

Economy Watchers Survey

June 2003

OVERVIEW OF THE MONTH

The DI for current economic conditions in June rose 3.7 points from the previous month to 42.1.

The household activity-related DI rose mainly due to a pick up in travel- and leisure-related activities thanks to the calming down of SARS and the last-minute purchases of cigarettes ahead of a tax hike. The corporate activity-related DI rose due to the relatively brisk performance of some manufacturing industries, such as transportation equipment and electrical machinery, pushing the employment-related DI along with it. As a result, the DI for current economic conditions posted the first rise in three months.

The DI for future economic conditions in June rose 2.8 points from the previous month to 45.4.

The DI for future economic conditions rose for the third straight month as concerns about the effect of SARS have been almost dispelled and on expectations of a recovery in the manufacturing industry.

On the whole, the assessments of the Economy Watchers show that the economy is picking up slightly.

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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"> • The number of customers is increasing ahead of the planned hike in cigarette tax in July. (Northern Kanto: Convenience store) • The number of customers is higher than in the previous year. In particular, sales of clothing for women in their 40s and 50s are becoming brisk. Conventionally, consumers refrain from making purchases in late June, waiting for sales campaigns in July. But this year, sales of regular price products are higher than in the previous year. (Southern Kanto: Department store) • With the effect of SARS receding, inquiries about overseas travel are increasing little by little. (Kyushu: Travel agent)
C	<ul style="list-style-type: none"> • Though many companies paid bonuses this month, not many consumers are buying expensive items. They are refraining from shopping, waiting for clearance sales starting late this month. (Tohoku: Department store) • Foodstuffs that are close to expiry dates and marked down to half-price are selling well in supermarkets, indicating consumers are exercising economy. (Kyushu: Shopping area)
D	<ul style="list-style-type: none"> • Customers are no longer particularly keen on early acceptance of orders for summer gifts, as they have become the norm and lost price attractiveness. (Southern Kanto: High street shop [Tea])
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> • Though overseas markets remain in difficult conditions, domestic sales are on a slight recovery trend. (Tokai: Electric machinery manufacturer) • Some divisions are dealing with requests for sharp production increase by operating on Sundays, not to mention overnight on Saturdays. (Chugoku: Transportation equipment manufacturer) • Orders for small cranes to be mounted on trucks are increasing due to replacement demand triggered by tighter emission controls in the Tokyo metropolitan area. (Shikoku: General machinery manufacturer)
C	<ul style="list-style-type: none"> • Companies manufacturing truck-related parts are operating at full capacity - to the extent that we are embarrassed by the amount of orders - reflecting tighter exhaust emission regulations. Construction machinery manufacturers are also enjoying brisk performance thanks to a pick up in production bound for China. This, combined with the favourable conditions for automotive-related companies, means that performance is entirely positive. (Northern Kanto: General machinery manufacturer)
D	<ul style="list-style-type: none"> • Advertising leaflets that had been relatively immune to the severe business conditions in the ad industry have begun to decrease sharply. (Tokai: News agent [Advertising])
<i>Employment</i>	
B	<ul style="list-style-type: none"> • Though automotive-related companies made new job offers for 800 people, they are seeking manpower having technology development capability in such fields as electronics, electrical goods, and software. Therefore, although the number of job offers is increasing, the number of people employed is not increasing. (Tokai: Job placement office)

C	<ul style="list-style-type: none"> The number of job offers is not on a decreasing trend in all industries. For instance, in the manufacturing industry that has a relatively large capacity to absorb employment, the number of job offers, especially by manufacturers of electrical equipment and electronic devices, is higher than three months before. (Southern Kanto: Job placement office) The number of new job seekers posted a year-on-year increase for two consecutive months. In particular, young part-time job-hoppers and people who closed their own business are seeking new jobs. (Kinki: Job placement office)
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2. Future conditions

Household activity

B	<ul style="list-style-type: none"> With the effect of SARS dispelled, demand for summer travel will increase. (Southern Kanto: Travel agent)
C	<ul style="list-style-type: none"> On the whole, sales of automobiles will remain almost unchanged. Though sales of new van models are posting a decent increase, sales of sedans are decreasing. (Hokuriku: Automobile dealer)
D	<ul style="list-style-type: none"> Due to a hike in cigarette tax and a rise in health insurance and pension insurance premiums on bonuses, consumers will increasingly refrain from shopping. (Tohoku: Supermarket)
E	<ul style="list-style-type: none"> Consumers are refraining from shopping, as many companies have decided not to pay summer bonuses or to reduce bonus payments. (Kyushu: Automobile dealer)

Corporate activity

B	<ul style="list-style-type: none"> Though we cannot expect much from the domestic market, we will be able to receive a decent amount of orders from major South Korean electric-appliance manufacturers via trading houses. We can also expect a considerable amount of orders from semiconductor manufacturers in Taiwan. (Northern Kanto: Chemicals)
C	<ul style="list-style-type: none"> The decrease in the sales of liquor following the liquor tax hike will continue for some time to come. (Northern Kanto: Food manufacturer)
D	<ul style="list-style-type: none"> We had misgivings about possible adverse effects of SARS on electronics-related materials. But, orders are not decreasing much as SARS is calming down earlier than we expected. On the other hand, movements of automobile-related materials, which had been firm, have begun to show signs of slackening. (Chugoku: Iron & steel)

Employment

B	<ul style="list-style-type: none"> Inquires from call centers are increasing. (Tohoku: Temporary manpower company)
C	<ul style="list-style-type: none"> Sales of temporary manpower companies are on an increasing trend, as the IT industry is seeking manpower to develop new products and as a well-performing automobile industry has increased the production of subcontract parts makers. On the other hand, as local civil engineering firms and construction companies are in a slump and many mom-and-pop retail shops were forced to shut down, labor market condition as a whole will remain the same. (Northern Kanto: Temporary manpower company)