

Economy Watchers Survey

May 2009

OVERVIEW OF THE MONTH

The DI for current economic conditions in May rose 2.5 points from the previous month to 36.7, marking a rise for the fifth month in a row.

The household activity-related DI rose, in spite of sharp increases in cancellations and decreases in sales mainly in the travel industry and the restaurant business due to the new type of influenza, as demand for some products and services increased due to tax reductions and subsidies for the purchase of environmentally friendly vehicles, “eco points” to be earned for the purchase of green electrical appliances, provision of the fixed-sum benefits to households, the issuance of gift certificates which offer premium discounts and reductions in expressway tolls. The corporate activity-related DI rose, since the downward slide slowed its pace in orders received and shipping volumes. The employment-related DI rose, due to the fact that the upward trend of the number of workers who lost their jobs slowed down, though the number of new job offers was still small.

The DI for future economic conditions in May rose 3.6 points from the previous month to 43.3.

In the household sector, the DI for future economic conditions rose on expectations of effects of tax reductions and subsidies for the purchase of environmentally friendly vehicles, “eco points” to be earned for the purchase of green electrical appliances, provision of the fixed-sum benefits to households, the issuance of gift certificates which offer premium discounts, and reductions in expressway tolls, in spite of a prospected decrease in summer bonus payment and concern about the prolonged severe employment situation. The corporate sector added to the rise on expectations that the downward slide would slow its pace in orders received which were still expected to remain at low levels, and that improvement in orders received and shipping volumes would take place in some businesses. The employment sector contributed to the rise on expectations of new job offers by some corporations, 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, a deteriorating trend is being brought under control.

**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 consumer electric industry has increasingly benefited from the launch of “eco points” to be earned for the purchase of green electrical appliances as well as from provision of the fixed-sum benefits to households and gift certificates issued in time for the provision of fixed-sum benefits which offer premium discounts. The amount of our sales is significantly increasing. (Hokkaido: Home electric appliance retail store)
C	<ul style="list-style-type: none"> Thanks to five straight holidays during this Golden Week, after a long interval, as many customers as in usual years visited our restaurant. In addition to effect of five weekends in May, thanks to reductions in expressway tolls, individual customers visiting from other prefectures in weekends make up for the sales shortfall during weekdays. (Hokuriku: High-end restaurant) Due to concern over the new type of influenza, sales of masks, alcohol for disinfection and mouth washers have been extraordinarily brisk on a year-to-year basis, and long life foods are selling well, too. At the same time, as a growing number of people choose to stay home, sales from clothing items drop. (Kinki: Supermarket)
D	<ul style="list-style-type: none"> Our sales amount remained 90% of the previous year’s level, and our sales were affected by the new type of influenza in late May much more than we had estimated. Street-front shops were least affected. Sales at our shops in public transport terminal facilities and suburban shopping malls drop by 20 to 30%. (Kinki: Retailer [Clothing items]) Due to the new type of influenza, school trips, sightseeing tours and business trips destined for the Kansai region were cancelled one after another. Group reservations elsewhere for watching sport games or theatregoing were also cancelled. (Kyushu: Travel agency)
E	<ul style="list-style-type: none"> Sales were going well during the Golden Week, when the unit room charge is at its highest level of the year, marking a 10% rise over the previous year. However, school trips were cancelled due to the new type of influenza, and in the later half of May, sales remained weak and our total sales significantly dropped to 85%. (Okinawa: Hotel for tourists)

Corporate activity

B	<ul style="list-style-type: none"> Compared with levels three months ago when orders received plunged in a panic-like manner, there is a tendency toward recovery in our client companies’ and our businesses. (Hokkaido: Communication business)
C	<ul style="list-style-type: none"> Our business in domestic markets remains flat, but we have received an increasing number of inquiries about China-bound products. Quotation price competition has been, however, intensifying. (Tokai: Machinery and appliances manufacturer) Sales of our residential products remain unchanged, but there are some signs of business recovery in vehicle-related products. On the whole, however, our difficulties have remained unchanged. (Hokuriku: Plastic products manufacturer)
D	<ul style="list-style-type: none"> It seems to us that real-estate transactions start to get a little brisk, but most transactions by established-home builders tend to sell raw lands if they make a small profit. (Southern Kanto: Real estate business)
E	<ul style="list-style-type: none"> So far we have received only a limited number of inquiries for advertisement to be placed in media such as newspapers and television and radio broadcasting as well as for transportation advertisement, newspaper inserts and outdoor advertisement, and our business environment has grown severe. (Tohoku: Advertising Agencies Association)

Employment

C	<ul style="list-style-type: none"> We have a feeling that the number of new job-seekers has started to stabilize. Due to a limited number of employment offers, however, the population of job seekers is not on the decline, and our consultation services remain busy with a lot of visiting job applicants. (Tokai: Public employment security office)
E	<ul style="list-style-type: none"> Many of temporary employment contracts expired at the end of March, and since this April, the number of employment contracts which have expired has exceeded that of new contracts. Employers still hold back on new employment and there is no sign of increases in job offers. (Southern Kanto: Temporary manpower company)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> The number of orders received has started to show steady increases, driven by demand for new hybrid vehicles, and buoyed by tax reductions for green vehicles and support measures for new car buyers who trade up from 13 years-old or older vehicles to new ones. We expect that this tendency will continue for the time being. (Hokuriku: Auto dealer)
C	<ul style="list-style-type: none"> There have been some signs of recovery such as recent rises in stock prices, stable oil prices and reduction in electricity cost, and customer traffic recovers little by little. Yet, average spending per customer will remain low. (Tohoku: Convenient store) Judging from our sales and customer traffic over the last three months, we have a feeling that the economy has ceased to fall. However, we cannot expect increases in our sales due to a prospected decrease in summer bonus payment, though the summer gift-giving season and clearance sales are about to start. (Northern Kanto: Department store)
D	<ul style="list-style-type: none"> After the Golden Week holidays, we feel that businesses in our area offer fewer days off. Yet in our area, the effective ratio of job offers to applicants is the worst ever and the unemployment rate has reached a record high. A large-scale retail store in downtown ceased its operations and the number of pedestrians is on the decline. It is said that well-known stores in shopping streets are about to go out of business, and we have a growing sense of anxiety. (Northern Kanto: Shopping street)

Corporate activity

B	<ul style="list-style-type: none"> We have a feeling that automobile-related and home-appliance-related businesses are finally bottoming out, and our customers have presented us plans that contribute to a steady increase in orders received for our products over the next three to six months. (Chugoku: Electric machinery and apparatus manufacturer)
C	<ul style="list-style-type: none"> We have received unexpectedly a large number of repeated orders for some of our products, yet the total amount of orders received has remained at low levels. We expect that, for the time being, our business environment will remain almost unchanged. (Hokuriku: Precision machinery and tool manufacturer) As a part of economic stimulus package, they have placed orders for public work projects ahead of schedule, but fierce price competition will continue. Private sector projects will be continuously frozen or postponed unless the economy suddenly recovers. (Kinki: Construction business)
D	<ul style="list-style-type: none"> While our business is still sluggish, fuel prices have started to edge toward higher levels. At the same time, we have to cut our transportation charges because our businesses are under pressure from customers to reduce transportation charges. We have no sign of recovery in our business, and our business environment will worsen. (Shikoku: Transportation service)

Employment

C	<ul style="list-style-type: none"> The pace of employment adjustment by means of downsizing non-regular workforce seems to slow down. There are moves afoot among small business owners who have carried out employment adjustment through temporarily suspending their operations to give up on their businesses. (Chugoku: Public employment security office)
D	<ul style="list-style-type: none"> There are more employers who consider cutbacks in manpower than those who consider the recruitment of new workers. (Shikoku: Job advertisement magazine production company)