

Economy Watchers Survey

December 2012

OVERVIEW OF THE MONTH

The DI for current economic conditions in December rose 5.8 points from the previous month to 45.8 for the second straight month of rise.

The household activity-related DI went up, due mainly to robust sales of winter goods amid falling temperatures.

The corporate activity-related DI rose, due mainly to improvements in order receipts and profitability in some industries in addition to in the yen's depreciation.

The employment-related DI rose, due primarily to an increase in job offers for the calendar- and fiscal-year ends, despite employment adjustment moves seen in the manufacturing sector.

The DI for future economic conditions in December went up 9.1 points from the previous month to 51.0 for the second consecutive month of rise.

Regarding future economic conditions, yen depreciation and stock price hikes were seen along with expectations of the new government's policies. Under such conditions, the household activity-, corporate activity- and employment-related DIs for future economic conditions increased.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as "the economy has recently indicated signs of recovery."

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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"> • Due partly to temperatures and other weather conditions, winter goods including food products for hot pots are selling well. (Tohoku: Supermarket) • Focusing on vegetables for hot pots, sales including beef are slightly more than they were in early autumn. As the general election leads to a government change, customers are discussing bright topics. (Tokai: Supermarket) • In the year-end party season from late November to December, sales increased substantially from a year earlier. We think that this sales rise, like the yen's depreciation and stock price hikes, indicates a sense of expectation. (Shikoku: Tourist inn) • As temperatures have fallen rapidly, winter clothes are selling well. Sales in December have maintained November's momentum. (Kyushu: Shopping street)
C	<ul style="list-style-type: none"> • As cold waves have come, coat sales have been brisk. Heating goods have also sold well. Sales in each sector are strong enough to post a double-digit year-on-year growth rate. (Hokkaido: Department store)
D	<ul style="list-style-type: none"> • We lost customers due to the general election in December. As the situation has continued into the year-end season, we continue to see no increase in customers. (Kyushu: High-end restaurant)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> • As bright signs have emerged recently thanks to the yen's depreciation and stock price hikes, business inquiries are increasing. (Kinki: Electric machinery and equipment manufacturer) • Our overseas business division has improved profitability due to the yen's depreciation. (Shikoku: Ordinary machinery and instrument manufacturer) • Orders have increased overall due to growth in those from abroad, so economic conditions are getting better. (Kyushu: Precision machinery and tool manufacturer)
C	<ul style="list-style-type: none"> • As the European debt crisis and the China problem have yet to improve, we cannot expect any sales recovery for the immediate future. (Tokai: Electric machinery and equipment manufacturer) • Rising prices of imported materials under the yen's recent depreciation have inflicted a great impact on us. (Chugoku: Other manufacturer [Sporting goods])
D	<ul style="list-style-type: none"> • Sales in the manufacturing sector have plunged sharply since October. Wholesalers and retailers see no sales growth, as a deflationary trend has failed to improve. Construction and real estate sectors see demand growth in the lead up to consumption and inheritance tax hikes, but the rental house market is deteriorating. (Southern Kanto: Finance industry)
<i>Employment</i>	
B	<ul style="list-style-type: none"> • Job offers are increasing, although the increase may reflect last-minute orders in the lead up to the year-end. (Kinki: Temporary staffing company) • We heard that consumption at year-end and new-year events is increasing slightly. (Chugoku: Private employment agency)
C	<ul style="list-style-type: none"> • In the lead up to the year-end, demand for staffing services has increased at some companies and decreased at others. The overall number of job offers has remained

	unchanged. (Northern Kanto: Temporary staffing company)
D	<ul style="list-style-type: none"> At companies related to electrical machinery and transportation equipment including automobiles, employees are losing jobs due to factors accompanying these firms' overseas production shift under the yen's appreciation. (Tokai: Employment security office)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> As stock price hikes and the yen's depreciation are expected to continue due to the new government's monetary policy, the Tokai region's economic sentiment mainly among manufacturers is likely to recover. Given a continued cold weather forecast beyond the turn of the year, we expect that winter goods will sell well. (Tokai: Department store) Amid preparations for the consumption tax hikes, last-minute demand in the lead up to the hikes may begin to emerge around next month. As there are many consumers who are still cautious, however, any demand increase may be limited. (Kinki: Other housing business [housing showroom]) Economic sentiment is recovering due to the yen's depreciation and stock price hikes after the general election. Our sales have recovered slightly. We hope to see the current situation continuing. (Chugoku: Department store)
C	<ul style="list-style-type: none"> While sentiment seems to be improving due to the yen's depreciation and stock price hikes following a government change, economic conditions remain severe for small and medium-sized enterprises, retailers, and restaurants. The current conditions may remain unchanged for the immediate future. (Tokai: Supermarket)
D	<ul style="list-style-type: none"> As consumption tax hikes approach, we cannot clear our anxiety over the future. (Kinki: Department store)

Corporate activity

B	<ul style="list-style-type: none"> Although we fear purchasing cost hikes following an announcement of a price hike for caustic soda as our main raw material, effective prices are expected to remain unchanged at present levels for the immediate future. The yen's recent depreciation is likely to help increase our customers' demand for exports, though moderately. (Chugoku: Chemical industry).
C	<ul style="list-style-type: none"> While the yen appreciation problem has been improved over the short term, profitability improvements are likely to remain limited until existing forward exchange contracts expire. (Tokai: Electrical machinery and equipment manufacturer)

Employment

B	<ul style="list-style-type: none"> The ratio of job offers to applicants in the prefecture has leveled off. Given the yen's appreciation and other factors, we expect that job offers will recover among manufacturing and other companies in the future. (Hokuriku: Newspaper company [Job advertisements]) As a new government has been inaugurated, a large budget is likely to be crafted toward the fiscal year end. Regarding public investment, infrastructure-related companies have received substantial requests. (Kinki: Temporary staffing company)
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