

Economy Watchers Survey

January 2008

OVERVIEW OF THE MONTH

The DI for current economic conditions in January dropped 4.8 points from the previous month to 31.8.

The household activity-related DI dropped due to the consumer's rising thrift-oriented mentality, stemming from the continuing rise in gasoline, kerosene and food prices. The corporate activity-related DI dropped due to the continuing impact of rising crude oil and raw material prices as well as the drop in sales volume among some corporations. The employment-related DI dropped due to ongoing declines in new job offers. As a result, the current DI dropped for the tenth month in a row, falling below the neutral indicator of 50 points for the tenth consecutive month.

The DI for future economic conditions in January dropped 1.2 points from the previous month to 35.8.

The DI for future economic conditions dropped for the ninth consecutive month due to concerns in the household sector over weakened consumer confidence stemming from the price increase in everyday household goods as well as concerns over the continuing bleak outlook for the business environment stemming from the impact of rising crude oil and raw material prices.

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

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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"> The number of visiting customers at the end of year was lower than expected, but it has been picking up since the beginning of the year. The number of visiting customers in January is much higher than usual. (Tokai:Autodealer)
C	<ul style="list-style-type: none"> Previously, customers usually bought fortune bags, and then they went to clearance sales. But, this year, there was a strong tendency for customers to choose only one of them. So, if they buy fortune bags, they do not even consider going to clearance sales. Food-related goods are steadily doing well, and particularly the sales of perishable goods are brisk, and the sales of female shoes were also quite brisk. (Chugoku: Department store) Customers seemed to have checked sales goods beforehand and to have been waiting for the prices to be reduced further. Once the 30% discount was cut to 50%, the sales jumped sharply. The amount of sales went beyond those of the previous year, but we feel there is a sense of caution in the customer's shopping behavior. (Kyushu: Clothing shop)
D	<ul style="list-style-type: none"> Consumer's consciousness of economizing has been heightened, due to a string of price hikes in food, kerosene, and gasoline. While the sales of instant noodles and cup-noodles are dull, those of rehydradable noodles and pasta are picking up. Long lines for time-limited sales of goods such as rice, ham, sausage have been observed. (Hokkaido: Supermarket) Surcharges are making a negative impact on sales. For example, a family of four changed a Hawaii trip plan to a domestic trip, due to a fuel surcharge close to 100,000 yen. (Kinki:Travel agency)
E	<ul style="list-style-type: none"> Customers are not better off financially, so the number of customers has been decreasing. (Tokai:General restaurant)
<i>Corporate activity</i>	
C	<ul style="list-style-type: none"> Even though there has been a negative impact originating from clients in the United States, we are not suffering considerably due to increasing inquiries about heavy equipment, construction equipment, etc. for mining and infrastructure building in China, Vietnam,etc. However, many subcontract companies like ours post an increase in revenue and a decline in profit. (Northern Kanto: Metal product manufacturing industry) There are considerable differences among corporations and types of businesses. While good news, such as auto-part factories making capital investment, has been reported, building constructors are still facing difficulties. (Kyushu: Finance industry)
D	<ul style="list-style-type: none"> Due to the price hike not only in materials but also daily necessities, customers tend to put off the expensive building or renovation of their house. (Tohoku: Construction industry) The price increase in materials stemming from crude oil's rising cost has been passed on to the product price. Meanwhile, consumers are forced to pinch pennies due to the steep price hike on fuel, which has led to a decline in volume of sales. (Chugoku: Other manufacturers [Sporting goods])
E	<ul style="list-style-type: none"> From the beginning of the year, the wholesale price of some goods handled by trading company in Nagoya went up by 10 %. However, because the number of orders, largely from the construction industry, has been decreasing since last year, we have no choice but to cut down the unit contract price. Our customers usually have about 2 months backlog of orders on average, but now it is sharply decreased to about one week. (Tokai: Steel

	industry)
<i>Employment</i>	
C	<ul style="list-style-type: none"> While there are still unfilled vacancies for small and tiny companies, the number of corporations offering jobs in January has been considerably decreasing. Hiring interest among corporations has not been felt as before. (Kinki: School [University])
D	<ul style="list-style-type: none"> New job offers as well as available jobs are 20% lower than the same month a year ago, and the decline has been increasing as the month goes by. Particularly, there has been a big drop in job offers for part-timers in small-and medium-sized companies. (Northern Kanto: Public employment security office)

2. Future conditions

<i>Household activity</i>	
C	<ul style="list-style-type: none"> We hear customers saying that they should hold back on going for drinks, due to the price increase. So, the current bleak situation will remain unchanged in the next 2 to 3 months. (Southern Kanto: General restaurant) In 2 or 3 months, the season in which kerosene heating oil is used will come to end, so the concern for the price hike related to crude oil will be somewhat weakened. And customers will get used to the price hike, so the situation will continue as it is. (Hokuriku: Supermarket)
D	<ul style="list-style-type: none"> Due to the sluggish sales in condominiums, a price cut has begun to be observed in some parts in order to sell out inventories. If this trend accelerates, the condominium price will fall. (Kinki: Housing sales company) Beginning with the price hike by major beer breweries from Feb.1, the price of various products from shochu (distilled spirit) and wheat-related goods to daily-distributed goods will be raised one after another in March through April. Though a temporary increase in demand for beer and so on is projected, the overall trend will be on a weak note. (Chugoku: General retail shop [Liquor])

<i>Corporate activity</i>	
C	<ul style="list-style-type: none"> The transport situation is likely to remain unchanged from the previous year, due to cargo movement such as goods for starting-out-new-life, etc. But, because of the burden stemming from the high fuel price for vehicles, profits are being eroded. What's more, even though shippers may understand the current situation of the high crude oil price, the negotiations for raising the transportation price are stalled. (Northern Kanto: Transport industry) Supported by demand from emerging countries, the electronic industry is steady. But, we are anxious about securing quality and profits because we have been involved in price competition with overseas manufacturers and trading companies. The sales outlook remains flat. (Tokai: Electrical machinery equipment manufacturer)
D	<ul style="list-style-type: none"> Various food prices have been increasing since the beginning of this year. There is a tendency that consumer's buying inclination is weakening, so there is a considerable uncertainty. The outlook for procuring raw materials remains grim in terms of price and quantity. (Tohoku: Food manufacturer) In several cases, we have been asked to consider decreasing the amount of ads to be placed from April onwards. (Shikoku: Advertising agency)

Employment

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- C** • Job offers have remained stagnant except for in the IT-related industries. The price increase in oil-related products is expected starting from April, so we can't deny an uncertain outlook in sales and service industries. (Okinawa: School[Vocational school])
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- D** • Due to the sharp crude oil price hike, companies are starting to be forced to adjust hiring. Particularly, the number of job seekers for driver positions has been increasing. (Southern Kanto: Public employment security office)
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