

Economy Watchers Survey

July 2015

OVERVIEW OF THE MONTH

The DI for current economic conditions in July rose by 0.6 points from the previous month to 51.6.

The household activity-related DI went up mainly because the retail-related DI increased. The corporate activity-related DI rose as the DIs for the manufacturing and non-manufacturing sectors increased. The employment-related DI gained due primarily to an increase in job offers.

The DI for future economic conditions in July went down by 1.6 points from the previous month to 51.9.

The household activity-, corporate activity- and employment-related DIs dropped.

The assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy has continued moderate recovery. For the future, expectations on tourism demand and premium gift tickets are seen, despite concerns over price hikes.

Released on August 10, 2015 (in Japanese)
by the Director-General for Economic Assessment and Policy Analysis, Cabinet Office
Nagata-cho 1-6-1, Chiyoda-ku, Tokyo 100-8914
Telephone: 03-6257-1576
Internet: <http://www.cao.go.jp>

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"> Since premium gift tickets began to be used, both sales and visitors have been on an upward trend. As extremely hot days have continued, summer goods sales have been brisk, helping improve our business performance. (Tohoku: Supermarket). As extremely hot days have increased after summer bonus payments, demand for air-conditioning and other cooling machines has led sales recovery. (Shikoku: Home electric appliance retail store) Generally, we see better business conditions than in the previous year. While inbound customers from foreign countries have increased, we are concerned that domestic customers have been leveling off. (Okinawa: Tourist spot)
D	<ul style="list-style-type: none"> While weather has been worse than in the previous year, customers have been more sensitive to prices due to price hikes for bread, confectionery products, and vegetables. Beef sales have been sluggish as customers have shifted to pork or chicken. (Kinki: Supermarket)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> As some companies are shifting business resources from foreign countries back to Japan, relevant capital investment and refurbishment work have been emerging. But small and medium-sized enterprises' capital investment, though improving, has apparently still been slack. (Kinki: Transportation equipment manufacturer)
C	<ul style="list-style-type: none"> Rises in raw materials prices, electric rates and personnel costs have squeezed business. (Southern Kanto: Precision machinery and tool manufacturer)
D	<ul style="list-style-type: none"> Gradual increases in average imported raw materials prices are affecting earnings more and more. (Hokuriku: Food manufacturer)
<i>Employment</i>	
C	<ul style="list-style-type: none"> Companies have remained highly ambitious about recruiting competent human resources as regular employees. (Tokai: Temporary staffing company)

2. Future conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> We hope that tourists to Kyushu will increase to expand local consumption in the long September vacation in Japan. We expect consumption by inbound tourists to increase thanks to South Korea's long vacation for the mid-autumn harvest festival in late September and China's one for National Day in early October. (Kyushu: Department store) In this region, premium gift tickets have been launched and almost sold out. Tickets available for small shops in shopping streets may make some contributions to sales growth. (Southern Kanto: Shopping street)
C	<ul style="list-style-type: none"> We see no measures expected to promote economic recovery. We are also concerned about the Chinese situation. (Tokai: Supermarket)
D	<ul style="list-style-type: none"> While income has failed to increase in rural regions, price hikes have continued mainly for food products. Consumers are strictly selecting cheaper products. (Chugoku: Shopping street)

Corporate activity

C	· As exchange rates are likely to remain unchanged for the immediate future, large enterprises are expected to retain income and profit growth due to brisk exports. (Chugoku: Financial business)
D	· As the yen has been weakening with raw materials prices remaining high, we expect to log a loss or remain break-even unless we can raise our product prices by 20% or more. (Northern Kanto: Food manufacturer) · Although this season usually sees new construction project launches, project launches in Sapporo and other major cities in Hokkaido are fewer than usual. So we expect a slightly worse future business situation. (Hokkaido: General contractor)

Employment

B	· When interviewing various enterprises, we frequently hear that they fail to secure human resources even for part-time and other non-regular jobs unless they raise hourly wages. (Hokuriku: Newspaper company [Job advertisements])
----------	---
