Summary of supply trend for final demand

The outline of the supply trend for final demand for the first quarter of 2005 is as follows:

Overall industrial supply for consumption increased by 1.3% compared to the previous quarter, up for the sixth consecutive quarter (including a leveling-off in the previous quarter), due to increases in personal consumption by 1.2% (id.), up for the fourth consecutive quarter, and in government consumption by 0.5% (id.), up for the first time in two quarters.

Overall industrial supply for investment increased by 0.7%, compared to the previous quarter, up for the first time in three quarters, due to an increase in public investment by 0.8% (id.), up for the second consecutive quarter, and a leveling-off in private corporation facilities by 0.0% (id.), although private housing decreased by 0.4%, down for the second consecutive quarter.

Exports decreased by 2.9%, compared to the quarter, down for the first time in seven quarters, and imports decreased by 0.3% (id.), down for the second consecutive quarter.

IT-related consumption decreased by 1.0%, compared to the previous quarter, down for the first time in three quarters, and IT-related investment also decreased by 2.2% (id.), down for the first time in four quarters.

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

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Notes: 1. The indices of all industrial supply were obtained through the annual correction of YR2004 and the recalculation of the seasonal index at the end of April 2005, and through retrogressive correction at the end of May based on retrogressive correction of statistics of total construction. As for details, see the Notes of the main text.

2. As for details of revision of base year to YR2000, and the definition of “IT-related consumption” and “IT-related investment” of the indices of all industrial supply, see “Outline of the revision of the 2000 base ‘Indices of All Industrial Supply’” on p.237 of the main text.

3. 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)” (estimated values)
IT-related personal consumption for the first quarter of 2005 decreased by 1.0% compared to the previous quarter, down for the first time in three quarters, while non-IT-related consumption increased by 1.2% (id.), up for the fourth consecutive quarter.

IT-related investment for private corporation facilities decreased by 2.2% (id.), down for the first time in four quarters, while non-IT-related investment increased by 0.8% (id.), up for the second consecutive quarter.

Changes in IT-related Consumption

Index level (2000=100, Seasonally adjusted)

Note: IT-related consumption is consumption related to cellular telephones, personal handy phone systems, personal computers, fixed telecommunications business and mobile telecommunications business that are supplied to personal consumption.

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

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 supplied to private corporation facilities.

Source: “The Indices of All Industries (final demand components)” (estimated values)
Trend and background of education-related consumption in the family budget

Real consumption expenditures for 2004 increased by 1.5% compared to the previous year, up for the first time in seven years. Although consumption related to food, clothing, and shelter decreased, educational expenses increased by 8.7% (id.), up for the second consecutive year. Therefore, we will look at the trend and background of education-related consumption (Expenditures for school lunch, school uniforms, and allowances added to educational expenses.).

The rate of nominal education-related consumption among disposable income has been on an upward trend in recent years, with an average annual growth rate of 1.5% since 1985. Changes of education-related consumption have been closely related to changes of disposable income, while the degree of changes has been larger in the former, which has put a heavier burden on the family budget. In particular in 2004, both nominal education-related consumption and disposable income increased for the first time in seven years, and the rate of nominal education-related consumption among disposable income, i.e. a burden on family income, was 7.0%, and increased by the difference with the previous year by 0.5% points.

Note: The survey results on worker’s households two persons or more excluding those engaged in agriculture, forestry, and fishery were used here.

Changes in Real Consumption Expenditures and Ratio to the Previous Year

Distribution Ratio of Real Living Expenditures of 10 Major Items and Ratio to the Previous Year

Source: “Family Income and Expenditure Survey,” “Consumer Price Index” (Ministry of Internal Affairs and Communications)
Recent increases in nominal education-related consumption among the family budget are mainly caused by increases not only in the consumer price of educational expenses, but in real educational expenses, in particular, in school fees and supplementary education expenses.

Therefore, assuming that changes in school fees among the family budget depends on school fees per child (price index of school fees) and the number of students (supposing the number of households does not change), the total number of students decreased from FY2002 to FY2004, but total school fees increased because the number of students attending private junior high schools, universities, and vocational schools increased, and the price index of school fees has risen.

Based on the survey results on children’s learning expenses, we have made a comparison of nominal supplementary education expenses (corresponding to tutorial fees in “Family Income and Expenditure Survey,” excluding commodity fees) per child between FY2000 and FY2002. The expenditures for cram schools increased more sharply than that for home study and private tutors (including correspondence courses); this indicates a recent tendency of preferring cram schools to voluntarily studying at home.

Due to adoption of comprehensive lessons in FY2002 and the implementation of a full five-day week system, children’s school hours for the major four subjects in elementary schools decreased by nearly 25% compared to FY1971, and those for the major five subjects in junior high schools decreased by nearly 27% compared to FY1972. Furthermore, hours spent in the home study also decreased, and there is a strong concern about a general decline of children’s academic abilities. However, education-related consumption among the family budget is supposed to keep increasing for some time due to a recent rise in the tendency of educational expenses such as school fees and supplementary education expenses, although hours spent studying have been decreasing.
Ratio to the Previous Year of Real Educational Expenses and Contribution Ratio to Growth Rate by Use

Changes in School Fees and Contribution Ratio to Growth Rate (Comparison between FY2002 and FY2004)

Breakdown of Nominal Supplementary Education Fees per Child

Note: Expenditures for home study does not include commodity fees for buying desks, chairs, and bookshelves, etc.
Source: “Survey on Household Expenditure on Education per Child”, “Japan’s Education at a Glance” (Ministry of Education, Culture, Sports, Science and Technology)
Current situation of economic trends and construction investment

Building construction started (floor area) began to increase in the second quarter of 2003, and for the current quarter, it increased by 6.6% compared to the previous quarter. Building construction started (floor area) of dwelling buildings has been gradually increasing since the second quarter of 2003 and increased by 2.8% (id.) for the current quarter. Building construction started (floor area) of non-dwelling buildings also began to increase, simultaneously with that of dwelling buildings, but more significantly, and it increased sharply by 15.6% (id.) for the current quarter.

When buildings are newly built or are extended, new machines are supposed to be equipped. Therefore, looking at a correlation between investment in buildings and mechanical equipment, based on the data from the Financial Statements of Corporations by Industry, in the mining and manufacturing industry, the coefficient of correlation exceeded 0.7 when investment in buildings were from one quarter leading to coincident, and was the highest when coincident. This indicates that investment is made simultaneously both in buildings and in mechanical equipment.

Building Construction Started (Floor Area) of Dwelling Buildings and Non-dwelling Buildings

Changes (2000=100, Seasonally adjusted)

- Dwelling buildings
- Non-dwelling buildings

Distribution ratio of building construction started (floor area) in 2004

Notes: 1. The seasonally adjusted values are originally adjusted using X-11 default of census bureau method of X-12-ARIMA.
2. As for figure ‡A, values are original. The unit is 1,000 m².
Source: “Building Construction Started” (Ministry of Land, Infrastructure and Transport)

Changes in Amount of Investment in Mining and Manufacturing Industry

(2000=100, Seasonally adjusted)

- Mining and manufacturing, buildings
- Mining and manufacturing, mechanical equipment

Notes: 1. “Buildings in process” is used as the amount of investment in buildings, and “Amount of newly created fixed assets” in “Other tangible fixed assets” is used as the amount of investment in mechanical equipment.
2. The seasonally adjusted values are originally adjusted using X-11 default of census bureau method of X-12-ARIMA.
3. The shaded parts are economic contraction stages.
Source: “Financial Statements of Corporations by Industry” (Ministry of Finance)
Coefficient of Correlation of Amount of Investment in Buildings and in Mechanical Equipment

Note: The coefficient of correlation was measured at 40 points between the first quarter of 1995 and the fourth quarter of 2004.

The number of new dwellings started began to increase since the fourth quarter of 2003, and for the current quarter, it increased by 3.1% compared to the previous quarter. The number of new privately-owned housing units has been gradually decreasing, but slightly increased by 1.1% (id.) for the current quarter. That of rented houses and houses for sale has been gradually increasing, and for the current quarter, the former increased by 4.8% (id.), up for the third consecutive quarter, and the latter by 4.0% (id.), up for the first time in two quarters. Looking at the distribution ratio in 2004, rented houses were mainly owned privately, and many of them were supposed to be small apartment houses. 60% of houses for sale were condominiums.

Looking at a correlation between orders received and building construction started in order to examine the future trend of construction investment, the coefficient of correlation was the highest when orders received (total) were three quarters leading, rising for the fourth consecutive quarter. This indicates the possibility of a further increase in the number of building construction started, but it is difficult to foresee the future trend, because the average growth rate of orders received (total) for the recent three quarters was no more than 1.5%, and the number of building construction started varies more significantly than that of orders received.

Number of New Dwellings Started by Use

Changes (2000=100, Seasonally adjusted)

Distribution ratio of construction starts in 2004

Notes: 1. The seasonally adjusted values are originally adjusted using X-11 default of census bureau method of X-12-ARIMA.
2. As for figure ①, values are original. The unit is house.
Source: “Building Construction Started” (Ministry of Land, Infrastructure and Transport)
Changes in Building Construction Started and Orders Received of Private Construction
(2000=100, Seasonally adjusted)

Notes: 1. The amount of orders received and the planned amount of construction costs were used for values of orders received and building construction starts, respectively, and the values were made substantial in Integrated Construction in Construction Cost Deflators.
2. The seasonally adjusted values are originally adjusted using X-11 default of census bureau method of X-12-ARIMA.
Source: “Building Construction Started”, “The Current Survey on Orders Received” (Ministry of Land, Infrastructure and Transport)

Coefficient of Correlation of Building Construction Started and Orders Received

Source: “Building Construction Started”, “The Current Survey on Orders Received” (Ministry of Land, Infrastructure and Transport)
Outline of import and export trends

Import and export trends for the quarter

Looking at the trends of exports and imports for the first quarter of 2005 (on a quantity basis), exports as a whole decreased by 2.9% compared to the previous year, due to a decrease in exports of goods (the mining and manufacturing industry) by 2.5% (id.) and a decrease in received services (the tertiary industry) by 2.0% (id.). Imports as a whole decreased by 0.3% (id.), due to a seasonal adjustment, although imports of goods (the mining and manufacturing industry) increased by 0.4% (id.) and service payments (the tertiary industry) increased by 0.5% (id.).

By region, exports of goods decreased in East Asia, Europe and the United States. Imports of goods also decreased in the United States and Europe.

Changes in Exports by Region (Goods)
Index level (2000=100, Seasonally adjusted)

Changes in Imports 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: “Breakdown List of Mining and Manufacturing Shipments”, “Table of Gross Supply of Mining and Manufacturing”
**Trend of Exports to China**

Exports to China decreased by 7.1% compared to the previous quarter, down for the second consecutive quarter. We will here analyze exports to China, which has contributed to decrease most significantly. In analyzing, we checked the goods whose exports from Japan to China decreased, and considered whether the decrease was caused by a production shift to Japan’s local subsidiaries or a shift of Chinese import trade partners to other countries.

Contribution ratio to the growth rate of exports to China decreased in the previous and the current quarters due to a slowdown of exports to China in the third quarter of 2004, which had been active since the fourth quarter of 2001 after the collapse of the global bubble economy.

Among capital goods, which has contributed to decrease for the third consecutive quarter, and producer goods, which contributed to decrease significantly in the current quarter, shovel type excavators, stamping dies, personal computers, large trucks, chassis and body parts, metal oxide semiconductor ICs contributed to decrease.

Looking at the business trend including these commodities in order to judge whether exports were substituted for sales by local subsidiaries, sales by local subsidiaries of the general machinery industry and the electrical machinery industry have been on an upward trend, while exports from Japan to China of these industries have been decreasing. Exports from local subsidiaries to Japan have continued to contribute to increase, and it seems that a production shift from Japan to China has progressed.

As for the transport equipment industry, sales by local subsidiaries and exports from Japan to China have both been decreasing. Exports to Japan were not contributory, and domestic sales have been diminishing, which indicates that only necessary amounts have been produced depending on a decreasing demand.

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**Contribution Ratio to Growth Rate of Goods (for China) and Trend of Overseas Subsidiaries (in China (including Hong Kong))**

Exports from Japan to China (Contribution ratio to the previous quarter)
Note: The values were calculated by rearranging the indices of industrial production by goods based on “Trade Statistics,” “General machinery”, “electrical, information and communication, electronic parts and devices” and “transport equipment (excluding steel ships) in the figures of local subsidiaries (to ratio to the same quarter of the previous year) show changes in exports from Japan to China.

Source: “Quarterly Survey on Overseas Subsidiaries”
Next, we will look at the situations of imports to see the possibility that China had changed its import trade partners to other countries.

No large differences were observed in China’s major import trade partners of stamping dies, shovel type excavators, metal oxide semiconductor ICs, and chassis and body parts. However, import trade partners of large trucks may have slightly shifted to Germany, and major import trade partners of personal computers did not show significant structural changes, but unit prices with a leveling-off trend in general showed an increase in the fourth quarter of 2003 only for Japan, which indicates changes in components of commodities. In detail, main commodities of exports of personal computers from Japan to China have shifted to more expensive notebook computers since the fourth quarter of 2003.

Both exports from Japan and China’s imports from various countries have been decreasing, but Japan has maintained a significant position as a trade partner of China. Exports of personal computers shifted to increase in the current quarter, and an inventory adjustment of electronic parts and devices related goods is expected to progress, which may lead to future increases in exports.

However, the growth rate of sales by local subsidiaries in China has been slowing down, partly due to tightening credit, and this has a significant influence on exports from Japan. While exports from Japan have been decreasing, exports to Japan from local subsidiaries have been increasing, which indicates a further development of the relationship as a production base. Further acceleration of production localization is expected, and we should keep an eye on future trends.

### Situation of Imports (China)

#### Large trucks

#### Personal computers

#### Breakdown of personal computers

Source: “World Trade Atlas”
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 two quarters. –

- Production decreased by 0.5% compared to the previous quarter, down for the first time in two quarters, due to decreases in metallic coated steel, etc. Shipments decreased by 1.2% (id.), down for the first time in two quarters, due to decreases in metallic coated steel and crude products, etc. Inventory increased by 2.2% compared to the end of the previous quarter, up for the first time in two quarters, due to increases in crude products, etc.

- Sub-classification by industry

  1) Production of crude products decreased by 0.2% compared to the previous quarter, down for the first time in three quarters.
  2) Production of hot roll steel increased by 0.1% (id.), up for the sixth consecutive quarter.
  3) Production of steel pipes and tubes decreased by 0.8% (id.), down for the first time in two quarters.
  4) Production of cold finished steel decreased by 0.1% (id.), down for the first time in three quarters.
  5) Production of metallic coated steel decreased by 3.9% (id.), down for the first time in two quarters, due to decreases in galvanized sheets for export to China and tin free sheets for making containers.
  6) Production of steel castings and forgings increased by 0.3% (id.), up for the first time in two quarters.

B. Non-ferrous metals

- Both production and shipments decreased for the third consecutive quarter. –

- Production decreased by 0.4% compared to the previous quarter, down for the third consecutive quarter, due to decreases in copper and copper-based alloys and aluminum rolling products and electric wires and cables. Shipments also decreased by 1.0% (id.), down for the third consecutive quarter, due to decreases in copper and copper-based alloys and aluminum rolling products and electric wires and cables. Inventory decreased by 3.3% compared to the end of the previous quarter, down for the first time in three quarters.

- Sub-classification by kind of industry

  1) Production of reining of non-ferrous metals increased by 6.9% compared to the previous quarter, up for the first time in two quarters, due to increases in all the goods. Shipments also increased by 5.3% (id.), up for the first time in two quarters, due to increases in all the goods such as electrolytic gold, etc. Inventory increased by 4.6% compared to the end of the previous quarter, up for the first time in two quarters.
  2) Production of copper and copper-base alloys and aluminum rolling products decreased by 3.8% compared to the previous quarter, down for the second consecutive quarter. Shipments decreased by 3.5% (id.), down for the second
consecutive quarter, due to decreases in all the goods, including aluminum rolling products. Inventory increased by 7.4% compared to the end of the previous quarter, up for the second consecutive quarter.

3) Production and shipments of electric wires and cables decreased by 2.1% and by 3.4% respectively, compared to the previous quarter, down for the third consecutive quarter, due to decreases in copper electric wires, etc. Inventory decreased by 13.9% compared to the end of the previous quarter, down for the first time in three quarters.

4) Both production and shipments of non-ferrous metal castings increased by 1.7% compared to the previous quarter, up for the first time in two quarters, due to increases in die castings, etc.

C. Fabricated metals

– Production decreased for the first time in four quarters and shipments decreased for the third consecutive quarter. –

☐ Production decreased by 3.2% compared to the previous quarter, down for the first time in four quarters, including a leveling-off period, due to decreases in all the goods. Shipments decreased by 1.2% (id.), down for the third consecutive quarter, due to decreases in fabricated structural metal products, metal products of building, etc. Inventory decreased by 6.3% compared to the end of the previous quarter, down for the first time in three quarters, due to decreases in all the goods.

☐ Sub-classification by kind of industry

1) Production of fabricated structural metal products decreased by 3.5% compared to the previous quarter, down for the first time in two quarters, due to decrease in bridges and structural-steel frames. Shipments decreased by 5.3% (id.), down for the first time in two quarters.

2) Production of metal products of building decreased by 5.2% (id.), down for the second consecutive quarter, due to decreases in aluminum sashes for wooden houses and aluminum sashes for building, etc. Shipments decreased by 3.4% (id.), down for the first time in three quarters, due to a decrease in aluminum sashes for building, etc. Inventory decreased by 3.7% compared to the end of the previous quarter, up for the first time in three quarters.

3) Production of equipment for heating and kitchens decreased by 3.2% compared to the previous quarter, down for the first time in two quarters, due to decreases in bath tub gas water heaters, etc. Shipments increased by 9.9% (id.), up for the first time in five quarters, due to an increase in oil space heaters for exports. Inventory decreased by 16.5% compared to the end of the previous quarter, down for the first time in four quarters.

4) Production of other metal products decreased by 1.3% compared to the previous quarter, down for the second consecutive quarter, due to a decrease in aluminum cans for beverages, etc. Shipments also decreased by 0.6% (id.), down for the first time in six quarters including a leveling-off period, due to a decrease in aluminum cans for beverages, etc. Inventory decreased by 3.4% compared to the end of the previous quarter, down for the second consecutive quarter.
D. General machinery
– Production decreased for the first time in seven quarters, due to decreases in molds and dies and special industrial machinery, etc. –

Production decreased by 0.4% compared to the previous quarter, down for the first time in seven quarters, due to decreases in molds and dies, special industrial machinery, metal forming machinery, engineering and construction machinery, and metal cutting machinery, etc. Shipments decreased by 0.1% (id.), down for the first time in nine quarters. Inventory increased by 2.5% compared to the end of the previous quarter, up for the third consecutive quarter. Inventory ratio increased by 6.4% compared to the previous quarter, up for the first time in two quarters.

Sub-classification by kind of industry

1) Production of molds and dies decreased by 13.3% (id.), down for the first time in three quarters. Stamping dies decreased for the second consecutive quarter, due to a decrease in exports to China and ASEAN, in spite of favorable domestic demand for automobiles. In contrast, molds for plastic increased for the second consecutive quarter, due to an increase in domestic demand.

2) Production of special industrial machinery decreased by 1.6% (id.), down for the second consecutive quarter. Flat-panel display manufacturing equipment decreased for the second consecutive quarter, due to stagnant growth compared to the former half of the previous year when capital investment was active backed by favorable demand related to the Athens Olympics. However, flat-panel display manufacturing equipment has maintained a high level due to a steady demand for large panels for flat-screen TVs and an active demand for medium and small panels for cellular telephones, etc. Food products machinery decreased for the first time in three quarters, and printing machinery decreased for the second consecutive quarter. In contrast, semiconductor products machinery increased for the first time in three quarters, due to favorable conditions in digital appliances such as flat-screen TVs and DVD/HDD recorders.

3) Production of metal forming machinery decreased by 16.1% (id.), down for the first time in three quarters. Mechanical presses decreased for the first time in three quarters, due to concentration in the previous quarter of large goods mainly related to automobiles for domestic use and for exports. Hydraulic presses decreased for the second consecutive quarter, while rolls for steel industry increased for the third consecutive quarter.

4) Production of engineering and construction machinery decreased by 1.6% (id.), down for the first time in 12 quarters, due to decreases in bulldozers and shovel type excavators.

5) Production of metal cutting machinery decreased by 0.1% (id.), down for the first time in two quarters, due to decreases in machining centers, numerically controlled electrical discharge machines, and grinding machinery.

6) Production of agricultural machinery increased by 13.6% (id.), up for the second consecutive quarter, due to increases in wheel tractors and combines.
7) Production of conveying machinery increased by 6.0% (id.), up for the first time in two quarters, due to increases in conveyors and mechanical parkings.

E. Electric machinery
- Production decreased for the second consecutive quarter, due to a decrease in refrigerators with freezers, etc. –
  □ In spite of increases in batteries, wiring devices and luminaries, and associated electronic equipment, etc., production decreased by 3.8% compared to the previous quarter, down for the second consecutive quarter, due to decreases in household electrical machinery, electrical measuring instruments, electrical stationary machinery, etc. Although there were increases in batteries, wiring devices and luminaries, and associated electronic equipment, shipments decreased by 3.8% (id.), down for the first time in two quarters, due to decreases in household electrical machinery, electrical measuring instruments, electrical rotating machinery, etc. Inventory increased by 0.7% compared to the end of the previous quarter, up for the first time in three quarters. Inventory ratio increased by 0.2% compared to the previous quarter, up for the first time in two quarters.
  □ Sub-classification by kind of industry
  1) Production of household electrical machinery decreased by 7.4% (id.), down for the second consecutive quarter, due to a decrease in refrigerators with freezers, which showed a decrease in products with capacity less than 400 liters for domestic use, and due to decreases in separate type air conditioners and microwave ovens, whose production has been shifting overseas.
  2) Production of electrical measuring instruments decreased by 12.5% (id.), down for the third consecutive quarter, due to decreases in all the goods, such as semiconductor characteristic measuring equipment, with a decreasing demand for memory IC testers for domestic semiconductor makers, process measuring and control instruments for industry, with unfavorable conditions of process monitors and control systems for domestic use, and electric test and measuring equipment, with a decrease in transmission characteristics measuring equipment for the communications industry.
  3) Although there were increases in power distribution transformers and arc type electric welders, production of electrical stationary machinery decreased by 16.5% (id.), down for the second consecutive quarter, due to a slowdown in demand in power distribution transformers for individual purposes, whose exports to China had been active, and due to a decrease in power conversion equipment.
  4) In spite of a decrease in lead acid storage batteries, production of batteries increased by 3.7% (id.), up for the second consecutive quarter, due to increases in lithium ion storage batteries with an increasing demand for high-capacity products for cellular telephones, and in alkaline storage batteries for electric tools, etc.
F. Information and communication electronics equipment

– Production increased for the first time in two quarters, due to increases in cellular telephones, etc. –

- Production increased by 1.6% compared to the previous quarter, up for the first time in two quarters, due to increases in all the industries, such as household electronic machinery, electronic computers and communication equipment. Shipments decreased by 1.8% (id.), down for the third consecutive quarter. Inventory increased by 10.0% compared to the end of the previous quarter, up for the first time in three quarters. The inventory ratio increased by 4.5% compared to the previous quarter, up for the first time in two quarters.

Sub-classification by kind of industry

1) In spite of decreases in DVD-Videos, production of household electronic machinery increased by 10.4% (id.), up for the second consecutive quarter, due to increases in video cameras, with a wider variety of new models; car navigation systems, with increasing domestic demand; digital cameras, with active exports to Asian countries; and liquid crystal televisions, with a favorable demand, mainly, for large screen type.

2) In spite of decreases in personal computers, etc., production of electronic computers increased by 3.9% (id.), up for the first time in three quarters, due to increases in general purpose computers and mid range computers, both with a favorable demand in public offices and banking facilities.

3) Although there were decreases in electric switching systems and basic exchange for mobile customer premises equipment, etc., production of communication equipment increased by 2.4% (id.), due to increases in cellular telephones, with an increasing demand for third-generation models, and in digital transmission equipment, with active capital investment by the communications industry.

G. Electronic parts and device $^*$

– Production increased for the first time in three quarters, due to increases in CCD, etc. –

- In spite of decreases in semiconductor parts and semiconductor devices, production increased by 0.8% compared to the previous quarter, up for the first time in three quarters, due to increases in electronic parts and integrated circuits. Although there were decreases in integrated circuits, semiconductor parts and semiconductor devices, shipments increased by 1.8% (id.), up for the first time in three quarters, due to increases in electronic parts. Inventory decreased by 10.0% compared to the end of the previous quarter, down for the first time in two quarters, due to decreases in all the industries, such as electronic parts and integrated circuits. The inventory ratio increased by 3.1% compared to the previous quarter, up for the first time in two quarters.

Sub-classification by kind of industry

1) In spite of a decrease in connectors, production of electronic parts increased by 2.3% (id.), due to increases in fixed capacitors with an increase in the loaded number for multi-functioned electronics, and in active matrix LCD (middle and small), etc.

2) Although there was a decrease in metal oxide semiconductor ICs (micro computer), production of integrated circuits increased by 1.3% (id.), due to increases in metal oxide semiconductor ICs (CCD) and metal oxide semiconductor ICs (memory) for
cellular telephones and digital cameras.

H. Transport equipment
- Both production and shipments increased for the second consecutive quarter, due to an increase in passenger cars. –
  - Production increased by 8.4% compared to the previous quarter, up for the second consecutive quarter, due to increases in passenger cars and motor vehicle parts, etc. Shipments also increased by 1.0% (id.), up for the second consecutive quarter. Inventory increased by 29.0% compared to the end of the previous quarter, up for the first time in two quarters. The inventory ratio increased by 2.3% compared to the previous quarter, up for the first time in two quarters.
  - Sub-classification by kind of industry
    1) Production of passenger cars increased by 5.7% (id.), up for the first time in three quarters. By goods, large passenger cars increased by 8.2% (id.), up for the first time in three quarters, due to an increase in exports, mainly to the U.S., although there was a decrease in domestic use. Minivans increased by 7.4%, up for the second consecutive quarter, due to an increase in domestic use. In spite of a decrease in exports, mainly to Europe, small passenger cars also increased by 2.0% (id.), up for the third consecutive quarter, due to an increase in domestic use, effected by the introduction of new-model cars.
    2) Production of trucks decreased by 0.8% (id.), down for the first time in two quarters. By goods, small trucks decreased by 3.4% (id.), down for the first time in two quarters, due to a decrease in domestic use, accompanied with a decrease in exports, mainly, to ASEAN. In spite of an increase in exports to Middle East, large trucks decreased by 1.3% (id.), down for the first time in two quarters, due to a decrease in domestic use. In contrast, mini trucks increased by 7.1%, up for the second consecutive quarter, due to an increase in domestic use.
    3) Production of motor vehicle parts increased by 4.4% (id.), up for the first time in three quarters, due to increases in all goods, such as drive, transmission and control parts, chassis and body parts, and engine parts, etc.
    4) Production of motorcycles increased by 11.9% (id.), up for the third consecutive quarter, due to increases both in motorcycles (less than 125ml) and motorcycles (more than 125ml).
  - 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 1.76 million (a decrease of 1.8% (id.)), down for the first time in two quarters. Inside of this, passenger cars decreased by 1.45 million, a decrease of 1.3% (id.), down for the first time in three quarters. Trucks decreased by 0.30 million, a decrease of 4.1% (id.), down for the fourth consecutive quarter. Buses decreased by six thousand, a decrease of 14.9% (id.), down for the fourth consecutive quarter.
I. Precision instruments

– Production decreased for the first time in two quarters, due to decreases in analytical instruments, etc. –

Production decreased by 3.5% compared to the previous quarter, down for the first time in two quarters, due to decreases in measuring machines and instruments, optical apparatus and parts, although there was an increase in watches and clocks. Shipments increased by 8.7% (id.), up for the first time in four quarters, due to increases in all the industries of measuring machines and instruments, optical apparatus and parts, and watches and clocks. Inventory decreased by 5.9% compared to the end of the previous quarter, down for the third consecutive quarter. The inventory ratio decreased by 10.6% compared to the previous quarter, down for the second consecutive quarter.

Sub-classification by kind of industry

1) In spite of an increase in gas-meters, production of measuring machines and instruments decreased by 5.9% (id.), down for the first time in two quarters, due to decreases in analytical instruments, with a decrease in chromatographs and saccharimeters, measuring instruments and controllers for industry and testing machines. Shipments increased by 2.5% (id.), up for the second consecutive quarter. Inventory decreased by 10.0% compared to the end of the previous quarter, down for the first time in two quarters.

2) Production of optical apparatus and parts decreased by 8.4% compared to the previous quarter, down for the first time in two quarters, due to decreases both in 35mm cameras and interchangeable lenses for cameras. Shipments increased by 2.0% (id.), up for the first time in four quarters. Inventory decreased by 4.5% compared to the end of the previous quarter, down for the seventh consecutive quarter.

3) In spite of a decrease in battery driven type watches (movements), production of watches and clocks increased by 3.0% compared to the previous quarter, up for the first time in four quarters, due to increases in battery driven type watches (complete) and battery driven type clocks. Shipments increased by 1.2% (id.), up for the first time in two quarters. Inventory increased by 20.5% compared to the end of the previous quarter, up for the first time in three quarters.

J. Ceramics, stones and clay products

– Production increased for the first time in two quarters, while shipments decreased for the second consecutive quarter. –

Production increased by 0.7% compared to the previous quarter, up for the first time in two quarters, due to an increase in glass and glass products, with a favorable demand for safety glass and sheet glass for automobiles, and an increase in other ceramics, clay and stone products, with increases in quick lime and monolithic refractories, etc. for iron and steel products. Shipments decreased by 0.4% (id.), down for the second consecutive quarter, due to decreases in ceramic wares and fine ceramics. Inventory increased by 2.7% compared to the end of the previous quarter, up for the first time in seven quarters, due to increases in glass and glass products, ceramic wares and fine ceramics, and other ceramics, clay and stone products.
Sub-classification by kind of industry

1) In spite of a decrease in glass products for two consecutive quarters, production of **glass and glass products** increased by 2.8% compared to the previous quarter, up for the first time in two quarters, due to an increase in glass with favorable demand for safety glass and sheet glass for automobiles.

2) Although there was a decrease in cement for three consecutive quarters, production of **cement and cement products** increased slightly by 0.1% (id.), up for the first time in nine years, due to an increase in cement products with favorable conditions of centrifugal reinforced-concrete piles and autoclaved light weight concrete products, etc. backed by active private construction demand.

3) Production of **ceramic wares and fine ceramics** remained flat at 0.0% (id.), due to a decrease in ceramic wares for table wares and kitchen wares and tiles caused by increasing imported products and stagnant consumption, and also due to an increase in sanitary ceramic wares with the effect of introduction of new type products, etc.

4) Production of **other ceramics, clay and stone products** increased by 1.5% (id.), up for the second consecutive quarter, due to increases in quick lime, monolithic refractories, and solidity carbonaceous electrodes, etc. for iron and steel products.

K. Chemicals (excl. Drugs)

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

- Production increased by 4.0% compared to the previous quarter, up for the first time in two quarters, due to increases in cosmetics, plastic (materials), industrial organic chemicals, soap, synthetic detergent and surface-active agents, and synthetic rubbers, etc. Shipments increased by 2.0% (id.), up for the first time in two quarters, due to increases in cosmetics, industrial organic chemicals, soap, synthetic detergent and surface-active agents, etc. Inventory increased by 8.8% compared to the end of the previous quarter, up for the second consecutive quarter, due to increases in plastic (materials), cosmetics, synthetic rubbers, and cyclic chemicals and synthetic dyes, etc.

- Sub-classification by kind of industry

1) Production of **cosmetics** increased by 6.8% compared to the previous quarter, up for the first time in two quarters, due to an increase in make up products, as a result of an increase in foundation, etc., and an increase in skin cream products, as a result of an increase in cleansing cream and men’s cosmetics, etc.

2) Production of **plastic (materials)** increased by 2.2% (id.), up for the second consecutive quarter, due to increases in polypropylene for domestic use and for exports to China, and in polyfluorocarbon resin, polycarbonate, and polyethylene, etc.

3) Production of **industrial organic chemicals** increased by 4.7% (id.), up for the first time in two quarters, due to increases in acrylonitrile and ethylene glycol, resulting from an increase in demand after periodical repairs.
L. Petroleum and coal products

- Shipments increased for the first time in two quarters, due to increases in gasoline and kerosene. –

- Production decreased by 0.3% compared to the previous quarter, down for the second consecutive quarter, due to decreases in naphtha, heavy fuel oil B and C, gasoline, kerosene, and heavy fuel oil A, etc. Shipments increased by 2.2% (id.), up for the first time in two quarters, due to increases in gasoline, kerosene, naphtha, and gas oil, etc. Inventory decreased by 6.7% compared to the end of the previous quarter, down for the first time in three quarters, due to decreases in kerosene, gasoline, and gas oil, etc. The inventory ratio decreased by 0.6% compared to the previous quarter, down for the first time in three quarters.

- Trends in major items

1) Production of gasoline decreased by 0.3% compared to the previous quarter, due to periodical repairs at refineries. Shipments increased by 1.9% (id.), up for the first time in 2 quarters. Inventory decreased by 7.4% compared to the end of the previous quarter, down for the first time in three quarters.

2) Production of naphtha decreased by 4.7% compared to the previous quarter, down for the first time in two quarters. Shipments increased by 1.5% (id.), up for the first time in two quarters, due to increases in petrochemistry products such as pure benzene, xylene, and ethylene, etc., which are the main recipients. Inventory increased by 9.1% compared to the end of the previous quarter, up for the first time in two quarters.

3) Production of kerosene increased by 2.0% compared to the previous quarter, up for the first time in two quarters, due to an increase in demand caused by a severe drop in temperature at the end of the year. Shipments also increased by 9.3% (id.), up for the first time in two quarters. Inventory decreased sharply by 24.9% compared to the end of the previous quarter.

4) Production of gas oil decreased by 2.2% compared to the previous quarter, down for the second consecutive quarter. Shipments increased by 0.9% (id.), up for the first time in two quarters, due to an increase in exports. Inventory decreased by 19.5% compared to the end of the previous quarter, down for the first time in three quarters.

5) In spite of an increase in demand for electricity due to the severe winter, production of heavy fuel oil B and C decreased by 2.7% compared to the previous quarter, down for the second consecutive quarter, due to decreases in industrial demand and exports. Shipments also decreased by 0.6% (id.), down for the second consecutive quarter. Inventory decreased by 4.0% compared to the end of the previous quarter, down for the second consecutive quarter.

6) Production of coal products (coke) increased by 1.7% compared to the previous quarter, up for the second consecutive quarter, due to an increase in demand for pig iron. Shipments decreased by 0.6% (id.), down for the fifth consecutive quarter, due to a decrease in exports. Inventory increased by 27.5% compared to the end of the previous quarter, up for the first time in four quarters.
M. Plastic products

- Production decreased for two consecutive quarters, due to a decrease in demand for PET bottles for drinks. -

  - In spite of an increase in consumption material-related production, production decreased by 0.8% compared to the previous quarter, down for the second consecutive quarter, due to decreases in manufacturing material-related production and construction material-related production. Shipments decreased by 1.3% (id.), down for the second consecutive quarter, due to decreases in all construction material-related production, consumption material-related production, and manufacturing material-related production. Although there was a decrease in manufacturing material-related production, inventory increased by 2.9% compared to the end of the previous quarter, up for the first time in four quarters, due to increases in consumption material-related production and construction material-related production.

  - Production by use
    1) In manufacturing material-related items, plastic containers blow-molding decreased by 6.4% compared to the previous quarter, down for the second consecutive quarter, due to production adjustment caused by an inventory glut of PET bottles for drinks.
    2) In consumption material-related items, plastic film and plastic sheets increased by 1.2% compared to the previous quarter, up for the third consecutive quarter, due to increases in other flexible products for industrial use and in hard films for food containers, etc.
    3) In construction material-related items, plastic plates decreased by 15.7% compared to the previous quarter, down for the first time in five quarters, due to a backlash of demand for corrugated plates, which was active in the previous quarter due to a series of typhoons, and due to a decrease in flat plate for construction. Plastic pipes decreased by 5.0% compared to the previous quarter, down for the first time in two quarters, due to a decrease in sewer pipes related to public works. Plastic materials for building decreased by 1.5% (id.), down for the first time in three quarters, due to a decrease in rain gutters and their accessories.

N. Pulp, paper and paper products

- Both production and shipments increased due to an increase in all industries, up for the first time in two quarters. -

  - Production increased by 1.2% compared to the previous quarter, up for the first time in two quarters, due to increases in all industries of paper, converted and processed paper, pulp, and paperboard. Shipments increased by 1.2% (id.), up for the first time in two quarters, due to increases in all industries of paper, converted and processed paper, paperboard, and pulp. Inventory increased by 2.5% compared to the end of the previous quarter, up for the third consecutive quarter, due to increases in paper, pulp, and converted and processed paper.

  - Sub-classification by kind of industry
    1) Production of paper increased by 0.8% compared to the previous quarter, up for the
first time in two quarters, due to increases in communication paper, newsprint paper in rolls, coated printing paper, and wrapping and packing paper. Shipments increased by 1.0% (id.), up for the first time in two quarters, due to increases in communication paper, coated printing paper, and wrapping and packing paper. Inventory increased by 3.1% compared to the end of the previous quarter, up for the third consecutive quarter.

2) Production and shipments of paperboard increased by 0.7% and by 0.6%, respectively, compared to the previous quarter, up for the first time in two quarters, due to an increase in container board. Inventory decreased by 2.8% compared to the end of the previous quarter, down for the first time in two quarters.

3) Production of converted and processed paper (corrugated cardboard sheets) increased by 2.1% compared to the previous quarter, and shipments increased by 2.0% (id.), both up for the first time in two quarters.

O. Textiles

– Both production and shipments decreased for the 32nd consecutive quarter. –

□ Production decreased by 1.2% compared to the previous quarter, down for the 32nd consecutive quarter, due to decreases in clothes and woven fabrics, etc. as a result of stagnant demand. Shipments also decreased by 2.0% (id.), down for the 32nd consecutive quarter. Inventory decreased by 0.7% compared to the end of the previous quarter, down for the fifth consecutive quarter, due to decreases in man-made fibers and woven fabrics, etc.

□ Sub-classification by kind of industry

1) In spite of a slight decrease in synthetic fibers (filament), production of man-made fibers increased by 1.2% compared to the previous quarter, due to an increase in synthetic fibers (staple). Shipments decreased by 3.1% (id.), due to decreases both in synthetic fibers (filament) and synthetic fibers (staple). Inventory also decreased by 2.5% compared to the end of the previous quarter, due to decreases both in synthetic fibers (filament) and synthetic fibers (staple).

2) Production of spun yarn decreased by 3.5% compared to the previous quarter, due to decreases in synthetic fiber yarn, woolen yarn and cotton yarn. In spite of an increase in woolen yarn, shipments decreased by 4.3% (id.), due to decreases in synthetic fiber yarn and cotton yarn. Inventory increased by 1.8% compared to the end of the previous quarter, due to an increase in cotton yarn.

3) In spite of an increase in woolen fabrics, and cotton fabrics, production of woven fabrics decreased by 1.5% compared to the previous quarter, due to decreases in synthetic fiber fabrics (filament) and cotton fabrics. Shipments decreased by 5.2% (id.), due to decreases mainly in synthetic fiber fabrics (filament) and cotton fabrics. Inventory decreased by 2.1% compared to the end of the previous quarter, down for the 15th consecutive quarter, due to decreases in woolen fabrics, cotton fabrics, and synthetic fiber fabrics (staple), etc.

4) Production of clothes decreased by 2.7% compared to the previous quarter, down for the 24th consecutive quarter, due to decreases in all goods, such as woven fabrics outer wears,
knitted fabrics outer wears, and hosiery owing to stagnant demand and an increase in imports of products. Shipments decreased by 2.2% (id.) due to decreases in knitted fabrics outer wears and under wears. Inventory decreased by 0.3% compared to the end of the previous quarter, due to decreases in hosiery and knitted fabrics outer wears.
(2) Trends in tertiary industries

A. Commerce

- The total sales amount for the wholesale industry was 105.2530 trillion yen. Total sales increased by 2.7% compared to the corresponding quarter of the previous year, up for the sixth 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 and the price increase of materials such as iron and steel; an increase in the machinery wholesale industry and the agricultural, livestock and aquatic products wholesale industry, etc., although the food and beverages wholesale industry, etc. decreased.

- The total sales amount for large wholesalers was 29.5316 trillion yen. Total sales increased by 0.3% (id.), up for the fourth consecutive quarter.

- The total sales amount for the retail industry was 31.9820 trillion yen. Total sales remained flat at 0.0% (id.), due to a decrease in the foods and beverages retail industry, resulting from bad weather and a negative effect of the previous leap year, and a decrease in the motor vehicles retail sale industry and the general merchandise retail sale industry, in spite of an increase in the fuel retail sale industry as a result of the price increase of petroleum products.

- The total sales amount for large retailers was 5.1914 trillion yen, decreasing by 1.6% (id.), down for the eighth consecutive quarter.

- The total sales amount and service sales amount for convenience stores was 1.7183 trillion yen, increasing by 0.5% (id.), up for the sixth consecutive quarter.

B. Specific service

- Business services

- The contract amount for commodity leases (based on acceptance inspection) increased by 0.3% compared to the corresponding quarter of the previous year, and the purchase amount for delivery items also increased by 1.6% (id.).

- The total sales amount for the rental industry decreased by 1.8% (id.), down for the fourth consecutive quarter.

- The total sales amount for the information service industry remained flat at 0.0% (id.).

- The total sales amount for advertising increased by 7.2% (id.), up for the sixth consecutive quarter.

- The total amount handled by the credit card service increased by 9.0% (id.). By type of business, sales credit business increased by 10.8% (id.), and consumer credit business increased by 3.4% (id.).

- The total amount of orders received in engineering services increased by 15.2% (id.). The breakdown shows that domestic demand increased by 15.7% (id.), and foreign demand also increased by 13.9% (id.).

- Personal services

- In the leisure and amusement services, pachinko parlors, theaters, performances, companies promoting professional sports and performances, amusement parks and theme parks increased, while golf courses, golf practice ranges, bowling alleys, and movie
theaters decreased.

In the culture and lifestyle services, fitness clubs, funeral services, and cram schools increased, while wedding ceremony halls, cultural centers, and foreign language conversation classes decreased.