

Economy Watchers Survey

June 2005

OVERVIEW OF THE MONTH

The DI for current economic conditions in June rose 0.6 points from the previous month to 50.9.

The household activity-related DI rose due to strong performance in the travel-related sector, such as an increase in reservations for travel during summer holidays, in addition to brisk sales of air conditioners and thin TVs in retail sectors. The corporate activity-related DI fell due to the impact of higher crude oil and raw material prices in the manufacturing industry, although the non-manufacturing industry remained almost unchanged. The employment-related DI remained high as the number of job offers continued to increase steadily, with the number of regular employees and dispatched temporary workers who are scheduled to be employed as full-time workers after the term of their dispatch increasing. As a result, the DI for current economic conditions rose for the sixth consecutive month, rising above 50 for two months on end.

The DI for future economic conditions in June fell 0.7 points from the previous month to 51.2.

The DI for future economic conditions fell, as the household activity-related DI declined due to concerns about higher vegetable prices caused by the little rain during the rainy season and slower supply of summer clothing. As a result, the DI for future economic conditions fell for the first time in three months.

On the whole, the assessments of the Economy Watchers indicate that the economy is picking up.

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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

Household activity

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| B | <ul style="list-style-type: none"> • Many events were held on the men's floor. Many customers visited the floor when we held Father's Day-related events, featuring casual styles including no-necktie cool work clothes. Events held for card members were great success, especially discount sales of brand products. (Northern Kanto: Department store) • Application for travel during summer holidays is brisk. If they find a holiday trip they like, customers buy it even if it goes over their budget. Sales of domestic holiday trips in July are up 7% over the previous year and those of overseas holiday trips in the same year are up 6%. (Kinki: Travel agency) • Sales of DVDs and thin TVs are brisk. With sales of air conditioners also remaining brisk thanks to the hot weather, the number of customers is increasing. (Chugoku: Electric appliance retailer) |
| C | <ul style="list-style-type: none"> • Although sales of souvenirs are slow, snacks and drinks are selling well as many visitors go rafting. They don't buy unnecessary souvenirs for their acquaintances. (Tohoku: Sightseeing spot) • Demand for land, existing homes, and home improvement is pretty high as compared with the previous year. Although demand for new homes is relatively slow, customers' interest in housing is high on the whole. (Hokuriku: Housing supplier) • Sales were poor in June. Competition has intensified in this area. Moreover, customers have become selective in their shopping. This may have something to do with the reaction to various measures against the introduction of a tax-inclusive pricing system last year, the weather factor, and lower grocery prices. (Southern Kanto: Supermarket) |

Corporate activity

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|----------|---|
| B | <ul style="list-style-type: none"> • Demand from retail-related companies for flyers, advertisement, and sales promotion items is conspicuously higher than in the previous year in terms of both volume and quality. (Tohoku: Other companies [Designing]) • Residential land prices in Osaka Prefecture and area between Osaka and Kobe cities are rising. Rents in commercial districts have begun to rise. (Kinki: Real estate broker) |
| C | <ul style="list-style-type: none"> • Since the beginning of this year, we have been enjoying the best business in 50 years thanks to active capital investment by the automobile industry. Although costs of transportation and raw materials are rising due to higher crude oil prices, the good business is still continuing. (Tokai: Ordinary machinery and instrument manufacturer) • Thanks to an unusually long spell of fine weather, sales and the number of customers have remained brisk mainly in the distribution trade. Even corporations whose business is better on rainy days are also doing respectable business. They have recovered from the fall after the Golden Week holidays in early May. (Kyushu: Management consultant) |
| D | <ul style="list-style-type: none"> • There are no major changes in the volume of orders and new plans, etc. from usual years. With material prices still continuing to rise due to higher crude oil prices, the profit margin has been narrowing. (Southern Kanto: Plastic products) |

Employment

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| B | • The number of registered workers cancelling registration has increased slightly, as the companies to which we dispatch temporary workers have employed regular workers. Also in job-placement ads, the number of job offers for regular workers has increased. (Hokuriku: Private employment agency) |
| C | • The number of workers who quit for their own reasons has been increasing. Reflecting a recent improvement in employment situation, more workers are looking for jobs with better working conditions. (Tokai: Job placement office) |
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2. Future conditions

Household activity

B	<ul style="list-style-type: none"> Per customer transaction has recovered to a year-earlier level for the first time in one year. The number of receipts we issue has increased, indicating customers using our restaurant on corporate expenses are increasing. (Hokkaido: Standard class restaurant) Customers often talk about bonuses and many of them say they expect a larger bonus this year than in the previous year. Business will get better in the months to come. (Kyushu: Taxi driver)
C	<ul style="list-style-type: none"> The low prices of agriculture products are likely to turn higher due to water shortage. A wild fluctuation of fresh food prices is highly likely to erode consumer confidence. (Kinki: Supermarket) There are signs of an increase in the number of corporations holding anniversary parties. But the size and unit price of an ordinary party are small. (Chugoku: City hotel)
D	<ul style="list-style-type: none"> We plan to conduct a clearance sale of summer clothing, but the volume of items provided by manufacturers is smaller than in usual years. With lingering summer heat forecast, we are concerned that we may not be able to secure enough items for the clearance sale. (Hokuriku: Department store)

Corporate activity

B	<ul style="list-style-type: none"> Although production of mobile phone parts are at low levels, production of automobile parts are expected to remain relatively firm. With exchange rates standing far above our interoffice rate, our export profitability will turn for the better. (Tohoku: Ordinary machinery and instrument manufacturer) Inquiries have become relatively active and contracts and shipments have actually begun to increase gradually. We see slight signs of recovery in our business. (Southern Kanto: Electrical machinery equipment manufacturer)
C	<ul style="list-style-type: none"> We will continue to see a slowdown in the growth of existing users and have to secure new users. (Okinawa: Communication)
D	<ul style="list-style-type: none"> We have secured orders up to early autumn, but their prices have already been fixed. Since prices of raw materials are rising due to higher crude oil prices, it has begun to depress profits as we are unable to pass higher raw material prices on to the customers. (Northern Kanto: Chemical and allied products)

Employment

B	<ul style="list-style-type: none"> Employment of part-time workers will increase along with the increase in the employment of regular workers. (Shikoku: Job information magazine publisher)
C	<ul style="list-style-type: none"> Although general job offers have increased conspicuously in the number of new job offers, the number of job seekers has also increased. Since some business establishments, mainly in manufacturing industries, are cutting down the size of their staff, the number of job seekers will not decrease. (Chugoku: Job placement office)