2. Supply trend and final demand

(1) Summary of the supply trend for final demand

Supply trend for the quarter

The outline of the supply trend for final demand for this quarter is as follows:

Overall industrial supply for consumption decreased by 0.8% (id.) for the first time in two quarters due to the decrease in individual consumption by 1.0% (id.) for the first time in two quarters, although government consumption increased by 0.3% (id.) for the first time in two quarters.

Overall industrial supply for investment decreased by 0.8% (id.) for two consecutive quarters due to the decrease of public investment by 4.7% (id.) for four consecutive quarters and the decrease in private enterprise facilities by 1.6% for the first time in four quarters, although private housing increased by 6.8% (id.) for the first time in two quarters.

Exports increased by 2.9% (id.) for seven consecutive quarters, and imports increased by 1.4% (id.) for the first time in three quarters.

IT-related consumption decreased by 3.5% (id.) for the first time in two quarters, on the other hand, IT-related investment increased by 4.3% (id.) for the first time in two quarters.

Changes in the Indices of All Industries (final demand components)

<table>
<thead>
<tr>
<th>2001 Change from previous month</th>
<th>2002 Change from previous month</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>D=0</td>
<td>D=0</td>
</tr>
<tr>
<td>Consumption</td>
<td>0.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Personal consumption</td>
<td>0.2</td>
<td>-0.1</td>
</tr>
<tr>
<td>Mining and manufacturing (Goods)</td>
<td>-0.4</td>
<td>-1.7</td>
</tr>
<tr>
<td>Tertiary industries (Services)</td>
<td>0.4</td>
<td>-0.9</td>
</tr>
<tr>
<td>(special)IT-related</td>
<td>5.3</td>
<td>-5.5</td>
</tr>
<tr>
<td>Government consumption</td>
<td>1.9</td>
<td>1.4</td>
</tr>
<tr>
<td>Investment</td>
<td>-4.0</td>
<td>-6.4</td>
</tr>
<tr>
<td>Public investment</td>
<td>-1.6</td>
<td>-5.5</td>
</tr>
<tr>
<td>Private housing</td>
<td>-5.3</td>
<td>-4.0</td>
</tr>
<tr>
<td>Private corporation facilities</td>
<td>-4.8</td>
<td>-7.7</td>
</tr>
<tr>
<td>Mining and manufacturing (Goods)</td>
<td>-7.1</td>
<td>-9.4</td>
</tr>
<tr>
<td>Construction (Buildings)</td>
<td>-6.5</td>
<td>-5.5</td>
</tr>
<tr>
<td>Tertiary industries (Services)</td>
<td>1.8</td>
<td>-5.4</td>
</tr>
<tr>
<td>(special)IT-related</td>
<td>3.5</td>
<td>-5.2</td>
</tr>
<tr>
<td>Exports</td>
<td>-7.2</td>
<td>11.6</td>
</tr>
<tr>
<td>Mining and manufacturing (Goods)</td>
<td>-8.6</td>
<td>9.5</td>
</tr>
<tr>
<td>Tertiary industries (Services)</td>
<td>-2.2</td>
<td>9.2</td>
</tr>
<tr>
<td>Imports</td>
<td>2.5</td>
<td>8.2</td>
</tr>
<tr>
<td>Mining and manufacturing (Goods)</td>
<td>3.7</td>
<td>1.4</td>
</tr>
<tr>
<td>Tertiary industries (Services)</td>
<td>-1.2</td>
<td>2.7</td>
</tr>
</tbody>
</table>

Notes: 1. As the supply indices of all industries are calculated using various statistical data, preliminary figures are used for some basic data. In such cases, it should be noted that the indices of the previous quarters are changed to the authentic figures.

2. The data of 2002 were corrected by annual correction. The data are also corrected accordingly to the revision of the basic data of indices of industries.

3. As for IT-related consumption and investment, see note on next page.

Source: “The Indices of All Industries (final demand components)”
Trend of IT-related consumption and investment

IT-related personal consumption for this quarter decreased by 3.5% compared to the previous quarter and non-IT-related consumption decreased by 0.1% (id.), both for the first time in two quarters.

In addition, IT-related investment for private enterprise facilities increased by 4.3% (id.) for the first time in two quarters, while non-IT-related investment decreased by 4.0% (id.) for the first time in five quarters.

Change in IT-related consumption

Index level (1995=100, seasonally adjusted)  
Ratio compared to the previous quarter, Rate of contribution to growth rate

Change in IT-related investment

Index level (1995=100, seasonally adjusted)  
Ratio compared to the previous quarter, Rate of contribution to growth rate

Note: IT-related personal consumption is consumption related to cellular telephones, personal handy phone systems, personal computers, domestic telecommunications business (mobile communications excluded) and mobile communications. Before 2001, however, it is related to facsimile machines, PHS/cellular telephones, pagers, cordless telephones, personal computers, domestic telecommunications business (mobile communications excluded) and mobile communications.

Source: “The indices of all industries (final demand components)”

Note: IT-related investments are investments related to communication wires and cables, power wires and optical fiber products for cables, digital and full color copying machines, key system telephone equipment, facsimile machines, electronic switching systems, digital transmission equipment, fixed communication equipment, personal handy phone systems, basic exchange for mobile customer premises equipment, general purpose computers, mid range computers, personal computers, external storage, input-output units, terminal equipment, software development and program creation (subcontracts) that are also supplied to private corporate facilities. Before 2001, however, it is related to communication wires and cables, power wires and optical fiber products for cables, indirect method electro-static process copying machines, digital and full color copying machines, key system telephone equipment, facsimile machines, electronic switching systems, digital transmission equipment, fixed communication equipment, personal handy phone systems /cellular telephone, pocket bell, basic exchange for mobile customer premises equipment, general purpose computers, mid-range computers, personal computers, external storage, input-output units, terminal equipment, software development and program creation (subcontracts).

Source: “The Indices of All Industries (final demand components)”
Trend of consumer confidence

Looking the trend of consumer confidence for the next six months using the Consumer Confidence Survey, the consumer confidence index of the third quarter of 2003 was 40.0% (an increase of 2.7 points compared to the previous quarter), which was an increase for two consecutive quarters.

Individual stock transactions and foreign investors are increasing due to the stock market rise. This is because the threshold for investment was lowered due to the discounting of commission fees, smaller round lots, and the spread of online trading. In addition, stock is regarded as a promising investment in the age of very low interest.

It is expected that the increase of participants into stock marked and the increase of stock assets (in the increasing phase of stock prices) owned by household affect positively on the consumer confidence with a prospect that income will increase in the future.

Looking at the correlation between each index of the Consumer Confidence Survey and Tokyo Stock Exchange Stock Price Index (TOPIX), the correlation coefficient of “Income growth” is 0.91, which is high, and that of the “Overall livelihood” is 0.87, while the “consumer confidence index” is 0.70. These suggest that the trend of stock prices and consumer confidence is correlated.
（Q）Outline of import and export trends

Import and export trends

Looking at the trends of exports and imports for the third quarter of 2003 (on a quantity basis), exports as a whole increased by 2.9% compared to the previous quarter, due to an increase in export of goods (producer’s shipment) by 1.0% id. and an increase in received services by 9.1% id. Imports as a whole increased by 1.4% id. due to an increase in service payments by 12.4% id., although import of goods (producer’s shipment) decreased by 1.2% id.

By region, exports of goods increased in shipment for East Asia, ASEAN, and Europe. Shipment for export of goods to the U.S. remained flat. Import of goods from Europe and East Asia decreased and that from ASEAN and U.S. increased.

Changes in export by region (goods)

Index level (2000=100, seasonally adjusted)

![Chart showing changes in export by region (goods)](chart1)

Change in import by region (goods)

Index level (2000=100, seasonally adjusted)

![Chart showing changes in import by region (goods)](chart2)

Note: 1. The export index is estimated by rearranging the trade statistics with the shipment index group, and the import index is estimated by rearranging the trade statistics with total supply index group.

2. The regional classification was amended according to base year 2000. The names of each country are as follows:

- ASEAN: Singapore, Thailand, Malaysia, Philippines, Indonesia, Vietnam, Myanmar, Laos, Brunei, and Cambodia.
- East Asia: Republic of Korea, Taiwan, China (including Hong Kong)
- Middle East: Iran, Iraq, Bahrain, Saudi Arabia, Kuwait, Qatar, Oman, Israel, Jordan, Syria, Lebanon, the United Arab Emirates, Gaza, and Yemen.

Source: “Breakdown of the shipment for the mining and manufacturing industry”, “All supply list of the manufacturing and mining industry”
Trends of export to U.S. and China

As for the trend of exports, which play an important role in the current economic expansion, the features of export for the U.S. and China from the first quarter to the current quarter are analyzed. The share of export to the U.S. is the largest (on the amount basis) (28.5% in 2002). The share of export to China has been increasing recently (15.7% id.).

Looking at the major export industries for both countries, export to U.S. increased largely due to the contribution by transport equipment and general machinery industry in 2002. However it is decreasing since the first quarter of 2003 due to the decrease in transport equipment. Among them, general machinery increased in the second and third quarters of 2003, which is a leading industry for exports to the U.S.

By industry of exports to China, the general machinery industry and electronic parts and devices industry were the leading industries in the first quarter of 2002, and they increased. They have been contributing to the increase since then.

### Change in average rate of contribution to the growth rate of shipment from valley to valley (percentage points)

<table>
<thead>
<tr>
<th>Period from trough to peak of export</th>
<th>Growth rate of shipment</th>
<th>For export</th>
<th>For domestic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982 Oct-Dec  ~ 1985 Apr-Jun</td>
<td>1.6</td>
<td>24.4</td>
<td>60.9</td>
</tr>
<tr>
<td>1985 Apr-Jun  ~ 1993 Jan-Mar</td>
<td>0.7</td>
<td>9.9</td>
<td>83.6</td>
</tr>
<tr>
<td>1993 Oct-Dec  ~ 1997 Oct-Dec</td>
<td>0.7</td>
<td>17.9</td>
<td>78.0</td>
</tr>
<tr>
<td>1998 Oct-Dec  ~ 2000 Apr-Jun</td>
<td>1.4</td>
<td>14.5</td>
<td>55.5</td>
</tr>
<tr>
<td>2001 Oct-Dec  ~ Current quarter</td>
<td>1.1</td>
<td>14.4</td>
<td>40.2</td>
</tr>
</tbody>
</table>

### Changes in exports to U.S. and China by industry

**U.S.**  □ Index level (1995=100, seasonally adjusted)

<table>
<thead>
<tr>
<th>Rate of contribution to the growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

**China**  □ Index level (1995=100, seasonally adjusted)

<table>
<thead>
<tr>
<th>Rate of contribution to the growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

Source: “The Indices of Industrial Domestic Shipments and Exports”
The trend of export to the U.S. since 2003, which is weak demand, is analyzed by industry.

As for the trend of major items of transport equipment, general machinery, and information and communication electronics equipment that mainly contributed to each quarter since the first quarter of 2003 to the third quarter of 2003, mechanical presses, wheel tractors, and shovel type excavators, which contributed to the increase, have been increasing in rate of contribution since the second quarter of 2003. As for transport equipment, which contributed to the decrease, drive, transmission and control parts, large passenger cars, and chassis and body parts contributed to the increase in the third quarter of 2003, but small passenger cars decreased for three consecutive quarters and its rate of contribution to the decrease has been expanding. As for information and communication equipment, digital transmission units contributed largely to the decrease in the third quarter of 2003. Personal computers decreased for three consecutive quarters. On the other hand, input-output units contributed largely to the increase in the current quarter.

The revised net gross domestic product (GDP) (converted to annual rate, seasonally adjusted) of the U.S. in the third quarter largely increased by 8.2%. According to growth rate forecasts by think-tanks in the U.S., the increasing trend will continue. Hence, export to the U.S., which has been unfavorable in 2003, is expected to increase.

### Trend of rate of contribution of major items of exports to U.S. in 2003

#### General machinery

<table>
<thead>
<tr>
<th>Percentage Points</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
<th>Jul-Sep</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
<th>Jul-Sep</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
<th>Jul-Sep</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
<th>Jul-Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mechanical presses</td>
<td>0.1</td>
<td>0.3</td>
<td></td>
<td>11.8</td>
<td></td>
<td></td>
<td>0.2</td>
<td>1.6</td>
<td>2.1</td>
<td>-2.9</td>
<td>2.5</td>
<td>8.5</td>
</tr>
<tr>
<td>Shovel type excavators</td>
<td>-2.0</td>
<td>3.4</td>
<td>7.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refrigerating machines for automobile air conditioners</td>
<td>0.2</td>
<td>1.6</td>
<td>2.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheel tractors</td>
<td>-2.9</td>
<td>2.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulldozers</td>
<td>-0.8</td>
<td>0.9</td>
<td>3.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Transport equipment

<table>
<thead>
<tr>
<th>Percentage Points</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
<th>Jul-Sep</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
<th>Jul-Sep</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
<th>Jul-Sep</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
<th>Jul-Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drive, transmission and control parts</td>
<td>-3.8</td>
<td>-4.2</td>
<td>-29.2</td>
<td>-20.2</td>
<td>-6.4</td>
<td>-5.4</td>
<td>-5.4</td>
<td>12.7</td>
<td>-2.5</td>
<td>-2.5</td>
<td>-2.5</td>
<td>-2.5</td>
</tr>
<tr>
<td>Large passenger cars</td>
<td>32.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small passenger cars</td>
<td>-4.2</td>
<td>1.6</td>
<td>-10.5</td>
<td>17.0</td>
<td>-1.3</td>
<td>0.0</td>
<td>-1.5</td>
<td>2.6</td>
<td>1.3</td>
<td>4.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engine parts</td>
<td>-1.5</td>
<td>2.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chassis and body parts</td>
<td>0.0</td>
<td>-2.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

#### Information and communication electronics equipment

<table>
<thead>
<tr>
<th>Percentage Points</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
<th>Jul-Sep</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
<th>Jul-Sep</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
<th>Jul-Sep</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
<th>Jul-Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital transmission equipments</td>
<td>8.1</td>
<td>2.8</td>
<td>-2.5</td>
<td>-0.4</td>
<td>9.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal computers</td>
<td>-27.5</td>
<td>-9.0</td>
<td>-10.0</td>
<td>-6.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Input-output units</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: “The Indices of Industrial Domestic Shipments and Exports”
3. Trends by kind of industry

(I) Trend in the manufacturing industry

A. Steel industry

- Production has decreased for the first time in seven quarters
  - Production decreased by 0.7% compared to the previous quarter for the first time in seven quarters due to the decreases in hot roll steel and steel pipes and tubes. Shipments decreased by 0.9% id. for two consecutive quarters due to the decrease in hot roll steel and metallic coated steel. Inventory increased by 2.8% id. due to the increase in all industries except steel pipes and tubes.

Sub-classification by kind of industry

1) Production of crude products decreased by 0.7% compared to the previous quarter for two consecutive quarters.
2) Production of hot roll steel decreased by 2.5% compared to the previous quarter for the first time in seven quarters.
3) Production of steel pipes decreased by 2.6% compared to the previous quarter for two consecutive quarters.
4) Production of cold finished steel increased by 0.3% compared to the previous quarter for seven consecutive quarters due to the increase in special cold finished steel product and ordinary cold rolled electrical sheets and strips.
5) Production of metallic coated steel decreased by 0.8% compared to the previous quarter for two consecutive quarters due to the decrease in tin-free sheets and tin plates.
6) Production of steel castings and forgings increased by 1.3% compared to the previous quarter for six consecutive quarters due to the increase in iron castings and steel casting products.

B. Non-ferrous metal industry

- Production increased for the first time in two quarters due to the increase in optical fiber communication cables
  - Production increased by 2.1% compared to the previous quarter for the first time in two quarters due to the increase in power wires and cables, refining of non-ferrous metals, copper and copper-base alloys and aluminum rolling products, in spite of the decrease in non-ferrous metal castings. Shipment increased by 1.3% id. for the first time in two quarters due to the increase in power wires and cables and refining of non-ferrous metals. Inventory increased by 2.0% id. for the first time in two quarters due to the increase in refining of non-ferrous metals.

Sub-classification by kind of industry

1) Production of refining of non-ferrous metals increased by 2.7% compared to the previous quarter for the first time in two quarters due to the increase in electrolytic gold and aluminum-base alloy ingots. Inventory increased by 7.8% compared to the previous quarter for the first time in two quarters due to the increase in electrolytic copper and zinc.
2) Production of copper and copper-base alloy and aluminum rolling products increased by 0.8% for the first time in three quarters due to the increase in aluminum rolling products and aluminum foils. Shipment decreased by 0.7% compared to the previous quarter for two consecutive quarters due to the decrease in copper and copper-base alloys and aluminum castings.

aluminum rolling products. Inventory decreased by 0.4% compared to the previous quarter for two consecutive quarters.

3) Production and shipment of power wires and cables increased by 6.4% and 4.7% compared to the previous quarter, respectively, for the first time in two quarters due to the increase in optical fibers core wires and optical fiber for communication wires and cables products. Inventory decreased by 1.1% compared to the previous quarter.

4) Production and shipment of non-ferrous metal castings decreased by 0.8% and 0.9%, respectively, compared to the previous quarter for the first time in two quarters due to the decrease in aluminum alloy castings.

C. Metal manufacturing industry

- Production decreased for three consecutive quarters

  - Production decreased by 0.9% compared to the previous quarter for three consecutive quarters due to the decrease in fabricated structural metal products and other metal products. Shipment increased by 1.0% id. for the first time in two quarters due to the increase in other metal products and metal products of building. Inventory decreased by 2.1% compared to the previous quarter for the first time in two quarters due to the decrease in all industries.

  - Sub-classification by kind of industry

    1) Production of fabricated structural metal products decreased by 5.1% compared to the previous quarter for two consecutive quarters due to the decrease in orders received for public construction. Shipment decreased by 1.0% id. for two consecutive quarters due to the decrease in structural-steel frames and bridges.

    2) Production of metal for building increased by 1.4% compared to the previous quarter for two consecutive quarters due to the increase in aluminum sashes for wooden houses and aluminum doors. Shipment increased by 2.0% id. for the first time in three quarters due to the increase in aluminum sashes for wooden houses. Inventory decreased by 2.3% compared to the previous quarter for the first time in four quarters.

    3) Production of equipment for heating and kitchen increased by 3.9% compared to the previous quarter for the first time in two quarters due to the increase in oil space heaters and bath tub gas water heaters. Shipment decreased by 1.4% id. for two consecutive quarters. Inventory decreased by 0.2% compared to the previous quarter for six consecutive quarters.

    4) Production of other metal products decreased by 0.3% compared to the previous quarter for three consecutive quarters due to the decrease in aluminum cans for beverages and wire springs. Shipment increased by 1.2% id. for the first time in two quarters due to the increase in food cans and wire ropes. Inventory decreased by 2.4% compared to the previous quarter for the first time in two quarters.

D. General machinery industry

  - Production and shipment increased due to favorable increase of export to Asia and North America

  - Production increased by 3.1% compared to the previous quarter for the first time in two quarters due to the increase in special industrial machinery, engineering and construction
machinery, metal cutting machinery, office machinery, and fans, pumps and oil hydraulic equipment. Shipment increased by 3.1% id. Inventory decreased by 1.5% compared to the previous quarter for two consecutive quarters. Inventory ratio increased by 2.7% compared to the previous quarter for the first time in seven quarters.

Sub-classification by kind of industry
1) Production of special industrial machinery increased by 19.0% for the first time in two quarters. This is because semiconductor products machinery increased by 21.7% id. due to favorable exports to Asia, the U.S. and Europe, and especially to South Korea and Taiwan, flat-panel display manufacturing equipment increased by 33.4% id. due to exports to South Korea and Taiwan, and printing machinery increased by 26.9% id. due to shipment of long roll type for domestic newspaper companies. All of these increased for the first time in two quarters.

2) Production of engineering and construction machinery increased by 9.7% compared to the previous quarter for six consecutive quarters due to the increase in shovel type excavators by 9.0% id. for six consecutive quarters, which were favorably exported to North America and China, and due to the increase in bulldozers by 30.1% id., which were favorably exported to North America, and the increase in earth finishing machinery by 9.7% id. All of these increased for two consecutive quarters.

3) Production of metal forming machinery increased by 12.2% compared to the previous quarter for three consecutive quarters due to the increase in special purpose machinery and machining centers.

4) Production of office machinery increased by 21.3% compared to the previous quarter for the first time in three quarters due to the increase in digital and full color copying machines.

5) Production of fans, pumps and oil hydraulic equipment increased by 4.9% compared to the previous quarter for two consecutive quarters due to the increase in pneumatic equipment, oil hydraulic equipment and compressors.

6) Production of boilers and power units decreased by 10.6% compared to the previous quarter due to the decrease in water tube boilers, steam turbines for general use, and parts and accessories of steam turbines, although parts and accessories of boilers increased.

7) Production of textile machinery decreased by 18.1% compared to the previous quarter for three consecutive quarters due to the decrease in looms and industrial sewing machines.

E. Electric machinery industry
- Production increased due to the increase in lithium ion storage batteries -

Production increased by 1.9% compared to the previous quarter for two consecutive quarters due to the increase in batteries and electrical rotating machinery. Shipment decreased by 0.8% id. for the first time in two quarters due to the decrease in household electrical machinery and associated electronic equipment. Inventory increased by 2.0% compared to the previous quarter for the first time in four quarters. Inventory ratio increased by 0.6% compared to the previous quarter for the first time in three quarters.

Sub-classification by kind of industry
1) Production of batteries increased by 7.4% compared to the previous quarter for the first time in two quarters due to the favorable increase of exports of lithium ion storage
batteries for personal computers and cellular telephones, and the increase in alkaline storage batteries and lead acid storage batteries.

2) Production of electrical rotating machinery increased by 5.6% compared to the previous quarter for the first time in two quarters due to the increase in all items such as servo motors, three phase induction motors for individual purpose, and small capacity motors.

3) Production of electrical measuring instruments increased by 6.3% compared to the previous quarter for the first time in two quarters due to the increase in all items such as process measuring and control instruments for industry, electric test and measuring equipment, and semiconductor characteristic measuring equipment.

4) Production of household electrical machinery decreased by 10.8% compared to the previous quarter for the first time in two quarters, due to the large decrease in separate type air conditioners in July and August because of the effect of the cold summer, although increased slightly in September, and due to the increase in refrigerators with freezers and washing machines.

F. Information and communication electronics equipment

- Production increased for the first time in two quarters due to the increase in cellular telephones -

- Production increased by 1.6% compared to the previous quarter for the first time in two quarters due to the increase in electronic computers, although household electronic machinery and communication equipment decreased. Shipment increased by 1.8% compared to the previous quarter for the first time in two quarters due to the increase in household electronic machinery and electronic computers, although communication equipment decreased. Inventory increased by 2.8% compared to the previous quarter. Inventory ratio decreased by 0.6% compared to the previous quarter for two consecutive quarters.

- Sub-classification by kind of industry

1) Production of electronic computers increased by 3.0% compared to the previous quarter for the first time in two quarters, due to the increase in LCD displays, because export of input-output units to the U.S. increased and terminal units and general purpose computers for domestic financial companies and governments increased.

2) Production of communication equipment decreased by 1.4% compared to the previous quarter for two consecutive quarters due to the decrease in basic exchange for mobile customer premises equipment for the use of PHS or cellular telephones and in export of digital transmission equipment to the U.S., although cellular telephones and electric switching systems increased.

3) Production of household electronics machinery decreased by 2.2% compared to the previous quarter for the first time in two quarters. This is because export of car navigation systems to the U.S. decreased and due to the decrease in video cameras as a result of the difficulties for each company in procurement of parts such as ICs due to the earthquake that occurred in May in the Tohoku area.
G. Electronic parts and device industry
- Production increased for three consecutive quarters due to the favorable sales of devices for information and communication electronics equipment
  - Production increased by 7.2% compared to the previous quarter for three consecutive quarters due to the increase in all kinds of industries, including electronic parts and integrated circuits, caused by the substantial increase in MOS-ICs (memory), active matrix LCD (large size), and fixed capacitors. Shipment increased by 8.2% for consecutive seven quarters due to the increase in all kinds of industries including electronic parts and ICs. Inventory decreased by 1.2% compared to the previous quarter for four consecutive quarters due to the decrease in semiconductor devices and ICs, although electronic parts increased. Inventory ratio decreased by 5.6% compared to the previous quarter for three consecutive quarters.
  - Sub-classification by kind of industry
    1) Production of electronic parts increased by 9.1% compared to the previous quarter for three consecutive quarters due to the increase in active matrix LCD (large size) for personal computers and LCD televisions, in addition to the increase in fixed capacitors, active matrix LCD (medium and small size) and electronic circuit boards, in spite of the decrease in switching power supply units.
    2) Production of integrated circuits increased by 5.5% compared to the previous quarter for seven consecutive quarters due to the increase in MOS-ICs (memory), MOS-ICs (micro computer), and MOS-ICs (CCD) for cellular telephones and digital cameras, although MOS-ICs (logic) decreased.

H. Transport equipment
- Production increased for two consecutive quarters
  - Production of transport equipment increased by 1.2% compared to the previous quarter for two consecutive quarters due to the increase in motor vehicle parts, ships and ships engines, and passenger cars. Shipment decreased by 1.0% id. for the first time in two quarters. Inventory increased by 11.0% compared to the previous quarter for the first time in two quarters. Inventory ratio increased by 3.9% for the first time in two quarters.
  - Sub-classification by kind of industry
    1) Production of passenger cars increased by 1.5% compared to the previous quarter for the first time in three quarters. Looking at the type of cars, midget passenger cars increased by 8.8% id. for the first time in four quarters due to the effect of new model cars for domestic demand. Small passenger cars increased by 1.8% for the first time in four quarters due to the effect of new model cars for domestic demand in spite of the decrease in exports mainly to the U.S. Large passenger cars decreased by 0.5% id. for the first time in two quarters due to the decreased domestic demand, although export mainly to China and Europe increased.
    2) Production of motor vehicle parts increased by 2.5% compared to the previous quarter for the first time in two quarters due to the increase in all kind of industries including automobile air conditioners, suspension and brake parts, and engine parts as well as drive, transmission and control parts.
3) Production of motorcycles increased by 3.7% compared to the previous quarter for the first time in two quarters due to motorcycles (more than 125ml), in spite of the decrease in motorcycles (less than 125ml) for export.

4) Production of trucks decreased by 0.3% compared to the previous quarter for the first time in three quarters. Looking at it by type of cars, large trucks decreased by 7.4% id. for the first time in three quarters due to the decrease in exports to Taiwan and Europe. Small trucks increased by 10.2% id. for five consecutive quarters due to the exports to ASEAN and middle east Asia as well as for the domestic demand. Midget trucks increased by 5.1% id. for the first time in two quarters due to the increase in domestic demand.

Numbers of registration and reports of new vehicles
Looking at the domestic demand of automobiles by the number of new registrations and reports of new vehicles, the number of vehicles as a whole decreased by 1.45 million, a decrease of 0.4% compared to the same quarter of the previous year for two consecutive quarters. Among them, passenger cars decreased by 1.091 million, a decrease of 2.1% compared to the same quarter of the previous year for two consecutive quarters. Trucks increased by 0.353 million, an increase of 4.8% id. for two consecutive quarters. Busses increased by 6000 thousand, a substantial increase of 59.3% id. for five consecutive quarters.

I. Precision instruments industry
- Production decreased for three consecutive quarters due to the decrease in analytical instruments

- Production decreased by 0.1% compared to the previous quarter for three consecutive quarters due to the decrease in analytical instruments and watches and clicks, in spite of the increase in optical apparatus and parts. Shipment increased by 0.7% id. for the first time in four quarters due to the increase in optical apparatus and parts and watches and clocks. Inventory decreased by 4.3% compared to the previous quarter for the first time in two quarters due to the decrease in all industries including optical apparatus and parts, measuring instruments and watches and clocks. The inventory ratio decreased by 1.7% compared to the previous quarter for the first time in two quarters.

Sub-classification by kind of industry
1) Production of measuring instruments decreased by 1.9% compared to the previous quarter for the first time in five quarters due to the decrease in analytical instruments for electric manufacturers, testing machines, measuring instruments, and precision measuring machines and instruments in spite of the increase in industrial measures.

2) Production of watches and clocks decreased by 3.8% compared to the previous quarter for the first time in two quarters due to the decrease in battery driven type watch (movements) for Hong Kong, battery driven type watch (complete) and battery driven type clocks.

3) Production of optical apparatus and parts increased by 10.5% compared to the previous quarter for the first time in four quarters due to the increase in interchangeable lenses for digital cameras in spite of the decrease in 35mm cameras.
J. Ceramics, stones and clay products

- Production decreased for two consecutive quarters -

  Production decreased by 0.6% compared to the previous quarter for two consecutive quarters. This is a result of the decreases in ceramic wares and fine ceramics by 2.7% id. for two consecutive quarters caused by the decreases in both ceramic wares and fine ceramics for structural use, in glass and glass products by 1.1% id. for two consecutive quarters, caused by the decrease in glass products, in cement and cement products by 0.3% for three consecutive quarters caused by the unfavorable trend of public construction.

  Shipment increased by 1.2% compared to the previous quarter for five consecutive quarters. This is a result of the increases in glass and glass products by 2.0% id. for two consecutive quarters, other ceramics, clay and stone products by 2.8% id. for two consecutive quarters, cement and cement products by 0.3% id. for the first time in twelve quarters, and ceramic wares and fine ceramics by 0.5% id. for the first time in two quarters.

  Inventory decreased by 3.3% compared to the previous quarter for the first time in two quarters. This is a result of the decreases in cement and cement products, class and glass products, and other ceramics, clay and stone products.

  Inventory ratio decreased by 2.3% compared to the previous quarter for the first time in three quarters.

- Sub-classification by kind of industry

  1) Production of glass and associated products decreased by 1.1% compared to the previous quarter for two consecutive quarters due to the substantial decrease in glass products, in spite of the increase in sheet glass and glass fiber wool products.

  2) Products in cement and cement products decreased by 0.3% compared to the previous quarter for three consecutive quarters due to the decreases in pre-stressed concrete, cement and asbestos cement sheets.

  3) Products in ceramic wares and fine ceramics decreased by 2.7% compared to the previous quarter for two consecutive quarters due to the decreases in fine ceramics for structural use, tiles, sanitary ceramic wares, and ceramics wares for tablewares and kitchenwares.

  4) Production of other ceramics, clay and stone products increased by 2.3% compared to the previous quarter for the first time in two quarters due to the increases in gypsum boards, solidity carbonaceous electrodes, and monolithic refractories.

K. Chemicals

- Production stayed flat and shipment increased -

  Production stayed flat compared to the previous quarter, because plastic materials, industrial organic chemicals, and synthetic rubbers decreased while cosmetics, paint and printing ink, and soap, synthetic detergent and surface-active agents increased. Shipment increased by 0.9% id. for the first time in two quarters due to the increases in cyclic chemicals and synthetic dyes and plastic materials, in spite of the decreases in industrial organic chemicals, aromatic hydrocarbons (petroleum origin) and sensitive materials for photography. Inventory decreased by 0.5% compared to the previous quarter for the first time in two quarters.
Sub-classification by kind of industry
1) Production in cosmetics increased by 6.9% for the first time in two quarters. This is a result of increases in makeup products caused by the increases in production of novel products and for campaigns including foundation, hair care products caused by the favorable increases in new shampoo and hair rinse products and refills, and skin cream products caused by the increases in washing cream, washing foam, and skin water.
2) Production of paint and printing ink increased by 2.1% compared to the previous quarter for the first time in two quarters. This is a result of the increases in synthetic resin paints for automobiles and buildings, painting ink for planography and thinners.
3) Plastic materials decreased by 2.4% compared to the previous quarter for four consecutive quarters. This is a result in the decrease of polypropylene caused by the suspension of production by some plants and polystyrene caused by the effect of regular overhaul.

L. Petroleum and coal products
- Production decreased for the first time in five quarters due to the decrease in gasoline and heavy fuel oil B and C.
- Production decreased by 6.0% compared to the previous quarter due to the decreases in gasoline, heavy fuel oil B and C, and naphtha. Shipment decreased by 3.7% compared to the previous quarter for two consecutive quarters due to the decrease in heavy fuel oil B and C, kerosene and gasoline. Inventory decreased by 0.3% compared to the previous quarter for the first time in two quarters due to the decrease in heavy fuel oil B and C, naphtha, and jet fuel.
- Trends in major items
  1) Production of gasoline decreased by 5.5% compared to the previous quarter for the first time in three quarters. Shipment decreased by 1.5% id. for two consecutive quarters due to decrease in demand caused by bad weather. Inventory increased by 2.9% compared to the previous quarter for two consecutive quarters.
  2) Production of naphtha decreased by 5.1% compared to the previous quarter for the first time in seven quarters. Shipment decreased by 1.4% id. for two consecutive quarters due to the decreases in ethylene, pure benzene, pure toluene, and xylene. Inventory decreased by 10.7% for the first time in two quarters.
  3) Production of kerosene decreased by 4.1% compared to the previous quarter for two consecutive quarters, but compared to the corresponding quarter of the previous year, it has remained at a high level, showing an increase of 6.4%. Shipment decreased by 9.4% id. and inventory increased by 13.1% compared to the previous quarter for three consecutive quarters.
  4) Production of gas oil decreased by 4.1% compared to the previous quarter for two consecutive quarters. Shipment decreased by 4.3% id. due to the rationalization of transport and the decrease of ownership of gas oil vehicles. Inventory increased by 7.8% compared to the previous quarter for two consecutive quarters.
  5) Production and shipment of heavy fuel oil B and C decreased substantially by 23.2% and 20.9%, respectively, compared to the previous quarter for the first time in five quarters. This is a result of the re-operation of a nuclear power plant and a smaller increase in demand for electricity due to the cold summer. Inventory decreased by 18.7% compared to the previous quarter for the first time in four quarters.
6) Production of coal products decreased by 0.8% compared to the previous quarter for two consecutive quarters. Shipment increased by 4.8% for the first time in two quarters due to the increase in demand for iron. Inventory increased by 0.4% compared to the previous quarter for two consecutive quarters.

M. Plastic products industry
- Production and shipment increased
- Production increased by 0.2% compared to the previous quarter for the first time in two quarters due to the increases of consumption material-related and construction material-related production, in spite of the decrease in manufacturing material-related production. Shipment increased by 0.4% compared to the previous quarter for the first time in two consecutive quarters due to the increases in consumption material-related production and construction material-related production, in spite of the decrease in manufacturing material-related production. Inventory decreased by 1.1% compared to the previous quarter for seven consecutive quarters due to the decreases in consumption material-related production, construction material-related production, and manufacturing material-related production.
- Production by use
  1) In manufacturing material-related items, plastic synthetic leathers decreased by 2.3% compared to the previous quarter for the first time in two quarters due to the decrease in demand for interior materials for automobiles. On the other hand, plastic products for machine tools and parts increased by 0.3% for the first time in three quarters due to increase in electric communication parts. Plastic containers blow-molding increased by 0.2% for three consecutive quarters due to the increase in PET bottles for beverages.
  2) In consumption material-related items, plastic film and plastic sheets increased by 0.6% compared to the previous quarter for the first time in two consecutive quarters due to the increase in demand for food containers. Plastic products for daily necessaries and miscellaneous goods increased by 2.1% for the first time in two quarters due to the increase in demand for kitchenware and gardening tools.
  3) In engineering and construction material-related items, plastic plates increased by 11.0% compared to the previous quarter for the first time in three quarters due to the increases in plastic plates for electric communication and building and in waving plate. Plastic pipes decreased by 2.2% for the first time in three quarters due to the increase in demand for public construction related water supply and sewerage. On the other hand, plastic material for building decreased by 2.9% for the first time in two quarters. Plastic reinforced products decreased by 0.2% for three consecutive quarters.

N. Pulp, paper and paper products industry
- Production and shipment increased for the first time in four quarters
- Production increased by 0.6% compared to the previous quarter for the first time in four quarters due to the increases in all kind of industries including paperboard, converted and processed paper, paper, and pulp. Shipment increased by 1.1% compared to the previous quarter for the first time in four quarters due to the increases in all kind of industries including paperboard, converted and processed paper, paper, and pulp. Inventory decreased
by 0.8% compared to the previous quarter for the first time in two quarters due to the decrease in paperboard and pulp.

Sub-classification by kind of industry

1) Production of paper increased by 0.3% compared to the previous quarter for the first time in four quarters due to the increases in newsprint paper in rolls, uncoated printing paper, communication paper, and wrapping and packing paper. Shipment increased by 0.5% id. due to the increases in newsprint paper in rolls, uncoated printing paper, and wrapping and packing paper. Inventory increased by 2.2% compared to the previous quarter for two consecutive quarters due to the increases in coated printing paper, uncoated printing paper, communication paper, and wrapping and packing paper.

2) Production of paperboard increased by 1.8% compared to the previous quarter for the first time in four quarters due to the increases in container board and paperboards for paper containers. Shipment increased by 4.6% compared to the previous quarter for the first time in four quarters due to the increases in container board and paperboards for paper containers. Inventory decreased by 10.7% compared to the previous quarter for two consecutive quarters due to the decreases in container board and paperboards for paper containers.

3) Production of converted and processed paper (corrugated cardboard sheets) increased by 1.6% compared to the previous quarter for the first time in three quarters. Shipment increased by 1.3% id. for the first time in three quarters due to the increases in demand for fresh fruits and vegetables, processed foods (including beverage), ceramic wares, glass products, miscellaneous goods, and electric apparatus and machinery and instruments.

O. Textiles industry

- Production and shipment decreased for twenty six consecutive quarters -

- Production decreased by 1.2% compared to the previous quarter for twenty-six consecutive quarters. This was caused by the decrease in all kinds of industries including clothes, woven fabrics, man-made fibers, except other textile products due to weakness in demand. Shipment also decreased by 1.4% compared to the previous quarter for twenty-six consecutive quarters. Inventory decreased by 2.9% compared to the previous quarter for nine consecutive quarters due to the decreases in clothes, woven fabrics, and other textile products

- Sub-classification by kind of industry

1) Production of man-made fiber decreased by 1.5% compared to the previous quarter for eleven consecutive quarters due to the decrease in synthetic fibers (filament), although synthetic fibers (staple) increased slightly. Shipment decreased by 3.8% id. for two consecutive quarters due to the decreases in synthetic fibers (filament), although synthetic fibers (staple). Inventory increased by 3.0% compared to the previous quarter for the first time in nine quarters.

2) Production of spun yarn decreased by 4.0% compared to the previous quarter for twenty-six consecutive quarters due to the effects by the shift of production in foreign countries and by import of products. Shipment decreased by 3.1% id. for three consecutive quarters, showing an unfavorable trend. Inventory decreased by 0.2% compared to the previous quarter for six consecutive quarters due to the decrease in woolen yarn.
3) Production of woven fabrics decreased by 1.3% compared to the previous quarter for sixteen consecutive quarters due to the decreases in cotton fabrics, woolen fabrics, synthetic fiber fabrics (filament and staple) caused by the weak demand. Shipment decreased by 0.4% id. for thirteen consecutive quarters due to the decreases in woolen fabrics and towel cloth, although silk and spun silk fabrics and cotton fabrics increased. Inventory decreased by 4.4% compared to the previous quarter for nine consecutive quarters due to the decreases in all items including synthetic fiber fabrics (filament and staple), woolen fabrics and silk and spun silk fabrics.

4) Production of clothes decreased by 3.0% compared to the previous quarter for eighteen consecutive quarters due to the increase of imported products in addition to weak demand in all items including woven fabric outer wear and hosiery. Shipment decreased by 2.5% id. for two consecutive quarters due to the decreases in woven fabric outer wears and knitted fabrics outer wear. Inventory decreased by 5.0% compared to the previous quarter for the first time in two quarters due to the decrease in hosiery, woven fabrics outer wear and underwear.
Trends in tertiary industries

A. Commerce

The total sales amount for the wholesale industry was 112.34 trillion yen, decreasing slightly by 0.3% compared to the corresponding quarter of the previous year for the first time in three quarters due to the decrease in each kind of wholesale and wholesale for foods and beverages, agriculture and livestock products, and fishery products that were affected by the long period of rain and the cold summer, while wholesale for machinery and appliances, other wholesale, and wholesale for medicine and drugs and cosmetics increased.

The total sales amount for large wholesalers was 31.3537 trillion yen, a decrease of 4.7% compared to the corresponding quarter of the previous year for two consecutive quarters.

The total sales amount for the retail industry was 31.327 trillion yen, decreasing by 2.3% compared to the corresponding quarter of the previous year for ten consecutive quarters due to the decrease in all kinds of industries.

The total sales amount for large retailers was 5.2314 trillion yen, decreasing again by 2.1% compared to the corresponding quarter of the previous year with weak movement, since consumer sentiment remained cautious due to uncertainties about employment and decreases in income, and weak demand for seasonal goods due to the bad weather.

The total sales amount and service sales amount for convenience stores was 1.8588 trillion yen, a slight decrease of 0.1% compared to the corresponding quarter of the previous year.

On the basis of existing stores, it decreased by 4.0% id.

B. Specific service industries

Business services

The contract amount for commodity leases (based on acceptance inspection) decreased by 3.0% compared to the corresponding quarter of the previous year for eight consecutive quarters. The purchase amount for delivery items decreased by 2.9% id.

The total sales amount for the rental industry decreased by 5.1% compared to the corresponding quarter of the previous year for nine consecutive quarters.

The total sales amount for the information service industry decreased by 2.2% compared to the corresponding quarter of the previous year.

The total sales amount for advertising decreased by 0.1% compared to the corresponding quarter of the previous year. The main four advertising media also decreased by 0.6% id.

The total amount handled for the credit card service increased by 4.5% compared to the corresponding quarter of the previous year. By type of business, sales credit business increased by 6.3% id.
The total amount for the orders received in engineering service decreased by 2.8% compared to the corresponding quarter of the previous year. The breakdown is a decrease of 11.7% id. for domestic demand and an increase of 33.7% id. for foreign demand.

- **Personal services**
  - In the leisure and amusement services, theaters, performances, and companies promoting professional sports and performances, pachinko parlors and bowling alleys increased, while recreation facilities and amusement parks, movie theaters, golf courses and golf driving ranges decreased.
  - In the culture and lifestyle services, fitness clubs, funeral services, and cultural centers increased, while wedding ceremony halls decreased.