

Economy Watchers Survey

November 2006

OVERVIEW OF THE MONTH

The DI for current economic conditions in November fell 1.9 points from the previous month to 48.9.

The household activity-related DI fell due to a decline in consumer confidence in addition to slow movements of winter goods caused by the warm winter. The corporate activity-related DI fell due to slow growth in orders received, although the willingness for corporate business investment remained firm. The employment-related DI fell as the increase in job offers came to a halt in some regions, although the DI still remains at a high level. As a result, the DI for current economic conditions fell for the second consecutive month, falling below 50 for the first time in four months.

The DI for future economic conditions in November fell 2.8 points from the previous month to 49.7.

The DI for future economic conditions fell for two consecutive months, reflecting concerns that personal spending will stall as income is not expected to increase and that orders received by the corporate sector are not increasing.

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

B	<ul style="list-style-type: none"> • Business has picked up from October but it is slower than in August and September. We are faring well although it has not become considerably cold yet. (Kinki: Supermarket) • Bookings for year-end parties are increasing smoothly ahead of the year-end. Although the unit price remains unchanged, both the numbers of customers and parties are increasing compared to the previous year. People appear to be loosening their purse strings for the annual year-end event. (Chugoku: Tourist hotel)
C	<ul style="list-style-type: none"> • Although the number of customers without reservations usually increases at this time of the year, we see no appreciable increase. The status of bookings for year-end parties is also less than we expected. (Northern Kanto: Snack bar) • Sales have leveled off on the whole, with travel demand from individuals beginning to shift to low-priced, near-destination, and short-term travel again. Demand from corporations, mainly from manufacturers, is on an increasing trend partly reflecting the revival of “company trips” which corporations had been refraining from after the collapse of the bubble economy. (Hokuriku: Travel agency)
D	<ul style="list-style-type: none"> • Customers have come to show interest in sales and other events more strongly than ever before and sales increase on such days, but sales drop sharply on other days. On average, sales are less than in the previous year. (Tohoku: Shopping area) • Although sales of bargain goods are brisk, those of high-priced seasonal goods have begun to decrease slightly. Many customers are cautious even in their everyday shopping. (Tokai: Department store)

Corporate activity

B	<ul style="list-style-type: none"> • The willingness for corporate business investment remained firm. The prices of construction materials are rising reflecting a business boom. (Tokai: General constructor) • Visitors to a machine tool fair held this month looked serious about how to handle their recently increased workload. (Hokuriku: Ordinary machinery and instrument manufacturer)
C	<ul style="list-style-type: none"> • Although inquiries are increasing somewhat, the close rate has been dropping to less than 50%. With business prospects clouded, it is difficult to get new contracts. (Southern Kanto: Electrical machinery equipment manufacturer) • The automobile industry is now in one of the busiest times of the year and the award volume, including those of other manufacturers, is increasing smoothly. (Chugoku: Transportation equipment)
D	<ul style="list-style-type: none"> • Our business partners talk about nothing but declines in award volume and sales. (Tohoku: Financial)

Employment

- B** • We continue to receive orders from call center firms. Orders for dispatch of temporary workers on a long-term basis are increasing. (Kyushu: Temporary manpower company)
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- C** • Corporations' hiring interest appears to have calmed down, with the type of businesses posting higher growth than in the previous year limited to manpower dispatch, call center, hospital and nursing care, in the last several months. Job offers from restaurants are increasing, but most of them are from corporations based outside of Hokkaido or major chain stores and not from local small restaurants. (Hokkaido: Job information magazine publisher)
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2. Future conditions

Household activity

B	<ul style="list-style-type: none"> We are dealing in foods and basically see no major change in the last couple of months. Sales are increasing steadily from the same period of last year and manpower is conspicuously in short supply. (Southern Kanto: Supermarket) We expect our sales to increase, as reservations for the year-end and New Year holidays are higher than in the previous year. (Okinawa: Other service [rent-a-car])
C	<ul style="list-style-type: none"> Sales of individual proprietors and salaries of corporate employees around us are not increasing. The economic condition will remain unchanged for some time to come. (Tokai: Standard class restaurant) The number of customers, reservations and unit price all remain flat. They will remain slightly weak, even if the economy gets better. (Shikoku: City hotel)
D	<ul style="list-style-type: none"> People say business is good, but I can't actually feel it. The salaries of workers at small and tiny companies in local cities show no signs of increasing. Many workers say they saw their bonuses cut or received no bonuses. Also hard hit by higher prices of kerosene, people remain defensive consumers. (Hokkaido: Shopping area)

Corporate activity

B	<ul style="list-style-type: none"> We don't see any signs that the current strong demand for office space will get worse within two or three months ahead. (Southern Kanto: Real estate broker)
C	<ul style="list-style-type: none"> The situation where orders received remains at a high level and factories are operating at full capacity will continue for some time to come. We are attaching importance to delivery dates, not to mention quality and price. What we worry about is higher prices of raw materials, in particular nonferrous metal (copper and zinc). (Chugoku: Metal product manufacturer) Although gas oil prices are on a declining trend, the movement of goods for commercial distribution has decreased. The cost will fall, but sales are also on the decline. (Kyushu: Forwarding agency)
D	<ul style="list-style-type: none"> Although the cargo movement is active at present, it will not last long. In fact, with award volume showing a sign of slowing growth, the cargo movement will begin to decrease late this year at the earliest. (Kinki: Chemical products)

Employment

B	<ul style="list-style-type: none"> The number of job offers from manufacturers has become stable, while job offers from wholesalers, retailers and standard restaurants remain high. Backed by a moderate increase in job offers for regular workers, the number of workers employed will further increase for some time to come, leading to improvement in income and employment environments. (Kinki: Job placement office)
C	<ul style="list-style-type: none"> The situation remains ambiguous, with some of the large and medium-sized enterprises making active investment on expectations of strong performance, while some others hold off business investment on poor earnings expectations. (Northern Kanto: Private employment agency)