

Economy Watchers Survey

January 2007

OVERVIEW OF THE MONTH

The DI for current economic conditions in January fell 1.7 points from the previous month to 47.2.

The household activity-related DI fell due to sluggish sales of winter goods caused by the unusually warm winter and due to few people going out to New Year's parties and the like. The corporate activity-related DI fell, as the impact of the unusually warm winter was felt in some sectors. The employment-related DI improved slightly as corporations' hiring interest picked up. As a result, the DI for current economic conditions fell for the first time in two months, falling below 50 for three consecutive months.

The DI for future economic conditions in January rose 2.0 points from the previous month to 50.9.

The DI for future economic conditions rose for the first time in four months, mainly in the household sector, on expectations of a rise in sightseeing demand in addition to the facts that consumers have come to buy slightly better goods and that they are responsive to events, such as Valentine's Day.

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

Released on February 8, 2007 (in Japanese)
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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"> • Thanks to the warm winter, there are few days when we have to close our golf courses. The number of visitors has been increasing steadily. (Kinki: Golf course operator) • Sales of thin TVs and DVD recorders are firm thanks to the start of terrestrial digital broadcasting. With new models launched late last year, sales of video game machines and video game software are brisk for the first time in a long while. (Kyushu: Electric appliance retailer) |
| C | <ul style="list-style-type: none"> • Sales during the season of year-end and New-Year parties were less than we had expected. Fewer people held second parties and they tended to use buses and trains instead of taxis. (Tohoku: Taxi driver) • Due to the warm winter, sales of outer wear are slow even at bargain prices. However, sales of small accessories, such as earrings, are unusually brisk. People may have been buying fashion goods with the money they intended to use for the purchase of winter clothing. (Chugoku: Department store) |
| D | <ul style="list-style-type: none"> • Perhaps due to the warm winter, the number of customers visiting our shop is small and those who visit us are simply window shoppers. In particular, movement of heavy clothing and coats are slow. Although sales of light cover-ups and underwear are relatively good, they do not contribute much to our profits as their unit prices are low and the customers do not buy many. (Northern Kanto: Clothing shop) • Since the beginning of the New Year, consumption has slackened considerably, with the number of customers remaining low and per-customer transactions showing no increase. (Shikoku: City hotel) |

Corporate activity

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| B | <ul style="list-style-type: none"> • With crude oil prices declining slightly and the yen depreciating against the dollar, exporting companies have begun to show their vitality. (Southern Kanto: Forwarding agency) • Our award volume has begun to increase even in the sluggish North American market. Our business is also brisk in Europe thanks to the appreciation of the euro. (Tokai: Ordinary machinery and instrument manufacturer) |
| C | <ul style="list-style-type: none"> • The lack of snowfall due to the warm winter is having adverse impacts on the business of the civil engineering firms that had counted on income from snow removal and the automobile sheet-metal firms that had counted on extra work to repair automobiles damaged in accidents caused by slippage. Hot-spring inns, which suffered a sharp decrease in the number of tourists last year due to heavy snowfall, are showing signs of recovery. Fishermen are enjoying a bountiful catch of sandfish, a seasonal food. (Tohoku: Financial) • In our round of New Years greetings, many of our business customers said they had enough workload, as they did in the previous year. (Chugoku: Metal product manufacturer) |
| D | <ul style="list-style-type: none"> • Food service-related firms are faring well thanks to a snowless New Year, but many other small- and medium companies are having a hard time, including those dealing in winter clothing and other winter goods, kerosene, and ski resort operators. (Hokuriku: Accounting firm) |

Employment

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| B | • Corporations' interest in hiring students graduating in March 2008 has been increasing. Company officials in charge of personnel are desperate to secure enough human resources in order to maintain and expand their business performance. (Kyushu: School [University]) |
| C | • Although the number of new job offers is increasing by more than 10% from the previous year, mismatches in employment remains unresolved, with the ratio of job offers for regular employment staying below 40% of the total job offers. (Hokuriku: Job placement office) |
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2. Future conditions

Household activity

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| B | <ul style="list-style-type: none"> Although Okinawa still remains the most popular destination in domestic travel, bookings for tours of Hokkaido regions are increasing at a pace faster than in the previous year, reflecting increased interest in various events scheduled in Hokkaido regions. (Hokkaido: Tourist hotel) Per-customer transactions are on a rising trend, as high value-added products sell well even when their prices are raised slightly. (Kinki: Convenience store) |
| C | <ul style="list-style-type: none"> We plan to start private views in February, but, judging by present circumstances, it would be difficult to draw new customers. Therefore, raising the contract rate with existing customers will become the main purpose of the private views. (Tohoku: Housing sale company) Advanced reservations for the purchase of <i>Ehomaki</i> (sushi rolls to celebrate the coming of spring) are brisker than in the previous year at some stores. With sales of purchase-motivation goods, such as for Valentine's Day, kindergarten- or school-entrance celebration, the Doll Festival, and new life after school, getting off to a good start, we expect the current good performance to continue for some time to come. (Northern Kanto: Supermarket) |
| D | <ul style="list-style-type: none"> The supermarket industry has suffered immense damage due to people's increased distrust in foods caused by a bird flu scare and a false report on diet on a TV program. In view of the fact that sales of meat decreased sharply in the previous bird flu scare, we will remain under severe conditions for a while. (Chugoku: Supermarket) |

Corporate activity

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| B | <ul style="list-style-type: none"> With mass production of aircraft and automobile parts in the pipeline, we will become busy. We also expect orders for construction machinery- and hydraulic equipment-related work to come in steadily. (Northern Kanto: Ordinary machinery and instrument manufacturer) |
| C | <ul style="list-style-type: none"> With the yen's depreciation and crude oil prices becoming stable, we see no negative factors. (Tokai: Transportation equipment) With crude oil prices remaining steady, we don't see any pessimistic factors. However, we cannot expect an increase in domestic physical distribution of raw materials and personal consumption-related goods. (Shikoku: Forwarding agency) |
| D | <ul style="list-style-type: none"> Although fiscal year-end orders usually increase at this time of the year, our award volume this year is smaller than in the previous year. Since our corporate customers have come to make an order in smaller lots, situations are getting worse, though not rapidly. (Kinki: Chemical products) |

Employment

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| B | <ul style="list-style-type: none"> As far as students' job seeking activities are concerned, corporations have been increasing the number of recruits. It is difficult to say whether the increase is due to strong corporate performance or due to the mandatory retirement of the baby-boom generation. Still, the increase in the number of job offers can be seen as a sign of business upturn. (Okinawa: School [Vocational school]) |
| C | <ul style="list-style-type: none"> There are no new infrastructure development projects or openings of new outlets that would lead to an increase in job offers. (Hokkaido: Job information magazine publisher) |