

Economy Watchers Survey

January 2004

OVERVIEW OF THE MONTH

The DI for current economic conditions in January fell 0.5 points from the previous month to 48.6.

The household activity-related DI fell as the restaurant-related sectors deteriorated sharply due to the influence of BSE and bird flu problems, although retail-related sectors, mainly department stores, improved thanks to generally good performance of the first sale of the New Year and bargain sales of winter goods. The corporate activity-related DI fell as the pickup of non-manufacturing industries stalled, although 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 decline in two months.

The DI for future economic conditions in January rose 3.4 points from the previous month to 51.2.

The DI for future economic conditions rose in all three fields, led by the household activity-related field, on expectation of a rise in sales of digital home electric appliances and spring goods. As a result, the DI for future economic conditions posted a rise for the first time in three months.

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

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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"> • Thanks to cold temperatures, sales are excellent and fortune bags sold out earlier than in the previous year. Consumers are still very sensitive to prices but their willingness to purchase has certainly increased compared to the previous year. (Tokai: Department store) • Although the number of parties is smaller than in the previous year due to a decrease in weddings, bookings for overnight stays, mainly by businessmen, are increasing. Sales in the restaurant sector are generally good without being affected by media reports on foodstuff. (Kinki: City hotel)
C	<ul style="list-style-type: none"> • Unit prices of fresh fruit and vegetables remain lower than in the previous year but picked up slightly from the previous month. The purchasing number of beef and chicken items decreased by about 10% and 20%, respectively. On the other hand, sales of pork are increasing, but unit prices are declining on the whole. (Tohoku: Supermarket) • As warm winter continued from the year-end through the New Year, we moved up our sales campaign for the first new clothing of the year and products sold out. Thereafter, heavy winter clothing has been selling well, although unit prices are lower. Sales of beautiful-colored spring apparel have begun to pick up. (Southern Kanto: General retail store [Clothing, sundry goods]) • The number of visitors to exhibition sites is almost the same as in the past, but the number of visitors wishing to reform their houses is increasing. (Okinawa: Housing sale company)
D	<ul style="list-style-type: none"> • As imports of beef has been suspended due to the BSE (bovine spongiform encephalopathy) problem, we are unable to sell tender loin steaks, our main items, and the number of customers has decreased. (Chugoku: Standard class restaurant)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> • Small and medium-sized enterprises having special skills have abundant work. This situation will continue unless the yen appreciates further and falls below 100 yen to the dollar. (Tokai: Other non-manufacturing [Software development]) • Demand for steel plates, mainly from the shipbuilding industry, remains brisk, and in this connection, production of shaped steel for ships is firm. (Chugoku: Iron & steel)
C	<ul style="list-style-type: none"> • Although sales have been slightly higher than in the previous year for the last three months, business has not picked up, as profits have not increased due to lower unit price of orders received. (Kinki: Publishing, printing & allied industries)
D	<ul style="list-style-type: none"> • As imports of beef remain suspended due to the BSE and bird flu (avian influenza) problems, inventory is running out, interrupting production. (Shikoku: Foods and related products)
<i>Employment</i>	
B	<ul style="list-style-type: none"> • Automobile-related manufacturers made new job offers for a large number of engineers. (Tohoku: Temporary manpower company)
C	<ul style="list-style-type: none"> • Although job offers are increasing slightly on the whole, they are mostly for part-timers. Job offers from temporary manpower companies are conspicuous. Given the fact that many of the students graduating from school this spring have yet to find a job, employment for regular workers remains severe. (Northern Kanto: Job information magazine publisher)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> • Sales of new spring goods, such as cosmetics, scarves, and hats, are good. Sales are expected to remain brisk, as they are being purchased by fashion-conscious customers and as those with high functionality are selling well. (Southern Kanto: Department store) • Sales of large-screen TVs and DVD recorders are picking up ahead of the Athens Olympics. Sales of liquid crystal TVs will grow in the near future, as their prices have dropped to a reasonable level. (Kinki: Electric appliance retailer) • Unless the bird flu spreads, people who cancelled trips last year due to the SARS (severe acute respiratory syndrome) scare will go on a trip during the coming spring tour season. (Shikoku: Travel agent)
C	<ul style="list-style-type: none"> • Consumers are expected to remain cautious due to uncertainties about the future, including a change in April of price indication method, tax increase on dependent family members, and pension concerns. In the absence of any encouraging topics, things will remain almost unchanged. (Tohoku: Shopping area) • We are anxious about customers' behavior due to a change of the price indication method to include consumption tax. Since the change makes customers feel prices have been raised, we are a little bit worried. Sluggish consumption will remain unchanged. (Kyushu: Supermarket)
D	<ul style="list-style-type: none"> • A series of incidents, such as flight cancellations due to snow damage and aircraft trouble, and the outbreak of bird flu, will dampen travel fever. With deadlines for travel application approaching, it is hard to find encouraging news. The number of travellers and sales on a year-to-year basis are decreasing week after week. (Hokkaido: Travel agent)

Corporate activity

B	<ul style="list-style-type: none"> • Although the situation of manufacturing industries as a whole is still severe, business has begun to show signs of bottoming out, with some companies having technological expertise beginning to see their business picking up. Local textile makers have been increasing production for export to China. (Northern Kanto: Financial)
C	<ul style="list-style-type: none"> • Business has become constant, with orders showing neither sharp increase nor decrease. (Tokai: Electrical machinery equipment manufacturer)

Employment

B	<ul style="list-style-type: none"> • Automobile parts makers who are expected to report good business results will maintain their strong momentum. We can expect job security for many workers, as a major electric-appliance maker is constructing a big plant. (Hokuriku: Private employment agency)
C	<ul style="list-style-type: none"> • Although there are offers for tourism-related jobs and one-time requests for manpower dispatch, the situation will remain almost unchanged as requests for terminating contracts are coming in. (Okinawa: Temporary manpower company)