

Economy Watchers Survey

August 2004

OVERVIEW OF THE MONTH

The DI for current economic conditions in August fell 3.6 points from the previous month to 50.7.

The household activity-related DI declined mainly in retail-related sectors as the number of customers decreased due to watching the Athens Olympics Games on TV and a series of typhoons, and as sales of autumn wear were slow due to adverse effects of the heat wave. The corporate activity-related DI declined as movements of non-manufacturing industries as a whole were slow, although manufacturing industries posted continued production at capacity despite a slowdown in order in some sectors. The employment-related DI remained at a high level due mainly to a continued increase in the number of job offers, especially regular employees and dispatched temporary workers with the aim of eventually employing them as regular workers having begun to increase slightly. As a result, the DI for current economic conditions declined for the first time in two months, while remaining above 50, indicating a levelling-off for seven consecutive months.

The DI for future economic conditions in August fell 1.7 points from the previous month to 51.7.

Concerns over the adverse effect of weather on autumn and winter wear and the effects of higher raw material prices were felt, leading the DI to drop slightly. As a result, the DI for future economic conditions decreased for the fourth consecutive month, while remaining above 50 for eight consecutive months.

On the whole, the assessments of the Economy Watchers show that the economy is continuing its recovery taking on average between July and August, although the DI dropped due to temporary factors, such as weather.

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by the Director-General for Economic Assessment and Policy Analysis,
Cabinet Office
Kasumigaseki 3-1-1, Chiyoda-ku, Tokyo 100-8970
Telephone: 03-3581-1392
Internet: <http://www.cao.go.jp>

**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"> • Perhaps due to this year's hot summer, sales of drinks and alcoholic beverages are brisk, with their sales volume posting an increase of 110% over the previous year. Our total sales are also up. (Southern Kanto: Supermarket) • The number of customers and those who make purchasing decisions earlier are increasing. One of the factors behind this is the positive outlook for the economy. (Tokai: Car dealer)
C	<ul style="list-style-type: none"> • Sales of audio-visual related products were brisk in the first half of August due to strong demand created by the Athens Olympics, but sales volume decreased in the second half of the month. As a result, sales on the whole remain almost unchanged for August. (Northern Kanto: Electric appliance retailer) • There were many cancellations of reservations due to typhoons. (Shikoku: Sightseeing spot) • Sales of drinks and frozen desserts posted more than 10% year-to-year increases, with the number of customers rising slightly. Perhaps due to the Athens Olympics, the number of customers visiting at night or late in the evening is increasing. However, the amount of purchase per customer turned out to be lower than in the previous year, and the trend of only purchasing what one truly needs has not changed. (Okinawa: Convenience store)
D	<ul style="list-style-type: none"> • Sales were slow in the first 10 days of August. As for the second and third ten-day periods of the month, sales of autumn goods, especially women's wear, were slow due to lingering high temperatures. Sales performance at large stores was not very good this month. Total sales for the month are likely to drop about 10% from the previous year due to typhoons late in the month. (Kyushu: Department store)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> • Thanks to an increase in demand for ceramic materials for tiles and sanitary earthenware, sales increased 26.2% and ordinary profits rose 5.1%, both from three months before. (Tokai: Stone, clay & glass products) • We have received more orders than we can handle. It's a pleasant surprise. (Chugoku: Metal products manufacturer)
C	<ul style="list-style-type: none"> • The number of inquiries, value of inquiries, and orders received are all lower compared with last month and the month before last. But, they are all steady compared with those in the previous year. (Hokuriku: General machinery manufacturer) • Monthly trial balance sheets of our corporate clients do not show that the economy is getting better, with the performance of some categories of business deteriorating. (Shikoku: Certified public accountant)
D	<ul style="list-style-type: none"> • The business of semiconductor-related industries as a whole has slowed down. In particular, DVD-related industries have come to have oversupply. (Kyushu: Electrical machinery equipment manufacturer)

Employment

B	• Orders received for classified ads increased 150% over the same month of the previous year. In particular, job offers for regular workers are increasing. (Hokuriku: Job information magazine publisher)
C	• New job offers have stopped increasing. Some business operators, who are skeptical about the continued business boom after the Olympics, have put off direct employment and instead begun to utilize employment agencies or outsourcers. (Southern Kanto: Job placement office)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> • Demand for corporate travel has begun to show clear signs of recovery, and corporations that had been slashing welfare expenses have begun to increase such expenses in a bid to increase employees' loyalty. We are counting on these movements. (Kinki: Travel agent) • We've got off to a good start thanks to the marketing of new model cars. With marketing of another new model slated for November, we expect our business to remain on track for some time to come. (Shikoku: Car dealer)
C	<ul style="list-style-type: none"> • Judging from the slow movement of summer goods, consumers will remain a prudent attitude toward choosing goods, and sales will remain slightly sluggish for the next two to three months. (Tohoku: Clothing shop) • With terrestrial digital broadcasting slated to start in our region in October, we expect sales of related products to pick up. We also expect demand to increase, as new houses are being built in our neighbourhood. (Hokuriku: Electric appliance retailer)
D	<ul style="list-style-type: none"> • The surge in crude oil prices will lead to higher prices of kerosene and fuel oil for heating and diesel oil for transportation, putting pressures on corporations and household budgets. (Hokkaido: Other specialty shop [Gas station])

Corporate activity

B	<ul style="list-style-type: none"> • Although sales do not show any big change now, we expect sales to increase in the future, as inquiries from customers are increasing as compared with three months before. (Tohoku: Ad agency)
C	<ul style="list-style-type: none"> • Though we expect our business to remain steady, we are concerned that the continued rise in crude oil prices may lead to higher prices of materials. (Northern Kanto: Metal products manufacturer)

Employment

B	<ul style="list-style-type: none"> • With recruitments of new graduates increasing, we are unable to meet the orders for dispatched temporary workers from corporations. Since corporations' needs are high, we will remain unable to meet their demand. (Kinki: Job information magazine publisher)
C	<ul style="list-style-type: none"> • Business is seesawing. On one hand, orders from precision machine- and semiconductor-related business establishments are increasing; on the other, there is talk of restructuring and long-term contracts have expired. (Kyushu: Temporary manpower company)