

Economy Watchers Survey

February 2013

OVERVIEW OF THE MONTH

The DI for current economic conditions in February rose 3.7 points from the previous month to 53.2 for the fourth straight month of increase.

The household activity-related DI went up, due mainly to improvements seen in consumer confidence in such products as luxury goods and cars.

The corporate activity-related DI rose, due mainly to continuous improvements in order receipts and profitability mainly in the manufacturing industry amid the yen's continued depreciation.

The employment-related DI rose, due primarily to an increase in job offers from construction, services and some other sectors.

The DI for future economic conditions in February went up 1.2 points from the previous month to 57.7 for the fourth consecutive month of increase.

Regarding future economic conditions, the yen's depreciation and stock price hikes continued and expectations on the current Japanese government's policies were continuously seen, despite concerns about rising fuel prices, etc. 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 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"> New car sales have turned up due to asset effects of rising stock prices and the replacement of conventional cars with hybrid vehicles under gasoline price hikes. (Tokai: Auto dealer) Leather and other luxury products are selling better than usual, indicating customers' willingness to get better products even at higher prices. (Kinki: Department store) We feel that visitors have increased, though mainly on weekends. Luxury product sales are firm, apparently due to rising stock prices and the yen's depreciation. (Chugoku: Shopping street)
C	<ul style="list-style-type: none"> Since early February, consumption has been slightly stagnant due to prolonged cold waves and heavy snow accumulation, with prices rising mainly for vegetables, leading restaurants and supermarkets to struggle. Generally, the consumption trend is weak. (Tohoku: Shopping street) In line with wholesale fuel price hikes, retail prices have been rising. As prices have also increased for kerosene for heating, we hear complaints from customers. Fuel sales volume has remained relatively unchanged year on year. (Kyushu: Other specialty shop [Gas station])
<i>Corporate activity</i>	
A	<ul style="list-style-type: none"> After the turn of the year, only economic sentiment improved, while shipments remained sluggish. Recently, however, we see shipment orders for March and April that are too heavy for us to accept. (Kinki: Chemical industry) Due to the yen's depreciation, profitability of exports has improved and price competitiveness has recovered. (Shikoku: Ordinary machinery and instrument manufacturer)
B	<ul style="list-style-type: none"> Housing lot sales are brisk, leading housing starts to increase in a manner to represent last-minute demand before the planned consumption tax hike. (Tohoku: Judicial scrivener) The yen's depreciation has allowed business inquiries and projects to make progress after their stagnation. We now can land business deals that had been difficult to clinch even with price reduction offers, allowing us to receive orders. (Tokai: Ordinary machinery and instrument manufacturer)
C	<ul style="list-style-type: none"> The impact of crude oil price hikes stemming from the yen's depreciation is serious. Particularly, transporters have remained unable to pass fuel price hikes on to fares, facing difficulties in benefitting from any transportation volume increase. Irrespective of industrial categories, raw and other material cost spikes have undeniably brought about a sense of stagnation (Hokkaido: Other services [Construction machinery lease]) Apparently due to hopes placed on the new government's policies, sentiment is not bad. But the hopes have yet to be realized. (Kinki: Plastic products manufacturer)
<i>Employment</i>	
B	<ul style="list-style-type: none"> Job offers are coming from the services sector as well as transportation and medical-related sectors. (Tohoku: Newspaper company [Job advertisements]) Backed by the yen's depreciation, large manufacturers are shifting to a production expansion. This may soon benefit peripheral companies. (Tokai: Temporary staffing company) Orders are increasing mainly in construction and civil engineering sectors. (Kinki:

	Temporary staffing company)
D	<ul style="list-style-type: none"> While job offers are increasing, those from manufacturers are sluggish. Plant shutdowns and business downsizing actions have come one after another, generally deteriorating the job situation, despite labor shortages in construction and medical and welfare sectors. (Tohoku: Employment security office)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> Economic sentiment has improved mainly among manufacturers due to the yen's appreciation, leading to an increase in party reservations at hotels. (Tokai: City hotel) The yen's depreciation is expected to prompt consumers to shift from overseas trips to domestic ones. (Shikoku: Tourist spot) As the government's economic measures produce effects, the economy may likely improve in the future. (Shikoku: Department store)
C	<ul style="list-style-type: none"> While electricity charges are planned to rise, the yen's depreciation may inevitably lead prices to hike for various goods including imported raw materials, products and fuels. A sense of burden on households is likely to increase. (Kinki: Supermarket)

Corporate activity

B	<ul style="list-style-type: none"> As a large supplementary budget has been enacted, private sector construction orders as well as construction-related public works orders are being front-loaded. (Hokkaido: General contractor) Given factors such as the yen's depreciation, a large supplementary budget, and stable public works orders, we can expect the economy to pick up smoothly. Positive remarks at business negotiations allow us to become hopeful. (Chugoku: Electrical machinery equipment manufacturer) As the yen's depreciation is expected to continue for a while, operating rates are likely to remain high in the auto industry featuring a high export ratio. (Chugoku: Finance industry)
C	<ul style="list-style-type: none"> While the economy is reportedly likely to get better, shipments are not so brisk. Given inquiries for raw material price hikes, we cannot believe that the economy will become better. (Southern Kanto: Chemical industry)

Employment

B	<ul style="list-style-type: none"> Given clients' great hopes placed on economic measures, we expect that an upturn will become likelier if actual effects begin to emerge. (Tohoku: Temporary staffing company) We expect that labor demand will gradually grow vigorous if the budget is implemented to launch economic projects. (Hokuriku: Private employment agency)
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