

# Economy Watchers Survey

August 2014

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## OVERVIEW OF THE MONTH

The DI for current economic conditions in August fell 3.9 points from the previous month to 47.4 for the first drop in four months.

The household activity- and corporate activity-related DIs went down due to weather factors, although a demand drop as a reaction to a last-minute rise before the consumption tax increase eased in a wide range of sectors.

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

The DI for future economic conditions in August went down 1.1 points from the previous month to 50.4 for the third consecutive decline, though standing still at a high level.

Regarding future economic conditions, the household activity-, corporate activity- and employment-related DIs fell due mainly to concerns over fuel and other price hikes, despite expectations that the impact of a demand fall as a reaction to the last-minute rise before the consumption tax increase 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 the impact of a demand fall as a reaction to the last-minute rise before the consumption tax increase is fading away. But the impact of weather factors on the economy is seen along with concerns over future hikes in fuel and other prices.

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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>B</b>	<ul style="list-style-type: none"> <li>Compared with three months ago, watch sales are recovering after being affected by the consumption tax increase. As for fashion items that have been less affected by the tax increase, bargain sales are close to the year-before level. But autumn fashion items have begun to sell well, as usual. Particularly, men's fashion goods are selling briskly. Overall sales volume has recovered to the year-before level. If it were not for the bad weather as a special factor, the present sales volume would have been greater than a year earlier. (Kinki: Department store)</li> <li>Thanks to an increase in the number of tourists from the Chinese language zone, sales have increased 10% year on year. In particular, as many as nine luxury liners made port calls with local events implemented for the fifth time in the spate of sunny days providing early autumn weather conditions suitable for Hokkaido, exerting great impacts on sales. (Hokkaido: General retailer [Souvenirs])</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Retail stores and restaurants have no longer felt any large impact of the consumption tax increase. But difficulties still remain. (Tohoku: Shopping street)</li> <li>As August has fewer operating days, we cannot expect any large number of automobiles to be sold in the month. We may secure the year-before sales level. But August alone may see a loss. We feel no economic recovery. (Kyushu: Auto dealer)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>Due to unseasonable summer weather featuring a long spate of rainy days, sales are falling 10% year on year, although sales usually peak in summer. (Kyushu: Convenience store)</li> <li>As reservations were abruptly cancelled due to typhoons, our hotel's occupancy rate this month is likely to slip below the year-before level. (Okinawa: Tourist hotel)</li> </ul>
<i>Corporate activity</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>As winners of public works projects are fixed for such areas as large-scale radiation decontamination, beaches, river banks and local governments' construction, our order receipts are increasing. (Tohoku: General contractor)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>Diesel price hikes cannot be passed on to fares. Price-raising negotiations have been rough going. Our business environment remains severe. (Hokuriku: Transporter)</li> </ul>
<i>Employment</i>	
<b>C</b>	<ul style="list-style-type: none"> <li>The number of companies planning to increase next spring's recruitment compared with this spring is limited. Mid-career recruitment is limited to covering vacant positions. Only a small number of companies plan to expand employment in the future. (Shikoku: Private employment agency)</li> </ul>

#### 2. Future conditions

<i>Household activity</i>	
<b>B</b>	<ul style="list-style-type: none"> <li>As the scope of duty-free goods for foreign travelers is planned to expand in October, we expect a double-digit year-on-year increase in duty-free goods sales. Focusing on duty-free goods sales, we are increasing the number of salespersons who can speak foreign languages and expanding duty-free counters. In addition, the consumption tax increase's impact on</li> </ul>

	<p>existing customers will decline further from this summer. (Southern Kanto: Department store)</p> <ul style="list-style-type: none"> <li>As a sales-boosting period is starting in September, we expect an increase in the number of negotiation cases. Given new model announcements, we expect the market to pick up steam. But we do not see negotiations as active as in the past even for hybrid vehicles. Customers' purse strings are very tight. (Tokai: Auto dealer)</li> </ul>
C	<ul style="list-style-type: none"> <li>As new electricity rate hikes have been announced, our customers will become more defensive and more cautious of consumption. (Hokkaido: Department Store)</li> <li>Seasonal goods sales may temporarily rise upon the turn of the season. But the temporary rise may fall short of boosting overall sales. So our business conditions will remain unchanged for a while. (Southern Kanto: Supermarket)</li> <li>As five months have passed since the consumption tax increase, customers' appetite for spending is recovering. If without special unfavorable factors like the bad weather as seen in August, business conditions may not worsen further from this month. (Chugoku: Department store)</li> </ul>

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***Corporate activity***

B	<ul style="list-style-type: none"> <li>Order receipts and sales turned downward around May and remained slack in July. At present, shipments are decreasing due to many delayed construction projects. Order receipts increased slightly after the Obon festival, indicating that orders have begun to be placed for materials for buildings to be constructed from early autumn. (Kyushu: Iron and steel industry)</li> </ul>
C	<ul style="list-style-type: none"> <li>Sales dropped sometimes after the consumption tax increase. But a sales decline this summer is not as great as usual. We are a little worried about future sales as we are uncertain about market trends and what can sell well. But we may secure year-before sales levels from autumn to winter. (Chugoku: food manufacturer)</li> </ul>
D	<ul style="list-style-type: none"> <li>Shippers' exports are moving just as planned. Unless domestic shipments increase, we cannot be profitable. As fuel prices have remained high, we are now in financial difficulties. Fuel prices are unlikely to drop. This is a matter of concern for the future. (Southern Kanto: Transporter)</li> </ul>

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***Employment***

C	<ul style="list-style-type: none"> <li>While local companies say they are generally short of labor, they have difficulties in increasing employment due to their uncertain future courses. Fuel price spikes as well as hikes in raw materials prices and electricity rates have worsened the business environment, forcing many companies to make difficult business decisions. (Northern Kanto: Employment security office)</li> </ul>
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