3. Trend of supply and final demand

(1) Outline of supply

The all-industry supply for consumption surged 1.3 percent from the previous quarter, posting a quarter-to-quarter increase for six straight quarters. The all-industry supply for personal consumption increased 1.7 percent, and that for the government consumption posted a minimal increase of 0.1 percent, which means that it stayed almost on the same level.

The all-industry supply for investment also rose 3.1 percent, posting a quarter-to-quarter increase for two consecutive quarters. The rise is attributed to expansion of supply for all types of investment. The supply for public investment expanded 7.7 percent from the previous quarter, that for private-sector investment in plants and equipment, 2.7 percent, and that for private-sector housing, 1.6 percent.

Transition of supply for consumption and investment of entire industry (estimated)
(1995=100, from the previous year, from the previous quarter after seasonal adjustment)

<table>
<thead>
<tr>
<th></th>
<th>1998 from the previous year</th>
<th>1999 from the previous year</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4~6</td>
<td>7~9</td>
<td>10~12</td>
<td>1~3</td>
<td>4~6</td>
</tr>
<tr>
<td>Consumption</td>
<td>▲ 1.6</td>
<td>0.9 ▲ 0.6</td>
<td>0.2 ▲ 0.3</td>
<td>0.9</td>
<td>0.1</td>
</tr>
<tr>
<td>Personal consumption</td>
<td>▲ 2.0</td>
<td>1.1 ▲ 1.1</td>
<td>0.5 ▲ 0.1</td>
<td>0.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Government consumption</td>
<td>▲ 0.1</td>
<td>0.7</td>
<td>0.0</td>
<td>0.1 ▲ 0.9</td>
<td>1.8 ▲ 1.4</td>
</tr>
<tr>
<td>Investment</td>
<td>▲ 7.2</td>
<td>0.3 ▲ 5.4</td>
<td>0.7</td>
<td>1.2</td>
<td>1.8 ▲ 0.3 ▲ 0.2</td>
</tr>
<tr>
<td>Public investment</td>
<td>▲ 1.0</td>
<td>4.6 ▲ 0.8</td>
<td>2.0</td>
<td>8.2</td>
<td>▲ 0.7</td>
</tr>
<tr>
<td>Private housing</td>
<td>▲ 12.5</td>
<td>1.3 ▲ 1.6</td>
<td>1.6 ▲ 4.4</td>
<td>1.1</td>
<td>7.1</td>
</tr>
<tr>
<td>Private business equipment</td>
<td>▲ 8.6</td>
<td>▲ 2.5</td>
<td>▲ 8.1</td>
<td>▲ 2.1</td>
<td>▲ 2.0</td>
</tr>
</tbody>
</table>

Sources: "Mining and Manufacturing Industrial Supply Table," "Indices of Tertiary Industries Activity," "Total Construction Statistics" from the Ministry of Construction, "Construction Price Index" from the Construction Price Survey Group, "Input-Output Table for 1995" from the Management and Coordination Agency
(2) Supply for consumption and consumption trend

Supply activities for consumption

Personal consumption, indicated by the all-industry supply index (estimated) for consumption, surged 1.7 percent from the previous quarter, posting a quarter-to-quarter gain for two straight quarters, supported by supply increases from mining and manufacturing industries, as well as those from the tertiary industry. The supply from mining and manufacturing industries rose 1.3 percent, posting a quarter-to-quarter increase for three consecutive quarters. The supply from the tertiary industry rose 1.7 percent, posting a quarter-to-quarter increase for two straight quarters.

Transition of indices of supply for personal consumption of the entire industry (estimated)
(after seasonal adjustment, 1995=100)

Sources: "Mining and Manufacturing Industrial Supply Table," "Indices of Tertiary Industries Activity," "Input-Output Table for 1995" from the Management and Coordination Agency
Trend of passenger-car sales

Of the renewal, additional and new demand for passenger cars, the share of the renewal demand is expanding. The average number of years passenger cars were used before they were replaced by new ones and their average age edged up. The average number of years passenger cars were used rose relatively sharply in 1999 but declined in the first half of 2000. This seems to indicate that consumers who refrained from selling their cars for new ones in and before 1999, purchased new ones in the first half of 2000. The total passenger-car supply posted declines in 1998 and 1999 but picked up in the 2000 first half.

Trend of passenger-car sales

① Transition of renewal, additional and new demand, as well as total supply

② Transition of the average usable period of passenger cars

(Notes)
The new, additional and renewal demand in the chart indicates the percentage of purchases made for each purpose in the total purchases of passenger cars by all households, including those who have never purchased such cars. The percentage of the purchases was based on the Consumption Trend Survey. As for the data for the first half of the year 2000, the average of the January-June period was used. As regards the total supply, the data on passenger cars and two-cycle vehicles were used.

Transition of diffusion rate of durable consumer goods and total supply

The trend of durable consumer goods indicated by the diffusion rate, showed that personal computers registered increases in the PC diffusion rate, the diffusion rate of households possessing more than one PCs, and total supply. The diffusion rate of Video Tape Recorders (VTR) leveled off but the diffusion rate of households possessing more than one VTRs surged, and so did the total supply. Meanwhile, the diffusion rate of facsimile machines rose but the diffusion rate of households possessing more than one fax machines did not rise, and the total supply turned downward in 1998. The two diffusion rates of refrigerators remained almost unchanged, and so was the total supply.

Transition of diffusion rate and total supply of consumer durable goods

(Notes)
1. The figure that can be obtained by extracting the average number of households possessing PCs per 100 households (This indicates the diffusion rate.) from the average total number of PCs per 100 households is considered to indicate the number of households possessing more than one PCs. This figure will be called the diffusion rate of households possessing more than one PC.
2. In the total supply, the average of the January-June 2000 was used as the index level for 2000. As for the diffusion rate and the number of PCs per 100 households in the Consumption Trend Survey, the figure as of the end of March of each year was used.
Reference: Consumption Trend Survey by the Economic Planning Agency, Mining & Manufacturing Industrial Supply Table
(3) Supply for investment and investment trend

Supply activities for investment

The investment trend indicated by the all-industry supply index (estimated) for investment by each type of investor, showed that investment in private-sector plants and equipment surged for the fourth consecutive quarter, and investment in private-sector housing rose for the two straight quarters, supported by housing-related tax breaks and other factors. Public investment turned upward in the previous quarter for the first time in four quarters, helped by the favorable effect of the second supplementary budget. As a result, the overall investment rose 3.1 percent, posting a quarter-on-quarter increase for the second consecutive quarter, and is likely to continue its upturn.

Transition of all-industry supply index for investment, by type of demand (trial calculation)

- Index level (seasonally adjusted, 1995=100)
- Contribution to the increase comparing to the previous quarter

Sources: "Mining and Manufacturing Industrial Supply Table," "Indices of Tertiary Industries Activity," "Total Construction Statistics" from the Ministry of Construction, "Construction Price Index" from the Construction Price Survey Group, "Input-Output Table for 1995" from the Management and Coordination Agency
Trend of cash-flow-related indices

The comparison of two indices related to cash flow (cash plus marketable securities) that exert influence on investment in plants and equipment—the propensity to invest and the debt burden ratio—to those of a year earlier, is depicted as circles in the chart below.

In the current situation, both manufacturing and non-manufacturing industries posted year-on-year declines in the debt burden ratio. This indicates that their debt burden is easing. The manufacturing industry showed signs of improvement in the propensity to invest, and it is expected that the investor confidence will recover in the sector from now on.

The propensity to invest indicates how big portion of cash flow is allocated to investment in plants and equipment, and shows the situation of investor confidence. The debt burden ratio indicates the size of long-term debts against cash flow, showing the level of debt burden.

Changes in indices related to cash-flow

1. Manufacturing industry
2. Non-manufacturing industry

(Notes)
1. The propensity to invest was calculated by dividing investment in plants and equipment by cash flow, and the debt burden ratio was calculated by dividing (corporate bond + long-term debt) by cash flow. The cash flow was calculated by multiplying the ordinary profit by 0.5 and adding depreciations to the result.
2. The yearly changes of the propensity to invest and the debt burden ratio were obtained by using the moving average during the previous two quarters respectively.
Reference: Quarterly Financial Statements of Corporation Industry by Finance Ministry
(4) Imports and exports

Exports for the April-June quarter was up 3.9 percent from the previous quarter. Exports to EU and ASEAN9 dropped, while those to the United States and East Asia expanded. Imports also picked up, posting a 6.4 percent increase. Imports from EU remained almost on the same level, while imports from the United States, ASEAN9, and East Asia surged.

Transition of exports by the overseas area

① Index level (seasonally adjusted, 1995=100)  ② Contribution to the increase comparing to the previous quarter

Transition of imports by the overseas area

① Index level (seasonally adjusted, 1995=100)  ② Contribution to the increase comparing to the previous quarter

(Notes)
1. The export shipment indices and the import indices by the overseas area are calculated by re-arranging trade statistics into shipment index classifications and total supply index classifications.
2. Classifications of overseas areas are as follows:
   ASEAN9 : Singapore, Thailand, Malaysia, Brunei, The Philippines, Indonesia, Vietnam, Laos, Myanmar
   East Asia : South Korea, China, Taiwan, Hong Kong
   Middle East : Iran, Iraq, Bahrain, Saudi Arabia, Kuwait, Qatar, Oman, Israel, Jordan, Syria, Lebanon, United Arab Emirates, Gaza, Yemen