

Economy Watchers Survey

January 2009

OVERVIEW OF THE MONTH

The DI for current economic conditions in January rose 1.2 points from the previous month to 17.1. With fewer people evaluating economic conditions as being on the decline and a growing number saying that they remain unchanged or are slightly deteriorating, the DI for current conditions rose for the first time in 10 months.

The household activity-related DI rose, with an increasing number of people evaluating economic conditions as unchanged, and reflecting a slower rise in prices, although consumers remained cautious about making purchases and the first sales of the New Year were sluggish. Both the corporate activity-related DI and the employment-related DI rose, despite continued decreases in orders received and the resulting inventory adjustments and output cuts in the corporate sector, and decreases in new job offers, reduction of dispatched temporary workers, requests for full-time employees' voluntary retirement, and increases in suspension of operations in the employment sector. Despite severe conditions in January, the rises in both DIs were due to the fact that the number of people evaluating economic conditions as remaining unchanged increased, partly in reaction to the sharp increase in the number of people evaluating conditions as deteriorating in the previous month.

The DI for future economic conditions in January rose 4.5 points from the previous month to 22.1.

In the household sector, the DI for future economic conditions rose in spite of concerns about the future economy and employment, and a prospected decrease in income, due in part to a decline in the prices of some products and on expectations of tax reductions for housing loans and environmentally friendly vehicles. The corporate sector contributed to the rise, as more people forecast that economic conditions would remain unchanged despite severe conditions.

On the whole, the assessment of the Economy Watchers indicates that the current state of the economy is extremely 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

<i>Household activity</i>	
C	<ul style="list-style-type: none"> · Reflecting a decline or slower rise in the prices of fishery products, alcohol, bread and frozen foods, the number of items purchased per customer has increased. (Tohoku: Supermarket) · There are no major changes in sales at our business partners, such as low-priced takeout lunch stands and conveyor-belt sushi restaurants. (Kinki: Other specialty shop [food])
D	<ul style="list-style-type: none"> · Sales of domestic air tickets are slower than in the previous year. Requests for overseas air tickets from corporations have decreased sharply, as corporations are reducing business trips. However, tours to South Korea are booming and it continues to be difficult to reserve seats on South Korea-bound planes. Travel to South Korea has become popular as the depreciation of the South Korean Won has made trips to the country relatively inexpensive. (Shikoku: Travel agency) · Although customers' buying motives remain unchanged due to a decline in the retail price of fuel oil compared to the previous month, they are cautious about purchasing car-care products. Customers often tell us they are concerned about employment. (Kyushu: Other specialty shop [Gas station])
E	<ul style="list-style-type: none"> · Despite favorable weather, the first sales of the New Year were unprecedentedly poor, falling 30% from the same period of the previous year. People visiting the neighboring shopping areas have also decreased. (Tohoku: Clothing shop) · Due to the flurry of media reports on large corporations that are in the red and firings of workers, people have come to have second thoughts about purchasing a new car. (Shikoku: Passenger car dealer)
<i>Corporate activity</i>	
C	<ul style="list-style-type: none"> · Since we mainly deal in products related to nuclear power generation, there are no major changes in orders received or inquiries. (Kinki: General machinery and instruments manufacturer)
D	<ul style="list-style-type: none"> · We have received requests for counseling about ways to reduce of labor costs, voluntary retirement and cost reduction techniques from manufacturers, software houses and construction-related companies. However, there are also companies not suffering from poor business performance, such as those in the chemical, industrial detergent, railway, and measuring instrument industries. (Southern Kanto: Management consultant) · Due to the sluggish U.S. economy and the yen's appreciation, businesses related to automobile and electrical equipment are in a slump. In order to cut down on expenses, non-urgent orders are being postponed and business trips have been cut down. (Tokai: Electrical machinery and apparatus manufacturer)
E	<ul style="list-style-type: none"> · With the volume of orders received having fallen by half from the previous year, some of our sections have had no work to do since the beginning of this month. We are dealing with the situation by reducing overtime work to zero, by asking employees to take paid holidays off, and reassignment. (Northern Kanto: General machinery and instruments manufacturer) · Due to an excessive inventory and sluggish sales, we have been adjusting production volume since late last year and are being forced to work out measures to deal with the suspended production operations. (Chugoku: Transportation machinery and instruments manufacturer)

Employment

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| D | <ul style="list-style-type: none"> Although help wanted ads placed by manufacturers have decreased drastically due to the effects of firings of dispatched temporary workers, the demand for nurses and caregivers from medical and welfare-related institutions remains high. (Kyushu: Newspaper company [Job advertisements]) |
| E | <ul style="list-style-type: none"> There has been a tendency to review the staffing plans even at major corporations in our prefecture, and some of them are planning to cut full and part-time workers. (Shikoku: Private employment agency) |

2. Future conditions**Household activity**

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| D | <ul style="list-style-type: none"> Goods for starting a new life, such as furniture and consumer electronics, are moving slowly and some of them are said to be finding their way to second-hand stores. Changes in the place of purchase and in consumers' purchasing patterns, including a trend toward economizing, are expected to become more evident. (Northern Kanto: Housing specialty shop) Although there are encouraging factors, such as tax breaks for buyers of residential houses, it is hard to expect any turnaround for the better due to uncertainty about the future. (Chugoku: Housing sales company) |
| E | <ul style="list-style-type: none"> Although the annual wage negotiations will start and major corporations announce their business results, few of them have rosy outlook. With bonuses and salaries expected to decrease, consumers' consciousness about economizing will heighten. (Shikoku: Department store) The status of bookings is sharply lower, apparently affected by the fact that reservations received by our business affiliates in the travel industry for travel in February are not even at 90% of the previous year. (Okinawa: Fine-dining restaurant) |

Corporate activity

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| D | <ul style="list-style-type: none"> Sales of seasoned foods are rising, reflecting a rising trend to cook and dine at home. However, with consumers seeking low-priced products and with the sales of cakes, fruit & beverages continuing to decline, our business remains severe as a whole. (Tokai: Foods and related products) Although the overall economy will deteriorate due to employment adjustments, it will not lead to a drastic deterioration, such as an increase in corporate bankruptcy, as corporate funding difficulties have been eased thanks to funds made available under an emergency economic package. (Kyushu: Financial industry) |
| E | <ul style="list-style-type: none"> Import prices of steel-related materials are expected to lower due to the yen's appreciation. However, delayed buying, due to speculation that market prices will not lower before this spring, is causing a reduction in the amount of sales. (Hokkaido: Other non-manufacturing industry [steel product wholesaler]) As our clients have no clear prospects for stock adjustment, business will get even worse. (Kinki: Metal product manufacturer) |

Employment

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| D | <ul style="list-style-type: none"> The number of contracts with temporary workers due to expire at the end of the fiscal year is increasing. In addition, some manufacturers have begun to temporarily suspend their operations due to a decrease in work volume. (Hokuriku: Private employment agency) |
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- E** · Although there has been a conspicuous rise in the number of non-full-time workers seeking employment, the number of full-time workers losing their jobs will continue to increase.
(Tokai: Employment security office)
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