

Economy Watchers Survey

June 2015

OVERVIEW OF THE MONTH

The DI for current economic conditions in June fell by 2.3 points from the previous month to 51.0.

The household activity-related DI dropped mainly because the retail-related DI declined. The corporate activity-related DI went up as the DI for the manufacturing sector increased. The employment-related DI decreased.

The DI for future economic conditions in June went down by 1.0 point from the previous month to 53.5.

While the corporate activity-related DI rose, the household activity- and employment-related DIs dropped.

For the reasons mentioned above, 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 summer bonuses, demand from foreign tourists, and premium gift tickets are seen, despite concerns over price hikes.

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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"> As bonus payments started, many customers reported greater-than-expected bonus hikes, leading to growth in summer vacation tour orders. (Kinki: Travel agency) Spending per customer has exceeded the year-before level, benefiting from premium gift tickets. (Hokuriku: Convenience store)
C	<ul style="list-style-type: none"> Although sales were considerably brisk under very warm weather in May, we see falls in both the number of visitors and sales under broken weather including lower temperature in June. (Northern Kanto: Convenience store). As dry, warm weather has continued even in the rainy season, beverage, ice cream and other sales are growing. Weather conditions have remained favorable for convenience stores. (Okinawa: Convenience store)
D	<ul style="list-style-type: none"> Price hikes for imported raw materials under the weakening yen have accelerated an overall price increase further. Our store has had no choice but to raise product prices, resulting in a fall in customers' appetite for spending. (Tokai: General retailer [Food]) As the number of rainy days increased further even from the high level a year earlier, we see a decline in customers' motivation to go out on the streets for shopping. (Kyushu: Department store)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Inquiries from small and medium-sized enterprises in general about loans for capital investment have been increasing. Sales are also growing. (Kyushu: Financial business)
C	<ul style="list-style-type: none"> While raw materials costs have spiked under the yen's prolonged weakness, we have difficulties in passing cost hikes on to product prices. (Southern Kanto: Textile industry)
D	<ul style="list-style-type: none"> Procurement price hikes under the yen's depreciation have led some companies to scale down or withdraw from business projects. The weak yen has also affected crude oil import prices, leading to fuel price hikes. (Shikoku: Transport)
<i>Employment</i>	
C	<ul style="list-style-type: none"> While temporary staffing orders have been robust, new contracts for temporary staffing are slumping. We see remarkable mismatches between temporary staffing orders and job seekers. (Southern Kanto: Temporary staffing company)

2. Future conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> Bonus payments and premium gift tickets will play a leading role in stimulating personal consumption. (Kinki: Department Store) As inbound foreign tourists are increasing further, exceeding the year-before level, with premium gift ticket sales starting, we place expectations on the coming three months. (Kyushu: Other retail trade observer [Shopping center])

D	<ul style="list-style-type: none">We are concerned that food product price hikes resulting from import price spikes under the weakening yen will lead to a general price increase that could offset limited basic wage hikes and cause a gradual recession. (Hokkaido: Supermarket)
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Corporate activity

B	<ul style="list-style-type: none">The semiconductor sector is ending inventory and other adjustments at last, seeing growth in orders and inquiries. But unit prices are severely low. Automobile, medical equipment and forestry machinery sectors are in fairly good condition. The electricity storage sector is contracting. In general, business conditions differ from sector to sector. (Tohoku: Metal industry cooperative association)
C	<ul style="list-style-type: none">Under the weak yen, production at automakers is expected to remain robust as at present. (Tokai: Transportation machinery and tool manufacturer)
E	<ul style="list-style-type: none">Raw materials costs are continuing to rise. As customers remain thrifty and consumption is unlikely to increase, it is difficult to raise product prices. (Chugoku: Food manufacturer)

Employment

B	<ul style="list-style-type: none">As the tourism industry supporting Hokkaido is in good condition, sales at hotels, tourist spots, home electric appliance retail stores, drug stores, restaurants, etc. are expected to rise thanks to a further increase in the number of domestic and foreign tourists from July to September, working to shore up employment in Hokkaido. (Hokkaido: School [University])
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