

Economy Watchers Survey

December 2009

OVERVIEW OF THE MONTH

The DI for current economic conditions in December rose 1.5 points from the previous month to 35.4, posting a rise for the first time in three months.

The household activity-related DI rose, due to the sales growth of flat screen televisions and other home electronics products thanks to “eco points” to be earned for the purchase of green electrical appliances, in spite of consumers’ still cautious attitude towards making purchases during the Christmas and year-end shopping season. The corporate activity-related DI fell to a certain degree, because some companies suffered from tighter cash flows due to a very limited number of orders and very poor sales, in spite of the ongoing recovery in orders received and shipping volumes for some businesses. The employment-related DI remained almost unchanged because the number of new job openings was limited and employers were still cautious about hiring new employees.

The DI for future economic conditions in December rose 1.8 points from the previous month to 36.3.

In the future economic conditions, the household sector rose on expectations that the effect of “eco points” to be earned for the purchase of green electrical appliances and of tax reductions and subsidies for the purchase of environmentally friendly vehicles will last. The corporate sector also contributed to the rise, on expectations of an increase in orders for some products, and due to decreasing concern about effects of the appreciation of the yen. The employment sector contributed to the rise due to job offers by some companies.

From the reasons above mentioned, the assessment of the Economy Watchers indicated in this survey can be summarized as “though the economic downward trend has ceased, weak movements are continuously seen.”

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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"> Since the middle of this month, the sales of televisions have accounted for most of our sales. In particular, large-sized televisions sell well. Many shoppers buy more than one television at the same time. (Shikoku: Home electronics retail store) |
| C | <ul style="list-style-type: none"> Some of people who had once refrained from going out due to concern about the new type of influenza have started eating at our restaurant since the beginning of December. Yet our sales have still registered year-on-year losses. Our takeout products and mail-order products meant to be consumed at home are selling well. This reflects that people now tend to spend more time at home. (Hokuriku: Middle-level restaurant) Following temperature drops since mid-December, functional underwears continuously sell briskly, while windbreakers and jackets for men and women do not sell so well. While the number of reservations for Christmas cakes and New Year dishes remains almost unchanged from the previous year's level, we have experienced a 5% decline in the unit price. (Kinki: Supermarket) |
| D | <ul style="list-style-type: none"> It is true that people tend to spend more time at home during the year-end and New Year holidays due to the sluggish economy. In addition, people plan to go out during the three-day weekend in January, instead of going out during the year-end and New Year holiday season when the unit price is higher. Accordingly, our sales do not increase. On the other hand, there is still a steady demand for our services through Internet retailing. (Hokkaido: Travel agency) |
| E | <ul style="list-style-type: none"> With financial institutions' screening of loan applicants who plan to build homes getting stricter, it becomes more difficult to build new houses. (Tokai: Housing dealer) |
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Corporate activity

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| B | <ul style="list-style-type: none"> We have seen a relative increase in orders for semiconductor-related equipment components. In addition, we have received an increasing number of inquiries about facilities that manufacture lithium ion batteries for environmentally-friendly vehicles. (Kyushu: General machinery and tool manufacturer) |
| C | <ul style="list-style-type: none"> The factory operating ratio has remained stable, though it has not completely recovered. Our business results, however, have not improved, following a drop in the domestic demand. (Chugoku: Chemical industry) |
| D | <ul style="list-style-type: none"> Client companies' business downturns and bankruptcies are on the rise. Following the enforcement of Act concerning Temporary Measures to Facilitate Financing for Small and Medium Enterprises, we have received an increasing number of inquiries about amendment of loan terms from small and medium businesses. Our clients often say that they are facing an uncertain future with no sign of recovery of the sales unit price and with the slowdown in consumer spending. (Chugoku: Financial business) |
| E | <ul style="list-style-type: none"> The balance of the backlog of orders received as of this month-end is likely to be less than 50% of the previous year's level. While we will end this fiscal year in the black, thanks to orders for large-scale works projects we received during the first half of the year, judging from the trends of orders received, we fear that our company will register a significant loss for the next fiscal year. (Shikoku: Construction business) |
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Employment

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| C | <ul style="list-style-type: none"> • Due to the diversification of recruitment forms, since September last year we have seen a significant number of job openings which offer employment opportunities in the autumn. However, the number of job openings available this year for each autumn month remains 50% of the previous year's level. (Hokkaido: School [University]) • While the ratio of job offers to job seekers has been on the rise, many of existing job offers are, in fact, temporary positions provided by Emergency Employment Generation Projects. Businesses are still unwilling to make job offers. (Tokai: Employment security office) |
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2. Future conditions

Household activity

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| B | <ul style="list-style-type: none"> • The extension of the period of subsidies for the purchase of environmentally friendly vehicles is expected to give a more positive effect on our sales. The extension of the period by just six months will considerably increase the number of potential buyers who own 13-year-old vehicles or older ones, as they become newly eligible for the subsidies. Consequently, it will encourage those who had once given up the idea of replacing their older vehicles with new environmentally friendly ones to make purchases. (Chugoku: Auto dealer) |
| C | <ul style="list-style-type: none"> • The trend toward a declining demand for expensive products and services due to decreasing wages and toward fierce competition against fast fashion retailers and outlet stores will continue, and we cannot expect business recovery within a few months. (Southern Kanto: Department store) • An increasing number of retailers have launched discount sales in December, which is earlier than usual. Overall, the number of shoppers ready to make a purchase at the regular price is decreasing, and we have the impression that the unit price seldom increases. We cannot expect an increase in shoppers, and the current situation will remain unchanged. (Okinawa: Clothing store) |
| D | <ul style="list-style-type: none"> • Our sales amount, the number of visitors and the average amount spent per visitor are all on the decline. (Hokuriku: Bicycle racetrack) • We will soon be in the season of graduation ceremonies and enrolment ceremonies. Yet, at present, people cannot spend much money, and they will significantly reduce spending for hair care because they see hair salon visits as luxuries. (Kyushu: Hair salon) |
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Corporate activity

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| B | <ul style="list-style-type: none"> • The situation will improve, as we have seen an increase in orders received for new lines of automobile parts. (Northern Kanto: Plastic product manufacturer) |
| C | <ul style="list-style-type: none"> • The present situation will remain almost unchanged up until around June due to the prolonged effect of tax reductions and subsidies. (Tokai: Transportation machinery and tool manufacturer) |
| D | <ul style="list-style-type: none"> • The relative depreciation of the yen is good news for us. Yet the leading automaker's request for 30% price reduction on parts will give a significant impact on the market. (Kinki: Electric machinery and tool manufacturer) • Again we see an increase in delinquent debts and small bankruptcies of our client companies due to deteriorating corporate performance and tighter cash flow situations, following the sluggish economy. Delinquent debts and bankruptcies are likely to further increase after the turn of the year, and the situation will get worse. (Kyushu: Other services [Leasing business]) |
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Employment

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| C | <ul style="list-style-type: none">• Many of our client companies plan to reduce the number of temporary staff. Instead, an increasing number of employers are willing to hire part-timers who earn lower wages than temporary staffers. (Tohoku: Temporary manpower service)• The pace of hiring has significantly slowed toward the year end. When asked about hiring in the new year, many employers said that they have no way of telling at this time. (Southern Kanto: Job advertisement magazine producer) |
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