

Economy Watchers Survey

March 2012

OVERVIEW OF THE MONTH

The DI for current economic conditions in March rose 5.9 points from the previous month to 51.8, for the second straight month of rise.

The household activity-related DI went up, due mainly to more active consumption thanks to a growing mood of reconstruction following the Great East Japan Earthquake.

The corporate activity-related DI rose, due mainly to an expansion of the influence of the recent slower pace of the yen's appreciation.

The employment-related DI rose, mainly because sectors, such as construction and manufacturers including automobile-related companies, increased job offers.

The DI for future economic conditions in March went down 0.4 points from the previous month to 49.7, for the first drop in three months.

While expectations of reconstruction demand following the Great East Japan Earthquake and a continuing trend of the yen's depreciation were observed, undesirable factors such as rising crude oil prices brought led to uncertainties about the future to among households and businesses. Under such conditions, the household activity- and corporate activity-related DIs for future economic conditions dropped, whereas the employment-related DI rose.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as "the economy is recovering."

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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"> Sales of gift-related goods have been brisk. We are entering a season when people actively purchase goods and services related to school entrance and graduation, and sales of these goods and services in March are much better than in the same month last year, when such sales were weak due to a mood of voluntary restraint following the Great East Japan Earthquake. (Hokuriku: Department store) Due to the fact that this month is the end of the fiscal year, post-disaster reconstruction has begun one year since the Great East Japan Earthquake and stock prices have been recovering, we have seen a growing positive response from our customers. (Chugoku: Communications)
D	<ul style="list-style-type: none"> Amid relatively low temperatures in the month, continuous rain over the weekend significantly dampened demand for spring clothing, affecting overall sales. (Southern Kanto: Supermarket)
<i>Corporate activity</i>	
A	<ul style="list-style-type: none"> Due to recovering cost competitiveness thanks to the yen's depreciation and reconstruction demand following the Great East Japan Earthquake becoming conspicuous, both orders received and sales are increasing. (Shikoku: General machinery and equipment manufacturer)
B	<ul style="list-style-type: none"> Due partly to this month being the fiscal year end, orders received and sales have been recovering to the previous level. (Tohoku: Communication business) Currently, at small and medium size subcontracting manufacturers that deliver products to export companies, the capacity operating rate has been rising. (Hokuriku: Tax accountant) With an increase in use related to special recovery demand from the Great East Japan Earthquake, at some shops, we have often seen people going to dine from the evening onwards, who stay at nearby economy inns to support activities for post-disaster reconstruction. (Tohoku: Food manufacturer)
D	<ul style="list-style-type: none"> Rising costs of labor and materials, etc. related to orders for post-disaster reconstruction projects have affected profitability outlook. (Tohoku: General contractor)
<i>Employment</i>	
B	<ul style="list-style-type: none"> Partly due to continued tax reductions for eco-friendly cars, sales, especially those of fuel-efficient cars and hybrid vehicles are strong, and orders for automobile-related companies and manufacturers are increasing. (Southern Kanto: Employment security office) The number of orders received for long-term contracts has been gradually increasing, and also there is an increase in the number of orders for short-term contracts running beyond the fiscal year. (Okinawa: Temporary staffing company)
C	<ul style="list-style-type: none"> As building constructors have increased job offers, especially for on-site workers, we feel that the situation is showing signs of picking up, but there is no brisk movement in other industries, and the employment situation remains unchanged. (Northern Kanto: Employment security office)

2. Future conditions

<i>Household activity</i>	
A	<ul style="list-style-type: none"> Lingering snow as a result of unusual heavy snow in this winter had adverse effects, and a delay in preparation for the spring season has been observed. However, we have expectations that restoration demand following the Great East Japan Earthquake will boost the national economy and forecast that the situation will be better. (Hokkaido: General retailer [souvenirs])
B	<ul style="list-style-type: none"> Considering high income earners' growing willingness to make purchases due to a rise in stock prices and a rising trend of purchasing goods to support disaster-affected people, there seems to be growing tendency for general consumers to buy things they really want. (Southern Kanto: Department store) Although sales of clothing remained stagnant due to relatively low temperatures in March, sales of men's casual wear have been improving as temperatures rise. Therefore, the sales are expected to be slightly better than March. (Kyushu: Department store)
C	<ul style="list-style-type: none"> With factors negative for households, including rising crude oil price and decreasing income deduction, it may be difficult to expect a rise in sales. (Tokai: Supermarket)
D	<ul style="list-style-type: none"> Gasoline price hikes, a rise in electricity rates, a consumption tax increase, etc, will be factors of a downturn in consumer confidence. (Hokkaido: Supermarket)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Outlooks for the numbers of products exported and orders received in both the first half of the year and the full year are on a slightly upward trend. Although it is less likely that the outlooks will be revised upward, strong expectations are being observed. Also, a trend of the yen depreciating is contributing to positive expectations. (Shikoku: Electrical machinery and equipment manufacturer)
C	<ul style="list-style-type: none"> Calculating reconstruction demand following the Great East Japan Earthquake, our industry expects to continuously ensure some level of orders, but there are uncertain factors, such as hikes in materials and per-capita labor cost. Taking all these factors into account, overall economic conditions are likely to remain unchanged. (Tohoku: General contractor) We are worried about rising costs caused by material prices rising due to high crude oil prices and a rise in electricity rates. (Southern Kanto: Plastic products manufacturer)
D	<ul style="list-style-type: none"> In addition to hikes in raw materials and building materials, price rises of electricity- and fuel-related materials are expected, but such hikes cannot be passed on to product prices, and we have a slightly worse outlook. (Hokkaido: Food manufacturer)
<i>Employment</i>	
B	<ul style="list-style-type: none"> As a rise in stock prices and a trend of the yen depreciating tend to benefit corporations' recruiting activities, the outlook is slightly better. (Kinki: Private-sector job placement service)
C	<ul style="list-style-type: none"> In March, concerns about the future, including a crude oil price hike, are emerging. Although employers are consulting about applications for the implementation plan of suspension of operation, there are still no new applications. (Hokuriku: Employment security office)
D	<ul style="list-style-type: none"> With increasing job seekers in and after April, we cannot expect that the current high ratio of job offers to applicants will continue. Due to decreasing emergency employment measures promoted by the government, the future conditions are likely to become severer. (Shikoku: Employment security office)