

Economy Watchers Survey

September 2011

OVERVIEW OF THE MONTH

The DI for current economic conditions in September dropped 2.0 points from the previous month to 45.3, for the second straight month of decline.

The household activity-related DI decreased, due mainly to sluggish sales of seasonal goods due to the typhoons and lingering summer heat, a reactionary fall after last-minute demand for such products as televisions, and sluggish consumption of some farm and livestock products.

The corporate activity-related DI dropped, due mainly to the impacts of the yen's steep appreciation had been broadening, although orders were increasing and production was recovering.

The employment-related DI was flat because of employers' cautious attitude on recruitment under such unfavorable factors as the yen's further appreciation, although the manufacturing sector increased job offers upon production recovery.

The DI for future economic conditions in September went down 0.7 points from the previous month to 46.4, for the third straight month of decline.

The DI for future economic conditions decreased in the corporate activity sector and employment sector, due mainly to uncertainties among consumers and businesses about the future and fears of business environment deterioration under such unfavorable factors as the yen's further appreciation, despite expectations of corporate production recovery.

From the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as "the economy is slowing the tempo of recovery, as it is affected by the appreciating yen."

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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"> Conditions were harsh with the two typhoons this month and the mid-month heat wave, but after that the weather suddenly changed to autumn, and we are experiencing a recovery. (Southern Kanto: Department store) New car supply is approaching normally, and we are steadily filling our order backlog. Six months have passed since the earthquake, and we are also starting to see demand from customers who were withholding new car purchases. (Tohoku: Auto dealer)
C	<ul style="list-style-type: none"> Home electronics and interior goods related eco products have strong sales, with electricity conservation policy and expectations of future electricity conservation. That helped boost sales a little. (Kyushu: Supermarket) Partly due to the external factors of lingering summer heat and typhoons, the autumn clothing sales and customer numbers are weak. (Northern Kanto: Department store) The typhoons caused fresh food shortages, resulting in high prices. Also, the Fukushima Daiichi nuclear power plant accident has created harmful rumors about agricultural areas, so sales are weak. (Okinawa: Supermarket) We saw much fewer customers, partly because the typhoons resulted in cancelled reservations in the second half of the month. (Kinki: High-end restaurant)
D	<ul style="list-style-type: none"> We are approaching the autumn season, but we see significantly fewer accommodation reservations from both groups and individuals. (Northern Kanto: Travel agency) In some areas, we don't yet see when they will recover from the large typhoon damage, and there are much fewer customers. (Kinki: Japanese inn for tourists) Much fewer customers are visiting housing exhibitions. It keeps decreasing. (Hokuriku: Housing supplier)
E	<ul style="list-style-type: none"> With the switch to terrestrial digital broadcast completed, television sales volume is decreasing. Customer willingness to buy consumer electronics has decreased overall. (Kinki: Electric appliance retailer).
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Automobile-related activities have become full scale to recover from delays due to the Great East Japan Earthquake. (Northern Kanto: General machinery and equipment manufacturer)
C	<ul style="list-style-type: none"> The appreciating yen is creating a harsh situation for foreign orders. (Hokuriku: General machinery and equipment manufacturer)
D	<ul style="list-style-type: none"> Domestic production has decreased, and industry is increasingly hollowing out. (Kinki: Plastic products manufacturer)
E	<ul style="list-style-type: none"> Europe's economic crisis and China's slowdown are having negative effects. (Chugoku: Iron & steel) Giving the appreciating yen as a reason, customers are making even harsher demands to cut costs. If we can't meet their desired prices, they say they will move towards foreign production. (Southern Kanto: Metal products manufacturer)
<i>Employment</i>	
B	<ul style="list-style-type: none"> With the sudden appreciation of the yen, employers are becoming cautious about hiring regular employees. On the other hand, manufacturing related employment is strong, with an increase in non-regular employment offers: dispatched temporary workers, contract jobs, part time, etc. (Southern Kanto: Employment security office)

C	<ul style="list-style-type: none"> Client companies affected by the appreciating yen can't foresee the future, so some are revising their recruiting plans. (Chugoku: Recruiting information magazine publisher) There are significant mismatches between job seekers and recruiters regarding occupations and labor conditions, so conditions are still harsh. (Hokkaido: Employment security office)
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2. Future conditions

Household activity

B	<ul style="list-style-type: none"> Due to Warm Biz and stronger electricity conservation related consumption, so we feel somewhat optimistic about the future. (Kinki: Department store)
C	<ul style="list-style-type: none"> As we enter the autumn vacation season, we are steadily receiving domestic travel reservations, so we will have a good final result, the same as this month. (Kinki: City hotel) New potential customers are not increasing, and the number which lead to orders also don't increase. (Southern Kanto: Housing supplier)
D	<ul style="list-style-type: none"> There is increased demand for energy conservation related products, but few products are really driving sales. On the other hand, there are many negative factors like the appreciation of the yen and low stock prices. (Kinki: Department store) Partly because of the food radiation contamination problem, customers are less willing to buy. This is especially seen in staples like rice and vegetables. (Hokuriku: Supermarket) We will be entering the winter season, and it is difficult to get our expected demand from foreign customers because the yen continues to be very appreciating, so it will be a little worse. (Hokkaido: Tourist hotel)

Corporate activity

A	<ul style="list-style-type: none"> The outlook from our major client automaker is nearly 20% more orders than last year, but we have dramatic shortages of staff and electricity. (Northern Kanto: Transport machinery and tool manufacturer)
B	<ul style="list-style-type: none"> There are negative factors such as the appreciation of the yen, but we can expect reconstruction demand. (Hokkaido: Furniture manufacturer)
C	<ul style="list-style-type: none"> The outlook is increasingly unclear. (Kyushu: Electrical machinery and equipment manufacturer) There is recovery in sales of in-house products overseas, but we expect our profitability situation will continue to be very harsh because of the appreciating yen's currency effects. (Chugoku: General machinery and equipment manufacturer)
D	<ul style="list-style-type: none"> Due to the appreciating yen's effects, our customers are demanding large price reductions, and if we do not comply, then future orders will go to Korea or China. (Shikoku: Iron & steel)

Employment

B	<ul style="list-style-type: none"> There are job offers in automobile parts, precision machinery, semiconductors, etc. (Southern Kanto: Temporary staff service)
D	<ul style="list-style-type: none"> Automakers plan to reduce production towards the end of the fiscal year, so we expect decreased job offers, reaching through to supporting automobile parts manufacturers. (Chugoku: Temporary staff service) Due to an unclear outlook such as the appreciation of the yen, we expect less energetic recruiting at many companies. (Chugoku: Other person who can grasp employment trends [labor institution])