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Bank of Japan

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

(English translation prepared by the Bank staff based on the Japanese original  
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# Monthly Report of Recent Economic and Financial Developments<sup>1</sup>

November 2001

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

Adjustments in economic activity are becoming more severe, as the substantial decline in production is beginning to have an adverse effect on private consumption through decreases in employment and income.

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 also continues to decrease while the deterioration in exporting conditions persists. Housing investment remains sluggish and public investment is on a downward trend. Moreover, private consumption seems to be weakening gradually.

Industrial production continues to decline considerably, reflecting these developments in final demand and also strong excessiveness in inventories of electronic parts and materials. Corporate profits are deteriorating, particularly in manufacturing, and the weakness in household income is becoming evident amid the decrease in the hours worked and the rise in unemployment.

Turning to the outlook, as for exporting conditions, the prevailing view is that inventory adjustments in IT-related goods worldwide are expected to be mostly completed by around next spring. However, while the world economy has decelerated further since the terrorist attacks in the U.S., final demand of IT-related goods is likely to be stagnant for the time being. Moreover, if the downturn in U.S. private consumption persists, it may induce another round of adjustments in the Japanese economy, starting from the decline in exports such as of consumer goods.

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<sup>1</sup> This report is based on data and information available at the time of the Bank of Japan Monetary Policy Meeting held on November 15 and 16, 2001.

<sup>2</sup> The Bank's view of recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on November 15 and 16 as the basis for monetary policy decisions.

Meanwhile, with respect to domestic demand, business fixed investment is expected to follow a downward trend, particularly in the IT-related sector, amid the decline in corporate profits. Private consumption will also continue to be weak along with deteriorating employment and income conditions and the more cautious consumer sentiment. Government spending is projected to follow a downtrend at the time when the substantial decline in exports and production is negatively affecting private consumption through the decrease in household income. Consequently, it may take quite a while for overall production activity to stop declining, although the decrease in the production of IT-related goods may eventually come to an end.

Overall, adjustments in economic activity, starting from the decline in exports since the beginning of this year, will surely dampen domestic demand further. At the same time, concern that another substantial decline in exports will exert downward pressure on the economy is growing. Moreover, while the economy continues to be in a fragile state, continuous 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 continue to decline mainly reflecting the softening of international commodity prices. Domestic wholesale prices are also declining faster from the effects of the decline in crude oil prices in addition to the continuous decreases in prices of electrical machinery and materials. 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, international commodity prices such as of crude oil and nonferrous metals remain weak. Also, with the prolonged adjustments in economic activity, the balance between supply and demand in the domestic market will increasingly 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 is moving around zero percent as the Bank of Japan provided ample liquidity to the money market by aiming at maintaining the current account balances held at the Bank at above 6 trillion yen.

Interest rates on term instruments basically continue to be level. The Japan premium remains negligible.

Yields on long-term government bonds dipped and are recently moving around 1.35 percent. As for the yield spreads between private bonds (bank debentures and corporate bonds) and government bonds, while spreads between bonds with relatively high credit ratings and government bonds remain mostly unchanged, those between bonds with low credit ratings and government bonds continue to expand slightly.

Stock prices continued to be weak, but are recently rebounding.

In the foreign exchange market, the yen is currently being traded in the range of 121 -123 yen to the U.S. dollar.

With regard to corporate finance, private banks appear to be more cautious in extending loans to firms with higher credit risks while they continue to be more active in extending loans to blue-chip companies. The lending attitudes of financial institutions as perceived by small firms are becoming more cautious. In corporate bonds and CP markets, the fund-raising conditions for firms continue to be generally favorable, although the issuing environment for firms with low credit ratings is deteriorating slightly.

Credit demand in the private sector is declining faster mainly because firms are decreasing their business fixed investment while continuously reducing their debts.

Amid these developments, private banks' lending continues to decline at about 2 percent on a year-on-year basis. As for the amount outstanding of corporate bonds issued, the year-on-year growth rate is slowing due to the decrease in the issuance of corporate bonds with low credit ratings. Meanwhile, the amount outstanding of CP issued continues to be at a high level, significantly exceeding that of the previous year, due to the generally favorable environment for issuing CP.

The growth rate of money stock ( $M_2 + \text{CDs}$ ) in October remained relatively high while the rate declined slightly from the previous month.

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

Overall, the recent financial environment remains extremely easy in terms of money market conditions and interest rate levels. However, as private banks and investors are becoming slightly cautious in taking credit risks, the fund-raising conditions of firms with higher credit risks and small firms are apparently becoming severe. Hence, the developments in the behavior of financial institutions and corporate financing need closer monitoring.

## The Background

### 1. Japan's Economy

Public investment is on a downward trend. The value of public works contracted—a metric that reflects orders—has been at low levels, albeit some fluctuations and the actual implementation of those works has also been decreasing (Chart 2). Public investment is expected to follow a declining trend.<sup>3</sup>

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 the third quarter decreased considerably following the first and second quarters, mainly in IT-related goods (semiconductor electronic parts) and capital goods and parts (semiconductor fabrication machines and equipment, and industrial machinery), although automobile-related exports increased, particularly for those to the U.S.

Real imports also continue to decline sharply, owing to the continuous substantial decline in exports and production (Charts 3[1] and 6). As for real imports in the third quarter, along with the noticeable decreases in imports of personal computers reflecting poor domestic sales, imports of IT-related parts plummeted due to production cutbacks in the IT-related industries. In addition, imports of materials, intermediate goods, and capital goods and parts registered decreases.

Net exports (real exports minus real imports), in terms of the real trade balance,<sup>4</sup> continue to decline at a more modest pace than before as a result of the drop in real imports (Chart 3[2]).

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<sup>3</sup> The “Advanced Reform Program” was decided at the Ministerial Meeting on Economic Measures on October 26. The supplementary budget for this fiscal year incorporating contents of the Program passed the extraordinary Diet session on November 16. However, as this supplementary budget puts emphasis on employment measures, spending on public investment, excluding the expenditure related to natural disaster relief, is limited. Thus, public investment is expected to follow a declining trend for the time being.

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

Regarding the future environment for foreign trade, the real effective exchange rate of the yen continues to be almost steady after the depreciation from the end of 2000 (Chart 7-1[1]). As for overseas economies (Chart 7-1[2]), the synchronized deceleration in the U.S., East Asian, and European economies continues to intensify in the wake of the terrorist attacks in the U.S.

With regard to factors affecting Japanese exports, a majority still believes that inventory adjustments in IT-related goods will be mostly completed by around next spring, and this would result in the easing of the downward pressure on exports (Chart 7-2[1]). However, since final demand of IT-related goods still remains sluggish, a distinct recovery in exports of IT-related goods is unlikely for the time being. As for the environment surrounding exports such as of consumer goods, the weakness in U.S. private consumption has become significant since the terrorist attacks (Chart 7-2[2]). Under this situation, there is a concern that sales of automobiles in the U.S. will drop in reaction to the temporary surge in sales due to the zero-percent financing campaigns.<sup>5</sup> While exporting conditions will become more severe from these factors, the decline in exports is inevitable for the time being; there exist even risks that the downtrend may persist or even intensify depending on the economic developments in the U.S.

Imports are also projected to follow a downward trend due to the weakening domestic demand, while exports and production will continue to decline. In these circumstances, net exports are expected to continue decreasing for a while.<sup>6</sup>

Business fixed investment continues to decrease, particularly in manufacturing, while corporate profits and the capacity utilization rate keep on

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<sup>5</sup> Sales of automobiles in the U.S. (Chart 7-2[3]) followed a mild downtrend prior to the terrorist attacks, but increased conspicuously to an annualized rate of 21.6 million cars in October owing to the aggressive promotion ever done by U.S. vehicle makers such as the zero-percent financing.

<sup>6</sup> The surplus of the nominal balance on goods and services (Chart 3[2]), which had been on a declining trend since the start of 2000, is projected to expand for a while due not only to the remarkable decrease in the number of people leaving for overseas after the terrorist attacks, but also to the fall in crude oil prices.

declining. As for investment-related indicators, aggregate supply of capital goods<sup>7</sup> (excluding transport equipment)—which basically moves simultaneously with machinery investment—remained on a declining trend (Chart 8-1[1]). Among leading indicators (Chart 8-2), machinery orders (private demand, excluding shipbuilding and electric power equipment) recorded small increases in the second quarter but declined again in the third quarter.<sup>8</sup> By industry, the weakness was apparent in manufacturing. Meanwhile, construction starts (nonresidential) had been following a declining trend since the start of the previous fiscal year but showed increases in the third quarter, reflecting some large-scale constructions related to redevelopment projects in nonmanufacturing.

Turning to the outlook, business fixed investment is expected to follow a declining trend judged from the continuous downward revisions of corporate profits and firms' investment plans, most notably in the IT-related sector.

Private consumption seems to be weakening gradually, reflecting the increasingly harsh employment and income conditions (Charts 9 and 10). With regard to sales indicators, while sales of department stores, particularly of accessories, remained firm, those of chain stores continued to be at low levels. Sales of household electrical appliances remained weak mainly due to the slump in sales of personal computers, and passenger car sales, which had been increasing with the introduction of new models, have recently started to decline. In addition, outlays for travel plunged in September as individuals continued to refrain from travelling, particularly overseas, after the terrorist attacks in the U.S. Under these developments in various sales, the level of aggregate supply of consumer goods was

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<sup>7</sup> 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 the import volume based on *Foreign Trade Statistics*. Charts 8-1(1) and 9-4 show the developments in aggregate supply of capital goods (excluding transport equipment) and consumer goods. Figures for the third quarter of 2001 are calculated by the Bank of Japan using indices of industrial shipments and real imports and exports.

<sup>8</sup> Machinery orders in the fourth quarter (surveyed as of September-end) are projected to remain at almost the same level as in the third quarter, which marked a 5.7 percent decrease (private demand excluding shipbuilding and electric power equipment; -0.5 percent on a quarter-to-quarter basis). In detail, while a slight increase of 1.7 percent on a quarter-to-quarter basis is expected in nonmanufacturing, the declining trend since the first quarter is planned to continue in manufacturing (-3.7 percent on a quarter-to-quarter basis).

slightly below that of the previous year since domestic shipments were stagnant in addition to the modest increase in imports. The level of indices of aggregated sales<sup>9</sup> also seemed to be weakening somewhat, although it is generally still above the year-ago level. Meanwhile, according to the latest consumer survey, consumers were becoming even more cautious due to the deterioration in employment conditions. Private consumption will continue to be lackluster, mainly reflecting employment and income conditions.

Housing investment remains sluggish (Chart 11[1]). Construction starts fell in both the first and second quarters but rose in the third quarter due to the increase in construction starts of condominiums,<sup>10</sup> while those of owner-occupied houses financed by the government Housing Loan Corporation in particular remained low (Chart 11[2]). However, while construction starts of condominiums, mainly in large ones, are expected to contribute as an underpinning factor, housing investment, judged from the more severe employment and income conditions of households, is likely to remain sluggish for the time being.

Reflecting these developments in final demand, industrial production continues to decline considerably due mainly to inventory adjustments especially in IT-related goods and materials (Chart 12). As for inventories, although the increase in inventories to date, such as of IT-related production goods, has started to peak, a strong excessiveness in inventories persists while the inventory ratio remained at a high level against the background of sluggish final demand. With regard to inventories in detail (Chart 13), among production goods, inventories of electronic parts started to decline as a result of large production cutbacks and the further accumulation of inventories of materials such as iron and steel has almost stopped. However, the overall inventory levels in those production goods still remained at a high level. On the other hand, as for final demand goods, inventories of construction

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<sup>9</sup> 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 9-3.

<sup>10</sup> Construction starts of condominiums increased as sales of condominiums basically remained high, especially in the Tokyo metropolitan area (Chart 11[3]).

goods have been rising and those of durable consumer goods also increased slightly. Under these circumstances, industrial production is expected to follow a declining trend for some time, reflecting the decline in exports and sluggish domestic demand.<sup>11</sup>

As for employment and income conditions, with the prolonged adjustments in economic activity, the supply-demand condition in the labor market is easing further, particularly in manufacturing, and household income is weakening more evidently (Chart 14). Among labor-market-related indicators (Charts 15), the ratio of job offers to applicants continued to decline, mainly from the significant drop in the number of job offers in manufacturing, and the unemployment rate was on a rising trend. The number of regular employees (on a Monthly Labour Survey basis at establishments with five employees or more) was basically unchanged.

Meanwhile, as for nominal wages per employee, both overtime and regular payments continued to decline, mainly reflecting the decrease in the hours worked (Chart 14[2]). Amid the ongoing adjustments in economic activity, compensation of employees is projected to follow a downtrend for the time being.

## **2. Prices**

Import prices on a yen basis decreased compared to levels three months earlier due to the softening of international commodity prices in nonferrous metals and crude oil (Chart 17).

Domestic wholesale prices are declining faster, in line with the softening of crude oil prices. In October, domestic wholesale prices (adjusted to exclude the

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<sup>11</sup> According to the survey of production forecasts (-0.5 percent in October and +0.7 percent in November on a month-to-month basis), production in the fourth quarter is projected to decline by 1.8 percent on a quarter-to-quarter basis (based on the assumption that the production level in December is the same as that of November). This indicates that the rate of decline has contracted significantly compared to around 4 percent observed since the start of this year. As for projections by industry (Chart 12[2]), while transport equipment, which had been on a rising trend, is projected to fall back slightly and iron and steel are to undergo substantial production cutbacks, the rate of decline in electrical machinery is expected to slow considerably. However, actual industrial production tends to be below that of the production forecast index. In addition, taking various information from firms into account, production in the fourth quarter is expected to be lower than that of the production forecast index.

effects of seasonal changes in electricity rates<sup>12</sup>) continued to mark larger declines compared to levels three months earlier (Chart 18). This was because prices of petroleum products started to drop, reflecting the decline in crude oil prices, while prices of machinery (electrical machinery) and materials such as iron and steel, construction goods, and pulp and paper continued to decrease.

Corporate service prices are decreasing. In September, corporate service prices (domestic supply-demand factors<sup>13</sup>) declined compared to levels three months earlier (Chart 19). The decrease was mainly because prices of road freight transportation and civil engineering and architectural services were lowered, in addition to the continued reduction in prices for leasing, reflecting the price decline in IT-related equipment and decline in prices for advertising services.

Consumer prices are weakening. In September, consumer prices (excluding fresh food) declined compared to levels three months earlier mainly due to the decreases in prices of durable consumer goods and nondurable goods such as clothes, in line with the increase in imports of inexpensive consumer goods (Charts 20 and 21). The overall year-to-year rate of decline in September (excluding fresh food<sup>14</sup>) diminished slightly compared to the previous month since the year-to-year decrease for personal computers and clothes contracted. (The year-to-year change was -0.9 percent in July, -0.9 percent in August, and -0.8 percent in September.)

Regarding the conditions surrounding price developments, international commodity prices such as of crude oil and nonferrous metals remain weak. Also, with the prolonged adjustments in economic activity, the balance between supply and

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<sup>12</sup> Industrial and commercial electric power consumption charges are set relatively high during July-September, when the consumption volume increases substantially. To view the underlying changes in domestic wholesale prices, adjustments are made to exclude such factors that result in large seasonal fluctuations.

<sup>13</sup> Corporate service prices (domestic supply-demand factors) only include items whose monthly price changes primarily reflect changes in domestic private demand. Specifically, items with the following properties are removed from the overall CSPI: (1) regulated fees, (2) overseas factors, and (3) fees with a large monthly fluctuation that do not necessarily reflect short-term changes in supply-demand trends. For the detailed calculation, see the note in Chart 19.

<sup>14</sup> Consumer prices including fresh food in September were basically the same as those excluding fresh food. (The year-to-year change was -0.8 percent in July, -0.7 percent in August, and -0.8 percent in September.)

demand in the domestic market will increasingly 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 22[1] and 23), the overnight call rate (uncollateralized) is moving around zero percent as the Bank of Japan provided ample liquidity to the money market by aiming at maintaining the current account balances held at the Bank at above 6 trillion yen (Chart 24).

As for interest rates on term instruments (Chart 23), three-month Euro-yen rates (TIBOR) continue to be basically level. The Japan premium (Chart 26) remains negligible.

Yields on ten-year government bonds (newly issued; Chart 22[2]) dipped as concern over the supply-demand balance eased slightly, reflecting the plan for the FY 2001 supplementary budget, and are recently moving around 1.30-1.35 percent. As for the yield spreads between government and private bonds (bank debentures and corporate bonds; Charts 28 and 29), while spreads between bonds with relatively high credit ratings and government bonds remain mostly unchanged, those between bonds with low credit ratings and government bonds are expanding slightly due to the somewhat more cautious views of investors toward taking credit risks.

Stock prices (Chart 30[1]) continued to be weak, mainly in bank shares, but are recently rebounding.

In the foreign exchange market (Chart 31), the yen has remained largely directionless against the U.S. dollar, although slight weakening took place recently,

partly reflecting the improved prospect toward the stabilized situation in Afghanistan. The yen is currently being traded in the range of 121-123 yen to the U.S. dollar.

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

The growth rate of money stock ( $M_2$  + CDs; Chart 32) in October declined slightly from the previous month as the inflow from postal savings has come to a halt. (The year-on-year change was 3.4 percent in August, 3.7 percent in September, and 3.6 percent in October.)

In October, the year-on-year growth rate of monetary base (currency in circulation + current account balances at the Bank of Japan; Chart 33) continued to be high following the previous month due to a large increase in the current account balances at the Bank of Japan. (The year-on-year change was 9.0 percent in August, 14.2 percent in September, and 14.3 percent in October.)

As for the lending attitudes of private financial institutions, financial institutions appear to be more cautious in extending loans to firms with higher credit risks, while they continue to be more active in extending loans to blue-chip companies. The lending attitudes of financial institutions as perceived by small firms are becoming more cautious. In corporate bonds and CP markets, the fund-raising conditions for firms continue to be generally favorable, although the issuing environment for firms with low credit ratings is deteriorating slightly.

Credit demand in the private sector is declining faster mainly because firms are decreasing their business fixed investment while continuously reducing their debts.

Amid these developments, lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;<sup>15</sup> Chart 34), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, continues to decline at about 2 percent on a year-on-year basis. (The year-on-year change was -2.0 percent in August, -2.0 percent in September, and

-1.9 percent in October.) As for the amount outstanding of corporate bonds issued, the year-on-year growth rate is slowing due to the decrease in the issuance of corporate bonds with low credit ratings. Meanwhile, the amount outstanding of CP issued continues to be at a high level, significantly exceeding that of the previous year, due to the generally favorable environment for issuing CP (Chart 36).

Funding costs for firms continue to be at extremely low levels on the whole. The average contracted interest rates on new loans and discounts (Chart 38) continue to be more or less unchanged. The long-term prime lending rate was lowered by 0.05 percent to 1.65 percent on November 9. In the capital market, corporate bond issuance rates are basically flat. CP issuance rates as a whole continue to be at extremely low levels.

In October, the number of corporate bankruptcies (Chart 39) rose significantly from the previous month.

Overall, the recent financial environment remains extremely easy in terms of money market conditions and interest rate levels. However, as private banks and investors are becoming slightly cautious in taking credit risks, the fund-raising conditions of firms with higher credit risks and small firms are apparently becoming severe. Hence, the developments in the behavior of financial institutions and corporate financing need closer monitoring.

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

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## Main Economic Indicators (1)

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

	2001/Q1	Q2	Q3	2001/July	August	September	October
Index of living expenditure level (all households)	1.0	-3.2	-0.7	1.4	-1.1	-0.1	n.a.
Sales at department stores	0.4	0.8	-1.2	-3.8	1.7	2.5	n.a.
Sales at chain stores	-0.1	-2.6	-1.1	-0.1	-1.1	-1.1	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 301>	< 303>	< 317>	< 320>	< 323>	< 307>	< 278>
Sales of household electrical appliances (real, NEBA)	13.0	-7.4	0.4	-1.0	-5.8	4.9	n.a.
Outlays for travel (50 major travel agencies)	0.7	-1.2	-3.1	2.0	1.2	-16.1	n.a.
Housing starts <s.a., ann. 10,000 units>	< 118>	< 115>	< 121>	< 123>	< 122>	< 118>	<n.a.>
Machinery orders (from private sector <sup>4</sup> )	-7.0	1.1	-5.7	-1.6	8.7	-13.2	n.a.
Manufacturing	-12.8	-6.6	-9.7	0.1	8.0	-18.4	n.a.
Nonmanufacturing <sup>4</sup>	-2.8	5.7	-1.4	-2.1	14.0	-15.6	n.a.
Construction Starts (private, nonresidential use)	-5.6	-7.2	11.6	11.8	-1.9	1.7	n.a.
Mining & manufacturing	9.0	-18.5	-6.9	-8.9	2.1	-9.3	n.a.
Nonmanufacturing <sup>5</sup>	-9.4	-1.1	18.4	23.2	-9.4	4.8	n.a.
Value of public works contracted	11.4	-16.9	6.0	4.3	-3.3	-1.6	-0.5
Real exports	-4.6	-4.9	-4.0	-5.5	6.5	-4.3	n.a.
Real imports	-3.3	-1.5	-4.7	3.5	-1.1	-6.9	n.a.
Industrial production	-3.7	-4.1	-4.3	-3.0	0.8	-2.9	n.a.
Shipments	-3.5	-3.9	-3.6	-3.0	0.9	-3.2	n.a.
Inventories	2.3	2.4	-2.4	-1.4	0.3	-1.3	n.a.
Inventories/shipments <s.a., 1995=100>	<106.6>	<112.5>	<116.6>	<112.9>	<110.0>	<116.6>	<n.a.>
Real GDP	0.1	-0.7	n.a.	n.a.	n.a.	n.a.	n.a.
Index of all industry activity	0.9	-1.9	n.a.	-1.3	-0.2	n.a.	n.a.

## Main Economic Indicators (2)

	y/y % chg. <sup>1</sup>						
	2001/Q1	Q2	Q3	2001/July	August	September	October
Ratio of job offers to applicants <s.a., times>	<0.63>	<0.61>	<0.59>	<0.60>	<0.59>	<0.57>	<n.a.>
Unemployment rate <s.a., %>	<4.75>	<4.87>	<5.09>	<5.02>	<4.96>	<5.30>	<n.a.>
Overtime working hours <sup>6</sup>	0.7	-2.8	p -6.2	-5.2	-5.3	p -8.1	n.a.
Number of employees	1.2	0.9	0.0	0.5	0.3	-1.0	n.a.
Number of regular employees <sup>6</sup>	-0.1	-0.2	p -0.2	-0.2	-0.2	p -0.2	n.a.
Nominal wages per person <sup>6</sup>	0.1	-0.4	p -1.2	-0.6	-2.0	p -1.2	n.a.
Domestic wholesale price index <q/q % chg.> (3-month growth rate)	-0.4 <-0.2>	-0.6 <-0.2>	-1.0 <-0.3>	-0.9 <-0.2>	-1.0 <-0.3>	-1.1 <-0.4>	-1.1 <-0.5>
Consumer price index <sup>7</sup> <s.a., q/q % chg.> (3-month growth rate)	-0.8 <-0.2>	-0.9 <-0.2>	-0.8 <-0.2>	-0.9 <-0.2>	-0.9 <-0.1>	-0.8 <-0.2>	n.a. <n.a.>
Corporate service price index <sup>8</sup> <s.a., q/q % chg.> (3-month growth rate)	-1.4 <-0.3>	-1.3 <-0.5>	-1.4 <-0.2>	-1.3 <-0.2>	-1.5 <-0.1>	-1.5 <-0.3>	n.a. <n.a.>
Monetary aggregates (M <sub>2</sub> +CDs) <average outstanding, y/y % chg.>	2.6	2.8	p 3.5	3.3	3.4	p 3.7	p 3.6
Number of suspension of transactions with banks	-9.0	-3.4	-8.5	-10.1	-10.3	-4.8	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 fresh food.

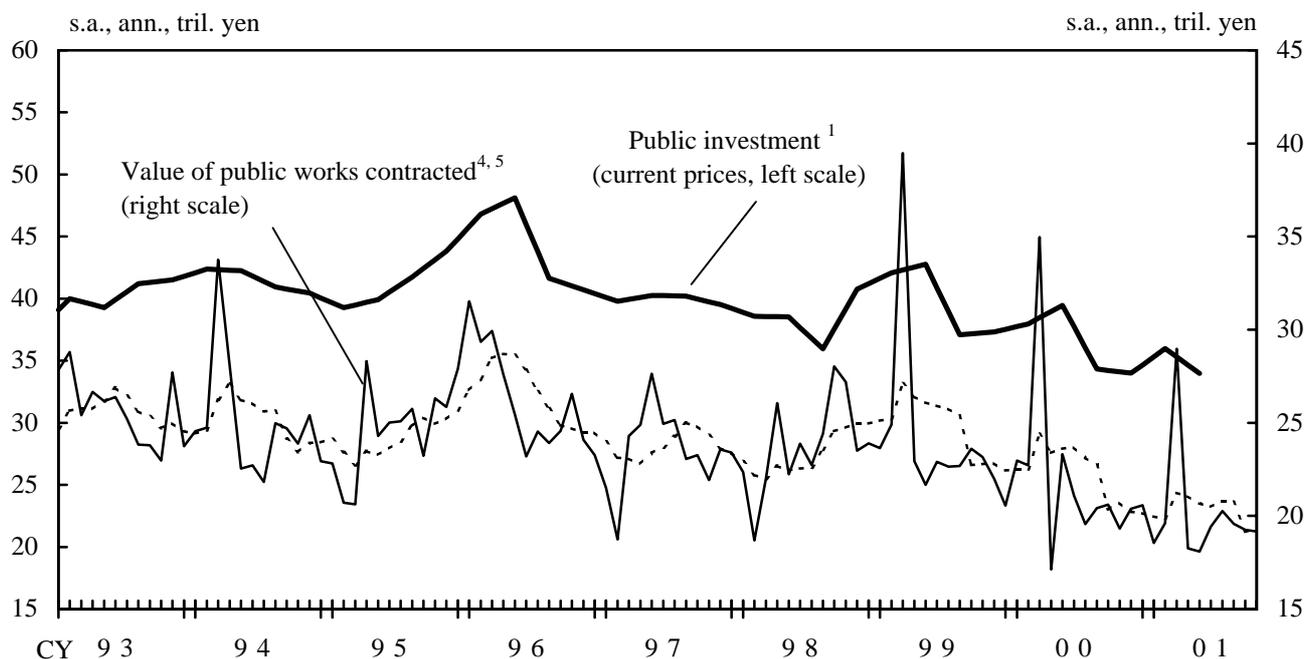
8. Domestic supply-demand factors.

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

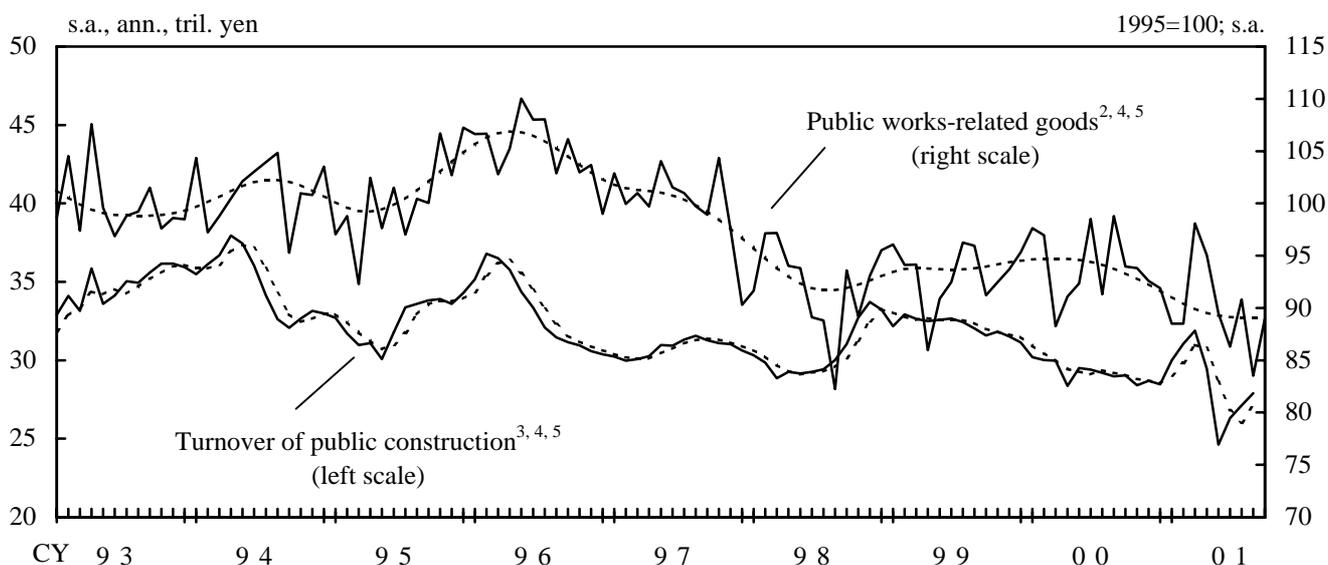
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey," "Monthly Report on the Family Income and Expenditure Survey," "Consumer Price Index"; Ministry of Economy, Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production," "Indices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

## Public Investment

## (1) Value of Public Works Contracted and Public Investment



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

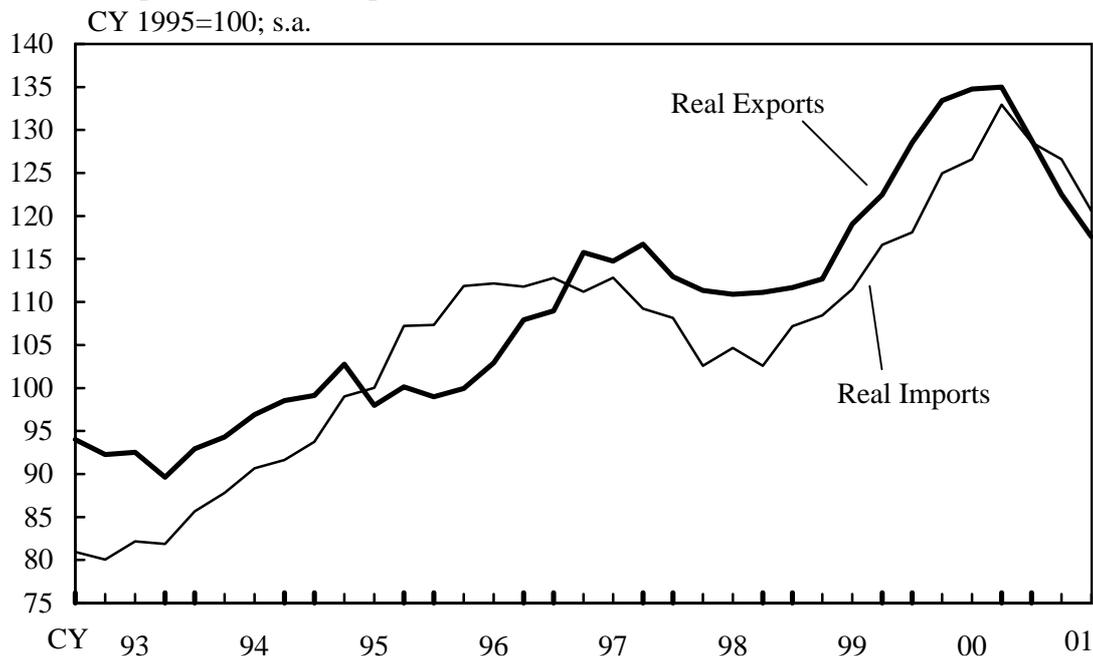


- Notes: 1. Quarterly basis public investment is plotted at the middle month of each quarter.  
 2. Public works-related goods are weighted average of asphalt, concrete products for roads, bridges, and cement, where weights are based on 1995-basis IIP (shipment). Shipments of these goods also include those to the private sector.  
 3. Turnover of public construction is based on the public sector table in the "Integrated Statistics on Construction Works."  
 4. Value of public works contracted, public works-related goods, and turnover of public construction are seasonally adjusted by X-12-ARIMA ( $\beta$  version). As the figures of value of public works contracted and public works-related goods are seasonally adjusted on a monthly basis, the data are retroactively revised each month. Seasonal factors of turnover of public construction are calculated by using data until March 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.

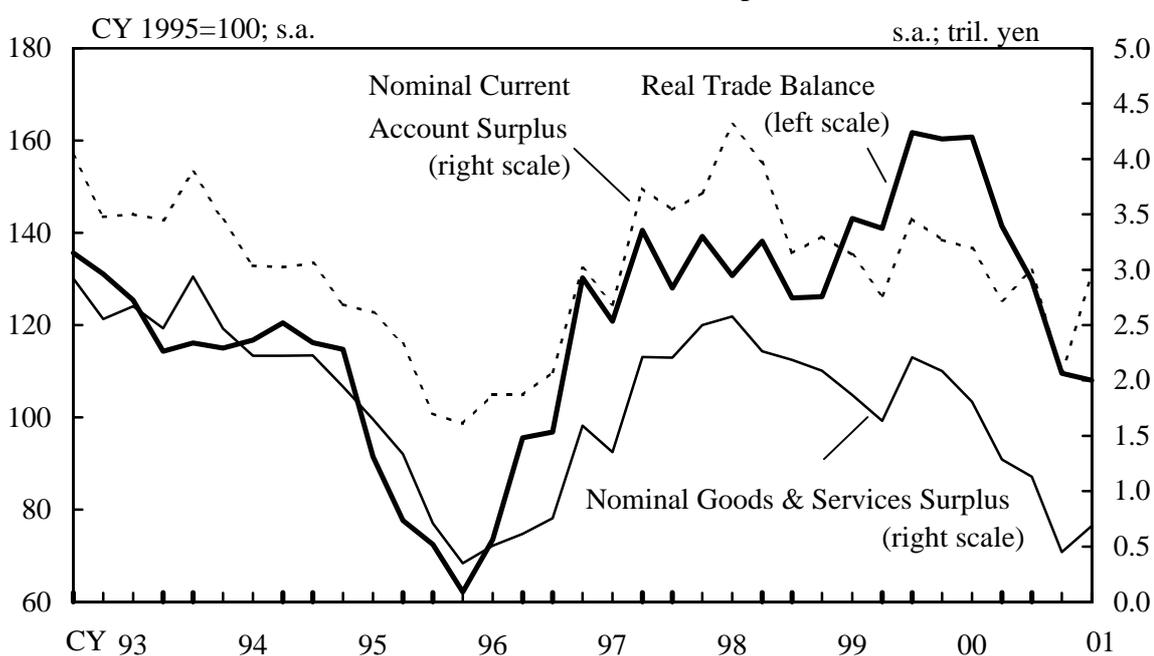
Sources: Cabinet Office, "National Accounts";  
 Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";  
 Ministry of Land, Infrastructure and Transport, "Integrated Statistics on Construction Works";  
 Ministry of Economy, Trade and Industry, "Indices of Industrial Production."

## External Balance

## (1) Real Exports and Real Imports



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

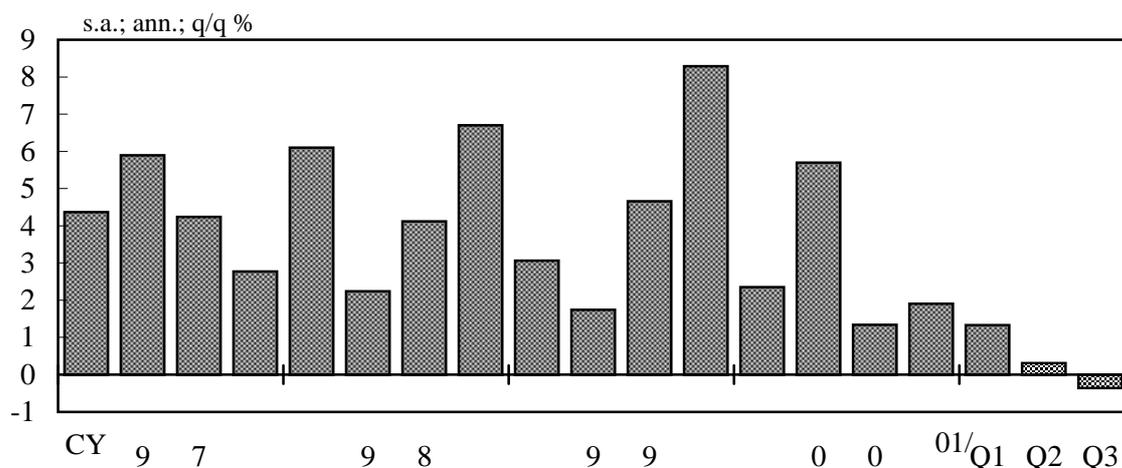


Note: Real exports/imports and the real trade balance are seasonally adjusted by X-11.

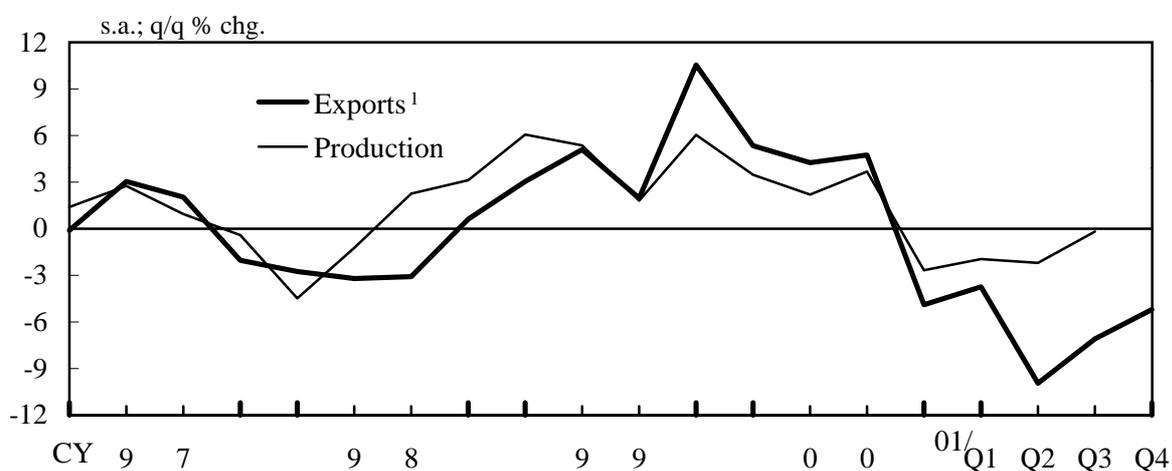
Sources: Ministry of Finance, "The Summary Report on Trade of Japan";  
Bank of Japan, "Balance of Payments Monthly," "Wholesale Price Indexes."

Impacts of the U.S. Slowdown

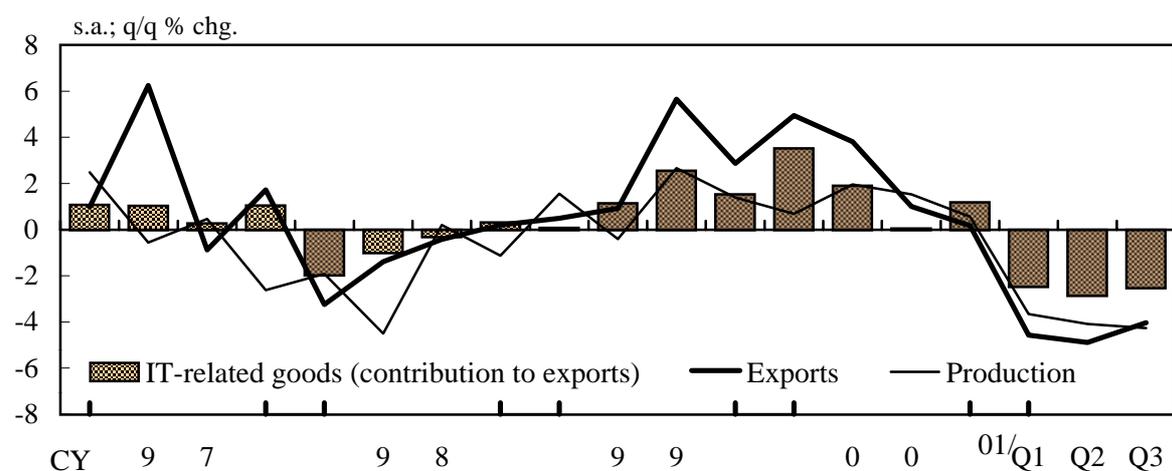
(1) United States - Real GDP



(2) NIEs3 - Exports and Production <sup>2</sup>



(3) Japan - Exports and Production <sup>3</sup>



- Notes: 1. 2001/Q4 figures are Oct. averages of those of Korea and Taiwan converted into quarterly amount.
- 2. Data for three members: Korea, Taiwan, and Singapore. Figures are the weighted sum of those three members, where weights come from real GDP. Exports are in nominal (U.S. dollar) terms.
- 3. Exports are in real terms (seasonally adjusted by X-11).

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

Real Exports <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 99	2000	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Jul.	2001 Aug.	2001 Sep.
United States	<29.7>	4.6	11.7	0.8	6.0	-6.6	-6.7	-3.0	-2.9	6.8	-10.2
EU	<16.3>	0.8	6.4	0.0	-2.2	1.3	-10.1	-6.4	-11.3	11.7	-2.0
East Asia	<39.7>	12.0	25.7	2.8	-1.7	-4.3	-5.8	-4.1	-7.3	9.1	-4.9
China	<6.3>	12.3	27.8	11.6	1.3	10.2	-5.4	-2.0	-4.5	14.5	-12.9
NIEs	<23.9>	11.2	25.8	1.5	-2.3	-9.4	-6.3	-3.5	-6.4	7.7	-2.4
Taiwan	<7.5>	7.8	22.5	2.8	-9.2	-16.5	-3.2	-12.1	-11.9	3.1	3.9
Korea	<6.4>	43.8	30.4	1.2	-0.8	-5.4	-8.3	7.1	-2.7	6.6	1.6
ASEAN4 <sup>3</sup>	<9.5>	13.6	24.0	0.8	-2.3	-1.7	-5.0	-6.8	-11.1	8.2	-4.1
Thailand	<2.8>	15.3	19.0	4.8	1.6	-5.1	-4.7	-0.9	-3.6	7.2	-0.9
Real exports		4.5	14.1	1.0	0.2	-4.6	-4.9	-4.0	-5.5	6.5	-4.3

## (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 Jul.	2001 Aug.	2001 Sep.
Intermediate goods	<14.1>	5.3	5.3	0.9	0.8	-1.8	-4.8	-0.8	-3.8	6.7	-0.2
Motor vehicles and their related goods	<20.2>	2.8	9.2	4.2	-1.1	-7.8	3.5	5.2	-0.6	10.4	-7.7
Consumer goods <sup>4</sup>	<7.0>	5.0	13.0	-0.3	2.6	-6.0	-0.4	-2.7	-6.1	0.5	5.0
IT-related goods <sup>5</sup>	<18.8>	6.4	25.2	-2.6	5.9	-5.7	-6.4	-9.5	-10.1	5.4	-4.7
Capital goods and parts <sup>6</sup>	<29.7>	1.8	21.1	1.6	-3.3	-3.2	-10.2	-6.9	-7.0	6.3	-3.3
Real exports		4.5	14.1	1.0	0.2	-4.6	-4.9	-4.0	-5.5	6.5	-4.3

Notes: 1. Seasonally adjusted by X-11.

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

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

4. Excluding motor vehicles.

5. IT-related goods = automatic data processing machinery + telecommunication machinery + ICs + scientific, medical and optical instruments.

6. Excluding IT-related goods, power generating machinery and parts of motor vehicles.

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

Real Imports <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 99	2000	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Jul.	2001 Aug.	2001 Sep.
United States	<19.0>	-2.9	7.9	2.4	4.8	-5.5	-0.3	-9.8	-1.0	-3.7	-4.8
EU	<12.3>	5.8	8.5	2.1	4.4	2.2	-4.7	-1.3	6.8	-1.2	-2.5
East Asia	<39.6>	15.8	25.5	4.8	6.6	-1.1	-3.9	-5.6	2.5	-0.7	-9.7
China	<14.5>	11.9	28.1	1.4	10.1	5.2	-1.2	-4.2	0.8	1.4	-7.8
NIEs	<12.2>	24.2	28.4	8.1	4.4	-5.2	-9.7	-7.5	4.3	-1.7	-13.9
Taiwan	<4.7>	25.6	43.6	6.3	8.1	-7.6	-12.7	-12.6	-3.6	0.7	-15.8
Korea	<5.4>	30.8	22.5	6.3	2.4	-2.6	-7.2	-7.3	1.0	-3.1	-9.6
ASEAN4 <sup>3</sup>	<12.8>	12.6	20.2	5.3	5.0	-3.8	-1.4	-5.5	2.8	-2.3	-8.3
Thailand	<2.8>	5.5	19.3	1.6	8.9	-4.1	4.3	-6.0	-3.8	5.3	-8.8
Real imports		6.1	13.3	1.3	5.0	-3.3	-1.5	-4.7	3.5	-1.1	-6.9

## (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 Jul.	2001 Aug.	2001 Sep.
Raw materials <sup>4</sup>	<26.8>	2.7	1.7	-1.3	0.6	-1.7	-2.1	-3.0	8.9	1.2	-8.4
Intermediate goods	<13.0>	3.6	8.2	-1.0	5.7	0.3	-3.8	-3.9	5.4	-0.5	-7.4
Foodstuffs	<12.1>	2.8	5.3	-0.3	2.4	-2.3	-1.1	-3.3	4.3	-5.2	-1.2
Consumer goods	<10.5>	8.2	21.4	1.4	9.3	-2.7	1.3	-2.9	1.4	3.5	-6.3
IT-related goods <sup>5</sup>	<16.1>	18.7	43.9	11.7	7.3	-5.0	-6.1	-13.0	-3.9	-7.3	-4.6
Capital goods and parts <sup>6</sup>	<11.5>	5.1	12.4	6.2	7.6	-3.7	-0.3	-4.4	0.4	3.4	-8.4
excluding aircraft		4.4	21.5	5.5	8.9	0.5	-0.9	-7.2	2.0	0.8	-13.5
Real imports		6.1	13.3	1.3	5.0	-3.3	-1.5	-4.7	3.5	-1.1	-6.9

Notes: 1. Seasonally adjusted by X-11.

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.

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

## Exporting Conditions (1)

## (1) Real Effective Exchange Rate



Note: Monthly average. The figure for November 2001 is the average of November 1-15. 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

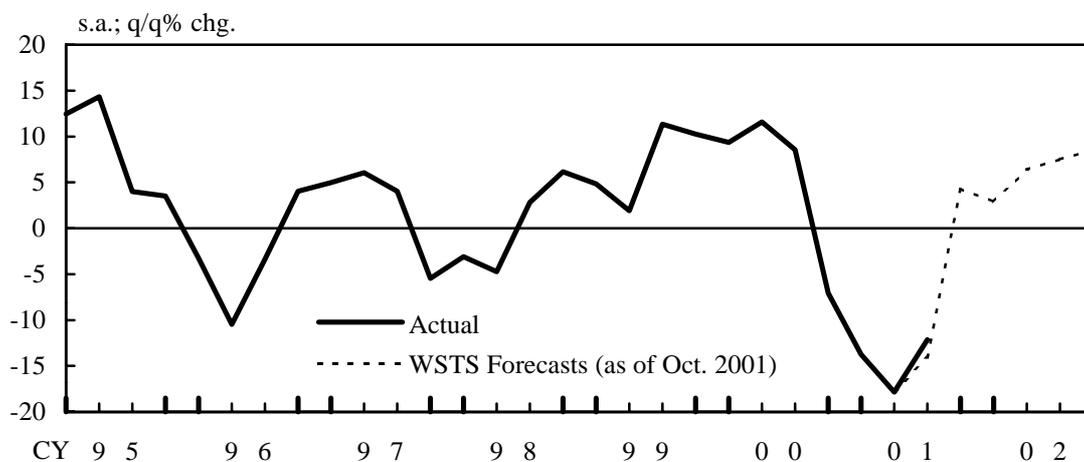
		CY98	99	2000	2000 Q4	2001 Q1	Q2	Q3
United States <sup>1</sup>		4.3	4.1	4.1	1.9	1.3	0.3	-0.4
European Union <sup>1</sup>		2.9	2.6	3.3	2.3	2.0	0.6	n.a.
Germany		2.0	1.8	3.0	0.6	1.6	-0.1	n.a.
France		3.5	3.0	3.4	3.2	1.7	1.1	n.a.
United Kingdom		3.0	2.1	2.9	2.0	2.6	1.8	2.4
China		7.8	7.1	8.0	(Jan-Dec) 8.0	8.1	(Jan-Jun) 7.9	(Jan-Sep) 7.6
East Asia <sup>2</sup>	Korea	-6.7	10.9	8.8	4.6	3.7	2.7	n.a.
	NIEs							
	Taiwan	4.6	5.4	5.9	3.8	0.9	-2.4	n.a.
	Hong Kong	-5.3	3.0	10.5	7.0	2.3	0.5	n.a.
	Singapore	0.1	5.9	9.9	11.0	4.8	-0.7	-5.6
	ASEAN4							
Thailand	-10.8	4.2	4.4	3.2	1.8	1.9	n.a.	
Indonesia	-13.1	0.8	4.8	5.2	3.2	3.5	n.a.	
Malaysia	-7.4	6.1	8.3	6.3	3.1	0.5	n.a.	
Philippines	-0.6	3.4	4.0	3.8	3.2	3.3	n.a.	

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

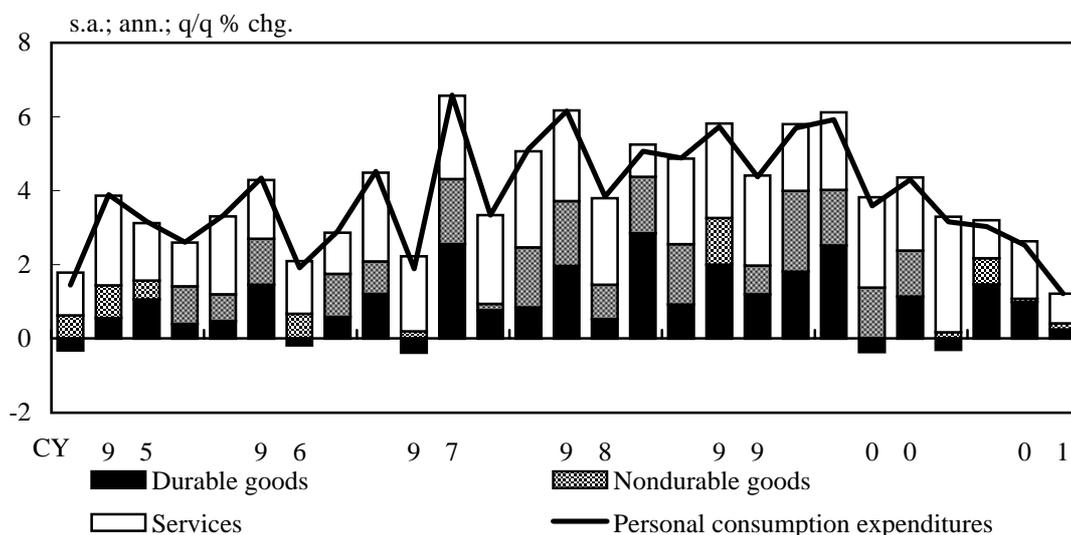
2. Quarterly data are percent changes from a year earlier.

Exporting Conditions (2)

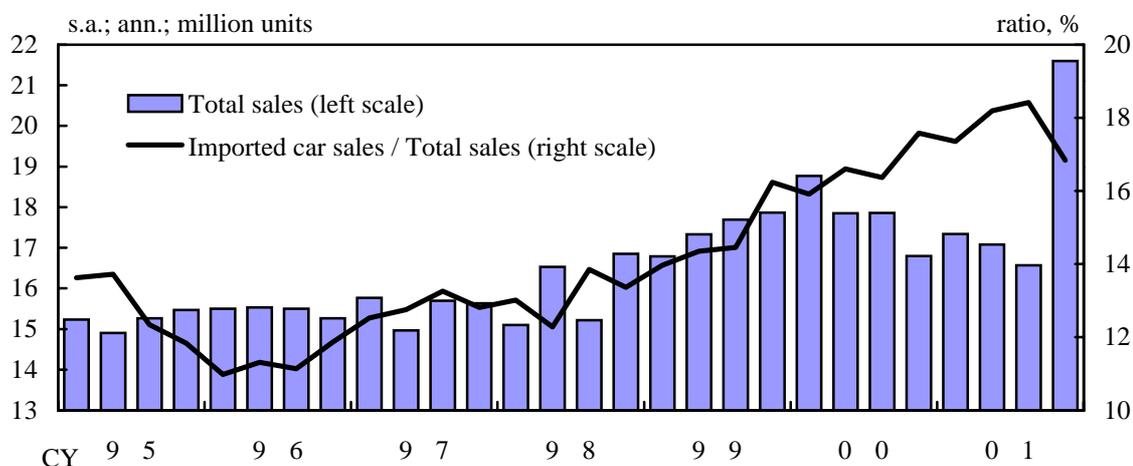
(1) World Semiconductor Shipments <sup>1</sup>



(2) U.S. Personal Consumption Expenditures



(3) Sales of automobiles in the U.S. <sup>2</sup>



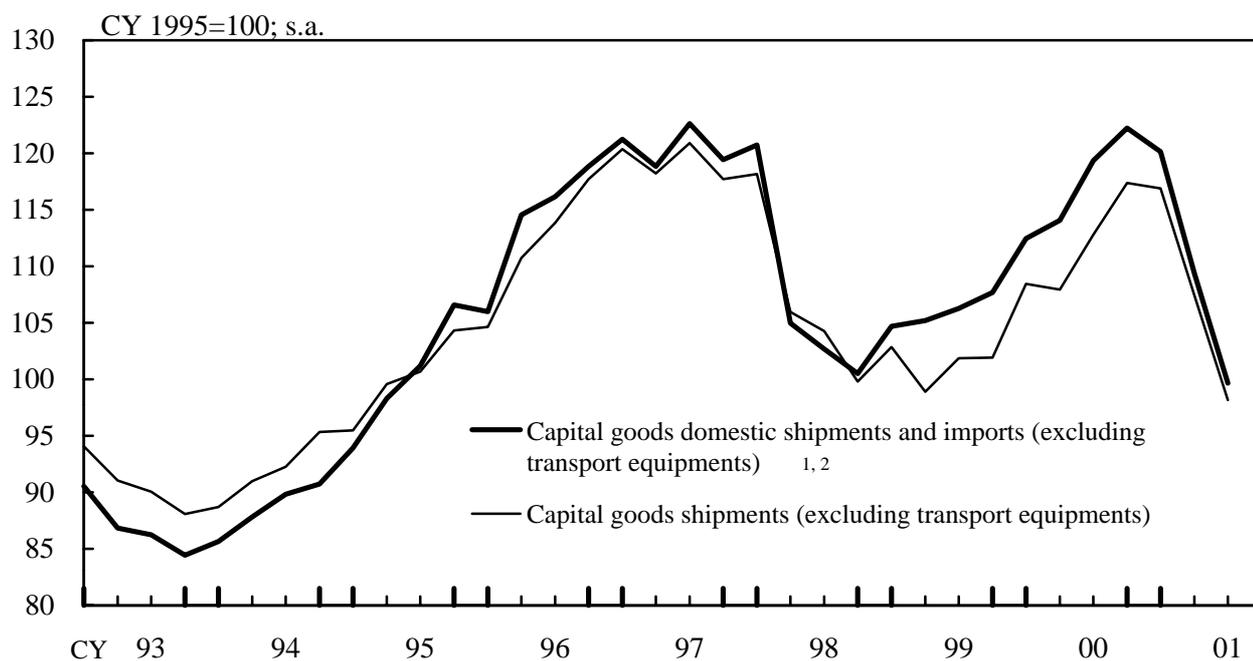
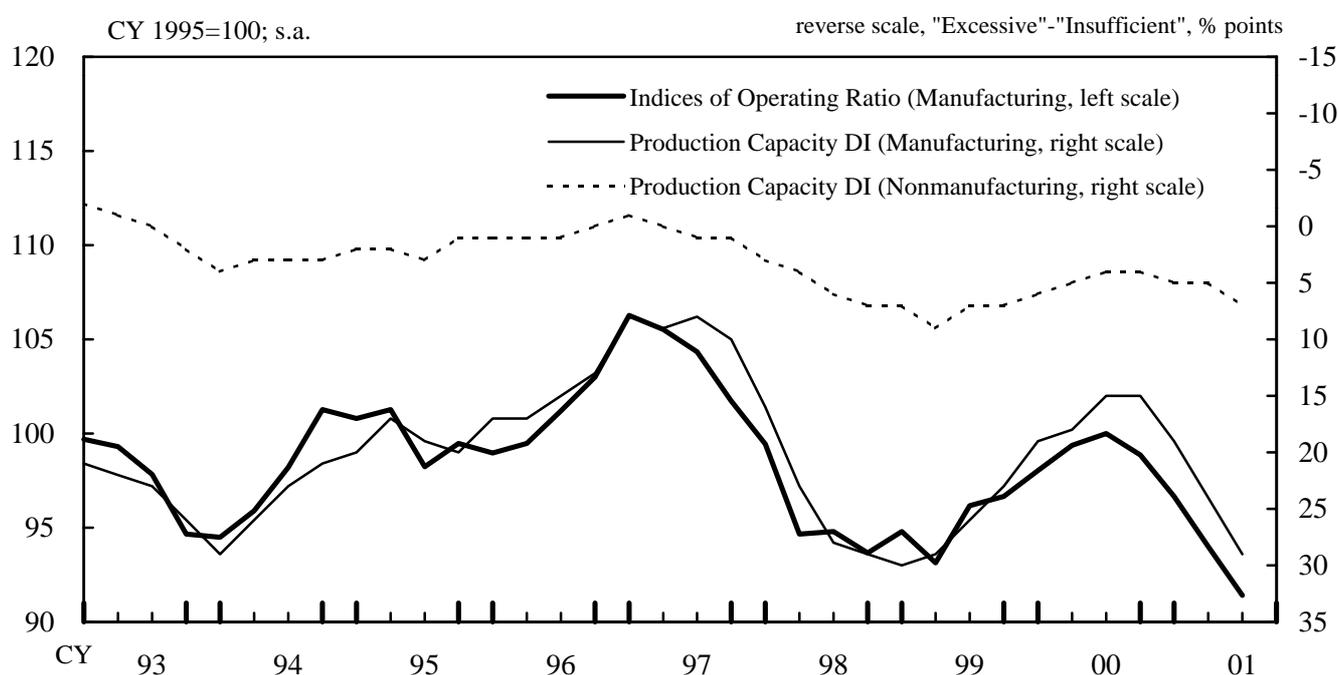
Notes: 1. Actual figures are on a real basis deflated by U.S. PPI electronic devices. Forecasts are on a nominal basis.

2. 2001/Q4 figures are Oct. figures.

Sources: WSTS (World Semiconductor Trade Statistics), "Semiconductor Forecasts"; U.S. Department of Commerce, "National Income and Product Accounts"; WEFA; CEIC Data Company.

## 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 <sup>3</sup>

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

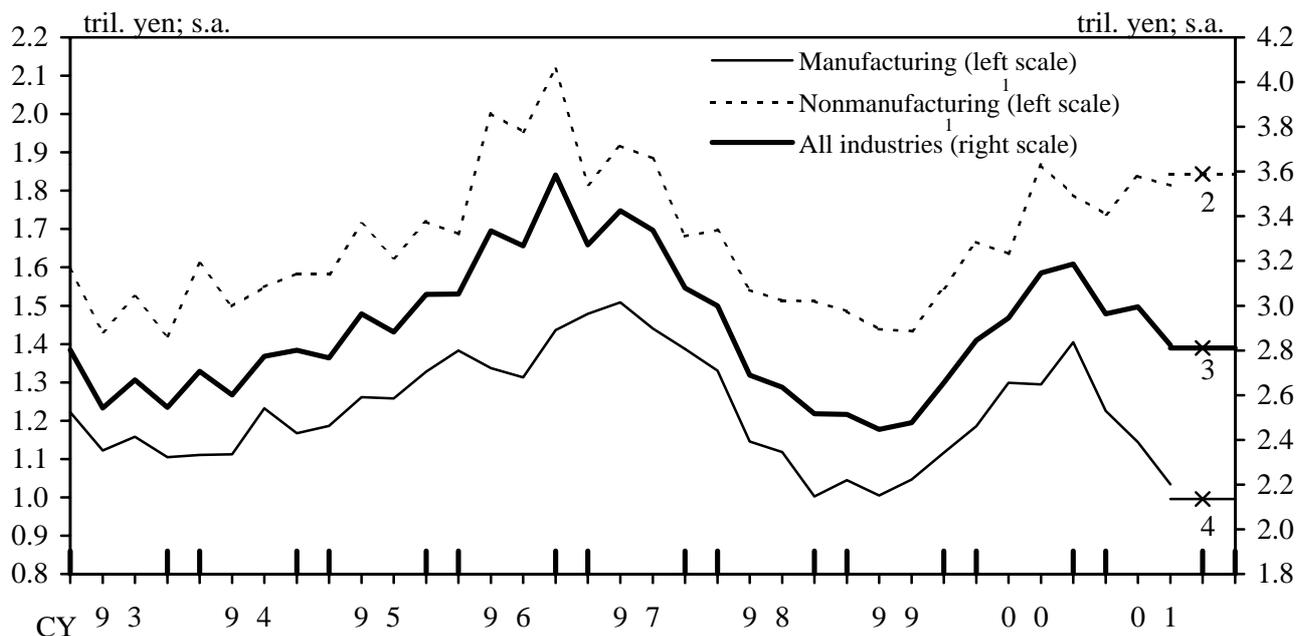
2. Figure for 2001/Q3 of "Capital goods domestic shipments and imports (excluding transport equipments)" is calculated from weighted average of the quarterly changes in "Domestic shipments" and "Imports", based on real imports (see chart 6).

3. All enterprises.

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."

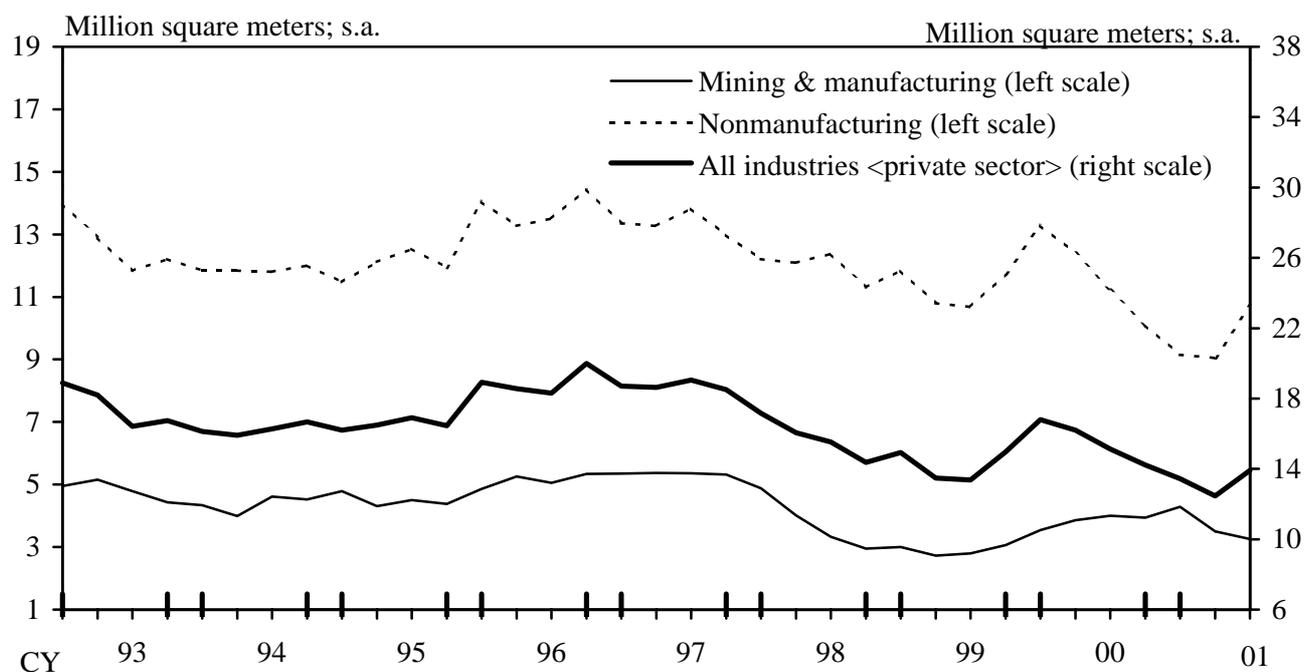
## Indicators for Business Fixed Investment (2)

## (1) Machinery Orders



- Notes: 1. Excludes orders from electric power companies and shipbuilding orders.  
 2. Forecast of nonmanufacturing industries for 2001/Q4.  
 3. Forecast of all industries for 2001/Q4.  
 4. Forecast of manufacturing industries for 2001/Q4.

## (2) Construction Starts (Nonresidential)

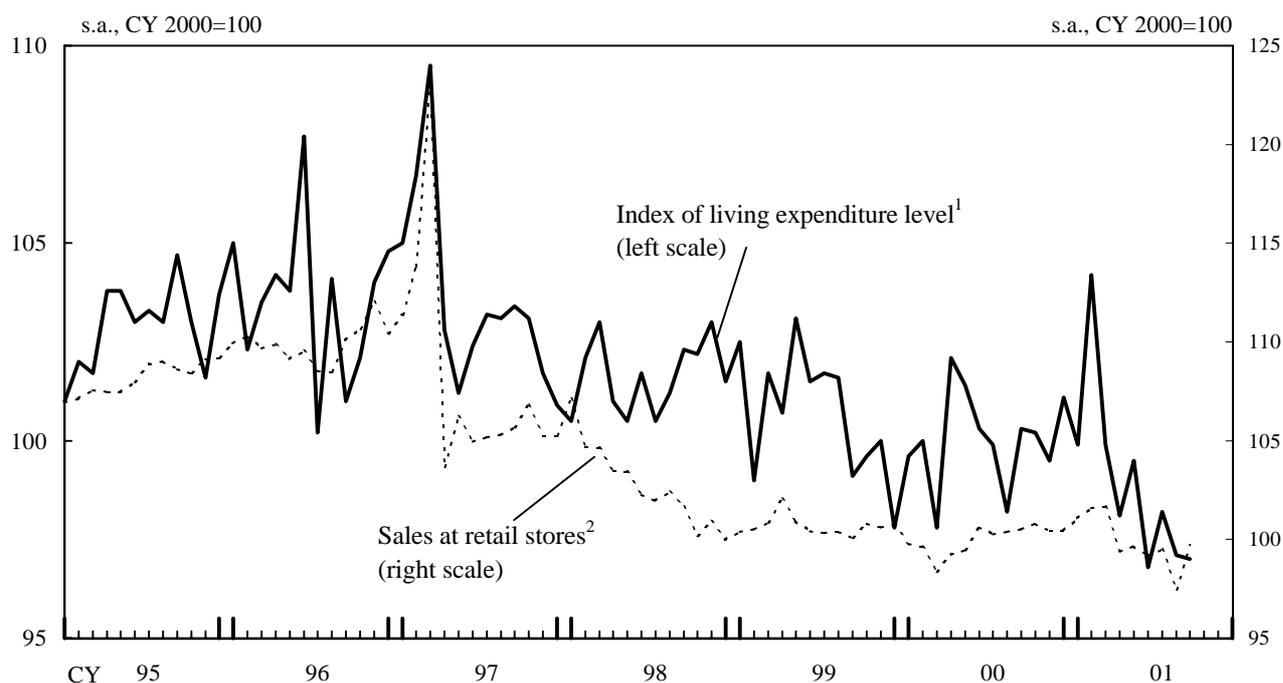


Note: Seasonally adjusted by X-12-ARIMA ( $\beta$  version).

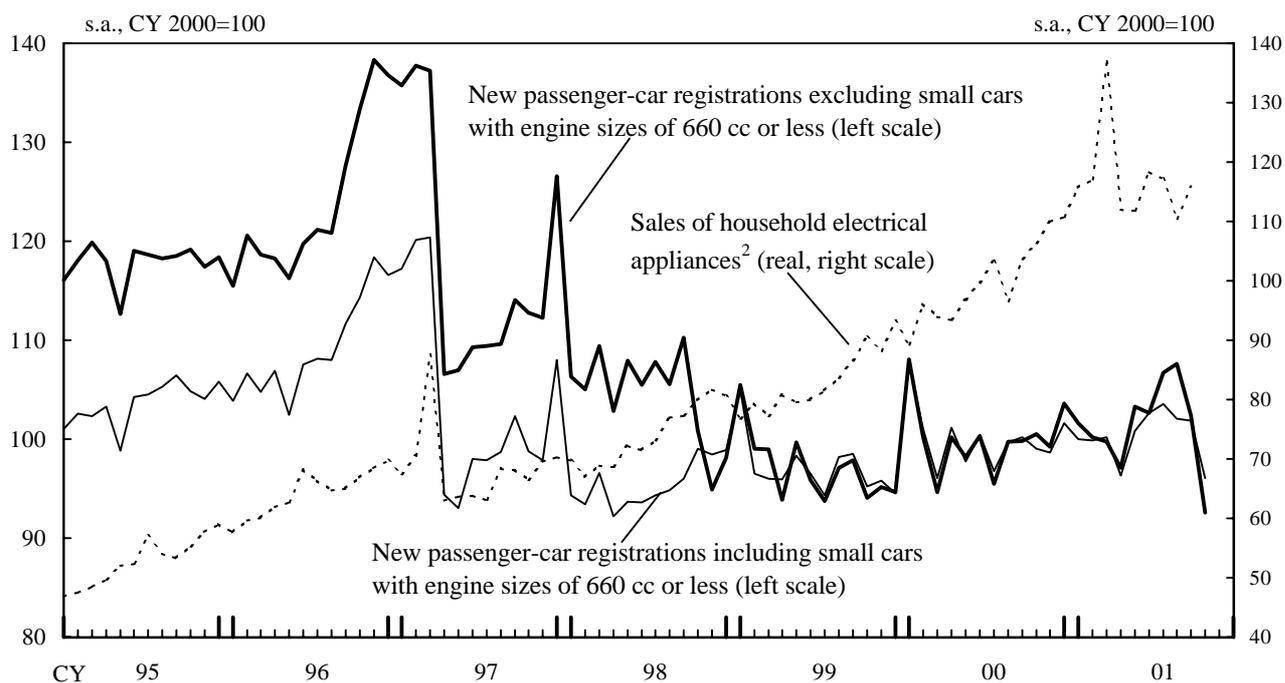
Sources: Cabinet Office, "Machinery Orders Statistics";  
 Ministry of Land, Infrastructure and Transport, "Statistics Building Construction Starts."

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

## (1) Household Spending



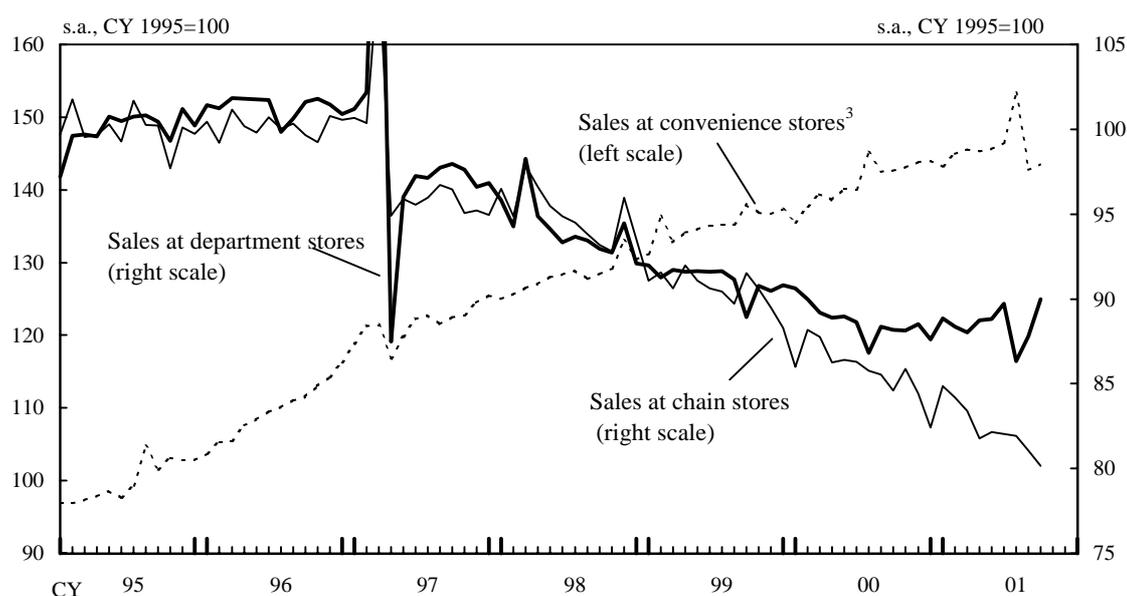
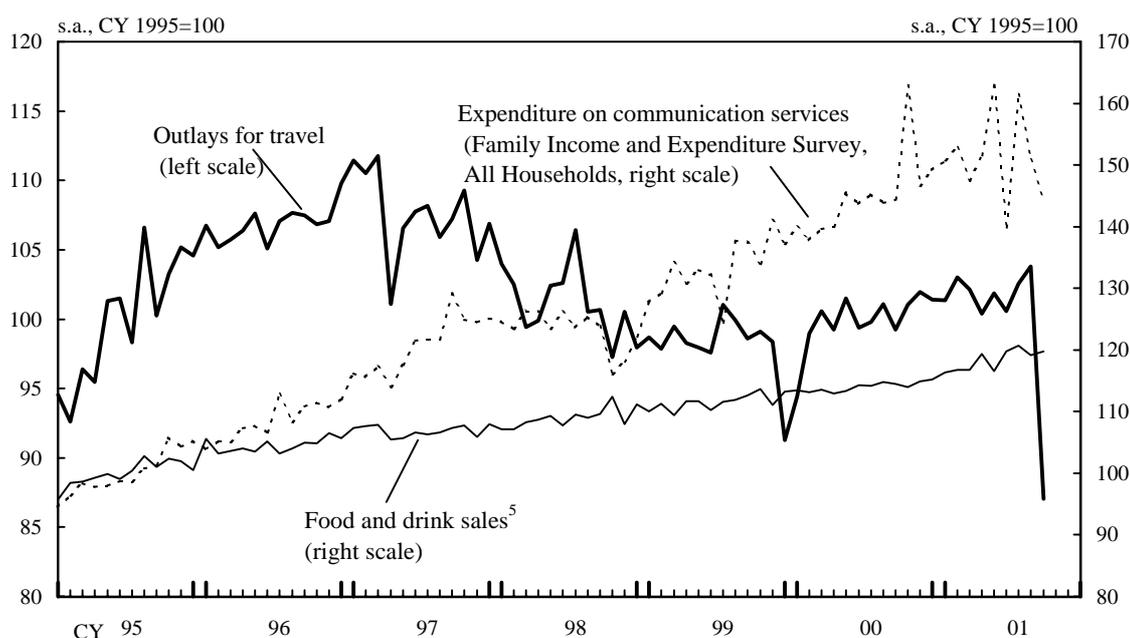
## (2) Sales of Durable Goods



Notes: 1. Seasonally adjusted by X-12-ARIMA ( $\beta$  version). Index of living expenditure level is seasonally adjusted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications.

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

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

Private Consumption<sup>1</sup> (2)(3) Sales of Retail Stores<sup>2</sup>(4) Consumption of Services<sup>4</sup>

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

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

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

3. Sales at convenience stores 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";

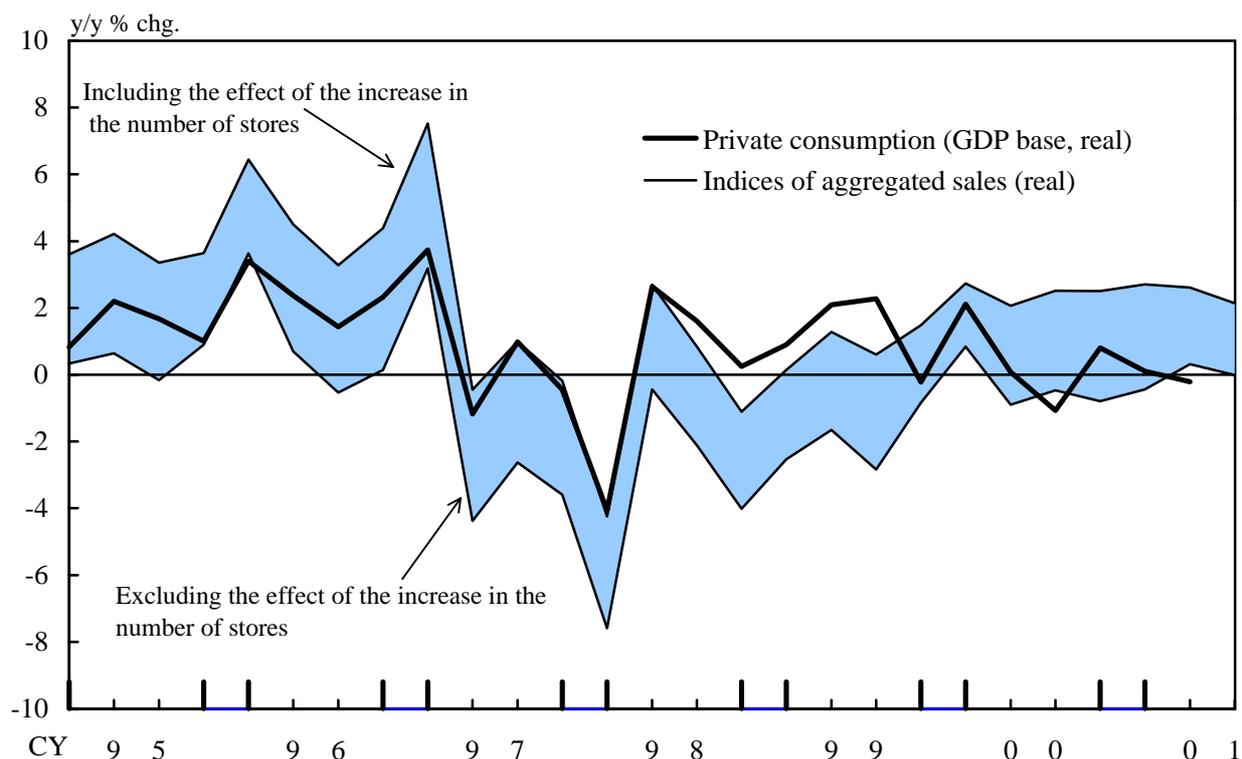
Japan Chain Stores Association, "Sales at Chain Stores";

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)



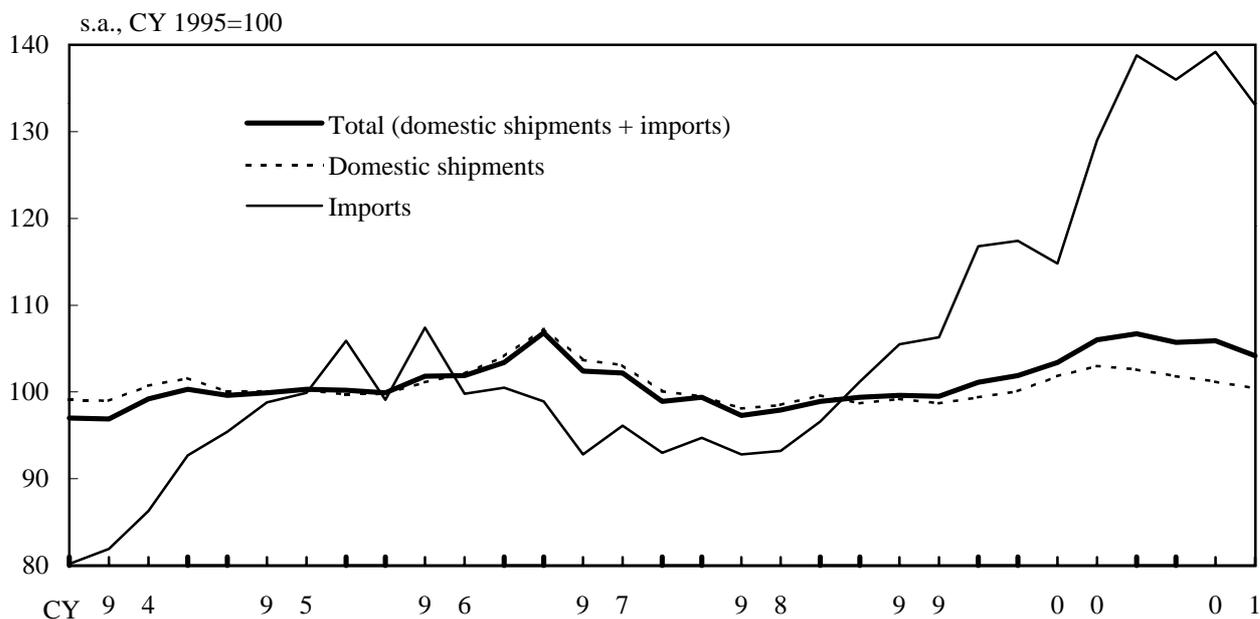
Notes: 1. Indices of aggregated sales are the weighted sum of *Sales at department stores and supermarkets*; *Sales at chain stores*; *New passenger-car registrations*; *Sales of household electrical appliances*; *Outlays for travel*; and *Food and drink sales*, where the weights come from the *Family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

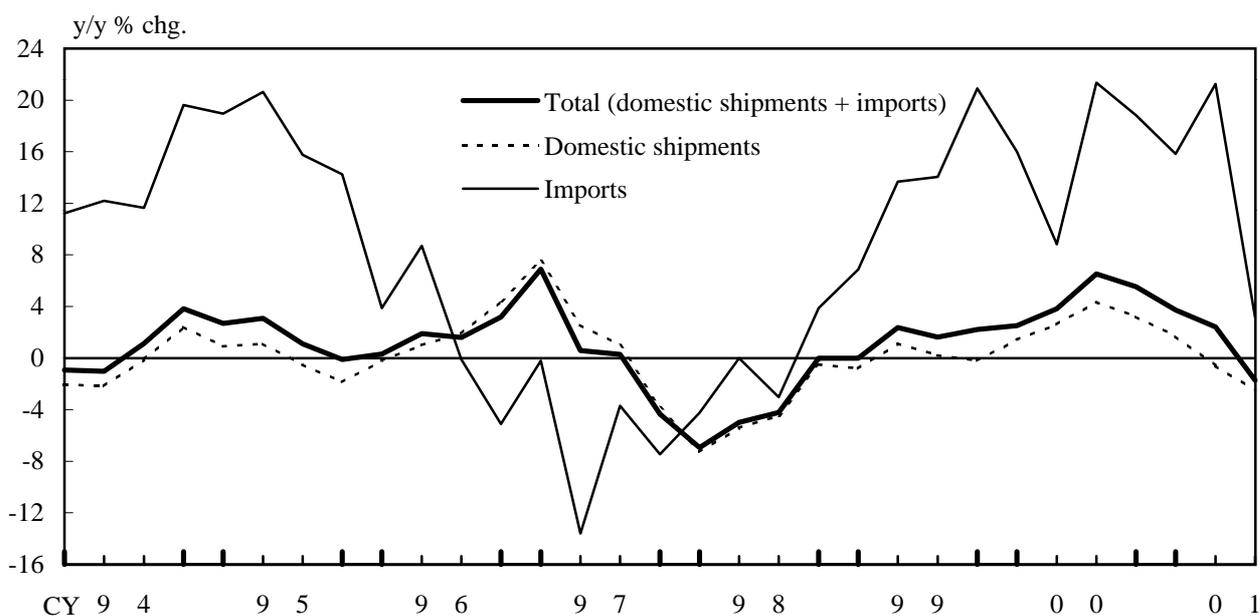
Sources: Cabinet Office, "National Accounts";  
 Ministry of Economy, Trade and Industry, "Current Survey of Commerce";  
 Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index," "Monthly Report on the Family Income and Expenditure Survey";  
 Bank of Japan,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

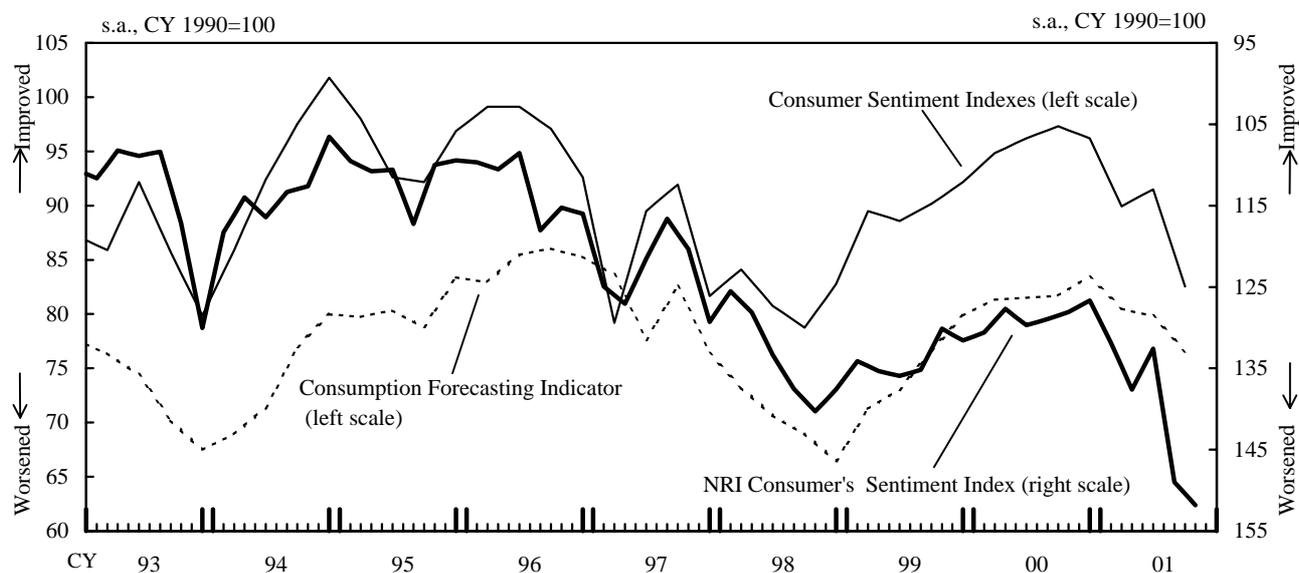
4. Figures for 2001/Q3 of "Total (domestic shipments + imports)" are calculated from weighted average of the quarterly changes in "Domestic shipments" and "Imports".

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

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."

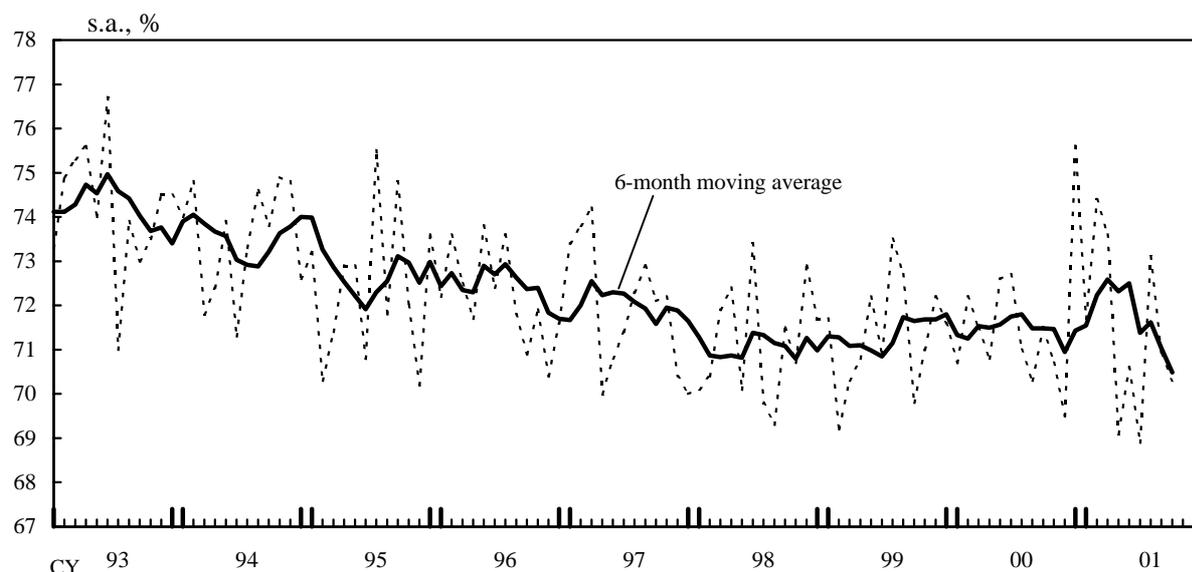
## Consumer Confidence and Propensity to Consume

### (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.

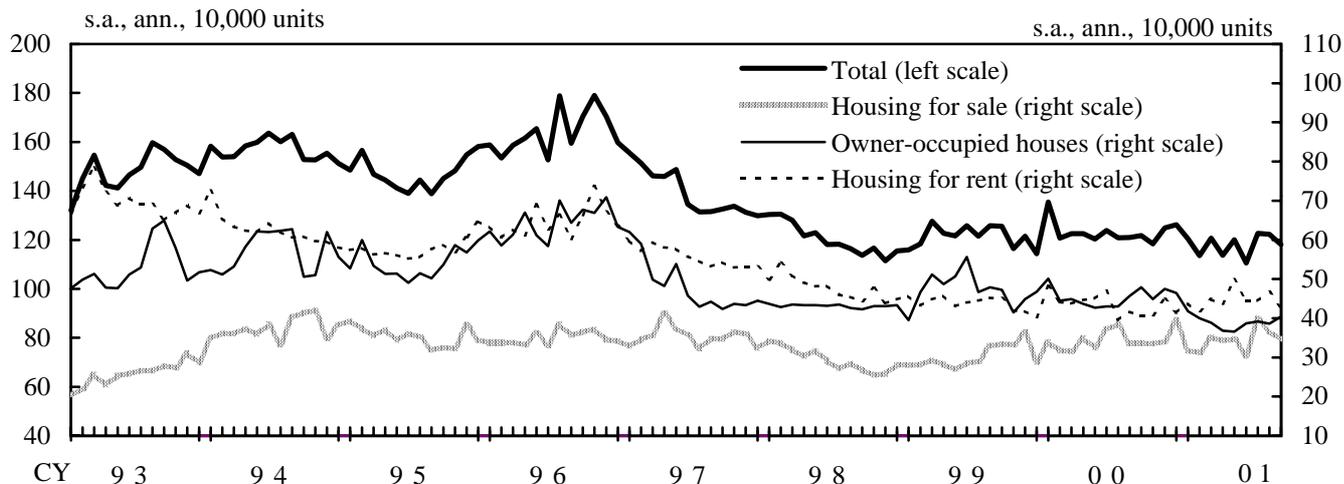
### (2) Propensity to Consume (Family Income and Expenditure Survey)



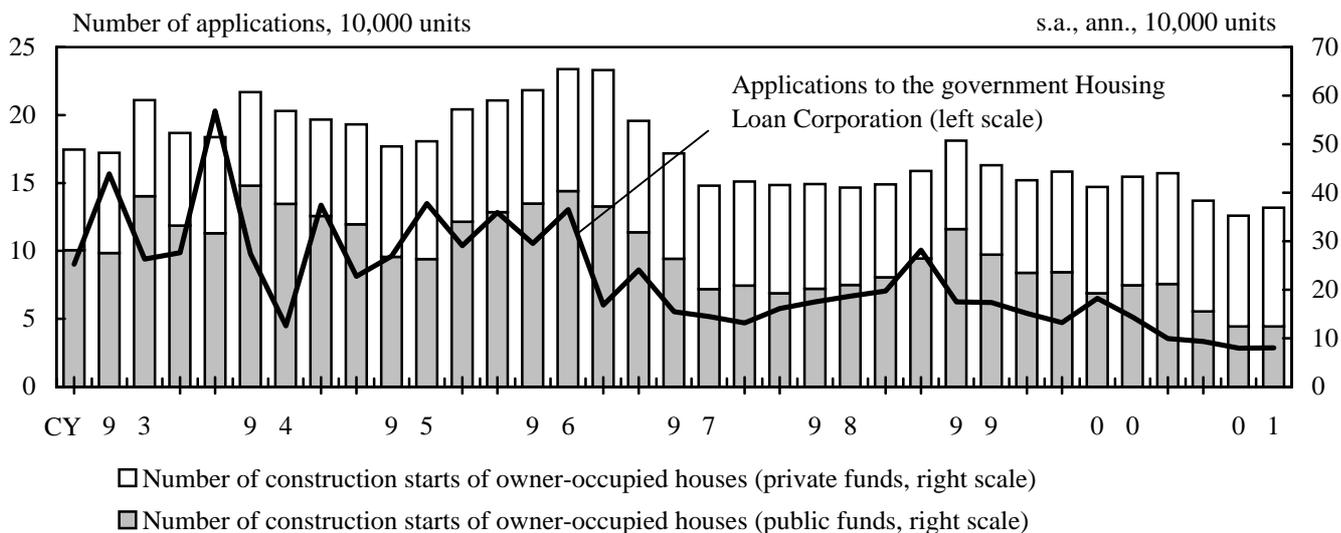
Sources: Cabinet Office, "Consumer Behavior Survey";  
 Nikkei Research Institute of Industry and Markets (NIKKEI RIM), "Consumption Forecasting Indicator";  
 Ministry of Public Management, Home Affairs, Posts and Telecommunications,  
 "Monthly Report on the Family Income and Expenditure Survey"; 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

Indicators for Housing Investment

(1) Housing Starts

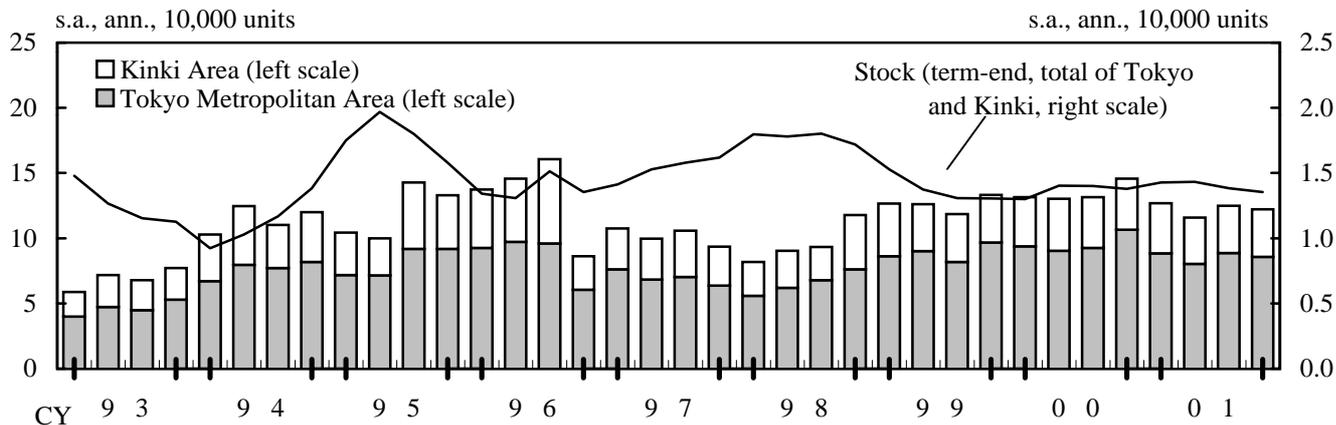


(2) Number of Applications to the Government Housing Loan Corporation  
 (for new owner-occupied houses)



Note: 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.

(3) Sales of Condominiums

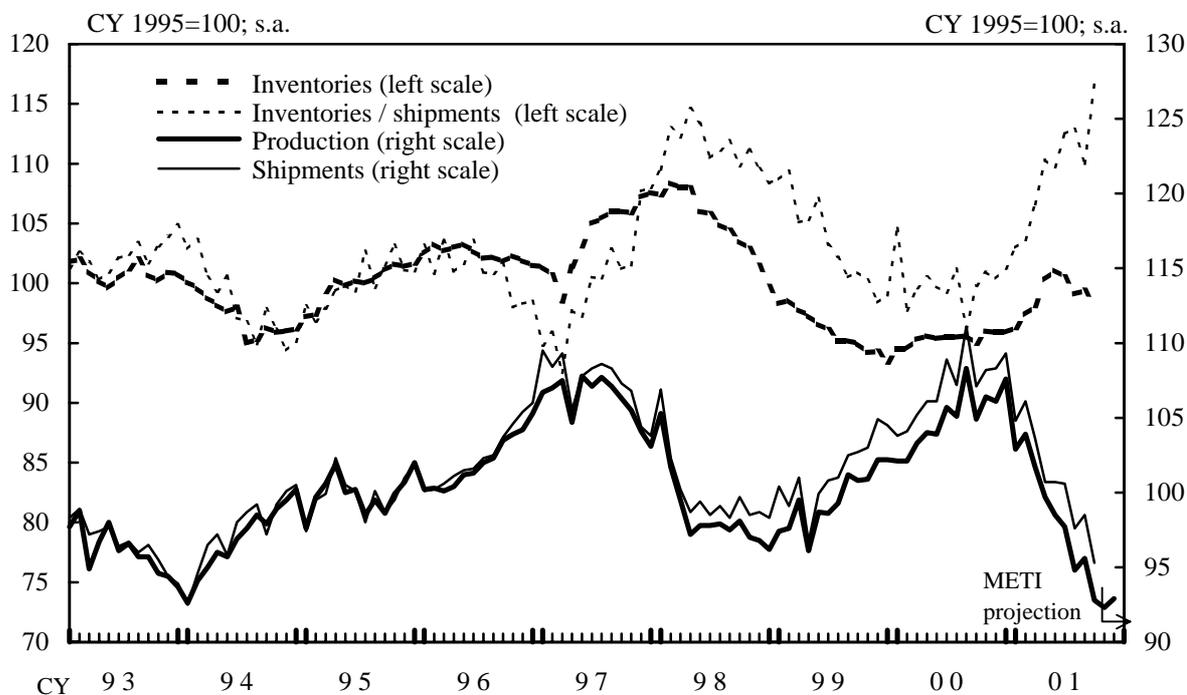


Note: Figures of 2001/Q4 are those of October.

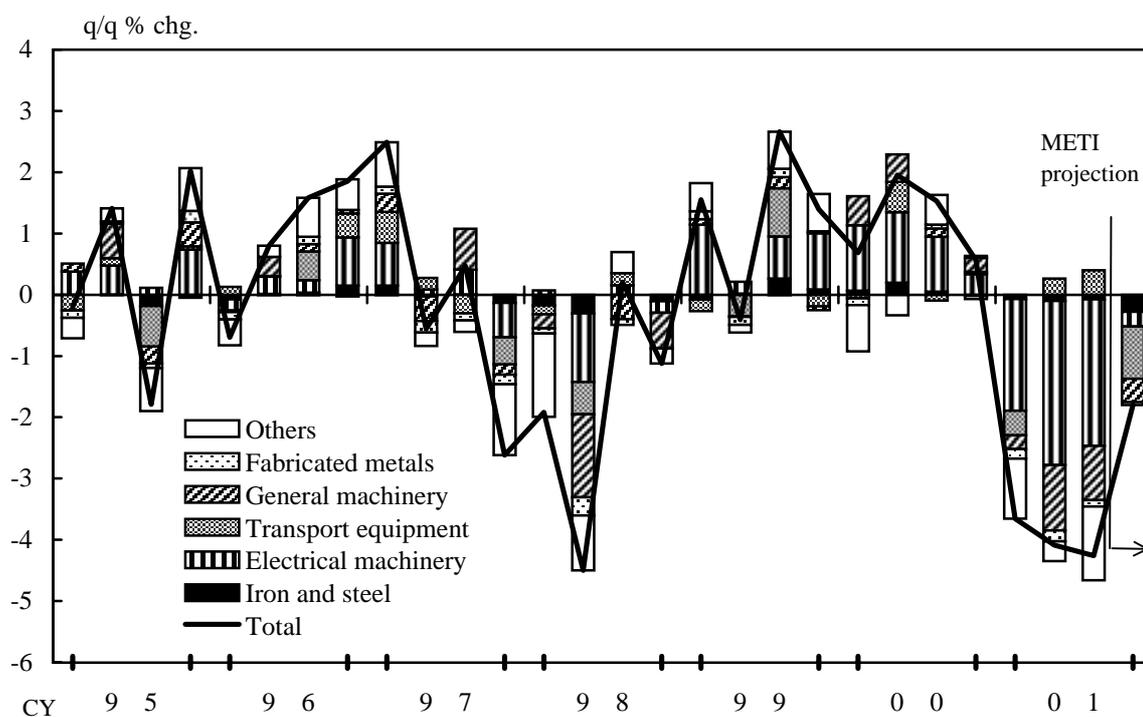
Sources: Ministry of Land, Infrastructure and Transport, "Monthly of Construction Statistics," etc.

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



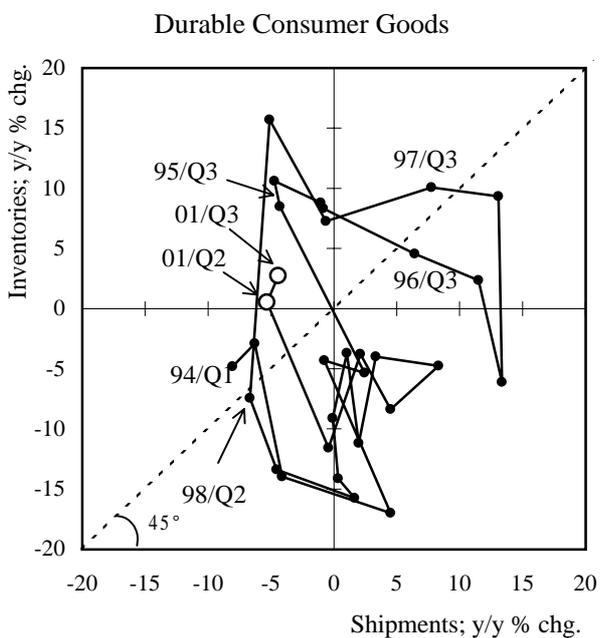
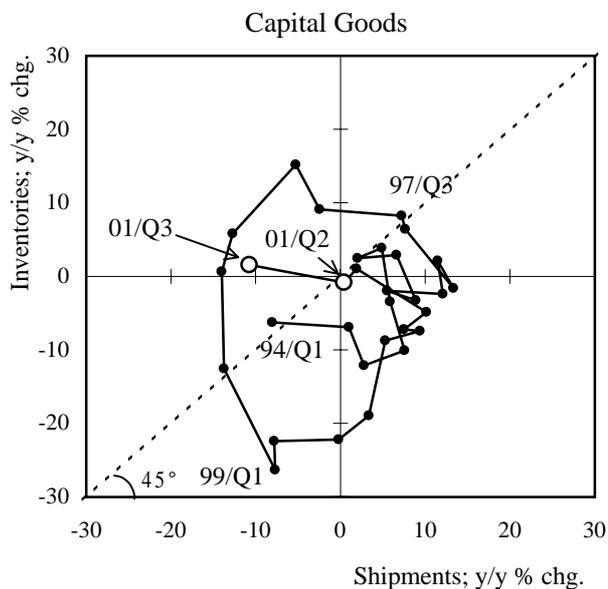
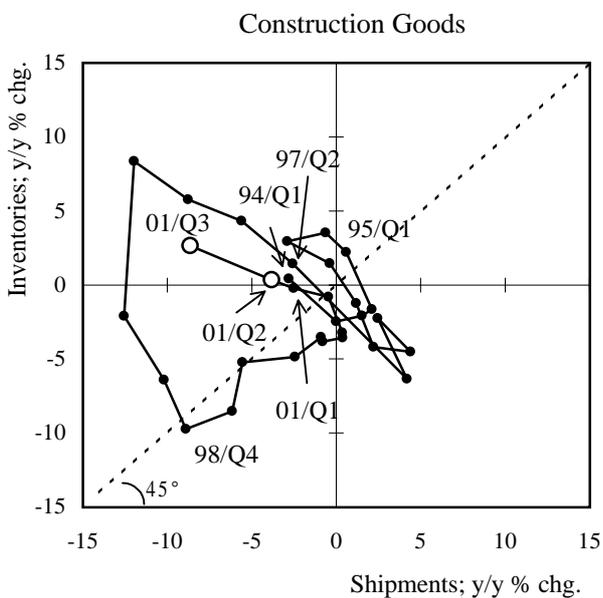
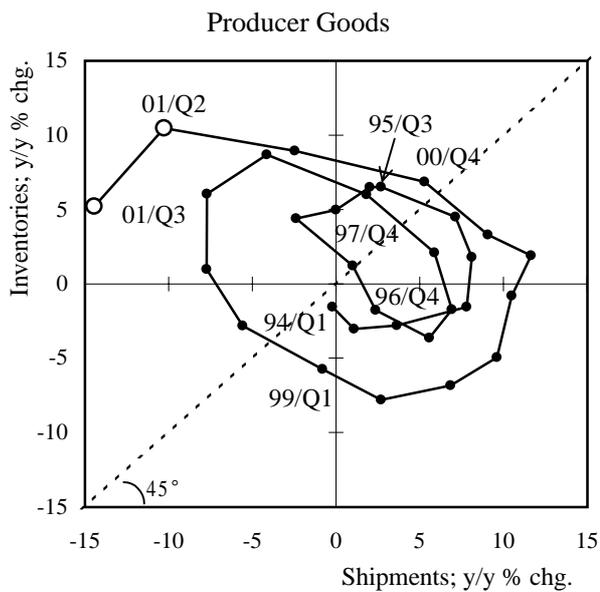
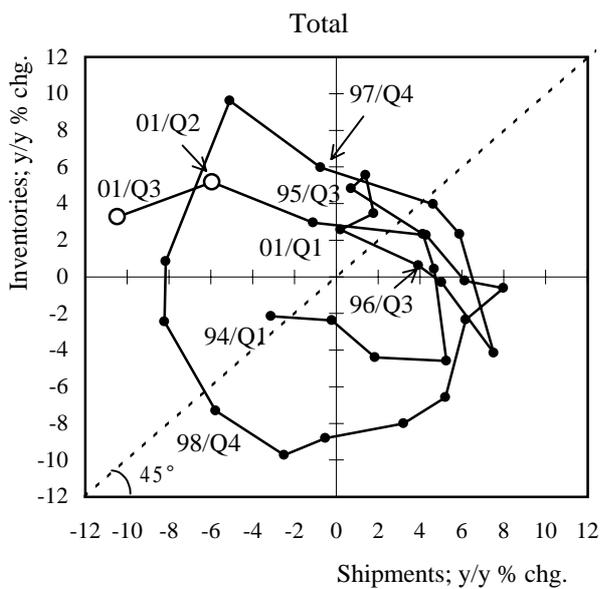
(2) Production by Industries



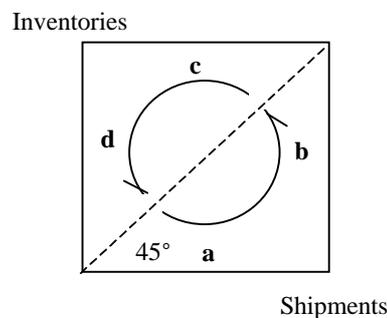
Note: Transport equipment excludes ships and rolling stock.

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

# Inventory Cycle



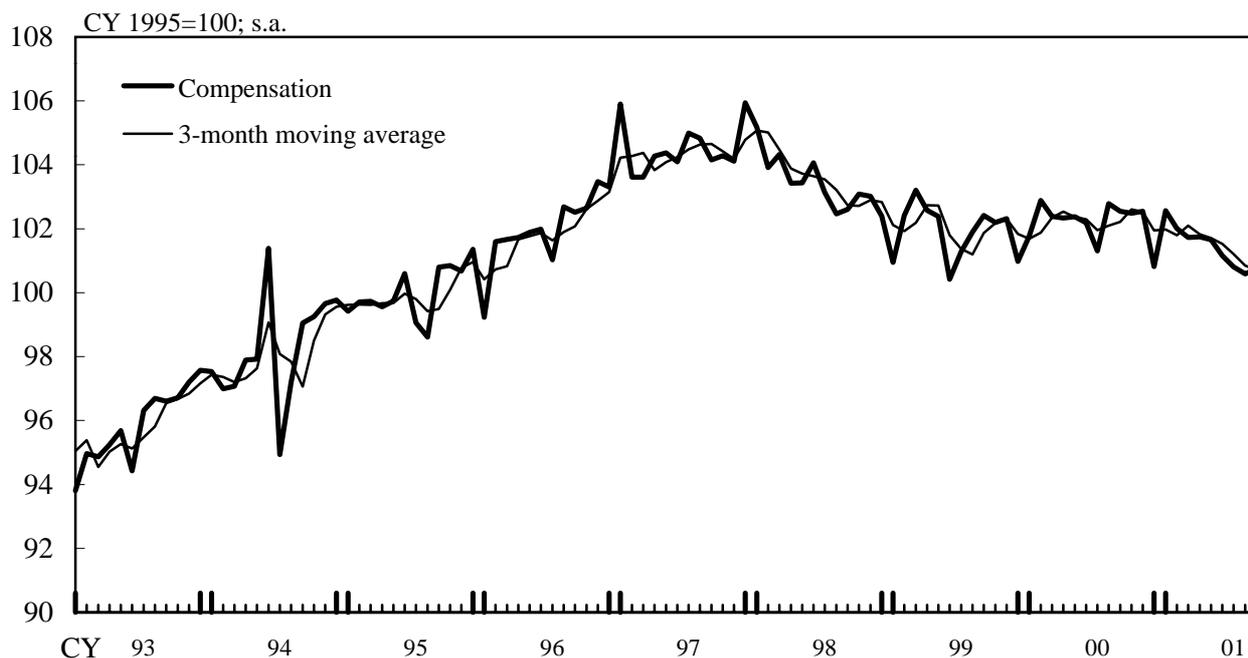
## Phases in the Inventory Cycle



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

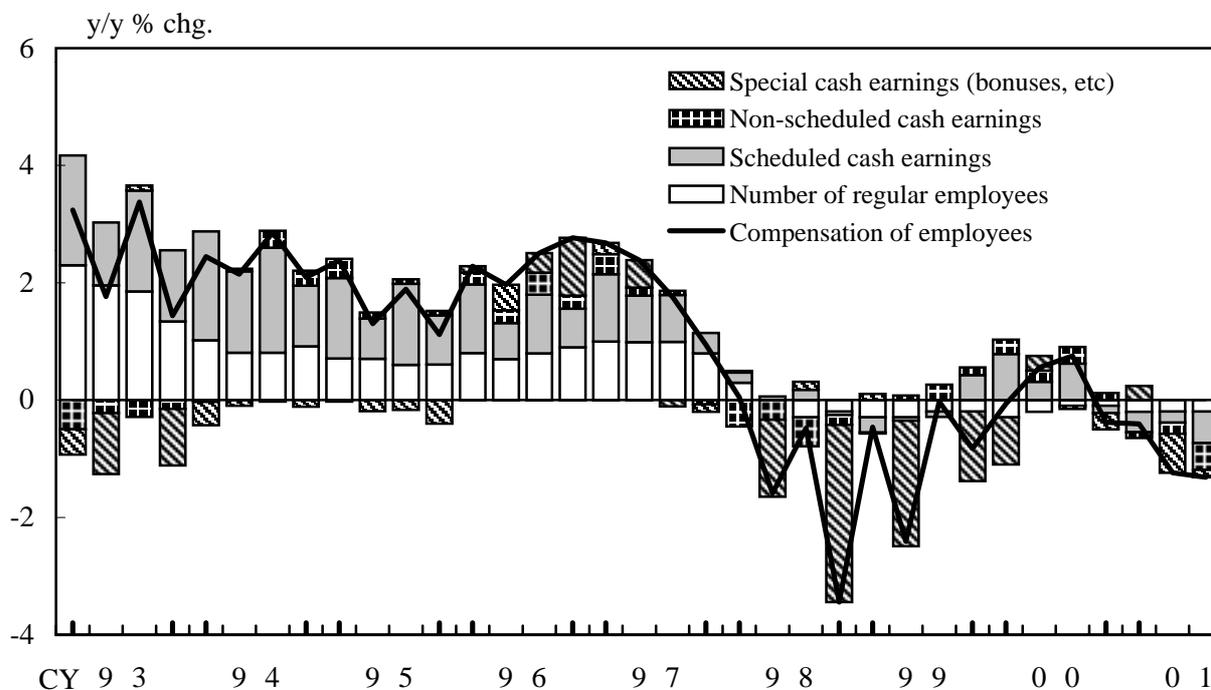
## Compensation of Employees

## (1) Compensation



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

## (2) Breakdown of Compensation

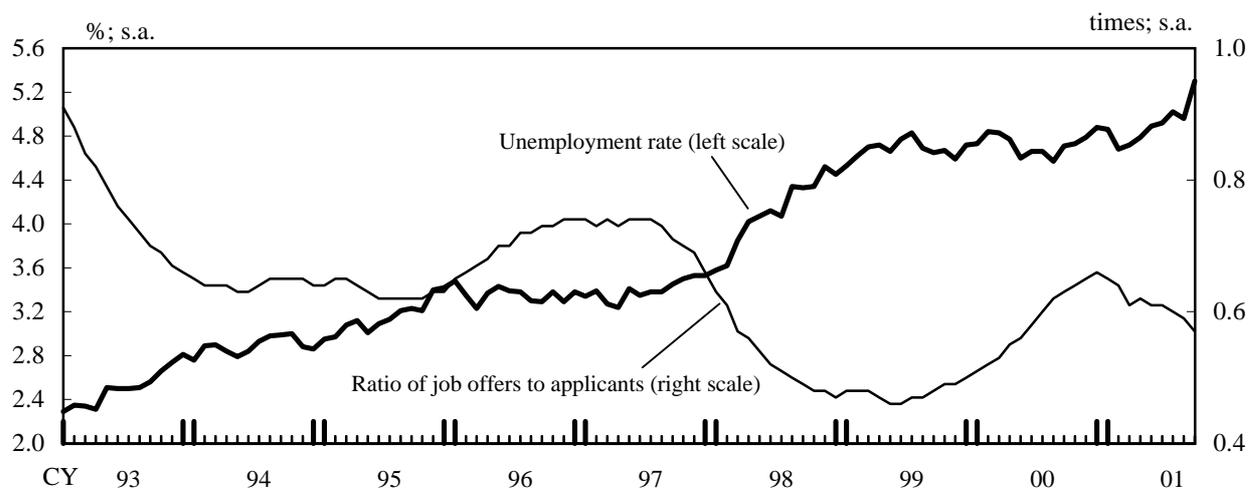
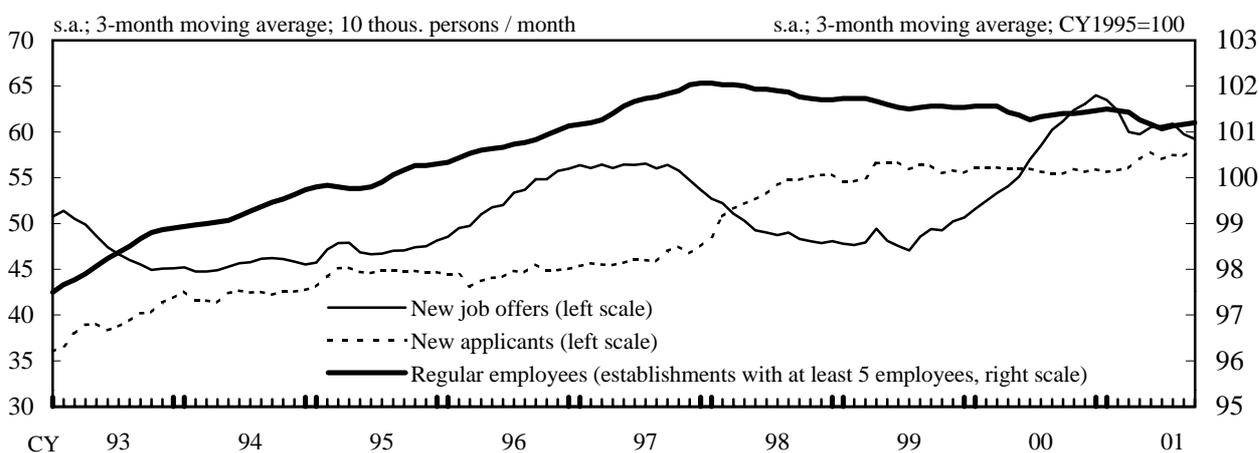
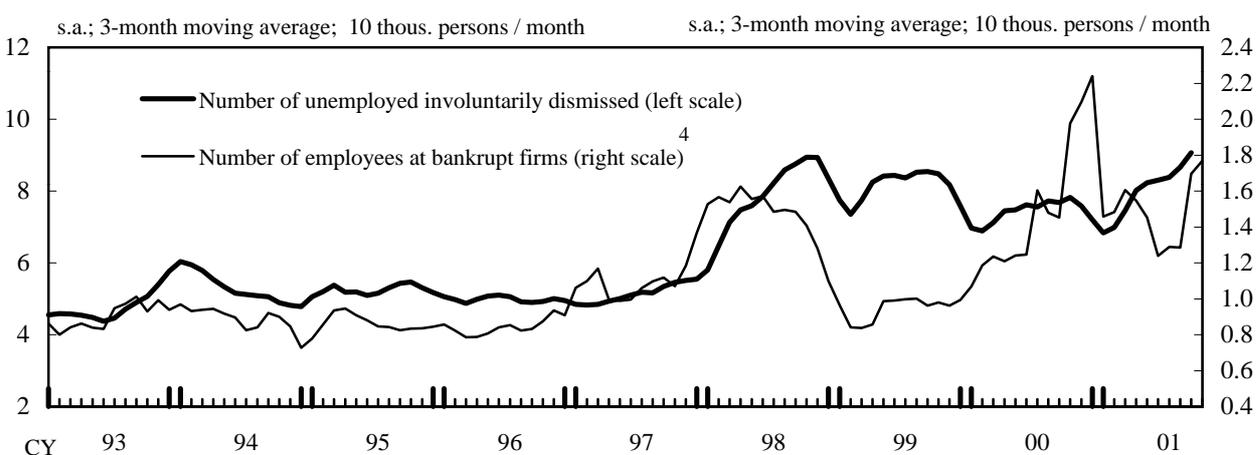


- Notes: 1. Data for establishments with at least 5 employees. The data for Sept. 2001 are preliminary figures.  
 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sept.-Nov., Q4= Dec.-Feb.  
 3. Figures for 2001/Q3 are those of the Sept. 2001.

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

## Labor Market

## (1) Unemployment Rate and Job Offering

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

Notes: 1. Exclude jobs offered to new graduates.

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

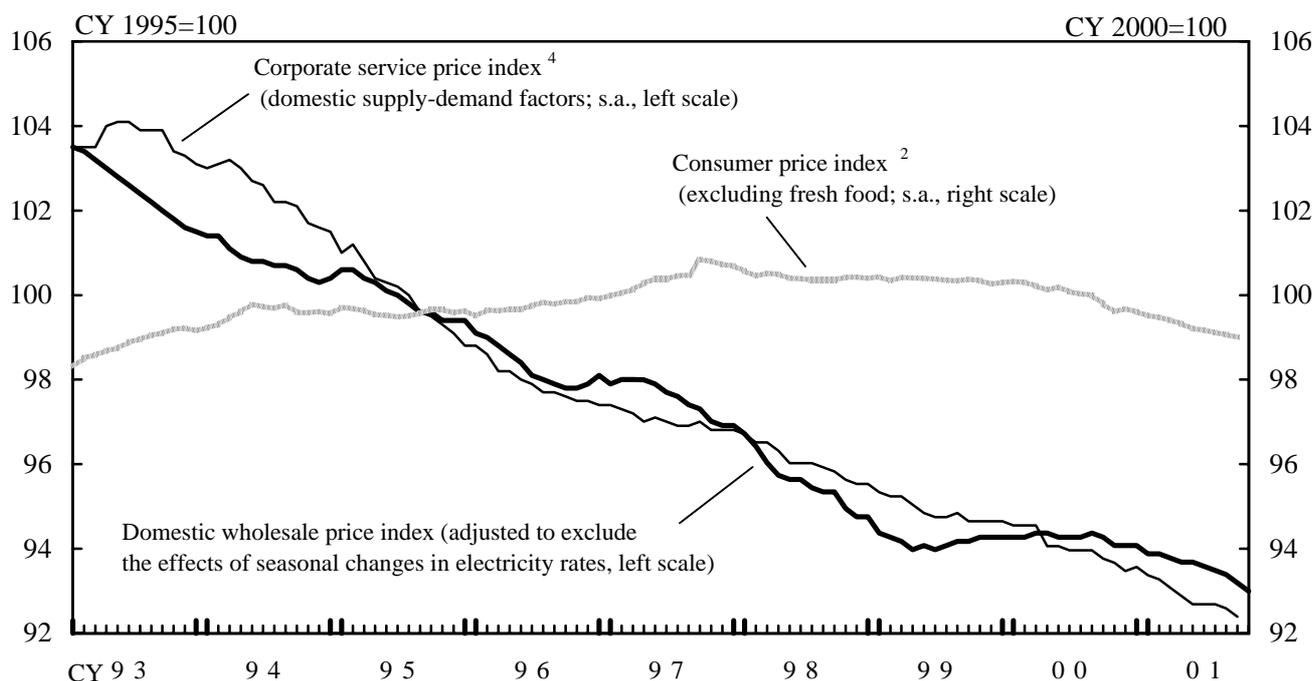
3. Seasonally adjusted by X-11.

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

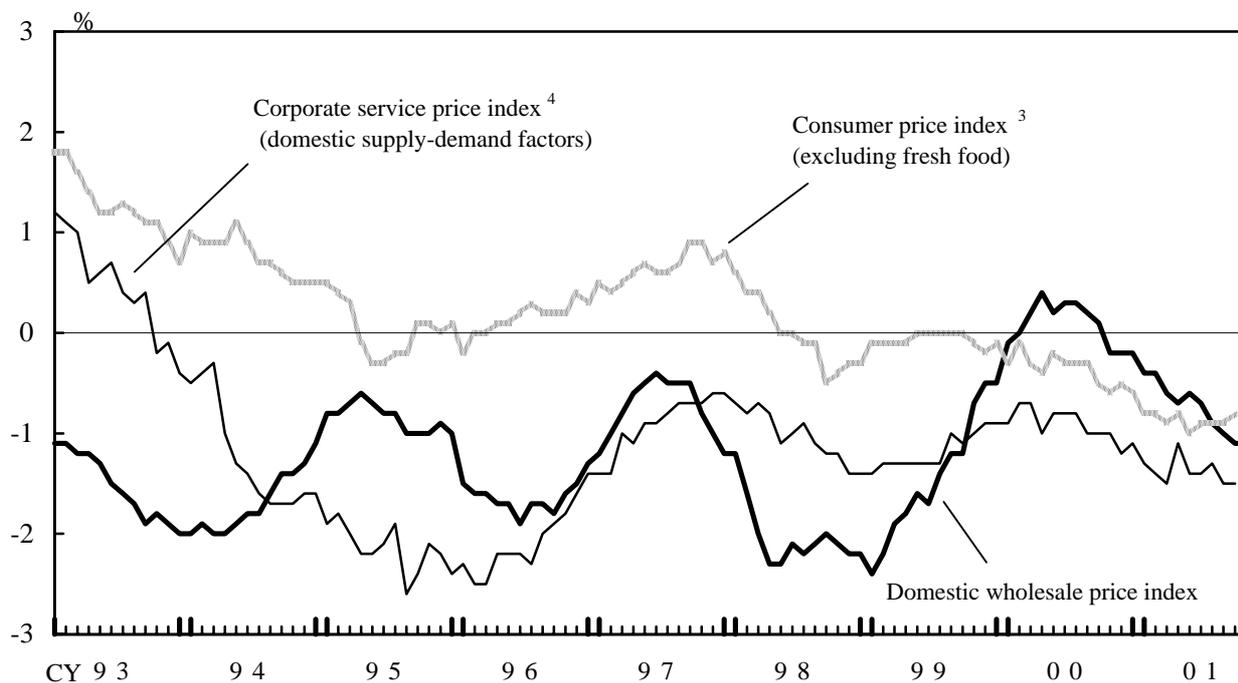
Sources: Ministry of Health, Labour and Welfare, "Monthly Labour Survey," "Report on Employment Service," "Report on Employment Insurance Service"; Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Labour Force Survey"; Teikoku Databank Ltd., "Japan's Business Failure."

Prices<sup>1</sup>

## (1) Level



## (2) Changes from a year earlier

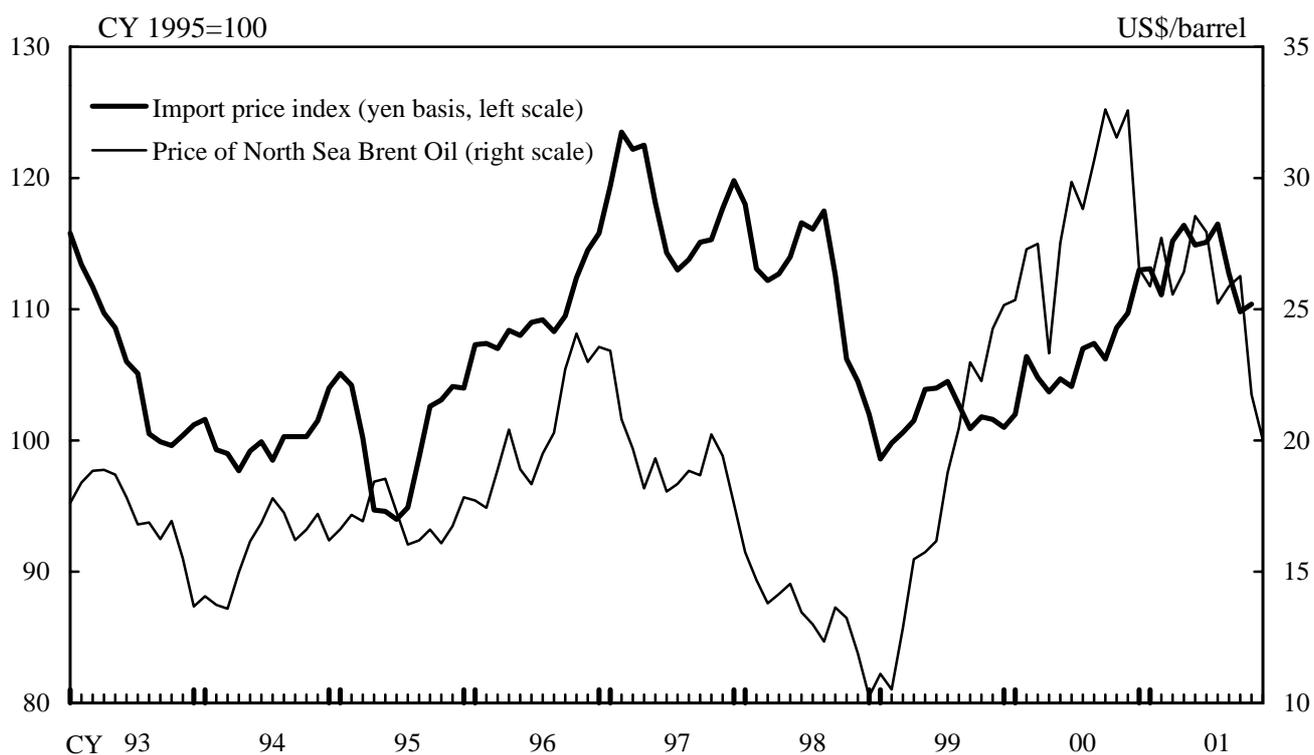


- Notes: 1. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. Seasonally adjusted by X-12-ARIMA ( $\beta$  version), based on the original series excluding package tours to overseas.
3. Data before Dec. 2000 are on the 1995 base CPI.
4. See footnote 4 in Chart 19, for definition of the Corporate service price index (domestic supply-demand factors).
5. Corporate service price index is revised for the period of January 1999 through August 2001.

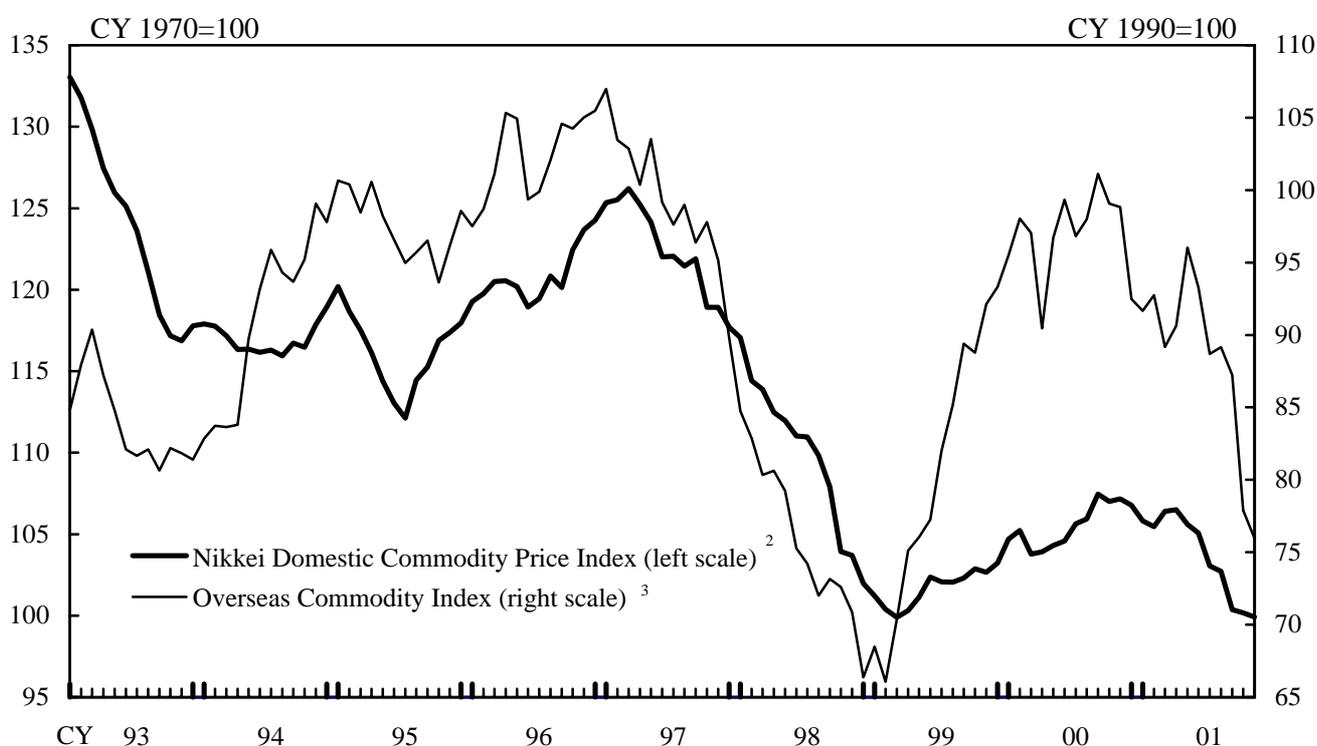
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications,  
"Consumer Price Index";  
Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index."

## Import Prices and Commodity Prices

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



### (2) Commodity Prices



Notes: 1. Data for November 2001 are November 1-14 average.

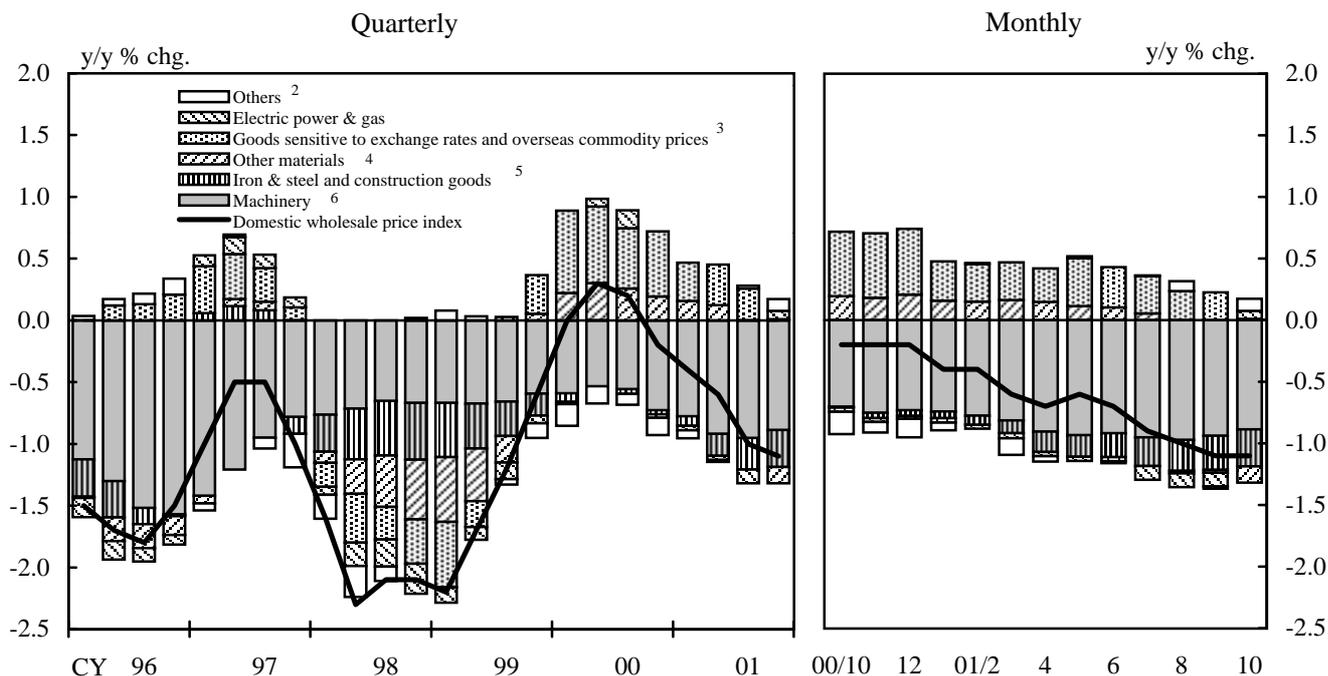
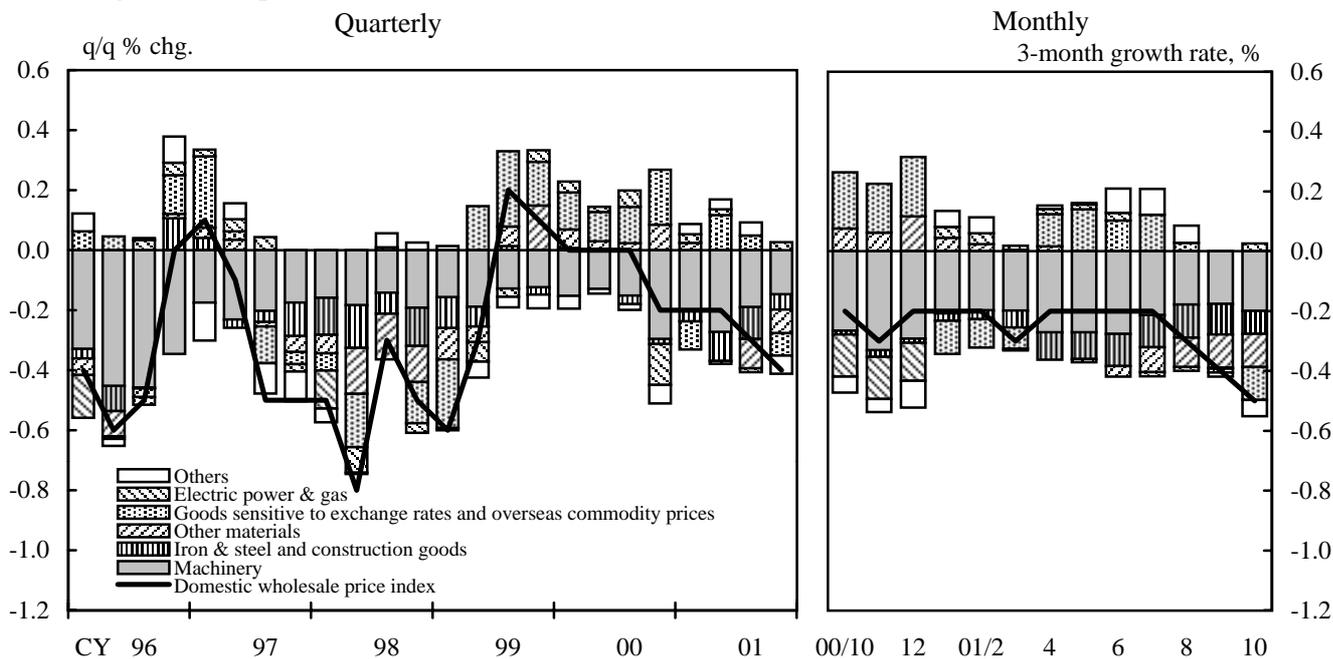
2. Data for November 2001 are as of November 9.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for November 2001 are November 1-14 average.

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

Domestic Wholesale Price Index<sup>1</sup>

## (1) Changes from a year earlier

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

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

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

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

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

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

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

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

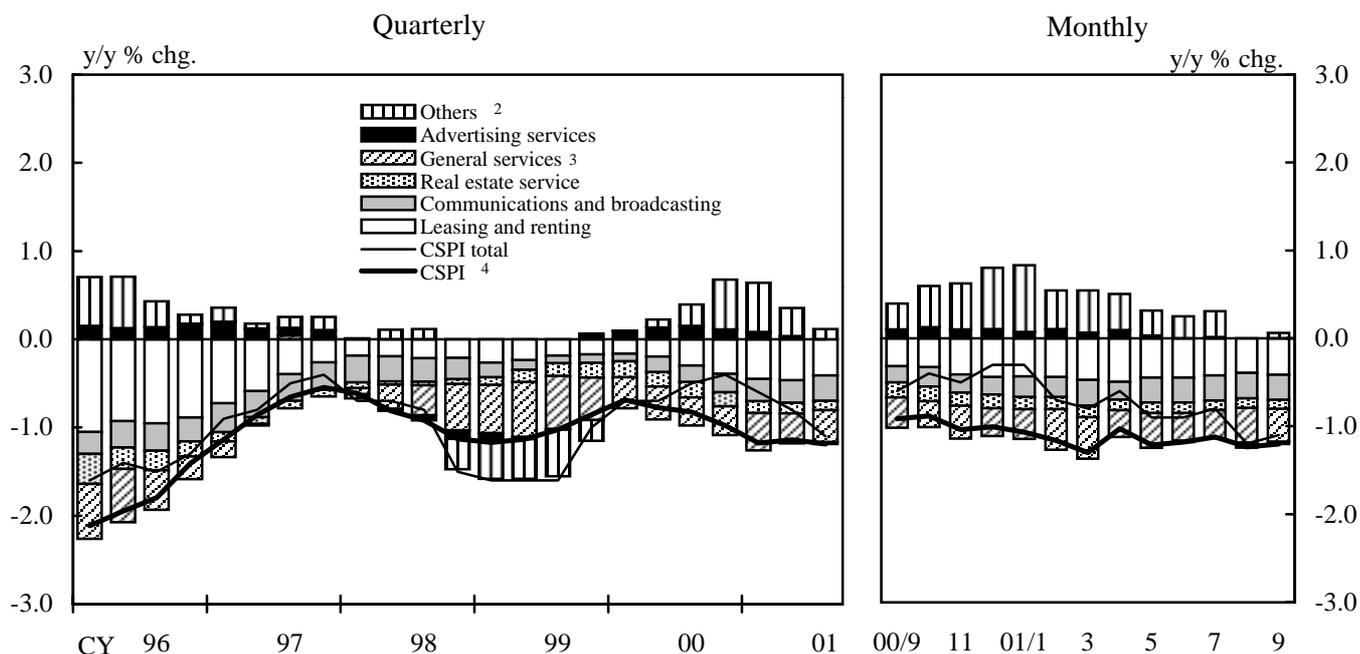
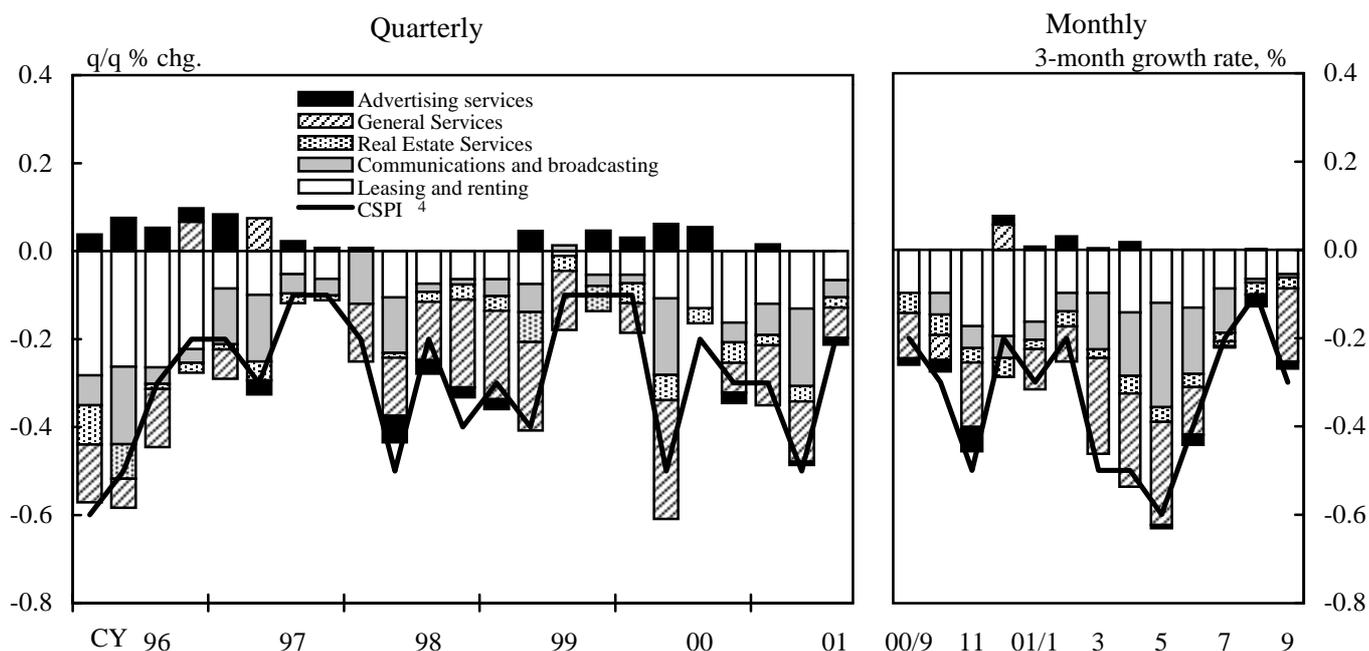
This effect causes the Domestic Wholesale Price Index to rise by about 0.2%.

8. Figures for 2001/Q4 are those of October.

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

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

## (1) Changes from a year earlier

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

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

2. Others = automobile insurance (compulsory) + railroad fares + bus fares + taxi fares + domestic air fares + tolls + postal services + sewerage disposal + ocean freight + international air freight + international air fares + securities issuance and related services (banks' 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 ( $\beta$  version).

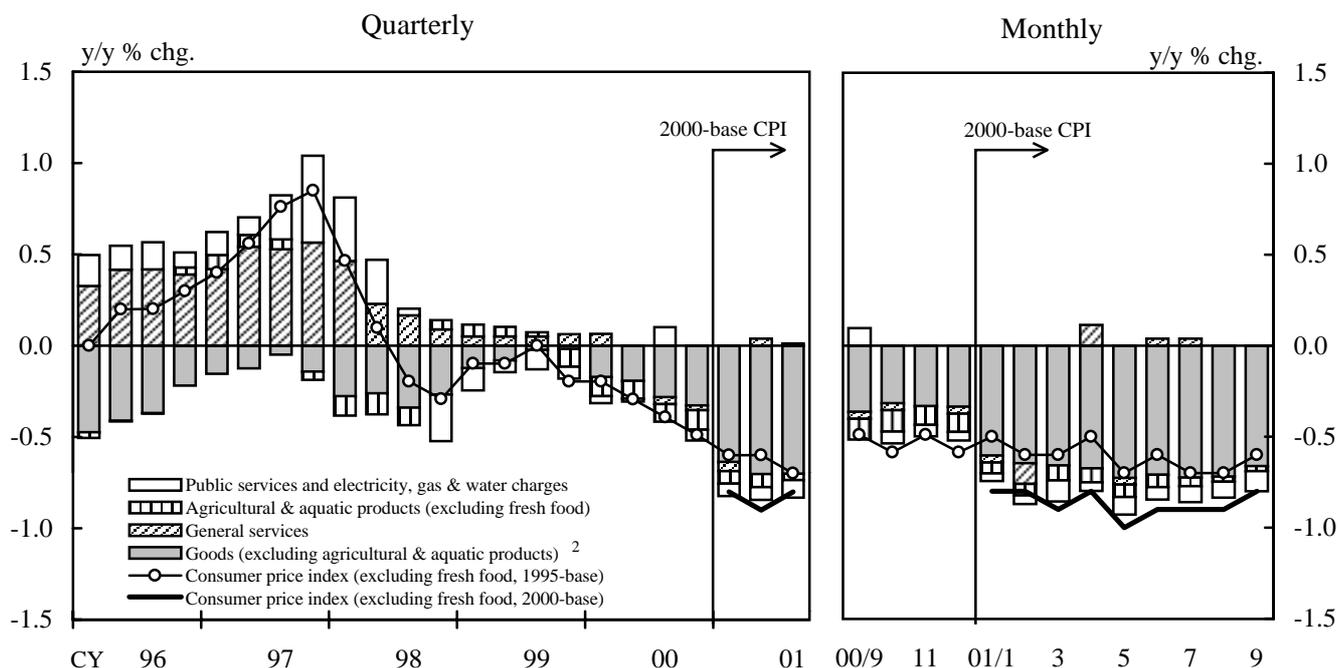
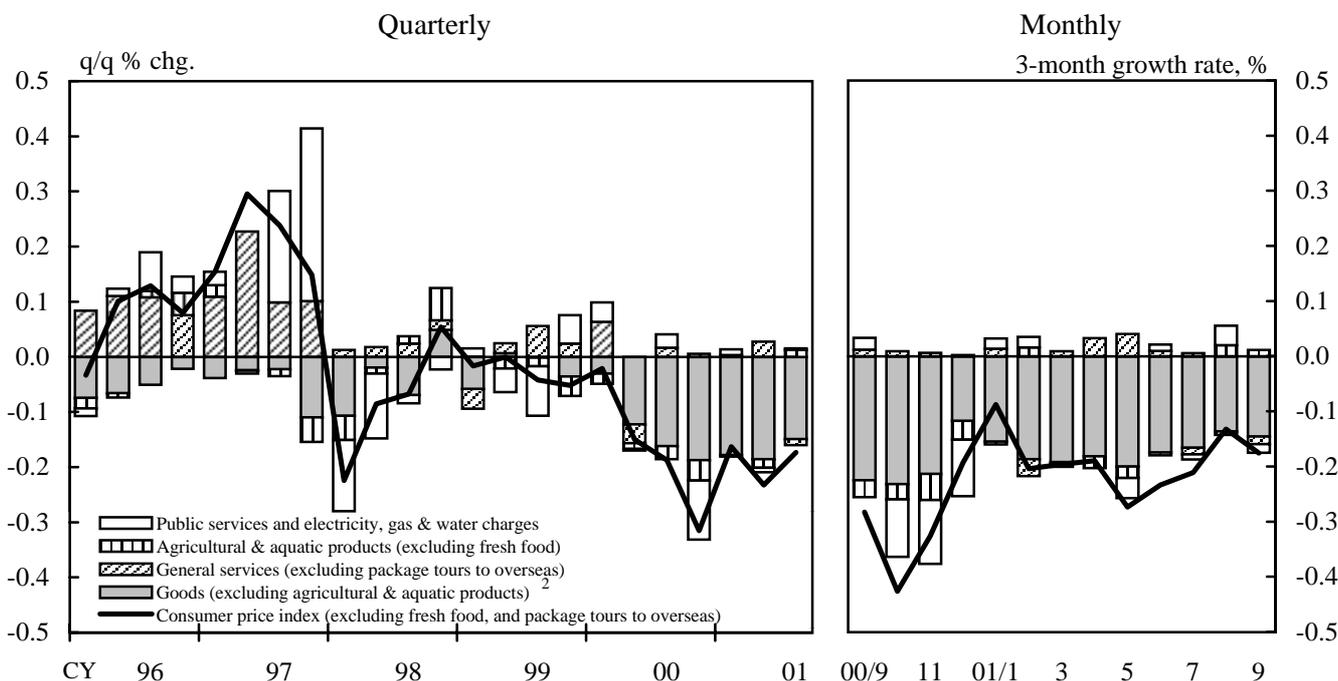
Due to seasonal adjustment every month, the series are revised retroactively every month.

6. Corporate service price index is revised for the period of January 1999 through August 2001.

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

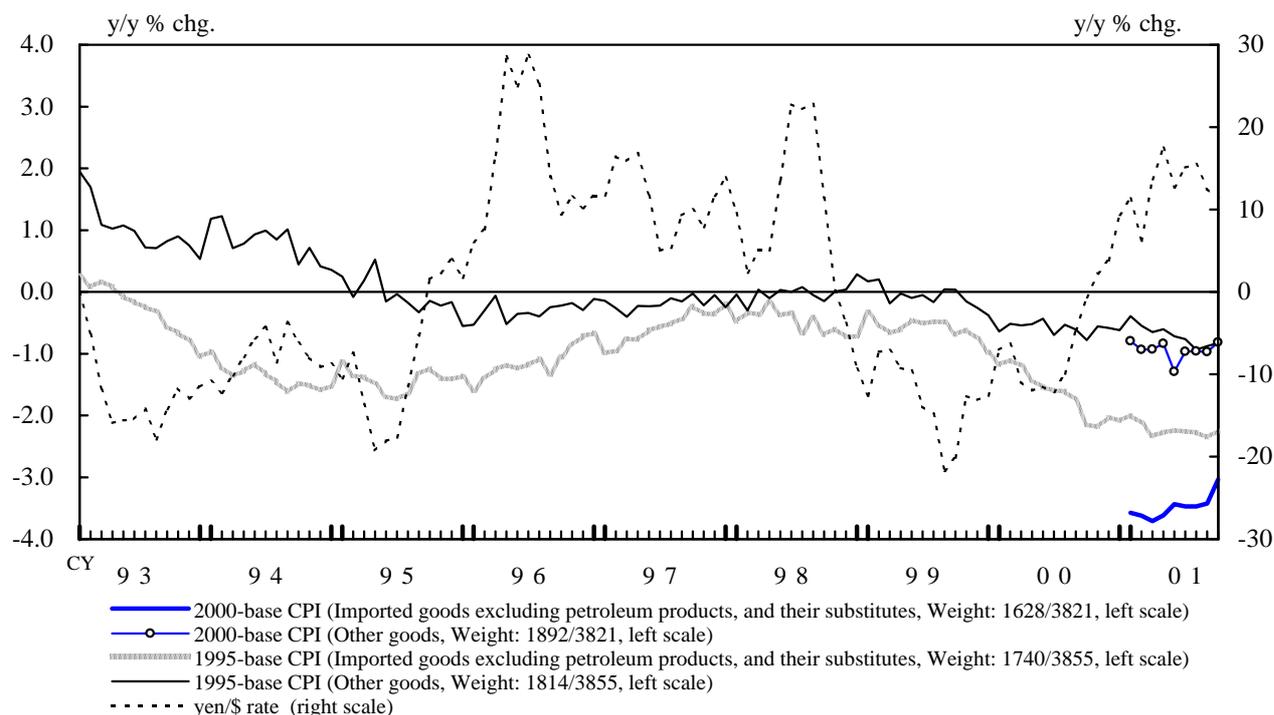
Consumer Price Index (excluding fresh food)<sup>1</sup>

## (1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier (2000-base CPI)<sup>3</sup>

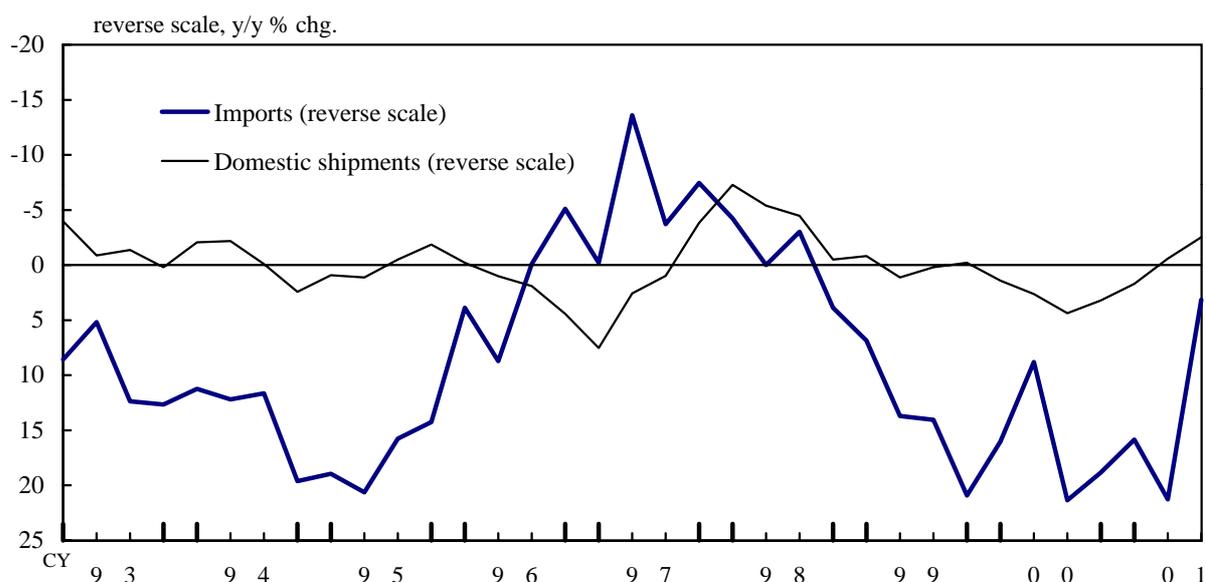
- Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. The Items are basically the same as the definition published by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, however electricity, gas & water charges is excluded from goods.
3. Seasonally adjusted by X-12-ARIMA ( $\beta$  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.

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

Consumer Price Index (Imported goods and their substitutes)<sup>1</sup>(1) Comparison of imported goods and other goods in terms of CPI<sup>2</sup>

- Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise in the tax rate.
2. Imported goods (excluding petroleum products) consist of items common to both the Import Price Index and the Consumer Price Index, and their substitutes consist of items considered to be substitutable for import products but not covered by the Import Price Index.
3. Adjusted to exclude the effects of the special tobacco tax introduced in December 1998, and biscuits, prices of which were heavily affected by changes in monitored brands. Weight is shares in Goods (excluding agricultural & aquatic products).

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

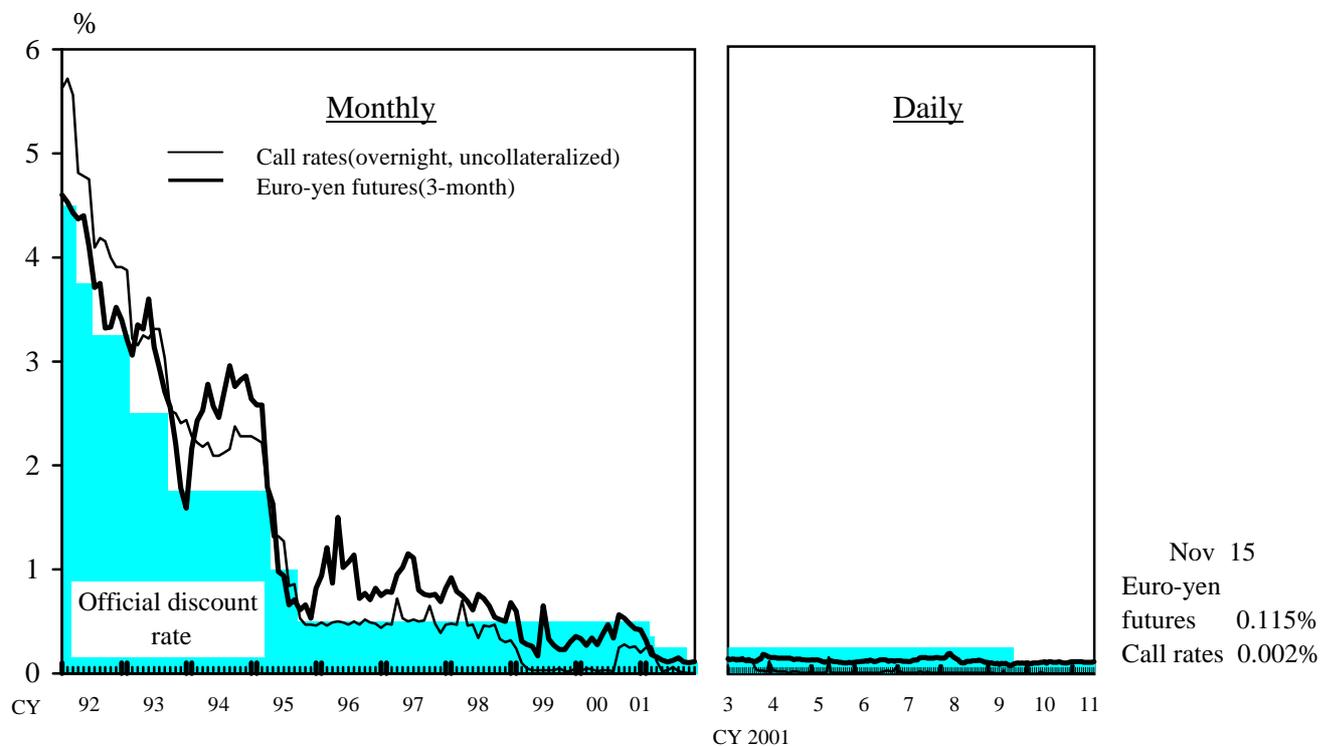


Note: See footnote Chart 9-4, for definition of the consumer goods supply.

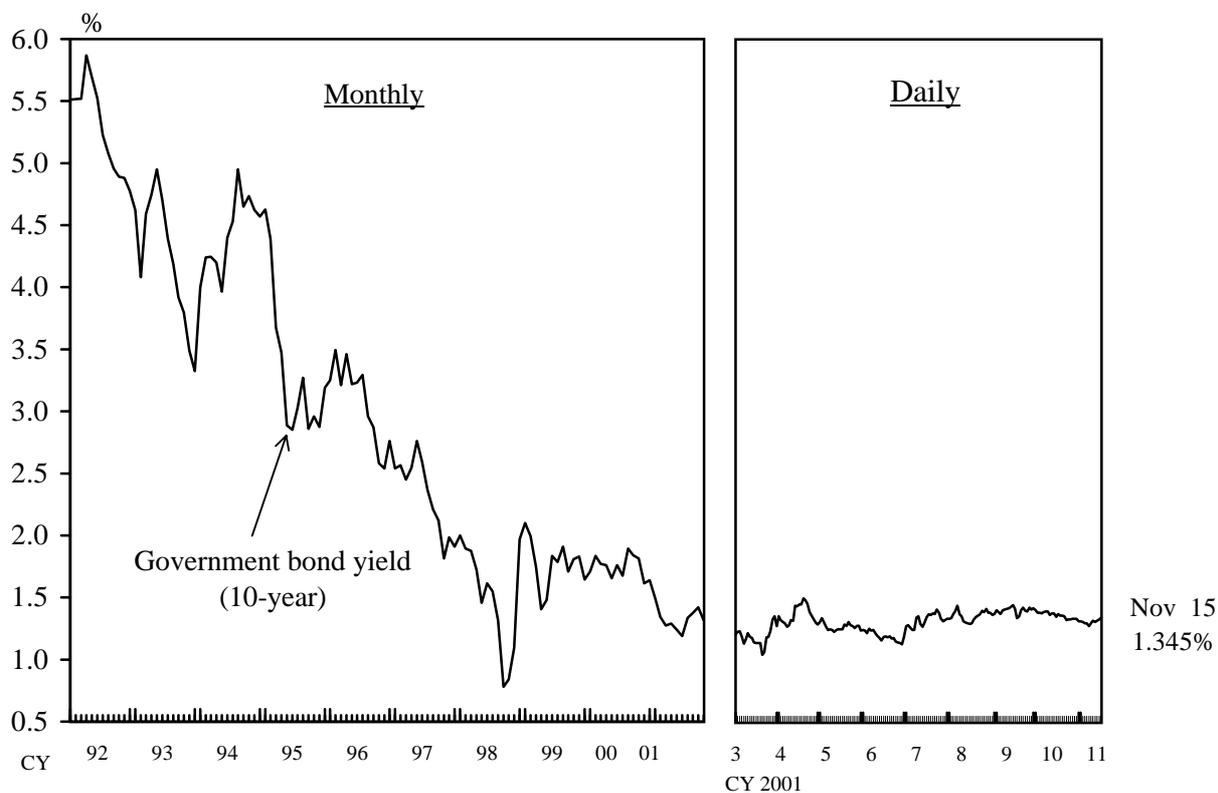
Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Consumer Price Index"; Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Economy, Trade and Industry, "Indices of Industrial Production," "Indices of Industrial Domestic Shipments and Imports";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

Interest Rates

(1) Short-Term



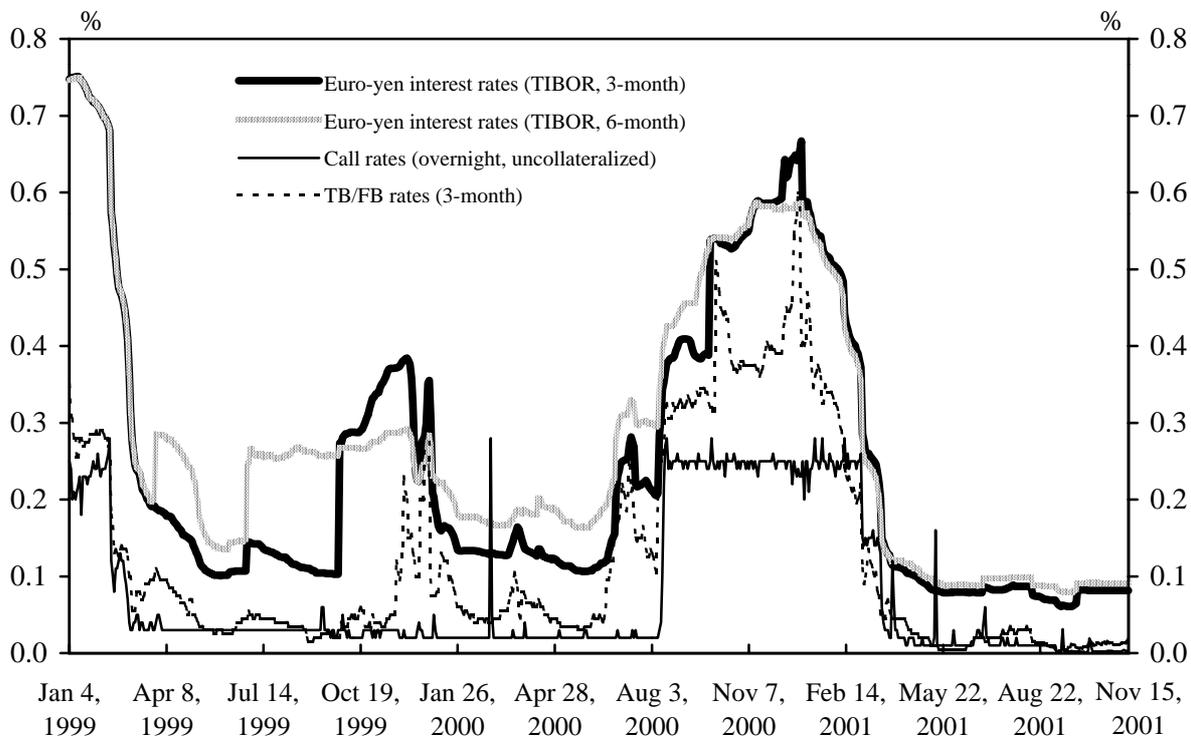
(2) Long-Term



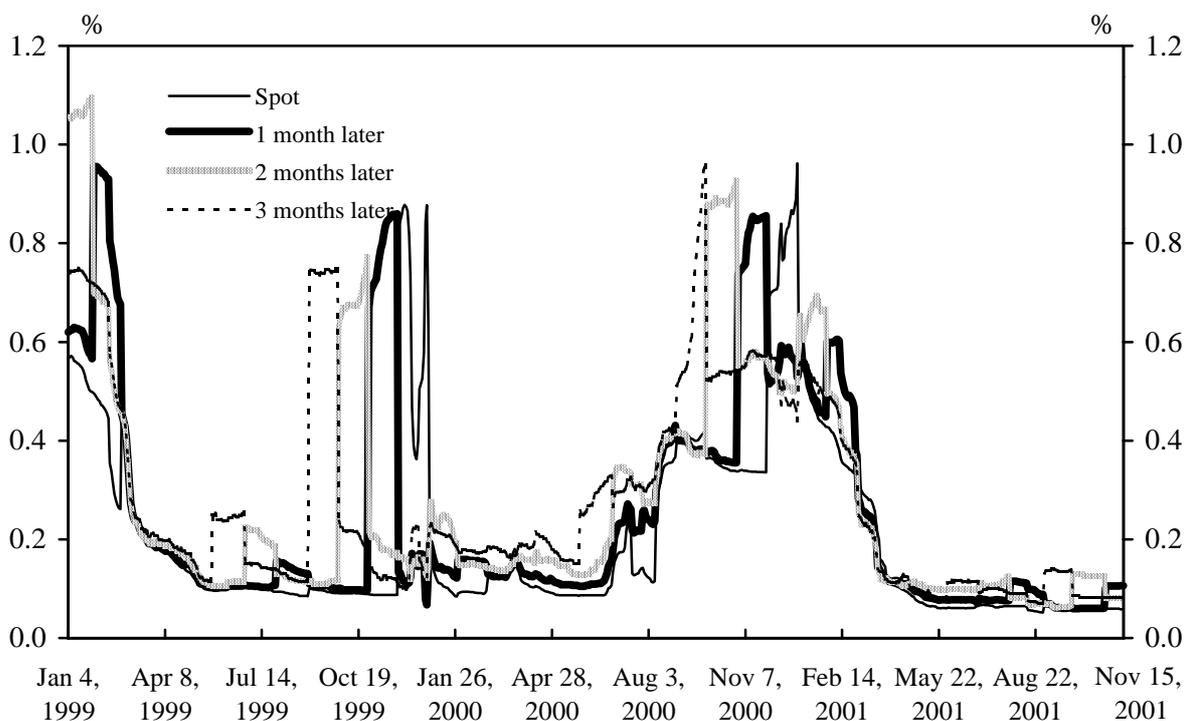
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

Short-Term Money Market Rates

(1) Interest Rates on Term Instruments

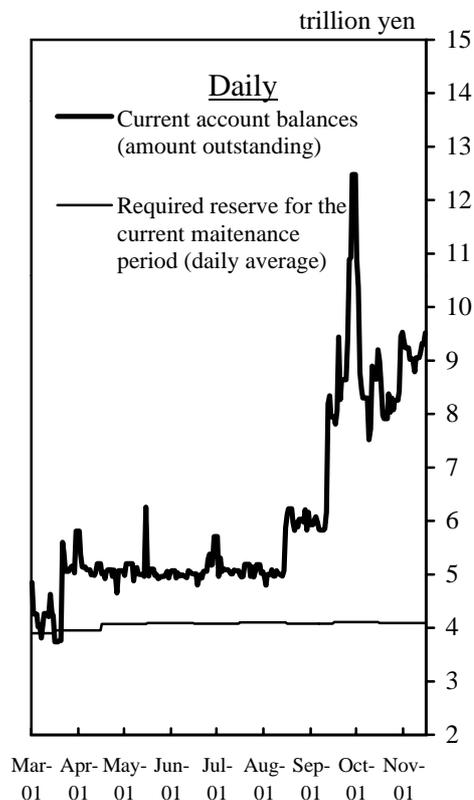
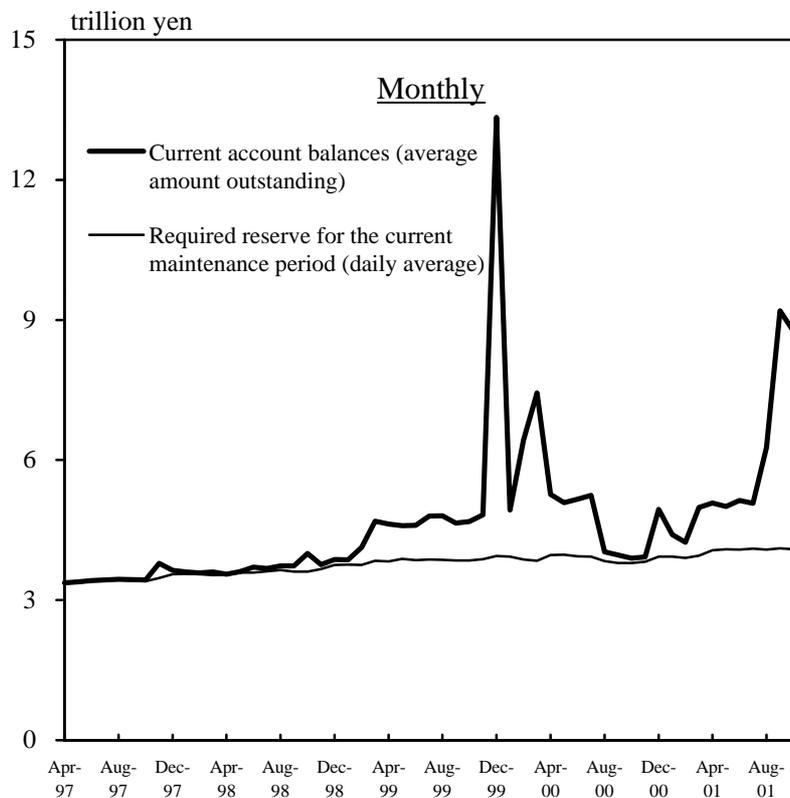


(2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)

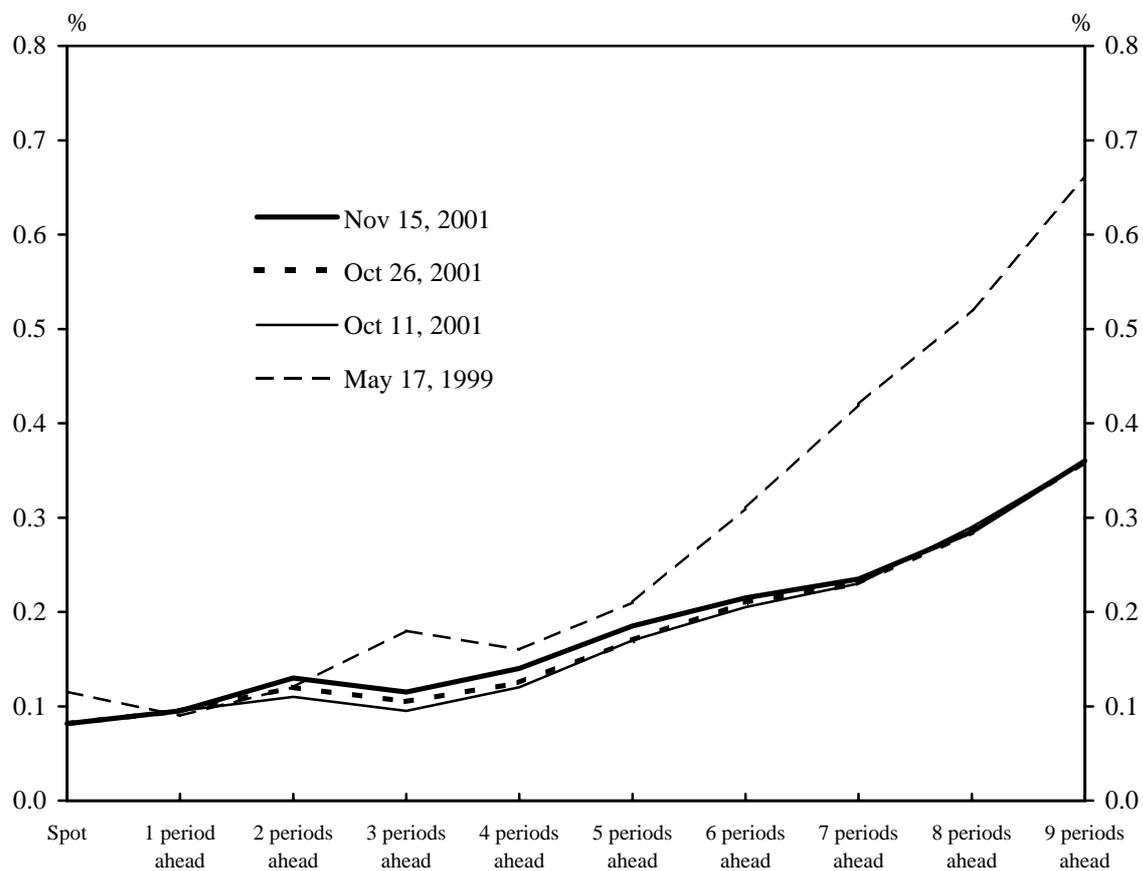


Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

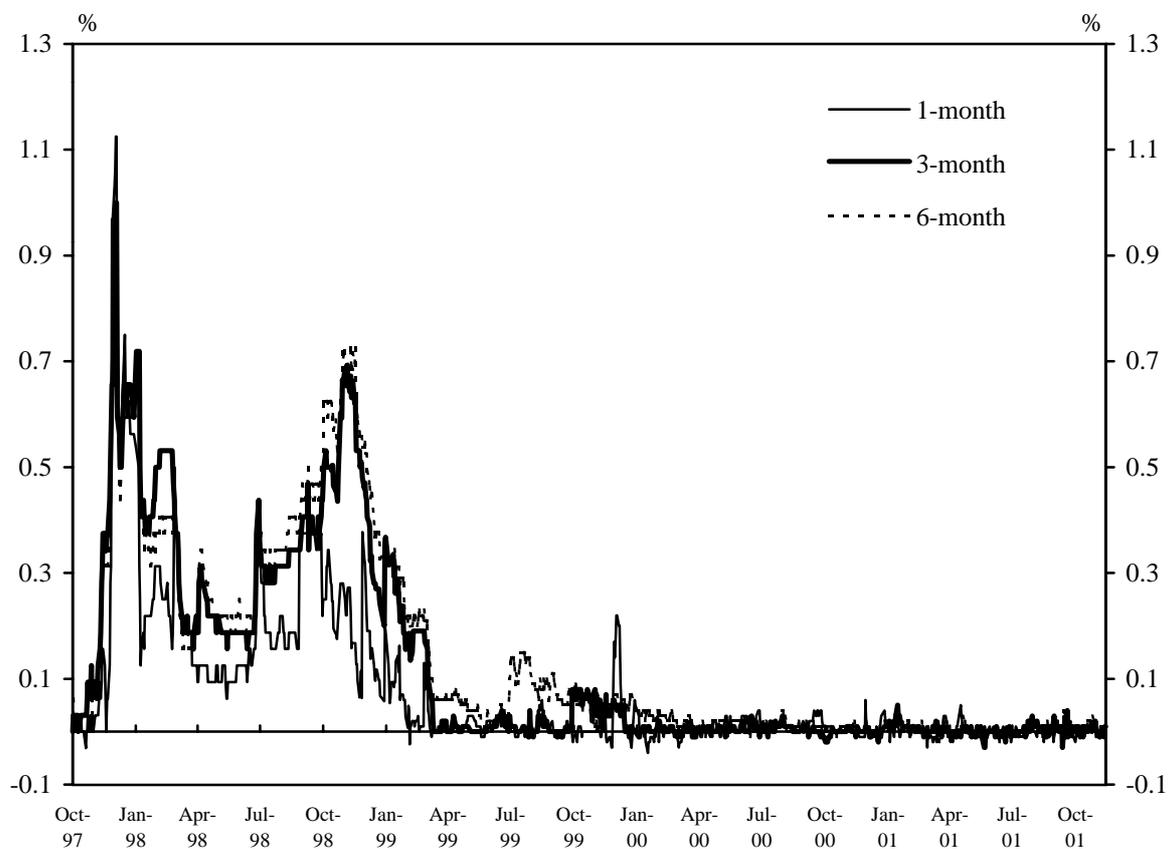
Current Account Balances at the Bank of Japan



## Euro-Yen Interest Rates Futures (3-Month)



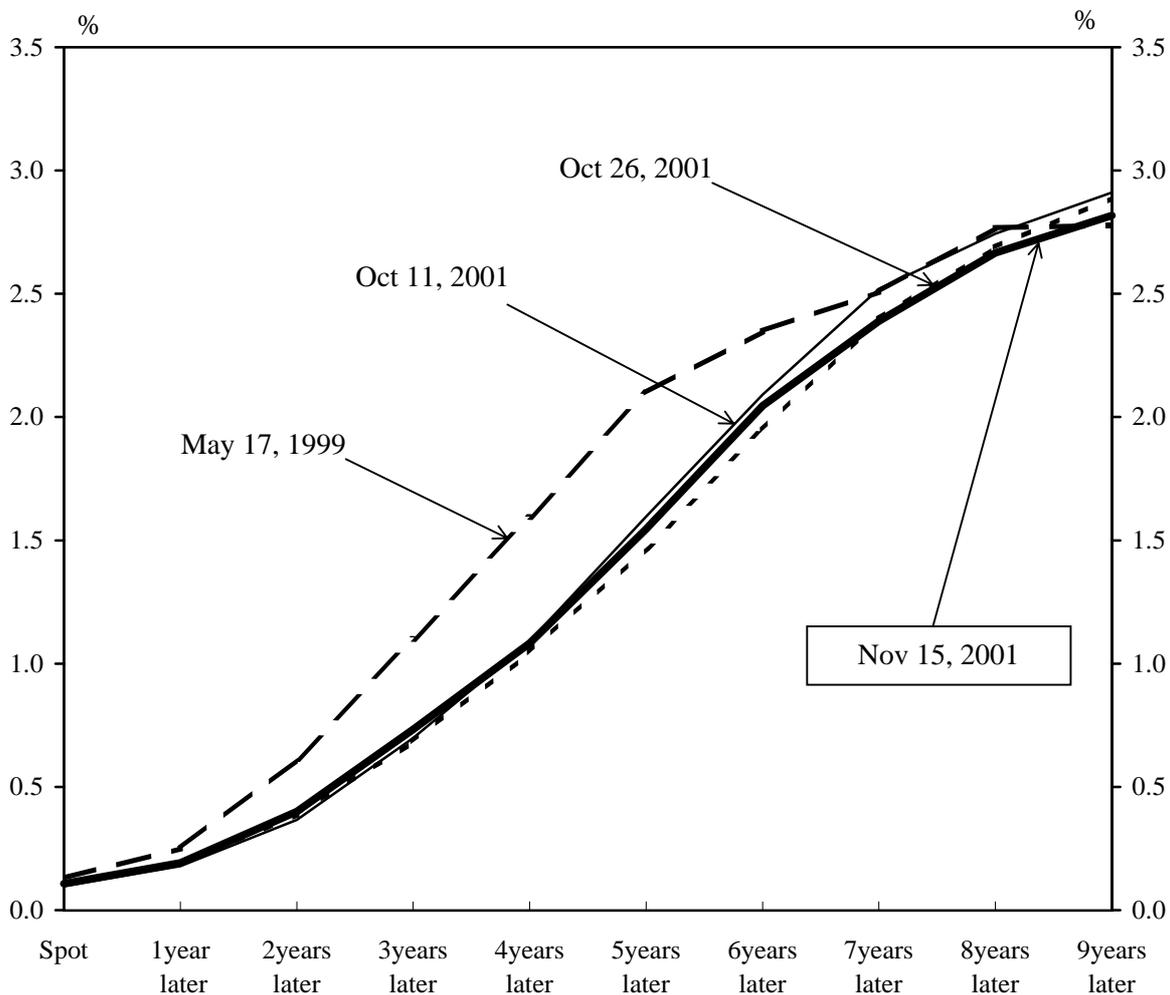
Source: Tokyo International Financial Futures Exchange.

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

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

Source: British Bankers' Association (BBA).

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

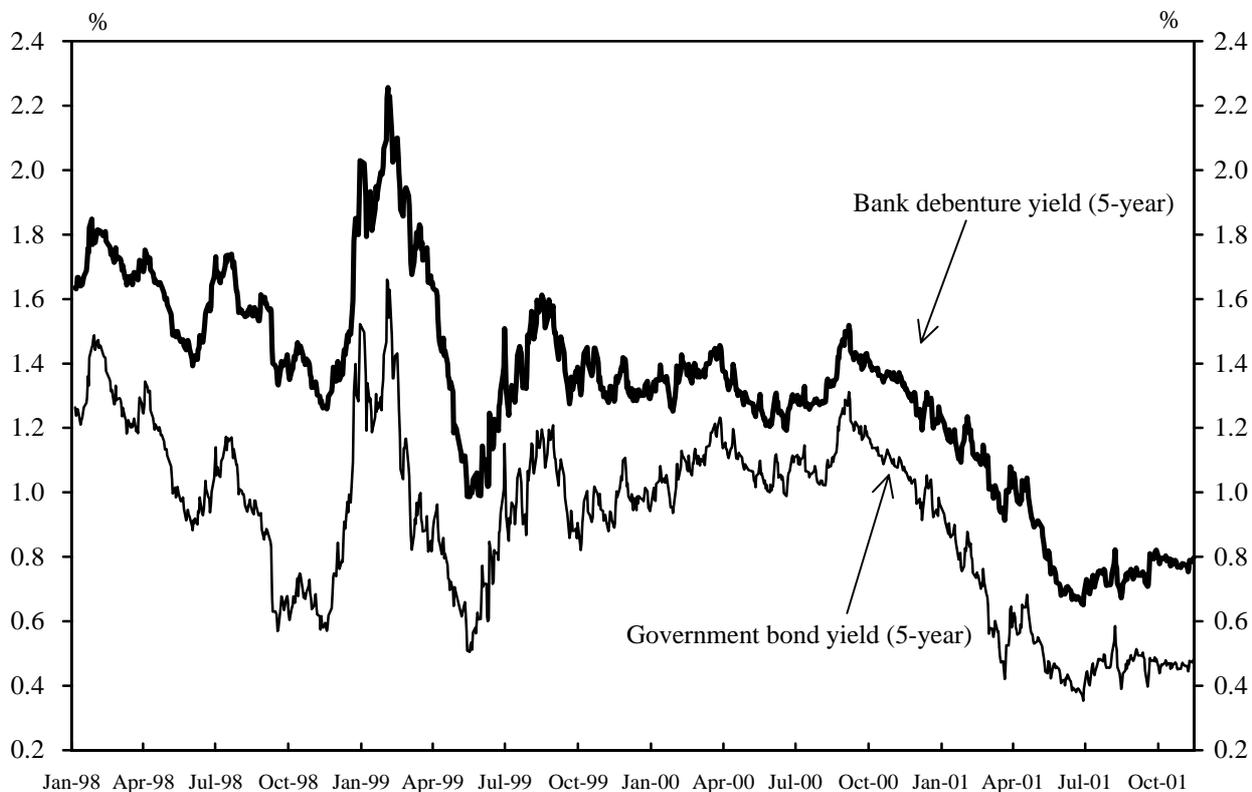


Note :Calculated from yen-yen swap rates.

Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



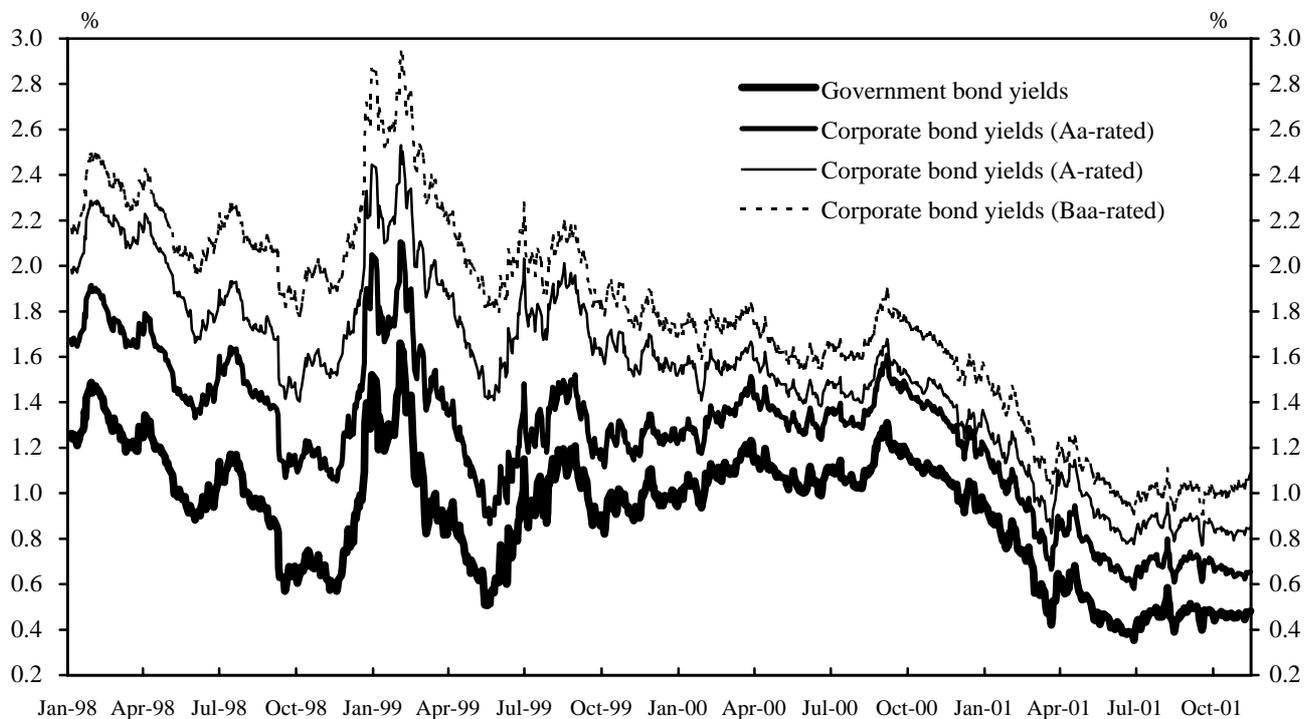
(2) Spread of Bank Debenture and Government Bond Yield



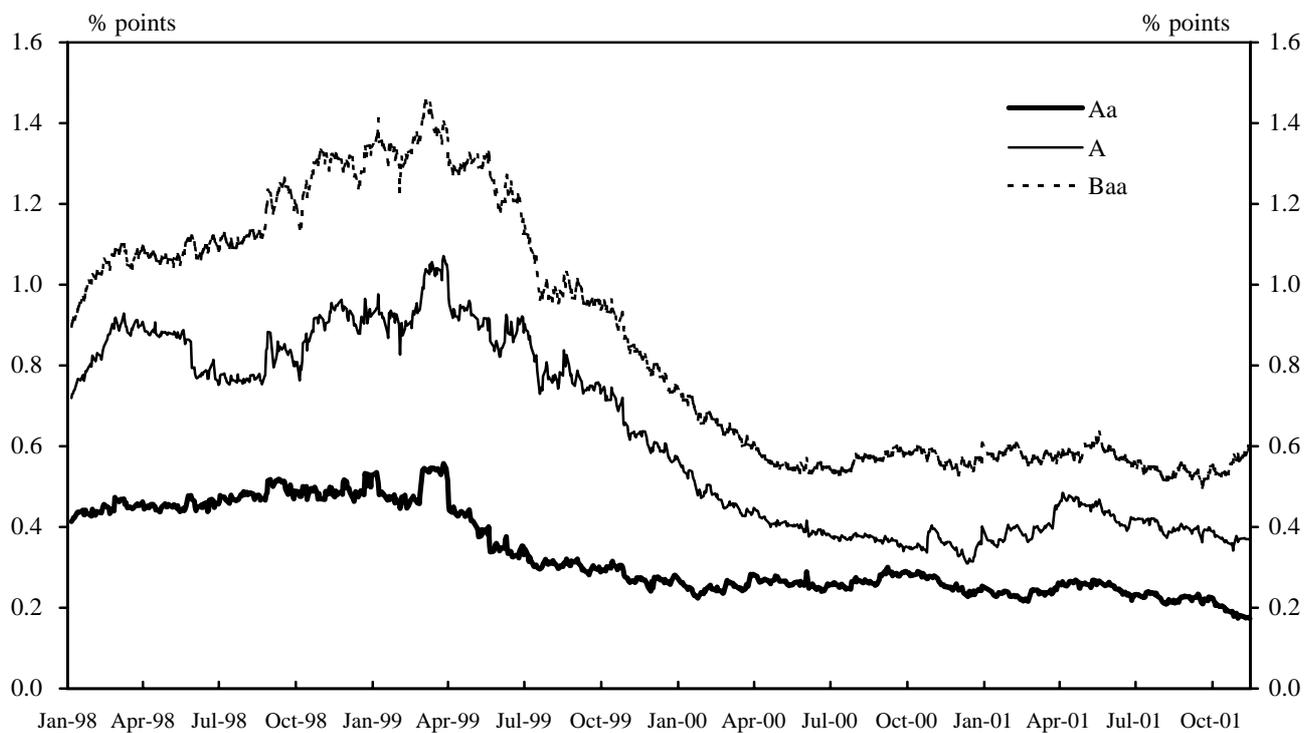
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields <sup>1</sup>

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



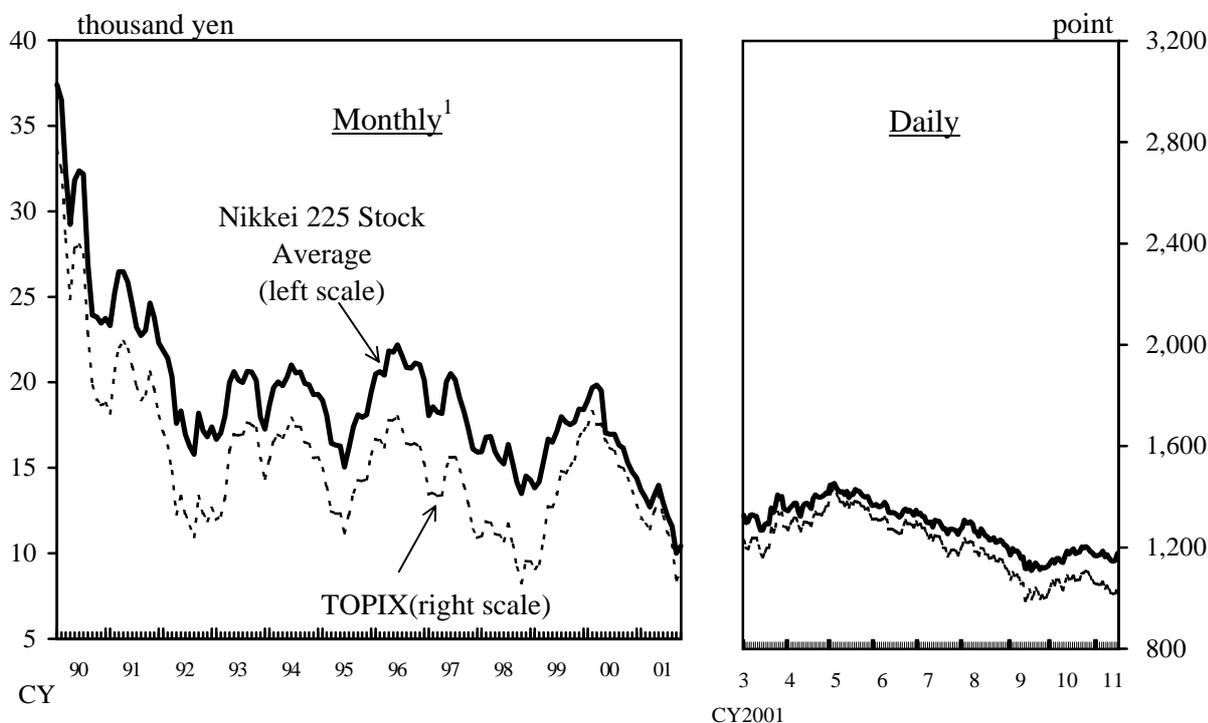
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

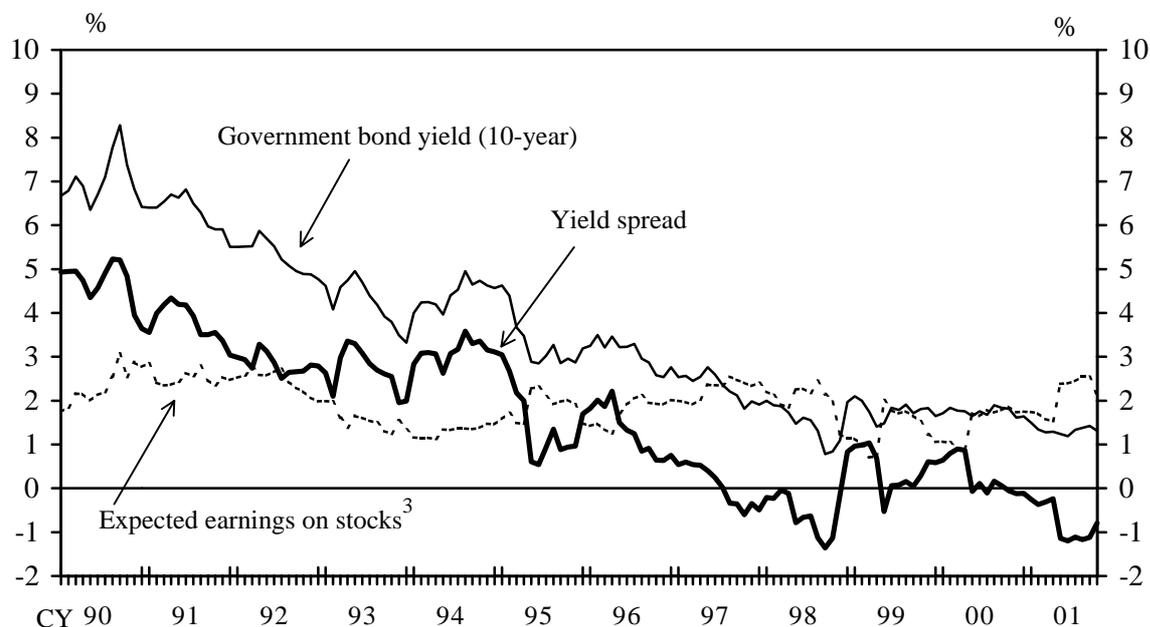
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Stock Prices

(1) Stock Prices



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



Notes: 1. Data are monthly averages.

2. Data are at end of period.

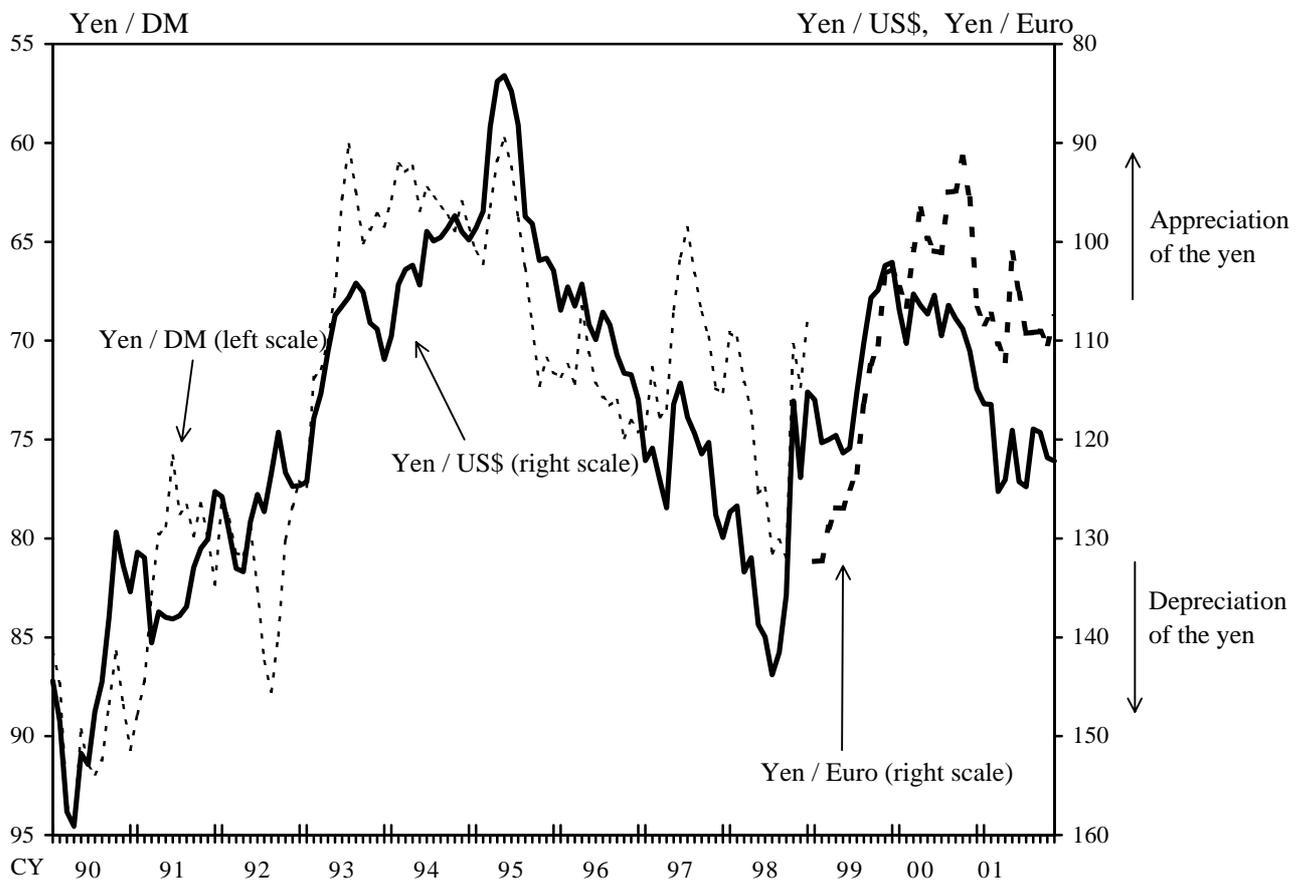
Yield spread = government bond yields - expected earnings on stocks, where expected earnings on stocks = 1/expected price earnings ratio.

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

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

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

Exchange Rates <sup>1</sup>

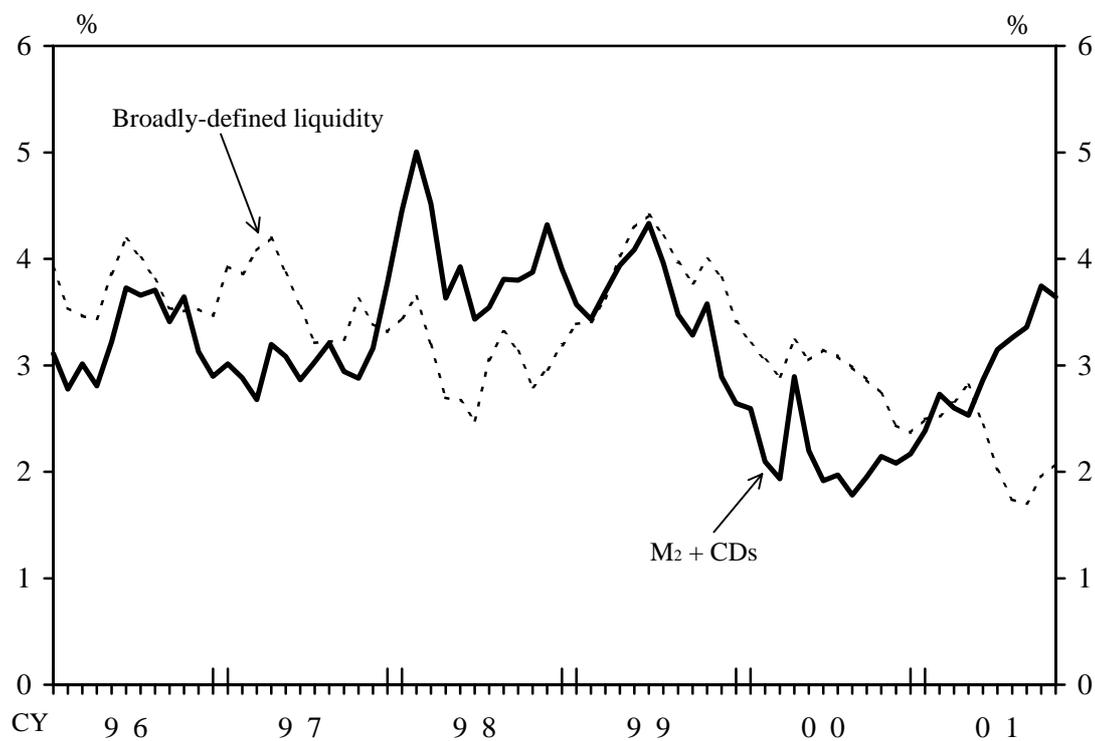


Note: 1. End of month. Data for November 2001 are as of November 15, 2001.

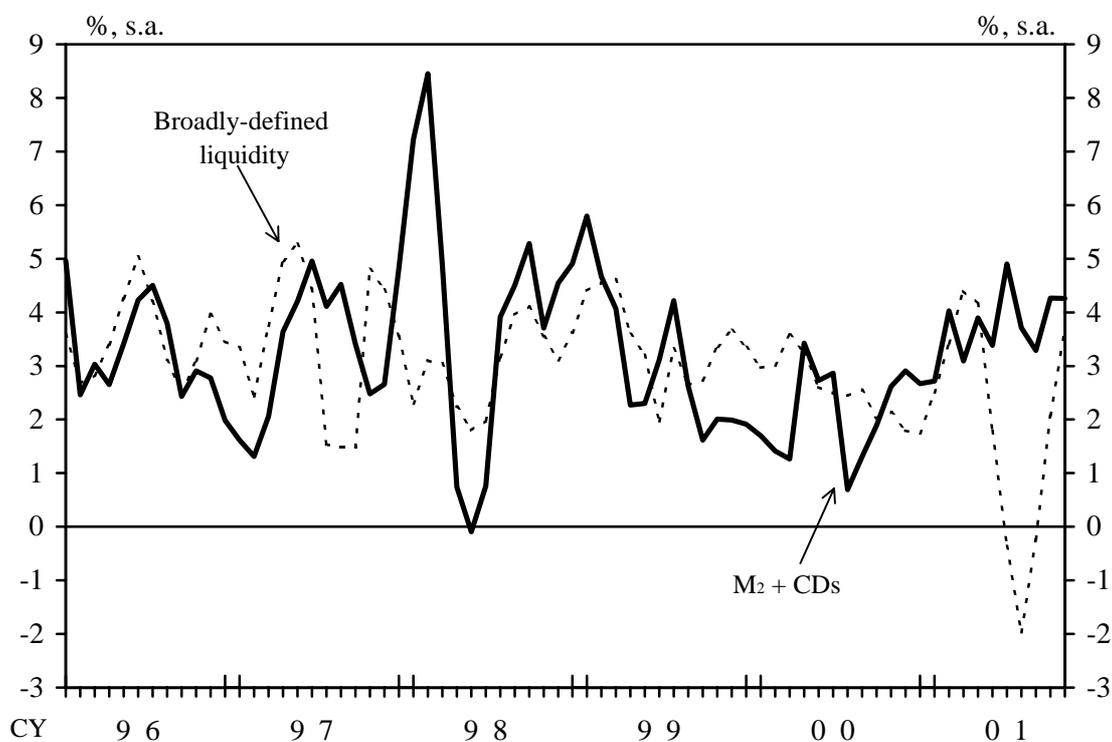
Source: Bank of Japan.

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

## (1) Changes from a Year Earlier



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



Note: Percent changes in average amounts outstanding.

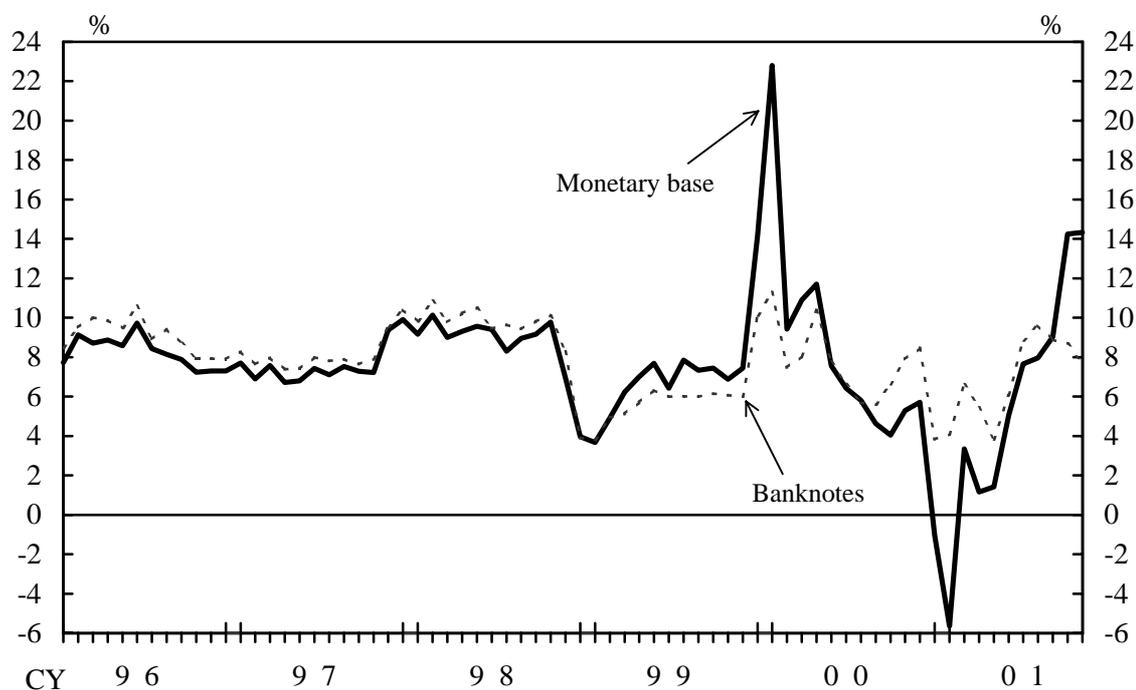
Source: Bank of Japan.

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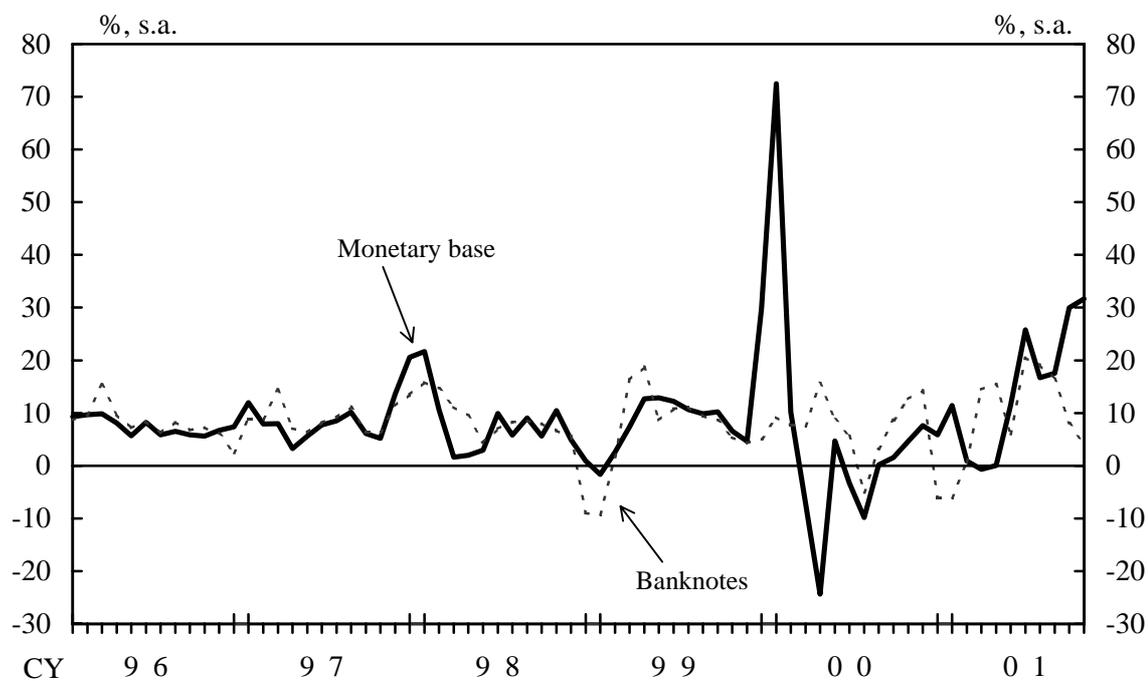
 Monetary Base
 

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## (1) Changes from a Year Earlier



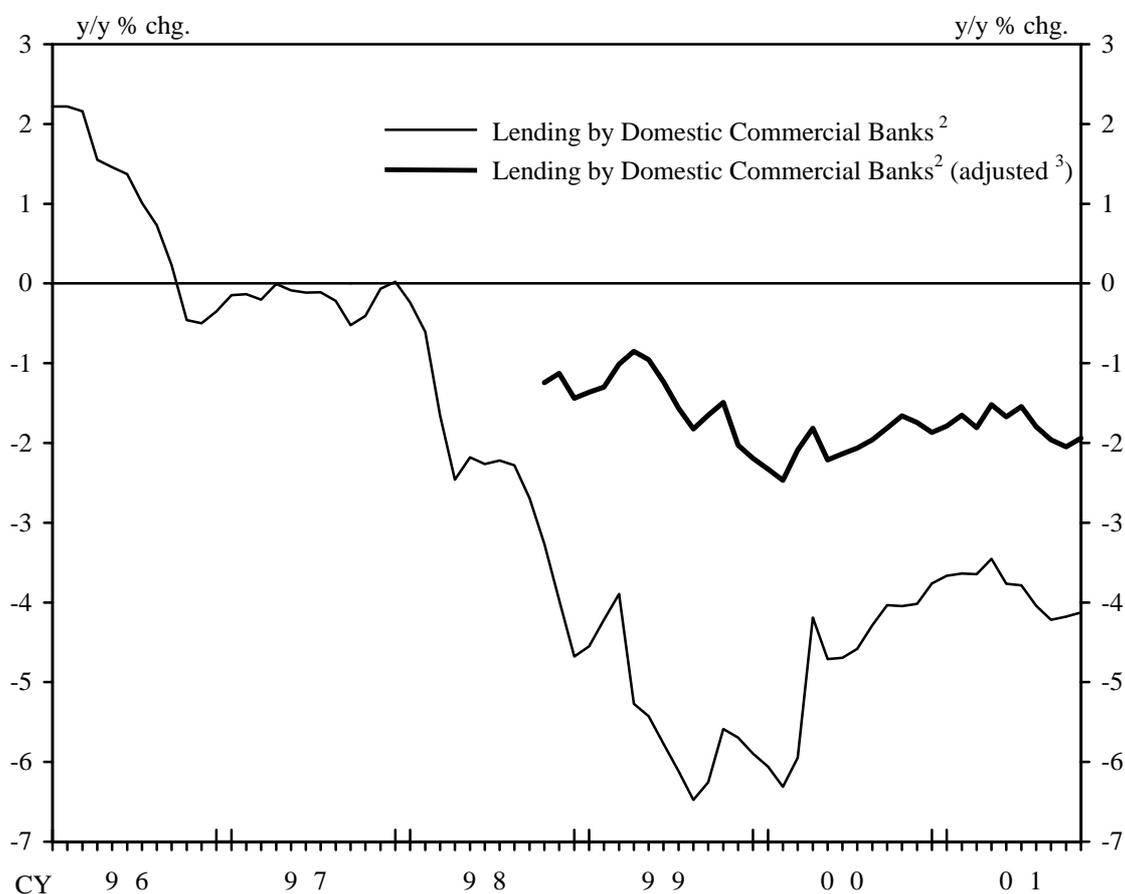
## (2) Changes from Three Months Earlier (Annualized)



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

Data for currency in circulation include holdings of financial institutions.

Source: Bank of Japan.

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

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

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

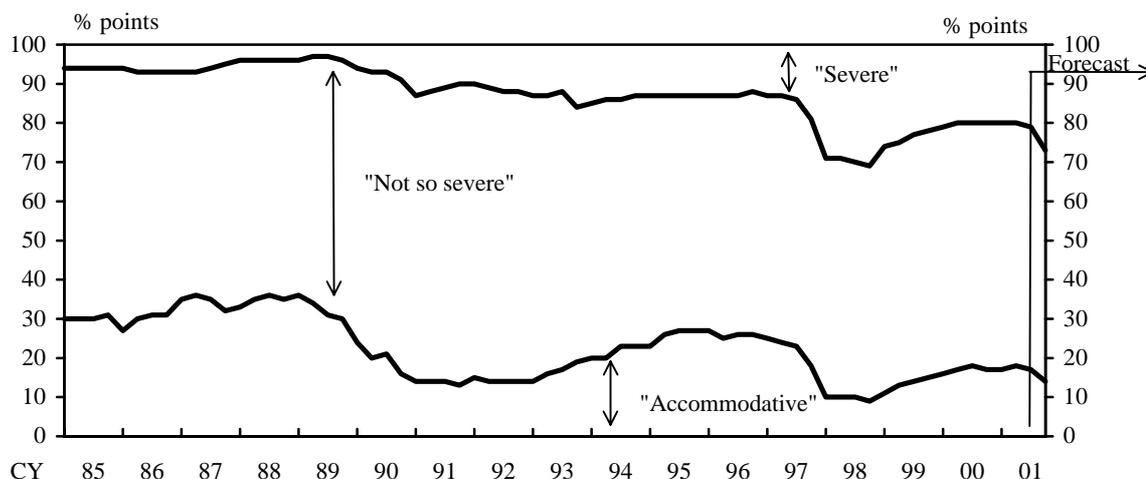
3. Adjusted to exclude

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

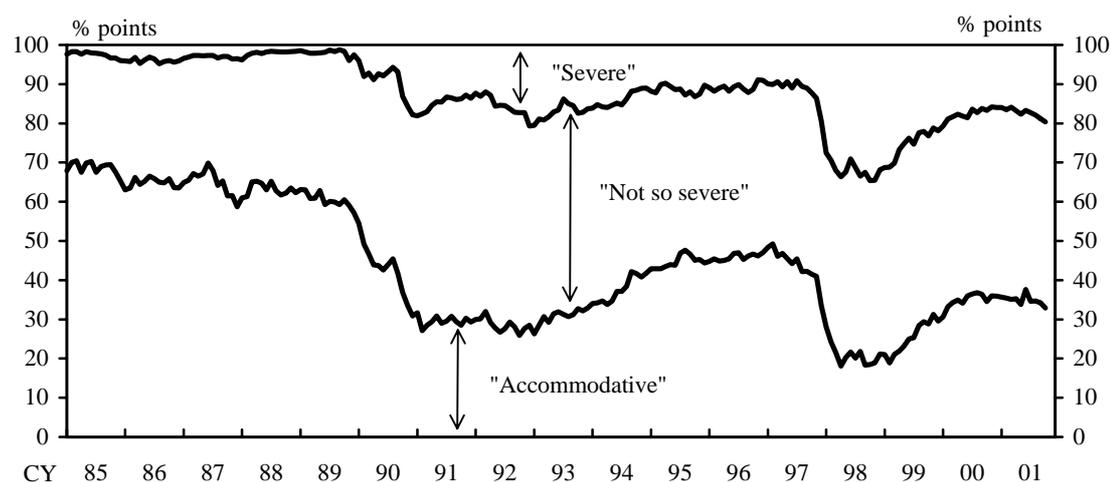
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

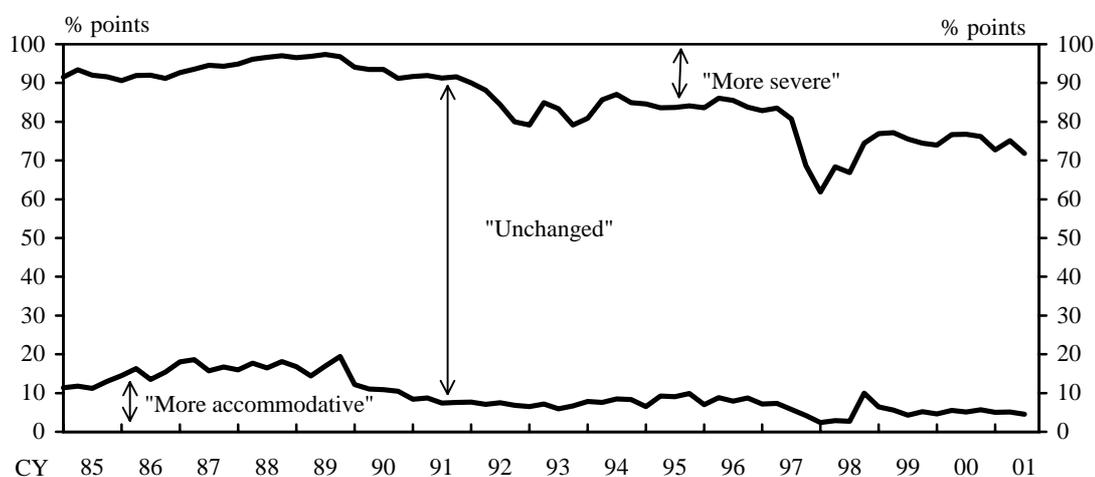
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (September, 2001)



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

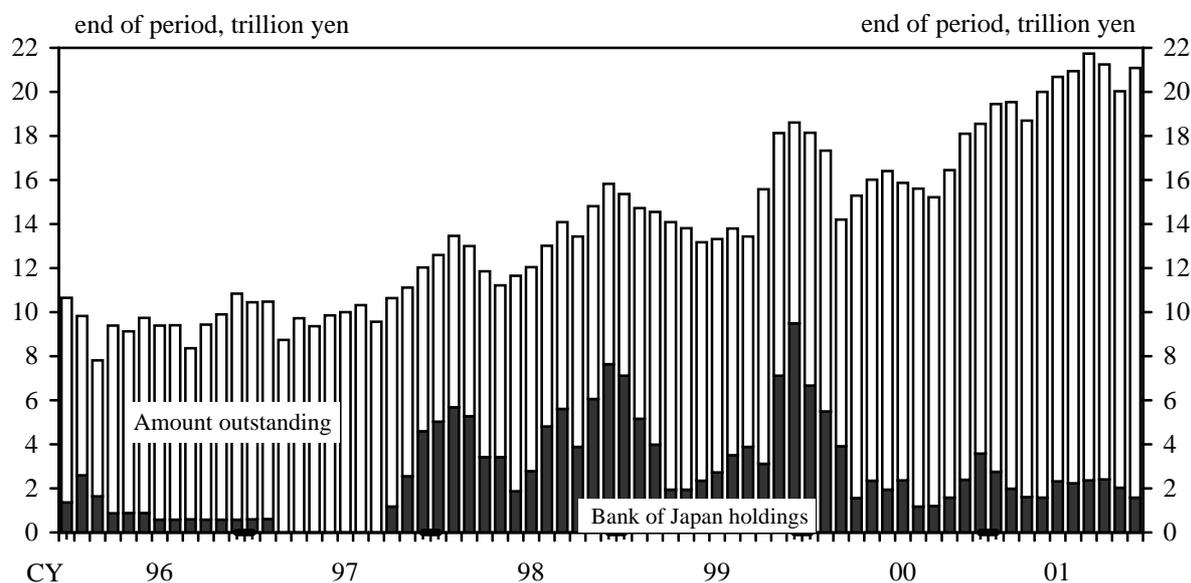


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-September, 2001)



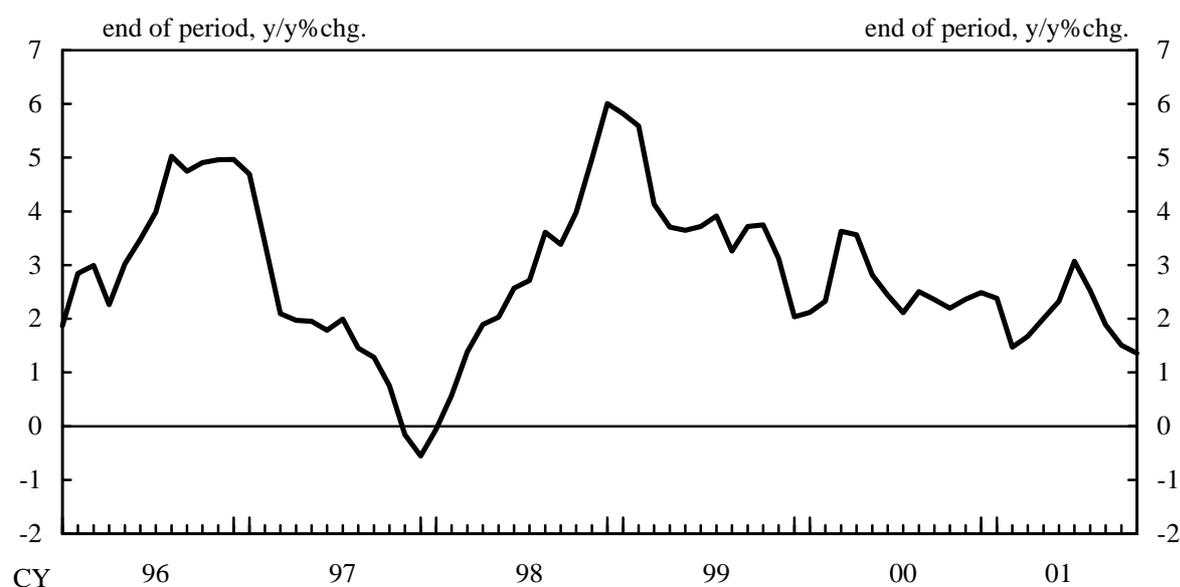
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ;  
 Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses";  
 National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

## Private-Sector Fund-Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper <sup>1</sup>(2) Issue Volume of Corporate Bonds <sup>2</sup>

(100 million yen)

	2001/Q1	Q2	Q3	2001/Aug.	Sep.	Oct.
Volume	22,009	35,222	20,365	6,356	10,664	4,645
(previous year)	(24,121)	(21,627)	(25,985)	(10,483)	(11,065)	(6,062)

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

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

Excludes those issued by banks.

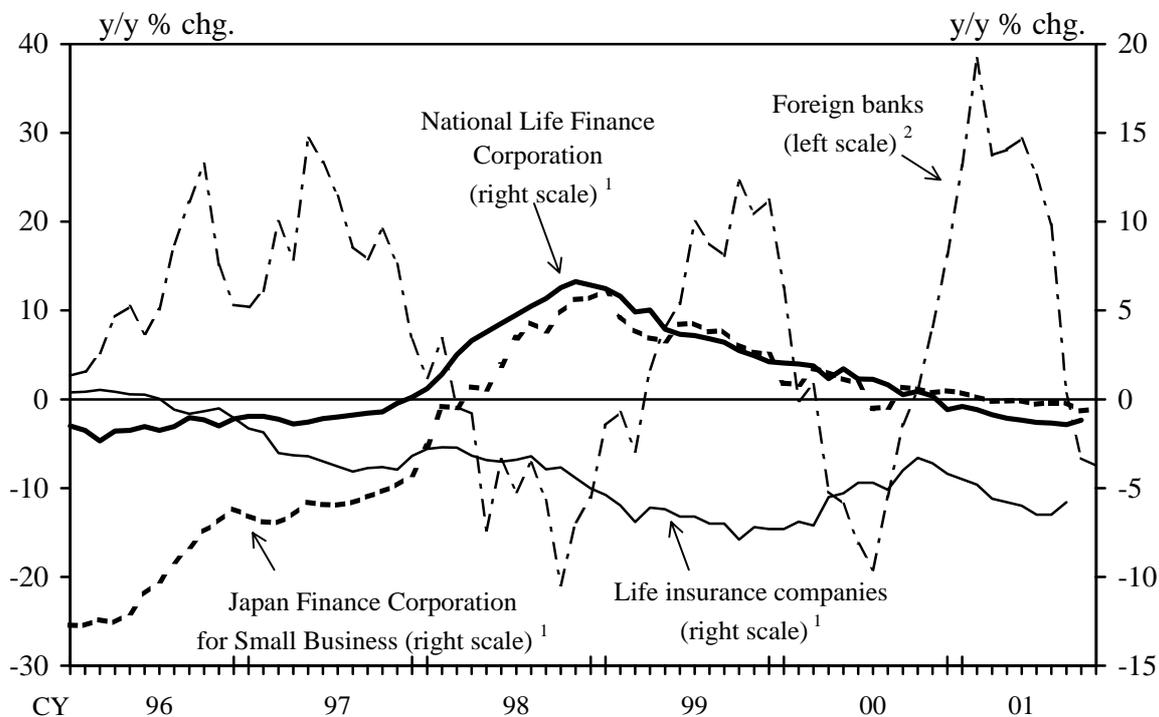
2. Includes straight bonds, convertible bonds, and bonds with warrants.

3. Estimated by the Bank of Japan.

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

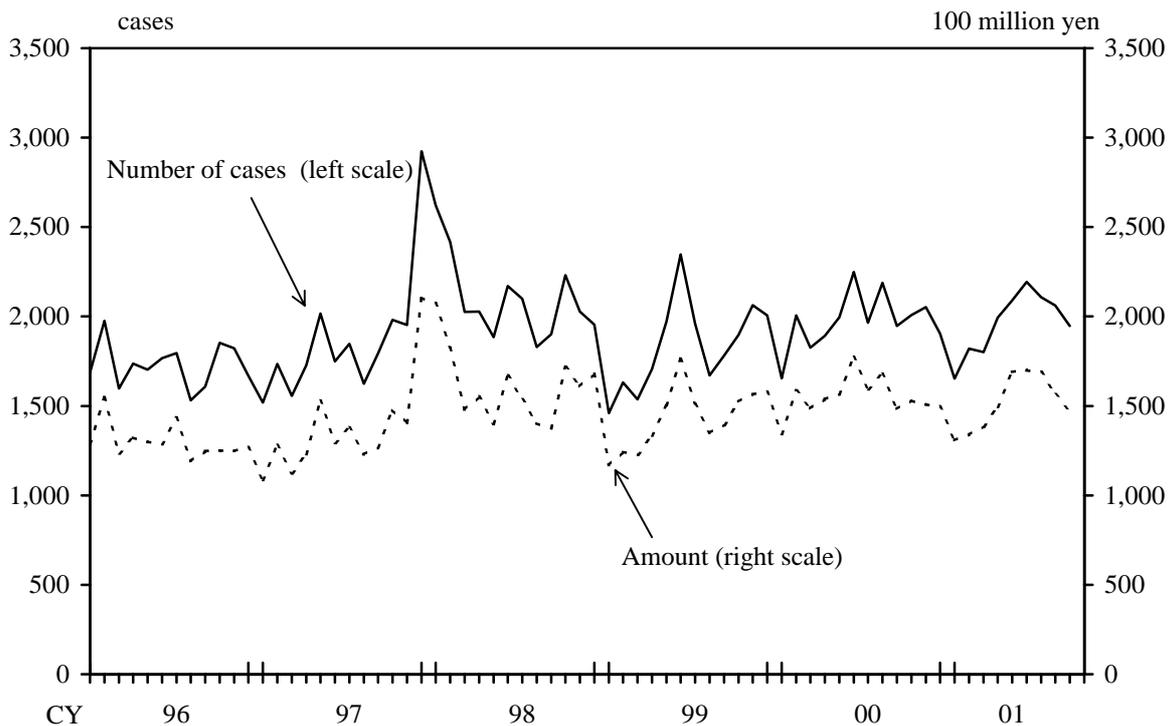
Lending by Other Financial Institutions

(1) Lending Outstanding



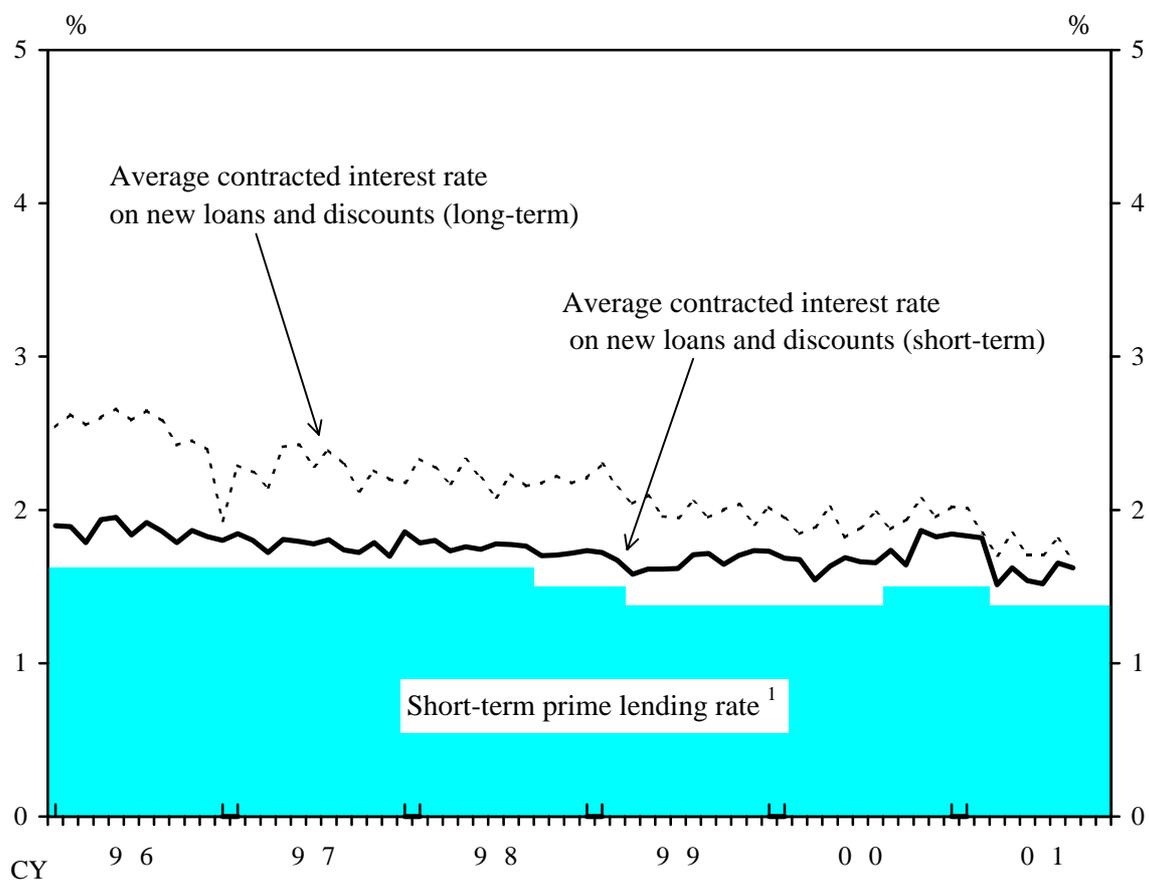
Notes: 1. Data are based on amounts outstanding at end of period.  
 2. Data are based on average amounts outstanding.

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



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

Lending Rates

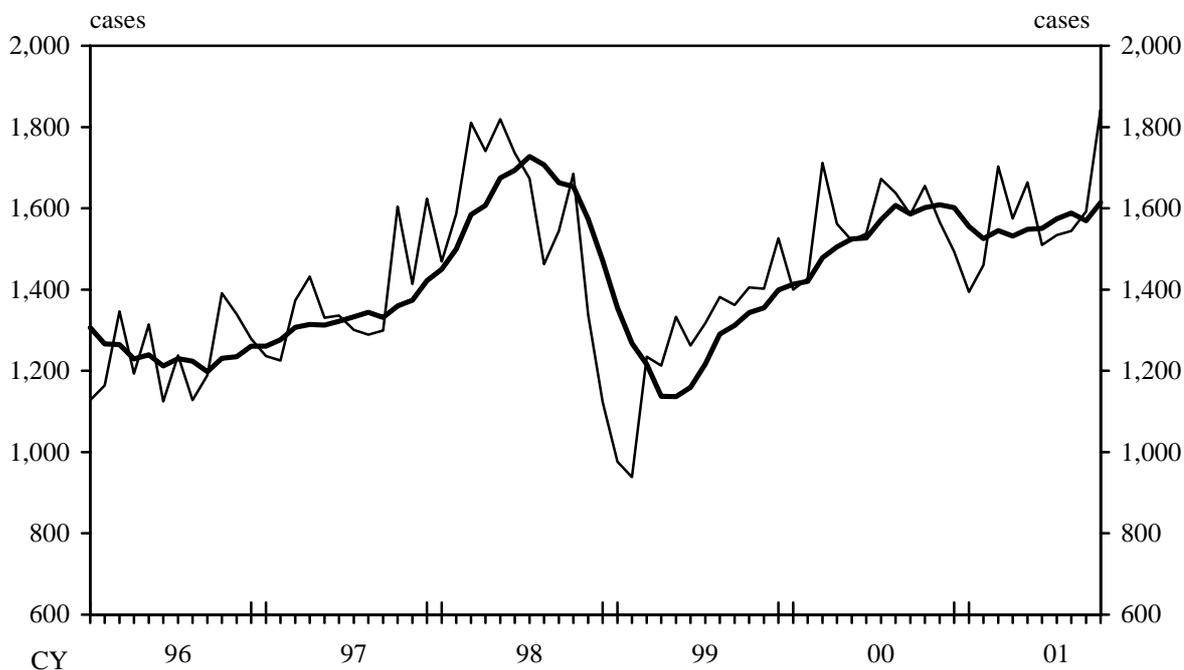


Note: 1. Data are at end of period.

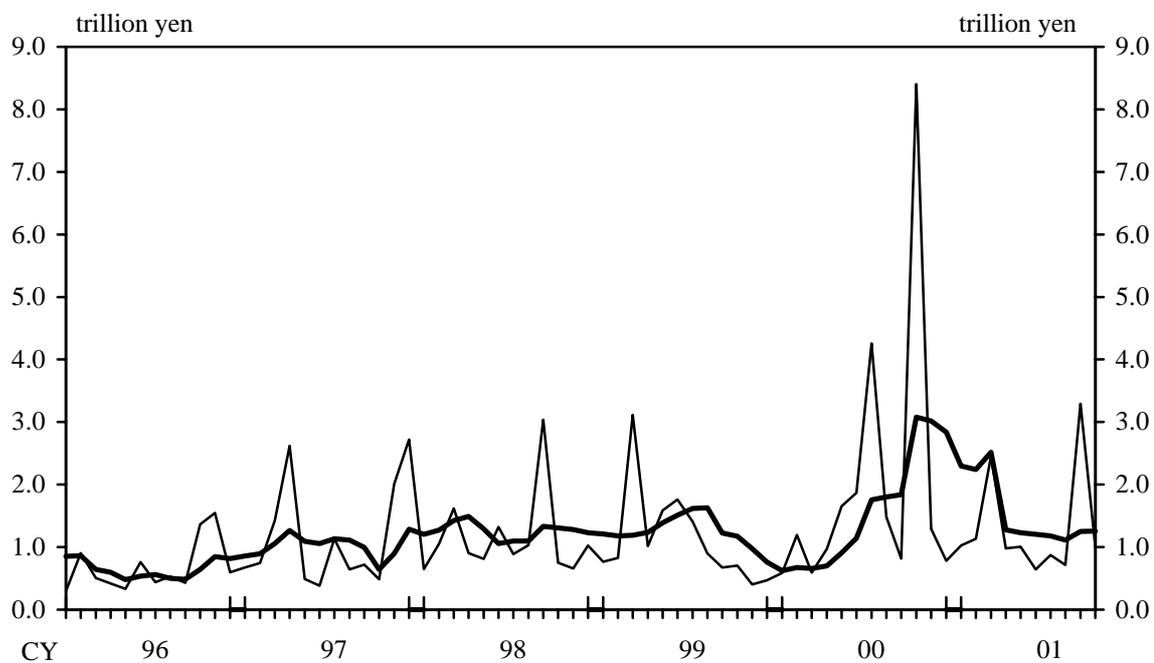
Source: Bank of Japan.

Corporate Bankruptcies

(1) Number of Cases



(2) Amount of Liabilities



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

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