

Economy Watchers Survey

July 2003

OVERVIEW OF THE MONTH

The DI for current economic conditions in July rose 2.8 points from the previous month to 44.9.

The household activity-related DI rose mainly due to a pick up in sales of expensive goods and houses and a recovery in travel- and leisure-related activities thanks to the subsiding of SARS, although sales of seasonal goods were sluggish due to unseasonable weather. The corporate activity-related DI rose due to the brisk performance of manufacturing industries, such as automobile and IT-related industries. The employment-related DI also rose due to an increase in job offers, mainly for dispatched temporary workers and contract workers. As a result, the DI for current economic conditions posted a rise for two consecutive months.

The DI for future economic conditions in July rose 1.4 points from the previous month to 46.8.

The DI for future economic conditions rose for the fourth straight month on expectations of positive impacts from new products, such as automobiles, and of a recovery in export-related production and 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

<i>Household activity</i>	
A	<ul style="list-style-type: none"> Though business conditions were bad three months ago due to the effect of SARS, sales volume has been increasing since the beginning of the summer holidays. In particular, sales of domestic travel are brisk and expensive goods are selling relatively well. (Southern Kanto: Travel agent).
B	<ul style="list-style-type: none"> Compared to three months ago, sales volume is increasing. As for selling price, high-priced houses are selling faster. In July, houses priced 50~60 million yen were purchased. (Southern Kanto: Housing sale company) The unit price per purchase has been rising as people are buying high-priced diamonds and are inquiring about luxury watches as bequests. Purchases by men are not strong, but purchases by women are showing signs of picking up. (Kinki: Department store) With the SARS having subsided, the number of visitors is increasing compared to three months ago. The number of family guests is increasing. The number of customers to each restaurant has returned to the same level as before. (Kinki: City hotel)
C	<ul style="list-style-type: none"> Sales of both goods and foods/drinks are poor due to unseasonable weather and the decrease in the number of customers is serious. Bargain sales are poor except on the first day and sales during the bonus season are less than expected. On the other hand, sales of some luxury bags and high-class women's clothing are posting a decent increase, indicating the widening income disparity. (Tohoku: Shopping area) Sales of air conditioners and refrigerators are decreasing sharply compared to the previous year due to a long spell of rainy weather and low temperatures, more than offsetting a decent increase in sales of personal computers and digital home appliances. (Hokuriku: Electric appliance retailer)
D	<ul style="list-style-type: none"> Sales of beer, ice cream, and beverages are decreasing sharply due to low temperatures in July as compared with the same month of last year. Sales of cigarettes are also posting a sharp decrease due to a hike of the cigarette tax. (Chugoku: Convenience store)
<i>Corporate activity</i>	
A	<ul style="list-style-type: none"> Domestic sales remain steady, mainly sales of surveillance cameras. Overseas sales of CCD cameras are increasing in North America, Europe, and Asia. Sales in the U.S. and Canada show signs of picking up due to the end of the Iraq war. (Tokai: Electrical machinery equipment manufacturer)
C	<ul style="list-style-type: none"> Manufacturing industries are showing encouraging signs, with precision machinery and automobile parts manufacturers running in high gear. On the other hand, civil engineering and construction-related industries remain in difficult condition due to a decrease in public works, with some of them closing their businesses. (Northern Kanto: Financial)
D	<ul style="list-style-type: none"> Summer sales are lackluster due to a long spell of rainy weather in Honshu, where we have many trading partners. (Hokkaido: Food manufacturer)

Employment

B	<ul style="list-style-type: none"> • Demand for dispatched temporary workers is on an increasing trend in all types of industries. In particular, demand for temporary workers from automobile-related industries is increasing. (Tokai: Temporary manpower company) • Temporary manpower companies are getting busy, but the employment pattern is changing from full time to, for example, three days a week or four hours a day. As a result, though the volume of work remains unchanged, the number of workers required is increasing. (Kinki: Temporary manpower company)
C	<ul style="list-style-type: none"> • Although manufacturers of digital cameras and liquid crystal-related products have begun to increase employment, they have yet to employ regular workers. Although job offers are increasing, they are mostly for development-related workers up to 30 years old. The situations of middle-aged and elderly persons remain severe. Moves among smaller corporations to cut bonus payments drastically and lower wages have become conspicuous, with one of them announced layoffs of 300 workers. (Northern Kanto: Private employment agency)

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

B	<ul style="list-style-type: none"> • We are counting on sales of visual products, such as DVDs, terrestrial digital TVs, and liquid-crystal TVs and replacement demand for personal computers ahead of the enforcement of the recycling law. (Southern Kanto: Electric appliance retailer) • There will be motor shows and marketing of new models. (Tokai: Automobile dealer) • With overseas travel showing signs of a recovery, we expect a sales increase in and after autumn. (Okinawa: Travel agent)
D	<ul style="list-style-type: none"> • If Housing Loan Corporation rates are raised in September as scheduled, it is highly likely to put a considerable damper on sales at the time when the supply of new houses is expected to increase in autumn. (Kinki: Other housing [Information magazine])

Corporate activity

B	<ul style="list-style-type: none"> • Production of automotive-related materials remains steady, while production of electronics materials has begun to pick up slightly. An increase in the production of semiconductor-related materials, which is expected in and after September, will push overall production upward. (Chugoku: Steel)
C	<ul style="list-style-type: none"> • Production of both automobile-related parts and construction machinery-related parts will level off at high levels. (Northern Kanto: General machinery manufacturer)
D	<ul style="list-style-type: none"> • Orders for public works still remain small and the value per order is declining. With no increase in orders for private construction orders, we feel uneasy about the future. (Kyushu :Construction)

Employment

B	<ul style="list-style-type: none"> • Personnel cutbacks by corporations have calmed down, except in parts of the construction industry. Job offers by the manufacturing industry, which is the main industry in our jurisdiction, are on an increasing trend. Though moves to employ part timers and temporary workers instead of regular workers can be observed, labor market condition is moving toward improvement. (Tokai: Job placement office)
C	<ul style="list-style-type: none"> • Though job offers by contractors of the manufacturing industry and the service industry increased, it does not lead to an improvement of the employment situation in our jurisdiction, as many of them are for work at places outside of our jurisdiction or prefecture. (Tohoku: Job placement office)