

# Economy Watchers Survey

## November 2010

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### OVERVIEW OF THE MONTH

The DI for current economic conditions in November rose 3.4 points from the previous month to 43.6, posting a rise for the first time in four months.

The household activity-related DI rose mainly due to a last-minute rise in demand for televisions and other electrical appliances before alterations in the “eco points” program and brisk sales of winter clothing along with a fall in temperature, despite a continuing decline in sales of new cars. The corporate activity-related DI rose mainly due to an increase in orders received in some industries, such as electrical machinery and industrial machinery, despite concerns about worsening profitability along with rising material prices and falling unit prices of orders received. The employment-related DI rose because job offers have started to appear mainly from manufacturers, though employers remained cautious about hiring new employees, especially regular employees.

The DI for future economic conditions in November rose 0.3 points from the previous month to 41.4, posting a rise for the first time in two months.

In future economic conditions, the household activity-related DI fell mainly due to concerns about the reaction to a last-minute rise in demand before alterations in the “eco points” program, while the corporate activity-related and employment-related DIs rose mainly due to reduced concerns about the future, which had arisen especially on the backdrop of the appreciating yen.

From the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as “the economy has been so far picking up moderately, but is now showing some weak movements.”

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by the Director-General for Economic Assessment and Policy Analysis,  
Cabinet Office

Kasumigaseki 3-1-1, Chiyoda-ku, Tokyo 100-8970

Telephone: 03-3581-1392

Internet: <http://www.cao.go.jp>

### **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>• As it is getting colder, cold weather protection goods, especially winter clothing, are selling well. With a forecast of a harsh winter this year, makers are increasing or set to increase production. In contrast, sales of expensive goods, such as luxury brands and jewelry, have failed to grow as much. (Kinki: Department store)</li> <li>• As changes in the “eco points” program are close at hand, a last-minute rise in demand has appeared. (Chugoku: Electric appliance retailer)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• The impact of the price rise of tobacco is fading, and things are returning to normal. Although the unit price of tobacco has risen, there are accordingly fewer customers who come to buy them. (Hokuriku: Convenience store)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>• Orders received in October and November fell to nearly 60% of the level last year, a great impact on revenues. If such conditions continue, profits earned in the first half may be wiped away. We are now working to obtain advance orders for new models, but there is not as much enthusiasm felt among customers as expected. (Southern Kanto: Car dealer)</li> <li>• Consumption remains sluggish, and per-customer spending is also falling. As discount chains set up more stores, existing retailers around them offer lower prices, a negative spiral now growing. (Shikoku: Supermarket)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>• Now that the colored leaves have all fallen in the changeover period from autumn to winter, there are fewer tourists who come and stay in hotels. There is also a sharp decline in hotel reservations, perhaps a consequence of the rising yen and economic slump, which people really feel. As a general trend, consumers spend money on eco-friendly electric appliances rather than sightseeing. (Hokkaido: Resort hotel)</li> </ul>
<i>Corporate activity</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>• Since the trade fair held in Tokyo at the end of October, we have received a large number of orders and inquiries, a sign of resurgence of interest in capital investment at last. (Hokuriku: Machinery &amp; equipment)</li> <li>• With quite a large last-minute rise in demand, just for electrical appliances, before changes in the “eco points” program, the volume of goods transported, including used appliances to be recycled, is growing in proportion. (Okinawa: Transport)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• There is great uncertainty about the prospects of the semiconductor-related business, a lingering situation that makes it difficult to see whether the economy itself is on the way to recovery or further decline. The precision machinery sector remains in the same situation. (Kyushu: Electrical machinery, equipment &amp; supplies)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>• Prices of orders received are on a gradual decline, having a negative impact on business. (Tohoku: Electrical machinery, equipment &amp; supplies)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>• In more of the projects, we are forced to compete with Chinese rivals in personnel expenses, resulting in less favorable business conditions than ever. (Hokkaido: Other service [Software development])</li> </ul>
<i>Employment</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>• The number of new job offers has increased 20% on the previous year, staying on the way to recovery. There were increases in new job offers in the months from April for part-time jobs, but this month, those for general jobs have increased 40% while there is only a slight</li> </ul>

	growth in part-time job offers, a remarkable change in circumstances. A significant increase in general job offers is seen especially in the nursing and welfare business and the manufacturing sector. (Kinki: Employment security office)
C	<ul style="list-style-type: none"> <li>In the manufacturing sector, there are some busy companies, but with extremely low profitability, very few of them are recruiting new employees. There is also an extraordinary low level of demand for workers dispatched by temporary staffing agencies. Severe conditions still remain. (Northern Kanto: Job advertisement magazine producer)</li> </ul>
D	<ul style="list-style-type: none"> <li>The number of job offers remains at the same level as last year, or only slightly above. But with no decline in the number of job seekers, the ratio of people hired to those seeking a job remains low. (Shikoku: School [university])</li> </ul>

## **2. Future conditions**

### ***Household activity***

C	<ul style="list-style-type: none"> <li>Sales of tobacco, which declined after the price rise last month, are recovering faster than expected on a value basis. With this trend continuing, things will soon return to what they were. (Northern Kanto: Convenience store)</li> </ul>
D	<ul style="list-style-type: none"> <li>As a reaction is expected after termination of the “eco points” program, there will be an inevitable decline in sales. (Tokai: Electric appliance retailer)</li> </ul>

### ***Corporate activity***

C	<ul style="list-style-type: none"> <li>Sales are on a recovery trend both in Japan and overseas, but there is yet no prospect of a significant rebound. (Chugoku: Machinery &amp; equipment)</li> <li>There are some concerns about the future, such as an armed conflict breaking out in the Korean peninsula, but as the Nikkei stock average has returned to the ¥10,000 range, with the exchange rate on the dollar staying around ¥83, the current lull will continue. (Kyushu: Metal products manufacturer)</li> </ul>
D	<ul style="list-style-type: none"> <li>As sales of energy-saving electrical appliances are expected to fall with the scaling down of the “eco-point” program for such types of products, there will also be a decline in orders we receive. As prospects for the U.S. economy are uncertain, and whether the current trend of yen depreciation will continue is also unpredictable, the outlook for a recovery of exports remains severe. (Kinki: Chemicals)</li> </ul>

### ***Employment***

B	<ul style="list-style-type: none"> <li>The eagerness to hire seems to be recovering, although mainly among small-scale employers. (Shikoku: Employment security office)</li> </ul>
C	<ul style="list-style-type: none"> <li>There are concerns about impacts of the rising yen on the manufacturing industry. (Tohoku: Temporary manpower service)</li> <li>The upward trend of the number of job offers will continue. But there are concerns about impacts of the scaling down of the “eco-point” program on the manufacturing industry. (Tokai: Employment security office)</li> </ul>