

Economy Watchers Survey

April 2014

OVERVIEW OF THE MONTH

The DI for current economic conditions in April fell 16.3 points from the previous month to 41.6 for the first drop in two months.

The household activity-related DI decreased chiefly in retail areas, due mainly to a demand decline as a reaction to a last-minute rise before the consumption tax increase.

The corporate activity-related DI dropped, due mainly to a pause in order receipts and production as a reaction to a last-minute demand rise before the consumption tax increase.

The employment-related DI went down, due primarily to a pause in job offer growth in some sectors.

The DI for future economic conditions in April went up 15.6 points from the previous month to 50.3 for the first increase in five months.

Regarding future economic conditions, the household activity-, corporate activity-, and employment-related DIs rose due mainly to expectations that the impact of a demand fall as a reaction to the last-minute rise before the consumption tax increase and deterioration of confidence will fade away.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy is continuing to recover at a moderate pace, while some weak movements are now seen due to a reaction to a last-minute rise in demand before the tax increase. Concerning future economic conditions, the economy is expected to recover 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	<ul style="list-style-type: none"> While customers' order receipts are improving, favorable effects of a last-minute rise in demand before the consumption tax increase still remain. Demand arising from the termination of support for an operating system for personal computers still exists. (Kinki: Telecommunications company)
C	<ul style="list-style-type: none"> Last month, sales grew 60–70% year on year thanks to a last-minute rise in demand before the consumption tax increase. Sales in April are limited to some 80% of the year-before level, reflecting the impact of the last-minute demand rise. Given potential demand, however, we expect sales to recover in the year's second half, from June or July. (Southern Kanto: Auto dealer) As no last-minute customer spending growth before the consumption tax increase was seen, no reaction is found in April. The number of customers has remained almost unchanged year on year. (Tokai: High-end restaurant)
D	<ul style="list-style-type: none"> The number of visiting customers declined after the consumption tax increase and still remains below the year-before level in late April. We expect to see no increase in visiting customers for another month or two. (Hokuriku: Supermarket) While overall effects of the consumption tax increase have fallen within our expectations, visiting customers and spending per customer have been decreasing. The larger tenants are, the severer the situation is. (Kyushu: Department store)
E	<ul style="list-style-type: none"> The number of visiting customers and sales remained at 150% of the year-before levels before the consumption tax increase. In April after the tax increase, however, the number of visiting customers fell to 70% of the year-before level and sales to 80%. (Chugoku: Electric appliance retailer) Under the impact of the consumption tax increase, particularly, cosmetic sales became slack in reaction to bulk buying. Our store's total sales post a 6% year-on-year fall, which is within our expectations. We have successfully narrowed the fall by attracting customers with our refurbishment and by holding events (Okinawa: Department store)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> We are still busy this month after being far busier in the previous month due to orders for labeling changes on printed items in line with the consumption tax increase. (Tohoku: Advertising agency)
C	<ul style="list-style-type: none"> We had expected a reaction in April to a production increase at cardboard plants in March before the consumption tax increase. In fact, however, production has remained smooth, instead of plunging. (Hokkaido: Transporter)
D	<ul style="list-style-type: none"> Apparently due to the consumption tax increase, sales have decelerated rapidly since mid-April. Sales are falling some 20% year on year. Recovery is likely to come in early autumn. We may have to remain patient until then. (Northern Kanto: Electric machinery and apparatus manufacturer) From April, we see a decline in demand as a reaction to a last-minute rise in March before the consumption tax increase. The three-month average may be close to the year-earlier level. (Shikoku: Textile industry)
E	<ul style="list-style-type: none"> Sales were very slow in the first half of this month in reaction to a last-minute rise in demand before the consumption tax increase. (Okinawa: Food manufacturer)

Employment

C	<ul style="list-style-type: none"> Companies are still highly eager to recruit employees. But job offer growth has peaked out, calming down. (Chugoku: Private employment agency)
D	<ul style="list-style-type: none"> Part-time job offers are fewer than in the previous month as overall retail industry sales are slackening due to April's consumption tax increase. Few companies can be expected to positively make job offers in the future. (Northern Kanto: Job advertisement magazine producer)

2. Future conditions**Household activity**

B	<ul style="list-style-type: none"> As inventories accumulated at home through bulk buying before the consumption tax increase are expected to disappear in two to three months, we expect sales to gradually recover. (Tohoku: Supermarket) Including basic wage hikes and stock prices' support for the economy, conditions at present are better than at the time of the previous consumption tax increase. Apparently thanks to the conditions, the impact of the tax increase has been limited this month. Depending on efforts by stores, consumption is likely to recover this summer. (Kinki: Department store) As a decline in demand as a reaction to a last-minute rise before the consumption tax increase is weaker than expected, sales could recover around July, when bonus sales campaigns will begin. (Kyushu: Electric appliance retailer)
C	<ul style="list-style-type: none"> The impact of the consumption tax increase is small at our company. The restaurant division sees sales remaining unchanged or increasing slightly from a year earlier. Other divisions post year-on-year sales growth. We do not see any factor that could dramatically change the situation. (Kyushu: City hotel)
D	<ul style="list-style-type: none"> A drop in demand as a reaction to a last-minute rise before the consumption tax increase is severer than expected. Sales are unlikely to recover in two to three months. (Tokai: Auto dealer).

Corporate activity

B	<ul style="list-style-type: none"> We plan to take maximum advantage of manufacturing subsidies, capital investment tax incentives and other systems for large-scale investment to enhance competitiveness and improve productivity. The investment will begin to produce effects this summer or autumn. (Kinki: Chemical industry)
C	<ul style="list-style-type: none"> Demand in transportation machinery and electronics sectors in Japan will decline in reaction to a last-minute rise before the consumption tax increase. But we expect that global demand will be firm. (Chugoku: Nonferrous metal producer)

Employment

C	<ul style="list-style-type: none"> As new job offers have continued to grow some 10% year on year, we feel little impact of the consumption tax increase. So we expect no change in the future. (Southern Kanto: Private employment agency)
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