

Economy Watchers Survey

March 2009

OVERVIEW OF THE MONTH

The DI for current economic conditions in March rose 9.0 points from the previous month to 28.4, marking a rise for the third month in a row.

The household activity-related DI rose, although consumers remained cautious about making purchases, and sales of products for people starting out new lives in preparation for the beginning of a new school year, job placement or job transfer were sluggish. Demand for some products and services increased due to reductions in expressway tolls and provision of the fixed-sum benefit to households. The corporate activity-related DI rose, due to improvement in orders received by some corporations, in spite of decreases in orders received and the resulting inventory adjustments, output cuts, funding difficulties and increasing pressure from clients to cut prices. The employment-related DI rose, as fewer people evaluated economic conditions as being on the decline and a growing number evaluated economic conditions as remaining unchanged, compared to the previous month, under the conditions of continued decreases in new job offers, increases in the number of displaced workers, and increases in suspension of operations.

The DI for future economic conditions in March rose 9.3 points from the previous month to 35.8.

In the household sector, the DI for future economic conditions rose on expectations of reductions in expressway tolls, provision of the fixed-sum benefit to households, tax reductions for environmentally friendly vehicles and housing loans, in spite of concerns about the future economy and employment, and a prospected decrease in income. Although in the midst of severe conditions, the corporate sector added to the rise on expectations of progress in inventory adjustments and improvement in orders received in some businesses. The employment sector contributed to the rise as more people forecast that economic conditions would remain unchanged in spite of the severe conditions.

On the whole, the assessment of the Economy Watchers indicates that although the current state of the economy is extremely severe, the pace of deterioration has further moderated.

**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

| <i>Household activity</i> | |
|---------------------------|---|
| B | <ul style="list-style-type: none"> Customers tell us that they will spend their fixed-sum benefits on everyday necessities, and as a result, the economy is improving somewhat. (Kyushu: Other specialty shop [Coffee beans]) |
| C | <ul style="list-style-type: none"> Though gasoline prices are somewhat on the rise, the number of customers visiting our gas station to fill their gas tanks after driving has increased thanks to reductions on expressway tolls. Some customers tell us that they can now dine out as they can save some money thanks to reduced expressway tolls. (Kyushu: Other specialty shop [Gasoline station]) |
| D | <ul style="list-style-type: none"> Unlike previous years when many customers purchased a set of electric appliances in preparation for the beginning of new lives, this year, many customers try to make what they already have go as far as possible. (Chugoku: Home electric appliance retail store) Although consumers' shift toward smaller-sized cars was expected to stimulate mini-vehicle sales, customers are reluctant in purchasing vehicles prior to the enforcement of automobile tax revisions, in spite of the spring demand season. Orders received have sharply fallen to 89% of what they were the year before. (Shikoku: Auto dealer) |
| E | <ul style="list-style-type: none"> Though usually in March black suits and dresses for graduation ceremonies and other formal occasions sell well, they barely sell this year. Sales of other expensive goods are slow. Only single-unit low-price products sell. (Hokuriku: Clothing store) Though March is our busiest month as sales of notebooks and writing utensils are brisk in preparation for the beginning of a school year, this year their sales have been slower than the year before. Sales of reference books and supplementary reading materials for the opening of a new school year have remained sluggish. Sales of back-to-school merchandises, such as stationery, have been slow. (Okinawa: Other specialty shop [Books]) |

| <i>Corporate activity</i> | |
|---------------------------|---|
| C | <ul style="list-style-type: none"> The decline of orders has stopped since the beginning of March and orders received have been on the rise step by step. (Northern Kanto: Plastic goods manufacturer) |
| D | <ul style="list-style-type: none"> Price competition for the unit sales price of housing structural components has been severe, and our profit margins are declining. (Tohoku: Timbers and wood products manufacturer) Many have still suffered prolonged slumps in orders and sales since the business decline at the end of last year. Recently a metalworking subcontractor went out of business. Many small and medium-sized enterprises still need refinancing of short-term borrowings and new small-scale loans until their sales go up again. (Northern Kanto: Management consultant) |
| E | <ul style="list-style-type: none"> The unit price of steel products is going down by some 20% compared to three months ago, and our sales have decreased by 40 to 50%. The volume of our business with every type of industry is shrinking. (Tokai: Iron and steel industry) Our facility department has finally received some inquiries. However, the department cannot win any other orders. Our environmental department enjoys robust sales. Our sales of photovoltaic panels have roughly doubled compared to the average month, though the amount is very small. On the whole, our business is dull, indeed. (Shikoku: Electric machinery and apparatus manufacturer) |

| <i>Employment</i> | |
|-------------------|--|
| D | <ul style="list-style-type: none"> At this time of every year, the number of job placements is the highest. However, this year job placement activities are inactive. In addition, an increasing number of job applicants tend to seek positions in businesses which are willing to hire them instead of positions in good-standing companies. Employers who offer fixed-salary employment, instead of positions of just favourable working conditions, are flooded with job applications. (Kinki: Public employment security office) |
| E | <ul style="list-style-type: none"> Many companies have terminated employment contracts with dispatched workers or have temporarily suspended their operations. Some companies consider early retirement programs for their regular employees. (Kyushu: Temporary manpower company) |

2. Future conditions

| <i>Household activity</i> | |
|---------------------------|--|
| C | <ul style="list-style-type: none"> A Chamber of Commerce has drawn up a plan to start selling gift certificates, which offer a 10% premium discount, in time for the provision of the fixed-sum benefits to households, and we expect that consumption may recover somewhat. (Tohoku: Housing-related specialty shop) A considerable number of customers have visited our shopping mall thanks to reduced expressway tolls. We expect a great many people will drop by our shopping district on weekends and holidays in May. An increase in the number of visitors may not instantly help in boosting consumption, but the economy is expected to hit the bottom soon. (Shikoku: Shopping mall) |
| D | <ul style="list-style-type: none"> With worsening employment situations and declining incomes, there is no way that we can find factors helping the economy to turn up. (Tohoku: General restaurant) Bonus payments will be sharply reduced. Depending on their bottom lines, an increasing number of companies will get out of business, go bankrupt or seek bankruptcy protection, and consumers will further refrain from spending. Consumption will slump and the economy will get worse. (Kyushu: Department store) |

| <i>Corporate activity</i> | |
|---------------------------|---|
| C | <ul style="list-style-type: none"> Government and other public offices have offered public work projects for the new fiscal year and some non-manufacturing businesses have started investing in facilities. This indicates somewhat promising signs of economic recovery. However, difficulties will continue because of a limited amount of orders and intensified price-cutting competition. (Tohoku: Construction business) Our customers will increase their order quantity over the next three months. This will not, however, put us above break-even. We will remain in the red. (Tokai: Transport machinery and tool manufacturer) |
| D | <ul style="list-style-type: none"> We are under increasing pressure to cut prices of our products. Though we have not raised our product prices to cover previous increases in material costs, there has been more demand for lower priced products, and we cannot set up new business projects. (Hokkaido: Food manufacturer) |
| E | <ul style="list-style-type: none"> With a series of clothing companies' major bankruptcies and no sign of consumer appetite, prices for new orders are being kept low. We have received no orders at all for autumn and winter clothes. (Southern Kanto: Textile industry) |

| <i>Employment</i> | |
|-------------------|--|
| C | <ul style="list-style-type: none"> With economic slump, everyone cautiously watches movements of the business cycle. Employers are willing to take some measures, but not ready to increase the number of employees. The current conditions will persist. (Southern Kanto: Job advertisement magazine production company) |
| D | <ul style="list-style-type: none"> A number of our graduates this year have encountered changes in employment conditions. Some of them are asked to stay home instead of showing up at workplaces. Difficult conditions will persist. (Hokuriku: School [University]) |