

Economy Watchers Survey

March 2007

OVERVIEW OF THE MONTH

The DI for current economic conditions in March rose 1.6 points from the previous month to 50.8.

Despite the cool weather in the middle of the month leading to sluggish sales of spring clothing, the household activity-related DI rose, as consumers tended to buy slightly better goods and they were responsive to such events as entrance ceremonies to kindergartens and schools. The corporate activity-related DI rose slightly as both manufacturers and non-manufacturers saw their orders received stabilize, although it was difficult for them 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 rose for the second consecutive month, rising above the neutral indicator of 50 points for the first time in five months.

The DI for future economic conditions in March fell 0.8 points from the previous month to 51.3.

Despite expectations that consumers will tend to buy slightly better goods, the DI for future economic conditions fell for the first time in three months, based on the lack of any surge in consumer administration and amid fears of the effects of soaring prices of raw materials.

Comments were also noted indicating the impact of the Noto Peninsula Earthquake on consumers in the Hokuriku region, both in terms of current and future economic conditions.

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

Released on April 9, 2007 (in Japanese)
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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"> • In March, previous year results were surpassed in our clothing, home products and food segments. In particular, there was growth in our clothing segment, mainly in formal wear worn by women at kindergarten and school entrance ceremonies, and hit products were a driving force in our home products segment. Overall, the food segment was well-positioned, especially in ready-prepared foods. (Northern Kanto: Supermarket) • Advanced reservations for the Golden Week holidays have been strong. And customers are loosening their purse strings: those who travelled domestically last year are making reservations for overseas travel, and those who made only one-night reservations last year are making reservations for two nights. (Kinki: Travel agency)
C	<ul style="list-style-type: none"> • The peak for demand by consumers starting out in life is 1-2 weeks later than usual. Although customer numbers are increasing, lower unit prices are having an effect, especially in televisions. (Southern Kanto: Electric appliance retailer) • Although sales for farewell parties were lower than expected, the high number of individual customers kept overall sales from falling. (Kyushu: High-class restaurant)
D	<ul style="list-style-type: none"> • Overall, the clothing segment has struggled. In particular, figures have been poor for fashionable brand labels purchased by working women in their twenties and thirties, and consequently, trendy women's shoes have also performed poorly. However, figures have been steady for sales related to new students, graduating students and other celebratory gifts. (Chugoku: Department store)

Corporate activity

B	<ul style="list-style-type: none"> • Mass production of new items that were being developed has commenced and is well underway. Overall volumes are also on an upward trend, chiefly in construction machinery-related work. (Northern Kanto: Ordinary machinery and instrument manufacturer) • As the end of the financial year has arrived, tenders for communications-related capital investment have at last begun to take shape. However, since the brakes have not been applied to the falling prices of orders received, we are still in a situation where many of the proposals will not be profitable. (Southern Kanto: Other services [Information service])
C	<ul style="list-style-type: none"> • While redevelopment projects around Osaka Station have begun to take shape, the value of orders received has slumped because the competition to win orders has remained intense. (Kinki: Metal product manufacturer) • While the volume of orders received has been constant, this has not led to increased sales because the demand for cheap unit prices has increased in comparison. The demand for communications lines has remained stable in the wake of growth experienced by call center operations. (Okinawa: Telecommunications)
D	<ul style="list-style-type: none"> • Signs of decline have begun to appear in wholesale orders received for materials from machinery parts manufacturers. It seems that persons concerned are feeling a sense of danger with regard to future conditions, and the sluggish domestic sales of ordinary cars are also having an effect. (Hokuriku: Accounting firm)

Employment

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| B | • There has been an increase in the number of inquiries about employment media, including for mid-career recruitment. In terms of graduate recruitment, there was an increase in the number of companies that brought forward their participation at job fairs to earlier junctures. (Chugoku: Job information magazine publisher) |
| C | • The number of job seekers increased this month and last month, causing congestion at our counters, and demonstrating an increase in the number of employees considering alternative employment. There is a large number of job seekers who feel that there is a good chance they will change jobs. (Tohoku: Job placement office) |
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2. Future conditions

Household activity

B	<ul style="list-style-type: none"> Compared to before, customer numbers have stabilized, and the decline of unit sales prices is showing signs of recovering. While the price competition will continue to intensify, there is a feeling that the fall in business confidence will level out. The environment for recruiting hourly paid employees is also intensifying, inferring a turnaround in employment conditions. (Hokkaido: Supermarket) The fact that tourists and other visitors are being effectively attracted from the Kanto region implies the metropolis is thriving. We can also expect this to spread to the regional areas. (Chugoku: City hotel)
C	<ul style="list-style-type: none"> Although personal consumption has begun to recover, we will continue to see an attitude of careful selection by consumers. Our challenge will be how we can provide customers with goods and services that meet their needs. (Southern Kanto: Other leisure facility) Over the past two to three months, there has been a tendency for customers to purchase good-quality products, but it is unlikely that there will be a further sudden improvement in business. The economy should continue to make moderate improvements for a while. (Shikoku: Department store)
D	<ul style="list-style-type: none"> Every day is like an event at large stores, and they have a sense of enjoyment that shopping areas lack, such as a varied selection of merchandise and entertainment areas. Consequently, people are attracted to them. Every year at about this time, shopping areas have attractions to draw customers, such as spring or summer festivals, and so the future depends on the effectiveness of these upcoming special events. (Northern Kanto: Shopping area)

Corporate activity

B	<ul style="list-style-type: none"> In the transport industry, the movement of general cargo is picking up somewhat. Furthermore, the price of diesel oil, the main fuel for trucks, has come down to a degree, and so there are promising signs. (Tokai: Forwarding agency)
C	<ul style="list-style-type: none"> With regard to construction investment in the Sendai region, further big projects are slated, and the area is experiencing fine weather. However, there is also some cause for concern, such as rising prices of some materials, and so overall, we are not in a position to be optimistic. Even if we were to secure quantity, it will be tough to secure quality (profits). (Tohoku: General construction) Cargo movement by trading companies is sluggish. Although we ought to raise prices to some extent due to the increased prices of raw materials and fuel, we are unable to in the current movement of cargo, and so we are experiencing a tough time. (Kyushu: Ceramic, stone and clay product manufacturer)
D	<ul style="list-style-type: none"> Prices of primary and secondary materials will continue to soar. The key factors will be a tendency for primary materials to run short due to expanded global consumption, and a quantitative decrease in secondary materials due to the shift toward alternative energy sources. (Hokuriku: Foods and related products)

Employment

B	<ul style="list-style-type: none"> There has been an increase in the number of firms reacting to the increase in manpower dispatching fees. (Shikoku: Temporary manpower company)
C	<ul style="list-style-type: none"> Recruitment by major communications companies continues unabated, and employment within the sphere of clerical work is increasing. There is also a tendency for the referral of job seekers whose skills match a position to be achieved relatively smoothly. (Tohoku: Temporary manpower company)