

Economy Watchers Survey

October 2006

OVERVIEW OF THE MONTH

The DI for current economic conditions in October fell 0.2 points from the previous month to 50.8.

The household activity-related DI remained almost flat on a whole. Service-related sectors, such as tourism, fared well, but some people pointed out that the movements of knits and jackets were slow due to a record warm temperature for October. The corporate activity-related DI remained flat as corporate business investment remained firm, although higher crude oil and raw material prices continued to have a negative influence. The employment-related DI remained at a high level as hiring interest among corporations was firm. As a result, the DI for current economic conditions fell slightly for the first time in three months, but remained above 50 for the third consecutive month.

The DI for future economic conditions in October fell 0.3 points from the previous month to 52.5.

The DI for future economic conditions fell slightly for the first time in three months, reflecting a moderate decline in wholesale and manufacturing industries.

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

Released on November 9, 2006 (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">• Although per-customer transactions are low, last-minute demand for domestic package tours from individual customer are increasing. Demand for group tours from corporations remains slow. (Hokkaido: Travel agency)• Per-customer transactions have been rising in the past several months and contracts for new services are increasing smoothly with some exceptions. With the market showing continued interest in new services, we count on the year-end shopping season. (Northern Kanto: Telecom company)• The number of hotel guests and unit prices are higher than in the same month of the previous year. We are getting more inquiries for year-end parties than in the previous year. (Tokai: City hotel) |
| C | <ul style="list-style-type: none">• Although sales of winter clothing and heating appliances are smaller than in the ordinary year due to high temperatures, food sales remain almost unchanged. (Hokuriku: Convenience store)• Sales of high-priced navigation systems are slower than in the previous year due to the unexpectedly poor popularity of the terrestrial digital broadcasting. On the other hand, sales of winter tires are unusually brisk due partly to the impact of the cold wave last year, showing mixed performance by sector. On the whole, sales are flat. (Chugoku: Auto parts shop) |
| D | <ul style="list-style-type: none">• Due partly to high temperatures, the movements of jackets for men and women and knits with fur necks are slow. (Kinki: Department store) |
-

Corporate activity

- | | |
|----------|---|
| B | <ul style="list-style-type: none">• Due to increases in new construction and repair work of plant facilities, our business partners are finding it difficult to fill orders with conventional subcontractors alone. (Kinki: Electrical machinery equipment manufacturer)• Inquiries for the expansion and refurbishment of existing stores have increased. Due to lack of formwork carpenters in construction work, we have been asked by companies in the same industry in Fukuoka and Kagoshima, etc. to send some of our formwork carpenters. (Kyushu: General constructor) |
| C | <ul style="list-style-type: none">• Cargo movements are getting better but still below last year's level. With a warm winter forecast, the movements of winter items are not increasing as we expected. (Northern Kanto: Forwarding agency)• The after-effect of the higher crude oil prices that have been exerting a great influence on the economy is still being felt. With distribution-related industries (shipping industry, in particular) remaining in the doldrums, maritime-related businesses are showing poor performance. On the other hand, automobile-related industries remain as brisk as ever, with some of them forecasting a bullish business outlook. (Chugoku: Accounting firm) |
| D | <ul style="list-style-type: none">• We are in a serious situation due to a sharp rise in raw material prices and shortage of materials. However, our business partners would not agree to raise product prices. We are busy but not making a profit. (Tokai: Metal product manufacturer) |

Employment

- | | |
|----------|---|
| B | <ul style="list-style-type: none">• We have received job offers from a broad range of industries despite slight deviations in some industries. We have received orders from communications-related companies for dispatching manpower in units of five or ten persons. On the whole, companies in other industries are also short on manpower. (Tohoku: Temporary manpower company) |
| C | <ul style="list-style-type: none">• The number of job offers, with seasonal factors taken into account, is almost flat. However, job offers from local enterprises that had been getting back on their feet have begun to show signs of decreasing. (Hokkaido: Job information magazine publisher) |

2. Future conditions

Household activity

| | |
|----------|---|
| B | <ul style="list-style-type: none"> • With new game machines launched and terrestrial digital broadcasting starting, we count on strong sales of large-screen TVs. (Tohoku: Electric appliance retailer) • With a season for representative winter dishes approaching, we expect the number of customers, mainly group customers, to increase. The decline in heavy oil prices is also good news for us. (Hokuriku: Tourist hotel) |
| C | <ul style="list-style-type: none"> • Consumer confidence will remain strong. However, sales of women's wear may decrease sharply in reaction to last year's strong sales that were prompted by the severe winter. (Tokai: Department store) • The status of bookings for golf competitions is at the same level as in the previous year. With the movement of small customers also remaining moderate, we see no appreciable signs of business recovery. (Kyushu: Golf course operator) |
| D | <ul style="list-style-type: none"> • Sales of winter items were brisk last year as temperatures dropped sharply from late October to November. However, with a sharp drop in temperature not expected this year, sales will be slightly lower than in the previous year. (Chugoku: Clothing shop) |

Corporate activity

| | |
|----------|---|
| B | <ul style="list-style-type: none"> • We have received a lot of inquiries for investment projects for communication systems and we expect to clinch orders for some of the projects. (Southern Kanto: Other services [information services]) |
| C | <ul style="list-style-type: none"> • We are not sure, but we believe things will not get worse, as we were able to raise product prices to some extent. (Kinki: Pulp, paper & paper products) • Although orders for optical Internet services to individual customers are expected to increase, overall sales will remain unchanged as services to corporate customers stay at the current level or shift to low-cost services. (Okinawa: Telecommunications) |
| D | <ul style="list-style-type: none"> • Prices are declining sharply due to a supply glut resulting from the establishment of increased production set-ups by manufacturers. (Shikoku: Electrically machinery equipment manufacturer) |

Employment

| | |
|----------|---|
| B | <ul style="list-style-type: none"> • Employment situations will continue to get better, as there is specific news on production increase, such as an automobile-related company considering constructing a new plant and a major electrical-related firm planning to make new business investment. (Kyushu: Job placement office) |
| C | <ul style="list-style-type: none"> • Corporations are in need of manpower, for both positive and negative reasons, and we have received lots of requests for dispatching workers. However, the increase in requests does not lead to an increase in contracts concluded, as corporations are looking for experienced workers. (Southern Kanto: Temporary manpower company) |