

Economy Watchers Survey

April 2007

OVERVIEW OF THE MONTH

The DI for current economic conditions in April dropped 1.1 points from the previous month to 49.7.

The household activity-related DI dropped due to a slump in new car sales and sluggish sales of spring and summer clothing resulting from unseasonably low temperatures. The corporate activity-related DI fell slightly as manufacturers saw their orders received stabilize, although it was difficult for non-manufacturers to maintain profits. The employment-related DI hovered at a high level as corporations' hiring interest remained strong. As a result, the DI for current economic conditions dropped for the first time in three months, falling below the neutral indicator of 50 points for the first time in two months.

The DI for future economic conditions in April rose 0.6 points from the previous month to 51.9.

Despite concerns regarding increases in the price of crude oil and raw materials, the DI for future economic conditions rose for the first time in two months primarily in the corporate sector as a result of projected increases in orders received for both manufacturers and non-manufacturers.

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

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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"> The volume of orders received for small- to large-scale corporate gatherings is increasing. Despite low unit costs for lodging, the number of guests is increasing. (Kinki: Urban hotel) The number of customers is increasing, customers are purchasing a great deal of meat etc., and consumer appetite appears to be emerging. (Shikoku: Supermarket) |
| C | <ul style="list-style-type: none"> Although sales were rough for women's apparel during the first half of April, apparel sales have picked up in response to rising temperatures. Meanwhile, sales of food products leveled out as we entered the second half of April, and as a whole, performance is steady. Despite a slight decline in the number of customers, sales are somewhat increasing due to rising purchase unit prices. (Southern Kanto: Department store) Although the first half of the month was plagued with bad weather and there were few customers, we were blessed with good weather from the middle to the end of the month, and as a result, both the number of customers and average amount purchased by each customer increased significantly during the first half of the Golden Week holidays. Overall for the month, the number of customers was 103% of that of the previous year and the average amount purchased by each customer was 97% of that of the previous year, meaning that these figures remained nearly unchanged from the previous year. (Hokuriku: Convenience store) |
| D | <ul style="list-style-type: none"> Year-on-year losses in auto sales, including light motor vehicles—the sales of which had been strong up until now, are continuing. In April, even sales of corporate fleet cars, which generally increase in average years, weakened. (Tohoku: Auto dealer) |

Corporate activity

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| B | <ul style="list-style-type: none"> The supply of new products to the iron and steel segment is picking up speed. Since performance is favorable, our orders will not decline even if we refuse requests for price-reduction negotiations. (Tokai: Ceramics, earth and clay product manufacturer) Sodium bicarbonate electrolyzed water, a new product, has gradually gained recognition as a result of the effects of environmental deterioration, and the volume of orders received has begun to increase. (Shikoku: Pulp, paper and paper-processed products manufacturer) |
| C | <ul style="list-style-type: none"> As always, we find ourselves in a situation in which we cannot put the brakes on falling unit prices. There is no end in sight to the decline of orders received prices for government administration office bids, and we have therefore had no choice but to cut profits. (Tohoku: Advertising agency) While we have been able to somehow maintain the volume of orders received, the value of orders received has not returned to a reasonable price, the cost of materials etc. has topped out, and profit margins remain low. (Southern Kanto: Construction company) |
| D | <ul style="list-style-type: none"> Production is on the decline for the main automobile manufacturers, as is both recruitment and orders received. (Chugoku: Transport machinery and apparatus manufacturer) |

Employment

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| B | • Hiring interest among corporations remains high, and the number of companies seeking workers is increasing dramatically. In addition, to secure the hiring of excellent students at an early stage, the period for handing down informal employment decisions is starting earlier. (Kinki: School [university]) |
| C | • The number of recruits being sought after is increasing, with the primary reason for recruiting being the filling of vacant positions, and this is also being influenced by the increase in dispatch worker recruitment. Applications for recruitment from ultra-small, small and medium companies are down slightly. (Northern Kanto: Public employment security office) |
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2. Future conditions

Household activity

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| B | <ul style="list-style-type: none"> • Applications from tour customers outside Hokkaido were steady as was the case in the previous year, and expectations remain high as unit prices for overall consumption continue to rise. (Hokkaido: Tourist hotel) • The number of reservations for the next three months is increasing in comparison with the same period in the previous year despite the fact that green fees remain unchanged. Young visitors stand out, and there has been an increase in the number of golf competition parties. (Tokai: Golf course) |
| C | <ul style="list-style-type: none"> • Orders received for summer vacation trips have in general gotten off to a good start, and while both high- and low-priced vacation packages are selling well, sales of medium price range packages, which generally make up the largest volume of sales, are not growing. (Kinki: Travel agency) • The effects of unseasonable weather were beyond our control. Even in the food segment, which has shown relatively steady performance, the effects of declining numbers of customers have begun to surface, and depending on the improvement of weather conditions, these same effects may be seen in May as well. (Okinawa: Department store) |
| D | <ul style="list-style-type: none"> • As if inspired by the prosperity of some corporations, wholesale prices are rising. This is being reflected in retail prices, and consumers are responding very sensitively, which is definitely a warning signal. (Tohoku: Shopping district) |

Corporate activity

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| B | <ul style="list-style-type: none"> • It is anticipated that workloads in the construction machinery and hydraulic equipment industries will increase even further from the second half of the year. (Northern Kanto: General machinery and apparatuses manufacturer) • The worst seems to be behind us, our backlog of unfilled orders has improved, and the amount of completed work will rise in the future. (Shikoku: Construction company) |
| C | <ul style="list-style-type: none"> • Although we are receiving favorable orders and operating at full capacity, the steep price rise in iron as well as oil is cause for concern. Overall, the current situation will continue for the next three months. (Chugoku: Metal product manufacturer) • The volume of orders received and number of property information listings for the next three months are decreasing slightly, and the moderate economic upturn we have seen thus far is beginning to slow slightly. In addition, the effects of the steep price rise in raw materials and strong euro/weak yen at the time of importation of furniture have been significant, and there is also concern regarding a drop in sales resulting from the raising of prices. (Kyushu: Furniture manufacturer) |
| D | <ul style="list-style-type: none"> • Steel manufacturers have again hiked up prices by nearly 30%, and the unit price of raw materials continues to rise. If we do not change the price for our most valued customers, we will be unable to continue business. Until we are able to gain the understanding of every one of our most valued customers, our business will either stagnate or worsen. (Tokai: Electrical machinery and apparatus manufacturer) |

Employment

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| B | <ul style="list-style-type: none"> • The securing of human resources has become difficult, and job recruitment conditions such as wages are clearly improving. (Tohoku: Temporary manpower company) |
| C | <ul style="list-style-type: none"> • We are visited by many job applicants who are employed but have not yet expressed their intentions to leave their current position to their employers. It seems that this is not because they want to change jobs immediately, but rather because they would like to find a new job with better conditions than their current one. As long as there is no increase in the recruitment of full-time employees, this situation will not change in the near future. (Hokuriku: Public employment security office) |