

Economy Watchers Survey

July 2018

OVERVIEW OF THE MONTH

The DI for current economic conditions in July (seasonally adjusted) went down by 1.5 point from the previous month to 46.6.

The household activity-related DI went down, though retail sales increased, mainly because services DI decreased. The corporate activity-related DI went down as the DI for the non-manufacturing sector decreased. The employment-related DI decreased.

The DI for future economic conditions in July (seasonally adjusted) went down by 1.0 point from the previous month to 49.0.

The employment-related DI increased, while the household activity- and corporate activity-related DIs declined.

On a not seasonally adjusted basis, the DI for current economic conditions fell by 0.7 points from the previous month to 47.5 and the DI for future economic conditions fell by 1.9 points from the previous month to 49.0.

The assessment of Economy Watchers indicated in this survey can be summarized as follows: The economy has continued moderate recovery, though with a pause continuing to be seen due to a decline in economic confidence after the Heavy Rain Event of July 2018. As for the future, while concerns over labor shortages, cost increases, and impact of the Heavy Rain Event exist, growth mainly in orders and capital investment is continuously expected.

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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>	
A	<ul style="list-style-type: none"> The record heat wave is driving up sales of air-conditioners, refrigerators, washing machines, and other appliances so strongly that delivery cannot keep up. (Kinki: Electrical appliance retailer)
D	<ul style="list-style-type: none"> In the extraordinarily hot weather, fewer customers come to us. In a spell of such hot days, not a few people get out of shape, a condition discouraging people from going out. (Tohoku: Standard class restaurant) With the Heavy Rain Event of July 2018, many bookings have been canceled as people refrain from going sightseeing and public transportation has been suspended, a serious damage to business. Indirect impacts are also emerging such as delay in the supply of goods we offer to tourists. (Koshinetsu: Tourist hotel)
E	<ul style="list-style-type: none"> Since the Heavy Rain Event of July 2018, the transport network has been in chaos, resulting in fewer customers and a sharp decline of sales. The temperature is extremely high, and sales fail to grow. (Chugoku: Department store)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Sales of automakers for North America have been growing on a year-on-year basis for 79 straight months, and those for Canada have also been increasing for 25 straight months. (Northern Kanto: Transportation equipment)
D	<ul style="list-style-type: none"> No significant change is seen in new orders received. But in such fierce heat, the attendance rate is declining among the part-time drivers and workers, worsening the labor shortage. Increased recruitment and labor costs significantly weigh down on the profitability. (Tokai: Transport)
<i>Employment</i>	
C	<ul style="list-style-type: none"> Many companies tentatively offered a job to more graduates-to-be than planned, only to find quite a few of them decline and fail to reach their recruitment target. (Tohoku: Newspaper publisher [Help wanted ads])

2. Future conditions

<i>Household activity</i>	
B	<ul style="list-style-type: none"> More tours will be arranged for tourists going on tours to Chugoku, Shikoku, or Kyushu for reconstruction support purposes. (Kinki: Travel agent)
C	<ul style="list-style-type: none"> No change has been observed in the bookings for the next three months. But after the Heavy Rain Event of July 2018, people refrain from going out to eat, and we expect a slowdown in bookings. On the other hand, once any of the banquets that have been put off so far comes back, customers will increase. (Chugoku: High-class restaurant)
D	<ul style="list-style-type: none"> The Heavy Rain Event of July 2018 and the fierce heat that month have driven up prices of perishable foods, and we are worried especially about how long the impact will remain. (Hokuriku: Supermarket) Our business is, by its nature, significantly affected by the weather. We are worried whether the heat of late summer may linger this year again, damping sales of autumn goods at the start of the season. (Tohoku: Clothing shop)
<i>Corporate activity</i>	
D	<ul style="list-style-type: none"> In addition to the weakness of the yen and the persistence of higher oil prices as a consequence, the Heavy Rain Event of July 2018 forced JR Freight to suspend its services. The stoppage may bring to a standstill the modal shift that has been spreading smoothly so far, worsening the shortage of drivers and vehicles. (Shikoku: Transport)
E	<ul style="list-style-type: none"> With poor harvest of cabbage and onion, ingredients of our products, after torrential rains and a lack of sunshine, we expect price increases and a consequent slowdown of business. (Hokkaido: Food and kindred products)
<i>Employment</i>	
B	<ul style="list-style-type: none"> Job offers stay at a high level, and labor shortage remains serious while the labor market for job switchers will get more lively. (Tokai: Job placement office)