

Economy Watchers Survey

November 2014

OVERVIEW OF THE MONTH

The DI for current economic conditions in November fell by 2.5 points from the previous month to 41.5 for the second straight drop.

The household activity-related DI decreased mainly because retail sales declined.

The corporate activity-related DI went down as the nonmanufacturing sector weakened.

The employment-related DI dropped to a still-high level of 47.6 due primarily to a pause in job offer growth in some sectors.

The DI for future economic conditions in November went down 2.6 points from the previous month to 44.0 for the sixth consecutive decline.

Regarding future economic conditions, the household activity-, corporate activity- and employment-related DIs fell, due mainly to concerns over price hikes.

For the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy has shown some weakness in its recovery. For the future, concerns over price hikes are seen.

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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> | |
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| B | <ul style="list-style-type: none"> As the yen's depreciation continues, sales to foreigners are increasing from the previous month. Duty-free sales of general goods have tripled from a year earlier, covering a continuous decline in sales to traditional customers after the consumption tax increase. We expect to see an increase in sales this month as well. (Kinki: Department store) |
| C | <ul style="list-style-type: none"> Among fresh food sales accounting for the core of our sales, fish and meat sales are robust. But fruit and vegetable sales have remained slack since last summer, showing no sign of improvement. As temperatures have failed to fall, winter wear sales remain stagnant. The non-food sales trend as well is unfavorable (Kyushu: Supermarket). |
| D | <ul style="list-style-type: none"> As the number of visitors has declined, the number of business negotiations has decreased. Particularly, women strongly conceive prices as rising and indicate reluctance to spend on autos. It is difficult to discuss core points in negotiations with them. (Tokai: Auto dealer) While domestic trips have remained above the year-before level, overseas trip reservations have been very sluggish. Consumers have increasingly felt overseas trips are expensive under the yen's depreciation. We hear concerns about Ebola hemorrhagic fever in regard to Europe, indicating the impact of harmful rumors. (Kinki: Travel agency) |
| <i>Corporate activity</i> | |
| B | <ul style="list-style-type: none"> Due to the yen's depreciation, our trading partner company engaging in overseas production has begun to make an inquiry about our possible production under contract. (Chugoku: Electric machinery and apparatus manufacturer) |
| C | <ul style="list-style-type: none"> Butter and fat-free milk production has plunged due to continued raw milk shortages. Although the government has taken some actions including emergency imports, confectionery makers are beleaguered just ahead of the demand season including the year-end Christmas sales campaigns. (Hokkaido: Transporter) |
| D | <ul style="list-style-type: none"> While the yen's depreciation has led prices of raw materials procured from abroad to shoot up and boost product costs, we have failed to pass the cost hike on to product prices, leaving earnings to decline. (Shikoku: Food manufacturer) |
| <i>Employment</i> | |
| C | <ul style="list-style-type: none"> The number of new job offers has risen year on year. But growth has decelerated, nearing close to zero. (Southern Kanto: Employment security office) |

2. Future conditions

| <i>Household activity</i> | |
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| B | <ul style="list-style-type: none"> As the next consumption tax increase has been put off, we expect that our customers will feel at ease and enjoy shopping at the year-end. (Kyushu: Shopping street) |
| C | <ul style="list-style-type: none"> Some restaurants have voiced concern about a sales drop due to a House of Representatives election in December. But the dominant view is that no major change will be seen over the next two or three months. While wages have increased slightly, price hikes through the yen's depreciation and the dollar's appreciation have led people to keep a tight hold on their purse strings and refrain from buying anything other than what they need. (Hokuriku: |

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| | Shopping street) |
| D | <ul style="list-style-type: none"> As income remains unchanged with electricity and other prices rising, consumption will slacken toward winter. (Hokkaido: Shopping street) As a House of Representatives election has been set for December, business conditions in the month have become uncertain. Particularly, we fear adverse impacts on year-end gift sales. (Hokuriku: Supermarket) |
| E | <ul style="list-style-type: none"> Even though the consumption tax increase to 10% has been put off, consumer sentiment is still very weak. Sentiment is likely to deteriorate further due to increased spending on kerosene and others in winter. (Tohoku: Supermarket) |

Corporate activity

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| C | <ul style="list-style-type: none"> We would like to place hopes on rising exports through the yen's depreciation and the development of new products. We are growing confident of such change. (Hokuriku: Textile industry) Although consumption in the prefecture is following an upward trend due to an increase in the number of foreign tourists, future economic conditions are still uncertain. We cannot expect to see an expansion in companies' sales promotion investment in the prefecture. (Okinawa: Advertising agency) |
| D | <ul style="list-style-type: none"> Raw material cost hikes under the yen's depreciation are intolerable. While considering raising our product prices, we fear a consumption plunge. (Tohoku: Food manufacturer). |

Employment

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| C | <ul style="list-style-type: none"> Job offers at many business establishments in the manufacturing sector are failing to increase, with no sign of improvement seen. (Northern Kanto: Employment security office) |
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