

Economy Watchers Survey

November 2009

OVERVIEW OF THE MONTH

The DI for current economic conditions in November fell 7.0 points from the previous month to 33.9, posting a fall for two consecutive months.

The household activity-related DI fell, due to the slowing of sales growth of certain products and vehicles following the introduction 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, and because of a drop in consumers’ willingness to make purchases reflecting their concern about effects of a reduced year-end bonus payment, in addition to the delivery of products and services widely available at increasingly lower prices. The corporate activity-related DI fell, due to increasingly fiercer price competition among peer companies and a very limited number of orders, in spite of the ongoing recovery in orders received and shipping volumes for some businesses. The employment-related DI fell because employers were cautious about hiring new employees, reflecting that the number of new job openings for regular employees was extremely limited and that the percentage of would-be new graduates who found employment was low.

The DI for future economic conditions in November fell 8.3 points from the previous month to 34.5.

In the future economic conditions, the household sector dropped, due to concern about effects of a reduced year-end bonus payment and the future of the economy. The corporate sector also contributed to the fall, due to concern about prolonged price competition as well as about effects of the appreciation of the yen and tighter cash flow situations. The employment sector contributed to the fall due to concern about the employment of new graduates and moves toward employment adjustment.

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 widespread recently.”

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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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| C | <ul style="list-style-type: none"> • Though many visit our store for checking items before making purchases and the number of our customers is actually increasing, only a few of them purchase items from us, due to concern about a reduced year-end bonus payment. (Tohoku: Home electronics retail store) • We continuously have to cut unit prices to ensure a certain occupancy rate for our accommodation and banquet facilities, and we are suffering a decline in profits. (Chugoku: Urban-type hotel) |
| D | <ul style="list-style-type: none"> • Since our prospective customers expect that housing prices will keep dropping further, they seldom make a reply concerning the quotes we have prepared for them, and our efforts seldom lead to the signing of contracts. (Tokai: Housing dealer) • Many of our customers tell us that they expect their bonus amount to be reduced or they fear that the bonus payment might be abolished entirely. (Kinki: Auto dealer) |
| E | <ul style="list-style-type: none"> • While we are entering in the highest demand season of the year, October and November, demand for our services is lower than ever before. Even in the year of the Great Hanshin Awaji Earthquake, our hotel had more guests in the autumn than we do now. In particular, the number of organized tour guests who visit our hotel has plummeted. (Kinki: Tourist hotel) |
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Corporate activity

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|----------|---|
| C | <ul style="list-style-type: none"> • Some of our business partners and customers are on their way to improvement in orders and sales while others still are in the doldrums. (Northern Kanto: Transportation machinery and tool manufacturer) • There are moves afoot towards the intake of orders for facilities manufacturing batteries for hybrid cars. Yet conditions in terms of the prices for orders to be received are extremely severe. Though we have received an increasing volume of orders for semiconductor-related equipment components, the prices of the orders are low. (Kyushu: General machinery and tool manufacturer) |
| D | <ul style="list-style-type: none"> • Real estate prices are on the decline and remain low, and our business is in the doldrums. Normally, in this part of the year, the construction sector enters the peak season period. This year, however, demand for the construction industry remains flat altogether. Reportedly, the sales of principal contractors have plummeted by half altogether, and they will reduce the number of board members by half and will significantly reduce bonus payments. Subcontractors have been overwhelmed by decreases in orders. They are almost at the edge of their capability. (Chugoku: Construction business) • Recently the demand for funds following the front-loading of public work projects is leveling off. At the same time, with increasing uncertainty in the future of the economy, businesses have no prospect that their sales will pick up, and for this reason, some demand for funds for a rather backward-looking reason, i.e., for securing their operating funds for the time being. (Kyushu: Finance business) |
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Employment

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| C | <ul style="list-style-type: none"> • There is no sign of a decrease in the number of companies which have suspended their operations, and the number of job offers stops growing. In particular, the number of new job openings for regular employees is extremely limited. (Kinki: Employment security office) |
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- D**
- The number of advertisements for job openings has dropped by approximately 20% compared to the previous month's level. When asked about advertising job offers, many corporations told us that they would neither increase their staff nor fill vacant positions through the end of this year. Some of them said that there would be no choice but to cut the workforce before the end of the year. (Okinawa: Job advertisement magazine)
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2. Future conditions

Household activity

- C**
- We expect that more people will spend the year end season at home because expressway toll reduction is not available during this year end season. We estimate increases in the amount of food consumed, but unit prices are likely to decline. Accordingly, our sales will not significantly increase. (Southern Kanto: Supermarket)
 - We are now in the season of year-end parties, yet reservations for year-end banquets this year have decreased by around 10 percentage points, compared to the previous year's level. Reservations for new year banquets have decreased to the similar extent.(Hokuriku: Japanese-style inn for tourists)
- D**
- Though the appreciation of the yen will fuel demand for holidays overseas, people cannot financially and mentally afford to consider trips, following the downturn in businesses and a significant reduction in year-end bonus payment due to deflation and effects of the appreciation of the yen, which reflects rising concern among both businesses and individual consumers about the future of the economy. (Hokkaido: Travel agency)
 - Though the economy somewhat picks up a little, we expect that people will be increasingly more eager to protect themselves against the uncertainty of the economy and will be more reluctant to make purchases, following the media coverage of the government's declaration of deflation and a significant reduction in year-end bonus payment.(Tohoku: Department store)
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Corporate activity

- C**
- We have seen an increase in orders received for materials related to LED lighting equipment, while demand for automobile-related materials remains flat and demand for cell phone-related products has been weakening. Demand from civil engineering sectors will remain weak, except for some materials. As a whole, things will remain status quo for the next few months. (Kinki: Chemical industry)
 - Normally, in November, the demand for advertisements reaches its peak, reflecting usually strong demand for year-end selling seasons. In this year, however, our sales have decreased 10% from the previous year's level. Unless our business picks up at this time of the year, our sales will not improve at all.(Kyushu: Advertising agency)
- D**
- The ongoing appreciation of the yen critically affects the survival of our business, and for this reason, in the months ahead, we will have to further reduce staff and take other additional measures, in addition to the reduction in the bonus payment. (Tohoku: Electric machinery and tool manufacturer)
 - An increasing number of businesses are cash-strapped due to a downturn in business. It is quite likely that a number of uncertainty factors, such as bankruptcies and dishonoured bills, will take place through the end of the year. (Chugoku: Accounting firm)
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Employment

- C**
- Following the uncertain outlook of the economy, employers carry out recruitment activities mainly for filling vacant positions. There is a relatively strong demand for medical service workers and qualified workers, though a limited number of job seekers apply for these jobs. The current situation will remain unchanged for a foreseeable future. (Chugoku: Employment security office)
- D**
- An overwhelming majority of employers hold back recruitment of new graduates and of mid-career workers, because they seemingly still have surplus workforce. Many businesses will reduce their staff in the period from the year end through the fiscal yearend in March next year. (Shikoku: Private-sector job placement service)
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