

Economy Watchers Survey

April 2006

OVERVIEW OF THE MONTH

The DI for current economic conditions in April fell 2.7 points from the previous month to 54.6.

The household activity-related DI fell due to slow sales of spring and summer clothing in the retail-related sector owing to continued low temperatures, although demand for sightseeing, including reservations for sightseeing during the Golden Week holidays, was brisk. The corporate activity-related DI fell due to bad influence of higher crude oil and raw material prices, although orders received were stable. The employment-related DI remained high, reflecting corporations' positive stance toward employment. As a result, the DI for current economic conditions fell for the first time in three months but remained above 50 for the 12th consecutive month.

The DI for future economic conditions in April fell 1.2 points from the previous month to 55.0.

The DI for future economic conditions continued to fall for the 2nd consecutive month due to concern about adverse effects of higher crude oil prices on consumer confidence.

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

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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

B	<ul style="list-style-type: none"> • Reservations for overseas travel during the Golden Week holidays increased from the previous year. In the past 2 to 3 years, it was possible to get a reservation for overnight domestic trips even, on the busiest days, but this year there were some days when overnight domestic trips were fully booked. (Tohoku: Travel agency) • Although the number of company parties remains small, we see an increase in the number of social gatherings held by the general public, such as for Buddhist services and get-togethers. (Northern Kanto: Standard class restaurant) • The number of customers buying their own home is increasing despite the high prices, reflecting wide-spreading expectations of a business pickup. (Shikoku: Other housing)
C	<ul style="list-style-type: none"> • We are experiencing a difficult period due to bad weather on weekends. In particular, sales of seasonal home electric appliances are poor due to low temperatures. But, sales of TV-related products are brisk, including HDD players compatible with terrestrial digital broadcasting. We are counting on rising interest in the World Cup soccer. (Southern Kanto: Electric appliance retailer) • The number of customers visiting our store was small in April due to unfavorable weather. We had a hard time due to poor sales of early summer clothing both for young women and middle-aged women. On the other hand, sales of thin TVs, watches for men, and brand jewelry are brisk. (Kinki: Department store)
D	<ul style="list-style-type: none"> • Sales of light cars have been brisk since the beginning of April, but the number of registered cars decreased by nearly 10% in reaction to brisk sales in March. The economic recovery has yet to have a favorable impact on automobile sales. (Tohoku: Passenger car dealer)

Corporate activity

B	<ul style="list-style-type: none"> • Fund demand has been increasing by more than 3% over the previous year. We expect the demand to remain at this level. (Tohoku: Financial) • Production and sales remain at record levels. Pertly, inquiries and orders are increasingly shifting form large-sized special machines to general-purpose standard machines. (Hokuriku: Ordinary machinery and instrument manufacturer)
C	<ul style="list-style-type: none"> • The movement of goods, which had been very active in the previous month, slowed in April. (Tokai: Forwarding agency) • Although order volume and prices are moving sideways, we are in extreme difficulty in terms of profitability, as raw material and other prices are threatening to rise further. (Chugoku: Transportation equipment)
D	<ul style="list-style-type: none"> • Movements of major manufacturers of electronic parts- and semiconductor-related products have slowed down considerably overall, hitting a lull. Movements of other manufacturers are also stagnant. (Kyushu: Electrical machinery equipment manufacturer)

Employment

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| B | • With job offers increasing significantly, the number of people employed is on the increase. Corporations are making recruitment assessments and decisions earlier than in the past. Corporations have also come to hire people as long as they have strong potential ability from a medium- and long-term viewpoint. (Southern Kanto: Private employment agency) |
| C | • Manpower dispatching fees are revised every April. Large corporations deal with the revision in a positive manner. But, in Kansai, especially in Osaka, where many of the corporations are small, it is difficult to promote awareness of our upward revision of the fees. The situation is not as easy as people think. (Kinki: Temporary manpower company) |
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2. Future conditions

Household activity

B	<ul style="list-style-type: none"> • With the start of World Cup soccer games and the start of digital broadcasting just around the corner, sales of TVs and DVDs will continue to pick up. But, sales of personal computer-related products are stagnant. (Chugoku: Electric appliance retailer) • With the capacity operating rate in May and June expected to remain the same as the previous year, the unit price will rise from the previous year. (Okinawa: Tourist hotel)
C	<ul style="list-style-type: none"> • Pay hikes at corporations in our surrounding area were not as big as had been expected. Car sales will remain at the current level. (Hokkaido: Passenger car dealer) • Higher prices of petroleum products lead to the high cost of raw materials for various forms of manufacturing and this in turn is expected to be passed on to final prices in May or June. We fear it may result in a depression of consumer confidence. (Northern Kanto: Supermarket)
D	<ul style="list-style-type: none"> • Higher crude oil prices have raised gasoline prices and utility bills, depressing consumer confidence of individuals, except the wealthy. (Kyushu; Department store)

Corporate activity

B	<ul style="list-style-type: none"> • An increasing number of our corporate customers are planning to boost their business spending. Since many of them are seeing their businesses picking up, we expect an increase in business investment in information technology. (Northern Kanto: Other services [Information service]) • We expect our automobile-related business to remain brisk, as we have received large orders that will keep us at full production for three months. Both manufacturers and material suppliers are bullish, forecasting a sharp increase in orders for energy-saving air conditioners toward the summer. (Chugoku: Electrical machinery equipment manufacturer)
C	<ul style="list-style-type: none"> • We fear that price hikes for heavy oil, oil solution, and adhesive solution, etc. that are scheduled to be implemented one after another due to higher crude oil prices may have adverse impacts on our profitability. We have started price-hike negotiations but we hold bleak prospects. (Hokuriku: Textile mill products) • Situations will change depending on how far our end users can pass higher costs caused by a rise in raw material prices on to their produce prices. The end users appear to be waiting for other companies to raise prices first. (Kinki: Chemicals & allied products)
D	<ul style="list-style-type: none"> • Shipping companies have called for another freight charge hike due to a further rise in fuel oil prices. If cargo owners do not accept higher freight charges, we may have to suspend transportation contracts. (Hokkaido: Forwarding agency)

Employment

B	<ul style="list-style-type: none"> • Reflecting strong business performance, mainly in automobile-related industries, job offers will continue to increase not only for nonpermanent employees, such as dispatched temporary workers and part-timers, but also for regular employees. (Tokai: Temporary manpower company)
C	<ul style="list-style-type: none"> • Corporations that have been continuously offering jobs and corporations that were unable to hire new graduates this year are recruiting young workers to cope with the aging of their workforce. Corporations seem to be looking for the best timings for recruitment (Hokuriku: Job information magazine publisher)