

Economy Watchers Survey

April 2013

OVERVIEW OF THE MONTH

The DI for current economic conditions in April went down 0.8 points from the previous month to 56.5 for the first drop in six months.

The household activity-related DI went down, owing mainly to sluggish sales of spring goods due to unseasonable weather, despite continued strength in sales of luxury goods.

The corporate activity-related DI rose, due mainly to an increase in revenues and earnings mostly in the manufacturing industry amid the yen's depreciation.

The employment-related DI declined mainly due to the disappearance of a temporary increase in job offers at the turn of a fiscal year.

The DI for future economic conditions in April went up 0.3 points from the previous month to 57.8, the first rise in two months.

Regarding future economic conditions, the yen's depreciation and the rise in the stock price went further, resulting in observed expectations on effects of the government's policies, such as some increase in the summer bonus, though there were also concerns about cost increases owing mainly to rising purchase prices and electricity rates. Under such conditions, the corporate activity-, and employment-related DIs for future economic conditions increased.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as "the economy is recovering."

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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"> Now that the overall climate is settling down at last after several out-of-season snowfalls, seasonal goods have begun to sell well in their high season. What would be notable in addition is much greater sales of luxury goods, such as jewelry and brand-name products, than a year ago. (Tohoku: Department store) Now we see more customers ordering a more expensive course for dinner. (Kyushu: High-end restaurant) We see more customers than last year as more foreign tourists, especially those from China, come here to Okinawa. They come to us and buy something produced in this prefecture. (Okinawa: Convenience store)
C	<ul style="list-style-type: none"> The unstable temperature has caused cherry trees to come into bloom earlier than usual, with too early cherry-viewing parties taking place, and pushed down sales of spring and summer clothing, two cases of difficulties we are having in selling seasonal products in their high season. There is a sense of sluggish growth in sales. (Kinki: Supermarket)
D	<ul style="list-style-type: none"> Unseasonable weather has resulted in sluggish sales of spring clothing. (Tohoku: Clothing store) As the temperature remains low, we see sluggishness in sales of spring goods and find ourselves in a continuing tough situation overall. (Chugoku: Department store) After the pre-closing sale, we see much fewer customers coming to us. (Kyushu: Auto dealer)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Products whose prices were lowered despite the yen's appreciation are now seeing their prices further brought down as the yen is depreciating. The reduced prices have persuaded electronic parts makers in South America and other emerging economies and smaller-scale users in North America working as manufacturers under contract to buy our products, which they usually refrained from purchasing as they were beyond their budgets. (Tokai: Machinery & equipment) With a steady receipt of new orders again after a good result last month, sales have started to grow at last to catch up with last-year's level. (Kinki: Chemical industry) Auto parts makers are receiving more new orders than last year with brisk sales of new models of fuel-efficient cars. Improved profitability of exports with the yen's depreciation also supports an upward trend in their earnings. (Chugoku: Financial business) Trial balance sheets and other data of our client companies this month show a significant decline in the number of companies that report smaller sales than last year, a fact that allows us to conclude the economy is picking up slightly. (Shikoku: Certified public accountant)
C	<ul style="list-style-type: none"> The yen's depreciation has resulted in higher costs for many cargo owners. The tough conditions will continue for the time being. (Kyushu: Transport)
<i>Employment</i>	
C	<ul style="list-style-type: none"> Just before the end of the fiscal year, we experienced a temporary boom as clients needed to use up the budget for the year. Now they seem to be waiting to see whether the economy is really going in a positive direction, refraining from placing advertisements. (Tohoku: Newspaper publishing company [Job placement ads])

	<ul style="list-style-type: none"> The number of temporary employees has declined by some six percent from three months ago, a tendency often observed at the turn of a fiscal year, when many contracts expire. (Kyushu: Private employment agency)
D	<ul style="list-style-type: none"> Companies have fewer jobs to offer as they have just accepted new graduates. There is also sluggish growth in offers from manufacturers. (Shikoku: Temporary staffing company)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> With the yen depreciating and the stock price rising, more companies have revised earnings upward. It is also reported that some manufacturers will bring some of their overseas production back to Japan. Such positive moves, reflected in wages, would help. (Northern Kanto: Department store) With a great number of manufactures based in this region, the yen's depreciation, if it continues, is expected to result in increased bonuses and improved confidence among consumers. (Tokai: Department store) The turnabout in the foreign exchange market is expected to bring some Japanese tourists back to domestic sites rather than foreign destinations, with some sales increase brought to us. (Okinawa: General retail store [Confectionery])
C	<ul style="list-style-type: none"> Retailers feel no or little benefit of the yen's depreciation or the increase in stock prices. Rather, rising prices of imported food and fuel, among others, will produce negative impacts. Any fluctuation in sales or the number of customers is just caused by a change of weather conditions, and we have no expectation that the pickup of the economy will soon lead to any increase in sales or customers. (Hokkaido: Convenience store)
D	<ul style="list-style-type: none"> Since the electricity rate will be raised next month, prices of fuel, materials, and petroleum products will go up substantially, possibly leading to increased prices of consumer goods, of no help to a recovery of our business. (Kyushu: Supermarket)

Corporate activity

B	<ul style="list-style-type: none"> It seems that benefits of the rise in stock prices and the yen's depreciation are beginning to spread among local companies, leading to a pickup of employment and capital investment and a rise in sales prices. (Tohoku: Telecommunications company) A pickup of the housing market is expected to expand consumption for related industries as well. In addition, the forecast of continued strong performance of exporters with the yen's depreciation is expected to result in more new orders placed by them for renewal of equipment. (Kinki: Electric machinery and apparatus manufacturer) Though a weaker yen is helping boost sales of luxury goods, we expect only a slight improvement in business as some of our clients see their performance adversely affected by the yen's depreciation. (Shikoku: Financial business)
C	<ul style="list-style-type: none"> People believe the economy is picking up, but the transport sector has difficulty in passing on to freight charges the cost of fuel expenses that remain high amid the yen's depreciation. We have no expectation of any dramatic improvement taking place. (Hokuriku: Transport)

Employment

B	<ul style="list-style-type: none"> Companies are getting more active in recruitment. In terms of employment status, I hope they will accept more employees as permanent staff. ([Tohoku: Newspaper publishing company [Job placement ads])
C	<ul style="list-style-type: none"> Probably owing to a last-minute rise in demand before an increase in consumption tax, constructors have more construction-site jobs on offer, but we see vacancies filled only slowly. (Kyushu: Job advertisement magazine producer)