

Economy Watchers Survey

April 2008

OVERVIEW OF THE MONTH

The DI for current economic conditions in April fell 1.4 points from the previous month to 35.5, posting a fall for the first time in three months.

The household activity-related DI dropped due to the fact that a thrift-oriented mentality of consumers stemming from the further rises in prices of everyday household goods became more prevalent, although gasoline prices declined. The corporate activity-related DI remained almost unchanged amid the continuing impact of crude oil and raw material prices due to better performance by some manufacturers. The employment-related DI fell due to ongoing declines in new job offers.

The DI for future economic conditions in April dropped 2.1 points from the previous month to 36.1.

The DI for future economic conditions dropped for the second consecutive month due to continuing declines in new job offers and concerns over employment adjustments by some corporations, in addition to weakened consumer confidence stemming from the rising prices of everyday household goods as well as the impact of further gasoline price hikes.

On the whole, the assessments of the Economy Watchers indicate that the feeling of economic recovery has been extremely weak.

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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"> The number of tourists in April has been increasing 10% over the same month of last year. The number was smaller than last year in the first half of Golden Week but has begun to pick up at the last minute. (Okinawa: Other service [rent-a-car])
C	<ul style="list-style-type: none"> Conversations with customers have left us with the impression that they do not really go out for leisure activities and shopping. (Tokai: Beauty parlor) There are no major positive factors other than weather. We are not benefiting from the decline in gasoline prices. (Kinki: Other leisure facility [drink and goods selling facility for transient customers])
D	<ul style="list-style-type: none"> Since the beginning of April, customers have been increasingly trying to economise in their daily lives. Usually, we have many customers on pension-payment days, but customer movement this month is slow. Middle-aged women, our main customers, have become more selective in their purchases and they buy only the bare essentials after careful examination. (Tohoku: Department store) We often hear customers saying that this product had cost such-and-such a price, and prices have gone up for everything. Customer awareness of price hikes remains quite strong, leading to pullbacks in consumer spending. (Chugoku: Supermarket)

Corporate activity

B	<ul style="list-style-type: none"> Shipments of Blue-Ray discs are brisk thanks partly to the standardization of next-generation DVD recorders. (Kinki: Electrical machinery and apparatus manufacturing industry)
C	<ul style="list-style-type: none"> In the machinery and metal industry, with prices of iron plates in particular rising sharply, people in the industry are greatly concerned about future price movements. It is harder than ever to absorb rising prices, which stood at the level of ¥70,000/ton in March and ¥90,000-100,000/ton in April, while having difficulty in passing the hike on to product prices. (Northern Kanto: Metal product manufacturer) Securing contracts is proving to be difficult as cost estimates tend to be higher than planned construction expenditures due to rises in material prices. (Kyushu: Construction industry)
D	<ul style="list-style-type: none"> Sales have decreased sharply in the construction and real estate industries due to the lingering effects of problems inherent in the delay in construction certification procedures. Housing sales are also somewhat sluggish. Given the fact that individual and corporate customers are falling behind in their repayment of loans, the situation is worsening (Southern Kanto: Financial industry) Although order volume and prices of orders received remain at the same level, we are still facing difficult conditions in terms of profitability due to the effects of spring pay hikes and a surge in the purchasing prices of steel products. (Chugoku: Transportation equipment manufacturer)

Employment

C	<ul style="list-style-type: none"> Although the number of new graduates recruited is slightly higher than in the previous year among some major local manufacturers, the number of job offers as a whole remained unchanged. With the economy remaining sluggish, the number of job offers other than from the service industry is decreasing. (Northern Kanto: Job information magazine publisher)
D	<ul style="list-style-type: none"> We have the impression that the number of job seekers has increased slightly and that job applicants have become quick to respond to job offers. It is very difficult to secure manpower in the Tokyo bay area, as the job offers-to-seekers ratio in the area now stands

far above the average. In other areas, however, it has become easier to recruit workers. This is a phenomenon often seen when business confidence is deteriorating, suggesting that job seekers have to a certain extent lost their composure. (Southern Kanto: Newspaper publisher [Help wanted ads])

2. Future conditions

Household activity

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| C | <ul style="list-style-type: none"> • Reflecting product price hikes and problems involved in the medical system for the aged and the national pension system, an increasing number of middle-aged customers have switched from buying high-quality products to buying reasonably-priced products. This situation will continue for the next three months. (Southern Kanto: General retailer [Clothing · sundries]) • Judging from current circumstances, there are few factors that may increase sales of high-priced products. We have no choice but to count on external factors, such as temperatures and weather. We are not aware of any factors that may drastically change our business for the better. (Kinki: Department store) |
| D | <ul style="list-style-type: none"> • Recently, the number of local customers visiting our hotel by car has decreased. Worse still, the status of bookings is not good, as a hike in gasoline prices is expected early next month. (Shikoku: City hotel) • Customers are increasingly showing a tendency to concentrate on special sales days. If gasoline prices are actually raised next month, customers may cut back on consumption spending as a whole. Groceries, the items most frequently purchased, are no exception to this. (Kyushu: Supermarket) |

Corporate activity

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| C | <ul style="list-style-type: none"> • With no recovery in housing construction expected and the impacts of a rise in material prices remaining unclear, we cannot paint a rosy picture for the future. (Hokuriku: Plastic products) • Most business managers of small and medium-sized enterprises are taking a wait-and-see stance, holding off on aggressive capital investment. (Kyushu: Financial industry) |
| D | <ul style="list-style-type: none"> • Sales of construction machinery and hydraulic equipment did not reach the levels we had expected and a sharp increase in steel product prices became a reality. If this situation continues as is, our business will be in deeper trouble. (Northern Kanto: Ordinary machinery and equipment manufacturer) • With production adjustment to reduce inventory levels being implemented, primarily by manufacturers, the volume of production goods that we handle has begun to decrease. (Tokai: Forwarding agency) |

Employment

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| C | <ul style="list-style-type: none"> • Unable to find effective measures to shore up their business, corporations are gripped by a mood of resignation and their hiring interest remains subdued. (Hokkaido: Temporary manpower company) |
| D | <ul style="list-style-type: none"> • Although there are signs that the disposal of non-performing loans by major financial institutions has been put to rest, the number of corporate bankruptcies caused by credit crunch is likely to increase as local financial institutions are reportedly beginning to write off bad loans at present. (Tohoku: Job placement office) |