

Economy Watchers Survey

October 2004

OVERVIEW OF THE MONTH

The DI for current economic conditions in October fell 0.9 points from the previous month to 46.4.

The household activity-related DI declined in retail- and restaurant-related sectors due to a decrease in the number of customers and rising vegetable prices caused by unseasonal landfalls of typhoons. The corporate activity-related DI declined due to the overall impact of 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 third consecutive month.

The DI for future economic conditions in October fell 1.2 points from the previous month to 48.8.

Deterioration of consumer confidence caused by earthquakes and typhoons and concerns over the adverse effect of higher crude oil prices pushed the DI lower. As a result, the DI for future economic conditions decreased for the sixth consecutive month, falling below 50 for the first time in 10 months.

Incidentally, the DI for current economic conditions and the DI for future economic conditions for the Tohoku region, including Niigata Prefecture, posted sharper month-to-month declines than national total DIs, falling 1.5 points to 44.5 and 2.5 points to 42.5, respectively.

On the whole, the assessments of the Economy Watchers show that the economic recovery is taking a breather due to natural disasters and the persistent rise in raw material prices.

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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"> • The direct mail we sent to our analog cable TV subscribers to propose upgrading to digital contracts was well received and we have been inundated with telephone calls. (Northern Kanto: Telecom company) • Sales of crops are increasing sharply after a long time due to a surge in perishables prices caused by frequent typhoons. Sales of salads and prepared Japanese-style foods are also rising sharply, as consumers are trying to cut expenses by buying prepared foods instead of fresh vegetables. This also is contributing to an increase in overall sales. (Kinki: Supermarket)
C	<ul style="list-style-type: none"> • Heavy winter clothing is selling well. In fact, consumer willingness to purchase is as strong as it was three months ago, when sales of summer clothing posted a sharp increase. (Hokkaido: Shopping area) • Up until around October 20, fashion goods, foods, and household goods suited for autumn were selling reasonably well. However, for the whole of the month, the impact of typhoons and the Chuetsu earthquake (2004 Niigata Prefecture Chuetsu Earthquake) was felt. (Hokuriku: Department store) • Per-customer transactions appear to have settled at a low level. Higher vegetable prices due to the effect of typhoons pushed raw material prices higher, hurting our profits. (Shikoku: Standard-class restaurant)
D	<ul style="list-style-type: none"> • We are hard hit by cancellations of reservations by tourists from Niigata due to a major earthquake. The earthquake occurred just when we were beginning to see a favorable impact of our business investment. We are concerned about the bad effect on consumers. At the same time, however, we are receiving several inquiries for reservation from customers who have cancelled visits to the Hokuriku and Niigata regions. (Tohoku: Tourist inn) • We are still fighting an uphill battle this month, with the number of customers decreasing 5% and sales falling 10% from the previous year. It may be partly because of the unsettled weather, but, basically, it is due to a sharp decline in consumer confidence. Except for precious metals and kimonos, sales are weak almost across the board. Some customers say they have nothing they want to buy. Therefore, we have to come up with new and attractive products. (Chugoku: Department store)

Corporate activity

B	<ul style="list-style-type: none"> • Carmakers are operating at full capacity prompted by brisk sales, mainly exports, of mainline vehicles. Although resin material prices are rising due to higher crude oil prices, they are absorbing the higher cost with volume efficiency. They are actively increasing business investment and employment. (Chugoku: Financial)
C	<ul style="list-style-type: none"> • Though real-estate transactions remain stagnant, construction of buildings is on a slight rising trend. (Hokkaido: Judicial scrivener) • Since we are tied up with negotiations to pass on higher crude oil and steel product prices to selling prices, negotiations on delivery dates have been put off. This has begun to have adverse effects on production. In addition, some business partners have begun to call on us to postpone delivery due to the Chuetsu earthquake. (Tokai: Ordinary machinery and instrument manufacturer)
D	<ul style="list-style-type: none"> • With a cost increase seen as inevitable due to environmental measures and higher fuel prices, and fares remaining stagnant, our profits have come under pressure. We have almost reached the limits of our abilities to reduce personnel and other costs. (Southern Kanto: Transportation)

Employment

B	<ul style="list-style-type: none"> • The number of new job offers is increasing from manufacturers. In particular, there are many job offers from the textile industry and electrical machinery equipment manufacturers. (Hokuriku: Job placement office)
C	<ul style="list-style-type: none"> • Although there are still requests for dispatched temporary workers, unit prices have declined steeply. Moreover, it is difficult to find appropriate workers, indicating that mismatch in employment has been turning up again. (Okinawa: Temporary manpower company)

2. Future conditions***Household activity***

B	<ul style="list-style-type: none"> Both the number of customers and per-customer transactions are on a rising trend. We are planning a promotion campaign toward the year-end. We are counting on brisk sales of value-added products, such as thin TVs and HDDs with a built-in DVD recorder. (Shikoku: Electric appliance retailer)
C	<ul style="list-style-type: none"> Due to the Chuetsu earthquake, the mood to refrain from holding events is expected to increase. Moreover, we cannot expect an increase in the number of customers to our restaurant. (Hokuriku: City hotel) Bookings for year-end and New Year trips got off to a slow start. Bookings for trips to neighboring South Korea and Asian resorts are increasing but those to Europe and the United States are slow. (Kyushu: Travel agent)
D	<ul style="list-style-type: none"> Reservations for the period after the foliage season have decreased drastically. There are no factors that would push the number of reservations sharply higher. There are cancellations prompted by typhoons and earthquakes. We cannot expect customers from disaster-stricken regions. (Tohoku: Tourist inn)

Corporate activity

B	<ul style="list-style-type: none"> We received a request for estimation from a big company, our new customer, and transactions have begun at our estimated price. Persons in charge of placing orders are struggling, as machining companies are all busy. With orders from our conventional customers also beginning to increase in the beginning of October, we are keeping pace with increased orders by working overtime and on holidays. We expect our business to continue to pick up slightly. (Southern Kanto: Metal product manufacturers)
C	<ul style="list-style-type: none"> We don't see any moves that would increase our orders received partly due to higher packaging material (plastic bag) prices caused by a surge in crude oil prices. (Northern Kanto: Stone, clay & glass products)
D	<ul style="list-style-type: none"> Our business environment is very severe. For one thing, despite ever-increasing gas oil prices, we find it difficult to ask shippers to accept a fare raise. For another, we have to make investment in vehicles in order to cope with environment problems. (Kyushu: Transportation)

Employment

B	<ul style="list-style-type: none"> Recruitment activity has started earlier than in the previous year. The number of corporations submitting or mailing job-opening information for students graduating in March of the year after next has increased. We have great hopes for the future. (Kinki: School [University])
C	<ul style="list-style-type: none"> The number of new job seekers posted a year-to-year decrease for the first time in four months. However, many young job seekers leave their job on the ground that the job content and conditions of employment are not what they are seeking. In particular, there are many job leavers seeking an increase in wages. This trend will continue for some time to come. (Shikoku: Job placement office)