

Economy Watchers Survey

May 2012

OVERVIEW OF THE MONTH

The DI for current economic conditions in May fell 3.7 points from the previous month to 47.2 for the second straight month of decline.

The household activity-related DI declined due mainly to a pause in passenger car sales growth, sluggish sales under unseasonable weather conditions, and a sales drop after the holiday-studded Golden Week in early May, despite invigorated consumption accompanying a growing mood of reconstruction following the Great East Japan Earthquake.

The corporate activity-related DI decreased due mainly to a decline in order receipts at some enterprises amid the yen's appreciation.

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

The DI for future economic conditions in May fell 2.8 points from the previous month to 48.1 for the first fall in two months.

The household activity-, corporate activity- and employment-related DIs for future economic conditions decreased due to uncertainties stemming from such factors as fears of summer electricity supply disruptions and the yen's further appreciation amid the European problem, 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 is slowing the tempo of recovery.”

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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"> We see the revival of foreign tourists' visits to Japan, but it is not enough. School tours (elementary schools), though still less brisk, have also recovered smoothly. Tourists visiting here after seeing the Tokyo Sky Tree are increasing, which supports a recovery in tourism demand on weekdays. (Northern Kanto: Travel agency)
C	<ul style="list-style-type: none"> Our prefecture sees demand for post-disaster reconstruction. While electrical appliance sales, including TVs, have declined, demand for replacements of white goods, including refrigerators and washers, have remained firm. (Tohoku: Home electric appliance retail store) Although sales were brisk thanks to a year-on-year rise in the number of visitors during the holiday-studded Golden Week, sales fell rapidly after the week and failed to recover by the end of May. (Kinki: Shopping area)
D	<ul style="list-style-type: none"> As visitors declined because of unseasonable weather conditions this month, sales failed to increase. (Southern Kanto: Ordinary retailer [Japanese sweets]" After the holiday-studded Golden Week, sales plunged more than usually. In particular, night entertainment districts have seen remarkable sales drops. (Hokuriku: Taxi driver) While tax reductions and subsidies for eco-friendly car purchases have some effects, consumer confidence has failed to rise. (Shikoku: Auto dealer)
<i>Corporate activity</i>	
C	<ul style="list-style-type: none"> The yen is appreciating as expected. The problem is how far it will appreciate. Depending on the further appreciation of the yen, production may decline. If the yen rises to the level seen during its previous appreciation, the situation will become considerably severe. (Tokai: Other non-manufacturing industry [Software development]) Business deals emerged in February and March when the yen depreciated. Since the yen began to appreciate due to uncertainties over the European economy, business talks have been postponed or suspended. This month is likely to see severe conditions. (Kinki: Electrical machinery and equipment manufacturer)
D	<ul style="list-style-type: none"> Equipment investment has diminished in Japan as possible rolling blackouts have become a topic due to a tighter electricity supply/demand balance toward summer. (Hokuriku: General machinery and equipment manufacturer)
<i>Employment</i>	
B	<ul style="list-style-type: none"> Since the holiday-studded Golden Week ended, demand for temporary staffing services has increased. Demand has emerged for an increase in new hires as well as workers fulfilling regular job vacancies and temporary staff for other companies. The job market has apparently begun to move. (Southern Kanto: Temporary staffing company)
D	<ul style="list-style-type: none"> Subcontractors are expected to dismiss employees en masse due to major manufacturers' reorganization of production bases in response to the yen's appreciation. (Tohoku: Employment security office) Large-scale job advertisements have declined due to a slump for automakers and semiconductor manufacturers. (Kyushu: Newspaper company [Job advertisements])

2. Future conditions

Household activity

A	<ul style="list-style-type: none"> As subsidies for eco-friendly car purchases are expected to end in July or August, substantial last-minute demand can be expected, as was seen in the previous case. (Shikoku: Auto dealer)
B	<ul style="list-style-type: none"> While electricity charge hikes in August, discussions on a consumption tax hike and pension problems, and weather conditions are likely to affect consumption, full-fledged reconstruction following the Great East Japan Earthquake is stimulating consumption. (Southern Kanto: Clothing store) As consumers grow more conscious of saving electricity because of the tightening electricity supply-demand relationship, demand is increasing for air conditioners, refrigerators and LED lamps subject to higher energy conservation targets, as well as for solar power generation (Chugoku: Home electric appliance retail store)
D	<ul style="list-style-type: none"> This summer's consciousness of electricity conservation could affect purchasing behaviors, leading consumers to refrain from buying goods other than those required urgently. (Shikoku: Department store)
E	<ul style="list-style-type: none"> A decline in demand for new cars could occur due to the termination of government subsidies for eco-friendly car purchases. (Hokkaido: Auto dealer)

Corporate activity

D	<ul style="list-style-type: none"> The depreciation of both the dollar and the euro against the yen due to the resurgence of the European debt crisis is affecting export-oriented companies. For this summer, pessimistic factors are abundant, including electricity shortage fears and possible stock market falls. (Kyushu: Metal products manufacturer)
E	<ul style="list-style-type: none"> The European economy is uncertain. A deterioration of the European economy would lead the yen to rise against the euro and the dollar, making exports difficult. In this respect, our order receipts are falling. (Tokai: Transportation equipment manufacturer)

Employment

C	<ul style="list-style-type: none"> The situation has remained unchanged as the employment environment has stayed very severe mainly for manufacturers due chiefly to the yen's appreciation. (Northern Kanto: Employment security office) Despite a recovery trend, this summer's electricity constraints and other factors are feared to affect employment. (Kinki: Employment security office) Job offers will be brisk from healthcare, nursing care and restaurant cooking sectors with labor shortages, but job offers from manufacturers will remain stagnant. (Chugoku: Employment security office)
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