

Economy Watchers Survey

April 2010

OVERVIEW OF THE MONTH

The DI for current economic conditions in April rose 2.4 points from the previous month to 49.8, posting a rise for five consecutive months.

The household activity-related DI rose, despite slowing growth of home electric appliances sales, a reaction to the last-minute rise in demand in March, just before the change in flat screen televisions to be covered by the “eco points” program, thanks to continuing effects of tax reductions and subsidies for the purchase of environmentally friendly vehicles, as well as due to a budding recovery of consumer confidence in spite of consumers’ continuing orientation to low-price goods. The corporate activity-related DI rose, in spite of rising prices of some raw materials, because orders received and shipping volumes are picking up. The employment-related DI rose due to an increase in job offers by some companies, though employers were still cautious about hiring new employees.

The DI for future economic conditions in April rose 2.9 points from the previous month to 49.9.

In future economic conditions, the household sector rose on expectations of the effect of payment of child allowances, of tax reductions and subsidies for the purchase of environmentally friendly vehicles, and of the “eco points” program for housing and home electric appliances, in spite of concern about price rises in gasoline. The corporate sector also contributed to the rise, on expectations of an increase in orders, in spite of concern about price rises in raw materials. The employment sector contributed to the rise due to an increase in job offers by some companies.

From the reasons mentioned above, the assessment of the Economy Watchers indicated in this survey can be summarized as “while in a difficult situation, the economy is showing movements of picking up.”

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by the Director-General for Economic Assessment and Policy Analysis,
Cabinet Office
Kasumigaseki 3-1-1, Chiyoda-ku, Tokyo 100-8970
Telephone: 03-3581-1392
Internet: <http://www.cao.go.jp>

**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"> • Low temperatures and unseasonable weather has dampened sales of clothing, but the number of customers visiting and per-customer spending have turned upward from the level three months ago. (Tohoku; Department store) • Sales are on a gradual recovery, having surpassed the level of the same quarter a year earlier on a like-for-like basis. Sales of clothing, except some items made of functional materials, stay a little more than 90% of those in the same quarter a year earlier. But sales of food, even after excluding vegetables, whose prices soared due to unseasonable weather, have reached 103% of those a year earlier, showing a sign of recovery. (Northern Kanto: Supermarket)
C	<ul style="list-style-type: none"> • Since last summer, sales have been below the previous year level, though this month we see a faint sign of bottoming out. But that does not seem to be because an economic recovery is boosting consumption; rather, consumers have reached a point where they can no more bear being frugal in buying or doing anything, it seems. (Northern Kanto: high-end restaurant) • The number of rental car uses by tourists has surpassed the level in the same quarter a year earlier, only with a fall in unit rental fee. Conditions are far from favorable. It is only inexpensive package tours that sell, I guess. (Okinawa: Other services (Car-rental))
D	<ul style="list-style-type: none"> • Conditions have turned better than in last year, but a large swinging-back from the last-minute rise in demand in March, just before the change in electrical appliances to be covered by the “eco points” program, has left the sales figures a little less than satisfying. (Hokkaido: Electric appliance retailer)

Corporate activity

B	<ul style="list-style-type: none"> • Our parent company is capturing demand in rapidly growing economies, such as Brazil, Russia, India, and especially China, bringing us a greater number of inquiries about our industrial machinery, especially large-size compressors and machine tools. (Northern Kanto: Fabricated metal products) • Information is emerging from some of our customers, small and medium enterprises, that they are considering capital investment. Three months ago none of the customers we visited asked for information about land for sale, but now there are some who request that, considering purchasing land. (Kyushu: Financial business)
C	<ul style="list-style-type: none"> • Thanks partly to effects of the “housing eco points” program, orders for renovation work are trickling in. (Tohoku: Construction) • For these two or three months our production and sales have been almost leveling off, but some 20% above the level in the same quarter a year earlier. (Hokuriku: Precision machinery and tool manufacturer)
D	<ul style="list-style-type: none"> • Sales are increasing, while prices of raw materials, such as oil & fat and steel are on an upward trend again. (Kinki: Chemical industry)

Employment

B	<ul style="list-style-type: none"> • The number of companies that are undertaking, or considering, a personnel reduction is on a steady decline. Rather, more businesses are deliberating whether to employ more,
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	depending on their results in coming months or years. (Kyushu: Temporary manpower company)
C	<ul style="list-style-type: none"> Among companies that are receiving Employment Adjustment Subsidies, no change is seen in their lay-off rate. (Shikoku: Employment security office)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> As the bonus season approaches, and the subsidy program is coming to an end, a last-minute rise in demand is expected (Northern Kanto: Auto dealer) With many policies to encourage house purchases, such as the “housing eco points” program and mortgage tax breaks, we have bright prospects. Some affiliated companies of the major automobile manufacturers based here have returned to profit, and we find improved consumer confidence in our customers. (Tokai: Housing dealer)
C	<ul style="list-style-type: none"> Though payment of child allowances will probably deliver temporary effects, uncertainty in the economic outlook will leave consumption unsteady for the time being. (Tohoku: Other specialty shops (food)) With no conclusion reached yet by the government about whether and how to change the expressway toll, prospective tourists remain hesitant. We have received some inquiries, but they have brought no results yet. (Southern Kanto: Travel agency)
D	<ul style="list-style-type: none"> With no element found that could lift consumers out of their depressed sentiment, amid a continuing upward trend in the price of gasoline (another factor that holds them back from going out), it seems spending will be restrained for some time into the future. (Southern Kanto: Amusement park)

Corporate activity

B	<ul style="list-style-type: none"> Orders are recovering with many projects resurrected among those suspended last year due to budget cuts. (Tohoku: Advertising agency)
C	<ul style="list-style-type: none"> Retail prices are gradually improving, but material prices are on a gradual rise, which cannot be passed on to selling prices. Consumer spending has not yet recovered enough to allow us to pass the increased costs on to prices. (Tokai: Food and kindred products) For the coming three months, we have ample orders for automobile-related products, and hired some 20 temporary workers to deal with the backlog. Orders for air conditioner-related products also remain at a high level. (Chugoku: Electrical machinery, equipment & supplies)
D	<ul style="list-style-type: none"> The diesel oil price is gradually rising, but the price rise cannot be passed on to shippers. (Hokuriku: Transport)

Employment

B	<ul style="list-style-type: none"> Establishments that refrained from hiring last year, waiting to see the direction of the economy, have started recruitment, replacing temporary worker jobs on offer with part-timer or contract employee positions. The number of businesses that are considering hiring permanent employees is also on a gradual rise. (Southern Kanto: Employment security office)
C	<ul style="list-style-type: none"> In the construction industry, among others, a larger number of small and medium-size companies are undertaking employment adjustments, with business sentiment diverging between the type of industry and size of company. The number of companies that have applied for entry into job fairs for new graduates remains at a low level. (Tohoku: Employment security office)