

# Economy Watchers Survey

## July 2011

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### OVERVIEW OF THE MONTH

The DI for current economic conditions in July rose 3.0 points from the previous month to 52.6, for the fourth straight month of increase.

The household activity-related DI rose, due mainly to a growing willingness to make purchases among consumers amid a gradual recovery of their confidence which was dampened by the Great East Japan Earthquake, as well as last-ditch growth in demand for new televisions just before Japan's full shift to terrestrial digital broadcasting, and brisk sales of energy-saving, eco-friendly, Cool Biz, and other seasonal goods amid heat waves and electricity-saving campaigns.

The corporate activity-related DI rose, due mainly to a production recovery on the gradual resolution of supply shortages and delivery delays for raw materials and equipment, despite the impact of rising costs amid higher raw-material prices.

The employment-related DI rose thanks to such factors as an increase in job offers that accompanied the production recovery in the manufacturing sector.

The DI for future economic conditions in July went down 0.5 points from the previous month to 48.5, for the first drop in four months.

The household activity-related DI for future economic conditions fell due to such factors as an expected reactionary drop in TV demand after the last-ditch growth, and growing uncertainties about the future course regarding particularly the retail sector, despite an expected consumer confidence recovery. But the DIs related to corporate activity and employment rose thanks primarily to expected post-disaster restoration and reconstruction demand and an anticipated further recovery in corporate production operations, although enterprises were uncertain about their future course.

From the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as "the economy is recovering, though with remaining impact of the Great East Japan Earthquake."

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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>• Sales remained firm on rising temperatures and stable weather since the end of the rainy season. (Kinki: Supermarket)</li> <li>• Energy-saving clothing and housing-related products are selling well, due to the earlier-than-usual end of the rainy season and the growing energy conservation campaign. (Kinki: Supermarket)</li> <li>• Sales are growing more briskly thanks to the introduction of new models as auto production is recovering. (Hokkaido: Auto dealer)</li> <li>• After the summer vacation period started, families and other customers are making reservations just before their arrivals. (Hokuriku: Tourist inn)</li> <li>• As a mood of voluntary restraint following the Great East Japan Earthquake has subsided and as arrivals of building materials have become more predictable, we feel brisk consumer spending on housing remodeling just before the end of the housing eco-point system. (Chugoku: Architect office)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• As indicated by brisk sales of seasonal goods, consumers' confidence has gradually been improving. (Hokkaido: Shopping area)</li> <li>• Thanks to last-ditch demand just before the end of analogue television broadcasting, sales of small TVs, DVD recorders, terrestrial digital broadcasting tuners and the like far exceeded the year-before level. (Hokkaido: Consumer electronics retailer)</li> <li>• As radioactive contamination damage has spread to our prefecture, consumers have begun to refrain from buying local products including meat and vegetables, with their prices plunging. (Tohoku: Shopping area)</li> </ul>
<i>Corporate activity</i>	
<b>A</b>	<ul style="list-style-type: none"> <li>• Nationwide campaigns for supporting disaster-hit regions through purchases of products from these regions have grown briskly, along with local restoration and reconstruction workers' eating-out and souvenir demand. (Tohoku: Other nonmanufacturing industries [beverage and food wholesaler])</li> </ul>
<b>B</b>	<ul style="list-style-type: none"> <li>• Orders from auto-related companies have been on an upward trend. (Tokai: Paper-processed product [cardboard] manufacturer)</li> <li>• As components supply has improved following disruptions caused by the Great East Japan Earthquake, production has been smooth. (Shikoku: General machinery and instrument manufacturer)</li> <li>• While orders are coming smoothly, restrictions on electricity consumption have greatly affected production. (Northern Kanto: Metal products manufacturer)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• While material yarn has become more expensive and difficult to get, textile manufacturers are in a severe situation where material price hikes cannot be passed on to product prices. (Southern Kanto: Textile industry)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>• Due to radioactive contamination, we have become sensitive to raw materials from the Tohoku region: (Southern Kanto: Food manufacturer)</li> </ul>
<i>Employment</i>	
<b>A</b>	<ul style="list-style-type: none"> <li>• Job offers are increasing in civil engineering, housing, delivery, warehouse organizing and security sectors, apparently due to special labor demand related to the Great East Japan Earthquake. (Tohoku: Temporary manpower service)</li> </ul>

<b>B</b>	<ul style="list-style-type: none"> <li>As job offers in auto and electrical appliance manufacturing sectors have been increasing, relevant temporary manpower services have grown more briskly. (Kyushu: Newspaper company [Job advertisements])</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>A large number of companies have become cautious about recruitment, consuming more time on recruitment. (Shikoku: Private-sector job placement service)</li> </ul>

## **2. Future conditions**

### ***Household activity***

<b>B</b>	<ul style="list-style-type: none"> <li>In the early autumn when post-disaster reconstruction will get under way, sales will regain vigor with consumer confidence improving further. (Kinki: Department store)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>The business situation will remain severe as we see too many consumption-dampening factors, including typhoon-caused flood damage, electricity conservation and radioactive contamination of food. (Kinki: Department store)</li> <li>Due to harmful rumors related to the Fukushima Daiichi nuclear power plant accident, it may take more time before tourists from other prefectures begin to visit this prefecture. (Tohoku: Tourist hotel)</li> <li>The number of visitors has been recovering gradually. As reservations have leveled off or fallen from the year-before level, the future course of our business is uncertain. (Chugoku: High-end restaurant)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Although special post-disaster demand and energy-saving campaigns have had favorable effects on some goods, we see no such goods for this autumn. As consumers grow more conscious of tightening purse strings, they may lose their consumption consciousness. (Shikoku: Supermarket)</li> <li>In reaction to last-ditch growth in TV demand just before Japan's full shift to terrestrial digital broadcasting, we fear that sales will decline substantially until late this year. (Hokkaido: Consumer electronics retailer)</li> </ul>

### ***Corporate activity***

<b>A</b>	<ul style="list-style-type: none"> <li>We expect our business to improve as the procurement of components has become stable after disruptions following the Great East Japan Earthquake, and as auto production is likely to increase toward this autumn. (Chugoku: Transportation equipment manufacturer)</li> </ul>
<b>B</b>	<ul style="list-style-type: none"> <li>Orders have gradually begun to come to us after their halt on the Great East Japan Earthquake. (Kinki: Chemical industry)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Although we hear some customers talking about special demand related to the Great East Japan Earthquake, negative impacts of such factors as the yen's appreciation and crude oil price hikes are matters of greater concern to us. (Southern Kanto: Plastic products manufacturer)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>While raw material prices have risen, such hikes cannot be passed on to sales prices. So, we have a severe business outlook. (Kinki: Other manufacturing industries [footwear])</li> </ul>

### ***Employment***

<b>B</b>	<ul style="list-style-type: none"> <li>Job offers have been firm and are unlikely to turn down. (Kinki: Private-sector job placement service)</li> <li>Among manufacturers, the auto industry has increased job offers on the restoration of supply chains. This trend will be enhanced in and after the autumn. (Kinki: Temporary manpower service)</li> <li>Following an increase in part-time job offers, we have seen job offers for regular employees increasing since early July. (Hokkaido: Job information magazine publisher)</li> </ul>
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