

VIEWPOINT

Proper Housing for an Affluent Japan

There is an old Oriental saying that, literally translated, goes something like this: "Adequately fed and clothed, one learns propriety" (*I-shoku tarite, reishetsu o shiru*). The idea is that people should be expected to behave properly once their basic needs have been met. Sad to say, there is a serious lack of propriety in today's Japan. On what seems like a daily basis we learn of serious transgressions by companies, politicians, and ordinary individuals. This is in a country that after World War II achieved what was termed "miraculous" economic development and where people now enjoy a considerable degree of affluence.

In terms of clothing, shops selling luxury designer brands are booming, and the streets are full of well-outfitted people. And when it comes to eating, we have numerous world-class restaurants vying for our custom, and the food halls of department stores, which have recently been booming also, present an overwhelming array of appealing, top-quality items. At home, meanwhile, television viewers are treated to a variety of cooking and other food-related programs. All this food is in fact making us feel rather sated.

So in terms of food and clothing, we Japanese now enjoy a level of affluence that is high even by international standards. The only area of everyday life where we are still lacking is in housing. To be sure, the situation has improved considerably from the days when Japanese living quarters were sarcastically likened to rabbit hutches. Nowadays high-quality residences are in good supply, and spacious condominiums are snapped up as soon as they go on sale, despite price tags in the hundreds of millions of yen.

But there is still considerable room for improvement in housing for ordinary people. Though the quality of new homes has improved, a major problem particularly in the Tokyo area is the lack of space. Living in cramped quarters, many people are probably refraining from buying new things that they would like because they simply have no place to put them. I believe this is one factor behind the ongoing sluggishness of consumer spending.

In the United States, meanwhile, consumption has continued to expand at a strong clip, despite fears that the plunge in stock prices would produce a negative wealth effect,

causing consumers to rein in their spending. A major factor at work here is that real estate prices have continued to rise, producing a positive wealth effect offsetting the stock market bust. "So what if stocks are down? My house is still gaining value," seems to be the idea in many people's minds. Some observers have been expressing concern that this is a speculative bubble, but meanwhile, with interest rates down to historically low levels, many American householders have been taking advantage of the increased

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value of their homes to take out new mortgages or to refinance their existing ones, and they have been using the money from this borrowing to pay for increased consumption. According to one estimate, out of the 2.5% rise in real consumption expenditures in 2001, 1.2%, or roughly half, was due to the wealth effect of rising home values.

In Japan's case, while land has value as an asset, houses generally do not. Though the market for existing homes has begun to develop on a limited basis, usually when a piece of residential property is sold the existing house is torn down, mean-

ing that the cost of clearing the structure away actually detracts from the value of the property. In the United States, by contrast, most of the value of residential property is in the building, not the land. So home improvements serve to increase property value. It is clear that the presence of a well-developed market for existing homes contributes greatly to the stabilization of personal assets.

Japan is now in its third year of deflation. The government has been taking steps to counter this trend, but nothing it has done so far seems to have produced much of an effect. The housing sector, including its

various supporting industries, has tremendous breadth, and as we see from the American example, positive developments in this sector can be highly effective in boosting consumption and stimulating the economy as a whole. Back in the 1960s the Japanese government adopted a successful Income-Doubling Plan; what I would propose at this juncture is a "Housing-Space-Doubling Plan." We should strive to create a society with prosperity by achieving balanced improvement on all three fronts of food, clothing, and housing.

■ *Akio Okawara, October 11, 2002*

REPORT

Report Card on Japanese Agriculture (1)

Agriculture, especially the wet-rice cultivation introduced some 2,500 years ago, has been at the heart of the Japanese people's survival and history. Of course it remains an important industry, providing as it does the food that sustains life, despite the rapid growth of high-tech industries. This month's report reviews the present state of Japanese agriculture and how it got that way.

Declining food self-sufficiency

Recently the safety of imported foodstuffs has become an issue, sparked by such problems as the detection of BSE (bovine spongiform encephalopathy) in dairy cattle given imported feed and high levels of residual pesticides in imported vegetables. Let us begin, then, by looking at Japan's food self-sufficiency.

The Ministry of Agriculture, Forestry, and Fisheries computes the food self-sufficiency ratio in terms

of the proportion of the domestic food supply (measured by caloric intake) relative to the total national demand for food. The ratio has been declining steadily since 1965, when it was 73%, falling to 40% in 2001. The biggest change has been seen in rice. In fiscal 1965 rice accounted for 44% of total caloric intake and there was 100% self-sufficiency, whereas in fiscal 2000 it accounted for only 24% of total caloric intake and self-sufficiency declined to 95%. Meanwhile, over the same period the proportion of total caloric intake provided by livestock products more than doubled, rising from 6% to 15%, while the self-sufficiency ratio fell from 92% to 66%; the drop is still more dramatic—from 47% to 17%—if the use of imported livestock feed is subtracted. The proportion of total caloric intake from oils and fats rose more or less in tandem with that from livestock products, and the self-sufficiency ratio

plummeted from 33% to 5%. The self-sufficiency ratio for wheat also dropped, falling from 28% to 10%.

The Japanese diet diversified enormously over this 35-year period. The traditional diet, rice supplemented by vegetables and fish, became just one of many options. As a result consumption of rice, for which self-sufficiency was possible, diminished, while consumption of livestock products and oils and fats, which necessitated the import of large amounts of livestock feed (wheat, corn, and so on) and raw materials for oils and fats (soybeans, rapeseed, and so on), increased. This shift was the major factor behind the decline in food self-sufficiency. It is also true that Japanese agriculture was unable to meet the changing needs of consumers and the food industry in terms of quality and price.

How do these trends compare with those in other industrialized countries? The worldwide food cri-

Food Self-sufficiency Ratios in Major Industrialized Countries

| (%) | 1970 | 1980 | 1990 | 1999 |
|---------------|------|------|------|------|
| Japan | 60 | 53 | 48 | 40 |
| Britain | 46 | 66 | 75 | 71 |
| Germany | 68 | 75 | 92 | 97 |
| France | 104 | 131 | 142 | 136 |
| United States | 112 | 151 | 129 | 136 |

Source: Ministry of Agriculture, Forestry, and Fisheries.

sis in 1973 put a sudden strain on the supply-demand situation with regard to grain, prompting the European Community (forerunner of the European Union) and the United States to promote policies to boost food production. As a result Britain and Germany, which like Japan had relatively low food self-sufficiency ratios in 1970, steadily improved their performance. Japan's National Diet also passed a resolution calling for raising the food self-sufficiency ratio. As the table shows, however, despite a policy shift from opening up agricultural markets to protecting food security the ratio continued to decline.

At around the same time the conditions surrounding rice production in Japan underwent a major change. Ever since the enactment of the Foodstuffs Control Law in 1942, during World War II, rice has been under state control. A system was set up whereby the government bought all the rice produced. Production, which had been insufficient when the system was put in place, rose steadily after the war, and from the bumper crop of 1955 onward it exceeded consumption. Meanwhile, consumption peaked in 1963 and declined thereafter. The result was huge stockpiles of rice sitting in warehouses. In 1970 the government inaugurated measures designed to reduce rice production, and the following year capped the amount that it would purchase. But because of ineffective diversification to other crops for

which demand had risen, the self-sufficiency ratio continued to fall.

The deteriorating position of agriculture

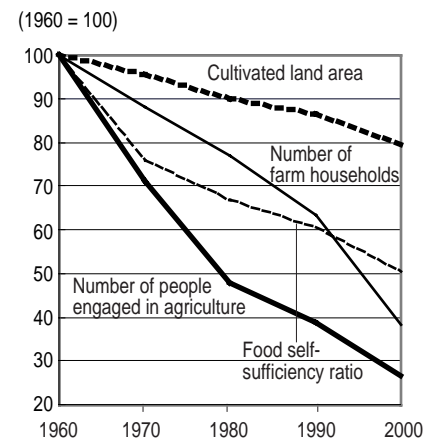
The share of agriculture, forestry, and fisheries in Japan's gross domestic product has also declined. This sector accounted for 13.8% of GDP in 1960 but only 1.5% in 2000. The figure shows the downward trend of Japanese agriculture over these 40 years. In 1960 there were 6.06 million farm households, with an agricultural population of 14.54 million. In 2000 the figures were 2.34 million and 3.89 million, respectively, only 30%–40% of the 1960 levels. During the same period the area of land under cultivation shrank by about 20%, from 6.07 million hectares to 4.83 million hectares.

This reduction in the agricultural population and in land under cultivation came about because as manufacturing and service industries expanded during and after Japan's period of rapid growth they siphoned off rural labor; and as the urban population swelled surrounding rural areas were urbanized and farmland was converted into residential and commercial or industrial sites, while an increasing number of farmers began combining agricultural with nonagricultural work or left the sector altogether.

Agriculture, forestry, and fisheries accounted for 5.1% of all people engaged in industry in 2000, a higher percentage than in other major industrialized countries, such as Britain (1.5%), France (4.7%), Germany (2.7%), and the United States (2.6%). But the per capita area of cultivated land was much lower in Japan: 1.6 hectares in 1998–99, compared with 11.9 hectares in Britain, 19.6 in France, 11.1 in Germany, and 58.2 in the United States.

The composition of Japanese

Changes in Japanese Agriculture



Sources: Ministry of Agriculture, Forestry, and Fisheries, etc.

farm households has changed a great deal, too. In 1970, 16% of farm households gained all their income from agriculture, while 34% depended on agriculture for more than half their income and 50% depended on it for less than half. In 2000 the equivalent figures were 18%, 15%, and 67%. In short, the proportion of farm households depending on agriculture for all or the greater part of their income shrank from half to a third. The farming population also aged dramatically over the same period. While only 27% of people engaged in agriculture were 60 or older in 1970, 66% were 60 or older in 2000. These two major changes raise serious questions about the future stability and continuity of agricultural production.

Since fiscal 1990, when the number of new entrants to agriculture bottomed out at 16,000, the trend has been upward, with 77,000 new entrants in fiscal 2000, though the Agriculture Ministry regards this level as still inadequate. Agricultural administration faces many challenges, including that of attracting new entrants. Next month we will examine Japanese agriculture in the light of administration and international relations.

■ Takaya Mitamura, October 9, 2002

INTERNATIONAL AFFAIRS

This section takes a look at major topics on the international scene, offering an outline of developments together with highlights of media commentary and reports from research institutes.

Postelection Germany's pile of problems

In Germany's September 22 general election, the coalition of the Social Democratic Party (SPD) and the Greens, headed by incumbent Chancellor Gerhard Schröder, emerged with a narrow majority in what was a very close vote. Until about two months before the election, the conservative Christian Democratic Union of Germany/Christian Social Union (CDU/CSU) headed by Bavarian Premier Edmund Stoiber was holding on to a strong lead in the polls. Four years before, in the election in which Schröder ousted 16-year Chancellor Helmut Kohl from power, he promised to reduce Germany's bloated unemployment figure from 4 million to 3.5 million, but as of this August joblessness was back up close to the 4 million mark. With Stoiber hounding him on this point, Chancellor Schröder was expected to have a rough time in the September election. But his support ratings picked up sharply thanks to favorable assessments of his skillful handling of the floods that struck eastern Germany in August. And he strengthened the solidarity of the strongly antiwar left wing by departing from Germany's traditional acquiescence in American policy and coming out clearly against President George W. Bush's idea of an attack on Iraq.

As a major British think tank has observed, Schröder's administration

must tackle such problems as pulling down the stubbornly high unemployment rate and getting the sluggish German economy moving with an overhaul of the overly generous social security system, including health care and pension reform. This will require the exercise of strong political leadership, but the ruling coalition has a majority only in the lower house of the national legislature, with the conservatives in control of the upper house. So Schröder is likely to face tough going in the period ahead.

The *Financial Times*, in an editorial on September 24, urged Schröder not to interpret his narrow victory as a "mandate for further drift." As the paper had declared a day before, though the closeness of the outcome (with the SPD and CDU/CSU both having won 38.5% of the vote) may be seen as an expression of Germans' chronic aversion to change, their government must undertake fundamental reform of domestic systems so as to restore the vigor befitting Europe's leading economy.

The *Economist*, meanwhile, noted the strain in U.S.-German relations resulting from Schröder's opposition to a U.S.-led attack on Iraq. As it reported in its September 28 issue, Bush refrained from sending the re-elected chancellor the customary congratulations, and Defense Secretary Donald Rumsfeld snubbed his German counterpart at a post-election meeting of the North Atlantic Treaty Organization in Warsaw.

Germany's economy is in serious trouble, but under the European Union's stability and growth pact the government is constrained from using fiscal policy to stimulate it; despite the downturn the authorities are

now moving toward adoption of tax hikes to trim the budget deficit. And stock prices have declined much more sharply in Germany than in any other major industrial nation; total market capitalization of the Neuer Markt, the Frankfurt-based stock market where high-tech issues are congregated, is down by a whopping 95% from the peak reached in 2000, and the market is slated to be closed at the end of next year. People are beginning to suggest that Germany is catching the "Japanese disease." Schröder has successfully climbed the election trail, but having done so he now faces a big pile of problems that he must try to clear away.

A bold stroke by the Bank of Japan

Amidst the continuing woes of the Japanese economy, the Bank of Japan last month reached a decision to purchase shares from commercial banks. For years observers have been noting the potentially destabilizing impact of banks' ownership of massive amounts of stocks, and under a law that went into effect this January, banks are required to reduce their total stock portfolios to no more than the value of their own tier-1 capital by the end of September 2004. But this means that they must put about ¥8 trillion worth of shares onto the market before then. This selling pressure has been pushing stock prices down, leading to a vicious circle in which the banks get weaker and stock prices fall further.

The BOJ's move is aimed at halting this downward spiral, but unsurprisingly foreign commentators have taken a harsh view of it. In an editorial on September 19, the *Financial Times* acknowledged that the

critical situation calls for bold, unorthodox measures but warned that since it was unclear who would decide what stocks to buy and when to sell them, this lack of transparency could allow the BOJ to become involved in market-rigging maneuvers. The paper declared that the proper course for Japan's financial authorities is to secure proper disclosure of the total amount of banks' nonperforming loans, to systematically force banks to liquidate these loans, and to be prepared if necessary to nationalize failed banks, replace their existing managements, and dispose of bad loans themselves.

The *Wall Street Journal* on the same day expressed surprise at BOJ Governor Masaru Hayami's sharp change of policy and declared that "if banks and their borrowers aren't

prodded to move faster to clean up their balance sheets and boost profits, the Bank of Japan's plan could become the latest in a string of Band-Aid remedies the country has applied to its problems." It also warned that the plan could backfire, damaging the BOJ's own balance sheet and jeopardizing its autonomy.

In the view of a British think tank, the BOJ's move is likely to have only a limited effect on stock prices, given that the scale of the purchases is expected to be in the range of ¥1 trillion to ¥4 trillion; assuming a figure of ¥3 trillion, this would only amount to about 1% of the total market capitalization of the Tokyo Stock Exchange.

With banks continuing to make little headway in getting rid of their nonperforming loans, land and real

estate prices are also still declining. And the index of prices on the TSE has hit a 20-year low (as of October 9). In the reshuffle of his cabinet last month, Prime Minister Jun'ichiro Koizumi in effect fired Financial Services Minister Hakuo Yanagisawa and named Economic and Fiscal Policy Minister Heizo Takenaka to double as Yanagisawa's replacement. Japan's ability to recover the dynamism matching its position as an economic superpower with the world's second largest gross domestic product hangs on resolution of the problems in the banking sector. Not just Japan but the whole world will be closely watching Takenaka's moves.

■ *Tsuyoshi Ike, October 9, 2002*

INSIDE WASHINGTON

Wineries Around Washington

The United States is now one of the world's leading wine producers. In 1999 it ranked fourth in the volume of wine produced, after France, Italy, and Spain, and third in the amount consumed, following France and Italy. In per capita consumption, however, America ranked only thirty-fourth, with a mere 7.6 liters, compared with 60 liters or so in France and Italy.

Over 90% of American wine is produced in California, but recently other states have established vigorous wine industries. Virginia, next door to Washington, D.C., is one of them. Grapevine cultivation is said to date back to the early seventeenth century, when the first colony was established at Jamestown in today's Virginia. There are records of vintners and seedlings

being brought over from France and of a law requiring each resident to plant at least 10 grapevines, indicating just how keen the settlers were. This early experiment was short lived, however; the soil and climate of Virginia did not suit the French vines, which soon succumbed to disease and other misfortunes. Later Thomas Jefferson (1743–1826), a Virginian who became the third president of the United States, studied French cuisine and winemaking when in France in the 1780s and worked hard to revive winemaking in Virginia.

In the nineteenth century European and American grape varieties were crossed to produce varieties suited to Virginia's soil and climate, but first the Civil War and then Prohibition militated against the estab-

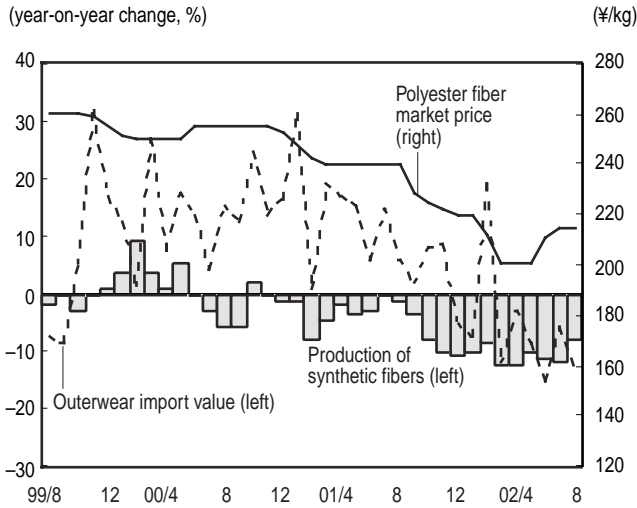
lishment of a viable industry. Now, however, nearly 400 years after the first attempt, the efforts over the centuries are finally paying off. Fifteen years ago there were only 29 wineries in Virginia, but today there are 70, including many in the vicinity of Jefferson's homestead, Monticello. Wineries are also proliferating in Maryland, directly north of Virginia.

Most of Virginia's wineries are within an easy drive of Washington. They are open to the public and offer wine tasting. As autumn sets in, Washingtonians like to combine an excursion to view the Shenandoah Valley's glorious fall foliage with a visit to a winery or two.

■ *Kunio Tsurumi, Washington
October 9, 2002*

JAPANESE INDUSTRY

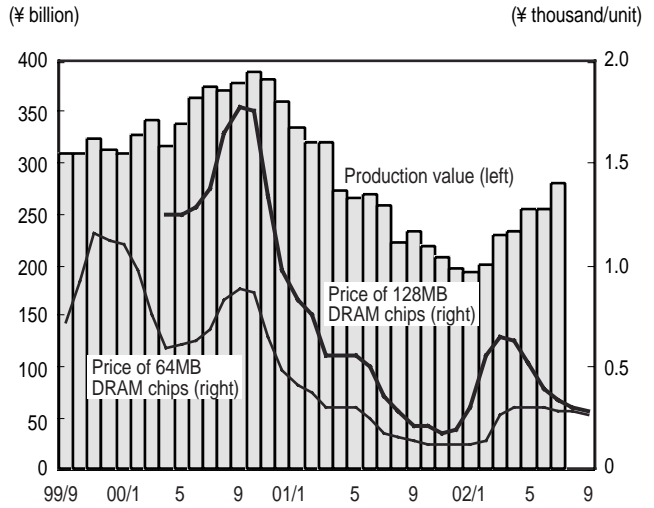
TEXTILES



Sources: Economy, Trade, and Industry Statistics Association, etc.

Production of synthetic fibers in August was down 8% year on year, reflecting drops in all four major types of fibers. Inventories of all four fell for the fifth month in a row; the total was off 18%. But Asian demand for acrylics has been strong, allowing manufacturers to make price hikes stick for the first time in about two years.

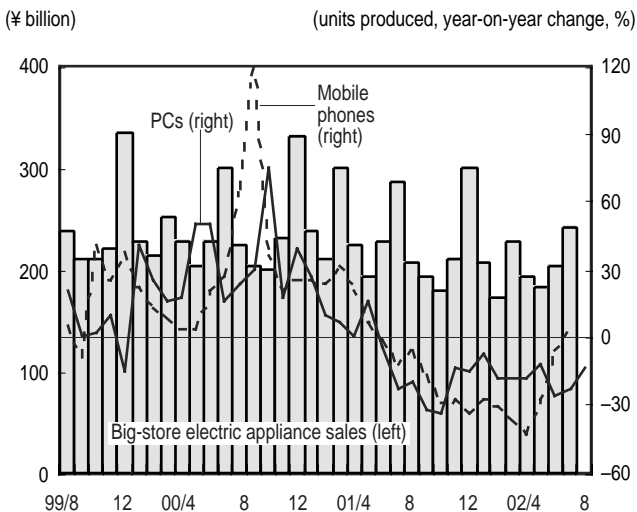
SEMICONDUCTORS



Sources: Research Institute of Economy, Trade, and Industry, etc.

Given strong expectations that supply of DRAM chips will outpace demand, prices have kept falling even at the height of the procurement period for parts to use in products for the year-end sales drive. Domestic chipmakers are now staking the survival of their DRAM operations on a plan to concentrate them in a single company.

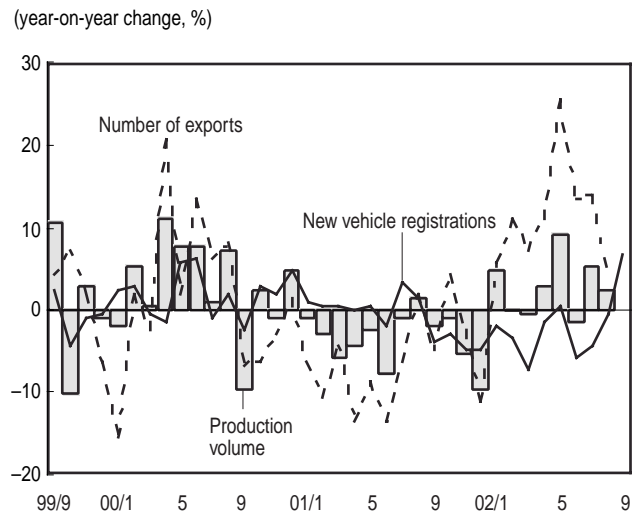
ELECTRIC & ELECTRONIC PRODUCTS



Sources: Nippon Electric Big Stores Association; Research Institute of Economy, Trade, and Industry.

Electric appliance sales had their first year-on-year gain in 17 months in August, rising 1.1%. The hot summer helped move seasonal items like refrigerators and air conditioners. Computer production volume was off, but the margin of the drop contracted to 12.8%.

AUTOMOBILES



Sources: Japan Automobile Manufacturers Association, etc.

Sales of vehicles increased 6.5% year on year in September, the first rise in 13 months. August exports were up 4.1%; Asian demand continued to be strong, but U.S.-bound exports were off for the first time in eight months.

■ Kanji Ishitsuka and Etsuko Toyama, October 7, 2002

WORLD ECONOMY

In its September 2002 *World Economic Outlook*, the International Monetary Fund found the recoveries in major Western economies lagging and Latin American economies doing poorly, but the pace of recovery in Asia exceeded its earlier expectations; aggregating these results, it came out with a forecast for worldwide economic growth this year unchanged from the 2.8% figure that it predicted in its spring outlook (Table 1). The IMF's projected figure for global growth next year was 0.3 point lower than in the previous outlook, reflecting the impact of the delayed recovery in the developed economies.

Table 1. Economic Growth Outlook

| (%) | 2000 | 2001 | 2002 | 2003 |
|---------------|------|------|------|------|
| World | 4.7 | 2.2 | 2.8 | 3.7 |
| Japan | 2.4 | -0.3 | -0.5 | 1.1 |
| United States | 3.8 | 0.3 | 2.2 | 2.6 |
| EU | 3.5 | 1.6 | 1.1 | 2.3 |
| Asian NIEs | 8.5 | 0.8 | 4.7 | 4.9 |
| Asia | 6.7 | 5.6 | 6.1 | 6.3 |
| China | 8.0 | 7.3 | 7.5 | 7.2 |
| ASEAN 4 | 5.1 | 2.6 | 3.6 | 4.2 |
| Middle East | 6.1 | 1.5 | 3.6 | 4.7 |
| Latin America | 4.0 | 0.6 | -0.6 | 3.0 |
| Africa | 3.0 | 3.5 | 3.1 | 4.2 |
| Russia | 9.0 | 5.0 | 4.4 | 4.9 |

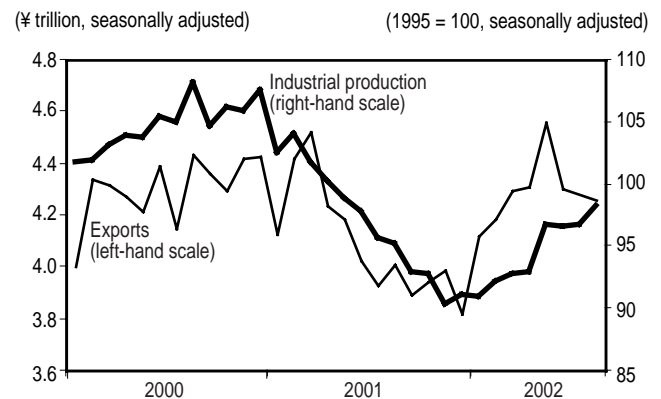
Source: International Monetary Fund, *World Economic Outlook*, September 2002. Notes: The Asian NIEs, or newly industrialized economies, are Hong Kong, Singapore, South Korea, and Taiwan. The ASEAN 4 (members of the Association of Southeast Asian Nations) are Indonesia, Malaysia, the Philippines, and Thailand.

Japan

A gradual recovery has been continuing in **Japan**, but exports, whose growth had been leading the recovery, have fallen off (see the figure). A number of unsettling factors are clouding the prospects for the period ahead, including the potential decline in steel exports to China due to that country's imposition of import safeguards against Japan and the downward adjustment of the outlook for both domestic and international demand in the information-technology field.

Industrial production has continued to follow an upward trend, particularly in such industries as steel, transportation equipment, and electrical machinery; the figure for August was up 1.6% from July. The Bank of Japan's September *tankan* report on short-term business sentiment showed an ongoing upturn in business confidence accompanying the recovery in production

Industrial Production and Exports, Japan



Sources: Ministry of Economy, Trade, and Industry; Ministry of Finance.

activity. Consumer spending still lacks vigor, but it has been continuing to rise gradually. Auto sales results have been mixed since the beginning of the year as companies move to introduce new models.

Following the prime minister's reshuffling of his cabinet late in September, stock prices continued their fall, generating pressure on policymakers to undertake more sweeping measures to improve the state of the economy.

Americas

Industrial production in the **United States** was down for the first time in eight months in August. The capacity utilization ratio and capital goods orders have continued their recovery trend, but the pace of improvement has slowed. The downturn in business sentiment has led to a delay in improvement in the employment situation.

Household sector demand has stayed strong, both in consumer spending and in residential investment. But the ongoing decline in the index of consumer confidence and the fact that debt repayments have risen to a high level as a percentage of disposable income have been causing some to express worries about future prospects.

Reflecting the relative strength of the U.S. economy, the country's current account deficit in April–June reached a record high of \$129.9 billion. Meanwhile, however, the flow of direct investment from Europe to the United States that was the main cause of the appreciation of the dollar against the euro over the past couple of years has been losing momentum.

Europe

The IMF now assesses the economic recovery in Europe so far as having been slower than it judged in its spring outlook. For the period ahead, though the prospects for export-led growth are questionable, the IMF expects a self-sustaining upturn to start from the second half of this year.

Industrial production in the European Union shifted to positive growth in January–March, but in April–June it was basically flat, and in July it was down 0.2% from the previous month. Retail sales volume has continued to rise gradually. Economic sentiment, however, has kept deteriorating, and Europe's stock markets have been registering sharp drops. By comparison with this year's highs, the rate of decline in stock prices has been especially large in Germany and other continental countries (Table 2).

The inflation rate in the euro area reached 2.2% year on year in September, topping the European Central Bank's inflation target (2.0%).

Asia and Oceania

The recovery of exports and production in the electronics sector has been leading Asian economies forward. But doubts are now beginning to be expressed about whether export-led expansion can be sustained in the period to come. Causes for concern include the fact that final demand in the United States has turned weaker than previously anticipated, along with the petering out of the restocking that had been taking place in reaction to last year's sharp trimming of inventories.

South Korea recorded year-on-year export growth of 16.7% in July–September. The pace of expansion in export-related production has accordingly picked up, reaching 12.7% in August; growth has been especially strong in semiconductors and computers.

Exports have also been expanding at a rapid clip in **Taiwan**, where export orders were up 13.9% from a year before in August. Though the performance of the construction sector continued to be sluggish, industrial

Table 2. Major Stock Price Indexes

| | 2002 high | Oct. 7 | Change |
|-----------------------|------------------|--------|--------|
| DJIA (United States) | 10,635 (Mar. 19) | 7,423 | -30% |
| Nikkei 225 (Japan) | 11,980 (May 23) | 8,688 | -27% |
| FT 100 (Britain) | 5,324 (Jan. 4) | 3,781 | -29% |
| DAX (Germany) | 5,463 (Mar. 19) | 2,667 | -51% |
| CAC 40 (France) | 4,688 (Mar. 28) | 2,734 | -42% |
| Hang Seng (Hong Kong) | 11,975 (May 17) | 8,931 | -25% |

Sources: *Financial Times*, etc.

production as a whole was up 5.9% in the same month.

Singapore too has been enjoying an ongoing recovery in production thanks to a pickup in external demand. And retail sales were up 1.7% year on year in July, marking their first gain in nine months.

In **Hong Kong**, meanwhile, domestic demand has been lagging, with retail sales down 4.2% year on year in August. The combination of weak demand and the government's lowering of utility rates has caused deflation to continue; consumer prices in August fell 3.3% from a year before.

The year-on-year growth rate for April–June in **Thailand** was 5.1%, reflecting expansion in construction outlays, consumer spending, and exports. Thanks to the steady recovery in the first half of the year, the government upgraded its outlook for this year's growth rate to 4.0%–4.5%.

Domestic demand continues to expand strongly in **China**. Investment in fixed assets (state-owned) surged 24.2% year on year in the first eight months of 2002. Investment from abroad is also running strong, and overall investment levels are expected to maintain their upward momentum. Consumer spending has been expanding rapidly too; the figure for total retail sales in August was up 8.8% from a year before.

In **Australia**, partly because of the tightening of monetary policy in May and June, the growth of retail sales was relatively restrained in July and August. But the housing market shows signs of overheating, and observers are watching to see what the monetary authorities will do next.

■ *Fumio Oi, October 8, 2002*

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