Supply trend and final demand

(1) Outline of supply trend for final demand

Trend for the quarter

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

Overall industrial supply for consumption increased by 0.1% compared to the previous quarter, up for the 4th consecutive quarter, due to an increase in individual consumption by 0.1% (id.) (up for the second consecutive quarter) and an increase in government consumption by 0.6% (id.) (up for the 5th consecutive quarter).

Overall industrial supply for investment increased by 0.2% compared to the previous quarter, up for the second consecutive quarter, due to an increase in private housing by 6.3% (id.) (up for the second consecutive quarter), and in spite of a decrease in private corporation facilities by 0.9% (id.) (down for the first time in 2 quarters) and a decrease in public investment by 1.9% (id.) (down for the third consecutive quarter).

Exports decreased by 0.7% compared to the previous quarter, down for the first time in 5 quarters, and imports increased by 1.0% (id.), up for the 5th consecutive quarter.

IT-related consumption increased by 0.8% compared to the previous quarter, and IT-related investment increased by 1.1% (id.), both rising for the first time in 3 quarters.

Changes in the Indices of All Industries

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

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change from previous year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumption</td>
<td>0.7</td>
<td>0.3</td>
<td>0.7</td>
<td>0.5</td>
<td>-0.2</td>
<td>0.6</td>
</tr>
<tr>
<td>Personal consumption</td>
<td>-0.1</td>
<td>-0.3</td>
<td>0.5</td>
<td>0.8</td>
<td>-0.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Mining and manufacturing (goods)</td>
<td>-1.2</td>
<td>-1.9</td>
<td>1.4</td>
<td>0.2</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Tertiary industries (services)</td>
<td>0.3</td>
<td>0.1</td>
<td>0.3</td>
<td>0.7</td>
<td>-0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>(special) IT-related</td>
<td>4.9</td>
<td>0.2</td>
<td>7.6</td>
<td>2.4</td>
<td>1.2</td>
<td>2.7</td>
</tr>
<tr>
<td>Public investment</td>
<td>-1.5</td>
<td>-2.1</td>
<td>-10.3</td>
<td>0.1</td>
<td>-1.2</td>
<td>-3.0</td>
</tr>
<tr>
<td>Private housing</td>
<td>-5.3</td>
<td>-4.0</td>
<td>1.9</td>
<td>1.3</td>
<td>-0.9</td>
<td>0.1</td>
</tr>
<tr>
<td>Private corporation facilities</td>
<td>-4.5</td>
<td>-4.7</td>
<td>3.3</td>
<td>-0.1</td>
<td>1.5</td>
<td>1.1</td>
</tr>
<tr>
<td>Mining and manufacturing (goods)</td>
<td>-6.2</td>
<td>-11.2</td>
<td>4.8</td>
<td>1.9</td>
<td>-0.4</td>
<td>1.9</td>
</tr>
<tr>
<td>Construction (buildings)</td>
<td>-6.9</td>
<td>4.1</td>
<td>3.7</td>
<td>-0.9</td>
<td>2.9</td>
<td>4.1</td>
</tr>
<tr>
<td>Tertiary industries (services)</td>
<td>0.1</td>
<td>-2.6</td>
<td>0.9</td>
<td>-2.6</td>
<td>0.8</td>
<td>0.1</td>
</tr>
<tr>
<td>(special) IT-related</td>
<td>5.3</td>
<td>-10.5</td>
<td>0.0</td>
<td>-2.3</td>
<td>-0.1</td>
<td>2.7</td>
</tr>
<tr>
<td>Exports</td>
<td>-6.3</td>
<td>9.7</td>
<td>4.0</td>
<td>0.9</td>
<td>3.6</td>
<td>-2.9</td>
</tr>
<tr>
<td>Mining and manufacturing (goods)</td>
<td>-7.5</td>
<td>10.2</td>
<td>4.9</td>
<td>1.4</td>
<td>3.5</td>
<td>-2.6</td>
</tr>
<tr>
<td>Tertiary industries (services)</td>
<td>-2.4</td>
<td>8.4</td>
<td>0.5</td>
<td>0.0</td>
<td>3.2</td>
<td>-3.3</td>
</tr>
<tr>
<td>Imports</td>
<td>0.3</td>
<td>2.5</td>
<td>2.7</td>
<td>2.4</td>
<td>2.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Mining and manufacturing (goods)</td>
<td>0.6</td>
<td>2.4</td>
<td>7.3</td>
<td>4.7</td>
<td>1.1</td>
<td>2.6</td>
</tr>
<tr>
<td>Tertiary industries (services)</td>
<td>-0.6</td>
<td>2.8</td>
<td>-9.8</td>
<td>-3.1</td>
<td>3.8</td>
<td>-4.2</td>
</tr>
</tbody>
</table>

Notes: 1. The indices of all industrial supply for the current quarter were revised using 2000 as a base year in accordance with the revision of the indices of tertiary industry activity, which is a part of the 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 ‘Indices of All Industrial Supply’, p.239 in the text. As for the long-term time series, see the website. ([http://meti.go.jp/statistics/index.html](http://meti.go.jp/statistics/index.html))

2. IT-related consumptions is consumption related to cellular telephones, PHS, personal computers, fixed telecommunications business, and mobile telecommunications business that are supplied to private consumption. IT-related investments are investments related to communication wires and cables, optical fiber products for cables, digital and full color copying machines, key system telephone equipments, facsimile machines, electric switching systems, digital transmission equipments, fixed communication equipments, cellular telephones, PHS, basic exchange for mobile customer premises equipments, general purpose computers, mid range computers, personal computers, external storage, input-output units, terminal equipments, fixed communications business, mobile telecommunications business, software development and program creation (subcontracts) and software products that are supplied to private corporate facilities.

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)”
Relationship between favorable business profits and consumers’ sentiment

Although it is often said that “the economy has recovered,” or “business profits have been favorable,” consumers do not seem to feel that in the current recovery phase (from the first quarter of 2002 to date). I examined the reasons and the background of the gap between increasing business profits and the consumers’ feelings.

Taking a look at the indices of “Overall livelihood” and “Income growth” from “Consumer Confidence Survey” (The Cabinet Office), which are considered to reflect consumers’ actual feelings, the average indices of “circumstances” and “Income growth” during the current recovery phase are lower than those during the former two recovery phases, even though an upward trend can be observed recently.

Consumers’ feelings are supposed to be closely related to the trend of wages (personnel costs), and the changes in full-scale current profits of all the industries and personnel costs show that in recent years current profits are increasing while personnel costs are on a decreasing trend. Looking at these relations from the viewpoint of “labor share (= personnel costs / added value),” a recent labor share is almost on a decreasing trend, reflecting favorable business profits and a decreasing trend of personnel costs. The most recent labor share of the second quarter of 2004 decreased to 63.1%, which is the same level of 12 years ago (the second quarter of 1992).

Changes in “Overall livelihood” and “Income growth” (Households, Seasonally adjusted)

Although an upward trend can be observed recently, the average is lower than the past.

Note: Shaded parts are downward phases of the economy (hereinafter the same).
Source: “Consumer Confidence Survey” (The Cabinet Office)
Changes in “Business Profits and Personnel Costs” and “Labor Share”
(All industries, Full-scale, 2000=100, Seasonally adjusted)

Analyzing the factors of personnel costs by industry and its size, large companies showed continuing increases in piece rate per employee in manufacturing, up for the 7th consecutive quarter (since the third quarter of 2002), and in non-manufacturing, up for the third consecutive quarter (since the fourth quarter of 2003). In contrast, medium and small companies maintained almost the same piece rate per employee in manufacturing and showed almost consistent decline in non-manufacturing. Only in the most recent third quarter of 2004 did the piece rate per employee in non-manufacturing start to increase, up for the first time in 5 quarters. Compared to the level of wages of large companies, medium and small companies, especially the non-manufacturing industries, are generally slow to increase wages. The fact that wages do not increase in medium and small companies, which have a large volume of employees accounting for nearly 70% of all the workers, is considered to be one of the reasons that consumers cannot actually feel the benefit of recent increases in business profits.

Analysis of Factors of Personnel Costs
(By industry and its size, Compared to the same quarter of the previous year)

Notes 1: Labor share = Personnel costs / Added value
Added value = Personnel costs + current profits + depreciation costs + interest payment etc.
2. Personnel costs and current profits are seasonally adjusted by X-11 default of X-12-ARIMA, in my own right
Source: “Financial Statements of Corporations by Industry” (The Finance Ministry)
Rate of the Number of Employees by Kind and Size of Industry (2003)

Note: Large companies are those with capital over 1 billion yen; middle-scale companies are those with capital over 100 million yen to 1 billion yen, and medium and small companies are those with capital under 100 million yen.
Source: "Financial Statements of Corporations by Industry" (The Finance Ministry)
Japan’s employment structure, as well as its industrial structure, has been shifting its core from the primary and the secondary industries to the tertiary industry, and more and more employees are supposed to flow into the tertiary industry, particularly into medium and small companies. Looking at increases in wages by industry, the manufacturing industries (the secondary industry) are gradually recovering, but the wholesale trade, retail trade, eating and drinking places, and services, which are the main tertiary industries, have been showing a downward trend, due in part to the influence of a recent rapid increase of part-timers (the annual wage per part-timer is about one-fourth of that of general workers (so-called full-time workers)). Therefore, the flow of employees toward the tertiary industry indicates an increase of low-income employees, which makes the current business recovery even more unreal to individuals.

**Changes in Ratio of Part-timers by Kind of Industry**

![Graph showing changes in ratio of part-timers by kind of industry]

**Notes:**
1. Samples were changed in January 1999.
2. The ratio of part-timers is calculated using the values of offices with over 5 employees.
3. The values in parenthesis in the figure are the total of the surveyed industries or the ratio of part-timers by industry of the third quarter of 2004.

**Source:** “Monthly Labor Survey” (Ministry of Health, Labor and Welfare)

**Changes in Total Substantial Cash Wages by Industry**

(Compared to the same quarter of the previous year)

![Graph showing changes in total substantial cash wages by industry]

**Notes:**
1. The total cash wages are calculated using the total of the surveyed industries and the values of offices with over 5 employees.
2. The total cash wages by kind of industry are made real using the consumer price index (excluding imputed rent).

**Source:** “Monthly Labor Survey” (Ministry of Health, Labor and Welfare), “Consumer Price Index” (Ministry of Internal Affairs and Communications)
**Trend of IT-related investment**

IT-related investment for private enterprise facilities for the quarter increased by 1.1% compared to the previous quarter, up for the first time in 3 quarters; however, non IT-related investment decreased by 1.3% (id.), down for the first time in 2 quarters.

In order to grasp the present situation of IT-related investment, I analyzed the trend by grouping individual commodities component with regard to the changes since the year 1994, when the Internet started to become widespread.

For a comparison by commodity group, I classified commodities of IT-related investment into infrastructure for communication, information and communication equipments, electronic computers, and information services, adding industrial machinery. “IT-related investment” is here defined as the total of note).

### Changes in IT-related Investment

**Index level (2000=100, seasonally adjusted)**

![Graph of Changes in IT-related Investment](image)

**Ratio compared to the previous quarter, Rate of contribution to growth rate**

![Graph of Ratio and Contribution](image)

Note: IT-related investments are investments related to communication wires and cable, optical fiber products for cables, digital and full color copying machines, key system telephone equipments, facsimile machines, electronic switching systems, digital transmission equipments, fixed communication equipments, cellular phones, PHS, basic exchange for mobile customer premises equipments, general purpose computers, mid range computers, personal computers, external storage, input-output units, terminal equipments, fixed telecommunications business, mobile telecommunications business, software development and program creation (subcontracts) and software products that are supplied to private corporate facilities.

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

**Note:** The classification of commodity groups of “IT-related investment” is as follows:

- Infrastructure for communication (communication wires and cables, optical fiber products for cables).
- Information and communication equipment (digital and full color copying machines, key system telephone equipments, facsimile machines, electric switching systems, digital transmission equipments, fixed communication equipments, cellular telephones, PHS, basic exchange for mobile customer premises equipments).
- Electronic computers (general purpose computers, mid range computers, personal computers, external storage, input-output units, terminal equipments).
- Information services (software development and program creation (subcontracts), software products).
- Industrial machinery (semiconductor products machinery, flat-panel display manufacturing equipments).
From 1994 to 2000, IT-related investment increased steadily, especially in information and communication equipments, electronic computers, and information services, but since 2000, information and communication equipments and electronic computers have been decreasing. On the other hand, information services have remained steady. Industrial machinery led IT-related investment in the years 1999, 2000, and 2004. Infrastructure for communication increased significantly due to the spread of the Internet in 1995 and 1996 and the spread of a broadband network in 2001 and 2002, but its contribution rate toward overall IT-related investment is rather small compared to that of information and communication equipments and electronic computers.

Information services investment by IT-user corporations and the business trend of the demand industry of semiconductors will continue to be key factors that lead IT-related investment.

Changes in IT-related Investment

- Index level (2000=100, seasonally adjusted)

- Ratio compared to the previous quarter, Rate of contribution to growth rate

Notes: 1. The surveys on semiconductor products machinery and flat-panel display manufacturing equipments started in 1997. The index levels before 1997 were estimated connecting the indices of all industries (final demand components) of 1995 base using coefficient of connection.
   Coefficient of connection
   = Indices of the first quarter of 1998 (2000=100, seasonally adjusted)
   □ Indices of the first quarter of 1998 (1995=100, seasonally adjusted)

2. Ratio compared to the previous quarter, rate of contribution to growth rate before 1997 does not include industrial machinery.

Source: "The Indices of All Industries (final demand components)"

- 6 -
(2) Outline of import and export trends

Import and export trends for the quarter

Looking at the trends of exports and imports for the third quarter of 2004 (on a quantity basis), exports as a whole increased decreased by 0.7% compared to the previous quarter, down for the first time in 5 quarters, due to a decrease in received services (the tertiary industry) by 1.4% (id.) and a decrease in export of goods (the mining and manufacturing industry) by 0.3% (id.). Imports as a whole increased by 1.0% (id.), up for the 5th consecutive quarter, due to an increase in service payments (the tertiary industry) by 0.5% and an increase in import of goods (the mining and manufacturing industry) by 1.6% (id.).

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

Changes in Export by Region (Goods)
Index level (2000=100, seasonally adjusted)

Changes in Import by Region (Goods)
Index level (2000=100, seasonally adjusted)

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 the revision of the 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.
The U.S. imports from all over the world have shown steady increases of around 5% compared to the previous quarter (since the fourth quarter of 2003), but growth contracted to 1.8% (id.) in the current quarter. Looking at the contribution rate of the top 5 countries in imports to the growth rate compared to the previous quarter, Canada contributed to increase rather significantly with a contribution rate of 0.5% points; China contributed to increase less than before, and Japan contributed neither to increase nor decrease with the contribution rate of 0.0% points.

China's imports from all over the world decreased by 1.3% compared to the previous quarter (the second quarter of 2004) and continued to decrease by 1.2% (id.) in the current quarter. Looking at the contribution rate of the top 5 countries in imports to the growth rate compared to the previous quarter, Korea contributed to increase; Taiwan stayed the same and the U.S., Germany and Japan contributed to decrease. This implies the continuous influence of the restrictive monetary policy.

Notes: 1. The top five countries were decided by the amount of imports during the third quarter of 2004.
2. The amount of imports is seasonally adjusted by X-11 default of X-12-ARIMA.
Source: “World Trade Atlas”
Situation of the countries with expanding amount of trade

China, Vietnam, Ireland, Thailand and the UAE have shown high growth rate in the amount of trade with Japan and are expected to become large trade partners in the future, yet their trade values are not so large at present. I will look at the changes in trade with Japan and the characteristics of these countries.

Imports from China have been increasing since 1989, up by more than 10% compared to the previous year. Exports to China increased significantly both in 2002 and 2003, up by more than 30% (id.). As a result, an excess of imports, which had expanded since 1994, has been shrinking since 2002.

Although the amount of trade with Vietnam in 2003 was only one-twentieth of that with China, Vietnam showed a higher growth rate, and exports to Vietnam have been continuing to increase since 1995. Imports increased rapidly until 1997, but decreased in 1998 and 1999, which resulted in Japan's unfavorable balance of trade as with China. After the two year decline, imports have continued to increase thereafter.

Exports to Thailand, which have continued to be surplus, increased until 1996, but then dropped sharply in 1997 and 1998 due to the currency crisis in Asia. Exports started to increase again in 1999, but remain lower than the level before the currency crisis. Direct investment from Japan is 35.6%, higher than in China and Vietnam. Many corporations in Thailand, such as overseas subsidiaries of Japanese corporations, have close relationship with Japan, and part of exports are for these corporations, which have helped Japan's continuous export surplus.

Note: For details of Ireland and the UAE, see the main document.

Top 10 Countries in Growth Rate since 1988 among top 30 in 2003 Trade

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>Vietnam</td>
<td>Vietnam</td>
<td>0.6%</td>
<td>0.8%</td>
</tr>
<tr>
<td>China</td>
<td>China</td>
<td>China</td>
<td>12.2%</td>
<td>19.7%</td>
</tr>
<tr>
<td>Philippines</td>
<td>Philippines</td>
<td>Philippines</td>
<td>1.9%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Malaysia</td>
<td>Malaysia</td>
<td>2.4%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Ireland</td>
<td>Ireland</td>
<td>Ireland</td>
<td>0.4%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Quatar</td>
<td>Quatar</td>
<td>Quatar</td>
<td>1.7%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Thailand</td>
<td>Thailand</td>
<td>Thailand</td>
<td>3.4%</td>
<td>3.1%</td>
</tr>
<tr>
<td>UAE</td>
<td>UAE</td>
<td>UAE</td>
<td>0.8%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Hong Kong</td>
<td>Hong Kong</td>
<td>6.3%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Indonesia</td>
<td>Indonesia</td>
<td>1.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Holland</td>
<td>Holland</td>
<td>Holland</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

Source: "Trade Statistics" (The Finance Ministry)
The distribution ratio of Japan’s exports is high in electrical machinery in China and Thailand, and high in electrical machinery, chemicals and plastic products in Ireland, showing the same tendency as imports. This implies that Japan’s trade is classified as a horizontal labor specialization type, trading parts and products among the same industry. In contrast, in the UAE, the component ratio of the industries is quite different between exports and imports, and the UAE’s trade is classified as a vertical labor specialization type, importing raw materials and exporting final products. Vietnam does not show any clear characteristics at present, but is likely to develop into a vertical labor specialization type, since its neighboring countries have characteristics of the vertical labor specialization type.

Simple estimation of the future trade with these countries is as follows. The UAE will not show any significant changes as long as there are no changes in their energy structure or their political climate. As for other countries, the relationship between gross domestic product (GDP) and trade are not necessarily clear, but are closely-linked; therefore, those countries classified as horizontal labor specialization type (China, Thailand, Ireland), which have a high dependence on trade, will show increases in trade, as long as their GDP maintains the present increasing trend.
Changes in Gross Domestic Product (1990=100)

Trade Dependency (2002)

Note: Ratio of the amount of imports and exports against the gross domestic product
3. Trends by kind of industry
   (1) Trend in the manufacturing industry
      A. Iron and Steel
      - Both production and shipments decreased for the first time in 4 quarters.-
         Production decreased by 0.6% compared to the previous quarter, down for the first time in 4 quarters, due to decreases in steel pipes and tubes, hot roll steel, and metallic coated steel. Shipments decreased by 3.5% (id.), down for the first time in 4 quarters, due to a decrease in all industries, except steel castings and forgings. Inventory increased by 5.8% compared to the end of the previous quarter, up for the first time in 3 quarters, due to an increase in all the industries.
         Sub-classification by industry
         1) Production of crude products increased by 0.9% compared to the previous quarter, up for the first time in 2 quarters.
         2) Production of hot roll steel decreased by 0.9% (id.), down for the first time in 4 quarters, due to a decrease in all the goods, except ordinary steel sheets and plates.
         3) Production of steel pipes and tubes decreased by 9.6% (id.), down for the first time in 4 quarters, due to a decrease both in ordinary steel pipes and tubes and special steel pipes and tubes.
         4) Production of cold finished steel increased by 0.3% (id.), up for the 4th consecutive quarter.
         5) Production of metallic coated steel decreased by 0.6% (id.), down for the 3rd consecutive quarter, due to decreases in tin free sheets, etc.
         6) Production of steel castings and forgings increased by 1.2% (id.), up for the 10th consecutive quarter (including quarters that showed leveling off), due to increases in ferrous forgings and forged steel products for automobiles.

      B. Non-ferrous metals— Production decreased for the first time in 2 quarters, due to a decrease in optical fiber for communication wires and cables products.—
         Production decreased by 0.5% compared to the previous quarter, down for the first time in 2 quarters, due to a decrease in electric wires and cables. Shipments decreased by 0.5% (id.), down for the first time in 2 quarters, due to decreases in electric wires and cables and refining of non-ferrous metals. Inventory increased by 2.2% compared to the end of the previous quarter, up for the first time in 2 quarters, due to increases in refining of non-ferrous metals and electric wires and cables.
         Sub-classification by kind of industry
         1) Production of refining of non-ferrous metals increased by 0.9% compared to the previous quarter, up for the first time in 3 quarters, due to increases in zinc and electrolytic gold, etc. Shipments decreased by 0.1% (id.), down for the 3rd consecutive quarter, due to decreases in electrolytic gold and electrolytic silver, etc. Inventory increased by 12.9% compared to the end.
of the previous quarter, up for the first time in 3 quarters.

2) Production of copper and copper-base alloys and aluminum rolling products increased by 2.3% compared to the previous quarter, up for the 5th consecutive quarter (including quarters that showed leveling off), due to an increase in all goods of aluminum rolling products, aluminum foils and copper and copper-base alloys. Shipments also increased by 1.2% (id.), up for the 2nd consecutive quarter, due to an increase in all the goods. Inventory decreased by 4.9% compared to the end of the previous quarter, down for the 2nd consecutive quarter.

3) Production of electric wires and cables decreased by 5.9% compared to the previous quarter, down for the first time in 3 quarters, due to decreases in optical fiber for communication wires and cables products, etc. Shipments decreased by 1.4% (id.), down for the 2nd consecutive quarter, due to decreases in optical fiber for communication wires and cables products and aluminum electric wires. Inventory increased by 1.4% compared to the end of the previous quarter, up for the 6th consecutive quarter.

4) Both, production and shipments of non-ferrous metal castings increased by 1.4% compared to the previous quarter, up for the 5th consecutive quarter, due to an increase in all the goods of die castings, copper and alloys casting and aluminum alloys castings.

C. Fabricated metals

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

  □ Production decreased by 1.1% compared to the previous quarter, down for the first time in 2 quarters, due to decreases in fabricated structural metal products, metal products for building, and equipment for heating and kitchens. Shipments decreased by 2.8% (id.), down for the first time in 2 quarters, due to decreases in fabricated structural metal products, etc. Inventory increased by 3.5% compared to the end of the previous quarter, up for the first time in 3 quarters, due to increases in other metal products and equipment for heating and kitchens.

  □ Sub-classification by kind of industry

    1) Production of fabricated structural metal products decreased by 4.3% compared to the previous quarter, down for the first time in 2 quarters, due to a decrease in bridges and steel towers. Shipments decreased by 7.2% (id.), down for the first time in 3 quarters.

    2) Production of metal products for building decreased by 1.3% (id.), down for the 3rd consecutive quarter, due to a decrease in aluminum sashes for building and aluminum exterior, etc. Shipments decreased by 2.7% (id.), down for the 3rd consecutive quarter, due to a decrease in aluminum sashes for wooden houses, etc. Inventory increased by 11.2% compared to the end of the previous quarter, up for the first time in 3 quarters.

    3) Production of equipment for heating and kitchens decreased by 1.5%
compared to the previous quarter, down for the 3rd consecutive quarter, due to decreases in instantaneous type gas water heaters and gas oven double-burner cooking appliances, etc. Shipments decreased by 3.7% (id.), down for the 2nd consecutive quarter, due to decreases in oil fired water heaters and space heaters, bath tub gas water heaters, etc. Inventory increased by 0.9% compared to the end of the previous quarter, up for the first time in 3 quarters.

4) Production of other metal products increased by 1.4% compared to the previous quarter, up for the 4th consecutive quarter, due to an increase in aluminum cans for beverage and food cans, etc. Shipments were flat at 0.0% (id.). Inventory increased by 2.3% compared to the end of the previous quarter, up for the 3rd consecutive quarter.

D. General machinery
- Production increased for the 5th consecutive quarter, due to increases in special industrial machinery, boilers and power units, etc. -
  - Production increased by 3.0% compared to the previous quarter, up for the 5th consecutive quarter, due to increases in special industrial machinery, boilers and power units, molds and dies, conveying machinery, and office machinery, etc. Shipments increased by 1.0% (id.), up for the 7th consecutive quarter. Inventory increased by 2.7% compared to the end of the previous quarter, up for the first time in 2 quarters. Inventory ratio increased by 3.3% compared to the previous quarter, up for the first time in 4 quarters.
  - Sub-classification by kind of industry
    1) Production of special industrial machinery increased by 9.0% (id.), up for the 5th consecutive quarter. Flat-panel display manufacturing equipment increased significantly for the 3rd consecutive quarter, due to favorable exports for thin-type TV sets and cellular telephones, especially to Korea and Taiwan, and to favorable domestic demand. Printing machinery also increased for the 2nd consecutive quarters, due to orders of large printing machinery for domestic newspaper companies. Food products machinery increased for the first time in 2 quarters, due to orders of large food beverage products machinery from domestic major beverage makers resulting from a heat wave in the summer. In contrast, semiconductor products machinery decreased for the first time in 5 quarters.
    2) Production of boilers and power units increased by 16.2% (id.), up for the 2nd consecutive quarter. Water pipe boilers and steam turbines for general use increased for the 4th and the 3rd consecutive quarter respectively, due to favorable exports for Asia led by China. This was in addition to favorable trade for domestic, independent power generation companies. Parts and accessories of boilers increased for the 2nd consecutive quarter, due to an increase in demand for repair of domestic power companies. In contrast, parts and accessories of steam turbines decreased for the 3rd
consecutive quarter, because there was no large domestic business.

3) Production of molds and dies increased by 13.6% (id.), up for the first time in 2 quarters. Stamping dies increased for the first time in 2 quarters, due to favorable domestic demand for automobile resulting from the introduction of new-model cars and model changes. In contrast, molds for plastic decreased for the 2nd consecutive quarter.

4) Production of conveying machinery increased by 7.8% (id.), up for the 3rd consecutive quarter. Conveyors increased for the first time in 2 quarters, due to favorable trade with liquid crystal panel makers in Korea and Taiwan, domestic and foreign automakers, and domestic power companies. Mechanical parkings increased for the first time in 3 quarters, due to favorable demand for condominiums in large city areas. Elevators also increased for the 5th consecutive quarter.

5) Production of office machinery increased by 12.0% (id.), up for the first time in 2 quarters. Digital and full color copying machines increased for the first time in 2 quarters, due to an increase both in domestic demand and exports to the U.S., Europe and Asia. System use cash registers increased for the first time in 3 quarters, due to favorable domestic demand for renewal.

6) Production of metal cutting machinery decreased by 7.5% (id.), down for the first time in 2 quarters. Special purpose machinery decreased for the first time in 2 quarters, and numerically controlled lathes decreased for the first time in 4 quarters, due to a reaction to favorable conditions in the previous quarter for both domestic demand and exports, especially in automobiles and IT-related goods.

7) Production of agricultural machinery decreased by 10.9% (id.), down for the first time in 3 quarters, due to a decrease in wheel tractors and rice planting machines.

E. Electric machinery
- Production decreased for the first time in 2 quarters, due to decreases in lithium ion storage batteries, etc. -

- In spite of increases in household electrical machinery and electrical rotating machinery, etc., production decreased by 0.3% compared to the previous quarter, down for the first time in 2 quarters, due to decreases in batteries and electrical measuring instruments, etc. Although there were increases in electrical rotating machinery and household electrical machinery, etc., shipments decreased by 1.8% (id.), down for the first time in 2 quarters, due to decreases in batteries and electrical measuring instruments, etc. Inventory increased by 0.4% compared to the end of the previous quarter, up for the 2nd consecutive quarter. Inventory ratio increased by 0.6% compared to the previous quarter, up for the first time in 7 quarters.
Sub-classification by kind of industry
1) In spite of an increase in alkaline storage batteries, production of batteries decreased by 10.7% (id.), down for the first time in 2 quarters, due to a decrease in lithium ion storage batteries for digital cameras.
2) Although there were increases in process measuring and control instruments for industry and electric test and measuring equipments, production of electrical measuring instruments decreased by 6.3% (id.), down for the first time in 5 quarters, due to a decrease in semiconductor characteristic measuring equipments for domestic semiconductor makers.
3) Production of household electrical machinery increased by 9.7% (id.), up for the 2nd consecutive quarter, due to increases in separate type air conditioners and refrigerators, etc.
4) In spite of a decrease in engine generators for general use, production of electrical rotating machinery increased by 7.8% (id.), up for the 5th consecutive quarter, due to increases in three phase induction motors for individual purpose, servo motors, and small capacity motors, etc.

F. Information and communication electronics equipment
- Production increased for the first time in 3 quarters, due to increases in external storage and electric switching systems, etc. -
   □ In spite of a decrease in household electronic machinery, production increased by 0.2% compared to the previous quarter, up for the first time in 3 quarters, due to increases in electronic computers and communication equipment. Although there were increases in electronic computers and communication equipment, shipments decreased by 1.5% (id.), down for the first time in 2 quarters, due to a decrease in household electronic machinery. Inventory increased by 4.0% compared to the end of the previous quarter, up for the first time in 2 quarters. The inventory ratio decreased by 0.1% compared to the previous quarter, down for the 2nd consecutive quarter.
   □ Sub-classification by kind of industry
      1) In spite of decreases in terminal equipments and mid range computers, etc., production of electronic computers increased by 1.7% (id.), up for the first time in 2 quarters, due to an increase in external storage with a favorable domestic demand for disk array equipments and an increase in personal computers with continuous favorable demand for domestic corporations.
      2) Although there was a decrease in basic exchange for mobile customer premises equipments, production of communication equipment increased by 1.2% (id.), up for the first time in 6 quarters for the following reasons: an increase in electric switching systems, accompanied with demand for renewal for fixed telecommunications business and an increase in orders from mobile telecommunications business; an increase in cellular telephones, accompanied with the rollout of models with new functions and
various types of design along with new models with advanced functions; an increase in personal handy phone systems accompanied with the rollout of new models with advanced functions.

3) In spite of increases in liquid crystal televisions and car navigation systems, production of **household electronic machinery** decreased by 7.2% (id.), down for the 3rd consecutive quarter for the following reasons: a decrease in video cameras for domestic demand in competition with separate type air conditioners that sold well as a result of a heat wave in the summer; sluggish domestic sales of digital cameras with a high diffusion rate; a decrease in color televisions, accompanied with a growing shift to overseas production.

G. Electronic parts and devices

- **Production decreased for the first time in 7 quarters, due to decreases in integrated circuits, etc.** -

  - In spite of increases in matrix LCD (large, middle and small), etc. in electronic parts, production decreased by 1.6% compared to the previous quarter, down for the first time in 7 quarters, due to decreases in integrated circuits and semiconductor devices. Although there were increases in electronic parts, etc., shipments decreased by 1.2% (id.), down for the first time in 11 quarters, due to decreases in integrated circuits and semiconductor devices. Inventory decreased by 1.9% compared to the end of the previous quarter, down for the first time in 4 quarters, due to decreases in integrated circuits and semiconductor devices. The inventory ratio increased by 31.8% compared to the previous quarter, up for the 3rd consecutive quarter.

  - Sub-classification by kind of industry

    1) In spite of an increase in logic ICs for game equipment, production of **integrated circuits** decreased by 5.0% (id.), due to decreases in memory, micro computers, and charge coupled devices for digital cameras.

    2) Although there were decreases in electronic circuit boards and fixed capacitors, production of **electronic parts** increased by 1.9% (id.), up for the 7th consecutive quarter, due to an increase in active matrix LCD (large) for personal computers and liquid crystal televisions and an increase in active matrix LCD (middle and small) for cellular telephones, etc.

H. Transport equipment

- **Both production and shipments decreased for the first time in 2 quarters, due to decreases in passenger cars and trucks.** -

  - Production of transport equipment decreased by 2.7% compared to the previous quarter, down for the first time in 2 quarters, due to decreases in railroad vehicles, passenger cars, and motor vehicle parts, etc. Shipments also decreased by 3.1% (id.), down for the first time in 2 quarters. Inventory increased by 16.6% compared to the end of the previous quarter, up for the 3rd
consecutive quarter. The inventory ratio increased by 1.0% compared to the previous quarter, up for the 2nd consecutive quarter.

- Sub-classification by kind of industry

1) Production of passenger cars decreased by 2.1% (id.), down for the first time in 2 quarters. By goods, large passenger cars decreased by 4.4% (id.), down for the first time in 5 quarters, due to a decrease in exports, mainly to the U.S. and East Asia, accompanied with a decrease in domestic use. Small passenger cars decreased by 14.5%, down for the first time in 2 quarters, due to a decrease in domestic use. In contrast, small passenger cars increased by 9.9% (id.), up for the first time in 4 quarters, due to an increase in domestic use, effected by the introduction of new-model cars, and an increase in exports, mainly to Europe.

2) Production of trucks decreased by 3.1% (id.). By goods, mini-trucks decreased by 13.2% (id.), down for the first time in 2 quarters, due to a decrease in domestic use. Large trucks decreased by 3.0% (id.), down for the first time in 2 quarters, due to a decrease in exports, mainly to Europe and East Asia, and a decrease in domestic use. In spite of an increase in exports to ASEAN and the Europe, small trucks decreased by 1.5% (id.), down for the 3rd consecutive quarter, due to a decrease in domestic use.

3) Production of motor vehicle parts decreased by 2.2% (id.), down for first time in 2 quarters, due to a decrease in all goods, such as engine parts and automobile air conditioners.

4) In spite of a decrease in motorcycles (less than 125ml), production of motorcycles remained flat at 0.0% (id.), as motorcycles (more than 125ml) increased.

- Number of registrations and reports of new vehicles

Looking at 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 0.1% (id.)), down for the 2nd consecutive quarter. Inside of this, passenger cars increased by 1.18 million, an increase of 2.3% (id.), up for the first time in 2 quarters. Trucks decreased by 0.27 million, a decrease of 8.9% (id.), down for the 2nd consecutive quarter. Buses decreased by 4 thousand, a decrease of 33.3% (id.), down for the 2nd consecutive quarter.

I. Precision instruments

- Production decreased for the first time in 5 quarters, due to decreases in battery driven type watches (movement), etc. -

  - Production decreased by 3.0% compared to the previous quarter, down for the first time in 5 quarters, due to decreases in all goods for measuring machines and instruments, watches and clocks, and optical apparatus and parts. In spite of increases in optical apparatus and parts and watches and clocks, shipments decreased by 1.7% (id.), down for the 2nd consecutive quarter, due to decreases in measuring machines and instruments. Inventory decreased
by 5.8% compared to the end of the previous quarter, down for the first time in 2 quarters. The inventory ratio increased by 1.0% compared to the previous quarter, up for the 2nd consecutive quarter.

- Sub-classification by kind of industry

1) In spite of an increase in industrial measures, production of measuring machines and instruments decreased by 2.8% (id.), down for the first time in 6 quarters, due to decreases in analytical instruments, with a decrease in pH measures and a decrease in measuring instruments, and measuring instruments and controllers for industry. Shipments decreased by 4.2% (id.), down for the first time in 4 quarters. Inventory decreased by 1.4% compared to the end of the previous quarter.

2) As a result of an increase in battery driven type clocks, production of watches and clocks decreased by 6.2% compared to the previous quarter, down for the 2nd consecutive quarter, due to decreases in battery driven type watches (movements) and battery driven type watches (complete). Shipments increased by 1.4% (id.), up for the first time in 2 quarters. Inventory decreased by 30.9% compared to the end of the previous quarter, down for the first time in 3 quarters.

3) In spite of an increase in interchangeable lenses for cameras, production of optical apparatus and parts decreased by 1.3% compared to the previous quarter, down for the 2nd consecutive quarter, due to a decrease in 35mm cameras. Shipments increased by 2.6% (id.), up for the first time in 2 quarters. Inventory decreased by 1.9% compared to the end of the previous quarter, down for the first time in 2 quarters.

J. Ceramics, stone and clay products
- Production increased for the first time in 7 quarters, and shipments increased for the first time in 4 quarters.

- Production increased by 1.6% compared to the previous quarter, up for the first time in 7 quarters, due to the following reasons. Glass and glass products increased by 3.6% (id.), up for the first time in 2 quarters, due to favorable demand in all goods, such as sheet glass and safety glass. Ceramic wares and fine ceramics increased by 0.8% (id.), up for the 3rd consecutive quarter, due to an increase in fine ceramics for structural use. Other ceramics, clay and stone products increased by 0.6% (id.), up for the first time in 2 quarters, due to an increase in quick lime and abrasive products. Shipments increased by 0.6% (id.), up for the first time in 4 quarters, due to increases in glass and glass products, ceramic wares and fine ceramics, and cement and cement products. Inventory decreased by 2.5% compared to the end of the previous quarter, down for the 5th consecutive quarter, due to decreases in glass and glass products, and cement and cement products. The inventory ratio decreased by 2.5% compared to the previous quarter, down for the first time in 2 quarters.

- Sub-classification by kind of industry
1) In spite of a decrease in glass products, production of glass and glass products increased by 3.6% compared to the previous quarter, up for the first time in 2 quarters, due to an increase in glass with favorable demand for automobiles.

2) Although there was an increase in demand for construction in the private sector, production of cement and cement products remained flat at 0.0% (id.), due to weakness in public construction work.

3) In spite of a decrease in ceramic wares from the effects of an increase in imports, production of ceramic wares and fine ceramics increased by 0.8% (id.), up for the 3rd consecutive quarter, due to an increase in fine ceramics for structural use, such as refractory materials, etc.

4) Production of other ceramics, clay and stone products increased by 0.6% (id.), up for the first time in 2 quarters, due to increases in quick lime, abrasive products, and gypsum board, etc.

K. Chemicals (excl. Drugs)
– Both production and shipments increased for the first time in 2 quarters. –

- In spite of a decrease in cyclic chemicals and synthetic dyes and plastic (materials), etc., production increased by 1.2% compared to the previous quarter, up for the first time in 2 quarters, due to increases in cosmetics, synthetic rubbers, soap, synthetic detergent and surface-active agents, etc. Although there were decreases in fertilizers, aromatic hydrocarbons (petroleum, origin), and sensitive materials for photography, etc., shipments increased by 0.6% (id.), up for the first time in 2 quarters, due to increases in cosmetics, soap, synthetic detergent and surface-active agents, industrial organic chemicals, etc. Inventory decreased by 0.3% compared to the end of the previous quarter, down for the 2nd consecutive quarter, due to decreases in plastic (materials), industrial organic chemicals, and cyclic chemicals and synthetic dyes.

- Sub-classification by kind of industry

1) Production of cosmetics increased by 6.2% compared to the previous quarter, up for the first time in 2 quarters. The increase was due to the following reasons: an increase in make up products, as a result of an increase in foundation, etc.; an increase in skin cream products, as a result of an increase in cleansing cream and facial cleansing cream/foam; an increase in hair care products, as a result of an increase in shampoos and hair rinses, etc.

2) Production of synthetic rubbers increased by 7.0% (id.), up for the first time in 2 quarters, due to periodic repair of some offices.

3) Production of soap, synthetic detergent and surface-active agents increased by 5.1% (id.), up for the first time in 2 quarters. This was due to an increase in synthetic detergent, as result an increase in powdered detergent for laundry, and an increase in body cleaner, resulting from an
increase in demand linked a heat wave in the summer.

L. Petroleum and coal products

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

  - Production increased by 0.8% compared to the previous quarter, up for the first time in 2 quarters, due to increases in kerosene, gasoline and gas oil, etc. Shipments increased by 1.6% (id.), up for the first time in 2 quarters, due to increases in kerosene, naphtha, and heavy fuel oil B and C, etc. Inventory increased by 5.4% compared to the end of the previous quarter, up for the first time in 4 quarters, due to increases in gasoline, naphtha, and heavy fuel oil B and C, etc. The inventory ratio increased by 3.2% compared to the previous quarter, up for the first time in 4 quarters.

  - Trends in major items

1) Production of gasoline increased by 1.3% compared to the previous quarter, and shipments also increased by 0.2% (id.). Both increased for the first time in 2 quarters, due to the reaction of a decrease in the previous quarter resulting in a barrage of periodic repairs of oil factories. Inventory increased by 9.7% compared to the end of the previous quarter, up for the 2nd consecutive quarter.

2) Production of naphtha decreased by 3.9% compared to the previous quarter, down for the first time in 2 quarters. Shipments increased by 3.8% (id.), up for the first time in 3 quarters, due to an increase in petrochemistry products such as xylene and toluol, etc., which are the main recipient. Inventory increased by 14.3% compared to the end of the previous quarter, up for the first time in 2 quarters.

3) Production of kerosene increased by 10.7% compared to the previous quarter, up for the 3rd consecutive quarter. Shipments increased by 8.6% (id.), up for the 2nd consecutive quarter. This was a result of inventory accumulation by distributors for a demand season. Inventory increased by 9.8% compared to the end of the previous quarter, up for the first time in 4 quarters.

4) Production of gas oil increased by 1.9% compared to the previous quarter, up for the first time in 3 quarters, backed by a recovery of truck traffic. Shipments decreased by 0.9% (id.), down for the 2nd consecutive quarter. Inventory increased by 1.8% compared to the end of the previous quarter, up for the first time in 3 quarters.

5) Production of heavy fuel oil B and C increased by 0.7% compared to the previous quarter, up for the first time in 3 quarters, due to an increase in demand for electricity resulting from a heat wave in the summer. Shipments also increased by 4.6% (id.), up for the first time in 3 quarters. Inventory increased by 15.5% compared to the end of the previous quarter, up for the first time in 3 quarters.

6) Production of coal products (coke) increased by 0.1% compared to the
previous quarter, up for the first time in 2 quarters, due to an increase in demand for pig iron. Shipments decreased by 0.4% (id.), down for the 3rd consecutive quarter, due to a decrease in domestic use. Inventory decreased by 4.4% compared to the end of the previous quarter, down for the 2nd consecutive quarter.

M. Plastic products
- Both production and shipments increased, due to favorable demand for PET bottles for drinks resulting from a heat wave in the summer. -
  - In spite of a decrease in construction material-related production, production increased by 1.8% compared to the previous quarter, up for the 2nd consecutive quarter, due to increases in manufacturing material-related production and consumption material-related production. Shipments increased by 0.9% (id.), up for the 5th consecutive quarter, due to increases in all of manufacturing material-related production, consumption material-related production, and construction material-related production. Although there was an increase in manufacturing material-related production, inventory decreased by 1.2% compared to the end of the previous quarter, down for the 2nd consecutive quarter, due to decreases in consumption material-related production and construction material-related production.
  - Production by use
    1) In manufacturing material-related items, plastic containers blow-molding increased by 14.9% compared to the previous quarter, up for the 2nd consecutive quarter, due to the large demand, mainly, for PET bottles for drinks resulting from a heat wave in the summer. In contrast, plastic containers (excl. blow-molding) decreased by 0.8% (id.), down for the first time in 2 quarters, due to a decrease in containers for industrial use and for food. Plastic synthetic leathers decreased by 0.3% (id.), down for the 2nd consecutive quarter, due to the decreasing demand for furniture and bags. In spite of an increase in parts for transport equipments, plastic products for machine tools and parts remained flat at 0.0%, due to a decrease in parts for telecommunications.
    2) In consumption material-related items, plastic film and plastic sheets increased by 1.4% compared to the previous quarter, up for the first time in 3 quarters, due to an increase in agricultural film for hothouses and an increase in hard film for food containers. In spite of a decrease in styrene paper for food, plastic formed products increased by 0.8% (id.), up for the 3rd consecutive quarter, due to increases in plates for construction insulating materials and flooring materials. In contrast, plastic products for daily necessaries and miscellaneous goods decreased by 0.5% (id.), down for the 2nd consecutive quarter, due to decreases in storage goods and gardening supplies.
    3) In construction material-related items, plastic pipes decreased by 6.3%
compared to the previous quarter, down for the 2nd consecutive quarter, due to a decrease in water pipes related to public works. In contrast, plastic reinforced products increased by 4.9% (id.), up for the 2nd consecutive quarter, due to increases in bathtubs, etc. Plastic plates increased by 2.2% (id.), up for the 2nd consecutive quarter, due to an increase in corrugated plates as a result of an increase in demand because of a series of typhoon. In spite of a decrease in other materials for building for walls, etc., plastic materials for building increased by 0.2% (id.), up for the first time in 3 quarters, due to increases in rain gutters and their accessories.

N. Pulp, paper and paper products
- Both production and shipments increased due to an increase in all industries. -
  - Production increased by 3.1% compared to the previous quarter, up for the first time in 2 quarters, due to an increase in all industries of paper, pulp, converted and processed paper, and paperboard. Shipments increased by 1.4% (id.), up for the 3rd consecutive quarter, due to an increase in all industries of paper, converted and processed paper, paperboard, and pulp. In spite of a decrease in pulp and paperboard, inventory increased by 1.2% compared to the end of the previous quarter, up for the first time in 3 quarters, due to increases in paper and converted and processed paper.
  - Sub-classification by kind of industry
    1) Production of paper increased by 4.2% compared to the previous quarter, up for the first time in 2 quarters, due to increases in coated printing paper, household and sanitary paper, communication paper, uncoated printing paper, newsprint paper in rolls, and wrapping and packing paper. In spite of a decrease in communication paper shipments increased by 1.9% (id.), up for the 3rd consecutive quarter, due to increases in coated printing paper, newsprint paper in rolls, household and sanitary paper, uncoated printing paper, and wrapping and packing paper. Although there were decreases in newsprint paper in rolls and uncoated printing paper, inventory increased by 3.6% compared to the end of the previous quarter, up for the first time in 3 quarters, due to increases in communication paper, coated printing paper, household and sanitary paper, and wrapping and packing paper.
    2) Production of paperboard increased by 1.2% compared to the previous quarter, up for the first time in 2 quarters, due to increases in container board and paperboards for paper containers. Shipments also increased by 1.1% (id.), up for the first time in 2 quarters, due to increases in container boards and paperboards for paper containers. Inventory decreased by 2.3% compared to the end of the previous quarter, down for the 3rd consecutive quarter, due to decreases in paperboards for paper containers and container boards.
3) Production of converted and processed paper (corrugated cardboard sheets) increased by 1.6% compared to the previous quarter, up for the first time in 2 quarters. Shipments increased by 1.4% (id.), up for the first time in 3 quarters. This was due to the following reasons: an increase in demand for processed food (including beverages) as a result of favorable conditions in soft drinks and alcoholic drinks, resulting from a heat wave in the summer; an increase in demand for fruits and vegetables; an increase in demand for electric appliances and machinery and equipment, effected by the Athens Olympics and a heat wave.

O. Textiles

- Both production and shipments decreased for the 30th consecutive quarter.
  - Production decreased by 0.6% compared to the previous quarter, down for the 30th consecutive quarter, due to decreases in man-made fibers, etc. This was especially noticeably in clothes, as a result of stagnant demand. Shipments also decreased by 1.9% compared to the previous quarter, down for the 30th consecutive quarter. Inventory decreased by 0.1% compared to the end of the previous quarter, down for the 13th consecutive quarter (including quarters that showed leveling off), due to decreases in woven fabrics, other textile products, and spun yarn.

- Sub-classification by kind of industry

  1) Production of man-made fibers decreased by 1.4% compared to the previous quarter, due to a decrease both in synthetic fibers (staple) and synthetic fibers (filament). In spite of an increase in synthetic fibers (filament), shipments decreased by 2.3% (id.), due to a decrease in synthetic fibers (staple). Inventory increased by 2.1% compared to the end of the previous quarter, due to an increase in synthetic fibers (staple).

  2) In spite of a decrease in synthetic fiber yarn, production of spun yarn increased by 0.9% compared to the previous quarter, due to increases in cotton yarn and woolen yarn. Shipments decreased by 5.0% (id.), due to decreases in synthetic fiber yarn, woolen yarn and cotton yarn. Inventory decreased by 1.6% compared to the end of the previous quarter, due to a decrease in woolen yarn.

  3) In spite of decreases in silk and spun silk fabrics, and cotton fabrics, production of woven fabrics increased by 0.4% compared to the previous quarter, due to increases in synthetic fiber fabrics (filament) and woolen fabrics. Shipments increased by 1.1% (id.), due to increases in woolen fabrics and towel cloth. Inventory decreased by 3.6% compared to the end of the previous quarter, down for the 13th consecutive quarter, due to decreases in woolen fabrics, cotton fabrics, silk and spun silk fabrics, etc.

  4) Production of clothes decreased by 3.4% compared to the previous quarter, down for the 22nd consecutive quarter, due to a decrease in all goods, such as woven fabrics outer wears, hosiery and under wears owing to stagnant
demand and an increase in imports of products. Shipments decreased by 5.8% (id.) due to a decrease in all goods, such as woven fabrics outer wears, hosiery, and knitted fabrics outer wears, etc. Inventory increased by 1.7% compared to the end of the previous quarter, due to an increase in knitted fabrics outer wears and hosiery.

(2) Trends in tertiary industry

A. Commerce

- The total sales amount for the wholesale industry was 103.3800 trillion yen. Total sales increased by 4.5% compared to the corresponding quarter of the previous year, up for the 4th consecutive quarter. This was due to the following reasons: 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; an increase in the machinery wholesale industry and the general merchandise wholesale industry, etc., although the textile products wholesale industry, etc. decreased.
- The total sales amount for large wholesalers was 28.1261 trillion yen. Total sales increased by 4.4% (id.), up for the 2nd consecutive quarter.
- The total sales amount for the retail industry was 31.3710 trillion yen. Total sales decreased by 0.3% (id.), down for the 2nd consecutive quarter, due to a decrease in the foods and beverages retail industry, resulting from bad weather on weekends along with typhoons, and a decrease in the general merchandise retail sale industry, in spite of favorable conditions in midsummer items such beverages resulting from a heat wave in the summer.
- The total sales amount for large retailers was 5.1560 trillion yen, decreasing by 1.5% (id.), down for the 6th consecutive quarter.
- The total sales amount and service sales amount for convenience stores was 1.9387 trillion yen, increasing by 4.3% (id.), up for the 4th consecutive quarter.

B. Specific service industries

- Business services

- The contract amount for commodity leases (based on acceptance inspection) increased by 5.2% compared to the corresponding quarter of the previous year, and the purchase amount for delivery items also increased by 5.3% (id.).
- The total sales amount for the rental industry decreased by 0.2% (id.).
- The total sales amount for the information service industry decreased by 1.8% (id.), down for the first time in 4 quarters.
- The total sales amount for advertising increased by 6.3% (id.), up for the 4th consecutive quarter. The main four advertising media increased by 4.9% (id.).
- The total amount handled by the credit card service increased by 7.6% (id.). By type of business, sales credit business increased by 9.6% (id.), and consumer credit business increased by 1.3% (id.).
- The total amount of orders received in engineering service increased by
The breakdown shows that domestic demand increased by 8.7% (id.); however, foreign demand decreased by 15.5% (id.).

- **Personal services**
  - In the leisure and amusement services, all industries, except pachinko parlors, decreased.
  - In the culture and lifestyle services, fitness clubs, foreign language conversation classes, and funeral services increased; wedding ceremony halls and cultural centers decreased.