

Economy Watchers Survey

August 2003

OVERVIEW OF THE MONTH

The DI for current economic conditions in August rose 1.5 points from the previous month to 46.4, posting a rise for three consecutive months.

The household activity-related DI rose mainly due to a pick up in sales of autumn clothing and new home electric appliances, although sales of summer-season products, such as clothing and foods and beverages, were sluggish due to unseasonable weather. The corporate activity-related DI rose due to a pick up in non-manufacturing industries, and service industries in particular. The employment-related DI also rose due to a continued increase in job offers.

The DI for future economic conditions in August rose 2.1 points from the previous month to 48.9, posting a rise for the fifth consecutive month.

The DI for future economic conditions rose on expectations of positive impacts from new products, such as automobiles and home electric appliances, and of a recovery in the employment situation.

On the whole, the assessments of the Economy Watchers show that the economy continues to pick up gradually.

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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

Household activity

B	<ul style="list-style-type: none"> • Sales of high-priced items have begun to pick up, as can be seen from the 10% year-on-year increase in sales of high-priced watches. Business conditions have begun to pick up, albeit slowly. For instance, sales of men's clothing, which are said to be the last to pick up among consumption items, increased over a year earlier. (Southern Kanto: Department store) • Sales of large-screen plasma TVs and liquid-crystal TVs are increasing sharply, thanks partly to the effect of sales campaigns. They are contributing drastically to earnings, as their unit price is more than twice as high as that of cathod ray tube TVs. (Hokuriku: Electric appliance retailer) • Although sales of summer clothing are sluggish due to low temperatures, sales of autumn clothing show signs of picking up. Sales of high-priced clothing designed to take advantage of their materials are brisk and the average unit price of clothing purchased is on a rising trend. (Kinki: Department store)
D	<ul style="list-style-type: none"> • Fruits, vegetables, beverages, beer and summer gifts are not selling well due to the effect of abnormal weather conditions, especially in the first half of the month. Both the number of visitors and the number of items purchased have decreased. (Northern Kanto: Supermarket)

Corporate activity

A	<ul style="list-style-type: none"> • Reflecting a last-minute demand for housing ahead of a cut in housing loan tax breaks, sales of tiles, ceramics, sanitary earthenware, and their materials are brisk. (Tokai: Stone, clay & glass products)
B	<ul style="list-style-type: none"> • The telecom industry is picking up sharply. Broadband lines are increasing much faster than projected and plans to lay broadband lines are also increasing faster than projected. (Hokuriku: Communications)
C	<ul style="list-style-type: none"> • Due to a poor harvest of farm products and poor catch of marine products caused by low temperatures and a long spell of rainy weather, food producers are suffering from rising costs, such as a steep rise in raw material prices. (Hokkaido: Food manufacturer)
D	<ul style="list-style-type: none"> • The movement of major semiconductor manufacturers has slackened due to inventory adjustment. The movement of other manufacturers in the same industry is also said to have slackened since the beginning of August. (Kyushu: Electrical machinery equipment manufacturer)

Employment

B	<ul style="list-style-type: none"> • Job offers for salesmen and telemarketing divisions are on an increasing trend. This is a good trend as they are the types of jobs that would boost the sales capacity of companies. (Kyushu: Private employment agency)
C	<ul style="list-style-type: none"> • Although demand for dispatched temporary workers is stable or on a slight increasing trend, contracts are not concluded in many of the cases, as job offers are mainly for people with special qualifications, software-related specialists, or middle-aged persons or women for routine tasks, and there are almost no job offers for simple inputting work and general office work. Most of the dispatched workers are staying with their jobs for long perhaps due to the recession. (Northern Kanto: Temporary manpower company)

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| | <ul style="list-style-type: none"> The employment situation remains severe. On the surface, the employment situation looks to be improving, as job offers by restaurants and call center related firms are increasing. But the retention rate in these types of job is low and people who land such a job do not stay with the job for long. (Okinawa: Job information magazine publisher) |
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2. Future conditions

Household activity

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| B | <ul style="list-style-type: none"> We are counting on a last minute demand for personal computers ahead of the enforcement of the recycling law in October and new products to be launched in and after autumn, such as terrestrial digital flat TVs, DVDs with hard discs, and digital single lens reflex cameras. (Southern Kanto: Electric appliance retailer) The market as a whole will be revitalized as other companies launch fully remodelled cars one after another after September. (Tokai: Automobile dealer) Consumers' willingness to purchase high-priced items, such as jewelry, watches and imported brand products, is rising. Since purchases of high-priced items often leads to an increase in sales of general products at department stores, the expansionary trend will continue until the end of the year if sales of autumn clothing pick up. (Kinki: Department store) |
| C | <ul style="list-style-type: none"> The number of bookings by group visitors shows signs of increase towards the beginning of autumn in reaction to a decrease in the first half of this year caused by psychologically adverse effects of the SARS and the Iraq war. (Hokuriku: Theme park) |
| D | <ul style="list-style-type: none"> With demand prompted by housing loan tax breaks has disappeared and interest rates beginning to rise, housing demand will slow down. (Kyushu: Housing sale company) |

Corporate activity

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| B | <ul style="list-style-type: none"> Business will pick up, as export to and import from China have recovered from the adverse effect of the SARS and as the movement of materials for Christmas merchandise has begun to pick up. (Tohoku: Transportation) Banks have become positive about lending to small and medium-sized enterprises these days, turning from the very negative attitude before. With the backup by financial institutions appearing to have become positive, we are bullish about the future. (Kinki: Stone, clay & glass products) |
| C | <ul style="list-style-type: none"> Consumer sentiment still remains lacklustre due partly to the cold summer. The fact that food consumption, especially at restaurants, decreases during general elections is also a destabilizing factor. (Hokkaido: Food manufacturer) |

Employment

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| B | <ul style="list-style-type: none"> Job offers by the manufacturing industry, the main industry in our jurisdiction, are on a slight increasing trend as a whole. Job offers by other industries are also on an increasing trend, although they are shifting from direct employment to part timers and dispatched temporary workers. (Tokai: Job placement office) |
| C | <ul style="list-style-type: none"> Job offers-to-seekers ratio improved to 0.48, the first improvement in seven months. But, the improvement is due mainly to an increase in job offers for specific types of jobs, such as guardsmen, beauticians, and nurses. We do not see an overall improvement. (Shikoku: Job placement office) |