

Economy Watchers Survey

December 2006

OVERVIEW OF THE MONTH

The DI for current economic conditions in December remained unchanged from the previous month at 48.9.

The household activity-related DI remained almost flat, as sales of winter goods were sluggish due to the unusually warm winter, while sales of high-priced Christmas dinners and traditional New Year dishes were brisk. The corporate activity-related DI improved slightly, as the willingness for corporate business investment remained brisk, as well as being due to a pick-up in orders received. The employment-related DI fell as the increase in job offers came to a halt regardless of regions. As a result, the DI for current economic conditions remained unchanged for the first time in three months but below 50 for the second consecutive month.

The DI for future economic conditions in December fell 0.8 point from the previous month to 48.9.

The DI for future economic conditions fell for three consecutive months, reflecting concerns that personal spending will stall, as income is not expected to increase, and that new job offers are decreasing.

On the whole, the assessments of the Economy Watchers indicate that the economy is recovering moderately.

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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"> Year-end gifts and traditional New Year dishes are selling steadily, especially high-priced goods. (Tokai: Other food and beverage [Caterer]) Per-customer transactions for ordinary drinking parties and wedding receptions are on a rising trend, albeit slightly, and customers' behavior suggests that trend. Sales of high-priced products (dinner shows, traditional New Year dishes, etc.) are gradually increasing. (Chugoku: City hotel) |
| C | <ul style="list-style-type: none"> In order to cope with slow sales in early December, we sold all items at 10%, 20% or 30% discounts as a year-end special sale. Customers showed some reaction to the sales campaign but still remained cautious about buying. (Southern Kanto: General retailer [Furniture]) We often hear customers complaining about their bonus payments. (Hokuriku: Beauty parlor) |
| D | <ul style="list-style-type: none"> Sales of furs and coats are sharply lower than in the previous year due to the warm winter, and sales of high-priced Christmas-related gifts are slow. Particularly, sales of upmarket watches, which had been brisk, are sluggish. (Kinki: Department store) The number of items purchased has been falling sharply and per-customer transactions have been decreasing since the beginning of December. Sales during the Christmas season were slow, falling far below the level in the previous year. (Kyushu: Convenience store) |

Corporate activity

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| B | <ul style="list-style-type: none"> Orders from finished car manufacturers are increasing sharply and informal notices on January orders suggest outlook. There is a considerable increase in bonus payments. (Tokai: Transportation equipment) Automobile-related manufacturers are performing well and some of them are positively thinking about business investment. However, since demand for machine tools is rising, and it takes about 10 months from order placement to delivery, it will not be in time for book closing, unless orders are made early. (Chugoku: Accounting firm) |
| C | <ul style="list-style-type: none"> The recovery of parts for four-wheel-drive vehicles, whose shipments usually increase at this time of the year, remains slow, but it is offset by continuing orders for construction machinery- and hydraulic equipment-related work. (Northern Kanto: Ordinary machinery and instrument manufacturer) Although forwarding orders are increasing for the Christmas and year-end selling seasons, the increase is due to usual seasonal factors and has nothing to do with economic recovery. Although fuel cost is decreasing slightly, its outlook remains uncertain. (Okinawa; Forwarding agency) |
| D | <ul style="list-style-type: none"> Basically, orders are not increasing and we cannot expect additional orders due to the warm winter. (Kyushu: Textile) |

Employment

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| B | <ul style="list-style-type: none"> Job offers from automobile- and electronics-related firms remain brisk and movement is considerably brisk. Job offers from retailers and wholesalers also increased. The number of job seekers increased sharply from the beginning of the month to the middle of the month, reflecting a severe shortage of manpower. (Northern Kanto: Temporary manpower) |
|----------|---|

	company)
C	<ul style="list-style-type: none">• The number of new job offers differs depending on the type of industry, with offers from medical and welfare industries increasing sharply from the same month of the previous year and those from construction and transport industries decreasing sharply. The total number of job offers has been decreasing. (Southern Kanto: Job placement office)

2. Future conditions

Household activity

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| B | <ul style="list-style-type: none"> As inquiries from customers are increasing, we expect a slight rise in unit prices. The number of customers is expected to continue increasing. (Northern Kanto: Golf course operator) |
| C | <ul style="list-style-type: none"> Due to high temperatures, the movement of coats and blouson is extremely slow. The severe situation will continue for some time to come, as a warm winter is forecast for this year. We fear that sales may decrease as the unit prices of Valentine's gifts are expected to decline in February, reflecting a similar decline for Christmas gifts. (Hokkaido: Department store) Even after bonus payments, people appear to be stingy about their after-5 drink. The situation will remain unchanged for the next 2 to 3 months. (Southern Kanto: Standard class restaurant) |
| D | <ul style="list-style-type: none"> Workers of local companies cannot expect a basic wage hike. With medical costs for pensioners expected to increase, the social divide will widen. We don't have any good news. Worse still, a large shopping center is scheduled to open in the suburbs next spring. (Tohoku: Shopping area) |

Corporate activity

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| B | <ul style="list-style-type: none"> Gas oil prices are falling faster than expected. If the decline continues, we can expect a slight improvement in our business. (Kyushu: Forwarding agency) |
| C | <ul style="list-style-type: none"> We see no major changes. The movements of AV products, such as thin TVs, will remain brisk. (Kinki: Electrical machinery equipment manufacturer) We have received several inquiries for moderate-sized business investment. We may be able to get the contracts, but they are not good in terms of revenue. (Shikoku: General construction) |
| D | <ul style="list-style-type: none"> Since the beginning of December, several local firms went bankrupt. Unlike listed companies in major cities, local small firms are in an unpredictable situation. In fact, the situation may have become worse. (Hokuriku: Financial) |

Employment

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| B | <ul style="list-style-type: none"> Manpower is in short supply, mainly in the manufacturing and service industries, and the number of companies seeking well-qualified persons is increasing. On the other hand, some of the civil engineering-related firms have surplus workers due to a decrease in public works. The economy as a whole is looking up. (Shikoku: Private employment agency) |
| C | <ul style="list-style-type: none"> With the growth in the number of new offers appearing to have become stable and some office closures slated in the fiscal end, the number of new job seekers will increase. (Chugoku: Job placement office) |