

Economy Watchers Survey

October 2013

OVERVIEW OF THE MONTH

The DI for current economic conditions in October went down 1.0 point from the previous month to 51.8, recording the first drop in two months.

The household activity-related DI fell, owing mainly to weaknesses in sales, especially at department stores, partly due to typhoons, as well as owing to a sense of respite seen in housing-related activities mainly due to weakening last-minute rise in demand before a consumption tax increase.

The corporate activity-related DI went down, owing mainly to a slow-down in growth of orders received by non-manufactures.

The employment-related DI rose mainly with steadiness in job offers for the year-end and New Year holiday season.

The DI for future economic conditions in October rose 0.3 points from the previous month to 54.5 for a second straight month of increase.

Regarding future economic conditions, with a last-minute rise in demand before a consumption tax increase, and expectations for year-end bargain sales, household activity-related DI increased. However, corporate activity- and employment-related DIs declined mainly owing to concerns about deterioration in sentiment regarding the consumption tax increase.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as “the economy is steadily 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"> With new models put on sale and customers sensitive to the coming consumption tax increase, business is brisk. (Tokai: Auto dealer) Increased housing starts before the tax increase have led to a large growth in sales of large-size products, such as air-conditioners and refrigerators. (Okinawa: Electric appliance retailer)
C	<ul style="list-style-type: none"> Sales of autumn clothing, heavily impacted by weather conditions, such as higher temperature and typhoons, are generally going poorly. Demand for luxury goods remains higher than last year, though there is no rapid growth felt any more as seen a while ago. (Tokai: Department store) Early in the month, we saw reservations going at the same level as last year. However, with three typhoons having approached, though none having come ashore, 1,000 reservations were cancelled by tourists, and actual results this month have fallen below last-year's level. (Okinawa: Other services (Car-rental))
D	<ul style="list-style-type: none"> In October, visitors to model-home parks decreased by 40% from the last year, a reaction to a last-minute rise in demand in September before the consumption tax increase. (Kinki: Other housing-related (model-home park))
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Active movements are emerging for automobile-related trial manufacture and development projects and aircraft-related development projects. Our customers also say there will be no further decline in construction machinery-related sectors. (Northern Kanto: Machinery & equipment)
C	<ul style="list-style-type: none"> We are in such a great boom that there are too many orders coming in, and that if we accepted them all, we could not find enough contractors to deal with them. We wish we could accept more, but we cannot, and only see sales failing to grow much. (Northern Kanto: General contractor)
D	<ul style="list-style-type: none"> Technicians are in short supply, and we still have difficulty finding subcontractors. Under such conditions, we have to limit orders we accept to a modest level, while there is uncertainty about whether there will be enough orders after the peak is passed. (Chugoku: General contractor) Business conditions are going bad as shippers demand rate cuts and more factories and logistics centers are consolidated. (Kyushu: Transport) We have difficulty securing enough work. We may find some work in Tokyo where some of our employees reside, but it is getting difficult to obtain enough orders to bring back to Okinawa. (Okinawa: Telecommunications company)
<i>Employment</i>	
B	<ul style="list-style-type: none"> Into the year-end, there is an upward trend observed in needs for personnel mainly for sales and marketing jobs. (Shikoku: Temporary staffing company)
C	<ul style="list-style-type: none"> There are not a few cases where help-wanted ads for short-time or one-day jobs for the year-end and New Year season bring disappointing results, as there are few applicants. There is no substantial change in the general condition from three months ago. (Hokuriku: Temporary staffing company)

2. Future conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> As a last-minute rise in demand before the consumption tax increase has already been observed, there should be greater demand for 4K television and other high value-added goods. (Hokkaido: Electric appliance retailer) The lodging service section is almost fully booked for the year-end and New Year period, and the banquet service section also sees strong demand for year-end parties, except around Christmas. As for the restaurant section, special menus for Christmas and the year-end and New Year season are going well. (Kinki: City hotel) Orders for new housing construction seem to have peaked out at the end of September. However, there is no slow-down observed yet in demand for ready-built houses and renovations. If business confidence picks up again with winter bonuses, it will hold up until around February. (Kyushu: Housing dealer)
D	<ul style="list-style-type: none"> Large companies may see their sales growing, but retailers in the provinces, among others, will see their business turn unprofitable with the consumption tax increase, as well as rising material prices. (Hokkaido: High-end restaurant)
<i>Corporate activity</i>	
A	<ul style="list-style-type: none"> For domestic consumption, forward-spending demand is expected with the consumption tax increase imminent and the Tokyo Olympic Games a few years away. Meanwhile, orders for exported products are on a recovery trend and expected to continue going steadily. However, there are great disparities between regions overseas, which need close monitoring. (Shikoku: Machinery & equipment)
B	<ul style="list-style-type: none"> With a growth strategy under Abenomics, research institutions and businesses are seeing incentives, or grants from the government, gradually reaching them, and some such potential clients have started to consider capital investment. (Southern Kanto: General contractor)
C	<ul style="list-style-type: none"> Indeed, we now have more freight, with the consumption tax increase imminent, but the increase in freight comes merely as a result of purchases and consumption moving forward, not as a sign of an upturn in the economy. We expect a decline in freight next spring, when the consumption tax rate is set to rise. (Tokai: Transport)
D	<ul style="list-style-type: none"> Harvesting of Fuji apples starts soon, but a succession of typhoons left more fallen apples and other problems than in ordinary years. As there is expected to be a lower crop that will qualify as year-end gifts, we are worried that the unit price may decline. (Tohoku: Agriculture, forestry and fisheries)
<i>Employment</i>	
B	<ul style="list-style-type: none"> Now that the year-end sales season is around the corner, with a last-minute rise in demand anticipated before the consumption tax increase, workforce demand is expected to increase. (Kyushu: Job advertisement magazine producer)
C	<ul style="list-style-type: none"> Job offers are expected to maintain an upward trend for the time being, but we are worried that the consumption tax increase next year may have a negative impact on job offers and employment. (Kinki: Employment security office)