

Economy Watchers Survey

August 2009

OVERVIEW OF THE MONTH

The DI for current economic conditions in August fell 0.7 points from the previous month to 41.7, marking a decline for the first time in eight months.

The household activity-related DI fell due to poor sales paces and increases in cancelled reservations in the travel industry and related sectors and weak sales of summer clothes following unseasonable weather and outbreaks of the new type of influenza, though sales of some products continuously increased due to the effect of “eco points” to be earned for the purchase of green electrical appliances and tax reductions and subsidies for the purchase of environmentally friendly vehicles. The corporate activity-related DI fell, due to difficulties in making profits because of a prolonged slump in orders received and of considerable pressure to cut prices, in spite of the ongoing recovery in orders received and shipping volumes. The employment-related DI rose due to job offers by some companies, though the number of new job offers was still small.

The DI for future economic conditions in August fell 0.9 points from the previous month to 44.0.

In the employment sector, the DI for future economic conditions rose on expectations that some businesses may reduce the period of suspended operation and due to decreased concern about a sharp rise in the number of displaced workers. The corporate sector and the household sector, however, contributed to the fall due to concern about increasing outbreaks of the new type of influenza, and due to concern over continuous pressure to cut sales prices, respectively. As a whole, the DI for the future economic conditions fell.

On the whole, the assessment of the Economy Watchers indicates that although the current state of the economy is severe, the economic downward trend has ceased.

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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

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| B | <ul style="list-style-type: none"> • Due to effects of “eco points” to be earned for the purchase of green electrical appliances, televisions are selling well and the number of televisions sold is amounting to 140.5% of the previous year’s level. In spite of this year’s usually cool summer weather, the sales of refrigerators and air conditioners have also increased, and the number of products sold has reached 105.0% and 115.4% of the previous year’s level, respectively. (Kinki: Home electric appliance retail store) |
| C | <ul style="list-style-type: none"> • The sales per customer and the unit price tend to decline further. So-called “third beers” sold at 100 yen each and special price-cutting in response to the sharp rise in vegetable prices are leading to price reduction, putting pressure on our profit margins. In addition, because of this year’s cool summer, sales of clothing are only 70% of the level of the same month last year. (Tokai: Supermarket) • Thanks to reduced expressway tolls, we still have a lot of visitors every weekend. Yet, on the whole, the growth in the number of visitors has slowed due to bad weather and the general election. (Chugoku: Theme park) |
| D | <ul style="list-style-type: none"> • Due to unseasonable weather, sales of summer clothing have been sluggish, and moreover, sales of autumn clothing do not pick up yet. (Tohoku: Clothes store) • Many tourists already booked have rescheduled or cancelled their trips, following the nationwide spread of the influenza. (Hokuriku: Travel agency) |

Corporate activity

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| B | <ul style="list-style-type: none"> • Since we have fewer operating days in August than the average month, our sales are not growing. Yet we are in a situation where our sales this September will be better than last month. However, our sales amount to only 60% of the level registered during the booming period last year, and are yet to turn a profit. (Tokai: Transportation machinery and tool manufacturer) • Shipments and sales of our products have recorded an 8% increase over May, respectively. While the demand for building materials is still slow, there have been steady demands for resins used in electrical components of cars, home electronics and cell phones. (Kinki: Chemical industry) |
| C | <ul style="list-style-type: none"> • While our transportation volume and orders received, in particular, to transport summer-season home electric appliances, vacation goods and fruits and vegetables have been on the decline due to unseasonable weather, the shipping movement is brisk in manufacturing industries associated with “eco points” to be earned for the purchase of green electrical appliances and those associated with tax reductions for environment-friendly vehicles. On the whole, our sales are slightly down over the previous year. (Northern Kanto: Transport business) |
| D | <ul style="list-style-type: none"> • While the number of business inquiries is not necessarily on the decline, we often find it difficult to make quick decisions on whether to accept or turn down orders, since prices |

asked by inquirers are extremely low. Anyway, the demand for our products has been low. (Tokai: Metal products manufacturer)

- There are very few new contracts, and in the communication service industry, many employers are providing training for their employees with the aid of employment adjustment subsidies until new demands appear. (Okinawa: Communication service)

Employment

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| C | <ul style="list-style-type: none"> • In spite of a weak increase of job offers in civil engineering and agricultural sectors partly thanks to the government's employment measures, this trend has only led to the demand for temporary workers resulting from seasonable factors, and not led to full-time employment offers. (Hokkaido: Job advertisement magazine production agency) • In spite of a slight recovery in orders, due to uncertainty about the future, many employers still refrain from advertising job openings. (Kinki: Employment security office) |
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2. Future conditions

Household activity

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| C | <ul style="list-style-type: none"> • We still have received only limited reservations for meetings for the next few months. Following the outbreak of the influenza and food price hikes due to unusual weather, there is not a single factor favourable to our business recovery. (Kanto: High-end restaurant) • We still have a lot of orders on hand for hybrid vehicles, and our sales environment will remain unchanged in the foreseeable future. Yet, seeing a slight decline in orders for hybrid cars, we are concerned about how things will turn out. (Hokuriku: Auto dealer) • Normally, in the autumn, we carry a lot of tourists who are undertaking the Shikoku Pilgrimage. This year, however, we are afraid that an outbreak of the influenza will adversely affect our business. This spring, some of tourists on their way to the pilgrimage cancelled their reservations because of the influenza. The situation will grow worse this autumn. (Shikoku: Taxi driver) |
| D | <ul style="list-style-type: none"> • We have found it difficult to raise the unit price of box lunches whose prices were reduced recently, and accordingly, our sales will stay in the doldrums. (Tohoku: Other restaurant business [Box lunches]) |

Corporate activity

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| B | <ul style="list-style-type: none"> • It is likely that we will receive orders for products related to semiconductors, and our business will somewhat pick up. In addition, there is a good chance of discussing specific business with customers concerning photovoltaic products, and we can expect that our situation will improve. (Kyushu: Electric machinery and apparatus manufacturer) |
| C | <ul style="list-style-type: none"> • In particular, the construction industry has a sense of uncertainty about the future, given the results of the general election and future trends in public works projects. (Hokuriku: Finance business) • We will face downturns in domestic and overseas markets for the foreseeable future, and there is still no sign of demand recovery. (Chugoku: General machinery and tools manufacturer) |
| D | <ul style="list-style-type: none"> • With few demands from steel frame manufacturers for our products, our situation will somewhat get worse. Jobs are scarce for steel frame manufacturers and their profitability gets squeezed by low prices asked by general contractors. This, in turn, has affected our business. (Hokkaido: Other non-manufacturing business [Iron and steel products distributor]) |

Employment

- C
- In spite of some job offers for telemarketing positions, there has been a prolonged slump in employment openings for clerical workers. Many businesses are trying to deal with all workloads internally with their own employees even in the busiest season, and the situation as it is will remain unchanged. (Hokkaido: Temporary staff service)
 - In some businesses, employees have started working overtime or working on their days off. Employers who have been cautious about recruitment for job openings due to retirement of employees are now showing a tendency to start recruiting new staff. Yet, with all these recruitment activities, there is only a limited net increase in employment. (Chugoku: Private employment agency)
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