

Economy Watchers Survey

October 2008

OVERVIEW OF THE MONTH

The DI for current economic conditions in October fell 5.4 points from the previous month to 22.6, posting a fall for the seventh consecutive month.

The household activity-related DI fell, mainly in the retail- and housing-related sectors, due to sluggish sales of high-priced products caused by the deterioration of consumer confidence stemming from steep declines in stock prices, although gasoline prices declined. The corporate activity-related DI fell, mainly in the manufacturing industry, due to a decrease in orders received from the U.S. and Europe caused by the worsening financial crisis in the U.S. and Europe, the slowdown in the global economy and the yen's steep appreciation. The employment-related DI fell due to a decrease in new job offers and an increase in the cancellation of contract extensions for dispatched temporary workers.

In October, the DI for future economic conditions fell 6.9 points from the previous month to 25.2.

The household activity-related DI fell, as consumer confidence is expected to deteriorate further due to uncertainty about the future course of the economy and stock prices and an expected decrease in bonus payments. The corporate activity-related DI fell, as a decrease in orders received from abroad and funding difficulties caused by the global economic slowdown and the yen's appreciation are expected to continue, although petroleum product prices are expected to decline. The employment-related DI fell, reflecting concerns about employment adjustments and bankruptcy.

On the whole, the assessments of the Economy Watchers indicate that the current state of the economy is increasingly severe.

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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

C	<ul style="list-style-type: none"> • With interest in terrestrial digital broadcasting increasing, the number of applications for digital services has increased slightly. However, the number of applications for high-speed Internet services remains severe, as many users are intent on keeping their monthly costs low. (Southern Kanto: Communications) • Although unit sales prices have increased slightly thanks to rising raw material prices, the number of items purchased per customer has decreased. We see many customers refraining from making purchases, or shopping around for cheaper stores. (Kyushu: Supermarket)
D	<ul style="list-style-type: none"> • With adverse factors for the economy increasing, such as the yen's appreciation and a plunge in stock prices, both the number of visitors and the number of vehicles sold have been decreasing sharply in the last several months. (Kinki: Auto dealer) • Concerned about the financial crisis and economic slowdown, in addition to having become sensitive to food safety due to repeated food-related problems, people are in no mood for dining out. (Shikoku: Standard class restaurant)
E	<ul style="list-style-type: none"> • Financial uncertainty, falling stock prices and other bad news are putting the brakes on consumers' purchases of high-priced consumer electronics. Sales of large-screen, liquid-crystal TVs have decreased sharply. (Northern Kanto: Electric appliance retailer) • Since the bankruptcy of a major U.S. security company in September, sales of luxury brand items especially have plunged. Food is the only item whose sales are relatively firm. Although the number of customers is almost at the same level as in the previous year, many of them now leave the store quickly after buying only food, without shopping around on other sales floors. (Southern Kanto: Department store)

Corporate activity

C	<ul style="list-style-type: none"> • Although consumers have further increased their domestic product-oriented movements stemming from problems with food made in China, we are unable to meet the increasing demand, as we cannot secure enough raw materials due to higher prices of feed. We are missing a sales opportunity. (Kyushu: Agriculture, forestry and fishing)
D	<ul style="list-style-type: none"> • Orders from export-related companies are sluggish due to the yen's appreciation. Shipments to domestic markets are also slow. (Hokuriku: Textile company) • With exports of automobiles to the U.S. decreasing drastically, our orders received are sharply below our projection. With the demand for replacement of mobile phone-related products also remaining sluggish, our business is getting worse and worse. (Chugoku: Electric machinery equipment manufacturer)
E	<ul style="list-style-type: none"> • With the contract rates for real estate and detached houses decreasing sharply, an increasing number of condominium and home builders have come to sell land without building houses on it. (Kinki: Real estate broker) • Due to sluggish automobile sales, we haven't received even a request for a quotation in the past several months. The volume of orders from other industries is also on a decreasing trend. (Kyushu: Ordinary machinery and instrument manufacturer)

Employment

D	<ul style="list-style-type: none"> • Requests for temporary staffing have begun to decrease, a phenomenon not seen until last month. There are also increasing cases where corporations do not renew expiring contracts with temporary workers. (Okinawa: Temporary staffing company)
E	<ul style="list-style-type: none"> • Cases of corporate bankruptcies and personnel cutbacks stemming from contraction of business have increased. This trend is particularly conspicuous in the manufacturing and construction industries. (Northern Kanto: Public employment security office)

2. Future conditions

Household activity

D	<ul style="list-style-type: none"> • Although tax breaks for buyers of residential houses and other incentive measures are now being considered amidst the declining volume of sales, our business will remain severe for some time to come, as customers will not actually move to buy houses until three to four months after any incentive measures are determined. (Hokuriku: Housing sales company) • We are concerned that our profits may be cut in half, as we have to lower prices to dispose of the inventories that have increased drastically due to sluggish sales of fall items. (Chugoku: Specialty clothing shop)
E	<ul style="list-style-type: none"> • Due to a plunge in stock prices, sales of luxury goods and high-priced items have decreased. In view of a decline in bonuses and overtime pay, personal spending may weaken further. (Tohoku: General retailer [sundries]) • Although we have distributed flyers for advance reservations for year-end gifts, Christmas merchandise, and traditional New Year dishes, customer response is slow. With orders received so far standing only at only half the level of the previous year, we are concerned about the future. (Hokuriku: Convenience store)

Corporate activity

D	<ul style="list-style-type: none"> • Although the hike in raw materials prices has narrowed, our earnings structure has not improved due to little progress in the revision of product prices. Therefore, our cash flow will deteriorate due to bonus payments and expenditures on capital equipment toward the year end. (Hokkaido: Foods and related products) • With the prices of our corporate customers' stock falling, they have begun to talk about reviewing distribution costs. We may be forced to lower freight charges at a time when gas oil prices have at last begun to fall. (Southern Kanto: Transport industry)
E	<ul style="list-style-type: none"> • A decline in Japan's exports resulting from the financial crisis in the U.S. and Europe and the yen's appreciation will have adverse impacts on corporate business investment. (Tokai: Metal product manufacturer) • The number of our business partners suffering from cash flow problems has increased due to smaller accepted orders. At present, they are tiding over. But, if the situation remains unchanged, many of them may go bankrupt. (Kyushu: Financial industry)

Employment

D	<ul style="list-style-type: none"> • In view of a decrease in job offers and the number of requests for counselling for employment adjustments, the number of job seekers will further increase. (Southern Kanto: Job placement office) • The number of business establishments saying their earnings will get worse in the days ahead is increasing due to higher crude oil and other resource prices and financial uncertainty. Some of the business establishments have begun to resort to wage adjustment through regulations on overtime work and the number of attendances, and to employment adjustment through termination of contracts with temporary workers. (Kyushu: Job placement office)
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