

Economy Watchers Survey

November 2005

OVERVIEW OF THE MONTH

The DI for current economic conditions in November rose 2.2 points from the previous month to 52.9.

The household activity-related DI rose thanks to brisk sales of winter apparel and home electric appliances such as thin TVs in the retail-related sectors. The corporate activity-related DI rose slightly as activities of both the manufacturing and non-manufacturing industries gained momentum, although the impact of higher crude oil and raw material prices continued to be felt. 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, and reflecting an increase in the number of people in active service seeking new jobs. As a result, the DI for current economic conditions rose for the first time in two months and remained above 50 for the seventh consecutive month.

The DI for future economic conditions in November fell 1.0 points from the previous month to 52.4.

The DI for future economic conditions fell for the first time in three months due to concerns about a rise in the prices of oil-related products, although consumers' willingness to purchase is expected to continue to increase.

On the whole, the assessments of the Economy Watchers indicate that the economy is recovering 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 | <ul style="list-style-type: none">• On the whole, we are enjoying a higher volume of sales. The number of weddings and guests invited has increased. We are also enjoying steady demand for banquets and meetings. The number of guests staying our hotel is 3-4% higher than in the previous year. (Tohoku: City hotel)• Reflecting the drop in temperature, sales of winter clothing for both men and women is increasing, leading to higher overall sales. Sales of coats, which fell sharply in October, posted a double-digit increase in the second half of November. Among home electric appliances, heating appliances are contributing to brisk overall sales. Products that have been developed based on customers' opinions and that are available only at our store are drawing attention. Customers also have a strong interest in high-quality products manufactured or grown in particular regions. Among products of the same type, those priced higher are selling faster. (Southern Kanto: Department store)• Following a drop in temperature in and after the second 10 days of November, sales of heating appliances, especially high-priced air conditioners, are rising sharply over the previous year. Brisk sales of thin TVs with screen width of 37 inches or larger have raised per-customer transactions, contributing to higher overall sales much more than the increase in sales of thin TVs did. (Hokuriku: Electric appliance retailer) |
| C | <ul style="list-style-type: none">• Although both sales and the number of customers are increasing slightly, many of the customers are doing only window shopping, as it has yet to get really cold. As for outer clothes, light quilted wear is selling faster than outfits for cold weather. (Chugoku: Clothing shop)• Contracts for company excursions and group or family tours increased. In particular, company tours have begun to show signs of picking up. Their destinations are mainly Europe, Hawaii and Australia. Travel to China and Southeast Asia is sluggish. (Shikoku: Travel agency) |
| D | <ul style="list-style-type: none">• Although sales of newly launched compact and hybrid cars are brisk, those of existing cars are not as much as we expected, falling below our sales forecast. Sales are sluggish not only at our shop but also at other dealers in our prefecture. (Hokuriku: Passenger car dealer) |
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Corporate activity

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| B | <ul style="list-style-type: none">• Orders received are firm and an increasing number of people have begun to talk about upward revisions of business performance and new capital investment. (Hokkaido: Telecom company)• Amid continuing brisk sales of thin TVs, demand has shifted to large-screen TVs, driving the unit price higher overall. (Kinki: Electric machinery equipment manufacturer) |
| C | <ul style="list-style-type: none">• Although the volume of orders received has increased, the after-effects of a rise in unit prices of materials caused by higher crude oil prices still remain in place. We are under pressure from some of our customers to reduce costs. (Southern Kanto: Plastic products)• Although the construction division has received a fairly large number of inquiries for capital spending from the private sector, the civil engineering division has received almost no inquiries due to a cut in public investment. (Shikoku: General contractor) |
| D | <ul style="list-style-type: none">• We have been reducing production of general-purpose steel products since July. (Chugoku: Iron & steel) |
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Employment

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| B | <ul style="list-style-type: none">• Of the people seeking new jobs, those who have left their jobs for reasons of restructuring posted a double-digit year-on-year decrease for the fourth straight month. On the other hand, the number of people seeking new jobs while in active service has increased for 12 consecutive months, posting a gain of 20~30% in the last three months. (Tokai: Job placement office) |
| C | <ul style="list-style-type: none">• It is not that the level of skills of job seekers has decreased on the whole, but that the number of skilled workers seeking new jobs has decreased. With the retention rate rising, employment has stabilized. (Tohoku: Temporary manpower company) |
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2. Future conditions

Household activity

B	<ul style="list-style-type: none"> Seasonal products are selling well this year in sharp contrast to poor sales last year due to the warm winter. The close rate for audio visual goods has been increasing, consumers are responding well to our efforts. (Northern Kanto: Electric appliance retailer) Households continue to tighten their purse strings due to higher crude oil prices. We are also concerned about a possible decline in sales due to shortages of some products, as manufacturers are reducing supply to the level of 60~70% of normal years. However, partly reflecting higher bonus payments this year, the consumer tendency to seek high-quality, high-priced products will pick up. (Hokuriku: Department store)
C	<ul style="list-style-type: none"> Our business is picking up except for wedding ceremonies, which are expected to continue to decrease for some time to come. However, judging from the current status of booking, other sectors will continue to their upward trend. (Kinki: City hotel) With a bonus campaign starting in December and an assortment of reasonably priced products made available, the movement of customers will become active. However, sales will not increase as much as in usual years due to intensifying competition with rival stores. (Kyushu: Communications)
D	<ul style="list-style-type: none"> With unit sales prices of fruit and vegetables and rice continuing their sharp downward trend, the sentiment of further decline in prices remains unabated at the retail level. Moreover, with rising heating expenses beginning to have adverse effects on household budgets, it is hard to paint a rosy picture for the future. (Hokkaido: Supermarket)

Corporate activity

B	<ul style="list-style-type: none"> Our corporate customers say that many corporations are thinking of making capital investment. They also say that the number of corporations having sufficient cash flow has increased. (Shikoku: Certified public accountant) Selling prices have begun to rise after hitting bottom, and the volume of orders received has been increasing. (Kyushu: Iron & steel)
C	<ul style="list-style-type: none"> Our business is being hard hit by higher fuel prices, but we have gradually got used to the plight. (Tokai: Forwarding agency)
D	<ul style="list-style-type: none"> Orders received for manufacturing goods in and after December have decreased sharply. The economic slowdown in the metal processing industry is stronger than expected. Price hikes are forecast for some production goods, but we are unable to pass the higher costs on to our metal processing services. We are concerned that this may put downward pressure on our profits. (Hokkaido: Other non-manufacturing [Machinery wholesaling])

Employment

B	<ul style="list-style-type: none"> With the end of the year approaching, corporations in Okinawa Prefecture are expected to intensify their recruiting activities from the beginning of the year. In anticipation of this, an increasing number of corporations are engaged in recruitment activities. (Okinawa: School [Vocational school])
C	<ul style="list-style-type: none"> The current situation will continue until job offers for stable direct employment that many job seekers are looking for, instead of non-regular employment, such as dispatched temporary work and contract work, increase. (Northern Kanto: Job placement office)