

# Economy Watchers Survey

## October 2012

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### OVERVIEW OF THE MONTH

The DI for current economic conditions in October fell 2.2 points from the previous month to 39.0 for the third straight month of decline.

The household activity-related DI dropped, due mainly to sluggish sales of autumn goods under higher-than-usual temperatures and the lingering adverse effects of changes in the Senkaku Islands situation on such areas as travel.

The corporate activity-related DI declined, due mainly to a decrease in order receipts at enterprises caused by such factors as an overseas economic deceleration and the adverse effects of changes in the Senkaku Islands situation.

The employment-related DI fell, due primarily to employment adjustment moves seen in the manufacturing sector.

The DI for future economic conditions in October fell 1.8 points from the previous month to 41.7 for the sixth straight month of decline.

Regarding future economic conditions, expectations on such developments as a last-minute demand expansion in the lead up to the planned consumption tax hikes are seen, while there are future uncertainties attributable mainly to fears of a consumer confidence deterioration stemming from the consumption tax hikes and of the adverse effects of changes in the Senkaku Islands situation and other issues. Under such conditions, the household activity-, corporate activity- and employment-related DIs for future economic conditions dropped.

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

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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>C</b>	<ul style="list-style-type: none"> <li>Sales of autumn goods were slow as temperatures remained warm until mid-October. Consumers still tend to buy only what they need. (Tokai: Department store)</li> <li>While the season shifts from autumn to winter, autumn goods fail to sell well in the absence of temperature drops. (Kinki: Supermarket)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Overseas travel has plunged rapidly on the deterioration of Japan's relations with China and South Korea. (Tokai: Travel agency)</li> <li>As for lodging, the number of Chinese tourists declined sharply from the 1,000 estimated for October due to the Senkaku Islands problem. (Kinki: City hotel)</li> <li>Reservations have decreased due mainly to the adverse effects of typhoons and the Senkaku Islands situation (Okinawa: Tourist spot)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>Auto sales have been sluggish over the past two to three months. The termination of subsidies for eco-friendly car purchases in September has led sales to fall further. (Tokai: Auto dealer)</li> <li>Since the termination of subsidies for eco-friendly car purchases, the number of customers and the volume of car sales have declined steeply. Order receipts in October plunged to 42% of the level seen in the previous year. (Shikoku: Auto dealer)</li> </ul>
<i>Corporate activity</i>	
<b>D</b>	<ul style="list-style-type: none"> <li>As for auto components, we see a reactionary decline in domestic demand after the termination of eco-friendly car purchases and a deterioration of the export environment amid a Chinese market slowdown. (Tohoku: Ordinary machinery and instrument manufacturer)</li> <li>Sales to China have become difficult due to the adverse effects of the Japan-China problem. In fact, a deal worth several hundred million yen for sales to a major Chinese retail chain was cancelled just before the delivery of goods. Sales to Europe have remained difficult due to market deterioration and the exchange rate problem. (Hokuriku: Precision machinery and tool manufacturer)</li> <li>Order receipts from the machine tool industry as our customer have been sluggish, declining to 60% of the level seen three months ago. A factor behind the sluggishness is the absence of deals for China. (Chugoku: Metal products manufacturer)</li> <li>Order receipts from major automakers have slipped below three-month production projections. This is because exports to China and Europe have declined, though exports to the United States remain almost unchanged. (Northern Kanto: Transportation equipment manufacturer)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>Exports to China have been held back, exerting a very great impact on us. (Hokuriku: Textile industry)</li> </ul>
<i>Employment</i>	
<b>C</b>	<ul style="list-style-type: none"> <li>Fee-based employment placement service orders and job findings under such orders have been brisk. But temporary staff demand has leveled off as job offers from the manufacturing sector have remained weak. (Chugoku: Temporary staffing company)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>At a factory in our service area, massive job cuts have started. (Kinki: Employment security office)</li> </ul>

<b>E</b>	<ul style="list-style-type: none"> <li>The number of job offers has declined from August. A major electrical appliance maker declared its withdrawal from a site in our neighborhood. Inquiries about employment adjustment subsidies are increasing. All these and other factors indicate a deteriorating economy. (Tokai: Employment security office)</li> </ul>
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## **2. Future conditions**

### ***Household activity***

<b>B</b>	<ul style="list-style-type: none"> <li>A last-minute demand expansion in the lead up to the planned consumption tax hikes is likely to start soon. (Southern Kanto: Housing sales company)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>We see no factors causing a major impact on the economy. Our sales may maintain levels seen in the previous year thanks mainly to an influx of homecoming customers toward year-end and New Year's holidays. (Chugoku: Department store)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>There are many topics about increases in financial burdens on households, including the consumption tax hikes and a tax raise for reconstruction, which are likely to deteriorate consumer confidence further. (Shikoku: Supermarket)</li> <li>Tourists from South Korea and China have decreased substantially. As this situation is prolonged, the economy may deteriorate considerably. (Kyushu: Tax driver)</li> </ul>

### ***Corporate activity***

<b>C</b>	<ul style="list-style-type: none"> <li>Our future course is growing more uncertain as a domestic market slump is coupled with overseas market deterioration. (Hokuriku: Textile industry)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>While domestic sales have slowed down, exports have begun to slump due to the adverse effects of the Senkaku Islands problem with China as our export destination. No quick recovery can be expected (Chugoku: Transporter)</li> <li>We depend heavily on public works. We fear delayed or postponed public works orders due to a local tax grant postponement emerging from the delay in the enactment of a deficit-financing government bond bill. (Kyushu: Metal products manufacturer)</li> <li>While exports to some countries have begun to decline amid an overseas economic slump, we see some motions to withdraw from business operations in China. Vehicle sales have also begun to weaken. (Kyushu: Finance industry)</li> </ul>

### ***Employment***

<b>C</b>	<ul style="list-style-type: none"> <li>Job offers from hotels and restaurants have been frequent but may slow down more or less due to a decline in Chinese tourists. (Hokkaido: Job information magazine publisher)</li> <li>The ratios of regular and non-regular employees for recruitment have come closer to each other. Regular job offers to senior high school graduates are decreasing. Fewer enterprises are making additional job offers. (Northern Kanto: School [Professional training school])</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>The employment situation will deteriorate as indicated by a rising number of unfavorable factors, including the shrinkage, shutdown and overseas relocation of electrical appliance plants in addition to the yen's strength and the Chinese situation. (Employment security office)</li> </ul>