

# Economy Watchers Survey

## June 2008

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### OVERVIEW OF THE MONTH

The DI for current economic conditions in June fell 2.6 points from the previous month to 29.5, posting a fall for the third consecutive month.

The household activity-related DI dropped due to a thrift-oriented mentality becoming more prevalent among consumers, stemming from the further rises in prices of gasoline and everyday household goods. The corporate activity-related DI dropped due to a decline in orders received among some sectors, in addition to the continuing impact of higher crude oil and raw material prices. The employment-related DI fell due to ongoing declines in new job offers.

With regard to the impact of the Iwate-Miyagi Inland Earthquake, we've heard, mainly from people in the Tohoku region, that consumers have become less eager to buy and that there have been cancellations of overnight stay reservations, etc.

The DI for future economic conditions in June fell 3.0 points from the previous month to 32.1, posting a decline for the fourth consecutive month.

The DI for future economic conditions fell, primarily in the household and employment sectors, due to the fact that, in addition to weakened consumer confidence caused by the rising prices of everyday household goods as well as the impact of gasoline price hikes, the decline in new job offers is expected to continue and there are also concerns over bankruptcies and employment adjustments.

On the whole, the assessments of the Economy Watchers indicate that the feeling of economic recovery has weakened yet 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**

***Household activity***

<b>C</b>	<ul style="list-style-type: none"> <li>• Since we mainly deal in mini-vehicles, we are being aided by higher gasoline prices. At the same time, however, competition has been intensifying. (Tokai: Auto dealer)</li> <li>• Thanks to the introduction of the “taspo” card for cigarette purchases, the number of customers increased 30% from the previous month and sales of cigarettes were brisk, marking a 40% jump over a year earlier. However, with sales of bread and other ready-to-eat foods decreasing, our overall sales posted only a 5% increase. The number of customers using commemorative coins, old coins or old beer coupons for their purchases has increased recently. As such, customers seem to be keeping a tight hold on their purse strings. (Hokuriku: Convenience store)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>• Some events have been cancelled due to the effect of the Iwate-Miyagi Inland Earthquake. Our profit margins have been decreasing, as we are unable to pass the rise in material costs on to customers. (Tohoku: City hotel)</li> <li>• A month has passed since we increased the prices of some products. We have come to see many customers gloomily say, “I guess we’ll just have to grin and bear it.” (Chugoku: Standard class restaurant)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>• Business is getting worse. Sales of beauty-related products, which women had not reduced their spending on, are now decreasing. Sales are decreasing in all sectors. (Hokkaido: Department store)</li> </ul>

***Corporate activity***

<b>C</b>	<ul style="list-style-type: none"> <li>• Although we have secured the same level of transportation volume as in the previous year, profits are decreasing due to soaring fuel prices. We are trying to secure profits by transporting packages for same destinations together. (Northern Kanto: Forwarding agency)</li> <li>• Domestic orders received have lost momentum and come to a halt. This is because our clients have become increasingly uncertain about their outlook and their inventories have increased. (Chugoku: Steel industry)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>• We are unable to pass the rising prices of raw materials on to our products. Many of the corporations that have carried out massive price hikes are seeing a sharp decrease in the volume of orders received. (Tokai: Electrical machinery equipment manufacturer)</li> <li>• Manufacturers of auto parts, unable to pass the rise in raw material prices on to their product prices, are seeing their profits continue to decline. The real estate and construction industries are also in an extremely tight cash-flow situation. (Kinki: Finance industry)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>• The number of ads run by real estate-related companies has decreased sharply, reflecting sluggish sales. The business conditions for local advertising agencies have become increasingly severe, as amusement hall-related businesses are now also decreasing their ads. Major ad agencies are counting on the opening of commercial facilities in the autumn, but small ad agencies are unlikely to benefit from such facilities. (Tohoku: Advertising agencies association)</li> </ul>

***Employment***

<b>C</b>	<ul style="list-style-type: none"> <li>• Business is stagnant in general. Although job offers from the Kyoto and Osaka areas are increasing, they have not led to the enhancement of business activity. We are counting on the opening of large-scale commercial facilities and the destination campaigns to be run by those facilities. (Tohoku: Newspaper company [Job advertisements])</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>• Although there are differences by type of business, the numbers of registered job seekers who have left their jobs because of corporate restructuring and those who had no choice but to leave their jobs because of corporate bankruptcy have increased. (Shikoku: Private</li> </ul>

	employment agency)
E	<ul style="list-style-type: none"> <li>Job offers from manufacturing industries for regular workers, dispatched temporary workers and contract jobs have all decreased sharply. (Tokai: Newspaper company [Job advertisements])</li> </ul>

## **2. Future conditions**

### ***Household activity***

C	<ul style="list-style-type: none"> <li>Hard hit by higher prices of gasoline, customers are shifting their lunch items to low-priced products, such as <i>onigiri</i> rice balls and breads. Although sales of low-priced products are brisk, they do not contribute to profits. The situation will remain unchanged. (Hokkaido: Convenience store)</li> <li>Although we are counting somewhat on the steady performance of the accommodation sector, the number of visitors to Osaka is likely to decrease due to the coming Beijing 2008 Olympic Games and various events scheduled in Tokyo. With banquet reservations remaining sluggish, the best we can hope for is maintaining the current level of performance. (Kinki: City hotel)</li> </ul>
D	<ul style="list-style-type: none"> <li>Purchase prices are expected to rise again in July. Customers will become more cautious about buying fuel oil. We have come to hear from our family customers that they are holding off on long-distance drives for leisure and instead shifting to driving to nearby leisure facilities. (Kyushu: Other specialty shop [Gas station])</li> <li>Although there are some positive factors, such as the Beijing Olympics, the cutbacks in consumer spending will remain unchanged for some time to come, due to uncertainties with regard to how far the tide of soaring prices of food and other products will rise. (Okinawa: Electric appliance retailer)</li> </ul>
E	<ul style="list-style-type: none"> <li>We are approaching the July sales. Since sales during recessions can achieve good results, we are placing hope in the month of July. However, if business remains as it is during and after the August <i>Obon</i> festival period, we will be under extremely severe conditions. (Shikoku: Clothing shop)</li> </ul>

### ***Corporate activity***

C	<ul style="list-style-type: none"> <li>Iron plate prices were hiked again in July and scrap iron prices are also rising. Our clients have agreed to price hikes on our machine tool and industrial machinery products. We are now also negotiating with the auto industry, and are likely to be able to absorb both raw material price increases. There are many corporate customers who have agreed to raise product prices. However, they are mostly large corporations. (Northern Kanto: Metal product manufacturer)</li> <li>Inquiries from steel-related customers are relatively slow and there are few capital investment plans. If this trend continues, our business conditions will deteriorate. (Kinki: Ordinary machinery and equipment manufacturer)</li> </ul>
D	<ul style="list-style-type: none"> <li>Although we expect the leasing of office buildings to remain brisk in view of the current status of tenants, we are worried about home sales. With the rise of material prices beginning to have an adverse effect, if we want to make a profit, we will have to raise our selling prices. However, a hike in selling prices will negatively affect home sales. (Northern Kanto: Real estate broker)</li> <li>We've heard that all types of metal mold-related industries, both medium- and large-sized companies, are having difficulty nationwide in working out their future production plans. They will be tied up with production to meet current orders until early autumn. (Kyushu: Electrical machinery equipment manufacturer)</li> </ul>

### ***Employment***

C	<ul style="list-style-type: none"> <li>Many types of industries and corporations have become cautious about job offers and employment, as, hard hit by gasoline price hikes, etc., they saw their sales decreasing and profits worsening. (Northern Kanto: Recruit magazine publisher)</li> </ul>
D	<ul style="list-style-type: none"> <li>In our prefecture, corporate bankruptcies and large-scale personnel cutbacks are expected to continue among various types of industries, particularly among small- and medium-sized</li> </ul>

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corporations. Willingness to offer jobs has been decreasing in the entire labor market. (Chugoku: Public employment security office)
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