

Economy Watchers Survey

July 2005

OVERVIEW OF THE MONTH

The DI for current economic conditions in July fell 0.5 points from the previous month to 50.4.

The household activity-related DI fell due to sluggish sales of beverages and so on, although summer clearance sales were good for most retail sectors. 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 fell for the first time in seven months, but remained above 50 for the third consecutive month.

The DI for future economic conditions in July rose 0.8 points from the previous month to 52.0.

The DI for future economic conditions rose in all three fields, led by the household activity-related field, reflecting signs of a slight pick-up in eagerness to buy and on expectations of a rise in sales of autumn goods. As a result, the DI for future economic conditions rose for the first time in two 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

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| B | <ul style="list-style-type: none"> • Per-customer transactions are rising slightly, as optional fees added to the main technique fees have begun to pick up. (Hokkaido: Beauty parlor) • We have been enjoying extremely brisk clearance sales of summer goods since the beginning of the month. Especially, sales of men's and women's summer clothing and sundry goods are brisk, with all of our stores posting year-on-year increases for the first time in several years. In addition to a rise in per-customer transactions, the number of customers is above the level of last year. We have been posting a year-on-year monthly increase in sales since March. In July, sales were about 5 percentage points higher than a year earlier, indicating a pickup in consumption. (Southern Kanto: Department store) • Sales are rising strongly thanks to many company trips to Kyoto, Osaka, and the 2005 World Exposition in Aichi, and golf invitation trips, mainly to Okinawa, Kagoshima, and Hokkaido. We have had many inquiries about family tours during the summer holidays. (Shikoku: Travel agency) |
| C | <ul style="list-style-type: none"> • Sales of seasonal goods, such as air conditioners, are sluggish, standing at 90% of the previous year's level. Sales of thin TVs are doing well, rising 50% over the previous year, but sales of DVD-related goods are slow at 85% of the last year's level. (Northern Kanto: Electric appliance retailer) • Customers remain as unwilling to spend money as ever regarding green fees. But they have come to show other types of behavior as well, such as coming to spend more than before on food and golf clubs. (Tokai: Golf course) |
| D | <ul style="list-style-type: none"> • Due to low temperatures in the beginning to middle of July, sales for drinks, cold noodles and ice, which are supposed to be high in July, are sharply lower than in the previous year. Overall sales in July are also far below the previous year's level. (Tohoku: Convenience store) |

Corporate activity

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| B | <ul style="list-style-type: none"> • Reflecting the buoyant economy, sales of high-priced housing-related goods have begun to pick up partly. (Hokkaido: Furniture makers) • Although orders for water treatment-related products are stagnant, new orders from electronic equipment manufacturers have begun to pick up slightly, with sales of some new products selling well. (Kinki: Electrical machinery equipment manufacturer) |
| C | <ul style="list-style-type: none"> • While requests for counselling about setting up businesses have been decreasing since the beginning of the month, requests for counselling about business innovation have been increasing, indicating that corporations are trying to implement new measures. (Southern Kanto: Management consultant) • Although sales of in-house products overseas, mainly in North America, have been brisk, we are having a hard time making a profit due to rising production costs caused by raw material prices. (Chugoku: Ordinary machinery and equipment manufacturer) |
| D | <ul style="list-style-type: none"> • Although sales are increasing thanks to a 4% year-on-year rise in cargo shipment, per-vehicle net income has deteriorated, as we are unable to raise fares enough to make up for a sharp rise in fuel cost caused by higher diesel oil prices. (Tokai: Forwarding agency) |

Employment

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| B | • Recruitment activity has become active, with recruitments of dispatched temporary workers who are scheduled to be employed as full-time workers 3-6 months after their dispatch increasing sharply. (Shikoku: Temporary manpower company) |
| C | • Usually, we are in the summer doldrums at this time of the year. But this year, the business has remained brisk since the spring, especially inquiries for dispatched temporary workers who are scheduled to be employed as full-time workers after the term of their dispatch and for IT-related workers. However, there is no such momentum as that observed in early spring. (Kinki: Temporary manpower company) |
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2. Future conditions

Household activity

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| B | <ul style="list-style-type: none"> • Fashion, food, and livelihood are all on an upward trend. As new colors such as turquoise and green, in addition to conventional burgundy and red, are being touted as autumn fashion colors, we are counting on new demand. We also expect an increase in sales of food and livelihood-related products, as customers have become more oriented toward high-quality foods and livelihood. (Hokuriku: Department store) • Low-end consumers have begun to pay attention to health foods. The business ahead will get better, as they will buy not only low-priced goods but also high-quality products. (Kinki: Supermarket) |
| C | <ul style="list-style-type: none"> • Since purchasing prices have kept rising, we have no choice but to raise selling prices in August as a last resort. We fear customers' reaction. (Chugoku: Standard class restaurant) • It will become difficult to get contracts, as people planning to own houses are in many cases young people with low annual income and limited budget. (Shikoku: Housing supplier) • Okinawa still enjoys popularity, sightseeing trips to Okinawa will remain brisk without being affected by the 2005 World Exposition in Aichi Prefecture. There are no adverse factors in sight. (Okinawa: Sightseeing spot) |

Corporate activity

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| B | <ul style="list-style-type: none"> • Since inquiries with regard to our newly developed product have increased, we expect our business to pick up. (Tokai: Electrical machinery equipment manufacturer) • There are indications that capital investment, especially by manufacturers, is likely to be implemented. There are also signs that real estate will make a definite move. (Chugoku: General constructor) |
| C | <ul style="list-style-type: none"> • Although positive business talks have increased among our corporate customers, our business ahead will remain severe, as they have become more upbeat than ever before about their demand for price increases amid ongoing integration of raw material makers. (Kinki: Chemical manufacturer) |
| D | <ul style="list-style-type: none"> • We are now in a severe situation due partly to fare hikes by shipping companies caused by higher crude oil prices and partly to a decline in profit below cost caused by higher fuel oil prices. (Hokkaido: Forwarding agency) |

Employment

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| B | <ul style="list-style-type: none"> • Job offers usually become active during the period from after the Obon holiday break to early autumn. Since manpower is in short supply this year due to outsourcing and active recruitment of part-time workers, the job market will become more buoyant. (Kyushu: Job information magazine publisher) |
| C | <ul style="list-style-type: none"> • Although the number of both referrals and job-finders has increased slightly, the number of people leaving their jobs in a short period of time has also increased. The situation will remain unchanged for some time to come, as higher crude oil prices are likely to have adverse effects on business establishments' costs of raw materials and transportation. (Northern Kanto: Job placement office) |