

Economy Watchers Survey

October 2010

OVERVIEW OF THE MONTH

The DI for current economic conditions in October fell 1.0 point from the previous month to 40.2, posting a fall for the third consecutive month.

The household activity-related DI fell mainly due to a reaction to a last-minute rise in demand for tobacco before the price rise and to a decline in sales of new cars after the termination of the subsidies program for the purchase of environmentally friendly vehicles, despite a last-minute rise in demand for televisions and other electrical appliances before alterations in the “eco points” program. The corporate activity-related DI fell mainly due to a production adjustment after the termination of the subsidies program for the purchase of environmentally friendly vehicles and to impacts from a strengthening yen, such as a decline in exports and a fall in prices of orders received. The employment-related DI fell mainly because employers remained cautious about hiring new employees, especially regular employees, though job offers have started to appear mainly from manufacturers.

The DI for future economic conditions in October fell 0.3 points from the previous month to 41.1, posting a fall for the first time in two months.

In future economic conditions, the household activity-related DI rose mainly due to an anticipated slowdown of the sales decline for tobacco after the price rise and to expectations for new model cars, while the corporate activity-related and employment-related DIs fell mainly due to concerns about impacts on the entire economy, especially from the termination of the subsidies program for the purchase of environmentally friendly vehicles and the stronger yen.

From the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as “the economy has been so far picking up moderately, but is now showing some weak movements.”

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III. SUMMARY OF CHARACTERISTIC REASONS FOR THE ASSESSMENT OF THE ECONOMY

National

(Assessments) **A**, Better; **B**, Slightly better; **C**, Unchanged; **D**, Slightly worse; **E**, Worse

1. Current conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> · Slim-type TVs sell well thanks to the effects of the “eco points” program. Total sales have also exceeded the previous year level by a large margin. (Hokkaido: Electric appliance retailer)
C	<ul style="list-style-type: none"> · In October, with stable autumn weather at last, autumn goods are selling well. In the latter half of the month, the temperature has plummeted, and winter goods have begun to sell as people are preparing for the winter. We have secured the same level of sales as last year, a fair result. (Southern Kanto: General retail store [Clothing, sundry goods]) · As more tourists come in autumn, we see more fares during the day. (Kinki: Taxi driver)
D	<ul style="list-style-type: none"> · Car sales fell below 50% of the level in the same month last year. It is attributed partly to a reaction to the termination of the subsidies program for the purchase of new cars in September, but the decline is larger than what has resulted just from the impact. We are worried about another economic slowdown. (Hokuriku: Car dealer) · The utilization rate has begun to fall and is lower than three months ago. It is still above last year’s record, but the increase of reservations is slowing down. (Okinawa: Resort hotel)
E	<ul style="list-style-type: none"> · The number of customers in October fell 5% from the same month last year, in part an effect from a reaction to a last-minute rise in demand for tobacco before the tax increase. (Shikoku: Convenience store)

<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> · Orders for products for the overseas market, which have long been in a slump, are coming, especially from North America, a sign of a recovery of sales. (Chugoku: Machinery & equipment)
C	<ul style="list-style-type: none"> · The amount of orders received in October stands at almost the same level in July. Orders were expected to fall further, but in fact remain firm so far. (Tokai: Transportation machinery and tool manufacturer)
D	<ul style="list-style-type: none"> · Competition is severe. Unit prices of orders received for export are also falling. (Shikoku: Machinery & equipment)
E	<ul style="list-style-type: none"> · Automobile parts marked a large decline in shipment to the domestic market after the termination of the subsidies program for the purchase of environmentally friendly vehicles. In addition, a rapid appreciation of the yen has made export conditions severer. (Tohoku: Machinery & equipment)

<i>Employment</i>	
B	<ul style="list-style-type: none"> · The number of new job offers has increased for the sixth consecutive month. Especially in September, job offers marked a large increase, 38.0% from the same month last year. By industry the retail and service sectors made a large growth. A rapid increase for the second straight month signifies positive developments. (Kyushu: Employment security office)
C	<ul style="list-style-type: none"> · Production activities seem to be remaining rather strong, or leveling off. The manufacturing and medical and welfare sectors, though employing more, suffer a perennial shortage of qualified people. In general there is no positive element found, no specific

	<p>change in the state of affairs. (Tohoku: Newspaper company [Job placement ads])</p> <ul style="list-style-type: none"> The number of job offers is increasing from the same period last year, but the increase is coming mainly from offers for provisional, short-term part-timers and temporary workers. (Southern Kanto: Employment security office)
D	<ul style="list-style-type: none"> With the termination of the subsidies program for the purchase of environmentally friendly vehicles, the number of temporary workers dispatched to manufactures has declined. (Tokai: Outsourcing business)

2. Future conditions

Household activity

C	<ul style="list-style-type: none"> With stocks of tobacco that smokers built up running out, they are expected to come back to stores. A higher per-customer spending is expected with the price increase in tobacco, while the tax hike has driven many smokers to try to quit smoking; as the opposite effects offset each other, the forecast is that there will be no change in sales. Sales other than those of tobacco remain almost unchanged from the previous year, and the current level is expected to continue for a while. (Tohoku: Convenience store) As an announcement is due out with regard to special edition cars and new models, we expect them to attract the attention of prospective customers. But what actually comes up in conversations with customers is only negative topics. They say they cannot afford a new car now, leaving us even before entering into a sales talk. (Tokai: Car dealer)
D	<ul style="list-style-type: none"> In December and January, much narrower terms and conditions will be introduced to apply for “eco points,” so sales should suffer a rapid slowdown. We expect quite a severe environment from January. (Northern Kanto: Electric appliance retailer)

Corporate activity

C	<ul style="list-style-type: none"> The semiconductor-related business is generally going smoothly. So is the precision machine parts sector. Very fast growth cannot be expected, but steady business will continue. (Kyushu: Electrical machinery, equipment & supplies)
D	<ul style="list-style-type: none"> The yen is likely to remain strong for a while. Production will shift overseas from Japan, with a loss in orders. (Southern Kanto: Transportation machinery and tool manufacturer)

Employment

C	<ul style="list-style-type: none"> Some of those whose contract has expired are being replaced by others, but there are also some vacancies that are left unfilled. As we have not yet received any projection of additional demand for workers to be employed into the year-end on a short-term contract, the current state of things will continue for a while. (Hokkaido: Temporary manpower service)
D	<ul style="list-style-type: none"> As the subsidies program for the purchase of environmentally friendly vehicles has expired and the strong yen is pushing up prices of imported parts and materials, business will be declining further, especially among manufactures, with things getting worse. (Northern Kanto: Employment security office)