

Economy Watchers Survey

February 2006

OVERVIEW OF THE MONTH

The DI for current economic conditions in February rose 1.4 points from the previous month to 53.5.

The household activity-related DI rose thanks to the recovery of sightseeing demand as well as brisk sales of spring clothing and high-priced products in the retail-related sector. The corporate activity-related DI rose as activities of both the manufacturing and non-manufacturing industries gained momentum. The employment-related DI remained high, reflecting an increase in the number of job seekers looking for employment with better terms, in addition to corporations' positive stance toward employment. As a result, the DI for current economic conditions rose for the first time in two months and remained above 50 for the 10th consecutive month.

The DI for future economic conditions in February rose 0.2 points from the previous month to 56.6.

The DI for future economic conditions rose for the third consecutive month as recovery of sightseeing demand and consumers' willingness to purchase are expected to increase.

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

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| B | <ul style="list-style-type: none">• We are enjoying record Valentine's Day related sales. In particular, demand for high-priced chocolate is strong. Sales of imported brand products, especially high-priced products, are brisk. (Tokai: Department store)• The number of customers we pick up on the street has been increasing and daily fluctuations in the number have become smaller. Demand for sightseeing taxis to Osaka, Kyoto, and Nara have been increasing both from individual and corporate customers. (Kinki: Taxi driver)• We are having more higher-class customers, and per-customer transactions have been rising. (Okinawa: Golf course) |
| C | <ul style="list-style-type: none">• Unit prices of gift items have been about 20% higher than before. This trend has been continuing since the Christmas season. However, since customers are every severe when it comes to purchasing their own personal items, we have difficulties in coming up with sales-promotion measures for the months when no major events are scheduled. (Southern Kanto: General retailer [Bag])• The Turin Winter Olympics did not produce the economic boom we had expected. Sales of audiovisual appliances and white goods are slow on the whole. The number of customers is small and they did not respond to our sales promotions. (Chugoku: Electric appliance retailer) |
| D | <ul style="list-style-type: none">• There were a couple of days when we did not have any customers due to the combined effects of the Winter Olympics, the opening of new pubs near the station, and the bad weather. Although we had group customers several times, sales for the month were down 10% from the same month of the previous year. Our fellow traders say they are also experiencing severe conditions. (Hokuriku: Snack bar) |
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Corporate activity

B	<ul style="list-style-type: none"> • We have come to hear from our corporate customers in Hokkaido that they have at last begun to benefit from the brisk demand and economic pickup. However, we find slight differences in such trend according to industry. (Hokkaido: Telecommunications) • Mass production for four-wheel drive vehicles has been increasing briskly. Other sections also have increasing order backlogs and some of them have changed the shift of workers in order to meet the delivery time. We expect sales to hit an all-time high for the month of February. (Northern Kanto: Ordinary machinery equipment manufacturer)
C	<ul style="list-style-type: none"> • Demand for semiconductors for use in mobile phones has decreased slightly. On the other hand, demand in new areas (terrestrial digital broadcasting, car navigation system) has been rising. Overall, half of our business is good and the other half is bad. (Tohoku: Electrical machinery equipment manufacturer) • Although there are some firms wishing to move in our company-owned building, no current tenants are planning to leave. Potential clients are waiting for vacancies. With rent-increase talks having made no progress for three months, we may have to take a resolute action. (Southern Kanto: Real estate broker)
D	<ul style="list-style-type: none"> • Entering and dispatching from warehouses usually decreases in January and picks up in February. But this year it decreased both in January and February. On the whole, the volume of cargo is small for the warehousing industry. Major warehousemen, seeking orders even at lower prices, are engaged in fierce price-cutting competition. (Kyushu: Forwarding agency)

Employment

B	<ul style="list-style-type: none"> • The number of new job offers hit a record high since 1963. The ratio of job offers for part timers and dispatched temporary workers remains high. However, reflecting job seekers' stronger desire to become regular employees, corporations seeking workers have gradually begun to change recruitment conditions or shift to job offers for regular employees. (Kinki: Job placement office)
C	<ul style="list-style-type: none"> • Although the number of classified ads remains unchanged, sales of help-wanted magazines have increased slightly, indicating that activities of job seekers have gained momentum. The job-landing ratio for restaurant and sales jobs is low. (Hokkaido: Job information magazine publisher)

2. Future conditions

Household activity

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| B | <ul style="list-style-type: none"> • Business appears to have begun to pick up from its rock bottom in Sapporo, although the recovery is not on a par with the national level. Sales of clothing increased thanks to clearance sale of winter wear. Sales of foods are recovering from the doldrums, while sales of spring new goods have begun to increase as sales promotion has picked up momentum. (Hokkaido: Supermarket) • Business is getting better on the whole, with goods, such as marine-style wear now in vogue and company's original bags, moving considerably earlier than usual. In February, the number of customers paying by card has begun to increase, with some of them buying goods with payment at bonus time. (Tohoku: Department store) • With the advent of a tourist season, people's movement will become active, as many TV programs on travel are stimulating travel demand. In particular, demand for travel by high-aged persons is high and many of them visit our shops. (Shikoku: Travel agency) |
| C | <ul style="list-style-type: none"> • TVs sell constantly, as the Turin Winter Olympics has raised the awareness of high-definition TV broadcasting. But, sales will remain at the same level as in the previous year at best. (Tokai: Electric appliance retailer) • The number of customers who do not plan to purchase for a while, but visit our model rooms for reference has decreased due to the problem of falsified earthquake-resistance strength. Without such customers, the number of contracts does not increase. (Chugoku: Housing sale company) |

Corporate activity

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| B | <ul style="list-style-type: none"> • Requests for quotation based on manufacturers' capital investment plans have increased. Previously, many capital investment plans were cancelled at the planning stage. But, the number of requests for competitive quotation for the realization of the plan has increased. (Tohoku: General contractor) • Inquiries from rural areas have been increasing and some of them are leading to the conclusion of contracts. (Southern Kanto: Electrical machinery equipment manufacturer) |
| C | <ul style="list-style-type: none"> • Although the continuing rise in raw material prices and shortage of supply are putting downward pressure on our profits, we think we can manage to cover the loss thanks to an increase in orders received. (Tokai: Ceramic, stone and clay product manufacturer) • Compared with the last several years, the manufacturing and construction industries are very busy with large amounts of award volume. However, with unit prices remaining as severe as ever, whether the award volume leads to increased sales or not future business conditions are affected. Retailers are missing out on the go-go wave. (Chugoku: Accounting firm) |

Employment

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| B | <ul style="list-style-type: none"> • Job offers for middle management positions have been increasing since the beginning of this year in contrast to last year when job offers were mainly for young people. Corporations are willing to invest in competent people who will become the core of their organizations. This trend will further continue. (Kyushu: Private employment agency) |
| C | <ul style="list-style-type: none"> • Although job offers are increasing on the whole, some industries are unable to attract well qualified persons. Recently, job seekers have become selective about their job. (Northern Kanto: Job information magazine publisher) |