

Economy Watchers Survey

September 2007

OVERVIEW OF THE MONTH

The DI for current economic conditions in September dropped 1.2 points from the previous month to 42.9.

The household activity-related DI dropped due to rising prices of some food products etc. and record-setting lingering summer heat that has led to sluggish sales of fall clothing. The corporate activity-related DI rose slightly due to the continuing impact of rising crude oil and raw materials prices as well as favorable conditions for some manufacturing industries. The employment-related DI rose slightly as a result of employment offer figures. As a result, the current DI dropped for the sixth month in a row, falling below the neutral indicator of 50 points for the sixth consecutive month.

The DI for future economic conditions in September dropped 0.5 points from the previous month to 46.0.

The DI for future economic conditions dropped for the fifth consecutive month primarily due to concerns in both the household and corporate sectors regarding the effect of rising crude oil and raw materials prices.

On the whole, the assessments of the Economy Watchers indicate that the economic recovery has shown 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

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| B | <ul style="list-style-type: none"> The number of cost estimates for group tours has been on the rise, and we are unable to keep up with our day-to-day work because all 10 of our phone lines are constantly ringing off the hook. (Southern Kanto: Travel Agency) |
| C | <ul style="list-style-type: none"> As a result of what could be called unusual lingering summer heat, we have been fighting an uphill battle in terms of sales of fall clothing (especially outerwear). Sales of women's hats, parasols and other UV care items as well as hot spring fiber innerwear for Respect-for-the-Aged Day have increased dramatically. As for food items, our efforts to provide menu suggestions as a form of dietary education have been supported by the young housewife layer. (Northern Kanto: Supermarket) Although sales of air conditioners were favorable as in the previous month with a year-on-year increase of 25% due in part to lingering summer heat, sales of PCs are still on the decline and overall sales remain unchanged from last year. (Hokuriku: Electronics retail store) |
| D | <ul style="list-style-type: none"> Due to the relentlessly lingering summer heat, fall items are not selling at all. In the big-ticket item ready-to-wear zone, for which movement is seen earlier than in other zones, there seems to be an annually increasing trend for customers to buy only items for the current season, and all zones are facing an uphill battle. (Chugoku: Department Store) The steep rise in crude oil prices has also had an effect on wheat, oil and other food products, and shop prices began rising this month. With the continuing lingering summer heat, clothing sales have also been sluggish. (Shikoku: Supermarket) |

Corporate activity

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| B | <ul style="list-style-type: none"> Supported by the favorable conditions of the automobile manufacturing, electronics and machine tool industries, orders received are headed in the upward direction. (Tokai: Electrical machinery and apparatus manufacturer) |
| C | <ul style="list-style-type: none"> Orders received for construction machinery and hydraulic equipment continue to move at a high level, and parts for four-wheel-drive cars are at full production and are not being swayed by the seasonal influence of summertime. (Northern Kanto: General machinery and apparatus manufacturer) Due to the partial revision of the Building Standards Law, delivery of building certification documents of settlement is further behind schedule than ever before. Even if tentative decisions are made on construction orders received, it takes time to complete building certification applications, the start of construction then gets postponed and this in turn has an effect on the completion of construction. (Hokuriku: Construction company) |
| D | <ul style="list-style-type: none"> Valued customers that have always placed ads on an annual basis have begun to stop placing ads due to poor business performance. (Hokkaido: Advertising agency) Surprisingly, sales are not increasing in any industries. In particular, sales are down in the distribution and construction industries. In addition, although sales are generally increasing in the manufacturing industry, the rising price of raw materials has put pressure on profit margins. (Chugoku: Accounting firm) |

Employment

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| B | • For the additional employment offer questionnaire we conducted this month, the number of companies that replied increased in comparison with the previous year. In particular, micro-, small- and medium-sized businesses that have not yet secured their planned number of employees continue to be proactive. (Kinki: School [University]) |
| C | • The number of job applicants has witnessed a decline in comparison with last year, and response to recruitment advertisements is slow. There are also a growing number of cases in which applicants decline jobs to which they have been introduced. (Tohoku: Temporary staffing company) |
| D | • Small to medium enterprises have downsized or gone bankrupt one after another without any bias in terms of industry. (Hokuriku: Public employment security office) |
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2. Future conditions

Household activity

B	<ul style="list-style-type: none"> In addition to favorable conditions for private travel, corporate travel is rising steadily and advance reservations are also favorable. A year-on-year increase of more than 10% is anticipated in the wedding sector. (Okinawa: Sightseeing hotel)
C	<ul style="list-style-type: none"> Although the number of visitors to our course is rising, unit prices continue to drop and the price war will continue to become increasingly fierce in the future. The increasing number of golf competitions is a promising sign. (Tokai: Golf course) Together with the drop below average temperatures, sales have shifted from soft drinks etc. to prepared rice. However, looking at recent movement of prepared rice, low-priced bento are selling better than higher priced bento, and total sales have been sluggish. (Kinki: Convenience store)
D	<ul style="list-style-type: none"> With the season shifting to fall/winter, the steep rise in crude oil prices has led to increased prices for numerous products including kerosene, and a frugal mood in consumption is mounting. (Tohoku: Supermarket)

Corporate activity

B	<ul style="list-style-type: none"> We are anxiously anticipating a drop in prices for some video game units as well as new game software slated to go on sale at the end of the year. (Southern Kanto: Other manufacturing industry [Game])
C	<ul style="list-style-type: none"> Although it is thought that Asia-related exports will remain firm, costs continue to be high for raw materials etc., and there is concern that the high-valued yen trend may put the brakes on exports. (Chugoku: Steel industry) Although an increase in orders received from new distribution-related customers is expected, the domestic automobile sales slump has led to a considerable cut in advertising expenses by automobile-related customers and overall business will remain unchanged. (Shikoku: Advertising firm)
D	<ul style="list-style-type: none"> Unable to cover the increase in prices of raw materials such as paper, gasoline and crude petroleum by adding it on to the prices of orders received, profits are deteriorating. This is true for our industry as a whole, and the future appears to be bleak. (Tohoku: Publication, printing and related industries) Through negotiations with customers, we have been able to slightly increase our selling prices. However, further increases in crude oil prices are expected to lead to further increases in procurement prices for raw materials. (Tokai: Chemical industry)

Employment

B	<ul style="list-style-type: none"> Being in charge of employment assistance at our computer vocational school, it has been my observation that hiring interests among corporations are strong, and students are receiving unofficial offers at a rate close to that seen during the bubble period. (Southern Kanto: School [Vocational school])
C	<ul style="list-style-type: none"> With the establishment of an automobile-related business, related small and medium enterprises are advancing one after another. Although operations have not yet begun, the future appears to be bright. (Kyushu: Public employment security office)
D	<ul style="list-style-type: none"> We have seen several cases of small personnel cuts, and there has been an increasing trend of displaced workers. The rise in raw material prices has had a considerable effect on employment. (Northern Kanto: Public employment security office)