

Economy Watchers Survey

March 2003

OVERVIEW OF THE MONTH

The DI for current economic conditions in March rose 3.0 points from the previous month to 41.3.

The household activity-related DI rose partly due to a rise in consumption late in the month, when temperatures rose. The corporate activity-related DI rose due to relatively strong performances by some manufacturers. The employment-related DI also rose due to a rise in the number of job offers.

As to the impact of the Iraq situation, although effects such as decrease in the number of tourists visiting the Okinawa region can be observed, the effects on other regions have been limited thus far.

As a result, the DI for current economic conditions rose in all regions except Okinawa, with the national DI posting a rise for two consecutive months.

The DI for future economic conditions declined 2.2 points from the previous month to 38.6.

The DI for future economic conditions posted a decline for the first time in three months due to worsening consumer confidence caused by the Iraq situation and to concern over a rise in crude oil prices.

On the whole, the assessments of the Economy Watchers show that although the downtrend in business confidence since last year has been contained, they are concerned about possible adverse effects of the Iraq situation.

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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"> After the middle of the month, temperatures rose and family shoppers increased. (Tohoku: Shopping area) Due to the intensified situation in Iraq, the number of domestic travelers who would have otherwise traveled abroad increased. (Tokai: High street shop [Souvenir])
C	<ul style="list-style-type: none"> The number of visitors to game arcades has remained above last year's level even after the war in Iraq started. So far, the impact of the Iraq situation has not been felt in this field. (Southern Kanto: Other leisure facilities [Amusement])
D	<ul style="list-style-type: none"> There continue to be a flurry of travel cancellations. A shift from overseas travel to domestic travel has yet to take place. (Northern Kanto: Travel agent) As the Iraq situation faces the worst scenario, many tours, mostly for school excursions and company trips, were cancelled. (Okinawa: City hotel)
E	<ul style="list-style-type: none"> The intensified Iraq situation and the outbreak of SARS in Southeast Asia dealt a heavy blow. Tour cancellations are posing a critical problem. (Tokai: Travel agent)
<i>Corporate activity</i>	
A	<ul style="list-style-type: none"> Orders received by our company and other companies have been increasing. In particular, orders for laying ADSL lines underground have increased. (Kinki: Constructor)
B	<ul style="list-style-type: none"> Orders for connector-related parts for mobile phones and personal computers are brisk. Inventory is now on a slight increase. (Hokuriku: Electric machinery manufacturer) In the field of metal mold, activities have become brisk. Major users as a whole have begun to place orders. (Kyushu: Electric machinery manufacturer)
C	<ul style="list-style-type: none"> The production of mobile phone parts has been running in high gear. The production of autoparts also remains steady. (Tohoku: General machinery manufacturer)
D	<ul style="list-style-type: none"> The number of ocean freights bound for Europe has been decreasing due to the effects of the Iraq situation. Orders received have decreased despite the fact that March is the busiest month in a normal year. (Chugoku: Transport equipment manufacturer)
<i>Employment</i>	
B	<ul style="list-style-type: none"> With business picking up in the distribution and construction industries, not to mention in the IT and medical industries, manpower has become scarce. (Kyushu: Private job placement firm)
C	<ul style="list-style-type: none"> Job offers by electric machinery equipment manufacturers and transport equipment manufactures have been increasing, but those by financial and insurance companies have decreased sharply. (Tokai: Job placement agency)
D	<ul style="list-style-type: none"> There are many job offers coming from such industries as food industry, rental service-oriented real estate industry, amusement industry, and consumer financing industry, that are described as recession-resistant (Kinki: School [University])

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> • Many people who had planned to travel abroad, including school excursions abroad, will switch to domestic trips and a considerable number of them will opt to visit Hokkaido. (Hokkaido: Tourist hotel) • Inquiries about room reservations for May and beyond are increasing. Perhaps due to the Iraq situation, inquiries about high-class hotels are coming from newly-wed couples every day. (Tohoku: Tourist hotel)
C	<ul style="list-style-type: none"> • Demand for housing has begun to bipolarize into those for low-cost housing and those for high-quality housing. The business performance will continue to remain brisk thanks to the reform on gift taxes and housing-loan tax breaks. (Tohoku: Housing supplier)
D	<ul style="list-style-type: none"> • Sales depend largely on how soon the Iraq situation will become stabilized. With the cause of the outbreak of SARS in Southeast Asia remaining a mystery, the outlook for future conditions remains uncertain. (Chugoku: Travel agent) • Adverse effects of the Iraq situation and concern over the situation of North Korea have begun to be felt gradually. (Okinawa: Tourist hotel)

Corporate activity

C	<ul style="list-style-type: none"> • Corporations are eager to open outlets in inner cities, while people have shown a strong demand for rental housing in inner cities. These brisk movements will continue for some time to come. (Kinki: Real estate industry)
D	<ul style="list-style-type: none"> • A rise in crude oil prices caused by the Iraq situation, etc. has begun to deal a body blow to corporate profits. In fact, the road transportation industry is suffering from a decline in profits due to a rise in gasoline and diesel oil prices. (Hokkaido: Transportation industry) • Business investment will decline further. With oil prices rising due to the Iraq situation, there's a fear that the prices of materials will also rise. (Tokai: Metal products manufacturer) • With access to U.S. military bases restricted due to the Iraq situation, ongoing business negotiations may be put off. (Okinawa: Telecom industry)

Employment

C	<ul style="list-style-type: none"> • The Tokai region is now buoyed by a booming automobile industry. If the Iraq situation is prolonged, however, it will begin to have an adverse effect on car sales in North America and this in turn will affect job offers. (Tokai: Private job placement firm)
D	<ul style="list-style-type: none"> • In the joint job interviews held in March, both the number of participating corporations and the number of jobs offered decreased 30% from a year earlier. Many of the jobs offered were specialized and technical jobs and the number of clerical or sales jobs offered decreased by half. (Northern Kanto: School [Junior college])