2. Supply trend and final demand

(1) Summary of supply trend for final demand

- Supply trend for the quarter of 2006

The outline of the supply trend for final demand for the second quarter of 2006 was as follows:

Overall industrial supply for consumption increased by 0.3% compared to the previous quarters, up for the third consecutive quarter, due to an increase in personal consumption by 0.4% (id.), up for the third consecutive quarter, in spite of a decrease in government consumption by 0.3% (id.), down for the first time in two quarters.

Overall industrial supply for investment increased by 1.8% (id.), up for the first time in two quarters, due to an increase in private corporation facilities by 4.6% (id.), up for the first time in two quarters, in spite of decreases in public investment by 6.6% (id.), down for the first time in two quarters and in private housing by 2.6% (id.), down for the first time in five quarters.

Exports increased by 1.4% (id.), up for the fifth consecutive quarter, and imports also increased by 2.5% (id.), up for the sixth consecutive quarter.

IT-related consumption increased by 0.7% (id.), up for the first time in two quarters, and IT-related investment increased by 3.4% (id.), up for the first time in three quarters.

<table>
<thead>
<tr>
<th>Changes in the Indices of All Industries (Final demand components)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Total of final demand sector</td>
</tr>
<tr>
<td>Mining and manufacturing (Goods)</td>
</tr>
<tr>
<td>Tertiary industries (Services)</td>
</tr>
<tr>
<td>Consumption</td>
</tr>
<tr>
<td>Personal consumption</td>
</tr>
<tr>
<td>Mining and manufacturing (Goods)</td>
</tr>
<tr>
<td>Tertiary industries (Services)</td>
</tr>
<tr>
<td>(Special) IT-related</td>
</tr>
<tr>
<td>Government consumption</td>
</tr>
<tr>
<td>Investment</td>
</tr>
<tr>
<td>Public investment</td>
</tr>
<tr>
<td>Private housing</td>
</tr>
<tr>
<td>Private corporation facilities</td>
</tr>
<tr>
<td>Mining and manufacturing (Goods)</td>
</tr>
<tr>
<td>Construction</td>
</tr>
<tr>
<td>Tertiary industries (Services)</td>
</tr>
<tr>
<td>(Special) IT-related</td>
</tr>
<tr>
<td>Exports</td>
</tr>
<tr>
<td>Mining and manufacturing (Goods)</td>
</tr>
<tr>
<td>Tertiary industries (Services)</td>
</tr>
<tr>
<td>Imports</td>
</tr>
<tr>
<td>Mining and manufacturing (Goods)</td>
</tr>
<tr>
<td>Tertiary industries (Services)</td>
</tr>
</tbody>
</table>

Notes: 1. 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’” of the main text.

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

3. 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).
② Trend of IT-related consumption and investment

IT-related personal consumption for the second quarter of 2006 increased by 0.7% compared to the previous quarter, up for the first time in two quarters. Non-IT-related consumption also increased by 0.4% (id.), up for the third consecutive quarter.

Also, IT-related investment for private corporation facilities increased by 3.4% (id.), up for the first time in three quarters, due to increases in mid range computers and so on. Non-IT-related investment increased by 4.6% (id.), up for the first time in two quarters.

### Changes in IT-related Consumption

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

- **Personal consumption**
- **Non-IT-related consumption**
- **IT-related consumption (Right scale)**

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)**

- **Private corporation facilities**
- **IT-related investment**
- **Non-IT-related investment**

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)
Consumption expenditure seen from working hours

The trend of consumption expenditure in household is often explained with related to the trends of incomes, employment and consumer mind, etc. In this text, we will examine the working hours or free time which is obtained by subtracting working hours from a day’s activity time, in relation to consumption expenditure.

The number of regular workers in Japan is 43 million as of the end of 2005, and is on an upward trend as it had bottomed out in 2003. Looking at changes of working hours on workers, though scheduled working hours are on the decline in the longer term, nonscheduled working hours are changing almost in conjunction with upturn and downturn of the economy. Total actual working hours of scheduled and nonscheduled working hours combined is generally on the downside. To be specific, it contracted by 12.1% or 249 hours during these 15 years from 1990 to 2005.

Now we will consider the relation between working hours and purposes for consumption. If working hours decrease and free time increases, increase of time of staying at home, opportunities to go out and expenditures with related to these activities are reminded. In contrast, if working hours increase, increases of needs for services supplying convenience and refreshing myself and expenditure for those purposes are suggestive. Using final consumption expenditure by purpose, therefore, we examined it in terms of relation to total actual working hours and found that while total actual working hours have negative correlation with expenditures for housing/ electricity/ gas/ water supply, health, communication, recreation/ culture, restaurants/ hotels, on the other hand, it has positive correlation with expenditures for clothes and footwear.

Second, looking at changes of real consumption of households excluding imputed rent of privately-owned houses, they were generally on an upward trend during these 15 years from 1990 to 2005. The indices of total real working hours per head were on a down trend. The two has a negative correlation with the correlation coefficient standing at minus 0.912.

Note: In this text, we used figures of establishments having more than five employees and those of only regular employees including part timers from the data in “Monthly Labour Survey”.

![Changes of indices of working hours](chart1)

![Changes of indices of total actual working hours and real consumption of households](chart2)

About the correlation between indices of total actual working hours and real final consumption expenditure of household classified by purpose

<table>
<thead>
<tr>
<th>Domestic final consumption expenditure of households (excluding imputed rent)</th>
<th>Food/ non-alcoholic beverages</th>
<th>Alcoholic beverages/ Tobacco</th>
<th>Clothes/ footwear</th>
<th>Housing/ electricity/ gas/ water supply</th>
<th>Furnishings/ household equipment/ household services</th>
<th>Health</th>
<th>Transport</th>
<th>Communication</th>
<th>Recreation/ culture</th>
<th>Education</th>
<th>Restaurants / hotels</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>▲ 0.623</td>
<td>▲ 0.045</td>
<td>▲ 0.110</td>
<td>0.675</td>
<td>▲ 0.935</td>
<td>▲ 0.167</td>
<td>▲ 0.675</td>
<td>▲ 0.366</td>
<td>▲ 0.789</td>
<td>▲ 0.602</td>
<td>0.107</td>
<td>▲ 0.654</td>
<td>▲ 0.108</td>
</tr>
</tbody>
</table>

In order to know the strength of relations between working hours and consumption expenditure, we conducted a regression analysis using income, total actual working hours, financial assets of households and consumer mind diffusion index (DI) as explaining variance, and real consumption of households as explained variable, and broke down factors of changes compared to the same quarter of the previous year. We numerated variable factors which made the biggest contribution to the increase of real consumption of households and chose such variable factors as to have had contributed more than two quarters in a row. Consequently, we found that increases of free time brought gains of consumer expenditure during each period of the first quarter of 1991 to the first quarter of 1994, from the third quarter of 1997 to the second quarter of 1999 and from the first quarter of 2001 to the third quarter of 2002. Thus, it seems that the increase of free time sustains consumer expenditure during a recessionary phase.

Finally, in order to see changes with regards to the relations between working hours and consumer expenditures, we obtained values of elasticity to total actual working hours (inverse number) of real consumption of households by staggering each of the periods (16 quarters) by a quarter. Although the values of elasticity were high from 1994 to 2003, the values decreased since 2004. It is considered, therefore, the relationships between working hours and consumption expenditures are currently not so much close as before. This may be attributable to the fact that the ratio of workers of short working hours has increased.

Shorter working hours and diversification of working patterns, which have been adopted by some companies, are expected to be further developed in future. We need to pay attention to the effect to consumption of further introduction of the methods.

Breakdown of Factors of Real Consumption of Households (% Change from the Same Quarter of the Previous Year)

Changes of values of elasticity to total actual working hours (inverse number) of real consumption of households

Note: The data of 2006 covers only the first quarter of the year.

④ Effect of increase of demand for housing

New residential construction starts increased to 1.63 million due to the last-minute demand before the rate hike of consumption tax in fiscal 1996. Since then, it was on a down trend because of the backlash of the dashed demand for the tax increase and the sluggish economy up to fiscal 2002. But it has been increasing lately. Annualized number of new housing starts of the second quarter of 2006 was 1.304 million (seasonally adjusted), up by 54 thousand compared to 1.249 million recorded in fiscal 2005.

Looking at the content by utilization purpose of new residential construction starts, increases of house for rent and ready-built house for sale (collective housing) were larger in the most recent year of fiscal 2005.

Reasons for increasing demand for housing are, in addition to improving income environment due to the recovery of economy, willingness to purchase houses seen by children of the baby-boom generation and flow of population to cities, etc.

Changes of new residential construction starts

<table>
<thead>
<tr>
<th>(10 thousand houses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996: 163.0</td>
</tr>
<tr>
<td>1997: 124.9</td>
</tr>
<tr>
<td>1998: 130.4</td>
</tr>
<tr>
<td>1999: 124.9</td>
</tr>
<tr>
<td>2000: 124.9</td>
</tr>
<tr>
<td>2001: 124.9</td>
</tr>
<tr>
<td>2002: 124.9</td>
</tr>
<tr>
<td>2003: 124.9</td>
</tr>
<tr>
<td>2004: 124.9</td>
</tr>
<tr>
<td>2005: 124.9</td>
</tr>
<tr>
<td>2Q/2006: 130.4</td>
</tr>
</tbody>
</table>

Note: Data for the second quarter of 2006 is the average of seasonally adjusted annualized figures
Source: “Building Construction Started” (Ministry of Land, Infrastructure and Transport)
Contribution ratio to new residential construction starts by type of usage

Note: “Others” here are company’s houses, etc.
Source: “Building Construction Started” (Ministry of Land, Infrastructure and Transport)

Population by age group as of October 1, 2004

Source: “Current Population Estimates as of October 1, 2004” (Ministry of Internal Affairs and Communications)
Changes of population transfer to cities (number of net moving-in)

We made a simple estimate on the effect to output of housing investment and purchases of durable goods necessitated by acquisition of housing in case housing demand increased by 100 thousand units using “the Updated Input-Output Tables of 2004” (Ministry of Economy, Trade and Industry). When examining the effect to output of the investment of 100 thousand houses, we first calculated the investment amount of 100 thousand houses utilizing data such as floor area per house in “Building Construction Started” of 2005 (Ministry of Land, Infrastructure and Transport) and construction cost per floor area and obtained induced domestic products and induced gross value added based on the above mentioned Updated Input-Output Tables (50 sectors). About the effect to output of buying durable goods accompanied by the purchase of housing, we calculated the purchasing amount of durable consumer goods for 100 thousand houses from the data of purchased amount of consumer durables including moving cost per household which bought a house as seen in “Survey on Current Status of Users of the Government Housing Loan (Survey of Current Status of Consume for Fiscal 2003)” (The Government Housing Loan Corporation), and using the Updated Input-Output Tables (50 sectors) in the same manner, we preliminarily obtained induced domestic products and induced gross value added.

According to the estimation, the induced domestic products brought by the housing investment of 100 thousand units and the induced gross value added also brought by the said investment were ¥2,528 billion, ¥1,232 billion, respectively. On the other, the induced domestic products generated by purchasing durable consumer goods and the induced gross value added also generated by it were ¥214 billion and ¥106 billion, respectively. Each of the four amounts was assessed in terms of fiscal 2004 base year. The total of both of the gross value added was equal to about 0.3% against the total gross value added of fiscal 2004. Therefore, it is estimated that GDP will be raised by about 0.3% by the increase of demand for housing of additional 100 thousand units.
From the prospect of future housing market seen from the supply side such as contractors of building houses and other reasons, demand for housing is less likely to rapidly contract in the short term. But some say that the current demand for housing is mirroring dashed demand expecting future hikes of interest and land prices. We need to watch future trend of demand for houses including the effects of interest and land prices.

Effect to Output of Increase of Demand for Houses by 100 Thousand Units
Producers’ price, assessment based on 2004 price

1) Investment for housing

<table>
<thead>
<tr>
<th></th>
<th>Amount of demand (Equivalent to 100 thousand houses)</th>
<th>Induced amount of domestic products</th>
<th>Induced amount of gross value added</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Billion yen)</td>
<td>(Billion yen)</td>
<td>(Billion yen)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Composition ratio (%)</td>
<td>Composition ratio (%)</td>
</tr>
<tr>
<td>Total</td>
<td>1,357</td>
<td>2,528</td>
<td>1,232</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0</td>
<td>636</td>
<td>232</td>
</tr>
<tr>
<td></td>
<td></td>
<td>25</td>
<td>19</td>
</tr>
<tr>
<td>Non-manufacturing</td>
<td>1,357</td>
<td>1,891</td>
<td>1,001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>75</td>
<td>81</td>
</tr>
<tr>
<td>Construction</td>
<td>1,357</td>
<td>1,369</td>
<td>681</td>
</tr>
<tr>
<td></td>
<td></td>
<td>54</td>
<td>55</td>
</tr>
<tr>
<td>Services</td>
<td>0</td>
<td>495</td>
<td>311</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20</td>
<td>25</td>
</tr>
</tbody>
</table>

2) Purchase of durable consumer goods brought by acquiring a house

<table>
<thead>
<tr>
<th></th>
<th>Amount of demand (Equivalent to 100 thousand houses)</th>
<th>Induced amount of domestic products</th>
<th>Induced amount of gross value added</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Billion yen)</td>
<td>(Billion yen)</td>
<td>(Billion yen)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Composition ratio (%)</td>
<td>Composition ratio (%)</td>
</tr>
<tr>
<td>Total</td>
<td>129</td>
<td>214</td>
<td>106</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>54</td>
<td>91</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td></td>
<td>42</td>
<td>27</td>
</tr>
<tr>
<td>Non-manufacturing</td>
<td>75</td>
<td>123</td>
<td>78</td>
</tr>
<tr>
<td></td>
<td></td>
<td>58</td>
<td>73</td>
</tr>
<tr>
<td>Construction</td>
<td>12</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Services</td>
<td>62</td>
<td>107</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50</td>
<td>66</td>
</tr>
</tbody>
</table>
Changes of home mortgage interest rates

Note 1: “Flat 35 of the Government Housing Loan Corporation”: Home mortgage products of long-term fixed rate (maximum 35 years) generated from the affiliation with the Government Housing Loan Corporation and private banks. The trend of the average interest rate of financial institutions which sell the product is shown here.

Note 2: “Floating interest rate mortgage loan”: This data was from “Financial and Economic Statistics Monthly” up to July 2006. For August 2006, the most often adopted interest rate among city banks excluding special rates for campaign, etc. was used.

(2) Outline of export and import trends

① Export and import trends for the quarter of 2006

Looking at the trends of exports and imports for the second quarter of 2006 (on a quantity basis), exports as a whole increased by 1.4% compared to the previous quarter, due to increases in exports of received services (the tertiary industry) by 3.9% (id.), and goods (the mining and manufacturing industry) by 0.6% (id.). Imports as a whole increased by 2.5% (id.), due to increases in goods (the mining and manufacturing industry) by 2.6% (id.), and imports of service payment (the tertiary industry) by 4.0% (id.).

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

Changes in Exports by Region (Goods)

Index level (2000=100, Seasonally adjusted)

Changes in Imports by Region (Goods)

Index level (2000=100, Seasonally adjusted)

Note: 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 Industrial Shipments”, “Tables of Total Industrial Supply” (Estimated values)
② On overseas on-sight production of automobiles and export and import

The number of overseas production of automobiles (finished cars) by Japanese auto manufacturers totaled 10.61 million units, exceeding 10 million for the first time in 2005. This number is almost equal to the number of cars made locally. Domestically produced automobiles stood at 10.8 million units in 2005. If we look at this in the fiscal year basis, cars produced in foreign countries (10.93 million units) surpassed the number of cars made in Japan (10.89 million units) for the first time in fiscal 2005. Further, exports of automobiles (finished cars) have been on the increase, thus demand for Japanese cars overseas is very active. The reasons for which demand for Japanese vehicles is strong, we may cite, are trust for quality of cars, good mileage, multiple type of vehicles including low-priced cars and hybrid-cars, etc meeting the needs of the markets.

By region, locally-based production of finished cars is expanding in North America, Asia, Europe and others. It is worth noting that North America still occupies the first place in terms of the number of production, but Asia is rapidly growing and is almost catching up with North America.

Changes of Overseas Production of Automobiles (finished cars) and Domestic Production

Changes of the number of overseas production of automobiles (finished cars) by region

Note: 1. Overseas production only includes cars with Japanese brands in principle.
2. Ratio of overseas production = Overseas production / (Domestic production + overseas production by Japanese manufacturers) x 100

Source: Investigated by Japan Automobile Manufacturers Association, Inc.
Looking at content of sales of overseas affiliates rated as manufacturers of transport equipment including automobiles (finished cars and parts), ratio of local sales to sales of overseas affiliates in North America was very high at 86.0% in fiscal 2003, therefore, it is estimated that the affiliates are production bases targeting the markets of the countries where they are located. Sales ratio in the region to total sales was high at 51.2% in fiscal 2003 in European affiliates, and so the affiliates are considered to be production bases for European market as well as for the country’s market into which they moved. On the other hand, exports to Japan and third countries from Asian affiliates accounted for 15.0% of sales in fiscal 2003, which was high compared to exports to other countries. It is reckoned that affiliates in Asia are playing the role of export bases because locally produced goods in Asia have high price competitive power due to cheap labor cost and so on.

Further, judging from sales by market of overseas affiliates in Asia belonging to transport equipment manufacturers, we assume that overseas affiliates in ASEAN 4 are reinforcing their positions as exports bases for auto parts, etc. targeting Asia as their main markets including other world markets. Also, affiliates in China are beginning to emerge as export bases to Japan.

### Changes of Sales of Overseas Affiliates (transport equipment manufacturers)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: 1. Local sales turnover are sale amount within the country where the overseas affiliate exists. The number of automobiles locally manufactured is based on a calendar year.
2. Due to the revision of Japan Standard Industry Classification, the figures of sales before fiscal 2000 are based on the old classification and after fiscal 2001 on the new classification.
Source: “Basic Survey on Overseas Business Activities”, Investigated by Japan Automobile Manufacturers Association, Inc.

### Sales for each market of overseas affiliates by region (transport equipment manufacturing)

<table>
<thead>
<tr>
<th>Region</th>
<th>FY1998</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: 1. Local sales has been excluded since only sales by exports is considered.
2. ASEAN4 is Malaysia, Thailand, Indonesia and the Philippines. NIEs3 is Singapore, Taiwan and Republic of Korea. China includes Hong Kong in fiscal 1998, but it does not include Hong Kong in fiscal 2003. (The amount of sale of an existing overseas affiliate does not display it in other areas.)
3. Due to the revision of Japan Standard Industry Classification, the figures of fiscal 1998 are based on the old classification while those of fiscal 2005 are based on the new classification.
Source: “Basic Survey on Overseas Business Activities”
In concert with the expansion of overseas production of finished cars, international trade of auto parts is changing also. In particular, amounts of export and import between Asia and Japan are rapidly increasing.

On this occasion, we examined circumstances surrounding technology transfer on manufacturing auto parts to overseas affiliates in Asian countries from Japan. As a result, it is estimated that the technology transfer of A. drive, transmission and control parts, suspension and brake parts and others were comparatively in an initial stage and coping with the advancement of local production, Japan was supplying highly functional parts which was difficult for overseas affiliates to produce there due to technical restraints and that relatively low-priced locally produced parts were reverse imported to Japan. We estimate this is because export quantity and unit price climbed from 1998 to 2005 and export unit price exceeded import unit price both in 1998 and 2005, additionally, import quantity itself increased. It is considered that the technology transfer of B. engine parts, chassis and body parts, etc. has fairly been in progress. Though producing high functional products of engine parts was difficult in the initial stage, but it has become possible now, therefore, it is becoming less necessary to supply high functional goods from Japan. Also, it is estimated that the prices of reverse imported goods rose. The reasons of the estimates are firstly that unit export price significantly shrank and unit import price exceeded unit export price in 2005, secondly, export quantity was increasing but the year-on-year trend was slowing. As for chassis and body parts, it is assumed that the technology transfer of the manufacturing techniques to the countries was rapidly in progress and therefore prices of reverse imported products surged. The reasons are unit import price jumped and it exceeded unit export price in 2005.

Changes of Trade Unit Prices and Quantities of Auto Parts by Item (Asia)

A. Parts to which technology transfer from Japan is relatively in an initial stage

<table>
<thead>
<tr>
<th>Parts to Import</th>
<th>1998</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drive, transm.</td>
<td>5000</td>
<td>7000</td>
</tr>
<tr>
<td>Control parts</td>
<td>8000</td>
<td>10000</td>
</tr>
</tbody>
</table>

B. Parts to which technology transfer from Japan is fairly advanced

<table>
<thead>
<tr>
<th>Parts to Import</th>
<th>1998</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engine parts</td>
<td>2500</td>
<td>5000</td>
</tr>
<tr>
<td>Chassis and body parts</td>
<td>1000</td>
<td>2000</td>
</tr>
</tbody>
</table>

Note: As for HS Code used for automobile parts, see the note at 124 of the main text.
Source: Trade Statistics (Ministry of Finance)
3. Trends by kind of industry

(1) Trend in the manufacturing industry

A. Iron and Steel industry

Production increased for two quarters in a row, and shipments increased for the third consecutive quarter.

1) Production increased by 0.6% compared to the previous quarter, up for the second consecutive quarter, due to increases in metallic coated steel and hot roll steel, etc. Shipments also increased by 1.1% (id.), up for the third consecutive quarter, due to increases in all industries. Inventory decreased by 3.8% compared to the end of the previous quarter, down for the first time in four quarters, due to declines in crude steel and cold finished steel, etc.

2) Sub-classification by industry

i) Production of crude steel decreased by 1.7% compared to the previous quarter, down for the first time in two quarters.
ii) Production of hot roll steel increased by 0.8% (id.), up for the second consecutive quarter.
iii) Production of steel pipes and tubes decreased by 1.6% (id.), down for the first time in two quarters
iv) Production of cold finished steel increased by 0.4% (id.), up for the second consecutive quarter.
v) Production of metallic coated steel increased by 4.2% (id.), up for the first time in four quarters.
vi) Production of steel castings and forgings increased by 0.5% (id.), up for the first time in two quarters.

B. Non-ferrous metals industry

Production increased for the third consecutive quarter, due to increases in all industries.

1) Production increased by 2.3% compared to the previous quarter, up for the third consecutive quarter, due to increases in all industries such as electric wires and cables and non-ferrous metal castings. Shipments also increased by 1.9% (id.), up for the third consecutive quarter, due to increases in electric wires and cables and non-ferrous metal castings. Inventory decreased by 1.8% compared to the end of the previous quarter, down for the second consecutive quarter, due to decreases in refining of non-ferrous metals and electric wires and cables.

2) Sub-classification by kind of industry

i) Production of refining of non-ferrous metals increased by 2.6% compared to the previous quarter, up for the third consecutive quarter, due to increases in electrolytic copper, etc. Shipments decreased by 0.3% (id.), down for the first time in four quarters. Inventory decreased by 3.8% compared to the end of the previous quarter, down for the second consecutive quarter
ii) Production of copper and copper-base alloys and aluminum rolling products increased by 1.0% compared to the previous quarter, up for the third consecutive
quarter, due to an increase in aluminum mill products. Shipments decreased by 0.3% (id.), down for the first time in three quarters. Inventory increased by 3.2% compared to the end of the previous quarter, up for the first time in four quarters.

iii) Production of electric wires and cables increased by 7.2% compared to the previous quarter, up for the fifth consecutive quarter, due to increases in optical fiber core wires, etc. Shipments increased by 6.2% (id.), up for the first time in two quarters. Inventory decreased by 1.7% compared to the end of the previous quarter, down for the first time in two quarters.

iv) Production of non-ferrous metal castings increased by 1.3% compared to the previous quarter, up for the third consecutive quarter, due to an increase of die-casting. Shipments also increased by 1.4%, up for the third consecutive quarter.

C. Fabricated metals industry

Both production and shipment increased for the first time in two quarters.

1) Production increased by 3.2% compared to the previous quarter, up for the first time in two quarters, due to increases in metal products of building, fabricated structural metal products, and other metal products. Shipments also increased by 3.6% (id.), up for the first time in two quarters, due to increases in fabricated structural metal products, metal products of building and equipment for heating and kitchens. Inventory increased by 3.9% compared to the end of the previous quarter, up for the second consecutive quarter, due to increases in other metal products, equipment for heating and kitchens and metal products of building.

2) Sub-classification by kind of industry

i) Production of fabricated structural metal products increased by 7.6% compared to the previous quarter, up for the first time in two quarters, due to increases in steel towers and structural steel frames, etc. Shipments also increased by 13.6% (id.), up for the first time in two quarters.

ii) Production of metal products of building increased by 5.9% (id.), up for the first time in four quarters, due to increases in aluminum exterior and aluminum sashes for buildings, etc. Shipments also increased by 4.4% (id.), up 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 six quarters.

iii) Production of equipment for heating and kitchens decreased by 2.3% compared to the previous quarter, down for the first time in two quarters, due to decreases in oil-burning space heaters, etc. Shipments increased by 2.2% (id.), up for the first time in two quarters. Inventory increased by 3.1% compared to the end of the previous quarter, up for the second consecutive quarter.

iv) Production of other metal products increased by 0.3% compared to the previous quarter, up for the first time in two quarters. Shipments decreased by 1.0% (id.), down for the second consecutive quarter. Inventory increased by 5.5% compared to the end of the previous quarter, up for the first time in two quarters.
D. General machinery industry

Both production and shipments increased for the first time in two quarters, due to increases in special industrial machinery and boilers and power units, etc.

1) Production increased by 6.3% compared to the previous quarter, up for the first time in two quarters, due to increases in special industrial machinery, boilers and power units, metal cutting machinery, metal forming machinery, fans, pumps and oil hydraulic equipment, etc. Shipments increased by 8.5% (id.), up for the first time in two quarters. Inventory increased by 1.2% compared to the end of the previous quarter, up for the first time in two quarters. Inventory ratio decreased by 0.9% compared to the previous quarter, down for the first time in three quarters.

2) Sub-classification by kind of industry

i) Production of special industrial machinery increased by 16.3% compared to the previous quarter, up for the first time in two quarters, due to increases in flat-panel display manufacturing equipment, semiconductor products machinery and injection moulding machinery, in spite of decreases in printing machinery and food-processing machinery, etc.

ii) Production of boilers and power units increased by 17.0% (id.), up for the first time in two quarters, due to increases in steam turbines for general use, parts and accessories of boilers, parts and accessories of steam turbines and internal combustion engines for industry, etc.

iii) Production of metal cutting machinery increased by 12.5%, up for the first time in two quarters, due to increases in machining centers, special purpose machinery and grinding machinery, in spite of decreases in numerically controlled lathes and numerically controlled electrical discharge machines.

iv) Production of metal forming machinery increased by 39.4% compared to the previous quarter, up for the first time in two quarters, due to an increase in mechanical presses, although there were decreases in rolls for the steel industry and hydraulic presses.

v) Production of fans, pumps and oil hydraulic equipment increased by 3.2% compared to the previous quarter, up for the fifth consecutive quarter, due to increases in pneumatic equipment, oil hydraulic equipment and compressors.

vi) Production of molds and dies decreased by 7.3% (id.), down for the first time in three quarters, due to decreases in stamping dies and molds for plastic.

vii) Production of refrigerating machines and appliances decreased by 4.9% (id.), down for the first time in three quarters, due to decreases in refrigerating machines for general refrigeration and air conditioning, refrigerating display cabinet, and packaged type air conditioners, etc.

E. Electrical machinery industry

Production increased for the first time in two quarters, due to increases in switching devices, etc.

1) Production increased by 0.6% compared to the previous quarter, up for the first time in two quarters, due to increases in electrical measuring instruments, switching devices, etc. in spite of decreases in batteries and household electrical machinery, etc. Shipments increased by 0.6% (id.), up for the first time in two quarters, due to increases in switching controlling system and the equipment and electrical measuring instruments, etc., in spite
of decreases in batteries and household electrical machinery. Inventory increased by 6.5% compared to the end of the previous quarter, up for the second straight quarter, due to increases in household electrical machinery and so on in spite of a decrease in batteries. Inventory ratio increased by 0.9% compared to the previous quarter, up for the first time in four quarters.

2) Sub-classification by kind of industry

   i) Production of **electrical measuring instruments** increased by 7.1% compared to the previous quarter, up for the first time in two quarters, due to increases in semiconductor characteristic measuring equipments which was owning to sales increase of memory IC testers to manufacturers of Japan and Taiwan, etc. and electrical test and measuring equipments.

   ii) Production of **switching devices** increased by 2.9% (id.), up for the first time in two quarters, due to switching and controlling equipments which increased for domestic power companies and overseas users, electro magnetic relay and programmable controllers, in spite of a decrease in low voltage circuit breakers.

   iii) Production of **batteries** decreased by 8.2% (id.), down for the first time in two quarters, due to decreases in lithium ion storage batteries whose demand for notebook personal computers for Taiwan and others fell, alkaline manganese dioxide batteries and lithium batteries, etc., in spite of an increase in alkaline storage batteries.

   iv) Production of household **electrical machinery** decreased by 1.5% (id.), down for the second consecutive quarter, due to decreases in separate type air conditioners which declined owning to bad weather, toilet stools with washer/seat heater and refrigerators with freezer, etc. in spite of an increase in vacuum machines.

F. Information and communication electronics equipment industry

   Production decreased for the first time in four quarters, due to decreases in cellular telephones, video cameras, fixed communication equipments, etc.

   1) Production decreased by 0.1% compared to the previous quarter, down for the first time in four quarters, due to a decrease in communication equipment, in spite of an increase of electronic computers. Shipments increased by 1.2% (id.), up for the first time in two quarters, due to an increase of electronic computers, in spite of decreases in communication equipment and household electronic machinery. Inventory increased by 7.0% compared to the end of the previous quarter, up for the second consecutive quarter, due to increases in liquid crystal televisions and car navigation systems, etc. in spite of decreases in video cameras and color televisions. Inventory ratio increased by 5.3% compared to the previous quarter, up for the second consecutive quarter.

   2) Sub-classification by kind of industry

      i) Production of **communication equipment** decreased by 10.2% compared to the previous quarter, down for the first time in four quarters, because cellular telephones, with the ownership rate already high, declined owning to the negative effect of expanded demand for sophisticated third-generation models during the previous quarter, fixed communication equipment suffering from less orders for radio transmission for municipal disaster prevention systems and PHS and so on also decreased, although electric switching systems, etc. increased.
ii) Production of household electronic machinery remained flat at 0.0% compared to the previous quarter, because video cameras suffering from sluggish shipments to domestic and foreign markets, car navigation systems, car stereos, etc. decreased, although digital cameras, etc. increased.

iii) Production of electronic computers increased by 6.5% (id.), up for the first time in three quarters, due to increases in mid range computers which gained owning to the favorable demand for Japan’s mobile communication operators and users of Europe and the U.S., etc., external storage having enjoyed demand for China and the U.S., etc. and general-purpose computers and so on, though such items as terminal equipments decreased.

G. Electronic parts and devices industry

Production decreased for the first time in six quarters, due to decreases in logic Ics and memory, etc.

1) Production decreased by 1.7% compared to the previous quarter, down for the first time in six quarters, due to decreases in integrated circuits, etc., in spite of an increase in electronic parts. Shipments decreased by 1.4% (id.), for the first time in four quarters, due to decreases in electronic parts, etc., in spite of increases in integrated circuits and so on. Inventory increased by 8.0% compared to the end of the previous quarter up for the third consecutive quarter, due to increases in electronic parts and integrated circuits. Inventory ratio increased by 8.8% compared to the previous quarter, up for the second consecutive quarter.

2) Sub-classification by kind of industry

i) In spite of an increase in linear integrated circuits, etc., production of integrated circuits decreased by 3.4% (id.), down for the first time in four quarters, due to decreases in including metal oxide semiconductor IC (memory) which declined for cellular phones, metal oxide semiconductor IC (logic Ics) which shrunk owning to the backlash of the increase for game machines and cellular telephones and others registered in the last quarter and metal oxide semiconductor IC (charge coupled devices) which declined for cellular phones and others.

ii) Production of electronic parts increased by 0.6% (id.), up for the sixth consecutive quarter, due to increases in fixed capacitors for personal computers and cellular phones, etc., additionally, electronic circuit boards, and connectors, etc., though there were decreases in active matrix LCD (large) and others.

H. Transport equipment industry

Both production and shipments increased for the third consecutive quarter, due to an increase in passenger cars, etc.

1) Production increased by 3.7% compared to the previous quarter, up for the third consecutive quarter, due to increases in passenger cars, ships and ships engines, railway vehicles, motorcycles and trucks, etc. Shipments also increased by 2.9% (id.), up for the third consecutive quarter. Inventory decreased by 12.4% compared to the end of the previous quarter, down for the first time in four quarters. Inventory ratio decreased by 8.1% compared to the previous quarter, down for the first time in six quarters.
2) Sub-classification by kind of industry

   i) Production of passenger cars increased by 3.2% compared to the previous quarter, up for the third consecutive quarter. By goods, large passenger cars increased by 3.6% (id.), up for the third consecutive quarter due to an increase in domestic use in addition to an increase for exports to Europe and the U.S. Midget passenger cars increased by 6.4%, up for the second consecutive quarter, due to domestic market’s shift to high-mileage midget passenger cars and introduction of new models in this category of the car market. In contrast, small passenger cars decreased by 1.4% (id.), down for the first time in three quarters, due to a decrease for the Japanese market in spite of increases for the U.S. and Middle East.

   ii) Production of trucks increased by 3.5% (id.), up for the first time in two quarters. By goods, large trucks increased by 4.4% (id.), up for the first time in two quarters, due to an increase for domestic market although it decreased for Europe and the U.S. Midget trucks increased by 10.2% (id.), up for the first time in two quarters, due to an increase for domestic users. In contrast, small trucks decreased by 0.1% (id.), down for the second consecutive quarter, due to a decrease for Europe in spite of an increase for domestic market.

   iii) In spite of increases in suspension and brake parts and chassis and body parts, etc., production of motor vehicle parts decreased by 0.2% (id.), down for the first time in six quarters, due to decreases in engine parts and drive, transmission and control parts. However, it still remained high.

   iv) Production of motorcycles increased by 18.8% (id.), up for the first time in three quarters, due to an increase of motorcycles (more than 125 ml), in spite of a decrease of motorcycles (less than 125ml).

3) 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 1.31 million (a decrease of 3.1% (id.)), down for the first time in two quarters. Out of this, passenger cars increased by 1.04 million, a decrease of 4.6% (id.), down for the first time in two quarters. Trucks increased by 0.26 million, an increase of 3.4% (id.), up for the fifth consecutive quarter. Busses increased by four thousand, a decrease of 1.2% (id.), down for the first time in four quarters.

I. Precision instruments industry

Production increased for the first time in two quarters, due to increases in interchangeable lenses for cameras and testing machines, etc.

1) Production increased by 1.6% compared to the previous quarter, up for the first time in two quarters, due to increases in all industries such as optical apparatus and parts, measuring machines and instruments, and watches and clocks. Shipments declined by 1.2% (id.), for the first time in three quarters. Inventory decreased by 3.8% compared to the end of the previous quarter, down for the first time in two quarters, due to decreases in all industries including watches and clocks, optical apparatus and parts, and measuring machines and instruments. Inventory ratio decreased by 1.7% compared to the previous quarter.
2) Sub-classification by kind of industry

i) Production of **optical apparatus and parts** increased by 9.3% compared to the previous quarter, up for the first time in two quarters, due to increases in interchangeable lenses exclusively for single-lens reflex type digital cameras for which demand is expanding, etc. and in 35 mm cameras.

ii) In spite of a decrease in measuring instruments etc., production of **measuring machines and instruments** increased by 2.3% (id.), up for the first time in two quarters, due to increases in testing machines where hardness testing machine, etc. increased, analytical instruments where gas analyzer, etc. increased, and precision measuring machines and instruments.

iii) Production of **watches and clocks** increased by 2.7% (id.), up for the first time in three quarters, due to an increase in battery driven type watches (movements) for China and others, in spite of a decrease in battery driven type watches (complete) and others.

J. Ceramics, stone and clay products industry

**Both production and shipments increased for the first time in four quarters**

1) Production increased by 0.8% compared to the previous quarter, up for the first time in four quarters, due to increases in cement and cement products, and other ceramics, stone and clay products. Shipments increased by 1.6% (id.), up for the first time in four quarters, due to increases in cement and cement products, other ceramics, stone and clay products, and ceramic wares and fine ceramics. Inventory decreased by 1.7% compared to the end of the previous quarter, down for the third consecutive quarter, due to decreases in glass and glass products, and cement and cement products.

2) Sub-classification by kind of industry

i) In spite of an increase of glass, production of **glass and glass products** decreased by 0.5% compared to the previous quarter, down for the fifth consecutive quarter, mainly because a major domestic manufacturer discontinued glass for cathode-lay tubes (CRT).

ii) Production of **cement and cement products** increased by 0.7% (id.), up for the first time in three quarters, due to an increase of pre-stressed concrete products for the private sector and public facilities (such as Kansai International Airport, etc) in addition to a brisk export.

iii) Production of **ceramic wares and fine ceramics** decreased by 0.1% (id.), down for the first time in two quarters because fine ceramics for export declined and ceramic wares for tablewares and kitchenwares shrunk due to an increase of imported goods and a poor demand.

iv) Production of **other ceramics, stone and clay products** increased by 2.0% (id.), up for the second consecutive quarter, due to an increase in gypsum board mainly because new residential construction starts exceeded actual figures of the previous year’s figures and solidity carbonaceous electrodes increased due to a growth of export.
K Chemicals (excl. Drugs) industry

Production declined, but shipments increased for the first time in two quarters.

1) Production decreased by 1.4% compared to the previous quarter, due to decreases in cyclic chemicals and synthetic dyes, soap, synthetic detergent and surface-active agents, plastic (materials), etc. Shipments increased by 0.4%, up for the first time in two quarters, due to increases in cosmetics, plastic (materials) and aromatic hydrocarbons (petroleum, origin), etc. Inventory decreased by 4.2% compared to the end of the previous quarter, down for the first time in two quarters, due to decreases in plastic (materials), cosmetics, cyclic chemicals and synthetic dyes, etc.

2) Sub-classification by kind of industry

i) Production of cyclic chemicals and synthetic dyes decreased by 2.2% compared to the previous quarter, down for the first time in two quarters, because some establishments conducted periodic maintenance and phenol declined for domestic use, in addition, high-purity terephthalic acid and toluylene diisocyanate, etc. also decreased.

ii) Production of soap, synthetic detergent and surface-active agents decreased by 2.2% (id.), down for the second consecutive quarter, due to decreases in fabric softener, solid soup for bath, synthetic detergent and body cleaning agent.

iii) Production of plastic (materials) decreased by 0.6% (id.), down for the fifth consecutive quarter, due to decreases in each of polypropylene, fluorocarbon resin and polycarbonate caused by periodic maintenance.

L Petroleum and coal products industry

Both production and shipments increased for the first time in two quarters, due to an increase in kerosene etc.

1) Production increased by 0.4% compared to the previous quarter, up for the first time in two quarters, due to increases in kerosene, naphtha, heavy fuel oil B and C, etc. Shipments increased by 1.1% (id.), up for the first time in two quarters, due to increases in kerosene, heavy fuel oil B and C and naphtha, etc. Inventory declined by 0.6% compared to the end of the previous quarter, down for the first time in two quarters, due to decreases in kerosene, naphtha and coke, etc. Inventory ratio decreased by 2.9% compared to the previous quarter, down for the second consecutive quarter.

2) Trends in major goods

i) Production of gasoline decreased by 2.5% (id.), down for the second consecutive quarter, mainly because there was an accident at a certain refinery. Shipments decreased by 2.0% (id.), down for the second consecutive quarter, due to sluggish sales caused by price increases in addition to bad weather. Inventory increased by 5.9% compared to the end of the previous quarter, up for the first time in three quarters.

ii) Production of naphtha increased by 6.2% compared to the previous quarter, up for the first time in three quarters. Shipments increased by 0.4% (id.), up for the first time in four quarters, due to an increase in production of ethylene in petrochemicals factories as major customers. Inventory declined by 6.9% compared to the end of the previous quarter, down for the second consecutive quarter.
iii) Production of **kerosene** increased by 10.3% compared to the previous quarter, up for the first time in four quarters. Shipments increased by 17.3% (id.), up for the first time in four quarters, due to an increase of demand in April because of low temperature and an increase of export for China. Inventory decreased by 23.6% compared to the end of the previous quarter, down for the first time in two quarters.

iv) Production of **gas oil** increased by 1.7% compared to the previous quarter, up for the first time in three quarters. Shipments decreased by 0.2% (id.), down for the second consecutive quarter, due to a decrease of number of cars running on gas oil including other reasons. Inventory increased by 1.8% compared to the end of the previous quarter, up for the first time in three quarters.

v) Production of **heavy fuel oil B and C** increased by 6.1% compared to the previous quarter, and shipments also increased by 4.0% (id.), due to increases for power companies and in exports to China, both of which gained for the first time in two quarters. Inventory increased by 13.9% compared to the end of the previous quarter, up for the first time in three quarters.

vi) Production of **coal products (coke)** remained flat at 0.0% compared to the previous quarter in second consecutive quarter. Shipments decreased by 3.5% (id.), down for the first time in three quarters, due to a decrease for domestic market. Inventory decreased by 4.9% compared to the end of the previous quarter, down for the second consecutive quarter.

**M. Plastic products industry**

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

1) Production increased by 1.0% compared to the previous quarter, up for the first time in two quarters, due to increases in construction material-related and manufacturing material-related productions, in spite of a decrease in consumption material-related production. Shipments increased by 0.8% (id.), up for the first time in two quarters, due to increases in construction material-related and manufacturing material-related productions, in spite of a decrease in consumption material-related production. Inventory increased by 0.9% compared to the end of the previous quarter, up for the second consecutive quarter, due to increases in consumption material-related and construction material-related productions, while manufacturing material-related production contracted.

2) Production by type

i) In manufacturing material-related items, plastic containers (blow-molding) increased by 1.3% compared to the previous quarter, up for the first time in three quarters, due to an increase in PET bottles for drinks for which demand had been expected. Plastic products for machine tools and parts increased by 0.2% (id.), up for the first time in two quarters, due to an increase in parts for electric communication. Synthetic leather increased by 2.3% (id.), up for the third consecutive quarter, due to increases in use for inner package of cars and for furniture, etc.

ii) In consumption material-related items, plastic film and plastic sheets decreased by 1.5% (id.), down for the first time in two quarters, due to decreases in other soft product film and film for packing. Miscellaneous daily goods decreased by 2.5% (id.), down for the second straight quarter, due to decreases in storage supplies and garden supplies, etc.

iii) In construction material-related items, plastic pipes increased by 15.9% (id.), up for the first time in two quarters, due to a dashed demand before price hikes.
Reinforced plastic products increased by 8.1% (id.), up for the first time in three quarters, due to increases in water-purifier tanks, etc. Plastic plates increased by 10.1% (id.), up for the first time in six quarters, due to a last-minute buying of corrugated plates for price raise. Plastic building material increased by 1.1% (id.), up for the second consecutive quarter, due to an increase in gutter and gutter accessories.

N. Pulp, paper and paper products industry

Production and shipments decreased for the first time in two quarters and three quarters, respectively

1) Production decreased by 1.3% compared to the previous quarter, down for the first time in two quarters as all industries like paper, converted and processed paper, paperboard and pulp declined. Shipments decreased by 0.9% (id.), down for the first time in three quarters, due to decreases in paperboard, converted and processed paper and paper, in spite of an increase in pulp. Inventory decreased by 0.1% compared to the end of the previous quarter, down for the third consecutive quarter because paper, converted and processed paper and pulp declined in spite of an increase in paperboard.

2) Sub-classification by kind of industry

i) Production of paper decreased by 1.3% compared to the previous quarter, down for the first time in two quarters, due to decreases of all industries such as uncoated printing paper. Shipments decreased by 0.1% (id.), down for the first time in three quarters, due to decreases in uncoated printing paper, computer printout paper, coated printing paper and newsprint paper in rolls. Inventory decreased by 1.5% compared to the end of the previous quarter, down for the first time in two quarters.

ii) Production of paperboard decreased by 0.5% compared to the previous quarter, down for the first time in three quarters, due to a decrease in container board. Shipments also decreased by 3.9% (id.), down for the first time in four quarters, due to a decrease in container board. Inventory increased by 7.0% compared to the end of the previous quarter, up for the first time in three quarters.

iii) Production and shipments decreased by 1.3% and 0.8% compared to the previous quarter, respectively, both of which declined for the first time in three quarters.

O. Textiles industry

Though production slightly declined, shipments increased for the first time in 37 quarters

1) Production decreased by 0.6% compared to the previous quarter, down for the 37th consecutive quarter, due to decreases in other fabricated textile products, clothes and woven fabrics, etc. Shipments increased by 0.5% (id.), up for the first time in 37 quarters, due to increases such as spun yarn, clothes and dyeing and finishing. Inventory decreased by 3.0% compared to the end of the previous year, down for the tenth consecutive quarter, due to decreases in all industries such as clothes, spun yarn and other fabricated textile products.
2) Sub-classification by kind of industry

i) Production of man-made fibers decreased by 0.9% compared to the previous quarter, due to a decrease in synthetic fibers (staple). Shipments decreased by 0.4% (id.), due to decreases both in synthetic fibers (filament) and synthetic fibers (staple). Inventory decreased by 1.3% compared to the end of the previous quarter, due to decreases both in synthetic fibers (filament) and synthetic fibers (staple).

ii) Production of spun yarn increased by 2.7% compared to the previous quarter, due to increases in woolen yarn and cotton yarn, in spite of a decrease in synthetic fiber yarn. Owning to increases in synthetic fiber yarn in addition to double-digit increases of cotton yarn and woolen yarn, shipments increased by 8.7% (id.). Inventory decreased by 13.4% compared to the end of the previous quarter because of decreases in all items such as cotton yarn and synthetic fiber yarn.

iii) Production of woven fabrics decreased by 0.4% compared to the previous quarter, due to decreases in silk and spun silk fabrics, synthetic fibers (filament) and woolen fabrics, etc. Shipments increased by 0.7% (id.) owning to increases in cotton fabrics and synthetic fibers (filament and staple). Inventory decreased by 0.3% compared to the end of the previous quarter, down for the 20th consecutive quarter, due to decreases in synthetic fibers (filament) and cotton fabrics in spite of increases in woolen fabrics and synthetic fibers (staple), etc.

iv) In spite of an increase in knitted fabrics outer wears, production of clothes decreased by 1.0% compared to the last quarter, due to decreases in all the other items. Shipments increased by 0.9% (id.), due to increases in woven fabrics outer wears and under wears, in spite of decreases in hosiery and knitted fabrics outer wears. Inventory declined by 2.6% compared to the end of the previous quarter due to decreases in all items except woven fabrics outer wears.

(2) Trends in tertiary industries

A. Commerce

1) The total sales amount for the wholesale industry was 107.9520 trillion yen. Total sales increased by 7.0% compared to the same quarter of the previous year, up for the eleventh consecutive quarter. This was because electronic parts such as semi-conductor was active, machinery and equipment wholesale industry increased, due to favorable conditions of semiconductors and active exports of such industries as automobiles and metal forming machinery, and minerals and metals, etc. also increased, although textile products decreased.

2) The total sales amount for large wholesalers was 28.0127 trillion yen, increasing by 7.1% compared to the same quarter of the previous year, up for the ninth straight quarter.

3) The total sales amount for the retail industry was 31.9040 trillion yen, decreasing by 0.2% (id.), down for the first time in six quarters, due to decreases in motor vehicles which fell because of sluggish sales of large and small passenger cars and general merchandise, etc., though fuel stores and miscellaneous retail industry gained.

4) The total sales amount for large retailers was 5.1086 trillion yen, decreasing by 0.7% (id.), down for the second consecutive quarter.

5) The total sales amount and service sales amount for convenience stores was 1.8396 trillion yen, increasing by 0.6% (id.), up for the eleventh consecutive quarter.
B. Specific service industries

Business services

1) The contract amount for general goods leasing industry (based on acceptance inspection) decreased by 3.0% compared to the same quarter of the previous year, down for the first time in eight quarters, and the purchase amount for delivery items also decreased by 2.6% (id.).

2) The total sales amount for general goods rental industry decreased by 0.6% (id.), down for the first time in five quarters.

3) The total sales amount for the information service industry increased by 5.6%, up for the fifth consecutive quarter.

4) The total sales amount for advertising increased by 1.9% (id.).

5) The total amount handled by the credit card service increased by 9.9% (id.). By type of business, sales credit business increased by 12.7% (id.), and consumer credit business remained flat at 0.0%.

6) The total amount of orders received in engineering services increased by 3.9% (id.), up for the eight quarters in a row. The breakdown shows that domestic demand increased by 4.6% (id.) and foreign demand also increased by 1.6% (id.).

Personal services

1) In the leisure and amusement services, while pachinko parlors, movie theaters and amusement parks and theme parks increased, on the other, bowling alleys, theaters, performances, golf courses and golf driving ranges decreased.

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