

Economy Watchers Survey

March 2013

OVERVIEW OF THE MONTH

The DI for current economic conditions in March rose 4.1 points from the previous month to 57.3 for a fifth straight month of increase.

The household activity-related DI went up, owing mainly to improvements seen in consumer confidence in such products as luxury goods and cars, as well as spring clothing.

The corporate activity-related DI rose, owing mainly to continuous improvements in order receipts and profitability mainly in the manufacturing industry amid the yen's continued depreciation.

The employment-related DI rose, owing primarily to an increase in job offers from construction, services and some other sectors.

The DI for future economic conditions in March went down 0.2 points from the previous month to 57.5, the first drop in five months.

Regarding future economic conditions, there were concerns about cost increases owing mainly to rising purchase prices and electricity rates, though the level of the depreciated yen and the stock price remained flat and expectations that the government's policies would produce effects, such as moves towards pay increases, were observed. Under such conditions, the household activity-related DI for future economic conditions leveled off, and the corporate activity-related DI declined.

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

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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"> With stock price hikes, not only do sales increase in volume, but also luxury goods, such as art works and jewelry, are selling well. (Kinki: Department store)
B	<ul style="list-style-type: none"> Owing partly to the weather and changes in the temperature, spring clothing, both for women and men, sells well while they are offered at market prices. Supported by rising stock prices, sales of luxury goods, such as art works and jewelry also remain steady, mainly among wealthy people. (Chugoku: Department store) Customers' behavior is changing. The majority of those who come to see us are new visitors, and we have concluded 70% of contracts with such new customers. That must be a contribution by the launch of new car models. But there also seem to be some encouraged by the economic upturn, as seen in rising stock prices, to buy a new car. (Hokuriku: Auto dealer) With a rise of the consumption tax rate becoming a reality, a last-minute rise in demand seems to be appearing on a full scale. We really hear every customer saying they would like to buy before the tax increase. (Hokuriku: Housing dealer)
C	<ul style="list-style-type: none"> Items offered at bargain prices and inexpensive goods sell well, while items offered at ordinary prices and those of fish and other perishables offered at higher unit prices are especially unpopular, often left unsold on the shelf. (Okinawa: Supermarket)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> With a large push from a favorable foreign exchange rate, as in the last month, the improved product price has been maintained, with a great improvement in business performance compared to days when the yen was higher. (Tohoku: Electric machinery and apparatus manufacturer) As the yen's depreciation has the same effect as a price cut, which encourages agents overseas and trading companies to work more actively on sales promotions, we have received almost 20 percent more inquires since last month than in the same period last year. (Tokai: Machinery & equipment) We hear exports to China are improving slightly. With the help of the yen's depreciation, though small, we ourselves have found a slight increase in orders coming from customers. (Tokai: Transportation machinery and tool manufacturer)
C	<ul style="list-style-type: none"> While the yen's depreciation is pushing up the price of diesel oil, we have difficulty in passing the increase in price on to freight charges. There is no change in the amount of freight. (Hokuriku: Transport)
D	<ul style="list-style-type: none"> With large increases in prices of imported raw materials and parts resulting from the yen's depreciation, there have been successive increases in electricity and gas rates, and infrastructure of factories. (Chugoku: Other manufacturers [sporting goods])
<i>Employment</i>	
B	<ul style="list-style-type: none"> The sense of a labor shortage is appearing in the logistics, service and construction sectors. Interactions between the pickup of the economy and the shortage of labor are pushing up the ratio of job vacancies. (Hokkaido: Job advertisement magazine producer) The number of applications for job placement advertisements is on the rise. Before, job vacancies were limited to the nursing care and construction sectors, but now an increasing

	number of offers also come from the service sector. (Tohoku: Newspaper publishing company [Job placement ads])
D	<ul style="list-style-type: none"> While the service and construction sectors continue to do well, the manufacturing sector sees no end to reductions in workforce. There is a slight upward trend in the number of establishments that invite employees to apply for resignation for the employer's reasons. (Tohoku: Employment security office)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> Several local companies have decided to pay employees special allowances in March, at the end of the business year, a likely ripple effect of some major corporations' full acceptance of the union's demand for an increase in the basic wage. We are expecting consumers' confidence to pick up. (Tohoku: Other services [automobile maintenance and repair]) As the new government's economic policies are gradually producing effects, with some positive sentiment generated among people, we are seeing some promise in the future. (Southern Kanto: Clothing store)
D	<ul style="list-style-type: none"> As prices of goods closely related to consumers' life, such as electricity and wheat, are raised in April, they may feel financially pinched. (Southern Kanto: General retail store [Japanese-style confection]) As prices of goods closely related to daily life, including electricity and gas, are raised, there are many uncertain factors in life, leaving easy recovery of the economy unlikely. (Tokai: Communications)

Corporate activity

B	There are signs of improvements or increases in order receipts. Positive effects of the yen's depreciation will eventually spread over a wide range of industries, with time lags between them, however. (Chugoku: Electric machinery and apparatus manufacturer)
C	<ul style="list-style-type: none"> Despite expectations of an economic recovery growing, small and medium enterprises see no improvement in earnings environments. While purchasing prices (raw material prices) continue rising, there is no change seen in the downward trend of sales prices (contract prices). (Southern Kanto: Financial business)
D	<ul style="list-style-type: none"> Despite some factors that began to appear at the end of last year as to what should push up the manufacturing cost, such as requests for a rise of freight charges and a planned increase of electricity rates, it is not easy to pass them on to product prices, and we are left with uncertainty about the future. (Kinki: Textile industry) With price rises in imported fuel and raw materials, some small and medium enterprises, unable to make profits, are forced to suspend their operations. (Kinki: Transport)

Employment

B	<ul style="list-style-type: none"> With the yen's depreciation and the rise of stock prices, as well as expectations of an economic recovery, export-related companies will be making gradual improvements in business performance. (Kinki: Employment security office)
C	<ul style="list-style-type: none"> Recruitment is inactive in some manufacturing sectors amid price increases in fuel and raw materials owing to the yen's depreciation, while constructors and medical and welfare businesses see no change in conditions, with more job offers coming from them. (Hokuriku: Employment security office)