

Economy Watchers Survey

December 2008

OVERVIEW OF THE MONTH

The DI for current economic conditions in December fell 5.1 points from the previous month to 15.9, posting a fall for the ninth consecutive month.

The household activity-related DI fell, as Christmas sales were poor due to consumers' more cautious attitudes towards making purchases, caused by the deterioration of the economy and the employment situation and a decline in bonuses payments, although gasoline prices declined. The corporate activity-related DI fell due to a worsening of the global economic slowdown, decreases in orders received stemming from the yen's appreciation, expansion of output cuts, postponements of business investments, and funding difficulties. The employment-related DI fell, reflecting decreases in new job offers, increasing terminations and non-renewals of contracts with temporary workers.

In December, the DI for future economic conditions fell 7.1 points from the previous month to 17.6.

The household activity-related DI fell due to concerns about the future economy and employment, and a prospected decrease in income. The corporate activity-related DI fell, as the global economic slowdown and the yen's appreciation are seen as further prompting inventory adjustments, production cuts, and funding difficulties, although crude oil and raw material prices are expected to decline. The employment-related DI fell, reflecting concerns that non-renewals of contracts with temporary workers may continue to increase.

On the whole, the assessments of the Economy Watchers indicate that the current state of the economy has further increased its severity

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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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| C | <ul style="list-style-type: none"> • Although the sense of economic stagnancy remains strong, customers tend to consume what they believe are valuable goods and services, in line with a decline in gasoline and kerosene prices. As a result, our sales remain relatively unchanged. (Hokkaido: Beauty salon) • Maybe because many of our customers are pensioners, the situation was much more serious several months ago, when we saw an abnormal surge in gasoline and other commodity prices. The situation now is not so serious as reported by news media. (Tohoku: General retailer [pharmaceuticals]) |
| D | <ul style="list-style-type: none"> • Perhaps, due to a higher average temperature than the previous year, sales of jackets and coats are slow. Customers appear to make do with what they already have. Many of the customers intending to buy coats think that getting a discount is the natural order of things. (Southern Kanto: Clothing store). • Depressed by increasing news reports on economic deterioration as well as by smaller bonuses, especially in the manufacturing industry, customers are keeping a tight hold on their purse strings. (Kinki: Mass retailer of consumer electronics) |
| E | <ul style="list-style-type: none"> • Although year-end gifts, traditional New Year dishes and Christmas cakes are selling relatively well, sales during the Christmas season are posting a double-digit decrease from the previous year partly because weekend days are fewer in December of this year. Sales of luxury brand products are falling at an unprecedented pace. (Tohoku: Department store) • Although December is usually a money-making month, the number of visitors on week days in December this year is 30% smaller than in the previous year and bookings for year-end parties are less than half that of usual years. Although we made preparations beforehand, there was a sense of lack of excitement for the Christmas sales season. We are in the worst situation in our 30th year of operation. (Okinawa: Other restaurant [pub]) |
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Corporate activity

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| C | <ul style="list-style-type: none"> • We have somehow managed to keep the same volume of sales as in the previous year. (Northern Kanto: Foods and related products) |
| D | <ul style="list-style-type: none"> • Since we feature safe and comfortable products manufactured in Japan, our sales are increasing smoothly from the previous year. However, other companies in our region are in a very serious condition. Faced with credit squeezes or the collection of principal by financial institutions, some of our corporate customers have been forced to scale down their operations or close retail divisions. (Shikoku: Textile company) • With automobile-related companies, our main customers, postponing or suspending large-scale capital investment, a flurry of bankruptcies of our customers is seen. The business environments of our corporate customers have deteriorated further. (Kyushu: Other services [leasing of goods]) |
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E	<ul style="list-style-type: none"> • Due to the yen's appreciation, orders received from the U.S. and Europe are decreasing and some of the shipments of machineries are being deferred. The willingness for corporate business investment in Japan is weak, dragged down by a decline in capital spending by automobile manufacturers. (Hokuriku: Ordinary machinery and instrument manufacturer) • Due to the deterioration of the global economy, our main clients have drastically reduced the quantity of orders. We are at a loss for how to cope with the drastic change in business conditions, including increased non-business days. (Chugoku: Transportation equipment manufacturer)
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Employment

D	<ul style="list-style-type: none"> • Although job offers in medical treatment and social welfare industries have increased about 5% from the previous year, job offers from all other main industries are smaller than in the previous year, with offers from construction companies, retailers, and cargo distributors decreasing about 30%. Job offers from outside Hokkaido have decreased 80%. (Hokkaido: Job information magazine publisher)
E	<ul style="list-style-type: none"> • Demand for human resources has decreased at almost all of our partners, regardless of the type of industry. There are no new job offers and are no longer any corporations making earlier-than-usual job offers, and contract updating periods are getting shorter. About 40% of temporary dispatched workers whose contracts expire at the end of December are feeling the adverse effects of employment adjustment in one way or another. (Kyushu: Private employment agency)

2. Future conditions

Household activity

D	<ul style="list-style-type: none"> • Due to a decrease in income, we are concerned that people may hold off on making outings to restrain spending on leisure. (Northern Kanto: Amusement park) • In view of a spate of firings and long-term closures by local industries, private consumption will weaken further. (Kyushu: Supermarket)
E	<ul style="list-style-type: none"> • Our sales in the first three months of 2009 will see a sharp decline from the same period of the previous year, as consumers are likely to withhold buying automobiles until the start of a new tax break on car purchases in April (Tohoku: Passenger car dealer) • Our business shows no signs of picking up. In response to consumers' calls for bargain sales, we implemented a bargain campaign ahead of schedule. However, sales were 8% smaller than in the previous year. (Kinki: Shopping area)

Corporate activity

D	<ul style="list-style-type: none"> • With the fiscal year-end approaching, our business partners are saying that they intend to carry out a drastic inventory adjustment. (Tokai: Ceramic, stone and clay product manufacturer) • We are suffering the adverse effects of a sharp reduction in automobile and home electric appliance production and a steep drop in housing and other construction. We see no prospects for recovery. (Chugoku: Chemical and allied products)
E	<ul style="list-style-type: none"> • There are many cases of suspension or postponement of construction projects. Business is expected to decline further, as any positive factor created by the decline in fuel prices will be more than offset by the negative impacts of reduced logistics. (Hokkaido: Transport industry) • We forecast a sharp decline in construction investment, as our business partners are increasingly taking a wait-and-see stance amid declining material prices as well as cutbacks or postponement of capital spending plans. There is no end in sight for price-cutting competition to maintain the volume of orders received. (Hokuriku: Construction company)

Employment

- D** • Judging from the fact that we are receiving inquiries about employment stabilization funds every day from people dismissed or displaced after the expiration of their employment contracts, we believe the employment environment will get slightly worse in the months ahead. (Hokkaido: Public employment security office)
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- E** • There are many corporations that are looking at terminating contracts with more temporary workers in January through March. At present, the temporary workers who are affected by the termination of contracts are mainly blue-collar workers. However, there are concerns that those in clerical jobs may also become target in the near future. (Chugoku: Temporary manpower company)
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