

# Economy Watchers Survey

October 2011

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## OVERVIEW OF THE MONTH

The DI for current economic conditions in October rose 0.6 points from the previous month to 45.9 for the first increase in three months.

The household activity-related DI went up, due mainly to brisker sales of seasonal goods amid a drop in temperatures, despite a reactionary decline in the demand for products such as televisions after a last-minute increase in demand.

The corporate activity-related DI increased, due mainly to a production recovery amid growing orders, although the adverse impact of the yen's rapid appreciation was spreading.

The employment-related DI fell due to employers' cautious attitudes about recruitment amidst such unfavorable factors as the yen's further appreciation, although job offers increased in the manufacturing sector on production recovery.

The DI for future economic conditions in October decreased 0.5 points from the previous month to 45.9 for the fourth straight month of decline.

The DI for future economic conditions dropped in the corporate activity- and employment-related sectors, due mainly to uncertainties among consumers and businesses about the future, and fears of deterioration in the business environment amidst such unfavorable factors as the yen's further appreciation and the massive flooding in Thailand, despite expectations of corporate production recovery.

For 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 under the impact of the yen's appreciation."

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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>Customers do not seem to be holding back on their consumption. They are more willing to buy goods than they were several months ago. (Hokuriku: Department store)</li> <li>In the autumn travel season, the number of group tours and proceeds from them exceed last year's levels. However, the increase has fallen short of covering the drop that occurred in the April-June quarter. (Hokuriku: Travel agency)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Although sales of autumn goods including clothing were slow due to lingering summer heat last month, we see growing sales of autumn goods amid a temperature decline this month. (Kyushu: Department store)</li> <li>The number of customers visiting our shop is increasing thanks to new model launches. But sales negotiations are difficult as customers are tightly clutching their purse strings. (Tokai: Auto dealer)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Consumers have been more consciously tightening their purse strings, which increases their tendency to refrain from buying unnecessary goods even with low price tags. (Kinki: Supermarket)</li> <li>Unit price drops for such products as televisions have greatly affected overall sales. (Southern Kanto: Electric appliance retailer)</li> <li>As the impact of the Great East Japan Earthquake has been declining, the number of tourists including non-group travelers has been recovering. Among foreign tourists, however, those from China and South Korea have declined substantially. (Hokkaido: Tourist spot)</li> </ul>
<i>Corporate activity</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>Although production and sales had been delayed amid parts procurement difficulties under the impact of the Great East Japan Earthquake, the delays are now recovering due to the production expansion we started in July (Shikoku: General machinery and equipment manufacturer)</li> <li>Orders related to post-disaster reconstruction are continuing to come in. (Tohoku: General contractor)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Domestic sales face severe conditions as the market remains in a slump. Overseas sales are failing to be profitable due to the impact of the yen's appreciation, although orders are coming in at a brisk pace. (Chugoku: General machinery and equipment manufacturer)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>A considerable number of our trading partners with overseas production bases have shifted their production to overseas bases and left their domestic plant facilities idle. (Tokai: Ceramic, stone and clay products manufacturer)</li> </ul>
<i>Employment</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>Job offers from manufacturers are brisk and the demand for temporary staff has become robust. (Kyushu: Newspaper company [Job advertisements])</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>The number of job offers has remained almost flat over the past several months. The demand for temporary staff centers on backup workers and extra hands for business peaks. (Hokuriku: Temporary staff service)</li> <li>Recently, various problems overseas have led to fears about demand and production, affecting recruitment slightly. (Southern Kanto: Private-sector job placement service)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Temporary staff service orders have slackened from manufacturers including automobile-related makers. The impact of the massive flooding in Thailand has led some companies to cancel job offers. (Chugoku: Temporary staff service)</li> </ul>

**2. Future conditions**

<b><i>Household activity</i></b>	
<b>B</b>	<ul style="list-style-type: none"> <li>Heavy clothing will sell more briskly as temperatures fall. Visitors will increase toward the gift-giving season at the end of the year. (Kyushu: Department store)</li> <li>The volume of auto sales will increase on an expected last-minute expansion in orders toward the termination of tax cuts for eco-friendly car purchases. As some fear that their car registrations will fail to meet the tax cut deadline, we expect to see preemptive orders. (Tokai: Auto dealer)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Warm Biz campaigns have yet to spread among consumers enough to expand demand as much as Cool Biz campaigns. (Kyushu: Department store)</li> <li>Although demand in overseas travel has been recovering on the yen's appreciation, we fear a decline in future demand for overseas travel due to such problems as the massive flooding in Thailand and European credit fears. (Shikoku: Travel agency)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>With this winter's electricity conservation amid electricity shortages and the controversial and imminent tax increases, we do not see any bright factors leading to economic recovery. (Kinki: Supermarket)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>As massive flooding has hit Thailand, which is a major production base, the arrival of digital cameras and some other products have already begun to be delayed. (Northern Kanto: Electric appliance retailer)</li> </ul>
<b><i>Corporate activity</i></b>	
<b>A</b>	<ul style="list-style-type: none"> <li>As business inquiries have begun to increase on special demand caused by the Thai flooding, we expect to remain busy until the middle of next year. (Kyushu: General machinery and equipment manufacturer)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Automobile-related production will grow brisk within the current fiscal year to cover delays just after the Great East Japan Earthquake. (Kinki: Metal products manufacturer)</li> <li>Given many external negative factors such as the yen's appreciation, the European budget problem and the flooding in Thailand, we expect the severe conditions to continue. (Hokkaido: Furniture manufacturer)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>Due to the yen's extreme appreciation, our products are facing intensifying competition with imports from China (Kinki: Textile industry)</li> </ul>
<b><i>Employment</i></b>	
<b>A</b>	<ul style="list-style-type: none"> <li>The demand for temporary staff from automobile-related companies will continue increasing (Northern Kanto: Temporary staff service)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>It is feared that the manufacturing sector, which has worked to drive up job offers, will reduce job offers in response to the yen's appreciation. (Hokkaido: Job information magazine publisher)</li> <li>As the future course has grown more uncertain due mainly to the yen's appreciation and the flooding in Thailand, companies are likely to restrict recruitment somewhat. (Kinki: Job information magazine publisher)</li> <li>As companies are concerned over business conditions amid the yen's continuing strength, more temporary staff contracts are being allowed to end than are being renewed. (Okinawa: Temporary staff service)</li> </ul>