

Economy Watchers Survey

June 2007

OVERVIEW OF THE MONTH

The DI for current economic conditions in June dropped 0.8 points from the previous month to 46.0.

The household activity-related DI dropped because of rising gasoline prices and voices indicating an increasing sense of tax burden, although sales of air conditioners etc. were favorable due to higher temperatures. The corporate activity-related DI moved horizontally due to a pickup in orders received for part of the manufacturing sector, although the impact of rising prices for crude oil and raw materials continued. The employment-related DI rose slightly because of an improvement in some employment conditions. As a result, the current DI dropped for the third month in a row, falling below the neutral indicator of 50 points for the third consecutive month.

The DI for future economic conditions in June dropped 1.6 points from the previous month to 48.4.

The DI for future economic conditions dropped for the second consecutive month due to concerns over the impact of rising prices for some food products and gasoline. The decline in the household sector was the primary factor behind the overall decline.

On the whole, the assessments of the Economy Watchers indicate that the economic recovery has shown weak movements recently.

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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"> • Sales of big-ticket items such as 40-inch and larger flat-screen TVs, large refrigerators and drum-type all-in-one washers and dryers have really taken off. Due to the heat and humidity, air conditioners etc. have also begun to sell well. (Kyushu: Mass retailer of consumer electronics)
C	<ul style="list-style-type: none"> • Bonus month is generally an excellent season because the number of customers increases, but that number did not increase to the extent we expected and was actually lower than that of the previous year. (Tokai: Travel agency) • Due to the launch of new fleet vehicles, the number of vehicles sold is approaching projected sales figures, but this cannot necessarily be described as being due to the new car effect. The recent sudden price jump in gasoline prices has also been a disadvantage. (Hokuriku: Auto dealer)
D	<ul style="list-style-type: none"> • Conversations with customers often involve talk of taxes and economizing. With the increase in tax burden, family finances are becoming tight and the purchase amount per customer is decreasing. (Kinki: Department store) • The sudden price jump in crude oil prices has led to an increase in petroleum and gasoline prices, and our customers seem to be keeping a tight hold on their purse strings. In particular, the average amount purchased per customer has decreased by approximately 2%, which is a significant year-on-year loss. (Chugoku: Supermarket)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> • Both the number of orders received and sales have increased by approximately 10% over a three-month period from the target set for the same month last year. The number of successful tenders has risen even higher than before without having to lower the price of bid proposals, and price levels seem to be rising. (Southern Kanto: Publication, printing and related industries)
C	<ul style="list-style-type: none"> • Earnings are starting to stagnate in many of the companies for which we provide consultation. Bank lending rates have shown a rising trend and some companies are beginning to hold off on capital investment. However, there are also some companies recording high profits for the first time in several years. As a whole, things remain unchanged. (Tokai: Accounting firm) • Both the amount of orders received and price of orders received remain at the same level. Meanwhile, prices of raw materials such as petroleum products and iron and steel continue to rise, and harsh conditions from the perspective of profits (e.g. increasing burden for personnel expenses) continue. (Chugoku: Transport machinery and apparatus manufacturer)
D	<ul style="list-style-type: none"> • The sudden price jump in diesel oil etc. is making it difficult to be profitable. Also, in terms of the amount of material resources, we are beginning to see our customers become stingy. (Hokuriku: Transport industry) • Sales have fallen rapidly since the end of the consecutive holidays in May. Other companies engaged in the same trade, our valued customers and suppliers are saying the same thing and it is not unusual to hear of companies whose sales have seen a year-on-year decrease of 10% or higher. (Kinki: Chemical industry)

Employment

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| B | · Looking at job advertisement magazines each week, it appears that since the start of the year, wages (hourly wages) for not only dispatched workers but also part-time and side-job workers are clearly showing an upward trend, even if it is only little by little. (Tohoku: Temporary staffing agency) |
| C | · In addition to referral arrangement dispatches, there is an accelerating trend towards employing workers as full-time employees from the onset. And although haggling had occurred over referral fees from companies up until now, these fees are now identical to those stated in estimations. (Kinki: Temporary staffing agency) |
| D | · The number of company-ordered displaced workers resulting from downsizing etc. is increasing. In particular, there are many female displaced workers from the manufacturing industry hoping to work part time. (Hokkaido: Public employment security office) |

2. Future conditions

Household activity

B	· Since a heat wave is expected, sales of air conditions have been favorable. With commencement of terrestrial digital broadcasting fast approaching in this area, an increase in sales of large-screen TVs is anticipated. (Tohoku: Mass retailer of consumer electronics)
C	· Although summer vacation is right around the corner, we are extremely concerned because reservations have been slow to emerge. (Hokuriku: Sightseeing inn) · While sales in the 40 and older Misses tier remain unchanged from the previous year, the buying power of those 30 and younger in the Young Career tier has begun to fall and, as a whole, sales are lower than in the previous year. (Shikoku: Specialty clothing shop)
D	· It is predicted that factors behind the drop in consumer confidence, including the sudden price jump in gasoline, abolition of the temporary tax cut that has given workers the feeling that there has been a tax increase each time they look at their pay slips and rising prices for mayonnaise and cooking oil due to increasing demand for bioethanol, will increase in the future. (Northern Kanto: Supermarket)

Corporate activity

B	· Orders received for various items have increased and proof has begun to surface that the future holds promise. (Kinki: Ceramics, earth and clay product manufacturer)
C	· Although weather forecasts have led to upward trends for and increased shipments of summer-use consumer electronics, drinking water, etc., if you take into consideration rising fuel prices etc., profit margins are narrow and severe conditions remain unchanged. (Northern Kanto: Transport industry) · When we speak with the presidents of our customers' companies or attend gatherings with people from other industries, we are told that despite the fact that banks and other lenders are actively seeking borrowers for capital, businesses on the borrower side are still wary of and unable to be optimistic about the future. (Shikoku: Certified public accountant)
D	· Rising prices for crude oil etc. are once again having an impact, and since prices of raw materials etc. are also increasing significantly, the situation is actually becoming slightly worse. (Southern Kanto: Plastic product manufacturer)

Employment

B	· Since there has been a rise in requests from new sectors as well as requests from companies seeking personnel for the purpose of securing manpower as they actively expand their business rather than for after processing, temporary staffing is expanding. (Okinawa: Temporary staffing agency)
C	· Following the end of the period for hiring new graduates, requests for temporary staffing began to settle down because businesses felt they had sufficient manpower. (Shikoku: Temporary staffing agency)
D	· A major company in one of the principal industries has begun accepting applications for voluntary retirement for employment adjustment purposes. Since we are hearing similar things from other companies that are coming to fruition, there is sure to be an outbreak of many displaced workers in subcontracting and related companies as well. (Southern Kanto: Public employment security office)