

Economy Watchers Survey

July 2012

OVERVIEW OF THE MONTH

The DI for current economic conditions in July rose 0.4 points from the previous month to 44.2 for the first increase in four months.

The household activity-related DI increased, due mainly to robust sales of beverages and air-conditioners under rising temperatures, despite a pause in order receipts for passenger cars and sluggish bargain sales at department stores.

The corporate activity-related DI went up, due mainly to an increase in order receipts at some enterprises, despite the continued impact of the yen's appreciation.

The employment-related DI dropped, due primarily to a pause in growth in job offers mainly from manufacturers.

The DI for future economic conditions in July fell 0.8 points from the previous month to 44.9 for the third 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 fears of summer electricity supply disruption, a reactionary decline in car demand due to the termination of subsidies for eco-friendly car purchases, and a downturn in consumer confidence due to a consumption tax increase, despite expectations of reconstruction demand following the Great East Japan Earthquake.

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>	
A	<ul style="list-style-type: none"> As this July saw severe heat waves, shipments including cold drinks and ice cream increased sharply in the second half of the month, stimulating other demand. (Northern Kanto: Convenience store)
B	<ul style="list-style-type: none"> Summer goods, including electric fans, bedclothes, underwear, and drinks, have sold better than usual as temperatures have risen since early this month. Particularly, I feel that customers are making greater purchases at bargain sales than usual. (Kinki: Supermarket) Thanks to heat waves and the energy conservation boom, summer goods, such as air-conditioners and refrigerators, are selling very well. Solar power generation systems are also selling smoothly. (Northern Kanto: General retailer [Electrical appliances]) As summer campaigns went into a full swing in July, sales of smartphones and other mobile phones increased every time new products were put on sale or their orders began to be accepted. Relevant accessory sales are also rising. (Kyushu: Telecommunications company)
D	<ul style="list-style-type: none"> Customers are less eager to buy cars, as models which they want fail to use subsidies for eco-friendly car purchases ahead of the imminent termination of the subsidies. (Tokai: Auto dealer) Summer bargain sales are dispersed and failing to grow, which connected to an overall sales fall. (Tokai: Department store) Visitors to shopping malls have remarkably declined due to the longer-than-usual rainy season and local torrential rains, leading to a sales drop. (Kyushu: Shopping mall)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Since the current fiscal year started, reconstruction work and radioactive decontamination orders have accounted for most of our order receipts, indicating full-scale reconstruction-related demand. (Tohoku: General constructor) Thanks to growing reconstruction-related demand, order receipts and sales are brisk. (Shikoku: Ordinary machinery and instrument manufacturer)
C	<ul style="list-style-type: none"> Although customers had decreased under nationwide rainy weather since June, orders have increased rapidly since the end of the rainy season in or after mid-July. (Shikoku: Textile industry) Including the yen's appreciation and the energy problem, many factors are affecting exports' competitiveness. (Shikoku: Chemical industry)
D	<ul style="list-style-type: none"> Due to the European economy's downturn, order receipts have declined. Given the weak euro as well, we see double impacts. (Tokai: Electrical machinery and equipment manufacturer)
<i>Employment</i>	
C	<ul style="list-style-type: none"> While the number of job offers has exceeded the year-before level, regular job offers have slipped below half the total. Job offers are still abundant for non-regular employees, including part-time, side-job, and contract workers. (Southern Kanto: Employment security office) Electrical machinery makers in the Kansai region have yet to achieve a sufficient revival that allows job offers to increase. (Kinki: Private employment agency)

2. Future conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> If a consumption tax hike is enacted, last-minute demand will surely emerge for goods that will be delivered by March 2014. Since condominiums are not necessarily available at locations that customers favor, they may try to purchase condos as early as possible. So, last-minute demand for condos may emerge as soon as the tax hike is enacted. (Hokkaido: Housing sales company)
C	<ul style="list-style-type: none"> Given downward revisions to economic forecasts, concerns about summer electricity demand, and companies' spending cuts accompanying such concerns, have led economic conditions to remain unchanged. (Hokkaido: Taxi driver)
D	<ul style="list-style-type: none"> I anticipate a reactionary decline in car demand due to the termination of subsidies for eco-friendly car purchases. I fear a negative impact that no new product effect will be able to offset. (Tohoku: Auto dealer) Since media reports said that the way has been paved for a consumption tax hike bill to be passed, consumers have apparently been less eager to buy goods even in the absence of any immediate tax hike. This time, a sharp electricity charge hike is scheduled for the immediate future, which may affect consumption promptly. (Southern Kanto: Clothing retailer) The impact of possible rolling blackouts and discussions on a consumption tax hike will greatly affect consumer confidence. It is now difficult to find any positive factor. (Kyushu: Supermarket)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Deals related to support for reconstruction from the earthquake disaster have increased, though slightly. We are trying to take advantage of these deals to get future contracts. (Tohoku: Telecommunications company)
C	<ul style="list-style-type: none"> The construction industry is likely to pick up due to growing demand for reconstruction from the Great East Japan Earthquake and last-minute orders before a consumption tax hike. Given anticipated rises in construction costs and prices, however, we stop short of expecting the industry to get much better. (Southern Kanto: Architect office)
E	<ul style="list-style-type: none"> From the auto industry as our trading partner, we hear that production adjustments will be conducted from this autumn in line with the termination of subsidies for eco-friendly car purchases. (Kinki: Metal products manufacturer)
<i>Employment</i>	
C	<ul style="list-style-type: none"> Due to the yen's appreciation and electricity savings amid electricity shortages this summer, each industry is less eager to make job offers. (Chugoku: Employment security office)