2. Supply trend and final demand
(1) Outline of supply trend for final demand

Supply trend for the second quarter

The Outline of the supply trend for final demand for this quarter is as follows.

Overall industrial supply for consumption increased by 0.6% compared to the previous quarter, up for the first time in 2 quarters. This was due to an increase in individual consumption by 0.4% (id.) (up for the first time in 2 quarters), and an increase in government consumption by 1.2% (id.) (up for the 4th consecutive quarter).

Overall industrial supply for investment increased by 0.7% (id.), up for the first time in 2 quarters. This was due to an increase in private corporation facilities by 3.7% (id.) (up for the first time in 2 quarters) and an increase in private housing by 1.3% (id.) (up for the first time in 3 quarters), while public investment decreased by 8.9% (id.), down for the 2nd consecutive quarter.

Exports increased by 5.6% compared to the previous quarter, while imports also increased by 4.8% (id.). Both rose for the 4th consecutive quarter.

IT-related consumption decreased by 1.1% compared to the previous quarter, while IT-related investment also decreased by 0.8% (id.). Both dropped for the 2nd consecutive quarter.

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

(2000=100, Ratio compared to the previous year, Ratio compared to the previous quarter after seasonal adjustment)

Notes: 1. The indices of all industrial supply for the current quarter were revised based on the 2000 base year in accordance with the revision of the indices of tertiary industry activity, which is a part of basic data series. As for the details of the revision and the definition of "IT-related consumption" and "IT-related investment", see "Outline of the revision of the 2000 base year 'Indices of All Industrial Supply' at p. 225 in the text. As for long-term time series, see the website.


2. As for IT-related consumption and IT-related investment, see Notes on the next page.

3. As the indices of all industrial supply are calculated using various statistical data, preliminary figures are used for some basic data.

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

IT-related consumption for the quarter decreased by 1.1% compared to the previous quarter, down for the 2nd consecutive quarter, while non IT-related consumption increased by 0.4% (id.), up for the 3rd consecutive quarter.

IT-related investment for private enterprise facilities decreased by 0.8% compared to the previous quarter, down for the 2nd consecutive quarter, while non IT-related investment increased by 4.8% (id.), up for the first time in 2 quarters.

Changes in IT-related consumption

- Index level (2000=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, fixed telecommunications business and mobile telecommunications business that are also supplied to personal consumption.
Source: “The Indices of All Industries (final demand components)”

Changes in IT-related investment

- Index level (2000=100, seasonally adjusted)
- Ratio compared to the previous quarter, Rate of contribution to growth rate

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, cellular telephones, 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, fixed telecommunications business, mobile telecommunications business, software development and program creation (subcontracts) that are also supplied to private corporate facilities.
Source: “The Indices of All Industries (final demand components)”
Recently income differentials are said to have become larger, even in Japan. I will examine the recent trend from two viewpoints of "age groups" and "income groups." I will also compare the trend of consumption differentials and savings differentials with that of income differentials.

Looking at income differentials by "age groups" of the householders, two points are distinct: 1) the differentials are bigger in the elderly age groups than the young age groups, 2) recently the differentials among the elderly age groups are becoming smaller and smaller. One of the reasons for the former is that the older one becomes the larger the differentials become. This is due to the stronger influence of their individual earning power note). One of the reasons for the latter may be the influence of income redistribution by way of social security such as the pension system. Along with slow economic growth, the initial income is decreasing, but the standard of income is being raised by redistributed income through the social security system and the like. As a result, income of the elderly households, about 70% of which is social security benefits, has become uniform and income differentials have been diminishing.

Note: The starting salaries of the employees fresh from college have little differentials, but the older they become, the greater the factors become to enlarge differentials. The factors include personal characteristics (e.g. one's educational background, the sort of occupation, and one's skills), companies' features (e.g. scales of the companies and categories of business), and one's ranks in the corporation (e.g. one's official duty and promotion).

Gini Coefficient of Annual Income by Age Groups of the Householders (Ordinary households with more than two family members – Overall households)

Special feature 1: The differentials are larger in the elderly groups than in the younger groups.

Special feature 2: Except for 1999, when the economy was boosted, the differentials in the

Note: Gini coefficient shows the concentration rate of distribution or the inequality rate. The value closer to 0 means equality and the value closer to 1 means inequality.
Source: "National survey of Family Income and Expenditure" (The Ministry of Internal Affairs and Communications)
Income Redistribution in Elderly Households

<table>
<thead>
<tr>
<th>Income Group</th>
<th>1996</th>
<th>1999</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial</td>
<td>141.8</td>
<td>122.2</td>
<td>92.0</td>
</tr>
<tr>
<td>Redistributed</td>
<td>386.7</td>
<td>392.9</td>
<td>390.1</td>
</tr>
</tbody>
</table>

Redistribution coefficient = (Redistributed income / Initial income) × 100

Looking at income differentials by “income group,” regular income of the highest income group (the rank V of five ranks of regular income) has been slow to increase, while that of the low income group (the rank I (id.)) hit its peak in 1997 and has generally been decreasing. In other words, whether the income differentials expand or not depends more on the income of low-income people than on that of high-income people.

Comparing differentials in consumption and savings with income differentials, the latter were bigger than the former two and have been increasing. Saving differentials have been decreasing and have shown almost the same movements as income differentials, while consumption differentials were small compared to the others and have remained almost the same.

Changes of Regular Income by 5 Income Ranks

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<tbody>
<tr>
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</tbody>
</table>

Note: The regular income of each rank is obtained using the consumer price index (excluding imputed rent).

Source: “Annual Report on Family Income and Expenditure Survey” (The Ministry of Internal Affairs and Communications)
Notes: 1. The higher the positive value the more the factor contributes to expanding the differentials, and the higher the negative value the more the factor contributes to diminishing the differentials.
2. The squared coefficient of variation is obtained by dividing the variance value of 5 regular income ranks by the square of the average of regular income.

Source: “Annual Report on Family Income and Expenditure Survey” (The Ministry of Internal Affairs and Communications)

Note 1: Meaning Rank I contributed to diminishment of differentials.
Note 2: Meaning Rank I contributed to expansion of differentials.

Notes: 1. The higher the positive value the more the factor contributes to expanding the differentials, and the higher the negative value the more the factor contributes to diminishing the differentials.
2. The squared coefficient of variation is obtained by dividing the variance value of 5 regular income ranks by the square of the average of regular income.

Source: “Annual Report on Family Income and Expenditure Survey” (The Ministry of Internal Affairs and Communications)
Present situation of investment in machinery equipment
- increasing with a wider range -

At present, along with an expanding economy, investment in machinery equipment, which is indispensable for industrial production activities, has been growing. I examined the special feature of business investment in the current stage of an expanding economy (note) through a comparison with the former stage (note) from viewpoints of industries investing in it and investment targets, machinery equipment using Orders Received for Machinery and the Table of Total Industrial Supply (Capital goods). The former statistics make it possible to analyze machinery investment by industries on the demand side and by types of machines, and the latter make it possible to analyze machinery investment by items.

Among Orders Received for Machinery, I examined a trend of “private-sector demand,” which shows Japan’s industrial investment in machinery equipment. First, comparing it by industry on the demand side, in the manufacturing sector the contribution ratio of Electrical machinery reduced sharply, while that of the General machinery, Automobiles, Iron and steel and Chemicals and chemical products has been increasing. In the non-manufacturing sector, the contribution ratio of Tele communications has been reducing.

Comparing a trend of “civilian demand” by types of machines ordered, the growth rate of Electronic and communication equipment has been diminishing, while that of Industrial machinery and Metal cutting machines has been growing.

Note) The former stage of an expanding economy (the 13th cycle) was from the first quarter of 1999 to the fourth quarter of 2000, and the current stage is from the first quarter of 2002 to the second quarter of 2004.

Changes of New Sum of Other Tangible Fixed Assets, Orders Received for Machinery, and Total Supply Indices of Capital Goods

Notes: 1. Real figures for private-sector demand (Orders Received for Machinery) and other tangible fixed assets are obtained using Corporate Goods Price Index (Bank of Japan). Hereinafter all the real figures values are obtained using the CGPI.
2. Seasonal adjustment of other tangible fixed assets was done in my own right using X-11 default of the Census Bureau method.
3. Private-sector demand (Order Received for Machinery) and other tangible fixed assets (Financial Statements Statistics of Corporations by Industry) are put into indices setting the average of 2000 as 100.
Source: “Financial Statements Statistics of Corporations by Industry” (Ministry of Finance, Japan)
“Orders Received for Machinery” (Cabinet Office, Japan)
“Corporate Goods Price Index” (Bank of Japan)
Changes of the Growth Rate of Sum of Machinery Orders (real) in the Former and the Current Stages of an Expanding Economy

The average growth rate of the total sum of orders (real, seasonally adjusted) (%) and the contribution ratio by item (% points)

<table>
<thead>
<tr>
<th></th>
<th>Former Stage</th>
<th>Current Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average growth rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of total sum of orders (%)</td>
<td>4.28</td>
<td>5.02</td>
</tr>
<tr>
<td>Contribution ratio by item (% points)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iron and steel</td>
<td>0.17</td>
<td>0.28</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>0.02</td>
<td>0.33</td>
</tr>
<tr>
<td>Information services, research and advertising</td>
<td>0.46</td>
<td>1.06</td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General machinery</td>
<td>2.87</td>
<td>1.88</td>
</tr>
<tr>
<td>Electrical machinery</td>
<td>0.26</td>
<td>0.44</td>
</tr>
<tr>
<td>Automobile</td>
<td></td>
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<tr>
<td>Transportation</td>
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<tr>
<td>Telecommunications</td>
<td></td>
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</tr>
<tr>
<td>Wholesale and Retail trade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemical and chemical products</td>
<td>0.19</td>
<td>0.15</td>
</tr>
</tbody>
</table>

The average growth rate of the sum of machinery orders in manufacturing and non-manufacturing sector (%) and the contribution ratio by major industry (% points)

<table>
<thead>
<tr>
<th></th>
<th>Former Stage</th>
<th>Current Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average growth rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of sum of machinery orders (%)</td>
<td>1.08</td>
<td>1.08</td>
</tr>
<tr>
<td>Contribution ratio by industry (% points)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General machinery</td>
<td>1.20</td>
<td>0.75</td>
</tr>
<tr>
<td>Electrical machinery</td>
<td>1.99</td>
<td>0.15</td>
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<tr>
<td>Automobile</td>
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<td>Transportation</td>
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<td>Telecommunications</td>
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<tr>
<td>Wholesale and Retail trade</td>
<td></td>
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</tr>
<tr>
<td>Chemical and chemical products</td>
<td>0.44</td>
<td>0.06</td>
</tr>
</tbody>
</table>

Note: The average growth rate of total sum of orders is the average of growth rate of sum of machinery orders during current quarters compared to previous quarters. The average contribution ratio is the average of contribution ratio by items during current quarters.

Source: “Orders Received for Machinery” (Cabinet Office, Japan)
“Corporate Goods Price Index” (Bank of Japan)
Taking a look at the average contribution ratio by item in the growth rate in each stage of the expanding economy on the table of Total Industrial Supply (Capital goods), a wider range of items are observed to be supplied in the current stage than in the former stage.

In conclusion, in the current stage of expanding economy, there are no industries with a strong driving force, but capital investment is considered to be done in a wider range of machines and items in a wider range of industries than in the former stage.

Average growth rate of Total Supply of Electronic and communication equipment
Industrial machinery and Metal cutting machines
and Sum of Machinery Orders by Type,
and Distribution of average contribution ratio of Total Supply by Item

Notes:
1. The indices of Total Supply of Capital goods by type is obtained by calculating weighted mean of Total Supply by item, based on the details of the relevant types in the statistics of machinery orders. The values on the tables of Total Industrial Supply (Capital goods) by item are a trial calculation of Total domestic supply by item based on IIP and Trade Statistics. Some items whose weight of imports are low were not seasonally adjusted, and their imports were not taken into account due to their extremely low weight.
2. The Growth rate in Total Supply of Capital goods and the growth rate in sum of machinery orders on the figures express the average change(%) of the quarter compared to the previous quarter. Others express the average (% points) of contribution ratio by industry to the average growth rate of the sum of machinery orders during the quarter.
3. The “order” on the cross axle on figure expresses the descending order of the items by average contribution ratio to the growth rate of Total Supply of Capital goods in the former and the current stages.

Source: “Orders Received for Machinery” (Cabinet Office, Japan)
“Corporate Goods Price Index” (Bank of Japan)
Present situation of free cash flow of the enterprises and their business

In order to observe the future possibility of industrial investment activities, I examined the present situation of management based on free cash flow, which is a result of the variation in the enterprises' stock of machinery equipment and their investment activities.

Looking at the net increment in "other tangible fixed assets", such as including machinery equipment and buildings, in Financial Statements Statistics of Corporations by Industry, both the manufacturing sector and the non-manufacturing sector have recently been decreasing, down by a wider range in the current stage of an expanding economy than in the former stage. As for the details, the value of new investment has been increasing, but the value of extinguishment has also grown larger than ever, which suggests that the enterprises have been carrying out new investment and at the same time, carrying out compression of investment on machinery equipment and buildings.

Note: The definitions of free cash flow, the sum of business investment, and increasing working capital are as follows:

\[
\text{free cash flow} = (\text{net operating profit after tax}) + (\text{Depreciation cost}) - (\text{the sum of business investment}) - (\text{increasing working capital})
\]

\[
\text{the sum of business investment} = (\text{new investment on land}) + (\text{new other tangible fixed assets}) + (\text{new construction in progress}) + (\text{new intangible fixed assets})
\]

\[
\text{increasing working capital} = (\text{increase or decrease of inventory assets}) + (\text{accounts receivable-trade}) - (\text{increase or decrease of purchase liabilities})
\]

Net Increment of Other Tangible Fixed Assets and Changes of the Components

- Manufacturing sector
- Non-manufacturing sector

Notes: 1. Sum of assigned transfer is the increment by purchasing existing buildings or used machines which other corporation had already added up as fixed assets or by a transfer from construction in progress.
2. Seasonal adjustment was done in my own right using X-11 default of the Census Bureau method.
Source: "Financial Statements Statistics of Corporations by Industry" (Ministry of Finance, Japan)
"Corporate Goods Price Index" (Bank of Japan)
Taking a look at free cash flow, which is considered to be a result of investment activities, both in the manufacturing and non-manufacturing sectors, since around 1999, free cash flow and the rate of free cash flow to sales have maintained a higher level than before, and therefore recently an improvement can be inferred in business with increasing free capital. By factors, business investment has been decreasing, for many years, and as for working capital, the rate of working capital to sales has been decreasing by way of shortening the turnover periods of trade receivables and inventory assets. This suggests that the enterprises are now trying to seek the management with lower risks, which will increase free cash flow.
Notes: 1. Free cash flow, net operation profit after tax, depreciation cost, business investment and increasing working capital in 2004 on figures are the values of the first quarter of 2004. They are obtained by originally estimating the seasonally adjusted annualized values of the relevant net operation profit after tax, depreciation cost, business investment and working capital, using X-11 default of the Census Bureau method. The rate of business free cash flow to sales in 2004 on figure is the value of the first quarter of 2004, and is obtained by dividing the free cash flow of with sales (seasonally adjusted) which is estimated in my own right using X-11 default of the Census Bureau method.

2. The rate of working capital to sales is obtained by dividing the working capital with sales. The working capital is obtained by subtracting purchase liabilities from the total of inventory assets and trade receivables.

Source: "Financial Statements Statistics of Corporations by Industry" (Ministry of Finance, Japan)
“Corporate Goods Price Index” (Bank of Japan)

Lastly, I will examine the trend of repayment of interest-bearing liabilities and increase in dividends, which are considered to be a major way to utilize free cash flow.

Both in the manufacturing and in the non-manufacturing sectors, interest-bearing debts and the rate of interest-bearing liabilities to added value has been decreasing since around 2000. It is presumed that increased free cash flow has been utilized to reduce interest-bearing liabilities. As its level still remains high, free cash flow will continue to be spent to reduce liabilities.

Both in the manufacturing and in the non-manufacturing sectors, dividends increased significantly in the current stage of an expanding economy. While business is going to be improved, increased free cash flow is supposed to have been utilized also as dividends.

The capital to reduce interest-bearing liabilities will be needed also in the future, but more positive investments can be expected due to an improvement in business.

### Changes of Interest-bearing Liabilities and Dividends in Manufacturing and Non-manufacturing Sectors (Total)

- **Manufacturing sector**
  - (a) Interest-bearing liabilities
  - (b) Dividends and payout ratio

![Graph of Changes of Interest-bearing Liabilities and Dividends](image-url)
Non-manufacturing sector

(a) Interest-bearing liabilities

(b) Dividends and payout ratio

Notes:
1. The value of interest-bearing liabilities is that of the last quarter of the relevant year.
2. The rate of interest-bearing liabilities to added value is obtained by dividing interest-bearing liabilities by industry with the added value by industry.
3. The payout ratio is obtained by a trial calculation, dividing dividends (including interim dividend payouts) with net operating profits after tax.

Source: “Financial Statements Statistics of Corporations by Industry” (Ministry of Finance, Japan)
“Corporate Goods Price Index” (Bank of Japan)
(2) Outline of import and export trends

Looking at the trends of exports and imports for the second quarter of 2004 (on a quantity basis), exports as a whole increased by 5.6% compared to the previous quarter, up for the 4th consecutive quarter, due to an increase in received services (the tertiary industry) by 7.5% (id.) and an increase in export of goods (the mining and manufacturing industry) by 4.7% (id.). Imports as a whole increased by 4.8% (id.), up for the 4th consecutive quarter, due to an increase in service payments (the tertiary industry) by 7.6% (id.) and an increase in import of goods (the mining and manufacturing industry) by 4.0% (id.).

By region, exports of goods increased in all of the regions, the U.S., Europe, East Asia and ASEAN. Import of goods decreased in Europe, but increased in the U.S., East Asia and ASEAN.

Notes: 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, Yemen, the West Bank, and Gaza

Export to China with a slowing growth rate
I will examine the factors concerning the slowdown in exports to China by goods and from the viewpoint of major items, and I will also examine whether or not China’s policy to tighten finances has any influence on Japan’s exports to China.

Looking at changes in exports to China by goods, the growth of producer goods started to slow down from the first quarter of 2003. Classifying producer goods, which had supported exports to China, into 6 groups note by use, electronic parts and devices have had a significant influence in particular.

Since the first quarter of 2003, producer goods for electronic parts and devices have been diminishing their contribution ratio to increase, which is supposedly the main reason for the slowdown of exports to China. The total contribution ratio of producer goods for electronic parts and devices was 60.2% in the first and second quarters of 2003, and was 44.7% in the first and second quarters of 2004, which can explain most of the increase in producer goods. In particular, three items, metal oxide semiconductor IC (logic ICs), metal oxide semiconductor IC (micro computer), and metal oxide semiconductor IC (memory) were assured to have a big influence.

Note: Among the classification of the shipment index of the trade statistics, the groups are rearranged into the items that are classified into producer goods and further rearranged by business of IIP. The group for iron and non-ferrous metals is the total of the iron and steel industry and the non-ferrous metals industry, the group for machinery is the total of the general machinery industry and the electrical machinery industry, the group for electronic parts and devices is the same as the electronic parts and devices industry, the group for chemicals is the same as the chemicals industry, the group for petroleum and coal products is the same as the petroleum and coal products industry, and the group for others is the total of the rest.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total of Exports</th>
<th>%Change from the same quarter of the previous year</th>
<th>Contribution ratio (to total) (% points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td></td>
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<td>2002</td>
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<td></td>
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<td>2003</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td></td>
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</tr>
</tbody>
</table>

Note: Estimated value by rearranging the trade statistics
Taking a look at the trends of these three items in China’s market, ICs and micro assembling\(^{\text{note1}}\), which China imports from all over the world, have increased significantly since the second quarter of 2002. Japan’s exports to China hit their peak in the third quarter of 2003 and have been slowing down since then. Taiwan’s exports to China still maintain a high level, although, the growth rate is decreasing. Korea’s exports to China hit the peak in the first quarter of 2003 and have maintained that level.

Japan’s overseas subsidiaries in China (including Hong Kong) have been remained positive since the second quarter of 2002, from the viewpoint of sales in the electrical machinery industry, including the electronic parts and devices industry\(^{\text{note2}}\). By customer, exports to third countries have been positive, exports to Japan have stayed the same, and sales in China have shown a slowdown since the fourth quarter of 2002.

Among exports to China, producer goods for electronic parts and devices in particular showed a slowdown in this quarter. The reason for this might be that China imported part of the ICs from Korea and Taiwan shifting from Japan, and that sales in China of Japan’s overseas subsidiaries slowed down.

Note 1: Its item number in the trade statistics is 16-85-8542, in the world common category.
Note 2: It should be noted that the electronic parts and devices industry is included in the electrical machinery industry, different from the examinations so far.

It is almost the same as the estimated value rearranged with items in IIP.

### Ratio Compared to the Same Quarter of the Previous Year, Rate of Contribution to the Growth Rate for ICs and Micro Assembling And its Distribution Ratio (China)

Note: Dollar basis
Source: “World Trade Atlas”

### Ratio Compared to the Same Quarter of the Previous Year, Rate of Contribution to the Growth Rate of Electrical Machinery Industry by Customer (China)

Note: Dollar basis
Source: “Quarterly Survey of Overseas Subsidiaries (The Ministry of Economy, Trade and Industry)"
As for the influence of China's policy to tighten finances on Japan's exports to China, the amount of currency, the total amount of loans and investment in fixed assets showed a slowdown, which implies the influence of Chinese government's tightening policy is going to emerge in the aspect of finances (money supply and loans by financial institutions) and in the trend of investment (investment in fixed assets).

I examined whether or not the slowdown in investment in China has any influence on exports of investment goods (capital goods and construction goods) from Japan. Classifying capital goods into 7 groups by use, the contribution ratio of capital goods for construction slowed down compared to the same quarter of the previous year. The total contribution ratio of items for construction was 14.0% in the first and second quarters of 2003, but it decreased to 1.6% in the first and second quarters of 2004, which indicates the influence of the current monetary policy tightening and the slowdown of overheated investment.

Exports to China have been positive at present, although the growth is slowing down. There remain some unstable factors due to possibilities that the influence of monetary policy tightening will spread out to other usage of capital goods and construction goods which is now positive, therefore we should keep an eye on the future trend.

Note: Among the classification of the shipment index of the trade statistics, the groups are rearranged by use of capital goods. Capital goods for agriculture is included in others.

Growth Rate Compared to the Same Quarter of the Previous Year of Money Supply, Total Loans by Financial Institutions and Investment in Fixed Assets

Source: "Monetary Survey" (The People's Bank of China)
"Investment in Fixed Assets" (National Bureau of Statistics of China)

Growth Rate Compared to the Same Quarter of the Previous Year of Capital Goods by Details (for China)

Note: Estimated value by rearranging the trade statistics
Ratio Compared to the Same Quarter of the Previous Year,
Rate of Contribution to the Growth Rate of Construction (Machinery)
to Capital Goods (for China)

(Items contributed to increase)

<table>
<thead>
<tr>
<th>Item</th>
<th>Rate of Contribution</th>
<th>Rate of Contribution</th>
<th>Note: Estimated value by rearranging the trade statistics with items of IIP.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shovel type excavators</td>
<td>5.961</td>
<td>13.3</td>
<td></td>
</tr>
<tr>
<td>Measuring instruments</td>
<td>0.214</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Bulldozers</td>
<td>0.151</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>Construction cranes</td>
<td>0.114</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>Earth finishing machinery</td>
<td>0.022</td>
<td>0.0</td>
<td></td>
</tr>
</tbody>
</table>

(Items contributed to decrease)

<table>
<thead>
<tr>
<th>Item</th>
<th>Rate of Contribution</th>
<th>Rate of Contribution</th>
<th>Note: Estimated value by rearranging the trade statistics with items of IIP.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shovel trucks</td>
<td>0.191</td>
<td>0.4</td>
<td></td>
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<tr>
<td>Shovel type excavators</td>
<td>0.390</td>
<td>3.0</td>
<td></td>
</tr>
</tbody>
</table>

(The average of the first and second quarters of 2003 (% points) Contribution (%)
For construction (to capital goods) 6.266 14.0
For construction (to capital goods) 0.212 1.6

Note: Estimated value by rearranging the trade statistics with items of IIP.
3. Trends by kind of industry

(1) Trend in the manufacturing industry

A. Iron and steel

- Both production and shipments increased for the 3rd consecutive quarter. -

  1) Production of crude products decreased by 1.5% compared to the previous quarter, down for the first time in three quarters.
  2) Production of hot roll steel increased by 0.9% (id.), up for the 3rd consecutive quarter, due to an increase in ordinary steel sheets and plates for shipping.
  3) Production of steel pipes and tubes increased by 4.0% (id.), up for the 3rd consecutive quarter, due to an increase both in special steel pipes and tubes and ordinary steel pipes and tubes.
  4) Production of cold finished steel increased by 0.2% (id.), up for the 3rd consecutive quarter.
  5) Production of metallic coated steel decreased by 0.5% (id.), down for the 2nd consecutive quarter, due to a decrease in tin plates.
  6) Production of steel castings and forgings increased by 4.8% (id.), up for the 5th consecutive quarter, due to an increase in all industries.

B. Non-ferrous metals

- Production increased for the first time in 3 quarters due to an increase in optical fiber for communication wires and cables products. -

  1) Production increased by 1.9% compared to the previous quarter, up for the first time in 3 quarters, due to an increase in electric wires and cables and non-ferrous metal castings, etc. Shipments increased by 2.3% (id.), up for the first time in 2 quarters, due to an increase in copper and copper-base alloys and aluminum rolling products and non-ferrous metal castings. Inventory decreased by 2.7% compared to the end of the previous quarter, down for the first time in 2 quarters, due to a decrease in copper and copper-base alloys and refining of non-ferrous metals.
  2) Sub-classification by kind of industry

    1) Production of refining of non-ferrous metals decreased by 3.4% compared to the previous quarter, down for the 2nd consecutive quarter, due to a decrease in electrolytic gold, electrolytic copper and electrolytic silver, etc. Shipments decreased by 3.2% (id.), down for the 2nd consecutive quarter, due to a decrease in electrolytic gold, electrolytic copper and electrolytic silver. Inventory decreased by 5.7% compared to the end of the previous quarter, down for the
2nd consecutive quarter.

2) Production of copper and copper-base alloys and aluminum rolling products increased, by 0.5% compared to the previous quarter, due to an increase in copper and copper-base alloys, aluminum rolling products, and aluminum foils. Shipments also increased by 2.3% (id.), up for the first time in 2 quarters, due to a decrease in all the goods. Inventory decreased by 7.3% compared to the end of the previous quarter, down for the first time in 2 quarters.

3) Production of electric wires and cables increased by 3.8% compared to the previous quarter, up for the 2nd consecutive quarter, due to an increase in optical fiber for communication wires and cables products. Shipments decreased by 0.4% (id.), down for the first time in 2 quarters, due to a decrease in copper electric wires and optical fibers core wires, etc. Inventory increased by 0.9% compared to the end of the previous quarter, up for the 5th consecutive quarter.

4) Production and shipments of non-ferrous metal castings increased by 2.8% and by 2.7% respectively, compared to the previous quarter; rising for the 4th consecutive quarter, due to an increase in die castings, aluminum alloys castings and copper and alloys casting.

C. Fabricated metals

- Both production and shipments increased for the first time in 2 quarters.

  □ Production increased by 3.4% compared to the previous quarter, up for the first time in 2 quarters, due to an increase in fabricated metals and fabricated structural metal products. Shipments increased by 2.4% (id.), up for the first time in 2 quarters, due to an increase in fabricated structural metal products and other metal products. Inventory decreased by 1.3% compared to the end of the previous quarter, down for the 2nd consecutive quarter, due to a decrease in fabricated structural metal products and equipment for heating and kitchen.

  □ Sub-classification by kind of industry

1) Production of fabricated structural metal products increased by 6.9% compared to the previous quarter, up for the first time in 5 quarters, due to an increase in goods such as structural-steel frames and steel towers. Shipments increased by 5.4% (id.), up for the first time in 2 quarters.

2) Production of metal products for building decreased by 2.2% (id.), down for the 2nd consecutive quarter, due to a decrease in aluminium sashes for wooden houses and aluminium exterior, etc. Shipments decreased by 0.9% (id.), down for the 2nd consecutive quarter, due to a decrease in aluminum doors, etc. Inventory decreased by 6.3% compared to the end of the previous quarter, down for the 2nd consecutive quarter.

3) Production of equipment for heating and kitchen decreased by 2.8% compared to the previous quarter, down for the 2nd consecutive quarter, due to a decrease in bath tub gas water heaters, gas over double burner cooking appliances, and oil space heaters, etc. Shipments decreased by 3.3% (id.), down for the first time in 3 quarters, due to a decrease in oil space heaters and gas over double burner cooking appliances, etc. Inventory decreased by 0.4%
compared to the end of the previous quarter, down for the 2nd consecutive quarter.

4) Production of other metal products increased by 2.9% compared to the previous quarter, up for the 3rd consecutive quarter, due to an increase in aluminium cans for beverage and cemented carbide tips, etc. Shipments increased by 0.9% (id.), up for the 3rd consecutive quarter, due to an increase in cemented carbide tips, electrolytic welding rods, etc. Inventory increased by 2.6% compared to the end of the previous quarter, up for the 2nd consecutive quarter.

D. General machinery
- Production increased for the 4th consecutive quarter, due to an increase in boilers and power units and special industrial machinery, etc. –
  - Production increased by 6.3% compared to the previous quarter, up for the 4th consecutive quarter, due to an increase in boilers and power units, special industrial machinery, metal cutting machinery, engineering and construction machinery, fans, pumps and oil hydraulic equipment, etc. Shipments increased by 6.3% (id.), up for the 6th consecutive quarter. Inventory decreased by 1.0% compared to the end of the previous quarter, down for the first time in 2 quarters. Inventory ratio decreased by 3.7% compared to the previous quarter, down for the 3rd consecutive quarter.
  - Sub-classification by kind of industry
    1) Production of boilers and power units increased by 23.8% (id.), up for the first time in 2 quarters. Steam turbines for general use increased for the 2nd consecutive quarter, due to an increase in private power-generation for domestic use. Parts and accessories of boilers increased for the first time in 2 quarters, due to an increase in demand for periodic repair of domestic power companies. Water pipe boilers increased for the 3rd consecutive quarter, due to favorable trade for domestic, independent power generation companies. Internal combustion engines for industry increased for the first time in 2 quarters, due to favorable trade for domestic construction machinery.
    2) Production of special industrial machinery increased by 10.3% (id.), up for the 4th consecutive quarter. Semiconductor products machinery was active, due to favorable exports to Asian countries such as Korea and Taiwan, and to the U.S. and Europe. This was a result of the positive trade of digital household appliances. It was also active for domestic use. Flat-panel display manufacturing equipment increased for exports to Korea and Taiwan and for domestic use. Printing machinery also increased for domestic use.
    3) Production of metal cutting machinery increased by 19.8% (id.), up for the first time in 2 quarters, due to an increase in goods such as machining centers, special purpose machinery, numerically controlled lathes, grinding machinery, and numerically controlled electrical discharge machines. Machining centers are active both for domestic use and for export, and special purpose machinery is active for domestic use.
    4) Production of engineering and construction machinery increased by 13.1%
(id.), up for the 9th consecutive quarter, due to an increase in shovel type excavators, construction cranes, bulldozers and earth finishing machinery.

5) Production of fans, pumps and oil hydraulic equipment increased by 7.1% (id.), up for the 5th consecutive quarter, due to an increase in oil hydraulic equipments, compressor, pneumatic equipments and pumps.

6) Production of molds and dies decreased by 11.0% (id.), down for the first time in 3 quarters, due to a decrease both in stamping dies and in molds for plastic.

7) Production of chemical machinery decreased by 21.0% (id.), down for the first time in 6 quarters, due to a decrease in reaction vessels and dust collectors.

E. Electrical machinery
- Production increased for the first time in 2 quarters due to an increase in semiconductor characteristic measuring equipments, etc. -
  - Production increased by 6.0% compared to the previous quarter, up for the first time in 2 quarters, due to an increase in industries such as switching devices, batteries, electrical measuring instruments, etc. Shipments increased by 7.5% (id.), up for the first time in 2 quarters, due to an increase in industries such as switching devices, household electrical machinery, batteries, etc. Inventory increased by 1.1% compared to the end of the previous quarter, up for the first time in 3 quarters. Inventory ratio decreased by 0.4% compared to the previous quarter, down for the 6th consecutive quarter.
  - Sub-classification by kind of industry
  1) Production of switching devices increased by 9.4% (id.), up for the 4th consecutive quarter, due to an increase in industries such as programmable controllers, switching and controlling equipments, etc.
  2) In spite of a decrease in alkaline manganese dioxide batteries, production of batteries increased by 5.7% (id.), up for the first time in 2 quarters, due to an increase in lithium ion storage batteries and alkaline storage batteries.
  3) In spite of a decrease in process measuring and control instruments for industry, production of electrical measuring instruments increased by 13.3% (id.), up for the 4th consecutive quarter, due to an increase in semiconductor characteristic measuring equipments, with favorable exports of mixed signal IC testers and memory IC testers and increase in electric test and measuring equipments, with active trade of radio communications measuring equipments for electrical-appliance makers and communications carriers.
  4) In spite of a decrease in vacuum machines, production of household electrical machinery increased by 6.1% (id.), up for the first time in 2 quarters, due to an increase in refrigerators with freezer, toilet stools with washer/seat heater, and washing machines for domestic use.

F. Information and communication electronics equipment
- Production decreased for the 2nd consecutive quarter, due to a decrease in cellular telephones and external storage, etc. -
  - Production decreased by 0.1% compared to the previous quarter, down for
the 2nd consecutive quarter, due to a decrease in communication equipment, household electronic machinery, and electronic computers. In spite of a decrease in communication equipment and electronic computers, shipments increased by 1.6% (id.), up for the first time in 2 quarters, due to an increase in household electronic machinery. Inventory decreased by 9.3% compared to the end of the previous quarter. The inventory ratio decreased by 0.2% compared to the previous quarter, up for the first time in 3 quarters.

- Sub-classification by kind of industry

1) In spite of an increase in digital transmission equipments, production of communication equipment decreased by 4.9% (id.), down for the 5th consecutive quarter, for the following reasons: due to a decrease in cellular phones, accompanied with slow demand; a decrease in fixed communication equipments, accompanied with diminishing orders of emergency radio for municipalities; a decrease in basic exchange for mobile customer premises equipments, accompanied with less capital investment in basic exchanges for PHS and cellular phones.

2) In spite of an increase in DVD-videos and liquid crystal televisions, production of household electronic machinery decreased by 2.3% (id.), down for the 2nd consecutive quarter, due to a decrease in video cameras and car navigation systems for domestic use and decrease in headphone stereos, from an increase of overseas production.

3) In spite of an increase in terminal equipments, mid range computers, general purpose computers, and personal computers, production of electronic computers decreased by 1.5% (id.), down for the first time in 4 quarters, due to a decrease in external storage because production of optical disk equipment was shifted to overseas and decrease in input-output units because of a decrease in liquid-crystal displays for domestic use.

G. Electronic parts and devices

- Production increased for the 6th consecutive quarter, while shipments increased for the 10th consecutive quarter. -

- In spite of a decrease in semiconductor devices, production increased by 1.1% compared to the previous quarter, up for the 6th consecutive quarter, due to an increase in active matrix LCD (middle and small) and fixed capacitors in electronic parts. While in spite of a decrease in integrated circuits, shipments increased by 1.7% (id.), up for the 10th consecutive quarter, due to an increase in electronic parts and semiconductor devices. Inventory increased by 10.5% compared to the end of the previous quarter, up for the 3rd consecutive quarter, due to an increase in integrated circuits, electronic parts, and semiconductor devices. The inventory ratio increased by 8.7% compared to the previous quarter, up for the 2nd consecutive quarter.

- Sub-classification by kind of industry

1) In spite of a decrease in connectors, etc., production of electronic parts increased by 2.7% (id.), up for the 6th consecutive quarter, for the following reasons: due to an increase in active matrix LCD (middle and small), with an
increase in overseas cellular phones; an increase in fixed capacitors, with an increase of loaded numbers through the improvement of the functions of electronics; an increase in transformers, with an increase in small-sized inductors with high added value.

2) In spite of an increase in logic ICs for cellular phones, hybrid ICs and micro computers, production of integrated circuits remained flat at 0.0% (id.), due to a decrease in CCD along with a decrease in memories and overseas office-automation equipments.

H. Transport equipment

- Both production and shipments increased for the first time in 2 quarters due to an increase in passenger cars. -

- Production of transport equipment increased by 5.9% compared to the previous quarter, up for the first time in 2 quarters, due to an increase in railroad vehicles, passenger cars, and motor vehicle parts, etc. Shipments also increased by 6.8% (id.), up for the first time in 2 quarters. Inventory increased by 18.3% compared to the end of the previous quarter, up for the 2nd consecutive quarter. The inventory ratio increased by 20.8% compared to the previous quarter, up for the first time in 3 quarters.

- Sub-classification by kind of industry

1) Production of passenger cars increased by 4.6% (id.), up for the first time in 2 quarters. By goods, large passenger cars increased by 5.6% (id.), up for the 4th consecutive quarter, due to an increase in exports, mainly to Europe and East Asia, accompanied with an increase in domestic use. Small passenger cars increased by 13.5%, up for the first time in 3 quarters, due to an increase in domestic use. In contrast, in spite of an increase in exports, mainly to U.S. and Europe, small passenger cars decreased by 2.0% (id.), down for the 3rd consecutive quarter, due to a decrease in domestic use.

2) Production of trucks increased by 5.8% (id.), up for the first time in 2 quarters. By goods, large trucks increased by 6.2% (id.), up for the first time in 2 quarters, due to an increase in exports, mainly to ASEAN and Europe, accompanied with an increase in domestic use. In spite of an increase in exports to ASEAN and the Middle East, small trucks increased by 18.8% (id.), up for the first time in 2 quarters, due to an increase in domestic use. In contrast, small trucks decreased by 3.0% (id.), down for the 2nd consecutive quarter, due to a decrease in domestic use.

3) Production of motor vehicle parts increased by 4.8% (id.), for the 2nd consecutive quarter, due to an increase in goods, excluding automobile air conditioners, such as drive, transmission and control parts and chassis and body parts.

4) In spite of an increase in motorcycles (less than 125ml), production of motorcycles decreased by 16.0% (id.), down for the first time in 4 quarters, due to a decrease in motorcycles (more than 125ml) both for export and domestic use.

- Number of registrations 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 1.25 million, a decrease of 3.1% (id.), down for the first time in 2 quarters. Inside of this, passenger cars increased by 1.01 million, an increase of 2.2% (id.), up for the 2nd consecutive quarter. Trucks decreased by 0.24 million, a decrease of 20.3% (id.) and down for the 2nd consecutive quarter. Buses decreased by 4 thousand, a decrease of 5.1% (id.) and down for the first time in 8 quarters.

I. Precision instruments
- Production increased for the 4th consecutive quarter, due to an increase in analytical instruments, etc.
  - In spite of a decrease in watches and clocks, and optical apparatus and parts, production increased by 3.9% compared to the previous quarter, up for the 4th consecutive quarter, due to an increase in measuring machines and instruments. While in spite of an increase in measuring machines and instruments, shipments decreased by 4.9% (id.), down for the first time in 4 quarters, due to a decrease in optical apparatus and parts and watches and clocks. Inventory decreased by 4.0% compared to the end of the previous quarter, down for the 4th consecutive quarter. The inventory ratio increased by 8.1% compared to the previous quarter, up for the first time in 4 quarters.
  - Sub-classification by kind of industry
    1) In spite of a decrease in gas-meters, production of measuring machines and instruments increased by 10.3% (id.), up for the 5th consecutive quarter, due to an increase in analytical instruments, with an increase in general purpose pH measures and refractometers and an increase in testing machines and measuring instruments. Shipments increased by 9.2% (id.), up for the 3rd consecutive quarter. Inventory remained flat at 0.0% compared to the end of the previous quarter.
    2) Production of watches and clocks decreased by 6.3% compared to the previous quarter, down for the first time in 2 quarters, due to a decrease in battery driven type watches (movements), battery driven type clocks, and battery driven type watches (complete). Shipments decreased by 3.9% (id.), down for the first time in 2 quarters. Inventory increased by 31.3% compared to the end of the previous quarter, up for the 2nd consecutive quarter.
    3) Production of optical apparatus and parts decreased by 2.6% compared to the previous quarter, down for the first time in 4 quarters, due to a decrease both in interchangeable lenses for cameras for domestic use and 35mm cameras. Shipments decreased by 28.9% (id.), down for the first time in 4 quarters. Inventory decreased by 0.1% compared to the end of the previous quarter, down for the first time in 4 quarters.

J. Ceramics, stone and clay products
- Production decreased for the 5th consecutive quarter, while shipments decreased for the 3rd consecutive quarter.
Production decreased by 1.5% compared to the previous quarter, down for the 5th consecutive quarter, due to the following reasons. Glass and glass products decreased by 3.3% (id.), down for the first time in 3 quarters, due to a decrease in sheet glass for construction and motor vehicles and to a decrease in glass fiber continuous textiles. Cement and cement products decreased by 1.6% (id.), down for the 6th consecutive quarter, due to a decrease in public construction work. Other ceramics, clay and stone products decreased by 2.2% (id.), down for the first time in 4 quarters, due to a decrease in solidity carbonaceous electrodes and refractory brick. Shipments decreased by 0.2% (id.), down for the 3rd consecutive quarter, due to a decrease in cement and cement products, glass and glass products, and other ceramics, clay and stone products. Inventory decreased by 3.7% compared to the end of the previous quarter, down for the 4th consecutive quarter, due to a decrease in all of glass and glass products, ceramic wares and fine ceramics, other ceramics, clay and stone products, and cement and cement products. The inventory ratio increased by 3.4% compared to the previous quarter, up for the first time in 4 quarters.

Sub-classification by kind of industry

1) In spite of an increase in glass products for the first time in 6 quarters, production of glass and glass products decreased by 3.3% compared to the previous quarter, down for the first time in 3 quarters, due to a decrease in glass for the first time in 6 quarters, accompanied by a slowdown in demand for construction and motor vehicles.

2) In spite of an increase in cement for the first time in 6 quarters, production of cement and cement products decreased by 1.6% (id.), down for the 6th consecutive quarter, due to a decrease, including level-off goods, in cement products for the 15th consecutive quarter as a result of a decrease in public construction work.

3) Production of ceramic wares and fine ceramics increased by 1.8% (id.), up for the 2nd consecutive quarter, due to an increase in exterior tiles for construction, sanitary ceramic wares, and fine ceramics for structural use for machinery parts, etc.

4) Production of other ceramics, clay and stone products decreased by 2.2% (id.), down for the first time in 4 quarters, due to a decrease in goods, such as solidity carbonaceous electrodes, that are accompanying a decrease in exports, refractory brick and gypsum board, etc.

K. Chemicals(excl. Drugs)

- Production decreased for the first time in 3 quarters. -

In spite of an increase in industrial sodium chemicals and fertilizers, production decreased by 2.7% compared to the previous quarter, down for the first time in 3 quarters, due to a decrease in cosmetics, soap, synthetic detergent and surface-active agents, synthetic rubbers, and plastic (materials), etc. While in spite of an increase in cosmetics and industrial sodium chemicals, etc., shipments decreased by 1.3% (id.), down for the first time in 4 quarters, due to a decrease in plastic (materials), cyclic chemicals and synthetic dyes,
soap, synthetic detergent and surface-active agent. Inventory decreased by 7.5% compared to the end of the previous quarter, down for the first time in 2 quarters, due to a decrease in cosmetics, synthetic rubbers, and fertilizers, etc.

Sub-classification by kind of industry

1) Production of cosmetics decreased by 5.1% compared to the previous quarter, down for the first time in 2 quarters, due to a decrease in make up products, resulting from a decrease in foundation, and a decrease in hair care products, as a result of a decrease in shampoos and hair rinses, etc.

2) Production of soap, synthetic detergent and surface-active agents decreased by 6.6% (id.), down for the first time in 4 quarters, due to a decrease in synthetic detergent, because of a decrease in powdered detergent for laundry, and a decrease in fabric softener, because of a decrease in demand.

3) Production of synthetic rubbers increased by 6.1% (id.), for the first time in 2 quarters, due to periodic repair of some offices.

L. Petroleum and coal products

- Production and Shipments decreased for the first time in 3 quarters, due to a decrease in gasoline, etc.

- Production decreased by 0.8% compared to the previous quarter, down for the first time in 3 quarters, due to a decrease in gasoline and gas oil, etc. Shipments decreased by 0.7% (id.), down for the first time in 3 quarters, due to a decrease in gasoline, heavy fuel oil B and C, and gas oil, etc. Inventory decreased by 2.0% compared to the end of the previous quarter, down for the 3rd consecutive quarter, due to a decrease in gas oil, naphtha, and heavy fuel oil B and C, etc. The inventory ratio decreased by 5.0% compared to the previous quarter, down for the 3rd consecutive quarter.

- Trends in major items

1) Production of gasoline decreased by 2.9% compared to the previous quarter, while shipments also decreased, dropping by 2.3% (id.). Both decreased for the first time in 4 quarters, due to periodic repairs of oil factories concentrated in this quarter. Inventory increased by 0.6% compared to the end of the previous quarter, up for the first time in 2 quarters.

2) Production of naphtha increased by 5.3% compared to the previous quarter, up for the first time in 2 quarters. Shipments decreased by 0.2% (id.), down for the 2nd consecutive quarter, due to a decrease in petrochemistry products such as xylene and toluol, etc., which are the main recipient. Inventory decreased by 5.1% compared to the end of the previous quarter, down for the first time in 2 quarters.

3) Production of kerosene increased by 2.6% compared to the previous quarter, up for the 2nd consecutive quarter. Shipments increased by 3.4% (id.), up for the first time in 4 quarters, as a reaction to the low level in the previous quarter resulting from a mild winter. Inventory decreased by 1.6% compared to the end of the previous quarter, down for the 3rd consecutive quarter.

4) Production of gas oil decreased by 2.0% compared to the previous quarter, down for the 2nd consecutive quarter, due to a decrease in the number of gas
oil cars. Shipments decreased by 0.2% (id.), down for the first time in 3 quarters. Inventory decreased by 13.3% compared to the end of the previous quarter, down for the 2nd consecutive quarter.

5) Production and shipments of heavy fuel oil B and C decreased by 0.1% and by 2.3% respectively, compared to the previous quarter. Both decreased for the 2nd consecutive quarter, with the drops resulting from a decrease in demand for electricity, due to the improvement in utilizing nuclear power plants. Inventory decreased by 5.2% compared to the end of the previous quarter, down for the 2nd consecutive quarter.

6) Production of coal products (coke) decreased by 0.9% compared to the previous quarter, down for the first time in 2 quarters, due to a decrease in demand for pig iron. Shipments decreased by 0.3% (id.), down for the 2nd consecutive quarter, due to a decrease in exports. Inventory decreased by 1.7% compared to the end of the previous quarter, down for the first time in 2 quarters.

M. Plastic products

- Both production and shipments increased, due to favorable demand for air conditioners and PET bottles for drinks, etc. -

   □ In spite of a decrease in consumption material-related production and construction material-related production, production increased by 0.7% compared to the previous quarter, up for the first time in 2 quarters, due to an increase in manufacturing material-related production. While in spite of a decrease in construction material-related production, shipments increased by 1.3% (id.), up for the 4th consecutive quarter, due to an increase in manufacturing material-related production and consumption material-related production. Although there was an increase in construction material-related production, inventory decreased by 3.5% compared to the end of the previous quarter, down for the first time in 3 quarters, due to a decrease in consumption material-related production and manufacturing material-related production.

   □ Production by use

1) In manufacturing material-related items, plastic products for machine tools and parts increased by 1.1% compared to the previous quarter, up for the first time in 2 quarters, due to an increase in electrical communication parts for air conditioners and refrigerators. Plastic containers blow-molding increased by 3.6% (id.), up for the first time in 2 quarters, due to favorable demand for PET bottles for drinks thanks to the high temperature from April to June, along with an increase by advance production for the demand for summer. Plastic containers (excl. blow-molding) increased by 4.6% (id.), up for the first time in 2 quarters, due to an increase in containers for industrial use and for foods. In contrast, plastic synthetic leathers decreased by 1.3% (id.), down for the first time in 3 quarters, due to the decreasing demand for furniture and bags.

2) In spite of an increase in hard film for food containers, in consumption, material-related items, plastic film and plastic sheets decreased by 1.6% (id.), down for the 2nd consecutive quarter, due to a decrease in film for agricultural
use. Plastic products for daily necessaries and miscellaneous goods decreased by 3.7% (id.) down for the first time in 4 quarters, due to a decrease in gardening goods and storage goods. In contrast, plastic formed products increased by 0.6% (id.), up for the 2nd consecutive quarter, due to an increase in molds for transportation containers along with an increase in plates for construction insulating materials and flooring materials.

3) In construction material-related items, plastic materials for building decreased by 4.0% (id.), down for the 2nd consecutive quarter, due to a decrease in flooring materials. Plastic pipes once increased in April due to a provisional demand before a rise in prices, however, due to a reaction in May and June, finally decreased by 0.5% (id.), down for the first time in 2 quarters. In contrast, plastic reinforced products increased by 1.4% (id.), up for the first time in 2 quarters, due to an increase in septic tanks, etc.

N. Pulp, paper and paper products
- Production decreased due to a decrease in all industries. -

□ Production decreased by 0.6% compared to the previous quarter, due to a decrease in these industries; in paper, pulp, paperboard, and converted and processed paper. In spite of a decrease in converted and processed paper and paperboard, shipments increased by 0.3% (id.), up for the 2nd consecutive quarter, due to an increase in paper and pulp. While in spite of an increase in converted and processed paper and pulp, inventory decreased by 2.5% compared to the end of the previous quarter, down for the 2nd consecutive quarter, due to a decrease in paper and paperboard.

□ Sub-classification by kind of industry

1) In spite of an increase in coated printing paper and household and sanitary paper, production of paper decreased by 0.4% compared to the previous quarter, down for the first time in 2 quarters, due to a decrease in uncoated printing paper, communication paper, newsprint paper in rolls and wrapping and packing paper. While in spite of a decrease in communication paper and newsprint paper in rolls, shipments increased by 0.4% (id.), up for the 2nd consecutive quarter, due to an increase in household and sanitary paper and coated printing paper. Although there was an increase in newsprint paper in rolls, inventory decreased by 3.4% compared to the end of the previous quarter, down for the 2nd consecutive quarter, due to a decrease in uncoated printing paper, coated printing paper, wrapping and packing paper and household and sanitary paper.

2) Production of paperboard decreased by 1.3% compared to the previous quarter, down for the first time in 2 quarters, due to a decrease in container board. Shipments also decreased by 0.1% (id.), down for the first time in 2 quarters, due to a decrease in container boards. Inventory decreased by 0.4% compared to the end of the previous quarter, down for the 2nd consecutive quarter, due to a decrease in paperboards for paper container.

3) Production of converted and processed paper (corrugated cardboard sheets)
decreased by 0.5% compared to the previous quarter, down for the first time in 4 quarters. Shipments decreased by 0.3% (id.), down for the 2nd consecutive quarter, due to a decrease in demand for ceramics, glass products, and miscellaneous goods and decrease in demand for mail-order business, home delivery, and moving.

O. Textiles
- Both production and shipments decreased continuously. -
  □ Production decreased by 1.5% compared to the previous quarter, down for the 29th consecutive quarter, due to a decrease in all textile industries, excluding other textile products, and especially in cloths, woven fabrics, and man-made fibers, etc. as a result of stagnant demand. Shipments also decreased by 1.0% compared to the previous quarter, down for the 29th consecutive quarter. Inventory decreased by 2.0% compared to the end of the previous quarter, down for the 13th consecutive quarter, including leveling off, due to a decrease in spun yarn, clothes, and dyeing and finishing, etc.
  □ Sub-classification by kind of industry
  1) Production of man-made fibers increased by 0.8% compared to the previous quarter, due to an increase both in synthetic fibers (staple) and in synthetic fibers (filament). In spite of a decrease in synthetic fibers (staple), shipments decreased by 0.3% (id.), down for the first time in 3 quarters, due to a decrease in synthetic fibers (filament). Inventory increased by 3.4% compared to the end of the previous quarter, up for the first time in 3 quarters, due to an increase both in synthetic fibers (filament) and synthetic fibers (staple).
  2) Production of spun yarn continued to decrease by 1.0% compared to the previous quarter, down for the 29th consecutive quarter, due to influences such as the closing of a major maker’s factory. Shipments increased by 4.9% (id.) due to an increase in synthetic fiber yarn, cotton yarn, and woollen yarn. Inventory decreased by 12.6% compared to the end of the previous quarter, due to a decrease in woollen yarn, synthetic fiber yarn, and cotton yarn.
  3) In spite of an increase in synthetic fiber fabrics (filament), production of woven fabric decreased by 2.0% compared to the previous quarter, due to a decrease in silk and spun silk fabrics, synthetic fiber fabrics (staple) and cotton fabrics. Shipments increased by 0.1% (id.), due to an increase in cotton fabrics and synthetic fiber fabrics (filament). Inventory decreased by 1.5% compared to the end of the previous quarter, down for the 13th consecutive quarter, due to a decrease in woollen fabrics, synthetic fiber fabrics (filament), and cotton fabrics, etc.
  4) Production of clothes decreased by 2.9% compared to the previous quarter, down for the 21st consecutive quarter, due to a decrease in woven fabrics outer wears, knitted fabrics outer wears, hosiery owing to stagnant demand and an increase in imports of products. Shipments decreased by 4.2% (id.) due to a decrease in knitted fabrics outer wears, woven fabrics outer wears, and hosiery. Inventory decreased by 1.9% compared to the end of the previous quarter, due to a decrease in knitted fabrics outer wears and hosiery
(2) Trends in tertiary industry

A. Commerce

☐ The total sales amount for the wholesale industry was 98.3710 trillion yen. Total sales increased by 2.4% compared to the corresponding quarter of the previous year, up for the 3rd consecutive quarter, due to an increase in the mineral and metal materials wholesale industry, resulting from the price increase of petroleum products on the rise in prices of crude oil, and to an increase in the machinery wholesale industry and each type of merchandise wholesale industry, etc., although the clothes and accessories wholesale industry, etc. decreased.

☐ The total sales amount for large wholesalers was 29.8242 trillion yen. Total sales increased by 3.4% (id.), up for the first time in 5 quarters.

☐ The total sales amount for the retail industry was 30.9670 trillion yen. Total sales decreased by 1.9% (id.), down for the first time in 2 quarters, due to a decrease in the drink and food retail industry resulting from a slowdown of demand for meat and a weak market for perishable foods.

☐ The total sales amount for large retailers was 5.1634 trillion yen. In spite of an improvement in employment and income, along with weak demand for seasonal clothes because of the bad weather, total sales decreased by 1.9% (id.), down for the 5th consecutive quarter, since consumer sentiment remained cautious due to uncertainties about the future.

☐ The total sales amount and service sales amount for convenience stores was 1.7944 trillion yen, increasing by 2.1% (id.) and up for the 3rd consecutive quarter.

B. Specific service industries

Business services

☐ The contract amount for commodity leases (based on acceptance inspection) decreased by 0.4% compared to the corresponding quarter of the previous year, and the purchase amount for delivery items also decreased by 0.2% (id.).

☐ The total sales amount for the rental industry decreased by 4.1% (id.).

☐ The total sales amount for the information service industry increased by 2.4% (id.), up for the 3rd consecutive quarter.

☐ The total sales amount for advertising increased by 5.1% (id.), up for the 3rd consecutive quarter. The main four advertising media increased by 2.3% (id.).

☐ The total amount handled for the credit card service increased by 8.1% (id.).

By type of business, sales credit business increased by 9.9% (id.).

☐ The total amount for the orders received in engineering service decreased by 15.1% (id.). The breakdown is a significant as there was a decrease of 43.2% (id.) for foreign demand and an increase of 4.3% (id.) for domestic demand.

Personal services

☐ In the leisure and amusement services, pachinko parlors, movie theaters, and amusement parks and theme parks increased, while golf courses, theaters and performance theaters, performance companies, golf driving ranges, and bowling alleys decreased.
In the culture and lifestyle services, fitness clubs, funeral services, and foreign language conversation classes increased, while wedding ceremony halls, and cultural centers decreased.