

Economy Watchers Survey

July 2009

OVERVIEW OF THE MONTH

The DI for current economic conditions in July rose 0.2 points from the previous month to 42.4, marking a rise for the seventh month in a row.

The household activity-related DI fell due to poor sales of products for the summer season following the delayed end of the rainy season and heavy rains in Chugoku and northern Kyushu regions, though sales for some products continuously increased due to the effect of “eco points” to be earned for the purchase of green electrical appliances and tax reductions and subsidies for the purchase of environmentally friendly vehicles. The corporate activity-related DI rose, in spite of severe price competition among providers of similar products and services, due to the ongoing recovery in orders received and shipping volumes. The employment-related DI rose due to job offers by some companies, though the number of new job offers was still small.

The DI for future economic conditions in July fell 0.7 points from the previous month to 44.9.

In the corporate sector and the employment sector, the DI for future economic conditions rose on expectations that increases in orders received and shipping volumes would take place and due to decreased concern about a sharp rise in the number of displaced workers. The household sector, however, contributed to the fall due to this year's cold summer, concern about the possibility of an outbreak of the new type of influenza this autumn and winter and sense of uncertainty about effects of the general election. As a whole, the DI for the future economic conditions fell.

On the whole, the assessment of the Economy Watchers indicates that although the current state of the economy is severe, the economic downward trend has ceased.

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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"> • At last, tax reductions for environment-friendly vehicles and subsidies for replacement purchase of green vehicles have become well known among customers. Many come to our store attracted by much-talked-about new hybrid vehicles, and this invigorates our store. An increasing number of customers show interest in green vehicles as well as hybrid cars. We have found remarkable difference in the sales between vehicles eligible for tax breaks and those not eligible. (Tokai: Auto dealer) |
| C | <ul style="list-style-type: none"> • Due to effects of “eco points” to be earned for the purchase of green electrical appliances, flat screen televisions and large refrigerators sell well. On the contrary, the sales of personal computers and cell phones remain weak. Furthermore, due to an unusually prolonged rainy reason, demand for electric fans, air conditioners and other products for the summer season is effectively halved. As a whole, our sales remain fairly flat. (Hokkaido: Home electric appliance retail store) • Our sales drop by 5% compared to the same month of the previous year, and few tourists rent cars from us. However, while it was estimated as of the beginning of July that the sales would drop by 10%, in mid-July, we saw increases in reservations. This year, more and more tourists tend to make reservations for our service at the last minute before travelling. (Okinawa: Other services [Car rental agency]) |
| D | <ul style="list-style-type: none"> • Since the temporary sales increase following the nationwide introduction of TASPO cards has now calmed down, and due to the delayed end of the rainy season, the sales of our leading products for the summer season, including cold noodles, ice creams, beverages and rice balls, have been on the decline. (Tokai: Convenience store) • Since we moved up the acceptance of orders for summer gifts and the start of summer clearance sale to June, we have seen a decline in our sales in July. Many say that the large cut in the summer bonus payment has had profound impact on our sales results. (Kinki: Department store) |
| E | <ul style="list-style-type: none"> • Due to this year's prolonged rainy season, very few customers visit our store, and our sales remain weak (Kyushu: Clothes store) |

Corporate activity

- | | |
|---|--|
| B | <ul style="list-style-type: none"> • A significant number of orders have been placed for project planning and earthquake resistance diagnosis associated with Rehabilitation Plan for Community-Based Medicine and projects to make public building more quake-resistant following the execution of the supplementary budgets, and our staff responsible for them are extremely busy. (Hokkaido: Construction business) • We temporarily suspended our business for four days in April; however, in July we don't have to suspend operations. In addition, those in charge of production lines for parts for hybrid cars work overtime this month. (Tokai: Transportation machinery and tool manufacturer) |
| C | <ul style="list-style-type: none"> • While the production volume and sales of our client companies have been on the rise, they still refrain from investing in information equipment, and the situation as it is will remain unchanged for the time being. (Northern Kanto: Other service [Information service]) • While we are now discussing business with some of leading users of our products, price-cutting competition gets fiercer, and we have to beat competitors' prices. (Shikoku: General machine and tool manufacturer) |

- D** • In order to secure profit, our major business clients start passing orders to subcontracting companies in China and Southeast Asia to cut costs, and the quantity of orders placed to subcontractors in Japan has decreased sharply. (Hokkaido: Other service [Software development])

Employment

- C** • Though the number of labour supply contracts yet to be renewed has been on the rise, we have won a few new contracts. The number of people actually working under labour supply contracts remains unchanged. (Tohoku: Manpower supply)
- Though the number of job offers does not fall to an extremely low level, most of employers are seeking workers only to fill vacant positions, and many are looking for qualified and well-experienced persons. (Kinki: Employment security office)

2. Future conditions

Household activity

- B** • With the average stock price reaching 10,000 yen and since the newly-constructed condominium price downward trend has nearly ceased and potential buyers now seem to feel less insecure about the purchase of condominiums, we can feel somewhat optimistic about the future. (Kinki: Housing supplier)
- C** • People now tend to wait and see, how things go prior to the general election the present situation will last for the time being. (Hokkaido: Hair salon)
- In spite of concern about the possibility of an outbreak of the new type of influenza this autumn and winter, we can expect an increase of visitors during the five-day consecutive holidays in September. (Tohoku: Amusement park)
- D** • With a lot of factors that could discourage people from travelling, including fuel surcharge hikes which will take place in October and renewed concern about the possibility of an outbreak of the new type of influenza early autumn, there is not a single factor that encourages business recovery. (Southern Kanto: Travel agency)
- Considering this year's unseasonable weather conditions and sales drops recorded in the past during election campaigns, we cannot see a bright future for our business over the next several months. (Kyushu: Supermarket)

Corporate activity

- B** • We have received orders for products related to air conditioners and automobiles for the next three months, and unlike during the last several months, the orders increase. Some say that distributors' inventory has been almost depleted, and components makers are now getting somewhat bullish. (Chugoku: Electric machinery and apparatus manufacturer)
- C** • Recently there have been very few cases involving the establishment of security interest for financing and incorporation procedures. (Hokuriku: Judicial scrivener)
- While a number of orders for public works projects have been placed following the implementation of emergency economic measures, there has been limited demand for private-sector equipment works, and on the whole, we will continuously have a tough time. (Kinki: Metal products manufacturer)
- D** • The trend toward price-reduction has intensified, and we are afraid that a 5% price cut for our leading products will become obvious enough. We are concerned about potential decline in profitability for coming autumn, winter and the year-end shopping season. (Hokuriku: Food industry)

Employment

- C** • Compared to the usual year, the number of job offers has decreased significantly. Employers are very cautious about hiring and an increasing number of them accept only well-qualified human resources. (Hokkaido: Manpower supply)
- While employment adjustment of non-regular workers has seemingly ceased, employers are still holding back on recruitment in spite of increases in production in some of manufacturing industries. The employment situation will grow worse for the time being. (Southern Kanto: Employment security office)