

Economy Watchers Survey

April 2003

OVERVIEW OF THE MONTH

The DI for current economic conditions in April fell 2.6 points from the previous month to 38.7, as the household activity-related DI, the corporate activity-related DI and the employment-related DI all declined. As a result, the DI for current economic conditions posted the first decline in three months.

The relatively large decline of the household activity-related DI was mainly due to sluggish retail sales caused by bad weather especially on weekends, a decrease in sales of automobiles in reaction to the last-minute purchases in response to taxation changes, and a decrease in the number of tourists due to SARS fears.

The DI for future economic conditions in April rose 3.3 points from the previous month to 41.9.

The DI for future economic conditions rose as the war in Iraq came to an end, although concerns about the effects of SARS is spreading in the tourist- and overseas trade-related industries.

Although concerns about the effects of the Iraq situation have been almost wiped out, concerns about the impact of SARS remain. On the whole, the assessments of the Economy Watchers show that the economy is at a standstill, as the DI for current economic conditions has declined and the DI for future economic conditions has risen.

Released on 13 May 2003 (in Japanese)
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**SUMMARY OF CHARACTERISTIC REASONS FOR THE
ASSESSMENT OF THE ECONOMY**

(Assessments) **A**: Better, **B**: Slightly better, **C**: Unchanged, **D**: Slightly worse, **E**: Worse

1. Current conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> • DVD sales as a whole more than doubled from the previous year thanks to brisk sales of recordable DVDs, which have a high unit price. Sales of digital cameras also continued to increase, along with printers. (Hokuriku:Electrical appliance retailer)
C	<ul style="list-style-type: none"> • Although people are refraining from traveling abroad especially to Asia due to the Iraq problem and SARS, about 20% of those who had planned to travel abroad shifted to domestic travel. (Tohoku:Travel agent) • People continue to purchase only the items that are really essential. They keep to tight budgets and are price-conscious. They don't buy expensive books and instead use libraries. (Shikoku:High street shop [Books])
D	<ul style="list-style-type: none"> • The number of tourists from abroad is decreasing sharply due to the effect of SARS. (Hokkaido:Sightseeing spot) • Sales swayed this month due to bad weather, especially on Saturdays and Sundays. (Tohoku:Department store) • Sales earlier this month are far below the target in reaction to the last-minute purchases seen in the previous month ahead of a tax hike. (Tokai:Automobile dealer) • The number of visitors, both individuals and groups, is not increasing due to bad weather on holidays. (Chugoku:Theme park)
E	<ul style="list-style-type: none"> • The number of customers especially those related to the public sector and construction works to restaurant districts was small due to nationwide local elections. (Hokkaido:Snack bar)
<i>Corporate activity</i>	
C	<ul style="list-style-type: none"> • Inquiries about how to use old sewing machines are on the rise, suggesting that the number of customers purchasing secondhand machines from closed down factories is increasing. (Tokai:Electric machinery manufacturer)
D	<ul style="list-style-type: none"> • Orders for mobile phone parts remain brisk. Concerning autoparts, sales at some of our trading partners are slowing down. (Tohoku:General machinery manufacturer)
E	<ul style="list-style-type: none"> • Orders received for aircraft parts have decreased by about 30% due to the effects of the war in Iraq and SARS. (Kinki:General machinery manufacturer)
<i>Employment</i>	
B	<ul style="list-style-type: none"> • Business has been improving slightly, as high-tech optical product makers increased the number of employees from late last fiscal year to early this fiscal year. (Tohoku:Temporary manpower company)
C	<ul style="list-style-type: none"> • The number of job offers has been increasing slightly since May of last year, but the ratio of those for contract work and temporary manpower is still conspicuously high, indicating that there is still a mismatch of employers' needs and those of job seekers. Of the new job seekers, the percentage of those who do not have jobs hit an all-time high. (Kinki:Job placement office) • The number of corporations asking for advice on reorganizing their personnel management system has been increasing among corporations I visit to prepare job-opening information. In particular, cases of abolishing the seniority system have been increasing. (Chugoku:Private job placement firm)

2. Future conditions***Household activity***

B	<ul style="list-style-type: none"> Business will improve from current conditions, as a tax break on housing loans is expected to prompt last-minute demand and a new inheritance tax system is expected to spur latent demand. (Kinki:Other housing [Showroom]) People are refraining from traveling abroad due to SARS fears and instead visit nearby leisure facilities. (Chugoku:Pachinko parlor)
C	<ul style="list-style-type: none"> Dealers will run sales campaigns during the bonus payment season, but situations remain quite severe, as demand for compact cars is on the decrease. (Tokai:Automobile dealer) We had expected a shift in consumption to expensive items and imported products due to cancellation of plans to travel abroad, but the shift did not occur at least during the first half of Golden Week. The severe situation will continue for some time to come. (Kinki:Department store) Due to SARS fears, the number of visitors to Okinawa, who would have otherwise traveled abroad, is increasing temporarily. However, if the SARS problem continues it will deal a heavy blow to the tourist industry. (Okinawa:Tourist hotel)
D	<ul style="list-style-type: none"> If the effect of SARS spreads across China, it would cause a delay and shortage of Chinese-made fashion goods. Given the current consumption trend, even a slight shortage of goods will affect sales. (Tokai:Department store)

Corporate activity

C	<ul style="list-style-type: none"> Due to the spread of optical fiber cables and DSL, the move toward larger capacity, faster speed communication lines has been accelerated. But the business will not improve because price competition is also intensifying. (Southern Kanto:Telecom company)
D	<ul style="list-style-type: none"> Movements of semiconductor-related materials and automobile-related materials have slackened. (Chugoku:Iron & steel)
E	<ul style="list-style-type: none"> We are manufacturing light electric appliances, our core products, in China but it will become unable to import them due to the effect of SARS, and this will reduce the number of orders received. (Southern Kanto:General machinery manufacturer)

Employment

C	<ul style="list-style-type: none"> Jobs offered mainly by restaurants, temporary manpower companies, and outsourcing companies are increasing. (Tokai:Job information magazine publisher)
D	<ul style="list-style-type: none"> The impact of the Iraq situation and SARS on our clients in airline- and travel-related industries will increase. (Hokkaido:Temporary manpower company)