

Economy Watchers Survey

February 2011

OVERVIEW OF THE MONTH

The DI for current economic conditions in February rose 4.1 points from the previous month to 48.4, posting a rise for the first time in two months.

The household activity-related DI rose due to an increase in the number of customers who visited retailers thanks mainly to better climate conditions than the previous month, as well as because fall in sales after the termination of the subsidies program for the purchase of environmentally friendly vehicles and alterations in the “eco points” program was coming to a close. The corporate activity-related DI rose mainly due to an increase in orders received from overseas, despite concerns about worsening profitability along with rising material and fuel prices amid severe conditions in terms of unit prices of orders received. The employment-related DI rose along with the number of job offers, some of which were made to expand payrolls, as well as to fill vacancies.

The DI for future economic conditions in February stood at 47.2, unchanged from the previous month.

The DI for future economic conditions rose in the household activity-related and employment-related DIs mainly because of expectations that the move to recovery in consumption observed in some sectors will continue and an expected last-minute rise in demand before the termination of the “eco points” program at the end of March, as well as a continuing upward trend of job offers. Meanwhile, the corporate activity-related DI fell due mainly to deepening concerns about weakening profitability amid rising materials and fuel prices.

From the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as “the economy is now showing signs of picking up.”

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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 new cars are picking up from the slump after the termination of the subsidies program for the purchase of environmentally friendly vehicles. Partly helped by the launch of new models, the number of customers visiting us and that of contracts concluded are increasing. (Tohoku: Car dealer) • The level of sales is lower than three months ago. But seeing the termination of the “eco points” program in March around the corner, consumers are more inclined to buy TVs with digital terrestrial broadcasting tuners, and active movements are observed in the market. (Kinki: Electric appliance retailer)
C	<ul style="list-style-type: none"> • Heavy snow last month led to a lower number of customers. But now that the weather is as it should be in spring, active movements are observed among spring and summer fashion clothing and goods, as well as Valentine's Day gifts. (Hokuriku: Shopping street) • The weather has been fine since the middle of the month, and, with the snow melting away, the number of customers is increasing. (Hokuriku: Department store) • The number of customers and per-customer spending are both recovering, especially in the food section, compared to the same month last year, seeming to have bottomed out. (Shikoku: Supermarket) • Customers still have a clear penchant for thrift, and they buy nothing but what they really need. (Southern Kanto: Supermarket) • In general, the number of customers who visited model home parks picked up. (Hokuriku: Housing dealer) • As the fiscal-year end is drawing close, mobile phone operators are working hard to obtain new customers. The market is stimulated by smart phones. But they are missing many sales opportunities due to stock shortages. (Kinki: Communications)
D	<ul style="list-style-type: none"> • We had few customers this month, especially during the night. (Kinki: Taxi driver) • With an outbreak of foot-and-mouth disease, an epidemic of bird flu, and eruptions of a volcano having taken place in succession, there are much fewer customers visiting the city center. (Kyushu: Department store)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> • There have recently been rather good conditions continuing both in terms of new orders received and sales. (Kinki: Electric machinery and apparatus manufacturer)
C	<ul style="list-style-type: none"> • With production costs increasing due to difficulty in procuring materials and a surge in material prices, severe conditions remain as the increase in costs cannot be passed on to selling prices. (Southern Kanto: Textile industry) • We have only a few orders to fill, which we are fulfilling at quite low prices. (Kyushu: Machinery & equipment) • Sales of our own products are trending toward recovery overseas, but domestic sales remain sluggish, there being severe conditions in place. (Chugoku: Machinery & equipment)
D	<ul style="list-style-type: none"> • With the oil price rising due mainly to political instability in the Middle East, we feel fuel costs become a heavier burden. (Hokuriku: Transport)
<i>Employment</i>	
B	<ul style="list-style-type: none"> • The number of job offers has increased to almost 130% of the level last year, for three

	<p>consecutive months, as offers to expand payrolls are increasing in addition to those to fill vacancies. (Tohoku: Employment security office)</p> <ul style="list-style-type: none"> • New job offers have increased for nine consecutive months in almost all sectors, a fact that demonstrates the strength of the growth. (Hokuriku: Employment security office) • We are receiving an increasing number of new job offers, many of which are made to expand payrolls rather than fill vacancies. (Chugoku: Private-sector job placement service)
C	<ul style="list-style-type: none"> • Sales of job placement ads this month have grown above the level last year for almost all industries and types of job. Especially large increases are observed in advertisements for temporary, restaurant, and medical service-related jobs. (Hokkaido: Newspaper publishing company [Job placement ads])

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> • Five months after the termination of the subsidies program for the purchase of environmentally friendly vehicles, effects of the reaction are diminishing. (Tohoku: Car dealer) • Business is showing signs of growth, though it remains unstable as seen in the great influence of the weather, and we can expect slightly better conditions in the future. (Kinki: Department store) • We expect a last-minute rise in demand before the termination of the “eco points” program at the end of March. (Kyushu: Electric appliance retailer)
C	<ul style="list-style-type: none"> • Sentiment is steadily picking up among consumers, at least in terms of what they buy for daily use. (Tohoku: Department store)
D	<ul style="list-style-type: none"> • As consumers expect prices of materials, such as coffee, wheat, and oil, to rise, there may be a temporary rise in demand, although after that there will be negative effects: For instance, customers may come to buy fewer items. (Tohoku: Supermarket) • With a deterioration of the situation in the Middle East, effects of the earthquake that occurred in the southern part of New Zealand, and impacts of rising aircraft fuel surcharges, we fear consumers may be inclined to refrain from traveling abroad. (Shikoku: Travel agency)

Corporate activity

C	<ul style="list-style-type: none"> • We cannot expect any positive changes in the environment that may help us receive more new orders or improve profitability. (Tohoku: Food manufacturer) • Sales of our own products are picking up overseas, but in the domestic market we expect severe conditions to continue for some time into the future. (Chugoku: Machinery & equipment)
D	<ul style="list-style-type: none"> • There will be considerable rises in material prices from April onwards, and we are anxious about whether they can be passed on to sales prices. (Tokai: Electric machinery and apparatus manufacturer) • The diesel oil price, which has been stuck at a high level, is showing signs of a further rise. It seems unlikely that the increases in fuel costs can be passed on to freight charges. (Hokuriku: Transport)

Employment

B	<ul style="list-style-type: none"> • The job placement situation is expected to be slightly better, since employers have been more active to hire their own employees directly, to employ regular workers instead of temporary workers. (Tokai: Temporary manpower service) • There is a sense of a shortage of manpower, especially engineers, emerging, though only gradually. (Hokuriku: Temporary manpower service) • An upward trend is observed in the number of job offers both for new graduates and general job seekers. (Kyushu: Employment security office)
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