

**Results for January-March 1999 and Prospects for April-September 1999**  
**(8<sup>th</sup> Quarterly Survey of Japanese Business Activities)**  
**- Characteristics of the Current Period**  
**as Reflected in the Behaviour of Overseas Subsidiaries -**

**Diffusion index on sales (prospects for April-September) for overseas subsidiaries improved in all regions except Europe, particularly in NIES3 and ASEAN4.**

Diffusion index<sup>1</sup> on sales for overseas subsidiaries improved for the second consecutive quarter, up 10.6 points from the previous period (from 17.1 to 27.7).

The index rose in all regions except Europe. Although it is highest in North America (38.7), the largest increases on the previous period were recorded in NIES3 (up 23.3 points) and ASEAN4 (up 19.3 points).

The index rose 7.7 points for domestic parent companies, from -22.1 to -14.4.

Sales of overseas subsidiaries declined for the second consecutive period, down 8.9% from the previous year. This may be partly because the U.S. dollar fell 9.0% on the previous year against the yen, and partly because most of the European and other currencies have also depreciated against the yen.<sup>2</sup>

Although sales declined in all regions, the year-on-year decline slowed down substantially in ASEAN4, from -13.1 to -3.0.

Sales of Overseas subsidiaries in the Current Period (Jan-Mar)  
and Diffusion Index on Sales (Prospects for Apr-Sep)

Region	D I (prospects for Apr-Sep) Change on previous period (points)	Year-on-year change in sales(%)	
		Oct-Dec	Jan-Mar
ASEAN4	19.3 ( 6.2 25.5)	- 13.1	- 3.0
NIES3	23.3 (-12.3 11.0)	- 28.1	22.7
North America	8.9 (29.8 38.7)	- 2.8	- 7.7
Europe	- 5.9 (25.8 19.9)	5.2	- 5.2
Total	10.6 (17.1 27.7)	- 6.2	- 8.9

ASEAN4 (Indonesia, Thailand, Philippines, Malaysia)

NIES3 (Singapore, Taiwan, Republic of Korea)

<sup>1</sup> See DI = Percentage of the companies expecting increase - Percentage of the companies expecting decrease

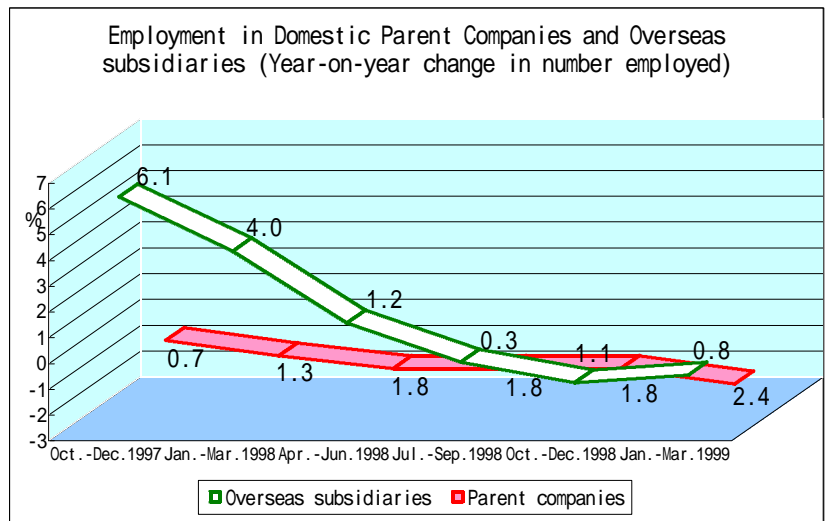
Comparison of DI with the previous period = The current DI - The previous DI

<sup>2</sup> See "Trend of Major Currencies against the Yen" on page 3 for changes in the yen-foreign currencies exchange rates.

**Although domestic and overseas employment continued to decline, diffusion index (prospects for Apr-Sep) shows some improvement.**

Employment by overseas subsidiaries, down 0.8% from the previous year, has declined for three consecutive periods since July-September 1998 (-0.3%, -1.1% and -0.8% respectively on the previous year).

Employment by domestic parent companies has been on the decline, recording the steepest drop since the beginning of this survey (down 2.4% in his period).



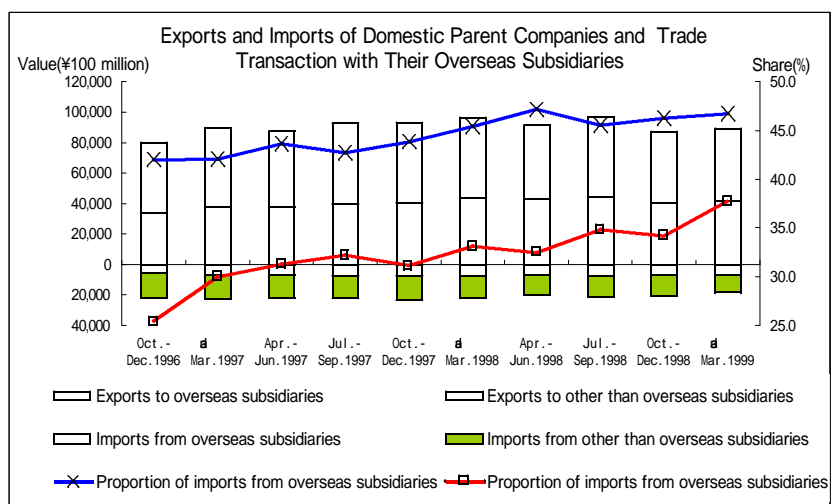
Diffusion index (prospects for April-September) improved on the previous period for both domestic parent companies (from -33.7 to -27.9) and overseas subsidiaries (from -1.7 to 0.6).

By region, diffusion index for overseas subsidiaries fell 2.3 points (from 2.9 to 0.6) in North America, and 2.0 points (from 1.1 to -0.9) in Europe. In contrast, it rose 9.5 points (from -4.8 to 4.7) in ASEAN4 and 4.2 points (from -18.2 to -14.0) in NIES3. Particularly in ASEAN 4, diffusion index became positive for the first time in four periods.

**Transactions between domestic parent companies and overseas subsidiaries (exports and imports) continue to increase their importance.**

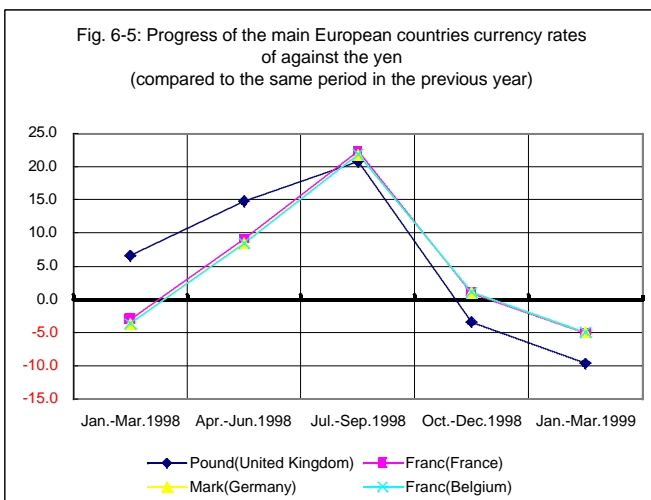
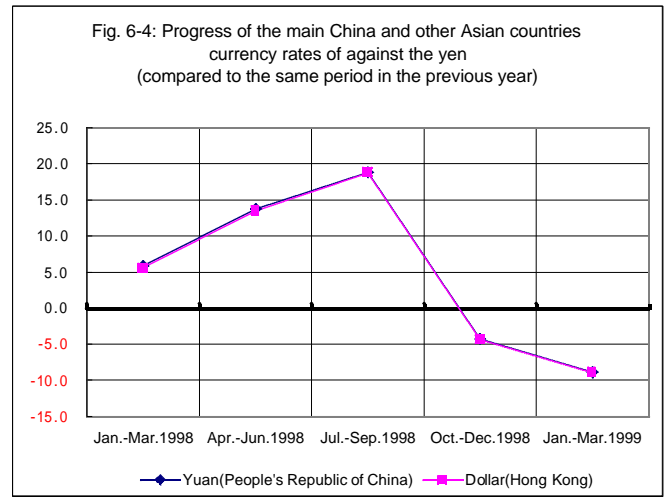
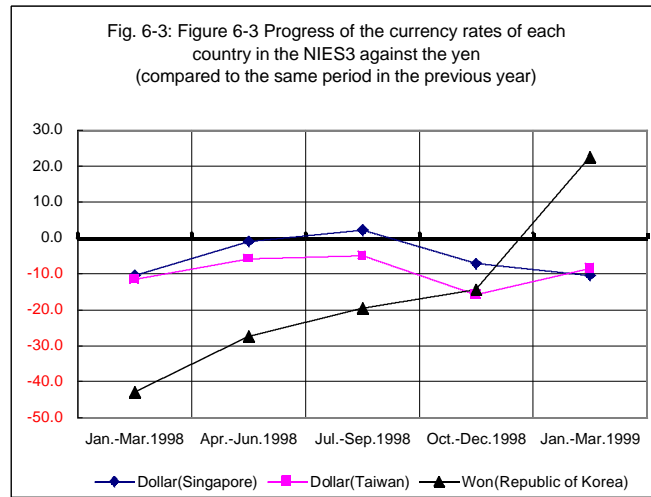
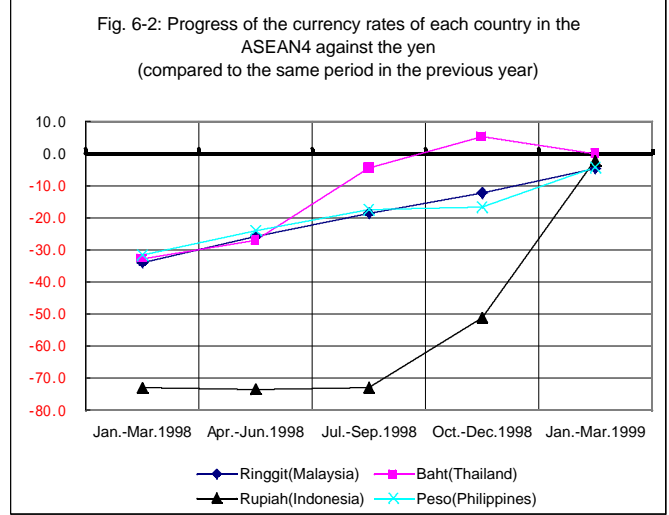
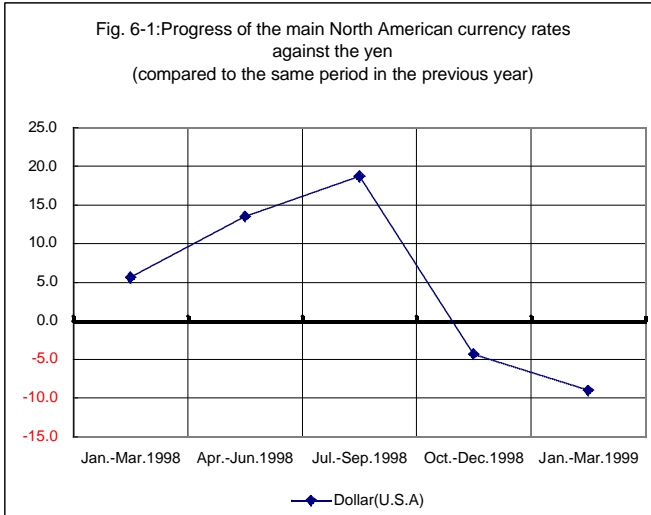
As regards intra-company trade, exports to, and imports from overseas subsidiaries both declined for the second consecutive period. Exports to overseas subsidiaries in particular recorded a steeper decline than in the previous period.

However, the share of intra-company trade in total exports and imports of domestic parent companies has been on the rise, with exports to overseas subsidiaries gaining 1.2 points on the previous year (from 45.5% to 46.7%) and imports from overseas subsidiaries rising 4.6 points (from 33.2% to 37.8%).



Exports from overseas subsidiaries to Japan (reverse exports) continued its steep decline, down 16.4% (19.8% in the previous period).

## Progress of the currency rates of the main regions against the yen



Taiwan: [Economic Statistics Monthly] (Bank of Japan)  
 Other: International Financial Statistics (International Monetary Fund)