

Economy Watchers Survey

November 2012

OVERVIEW OF THE MONTH

The DI for current economic conditions in November rose 1.0 point from the previous month to 40.0 for the first increase in four months.

The household activity-related DI went up, due mainly to robust sales of winter goods amid falling temperatures, despite the lingering adverse effects of changes in the Senkaku Islands situation on such areas as travel.

The corporate activity-related DI rose, due mainly to an increase in order receipts in some industries and a sense of pause in the yen's appreciation.

The employment-related DI rose, due primarily to an increase in requests for temporary staffing services toward the year-end and new-year season, despite employment adjustment moves seen in the manufacturing sector.

The DI for future economic conditions in November went up 0.2 points from the previous month to 41.9 for the first rise in seven months.

Regarding future economic conditions, expectations are seen on such developments as a last-minute demand expansion in the lead up to the planned consumption tax hikes and the yen's continued depreciation, while there are future uncertainties attributable mainly to fears of a consumer confidence deterioration stemming from the consumption tax hikes and to the global economic slowdown. Under such conditions, the household activity- and corporate activity-related DIs for future economic conditions turned up, though with the employment-related DI dropping.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as "the economy has remained weak."

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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	<ul style="list-style-type: none"> Although the first snow of the season came later than usual, cold weather after that has helped winter clothing sales to recover rapidly. The number of visitors has leveled off, but the number of buyers has increased along with average sales per customer. (Hokkaido: Department store) As consumption tax hikes have been fixed and a last-minute demand expansion in the lead up to the hikes has started, order receipts have increased. (Tohoku: Housing sales company) As temperatures this month have been lower than a year ago, fish, meat, and other fresh food products other than vegetables have been selling well along with processed food products for hot pots and winter goods. (Tokai: Supermarket)
C	<ul style="list-style-type: none"> As the weather has gotten colder since the middle of this month, heavy winter clothing and cold weather goods have been selling well. Year-end gift sales are slower than a year ago, when there was special demand related to the Great East Japan Earthquake. (Tohoku: Department store) Home reform and refurbishment orders have begun to emerge gradually in a last-minute demand expansion in the lead up to the planned consumption tax hikes. Public works and private sector capital investment have remained sluggish, posting no major change. (Tokai: Housing related specialty shop) Sales are increasing as usual in regard to year-end parties, wedding parties and restaurants. At the lodging division, however, the business situation has been severe in the absence of Chinese tourists since the emergence of the Senkaku Islands problem. (Kyushu: Tourist hotel)
D	<ul style="list-style-type: none"> Automobile order receipts have been deteriorating extremely since the termination of government subsidies for eco-friendly car purchases. We have remained dependent on a backlog of orders over the past two months. Our business situation is very severe. (Hokuriku: Auto dealer)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Order receipts are increasing in the lead up to the year-end shopping season. While calendar and other seasonal printing orders are dominant, order receipts covering periods up to next March have begun to emerge. (Kinki: Publishing, printing and allied industries) The domestic business division sees brisk business inquiries related to post-disaster reconstruction. The overseas business division is growing more profitable due to the yen's depreciation. (Shikoku: Ordinary machinery and instrument manufacturer)
C	<ul style="list-style-type: none"> A last-minute demand expansion in the lead up to the consumption tax hikes is backing up housing starts. Thanks to this development, there is an increasing number of orders for furniture for delivery next spring. (Hokkaido: Furniture manufacturer) The export environment for automotive components has improved somewhat due to the yen's slight downturn. But component exports from Japan to China have been declining. (Tohoku: Ordinary machinery and instrument manufacturer)
D	<ul style="list-style-type: none"> Issues concerning customers' business conditions have begun to include drops in exports to China and the downward revision of earnings projections due to production cuts at plants in China. (Chugoku: Chemical industry)

<i>Employment</i>	
B	<ul style="list-style-type: none"> The number of requests for temporary staffing services is increasing in the lead up to the year-end. The background to these requests is that there are increasing cases of temporary workers replacing regular employees. (Southern Kanto: Temporary staffing company) While sporadic requests for temporary staffing services are posting a year-on-year increase in the lead up to the year-end and new-year season, our client companies have raised skill levels required for temporary workers. (Hokuriku: Temporary staffing company)
C	<ul style="list-style-type: none"> The number of new job offers rose for the ninth straight month. In the lead up to the year-end, however, growth in regular employment offers is slowing down, with part-time and other non-regular job offers notable. (Kinki: Employment security office)
D	<ul style="list-style-type: none"> A nearby electronics company is implementing downsizing. (Tohoku: Private employment agency) Personnel cuts have emerged mainly in the manufacturing sector. (Shikoku: Employment security office)

2. Future conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> As the yen's depreciation and stock price hikes have led us to expect an economic recovery, we believe that consumption will be invigorated. (Shikoku: Shopping street) We meet a rising number of customers who are concerned about the consumption tax hikes. For the immediate future, we expect to see an increasing number of customers who are very eager to have their new homes built. (Okinawa: Housing sales company)
C	<ul style="list-style-type: none"> The automobile industry is operating far below capacity, but no more deterioration is likely. The present low-level economic conditions will be maintained. (Tokai: Auto dealer) The future course depends on the results of the general election, but future changes are uncertain. (Kyushu: Other specialty shop [Books])
D	<ul style="list-style-type: none"> In the retail industry, we believe that consumer confidence will deteriorate further as financial burdens on households increase due to the consumption tax hikes and so on. (Southern Kanto: Department store)

<i>Corporate activity</i>	
C	<ul style="list-style-type: none"> We see fluctuations in order receipts and prices both at home and overseas. While we project no major change in sales for the current fiscal year, the yen's recent depreciation leads us to expect some profit earnings improvement. (Shikoku: Electrical machinery and equipment manufacturer)
D	<ul style="list-style-type: none"> As order receipts from export-oriented customers have declined, exports from Japan have dropped substantially. The present economic conditions will remain in the future. (Kyushu: Ordinary machinery and instrument manufacturer)

<i>Employment</i>	
C	<ul style="list-style-type: none"> New job offers are likely to remain at high levels, including those from contractors, retailers, restaurants and nursing care facilities. But job offers have slowed down in some industries, including manufacturers other than food makers. We should pay attention to future developments. (Tohoku: Employment security office)
D	<ul style="list-style-type: none"> The number of job seekers is expected to increase as business establishments manufacturing home electronics and clothing plan to implement personnel cuts at the end of the year. There are no job offers involving new business operations in the manufacturing sector. No economic recovery can be expected. (Northern Kanto: Employment security office) As we have heard that manufacturers are pessimistic about future orders, the future course is uncertain. (Hokuriku: Employment security office)