

Economy Watchers Survey

February 2004

OVERVIEW OF THE MONTH

The DI for current economic conditions in February rose 1.5 points from the previous month to 50.1.

The household activity-related DI improved mainly in the department store sector where sales of spring goods have begun to pick up thanks to warmer temperatures (in the restaurant-related sectors, where sharp deterioration was seen in the previous month, the DI continued to deteriorate because BSE and bird flu problems had yet to be solved). The corporate activity-related DI rose as both non-manufacturing industries and manufacturing industries continued their pickup. The employment-related DI remained at a high level due to a continued increase in job offers. As a result, the DI for current economic conditions posted the first rise in two months.

The DI for future economic conditions in February rose 2.4 points from the previous month to 53.6.

The DI for future economic conditions rose in all three fields, thanks to the rise in sales of digital home electric appliances and signs of economic recovery. As a result, the DI for future economic conditions rose for two consecutive months, and recorded, for the second consecutive month, the highest level since the number of survey respondents was increased (in August 2001).

On the whole, the assessments of the Economy Watchers show that there is an expectation of recovery ahead, although the economic activity remained roughly flat.

Released on 8 March 2004 (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
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"> • More customers are planning to purchase cars. Until last year, almost all customers had car inspection up for renewal, but among those who bought their cars four years ago and will reach the due date for their second inspection this year, their willingness to purchase is increasing. (Tokai: Car dealer) • Trench coats are selling well in addition to fresh recruits' suits, which sell well every year, and these two are driving up the overall sales. On the bargain floor, consumers are attracted to clothing that can be worn now and in spring, such as pastel-colored knit clothing and cotton coats, which has led to good sales. (Hokuriku: Department store) • Sales are still good in digital products such as television sets and DVD players, encouraging consumers to purchase new products to replace old ones. The number of unit sales of air conditioners has also increased thanks to sales promotions. (Shikoku: Electric appliance retailer).
C	<ul style="list-style-type: none"> • As it did not snow in February, labor costs were saved and the number of visitors increased from the previous year. However, the spending per customer decreased due to the increase in the number of those who played golf by themselves without hiring a caddie. (Northern Kanto: Golf link) • Demand for group tours is still low and demand for independent tours on short notice is notable. There is almost no change in revenue. (Southern Kanto: Travel agent) • Thanks to high demand for Valentine's Day gifts, related sales increased to about 110% of that of the previous year. As the shopping trend of this year, more women customers bought chocolates for themselves, and the spending per customer slightly rose as we increased the premium chocolates in our selections. (Hokuriku: Supermarket)
D	<ul style="list-style-type: none"> • As people tend not to prepare for their wedding till the last minute, the time to delivery is very short. This consequently decreases the unit price per customer. They are reluctant to decide to buy, probably because they think that the price might be lowered if they wait a little longer. (Chugoku: Housing-related business)

Corporate activity

B	<ul style="list-style-type: none"> • The atmosphere is becoming bright in small factories and hardware stores in the neighbourhood. (Southern Kanto: Transportation machinery equipment manufacturer) • Shift from a stronger yen to a weaker yen, though slight, has increased the price competitiveness of our products. (Tokai: General machinery equipment manufacturer)
C	<ul style="list-style-type: none"> • Loan growth almost remained flat, though moving into a positive figure from the previous year. Corporate activity is still stagnant as large-scale business investment is rarely seen. (Tohoku: Financial)
D	<ul style="list-style-type: none"> • Usually, final sales of spring goods and shipment of repeat goods are seen in this season. This year, however, as customers still have much stock, we have not received additional orders from some of them. (Kinki: Textile)

Employment

B	<ul style="list-style-type: none"> • The number of job offers has increased double since the beginning of the year. Including job offers by the end of March, offers and inquiries are significantly increasing along with the revision of the Worker Dispatch Law. (Kyushu: Temporary manpower company)
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C	<ul style="list-style-type: none"> Due to the progress in deregulation along with the legal revision, the market is expanding. Production is favorable mainly in automobile-related industries, but job offers are not so favorable. (Tokai: Outsourcing company)
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2. Future conditions

Household activity

A	<ul style="list-style-type: none"> Each maker has new audio-visual-related products targeting the Olympic season. Sales will surely pick up if we launch good sales promotion. (Southern Kanto: Electric appliance retailer)
B	<ul style="list-style-type: none"> Though concern of SARS (severe acute respiratory syndrome) and bird flu (high-pathogenic avian influenza) has not completely been wiped out, we have received more inquiries from tour groups than usual, in particular, inquiries for long-distance tour such as Europe tour, which is a promising sign. (Tokai: Travel agency) As the Olympic Games and preliminary soccer matches for FIFA World Cup will be held this year, fashion trend is focused on sporty fashion, and therefore the overall sales is expected to show an upward trend accordingly. (Kinki: Department store)
C	<ul style="list-style-type: none"> The influence of the change of the price indication method to include consumption tax is unclear at present. The situation is unpredictable because, as pointed out, retailers would intensify low-price sales promotion and consumers' distrust in the price would be intensified. (Hokkaido: Supermarket) The trend of women's clothes for this spring is expected to be feminine, and sales in this category will pick up but the overall sales will not increase so much. (Chugoku: Department store)
D	<ul style="list-style-type: none"> There is concern over a backlash of the good performance in the travel-related industry in the previous year. Airline companies would spend ad expenses to other spots instead of Okinawa. (Okinawa: Tourist hotel)

Corporate activity

B	<ul style="list-style-type: none"> The rise in price is seen in shipbuilding industry due to increasing demand, and we still have adequate orders. (Chugoku: Transportation machinery equipment manufacturer)
C	<ul style="list-style-type: none"> The gap between successful companies and unsuccessful companies has become increasingly remarkable. Successful companies are steadily recovering whereas small-sized individually owned companies are stagnant. (Tokai: Tax accountant)

Employment

A	<ul style="list-style-type: none"> Lifting of the ban of dispatch workers to manufacturing operations has provided a tailwind. There are high potential needs, and we have already received inquiries from several companies for several workers per company. (Tohoku: Temporary manpower company)
C	<ul style="list-style-type: none"> Though there is a sign of recovery, companies show the intention of suspending recruiting activity at any time, and therefore the mid-career employment market has yet to be stabilized (Southern Kanto: Private employment agency)