

Economy Watchers Survey

August 2005

OVERVIEW OF THE MONTH

The DI for current economic conditions in August rose 0.1 points from the previous month to 50.5.

The household activity-related DI remained almost unchanged as travel sales were slightly sluggish in the service-related sector, although beverage sales were brisk in the retail-related sectors due to the effect of heat waves. The corporate activity-related DI rose as movement became active in some sectors of the manufacturing industry, although the impact of higher crude oil and raw material prices continued to be felt. The employment-related DI remained high as the number of job offers continued to increase steadily, with the number of regular employees and dispatched temporary workers who are scheduled to be employed as full-time workers after the term of their dispatch increasing. As a result, the DI for current economic conditions rose for the first time in two months, and remained above 50 for the fourth consecutive month.

The DI for future economic conditions in August fell 0.1 points from the previous month to 51.9.

The DI for future economic conditions fell for the first time in two months mainly in the corporate activity-related sector, reflecting concerns about higher crude oil and raw material prices.

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"> • The number of hotel guests and customers using our restaurant is slightly higher than in the previous year, pushing sales up higher along with it. Individual customers are ready to use our services if the price is within their assumed range. Inquiries about sales promotion-related parties are increasing from corporate customers. (Southern Kanto: City hotel) • Although end-of-season clearance sales are slower than in the previous year, high grade and fashionable autumn apparel at fixed price is selling well. (Kinki: Department store) • Thanks to good weather, sales, mainly of beverages, are increasing. The number of customers and per-customer transactions posted year-on-year growth of 3% and 26%, respectively. We are seeing signs of business pickup, with the number of items purchased per customer increasing. (Kyushu: Convenience store)
C	<ul style="list-style-type: none"> • Although August is usually a slow season, we had many customers until the middle of August this year thanks to the long spell of hot temperature. Sales of summer goods increased. We have yet to see movement of autumn season goods in late August, but the number of customers is much higher than in the previous year. (Hokkaido: Shopping area) • Sales of rent-a-cars, compact cars, and mini-vehicles are brisk. But dealers handling midsize and luxury cars are seeing slow sales. (Okinawa: Passenger car dealer)
D	<ul style="list-style-type: none"> • We had received a considerable number of inquiries about summer holiday trips, but many of them were not realized. Sales of group tours are slow in August. (Southern Kanto: Travel agency)

Corporate activity

B	<ul style="list-style-type: none"> • Land prices are on a slightly rising trend, reflecting growing sentiment that land prices have hit bottom. We are seeing slower liquidity and short supply of goods. (Southern Kanto: Real estate broker) • There was a wide gap even among large companies in the performance of semiconductor-related firms in the past. Although their performance is still uneven, things are turning for the better on the whole. Inventory adjustment is progressing, albeit slowly. (Kyushu: Electrical machinery equipment manufacturer)
C	<ul style="list-style-type: none"> • Our corporate customer in the manufacturing industry says, "We are busy with orders coming constantly, but profitability is worsening due to a rise in raw material prices." Orders received by our corporate customer dispatching factory workers are also increasing steadily. (Hokuriku: Financial) • Award volume remains unchanged, though at a low level. However, with prices of raw materials staying at a high level, our profitability remains at a low level. (Chugoku: Transportation equipment)
D	<ul style="list-style-type: none"> • Our transportation volume is down 20% from the previous year. But we are hit harder by a sharp rise in fuel costs caused by higher crude oil prices, making it difficult for us to make profits. (Northern Kanto: Forwarding agency)

<i>Employment</i>	
B	<ul style="list-style-type: none">• With the employment pattern shifting from part-time workers and dispatched workers to regular workers, some companies are increasing employment of regular workers. (Southern Kanto: Job information magazine publisher)
C	<ul style="list-style-type: none">• Although the number of job offers is increasing slightly, there is a gap between corporations in their ability to start recruiting activities. (Hokkaido: Job information magazine publisher)

2. Future conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> • There is a tendency among individuals to seek comfort and pleasure with a small amount of money. Although the number of competitors is increasing, this trend will continue for some time to come. (Northern Kanto: Other leisure facility [Amusement]) • We expect sales of winter wear to increase, buoyed by the government's move to promote warm business wear. We are also counting on a rise in consumers' willingness to buy, reflecting a business pickup. (Chugoku: Department store)
C	<ul style="list-style-type: none"> • With higher crude oil prices raising not only prices of various products based on petroleum but also gas and electricity bills, consumers are increasingly forced to live a frugal life. (Tohoku: Supermarket) • Demand for travel has picked up. We expect a rise in travel sales in autumn through the year end. There will be no major decline in sales. (Shikoku: Travel agency)
D	<ul style="list-style-type: none"> • We will see adverse impacts of the opening of the 2005 World Exposition in Aichi and higher crude oil prices on buying cost in the months to come. (Tokai: City hotel)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> • With the construction work that has been suspended due to the 2005 World Exposition in Aichi scheduled to be resumed, corporate activity will pick up momentum. Our corporate clients that have recently started business will get off the ground. (Tokai: Accounting firm) • Our customers are taking orders ahead of their schedule. There are many other encouraging aspects, with another customer saying the company has already clinched orders for next year. (Chugoku: Metal product manufacturer)
C	<ul style="list-style-type: none"> • Shippers' business sentiment varies depending on the type of business. Retail-related shippers see their business picking up, while manufacturers, especially petroleum product manufacturers, are having difficulty passing the increase in production cost caused by higher naphtha prices on to their products. On the whole, the situation remains almost unchanged. (Shikoku: Forwarding agency)
D	<ul style="list-style-type: none"> • With prices of raw and other materials rising, we are in a severe situation. Our competitor has announced that it will raise prices of its products in early autumn. We are studying what to do about the situation. (Tohoku: Foods and related products)
<i>Employment</i>	
B	<ul style="list-style-type: none"> • We have received many inquiries from corporations that are considering mid-career recruitment to cope with a decrease in the number of workers caused by their suspension of employment in recent years and by retirement of the baby-boom generation in a few years ahead. (Kinki: Temporary manpower company)
C	<ul style="list-style-type: none"> • Dispatching temporary workers to rural areas has increased more than dispatching workers to central cities in recent days. The response to job offers in rural areas is faster than those in central cities. There are many job offers for middle-aged persons. (Kyushu: Temporary manpower company)