

Economy Watchers Survey

October 2007

OVERVIEW OF THE MONTH

The DI for current economic conditions in October dropped 1.4 points from the previous month to 41.5.

The household activity-related DI dropped due to rising prices of gasoline and some food products. The corporate activity-related DI dropped for all industries as a result of the continuing impact of rising prices of crude oil and raw materials. The employment-related DI dropped due to decreases in new employment offers in many regions. In addition, the impact of delayed construction starts was seen overall. As a result, the current DI dropped for the seventh month in a row, falling below the neutral indicator of 50 points for the seventh consecutive month.

The DI for future economic conditions in October dropped 2.9 points from the previous month to 43.1.

The DI for future economic conditions dropped for the sixth consecutive month due to concerns such as those in the household sector regarding weakening consumer confidence stemming from rising prices of gasoline and some food products as well as those in the corporate sector regarding rising prices of crude oil and raw materials and the continuing impact of delayed construction starts.

On the whole, the assessments of the Economy Watchers indicate that the economic recovery has continued to show 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

Household activity

B	<ul style="list-style-type: none"> • With temperatures having finally dropped, sales of fall items are beginning to pick up. Along with this, the number of customers has begun to increase. (Chugoku: Clothing store)
C	<ul style="list-style-type: none"> • Due to the delay in the changing of the leaves and escalating gasoline prices, the number of people going on excursions is lower than in an average year. (Tokai: Travel agency) • Product unit prices are gradually rising due to the impact of the rising of oil and other prices. As a result, customers are cutting back on the number of products they purchase. (Shikoku: Supermarket)
D	<ul style="list-style-type: none"> • Although the number of reservations has been on par with that in an average year, the number of visitors has been dropping as a whole due to fewer walk-in reservations and drop-in visitors. With unit prices at souvenir counters rising, sales have somehow managed to stay on pace with those of last year. (Tohoku: Tourist spot) • The average amount purchased by each customer continues to drop. In particular, the falling unit prices of bento etc. stands out, and purchases of drinks etc. together with bento are decreasing. (Southern Kanto: Convenience store)

Corporate activity

B	<ul style="list-style-type: none"> • The rise in the price of raw materials is being shifted to retail prices, and both the number of orders received and sales are increasing. (Tokai: Pulp, paper and paper-processed products manufacturing industry)
C	<ul style="list-style-type: none"> • The number of newly built private residence properties has decreased beyond expectations. As a result, the negative trend in land transactions continues. (Hokkaido: Judicial clerk) • Although orders received in Europe and the U.S. are favorable, the domestic market is cooling down. (Hokuriku: General machinery and appliance manufacturing industry)
D	<ul style="list-style-type: none"> • Although operations remained at full capacity for semiconductor-related products up until September, there was a sudden downturn from the beginning of October. Movement continues to be extremely slow for both medium- and large-sized companies, and the amount of orders received is dropping sharply. General precision instrument/machine parts are also on the decline. (Kyushu: Electrical machinery and apparatus manufacturing industry) • Due to the increase in manufacturing costs by manufacturers resulting from the sudden jump in crude oil prices, demands for distribution cost reductions are becoming stronger. Since wholesalers shift to distribution companies that offer lower estimates, there are cases in which we must make unit price adjustments. (Okinawa: Transport industry)

Employment

- B** • The number of corporations wishing to hire new graduates is approximately 110% that of the previous year, and secondary new graduate needs are particularly high for small to medium enterprises. The number of job applicants for sales positions is decreasing and it is therefore impossible to compensate for job advertisement costs. (Shikoku: Job advertisement magazine production company)
- C** • Local corporations as a whole are on a downward trend. In particular, the number of job advertisements placed by transport companies, inns/hotels, gasoline stations and realtors is decreasing. (Hokkaido: Newspaper company)
- D** • The number of new job offers has decreased substantially in comparison with last year. Job offers for part-time work have also dropped significantly, followed in order by the restaurant industry, lodging industry, service industry, transport industry, wholesale/retail industry and manufacturing industry. (Southern Kanto: Public employment security office)
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2. Future conditions

Household activity

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| B | <ul style="list-style-type: none"> • If sales of PCs gain momentum, we will no longer have any weak points. In terms of AV products, Blue-Ray recorders and 50-inch class high resolution large-screen TVs hold promise. It appears that sales of seasonal consumer electronics will not be sluggish as they were last year due to the mild winter. In addition, market evaluations of new digital cameras and single-lens reflex cameras have been extremely high. (Southern Kanto: Mass retailer of consumer electronics) |
| C | <ul style="list-style-type: none"> • Although some of the feeling of anxiety about the future has begun to lift, as we enter this season in which kerosene—the price of which has risen—is used and expenses for snow removal fees increase, our situation will remain as-is. (Hokkaido: Beauty salon) • There have been reports that winter bonus payments will exceed those of last year, and we have begun to see movement by customers interested in seeing the changing of the leaves, which is delayed. However, there are some who say that the airfare hikes resulting from the high price of crude oil is starting to cause customers to put on the brakes. As a whole, our circumstances remain unchanged. (Kinki: Travel agency) |
| D | <ul style="list-style-type: none"> • In addition to continuing price hikes for gasoline and kerosene, there have been many reports of price increases for groceries, toilet paper, etc. As a result, purchasing behavior is becoming even more cautious and the severity of our situation is worsening. (Tohoku: Supermarket) |

Corporate activity

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| B | <ul style="list-style-type: none"> • With large-scale capital investment being carried out in our area, there are prospects for orders. In addition, we have received orders for our own original specialty spray driers, and expect to become busy. (Shikoku: Electrical machinery and apparatus manufacturing industry) |
| C | <ul style="list-style-type: none"> • Due to the numerous orders we have received, sales we have made, etc. as well as new work coming in, we expect things to remain hectic for the next two or three months. (Northern Kanto: Transport machinery and apparatus manufacturing industry) • Ever since enforcement of the revised Building Standard Law began, the number of new properties has fallen dramatically, delays in construction work for properties under construction have stood out and demand for building materials has dropped significantly. Construction of small- to medium-sized properties, which are the key to demand, has come to a standstill. In addition, movement of building materials centered on small steel rods has decreased dramatically, and it is unclear when improvement will be seen. There is a sense of anxiousness regarding the credit impairment of vendors that deal with building materials. (Kyushu: Steel industry) |
| D | <ul style="list-style-type: none"> • There is going to be another massive hike in fuel costs. Although there will also be price hikes across the board for tires, seats, etc., we are unable to raise shipping expenses to the extent we would like, and this in turn is putting even more pressure on profits. (Tokai: Transport industry) • Housing starts have failed to grow and month after month the gap between actual sales and our sales objectives is widening. Due to stagnant sales and rising prices of materials, our profits at the end of the fiscal year will be half that of an average year. (Kinki: Electrical machinery and apparatus manufacturing industry) |

Employment

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| B | <ul style="list-style-type: none"> • Since large-scale commercial facilities will be setting up operations in front of stations and in the suburbs, job offers should also start picking up soon. On the employment front, this movement should lead to an economic boost. (Tohoku: Newspaper company [Job advertisements]) |
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| C | <ul style="list-style-type: none">• Although job offers by the manufacturing industry, which leads the way in terms of job offers, have been strong, it is becoming obvious that there are concerns regarding the impact of rising crude oil prices. (Northern Kanto: Private employment agency) |
| D | <ul style="list-style-type: none">• As a result of the decrease in construction work, cutbacks and bankruptcies by small- and medium-sized companies in the construction industry continue, and it is projected that there will be a decrease in the number of job offers and increase in the number of job applicants. (Kyushu: Public employment security office) |