

# Economy Watchers Survey

May 2003

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## OVERVIEW OF THE MONTH

The DI for current economic conditions in May fell 0.3 points from the previous month to 38.4.

The household activity-related DI remained almost flat from the previous month. Although travel- and leisure-related sectors were sluggish due to shorter Golden Week holidays and a decrease in the number of travelers to/from abroad affected by SARS, sales at department stores picked up slightly partly because of the consumption by the people who would have otherwise traveled abroad. Meanwhile, the employment-related DI declined due to sluggish growth in the number of job offers.

The DI for future economic conditions in May rose 0.7 points from the previous month to 42.6.

The DI for future economic conditions rose as concerns about the impact of SARS waned.

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.

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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> |   |
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| <b>B</b>                  | <ul style="list-style-type: none"> <li>The number of customers and sales during the Golden Week holidays increased from a year earlier, as many people who had refrained from traveling abroad due to concerns about SARS visited the shop with the aim of taking advantage of promotional events. (Southern Kanto: Department store)</li> </ul>  |
| <b>C</b>                  | <ul style="list-style-type: none"> <li>Consumers tended to refrain from purchasing goods, out of fear that they may not get their summer bonus. (Kyushu: Electrical appliance retailer)</li> </ul>  |
| <b>D</b>                  | <ul style="list-style-type: none"> <li>Sales of low malt beer, wine, and related products decreased in reaction to a sharp rise in demand up to the end of April ahead of a liquor-tax hike that went into effect on May 1. (Northern Kanto: Supermarket)</li> <li>Purchases by elderly people decreased. Concerns about an increase in medical expenses are depressing personal consumption. (Shikoku: Department store)</li> </ul>  |
| <b>E</b>                  | <ul style="list-style-type: none"> <li>The number of hotel guests dropped to the lowest level ever in April and May. As some of the national holidays fell on Saturday and Sunday during Golden Week this year, the number of overnight guests was concentrated on May 3 and 4 and there were vacant rooms on other days. (Tohoku: Tourist hotel)</li> <li>The SARS scare in mid-May dealt a heavy blow to the hotel industry. Room reservations were cancelled one after another. (Kinki: City hotel)</li> </ul> |
| <i>Corporate activity</i> |   |
| <b>B</b>                  | <ul style="list-style-type: none"> <li>Orders for plastic metal molds increased from customers who suspended operations in China due to the impact of SARS and who are temporarily coping with the situation with domestic production. As the customers demand delivery on short notice, we have been working overtime for several hours everyday and cannot take a day off. (Hokkaido: Other non-manufacturing [Machine wholesale])</li> </ul>   |
| <b>C</b>                  | <ul style="list-style-type: none"> <li>Truck-related companies are busy with orders for machining and sheeting. Some people say that demand related to tighter exhaust gas regulations will continue until 2005. (Northern Kanto: Fabricated metal products manufacturer)</li> </ul>  |
| <b>D</b>                  | <ul style="list-style-type: none"> <li>SARS is having an adverse impact on our overseas operations, as it has bogged down business negotiations with our trading partners in Taiwan and delayed merchandise testing there. (Chugoku: General machinery manufacturer)</li> </ul>   |
| <b>E</b>                  | <ul style="list-style-type: none"> <li>There seems to be no end to below-cost biddings for private construction projects. We are in a situation where it is extremely difficult to secure profitable orders. (Hokuriku: Construction)</li> </ul>  |
| <i>Employment</i>         |   |
| <b>C</b>                  | <ul style="list-style-type: none"> <li>The trend of introducing outsourcing for routine work is spreading among small and medium-sized enterprises regardless of the type of job. However, since temporary workers' wages are set at the same level for both young people and older people, the income of older people has decreased sharply. (Tokai: Temporary manpower company)</li> </ul>  |
| <b>D</b>                  | <ul style="list-style-type: none"> <li>Job offers for new graduates on conditions that were not seen before, such as a yearly fixed-term contract and performance-based remuneration, have increased. (Kinki: School [University])</li> </ul>   |

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| <b>E</b> | <ul style="list-style-type: none"> <li>Although ad placement by manufacturers had been on a decrease, that by the service industry had been increasing until recently. However, after the end of the Golden Week holidays in early May, ad placement by the service industry began to slow down. We will have a rough time in the coming summer. (Southern Kanto: Job information magazine publisher)</li> </ul> |
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## **2. Future conditions**

### ***Household activity***

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| <b>B</b> | <ul style="list-style-type: none"> <li>We received several applications for family travel in summer shortly after Golden Week. Customers started planning their holidays earlier than normal in anticipation that the effect of SARS will wane in the months ahead. (Southern Kanto: Travel agent)</li> </ul>  |
| <b>C</b> | <ul style="list-style-type: none"> <li>As for the effect of SARS, there have been some cancellations from Taiwanese and South Korean customers. But we expect that the adverse effect will be cancelled out by a rise in reservations by newlywed couples. (Tohoku: Tourist hotel)</li> <li>Consumers' willingness to buy is low and they will continue to refrain from eating out due to the prolonged recession, stricter punishment on driving after drinking, and liquor tax hikes. (Northern Kanto: High-class restaurant)</li> </ul> |
| <b>D</b> | <ul style="list-style-type: none"> <li>Elderly people have come to use hospitals less often. Due to a hike in medical expenses, the number of elderly people not using taxis has increased. This trend will continue for some time to come. (Kyushu: Taxi driver)</li> </ul>   |

### ***Corporate activity***

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| <b>C</b> | <ul style="list-style-type: none"> <li>Due to the business recession in the U.S., production of goods bound for the U.S. has decreased drastically. With signs of recovery nowhere in sight, the bad situation will continue for some time to come. (Tokai: Transportation equipment manufacturer)</li> </ul>  |
| <b>D</b> | <ul style="list-style-type: none"> <li>Business will continue to decline, as shippers' factory production in China and imports from there are expected to decrease due to the problem of SARS. (Northern Kanto: Transportation)</li> <li>Business will become severer due to slower cargo movement and increasing costs to install diesel-particle filters in response to tighter emission regulations. (Southern Kanto: Transportation)</li> <li>We are importing parts from a German company. However, the more than 30% appreciation of the Euro over the past year will make our domestic sales difficult. We have bleak business prospects due to this and stagnant business investment by our trading partners. (Kinki: General machinery manufacturer)</li> </ul> |

### ***Employment***

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| <b>C</b> | <ul style="list-style-type: none"> <li>Movement of want ads for a large number of workers, such as for temporary workers at automobile companies, is slow. There is a possibility that the increase in the number of job offers will turn to decrease. (Tokai: Newspaper [Classified ad])</li> <li>There have been positive developments for some semiconductor/electronics manufacturers with regard to production increase. (Kyushu: Private employment agency)</li> </ul> |
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