

Economy Watchers Survey

March 2014

OVERVIEW OF THE MONTH

The DI for current economic conditions in March rose 4.9 points from the previous month to 57.9 for the first increase in three months.

The household activity-related DI went up, due mainly to a growing last-minute rise in demand for goods other than cars before the consumption tax increase, although such rise in car demand ended.

The corporate activity-related DI rose, due mainly to growth in order receipts and production.

The employment-related DI rose, due primarily to an increase in job offers from many sectors.

The DI for future economic conditions in March went down 5.3 points from the previous month to 34.7 for the fourth consecutive month of decline.

Regarding future economic conditions, the household activity-, corporate activity- and employment-related DIs declined 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 follows: The economy is recovering at a moderate pace. A last-minute rise in demand before the tax increase is growing. Concerning future economic conditions, some influence of the consumption tax increase, including a possible decline in demand as a reaction to the last-minute rise before the tax increase, is expected.

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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

Household activity

A <ul style="list-style-type: none"> Continuing the trend seen in the previous month, sales of furniture, home electrical appliances and carpets among durable goods are increasing remarkably due to a last-minute rise in demand before the consumption tax increase. In addition, sales are robust for cosmetics, men's and women's luxury wear, sundries, arts, paintings, precious metals, watches and glasses. (Kyushu: Department store) Due to a last-minute rise in demand before the consumption tax increase, visitors and sales volume are increasing. Particularly, refrigerators, washers and air conditioners are selling well. (Southern Kanto: General retailer [Electrical appliances])
B <ul style="list-style-type: none"> Consumers are expanding bulk buying of ordinary food products, confectionery, liquor, rice, amenities, household articles and clothing among others before the consumption tax increase. (Tohoku: Supermarket) A last-minute rise in demand before the consumption tax increase is greater than expected. While the number of customers has remained unchanged, sales are growing faster than expected thanks to a greater variety of purchases per customer and price hikes. (Northern Kanto: Supermarket)
C <ul style="list-style-type: none"> Car sales growth attributable to a last-minute rise in demand before the consumption tax increase has calmed down. The number of visitors has begun to plunge as they have found that they cannot take delivery of cars before the tax increase. (Hokkaido: Auto dealer) Sales are remaining unchanged or growing slightly at our and other stores, clearly reflecting a last-minute rise in demand before the consumption tax increase. If this is judged to be unrelated to the economy, sales are remaining unchanged. (Southern Kanto: Ordinary retailer [Footwear])
D <ul style="list-style-type: none"> Sales were brisk between January's New Year sales and the first week of March, as seen usually in the busy period. But sales have been stagnant since the third week. (Tohoku: Auto dealer)

Corporate activity

A <ul style="list-style-type: none"> Cargo traffic has grown month by month ahead of the consumption tax increase. Although March is the final month of the fiscal year and therefore usually sees brisk cargo traffic, this month's traffic is increasing further day by day. (Tokai: Transporter)
B <ul style="list-style-type: none"> Consumers' bulk buying is slightly remarkable before the consumption tax increase. We see bulk buying of mineral water among drinking water products. (Kinki: Food manufacturer) As large-scale construction comes to be launched under contracts concluded last autumn to end purchases before the consumption tax increase, construction workers and machines have begun to operate at full capacity. (Hokkaido: General contractor)
C <ul style="list-style-type: none"> Order receipts are leveling off. As sales prices are left unchanged, we remain unable to absorb price hikes for raw materials and other purchases. (Tokai: Metal products manufacturer)
D <ul style="list-style-type: none"> As a last-minute rise in demand for housing materials before the consumption tax increase has come to an end, sales volume is declining. (Tohoku: Wood and wood products company)

Employment

B	<ul style="list-style-type: none"> • A rising number of enterprises are eager to increase recruitment. This tendency is particularly seen in manufacturers among enterprises that had refrained from recruiting workers due to uncertainties about the future course. The tendency is attributable to brisk earnings that encourage many manufacturers to launch operations of new production lines. (Shikoku: Job advertisement magazine)
C	<ul style="list-style-type: none"> • While programmer, system engineer and other job offers from IT-related companies have continued to increase, the rate of matching job offers to job search requests is low due to difficulties in bringing about agreements on staffing fees. (Hokuriku: Temporary staffing company)

2. Future conditions**Household activity**

C	<ul style="list-style-type: none"> • The impact of the consumption tax increase will remain until summer. Given that inquiries about summer vacation tours are increasing, our business conditions could turn better depending on summer bonuses. (Kinki: Travel agency)
D	<ul style="list-style-type: none"> • Regarding future demand from April, consumers may refrain from using taxis out of concern over the consumption tax increase that is to start at last. (Hokkaido: Taxi driver) • Despite concern over conditions after the consumption tax increase, consumer confidence has improved more or less thanks to spreading wage hikes. The impact of the tax increase, unlike that of the previous tax increase in 1997, may be limited and last for some two months. (Northern Kanto: Supermarket) • Given that a last-minute rise in demand before the consumption tax increase is more than expected, we predict a reactionary fall to be great. But the present business confidence prompts us to expect that consumption would recover swiftly after plunging once. (Tokai: Department store)
E	<ul style="list-style-type: none"> • Consumers' eating-out frequency and spending are certain to decline for a while after spending too much money on purchases before the consumption tax increase. (Okinawa: Bistro)

Corporate activity

C	<ul style="list-style-type: none"> • After the consumption tax increase, housing business conditions will deteriorate slightly due to a decline in building certification applications. But our overall business conditions will remain unchanged as public works including facility construction are set to increase slightly from the previous year. (Hokkaido: Metal products manufacturer)
D	<ul style="list-style-type: none"> • Cargo traffic will decline after consumption is front-loaded before the consumption tax increase from April. (Hokuriku: Transporter) • Fuel prices will rise further due to the consumption tax increase and a petroleum and coal tax hike from April. We see no good signs for transporters using vehicles. (Shikoku: Transporter)

Employment

D	<ul style="list-style-type: none"> • As a last-minute rise in demand before the consumption tax increase ends for automakers, temporary staffing demand will calm down in April. (Chugoku: Temporary staffing company)
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