

Economy Watchers Survey

April 2005

OVERVIEW OF THE MONTH

The DI for current economic conditions in April rose 0.3 points from the previous month to 49.8.

The household activity-related DI rose, as sales of spring and summer goods increased slightly in retail sectors, although the services sector was adversely affected by cancellations of some overseas trips. The corporate activity-related DI rose thanks to an overall pick up of non-manufacturing industries, although the manufacturing industry remained almost unchanged. The employment-related DI remained high as the number of job offers continued to increase steadily, causing a shortage of manpower in some sectors. As a result, the DI for current economic conditions rose for the fourth consecutive month but remained below 50 for the eighth consecutive month.

The DI for future economic conditions in April rose 0.5 points from the previous month to 50.3.

The DI for future economic conditions rose slightly, as the corporate activity-related DI picked up mainly in the non-manufacturing industry. As a result, the DI for future economic conditions rose for the first time in two months, rising above 50 for the first time in seven months.

On the whole, the assessments of the Economy Watchers indicate that the economy is picking up.

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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

Household activity

B	<ul style="list-style-type: none"> • Sales increased thanks to the combined effects of the sudden warm spring weather and the late-blooming cherry blossoms, which extended the cherry viewing period to two weeks and increased the number of picnickers enjoying the blossoms. The unit price is also on a recovering trend. Sales of onigiri (rice balls) containing high-quality rice and ingredients were particularly brisk. (Kinki: Convenience store) • After we changed out sales strategy, sales increased over last year's level. In particular, sales of clothing that were in tune with the temperature were brisk. Customers are looking for good products with reasonable prices. Although the number of customers is almost the same as in the previous year, we sense an upbeat atmosphere. (Kyushu: Department store)
C	<ul style="list-style-type: none"> • Although the number of customers decreases after the book-closing month of March every year, we are having a larger-than-expected number of customers this year. Many customers visit us not just for window-shopping but for actually buying a new car, resulting in a high sales contract ratio. However, we are barely breaking even, as the number of cars brought to our service garage has been on the decrease. (Tokai: Passenger car dealer) • Although there were cancellations of trips to China due to the adverse effect of the anti-Japanese demonstrations in the country, demand for both domestic and overseas travel is brisk. Travel to the 2005 World Exposition in Aichi Prefecture, nearby hot springs, Okinawa, and Tokyo are popular among domestic destinations. As for overseas travel, Hawaii, Europe, Taiwan and South Korea are popular. (Shikoku: Travel agency)
D	<ul style="list-style-type: none"> • We extended business hours from this April, but sales remain unchanged. Without the extended hours, sales would have been much worse. (Southern Kanto: Standard class restaurant)

Corporate activity

B	<ul style="list-style-type: none"> • Business is picking up, as even small and medium-sized enterprises are liquidating non-core divisions and unprofitable outlets and instead focusing on profitable operations. (Tokai: Accounting firm) • Business is expected to pick up slightly in view of the facts that manufacturers, such as construction machinery parts makers, have become willing to make business investment and that retailers of cakes have become positive about opening new outlets. (Kinki: Financial)
C	<ul style="list-style-type: none"> • Although the volume of orders received has increased slightly, the rise in material prices caused by higher crude oil prices shows no sign of coming to an end. We want to pass the hike on to product prices, but our corporate customers always threaten that they would switch to overseas production. (Southern Kanto: Plastic products) • We will have to operate at full capacity for the next three months thanks to a sharp increase in orders received from automobile-related manufacturers at home and abroad. But we may not be able to keep pace with the orders, as shipments from material makers tend to fall behind schedule. We've heard that material makers are also in the same situation. (Chugoku: Electrical machinery equipment manufacturer)
D	<ul style="list-style-type: none"> • Amid rising raw material prices, we launched a larger number of high-priced new products this spring than in the past. However, sales didn't last long. As a result, the main sources of income are low unit-price products as usual. (Tohoku: Foods and related products)

Employment

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| B | • Partly reflecting corporations' earlier-than-usual job offers, the recruiting activity of IT-related companies remains as brisk as ever. In line with this, job offers by other types of businesses are also brisk. (Okinawa: School [Vocational school]) |
| C | • There is no major fluctuation in the number of job offers compared to the previous year. As for unit-price negotiations for the new fiscal year, only some companies in booming industries agreed to a 2-3% increase. (Kyushu: Private employment agency) |
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2. Future conditions

Household activity

B	<ul style="list-style-type: none"> • Large carry bags are selling well ahead of the Golden Week holidays. The number of customers giving priority to quality in the food area is increasing, leading to a rise in per-customer transaction. The economy expands when customers buy products based on such keywords as lifestyle and high quality. (Hokuriku: Supermarket) • With sales of air conditioners picking up and sales of new large-screen plasma TVs remaining brisk, the decline in per-unit prices of TVs is likely to come to an end. (Kinki: Electric appliance retailer)
C	<ul style="list-style-type: none"> • Although the number of customers is likely to recover somewhat, per-customer transaction is expected to remain low. Customers have become increasingly responsive to low-priced bargain products and services. (Hokkaido: Standard class restaurant) • Customers are still cautious about buying things. With retailers implementing sales or bargain campaigns earlier year by year, customers are waiting for such occasions. Customers are becoming more inclined to spend on entertainment activities rather than goods, and they have become less likely to buy things on impulse. (Tohoku: Department store)
D	<ul style="list-style-type: none"> • There are few positive factors for this region. Due to the 2005 World Exposition now being held in Aichi Prefecture, domestic customers' interest is now directed toward western Japan. As for travelers from abroad, whose number had been on an increasing trend, there have been cancellations by South Koreans and Chinese partly reflecting rising anti-Japanese sentiment in those countries. (Northern Kanto: Tourist hotel)

Corporate activity

B	<ul style="list-style-type: none"> • Some of the enterprises that had been reluctant even to talk about cost estimates have begun to push business plans in real earnest. As things stand now, we'll be able to receive more orders. (Southern Kanto: General contractor) • Real estate transactions have begun to pick up, showing signs of a slight rise in consumers' willingness to buy. (Shikoku: Real estate broker)
C	<ul style="list-style-type: none"> • Although the volume of orders received remains at a high level, we have to be cautious in view of the continuing rise in raw material prices. Our customers say that the anti-Japanese mood in China will not have a major impact on our business. (Chugoku: Metal product manufacturer)
D	<ul style="list-style-type: none"> • The prices of domestic soybeans continue to rise and have already doubled, while the prices of foreign soybeans remain at a high level. With other costs, ranging from distribution costs to packaging material costs, also rising due to higher petroleum product prices, we are unable to make up for the higher costs by simply slashing operating and personnel costs. (Northern Kanto: Foods and related products)

Employment

B	<ul style="list-style-type: none"> • With job offers coming from all types of industries, our business will remain stable until early autumn. But the job offers appear to be mainly for temporary measures to make up for the current shortage of workers. (Tokai: Private employment agency)
C	<ul style="list-style-type: none"> • The number of job offers is expected to remain on an increasing trend for some time to come. However, among job seekers, those who are already employed and those who are now unemployed and seeking jobs for the first time are increasing. There are also some movements of restructuring. (Tohoku: Job placement office)