

Economy Watchers Survey

March 2011

OVERVIEW OF THE MONTH

The DI for current economic conditions in March fell to 27.7, posting a large fall of 20.7 points from the previous month.

The household activity-related DI fell significantly, mainly due to a shortage of products received caused by interrupted distribution, consumers' refraining from making purchases, and cancellations of reservations in the restaurant business, travel industry, and accommodation sectors one after another amid a downturn in consumer confidence and a mood of voluntary restraint, as well as by shortened business hours due to rolling blackouts, despite a sharp increase in sales, especially of water, food and emergency supplies, following the occurrence of the Great East Japan Earthquake.

The corporate activity-related DI fell significantly, mainly due to interference with production activities caused by breakages of production facilities, earthquake damage to client companies, supply shortages and delays in receiving raw materials and equipment, rising costs accompanied by soaring raw fuel prices, and the effects of rolling blackouts. However, an increase in orders received was seen in some industries on the back of rehabilitation demand or alternative production replacing affected companies.

The employment-related DI fell significantly, mainly because companies had concerns about the future following the disaster, and some companies reviewed or postponed their hiring of new employees and offering jobs.

The DI for future economic conditions in March fell to 26.2, posting a large fall of 20.6 points from the previous month.

The DI for future economic conditions fell significantly in all the household activity-related, corporate activity-related and employment-related DIs, mainly because consumers and companies have become uncertain about the prospects for the economy,

conditions of rolling blackouts, and effects of the accident of Fukushima Daiichi Nuclear Power Station. In addition, moves toward employment adjustment have been seen, while there are expectations of post-disaster rehabilitation demands.

From the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as “the economy has rapidly entered a severe situation, affected by the Great East Japan Earthquake.”

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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>	
C	<ul style="list-style-type: none"> · Due to the Great East Japan Earthquake, although demand for some items, such as rice, cup noodles, water, bread and dry-cell batteries, is strong, consumers' willingness to purchase clothing has been dropping since the earthquake. In particular, apparel, jewelry and travel-related sectors are in a serious situation, expecting severe conditions to continue for some time. (Northern Kanto: Supermarket) · The Great East Japan Earthquake caused the extremely low amount of products received. It is because many manufacturers have their plants and logistics centers in Northern Kanto, and also because many neighboring plants have produced less than half of their usual production due to the effects of rolling blackouts. (Southern Kanto: Supermarket)
D	<ul style="list-style-type: none"> · The Great East Japan Earthquake triggered a large decline in consumer confidence, as shown by a sharp decrease of the number of customers and consumers' refraining from making purchases. (Kinki: Department store) · We have no choice but to shorten our business hours due to rolling blackouts. (Southern Kanto: Department store)
E	<ul style="list-style-type: none"> · We are being forced to close stores or shorten the business hours due to rolling blackouts after the Great East Japan Earthquake. The number of customers decreased by slightly more than 30%. (Southern Kanto: Other retail [Shopping centers]) · Demand for travel from or to the Tokyo metropolitan area and demand in the areas that did not suffer any direct damage from the earthquake, let alone in the quake-hit areas, was gripped by a mood of voluntary restraint. (Hokuriku: Travel agency) · All reservations by tourists from overseas three months in advance were cancelled, affected by the Great East Japan Earthquake and the subsequent accident of Fukushima Daiichi Nuclear Power Station. (Hokkaido: Sightseeing hotel) · The Great East Japan Earthquake caused enormous damage, including great human (e.g. employees) and physical damage (e.g. store buildings). As commodity supply is also interrupted, we are not in a situation of being able to operate as usual. (Tohoku: Convenience store)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> · The building of temporary housing and the increasing of materials production in connection with the effects of the Great East Japan Earthquake, as well as tentative orders received, accompanied by price rises by manufacturers, have resulted in an increase of both new orders received and sales. (Tokai: Steel industry)
C	<ul style="list-style-type: none"> · Some facilities have suffered from the suspension of parts received and the subsequent suspension of production. (Northern Kanto: Electric machinery and apparatus manufacturer) · Due to rolling blackouts, the cycle of plants has been disturbed, with a fall of operation rates and low production. (Northern Kanto: Chemicals)
D	<ul style="list-style-type: none"> · Soaring raw material and crude oil prices can be seen recently, and will soon soak up all our profits. The situation does not allow us to pass on the increased costs by raising prices. (Northern Kanto: Food manufacturer)
E	<ul style="list-style-type: none"> · Since the occurrence of the Great East Japan Earthquake, we have suspended all our plants for more than two weeks. (Tohoku: Publishing, printing & allied industries) · Many of our clients suffered immense damage due to the Great East Japan Earthquake. We

	<p>are not in a situation of being able to deliver products. (Northern Kanto: Machinery & equipment)</p> <ul style="list-style-type: none"> • Due to the Great East Japan Earthquake, it is difficult to obtain construction materials and household equipment. (Kinki: General contractor) • Due to the Great East Japan Earthquake, some material supply has been suspended, and it is unclear when the normal supply will recover. (Chugoku: Chemicals)
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Employment

D	<ul style="list-style-type: none"> • Although the number of job offers had increased for a while, many companies now show concerns about the future due to the Great East Japan Earthquake. (Chugoku: Job information magazine publisher) • Due to the Great East Japan Earthquake, the number of businesses which suspend their operations is increasing, especially among manufacturers. Accordingly, the number of businesses suspending hiring or job offers in spite of having advertised job offers is increasing; thus, the situation is becoming slightly worse. (Northern Kanto: Employment security office) • Due to the Great East Japan Earthquake, there are signs of such movements as the postponing of hiring. (Kinki: Private-sector job placement service)
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2. Future conditions

Household activity

C	<ul style="list-style-type: none"> • A downturn in consumer confidence resulting from the Great East Japan Earthquake will continue for the time being. Shortening business hours due to rolling blackouts has spurred a decline in consumption. (Northern Kanto: Department store) • The outlook for a recovery of distribution remains uncertain, and we expect severe conditions to continue. (Tohoku: Supermarket) • Despite expected demand for spring, the reaction to a last-minute rise in demand before the termination of the “eco points” program will be seen after late April. (Hokkaido: Electric appliance retailer)
E	<ul style="list-style-type: none"> • There is fear that the situation of consumers’ refraining from making purchases due to concerns about the future will become more serious, resulting from the effects of the earthquake and tsunami, as well as the accident of Fukushima Daiichi Nuclear Power Station. (Tohoku: Supermarket)

Corporate activity

B	<ul style="list-style-type: none"> • Due to the Great East Japan Earthquake, parts procurement from the Tohoku district has been suspended, and accordingly, tentative orders received urgently have been increasing. (Hokuriku: Electric machinery and apparatus manufacturer)
E	<ul style="list-style-type: none"> • As the plants of our suppliers were affected by the disaster, we have concerns about how parts supply will be after parts go out of stock. (Chugoku: Metal products manufacturer) • We may not be able to meet delivery dates due to a reduction of production time caused by rolling blackouts. We are anxious about whether our valued customers will consider alternatives. (Southern Kanto: Metal products manufacturer)

Employment

D	<ul style="list-style-type: none"> • The Great East Japan Earthquake will produce negative effects on employment, such as cancellations of job offers and postponing of hiring. (Kinki: Employment security office) • Due to the Great East Japan Earthquake, we have received a number of requests for counseling for employment adjustments from some businesses, including automobile-related parts manufacturers. (Southern Kanto: Employment security office)
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