

Economy Watchers Survey

January 2010

OVERVIEW OF THE MONTH

The DI for current economic conditions in January rose 3.4 points from the previous month to 38.8, posting a rise for two consecutive months.

The household activity-related DI rose, due to brisk sales of passenger vehicles and flat screen televisions thanks to the effect of tax reductions and subsidies for the purchase of environmentally friendly vehicles, and “eco points” to be earned for the purchase of green electrical appliances, and because the downward trend in customer traffic ceased at an increasing number of shops and facilities, in spite of consumers’ still cautious attitude towards making purchases. The corporate activity-related DI rose, in spite of persistent pressure for sales price reduction, 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 January rose 5.6 points from the previous month to 41.9.

In the future economic conditions, the household sector rose on expectations of the effect of tax reductions and subsidies for the purchase of environmentally friendly vehicles, of “eco points” to be earned for the purchase of green electrical appliances and of “housing eco points.” The corporate sector also contributed to the rise, on expectations of an increase in orders. The employment sector contributed to the rise due to job offers by some companies.

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 continuously seen.”

Released on February 8, 2010 (in Japanese)
by the Director-General for Economic Assessment and Policy Analysis,
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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"> We received a significant number of orders during the New Year opening sales, and the backlog of orders received this month is up from the previous year's level, though the results of the weekend fair at the month-end are yet to be seen. While the number of vehicles ordered falls below the target number, the sales this month significantly improve compared to the same period a year ago or two years ago. (Southern Kanto: Auto dealer) |
| C | <ul style="list-style-type: none"> While customer traffic during the New Year opening sales was stronger than the previous year, the sales remained almost unchanged from the previous year's level. The sales of New Year lucky bags decreased compared to the previous year, and shoppers purchase only their favorite brand's products. Few shoppers make purchases in bulk even at clearance sales, and what is noteworthy is that people are very careful about their purchases. (Southern Kanto: Department store) Partly thanks to "eco points" to be earned for the purchase of green electrical appliances, flat screen televisions are selling well, but we have experienced sharp drops in unit prices. As reflected in the fact that sales of items not eligible for the "eco points" program tend to decline in terms of the sales volume and the unit price, shoppers are cautious about making purchases. (Kinki: Home electronics retail store) |
| D | <ul style="list-style-type: none"> Our customers come to our hair salon after a much longer interval, and some of them seemingly start visiting bargain-priced beauty shops instead of our hair salon. People increasingly cut back their expenses. (Shikoku: Beauty salon) Following the price reduction by beverage manufacturers, beverage products with reduced prices started selling remarkably well. This obviously reflects how well customers respond to price cuts. We have seen similar trends of the sales of cooked rice and other goods as well as beverages, and we have found that, unlike in the past, only goods that consumers find reasonable sell. (Okinawa: Convenience store) |
| E | <ul style="list-style-type: none"> We find it increasingly difficult to sell high-end goods. Shoppers who used to start making purchases at a 30% price reduction now refrain from making purchases until the price is reduced by half. (Kinki: Clothing store) |

Corporate activity

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| B | <ul style="list-style-type: none"> Our client company recently received substantial orders from a Chinese company, and accordingly, we have seen an increase in orders from it. (Chugoku: Metal products manufacturer) |
| C | <ul style="list-style-type: none"> Many of our client companies are those affiliated with leading auto-manufacturers, and business sentiment improves among some of our client companies, including companies dealing with auto parts. Yet on the whole, business sentiment remains unchanged. (Tokai: Financial business) The machine tools sector has enjoyed strong export demand in Asia, while its business is not going well in Japan and in Europe. Companies which have no sales channels in Asia have a hard time. (Hokuriku: General machinery and tool manufacturer) |
| D | <ul style="list-style-type: none"> In addition to the fact that our clients have increasingly entered into the self-manufacturing of printed matters, the volume of orders from our existing clients is on the decline partly because they have concern about security issues in the outsourcing of the printing process. (Kinki: Copying service business) |

E	<ul style="list-style-type: none"> Following a series of requests for unit price reduction from our parent company which has claimed that it cannot survive the price competition unless the unit prices of our products are decreased, we have no choice but to cut costs in the production process in the face of an upward trend of material prices, in particular, crude prices. (Chugoku: Other manufacturing business [Sporting goods])
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Employment

C	<ul style="list-style-type: none"> Since January, the downward trend in the number of job openings has ceased. The number of job opening ads remains almost unchanged somewhere in the 50% range over the previous year's level, but we have received an increasing number of inquiries from companies who have never advertised job openings on our newspapers. (Tokai: Newspaper company [Job placement ads]) While it seems that the electronic component manufacturing sector and a certain number of other sectors have recovered, on the whole, the job market is bad. (Kyushu: Employment security office)
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2. Future conditions

Household activity

B	<ul style="list-style-type: none"> We expect that some of people who once refrained from purchasing their homes will start going into action, recognizing that it is a good time to buy properties, thanks to the dissemination of "housing eco points." (Northern Kanto: Housing dealer)
C	<ul style="list-style-type: none"> We have received more inquiries about the enrolment in March than the previous year. At the same time, slightly more students than the previous year quitted our school this year because they cannot pay their tuition fees. (Southern Kanto: Other service [Private tutoring school]) We have a significant number of group tour guests from Asian nations who are on the Chinese New Year vacation, and our occupancy rate is more than 10 percentage points up from the previous year. Our unit prices are, however, on the decline, and as a result, overall, our sales this month will, at the most, remain the same as the previous year. Since the beginning of the year, people have started making reservations for banquets at the last minute. (Kinki: Urban-type hotel)
D	<ul style="list-style-type: none"> In addition to rising crude oil prices, it is unlikely that workers will receive wage increases in the annual spring wage negotiations. Accordingly, there will be growing uncertainty over the economy. (Tohoku: Other shop [Food store])

Corporate activity

B	<ul style="list-style-type: none"> Export-oriented sections of leading companies have started making vigorous moves, and we can somehow expect an increase in orders received. (Southern Kanto: Electric machinery and tool manufacturer)
C	<ul style="list-style-type: none"> Though we cannot expect quick business recovery, we have received a gradually increasing number of inquiries from would-be tenants, and we somehow see hope for the future. (Southern Kanto: Real estate business) With uncertainty about rising light oil prices and a prolonged slowdown in consumption due to the trend toward deflation, a rapid recovery or improvement is unlikely. (Hokuriku: Transportation business)
D	<ul style="list-style-type: none"> So far we have received a number of orders for public works that make school buildings more quake-proof, almost as initially planned. Yet we are afraid that the volume of public works will be reduced, as people talk about the possible budget cuts. (Shikoku: Construction business)

Employment

- C
- With a slightly increasing number of job offers for contract jobs from outside of the prefecture, business is seemingly beginning to pick up in some sectors. Yet retailing businesses and service businesses for individual users remain in the real doldrums, and overall, there is no sign of an upturn. (Hokkaido: Job advertisement magazine producer)
 - The number of companies applying for Employment Adjustment Subsidies by submitting implementation plans concerning their suspension of operations remains almost unchanged. While the number of new applicants for the subsidies is on the decline, many businesses continuously have applied for the subsidies since the previous year. (Tokai: Employment security office)
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