

Economy Watchers Survey

December 2005

OVERVIEW OF THE MONTH

The DI for current economic conditions in December rose 2.8 points from the previous month to 55.7.

The household activity-related DI rose thanks to the continuing trend of seeking better quality goods in addition to strong sales of winter apparel and heating appliances prompted by record cold weather. The corporate activity-related DI rose slightly as activities of both the manufacturing and non-manufacturing industries gained momentum, although the impact of the heavy snow was felt in some sectors. The employment-related DI remained high, reflecting an increase in the number of job seekers looking for employment with better terms, in addition to corporations' positive stance toward employment. As a result, the DI for current economic conditions rose for the second consecutive month and remained above 50 for the eighth consecutive month.

The DI for future economic conditions in December rose 1.2 points from the previous month to 53.6.

The DI for future economic conditions rose for the second consecutive month as consumers' willingness to purchase is expected to continue to increase.

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

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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>	
A	<ul style="list-style-type: none"> Although terrestrial digital broadcasting has yet to start in this area, sales of TVs and DVDs compatible with digital broadcasting have become increasingly prominent. In many products, the proportion of sales of high-functional or high value-added products has increased. Sales of heating appliances are also brisk due to colder-than-usual weather. (Chugoku: Electric appliance retailer)
B	<ul style="list-style-type: none"> Due to the severe winter, sales of winter clothing and outfits for cold weather are brisk. Sales of thermostatic-controlled clothing are 180-200% higher than in the previous year and those of thick trainers, coats, etc. are also 120% higher. Sales of ingredients for <i>nabe</i> winter pot meals are also brisk both in terms of the amount of ingredients purchased and per-customer transactions. (Northern Kanto: Supermarket) Both businesspeople and tourists staying our hotel are increasing. The number of overnight guests and sales at our restaurants posted a sharp year-on-year increase during the Christmas season. The same brisk performance has been reported by rival hoteliers. With sales from drinking parties also increasing, we actually feel that consumption has begun to pick up. (Kinki: Tourist hotel) Sales of high-priced items remain as firm as ever, with sales volume posting a slight increase over the previous year. In particular, sales of choice brand products, luxurious watches and pret-a-porter are brisk. In addition, due to a drop in temperature that began in the previous month, sales of men's and women's clothing, mainly heavy clothing are particular strong. (Kyushu: Department store)
C	<ul style="list-style-type: none"> We used to have customers coming on their way home from year-end parties. But this year, it seems not many people are having second parties. (Southern Kanto: Snack bar) Tourism is doing well. There are signs of an increase in the number of repeat customers. The number of local customers remains stagnant due to cold weather and strong wind this year. Business this year is at the same level as in the previous year at best. (Okinawa: Other specialty shop [Musical instruments])
D	<ul style="list-style-type: none"> The number of visitors fell by nearly double digit from the previous year due to the first heavy snow in many years. Not many individual customers visited, and there were many cancellations of reservations by group customers. (Hokuriku: Theme park)

<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> • Our corporate customers are seeing a sharp increase in sales of heating appliances due to a cold wave and we have received many requests for transporting electric heaters reflecting higher crude oil prices. We have some latitude in setting freight charges. (Northern Kanto: Forwarding agency) • Our sales to automobile-related companies both at home and abroad remain brisk and we see no signs of a decrease in orders received. We are offering jobs but few responded to the offers. (Chugoku: Electrical machinery equipment manufacturer)
C	<ul style="list-style-type: none"> • The situation has turned for the better and we can now expect a slight increase in sales if we make sales efforts. (Tohoku: Copying service) • Although we have received orders, the cargoes remain stranded as the deep freeze before the Christmas has severed the transportation network. We are in a position where we can achieve about the same level of sales as in the previous year at best. (Kinki: Foods and related products)
D	<ul style="list-style-type: none"> • Hard hit by the heaviest snow in 20 years for the month of December, our sales decreased due to the extension of the construction work scheduled for completion in December. The profitability of the construction work has also deteriorated due to the extra expense for snow removal. (Hokuriku: General contractor)
<i>Employment</i>	
B	<ul style="list-style-type: none"> • Although the number of people registering for temporary dispatched work has decreased drastically, corporations have become very active in direct employment, indicating their positive stance toward recruitment. (Shikoku: Temporary manpower company)
C	<ul style="list-style-type: none"> • Although requests for temporary dispatched worker have increased by more than 10% from the previous year, we have difficulties selecting appropriate workers, as job seekers have become increasingly choosy about workplaces and wages reflecting a sharp increase in job offers. (Southern Kanto: Temporary manpower company)

2. Future conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> Sales of winter goods are strong, and it will have a favorable impact on goods to be marketed in the spring and thereafter. Department stores are now devising various gimmicks to draw customers. (Southern Kanto: Department store) Among products whose unit prices are higher than in the previous year are TVs and washing machines, and those whose unit prices are lower are personal computers and related products, DVDs, and video cameras. Although it varies depending on the merchandise, sales volume and sales proceeds are rising almost in tandem. With unit prices having almost stopped declining, we have slightly brighter prospects for the future. (Hokuriku: Electric appliance retailer)
C	<ul style="list-style-type: none"> Although Christmas cakes and year-end reserved products sold well, consumers continue to seek low-priced products when it comes to daily necessities. However, consumers are inclined to spend more when they buy particular goods. (Hokkaido: Convenience store) Given the more-than-expected decrease in sales of year-end parties, we don't count much on New Year parties. With reservations from individual clients increasing gradually, we expect to receive large reservations for group tourists. (Northern Kanto: Tourist hotel)
D	<ul style="list-style-type: none"> With slower customer traffic and a delay in merchandise delivery becoming conspicuous due to the accumulation of snow, we are concerned that the business conditions for this winter may become worse than in the previous year. (Tohoku: Shopping area)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> We expect our income from rent to increase, as a new tenant is scheduled to move in to a relatively large room in January. Though not resulting in contracts, the number of people making a preliminary inspection of vacant rooms is on the increase. (Northern Kanto: Real estate broker) We expect our sales to increase, albeit moderately, as we have clinched some of the new large contracts that have emerged recently. (Kinki: Chemical and allied products)
C	<ul style="list-style-type: none"> Although requests for quotation have increased slightly in private construction work, we are unable to make a successful bid at a fair price due to intensifying competition. The situation will remain unchanged for some time to come. (Shikoku: General contractor)
D	<ul style="list-style-type: none"> With the active business investment by the automobile industry running its course and no major capital investment planned in the first half of 2006, we expect a decrease in our award volume. (Tokai: Ordinary machinery and instrument manufacturer)
<i>Employment</i>	
B	<ul style="list-style-type: none"> The number of medium and small companies' owners visiting job-placement offices has increased, indicating their intention to recruit key workers to hand their skills and technologies. (Tokai: Job placement office)
C	<ul style="list-style-type: none"> The percentage of job offers for non-regular employment, such as dispatched temporary work, still remains high. Although the job opening-to-application ratio shows improvement, it is hard to find re-employment as corporations have a strong tendency to seek people who can adapt to work immediately after employment. (Tohoku: Job placement office)