

# Economy Watchers Survey

## February 2005

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### OVERVIEW OF THE MONTH

The DI for current economic conditions in February rose 0.6 points from the previous month to 45.6.

The household activity-related DI moved almost sideways thanks to brisk performance of the services sector helped by the upcoming 2005 World Exposition in Aichi Prefecture, which spurred travel demand, although retail sectors, mainly department stores, saw their sales decline in reaction to strong sales in January. The corporate activity-related DI rose thanks to a pick up in orders received by some manufacturers and a rise in real estate transactions in non-manufacturing industries. The employment-related DI moved almost sideways, as the number of job offers continued to increase steadily. As a result, the DI for current economic conditions rose for the second consecutive month but remained below 50 for the sixth consecutive month.

The DI for future economic conditions in February rose 1.6 points from the previous month to 49.9.

The DI for future economic conditions rose mainly in the household activity-related field, reflecting increasing number of customers in the retail and food and drink service industries and expectations of a rise in demand for travel in connection with the opening of the 2005 World Exposition in Aichi Prefecture and longer Golden Week holidays this year. As a result, the DI for future economic conditions rose for two consecutive months.

On the whole, the assessments of the Economy Watchers indicate that there is an expectation of recovery ahead and the economy is picking up moderately again.

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by the Director-General for Economic Assessment and Policy Analysis,  
Cabinet Office  
Kasumigaseki 3-1-1, Chiyoda-ku, Tokyo 100-8970  
Telephone: 03-3581-1392

**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>B</b>	<ul style="list-style-type: none"> <li>• Although February is an off-season, the number of guests has increased about 10% over the previous year thanks to the opening of Chubu International Airport and with the 2005 World Exposition in Aichi Prefecture slated to open in one month. (Tokai: City hotel)</li> <li>• Purchase of real estate has become active compared with earlier this year. Newly built condominiums are selling well. Used houses for sale in popular areas are running short. Overall, prices have begun to bottom out. (Kinki: Other housing [Information magazine])</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• Although the number of customers increased by about 30, sales decreased by about 300,000 yen, indicating a drop in per-customer transaction. (Southern Kanto: High-class restaurant)</li> <li>• Although the percentage of thin flat-screen TVs to total sales has increased sharply, sales of OA-related products, including personal computers, have slackened, after showing signs of a slight pickup. Sales of Internet-based music players are brisk but not strong enough to make up for a decline in overall sales, as their unit prices are low. (Chugoku: Electric appliance retailer)</li> <li>• Although the number of customers is not particularly small, unit prices remain low. For example, Valentine's Day products have sold from low-priced goods, but high-priced products have remained unsold. We are in a severe situation. (Shikoku: Convenience store)</li> </ul>
	<ul style="list-style-type: none"> <li>• February is a severe month for sales of imported cars. At a meeting of imported car dealers, many reported slow movements of customers, particularly this year due to heavy snow and bad weather on weekends. (Tohoku: Automobile seller)</li> <li>• Sales dropped sharply in February in reaction to strong sales in January. With temperatures swinging wildly from warm to cold, spring goods slackened due to a cold wave came after winter clearance sale and the number of customers on weekends fluctuated wildly. (Kyushu: Department store)</li> </ul>
<i>Corporate activity</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>• Reflecting a pickup in the business of our customers in recent months, the number of contracts, mainly for offices, has begun to pick up gradually. (Chugoku: Real estate broker)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• We are enjoying continued strong orders. This month, orders received are likely to hit an all-time high. We want to farm out some of the orders to other companies in the same trade, but they are also busy. We are at a loss over how to meet delivery requirements. (Northern Kanto: Ordinary machinery and instrument manufacturer)</li> <li>• The number of home-delivery parcels remains unchanged. March is a busy season for general shippers, but there are no major changes at this time. (Southern Kanto: Forwarding company)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>• Prices of steel plates are rising, but we are unable to pass the price hike on to consumers. (Kyushu: Transportation equipment manufacturer)</li> </ul>

<i>Employment</i>	
<b>B</b>	<ul style="list-style-type: none"><li>The number of company officials in charge of recruitment visiting our school has increased, suggesting companies have reinforced recruitment activities. (Hokkaido: School [University])</li></ul>
<b>C</b>	<ul style="list-style-type: none"><li>Orders are increasing due to seasonal factors at the end of the fiscal year, but we are unable to stick a balance in prices quoted. We want to offer higher prices, not many companies come to the negotiating table. (Kyushu: Temporary manpower company)</li></ul>

## 2. Future conditions

### *Household activity*

B	<ul style="list-style-type: none"> <li>Sales of long-distance overseas trips, such as to European countries and the United States, got off to a good start, reflecting the fact that this year's holiday-studded Golden Week starts on Friday, enabling people to take a long holiday if they take a day off on May 2 and May 6. We expect strong sales of both domestic and overseas tours. (Kinki: Travel agency)</li> <li>We will be better off two to three months ahead, as both sales volume and the number of customers are increasing and as the unit prices of goods purchased are higher than in the previous year. (Chugoku: Supermarket)</li> </ul>
C	<ul style="list-style-type: none"> <li>"Ethnic" casual wear is touted as this year's spring fashion, replacing elegant fashion in the previous year. Although customers seeking new products that are different from last year's mode are likely to increase, the current severe situation will continue, as manufacturers are slow in coming up with spring goods. (Hokuriku: Department store)</li> <li>With the 2005 World Exposition in Aichi Prefecture slated to open in March, visitors to Okinawa will show no increase. (Okinawa: Sightseeing spot)</li> </ul>
D	<ul style="list-style-type: none"> <li>Unit sales prices of women's wear and jewelry goods are declining and they will remain as they are for some time to come. (Kyushu: Clothing shop)</li> </ul>

### *Corporate activity*

B	<ul style="list-style-type: none"> <li>The scheduled opening of the 2005 World Exposition in Aichi Prefecture and the opening of Chubu International Airport have brought about a change in physical distribution. In particular, the impact of Chubu International Airport is strong, as cargo that was previously destined for Kanku (Kansai International Airport) or Narita are being handled at Chubu International Airport. (Tokai: Forwarding agency)</li> </ul>
C	<ul style="list-style-type: none"> <li>Amid ongoing inventory adjustment, new products are increasing rapidly. Full production of these new products will come in summer at the earliest and may be delayed until next year. (Hokuriku: Electrical machinery equipment manufacturer)</li> <li>Although the volume of orders received has been brisk in the past one year, the business outlook is uncertain due to concerns about a rise in raw material prices. (Chugoku: Metal product manufacturers)</li> </ul>
D	<ul style="list-style-type: none"> <li>Usually, inquiries for orders two to three months ahead begin to increase at this time of the year, but there are no signs of such movements this year. It appears that the situation is worse than expected. (Northern Kanto: Ceramic, stone and clay product manufacturer)</li> </ul>

### *Employment*

B	<ul style="list-style-type: none"> <li>The number of students taking a course to prepare for civil servant examinations has decreased. In particular, the number of students taking a course to prepare for examinations for senior positions that are mainly open to university graduates has decreased conspicuously, which resulted from the increase in the number of new recruits in the private sector. (Tokai: School [Vocational school])</li> </ul>
C	<ul style="list-style-type: none"> <li>Job offers by retailers and other personal consumption-related industries show no particular increase. It is difficult to forecast the future trend. Business is not likely to pick up sharply at least in the next two to three months. (Hokkaido: Job information magazine publisher)</li> </ul>