

Economy Watchers Survey

September 2013

OVERVIEW OF THE MONTH

The DI for current economic conditions in September went up 1.6 points from the previous month to 52.8 for the first increase in six months.

The household activity-related DI went up, owing mainly to strength in sales of new-model cars and luxury goods, as well as housing-related products and services, due in principle to a last-minute rise in demand before a consumption tax increase, despite little growth in the number of customers visiting convenience stores and restaurants.

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

The employment-related DI went up mainly with increased job offers from the construction industry.

The DI for future economic conditions in September went up 3.0 points from the previous month to 54.2, the first increase in five months.

Regarding future economic conditions, there were concerns about deterioration in sentiment with a consumption tax increase, among others, on the one hand, and expectations of effects of the government's policies, the Tokyo Olympics, and a last-minute rise in demand before a consumption tax increase, among others, on the other hand. Under such conditions, the household activity-, corporate activity-, and employment-related DIs for future economic conditions all increased.

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>	
A	<ul style="list-style-type: none"> As most of the customers hope to close a contract by the end of September, the last month in which the current consumption tax rate applies to construction-type contracts, there are great increases both in inquiries and orders for new construction and renovation. (Hokuriku: Housing dealer)
B	<ul style="list-style-type: none"> After steady sales of special-selection items and other luxury goods in the first half of the year, there are movements toward unit-price rises emerging among other categories of goods. (Southern Kanto: Department store) With new models of hybrid cars going on sale, we see greater strength in orders. (Tokai: Auto dealer) Before a consumption tax increase next year, renovation-related products, solar power generation units, and large-size home appliances are in good demand. (Kinki: Electric appliance retailer)
C	<ul style="list-style-type: none"> After sluggishness in sales of autumn clothing in the late-summer heat that lingered till mid-September, sales of autumn and winter clothing, especially that for ladies, are picking up in a cooler temperature in late September. On balance, we probably see a slight decrease in sales. (Shikoku: Clothing store)
D	<ul style="list-style-type: none"> After record-setting high temperatures in late summer last year, there is a great year-over-year decline in sales of beverages and ice cream. Significant aftereffects can also be seen in the number of customers visiting us. (Tohoku: Convenience store) Affected by bad weather conditions, such as typhoons and heavy rains, the number of customers visiting us during the consecutive holidays was slightly below the last-year level. (Tokai: High-end restaurant)
<i>Corporate activity</i>	
A	<ul style="list-style-type: none"> In addition to brisk sales of products for automobiles and housing from the beginning of the year, we now see movements emerging in products for general construction. Exports are also increasing with the weaker yen. (Kinki: Metal products manufacturer)
B	<ul style="list-style-type: none"> With continuing improvement in demand conditions, we have started this quarter producing steel sheets for cars and section steel products mainly for construction materials almost at full capacity. (Chugoku: Iron and steel industry)
C	<ul style="list-style-type: none"> After price increases of crude oil, prices of all related products rose by more than 10 percent. Also with an 11-yen raise of the minimum wage, there will be a 2 million-yen or more annual cost increase at the ordinary business level. (Kyushu: Textile industry)
D	<ul style="list-style-type: none"> While new orders, after having been leveling off, are picking up, sales prices have still been falling down, resulting in a continued trend of turning to reduction of personnel expenses. (Kinki: Machinery & equipment)
<i>Employment</i>	
B	<ul style="list-style-type: none"> The statistics of new job offers in our jurisdiction this August shows that in the construction industry, the wooden house and real estate sectors offered more jobs than in the same month last year, which we consider demonstrates growing influence of a last-minute rise in demand before a consumption tax increase. (Shikoku: Employment security office)
C	<ul style="list-style-type: none"> Construction and civil engineering-related companies are getting more active in

	recruitment, and more of them hope to hire industry-ready people in mid-career. (Tokai: Private employment agency)
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2. Future conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> • Into the year-end, there will be a gradual last-minute rise in demand before a consumption tax increase. It is also expected that with some increase in winter bonuses, more layers of consumers will personally feel some positive impact of the government's economic policy, only gradually. (Tohoku: Department store) • With the Tokyo Olympics in mind, we will hold some events using health as a key word as part of a sales campaign. We are also looking forward to a last-minute rise in demand before a consumption tax increase. (Southern Kanto: Clothing store)
C	<ul style="list-style-type: none"> • We are afraid consumers may spend more to expensive goods and services partly with a last-minute rise in demand before a consumption tax increase, and tighten the purse strings in our stores. (Southern Kanto: General retail store [Japanese-style confection])
D	<ul style="list-style-type: none"> • Despite an almost certain tax consumption raise, there is little likelihood of a last-minute rise taking place in demand for clothing. Rather, we are afraid an official announcement of tax increase may discourage consumers from buying for the time being. (Kinki: General retail store [Clothing]) • In terms of orders for custom-built houses, interim measures for consumption tax levied on construction contracts expire at the end of September, but attitudes of customers suggest we can then expect sales of ready-built houses that can be handed over by the end of March next year. Nonetheless, we expect a slight decline in sales from this month. (Okinawa: Housing dealer)

<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> • A last-minute rise in demand before a consumption tax increase is expected to lead to increased production of cars. Accordingly, there is an expectation that makers of car-related parts and materials will also increase production. (Tokai: Financial business) • Despite uncertainty remaining in prospects, we are looking forward to seeing more investment projects for the Olympics to be hosted by Tokyo, among others. (Chugoku: Chemical industry)
C	<ul style="list-style-type: none"> • Electronic appliances-related products are going relatively well, though a downward trend of price continues. The metal price and exchange rate are both stable at the moment. (Chugoku: Nonferrous metal producer)
D	<ul style="list-style-type: none"> • As the weaker yen has resulted in price rises of imported goods, requests for a price cut are coming from cargo owner. Shipping agents continue making request for an increase of charges. Without appreciation of the yen, domestic consumption-related industries will have great difficulty. (Kyushu: Transport)

<i>Employment</i>	
B	<ul style="list-style-type: none"> • In expectation of Japan's participation in the TPP, medical-related US companies, among others, are active in their efforts to enter the Japanese market and expand business there, with more offers of marketing and sales jobs coming from them. (Southern Kanto: Private employment agency)
C	<ul style="list-style-type: none"> • Despite job offers coming from general constrictors in expectation of increase in public works, there is no increase in offers from other industries. (Tohoku: Employment security office)