

Economy Watchers Survey

April 2009

OVERVIEW OF THE MONTH

The DI for current economic conditions in April rose 5.8 points from the previous month to 34.2, marking a rise for the fourth month in a row.

The household activity-related DI rose, although consumers remained cautious about making purchases, as demand for some products and services increased due to reductions in expressway tolls, provision of the fixed-sum benefits to households, the issuance of gift certificates which offer premium discounts and tax reductions for environmentally friendly vehicles. The corporate activity-related DI rose, due to improvement in orders received by some corporations and progress in inventory adjustments, in spite of decreases in orders received and resulting output cuts, and increasing pressure from clients to cut prices. The employment-related DI rose, due to job offers by some companies, in spite of continued decreases in new job offers and increases in the number of displaced workers.

The DI for future economic conditions in April rose 3.9 points from the previous month to 39.7.

In the household sector, the DI for future economic conditions rose on expectations of reductions in expressway tolls, provision of the fixed-sum benefits to households, the issuance of gift certificates which offer premium discounts, tax reductions and subsidies for the purchase of environmentally friendly vehicles and effects of “eco points” to be earned for the purchase of green electrical appliances, in spite of concern about the future economy, employment and the new type of influenza, and a prospected decrease in summer bonus payment. Although in the midst of severe conditions, the corporate sector added to the rise on expectations of improvement in orders received and progress in inventory adjustments in some businesses. The employment sector contributed to the rise on expectations of decrease in suspension of operations by some corporations and new job offers, in spite of the severe conditions.

On the whole, the assessment of the Economy Watchers indicates that although the current state of the economy is severe, recently a deteriorating trend is being brought under control.

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by the Director-General for Economic Assessment and Policy Analysis,
Cabinet Office
Kasumigaseki 3-1-1, Chiyoda-ku, Tokyo 100-8970
Telephone: 03-3581-1392
Internet: <http://www.cao.go.jp>

**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 customers has increased on weekends, especially on Sundays, thanks to reduced expressway tolls. Accordingly, we see an increase in demand mainly for eating and drinking places. (Shikoku: Shopping street)
C	<ul style="list-style-type: none"> The sales amount of our travel packages for domestic destinations is 101% of the previous year's level, and that for overseas destinations is 98%. Thanks to the recent drop or abolishment of fuel surcharge, the booking for overseas tours after May is improving. (Tohoku: Travel agency) Tens of our customers recently visited our shop after a long interval, probably thanks to gift certificates which offer premium discounts. The number of customers visiting our shop is little by little increasing. (Chugoku: Other specialty shop [Fabrics])
D	<ul style="list-style-type: none"> Since the announcement of "eco points" to be earned for the purchase of green electrical appliances, people seem to carefully consider the purchase of new appliances, watching the movement of commodities. (Northern Kanto: Home electric appliance retail store) Price competition has been intensifying, due to rising consumer price awareness, compared to last year, leading to further price cuts, particularly in private brands products. The sales unit price of clothing items is going down by 9% compared to last year, and of food, down by 3%. We cannot stop the current price decline. (Kinki: Supermarket)
E	<ul style="list-style-type: none"> In order to encourage consumer spending, we are offering trade-in allowances. However, we have so far collected only less than 10% of trade-in allowance vouchers we handed out to our customers. Such sales campaigns will not boost consumer spending. (Hokuriku: Department Store)

Corporate activity

B	<ul style="list-style-type: none"> Sales hit bottom in February, and compared to February, our sales in April and May increased by 20 to 30%, though down by 50 to 60% compared to the peak sales level. (Tokai: Transport machinery and tool manufacturer)
C	<ul style="list-style-type: none"> In our area, there are many subcontract businesses that support automakers, and they are phasing out their production cutback. However, the volume of orders received is still far from what they were. In addition, building constructors see a sharp drop in orders received for April and May. Interior decorating subcontractors have almost nothing to do until May. (Tokai: Public accounting firm) Our sales of audio and visual equipment and white goods have almost remained unchanged from the previous year. We have somewhat reduced our stock in trade, but based on shipment growth, things are still tough. (Kinki: Electric machinery and apparatus manufacturer)
D	<ul style="list-style-type: none"> Manufacturers have little or no backlog of orders to fill, and accordingly many of them will offer a long-holiday over the Golden Week (Northern Kanto: Certified social insurance labour consultant)
E	<ul style="list-style-type: none"> Since we cannot secure a certain volume of workload, we are adjusting working hours of our work force. We have step by step discontinued contracts of supply of temporary labour, and we have no sign of recovery in our business. (Kinki: Metal product manufacturer)

Employment

D	<ul style="list-style-type: none"> A sharp drop in demand for temporary labour still persists. However, the pace of production adjustment seems to slow down and we have received orders for temporary labour from some companies (Tokai: Outsourcing business)
E	<ul style="list-style-type: none"> The employment situation is deteriorating. For example, a few machine manufacturing companies have asked new graduates they have hired to stay home instead of showing up at workplaces. A leading local company which is well known for its community-based businesses has offered early retirement programs for its regular employees. The employment situation is increasingly severe for employed persons. (Hokuriku: Newspaper company [Job placement ads])

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> We expect that customers who have refrained from making purchases will change their attitudes if subsidies for the purchase of environmentally friendly vehicles are introduced, following the tax reductions for green vehicles. We also expect synergy effect generated by a series of releases of new-model vehicles. (Tohoku: Auto dealer)
C	<ul style="list-style-type: none"> It seems to us that customers will continuously buy only everyday necessities, though the payment of fixed-sum benefits may make some differences. Most people tell us that they have little or no expectation of their summer bonuses. (Hokkaido: Shopping street)
D	<ul style="list-style-type: none"> Competition will further intensify due to the opening of rival stores, with people's concern over corporate downsizing at community-based employers, no pay hikes and a decrease in bonus payment. Furthermore, there will be rising concern over food safety following cases of the new type of influenza. (Northern Kanto: Supermarket) Though usually we have a lot of reservations for the Golden Week with many visitors from other prefectures, this year we have seen only a one-third of reservations compared to the usual level. In addition, cases of the new type of influenza may trigger people's concern. (Okinawa: Other restaurant [Japanese style pub])

Corporate activity

B	<ul style="list-style-type: none"> The volume of auto-related orders received will increase a bit because automakers' inventory adjustment has almost ended. Future demand for construction machinery is still very unclear. (Northern Kanto: General machinery and tool manufacturer)
C	<ul style="list-style-type: none"> Consumer appetite has grown thanks to positive effects of the government's economic stimulus package, and there have been increasing differences in the shipping volume and the volume of cargo handled among types of business. However, we still have a hard time cutting costs because some of our businesses are under increasing pressure to cut transportation charges following reduction in price for private brands products. (Northern Kanto: Transportation service) Since many seem to consider the current price is the lowest, there has been a sign of increasing orders. We have, however, almost no demand for products arising from new capital investments which play the role of an engine for demand recovery for construction. With decrease in demand for peripheral infrastructure associated with capital investment projects, sluggish demand will persist until the economic stimulus package have some effects. (Kyushu: Iron and steel industry)
D	<ul style="list-style-type: none"> The number of our client companies which have gone bankrupt or filed for personal bankruptcy is increasing, and the sales, with which many companies will repay the government's emergency loans they have taken advantage of, are still sluggish. Accordingly, the economy will further worsen. (Southern Kanto: Finance business)

Employment

C	<ul style="list-style-type: none"> Every company has downsized its workforce as far as possible when it prepared its budget for the current fiscal term starting from this April. However, such downsizing has affected workplace performance, and in fact, some companies have decided to increase the number of their staff. (Kyushu: Temporary manpower company)
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- D** • People in personnel departments frequently say “We would like to employ new graduates, but we are still undecided because our workload is decreasing.” The number of job offers will surely decrease. (Okinawa: School [Professional training school])
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