### 2 Supply trend and final demand

#### (1) Summary of supply trend for final demand

**Supply trend for the quarter**

The outline of the supply trend for final demand for the third quarter of 2005 was as follows:

Overall industrial supply for consumption decreased by 0.2% compared to the previous quarter, down for the second consecutive quarter, due to a decrease in personal consumption by 0.3% (id.), down for the second consecutive quarter, while government consumption increased by 0.3% (id.), up for the third consecutive quarter.

Overall industrial supply for investment increased by 0.5% (id.), up for the third consecutive quarter, due to increases in public investment (by 0.4%, up for the first time in two quarters), private housing (by 3.0%, up for the first time in four quarters), and private corporation facilities (by 0.3%, up for the second consecutive quarter).

Exports increased by 5.3% (id.) and imports increased by 2.4% (id.), both up for the second consecutive quarter.

IT-related consumption increased by 4.6% (id.), up for the first time in three quarters, and IT-related investment increased by 5.6% (id.), up for the second consecutive quarter.

---

### Changes in the Indices of All Industries (Final demand components) (2000=100)

<table>
<thead>
<tr>
<th></th>
<th>2003 Ratio to the previous year</th>
<th>2004 Ratio to the previous year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Final demand total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.4</td>
<td>2.0</td>
<td>0.3</td>
<td>0.9</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.1</td>
<td>0.1</td>
<td>-0.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.1</td>
<td>0.3</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Mining and manufacturing (Goods)</strong></td>
<td>2.2</td>
<td>6.6</td>
<td>1.3</td>
<td>4.5</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.7</td>
<td>0.3</td>
<td>-0.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-0.2</td>
<td>-0.2</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Tertiary industries (Services)</strong></td>
<td>1.0</td>
<td>2.0</td>
<td>0.0</td>
<td>0.7</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.9</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.0</td>
<td>1.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Consumption</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.8</td>
<td>1.7</td>
<td>-0.1</td>
<td>1.1</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.5</td>
<td>0.3</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.2</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.7</td>
<td>-0.2</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Personal consumption</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.5</td>
<td>1.4</td>
<td>-0.5</td>
<td>1.6</td>
<td>-0.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.3</td>
<td>0.5</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.2</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.2</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Government consumption</strong></td>
<td>1.4</td>
<td>2.6</td>
<td>0.7</td>
<td>0.3</td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.6</td>
<td>1.0</td>
<td>-0.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.6</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Investment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-1.7</td>
<td>0.8</td>
<td>0.2</td>
<td>0.3</td>
<td>-1.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.1</td>
<td>-0.1</td>
<td>-0.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.6</td>
<td>0.2</td>
<td>2.4</td>
</tr>
<tr>
<td><strong>Public investment</strong></td>
<td>-11.0</td>
<td>-12.4</td>
<td>-4.3</td>
<td>-0.1</td>
<td>-3.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-6.2</td>
<td>-3.0</td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.8</td>
<td>-2.5</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Private housing</strong></td>
<td>1.9</td>
<td>2.2</td>
<td>6.5</td>
<td>-2.1</td>
<td>-2.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.9</td>
<td>4.3</td>
<td>-0.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.7</td>
<td>-0.4</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Private corporation facilities</strong></td>
<td>2.5</td>
<td>6.7</td>
<td>0.4</td>
<td>3.1</td>
<td>-0.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4.7</td>
<td>0.4</td>
<td>1.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.0</td>
<td>3.1</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td>4.8</td>
<td>12.6</td>
<td>2.2</td>
<td>4.6</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>8.4</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-1.0</td>
<td>-1.0</td>
<td>5.6</td>
</tr>
<tr>
<td><strong>Tertiary industries (Services)</strong></td>
<td>0.5</td>
<td>1.2</td>
<td>-0.1</td>
<td>-1.7</td>
<td>-0.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3.2</td>
<td>-0.1</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.1</td>
<td>3.5</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Special IT-related</strong></td>
<td>0.9</td>
<td>3.2</td>
<td>-2.5</td>
<td>4.4</td>
<td>-1.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.9</td>
<td>-1.9</td>
<td>3.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.2</td>
<td>1.4</td>
<td>-0.3</td>
</tr>
<tr>
<td><strong>Exports</strong></td>
<td>0.0</td>
<td>3.6</td>
<td>3.5</td>
<td>3.4</td>
<td>-2.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.9</td>
<td>1.2</td>
<td>3.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-3.3</td>
<td>3.6</td>
<td>5.6</td>
</tr>
<tr>
<td><strong>Production and exports</strong></td>
<td>4.0</td>
<td>11.1</td>
<td>4.0</td>
<td>4.3</td>
<td>1.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4.8</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-2.9</td>
<td>2.7</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td>5.0</td>
<td>11.7</td>
<td>4.1</td>
<td>5.0</td>
<td>2.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4.0</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-2.5</td>
<td>1.9</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Tertiary industries (Services)</strong></td>
<td>0.5</td>
<td>9.1</td>
<td>4.4</td>
<td>1.6</td>
<td>1.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6.5</td>
<td>0.5</td>
<td>0.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-2.0</td>
<td>2.8</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>Special IT-related</strong></td>
<td>2.7</td>
<td>8.4</td>
<td>1.3</td>
<td>4.4</td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4.2</td>
<td>2.0</td>
<td>-0.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-0.3</td>
<td>3.4</td>
<td>2.4</td>
</tr>
<tr>
<td><strong>Exports</strong></td>
<td>7.3</td>
<td>8.1</td>
<td>-0.2</td>
<td>0.8</td>
<td>3.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3.5</td>
<td>1.8</td>
<td>-0.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.4</td>
<td>0.4</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td>-9.8</td>
<td>9.8</td>
<td>8.5</td>
<td>13.0</td>
<td>-4.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>8.4</td>
<td>1.9</td>
<td>-2.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.5</td>
<td>1.0</td>
<td>2.8</td>
</tr>
</tbody>
</table>

**Notes:**

1. The indices of all industrial supply reflect the retroactive correction of the Indices of Industrial Domestic Shipments and Exports, which is the basic data, and are retroactively corrected with regard to past series (For details, refer to “Remarks” 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.247 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.

4. The ratios to the previous year are original indices, and others are based on seasonal adjustment indices.

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

IT-related personal consumption for the third quarter of 2005 increased by 4.6% compared to the previous quarter, up for the first time in three quarters, due to increases in fixed telecommunications business, etc. Non-IT-related consumption decreased by 0.6% (id.), down for the second consecutive quarter.

IT-related investment for private corporation facilities increased by 5.6% (id.), up for the second consecutive quarter, due to increases in external storage, etc. Non-IT-related investment decreased by 0.9% (id.), down for the first time in four quarters.

**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)
Changes in consumption behavior of young people

Looking at consumption behavior by age group of households, consumption behavior of the young age group (households headed by those aged 34 or younger) declined more sharply than other household groups. We will examine changes in consumption behavior by comparing the recent (2002 – 2004) young age group, who started working and became independent during the stagnant period of around 1% economic growth, and the young age group of 15 years ago (1987 – 1989), who experienced the time when income continued to increase steadily.

Relatively comparing real consumption expenditures of the young age group (households with more than two people) with those of other households (headed by those aged 35 or over), the disparities of real disposable income have been diminishing, but the relative ratio of real consumption expenditure has declined and the disparities among households have been expanding. The net increase rate of financial assets (comparing disposable income), which is a reverse concept of consumption, became higher among the young age group than that of 15 years ago, showing a sharper increase than any other household group, although the rate of debt payment for real estate (comparing disposable income) increased. The recent young age group seems to act more steadily, cutting down on consumption to increase savings.

As for breakdowns of real consumption expenditures of the young age group (households with more than two people), expenditures for “Housing” increased due to house rent and land rent, and expenditures for “Transportation & communication” increased due to communication expenses such as cellular phone fees. In contrast, expenditures for “Food”, etc. decreased as more people cut down on cooking and eating at home (excl. cooked food).

Note: We examined consumption behavior of workers’ households, regarding the young age group as households headed by those aged 34 or younger. As for single households, the young age group refers to those aged 29 or younger.

Changes in Propensity to Consume by Age Group (Households with more than two people)

Rate of Real Consumption Expenditures of Young Age Group to Other Households

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

Source: “Family Income and Expenditure Survey” (Ministry of Internal Affairs and Communications)
Average Savings Rate and Net Increase Rate of Financial Assets

<table>
<thead>
<tr>
<th></th>
<th>34 or younger</th>
<th>35 or older</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average savings rate (%)</td>
<td>15.9</td>
<td>21.4</td>
</tr>
<tr>
<td>Net increase rate of financial assets (%)</td>
<td>16.3</td>
<td>21.6</td>
</tr>
<tr>
<td>Rate of debt payment for real estate (%)</td>
<td>4.0</td>
<td>5.5</td>
</tr>
</tbody>
</table>

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

Breakdown of Real Consumption Expenditures

We will examine the background of expenditure items of the recent young age group that showed significant changes from 15 years ago.

1. Increase in communication expenses: Fees per hour have been reduced largely, but growth of cellular phone’s penetration rate for households and increasing airtime has increased communication expenses.

2. Increase in house rent and land rent: The young age group has been moving from relatively inexpensive public or private wooden houses (including equipment sharing) or company’s houses to expensive private non-wooden houses (such as reinforced concrete buildings, etc.). This is because it is difficult to newly enter public rented houses, which hold many long-term dwellers, and company’s houses have been decreasing due to private companies’ reduction of welfare costs.

3. Decrease in food expenses: Among the young age group, households with more than two people and single households (female) mainly cut down on cooking and eating at home (excl. cooked food), and single households (male) mainly cut down on eating out. It seems each household has cut down on expenditures for items for which they spend the most.

4. Increase in expenses for recreational durable goods: Increases are observed when new models are launched or there are some international events.

The recent young age group (workers’ households) appropriates money for house rent, information and communication-related expenses such as cellular phone fees, information and communication-related equipment such as personal computers, and digital appliances such as slim-type TV, while cutting down on expenses for clothes and food. Since 2004, backed by an increase in disposable income and a rise in consumer confidence, consumption expenditures of the young age group have been slightly increasing both in goods and services. This is expected to be one of the driving forces to raise overall consumption expenditures.
Changes in Number of Households of Young Age Group (Households with More than Two People) by Type of Rented Houses

Source: “Housing and Land Survey” (Ministry of Internal Affairs and Communication)

Changes in Real Expenses for Food of Young Age Group

Note: A simple comparison should not be made as the values for households with more than two people are the monthly average of a whole year, but the values for single households are the monthly average of October and November. The values for eating out include charge for board.

Sources: “Family Income and Expenditure Survey” (Ministry of Internal Affairs and Communications)
“National Survey of Family Income and Expenditure” (Ministry of Internal Affairs and Communications)
“Consumer Price Index” (Ministry of Internal Affairs and Communications)
Current situation of capital investment and the automobile industry

The amount of capital investment in the automobile and automobile parts manufacturing industry has been on an upward trend since the fourth quarter of 2002.

As for breakdowns, construction in process has increased moderately since the second quarter of 2002, showing a sharp increase in the first quarter of 2005. It also increased by 3.2% compared to the previous quarter in the second quarter of 2005. Other tangible fixed assets have been on a moderate upward trend since the fourth quarter of 2002. Software investment showed a sign of expansion, although its distribution ratio is low among capital investment.

Looking at the automobile industry from the Tankan survey, business conditions declined from the peak, but many corporations still considered “favorable”, and supply and demand conditions also remained positive. Many corporations considered their capacity as “insufficient”, showing the strongest sense of insufficiency for the current quarter since 1994.

In order to examine changes in capital investment of the automobile industry, we will look at fixed capital matrices in appendixes of input-output tables. In 2000, investment in molds and dies was the largest, and that in metal cutting machinery, etc. expanded. The rate of investment in other services for offices also expanded, and investment in the software business accounted for 4.0% (89.3 billion yen) in 2000, taking sixth place among overall investment. This indicates an increase in IT-related investment in the automobile industry.

Breakdowns of Investment of Automobile and Parts Manufacturing Industry

Note: Seasonal adjustment was calculated using X-11 default of census bureau method of X-12 ARIMA.
Source: “Financial Statements of Corporations by Industry” (Ministry of Finance)

DI of Automobile Industry

Notes: 1. There is a gap caused by a revision of standards to select targets of the survey in March 2004.
2. The values for the fourth quarter of 2005 are estimated ones.
Source: "Short-term Economic Survey of Enterprises in Japan (Tankan)” (Bank of Japan)
Breakdowns of Investment in Automobile Sector (Top 15 Classifications, 100 million yen)

<table>
<thead>
<tr>
<th>Basic classification</th>
<th>Amount of investment</th>
<th>Distribution ratio</th>
<th>Basic classification</th>
<th>Amount of investment</th>
<th>Distribution ratio</th>
<th>Basic classification</th>
<th>Amount of investment</th>
<th>Distribution ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-housing construction (Non-wooden)</td>
<td>7,417</td>
<td>19.3%</td>
<td>Molds and dies</td>
<td>6,026</td>
<td>26.1%</td>
<td>Molds and dies</td>
<td>6,312</td>
<td>28.6%</td>
</tr>
<tr>
<td>Molds and dies</td>
<td>7,349</td>
<td>19.1%</td>
<td>Wholesaling</td>
<td>3,284</td>
<td>14.2%</td>
<td>Wholesaling</td>
<td>3,311</td>
<td>15.0%</td>
</tr>
<tr>
<td>Other engineering construction</td>
<td>5,262</td>
<td>13.7%</td>
<td>Other engineering construction</td>
<td>2,238</td>
<td>10.1%</td>
<td>Metal cutting machinery</td>
<td>2,226</td>
<td>10.1%</td>
</tr>
<tr>
<td>Wholesaling</td>
<td>3,876</td>
<td>10.1%</td>
<td>Metal cutting machinery</td>
<td>2,142</td>
<td>9.3%</td>
<td>Other services for offices</td>
<td>1,108</td>
<td>5.0%</td>
</tr>
<tr>
<td>Metal cutting machinery</td>
<td>3,380</td>
<td>8.8%</td>
<td>Other services for offices</td>
<td>1,253</td>
<td>5.4%</td>
<td>Non-housing construction (Non-wooden)</td>
<td>1,082</td>
<td>4.9%</td>
</tr>
<tr>
<td>Metal forming machinery</td>
<td>1,763</td>
<td>4.6%</td>
<td>Conveying machinery</td>
<td>1,147</td>
<td>5.0%</td>
<td>Software business</td>
<td>893</td>
<td>4.0%</td>
</tr>
<tr>
<td>Conveying machinery</td>
<td>1,333</td>
<td>3.5%</td>
<td>Non-housing construction (Non-wooden)</td>
<td>983</td>
<td>4.3%</td>
<td>Conveying machinery</td>
<td>844</td>
<td>3.8%</td>
</tr>
<tr>
<td>Industrial robots</td>
<td>1,148</td>
<td>3.0%</td>
<td>Metal forming machinery</td>
<td>690</td>
<td>3.0%</td>
<td>Metal forming machinery</td>
<td>610</td>
<td>2.8%</td>
</tr>
<tr>
<td>Other services for offices</td>
<td>948</td>
<td>2.5%</td>
<td>Other industrial heavy electrical machinery</td>
<td>485</td>
<td>2.1%</td>
<td>Electrical measuring instruments</td>
<td>525</td>
<td>2.4%</td>
</tr>
<tr>
<td>Other industrial heavy electrical machinery</td>
<td>625</td>
<td>1.6%</td>
<td>Electrical measuring instruments</td>
<td>459</td>
<td>2.0%</td>
<td>Other industrial heavy electrical machinery</td>
<td>520</td>
<td>2.4%</td>
</tr>
<tr>
<td>Electrical measuring instruments</td>
<td>570</td>
<td>1.5%</td>
<td>Industrial robots</td>
<td>456</td>
<td>2.0%</td>
<td>Industrial robots</td>
<td>509</td>
<td>2.3%</td>
</tr>
<tr>
<td>Plastic forming machinery</td>
<td>568</td>
<td>1.5%</td>
<td>Software business</td>
<td>420</td>
<td>1.8%</td>
<td>Plastic forming machinery</td>
<td>404</td>
<td>1.8%</td>
</tr>
<tr>
<td>Electronic computers</td>
<td>522</td>
<td>1.4%</td>
<td>Pumps and compressors</td>
<td>322</td>
<td>1.4%</td>
<td>Other engineering construction</td>
<td>402</td>
<td>1.8%</td>
</tr>
<tr>
<td>Switching devices and switchboards</td>
<td>396</td>
<td>1.0%</td>
<td>Plastic forming machinery</td>
<td>319</td>
<td>1.4%</td>
<td>Pumps and compressors</td>
<td>379</td>
<td>1.7%</td>
</tr>
<tr>
<td>Electronic computer attached equipment</td>
<td>393</td>
<td>1.0%</td>
<td>Electronic computers</td>
<td>314</td>
<td>1.4%</td>
<td>Analyzers, testers, measuring instruments, finders</td>
<td>300</td>
<td>1.4%</td>
</tr>
<tr>
<td>Total</td>
<td>38,445</td>
<td>100.0%</td>
<td>Total</td>
<td>23,085</td>
<td>100.0%</td>
<td>Total</td>
<td>22,099</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: "Appendixes of Input-Output Tables <Fixed Capital Matrices (Private)> (Ministry of Internal Affairs and Communications)

Secondly, looking at the progress of IT in the automobile industry from dissemination of telecommunication equipment loaded on automobiles, ETC and VICS have become popular as equipment to access widely-distributed outer information. The number of ETC setups has been increasing, reaching 1.34 million (up by 20.2% compared to the previous quarter) in the third quarter of 2005. ETC is loaded on 45.7% of automobiles that use highways, etc. The shipments of automobiles equipped with VICS increased to 0.75 million in the third quarter of 2005, up by 1.7% (id.), maintaining a consistent increase of 8.9% on average since 1997.

The progress of IT in the automobile industry can also be observed in changes in electronic parts and semiconductor integrated circuits provided for automobile parts and accessories, in the Input-Output Tables. Electronic parts and semiconductor integrated circuits provided for automobile parts and accessories increased from 1.3% in 1990 to 3.4% in 2003, expanding the amount of money by 5.6 times. In 2003, they were provided for automobile parts and accessories in greater amount than for electrical measuring instruments and household electrical machinery.

The current upward stage of capital investment has been continuing for a long period, backed by favorable corporate profits, and has led the overall economy. In particular, the automobile industry has maintained active capital investment with a strong sense of capacity insufficiency since the third quarter of 2004, backed by favorable DI and supply and demand conditions. The progress has been observed in investment to heighten added values, such as for IT enhancement for energy savings and added security, in addition to investment in industrial machinery and cutting machinery. This has caused changes in relative importance of related industries, and is also considered to have an influence on production and investment in those industries. Further changes are anticipated.
Number of ETC Setups on Automobils and Utilization Ratio

Changes in Domestic Shipments of Car Navigation System and VICS for Automobiles

Rate by Destination of Electronic Parts and Semiconductor Integrated Circuits

Note: The number of setups and the shipments are seasonally adjusted using X-11 default of census bureau method of X-12 ARIMA.

Sources: “Dissemination and Utilization of ETC” (Ministry of Land Infrastructure and Transport)
“Domestic Shipments of Major Consumer Electronic Equipment” (Japan Electronics and Information Technology Industries Association (JEITA))
“Shipments of VICS for Automobiles” (Vehicle Information and Communication System Center)

Rate by Destination of Electronic Parts and Semiconductor Integrated Circuits

Note: The amount of money is the total of electronic parts and semiconductor integrated circuits.

(2) Outline of export and import trends

Export and import trends for the quarter

Looking at the trends of exports and imports for the third quarter of 2005 (on a quantity basis), exports as a whole increased by 5.3% compared to the previous quarter, due to increases in exports of goods (the mining and manufacturing industry) by 5.3% (id.), and received services (the tertiary industry) by 6.0% (id.). Imports as a whole increased by 2.4% (id.), due to increases in imports of goods (the mining and manufacturing industry) by 2.1% (id.), and service payments (the tertiary industry) by 2.8% (id.).

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

Changes in Exports 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.

Sources: “Breakdown List of Mining and Manufacturing Shipments”, “Table of Gross Supply of Mining and Manufacturing”
Globalization of corporations by industry
- From total shipments of domestic corporations and overseas subsidiaries -

Japanese corporations have promoted overseas production. In order to understand the progress of overseas production by Japanese corporations, we will calculate the “General Indices of Shipments by Japanese Corporations” totaling domestic and overseas activities of manufacturing corporations, and will examine the current status from the following three indicators: (1) the ratio of shipments of overseas production (the ratio of shipments of overseas production among the total shipments by Japanese corporations), (2) the ratio of overseas markets (the ratio of shipments to overseas markets among the total shipments by Japanese corporations), and (3) the ratio of reimports (the ratio of exports by Japanese overseas subsidiaries to Japan among overall domestic imports). These ratios have been steadily increasing since the first quarter of 2000, accounting for 26.6%, 37.5%, and 51.1%, respectively, for the third quarter of 2005.

Examining the current status of each industry from the ratio of shipments of overseas production, the ratio of overseas markets, and the ratio of reimports, the following becomes clear. The precision instruments industry, transport equipment industry, electrical machinery industry, and textiles industry, whose ratios of shipments of overseas production have been increasing, have come to receive greater influence on their production and shipments from Japanese overseas subsidiaries. The transport equipment industry, general machinery industry, and textiles industry, whose ratios of overseas markets have been increasing, have enjoyed favorable demands in overseas markets. The electrical machinery industry, non-ferrous metals industry, general machinery industry, wood, pulp, paper and paper product industry, chemicals industry, precision instruments industry, and transport equipment industry, whose ratios of reimports have been increasing, have shifted their producing centers from Japan to overseas.

Note: As for details, see the main text.

Domestic and Overseas Shipments and Situation of Japanese Overseas Subsidiaries

<table>
<thead>
<tr>
<th>Current Status by Industry</th>
<th>Ratio of shipments of overseas production</th>
<th>Ratio of overseas markets</th>
<th>Ratio of reimports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foods and tobacco</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Textiles</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Wood, pulp, paper and paper products</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Chemicals</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Ceramics, stone and clay products</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Iron and steel</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Non-ferrous metals</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Fabricated metals</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>General machinery</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Electrical machinery</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Transport equipment</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Precision instruments</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Other manufacturing</td>
<td></td>
<td></td>
<td>-</td>
</tr>
</tbody>
</table>

Arrows in the chart mean the following:
- …No changes
- …Slightly increased
- …Increased
- …Decreased

Among ordinary profits of overall manufacturing industries in FY1997, profits of overseas subsidiaries were 1.1252 trillion yen, accounting for 8.2% to domestic profits of 13.7475 trillion yen. In FY2003, profits of overseas subsidiaries increased to 2.7462 trillion yen, accounting for 18.2% to domestic profits of 15.0865 trillion yen. Overseas subsidiaries have come to have a greater influence also on profits.

Secondly, we will look at changes in ordinary profits and profit ratio between FY1997 and FY2003 with regard to three industries with especially high weights, the general machinery industry, electrical machinery industry, and transport equipment industry, among those that have proactively shifted production centers to overseas. Those three industries showed increases both in ordinary profits and profit ratio, which indicates that overseas production has been steadily progressing.

Therefore, it is considered that the industries that have positively promoted globalization have replaced exports by domestic production with overseas production, and have increased reimports of goods produced overseas, instead of domestic products, to meet domestic demand.

Furthermore, it can be said that corporations that have positively shifted their production centers to overseas have steadily increased production, shipments and profits of their overseas subsidiaries.

Ordinary Profits and Profit Ratio of Manufacturing Industries
(Domestic/Overseas Subsidiaries)

Sources: “Basic (Trend) Survey of Overseas Business Activities”, “Financial Statements of Corporations by Industry” (Ministry of Finance)

Comparison of Ordinary Profits and Profit Ratio of Overseas Subsidiaries (3 industries)

<table>
<thead>
<tr>
<th>Overseas subsidiaries</th>
<th>Profits (100 million yen)</th>
<th>Profit ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>General machinery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electrical machinery</td>
<td>1127</td>
<td>1255</td>
</tr>
<tr>
<td>Transport equipment</td>
<td>941</td>
<td>4401</td>
</tr>
<tr>
<td></td>
<td>3496</td>
<td>3630</td>
</tr>
</tbody>
</table>

Note: The electrical machinery industry came to be divided into the electrical machinery industry and the information and communication electronics equipment industry since FY2001. Therefore the profits of the electrical machinery industry for FY2003 include profits of the information and communication electronics equipment industry. As the profit ratio cannot be calculated, the ratio for FY2003 is that of the electrical machinery industry. For reference, the profit ratio of the information and communication electronics equipment industry for FY2003 was 2.2%. The profit ratios after FY2000, the values were calculated among overseas subsidiaries that had answered both their ordinary profits and sales.

Source: “Basic (Trend) Survey of Overseas Business Activities”
3. Trends by kind of industry
(1) Trend in the manufacturing industry

A. Iron and Steel industry
– Production decreased for the first time in two quarters, due to a decrease in production for exports. –

- Production decreased by 3.8% compared to the previous quarter, down for the first time in two quarters, due to decreases in all industries. Shipments also decreased by 6.1% (id.), down for the first time in two quarters, due to decreases in all industries. Inventory increased by 7.1% compared to the end of the previous quarter, up for the first time in two quarters, due to increases in all industries except steel castings and forgings.

Sub-classification by industry
1) Production of crude products decreased by 2.9% compared to the previous quarter, down for the first time in two quarters.
2) Production of hot roll steel decreased by 3.9% (id.), down for the first time in eight quarters.
3) Production of steel pipes and tubes decreased by 5.6% (id.), down for the first time in two quarters.
4) Production of cold finished steel decreased by 5.1% (id.), down for the third consecutive quarter.
5) Production of metallic coated steel decreased by 4.8% (id.), down for the first time in two quarters.
6) Production of steel castings and forgings decreased by 1.0% (id.), down for the first time in three quarters.

B. Non-ferrous metals industry
– Both production and shipments decreased for the first time in two quarters. –

- Production decreased by 0.7% compared to the previous quarter, down for the first time in two quarters, due to decreases in non-ferrous metal castings and copper and copper-base alloys and aluminum rolling products. Shipments also decreased by 0.7% (id.), down for the first time in two quarters, due to decreases in non-ferrous metal castings and copper and copper-base alloys and aluminum rolling products. Inventory increased by 2.3% compared to the end of the previous quarter, up for the first time in three quarters.

Sub-classification by kind of industry
1) Production of refining of non-ferrous metals increased by 0.5% compared to the previous quarter, up for the first time in two quarters, due to increases in electrolytic copper, etc. Shipments also increased by 0.9% (id.), up for the first time in two quarters, due to increases in electrolytic gold, etc. Inventory increased by 7.3% compared to the end of the previous quarter, up for the first time in two quarters.
2) Production and shipments of copper and copper-base alloys and aluminum rolling products decreased by 0.5% and by 0.7% respectively, compared to the previous quarter, down for the fourth consecutive quarter, due to a decrease in aluminum rolling products. Inventory decreased by 4.2% compared to the end of the previous quarter, down for the first time in four quarters.
3) Production of electric wires and cables increased by 0.5%, compared to the previous
quarter, up for the second consecutive quarter, due to increases in copper electric wires
and optical fibers core wires, etc. Shipments leveled off at 0.0% (id.). Inventory increased
by 2.5% compared to the end of the previous quarter, up for the first time in three quarters.
4) Both production and shipments of non-ferrous metal castings decreased by 1.4% and
1.4% respectively, compared to the previous quarter, down for the first time in three
quarters, due to a decrease in die castings.

C. Fabricated metals industry
– Production decreased for the first time in two quarters due to decreases in fabricated structural metal products and metal products of buildings. –
  □ Production decreased by 1.9% compared to the previous quarter, down for the first time in two quarters, due to decreases in fabricated structural metal products, metal products of buildings, and equipment for heating and kitchens. Shipments also decreased by 2.8% (id.), down for the first time in two quarters, due to decreases in all industries Inventory increased by 0.7% compared to the end of the previous quarter, up for the first time in three quarters, due to increases in equipment for heating and kitchens and other metal products.
  □ Sub-classification by kind of industry
1) Production of fabricated structural metal products decreased by 4.8% compared to the previous quarter, down for the first time in two quarters, due to decreases in structural-steel frames and bridges, etc. Shipments also decreased by 3.5% (id.), down for the first time in two quarters.
2) Production of metal products of building decreased by 3.0% (id.), down for the first time in two quarters, due to decreases in aluminum sashes for wooden houses and aluminum sashes for buildings, etc. Shipments decreased by 2.1% (id.), down for the first time in two quarters. Inventory decreased by 6.6% compared to the end of the previous quarter, down for the third consecutive quarter.
3) Production of equipment for heating and kitchens decreased by 2.1% compared to the previous quarter, down for the third consecutive quarter, due to decreases in bath tub gas water heaters and instantaneous type gas water heaters. Shipments decreased by 4.5% (id.), down for the second consecutive quarter, due to decreases in instantaneous type gas water heaters and bath tub gas water heaters. Inventory increased by 7.7% compared to the end of the previous quarter, up for the second consecutive quarter.
4) Production of other metal products increased by 0.2% compared to the previous quarter, up for the second consecutive quarter, due to increases in cemented carbide tips and aluminum cans for beverages, etc. Shipments decreased by 1.4% (id.), down for the first time in two quarters, due to decreases in food cans and aluminum cans for beverages, etc. Inventory increased by 2.0% compared to the end of the previous quarter, up for the first time in four quarters.

D. General machinery industry
– Both production and shipments decreased for the first time in two quarters, due to decreases in special industrial machinery and metal cutting machinery, etc. –
  □ Production decreased by 3.1% compared to the previous quarter, down for the first time in
two quarters, due to decreases in special industrial machinery, metal cutting machinery, conveying machinery, boilers and power units, and engineering and construction machinery, etc. Shipments also decreased by 2.6% (id.), down for the first time in two quarters. Inventory increased by 2.9% compared to the end of the previous quarter, up for the fifth consecutive quarter. Inventory ratio decreased by 0.9% compared to the previous quarter, down for the first time in three quarters.

Sub-classification by kind of industry

1) Production of special industrial machinery decreased by 4.2% (id.), down for the fourth consecutive quarter. Flat-panel display manufacturing equipment decreased for the first time in two quarters, due to decreases in exports mainly to Korea and Taiwan and in demand for domestic use. However, the production level of flat-panel display manufacturing equipment remained high, due to a steady demand for panels for slim-type TVs and personal computers. Injection molding machinery decreased for the first time in four quarters, due to decreased orders of large machines for domestic use. Food products machinery decreased for the third consecutive quarter, due to a decrease in demand for brewing machinery and milk processing machinery, etc. In contrast, printing machinery increased for the second consecutive quarter, due to orders of large printing machines for a domestic newspaper company. Semiconductor products machinery also increased for the first time in two quarters.

2) Production of metal cutting machinery decreased by 10.4% (id.), down for the first time in two quarters. Special purpose machinery decreased for the first time in four quarters, as demand for large machines for domestic use and exports mainly for those related to automobiles concentrated in the previous quarter. Grinding machinery decreased for the first time in two quarters, due to decreases in demand for domestic parts manufacturing industry, etc. Numerically controlled electrical discharge machines also decreased for the third consecutive quarter. In contrast, numerically controlled lathes increased for the eighth consecutive quarter, due to favorable conditions both in domestic use and exports for businesses related to automobiles and molds and dies. Machining centers also increased for the second consecutive quarter.

3) Production of conveying machinery decreased by 15.9% (id.), down for the first time in three quarters. Cranes decreased for the first time in two quarters, due to a backlash against orders received in the previous quarter for large-scale business for the domestic shipbuilding industry along with for foreign port facilities. Elevators decreased for the second consecutive quarter, due to decrease both in domestic and foreign demands. In contrast, conveyors increased for the first time in two quarters, due to increases in demand for domestic automobile companies, newspaper companies, and distribution companies.

4) Production of boilers and power units decreased by 4.6% (id.), down for the first time in six quarters. Water tube boilers decreased for the first time in two quarters, due to decreases in demand for domestic independent power producers and in exports to Asia, etc. Parts and accessories of steam turbines decreased for the first time in four quarters, due to a decrease in demand for periodical repairs for domestic power companies. Parts and accessories of boilers decreased for the first time in three quarters, due to a decrease in exports to Asia. In contrast, steam turbines for general use increased for the first time in
two quarters, due to receiving orders from a foreign petrochemical company.

5) Production of **engineering and construction machinery** decreased by 2.9% (id.), down for the first time in two quarters. Shovel type excavators decreased for the first time in two quarters, due to a decrease in exports of small products mainly to the United States and Europe. Earth finishing machinery decreased for the first time in four quarters, as production of small products concentrated in the previous quarter. In contrast, bulldozers increased for the second consecutive quarter, maintaining favorable conditions mainly in exports. Construction cranes also increased, up for the seventh consecutive quarter.

6) Production of **metal forming machinery** increased by 25.5% (id.), up for the first time in three quarters. Mechanical presses increased for the first time in three quarters, due to favorable demands for domestic use and exports to the United States and China, etc. mainly for automobiles.

7) Production of **industrial robots** increased by 4.8% (id.), up for the third consecutive quarter. Numerically controlled robots increased for the first time in four quarters, due to increases in demand for domestic use and exports to Asia, mainly for electronic packaging such as digital appliances and personal computers. In contrast, playback robots decreased for the first time in five quarters.

E. Electrical machinery industry

- Production increased for the second consecutive quarter, due to increases in lithium ion storage batteries, etc. -

- Production increased by 2.3% compared to the previous quarter, up for the second consecutive quarter, due to increases in lithium ion storage batteries, semiconductor characteristic measuring equipments, and electric test and measuring equipments, etc. Shipments increased by 1.0% (id.), up for the second consecutive quarter, due to increases in batteries, electric measuring instruments, and electrical stationary machinery, in spite of decreases in household electrical machinery, associated electronic equipment, and wiring devices and luminaries, etc. Inventory decreased by 0.7% compared to the end of the previous quarter, down for the first time in three quarters. Inventory ratio increased by 1.3% compared to the previous quarter, up for the third consecutive quarter.

- Sub-classification by kind of industry

1) In spite of decreases in lead acid storage batteries, etc., production of **batteries** increased by 5.7% (id.), up for the fourth consecutive quarter, due to increases in lithium ion storage batteries for cellular telephones and personal computers; and in alkaline manganese dioxide batteries, with an increasing demand backed by consumers’ growing awareness of disaster prevention.

2) Production of **electrical stationary machinery** increased by 6.1% (id.), up for the second consecutive quarter, due to increases in all goods such as power conversion equipment and power distribution transformers, etc.

3) In spite of a decrease in process measuring and control instruments for industry, production of **electrical measuring instruments** increased by 2.3% (id.), up for the second consecutive quarter, due to increases in semiconductor characteristic measuring equipments for overseas, and in electric test and measuring equipments with increases in
radio communication measuring instruments, transmission characteristics measuring instruments, and waveform measuring instruments, etc.

4) Production of **household electrical machinery** decreased by 3.8% (id.), down for the first time in two quarters, due to decreases in washing machines caused by partial production shift to overseas and in separate type air conditioners and microwave ovens as a backlash against the previous quarter.

F. Information and communication electronics equipment industry

- **Production increased for the first time in two quarters, due to increases in external storage and personal computers, etc.** –

  ▶ Production increased by 5.1% compared to the previous quarter, up for the first time in two quarters, due to increases in all industries, such as electronic computers, communication equipment, and household electronic machinery. Shipments also increased by 4.9% (id.), up for the fifth consecutive quarter. Inventory decreased by 1.9% compared to the end of the previous quarter, down for the first time in three quarters. The inventory ratio decreased by 2.9% compared to the previous quarter, down for the first time in three quarters.

  ▶ Sub-classification by kind of industry

1) In spite of a decrease in general purpose computers, production of **electronic computers** increased by 6.6% (id.), up for the first time in two quarters, due to increases in external storage, with an increase in disk array equipments for domestic corporations, etc.; personal computers, with favorable demand for new autumn-winter models; mid range computers, with increasing demand from domestic corporations, etc.

2) Although there were decreases in cellular telephones, etc., production of **communication equipment** increased by 1.3% (id.), up for the first time in two quarters, due to increases in basic exchange for mobile customer premises equipments, with increasing capital investment in base stations for PHS and cellular telephones; personal handy phone system, with expanding demand caused by introduction of new voice services; electric switching systems, with increasing orders received from telecommunications businesses and mobile telecommunications businesses.

3) In spite of decreases in digital cameras, etc., production of **household electronic machinery** increased by 0.9% (id.), up for the first time in two quarters, due to increases in video cameras, with an increase in recording media products such as DVDs; car navigation systems, with a steady demand from automobile companies; liquid crystal televisions, with an introduction of new products.

G. Electronic parts and devices industry

- **Production increased for the first time in two quarters, due to increases in active matrix LCD (middle and small) and memories, etc.** –

  ▶ Production increased by 8.5% compared to the previous quarter, up for the first time in two quarters, due to increases in all industries such as electronic parts, integrated circuits, semiconductor parts, and semiconductor devices. Shipments increased by 11.5% (id.), up for the first time in two quarters, due to increases in all industries such as electronic parts and integrated circuits, etc. In spite of an increase in integrated circuits, inventory decreased by
2.0% compared to the end of the previous quarter, down for the first time in two quarters, due
to decreases in electronic parts and semiconductor devices. The inventory ratio decreased by
4.0% compared to the previous quarter, down for the first time in three quarters.

Sub-classification by kind of industry
1) Although there were decreases in magnetic tapes, etc., production of **electronic parts**
increased by 12.6% (id.), up for the third consecutive quarter, due to increases in active
matrix LCDs (middle and small) for cellular telephones, etc.; fixed capacitors, with an
increasing number to be loaded on highly functional electronics; high-capacity small
ceramic capacitors.

2) In spite of decreases in metal oxide semiconductor ICs (micro computer) and metal oxide
semiconductor ICs (CCD), production of **integrated circuits** increased by 5.8% (id.), up
for the first time in two quarters, due to increases in metal oxide semiconductor ICs
(memory), and metal oxide semiconductor ICs (logic ICs), etc. for cellular telephones.

**H. Transport equipment industry**
- **Both production and shipments decreased due to decreases in trucks and passenger cars, etc.** -

Sub-classification by kind of industry
1) Production of **passenger cars** decreased by 3.0% (id.), down for the first time in three
quarters. By goods, large passenger cars decreased by 3.3% (id.), down for the first time in
three quarters, due to decreases both in exports to the U.S. and ASEAN and in domestic
use with diminishing effects of new models. In spite of an increase in exports to Europe
and the U.S., small passenger cars decreased by 0.7%, down for the second consecutive
quarter, due to a decrease in domestic use. Minivans decreased by 1.5% (id.), down for the
first time in four quarters, due to a decrease in domestic use.

2) Production of **trucks** decreased by 17.5% (id.), down for the first time in two quarters. By
goods, large trucks decreased by 21.4% (id.), down for the first time in two quarters, due
to a decrease in exports to Middle East, Europe and the U.S. Mini trucks decreased by
17.3% (id.), down for the first time in four quarters, due to a decrease in domestic use.
Small trucks also decreased by 6.3%, down for the first time in two quarters, due to a
decrease in exports to ASEAN and Middle East.

3) Production of **motor vehicle parts** decreased by 0.7% (id.), down for the first time in three
quarters, due to decreases in drive, transmission and control parts, suspension and brake
parts, and automobile air conditioners, etc.

4) Production of **motorcycles** increased by 5.8% (id.), up for the fifth consecutive quarter.
Motorcycles (more than 125ml) increased by 12.2% (id.), up for the fifth consecutive
quarter, due to increases both in domestic use and in exports mainly to Europe. In contrast,
in spite of an increase in exports to the U.S. and China, motorcycles (less than 125ml) decreased by 10.6%, down for the first time in four quarters, 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 1.45 million (an increase of 0.1% (id.)), up for the second consecutive quarter. Inside of this, passenger cars decreased by 1.17 million, a decrease of 0.7% (id.), down for the first time in two quarters. Trucks increased by 0.27 million, an increase of 3.1% (id.), up for the second consecutive quarter. Buses also increased by five thousand, an increase of 6.7% (id.), up for the first time in six quarters.

I. Precision instruments industry

- Production decreased for the first time in two quarters, due to decreases in interchangeable lenses for cameras, etc. –

- In spite of an increase in watches and clocks, production decreased by 4.7% compared to the previous quarter, down for the first time in two quarters, due to decreases in measuring machines and instruments, and optical apparatus and parts. In spite of an increase in watch and clocks, shipments decreased by 4.5% (id.), down for the second consecutive quarter, due to decreases in measuring machines and instruments, and optical apparatus and parts. Inventory decreased by 4.2% compared to the end of the previous quarter, down for the first time in two quarters. The inventory ratio increased by 5.9% compared to the previous quarter, up for the first time in four quarters.

- Sub-classification by kind of industry

1) In spite of an increase in gas-meters, production of measuring machine and instruments decreased by 4.5% compared to the previous quarter, down for the first time in two quarters, due to decreases in analytical instruments, testing machines, measuring instruments and controllers for industry, etc. Shipments decreased by 6.2% (id.), down for the first time in four quarters. Inventory increased by 2.9% compared to the end of the previous quarter, up for the first time in three quarters.

2) In spite of an increase in 35mm cameras due to a last-minute demand for certain products, etc., production of optical apparatus and parts decreased by 12.3% compared to the previous quarter, down for the first time in two quarters, due to a decrease in interchangeable lenses for cameras as a backlash against a release of new models designed for single-lens reflex digital cameras in the previous quarter. Shipments decreased by 8.8% (id.), down for the second consecutive quarter. Inventory decreased by 10.8% compared to the end of the previous quarter, down for the ninth consecutive quarter.

3) Production of watches and clocks increased by 1.1% compared to the previous quarter, up for the third consecutive quarter, due to increases in all goods such as battery driven type clocks, battery driven type watches (movements) and battery driven type watches (complete). Shipments also increased by 5.2% (id.), up for the third consecutive quarter. Inventory decreased by 14.6% compared to the end of the previous quarter, down for the first time in three quarters.
J. Ceramics, stones and clay products industry

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

□ Production decreased by 1.7% compared to the previous quarter, down for the second consecutive quarter, due to decreases in all industries. Glass and glass products decreased due to a significant decrease in glass products because major makers stopped producing glass for cathode-lay tubes (CRT), and cement and cement products also decreased due to a decrease in centrifugal reinforced-concrete piles owing to decreasing construction starts for private nonresidential buildings. Shipments decreased by 3.2% (id.), down for the first time in two quarters, due to decreases in all industries such as cement and cement products, and glass and glass products. In spite of decreases in glass and glass products, and ceramic wares and fine ceramics, inventory increased by 0.9% compared to the end of the previous quarter, up for the first time in two quarters, due to increases in cement and cement products, and other ceramics, clay and stone products.

□ Sub-classification by kind of industry

1) Production of glass and glass products decreased by 4.3% compared to the previous quarter, down for the second consecutive quarter, due to decreases both in glass and glass products. Glass decreased due to a decrease in glass fiber wool products, which are used as heat shield material for houses, owing to decreasing construction starts for detached buildings. Glass products also decreased because exports of glass for cathode-lay tubes (CRT) decreased and major makers stopped production or decided to withdraw.

2) Although cement remained flat, production of cement and cement products decreased by 0.3% (id.), down for the first time in three quarters, as cement products decreased due to decreases in centrifugal reinforced-concrete piles and autoclaved light weight concrete products owing to decreasing construction starts for private nonresidential buildings, and as a backlash against an increase in public demand for restoration work after typhoon disasters in the previous quarter.

3) Production of ceramic wares and fine ceramics decreased by 2.5% (id.), down for the fourth consecutive quarter, including a leveling-off period, because ceramic wares decreased due to decreases in all goods such as electrical porcelain insulators and tiles and fine ceramics for structural use also decreased.

4) In spite of increases in abrasive products and gypsum board, production of other ceramics, clay and stone products decreased by 1.9% (id.), down for the first time in four quarters, due to decreases in refractory brick, monolithic refractories, quick lime, etc.

K. Chemicals (excl. Drugs) industry

– Production increased for the first time in two quarters. –

□ Production increased by 1.0% compared to the previous quarter, up for the first time in two quarters, due to increases in cosmetics, soap, synthetic detergent and surface-active agents, synthetic rubbers, etc. Shipments decreased by 1.7% (id.), down for the first time in three quarters, due to decreases in cosmetics, plastic (materials), cyclic chemicals and synthetic dyes, and fertilizers, etc. Inventory increased by 4.4% compared to the end of the previous quarter.
quarter, up for the first time in two quarters, due to increases in cosmetics, plastic (materials), cyclic chemicals and synthetic dyes, and synthetic rubbers, etc.

Sub-classification by kind of industry

1) Production of cosmetics increased by 6.7% compared to the previous quarter, up for the first time in two quarters, due to increases in skin cream products such as cleansing cream, other skin cream, and emulsion, etc., and in makeup products such as foundation, lip salve, and face-powder, etc.

2) Production of soap, synthetic detergent and surface-active agents increased by 6.0% (id.), up for the first time in two quarters, due to increases in synthetic detergent such as laundry liquid detergent, and in fabric softener, body cleaner, and non-ionic surface-active agents, etc.

3) Production of synthetic rubbers increased by 2.2% (id.), up for the first time in two quarters, because periodical repairs completed in several enterprises.

L. Petroleum and coal products industry

Production increased for the second consecutive quarter, due to increases in naphtha and gas oil, etc.

In spite of decreases in heavy fuel oil A and coke, production increased by 1.5% compared to the previous quarter, up for the second consecutive quarter, due to increases in naphtha, gas oil, and gasoline, etc. In spite of decreases in heavy fuel oil A and naphtha, etc., shipments increased by 0.3% (id.), up for the third consecutive quarter, due to increases in heavy fuel oil B and C, gas oil, gasoline, and kerosene, etc. In spite of decreases in naphtha, etc., inventory increased by 1.7% compared to the end of the previous quarter, up for the second consecutive quarter, due to increases in gas oil, kerosene, gasoline, and coke, etc. The inventory ratio increased by 1.2% compared to the previous quarter, up for the first time in three quarters.

Trends in major items

1) Production of gasoline increased by 0.5% compared to the previous quarter, up for the first time in three quarters. Shipments increased by 0.2% (id.), up for the first time in two quarters, because the temperature was higher than usual. Inventory also increased by 2.6% compared to the end of the previous quarter, up for the first time in three quarters.

2) Production of naphtha increased by 6.4% compared to the previous quarter, up for the second consecutive quarter. Shipments decreased by 1.6% (id.), down for the first time in three quarters. Inventory decreased by 23.7% compared to the end of the previous quarter, down for the first time in three quarters.

3) Production of kerosene increased by 2.4% compared to the previous quarter, and shipment increased by 0.7% (id.), both up for the third consecutive quarter. Inventory increased by 3.3% compared to the end of the previous quarter, up for the first time in three quarters, partly because shipments were inactive due to moderate weather in September in the northern part of Japan.

4) Production of gas oil increased by 5.0% compared to the previous quarter, up for the second consecutive quarter. Shipments increased by 1.7% (id.), up for the third consecutive quarter, due to an increase in exports. Inventory also increased by 41.1%
compared to the end of the previous quarter, up for the second consecutive quarter.

5) Production and shipments of **heavy fuel oil B and C** increased by 0.1% and by 4.0% respectively, compared to the previous quarter, both up for the second consecutive quarter, due to increasing demand for exports and electric power. Inventory increased by 4.7% compared to the end of the previous quarter, up for the second consecutive quarter.

6) Production of **coal products (coke)** decreased by 1.1% compared to the previous quarter, down for the second consecutive quarter. Shipments decreased by 3.6% (id.), down for the seventh consecutive quarter, due to a decrease in exports. Inventory increased by 28.9% compared to the end of the previous quarter, up for the third consecutive quarter.

M. Plastic products industry

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

- In spite of increases in manufacturing material-related production and construction material-related production, production decreased by 0.3% compared to the previous quarter, down for the first time in two quarters, due to a decrease in consumption material-related production. Although manufacturing material-related production and construction material-related production increased, shipments decreased by 0.7% (id.), down for the first time in two quarters, due to a decrease in consumption material-related production. Inventory increased by 2.4% compared to the end of the previous quarter, up for the third consecutive quarter, due to increases in all of manufacturing material-related production, consumption material-related production, and construction material-related production.

- Production by use

  1) In **manufacturing material-related items**, plastic containers blow-molding increased by 5.1% compared to the previous quarter, up for the second consecutive quarter, due to favorable demand mainly for PET bottles for drinks. Plastic products for machine tools and parts increased by 0.7%, up for first time in two quarters, due to increases in parts for transport machinery and for telecommunications, etc. Plastic containers (excl. blow-molding) also increased by 3.1% (id.), up for the fourth consecutive quarter, due to an increase in pallet for transport.

  2) In **consumption material-related items**, plastic film and plastic sheets decreased by 2.3%, down for the second consecutive quarter, due to decreases in films for wrapping and hard films for food containers. Plastic formed products decreased by 1.3% compared to the previous quarter, down for the first time in two quarters, due to decreases in styrene paper for food, etc. Plastic products for daily necessaries and miscellaneous goods decreased by 1.5% (id.), down for the first time in two quarters, due to decreases in storage goods and gardening goods.

  3) In **construction material-related items**, plastic reinforced products increased by 3.6% compared to the previous quarter, up for the third consecutive quarter, due to increases in bathtubs, etc. Plastic plates increased by 0.5% (id.), up for the first time in three quarters, due to increases in flat plates for sound insulation plate and roof plate. Plastic material for building increased by 0.1% (id.), up for the first time in three quarters, due to increases in floor materials, and rain gutters and accessories.
N. Pulp, paper and paper products industry
- Production increased for the first time in two quarters, while shipments remained flat. –
  □ Although paper products remained flat, production increased by 0.8% compared to the
  previous quarter, up for the first time in two quarters, due to increases in paper, pulp, and
  paperboard. Shipments remained flat at 0.0% (id.), because paperboard and converted and
  processed paper increased and pulp and paper decreased. In spite of decreases in pulp and
  converted and processed paper, inventory increased by 2.6% compared to the end of the
  previous quarter, up for the fifth consecutive quarter, due to increases in paper and
  paperboard.
□ Sub-classification by kind of industry
  1) Production of paper increased by 0.9% compared to the previous quarter, due to increases
     in communication paper, coated printing paper, newsprint paper in rolls, wrapping and
     packing paper, and household and sanitary paper. Shipments decreased by 0.1% (id.), down
     for the first time in three quarters, due to decreases in uncoated printing paper, household
     and sanitary paper, and wrapping and packing paper. Inventory increased by 4.2%
     compared to the end of the previous quarter, up for the fifth consecutive quarter.
  2) Production and shipments of paperboard increased by 0.3% and by 0.5%, respectively,
     compared to the previous quarter, both up for the first time in two quarters, due to an
     increase in paperboards for paper container. Inventory increased by 0.3% compared to the
     end of the previous quarter, up for the second consecutive quarter.
  3) Production of converted and processed paper (corrugated cardboard sheets) remained
     flat at 0.0%, compared to the previous quarter. Shipments increased by 0.2% (id.), up for
     the first time in two quarters.

O. Textiles industry
- There were continuous decreases mainly in clothes and woven fabrics. –
□ Production decreased by 1.1% compared to the previous quarter, down for the 34th
  consecutive quarter, due to decreases in woven fabrics, man-made fibers, and other textile
  products, etc., as a result of stagnant demand. Shipments also decreased by 2.2% (id.), down
  for the 34th consecutive quarter. Inventory decreased by 0.1% compared to the end of the
  previous quarter, down for the seventh consecutive quarter, due to decreases in woven fabrics,
  and dyeing and finishing, etc.
□ Sub-classification by kind of industry
  1) Production of chemical fibers decreased by 1.8% compared to the previous quarter, due to
     decreases both in synthetic fibers (filament) and synthetic fibers (staple). Shipments
     decreased by 1.4% (id.), due to a decrease in synthetic fibers (staple). Inventory also
     decreased by 0.4% compared to the end of the previous quarter, due to a decrease in
     synthetic fibers (filament).
  2) Production of spun yarn decreased by 3.9% compared to the previous quarter, due to
     decreases in all goods, such as synthetic fiber yarn, woolen yarn, and cotton yarn.
     Shipments also decreased by 5.4% (id.), due to decreases in all goods, such as synthetic
     fiber yarn, woolen yarn, and cotton yarn. Inventory increased by 0.2% compared to the end
     of the previous quarter, due to an increase in cotton yarn.
3) Production of woven fabrics decreased by 2.0% compared to the previous quarter, due to decreases in woolen fabrics, synthetic fiber fabrics (filament), and synthetic fibers (staple), etc. Shipments decreased by 0.9% (id.), due to decreases in cotton fabrics, silk and spun silk fabrics, and woolen fabrics, etc. Inventory decreased by 2.5% compared to the end of the previous quarter, down for the 17th consecutive quarter, due to decreases in cotton fabrics and woolen fabrics, etc.

4) In spite of increases in knitted fabrics outer wears and hosiery, production of clothes remained flat at 0.0% compared to the previous quarter, due to decreases in woven fabrics outer wears, and under wears. Shipments decreased by 6.3% (id.) due to decreases in all goods, such as hosiery and under wears and especially woven fabrics outer wears and knitted fabrics outer wears. Inventory increased by 0.7% compared to the end of the previous quarter, due to increases in hosiery and under wears.
(2) Trends in tertiary industries

A. Commerce

The total sales amount for the wholesale industry was 105.9490 trillion yen. Total sales increased by 2.5% compared to the same quarter of the previous year, up for the eighth consecutive quarter. This was because the machinery and equipment wholesale industry increased, due to favorable domestic demand for equipment-related goods for the manufacturing industry, along with favorable exports of power units, metal forming machinery, and machinery for construction and mines, etc., although the apparel, apparel accessories and notions wholesale industry, etc. decreased.

The total sales amount for large wholesaler was 28.8229 trillion yen. Total sales increased by 3.6% (id.), up for the sixth consecutive quarter.

The total sales amount for the retail industry was 31.6150 trillion yen. Total sales increased by 0.8% (id.), up for the third consecutive quarter, due to an increase in the fuel retail sale industry, resulting from the price increase of petroleum products on the rise in prices of crude oil, although the foods and beverages retail sale industry decreased.

The total sales amount for large retailers was 5.1435 trillion yen, decreasing by 0.8% (id.), down for the tenth consecutive quarter, due to sluggish demand from corporations and declining market price of fresh food, in spite of the effects of sales and “coolbiz”, the movement to encourage light attire in the summertime.

The total sales amount and service sales amount for convenience stores was 1.9654 trillion yen, increasing by 1.4% (id.), up for the eighth consecutive quarter.

B. Specific service industries

Business services

The contract amount for commodity leases (based on acceptance inspection) increased by 3.7% compared to the same quarter of the previous year, up for the fifth consecutive quarter, and the purchase amount for delivery items also increased by 1.1% (id.).

The total sales amount for the rental industry increased by 1.8% (id.), up for the second consecutive quarter.

The total sales amount for the information service industry increased by 3.3% (id.), up for the fourth consecutive quarter, including a leveling-off period.

The total sales amount for advertising increased by 1.5% (id.), up for the eighth consecutive quarter.

The total amount handled by the credit card service increased by 10.3% (id.). By type of business, sales credit business increased by 12.7% (id.), and consumer credit business also increased by 1.8% (id.).

The total amount of orders received in engineering services increased by 21.1% (id.). The breakdown shows that domestic demand decreased by 6.7% (id.), while foreign demand increased significantly by 118.7% (id.).

Personal services

In the leisure and amusement services, pachinko parlors increased for the 16th consecutive quarter, and golf practice ranges increased for the second consecutive quarter. In contrast, golf courses decreased for the 12th consecutive quarter, bowling alleys decreased for the
ninth consecutive quarter, movie theaters decreased for the third consecutive quarter, and amusement parks and theme parks, theaters, performances, companies promoting professional sports and performances decreased for the second consecutive quarter.

In the culture and lifestyle services, fitness clubs increased for the 17th consecutive quarter, funeral services increased for the sixth consecutive quarter. Cram schools increased for the third consecutive quarter since the survey started. Culture centers increased for the first time in five quarters. In contrast, wedding ceremony halls decreased for the seventh consecutive quarter, and foreign language conversation classes decreased for the first time in four quarters.