

Economy Watchers Survey

September 2003

OVERVIEW OF THE MONTH

The DI for current economic conditions in September rose 2.2 points from the previous month to 48.6, posting a rise for four consecutive months.

The household activity-related DI rose mainly due to a rise in sales of houses, automobiles and new home electric appliances. The corporate activity-related DI rose due to a pick up in both manufacturing and non-manufacturing industries. The employment-related DI rose larger than other DIs due to a continued increase in job offers.

The DI for future economic conditions in September rose 1.0 point from the previous month to 49.9, posting a rise for the sixth consecutive month.

The DI for future economic conditions rose on expectations of an increase in sales of relatively high-priced products, mainly home electric appliances, and of a recovery in the employment situation.

On the whole, the assessments of the Economy Watchers show that the economy continues to pick up gradually.

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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

<i>Household activity</i>	
B	<ul style="list-style-type: none"> • Housing sales are increasing as customers expect housing loan interest rates to continue their rising trend in line with higher long-term interest rates. (Hokuriku: Housing sale company) • Inquiries from male customers have increased for order-made mens' suits and high-class cashmere coats. Customers show interest in buying products of value even if they are somewhat expensive. (Kinki: Department store) • Although overall sales are not increasing sharply, sales of high value-added products, such as plasma TVs, liquid-crystal TVs, and massage chairs, are steadily picking up. (Shikoku: Electric appliance retailer)
C	<ul style="list-style-type: none"> • Although low unit-price items are selling well and food fairs are producing favorable results, sales of regular priced autumn items are not brisk due to the lingering heat of summer. However, we have posted sales similar to those in the previous year. (Tohoku: Department store) • Due to unstable temperature, items that should otherwise be selling well, such as autumn merchandise and hotpot ingredients, are not selling well. On the other hand, beverages and unsold summer products are selling well. Although sales of seasonal merchandise have begun to pick up in line with a drop in temperature, sales volume is still not high. (Southern Kanto: Supermarket)
D	<ul style="list-style-type: none"> • Sales, especially of apparel, are extremely slow partly due to intensive lingering summer heat. (Chugoku: Department store)
<i>Corporate activity</i>	
A	<ul style="list-style-type: none"> • Thanks to mass production in connection with the launch of new model cars, sales and orders received increased about 10% over three months before and about 15% over a year earlier. (Northern Kanto: Transportation equipment manufacturer)
B	<ul style="list-style-type: none"> • Sales of housing materials are brisk and profit performance is reasonably good. (Tohoku: Lumber and wood products manufacturer) • Production of shovels for use in construction is posting a 1.3-fold increase over the previous term. Most of them are bound for export and those for domestic sale are increasing only marginally. There are signs of an upward momentum in the civil engineering and construction industries. (Tokai: Machinery and equipment manufacturer) • Sales of broadband products, such as ADSL and optical fibers, have picked up momentum. (Hokuriku: Communication)
C	<ul style="list-style-type: none"> • Although we have been operating at full capacity, we have not seen a stock build-up for the last four months. (Tokai: Electrical machinery equipment manufacturer)
<i>Employment</i>	
B	<ul style="list-style-type: none"> • New job offers by manufacturers have been posting a year-on-year increase since April this year, except in July. In particular, the fact that manufacturers are increasing job offers for full-time workers indicates steady production activities by manufacturers. Job offers for part-time workers, which declined temporarily, are now posting strong growth. (Southern Kanto: Job placement office)

C	<ul style="list-style-type: none"> • Computer software companies are offering jobs, albeit in small numbers. Other types of industries are seeking experienced workers who can take up jobs immediately. Therefore, a large number of companies are not recruiting new graduates. (Southern Kanto: School [Vocational school]) • The service industry accounted for 50% of the new jobs offered in September. The employment situation still remains unstable, with the ratio of dispatched temporary work and contract work to the total new job openings in September increased from the previous month to about 20%. (Hokuriku: Job placement office)
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2. Future conditions

Household activity

A	<ul style="list-style-type: none"> • With terrestrial digital broadcasting becoming a popular topic, sales of TVs with built-in tuners are brisk. Generally speaking, consumers' willingness to purchase appears to be rising. We are counting on an explosive growth in sales of AV-related products. (Kinki: Electric appliance retailer)
B	<ul style="list-style-type: none"> • New products covered by nursing-care insurance have been marketed by various makers. If we select products carefully and present them actively to customers, it would lead to a sales increase. (Tokai: Other services [Nursing-care services]) • Sales of high-priced items, such as jewelry, watches and kimonos, are increasing. We are counting on an increase in sales of clothing for young ladies. (Kyushu: Clothing shop)
D	<ul style="list-style-type: none"> • We expect many people to postpone home purchase or housing construction due to a sharp rise in interest rates on housing loans. (Southern Kanto: Housing sale company)

Corporate activity

B	<ul style="list-style-type: none"> • The year-end gift-giving season, the biggest demand season for foods, is approaching. Although corporations' demand for year-end gifts is in a disastrous situation, demand from individuals remains almost unchanged. In particular, demand for products delivered directly from the farm has been increasing further. (Hokkaido: Food manufacturer)
C	<ul style="list-style-type: none"> • Exports, especially to China and South Korea, will remain steady. On the domestic front, industrial machinery manufacturers are increasing business investment, albeit slowly, to cope with demand from companies operating in other Asian countries. However, the yen's sharp appreciation is a destabilizing factor. (Chugoku: Iron & steel)

Employment

B	<ul style="list-style-type: none"> • We expect replenishment of personnel by automobile- and machine tool-related companies, as their operations remain brisk. (Hokuriku: Private employment agency)
C	<ul style="list-style-type: none"> • Job offer conditions have deteriorated, as business operators have raised their recruitment standards. In particular, the mismatch between young people's job-seeking activity and employment conditions has been expanding. (Tohoku: Job placement office)