

Economy Watchers Survey

March 2004

OVERVIEW OF THE MONTH

The DI for current economic conditions in March rose 3.6 points from the previous month to 53.7.

The household activity-related DI improved mainly due to brisk reservations for Golden Week holidays in the travel- and transportation-related industries and a pickup in the number of customers in the restaurant-related sectors. The corporate activity-related DI rose due to a continued pick up in both manufacturing and non-manufacturing industries. The employment-related DI remained at a high level due mainly to a continued increase in the number of job offers and a movement to resume hiring of new graduates of next fiscal year. As a result, the DI for current economic conditions posted an increase for two consecutive months to hit the highest level since the number of survey respondents was increased (in August 2001).

The DI for future economic conditions in March remained flat from the previous month at 53.6.

The DI for future economic conditions moved sideways, as the corporate activity-related DI and the employment-related DI continued their improvement, although the household activity-related DI fell slightly due to fears about the impact of the introduction of a tax-inclusive pricing system. As a result, the DI for future economic conditions levelled off at the highest level, as it did in the previous month, since the expansion of the number of survey respondents.

On the whole, the assessments of the Economy Watchers show that the economic recovery is expanding in wide areas and sectors.

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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"> • In the first half of March, sales were better than a previous year thanks to a company-wide sales campaign. In the latter half, group customers for farewell parties and tourists visiting our restaurant increased smoothly. Unit prices are higher than in the previous year. (Hokuriku: High-class restaurant) • Sales for both domestic and overseas travel mainly during the Golden Week holiday are increasing drastically. Sales for summer travel have yet to pick up steam. However, in view of smooth initial sales, we can count on increased sales if the trend continues. (Kinki: Travel agent) • Sales of high-class handbags and watches are very good and per-customer transactions are rising. As for daily necessities such as food, customers have increasingly become quality conscious rather than price conscious. Good quality products and value-added items are selling well. (Kyushu: Supermarket)
C	<ul style="list-style-type: none"> • Although sales of meat dropped instantaneously due to media reports of BSE and bird flu, they recovered quickly. There are no major changes in the number of customers and sales volume. (Hokkaido: Supermarket) • We receive inquiries about products that are drawing attention. However, customers purchase single-function products or low-priced products in the end after scrutinizing various products. (Tohoku: Other specialty shop [Consumer electronics]) • Colorful spring coats for young career women are selling well, but they are not strong enough to raise storewide sales. Due partly to many rainy days during the month, total sales for the month are likely to remain unchanged from the previous year. (Tokai: Department store)
D	<ul style="list-style-type: none"> • We switched to tax-inclusive pricing from mid-March, but many customers say that unit prices have risen. We have been explaining that prices include taxes, but sales dropped by about 5%. (Northern Kanto: Supermarket)
<i>Corporate activity</i>	
A	<ul style="list-style-type: none"> • March is a book-closing month and business is brisk during the month every year. However, even compared with March of last year, orders received have increased by 20%. (Chugoku: Transportation equipment manufacturer)
B	<ul style="list-style-type: none"> • Construction machinery- and automobile-related work has increased. Since we have to produce by the end of the current fiscal year, some departments are operating on a round-the-clock basis. We expect our sales to hit the highest record for the month of March. (Northern Kanto: Machinery and equipment manufacturer)
C	<ul style="list-style-type: none"> • When the yen depreciated to the 112 level against the dollar, our export profitability improved, but the yen's recent appreciation again aggravated our export estimate. Since we are highly dependent on exports, the yen's appreciation has offset strong performance achieved in other sectors. (Tohoku: Machinery and equipment manufacturer) • Although there is some work related to registration system of transfers of credits and mergers of companies having shops across the country, they are limited in scope. (Hokuriku: Judicial scrivener)

<i>Employment</i>	
B	<ul style="list-style-type: none">• The number of job offers is increasing. Corporations are moving actively to recruit new graduates next spring. (Okinawa: School [Vocational school])
C	<ul style="list-style-type: none">• Job offers by temporary manpower companies and contracting businesses have been on a rising trend, indicating that there is no change in manufacturers' management policy of utilizing dispatched workers. (Kyushu: Job placement office)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> • Reflecting falling land and rent prices, new shops were opened in shopping streets one after another and vacant shops have a tendency to decrease. (Northern Kanto: Snack) • Reservations for up to three months ahead are increasing over the previous year. Customers buying golf gear, such as clubs, are increasing. (Tokai: Golf course) • Although sales have been moving sideways in the last three months, we can somewhat count on sales of air conditioners, TVs and washing machines, as they are moving ahead of the demand season. (Shikoku: Electric appliance retailer)
C	<ul style="list-style-type: none"> • Although business is recovering in metropolitan areas, it has not led to an increased inflow of tourists from metropolitan areas to Hokkaido. (Hokkaido: Tourist hotel) • Current severe conditions will continue for some time to come due mainly to the influence of the introduction of tax-inclusive pricing and opening of large-scale store. (Tohoku: Supermarket) • It is difficult to foresee possible impacts of the introduction of tax-inclusive pricing. However, since it is forecast that we will have a long spring this year, we expect the product life cycle to be longer. (Kinki: Department store)

Corporate activity

B	<ul style="list-style-type: none"> • Since orders are shifting from a volume zone to a better zone (a middle-class zone), consumption will pick up. (Hokuriku: Textile)
C	<ul style="list-style-type: none"> • The yen has been on an upward trend again and prices of imported materials are rising sharply reflecting favourable business conditions in China. These upward pressures on costs will hamper economic recovery. (Shikoku: Electrical machinery equipment manufacturer)

Employment

B	<ul style="list-style-type: none"> • Situations will get slightly better in the months to come, as some companies made job offers for the first time in more than one year, and some small and medium-sized companies, though small in number, are moving to resume recruitment of regular workers to maintain their technical capabilities or stay in business. (Southern Kanto: Job placement office)
C	<ul style="list-style-type: none"> • Although in every industry, be it restaurants, distributors, construction industry, or home builders, there is the potential to post a marginal increase, there will be no change, as factors that would push up the economy in a visible manner are nowhere in sight. (Hokkaido: Temporary manpower company)