

Economy Watchers Survey

November 2004

OVERVIEW OF THE MONTH

The DI for current economic conditions in November fell 1.1 points from the previous month to 45.3.

The household activity-related DI remained almost flat, as the rise in vegetable prices slowed down, while sales of winter clothing slackened due to the unusually warm winter. The corporate activity-related DI declined due to a slowdown in orders received by manufacturing industries and the persistent rise in raw material prices. The employment-related DI remained at a high level due mainly to a steady increase in the number of job offers. As a result, the DI for current economic conditions declined for the fourth consecutive month.

The DI for future economic conditions in November fell 3.0 points from the previous month to 45.8.

The DI for future economic conditions was pushed lower due to concerns about the impact of a warm winter forecast on winter goods and a decline in people's willingness to holiday making caused by natural disasters in the household-related DI, concerns about the yen's appreciation and a rise in crude oil prices in the corporate activity-related DI, and signs of levelling off in the number of job offers in the employment-related DI. As a result, the DI for future economic conditions decreased for the seventh consecutive month.

On the whole, the assessments of the Economy Watchers show that the economic recovery shows weak movements.

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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"> Although consumers remain severe in their shopping, high-priced fashion goods and cosmetics are selling well if they have higher quality and effectiveness. (Tokai: Department store)
C	<ul style="list-style-type: none"> We can secure reasonable sales of fruit and vegetables, as their prices remain stable at a high level. However, unit prices of other products remain low. As a result, overall sales are flat. Sales of winter items, such as stock for hotpots, are also sluggish due to the warm winter. (Southern Kanto: Supermarket) Perhaps due to the warm winter, sales of heating equipment are poor. Sales of AV equipment, such as thin TVs and DVD recorders, are brisk, while sales of home electric appliances, such as refrigerators and washing machines, and OA equipment, mainly personal computers, are well. On the whole, sales are slightly higher than in the previous year. (Chugoku: Electric appliance retailer) Although we had many customers thanks to a long spell of warm weather, many of them were young people and therefore unit price per customer remained low. (Kyushu: Standard-class restaurant)
D	<ul style="list-style-type: none"> Rather than cancellations prompted by the Chuetsu earthquake (2004 Niigata Prefecture Chuetsu Earthquake), the slow growth in new reservations is hurting us. These impacts are more serious than direct cancellation caused by the earthquake. (Tohoku: Tourist inn) The number of customers has decreased drastically from 2–3 months before. Operations are fairly inefficient. (Northern Kanto: Architect's office)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> The number of our corporate customers that have achieved a turnaround and therefore have to pay tax is increasing. Some of them resumed winter bonus payments and some others increased winter bonus payments. (Tokai: Certified public accountant)
C	<ul style="list-style-type: none"> As the electronic parts industry is in the process of adjusting inventories, orders received have been gradually decreasing since the summer. (Hokuriku: Electrical machinery equipment manufacturer) Although sales of our products bound for overseas markets, mainly North America, have been brisk, a rise in raw material prices has increased our production costs. (Chugoku: Ordinary machinery and instrument manufacturer)
D	<ul style="list-style-type: none"> Although the cargo volume has been moving as planned, manufacturers, faced with higher cost of raw materials, have been calling for a cutback on logistics cost. The price of fuel oil for vehicles increased 8.2%. (Hokkaido: Transportation)

Employment

B	• Job offers by corporations have picked up momentum. They are recruiting earlier than usual, indicating that they have come to see a silver lining in their business. (Southern Kanto: Private employment agency)
C	• On the whole, the number of job offers remains flat, showing no conspicuous movement. The overall number of job offers by IT-related companies remains stagnant, as they have ups and downs depending on the products they deal in. Mobile phone shops no longer hire a large number of sales staff. Instead, they conduct intensive sales campaigns for a limited period of time with fewer staff. (Northern Kanto: Temporary manpower company)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> Judging from the movement in the last several months, business appears to have hit bottom. The number of customers has been on a recovery trend, albeit slowly. The movement of high-priced products is firm and on a slight recovery trend. (Chugoku: Auto parts shop)
C	<ul style="list-style-type: none"> Despite a slight fall in temperature, customers' interest in winter clothing remains low, showing no signs of a pickup in consumers' mood to spend. (Hokuriku: Supermarket) Usually, the number of group tourists increase in the second half of the year. But so far, there is no clear movement this year. Moreover, we are concerned that the number of customers from cold regions may decrease due to the impact of a series of typhoons this year. (Okinawa: City hotel)
D	<ul style="list-style-type: none"> Products sold by subscription in the days to come are usually high-priced products. But this year, subscriptions may concentrate on relatively low-price products due to the impact of a rise in kerosene and fuel bills caused by higher crude oil prices. (Hokkaido: Convenience store)

Corporate activity

C	<ul style="list-style-type: none"> Integrated steel manufacturers are running out of stock and are unable to supply steel products to the automobile industry. This means that business situation becomes severe, as steel manufacturers are likely to cut supplies of steel products to small and medium-sized enterprises. (Hokkaido: Metal product manufacturers) Although sales of some products have increased, the price competition has also intensified. As a result, sales both at home and abroad are at the same level as in the previous year. If the yen continues its appreciation and stays at a high level, it will affect our earnings, as the stronger yen drastically reduces material-purchasing costs. (Tokai: Electrical machinery equipment manufacturer)
D	<ul style="list-style-type: none"> With prices of raw materials used to manufacture petroleum-based products continuing their rise and consumers holding purchase, we don't see any new development ahead. (Shikoku: Chemical manufacturer)

Employment

B	<ul style="list-style-type: none"> Predicting a moderate economic recovery, corporations are gradually increasing job offers in line with their production plan. (Tokai: Temporary manpower company)
C	<ul style="list-style-type: none"> Although the work volume has increased considerably in the last few months, mismatch in employment caused by lack of manpower is highly likely to increase, as job seekers still have a strong desire to be regular workers. The level of wages offered by businesses has dropped sharply in recent months, particularly in the IT industry. Wages seem likely to bottom out but will remain at the current low level for the next few months. (Kinki: Temporary manpower company)