

# Economy Watchers Survey

March 2005

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## OVERVIEW OF THE MONTH

The DI for current economic conditions in March rose 3.9 points from the previous month to 49.5.

The household activity-related DI rose, as the number of customers is increasing in retail sectors and as the opening of the 2005 World Exposition in Aichi Prefecture spurred travel demand in the services sector. The corporate activity-related DI rose thanks to a pick up in orders received by some manufacturers and an overall pick up of non-manufacturing industries. The employment-related DI remained high as the number of job offers continued to increase steadily, causing a shortage of manpower in some sectors. As a result, the DI for current economic conditions rose for the third consecutive month but remained below 50 for the seventh consecutive month.

The DI for future economic conditions in March fell 0.1 points from the previous month to 49.8.

The DI for future economic conditions moved almost sideways, with the corporate activity-related DI falling reflecting concerns about continued variance in business sentiment in the real estate-related sector and the employment-related DI rising on expectations of continued increase in job offers. As a result, the DI for future economic conditions fell marginally for the first time in three months.

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

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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>B</b> | <ul style="list-style-type: none"> <li>• Consumers' awareness of the 2005 World Exposition that opened in late March is rising. The number of customers wanting to visit the Exposition is increasing despite the very high unit price. (Southern Kanto: Travel agency)</li> <li>• Customers have become responsive to sales promotions, leading to an increase in the number of customers and a rise in both unit prices and per-customer transaction. (Hokuriku: Supermarket)</li> </ul>  |
| <b>C</b> | <ul style="list-style-type: none"> <li>• Although sales and the number of customers are higher than in the previous year thanks to orders received for reservations of parties related to the new baseball team, per-customer transaction is continuing to decline. Orders for school-related welcome and farewell parties are brisk, more than offsetting a decrease in weddings. Overall, both the number of customers and per-customer transactions are about to bottom out. (Tohoku: High-class restaurant)</li> <li>• Spring goods got off to an extremely slow start. However, sales of white-day goods, such as cosmetics, handkerchiefs, accessories, and food products, are at last year's level. (Kinki: Department store)</li> </ul>   |
| <b>D</b> | <ul style="list-style-type: none"> <li>• Movement of customers is very slow. This may have something to do with the fact that the transport capacity of aircraft flying into Hokkaido has decreased. The opening of the 2005 World Exposition in Aichi Prefecture may be another cause for slow customer movement. (Hokkaido: Tourist hotel)</li> <li>• We cannot expect special events to induce the shower effect at all (the shower effect is defined as attracting consumers to events held on the highest floor so as to encourage them to go down to lower floors and buy goods). Worse still, the number of customers visiting our store decreased following the major earthquake that hit the western part of Fukuoka Prefecture on March 20. (Kyushu: Department store)</li> </ul> |

***Corporate activity***

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| <b>B</b> | <ul style="list-style-type: none"> <li>• Since the beginning of March, we have come to receive orders from industrial companies that had showed no particular movement until then. Orders from companies other than civil engineering and construction companies have begun to increase gradually, though the actual amount of orders is still small. (Southern Kanto: Publishing, printing &amp; allied industries)</li> <li>• Newspaper inserts, although remaining unchanged in volume, are increasing in terms of value. Corporations are spending more on flyers, expanding the size of flyers and using higher quality paper. (Kinki: News agent [Advertisement])</li> </ul> |
| <b>C</b> | <ul style="list-style-type: none"> <li>• Sales of spring clothing, especially women's wear, are extremely slow due to the prolonged cold weather. Our business customers are very cautious about placing orders. (Hokuriku: Textile)</li> <li>• The volume of orders received by manufacturers is increasing slightly, but not large enough to improve their business conditions. Sales and profits of distributors are falling below last year's level. (Chugoku: Accounting firm)</li> </ul>   |
| <b>D</b> | <ul style="list-style-type: none"> <li>• We have no choice but to lower selling prices, as customers are of the view that investment merits will wane due to rising costs caused by fixed high crude oil prices. And yet at the same time, suppliers are raising prices of raw materials. (Tokai: Ordinary machinery and</li> </ul>  |

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instrument manufacturer)

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***Employment***

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| <b>B</b> | • With the fiscal year-end approaching, corporations are looking for manpower in great haste as they are boosting production to increase operating profits for the business term. It has become increasingly difficult to secure manpower due to the opening of the 2005 World Exposition in Aichi Prefecture. (Tokai: Job placement office) |
| <b>C</b> | • Although requests for dispatched temporary workers remain brisk, the number of workers landing a job is not increasing much as the number of registered temporary workers is smaller than in the previous year. (Tohoku: Temporary manpower company)   |
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## **2. Future conditions**

### ***Household activity***

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| <b>B</b> | <ul style="list-style-type: none"> <li>Reflecting economic recovery, corporate travel shows signs of picking up. Inquiries about overseas trips and golfing tours are increasing from both individuals and groups, especially from the elderly. (Shikoku: Travel agency)</li> <li>With a fall in unit price coming to an end and the number of customers being on a recovery trend, business is expected to get slightly better. (Okinawa: Supermarket)</li> </ul>                 |
| <b>C</b> | <ul style="list-style-type: none"> <li>Thin TVs and terrestrial digital tuner-incorporated TVs are expected to sell well, but sales of other products are likely to decline. (Southern Kanto: Electric appliance retailer)</li> <li>The purchase prices of gasoline from primary distributors are expected to rise again in April. We intend to pass the hike on to retail prices but are concerned about market reaction. (Kyushu: Other specialty shop [Gas station])</li> </ul> |
| <b>D</b> | <ul style="list-style-type: none"> <li>Although consumer confidence in the economy is recovering slightly, consumers are less inclined to visit shopping areas as their willingness to buy goods has diminished. (Hokkaido: Shopping area)</li> </ul>  |

### ***Corporate activity***

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| <b>B</b> | <ul style="list-style-type: none"> <li>Our company-owned buildings are drawing lots of inquiries from possible tenants. We can expect an improvement in the vacancy rates in the next 2 to 3 months. (Southern Kanto: Real estate broker)</li> </ul>   |
| <b>C</b> | <ul style="list-style-type: none"> <li>There are no signs of a pick up in construction demand and contract prices. (Hokkaido: Other services [Construction machinery lease])</li> <li>With the buying boom of three major electronic devices, i.e. digital cameras, DVD recorders, and thin TVs running its course, business is likely to move sideways as a new product that would ignite another buying boom is not likely to appear on the market for some time to come. (Tohoku: Electrical machinery equipment manufacturer)</li> </ul> |
| <b>D</b> | <ul style="list-style-type: none"> <li>The excess supply of suburban residential estates remains unabated and land price is still on a downward trend. It would be beneficial to launch new development in popular areas, but in other areas, the business remains in the doldrums. (Tokai: Management consultant)</li> </ul>  |

### ***Employment***

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|----------|---|
| <b>B</b> | <ul style="list-style-type: none"> <li>Employment is recovering briskly in various fields of business, including the services industry. Many of the companies that had suspended recruitment due to restructuring have come to contact us to carry classified ads without our solicitation. (Northern Kanto: Job information magazine publisher)</li> </ul>           |
| <b>C</b> | <ul style="list-style-type: none"> <li>Job offers for dispatched temporary workers and contract workers mainly by manufacturers are increasing at a slower pace. The job offers-to-seekers ratio at our office warrants no optimism, as it has been decreasing in the past several months after remaining on a rising trend. (Kinki: Job placement office)</li> </ul> |