

Economy Watchers Survey

September 2010

OVERVIEW OF THE MONTH

The DI for current economic conditions in September fell 3.9 points from the previous month to 41.2, posting a fall for the second consecutive month.

The household activity-related DI fell mainly because of a sharp decline of orders for new cars after the termination of the subsidies program for the purchase of environmentally friendly vehicles and sluggish sales of autumn clothing, despite strong sales of beverages and air conditioners, boosted by the heat of late summer and a last-minute rise in demand for tobacco before the price rise. The corporate activity-related DI fell mainly due to a full-scale production adjustment after the termination of the subsidies program for the purchase of environmentally friendly vehicles and to other factors including a perceived deterioration of export conditions, caused mainly by the appreciation of the yen. The employment-related DI rose mainly because some types of manufacturers, such as semiconductor and electronic parts-related sectors, seemed to start offering jobs, though employers remained cautious about hiring new employees, especially regular employees.

The DI for future economic conditions in September rose 1.4 points from the previous month to 41.4, posting a rise for the first time in five months.

The DI for future economic conditions rose in all the household activity-related, corporate activity-related and employment-related DIs, mainly because the severe late summer heat has moderated and because a last-minute demand for home electrical appliances is expected at the year-end, after which “eco points” are granted to a limited range of items, though there remain concerns about the effects of the termination of the subsidies program for the purchase of environmentally friendly vehicles and the rising yen on the overall economy.

From the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as “the economy has been so far picking up moderately, but is now showing some weak movements.”

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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

<i>Household activity</i>	
B	<ul style="list-style-type: none"> · With an unexpected growth in sales of air-conditioners thanks to the heat of late summer, business was much better than last year. Spurred on by the “eco points” program, slim-type TVs also sold well. (Hokkaido: Home electric appliance retailer)
C	<ul style="list-style-type: none"> · In the first half of the month, an unseasonable heatwave boosted sales of mid-summer goods, such as ice cream, but sales decreased sharply due to the change in the weather after the week of the autumn equinox. But exceptionally, tobacco sales increased significantly before the following month’s price rise. (Southern Kanto: Supermarket) · The price prospective buyers are prepared to pay is on a downward trend. They are more interested in properties in a lower price range than those that were regarded as low-cost houses. We expect sever effects on profitability even with a larger number of orders received. (Hokuriku: Housing dealer)
D	<ul style="list-style-type: none"> · The heatwave of the late summer is weighing heavily on sales of autumn clothing. Price-setting of foods and other daily-delivered goods is becoming more difficult than ever. (Tohoku: Department store) · As the holidays during this “Silver Week” were broken up by workdays in between, the number of visitors decreased by almost 20% from last year. (Shikoku: Tourist spot)
E	<ul style="list-style-type: none"> · Since the termination of the subsidies program for the purchase of environmentally friendly vehicles, sales have been around 50% lower than a year ago. (Chugoku: Car dealer)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> · Sales are turning around, though few companies are making a profit. Even among companies that receive Employment Adjustment Subsidies, the number of operation shutdown days is declining. (Tokai: Accounting firm)
C	<ul style="list-style-type: none"> · In September, with an increase of steel product exports, business has been doing quite well, but transport activities in other sectors remain rather sluggish. (Chugoku: Transport) · In general, electronic parts-related business continues to be strong. While continuing to experience ups and downs, the situation is changing for the better. (Kyushu: Electrical machinery, equipment & supplies)
D	<ul style="list-style-type: none"> · We saw a roughly 10% decline in orders from three months ago. The number of orders received for October has begun to show a sharp decline from this month’s level, affected by the termination of the subsidies program for the purchase of environmentally friendly vehicles and the rising yen. (Northern Kanto: Electrical machinery, equipment & supplies) · The appreciation of the yen is prompting factories overseas to procure parts and materials locally. (Kinki: Metal products manufacturer)
E	<ul style="list-style-type: none"> · Price competition for receiving orders is continuing. At public tenders or estimations, many contracts are won at a price tendered regardless of profitability. (Hokuriku: Construction business)
<i>Employment</i>	
B	<ul style="list-style-type: none"> · Businesses are gradually becoming more keen to hire, with an all-time-high ratio of job vacancies to job applicants recorded. Job offers from manufacturers are picking up. (Shikoku: Employment security office)

C	<ul style="list-style-type: none"> There is a rather large number of job offers from the nursing care, medical-related and service sectors, for instance, but among them few vacancies are found for regular workers. Instead, most of the offers are for part-time jobs. (Northern Kanto: Job advertisement magazine producer)
D	<ul style="list-style-type: none"> With the termination of the subsidies program for the purchase of environmentally friendly vehicles, some companies terminated temporary employment contracts with fixed-term employees. (Tokai: Temporary manpower service)

2. Future conditions

Household activity

C	<ul style="list-style-type: none"> In the latter half of September, the weather has been stable, having gotten back to normal, and sales are returning to the level of last year. Autumn goods sell well, though at lower prices. The current state of things is expected to continue for a while. (Southern Kanto: General retail store [Clothing, sundry goods]) A last-minute purchase is expected for home electronic appliances as less energy-efficient items are due to be excluded from the “eco points” program. But with much lower unit prices than last year, we expect sales to stay at the same level as last year. (Hokuriku: Home electric appliance retailer)
D	<ul style="list-style-type: none"> After the complete termination of the subsidies program for the purchase of environmentally friendly vehicles, the number of visitors has fell sharply, most of whom come to have their car serviced or undergo a compulsory inspection, with fewer visiting us to buy a new car. (Southern Kanto: Car dealer) In September, a rise in demand for tobacco before the price rise contributed to an increase of per-customer spending. That has brought about a sharp growth of estimated monthly sales from the same month last year. But as tobacco sales should decrease from October, we expect both the number of customers and per-customer spending to decline. (Shikoku: Convenience store) As summer season, which is Okinawa’s tourist season, comes to an end, the number of reservation orders is gradually levelling off. From the end of October, effects of a new runway that comes into service at Haneda Airport that month, in addition to those of a stronger yen, should give a great boost to the overseas travel market. There are many other negative factors, such as the issue of the Senkaku Islands, which we expect to result in fewer tourists coming from China. (Okinawa: Resort hotel)

Corporate activity

C	<ul style="list-style-type: none"> Production is recovering at major makers of home electronic appliance parts. As they have plans of increased production from September to November, with a consequent increase in shipment, we should come a little closer to recovery. (Kinki: Transport)
D	<ul style="list-style-type: none"> As the subsidies program for the purchase of environmentally friendly vehicles expires this month, production of automobiles for the domestic market will decline from now on. (Chugoku: Transportation machinery and tool manufacturer)

Employment

C	<ul style="list-style-type: none"> The number of new job offers is showing signs of improvement. But effects of the rising yen on manufactures and fierce price competition among wholesalers and retailers leave future prospects uncertain. (Kyushu: Employment security office)
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