circulation + current deposits at the Bank of Japan; Chart 39) slowed somewhat compared to the previous month on a year-on-year basis. (The year-on-year change was -5.6 percent in January, +3.4 percent in February, and +1.2 percent in March.)

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>14</sup> Chart 40), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, remains sluggish. (The year-on-year change was -1.8 percent in January, -1.6 percent in February, and -1.8 percent in March.) Meanwhile, the amount outstanding of corporate bonds issued continues to be above the previous year's level but the growth rate is slowing somewhat. The amount outstanding of CP issued remains at a high level (Chart 41).

Funding costs for firms continue to decline as both short- and long-term prime lending rates were lowered, reflecting the decrease in market interest rates. As for lending rates, the average contracted interest rates on new loans and discounts in February (Chart 43) decreased for both short- and long-term rates. Moreover, major banks lowered the short-term prime lending rates by 0.125 percent to 1.375 percent in late March reflecting further monetary easing. Long-term prime lending rates were also reduced by 0.05 percent to 1.85 percent on April 10. In the capital market, corporate bond issuance rates are decreasing somewhat. CP issuance rates are also declining further.

The number of corporate bankruptcies (Chart 44) 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. For the time being, attention should be paid to the effects of the additional monetary easing measures taken by the Bank, while careful monitoring is still required for the effects of stock price developments on the behavior of financial institutions and the fund-raising conditions of firms.

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<sup>14</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.

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## Main Economic Indicators (1)

s.a., q/q (m/m) % chg.<sup>1</sup>

	2000/Q3	Q4	2001/Q1	2000/December	2001/January	February	March
Index of living expenditure level (all households)	-1.8	0.4	n.a.	1.8	-1.1	4.1	n.a.
Sales at department stores	-1.1	0.0	n.a.	-2.6	3.7	-0.6	n.a.
Sales at chain stores	-0.7	-0.9	n.a.	-3.0	6.4	-2.2	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 291>	< 308>	< 295>	< 316>	< 292>	< 294>	< 299>
Sales of household electrical appliances (real, NEBA)	2.1	3.3	n.a.	-4.0	9.4	-4.3	n.a.
Outlays for travel (50 major travel agencies)	-0.3	1.4	n.a.	0.9	-3.1	2.7	n.a.
Housing starts <s.a., ann. 10,000 units>	< 121>	< 123>	<n.a.>	< 126>	< 120>	< 114>	<n.a.>
Machinery orders (from private sector <sup>4</sup> )	8.2	2.6	n.a.	3.8	-11.8	5.0	n.a.
Manufacturing	-1.2	9.4	n.a.	6.7	-15.0	-0.9	n.a.
Nonmanufacturing <sup>4</sup>	14.9	-1.6	n.a.	2.0	-9.3	10.9	n.a.
Construction Starts (private, nonresidential use)	-8.5	-7.9	n.a.	1.6	-2.9	-4.4	n.a.
Mining & manufacturing	9.0	-4.3	n.a.	0.8	5.3	-12.2	n.a.
Nonmanufacturing <sup>5</sup>	-12.4	-12.6	n.a.	-0.5	-8.5	-1.2	n.a.
Value of public works contracted	3.8	0.0	n.a.	3.0	-11.9	8.1	n.a.
Real exports	1.0	0.2	n.a.	-2.4	-7.9	7.3	n.a.
Real imports	1.3	5.0	n.a.	-0.5	-3.0	-0.5	n.a.
Industrial production	1.6	0.4	n.a.	1.8	-4.2	p 0.4	n.a.
Shipments	1.6	0.0	n.a.	1.7	-3.7	p 0.7	n.a.
Inventories	-0.8	0.8	n.a.	-0.1	0.4	p 0.7	n.a.
Inventories/shipments <s.a., 1995=100>	<99.0>	<100.8>	<n.a.>	<100.8>	<103.0>	<p 102.3>	<n.a.>
Real GDP	-0.6	0.8	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.4	0.0	n.a.	1.5	-1.8	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2000/Q3	Q4	2001/Q1	2000/December	2001/January	February	March
Ratio of job offers to applicants <s.a., times>	<0.62>	<0.65>	<n.a.>	<0.66>	<0.65>	<0.64>	<n.a.>
Unemployment rate <s.a., %>	<4.65>	<4.80>	<n.a.>	<4.88>	<4.86>	<4.68>	<n.a.>
Overtime working hours <sup>6</sup>	4.0	3.0	n.a.	3.0	2.2	p 1.0	n.a.
Number of employees	0.7	1.2	n.a.	1.3	0.9	1.4	n.a.
Number of regular employees <sup>6</sup>	-0.2	-0.1	n.a.	-0.1	-0.1	p -0.1	n.a.
Nominal wages per person <sup>6</sup>	0.4	-0.1	n.a.	-0.9	1.3	p -0.2	n.a.
Domestic wholesale price index <q/q % chg.> (3-month growth rate)	0.2 <0.0>	-0.1 <-0.2>	-0.4 <-0.2>	-0.1 <-0.1>	-0.3 <-0.2>	-0.4 <-0.1>	-0.5 <-0.3>
Consumer price index (nationwide) <sup>7</sup> <s.a., q/q % chg.> (3-month growth rate)	-0.4 <-0.1>	-0.5 <-0.2>	n.a. <n.a.>	-0.6 <-0.1>	-0.5 <0.0>	-0.6 <0.0>	n.a. <n.a.>
Corporate service price index <sup>8</sup> <s.a., q/q % chg.> (3-month growth rate)	-0.9 <-0.2>	-1.0 <-0.3>	n.a. <n.a.>	-1.1 <-0.3>	-1.3 <-0.3>	-1.4 <-0.2>	n.a. <n.a.>
Monetary aggregates (M <sub>2</sub> +CDs) <average outstanding, y/y % chg.>	1.9	2.1	p 2.6	2.2	2.4	2.7	p 2.6
Number of suspension of transactions with banks	15.2	-0.1	n.a.	-12.7	-12.7	-5.0	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.

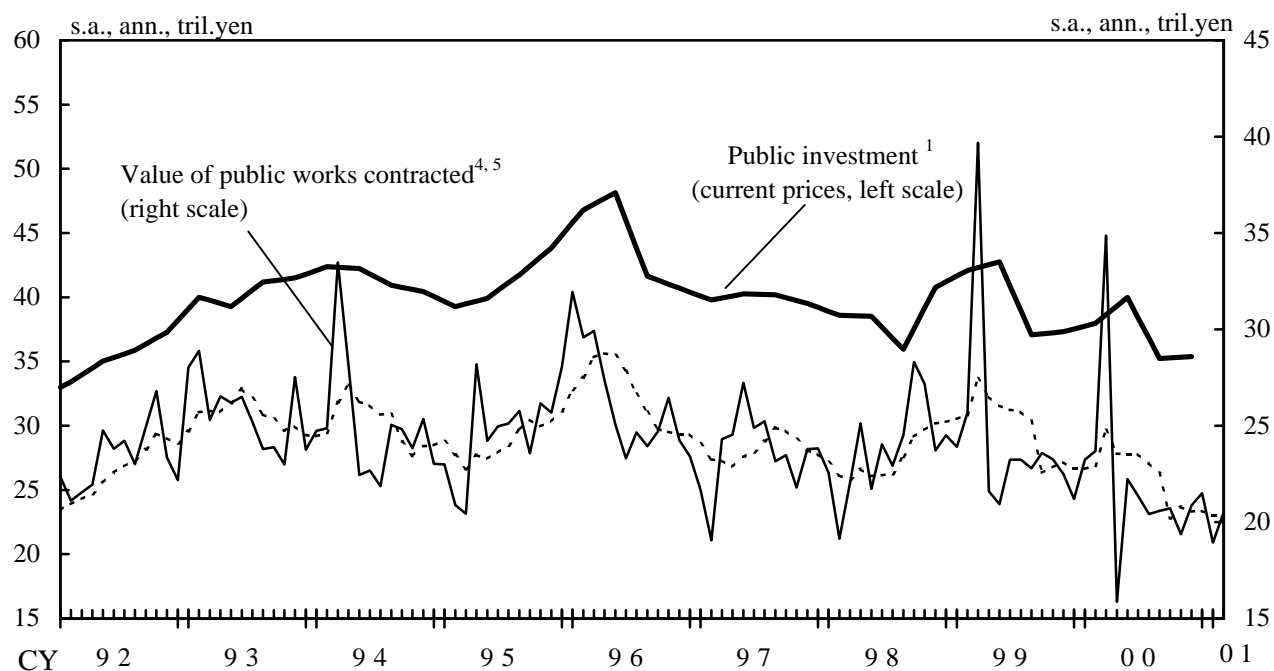
9. For details on seasonal adjustments and data processing/compilation conducted by the Bank of Japan, see notes of respective charts.

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."

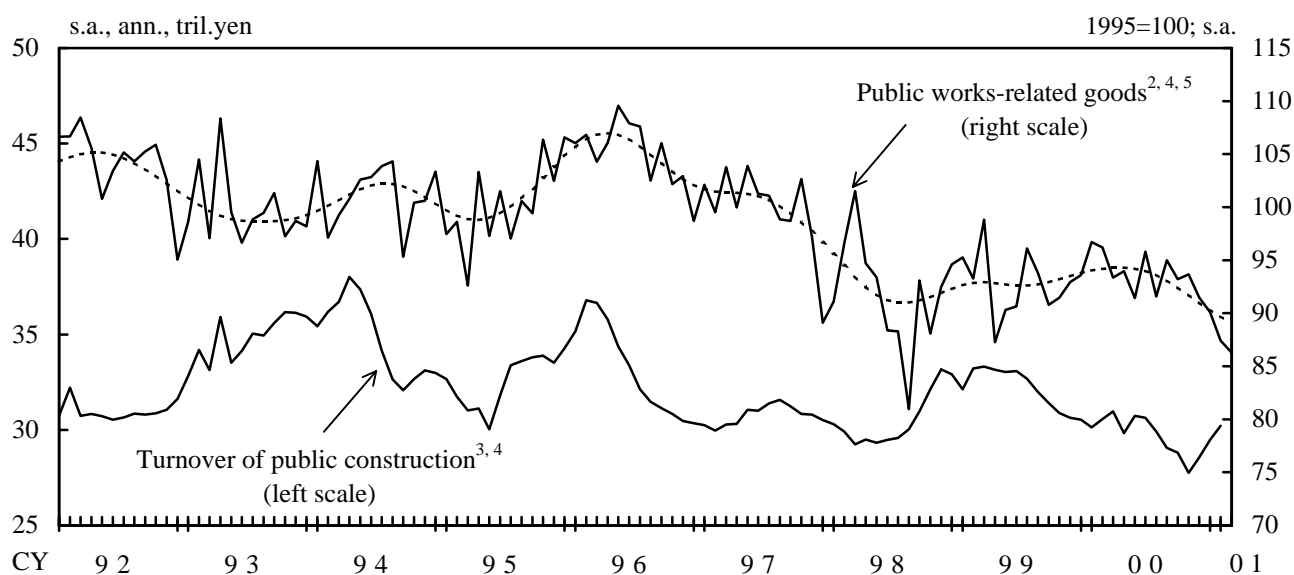


## Public Investment

## (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. The data for February 2001 are preliminary.

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";

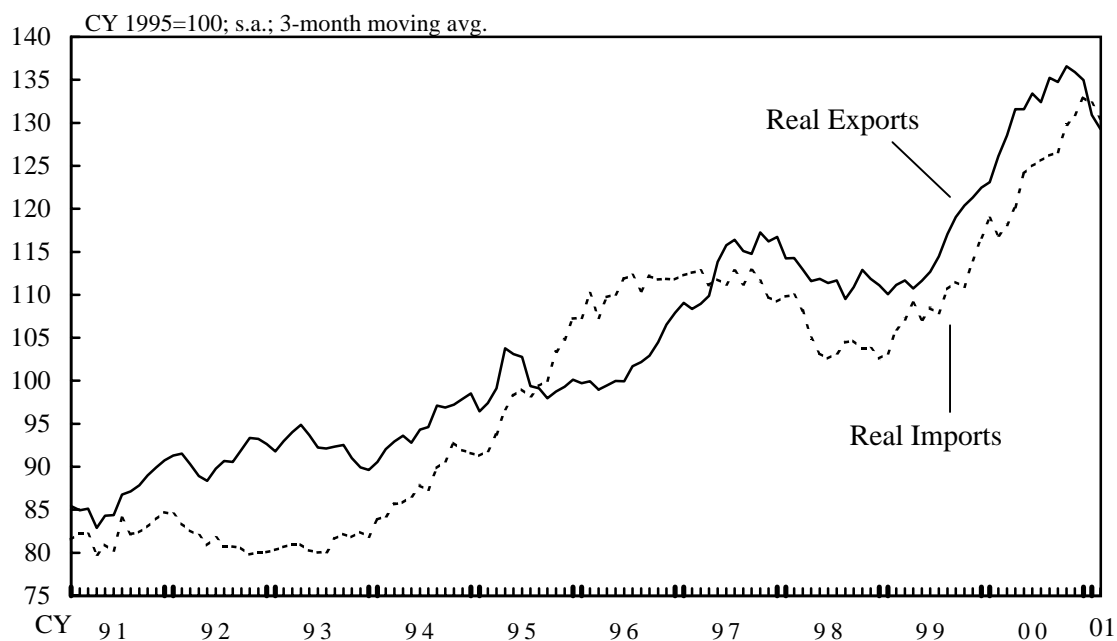
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";

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

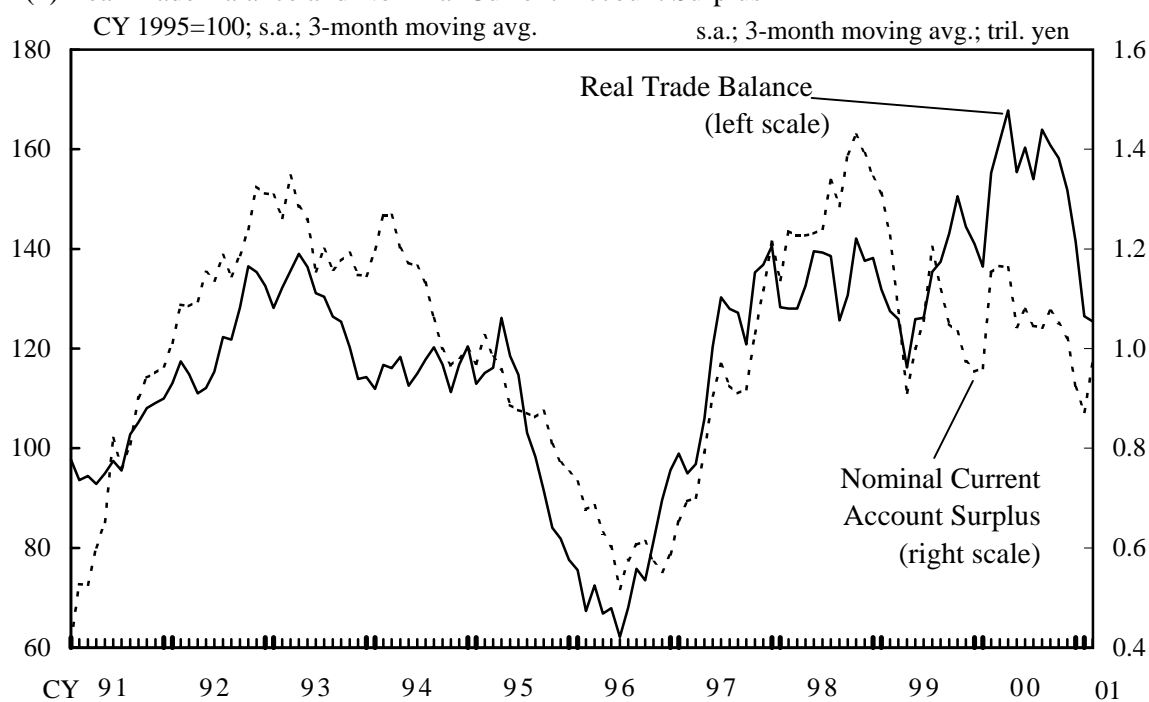
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus

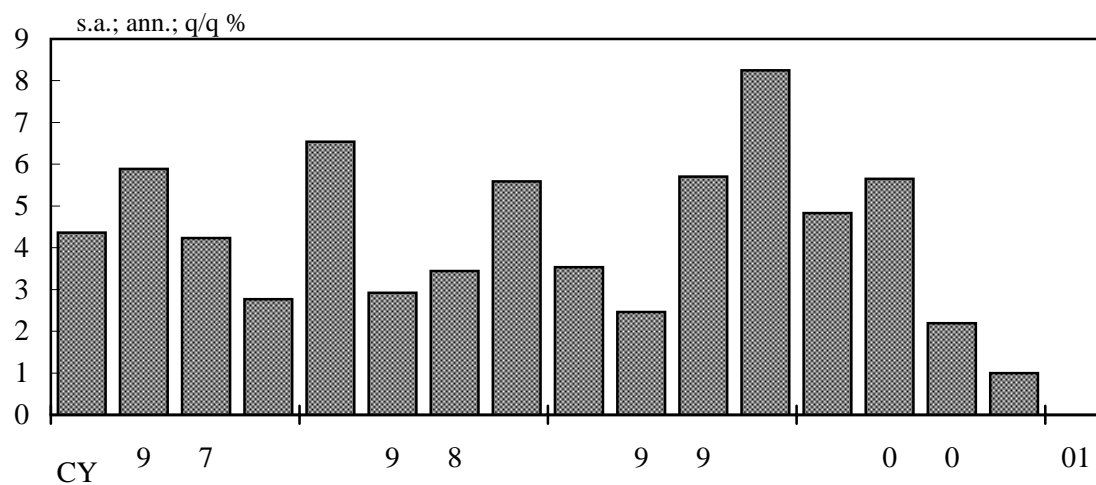
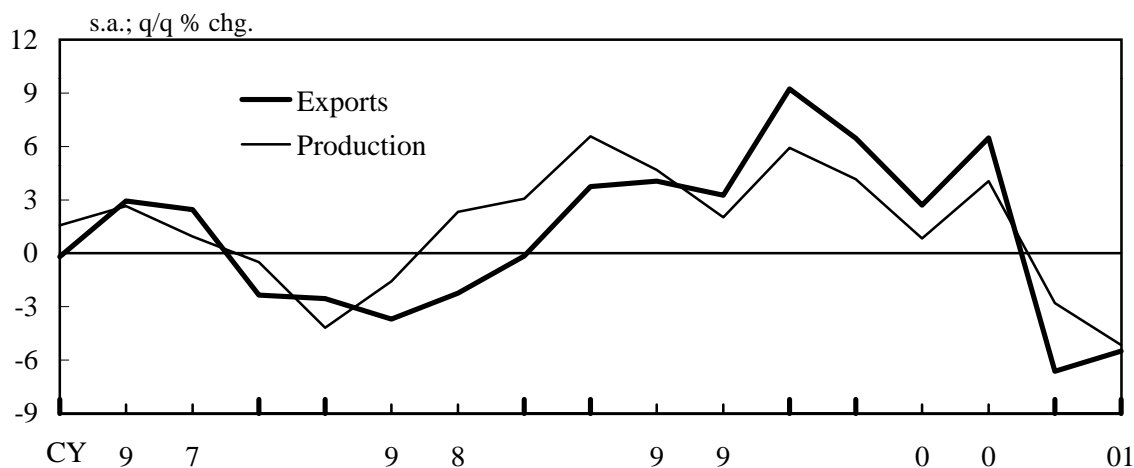
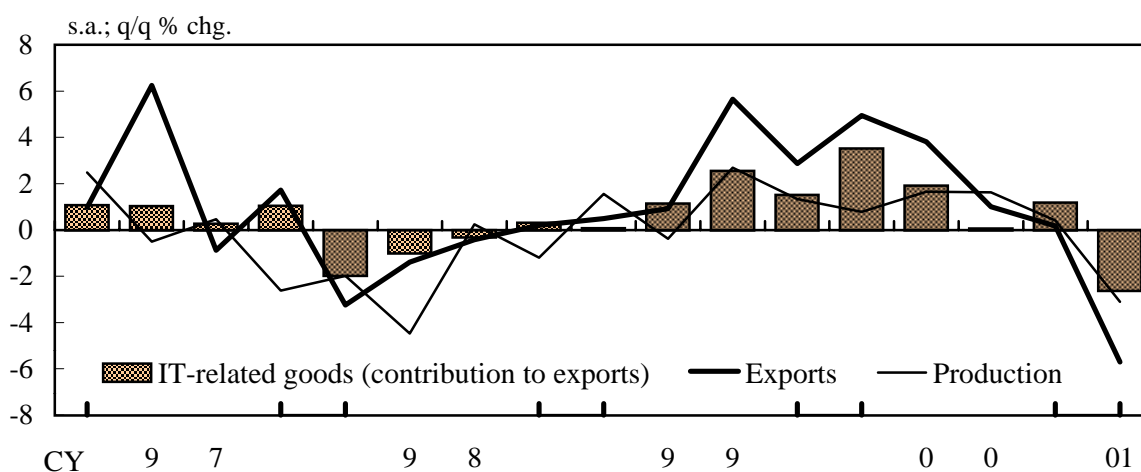


Note: Real exports/imports and the real trade balance are seasonally adjusted by X-11.

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

## Impacts of the 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 Jan-Feb averages 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 (U.S. dollar) terms.

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 Dec.	2001 Jan.	Feb.
United States	<29.7>	4.6	11.7	3.7	2.9	0.8	6.0	-6.5	0.9	-10.9	5.7
EU	<16.3>	0.9	6.4	3.2	-0.1	-0.1	-2.3	-1.2	-2.0	-6.5	7.9
East Asia	<39.7>	12.0	25.6	11.1	5.5	2.7	-1.7	-3.6	-5.1	-2.3	1.2
China	<6.3>	12.3	27.7	14.0	6.9	11.5	1.3	13.5	-1.6	13.6	2.3
NIEs	<23.9>	11.2	25.7	11.3	3.6	1.4	-2.3	-9.4	-7.0	-8.0	2.5
Taiwan	<7.5>	7.8	22.4	6.2	8.1	2.8	-9.2	-18.4	-12.1	-14.0	2.8
Korea	<6.4>	43.9	30.3	13.7	-0.5	1.1	-0.8	-3.9	-2.7	-7.3	6.7
ASEAN4 <sup>3</sup>	<9.5>	13.6	24.0	9.0	9.4	0.8	-2.3	-1.0	-2.7	0.4	-2.3
Thailand	<2.8>	15.3	18.9	-0.7	6.4	4.7	1.6	-4.4	-1.8	-6.6	4.2
Real exports		4.5	14.1	4.9	3.8	1.0	0.2	-5.7	-2.4	-7.9	7.3

## (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 Dec.	2001 Jan.	Feb.
Intermediate goods	<14.1>	5.4	5.1	2.1	1.5	0.7	0.7	-2.3	-2.3	-1.3	0.4
Motor vehicles and their related goods	<20.2>	2.8	9.2	-2.4	8.2	4.2	-1.1	-9.6	-1.6	-18.4	22.4
Consumer goods <sup>4</sup>	<7.0>	5.0	13.0	3.9	2.5	-0.3	2.6	-6.6	-7.5	-6.3	4.4
IT-related goods <sup>5</sup>	<18.8>	6.4	25.2	12.0	5.6	-2.6	5.9	-5.7	-5.1	-6.5	2.7
Capital goods and parts <sup>6</sup>	<29.7>	1.8	21.0	10.2	4.9	1.6	-3.3	-4.7	-3.0	-6.1	3.6
Real exports		4.5	14.1	4.9	3.8	1.0	0.2	-5.7	-2.4	-7.9	7.3

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

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

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

4. Excluding motor vehicles.

5. 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 Dec.	2001 Jan.	Feb.
United States	<19.0>	-2.9	8.0	-3.0	8.6	2.4	4.7	-3.8	1.5	-4.8	1.9
EU	<12.3>	5.8	8.5	1.4	1.1	2.1	4.3	3.9	5.1	2.0	-1.3
East Asia	<39.6>	15.8	25.5	7.2	4.8	4.8	6.5	-1.8	-1.5	-0.6	0.1
China	<14.5>	11.9	28.1	12.9	3.6	1.4	10.1	-0.2	0.7	3.9	-10.4
NIEs	<12.2>	24.2	28.4	4.7	4.9	8.1	4.4	-2.8	-5.9	1.1	4.0
Taiwan	<4.7>	25.6	43.6	13.9	8.6	6.3	8.1	-3.8	-5.9	1.9	8.3
Korea	<5.4>	30.8	22.5	0.5	1.4	6.3	2.4	-1.5	-3.2	0.2	1.7
ASEAN4 <sup>3</sup>	<12.8>	12.6	20.2	3.8	6.1	5.3	5.0	-2.5	0.3	-7.1	8.8
Thailand	<2.8>	5.4	19.3	4.2	8.3	1.6	8.9	-5.5	2.1	-10.3	5.4
Real imports		6.1	13.3	1.2	5.8	1.3	5.0	-2.9	-0.5	-3.0	-0.5

## (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 Dec.	2001 Jan.	Feb.
Raw materials <sup>4</sup>	<26.8>	2.7	1.7	-0.8	1.7	-1.3	0.6	-0.3	-5.2	2.0	0.1
Intermediate goods	<13.0>	3.6	8.3	1.9	3.9	-1.1	5.6	2.5	2.3	0.9	-1.5
Foodstuffs	<12.1>	2.8	5.4	3.8	-1.1	-0.1	2.2	-4.3	0.1	-5.3	-0.8
Consumer goods	<10.5>	8.1	21.3	6.0	4.4	1.3	9.3	-5.7	5.0	-4.4	-7.9
IT-related goods <sup>5</sup>	<16.1>	18.7	43.9	7.5	12.8	11.7	7.3	-2.3	-0.7	-2.8	2.8
Capital goods and parts <sup>6</sup>	<11.5>	5.1	12.4	-3.3	6.7	6.2	7.6	-2.6	3.4	-7.5	7.4
excluding aircraft		4.4	21.5	5.6	3.9	5.5	8.9	2.1	2.3	0.5	-1.0
Real imports		6.1	13.3	1.2	5.8	1.3	5.0	-2.9	-0.5	-3.0	-0.5

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

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

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

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

5. 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 April 2001 is the average of April 1-12. Calculated by the Bank of Japan.

Figures are the index of weighted average of the yen's real exchange rates versus 25 major currencies which are calculated from exchange rates and price indexes of the respective countries.

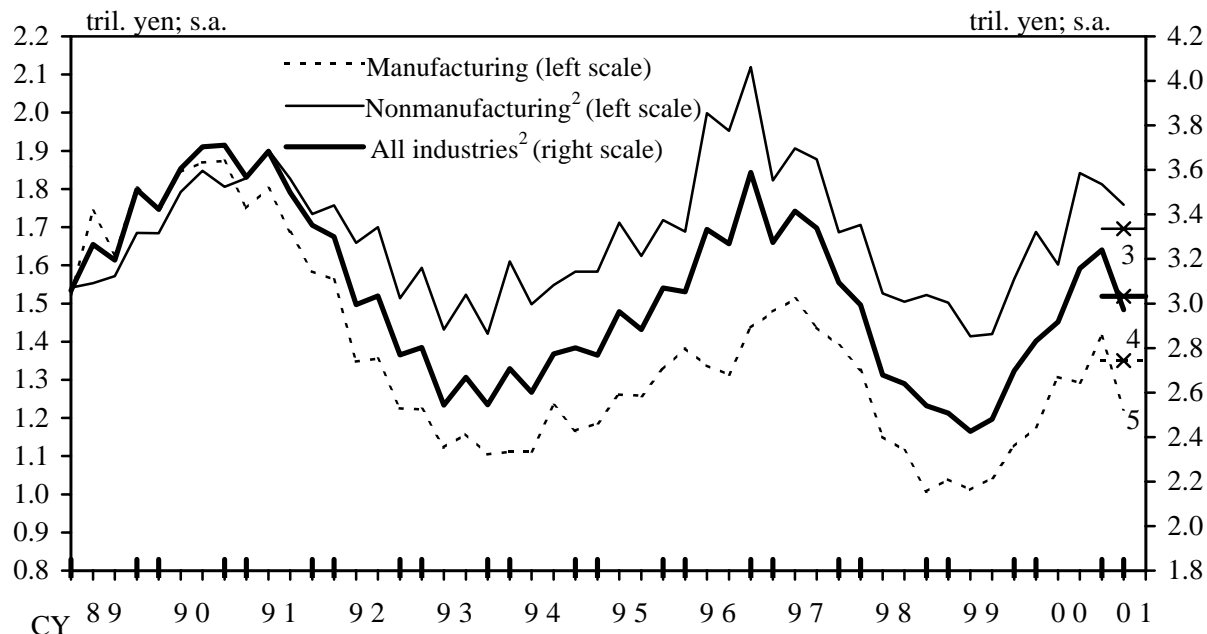
## (2) Real GDP Growth Rates in Overseas Economies

		CY98	99	2000	2000 Q1	Q2	Q3	Q4	
United States <sup>1</sup>		4.4	4.2	5.0	4.8	5.6	2.2	1.0	
European Union <sup>1</sup>		2.8	2.5	3.3	3.4	3.2	2.4	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	1.6	3.6	3.4	1.6	
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	10.9	8.8	12.6	9.7	9.2	4.6
		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	0.1	5.9	9.9	9.8	8.4	10.3	11.0
	ASEAN4	Thailand	-10.8	4.2	4.3	5.2	6.2	2.8	3.1
		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.

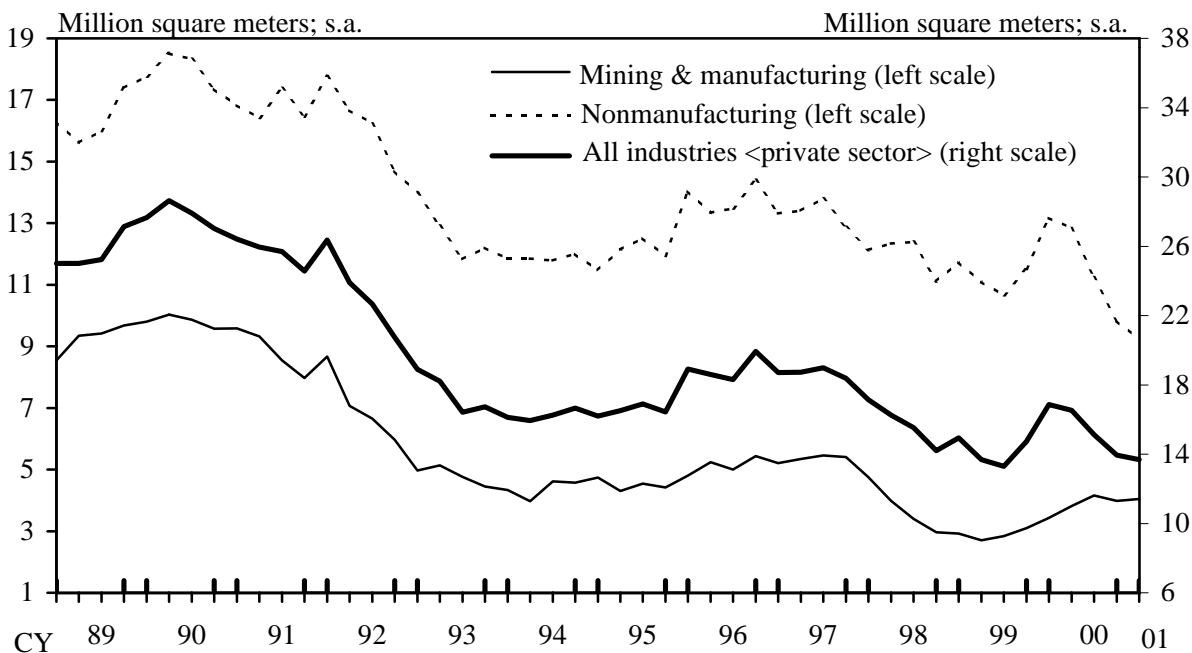
2. Quarterly data are percent changes from a year earlier.

## Indicators for Business Fixed Investment

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

- Notes: 1. Figures for 2001/Q1 are averages of January and February 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)

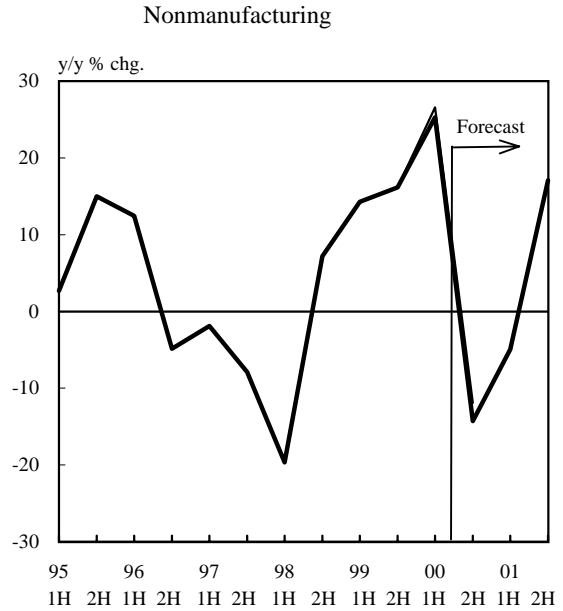
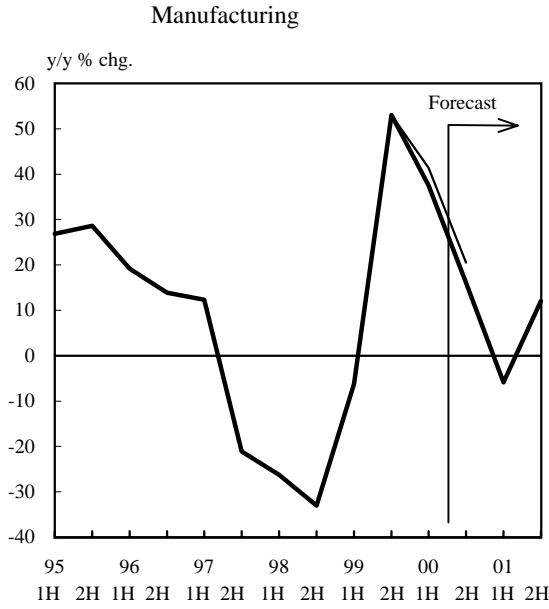


- Notes: 1. Seasonally adjusted by X-11.  
 2. Figures for 2001/Q1 are averages of January and February in terms of quarterly amount.

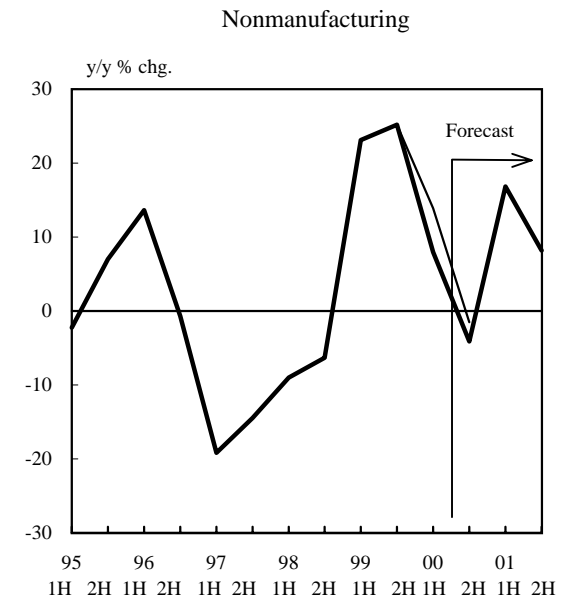
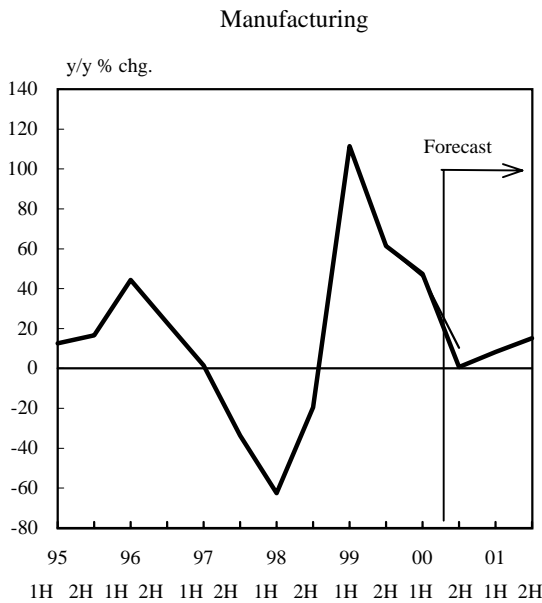
Sources: Cabinet Office, "Machinery Orders Statistics";  
 Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

Recurring Profit

(1) Large Enterprises



(2) Small Enterprises



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

2. Large enterprises: 1,000 employees or more

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

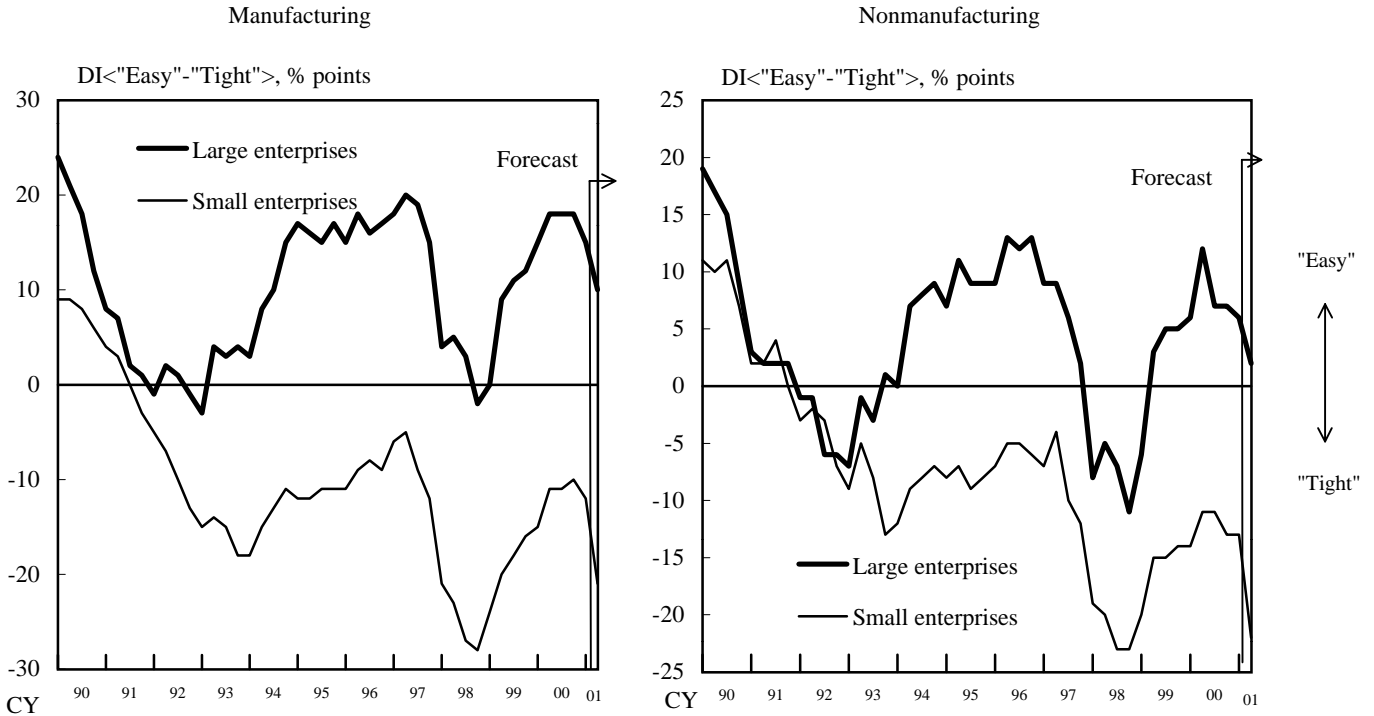
20-49 employees (Retailing, services, and leasing), 50-299 employees (Other industries)

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

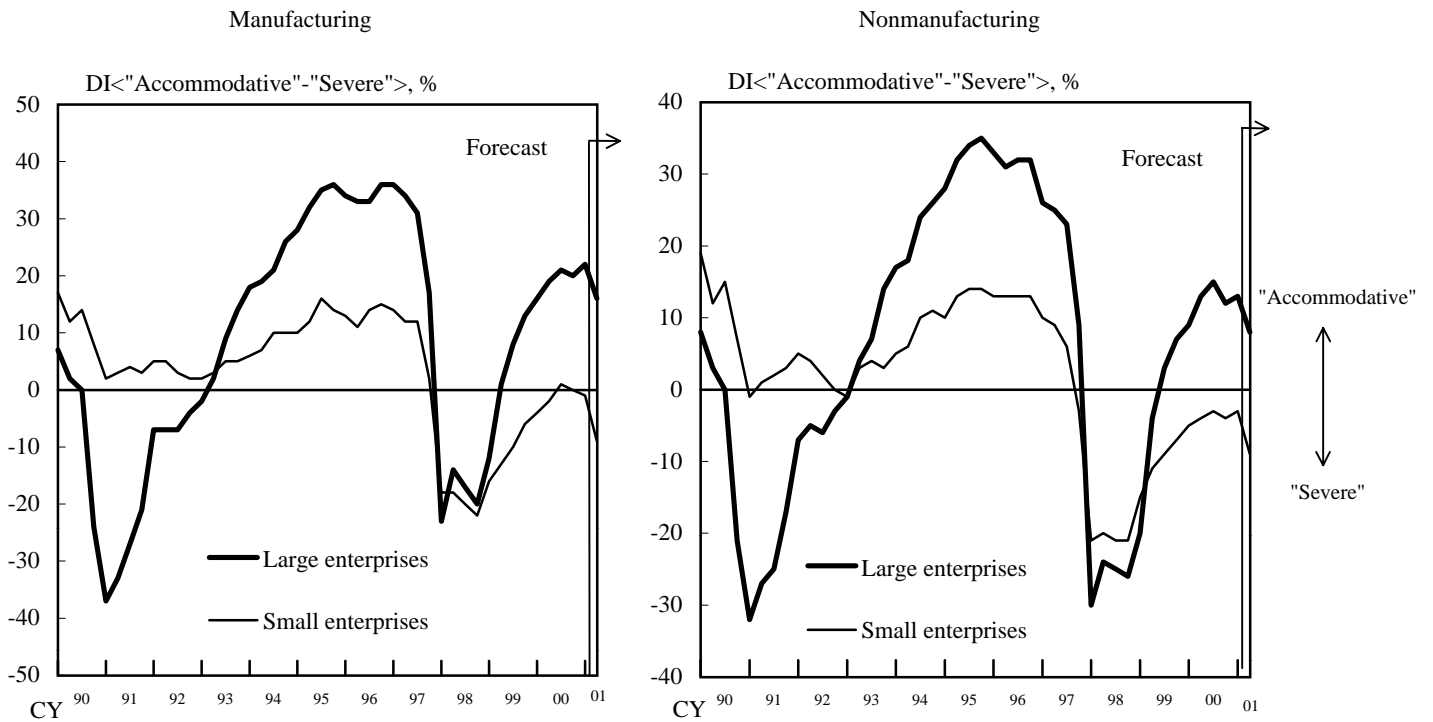


Corporate Finance-Related Indicators

(1) Financial Position



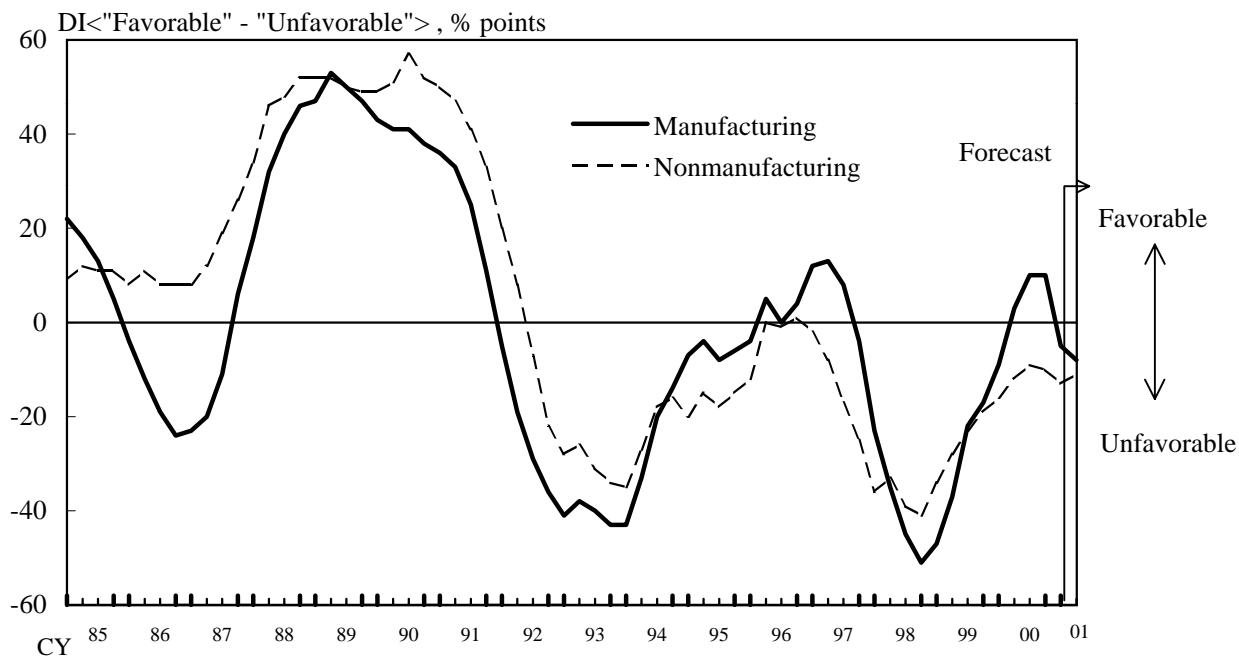
(2) Lending Attitude of Financial Institutions



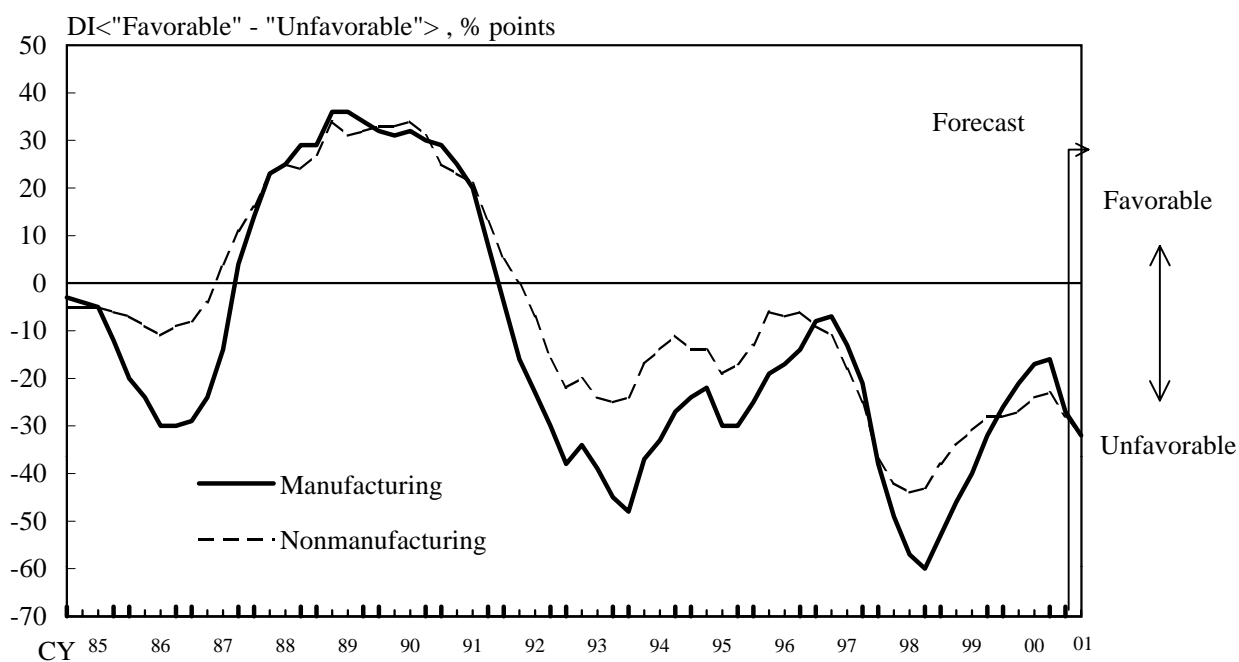
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

## Business Conditions

## (1) Large Enterprises



## (2) Small Enterprises



Note: Large enterprises: 1,000 employees or more

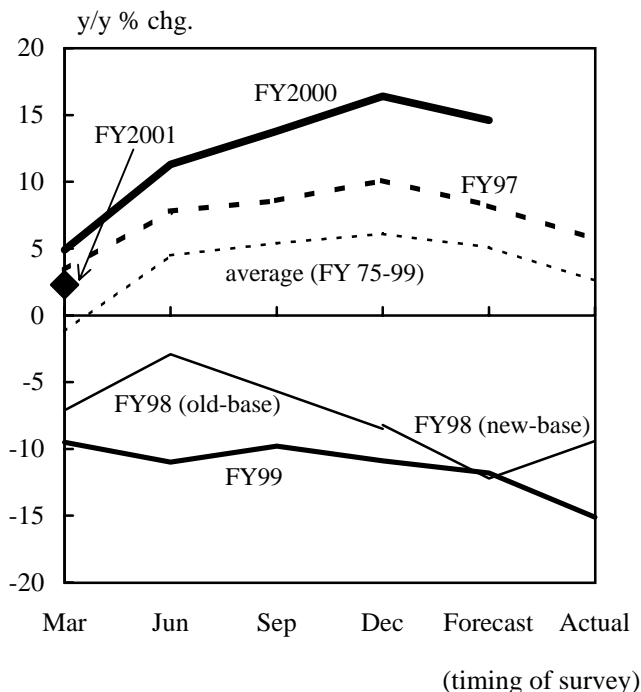
Small enterprises: 50-299 employees (Manufacturing), 20-99 employees (Wholesaling),

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

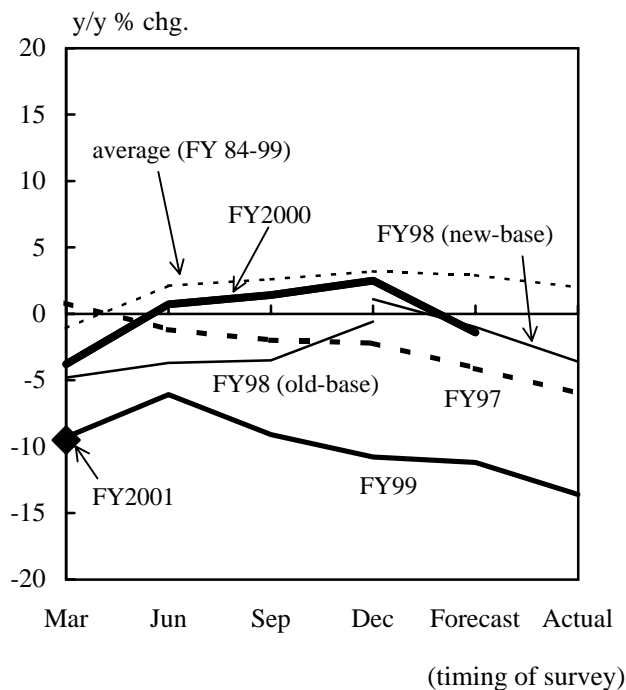
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

Business Fixed Investment Plans as Surveyed

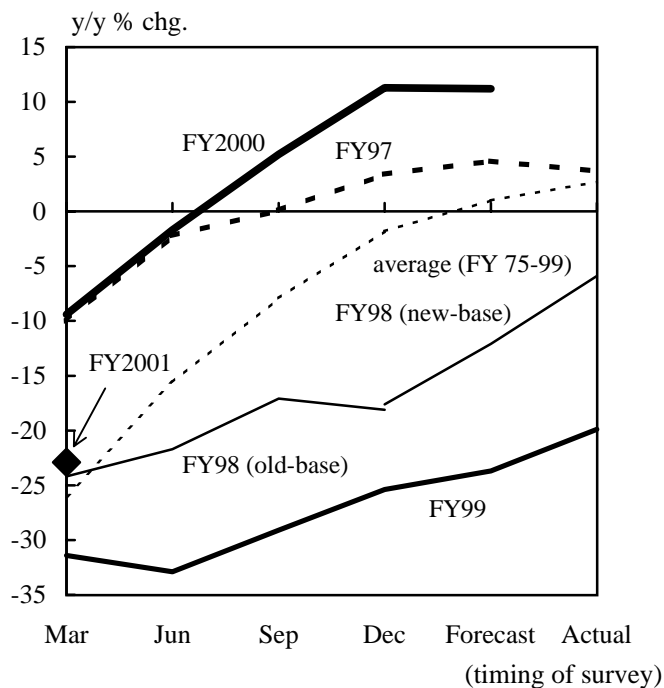
(1) Manufacturing / Large Enterprises



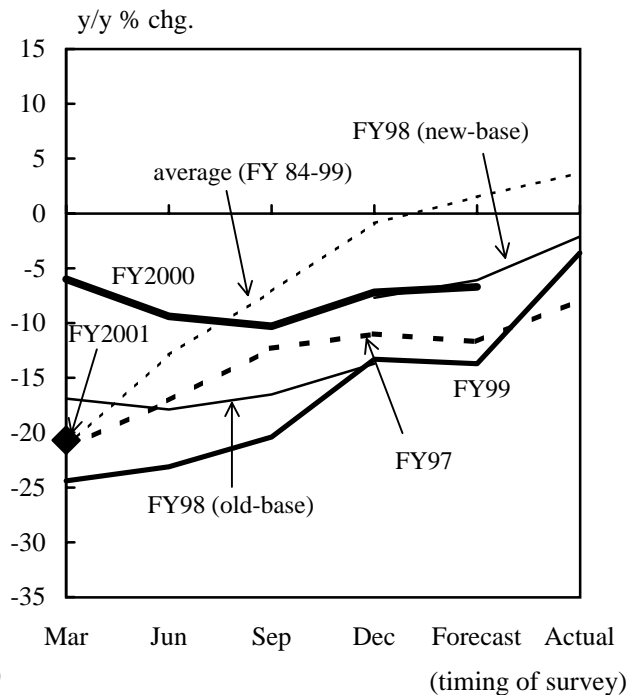
(2) Nonmanufacturing / Large Enterprises



(3) Manufacturing / Small Enterprises



(4) Nonmanufacturing / Small Enterprises



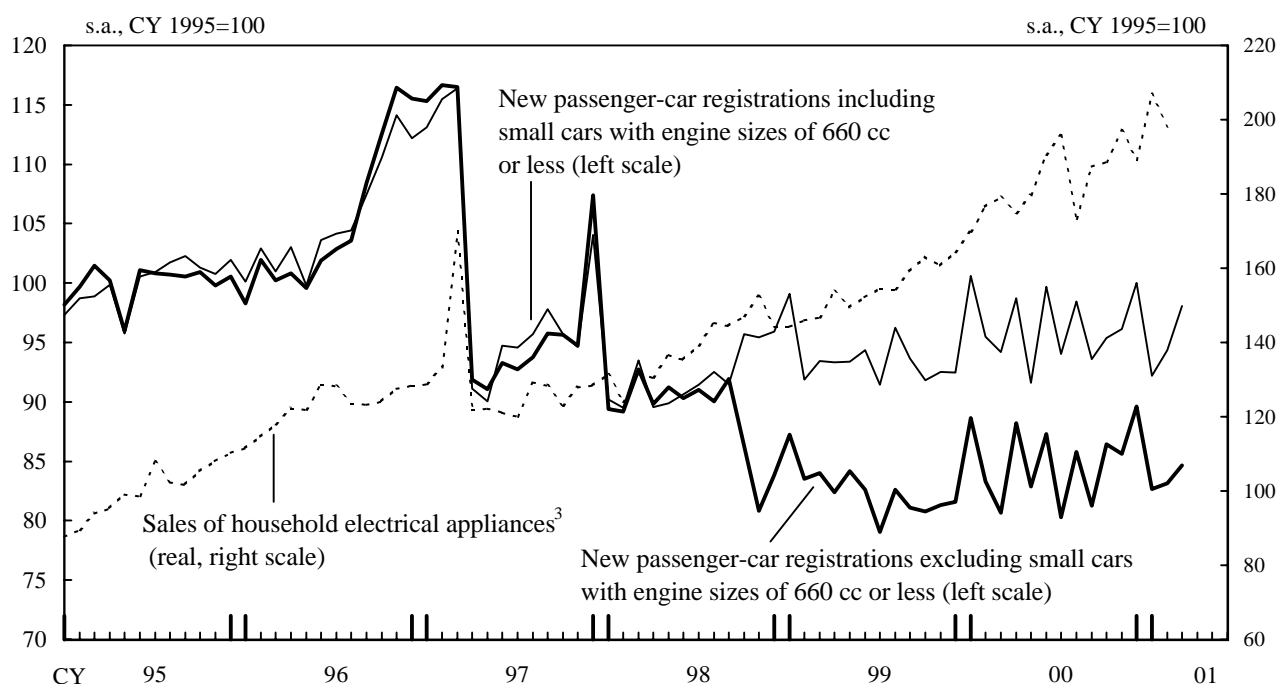
Source: Bank of Japan, "Tankan Short-term Economic Survey of Enterprises in Japan."

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

## (1) Household Spending



## (2) Sales of Durable Goods



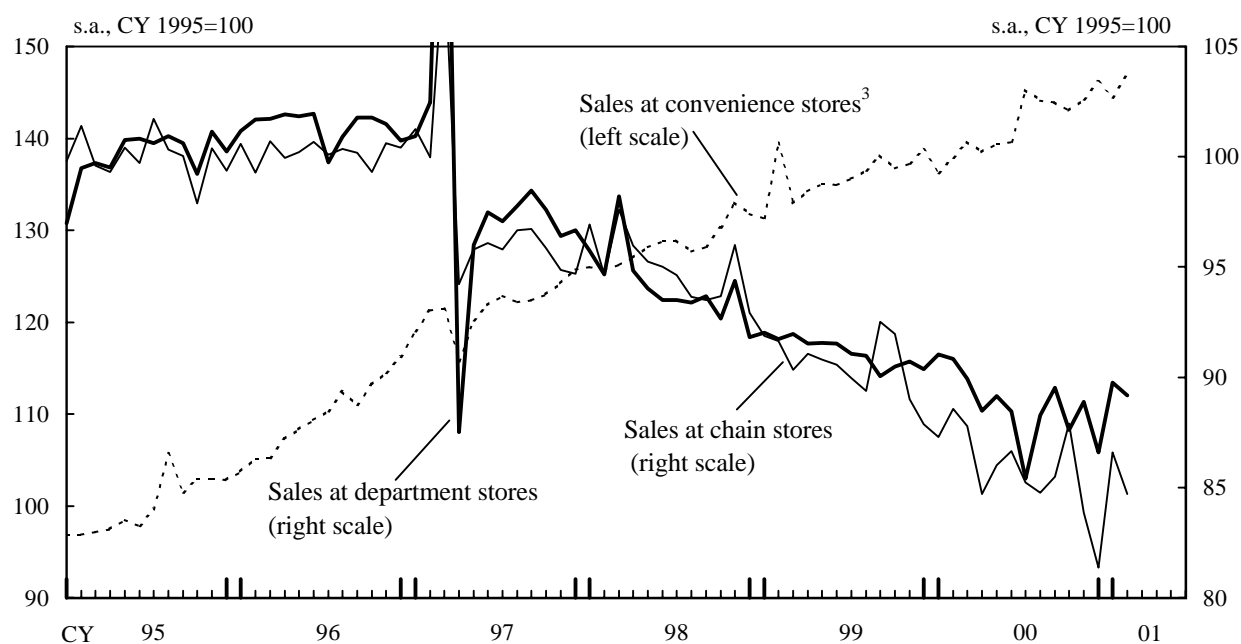
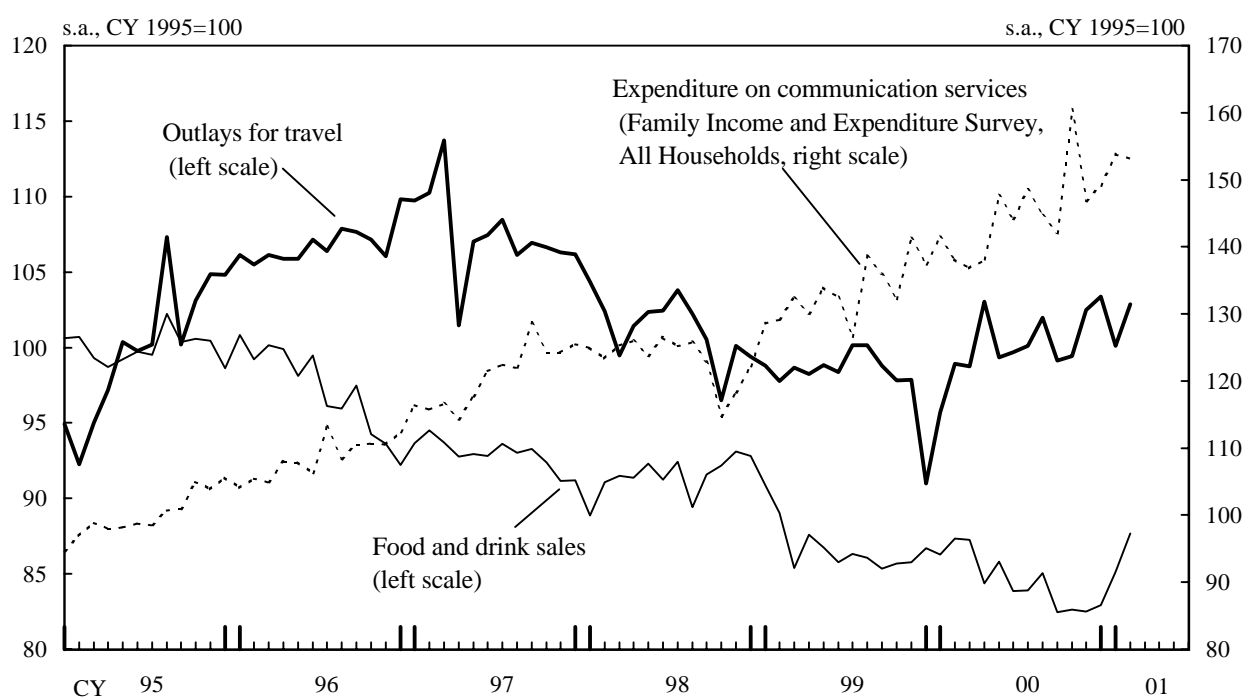
Notes: 1. Seasonally adjusted by X-12-ARIMA ( $\beta$  version).

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,";

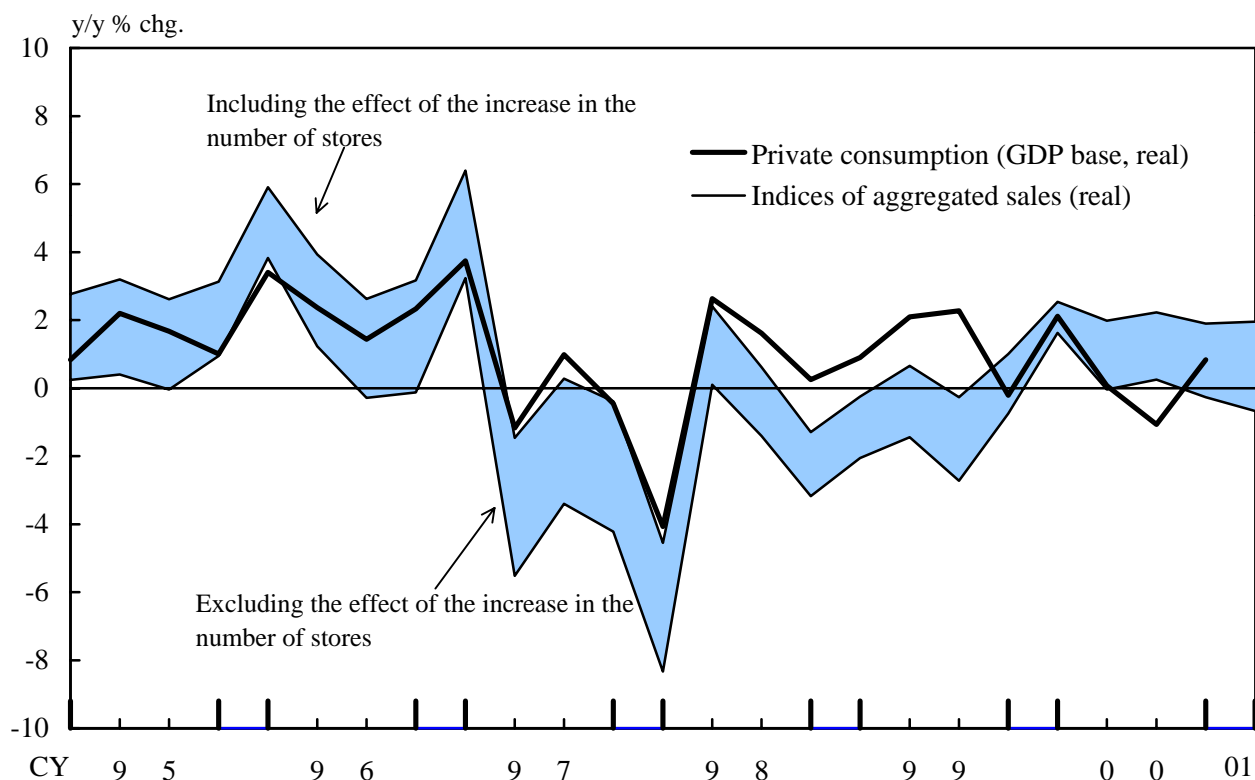
Ministry of Economy, Trade and Industry, "Current Survey of Commerce";

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)

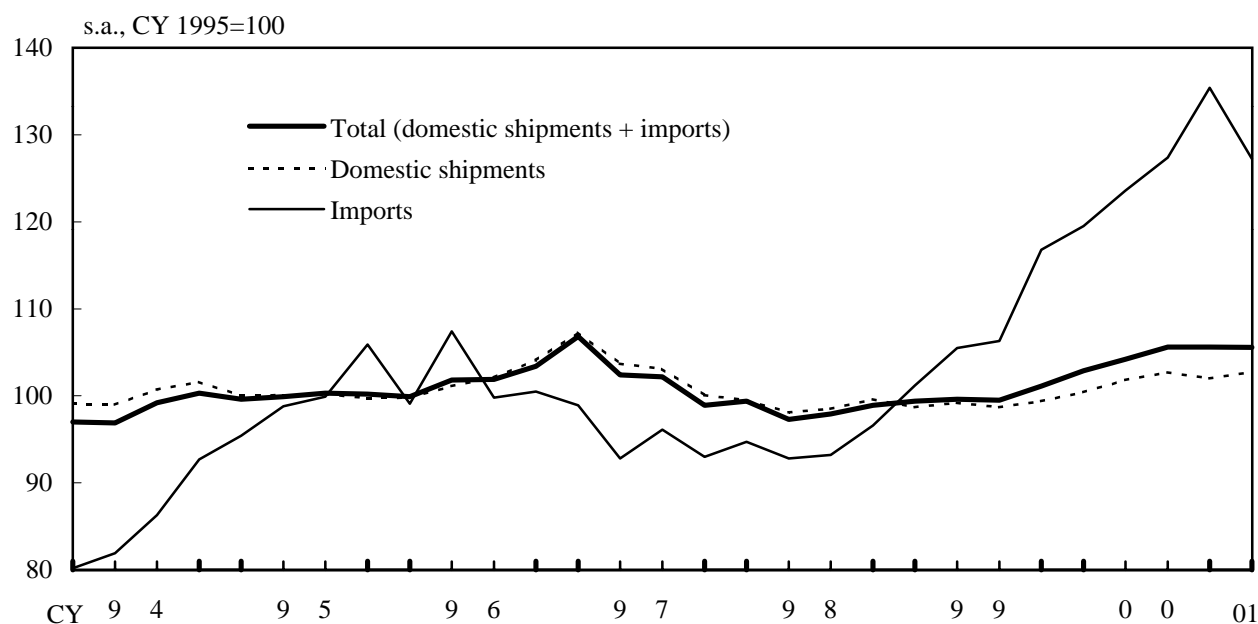


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *Sales at chain stores*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Food and drink sales*, where the weights come from the *Family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

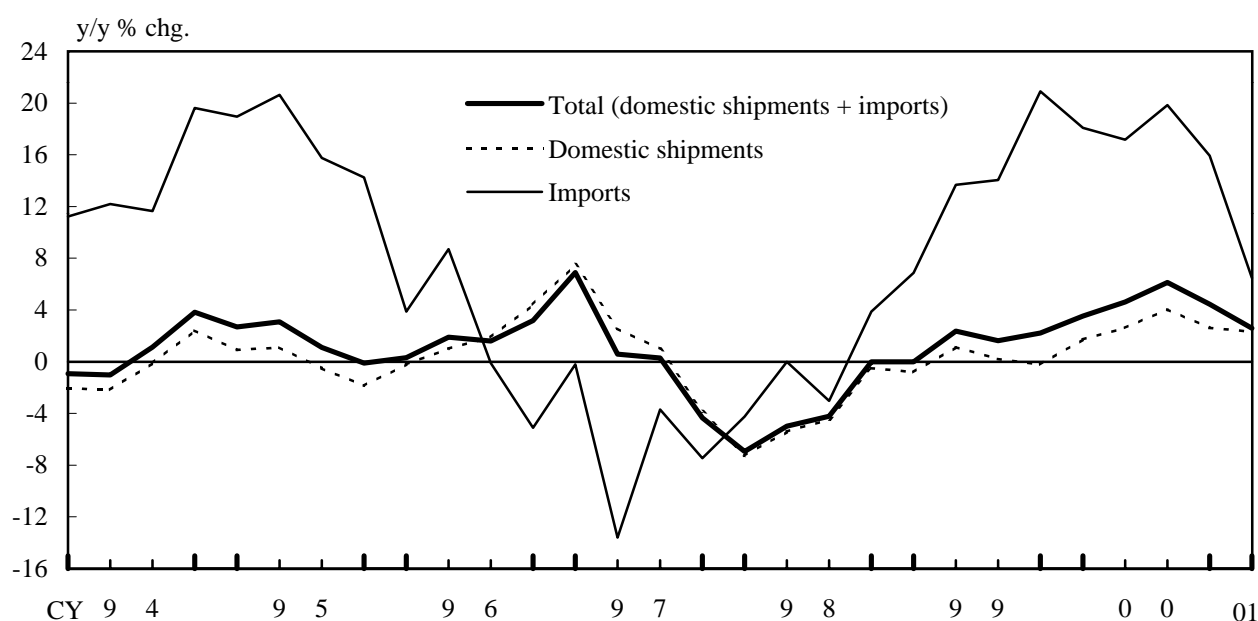
Sources: Cabinet Office, "National Accounts";  
 Ministry of Economy, Trade and Industry, "Current Survey of Commerce";  
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey";  
 Bank of Japan, "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 components 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/Q1 figures are Jan.-Feb. averages 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.

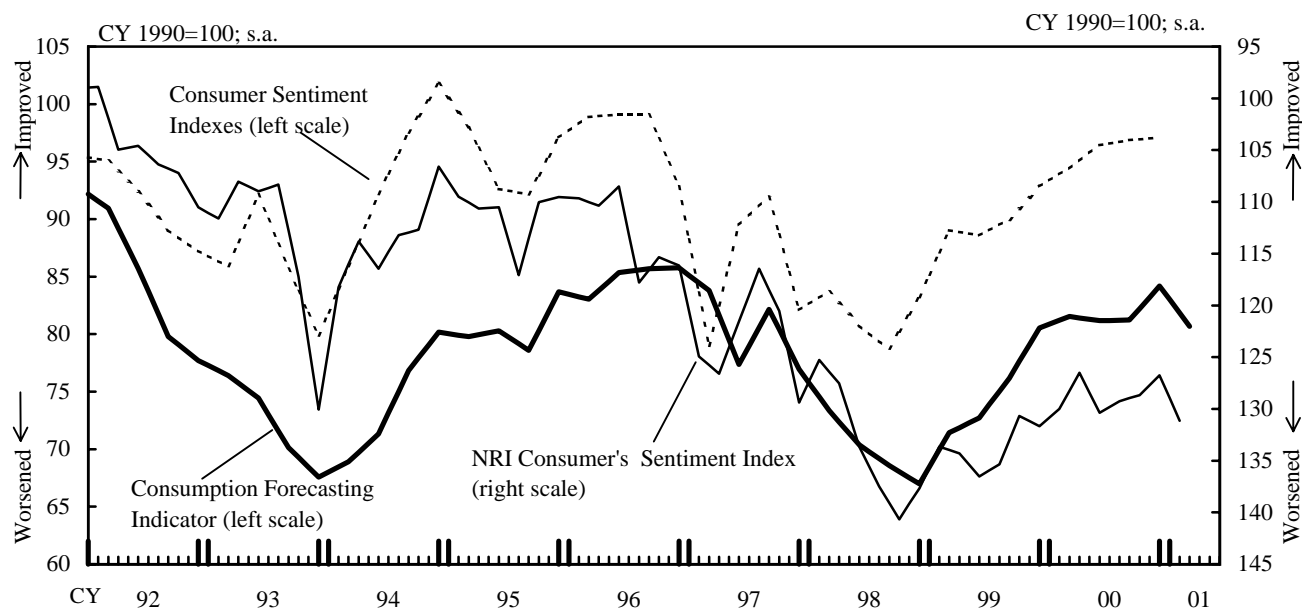
5. Figures for 2001/Q1 of "Total (domestic shipments + imports)" are calculated from weighted average of the quarterly changes in "Domestic shipments" and "Imports".

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."

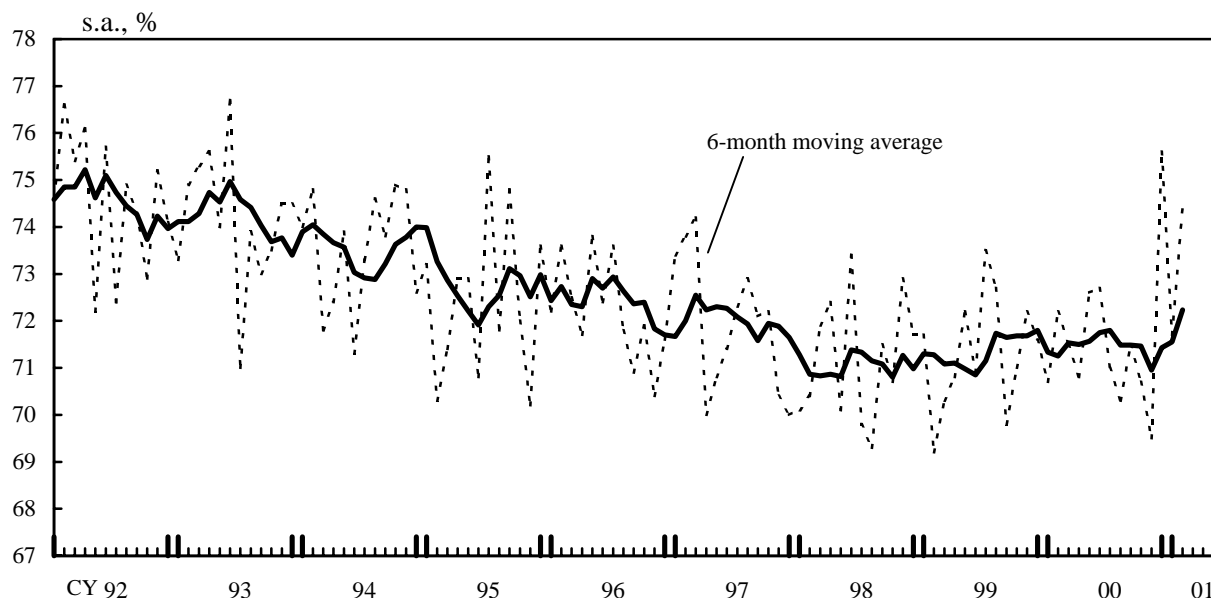
## Consumer Confidence and Propensity to Consume

### (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)

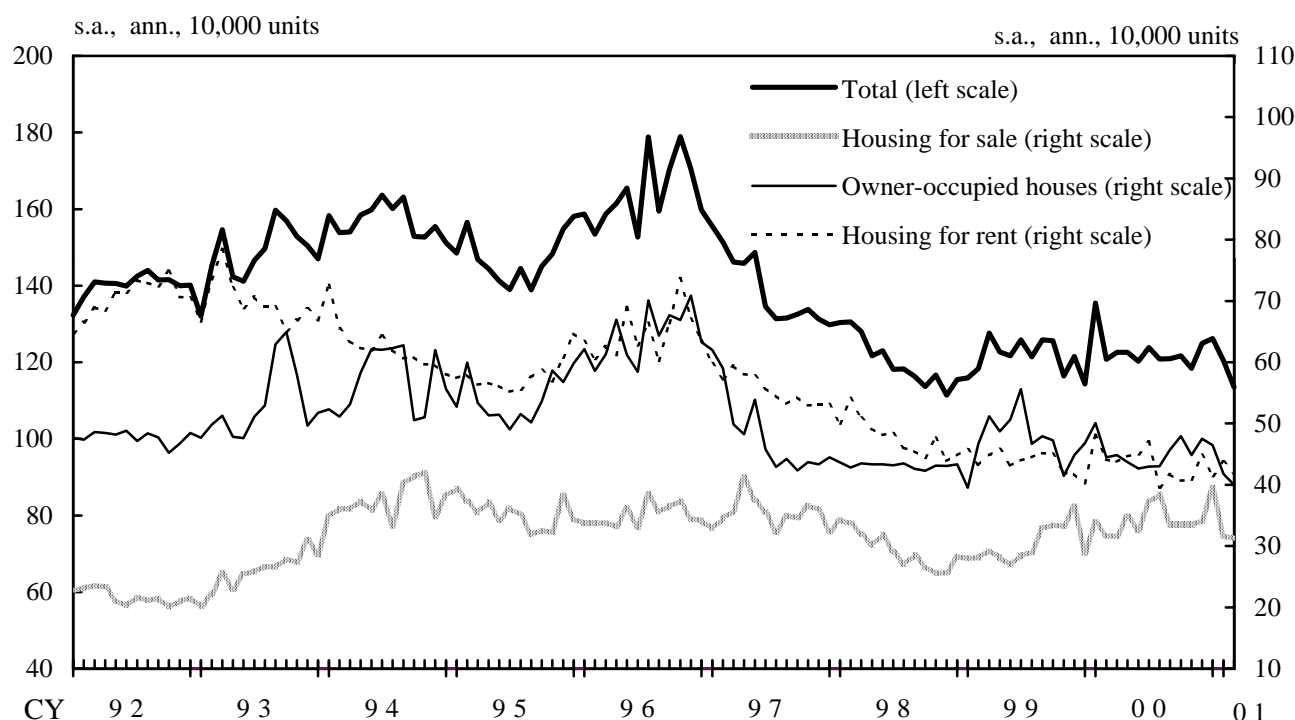
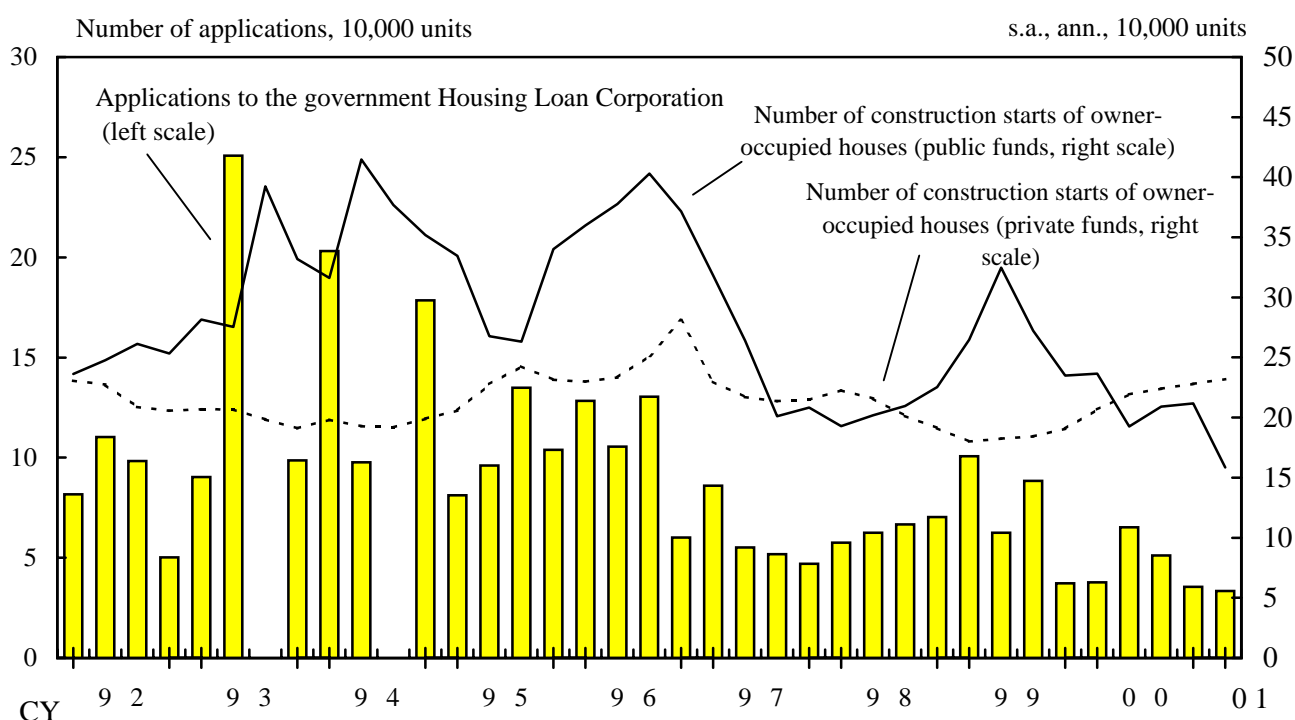


Sources: Cabinet Office, "Consumer Behavior Survey";  
 Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator";  
 Ministry of Public Management, Home Affairs, Posts and Telecommunications,  
 "Monthly Report on the Family Income and Expenditure Survey"; 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

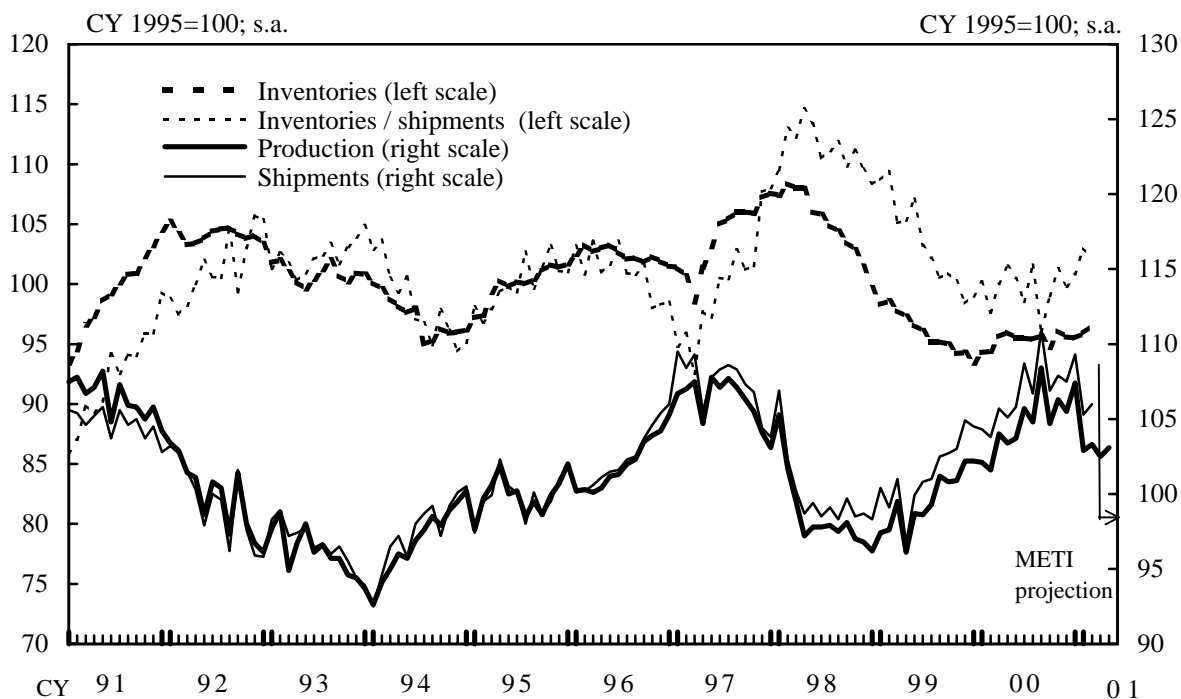
Notes: 1. The duration of the loan offering period (the government Housing Loan Corporation) differs and the period may be extended to the following quarter. The number of loan applications for the construction of private homes is placed in the quarter that includes most of the offering period.

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

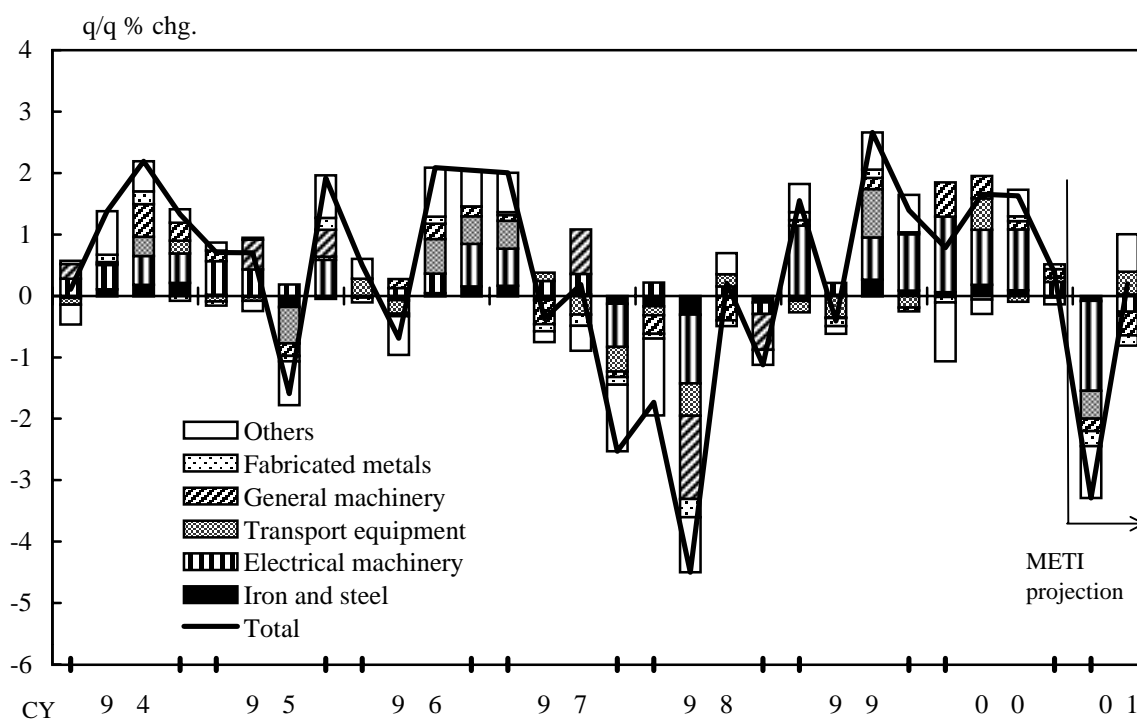
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



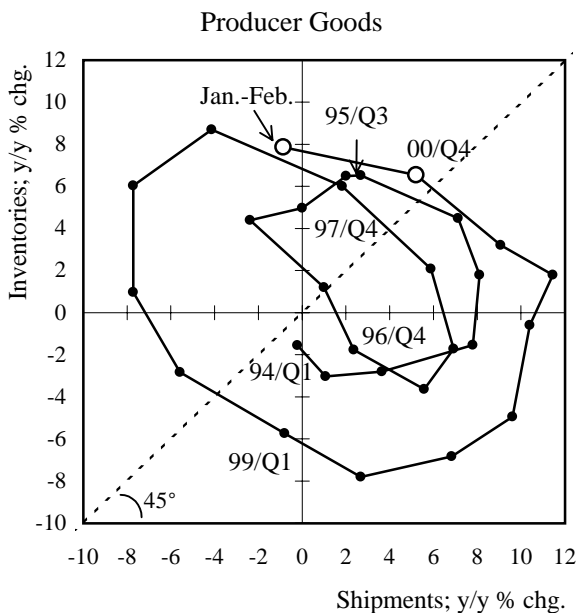
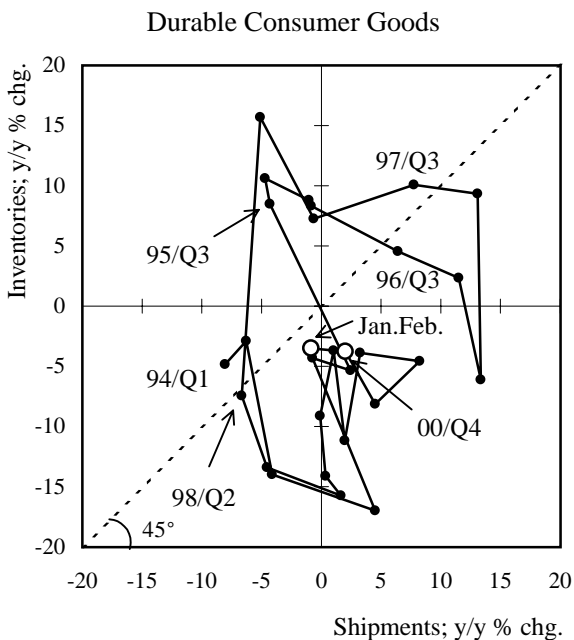
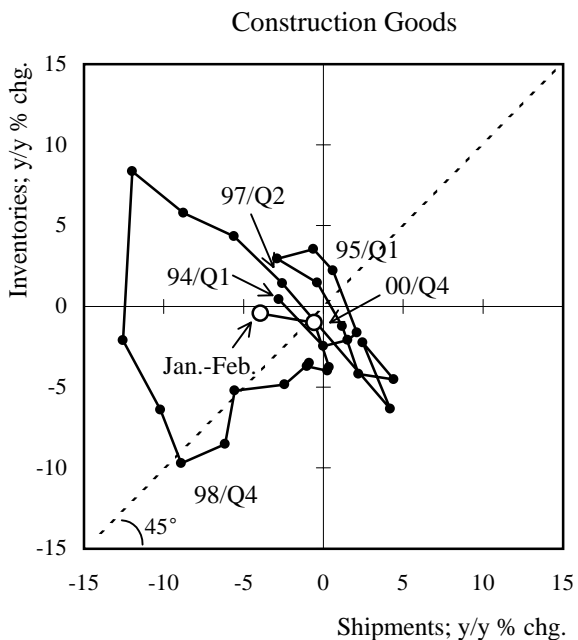
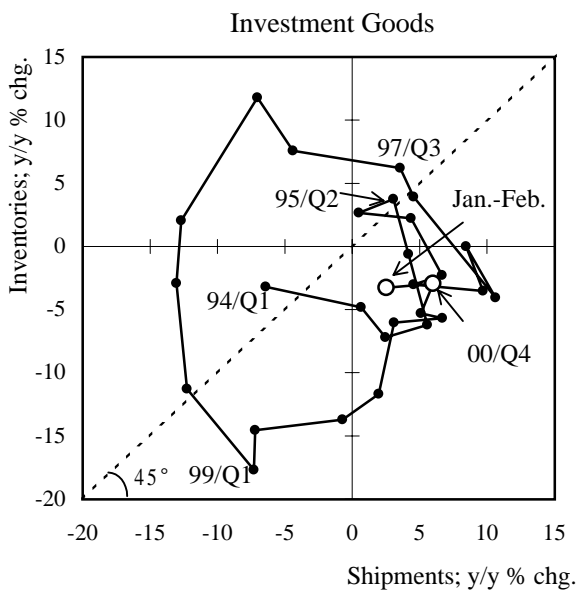
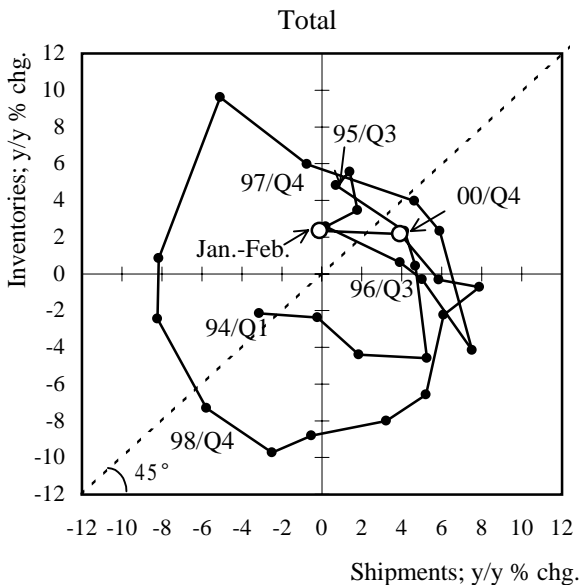
(2) Production by Industries



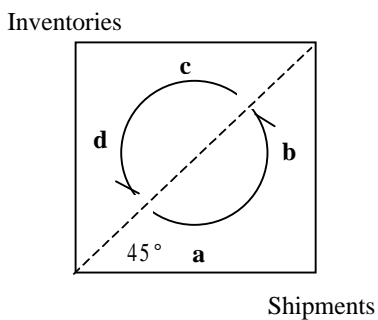
Note: Transport equipment excludes ships and rolling stock.

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

# Inventory Cycle



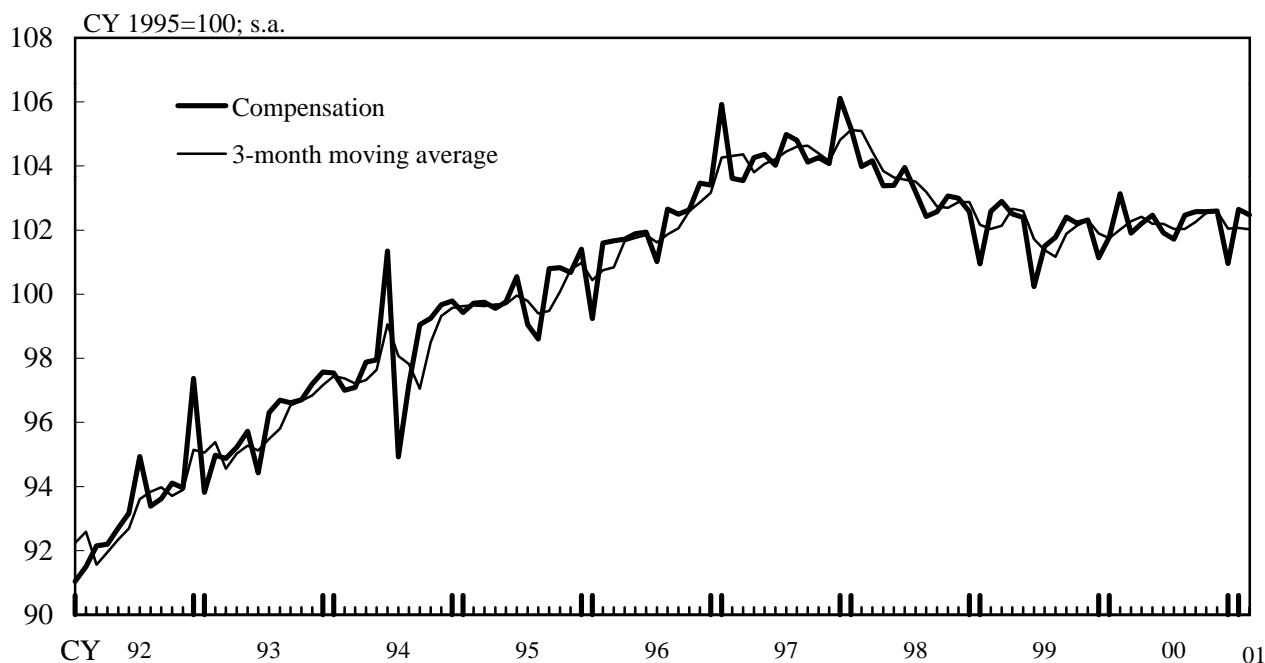
## Phases in the Inventory Cycle



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

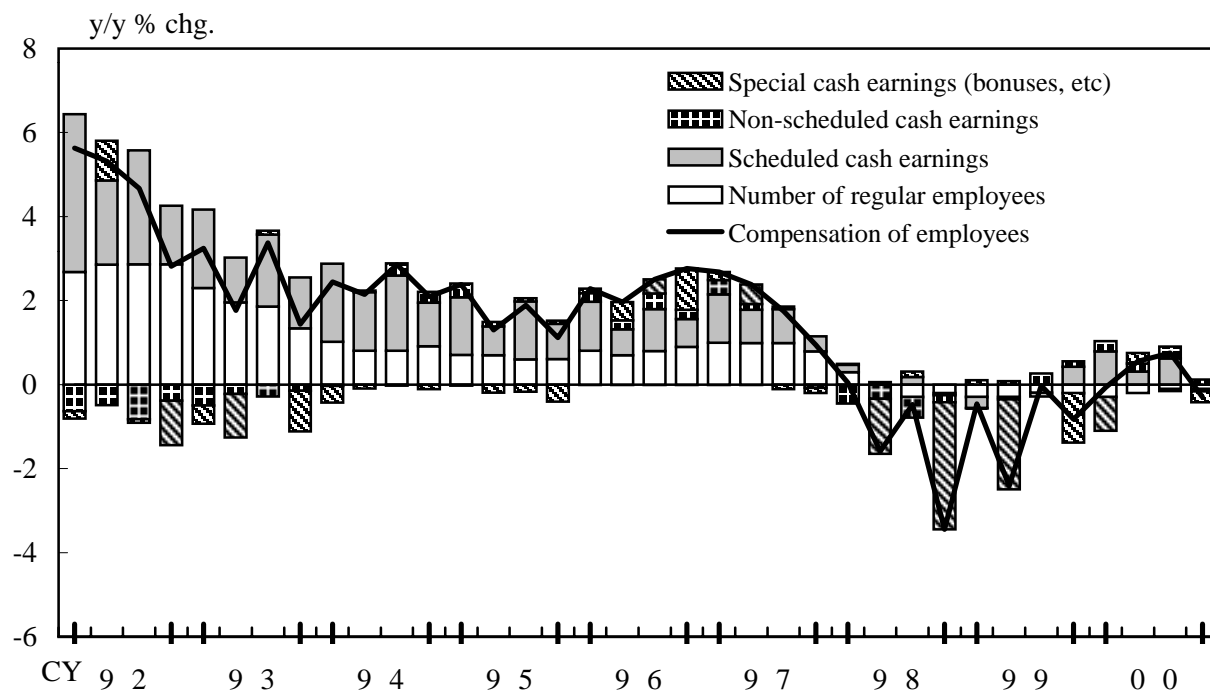
## Compensation of Employees

### (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. The data for Feb. 2001 are preliminary figures.

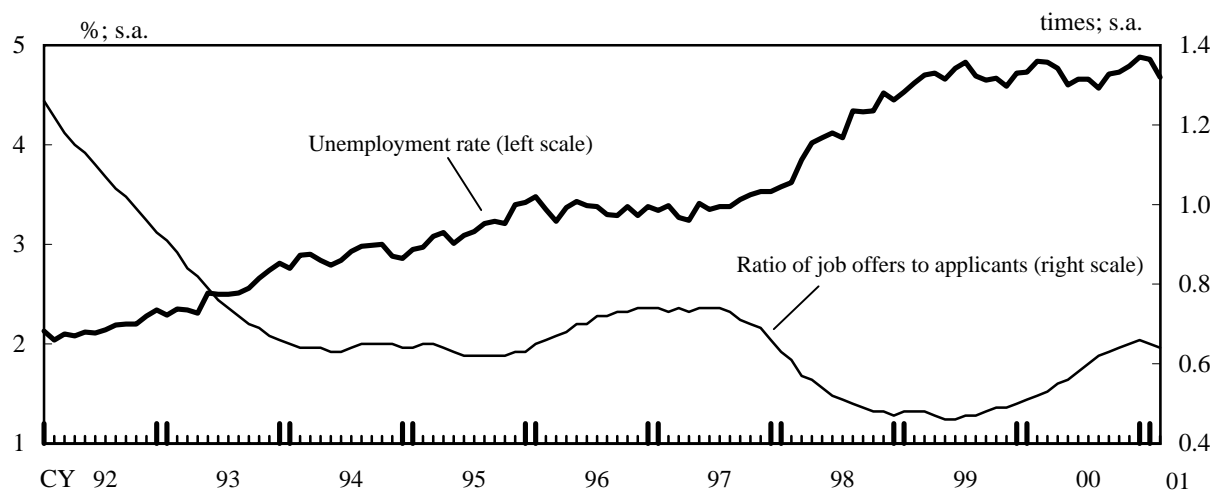
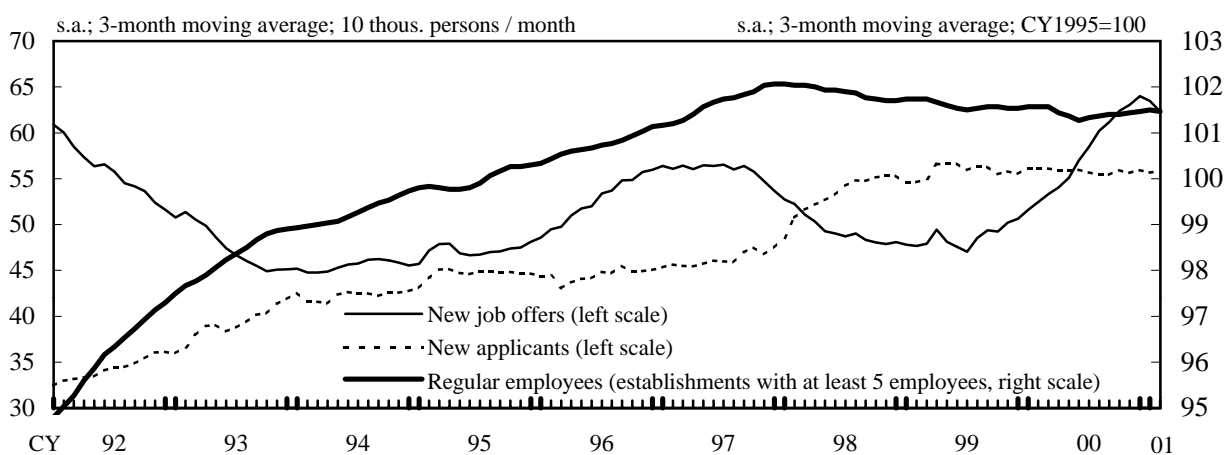
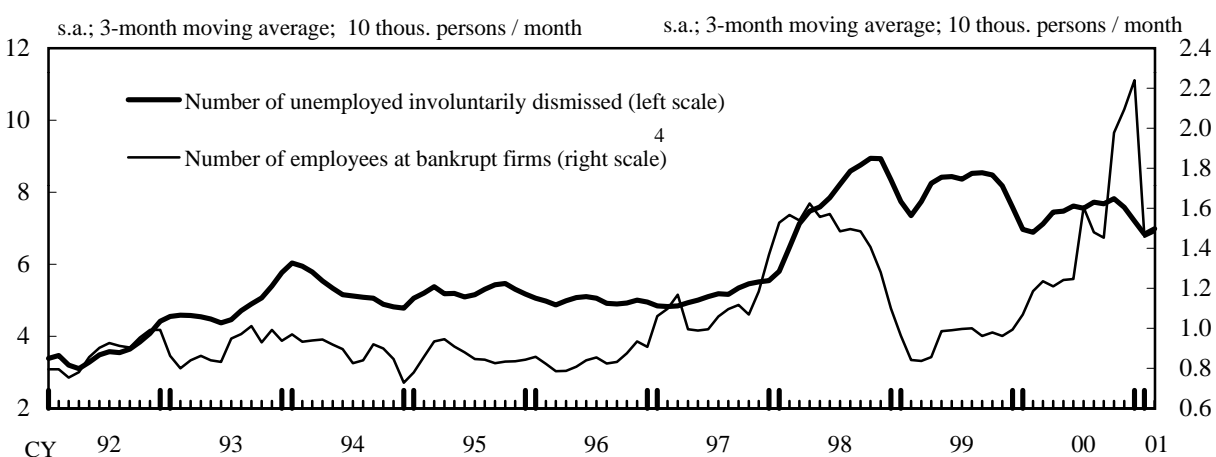
### (2) Breakdown of Compensation



- Notes: 1. Data for establishments with at least 5 employees. The data for Feb. 2001 are preliminary figures.  
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.

## Labor Market

## (1) Monthly

(2) New Job Offers, New Applicants<sup>1</sup> and Regular employees<sup>2</sup>(3) Number of Unemployed Involuntarily Dismissed and Employees at Bankrupt Firms<sup>3</sup>

Notes: 1. Exclude jobs offered to new graduates.

2. The data of regular employees for Feb. 2001 are preliminary figures.

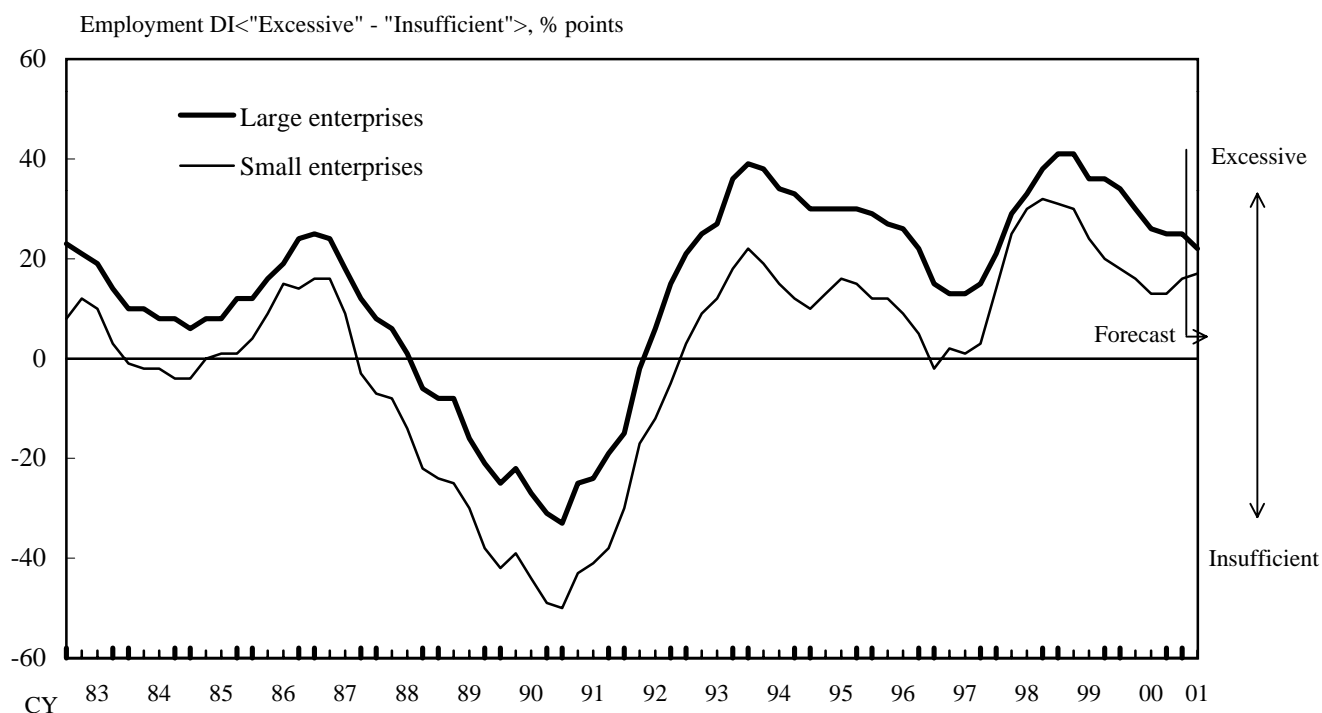
3. Seasonally adjusted by X-11.

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

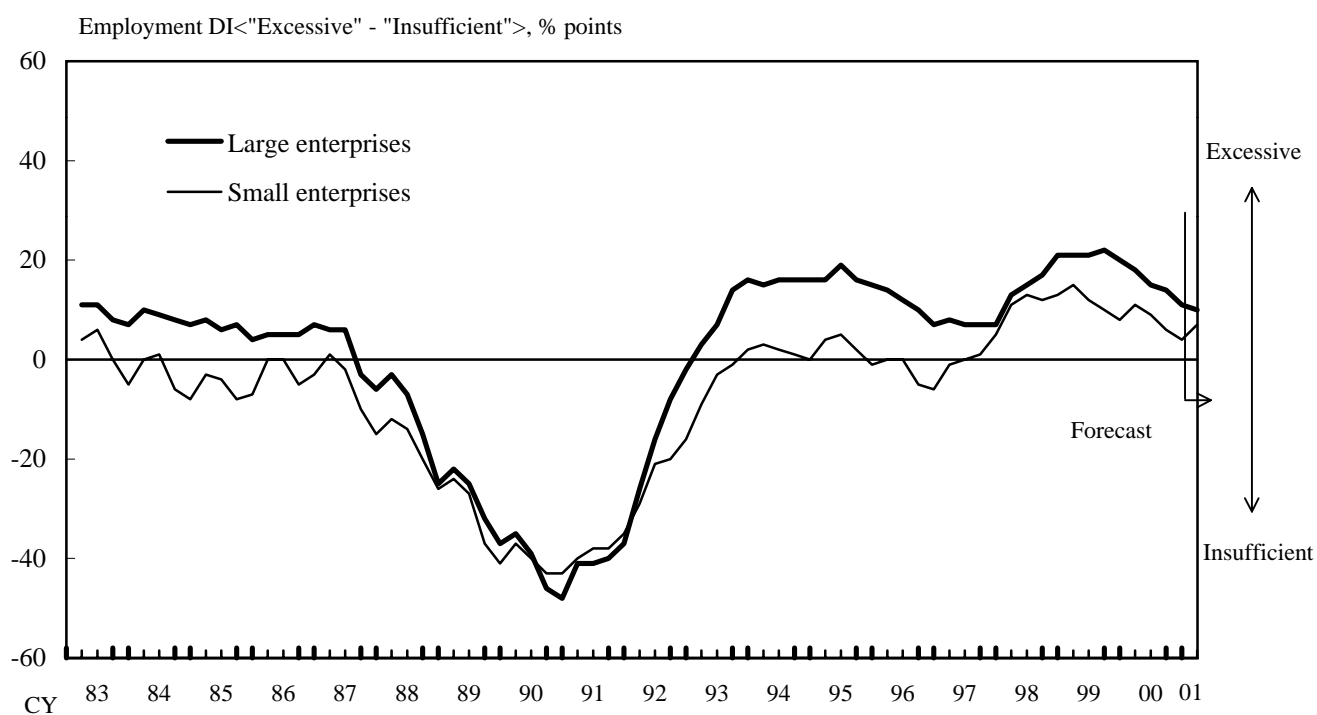
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey," "Report on Employment Service," "Report on Employment Insurance Service"; Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey"; Teikoku Databank Ltd., "Japan's Business Failure."

## Employment Conditions

## (1) Manufacturing



## (2) Nonmanufacturing

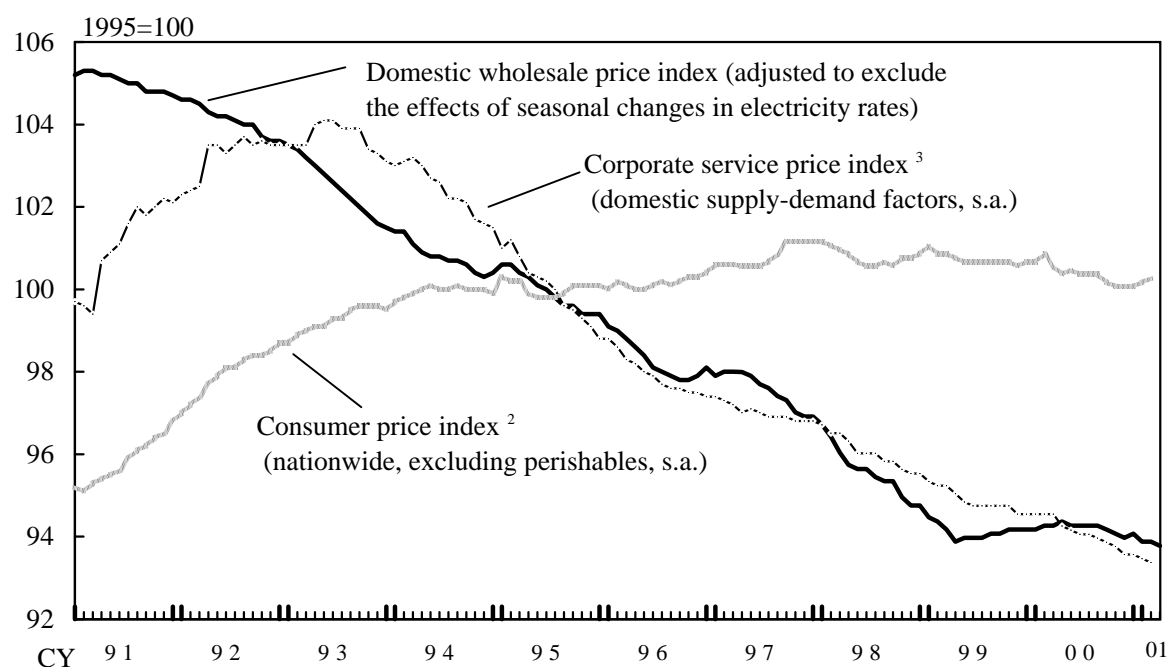


Note: Figures before December 1998 are based on the pre-revision *Tankan*, and those from March 1999 are based on the post-revision *Tankan*.

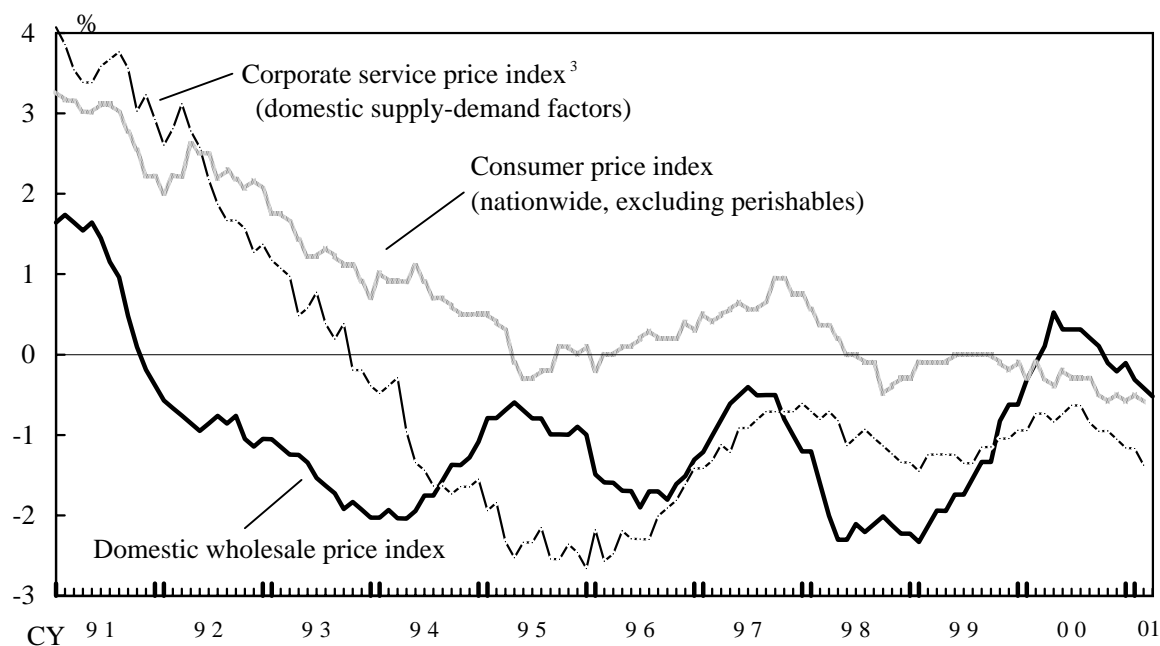
Source: Bank of Japan, "*Tankan* Short-Term Economic Survey of Enterprises in Japan."

Prices<sup>1</sup>

## (1) Level



## (2) Changes from a year earlier

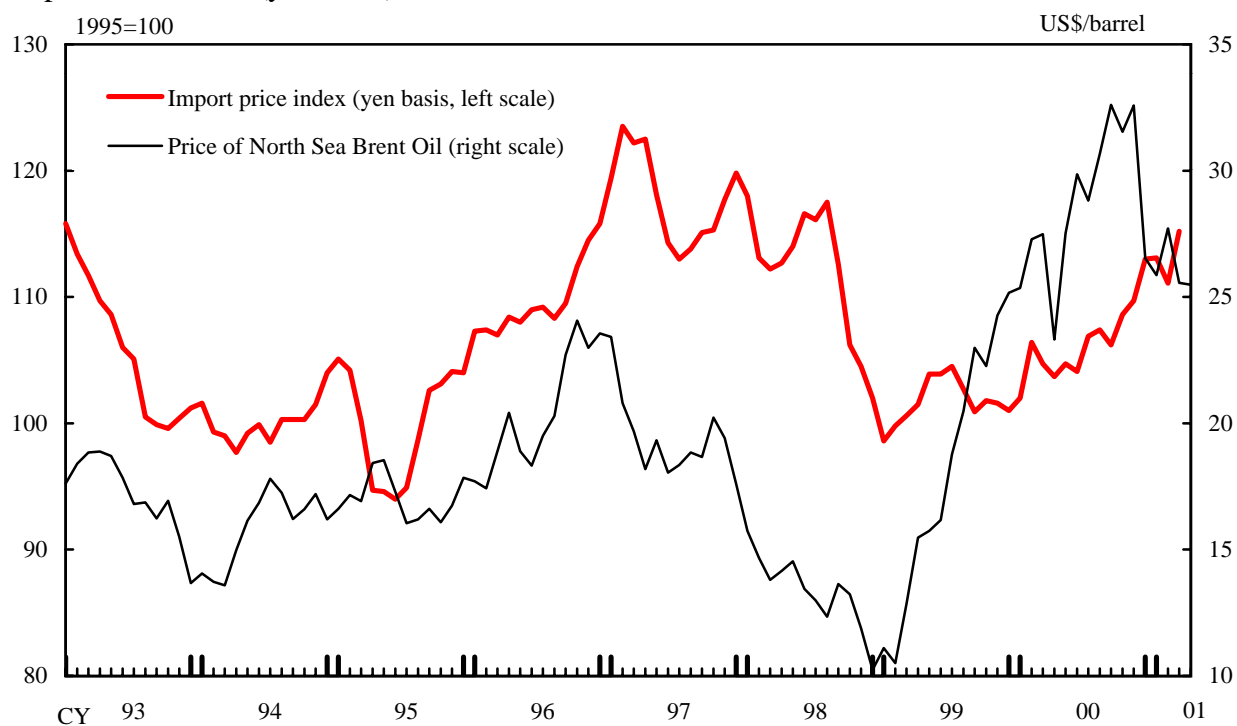


- Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. The 1990-base CPI, seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, is spliced for figures before January 1995.
3. See footnote 4 in Chart 24, for definition of the Corporate service price index (domestic supply-demand factors).

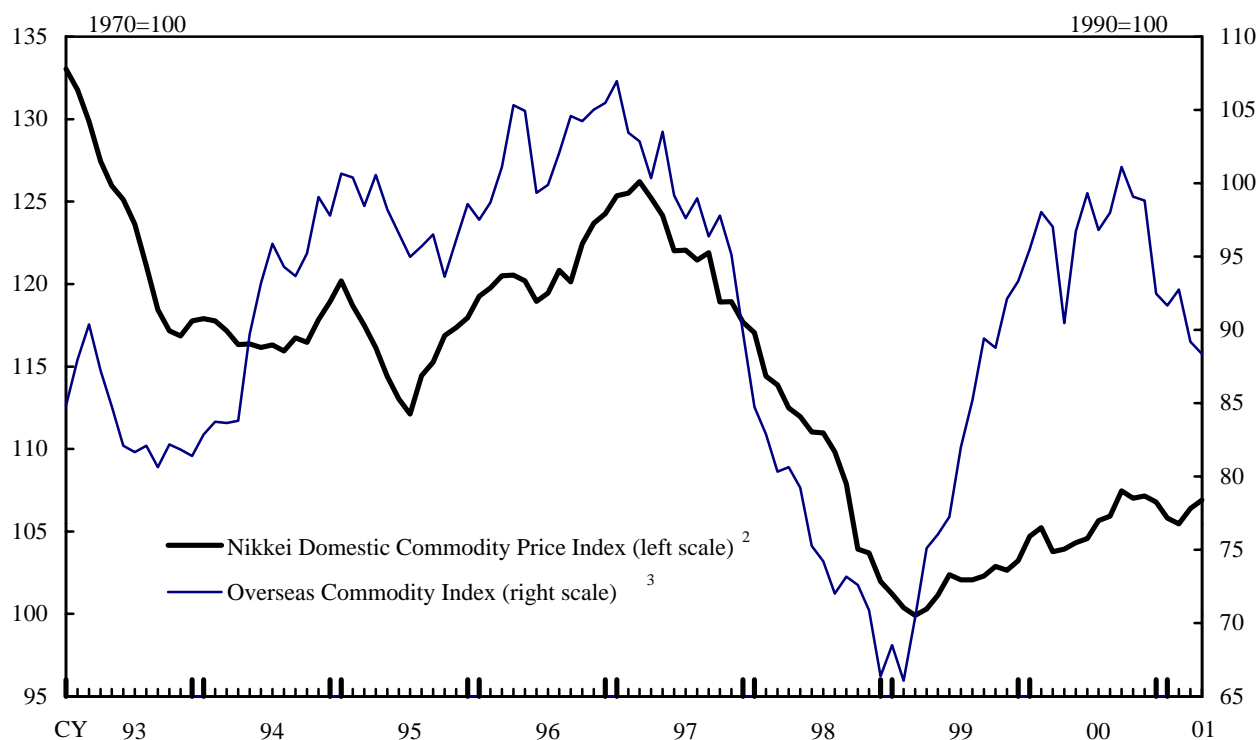
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index."

## 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 April 2001 are April 1-11 average.

2. Data for April 2001 are as of April 6.

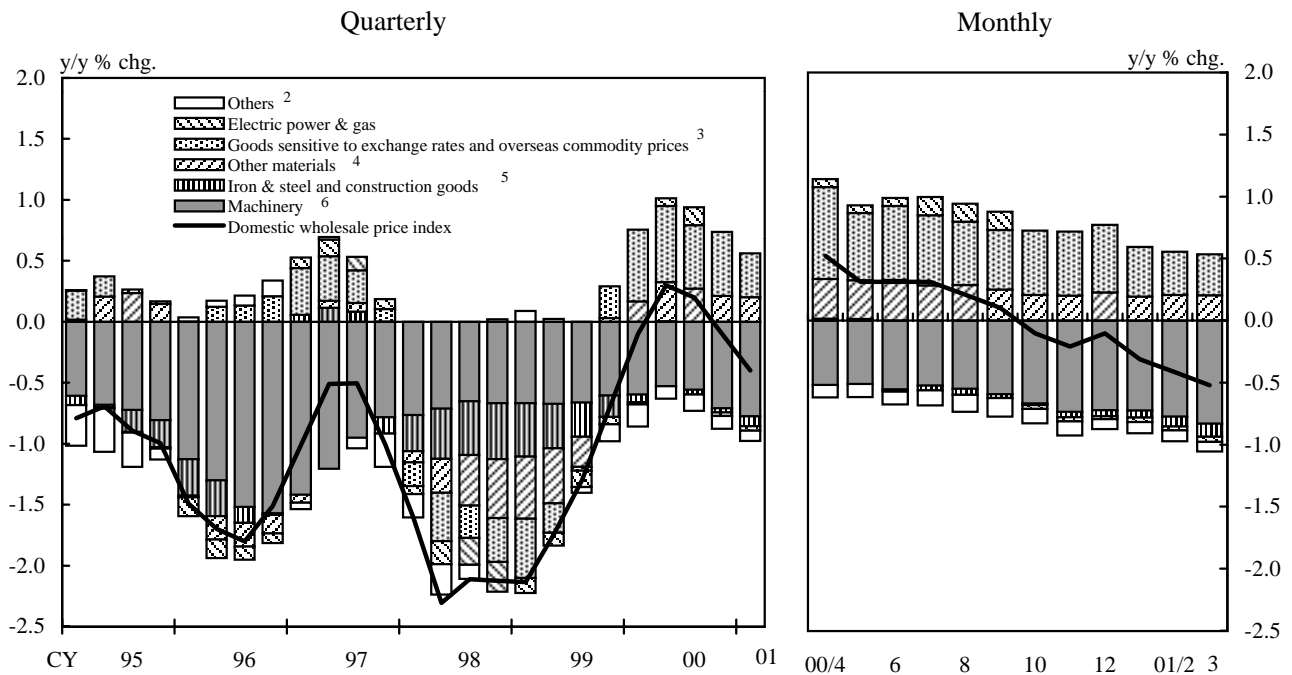
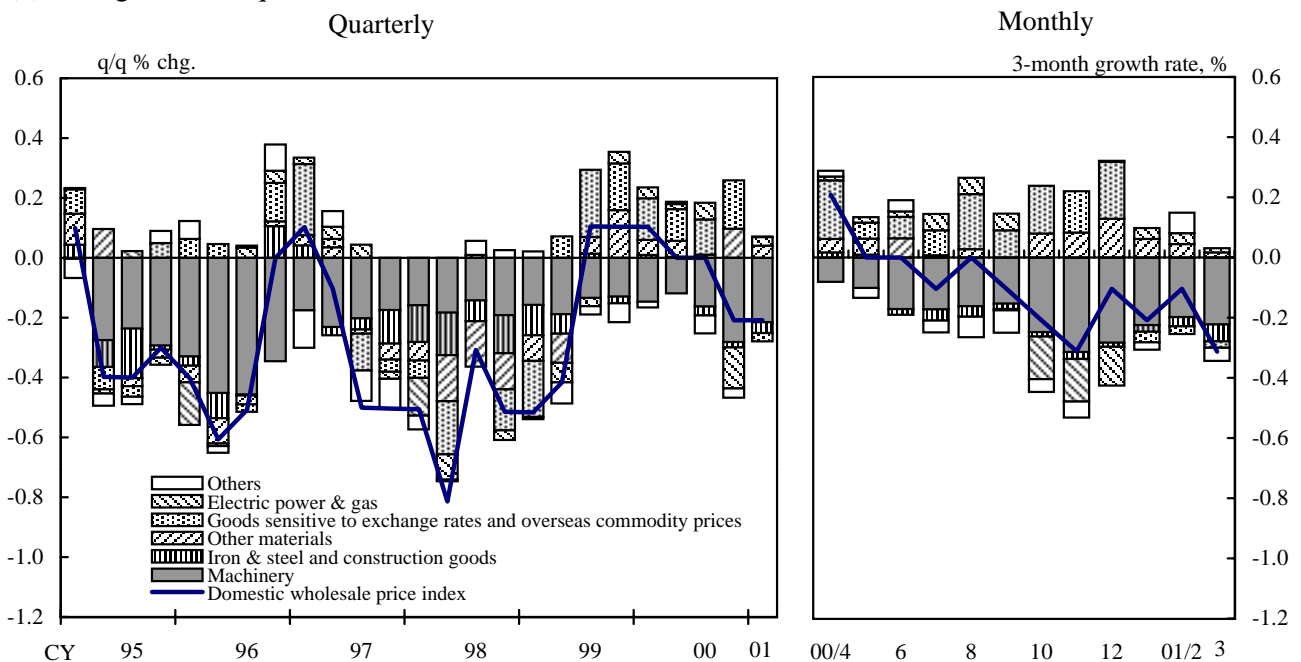
3. Calculated by the Research and Statistics Department, Bank of Japan. Data for April 2001 are April 1-11 average.

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.

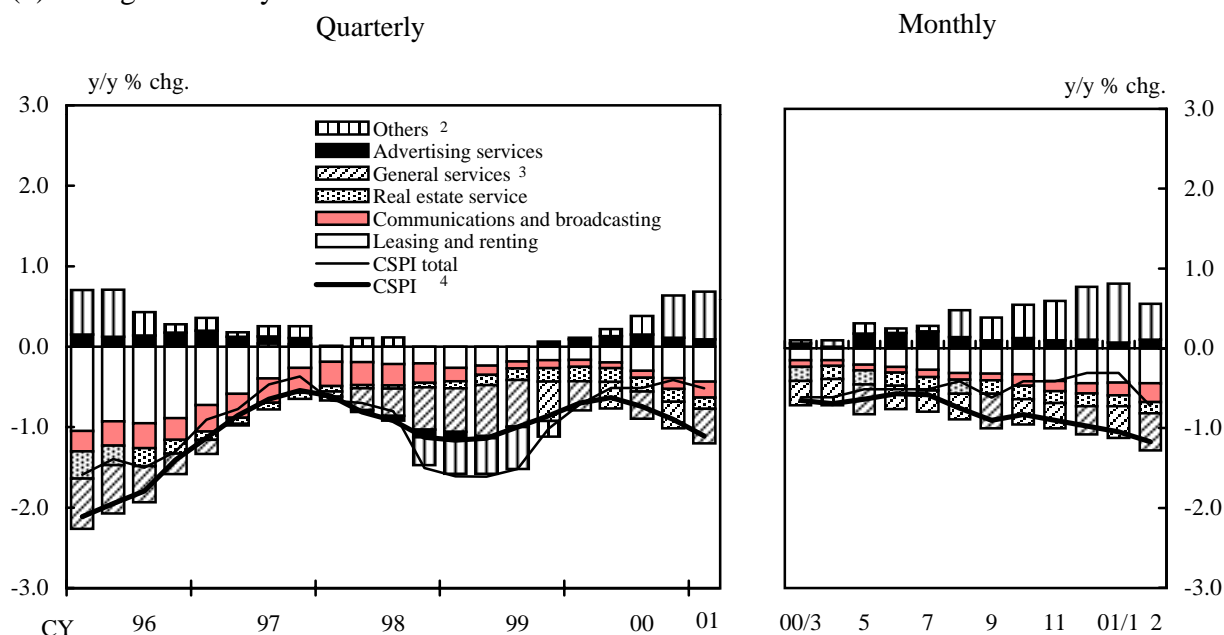
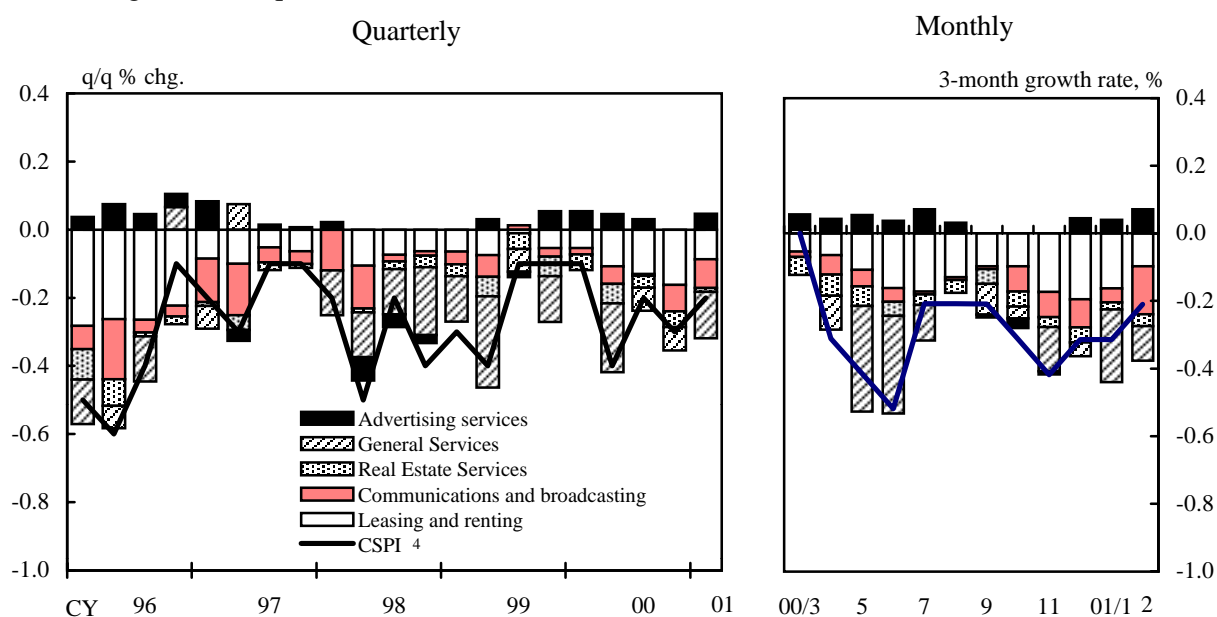
6. Machinery = electrical machinery + general machinery + transportation equipment + precision instruments.

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%.

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).

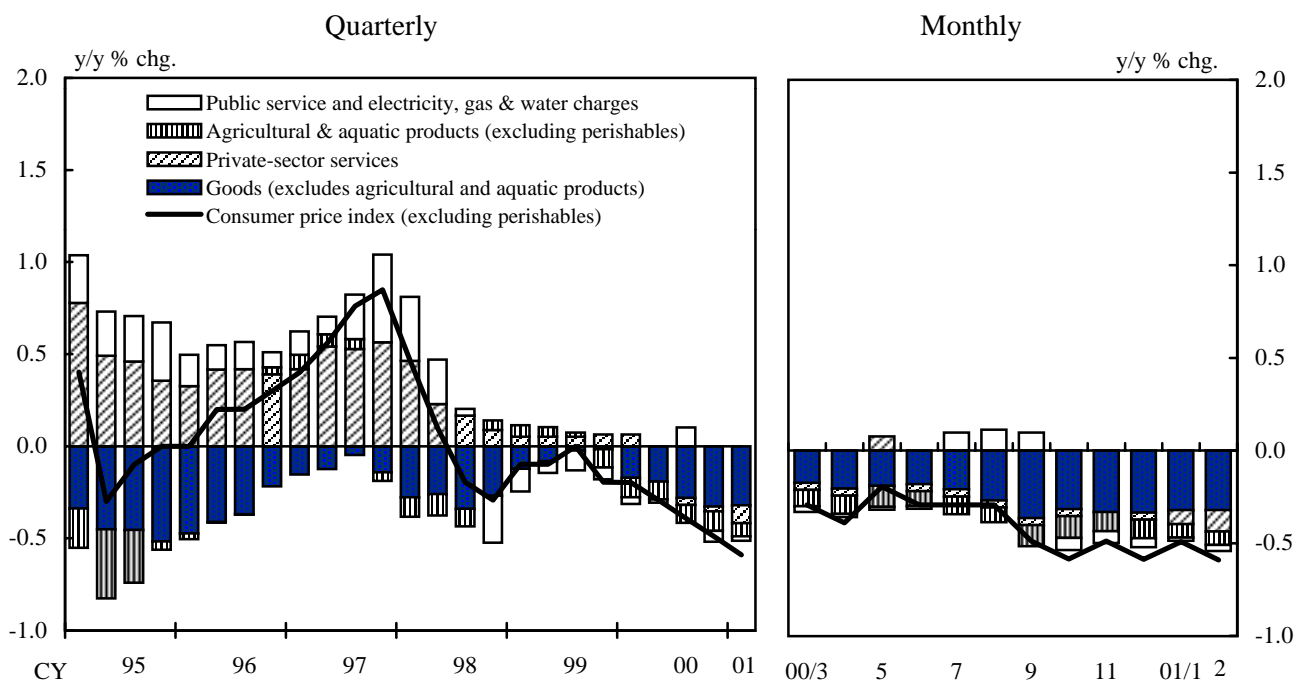
Due to seasonal adjustment every month, the series are revised retroactively every month.

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

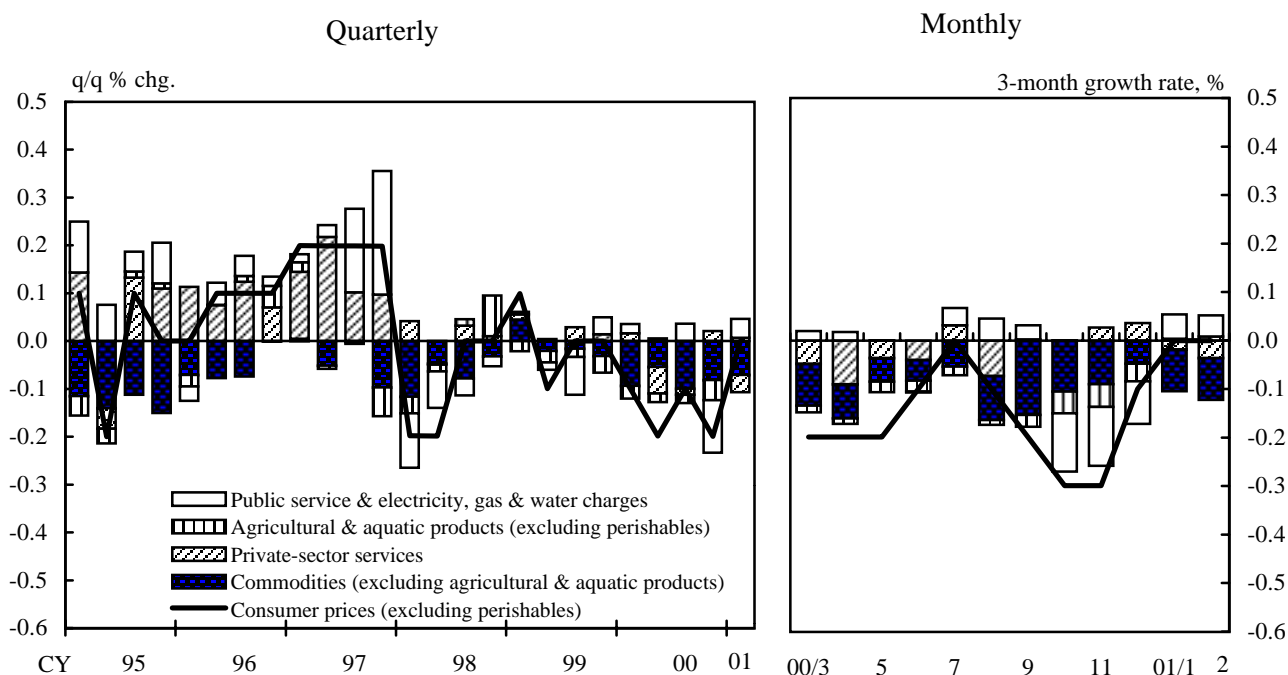
Source: Bank of Japan, "Corporate Service Price Index."

# 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.

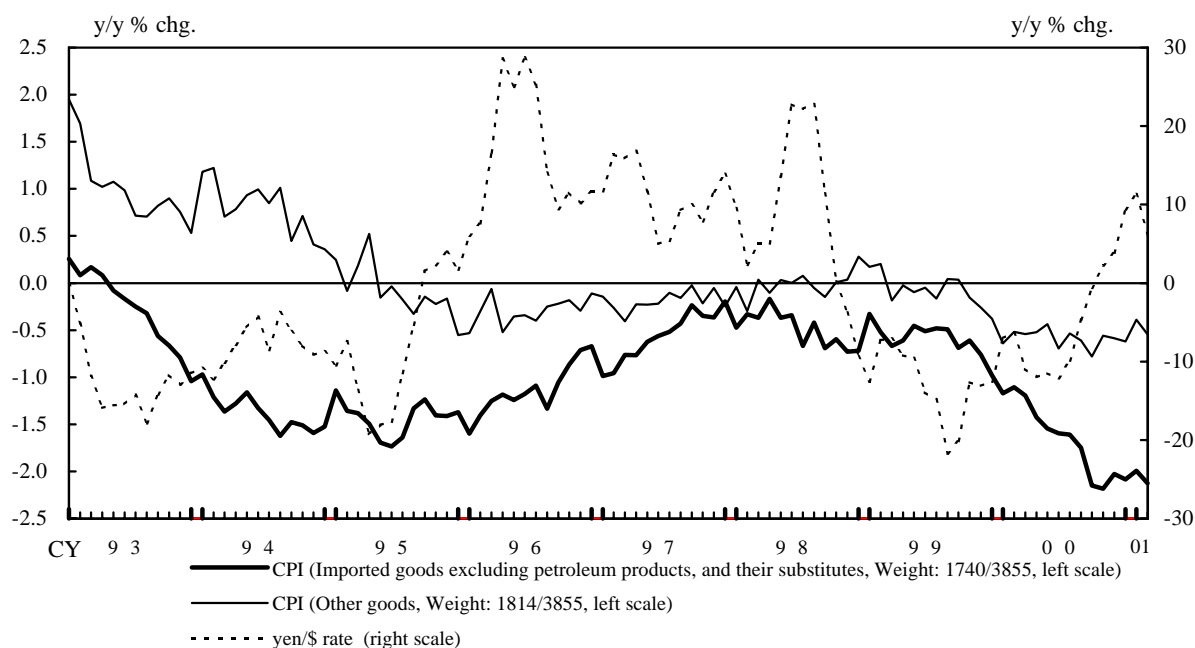
2. Seasonally adjusted. Due to seasonal adjustment every month, the series are revised retroactively every month. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.

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

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

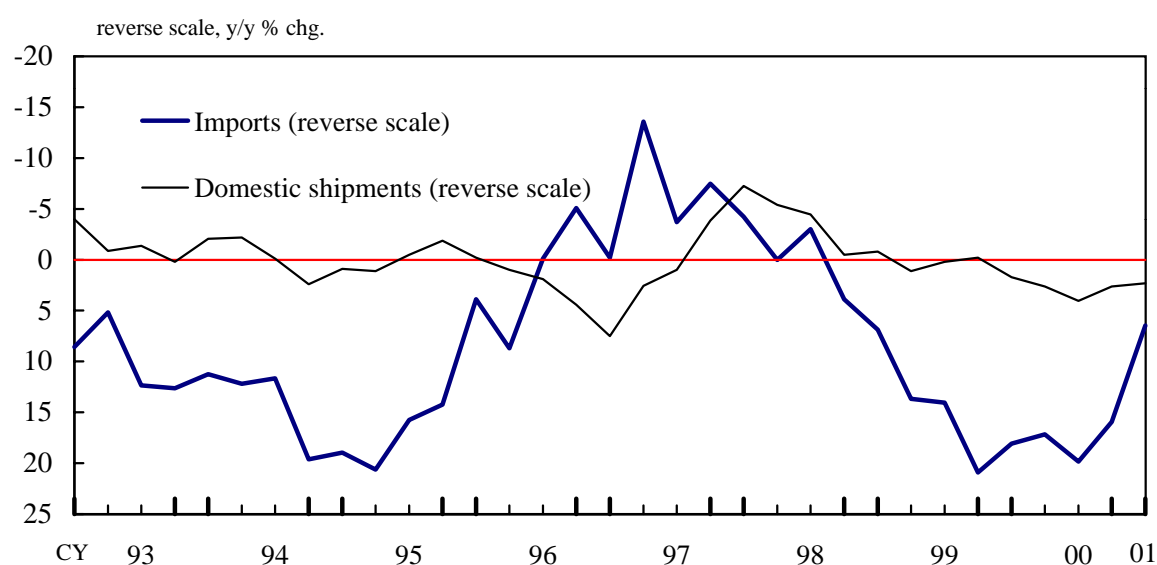
## Consumer Price Index (Imported goods and their substitutes)<sup>1</sup>

### (1) Consumer Price Index (Imported goods excluding petroleum products and substitutes, and other goods)<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. 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 for import products but not covered by the Import Price Index.
  3. 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).

### (2) Consumer goods supply (Imports and Domestic shipments)



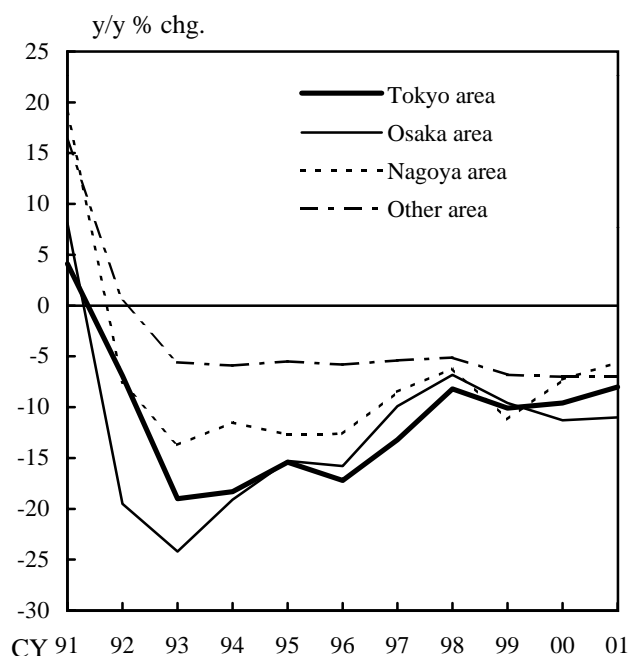
Note: See footnote Chart 13-4, for definition of the consumer goods supply.

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."

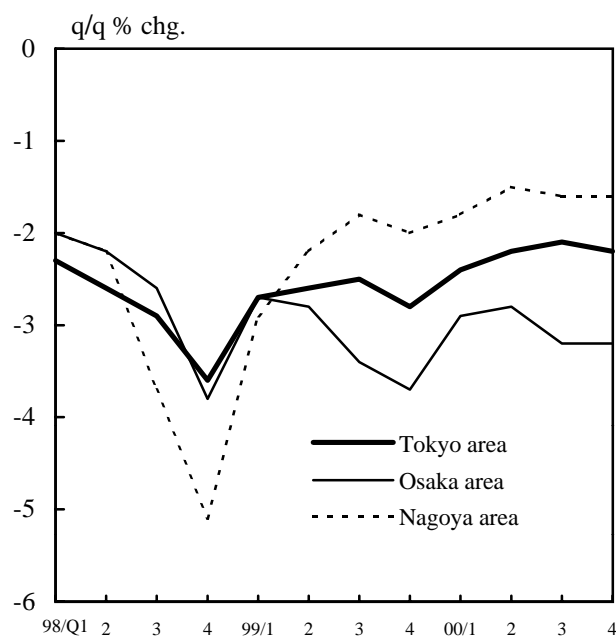
## Land Prices

### (1) Commercial land

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

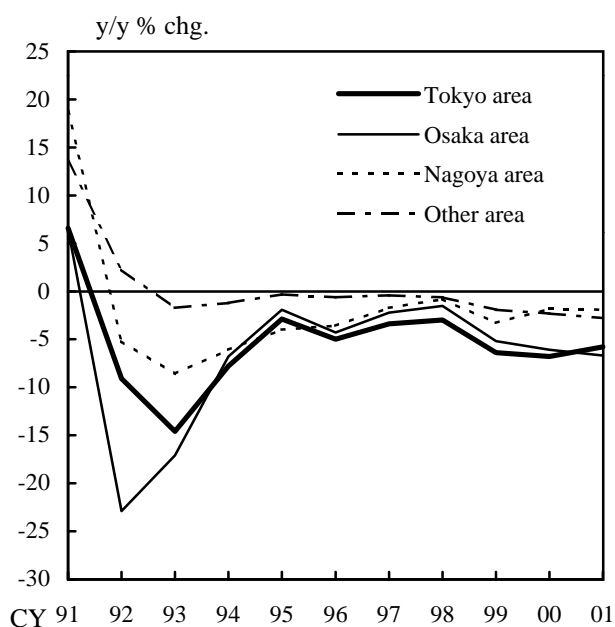


(1-2) Average change at representative locations

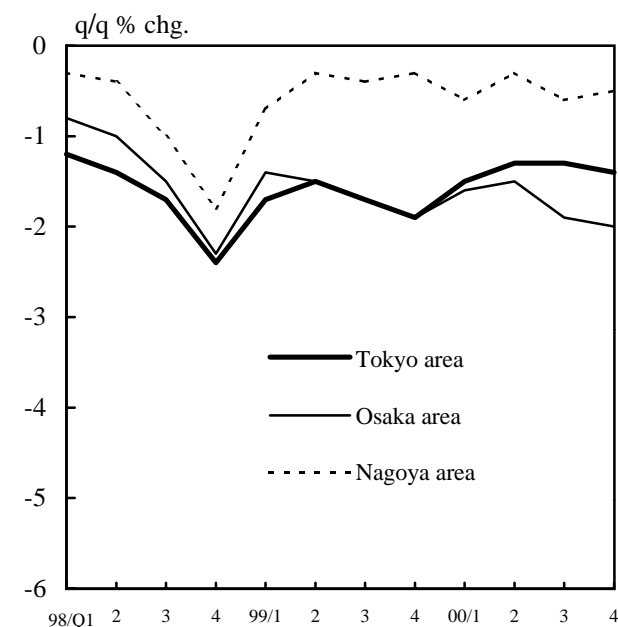


### (2) Residential land

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



(2-2) Average change at representative locations

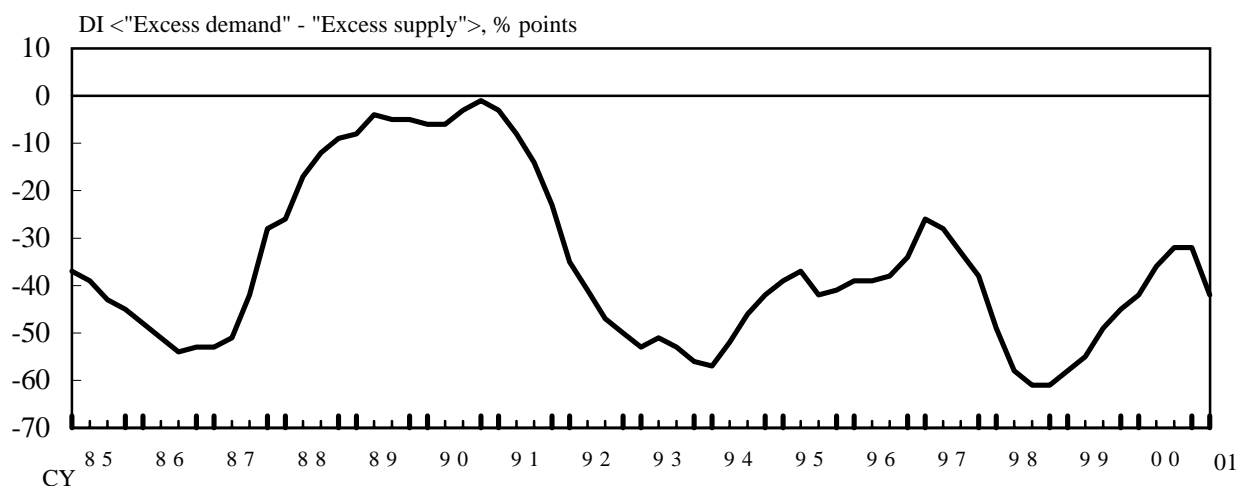
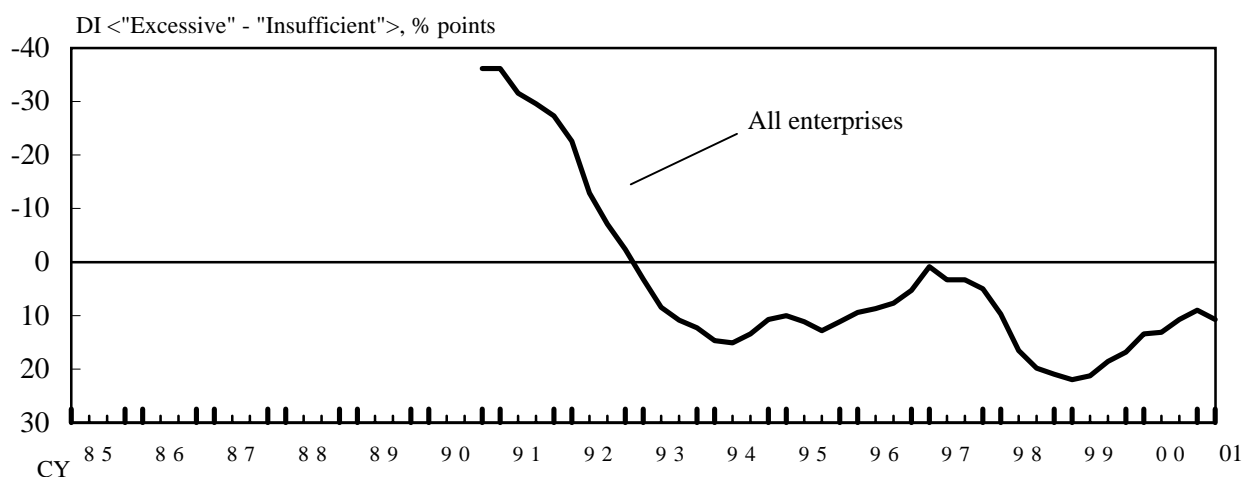


Note: "Representative locations" are the standard locations for "Publication of Land Price" and "Land prices survey by the administrative divisions," which are largely regarded as identical locations between two statistics.

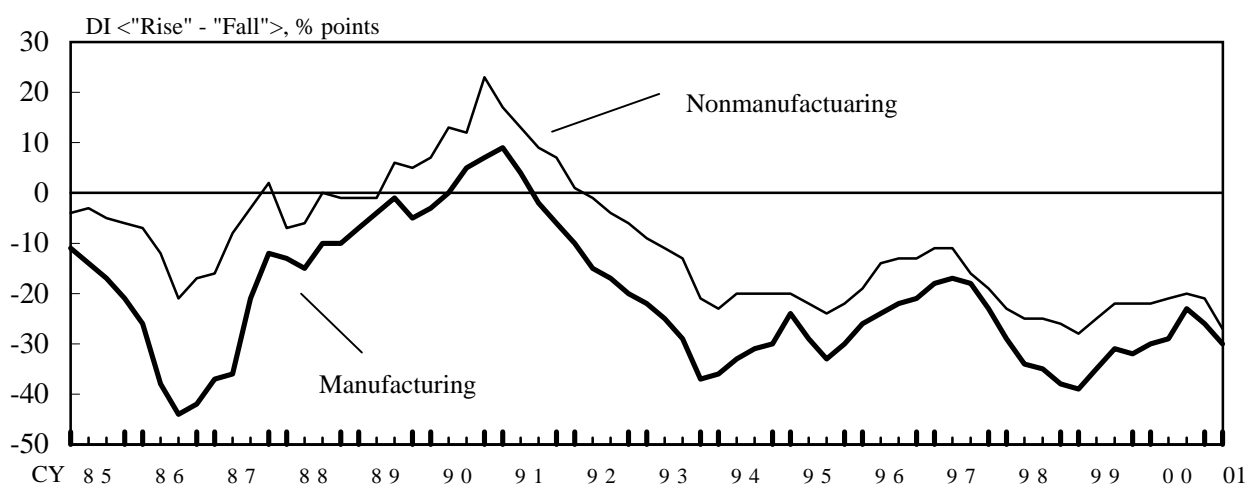
Sources: Ministry of Land, Infrastructure and Transport, "Publication of Land price,"  
"Land prices survey by the administrative divisions."

Factors Contributing to the Change in Prices<sup>1</sup>

## (1) Supply and Demand Conditions for Products and services (All Enterprises, Manufacturing)

(2) Utilization of Capital and Labor<sup>2</sup>

## (3) Change in Output Prices (All Enterprises)



Notes: 1. Figures before December 1998 are based on the pre-revision *Tankan*, and those from March 1999 are based on the post-revision *Tankan*.

2. Figures are calculated by adding Production Capacity DI and Employment DI which are weighted by the relative share of capital and labor based on 1990-99 average.

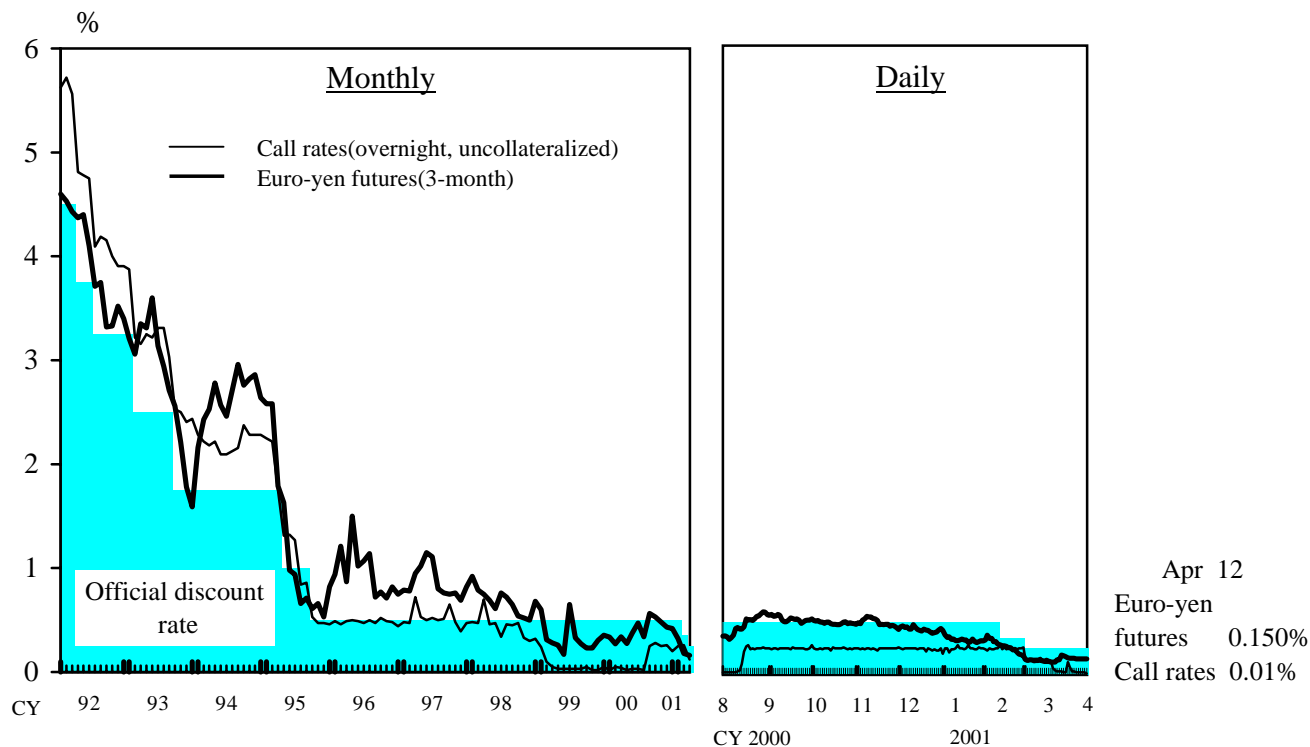
Production Capacity DI and Employment DI are calculated as "Excessive" minus "Insufficient".

Sources: Economic Planning Agency, "National Accounts";

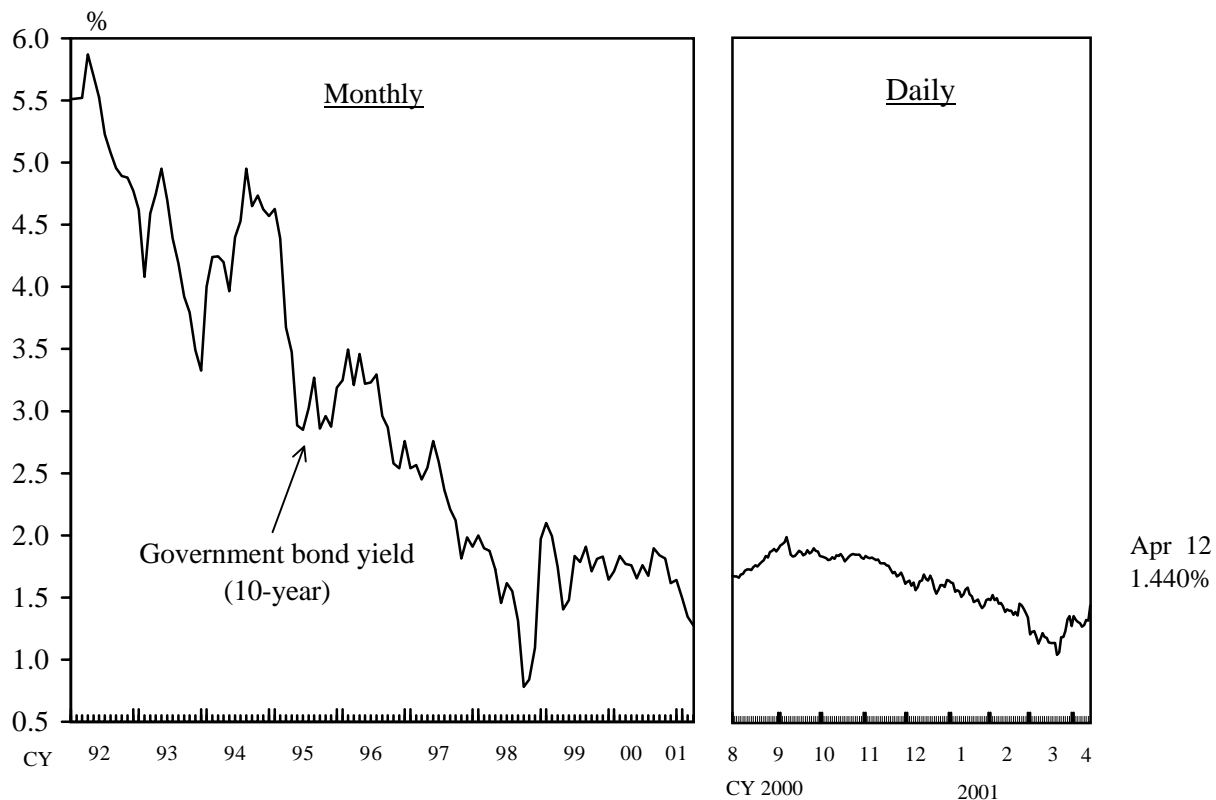
Bank of Japan, "Tankan Short-Term Economic Survey of Enterprises in Japan."

Interest Rates

(1) Short-Term



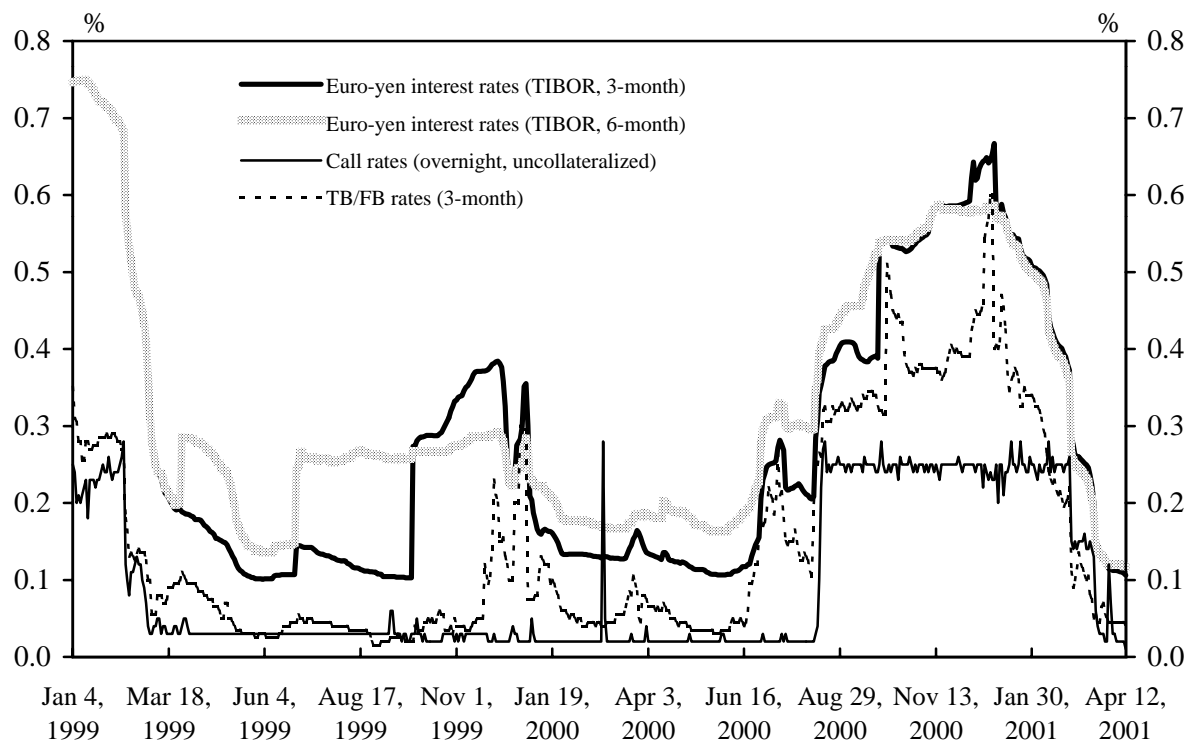
(2) Long-Term



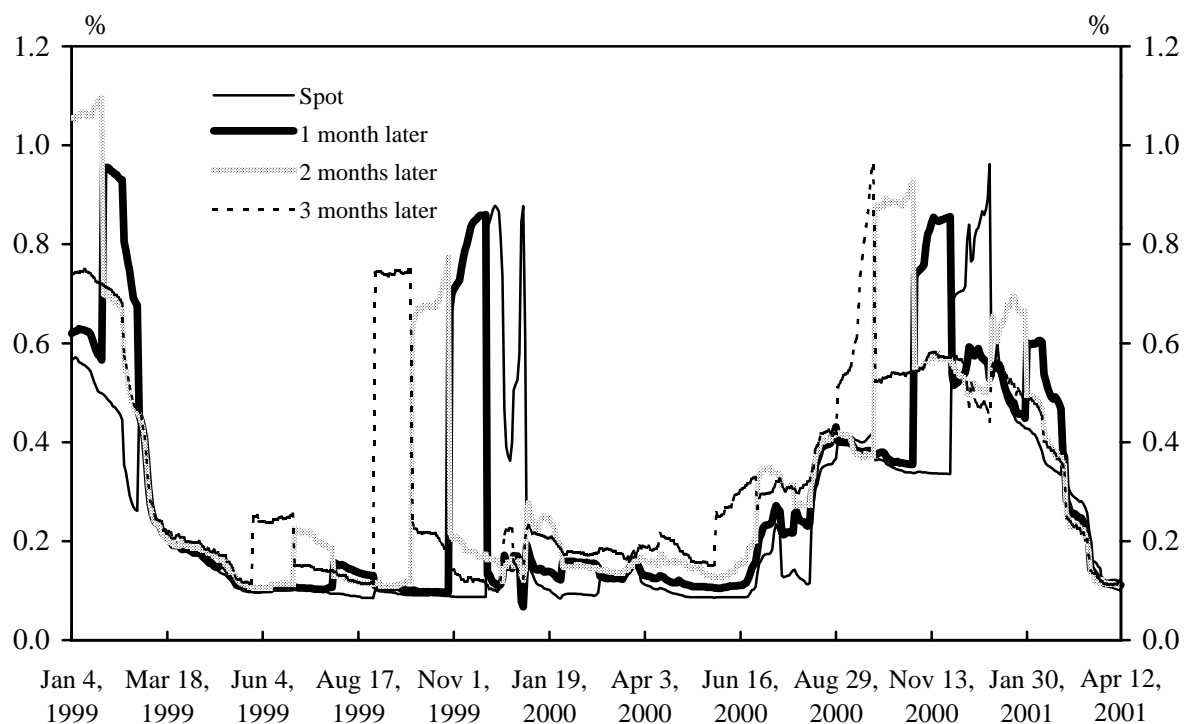
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

## Short-Term Money Market Rates

## (1) Interest Rates on Term Instruments



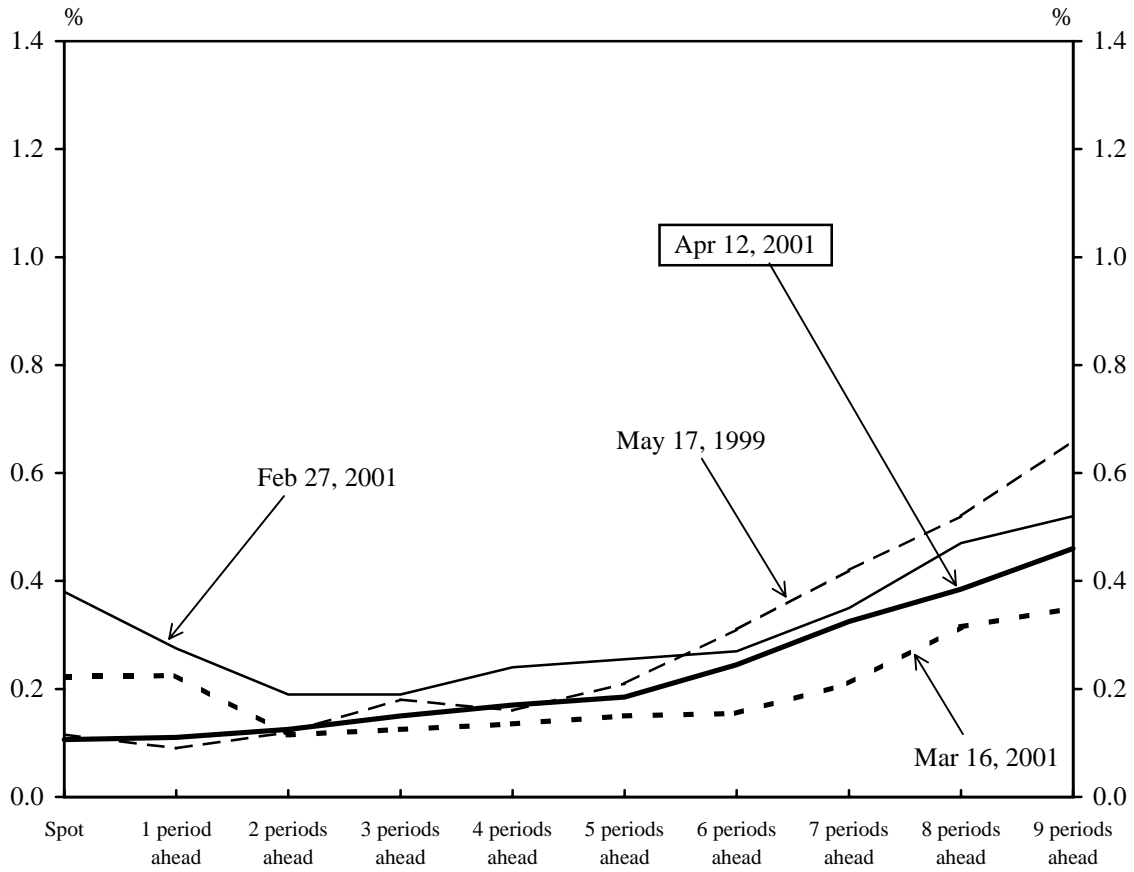
## (2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)



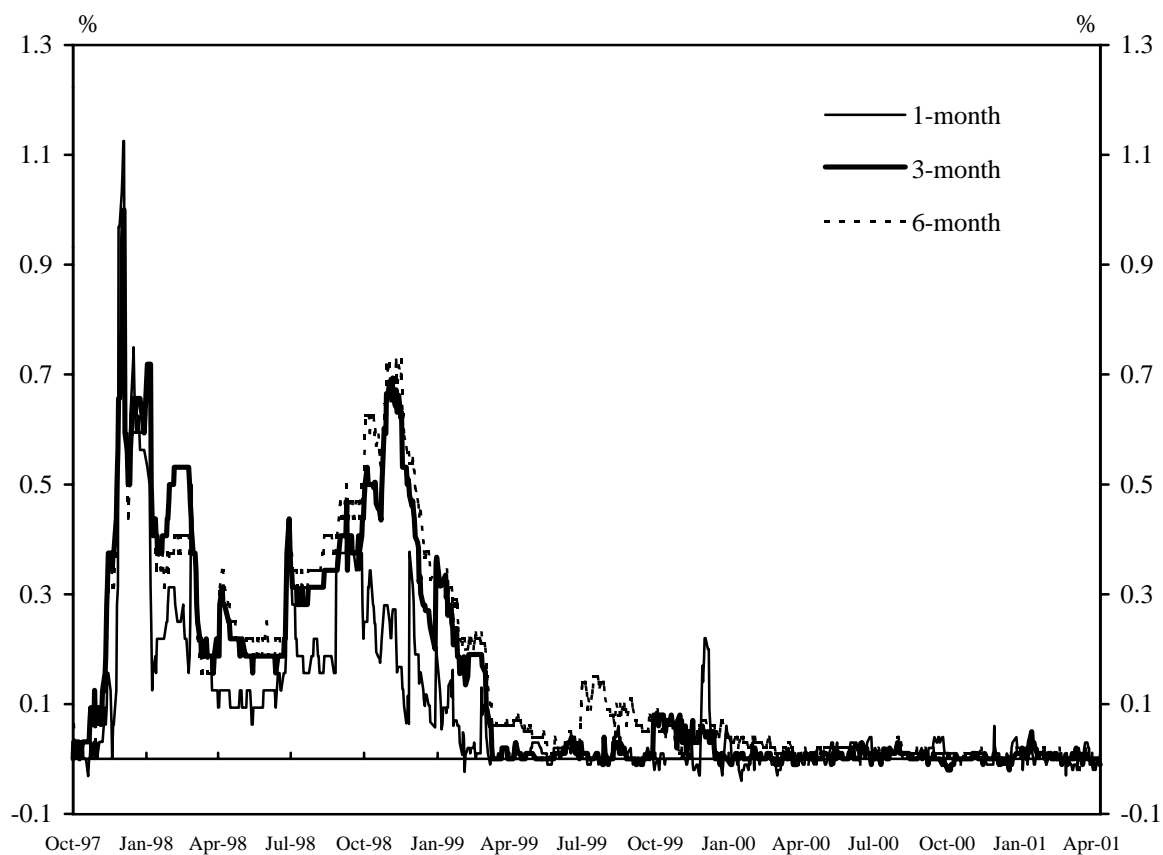
Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.



Euro-Yen Interest Rates Futures (3-Month)



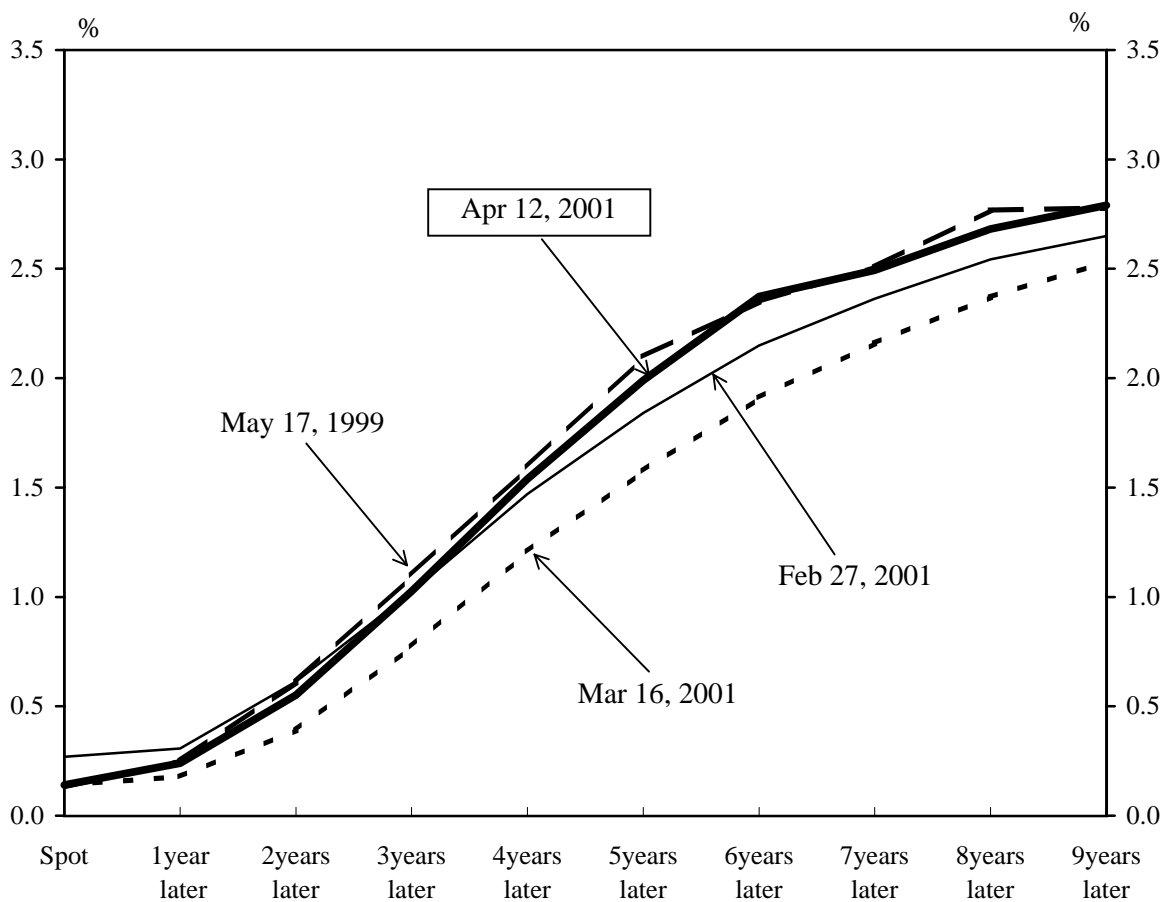
Source: Tokyo International Financial Futures Exchange.

Japan Premium in the Eurodollar Market <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>

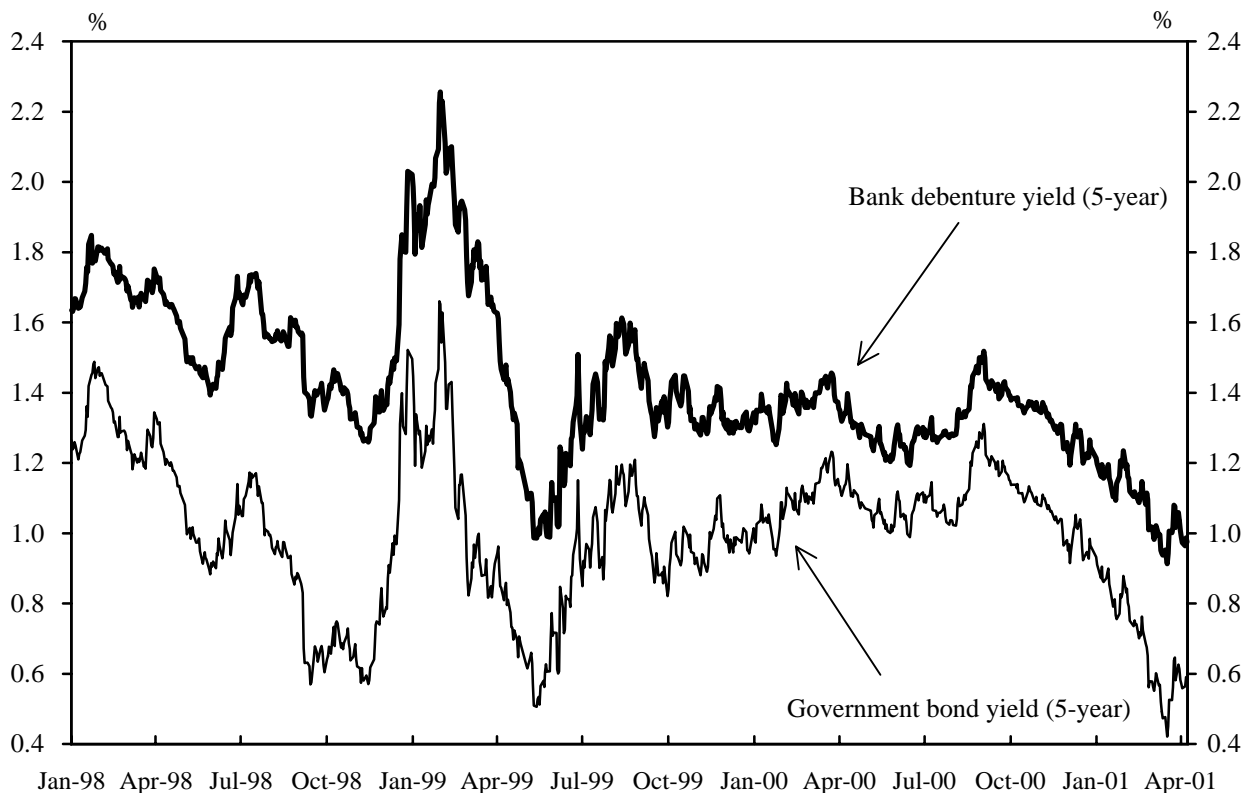


Note: 1. Calculated from yen-yen swap rates.

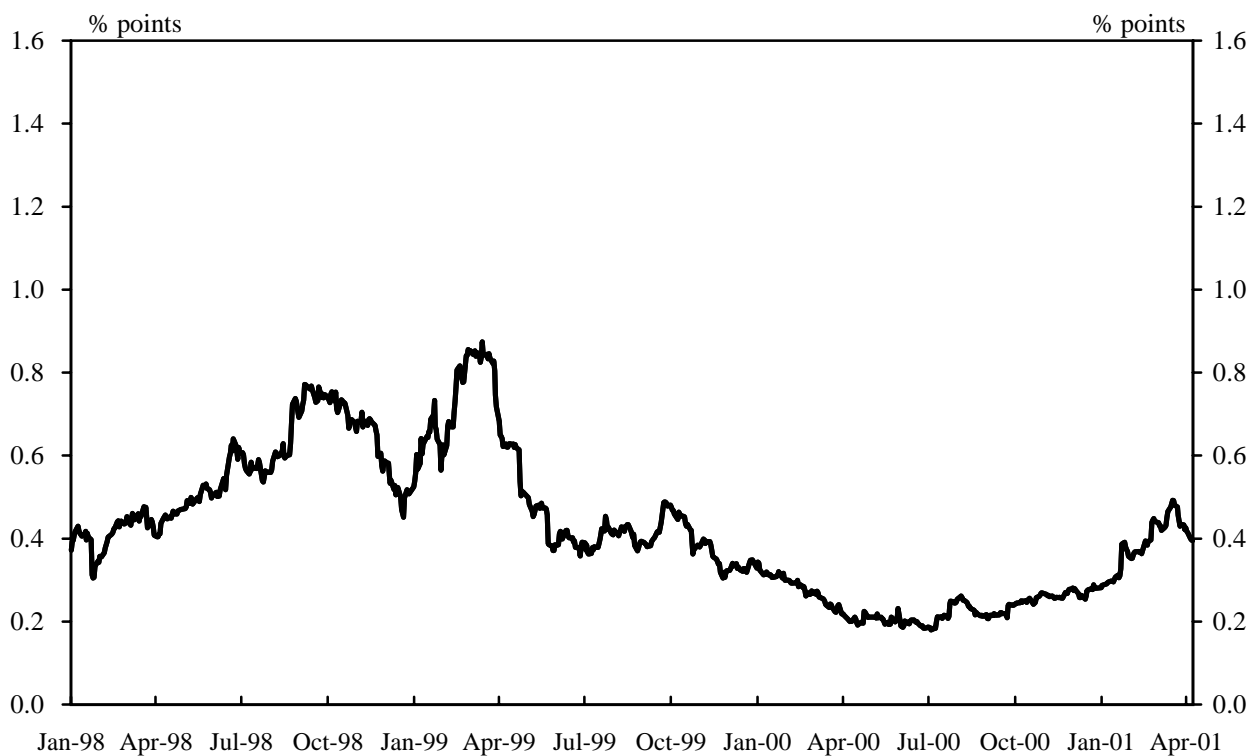
Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



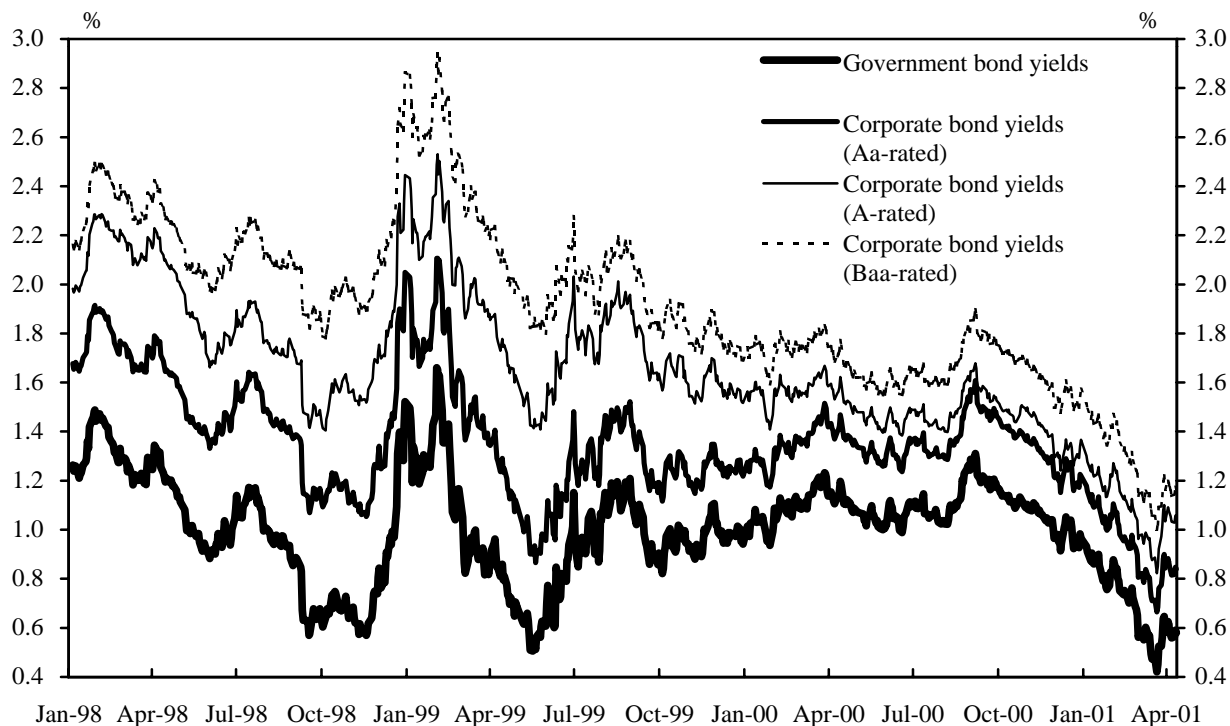
(2) Spread of Bank Debenture and Government Bond Yield



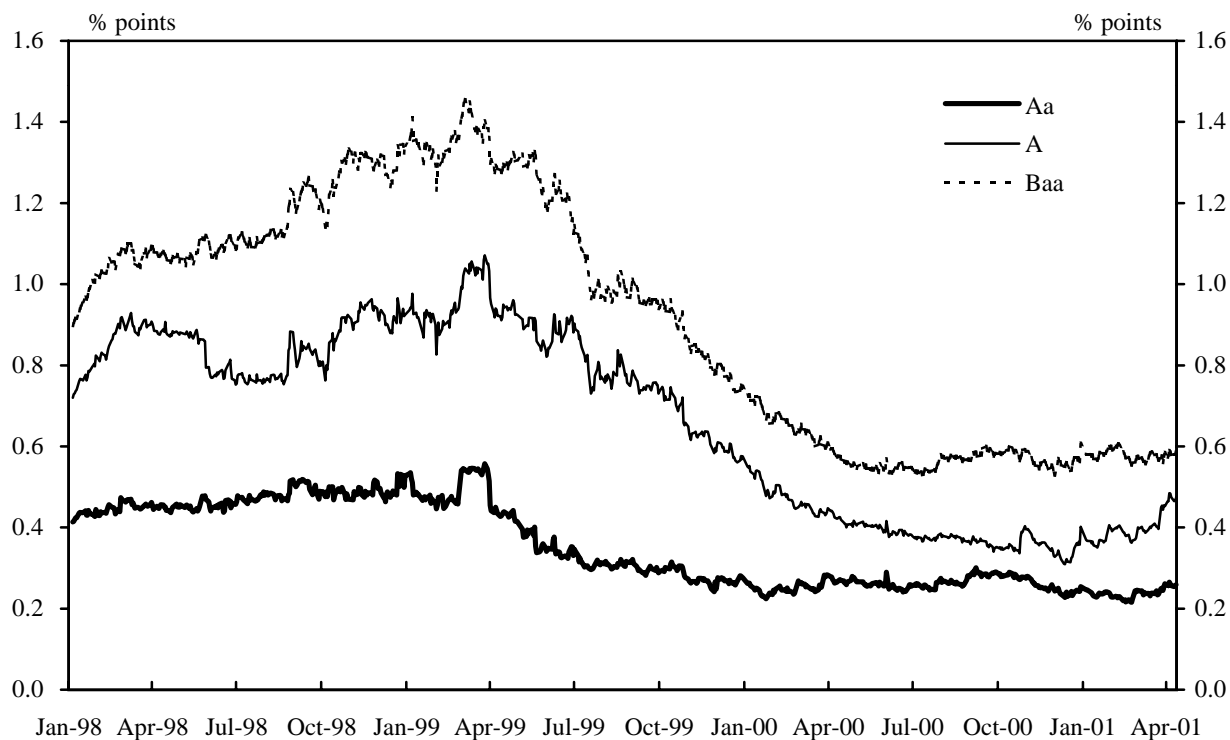
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields <sup>1</sup>

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



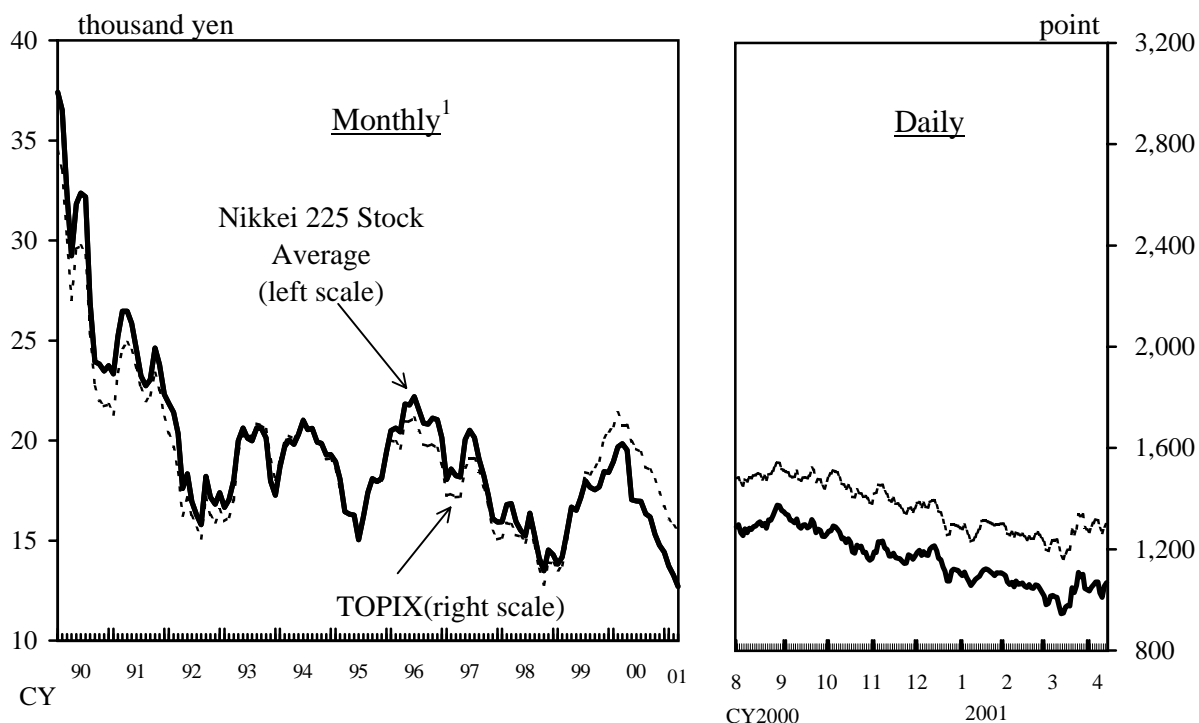
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

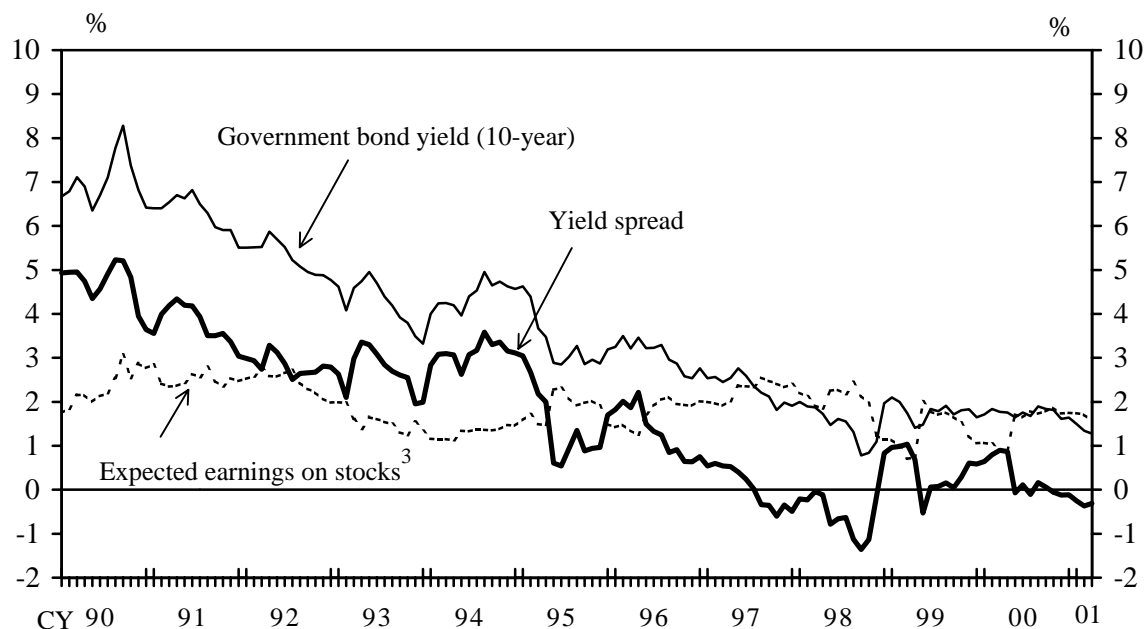
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



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



Notes: 1. Data are monthly averages.

2. Data are at end of period.

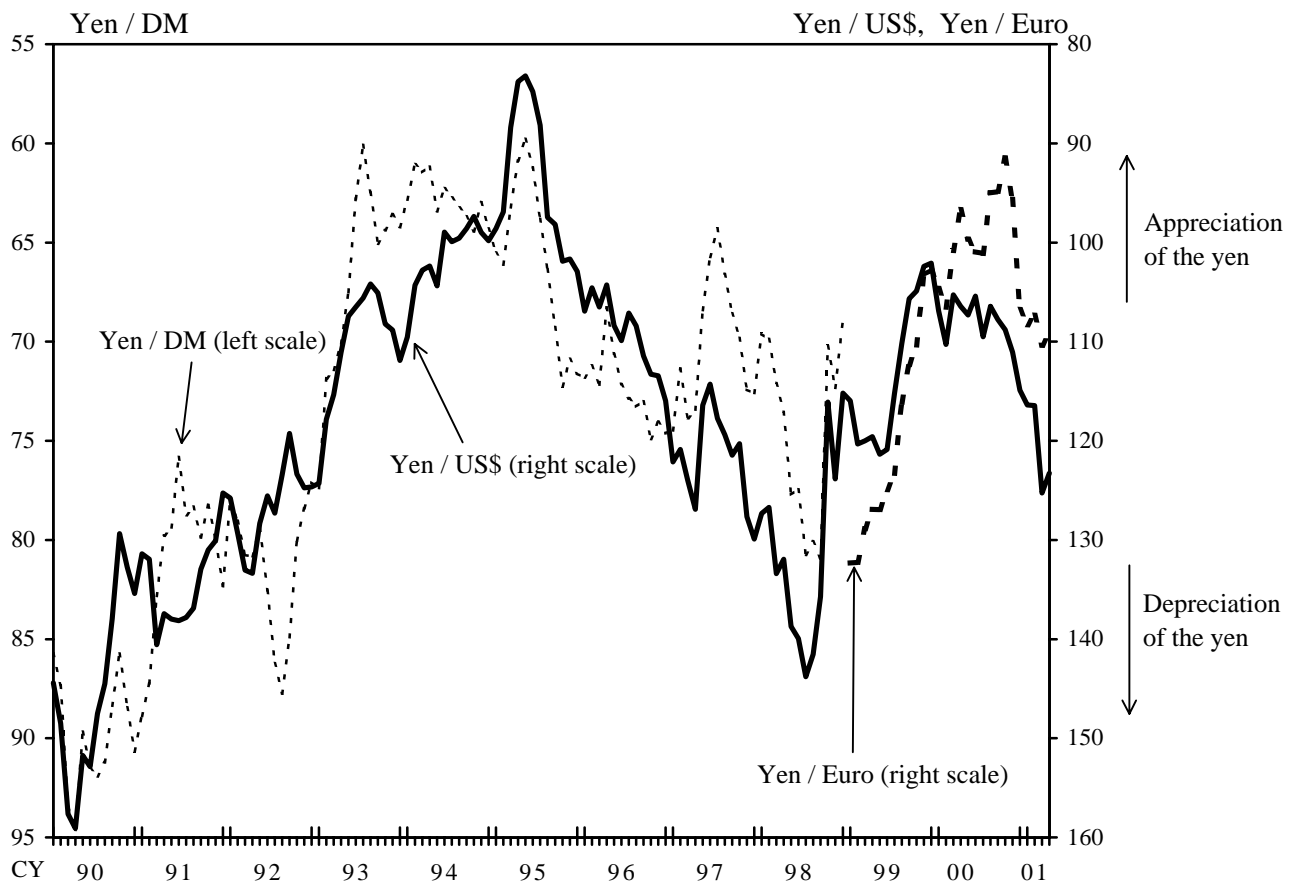
Yield spread = government bond yields - expected earnings on stocks,  
 where expected earnings on stocks = 1/expected price earnings ratio.

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>

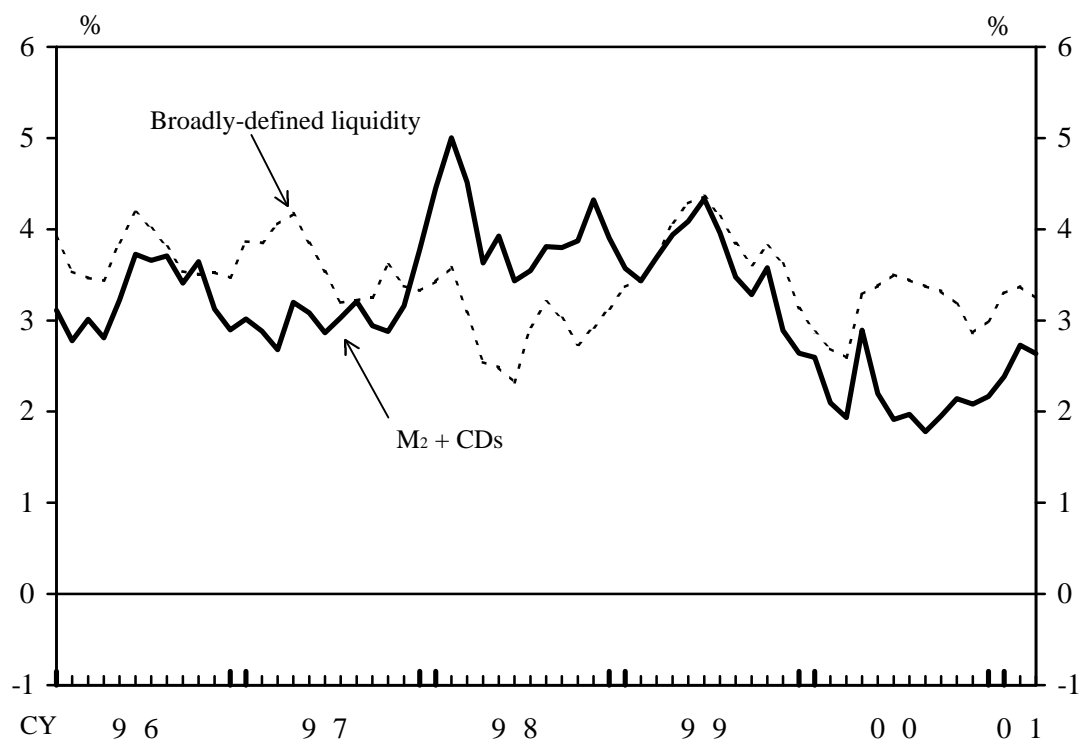


Note: 1. End of month. Data for April 2001 are as of April 12, 2001.

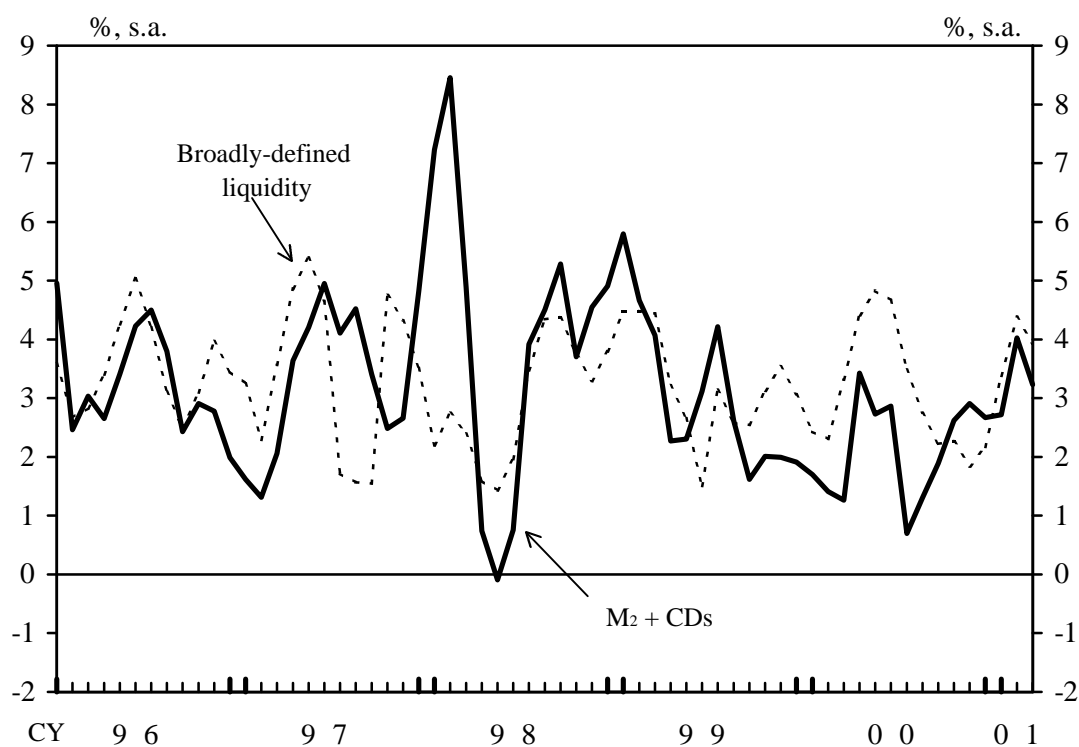
Source: Bank of Japan.

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

(1) Changes from a Year Earlier



(2) Changes from Three Months Earlier (Annualized)



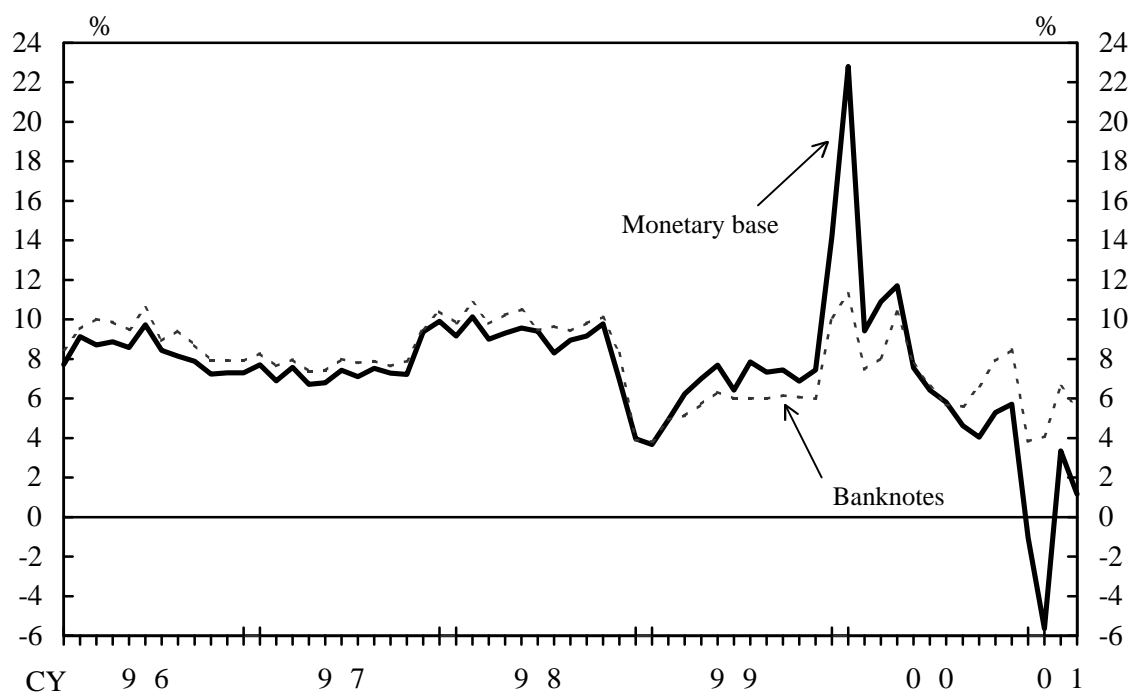
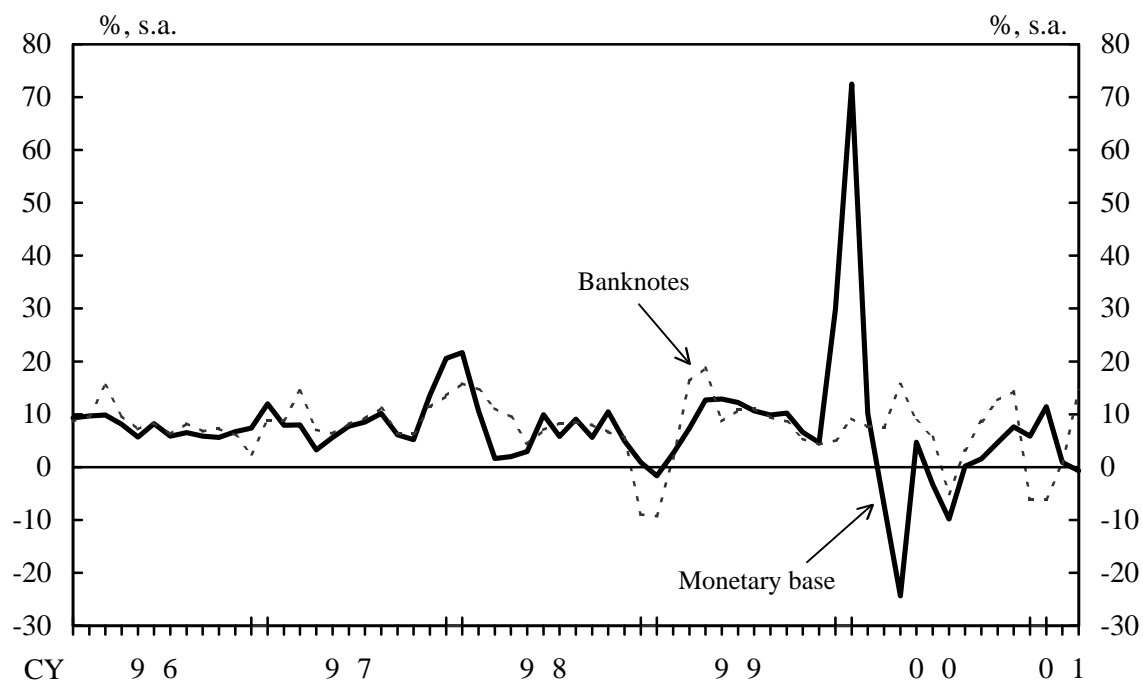
Note: Percent changes in average amounts outstanding.  
 Source: Bank of Japan.



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**Monetary Base**

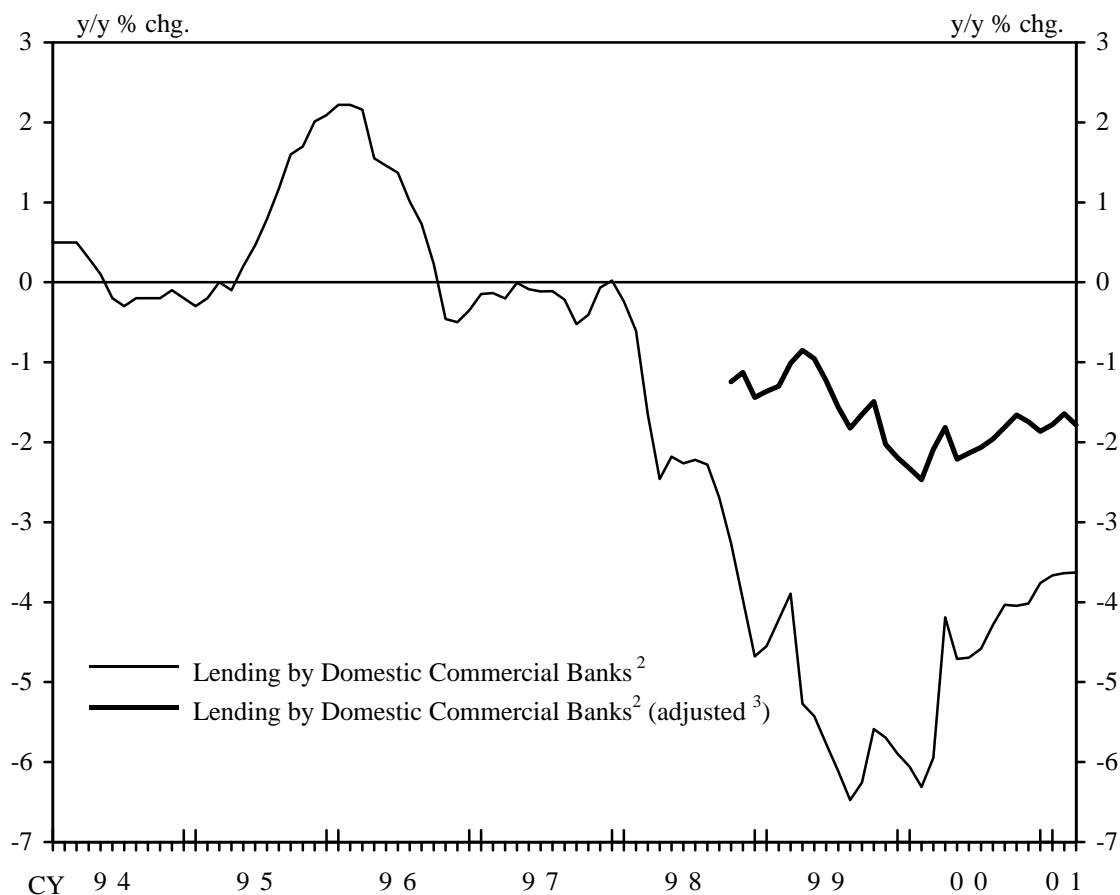

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**(1) Changes from a Year Earlier****(2) Changes from Three Months Earlier (Annualized)**

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.

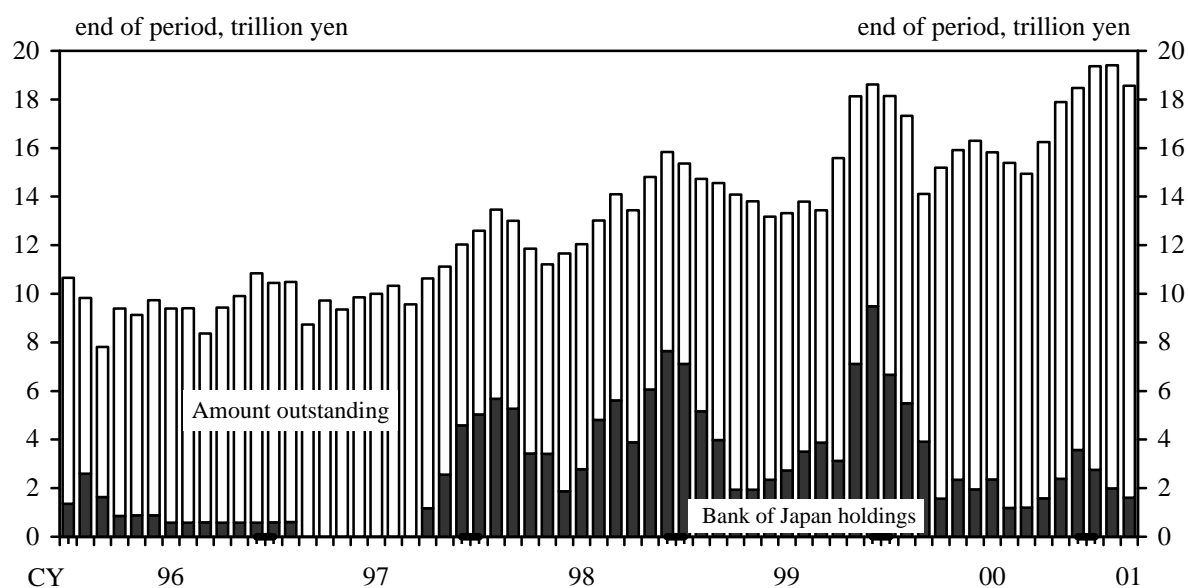
2. "Domestic commercial banks" refers to member banks of the Japanese Bankers Association, which consists of city banks, long-term credit banks, trust banks (excluding foreign-owned trust banks and trust banks that started business after October 1993), the member banks of the Regional Banks Association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

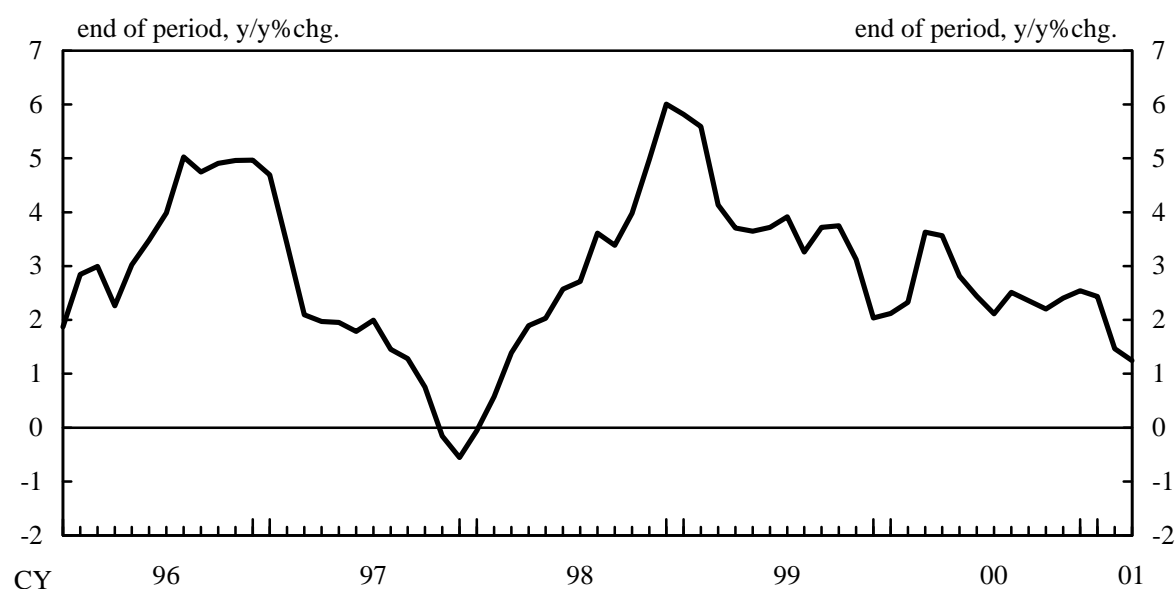
Source: Bank of Japan, "Principal Figures of Financial Institutions."

## 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/Q3	Q4	2001/Q1	2001/Jan.	Feb.	Mar.
Volume	25,985	20,386	17,628	1,083	8,430	8,115
(previous year)	(26,260)	(21,163)	(24,121)	(3,426)	(12,405)	(8,290)

(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.

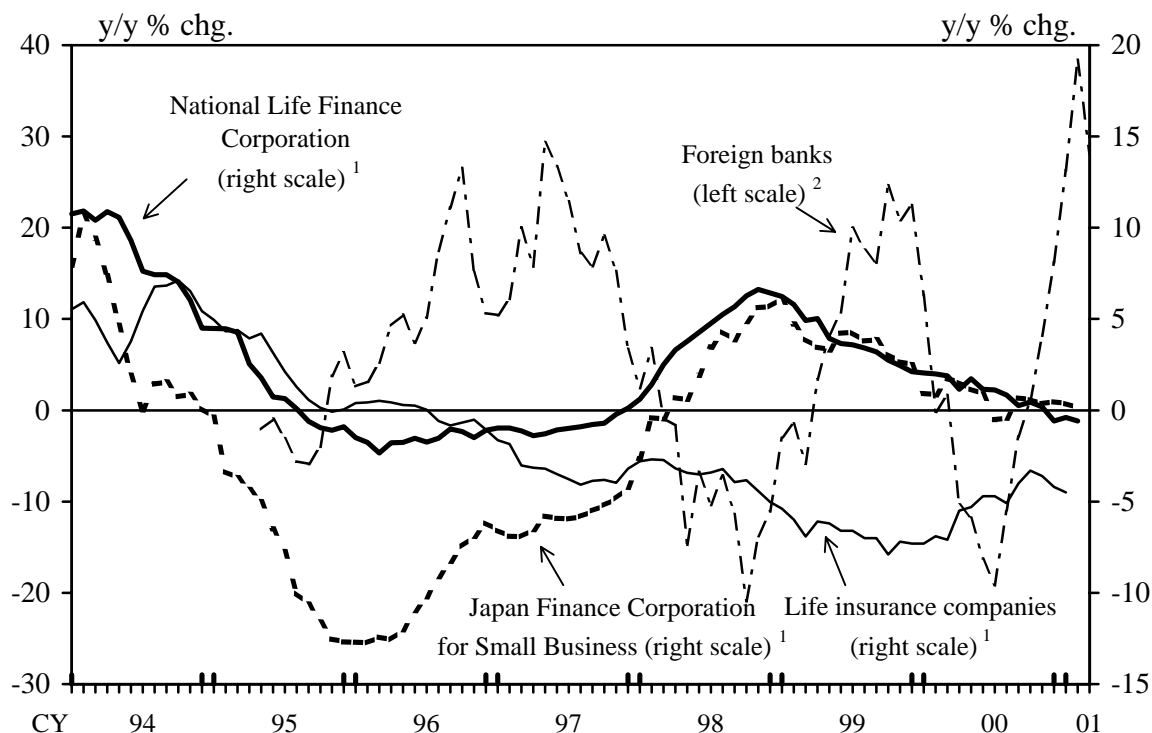
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

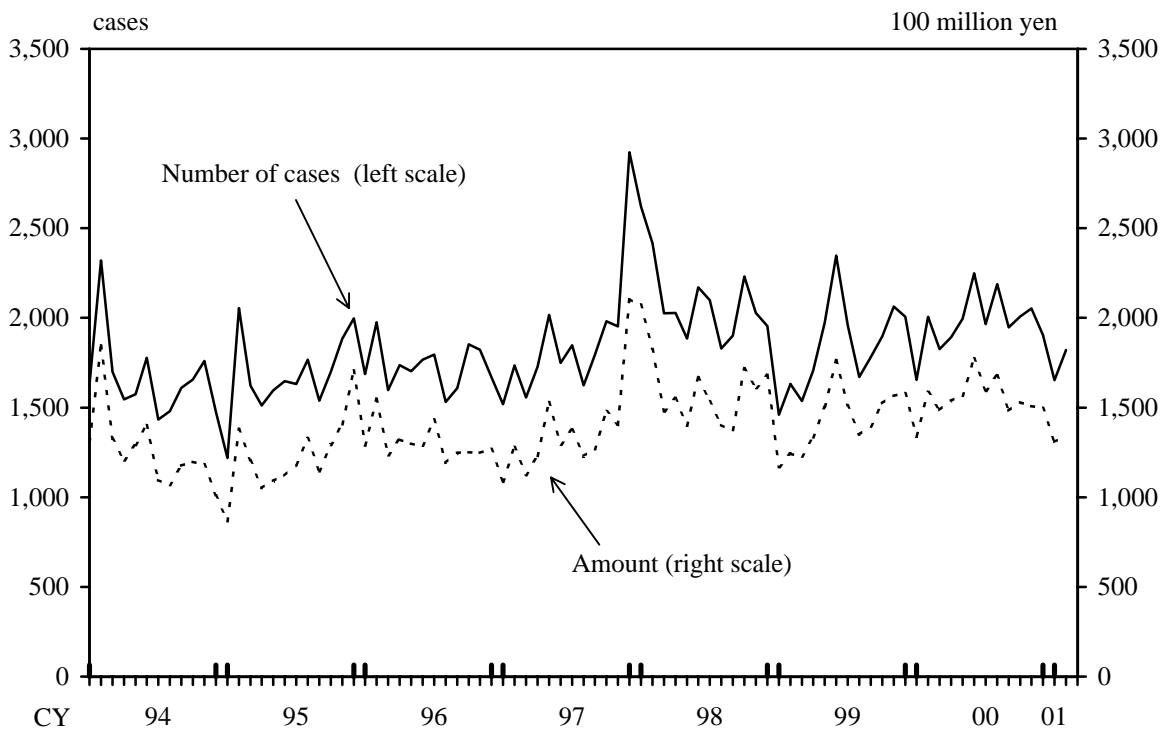
Lending by Other Financial Institutions

(1) Lending Outstanding



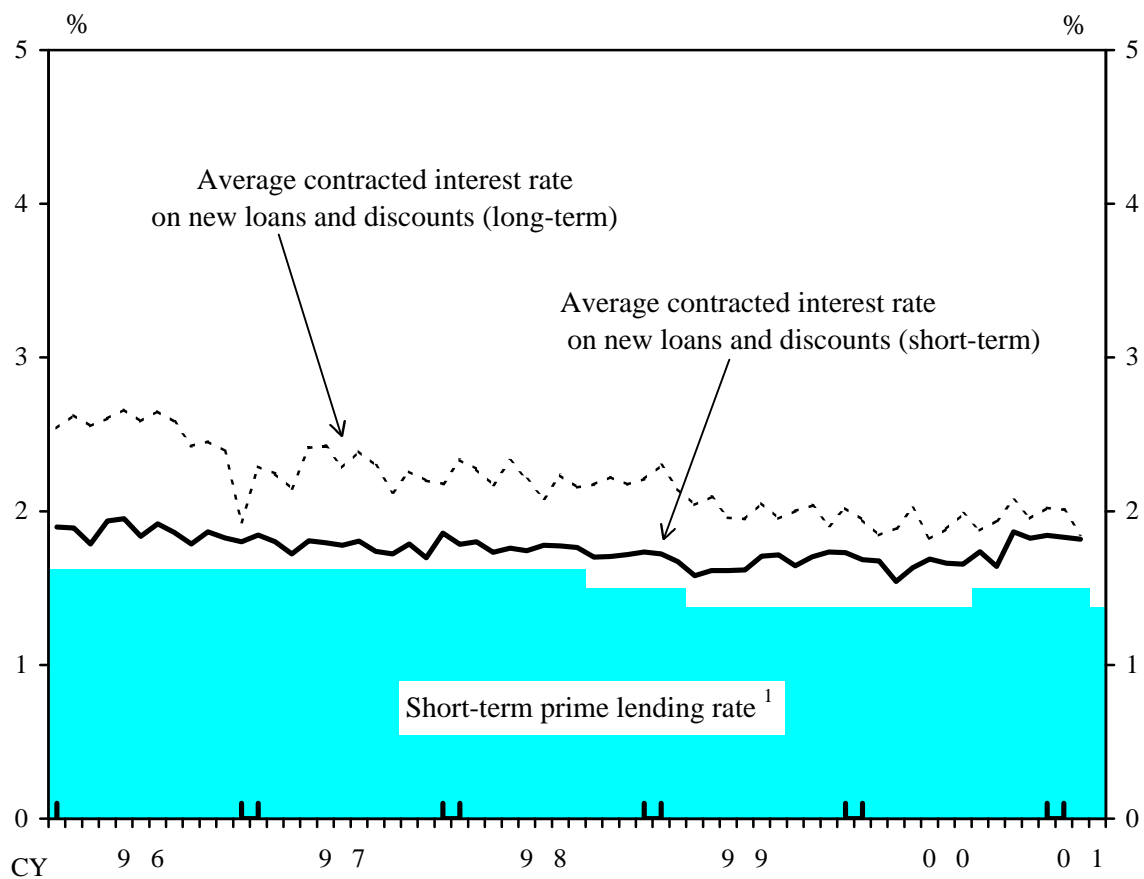
Notes: 1. Data are based on amounts outstanding at end of period.  
 2. Data are based on average amounts outstanding.

(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

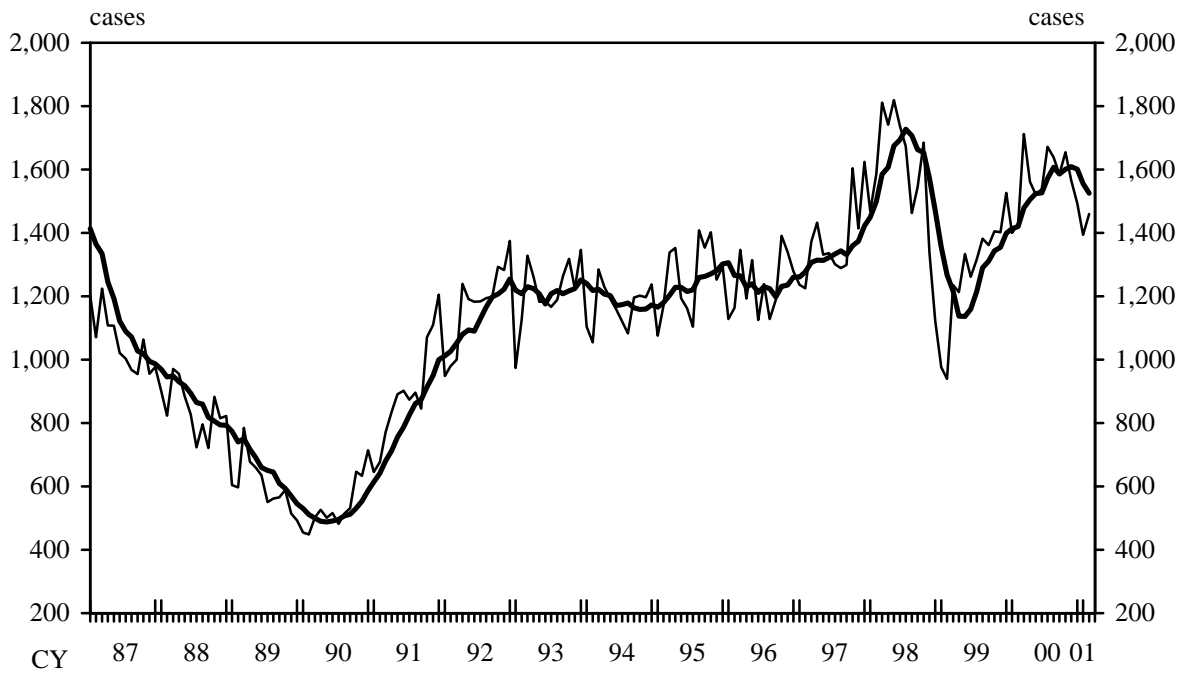


Note: 1. Data are at end of period.

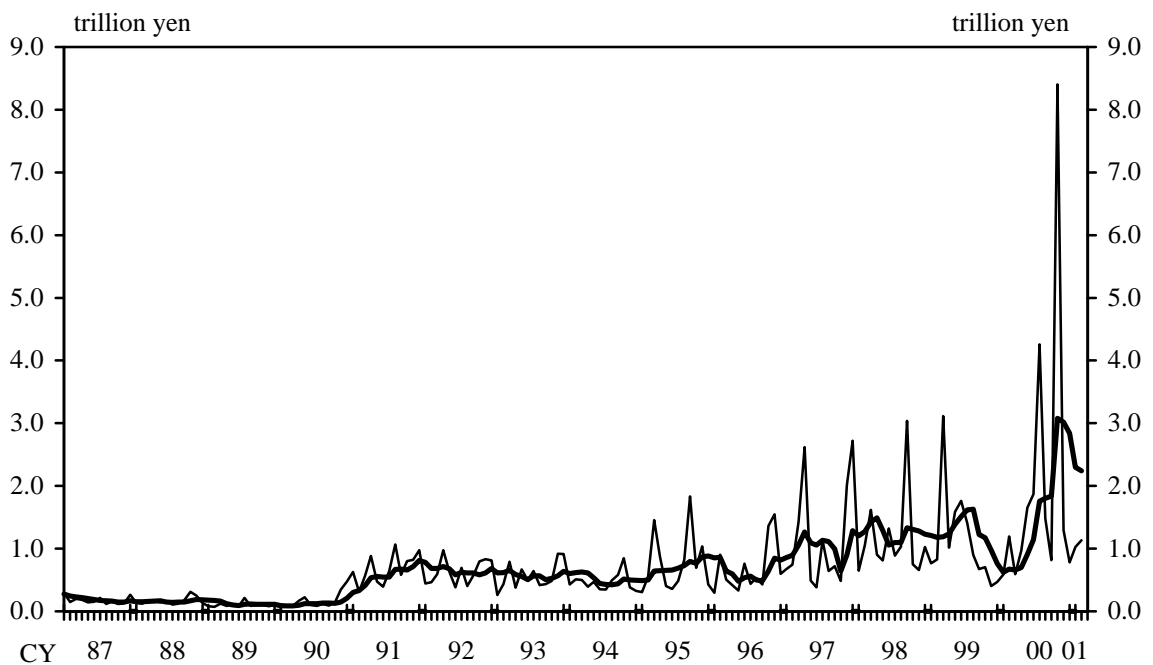
Source: Bank of Japan.

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)."