The outline of 2004 supply trend for final demand is as follows:

Overall industrial supply for consumption increased by 1.6% compared to the previous year, up for the 6th consecutive year, due to an increase in individual consumption by 1.3% (id.) and an increase in government consumption by 1.6% (id.).

Overall industrial supply for investment increased by 0.3% compared to the previous year, up for the first time in 4 years, due to an increase in private corporation facilities by 6.0% (id.) and an increase in private housing by 2.3% (id.). Both rose for the second consecutive year, although public investment decreased by 12.7% (id.), down for the 5th consecutive year.

Exports increased by 11.0% compared to the previous year, up for the third consecutive year, and imports also increased by 8.2% (id.), up for the 6th consecutive year.

IT-related consumption decreased by 4.0% compared to the previous year, down for the first time on a 2000 basis, while IT-related investment increased by 2.7% (id.), up for the second consecutive year.

Changes in the Indices of All Industries
(2000 = 100, Ratio to the previous year; Ratio to the previous quarter after seasonal adjustment)

Notes:
1. The indices of all industrial supply were revised using 2000 as a base 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 each of the notes on the next page. As for long-term time series, see the website. (http://www.meti.go.jp/statistics/index.html)

2. As the indices of all industrial supply are calculated using various statistical data, preliminary figures are used for some basic data. Therefore, you should note that the indices of the previous quarter had been corrected to the revised figures.

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

IT-related consumption for 2004 decreased by 4.0% compared to the previous year, down for the first time on a 2000 basis, while non IT-related consumption increased by 1.6% (id.), up for the second consecutive year.

IT-related investment for private corporation facilities increased by 2.7% compared to the previous year, due to an increase in order software. It was up for the first time in three years, including a leveling-off of last year, and non-IT related investment also increased by 6.8% (id.), up for the second consecutive quarter.

Changes in IT-related Consumption

Index level (2000 = 100, seasonally adjusted)

Note: IT-related personal consumption is consumption related to cellular telephones, personal handy phone systems, personal computers, fixed telecommunications business and mobile telecommunications business, which 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)

Note: IT-related investments are investments related to communication wires and cables, power wires and optical fiber products for cables, digital and full color copying machines, key system telephone equipment, facsimile machines, electronic switching systems, digital transmission equipment, fixed communication equipment, personal handy phone systems, basic exchange for mobile customer premises equipment, general purpose computers, mid range computers, personal computers, external storage, input-output units, terminal equipment, software development and program creation (subcontracts) that are also supplied to private corporation facilities

Source: “The Indices of All Industries” (final demand components)
The characteristics of recent consumption – Changes in the relation between income and consumption and service orientation of consumption –

While income continues to lag, family consumption (personal consumption) has been relatively steady. This means that family consumption is slow to drop, even though income has not increased so much, and the “Ratchet effect”, which is said to prop up the economy, seems to have been intensified. From such a viewpoint, the following is a consideration of changes in determining factors of consumption through comparison between the past (1980s and 1990s) and the present (2000s).

Furthermore, conventional retail trade (distributive trade), such as department stores and supermarkets, has recently been in sales slump, but it does not simply mean poor sales of “merchandise”. In order to find the background of this trend, relatively new styles of consumption (new channels for the sellers) will be referred to as characteristics of recent consumption, including “service orientation of consumption” and Internet shopping, etc.

Taking a look at a trend line by decade through plotting the data of disposable income and average propensity to consume since 1970, based on “Family Income and Expenditure Survey” (The Ministry of Internal Affairs and Communications), elasticity towards disposable income is higher between 2000 to 2004 (2000s) than in any other decade, although a broad view is needed because of the low coefficient of determination. This implies the growth of the “Ratchet effect,” expenditure does not drop as much as income in a business slump and props up the economy.

Relationship between Real Disposable Income and Average Propensity to Consume

Notes: 1. Disposable income is made real based on consumer price index (excluding imputation rent). 2. The figure was plotted by organizing monthly data into quarterly data. 3. The values in the parenthesis in the regression equation are t-values. Source: “Family Income and Expenditure Survey” (Ministry of Internal Affairs and Communications)
Examining income elasticity\(^1\) and financial assets elasticity\(^2\) of consumption between 1980s, 1990s and 2000s, both showed 1) more moderate inclination, and 2) fewer sample statistics than in other decades, although a broad view is needed because of insufficiency in sample statistics in 2000s such as coefficient of determination and t-values. This implies that an increase in income or financial assets has less influence on consumption; in other words, a decrease in income or financial assets has less influence on consumption than in the past.

Note 1) “Employees’ wages” from “National Accounts” (The Cabinet Office) was used as the income data here.
Note 2) “Financial Assets Stock” in “Households” (“Individual” until 1997) from “Flow-of-Funds Accounts” (Bank of Japan) was used as the financial assets data here.

Income Elasticity and Financial Assets Elasticity of Consumption by Decade
(Ratio to the Same Quarter of the Previous Year)

\[ y = 0.5487x + 1.5561 \]
\[ R^2 = 0.1619 \]
\[ (2.56) \quad (1.95) \]

\[ y = 0.5923x + 0.3576 \]
\[ R^2 = 0.3565 \]
\[ (4.59) \quad (0.96) \]

\[ y = 0.0586x + 0.484 \]
\[ R^2 = 0.008 \]
\[ (0.37) \quad (2.30) \]

\[ y = 0.2701x + 1.0944 \]
\[ R^2 = 0.1264 \]
\[ (2.22) \quad (0.98) \]

\[ y = 0.4222x + 0.1947 \]
\[ R^2 = 0.2498 \]
\[ (3.56) \quad (0.41) \]

\[ y = 0.0741x + 0.4428 \]
\[ R^2 = 0.072 \]
\[ (1.18) \quad (1.97) \]

Notes
1. The values in parenthesis in the regression equation are t-values.
2. As for figure, the trend line was drawn, excluding the values for the first quarter of 2004, which showed an evidently unnatural relationship between consumption and wages.

Source: “National Accounts” (Cabinet Office)
“Flow-of-Funds Accounts” (Bank of Japan)
Looking at changes in rate of expenditure on goods and services in households until FY 2002 in “National Accounts” (Cabinet Office) with regard to “service orientation of consumption,” expenditure on services has been on an upward trend, while that on durable goods has remained stable. Those on semidurable goods and nondurable goods have been decreasing. Considering the past, this trend will be expected to continue. Analysis of factors of Japan’s household consumption expenditure since 1997 also shows a constant upward trend of expenditure on services, while expenditure on other goods has mostly been decreasing. Year by year, expenditure on services has been increasingly propping up household consumption.

Looking at the relationship between disposable income and expenditure on goods and services, elasticity of service expenditure towards disposable income (0.62) was higher than that of nondurable goods (0.55), but was lower than that of semidurable goods (0.93) and was approximately half of that of durable goods (1.28). Therefore, expenditure on services, which accounted for approximately 60 % of overall household consumption expenditure (2004), will not decrease at the same rate of decrease of income, and lagging income will not result in a sharp drop in household consumption expenditure.

Distribution Rate of Final Consumption Expenditure by Type of Household Budgets and Analysis of its Factors (Nominal Value)

Source: “National Accounts” (The Cabinet Office)
Goods and Services Expenditure Elasticity of Disposable Income
(Ratio to the Same Quarter of the Previous Year, Nominal Value)

Notes
1. The period is from 1980 I to 2003 I. The figure was plotted by quarter.
2. The values in parenthesis in the regression equation are t-values.
Source: “National Accounts” (Cabinet Office)

Looking at the market size of e-commerce for consumers, it expanded rapidly, increasing 69 fold from FY 1998 to FY2003, accounting for approximately 3.4% in overall sales of retail trade. Excluding automobiles and real estate, which accounted for approximately one-third in of the distribution ratio by item for 2003, favorable conditions were observed, especially in “various services” (e.g. reservation services for restaurants, etc.), “travel”, and “entertainment” (e.g. call signals with melodies)

Total expenditure using the Internet per household has been constantly increasing, irrespective of increases and decreases of overall consumption expenditure. The rate of the users of Internet shopping was the highest among people in their thirties, and this group accounted for nearly 20%. As the generation with relatively less reluctance to Internet shopping grows older, users will be expected to further expand and the market of Internet shopping has a high potential in the future.

Note 1) The definition of e-commerce here is “doing trade through electronic media using Internet technology.”
Note 2) E-commerce for consumers (4.4 trillion yen, FY 2003) ❚ Sales of retail trade (128.9 trillion yen, FY 2003) ❚

Changes in Market Size of E-Commerce for Consumers and Sales by Commodity

Market size
Sales by commodity (Excluding automobiles and real estate)

Note: In figure ‡A, “various services” increased sharply compared to the previous year, since the amount of Internet betting for public gambling was newly added in FY 2003.

Source: "Survey on Actual Condition and market Size of Electronic Commerce for 2003" (Information Economy Outlook 2004)

Changes in Total Expenditure Using the Internet and the Rate of Internet Shopping

- Total expenditure (Nominal value, Monthly average per household)

- The rate of Internet shopping (2003)
Present situations of capital investment and the sense of equipment shortages by industry and by capital

The amount of capital investment\(^1\) of all industries has been steadily increasing since the third quarter of 2003. The sense of equipment shortages\(^2\) of all industries for the third quarter of 2004 showed the highest level since the first quarter of 1997, therefore capital investment is expected to remain active.

Comparison between the amount of capital investment and the sense of equipment shortages showed the highest correlation when the latter was leading for 2 quarters. The following is the analysis of the estimated future amount of capital investment by capital size of four manufacturing industries, wholesale trade and retail trade from the viewpoint of the relationship between the sense of equipment shortages and the amount of capital investment.

Note 1) The amount of capital investment adopted “Capital investment excluding software” from “Financial Statements of Corporations by Industry” (The Finance Ministry).

Note 2) The sense of equipment shortages here indicates “shortage” – “excess” of equipment for production and business in the “Tankan Survey” (The Bank of Japan). Minus values means “shortage”. Because of revision in March 2004, the Tankan Survey holds discontinuity between the survey in December 2003 and the survey in March 2004, however, intact values are adopted because there were no big differences, except for values for December 2003, for which the average of the old survey and new survey was adopted.

Changes in the Amount of Capital Investment of All Industries and the Sense of Equipment Shortages

(Differentials in points)

Note: Changes in the amount of capital investment was based on “Financial Statements of Corporations by Industry” (The Finance Ministry) and was transformed originally into indices assuming the value for 2000 as 100. The amount of capital investment seasonally adjusted was calculated originally using X-11 default of census bureau method.

As for electrical machinery, in all sizes, the amount of capital investment and the sense of equipment shortages showed the highest correlation when the latter was leading for two quarters. The sense of equipment shortages has been weakening, after reaching a peak in the second quarter of 2004, therefore capital investment may be on a weak note in the future. In wholesale trade and retail trade, medium and small enterprises, which accounted for nearly half of the amount of capital investment, showed high correlation between the amount of capital investment and the sense of equipment shortages when the latter was leading for one quarter. A weakening sense of equipment shortages in the fourth quarter of 2004 may imply a decrease in the amount of capital investment.

General machinery is expected to increase steadily its capital investment with prospects for a growing sense of equipment shortages. Transport equipment is also expected to increase its capital investment, especially in large enterprises and leading medium-sized enterprises, but its growth rate will not be as large as during the peak of the second quarter of 1998 with consideration of a rising rate of overseas production. As for chemicals, capital investment in large enterprises and leading medium-sized enterprises has been steady, while medium and small enterprises, whose capacity for making profits and investing seems to be at risk due to an upsurge of material costs, decreased their capital investment in spite of a rise in the sense of equipment shortages. Further attention should be paid to the future trend.

As for overall industries in all sizes, correlation is the highest when the sense of equipment shortages was leading for two quarters; the sense of equipment shortages continued to grow in 2004, which indicates a continuous steady trend in capital investment for the time being.
Changes in the Amount of Capital Investment
and Sense of Equipment Shortages of Electrical Machinery by Capital

All industries
(2000 = 100, Seasonally adjusted)

Large enterprises
(2000 = 100, Seasonally adjusted)

Leading medium-sized enterprises
(2000 = 100, Seasonally adjusted)
Medium and small enterprises
(2000 = 100, Seasonally adjusted)

Note: Changes in the amount of capital investment were based on “Financial Statements of Corporations by Industry” (The Finance Ministry) and were transformed originally into indices assuming the value for 2000 as 100. The amount of capital investment seasonally adjusted was calculated originally using X-11 default of census bureau method.

Coefficient of Correlation between Sense of Equipment Shortages and the Amount of Capital Investment of Electrical Machinery

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<td>4 quarters leading 1 quarter</td>
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<td>4 quarters leading 2 quarters</td>
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<td>4 quarters leading 3 quarters</td>
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<tr>
<td>Coincident</td>
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</table>
Outline of import and export trends

2004 import and export trends

Looking at the trends of exports and imports for 2004 (on a quantity basis), exports as a whole increased by 11.0% compared to the previous year, due to an increase in export of goods (the mining and manufacturing industry) by 11.9% (id.) and an increase in received services by 8.7% (id.). Imports as a whole increased by 8.2% (id.), due to an increase in imports of goods (the mining and manufacturing industry) by 8.1% (id.) and an increase in service payments by 9.0% (id.).

By region, exports of goods increased in East Asia, the U.S., Europe, and ASEAN. Imports of goods also increased in East Asia, ASEAN, Europe, and the U.S.

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, Gaza, and Yemen.
Source: “The Indices of Industrial Domestic Shipments and Exports” “The Indices of Industrial Domestic Shipments and Imports”
Situations of commodities leading an increase in import and export in 2004
- Semiconductor products machinery and metal oxide semiconductor ICs (Memory)

Looking at 2004 exports by industry in The Indices of Industrial Domestic Shipments and Exports (on a quantity basis), the electronic parts and devices industry the general machinery industry and the transport equipment industry contributed to increase, and other industries which increased in 2003 further increased in 2004. Furthermore, many of the industries, such as the information and communication electronics equipment industry, that decreased in 2003 shifted to increase. As a result, overall conditions were favorable with increases in 16 industries except for the foods and tobacco industry.

As for the top three industries which contributed to an increase in export, a high contribution ratio was seen especially in metal oxide semiconductor IC (memory) etc. among the electronic parts and devices industry, in semiconductor products machinery etc. among the general machinery industry, and in large passenger cars etc. among the transport equipment industry.

On the other hand, looking at 2004 imports by industry in The Indices of Industrial Domestic Shipments and Imports (on a quantity basis), the electronic parts and devices industry, the information and communication electronics equipment industry, and the general machinery industry contributed to increase. Contribution by commodity was as follows: metal oxide semiconductor IC (memory) etc. among the electronic parts and devices industry, terminal equipments etc. among the information and communication electronics equipment industry, and printing machinery and semiconductor products machinery etc. among the general machinery industry contributed to increase in particular.

In 2004, the electronic parts and devices industry and the general machinery industry led increases both in exports and imports. In particular, metal oxide semiconductor IC (memory) among the former and semiconductor products machinery among the latter contributed significantly to increase, therefore, these two commodities should be examined more closely.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Ratio to Previous Year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining and manufacturing</td>
<td>11.9</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>20.9</td>
</tr>
<tr>
<td>Non-ferrous metals</td>
<td>10.6</td>
</tr>
<tr>
<td>Fabricated metals</td>
<td>12.9</td>
</tr>
<tr>
<td>General machinery</td>
<td>29.7</td>
</tr>
<tr>
<td>Electrical machinery</td>
<td>13.1</td>
</tr>
<tr>
<td>Information and communication electronics</td>
<td>9.9</td>
</tr>
<tr>
<td>Electronic parts and devices</td>
<td>21.1</td>
</tr>
<tr>
<td>Transport equipment</td>
<td>10.1</td>
</tr>
<tr>
<td>Precision instruments</td>
<td>32.6</td>
</tr>
<tr>
<td>Ceramics, stone and clay products</td>
<td>20.4</td>
</tr>
<tr>
<td>Chemicals</td>
<td>5.4</td>
</tr>
<tr>
<td>Petroleum and coal products</td>
<td>-2.1</td>
</tr>
<tr>
<td>Plastic products</td>
<td>12.3</td>
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<tr>
<td>Pulp, paper and paper products</td>
<td>7.0</td>
</tr>
<tr>
<td>Textiles</td>
<td>5.6</td>
</tr>
<tr>
<td>Foods and tobacco</td>
<td>-1.7</td>
</tr>
<tr>
<td>Other manufacturing</td>
<td>6.1</td>
</tr>
</tbody>
</table>

 Ratio to the Previous Year of Export and Import by Industry
# Trend of Commodities in Export and Import by Industry

## (Three Industries with High Contribution Ratio)

### Export

<table>
<thead>
<tr>
<th>Industry</th>
<th>Increase</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic parts and devices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metal oxide semiconductor IC (Memory)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Magnetic heads</td>
<td></td>
<td></td>
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<tr>
<td>Switching power supply units</td>
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<tr>
<td>Cathode ray tubes for color television</td>
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<tr>
<td>Linear integrated circuits</td>
<td></td>
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<tr>
<td>Hybrid IC</td>
<td></td>
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<tr>
<td>Liquid crystal devices</td>
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<tr>
<td>General machinery</td>
<td></td>
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<tr>
<td>Semiconductor products machinery</td>
<td></td>
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<tr>
<td>Looms</td>
<td></td>
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<tr>
<td>Food products machinery</td>
<td></td>
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<tr>
<td>Special purpose machinery</td>
<td></td>
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<tr>
<td>Shovel type excavators</td>
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<tr>
<td>Mechanical presses</td>
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<tr>
<td>Internal combustion engines for industry</td>
<td></td>
<td></td>
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<tr>
<td>Refrigerating machines for automobile air conditioners</td>
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<tr>
<td>Transport equipment</td>
<td></td>
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<tr>
<td>Large passenger cars</td>
<td></td>
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<tr>
<td>Small passenger cars</td>
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<tr>
<td>Drive, transmission and control parts</td>
<td></td>
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<tr>
<td>Motorcycles (Less than 125ml)</td>
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<td>Steel boats</td>
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<td>Midget passenger cars</td>
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<tr>
<td>Engine parts</td>
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</table>

### Import

<table>
<thead>
<tr>
<th>Industry</th>
<th>Increase</th>
<th>Decrease</th>
</tr>
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<tbody>
<tr>
<td>Electronic parts and devices</td>
<td></td>
<td></td>
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<tr>
<td>Metal oxide semiconductor IC (Memory)</td>
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<tr>
<td>Optical electronic devices</td>
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<tr>
<td>Hybrid IC</td>
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<td>Fixed capacitors</td>
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<tr>
<td>Metal oxide semiconductor IC (Logic)</td>
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<tr>
<td>Resistors</td>
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<td></td>
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<tr>
<td>Metal oxide semiconductor IC (Micro computer)</td>
<td></td>
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<tr>
<td>Cathode ray tubes for color television</td>
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<tr>
<td>Terminal equipment</td>
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<tr>
<td>Digital transmission equipment</td>
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<tr>
<td>DVD-videos</td>
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<td>Video tape recordeds</td>
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<td>Personal computers</td>
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<td>Electric switching systems</td>
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<td>External storage</td>
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<td>Headphone stereos</td>
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<tr>
<td>General machinery</td>
<td></td>
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<tr>
<td>Printing machinery</td>
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<tr>
<td>Bearings</td>
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<tr>
<td>Semiconductor products machinery</td>
<td></td>
<td></td>
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<tr>
<td>Absorption-type refrigerating machines</td>
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<tr>
<td>Molds for plastic</td>
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<tr>
<td>Earth finishing machinery</td>
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<tr>
<td>General valves and cooks</td>
<td></td>
<td></td>
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<tr>
<td>Packaged type air conditioners</td>
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**NOTE:** The table above provides a summary of the trend in commodities for export and import by industry. The industries listed are those with the highest contribution ratio. The data includes categories such as electronic parts, machinery, and automotive parts. The table highlights both increases and decreases in the contribution ratios for these industries.
Looking closely at the trend of semiconductor products machinery in trade statistics (monetary amounts basis), both exports and imports had been on a decreasing trend after reaching the peak in 2000, but there were significant increases in 2004 both in exports (up by 63.7% compared to the previous year) and in imports (up by 70.2% (id.)), surpassing the level of 2000. The amount of exports for 2004 was 546.6 billion yen, 4.2 times the size of the amount of imports (129.2 billion yen).

All three commodities of semiconductor products machinery showed an export surplus, and in particular, there was a huge export surplus in light exposure/lithography machines. Ratio of exports to imports was 2.6 times for etch apparatus, 21.8 times for light exposure/lithography machines, and 1.4 times for related equipment.

As for the shares of the top five countries with high export value in 2004, Taiwan accounted for the largest share of approximately 40%, followed by Korea and the United States. Four out of the top five countries are located in East Asia, accounting for almost 80% of overall exports of semiconductor products machinery. In contrast, as for the shares of the top five countries with high import value in 2004, the U.S. accounted for the largest share of three-quarters of overall imports of semiconductor products machinery, followed by Holland, Germany, etc. Nearly 90% was imported from Europe and the U.S.
Export of metal oxide semiconductor IC (memory) increased by 13.7% compared to the previous year, up for the second consecutive year; however, its rate in overall exports diminished to 0.48% from 1.12% in 1997. Imports increased by 23.7% (id.), up for the second consecutive year. Metal oxide semiconductor IC (memory) had shown export surplus until 1999, but turned to show import surplus in 2000. Overbalance has been on an increasing trend, and import value of 2004 was 1.7 times that of export value.

By commodity, SRAM showed an export surplus, while DRAM etc. showed an import surplus. In particular, import value of DRAM was 3 times that of export value.

As for the shares of the top five countries with high export value in 2004, Korea and Hong Kong were in the top, and nearly 70% were exported to East Asia. In contrast, as the shares of the top five countries with high import value in 2004, Korea accounted for the largest share of nearly 40%, followed by Taiwan and the United States. More than 70% of imports as well as exports were with East Asian countries.

By country, with Korea, Taiwan, the U.S., etc., imports surpassed exports, while with Hong Kong, China, etc., exports surpassed imports. In the case of Korea, with the largest transaction value, imports were 3 times that of exports.
Changes in Metal Oxide Semiconductor IC (Memory) by Commodity

Distribution Ratio of Semiconductor Products Machinery by Region (2004)

Source: “Trade Statistics of Japan” (The Ministry of Finance)
3. Trends by kind of industry

(1) Trend in the manufacturing industry

A. Iron and Steel

- Both production and shipments increased for the third consecutive year, due to favorable conditions in domestic demand and export. –

- Production increased by 4.5% compared to the previous year, up for the third consecutive year, due to increases in all the industries. Shipments also increased by 6.1% (id.), up for the third consecutive year, due to increases in all the industries. Inventory decreased by 5.0% compared to the end of the previous year, down for the first time in 2 years, due to decreases in all the industries.

- Sub-classification by industry

  1) Production of crude steel increased by 2.8% compared to the previous year, up for the third consecutive year.

  2) Production of hot roll steel increased by 3.7% (id.), up for the third consecutive year, due to increases in special hot rolled steel products and ordinary steel sheets and plates.

  3) Production of steel pipes and tubes increased by 7.0% (id.), up for the first time in 2 years.

  4) Production of cold finished steel increased by 4.2% (id.), up for the third consecutive year.

  5) Production of metallic coated steel increased by 1.1% (id.), up for the 3rd consecutive year.

  6) Production of steel castings and forgings increased by 9.7% (id.), up for the second consecutive year, due to increases in all the goods.

B. Non-ferrous metals

- Production decreased for the first time in 2 years, due to a decrease in optical fiber for communication wires and cables products. –

- Production decreased by 0.7% compared to the previous year, down for the first time in 2 years, due to decreases in electric wires and cables and refining of non-ferrous metals.

- Shipments increased by 1.0% (id.), up for the second consecutive year, due to increases in copper and copper-base alloys and aluminum rolling products and non-ferrous metal castings. Inventory increased by 0.6% compared to the end of the previous year, up for the second consecutive year.

- Sub-classification by kind of industry

  1) Production and shipments of refining of non-ferrous metals decreased (compared to the previous year) by 3.8% and by 0.6% (id.) respectively; both declining for the first time in 2 years, due to decreases in zinc and electrolytic gold, electrolytic copper, etc. Inventory decreased by 10.3% compared to the end of the previous year, down for the first time in 3 years.

  2) Production and shipments of copper and copper-base alloys and aluminum rolling products increased (compared to the previous year) by 3.8% and by 4.1% (id.) respectively, up for the second consecutive year, due to increases in all the goods. Inventory increased by 0.5% compared to the end of the previous year.
3) Production of electric wires and cables decreased by 9.8% compared to the previous year, down for the third consecutive year, and shipments decreased by 4.0% (id.), down for the 4th consecutive year, due to decreases in optical fiber for communication wires and cables products, etc. Inventory increased by 7.1% compared to the end of the previous year, up for the first time in 5 years.

4) Production of non-ferrous metal castings increased by 5.3% compared to the previous year, up for the third consecutive year, due to increases in all the goods.

C. Fabricated metals

- Production decreased for the 4th consecutive year.

- Production decreased by 0.6% compared to the previous year, down for the 4th consecutive year, due to decreases in fabricated structural metal products, metal products for building, and equipment for heating and kitchen. Shipments decreased by 0.8% (id.), down for the 8th consecutive year, due to decreases in fabricated structural metal products, equipment for heating and kitchens, and metal products for building. Inventory increased by 2.6% compared to the end of the previous year, up for the first time in 3 years.

- Sub-classification by kind of industry

1) Production of fabricated structural metal products decreased by 9.0% compared to the previous year, down for the 5th consecutive year, due to a decrease in bridges caused by a decrease in public works. Shipments decreased by 8.6% (id.), down for the 5th consecutive year.

2) Production of metal products for building decreased by 2.8% (id.), down for the 4th consecutive year, due to decreases in aluminium sashes for wooden houses and aluminium sashes for building, etc. Shipments decreased by 1.4% (id.), down for the 4th consecutive year, due to decreases in aluminium sashes for wooden houses and aluminium doors, etc. Inventory increased by 10.3% compared to the end of the previous year, up for the first time in 3 years.

3) Production of equipment for heating and kitchens decreased by 2.6% compared to the previous year, down for the 3rd consecutive year (including a year that showed leveling off), due to decreases in instantaneous type gas water heaters and gas oven double-burner cooking appliances, etc. Shipments decreased by 4.6% (id.), down for the first time in 2 years, due to decreases in all the goods. Inventory increased by 10.6% compared to the end of the previous year, up for the first time in 3 years.

4) Production of other metal products increased by 3.8% compared to the previous year, up for the second consecutive year, due to increases in cemented carbide tips, aluminum cans for beverage, etc. Shipments increased by 3.1% (id.), up for the first time in 4 years, due to increases in cemented carbide tips and powder metallurgical products (machinery materials), etc. Inventory decreased by 2.3% compared to the end of the previous year, up for the 4th consecutive year.

D. General machinery

- Both production and shipments increased for the second consecutive year, due to increases in special industrial machinery, etc.
Production and shipments increased (compared to the previous year) by 18.3% and by 17.7% (id.) respectively, both rising for the second consecutive year, due to increases in special industrial machinery, engineering and construction machinery, metal cutting machinery, and fans, pumps and oil hydraulic equipment, etc. Inventory increased by 5.5% compared to the end of the previous year, up for the first time in 3 years, due to increases in engineering and construction machinery, metal cutting machinery, refrigerating machines and appliances, and office machinery, etc. Inventory ratio decreased by 13.8% compared to the previous year, down for the third consecutive year.

Sub-classification by kind of industry

1) Production of special industrial machinery increased by 44.6% (id.), up for the second consecutive year. With favorable conditions in digital household electrical appliances, demand for semiconductor products machinery increased among domestic semiconductor makers and foreign semiconductor makers in the U.S. and East Asia, such as Korea and Taiwan; although, it did show a slowdown at the end of the year. Flat-panel display manufacturing equipment and printing machinery also increased.

2) Production of boilers and power units increased by 28.5% (id.), up for the first time in 2 years, due to increases in internal combustion engines for industry and parts and accessories for boilers, etc.

3) Production of engineering and construction machinery increased by 30.0% (id.), up for the second consecutive year, due to increases in all the goods such as shovel type excavators, bulldozers, construction cranes, and earth finishing machinery.

4) Production of metal cutting machinery increased by 28.1% (id.), up for the second consecutive year, due to increases in machining centers, numerically controlled electrical discharge machines, grinding machinery, and numerically controlled electrical discharge machines, etc.

5) Production of Fans, pumps and oil hydraulic equipment increased by 14.1% (id.), up for the second consecutive year, due to increases in pneumatic equipment, compressors, and pumps, etc.

6) Production of textile machinery decreased by 15.6% (id.), down for the first time in 3 years, due to decreases in looms, yarn spinning and preparatory machinery, knitting machinery, and industrial sewing machines, etc.

E. Electric machinery

- Production increased for the second consecutive year, due to increases in semiconductor characteristic measuring equipment, etc. –

Production increased by 9.0% compared to the previous year, up for the second consecutive year, due to increases in all the industries, such as electrical measuring instruments, electrical rotating machinery, and batteries, etc. Shipments also increased by 9.5% (id.), up for the second consecutive year, due to increases in all the industries, such as electrical measuring instruments, electrical rotating machinery, and batteries, etc. Inventory decreased by 3.6% compared to the end of the previous year, down for the 6th consecutive year. Inventory ratio decreased by 3.3% compared to the previous year, down for the third consecutive year.
Sub-classification by kind of industry

1) Production of **electrical measuring instruments** increased by 41.6% (id.), up for the second consecutive year, due to increases in all the goods, such as semiconductor characteristic measuring equipment for semiconductor makers in Taiwan and Korea.

2) Although there was a decrease in single phase induction motors, production of **electrical rotating machinery** increased by 12.4% (id.), up for the second consecutive year, due to increases in servo motors for industrial machinery, three phase induction motors for individual purpose air conditioners and small capacity motors for automobiles.

3) Although there were decreases in alkaline manganese dioxide batteries, etc., production of **batteries** increased by 6.3% (id.), up for the third consecutive year, due to favorable conditions in lithium ion storage batteries for notebook computers for China and Malaysia.

4) In spite of decreases in microwave ovens and washing machines, etc., production of **household electrical machinery** increased by 0.4% (id.), due to increases in refrigerators with freezers and separate type air conditioners as a result of a heat wave in the summer.

**F. Information and communication electronics equipment**

- Production decreased for the first time in 2 years, due to decreases in cellular telephones and basic exchange for mobile customer premises equipment, etc. –

- In spite of increases in household electronic machinery and electronic computers, production decreased by 1.2% compared to the previous year, down for the first time in 2 years, due to a decrease in communication equipment. Although there was a decrease in communication equipment, shipments increased by 1.9% (id.), up for the second consecutive year, due to increases in household electronic machinery and electronic computers. Inventory decreased by 10.6% compared to the end of the previous year, down for the first time in 2 years. The inventory ratio decreased by 2.8% compared to the previous year, down for the first time in 2 years.

- Sub-classification by kind of industry

  1) In spite of increases in electric switching systems, etc., production of **communication equipment** decreased by 14.3% (id.), down for the first time in 2 years, due to a decrease in cellular telephones owing to a reaction towards a previous year’s significant increase in replacement demand of new models with cameras and sluggish new demand with a high diffusion rate. Other contributors to decrease were a decrease in basic exchange for mobile customer premises equipment due to a decline in capital investment for base stations for PHS and cellular telephones, and a decrease in facsimile machines with a growing shift to overseas production.

  2) Although there were decreases in car stereos and color televisions, etc., production of **household electronic machinery** increased by 8.3% (id.), up for the third consecutive year, due to increases in digital cameras with active export in spite of a slowdown for domestic use, and in car navigation systems and liquid crystal televisions for domestic use.
3) In spite of decreases in external storage, production of electronic computers increased by 2.9% (id.), up for the first time in 4 years for the following reasons: an increase in input-output units for laser printers for domestic corporations; favorable conditions in personal computers both for domestic corporations and individuals; an increase in mid range computers for domestic corporations.

G. Electronic parts and devices
– Production increased for the third consecutive year, due to favorable conditions in devices for information and communications equipment. –

□ Production increased by 13.2% compared to the previous year, up for the third consecutive year, due to increases in all the industries, such as integrated circuits and electronic parts, accompanied by favorable conditions in CCD, active matrix LCD (middle and small), and fixed capacitors, etc. Shipments increased by 13.9% (id.), up for the third consecutive year, due to increases in all the industries, such as integrated circuits and electronic parts. Inventory increased by 30.4% compared to the end of the previous year, up for the first time in 4 years, due to increases in all the industries. The inventory ratio increased by 23.9% compared to the previous year, up for the first time in 3 years.

□ Sub-classification by kind of industry

1) Production of integrated circuits increased by 12.3% (id.), up for the third consecutive year, for the following reasons: an increase in CCD due to an increasing demand for digital cameras and cellular telephones with cameras in foreign countries; an increase in memory due to an increasing demand for digital cameras and cellular telephones with cameras in foreign countries, an increase in loading capacity, and an increasing demand for game machines.

2) Production of electronic parts increased by 13.6% (id.), up for the third consecutive year for the following reasons: an increase in active matrix LCD (middle and small) for foreign cellular telephones, digital cameras, and game machines; an increase in fixed capacitors for small high-capacity ceramic capacitors, due to an increase in loading number through advancement of functions; an increase in active matrix LCD (large) for personal computers, liquid crystal televisions, and amusement equipment, etc.

H. Transport equipment
– Both production and shipments increased for the third consecutive year, due to an increase in passenger cars. –

□ Production of transport equipment increased by 6.7% compared to the previous year, up for the third consecutive year, due to increases in all the industries, except trucks, including passenger cars, motor vehicle parts, and ships and ships engines, etc. Shipments also increased by 4.5% (id.), up for the third consecutive year, due to increases in all the industries, except trucks, including motor vehicle parts, passenger cars, and industrial vehicles, etc. In spite of an increase in trucks, inventory decreased by 4.2% compared to the end of the previous year, down for the second consecutive year, due to decreases in passenger cars, motorcycles, buses, and motor vehicle parts, etc. The inventory ratio
decreased by 1.6% compared to the previous year, down for the first time in 2 years.

- Sub-classification by kind of industry

1) Production of passenger cars increased by 4.6% (id.), up for the first time in 2 years. By goods, large passenger cars increased by 7.8% (id.), up for the 6th consecutive year, due to increases both in domestic use through new model effects and in exports, mainly to the U.S., Europe and ASEAN. Midget passenger cars increased by 5.9%, up for the first time in 2 years, due to an increase in domestic use. In contrast, small passenger cars decreased by 3.6% (id.), down for the second consecutive year, due to decreases in domestic use and in exports, mainly to the U.S. and ASEAN.

2) Production of motor vehicle parts increased by 5.8% (id.), up for the 6th consecutive year, due to increases both in domestic use and in exports, mainly to the U.S., Europe, and East Asia.

3) In spite of an increase in exports, mainly to ASEAN, the U.S., and Europe, production of trucks decreased by 0.7% (id.), down for the first time in 3 years, due to a decrease in domestic use.

- 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, increased by 5.85 million (an increase of 0.4% (id.)), up for the second consecutive year. Inside of this, passenger cars increased by 4.77 million, an increase of 1.1% (id.), up for the 6th consecutive year. Trucks decreased by 1.07 million, a decrease of 2.2% (id.), down for the 9th consecutive year. Buses decreased by 18 thousand, a decrease of 14.4% (id.), down for the first time in 3 years.

I. Precision instruments

- Production increased for the second consecutive year, due to an increase in measuring machines and instruments. –

- In spite of a decrease in watches and clocks, production increased by 15.0% compared to the previous year, up for the second consecutive year, due to increases in measuring machines and instruments and optical apparatus and parts. In spite of decreases in optical apparatus and parts and watches and clocks, shipments increased by 7.6% (id.), due to an increase in measuring machines and instruments. Inventory decreased by 5.3% compared to the end of the previous year, down for the third consecutive year. The inventory ratio decreased by 16.6% compared to the previous year, down for the third consecutive year.

- Sub-classification by kind of industry

1) In spite of a decrease in gas-meters, production of measuring machines and instruments increased by 21.8% (id.), up for the second consecutive year, due to increases in analytical instruments for pH measures and refractometers, and in precision measuring machines and instruments and measuring instruments. Shipments increased by 20.0% (id.), up for the second consecutive year. Inventory increased by 4.8% compared to the end of the previous year, up for the first time in 3 years.

2) In spite of a decrease in 35mm cameras, production of optical apparatus and parts increased by 10.9% compared to the previous year, due to an increase in
interchangeable lenses for cameras as a result of the release of new models corresponding to single lens reflex digital cameras. Shipments decreased by 12.3% (id.), down for the 6th consecutive year. Inventory decreased by 18.1% compared to the end of the previous year, down for the third consecutive year.

3) In spite of an increase in battery driven type clocks, production of watches and clocks decreased by 4.7% compared to the previous year, down for the 6th consecutive year, due to decreases in battery driven type watches (complete) and battery driven type watches (movement). Shipments decreased by 5.4% (id.), down for the 4th consecutive year. Inventory decreased by 13.7% compared to the end of the previous year, down for the 6th consecutive year.

J. Ceramics, stone and clay products
- Both production and shipments decreased for the 4th consecutive year, due to a decrease in cement and cement products caused by restraint of capital investment, etc.

    □ Production decreased by 2.4% compared to the previous year, down for the 4th consecutive year, due to the following reasons. Cement and cement products decreased by 4.8% (id.), down for the 8th consecutive year, due to a decrease in public works. Ceramic wares and fine ceramics decreased by 2.6% (id.), down for the 4th consecutive year, due to a decrease in sanitary ceramic wares. Glass and glass products decreased by 1.0% (id.), down for the first time in 2 years, due to decreases in glass containers and glass products owing to sluggish domestic and foreign demand. Shipments decreased by 2.1% (id.), down for the 4th consecutive year, due to decreases in cement and cement products, and ceramic wares and fine ceramics. Inventory decreased by 8.2% compared to the end of the previous year, down for the third consecutive year, due to decreases in all the industries such as cement and cement products. The inventory ratio decreased by 2.3% compared to the previous year.

    □ Sub-classification by kind of industry

    1) In spite of an increase in glass, such as sheet glass with favorable demand for construction and automobiles, production of glass and glass products decreased by 1.0% compared to the previous year, down for the first time in 2 years, due to a decrease in glass products, such as basic glass products (e.g. CRT glass for small TVs).

    2) Production of cement and cement products decreased by 4.8% (id.), due to decreases in both of cement products and cement for domestic demand (e.g. wet concrete suppliers) caused by weakness in public construction work.

    3) In spite of increases in fine ceramics for structural use with favorable exports of abrasion resistance materials and corrosion resistance materials (abradant), and heat resistance materials (spark-plug parts), production of ceramic wares and fine ceramics decreased by 2.6% (id.), down for the 4th consecutive year, due to decreases in tiles, sanitary ceramic wares among ceramic wares owing to an increase in imported tiles and a decrease in demand for construction.

    4) Production of other ceramics, clay and stone products increased by 2.5% (id.), up for the second consecutive year, due to increases in quick lime, gypsum board,
K. Chemicals (excl. Drugs)

- Production increased for the second consecutive year. –

- In spite of decreases in sensitive materials for photography, and soap, synthetic detergent and surface-active agents, etc., production increased by 1.3% compared to the previous year, up for the second consecutive year, due to increases in plastic (materials), cyclic chemicals and synthetic dyes, and synthetic rubbers, etc. In spite of decreases in sensitive materials for photography, and soap, synthetic detergent and surface-active agents, etc., shipments increased by 2.0% (id.), up for the third consecutive year, due to increases in plastic (materials), aromatic hydrocarbons (petroleum, origin), and synthetic rubbers, etc. In spite of increases in aromatic hydrocarbons (petroleum, origin) and industrial sodium chemicals, inventory decreased by 4.9% compared to the end of the previous year, down for the third consecutive year, due to decreases in cosmetics, plastic (materials), and synthetic rubbers, etc.

- Sub-classification by kind of industry

  1) Production of plastic (materials) increased by 3.2% compared to the previous year, up for the second consecutive year, due to increases in polypropylene with favorable demand both for domestic use and for export to China and in polyethylene terephthalate for domestic use.

  2) Production of cyclic chemicals and synthetic dyes increased by 2.4% (id.), up for the third consecutive year, due to increases in styrene monomer for export to China, terephthalic acid, pure for domestic use, and phenol for export to East Asia and for domestic use.

  3) Production of synthetic rubbers increased by 2.5% (id.), up for the third consecutive year, due to favorable demand for tires both for export and for domestic use.

L. Petroleum and coal products

- Both production and shipments decreased for the first time in 2 years, due to decreases in heavy fuel oil B and C, and Kerosene. –

- Production decreased by 1.2% compared to the previous year, down for the first time in 2 years, due to decreases in heavy fuel oil B and C, kerosene, gasoline and heavy fuel oil A, etc. Shipments decreased by 0.4% (id.), down for the first time in 2 years, due to decreases in heavy fuel oil B and C, and kerosene, etc. Inventory decreased by 0.5% compared to the end of the previous year, down for the first time in 2 years, due to decreases in heavy fuel oil B and C, kerosene, and heavy fuel oil A, etc. The inventory ratio decreased by 6.4% compared to the previous year, down for the first time in 2 years.

- Trends in major items

  1) Production of gasoline decreased by 0.3% compared to the previous year, due to an influence of concentrated periodical repair of oil refineries in May and June. Shipments increased by 0.9% (id.), up for the second consecutive year, due to steady demand in the first and the third quarters with moderate weather, backed by an increase in gasoline-fueled vehicles. Inventory increased by 1.9% compared to the
end of the previous year, up for the 4th consecutive year.

2) Production of naphtha increased by 1.3% compared to the previous year, up for the 4th consecutive year. Shipments increased by 0.7% (id.), up for second consecutive year, due to an increase in major recipients (i.e. petrochemistry products such as ethylene, pure benzene and xylene, etc.). Inventory increased by 3.3% compared to the end of the previous year.

3) Production of kerosene decreased by 6.0% compared to the previous year, since the temperature was higher than the average throughout the year. Shipments decreased by 6.7% (id.), down for the 2nd consecutive year, while inventory increased by 8.9% compared to the end of the previous year, up for the second consecutive year.

4) Production of gas oil increased by 0.4% compared to the previous year, up for the first time in 7 years, and shipments increased by 1.3% (id.), up for the first time in 8 years. Inventory decreased by 14.4% compared to the end of the previous year, down for the first time in 3 years.

5) Production of heavy fuel oil B and C decreased by 11.0% compared to the previous year, due to a decrease in demand for generating power plants resulting from a rising rate of utilization of nuclear power plants. Shipments also decreased by 9.9% (id.). Inventory decreased by 11.9% compared to the end of the previous year, down for the third consecutive year.

6) Production of coal products (coke) decreased by 0.6% compared to the previous year, down for the first time in 5 years, due to a decrease in demand for export. Shipments increased by 1.2% (id.), up for the third consecutive year, due to an increase in domestic use. Inventory decreased by 10.6% compared to the end of the previous year, down for the third consecutive year.

M. Plastic products

- Both production and shipments increased for the second consecutive year. –

- Production increased by 1.4% compared to the previous year, up for the second consecutive year, due to increases in all of manufacturing material-related production, construction material-related production, and consumption material-related production. Shipments increased by 2.6% (id.), up for the second consecutive year, 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 4.6% compared to the end of the previous year, down for the third consecutive year, 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 7.2% compared to the previous year, up for the second consecutive year, due to the large demand, mainly, for PET bottles for drinks resulting from a heat wave in the summer. Plastic products for machine tools and parts increased by 0.4% (id.), up for the 9th consecutive year, due to an increase in parts of transport equipment. Plastic synthetic leathers increased by 4.8% (id.), up for the second
consecutive year, due to the increasing demand for interior for automobiles and furniture. Plastic containers (excl. blow-molding) increased by 0.9% (id.), up for the second consecutive year, due to increases in containers for industrial use and for food, and pallet for transportation.

2) In consumption material-related items, plastic formed products increased by 1.5% compared to the previous year, up for the first time in 4 years, due to an increase in plates for heat resistance materials for construction and for floor covers, and an increase in boxes for container materials for transportation. Plastic film and plastic sheets increased by 0.3% (id.), up for the second consecutive year, due to increases in wrapping film, and in laminate film. In contrast, plastic products for daily necessaries and miscellaneous goods decreased by 2.6% (id.), down for the 9th consecutive year, due to decreases in storage goods and gardening supplies.

3) In construction material-related items, plastic plates increased by 11.9% compared to the previous year, up for the second consecutive year, due to an increase in corrugated plates influenced by a series of typhoons, and an increase in flat plates for liquid crystal related goods and semiconductors. Plastic pipes increased by 1.7% (id.), up for the first time in 2 years, and plastic reinforced products increased by 1.1% (id.), up for the second consecutive year, due to increases in bathtubs, etc. Plastic materials for building increased by 0.3% (id.), up for the second consecutive year, due to increases in rain gutters and their accessories, and floor materials.

N. Pulp, paper and paper products
– Both production and shipments increased for the first time in 4 years. –

In spite of a decrease in paperboard, production increased by 1.3% compared to the previous year, up for the first time in 4 years, due to increases in pulp and converted and processed paper. In spite of a decrease in paperboard, shipments increased by 1.4% (id.), up for the first time in 4 years, due to increases in pulp and converted and processed paper. Although pulp and converted and processed paper decreased and paperboard showed leveling-off, inventory increased by 0.9% compared to the end of the previous year, up for the second consecutive year, due to increases in paper.

Sub-classification by kind of industry

1) In spite of a decrease in communication paper, both production and shipment of paper increased (compared to the previous year) by 1.9% and by 2.1% (id.) respectively, up for the first time in 2 years, due to increases in coated printing paper, newsprint paper in rolls, household and sanitary paper, uncoated printing paper, and wrapping and packing paper. Inventory increased by 1.6% compared to the end of the previous year, up for the second consecutive year.

2) Both production and shipments of paperboard decreased (compared to the previous year) by 0.2% and by 0.6% (id.) respectively, down for the 4th consecutive year, due to a decrease in paperboards for paper container. Inventory remained flat at 0.0% compared to the end of the previous year.

3) Production of converted and processed paper (corrugated cardboard sheets) increased by 1.3% compared to the previous year, up for the third consecutive year.
Shipments increased by 1.0% (id.), up for the second consecutive year.

O. Textiles
- **Both production and shipments decreased for the 16th consecutive year.**
  
  □ Production decreased by 5.2% compared to the previous year, down for the 16th consecutive year since 1989, due to decreases in all the industries, such as clothes, dyeing and finishing, and woven fabrics, etc. This was due to a sluggish domestic demand and continuous production cutback from upstream to downstream stages resulting from an increase in manufactured imports. Shipments also decreased by 5.3% compared to the previous year, down for the 16th consecutive year, due to decreases in all the industries, such as clothes, dyeing and finishing, and woven fabrics, etc. Inventory decreased by 5.7% compared to the end of the previous year, down for the 7th consecutive year, due to decreases in all the industries such as man-made fibers, woven fabrics, and other textile products, etc.

  □ Sub-classification by kind of industry

  1) In spite of an increase in synthetic fibers (filament), production of **man-made fibers** decreased by 2.9% compared to the previous year, and shipments decreased by 1.9% (id.), due to a decrease in synthetic fibers (staple). Inventory decreased by 10.4% compared to the end of the previous year, due to decreases both in synthetic fibers (filament) and synthetic fibers (staple).

  2) Production of **spun yarn** decreased by 8.7% compared to the previous year, and shipments decreased by 3.9% (id.), due to decreases in synthetic fiber yarn and woolen yarn resulting from factory closedowns of a leading manufacturer and an increase in manufactured imports. In spite of an increase in cotton yarn, inventory decreased by 11.3% compared to the end of the previous year, due to decreases in woolen yarn and synthetic fiber yarn.

  3) In spite of an increase in synthetic fiber fabrics (filament), production and shipments of **woven fabrics** decreased (compared to the previous year) by 2.6% and by 4.3% (id.) respectively, due to decreases in silk and spun silk fabrics, cotton fabrics, and synthetic fiber fabrics (staple), etc. owing to sluggish domestic demand. Inventory decreased by 7.5% compared to the end of the previous year, due to decreases in all the goods such as woolen fabrics, cotton fabrics, synthetic fiber fabrics (filament), etc.

  4) Production and shipments of **clothes** decreased (compared to the previous year) by 9.7% and by 10.2% (id.) respectively, due to decreases in woven fabrics outer wears, knitted fabrics outer wears, and hosiery owing to stagnant personal consumption and an increase in manufactured imports. In spite of increases in knitted fabrics outer wears and under wears, inventory decreased by 1.5% compared to the end of the previous year, due to decreases in woven fabrics outer wears and hosiery.
(2) Trends in the tertiary industry

A. Commerce

- The total sales amount for the wholesale industry was 411.4780 trillion yen. Total sales increased by 3.1% compared to the previous year, up for the first time in 13 years. 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 and the price increase of materials such as iron and steel; an increase in the machinery wholesale industry and the general merchandise wholesale industry, etc., although the apparel and apparel accessories wholesale industry, etc. decreased.
- The total sales amount for large wholesalers was 119.6701 trillion yen. Total sales increased by 2.5% (id.), up for the first time in 7 years.
- The total sales amount for the retail industry was 128.0920 trillion yen. Total sales decreased by 0.6% (id.), down for the 8th consecutive year, due to a decrease in the foods and beverages retail industry, resulting from a low market price of vegetables until the middle of the year and a sluggish demand for beef and poultry and a decrease in the general merchandise retail sale industry and in the machinery wholesale industry.
- The total sales amount for large retailers was 21.4251 trillion yen, decreasing by 1.5% (id.), down for the 7th consecutive year.
- The total sales amount and service sales amount for convenience stores was 7.2892 trillion yen, increasing by 2.7% (id.).

B. Specific service industries

- Business services
  - The contract amount for commodity leases (based on acceptance inspection) increased by 3.1% compared to the previous year, up for the first time in 3 years. The purchase amount for delivery items also increased by 4.0% (id.).
  - The total sales amount for the rental industry decreased by 1.4% (id.), down for the 9th consecutive year.
  - The total sales amount for the information service industry increased by 0.5% (id.).
  - The total sales amount for advertising increased by 3.7% (id.), up for the second consecutive year. The main four advertising media increased by 1.5% (id.), up for the first time in 4 years.
  - The total amount handled by the credit card service increased by 7.6% (id.). By type of business, sales credit business increased by 9.5% (id.), and consumer credit business increased by 1.8% (id.).
  - The total amount of orders received in engineering services decreased by 5.0% (id.). The breakdown shows that foreign demand decreased by 10.0% (id.); and domestic demand decreased by 3.1% (id.).
- Personal services
  - In the leisure and amusement services, all industries, except pachinko parlors, decreased.
In the culture and lifestyle services, fitness clubs and funeral services increased; wedding ceremony halls, foreign language conversation classes and cultural centers decreased.