

Economy Watchers Survey

January 2005

OVERVIEW OF THE MONTH

The DI for current economic conditions in January rose 0.8 points from the previous month to 45.0.

The household activity-related DI rose slightly thanks to the generally brisk performance of the first sale of the New Year and clearance sales. The corporate activity-related DI remained almost flat thanks to relatively good performance of foods in manufacturing industries, although the movement of goods was slow in non-manufacturing industries. The employment-related DI moved almost sideways, as the number of job offers continued to increase steadily. As a result, the DI for current economic conditions rose for the first time in six months but remained below 50 for the fifth consecutive month.

The DI for future economic conditions in January rose 4.3 points from the previous month to 48.3.

The DI for future economic conditions rose in all three fields, led by the household activity-related field, reflecting expectations of a rise in demand for travel in connection with the opening of the 2005 World Exposition in Aichi Prefecture and signs of bottoming out in the retail and housing sectors. As a result, the DI for future economic conditions, although it remained below 50 for the fourth consecutive month.

On the whole, the assessments of the Economy Watchers indicate that the economic recovery shows weak movements, although there is an expectation of recovery ahead.

Released on 8 February 2005 (in Japanese)
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
Email: chiiki.dc@cao.go.jp
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"> • Sales of fortune bags and clearance sales of winter goods were brisk as temperatures dropped and brought in winter weather at the beginning of the year. In particular, clearance sales are posting a sharp increase, as winter goods are well-stocked due to a warm winter until December. (Tokai: Department Store) • We are catching up on decreased sales in December caused by a cold wave in late December. The unit prices of goods other than winter goods have also begun to show signs of bottoming out. Sales of expensive goods have remained brisk for the last several months. Although we cannot expect a sharp turnaround, we feel that our industry as a whole is slightly picking up. (Chugoku: Auto parts shop)
C	<ul style="list-style-type: none"> • Although sales of ready-built houses remained in the doldrums from October to December, sales began to pick up slightly after the turn of the year, as the number of people looking for new houses increased. (Southern Kanto: Housing sale company) • Sales of DVD recorders and home electric appliances, such as washing machines, were brisk in the beginning of the year, remaining at the level we expected. A decline in the unit prices of digital home electric appliances appears to have been held in check by washing machines and so on. (Kinki: Electric appliance retailer) • The number of guests in October stood at 98.3% of the level a year earlier and in the first 25 days of January, the number also stood at 98.3% of the level a year earlier. Couple and family guests in tour groups are increasing. (Okinawa: Tourist spot)
D	<ul style="list-style-type: none"> • Sales at convenience stores across the country have remained stalled since the turn of the year, especially since the second half of January, reflecting a sharp decline in reaction to the strong performance of New Year's Day and the first sale of the New Year. (Tohoku: Convenience store) • The situation is as bad as it gets. Golf links remained closed due to snow during the year-end and New Year season when reservations are at their highest in winter. We can make up for heat wave, but not for snow. We didn't expect that we would be so influenced by snow. (Northern Kanto: Golf course operator)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> • Orders received have increased to the level before the Chuetsu earthquake. However, factors that may push costs higher are increasing, including short supply and price hikes of packaging materials and a rise in fuel prices. (Tohoku: Foods and related products)
C	<ul style="list-style-type: none"> • We raised product prices in December but have been running into rough waters in negotiations thereafter. (Hokuriku: Plastic products) • Award volume has been on a slight decrease since around October of last year. It is only specific industries, like the automobile industry, that are enjoying brisk business. (Kyushu: Ordinary machinery and instrument manufacturer)
D	<ul style="list-style-type: none"> • The movement of goods has been exceptionally slow after the New Year season. Even if seasonal changes are taken into account, arrival of goods and shipments are slow. Even import containers, which have been performing well, are not expanding rapidly, as they are in a terminal gap period until spring when demand is expected to pick up. (Hokkaido: Forwarding agency)

Employment

B	• I'm working technical college in computer. There have been a considerably large number of additional job offers for SEs and programmers recently. But, we are unable to respond to the offers, as no students have yet to land a job informally. (Southern Kanto: School [Vocational school])
C	• Although job offers in the services industry, such as medical treatment and social welfare, are increasing, we will remain under severe conditions, as job offers from manufacturing industries, which have a large impact on business recovery, have been decreasing. (Hokkaido: Job placement office)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> With the 2005 World Exposition in Aichi Prefecture slated to open in March, business will pick up in the travel industry. As for overseas travel, travel to Southeast Asia will remain severe due to the impact of the tsunami disaster but the number of people wishing to visit Hawaii is increasing. (Southern Kanto: Travel agency)
C	<ul style="list-style-type: none"> Consumers are expected to hold the line on spending due partly to the problem of alcohol sales promotion premium and partly to expected price hikes. Although the number of customers is increasing, the number of items purchased and unit price per customers are not likely to increase. (Chugoku: Supermarket) With the effect of housing-related tax breaks waning, there are no factors that may spur housing demand. Business will remain unchanged. (Kyushu: Housing supplier)
D	<ul style="list-style-type: none"> The number of weddings is expected to become even smaller. With the 2005 World Exposition opening in Aichi Prefecture in March, the Osaka area will be hit considerably hard by a sharp decrease in the number of tourists, both Japanese and foreigners, visiting the area. (Kinki: City hotel)

Corporate activity

B	<ul style="list-style-type: none"> Order volume has posted a year-on-year monthly increase since October last year and the growth rate has been picking up gradually. The order volume this month shows a double-digit increase of 110% over the same period of last year. We feel that the growth rate will remain unchanged for some time to come. (Kyushu: Ad agency)
C	<ul style="list-style-type: none"> With a fiscal year-end approaching, we usually receive additional orders from our business partners at this time of the year. However, there is no major change in the overall picture this year. Automobile-related subcontractors are getting brisk inquiries. The gap in business performance is likely to further widen depending on the type of business. (Tohoku: Electrical machinery equipment manufacturer) Looking at the movements of our business clients, many industrial materials manufacturers, such as steel makers, plan a slight increase in their production. On the other hand, many electronic parts manufacturers expect a pickup in orders received after early spring. (Hokuriku: Financial)
D	<ul style="list-style-type: none"> Although orders received for public works are increasing slightly, they are all joint ventures and small in size, and therefore not likely to lead to a sales increase. (Shikoku: General constructor)

Employment

B	<ul style="list-style-type: none"> Corporations converting dispatched temporary workers into regular workers are increasing, albeit small in number. (Tokai: Temporary manpower company)
C	<ul style="list-style-type: none"> The number of job offers remains at a high level. Although there may be a seasonal fluctuation due to the approach of the fiscal year-end, the number will remain at a high level for some time to come. (Chugoku: Job information magazine publisher)