

Economy Watchers Survey

August 2012

OVERVIEW OF THE MONTH

The DI for current economic conditions in August fell 0.6 points from the previous month to 43.6 for the first decline in two months.

The household activity-related DI dropped, due mainly to a pause in passenger car sales, despite robust sales of such products as beverages and food under severe heat waves.

The corporate activity-related DI declined, due mainly to a continued decrease in order receipts at enterprises under such factors as a still-strong yen and an overseas economic deceleration.

The employment-related DI rose, due primarily to an increase in job offers mainly from the wholesale/retail and services sectors.

The DI for future economic conditions in August fell 1.3 points from the previous month to 43.6 for the fourth straight month of decline.

The household activity-, corporate activity- and employment-related DIs for future economic conditions decreased because of uncertainties stemming from such factors as a reactionary decline in car demand after the termination of subsidies for eco-friendly car purchases, and a downturn in consumer confidence due to a consumption tax increase, despite such favorable factors as expectations of last-minute demand before the tax increase.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as "the economy had been so far picking up moderately, but now shows some weak movements."

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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	<ul style="list-style-type: none"> As severe lingering heat continued long in August, sales of such products as drinks, ice cream, and cold cooked noodles grew more than 20% from a year earlier. (Southern Kanto: Convenience store) As severe heat waves continue, slacks, short-sleeved shirts, and summer ceremonial robes are selling better than earlier expected. (Tohoku: Clothing retailer)
C	<ul style="list-style-type: none"> Under record heat waves with extremely hot days seen continuing in the second half of August, initial autumn goods sales are very sluggish. (Hokkaido: Department store)
D	<ul style="list-style-type: none"> Despite the imminent termination of subsidies for eco-friendly car purchases, sales are failing to expand due to limited inventories of vehicles eligible for subsidies. (Southern Kanto: Auto dealer) Although we had placed great expectations on last-minute demand before the termination of subsidies for eco-friendly car purchases, car sales in August declined sharply. Consumers who had planned to replace cars might have finished purchases already. (Shikoku: auto dealer)
E	<ul style="list-style-type: none"> As extremely hot days continued this summer, fewer customers visited street-front shops at shopping streets and other locations. (Southern Kanto: Shopping street) Torrential rains between midnight and dawn in the middle of August brought about a great disaster in our shop's vicinity, with some houses hit by inundation above floor level. (Kinki: General retailer [Clocks])
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> As drinking water order receipts have increased due to a succession of extremely hot days in August, our business conditions are better. (Kinki: Food manufacturer)
D	<ul style="list-style-type: none"> Order receipts have declined as the impact of the yen's appreciation has reduced our price competitiveness against overseas rivals and made it impossible for us to meet pricing requests from our customers. (Shikoku: Electrical machinery and equipment manufacturer) The export environment for automotive components has deteriorated due to the yen's appreciation as well as an economic downturn in foreign countries, particularly the Association of Southeast Asian Nations, China and Brazil. (Tohoku: Ordinary machinery and instrument manufacturer) Due to a decline in production volume at our customers, our transportation volume has decreased. (Chugoku: Transporter)
<i>Employment</i>	
B	<ul style="list-style-type: none"> Job offers in all major industries exceeded levels in the same month last year. Particularly, job offers in the wholesale/retail industry expanded 23.1% from the same month last year. Supported by massive job offers from such retailers as drug store chains and supermarkets, the industry's job offers exceeded the year-before level for the 24th straight month. (Kinki: Employment security office) While employment conditions differ from industry to industry, distribution and services industries have increased regular employment offers after a rise in temporary employment offers. (Tohoku: Newspaper company [Job advertisements])
C	<ul style="list-style-type: none"> Employment conditions are severe as manufacturers under the impact of such factors as the

	yen's appreciation have made few regular employment offers sought by job applicants. (Northern Kanto: Employment security office)
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2. Future conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> Due to signs of an end to land price declines and the consumption tax hike, high-income earners and other people are moving to buy houses. (Hokuriku: Housing sales company)
C	<ul style="list-style-type: none"> After a longer summer sale period, customers are expected to have more interest in autumn goods to be used in two to three months time. But customers' impression of the consumption tax is a matter of concern. (Hokuriku: Department store)
D	<ul style="list-style-type: none"> While our profit margins decline due to the opening of rival stores, consumers are likely to further tighten their purse strings amid their growing consciousness about economizing after the consumption tax hike decision. (Southern Kanto: Supermarket) We see no last-minute increase in car demand just before the termination of subsidies for eco-friendly car purchases. We expect a further deterioration after the termination. (Chugoku: Auto dealer)
E	<ul style="list-style-type: none"> As subsidies for eco-friendly car purchases are terminated, a reactionary decline in new car sales after front-loaded demand will grow conspicuous. (Northern Kanto: Auto dealer)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Industries handling large consumer goods are prematurely expecting to see front-loaded demand toward the consumption tax hike. While we are afraid of a reactionary decline in demand after the hike, we expect firm sales of large goods before the hike. (Hokuriku: Finance industry)
C	<ul style="list-style-type: none"> Construction-related sectors can expect an increase in order receipts ahead of the consumption tax hike. As such increase works to boost unit costs amid shortages of professional construction workers, however, business conditions for these sectors are unlikely to improve. (Kyushu: Finance industry)
D	<ul style="list-style-type: none"> We see the impact of the termination of subsidies for eco-friendly car purchases. (Chugoku: Electrical machinery and equipment manufacturer) As the auto industry has a very wide base, the termination of subsidies for eco-friendly car purchases exerts direct and indirect adverse effects on us. Business conditions for us are likely to gradually deteriorate late this year. (Tokai: Ceramic, clay and stone products manufacturer)
<i>Employment</i>	
D	<ul style="list-style-type: none"> Particularly, local industries in Kansai are languid. After the consumption tax hike decision, some companies may promptly take relevant actions. However we have yet to see such actions. (Kinki: Newspaper company [Job advertisements]) We are concerned about the impact of a reactionary demand fall after the termination of subsidies for eco-friendly car purchases. (Kyushu: Employment security office)