

Economy Watchers Survey

May 2005

OVERVIEW OF THE MONTH

The DI for current economic conditions in May rose 0.5 points from the previous month to 50.3.

The household activity-related DI rose due to a slight increase in sales of summer goods in addition to brisk sales during the Golden Week holidays in retail sectors. The corporate activity-related DI fell slightly due to slower movement of goods in non-manufacturing industries after Golden Week holidays, although the 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 fifth consecutive month, rising above 50 for the first time in nine months.

The DI for future economic conditions in May rose 1.6 points from the previous month to 51.9.

The DI for future economic conditions rose in all three fields, led by the household activity-related field, thanks to signs of recovery in consumers' willingness to buy and on expectation of a rise in demand for travel in summer triggered by the 2005 World Exposition in Aichi Prefecture. As a result, the DI for future economic conditions rose for the second consecutive month.

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

Released on 8 June 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

Household activity

- | | |
|----------|--|
| B | <ul style="list-style-type: none">• Usually, the number of customers does not increase in Tokyo area during Golden Week holidays. But this year, we saw increases both in the number of customers and sales, with diversified goods, ranging from high-price items to essential goods, selling well. Although sales dropped sharply after the holidays, they began to pick up in the second half of May. Sales for the month as a whole were slightly higher than in the three months before. (Southern Kanto: Department store)• Although the flower season this year was late due to a long spell of unexpectedly low temperatures, the number of group visitors from schools and welfare institutions increased. There were only a few cancellations thanks to a long spell of fine weather despite low temperatures. (Chugoku: Theme park)• Sales of clothing, especially men' suits and summer outerwear, have been particularly brisk this month for the first time in six months. High-priced imported goods have also been selling well after a long interval. These products are contributing to an increase in sales this month. (Kyushu: Supermarket) |
| C | <ul style="list-style-type: none">• Sales at existing stores are almost at the same level as in the previous year, with the movement of goods showing no particular changes in the past 2-3 months. Sales of large-screen thin TVs remain brisk but those of personal computer-related goods are slow. The movement of air conditioners is also slow, as hot days do not last long. (Hokuriku: Electric appliance retailer)• Although the number of customers is increasing, the average unit price is declining as the customers are mostly interested in low-priced events. (Okinawa: Other restaurant [Pub]) |
| D | <ul style="list-style-type: none">• Although we are holding events, the number of wedding ceremonies shows no signs of an increase. With both the number and unit price of other parties decreasing, the number of visitors to our restaurant is also decreasing. In particular, the number of customers at late hours has decreased drastically. Wining and dining at company expense and family dinners at hotels are also decreasing. (Tohoku: City hotel) |
-

Corporate activity

- | | |
|----------|--|
| B | <ul style="list-style-type: none">• We have started night operations as we are unable to cope with a sharp increase in orders for container-related products through overtime and holiday work alone. (Northern Kanto: Chemical products)• The volume of orders received has been on an increase, as many of our business partners started increasing production last month. (Tokai: Electrical machinery equipment manufacturer) |
| C | <ul style="list-style-type: none">• Although large-lot orders from big corporations remain brisk, small-lot orders from small and medium-sized enterprises are decreasing. Orders from housing suppliers and IT-related companies are increasing steadily, but both the number and value of orders from manufacturers have decreased. (Kinki: Copying services)• For some products, such as general-purpose products, price rises have stalled and imports have begun to increase. As for high-end products, sales are steady. We need to look at the direction in which that market is moving. (Chugoku: Iron & steel) |
| D | <ul style="list-style-type: none">• Since the end of the Golden Week holidays, the volume of cargo we have handled, such as everyday sundries, has decreased sharply and now stands at below the level of last year. (Shikoku: Forwarding agency) |
-

Employment

- | | |
|----------|--|
| B | <ul style="list-style-type: none">• Cases of dispatched temporary workers being employed as regular workers have become conspicuous. Inquiries for dispatched temporary workers who are to be employed as regular workers later have been on the increase, indicating corporations' rising interest in employing workers. (Tohoku: Temporary manpower company) |
| C | <ul style="list-style-type: none">• Although job offers for part-time work of 3 to 5 hours has increased regardless of the type of job, the number of applicants has decreased. Job seekers are looking for a job in which they can work as long as possible. (Kinki: Newspaper publisher) |
-

2. Future conditions

Household activity

- | | |
|----------|--|
| B | <ul style="list-style-type: none"> • There is a sign that the number of tourists will increase in summer thanks to the effect of the 2005 World Exposition in Aichi Prefecture. (Northern Kanto: Travel agency) • We count on the future of our business, as high-income earners have begun to buy high-priced goods, such as jewels and watches, casually. (Kinki: Department store) |
| C | <ul style="list-style-type: none"> • Although there is a sign that the fall in unit prices is coming to an end, the situation remains as severe as ever. At meetings with people in the same trade, the topic of conversation often centers on closing of business. Shops that are opening are all chain stores. For mom-and-pop shops, the business situation will remain severe. (Tohoku: Other restaurant [Buckwheat noodle]) • Customers continue to buy only things they really need or they are interested in. This trend will continue for some time to come. (Kyushu: Convenience store) |

Corporate activity

- | | |
|----------|---|
| B | <ul style="list-style-type: none"> • Semiconductor manufacturing-related industries are expected to see their sales increase, as they are scheduled to export a quantity of semiconductor manufacturing equipment to China in and after June. They plan to boost their production capacity. (Southern Kanto: Financial) • Many of our corporate customers have moved into new businesses or launched new products and begun to expand business partners. (Tokai: Accounting firm) |
| C | <ul style="list-style-type: none"> • With inquiries beginning to increase, business as a whole is expected to pick up. However, no optimism is warranted, as cost-cutting competition remains as severe as ever and variances among companies are as wide as ever. (Northern Kanto: Electrical machinery equipment manufacturer) |
| D | <ul style="list-style-type: none"> • With fuel costs rising due to higher crude oil prices, we have come to the limit of our efforts to slash costs. (Hokuriku: Forwarding agency) |

Employment

- | | |
|----------|--|
| B | <ul style="list-style-type: none"> • With requests made to temporary manpower companies for dispatch of workers stemming from the need for additional staff, not for replacement for those laid off as a result of corporate downsizing, the economy shows its underlying strength and signs of expansion. (Southern Kanto: Temporary manpower company) |
| C | <ul style="list-style-type: none"> • When we ask companies if they will continue to offer jobs for unfilled vacancies at the end of the period for which job offers are valid, there are cases where companies stop seeking workers. (Hokkaido: Job placement office) |