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Bank of Japan

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

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Monthly Report of Recent Economic and Financial Developments¹

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The Bank's View²

Adjustments in economic activity are becoming more severe, as the substantial decline in production, starting from a fall in exports, is beginning to have a negative influence on employment and income conditions.

With regard to final demand, net exports (real exports minus real imports) continue to decline, reflecting not only a slowdown in overseas economies but also sluggish demand for IT-related goods. Business fixed investment is also decreasing noticeably while exporting conditions continue to deteriorate. Housing investment remains sluggish and public investment is declining. Meanwhile, private consumption remains flat on the whole, although there are some weak indicators.

Industrial production continues to decline considerably, reflecting these developments in final demand and strong excessiveness in inventories of electronic parts and materials. Corporate profits and business sentiment are also worsening, particularly in manufacturing. Affected by such developments, household income is weakening gradually.

Turning to the outlook, public investment is expected to follow a declining trend. Net exports are likely to continue decreasing for a while amid the deceleration in overseas economies and ongoing inventory adjustments in IT-related goods worldwide. Based on the developments in leading indicators and judged from the successive downward revisions of firms' investment plans in the information and communications sector, business fixed investment is also expected to follow a downward trend. Private consumption is likely to become weak gradually while employment and income conditions continue to deteriorate. In addition to such

¹ This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on September 18, 2001.

² The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on September 18 as the basis for monetary policy decisions.

developments in final demand, 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.

As for IT-related goods, although the sluggish final demand of these goods worldwide has been preventing the progress in inventory adjustments, the view that the adjustments are likely to finish by around next spring is prevailing. Therefore, the decline production in this sector is expected to cease some time in the future. However, uncertainty regarding the outlook for the recovery of overseas economies, particularly for the U.S., is growing further while the global economy continues to decelerate concurrently. At home, while the income-generating mechanism from corporate profits to employment and wages is starting to work adversely, government spending is projected to follow a downward trend. Under these circumstances, it may take some time for overall production activity to stop declining.

Overall, adjustments in economic activity, starting from the decline in exports, are expected to have a negative influence on domestic demand gradually and this in turn will possibly prolong the ongoing adjustments. Moreover, while the economy continues to be in a fragile state, attention should be paid to the growing 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 declining mainly reflecting the softening of international commodity prices. Domestic wholesale prices are also declining somewhat faster because the effects from the past high crude oil prices and the prior depreciation of the yen have abated, while prices of electrical machinery and materials continue to decrease. Consumer prices are weakening owing mainly to the decline in prices of imported products and their substitutes. Corporate service prices continue to decrease.

As for the conditions surrounding price developments, with the ongoing adjustments in economic activity, 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 follow a gradual declining trend for the time being. Moreover, given the high degree of uncertainty regarding future economic developments, the possibility that weak demand will further intensify downward pressure on prices warrants careful monitoring.

In the financial market, the overnight call rate declined further and is moving around zero percent as the current-account balances at the Bank of Japan were increased to around 6 trillion yen due to the changes in the guideline for money market operations decided at the Monetary Policy Meeting held on August 14.

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

Yields on long-term government bonds are recently moving around 1.35 percent. The yield spreads between private bonds (bank debentures and corporate bonds) and government bonds are mostly unchanged.

Stock prices are plunging reflecting the drop in U.S. stocks.

In the foreign exchange market, the yen is currently being traded in the range of 116-119 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, the lending attitudes of financial institutions perceived by small firms are becoming slightly more cautious. Meanwhile, the fund-raising conditions of firms in the markets for such instruments as corporate bonds and CP continue to be favorable owing to a decline in market interest rates and the more active stance of investors to take credit risks.

On the other hand, credit demand in the private sector is declining faster mainly due to a decrease in business fixed investment while firms continue to reduce their debts.

In view of this, the year-on-year rate of decline in private banks' lending is expanding slightly. The growth rate of amount outstanding of corporate bonds issued is about 2 percent on a year-on-year basis. Meanwhile, the amount outstanding of CP issued continues to be at a high level, significantly exceeding that of the previous year due to the favorable environment for issuing CP.

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

Funding costs for firms continue to be at extremely low levels.

With respect to the recent financial environment, the effects of monetary easing are permeating through the economy. This can be observed such as in the additional easing in the money market conditions, further decline in short-term interest rates, higher growth in monetary indicators, and the improvement in the fund-raising conditions of firms through the markets. However, against the background of deteriorating corporate earnings and the more cautious lending attitudes of financial institutions, fund-raising conditions of small firms seem to be becoming more severe. Hence, the developments in the behavior of financial institutions and corporate financing need careful monitoring.

In addition, it is necessary to carefully monitor the effects of the terrorist attacks in the U.S. on global financial markets and economic activity.

The Background

1. Japan's Economy

Public investment is declining. The value of public works contracted—a metric that reflects orders—has been at low levels since the start of this fiscal year. Reflecting such low orders, actual implementation of those works is also clearly on a downward trend (Chart 2). Public investment is expected to follow a declining trend.

Real exports continue to decline substantially, reflecting not only a slowdown in overseas economies but also sluggish demand for IT-related goods (Charts 3[1], 4, and 5). Real exports in July decreased significantly again compared to the second quarter of 2001 following the considerable decline in both the first and second quarters. This is due mainly to the continued substantial decline in IT-related goods (semiconductor electronic parts) and capital goods and parts (semiconductor fabrication machines and equipment, and industrial machinery) in addition to the decrease in intermediate goods (chemicals) as a result of the easing supply-demand conditions in the East Asian markets. Real imports also continue to decline, owing to the continued substantial decline in exports and production (Charts 3[1] and 6). As for real imports in July compared to the second quarter, IT-related parts, materials, and intermediate goods continued to decline in addition to the noticeable decreases in imports of personal computers reflecting poor domestic sales. Net exports (real exports minus real imports), in terms of the real trade balance,³ continue to decline since the pace of decrease in exports is faster than that of imports⁴ (Chart 3[2]).

Regarding the future environment for foreign trade, the real effective exchange rate of the yen has recently been appreciating slightly after a period of steadiness following the depreciation from the end of 2000 (Chart 7[1]). The tendency of

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

⁴ The surplus of the nominal balance on goods and services has recently been diminishing rapidly (Chart 3[2]).

overseas economies (Chart 7[2]) slowing further concurrently is becoming clearer as the deceleration in the East Asian and European economies has become even more distinct, reflecting the ongoing adjustments in the U.S. economy. Furthermore, such views that the progress in inventory adjustments will be delayed are growing, while the demand for IT-related goods dropped by more than what had been projected by the IT industries (Chart 8).⁵ Considering these developments, exports are expected to continue declining for some time. Imports are also projected to follow a downward trend for the time being, while a decline in production is inevitable. However, as the pace of decline in exports will be faster than that in imports, net exports are likely to continue decreasing for a while.

Business fixed investment is decreasing noticeably, particularly in manufacturing, while the demand forecast of the information and communications sectors has been revised downward. As for corporate profits, which largely affects business fixed investment, the *Financial Statements Statistics of Corporations by Industry, Quarterly* showed that the ratio of current profits to sales in the second quarter for all firms was basically unchanged from the previous quarter. However, the ratio in manufacturing is declining distinctly (Chart 9), especially in electrical machinery, among which many firms recently revised their outlook for earnings considerably downward.

Turning to investment-related indicators, business fixed investment (Chart 10), according to the *Financial Statements Statistics of Corporations by Industry, Quarterly*, decreased slightly in the second quarter mainly in manufacturing, after it had started to decline in the first quarter. Moreover, aggregate supply of capital

⁵ According to global developments in semiconductor shipments, the actual results for the second quarter and July were well below figures projected by the semiconductor industry as of May (Chart 8[1]). Against this background seems to be the large depression in IT-related investment in the U.S. corporate sector (Chart 8[2]) and continued lackluster sales of cellular phones and personal computers worldwide. At home, exports of IT-related goods continued to decline substantially. Thus, the actual production of firms (electrical machinery) remained below their most recent production plans and furthermore, the downward revision of actual production vis-à-vis the production plans has recently been expanding again (Chart 8[3]). In these circumstances, an increasing number of firms believe that there will be a delay in inventory adjustments of IT-related goods and that adjustments will come to an end around early 2002 or next spring.

goods⁶ (excluding transport equipment)—which basically moves simultaneously with machinery investment—continued to decline (Chart 11-1[1])). Among leading indicators (Chart 11-2), machinery orders (private demand, excluding shipbuilding and electric power equipment) increased somewhat in the second quarter but declined again in July compared to the second quarter; the decline is obvious in manufacturing.⁷ Meanwhile, construction starts (nonresidential) have been following a declining trend since the start of the previous fiscal year but increased in July compared to the second quarter, reflecting large-scale construction starts in nonmanufacturing (such as commercial facilities).

As for the outlook, business fixed investment is expected to follow a downward trend, judged not only from deteriorating corporate profits and the recent developments in leading indicators, but also from the successive downward revisions of firms' investment plans in the information and communications sectors.

Private consumption remains flat on the whole, although there are some weak indicators (Chart 12). According to sales indicators, passenger car sales increased recently with the introduction of new models. Outlays for travel remained firm. On the contrary, sales at department stores decreased rather significantly in July and sales at chain stores also remained at low levels. Sales of household electrical appliances overall were somewhat weak, as sales of personal computers dropped recently although those of air conditioners rose owing to very hot weather. The level of indices of aggregated sales⁸ were flat-to-up compared to that of the previous year. On the other hand, the level of aggregate supply of consumer goods overall was

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 11-1(1) and 12-4 show the developments in aggregate supply of capital goods (excluding transport equipment) and consumer goods. Figures for the third quarter of 2001 (July) are calculated by the Bank of Japan using indices of industrial shipments and real imports and exports.

⁷ Machinery orders in the third quarter (surveyed as of June-end) are projected to decline by 5.1 percent in private demand (excluding shipbuilding and electric power equipment).

⁸ 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 12-3.

slightly below that of the previous year since domestic shipments were stagnant in addition to the modest increase in imports. According to the latest consumer survey, consumers became more cautious again, after their confidence improved somewhat toward early summer (Chart 13[1]). Private consumption is likely to become weak gradually, mainly reflecting employment and income conditions.

Housing investment remains sluggish (Chart 14[1]). Construction starts in July increased compared to the second quarter since construction starts, particularly of condominiums, rose,⁹ while those of owner-occupied houses continued to be at low levels. However, judged mainly from the number of loan applications to the government Housing Loan Corporation,¹⁰ housing investment is likely to remain sluggish for the time being.

Reflecting these developments in final demand, industrial production continues to decline considerably due not only to a fall in exports of IT-related parts, semiconductor fabrication machines and equipment, and intermediate goods, but also to a decrease in domestic business fixed investment. Although the increase in inventories to date has started to peak out due to ongoing production adjustments, there is a strong excessiveness in inventories as the inventory ratio still continues to rise (Chart 15). As for inventories in detail (Chart 16), among final demand goods, those of construction goods increased slightly but inventories overall were still broadly contained. On the contrary, as for production goods, inventories of electronic parts started to decline as a result of the production cutbacks, but the level remained quite high. Moreover, inventories of materials piled up even further particularly in iron and steel, and paper and pulp. Under these circumstances,

⁹ The increase in the construction starts of condominiums seems to be supported by the fact that sales of condominiums basically remained at a high level, especially in the Tokyo metropolitan area (Chart 14[3]). In July, however, the increase in the number of construction starts of condominiums occurred mainly due to large-scale construction starts.

¹⁰ The number of loan applications to the government Housing Loan Corporation during its second offering period for fiscal 2001 (construction of private houses; offering period: July 16-August 27, 2001) was even at a lower level of 23,000 applications compared to 28,000 applications in the previous offering period (Chart 14[2]). The Housing Loan Corporation has increased the offering times of loan applications from four to six times a year since this fiscal year and the third offering period is scheduled to be from September 17 to October 15.

industrial production is expected to follow a declining trend for some time, mainly reflecting the decline in exports and fixed investment.¹¹

As for employment and income conditions, amid ongoing adjustments in economic activity, household income is weakening gradually along with the easing supply-demand condition in the labor market, particularly in manufacturing (Chart 17). Among labor-market-related indicators (Chart 18), the unemployment rate edged up¹² and the ratio of job offers to applicants declined gradually reflecting the increase in the number of job seekers. The number of new job offers in nonmanufacturing still remained firm while that in manufacturing continued to decline substantially. The number of regular employees (on a Monthly Labour Survey basis at establishments with five employees or more) was basically unchanged. However, in detail, firms in manufacturing continued to reduce the number of workers, particularly in marginal workers such as part-time workers and those in nonmanufacturing have intensively switched from full-time workers to part-time workers.

In these circumstances, nominal wages per employee were recently somewhat sluggish. In detail, overtime payments continued to decrease and regular payments peaked out, reflecting the decline in production activity. Special cash earnings during June-July, most of which consist of summer bonuses, were slightly below the year-ago level.¹³ Amid the ongoing adjustments in economic activity, compensation of employees is projected to be weak for the time being.

¹¹ According to the survey of production forecasts, production in September is projected to decline again by 3.0 percent following the increase in August (+4.3 percent on a month-to-month basis). If the growth rates of production for August and September are the same as those of the production forecast indices, the rate of decline in production for the third quarter (-2.1 percent on a quarter-to-quarter basis) will diminish compared to the first and second quarters. However, judged from recent developments that actual production of electrical machinery firms has been significantly below their most recent production plans (see note 4), the actual rate of decline is expected to be larger than the number projected.

¹² With respect to those unemployed by reason of job-seeking, voluntary separation has been increasing, particularly among the younger generation.

¹³ In detail by type of industry, while manufacturing increased slightly, nonmanufacturing, of which the weight is high, was below the previous year's level mainly in construction and also services, wholesaling and retailing, in which the ratio of part-time workers is increasing.

2. Prices

Import prices on a yen basis declined compared to levels three months earlier due to the effects of the recent yen appreciation in addition to the softening of international commodity prices such as nonferrous metals and lumber (Chart 20).

Domestic wholesale prices are declining somewhat faster. In August, domestic wholesale prices (adjusted to exclude the effects of seasonal changes in electricity rates¹⁴) decreased slightly faster compared to levels three months earlier. This was because the effects of the past high crude oil prices and the prior depreciation of the yen have abated while prices of iron and steel, construction goods, and other materials continued to decrease in addition to the price decline of machinery (electrical machinery and transportation equipment).

Corporate service prices are decreasing. In July, corporate service prices (domestic supply-demand factors¹⁵) declined compared to levels three months earlier (Chart 22). The decrease was mainly due to lower prices for leasing, motor vehicle maintenance, and laundry services in addition to lower communications charges.

Consumer prices are weakening. In July, consumer prices (excluding fresh food)¹⁶ declined compared to levels three months earlier mainly due to the decreases in prices of durable goods and nondurable goods such as clothes (Chart 23). These price declines of goods are occurring mainly because prices of imported products and their substitutes continued to decline in line with the increase in imports of

¹⁴ 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.

¹⁵ 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 22.

¹⁶ The base year of CPI has been switched from the 1995 base to the 2000 base and the figures based on the year 2000 from January 2000 have been retroactively published. In the 2000 revision, the items and weights have been changed. In addition, some technical changes in compiling the statistics were made (for details on the revision, see the Ministry of Public Management, Home Affairs, Posts and Telecommunications Internet website: <http://www.stat.go.jp/english/1.htm>).

inexpensive consumer goods¹⁷ (Chart 24). The overall year-to-year rate of decline in July was the same as that of the previous month.¹⁸ (The year-to-year change was -1.0 percent in May, -0.9 percent in June, and -0.9 percent in July.)

Regarding the conditions surrounding price developments, with the ongoing adjustments in economic activity, 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 follow a gradual declining trend 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) declined further and is moving around zero percent. This is mainly because of the increase in the current-account balances at the Bank of Japan to around 6 trillion yen due to changes in the guideline for money market operations decided at the Monetary Policy Meeting held on August 14, and also because of the change in the market convention regarding the smallest tick of the call rate (Chart 27).

¹⁷ On revising the base period, PCs were adopted as a new item. Prices and number of units sold derived from scanner data of all products collected from major electric appliance shops across the country are used and the Hedonic method is applied to compile the price indices in order to adjust the quality change. As a result, the price indices for PCs declined by about 40 percent compared to the previous year and this has had a downward impact on the overall CPI on the new basis by -0.3 percent on a year-to-year basis.

¹⁸ The 1995 base CPI will be released in line with the 2000 base until the end of 2001 and the decline in consumer prices (excluding fresh food) in July on the 1995 basis was about the same as that of the previous month. (The year-to-year change on the old basis was -0.7 percent in May, -0.6 percent in June, and -0.7 percent in July). Consumer prices including fresh food in July on the 2000 basis were basically the same as those excluding fresh food. (The year-to-year change on the new basis was -0.7 percent in May, -0.8 percent in June, and -0.8 percent in July.)

As for interest rates on term instruments (Chart 26), three-month Euro-yen rates (TIBOR) are declining further, reflecting the monetary easing by the Bank. The Japan premium (Chart 29) remains negligible.

Yields on ten-year government bonds (newly issued; Chart 25[2]) rose somewhat due mainly to uncertainties toward the future supply-demand balance for government bonds, but are recently moving around 1.35 percent as some investors bought back. Yield spreads between government and private bonds (bank debentures and corporate bonds; Charts 31 and 32) are mostly unchanged.

Stock prices (Chart 33[1]) are plunging, reflecting the drop in U.S. stocks, the more cautious views on the business outlook for firms, and also the terrorist attacks in the U.S.

In the foreign exchange market (Chart 34), the yen appreciated against the U.S. dollar mostly due to the perceived uncertainties regarding the outlook for the U.S. economy following the terrorist attacks in the U.S. The yen is currently being traded in the range of 116-119 yen to the U.S. dollar.

(2) Monetary Aggregates and Corporate Finance

The growth rate of money stock (M_2 + CDs; Chart 35) in August was slightly higher than that of the previous month due mainly to the inflow from postal savings. (The year-on-year change was 3.2 percent in June, 3.3 percent in July, and 3.4 percent in August.)

In August, the year-on-year growth rate of monetary base (currency in circulation + current account balances at the Bank of Japan; Chart 36) increased further due to the surge in the current account balances at the Bank of Japan. (The year-on-year change was 7.6 percent in June, 8.0 percent in July, and 9.0 percent in August.)

As for the lending attitudes 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, the

lending attitudes of financial institutions perceived by small firms are becoming slightly more cautious. Meanwhile, the fund-raising conditions of firms in the markets for such instruments as corporate bonds and CP continue to be favorable owing to a decline in market interest rates and the more active stance of investors to take credit risks.

On the other hand, credit demand in the private sector recently is declining faster mainly due to a decrease in business fixed investment while firms continue to reduce their debts.

Amid these developments, the year-on-year rate of decline of lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;¹⁹ Chart 37), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, is expanding slightly. (The year-on-year change was -1.5 percent in June, -1.8 percent in July, -2.0 percent in August.) The growth rate of amount outstanding of corporate bonds issued is about 2 percent on a year-on-year basis. Meanwhile, the amount outstanding of CP issued continues to be at a high level, significantly exceeding that of the previous year due to the favorable environment for issuing CP (Chart 39).

Funding costs for firms continue to be at extremely low levels. As for lending rates, the average contracted interest rates on new loans and discounts remained at low levels, although both short- and long-term rates increased slightly in July (Chart 41). In the capital market, corporate bond issuance rates are on a downward trend. CP issuance rates are also declining somewhat recently.

The number of corporate bankruptcies (Chart 42) is basically flat.

With respect to the recent financial environment, the effects of monetary easing are permeating through the economy. This can be observed such as in the additional easing in the money market conditions, further decline in short-term

¹⁹ The figures are adjusted for (1) fluctuations from the liquidation of loans, (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates, and (3) fluctuations from loan write-offs.

interest rates, higher growth in monetary indicators, and the improvement in the fund-raising conditions of firms through the markets. However, against the background of deteriorating corporate earnings and the more cautious lending attitudes of financial institutions, fund-raising conditions of small firms seem to be becoming more severe. Hence, the developments in the behavior of financial institutions and corporate financing need careful monitoring.

In addition, it is necessary to carefully monitor the effects of the terrorist attacks in the U.S. on global financial markets and economic activity.

Charts

Chart 1	Main Economic Indicators
Chart 2	Public Investment
Chart 3	External Balance
Chart 4	Impacts of the U.S. Slowdown
Chart 5	Real Exports
Chart 6	Real Imports
Chart 7	Real Effective Exchange Rate and Overseas Economic Conditions
Chart 8	Impacts of Worldwide Slowdown in IT-related Demand
Chart 9	Corporate Profit (Ratio of Profit to Sales)
Chart 10	Business Fixed Investment
Chart 11	Indicators for Business Fixed Investment
Chart 12	Private Consumption
Chart 13	Consumer Confidence and Propensity to Consume
Chart 14	Indicators for Housing Investment
Chart 15	Production, Shipments, and Inventories
Chart 16	Inventory Cycle
Chart 17	Compensation of Employees
Chart 18	Labor Market
Chart 19	Prices
Chart 20	Import Prices and Commodity Market
Chart 21	Domestic Wholesale Price Index
Chart 22	Corporate Service Price Index
Chart 23	Consumer Price Index (excluding fresh food)
Chart 24	Consumer Price Index (Imported goods and their substitutes)
Chart 25	Interest Rates
Chart 26	Short-Term Money Market Rates
Chart 27	Current Account Balances at the Bank of Japan
Chart 28	Euro-Yen Interest Rates Futures (3-Month)
Chart 29	Japan Premium in the Eurodollar Market
Chart 30	Implied Forward Rates (1-year)
Chart 31	Yields of Bank Debentures
Chart 32	Corporate Bond Yields
Chart 33	Stock Prices
Chart 34	Exchange Rates
Chart 35	Money Stock (M2+CDs, Broadly-Defined Liquidity)
Chart 36	Monetary Base
Chart 37	Lending by Domestic Commercial Banks
Chart 38	Lending Attitude of Financial Institutions as Perceived by Small Enterprises
Chart 39	Private-Sector Fund-Raising in the Capital Markets
Chart 40	Lending by Other Financial Institutions
Chart 41	Lending Rates
Chart 42	Corporate Bankruptcies

Main Economic Indicators (1)

s.a., q/q (m/m) % chg.¹

	2000/Q4	2001/Q1	Q2	2001/May	June	July	August
Index of living expenditure level ³ (all households)	0.8	1.0	-3.2	1.4	-2.7	1.4	n.a.
Sales at department stores	0.3	0.4	0.8	0.1	1.0	-3.8	n.a.
Sales at chain stores	-1.2	-0.1	-2.6	0.4	-0.1	-0.1	n.a.
New passenger-car registrations ⁴ <s.a., ann. 10,000 units>	< 303>	< 301>	< 303>	< 310>	< 308>	< 320>	< 323>
Sales of household electrical appliances (real, NEBA)	7.7	13.0	-7.4	-0.2	5.9	-1.0	n.a.
Outlays for travel (50 major travel agencies)	1.2	0.7	-1.2	1.5	-1.3	2.0	n.a.
Housing starts <s.a., ann. 10,000 units>	< 123>	< 118>	< 115>	< 120>	< 111>	< 123>	<n.a.>
Machinery orders (from private sector ⁵)	1.3	-7.0	1.1	-2.1	-6.6	-1.6	n.a.
Manufacturing	8.5	-12.8	-6.6	-0.8	-12.0	0.1	n.a.
Nonmanufacturing ⁵	-4.2	-2.8	5.7	-2.3	-2.7	-2.1	n.a.
Construction Starts (private, nonresidential use)	-6.0	-5.6	-7.2	1.6	0.0	11.8	n.a.
Mining & manufacturing	-1.5	9.0	-18.5	7.3	2.6	-8.9	n.a.
Nonmanufacturing ⁶	-10.0	-9.4	-1.1	0.2	1.2	23.2	n.a.
Value of public works contracted	-1.7	13.0	-16.5	-1.0	8.0	4.5	-3.3
Real exports	0.2	-4.7	-4.8	1.0	-2.3	-5.5	n.a.
Real imports	5.0	-3.3	-1.6	11.2	-12.2	3.5	n.a.
Industrial production	0.6	-3.7	-4.1	-1.2	-0.8	-3.0	n.a.
Shipments	0.1	-3.5	-3.9	0.0	-0.1	-3.0	n.a.
Inventories	0.9	2.3	2.4	0.8	-0.6	-1.4	n.a.
Inventories/shipments <s.a., 1995=100>	<101.2>	<106.6>	<112.5>	<109.7>	<112.5>	<112.9>	<n.a.>
Real GDP	0.6	0.1	-0.8	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.4	0.9	-1.9	-1.0	0.3	n.a.	n.a.

Main Economic Indicators (2)

	y/y % chg. ¹						
	2000/Q4	2001/Q1	Q2	2001/May	June	July	August
Ratio of job offers to applicants <s.a., times>	<0.65>	<0.63>	<0.61>	<0.61>	<0.61>	<0.60>	<n.a.>
Unemployment rate <s.a., %>	<4.80>	<4.75>	<4.87>	<4.89>	<4.92>	<5.02>	<n.a.>
Overtime working hours ⁷	3.0	0.7	-2.8	-2.2	-3.2	-5.2	n.a.
Number of employees	1.2	1.2	0.9	0.7	0.6	0.5	n.a.
Number of regular employees ⁷	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	n.a.
Nominal wages per person ⁷	-0.1	0.1	-0.4	-0.1	-0.9	-0.6	n.a.
Domestic wholesale price index <q/q % chg.> (3-month growth rate)	-0.1 <-0.2>	-0.4 <-0.2>	-0.6 <-0.2>	-0.6 <-0.2>	-0.7 <-0.2>	-0.8 <-0.2>	-0.9 <-0.3>
Consumer price index ⁸ <s.a., q/q % chg.> (3-month growth rate)	-0.5 <-0.3>	-0.8 <-0.2>	-0.9 <-0.2>	-1.0 <-0.3>	-0.9 <-0.2>	-0.9 <-0.2>	n.a. <n.a.>
Corporate service price index ⁹ <s.a., q/q % chg.> (3-month growth rate)	-1.0 <-0.4>	-1.4 <-0.3>	-1.5 <-0.4>	-1.4 <-0.5>	-1.6 <-0.5>	-1.4 <-0.4>	n.a. <n.a.>
Monetary aggregates (M ₂ +CDs) <average outstanding, y/y % chg.>	2.1	2.6	2.8	2.9	3.2	3.3	p 3.4
Number of suspension of transactions with banks	-0.1	-9.0	-3.4	7.8	-9.3	-10.1	-10.3

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

2. P indicates preliminary figures.

3. Figures are revised retroactively due to the base year revision.

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

5. Excludes ships and demand from electric power companies.

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

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

8. Excludes fresh food. See notes of chart 23.

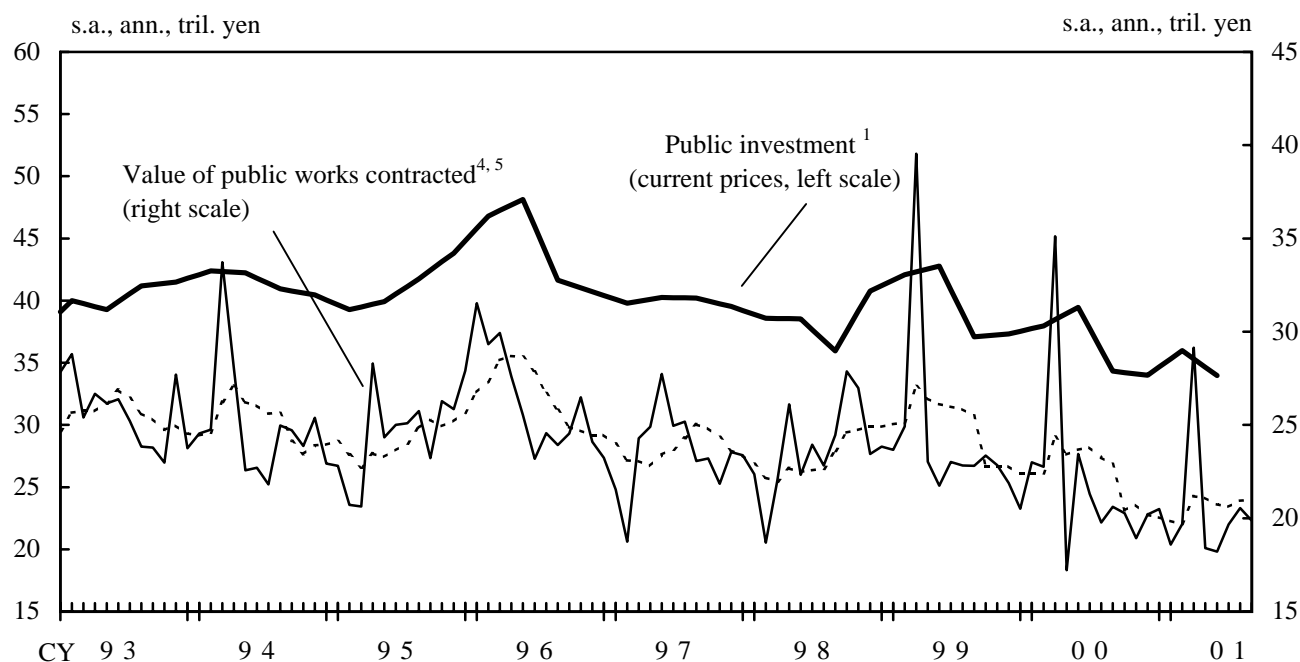
9. Domestic supply-demand factors.

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

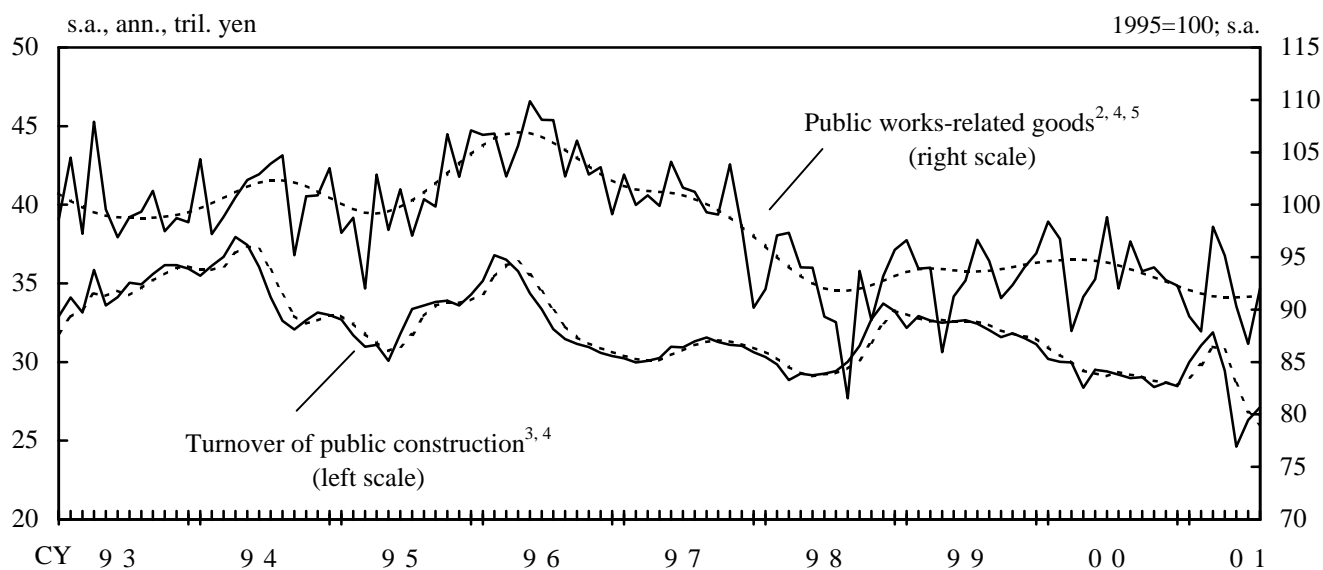
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey," "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index";
Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production," "Indices 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." The data since April 2000 are retroactively revised.

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 2001, and are fixed for FY2001.

5. Among the dotted lines, the line for value of public works contracted is the 6 months moving average, the line for public works-related goods is the trend cycle factor, and the line for turnover of public construction is the 3 months moving average.

Sources: Cabinet Office, "National Accounts";

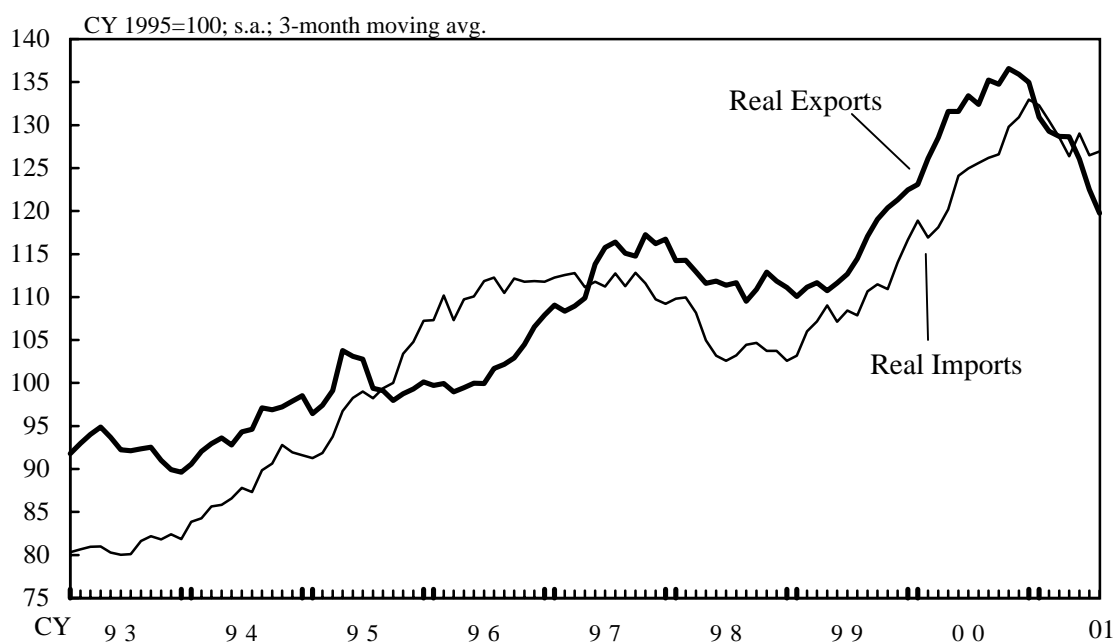
Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";

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

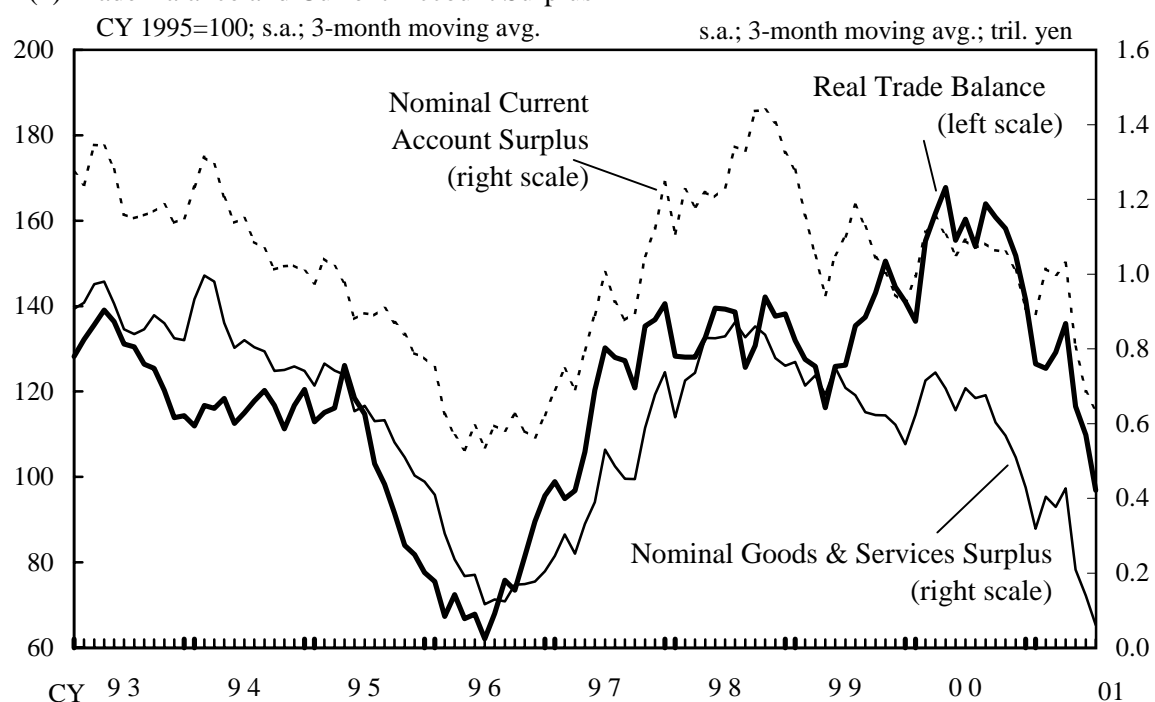
Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

External Balance

(1) Real Exports and Real Imports



(2) Trade Balance and Current Account Surplus

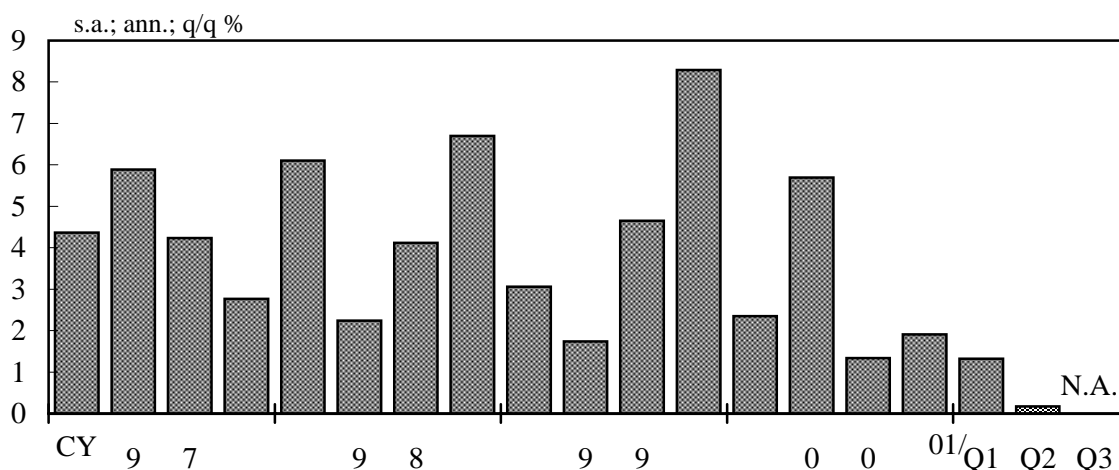


Note: Real exports/imports and the real trade balance are seasonally adjusted by X-11.

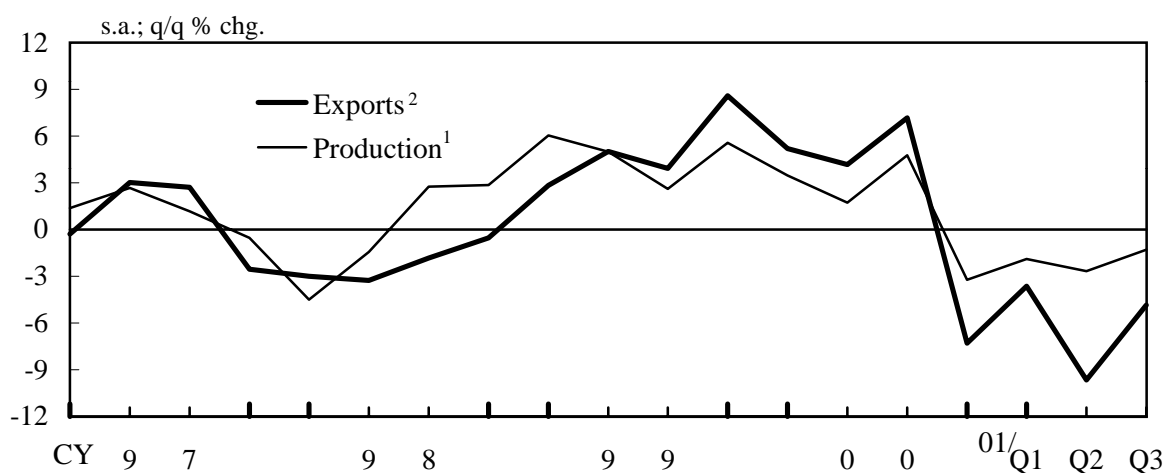
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";
Bank of Japan, "Balance of Payments Monthly," "Wholesale Price Indexes."

Impacts of the U.S. Slowdown

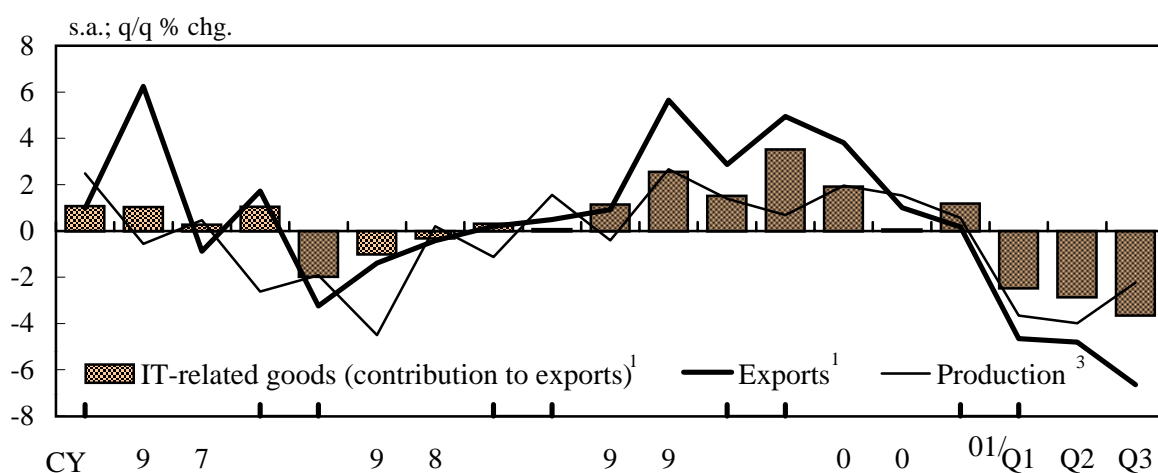
(1) United States - Real GDP



(2) NIEs3 - Exports and Production ⁴



(3) Japan - Exports and Production ⁵



- Notes: 1. 2001/Q3 figures are July figures converted into quarterly amount.
- 2. 2001/Q3 figures are Jul-Aug figures converted into quarterly amount.
- 3. 2001/Q3 figures are METI projection.
- 4. 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.
- 5. 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.		2000			2001			s.a. m/m % chg.		
		CY 99	2000	Q3	Q4	Q1	Q2	Q3	2001 May	Jun.	Jul.	
United States	<29.7>	4.6	11.7	0.8	6.0	-6.7	-6.6	-3.9	-3.0	-0.1	-2.9	
EU	<16.3>	0.9	6.4	-0.1	-2.3	1.2	-10.0	-12.6	-2.6	-0.8	-11.3	
East Asia	<39.7>	12.0	25.6	2.7	-1.7	-4.4	-5.7	-8.0	3.8	-3.0	-7.3	
China	<6.3>	12.3	27.7	11.5	1.3	10.1	-5.3	-6.4	14.2	-9.0	-4.5	
NIEs	<23.9>	11.2	25.7	1.4	-2.3	-9.5	-6.2	-7.5	0.8	-2.0	-6.5	
Taiwan	<7.5>	7.8	22.4	2.8	-9.2	-16.6	-3.1	-15.1	3.7	-7.0	-11.9	
Korea	<6.4>	43.9	30.3	1.1	-0.8	-5.4	-8.2	2.0	7.1	4.0	-2.7	
ASEAN4 ³	<9.5>	13.6	24.0	0.8	-2.3	-1.8	-4.9	-10.3	3.2	-0.3	-11.1	
Thailand	<2.8>	15.3	18.9	4.7	1.6	-5.2	-4.6	-5.1	-1.8	-1.5	-3.6	
Real exports		4.5	14.1	1.0	0.2	-4.7	-4.8	-6.6	1.0	-2.3	-5.5	

(2) Breakdown by type of goods

		y/y % chg.		2000			2001			s.a. m/m % chg.		
		CY 99	2000	Q3	Q4	Q1	Q2	Q3	2001 May	Jun.	Jul.	
Intermediate goods	<14.1>	5.4	5.1	0.7	0.7	-2.1	-4.2	-5.0	7.6	-5.3	-3.8	
Motor vehicles and their related goods	<20.2>	2.8	9.2	4.2	-1.1	-7.8	3.5	1.1	-0.5	2.9	-0.6	
Consumer goods ⁴	<7.0>	5.0	13.0	-0.3	2.6	-6.0	-0.4	-4.6	-4.2	4.6	-6.1	
IT-related goods ⁵	<18.8>	6.4	25.2	-2.6	5.9	-5.7	-6.4	-11.2	-1.4	-1.1	-10.1	
Capital goods and parts ⁶	<29.7>	1.8	21.0	1.6	-3.3	-3.2	-10.2	-9.6	0.5	-4.4	-7.0	
Real exports		4.5	14.1	1.0	0.2	-4.7	-4.8	-6.6	1.0	-2.3	-5.5	

Notes: 1. Seasonally adjusted by X-11. 2001/Q3 figures are July 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.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 99	2000	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 May	2001 Jun.	2001 Jul.
United States	<19.0>	-2.9	8.0	2.4	4.7	-5.5	-0.4	-6.0	8.2	-10.9	-1.0
EU	<12.3>	5.8	8.5	2.1	4.3	2.1	-4.8	0.3	15.8	-15.0	6.8
East Asia	<39.6>	15.8	25.5	4.8	6.5	-1.1	-3.9	-2.0	8.8	-10.1	2.4
China	<14.5>	11.9	28.1	1.4	10.1	5.2	-1.3	-2.5	13.2	-10.3	0.7
NIEs	<12.2>	24.2	28.4	8.1	4.4	-5.3	-9.8	-1.9	4.2	-10.6	4.4
Taiwan	<4.7>	25.6	43.6	6.3	8.1	-7.7	-12.7	-8.1	3.3	-8.4	-3.6
Korea	<5.4>	30.8	22.5	6.3	2.4	-2.6	-7.3	-2.3	12.0	-10.0	1.1
ASEAN4 ³	<12.8>	12.6	20.2	5.3	5.0	-3.8	-1.5	-1.4	7.8	-9.4	2.8
Thailand	<2.8>	5.4	19.3	1.6	8.9	-4.1	4.2	-6.4	6.0	-6.7	-3.8
Real imports		6.1	13.3	1.3	5.0	-3.3	-1.6	-1.8	11.2	-12.2	3.5

(2) Breakdown by type of goods

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 99	2000	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 May	2001 Jun.	2001 Jul.
Raw materials ⁴	<26.8>	2.7	1.7	-1.3	0.6	-1.7	-2.1	-1.1	8.5	-16.5	8.8
Intermediate goods	<13.0>	3.6	8.3	-1.1	5.6	0.1	-4.1	-1.1	12.5	-14.1	5.5
Foodstuffs	<12.1>	2.8	5.4	-0.1	2.2	-2.3	-1.2	0.6	13.9	-11.1	4.3
Consumer goods	<10.5>	8.1	21.3	1.3	9.3	-2.7	1.2	-3.1	12.0	-11.5	1.3
IT-related goods ⁵	<16.1>	18.7	43.9	11.7	7.3	-5.0	-6.1	-7.1	5.7	-7.5	-3.9
Capital goods and parts ⁶	<11.5>	5.1	12.4	6.2	7.6	-3.7	-0.3	-3.8	10.0	-10.4	0.4
excluding aircraft		4.4	21.5	5.5	8.9	0.5	-0.9	-3.4	5.4	-10.1	2.0
Real imports		6.1	13.3	1.3	5.0	-3.3	-1.6	-1.8	11.2	-12.2	3.5

Notes: 1. Seasonally adjusted by X-11. 2001/Q3 figures are July 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.

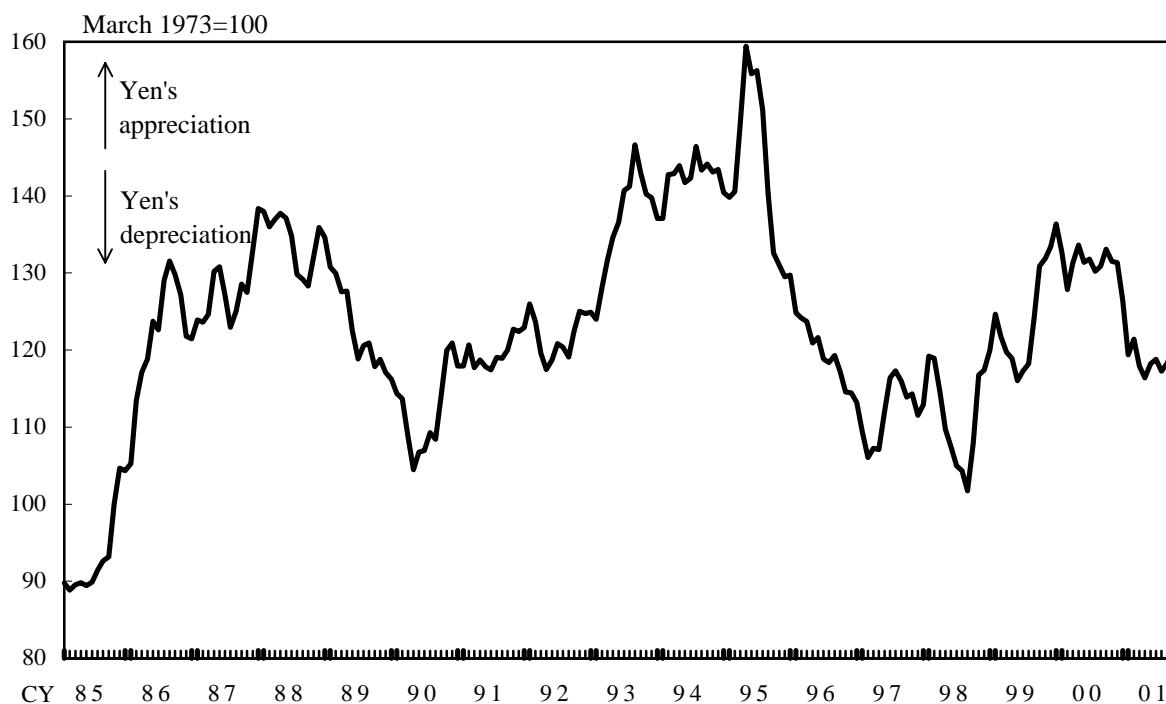
4. Raw materials = woods + ores + mineral fuel, etc.

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 September 2001 is the average of September 1-18. Calculated by the Bank of Japan. Figures are the index of weighted average of the yen's real exchange rates versus 25 major currencies which are calculated from exchange rates and price indexes of the respective countries.

(2) Real GDP Growth Rates in Overseas Economies

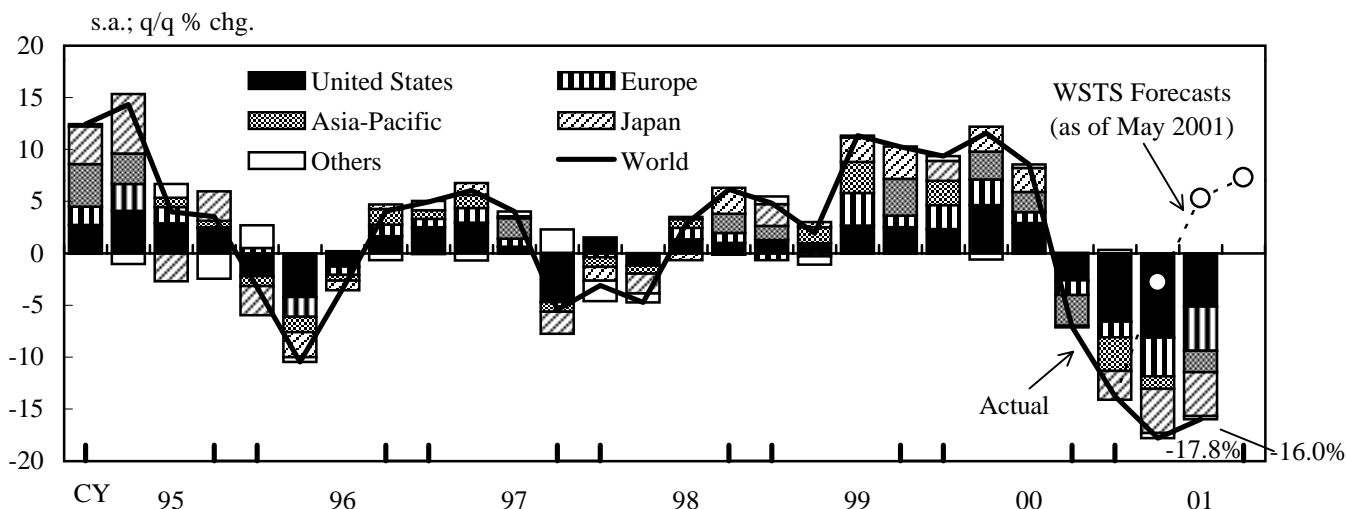
		CY98	99	2000	2000 Q3	Q4	2001 Q1	Q2	
United States ¹		4.3	4.1	4.1	1.3	1.9	1.3	0.2	
European Union ¹		2.8	2.6	3.4	2.2	2.3	1.9	0.4	
	Germany	2.0	1.8	3.0	0.5	0.6	1.6	-0.1	
	France	3.5	3.0	3.4	3.2	3.3	1.7	1.0	
	United Kingdom	2.6	2.3	3.1	3.4	1.8	1.8	1.3	
East Asia ²	China	7.8	7.1	8.0	(Jan-Sep) 8.2	(Jan-Dec) 8.0	8.1	(Jan-Jun) 7.9	
	NIEs	Korea	-6.7	10.9	8.8	9.2	4.6	3.7	2.7
		Taiwan	4.6	5.4	5.9	6.7	3.8	0.9	-2.4
		Hong Kong	-5.3	3.0	10.5	10.8	7.0	2.3	0.5
		Singapore	0.1	5.9	9.9	10.3	11.0	4.7	-0.9
	ASEAN4	Thailand	-10.8	4.2	4.4	2.9	3.2	1.8	1.9
		Indonesia	-13.1	0.8	4.8	4.4	5.2	3.2	3.5
Malaysia		-7.4	6.1	8.3	7.6	6.3	3.1	0.5	
	Philippines	-0.6	3.4	4.0	4.6	3.8	3.2	3.3	

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

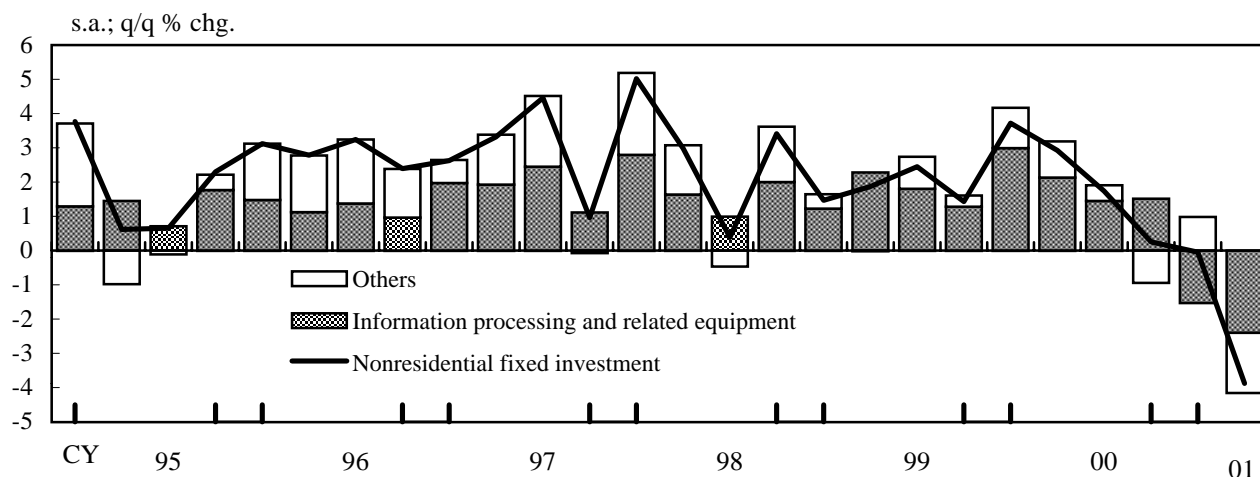
2. Quarterly data are percent changes from a year earlier.

Impacts of Worldwide Slowdown in IT-related Demand

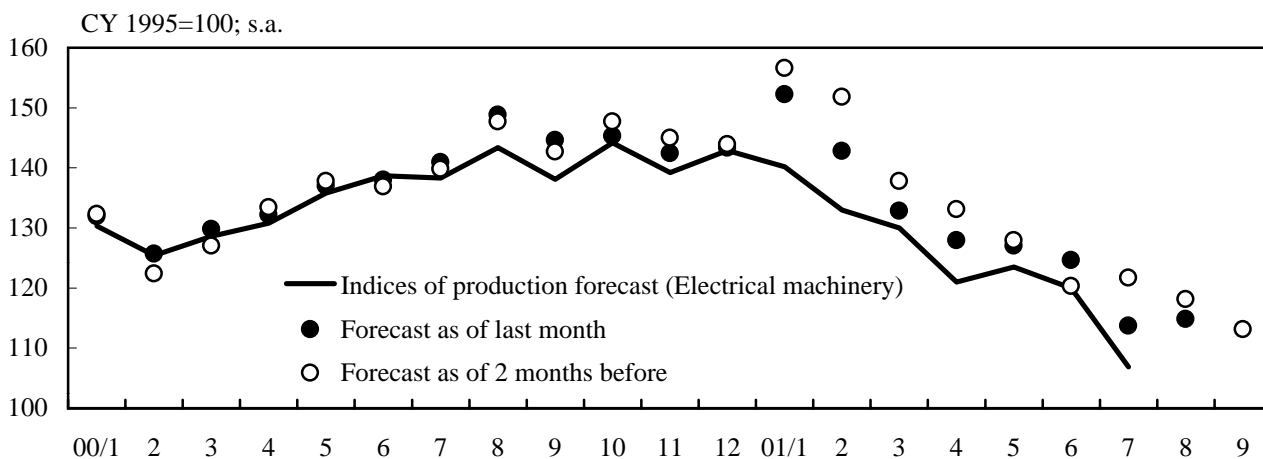
(1) World - Semiconductor Shipments (Real; Breakdown by region)



(2) US - Nonresidential Fixed Investment (Real)



(3) Japan - Production (Electrical machinery)

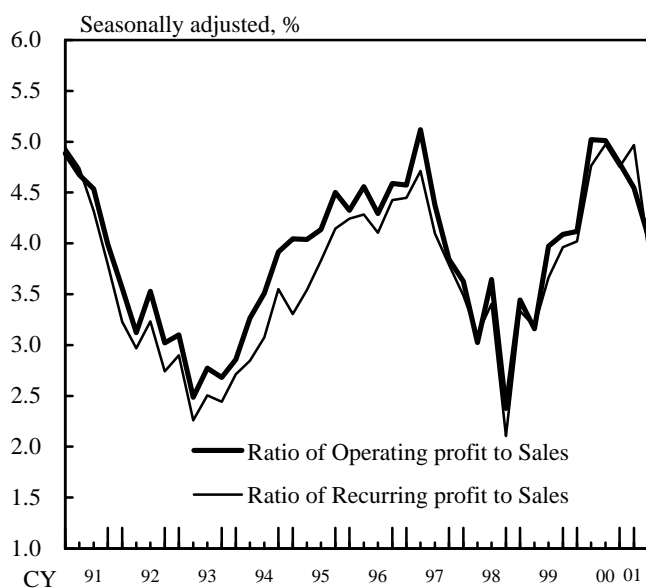


Notes: 1. In (1), "WSTS Forecasts" are on a nominal basis. 2001/Q3 figures are July figures converted into quarterly amount.
 2. In (2), "Others" = Structures + Industrial equipment + Transportation equipment, etc.
 3. In (3), the coverage of "Indices of production forecast" differs from Indices of industrial production.

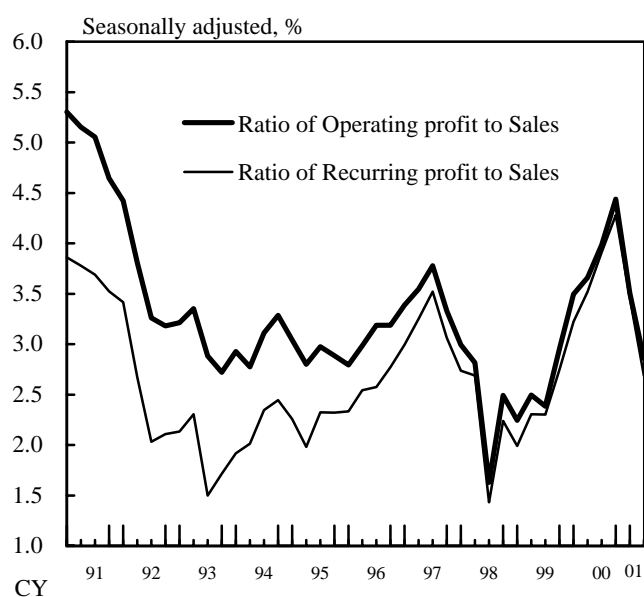
Sources: WSTS (World Semiconductor Trade Statistics), "Semiconductor Forecasts";
 U.S. Department of Commerce, "National Income and Product Accounts";
 Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

Corporate Profit (Ratio of Profit to Sales)

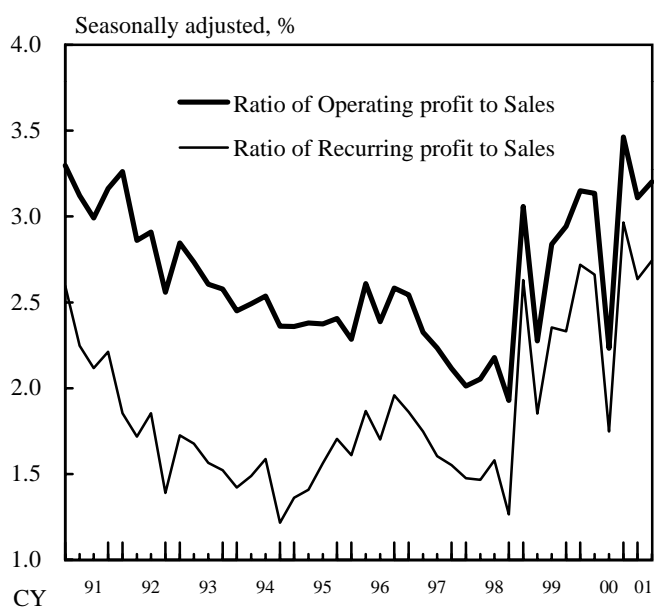
(1) Manufacturing large firms



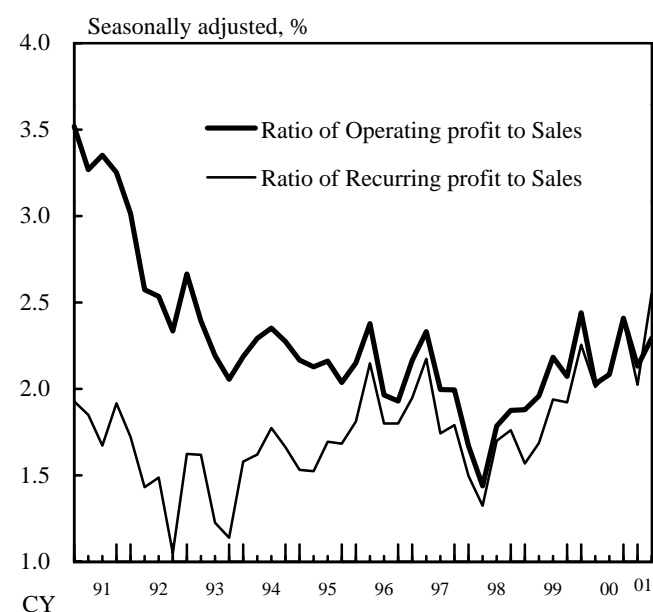
(2) Manufacturing medium and small firms



(3) Nonmanufacturing large firms



(4) Nonmanufacturing medium and small firms



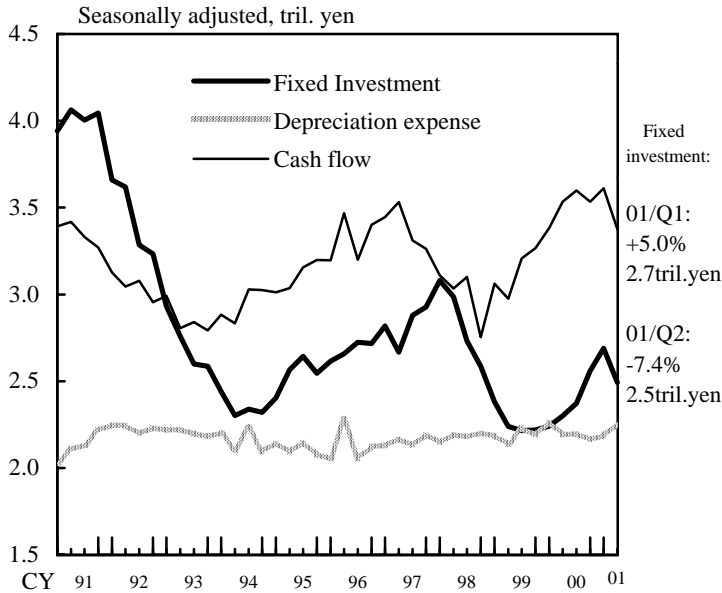
Notes: 1. Electric, gas and other service industries are excluded from nonmanufacturing large firms.

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.

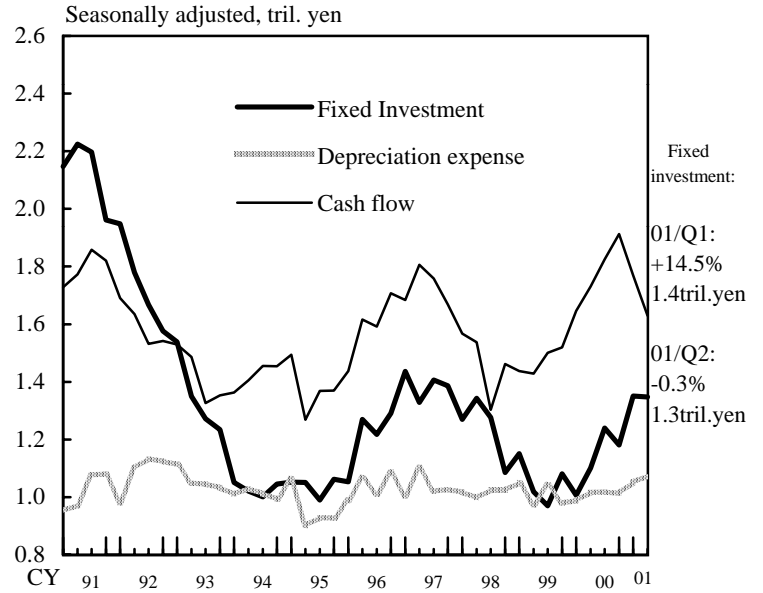
Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Business Fixed Investment

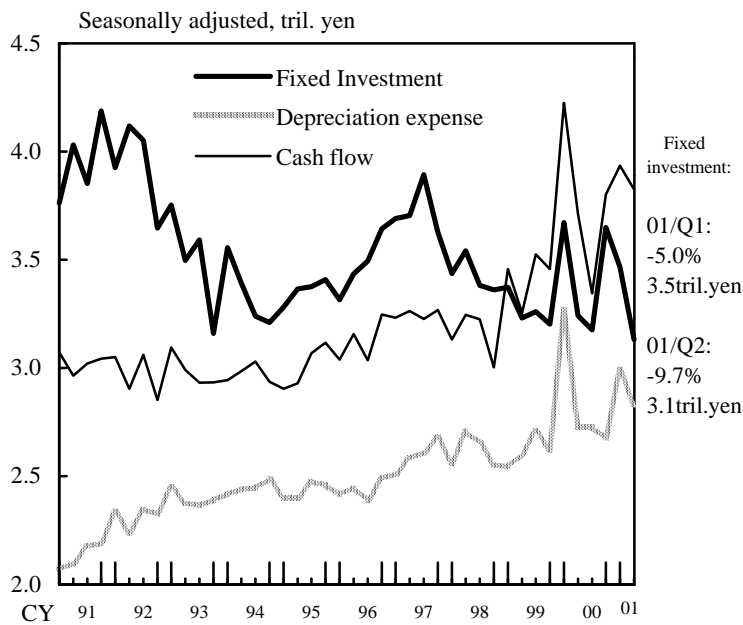
(1) Manufacturing large firms



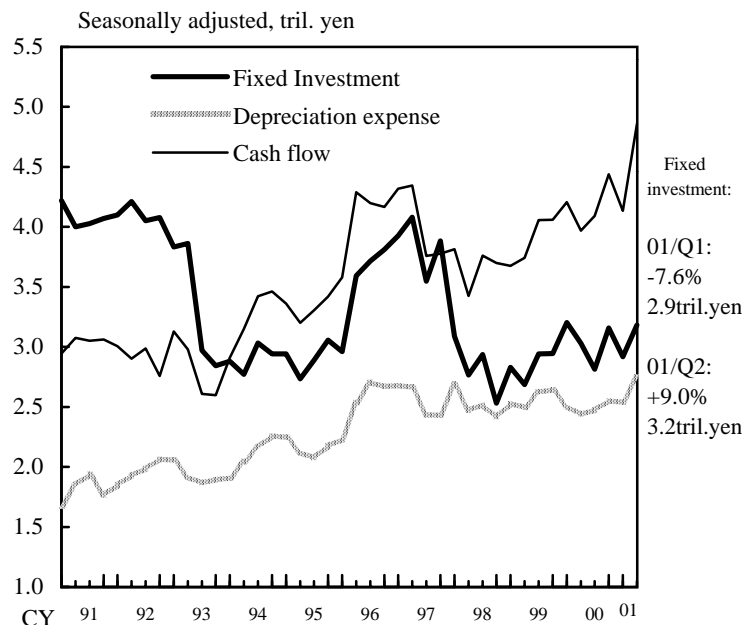
(2) Manufacturing medium and small firms



(3) Nonmanufacturing large firms



(4) Nonmanufacturing medium and small firms

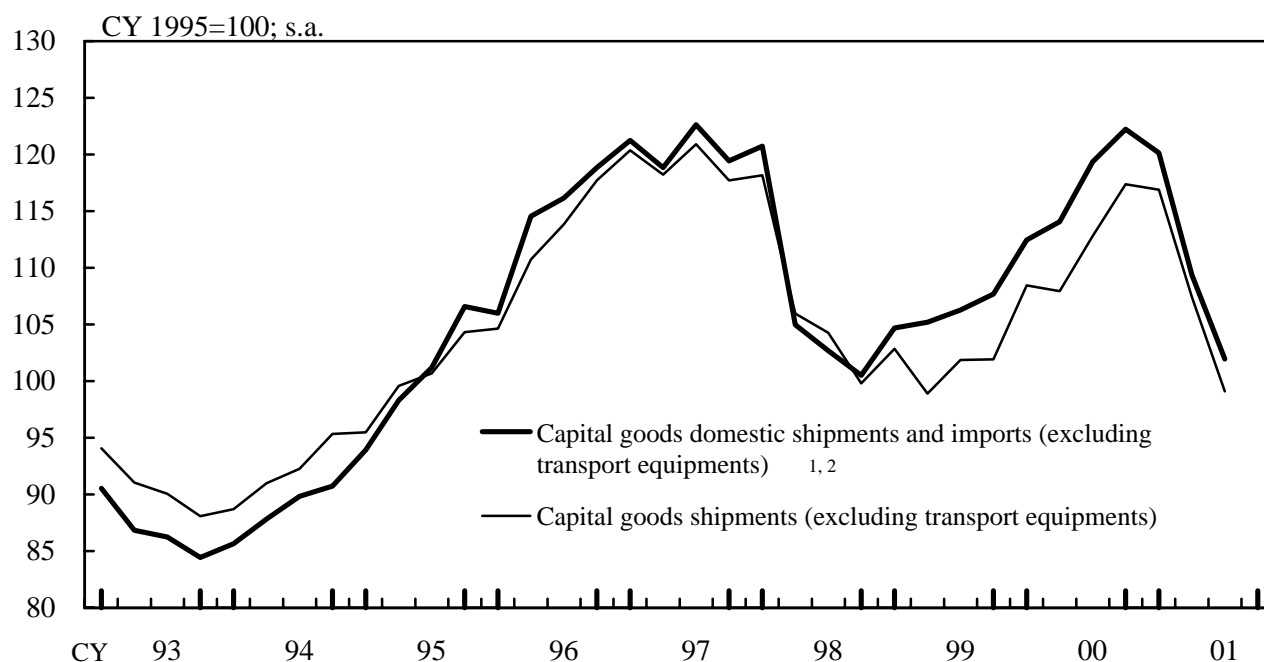
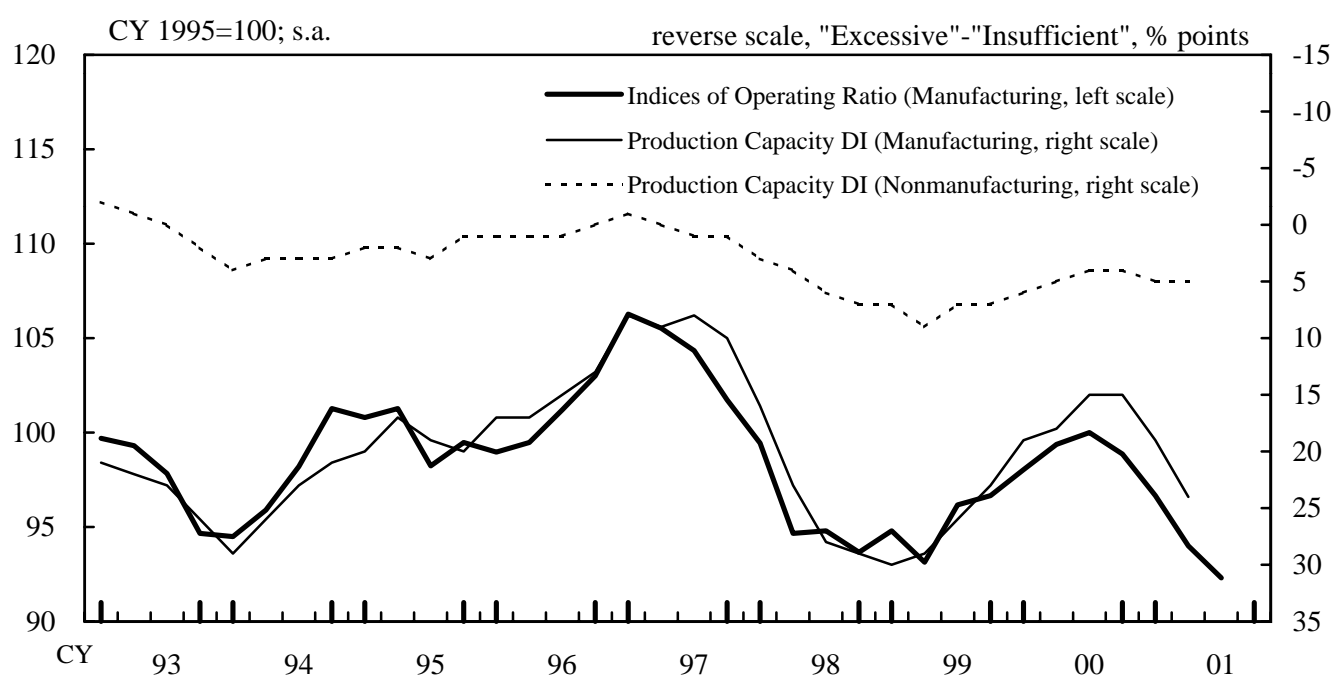


- Notes: 1. Electric, gas and other service industries are excluded from nonmanufacturing large firms.
 2. "Large firms" refers to firms with stockholders' equity of 1 billion yen or more, and "medium and small firms" refers to firms with stockholders' equity of 10 million or more but less than 1 billion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

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

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 ³

Notes: 1. Figure for 2001/Q3 of "Domestic shipments" is calculated from quarterly changes of *Indices of Industrial Production* (excluding effects of exports).

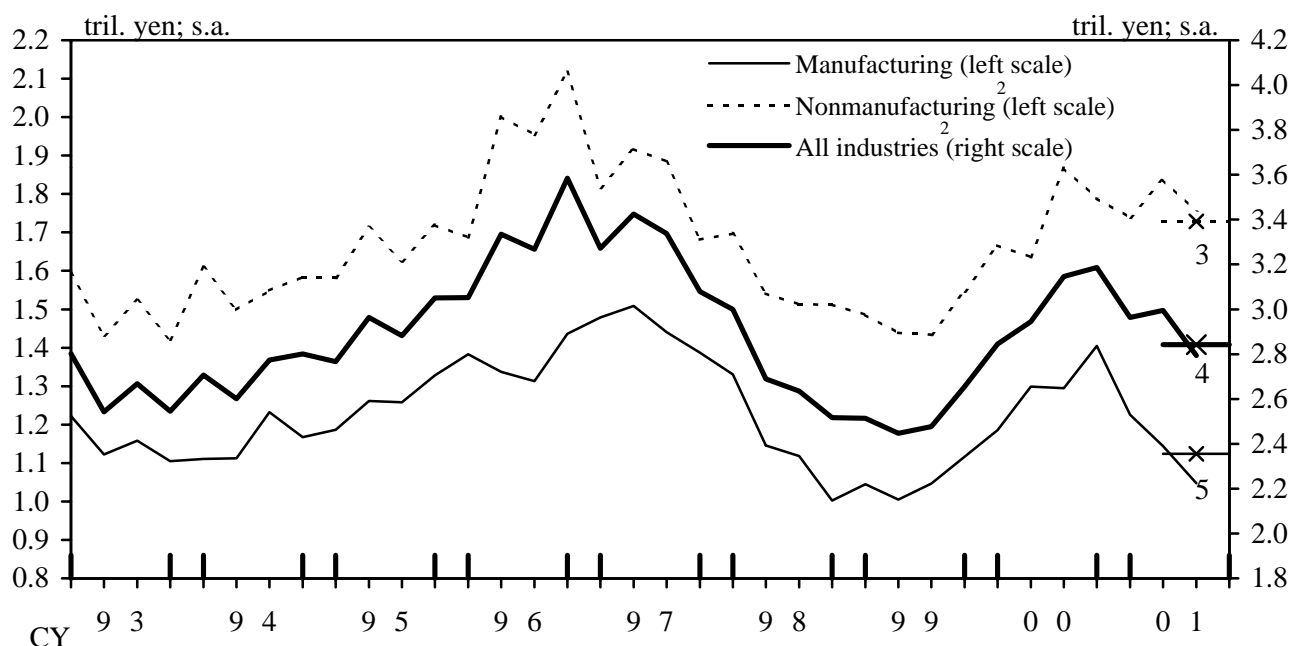
2. Figure for 2001/Q3 of "Capital goods domestic shipments and imports (excluding transport equipments)" is calculated from weighted average of the quarterly changes in "Domestic shipments" and "Imports", based on real imports (see chart 6).

3. All enterprises.

4. Figure for 2001/Q3 are those of July.

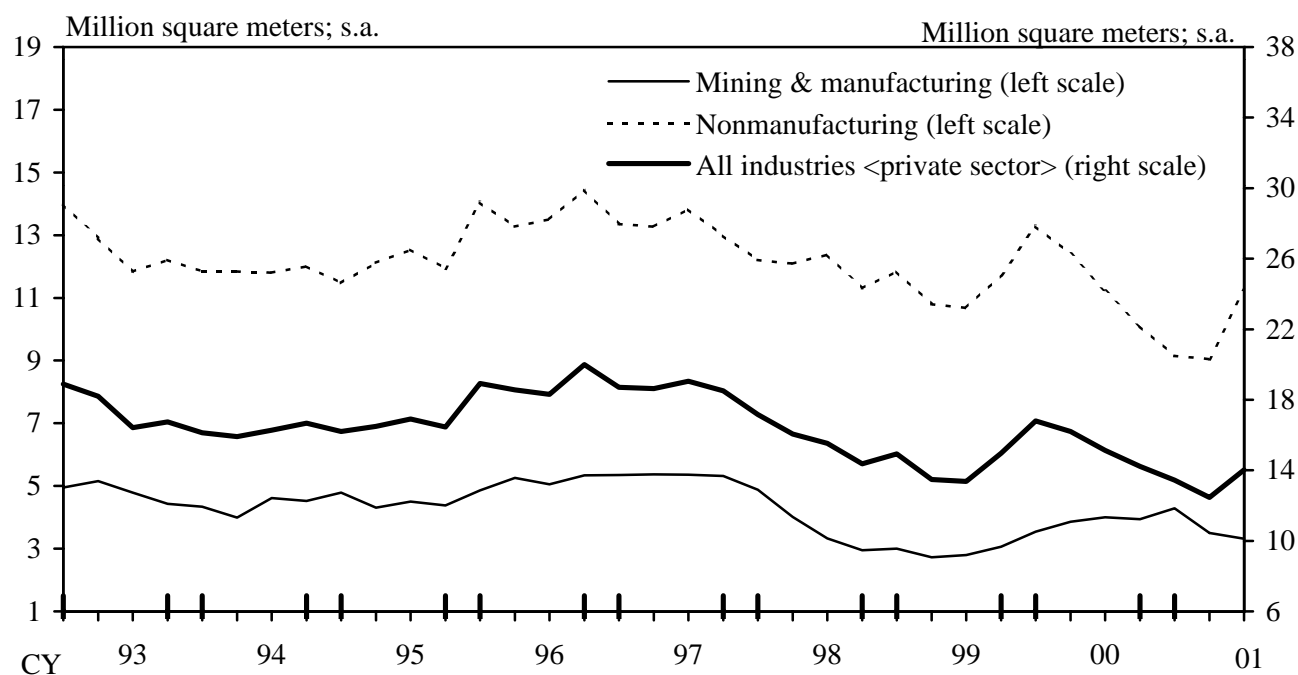
Sources: Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports"; Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes," "Tankan Short-term Economic Survey of Enterprises in Japan."

Indicators for Business Fixed Investment (2)

(1) Machinery Orders¹

- Notes: 1. Figures for 2001/Q3 are those of July in terms of quarterly amount.
 2. Excludes orders from electric power companies and shipbuilding orders.
 3. Forecast of nonmanufacturing industries for 2001/Q3.
 4. Forecast of all industries for 2001/Q3.
 5. Forecast of manufacturing industries for 2001/Q3.

(2) Construction Starts (Nonresidential)

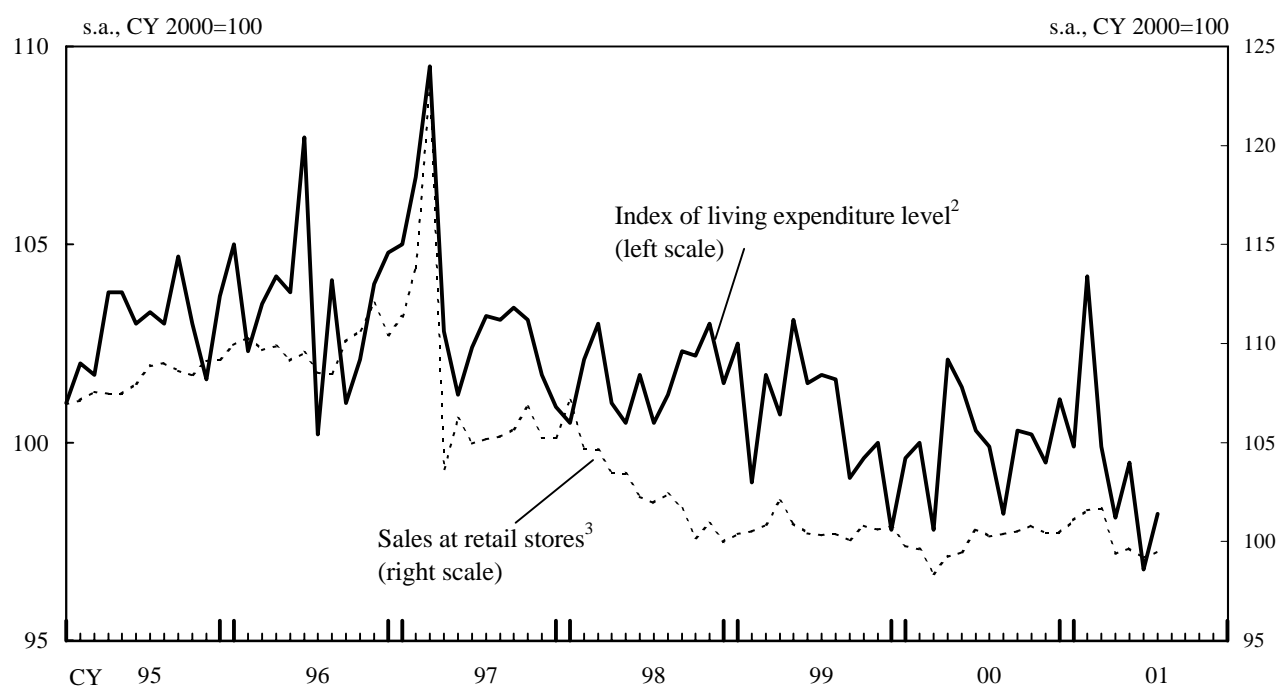


- Notes: 1. Seasonally adjusted by X-12-ARIMA (β version).
 2. Figures for 2001/Q3 are those of July in terms of quarterly amount.

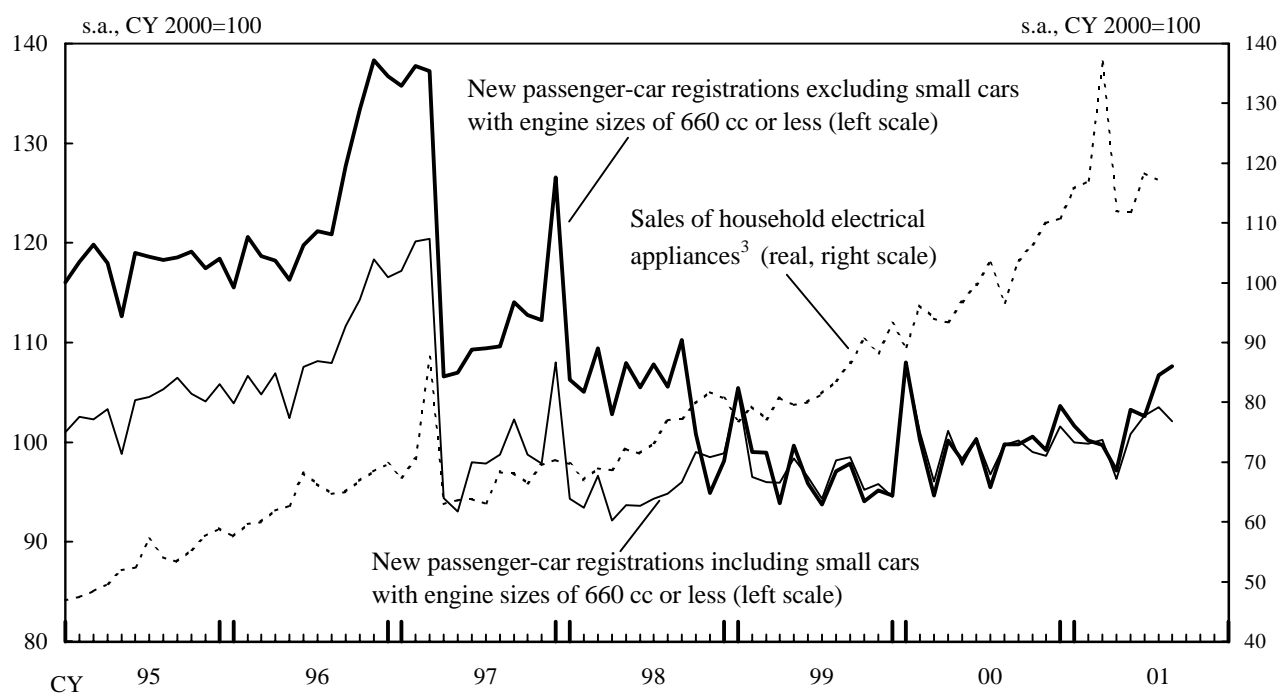
Sources: Cabinet Office, "Machinery Orders Statistics";
 Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

Private Consumption¹ (1)

(1) Household Spending

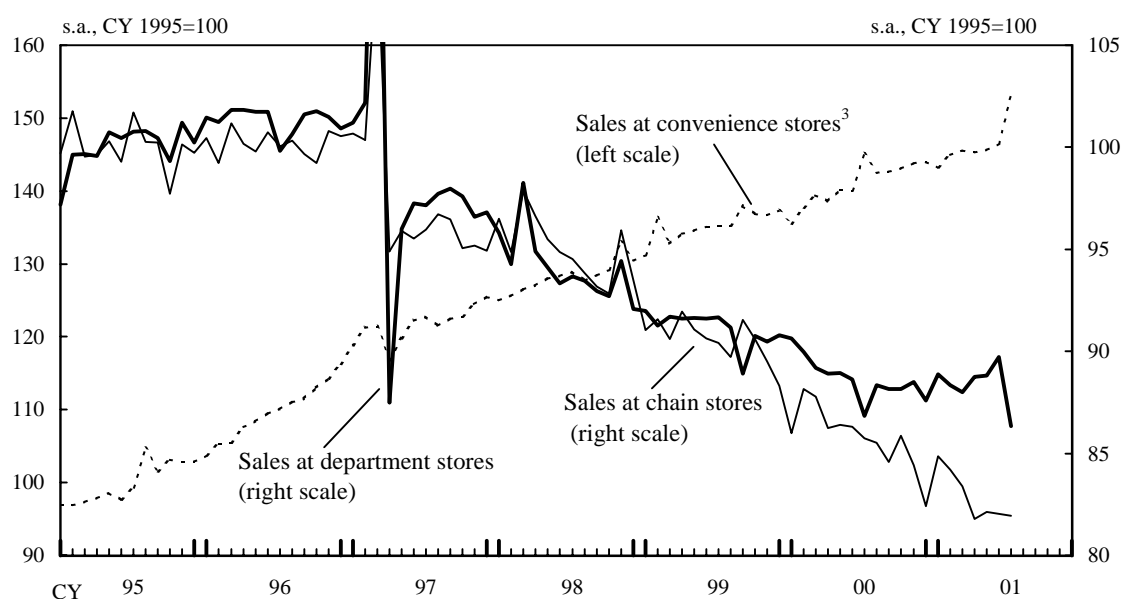
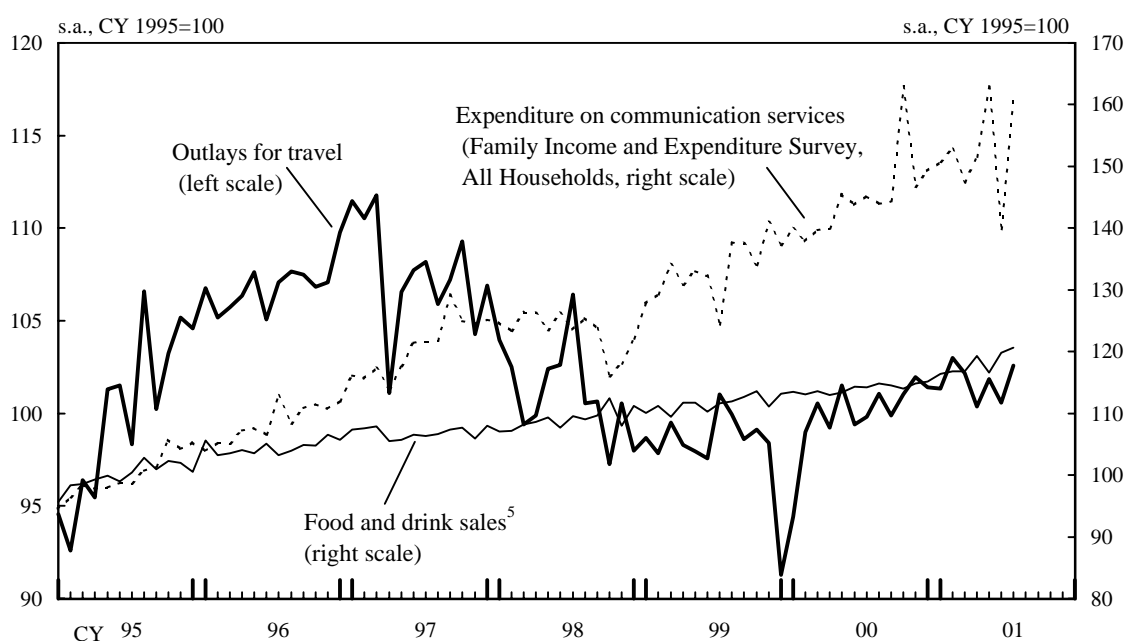


(2) Sales of Durable Goods



- 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. Index of living expenditure level is revised retroactively due to the base year revision.
3. Sales at retail stores are deflated by the consumer price index for goods. Sales of household electrical appliances are the sum of its components deflated by the consumer price index (or the wholesale price index for personal computers before 1999). Sales at retail stores and sales of household electrical appliances are revised retroactively due to the CPI's base revision.

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";

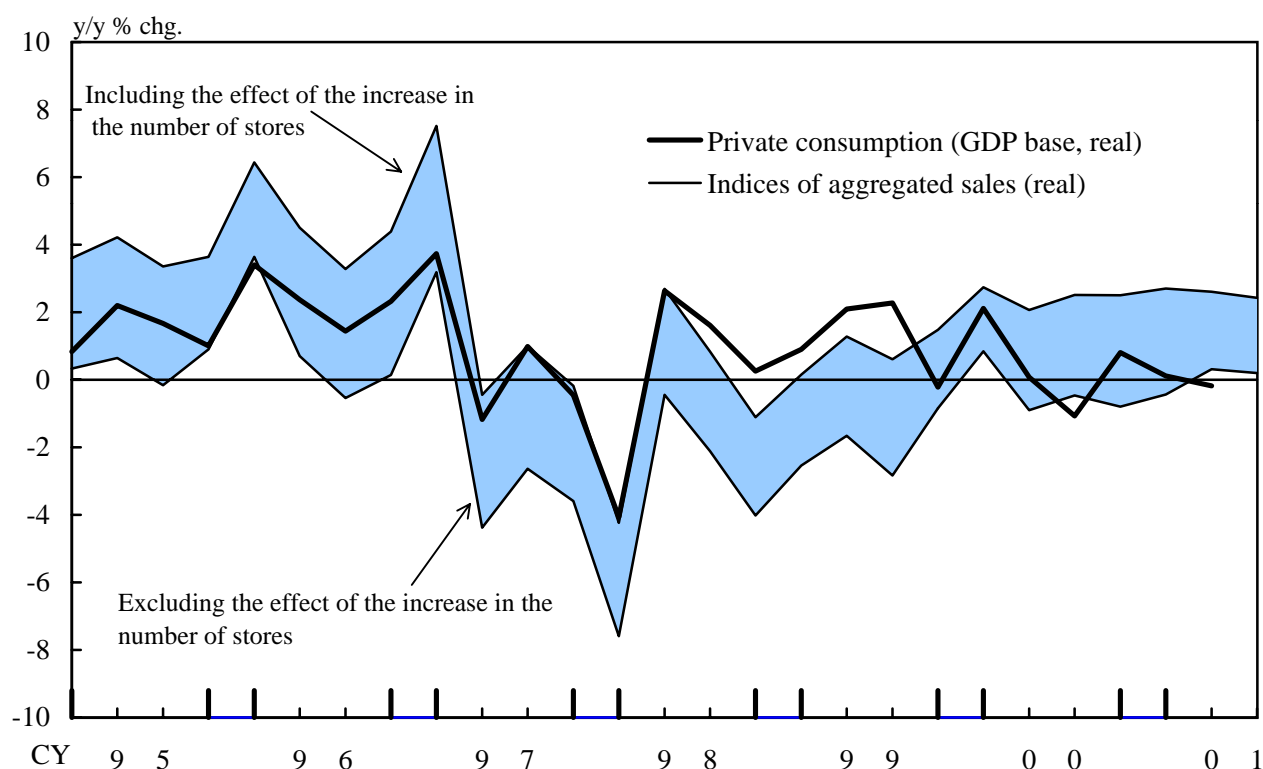
Japan Chain Stores Association, "Sales at Chain Stores";

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 the 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. Indices of aggregated sales are revised retroactively due to the CPI's base revision.
4. 2001/Q3 figures are those of July 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";

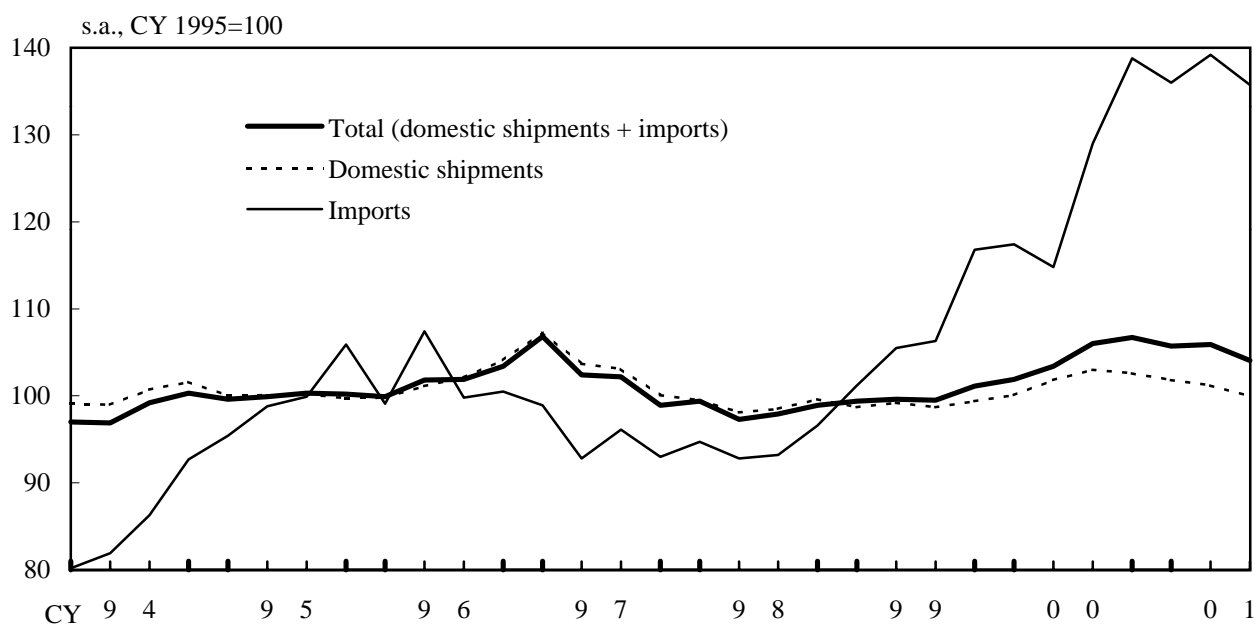
Foodservice Industry Survey & Research Center, "Monthly Survey of Food and Drink Sales";

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

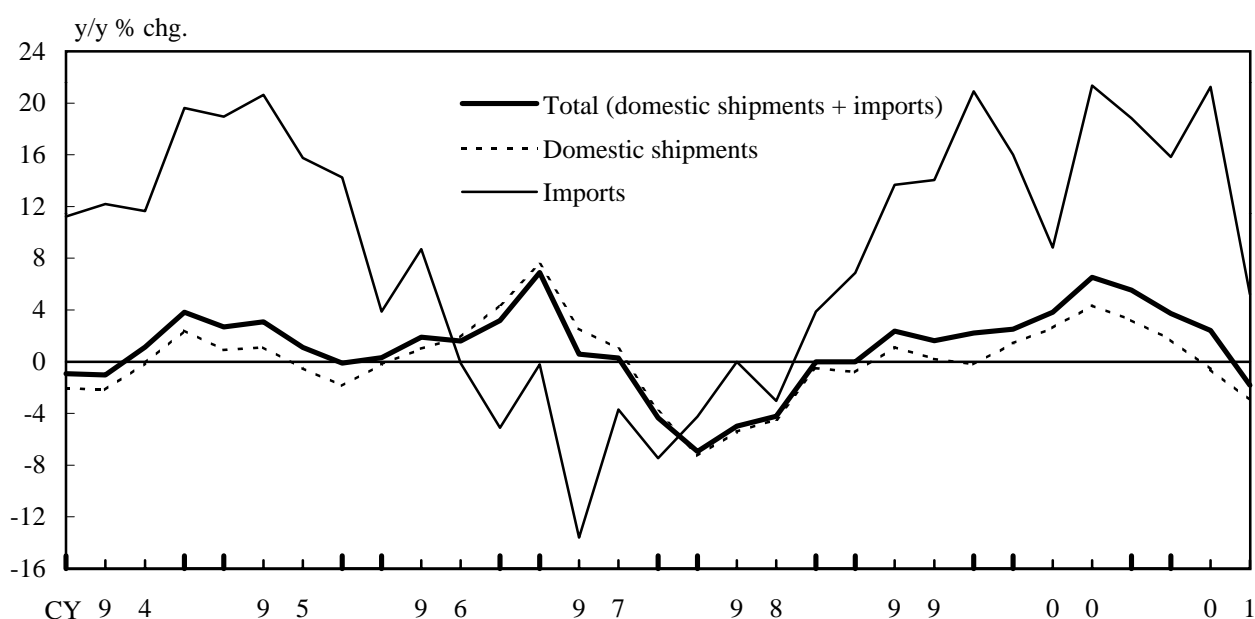
Japan Foodservice Association, "The Research of Food and Drink Markets."

Private Consumption (4) - Estimation of consumer goods supply

(1) Level



(2) Changes from a year earlier

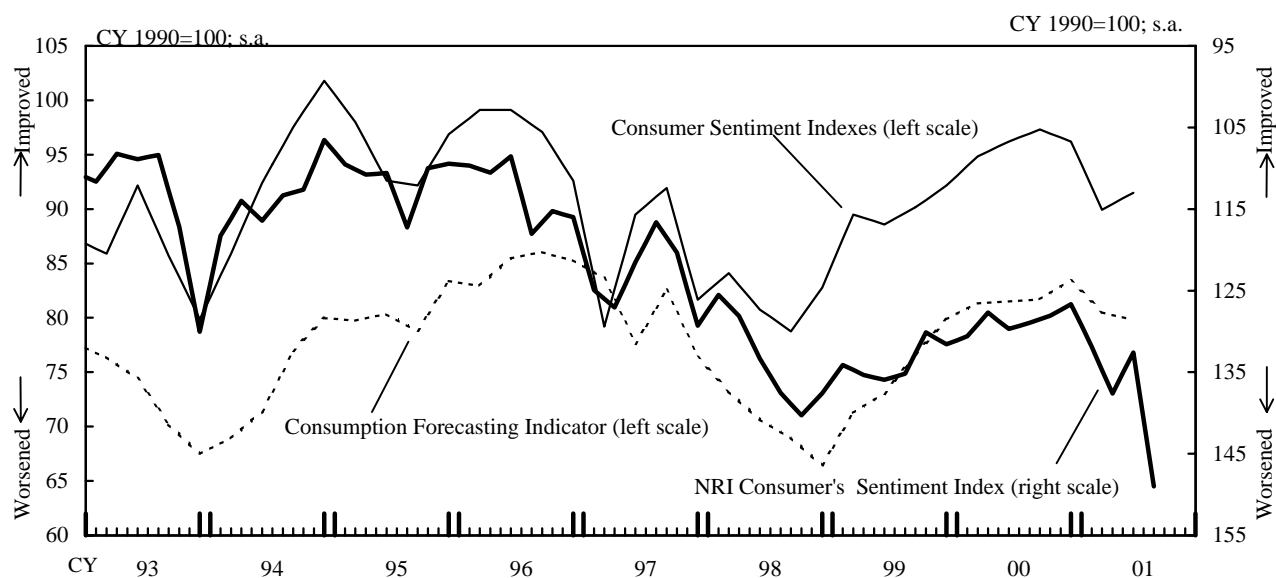


- Notes: 1. "Domestic shipments" and "Imports" are components of "consumer goods" in the *Indices of Industrial Domestic Shipments and Imports*. (The definition for "consumer goods" is the same as that in the *Indices of Industrial Production*.)
2. Figures for 2001/Q3 of "Domestic shipments" are calculated from quarterly changes of *Indices of Industrial Production* (excluding the effects of exports).
3. Figures for 2001/Q3 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/Q3 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/Q3 figures are those of July 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."

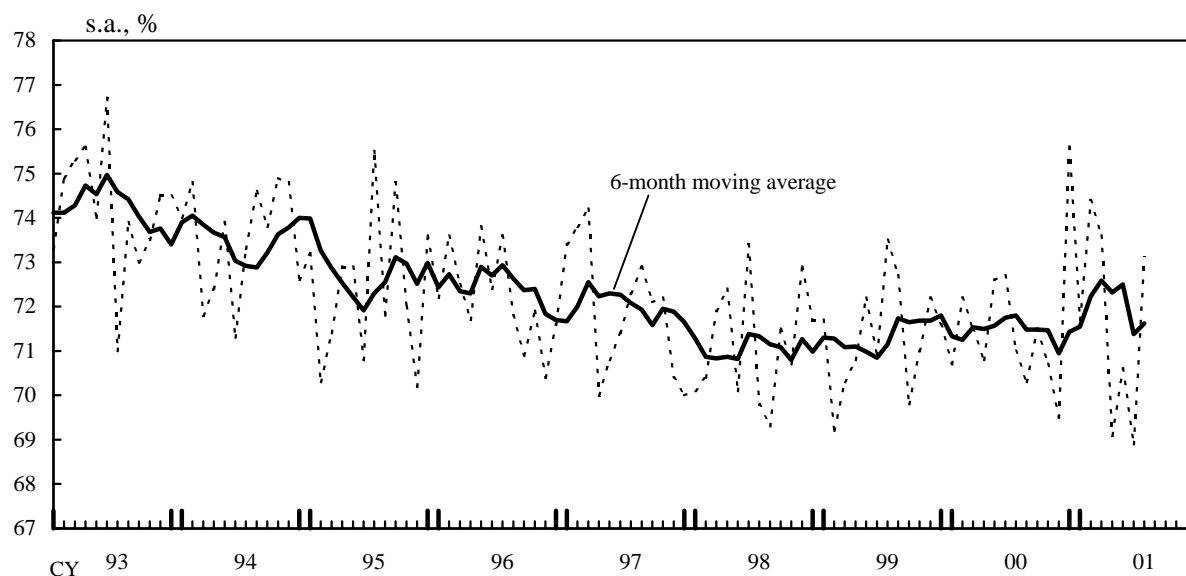
Consumer Confidence and Propensity to Consume

(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.

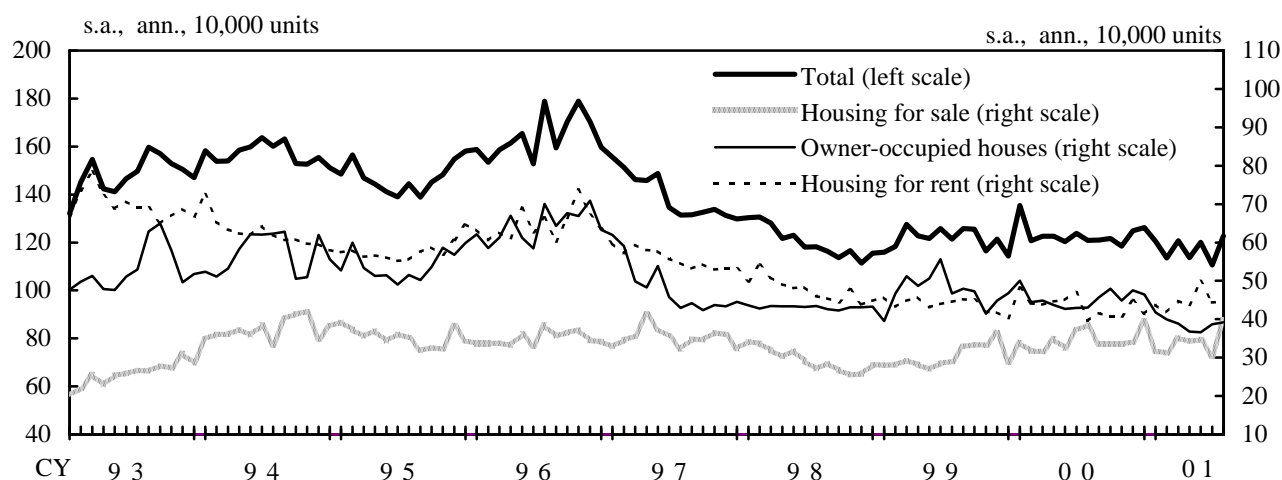
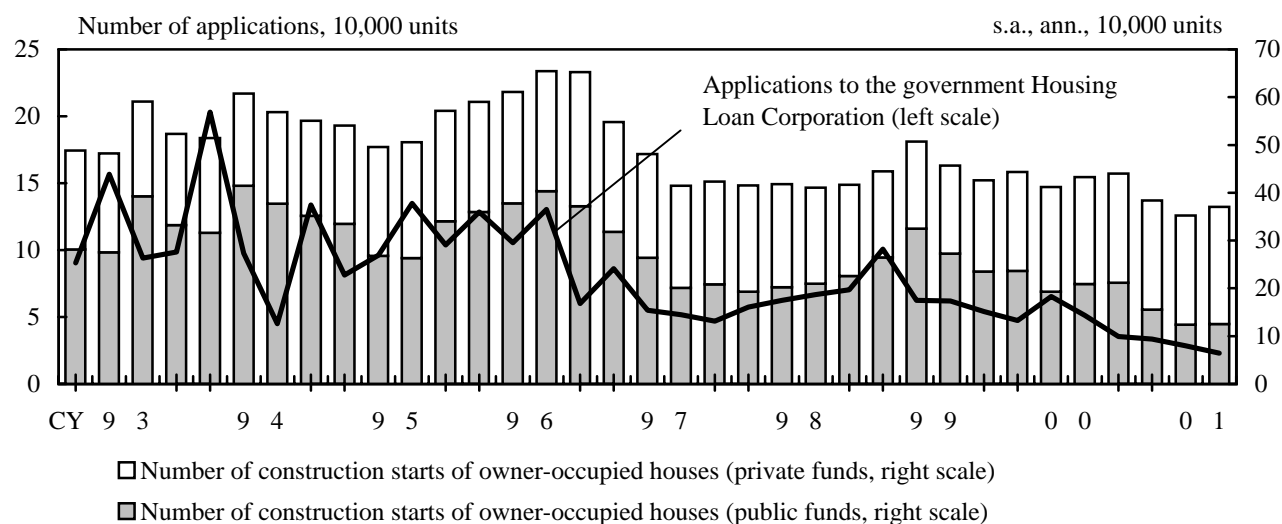
(2) Propensity to Consume (Family Income and Expenditure Survey)



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

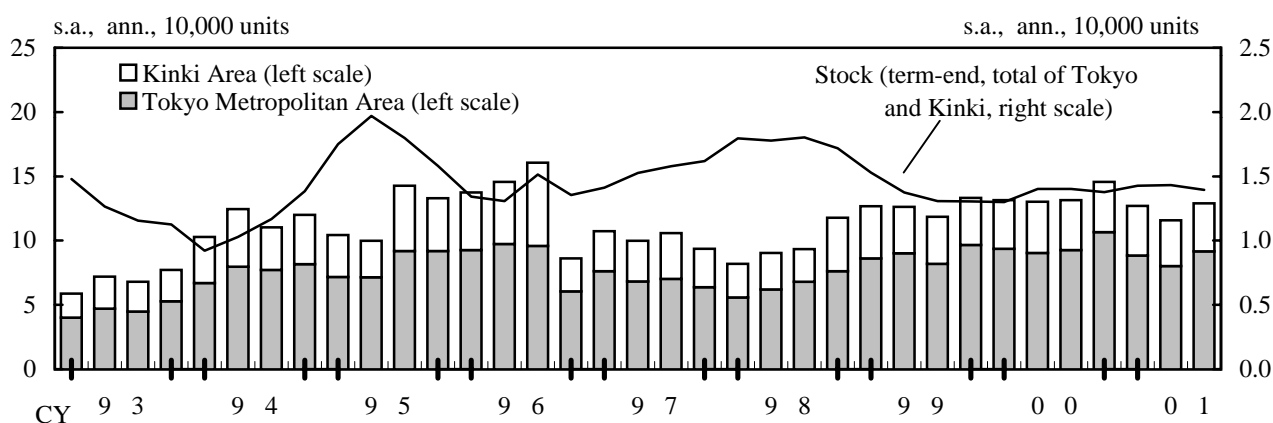
(1) Housing Starts

(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 periods 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/Q3 are those of July in terms of quarterly amount.

(3) Sales of Condominiums

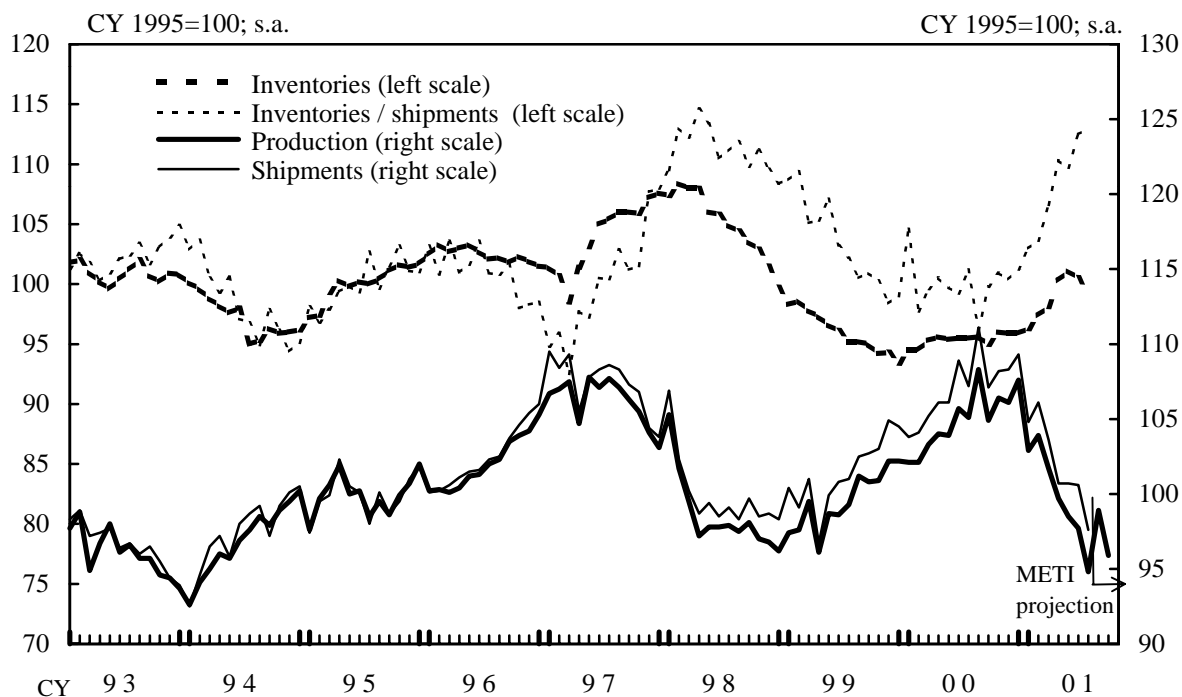


Note: 2001/Q3 figures are July-August averages converted into quarterly amount.

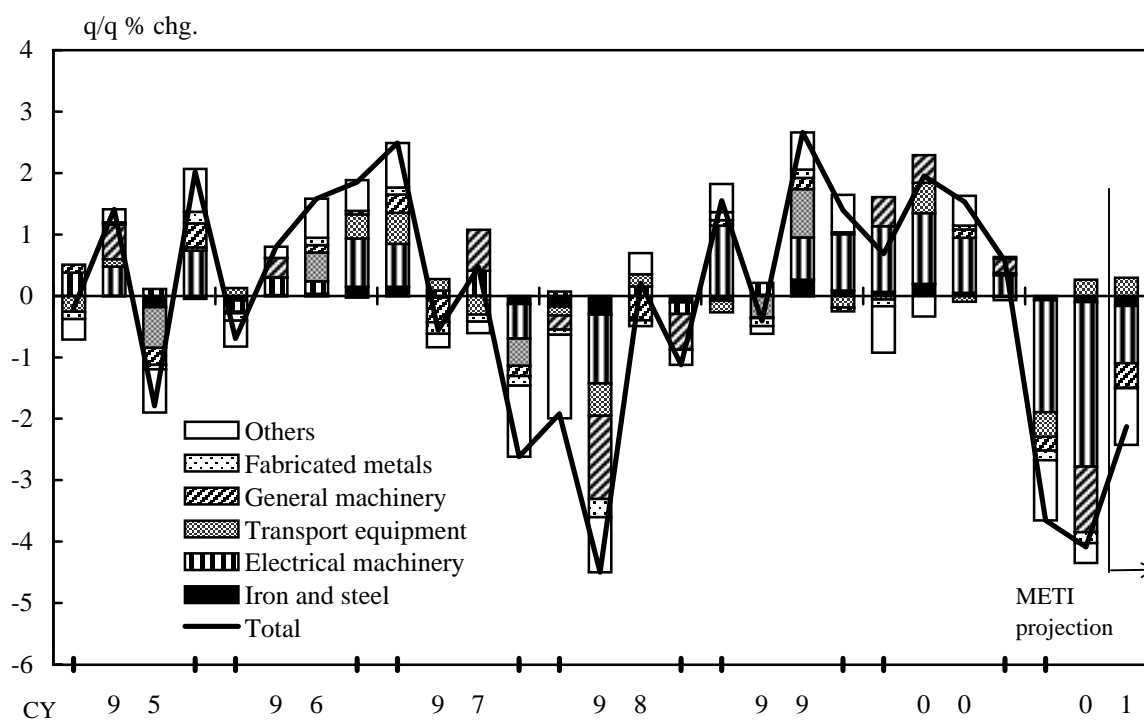
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



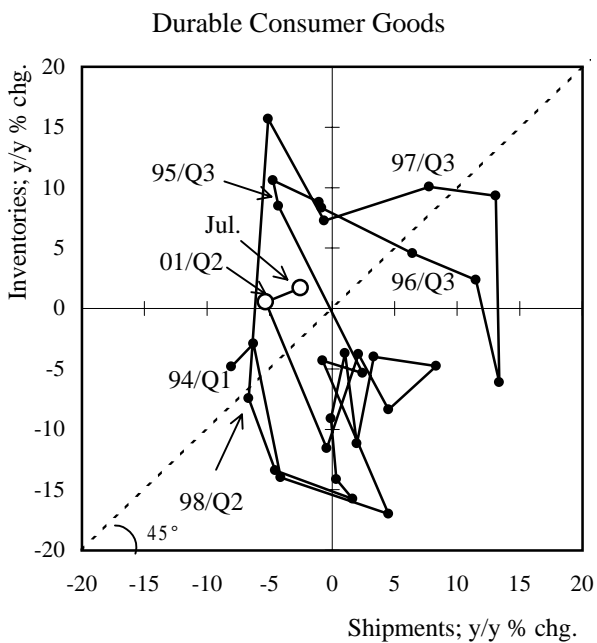
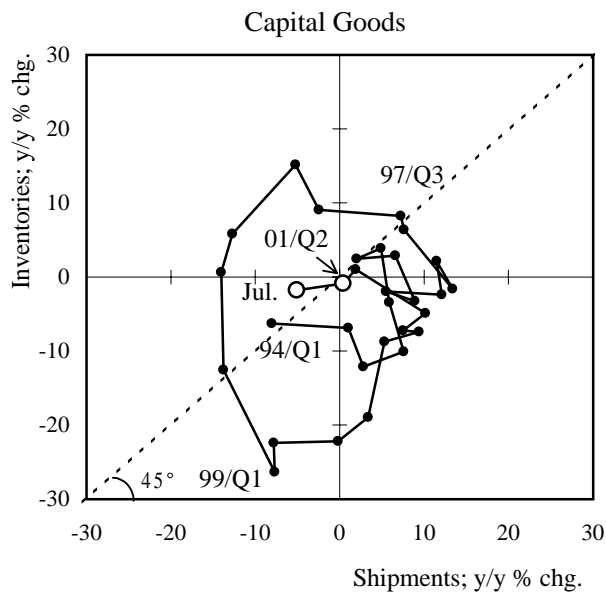
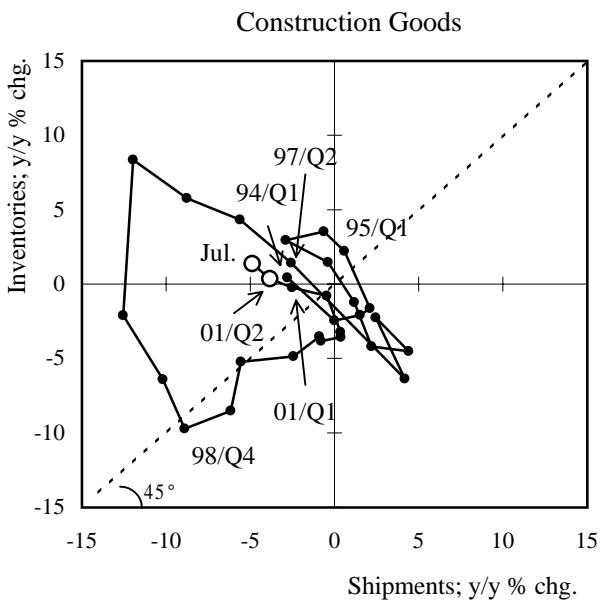
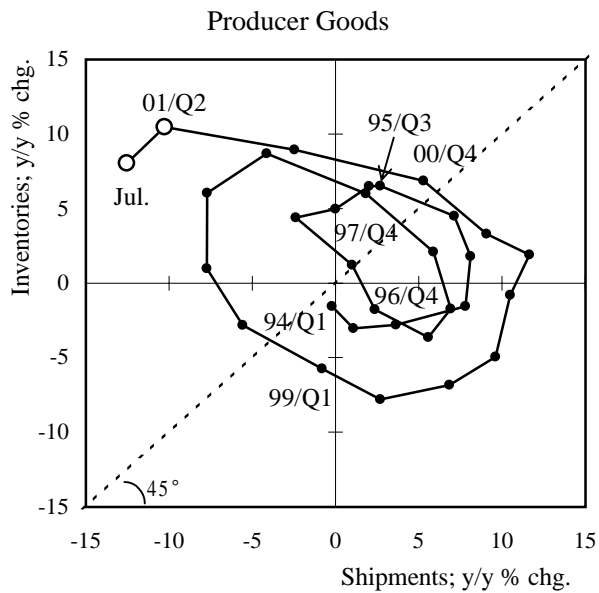
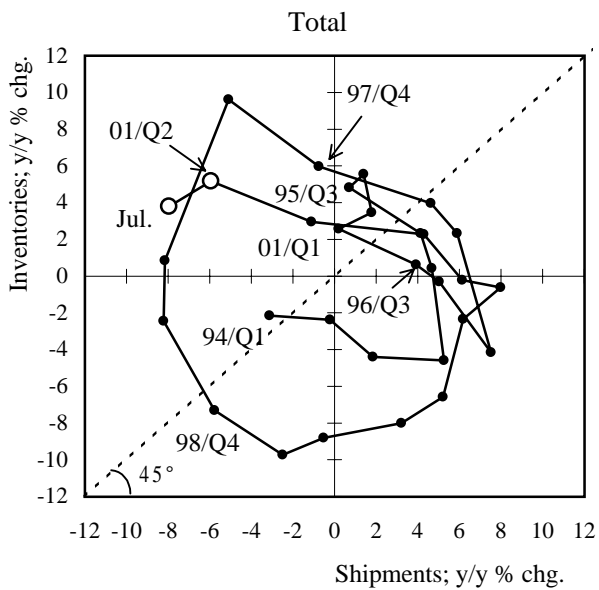
(2) Production by Industries



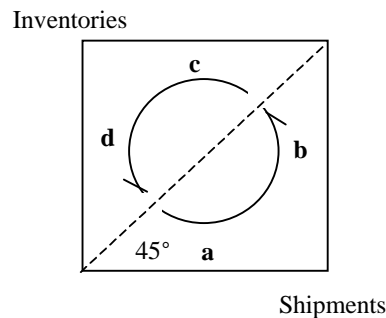
Note: Transport equipment excludes ships and rolling stock.

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

Inventory Cycle



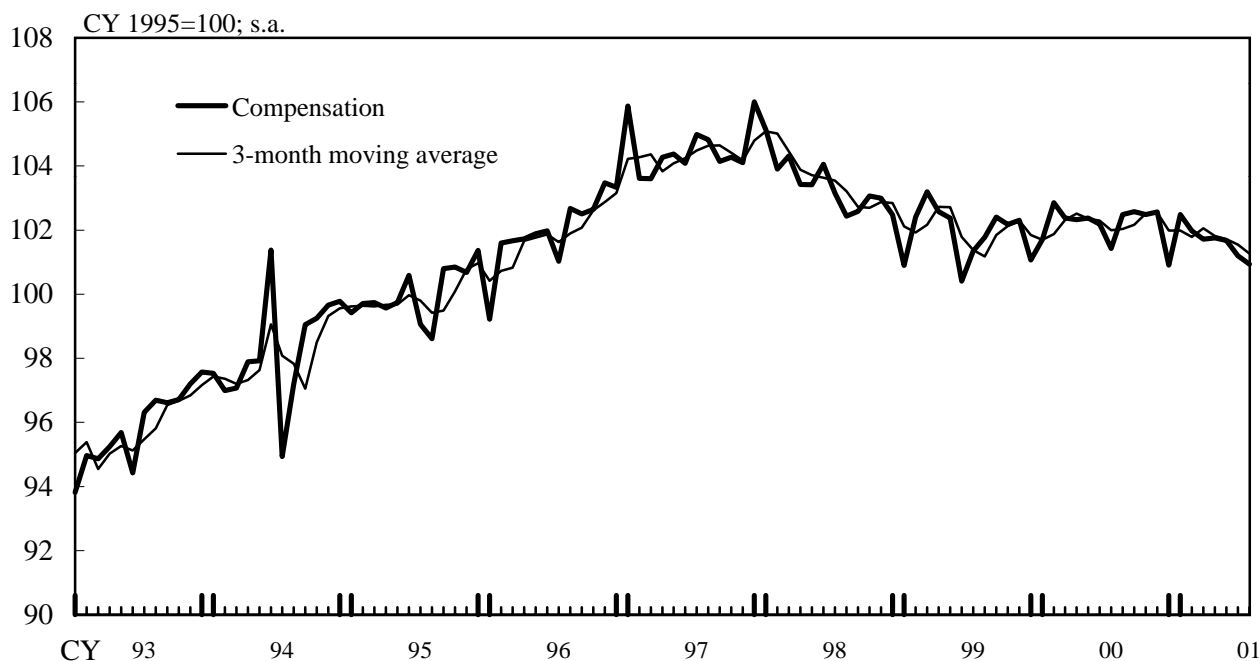
Phases in the Inventory Cycle



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

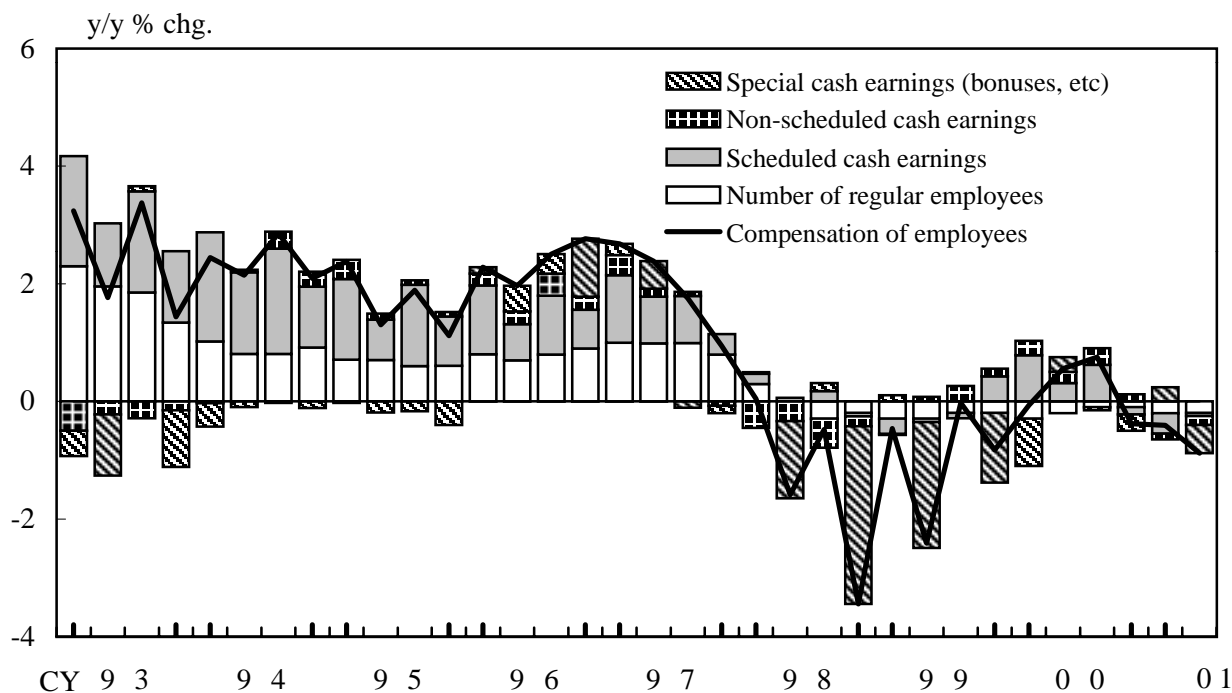
Compensation of Employees

(1) Compensation



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

(2) Breakdown of Compensation

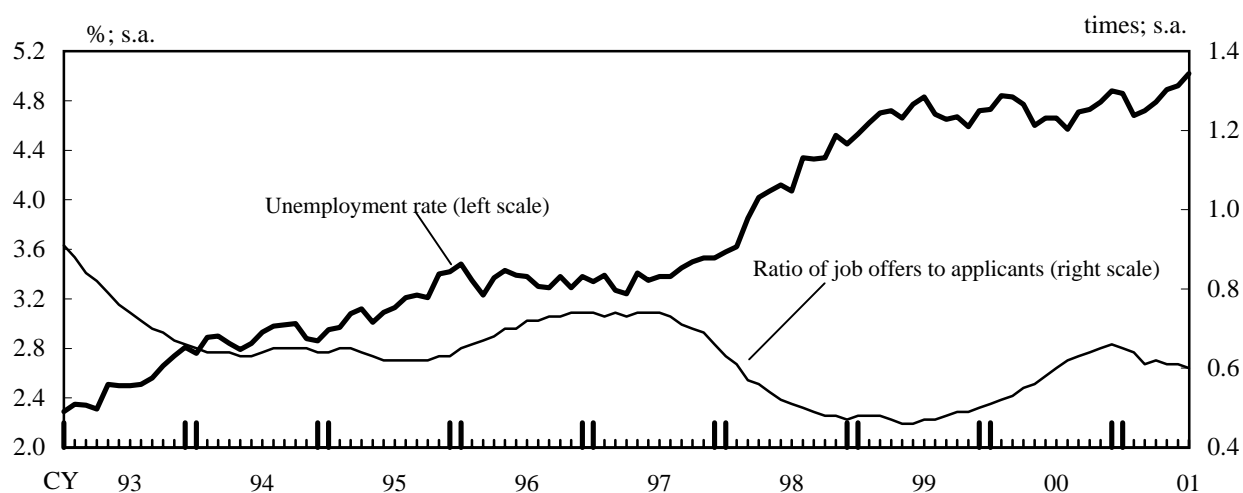
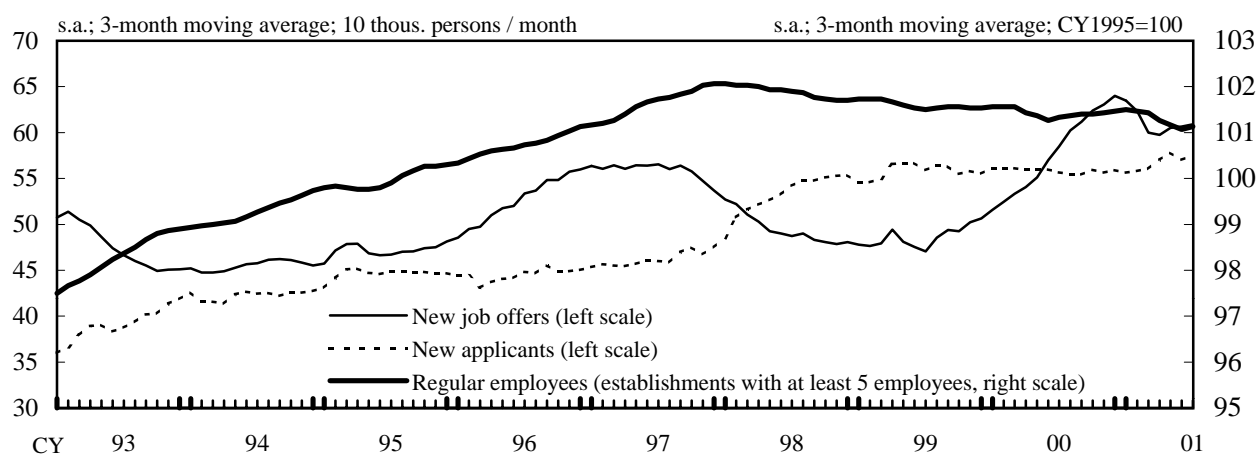
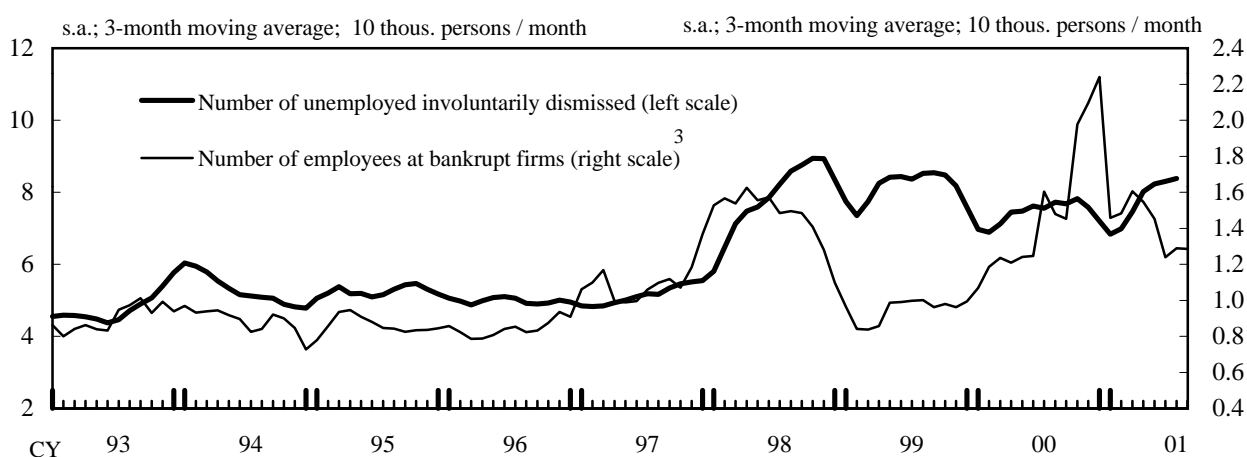


- Notes: 1. Data for establishments with at least 5 employees.
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
 3. Figures for 01/Q2 are those of the June-July average.

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

Labor Market

(1) Unemployment Rate and Job Offering

(2) New Job Offers, New Applicants¹ and Regular employees(3) Number of Unemployed Involuntarily Dismissed and Employees at Bankrupt Firms²

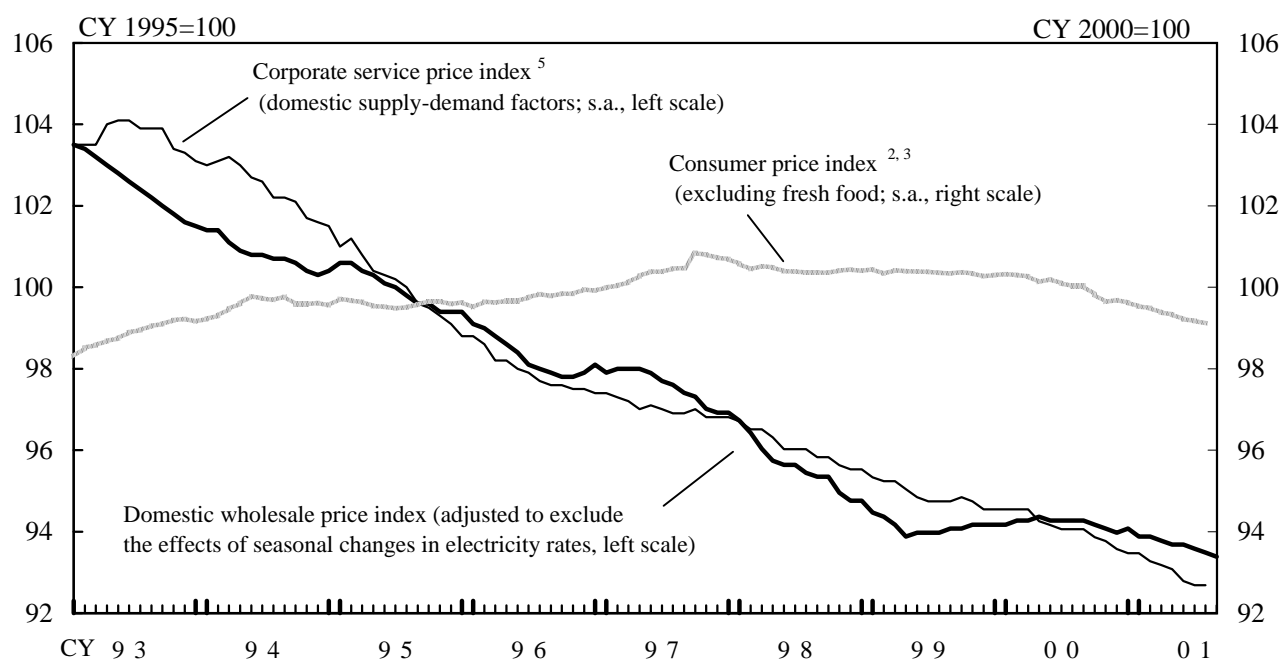
Notes: 1. Exclude jobs offered to new graduates.

2. Seasonally adjusted by X-11.

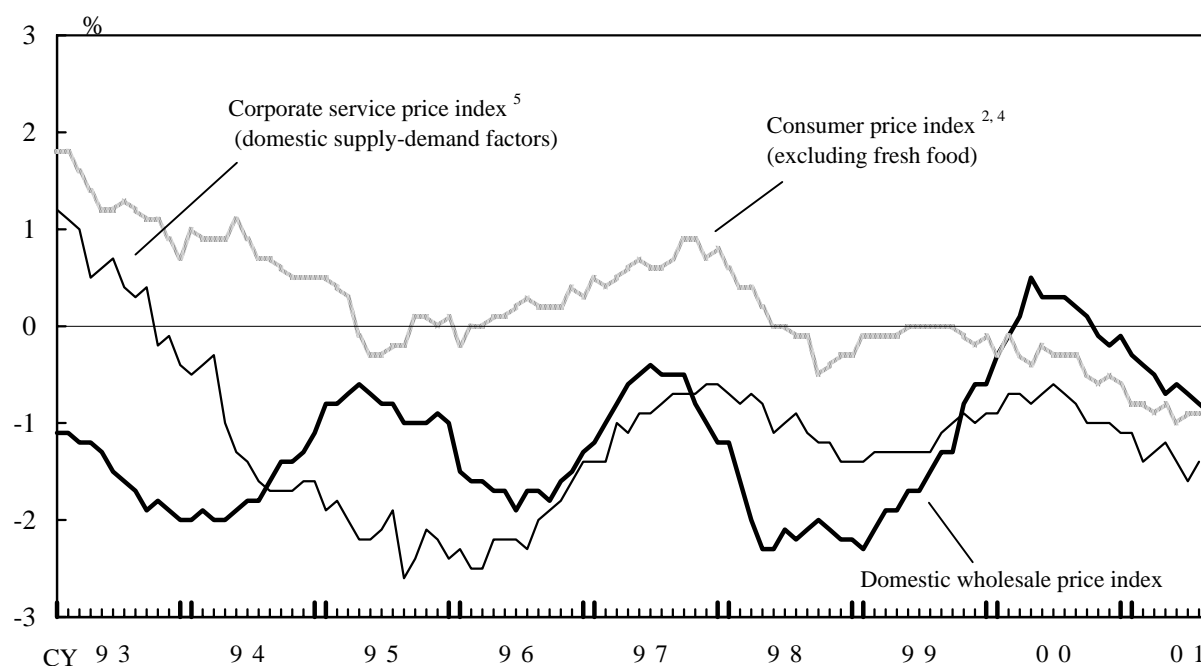
3. The data are based on a survey conducted by Teikoku Databank Ltd. Bankruptcies with liabilities of ten million yen or more.

Prices¹

(1) Level



(2) Changes from a year earlier

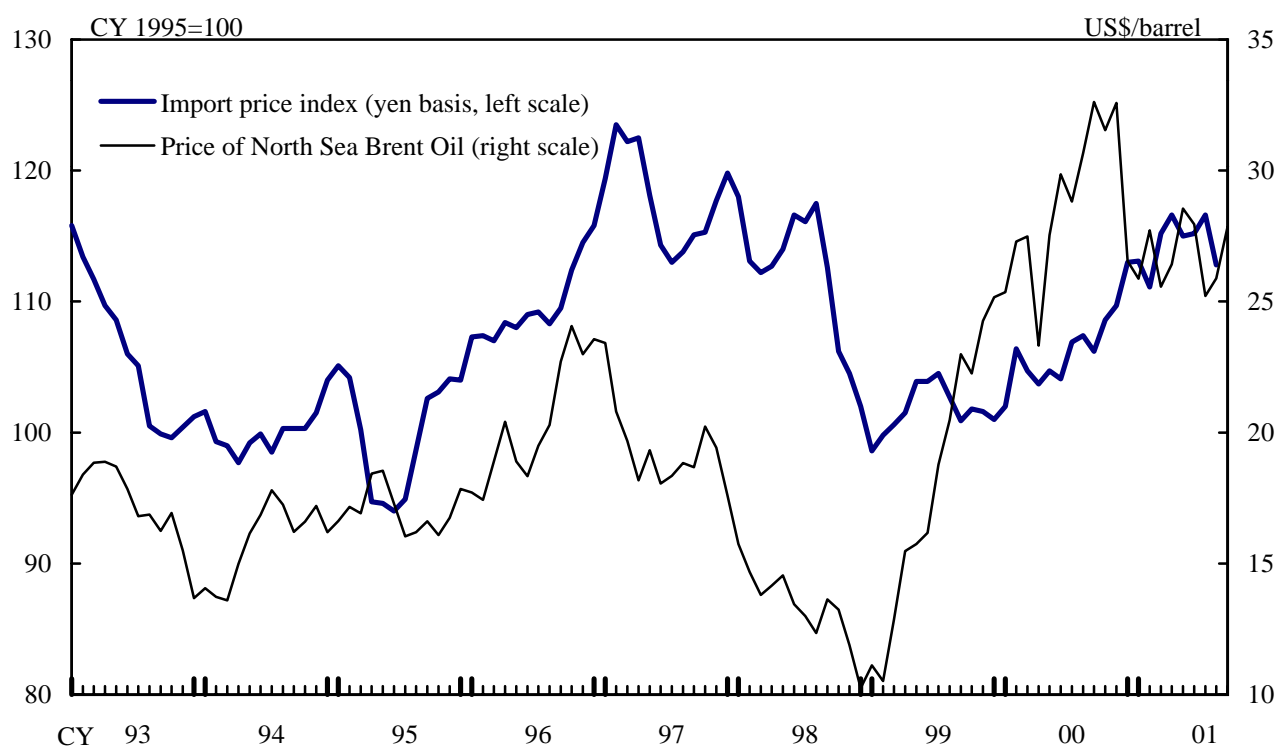


- Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. The base year of CPI has been switched from the 1995 base to the 2000 base.
3. Seasonally adjusted by X-12-ARIMA (β version), based on the original series excluding package tours to overseas.
4. Data before Dec. 2000 are on the 1995 base CPI.
5. See footnote 4 in Chart 22, for definition of the Corporate service price index (domestic supply-demand factors).

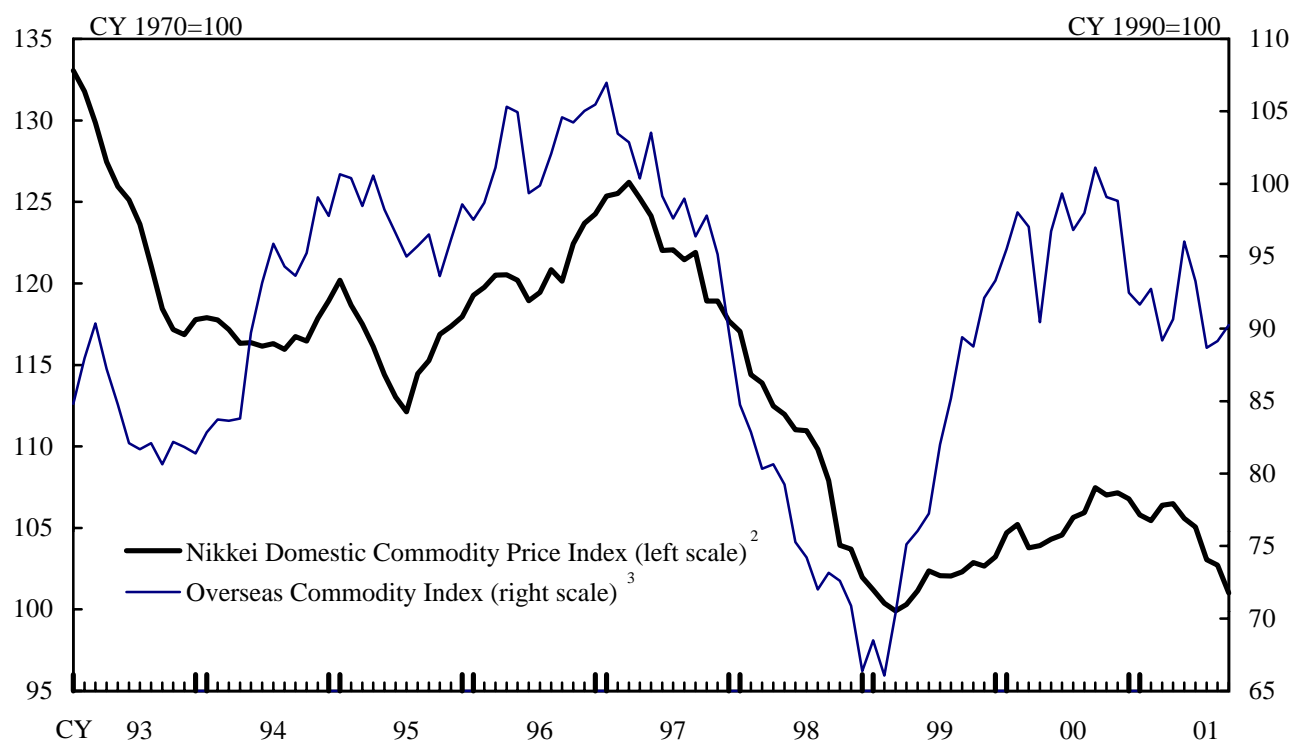
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index."

Import Prices and Commodity Market

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



(2) Commodity Market



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

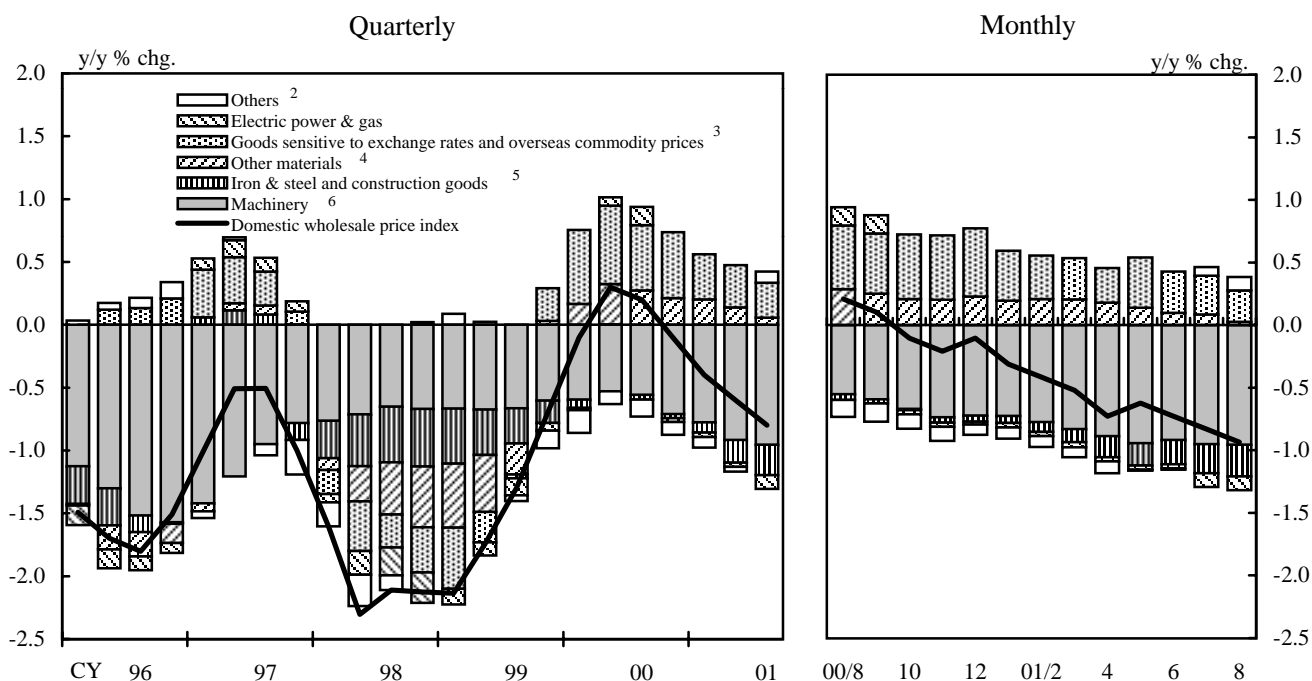
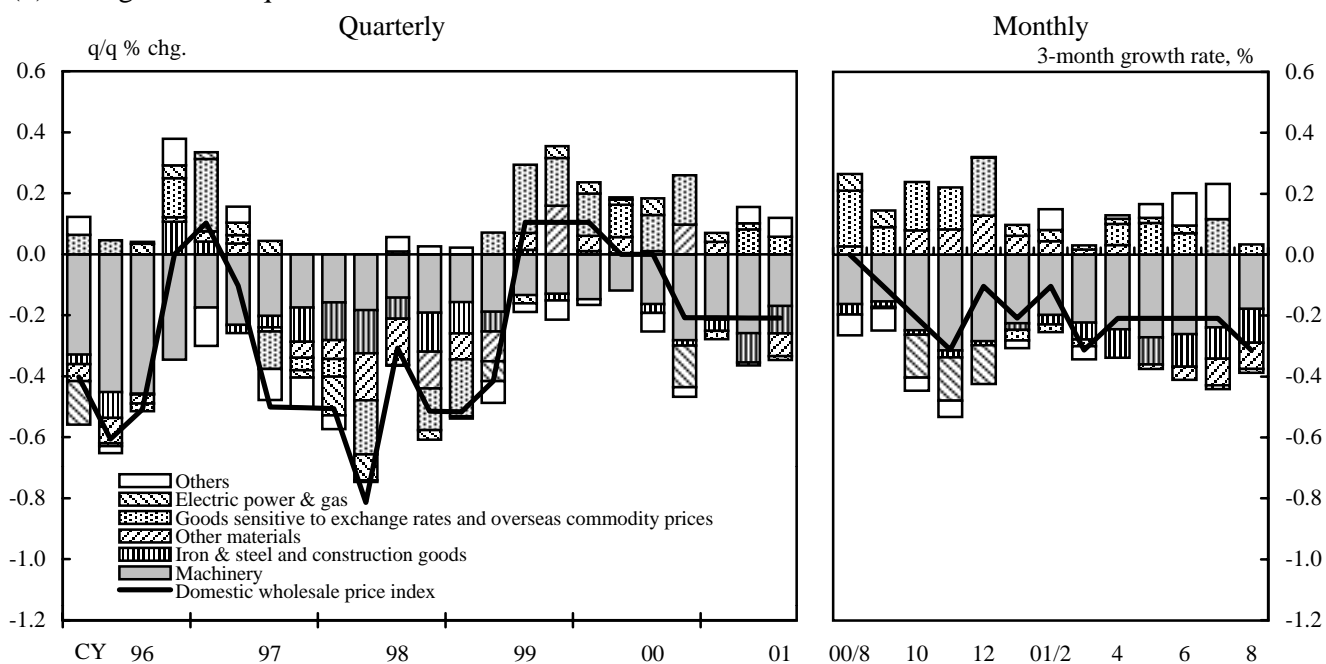
2. Data for September 2001 are as of September 14.

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

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

Domestic Wholesale Price Index¹

(1) Changes from a year earlier

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

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

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

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

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

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

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

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

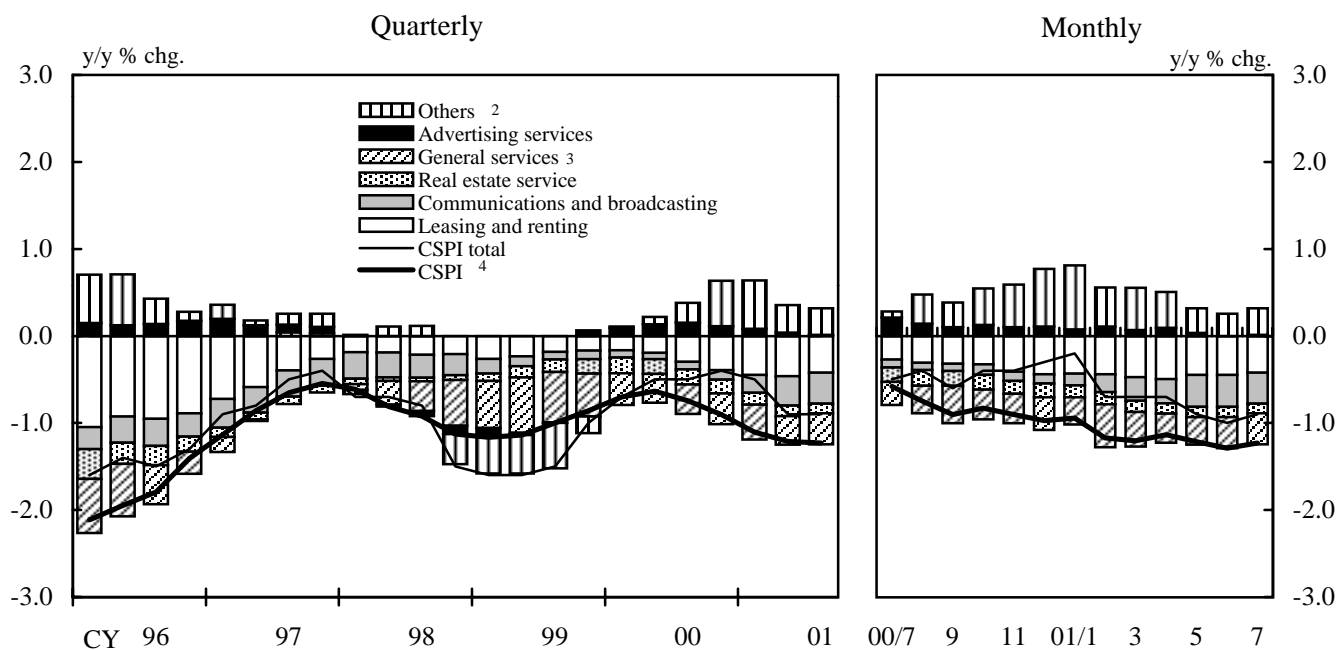
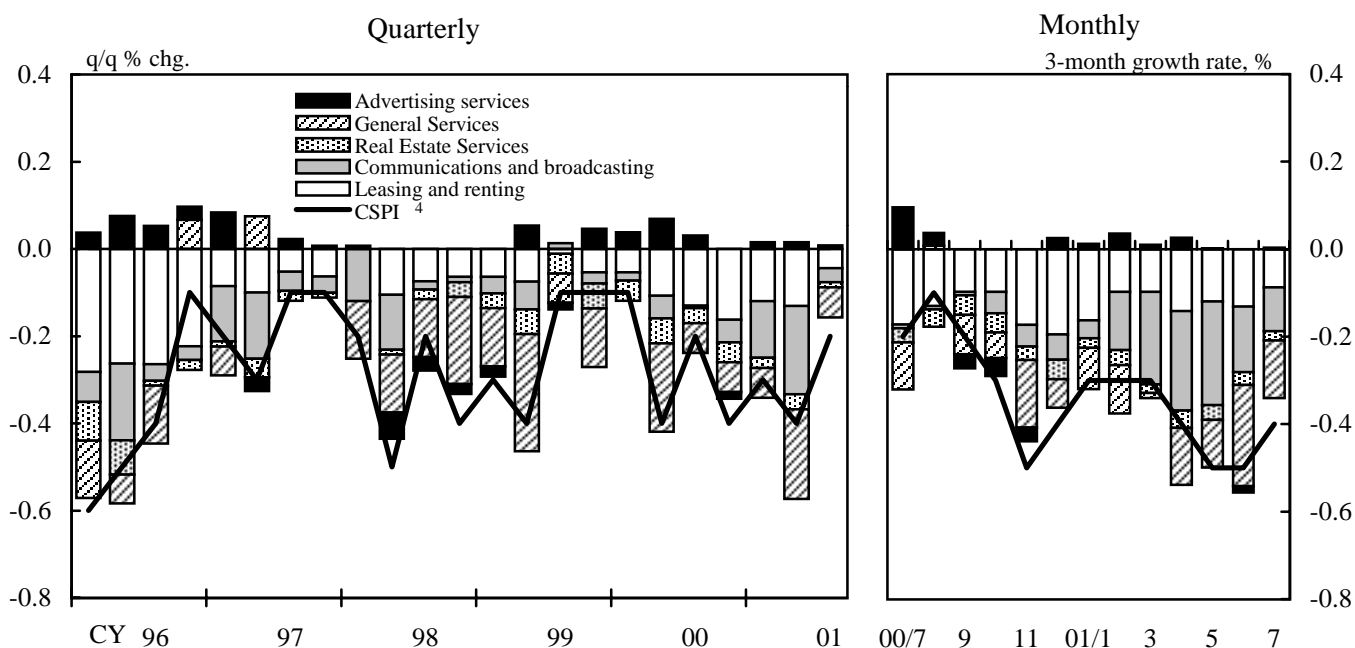
This effect causes the Domestic Wholesale Price Index to rise by about 0.2%.

8. Figures for 2001/Q3 are those of July-August 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' procurement service for issuing debentures <excluding underwriting services>).

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

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

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

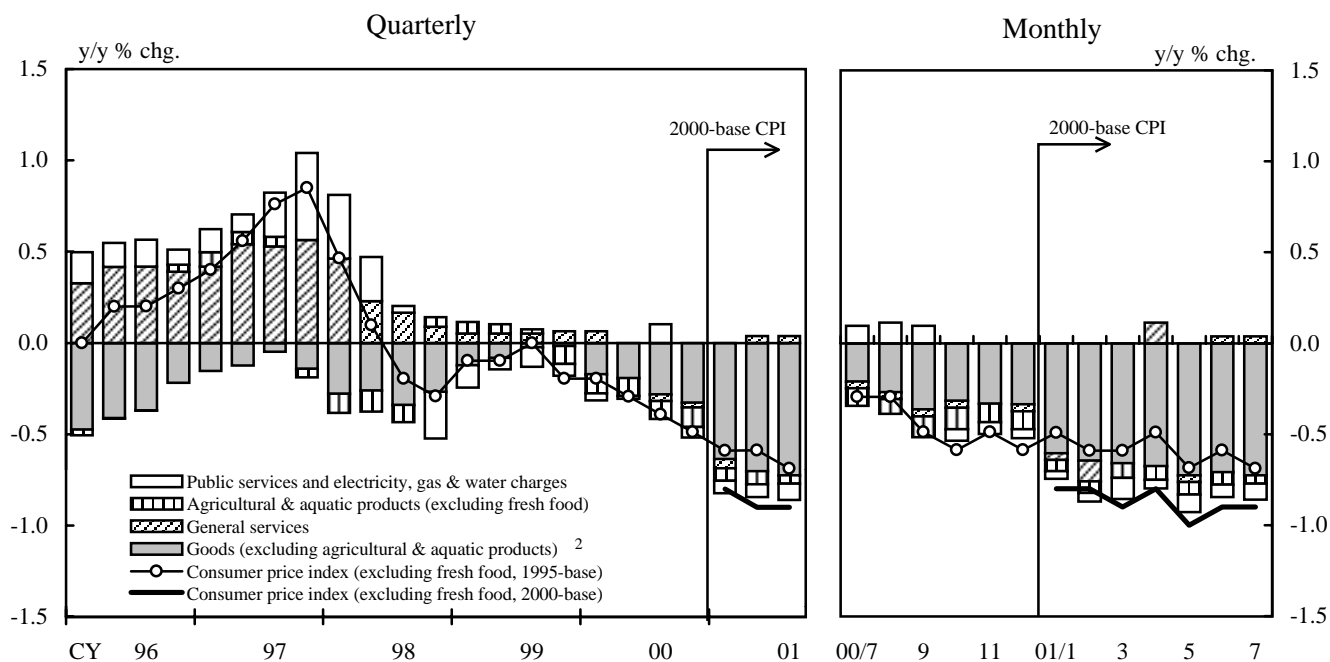
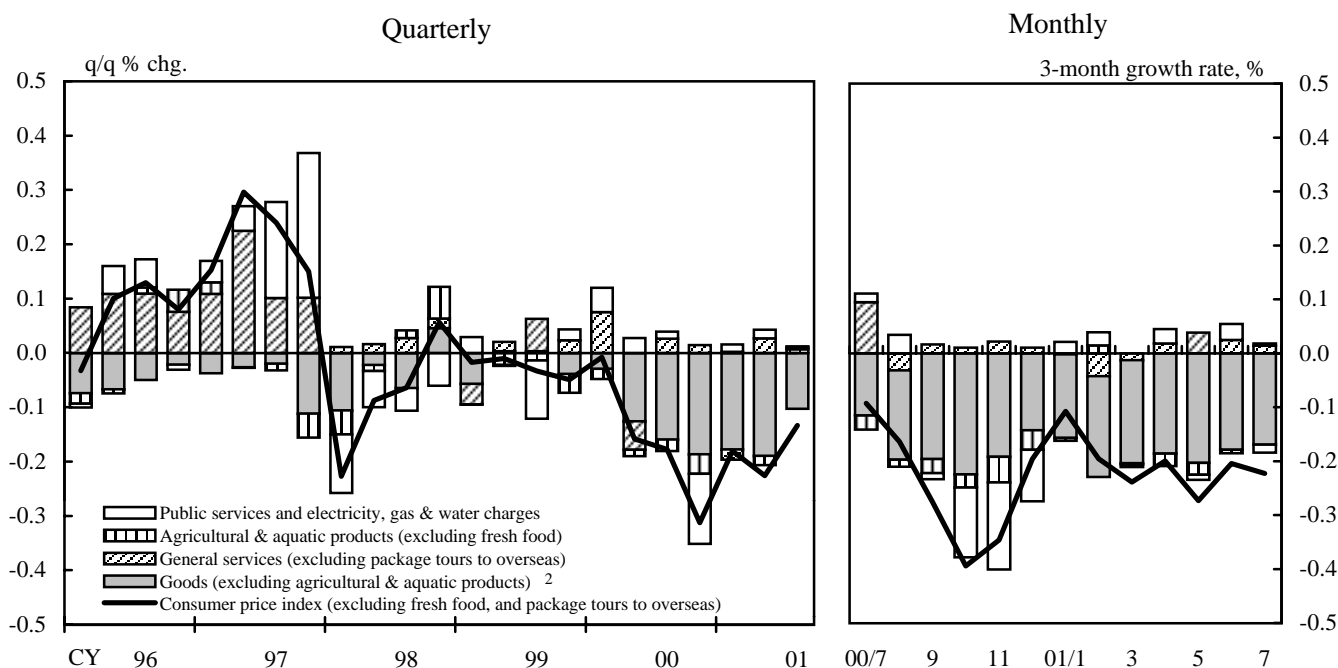
Due to seasonal adjustment every month, the series are revised retroactively every month.

6. Figures for 2001/Q3 are those of July.

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

Consumer Price Index (excluding fresh food)¹

(1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier (2000-base CPI)³

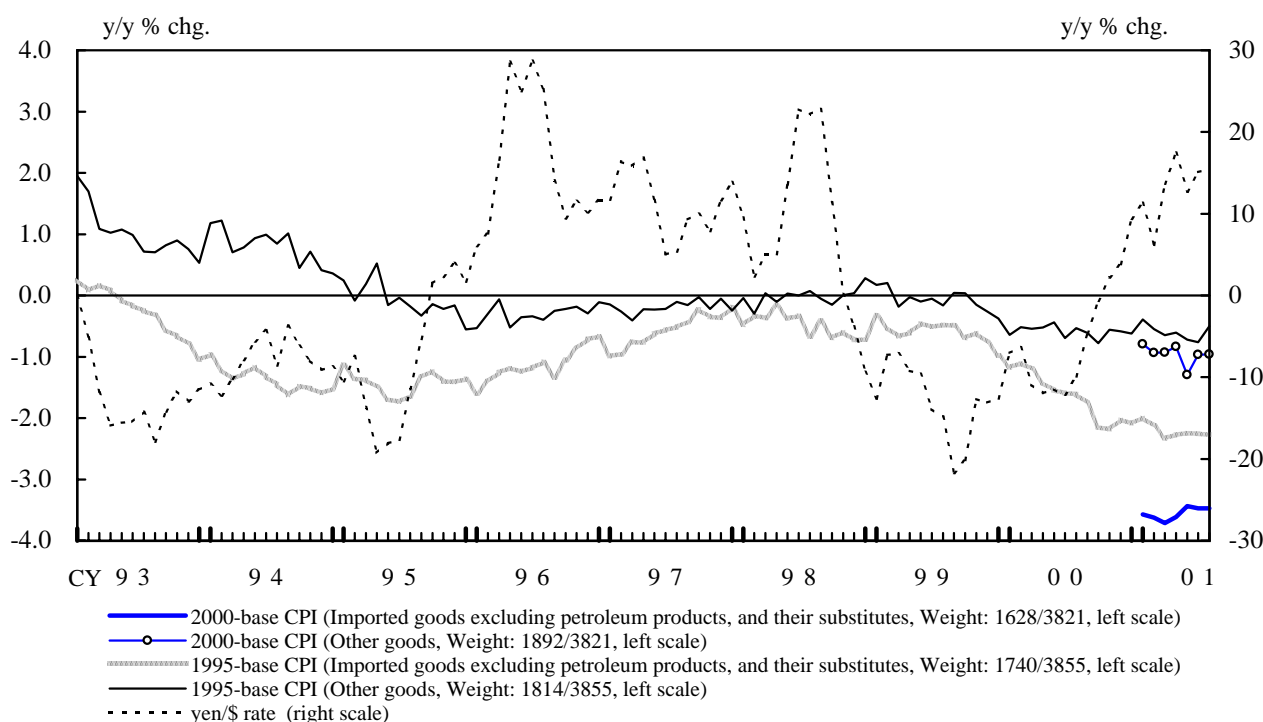
Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.

2. The Items are basically the same as the definition published by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, however electricity, gas & water charges is excluded from goods.

3. 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.

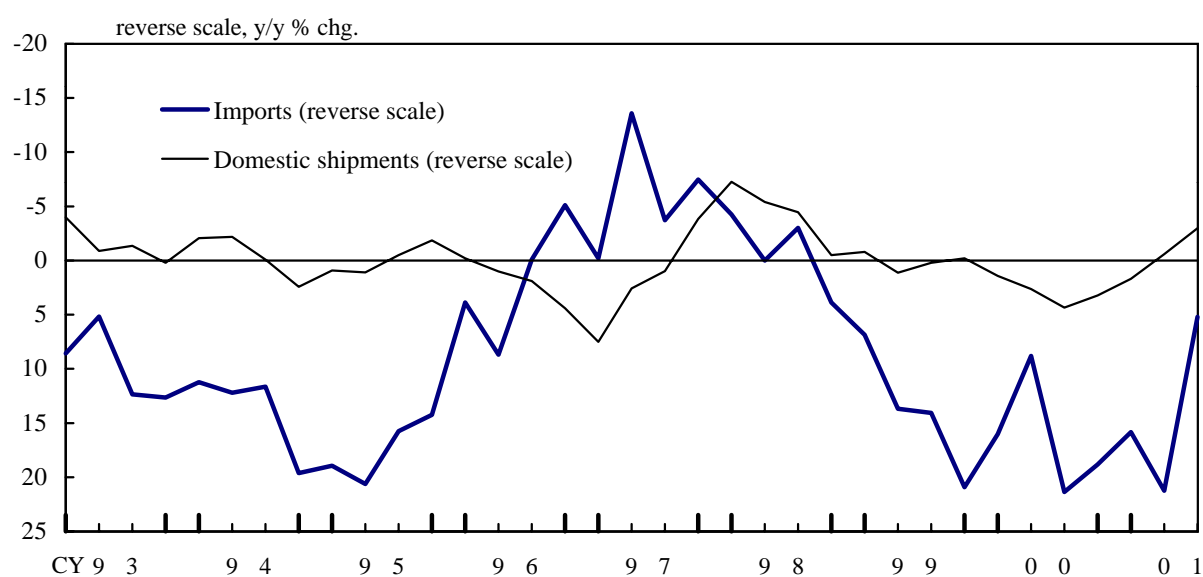
4. Figures for 2001/Q3 are those of July.

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 Goods (excluding agricultural & aquatic products).

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

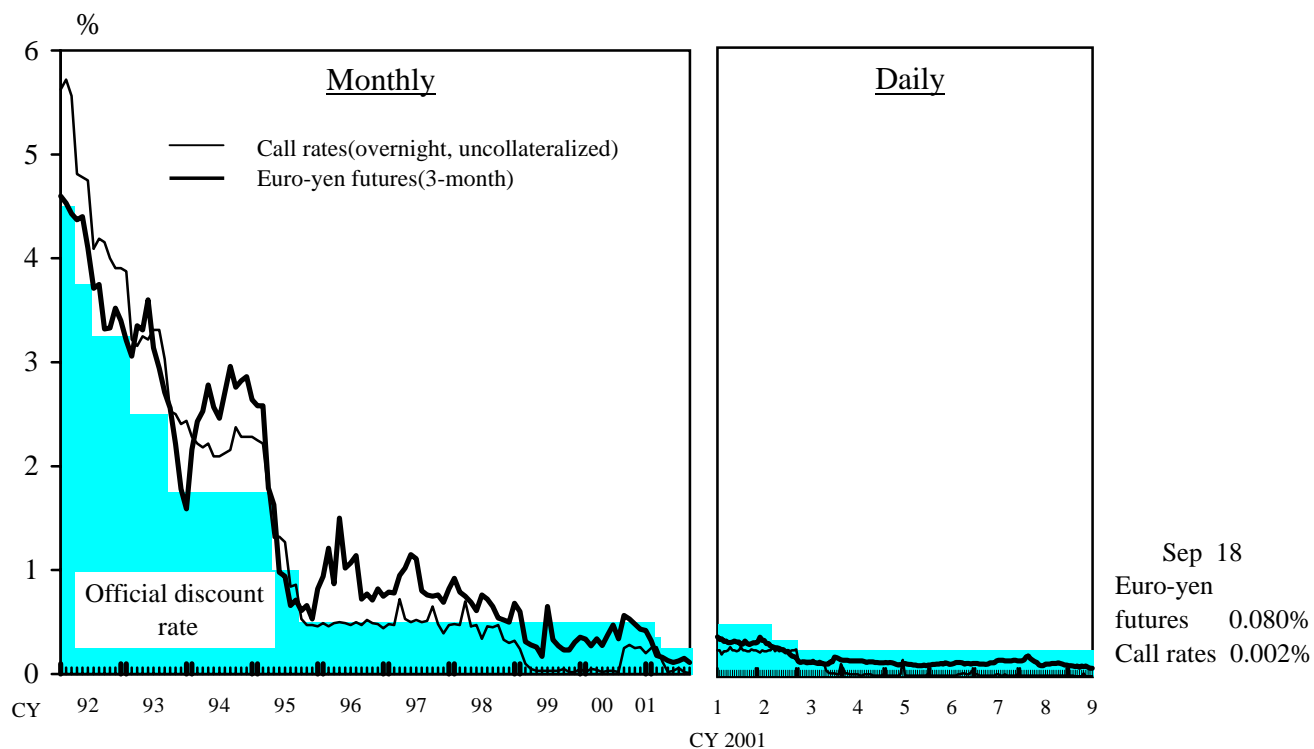


Note: See footnote Chart 12-4, for definition of the consumer goods supply.

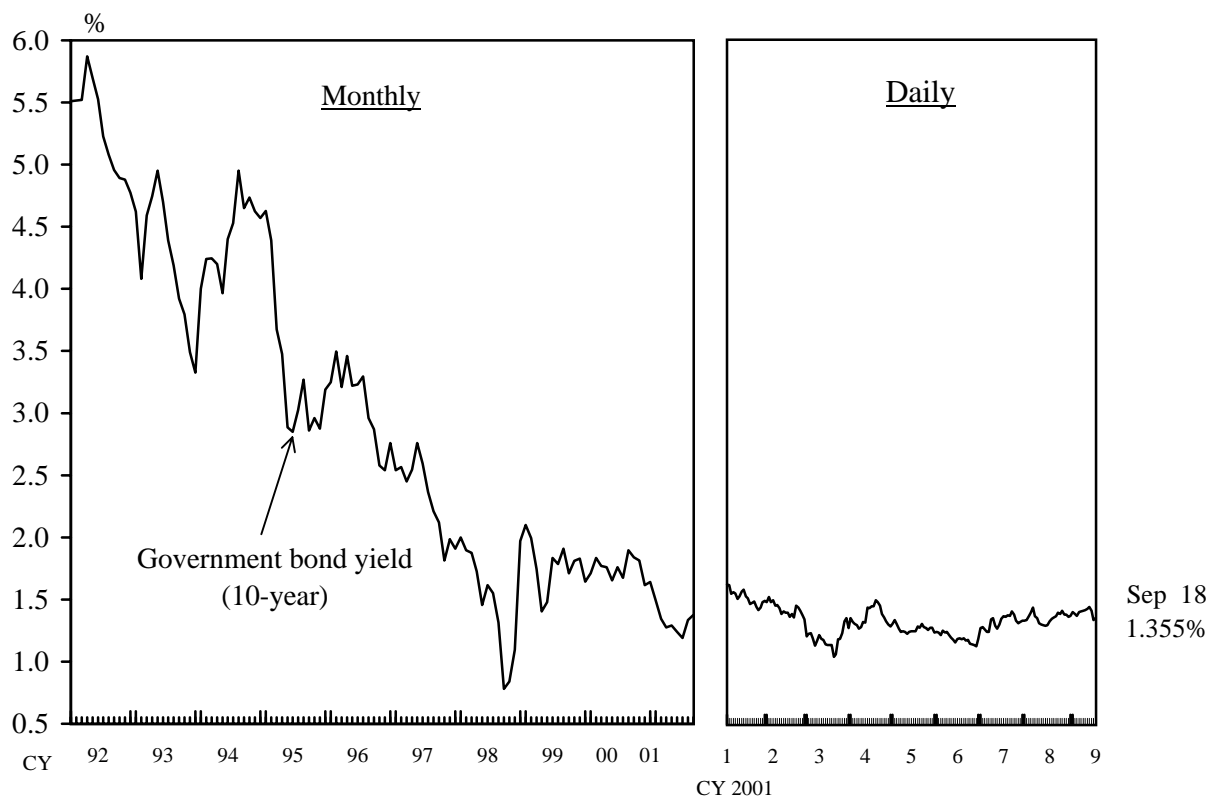
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports";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

Interest Rates

(1) Short-Term



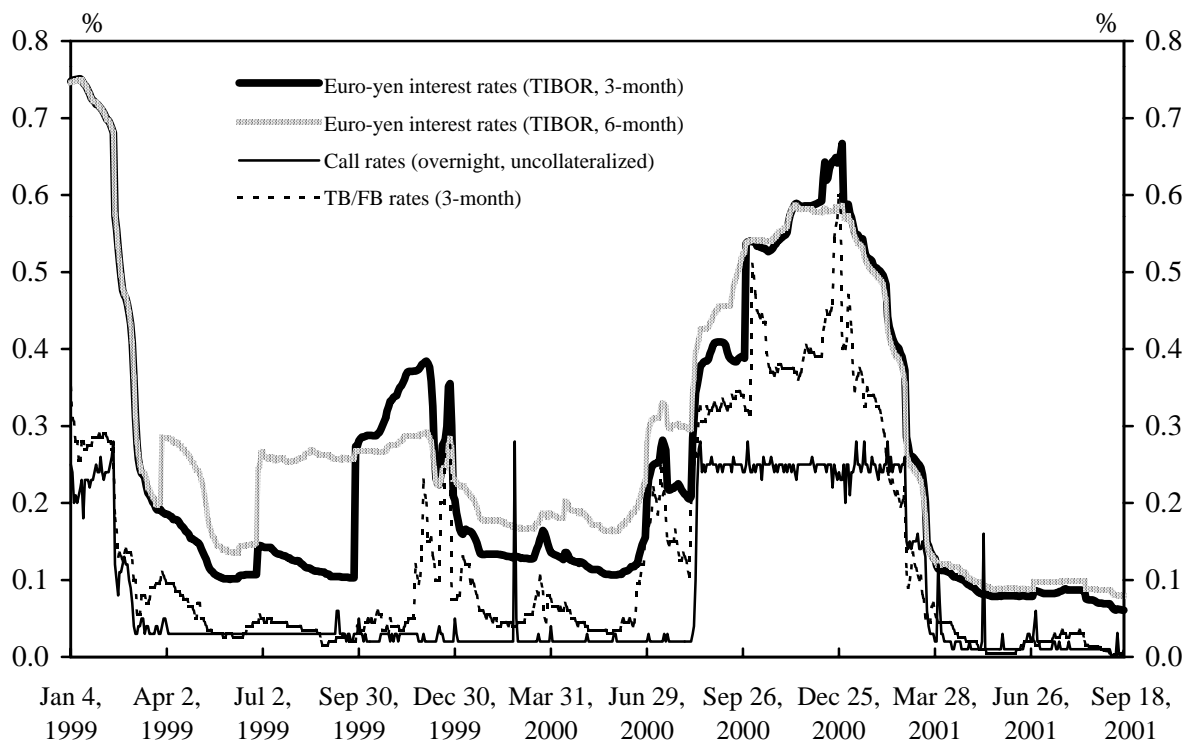
(2) Long-Term



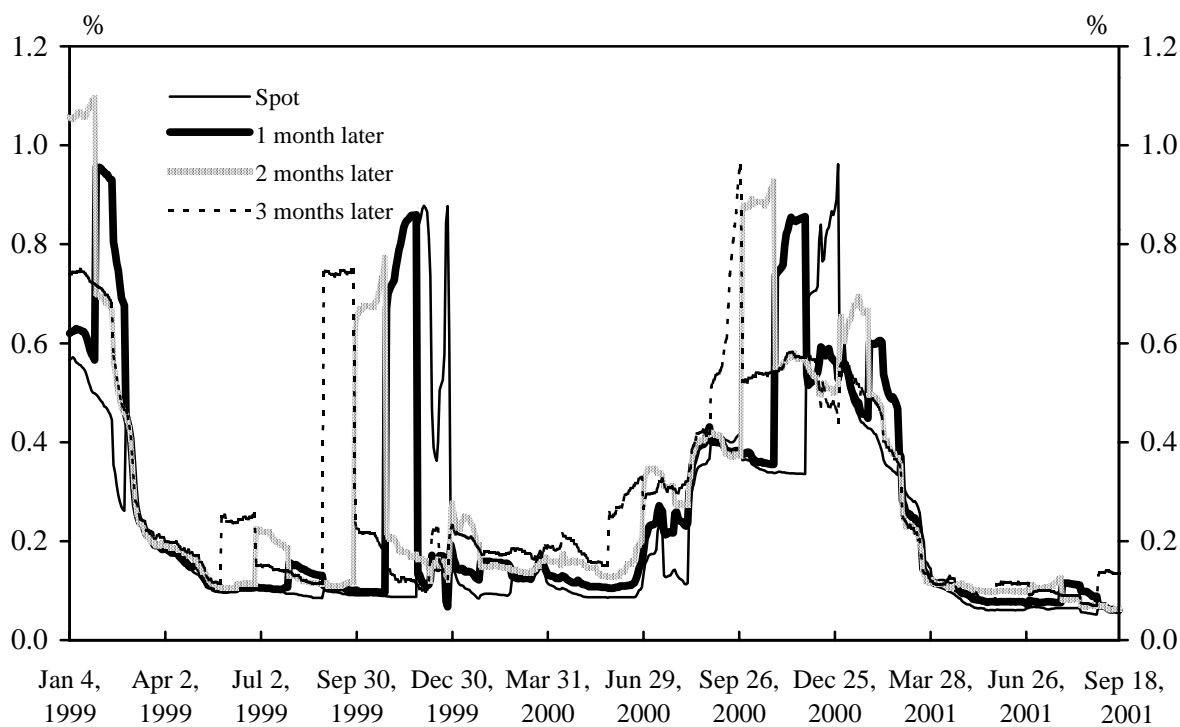
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

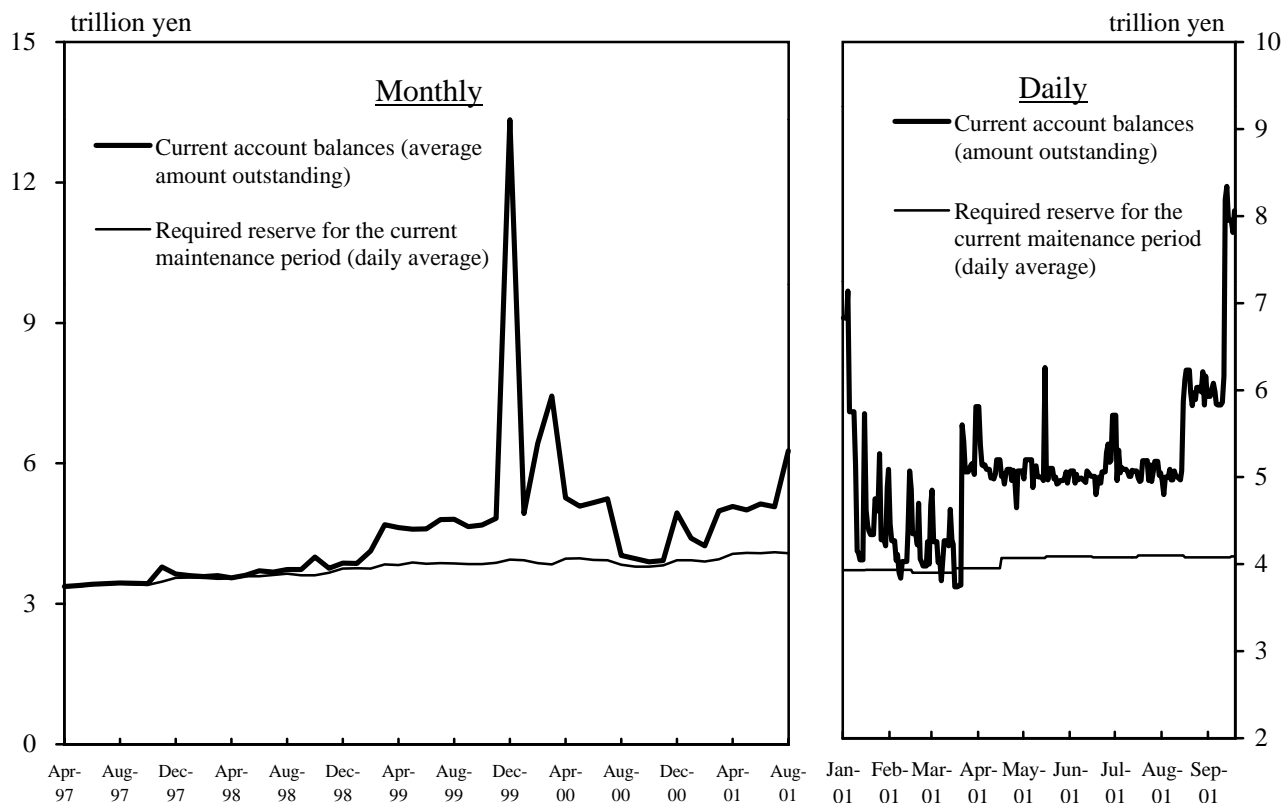


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

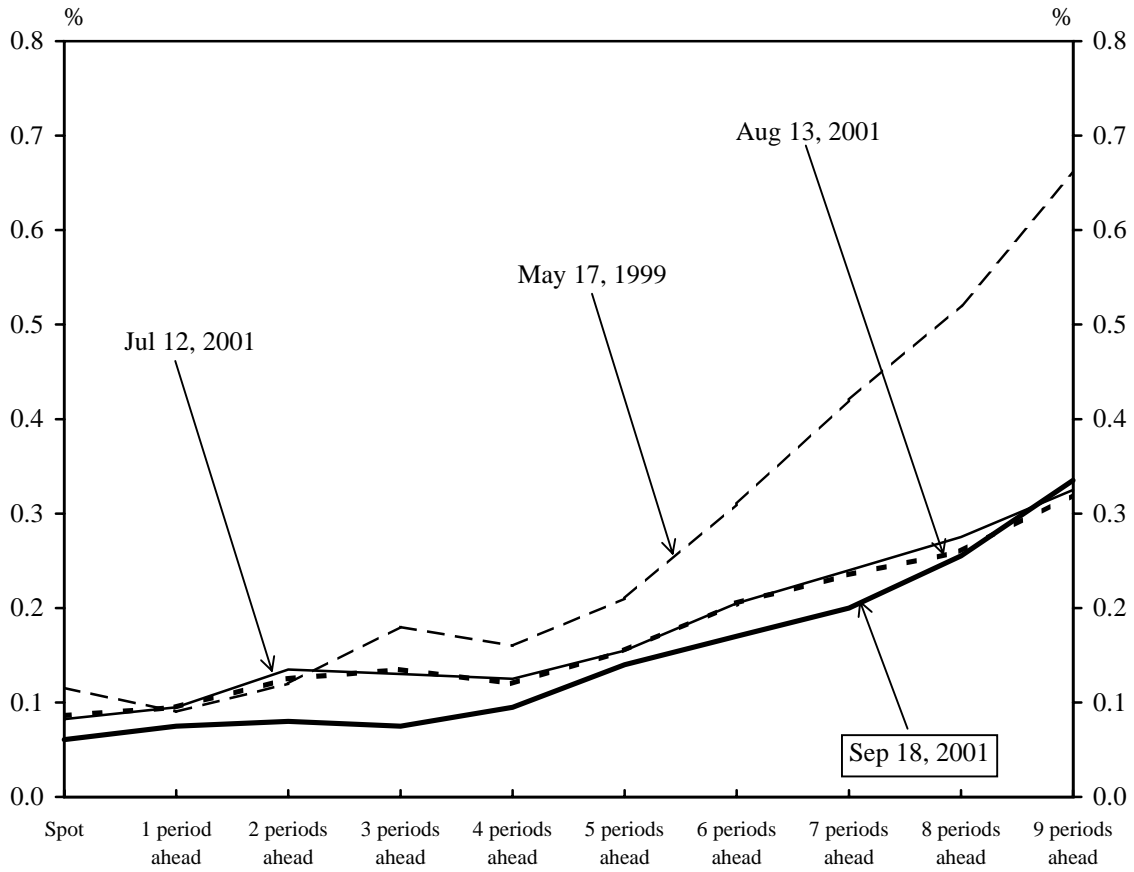


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

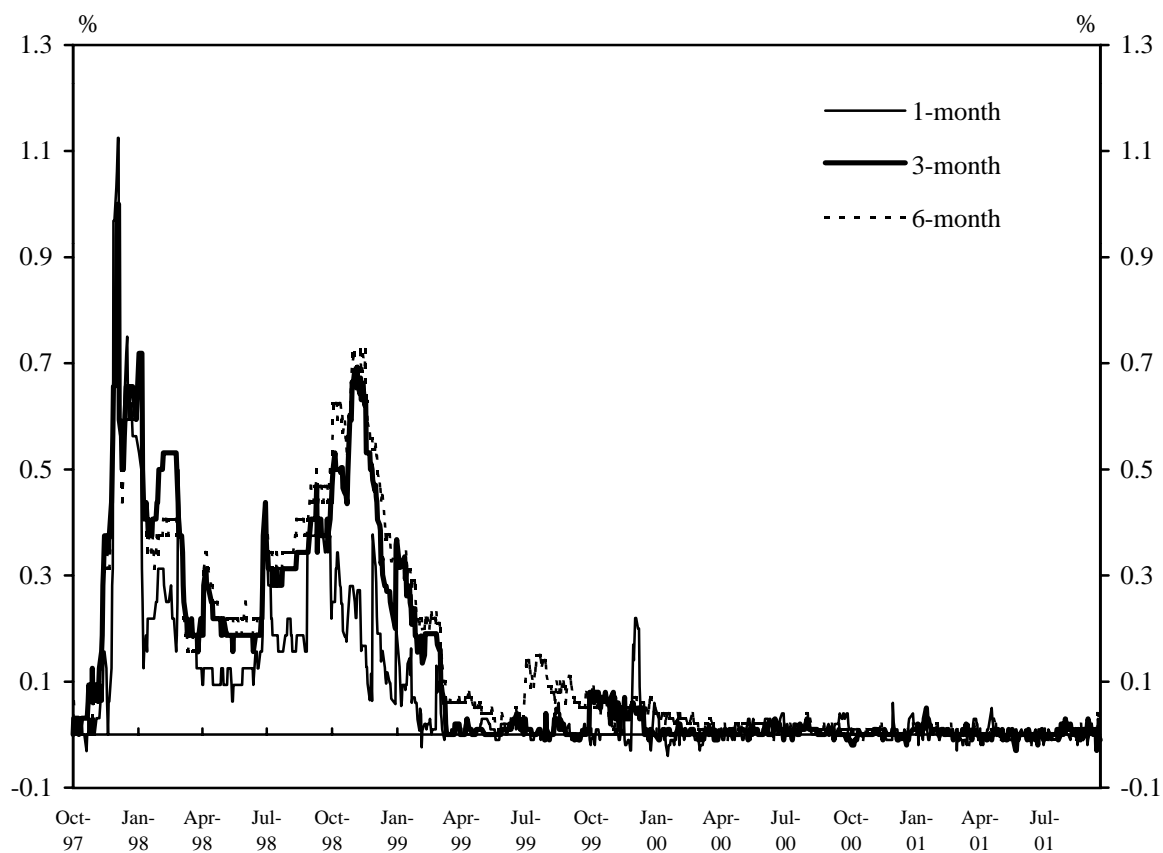
Current Account Balances at the Bank of Japan



Euro-Yen Interest Rates Futures (3-Month)



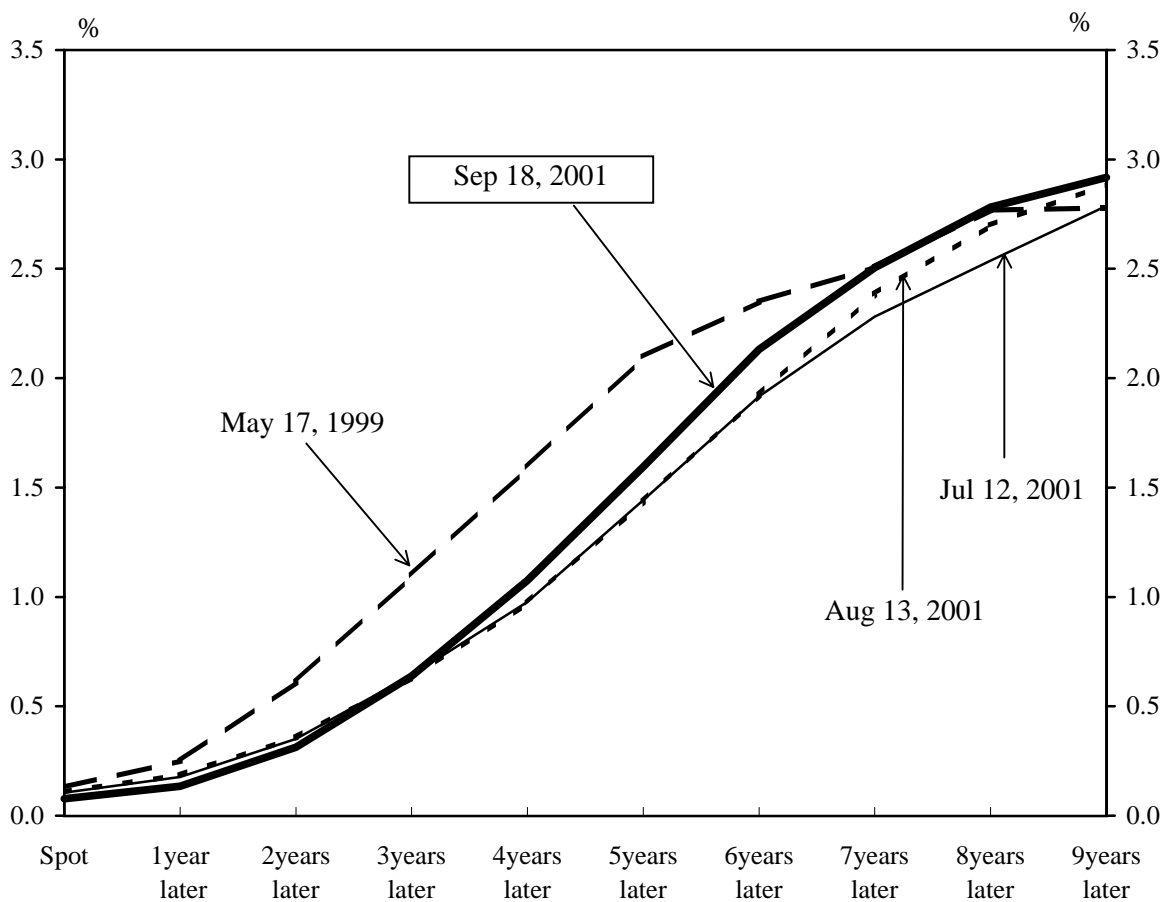
Source: Tokyo International Financial Futures Exchange.

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

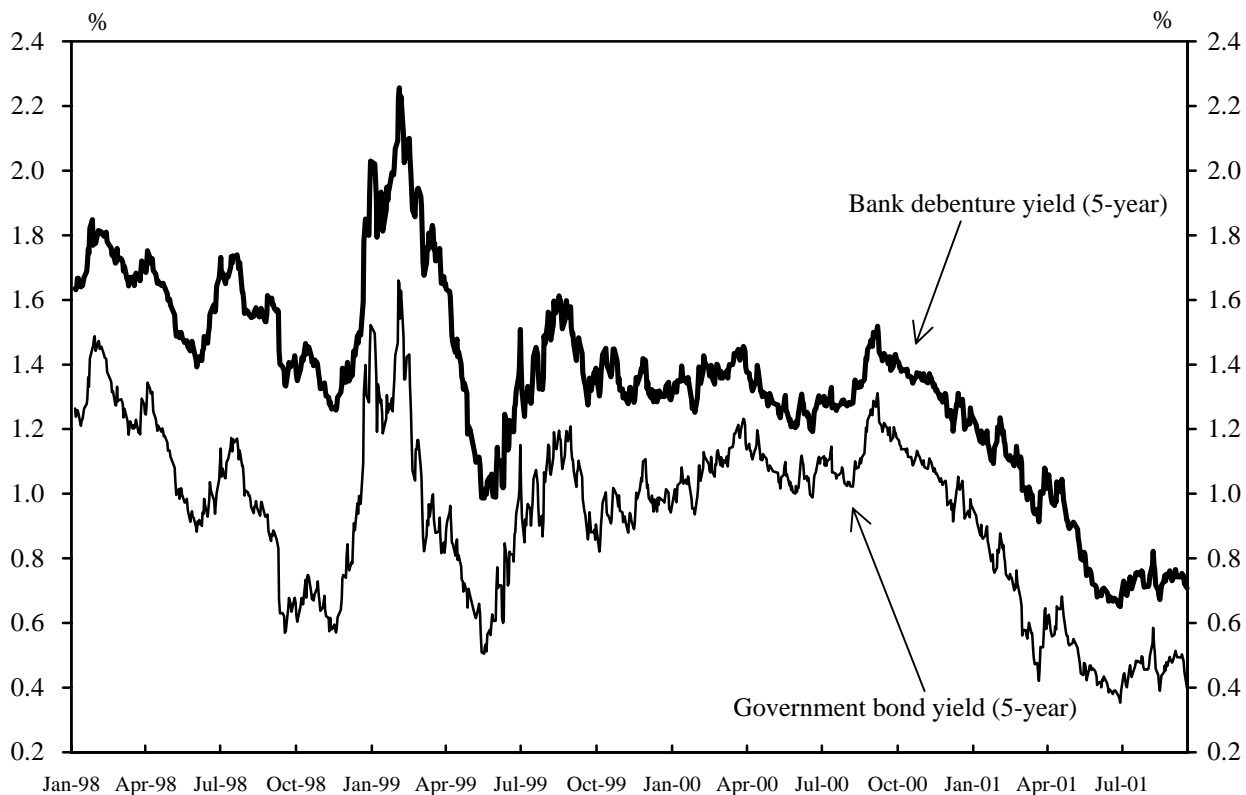


Note :Calculated from yen-yen swap rates.

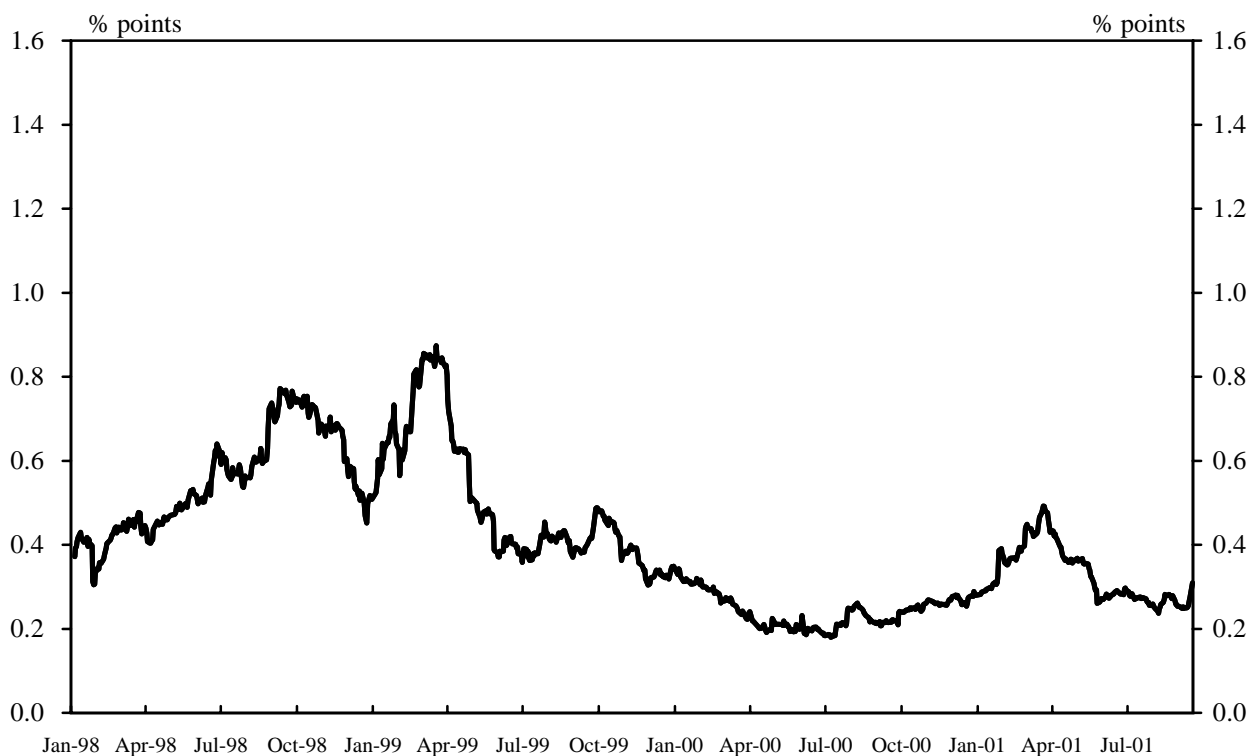
Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



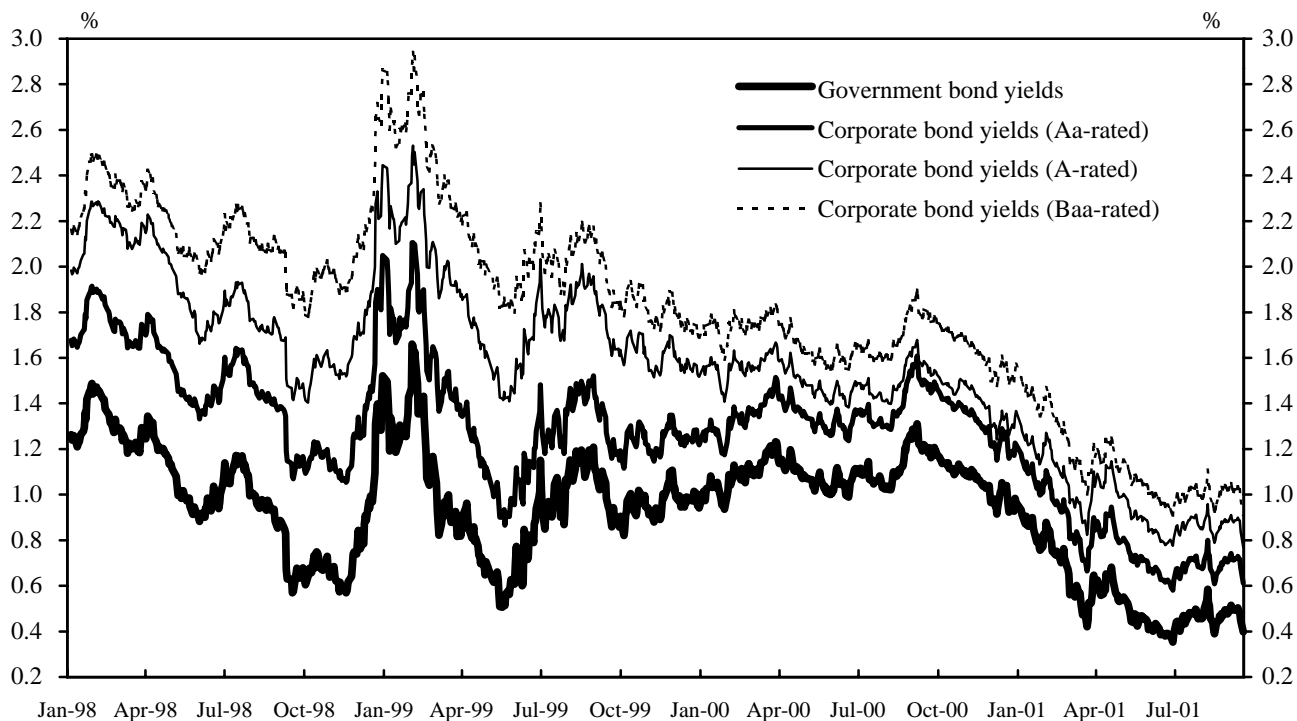
(2) Spread of Bank Debenture and Government Bond Yield



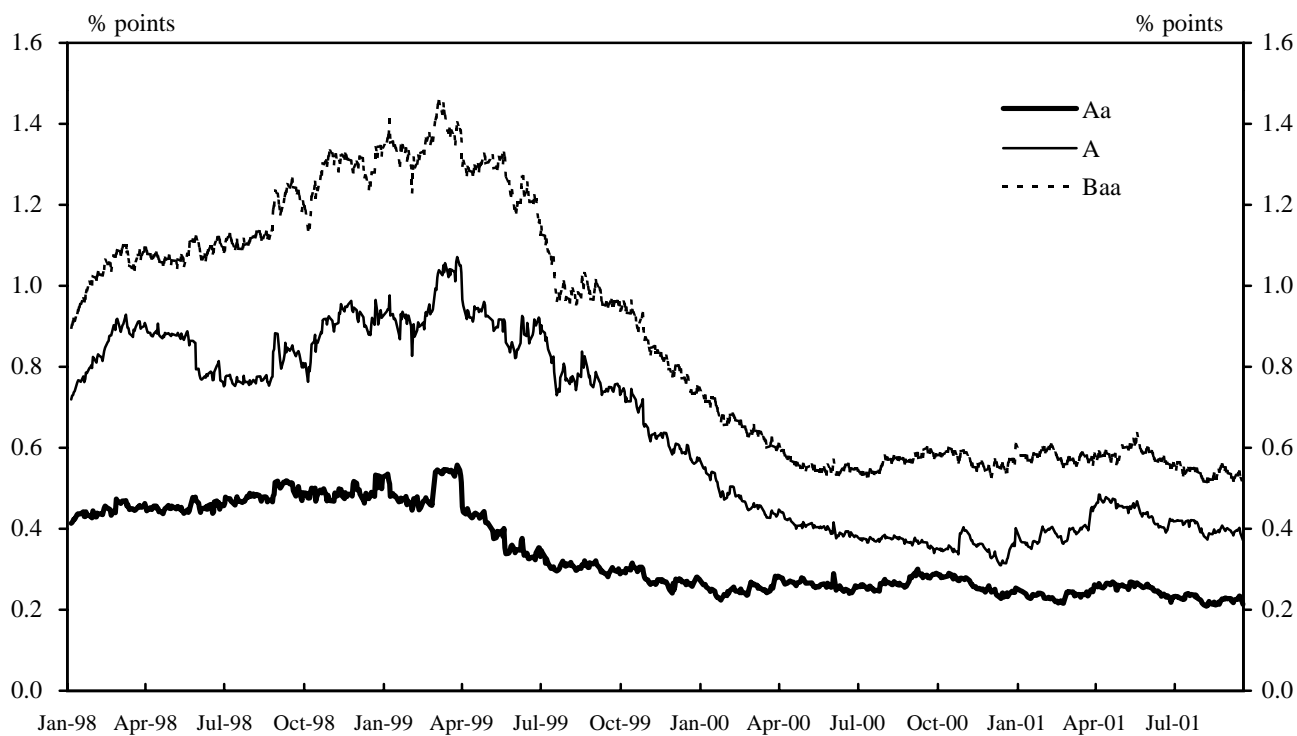
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields ¹

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



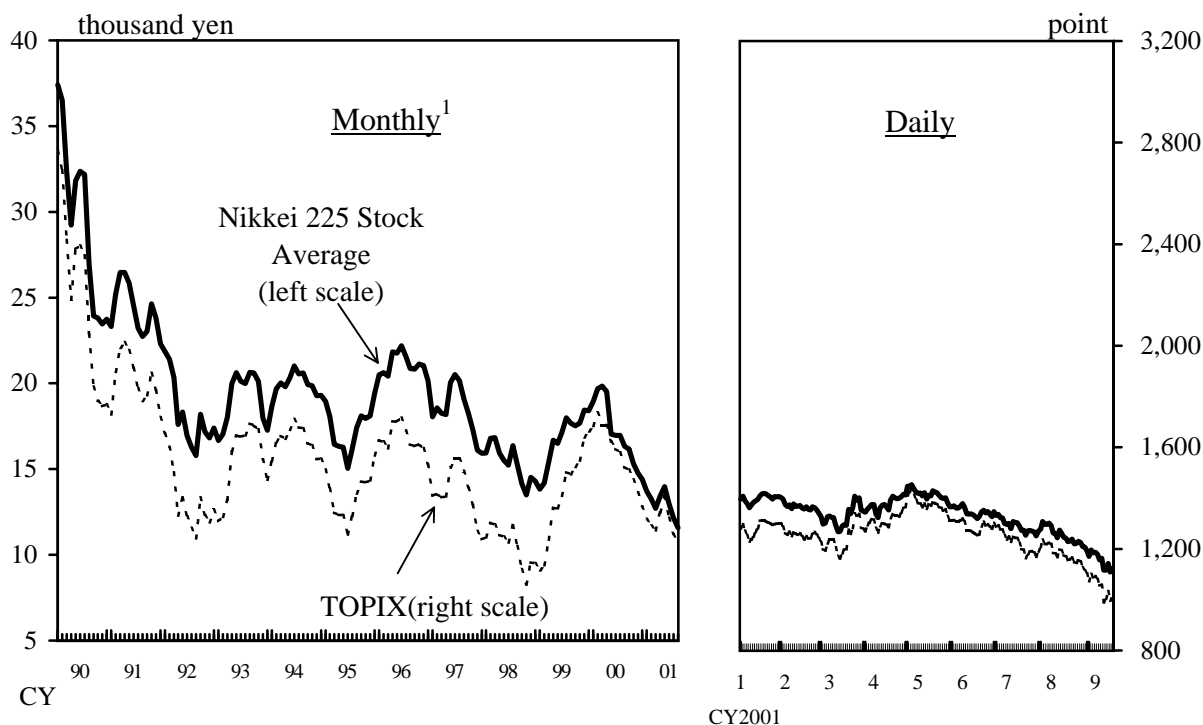
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

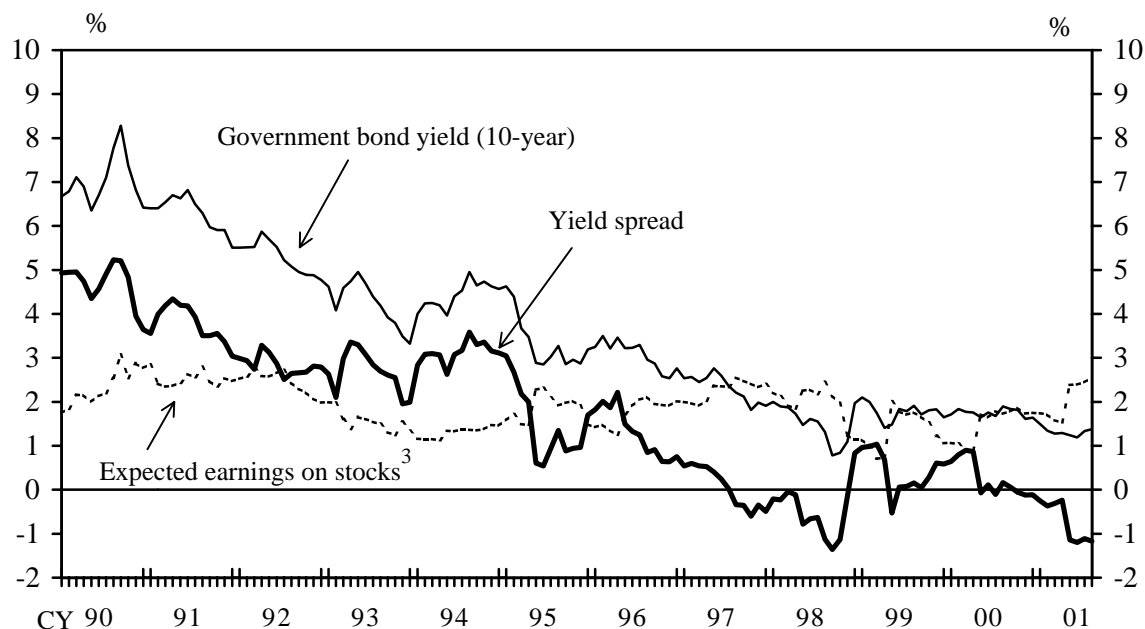
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



(2) Yield Spread²



Notes: 1. Data are monthly averages.

2. Data are at end of period.

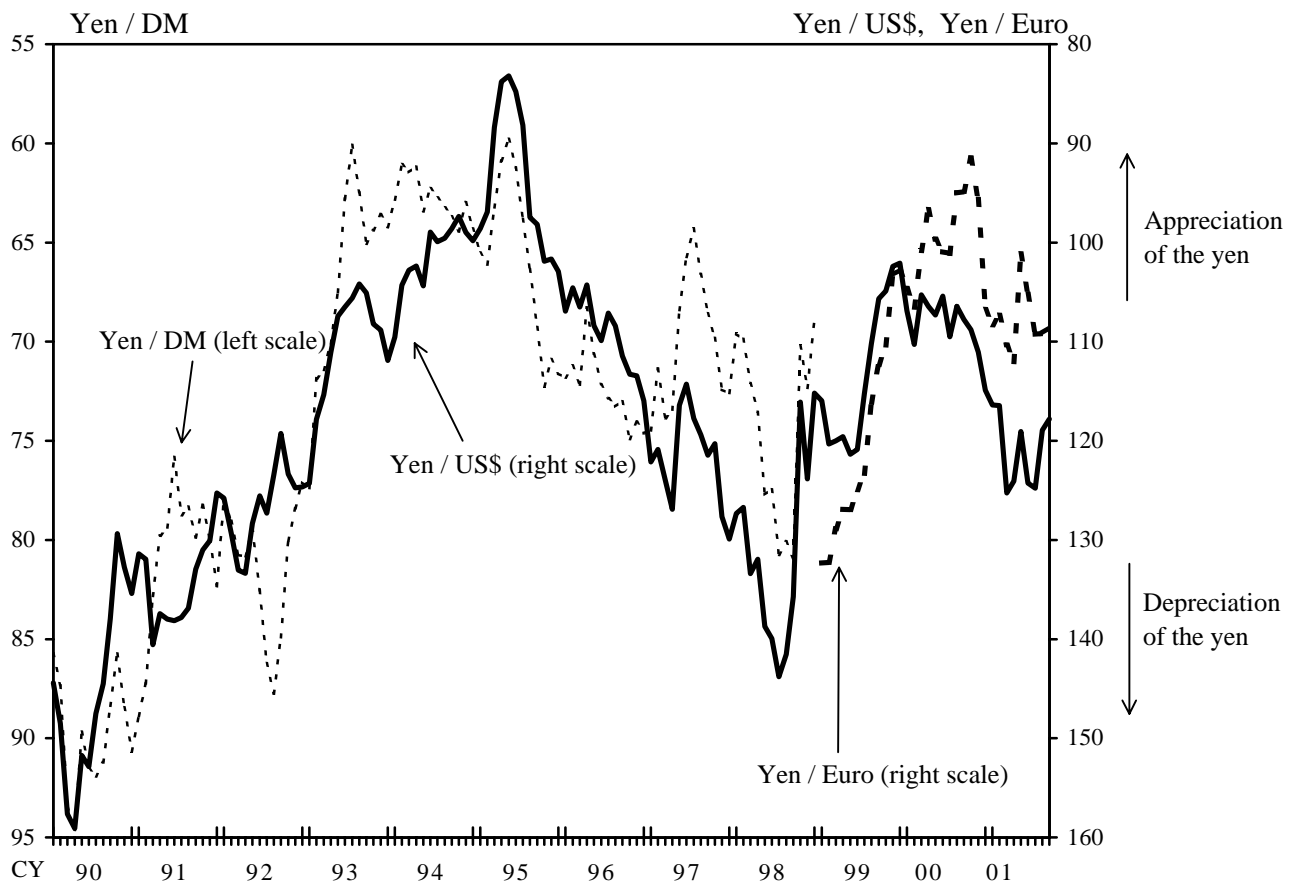
Yield spread = government bond yields - expected earnings on stocks,
 where expected earnings on stocks = 1/expected price earnings ratio.

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 Toushi Shiryou* (Daiwa Investment Information)."

Exchange Rates ¹

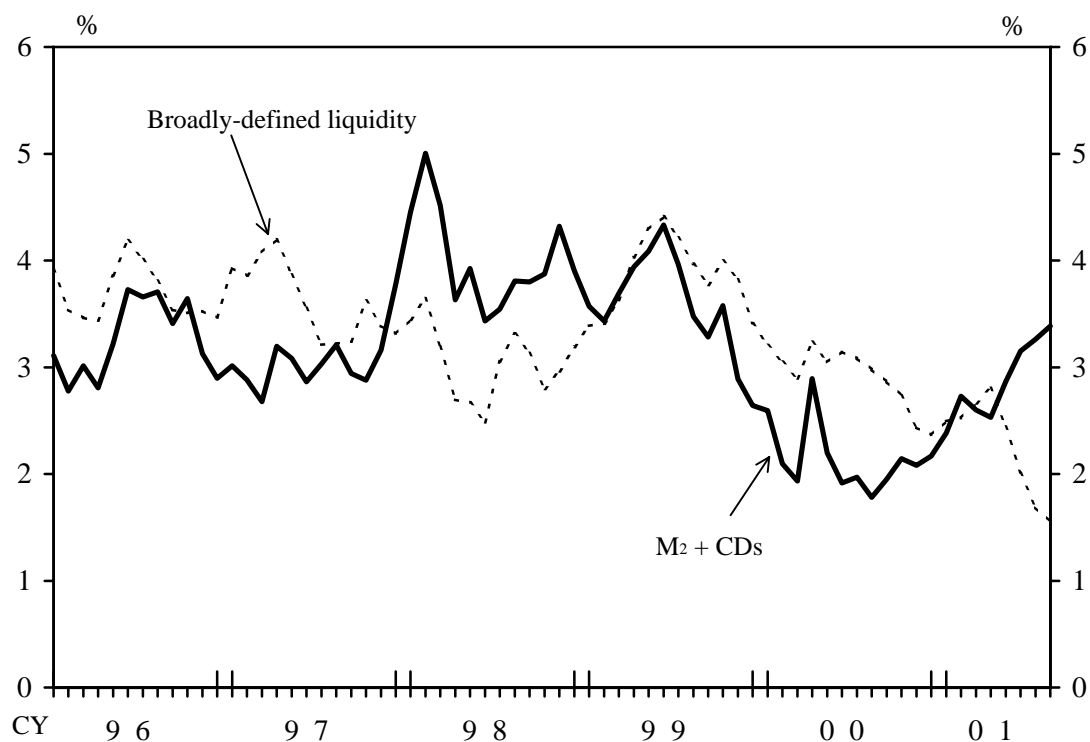


Note: 1. End of month. Data for September 2001 are as of September 18, 2001.

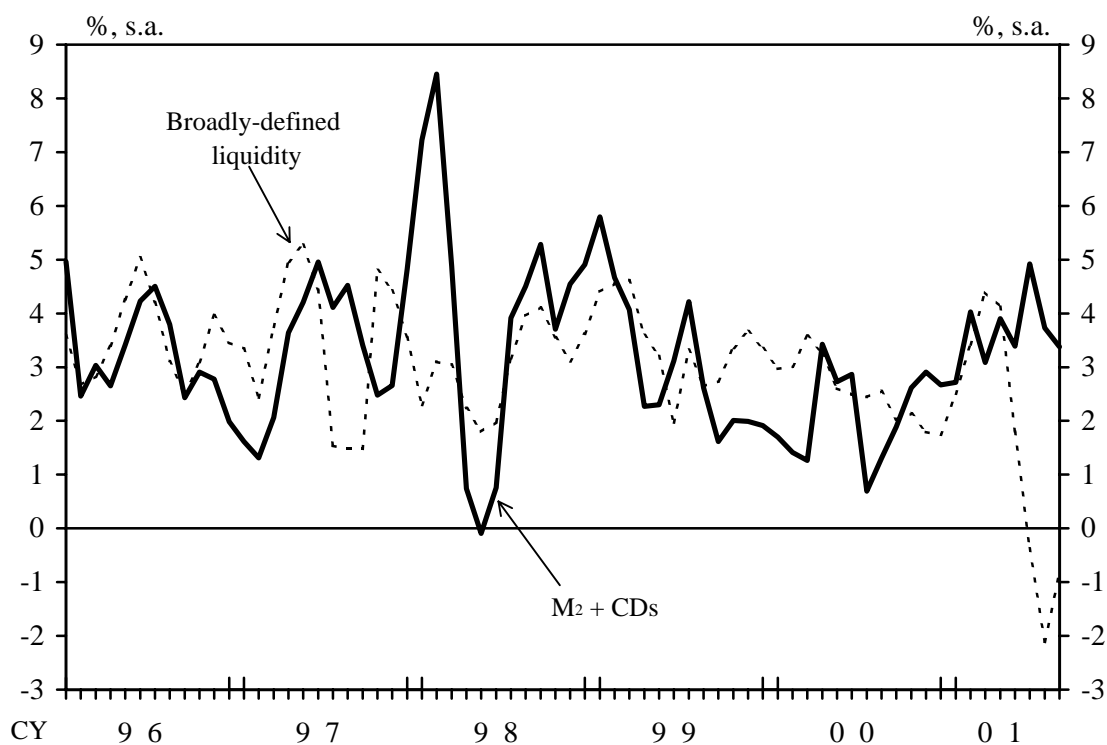
Source: Bank of Japan.

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

(1) Changes from a Year Earlier



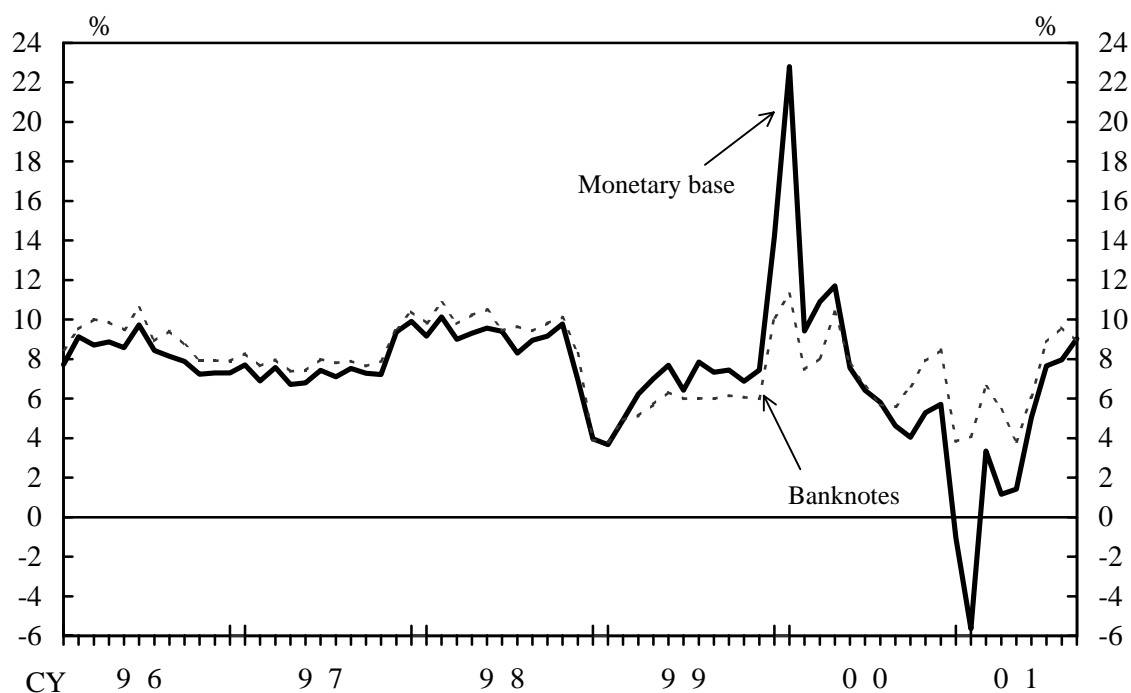
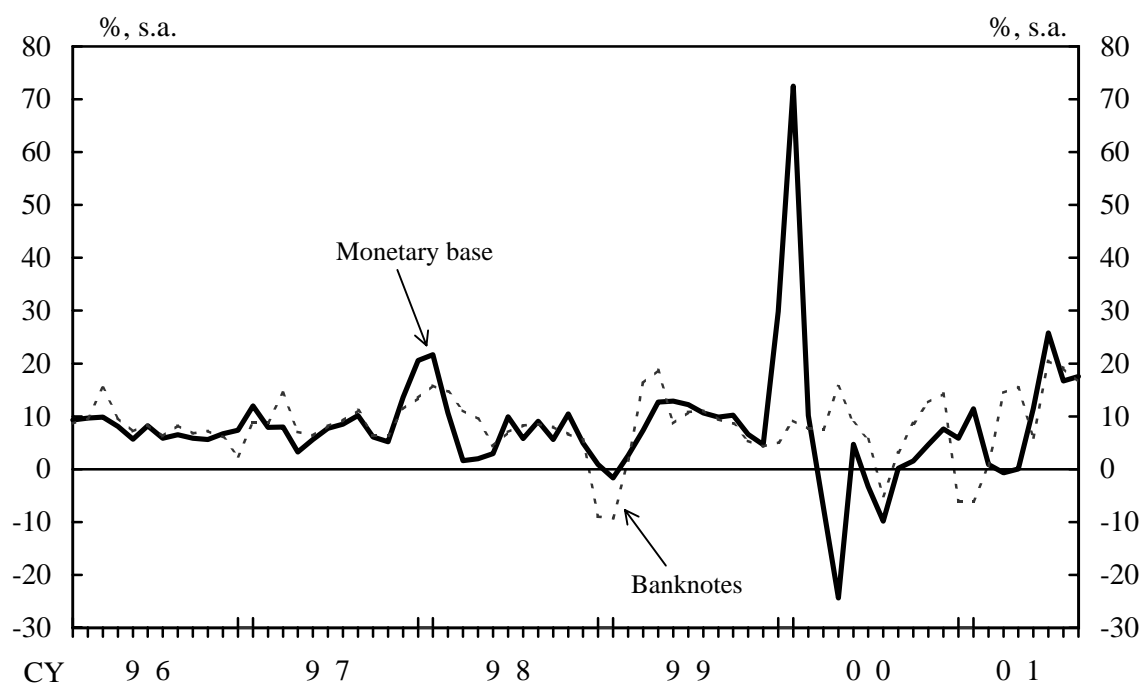
(2) Changes from Three Months Earlier (Annualized)



Note: Percent changes in average amounts outstanding.

Source: Bank of Japan.

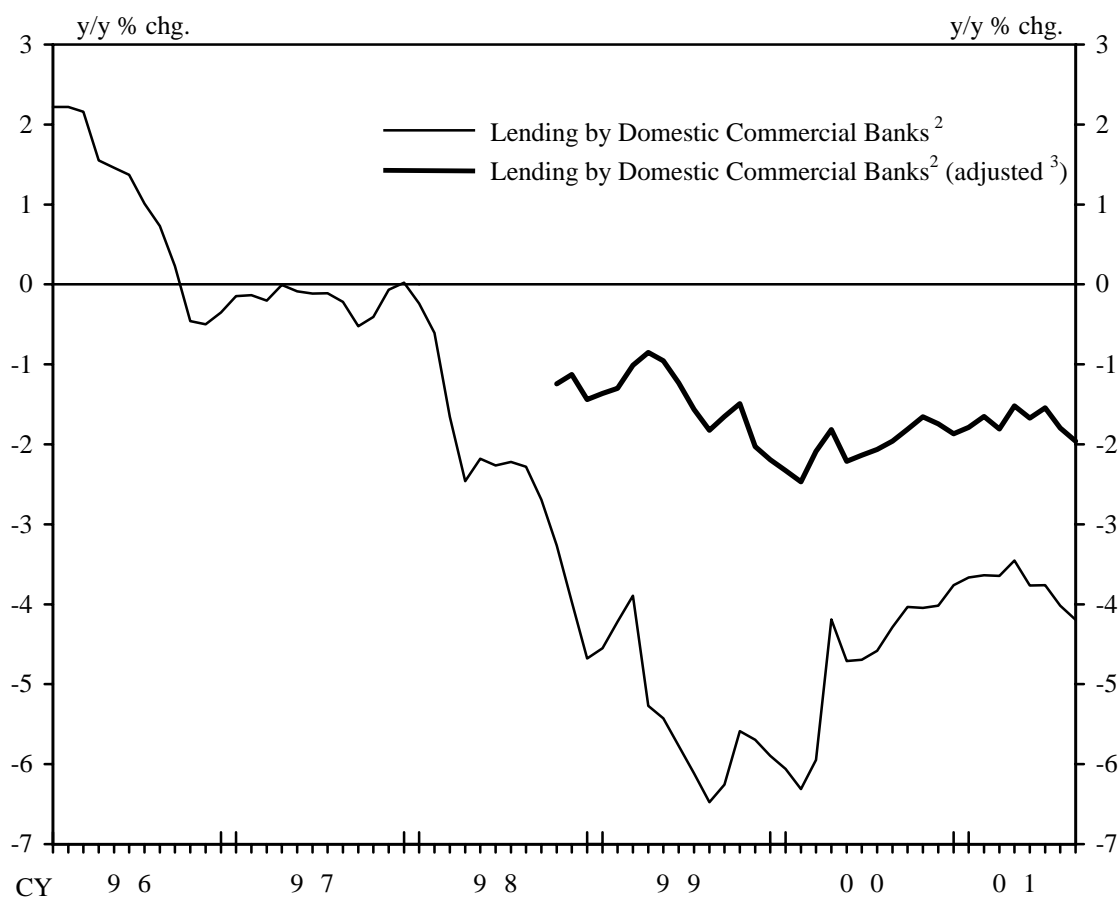
Monetary Base

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

Note: Monetary base = currency in circulation (banknotes + coins) + current account balances 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).

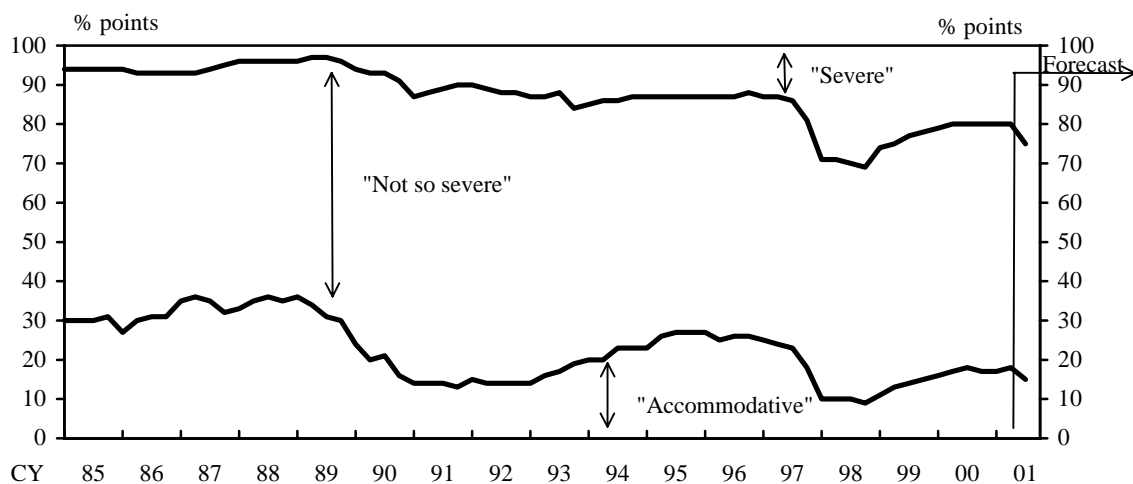
3. Adjusted to exclude

- (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.

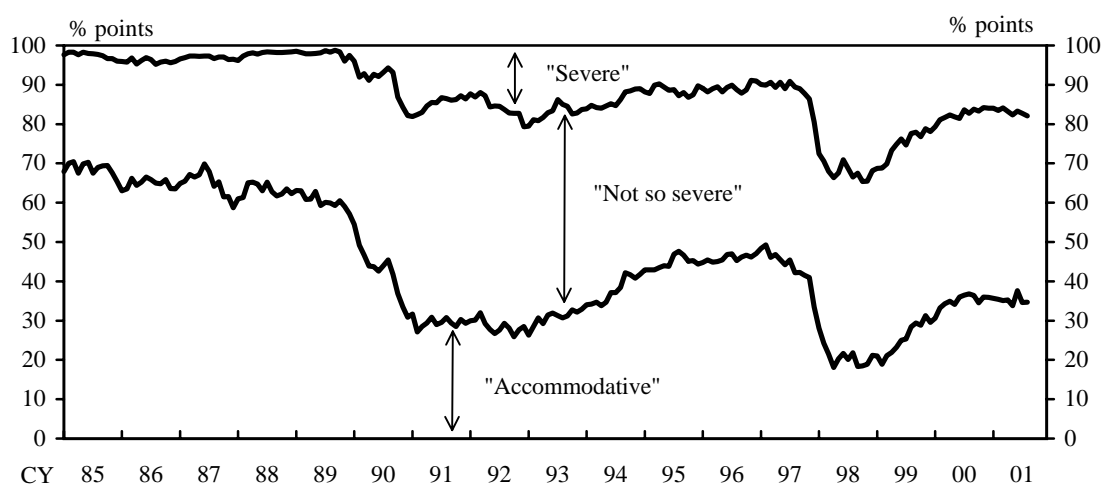
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

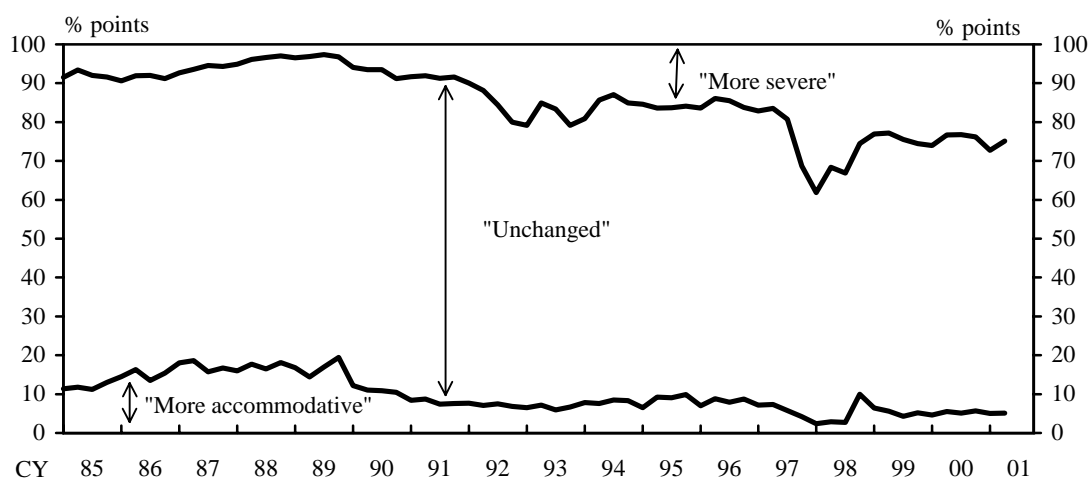
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (June, 2001)



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

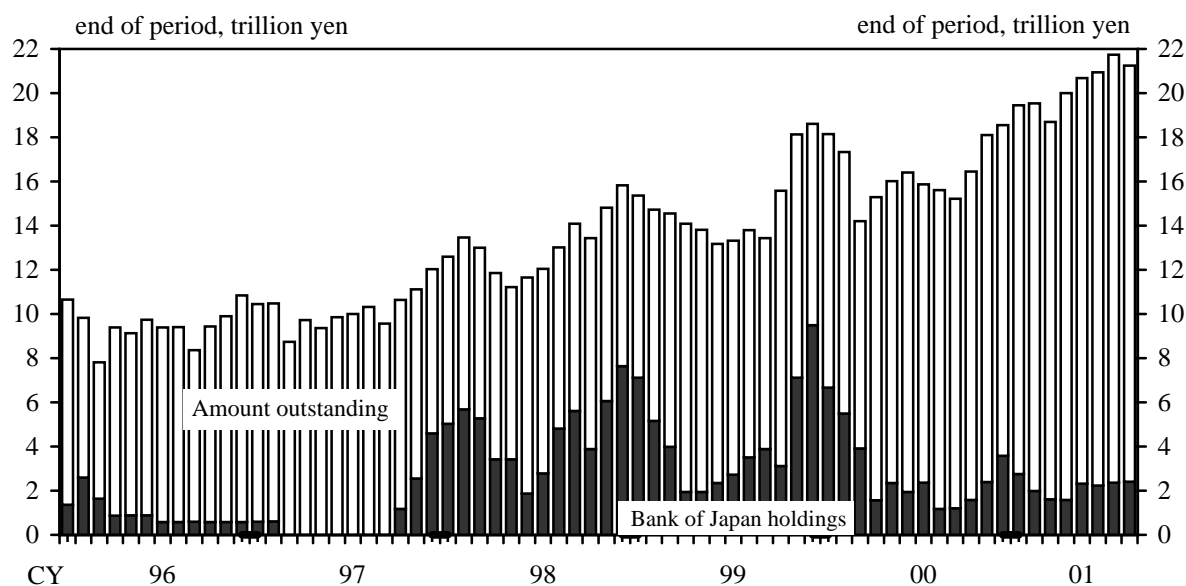


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-June, 2001)



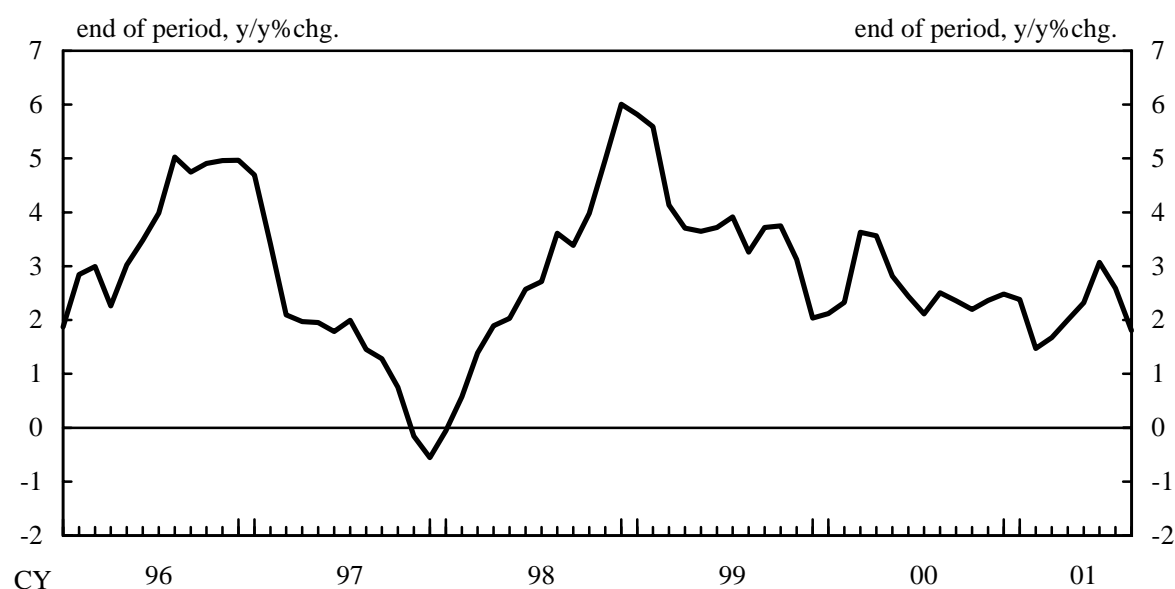
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ;
 Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses";
 National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

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/Q4	2001/Q1	Q2	2001/June	July	August
Volume	20,416	22,009	35,222	15,254	3,570	4,647
(previous year)	(21,163)	(24,121)	(21,627)	(9,794)	(4,437)	(10,483)

(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.

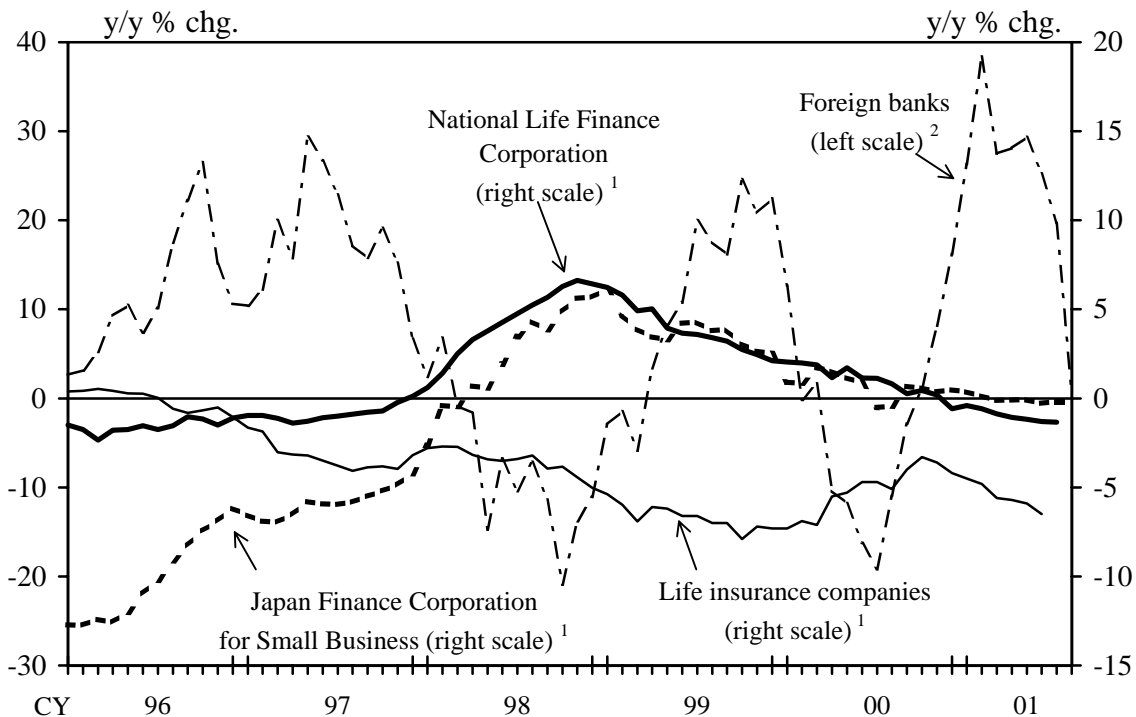
2. Includes straight bonds, convertible bonds, and bonds with warrants.

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."

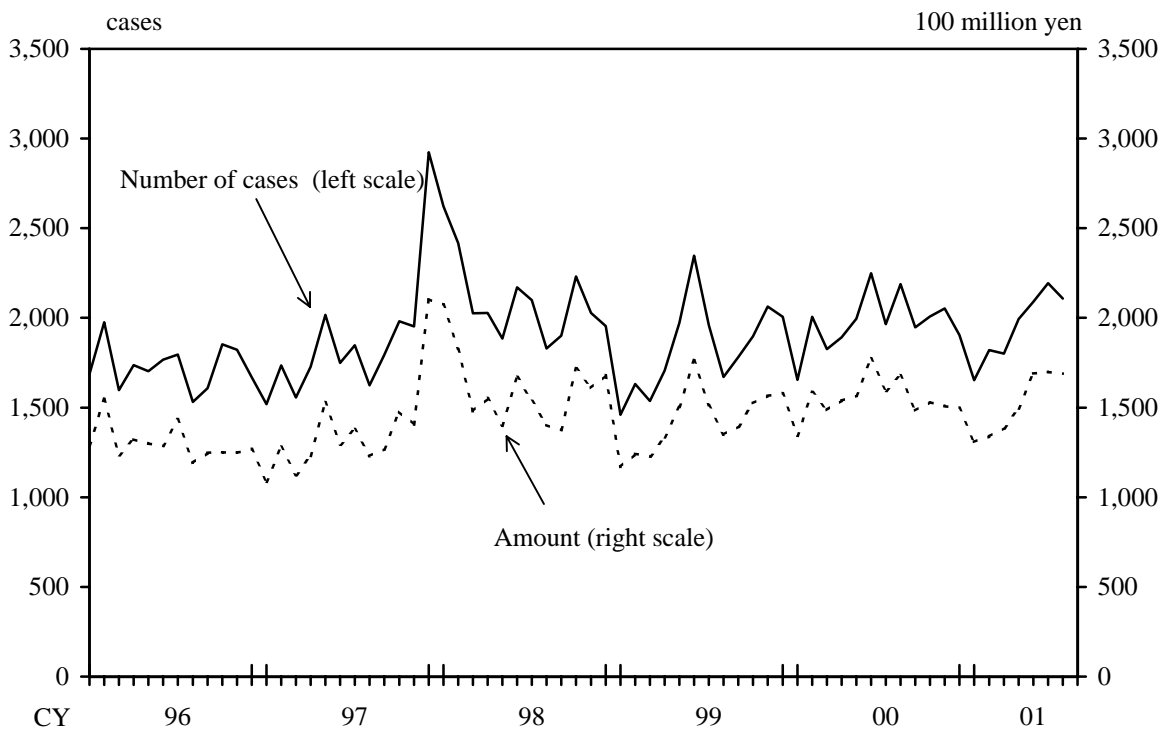
Lending by Other Financial Institutions

(1) Lending Outstanding



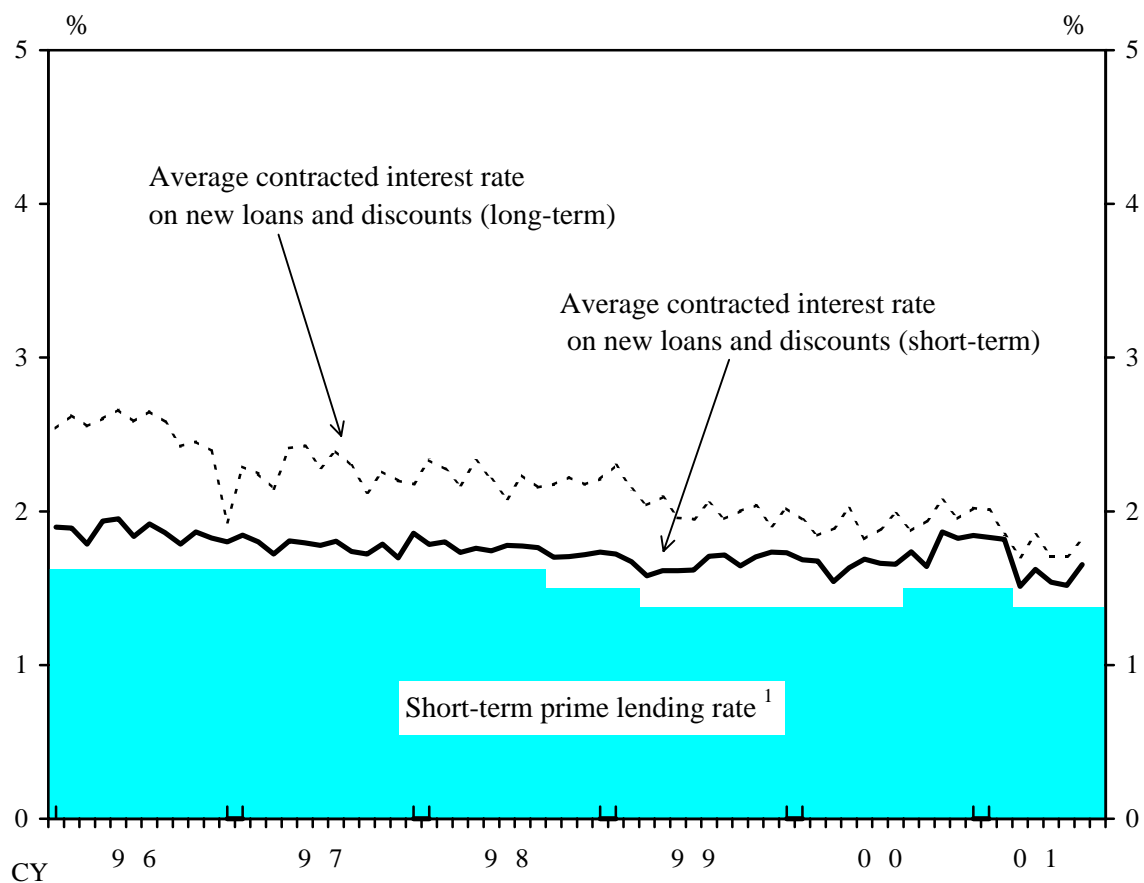
Notes: 1. Data are based on amounts outstanding at end of period.
 2. Data are based on average amounts outstanding.

(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

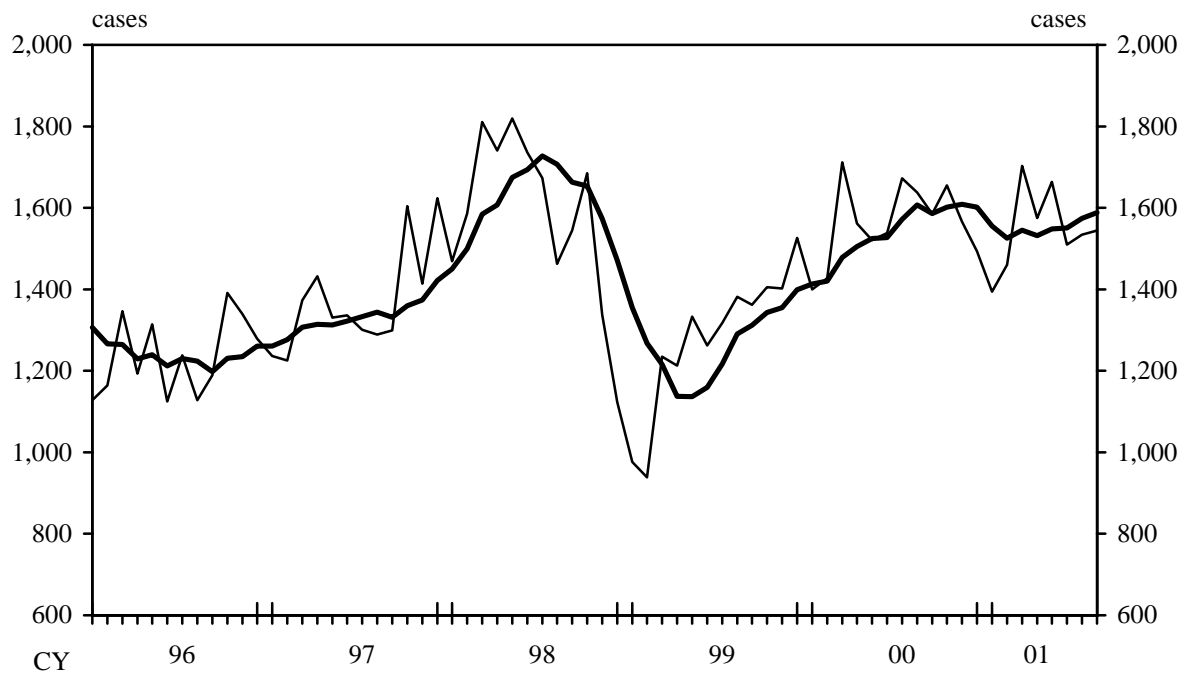


Note: 1. Data are at end of period.

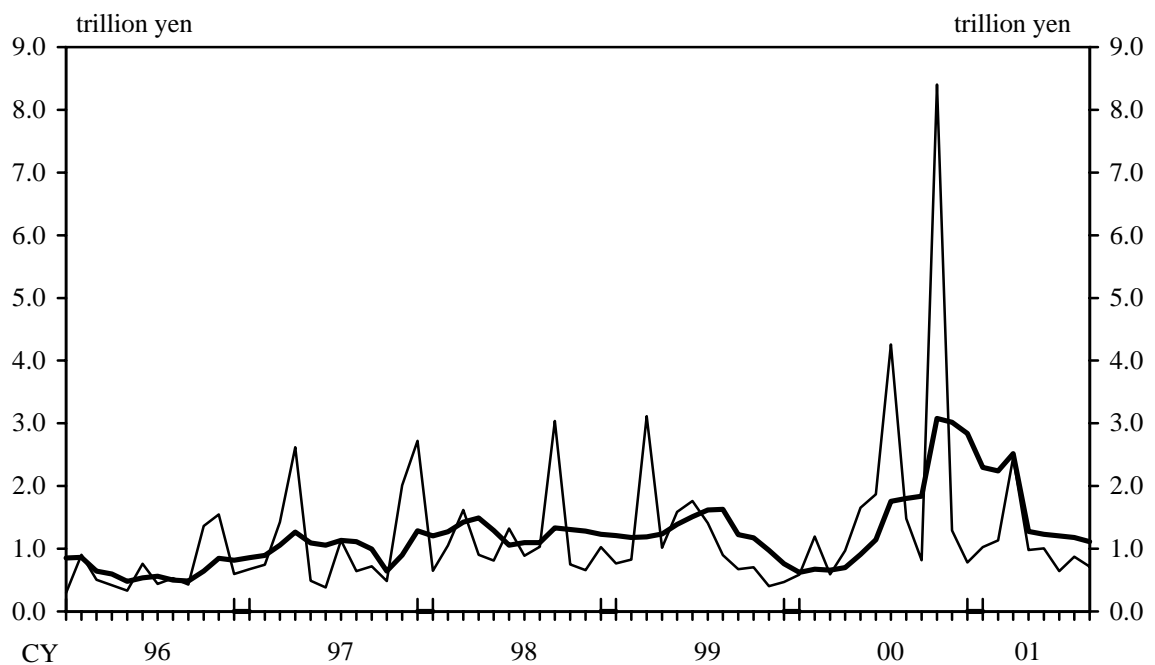
Source: Bank of Japan.

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)."