

# Economy Watchers Survey

**March 2010**

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## **OVERVIEW OF THE MONTH**

The DI for current economic conditions in March rose 5.3 points from the previous month to 47.4, posting a rise for four consecutive months.

The household activity-related DI rose, due to the rapid increase in sales of flat screen televisions thanks in part to a last-minute rise in demand before the partial change from April in electrical appliances to be covered by the " eco points " program, and due to brisk sales of passenger vehicles thanks to the effect of tax reductions and subsidies for the purchase of environmentally friendly vehicles, as well as due to a budding recovery of consumer confidence, despite consumers continuing orientation to low-price goods. The corporate activity-related DI rose, in spite of continuing pressure for sales price reduction, due to the ongoing recovery in orders received and shipping volumes. The employment-related DI rose due to an increase in job offers by some companies, though employers were still cautious about hiring new employees.

The DI for future economic conditions in March rose 2.2 points from the previous month to 47.0.

In future economic conditions, the household sector rose on expectations of the effect of payment of child allowances, of tax reductions and subsidies for the purchase of environmentally friendly vehicles, and of " housing eco points, " in spite of concern about a decrease in the sales of flat screen televisions in reaction to the rapid sales increase in March. The corporate sector also contributed to the rise, on expectations of an increase in orders, in spite of concern about price rises in raw materials. The employment sector contributed to the rise due to an increase in job offers by some companies.

From the reasons mentioned above, the assessment of the Economy Watchers indicated in this survey can be summarized as " while in a difficult situation the economy is showing movements of picking up. "

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Cabinet Office  
Kasumigaseki 3-1-1, Chiyoda-ku, Tokyo 100-8970

## **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***

- |          |  |
|----------|--|
|          | <ul style="list-style-type: none"> <li>• We have received more inquiries than three months ago, showing growing demand. (Tohoku: Other housing-related (renovation))</li> </ul>  |
| <b>B</b> | <ul style="list-style-type: none"> <li>• We are seeing high growth in sales of women's clothing. Trendy goods, such as jackets and floral-pattern clothing, sell well, immeasurably better than last spring. (Northern Kanto: Department store)</li> </ul>   |
|          | <ul style="list-style-type: none"> <li>• The average spending per guest is still falling, but with gradually decreasing speed, almost hitting bottom. But the number of guests, especially Japanese group tourists, remains low. In contrast, the number of foreign tourists, mainly from Asian countries, is on a recovery trend. (Hokkaido: Resort hotel)</li> </ul> |
| <b>C</b> | <ul style="list-style-type: none"> <li>• The premium goods-voucher made little difference, and weather conditions were unfavorable, leaving sales at a low level. But per-customer spending seems to be bottoming out. (Kinki: Supermarket)</li> </ul>   |
| <b>D</b> | <ul style="list-style-type: none"> <li>• More shoe stores have un-scheduled bargain sales, with some offering fire-sales prices. (Tohoku: Other specialty shops (shoe store))</li> </ul>   |

#### ***Corporate activity***

- |          |  |
|----------|--|
|          | <ul style="list-style-type: none"> <li>• Import and export freight is growing in Asia. (Tokai: Transport)</li> </ul>   |
| <b>B</b> | <ul style="list-style-type: none"> <li>• The amount of orders received has shown a slight recovery, especially those for care service and pharmaceuticals-related projects. (Hokuriku: Communications)</li> </ul>  |
|          | <ul style="list-style-type: none"> <li>• Sales are growing a little, but the growth is uneven. For instance, products offered with our own brand sell poorly while private-brand products are showing growth in sales. Private brands have a low profitability, making little difference to the total. (Kinki: Food and kindred products)</li> </ul> |
| <b>C</b> | <ul style="list-style-type: none"> <li>• Materials prices are rising while retailers strongly request price cuts, making sales price adjustments impossible. (Shikoku: Pulp, paper &amp; paper products)</li> </ul>  |
| <b>D</b> | <ul style="list-style-type: none"> <li>• Orders from the parent company increased only slightly from the previous month. And we have no choice but to accept requests for price cuts, making for severer conditions from now on. (Chugoku: Transportation equipment)</li> </ul>  |

#### ***Employment***

- |          |   |
|----------|---|
|          | <ul style="list-style-type: none"> <li>• Requests for dispatches of temporary workers are increasing from existing clients that intend to increase staff for business expansion, as well as from new ones. March is the time for contract renewals, and most contracts have been renewed. With customers coming back to the tourist industry, our business has perked up a little. (Okinawa: Temporary manpower company)</li> </ul> |
| <b>B</b> | <ul style="list-style-type: none"> <li>• In preparation for recruitment of students due to graduate in 2011, companies have completed joint and individual explanatory meetings as scheduled, and now is the time for students to take employment examinations. But not a few corporate recruiters have mentioned a reduction in new hires or a suspension of hiring. (Hokkaido: School (university))</li> </ul>                    |
| <b>C</b> |   |

## **2. Future conditions**

### ***Household activity***

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|----------|--|
| <b>B</b> | <ul style="list-style-type: none"> <li>The ceiling has been raised on exemptions from a gift tax on funds granted for acquiring a house, and the receipt of applications for “housing eco points” has started, attracting growing interest among customers. This should boost potential demand for housing. (Kinki: Other housing-related (model-home park))</li> </ul>  |
| <b>C</b> | <ul style="list-style-type: none"> <li>We expect that once child allowances are paid, some of the effects will be felt by the restaurant industry, and that an increase of tourists from abroad, especially wealthy Chinese, will offset a decline of revenues due to the weak domestic economy, but general conditions will remain severe. (Hokkaido: high-end restaurant)</li> </ul>   |
| <b>D</b> | <ul style="list-style-type: none"> <li>Sales are now supported by tax reductions and subsidies, but after the settlement term ends, customers will wait and see for a while. It will be in July at the earliest that business will pick up again. (Southern Kanto: Auto dealer)</li> <li>For these three months, the “eco point” program has been a strong boost to demand for televisions, which should be followed by a definite reaction from April to June. General conditions will get improve slightly, but the reaction should dampen demand for electric appliances between April and June. (Kyushu: Electric appliance retailer)</li> </ul> |

### ***Corporate activity***

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|----------|---|
| <b>B</b> | <ul style="list-style-type: none"> <li>With analog TV broadcasting coming to an end, the market has finally started moving in full swing. We are also feeling the move in related projects. (Tokai: Electrical machinery, equipment &amp; supplies)</li> </ul>  |
| <b>C</b> | <ul style="list-style-type: none"> <li>We are receiving sporadic orders from individual customers for construction works for which subsidies are granted, such as earthquake-resistance inspections of houses and improvements of windows for which “eco points” are given. A number of further orders for such types of renovation could be expected, but no large-scale construction projects seem likely for some time. (Southern Kanto: Construction)</li> </ul>  |
| <b>D</b> | <ul style="list-style-type: none"> <li>More investments are planned for automobile-related equipment than last year, both in North America and Asia, but the number of inquiries remains at half the peak level. Furthermore, prices, having already fallen, will not return to the former level, and tough price competition continues. The condition will remain where we will lose out due to price competition, missing some orders and winning others, with no profit earned. (Tokai: Machinery &amp; equipment)</li> <li>In addition to requests of an average 10% price cut from our customers, the price of iron materials have been soaring since March. Doubly hit by declining revenues and increasing materials costs, our profits will be severely squeezed. (Chugoku: Fabricated metal products)</li> </ul> |

### ***Employment***

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|----------|---|
| <b>B</b> | <ul style="list-style-type: none"> <li>Cases of urgent recruitment are appearing. New needs for people are emerging, such as an offer of some ten new salesperson jobs and that of engineer jobs from an environment-related company. (Southern Kanto: Private employment agency)</li> </ul>  |
| <b>C</b> | <ul style="list-style-type: none"> <li>The pace of increase in new job offers is slowing down, while the number of employment consultations and that of employment placements are increasing, leaving general conditions unchanged for the time being. Especially these days, more jobholders are coming to seek a consultation than before, and our consultants see more people seeking part-time work. (Kinki: Job placement office)</li> </ul> |