1. Trends of all industrial activities
   (1) Outline of all industrial activities
   (2) Outline of industrial activities
      □ Production trends for the quarter
      □ Production trends by item
      □ Inventory trends
   (3) Outline of tertiary industry activities

2. Supply trends and final demand
   (1) Outline of supply trends for final demand
      □ Supply trends for the quarter
      □ Trends in IT-related consumption and investment
   (2) Outline of exports and imports

Topics
   Possibility of an economic recession in Japan from the supply-side viewpoint

June 4, 2008

Research and Statistics Department, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry
1. Trends of all industrial activities

(1) Outline of all industrial activities ～ Industrial activities remaining flat～

【Characteristics】
- The indices of all industrial activities have generally been leveling off.
- Although construction industry activities increased slightly, tertiary industry activities and industrial production, etc. declined.

### Changes in Indices of All Industrial Activities (2000=100)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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<tbody>
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<td>I</td>
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<td>IV</td>
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</tbody>
</table>

Notes: 1. The weight is based on the contribution ratio by sector of gross value added in the input-output table of YR2000 (Ministry of Internal Affairs and Communications). Since the Indices of Agriculture, Forestry & Fisheries Production contain no data corresponding to the Indices of All Industrial Activities for 2006 to 2007 and the indices for each quarter, the weight was calculated without their weight.
2. The annual values and % change from the same quarter of the previous year are original indices, and others are based on seasonally adjusted indices.
3. The indices of all industrial activities are annually adjusted for 2007 and seasonal indices are recalculated.
4. Due to the base revision for industrial production indices in 2005, the data for January 2007 onward (including for FY2006) out of original industrial production indices in the indices of all industrial activities are the exponential values based on the YR2005 base, linked to the YR2000 base as of the fourth quarter of 2006 through the link coefficient method.

Since the seasonally adjusted indices of industrial production are the result of seasonal adjustment based on such original indices, they differ from the industrial production indices based on the YR2005 base.
(2) Outline of industrial activities ～ Production remains flat ～

① Production trend for the quarter

【Characteristics】
・The indices of industrial production for the first quarter of 2008 decreased by 0.7% from the previous quarter to 108.4, down for the first time in four quarters.
・By type of goods, producer goods and capital goods decreased, while durable consumer goods increased.
・By type of business, 11 industries including the electronic parts and devices industry declined, and increases were observed in six industries.
・By demand, shipments for domestic demand decreased for the first time in four quarters, and those for exports increased for the third consecutive quarter.

Changes in Indices of Industrial Production (2005=100, Seasonally adjusted)

② Production trend by item

【Characteristics】

<NMajor items that decreased during the first quarter of 2008>
① Semiconductor products machinery (for the third consecutive quarter)
   ・・・ Domestic demand and exports both decreased due to a reaction to strong demand for capital investment in the previous year.
② Metal oxide semiconductor ICs (Memory) (for the second consecutive quarter)
   ・・・ Demand for memory cards decreased both domestically and overseas.
③ Separate type air conditioners (for the first time in three quarters)
   ・・・ Production decreased due to increased overseas production.

<NMajor items that increased during the first quarter of 2008>
① Electronic and electric toys (for the first time in two quarters)
② Flat-panel display products machinery (for the first time in seven quarters)
   ・・・ There were increases in demand for domestic use and exports to Asia.
③ Cellular telephone (for the first time in two quarters)
   ・・・ Production increased, backed by the launch of new models.

Changes from the Previous Quarter by Item and Contribution Ratio(Note) (First quarter of 2008)

<table>
<thead>
<tr>
<th>Items that Contributed to Decrease</th>
<th>Changes from the Previous Quarter (%)</th>
<th>Contribution ratio (% points)</th>
<th>Items that Contributed to Increase</th>
<th>Changes from the Previous Quarter (%)</th>
<th>Contribution ratio (% points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>① Semiconductor products machinery</td>
<td>▲ 24.3</td>
<td>▲ 0.32</td>
<td>① Electronic and electric toys</td>
<td>53.7</td>
<td>0.20</td>
</tr>
<tr>
<td>② Metal oxide semiconductor ICs (Memory)</td>
<td>▲ 11.2</td>
<td>▲ 0.09</td>
<td>② Flat-panel display products machinery</td>
<td>53.7</td>
<td>0.11</td>
</tr>
<tr>
<td>③ Separate type air conditioners</td>
<td>▲ 14.5</td>
<td>▲ 0.08</td>
<td>③ Cellular telephone</td>
<td>10.9</td>
<td>0.10</td>
</tr>
<tr>
<td>④ Metal oxide semiconductor ICs (Logic)</td>
<td>▲ 4.8</td>
<td>▲ 0.07</td>
<td>④ Reaction vessels</td>
<td>872.5</td>
<td>0.08</td>
</tr>
<tr>
<td>⑤ Parts and accessories of boilers</td>
<td>▲ 47.6</td>
<td>▲ 0.06</td>
<td>⑤ Large trucks</td>
<td>4.4</td>
<td>0.05</td>
</tr>
</tbody>
</table>

Note: Degree of contribution to total industrial growth rate of ▲0.7% (% points)
Inventory trend

【Characteristics】

- The inventory cycle for the first quarter of 2008 was as follows.

① Mining and manufacturing
   Inventory and production increased for the 6th and 10th consecutive quarter, respectively. As a result, on the inventory cycle chart, inventory shifted close to the border between an inventory accumulation stage and an expanding inventory stage.

② Final demand goods
   Remained in an expanding inventory stage.

③ Producer goods
   Remained in an inventory accumulation stage.

④ Electronic parts and devices
   The margin of increase in production diminished. Inventory shifted from an inventory accumulation stage back to an expanding inventory stage.
(3) Outline of tertiary industry activities

Trends for the quarter

**[Characteristics]**

- Tertiary industry activities for the first quarter of 2008 decreased by 1.0% from the previous quarter, down for the second consecutive quarter.
- By type of industry, out of 11 industries, there were decreases in eight industries, such as the finance and insurance industry, and increases in three.

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**Note:** The left chart shows the indices of tertiary industry activities of the major seven industries. 

"Others" in the right chart refers to the total of four industries other than the major seven industries.

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**Note:** 1. The annual values and % change from the same quarter of the previous year are original indices, and the others are based on seasonally adjusted indices.

2. The indices of tertiary industry activities are annually adjusted for 2007 and seasonal indices are recalculated.