

Economy Watchers Survey

December 2011

OVERVIEW OF THE MONTH

The DI for current economic conditions in December rose 2.0 points from the previous month to 47.0, for the first rise in two months.

The household activity-related DI went up, due mainly to brisk sales of winter goods amid relatively low temperatures in the month, as well as strong sales during the year-end shopping season, despite a reactionary decline in demand for such products as televisions after a last-minute demand increase.

The corporate activity-related DI was flat, due mainly to such negative factors as the continuing impact of the yen's appreciation, although a recovery from the plunge due to the Great East Japan Earthquake was seen along with additional domestic production to cover delays in output caused by flooding in Thailand.

The employment-related DI went up, mainly because such sectors as construction and welfare increased job offers, despite employers' cautious attitudes about recruitment under unfavorable factors, including the yen's appreciation.

The DI for future economic conditions in December decreased 0.3 points from the previous month to 44.4, for the sixth straight month of decline.

While consumers and businesses were uncertain about the future, with fears of business environment deterioration under unfavorable factors, including the yen's appreciation, reconstruction demand is expected following the Great East Japan Earthquake. Under such situation, the corporate activity- and employment-related DIs for future economic conditions rose, and the household activity-related DI dropped.

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>	
A	<ul style="list-style-type: none"> As people tended to prefer staying at home during special event days, including Christmas and the year-end/new-year holidays, customers purchasing goods that matched this trend have been increasing. (Northern Kanto: Convenience store)
B	<ul style="list-style-type: none"> Thanks to temperature falls in December, sales of heavy winter wear, such as coats and jackets, increased. Although November sales were delayed until December, sales increased from a year earlier. (Shikoku: Clothing store)
C	<ul style="list-style-type: none"> Under the impacts of Japan's switch to terrestrial digital broadcasting and the termination of the eco-point system for home electric appliances, sales, especially those of items covered by the system, remained stagnant since last August. (Southern Kanto: Consumer electronics retailer)
D	<ul style="list-style-type: none"> It has become difficult to obtain loans from financial institutions. Regarding business loans for companies to purchase land, and housing loans for consumers as well, examination, especially that of collateral, is becoming severer, compared to the levels two or three months ago. (Kinki: Housing supplier)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Thanks to support activities for post-disaster reconstruction in Tohoku, temporary human resource services in the construction sector and business contracts in architect offices have been increasing in the region, and a workforce shortage is emerging. (Hokkaido: General contractor) Orders received from major automakers increased 20% from three months ago. While the number of orders has remained high, overtime work and a workforce shortage have become conspicuous. (Northern Kanto: Transportation equipment manufacturer) As production has begun to expand thanks to special demand caused by the flooding in Thailand, shipping volumes are increasing. (Tokai: Transport machinery and tool manufacturer)
C	<ul style="list-style-type: none"> Orders received for automobile parts have been somewhat recovering, but export goods are failing to be profitable due to the yen's current level of appreciation. (Tohoku: General machinery and equipment manufacturer)
D	<ul style="list-style-type: none"> In the manufacturing sector, due to the decrease in overseas demand and the impact of the yen's appreciation, sales for export have begun to slow down somewhat. (Northern Kanto: Financial industry)
E	<ul style="list-style-type: none"> Orders received have been decreasing due to the halt of exports caused by the yen's appreciation and inventory adjustments to shipment for China due to a Chinese economic slump. (Southern Kanto: Metal products manufacturer)
<i>Employment</i>	
A	<ul style="list-style-type: none"> While export manufacturers' willingness to offer jobs has remained low, reflecting the yen's appreciation, hiring interest is strong for nursing care in medical and welfare areas due to the continued workforce shortage, for construction workers in the construction sector in response to the increase of work volume, and for the telephone service of mail order in the service sector. (Chugoku: Public employment security office)
B	<ul style="list-style-type: none"> The number of new job offers expanded 10.6% from a year earlier for the 22nd consecutive month. Also, the number of monthly effective offers has increased 11.9% from a year earlier for the 22nd consecutive month. (Hokkaido: Employment security office)

	<ul style="list-style-type: none"> With employment recovering in rubble-removing, housing and other post-disaster reconstruction-related business, there is a sense of an upward trend in the economy. Job applicants, however, have been few during the payment period of unemployment benefits, which does not truly lead to the promotion of employment. (Tohoku: Newspaper publishing company [Job placement ads])
D	<ul style="list-style-type: none"> The number of new job offers has increased, but a mismatch is continuing due to the small number of types of work desired among job seekers. As the number of job seekers remains high, we do not expect signs of business pickup. (Northern Kanto: Employment security office)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> As the budget increase for reconstruction from the Great East Japan Earthquake in the next fiscal year will probably enhance domestic demand, we expect the situation will be somewhat better within two or three months. (Southern Kanto: Shopping area)
C	<ul style="list-style-type: none"> There is no factor for an upward trend in the economy. We expect the economy to be further deteriorating after the current situation continues for about six months. (Tohoku: Consumer electronics retailer) As the future, including that of the tax increase issue, is uncertain, the wait-and-see stance on consumption will continue. (Kinki: General restaurant)
D	<ul style="list-style-type: none"> In the absence of particular events, we see few accommodation reservations. Tourists from overseas remain at very low levels due to the lingering impact of the yen's appreciation and the radiation contamination problem. (Kyushu: Tourist hotel)

Corporate activity

A	<ul style="list-style-type: none"> As reconstruction demand following the Great East Japan Earthquake is expected to start increasing gradually in addition to normal production, general circumstances will be getting better. (Northern Kanto: Metal products manufacturer)
C	<ul style="list-style-type: none"> While there are problems, such as European credit fears, the stagnant economy in the United States, the yen's excessive appreciation, and the dispute over a consumption tax increase, no positive factor is seen. Although the situation is improving gradually for the future, we do not expect a significant change for several months. (Tokai: Electrical machinery and equipment manufacturer) Bipolarization in customers will still continue, with some increasing sales and some decreasing sales. Customers who expanded smart phone-related sales are also struggling due to the impact of the yen's appreciation, leading to a still unstable situation. (Hokuriku: Electrical machinery and equipment manufacturer)
D	<ul style="list-style-type: none"> As exports remain stagnant with the yen's continuing appreciation, the level of production is forced to be revised downward. (Chugoku: Financial industry)

Employment

C	<ul style="list-style-type: none"> Because of many uncertain factors, such as the yen's appreciation, corporations maintain their cautious attitude toward recruitment. As some businesses are taking advantage of employment adjustment subsidies, etc. to manage to avoid worst cases, including personnel cutbacks, employment trends will remain uncertain. (Northern Kanto: Employment security office)
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