

# Data to signal deeper downturn

## But all must rise to challenge of finding future opportunities

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Several major economic indicators concerning production, employment and consumption in December are slated to be released on Jan. 30. While the upcoming data is expected to signal the continuation of the trend in which the economy is shrinking, individual statistics tend to move in different ways.

The typical pattern is that production data fluctuates sharply, while the movements of consumption indexes are less volatile because demand mainly for daily necessities is rela-

tively stable. Employment data, categorized as a lagging economic indicator, usually points to a deterioration or a recovery in the job market after the economic cycle changes.

Japan's industrial output has been falling rapidly since last autumn, hit by flagging consumption in the U.S. and European nations as well as the yen's appreciation against major currencies.

The slumping economy is clouding the earnings prospects at domestic firms and putting downward pressure on wages, which in turn will dampen consumer sentiment even further — developments that threaten to push up the jobless rate.

Meanwhile, the fact that the U.S. financial sector is the epicenter of the global economic

crisis exacerbates problems; a loss of confidence among what was once the most prosperous part of the American business community has amplified the downturn.

### Cheer up

In fact, it is understood that the world economy has been aggravated in part by a psychological factor: excessive pessimism.

Now that the bubble-like sense of irrational exuberance has given way to an irrational pessimism, the ongoing recession is said to be stoked by the psychological shock of fear.

The decline of trust in the U.S. government under former President George W. Bush has also helped to amplify the excessive pessimism, one of the major reasons be-

hind the extraordinarily high expectations for the new leader, Barack Obama. This means that if confidence in the U.S. government is restored, it could set the stage for the global economy to turn around more smoothly.

While a recovery in Japan's economic indicators is unlikely for some time to come, the current situation requires firms to make efforts to find new chances for future growth.

In fact, some domestic businesses are maintaining their healthy performances amid the economic slowdown, with as many as about 30% of listed firms expecting growth in both revenues and profits for the current fiscal year. Individual consumers and companies face a crucial test of their capabilities to change the current turmoil into growth opportunities for the future.

