

Economy Watchers Survey

May 2011

OVERVIEW OF THE MONTH

The DI for current economic conditions in May rose 7.7 points from the previous month to 36.0 for the second straight month of increase.

The household activity-related DI rose, mainly due to a fading mood of voluntary restraint and a growing willingness to make purchases among consumers, although sluggish consumption, triggered by a downturn in consumer confidence, and a decrease in customers in the restaurant business, travel industry, and accommodation sectors were seen in the aftermath of the Great East Japan Earthquake.

The corporate activity-related DI rose, mainly due to the post-disaster reconstruction demand and increased orders for production to cover output shortfalls at disaster-damaged companies, despite continued production interruptions by supply shortages and the delayed delivery of raw materials and equipment, and cost increases resulting from price hikes.

The employment-related DI rose thanks to a gradual production recovery in the manufacturing sector and increasing job offers in some areas, although weakness was seen in such areas as company recruitment.

The DI for future economic conditions in May went up 6.5 points from the previous month to 44.9 for the second straight month of increase.

The DIs for future economic conditions rose in all the household, corporate, and employment sectors, mainly because a post-disaster reconstruction demand and consumer confidence recovery were expected even amid uncertainties among consumers and businesses about the future.

From the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as “the economy, though remaining in a severe situation under the impact of the Great East Japan Earthquake, appears to moving in an upward trend.”

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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>	
B	<ul style="list-style-type: none"> The temporary cautious attitude about making purchases under the impact of the Great East Japan Earthquake has ended and customer consumption is recovering. Both the number of customers making purchases and the sales volume have topped the previous year's levels. (Chugoku: Department store) As the energy-saving trend has been strong, electric fans have been selling strongly earlier than usual. Air-conditioners with better energy-saving performance are also selling well. (Hokuriku: Electric appliance retailer)
C	<ul style="list-style-type: none"> Although the mood of voluntary restraint under the impact of the Great East Japan Earthquake has faded away, consumers' willingness to make purchases has not recovered so much. (Hokuriku: General retail shop [butcher shop]) The mood of voluntary restraint toward business and personal trips under the impact of the Great East Japan Earthquake has weakened somewhat. But customer travel orders are still sluggish. Both individual and group tour orders have slipped below the previous year's levels. (Shikoku: Travel agency)
D	<ul style="list-style-type: none"> As major automakers' plants are operating at 50% of their full capacity, under the impact of the Great East Japan Earthquake, customers who order new vehicles now cannot secure a delivery schedule. Customers thus have difficulties placing orders. (Southern Kanto: Auto dealer) Business went pretty well May 2 through 5 as mainly local customers visited this restaurant. Since that holiday-studded week, however, the number of customers has gradually fallen back to the previous month's level. (Hokuriku: General restaurant) As information about delayed deliveries and supply shortages of building materials has been conveyed to customers, they have increasingly grown hesitant to place housing orders now. They have postponed or avoided placing housing orders. (Hokuriku: Housing dealer)
<i>Corporate activity</i>	
B	<ul style="list-style-type: none"> Plants have completed their post-disaster restoration and become busy with increasing production in anticipation of an upcoming production cut resulting from electricity conservation measures to be implemented during the summer. (Tohoku: Other companies [plant service]) Sales for this month as well are certain to exceed the previous year's level, backed by a reconstruction demand after the Great East Japan Earthquake and increased orders for LED lamps for energy-saving or electricity conservation purposes. (Kinki: Electrical machinery and equipment)
D	<ul style="list-style-type: none"> While the prices of raw material cotton yarn have soared, orders have declined under the impact of the Great East Japan Earthquake. (Kinki: Textile)
E	<ul style="list-style-type: none"> As shippers have grown conscious of transportation costs, we have had difficulties passing fuel price hikes on to transportation fares. (Tokai: Transport)
<i>Employment</i>	
C	<ul style="list-style-type: none"> While employment security offices are full of job offers for Great East Japan Earthquake survivors, matching job offers and seekers remains difficult. (Tohoku: Temporary staff service) Some manufacturers have tended to revive job offers as post-disaster parts procurement difficulties have been resolved. (Chugoku: Temporary staff service)

D	<ul style="list-style-type: none"> New job offers declined in April after a moderate increase, and the number of companies planning employment adjustment subsidies exceeded 1,000 for the first time in several months. (Tokai: Employment security office)
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2. Future conditions

Household activity

B	<ul style="list-style-type: none"> The economy will improve gradually now that customers' willingness to make purchases is growing, thanks in part to the resolution of product shortages and distribution interruptions since the Great East Japan Earthquake. (Chugoku: Supermarket) As consumers' trips to summer retreats and large businesses' decentralization of holidays for summer electricity conservation purposes are advantageous for tourism, consumption will gradually become active. (Northern Kanto: Tourist hotel)
C	<ul style="list-style-type: none"> The last television replacement demand peak is coming up, with July's termination of analog broadcasting. The demand for energy-saving electrical appliances to replace old ones has been robust under electricity conservation campaigns. Particularly, air conditioners, refrigerators, and LED lamp sales can be expected to increase. (Southern Kanto: Electric appliance retailer)
D	<ul style="list-style-type: none"> As the Fukushima Daiichi Nuclear Power Plant accident continues to be unresolved, the future outlook will remain uncertain. (Northern Kanto: Auto dealer)
E	<ul style="list-style-type: none"> If rolling blackouts are implemented this summer, business hours may have to be shortened, which will affect customers' purchasing behavior. (Kyushu: Department store)

Corporate activity

B	<ul style="list-style-type: none"> As supply chain recovery has made faster-than-expected progress, production is likely to be smooth in and after August. (Shikoku: Machinery and equipment) As signs of recovery can be seen all around, the economy will go upward in the future. (Tohoku: Business consultant)
C	<ul style="list-style-type: none"> While some materials are still subjected to delivery constraints under the impact of the Great East Japan Earthquake, requests are growing for raising the prices of raw and other materials. (Kinki: Food manufacturer) As electricity supply conditions remain uncertain, we have difficulties estimating orders for automobile parts. (Northern Kanto: Machinery and equipment)

Employment

B	<ul style="list-style-type: none"> As businesses' component procurement since the Great East Japan Earthquake has gradually stabilized, and as our corporate customers have ended their temporary involuntary furloughs and stabilized business operations, job offers are increasing. (Chugoku: Temporary staff service)
C	<ul style="list-style-type: none"> Job offers are declining after an upward trend. As job offers have decreased in most industries, other than transportation and the mail service sector, the future outlook is severe. (Kinki: Employment security office) As automobile production has declined under the impact of the Great East Japan Earthquake, such conditions as falling sales and workforce cuts are emerging at auto parts manufacturers. Some businesses are considering such measures as the reduction of work days for summer electricity conservation and other purposes. (Southern Kanto: Temporary staff service)
D	<ul style="list-style-type: none"> Local small and medium-sized businesses have taken advantage of employment adjustment subsidies and the like to maintain employment, while furloughing workers. But they have gradually lost room to do so. (Tokai: Employment security office)