

Economy Watchers Survey

November 2007

OVERVIEW OF THE MONTH

The DI for current economic conditions in November dropped 2.7 points from the previous month, to 38.8.

The household activity-related DI dropped due to rising prices of gasoline, kerosene, and food products, though declining temperatures activated partly sales of winter clothing. The corporate activity-related DI dropped due to impact of rising crude oil and raw material prices. The employment-related DI dropped due to ongoing declines in new job offers. As a result, the current DI dropped for the eighth month in a row, falling below the neutral indicator of 50 points also for the eighth month in a row.

The DI for future economic conditions in November dropped 4.3 points from the previous month, to 38.8.

The DI for future economic conditions dropped for the seventh consecutive month due to widespread concerns, including concerns in the household sector over weakened consumer confidence stemming from higher prices of gasoline, kerosene, and food products, and concerns in the corporate sector over rising prices for crude oil and raw materials.

On the whole, the assessments of the Economy Watchers indicate that the feeling of economic recovery has been extremely weak.

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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"> With the decline in the temperature in the latter half of the month, sales are brisk. High-priced items such as outerwear and jackets are also brisk. (Kinki = Clothing retailer) |
| C | <ul style="list-style-type: none"> Customers don't purchase unless they are compelled to do so. For example, they purchase winter products only after the temperature falls below 10 degrees. They are very sensitive to prices and contemplate and compare with other products before making final decisions on their purchases (instead of making decisions instantly). (Tohoku = Department store) Sales of sightseeing tours for the "changing of the leaves" remain unchanged from ordinary year. The sales of overseas travel, however, are on the decline due to increased oil charges for airplanes caused by the increased fuel prices. (Tokai = Travel agency) |
| D | <ul style="list-style-type: none"> The number of customers visiting housing exhibitions and the willingness to purchase houses by customers are on the decline. Customers are increasingly taking a wait-and-see attitude. (Chugoku = Housing sales company) Customers increasingly tend to concentrate on special sales days and special shopping days for card holders, congesting cash registers for food products to an excessive degree. As food product prices from food product makers and gasoline and kerosene prices rise, customers are becoming more sensitive to prices than ever before. They are defending their lifestyles by price vigilance. (Kyushu = Super market) |
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Corporate activity

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| B | <ul style="list-style-type: none"> Resources in the manufacturing sector are strained under increased orders. The technology sector is working on multiple new product development projects in parallel. (Chugoku = Transportation equipment maker) |
| C | <ul style="list-style-type: none"> There are too many negative factors for the food industry. Scandalous misconducts, such as mislabelling of expiry dates and ingredients, are revealed one after another. Prices of beef tongue remain high, keeping customers away. (Tohoku = Food manufacturer) There are inquiries in the domestic market, but it takes a long time to make deals. Customers are uneasy about the economic outlook and are hesitant to make decisions. (Hokuriku = General machinery maker) |
| D | <ul style="list-style-type: none"> Construction and real estate industry activities usually pick up in autumn, but this year they remain extremely sluggish. The situation was worse than this summer—the worst I ever remember. (Chugoku = Construction industry) Businesses at customers are becoming increasingly sluggish. Customers are going bankrupt, one after another. Increased oil prices and reduced logistics are making the businesses of transportation companies and wholesalers harder. (Kyushu = Financial industry) |
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Employment

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| B | • The total job offers continue to increase, but additional job offers by mid-size companies and job offers by small and mid-size companies to fulfil vacancies are making up larger proportions of the offers made. (Kinki = School [University]) |
| C | • Most of the new offers are one-time and short-term offers, and some customers contracted long-term offers are terminating their contracts instead of renewing them. The number of inquiries in general is small, and the business is stagnant. (Okinawa = Staffing agency) |
| D | • Employers are less eager to make new job offers, with the number of new job offers is down by 532 people, or 14.7%, from the previous year. The downward trend in new job offers has continued for the past few months, with no positive prospects. (Tohoku = Public employment security office) |
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2. Future conditions

Household activity

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| C | <ul style="list-style-type: none"> • Sales of coats, warm clothing and related products were miserable last winter due to the warm weather. The outlook for the sales of winter clothing is brighter this year, as the winter is expected to be cold. However, customers tend to spend less due to higher prices for gasoline and other goods and commodities. This raises the possibility that the willingness to purchase by customers may not remarkably increase. (Northern Kanto = Department store) • The number of reservations is small, and reservations for year-end parties are made only for weekends unlike the brisk reservations in the past years. The reservations concentrate on cheaper cuisine courses. (Shikoku = General restaurant) |
| D | <ul style="list-style-type: none"> • Consumers are gradually but increasingly withholding their purchases due to increased fuel costs this winter and increased prices by makers. The long lines of cars formed just before gasoline price hikes portends likely hardships in future sales. (Hokkaido = Supermarket) • The number of reservations has declined since October. We accepted group tourists from Chubu and Chugoku regions this spring, but there is no such schedule next spring. We have many inquiries and reservations for Fridays and weekends, but very few inquiries for weekdays. (Kinki = Resort hotel) |

Corporate activity

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| C | <ul style="list-style-type: none"> • Inquiries from Canada, Mexico, China, India and Europe are active, but inquiries from automakers in the USA – our main customers – remain sluggish. Material costs and transportation costs are increasing considerably, making it very difficult to compete, price-wise, with Taiwan and other producers. (Tokai = General machinery maker) • Orders from new suburban shopping centres increased, but have been offset by major customers quitting their businesses upon redevelopment of city centres. As a result, our sales have remained almost unchanged. (Shikoku = Advertisement agency) |
| D | <ul style="list-style-type: none"> • There are no positive factors. The purchase costs have increased due to higher oil price, and orders for construction materials have reduced. (Southern Kanto = Plastic product maker) • Business briefings by companies in one industry touched on increased productions to meet mid- and long-term demands (3-5 years), while briefing by companies in the other industry suggested a possibility of declining sales for the next half year. The economy will maintain its upward trend in the mid and long term, but will enter an adjustment phase. (Chugoku = Metal product maker) |

Employment

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| B | <ul style="list-style-type: none"> • We are a 2-year computer school. Job offers for the current 1-year students increased tenfold from the same period of the previous year. There are many job opportunities for software development. (Southern Kanto = School [Professional school]) |
| C | <ul style="list-style-type: none"> • We don't have seasonal job offers for the year-end this year, unlike former years. Our business will remain as it is now. (Hokkaido = Staffing agency) |
| D | <ul style="list-style-type: none"> • Many companies are voicing concern over their future outlooks, as the job offers by makers –the main driver of job offers – are slowing down. Niche industries requiring special skills are still on the increase. (Northern Kanto = Private employment security office) |