

# Economy Watchers Survey

July 2004

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## OVERVIEW OF THE MONTH

The DI for current economic conditions in July rose 2.9 points from the previous month to 54.3.

The household activity-related DI rose mainly in retail-related sectors due to the effects of the heat wave and the coming Athens Olympics. The corporate activity-related DI rose due to continued production at capacity and active movement of goods, although the impact of rising raw material prices was felt. 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 rose for the first time in three months, while remaining above 50, indicating a levelling-off for six consecutive months.

The DI for future economic conditions in July fell 0.7 points from the previous month to 53.4.

Anticipation of the heat of late summer triggered concerns over slow sales of autumn wear and the impact of a reaction to the Olympics effect were felt, leading the DI to drop slightly. As a result, the DI for future economic conditions decreased for the third consecutive month, while remaining above 50 for seven consecutive months.

On the whole, the assessments of the Economy Watchers show that the economy is continuing its recovery.

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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>B</b>	<ul style="list-style-type: none"> <li>• Reflecting a spell of hot weather, sales of cooling-related equipment, such as air conditioners and electric fans, are brisk. Sales of thin-screen TVs are also increasing ahead of the Summer Olympics and World Cup soccer, generating a synergistic effect. (Northern Kanto: Electric appliance retailer)</li> <li>• We are enjoying increased demand generated by the hot weather. Sales of ice cream rose 180% over the previous year and those of soft drinks increased 120%. Customers have become responsive to new products. (Tokai: Convenience store)</li> <li>• Due to the heat wave, summer-season products, such as sandals, swimsuits, and summer kimonos, are selling about twice as much as in the last year. Consumers are willing to buy colored goods. (Hokuriku: Department store)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• Reflecting consumers' increased consciousness about food safety and security, unit selling prices of particular items are rising. For instance, consumers are shifting away from cheap imported boiled eel to domestic-grown boiled eel to eat on the Midsummer Day of the Ox. (Hokkaido: Supermarket)</li> <li>• Though the number of customers and sales volume remain unchanged, unit selling prices are dropping as hot-selling items have shifted from T-shirts to tank tops and from jeans to short pants due to the heat wave. (Shikoku: Apparel store)</li> <li>• With loan interest rates on a rising note, the number of customers visiting housing exhibition sites is decreasing. The building area of new housing is getting smaller, resulting in a decline in per-housing sales price. (Okinawa: Housing sale company)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>• There was a large turnout of people during the summer festival, but since then there have been few people partly due to the heat wave. (Northern Kanto: Shopping area)</li> </ul>
<i>Corporate activity</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>• With our parent company's production of industrial machinery and machine tools running at 130% of last year's production, we have received a request for cooperation in production increase for the first time. The problem is how to lead to profits amid rising material prices. (Northern Kanto: Metal products manufacturer)</li> <li>• Beverage manufacturers, whose products we transport, are unable to catch up with a sharp year-to-year increase in the shipment of seasonal goods, such as deep sea water-related drinks and barley tea, due to the heat wave. (Shikoku: Transportation)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• Manufacturers and customers continued to negotiate over prices, like last month. With raw material prices showing signs of soaring, we manufacturers intend to pass that on to customers. (Kyushu: Iron &amp; Steel)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>• Though unit purchase prices of parts, including metal processed goods, are edging up, we can't possibly raise our selling prices, as a fierce order-receiving competition is going on in the construction market. (Southern Kanto: Electrical machinery equipment manufacturer)</li> </ul>

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***Employment***

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<b>B</b>	• The employment environment has improved, with job offers for regular workers increasing twice as fast as offers for part-time workers. (Kinki: Job placement office)
<b>C</b>	• Though applications from Tokyo and Osaka companies entering in our region have increased, local recruitment has decreased about 10% from last year. Improvement in metropolitan areas has not yet caught up in local areas. (Tohoku: Newspaper publisher [Help wanted ads])

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## **2. Future conditions**

### ***Household activity***

<b>B</b>	<ul style="list-style-type: none"> <li>• Corporations' budgets for accommodation in the autumn season and reservation of parties are increasing. (Tokai: Tourist hotel)</li> <li>• A new concept station wagon has been put on the market. We expect the new vehicle to contribute to increased sales volume and earnings, as it enables us to develop new markets. (Hokuriku: Car dealer)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• We have a feeling that customers have become positive about purchasing housing as they believe land prices have stopped declining amid signs of rising interest rates. However, it will take at least six months before they take action. (Northern Kanto: Housing sale company)</li> <li>• Except for summer-related goods, whose sales have been brisk thanks to the heat wave, sales volume is moving sideways and we expect it to remain at the present level for some time to come. (Chugoku: Convenience store)</li> <li>• Summer goods are not likely to sell well. We want to put autumn goods on sale early. But it's anybody's guess how well they will sell in this heat wave. (Kyushu: Clothing shop)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>• Although sales of digital home electric appliances are brisk ahead of the Athens Olympics, we are worried a reaction to the Olympics special demand. Though many makers are selling new digital home electric appliances ahead of the Olympics, their sales will not improve unless they make extra efforts. (Southern Kanto: Electric appliance retailer)</li> </ul>

### ***Corporate activity***

<b>B</b>	<ul style="list-style-type: none"> <li>• Small and medium-sized enterprises are looking for the right time to make business investment. It is highly likely that the timing will come in the next two or three months. (Tohoku: Business consultant)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• Although we have come to be able to generate profits, albeit slightly, thanks to restructuring efforts, including cost reductions, operation streamlining, and promotion of efficiency, it will be difficult to achieve full recovery in profit side for some time to come due to rises in logistics cost, raw material cost, and fuel cost. (Chugoku: Chemical)</li> </ul>

### ***Employment***

<b>B</b>	<ul style="list-style-type: none"> <li>• Perhaps showing signs of recovery in personal consumption, the increase in new job offers by retailers is conspicuous. (Kyushu: Job placement office)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• With the number of new job seekers increasing over the previous year, people are willing to work. However, they tend to wait until employment terms satisfactory to them are offered. (Shikoku: Job placement office)</li> </ul>