

Economy Watchers Survey

December 2004

OVERVIEW OF THE MONTH

The DI for current economic conditions in December fell 1.1 points from the previous month to 44.2.

The household activity-related DI remained almost flat, as sales of winter goods lagged due to the unusually warm winter, while Christmas cakes and traditional New Year dishes sold favourably. The corporate activity-related DI declined due to stagnation in orders received by manufacturing industries and the impact of the warm winter on the manufacturing of winter goods. The employment-related DI decreased. Although the number of job offers continued to increase steadily, these included shifts to non-regular employees, such as dispatched temporary workers. As a result, the DI for current economic conditions declined for the fifth consecutive month.

The DI for future economic conditions in December fell 1.8 points from the previous month to 44.0.

The DI for future economic conditions was pushed lower due to lack of products that would boost sales of spring goods and a decrease in the number of drinking parties, such as New Year parties, in the household activity-related DI, and signs of levelling off in the number of job offers in the employment-related DI. As a result, the DI for future economic conditions decreased for the eighth consecutive month.

On the whole, the assessments of the Economy Watchers indicate that the economic recovery shows weak movements.

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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"> • Sales of coats and boots remain severe, failing to reach the previous year's level. In the food category, however, high-grade New Year dishes and Christmas cakes are selling more than double the previous year. (Hokuriku: Department store)
C	<ul style="list-style-type: none"> • We remark with the fellow sales reps of other companies in the same industry that the situation completely differs from that in December of the previous year. Despite the year-end season, large cars are not selling, and even if small cars sell, the discounts are too large to make any profits. (Northern Kanto: Passenger car dealer) • Sales are brisk overall. Nevertheless, ever since a large electric-appliance manufacturer made an announcement at the end of the year that it would withdraw from the plasma TV business, since then, customers who are thinking of buying a large screen TV are more inclined to choose a smaller-screen, liquid crystal display TV, so average spending per customer is declining. (Kinki: Electric appliance retailer) • The shorter year-end and New Year holidays according to the calendar and such weather factors as the warm winter and lack of snow had a bad impact on overseas traveling and ski tours. (Kyushu: Travel agency)
D	<ul style="list-style-type: none"> • Since warm weather continued even in December, winter goods such as coats and boots are not selling at all. Accordingly, sales of our core products, namely, women's clothes and fashion accessories, are weak. On the other hand, there are early demands for spring goods including thin shirts and pumps, but these are not enough to cover the overall slump. (Tokai: Department store) • Consumers' willing to purchase is gradually declining, and they are taking longer to conclude a deal. Competitors' dumping competition is intensifying. (Chugoku: Housing supplier)
<i>Corporate activity</i>	
C	<ul style="list-style-type: none"> • Orders for housing remodelling are increasing. Many people remodel parts of their house not being able to afford rebuilding the whole house. (Tohoku: General constructor) • The demands for transportation of goods related to machinery and equipment are high, but those for other goods are slightly slackening. (Tokai: Forwarding agency) • Dies for automobile-related clients are selling moderately, but sales of dies for other clients are slowing down. (Kyushu: Ordinary machinery and instrument manufacturer)
D	<ul style="list-style-type: none"> • The entire production region, including our company, is receiving few orders. The warm winter has also had a large impact. (Hokuriku: Textile manufacturer)

Employment

B	• The number of job offers is increasing in spite of being in the middle of the fiscal year when recruiting activities are in their final phase. Personnel officers of some companies are offering to hire any well-qualified students since they have not recruited enough persons. (Hokkaido: School [University])
C	• Job offers are increasing, and the ratio of job offers to job seekers has recovered to 0.96, but an increase is observed in the openings for non-regular workers, such as dispatched temporary workers and outsourcees. (Southern Kanto: Employment agency)
D	• The number of regular new job offers fell short of the number in the previous month for the first time in one and a half years. In addition, the number of job offers declined in the manufacturing and service industries, which had been pushing up the overall number of openings. The extent of the decline in the ratio of job offers to job seekers is also considerable. (Tohoku: Employment agency)

2. Future conditions

Household activity

C	<ul style="list-style-type: none"> Men's clothes/goods and out-of-store sales are weak and business is not exactly recovering. However, extremely good sales are observed in some events, so there is high potential purchasing power. (Tokai: Department store) Due to lack of hot-selling items to be featured, the severe condition will continue for a while with sales falling short of those in the previous year. (Shikoku: Clothing store) Such incidents as the Tsunami disaster caused by the great Sumatra earthquake may weaken the consumer confidence in travelling and drag down the whole travelling business. The demand may shift from overseas travel to domestic travel, but such switch from overseas travel is not observed at present. (Okinawa: Tourist hotel)
D	<ul style="list-style-type: none"> Looking at the status of reservations for New Year parties and drinking parties in January and February, the number of various customer groups and the food price per person are the same as in the previous year, but the number of attendants is about 10% lower than in the previous year. Furthermore, more parties are being held during the daytime when sales of alcohol cannot be expected, so overall sales are likely to be lower than in the previous year. (Northern Kanto: General restaurant)

Corporate activity

C	<ul style="list-style-type: none"> Digital cameras and mobile phones have settled down compared to the high season, but on the whole, the current level of production will continue. The disparities among companies will further widen in the future. (Northern Kanto: Electrical machinery equipment manufacturer) Most presidents of client companies remark that the business conditions will not change until around summer, and they will refrain from capital investment. (Shikoku: Certified public accountant)
D	<ul style="list-style-type: none"> Local trading companies are generally expected to place some orders at the New Year's exhibition every year. However, the product quality was evaluated extremely severely this year, and many trading companies have not placed orders. A recovery still cannot be expected due to the consumption slump as well as the typhoons, earthquakes, and natural disasters around the world. (Kyushu: Ceramic, stone and clay product manufacturer)

Employment

B	<ul style="list-style-type: none"> Some companies are becoming more active in hiring contract employees and regular employees apart from dispatched temporary workers. (Tokai: Temporary manpower company)
C	<ul style="list-style-type: none"> Although slight signs of recovery had been observed among small and medium-sized enterprises, the tone of business began to decline again before full-fledged recovery, so the outlook is uncertain. (Kinki: Employment agency)
D	<ul style="list-style-type: none"> Employment adjustments seem to be in progress in the manufacturing industry. This movement have a large impact on the number of job offers. (Tohoku: Job advertisement magazine publisher)