

Economy Watchers Survey

September 2009

OVERVIEW OF THE MONTH

The DI for current economic conditions in September rose 1.4 points from the previous month to 43.1, marking a rise for the first time in two months.

The household activity-related DI rose, due to a recovery in customer traffic mainly at travel-related sectors thanks to the five-day holiday period (Silver Week), reduced expressway tolls and fine weather, and because 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 rose, in spite of considerable pressure to cut sales prices, due to the ongoing recovery in orders received and shipping volumes. The employment-related DI rose due to job offers by some companies, though employers were still cautious about hiring new employees.

The DI for future economic conditions in September rose 0.5 points from the previous month to 44.5.

In the future economic conditions, the corporate sector contributed to the fall, due to concern about the progressive appreciation of the yen and effects of the review of the execution of the supplementary budgets, in addition to prolonged price competition. The employment sector slightly contributed to the fall due to concern about the employment of new graduates. The household sector, however, contributed to the rise, due to relatively declining concern about effects of outbreaks of the new type of influenza, and on expectations that positive effects of “eco points” would continue. As a whole, the DI for the future economic conditions rose.

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"> • The number of visitors during the five-day holiday period amounted to more than 300% of the previous year's level, and we had a lot more visitors during September than last year. Thanks to reduced expressway tolls, an increasing number of people come to our theme park from other regions. (Chugoku: Theme park) • With the advent of the fall travel season and due to a number of factors encouraging people to go out, our sales have increased, compared to last several months' level. There is a sense that negative effects of the new type of influenza have leveled off. (Okinawa: Travel agency) |
| C | <ul style="list-style-type: none"> • We enjoyed strong sales only when we held price-cut and other sales promotion campaigns at all selling floors of our store during the five-day holiday period. Our customers like reduced prices, and they remain slow to react to sales promotion campaigns of regularly priced items. (Chugoku: Department store) • While orders for new types of hybrid vehicles that we now receive will lead to vehicle registrations after next May and they are not expected to be eligible for subsidies for replacement purchase of green vehicles, customers are increasing placing orders for other vehicles that are also eligible for subsidies. The total number of orders received has surpassed the previous year's level. (Shikoku: Auto dealer) |
| D | <ul style="list-style-type: none"> • Though we have received inquiries about our real-estate properties, customers are cautious and slow to make purchase decision, anticipating a drop in property prices in the coming months and taking time to compare prices. In addition, it seems that banks are increasingly cautious about offering loans. (Northern Kanto: Housing supplier) • Partly thanks to good weather, the number of customers visiting our store has remained constant. Yet, sales of relatively expensive items, such as beef and fruits, are sluggish, and on the whole, the average spending per customer has decreased. (Kinki: Supermarket) |

Corporate activity

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| B | <ul style="list-style-type: none"> • We have received a lot of orders. Those responsible for manufacturing ordered products are not capable of handling all orders on their own, and they actually get assistance from other sections of our company. The demand for commercial vehicles, however, is still low. (Tokai: Transportation machinery and tool manufacturer) |
| C | <ul style="list-style-type: none"> • While the amount of production has shown the sign of recovery, we are under strong pressure to reduce costs. When subcontractors in Japan cannot meet price reduction requests, outsourcers always place orders with manufacturers overseas. (Hokuriku: Electric machinery and tool manufacturer) • Small-sized home building companies have suffered from poor sales in the last few months and from increasing financial burden of interest payments. (Kinki: Finance business) |
| D | <ul style="list-style-type: none"> • All of projects and design works associated with commercial facilities have been cancelled or rescheduled, and the commencement of construction work for condominium buildings has also been postponed. Architectural design offices have almost nothing to do, and they are being forced to downsize or get out of business. (Hokkaido: Construction business) |

Employment

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| B | <ul style="list-style-type: none"> Employers who carried out staff cutbacks since last fall have started seeking new employees, and some of them have hired new staff. (Tohoku: Employment security office) |
| C | <ul style="list-style-type: none"> Though the downward trend in employment has seemingly bottomed out, many employers are still cautious about hiring new employees, and there is not a net increase in job openings. (Hokuriku: Private-sector job placement service) |

2. Future conditions**Household activity**

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| B | <ul style="list-style-type: none"> Due to the lasting effects of “eco points” to be earned for the purchase of green electrical appliances and thanks to the release of long-awaited operation systems, our sales are expected to rise. (Southern Kanto: Home electronics retail store) |
| C | <ul style="list-style-type: none"> We still have received only limited reservations from corporate clients, yet for tourist seasons, we have already received the same level of reservations as last year. (Tohoku: Tourist hotel) Some of our customers told us that the amount of their year-end bonus will be reduced. They frequently talked about business mergers and corporate downsizing, and seldom about cheerful topics. Their wallets will remain tightly sealed. (Tokai: Snack bar) |
| D | <ul style="list-style-type: none"> People are not interested in purchasing newly built properties, whether they are condominiums or buildings for industrial uses. In addition, prices for renovated properties are being kept extremely low, and the situation will grow worse. (Tokai: Housing related specialty shop) |

Corporate activity

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| B | <ul style="list-style-type: none"> Demand for our products from the civil engineering and constructions sectors still shows no sign of recovery, and furthermore, when we receive orders from these sectors, typically, ordering parties strongly request us to reduce prices, due to increasing competition. On the other hand, there have been steady demands for resins used in cars and home electronics, and in particular, the LED lighting market and the photovoltaic power generation market are booming. Accordingly, we can expect that our situation will improve. (Kinki: Chemical industry) |
| C | <ul style="list-style-type: none"> It seems that economic activity has bottomed out, but the recent appreciation of the yen has affected demand for export-oriented products. We are concerned about how things will turn out. (Hokuriku: Textile industry) At present, we find it quite difficult to receive long-term orders, and in order to address the shortfall, we obtain temporary orders, instead. We are now providing compensation benefits for absence from work and vocational training to our employees with the aid of employment adjustment subsidies. The current situation is difficult in terms of unit prices, and competition gets fiercer. (Kyushu: Pottery and soil and stone products manufacturer) |
| D | <ul style="list-style-type: none"> The orders received will decrease due to the review of public works budgets. (Kinki: Metal ware manufacturer) |

Employment

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| C | <ul style="list-style-type: none"> With a sense of uncertainty about the future of the economy, employers remain unwilling to hire staff. Accordingly, there is not a net increase in new job openings, and this will increase the likelihood of prolonged unemployment for job seekers. (Kyushu: Employment security office) Businesses are quite reluctant to place job ads for the employment of new graduates in the spring of 2011, and demand for job placement ads remains only about 60% of the previous year’s level. Probably due to a cloudy outlook of the future of the economy, their recruitment plans for new graduates have been delayed considerably. (Tokai: Newspaper publishing company [Job placement ads]) |
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