

Economy Watchers Survey

February 2014

OVERVIEW OF THE MONTH

The DI for current economic conditions in February went down 1.7 points from the previous month to 53.0 for the second straight month of decline, though it is still standing at a high level.

The household activity-related DI fell, owing mainly to slowdown in growth of sales of cars and fewer consumers going out amid heavy snowfall, despite increased sales especially in home appliances mainly with a last-minute rise in demand before a consumption tax increase.

The corporate activity-related DI went down, owing mainly to a slowdown in growth of new orders and output among some businesses.

The employment-related DI fell, owing mainly to a slowdown in growth of job offers in some sectors.

The DI for future economic conditions in February fell 9.0 points from the previous month to 40.0, for the third straight month of decline.

Regarding future economic conditions, the household activity-, corporate activity-, and employment-related DIs for future economic conditions all decreased mainly because there were concerns about a possible decline in demand after the tax increase as a reaction to the last-minute rise and deterioration of confidence.

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. However, concerning future economic conditions, some influence of a consumption tax increase, including a possible decline in demand as a reaction to the last-minute rise before the tax increase, is expected.”

Released on March 10, 2014 (in Japanese)
by the Director-General for Economic Assessment and Policy Analysis,
Cabinet Office
Kasumigaseki 3-1-1, Chiyoda-ku, Tokyo 100-8970
Telephone: 03-3581-1392
Internet: <http://www.cao.go.jp>

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"> The last-minute rise in demand is gradually appearing before a consumption tax increase. Progress in replacement of refrigerators and washer-dryers, among others, is especially conspicuous. (Hokkaido: Electric appliance retailer)
B	<ul style="list-style-type: none"> With a consumption tax increase just ahead, we see growing briskness especially in the cosmetics section. As most customers come to buy cosmetics every two months, we expect customers who visited us in early February will come again in late March. (Kinki: Department store) With a consumption tax increase in mind, consumers are also stocking up on products sold by the case, such as canned beer and instant noodles. (Chugoku: Supermarket)
C	<ul style="list-style-type: none"> Heavy snowfall forced many tourists to cancel journeys, and many others to postpone trips. As is often the case during Olympics periods, when people are likely to avoid making a tour, business was generally stagnant. (Shikoku: Travel agency)
D	<ul style="list-style-type: none"> The last-minute rise in demand before a consumption tax increase is weakening as, for instance, customers who came to buy a hybrid car found registration could not be completed before the tax increase, and even some types of gasoline-fueled cars would not be delivered in time. (Tokai: Auto dealer) Neither orders for An-Kin-Tan, inexpensive tours to a nearby destination for a short period, or last-minute bookings are appearing. We are also hit by refund of fees to customers compelled to cancel trips owing to heavy snowfall in mid-February. (Hokuriku: Travel agency)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> We still see many customers come to sign a contract at the last minute, so that construction work will be completed by March. In addition, there are many orders for repair of roofs and gutters broken by heavy snowfall the other day. (Southern Kanto: General contractor)
C	<ul style="list-style-type: none"> With a last-minute rise in demand before a consumption tax increase, freight increased by 20% from the ordinary level, especially for white goods, house-moving, and interior goods. There was also a large increase in direct deliveries from manufacturers of snow shovels and rubber boots, among others, who saw a surge in demand amid heavy snowfall. However, in some cases, deliveries were held up by snow that closed off roads, a tough situation. (Northern Kanto: Transport)
D	<ul style="list-style-type: none"> New orders received and sales both have been falling by around 10% on a year-on-year basis every month since December. Probably the declines result from the end of last-minute procurement of materials before a consumption tax increase, and completion of price increases of materials under the leadership of makers. (Tokai: Iron and steel industry) As a general trend, our industry sees price increases in major materials by 12 or 13% from the level three months ago, with a similar trend in prices of packaging materials, fuel, and electricity, though at different levels. As a result, our profits decreased. (Hokuriku: Food manufacturer)
<i>Employment</i>	
B	<ul style="list-style-type: none"> There are more people seeking a job than before, but with more jobs on offer, they now feel like they are “choosing” a job, rather than “searching” for someone who will employ them.

	(Tokai: Private employment agency)
C	<ul style="list-style-type: none"> Despite an increase on a year-on-year basis, job offers slightly decreased from last month. In the car sales sector, there has already been an indication that the last-minute rise in demand is disappearing as the deadline for deliveries, the end of March, is drawing near. (Northern Kanto: Employment security office)

2. Future conditions

Household activity

B	<ul style="list-style-type: none"> We expect little impact on bookings from a consumption tax increase. Rather, with economic recovery, we anticipate a slight increase in golfers coming to play. (Shikoku: Golf course)
D	<ul style="list-style-type: none"> There will be inevitable declines in sales for a few months after a consumption tax increase in April as a reaction to a last-minute rise in demand. However, it is impossible to predict how large declines will be as it will depend on the effectiveness of an economic stimulus package the government will adopt and what action we will take ourselves after the tax increase. (Kinki: Department store)
E	<ul style="list-style-type: none"> There will be a decline in sales after a consumption tax increase as a reaction to a last-minute rise. To keep the decline at a minimum, we are going to work harder to attract more foreign tourists to our stores, and offer new services, among others. (Southern Kanto: Electric appliance retailer) With a consumption tax increase in April, some of our customers say they will eat out less frequently or make do with a bistro that serves meals at a lower price as they expect a decreased allowance. (Okinawa: Bistro)

Corporate activity

B	<ul style="list-style-type: none"> Seeing business picking up among major exporters with depreciation of the yen, we also expect a gradual improvement in the economy as a whole. (Tohoku: Textile industry)
C	<ul style="list-style-type: none"> As there is no plan formulated for any large reduction after a consumption tax increase, we anticipate no major change. (Northern Kanto: Machinery & equipment)
D	<ul style="list-style-type: none"> There are no concerns for the export of cars as the exchange rate is stable at around 102 yen to the dollar, and the US economy is holding steady. However, domestic demand will shrink after a consumption tax increase. On balance, business will go down. (Tokai: Transportation machinery and tool manufacturer) We worry about negative impacts caused by a consumption tax increase. There will be temporary declines in sales both in volume and value, but the economy will then start picking up gradually as there is generally plenty of work. (Hokkaido: Other non-manufacturing business [Iron and steel products distributor])

Employment

C	<ul style="list-style-type: none"> With a temporary rise in demand before a consumption tax increase, sales seem to be increasing, but there are few companies considering capital investment or increase of workforce as they fear that they may just end up feeding on post-tax-increase demand ahead of time. (Shikoku: Temporary staffing company) The state of the economy after a consumption tax increase is unforeseeable. However, the current steadiness in the number of job offers, including those for part-time workers, not merely for regular employees, suggests any rapid deterioration is unlikely. (Kyushu: Newspaper publishing company [Job placement ads])
---	---