

Economy Watchers Survey

September 2004

OVERVIEW OF THE MONTH

The DI for current economic conditions in September fell 3.4 points from the previous month to 47.3.

The household activity-related DI declined mainly in retail-related sectors as the number of customers decreased due to a series of typhoons, and as the heat wave continued. The corporate activity-related DI declined due to the overall impact of the persistent rise in raw material prices. The employment-related DI remained at a high level due mainly to a steady increase in the number of job offers. As a result, the DI for current economic conditions declined for the second consecutive month, falling below 50 for the first time in eight months, which indicates a levelling-off.

The DI for future economic conditions in September fell 1.7 points from the previous month to 50.0.

Concerns over the adverse effect of higher crude oil prices and sluggish sales of winter products due to forecasts of a warm winter were felt, leading the DI to decline. As a result, the DI for future economic conditions decreased for the fifth consecutive month.

On the whole, the assessments of the Economy Watchers show that the economic recovery is taking a breather due to unsettled weather and the persistent rise in raw material prices.

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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 AV equipment remain brisk, little affected by the anticipated fall in reaction to strong summer sales that were boosted by the heat wave and Olympics special demand. The release of promising autumn/winter products has also started. (Southern Kanto: Electric appliance retailer) • The amount of corporate travel abroad has increased. More than half of all travel is accounted for by corporations implementing company outings for the first time in 5-10 years. (Kinki: Travel agent)
C	<ul style="list-style-type: none"> • Though September is the month when sales of fall wear normally pick up, the movement is still slow. It may be partly due to the lingering heat of summer, but it is not so lively within the store. The number of customers remains at a low level. (Hokkaido: Department store) • Customers no longer attach the first and foremost importance to low prices. However, since they have become more selective in choosing quality and designs, sales volume is low. (Tohoku: Shopping area) • Although item-by-item unit prices have been declining, sales as a whole remain almost at the same level as in the previous year, as the number of customers and the number of items purchased by each customer have increased slightly. Customers do not buy items they don't need and they do not buy more than necessary. They limit shopping to the minimum on ordinary days and do concentrated shopping on bargain days. (Hokuriku: Supermarket)
D	<ul style="list-style-type: none"> • Though sales of summer goods were brisk last year, sales this year are slow despite the same lingering summer heat. Sales on the whole are decreasing, as fall and winter goods are not selling well. (Tokai: Convenience store) • Due to a flurry of cancellations triggered by the landfall of typhoons, sales are decreasing sharply. (Shikoku: Restaurant)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> • Amid repeated hikes of fuel and other prices, fares for air cargoes and marine containers are rising, but fare hikes for land transportation by truck are not easily approved. However, transportation of imported clothing and electric appliance parts is brisk. (Kinki: Transportation)
C	<ul style="list-style-type: none"> • Though sales volume has increased, we are unable to pass on the rise in raw material prices to consumers. (Tokai: Chemical) • Demand for steel products, mainly from manufacturers, remains brisk in the domestic market. Although sales of automobiles in China show signs of a standstill, Japanese carmakers operating in China are enjoying continued brisk sales. Favourable business performance is also seen in other regions and fields. (Chugoku: Iron & Steel)
D	<ul style="list-style-type: none"> • We were busy in the first half, but the business was not profitable due to higher raw material prices and strong demand for price cuts from business partners. Production adjustment has begun to cope with possible overproduction. (Tohoku: Electrical machinery equipment manufacturer)

Employment

B	<ul style="list-style-type: none">• Orders for dispatched temporary workers are increasing, in particular for IT-related engineers and call center staff. Orders for dispatched temporary workers for clerical work are also increasing. Job offers for regular workers are brisk but few contracts are concluded, as corporations are seeking highly skilled workers. (Hokkaido: Temporary manpower company)
C	<ul style="list-style-type: none">• New job offers have decreased sharply, while new job seekers have increased. The increase in the number of job seekers is not due to an increase in involuntary retirement due to business conditions but because of an increase in voluntary retirement for the purpose of changing careers. (Kyushu: Job placement office)

2. Future conditions***Household activity***

B	<ul style="list-style-type: none"> With the launch of new models of our mainline vehicles slated for November, we expect our sales to increase. (Hokuriku: Car dealer)
C	<ul style="list-style-type: none"> We want to see a recovery in sales of fall wear. However, with hot weather forecast for some time to come, we may be forced to have a clearance sale without seeing an actual increase in sales. (Kinki: Department store) Although the economy is said to be on a recovery trend, sales of single-family houses remain stagnant. Consumers are unable to dispel their concerns about the future and remain cautious, as house prices have begun to rise partly reflecting the rising trend of interest rates and a sharp rise in material prices. (Okinawa: Housing sale company)
D	<ul style="list-style-type: none"> The higher gasoline and petroleum product prices triggered by a sharp rise in crude oil prices have depressed consumer confidence. Grocery chains will see their profits squeezed not only by slower sales but also by higher prices of trays, plastic wraps, and plastic shopping bags. (Kyushu: Supermarket)

Corporate activity

B	<ul style="list-style-type: none"> The movements of construction materials and steel products will remain at the current level for the next 2-3 months. We can hold the line, as sales of seasonal items, such as farm produce, begin to pick up at this time of the year. (Hokkaido: Transportation)
C	<ul style="list-style-type: none"> With orders showing no signs of a pickup, we cannot expect sales growth. (Northern Kanto: Stone, clay & glass products)
D	<ul style="list-style-type: none"> A rise in raw material costs caused by higher crude oil prices has been depressing our business. The business will deteriorate if we remain unable to pass on the higher material costs to the prices of resins, plastic products and electric appliances. (Shikoku: Electrical machinery equipment manufacturer)

Employment

B	<ul style="list-style-type: none"> With the business performance, mainly of major local enterprises, improving, small business operators have come to have a positive outlook. (Shikoku: Private employment agency)
C	<ul style="list-style-type: none"> The number of job offers, though not large, will remain brisk. However, since corporations are seeking talented personnel, it is difficult for persons with no skills to land a job. (Hokuriku: Temporary manpower company)