

June 19, 2001
Bank of Japan

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

June 2001

(English translation prepared by the Bank staff based on the Japanese original
released on June 18, 2001)

Monthly Report of Recent Economic and Financial Developments¹

June 2001

The Bank's View²

Adjustments in economic activities are gradually intensifying, as production is declining substantially reflecting a fall in exports.

With regard to final demand, 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. Public investment is increasing. On the other hand, net exports (real exports minus real imports) continue to decrease, reflecting not only a slowdown in overseas economies such as those of the United States and East Asia but also sluggish demand for information technology (IT) related goods. Business fixed investment is starting to decrease while exporting conditions continue to deteriorate.

Industrial production continues to decline sharply, reflecting such developments in final demand and a further buildup of excess inventories of electronic parts and some materials. The environment surrounding corporate profits is becoming more severe in line with the substantial decline in exports and production, and business sentiment is worsening particularly in manufacturing. Income conditions of households have not yet deteriorated, but the decline in production is starting to affect the household sector mainly through the decrease in hours worked.

As for the outlook, public investment is likely to continue increasing for the time being but is expected to start declining in the near future. Net exports, however, are likely to continue decreasing for a while amid the deceleration in overseas economies and ongoing inventory adjustments in IT-related goods

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on June 14 and 15, 2001.

² The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on June 14 and 15 as the basis for monetary policy decisions.

worldwide. Judged from leading indicators and investment plans of firms, business fixed investment is projected to follow a downward trend. In addition, inventory adjustments in goods such as electronic parts and materials will continue for the time being. Industrial production is, therefore, expected to follow a declining trend. In these circumstances, corporate profits are likely to start decreasing and thus household income is expected to weaken gradually.

Overall, the adjustments, mainly in production, are likely to continue for some time. Among factors affecting exports, it is generally thought that inventory adjustments in IT-related goods are expected to finish by early fall and overseas economies, particularly the United States, will follow a gradual recovery trend from around the end of this year. In this case, exports are expected to underpin the economy once again. However, a prolonged deceleration of overseas economies could yield the risk of economic adjustments spreading further. Also, attention should be paid to the risk 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 rebound in crude oil prices in addition to the prior 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 continue to decrease.

As for the conditions surrounding price developments, the prior yen depreciation is exerting upward pressure on prices. However, with the ongoing adjustments in economic activities, the balance between supply and demand in the domestic market is likely to exert downward pressure on prices. Furthermore, in addition to the declining trend of machinery prices caused by technological innovations, the decreases in the prices of goods and services reflecting deregulation and the streamlining of distribution channels 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 pressure on prices warrants careful monitoring.

In the financial market, the overnight call rate is basically moving at about 0.01 percent under the guideline for money market operations to maintain the current-account balance at the Bank of Japan at around 5 trillion yen.

Interest rates on term instruments are level on the whole. The Japan premium remains negligible.

Yields on long-term government bonds recently decreased to 1.1-1.2 percent after remaining flat at 1.2-1.3 percent. The yield spreads between private bonds (bank debentures and corporate bonds) and government bonds are mostly unchanged or contracting somewhat.

Stock prices continue to be weak, reflecting the somewhat more cautious views of market participants toward future corporate profits.

In the foreign exchange market, the yen appreciated against the U.S. dollar toward early June, but has weakened thereafter and is currently being traded in the range of 120-123 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. However, there are some signs indicating that the lending attitude of financial institutions perceived by small firms is becoming slightly more cautious. Meanwhile, the fund-raising conditions of firms in the markets for such instruments as corporate bonds and CP are improving further owing to the decline in market interest rates and the more active stance of investors to take credit risks.

On the other hand, credit demand of private firms continues to lack momentum as the level of corporate expenditures such as business fixed investment remains below firms' cash flow. 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 growth rate of amount outstanding of corporate bonds issued is slightly below 2 percent year-on-year. The amount outstanding of CP issued is well above that of the previous year and marking the highest level to date, reflecting the favorable environment for issuing CP.

The growth rate of money stock ($M_2 + \text{CDs}$) in May was higher than that of the previous month due mainly to the inflow from postal savings.

Funding costs for firms are on a declining trend reflecting developments in market interest rates.

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

The Background

1. Japan's Economy

Public investment is increasing. The value of public works contracted—a metric that reflects orders—surged temporarily in March due to the concentration of orders of the supplementary budget for fiscal 2000,³ but returned to the low levels thereafter. Meanwhile, actual implementation of those works seems to continue rising, reflecting the ongoing implementation of orders of the supplementary budget (Chart 2). Public investment is likely to continue increasing for the time being but is expected to start declining in the near future.

Real exports continue to decline substantially, reflecting not only a slowdown in overseas economies such as those of the United States and East Asia but also sluggish demand for information technology (IT) related goods (Charts 3[1], 4, and 5). Real exports in April decreased significantly compared to the first quarter of 2001—IT-related goods (semiconductor parts and computers) and capital goods and parts (semiconductor fabrication machines and equipment, and general machinery) continued to decline considerably, and intermediate goods (chemicals and steel) dropped, due mainly to the easing supply-demand conditions in the East Asian market. Real imports also continue to decline (Charts 3[1] and 6). Real imports in April decreased substantially compared to the first quarter. In addition to the decline in imports of IT-related parts, intermediate goods, and materials reflecting the decrease in production, imports of personal computers also declined owing to weak domestic sales. Net exports (real exports minus real imports), in terms of the real trade balance,⁴ continue to decrease since the pace of decline in exports is faster than that of imports (Chart 3[2]).

³ The scale of the supplementary budget of the central and local governments combined has contracted compared to fiscal 1999, and thus the value of public works contracted continues to be at lower levels than the previous year.

⁴ 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.)

Regarding the future environment for foreign trade, the real effective exchange rate of the yen had been depreciating from the end of 2000 but has recently been steady (Chart 7[1]). In overseas economies, however, the European economy, following the U.S. and East Asian economies, seems to be decelerating (Chart 7[2]). Furthermore, inventory adjustments of IT-related goods are ongoing worldwide.⁵ Consequently, exports are expected to continue declining for some time. Meanwhile, imports are projected to follow a downward trend while a decrease in production is inevitable for the time being. Under these circumstances, net exports are likely to continue declining for some time.

Business fixed investment is starting to decline as the implementation of a backlog of orders has progressed further. The *Financial Statements Statistics of Corporations by Industry, Quarterly* showed that business fixed investment decreased, albeit slowly, in the first quarter of 2001 on a quarter-to-quarter basis after a substantial rise in the fourth quarter of 2000 (Chart 8). Moreover, aggregate supply of capital goods⁶ (excluding transport equipment)—which basically moves simultaneously with machinery investment—has recently started declining (Chart 10-1[1]). Among leading indicators (Chart 10-2), machinery orders (private demand, excluding shipbuilding and electric power equipment) increased in April compared to the first quarter,⁷ which showed the first decline since the second quarter of 1999. Meanwhile, nonresidential construction starts continue a declining trend, particularly in nonmanufacturing.

⁵ According to the *WSTS (World Semiconductor Trade Statistics) Semiconductor Market Forecast* (projections of 65 semiconductor companies worldwide) published in late May, shipments of global semiconductors in 2001 were revised considerably downward compared to the forecast at the time of fall 2000 (+20.3 percent on a year-to-year basis) and is currently projected to decline by 13.5 percent on a year-to-year basis.

⁶ In the *Indices of Industrial Domestic Shipments and Imports*, the aggregate supply by goods is shown by adding domestic shipments based on *Indices of Industrial Production* and imports based on *Foreign Trade Statistics*. Charts 10-1(1) and 11-4 each show the developments in aggregate supply of capital goods (excluding transport equipment) and consumer goods. Figures for the second quarter of 2001 (April) were calculated by the Bank of Japan using indices of industrial shipments and real imports and exports.

⁷ Machinery orders for the second quarter (surveyed as of late March) are projected to increase by 0.4 percent in private demand (excluding shipbuilding and electric power equipment) and 2.6 percent in nonmanufacturing (excluding shipbuilding and electric power equipment), and decline by 2.3 percent in manufacturing.

As for the outlook, business fixed investment is likely to follow a downward trend, judged from the increasingly severe environment surrounding corporate profits in line with the substantial decline in exports and production, and from the recent developments in leading indicators.

The recovery in private consumption remains weak as a whole, but somewhat positive signs can be seen in some indicators (Chart 11). According to sales indicators, passenger car sales generally continued to be flat, with some fluctuations. Outlays for travel remained firm. Sales at department stores increased, particularly in accessories and clothes. Meanwhile, sales at chain stores continued to follow a downward trend. Sales of household electrical appliances appeared to be at low levels not only in reaction to the surge in demand before the law regarding the recycling of home electronic appliances came into effect,⁸ but also due to weak sales of personal computers. The level of indices of aggregated sales⁹ were flat-to-up compared to that of the previous year. According to various confidence surveys conducted in early spring, consumer confidence seemed to be more cautious (Chart 12). Private consumption is expected to remain almost flat for the time being, reflecting employment and income conditions.

Housing investment is declining. In April, construction starts, particularly of owner-occupied houses, dropped compared to the first quarter of 2001 (Chart 13). Judged from the number of loan applications to the government Housing Loan Corporation,¹⁰ housing investment is likely to be weak for the time being.

⁸ 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.

⁹ While various sales indicators show different movements, the indices of aggregated sales are compiled by adding the weights of various sales indicators (including a few services consumption) to grasp the consumption trend from the supply side. For the detailed calculation method, see notes in Chart 11-3.

¹⁰ The number of loan applications to the government Housing Loan Corporation during its first offering period for fiscal 2001 (construction of private homes; offering period: April 23-May 28, 2001) remained at a low level of 28,000 applications. The Housing Loan Corporation has increased the offering times of loan applications from four to six times a year since this fiscal year.

Reflecting these developments in final demand, industrial production continues to decrease sharply, mainly due to a fall in exports, particularly those of IT-related goods and intermediate goods (Chart 14).¹¹ As for inventories, those of final demand goods are still broadly contained. However, among producer goods, inventories of electronics parts, demand for which from overseas declined significantly, have piled up rapidly, and the excessiveness of some materials such as steel and chemicals have increased. Thus, inventories as a whole have accumulated further (Chart 15). Under these circumstances, industrial production is expected to continue a declining trend for some time mainly due to the decrease in exports.

As for employment and income conditions, compensation of employees has not yet deteriorated (Chart 16), but the supply-demand condition in the labor market is easing gradually as labor demand such as hours worked and new job offers have declined, reflecting the decrease in production activities. Labor-market-related indicators showed that while the unemployment rate remained unchanged at a high level, particularly among the younger generation, the ratio of job offers to applicants has been on a gradual downward trend, reflecting the decrease in job offers and the increase in job applications (Chart 17). The number of regular employees (on a Monthly Labour Survey basis at establishments with five employees or more) was basically unchanged, but in manufacturing—where exports and production are declining significantly—there seemed to be a reduction in the number of marginal workers such as part-time workers. Meanwhile, nominal wages per employee recently remained around the previous year’s level as overtime payments have turned to decrease and the growth in regular payments was also stagnant, reflecting the decline in production activities. Amid the ongoing adjustments in economic activities, compensation of employees is projected to weaken gradually for the time being.

¹¹ If the growth rates of production for May (+0.3 percent compared to the previous month) and June (-0.8 percent) are the same as those of the production forecast indices, production for the second quarter will decline by 3.1 percent on a quarter-to-quarter basis, a sharp decline for the second consecutive quarter (-3.7 percent in the first quarter).

2. Prices

Import prices on a yen basis rose compared to the levels three months earlier, mainly reflecting the rebound in crude oil prices in addition to the prior depreciation of the yen (Chart 19).

Domestic wholesale prices are declining (Chart 20). In May, domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates¹²) decreased compared to the levels three months earlier. This was because the prices of steel, transportation equipment, and electrical machinery, such as semiconductors and household electrical appliances, continued to decrease.

Corporate service prices are decreasing (Chart 21). In April, corporate service prices (domestic supply-demand factors¹³) declined compared to the levels three months earlier. The decrease was mainly due to lower communications charges (network connection charges among telecommunications businesses) and the reduction in the prices for leasing that reflected both the price decline in IT-related machinery and the decrease in long-term interest rates.

Consumer prices remain somewhat weak (Chart 22). In April, consumer prices (excluding perishables) declined compared to the levels three months earlier. While prices rose somewhat for private-sector services (housing rent), prices of imported products and their substitutes continued to decline due to the increase in imports of inexpensive consumer goods (Chart 23). The year-to-year rate of decrease in April was about the same as that in the previous month.¹⁴ (The year-to-

¹² 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.

¹³ Corporate service prices (domestic supply-demand factors) only include items whose monthly price changes primarily reflect changes in domestic private demand. Specifically, items with the following properties are removed from the overall CSPI: (1) regulated fees, (2) overseas factors, and (3) fees with a large monthly fluctuation that do not necessarily reflect short-term changes in supply-demand trends. For the detailed calculation, see the note in Chart 21.

¹⁴ Developments of overall consumer prices including perishable goods in April were basically the same as those excluding perishables, since the rise in vegetable and fruit prices due to irregular weather observed during last winter has almost leveled off. (The year-to-year change was -0.1 percent in February, -0.4 percent in March, and -0.4 percent in April.)

year change was -0.6 percent in February 2001, -0.6 percent in March, and -0.5 percent in April.)

As for land prices (Chart 24), the prices of both residential and commercial land continue to decline.

Regarding the conditions surrounding price developments, the prior yen depreciation is exerting upward pressure on prices. However, with the ongoing adjustments in economic activities, the balance between supply and demand in the domestic market is likely to exert downward pressure on prices. Furthermore, in addition to the declining trend of machinery prices caused by technological innovations, the decreases in prices of goods and services reflecting deregulation and the streamlining of distribution channels will continue to restrain price developments. Overall, prices are expected to be weak for the time being.

3. Financial Developments

(1) Financial Markets

As for interest rate developments in short-term money markets (Charts 25[1] and 26), the overnight call rate (uncollateralized) is basically moving at about 0.01 percent under the guideline for money market operations to maintain the current-account balance at the Bank of Japan at around 5 trillion yen.

As for interest rates on term instruments, three-month Euro-yen rates (TIBOR), TB and FB rates are level on the whole. The Japan premium (Chart 29) remains negligible.

Yields on ten-year government bonds (newly issued; Chart 25[2]) have recently declined to 1.1-1.2 percent after remaining flat at 1.2-1.3 percent mainly due to the more cautious views of market participants toward the economic outlook. As for yield spreads between government and private bonds (bank debentures and corporate bonds; Charts 31 and 32), while bank debentures were mostly unchanged or expanding somewhat, corporate bonds were contracting slightly.

Stock prices (Chart 33[1]) continue to be weak, reflecting the somewhat more cautious views of market participants toward future corporate profits and the earnings reports of financial institutions.

In the foreign exchange market (Chart 34), the yen appreciated against the U.S. dollar toward early June as some domestic and foreign investors bought back the yen, but has weakened thereafter and is currently being traded in the range of 120-123 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The growth rate of money stock (M_2 + CDs; Chart 35) in May was higher than that of the previous month due mainly to the inflow from postal savings. (The year-on-year change was 2.6 percent in March, 2.5 percent in April, and 2.9 percent in May.)

In May, the growth rate of monetary base (currency in circulation + current deposits at the Bank of Japan; Chart 36) was higher than that of the previous month. (The year-on-year change was 1.2 percent in March, 1.4 percent in April, and 5.1 percent in May.)

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. However, there are some signs indicating that the lending attitude of financial institutions perceived by small firms is becoming slightly more cautious (Chart 38). Meanwhile, the fund-raising conditions of firms in the markets for such instruments as corporate bonds and CP are improving further owing to the decline in market interest rates and the more active stance of investors to take credit risks.

On the other hand, credit demand of private firms continues to lack momentum as the level of corporate expenditures such as business fixed investment remains below firms' cash flow. In addition, many firms continue to reduce debts as part of their balance-sheet restructuring measures. As a result, the overall credit demand of private firms has continued to be basically stagnant.

Amid these developments, the underlying tone of lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;¹⁵ Chart 37), 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 March, -1.5 percent in April, and -1.6 percent in May.) The growth rate of amount outstanding of corporate bonds issued is slightly below 2 percent year-on-year. The amount outstanding of CP issued (excluding those issued by banks) is well above that of the previous year and marking the highest level to date, reflecting the favorable environment for issuing CP (Chart 39).

Funding costs for firms are on a declining trend reflecting developments in market interest rates. As for lending rates, the average contracted interest rate on new loans and discounts (Chart 41) has recently declined substantially. The long-term prime lending rate was lowered by 0.15 percent to 1.60 percent on June 8. In the capital market, corporate bond issuance rates are on a downward trend. CP issuance rates are at extremely low levels.

The number of corporate bankruptcies in May (Chart 42) increased slightly compared to the previous month.

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

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

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Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2000/Q3	Q4	2001/Q1	2001/February	March	April	May
Index of living expenditure level (all households)	-1.8	0.4	1.0	4.1	-4.3	-1.7	n.a.
Sales at department stores	-1.2	0.3	0.4	-0.6	-0.4	0.8	n.a.
Sales at chain stores	-1.2	-1.2	-0.1	-0.8	-1.0	-1.9	n.a.
New passenger-car registrations ³ <s.a., ann. 10,000 units>	< 295>	< 303>	< 301>	< 300>	< 299>	< 291>	< 310>
Sales of household electrical appliances (real, NEBA)	3.1	3.6	10.4	0.2	16.2	-19.0	n.a.
Outlays for travel (50 major travel agencies)	0.1	1.2	0.7	1.6	-0.8	-1.7	n.a.
Housing starts <s.a., ann. 10,000 units>	< 121>	< 123>	< 118>	< 114>	< 121>	< 114>	<n.a.>
Machinery orders (from private sector ⁴)	6.8	1.3	-7.0	3.0	-3.6	6.3	n.a.
Manufacturing	-0.3	8.5	-12.8	-1.8	-1.8	-0.4	n.a.
Nonmanufacturing ⁴	14.2	-4.2	-2.8	6.3	-3.6	8.8	n.a.
Construction Starts (private, nonresidential use)	-6.6	-6.0	-5.6	-3.2	-0.9	-6.7	n.a.
Mining & manufacturing	3.5	-1.5	9.0	-3.7	7.1	-25.4	n.a.
Nonmanufacturing ⁵	-9.6	-10.0	-9.4	-0.5	-3.2	0.7	n.a.
Value of public works contracted	-0.1	0.0	15.5	8.3	51.8	-35.3	n.a.
Real exports	1.0	0.2	-4.7	7.3	-0.2	-6.8	n.a.
Real imports	1.3	5.0	-3.3	-0.5	-0.9	-3.7	n.a.
Industrial production	1.5	0.6	-3.7	1.0	-2.1	-2.0	n.a.
Shipments	1.4	0.1	-3.5	1.2	-2.4	-2.8	n.a.
Inventories	-0.5	0.9	2.3	1.1	0.7	2.2	n.a.
Inventories/shipments <s.a., 1995=100>	<99.8>	<101.2>	<106.6>	<103.6>	<106.6>	<110.3>	<n.a.>
Real GDP	-0.7	0.6	-0.2	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.0	0.5	0.4	1.4	0.4	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2000/Q3	Q4	2001/Q1	2001/February	March	April	May
Ratio of job offers to applicants <s.a., times>	<0.62>	<0.65>	<0.63>	<0.64>	<0.61>	<0.62>	<n.a.>
Unemployment rate <s.a., %>	<4.65>	<4.80>	<4.75>	<4.68>	<4.72>	<4.79>	<n.a.>
Overtime working hours ⁶	4.0	3.0	0.7	1.0	-0.9	p -2.0	n.a.
Number of employees	0.7	1.2	1.2	1.4	1.3	1.3	n.a.
Number of regular employees ⁶	-0.2	-0.1	-0.1	-0.1	-0.2	p -0.2	n.a.
Nominal wages per person ⁶	0.4	-0.1	0.1	-0.5	-0.5	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>	-0.4 <-0.1>	-0.5 <-0.3>	-0.7 <-0.2>	-0.6 <-0.2>
Consumer price index (nationwide) ⁷ <s.a., q/q % chg.> (3-month growth rate)	-0.4 <-0.1>	-0.5 <-0.2>	-0.6 <-0.1>	-0.6 <-0.1>	-0.6 <-0.1>	-0.5 <-0.2>	n.a. <n.a.>
Corporate service price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-0.9 <-0.2>	-1.0 <-0.3>	-1.4 <-0.4>	-1.4 <-0.3>	-1.5 <-0.5>	-1.2 <-0.3>	n.a. <n.a.>
Monetary aggregates (M ₂ +CDs) <average outstanding, y/y % chg.>	1.9	2.1	2.6	2.7	2.6	p 2.5	p 2.9
Number of suspension of transactions with banks	15.2	-0.1	-9.0	-5.0	-9.1	-8.4	n.a.

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

2. P indicates preliminary figures.

3. Excludes small cars with engine sizes of 660cc or less.

4. Excludes ships and demand from electric power companies.

5. Nonmanufacturing = commerce + services + agriculture & fisheries + public utilities industries, etc.

6. Data for establishments with at least five regular employees.

7. Excludes perishables.

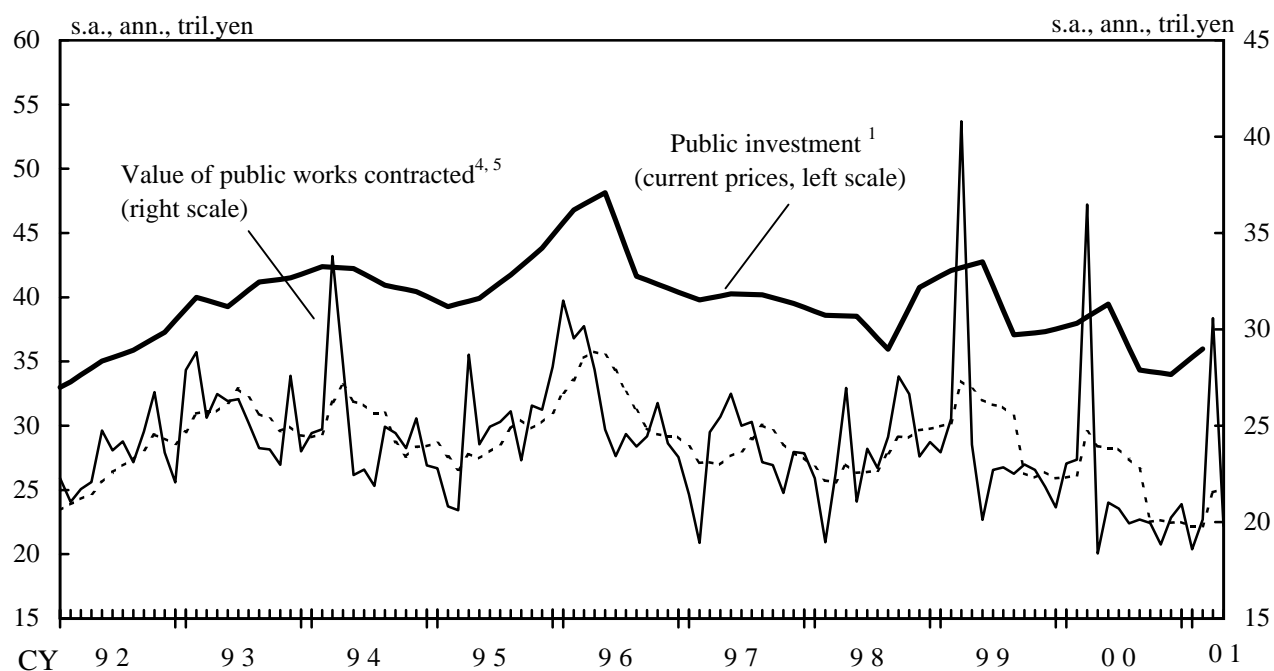
8. Domestic supply-demand factors.

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

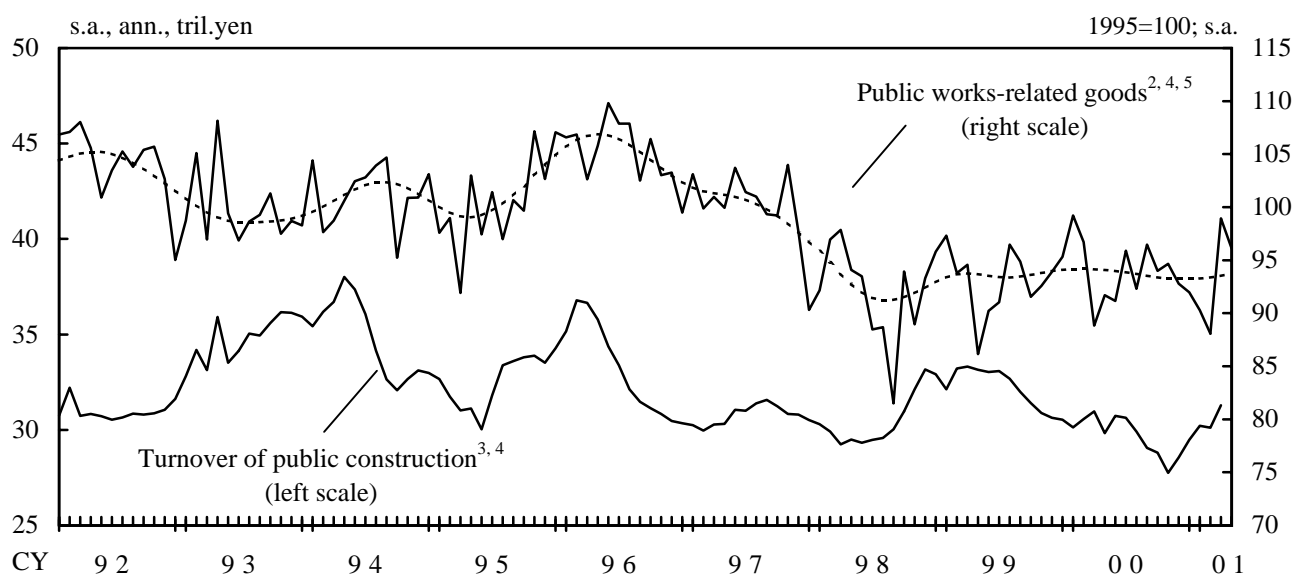
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey," "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production," "Indices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

Public Investment

(1) Value of Public Works Contracted and Public Investment



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



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

2. Public works-related goods are weighted average of asphalt, concrete products for roads, bridges, and cement, where weights are based on 1995-basis IIP (shipment). Shipments of these goods also include those to the private sector.

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

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

5. The dotted line of value of public works contracted is the 6 months moving average. The dotted line of public works-related goods is the trend cycle factor.

Sources: Cabinet Office, "National Accounts";

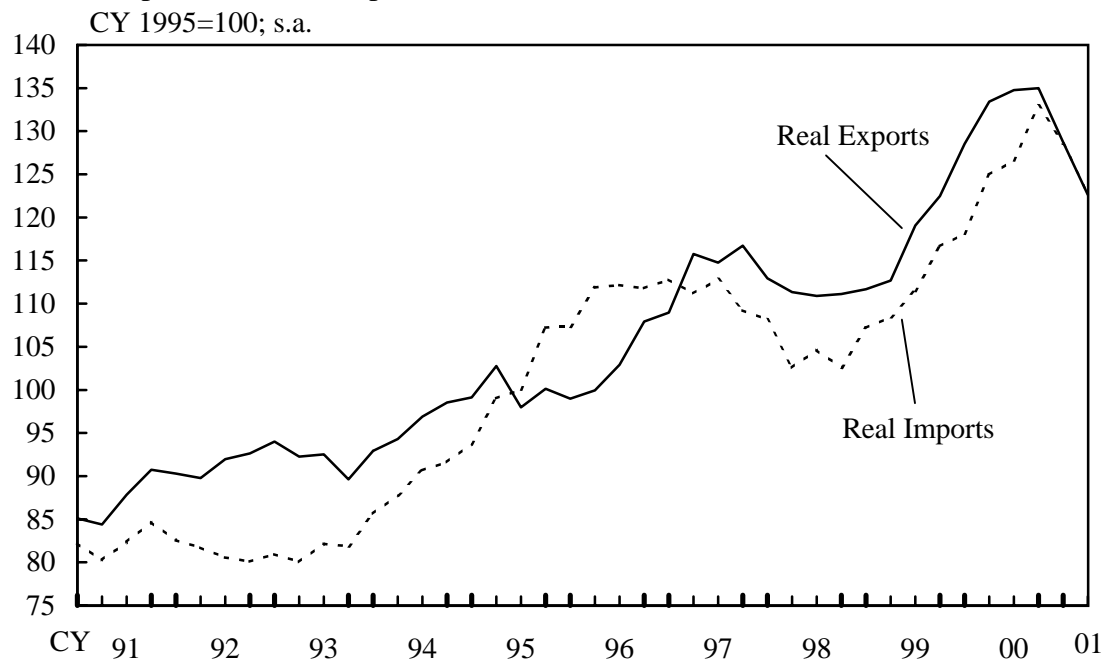
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";

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

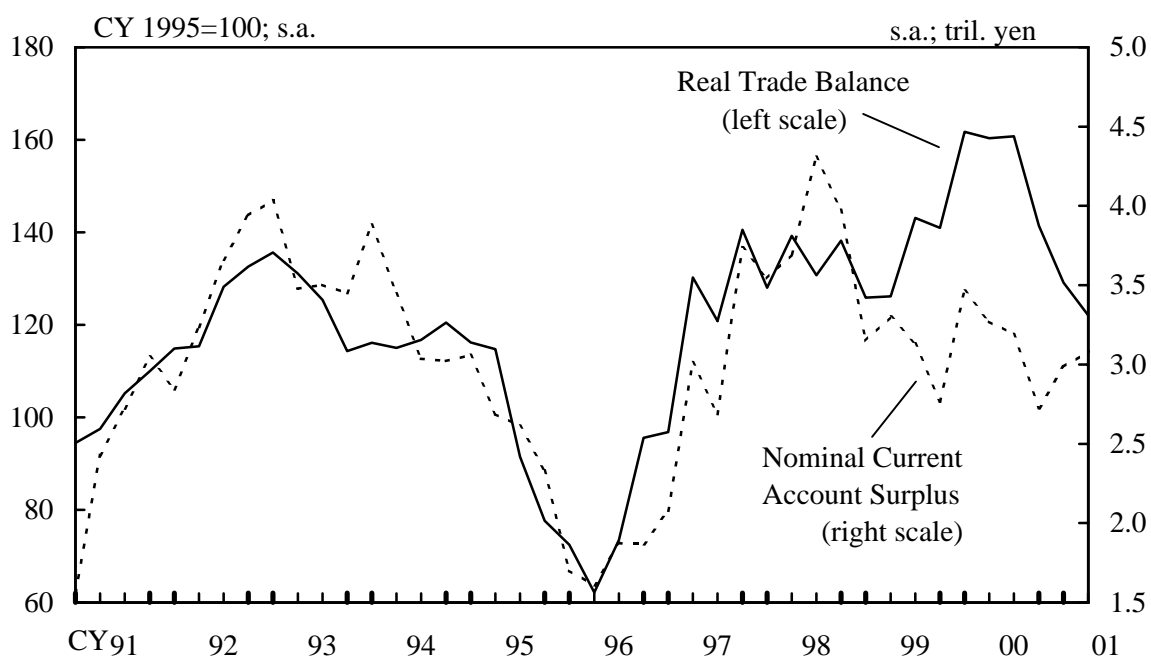
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



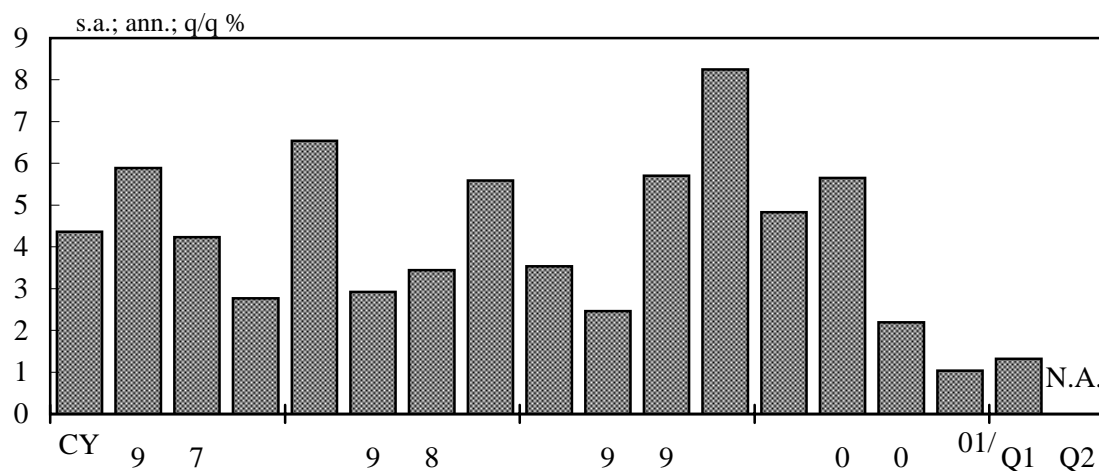
Notes: 1. Seasonally adjusted by X-11.

2. 2000/Q2 figures are April figures converted into quarterly amount.

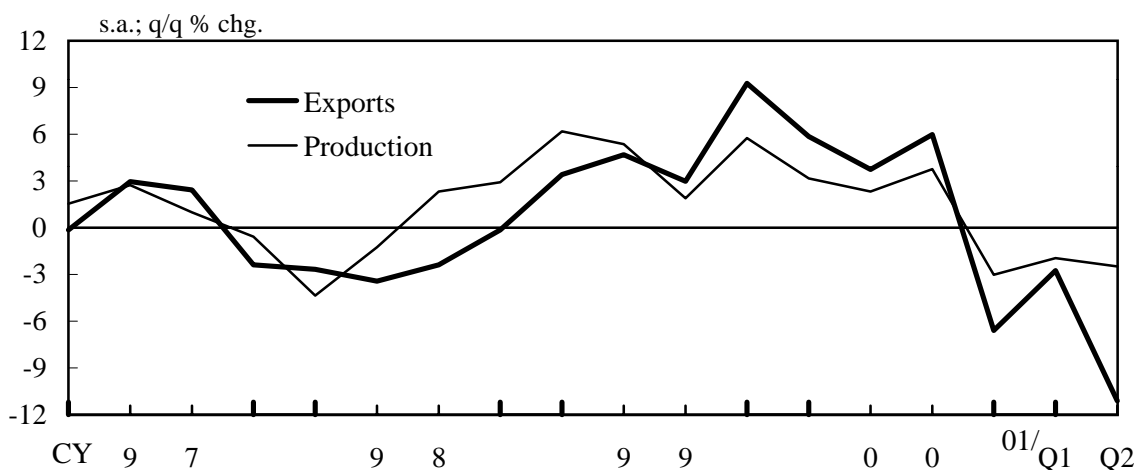
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
Bank of Japan, "Balance of Payments Monthly," "Wholesale Price Indexes."

Impacts of the U.S. Slowdown

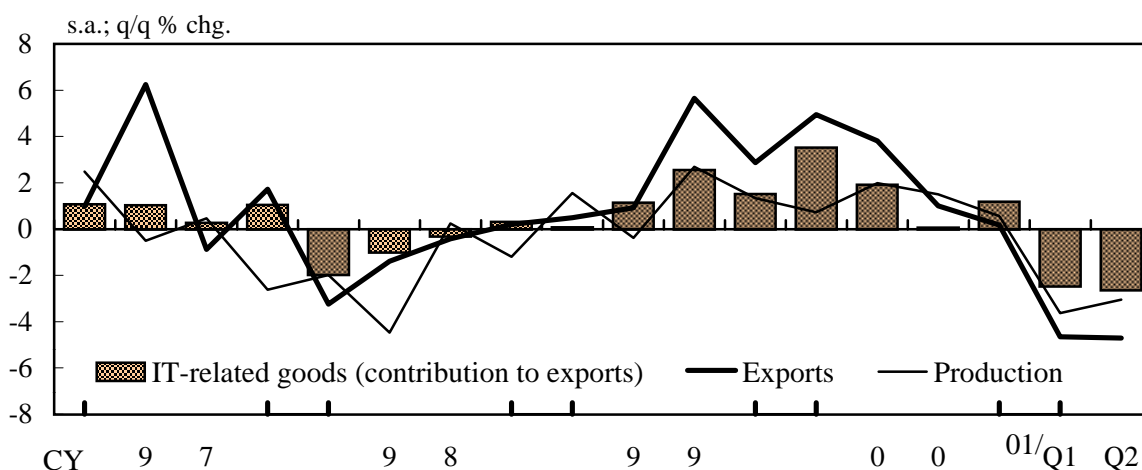
(1) United States - Real GDP



(2) NIEs3 - Exports and Production ^{1,2}



(3) Japan - Exports and Production ^{1,3}



Notes: 1. 2001/Q2 figures are April figures 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 ¹

(1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 99	2000	2000 Q2	Q3	Q4	2001 Q1	Q2	2001 Feb.	Mar.	Apr.
United States	<29.7>	4.6	11.7	2.9	0.8	6.0	-6.7	-4.7	5.7	-3.2	-4.4
EU	<16.3>	0.9	6.4	-0.1	-0.1	-2.3	1.2	-8.2	7.9	3.5	-12.4
East Asia	<39.7>	12.0	25.6	5.5	2.7	-1.7	-4.4	-7.1	1.2	-3.0	-5.6
China	<6.3>	12.3	27.7	6.9	11.5	1.3	10.1	-10.6	2.3	-10.1	-4.7
NIEs	<23.9>	11.2	25.7	3.6	1.4	-2.3	-9.5	-6.0	2.5	-1.4	-5.9
Taiwan	<7.5>	7.8	22.4	8.1	2.8	-9.2	-16.6	-3.1	2.8	5.3	-7.2
Korea	<6.4>	43.9	30.3	-0.5	1.1	-0.8	-5.4	-13.5	6.7	-7.9	-10.5
ASEAN4 ³	<9.5>	13.6	24.0	9.4	0.8	-2.3	-1.8	-6.8	-2.3	-1.2	-5.4
Thailand	<2.8>	15.3	18.9	6.4	4.7	1.6	-5.2	-2.9	4.2	-4.2	-1.5
Real exports		4.5	14.1	3.8	1.0	0.2	-4.7	-4.7	7.3	-0.2	-6.8

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 99	2000	2000 Q2	Q3	Q4	2001 Q1	Q2	2001 Feb.	Mar.	Apr.
Intermediate goods	<14.1>	5.4	5.1	1.5	0.7	0.7	-2.1	-7.2	0.4	0.4	-7.6
Motor vehicles and their related goods	<20.2>	2.8	9.2	8.2	4.2	-1.1	-7.8	2.9	22.4	-3.9	-0.9
Consumer goods ⁴	<7.0>	5.0	13.0	2.5	-0.3	2.6	-6.0	0.9	4.4	-0.4	-0.3
IT-related goods ⁵	<18.8>	6.4	25.2	5.6	-2.6	5.9	-5.7	-5.2	2.7	-1.2	-5.3
Capital goods and parts ⁶	<29.7>	1.8	21.0	4.9	1.6	-3.3	-3.2	-9.1	3.6	3.1	-12.0
Real exports		4.5	14.1	3.8	1.0	0.2	-4.7	-4.7	7.3	-0.2	-6.8

Notes: 1. Seasonally adjusted by X-11. 2001/Q2 figures are April figures 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 ¹

(1) Breakdown by region

		y/y % chg.		2000			s.a. q/q % chg.		s.a. m/m % chg.		
		CY 99	2000	Q2	Q3	Q4	2001 Q1	Q2	2001 Feb.	Mar.	Apr.
United States	<19.0>	-2.9	8.0	8.6	2.4	4.7	-5.5	-1.9	1.9	-6.2	1.8
EU	<12.3>	5.8	8.5	1.1	2.1	4.3	2.1	-9.1	-1.3	-4.5	-5.9
East Asia	<39.6>	15.8	25.5	4.8	4.8	6.5	-1.1	-6.0	0.1	2.2	-7.4
China	<14.5>	11.9	28.1	3.6	1.4	10.1	5.2	-5.9	-10.4	23.1	-14.7
NIEs	<12.2>	24.2	28.4	4.9	8.1	4.4	-5.3	-9.0	4.0	-9.3	-4.0
Taiwan	<4.7>	25.6	43.6	8.6	6.3	8.1	-7.7	-12.2	8.3	-15.4	-4.1
Korea	<5.4>	30.8	22.5	1.4	6.3	2.4	-2.6	-11.1	1.7	-4.2	-9.0
ASEAN4 ³	<12.8>	12.6	20.2	6.1	5.3	5.0	-3.8	-3.2	8.8	-7.7	-0.7
Thailand	<2.8>	5.4	19.3	8.3	1.6	8.9	-4.1	2.6	5.4	1.6	-0.2
Real imports		6.1	13.3	5.8	1.3	5.0	-3.3	-4.5	-0.5	-0.9	-3.7

(2) Breakdown by type of goods

		y/y % chg.		2000			s.a. q/q % chg.		s.a. m/m % chg.		
		CY 99	2000	Q2	Q3	Q4	2001 Q1	Q2	2001 Feb.	Mar.	Apr.
Raw materials ⁴	<26.8>	2.7	1.7	1.7	-1.3	0.6	-1.7	-1.9	0.1	-4.3	1.0
Intermediate goods	<13.0>	3.6	8.3	3.9	-1.1	5.6	0.1	-7.0	-1.5	-6.2	-2.4
Foodstuffs	<12.1>	2.8	5.4	-1.1	-0.1	2.2	-2.3	-5.9	-0.8	6.5	-9.5
Consumer goods	<10.5>	8.1	21.3	4.4	1.3	9.3	-2.7	-2.4	-7.9	14.3	-8.1
IT-related goods ⁵	<16.1>	18.7	43.9	12.8	11.7	7.3	-5.0	-7.1	2.8	-9.7	-1.5
Capital goods and parts ⁶	<11.5>	5.1	12.4	6.7	6.2	7.6	-3.7	-3.0	7.4	-6.9	-0.6
excluding aircraft		4.4	21.5	3.9	5.5	8.9	0.5	-0.9	-1.0	-4.2	2.4
Real imports		6.1	13.3	5.8	1.3	5.0	-3.3	-4.5	-0.5	-0.9	-3.7

Notes: 1. Seasonally adjusted by X-11. 2000/Q2 figures are April figures 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 June 2001 is the average of June 1-14. 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

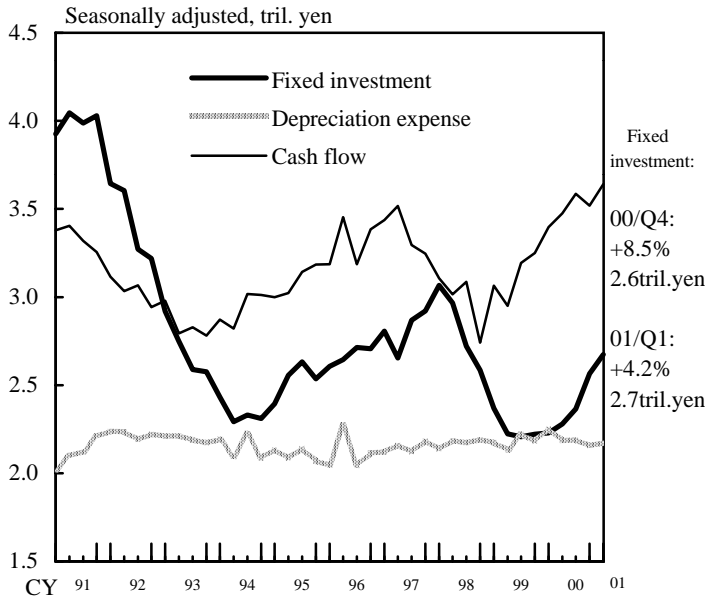
		CY98	99	2000	2000 Q2	Q3	Q4	2001 Q1	
United States ¹		4.4	4.2	5.0	5.6	2.2	1.0	1.3	
European Union ¹		2.9	2.5	3.4	3.0	2.4	2.4	2.2	
Germany		2.1	1.6	3.0	4.8	1.1	0.8	1.4	
France		3.5	3.0	3.3	2.7	3.2	3.1	2.0	
United Kingdom		2.6	2.3	3.0	3.6	3.4	1.6	1.7	
East Asia ²	China	7.8	7.1	8.0	(Jan-Jun) 8.2	(Jan-Sep) 8.2	(Jan-Dec) 8.0	8.1	
	NIEs	Korea	-6.7	10.9	8.8	9.7	9.2	4.6	3.7
		Taiwan	4.6	5.4	6.0	5.4	6.6	4.1	1.1
		Hong Kong	-5.3	3.0	10.5	10.7	10.8	6.9	2.5
		Singapore	0.1	5.9	9.9	8.4	10.3	11.0	4.5
	ASEAN4	Thailand	-10.8	4.2	4.3	6.2	2.8	3.1	n.a.
		Indonesia	-13.1	0.8	4.8	5.2	4.4	5.2	4.0
Malaysia		-7.4	6.1	8.3	8.0	7.6	6.3	3.2	
	Philippines	-0.6	3.4	4.0	4.3	4.6	3.8	2.5	

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

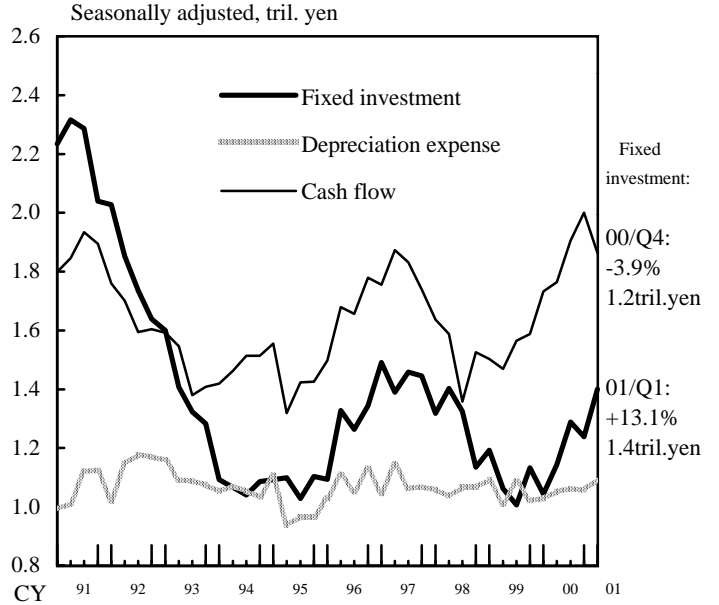
2. Quarterly data are percent changes from a year earlier.

Business Fixed Investment

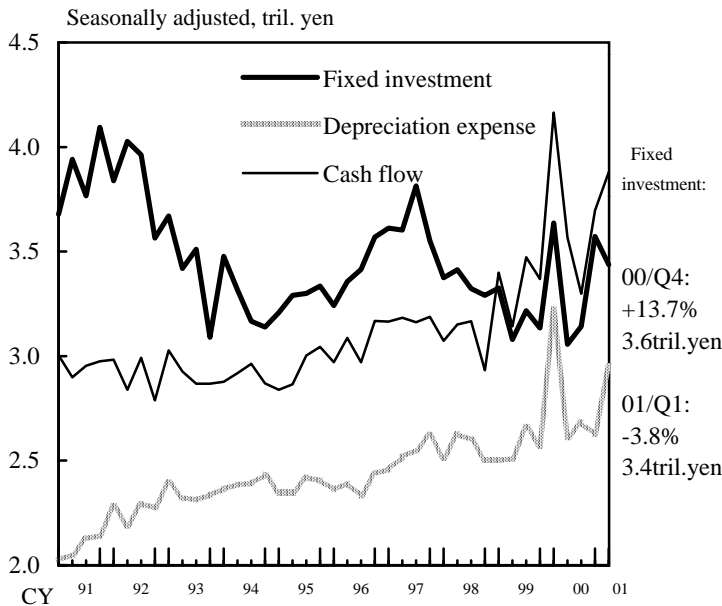
(1) Manufacturing large firms



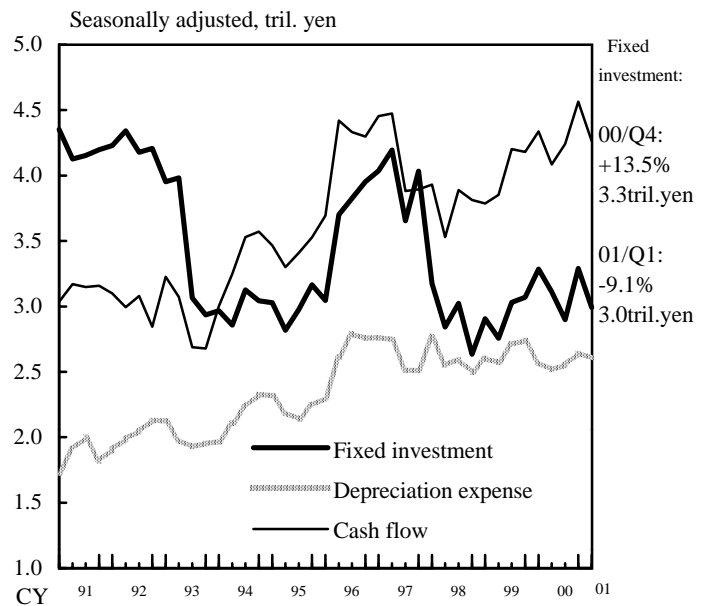
(2) Manufacturing medium and small firms



(3) Nonmanufacturing large firms



(4) Nonmanufacturing medium and small firms

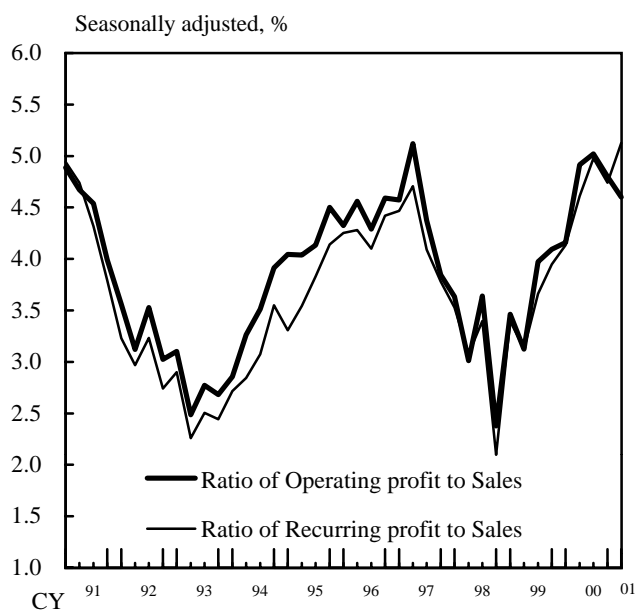


- Notes: 1. Electric, gas and other service industries are excluded from nonmanufacturing large firms.
 2. "Large firms" refers to firms with stockholders' equity of 1 billion yen or more, and "medium and small firms" refers to firms with stockholders' equity of 10 million or more but less than 1 billion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

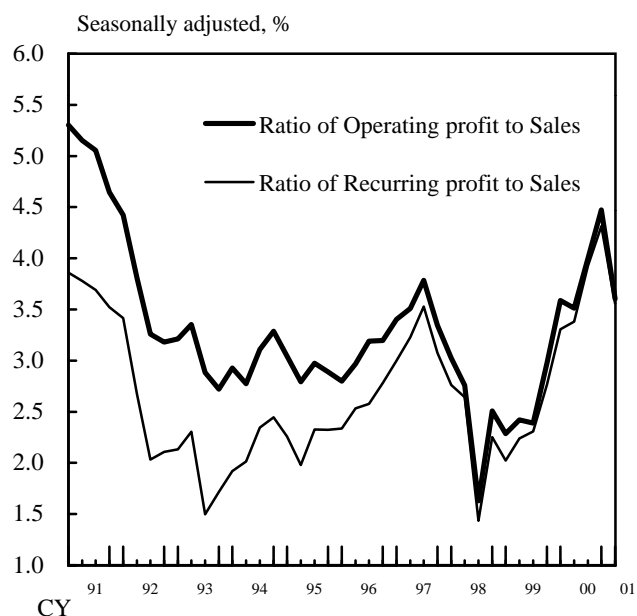
Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Corporate Profit (Ratio of Profit to Sales)

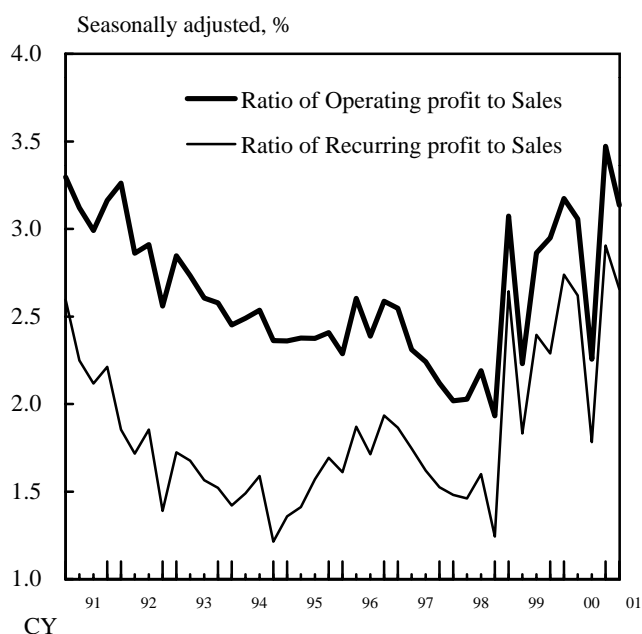
(1) Manufacturing large firms



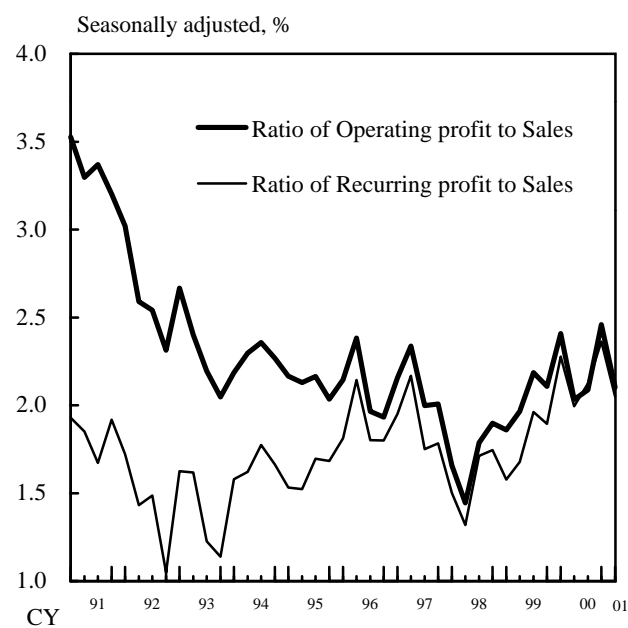
(2) Manufacturing medium and small firms



(3) Nonmanufacturing large firms



(4) Nonmanufacturing medium and small firms



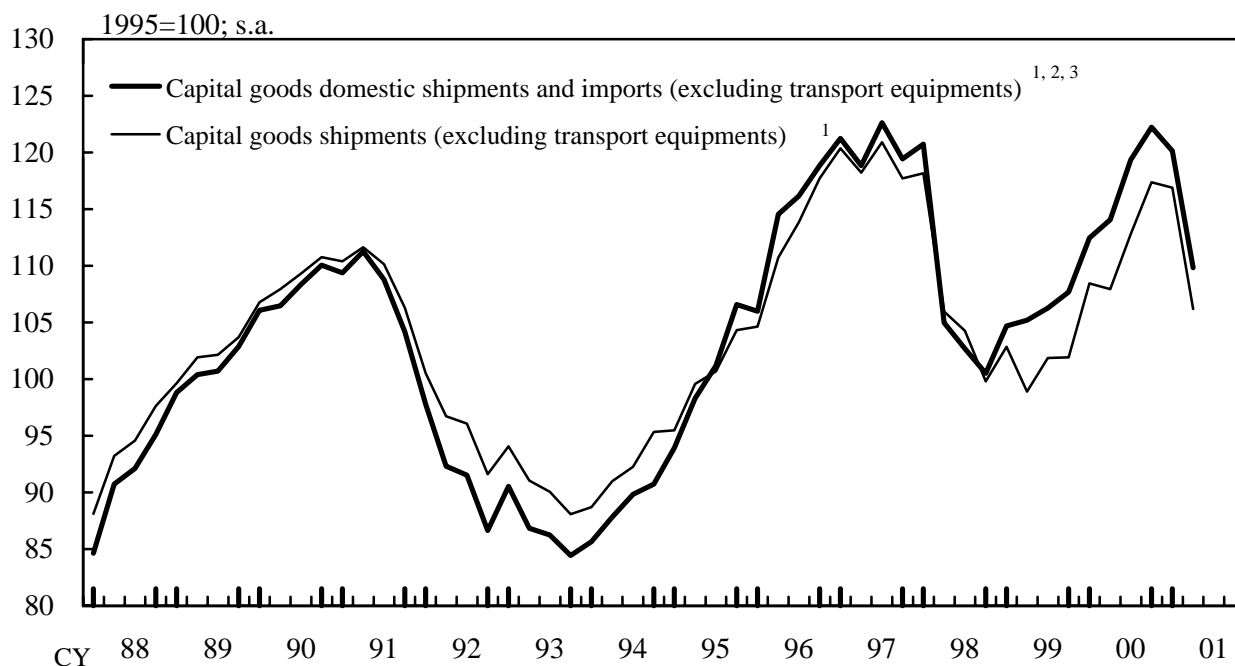
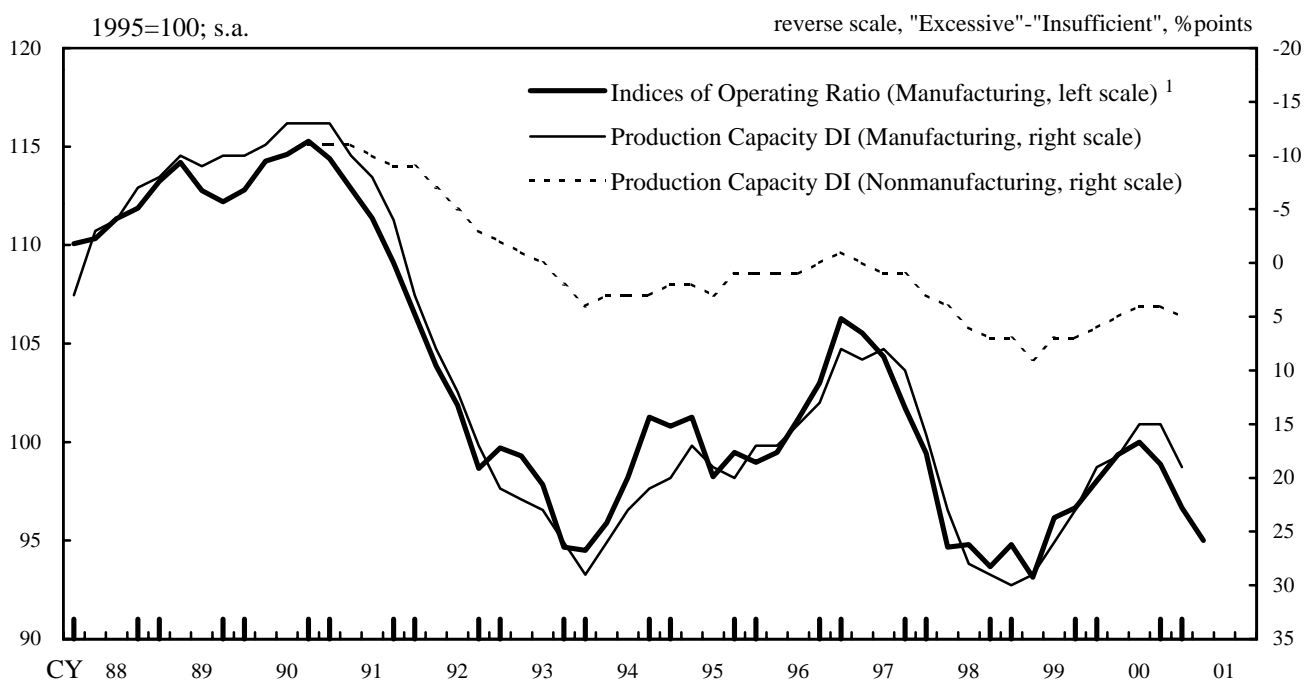
Notes: 1. Electric, gas and other service industries are excluded from nonmanufacturing large firms.

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)

(1) Capital goods domestic shipments and imports (excluding transport equipments)

(2) Indices of Operating Ratio and Production Capacity DI ⁴

Notes: 1. Figures for 2001/Q2 are those of April.

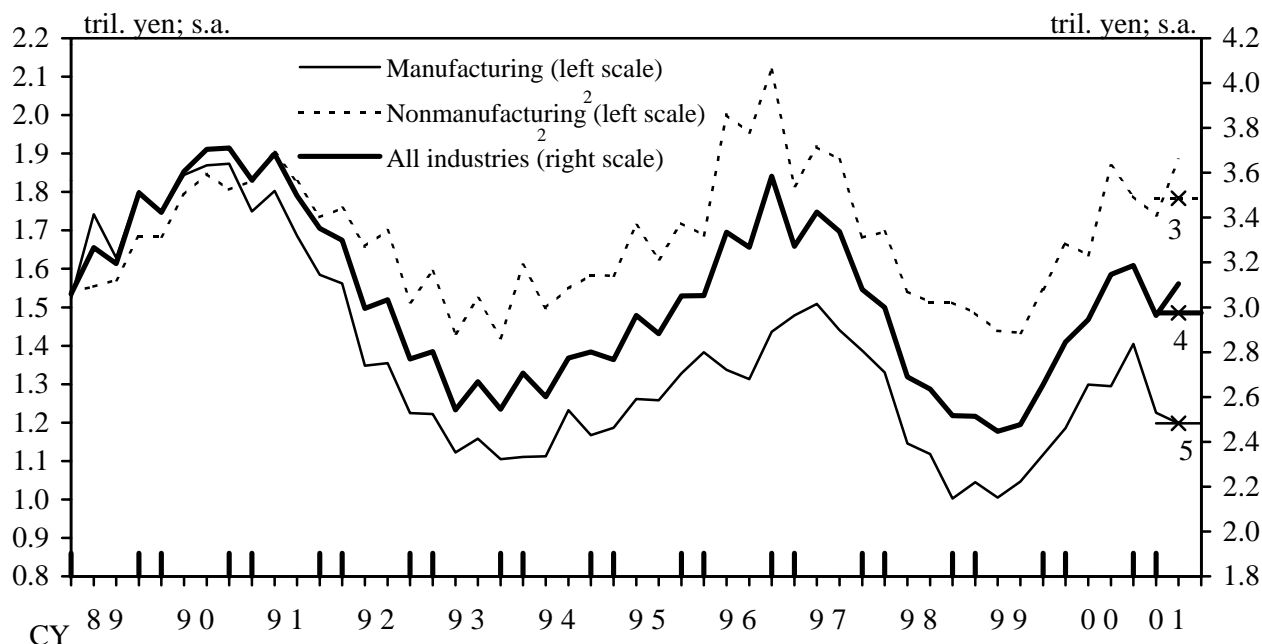
2. Figure for 2001/Q2 of "Domestic shipments" is calculated from quarterly changes of *Indices of Industrial Production* (excluding effects of exports).

3. Figure for 2001/Q2 of "Capital goods domestic shipments and imports (excluding transport equipments)" is calculated from weighted average of the quarterly changes in "Domestic shipments" and "Imports", based on real imports (see chart 6).

4. All enterprises.

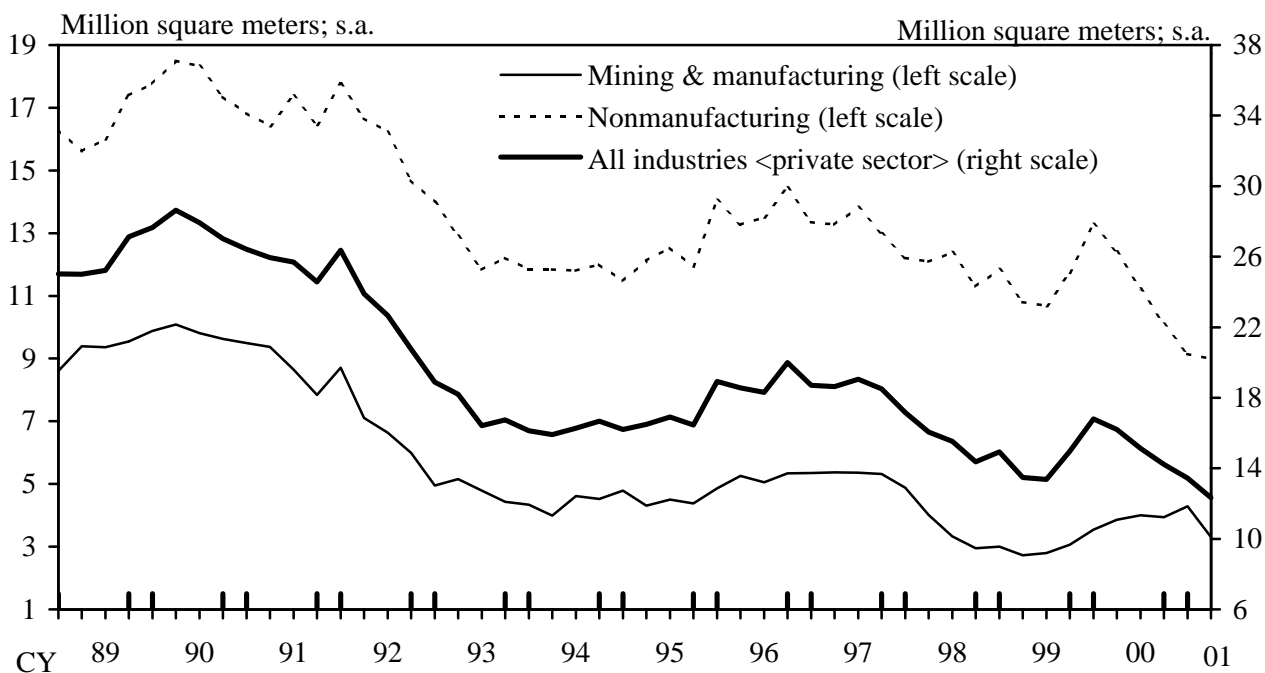
Sources: Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports"; Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes," "Tankan Short-term Economic Survey of Enterprises in Japan."

Indicators for Business Fixed Investment (2)

(1) Machinery Orders¹

- Notes: 1. Figures for 2001/Q2 are those of April in terms of quarterly amount.
 2. Excludes orders from electric power companies and shipbuilding orders.
 3. Forecast of nonmanufacturing industries for 2001/Q2.
 4. Forecast of all industries for 2001/Q2.
 5. Forecast of manufacturing industries for 2001/Q2.

(2) Construction Starts (Nonresidential)

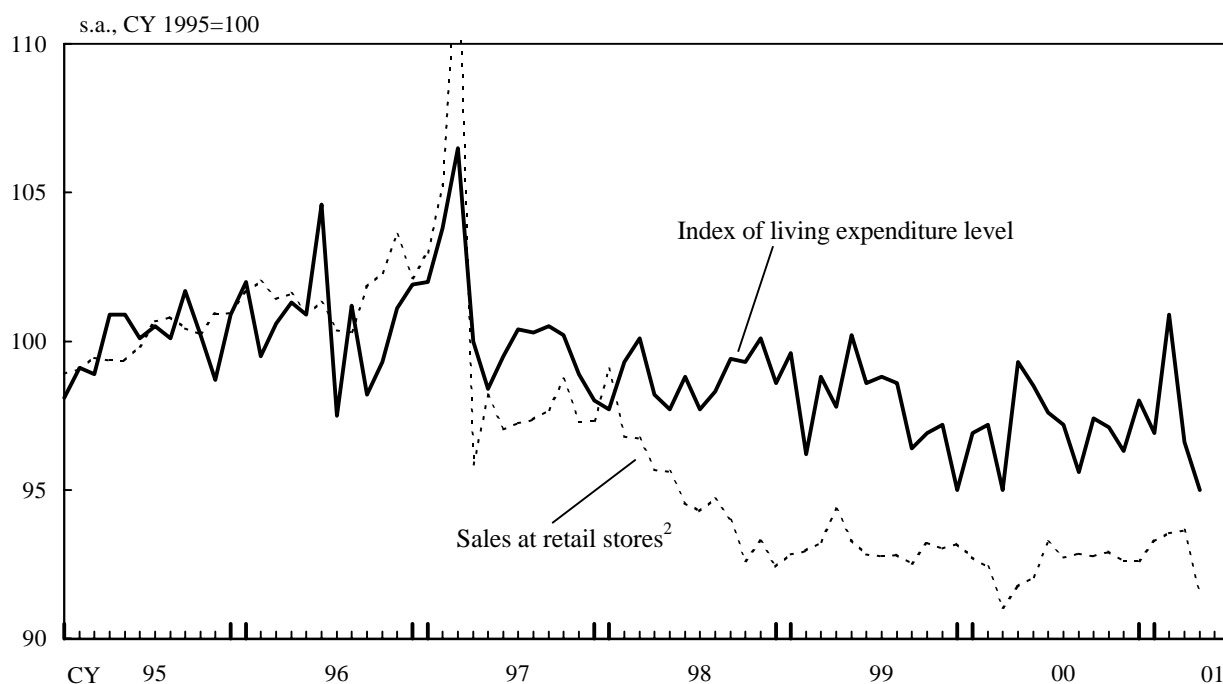


- Notes: 1. Seasonally adjusted by X-12-ARIMA (β version).
 2. Figures for 2001/Q2 are those of April in terms of quarterly amount.

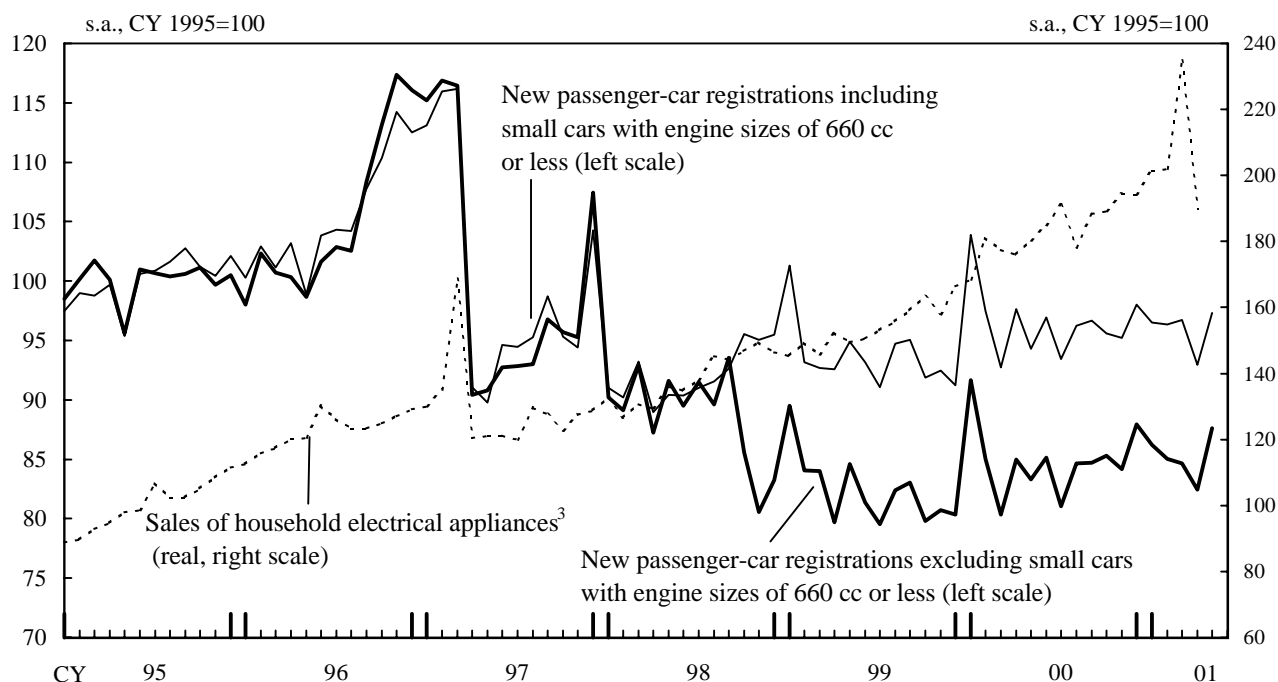
Sources: Cabinet Office, "Machinery Orders Statistics";
 Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

Private Consumption¹ (1)

(1) Household Spending



(2) Sales of Durable Goods



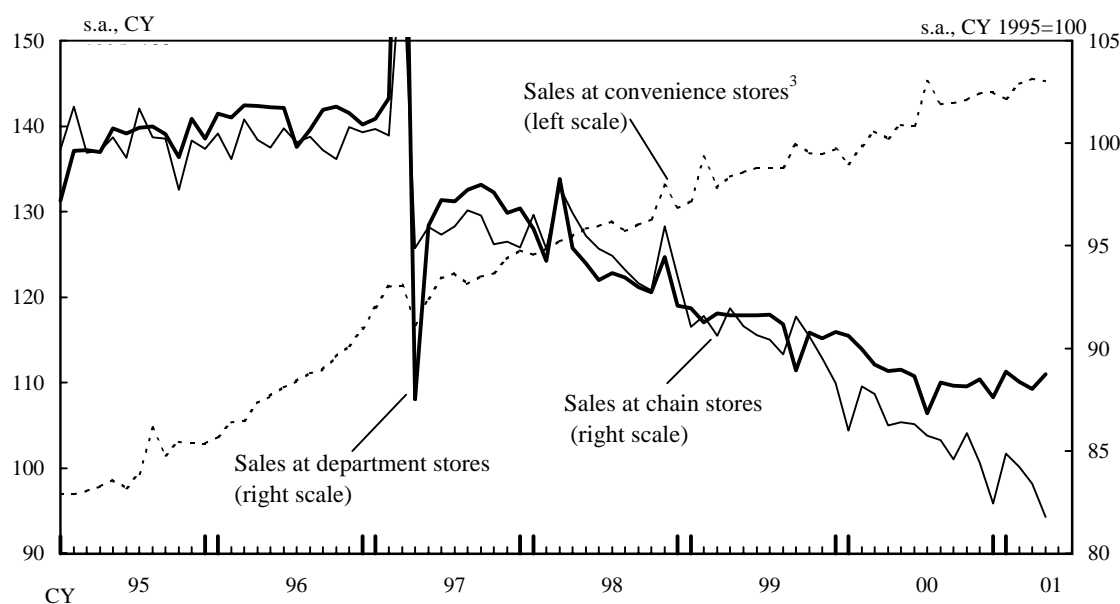
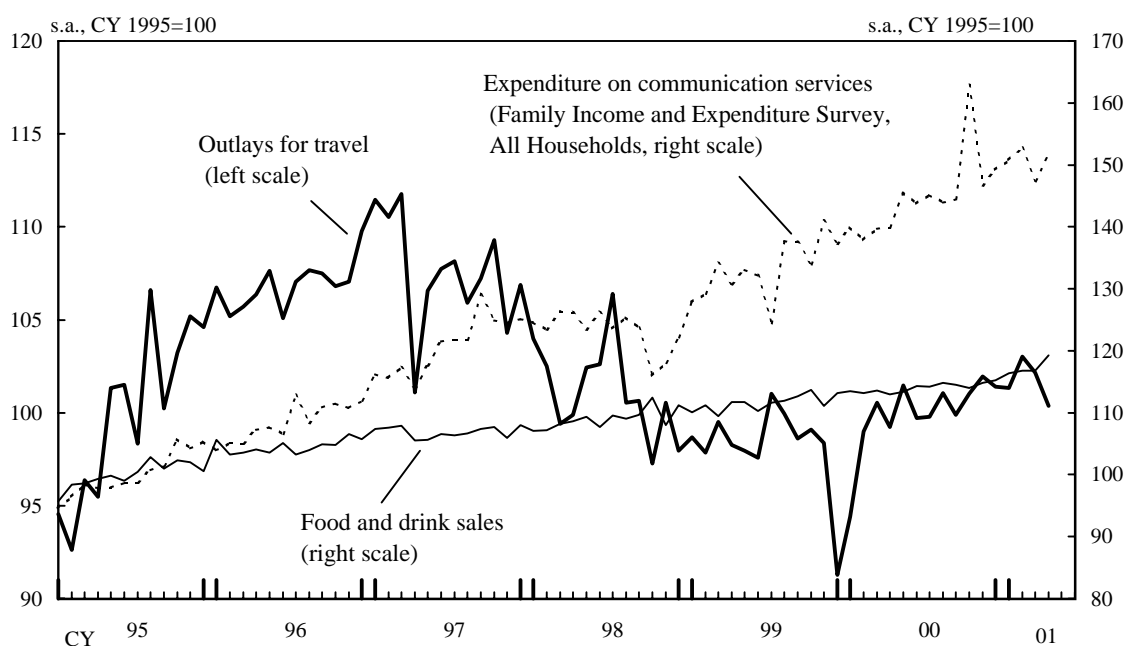
Notes: 1. Seasonally adjusted by X-12-ARIMA (β version).

Index of living expenditure level is seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications.

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

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

Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Automobile Dealers Association, "Domestic Sales of Automobiles"; Japan Mini Vehicles Association, "Sales of Mini Vehicles"; Nippon Electric Big-Stores Association (NEBA), "Sales of Electrical Appliances"; Bank of Japan, "Wholesale Price Indexes."

Private Consumption¹ (2)(3) Sales of Retail Stores²(4) Consumption of Services⁴

Notes: 1. Seasonally adjusted by X-12-ARIMA (β version).

2. Adjusted to exclude the effect of the increase in the number of stores (except convenience stores).

Sales at department stores and sales at chain stores are adjusted to exclude the effect of the rise in the consumption tax rate.

3. Sales at convenience stores until March 1997 are based on the survey conducted by the Bank of Japan.

From April 1997 they are based on the data published by the Ministry of Economy, Trade and Industry.

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

5. For food and drink sales, figures are calculated by the Bank of Japan using both the Japan Foodservice Association's y/y data and the 1993 data of the Foodservice Industry Survey & Research Center as a bench mark.

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";

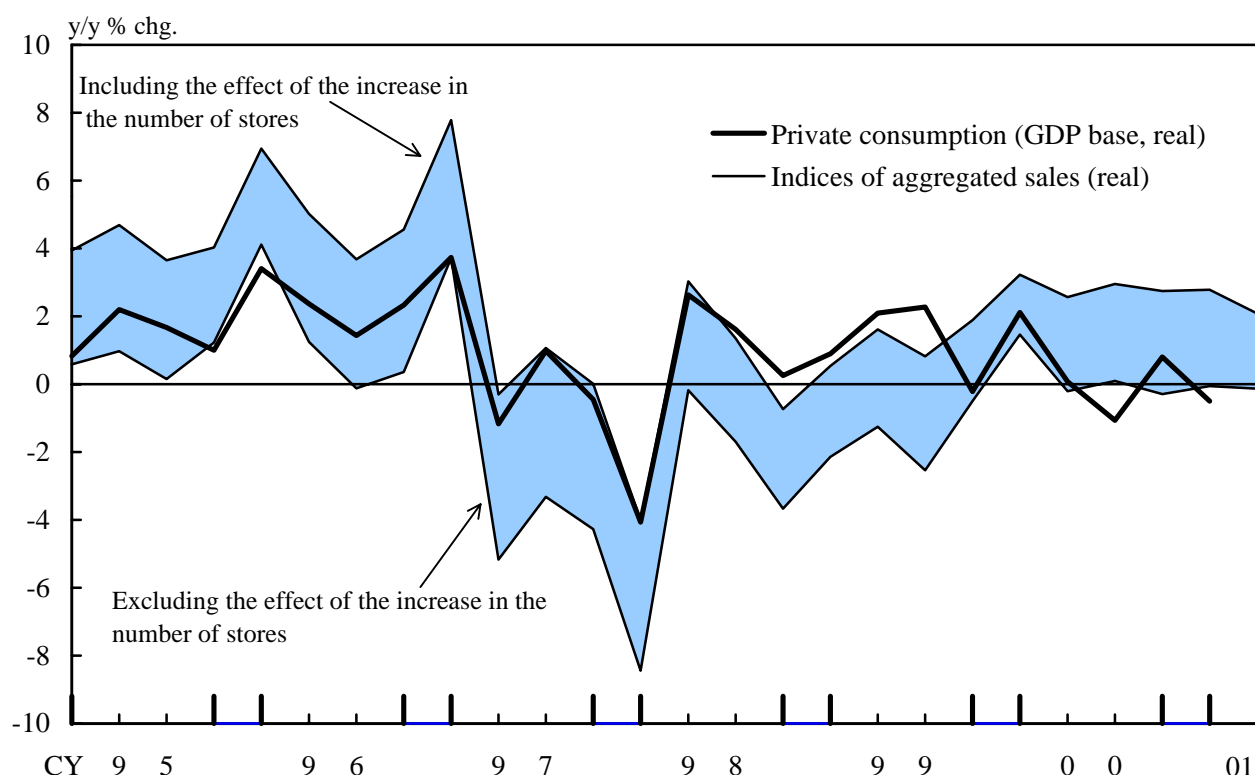
Japan Chain Stores Association, "Sales at Chain Stores";

Ministry of Land, Infrastructure and Transport, "Major Travel Agents' Revenue";

Foodservice Industry Survey & Research Center, "Monthly Survey of Food and Drink Sales";

Japan Foodservice Association, "The Research of Food and Drink Markets."

Private Consumption (3)

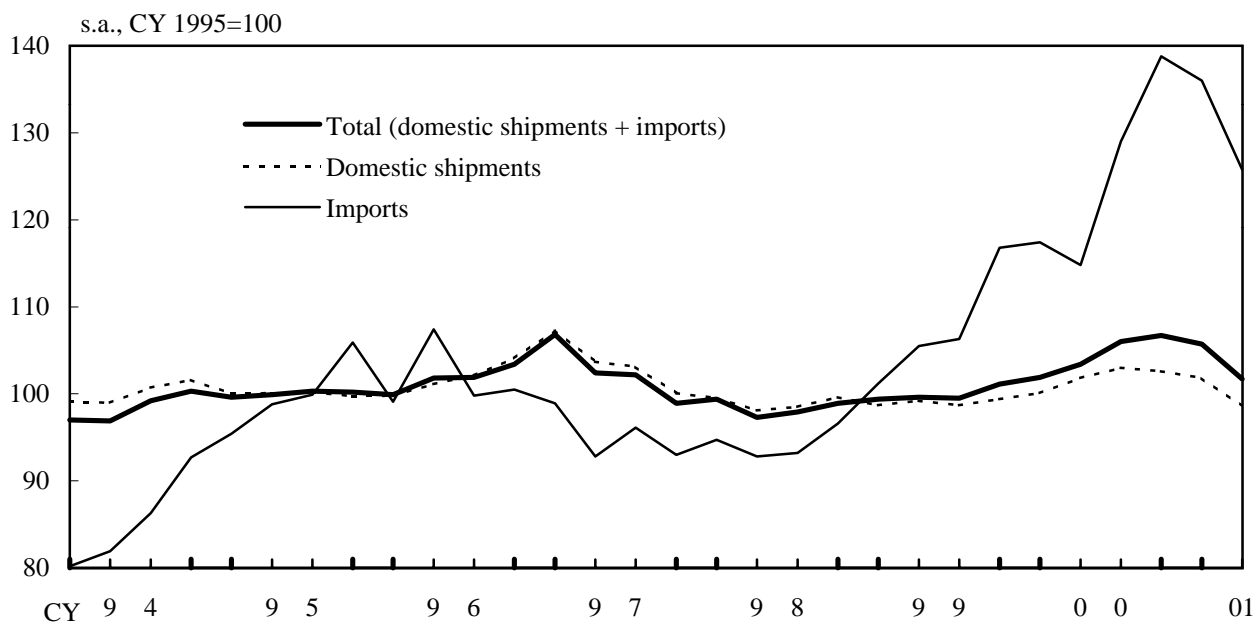


- Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *Sales at chain stores*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Food and drink sales*, where the weights come from the *Family Income and Expenditure Survey*. *Sales at convenience stores* (until March 1997 surveyed by the Bank of Japan) are also taken into account for the index and include 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 newly opened stores, which may arise from fresh demand they create or demand shifted from existing stores. In contrast, the latter shows ongoing development of consumption at existing stores by excluding sales at 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. The Bank of Japan changes the way it aggregates *Food and drink sales* and *Sales at convenience stores*, to use larger coverage data this month (see footnotes 3 and 5 in the Chart 11-2).
4. 2001/Q2 figures are those of April converted to a quarterly basis.

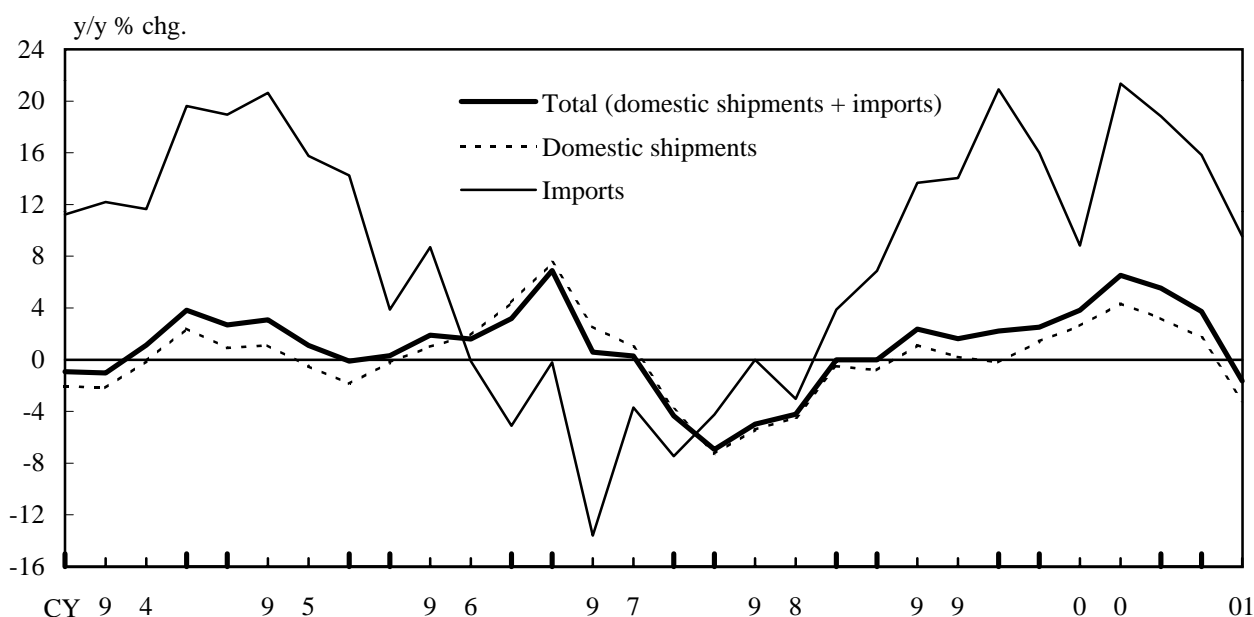
Sources: Cabinet Office, "National Accounts";
 Ministry of Economy, Trade and Industry, "Current Survey of Commerce";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index,"
 "Monthly Report on the Family Income and Expenditure Survey";
 Bank of Japan, "Wholesale 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";
 Japan Foodservice Association, "The Research of Food and Drink Markets."

Private Consumption (4) - Estimation of consumer goods supply

(1) Level



(2) Changes from a year earlier

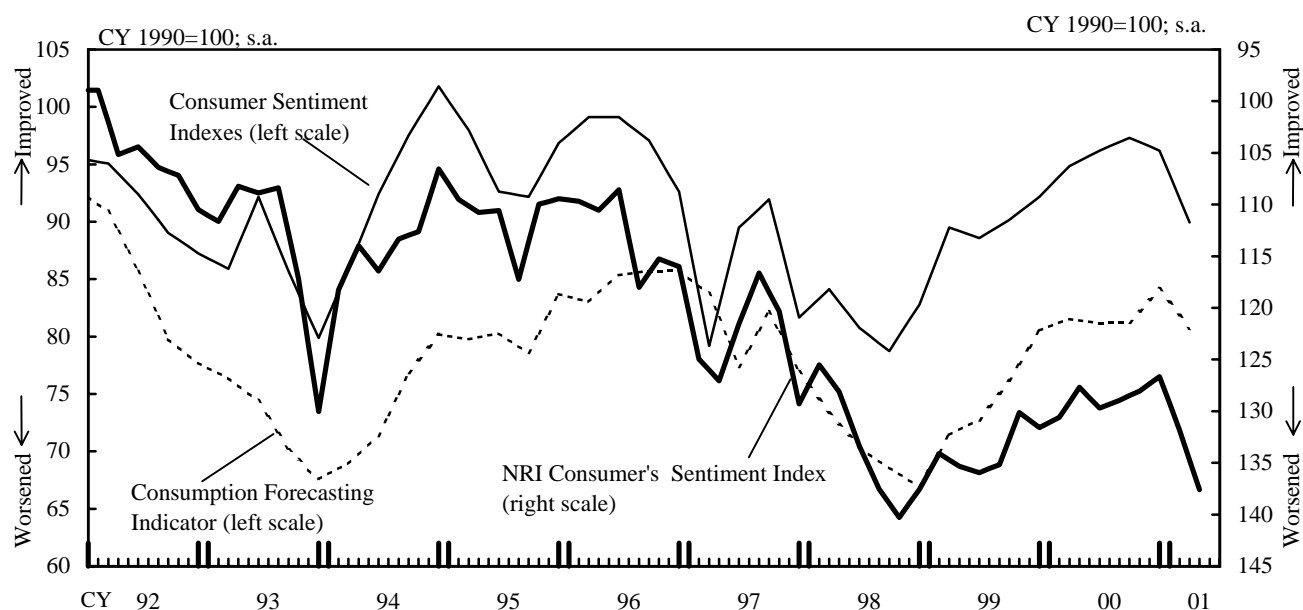


- Notes: 1. "Domestic shipments" and "Imports" are components of "consumer goods" in the *Indices of Industrial Domestic Shipments and Imports*. (The definition for "consumer goods" is the same as that in the *Indices of Industrial Production*.)
2. Figures for 2001/Q2 of "Domestic shipments" are calculated from quarterly changes of *Indices of Industrial Production* (excluding the effects of exports).
3. Figures for 2001/Q2 of "Imports" are calculated from quarterly changes of real imports.
Real imports (consumer goods) = motor vehicles + audio and visual apparatus + office machinery + foodstuffs + textiles.
4. Figures for 2001/Q2 of "Total (domestic shipments + imports)" are calculated from weighted average of the quarterly changes in "Domestic shipments" and "Imports".
5. Year-on-year changes are calculated from seasonal adjusted series.
6. 2001/Q2 figures are those of April in terms of quarterly amount.

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."

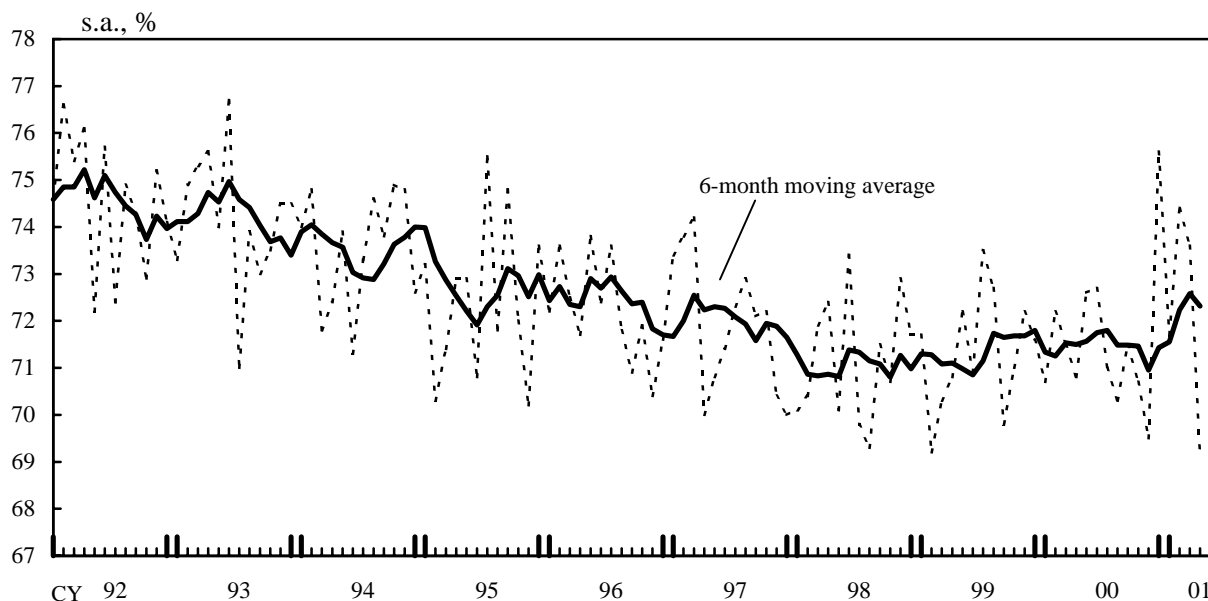
Consumer Confidence and Propensity to Consume

(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.

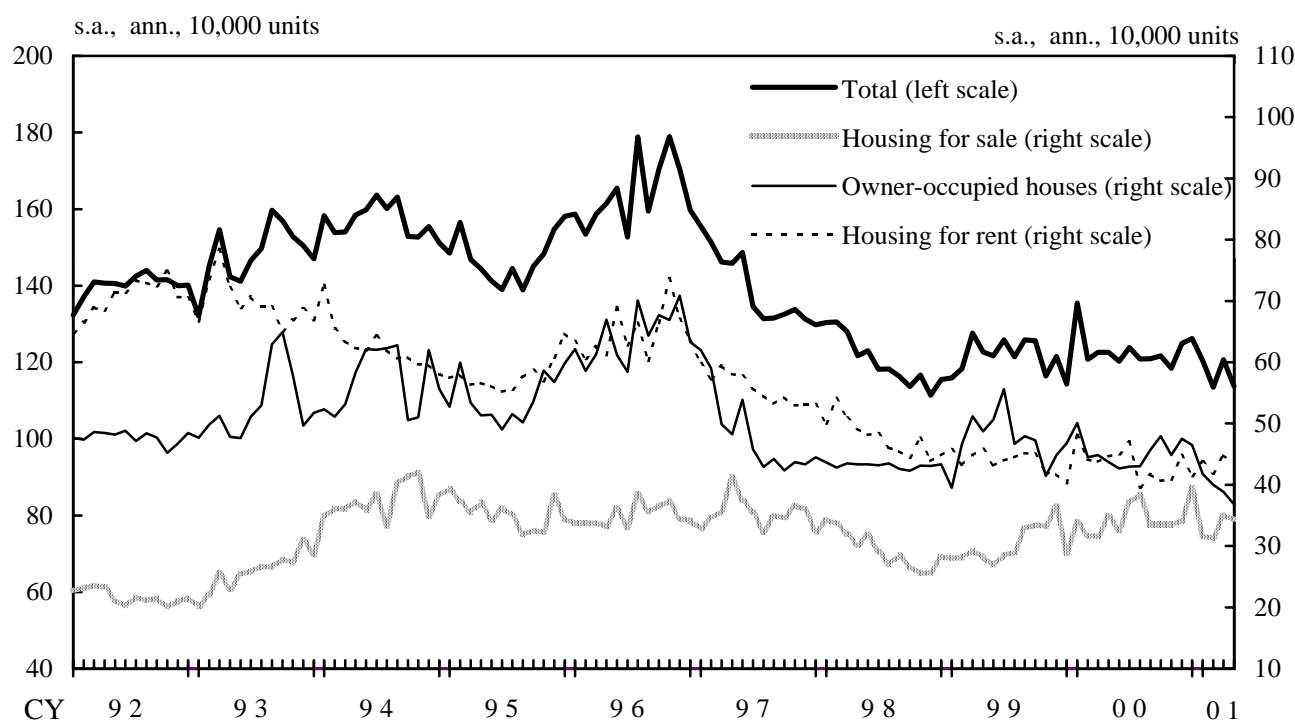
(2) Propensity to Consume (Family Income and Expenditure Survey)



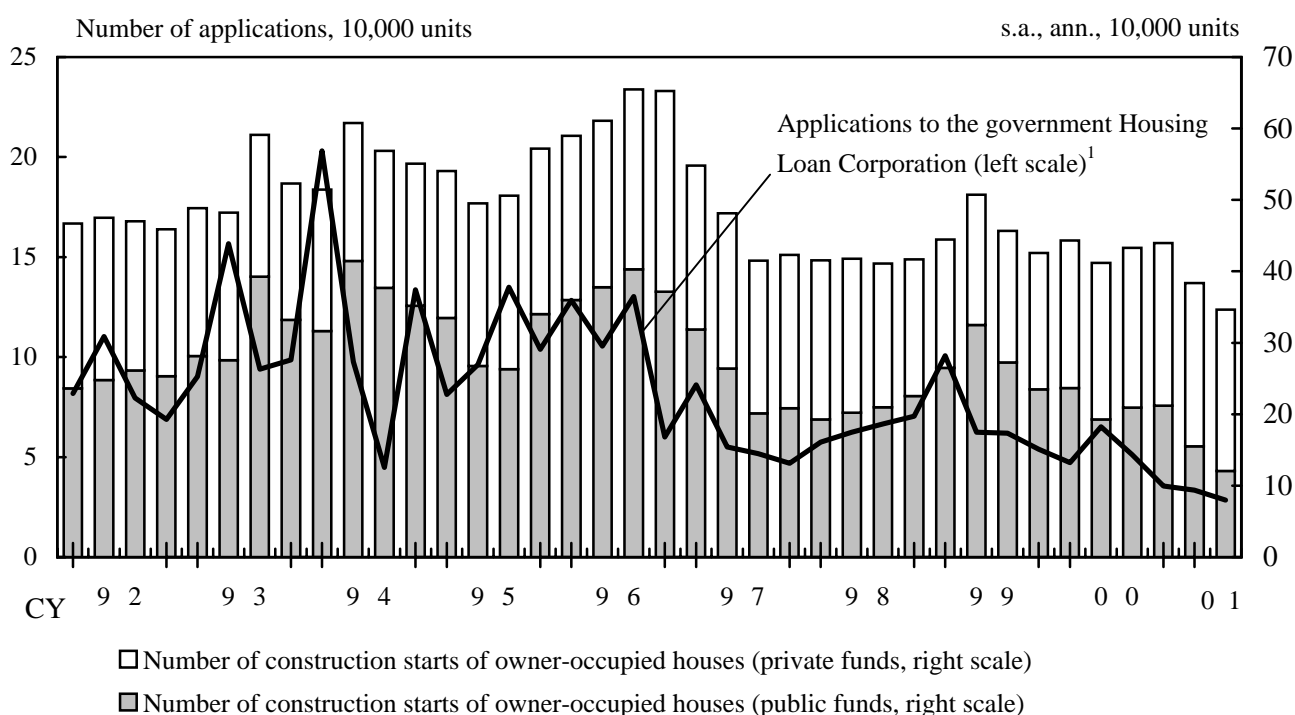
Sources: Cabinet Office, "Consumer Behavior Survey";
 Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator";
 Ministry of Public Management, Home Affairs, Posts and Telecommunications,
 "Monthly Report on the Family Income and Expenditure Survey";
 Nippon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



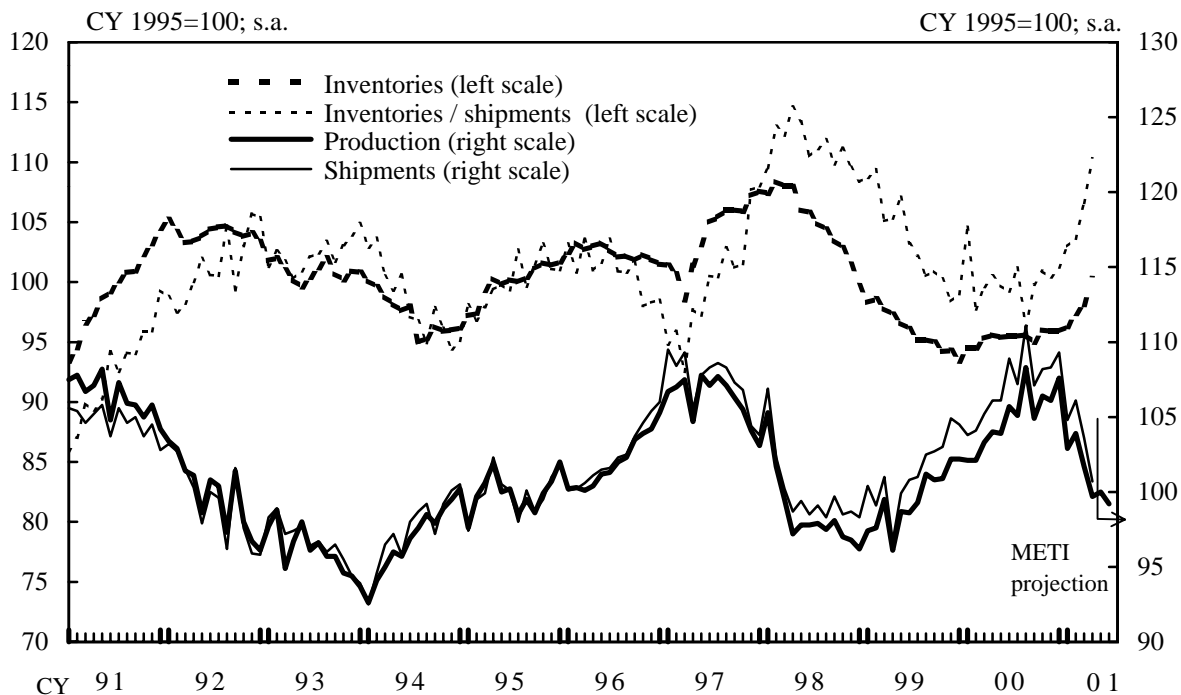
Notes: 1. As of FY2001, the Housing Loan Corporation has increased the offering times of loan applications from four to six times a year. The number of loan applications for the construction of private houses is divided by the number of days in the application term of each quarter.

2. Figures for the number of construction starts of owner-occupied houses (private funds and public funds) for CY2001/Q2 are those of April in terms of quarter amount.

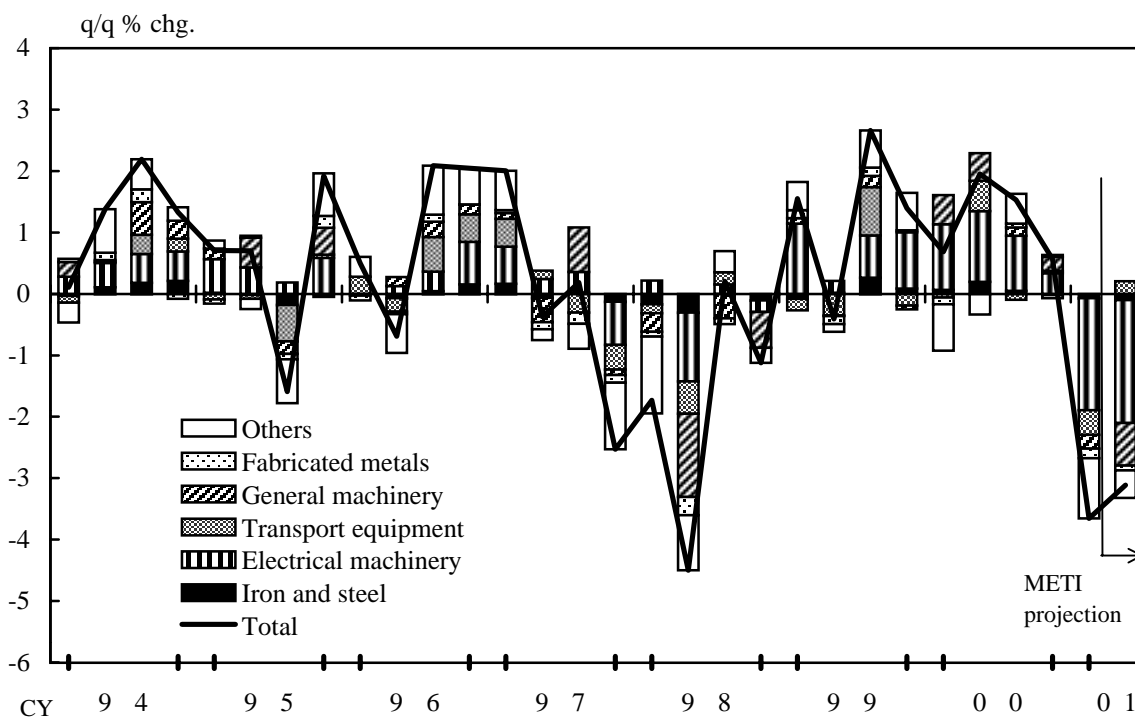
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



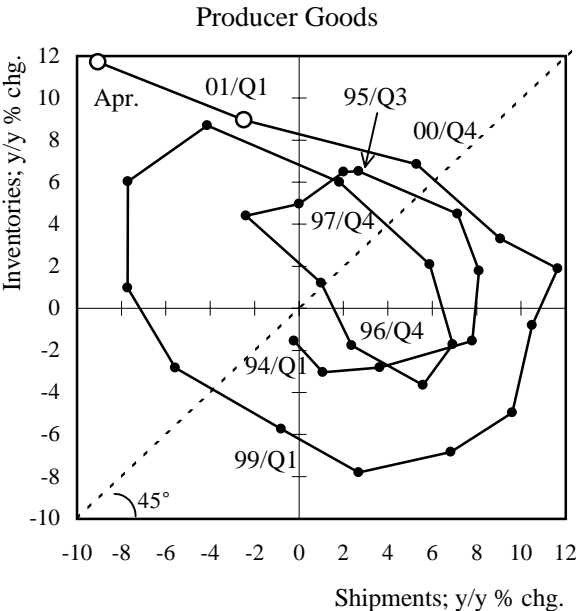
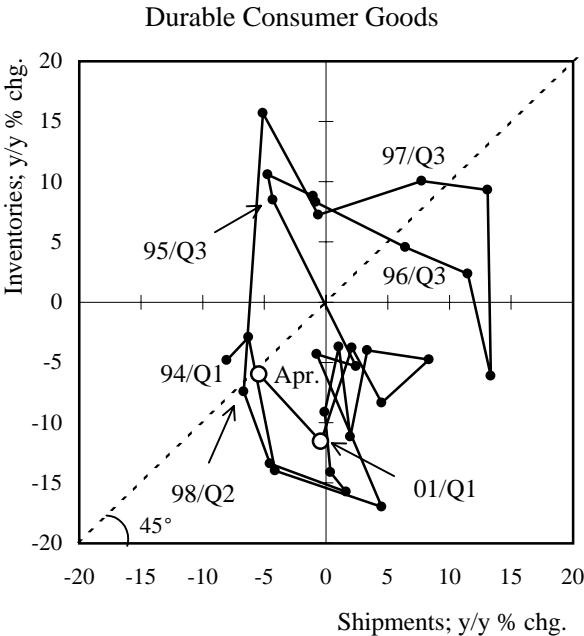
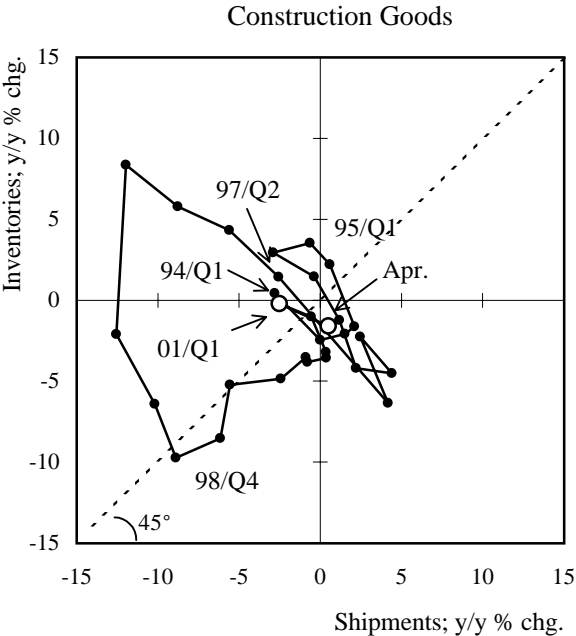
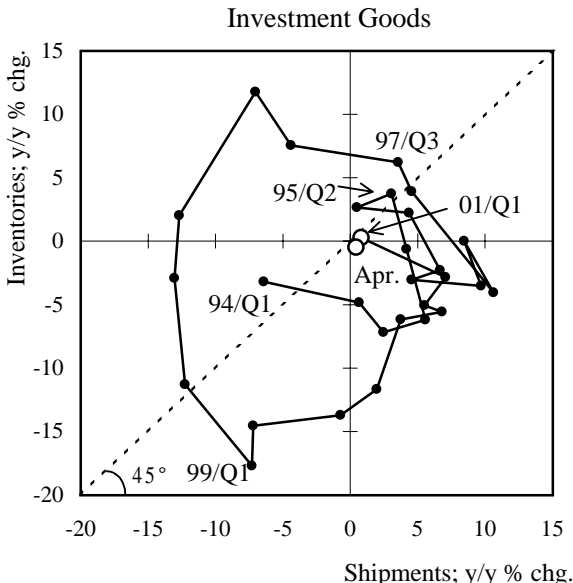
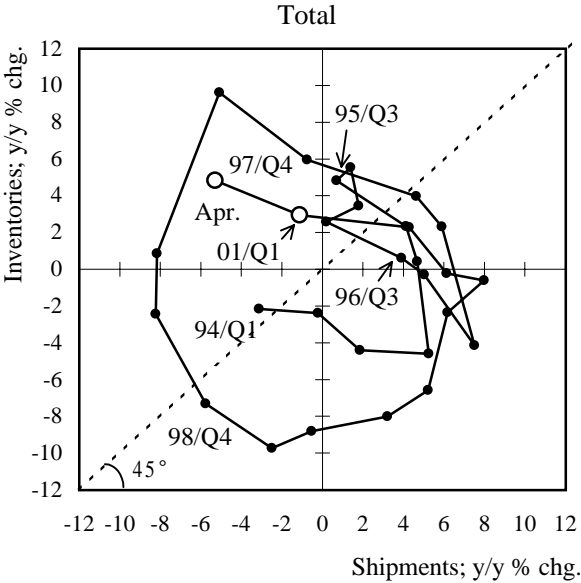
(2) Production by Industries



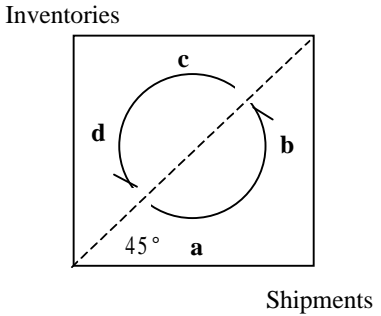
Note: Transport equipment excludes ships and rolling stock.

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

Inventory Cycle



Phases in the Inventory Cycle

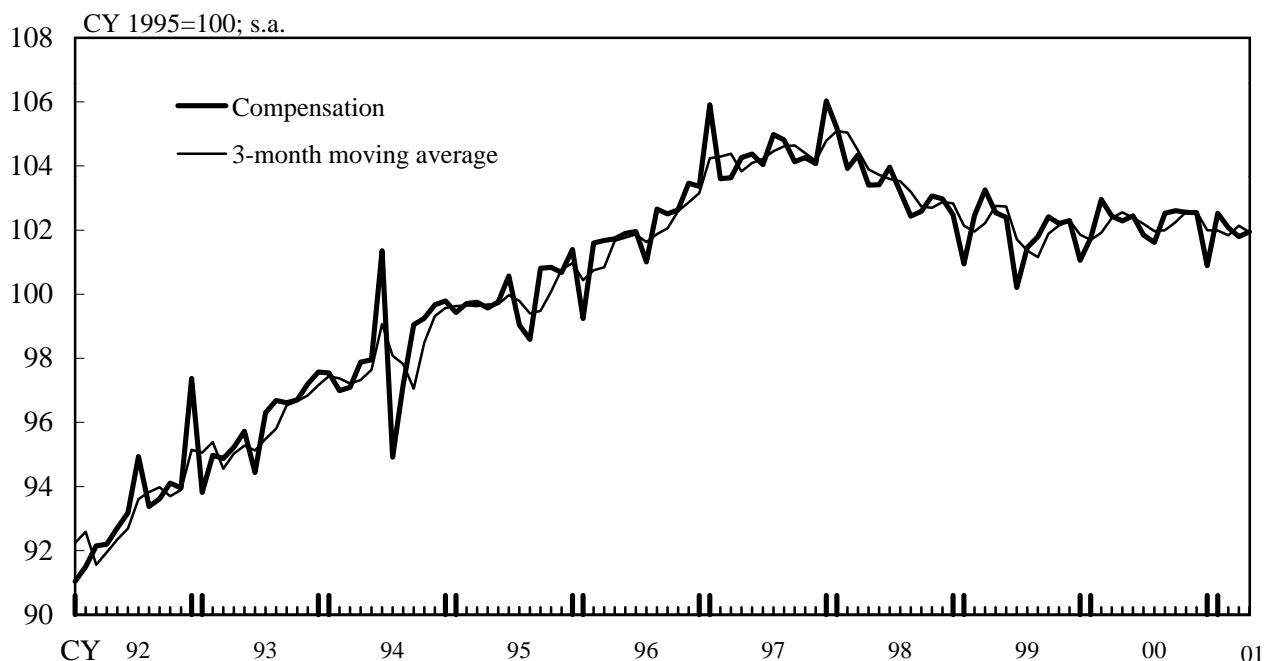


- a Shipment recovery phase
- b Intended inventory accumulation phase
- c Unintended inventory accumulation phase
- d Inventory adjustment phase

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

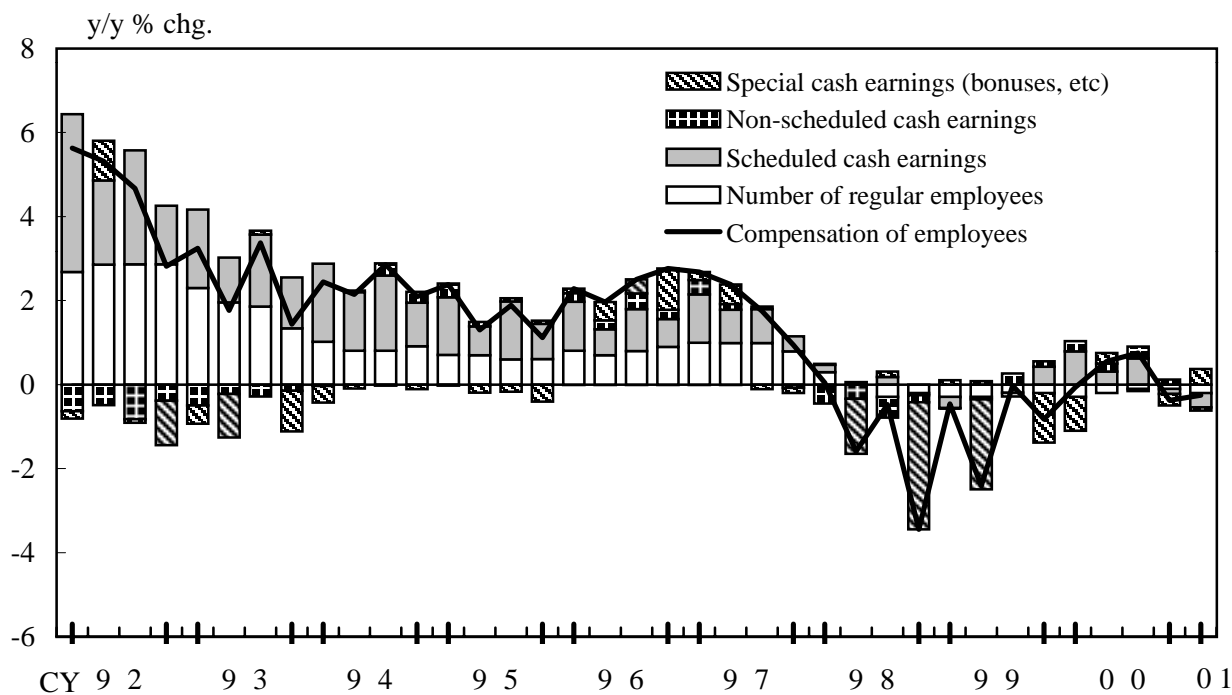
Compensation of Employees

(1) Compensation



- Notes: 1. Compensation = the index of total cash earnings \times the index of regular employees / 100 (calculated by the Bank of Japan).
 2. Seasonally adjusted by X-12-ARIMA (β version).
 3. Data for establishments with at least 5 employees. The data for April 2001 are preliminary figures.

(2) Breakdown of Compensation

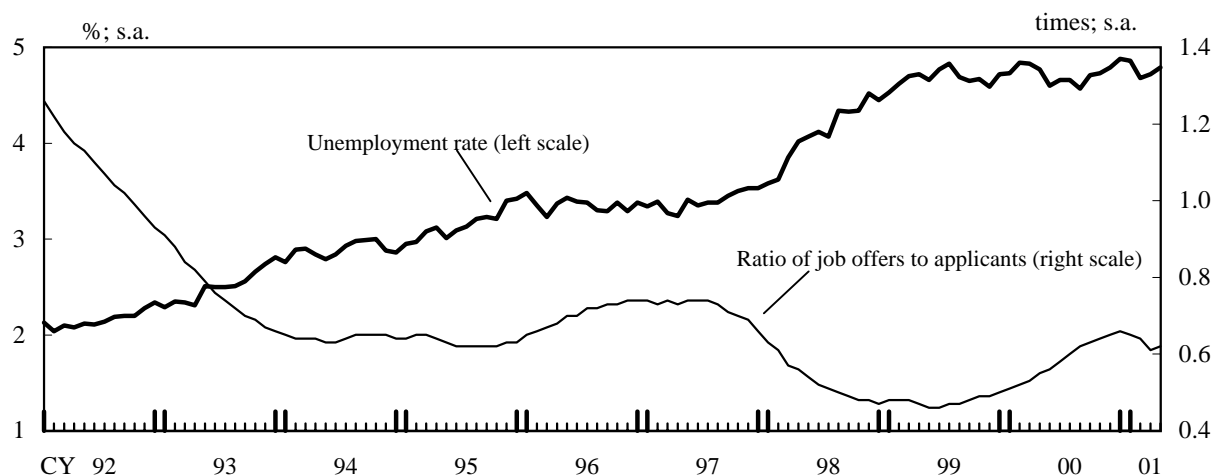
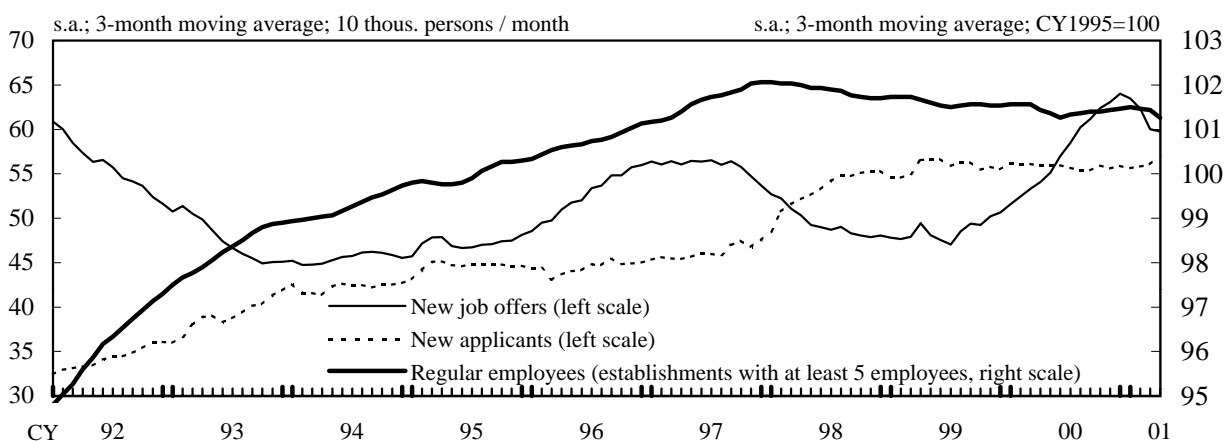
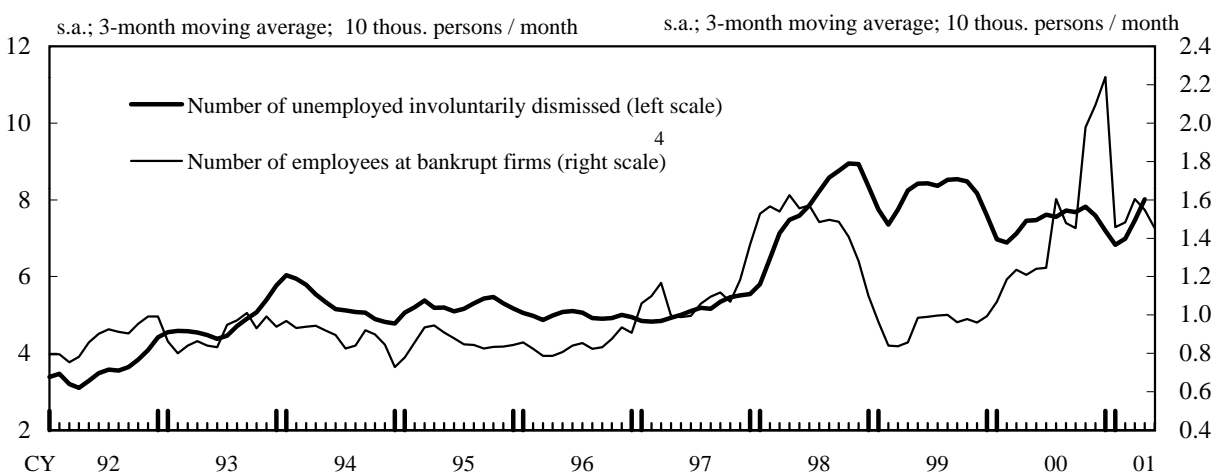


- Notes: 1. Data for establishments with at least 5 employees. The data for April 2001 are preliminary figures.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
 3. Figures for 01/Q1 are those of the March-April average.

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

Labor Market

(1) Monthly

(2) New Job Offers, New Applicants¹ and Regular employees²(3) Number of Unemployed Involuntarily Dismissed and Employees at Bankrupt Firms³

Notes: 1. Exclude jobs offered to new graduates.

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

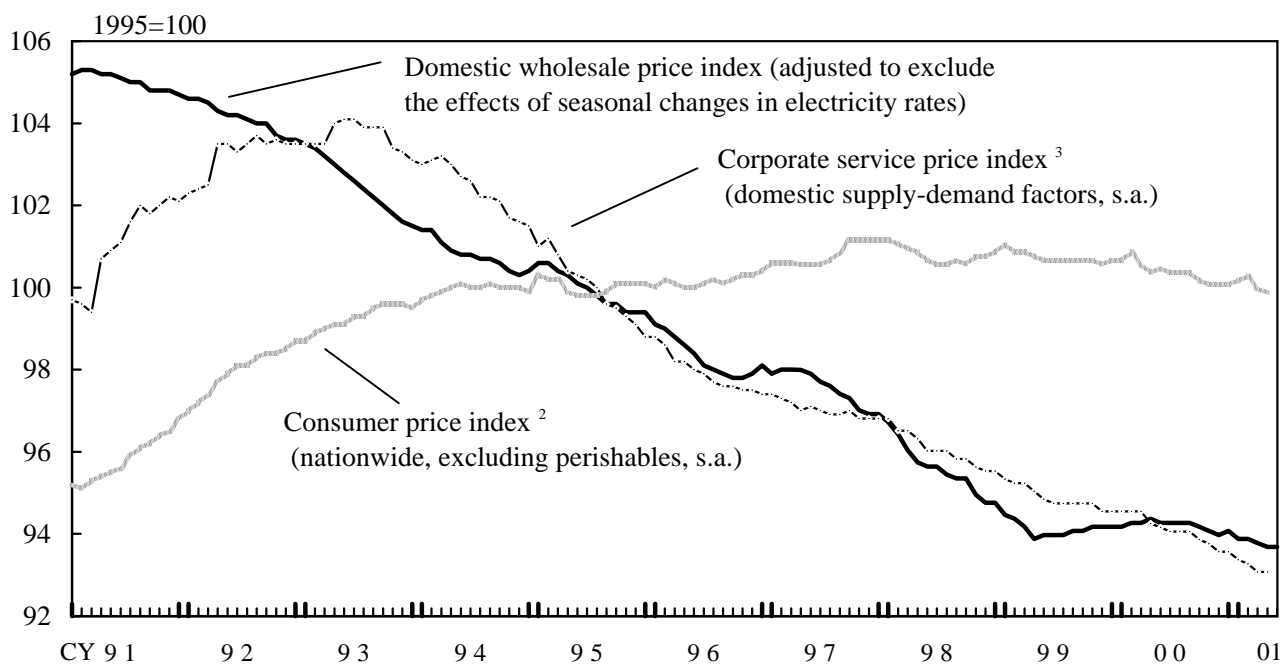
3. Seasonally adjusted by X-11.

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

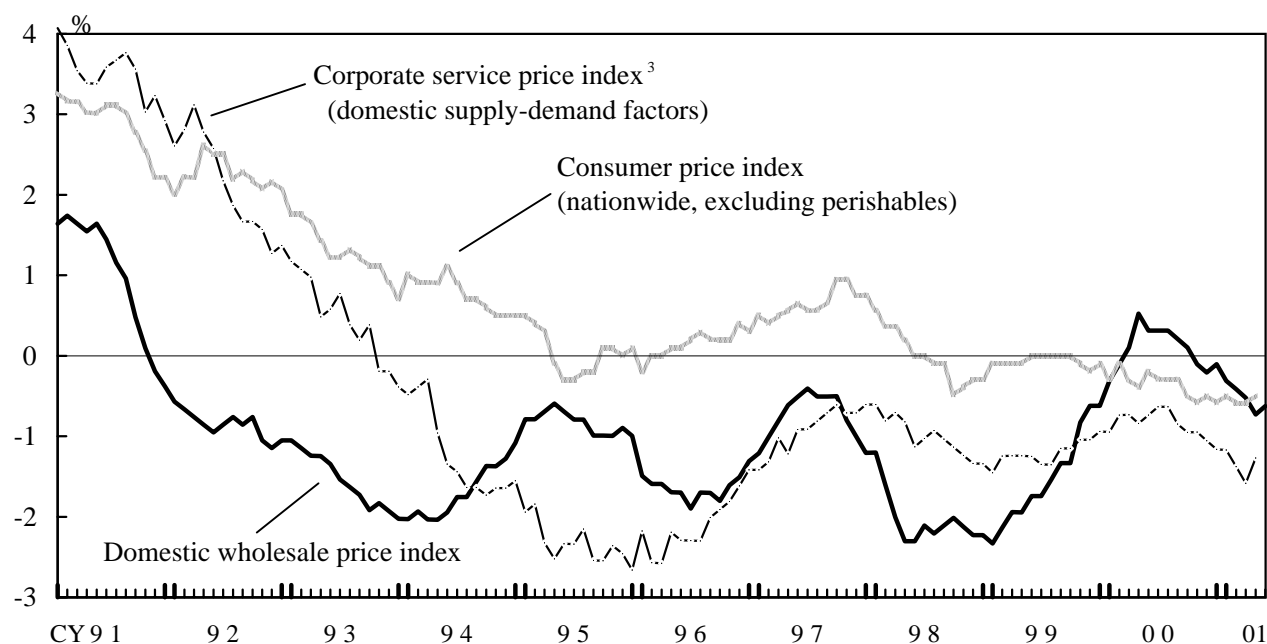
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey," "Report on Employment Service," "Report on Employment Insurance Service"; Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey"; Teikoku Databank Ltd., "Japan's Business Failure."

Prices¹

(1) Level



(2) Changes from a year earlier



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

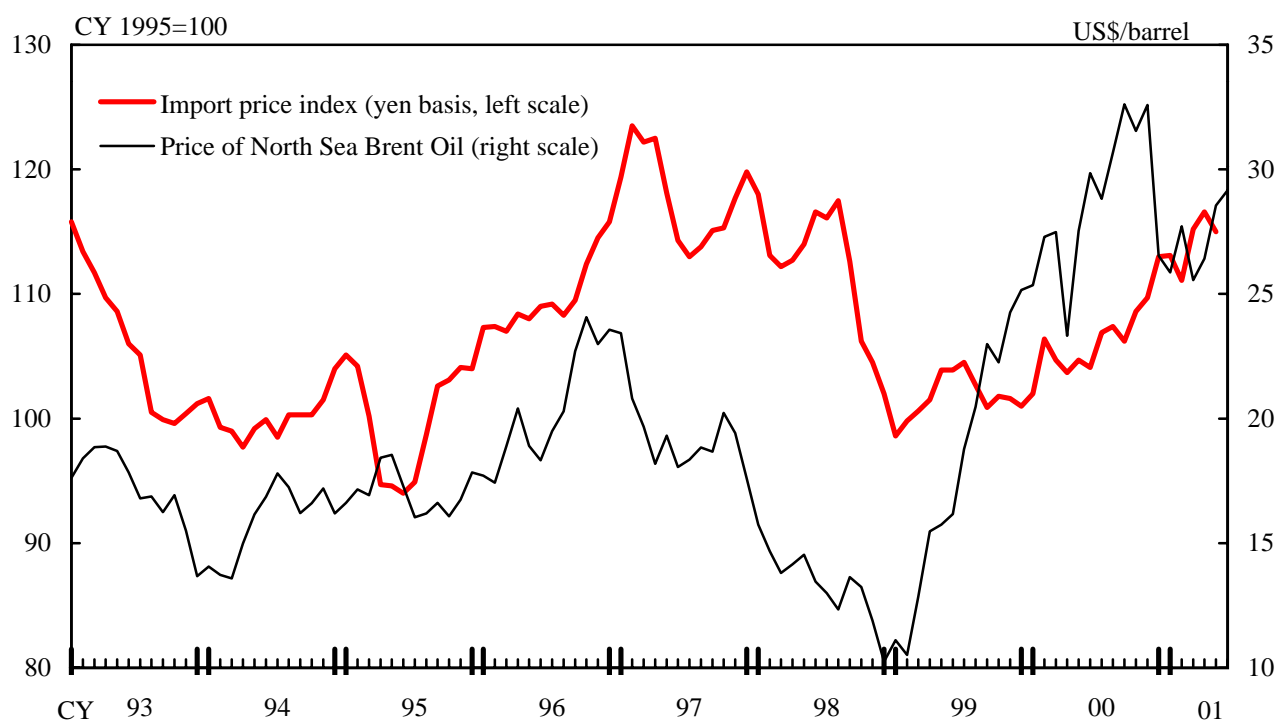
2. The 1990-base CPI, seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, is spliced for figures before January 1995.

3. See footnote 4 in Chart 21, for definition of the Corporate service price index (domestic supply-demand factors).

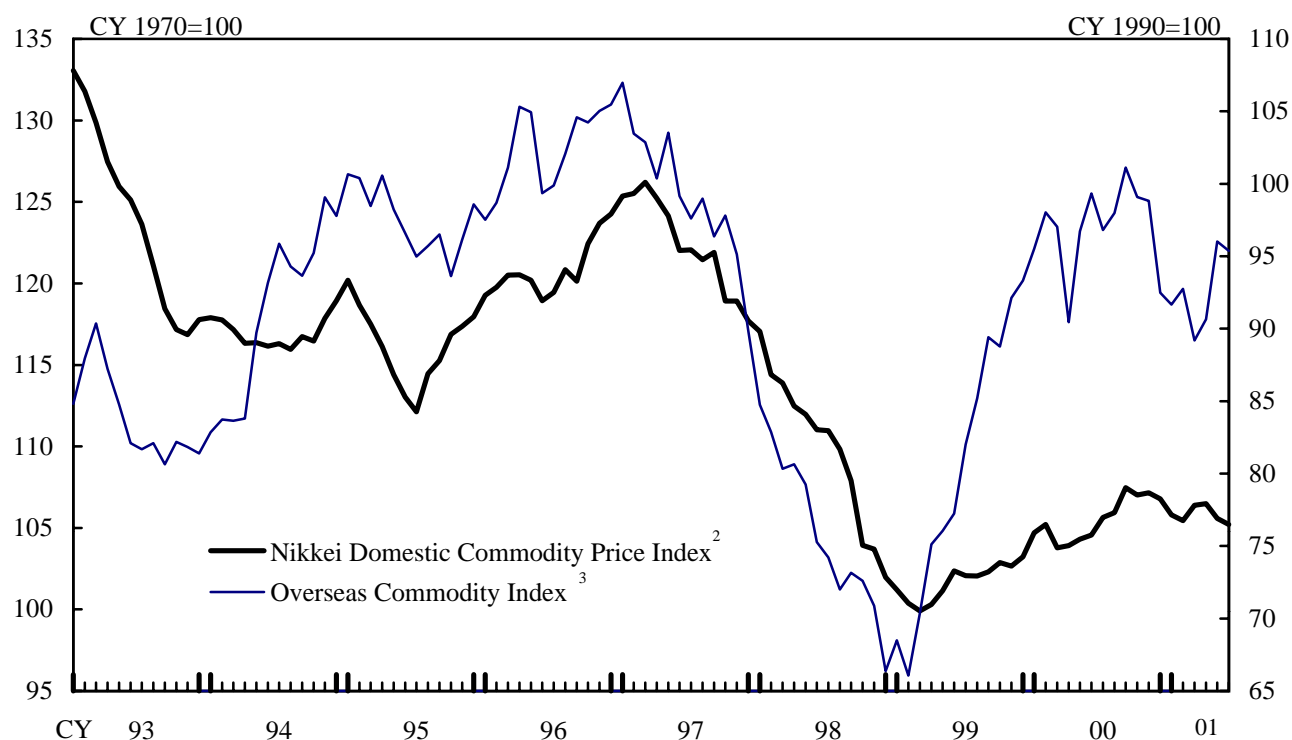
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index."

Import Prices and Domestic Commodity Market

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



(2) Domestic Commodity Market



Notes: 1. Data for June 2001 are June 1-13 average.

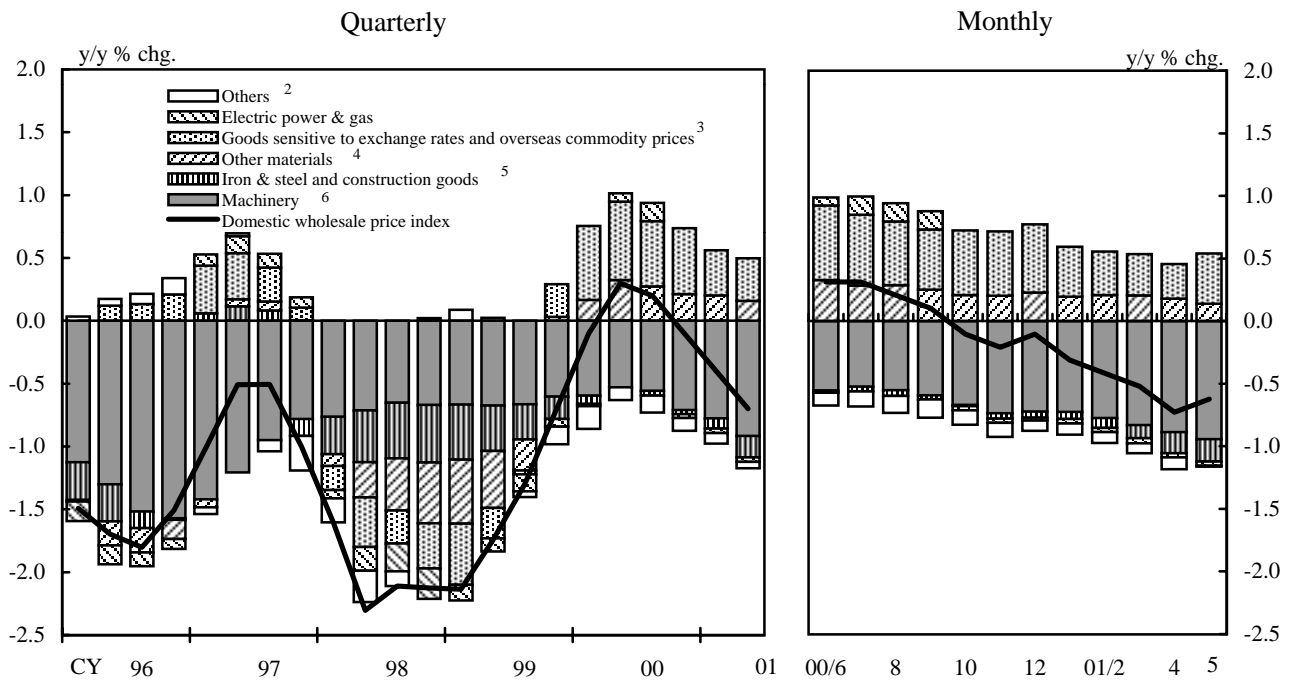
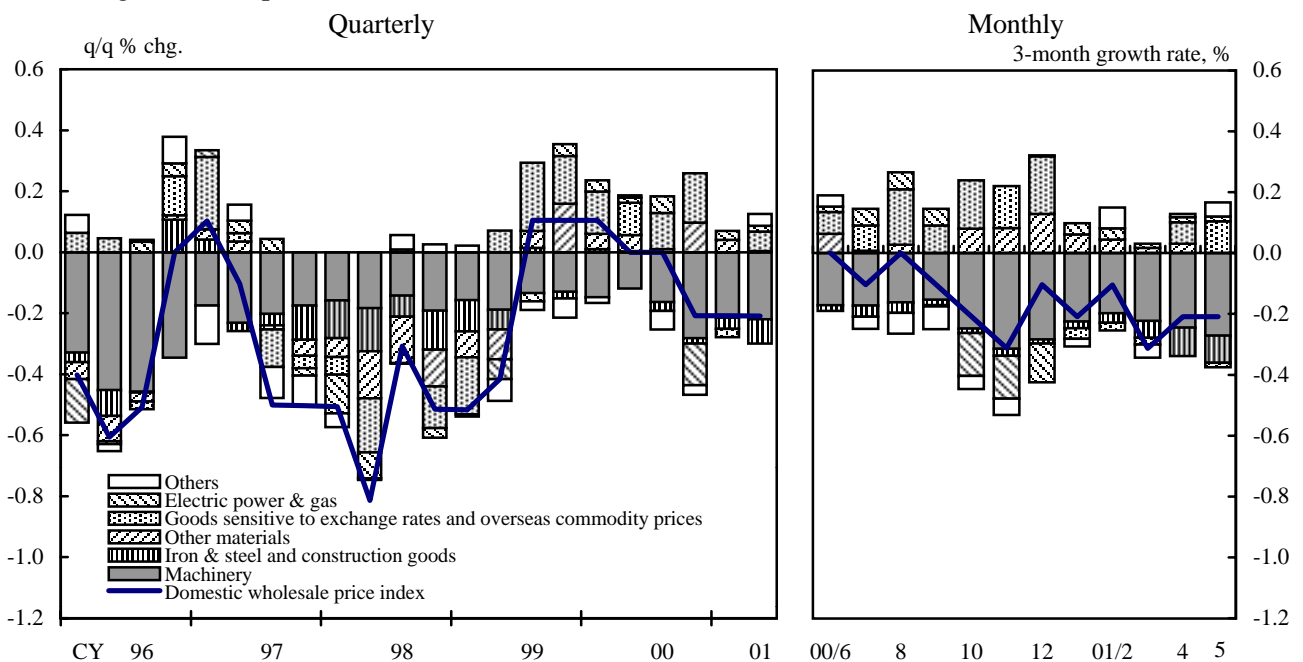
2. Data for June 2001 are as of June 8.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for June 2001 are June 1-13 average.

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

Domestic Wholesale Price Index¹

(1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier⁷

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

2. Others = processed foodstuffs + other manufacturing industry products + edible agricultural, livestock & aquatic products + inedible agricultural & forestry products + mining products + water.

3. Goods sensitive to exchange rates and overseas commodity prices = petroleum & coal products + nonferrous metals.

4. Other materials = chemicals + plastic products + textile products + pulp, paper & related products.

5. Iron & steel and construction goods = iron & steel + metal products + ceramics, stone & clay products + lumber & wood products + scrap & waste.

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

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

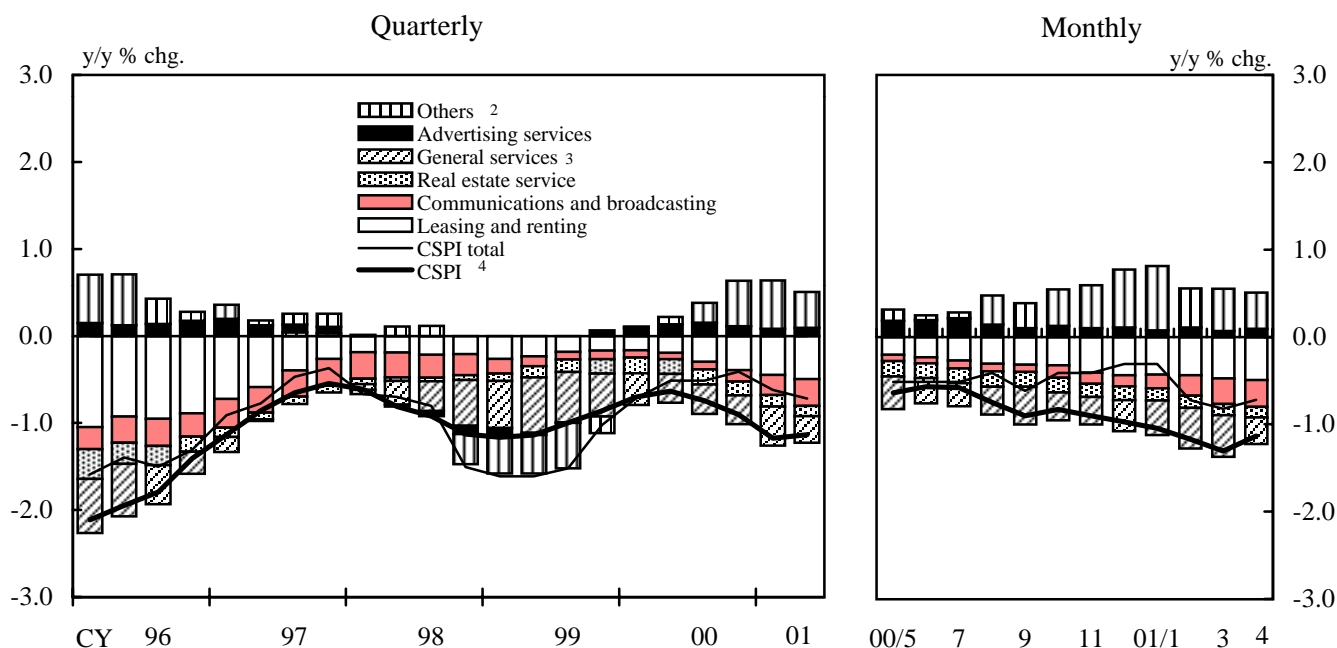
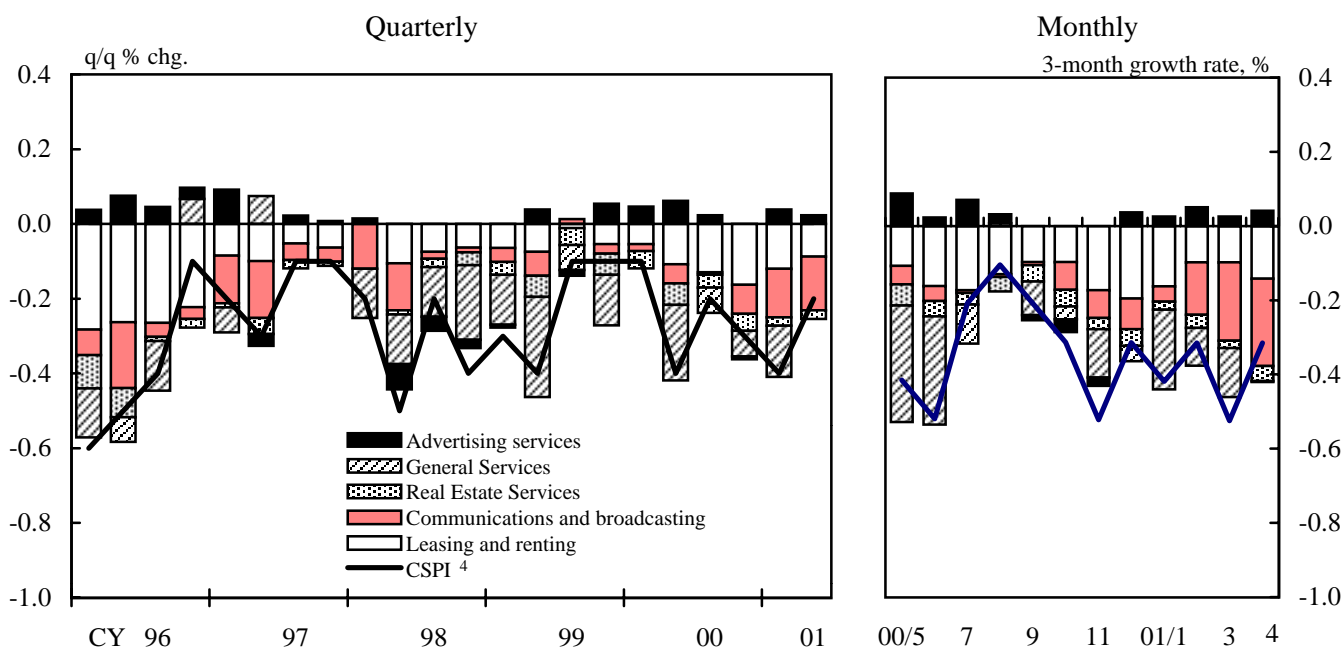
This effect causes the Domestic Wholesale Price Index to rise by about 0.2%.

8. Figures for 2001/Q2 are those of the April-May average.

Source: Bank of Japan, "Wholesale Price Indexes."

Corporate Service Price Index¹

(1) Changes from a year earlier

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

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

2. Others = automobile insurance (compulsory) + railroad fares + bus fares + taxi fares + domestic air fares + tolls + postal services + sewerage disposal + ocean freight + international air freight + international air fares + securities issuance and related services (banks' procurator service for issuing debentures <excluding underwriting services>).

3. General services = finance & insurance + transportation + information services + building maintenance services + temporary worker services + machinery maintenance, etc. (excluding items in "others").

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

5. Television commercials in Advertising services, Sales space rental in Real estate services, and General warehousing and storage in Transportation are seasonally adjusted by X-12-ARIMA (β version).

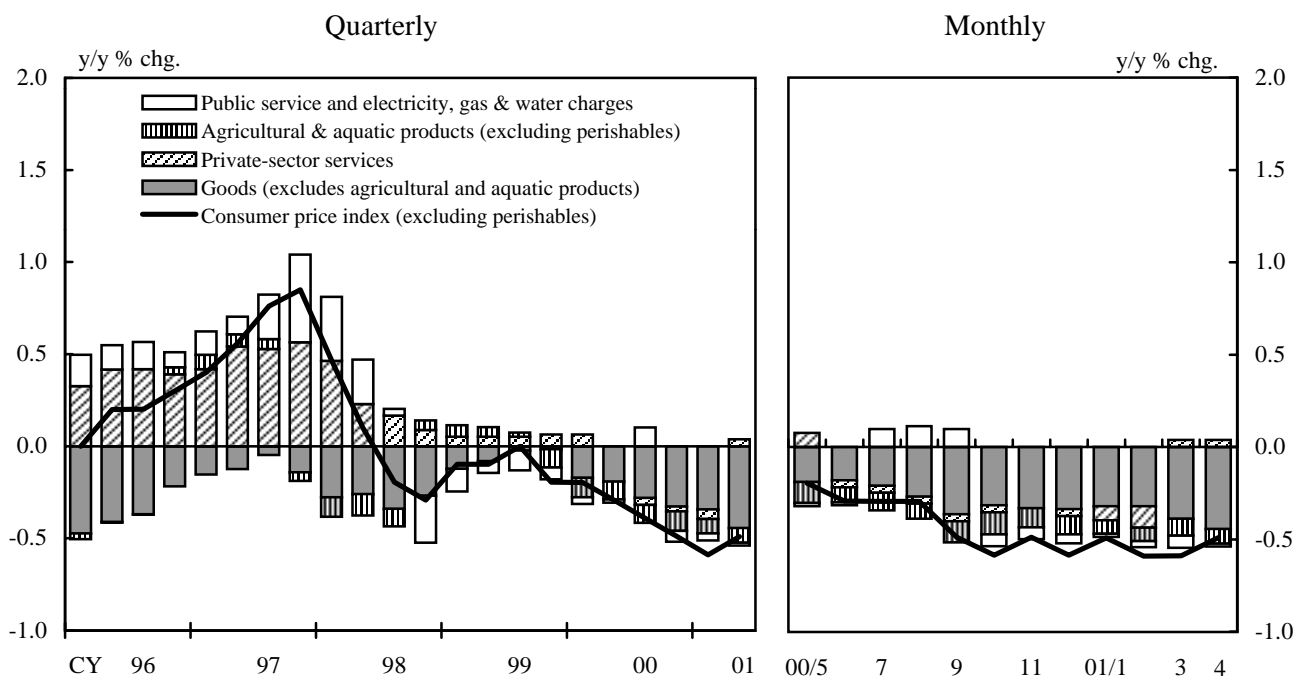
Due to seasonal adjustment every month, the series are revised retroactively every month.

6. Figures for 2001/Q2 are those of April.

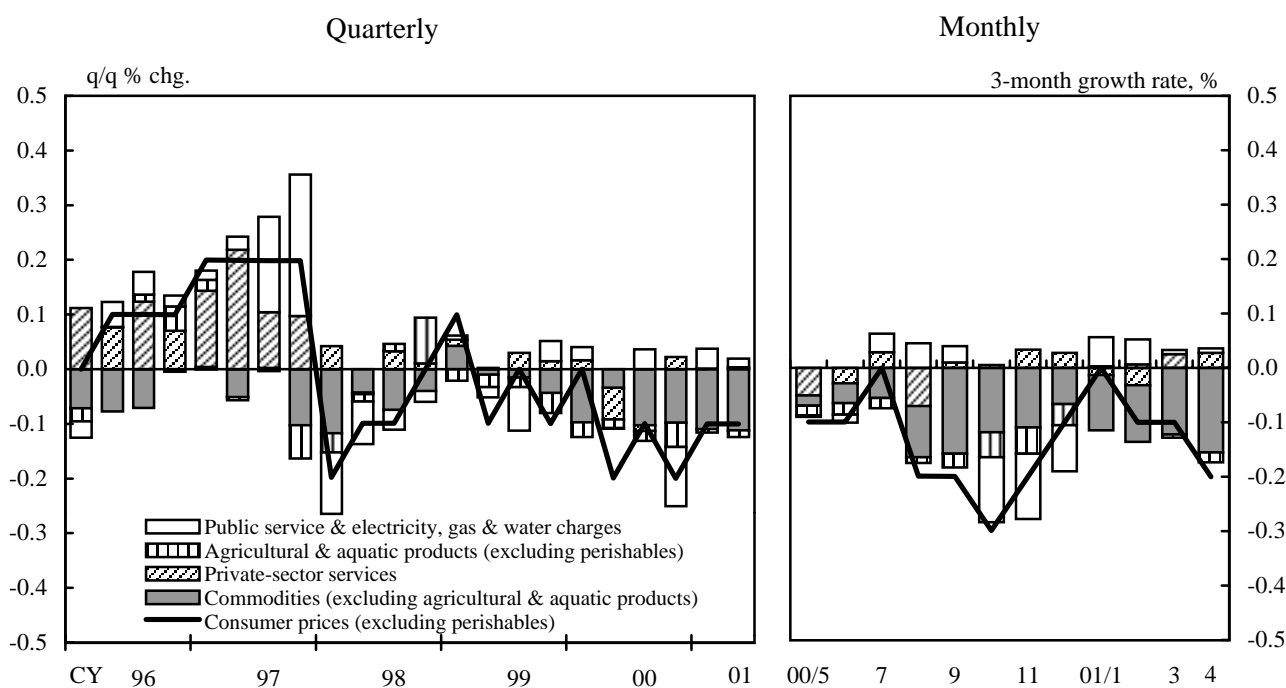
Source: Bank of Japan, "Corporate Service Price Index."

Consumer Price Index (excluding perishables)¹

(1) Changes from a year earlier

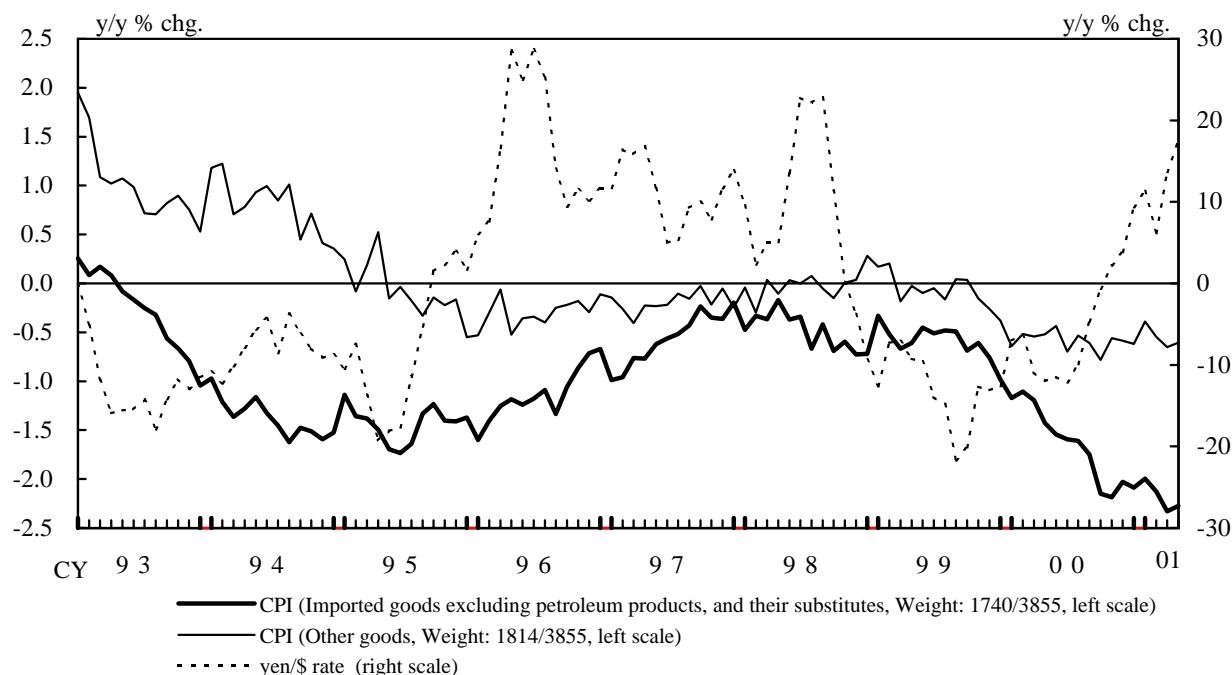


(2) Changes from a quarter earlier and 3 months earlier²



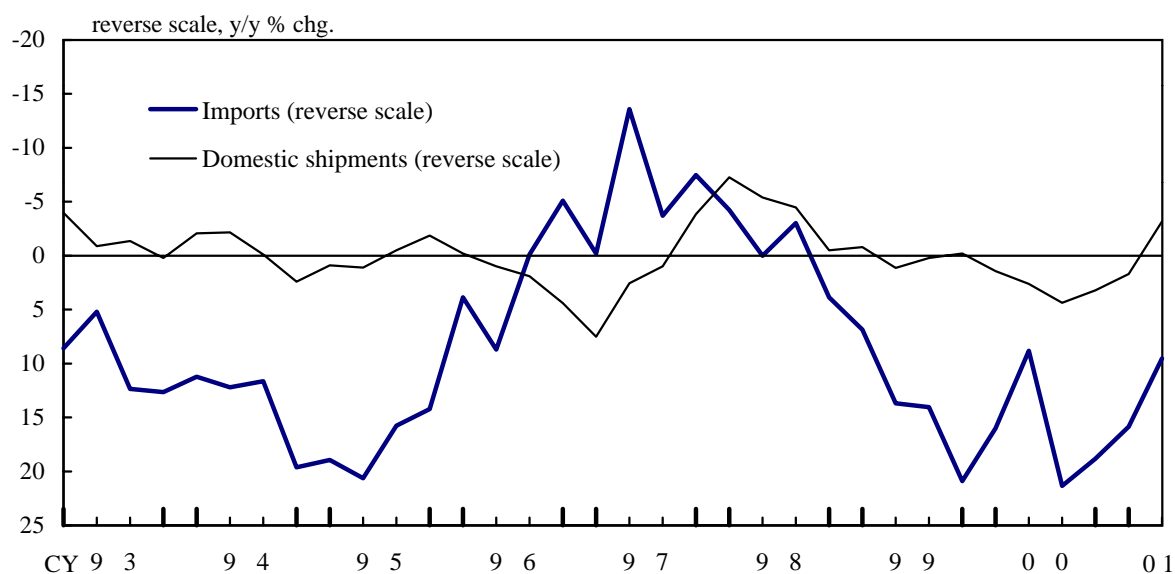
- Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
 2. Seasonally adjusted by X-12-ARIMA (β version). Due to seasonal adjustment every month, the series are revised retroactively every month. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.
 3. Figures for 2001/Q2 are those of April.

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

Consumer Price Index (Imported goods and their substitutes)¹(1) Comparison of Imported goods and other goods in terms of CPI²

- 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)

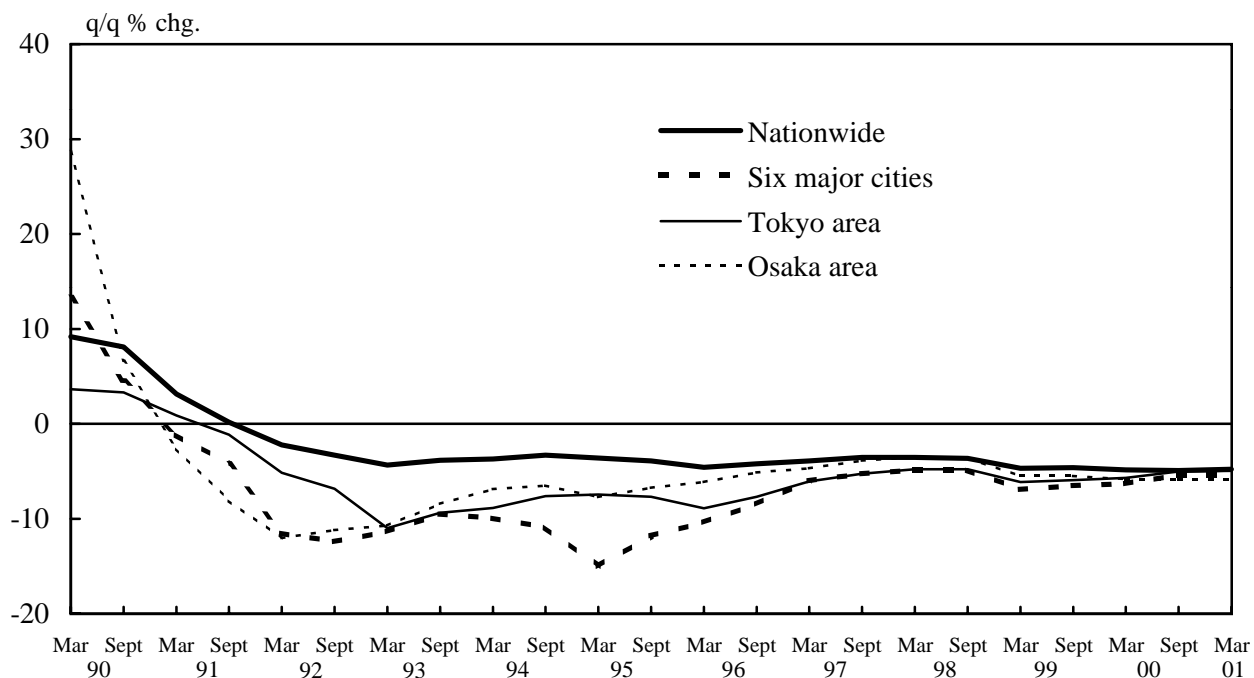


Note: See footnote Chart 11-4, for definition of the consumer goods supply.

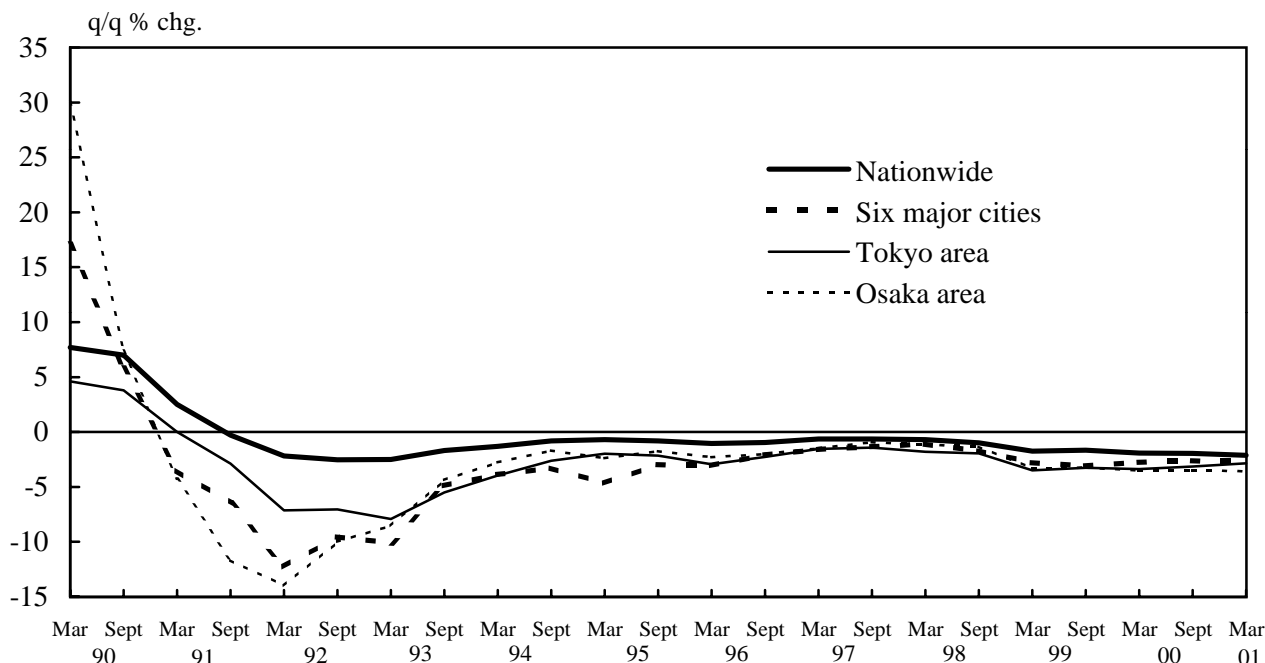
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports";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

Urban Land Price Index

(1) Commercial land



(2) Residential land



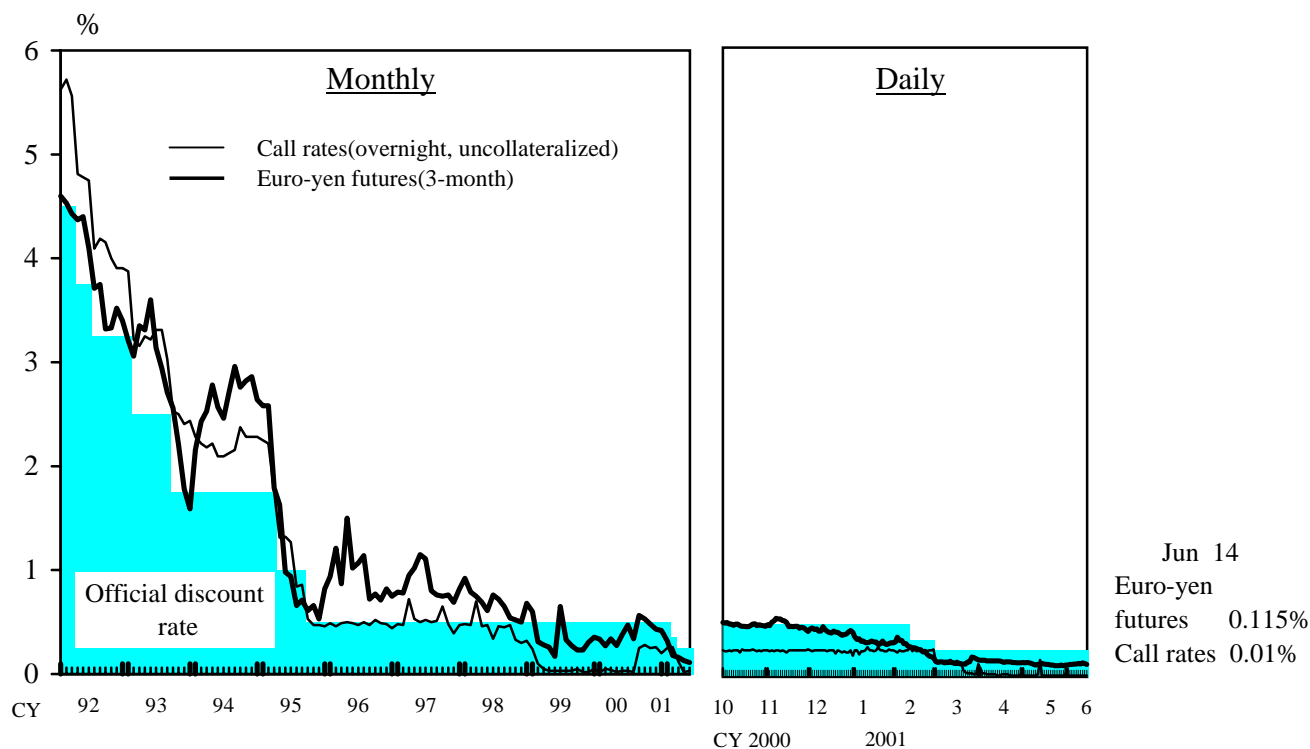
Notes: 1. The Urban Land Price Index is based on surveys conducted at the end of March and September each year.

2. Six major cities include Tokyo (23 wards only), Yokohama, Nagoya, Kyoto, Osaka and Kobe.

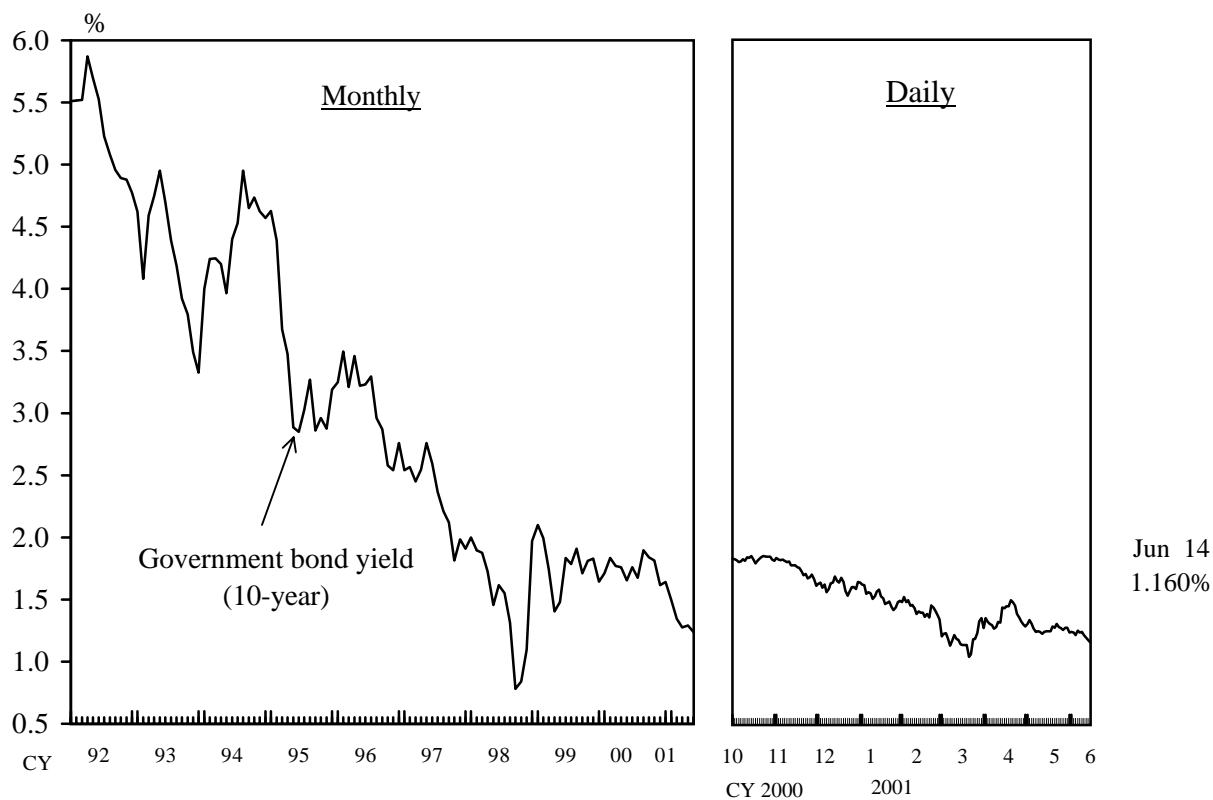
Source: Japan Real Estate Institute, "Urban Land Price Index."

Interest Rates

(1) Short-Term



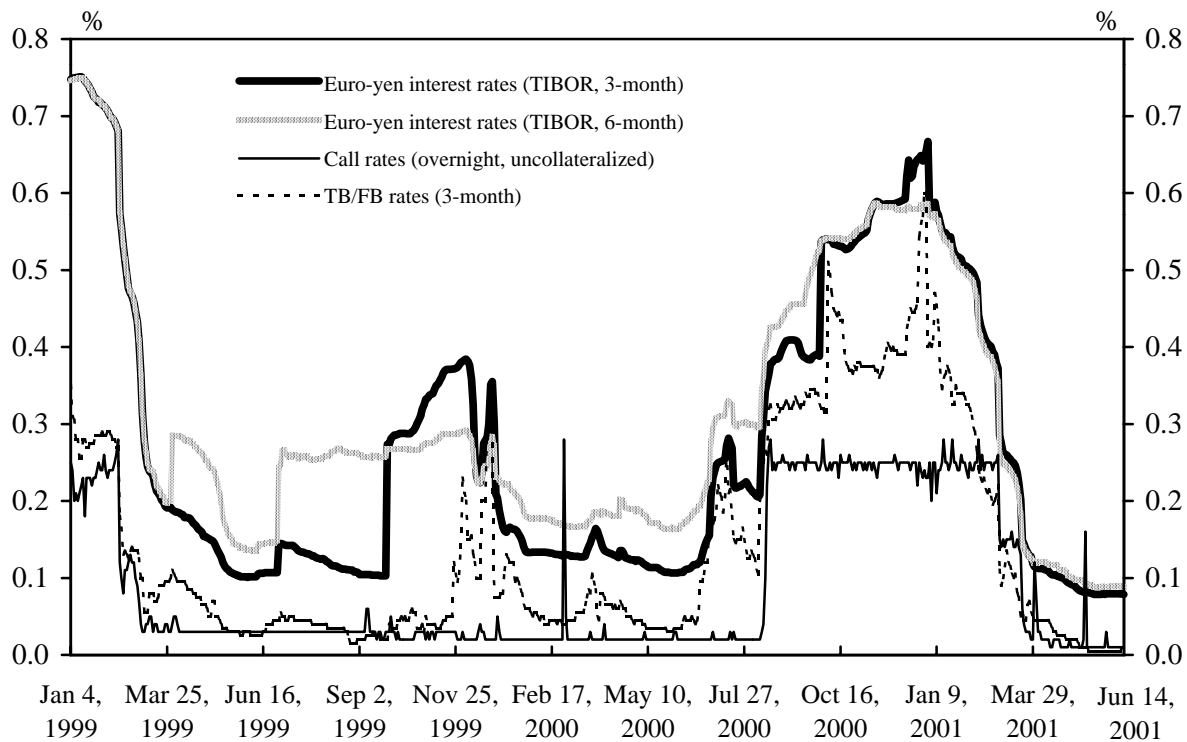
(2) Long-Term



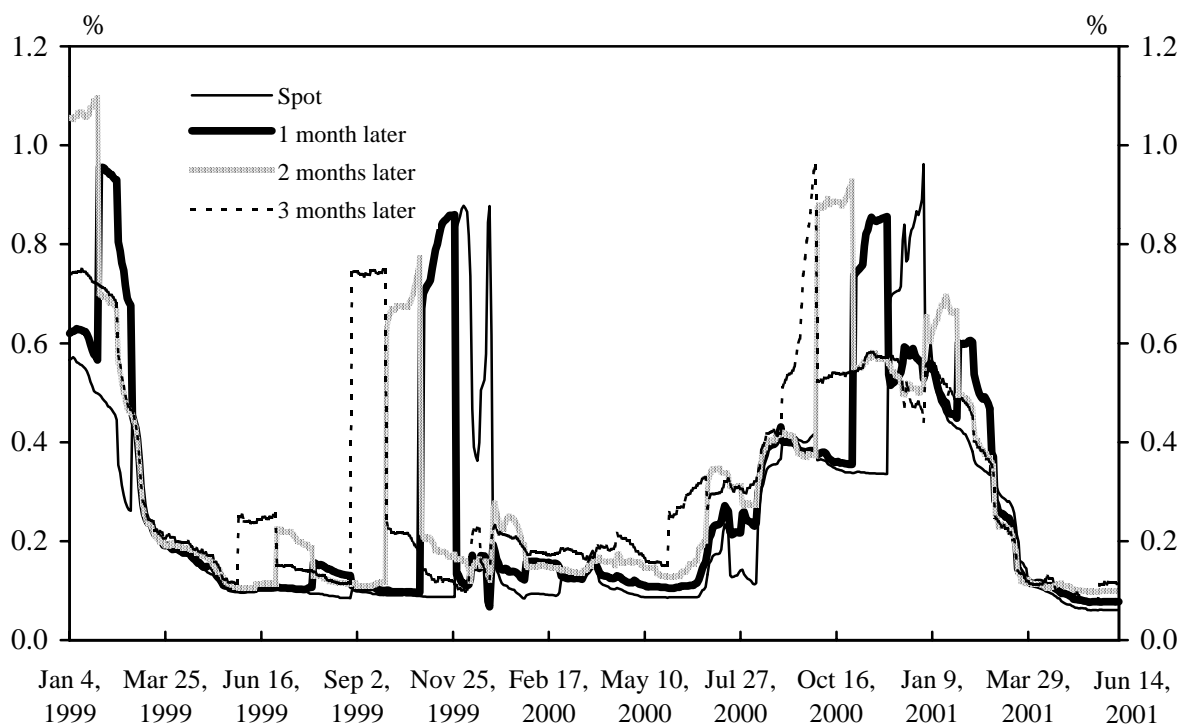
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

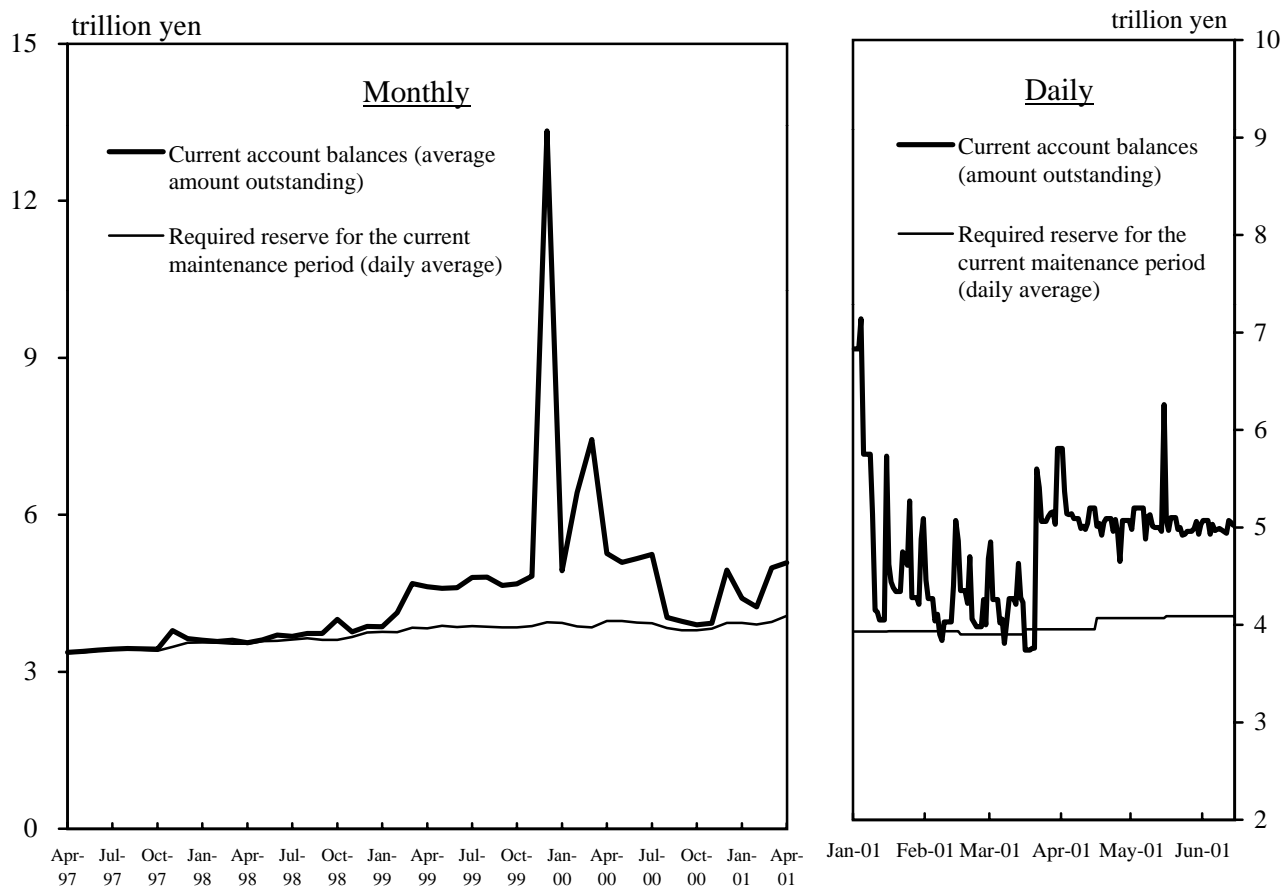


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

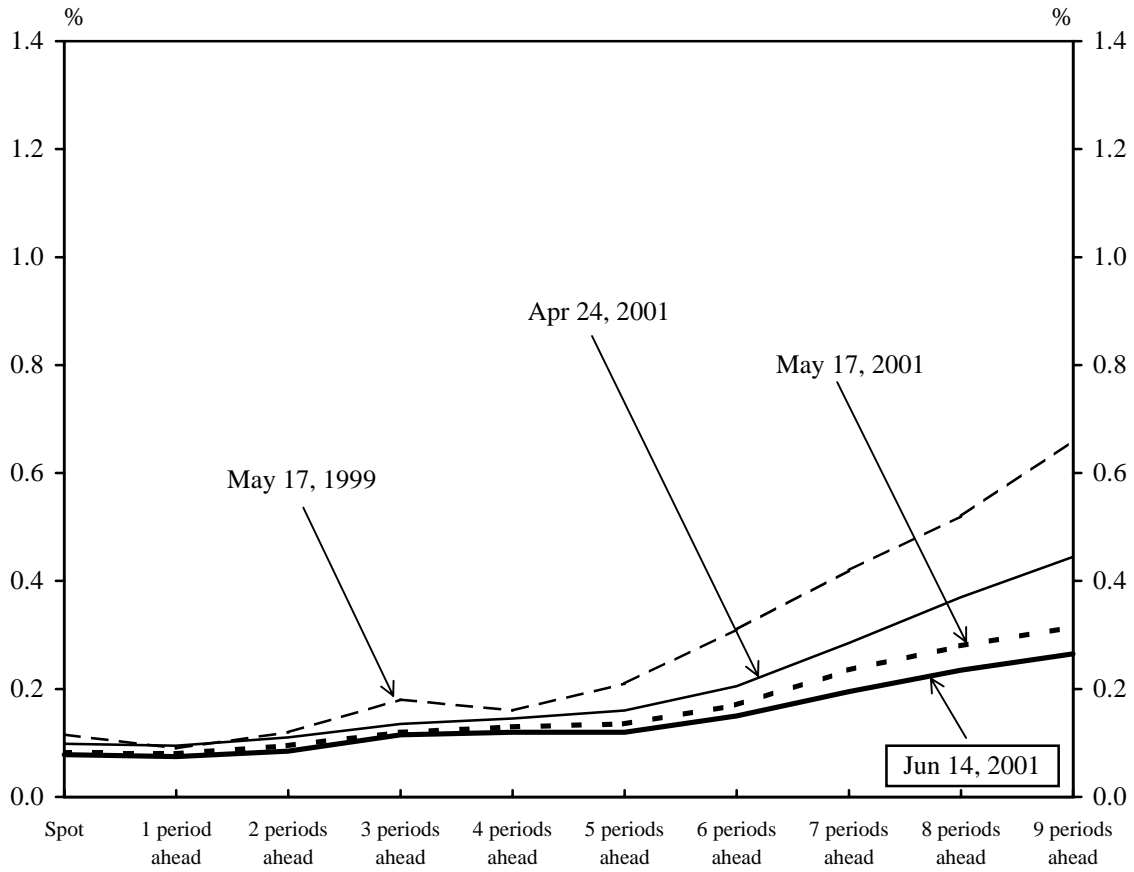


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

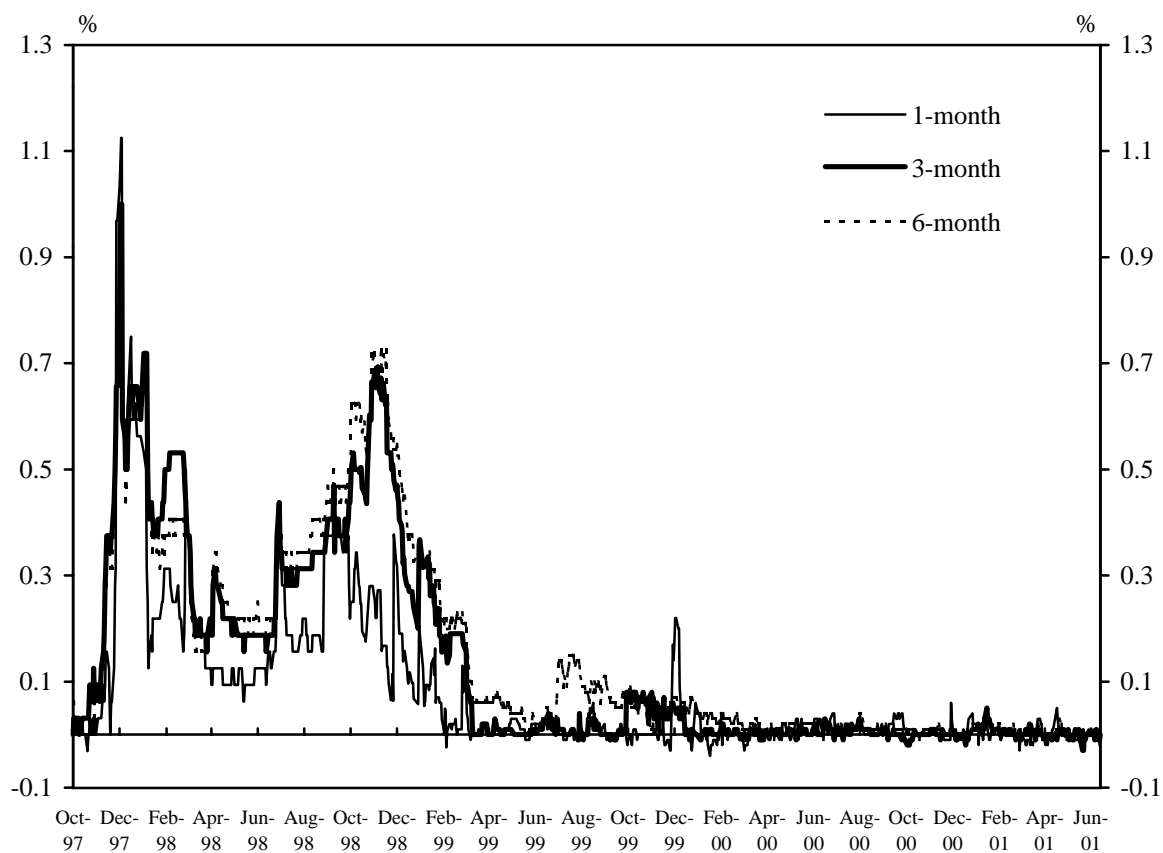
Current Account Balances at the Bank of Japan



Euro-Yen Interest Rates Futures (3-Month)



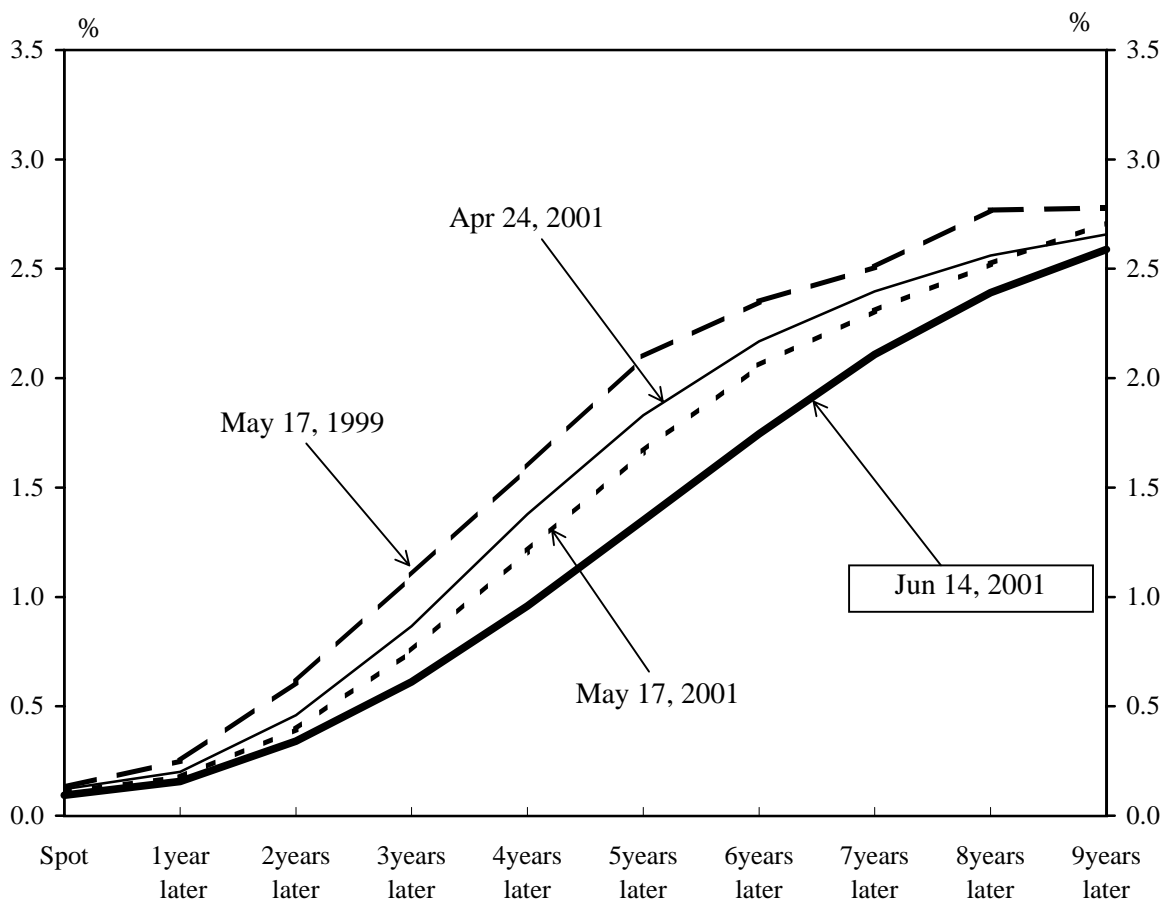
Source: Tokyo International Financial Futures Exchange.

Japan Premium in the Eurodollar Market ¹

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

Source: British Bankers' Association (BBA).

Implied Forward Rates (1-year)¹

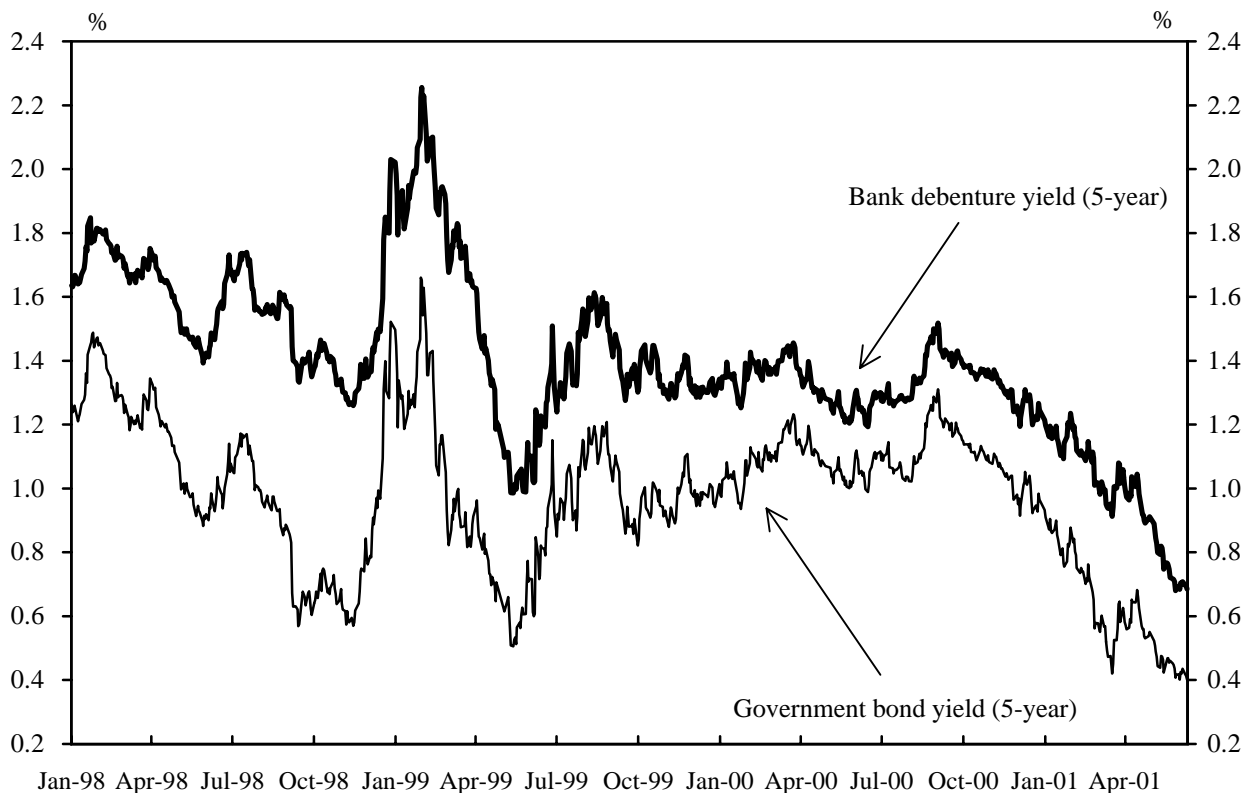


Note: 1. Calculated from yen-yen swap rates.

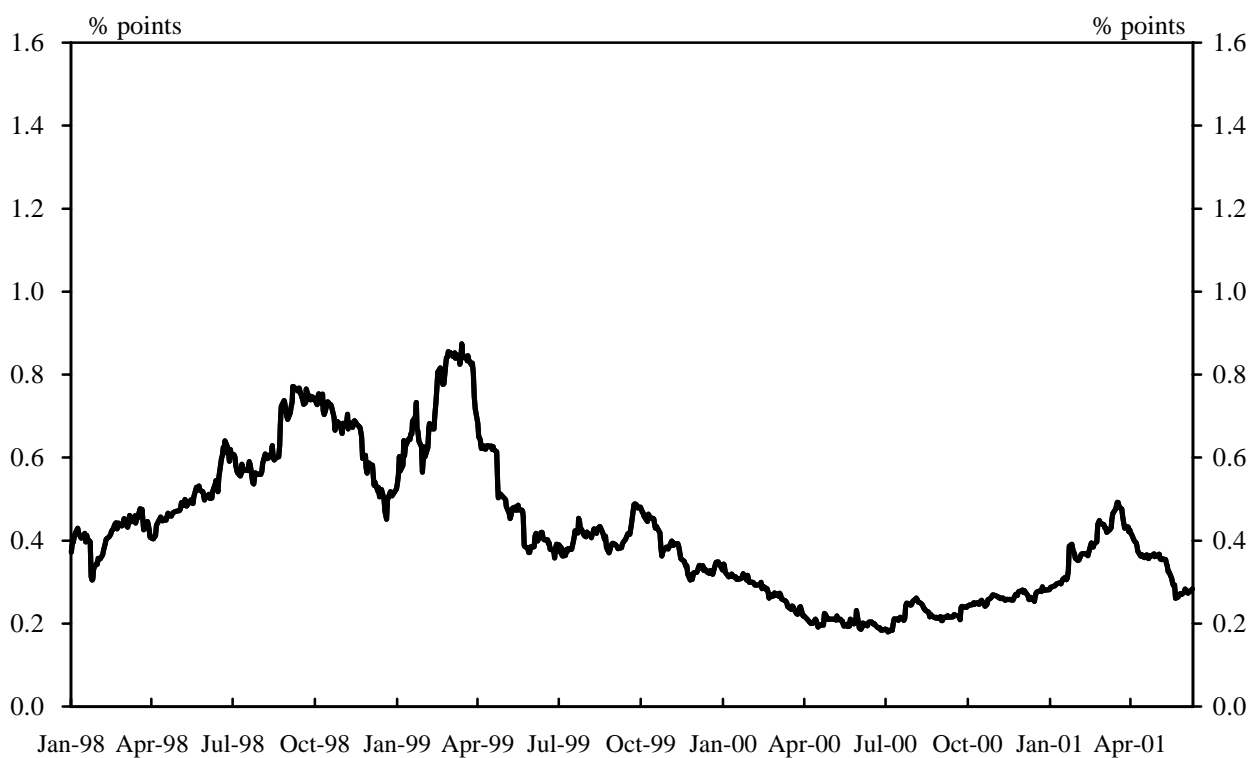
Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



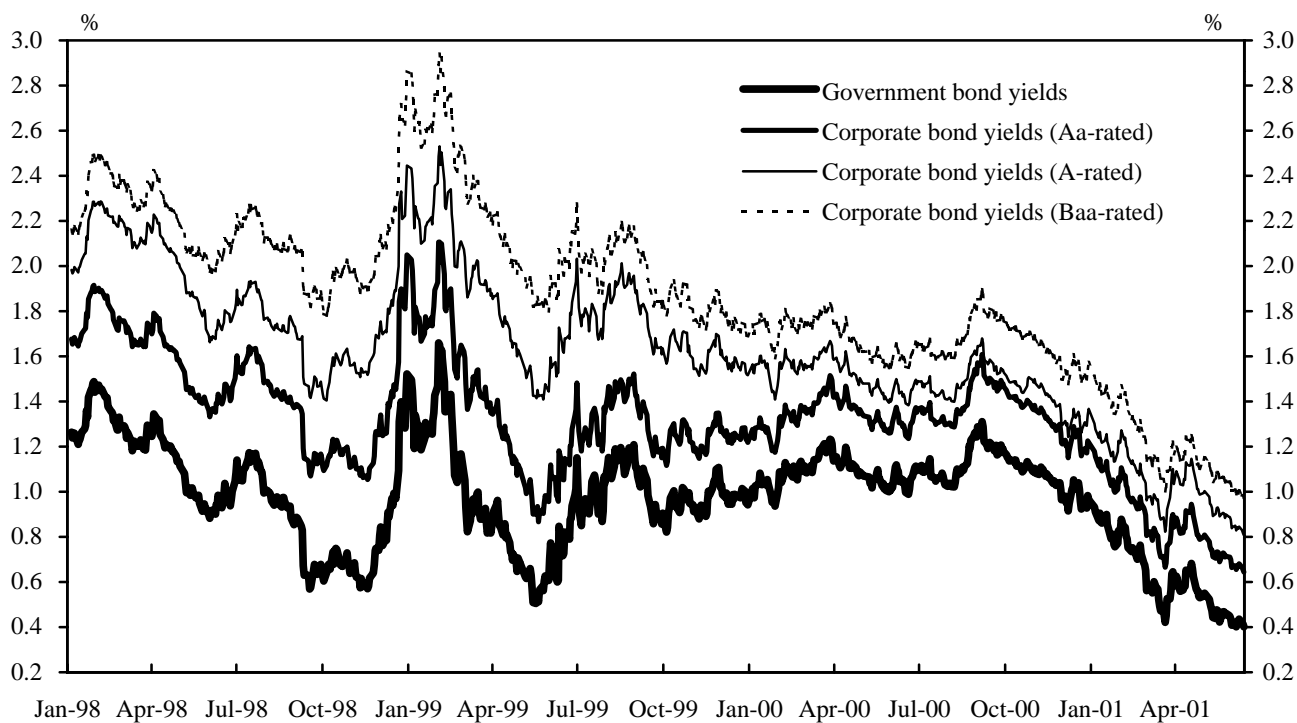
(2) Spread of Bank Debenture and Government Bond Yield



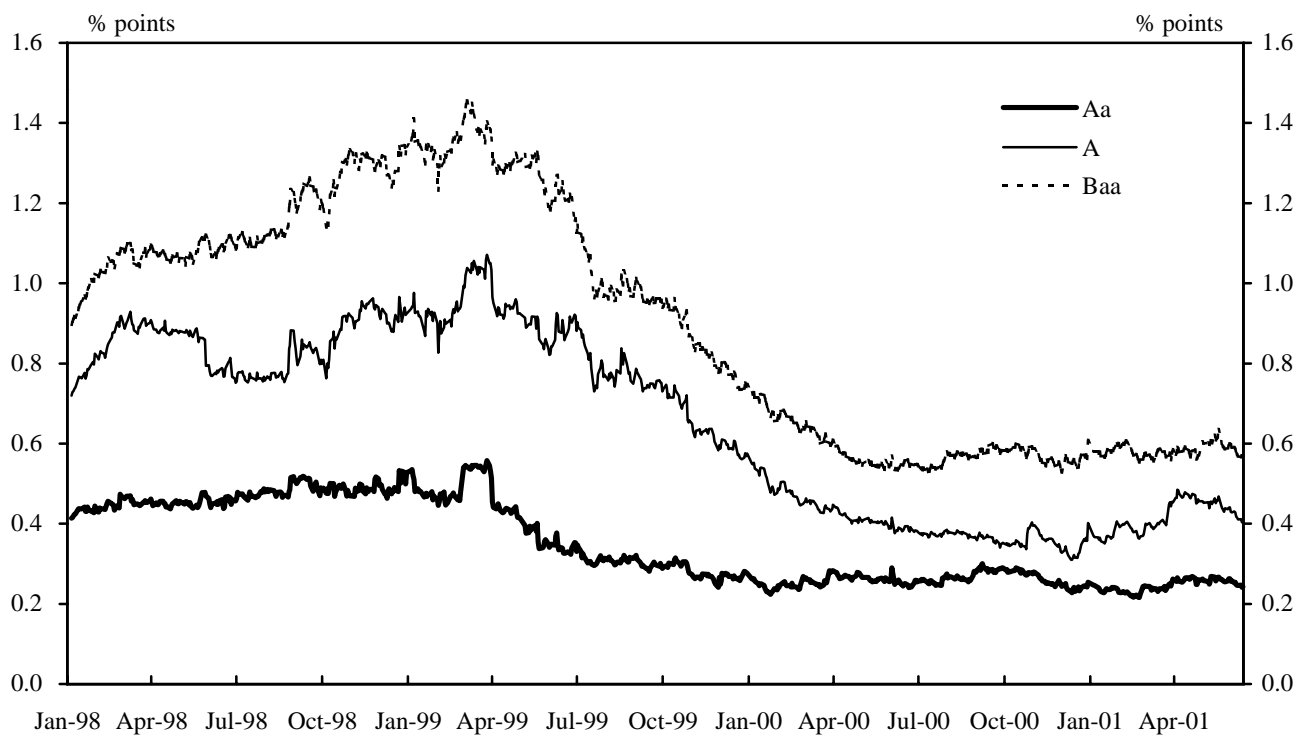
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields ¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



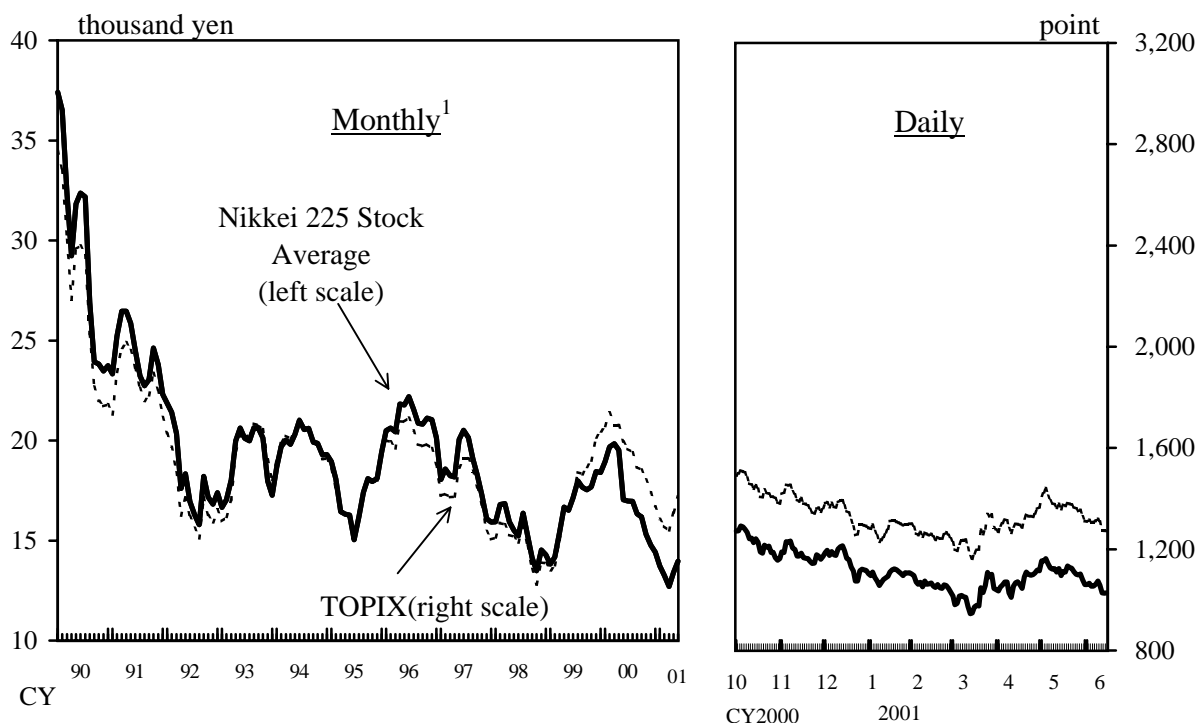
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

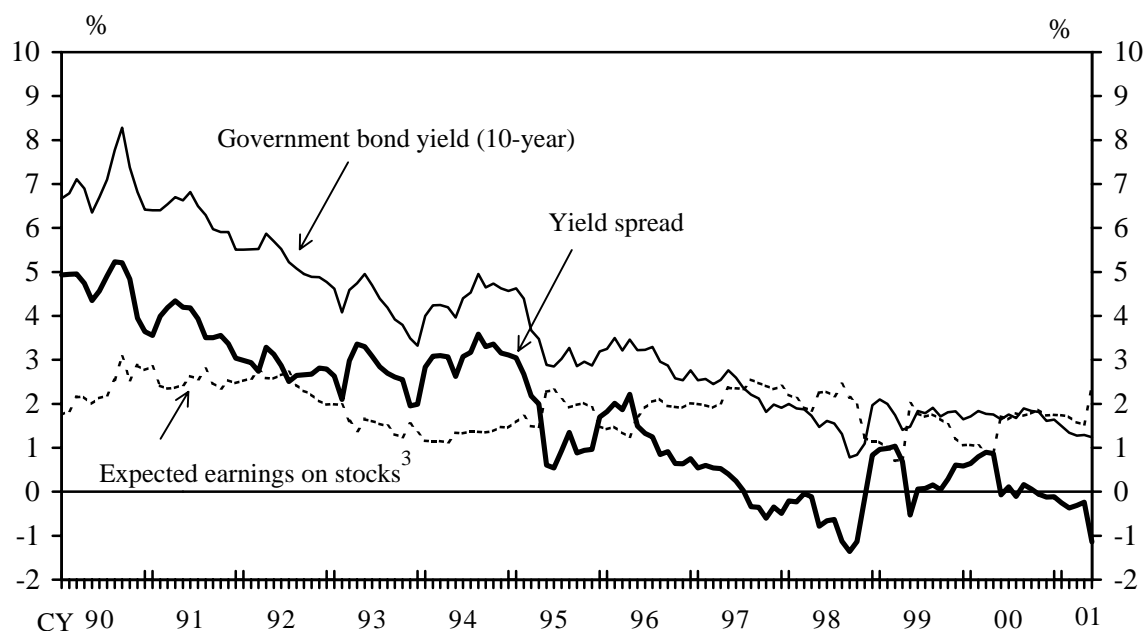
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

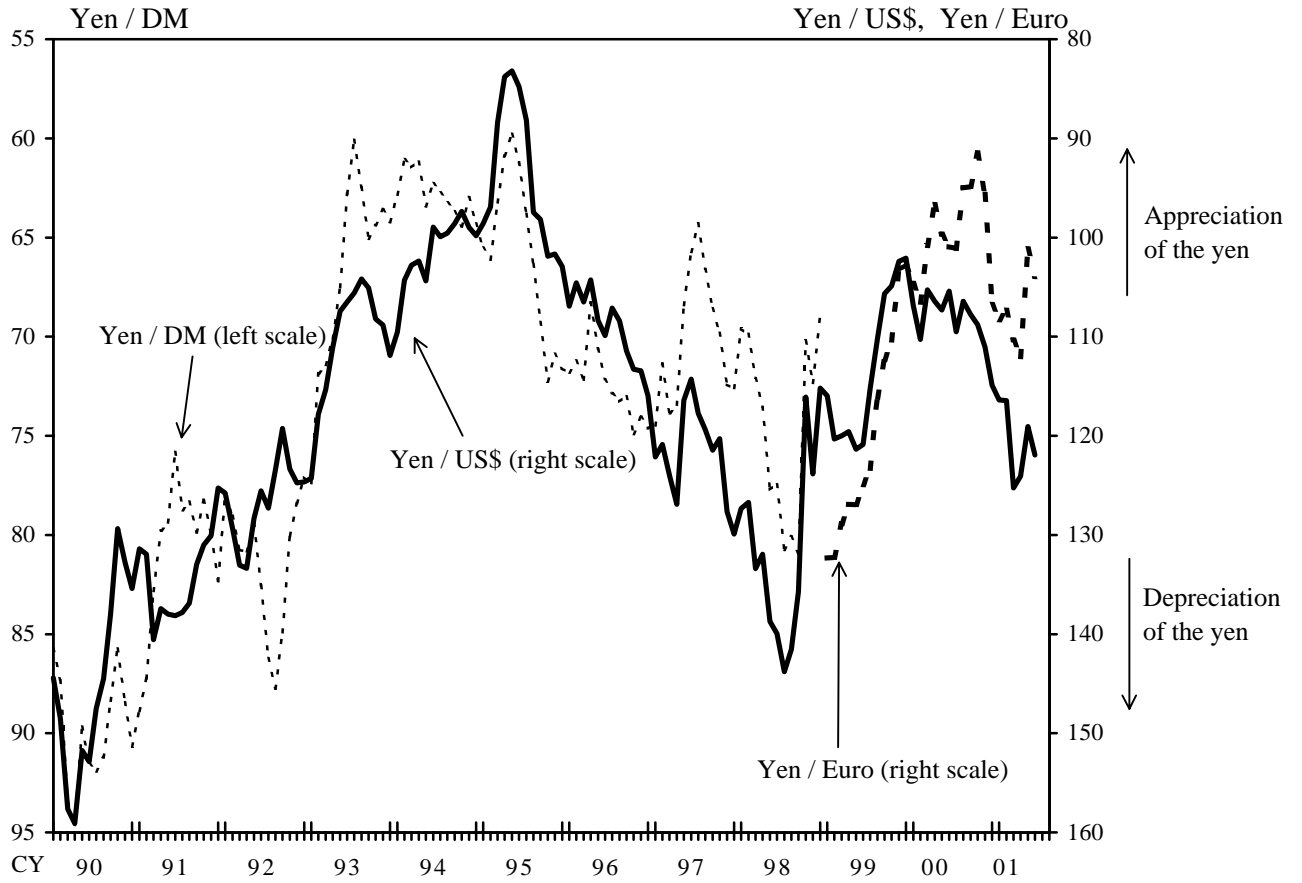
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

Exchange Rates ¹

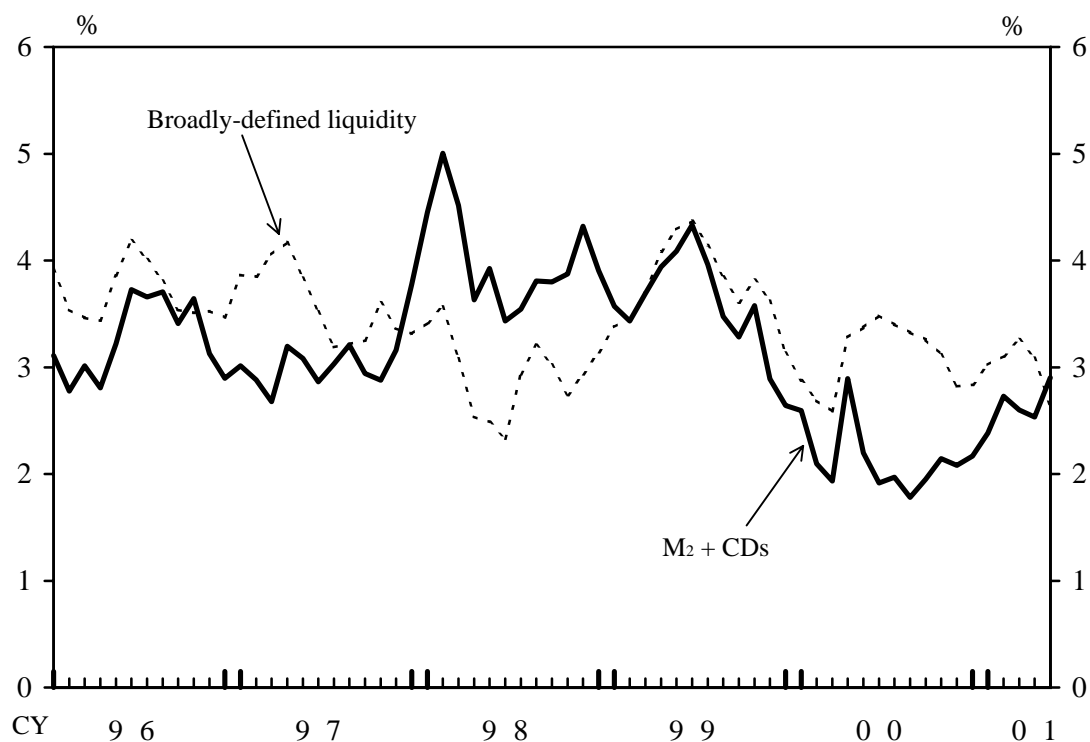


Note: 1. End of month. Data for June 2001 are as of June 14, 2001.

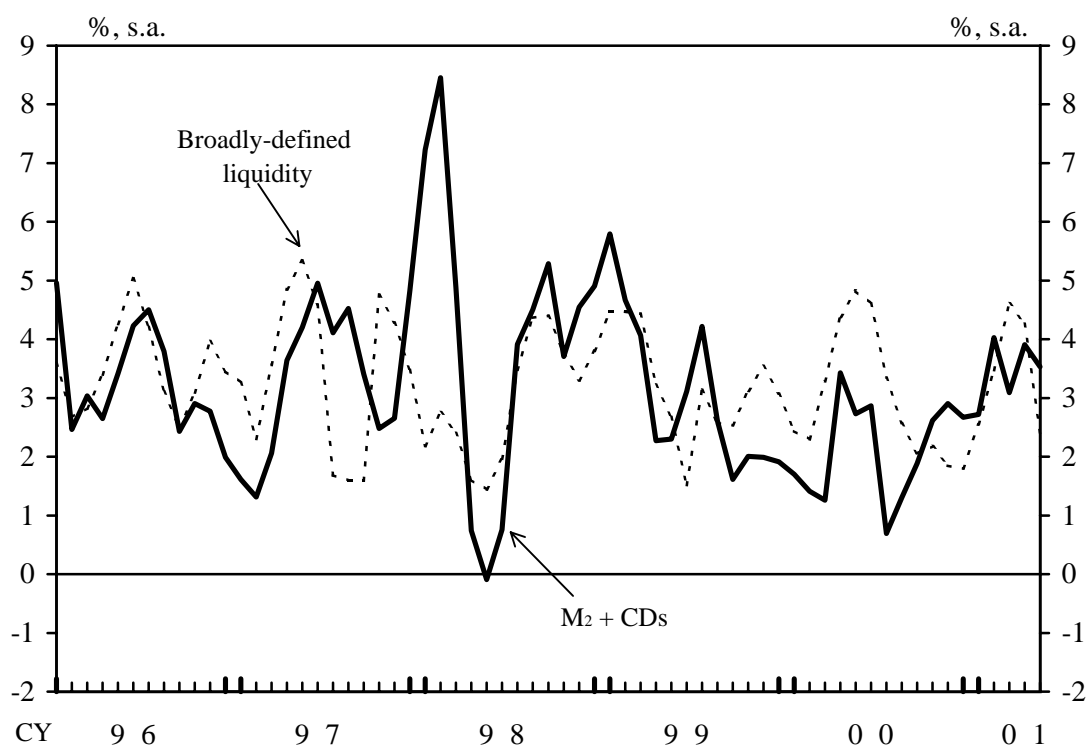
Source: Bank of Japan.

 Money Stock (M_2 +CDs, Broadly-Defined Liquidity)

(1) Changes from a Year Earlier



(2) Changes from Three Months Earlier (Annualized)

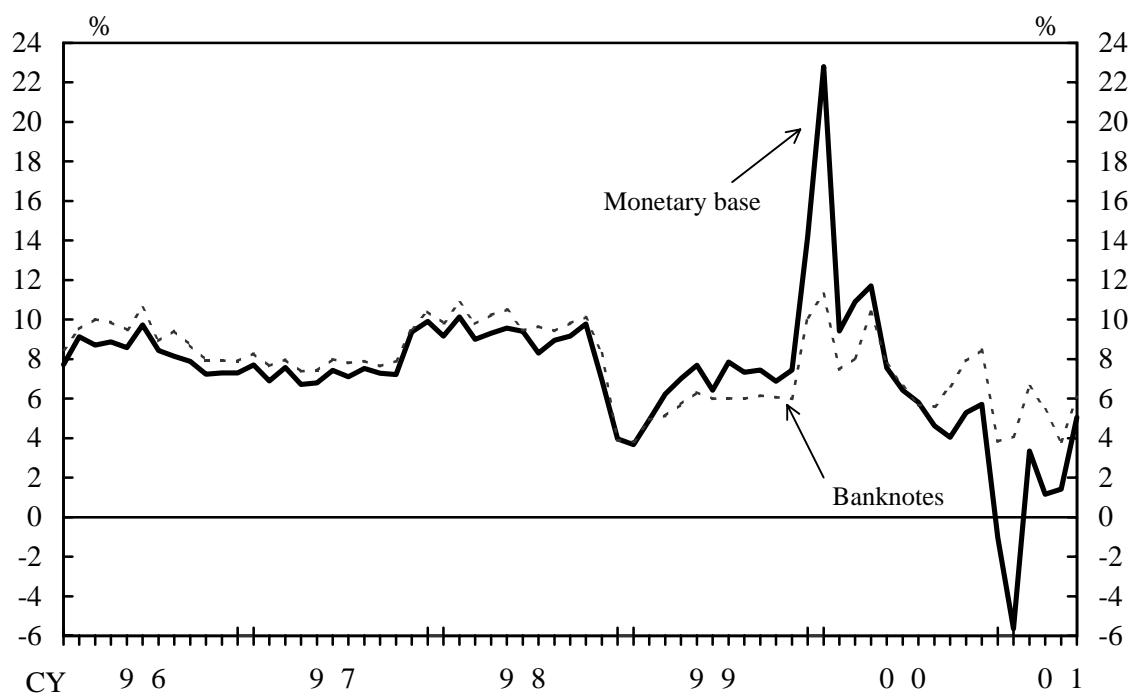


Note: Percent changes in average amounts outstanding.

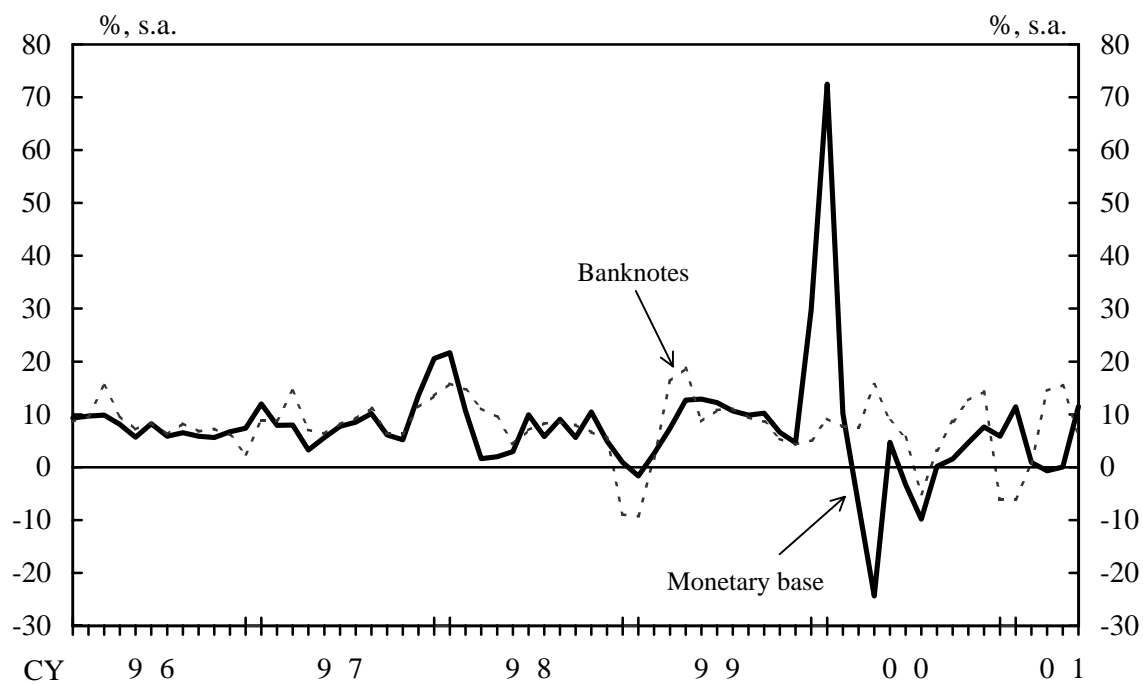
Source: Bank of Japan.

 Monetary Base

(1) Changes from a Year Earlier



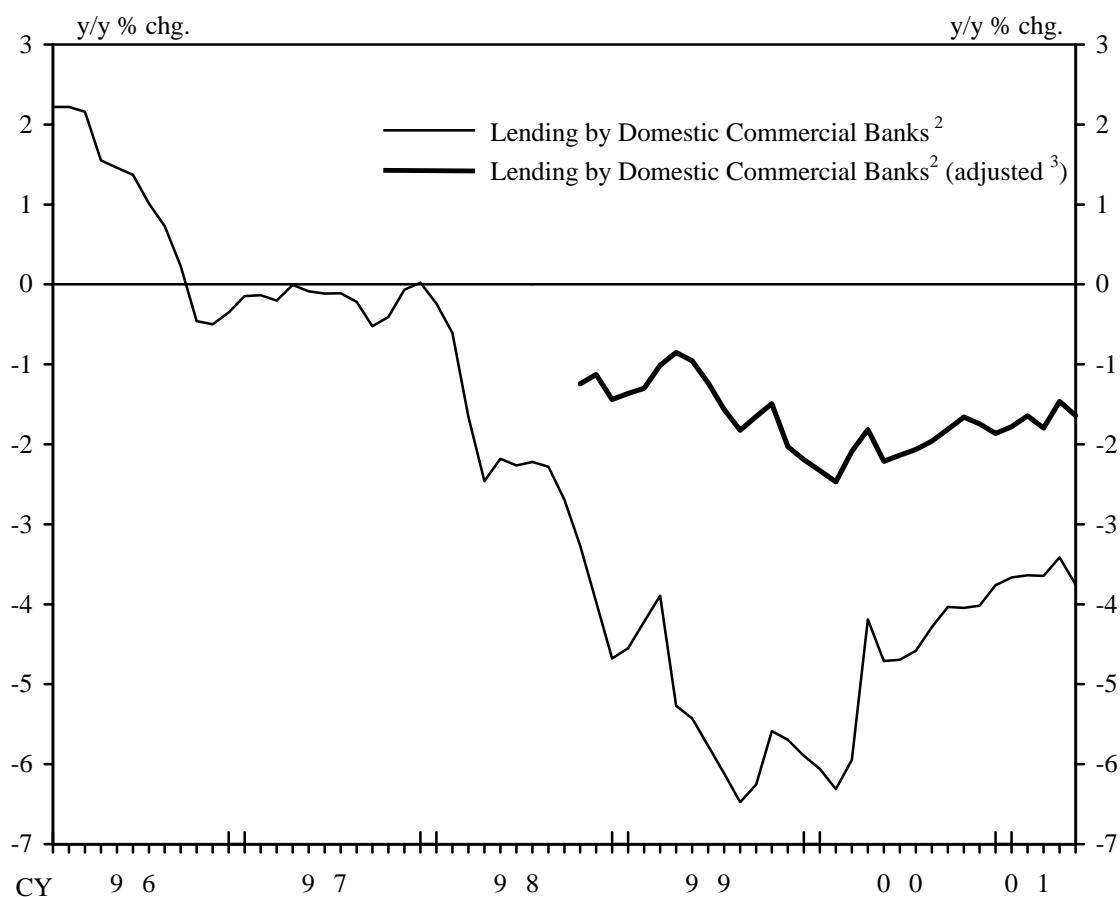
(2) Changes from Three Months Earlier (Annualized)



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

Data for currency in circulation include holdings of financial institutions.

Source: Bank of Japan.

Lending by Domestic Commercial Banks ¹

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

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

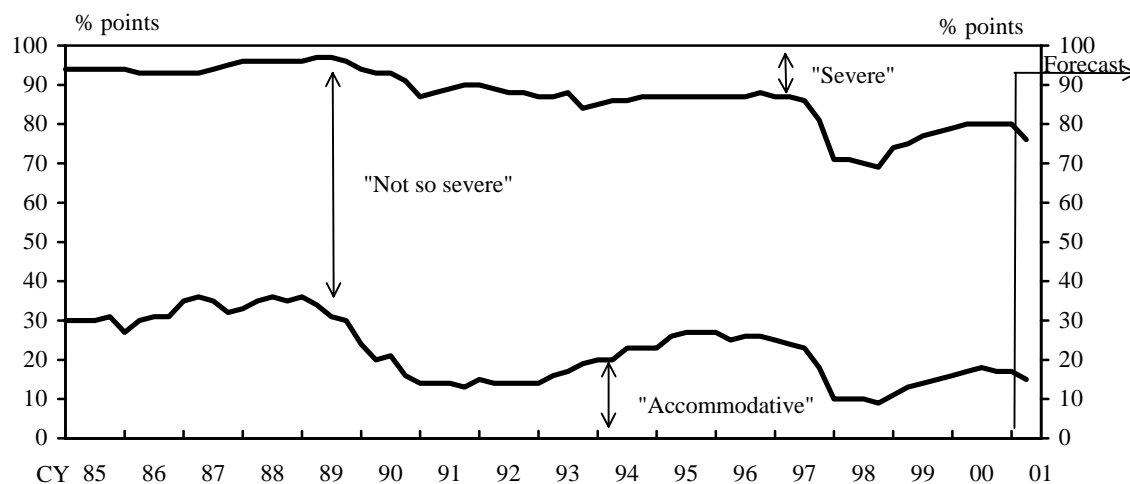
3. Adjusted to exclude

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

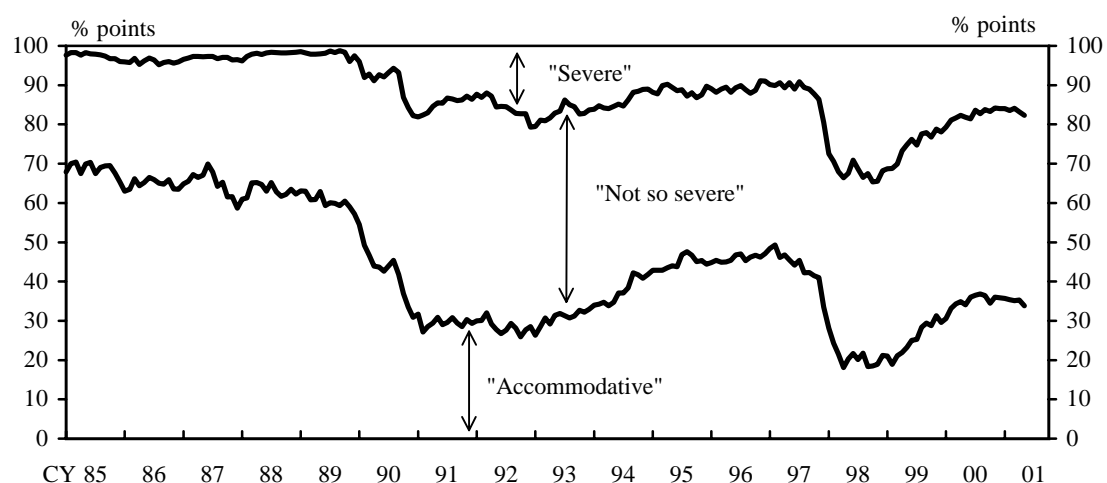
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

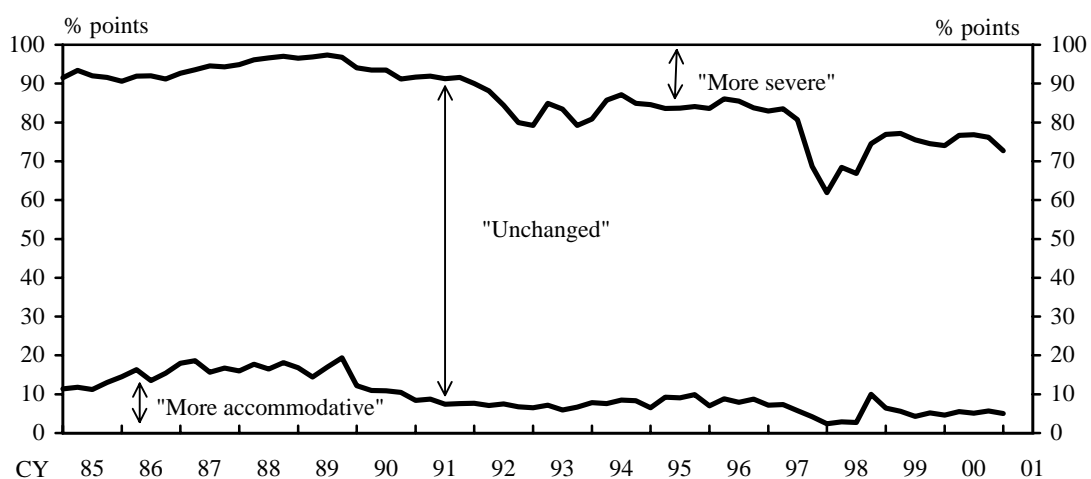
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (March, 2001)



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

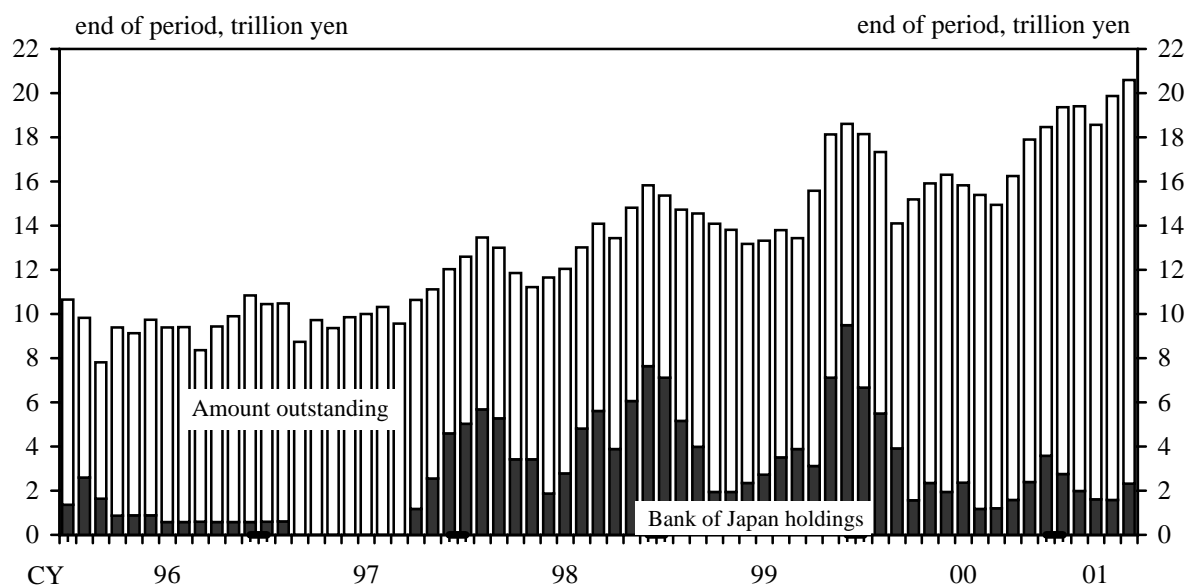


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-March, 2001)



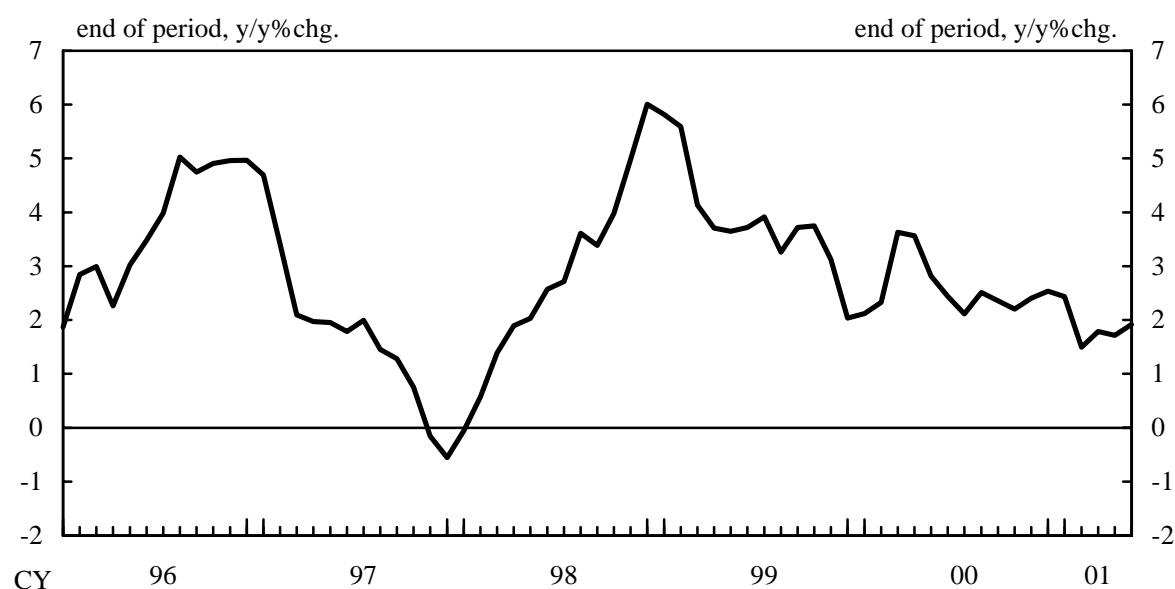
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ;
 Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses";
 National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper ¹(2) Issue Volume of Corporate Bonds ²

(100 million yen)

	2000/Q3	Q4	2001/Q1	2001/Mar.	Apr.	May
Volume	25,985	20,385	20,869	10,946	6,350	8,656
(previous year)	(26,260)	(21,163)	(24,121)	(8,290)	(6,449)	(5,384)

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

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

Excludes those issued by banks.

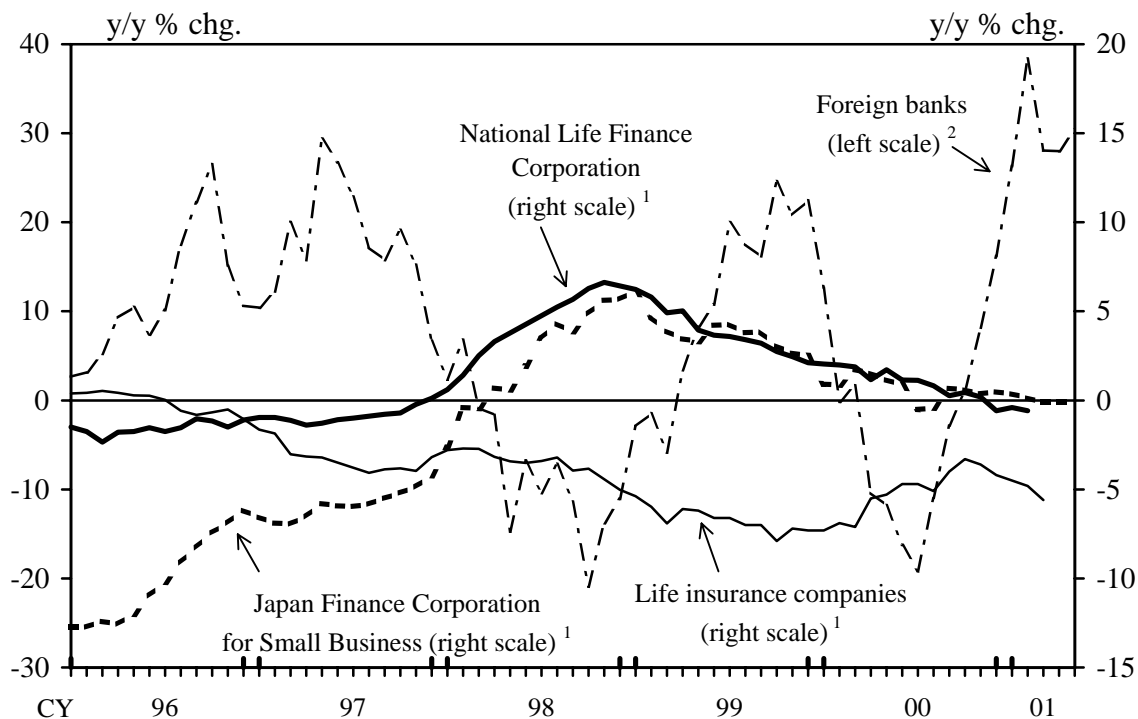
2. Includes straight bonds, convertible bonds, and bonds with warrants.

3. Estimated by the Bank of Japan.

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

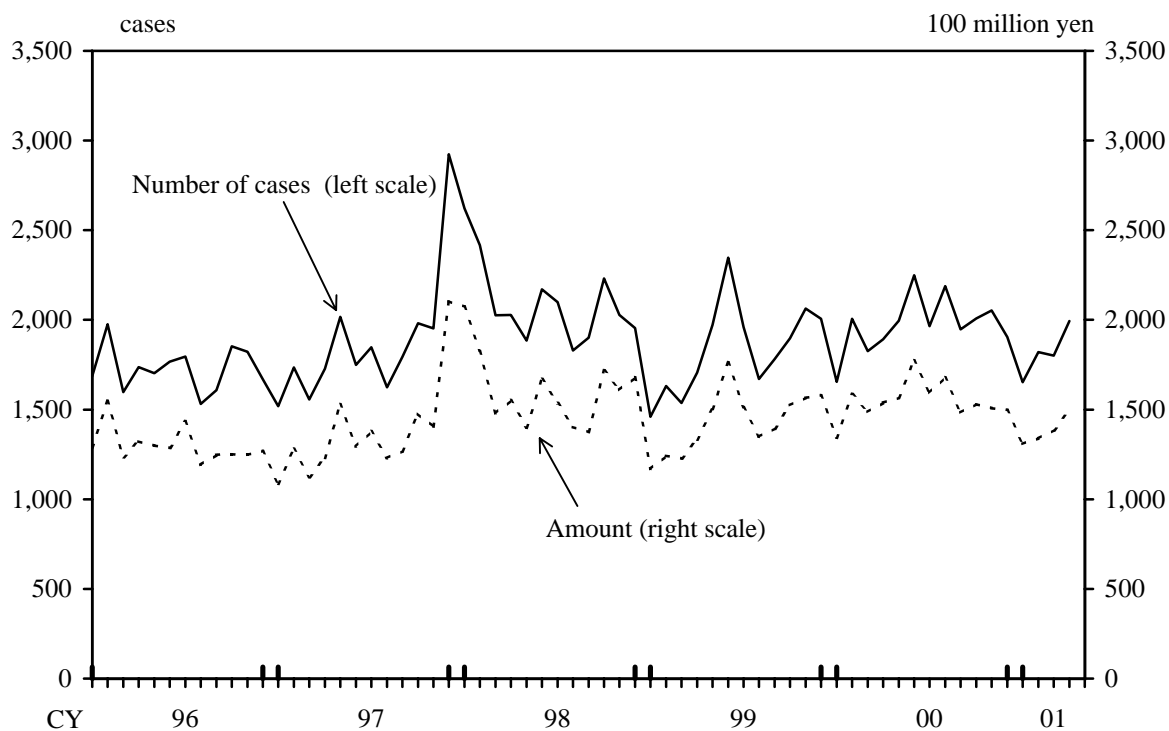
Lending by Other Financial Institutions

(1) Lending Outstanding



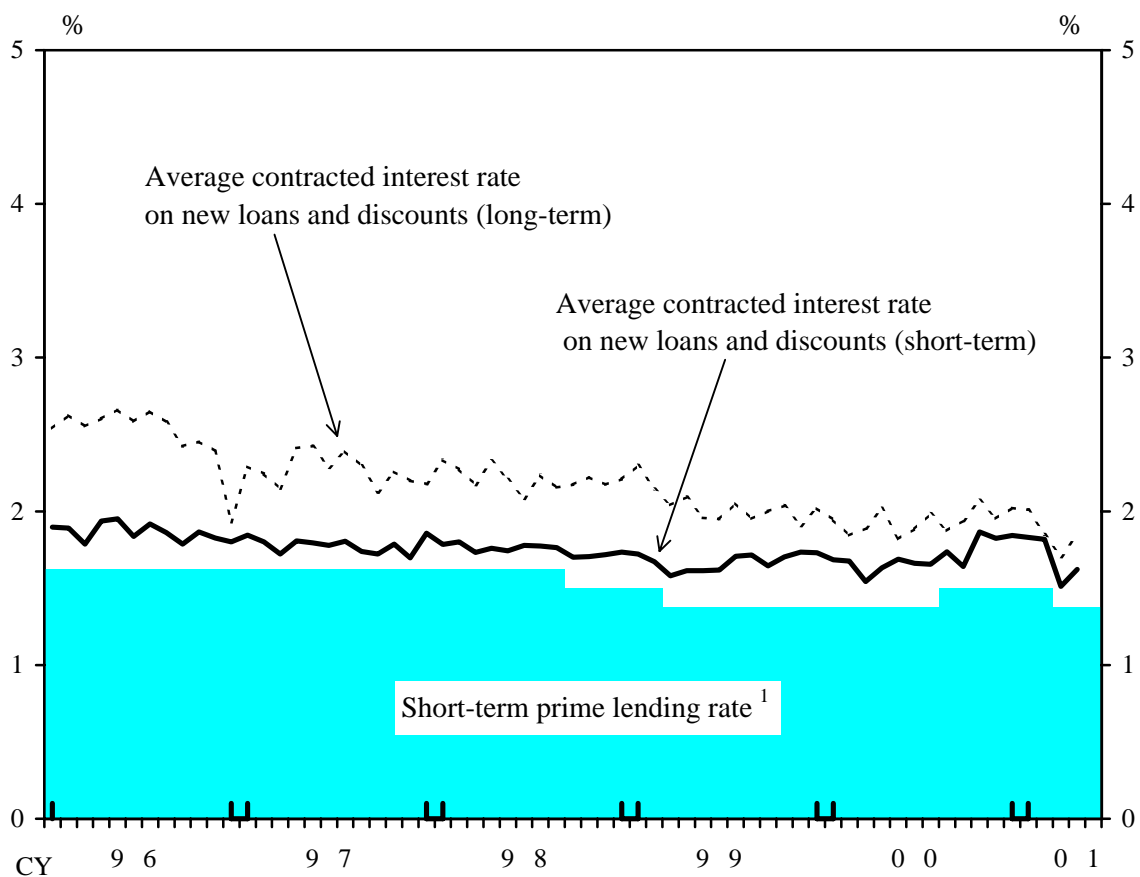
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

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



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

Lending Rates

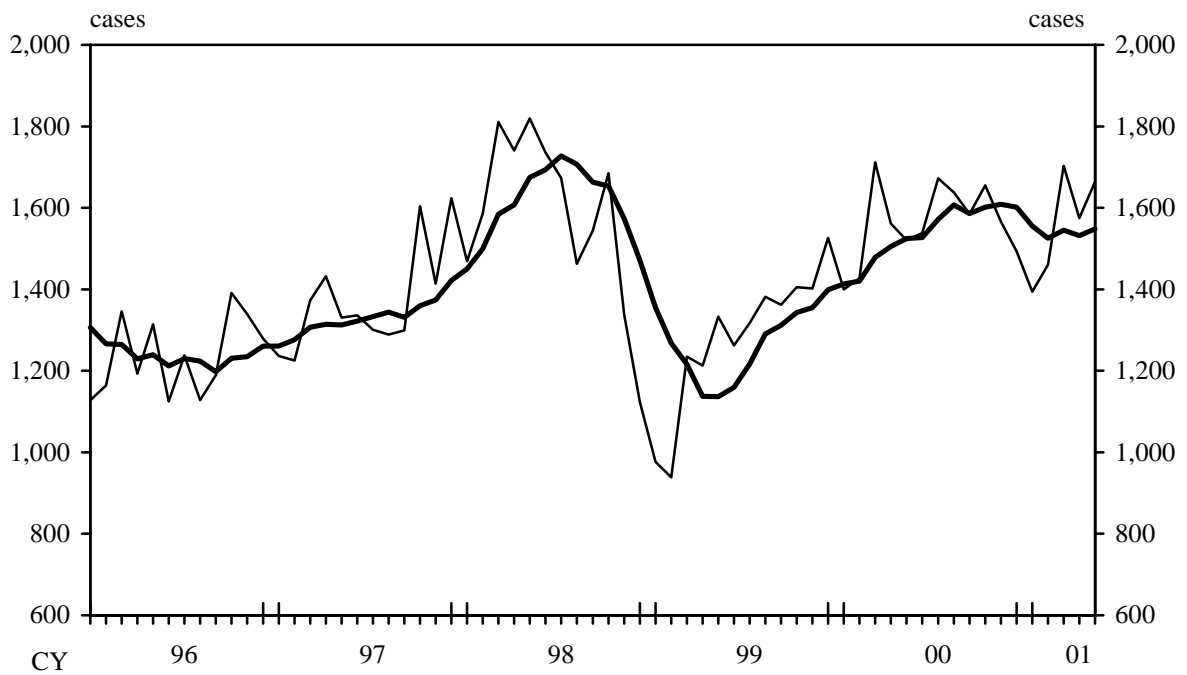


Note: 1. Data are at end of period.

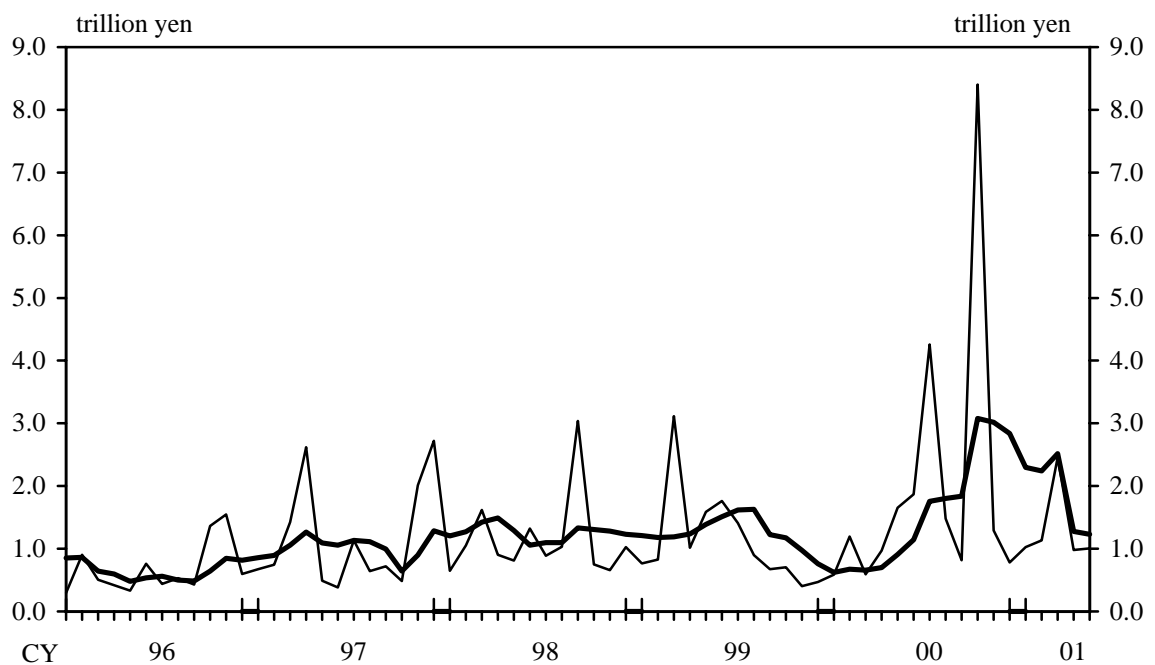
Source: Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

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