

# Economy Watchers Survey

## November 2008

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### OVERVIEW OF THE MONTH

The DI for current economic conditions in November fell 1.6 points from the previous month to 21.0, posting a fall for the eighth consecutive month.

The household activity-related DI fell, as a result of consumers' cautious attitudes towards making purchases, stemming from the deterioration of stock prices and the employment situation, although gasoline prices declined. The corporate activity-related DI showed a downturn due to the worsening of the global financial crisis, economic slowdown, decreases in orders received stemming from the yen's appreciation, expansion of output cuts, and postponement of business investment. The employment-related DI fell, reflecting decreases of new job offers, increasing terminations and non-renewals of contracts with temporary workers.

In November, the DI for future economic conditions fell 0.5 points from the previous month to 24.7.

The DI for future economic conditions declined mainly in the household activity-related DI, since consumer confidence would further deteriorate due to concerns about the future economy, stock prices, employment, and a prospected decrease in bonuses.

On the whole, the assessments of the Economy Watchers indicate that the current state of the economy continues to be increasingly severe.

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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**

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***Household activity***

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| <b>C</b> | <ul style="list-style-type: none"> <li>• Sales of automobile-related parts are performing poorly, although the sales of petroleum products almost recovered to the level of the previous year due to the falling prices of petroleum products. (Hokkaido: Other specialty shop [Gas station])</li> <li>• It is time for our busy season to begin, but no such beginning has been seen yet. We hear our customers saying that they have to cut corners because they have lost jobs due to employment adjustments. (Kyushu: Beauty salon)</li> </ul>  |
| <b>D</b> | <ul style="list-style-type: none"> <li>• As the number of purchases and per-customer transactions have been declining compared with the previous year, it appears that customers are viewing prices severely and shopping carefully. A preference for dining at home has become apparent since the amount of rice and sake purchased has increased and sales of frozen meals have recovered to over 90% of previous levels. (Tohoku: Supermarket)</li> <li>• The number of customers was not so bad during the autumn leaves viewing season. However, considering how many bookings for and inquiries about year-end and new-year parties we have received, we can hardly think that our situation has improved. (Northern Kanto: Tourist hotel)</li> </ul> |
| <b>E</b> | <ul style="list-style-type: none"> <li>• Despite the prices of gasoline and kerosene calming down, housing demand has reached a standstill due to concerns about salaries stemming from poor earnings (Hokkaido: Architect office)</li> <li>• Customers who have previously purchased expensive items are increasingly likely to hold off on buying such items mainly due to the stock market slump and in anticipation of a worsening economic climate. (Shikoku: Department Store)</li> </ul>   |
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***Corporate activity***

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| <b>C</b> | <ul style="list-style-type: none"> <li>• Orders are increasing ahead of the year-end season when demand is strong, although these orders are mainly for low price items and small lots. Customer movements have further deteriorated due to the economic downturn. However, declining prices of crude oil and imported raw materials due to the strong yen indicate that a reduction in production costs is now in sight. (Hokkaido: Food and related products)</li> </ul>  |
| <b>D</b> | <ul style="list-style-type: none"> <li>• We have heard that almost all of our corporate customers have seen a decrease in workload, and our company has also. Apparently even a company which made business investment recently is making workforce cuts. (Northern Kanto: Electrical machinery equipment manufacturer)</li> <li>• Our major corporate customers, automakers, are repeatedly reducing production this month, so our economic situation has become very bad. (Chugoku: Transportation machinery production)</li> </ul> |
| <b>E</b> | <ul style="list-style-type: none"> <li>• As major companies, including automobile-related companies, cancelled their business investment in succession, demand has declined to almost half that of the previous year. (Tokai: Iron &amp; steel)</li> <li>• Orders received from Japan and overseas have stopped. We have seen cancellations and postponements of orders received from overseas customers due to appreciation of the yen. (Hokuriku: General machinery and appliance manufacturing industry)</li> </ul>                |
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***Employment***

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<b>D</b>	<ul style="list-style-type: none"> <li>The number of company-ordered displaced workers increased by 70% compared with the previous year, and has continued to increase following the previous month. Construction companies continue to face business difficulties as usual, and the related transport industry and manufacturers are also in severe conditions. In addition, there are now some business establishments saying their business has become worse due to banks' credit withdrawal and so on. (Kyushu: Job placement office)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>Mainly in automobile manufacturers and import-related makers, the number of terminations of contracts with temporary workers during contract periods and non-renewals after contracts expire is sharply increasing. (Tohoku: Temporary manpower company)</li> </ul>

## **2. Future conditions**

### ***Household activity***

<b>D</b>	<ul style="list-style-type: none"> <li>Both the number of visitors and the average amount purchased per customer show no signs of picking up. Our business conditions will turn somewhat negative since customers are increasingly canceling the purchases of expensive items due to significant bonus cuts, decreases in salaries, and losses triggered by the sharp fall of stock prices. (Hokkaido: Shopping area)</li> <li>In addition to the decline in the fuel surcharge due to the stabilization of crude oil prices from January next year, the yen's appreciation will benefit private overseas travel for sightseeing. On the other hand, we are concerned that the economic slowdown will reduce group tours particularly by corporations, and spur bargain sales, causing a decrease of the profit ratio. (Hokuriku: Travel agency)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>Holding off on the purchase of cars, extension of car-ownership and declining car use will increase due to a drop in winter bonuses and employment uncertainties although gasoline prices are falling. (Tohoku: Auto dealer)</li> <li>The number of customers who pay in instalments for big-ticket purchases is declining. The number of customers who refrain from purchasing big-ticket merchandise is increasing, reflecting worries over the future economy. (Chugoku: Electric appliance retailer)</li> </ul>

### ***Corporate activity***

<b>D</b>	<ul style="list-style-type: none"> <li>Although the decline in gasoline prices and expressway tolls show favourable trends, essentially, cargo volume is declining. In addition, a possible request for freight reduction from cargo owners and competitive price cuts between companies in the same trade are concerns. (Tokai: Forwarding agency)</li> <li>Sales of resins for electronic parts which are our leading products are likely to decline further since retailers throughout the entire market are tending to be left with larger inventories of digital home electric appliances and mobile phones. (Kinki: Chemical industry)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>Business performance is deteriorating and companies face funding difficulties. Financial facilities have tightened their attitudes toward loans. Admittedly, the government's safety net guarantee is not so effective. The economic climate is becoming much more severe towards the end of the year. (Southern Kanto: Financial industry)</li> <li>Prices of land, buildings and condominiums are all declining. While the number of bankrupt real estate brokers is increasing towards the end of the year, that of bankrupt building constructors is also growing. As moves to sell real estate at low prices in order to avoid bankruptcies, their business prospects will be severe. (Kinki: Real estate broker)</li> </ul>

### ***Employment***

<b>D</b>	<ul style="list-style-type: none"> <li>Job offers and employment have been restrained significantly due to worries over the uncertain economic outlook. (Okinawa: School [Professional training college])</li> </ul>
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- E** • The manufacturing industry that we supply with labor personnel has started to conduct full-scale production adjustment. With output cut, we received requests for workforce cuts of 20-30% beyond December. (Tokai: Outsourcing companies)
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