

# Economy Watchers Survey

## January 2011

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### OVERVIEW OF THE MONTH

The DI for current economic conditions in January fell 0.8 points from the previous month to 44.3, posting a fall for the first time in three months.

The household activity-related DI fell, despite strong results at New Year and other bargain sales, mainly due to a decreased number of customers, who were discouraged from shopping by heavy snow and freezing weather and a fall in sales of televisions and other electrical appliances after alterations in the “eco points” program. The corporate activity-related DI rose mainly due to an increase in orders received from overseas by some of the manufactures, despite concerns about worsening profitability along with rising material prices and falling unit prices of orders received. The employment-related DI rose along with the number of job offers, with some recovery seen in offers of clerical jobs in addition to jobs through temporary manpower services in manufacturing.

The DI for future economic conditions in January rose 3.3 points from the previous month to 47.2, posting a rise for the third consecutive month.

The DI for future economic conditions rose in all the household activity-related, corporate activity-related and employment-related DIs, mainly because of expectations that the move to recovery in consumption observed in some sectors in late December and early January will resume and an expected last-minute rise in demand before the termination of the “eco points” program at the end of March.

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

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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>B</b>	<ul style="list-style-type: none"> <li>• Colder weather is maintaining strong sales of clothing. The number of customers and goods sold are both 10% higher than the previous year for the first time in years. The strong performance was supported by the great success of the New Year grab bags as well as good sales of functional underwear. (Kinki: Supermarket)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• In January, there was heavy snow, the temperature was low, and we had a satisfactory number of customers. (Hokkaido: Taxi driver)</li> <li>• Customers responded quite favorably to New Year and clearance sales or other events specifically designed to encourage them to spend. But at normal times they remain thrifty. The economy does not seem to be picking up yet. (Tohoku: Department store)</li> <li>• Heavy snow has led to customers coming out and visiting stores less often. But the extended Tohoku Shinkansen Line has turned out to be helpful in attracting more people, including tourists, from out of the city, and the number of customers is steadily increasing. (Tohoku: Shopping street)</li> <li>• We are experiencing a significant reactionary fall in car sales after the termination of the subsidies program for the purchase of environmentally friendly vehicles, in part offset by revenues of the repair &amp; maintenance department. (Hokuriku: Car dealer)</li> <li>• Smart phones are becoming more popular, with strong sales. But we have difficulty securing sufficient deliveries of handsets to replenish stocks. A remarkable number of customers who have come to buy an ordinary handset leave the store with a smart phone instead. (Hokuriku: Communications)</li> <li>• There was great excitement during the week of the New Year sale and clearance sale. But since Coming-of-Age Day, partly due to the harsh winter weather, the number of customers and sales have been plummeting. At bargain sales, the proceeds have stopped growing, except those from cold-protection gear. (Kinki: Department store)</li> <li>• There are fewer people going out. The per-customer spending is also relatively low. (Chugoku: General restaurant)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>• The level of orders for newly-built houses remains low in January. More applications have been filed for the “eco points” program, but the number of newly-built houses itself has failed to grow. (Southern Kanto: Housing dealer)</li> <li>• The New Year sale was successful under rather good weather. In mid- and late January, heavy snow led to a significant fall in the number of customers. (Hokuriku: Clothing store)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>• After the alteration to the “eco points” program, TV sales declined, which has pushed down overall sales. (Kinki: Electric appliance retailer)</li> <li>• Without a break, after foot-and-mouth disease eventually subsided, bird flu broke out and a volcano has erupted, with damage from ash, among other things, greatly discouraging gloomy customers from spending. (Kyushu: General retailer [vegetables and fruits])</li> </ul>
<i>Corporate activity</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>• New orders from customers are increasing, though only slightly. (Kinki: Electric machinery and apparatus manufacturer)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• Manufacturing equipment for electric appliances, our key product, is doing well, with good sales overseas, despite the continuing slump in Japan. (Kinki: Electric machinery and apparatus manufacturer)</li> </ul>

	<ul style="list-style-type: none"> <li>The price level of new orders is shifting to the very low end. The downward trend will continue for the time being. (Kyushu: Electric machinery and apparatus manufacturer)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>The price of cotton yarn, raw material, remains high, which forces us to cancel some offers, resulting in a decline of new orders received. (Kinki: Textile industry)</li> </ul>

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### *Employment*

<b>B</b>	<ul style="list-style-type: none"> <li>There is a clear recovery trend observed among offers of clerical jobs, as well as jobs in manufacturing. (Kinki: Temporary manpower service)</li> <li>The number of offers of regular and temporary jobs is trending upward. (Chugoku: Temporary manpower service)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>There is a slight increase appearing in the number of job offers. In addition to offers made to fill vacancies, which have already been observed for some time, there are some cases of staff increases for business reasons. (Southern Kanto: Temporary manpower service)</li> </ul>

## **2. Future conditions**

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### *Household activity*

<b>B</b>	<ul style="list-style-type: none"> <li>Into the end of March, when the “eco points” program terminates, sales, especially those of items covered by the program, are expected to grow. But at the same time, a reactionary decline from April is foreseen. (Southern Kanto: Electric appliance retailer)</li> <li>There is a nascent momentum observed in sales of luxury goods. The completion of the Kyushu Shinkansen Line in March should bring about more activity, making the entire town more vibrant. (Kyushu: Department store)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>With continuing solid sales of women’s clothing since last summer, growth is expected in sales of more expensive items, including suits for new employees and mothers who will attend entrance ceremonies for their children. (Northern Kanto: Department store)</li> </ul>

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### *Corporate activity*

<b>C</b>	<ul style="list-style-type: none"> <li>Sales prices seem to have hit bottom now. They are likely to stay there for a while, but they are expected to start a gradual recovery in two or three months, returning to the same level as the middle of last year. (Tohoku: Electric machinery and apparatus manufacturer)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Prices of auxiliary materials, such as wheat and soy beans, as well as fuels, including heavy oil and gas, are steadily rising. The increased costs cannot be passed on to product prices in the current environment, which is making us less profitable. (Hokuriku: Food manufacturer)</li> </ul>

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### *Employment*

<b>B</b>	<ul style="list-style-type: none"> <li>Positive movements continue: the number of monthly effective offers has increased for eleven consecutive months, except April, and that of monthly new offers has also been trending upward. Remarkable increases are observed especially in the construction, service, medical &amp; welfare, and manufacturing sectors. New job offers, which started to grow mainly for part-timers, are now increasing especially for regular workers. It seems that the upward trend will continue. (Kinki: Employment security office)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>The number of job offers, though trending upward, lacks strong momentum. (Tohoku: Employment security office)</li> </ul>