

Tokai Region Helps Drive the Japanese Economy

Japanese Economy Division

The Tokai region (Fig.1) of Japan has been growing steadily since early in 2005. According to statistics released by the Chubu Bureau of Economy, Trade and Industry on October 12, the industrial production index (2000 = 100) of the Tokai region in August was up 4.0% year on year to 108.9 (Fig. 2). The figures showed even more clearly that the region¹ has been helping to drive the Japanese economy.

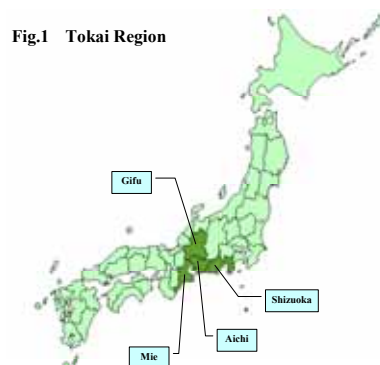


Fig.1 Tokai Region

Growth is brisk in the transport equipment category, with automobiles leading the way. Strong demand from the North American auto market is supplementing firm demand in the domestic market. In auto-related general machinery industries, domestic and overseas orders for metalworking machine tools are running at high levels. Transport equipment and general machinery are among the leading exports from the Port of Nagoya, which ranks second only to Narita Airport (near Tokyo) in export cargo value. Though exports had been slumping somewhat, they rebounded in August on the strength of strong performance in these two categories (Fig.3).

Companies in the Tokai region are in an upbeat mood. According to the monthly *Economy Watchers Survey*, business sentiment turned decidedly better in September, when the survey's diffusion index rose to 57.2, up from 52.3 a month earlier and far above the 51.7 nationwide index. The Tokai index has been well over the boom-or-bust line of 50 for six straight months. Better yet, sentiment regarding the next few months stood at 54.3, suggesting that the region will continue to prosper, and fuel growth in the Japanese economy .

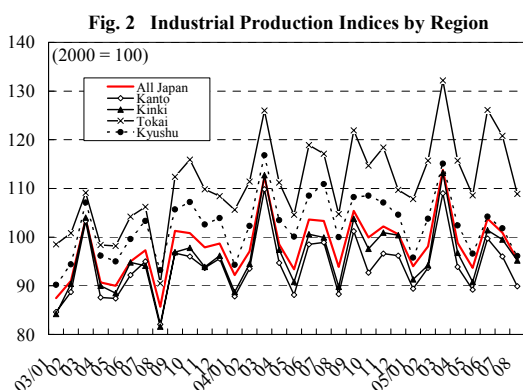


Fig. 2 Industrial Production Indices by Region
(2000 = 100)

Notes: 1. The data covers Aichi, Gifu and Mie prefectures only.
2. The indices are unadjusted.
Source: Ministry of Economy, Trade, and Industry.

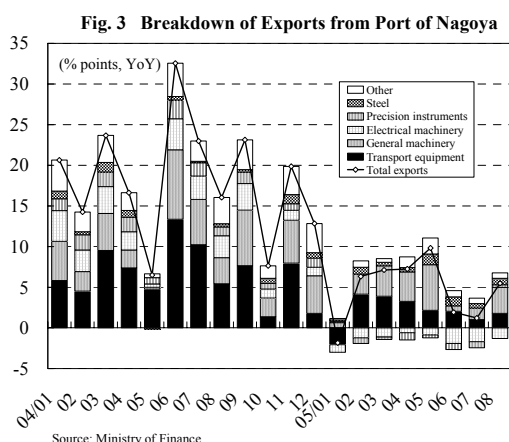


Fig. 3 Breakdown of Exports from Port of Nagoya

Source: Ministry of Finance.

¹ Although the Tokai region officially includes the prefectures of Aichi, Gifu, Mie and Shizuoka, these statistics cover only Aichi, Gifu and Mie.