

# Economy Watchers Survey

## September 2005

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### OVERVIEW OF THE MONTH

The DI for current economic conditions in September rose 1.2 points from the previous month to 51.7.

The household activity-related DI rose slightly as demand for travel remained firm in the service-related sectors, although sales of autumn apparel were slightly sluggish in the retail-related sectors due to the lingering summer heat. The corporate activity-related DI rose as the business pickup spread to both the manufacturing and non-manufacturing industries, 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 a labor shortage. As a result, the DI for current economic conditions rose for the second consecutive months, and remained above 50 for the fifth consecutive month.

The DI for future economic conditions in September rose 1.2 points from the previous month to 53.1.

The DI for future economic conditions rose for the first time in two months on expectations of an increase in consumers' willingness to purchase and a rise in demand for travel, although concerns about higher crude oil and raw material prices remain unabated.

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

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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](mailto: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***

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| <b>B</b> | <ul style="list-style-type: none"> <li>We saw a sharp decrease in the number of tourists traveling to Hokkaido last year, but the number is increasing this year. The number of group tourists is still declining, but with the number of individual tourists increasing and the 2005 World Exposition in Aichi ending, we see a silver lining ahead. (Hokkaido: General retailer [souvenirs])</li> <li>With sales of digital appliances and highly-functional home electronics rising, there is a trend of buying high-priced products, and per customer transactions have increased. There is a bipolarization in the sales pattern – one focused on low-priced products and the other on high-quality, high-priced ones. (Southern Kanto: Electric appliance retailer)</li> <li>Although gross earnings are smaller than in the previous year, advanced bookings, mainly by individual business customers, have increased sharply. On the other hand, wedding ceremonies have been on a decreasing trend regardless of the performance of the economy. (Kinki: City hotel)</li> </ul> |
| <b>C</b> | <ul style="list-style-type: none"> <li>Although we were blessed with good weather in September, the number of customers was slightly smaller than in the previous year. Per-customer transactions also decreased slightly. However, we somehow managed to post the same level of sales as in the previous year thanks to various events held in and around our neighborhood. When there were no events, both the number of customers and sales were sluggish. On the whole, the economic condition is unchanged compared to 3 months before. (Hokuriku: Convenience store)</li> <li>Sales of women's wear, which had been brisk up to August, came to a standstill in September. With the temperature standing about 2 degrees higher than in the previous year, customers are buying T-shirts instead of sweaters which are normally sold well in this season, resulting in sales of lower-priced items and thus little increase in sales. We are counting on continued brisk sales of trend items. (Chugoku: Department store)</li> </ul>  |
| <b>D</b> | <ul style="list-style-type: none"> <li>Sales of summer clothing are brisk due to the lingering summer heat, but autumn clothing is not selling at all. Sales of foods, especially fresh foods, are sharply lower than in the previous year. Sales, including those of new tenants that moved in January, stand at 105% of the previous year's level, but on a like-for-like basis, sales come to 92% compared with the previous year. With competitors opening new outlets nearby, conditions are severe for us. (Kyushu: Supermarket)</li> </ul>  |

***Corporate activity***

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| <b>B</b> | <ul style="list-style-type: none"> <li>Movements of not only big corporations but also smaller corporations have become powerful, reflecting their rising willingness to make business investment. (Tokai: General contractor)</li> <li>Orders for men's clothing have begun to increase slightly at last. In particular, orders for uniforms have increased, reflecting a pickup in business sentiment. (Kyushu: Textile)</li> </ul>   |
| <b>C</b> | <ul style="list-style-type: none"> <li>While the business conditions of our subcontractors remain in the doldrums, we are receiving an increasing number of inquiries from electronic goods-related corporate customers engaged in the development of new products. (Kinki: Electrical machinery equipment manufacturer)</li> <li>Amid the decreasing volume of public works, it has become clear that private demand is supporting construction investment. The operating rate of cranes has been higher than in the previous year. (Shikoku: Ordinary machinery and instrument manufacturer)</li> </ul> |

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| <b>D</b> | <ul style="list-style-type: none"><li>• We are swamped with adverse conditions, such as fare hikes by shipping companies due to higher crude oil prices and delays in scheduling of grain transport ships caused by the hurricanes in the United States. (Hokkaido: Forwarding agency)</li></ul> |
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***Employment***

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| <b>B</b> | <ul style="list-style-type: none"><li>• The number of job offers, both in terms of demand for temporary employers and job introductions, is higher than in the previous year. Demand, which had been firm, is now clearly on a rising trend. (Kyushu: Private employment agency)</li></ul>   |
| <b>C</b> | <ul style="list-style-type: none"><li>• Although the number of new job seekers has been decreasing, the margin of decrease has narrowed from a year earlier. The number of persons seeking new jobs while in active service is on an increasing trend. Although the number of new job offers is increasing, the mismatch of employment is still in place, with job offers for contract jobs and dispatched temporary workers accounting for 20% of the total. (Southern Kanto: Job placement office)</li></ul> |
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## **2. Future conditions**

### ***Household activity***

<b>B</b>	<ul style="list-style-type: none"> <li>We are counting on consumers' move to buy white goods with new functions and designs to replace their current white goods that are still usable. Among such white goods are biparting-door, multi-door refrigerators, high-powered cyclone cleaners, steam ovens, and IH rice cookers. (Hokuriku: Electric appliance retailer)</li> <li>Our capacity operating rate this year will far exceed the previous year especially in October. The share of individual hotel guests is also increasing. (Okinawa: Tourist hotel)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Although there are adverse factors, such as the end of the 2005 World Exposition in Aichi and reopening of competitors' outlets, we are being supported by brisk sales of clothing, our main item, since the start of the autumn/winter season. (Tokai: Department store)</li> <li>Velvet and velveteen jackets made of materials for autumn are hot-selling products. Sales of skirts are also increasing along with them. However, they are not strong enough to shore up overall sales. (Shikoku: Clothing shop)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Price hikes of petroleum products are looming large, and in fact, kerosene prices are rising gradually. If customers curtail their spending, the business situation will become severe. (Hokkaido: Shopping area)</li> </ul>

### ***Corporate activity***

<b>B</b>	<ul style="list-style-type: none"> <li>Our business is expected to remain brisk, as we have received orders for the next three months to come and production of prototypes for next-generation products has become active. (Chugoku: Electrical machinery equipment manufacturer)</li> <li>A large plot of land in central Matsuyama City changed hands for a price higher than ever before. This trend is expected to continue for some time to come, as corporations are increasingly looking for land in the central parts of cities. (Shikoku: Real estate broker)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Although crude oil prices are rising, the prices of raw material are stable, albeit at a high level, as we are no longer under pressure of price hikes for iron plates for steel products and blast furnaces like we were six months ago. (Northern Kanto: Metal product manufacturer)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Our profitability has begun to deteriorate, as unit sales prices declined before the improvement of profitability of housing materials, and as freight charges were raised. (Tohoku: Lumber and wood products)</li> </ul>

### ***Employment***

<b>B</b>	<ul style="list-style-type: none"> <li>The number of corporations recruiting employees in autumn has increased and inquiries about recruitment next year from corporations that have completed recruitment this year have also increased. (Kinki: School [University])</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Our business is not expanding but remains stable. Although we do not have any major projects, our workers are busy in one way or another, with many of them working overtime. (Tohoku: Temporary manpower company)</li> </ul>