

# Economy Watchers Survey

## January 2012

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### OVERVIEW OF THE MONTH

The DI for current economic conditions in January fell 2.9 points from the previous month to 44.1, for the first decline in two months.

The household activity-related DI declined. This is due mainly to the fact that, although sales were strong during the new year shopping season, there was a subsequent reactionary decline and lower sales caused by bad weather since mid-January, as well as a continued reactionary decline in demand for televisions, etc. after a last-minute demand increase.

The corporate activity-related DI declined, due mainly to the continuing impact of the yen's appreciation.

The employment-related DI rose, mainly because sectors such as construction and welfare increased job offers, despite employers' cautious attitudes about recruitment in the strong yen environment.

The DI for future economic conditions in January increased 2.7 points from the previous month to 47.1, for the first rise in seven months.

While consumers and businesses were uncertain about the future, with continuing concerns about business environment deterioration under unfavorable factors including the yen's appreciation, reconstruction demand is expected following the Great East Japan Earthquake. There are also positive expectations for demand in the new fiscal year. Under such conditions, the household activity- corporate activity- and employment-related DIs for future economic conditions rose.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as "the economy is moderately recovering amid the continuing 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>New year bargains exceeded last year for a series of days, for a strong start. Most nearby department stores and shopping centers are also exceeding last year. (Southern Kanto: Department store)</li> <li>The auto industry faces good conditions: Launch of new small hybrid vehicles, expected continued tax reductions for environment-friendly vehicles and return of subsidies, etc. Large events for sales promotions brought larger orders than planned. (Hokuriku: Auto dealer)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Households had events for Christmas and year-end/new-year, resulting in good sales of holiday goods. But money was used in the events, so there was a downward rebound and people seem to have retightened their purse strings. (Southern Kanto: Supermarket)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>After last year's complete shift to terrestrial digital broadcasting, flat-screen television sales continue to be weak. Even after entering the new year, recovery is far off. Sales conditions continue to be harsh. (Hokkaido: Electric appliance retailer)</li> <li>This month, due to the snow's effects and continuing harsh cold weather since mid-month, there was a decreased number of customers. (Southern Kanto: General retailer (Japanese sweets))</li> </ul>
<i>Corporate activity</i>	
<b>C</b>	<ul style="list-style-type: none"> <li>There is an increase in the number of contracts received for small and medium size construction industry with annual sales of about 100 million yen. Regional banks have more positive stances on lending to real estate developers. But low unit prices and lack of skilled workers are continuing, and labor costs are tending upwards. Thus profit margins are thin. (Kyushu: Financial industry)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Orders from overseas aren't rising, due to the continuing appreciating yen, weak dollar and weak euro. And there is no special demand in Japan resulting from the flooding in Thailand nor from the Great East Japan Earthquake. (Hokuriku: General machinery and equipment manufacturer)</li> </ul>
<i>Employment</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>The effective ratio of job offers to applicants rose by 0.1 points over a year earlier, and the number of new job offers expanded for the 22nd consecutive month. Also, the number of effective offers is returning to the level immediately after the U.S. large financial institution bankruptcy. (Kinki: Employment security office)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Construction industry job offers are increasing for work on recovery from the Great East Japan Earthquake. The number of new job offers is much higher than the same month last year, increasing for nine consecutive months. (Tohoku: Employment security office)</li> <li>There is continuing strong recruiting for nursing and other medical related, education and tutoring, but not for regular employment. (Kyushu: Newspaper company [Job advertisements])</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>The recruiting trend has reversed. Due to the strong yen, there is a shift overseas, and recruiting ads are tending to be weak for manufacturing: automotive, semiconductors, electrical machinery, etc. (Kyushu: Newspaper company [Job advertisements])</li> </ul>

## **2. Future conditions**

<b><i>Household activity</i></b>	
<b>B</b>	<ul style="list-style-type: none"> <li>• With diminishing effects of the Great East Japan Earthquake, tourists are also returning from Southeast Asia. We expect an increase in use by foreign tourists. (Hokkaido: Tourist spot)</li> <li>• We are now entering a season when people actively move to new jobs, schools, etc., so there will be some increase in necessary demand. Both sales volume and sales revenues will be better than now. (Kyushu: Shopping area)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• Europe has sparked a global recession, so there will be an acceleration in the cooling of consumer confidence. Problems of debts and the appreciating yen are also weighing on economic recovery, and signs of recovery are still not in sight. And domestically, debates on tax increases and social security are becoming more specific, so consumers won't loosen their purse strings for a while. (Southern Kanto: Department store)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>• Many things are impeding the economic recovery: tax increase debates, various fee increases, etc. If we include the higher fuel adjustment cost, the electricity rate increase is 28% at our company, which is especially putting a lot of pressure on our business. (Northern Kanto: Supermarket)</li> </ul>
<b><i>Corporate activity</i></b>	
<b>B</b>	<ul style="list-style-type: none"> <li>• Since the Great East Japan Earthquake, restaurants and gifts both see continuing special recovery demand. Full scale recovery will start, so special recovery demand is forecast to continue. (Tohoku: Food manufacturer)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• With full scale recovery from the Great East Japan Earthquake, there are shortages of construction materials and skilled workers, and wages are forecast to jump. Also, public works budget allocation is focused on recovery projects, so there is a decrease in public works in other regions. (Kinki: General contractor)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>• Due mainly to the appreciating yen, our customers' overseas factories are accelerating their shifts to local procurement, so our future prospects are very harsh. (Kinki: Metal products manufacturer)</li> </ul>
<b><i>Employment</i></b>	
<b>B</b>	<ul style="list-style-type: none"> <li>• Disaster area support projects are in a growth trend each month, which is expected to continue. And we are getting newspaper ad placement inquiries for the fiscal year end, so we have good expectations. (Tohoku: Newspaper company [Job advertisements])</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• Since January, there are negative factors such as Europe's credit concerns, so uncertainty hasn't ended. But corporate hiring interest still shows a strong trend, and current conditions will continue for a while. (Kyushu: Employment security office)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>• Active hiring by the auto industry was especially notable until now with the increased production, but production at each company is gradually leveling off. The production and employment situation is also uncertain from April onwards, so it will be a little worse. (Southern Kanto: Temporary staffing company)</li> <li>• Due mainly to the appreciating yen and Europe's credit uncertainties, some plants have begun production adjustments, and future prospects are not good. (Kinki: Employment security office)</li> </ul>