

# Economy Watchers Survey

## December 2013

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### OVERVIEW OF THE MONTH

The DI for current economic conditions in December went up 2.2 points from the previous month to 55.7 for a second straight month of increase.

The household activity-related DI rose, owing mainly to increased sales especially in luxury goods, cars, and home appliances, due mainly to strong results of year-end bargain sales, improved consumer confidence and increased spending per customer, as well as a last-minute rise in demand before a consumption tax increase.

The corporate activity-related DI went up, owing mainly to increases in orders received.

The employment-related DI rose, owing mainly to increased job offers in many sectors.

The DI for future economic conditions in December fell 0.1 points from the previous month to 54.7, the first drop in four months, though it is still standing at a high level.

Regarding future economic conditions, the corporate activity- and employment-related DIs for future economic conditions increased, owing mainly to expectations for a last-minute rise in demand before a consumption tax increase, while the household activity-related DI fell, owing mainly to concerns about shift of demand toward other sectors.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as “the economy is recovering at a moderate pace.”

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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>A</b>	<ul style="list-style-type: none"> <li>Sales are strong in power-saving refrigerators and LED lighting apparatus. However, there is little noticeable movement among consumers for replacement purchases before the consumption tax increase. (Hokkaido: Electric appliance retailer)</li> <li>Strength of the economy is quite noticeable this month. Daily credit card transactions hit a record high. After years of easy booking even during the year-end party season, many restaurants and drinking establishments now have too few vacancies left to accept any more reservations. (Southern Kanto: Shopping street)</li> </ul>
<b>B</b>	<ul style="list-style-type: none"> <li>Customers received more in their winter bonuses. There is also a last-minute rise in demand before a consumption tax increase. In addition, with new models of eco-cars put on sale, orders for new cars remain strong. (Tohoku: Auto dealer)</li> <li>Sales are strong not only in luxury goods, such as watches and jewelry, but also in clothing, such as coats and suits. The economic recovery, coupled with bonuses paid before a consumption tax increase, encourages consumers to bulk-buy expensive goods. (Tokai: Department store)</li> <li>In addition to an overall rise in spending per customer, more customers choose a more expensive course than last year, especially for a party. A recovery trend is also observed among foreign tourists. (Kinki: General restaurant)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Asked about orders they have received recently, our competitors say demand is shrinking after a last-minute rise before a consumption tax increase, and that they have nothing to do but consume backlogs. (Tokai: Housing dealer)</li> </ul>
<i>Corporate activity</i>	
<b>A</b>	<ul style="list-style-type: none"> <li>As orders for liquid concrete and asphalt are both growing, we are facing a shortage in transport capacity. Gravel and sea sand producers are also reaching the limits of their capacity. In addition, we hear that constructors, our customers, themselves are suffering from a shortage of technicians, especially rod busters and mold builders. (Okinawa: Transport)</li> </ul>
<b>B</b>	<ul style="list-style-type: none"> <li>It seems that with increases of work for major semiconductor-related factories, their subcontractors are also being offered more work. (Tohoku: Electric machinery and apparatus manufacturer)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Despite increased public work, with more orders received, we are reaching the limits of our capacity, and have difficulty in accepting any more orders before completing current work, with no major change unlikely in business. (Shikoku: General contractor)</li> </ul>
<i>Employment</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>Job offers are strong among personal consumption-related sectors, such as convenience stores and supermarkets, and leisure industries, such as pachinko and karaoke. (Hokkaido: Job advertisement magazine producer)</li> <li>The ratio of students receiving tentative job offers is higher than in the same quarter last year, so high that some of them have declined offers. (Shikoku: School [University])</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Some sectors, such as automobile and housing, are active in hiring people as they are busy, while others, such as machinery and electronic parts, even refrain from filling up vacancies amid efforts towards cost cutting. (Southern Kanto: Temporary staffing company)</li> </ul>

## **2. Future conditions**

<b><i>Household activity</i></b>	
<b>A</b>	<ul style="list-style-type: none"> <li>In February and March, we have several events, such as Valentine's Day, White Day, and Setsubun, the last day of winter in the traditional lunar calendar. We will also try out a solution we have developed to tackle heavy snowfall. There are still many opportunities left. (Northern Kanto: Convenience store)</li> </ul>
<b>B</b>	<ul style="list-style-type: none"> <li>Large increases are likely in sales of goods consumers can stock up with, such as cosmetics, before the consumption tax increase. (Kinki: Department store)</li> <li>A last-minute rise in demand before a consumption tax increase is expected for tobacco and some other products, while there will be no significant change among other goods. (Chugoku: Convenience store)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>A last-minute rise is expected to take place in demand for electrical appliances and cars, among others, before a consumption tax increase scheduled for April next year, while restaurants and drinking establishments, offering relatively low unit-price services, anticipate there will be little change in movements of customers. (Hokuriku: General restaurant)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Now that a consumption tax increase is around the corner, consumers are likely to spend more on durables, and refrain from eating out and enjoying higher unit-price services. From April and beyond, corporate entertainment is expected to grow, though a strong sense of uncertainty remains. (Tokai: High-end restaurant)</li> <li>As there are only a few months to go before a consumption tax increase, consumers are likely to spend their money on durables and the like, and postpone buying anything they can do without now. (Kinki: Travel agency)</li> </ul>
<b><i>Corporate activity</i></b>	
<b>B</b>	<ul style="list-style-type: none"> <li>A weak yen, 104 yen to the dollar, will help makers export more completed cars. With a last-minute rise in demand before a consumption tax increase, business will be strong until about March. (Tokai: Transportation machinery and tool manufacturer)</li> <li>We have received twice as many inquiries as compared to three months ago for a wider range of products, a fact demonstrating the strength of demand. (Kinki: Plastic products manufacturer)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>There is no significant change in orders received, but prices of materials and materials for subcontracts will be raised soon. Under current conditions, we have difficulty in passing the price increases on to the prices of products. (Kyushu: Pottery and soil and stone products manufacturer)</li> </ul>
<b><i>Employment</i></b>	
<b>B</b>	<ul style="list-style-type: none"> <li>There is a clear increase in job offers coming from employers based out of the prefecture seeking seasonal employees. With a last-minute rise in demand before a consumption tax increase, the economy is likely to continue trending upward until the end of March. ([Tohoku: Newspaper publishing company [Job placement ads])</li> <li>Employers have already started recruitment activities for students graduating in March 2016. This time last year there were many graduates-to-be still seeking a job, while there are few this year, a fact suggesting employers have a greater number of jobs to offer. (Tokai: School [Vocational school])</li> </ul>