

Economy Watchers Survey

March 2008

OVERVIEW OF THE MONTH

The DI for current economic conditions in March increased for the second month in a row, increasing 3.3 points from the previous month to 36.9.

The household activity-related DI rose due to favorable conditions for spring clothing thanks to high temperatures, amid the unchanging thrift-oriented mentality of consumers stemming from the rising prices of everyday household goods. The corporate activity-related DI, amid the continuing impact of rising crude oil and raw material prices, rose due to some corporations having secured their volume of orders received. Despite ongoing declines in new job offers, the employment-related DI slightly rose due to hiring interest among some corporations.

The DI for future economic conditions in March dropped 1.3 points from the previous month to 38.2.

The DI for future economic conditions dropped for the first time in two months due to concerns over the impact of appreciated yen, in addition to weakened consumer confidence stemming from the rising prices of everyday household goods as well as the impact of rising crude oil and raw material prices. In the meantime, there were many comments regarding the expiration of provisional gasoline and other tax rates.

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"> Though we had struggled somewhat for the first half of March due to low temperatures, sales of thin spring clothing began to pick up as it became more like spring. Sales of confectionary, etc. have been also brisk due to White Day business, and if we compare the pattern of sales to the current weather, there has been a cycle of “three cold days followed by four warm ones.” (Southern Kanto: Department Store) |
| C | <ul style="list-style-type: none"> With the climate getting better, week-end vacationers are becoming more conspicuous. However, the number of customers on weekday is on a declining trend apparently due to week-day office employees and outdoor workers making do with meals boxes at convenience stores for lunch. Overall, there is no change in the number of customers. (Tokai: Standard class restaurant) Due to the rise in the fuel surcharge and ill-arranged Golden Week holidays, advanced reservations for overseas travel are slightly below those last year. Since domestic reservations are slightly above those last year, figures at last count are continuing to be positive compared with last year. (Kinki: Travel agency) |
| D | <ul style="list-style-type: none"> With many customers taking a wait-and-see attitude considering the premium rate reduction for compulsory automobile liability insurance starting in April as well as uncertainty over the future direction of temporary gasoline tax rates, business negotiations have taken longer than usual. Sales figures are further below the level of March last year when sales were sluggish. Under such circumstances, against the backdrop of a rise in gasoline prices, fuel-efficient compact cars have been enjoying steady sales. (Tohoku: Auto dealer) Unable to increase their income, most regular customers are trying to cut back on their living expenses, in the midst of a rise in gasoline prices. (Shikoku: Supermarket) |

Corporate activity

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| B | <ul style="list-style-type: none"> Despite the fact that this year, there has been no large-size trade which usually exists at this time of year, the shipment movement as a whole has been not bad, with sales compared with those last year maintained. (Kinki: Chemical industry) |
| C | <ul style="list-style-type: none"> We continue to receive a high level of orders for automobiles, construction machinery, and hydraulic equipment. We also receive many inquiries from new customers. (Northern Kanto: General machinery and equipment manufacturing industry) Companies selling built-for-sale houses seem to be facing funding difficulties due to the tightening of money supply from banks. We are not so affected as we mainly engage in leasing, but the number of our sales customers is decreasing. (Southern Kanto: Real estate industry) |
| D | <ul style="list-style-type: none"> With the arrival of the March fiscal year-end, a number of companies have gone bankrupt due to price increases of materials and fuels or funding difficulties. Many bankruptcies are observed particularly among local companies engaged in construction work or civil engineering and those dealing in building materials. (Hokkaido: Forwarding agency). Although prices have increased for all materials, including heavy oil, pulp (which is the main raw material), waste paper, cardboard, packing materials, and chemicals, we cannot fully pass such increased costs on to the retail prices. (Shikoku: Pulp, paper and paper-processed products manufacturing industry) |

Employment

- C**
- Large companies, which are still eager to hire new personnel, continue with active recruitment activities. However, SMEs, which usually start recruitment activities following large companies, have not made such a move this year. (Southern Kanto: Job advertisement magazine production company)
- D**
- The number of job offers has notably decreased in the wholesale and retail trade, eating and drinking places, accommodations, and services, and both the number of job offerers and job offers have declined for overall industry as well. Companies are not seeking new personnel because corporate profits have been on a decline due to crude oil price hikes and consumers have also become less eager to buy. (Chugoku: Public employment security office)
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2. Future conditions

Household activity

- C**
- It may seem that the yen appreciation would boost demand for overseas travel, but we predict the demand to actually slow down since the fuel surcharge is higher than expected, pushing up the costs for traveling. As for domestic travel, we expect the demand for day trips to grow, but the demand for long trips is likely to remain low. (Northern Kanto: Travel agency)
 - Due to the large impact of the continuing price hikes of raw materials and products, consumers are expected to continue to refrain from buying. Even if the gasoline prices are lowered from April, it will be a temporary factor and will not affect demand. (Chugoku: Supermarket)
- D**
- Since purchase prices of bottles will increase further and customers will become more down-to-earth and stricter in various respects, entertainment districts will have a hard time in particular after Golden Week. (Tokai: Bar)
 - Female customers voice that they are having trouble coping with the series of price hikes of daily necessities such as bread and doughnuts. They will be cutting down on their budget for women's clothing. (Hokuriku: Clothing retailer)
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Corporate activity

- C**
- Although demand for home moving services increases at the end of March every year with many new employees and new students moving their homes, the demand is not so high this year. This indicates that corporate activities are not very active, and this trend is expected to continue for a while. (Tokai: Forwarding agency)
 - The production level will not change in the immediate future as we have a lot of backlog of orders. We will revise prices in April, but as we will not be able to raise the prices to a satisfactory level, we will continue to face difficulty in terms of revenue. We are also concerned that it may become difficult to obtain some materials during the Peking Olympic Games. (Chugoku: Ceramic, stone and clay product manufacturer)
- D**
- Clients are facing declines in revenues due to the rising prices of gasoline, heavy oil, and raw materials. Some companies in the same industry have gone bankrupt, and we expect the business conditions to worsen. (Tohoku: Publishing, printing and related industry)
 - Clients continue to restrain capital investment due to raw material price hikes. On top of that, large-scale bankruptcies and outstanding payments have increased recently. The environment surrounding SMEs is expected to become increasingly severer. (Kyushu: Other services [Leasing of goods])
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Employment

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- C** • Although the number of new job offers outside the prefecture is expected to increase, the trend of companies within the prefecture is unclear. Therefore, we do not expect the number of job offers to increase dramatically as a whole. (Okinawa: School [Professional training college])
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- D** • Since many companies have scaled down their businesses by measures including personnel cutbacks since February, there are concerns about whether new job seekers will increase. (Kyushu: Public employment security office)
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