

Economy Watchers Survey

January 2013

OVERVIEW OF THE MONTH

The DI for current economic conditions in January rose 3.7 points from the previous month to 49.5 for the third straight month of increase.

The household activity-related DI went up, due mainly to improvements seen in consumer confidence.

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

The employment-related DI rose, due primarily to an increase in job offers from construction and some other sectors, despite employment adjustment moves seen in the manufacturing sector.

The DI for future economic conditions in January went up 5.5 points from the previous month to 56.5 for the third consecutive month of increase.

Regarding future economic conditions, the yen's depreciation and stock price hikes made further progress and expectations were continuously seen regarding the new Japanese 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 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"> • Demand has remained firm for luxury products, including jewelry and watches. This tendency is particularly strong this month. We also see a slight recovery in demand for clothing and some other goods. (Tokai: Department store) • Even after the turn of the year, we see no decline in customers. When contacting customers, we feel that they are eager to buy. (Kinki: Housing-related specialty shop) • Despite unfavorable weather conditions, we see a rising number of customers and a slight increase in sales. We can place expectations on spring goods sales. (Kyushu: Shopping street)
C	<ul style="list-style-type: none"> • From early January, the sudden cold and bad weather conditions led to a fall in the number of customers and visitors. The number of tourists declined from the higher level seen last year, plunging us into a very difficult situation. (Tohoku: Shopping street) • Consumers' thrift-oriented mentality has remained prevalent even after the turn of the year. As gasoline and kerosene prices have risen, we feel that consumers are cutting back their spending on expendables. (Northern Kanto: Housing-related specialty shop) • New Year lucky bag sales were as brisk as a year earlier. But clothing sales have slackened since clearance sales started. An economic pickup has yet to lead to any consumption recovery. (Tokai: Department store)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> • Manufacturing companies have increased their business inquiries to secure budgets for the next fiscal year, making it easier than a year earlier for us to clinch orders in business negotiations. (Chugoku: Telecommunications company) • While order receipts are increasing, this month sees a profit thanks to foreign exchange rate changes. (Kyushu: Precision machinery and tool manufacturer)
C	<ul style="list-style-type: none"> • Although the government change has made the market brighter, there are negative factors, including electricity rate and steel price hikes. At present, shipments have yet to increase. (Kinki: Metal products manufacturer)
E	<ul style="list-style-type: none"> • Although bad economic conditions, including the yen's appreciation and weak stock prices, have been improved since the government change, the actual economic situation has remained more severe. (Southern Kanto: Electrical machinery and equipment manufacturer)
<i>Employment</i>	
B	<ul style="list-style-type: none"> • Construction-related job offers have increased and massive part-time job offers have emerged. We think we did not see such job offers several months ago. (Southern Kanto: Employment security office) • Ahead of the fiscal year-end, various sectors have grown busier. Particularly, large life insurance companies in addition to housing-related firms have started active operations toward the fiscal year-end. (Kinki: Temporary staffing company)
C	<ul style="list-style-type: none"> • Job offers have followed a downward trend due mainly to a plunge in the manufacturing sector. Economic effects of the yen's depreciation have yet to be reflected in the number of job offers. (Kinki: Employment security office)
D	<ul style="list-style-type: none"> • We feel that there are plans and applications for employment adjustment subsidies and that

	a growing number of people have continued to receive unemployment benefits for longer. As a large electrical machinery manufacturer announced restructuring plans in a recent press release, we are concerned about how many people would leave jobs at business establishments within our jurisdiction. (Northern Kanto: Employment security office)
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2. Future conditions

Household activity

B	<ul style="list-style-type: none"> As the yen's appreciation has been capped with stock prices rising since the government change, we see brighter signs. Sales volume and the number of customers are increasing. (Southern Kanto: Auto dealer) Anticipating that the prices of foreign brand products will hike due to the yen's depreciation, consumers have increased inquiries mainly about luxury products. (Kinki: Department store) As customers' consciousness has changed due to the government's economic measures, consumers have grown eager to buy and are loosening their purse strings. (Okinawa: Convenience store)
C	<ul style="list-style-type: none"> While the yen's depreciation has favorable effects on corporate earnings, we are concerned about unfavorable effects of hikes in food, gasoline, electricity and other prices. As personal income cannot be expected to increase at present, we cannot expect any rise in consumer confidence. (Kinki: Department store)

Corporate activity

A	<ul style="list-style-type: none"> As the yen's continuous depreciation discourages manufacturers from shifting production overseas and increases potential domestic production, we may secure our business volume as far as the yen's weakness continues. If the government's monetary easing and economic stimulus policies go in a good direction, the domestic economy will grow vigorous. (Southern Kanto: Metal products manufacturer)
B	<ul style="list-style-type: none"> The mainstay construction industry will improve its performances thanks to an increase in public works spending under a large supplementary budget, exerting spillover effects on the local economy. The yen's weakness, while leading to gasoline and kerosene price hikes, can be expected to cause an increase in the number of tourists from overseas. (Hokkaido: Finance industry) As the yen's depreciation and stock price hikes have improved sentiment and business confidence, we place expectations on the future. (Kinki: Electrical machinery and equipment manufacturer) As the yen's weakness serves as a factor to boost the domestic economy, demand can be expected to increase for chemical products for automobile and semiconductor manufacturers that have great influence on the chemical industry's performance. (Chugoku: Chemical industry) Actually, shipments are growing better. Chicken imports have been affected as the yen's appreciation has been capped a little. Domestic products' ratings have risen. The chicken market has managed to remain stable. (Kyushu: Agriculture, forestry and fishing)

Employment

B	<ul style="list-style-type: none"> As consumer confidence has turned better due mainly to stock price hikes, some department stores are expanding sales. We can expect a future increase in job offers. (Kyushu: Employment security office)
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