

September 28, 2005

Enterprise Statistics Office
Research and Statistics Department

Summary

Prospects DI for October – December 2005

- Although the Sales Current Assessment DI declined, the Prospects DI slightly improved and maintained positive business confidence, showing double-digit growth for all regions. In particular, in the electrical machinery sector, both the Current Assessment DI and the Prospects DI showed signs of improvement.
- The Capital Investment Current Assessment DI maintained a high level of double-digit growth. The Prospects DI was expected to deteriorate for all regions.
- The Employment DI worsened in North America, Europe and NIEs3.

Actual Results for April – June, 2005

- Sales increased by double digits compared to the same quarter of the previous year, up for the seventh consecutive quarter. The transportation equipment sector remained positive, showing increase for all regions. The electrical machinery sector, which had been stable until then, increased by only 2.8%, showing sluggish growth especially in China and ASEAN4 and a decrease in NIEs3.
- Capital investment increased for all regions except North America. In Asia, capital investment continued to increase significantly in China, while in Europe, it continued to increase significantly mainly in the electrical machinery and transport equipment sectors.
- The number of employees continued to increase in Asia, showing a steady increase especially in China. It decreased in North America.

Items of note in the current survey

*Note: The survey was conducted in mid-August 2005

- 1. The Sales Prospects DI^{*1} stood at 21.8 percentage points, showing continued positive business confidence. Actual sales remained positive, up by 15.3% compared to the same quarter of the previous year, showing double-digit growth for the seventh consecutive quarter.**

The Sales Current Assessment DI remained at a high level, but showed a decline in North America and Europe. The Prospects DI improved significantly in Europe, maintaining positive business confidence with double-digit growth for all regions. The Prospects DI improved slightly compared to the previous quarter, showing a significant improvement in Europe, and a slight improvement in North America, while showing a slight decline in Asia. Although it improved slightly in China^{*4}, there was significant deterioration in ASEAN4^{*3} and NIEs3^{*2}.

Actual sales continued to increase in all regions. In particular, sales in Asia posted their twelfth straight quarter of double-digit growth. Among them, sales in ASEAN4 remained positive. The increase in sales in China did not exceed 10% for the first time in eleven quarters, due to a slowdown in growth in the electrical machinery sector. Sales in North America and Europe continued to rise due to the strong performance in the transportation equipment sector.

- 2. The Capital Investment Prospects DI was 11.0 percentage points, showing signs of expected deterioration in the future. Actual capital investment increased by 4.3% compared to the same quarter of the previous year, up for the tenth consecutive quarter.**

The Capital Investment Current Assessment DI remained almost flat compared to the previous quarter, maintaining a positive level. Although the Prospects DI declined for all regions, it maintained positive levels for all regions except NIEs3. The Prospects DI was expected to deteriorate in Asia, due to decreases in the electrical machinery and transportation equipment sectors. In particular, there were significant decreases in the electrical machinery sector in China and ASEAN4, and in the transportation equipment sector in NIEs3. In North America and Europe, their major businesses, the transportation equipment and electrical machinery sectors are expected to deteriorate.

Actual capital investment expanded in all regions except North America. Asia showed significant increases, especially in the transportation equipment sector. In particular, investment in China continued to increase significantly, mainly in the transportation equipment sector, while NIEs3 showed an increase for the first time in three quarters, due to a sharp increase in the transportation equipment sector. Capital investment in the electrical machinery and transportation equipment sectors in Europe showed significant growth, and in particular, that in the transportation equipment sector increased steadily in the Eastern European region. Capital investment in North America decreased sharply in the electrical machinery and transportation equipment sectors.

3. The Employment Prospects DI stood at 4.9 percentage points. The Prospects DI was negative due to declines in North America, NIEs3 and Europe. The number of employees continued to increase, up by 6.0% compared to the same quarter of the previous year.

The Current Assessment DI was positive in all regions. The Prospects DI was positive in China and ASEAN4 in Asia, while it became negative in North America, NIEs3 and Europe. The Prospects DI compared to the previous quarter was negative in all regions. It deteriorated in all regions in Asia, and significantly in North America. It also declined in Europe.

- Actual employment numbers continued to increase in Asia. In China, the electrical machinery and transportation equipment sectors showed favorable conditions. The number of employees in the transportation equipment sector increased in ASEAN4, while that in the electrical machinery sector declined in NIEs3. The number of employees in North America decreased due to the continued decline in the electrical machinery sector. In spite of a decrease in the electrical machinery sector, Europe saw an increase in the number of employees as a result of favorable conditions in the transportation equipment sector.

*1: The DI survey period was revised to three months as of the April – June, 2004 survey. (The previous single six-month survey period was divided into “current assessment” and “prospects” periods of three months each.)

- $DI = (\text{Percentage of companies responding that they expect an increase}) - (\text{Percentage of companies responding that they expect a decrease})$
- Quarterly Changes in Current Assessment DI = (Current Assessment DI for July – September 2005) – (Current Assessment DI for April – June, 2005)
- Quarterly Changes in Prospects DI = (Prospects DI for October – December 2005) – (Current Assessment DI for July – September, 2005)

*2: NIEs3: Singapore, Taiwan, and the Republic of Korea

*3: ASEAN4: Indonesia, Thailand, the Philippines, and Malaysia

*4: China includes Hong Kong.

1. Sales

Although the Sales Current Assessment DI (for the July – September quarter of 2005) deteriorated, it remained at high levels in all regions except Europe and North America. The Sales Prospects DI (for the October – December quarter of 2005) improved slightly, up by 0.5 percentage points compared to the previous quarter. High business confidence was maintained with double-digit growth in all regions.

- The Current Assessment DI remained positive in all regions, in spite of a low level in Europe.
- The Prospects DI improved slightly. Although the Prospects DI deteriorated slightly in Asia, high business confidence was maintained, with a notable improvement in Europe.

Actual sales continued to increase in all regions, up by 15.3% compared to the same quarter of the previous year, showing double-digit growth for the seventh consecutive quarter. Actual sales in Asia showed double-digit growth for the twelfth consecutive quarter, increasing significantly in particular in the transportation equipment sector in China, NIEs3 and ASEAN4. In contrast, growth in actual sales in the electrical machinery sector slowed down in China and ASEAN4, and NIEs3 showed a decrease. Actual sales in North America maintained double-digit growth for the fourth consecutive quarter, due to favorable conditions in the transportation equipment sector. In spite of a slowdown in the electrical machinery sector, actual sales in Europe showed double-digit growth for the first time in two quarters, due to favorable conditions in the transportation equipment sector.

(For Reference)

Overseas economies: The world economy is steadily recovering. The American economy is expanding. As for Asia, the economy in China is continuing to expand; those in Taiwan and Singapore are expanding; economic expansion is slowing down in Thailand and Malaysia; in Korea, the economy is recovering at a moderate rate. In the euro area, the economy is showing signs of a moderate recovery. The economy in the UK is recovering. (Excerpt from the September issue of *The Monthly Economic Report*)

- (1) The Sales Current Assessment DI for the current quarter (July – September, 2005) was 21.3 percentage points, decreasing by 4.7 percentage points compared to that for the previous quarter (April – June, 2005).
The Sales Prospects DI for the next quarter (October – December, 2005) was 21.8 percentage points, a slight improvement of 0.5 percentage points compared to the Current Assessment DI for the current quarter (July – September, 2005) (see Table 1, Chart 1 and Chart 2).
 - The Current Assessment DI deteriorated in all regions except ASEAN4, but remained positive in all regions, in spite of a significant decline in North America and Europe. The Prospects DI also continued to reflect high business confidence and, in particular, improved to the 20% mark in Europe.
 - Compared to the Current Assessment DI, the Prospects DI improved slightly by 0.5 percentage points, due to the Current Assessment DI for the current quarter remaining at a high level. In Asia (down by 2.0 percentage points compared to the previous quarter), China showed a slight improvement, while it declined sharply in ASEAN4 (down by 7.0 percentage points (id.)) and slightly in NIEs3. Europe (up by 19.9 percentage points showed a significant improvement, due to recovery in the electrical machinery and transportation equipment sectors. The Prospects DI for North America improved only slightly, due to a sharp decline in the industrial machinery sector, despite an improvement in the transportation equipment and electrical machinery sectors.
- (2) Actual sales (on a US-dollar basis) remained positive, increasing by 15.3% compared to the same quarter of the previous year, for the seventh straight quarter of double-digit growth (see Table 1, Chart 1 and Chart 3).
 - Actual sales continued to increase in all regions. In particular, sales in Asia registered the twelfth straight quarter of double-digit growth. Sales in ASEAN4 continued to increase significantly due to the strong performance in the transportation equipment sector, and sales in NIEs3 also increased. In contrast, growth in sales in China did not exceed 10% for the first time in eleven quarters, because the increase in the electrical machinery sector remained at the one-digit level of 9.7% compared to the same quarter of the previous year, due to a sharp drop in the price of digital appliances (slim-type liquid crystal televisions and plasma

televisions, in particular). Sales in North America and Europe showed double-digit growth due to a significant increase in the transportation equipment sector.

Table 1 Sales DI and Actual Results (by Region and Main Industries)

Unit (comparison to same quarter of previos year:%, comparison to the previous year:percentage points)

	DI						Actual (comparison to corresponding period of previous year)		DI						Actual (comparison to corresponding period of previous year)		
	Survey of previos term		Survey of present term			comparison to the previous quaeter			Survey of previos term		Survey of present term			comparison to the previous quaeter			
	Current Assessment (April.- Jun.)	Current Assessment (Jul.-Sep. 2005)	Prospect (Oct.-Dec. 2005)	Current Assessment (-)	Prospect (-)	Current Assessment (-)			Prospect (-)	Current Assessment (April.- Jun.)	Current Assessment (Jul.-Sep. 2005)	Prospect (Oct.-Dec. 2005)	Current Assessment (-)	Prospect (-)			
Total	26.0	21.3	21.8	(-4.7)	0.5	15.3	Transportation equipment	28.2	21.3	24.9	(-6.9)	3.6	28.3				
North America	21.4	8.1	10.3	(-13.3)	2.2	12.3	Electrical machinery	18.5	19.0	23.2	(0.5)	4.2	2.8				
Asia	29.6	27.8	25.8	(-1.8)	-2.0	16.5	Industrial machinery	26.4	26.3	30.9	(-0.1)	4.6	16.2				
ASEAN4	25.8	27.5	20.5	(1.7)	-7.0	20.5	Chemicals	33.0	25.8	26.4	(-7.2)	0.6	13.8				
NIEs3	17.4	15.4	15.0	(-2.0)	-0.4	9.5	Iron and Steel	41.2	0.0	6.0	(-41.2)	6.0	6.6				
China(including Hong Kong)	37.8	31.2	33.3	(-6.6)	2.1	13.7											
Europe	17.6	0.4	20.3	(-17.2)	19.9	14.1											

Chart1 Sales DI and Actual sales (Dollar bases)

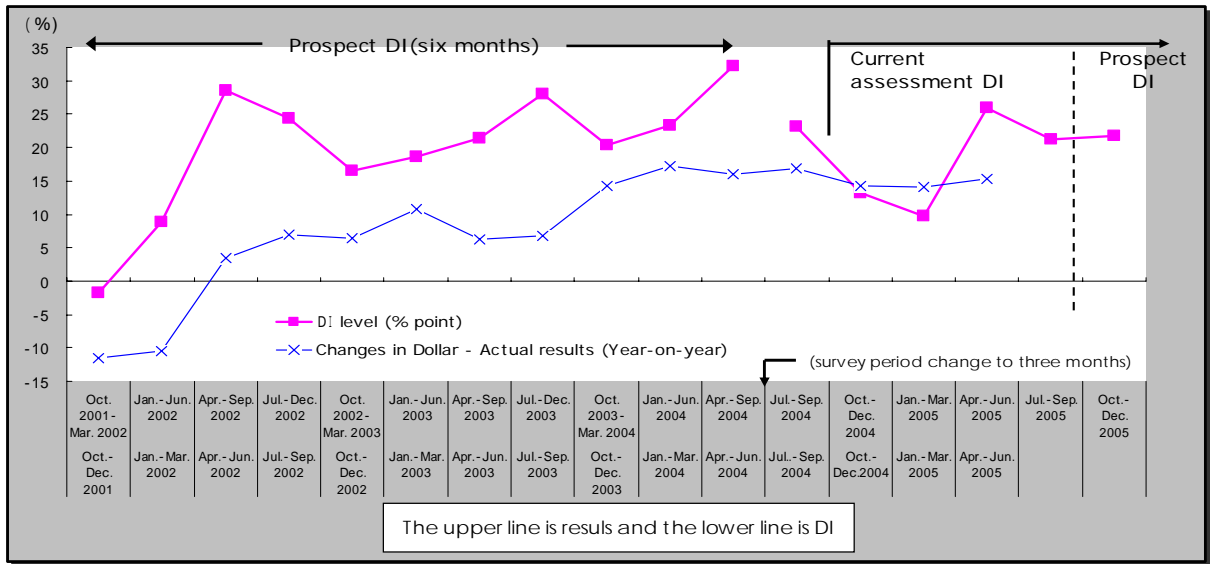


Chart2 Sales DI (By Region)

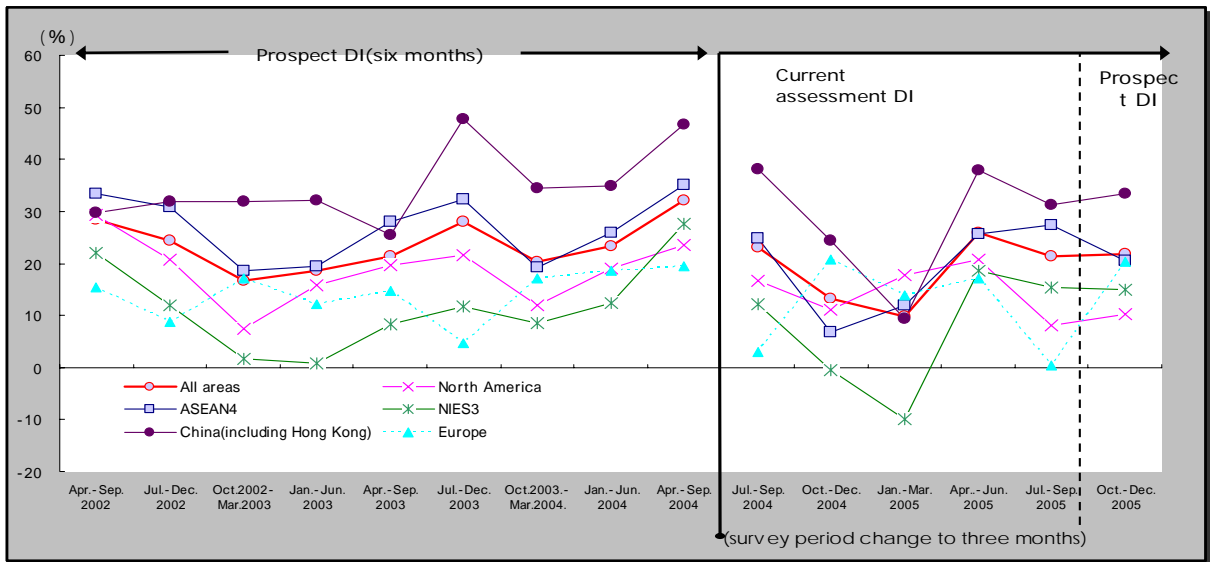
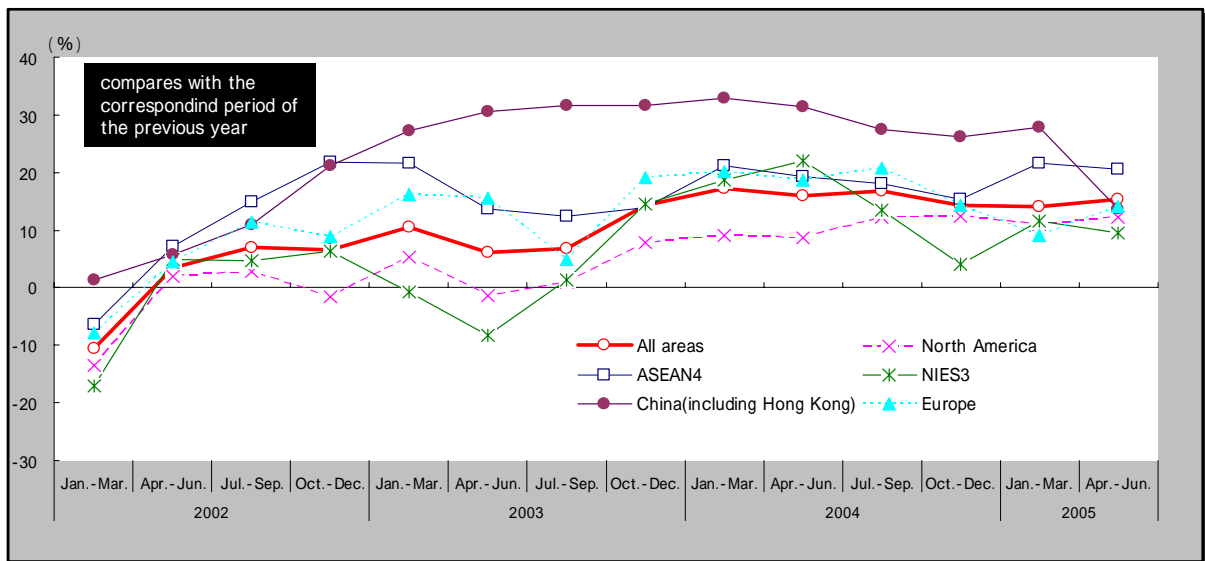


Chart3 Actual sales (By Region)



2. Capital Investment (acquisition costs of fixed assets except land)

The Capital Investment Current Assessment DI for the quarter (the July – September quarter of 2005) maintained double-digit growth in all regions. The Capital Investment Prospects DI was expected to deteriorate in all regions, and in particular, that for NIEs3 fell to a negative level.

- The Current Assessment DI (for the July – September quarter of 2005) maintained double-digit growth in all regions.
- The Prospects DI declined in all regions. The Prospects DI for NIEs3 fell to negative levels due to the potentially sharp decline in the transportation equipment and electrical machinery sectors. That for North America deteriorated to a one-digit level.

Actual capital investment increased by 4.3% compared to the same quarter of the previous year, up for the tenth consecutive quarter. Actual capital investment increased in all regions except North America. A significant increase has been observed continuously in Asia. Capital investment in Europe increased significantly for the fourth consecutive quarter, with steady investment in the transportation equipment-related, sector especially in the Eastern European region. Capital investment in North America fell sharply, due to decreases in the electrical machinery and transportation equipment sectors. In Asia, vigorous investment in the transportation equipment sector continued in China and ASEAN4. Investment in NIEs3 increased for the first time in three quarters, due to a significant increase in the transportation equipment sector, in spite of a decrease in the electrical machinery sector.

- (1) The Capital Investment Current Assessment DI for the current quarter (July – September, 2005) was 15.9 percentage points, remaining flat at 0.0 points compared to that for the previous quarter (April – June, 2005). It maintained double-digit levels in all regions.

The Capital Investment Prospects DI for the next quarter (October – December, 2005) was 11.0 percentage points, remaining positive in all regions except NIEs3 (maintaining double-digit levels except in North America) (see Table 2 and Chart 4).

- The Current Assessment DI deteriorated in all regions, down to – 4.9 percentage points. In Asia (–4.8 percentage points compared to the previous quarter), the DI declined sharply in NIEs3 (–11.3 percentage points, with a notable decline in the transportation equipment sector (–32.0 percentage points) and in the electrical machinery sector (–14.4 percentage points). Deterioration was observed also in China and ASEAN4. In North America and Europe, the DI was expected to fall in the transportation equipment and electrical machinery sectors.

- (2) Actual capital investment (on a US-dollar basis) increased by 4.3% compared to the same quarter of the previous year, up for the tenth consecutive quarter (see Table 2 and Chart 5).

- Actual capital investment increased in all regions except North America. In Asia, capital investment in China continued to increase significantly. Growth in capital investment in ASEAN4 slowed down a little, but still remained in the double-digit range. Capital investment in NIEs3 increased for the first time in three quarters, due to a significant increase in the transportation equipment sector. Capital investment in Europe increased significantly for the fourth consecutive quarter, mainly in the electrical machinery and transportation equipment sectors. In particular, capital investment in the transportation equipment sector continued to be positive in the Eastern European region. In contrast, capital investment in North America dropped sharply by 34.6% compared to the same quarter of the previous year, decreasing significantly, in particular, in the electrical machinery sector (down by 70.5%) and in the transportation equipment sector (down by 31.8%).

Table 2 Capital Investment DI and Actual Result (by Region and Main Industries)

Unit (comparison to same quarter of previos year:%, comparison to the previous year:percentage points)

	DI					Actual (comparison to corresponding period of previous year)		DI					Actual (comparison to corresponding period of previous year)		
	Survey of previos term		Survey of present term		comparison to the previous quaeter			Survey of previos term		Survey of present term		comparison to the previous quaeter			
	Current Assessment (April.- Jun.)	Current Assessment (Jul.-Sep. 2005)	Prospect (Oct.-Dec. 2005)	Current Assessment (-)	Prospect (-)			Current Assessment (April.- Jun.)	Current Assessment (Jul.-Sep. 2005)	Prospect (Oct.-Dec. 2005)	Current Assessment (-)	Prospect (-)			
Total	15.9	15.9	11.0	(0.0)	-4.9	4.3	Transportation equipment	19.3	22.5	13.4	(3.2)	-9.1	-0.6		
North America	12.1	15.1	8.3	(3.0)	-6.8	-34.6	Electrical machinery	9.8	13.6	4.5	(3.8)	-9.1	-9.1		
Asia	18.1	16.8	12.0	(-1.3)	-4.8	20.6	Industrial machinery	16.1	9.0	12.7	(-7.1)	3.7	58.8		
ASEAN4	18.8	15.7	13.8	(-3.1)	-1.9	13.8	Chemicals	16.2	13.9	12.9	(-2.3)	-1.0	28.4		
NIEs3	18.2	10.9	-0.4	(-7.3)	-11.3	22.3	Iron and Steel	20.5	6.6	19.7	(-13.9)	13.1	66.5		
China(including Hong Kong)	17.2	20.0	14.7	(2.8)	-5.3	35.4									
Europe	9.6	11.6	10.1	(2.0)	-1.5	72.6									

Chart4 Capital Investment DI by Region

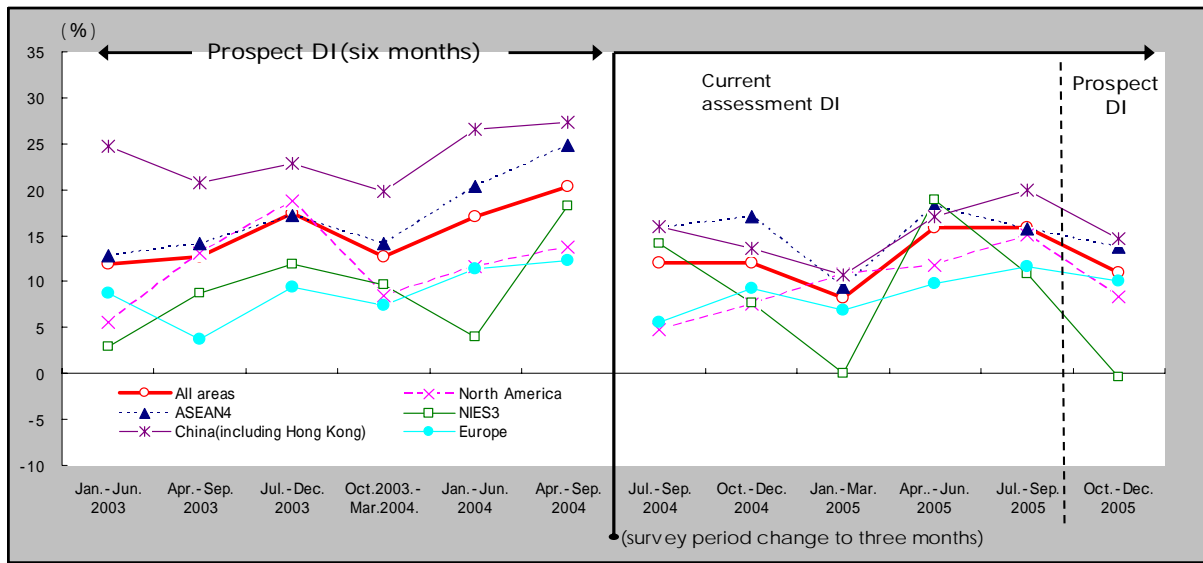
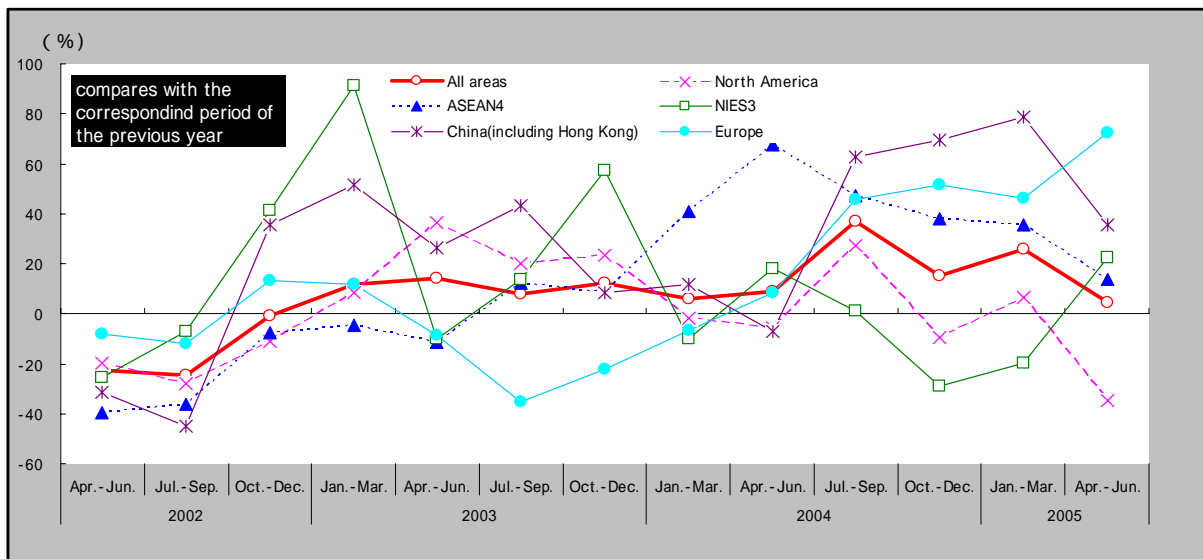


Chart5 Actual Capital Investment (Dollar Bases)



3. Employment

The Employment Prospects DI (for the October – December quarter of 2005) stood at 4.9 percentage points. The Prospects DI for China and ASEAN4 was positive, while that for North America, NIEs3 and Europe was negative, with anticipated deterioration.

- The Employment Current Assessment DI (for the July – September quarter of 2005) was positive in all regions.
- Compared to the Current Assessment DI, the Prospects DI was expected to decline in all regions. The Prospects DI for North America fell sharply in the transportation equipment sector. The Prospects DI for Europe worsened in the electrical machinery sector. In Asia, that for ASEAN4 deteriorated greatly.

The number of employees (as of the end of June 2005) continued to increase, up by 6.0% compared to the same quarter of the previous year.

The number of employees continued to increase in Asia. The number of employees increased sharply in China, in particular, by 11.0%, and in ASEAN4 by 5.0%, while it decreased slightly in NIEs3 by 0.3%. The number of employees increased in Europe by 4.1%, but decreased in North America by 1.5%.

- (1) The Employment Current Assessment DI for the July – September quarter of 2005 was 9.7 percentage points, declining slightly, by 1.3 points compared to that for the previous quarter (April – June, 2005).

The Employment Prospects DI for the October – December quarter of 2005 was 4.9 percentage points, which was 4.8 points lower than the Current Assessment DI for the current quarter (July – September, 2005) (see Table 3).

- The Prospects DI stood at 4.9 percentage points. In Asia, it was positive, at one-digit figures. Compared to the Current Assessment DI for the current quarter, the Prospects DI deteriorated in all regions. In particular, in North America, the Current Assessment DI worsened, and the Prospects DI was also expected to worsen sharply. In Europe and ASEAN4 as well, the Current Assessment DI worsened, and the Prospects DI was expected to fall as well.

- (2) The actual number of employees stood at 2.65 million as of the end of June 2005, up by 6.0% compared to the same quarter of the previous year (see Table 3).

- Employment continued to increase in Asia. In particular, employment in China increased by 11.0%, due to double-digit growth in the transportation equipment and electrical machinery sectors. Employment in ASEAN4 also increased, up by 5.0%, while that in NIEs3 decreased slightly by 0.3%, due to a decrease in the electrical machinery sector. Employment in Europe increased by 4.1%, due to double-digit growth in the transportation equipment sector for the first time in two quarters. Meanwhile, employment in North America registered a marginal decrease of 1.5%, due to a decrease in the electrical machinery sector for the fourteenth consecutive quarter.

Table 3 Employment Numbers DI and Actual Result (by Region and Main Industries)

Unit (comparison to same quarter of previos year:%, comparison to the previous year:percentage points)

	DI					Actual (comparison to corresponding period of previous year)
	Survey of previos term		Survey of present term		comparison to the previous quaeter	
	Current Assessment (April.- Jun.)	Current Assessment (Jul.-Sep. 2005)	Prospect (Oct.-Dec. 2005)	Current Assessment (-)	Prospect (-)	
Total	11.0	9.7	4.9	(-1.3)	-4.8	6.0
North America	10.4	7.2	-0.7	(-3.2)	-7.9	-1.5
Asia	12.1	12.3	8.0	(0.2)	-4.3	7.6
ASEAN4	13.3	12.8	6.5	(-0.5)	-6.3	5.0
NIEs3	-0.4	0.8	-2.3	(1.2)	-3.1	-0.3
China(including Hong Kong)	15.2	15.3	12.9	(0.1)	-2.4	11.0
Europe	5.7	0.7	-1.9	(-5.0)	-2.6	4.1
	Survey of previos term		Survey of present term		comparison to the previous quaeter	Actual (comparison to corresponding period of previous year)
	Current Assessment (April.- Jun.)	Current Assessment (Jul.-Sep. 2005)	Prospect (Oct.-Dec. 2005)	Current Assessment (-)	Prospect (-)	
Transportation equipment	16.4	16.3	12.3	(-0.1)	-4.0	
Electrical machinery	8.5	7.5	2.9	(-1.0)	-4.6	2.6
Industrial machinery	16.1	14.1	6.6	(-2.0)	-7.5	9.1
Chemicals	8.8	8.4	5.5	(-0.4)	-2.9	3.7
Iron and Steel	14.8	1.4	3.0	(-13.4)	1.6	1.3