

Economy Watchers Survey

April 2004

OVERVIEW OF THE MONTH

The DI for current economic conditions in April rose 2.0 points from the previous month to 55.7.

The household activity-related DI rose partly due to brisk sales of digital home electric appliances and travel-related and partly due to a rise in per-customer transactions in retail. (Incidentally, supermarkets, in particular, felt the impact of the introduction of a tax-inclusive pricing system.) The corporate activity-related DI rose due to an improvement in both manufacturing and non-manufacturing industries. The employment-related DI remained at a high level due mainly to a continued increase in the number of job offers and a movement to resume hiring of new graduates. As a result, the DI for current economic conditions posted an increase for three consecutive months to hit the highest level since the number of survey respondents was increased (in August 2001) as it did in the previous month. It also represented the highest level since the survey was started (in January 2000).

The DI for future economic conditions in April rose 1.7 points from the previous month to 55.3.

The DI for future economic conditions rose in the three sectors, especially in the household activity-related sector due to the calming of bad influence of the tax-inclusive pricing system and due to expectations of a rise in sales of digital home electric appliances. As a result, the DI for future economic conditions hit its highest level since the number of survey respondents was increased.

On the whole, the assessments of the Economy Watchers show that the economic recovery has expanded in wide areas and sectors.

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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"> • Although the temperature has swung wildly, sales are increasing on the whole, as an increasing number of customers are buying relatively high-priced spring coats and early summer clothing, mainly jackets. (Hokkaido: Shopping area) • Sales of thin-screen TVs in April were the highest in the past several months. Sales of DVD recorders are also posting a conspicuous growth and sales of personal computer-related goods, especially sub-notebook PCs, are picking up. (Southern Kanto: Electric appliance retailer) • Both domestic and overseas travel during the Golden Week holidays increased over the previous year. In particular, overseas travel, which many people refrained from last year due to concerns about SARS (severe acute respiratory syndrome), increased sharply, especially to Hawaii and Guam. Contracts for company and group tours in May through July are increasing. (Shikoku: Travel agent)
C	<ul style="list-style-type: none"> • Setting sales prices has become difficult due to the introduction of the tax-inclusive pricing system on April 1. We have been unable to sell goods unless we make their tax-exclusive prices before April 1 tax-inclusive prices. (Northern Kanto: Supermarket) • Sales of men's and children's clothes are picking up, but sales of mainline women's clothing remain unchanged from the previous year and those of pants and skirts are sluggish. We managed to secure the same level of sales as last year storewide. (Tokai: Department store) • Sales declined slightly early in the month, as customers were taken aback by the tax-inclusive pricing system, but customers regained their cool and sales returned to a normal level late in the month. The number of customers is increasing and their willingness to buy is rising gradually. (Hokuriku: Supermarket)
D	<ul style="list-style-type: none"> • As we feared, many customers buy a bunch of flowers, they specify the amount of money they spend, including tax. As a result, the actual sales per customer have been decreasing. (Kinki: General retail store [Flowers])
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> • We have been getting orders from several companies, from which we had not received orders for some time, to undertake urgent work required to meet deadlines. Their subcontract factories also look busy with a lot of work. (Northern Kanto: General machinery manufacturer) • Delivery of import cargo at Kansai International Airport, which was slow last year, is increasing sharply this year. (Kinki: Transportation)
C	<ul style="list-style-type: none"> • Although orders for equipment and semiconductors are increasing, they are not leading to increased business, as most of them are for delivery on short notice and as we are unable to procure components in time. (Tohoku: Electrical machinery equipment manufacturer) • Although orders received for ships and engines are brisk, there are destabilizing factors, such as a rise in steel product prices and the yen's appreciation. (Chugoku: Transportation equipment manufacturer)

Employment

B	• In line with companies' movement to resume hiring of new graduates, students who have received informal job offers are taking a longer time for job-hunting and continuing to seek a better job. (Southern Kanto: Job information magazine publisher)
C	• Inquiries for dispatched temporary workers are increasing 20% over the previous year, as companies that had not been interested in accepting temporary workers are studying replenishing staff with temporary workers. (Kyushu: Temporary manpower company)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> • Consumers will get used to the tax-inclusive pricing system in three months. Therefore, we expect sales to recover, if we offer products that meet customers' tastes. (Southern Kanto: Supermarket) • With the Athens Olympics slated for this summer, sales of DVD recorders remain brisk. Sales of thin, large-screen TVs, which once slowed down, will increase sharply. (Hokuriku: Electric appliance retailer) • Customers' behaviors are moving faster than in the previous year, with reservations for June posting a year-to-year gain of 6% at the present moment. (Okinawa: Tourist hotel)
C	<ul style="list-style-type: none"> • With factors that may turn the business upward in and after May nowhere in sight and launch of new models not slated until August, we are worried about the lack of topics that may spur demand. (Tohoku: Car dealer) • When world-class events are held, people tend to watch TV at home rather than going shopping. Since the Olympic Games are scheduled for this summer, we are seriously concerned about our business. (Kinki: General retail store [Watches]) • Since customers are slow to respond to events, the year-to-year decline in sales at existing stores will continue for some time to come. (Shikoku: Clothing shop)

Corporate activity

B	<ul style="list-style-type: none"> • With inquiries for specific proposals of system reform increasing, the information industry is picking up slightly on the whole. In response to our questions, several corporate customers said that their budget to introduce information technology this fiscal year has increased. (Southern Kanto: Other service [Information services])
C	<ul style="list-style-type: none"> • Although orders are expected to increase, they may not have much impact on our business, as a rise in steel plate prices and a sharp rise in crude oil prices are forecast. (Hokuriku: Electrical machinery equipment manufacturer)

Employment

B	<ul style="list-style-type: none"> • The business will change for the better, as the number of job offers is increasing, reflecting improvement in corporations' attitude toward recruitment. Thanks to the spread of the use of the Internet for job offers, the environment to recruit workers from across the country has been established even for local companies. (Kyushu: Job information magazine publisher)
C	<ul style="list-style-type: none"> • New job seekers have posted a year-to-year increase for seven consecutive months, reflecting a rising trend in the number of voluntary job leavers for reasons such as job change. (Shikoku: Job placement office)