

Economy Watchers Survey

February 2010

OVERVIEW OF THE MONTH

The DI for current economic conditions in February rose 3.3 points from the previous month to 42.1, posting a rise for three consecutive months.

The household activity-related DI rose, due to brisk sales of passenger vehicles and flat screen televisions thanks to the effect of tax reductions and subsidies for the purchase of environmentally friendly vehicles and “eco points” to be earned for the purchase of green electrical appliances, also due to an increase in the sales of winter and spring clothing following temperatures fluctuations greater than an average year at the beginning of the month and in late February, and because of a growing number of tourists from Asian countries, including those who were on the Chinese New Year vacation, in spite of consumers’ still cautious attitude towards making purchases. The corporate activity-related DI rose, in spite of persistent pressure for sales price reduction, due to the ongoing recovery in orders received and shipping volumes. The employment-related DI rose due to job offers by some companies, though employers were still cautious about hiring new employees.

The DI for future economic conditions in February rose 2.9 points from the previous month to 44.8.

In the future economic conditions, the household sector rose on expectations of the effect of “eco points” to be earned for the purchase of green electrical appliances, of subsidies and tax reductions for the purchase of environmentally friendly vehicles, and of “housing eco points,” in spite of concern about potential effects of the recall of certain types of vehicles on the sales of passenger cars. The corporate sector also contributed to the rise, on expectations of an increase in orders. The employment sector contributed to the rise due to job offers by some companies.

From the reasons above mentioned, the assessment of the Economy Watchers indicated in this survey can be summarized as “although the 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

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| B | <ul style="list-style-type: none"> We are now in the off-season for domestic tourism, and our sales to domestic travelers remain weak. On the other hand, we have experienced increases in the average spending per guest from overseas, thanks to an increasing number of guests from China, in particular, wealthy people from China, and we have also seen rises in consumption at shops and restaurants in our hotel. (Hokkaido: Resort hotel) |
| C | <ul style="list-style-type: none"> Due to a declining number of confirmed cases of the new type of influenza, the number of people visiting our restaurant is on the rise. (Tohoku: General-purpose restaurant) Heavy clothing sold significantly better this month than last month, since we experienced a number of cold days in the first half of the month. In contrast, in late February, following a series of relatively warm weathers, we saw brisk sales of spring clothing. This month, after such a long time, the demand for clothing finally responds to changes in the seasons. (Tokai: Department store) Obviously, we have received an increasing number of inquiries from potential customers through the Internet for the last few months. (Kinki: Housing dealer) |
| D | <ul style="list-style-type: none"> Customer traffic remained sluggish in February and consequently, our sales were down, following a number of rainy or snowy days in the month. It is said that our peer companies also experienced similar trends and they saw their sales drop by, at least, 2 to 3%. (Northern Kanto: Supermarket) |
| E | <ul style="list-style-type: none"> A number of our customers probably visit unreasonably cheap beauty shops which are in business seemingly without any consideration of the costs, instead of our hair salon. The number of people visiting our hair salon is down compared to three months ago. (Tohoku: Beauty salon) |
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Corporate activity

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| B | <ul style="list-style-type: none"> While it is difficult to win orders from department stores due to their advertisement budget cuts and competitive estimates, the number of orders from large-scale customers, such as telecom companies and power companies, as well as from mid-to-small volume customers is on the rise. (Tohoku: Advertising agencies association) |
| C | <ul style="list-style-type: none"> While the demand for our products from the housing sector remains weak, the demand for products for industrial applications is relatively active, as in last month. (Hokuriku: Plastic products manufacturer) Recently, our company won one order for public works projects and one for private works, but the prices of these orders were extremely low. (Shikoku: Construction business) We feared that semiconductor-related sectors, in particular, lead frame-related and connector-related businesses, would suffer from a possible double-dip recession. Instead, the semiconductor-related sector remains quite strong. These businesses have no difficulty in securing a sufficient volume of orders and they are in fact operating at a full capacity. (Kyushu: Electric machinery and tool manufacturer) |
| D | <ul style="list-style-type: none"> The shipping volume of cement is on the decline, and we have reduced the output through the temporary shutdown of some of our plants. (Tohoku: Soil and stone products manufacturer) |
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Employment

B	<ul style="list-style-type: none"> We have received an increasing number of orders for short-term and one-time temporary help services. The number of orders for long-term temporary help to be dispatched starting from this April is also on the rise. (Kyushu: Temporary staff service)
C	<ul style="list-style-type: none"> While the rate of increase in workers who left their jobs involuntarily because of business obligations is declining, we have seen an increasing number of job-seekers who have stayed unemployed for a long time. With declining wages, the number of job applicants who want to earn supplemental income is on the rise. (Kinki: Employment security office)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> We expect that the expressway toll discounts will continuously benefit our business, as in last year. An increasing number of tourists on group tours from overseas, including those from South Korea, visit our theme park, and this trend will continue well into this spring. (Chugoku: Theme park)
C	<ul style="list-style-type: none"> While we expect that the prolongation of the eco point system and new lines of products may benefit our business, our sales this year will not exceed the previous year's level unless the product unit price rises. (Southern Kanto: Home electronics retail store) The number of shoppers visiting our store is down by around 3% from a year ago, and this downward trend will last for a foreseeable future. A decrease in the number of shoppers results in a drop in sales. Accordingly, our sales will remain weak until this summer. (Okinawa: Convenience store)
D	<ul style="list-style-type: none"> After the demand season for vehicles, February and March, is over, the recalls will have a negative impact on the sales of vehicles this April and May, a season in which model changes seldom take place. (Shikoku: Auto dealer)

Corporate activity

B	<ul style="list-style-type: none"> Some businesses in the manufacturing sector have at last started considering long-stalled capital investment projects, though their suggested prices will allow for only thin profit margins. This may just reflect business activities in preparation for the new fiscal year. (Chugoku: Telecommunication business)
C	<ul style="list-style-type: none"> The demand for LED products to be used in liquid crystal backlights is so strong that they are continuously in short supply, and accordingly, the demand for resins to be used in LED products will remain high. On the other hand, the demand for automobile-related products appears uncertain, because the leading automaker's recall campaigns affect the vehicle market much greater than anticipated, and their negative impacts will be unavoidable. A drop in car sales will bring down the demand for electric components, and then our sales will decrease. (Kinki: Chemical industry) Partly due to the enforcement of Act concerning Temporary Measures to Facilitate Financing for Small and Medium Enterprises, we will continuously receive a considerable number of inquiries about amendment of loan terms from institutional and individual borrowers. (Kyushu: Financial business)
D	<ul style="list-style-type: none"> Though raw material prices, including iron prices, have been on the rise, our clients have asked us to cut prices due to fierce price competition in machine tool and shipbuilding industries, and our business is going to be difficult. (Chugoku: Metal products manufacturer)

Employment

C	<ul style="list-style-type: none"> The number of companies submitting implementation plans concerning their suspension of operations to apply for Employment Adjustment Subsidies remains almost unchanged, and some of employers have continuously applied for the subsidies since the previous year. We have received inquiries from several employers who plan to downsize their operations or to offer voluntary retirement plans for their employees in March. (Northern Kanto: Employment security office)
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- Relatively buoyant recruitment activities took place this February thanks to a considerable number of job offers for part-time or non-regular positions and for filling vacant positions for the next fiscal year, and this trend will be likely to continue in March. This, however, provides just a temporary increase in job opportunities, and does not result from recruitment planed for business expansion. (Southern Kanto: Job advertisement magazine producer)
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