

# Economy Watchers Survey

## November 2011

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### OVERVIEW OF THE MONTH

The DI for current economic conditions in November fell 0.9 points from the previous month to 45.0, for the first drop in two months.

The household activity-related DI dropped, due mainly to slower sales of winter goods amid relatively high temperatures in the first half of the month, as well as a reactionary decline in demand for such products as televisions after a last-minute demand increase.

The corporate activity-related DI decreased, due mainly to the spreading impact of the yen's rapid appreciation and parts-supply delays caused by flooding in Thailand, although a recovery from the plunge due to the Great East Japan Earthquake was seen along with additional domestic production to cover delays in Thai output caused by the flooding.

The employment-related DI fell, due mainly to employers' cautious attitudes about recruitment under such unfavorable factors as the yen's appreciation, although such sectors as manufacturing increased job offers.

The DI for future economic conditions in November decreased 1.2 points from the previous month to 44.7, for the fifth straight month of decline.

While consumers and businesses were uncertain about the future, with concern growing over business environment deterioration under such unfavorable factors as the yen's appreciation, the impact of the flooding in Thailand was likely to decline, and reconstruction demand is expected after the Great East Japan Earthquake. Under such situation, the corporate activity-related DI for future economic conditions rose, and the household activity- and employment-related DIs dropped.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as "the economy is slowing the tempo of recovery under the 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>	
<b>B</b>	<ul style="list-style-type: none"> <li>Visitors and sales for lodging, restaurants and parties are increasing from year-before levels as many local residents are coming to our hotel in addition to post-disaster reconstruction workers. (Tohoku: City hotel)</li> <li>Various parties are increasing toward the end of the year. Families are visiting restaurants more frequently. (Northern Kanto: Ordinary restaurant)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>We saw fewer-than-usual visitors on many days this month. Consumers are conspicuously cautious of buying. They basically tend to refrain from buying luxury products. (Tokai: Ordinary retailer [natural food])</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>In the first half of the month, sales of heavy winter wear were slack due to relatively warm temperatures. Such sales recovered thanks to temperature falls in the second half. But the recovery fell short of covering drops in the first half. Pre-Christmas sales made a sluggish start. Luxury goods are failing to sell well. (Tokai: Department store)</li> <li>Sales have declined under the lingering impacts of Japan's switch to terrestrial digital broadcasting and the termination of the eco-point system for home electric appliances. (Hokuriku: Consumer electronics retailer)</li> <li>Sales have declined substantially as vehicle deliveries have been delayed due to the impact of the flooding in Thailand. This situation will continue into next month, dragging down our sales. (Hokuriku: Car dealer)</li> </ul>
<i>Corporate activity</i>	
<b>A</b>	<ul style="list-style-type: none"> <li>As orders from neighboring trading partners have come one after another thanks to reconstruction demand following the flooding in Thailand, we are now overloaded with business. (Kyushu: General machinery and instruments manufacturer)</li> </ul>
<b>B</b>	<ul style="list-style-type: none"> <li>As we have recovered from a plunge caused by the Great East Japan earthquake, automobile-related production is increasing. (Kinki: Metal products manufacturer)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>An intense race for purchasing parts has occurred due to the impact of the flooding in Thailand. Such factors as our failure to procure parts under the situation have led our production to lag behind schedule, with some operations suspended. (Northern Kanto: Electrical machinery and equipment manufacturer)</li> <li>While business performances have deteriorated due to the yen's appreciation, our corporate customers have requested price cuts again since October. Some customers have decided to withdraw from this region. (Chugoku: Transporter)</li> </ul>
<i>Employment</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>The monthly number of new job offers expanded 28.6% from a year earlier for the 15th straight month of rise. Among industrial sectors, wholesalers and manufacturers have continued upward trends. (Kyushu: Public employment security office)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>The number of job offers has continued year-on-year growth while the number of job seekers has been falling. But the flooding in Thailand has forced some companies to halt their parts delivery. We cannot simply conclude that the employment situation is improving. (Tokai: Public employment security office)</li> <li>Job placement and temporary staff services have been stagnating in the absence of growth in job offers. Companies are cautious of expanding personnel. Their job offers center on temporary, stand-by and part-time jobs. (Hokuriku: Private-sector job placement service)</li> </ul>

	<ul style="list-style-type: none"> <li>Job offers are increasing due to a production recovery for automakers in northern Kyushu. Production recovery centers on vehicles for domestic sales. Given the impact of the yen's appreciation, whether production for overseas markets would increase is uncertain. (Kyushu: Newspaper company [Job advertisements])</li> </ul>
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## **2. Future conditions**

### ***Household activity***

<b>B</b>	<ul style="list-style-type: none"> <li>A budget for post-disaster reconstruction has been enacted. As reconstruction projects are implemented on a full-fledged basis in the future, the regional economy will generally trend upward. Particularly, the construction sector will support the upward trend, which may continue for several years. (Tohoku: Convenience store)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>As income levels fail to rise, consumers may further tighten their purse strings. We see no factor that will turn the economy around for the better. (Tohoku: Supermarket)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>As builders, including architectural wreckers, have apparently shifted to regions damaged by the Great East Japan Earthquake, unit prices have risen for all categories of construction work. Construction costs are expected to increase. (Southern Kanto: Housing supplier)</li> </ul>

### ***Corporate activity***

<b>B</b>	<ul style="list-style-type: none"> <li>A recovery from Thai flood damage has come into sight. We will recover pre-flood production levels in the beginning of next year. (Tokai: Transportation equipment manufacturer)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>As the future of the world economy is uncertain, we may have to take some business management measures. Although some companies have grown busier due to reconstruction demand following the Great East Japan Earthquake and the flooding in Thailand, the future of the economy as a whole is very uncertain. (Kinki: Electrical machinery and equipment manufacturer)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Our business conditions are likely to deteriorate as fuel prices have increased gradually. (Southern Kanto: Transporter)</li> </ul>

### ***Employment***

<b>B</b>	<ul style="list-style-type: none"> <li>Mainly in eastern Japan, orders have been increasing thanks to reconstruction demand following the Great East Japan Earthquake. This move will spill over to western Japan. (Kinki: Temporary staff service)</li> <li>The number of job offers remained firm last month and this month. From last month, sales and assistant job offers as well as engineering job offers have increased. Job demand has been increasing for a widening range of areas. (Kyushu: Private-sector job placement service)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Economic environment deterioration due to European credit fears, the yen's excessive appreciation, this winter's electricity shortages and the flooding in Thailand may negatively affect the employment situation. (Kinki: Public employment security office)</li> <li>The number of effective job seekers has remained high, while growth in the number of new job offers has decelerated. (Kyushu: Public employment security office)</li> </ul>